

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

May 2020

Banking that matters.



Opening remarks



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 is the CEE competence center of UniCredit Group

Bank Austria clients can use UniCredit's CEE network – UniCredit is market leader in the region

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 18.9% ¹⁾



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



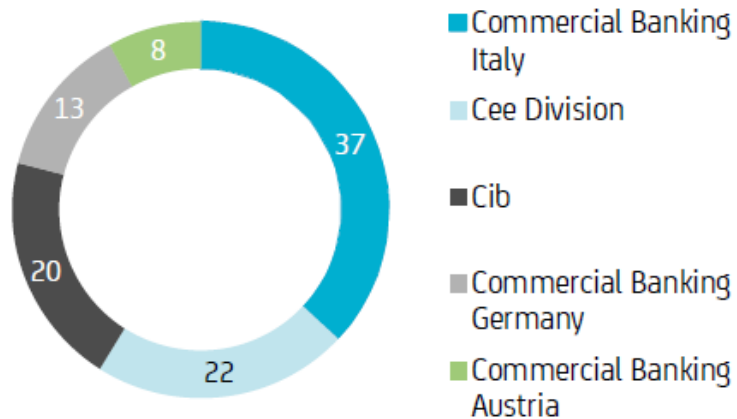
Pan-European commercial bank

We have a solid European identity with well-diversified revenues

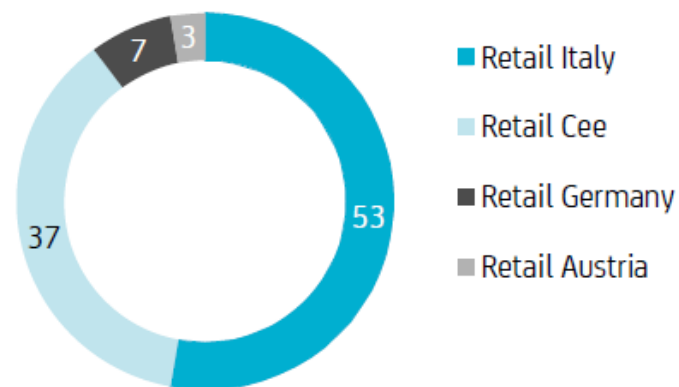
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UniCredit at a glance

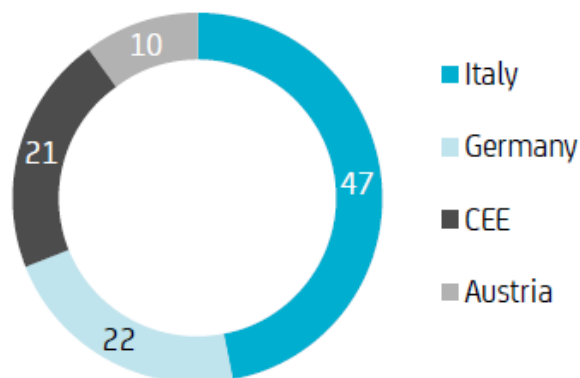
Total Revenues¹ By Business Lines (%)



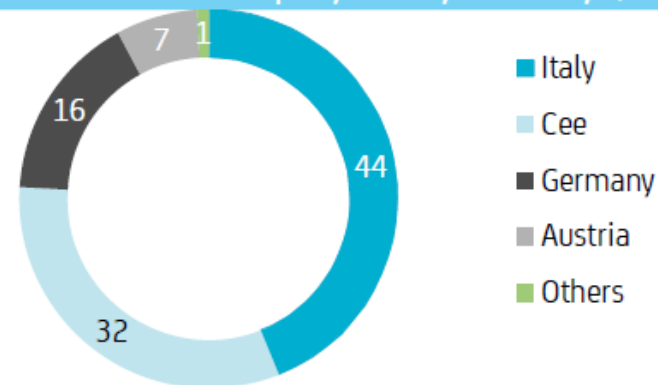
UniCredit Retail Branches by Region (%)²



Total Revenues¹ By Region (%)



UniCredit Employees by Country (%)³



1. As at 31 December .

2. As at 31 December 2019. Branch figures consistent with CMD perimeter. Branches in units.

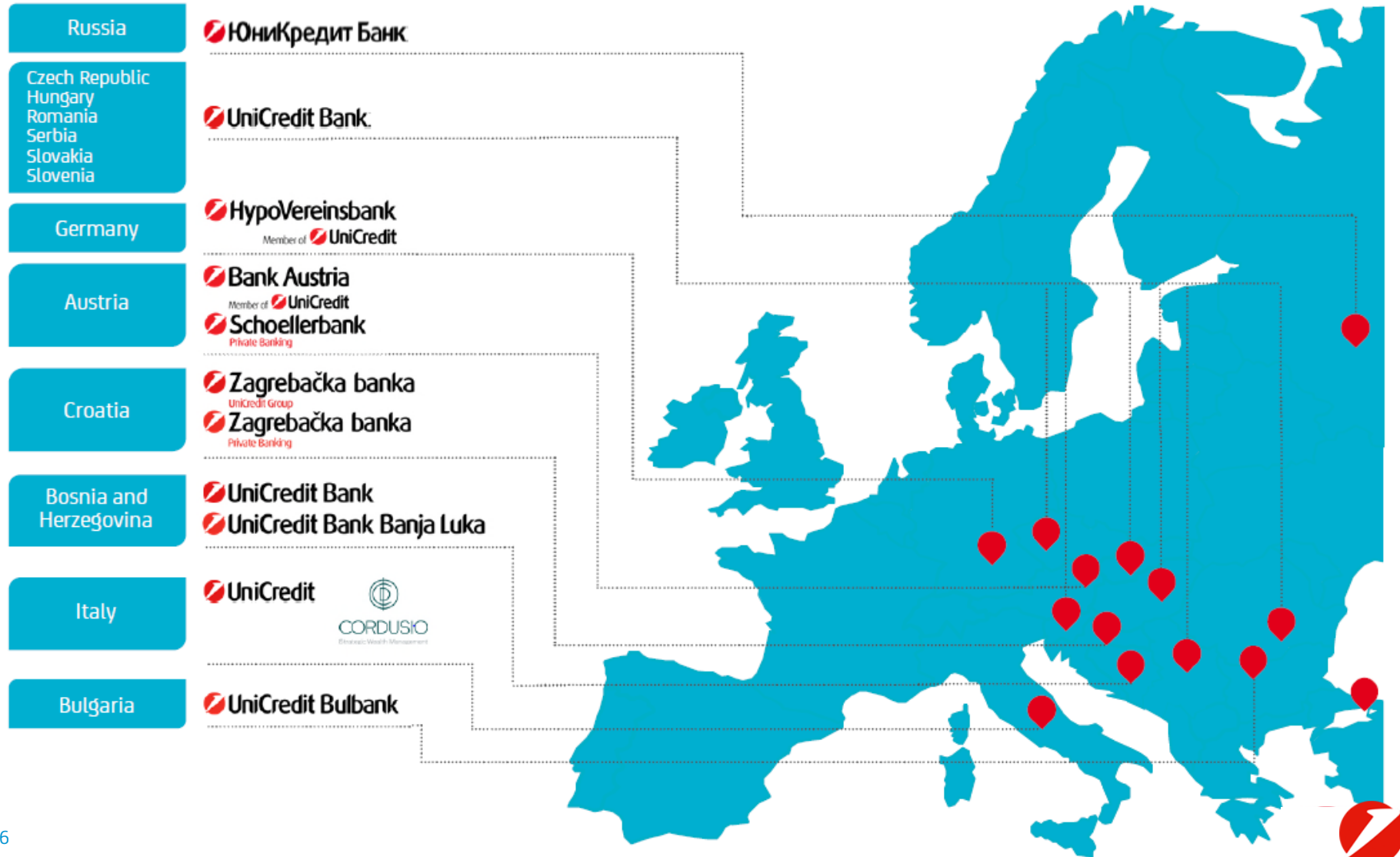
3. As at 31 December FTE "Full Time Equivalent"= number of employees counted for the rate of presence



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



STRENGTHEN AND OPTIMIZE CAPITAL

**FY19 CET1 ratio
guidance exceeded**

**TLAC guidance
exceeded**

**Strong investor
demand for TLAC
funding**

- Pro forma 4Q19 CET1 ratio at 13.09%⁽¹⁾, pro forma MDA buffer of 300bps⁽¹⁾
- Pro forma 4Q19 TLAC ratio 22.35%⁽²⁾, pro forma TLAC MDA buffer of 276bps, well above the upper end of the target range of 50-100bps
- UniCredit's strong investor base and diversified market access reaffirmed with € 1.25 bn Tier 2 and € 2 bn dual tranche Senior Non-Preferred issued in January

IMPROVE ASSET QUALITY

**Group gross NPE ratio
at 5%**

**FY19 Non-Core gross
NPEs below 9bn**

- 4Q19 Group gross NPE ratio improved to 5.0% (-2.7p.p. Y/Y) with Group gross NPEs down € 12.9 bn Y/Y and € 3.5 bn Q/Q
- Group gross NPE ratio excluding Non Core at 3.4%⁽³⁾, down 74bps Y/Y, much better than FY19 4.7% target
- 4Q19 Non Core gross NPEs at 8.6bn beating guidance of <€ 9 bn

TRANSFORM OPERATING MODEL

**Transform 2019
branch and FTE
targets achieved**

**FY19 cost target
beaten**

- Western European branches down 22 Q/Q, Transform 2019 branch closure target achieved
- Transform 2019 net FTE reduction target achieved; FTEs down 407 Q/Q
- FY19 cost at € 9.9 bn, better than original Transform 2019 target of € 10.6 bn

(1) Including deduction of share buyback of € 467 mn, subject to supervisory and AGM approval. Stated CET1 ratio at 13.22% and stated MDA buffer at 312bps.

