

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, June 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 18.0% as of December 2016)**

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 18.0% 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



UniCredit Group - Progress Transform 2019 (1/2)

1 2 3 4

Transform 2019 Overview

STRENGTHEN AND OPTIMIZE CAPITAL

13bn rights issue

- Solid CET1 ratio at 11.45% fully loaded after successful 13bn capital increase, above 12% considering Pioneer & Pekao disposals and RWA dynamics expected in 2017

IMPROVE ASSET QUALITY

Balance sheet de-risking

- Reduced gross NPE to 55.3bn, with coverage ratio increased to 56.3%⁽¹⁾ in 1Q17
- Improved expected loss on performing stock, from 0.43% to 0.39% in 1Q17
- Operational plan on NPE finalized and consistent with both Transform 2019 and ECB guidelines
- Disposals of 0.3bn NPE portfolios in 1Q17 at Group level (additional 0.4bn in 2Q17, already classified held for sale in 1Q17)⁽²⁾

TRANSFORM OPERATING MODEL

FTE reduction

Branch reduction

- Reduced ~1,900 FTEs in 1Q17: decrease of ~4,500 since December 2015 (32% of target)
- Reduction of FTEs in support functions and operations by 7%, vs. target of 19% in 2019
- Branch closures in Western Europe on track with 36% of closures achieved out of target of 944

(1) Gross NPE at 24.4bn in the Group excl. Non Core in 1Q17 with a coverage ratio of 55.2%. Gross NPE at 30.9bn in the Non Core in 1Q17 with a coverage ratio of 57.2%.

(2) 1Q17 disposals of NPE at 0.2bn in the Group excl. Non Core (additional 0.4bn in 2Q17, already classified held for sale in 1Q17) and 0.1bn in the Non Core. Additional 0.5bn disposals of Non Core NPE already signed in 2Q17.



UniCredit Group - Progress Transform 2019 (2/2)

1 2 3 4

Transform 2019 Overview

MAXIMIZE COMMERCIAL BANK VALUE

**Simplification of Italy
network**

Strategic partnership

**Multichannel offer/
customer experience**

Capital markets

- Simplification of commercial network fully implemented, supported by 500 transformation agents
- Enabled a network of 600 merchants to accept payments from Chinese visitors with Alipay, further potential up to 120,000 merchants
- Extended UniCredit funds offer with Amundi products
- Strong focus on multichannel approach to clients across the Group, with positive results on:
 - Number of remote sales, increased in Italy by c.60% Y/Y
 - Number of online and mobile users, increased in CEE to 37.5% and 23.7% respectively
- Rank #1 in EMEA Bonds in Euro by number of transactions⁽¹⁾
- Rank #1 in “Syndicated Loans in Italy, Germany and Austria”⁽¹⁾
- Best trade finance house for Cash Management by Euromoney

ADOPT LEAN BUT STEERING CENTER

Holding organization

Group CC streamlining

- New holding organization structure set up⁽²⁾
- Tangible results in 1Q17, with FTEs down by 5.6% Y/Y and costs down by 10.6% Y/Y

(1) Source: Dealogic Analytics, as of 3 April 2017. Period: 1 January – 31 March 2017. (2) Group Risk Management, Planning, Finance & Administration, Human Capital, Group Identity & Communication, Legal, Compliance, Group Institutional & Regulatory Affairs, Strategy and M&A.



Agenda

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- 4 Annex



Bank Austria – at a glance

1 2 3 4

Bank Austria Highlights as of 31 December 2016¹⁾

Overview Bank Austria
Business Model & Strategy

- **Member of UniCredit since 2005**
- **Leading corporate bank** and **one of the largest retail banks** in Austria
- **~ 6,300 FTE** and **about 160 branches** in Austria²⁾ with further reduction envisaged
- As of October 1, 2016, management¹⁾ of the **banking network in CEE** transferred under UniCredit SpA
- **Solid capital base** (18.0% CET1 Ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	12/16	12/15
Total Assets	105.8	193.6
Customer Loans	60.9	116.4
Direct Funding	74.0	139.7
Equity	7.9	15.4
In € bn		

	FY16	FY15
Operating income	2,004	2,002
Operating costs	-1,502	-1,589
LLP	6	12
Net profit	641	1,325
In € mn		

Cost / income ratio	75.0%	
CET1 capital ratio ³⁾	18.0%	
Total capital ratio ³⁾	20.8%	
Non-performing exposure ratio	2.9%	
Coverage ratio	59.7%	
Cost of risk	-1bp	
S&P	BBB	A-2
Moody's	Baa1	P-2
Fitch	BBB+	F2
Market share loans / deposits Austria ⁴⁾	14.5 % / 13.7 %	

1) Figures presented refer to **Bank Austria after the CEE Carve out**; Net profit includes the CEE results for the first nine months of 2016 (included in the P/L-line "Profit/loss from discontinued operations, after tax")

2) approx. 140 Retail branches

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

4) As of December 2016



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

1 2 3 4

Bank Austria is one of the strongest banks in Austria

CIB

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

CIB = Corporate & Investment Banking

Commercial Banking Austria

Corporate Banking

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

Retail Banking

- Retail Banking covers 1,6mn **Retail and Small Business customers** (<€3mn turnover)
- **Broad 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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- 4 Annex



P&L of Bank Austria Group¹⁾ – FY16

Stable operating performance in Austria; net profit includes 9 months of CEE and significant one-off effects

1 2 3 4

Overview Bank Austria
Profit & Loss

	1-12 2016	1-12 2015	y/y
Operating income	2,004	2,002	0.1%
Operating costs	-1,502	-1,589	-5.5%
Operating profit	501	413	21.4%
Net write-downs of loans	6	12	-51.1%
Net operating profit	507	425	19.3%
Non-operating items	-862	61	>-100.0%
Profit before tax	-354	486	>-100.0%
P/L discontinued operations	1,141	635	79.9%
Other positiosns	-146	204	>-100.0%
Group Net Profit	641	1,325	-51.6%
Cost/income ratio	75.0%	79.4%	-440 bp

- **Operating Income stable y/y**, with gaps in core revenues due to difficult market environment (low loan demand, low interest environment), but supported by sale of VISA shares to VISA Int. (€ 95 mn contribution)
- **Operating Costs down by 6%**, significant cost savings due to ongoing restructuring efforts in Austria (transfer of pension obligation, lower FTE) despite some negative one-off effects
- **Net Write-Downs of Loans** positive with € +6 mn, with a very favorable development (net releases) despite additional provisions
- **Non-Operating Items € -862 mn**: mainly integration costs (€ -409 mn), systemic charges (€ -182 mn), and other provisions (€ -202 mn)
- **P/L from discontinued operations** mainly includes 9 months of CEE (before the transfer of CEE Division to UniCredit SpA on 1 October 2016)
- **Other positions** includes the income tax of € -58 mn and minorities € -87 mn



Net Write-Downs of Loans

In 2016 continuing of favorable development for **Cost of Risk** and **Net Write downs**

Overview Bank Austria

Profit & Loss

1 2 3 4

Cost of Risk by Segment

(bp)

FY15 FY16

BA-Group

-2
-1

Retail

16
29

Corporates

0
-5

CIB

-19
-28

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

BA Group

12
6
FY15 FY16

Retail

-28
-52

Corporates

1
14

CIB

25
38
FY15 FY16

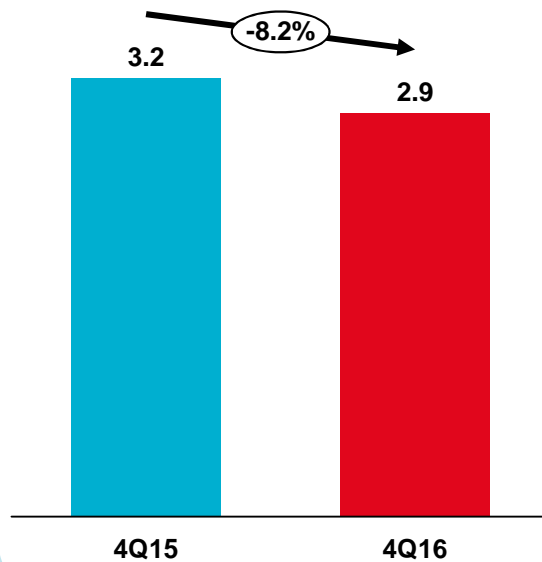
- BA Group with positive contribution from **Net Write Downs** reaching € 6 mn (2015: € 12 mn)
- Surplus of **Net Write Downs** in CIB (€ 38 mn) and Corporates (€ 14 mn) due to releases for major customers. Increase in Retail driven by lump sum provision for performing FX loans and IBNR partially compensated by releases
- **Cost of Risk:** BA Group still around a zero level, Retail highly influenced by the extraordinary increase of the lump sum provision relating to FX-loans



