

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, December 2017

Welcome to
Bank Austria

Member of  **UniCredit**

Opening remarks



CEE Demerger, leading to a new role of Bank Austria

Focus on Austrian market

Opening remarks

Bank Austria

CEE Demerger Details:

- Effective as of **1st October 2016**
- **Transfer of CEE business from BA AG to UC SpA**
(including shift of management function for the CEE subsidiaries to UniCredit) by way of a **spin-off of CEE Division** (incl. CEE subsidiaries and CEE business booked in Vienna)
- CEE Division **represented approx. half** of Bank Austria's previous **assets and liabilities**
- Also parts of capital were spun off, however **new Bank Austria with high capital ratios (CET1 ratio 19.5% as of June 2017)**

CEE Demerger Rationale:

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



Bank Austria remains a leading bank in the local market

Opening remarks

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

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

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

No impact of CEE transfer on Bank Austria clients

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

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

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

Solid CET1 ratio of 19.5% ¹⁾

1) BA Group as of 31 December 2016



Bank Austria – drivers of transformation until 2019

Opening remarks

Streamline operations and standardize core processes

Optimize internal organization

Revenue-generating initiatives in all business divisions

Increase focus on multichannel / digital sales

Customer centricity (Customers first) as guiding principle



Bank Austria – strategic measures to improve profitability

Transformation measures embedded in UniCredit's Strategic Plan "Transform 2019"

Opening remarks

- **Cost measures including**

- Further **reduction** of **branch network**
- **Rightsizing** of **Corporate Center** activities
- **Reduction of staff costs** via socially responsible instruments
- Measures regarding pensions for active employees
- **Streamlining of IT**, operations and organizational set-up

- **Revenues initiatives including**

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

...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



Transform 2019: key targets confirmed with an improved risk profile

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A simple successful Pan European Commercial Bank, with a fully plugged in CIB,
delivering
a unique Western, Central and Eastern European network to its extensive client franchise

Transform 2019 fully on track yielding tangible results underpinned
by group-wide business momentum

2019 key targets confirmed



One Bank, One UniCredit

Transform 2019 fully on track

1 2 3 4



Strong commercial dynamics thanks to network revamp

- 2019 revenues confirmed: higher relative contribution of fees and commissions
- 2019 costs confirmed: higher HR savings allowing for additional IT Investments
- 2019 RoTE target confirmed at >9%



Additional NPE rundown

- FINO phase 1 closed, all objectives achieved; phase 2 binding agreements signed to sell down below 20%, closing expected by 1Q18
- Group gross NPEs down by a further 4.0bn¹ by end 2019, better than initial Transform 2019 target
- Self-funded full rundown of Non Core by 2025



Confirm capital target whilst increasing dividend payout

- SREP Pillar 2 requirement lowered by 50bps to 200bps, CET1 MDA buffer above 250bps from 2019
- 2019 fully loaded CET1 ratio target confirmed >12.5% including partial anticipation of regulatory headwinds
- Post 2019, annual CET1 ratio² target >12.5% thanks to organic capital generation fully absorbing expected regulatory headwinds
- FY19³ dividend payout increased from 20% to 30% thanks to a solid capital position
- Post 2019 dividend payout to increase from 30% up to 50% once upcoming regulatory impacts are confirmed

1. Of which: Non Core down by 2.0bn from 19.2bn to 17.2bn and Group Core down by 2.0bn from 25.1bn to 23.1bn

2. Refers to CET1 ratio phasing-in regulatory headwinds post 2019 (managerial estimates)

3. To be paid in 2020

Note: Information as presented on UniCredit's Capital Markets Day on Dec. 12., 2017; CET1 ratio fully loaded and data in Euro unless otherwise stated



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Bank Austria – at a glance

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Bank Austria Highlights as of 30 June 2017¹⁾

Overview Bank Austria
Business Model & Strategy

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks** in Austria
- **~ 5,900 FTE** and **about 150 branches** in Austria²⁾ with further reduction envisaged
- **Solid capital base** (19.5% CET1 Ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	06/17	12/16
Total Assets	103.0	105.8
Customer Loans	60.2	60.9
Direct Funding	68.9	74.0
Equity	8.2	7.9

In € bn

	HY17	HY16
Operating income	995	1,038
Operating costs	-669	-756
LLP	98	40
Net profit	357	-44

In € mn

Cost / income ratio	67.2%
CET1 capital ratio ³⁾	19.5%
Total capital ratio ³⁾	22.6%

Non-performing exposure ratio	4.3%
Coverage ratio	55.1%
Cost of risk	-32bp

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

Market share loans / deposits Austria ⁴⁾	14.1 % / 12.5 %
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1) Following the CEE carve out dated Oct. 1, 2016, prior year figures have been recast, i.e. CEE perimeter not included anymore

2) approx. 130 Retail branches

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

4) As of August 2017



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

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Overview Bank Austria
Business Model & Strategy

Bank Austria is one of the strongest banks in Austria

CIB

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

CIB = Corporate & Investment Banking

Corporate Banking

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

Commercial Banking Austria

Retail Banking

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

Private Banking

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



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P&L of Bank Austria Group – 1H17

NOP and net profit significantly above previous year; gap in revenues overcompensated by LLP and cost savings

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Overview Bank Austria

Profit & Loss

BA Group	1-6/ 2017	1-6/ 2016	y/y
Operating income	995	1,038	-4.1%
Operating costs	-669	-756	-11.5%
Operating profit	326	282	15.8%
Net write-downs of loans	98	40	>100.0%
Net operating profit	425	322	31.9%
Non-operating items	-94	-317	-70.5%
Profit (loss) before tax	331	5	>100.0%
P/L discontinued operations	58	17	>100.0%
Other positions	-32	-66	-51.2%
Group Net Profit	357	-44	>-100.0%
Cost/income ratio	67.2%	72.8%	-563 bp

- **Operating Income lower in 1H17 (-4%) vs. a strong 1H16**, due to last year sale of VISA shares (€ 68mn contribution) and a gap in net interest due to difficult market environment and lower funding to CEE (run-off of funding to previous CEE subsidiaries following the CEE carve-out)
- **Operating Costs down by 12% y/y**, with improvements in all major cost categories, reflecting strong cost discipline and restructuring related savings, but also benefiting from positive one-offs. Strong improvement of cost/income rate
- **Net Write-Downs of Loans** positive with € +98 mn, with a very favorable development (net releases) in all areas
- **Non-Operating Items € -94 mn**: mainly systemic charges (€ -113 mn) and releases from provisions (€ +12 mn)
- **P/L from discontinued operations** includes € +58 mn re/ Immo Holding (a real estate group for sale)
- **Other positions** includes the income tax of € -25 mn and minorities € -7 mn



Net Write-Downs of Loans

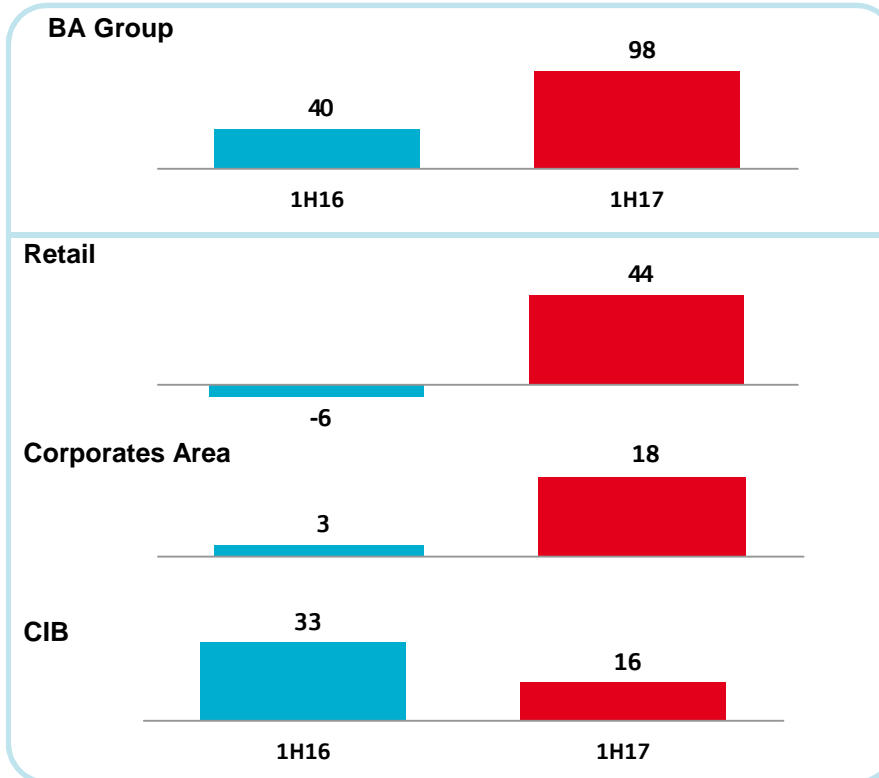
In 1H17 continuing of favorable development of **LLP** and **Cost of Risk**

