

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, March 2018



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**
- 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 19.9%** as of December 2017)

CEE Demerger Rationale

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



Bank Austria remains a leading bank in the local market

Opening remarks

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

*High client shares in business with corporate customers
Leading institution in Private Banking*

Vienna 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 of about € 100 bn**, largest Austrian bank on unconsolidated level*

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

Solid CET1 ratio of 19.9% ¹⁾



Bank Austria – strategic measures to improve profitability

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

Opening remarks

- **Cost measures including**

- **Reduction of branch network** → Transform 2019 goal already achieved
- **Right-sizing of Corporate Center** activities → streamlining of CC set-up
- **Reduction of staff costs** via socially responsible instruments → done
- Measures regarding pensions for active employees → done
- **Streamlining of IT**, operations and organizational set-up → ongoing

- **Revenue initiatives including**

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

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



Agenda

1 UniCredit Group

2 Overview Bank Austria

- Business Model & Strategy
- Profit & Loss
- Balance Sheet & Capital Ratios

3 Liquidity & Funding

- Funding Strategy & Position
- Cover Pool

4 Annex



UniCredit: a simple successful Pan European Commercial Bank with inherent competitive advantages and CIB fully plugged-in

UniCredit at a glance

Commercial Banking model delivering **unique Western, Central and Eastern European** network to extensive Retail and Corporate client franchise

25.9 million clients⁽¹⁾
80% revenues from Commercial Banking⁽²⁾

"One Bank" business model replicated across full network, driving synergies and streamlined operations

Commercial Banks with leadership position⁽³⁾ in **13 out of 14** countries⁽⁴⁾

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

€2.8bn
joint CIB-Commercial Banking revenues⁽⁵⁾

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

94% revenues in EU
54% outside Italy

(1) Data as of FY2017 includes 100% clients in Turkey (2) Business division revenues as of FY17, CB Italy, CB Germany, CB Austria, CEE, Fineco (3) Data as of 9M2017 or latest available, ranking between #1 and #5 of market share in terms of total assets according to local accounting standard (4) Italy, Germany, Austria, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herz., Serbia, Russia, Romania, Bulgaria, Turkey (data as of 9M2017) (5) Data as of Dec. 2017 includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured finance products from Corporate clients Note: revenues data as of FY2017

Sources: for total assets, central bank statistics, if available, or local company reports



Strong competitive advantage across countries and products

UniCredit at a glance

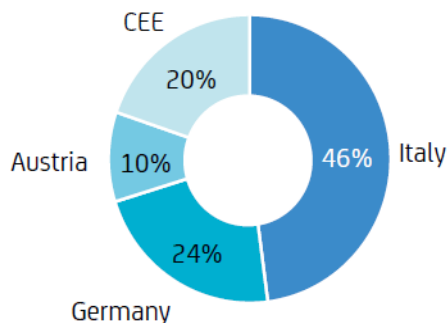
Strong local Commercial Banks

clients, m⁽¹⁾

Rank by assets in Europe⁽²⁾

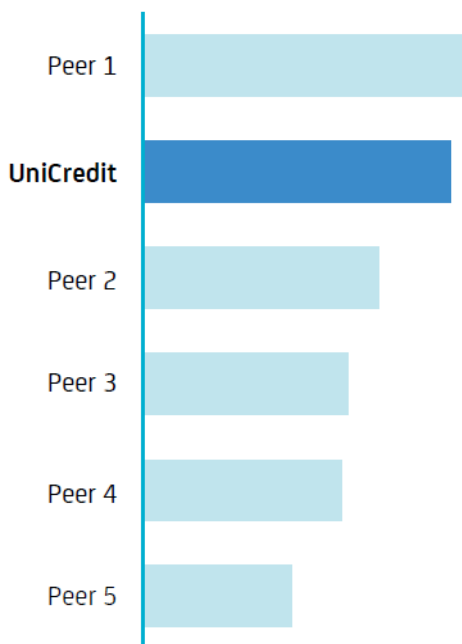
Italy	8.9	2
Germany	1.6	3
Austria	1.7	1
CEE	13.8	1

Revenues by geography⁽³⁾



"Go to" bank for European "Mittelstand" Corporates

Loans to corporates in EU zone, €bn⁽⁴⁾



Best-in-class CIB product provider

EMEA rankings⁽⁵⁾

EMEA Bonds in Euro by # of transactions⁽⁵⁾

1

Syndicated Loans in Italy⁽⁵⁾

1

Syndicated Loans in Germany⁽⁵⁾

1

Syndicated Loans in Austria⁽⁵⁾

1

Syndicated Loans in CEE⁽⁵⁾

1

Awards



EuroMoney Market Leader in Trade Finance in 8 countries + CEE; Global Best Services in Trade Finance⁽⁶⁾



EuroMoney Market Leader in Cash Management in 11 countries⁽⁶⁾

Global Finance best SCF provider in CEE⁽⁷⁾

(1) Data as of FY17 includes 100% clients on Turkey (2) Data as of 9M17, for Austria domestic assets as of end of 2015 on local GAAP (source OeNB), for Germany data as of FY16, only private banks; for CEE compared to Erste, KBC, Intesa Sanpaolo, OTP, RBI, Société Générale (data as of 9M17) (3) Data as of FY17 based on regional view

(4) Data as of FY17; peers include: BNP Paribas, Deutsche Bank (9M17 data), Intesa Sanpaolo, Santander, Société Générale (5) Dealogic as of 5 Jan 2018; period: 1 Jan – 31 Dec 2017, All Syndicated Loans in Euro

(6) Source: www.euromoney.com. Market Leader in Trade Finance 2018 in 8 countries (Italy, BiH, BG, HR, HU, RO, RS, TK) and CEE. Best Trade Finance 2018: Global – All services, Products/Payments, Overall execution. EuroMoney Market Leader in Cash Management in 2017 in 11 countries (AUT, BiH, BG, HR, CZ, HU, ITA, RO, RS, SK, TK)

(7) Source: www.gfma.com



UniCredit Group - Transform 2019 achievements (1/2)

Transform 2019 update

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STRENGTHEN AND OPTIMIZE CAPITAL

**Rights issue, Pioneer
and Pekao
disposals completed**

1bn AT1 issued

- 13bn rights issue, Pioneer and Pekao disposals completed
- CET1 ratio at 13.02% pro forma of IFRS9⁽¹⁾ and FINO⁽²⁾
- Successfully issued 1bn AT1 in December 2017 and the inaugural 1.5bn non-preferred senior in January 2018. Both were underpinned by very strong investor demand
- Moody's upgraded UniCredit SpA's outlook to positive from stable supported by the successful execution of Transform 2019

IMPROVE ASSET QUALITY

**Balance sheet
de-risking**

- FINO transaction successfully closed in January 2018
- Disposals of 4.4bn⁽³⁾ NPEs in FY17, of which 2.0bn in 4Q17
- Group Core gross NPE ratio down by 9bps Q/Q to 4.9% in 4Q17, with coverage ratio remaining solid at 55.4%

TRANSFORM OPERATING MODEL

**Branch and FTE
reduction**

IT decommissioning

- 682 branch closures since December 2015 in Western Europe, 72% of 944 2019 target
- FTEs down 9,000 since December 2015, 64% of 14,000 2019 target. FTEs down 2,113 Q/Q
- Reduction of IT complexity by decommissioning 921 applications, 84% of 2019 target

(1) IFRS9 first time adoption (FTA) on 1 January 2018 estimated at -75bps. The overall "net impact" on the fully loaded CET1 ratio is expected at c.-40bps, as the FTA will be partially compensated by tax effects and lower shortfall over the course of FY18.

(2) The completion of FINO phase 2 in January 2018 and the significant risk transfer (SRT) of the FINO portfolio, for which UniCredit has notified the ECB of its intention to proceed in accordance to regulation, will result in a +17 bps fully loaded CET1 ratio impact in 1Q18. The overall net impact on the fully loaded CET1 ratio will be c.+10 bps, as previously stated in the 17 July 2017 press release, since the SRT positive impact is partially offset by the higher RWA of the underlying FINO portfolio at end of 2017.