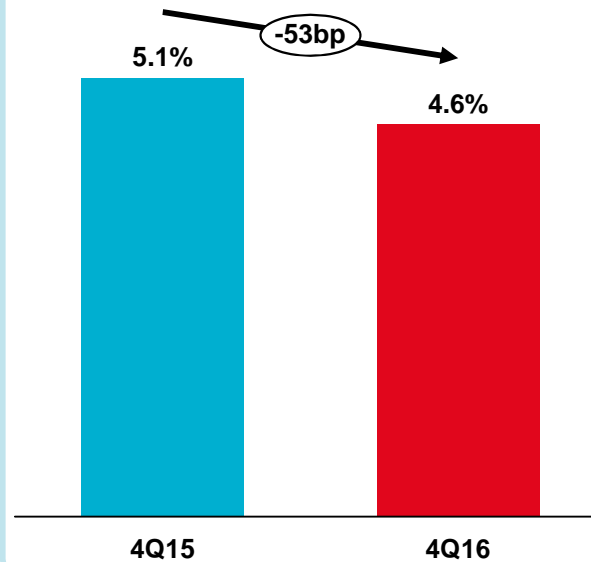
Solid y/y development of Asset Quality in 2016

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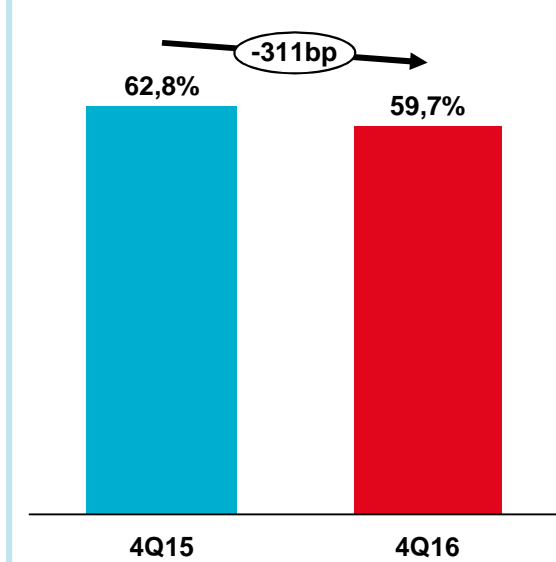
Gross NPE ¹⁾ (€ bn)



% 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
- Slight 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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 - Funding Strategy & Position
 - Cover Pool
- 4 Annex

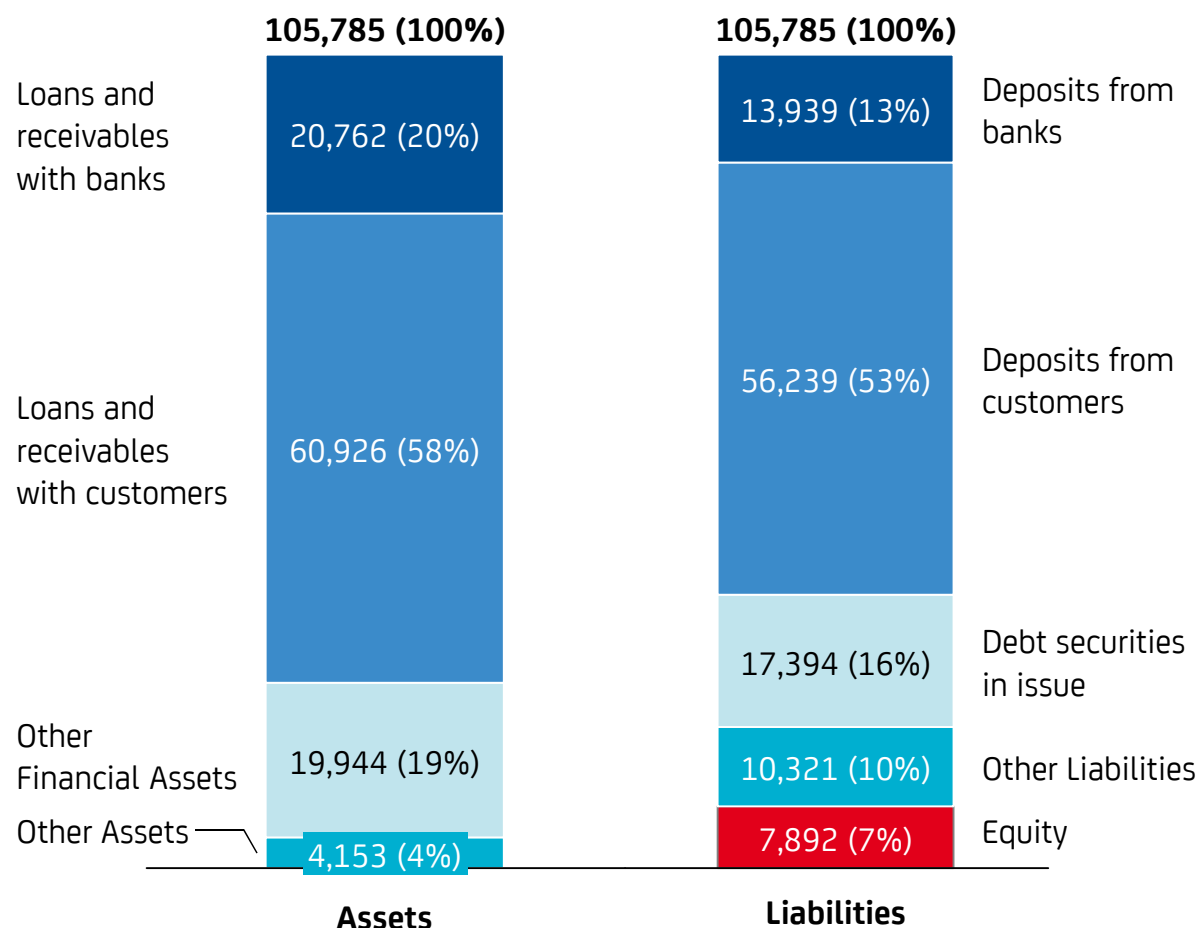


Balance Sheet structure (as of 31 December 2016)

1 2 3 4

Overview Bank Austria
Balance Sheet & Capital Ratios

Balance Sheet¹⁾ (€ mn)



- **4Q16 Balance sheet** reduced by almost 50% y/y, **following the CEE demerger**
- **Net equity²⁾** of € 7.9 bn after demerger including profit of € 641 mn, but also benefitting from € 1 bn shareholder contribution in 2016
- **Excellent Leverage Ratio** after CEE Demerger at **5.6%**