(2) Including deduction of share buyback of € 467 mn, subject to supervisory and AGM approval. Stated 4Q19 TLAC ratio 22.48%, o/w 19.98% TLAC subordination ratio and 2.5% senior preferred exemption and stated MDA buffer of 288bps.

(3) Weighted average "NPL" ratio of EBA sample banks is 2.9%. Source: EBA risk dashboard (data as at 3Q19). UniCredit's managerial definition of "NPE" ratio presented is more conservative than EBA. Comparable "NPL" ratio for UniCredit at 4Q19 is 3.0% for the Group excluding Non Core.; NPE = Non-Performing Exposure



MAXIMIZE COMMERCIAL BANK VALUE

**Support for the real
economy and
communities**

**Multichannel offer /
Customer experience**

**Leading European CIB
franchise**



- Renewed € 250 mn funding agreement with European Investment Bank to support Italian SMEs operating in the agriculture, bio-economy and renewable energy sectors
- Launch of “HVB Premium Invest” initiative in Germany with dedicated sustainability investment strategy, satisfying customer demand for sustainable investment products
- € 500 mn agreement with European Investment Fund to support innovative Austrian SMEs
- After successful roll-out in Italy, the new Western European Mobile Banking App was released in Germany; Austria to follow in 2020
- Launched Apple Pay in Austria
- Leading bond and loan market franchise confirmed: #2 in “EMEA All Bonds in EUR”, #1 in EMEA Syndicated Loans in All Currencies in Italy, Austria and CEE, #2 in Germany⁽¹⁾

ADOPT LEAN BUT STEERING CENTER

Governance

Group CC streamlining



- Wouter Devriendt appointed as new Head of Finance & Control
- Beatriz Lara Bartolomé and Diego De Giorgi have been co-opted to the Board of Directors
- New ESG targets disclosed as part of long term commitment to sustainability
- The ratio of GCC costs to total costs is down to 3.0% in FY19, better than target of 3.5%



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- **Business Model & Strategy**
- Profit & Loss
- Asset Quality
- Balance Sheet & Capital Ratios

3 Liquidity & Funding

- Funding Strategy & Position
- Cover Pool

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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 2019

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 5,300 FTE and 122 branches in Austria**
- **Solid capital base** (18.9% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

in € bn

	Dec-19	Dec-18
Total Assets	101.7	99.0
Customer Loans	63.3	62.6
Direct Funding	68.9	67.9
Equity	8.5	8.3

in € mn

	FY19	FY18
Operating income	1,941	1,978
Operating costs	-1,149	-1,211
LLP	-35	66
Net profit	698	638

	Dec-19
Cost / income ratio	59.2%
CET1 capital ratio ¹⁾	18.9%
Total capital ratio ¹⁾	21.3%

Non-performing exposure ratio 3.3%

Coverage ratio 54.5%

Cost of risk 6 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 ²⁾	13.8%	12.5%

¹⁾ Capital ratios as of end of period, based on all risks and according to IFRS and Basel 3 (transitional)

²⁾ based on data by OeNB (Austrian Central Bank) as of December 2019



Bank Austria – strategic measures to improve profitability

Successful completion of strategic plan “Transform 2019”

Implementation of UniCredit's new strategic plan "Team 23"

Overview Bank Austria
Business Model & Strategy

- **Transform 2019** successfully completed, including:
 - **Reduction** of branch network → from 174 (Dec. 2015) to 122 (Dec. 2019)
 - **Reduction** of staff costs → FTE from 6,347 (Dec. 2015) to 5,301 (Dec. 2019)
 - **Improvement of the Cost/Income-Ratio** → from 79.4% (Dec. 2015) to 59.2% (Dec. 2019)
 - **Several revenue initiatives** (mortgage loans, consumer loans, asset management) and **product innovation** (new mobile banking, photo payment, etc.)

- UniCredit's new strategic plan Team 23 is based on the following pillars:

Grow and
strengthen client
franchise



Transform and
maximise
productivity



Disciplined risk
management &
controls



Capital and
balance sheet
management



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



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:** Clients of Unternehmerbank are
 - more than 2/3 of all large corporates (>€ 50 mn turnover)
 - nearly 1/3 of SMEs (€ 3-50 mn turnover)
- Unternehmerbank takes care of
 - **Austrian corporate clients** (>€ 3 mn turnover)
 - **Commercial real estate clients**
 - **Public Sector clients**
- **Strengths of a strong local European major bank:** Innovative financing solutions incl. Leasing & Factoring, Cash Management, access to international financial markets, support by **UniCredit International Center**

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 **122 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)

Premium 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 – FY19

Further cost savings lead to an improved operating profit (y/y)

Overview Bank Austria

Profit & Loss

	1	2	3	4					
(€ million)									
	1-12 2019	1-12 2018	y/y	4Q19	3Q19	4Q18	q/q	y/y	
Operating income	1.941	1.978	-1,9%	518	484	472	6,9%	9,6%	
Operating costs	-1.149	-1.211	-5,1%	-294	-286	-305	2,8%	-3,7%	
Operating profit	792	767	3,2%	224	198	167	12,8%	33,9%	
Net write-downs of loans	-35	66	>-100.0%	-30	-17	3	71,2%	>-100.0%	
Net operating profit	757	834	-9,2%	194	181	171	7,2%	13,7%	
Non-operating items	-239	-116	>100.0%	-198	-7	-21	>100.0%	>100.0%	
Profit (loss) before tax	519	717	-27,7%	-4	174	149	>-100.0%	>-100.0%	
P/L discontinued operations	14	15	-6,7%	11	0	1	>100.0%	>100.0%	
Other positions	166	-94	>-100.0%	216	-18	-15	>-100.0%	>-100.0%	
Group Net Profit	698	638	9,4%	222	156	135	42,3%	65,2%	
Cost/income ratio	59,2%	61,2%	-201 bp	56,8%	59,0%	64,6%	-227 bp	-783 bp	

- **Operating Income lower than last year**, mainly due to lower trading income (positive special effects in prior year and negative valuation effects)
- **Operating Costs down by 5% y/y**, improvements in all major cost categories, reflecting strong cost discipline and further FTE reduction
Substantial improvement of cost/income ratio (-1.5 pp) to 60.8%
- **Net Write-Downs of Loans moderately negative with € -35 mn** (with net releases in Privatkundenbank and CIB)
- **Non-Operating Items € -239 mn**: mainly systemic charges (€ -115 mn), restructuring expenses (€ -174 mn, mainly in relation with the strategic plan “Team 23” of UniCredit), and release of a provision for US sanctions



P&L of Bank Austria Group – FY19 in detail

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	(€ million)	1-12/2019	1-12/2018	Δ abs.	Δ in %
Net interest		960	959	1	0%
Dividends and other income from equity investments		179	155	24	15%
Net fees and commissions		692	702	-10	-1%
Net trading, hedging and fair value income/loss		61	104	-43	-41%
Net other expenses/income		49	58	-9	-16%
Operating income		1,941	1,978	-37	-2%
Payroll costs		-618	-632	14	-2%
Other administrative expenses		-487	-529	42	-8%
Depreciation		-44	-50	6	-12%
Operating costs		-1,149	-1,211	62	-5%
Operating profit		792	767	25	3%
Net write-downs of loans and provisions for guarantees and commitments		-35	66	-101	n.s.
Net operating profit		757	834	-77	-9%
Provisions for risks and charges		67	-42	110	n.s.
Systemic charges		-125	-122	-2	2%
Integration/ restructuring costs		-174	2	-176	n.s.
Net income from investments		-8	46	-54	n.s.
Profit (loss) before tax		519	717	-199	-28%
Income tax for the period		177	-78	255	n.s.
Net profit		696	640	56	9%
Total profit or loss after tax from discontinued operations		14	15	-1	-7%
Profit (loss) for the period		710	655	55	8%
Non-controlling interests		-11	-16	5	-30%
Net Profit attrib. to the owners of the parent company		698	638	60	9%

