

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

August 2019

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 UniCredit 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 18.6% as of December 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*

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

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

Vienna remains the CEE competence center of UniCredit Group

No impact of CEE transfer on Bank Austria clients

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

Solid CET1 ratio of 18.6% 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 (CC) 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

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UniCredit: a simple successful Pan European Commercial Bank with a fully plugged in CIB, delivering a unique Western, Central & Eastern European network

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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

26.4 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 **13⁽⁴⁾** out of **14** countries

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

€2.8bn
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⁽⁶⁾

(1) Data as of FY18 includes 100% clients in Turkey

(2) Business division revenues as of FY18: CB Italy, CB Germany, CB Austria, CEE and Fineco

(3) Data as of 3Q18 (FY17 for Austria), 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, Turkey

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

(6) Data as of FY18 based on regional view



Strong competitive advantage across countries and products

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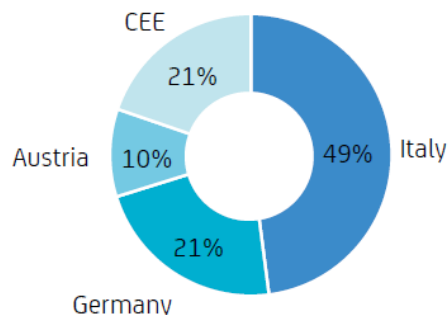
UniCredit at a glance

Strong local Commercial Banks

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

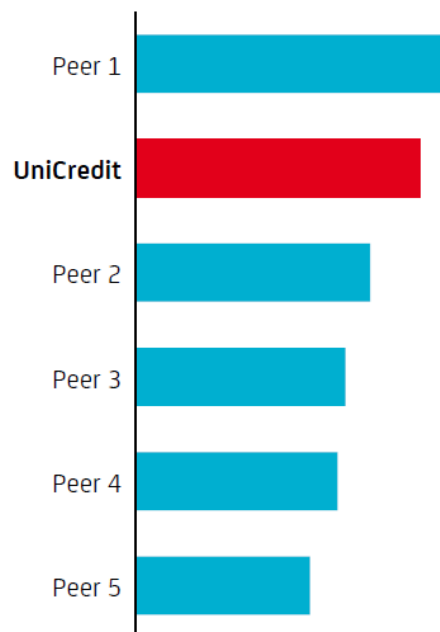
Italy	8.9	2
Germany	1.6	3
Austria	1.6	1
CEE	14.3	1

Revenues by geography⁽³⁾



"Go to" bank for European "Mittelstand" Corporates

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



Best-in-class CIB product provider

EMEA rankings⁽⁵⁾

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

Awards



- **Global Finance** 2018 Best Bank for Liquidity Management in CEE and Western Europe, in Italy and in Austria⁽⁶⁾
- **Euromoney Trade Finance Survey 2018:** Best Service Provider (#1 Global All Services, Products/Payments, Overall Execution). Market Leader #1 in Bosnia Herzegovina, Bulgaria, Croatia, Hungary, Italy, Romania, Serbia and Turkey⁽⁷⁾

(1) Data as of FY18 includes 100% clients on Turkey

(2) Data as of 3Q18, based on available public data. For Austria ranking on single entities only possible on the basis of annual figures: FY17 latest figures available. For Germany, only private banks, for CEE compared to Erste, KBC, Intesa Sanpaolo, OTP, RBI, SocGen (data as of 3Q18 where disclosed: KBC as of 1H18, SocGen as of FY17)

(3) Data as of FY18 based on regional view

(4) Data as of 4Q18; peers include: BNP Paribas, Deutsche Bank, Santander, HSBC, Intesa Sanpaolo, Société Générale. FX exchange rate at 30 September 2018

(5) Dealogic as of 2 January 2019; period: 1 Jan – 31 Dec 2018

(6) Source: www.gfma.com

(7) Source: www.euromoney.com



STRENGTHEN AND OPTIMIZE CAPITAL

**FY19 CET1 ratio
guidance confirmed**

**TLAC ratio buffer now
at upper end of 50-
100bps target range**

Rating upgrades



- 2Q19 CET1 ratio at 12.08%. MDA buffer of 201bps
- CET1 MDA buffer by year end 2019 confirmed at the upper end of target range of 200-250bps⁽¹⁾
- Sold remaining Fineco stake in July, expected CET1 ratio impact +0.3p.p. in 3Q19
- 2Q19 TLAC ratio 20.69%⁽²⁾. 2Q19 buffer of 112bps, target now at the upper end of 50-100bps range
- S&P upgraded UniCredit SpA above the Italian sovereign
- Moody's upgraded UniCredit SpA's stand-alone rating and Tier 2 to investment grade

IMPROVE ASSET QUALITY

**Original Transform
2019 asset quality
targets materially
beaten**



- 2Q19 Group gross NPE ratio improved to 6.98% (-1.8p.p. Y/Y) with Group gross NPEs down 8.2bn Y/Y and 3.1bn Q/Q, of which 2.1bn⁽³⁾ disposals in 2Q19
- Group Core gross NPE ratio 3.9%, down 65bps Y/Y, well below FY19 4.7% target
- FY19 Non-Core gross NPEs target meaningfully below 14.9bn and closer to 10bn

TRANSFORM OPERATING MODEL

**Transformation well
ahead of plan**

FY19 costs confirmed



- 98% of 944 Transform 2019 branch closure target in Western Europe already achieved, with 24 branches closed in 2Q19 and 925 since December 2015
- Transform 2019 net FTE reduction target of 14,000 achieved. FTEs down by 274 Q/Q
- FY19 cost confirmed at 10.1bn, materially beating original Transform 2019 target

(1) Assuming BTP spreads remain at 2Q19 levels.

(2) 2Q19 TLAC ratio 20.69%, o/w 18.20% TLAC subordination ratio and 2.5% senior preferred exemption

(3) Of which 1.1bn in Non Core; NPE = Non-Performing Exposure



MAXIMIZE COMMERCIAL BANK VALUE

**Multichannel offer/
customer experience**

**Commercial
partnerships**

**Support for real
economy**

Five Excellence Awards

**Leading European CIB
franchise**



- New Mobile Banking App across Western Europe, already successfully rolled out in Italy. Standardisation creates a consistent user experience and faster innovation time to market
- New digital account opening process in Germany, enhancing customer experience, allowing opening of a current account in a few minutes via mobile and online
- Successful insurance partnership with Allianz in Germany. Life insurance volumes up 68.4% Y/Y
- UniCredit issued 12 Italian SME "Minibonds" in 1H19 for a total of € 71m, contributing to the development of an SME capital market culture in Italy
- 2019 Euromoney Awards for Excellence: Best Bank in Italy, Croatia, Serbia, Wealth Management in CEE and Transaction Services in CEE
- Leading bond and loan market franchise confirmed: #2 in "EMEA All Bonds in EUR" by number of transactions⁽¹⁾, #1 in EMEA Syndicated Loans in All Currencies⁽¹⁾ in Italy, Austria and CEE, #3 in Germany

ADOPT LEAN BUT STEERING CENTER

Group CC streamlining



- The ratio of GCC costs to total costs is down to 3.3% in 1H19. FY19 target of 3.5%



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Bank Austria – at a glance

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Overview Bank Austria
Business Model & Strategy

Bank Austria Highlights as of 31 December 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** (18.6% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

in € bn

	Dec-18	Dec-17 ¹⁾
Total Assets	99.0	102.1
Customer Loans	62.6	60.0
Direct Funding	68.3	69.5
Equity	8.4	8.3

in € mn

	FY18	FY17
Operating income	1,983	2,022
Operating costs	-1,221	-1,292
LLP	66	-9
Net profit	637	653

	Dec-18
Cost / income ratio	61.6%
CET1 capital ratio ²⁾	18.6%
Total capital ratio ²⁾	21.4%

Non-performing exposure ratio 3.3%

Coverage ratio 54.5%

Cost of risk -11 bp

Moody's Deposit Rating	A3	P-2
Moody's LT Senior Unsecured	Baa1	
Moody's Counterparty Risk	A2	P-1
S&P Rating	BBB+	A-2

Market shares
loans / deposits Austria 13.9% 12.5%

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



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 of Bank Austria)
- Focus on
 - **Multinational corporates in Austria, Nordics & Iberia**
 - **International and institutional Real Estate customers** requiring **investment banking solutions**, especially capital markets-related products
 - **Financial Institutions**
- Clients have access to the **banking network of the largest lender in CEE** as well as to **UniCredit branches** in major financial centers **worldwide**

CIB = Corporate & Investment Banking

Unternehmerbank

Corporate Banking

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

Privatkundenbank

Retail Banking

- Retail Banking covers **1.6 mn Retail and Small Business customers** (<€3mn turnover)
- **Broad Multi-channel offer via**
 - **Physical branch network** (with a total of 123 branches)
 - **Advisory services via video telephony between 8.00 a.m. and 8.00 p.m.** (geographically independent)
 - **Digital services: Internet Banking, Mobile Banking and Online Shop**
- **Support by experts in deposit business and real estate financing business** (locally or via video telephony)

Private Banking

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



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P&L of Bank Austria Group – 2018

Net Operating Profit (NOP) above previous year: revenues nearly stable, strong cost savings, excellent risk result

Overview Bank Austria

Profit & Loss

	1-12 2018	1-12 2017	y/y	4Q18	3Q18	4Q17	q/q	y/y
(€ mn)								
Operating income	1,983	2,022	-1.9%	473	507	517	-6.6%	-8.4%
Operating costs	-1,221	-1,292	-5.5%	-308	-287	-316	7.3%	-2.5%
Operating profit	762	729	4.5%	165	220	201	-24.8%	-17.8%
Net write-downs of loans	66	-9	>-100.0%	3	-24	-79	>-100.0%	>-100.0%
Net operating profit	829	720	15.1%	169	196	122	-13.9%	37.7%
Non-operating items	-112	-149	-24.7%	-20	-21	-46	-7.1%	-56.7%
Profit (loss) before tax	716	571	25.5%	149	174	76	-14.7%	94.4%
P/L discontinued operations	15	114	-86.9%	1	0	-1	37.5%	>-100.0%
Other positions	-95	-32	>100.0%	-16	-25	0	-36.7%	>-100.0%
Group Net Profit	637	653	-2.6%	133	150	76	-10.8%	76.2%
Cost/income ratio	61.6%	63.9%	-234 bp	65.1%	56.6%	61.1%	845 bp	397 bp

