

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

September 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 18.3% as of June 2019)**

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 18.3% 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 Premium Banking and Wealth Management 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 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

25.3 million clients⁽¹⁾
80% 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⁽⁴⁾** out of **14** countries

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

€1.5bn
joint CIB-Commercial Banking revenues⁽⁵⁾

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

53% revenues outside Italy⁽⁶⁾

(1) Data as of 2Q19 includes 100% clients in Yapi (Turkey)

(2) Business division revenues as of 1H19: CB Italy, CB Germany, CB Austria and CEE

(3) Data as of 1Q19, ranking between #1 and #5 in terms of total assets according to local accounting standards

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

(5) Data as of June 2019 includes revenues from GTB, ECM, DCM, M&A, Factoring, Markets products from Commercial Banking clients and structured finance products from Corporate clients

(6) Data as of 1H19 based on regional view



Strong competitive advantage across countries and products

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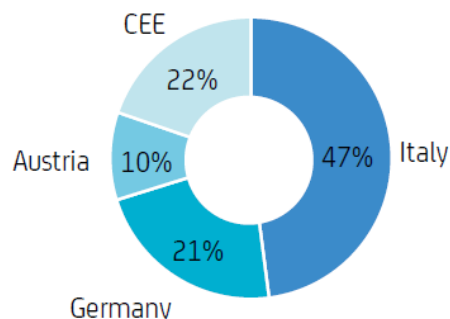
UniCredit at a glance

Strong local Commercial Banks

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

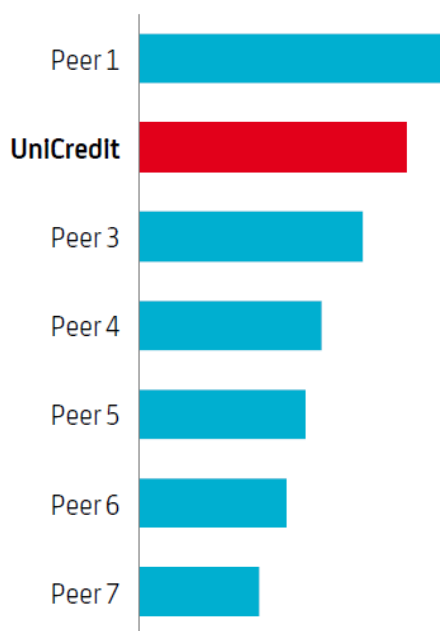
Italy	7.6	2
Germany	1.6	3
Austria	1.6	1
CEE	14.6	1

Revenues by geography⁽³⁾



"Go to" bank for European "Mittelstand" Corporates

Loans to corporates in Eurozone, €bn⁽⁴⁾



Best-in-class CIB product provider

EMEA rankings⁽⁵⁾

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

Awards



Trade Finance Innovation: UC Trade Finance Gate⁽⁶⁾



AIFin Awards 2019 Financial Innovation: we.trade – New services for corporates⁽⁶⁾



Global Finance Best Sub-custodian Bank in CEE, Austria, Bulgaria, Czech Republic, Hungary, Serbia and Slovenia⁽⁶⁾

(1) Data as of 1H19 includes 100% clients of Yapi (Turkey)

(2) Data as of 4Q18, based on available public data. For Germany, only private banks, for CEE compared to Erste, KBC, Intesa Sanpaolo, OTP, RBI, SocGen. UniCredit data incl. Turkey pro quota

(3) Data as of 1H19 based on regional view

(4) Data as of 2Q19, where available (otherwise as of 1Q19), based on available public data; peers include: BNP, Deutsche Bank, Santander, HSBC, ISP, Société Générale.

FX rate as at 31 March 2019 for 1Q19 figures.

(5) Dealogic as of beginning of July 2019; period: 1 January – 31 December 2018

(6) Source: Global Finance: www.gfmag.com; www.aifin.org



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 30 June 2019

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 5,300 FTE and 123 branches in Austria**
- **Solid capital base** (18.3% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

in € bn

	Jun-19	Dec-18
Total Assets	101.0	100.1
Customer Loans	62.9	60.8
Direct Funding	67.9	68.3
Equity	8.3	8.4

in € mn

	1H19	1H18
Operating income	937	999
Operating costs	-570	-623
LLP	13	87
Net profit	326	353

	Jun-19
Cost / income ratio	60.8%
CET1 capital ratio ¹⁾	18.3%
Total capital ratio ¹⁾	20.8%

Non-performing exposure ratio 3.3%

Coverage ratio 54.5%

Cost of risk -4 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⁾	13.7%	12.3%

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 April 2019



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 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)

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 – 1H19

Further cost savings lead to a nearly stable operating profit (y/y)

Overview Bank Austria

Profit & Loss

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(€ mn)	1-6/ 2019	1-6/ 2018	y/y	2Q19	1Q19	2Q18	q/q	y/y
Operating income	937	999	-6.2%	489	448	512	9.1%	-4.6%
Operating costs	-570	-623	-8.5%	-270	-300	-307	-10.2%	-12.1%
Operating profit	367	377	-2.6%	219	148	206	48.1%	6.6%
Net write-downs of loans	13	87	-85.4%	4	9	47	-55.1%	-91.6%
Net operating profit	380	464	-18.1%	223	157	252	42.3%	-11.5%
Non-operating items	-25	-71	-64.5%	1	-26	6	>-100.0%	-81.7%
Profit (loss) before tax	355	393	-9.7%	224	130	258	71.9%	-13.2%
P/L discontinued operations	3	14	-79.1%	2	1	14	51.4%	-87.8%
Other positions	-32	-53	-40.7%	-18	-13	-21	37.3%	-13.7%
Group Net Profit	326	353	-7.7%	208	118	251	75.6%	-17.4%
Cost/income ratio	60.8%	62.3%	-148 bp	55.2%	67.0%	59.9%	-1,181 bp	-472 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 8% 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 again positive with € +13 mn** (net releases in all business areas)
- **Non-Operating Items € -25 mn**: mainly systemic charges (€ -115 mn), release of a provision for US sanctions and net income from sale of real estate



P&L of Bank Austria Group – 1H19 in detail

Overview Bank Austria

Profit & Loss

	(€ million)	1-6/2019	1-6/2018 recast	Δ abs.	Δ in %
Net interest		476	475	1	0.2%
Dividends and other income from equity investments		76	67	8	12.3%
Net fees and commissions		336	353	-17	-4.9%
Net trading, hedging and fair value income/loss		24	71	-47	-66.4%
Net other expenses/income		25	33	-7	-22.3%
Operating income		937	999	-62	-6.2%
Payroll costs		-300	-320	21	-6.4%
Other administrative expenses		-247	-277	30	-10.8%
Recovery of expenses		0	0	0	-18.1%
Amortisation, depreciation and impairment losses on intangible and tangible assets		-23	-25	2	-8.6%
Operating costs		-570	-623	53	-8.5%
Operating profit		367	377	-10	-2.6%
Net write-downs of loans and provisions for guarantees and		13	87	-74	-85.4%
Net operating profit		380	464	-84	-18.1%
Provisions for risks and charges		72	0	72	n.m.
Systemic charges		-115	-114	-1	1.0%
Integration/ restructuring costs		1	3	-2	-81.2%
Net income from investments		17	40	-23	-57.1%
Profit (loss) before tax		355	393	-38	-9.7%
Income tax for the period		-26	-42	16	-38.6%
Net profit		329	351	-22	-6.2%
Total profit or loss after tax from discontinued operations		3	14	-11	-79.1%
Profit (loss) for the period		332	365	-33	-9.0%
Non-controlling interests		-6	-11	6	-48.1%
Net Profit attrib. to the owners of the parent company before PPA		326	353	-27	-7.7%
Purchase Price Allocation effect		0	0	0	-
Goodwill impairment		0	0	0	-
Net Profit attrib. to the owners of the parent company		326	353	-27	-7.7%