Overview Bank Austria

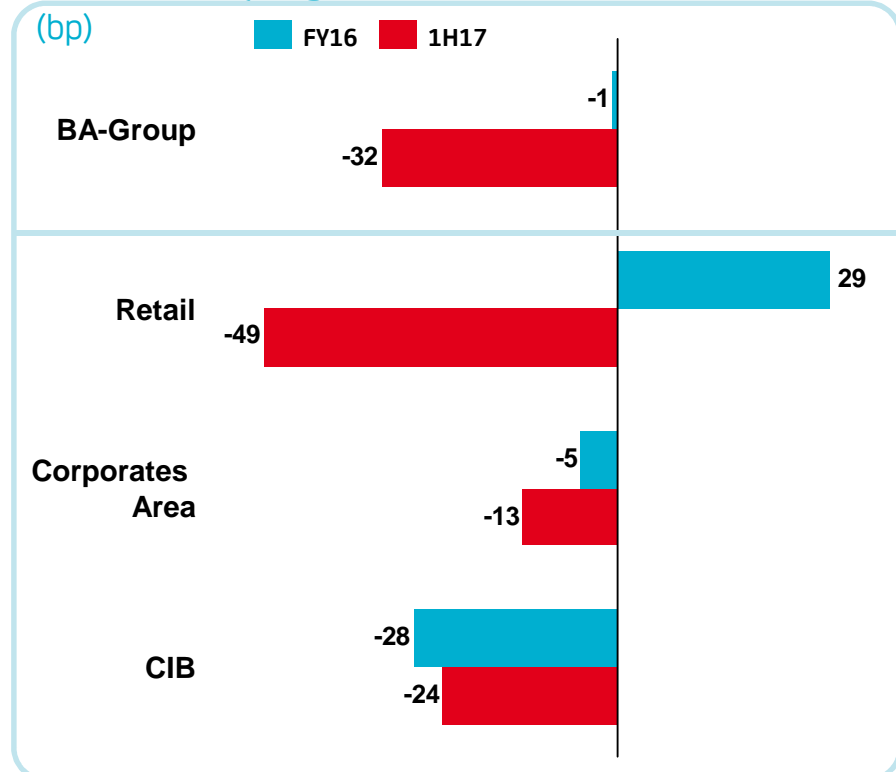
Profit & Loss

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



Cost of Risk by Segment (bp)



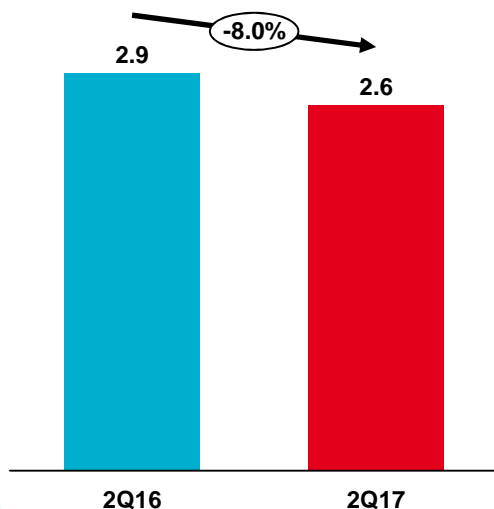
- BA Group 1H17 once again with positive contributions from **Net Write Downs** reaching € +98 mn (comparative value of 1H16 € +40 mn)
- Surplus of **Net Write Downs** due to releases in Retail (€ +44 mn) and several write backs in Corporates Area (€ +18 mn) as well as in CIB (€ +16 m)
- **Cost of Risk:** according to positive LLP at -32 bp for BA Group



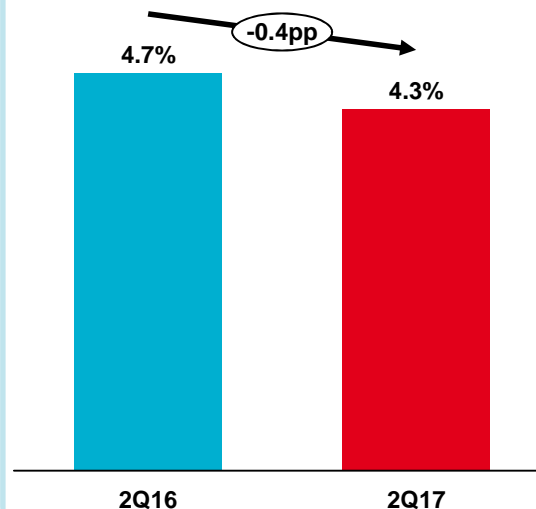
Solid y/y development of Asset Quality in 1H17

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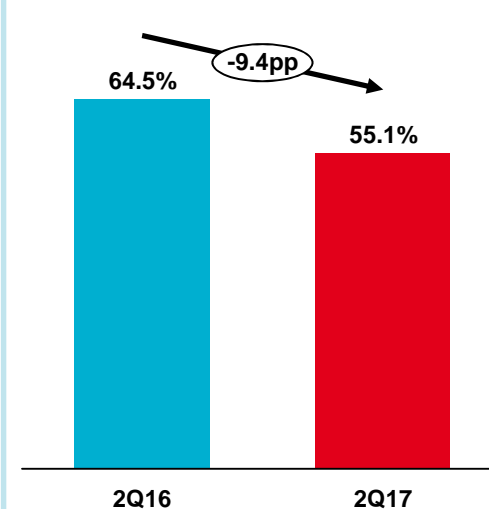
Gross NPE ¹⁾ (€ bn)



% 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** on y/y basis
- Significant decrease in **Coverage Ratio** mainly driven by shift of one major – almost fully collateralised – customer to NPE

¹⁾ on-balance clients (non-banks) only



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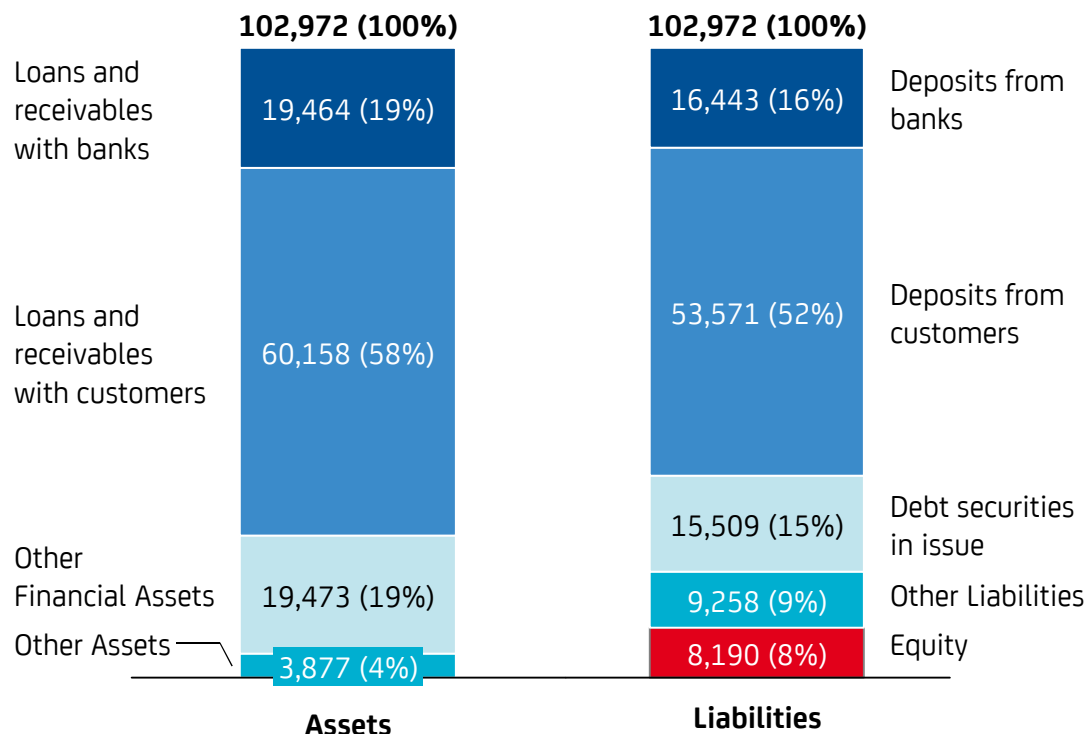