- **Operating Income slightly below 2017 level**, mainly due to lower net interest in the prevailing low interest environment
- **Operating Costs down by 6% y/y**, improvements in all major cost categories, reflecting strong cost discipline.
Substantial improvement of cost/income ratio (-2.3 pp) to 61.6% (net releases in CIB and Retail)
- **Net Write-Downs of Loans again positive with € +66 mn** (net releases in all business areas)
- **Non-Operating Items € -112 mn**: mainly systemic charges (€ -122 mn), provisions and income from real estate sales
- **P/L from discontinued operations: € +15 mn** (2017: € +114 mn), mainly due to real estate sales by Immo Holding (real estate group held for sale)



P&L of Bank Austria Group – 2018 in detail

Overview Bank Austria

Profit & Loss

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(€ million)	1-12/2018	1-12/2017 recast	Δ abs.	Δ in %
Net interest	963	998	-35	-3.5%
Dividends and other income from equity investments	155	154	1	0.8%
Net fees and commissions	706	711	-6	-0.8%
Net trading, hedging and fair value income/loss	103	77	26	33.4%
Net other expenses/income	57	81	-24	-30.0%
Operating income	1,983	2,022	-38	-1.9%
Payroll costs	-632	-667	35	-5.3%
Other administrative expenses	-561	-596	34	-5.8%
Recovery of expenses	0	1	0	-27.9%
Amortisation, depreciation and impairment losses on intangible and tangible assets	-29	-30	1	-4.3%
Operating costs	-1,221	-1,292	71	-5.5%
Operating profit	762	729	33	4.5%
Net write-downs of loans and provisions for guarantees and commitments	66	-9	76	n.m.
Net operating profit	829	720	108	15.1%
Provisions for risks and charges	-42	3	-46	n.m.
Systemic charges	-122	-102	-21	20.4%
Integration/ restructuring costs	2	-65	67	n.m.
Net income from investments	50	14	36	>100%
Profit (loss) before tax	716	571	145	25.5%
Income tax for the period	-79	-12	-66	>100%
Net profit	638	558	79	14.2%
Total profit or loss after tax from discontinued operations	15	114	-99	-86.9%
Profit (loss) for the period	653	673	-20	-3.0%
Non-controlling interests	-16	-19	3	-17.5%
Net Profit attrib. to the owners of the parent company before PPA	637	653	-17	-2.6%
Purchase Price Allocation effect	0	0	0	-
Goodwill impairment	0	0	0	-
Net Profit attrib. to the owners of the parent company	637	653	-17	-2.6%

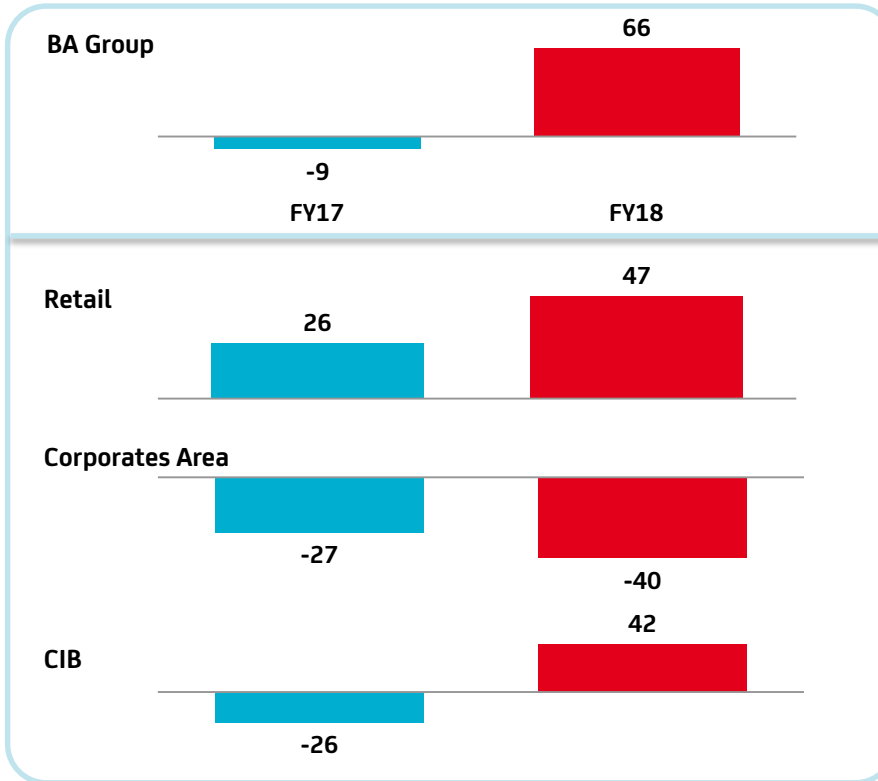


Net Write-Downs of Loans

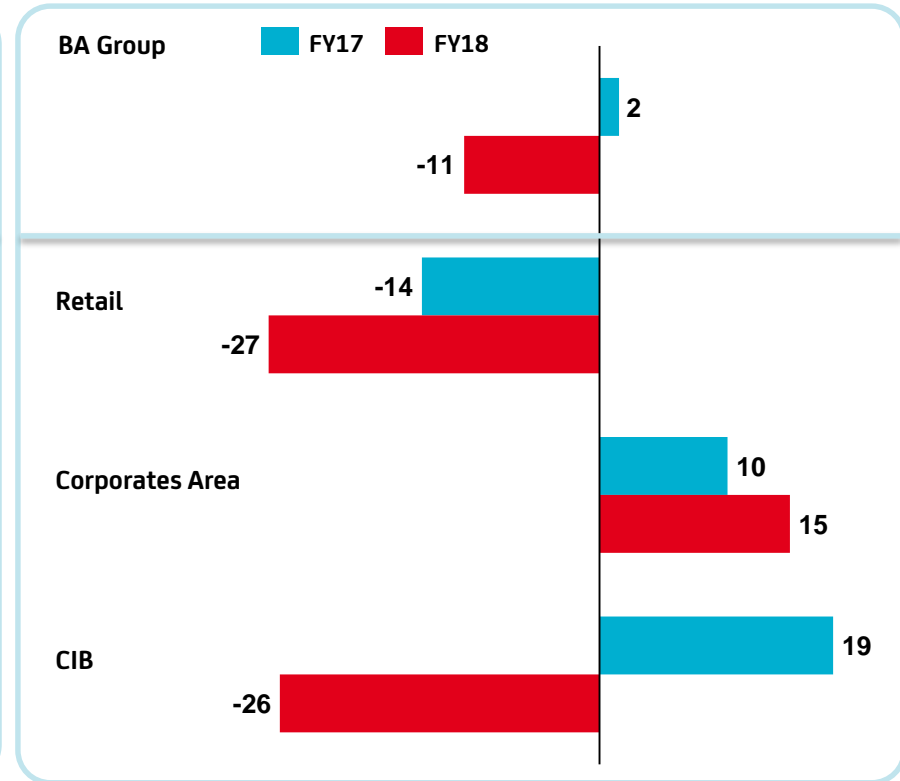
In 2018, further favorable development of **LLP** and **Cost of Risk**

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



Cost of Risk by Segment (bp)



- BA Group in 2018 with a positive contribution from **Net Write Downs** of € +66 mn
- Surplus of **Net Write Downs** mainly due to net releases in CIB (€ +42 mn) and Retail (€ +47 mn)
- **Cost of Risk:** due to positive LLP at -11 bp for BA Group



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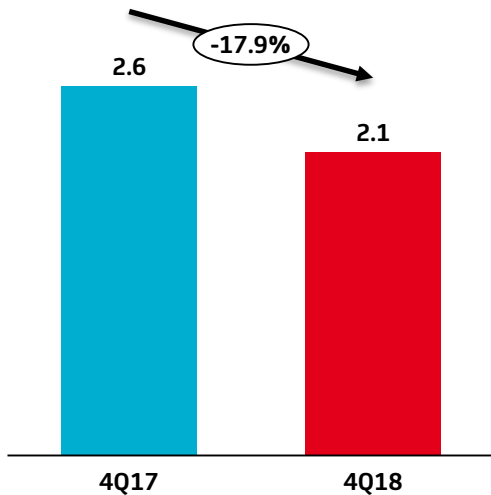


Solid y/y development of Asset Quality also in 2018

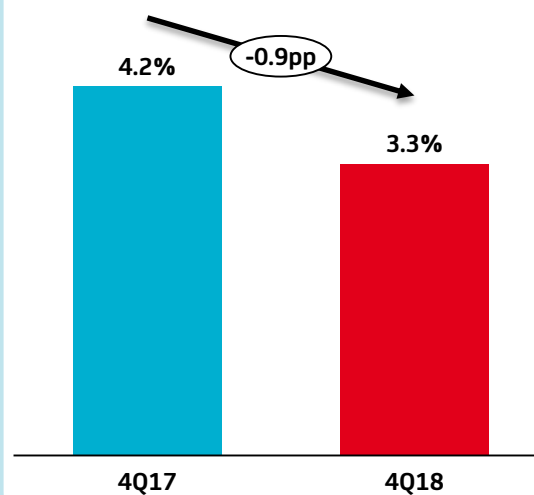
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Overview Bank Austria
Asset Quality