Net Write-Downs of Loans

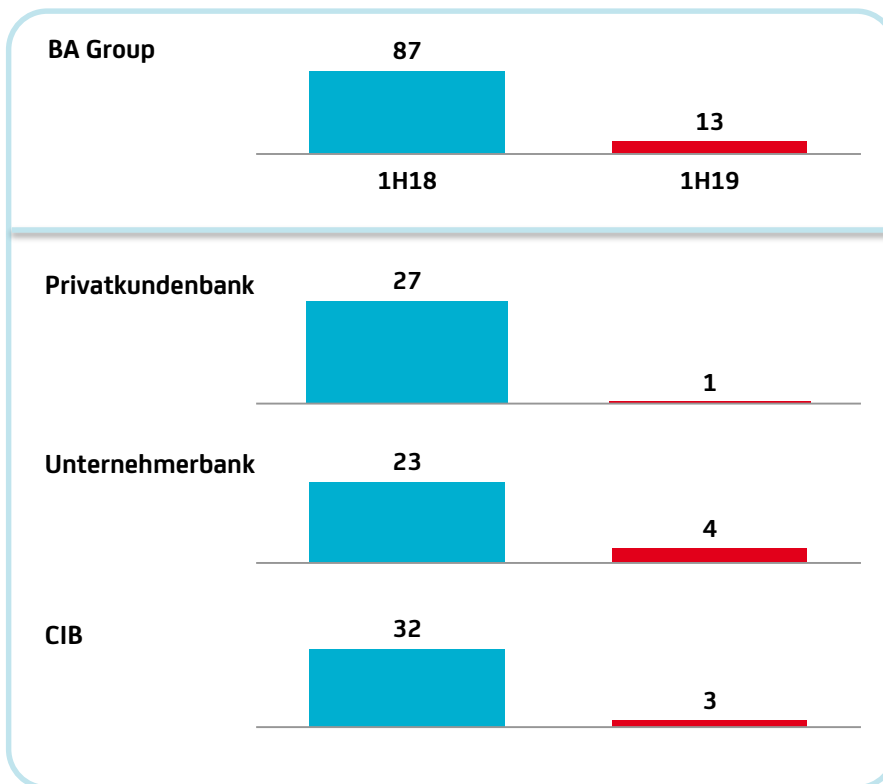
In 1H19, still positive **Net Write-Downs** due to good asset quality and positive **Cost of Risk**

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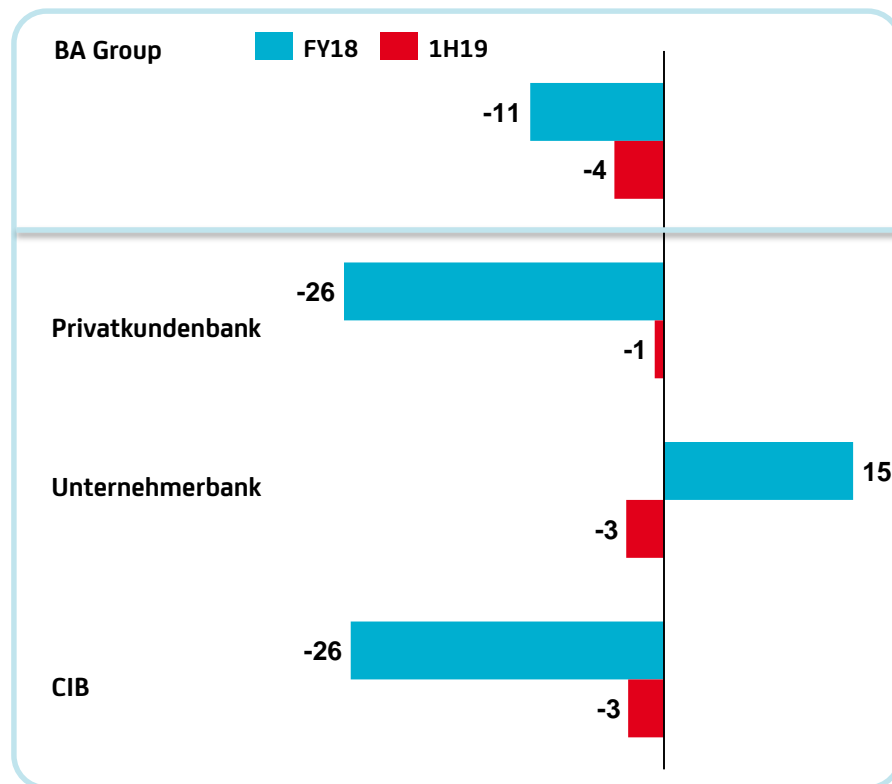
Overview Bank Austria

Profit & Loss

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



Cost of Risk by Segment (bp)



- BA Group in 1H19 still with a positive contribution from **Net Write-Downs** of € +13 mn (but lower than the very high net releases in 1H18)
- **Net releases in all business areas**
- **Cost of Risk:** due to positive LLP at -4 bp for BA Group



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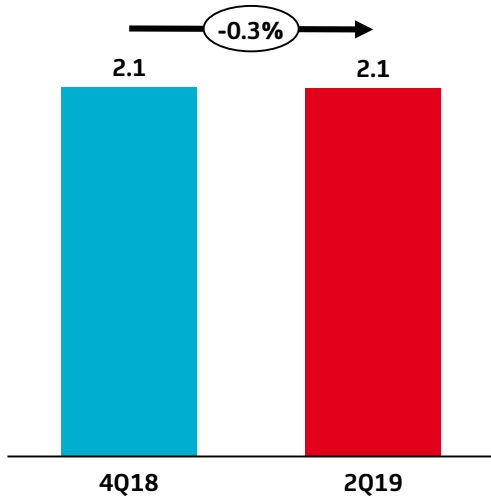


Asset Quality - 1H19

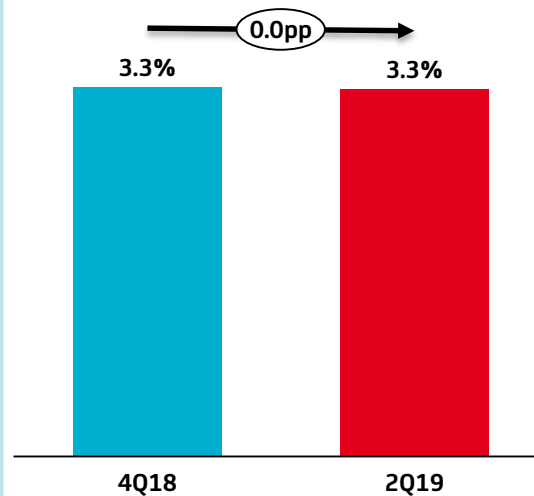
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Overview Bank Austria
Asset Quality

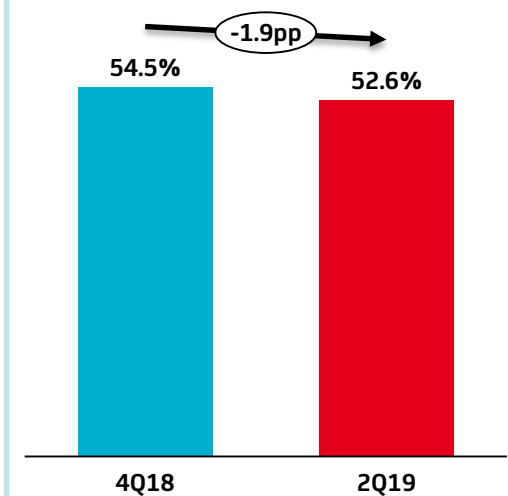
Gross NPE ¹⁾ (€ bn)



% of Gross NPE on Total Loans¹⁾



Coverage Ratio on NPE ¹⁾



- **NPE portfolio** unchanged since year-end 2018, also **NPE Ratio** stable
- **Coverage Ratio** lower at 52.6%, due to shift of one fully collateralized large exposure into NPE