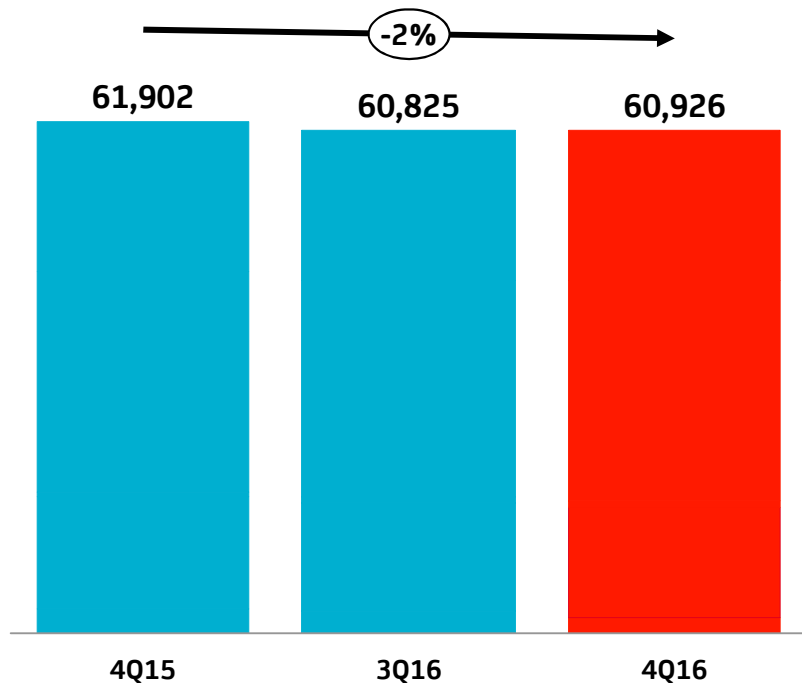
Loan and Deposit Volumes

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

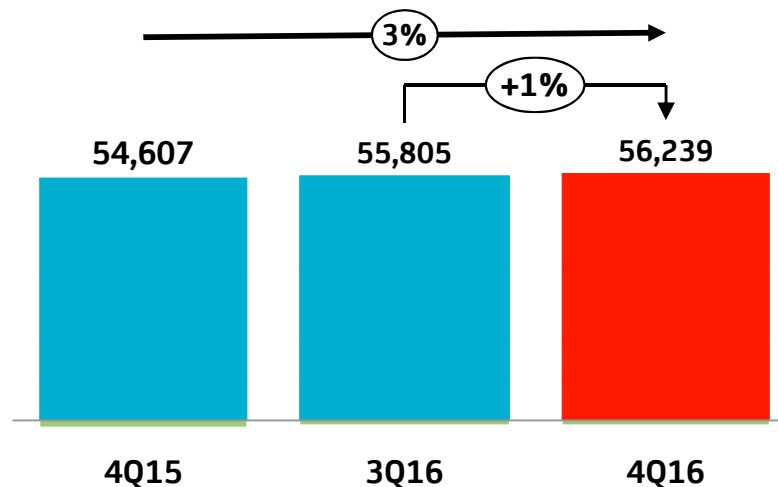
1 2 3 4

Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

83% 82% 82%

- **Loans to customers y/y down -2%** and q/q stable (slightly up in Corporates and CIB)
- **Deposits from customers with a growth of 3% y/y**, driven by all business segments, but especially by Corporates
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 82%**

¹⁾ All figures recast

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



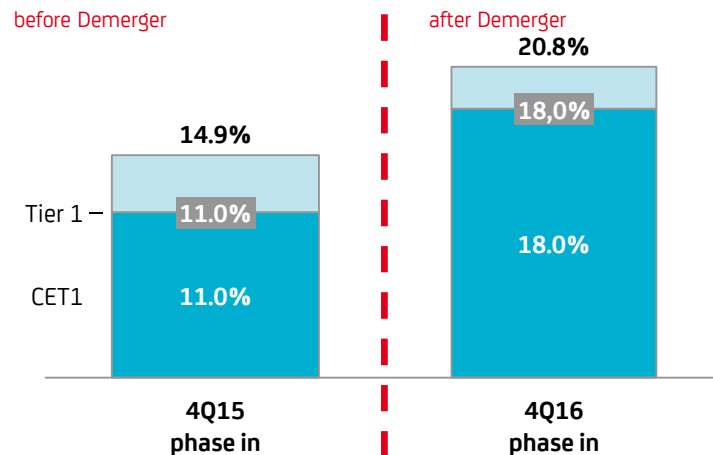
Capital position BA GROUP IFRS (after CEE demerger)

Strong capital ratios following the CEE Demerger

1 2 3 4

Capital Ratios

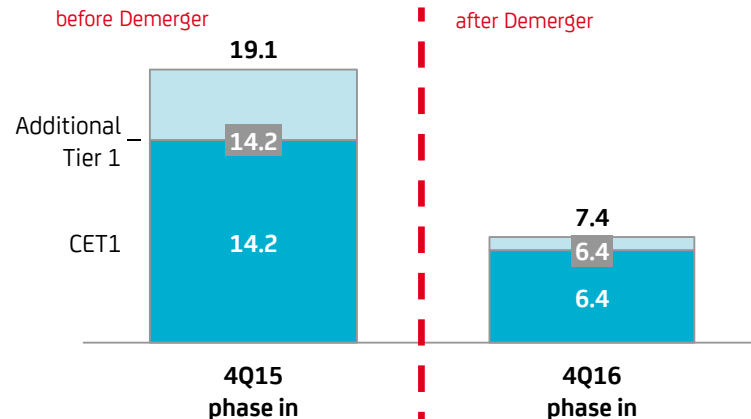
Total CAR



- **Common Equity Tier 1** 2016 reflects capital after the CEE demerger. It includes 1 bn shareholder contribution injected in August 2016 and net profit 2016
- **Total regulatory capital** reaches € 7.4 bn and also reflects a reduction of Tier 2 capital in the course of the CEE demerger
- **Total RWA** down to € 35 bn, due to the lower risk weight of Austrian assets as compared to the CEE RWA previously included
- **Leverage Ratio** after CEE demerger at strong **5.6%**

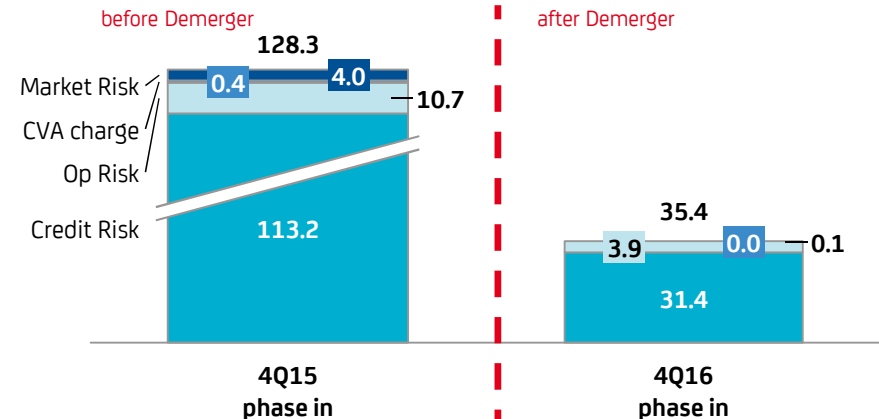
Regulatory Capital (in € bn)

Total Capital



Risk-Weighted Assets (in € bn)

Total RWA



Note: Transitional figures



Agenda

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



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

1 2 3 4

Liquidity & Funding
Funding Strategy & Position

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

1 2 3 4

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

1 2 3 4

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%)



Agenda

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- 4 Annex



Executive Summary Bank Austria Public Sector Cover Pool

1 2 3 4

Liquidity & Funding
Cover Pool

- **Aaa Rating** by Moody's
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria
- Cover Pool Volume as of 31 March 2017 amounts to EUR 6,944 mn
- Average volume of loans is approx. € 1.8 mn
- Average seasoning is 6.4 years



Public Sector

Parameters of Cover Pool and Issues

1 2 3 4

Liquidity & Funding
Cover Pool

■ Total Value of the Cover Pool as of 31 March 2017 in EUR equivalent:	6,944 mn
● thereof in EUR:	3,830 mn
● thereof in CHF:	1,549 mn
● thereof public sector bonds in EUR equivalent:	1,566 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6.2
Contracted Weighted Average Life (in years)	8.9
Average Seasoning (in years)	6.4
Total Number of Loans	3,773
Total Number of Debtors	1,412
Total Number of Guarantors	274
Average Volume of Loans (in EUR)	1,840,531
Stake of 10 Biggest Loans	30.6%
Stake of 10 Biggest Guarantors	27.2%
Stake of Bullet Loans	59.4%
Stake of Fixed Interest Loans	35.2%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.3%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralization*):	71.7% / 66.8%
■ Total Value of Sold Covered Bonds as of 31 March 2017 in EUR:	4,045 mn