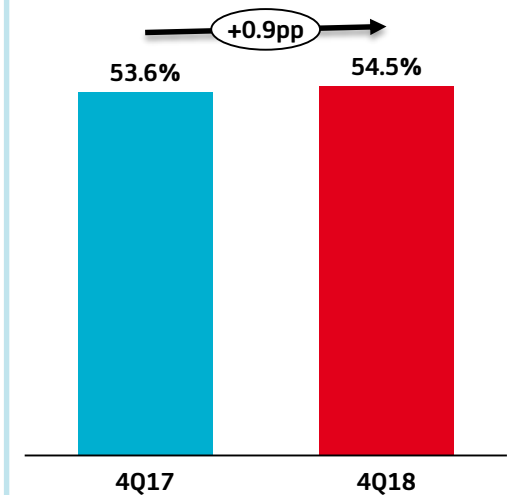
Gross NPE ¹⁾ (€ bn)



% 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 54.5%



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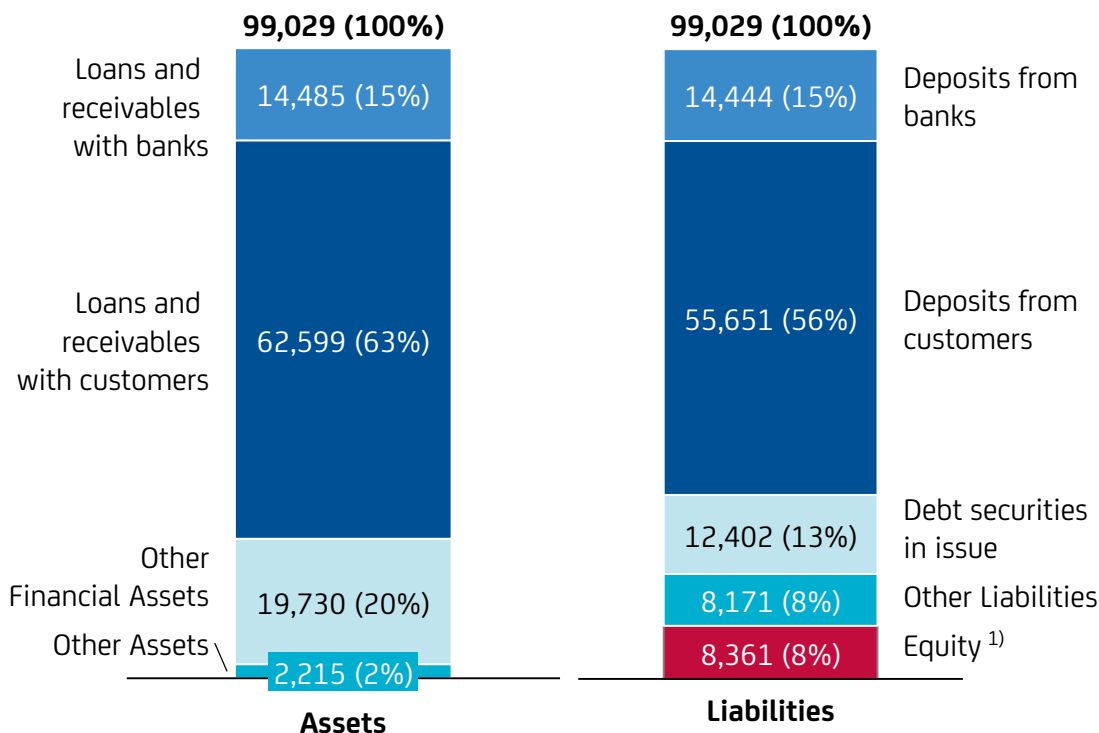
Balance Sheet structure of Bank Austria

(as of 31 December 2018)

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Overview Bank Austria
Balance Sheet & Capital Ratios

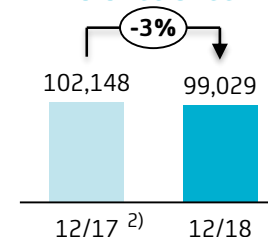
Balance Sheet (€ mn)



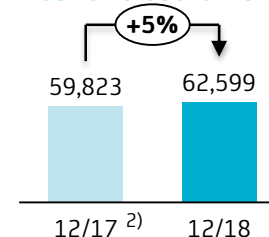
- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (details see following page)
- **Strong capital base with a net equity¹⁾** of € 8.4 bn
- **Excellent CET 1 Ratio at 18.6%**, decrease vs. 12/2017²⁾ driven by higher RWA reflecting business growth

Change vs. 31 December 2017²⁾

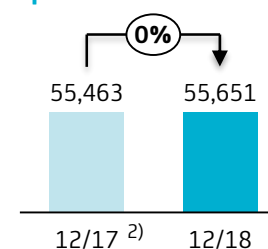
Balance Sheet



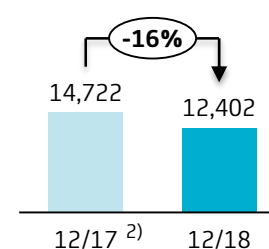
Loans to customers



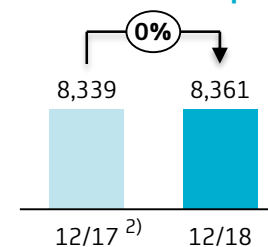
Deposits from customers



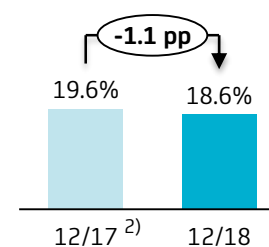
Securities in issue



Shareholders' Equity



CET1 Ratio



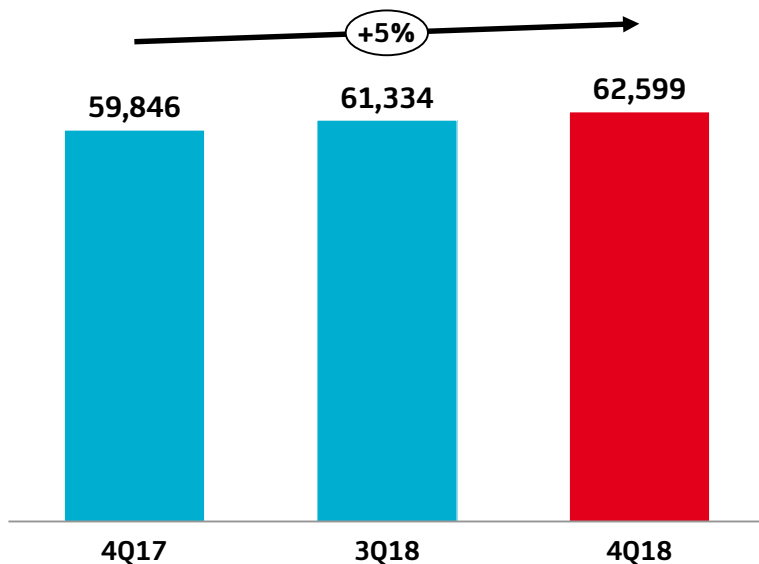
Loan and Deposit Volumes

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

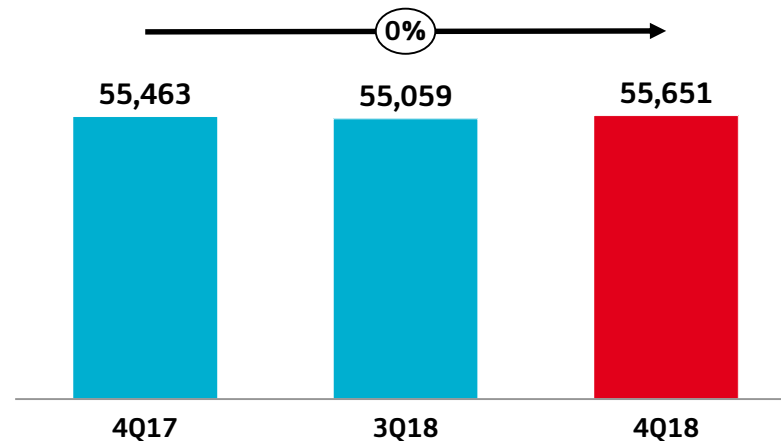
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

Period	Loans/Direct Funding Ratio
4Q17	85%
3Q18	91%
4Q18	92%

- **Loans to customers** with a strong increase since YE17, in particular CIB
- **Deposits from customers** overall stable (increase in Retail offset by lower deposits from CIB customers)
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 92%**



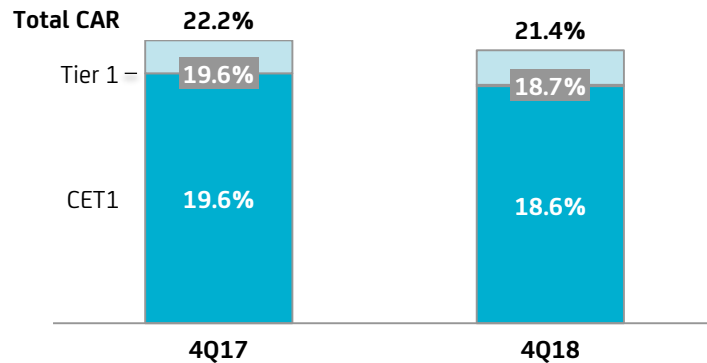
Capital position BA GROUP IFRS

Solid capital ratios

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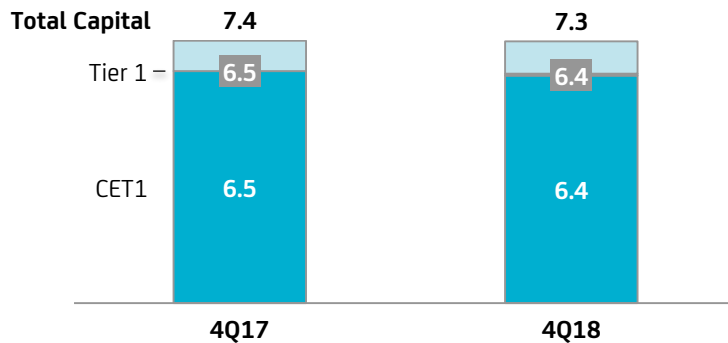
Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

