

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, March 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

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The execution of Transform 2019 is on track (1/2)

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Transform 2019 Overview

5 Strategic Pillars		Achieved	2019 Target
STRENGTHEN AND OPTIMIZE CAPITAL	<ul style="list-style-type: none"> Bold actions taken: Pioneer, Pekao and 30% of Fineco €13bn rights issue successfully executed 	<p>Above 12% CET1 ratio with</p> <ul style="list-style-type: none"> ✓ Disposals secured, Fineco executed ✓ €13bn rights issue completed ✓ Plan on track 	CET1 ratio > 12.5%
	<ul style="list-style-type: none"> Decisive actions to address Italian legacy issues Strengthened coverage ratio Further tightened risk discipline 	<ul style="list-style-type: none"> ✓ Project FINO in execution: Legacy issues addressed with sale of >50% of €17bn⁽¹⁾ bad loans to Pimco&Fortress ✓ Coverage strengthened through €8.1bn one-off LLP 	<p>Net NPE ratio 4%</p> <p>NPE Coverage >54%</p> <p>Cost of Risk 49bps</p>

1. The FINO portfolio, as communicated during the Capital Markets Day, originally amounted to 17.7bn gross loans, which decreased to 17bn as at 31.12.16 thanks to work out activity.



The execution of Transform 2019 is on track (2/2)

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Transform 2019 Overview

5 Strategic Pillars		Achieved	2019 Target
TRANSFORM OPERATING MODEL	<ul style="list-style-type: none"> Transformation of operating model to a sustainable lower cost structure Improve customer focus, services & products €1.6bn IT investments⁽¹⁾ to support business transformation 	<ul style="list-style-type: none"> ✓ Integration costs fully booked in 4Q16 ✓ Agreements reached with all trade unions ✓ 2.8k FTE reduced or 20% vs. target ✓ 29% of branches closed vs. target 	<div>€1.7bn net cost savings by 2019</div> <div>C/I ratio <52%</div>
	<ul style="list-style-type: none"> Leverage on CIB leadership Increase CEE client penetration Enhance cross-selling across business lines and countries 	<ul style="list-style-type: none"> ✓ #1 EMEA Corporate Loans EUR-denominated in 2016 ✓ More than 700,000 additional customers in 2016 in CEE 	<div>€856bn TFA</div> <div>Additional €363m joint CIB-Commercial Banking revenues⁽²⁾</div>
	<ul style="list-style-type: none"> Effective steering Group Corporate Center KPIs to drive performance and accountability Leaner support functions and transparent cost allocation 	<ul style="list-style-type: none"> ✓ One Executive Management Committee ✓ Managerial KPIs to steer the business throughout the Group cascaded down ✓ Targets and progress communicated to markets 	<div>Weight of Group Corporate Center of total costs from 5.1% to 2.9% by 2019</div>

1. Excluding €0.7bn investments to fulfill regulatory demand in 2017-19 2. Includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured financing products from Corporate clients.



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Bank Austria – at a glance

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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

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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P&L of Bank Austria Group¹⁾ – FY16

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

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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 € -62 mn



Net Write-Downs of Loans

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

Overview Bank Austria

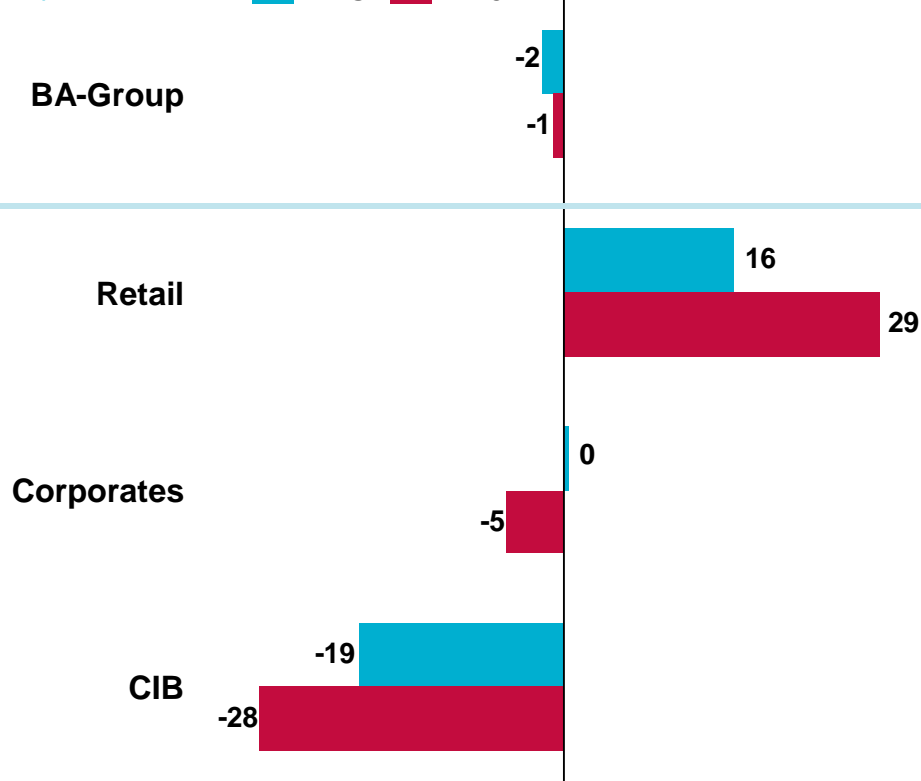
Profit & Loss

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Cost of Risk by Segment

(bp)

FY15 FY16



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

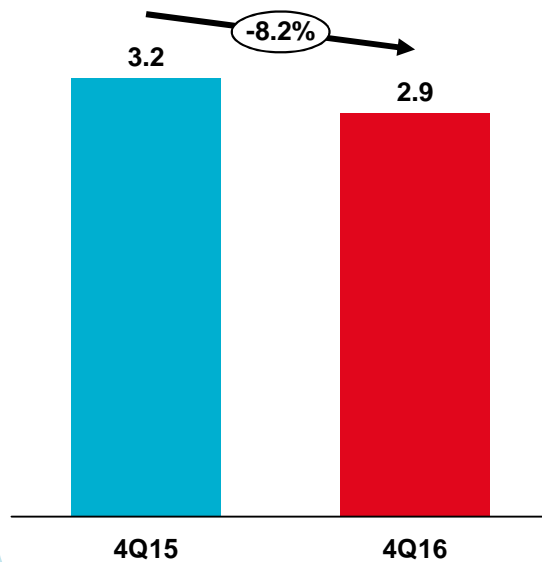
- BA Group with positive contribution from **Net Write Downs** reaching € 6 mn (2015: € 12 mn)
- Surplus of **Net Write Downs** in CIB (€ 38 mn) and Corporates (€ 14 mn) due to releases for major customers. Increase in Retail driven by lump sum provision for performing FX loans and IBNR partially compensated 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