Balance Sheet structure (as of 30 June 2017)

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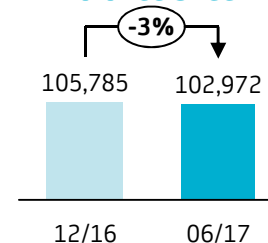
Overview Bank Austria
Balance Sheet & Capital Ratios

Balance Sheet (€ mn)

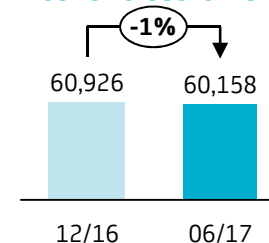


Change vs. 31 December 2016

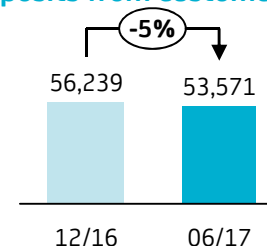
Balance Sheet



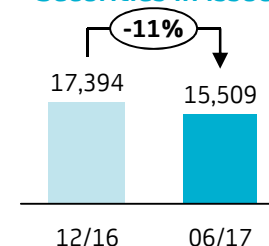
Loans to customers



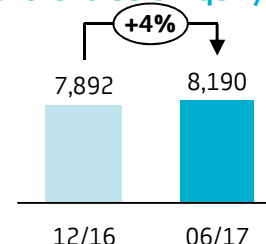
Deposits from customers



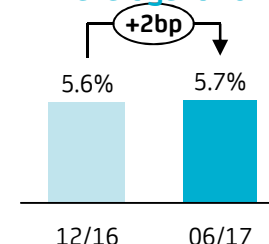
Securities in issue



Shareholders' Equity



Leverage ratio



- **Balance sheet** reduced by almost 3% vs. year-end
- **Net equity** of € 8.2 bn up vs. year end, mainly benefiting from inclusion of net profit for the period (€ 357 mn)
- **Excellent Leverage Ratio** at **5.7%**



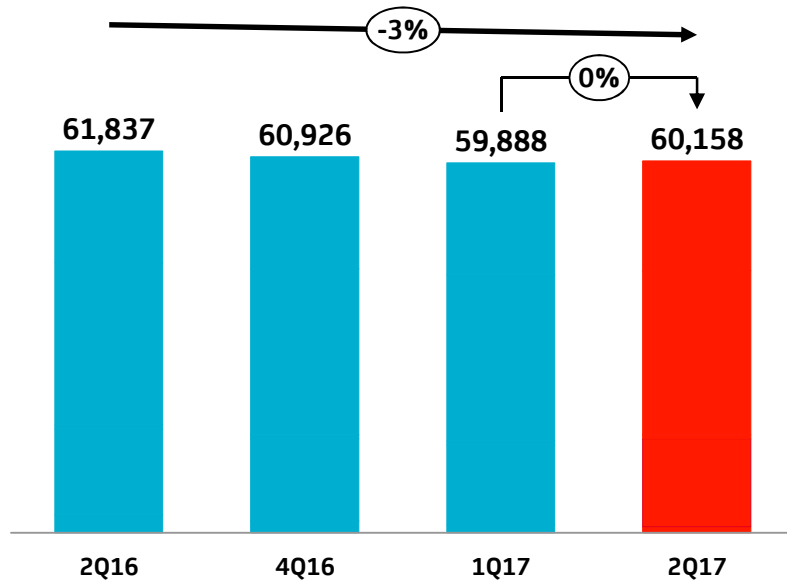
Loan and Deposit Volumes

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

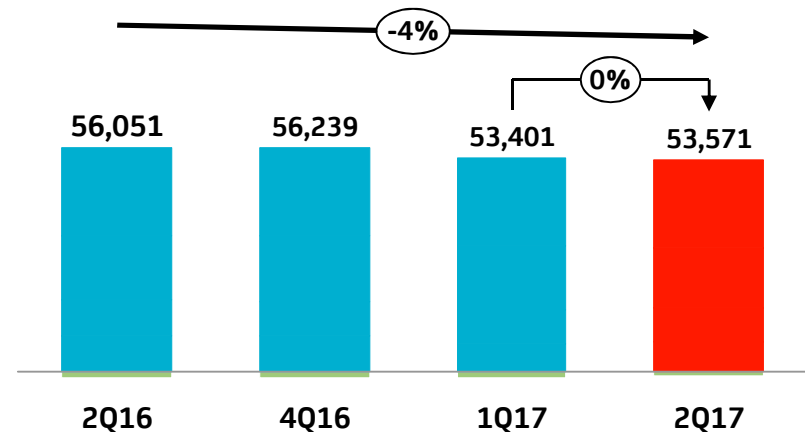
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

Period	Loans/Direct Funding Ratio ²⁾
2Q16	84%
4Q16	82%
1Q17	86%
2Q17	87%

- **Loans to customers y/y** overall with a decreasing trend driven by reduction of funding to CEE leasing subsidiaries and q/q stable (Austrian business slightly increasing both q/q (by 1%) and y/y)
- **Deposits from customers y/y** decreasing (driven by corporate customers); q/q stable
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 87%**

¹⁾ All figures recast

²⁾ Loans / (deposits + securities in issue + financial liabilities at fair value)



Capital position BA GROUP IFRS

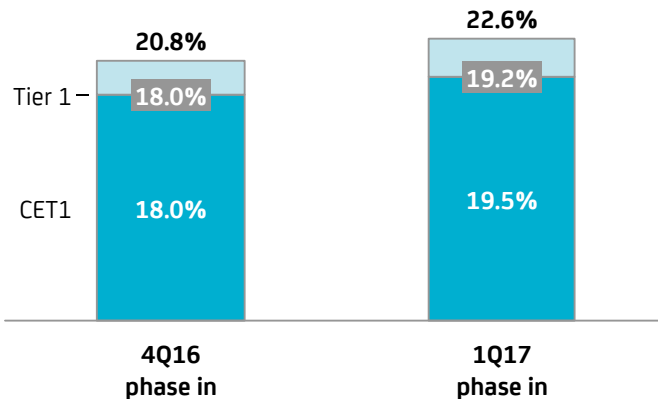
Solid capital ratios

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Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

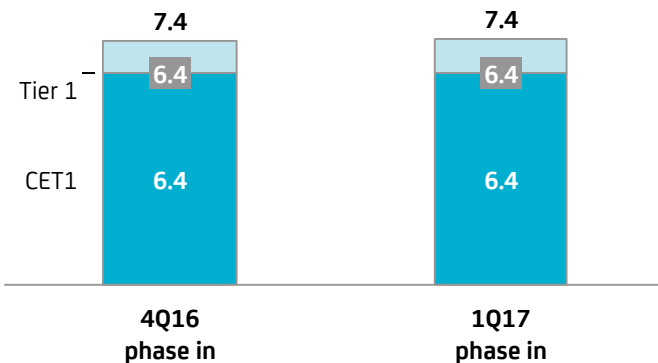
Total CAR



- **Common Equity Tier 1** stable. 1H17 profit not included in regulatory capital
- **Total regulatory capital** with € 7.4 bn also stable
- **Total RWA** down to € 32.9 bn, driven by a decline in credit RWA due to lower financing volume of CEE units and other units of UniCredit Group, model changes and optimization in the portfolio of equity investments
- **Leverage Ratio** at strong 5.7%