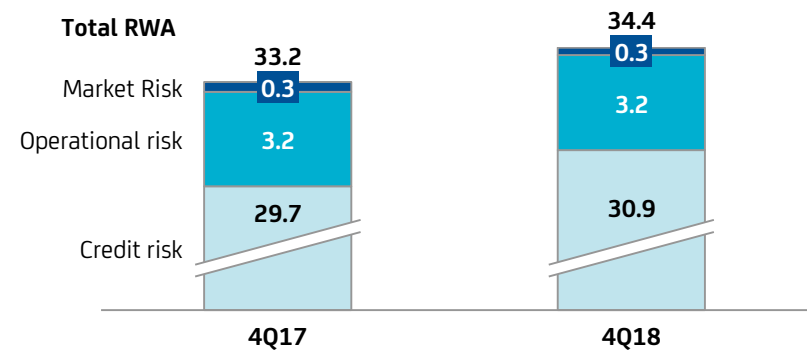


- **Total regulatory capital** almost stable at € 7.3 bn, with small structural changes (lower CET1 and Tier 1) due to end of "phase-in" (transitional) rules
- **Total RWA** up to € 34.4 bn, partly reflecting strong loan growth
- **CET 1 Ratio at strong 18.6%** (both transitional and fully loaded), decrease vs. 4Q17 mainly due to expiry of transitional treatments and growth in RWA
- **Total Capital Ratio at 21.4%**, decrease mainly due to increase in RWA
- **Leverage Ratio at strong 6.0%**

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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UniCredit S.p.A. – Holding

- **UniCredit SpA** is operating as the Group **Holding** as well as the Italian operating bank:
 - ✓ **TLAC/MREL issuer** assuming Single-Point of Entry (SPE)
 - ✓ **Coordinated Group-wide funding and liquidity management** to optimize market access and funding costs
 - ✓ **Diversified by geography and funding sources**



UniCredit Bank
Austria AG

- Mortgage- and Public Sector Pfandbriefe
- Senior benchmark
- Housing-bank-bonds (*Wohnbaubank-Anleihen*)
- Registered secs. (SSD, NSV^{*)}) covered/senior
- Private placements
- Network issues

- **Bank Austria** has its **own Issuing Programs** for the respective instruments to be issued
- **Bank Austria** continues to be **present on the local and global markets**
- **Coordinated approach within UniCredit** regarding **issuing activities** on the **global markets**



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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 - **Cover Pool**
- 4 Annex



Executive Summary

Public Sector Cover Pool of Bank Austria



COVERED BOND
LABEL

Liquidity & Funding
Cover Pool

1 2 3 4

- **Aaa Rating** by Moody's
- Focus on **purely Austrian claims**
- Cover Pool Volume as of 30 June 2019 amounts to **EUR 6,518 mn**
- Average volume of loans is approx. **€ 1.5 mn**
- Average seasoning is **7.2 years**
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria

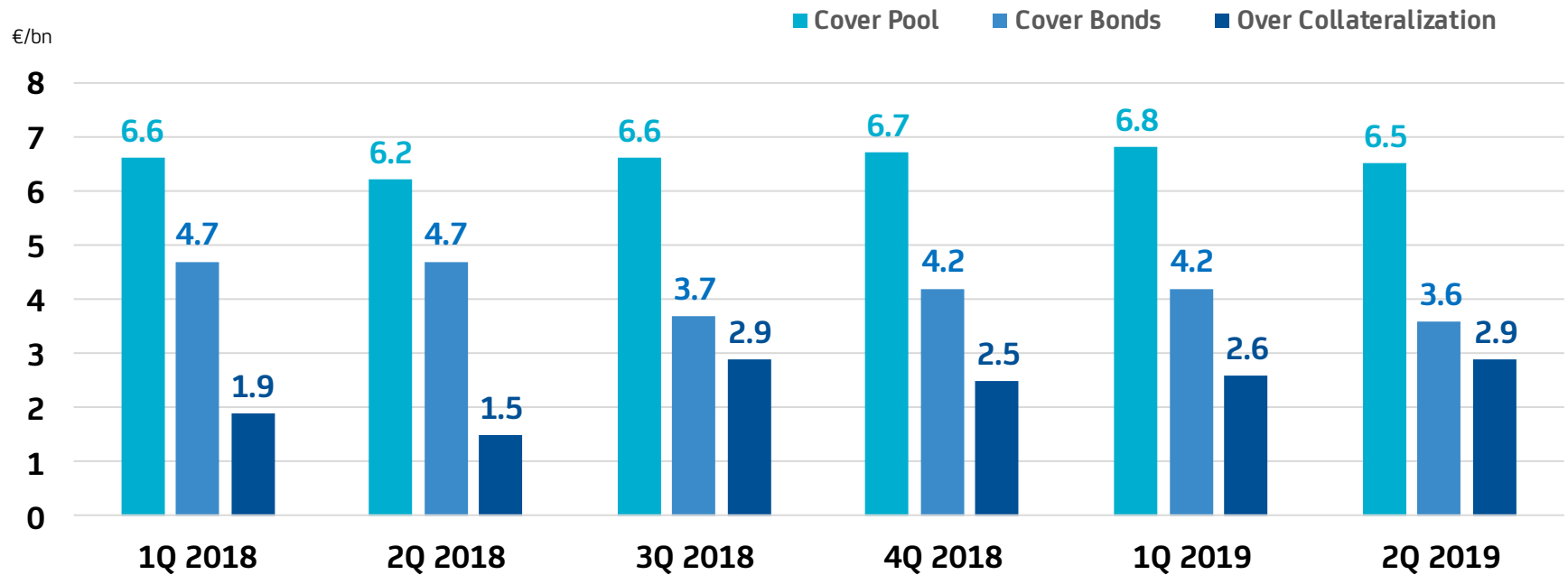


Public Sector Cover Pool

Historical trend

1 2 3 4

Liquidity & Funding
Cover Pool



Public Sector Cover Pool

Parameters of Cover Pool and Issues

<i>Parameters of Cover Pool</i>	<i>201906</i>
Weighted Average Life (in years incl. Amortization)	8.0
Contracted Weighted Average Life (in years)	11.8
Average Seasoning (in years)	7.2
Total Number of Loans	4,312
Total Number of Debtors	1,481
Total Number of Guarantors	324
Average Volume of Loans (in EUR)	1,511,615
Stake of 10 Biggest Loans	22.9%
Stake of 10 Biggest Guarantors	49.8%
Stake of Bullet Loans	49.5%
Stake of Fixed Interest Loans	47.3%
Amount of Loans 90 Days Overdue	-
Average Interest Rate	1.4%

<i>Parameters of Issues:</i>	<i>201906</i>
Total Number	30
Average Maturity (in years)	3.4
Average Volume (in EUR)	122,155,186.7

- Total Value of the **Cover Pool** as of **30 June 2019**
(EUR equivalent): **€ 6,518 mn**
 - thereof in EUR: 5,001 mn (76.7%)
 - thereof in CHF: 168 mn (2.6%)
 - thereof public sector bonds in EUR equivalent:
1,349 mn (20.7%)
- **Moody's Rating: Aaa**

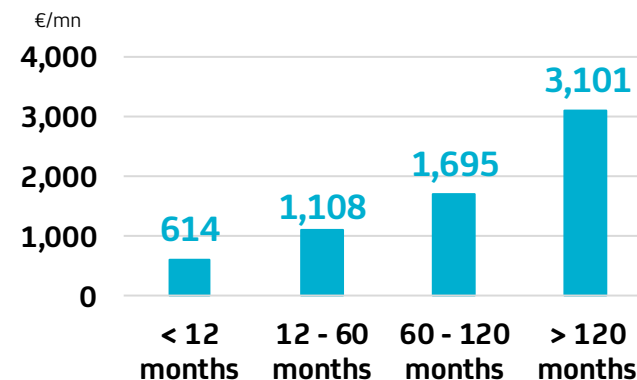


Public Sector Cover Pool

Maturity Structure of Cover Pool and Issues

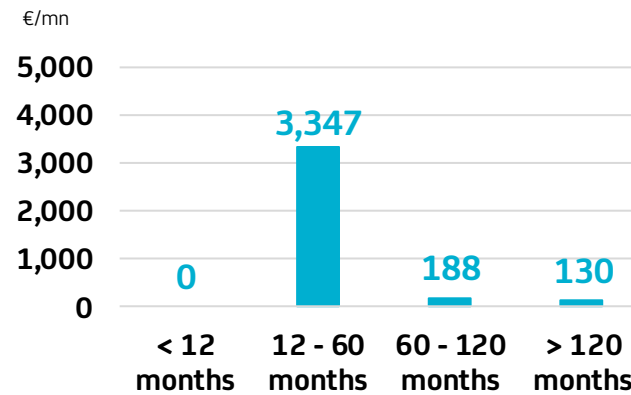
Maturity of assets in the cover pool – June 2019

Maturity of Assets in the Cover Pool*	Total	
	€/mn	%
< 12 months	614	9.4%
12 - 60 months	1,108	17.0%
12 - 36 months	511	7.9%
36 - 60 months	596	9.1%
60 - 120 months	1,695	26.0%
> 120 months	3,101	47.6%
Total	6,518	100%



Maturity of issued covered bonds – June 2019

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	0	0.0%
12 - 60 months	3,347	91.4%
12 - 36 months	2,077	56.7%
36 - 60 months	1,270	34.7%
60 - 120 months	188	5.1%
> 120 months	130	3.5%
Total	3,665	100%