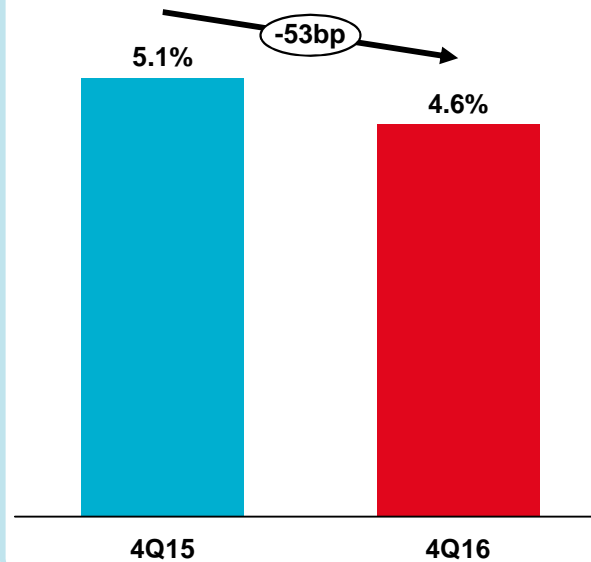
Solid y/y development of Asset Quality in 2016

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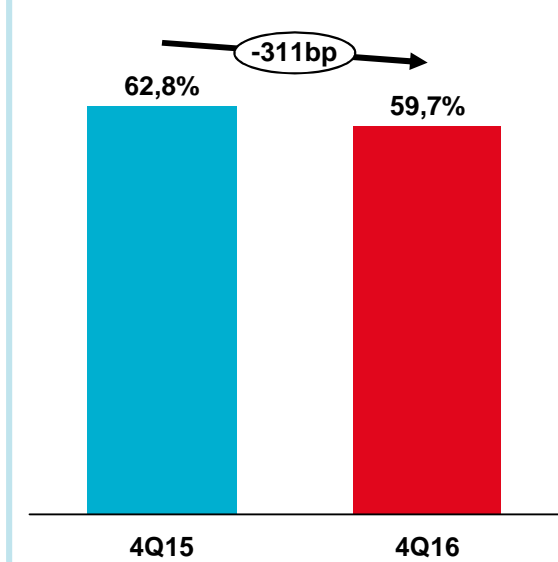
Gross NPE ¹⁾ (€ bn)



% 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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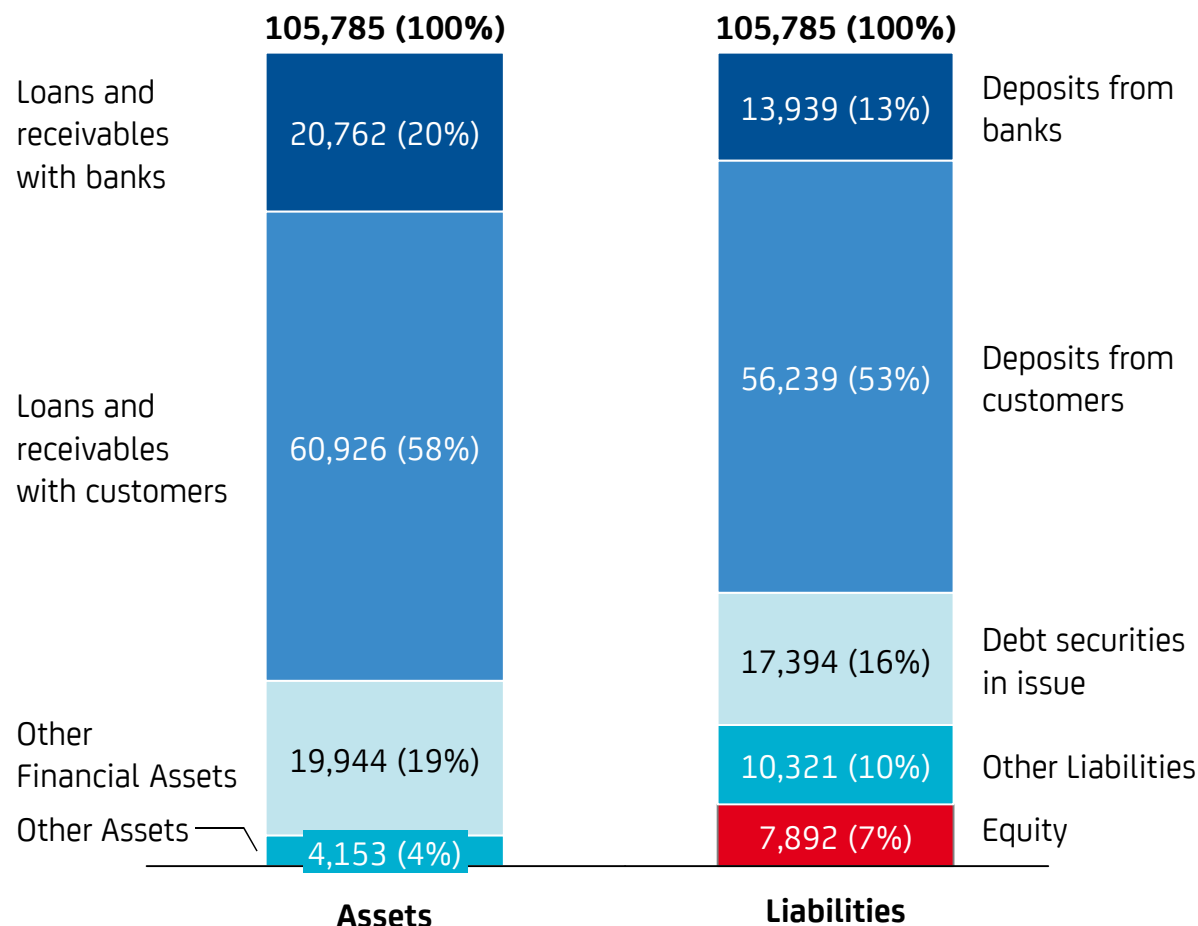


Balance Sheet structure (as of 31 December 2016)

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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%**



