

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, 9 November 2016

Welcome to
Bank Austria
Member of  **UniCredit**

Agenda

1 Overview Bank Austria

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

2 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

3 Annex



Bank Austria – at a glance

1 2 3

Bank Austria Highlights as of 30 June 2016¹⁾

Overview Bank Austria
Business Model & Strategy

- **Member of UniCredit since 2005**
- **Leading corporate bank** and **one of the largest retail banks** in Austria
- **~ 6,700 FTE** and **about 170 branches** in Austria with further reduction envisaged
- **As of October 2016, management¹⁾ of the banking network in CEE (13 countries) transferred under UniCredit SpA**
- **~ 28,000 FTE** and **about 1,300 branches** in full CEE subsidiaries²⁾
- **Solid capital base** (11.7% CET1 Ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	06/16	12/15
Total Assets	193.8	193.6
Customer Loans	118.2	116.4
Direct Funding	134.2	139.1
Equity	16.1	15.4
In € bn		

	1H16	1H15
Operating income	3,036	2,912
Operating costs	-1,495	-1,531
LLP	-290	-391
Net profit	626	490
In € mn		

RoE after tax	1.7%	
Cost / income ratio	49.2%	
CET1 capital ratio ³⁾	11.7%	
Total capital ratio ³⁾	15.5%	
Non-performing exposure ratio	3.4%	
Coverage ratio	58.7%	
Cost of risk	49bp	
S&P	BBB	A-2
Moody's	Baa1	P-2
Fitch	BBB+	F2
Market share loans / deposits Austria ⁴⁾	14.6 % / 14.1 %	

1) Figures presented refer to Bank Austria before the CEE Carve out;

2) plus a further ~ 19,000 FTE and ~ 1,000 branches in Turkey (the 41%-stake now being consolidated at equity);

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

4) As of May 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

Corporate Banking

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

Retail Banking

- The division 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**
- **Nationwide complete range of high-quality advisory** for complex products through on site and remote experts
- **Extended opening hours** and increasing **online, mobile and self-service offers** covers changing customer behavior

Private Banking

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

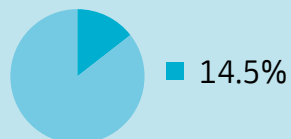


Bank Austria's Market Shares¹⁾ in the Domestic Customer Business (as of August 2016)

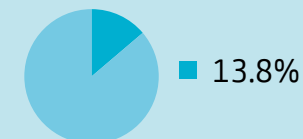
1 2 3

Overview Bank Austria
Business Model & Strategy

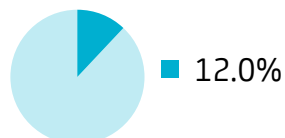
Loans TOTAL



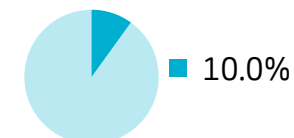
Deposits TOTAL



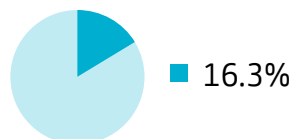
• Retail Loans



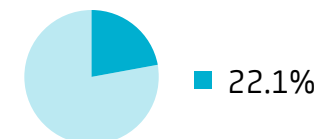
• Retail Deposits



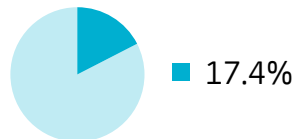
• Corporate Loans



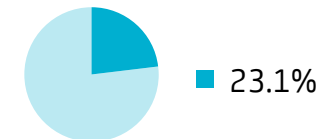
• Corporate Deposits



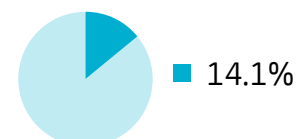
• Public Sector Loans



• Public Sector Deposits



• Funds²⁾



**Very efficient network structure to cover the important size of customer share
with only 5% of all bank branches in Austria**

¹⁾ UniCredit Bank Austria AG

²⁾ Pioneer Investments Austria + Bank Austria real estate funds

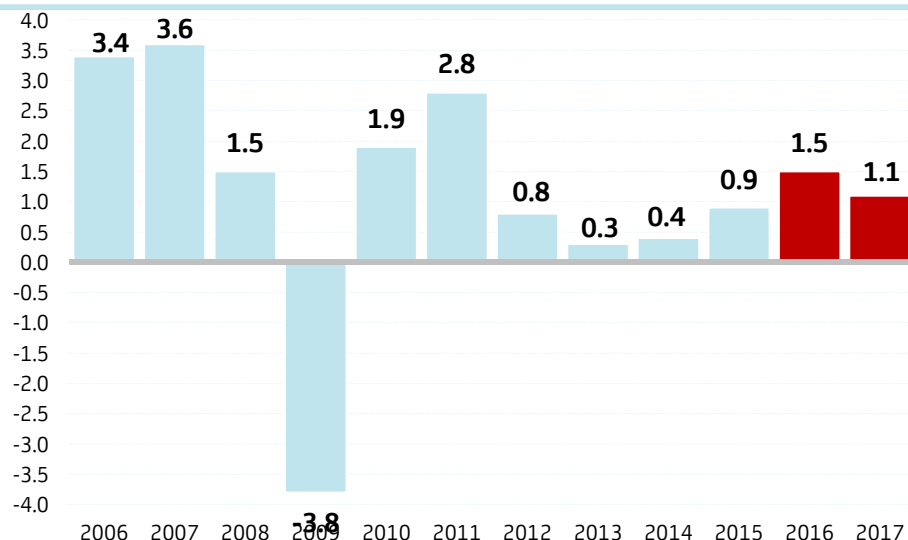


Economic Conditions in Austria

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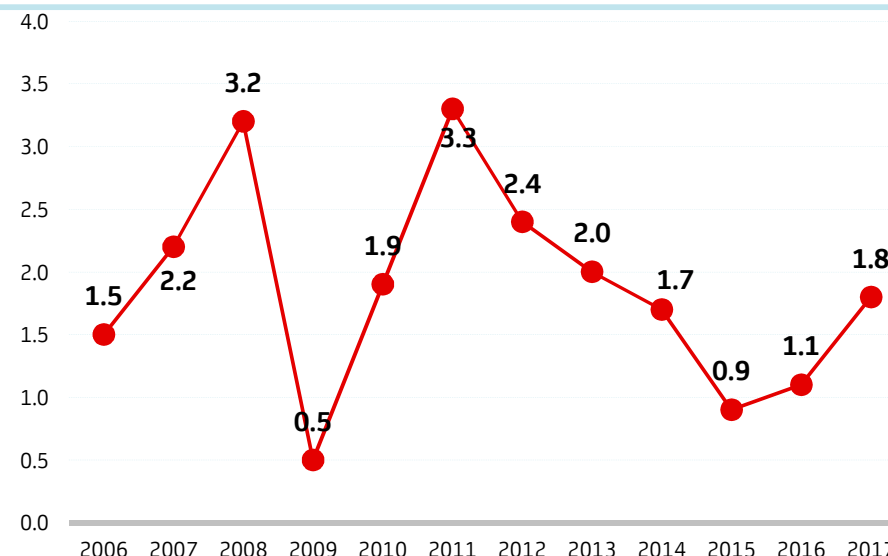
Overview Bank Austria
Business Model & Strategy

Austrian economic growth YoY in %

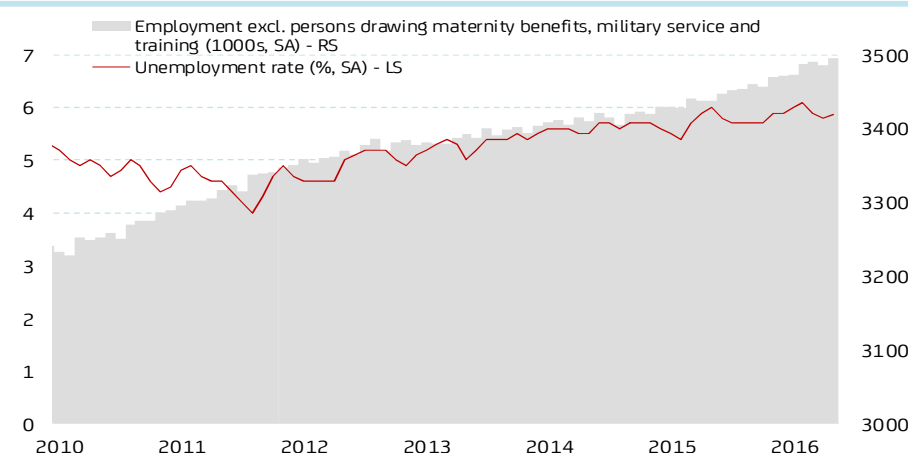


- Economic growth accelerated at the beginning of 2016 after a quarter-on-quarter 0.2% rise in GDP at the end of 2015. GDP expanded by 0.8% in the first quarter 2016 compared to the previous quarter.
- In the second half of the year, the uncertainty triggered by the UK's decision to leave the EU will impact economic growth. As the somewhat weaker growth in the latter half of 2016 will be offset by the better-than-expected economic performance in the first six months, we are still looking for economic growth of 1.5% for 2016 as a whole.
- While inflation was driven by rising rentals as well as hotel and restaurant prices, the dampening effect of lower oil prices decreased. The inflation rate is expected to accelerate slightly yoy in autumn. For 2016 as a whole we expect inflation to average 1.1 per cent. Since the labor supply will continue to grow, we still foresee an increase in the unemployment rate up to even 6% on average for 2016.