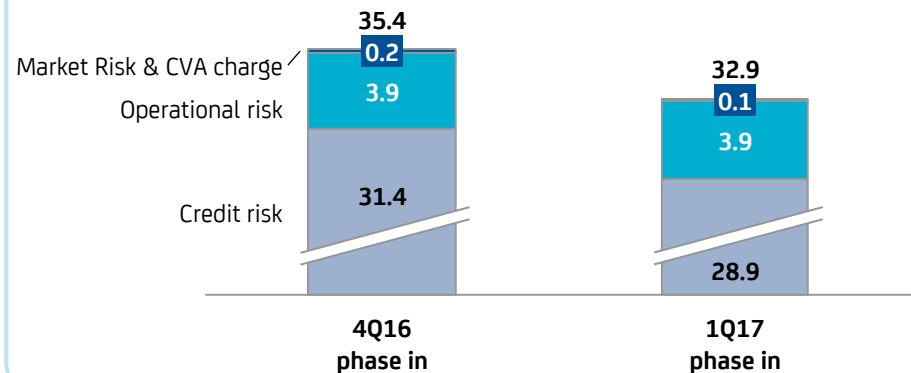
Regulatory Capital (in € bn)

Total Capital



Risk-Weighted Assets (in € bn)

Total RWA



Note: Transitional figures



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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:

- ✓ **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 sec. (SSD, NSV^{*)}) covered/senior
- Private placements
- Network issues

- **Bank Austria** enjoys **Own Issuing Programs**
- **Bank Austria** continues to be **present on the local and global markets**
- **Coordinated approach within UniCredit** regarding **issuing activities** on the **global markets**



Self-funding of Business Growth of Bank Austria Group

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Liquidity & Funding
Funding Strategy & Position

Key Funding Pillars

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



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

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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 **counterbalancing capacity** and is already **compliant with key liquidity ratios** (LCR as of December 31, 2016 >100%)



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Executive Summary Bank Austria

Public Sector Cover Pool

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Liquidity & Funding
Cover Pool

- **Aaa Rating** by Moody's
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria
- Cover Pool Volume as of 30 Sept. 2017 amounts to EUR 6,413 mn
- Average volume of loans is approx. € 1.7 mn
- Average seasoning is 7.1 years



Public Sector

Parameters of Cover Pool and Issues

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Total Value of the Cover Pool as of 30 September 2017 in EUR equivalent:	6,413 mn
• thereof in EUR:	3,936 mn
• thereof in CHF:	956 mn
• thereof public sector bonds in EUR equivalent:	1,521mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6,1
Contracted Weighted Average Life (in years)	8,9
Average Seasoning (in years)	7,1
Total Number of Loans	3.667
Total Number of Debtors	1.382
Total Number of Guarantors	275
Average Volume of Loans (in EUR)	1.748.874
Stake of 10 Biggest Loans	29,2%
Stake of 10 Biggest Guarantors	28,3%
Stake of Bullet Loans	58,1%
Stake of Fixed Interest Loans	40,6%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1,4%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralization*):	60.5% / 63.8%
■ Total Value of Sold Covered Bonds as of 30 September 2017 in EUR:	3,995 mn

Parameters of Issues:	
Total Number	33
Average Maturity (in years)	3,5
Average Volume (in EUR)	121.050.170

*) Austrian Mortgage Banking Act requires a nominal over-collateralisation of 2%. The basis for its calculation is a cover pool value reduced by legally defined haircuts. Taking these haircuts into consideration, the cover pool value amounts to EUR 6,183mn, thus the overcollateralization is 54.8%. Additionally, in its Articles of Association, UniCredit Bank Austria commits itself to an over-collateralisation on a present value basis.



Public Sector

Maturity Structure of Cover Pool and Issues

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Liquidity & Funding

Cover Pool

Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	1.336	20,8%
Maturity 12 - 60 months	1.427	22,3%
thereof Maturity 12 - 36 months	953	14,9%
thereof Maturity 36 - 60 months	475	7,4%
Maturity 60 - 120 months	1.007	15,7%
Maturity longer than 120 months	2.642	41,2%
Total	6.413	100,0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	1.005	25,2%
Maturity 12 - 60 months	2.587	64,8%
thereof Maturity 12 - 36 months	580	14,5%
thereof Maturity 36 - 60 months	2.007	50,2%
Maturity 60 - 120 months	123	3,1%
Maturity longer than 120 months	280	7,0%
Total	3.995	100,0%










Public Sector

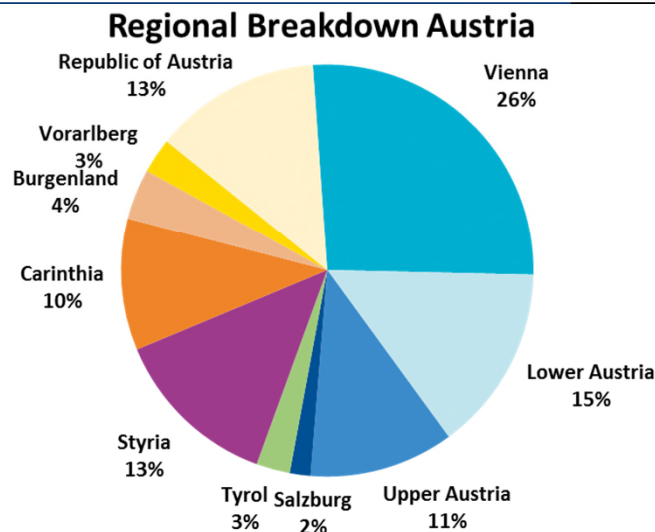
Regional Breakdown of Assets^{*)} in Austria

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Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	in %
	Vienna	1.698	26,5%
	Lower Austria	937	14,6%
	Upper Austria	726	11,3%
	Salzburg	105	1,6%
	Tyrol	169	2,6%
	Styria	843	13,1%
	Carinthia	663	10,3%
	Burgenland	256	4,0%
	Vorarlberg	176	2,8%
	Republic of Austria	840	13,1%
Total Austria		6.413	100,0%



^{*)} Considering Guarantors



Public Sector

Assets Volume Breakdown by Type of Debtor / Guarantor

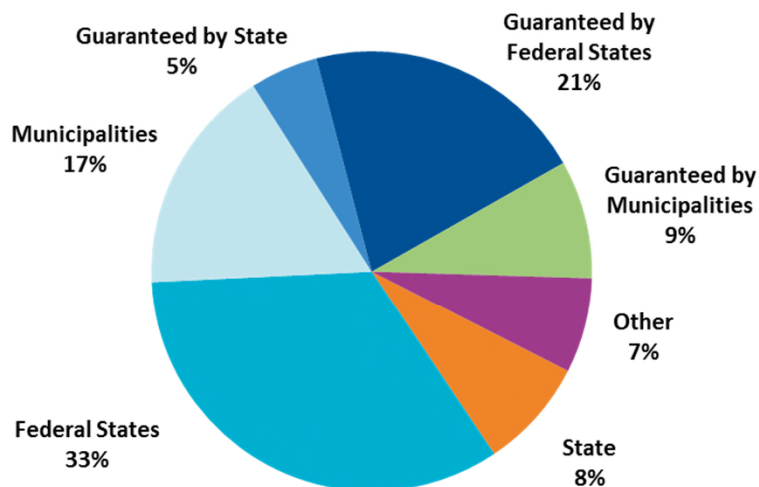
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Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	520	4
Federal States	2.157	49
Municipalities	1.073	2.187
Guaranteed by State	320	134
Guaranteed by Federal States	1.336	237
Guaranteed by Municipalities	558	428
Other	450	628
Total	6.413	3.667