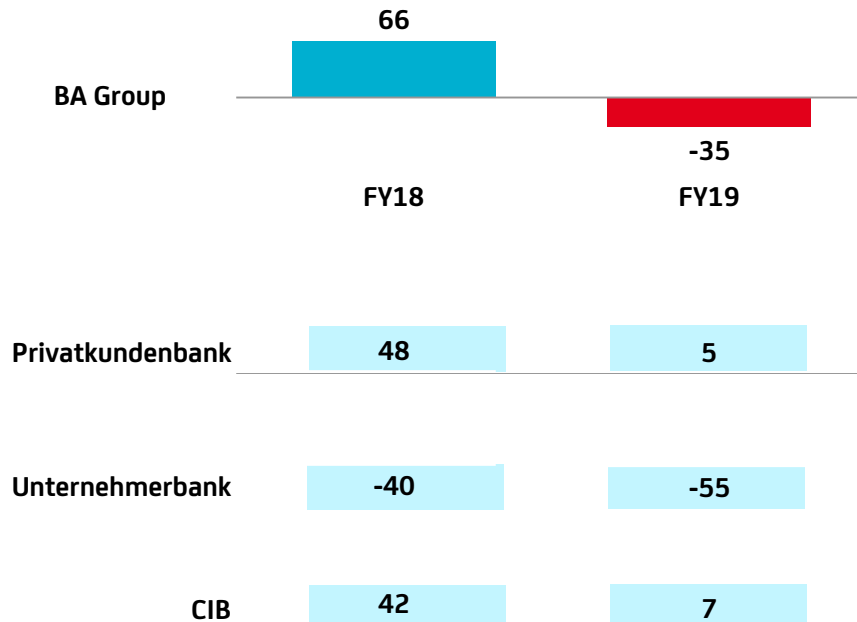


Net Write-Downs of Loans

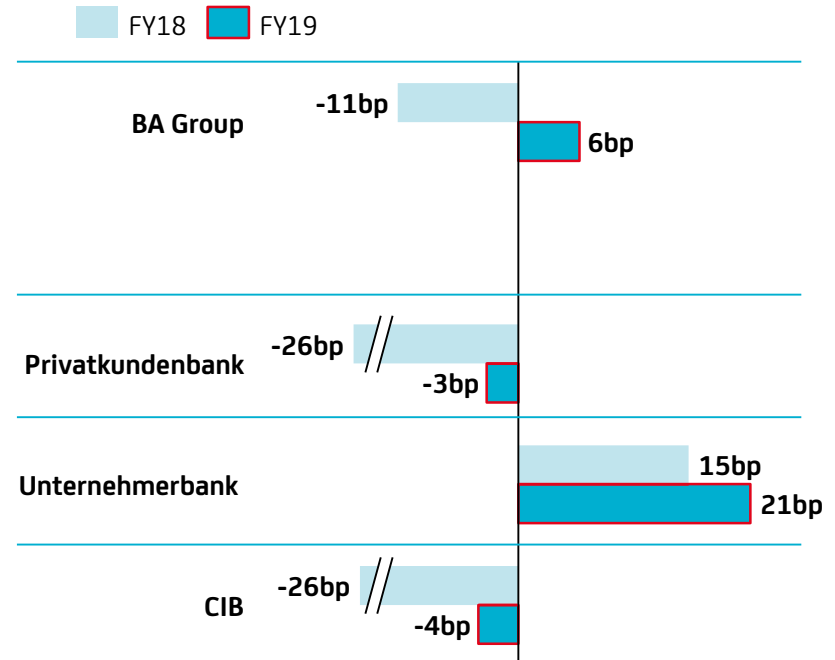
In FY19, low **Net Write-Downs** due to **good asset quality**

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



Cost of Risk by Segment (bp)



- BA Group in FY19 with low **Net Write-Downs** of € -35 mn (after high net releases in 2018)
- **Net releases in Privatkundenbank and CIB**
- **Cost of Risk:** at low 6 bp for BA Group



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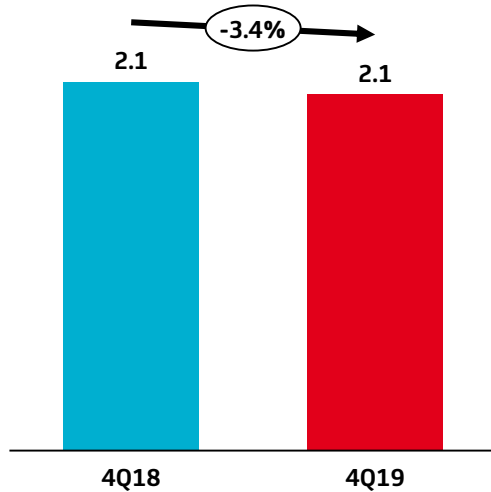


Asset Quality - FY19

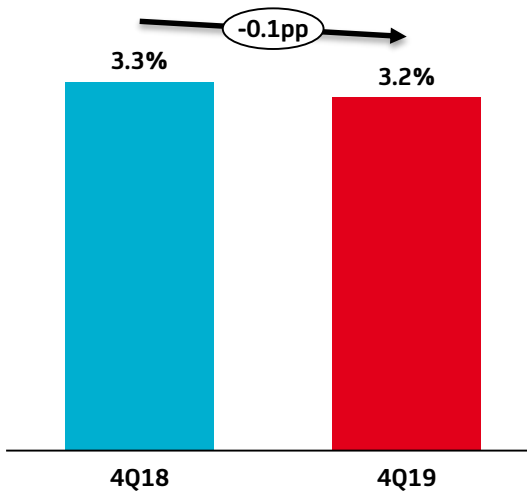
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Overview Bank Austria
Asset Quality

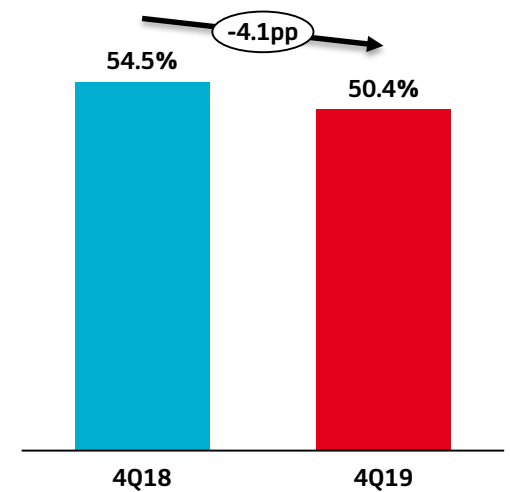
Gross NPE ¹⁾ (€ bn)



% of Gross NPE on Total Loans¹⁾



Coverage Ratio on NPE ¹⁾



- **NPE portfolio** slightly decreased since year-end 2018, also **NPE Ratio** stable
- **Coverage Ratio** lower at 50.4%, due to shift of fully collateralized large exposure into NPE



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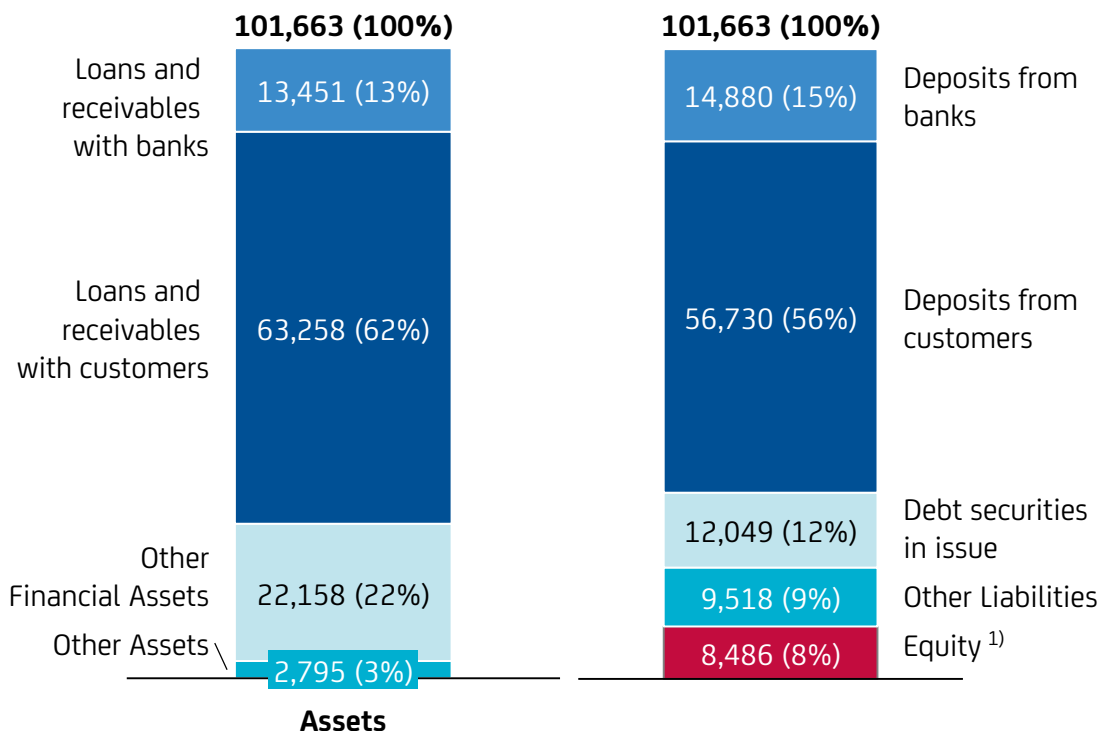
Balance Sheet structure of Bank Austria

(as of 31 December 2019)

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Overview Bank Austria
Balance Sheet & Capital Ratios

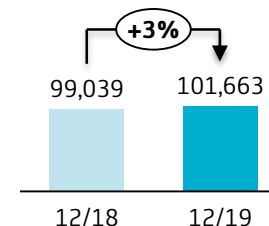
Balance Sheet (€ mn)



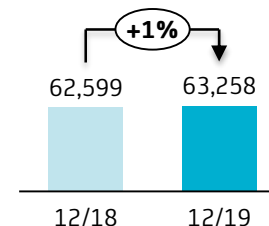
- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (details see following page)
- **Strong capital base with a net equity¹⁾** of € 8.5 bn
- **Excellent CET 1 Ratio at 18.9%**