(3) Of which 2.4bn in Non Core; NPE = Non-Performing Exposure



UniCredit Group - Transform 2019 achievements (2/2)

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Transform 2019 update

MAXIMIZE COMMERCIAL BANK VALUE

**Commercial engine
running**

Network revamp

Go-to bank for customers

**Leading Debt and Trade
Finance house in Europe**

- FY17 AuM CB Italy net sales of 11bn, three times higher than FY16, with AuM-related commissions up 28% FY/FY
- New "Smart" or "Cashless" branch formats with higher degree of automation implemented in 441 (55% of 800 2019 target) retail branches in Italy, improving customer service
- New service models implemented in Italy for Affluent and Small Business client segments and in Germany for Small-Medium Enterprises
- Ranking #1 in "Syndicated Loans in EUR" in Italy, Germany, Austria and CEE as well as in "EMEA Covered Bonds"⁽¹⁾, #1 by number of transactions in "Combined EMEA Bonds and Loans in EUR" and "EMEA Bonds in EUR". #1 in IPO in Italy, #2 in Germany
- •Best Global Trade Finance Provider for "All Services", "Products/Payments" and "Overall Executions" (Euromoney Trade Finance Survey 2018)

ADOPT LEAN BUT STEERING CENTER

Governance

Group CC streamlining

- Strengthened corporate governance with simplified share capital structure and removal of 5% limit on voting rights, in line with best in class European companies
- Since December 2015, FTEs down 12.4% (-2,200 FTEs). Trend confirmed in 4Q17 and FY17
- Weight of Group Corporate Centre on total costs at 4.1% in FY17, down 0.3p.p. FY/FY (FY15 actual: 5.1%, FY19 target: 3.5%)



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- **Business Model & Strategy**
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Bank Austria – at a glance

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Overview Bank Austria
Business Model & Strategy

Bank Austria Highlights as of 31 December 2017¹⁾

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 5,500 FTE** and about **140 branches** in Austria²⁾
- **Solid capital base** (19.9% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	Dec-17	Dec-16
Total Assets	102.1	105.8
Customer Loans	60.0	60.9
Direct Funding	70.5	74.0
Equity	8.4	7.9

in € bn

	FY17	FY16
Operating income	2,004	2,081
Operating costs	-1,292	-1,504
LLP	9	6
Net profit	653	-362

in € mn

	Dec-17
Cost / income ratio	64.5%
CET1 capital ratio ³⁾	19.9%
Total capital ratio ³⁾	22.5%

Non-performing exposure ratio	4.2%
Coverage ratio	53.4%
Cost of risk	-1 bp

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

Market shares loans / deposits Austria ⁴⁾	14.1% / 13.0%
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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) o/w 123 Retail branches

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

4) As of December 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

Commercial Banking Austria

Corporate Banking

- **Strong market position** in all corporate segments
- The division covers
 - **Corporate customers** (>€3mn turnover)
 - **Real Estate**
 - **Public Sector**
 - **Leasing**
 - **FactorBank**
 - **Real Invest**
- **Nearly every third 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 Multi-channel 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 Area and Schoellerbank



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P&L of Bank Austria Group – Full Year 2017

NOP and net profit significantly above previous year; gap in revenues overcompensated cost savings; previous year impacted by one-offs

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Overview Bank Austria

Profit & Loss

(€ mn)	1-12 2017	1-12 2016	y/y
Operating income	2,004	2,081	-3.7%
Operating costs	-1,292	-1,504	-14.1%
Operating profit	711	577	23.4%
Net write-downs of loans	9	6	43.4%
Net operating profit	720	583	23.6%
Non-operating items	-149	-862	-82.7%
Profit (loss) before tax	571	-279	>-100.0%
P/L discontinued operations	114	38	>100.0%
Other positions	-32	-121	-73.7%
Group Net Profit	653	-362	>-100.0%
Cost/income ratio	64.5%	72.3%	-780 bp

- **Operating Income lower in FY17 (-4%) vs. a strong FY16**, due to last year's sale of VISA shares (€ 95 mn 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 14% y/y**, with improvements in all major cost categories, reflecting strong cost discipline and restructuring-related savings, but also benefiting from positive one-offs. Substantial improvement of cost/income ratio
- **Net Write-Downs of Loans positive with € +9 mn**, i.e. on the level of last year's € 6 mn (also net releases)
- **Non-Operating Items € -149 mn**: mainly systemic charges (€ -102 mn) and releases from provisions (€ +4 mn); prior year (€ -852 mn) was impacted by high restructuring costs
- **P/L from discontinued operations** amounts to € +114 mn due to Immo Holding (real estate group held for sale)



Net Write-Downs of Loans

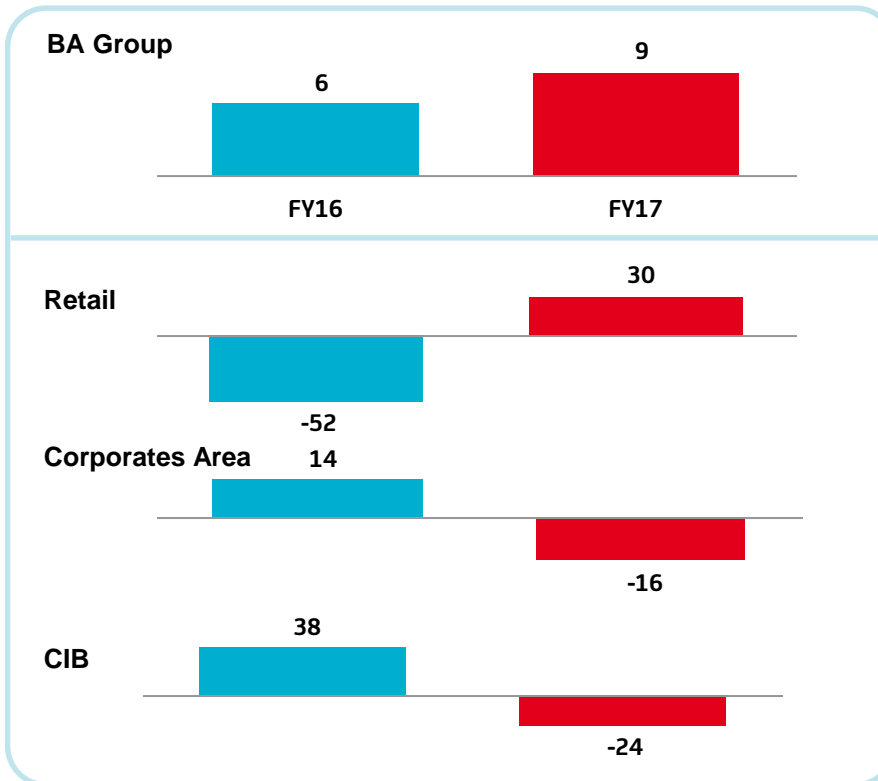
In FY17 continuing of favorable development of **LLP** and **Cost of Risk**

Overview Bank Austria

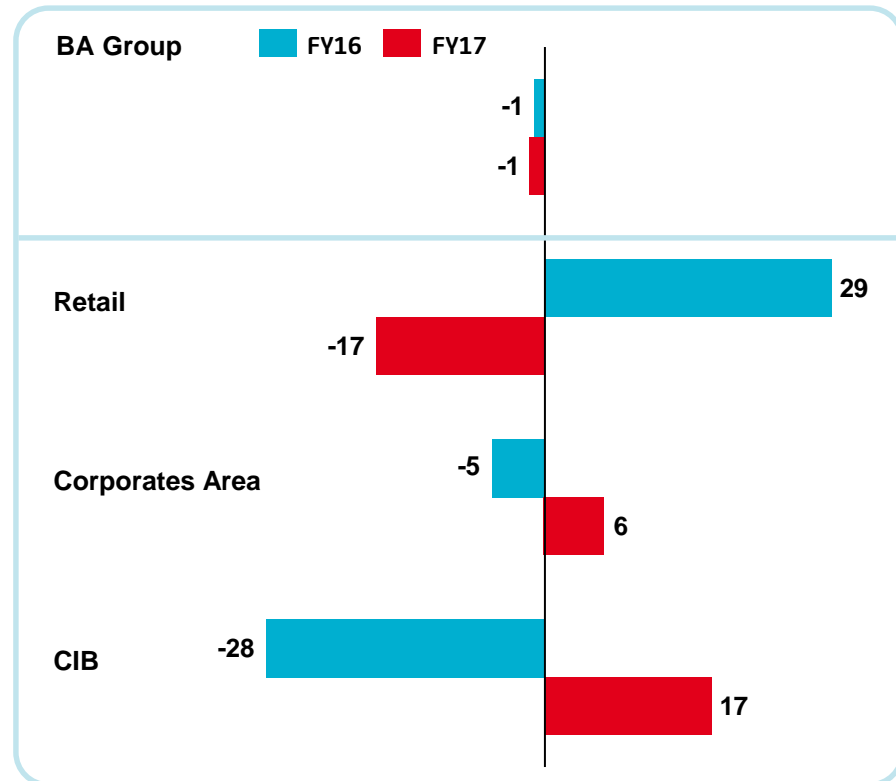
Profit & Loss

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



Cost of Risk by Segment (bp)