Public Sector Cover Pool

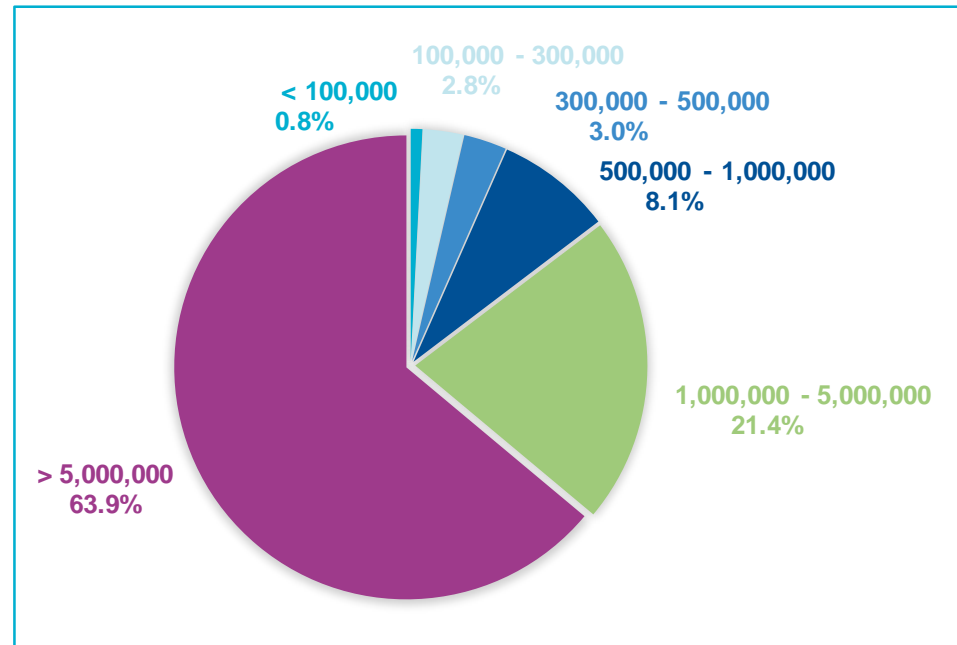
Volume breakdown by Size of Assets

1 2 3 4

Liquidity & Funding
Cover Pool

Breakdown by size of assets – June 2019

Volume Breakdown by Size of Assets	Total	
	€/mn	Number
< 300,000	236	2,229
< 100,000	53	1,228
100,000 - 300,000	183	1,001
300,000 - 5,000,000	2,116	1,944
300,000 - 500,000	194	499
500,000 - 1,000,000	525	731
1,000,000 - 5,000,000	1,396	714
> 5,000,000	4,166	139
Total	6,518	4,312













Public Sector Cover Pool

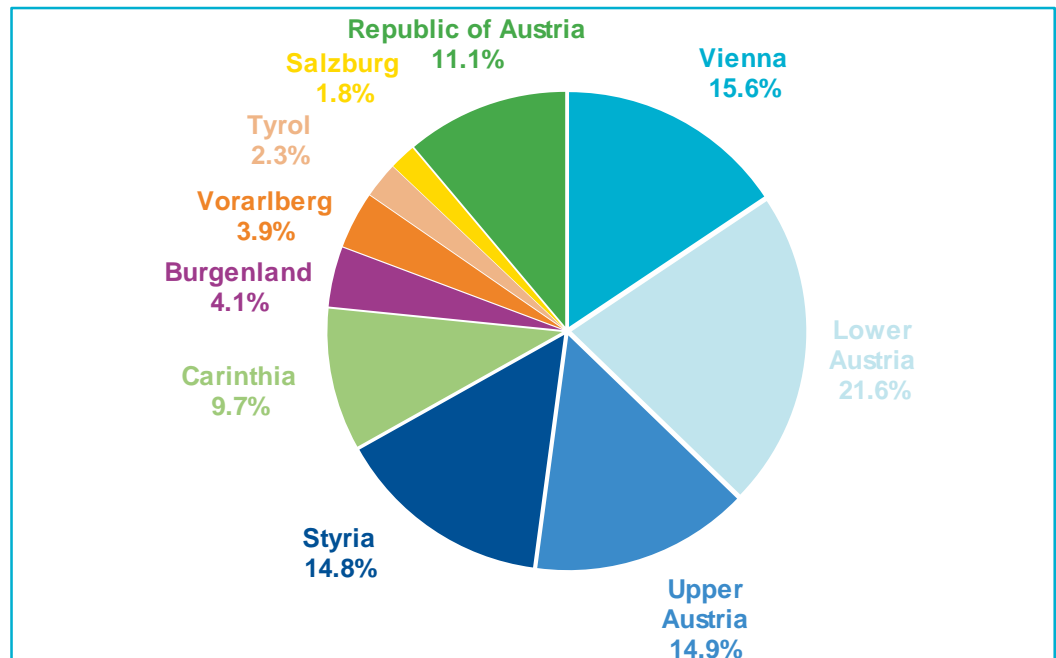
Regional Breakdown of Assets^{*)} in Austria

1 2 3 4

Liquidity & Funding
Cover Pool

Regional Breakdown Austria – June 2019

	Regional Breakdown Austria	Total	
		€/mn	%
	Vienna	1,019	15.6%
	Lower Austria	1,408	21.6%
	Upper Austria	970	14.9%
	Styria	962	14.8%
	Carinthia	634	9.7%
	Burgenland	269	4.1%
	Vorarlberg	255	3.9%
	Tyrol	160	2.5%
	Salzburg	118	1.8%
	Republic of Austria	725	11.1%
	Total Austria	6,518	100%

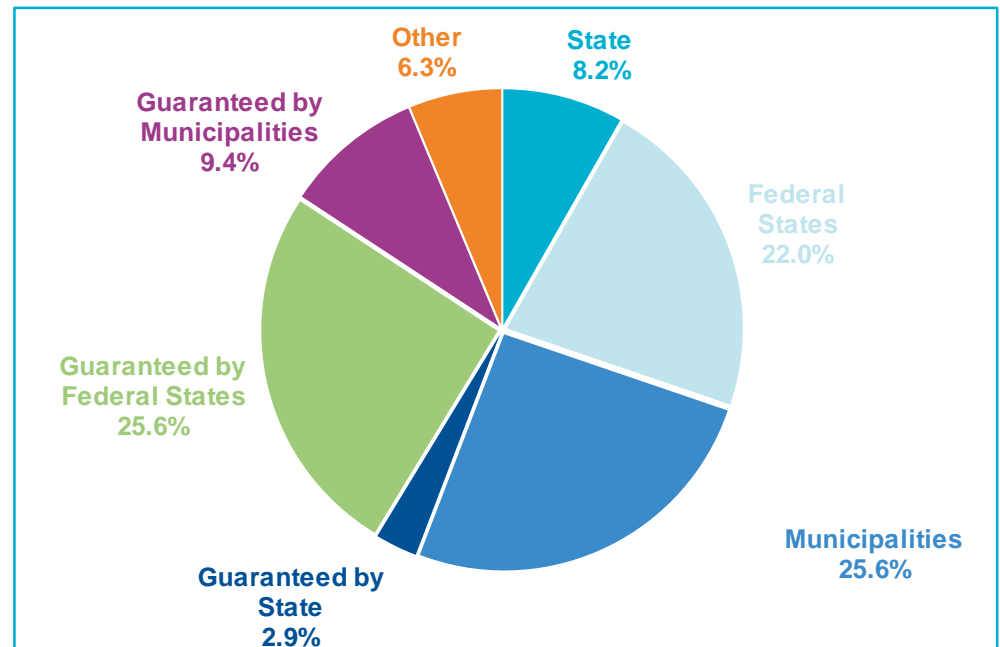


Public Sector Cover Pool

Assets Volume Breakdown by Type of Debtor / Guarantor

Breakdown by type of debtor / guarantor – June 2019

Assets: Type of Debtor / Guarantor	Total	
	€/mn	Number
State	537	4
Federal States	1,434	40
Municipalities	1,667	2,682
Guaranteed by State	188	124
Guaranteed by Federal States	1,667	370
Guaranteed by Municipalities	616	537
Other	410	555
Total	6,518	4,312



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
- **No new CHF assets since 2010.** Decrease of total value in CHF over the last three years (2Q15: € 1,796 mn – 2Q19: € 1,056 mn)
- Steady increase of the cover pool (ca. € 2,000 mn in the last year), primarily by residential mortgages
- **ECBC Covered Bond Label** has been granted to the BA Mortgage Cover Pool