Type of Debtor / Guarantor



Public Sector

Volume Breakdown by Size of Assets

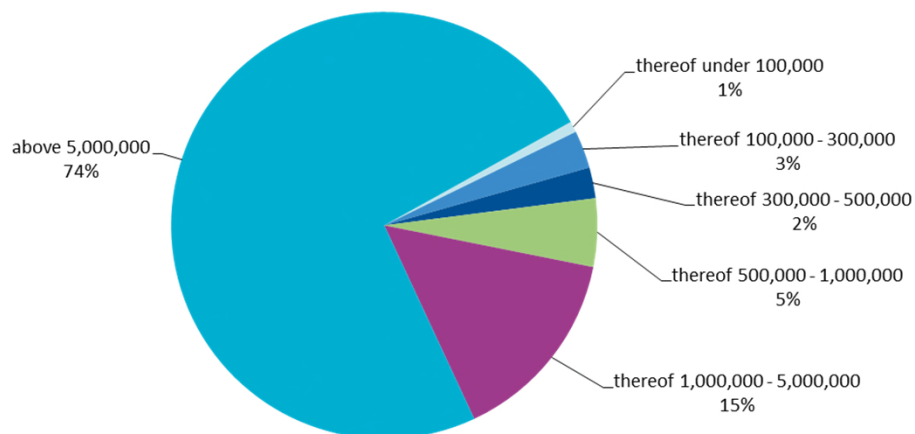
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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	236	2.215
thereof under 100,000	53	1.200
thereof 100,000 - 300,000	183	1.015
300,000 - 5,000,000	1.439	1.323
thereof 300,000 - 500,000	150	389
thereof 500,000 - 1,000,000	332	461
thereof 1,000,000 - 5,000,000	958	473
above 5,000,000	4.738	129
Total	6.413	3.667

Breakdown by Size of Assets



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



Bank Austria's Whole Loan Approach

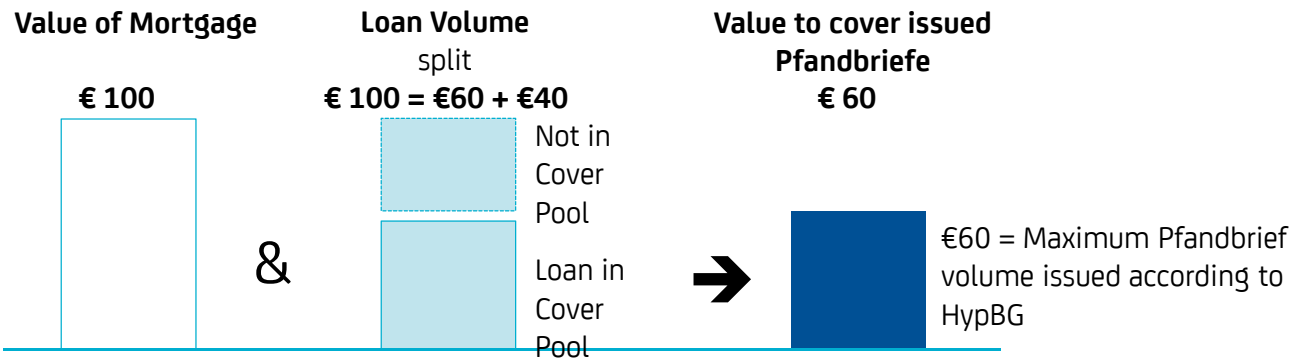
Whole Loan Approach and its Benefits for Investors

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Liquidity & Funding
Cover Pool

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

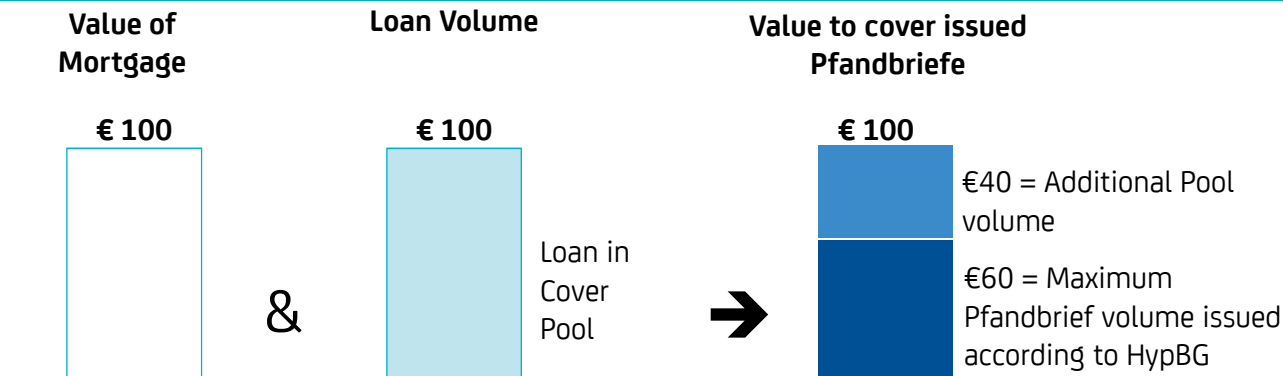
Scenario I: Split Loan Approach = Minimum Approach



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

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

Scenario II = Approach of Bank Austria = Whole Loan Approach



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

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



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

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- The over-collateralization is approx. EUR 6.1 bn or 127% (as of 30th September 2017)

Overview	30.09.2017			
Issue volume	EUR	4.8 bn		
Over-collateralization	EUR	6.1 bn (127%)		
Total Asset Value	EUR	10.9 bn	o/w CHF	EUR 1.6 bn
Total Cover Value	EUR	7.0 bn	o/w CHF	EUR 670 mln
			31.12.2014	30.09.2017
			EUR 1.6 bn	EUR 1.3 bn (11.8% of total asset value)
			EUR 670 mln	EUR 452 mln (6.5% of cover value / HypBG)

Changes due to
CHF revaluation

- Covering of CHF risk in Cover Pool
 - FX-risks are explicitly considered in the rating process of Moody's and are reflected as part of their over-collateralization requirement
 - *Moody's currently requires an OC of 20.5%*
- Internal Risk Management of Bank Austria
 - According to the Cover Pool Regulation of Bank Austria NPLs are removed regularly (monthly).
 - *Less than 1% of the loans (122 of 26,000) were taken out in 2016 for this reason*
 - Special safety buffers are designated for CHF Loans
 - The credit rating of FX-Loans is subject to additional and stricter standards and will - as always - be evaluated regularly
 - *For CHF Loans an additional FX-buffer of 25% on the credit volume is considered, which must be covered by the credit rating of the client*
- No new CHF mortgage loans, therefore no inflows into Cover Pool since 2010



Mortgage Cover Pool

Parameters of the Cover Pool and Issues

Liquidity & Funding

Cover Pool

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Total Value of the Cover Pool as of 30 September 2017 in EUR equivalent:	10,855 mn
• thereof in EUR:	9,462 mn
• thereof in CHF:	1,265 mn
• thereof substitute cover in EUR:	129 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9,1
Contracted Weighted Average Life (in years)	14,8
Average Seasoning (in years)	6,1
Total Number of Loans	35.173
Total Number of Debtors	33.252
Total Number of Mortgages	35.173
Average Volume of Loans (in EUR)	304.963
Stake of 10 Biggest Loans	12,1%
Stake of 10 Biggest Debtors	15,1%
Stake of Bullet Loans	29,5%
Stake of Fixed Interest Loans	22,0%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1,3%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralisation*):	127.5% / 136.6%
■ Total Value of Issued Mortgage Pfandbriefe as of 30 September 2017 in EUR:	4,771 mn
■ Total Value of Sold Mortgage Pfandbriefe as of 30 September 2017 in EUR:	4,171 mn

Parameters of Issues:	
Total Number	93
Average Maturity (in years)	4,3
Average Volume (in EUR)	51.296.475

*) Austrian Mortgage Banking Act requires a nominal over-collateralization of 2%. The basis for its calculation is a cover pool value reduced by legally defined haircuts. Taking these haircuts into consideration, the cover pool value amounts to EUR 7,047 mn, thus the overcollateralization is 47.7%. Additionally, in its Articles of Association, UniCredit Bank Austria commits itself to an over-collateralization on a present value basis.