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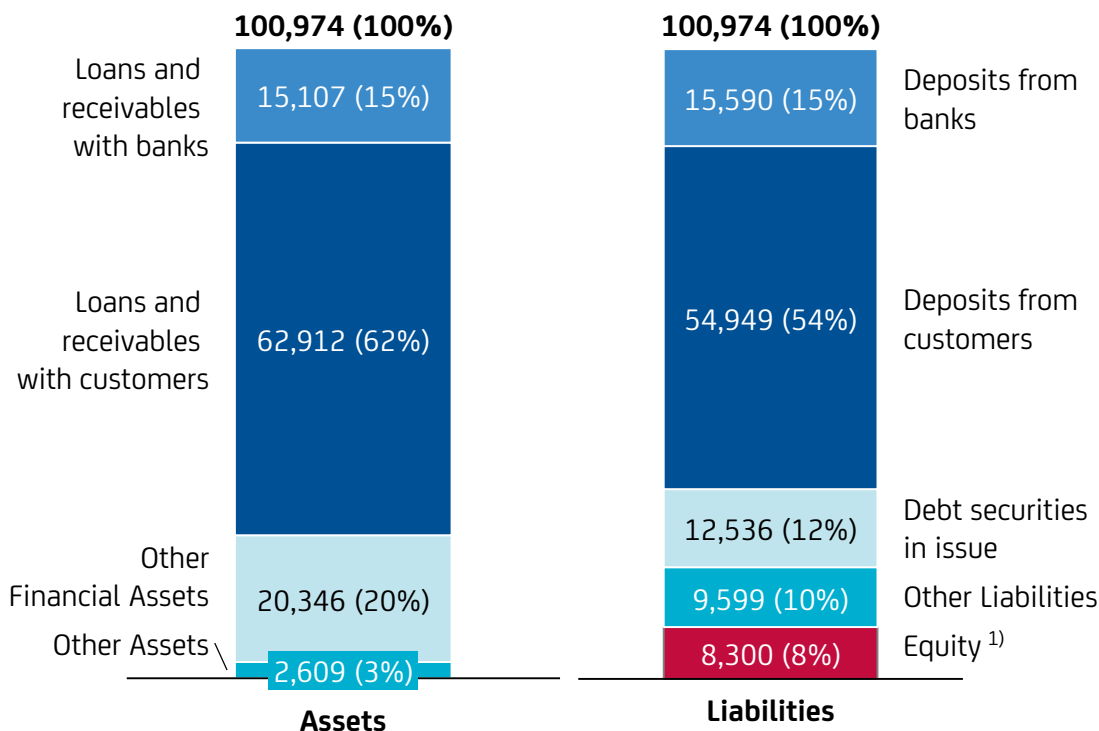
Balance Sheet structure of Bank Austria

(as of 30 June 2019)

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Overview Bank Austria
Balance Sheet & Capital Ratios

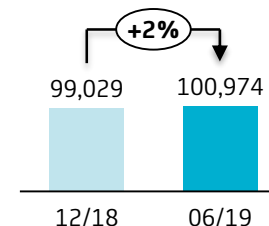
Balance Sheet (€ mn)



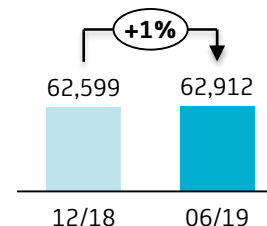
- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (details see following page)
- **Strong capital base with a net equity¹⁾** of € 8.3 bn
- **Excellent CET 1 Ratio at 18.3%**

Change vs. 31 December 2018

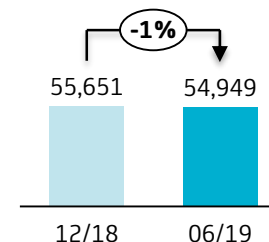
Balance Sheet



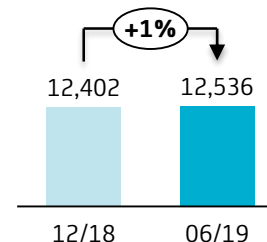
Loans to customers



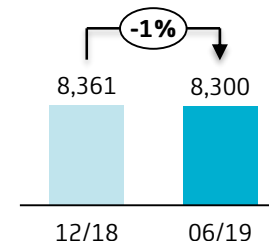
Deposits from customers



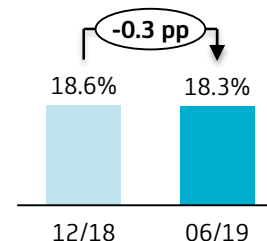
Securities in issue



Shareholders' Equity



CET1 Ratio



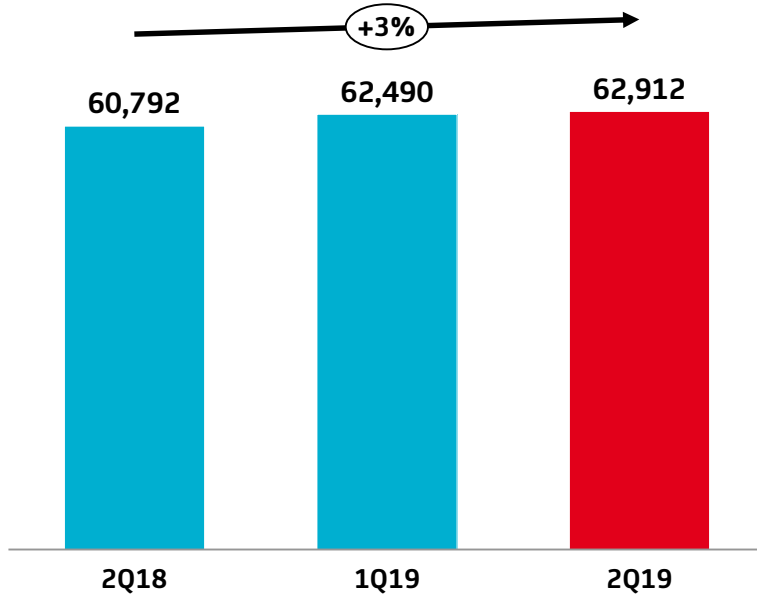
Loan and Deposit Volumes

Well-balanced development of loans and deposits

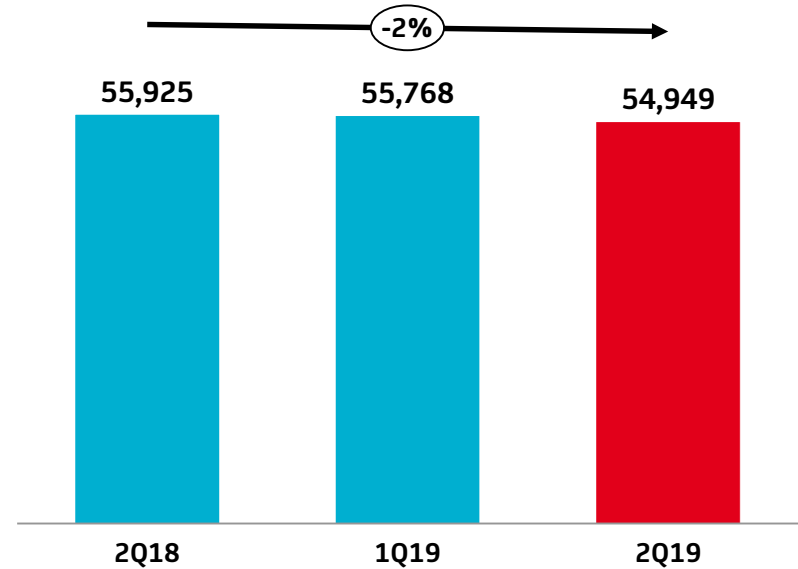
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



- **Loans to customers** increased by 3% on a y/y comparison, in particular CIB
- **Deposits from customers** overall stable (slightly decreased deposits from corporate customers, increased deposits in Privatkundenbank)