Austrian inflation rate YoY in %



Employment and unemployment rate



Transformation of Bank Austria with a clear vision for the bank and our customers.



Embedded in our vision, the **four essential core competencies** are:

1. **CORE FINANCIAL SERVICE PROVIDER**
with **excellent services** (improved convenience and customer-friendliness) and **attractive and appropriate offers** with “smart” access across all channels
2. **VALUE-ADDED PERSONAL ADVISOR**
with **custom-tailored premium offers** for specific customer groups and **personal, high-quality, customized and flexible** (location-independent) **advice**
3. **SMART ACCESS FACILITATOR**
with **high use of all digital channels** in order to open up new ways to generate new business and with a **renewed branch role** (incl. remote consulting, specialization in basic products / special offer for premium customers with increased demand for advice)
4. **ADDITIONAL VALUE CREATOR**
with **attractive customer loyalty programs** intensifying the positive customer experience and selected **cooperations**, enhancing value for customers

combined with **four basic requirements** as prerequisite to achieve our goals:

- ➔ **Modern and relevant brand**
- ➔ **Engaged people**
- ➔ **Lean governance and processes**
- ➔ **Sound financial base and stability**



Rating Overview

1 2 3

Overview Bank Austria
Business Model & Strategy

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

(as of 9 November 2016)

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 A3 and the subordinated ones are rated Baa3



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3 Annex



P&L of Bank Austria¹⁾ – 1H16

Net profit up by 28%; improvements in operating income, operating costs and LLP

1 2 3

Overview Bank Austria
Profit & Loss

(€ mn)	1-6/ 2016	1-6/ 2015	y/y	2Q16	1Q16	2Q15	q/q	y/y
Operating Income	3,036	2,912	4.3%	1,667	1,369	1,524	21.7%	9.4%
Operating Costs	-1,495	-1,531	-2.4%	-740	-755	-778	-1.9%	-4.9%
Operating Profit	1,542	1,381	11.7%	927	615	746	50.8%	24.2%
Net Write-Downs of Loans	-290	-391	-26.0%	-146	-144	-182	1.4%	-19.8%
Net Operating Profit	1,252	989	26.6%	781	471	565	65.9%	38.3%
Non-Operating Items	-421	-183	>100.0%	-67	-354	-71	-81.1%	-6.2%
Profit Before Tax	832	806	3.1%	714	117	494	>100.0%	44.8%
P/L discontinued operations	0	-183	>-100.0%	-12	12	-123	>-100.0%	-90.3%
Other positions	-206	-133	55.2%	-135	-71	-79	90.9%	72.0%
Group Net Profit	626	490	27.7%	567	59	292	>100.0%	94.5%
Cost / Income Ratio (in %)	49.2%	52.6%	-336 bp	44.4%	55.1%	51.0%	-1,071 bp	-664 bp

- **Operating Income up 4% y/y**, driven by strong CEE contribution and supported by sale of VISA shares (€ 183 mn gain)
- **Operating Costs down by 2%**, mainly due to cost savings in Austria
- **Net Write-Downs of Loans significantly down y/y**, with improvements in CEE, and Austria with a very favorable development (net releases)
- **Non-Operating Items € -421 mn**: mainly systemic charges (€ -227 mn, o/w Austria € -118 mn, CEE € -108 mn), and integration costs (€ -210 mn; o/w € -204 mn Austria related to legal changes requiring a higher provision for the transfer of pension obligations to the state pension scheme)
- **Other positions** includes the income tax of € -147 mn, mainly relating to CEE and minorities € -59mn

1) As of October 2016, management of the banking network in CEE (13 countries) transferred under UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.

Note: Non-operating items include provisions for risks and charges, systemic charges, profit from investments and integration costs



P&L of Austria – 1H16

Net operating profit up by 27%; decrease in operating costs and positive LLPs

1 2 3

Overview Bank Austria

(€ mn)	1-6/ 2016	1-6/ 2015	y/y	2Q16	1Q16	2Q15	q/q	y/y Profit & Loss
Operating Income	988	1,016	-2.8%	530	457	540	16.1%	-1.7%
Operating Costs	-756	-805	-6.1%	-362	-394	-404	-8.2%	-10.5%
Operating Profit	231	211	9.7%	169	63	135	>100.0%	24.6%
Net Write-Downs of Loans	40	4	>100.0%	44	-4	38	>-100.0%	15.2%
Net Operating Profit	272	214	26.7%	212	59	173	>100.0%	22.5%
Non-Operating Items	-317	-89	>100.0%	-32	-285	-38	-88.6%	-14.2%
Profit Before Tax	-46	126	>-100.0%	180	-226	135	>-100.0%	32.8%
P/L discontinued operations	21	37	-43.0%	11	10	22	16.7%	-49.5%
Other positions	-56	-19	>100.0%	-47	-9	-17	>100.0%	>100.0%
Group Net Profit	-81	144	>-100.0%	144	-225	141	>-100.0%	2.2%
Cost / Income Ratio (in %)	76.6%	79.2%	-268 bp	68.2%	86.2%	74.9%	-1,801 bp	-670 bp

- **Operating Income down 3% y/y**, driven mainly by lower net fees and commissions and lower net trading
- **Operating Costs down by 6%**, reflecting efficient cost savings measures
- **Net Write-Downs of Loans with a very favorable development** (net releases)
- **Non-Operating Items € -317 mn**: mainly systemic charges (€ -118 mn), and integration costs (€ -204 mn in Q1 related to legal changes requiring a higher provision for the transfer of pension obligations to the state pension scheme)
- **Net Profit** negative due to aforementioned one-off (€ -204 mn regarding transfer of pension obligations)

Note: Non-operating items include provisions for risks and charges, systemic charges, profit from investments and integration costs



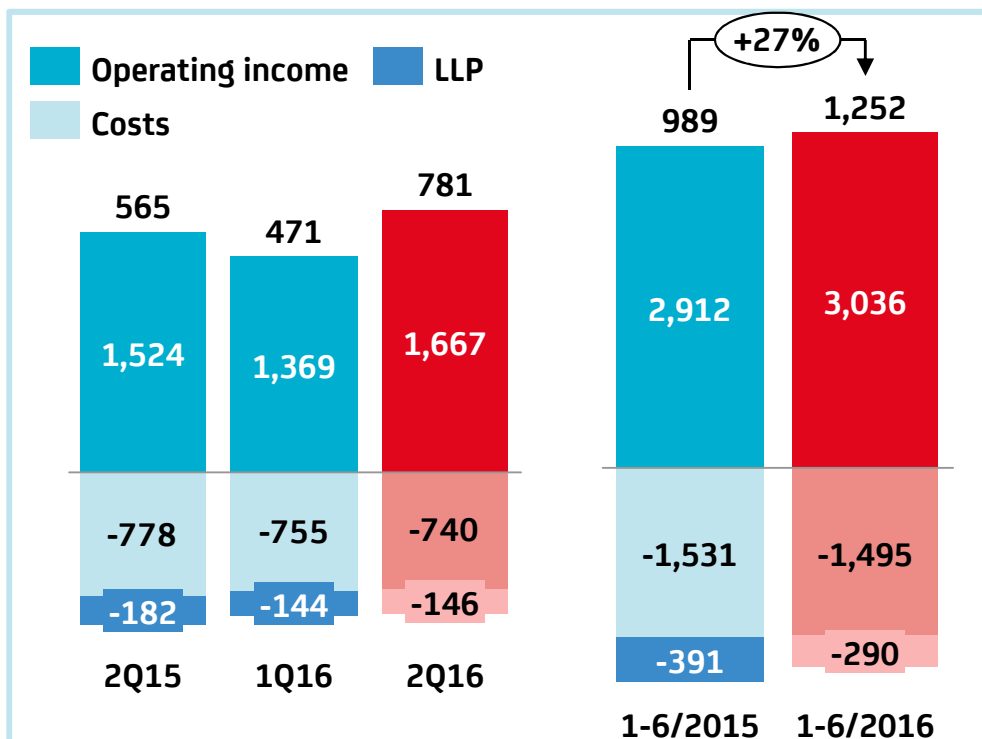
Net Operating Profit¹⁾

1H16 higher y/y due to higher revenues, successful execution of BA Reloaded and improvements in LLP