Mortgage Cover Pool

Maturity Structure of Cover Pool and Issues

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Liquidity & Funding

Cover Pool

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		269	2,5%
Maturity 12 - 60 months		1.360	12,5%
thereof Maturity 12 - 36 months		717	6,6%
thereof Maturity 36 - 60 months		644	5,9%
Maturity 60 - 120 months		2.132	19,6%
Maturity longer than 120 months		7.094	65,3%
Total		10.855	100,0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		872	18,3%
Maturity 12 - 60 months		2.317	48,6%
thereof Maturity 12 - 36 months		1.732	36,3%
thereof Maturity 36 - 60 months		584	12,2%
Maturity 60 - 120 months		1.250	26,2%
Maturity longer than 120 months		332	7,0%
Total		4.771	100,0%



Mortgage Cover Pool

Assets Volume Breakdown

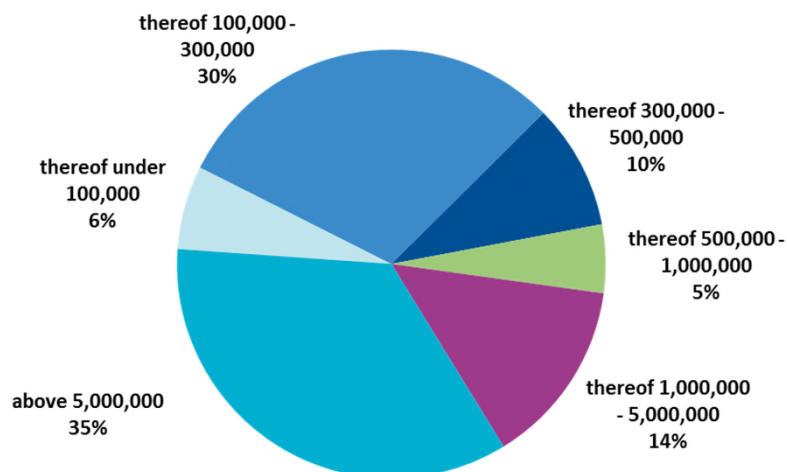
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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Loans	in mn EUR	Number
below 300,000	3.955	30.615
thereof under 100,000	687	12.156
thereof 100,000 - 300,000	3.269	18.459
300,000 - 5,000,000	3.113	4.386
thereof 300,000 - 500,000	1.028	2.819
thereof 500,000 - 1,000,000	561	829
thereof 1,000,000 - 5,000,000	1.524	738
above 5,000,000	3.786	172
Total	10.855	35.173

Breakdown by Size of Loans









Mortgage Cover Pool

Regional Breakdown ^{*)} of Mortgages in Austria

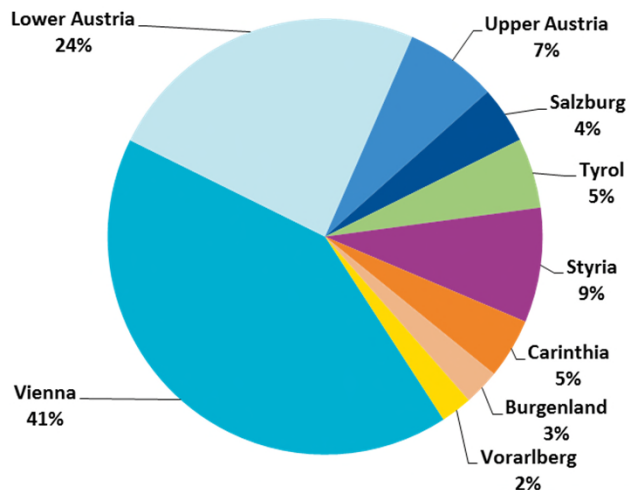
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Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	%
	Vienna	4.447	41,5%
	Lower Austria	2.603	24,3%
	Upper Austria	738	6,9%
	Salzburg	454	4,2%
	Tyrol	558	5,2%
	Styria	912	8,5%
	Carinthia	479	4,5%
	Burgenland	287	2,7%
	Vorarlberg	249	2,3%
Total		10.726	100,0%

Regional Breakdown Austria



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



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

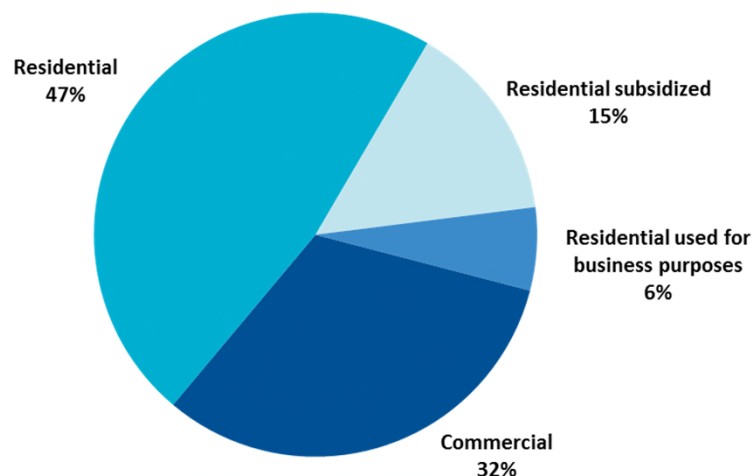
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Liquidity & Funding

Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	5.076	31.251
Residential subsidized	1.563	1.846
Residential used for business purposes	648	1.151
Commercial	3.439	925
thereof Office	1.494	144
thereof Trade	913	71
thereof Tourism	198	127
thereof Agriculture	31	153
thereof mixed Use / Others	803	430
Total	10.726	35.173

Mortgages / Type of Use



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



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 **€ 10,726 mn** as of 30 September 2017 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna 41.5% and the state of Lower Austria 24.3%
- **Breakdown of cover pool by type of use:**
 - 67.9% residential real estate (thereof 14.6% subsidized)
 - 32.1% commercial real estate, divides as follows:
 - Office 13.9%
 - Trade 8.5%
 - Tourism 1.9%
 - Other / Mixed use 7.8%

^{*)} all percent Values are respective cover pool value without substitute cover



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Overview of outstanding Pfandbrief Benchmark Issues 2014 & 2015

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Liquidity & Funding Transactions

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



Overview of outstanding Pfandbrief Benchmark Issues prior to 2014

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Liquidity & Funding Transactions