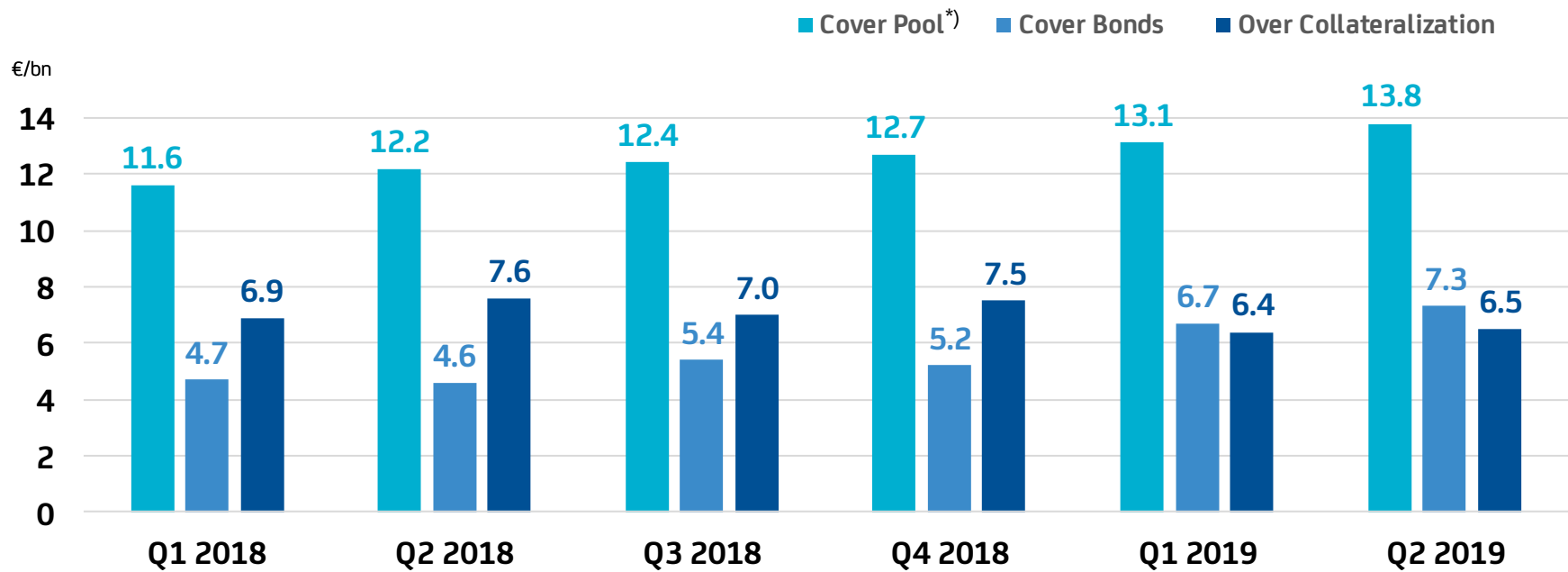


Mortgage Cover Pool

Historical trend

1 2 3 4

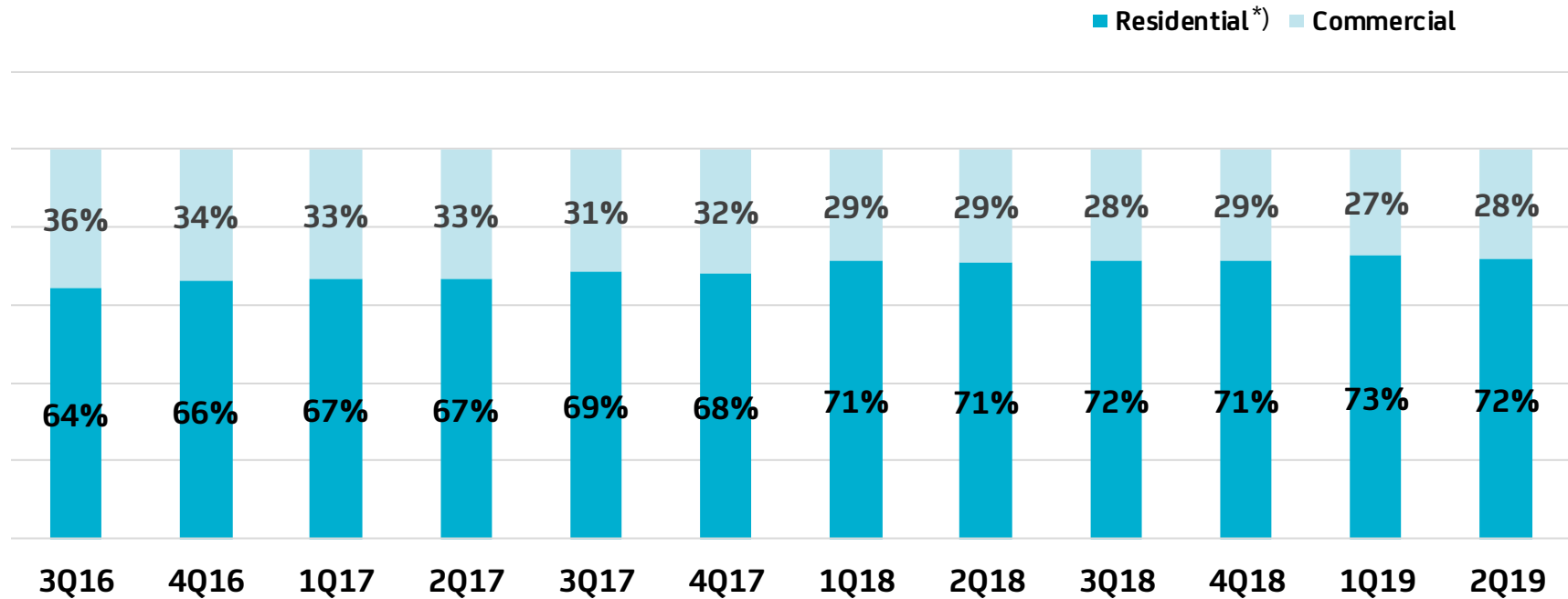
Liquidity & Funding
Cover Pool



Mortgage Cover Pool

Breakdown by type of use - Historical trend

1 2 3 4



- Majority of cover pool consists of residential mortgages which increased steadily during the last three years



Mortgage Cover Pool

Parameters of Cover Pool and Issues

<i>Parameters of Cover Pool</i>	<i>201906</i>
Weighted Average Life (in years incl. Amortization)	9.8
Contracted Weighted Average Life (in years)	16.1
Average Seasoning (in years)	6.0
Total Number of Loans	48,606
Total Number of Debtors	42,368
Total Number of Mortgages	44,981
Average Volume of Loans (in EUR)	280,557
Stake of 10 Biggest Loans	10.1%
Stake of 10 Biggest Debtors	12.4%
Stake of Bullet Loans	20.8%
Stake of Fixed Interest Loans	32.5%
Amount of Loans 90 Days Overdue	-
Average Interest Rate	1.3%

<i>Parameters of Issues:</i>	<i>201906</i>
Total Number	86
Average Maturity (in years)	4.7
Average Volume (in EUR)	84,386,537.2

- Total Value of the **Cover Pool** as of **30 June 2019**
(EUR equivalent): **13,845 mn**
 - thereof in EUR: 12,580 mn (90.9%)
 - thereof in CHF: 1,056 mn (7.6%)
 - thereof substitute cover in EUR: 209 mn (1.5%)
- **Moody's Rating: Aaa**



Mortgage Cover Pool

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

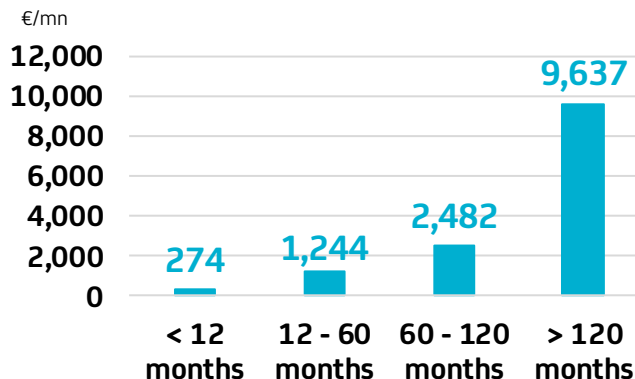
Liquidity & Funding

Cover Pool

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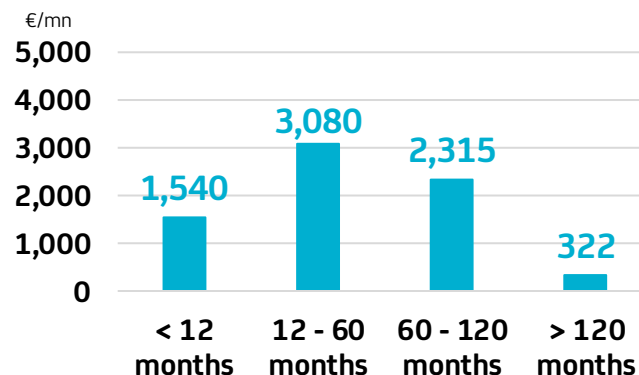
Maturity of assets in the cover pool – June 2019

Maturity of Assets in the Cover Pool**	Total		Commercial		Residential	
	€/mn	%	€/mn	%	€/mn	%
< 12 months	274	2.0%	191	5.0%	83	0.8%
12 - 60 months	1,244	9.1%	766	20.0%	478	4.9%
12 - 36 months	498	3.6%	324	8.4%	174	1.8%
36 - 60 months	746	5.5%	442	11.6%	303	3.1%
60 - 120 months	2,482	18.2%	1,397	36.5%	1,085	11.1%
> 120 months	9,637	70.7%	1,475	38.5%	8,161	83.2%
Total	13,637	100%	3,830	100%	9,807	100%



Maturity of issued covered bonds – June 2019

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	1,540	21.2%
12 - 60 months	3,080	42.5%
12 - 36 months	127	1.8%
36 - 60 months	2,954	40.7%
60 - 120 months	2,315	31.9%
> 120 months	322	4.4%
Total	7,257	100%



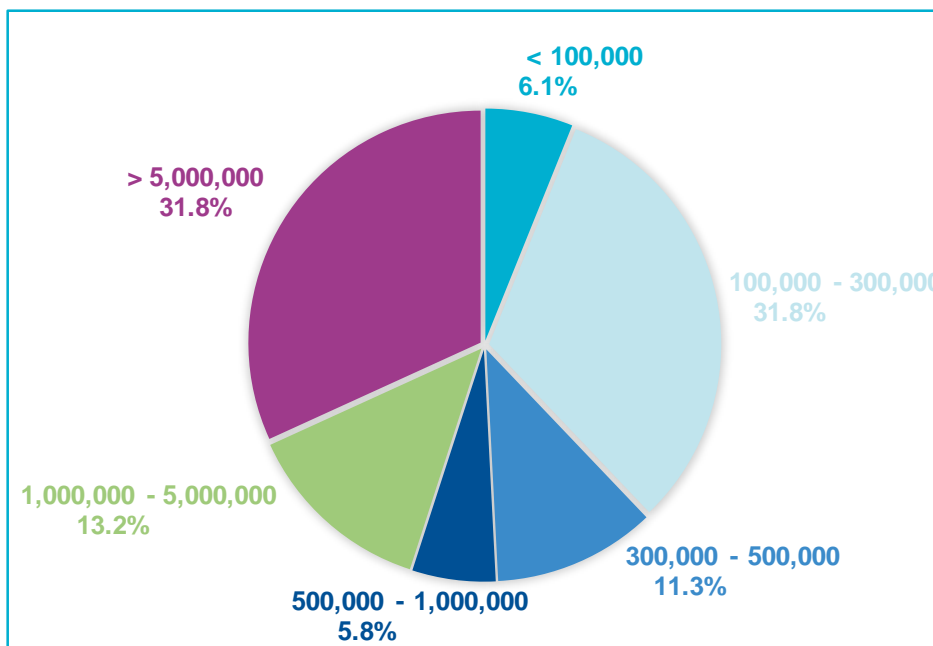
Mortgage Cover Pool

Assets Volume Breakdown^{*)}

1 2 3 4

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Mortgages	Total		Commercial		Residential	
	€/mn	Number	€/mn	Number	€/mn	Number
< 300,000	5,162	38,503	71	498	5,091	38,005
< 100,000	832	14,573	10	166	823	14,407
100,000 - 300,000	4,329	23,930	62	332	4,268	23,598
300,000 - 5,000,000	4,134	6,257	554	457	3,580	5,800
300,000 - 500,000	1,542	4,223	48	120	1,494	4,103
500,000 - 1,000,000	791	1,161	108	150	684	1,011
1,000,000 - 5,000,000	1,801	873	398	187	1,403	686
> 5,000,000	4,341	221	3,205	115	1,136	106
Total	13,637	44,981	3,830	1,070	9,807	43,911