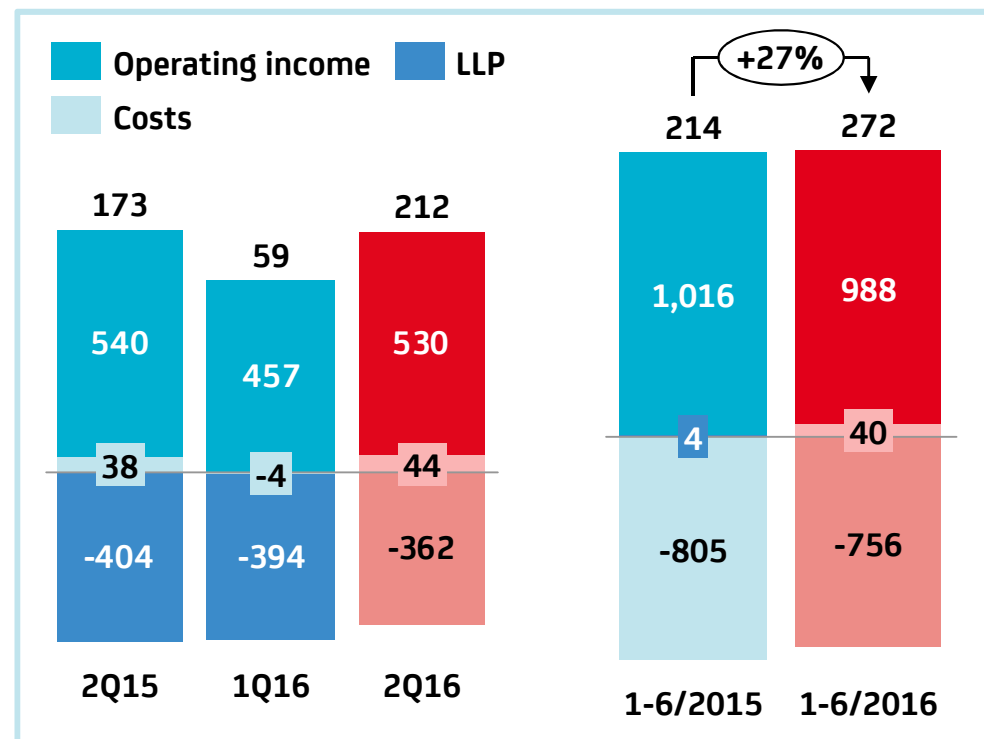
1 2 3

Overview Bank Austria
Profit & Loss

Net Operating Profit Composition Bank Austria Group (€ mn)



Net Operating Profit Composition Austria (€ mn)



- **NOP up y/y +27%** both for **Bank Austria Group** and for **Austria** (higher revenues at Group level, cost savings, LLP improvement)
- **4% increase in revenues y/y for BA Group** driven by strong CEE contribution and supported by sale of VISA shares (€ 183 mn gain), but decrease in Austria
- **Costs -2% y/y in BA Group and -6% y/y in Austria** – following successful cost management and execution of BA Reloaded; payroll costs -10% y/y in Austria thx to FTE reduction and restructuring measures
- **LLP down y/y**, with very favorable development in Austria as well as in CEE

1) As of October 2016, management of the banking network in CEE (13 countries) transferred under UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.



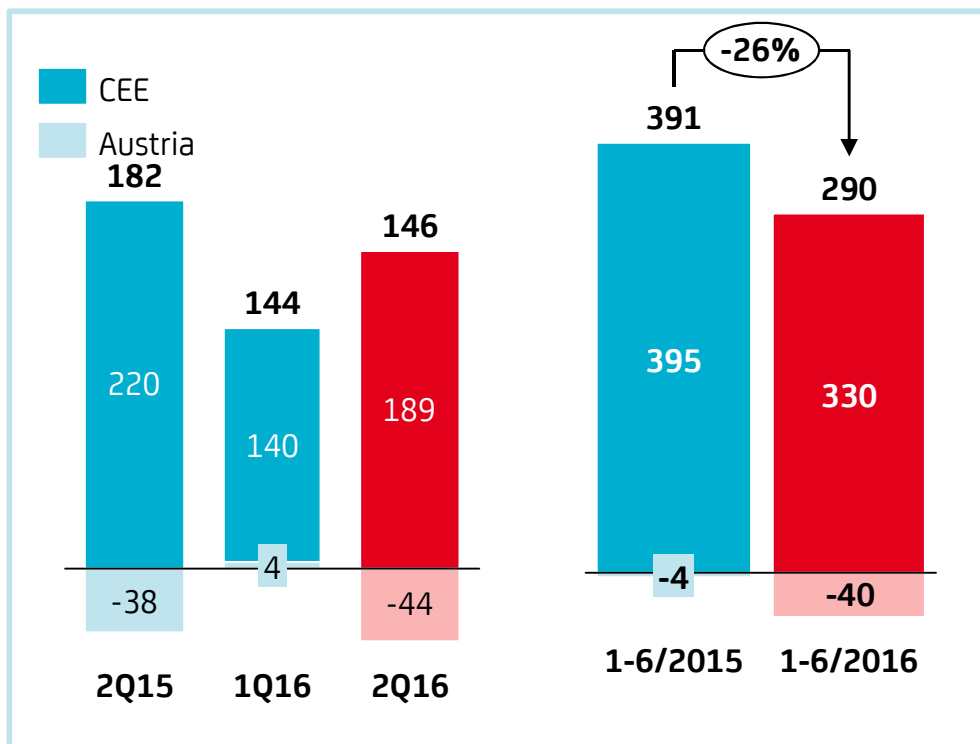
Loan Loss Provisions and Cost of Risk¹⁾

Very favorable development in LLPs and Cost of Risk

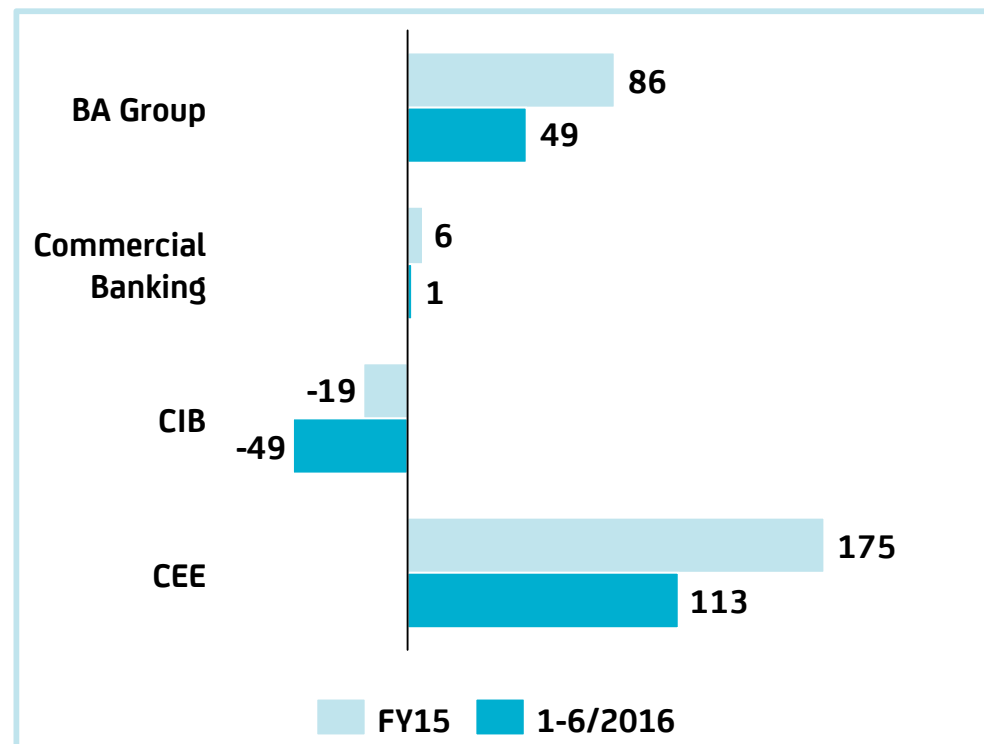
1 2 3

Overview Bank Austria
Profit & Loss

Net Write-Downs of Loans (€ mn)



Cost of Risk (in basis points)



- **LLPs (-26%) and Cost of risk** (BA Group at 49 bps vs. FY15 with 86 bps) **lower y/y** due to:
- Continuing very favorable development in **Austria** in all segments and a net surplus related to releases for some larger customers. Overall improvement by € 37 mn vs. 1H15 (with Cost of Risk in Austria at only -14 bps)
- **CEE**: Overall improvement y/y of LLPs by € 65 mn, cost of risk down to 113 bps

1) As of October 2016, management of the banking network in CEE (13 countries) transferred under UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.



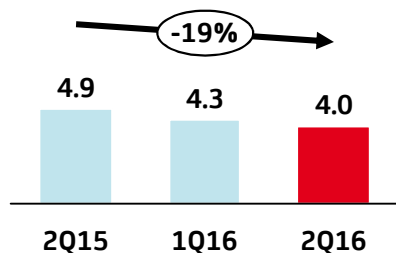
Asset Quality

Asset Quality Ratios improving further in 2Q16

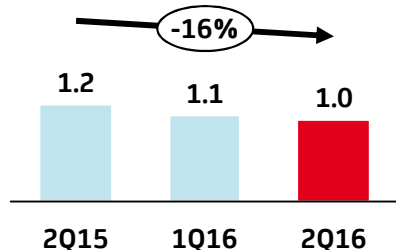
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Net NPE ¹⁾ (in bn €)