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

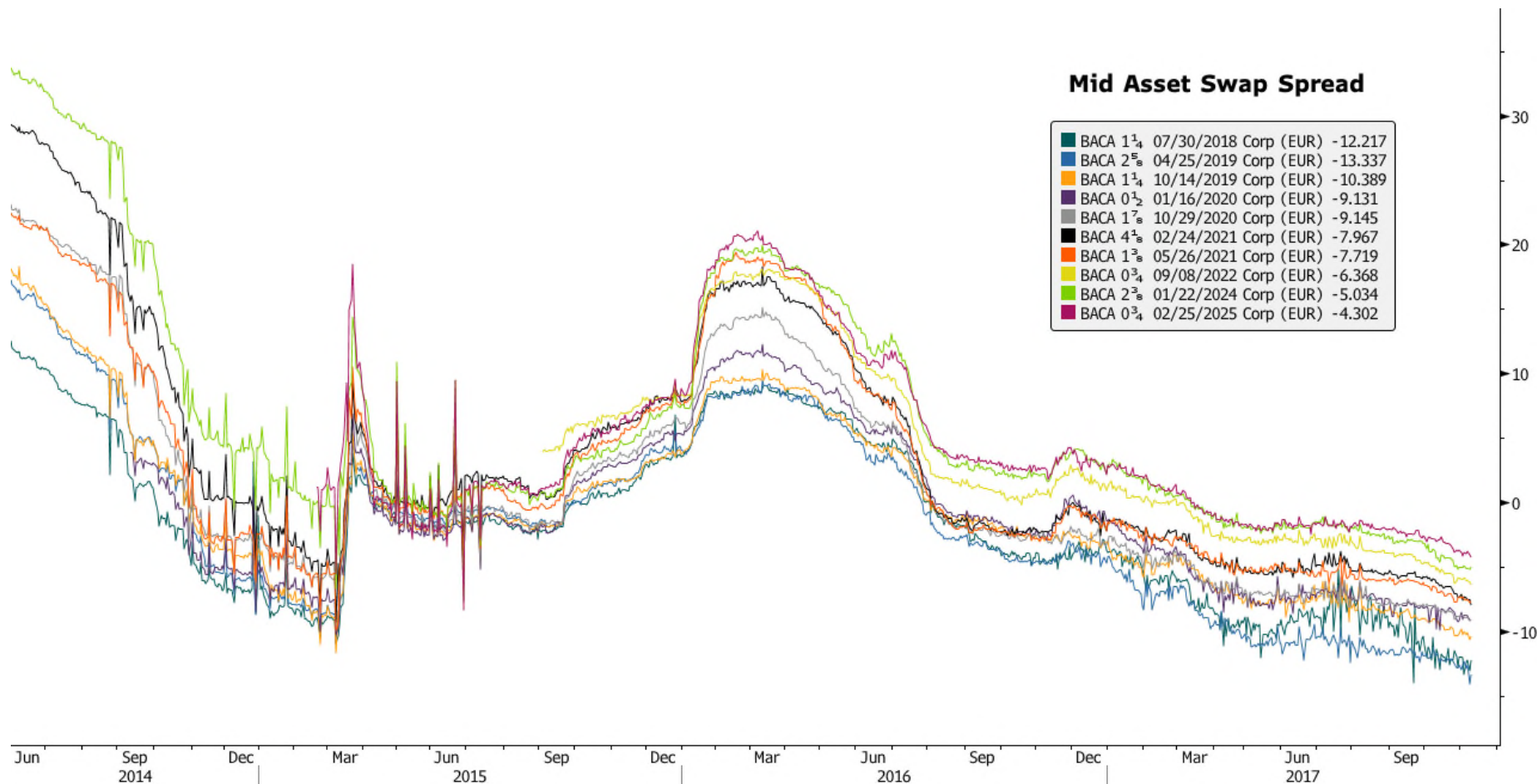


UniCredit Bank Austria Covered Bond Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



Overview of outstanding Senior Unsecured Benchmark Issues

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Liquidity & Funding Transactions

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

* The 2.625% Senior Unsecured Bond was reduced from € 750 mn to € 363.3 mn by means of a tender buyback as of 17th January 2017.

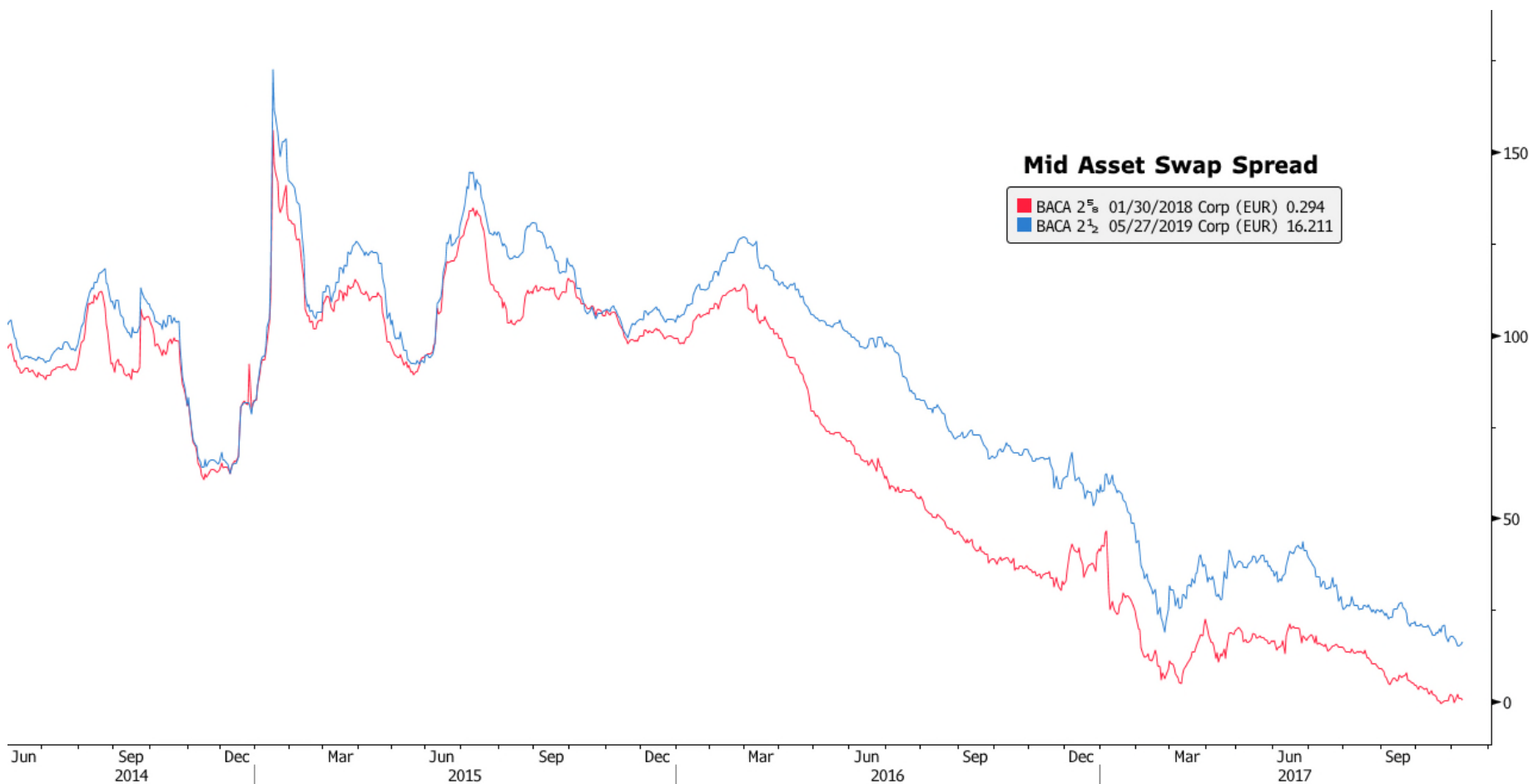


UniCredit Bank Austria Senior Unsecured Bonds Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



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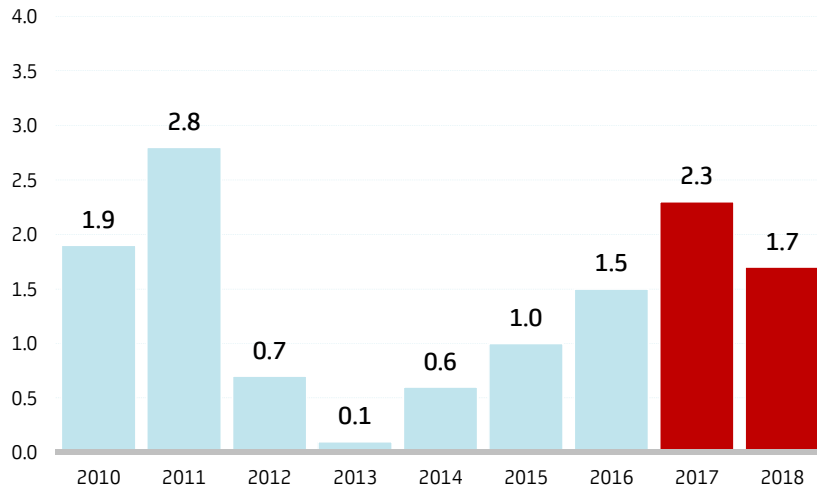
Economic Conditions in Austria