^{*)} Without substitute cover (consists of bonds)

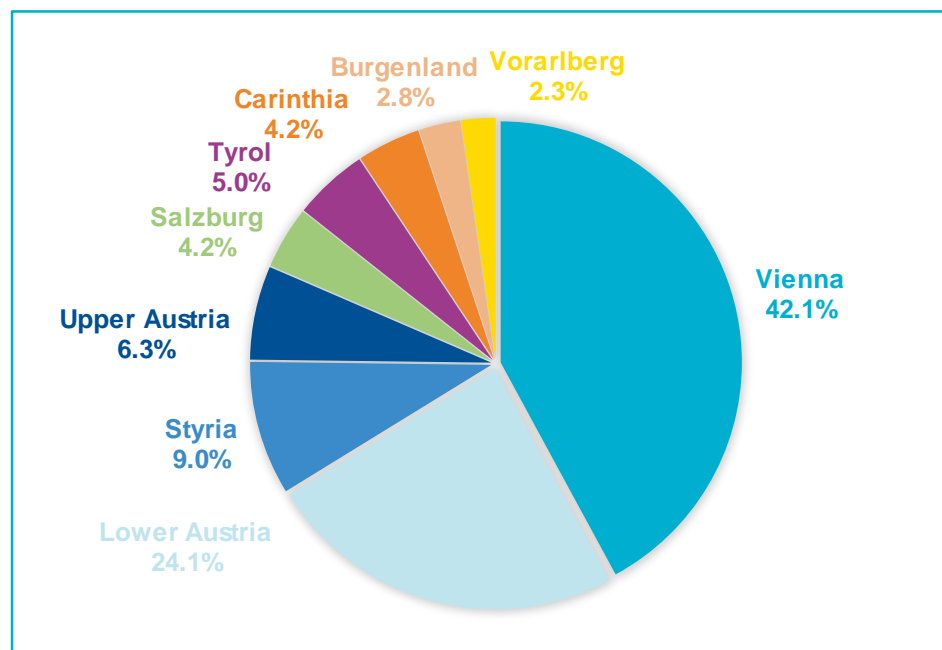


Mortgage Cover Pool

Regional Breakdown^{*)} of Mortgages in Austria

Regional Breakdown Austria – June 2019

	Regional Breakdown Austria	Total	
		€/mn	%
	Vienna	5,736	42.1%
	Lower Austria	3,288	24.1%
	Styria	1,224	9.0%
	Upper Austria	856	6.3%
	Salzburg	570	4.2%
	Tyrol	682	5.0%
	Carinthia	579	4.2%
	Burgenland	379	2.8%
	Vorarlberg	323	2.3%
	Total Austria	13,637	100%

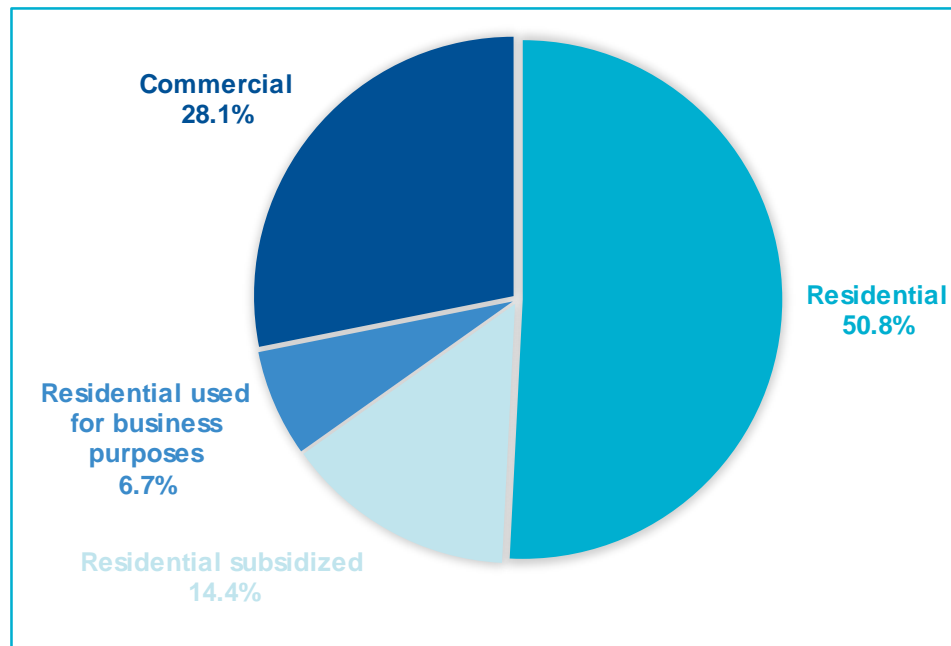


Mortgage Cover Pool

Breakdown^{*)} by Type of Use and LTV

Breakdown by type of use – June 2019

Mortgages Breakdown by Type of Use	Total	
	€/mn	Number
Residential	6,933	40,841
Residential subsidized	1,963	2,162
Residential used for business purposes	911	908
Commercial	3,830	1,070
thereof Office	1,669	169
thereof Trade	930	66
thereof Tourism	295	145
thereof Agriculture	46	235
thereof mixed Use / Others	891	455
Total	13,637	44,981



	Residential	Commercial	Total
Total	9,807	3,830	13,637
Weighted Average LTV	53%	50%	52%



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

1 2 3 4

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€13,637 mn** as of 30 June 2019 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna (42.1%) and the state of Lower Austria (24.1%)
- **Breakdown of cover pool by type of use:**
 - 71.9% residential real estate (thereof 14.4% subsidized)
 - 28.1% commercial real estate, of which:
 - Office 12.2%
 - Trade 6.8%
 - Tourism 2.2% and
 - Other / Mixed use 6.9%



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- Economic Conditions in Austria
- Ratings Overview
- Real Estate Market Austria
- Legal Situation – Austrian Covered Bonds



Overview of outstanding Pfandbrief Benchmark Issues since 2015

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Annex

Liquidity & Funding Transactions

Bank Austria
Mortgage Pfandbrief

0.625%

20/03/2029

€ 500 mn

March 2019

MS + 15bps

Bank Austria
Mortgage Pfandbrief

0.625%

16/01/2026

€ 500 mn

Jan. 2019

MS + 18bps

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



Overview of outstanding Pfandbrief Benchmark Issues until 2014

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Annex

Liquidity & Funding Transactions

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
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

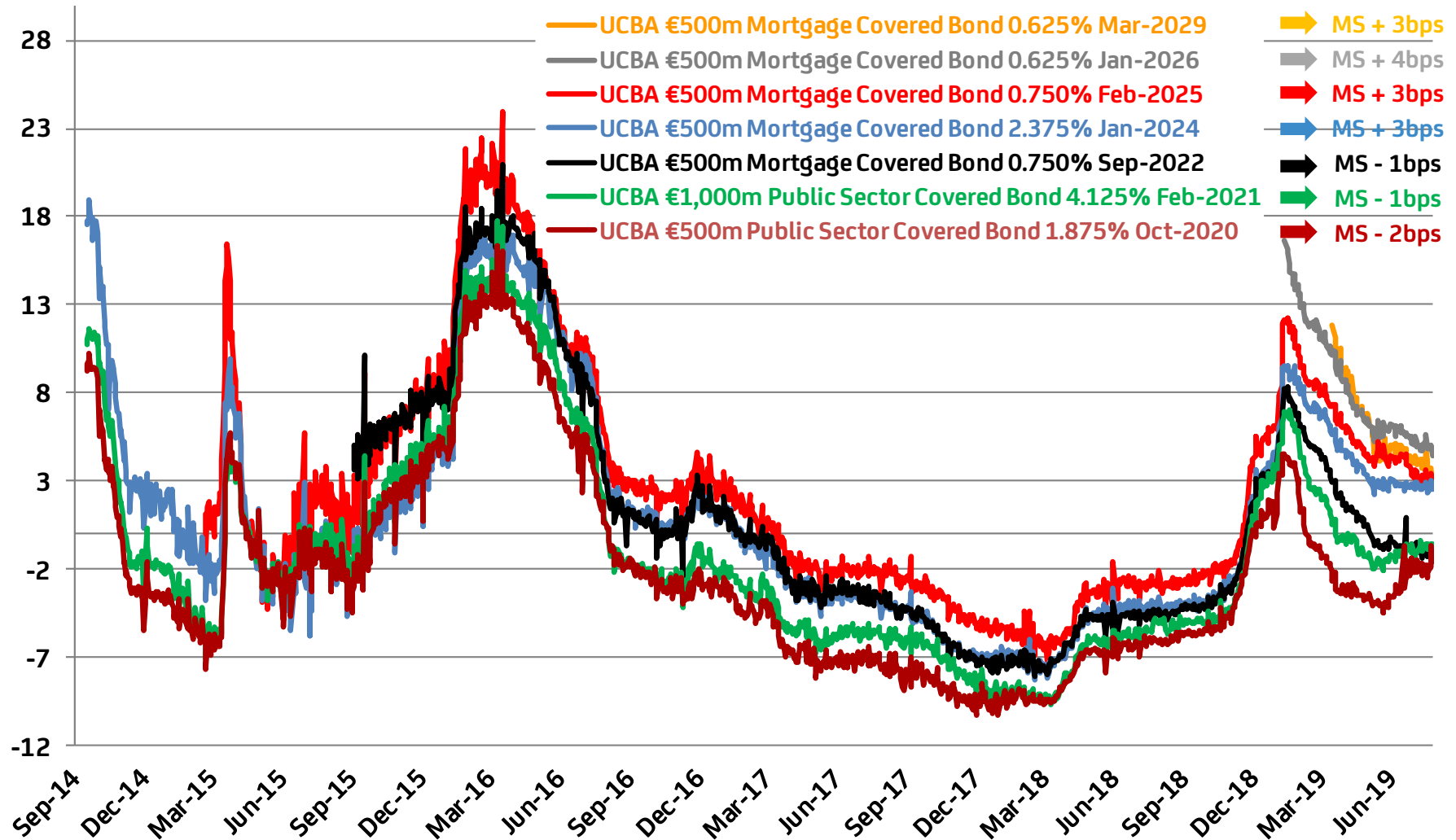


UniCredit Bank Austria Covered Bond Spread Comparison

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Liquidity & Funding Transactions