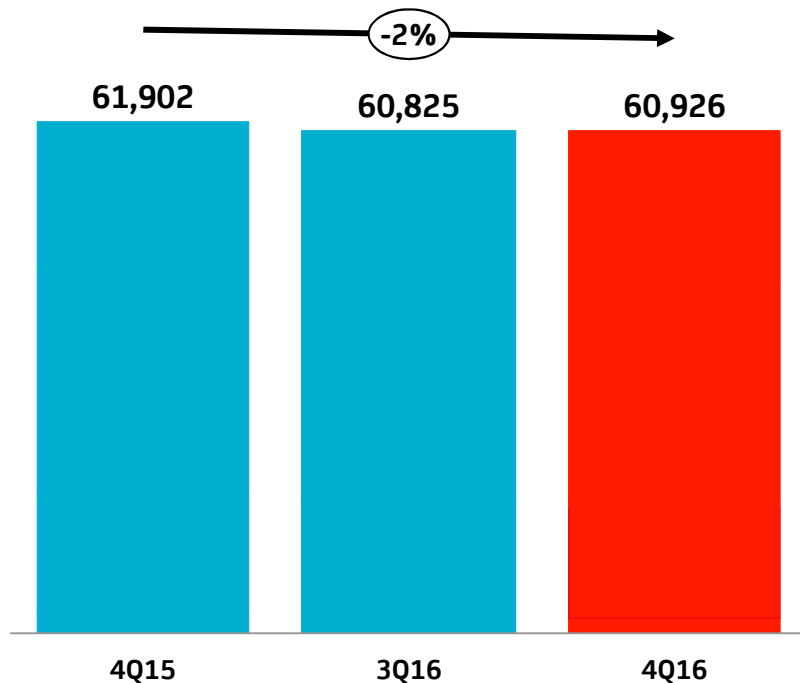
Loan and Deposit Volumes

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

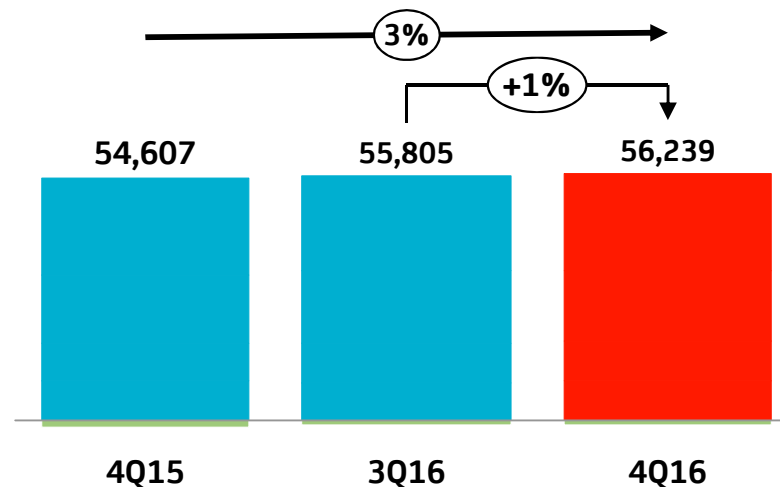
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

Period	Loans/Direct Funding Ratio
4Q15	83%
3Q16	82%
4Q16	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)

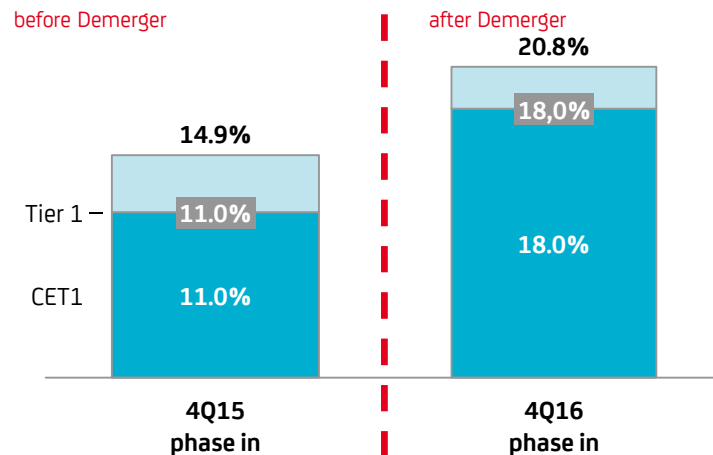
Strong capital ratios following the CEE Demerger

Overview Bank Austria
Balance Sheet & Capital Ratios

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Capital Ratios

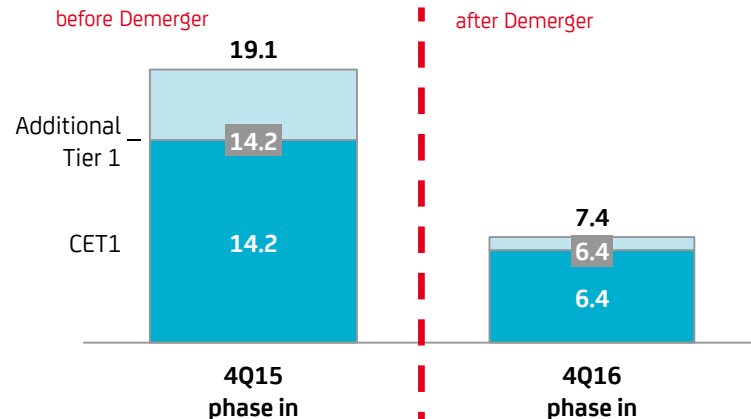
Total CAR



- **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%**

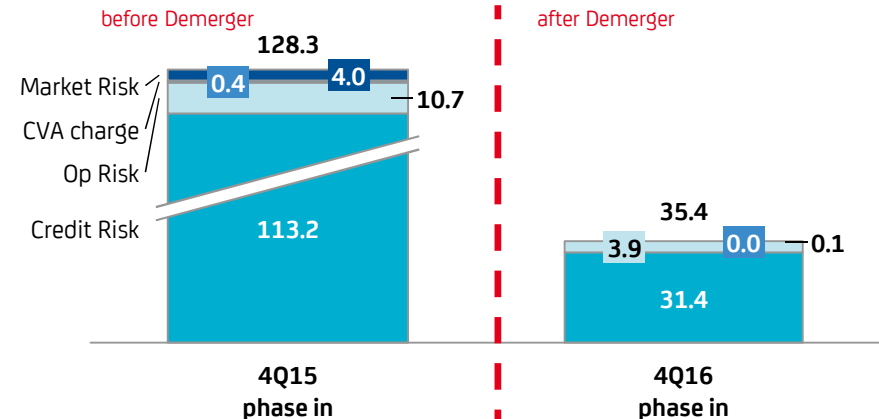
Regulatory Capital (in € bn)

Total Capital



Risk-Weighted Assets (in € bn)

Total RWA



Note: Transitional figures



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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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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

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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- **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 December 2016 amounts to EUR 6,889 mn
- Average volume of loans is approx. € 1.8 mn
- Average seasoning is 6.6 years



Public Sector

Parameters of Cover Pool and Issues

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- Total Value of the Cover Pool as of 31 December 2016 in EUR equivalent: 6,889 mn
 - thereof in EUR: 3,737 mn
 - thereof in CHF: 1,546 mn
 - thereof public sector bonds in EUR equivalent: 1,605 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6.1
Contracted Weighted Average Life (in years)	8.4
Average Seasoning (in years)	6.6
Total Number of Loans	3,828
Total Number of Debtors	1,434
Total Number of Guarantors	283
Average Volume of Loans (in EUR)	1,799,569
Stake of 10 Biggest Loans	30.4%
Stake of 10 Biggest Guarantors	29.2%
Stake of Bullet Loans	59.8%
Stake of Fixed Interest Loans	34.2%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.4%

- Moody's Rating: Aaa
- Nominal / Present Value Over-Collateralization*): 70.3% / 59.2%
- Total Value of Sold Covered Bonds as of 31 December 2016 in EUR: 4,045 mn

Parameters of Issues:	
Total Number	34
Average Maturity (in years)	4.2
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 6,529 mn, thus the overcollateralization is 61.4%. 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