Change vs. 31 December 2018

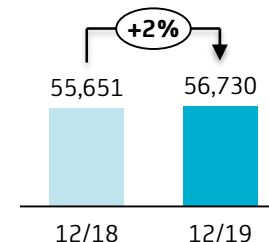
Balance Sheet



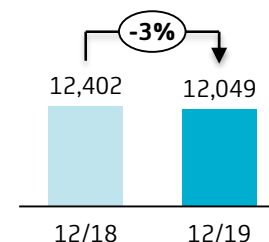
Loans to customers



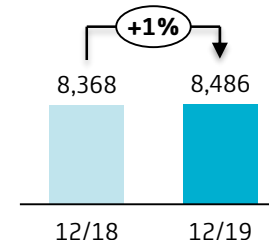
Deposits from customers



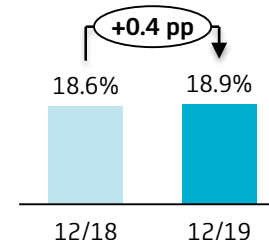
Securities in issue



Shareholders' Equity



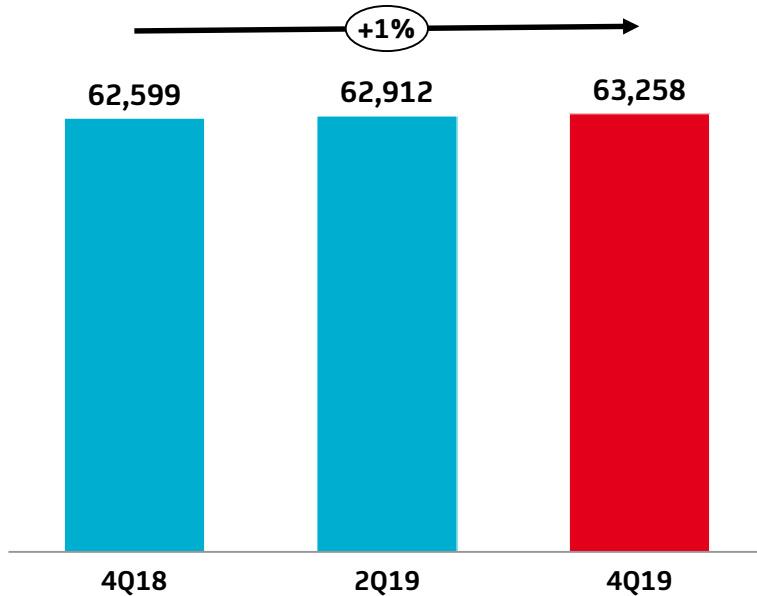
CET1 Ratio



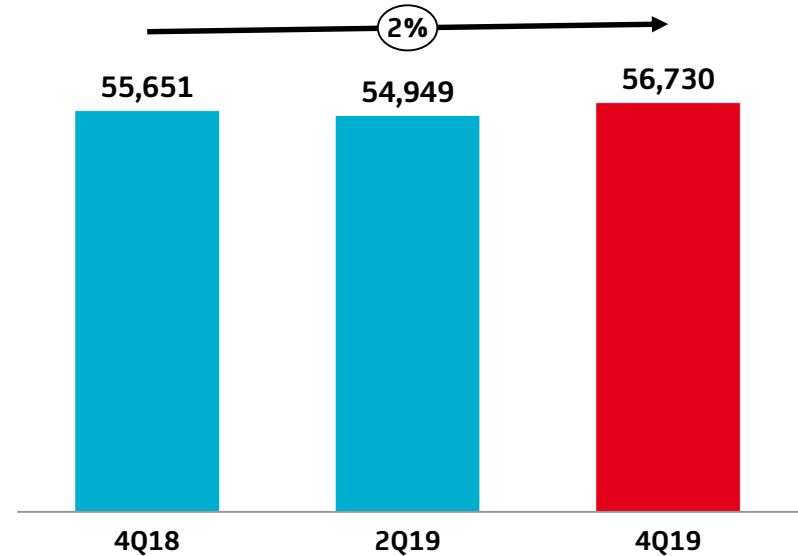
Loan and Deposit Volumes

Well-balanced development of loans and deposits

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



- **Loans to customers** increased slightly y/y, driven in particular by Privatkundenbank and CIB
- **Deposits from customers** with y/y growth in all business divisions



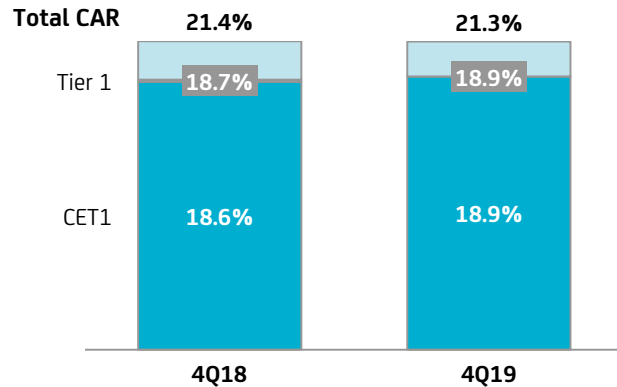
Capital position BA GROUP IFRS

Solid capital ratios

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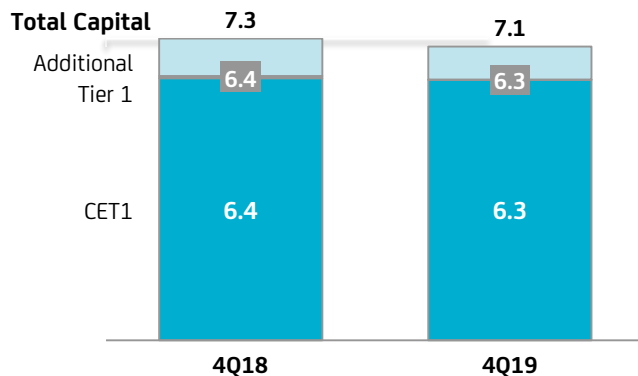
Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

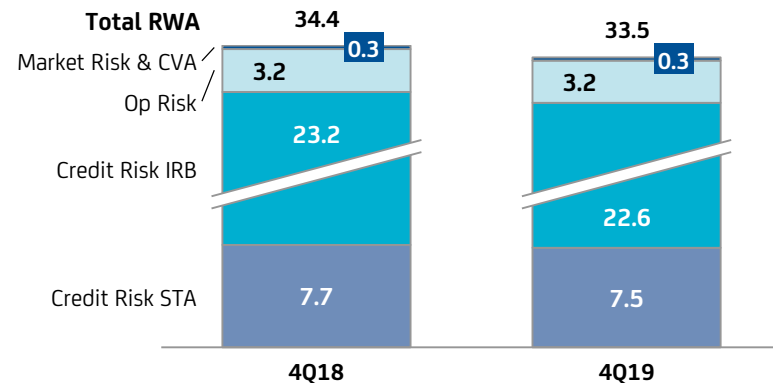


- **Total regulatory capital** slightly decreased to € 7.1 bn, due to end of "phase-in" (transitional) rules
- **Total RWA** down to € 33.5 bn, mainly due to lower credit RWA
- **CET 1 Ratio at solid 18.9%** (both transitional and fully loaded), decrease vs. 4Q18 mainly due to expiry of transitional treatments
- **Total Capital Ratio** at excellent **21.3%**
- **Leverage Ratio** at strong **5.7%**

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

All Group Legal Entities to become self-funded by progressively minimizing intragroup exposures

- 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

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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Executive Summary

Bank Austria Mortgage Cover Pool



COVERED BOND
• L A B E L •

Liquidity & Funding

Cover Pool

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- **Aaa Rating by Moody's**
- The **Mortgage Cover Pool** is characterized by a **simple and transparent structure**:
 - 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 and valuation
- **Decrease of total value of CHF cover assets** over the last five years (2Q15: € 1,796 mn – 1Q20: € 977 mn; no new CHF assets since 2010)
- Steady increase of the cover pool (ca. € 1,300 mn in the last year), primarily by residential mortgages
- **ECBC Covered Bond Label** has been granted to the BA Mortgage Cover Pool