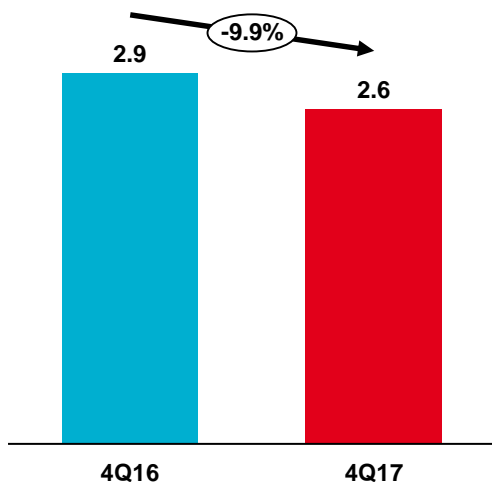
- BA Group 2017 again with a positive contribution from **Net Write Downs** of € +9 mn (2016: € +6 mn)
- Surplus of **Net Write Downs** due to net releases in Retail (€ +30 mn) – with low net write-downs in Corporates Area (€ -16 mn) as well as in CIB (€ -24 m)
- **Cost of Risk:** according to positive LLP at -1 bp for BA Group (like in 2016)



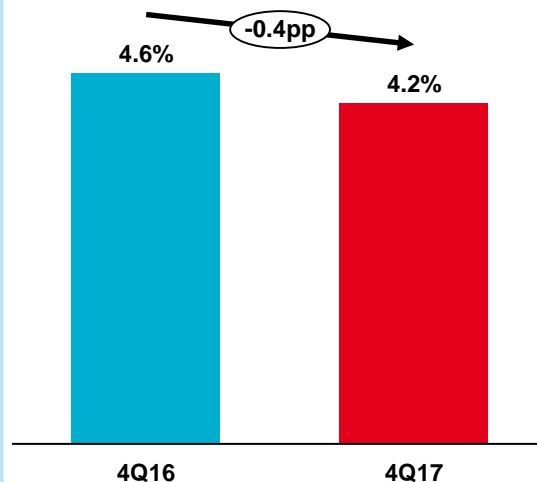
Solid y/y development of Asset Quality in FY17

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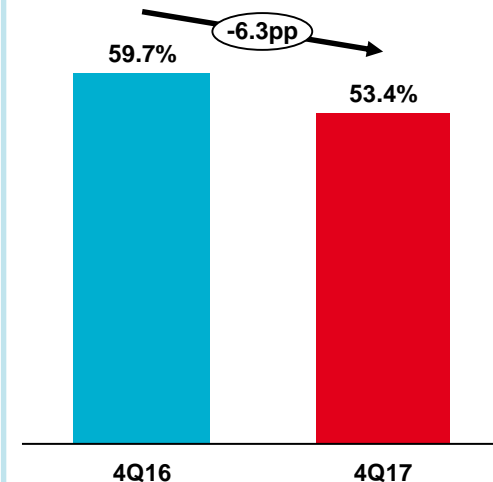
Gross NPE ¹⁾ (€ bn)



% 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
- Decrease in **Coverage Ratio** is also related to the positive development of the asset quality, resulting in releases of loan loss provisions for highly covered receivables



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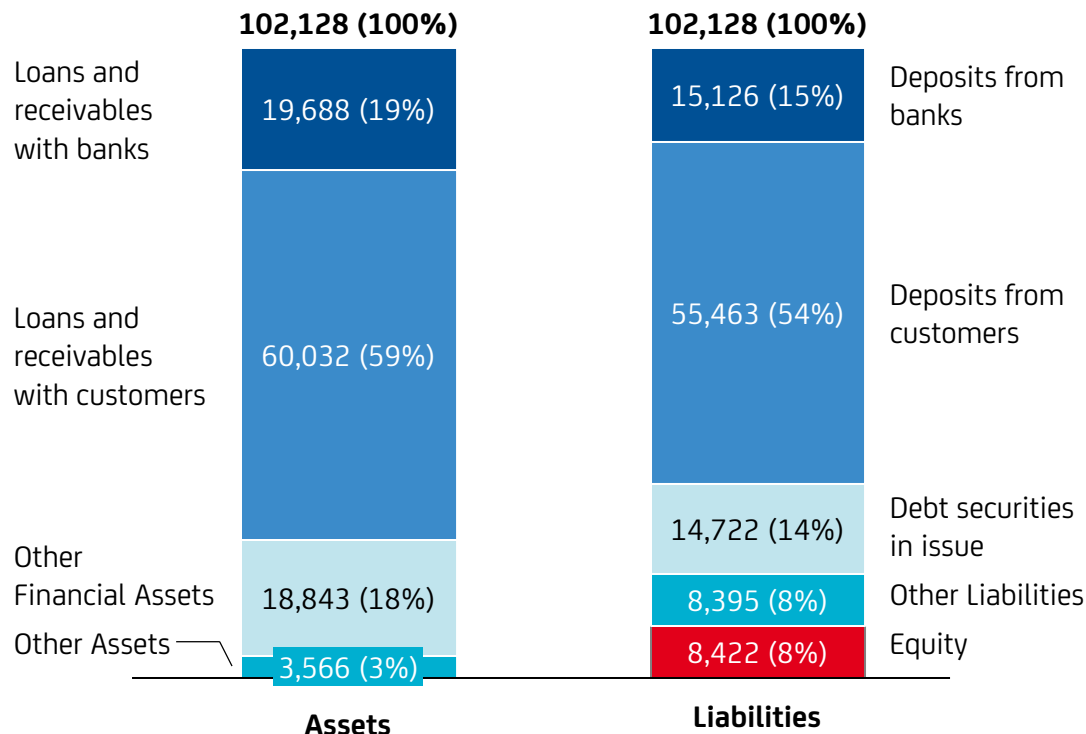


Balance Sheet structure (as of 31 December 2017)

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Overview Bank Austria
Balance Sheet & Capital Ratios

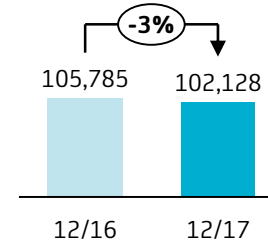
Balance Sheet (€ mn)



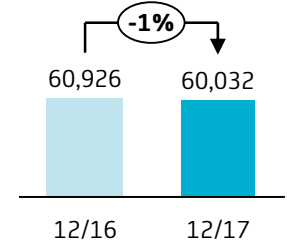
- **Balance sheet** reduced by almost 3% vs. year-end 2016
- **Net equity¹⁾** of € 8.4 bn up vs. year end, mainly benefiting from inclusion of net profit for the period (€ 653 mn)
- **Excellent Leverage Ratio** at **5.9%**