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Liquidity & Funding

Cover Pool

Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	1,501	21.8%
Maturity 12 - 60 months	1,810	26.3%
thereof Maturity 12 - 36 months	998	14.5%
thereof Maturity 36 - 60 months	812	11.8%
Maturity 60 - 120 months	793	11.5%
Maturity longer than 120 months	2,785	40.4%
Total	6,889	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	125	3.1%
Maturity longer than 120 months	283	7.0%
Total	4,045	100.0%













Public Sector

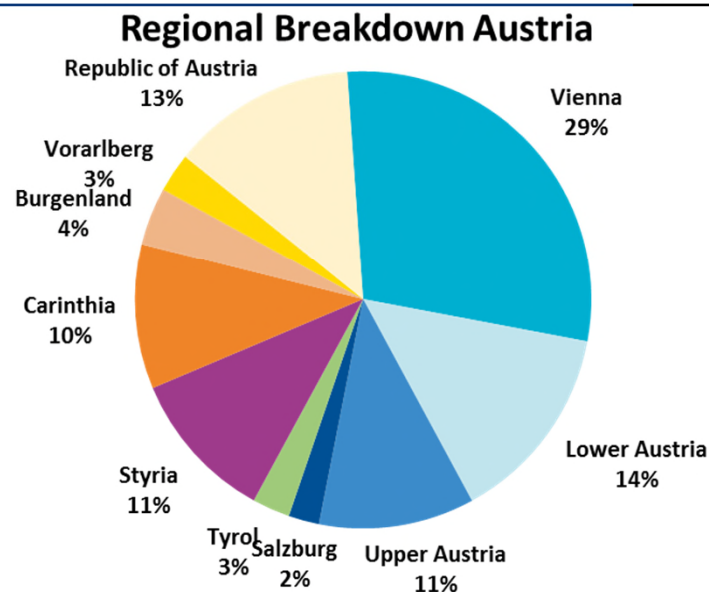
Regional Breakdown of Assets^{*)} in Austria

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Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	in %
	Vienna	2,002	29.1%
	Lower Austria	973	14.1%
	Upper Austria	760	11.0%
	Salzburg	149	2.2%
	Tyrol	184	2.7%
	Styria	738	10.7%
	Carinthia	705	10.2%
	Burgenland	283	4.1%
	Vorarlberg	191	2.8%
	Republic of Austria	904	13.1%
Total Austria		6,889	100.0%



^{*)} Considering Guarantors



Public Sector

Assets Volume Breakdown by Type of Debtor / Guarantor

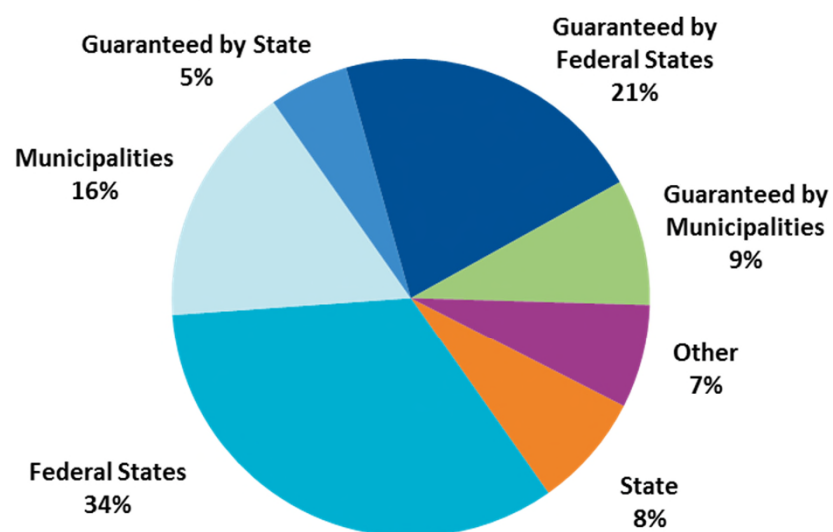
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Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	533	4
Federal States	2,317	54
Municipalities	1,129	2,253
Guaranteed by State	371	154
Guaranteed by Federal States	1,468	243
Guaranteed by Municipalities	587	445
Other	485	675
Total	6,889	3,828

Type of Debtor / Guarantor



Public Sector

Volume Breakdown by Size of Assets

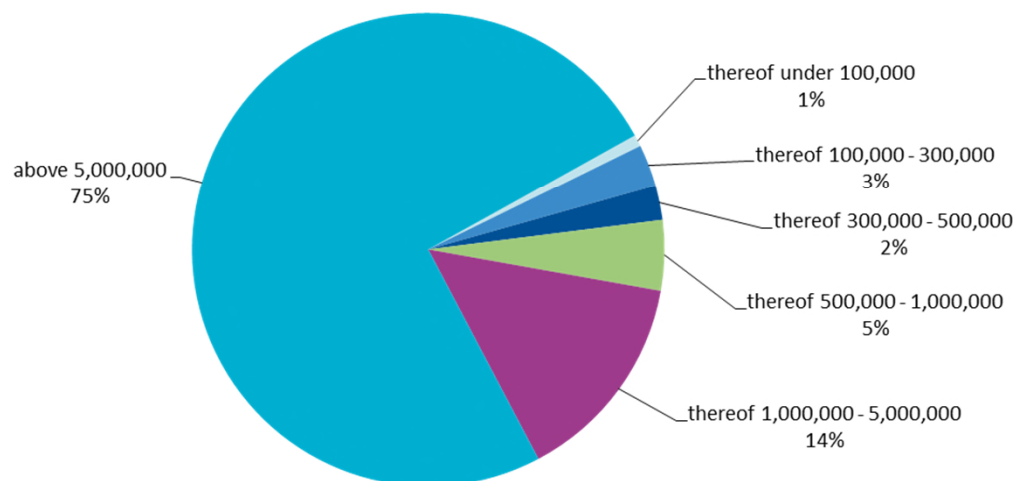
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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	253	2,290
thereof under 100,000	55	1,203
thereof 100,000 - 300,000	199	1,087
300,000 - 5,000,000	1,492	1,396
thereof 300,000 - 500,000	164	423
thereof 500,000 - 1,000,000	331	465
thereof 1,000,000 - 5,000,000	997	508
above 5,000,000	5,144	142
Total	6,889	3,828