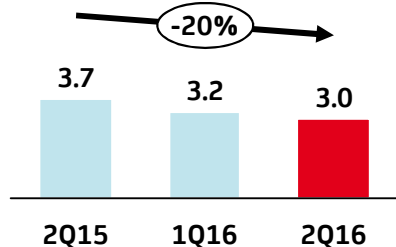
BA Group²⁾



Austria

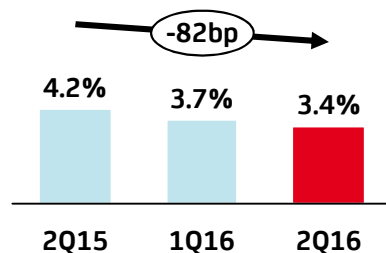


CEE

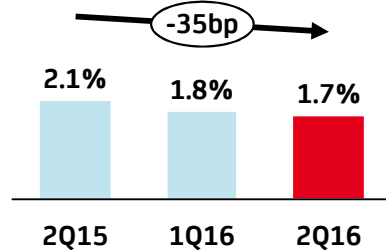


% of Net NPE on Total Net Loans ¹⁾

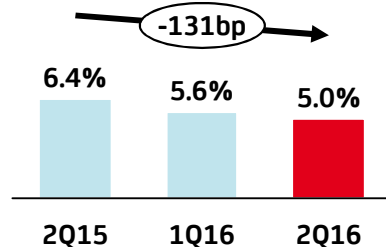
BA Group²⁾



Austria

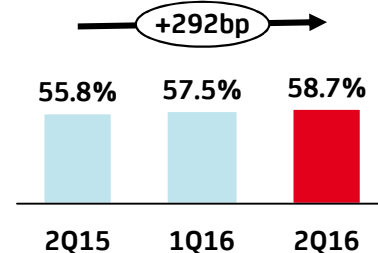


CEE

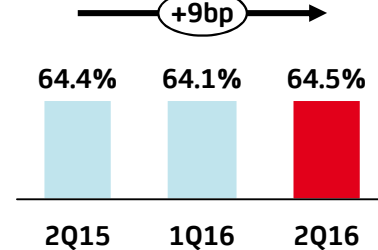


% Coverage Ratio on NPE ¹⁾

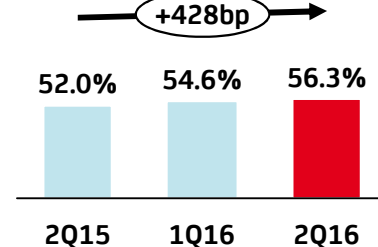
BA Group²⁾



Austria



CEE



Overview Bank Austria

Profit & Loss

- In 2Q16 a **further reduction of Gross Non Performing Exposure** in Austria as well as in most CEE countries (except Russia) led to a decrease of **Net Non Performing Exposure** (Austria: € - 69 mn, CEE: € -236 mn) causing shrinking **NPE Ratios** and improving **Coverage Ratios** in Austria and CEE
- In CEE, and in particular in Russia a remarkable **improvement** of the **Coverage Ratio** was achieved (CEE 56.3%, Russia 58.1%)
- High quality of loan portfolio in Austria**

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

²⁾ As of October 2016, management of the banking network in CEE (13 countries) transferred under UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.



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- Funding Strategy & Position
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- Cover Pool

3 Annex

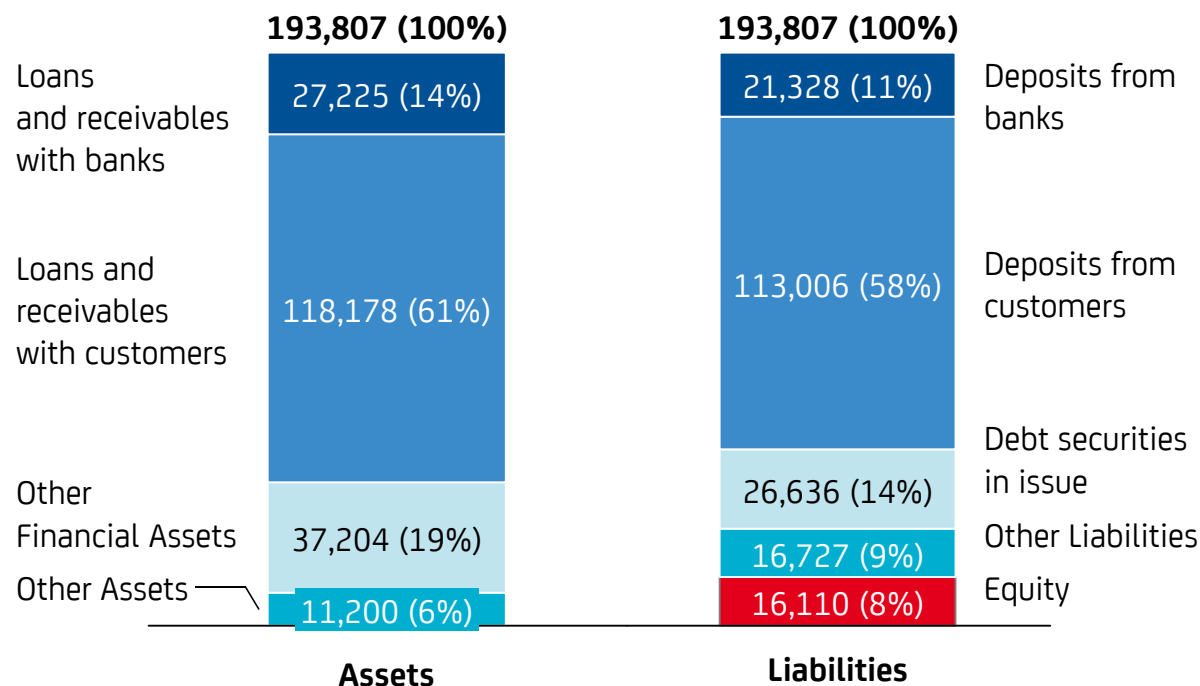


Balance Sheet structure (as of 30 June 2016)

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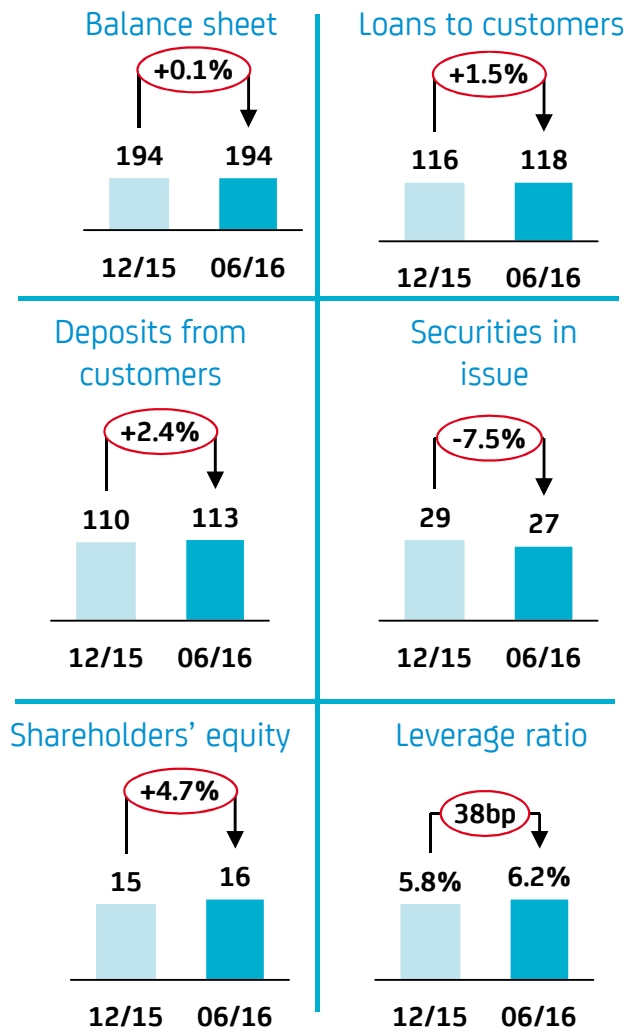
Overview Bank Austria
Balance Sheet & Capital Ratios

Balance Sheet¹⁾ (€ mn)



- **Balance sheet development flat** vs. year end 2015, with a reduction in interbank volumes compensated by 2% increase both in customer loans and customer deposits
- **Solid equity base** of € 16.1 bn (up vs. YE15 by + 5%)
- **Leverage Ratio at strong 6.2%**