Parameters of Issues:	
Total Number	34
Average Maturity (in years)	3.9
Average Volume (in EUR)	118,960,459

*) 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 6,569 mn, thus the overcollateralization is 62.4%. 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

1 2 3 4

Liquidity & Funding
Cover Pool

Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	1,521	21.9%
Maturity 12 - 60 months	1,626	23.4%
thereof Maturity 12 - 36 months	911	13.1%
thereof Maturity 36 - 60 months	715	10.3%
Maturity 60 - 120 months	939	13.5%
Maturity longer than 120 months	2,858	41.2%
Total	6,944	100.0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	50	1.2%
Maturity 12 - 60 months	3,587	88.7%
thereof Maturity 12 - 36 months	1,585	39.2%
thereof Maturity 36 - 60 months	2,002	49.5%
Maturity 60 - 120 months	128	3.2%
Maturity longer than 120 months	280	6.9%
Total	4,045	100.0%











Public Sector

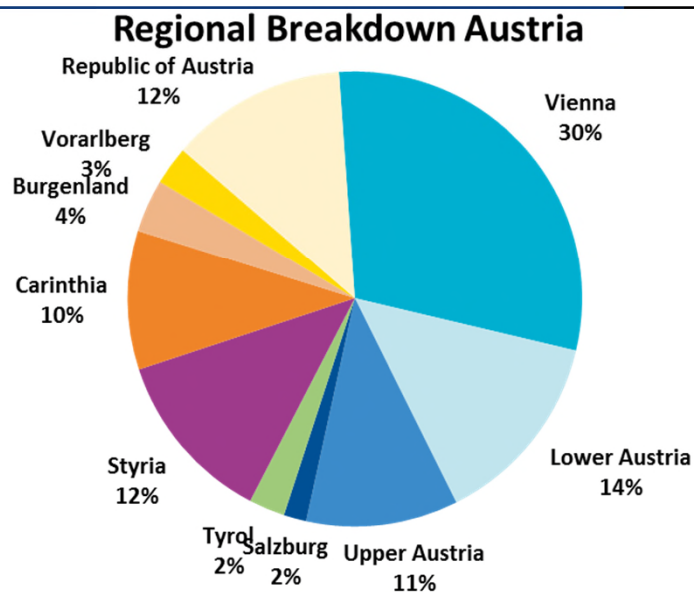
Regional Breakdown of Assets^{*)} in Austria

1 2 3 4

Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	in %
	Vienna	2,070	29.8%
	Lower Austria	968	13.9%
	Upper Austria	751	10.8%
	Salzburg	112	1.6%
	Tyrol	178	2.6%
	Styria	856	12.3%
	Carinthia	686	9.9%
	Burgenland	262	3.8%
	Vorarlberg	190	2.7%
	Republic of Austria	872	12.6%
Total Austria		6,944	100.0%



^{*)} Considering Guarantors



Public Sector

Assets Volume Breakdown by Type of Debtor / Guarantor

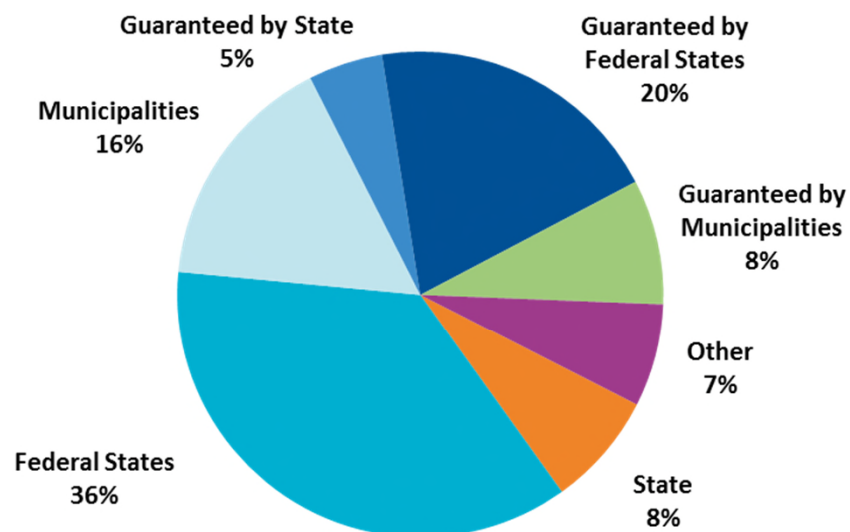
1 2 3 4

Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	528	4
Federal States	2,528	53
Municipalities	1,112	2,231
Guaranteed by State	344	148
Guaranteed by Federal States	1,377	240
Guaranteed by Municipalities	578	436
Other	477	661
Total	6,944	3,773

Type of Debtor / Guarantor



Public Sector

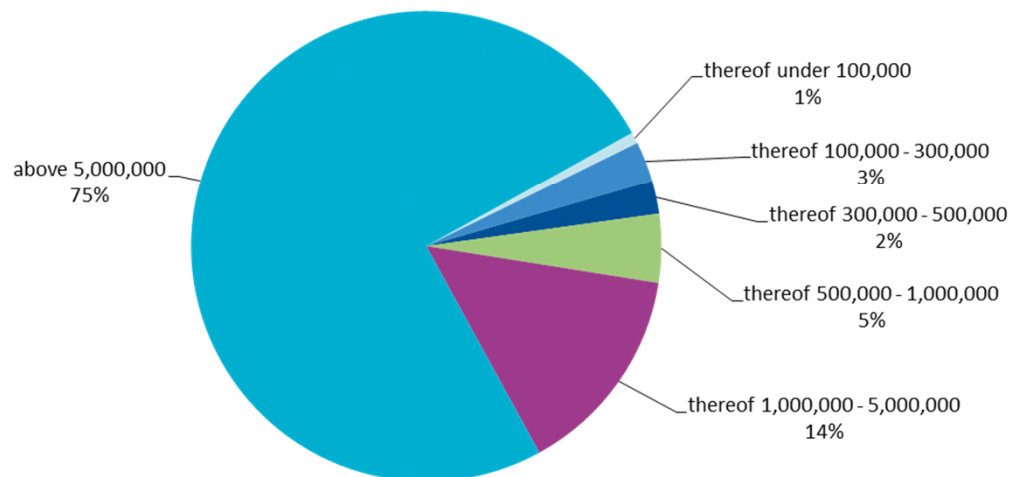
Volume Breakdown by Size of Assets

1 2 3 4

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	246	2,265
thereof under 100,000	54	1,208
thereof 100,000 - 300,000	192	1,057
300,000 - 5,000,000	1,495	1,373
thereof 300,000 - 500,000	159	411
thereof 500,000 - 1,000,000	328	456
thereof 1,000,000 - 5,000,000	1,008	506
above 5,000,000	5,203	135
Total	6,944	3,773