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

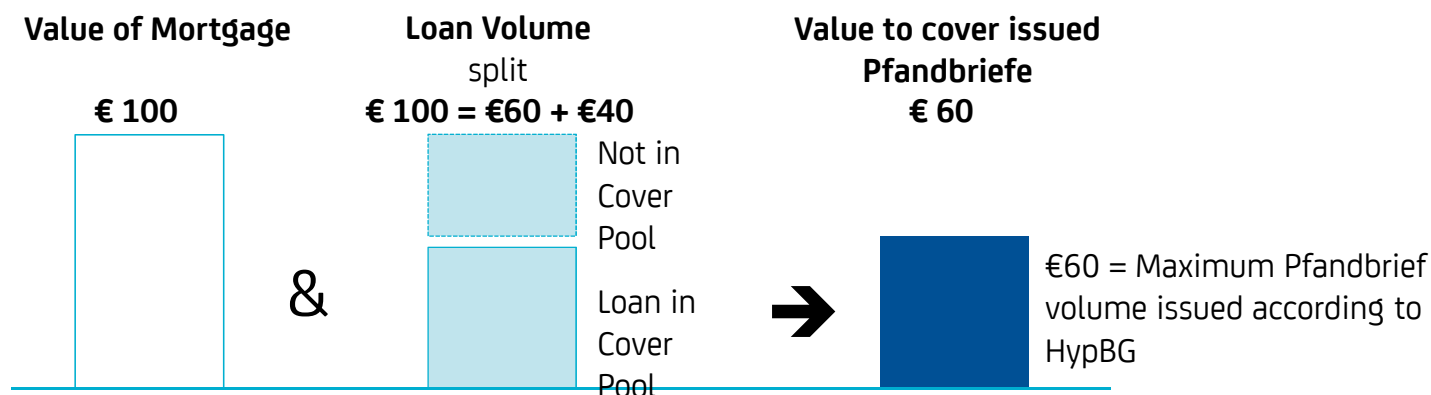
Whole Loan Approach and its Benefits for Investors

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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)

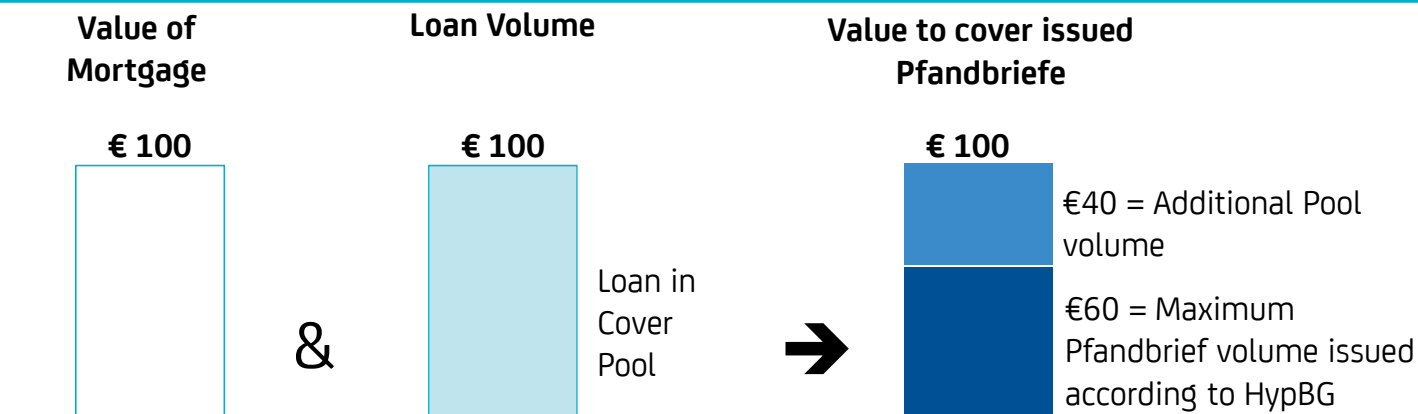
Scenario I: Split Loan Approach = Minimum Approach



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 5.9 bn or 122% (as of 31st December 2016)

Overview	31.12.2016				
Issue volume	EUR 4.9 bn				
Over-collateralization	EUR 5.9 bn (122%)				
Total Asset Value	EUR 10.8 bn	o/w CHF	31.12.2014	31.12.2016	
Total Cover Value	EUR 7.2 bn	o/w CHF	EUR 1.6 bn	EUR 1.5 bn	(13.9% of total asset value)
			EUR 670 mln	EUR 522 mln	(7.3% 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 21.5%
- Internal Risk Management of Bank Austria
 - According to the Cover Pool Regulation of Bank Austria NPLs are removed regularly (monthly).
 - Less than 0.5% of the loans (122 of 32,000) 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

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Liquidity & Funding

Cover Pool

- Total Value of the Cover Pool as of 31 December 2016 in EUR equivalent: 10,748 mn
 - thereof in EUR: 9,121 mn
 - thereof in CHF: 1,498 mn
 - thereof substitute cover in EUR: 129 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9.2
Contracted Weighted Average Life (in years)	14.0
Average Seasoning (in years)	6.0
Total Number of Loans	32,161
Total Number of Debtors	30,293
Total Number of Mortgages	32,161
Average Volume of Loans (in EUR)	330,189
Stake of 10 Biggest Loans	14.4%
Stake of 10 Biggest Debtors	16.7%
Stake of Bullet Loans	35.5%
Stake of Fixed Interest Loans	17.0%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.3%

- Moody's Rating: Aaa
- Nominal / Present Value Over-Collateralisation*): 121.5% / 121.6%
- Total Value of Issued Mortgage Pfandbriefe as of 31 December 2016 in EUR: 4,852 mn
- Total Value of Sold Mortgage Pfandbriefe as of 31 December 2016 in EUR: 4,252 mn

Parameters of Issues:	
Total Number	97
Average Maturity (in years)	4.9
Average Volume (in EUR)	50,016,974

*) 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 7,175 mn, thus the overcollateralization is 47.9%. 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

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Liquidity & Funding

Cover Pool

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		535	5.0%
Maturity 12 - 60 months		1,416	13.2%
thereof Maturity 12 - 36 months		567	5.3%
thereof Maturity 36 - 60 months		848	7.9%
Maturity 60 - 120 months		2,210	20.6%
Maturity longer than 120 months		6,587	61.3%
Total		10,748	100.0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		139	2.9%
Maturity 12 - 60 months		2,609	53.8%
thereof Maturity 12 - 36 months		1,465	30.2%
thereof Maturity 36 - 60 months		1,144	23.6%
Maturity 60 - 120 months		1,730	35.7%
Maturity longer than 120 months		373	7.7%
Total		4,852	100.0%



Mortgage Cover Pool

Assets Volume Breakdown

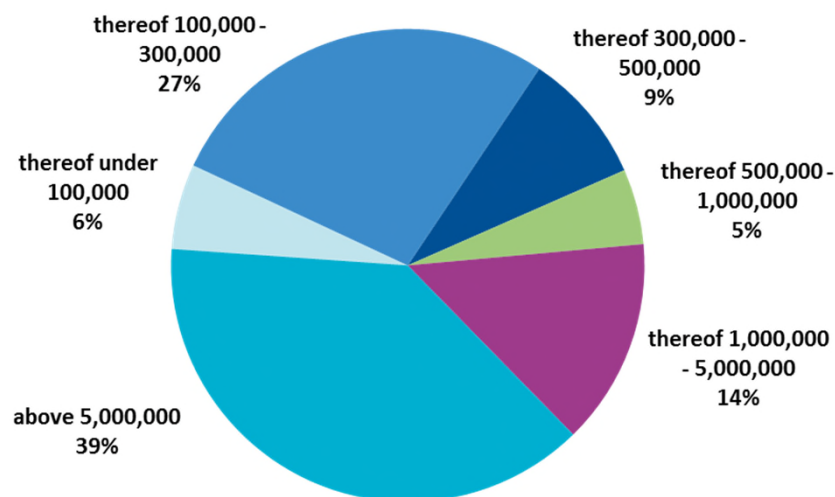
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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Loans	in mn EUR	Number
below 300,000	3,575	27,796
thereof under 100,000	628	11,175
thereof 100,000 - 300,000	2,947	16,621
300,000 - 5,000,000	3,042	4,190
thereof 300,000 - 500,000	970	2,646
thereof 500,000 - 1,000,000	554	816
thereof 1,000,000 - 5,000,000	1,518	728
above 5,000,000	4,130	175
Total	10,748	32,161