Change vs. 31 December 2015 (€ bn)¹⁾



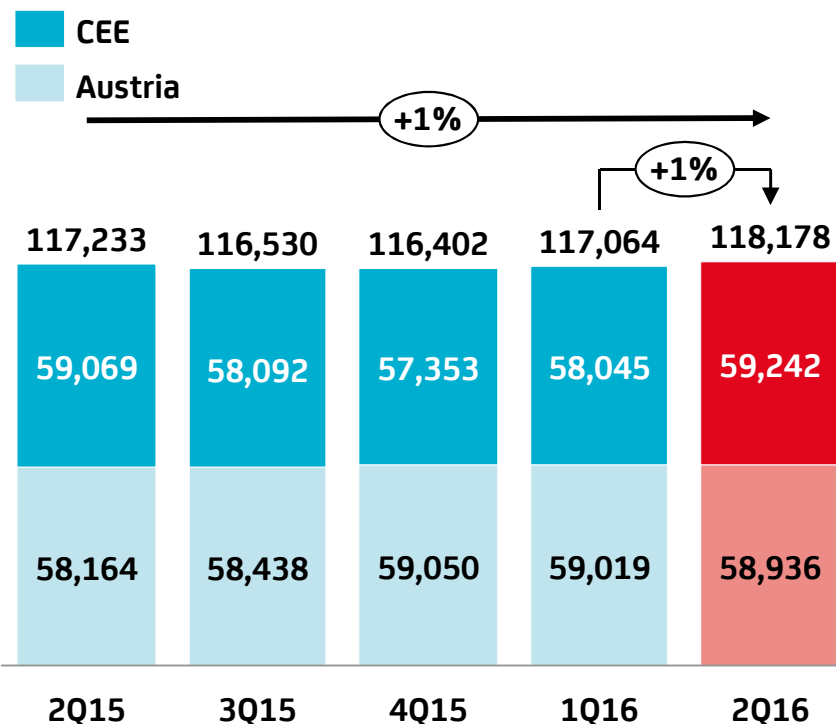
Loan and Deposit Volumes

Strong increase in deposits y/y, very good Loans/Direct Funding Ratio

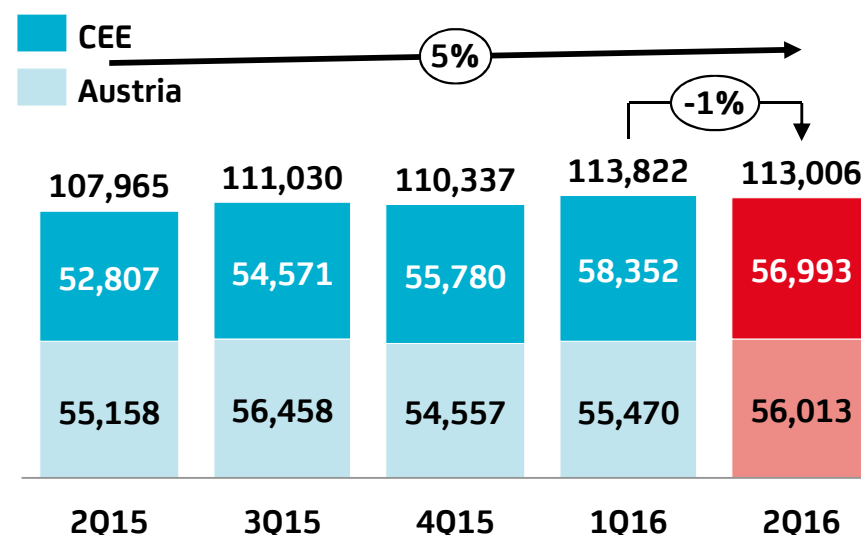
1 2 3

Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

85% 83% 83% 82% 84%

- Loans to customers y/y slightly up both in Austria and CEE
- Deposits from customers with a strong growth of 5% y/y, mainly driven by CEE countries (but Russia mitigated by Ruble devaluation) and also good development in Austria
- Overall excellent funding base, Loans/Direct Funding Ratio at very good 84%

¹⁾ All figures recast and excl. Turkey and Ukraine; ²⁾ Loans / (deposits + securities in issue + financial liabilities at fair value)



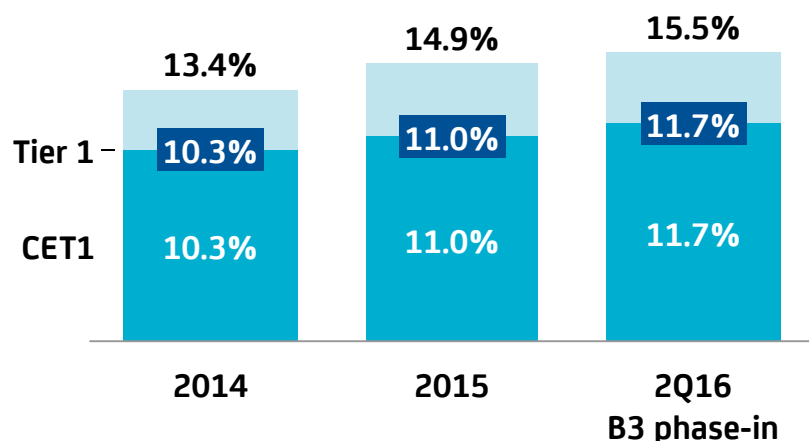
Capital position and RWA

Sound capital ratios

1 2 3

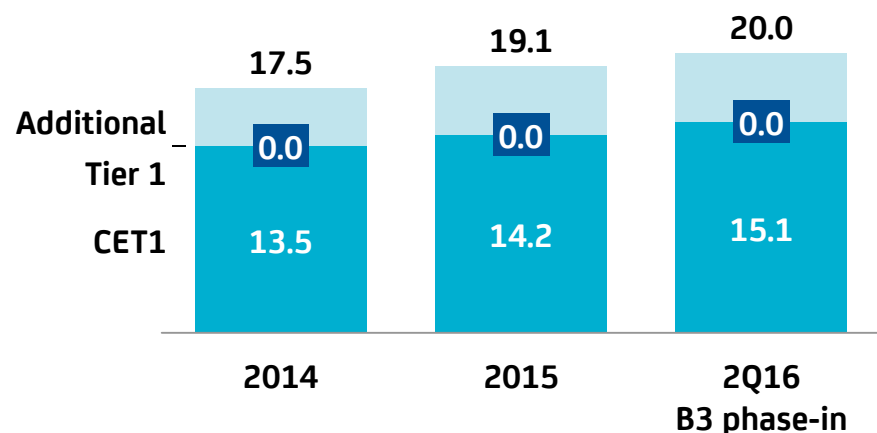
Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios²⁾

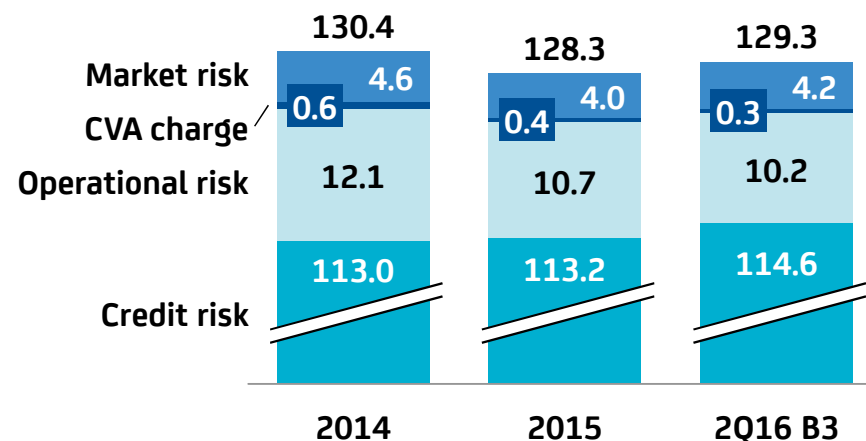


- **Common Equity Tier 1 (CET1) ratio increased to 11.7%** and **Total Capital ratio to 15.5%** (both according to Basel 3 phase-in)
- **Increase of regulatory capital** mainly due to inclusion of 1H16 profit
- **Total RWA** increase slightly vs YE (mainly due to loan growth in CEE)

Regulatory Capital²⁾ (€bn)



Risk-Weighted Assets²⁾ (€bn)



1) Starting with 2014, figures in accordance with Basel 3/CRR and since 3Q14 based on IFRS; transitional adjustments (phase-in) only relevant for capital, not for RWA

2) As of October 2016, management of the banking network in CEE (13 countries) transferred under UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.



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- Transactions
- Cover Pool

3 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

Liquidity & Funding
Funding Strategy & Position

UniCredit S.p.A. – Holding

LRB Italy/CEE	LRB Germany	LRB Austria	LRB Poland
UniCredit S.p.A (Baa1/BBB-/BBB+)	UniCredit Bank AG (Baa1/BBB/A-)	UniCredit Bank Austria AG (Baa2/BBB/BBB+)	Bank Pekao SA (A2/BBB+/A-)
<ul style="list-style-type: none"> Bank capital OBG (covered bonds) Registered sec./ <i>Schuldschein-darlehen</i> (SSD) Senior benchmark Private placement Network issues 	<ul style="list-style-type: none"> Mortgage- and Public Sector Pfandbriefe Senior benchmark Registered sec. (SSD, NSV^{*)}) covered / senior Private placements Network Issues Certificates 	<ul style="list-style-type: none"> Mortgage- and Public Sector Pfandbriefe Senior benchmark Housing-bank-bonds (<i>Wohnbaubank-anleihen</i>) Registered sec. (SSD, NSV^{*)}) covered/senior Private placements Network issues 	<ul style="list-style-type: none"> Network issues Bearer bonds

- **Own Issue Programs**
- **Presence on the local and global markets**
- During the liquidity crisis **no state aid** needed
- **Coordination of the global market presence** through UniCredit Holding

Long-Term Ratings by (Moody's/S&P/Fitch) as of 11 May 2016



Self-funding of Business Growth of Bank Austria Group

1 2 3

Liquidity & Funding
Funding Strategy & Position

Business Growth of BA Group to be self-funded by a well-balanced mix of customer deposits and market issuances

- **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 capital markets: from 2010 focus was given to issuance of benchmark-sized Pfandbriefe and **since 2013** also on **Senior Unsecured Benchmarks**
- 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