Breakdown by Size of Assets





- **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

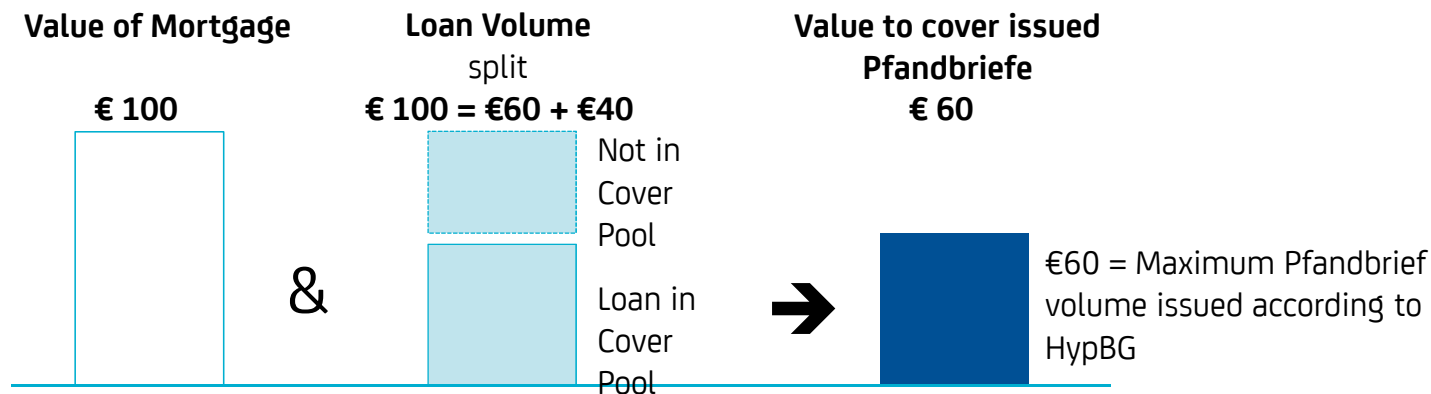
Whole Loan Approach and its Benefits for Investors

1 2 3 4

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)

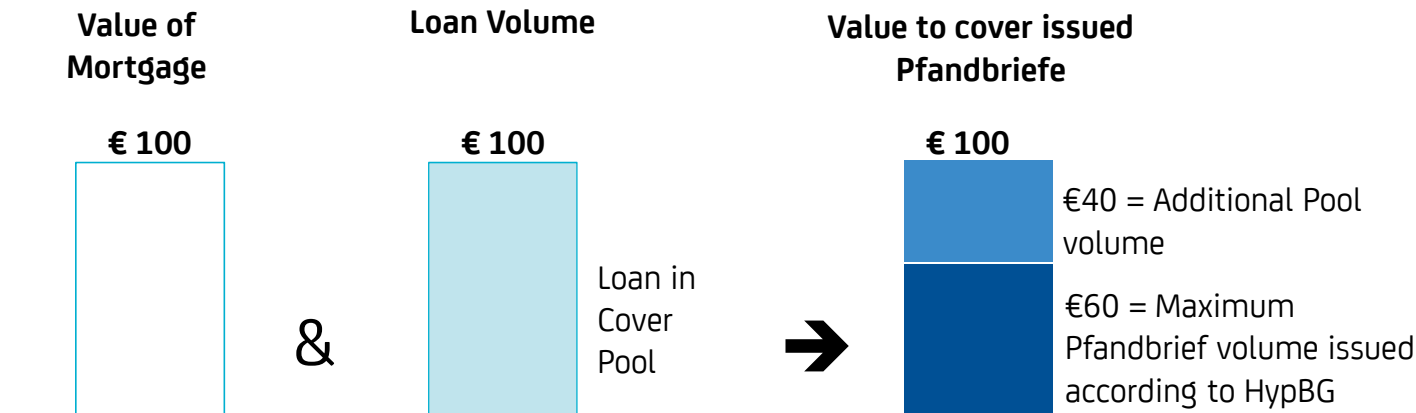
Scenario I: Split Loan Approach = Minimum Approach



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

1 2 3 4

Liquidity & Funding
Cover Pool

- The over-collateralization is approx. EUR 6.1 bn or 126% (as of 31st March 2017)

Overview	31.03.2017				
Issue volume	EUR 4.8 bn				
Over-collateralization	EUR 6.1 bn (126%)				
Total Asset Value	EUR 10.9 bn	o/w CHF	31.12.2014	31.03.2017	
Total Cover Value	EUR 7.1 bn	o/w CHF	EUR 1.6 bn	EUR 1.5 bn	(13.8% of total asset value)
			EUR 670 mln	EUR 491 mln	(6.9% 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 21.0%*
- 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

1 2 3 4

Total Value of the Cover Pool as of 31 March 2017 in EUR equivalent:	10,905 mn
• thereof in EUR:	9,323 mn
• thereof in CHF:	1,453 mn
• thereof substitute cover in EUR:	129 mn

Liquidity & Funding
Cover Pool

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9.0
Contracted Weighted Average Life (in years)	14.2
Average Seasoning (in years)	6.0
Total Number of Loans	33,455
Total Number of Debtors	31,549
Total Number of Mortgages	33,455
Average Volume of Loans (in EUR)	322,133
Stake of 10 Biggest Loans	13.4%
Stake of 10 Biggest Debtors	16.2%
Stake of Bullet Loans	34.6%
Stake of Fixed Interest Loans	18.0%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.3%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralisation*):	125.6% / 134.7%
■ Total Value of Issued Mortgage Pfandbriefe as of 31 March 2017 in EUR:	4,834 mn
■ Total Value of Sold Mortgage Pfandbriefe as of 31 March 2017 in EUR:	4,234 mn

Parameters of Issues:	
Total Number	95
Average Maturity (in years)	4.7
Average Volume (in EUR)	50,883,091

*) 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 7,103 mn, thus the overcollateralization is 46.9%. 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

1 2 3 4

Liquidity & Funding
Cover Pool

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		478	4.4%
Maturity 12 - 60 months		1,344	12.3%
thereof Maturity 12 - 36 months		610	5.6%
thereof Maturity 36 - 60 months		734	6.7%
Maturity 60 - 120 months		2,285	20.9%
Maturity longer than 120 months		6,798	62.3%
Total		10,905	100.0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		193	4.0%
Maturity 12 - 60 months		2,532	52.4%
thereof Maturity 12 - 36 months		2,428	50.2%
thereof Maturity 36 - 60 months		104	2.2%
Maturity 60 - 120 months		1,746	36.1%
Maturity longer than 120 months		362	7.5%
Total		4,834	100.0%



Mortgage Cover Pool

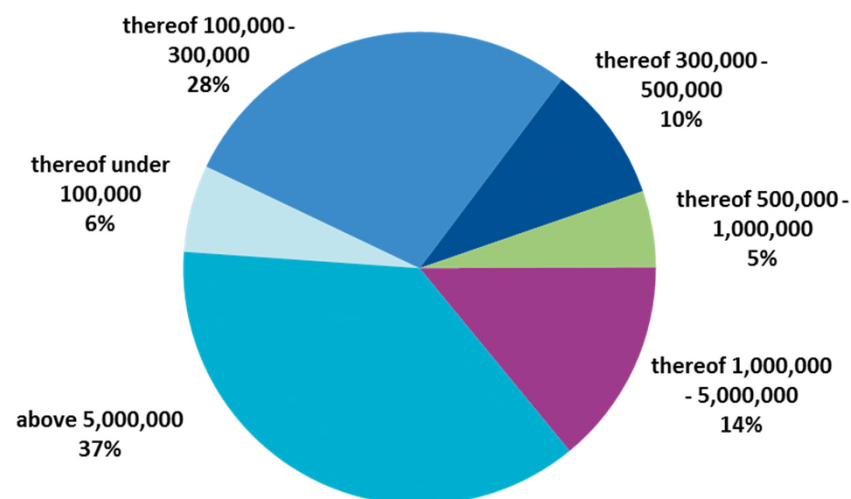
Assets Volume Breakdown

1 2 3 4

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Loans	in mn EUR	Number
below 300,000	3,725	28,886
thereof under 100,000	651	11,588
thereof 100,000 - 300,000	3,074	17,298
300,000 - 5,000,000	3,139	4,393
thereof 300,000 - 500,000	1,030	2,813
thereof 500,000 - 1,000,000	570	840
thereof 1,000,000 - 5,000,000	1,538	740
above 5,000,000	4,042	176
Total	10,905	33,455