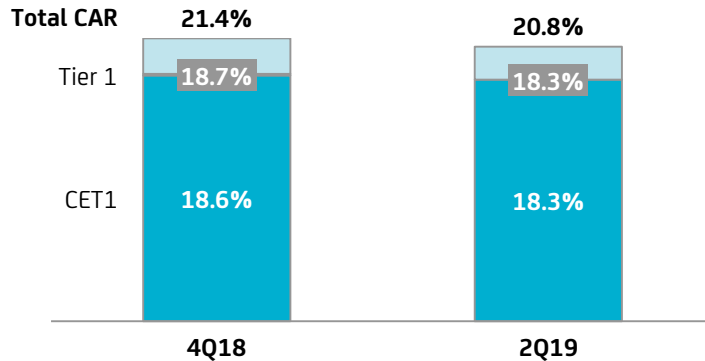
Capital position BA GROUP IFRS

Solid capital ratios

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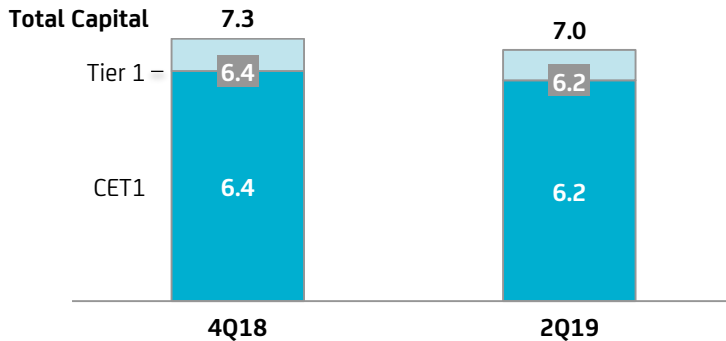
Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

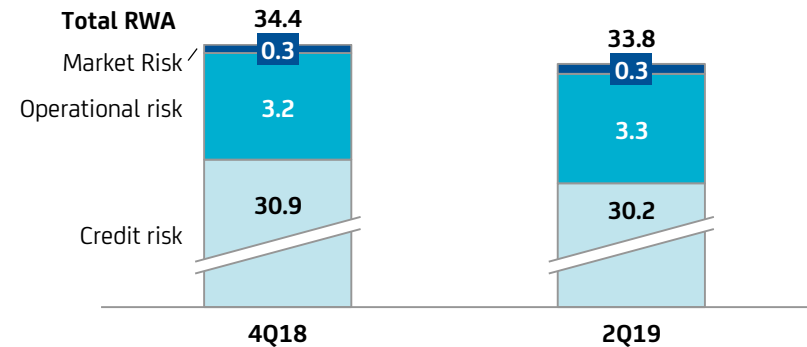


- **Total regulatory capital** slightly decreased to € 7.0 bn, due to end of "phase-in" (transitional) rules
- **Total RWA** down to € 33.8 bn, mainly due to lower credit RWA and rating improvements
- **CET 1 Ratio at solid 18.3%** (both transitional and fully loaded), decrease vs. 4Q18 mainly due to expiry of transitional treatments
- **Total Capital Ratio** at excellent **20.8%**
- **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

- 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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- 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



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**
 - method of 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 three years (2Q15: € 1,796 mn – 2Q19: € 1,056 mn; no new CHF assets since 2010)
- Steady increase of the cover pool (approx. € 2,000 mn in 2018), primarily by residential mortgages
- **ECBC Covered Bond Label** has been granted to the BA Mortgage Cover Pool