Change vs. 31 December 2016

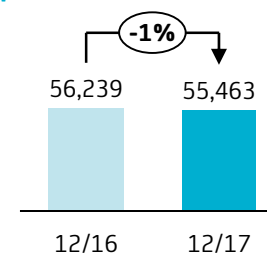
Balance Sheet



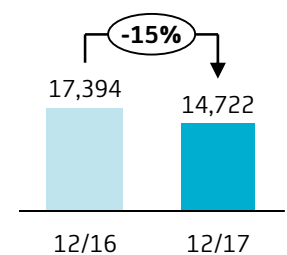
Loans to customers



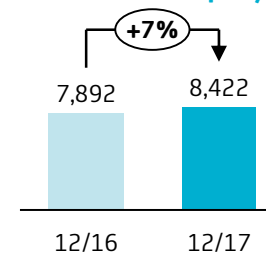
Deposits from customers



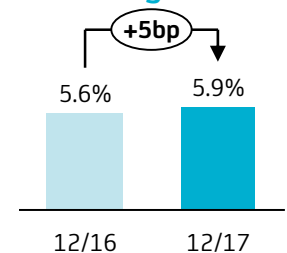
Securities in issue



Shareholders' Equity



Leverage ratio



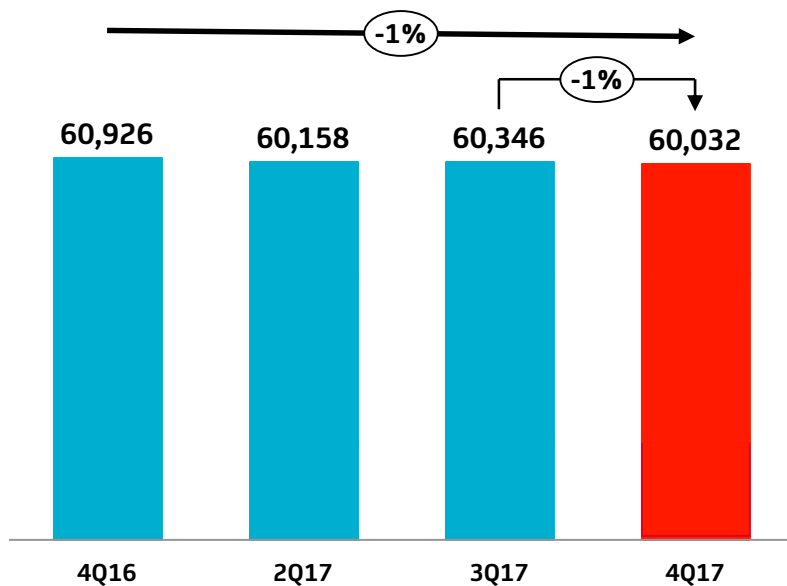
Loan and Deposit Volumes

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

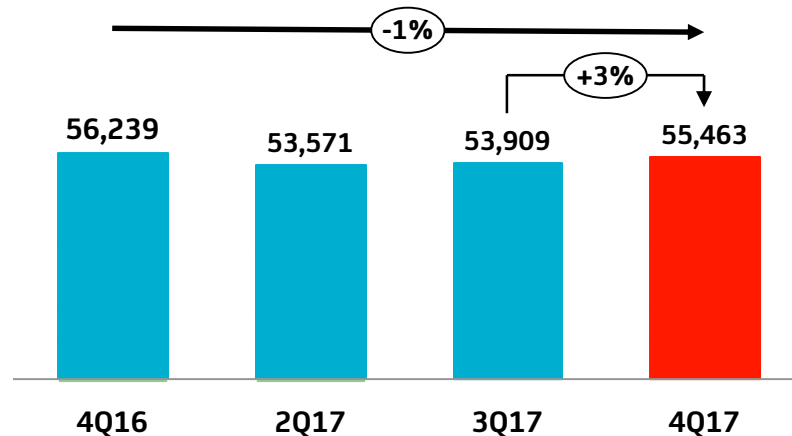
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

Period	Loans/Direct Funding Ratio ²⁾
4Q16	83%
2Q17	87%
3Q17	87%
4Q17	86%

- **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 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 86%**

¹⁾ All figures recast

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



Capital position BA GROUP IFRS

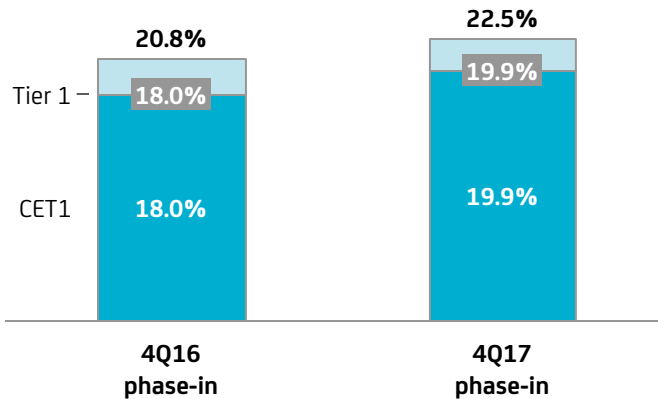
Solid capital ratios

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Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

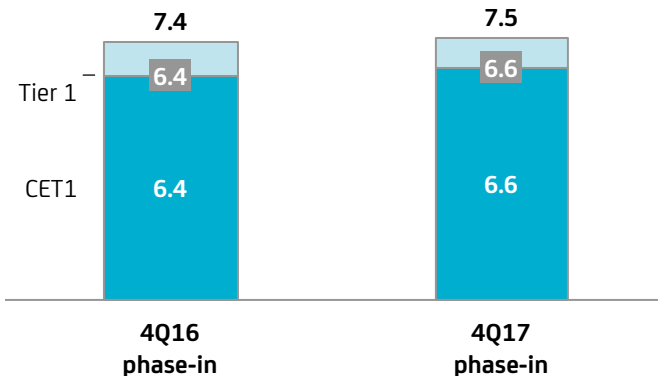
Total CAR



- **Total regulatory capital** with € 7.5 bn stable
- **Total RWA** down to € 33.2 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
- **CET 1 Ratio 4Q17** at 19.9% (transitional) resp. 19.5% (fully loaded); significant improvement y/y, driven by the decrease in RWA
- **Leverage Ratio** at strong **5.9%**

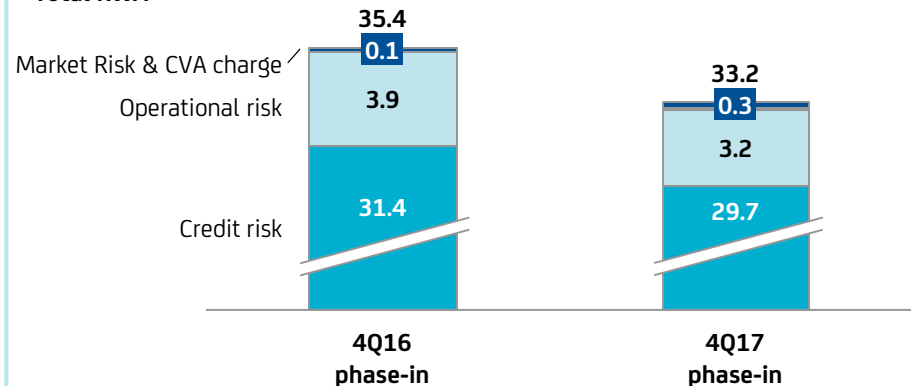
Regulatory Capital (€ bn)

Total Capital



Risk-Weighted Assets (RWA, € bn)

Total RWA



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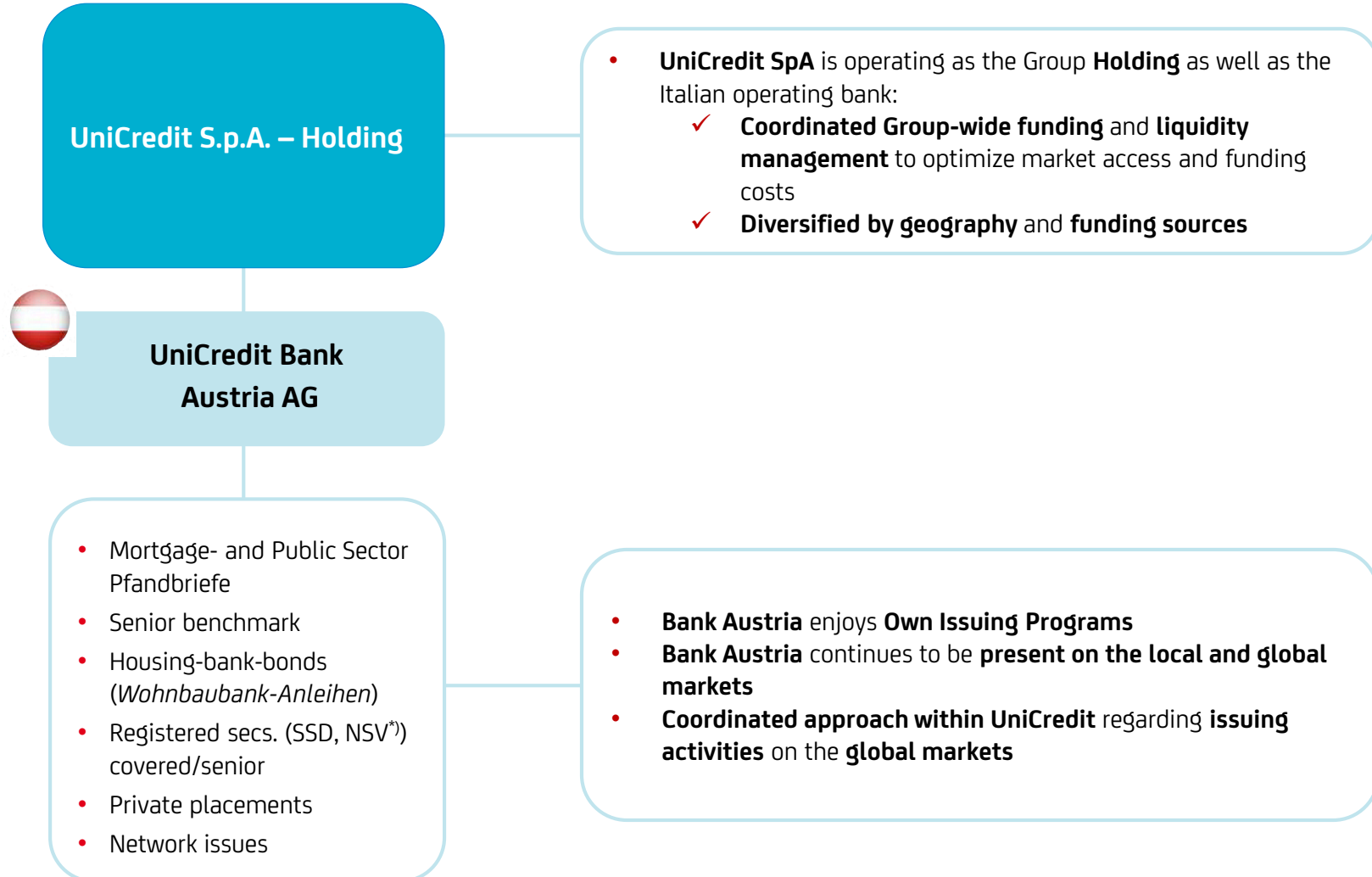
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Bank Austria Acts as Liquidity Reference Bank (LRB) for all Austrian Group Entities and is a Strategic Issuing Platform for UniCredit Group