Breakdown by Size of Loans




Mortgage Cover Pool

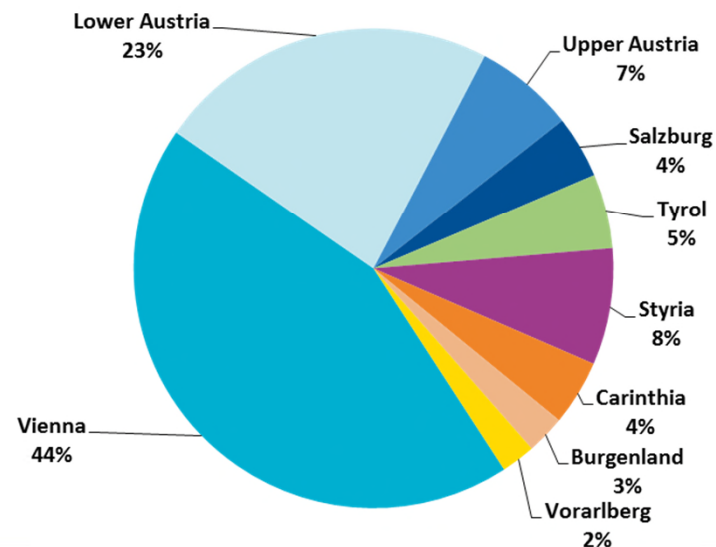
Regional Breakdown^{*)} of Mortgages in Austria

1 2 3 4

Liquidity & Funding
Cover Pool

Regional Breakdown Austria		in mn EUR	%
	Vienna	4,720	43.8%
	Lower Austria	2,483	23.0%
	Upper Austria	725	6.7%
	Salzburg	452	4.2%
	Tyrol	544	5.0%
	Styria	848	7.9%
	Carinthia	475	4.4%
	Burgenland	281	2.6%
	Vorarlberg	248	2.3%
Total		10,777	100.0%

Regional Breakdown Austria



Mortgage Cover Pool

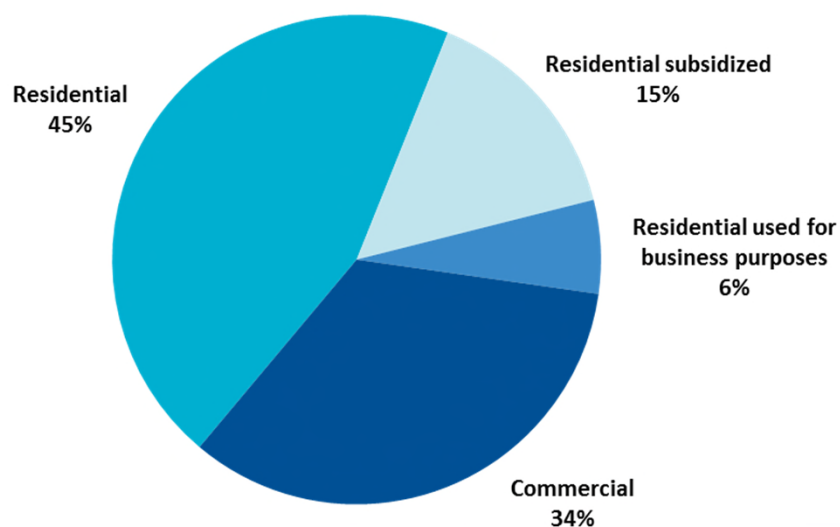
Breakdown^{*)} by Type of Use

1 2 3 4

Liquidity & Funding
Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	4,847	29,486
Residential subsidized	1,615	1,886
Residential used for business purposes	665	1,187
Commercial	3,650	896
thereof Office	1,652	145
thereof Trade	880	70
thereof Tourism	218	124
thereof Agriculture	26	131
thereof mixed Use / Others	873	426
Total	10,777	33,455

Mortgages / Type of Use



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



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

1 2 3 4

Liquidity & Funding
Cover Pool

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€ 10,777 mn** as of 31 March 2017 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna 43.8% and the state of Lower Austria 23.0%
- **Breakdown of cover pool by type of use:**
 - 66.1% residential real estate (thereof 15.0% subsidized)
 - 33.9% commercial real estate, divides as follows:
 - Office 15.3%
 - Trade 8.2%
 - Tourism 2.0%
 - Other / Mixed use 8.4%

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



Agenda

- 1 UniCredit Group
- 2 Overview Bank Austria
 - Business Model & Strategy
 - Profit & Loss
 - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
 - Funding Strategy & Position
 - Transactions
 - Cover Pool
- 4 Annex
 - **Liquidity & Funding - Transactions**
 - Economic Conditions in Austria
 - Ratings Overview
 - Real Estate Market Austria
 - Legal Situation – Austrian Covered Bonds



Overview of outstanding Pfandbrief Benchmark Issues 2014 & 2015

1 2 3 4

Annex

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

1 2 3 4

Annex

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

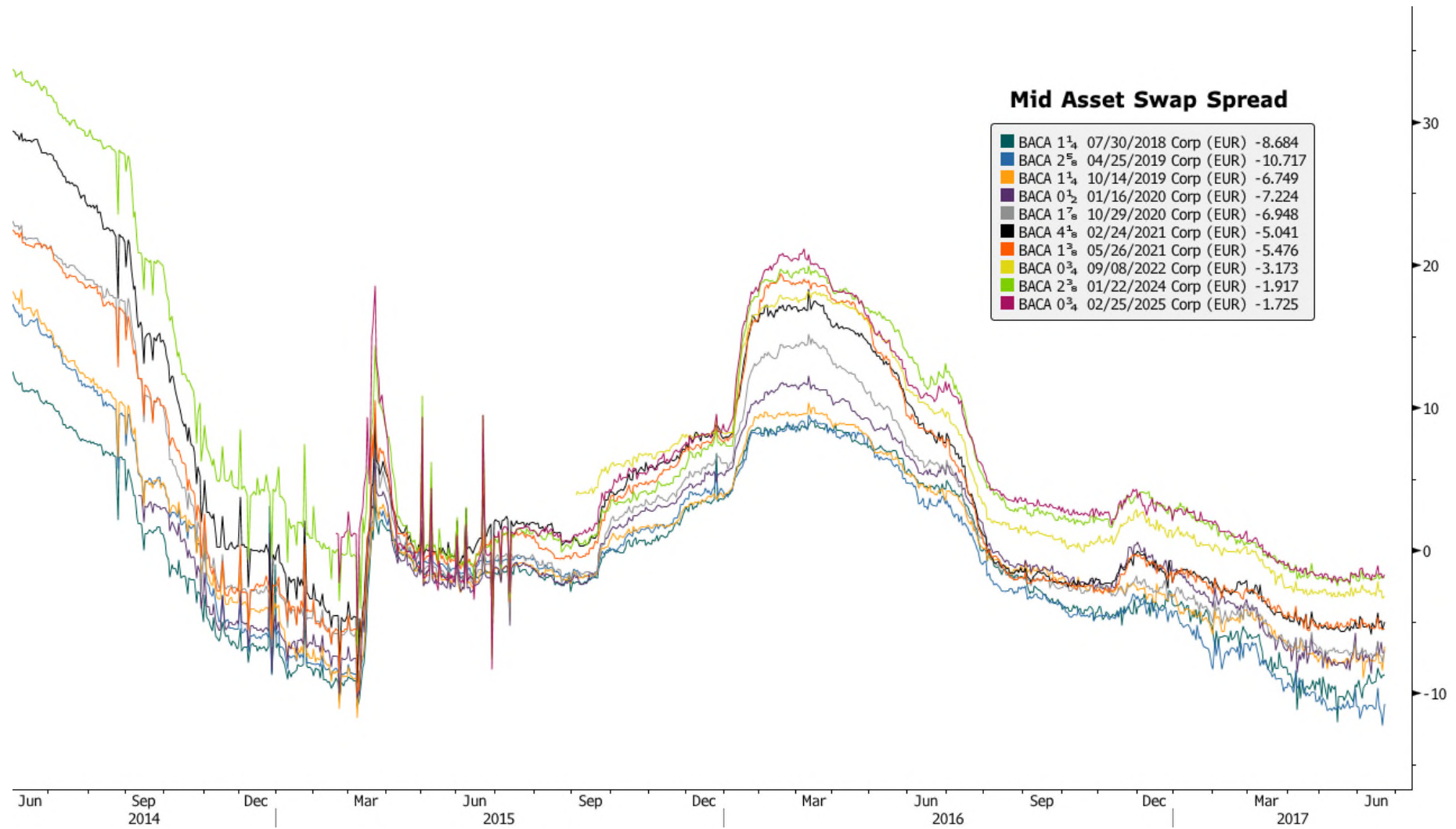


UniCredit Bank Austria Covered Bond Spread Comparison

1 2 3 4

Annex

Liquidity & Funding Transactions



Source: Bloomberg



Overview of outstanding Senior Unsecured Benchmark Issues

1 2 3 4

Annex

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.