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

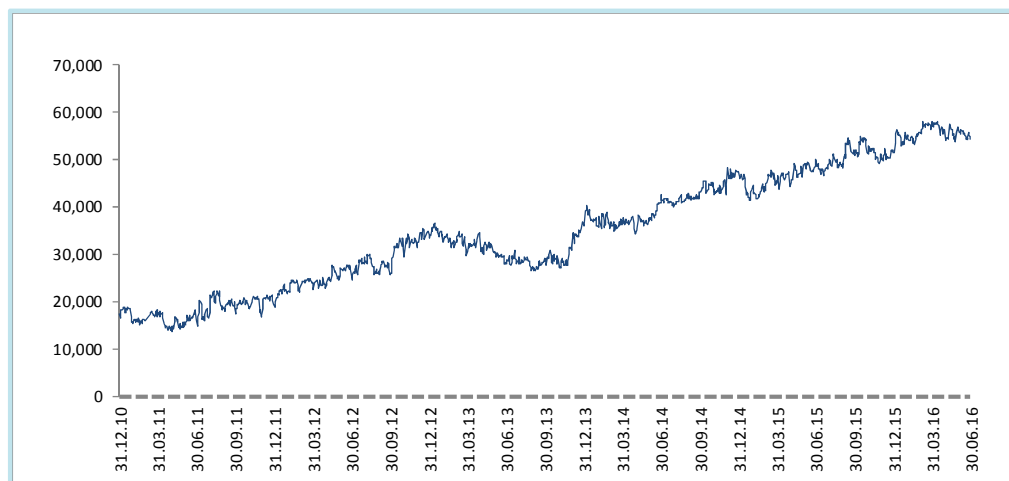


BA Group-wide Liquidity Position (steered centrally by ALM BA)

1 2 3

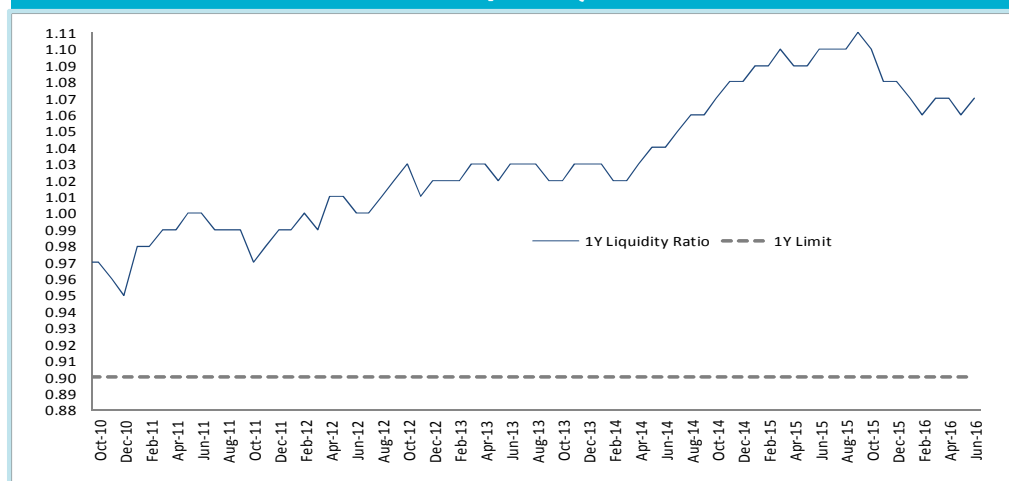
Liquidity & Funding
Funding Strategy & Position

BA RLC 3 month available liquidity position ^{1) 2)}



- **Positive primary GAP**
- **Cash horizon constantly above 3M**, above the Group target
- **Sound counterbalancing capacity** (approx. € 37bn on 3m bucket), increased by € 6.0 bn year on year
- **Liquidity Coverage Ratio** as of 30th June 2016 was still at safe level of 116% for BA AG and 149% for BA Group.

Structural liquidity ratio (1Y)



- **Structural liquidity ratio³⁾ well above limits.**
 - Internal rule of 0.90 for maturities above 1y
 - Level as of June 2016: 1.07
- **Structural Liquidity remains at comfortable levels despite lower FP execution due to DeLorean.**
- **NSFR fulfillment at 103%.**
- **Slight worsening in the L/D ratio compared to Q1 (102%).**

⁽¹⁾ Sum of net liquidity inflow + counterbalancing capacity

⁽²⁾ Assuming no roll-over of current outstanding wholesale debt

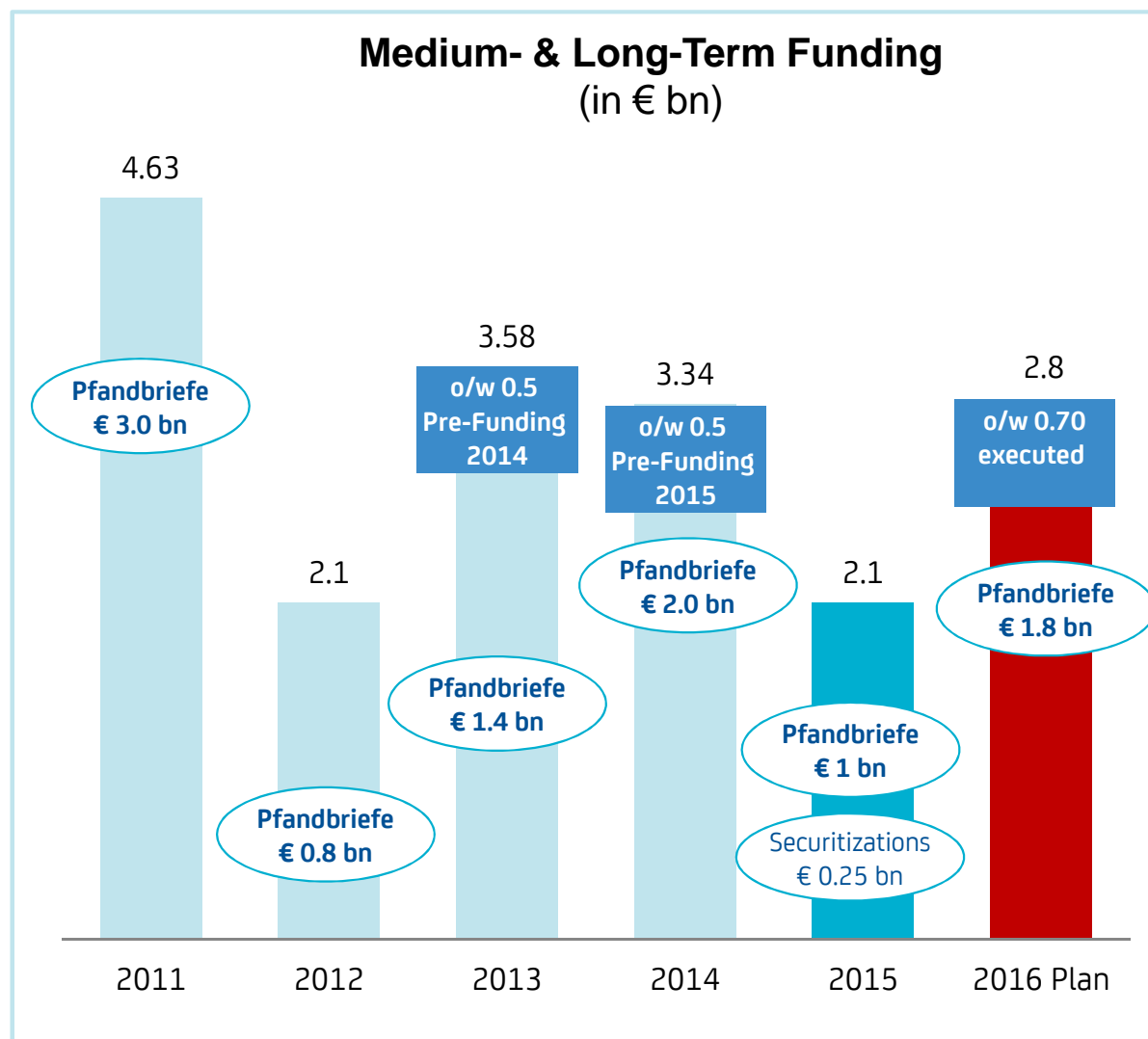
⁽³⁾ Calculated as ratio between liabilities (cumulative sum above one year) and assets (cumulative sum above one year)



Medium- & Long-Term Funding Development and Target 2016

1 2 3

Liquidity & Funding
Funding Strategy & Position



Benchmark Issuances in 2014 and 2015:

- **Mortgage Pfandbrief Benchmark** in January, April, September 2014 and February, September 2015 successfully placed
- **Public Sector Pfandbrief Benchmark** in May 2014 successfully placed

Plan for 2016:

- **Benchmark Issues, Private Placements and Issuance via own Network** of Covered Bonds and Senior Bonds