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Economic Conditions in Austria

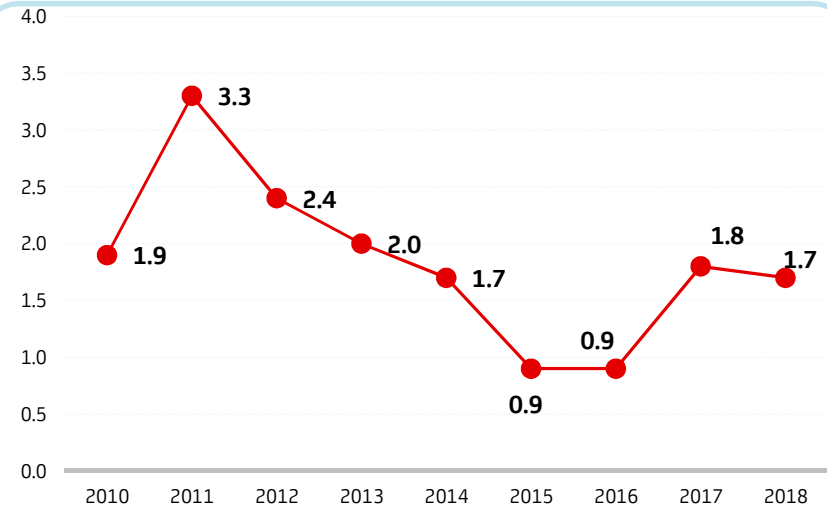
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Austrian economic growth (real, yoy in %)

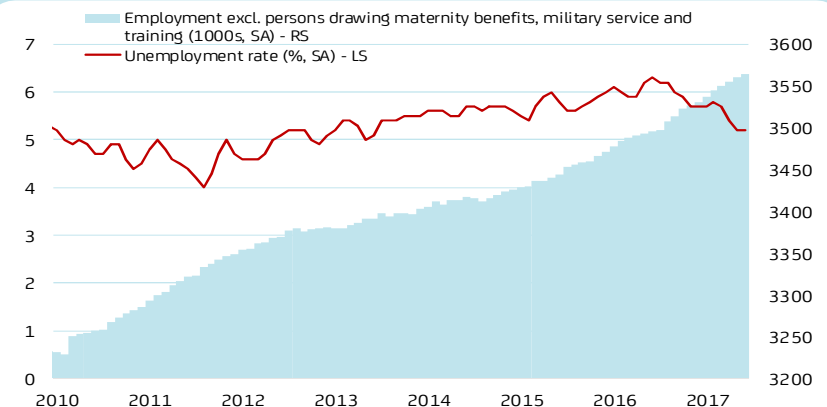


- Supported by global developments and strong consumption, the Austrian economy experienced dynamic growth in the first six months of the year. We have raised our economic forecast 2.3 per cent for 2017 as a whole, for 2018 we expect GDP growth of 1.7 per cent.
- Inflation averaged 0.9 % in 2016. We expect inflation to rise to 1.8 % in 2017, primarily on account of the rise in raw material prices, but also due to the continued high price movements in some services.
- Strong economic development has led to a trend reversal on the labor market. We expect the rate of unemployment to fall to an annual average of 8.7 % in 2017, following 9.1 % in the previous year.

Austrian inflation rate (yearly average, in %)



Employment and unemployment rate



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Rating Overview

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Rating Overview

	Moody's			S&P			Fitch		
	Langfristig	Kurzfristig	Nachrangig ¹⁾	Langfristig	Kurzfristig	Nachrangig ¹⁾	Langfristig	Kurzfristig	Nachrangig ¹⁾
Bank Austria ²⁾	Baa1 Stable	P-2	Ba1	BBB Positive	A-2	BB+	-	-	-
Öffentliche Pfandbriefe	Aaa			-			-		
Hypothekarische Pfandbriefe	Aaa			-			-		
UniCredit S.p.A.	Baa1 Stable	P-2	Ba1	BBB Stable	A-2	BB	BBB Stable	F2	BBB

(as of December 18, 2017)

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

- In 2016 investment in commercial real estate in Austria reached EUR 2.8bn. This result was considerably lower than the record volume achieved in 2015 (around 3.9bn), as some big transactions were not realized in time. Nevertheless, as long as property yields are more attractive than yields of alternate investments like government bonds, demand for real estate will be supported.
- The Austrian real estate market has the well-earned reputation as a relatively stable market. IPD/MSCI annually analyses an Austrian portfolio consisting of office, retail, residential, logistics and other properties. Though annual total return has never achieved double digit growth since the beginning of the analysis it also never dropped into negative territory. Even in the crisis years 2008/2009 annual total return amounted to around 4%.
- Residential real estate prices in Vienna have risen considerably over the last ten years. Nevertheless, price increases slowed down last year. Price development in Austria without Vienna has been considerably less dynamic.



Austrian Real Estate Market

Prices for residential real estate

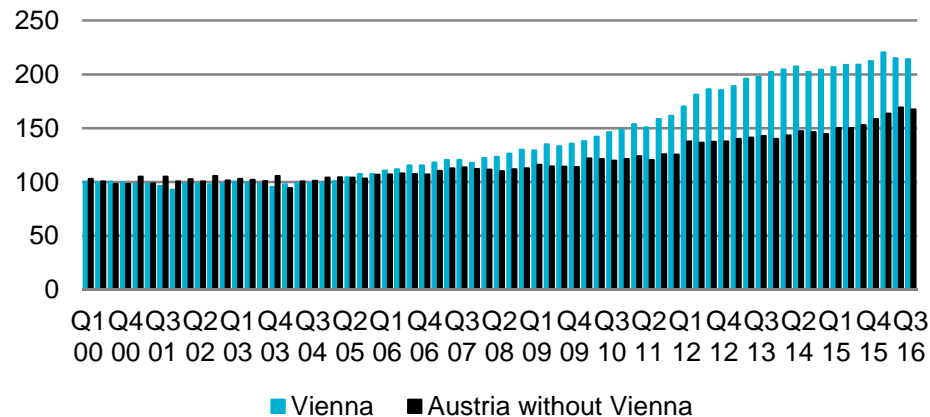
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Real Estate Market Austria

- The strong increase of house prices in Vienna has moderated considerably over the last quarters. In the second and third quarter 2016 prices even declined slightly according to the Residential Property Price Index.
- In comparison, prices in Austria excl. Vienna have shown a quite moderate development over the last years.

Residential Property Price Index (2000 = 100)

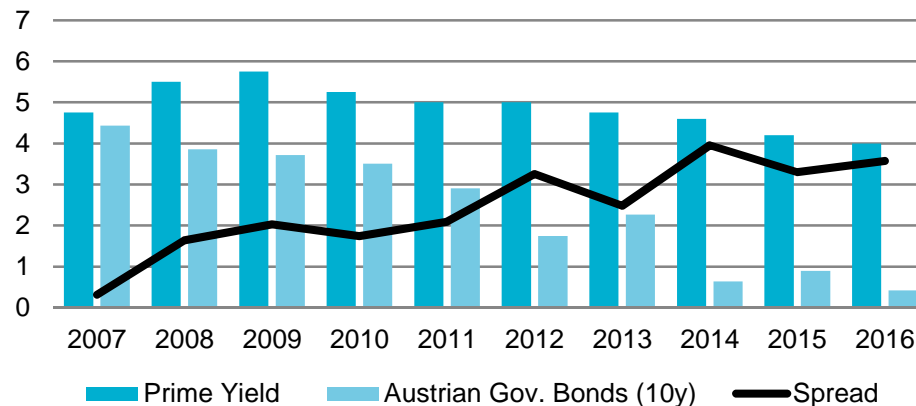


Source: OeNB, TU Wien, Institut für Stadt- und Regionalforschung



- Investors looking for yield are interested in real estate. As long as property investments offers higher yields than alternatives such as government bonds, demand for real estate will be supported.

Prime Office Yields vs. Government Bonds



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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

Remark:

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



Comparison Austria vs. Germany

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Legal situation – Austrian covered bonds

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

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



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