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Liquidity & Funding
Funding Strategy & Position



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 Bank Austria's commercial banking model. Priority is on growth of local funding sources from customer business with a variety of products (sight-, savings- and 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 **counter-balancing capacity** and is already **compliant with key liquidity ratios** (LCR as of December 31, 2017 >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 Dec. 2017 amounts to EUR 5,912 mn
- Average volume of loans is approx. € 1.6 mn
- Average seasoning is 7.6 years



Public Sector

Parameters of Cover Pool and Issues

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- Total Value of the Cover Pool as of 31 December 2017 in EUR equivalent: 5,912 mn
 - thereof in EUR: 3,870 mn
 - thereof in CHF: 589 mn
 - thereof public sector bonds in EUR equivalent: 1,453 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6,4
Contracted Weighted Average Life (in years)	9,0
Average Seasoning (in years)	7,6
Total Number of Loans	3.669
Total Number of Debtors	1.392
Total Number of Guarantors	283
Average Volume of Loans (in EUR)	1.611.253
Stake of 10 Biggest Loans	30,8%
Stake of 10 Biggest Guarantors	29,1%
Stake of Bullet Loans	56,8%
Stake of Fixed Interest Loans	45,5%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1,4%

Parameters of Issues:	
Total Number	34
Average Maturity (in years)	3,6
Average Volume (in EUR)	146.901.635

- Moody's Rating: Aaa



Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	1.091	18,4%
Maturity 12 - 60 months	1.340	22,7%
thereof Maturity 12 - 36 months	934	15,8%
thereof Maturity 36 - 60 months	406	6,9%
Maturity 60 - 120 months	1.359	23,0%
Maturity longer than 120 months	2.122	35,9%
Total	5.912	100,0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	1.010	20,2%
Maturity 12 - 60 months	3.592	71,9%
thereof Maturity 12 - 36 months	1.075	21,5%
thereof Maturity 36 - 60 months	2.517	50,4%
Maturity 60 - 120 months	113	2,3%
Maturity longer than 120 months	280	5,6%
Total	4.995	100,0%













Public Sector

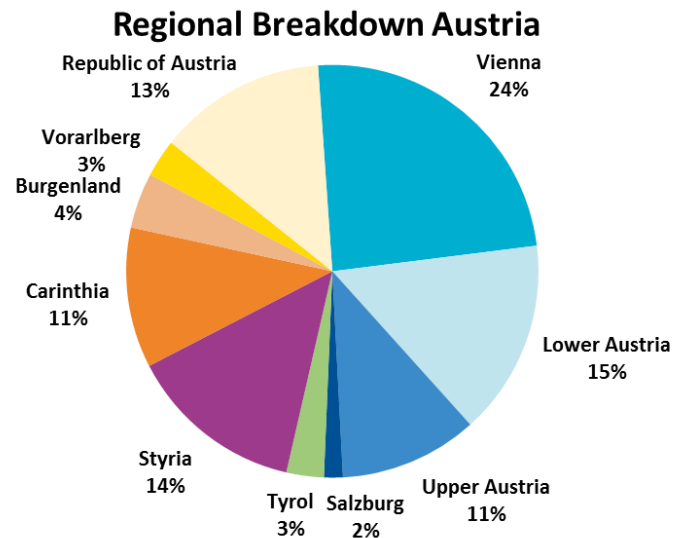
Regional Breakdown of Assets^{*)} in Austria

Liquidity & Funding

Cover Pool

1 2 3 4

Regional Breakdown Austria		in mn EUR	in %
 Vienna		1.426	24,1%
 Lower Austria		905	15,3%
 Upper Austria		642	10,9%
 Salzburg		87	1,5%
 Tyrol		174	2,9%
 Styria		818	13,8%
 Carinthia		650	11,0%
 Burgenland		257	4,3%
 Vorarlberg		175	3,0%
 Republic of Austria		779	13,2%
Total Austria		5.912	100,0%



Public Sector

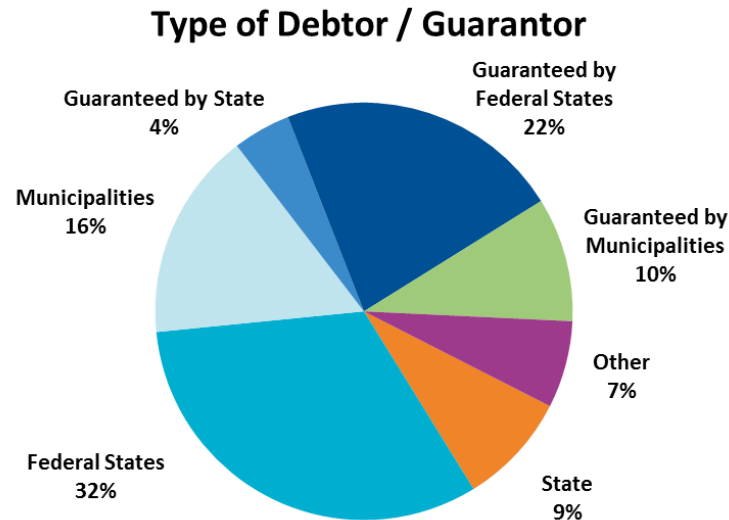
Assets Volume Breakdown by Type of Debtor / Guarantor

1 2 3 4

Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	514	4
Federal States	1.905	45
Municipalities	956	2.161
Guaranteed by State	265	144
Guaranteed by Federal States	1.305	237
Guaranteed by Municipalities	569	441
Other	399	637
Total	5.912	3.669



Public Sector

Volume Breakdown by Size of Assets

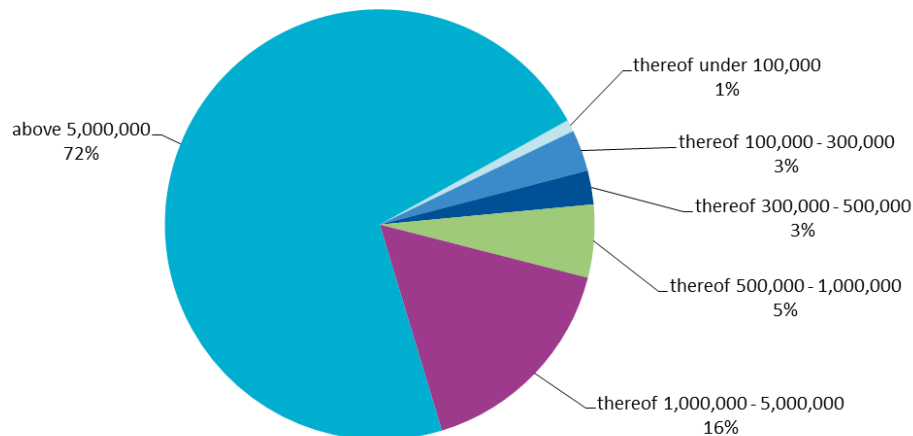
1 2 3 4

Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	237	2.232
thereof under 100,000	53	1.210
thereof 100,000 - 300,000	184	1.022
300,000 - 5,000,000	1.441	1.318
thereof 300,000 - 500,000	150	387
thereof 500,000 - 1,000,000	324	450
thereof 1,000,000 - 5,000,000	967	481
above 5,000,000	4.234	119
Total	5.912	3.669