Breakdown by Size of Loans












Mortgage Cover Pool

Regional Breakdown^{*)} of Mortgages in Austria

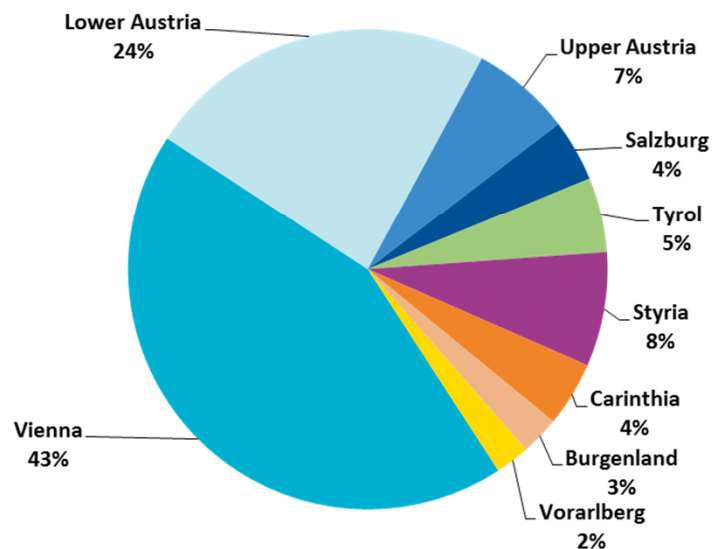
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Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	%
	Vienna	4,608	43.4%
	Lower Austria	2,514	23.7%
	Upper Austria	715	6.7%
	Salzburg	443	4.2%
	Tyrol	538	5.1%
	Styria	817	7.7%
	Carinthia	464	4.4%
	Burgenland	276	2.6%
	Vorarlberg	245	2.3%
Total		10,619	100.0%

Regional Breakdown Austria



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

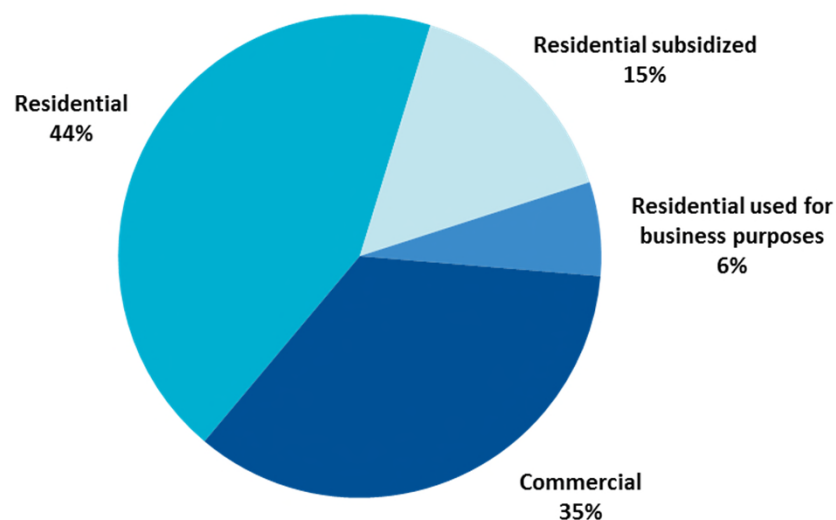
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Liquidity & Funding

Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	4,632	28,278
Residential subsidized	1,626	1,903
Residential used for business purposes	666	1,162
Commercial	3,695	818
thereof Office	1,601	140
thereof Trade	979	72
thereof Tourism	205	96
thereof Agriculture	22	99
thereof mixed Use / Others	888	411
Total	10,619	32,161

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 **€ 10,619 mn** as of 31 December 2016 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna 43.4% and the state of Lower Austria 23.7%
- **Breakdown of cover pool by type of use:**
 - 65.2% residential real estate (thereof 15.3% subsidized)
 - 34.8% commercial real estate, divides as follows:
 - Office 15.1%
 - Trade 9.2%
 - Tourism 1.9%
 - Other / Mixed use 8.6%