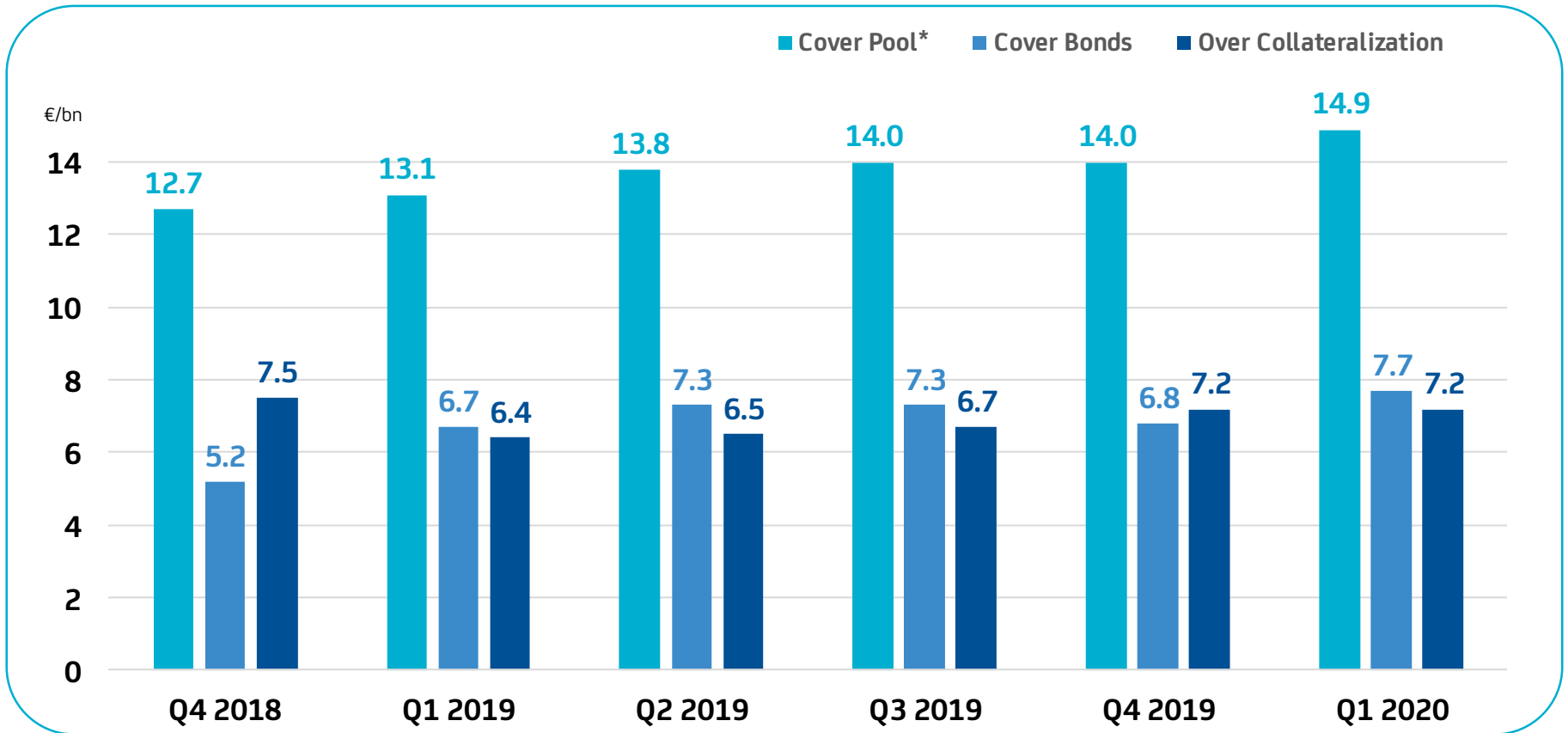
Mortgage Cover Pool

Historical trend

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Liquidity & Funding

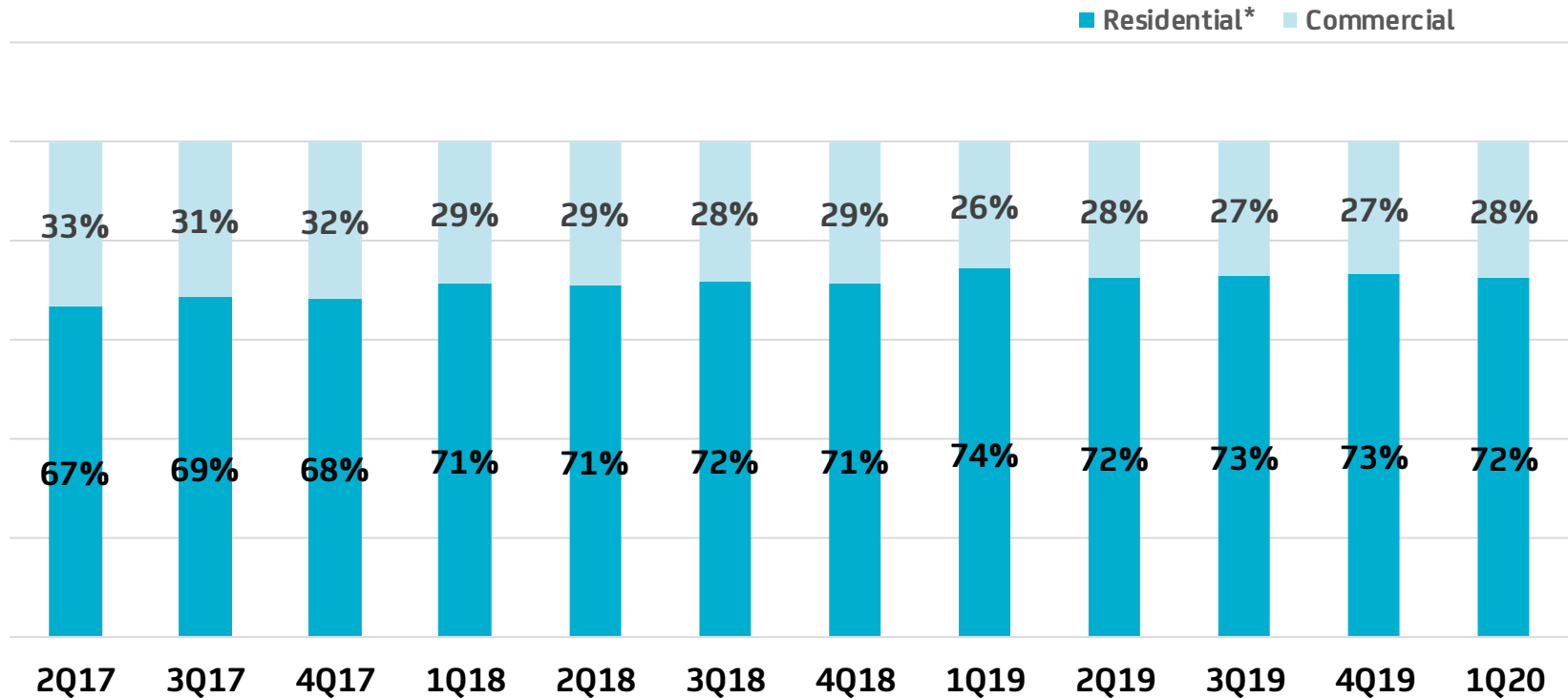
Cover Pool



Mortgage Cover Pool

Breakdown by type of use - Historical trend

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- 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

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Liquidity & Funding

Cover Pool

<i>Parameters of Cover Pool</i>	<i>1Q20</i>
Weighted Average Life (in years incl. Amortization)	9.6
Contracted Weighted Average Life (in years)	16.2
Average Seasoning (in years)	6.0
Total Number of Loans	52,115
Total Number of Debtors	45,471
Total Number of Mortgages	47,935
Average Volume of Loans (in €/mn)	0.3
Stake of 10 Biggest Loans	10.1%
Stake of 10 Biggest Debtors	11.4%
Stake of Bullet Loans	21.2%
Stake of Fixed Interest Loans	34.5%
Amount of Loans 90 Days Overdue (in €/mn)	-
Average Interest Rate	1.2%

<i>Parameters of Issues</i>	<i>1Q20</i>
Total Number	83
Average Maturity (in years)	5.4
Average Volume (in €/mn)	93.3

- Total Value of the **Cover Pool*** as of **31 March 2020**
(€-equivalent): **14,858 mn**
 - thereof in €: 13,562 mn (91.3%)
 - thereof in CHF: 977 mn (6.6%)
 - thereof substitute cover in €: 319 mn (2.1%)
- **Moody's Rating: Aaa**



Mortgage Cover Pool

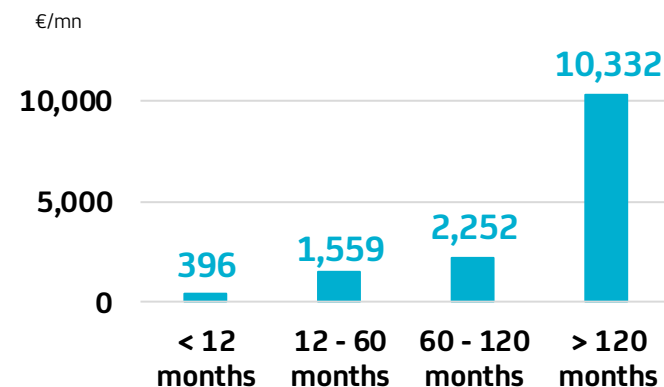
Maturity Structure of Cover Pool* and Issues

Liquidity & Funding

Cover Pool

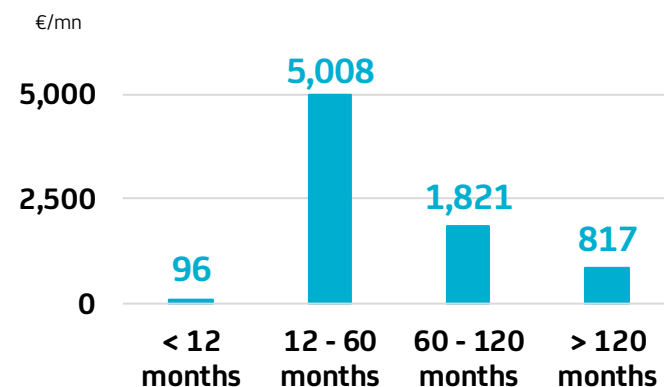
Maturity of assets in the cover pool – March 2020

Maturity of Assets in the Cover Pool**	Total		Commercial		Residential	
	€/mn	%	€/mn	%	€/mn	%
< 12 months	396	2.7%	260	6.4%	136	1.3%
12 - 60 months	1,559	10.8%	1,055	26.1%	504	4.8%
12 - 36 months	444	3.1%	299	7.4%	145	1.4%
36 - 60 months	1,115	7.7%	756	18.7%	359	3.4%
60 - 120 months	2,252	15.5%	1,130	28.0%	1,122	10.7%
> 120 months	10,332	71.0%	1,594	39.5%	8,738	83.2%
Total	14,539	100%	4,039	100%	10,500	100%



Maturity of issued covered bonds – March 2020

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	96	1.2%
12 - 60 months	5,008	64.8%
12 - 36 months	574	7.5%
36 - 60 months	4,434	57.3%
60 - 120 months	1,821	23.5%
> 120 months	817	10.6%
Total	7,742	100%



Mortgage Cover Pool

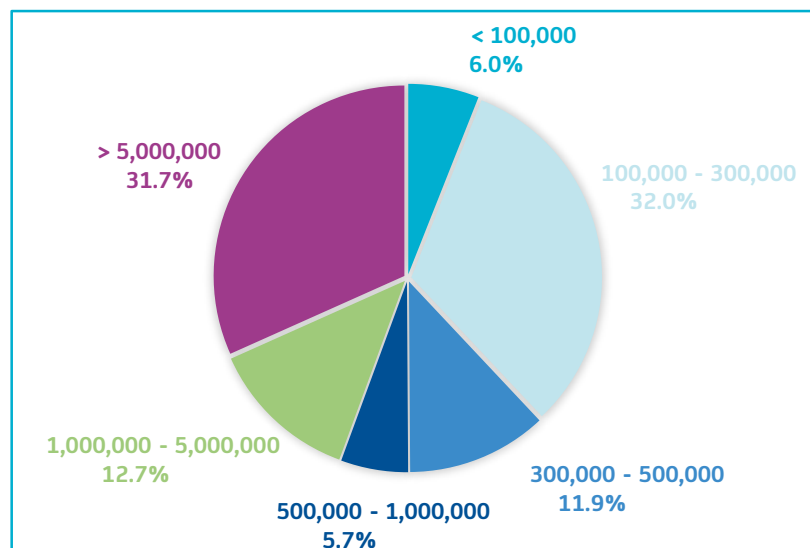
Assets Volume* Breakdown

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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Mortgages	Total		Commercial		Residential	
	€/mn	Number	€/mn	Number	€/mn	Number
< 300,000	5,526	40,850	81	555	5,445	40,295
< 100,000	872	15,336	12	191	861	15,145
100,000 - 300,000	4,654	25,514	69	364	4,584	25,150
300,000 - 5,000,000	4,407	6,861	593	484	3,815	6,377
300,000 - 500,000	1,728	4,731	55	138	1,674	4,593
500,000 - 1,000,000	828	1,230	95	132	733	1,098
1,000,000 - 5,000,000	1,851	900	443	214	1,408	686
> 5,000,000	4,606	224	3,365	116	1,240	108
Total	14,539	47,935	4,039	1,155	10,500	46,780