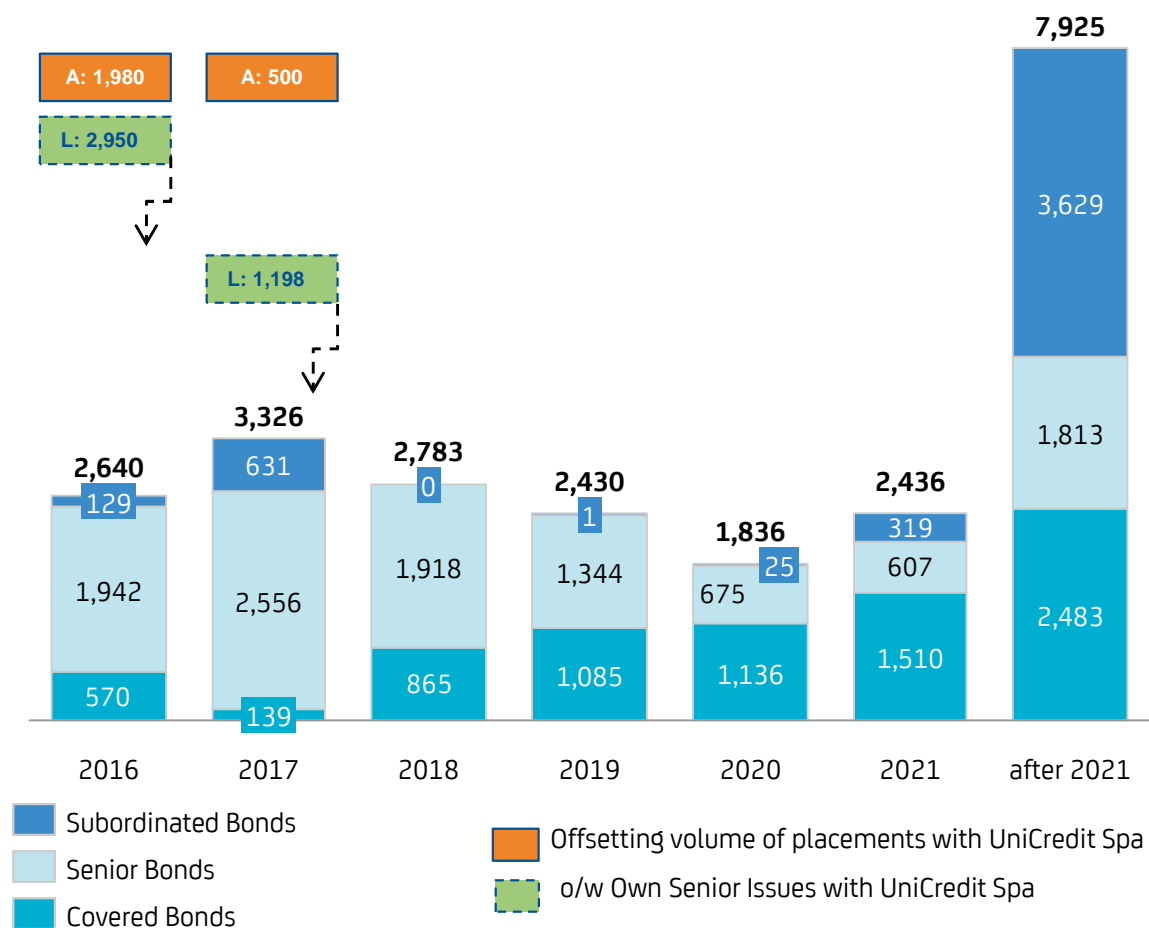


Maturity Profile of Bank Austria's Own Issues (as of 30 June 2016)

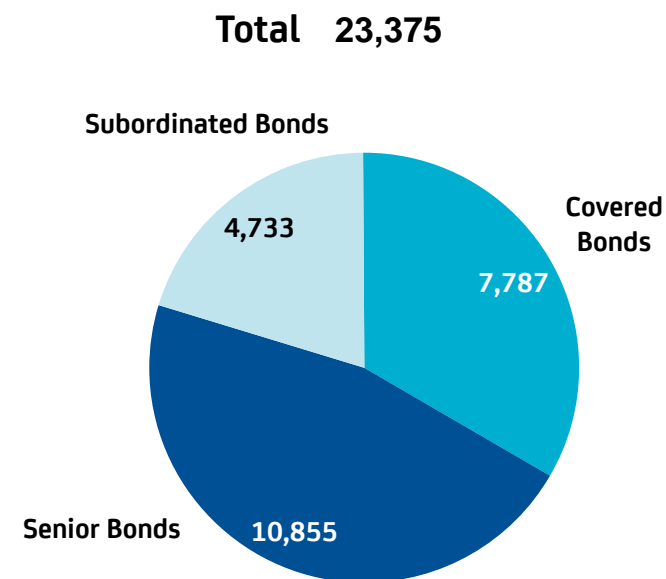
1 2 3

Liquidity & Funding
Funding Strategy & Position

Maturity Profile
(in € mn)



Split of Instruments
(in € mn)



- Above percentage distribution of these instruments targeted to be maintained at similar levels also in the future
- Approx. 15% of total own issues were placed as retail issues

Note: Data including issues sold through Group network



Agenda

1 Overview Bank Austria

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

2 Liquidity & Funding

- Funding Strategy & Position
- **Transactions**
- Cover Pool

3 Annex



Overview of Pfandbrief Benchmark Issues 2015

1 2 3

Liquidity & Funding
Transactions

- February, successful issue of a 10-year **Mortgage Pfandbrief Benchmark**

Bank Austria
Mortgage Pfandbrief

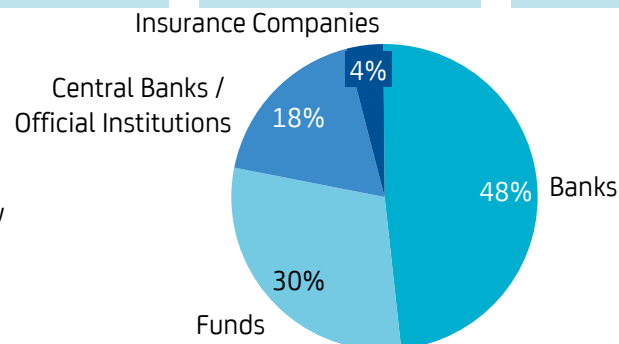
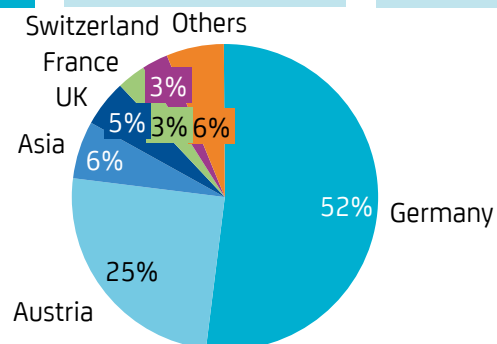
0.75%

25/02/2025

€ 500 mn

Feb. 2015

MS + 3bps



- In September, successful issue of a 7-year **Mortgage Pfandbrief Benchmark**

Bank Austria
Mortgage Pfandbrief

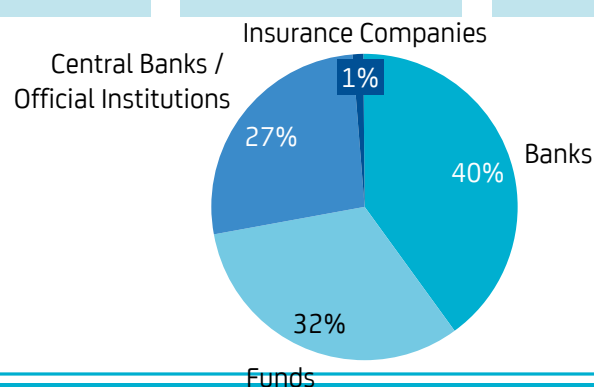
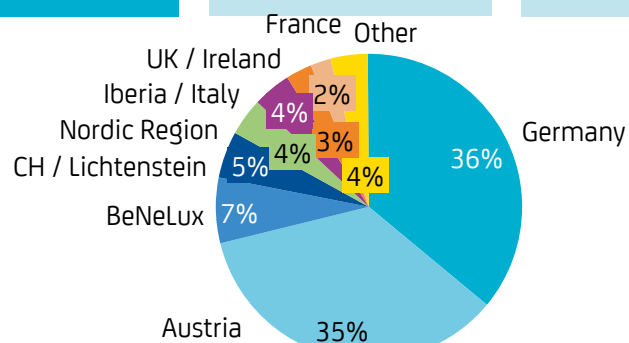
0.75%

08/09/2022

€ 500 mn

Sept 2015

MS + 5bps



Overview of Pfandbrief Benchmark Issues 2014

1 2 3

Liquidity & Funding
Transactions

Bank Austria Mortgage Pfandbrief	2.375%	22/01/2024	€ 500 mn	Jan. 2014	MS + 35bps
Bank Austria Mortgage Pfandbrief	1.25%	14/10/2019	€500 mn	April 2014	MS + 23bps
Bank Austria Public Sector Pfandbrief	1.375%	26/05/2021	€ 500 mn	May 2014	MS + 25bps
Bank Austria Mortgage Pfandbrief	0.5%	16/01/2020	€ 500 mn	Sept. 2014	MS + 7bps



Overview of Pfandbrief Benchmark Issues prior to 2014

1 2 3

Liquidity & Funding
Transactions

Bank Austria Mortgage Pfandbrief	1.25%	30/07/2018	€ 500 mn	July 2013	Mid-Swap +26
Bank Austria Mortgage Pfandbrief / First Tap	1.25%	30/07/2018	€200 mn	Sept. 2013	Mid-Swap +10
Bank Austria Public Sector Pfandbrief	4.125%	24/02/2021	€ 1 bn	Feb. 2011	Mid-Swap +69
Bank Austria Public Sector Pfandbrief	2.875%	04/11/2016	€ 500 mn	Nov 2011	Mid-Swap +85
Bank Austria Public Sector Pfandbrief	2.625%	25/04/2019	€ 500 mn	Apr 2012	Mid-Swap +88
Bank Austria Public Sector Pfandbrief	1.875%	29/10/2020	€ 500 mn	Oct 2013	Mid-Swap +25