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

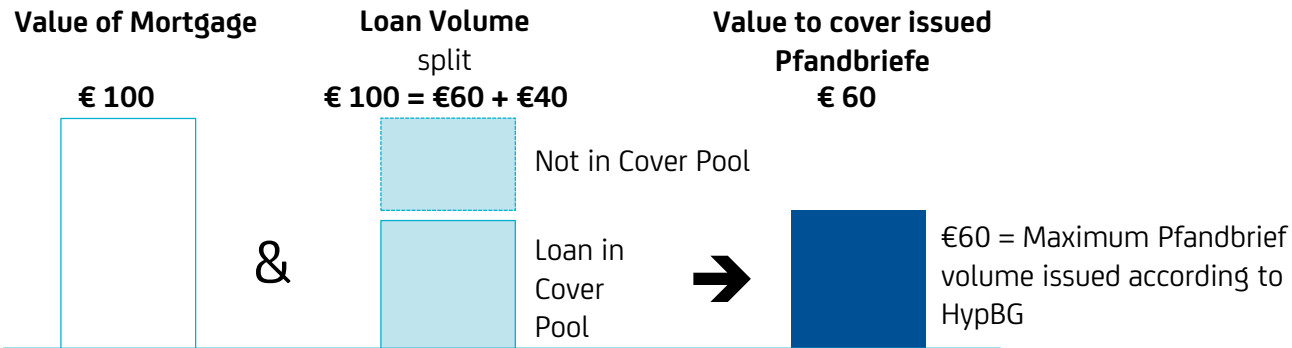
Whole Loan Approach and its Benefits for Investors

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)

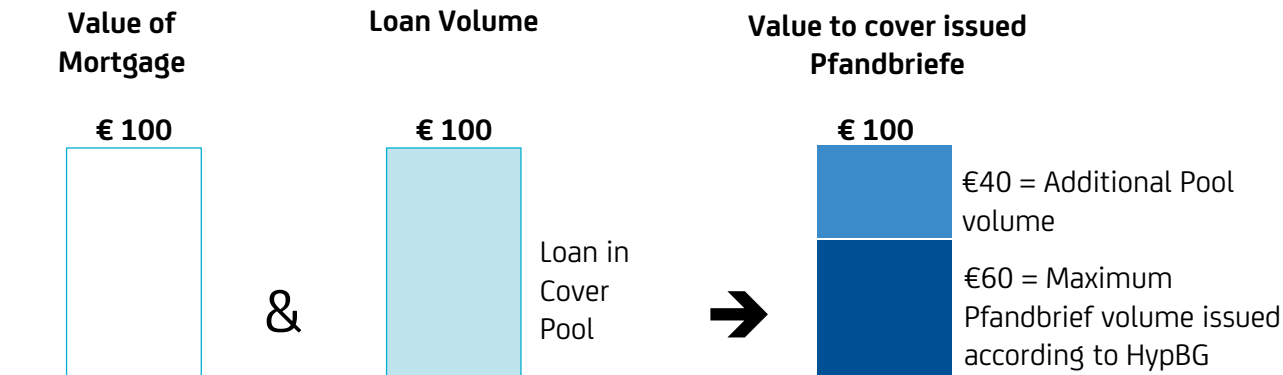
Scenario I: Split Loan Approach = Minimum Approach



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.



Mortgage Cover Pool

Parameters of the Cover Pool and Issues

1 2 3 4

- Total Value of the Cover Pool as of 31 December 2017 in EUR equivalent: 10,792 mn
 - thereof in EUR: 9,456 mn
 - thereof in CHF: 1,207 mn
 - thereof substitute cover in EUR: 129 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9,3
Contracted Weighted Average Life (in years)	15,3
Average Seasoning (in years)	6,2
Total Number of Loans	38.769
Total Number of Debtors	34.514
Total Number of Mortgages	36.470
Average Volume of Loans (in EUR)	292.386
Stake of 10 Biggest Loans	12,3%
Stake of 10 Biggest Debtors	14,8%
Stake of Bullet Loans	24,7%
Stake of Fixed Interest Loans	25,6%
Amount of Loans 90 Days Overdue	0

Average Interest Rate	1,97%
------------------------------	--------------

Parameters of Issues:	
Total Number	90
Average Maturity (in years)	4,1
Average Volume (in EUR)	52.801.959

- Moody's Rating: Aaa



Mortgage Cover Pool

Maturity Structure of Cover Pool and Issues

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		216	2,0%
Maturity 12 - 60 months		1.227	11,4%
thereof Maturity 12 - 36 months		623	5,8%
thereof Maturity 36 - 60 months		603	5,6%
Maturity 60 - 120 months		2.194	20,3%
Maturity longer than 120 months		7.155	66,3%
Total		10.792	100,0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		955	20,1%
Maturity 12 - 60 months		2.197	46,2%
thereof Maturity 12 - 36 months		1.646	34,6%
thereof Maturity 36 - 60 months		550	11,6%
Maturity 60 - 120 months		1.269	26,7%
Maturity longer than 120 months		332	7,0%
Total		4.752	100,0%



Mortgage Cover Pool

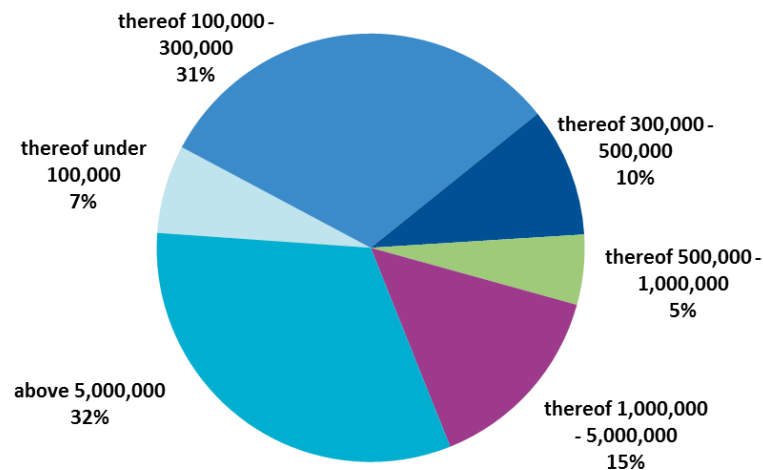
Assets Volume Breakdown

1 2 3 4

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Mortgages	in mn EUR	Number
below 300,000	4.114	31.829
thereof under 100,000	720	12.707
thereof 100,000 - 300,000	3.394	19.122
300,000 - 5,000,000	3.206	4.494
thereof 300,000 - 500,000	1.054	2.884
thereof 500,000 - 1,000,000	571	839
thereof 1,000,000 - 5,000,000	1.581	771
above 5,000,000	3.472	147
Total	10.792	36.470

Breakdown by Size of Loans












Mortgage Cover Pool

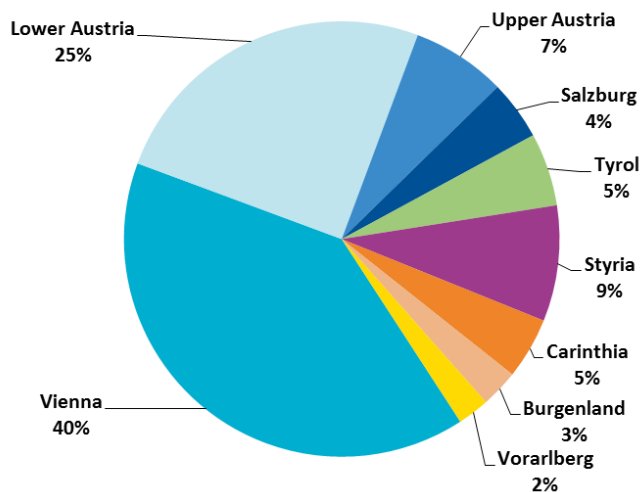
Regional Breakdown ^{*)} of Mortgages in Austria