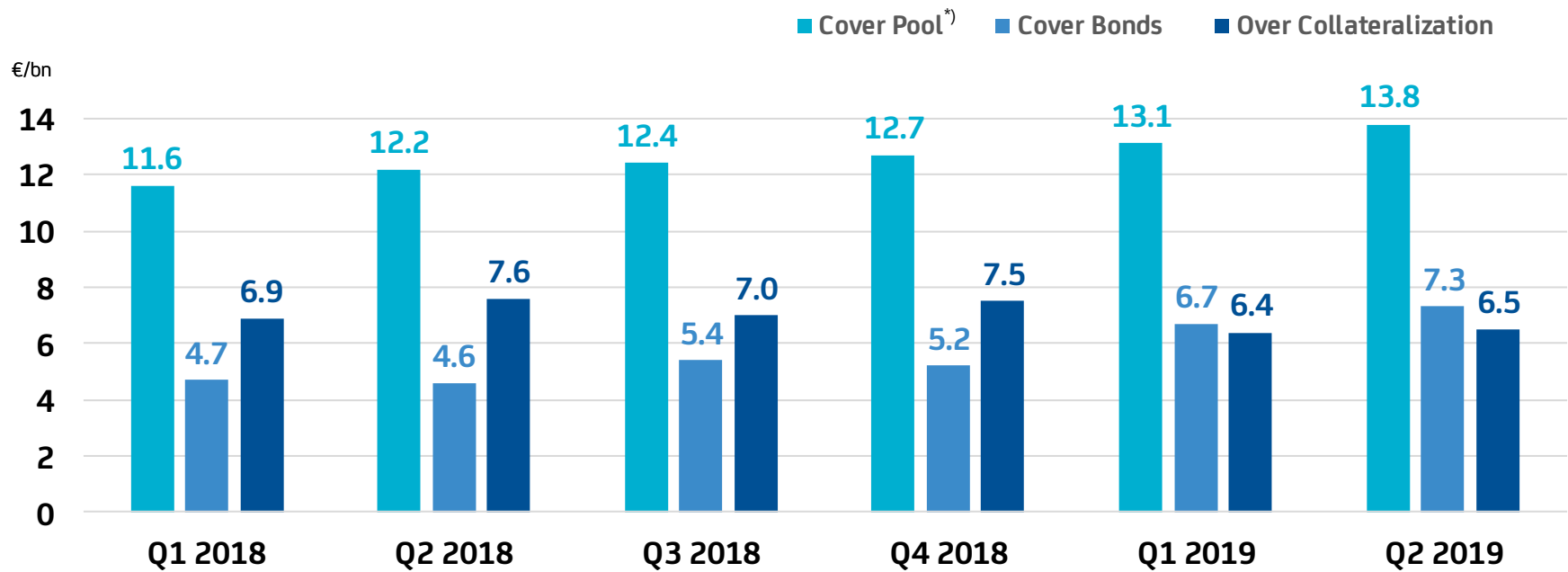
Mortgage Cover Pool

Historical trend

1 2 3 4

Liquidity & Funding

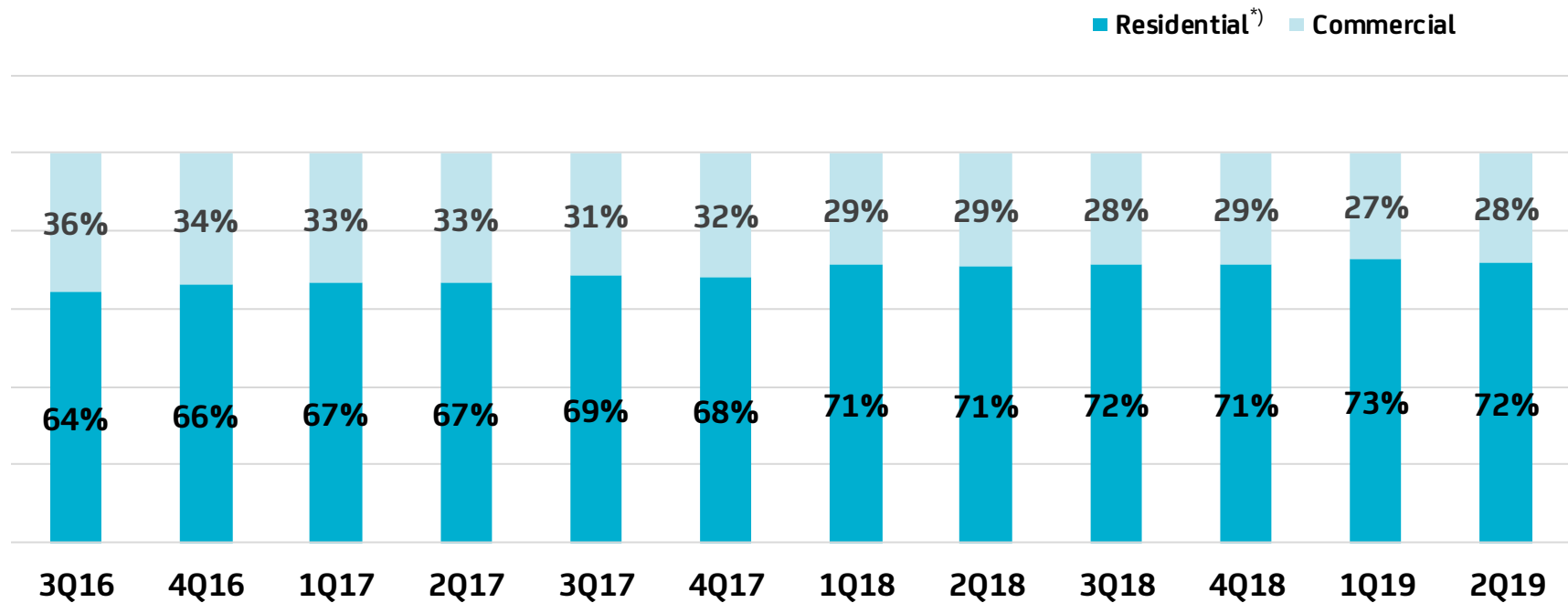
Cover Pool



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

1 2 3 4

Liquidity & Funding

Cover Pool

<i>Parameters of Cover Pool</i>	<i>2Q19</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 mn EUR)	0.3
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>2Q19</i>
Total Number	86
Average Maturity (in years)	4.7
Average Volume (in mn EUR)	84.4

- 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

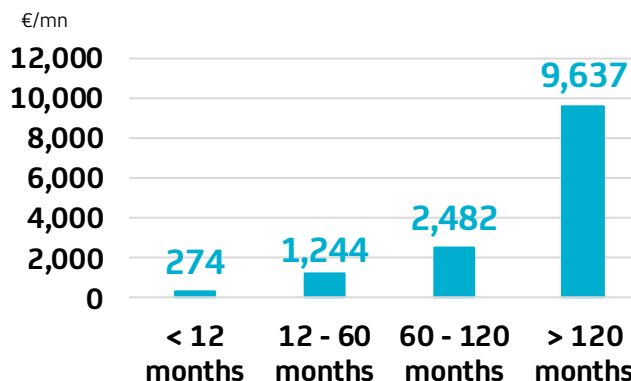
Liquidity & Funding

Cover Pool

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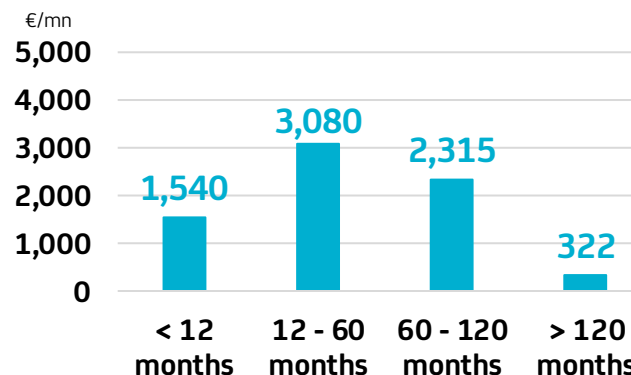
Maturity of assets in the cover pool – June 2019

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

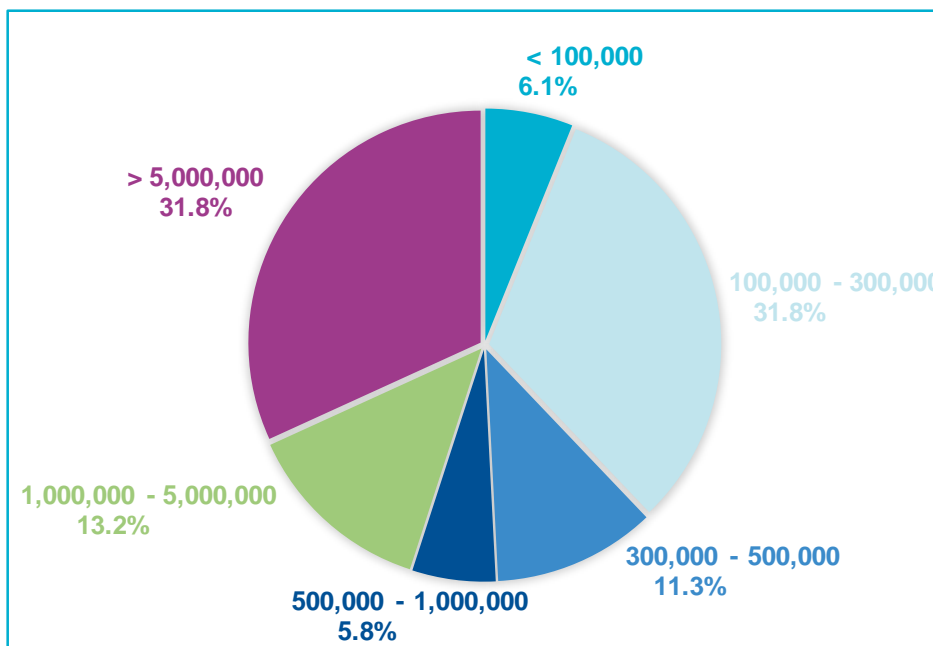
Assets Volume Breakdown^{*)}

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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	5,162	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

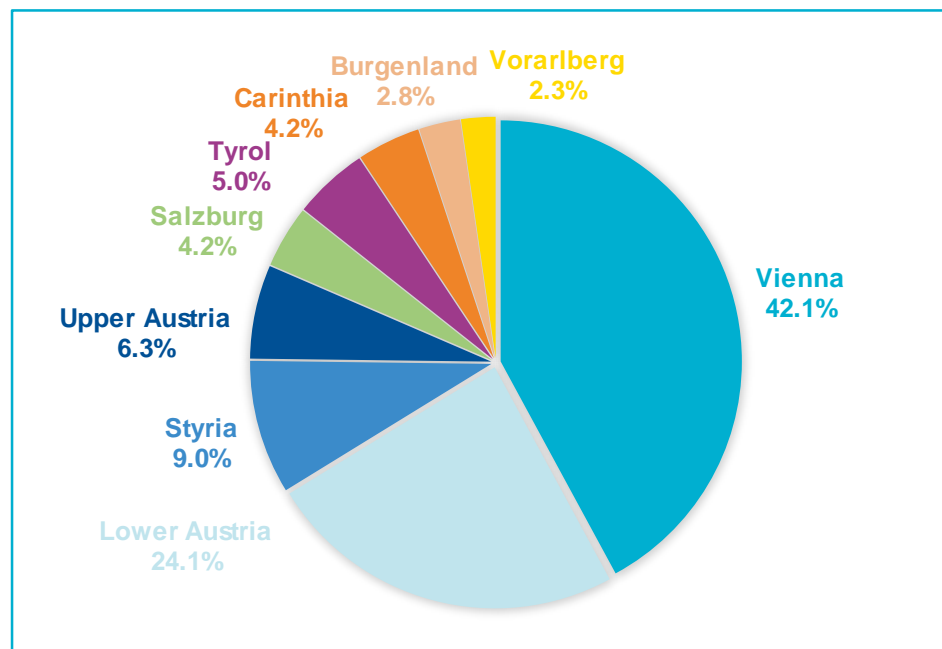
Regional Breakdown^{*)} of Mortgages in Austria