^{*)} 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

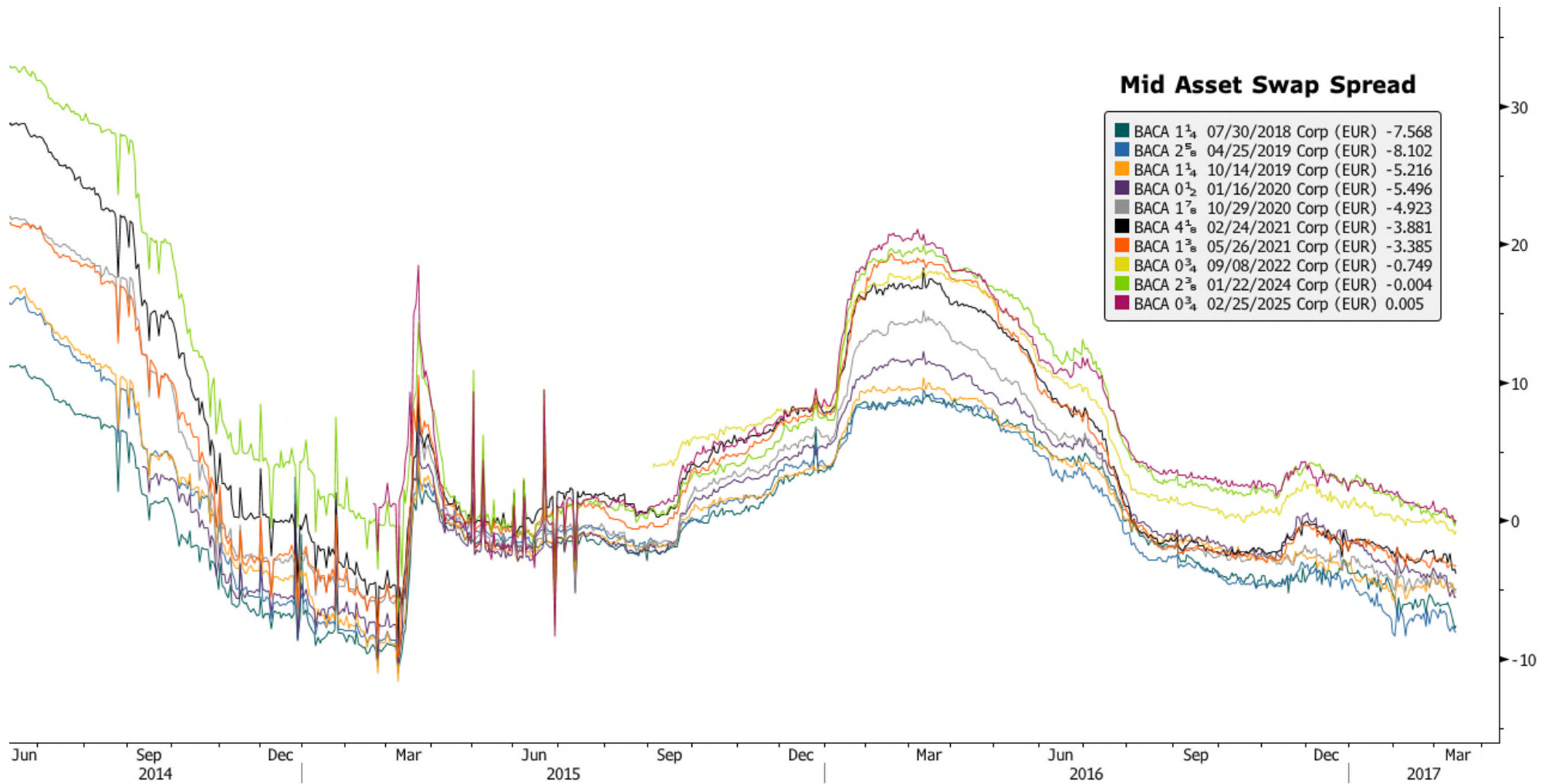


UniCredit Bank Austria Covered Bond Spread Comparison

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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.

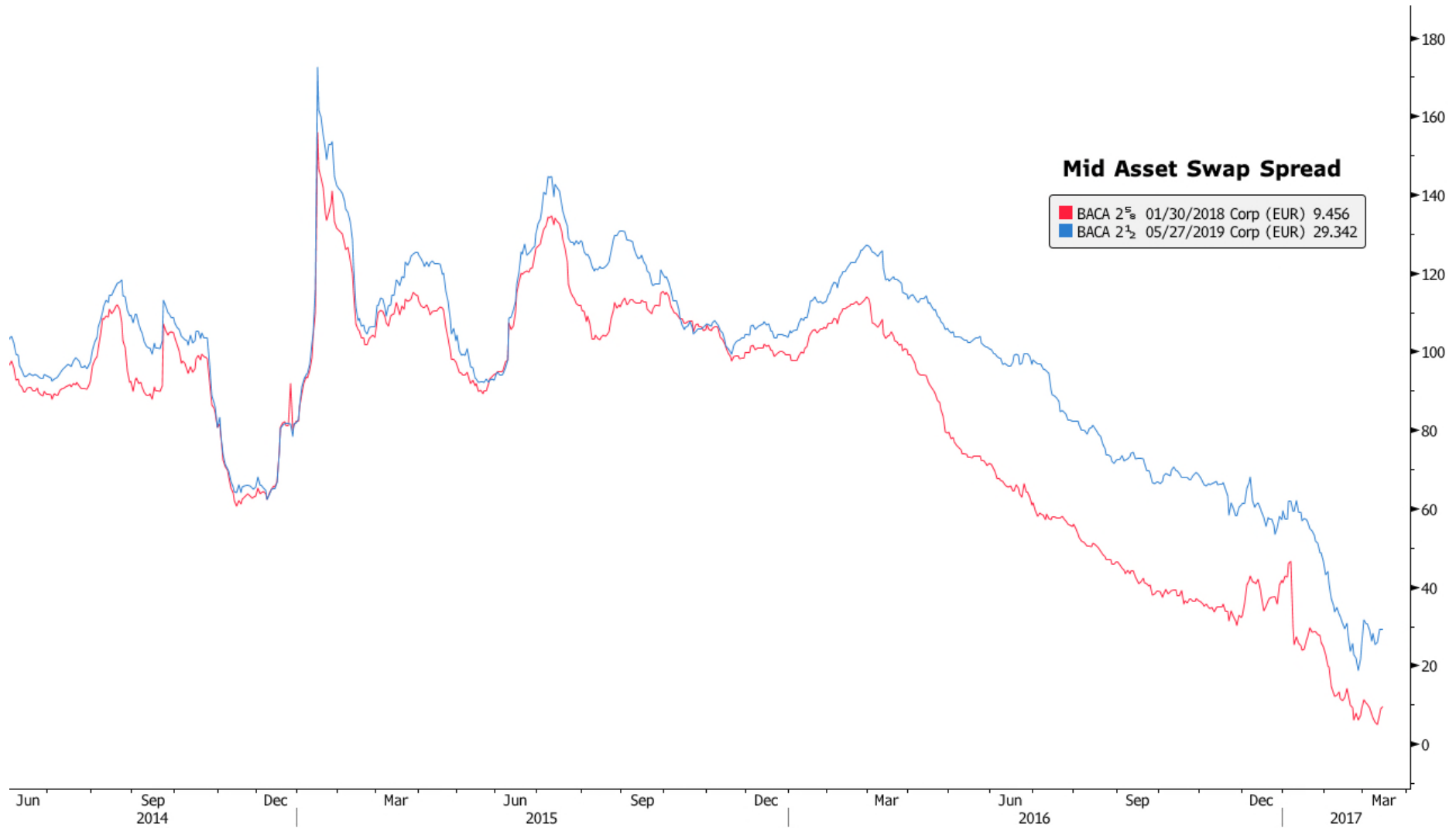


UniCredit Bank Austria Senior Unsecured Bonds Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



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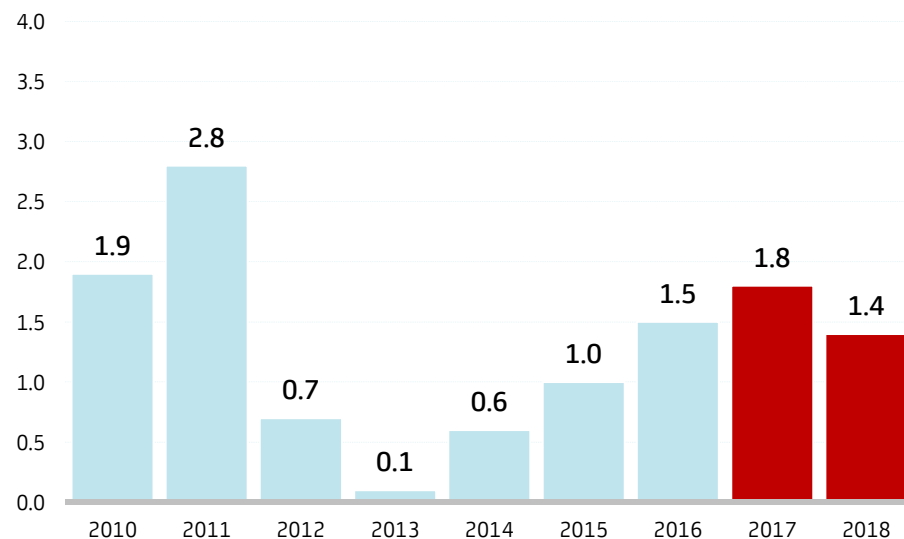
Economic Conditions in Austria