1 2 3 4

Liquidity & Funding
Cover Pool

Regional Breakdown Austria		in mn EUR	%
 Vienna		4.246	39,8%
 Lower Austria		2.669	25,0%
 Upper Austria		747	7,0%
 Salzburg		470	4,4%
 Tyrol		579	5,4%
 Styria		917	8,6%
 Carinthia		487	4,6%
 Burgenland		299	2,8%
 Vorarlberg		251	2,4%
Total		10.663	100,0%

Regional Breakdown Austria



Mortgage Cover Pool

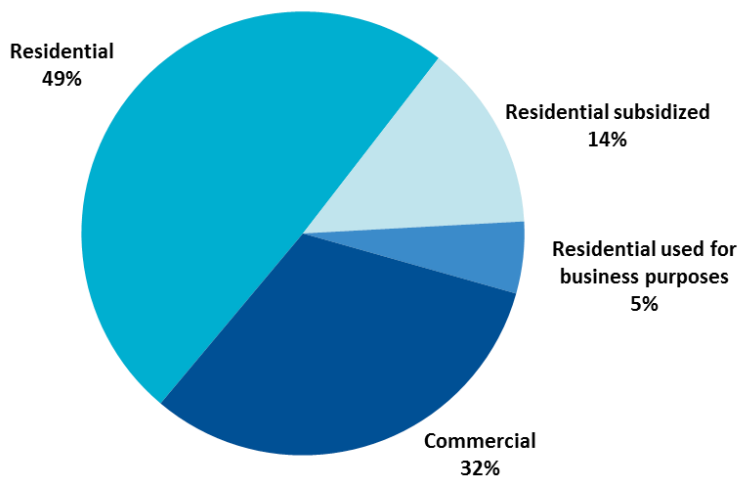
Breakdown^{*)} by Type of Use

1 2 3 4

Liquidity & Funding
Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	5.266	32.503
Residential subsidized	1.455	1.864
Residential used for business purposes	558	1.151
Commercial	3.385	952
thereof Office	1.411	146
thereof Trade	895	68
thereof Tourism	241	136
thereof Agriculture	32	162
thereof mixed Use / Others	807	440
Total	10.663	36.470

Mortgages / Type of Use



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 **€ 10,663 mn** as of 31 December 2017 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna 39.8% and the state of Lower Austria 25.0%
- **Breakdown of cover pool by type of use:**
 - 68.3% residential real estate (thereof 13.6% subsidized)
 - 31.7% commercial real estate, divides as follows:
 - Office 13.2%
 - Trade 8.4%
 - Tourism 2.3%
 - Other / Mixed use 7.8%



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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

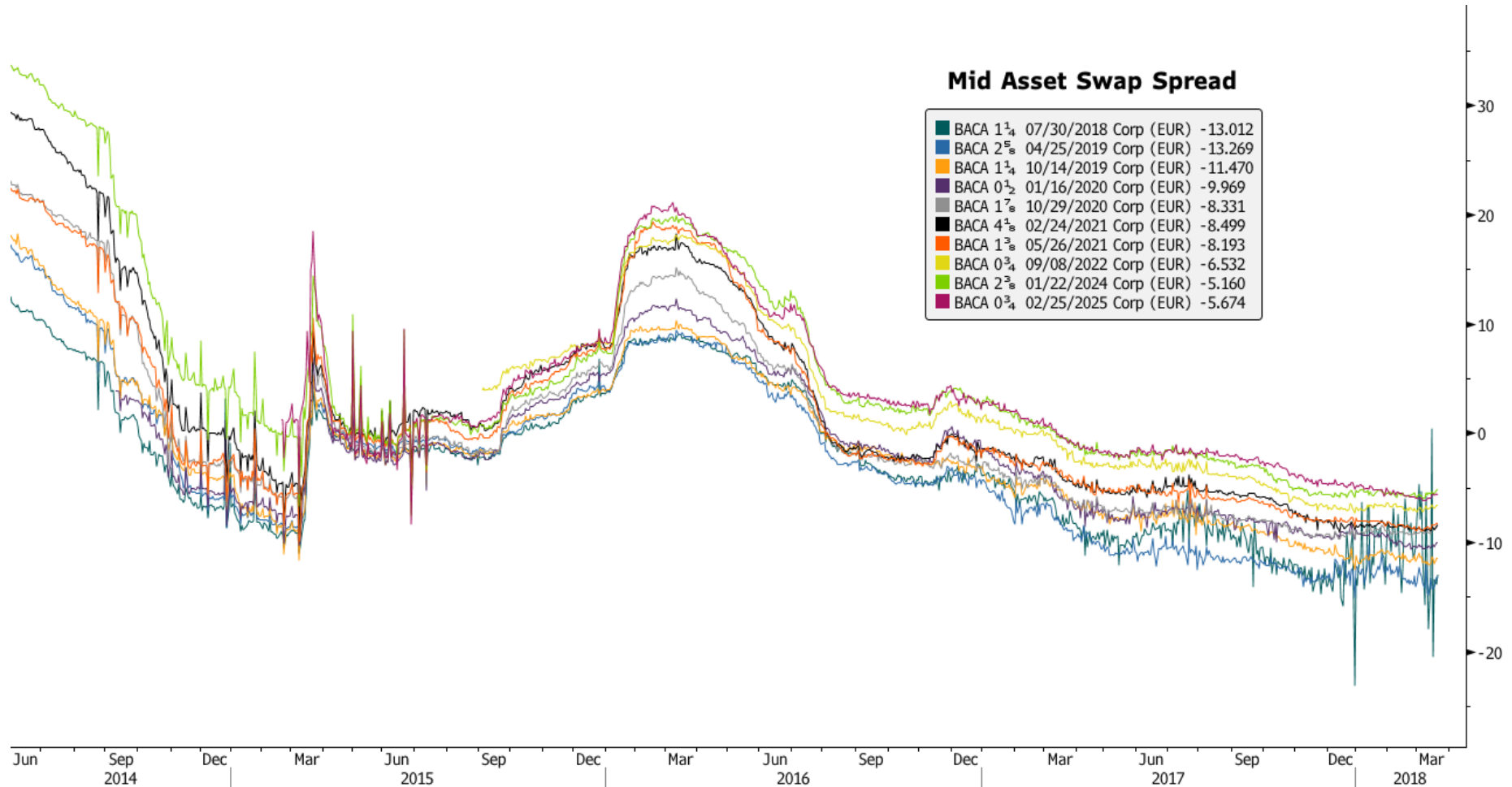


UniCredit Bank Austria Covered Bond Spread Comparison

1 2 3 4

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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