1 2 3 4

Liquidity & Funding
Cover Pool

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%

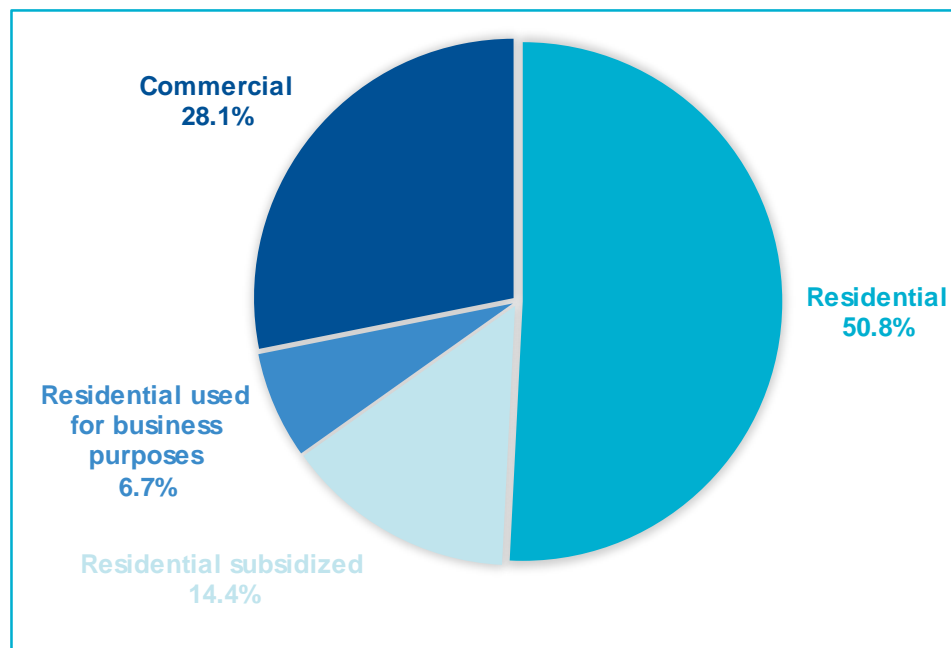


Mortgage Cover Pool

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

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- 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%



Executive Summary

Public Sector Cover Pool of Bank Austria



COVERED BOND
LABEL

Liquidity & Funding
Cover Pool

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- **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

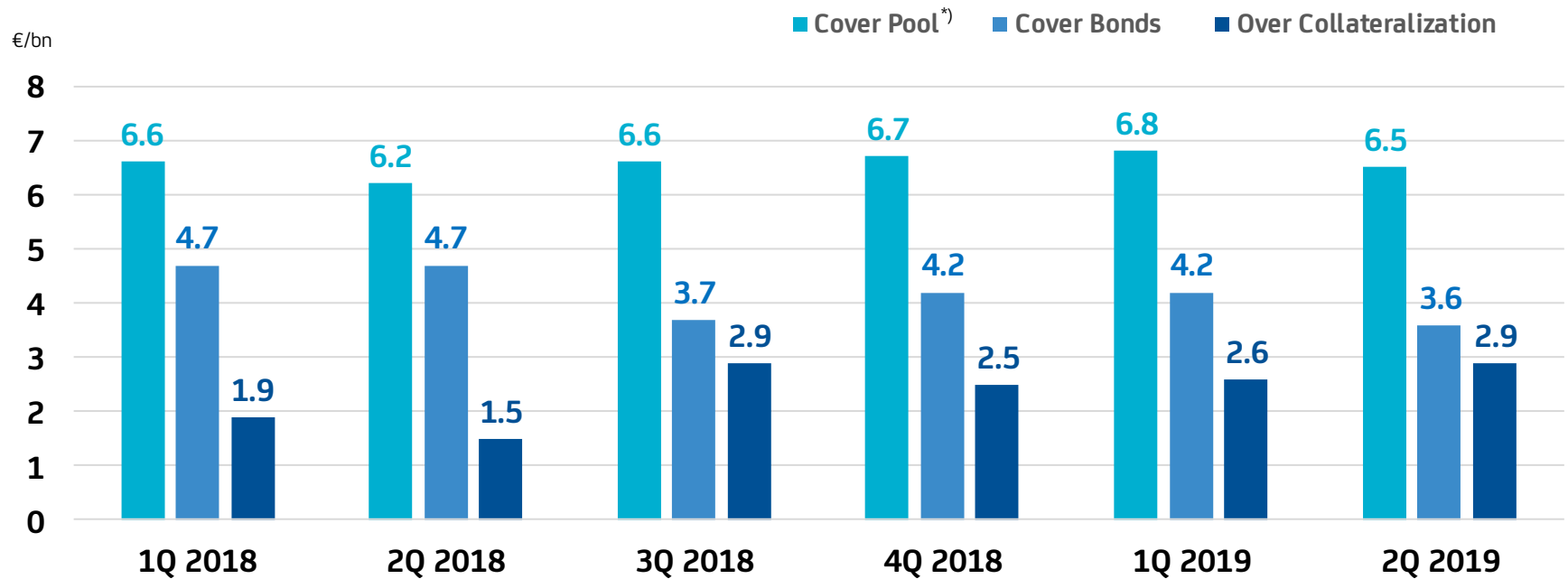


Public Sector Cover Pool

Historical trend

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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>2Q19</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 mn EUR)	1.5
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>2Q19</i>
Total Number	30
Average Maturity (in years)	3.4
Average Volume (in mn EUR)	122.2

- 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

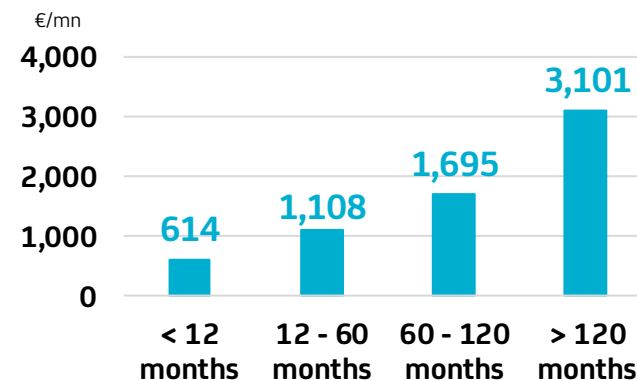
Maturity Structure of Cover Pool and Issues

Liquidity & Funding

Cover Pool

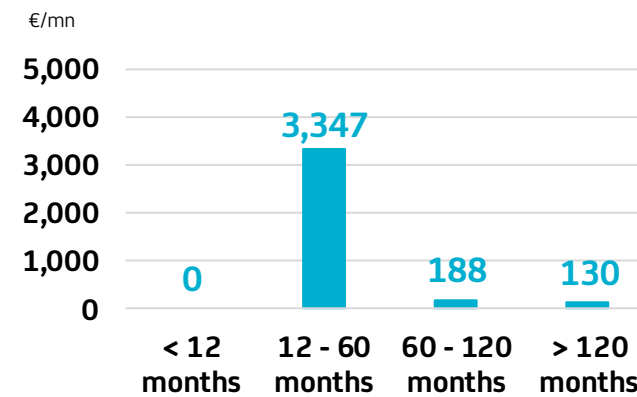
Maturity of assets in the cover pool – June 2019