Mortgage Cover Pool

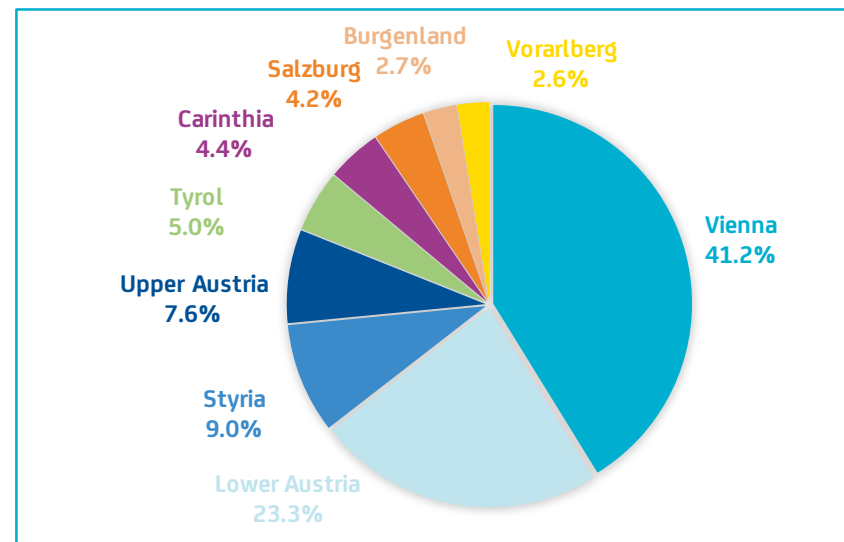
Regional Breakdown* of Mortgages in Austria

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Liquidity & Funding
Cover Pool

Regional Breakdown Austria – March 2020

Regional Breakdown Austria	Total	
	€/mn	%
Vienna	5,992	41.2%
Lower Austria	3,385	23.3%
Styria	1,304	9.0%
Upper Austria	1,104	7.6%
Tyrol	729	5.0%
Carinthia	644	4.4%
Salzburg	613	4.2%
Burgenland	392	2.7%
Vorarlberg	376	2.6%
Total Austria	14,539	100%



Mortgage Cover Pool

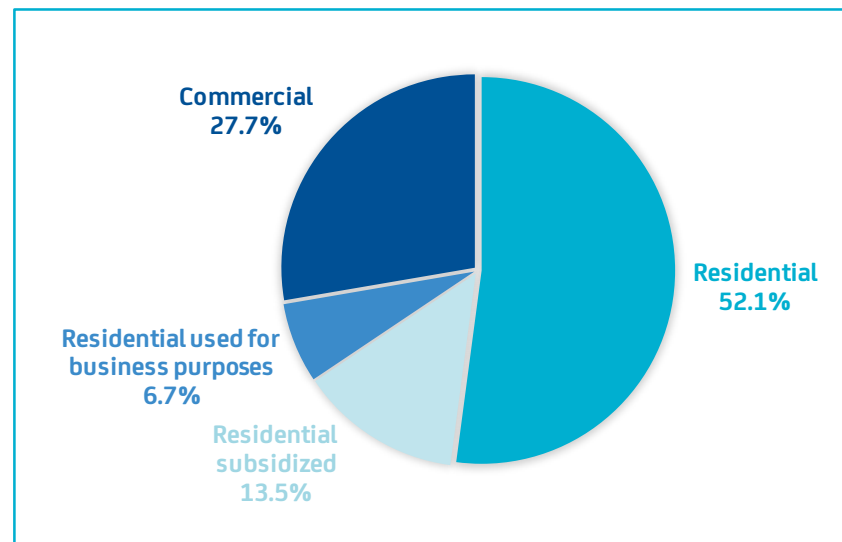
Breakdown* by Type of Use and LTV

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Liquidity & Funding
Cover Pool

Breakdown by type of use – March 2020

Mortgages Breakdown by Type of Use	Total	
	€/mn	Number
Residential	7,576	43,738
Residential subsidized	1,956	2,126
Residential used for business purposes	968	916
Commercial	4,039	1,155
thereof Office	1,701	172
thereof Trade	1,007	65
thereof Tourism	395	178
thereof Agriculture	55	283
thereof mixed Use / Others	881	457
Total	14,539	47,935



	Residential	Commercial	Total
Total	10,500	4,039	14,539
Weighted Average LTV	52.4%	48.9%	51.4%



Mortgage Cover Pool

Breakdown* by Type of Use

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Liquidity & Funding
Cover Pool

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€ 14,539 mn** as of 31 March 2020 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna (41.2%) and the state of Lower Austria (23.3%)
- **Breakdown of cover pool by type of use:**
 - 72.3% residential real estate (thereof 13.5% subsidized)
 - 27.7% commercial real estate, of which:
 - Office 11.7%
 - Trade 6.9%
 - Tourism 2.7%
 - Other / Mixed use 6.4%



Executive Summary

Public Sector Cover Pool of Bank Austria



COVERED BOND
• L A B E L •

Liquidity & Funding
Cover Pool

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- **Aaa Rating by Moody's**
- Focus on **purely Austrian claims**
- Cover Pool Volume* as of 31 March 2020 amounts to **€ 6,092 mn**
- Average volume of loans is approx. **€ 1.4 mn**
- Average seasoning is **7.9 years**
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria



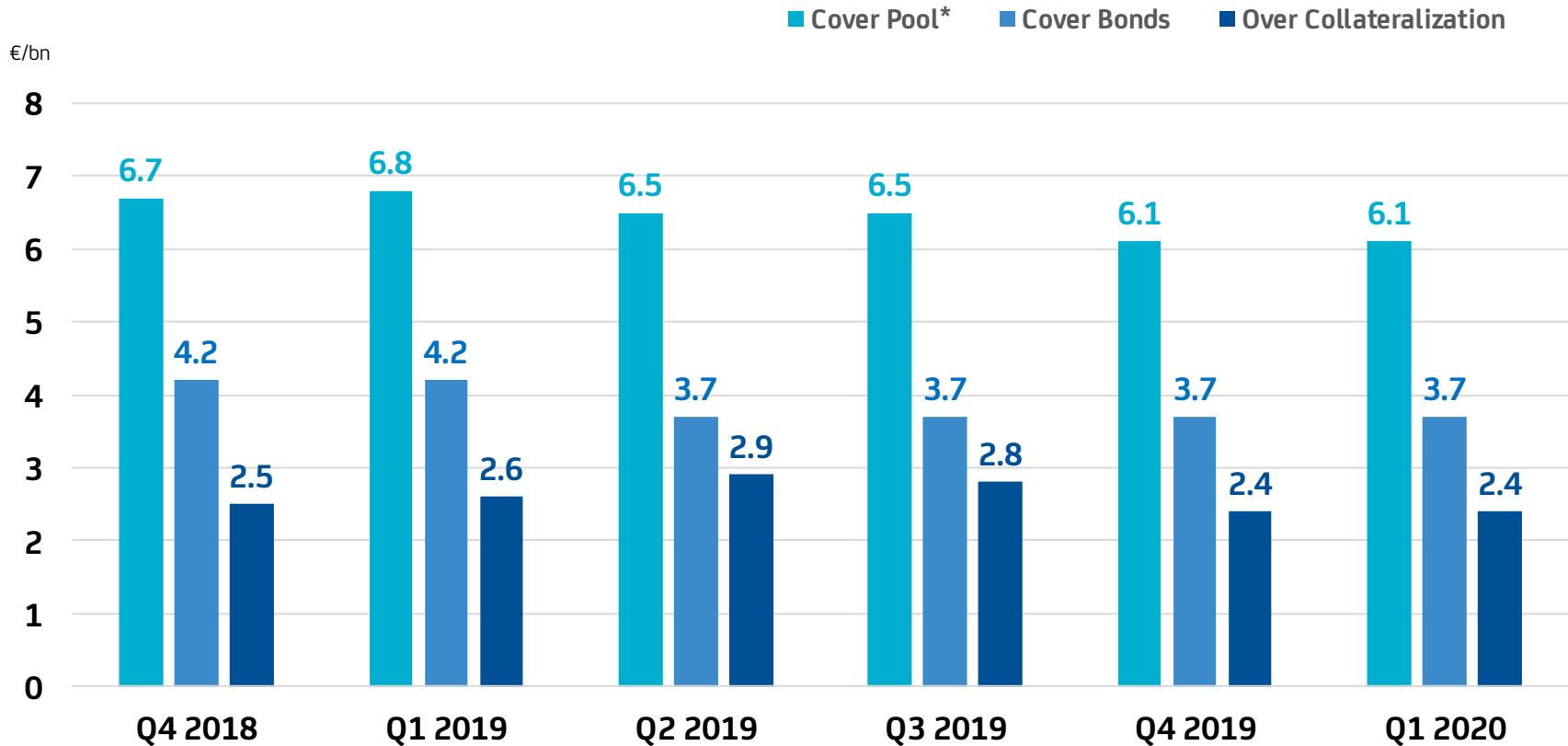
Public Sector Cover Pool

Historical trend

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Liquidity & Funding

Cover Pool



Public Sector Cover Pool

Parameters of Cover Pool* and Issues

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Liquidity & Funding

Cover Pool

<i>Parameters of Cover Pool</i>	<i>1Q20</i>
Weighted Average Life (in years incl. Amortization)	8.4
Contracted Weighted Average Life (in years)	12.5
Average Seasoning (in years)	7.9
Total Number of Loans	4,210
Total Number of Debtors	1,443
Total Number of Guarantors	324
Average Volume of Loans (in €/mn)	1.4
Stake of 10 Biggest Loans	17.8%
Stake of 10 Biggest Guarantors	45.0%
Stake of Bullet Loans	45.1%
Stake of Fixed Interest Loans	43.7%
Amount of Loans 90 Days Overdue (in €/mn)	-
Average Interest Rate	1.4%