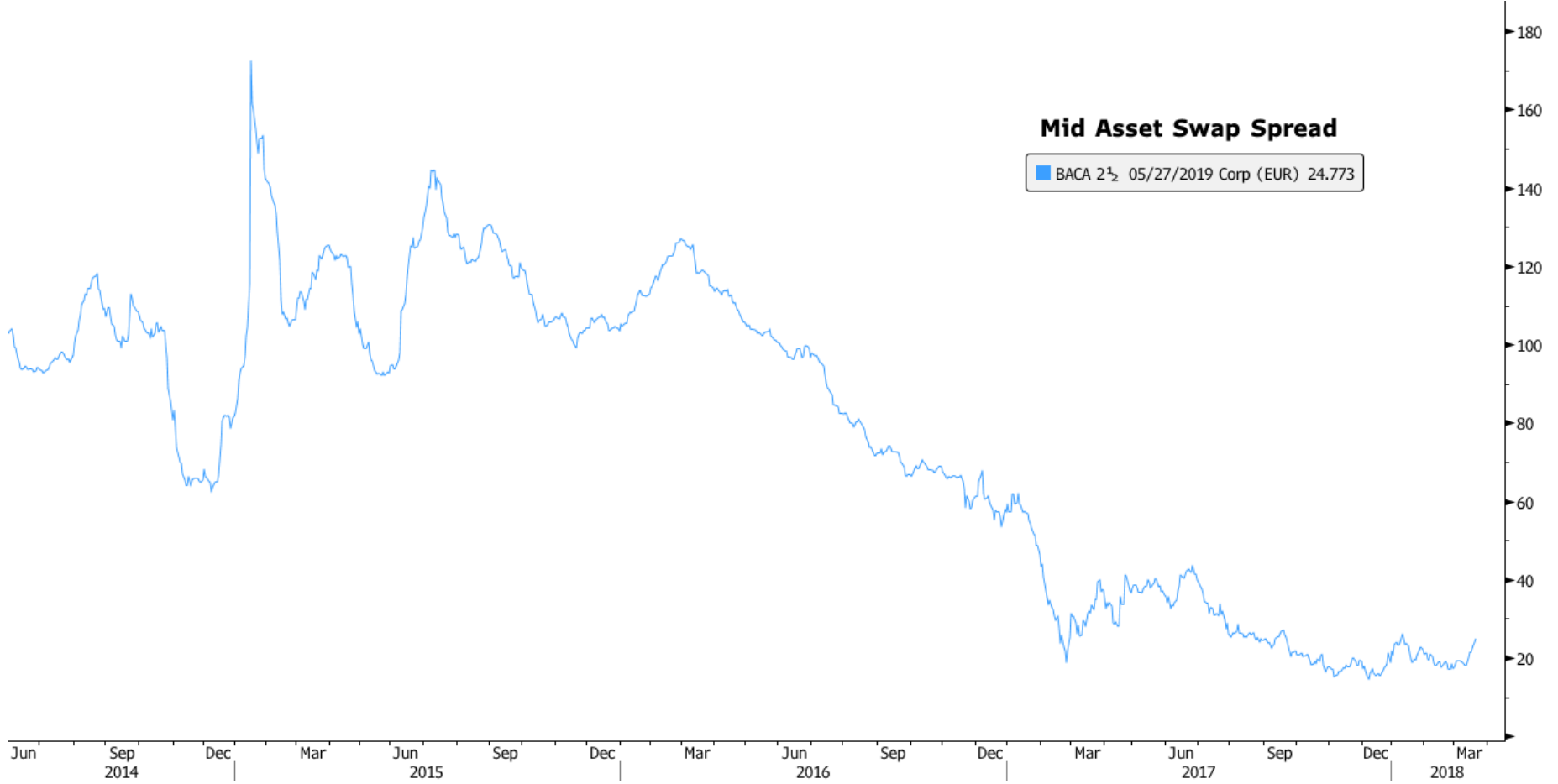


UniCredit Bank Austria Senior Unsecured Bonds Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



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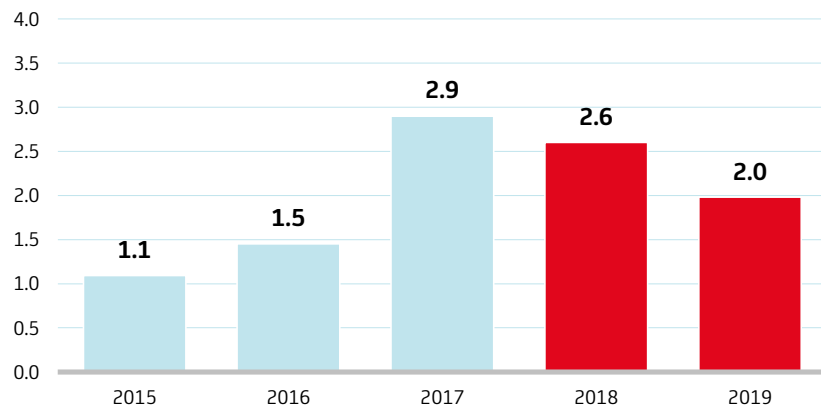
Economic Conditions in Austria

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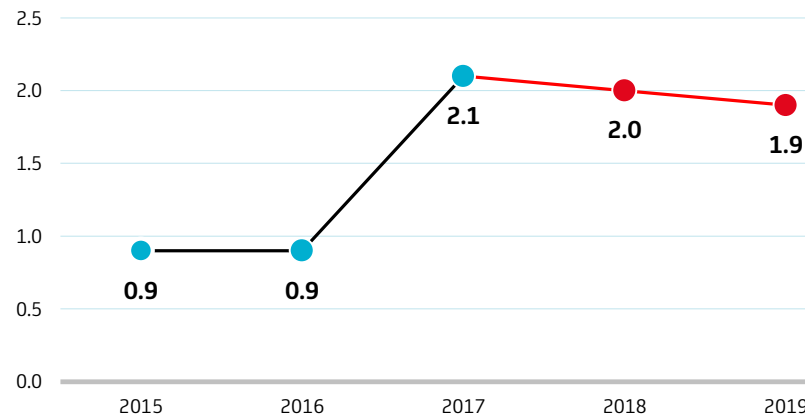
Annex

Economic Conditions in Austria

Economic growth (real, yoy in %)

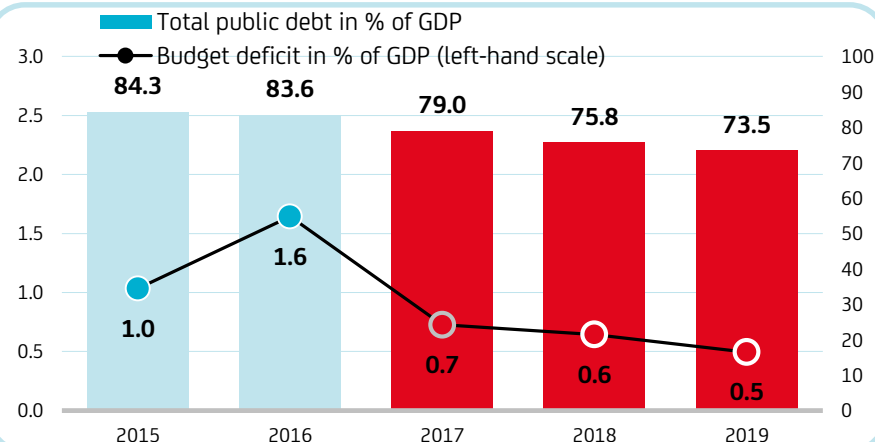


Inflation rate (yearly average, in %)



- In 2017, economic growth accelerated to almost 3%, supported by the upturn in global trade which boosted demand for investments, and by sustained strong consumption. While the economic upswing will continue on a broad front, we expect the momentum to slow.
- Following 2.1% on average in 2017, inflation will also be around 2% in 2018. Demand-driven upward pressure, still felt strong in services, is somewhat dampened by the rise in the euro against the US dollar.
- Austria's budget and debt situation will benefit from the favorable economic developments. The initial deficit target of 1.2% of GDP was expected to be undercut in 2017, and total debt has therefore fallen below 80% of GDP. The budget estimate for 2018 will only be approved by Parliament in March due to the autumn elections.

Budget deficit and total public debt (in % of GDP)



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Rating Overview

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Rating Overview

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

(as of 23 March 2018)

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

- 2017 was a record year in commercial real estate in Austria. The investments in 2017 with nearly € 5 bn significantly outperformed the record year 2015. With about 69% of all investments in the second half of 2017, office properties were the most important asset category – with strong demand having led to declining yields in all office locations.
- 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 has also never dropped into negative growth. Even in the crisis years 2008/2009, annual total return amounted to around 4%.
- Residential real estate prices in Vienna have risen considerably over the last ten years. Nevertheless, price increases slowed down last year. Price development in Austria (excluding Vienna) develops more robustly than in the capital.



Austrian Real Estate Market

Prices for residential real estate

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Real Estate Market Austria

- After a consolidation at the end of 2016, the prices in Vienna increased once more by about 3 %. In the last quarter of 2017, price development flattened again.
- In comparison, prices in Austria (excl. Vienna) - with 4.5 % since the end of 2016 - have shown a stronger development than in Vienna.



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

Top yields for real estate investments vs. yields for Austrian government bonds

- | | |
|---|--------|
| • Office top yield in 2017 | 3.75% |
| • Yield for Austrian Government Bonds (10Y) | 0.48% |
| • Spread | 3.27 % |



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Austrian Legal Framework

Mortgage and Public Sector Pfandbriefe

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Legal situation – Austrian covered bonds

Austrian Covered Bonds

Pfandbriefe

Fundierte Schuldverschreibungen

Hypothekendarbankgesetz
(Mortgage Banking Act 1899)

Pfandbriefgesetz
(Pfandbrief Law 1938)

Law of 1905

Bank Austria



Comparison Austria vs. Germany

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Legal situation – Austrian covered bonds

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

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



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