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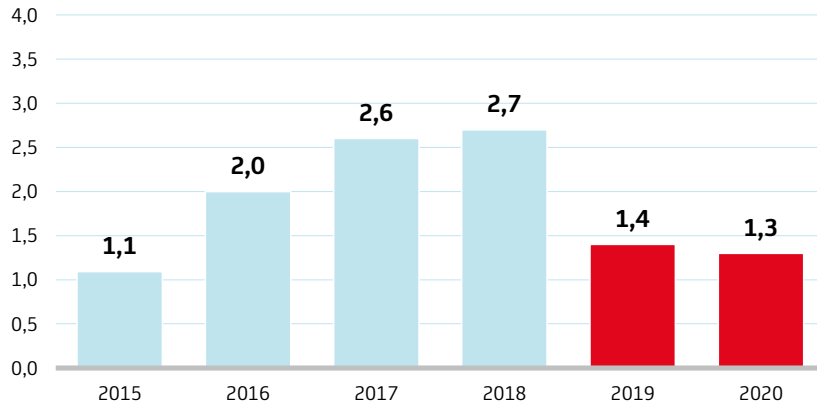
Economic Conditions in Austria

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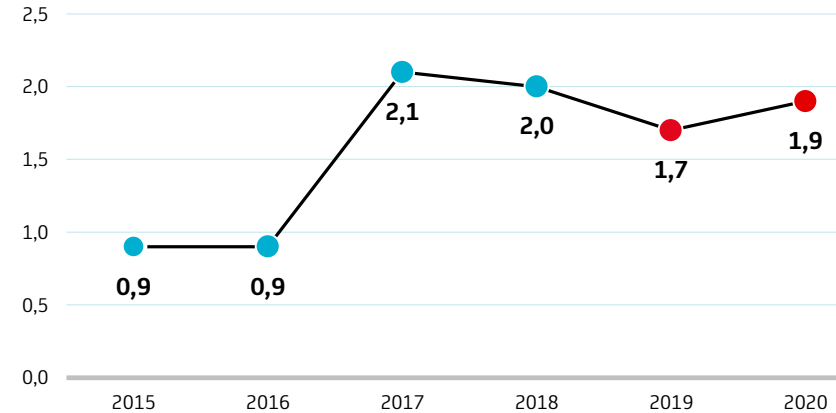
Annex

Economic Conditions in Austria

Economic growth (real, yoy in %)

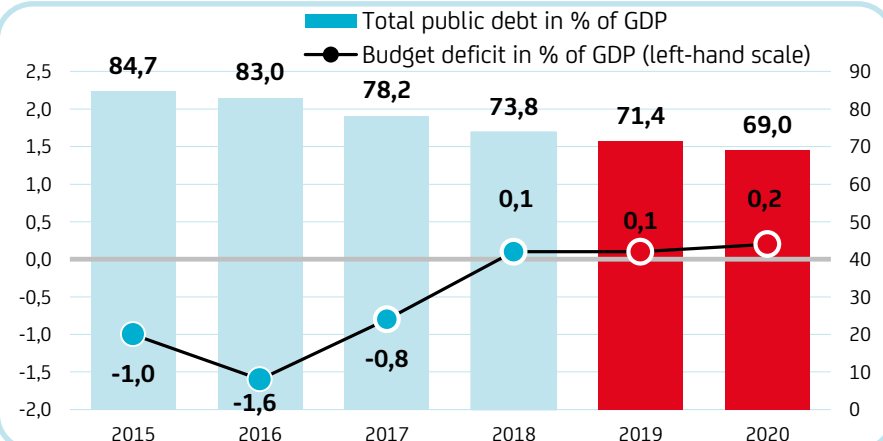


Inflation rate (yearly average, in %)



- The Austrian economy cannot keep pace with the particularly strong momentum of recent years due to the weaker global economy. However, domestic demand driven by private consumption, will provide sustained growth of 1.4% in 2019 and 1.3% in 2020.
- After averaging 2% in 2018, we expect inflation to amount only 1.7% in 2019. Rising wage dynamics and solid domestic demand suggest that inflation will average 1.9% in 2020.
- A budget surplus was achieved in 2018 due to the good economic situation, the low interest rate environment and a disciplined spending policy. The decline of total public debt as a percentage of GDP will continue in 2019/2020. Even in absolute terms, a decline is expected thanks again to a slight budget surplus.

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



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Rating Overview

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Annex
Rating Overview

	Moody's					S&P			
	Long-Term Deposits	Long-Term Senior Unsecured	Short-Term	Subordinated ¹⁾	Counterparty Risk	Long-Term	Short-Term	Subordinated ¹⁾	Counterparty Risk
Bank Austria ²⁾	A3	Baa1 Stable	P-2	Baa3	A2 / P-1	BBB+ Negative	A-2	BBB-	A-
Public Sector Covered Bond	Aaa					-			
Mortgage Covered Bond	Aaa					-			
UniCredit S.p.A.	Baa1	Baa1 Stable	P-2	Baa3	Baa1 / P-2	BBB Stable	A-2	BB+	BBB+

(as of 9 August 2019)

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 was again a very strong year in commercial real estate in Austria. The investments in 2018 with appr. € 4 bn however did not reach the level of the record year 2017. The first half year of 2018 started somewhat weaker as already, due to a lack of appropriate offer, the record volume of 2017 could not be reached until year-end 2018. With about 65% of all investments in 2018, office properties were the most important asset category – with strong demand and a limited offer having led to unchanged low 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 second 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

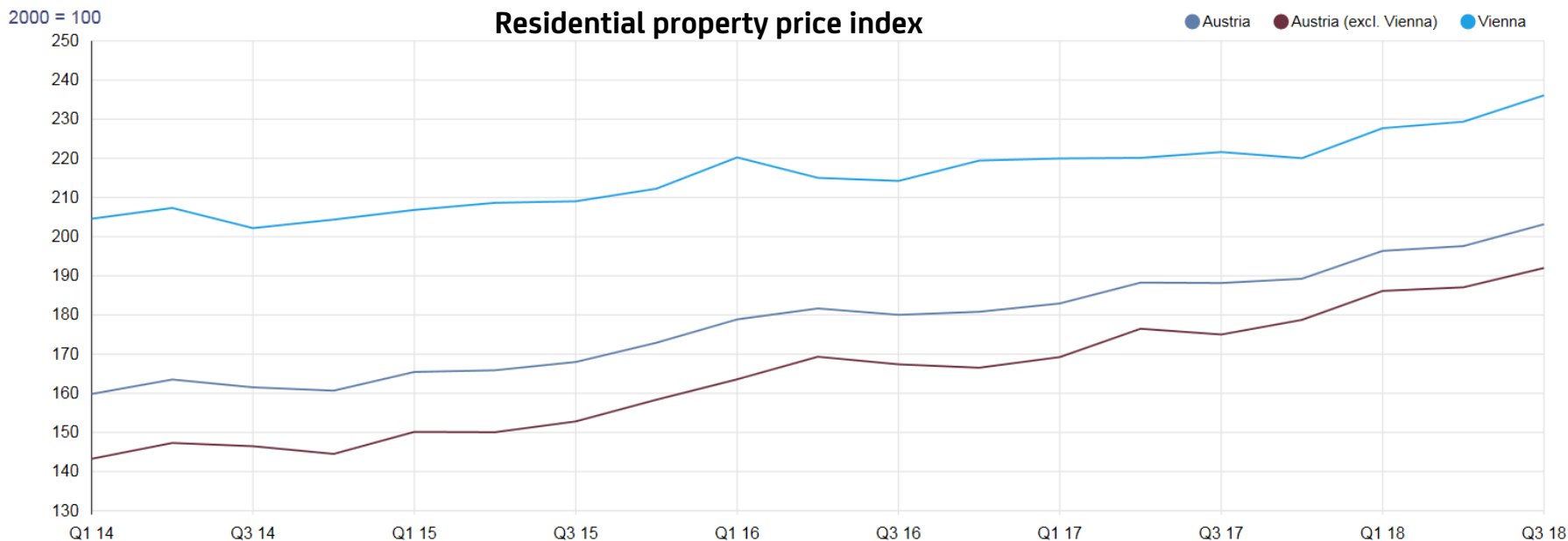
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Real Estate Market Austria

- After a consolidation at the end of 2017, the prices in Vienna increased once more in the first half of 2018. Also in the second quarter of 2018, prices rose continuously by approx. 2%. The forecast for the whole year 2018 is an increase of approx. 4.0%.
- In comparison, prices in Austria (excl. Vienna) - with 2.6 % since the beginning of 2018 - have shown a stronger development than in Vienna.

Source: OeNB, Technical University Vienna, Department für Raumplanung



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) | 0.50% |
| • Spread | 3.25% |



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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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