<i>Parameters of Issues</i>	<i>1Q20</i>
Total Number	30
Average Maturity (in years)	2.7
Average Volume (in €/mn)	122.2

- Total Value of the **Cover Pool*** as of **31 March 2020**
(€-equivalent): **6,092 mn**
 - thereof in €: 4,681 mn (76.8%)
 - thereof in CHF: 168 mn (2.8%)
 - thereof public sector bonds* (€-equivalent):
1,243 mn (20.4%)
- **Moody's Rating: Aaa**



Public Sector Cover Pool

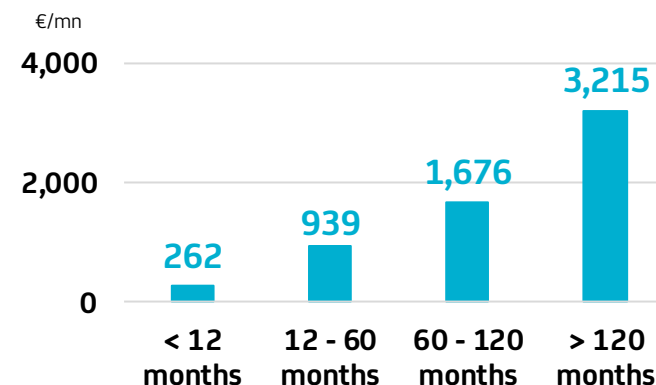
Maturity Structure of Cover Pool* and Issues

Liquidity & Funding

Cover Pool

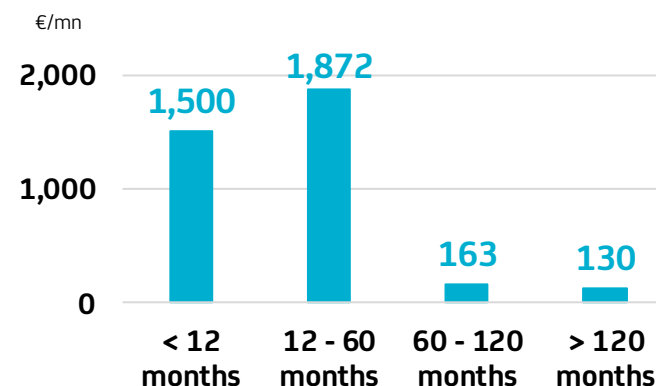
Maturity of assets in the cover pool – March 2020

Maturity of Assets in the Cover Pool**	Total	
	€/mn	%
< 12 months	262	4.3%
12 - 60 months	939	15.4%
12 - 36 months	609	10.0%
36 - 60 months	330	5.4%
60 - 120 months	1,676	27.5%
> 120 months	3,215	52.8%
Total	6,092	100%



Maturity of issued covered bonds – March 2020

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	1,500	40.9%
12 - 60 months	1,872	51.1%
12 - 36 months	1,292	35.3%
36 - 60 months	580	15.8%
60 - 120 months	163	4.5%
> 120 months	130	3.5%
Total	3,665	100%



Public Sector Cover Pool

Volume* breakdown by Size of Assets

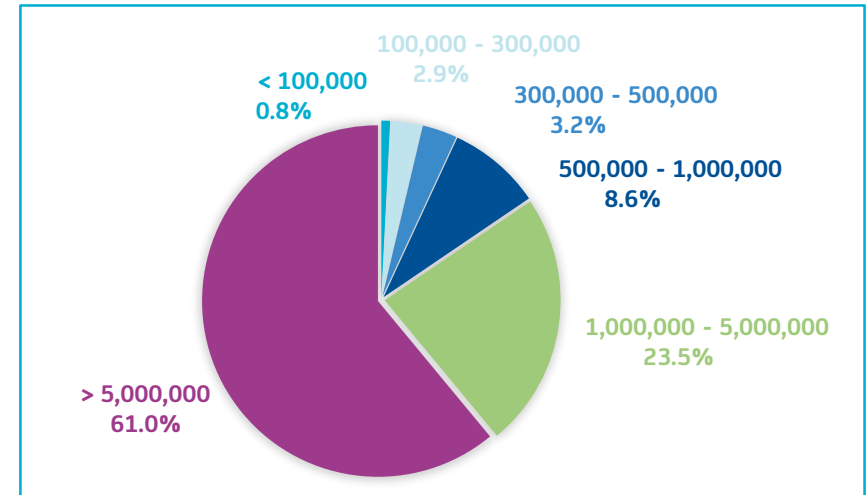
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Liquidity & Funding

Cover Pool

Breakdown by size of assets – March 2020

Volume Breakdown by Size of Assets	Total	
	€/mn	Number
< 300,000	223	2,107
< 100,000	49	1,160
100,000 - 300,000	174	947
300,000 - 5,000,000	2,151	1,960
300,000 - 500,000	197	504
500,000 - 1,000,000	522	725
1,000,000 - 5,000,000	1,432	731
> 5,000,000	3,718	143
Total	6,092	4,210



Public Sector Cover Pool

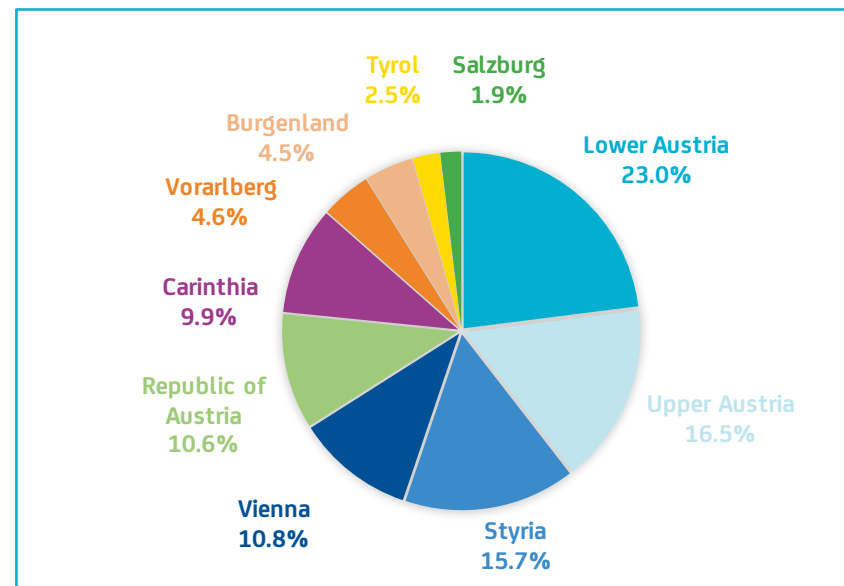
Regional Breakdown of Assets* in Austria

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Liquidity & Funding
Cover Pool

Regional Breakdown Austria – March 2020

Regional Breakdown Austria	Total	
	€/mn	%
Lower Austria	1,397	23.0%
Upper Austria	1,004	16.5%
Styria	957	15.7%
Vienna	661	10.8%
Republic of Austria	648	10.6%
Carinthia	605	9.9%
Vorarlberg	283	4.6%
Burgenland	272	4.5%
Tyrol	150	2.5%
Salzburg	115	1.9%
Total Austria	6,092	100%



Public Sector Cover Pool

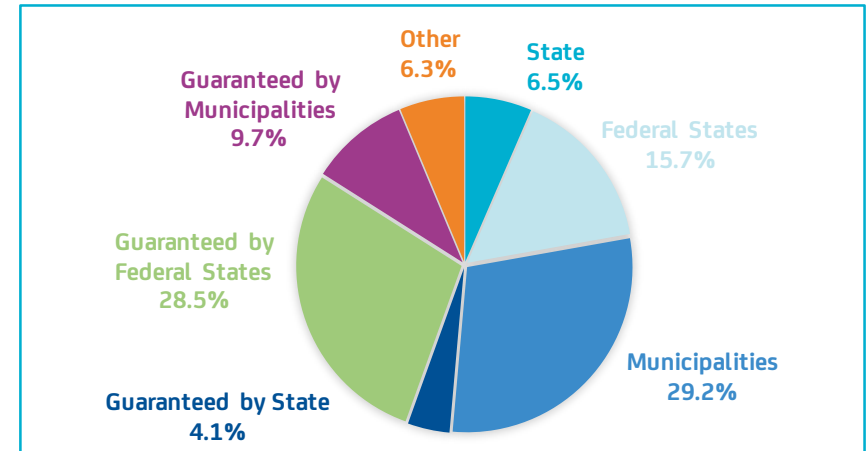
Assets Volume* Breakdown by Type of Debtor / Guarantor

Liquidity & Funding

Cover Pool

Breakdown by type of debtor / guarantor – March 2020

Assets: Type of Debtor / Guarantor	Total	
	€/mn	Number
State	395	4
Federal States	958	37
Municipalities	1,779	2,645
Guaranteed by State	252	108
Guaranteed by Federal States	1,734	377
Guaranteed by Municipalities	593	538
Other	381	501
Total	6,092	4,210



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- COVID-19
- Ratings Overview
- Real Estate Market Austria
- Legal Situation – Austrian Covered Bonds



Overview of outstanding Pfandbrief Benchmark Issues since 2019

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Liquidity & Funding Transactions

**Bank Austria
Mortgage Pfandbrief**

0.25%

21/06/2030

€ 500 mn

Jan. 2020

MS + 6bps

**Bank Austria
Mortgage Pfandbrief**

0.25%

04/06/2027

€ 500 mn

June 2019

MS + 7bps

**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



Overview of outstanding Pfandbrief Benchmark Issues until 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 Public Sector Pfandbrief	1.375%	26/05/2021	€ 500 mn	May 2014	MS + 25bps
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	4.125%	24/02/2021	€ 1 bn	Feb. 2011	Mid-Swap +69