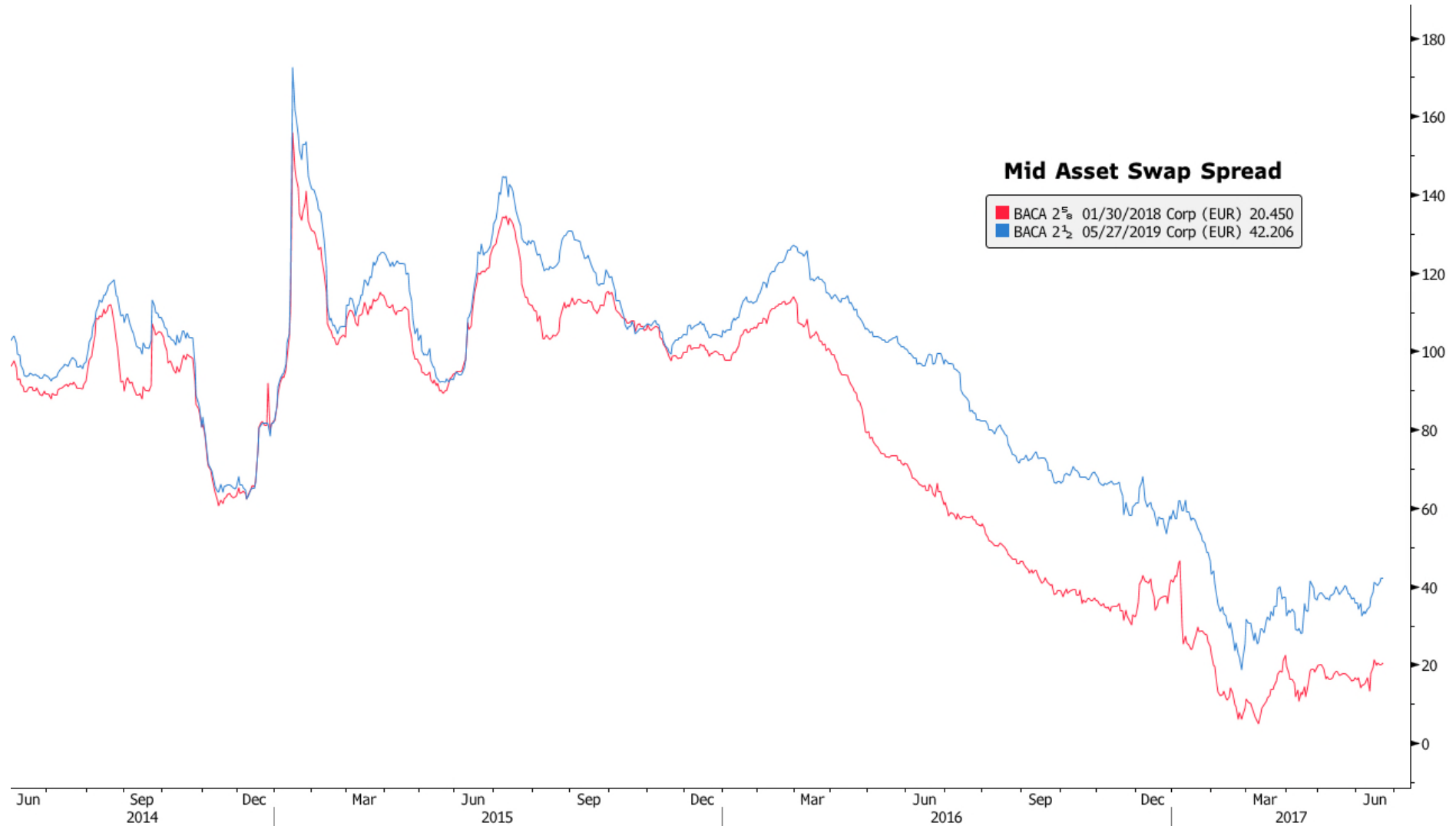


UniCredit Bank Austria Senior Unsecured Bonds Spread Comparison

1 2 3 4

Annex

Liquidity & Funding Transactions



Source: Bloomberg



Agenda

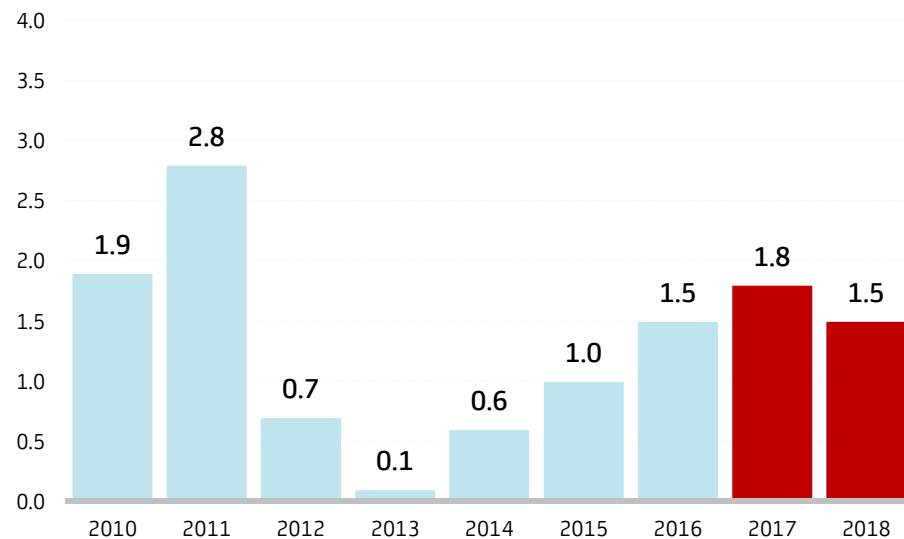
- 1 UniCredit Group
- 2 Overview Bank Austria
 - Business Model & Strategy
 - Profit & Loss
 - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
 - Funding Strategy & Position
 - Transactions
 - Cover Pool
- 4 Annex
 - Liquidity & Funding - Transactions
 - **Economic Conditions in Austria**
 - Ratings Overview
 - Real Estate Market Austria
 - Legal Situation – Austrian Covered Bonds



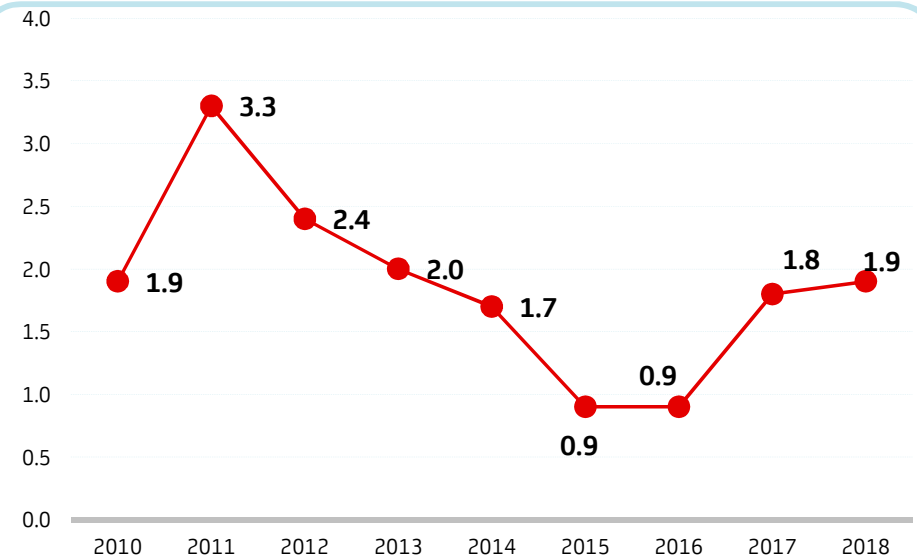
Economic Conditions in Austria

1 2 3 4

Austrian economic growth (real, yoy in %)