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

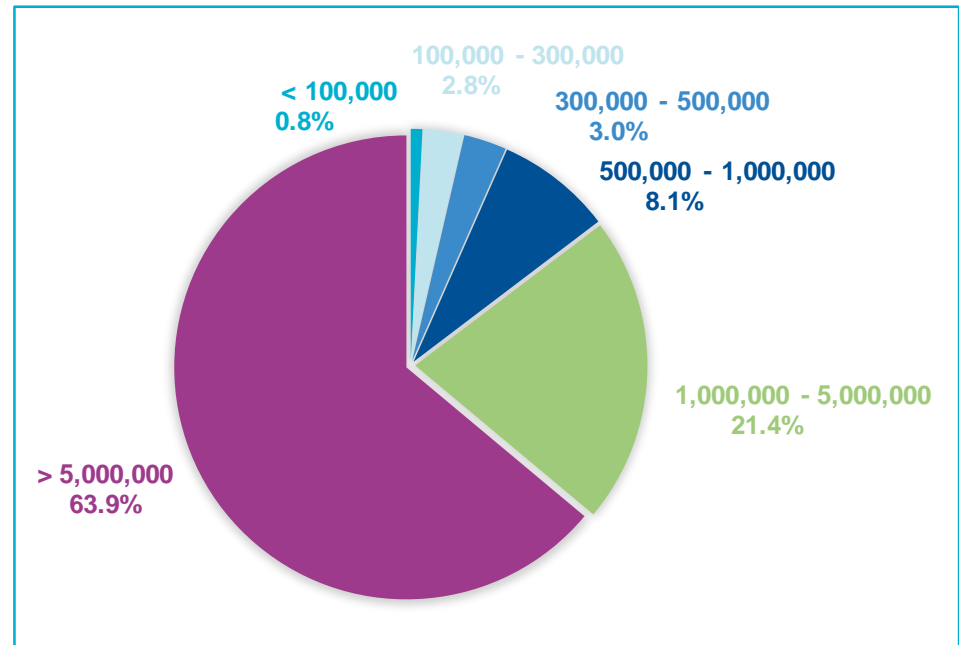
1 2 3 4

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

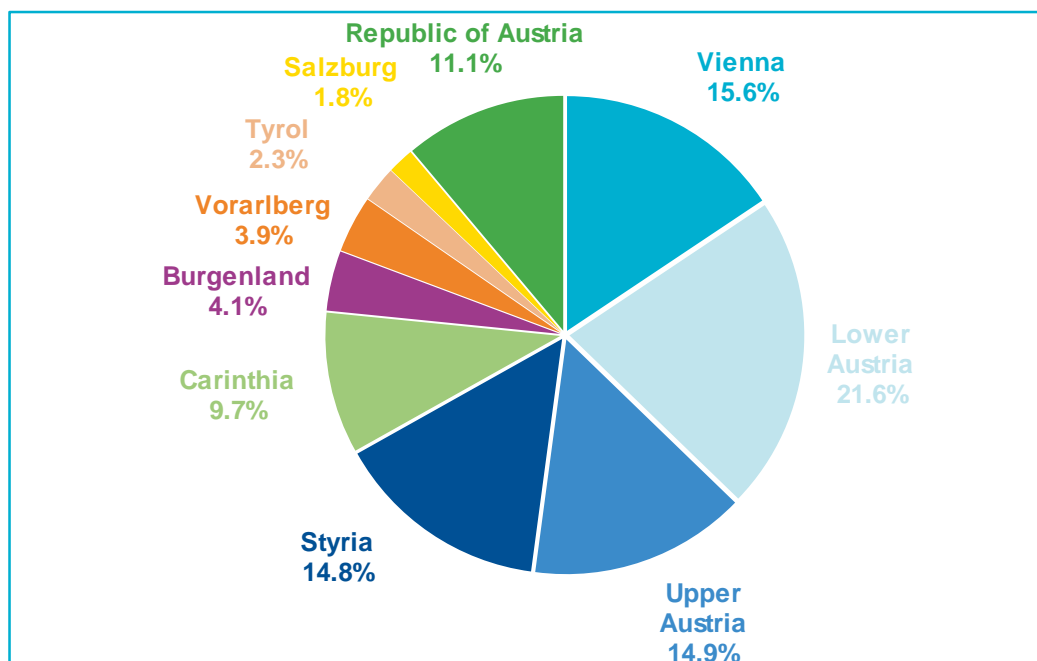
Regional Breakdown of Assets^{*)} in Austria

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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

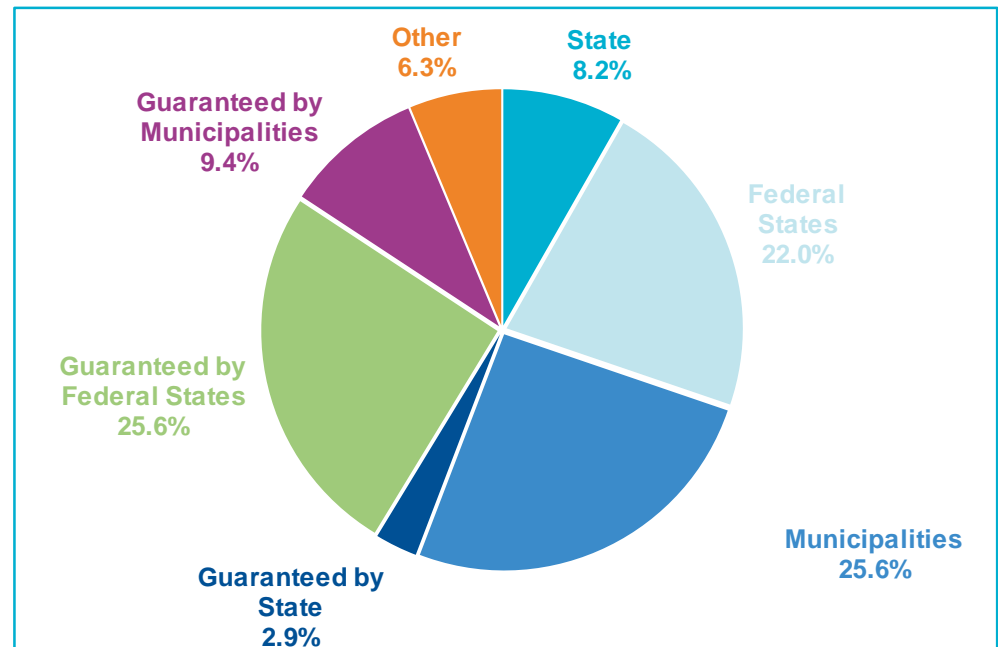
Assets Volume Breakdown by Type of Debtor / Guarantor

Liquidity & Funding

Cover Pool

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



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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**

0.25%

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

**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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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	4.125%	24/02/2021	€ 1 bn	Feb. 2011	Mid-Swap +69