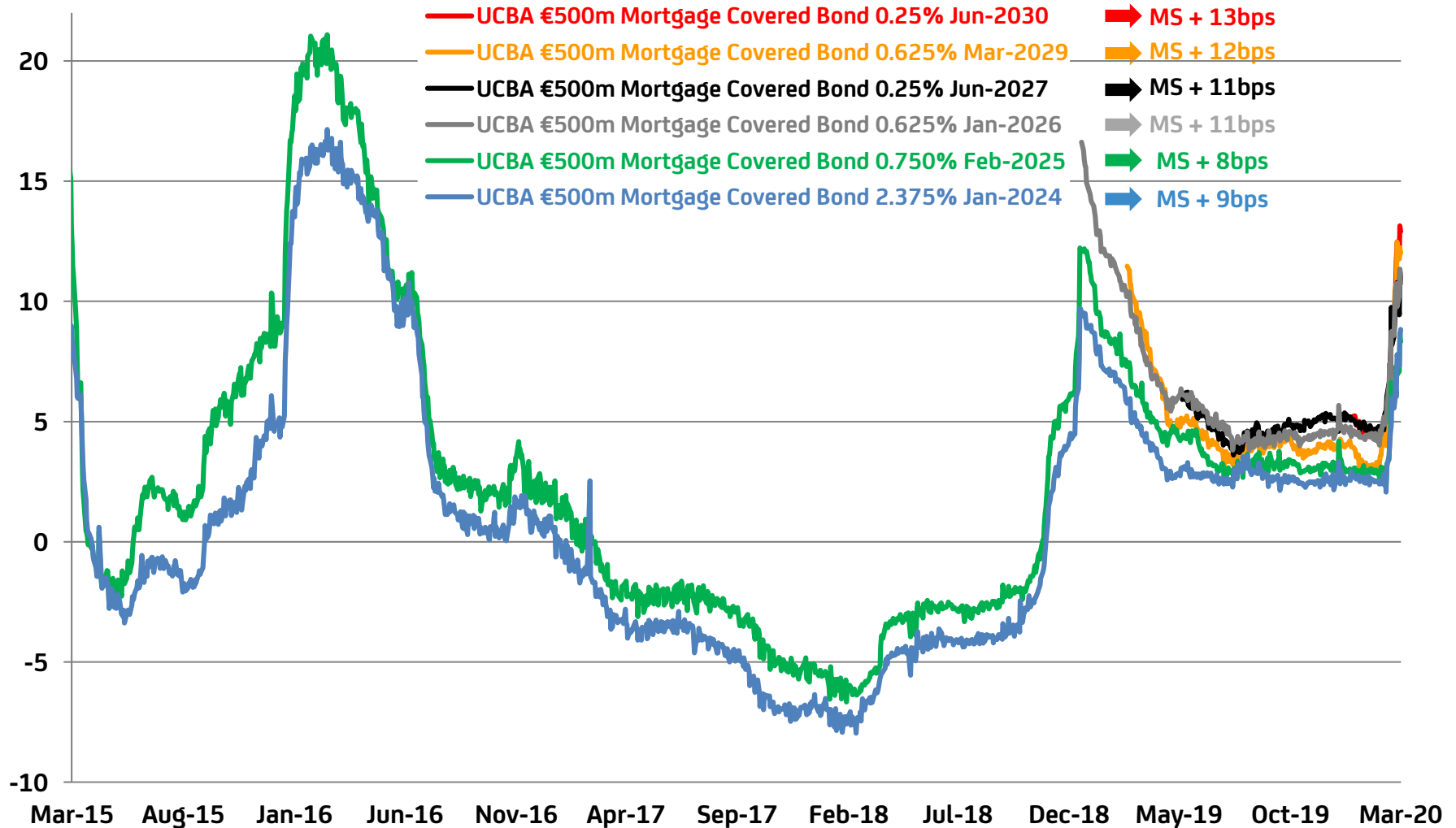


UniCredit Bank Austria Covered Bond Spread Comparison

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Liquidity & Funding Transactions



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 - Legal Situation – Austrian Covered Bonds



- The outbreak of the corona virus disease in 2019 (COVID-19) is expected to have a significant impact on the Austrian economy
- However, as many other countries, the Austrian government has implemented substantial support measures
- Nevertheless, the current market environment is characterized by uncertainties, in particular with respect to financial markets, due to the COVID-19 crisis, the full impact of which cannot yet be finally assessed as at the date of this presentation



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Rating Overview

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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 Negative	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 19 May 2020)

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 exclusively subordinated and are also rated as shown above by Standard & Poor's, while by Moody's the corresponding subordinated securities are rated Baa2



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Austrian Real Estate Market

Overview

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Real Estate Market Austria

- 2019 was an absolute record year for commercial real estate investments in Austria. The investment year 2019 ended with a total volume of around € 5,9 bn. That is 39 percent more than in the previous year and 17 percent than in the previous record year 2017. The first quarter of 2020 started just as strongly as some transactions could not be completed in 2019. Office properties were by far the most important asset class in 2019, accounting for around 46 % percent of the total investment volume: The high demand, with limited supply, led to consistently low returns 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 property prices in Vienna have increased significantly in the past 5 years. After the levelling-up in Vienna flattened in 2018, prices rose continuously from the first half year to the end of 2019. Price development in Austria (excluding Vienna) continues more steadily than in the capital.
- Due to the COVID-19 disease, further development of real estate prices in 2020 is still uncertain.



Austrian Real Estate Market

Prices for residential real estate

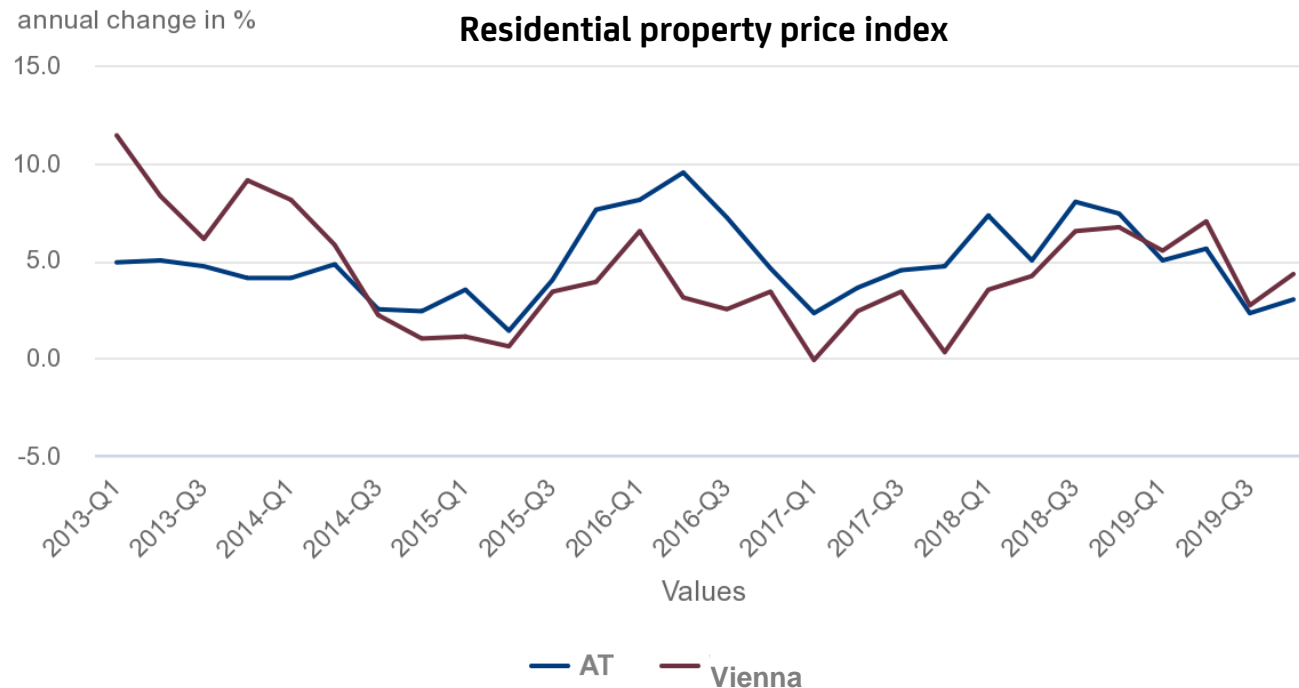
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Real Estate Market Austria

- After an increase in prices in 2018 of approx. 4 % there was a further increase in property prices in 2019. In the first half of the year and especially in the second half of 2019, prices in Vienna rose continuously by around 4.90% in total.
- Residential property prices in Austria excluding Vienna developed continuously in 2019 with approx. 2.60% significantly weaker 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 2019 | 3.45% |
| • Yield for Austrian Government Bonds (10Y) | 0.50% |
| • Spread | 2.95% |



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 - **Legal Situation – Austrian Covered Bonds**



Austrian Legal Framework

Mortgage and Public Sector Pfandbriefe

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Legal situation – Austrian covered bonds

Austrian Covered Bonds

Pfandbriefe

Fundierte Schuldverschreibungen

Hypothekendarstellungsgesetz
(Mortgage Banking Act 1899)

Pfandbriefgesetz
(Pfandbrief Law 1938)

Law of 1905

Bank Austria

Outlook: The existing national laws are to be harmonized in terms of content and replaced by a uniform Covered Bond Act (*Pfandbriefgesetz*) (transposition into national law by 8 July 2021).

The underlying EU requirements (EU Directive 2019/2162 and EU Regulation amending CRR 2019/2160) were published in the Official Journal of the EU in December 2019.



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

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