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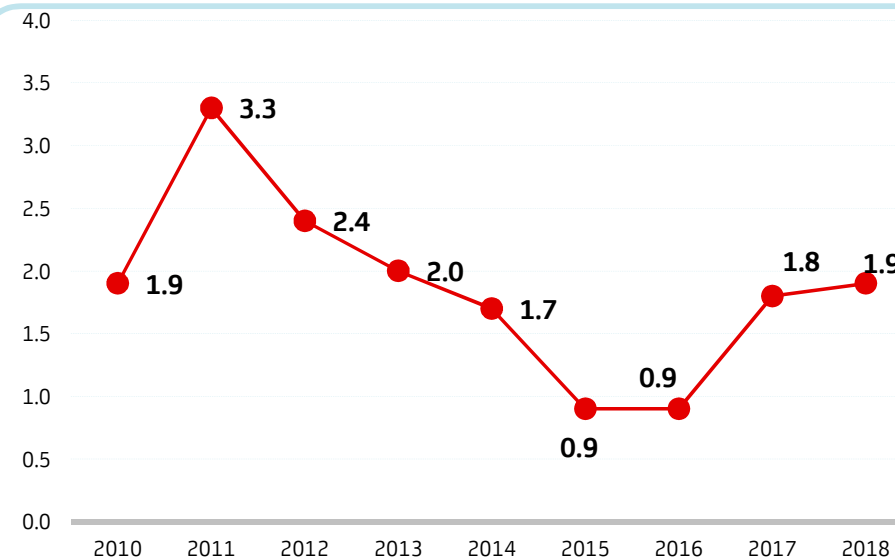
Economic Conditions in Austria

Austrian economic growth YoY in %

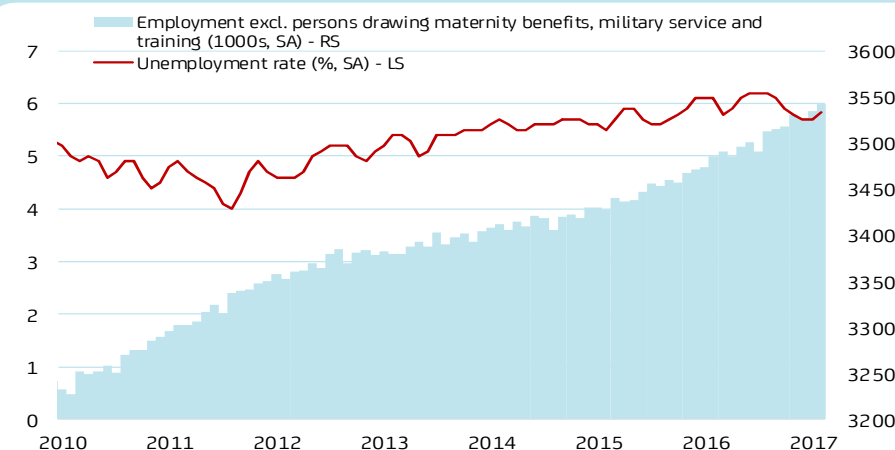


- Austria's economy continued to recover in 2016 despite growing uncertainty. The growth momentum even increased in the final quarter. GDP rose by 0.6 % qoq, resulting in economic growth of 1.5 % in 2016 as a whole.
- The momentum from 2016 got the domestic economy off to a good start in 2017. We believe that the economy remains on track for GDP growth of 1.8 % in 2017. Slightly 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.

Austrian inflation rate YoY in %



Employment and unemployment rate



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Rating Overview

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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+ Negative	F2	BBB

(as of 17 March 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

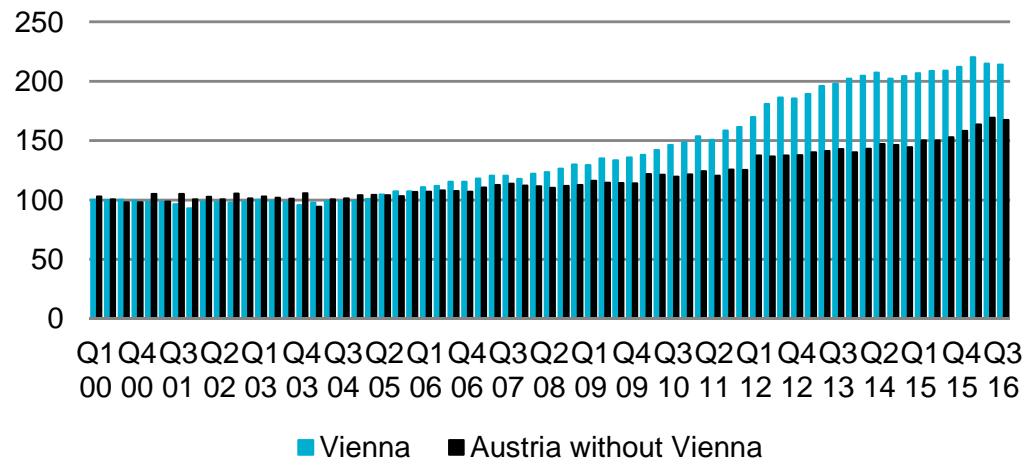
Prices for residential real estate

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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)

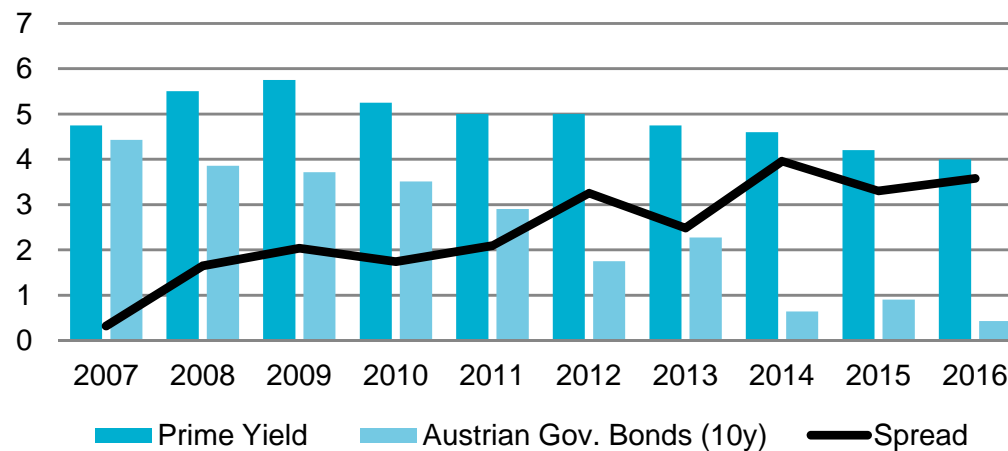


Source: OeNB, TU Wien, Institut für Stadt- und Regionalforschung



- 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



Source: CBRE, Thomson Reuters



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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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