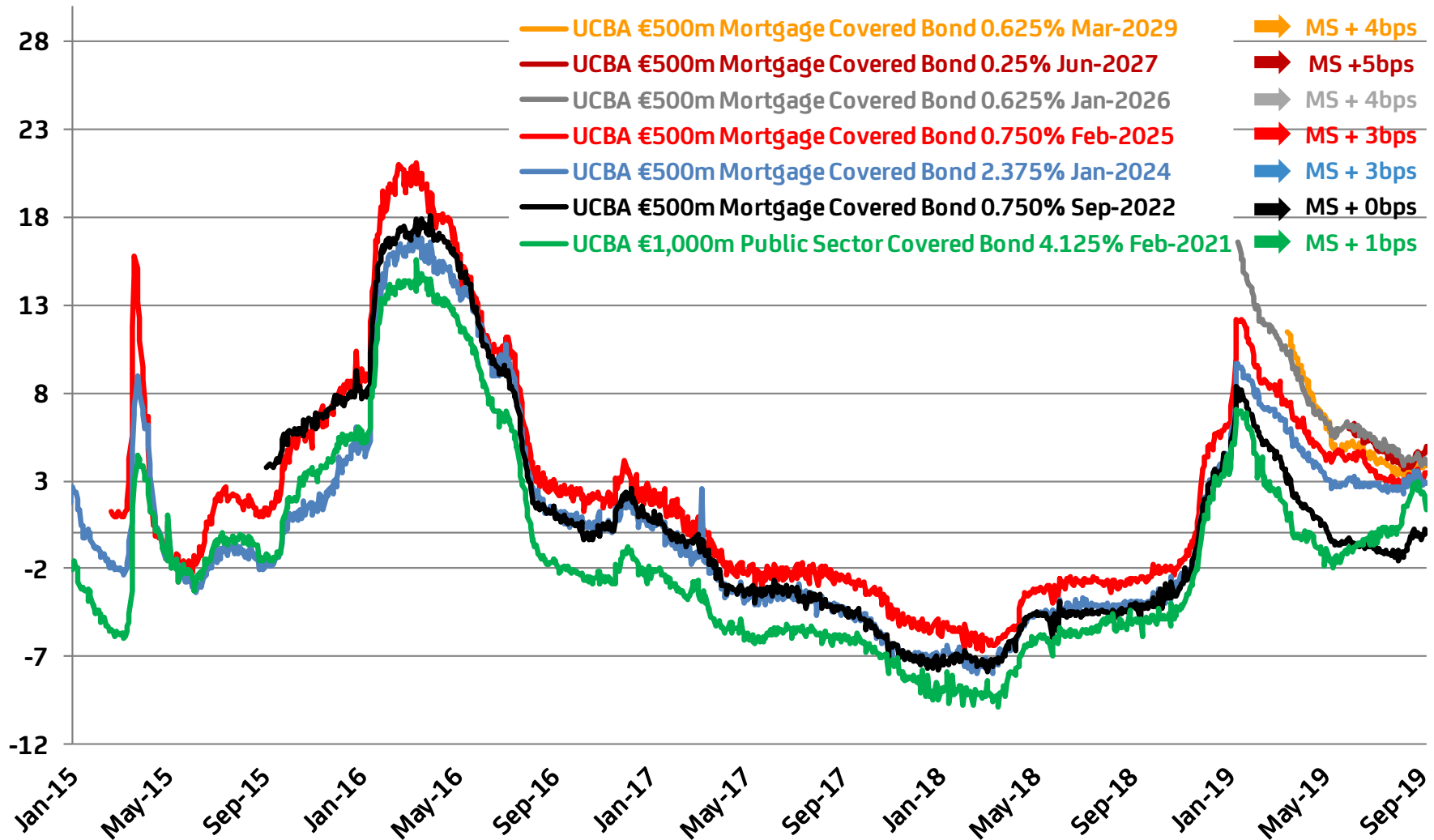


UniCredit Bank Austria Covered Bond Spread Comparison

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Liquidity & Funding Transactions



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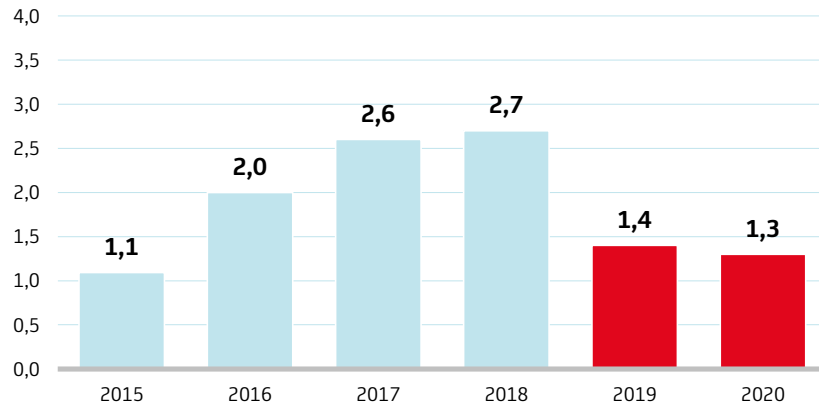
Economic Conditions in Austria

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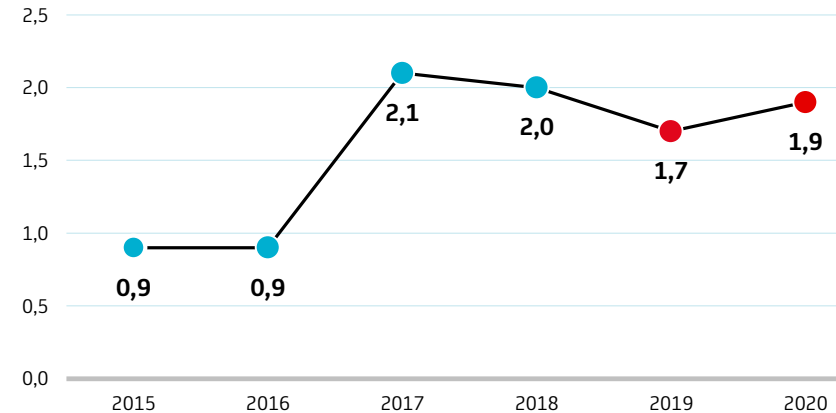
Annex

Economic Conditions in Austria

Economic growth (real, yoy in %)

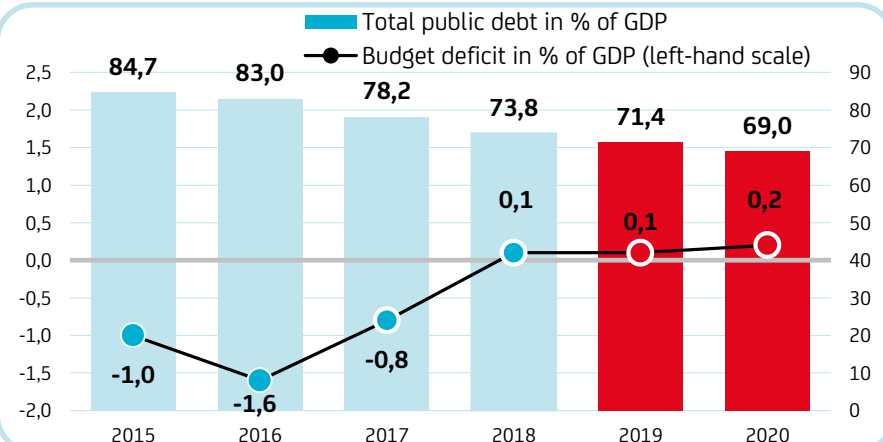


Inflation rate (yearly average, in %)



- 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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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 6 September 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. After a slowdown of price increases in 2018, prices began to rise again in the first half of 2019. Price development in Austria (excluding Vienna) continues more steadily than in the capital.



Austrian Real Estate Market

Prices for residential real estate

1 2 3 4

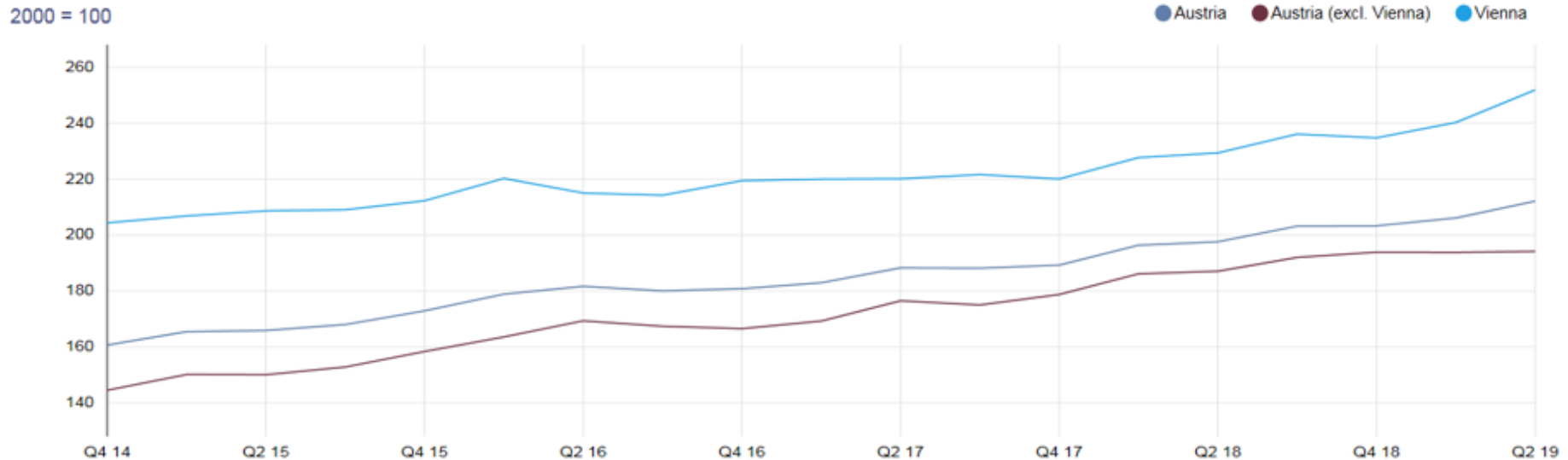
Annex

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 year 2018 showed 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

Residential property price index



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 2018 | 3.65% |
| • Yield for Austrian Government Bonds (10Y) | 0.50% |
| • 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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Annex

Legal situation – Austrian covered bonds

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

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



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