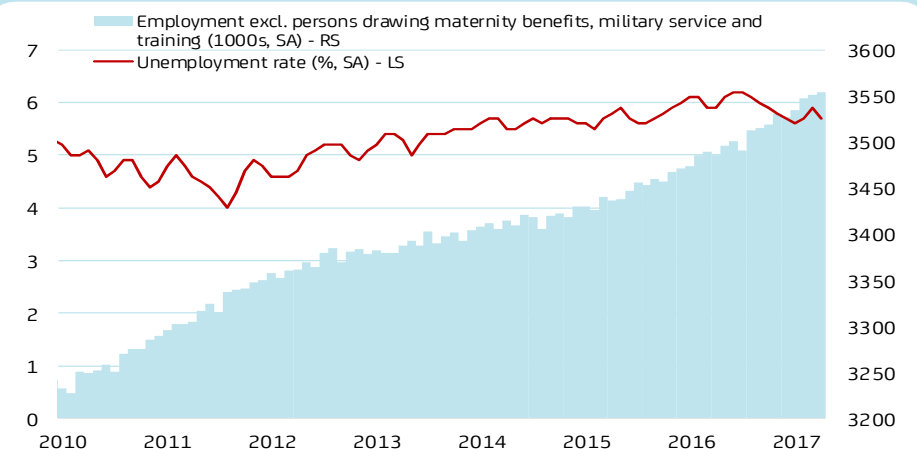


Austrian inflation rate (yearly average, in %)



- GDP growth increased to 1.5 % in 2016 supported by the tax reform. Austria continues to experience economic upturn. Q1 2017 saw economic growth of 2 % yoy. This is the strongest increase since mid 2011. We expect GDP growth to accelerate to 1.8 % in 2017. Stronger global demand will compensate for diminishing tailwinds through consumption and investment, although domestic demand will remain the main driver of growth.
- 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 and rents.
- 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.

Employment and unemployment rate



Agenda

- 1 UniCredit Group
- 2 Overview Bank Austria
 - Business Model & Strategy
 - Profit & Loss
 - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
 - Funding Strategy & Position
 - Transactions
 - Cover Pool
- 4 Annex
 - Liquidity & Funding - Transactions
 - Economic Conditions in Austria
 - **Ratings Overview**
 - Real Estate Market Austria
 - Legal Situation – Austrian Covered Bonds



Rating Overview

1 2 3 4

Annex
Rating Overview

	Moody's			S&P			Fitch		
	Long-Term	Short-Term	Subordinated ¹⁾	Long-Term	Short-Term	Subordinated ¹⁾	Long-Term	Short-Term	Subordinated ¹⁾
Bank Austria²⁾	Baa1 Stable	P-2	Ba1	BBB Negative	A-2	BB+	BBB+ Negative	F2	-
Public Sector Covered Bond	Aaa			-			-		
Mortgage Covered Bond	Aaa			-			-		
UniCredit S.p.A.	Baa1 Stable	P-2	Ba1	BBB- Stable	A-3	BB	BBB Stable	F2	BBB

(as of 23rd June 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



Agenda

- 1 UniCredit Group
- 2 Overview Bank Austria
 - Business Model & Strategy
 - Profit & Loss
 - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
 - Funding Strategy & Position
 - Transactions
 - Cover Pool
- 4 Annex
 - Liquidity & Funding - Transactions
 - Economic Conditions in Austria
 - Ratings Overview
 - **Real Estate Market Austria**
 - Legal Situation – Austrian Covered Bonds



Austrian Real Estate Market

Overview

1 2 3 4

Annex
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

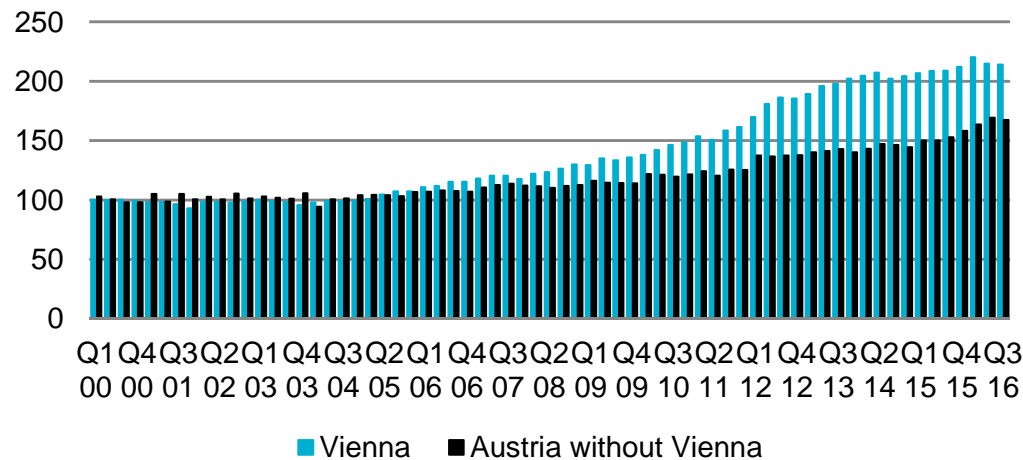
Prices for residential real estate

1 2 3 4

Annex
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)

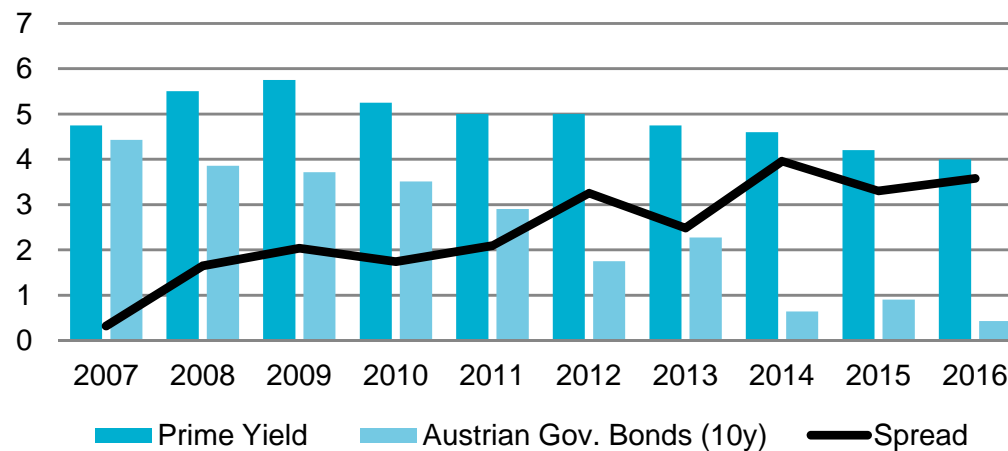


Source: OeNB, TU Wien, Institut für Stadt- und Regionalforschung



- 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



Source: CBRE, Thomson Reuters



Agenda

- 1 UniCredit Group
- 2 Overview Bank Austria
 - Business Model & Strategy
 - Profit & Loss
 - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
 - Funding Strategy & Position
 - Transactions
 - Cover Pool
- 4 Annex
 - Liquidity & Funding - Transactions
 - Economic Conditions in Austria
 - Ratings Overview
 - Real Estate Market Austria
 - **Legal Situation – Austrian Covered Bonds**



Austrian Legal Framework

Mortgage and Public Sector Pfandbriefe

1 2 3 4

Annex

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

1 2 3 4

Annex

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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