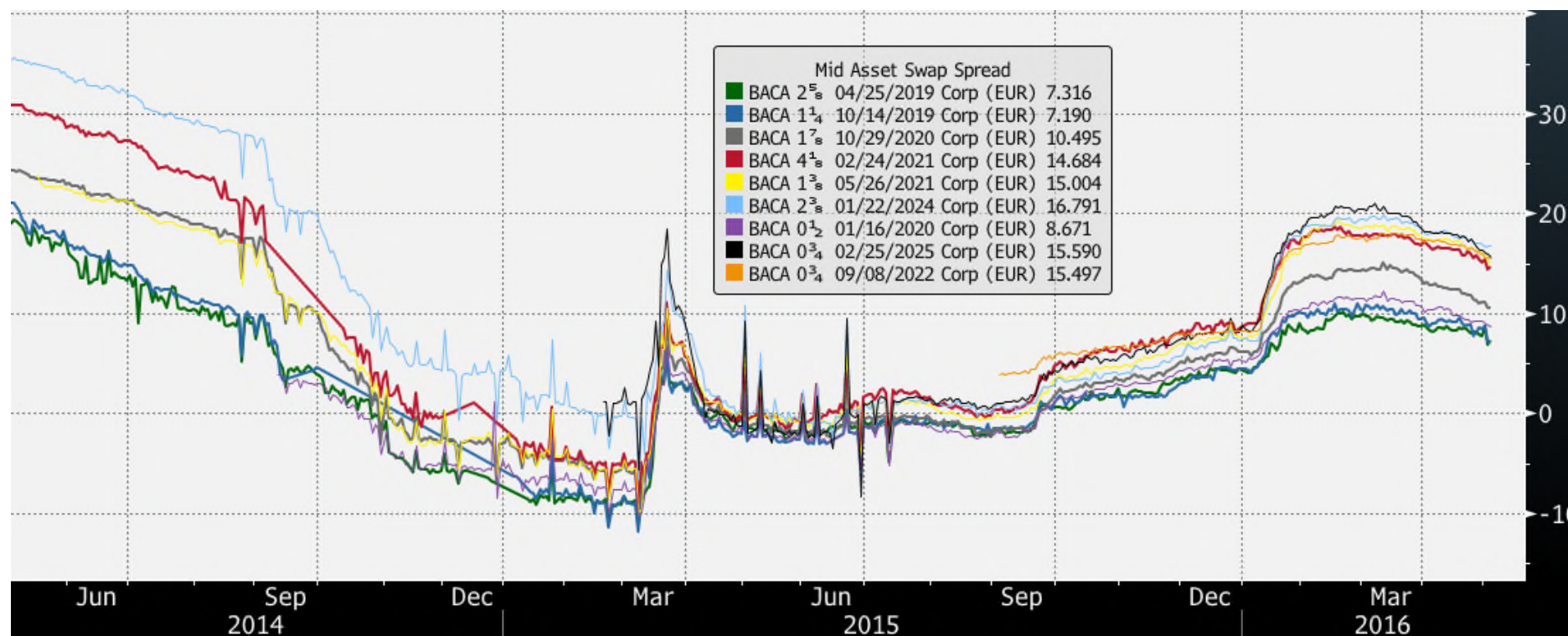


Bank Austria Covered Bond Spread Comparison

1 2 3

Liquidity & Funding
Transactions

Stable performance of all BA Covered Benchmark Bonds issued so far



Source: Bloomberg Mid ASW-Spread



Overview of Senior Unsecured Benchmark Issues 2013

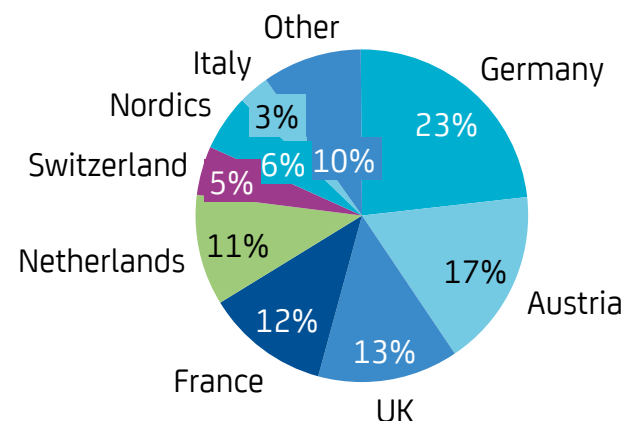
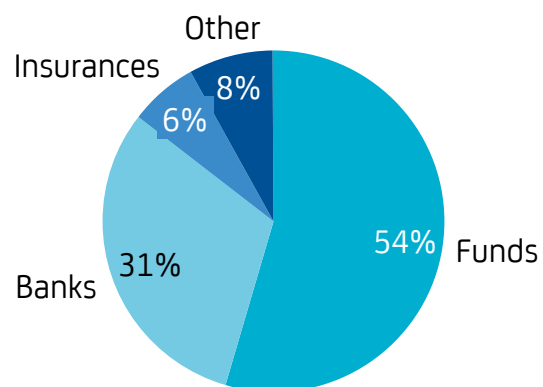
1 2 3

Liquidity & Funding
Transactions

- Senior Unsecured Benchmarks (January 2013 and its first tap in May and an additional one in November 2013) were successfully issued

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

- Overview of Investors



Agenda

1 Overview Bank Austria

- Business Model & Strategy
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- Balance Sheet & Capital Ratios

2 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- **Cover Pool**

3 Annex



Executive Summary Bank Austria

Public Sector Cover Pool

1 2 3

Liquidity & Funding
Cover Pool

- **Aaa Rating** by Moody's
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria
- Cover Pool Volume as of 30 June 2016 amounts to EUR 7,150 mn
- Average volume of loans is approx. € 1.89 mn
- Average seasoning is 6.1 years



Public Sector

Parameters of Cover Pool and Issues

1 2 3

Liquidity & Funding
Cover Pool

- Total Value of the Cover Pool as of 30 June 2016 in EUR equivalent: 7,150 mn
 - thereof in EUR: 3,708 mn
 - thereof in CHF: 1,732 mn
 - thereof public sector bonds in EUR equivalent: 1,710 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6.1
Contracted Weighted Average Life (in years)	8.3
Average Seasoning (in years)	6.2
Total Number of Loans	3,778
Total Number of Debtors	1,427
Total Number of Guarantors	281
Average Volume of Loans (in EUR)	1,892,428
Stake of 10 Biggest Loans	29.2%
Stake of 10 Biggest Guarantors	29.9%
Stake of Bullet Loans	61.9%
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*): 57.0% / 43.8%
- Total Value of Sold Covered Bonds as of 30 June 2016 in EUR: 4,555 mn

Parameters of Issues:	
Total Number	36
Average Maturity (in years)	4.2
Average Volume (in EUR)	126,518,211

*) 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 6,748 mn, thus the overcollateralization is 48.2%. 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

Liquidity & Funding
Cover Pool

Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	1.676	23,4%
Maturity 12 - 60 months	1.561	21,8%
thereof Maturity 12 - 36 months	963	13,5%
thereof Maturity 36 - 60 months	598	8,4%
Maturity 60 - 120 months	1.007	14,1%
Maturity longer than 120 months	2.905	40,6%
Total	7.150	100,0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	510	11,2%
Maturity 12 - 60 months	3.635	79,8%
thereof Maturity 12 - 36 months	1.635	35,9%
thereof Maturity 36 - 60 months	2.000	43,9%
Maturity 60 - 120 months	127	2,8%
Maturity longer than 120 months	283	6,2%
Total	4.555	100,0%










Public Sector

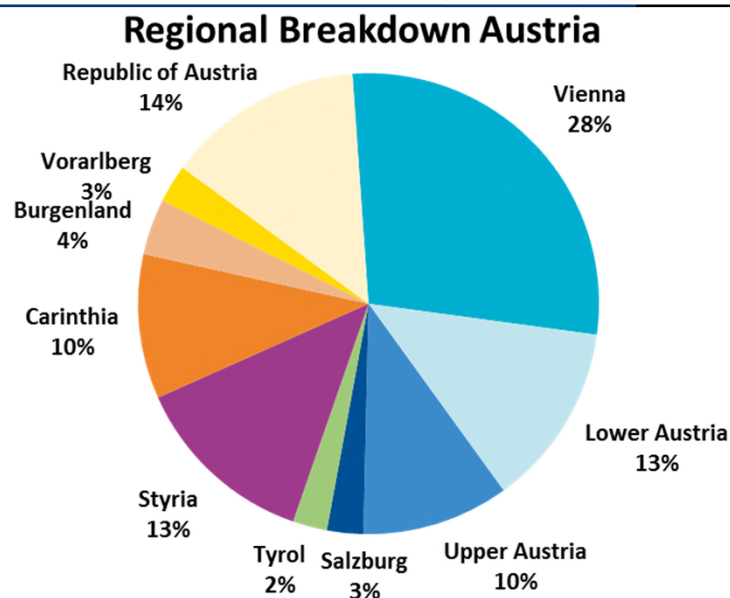
Regional Breakdown of Assets^{*)} in Austria

1 2 3

Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	in %
 Vienna		2,020	28.3%
 Lower Austria		921	12.9%
 Upper Austria		738	10.3%
 Salzburg		182	2.5%
 Tyrol		172	2.4%
 Styria		930	13.0%
 Carinthia		726	10.2%
 Burgenland		281	3.9%
 Vorarlberg		190	2.7%
 Republic of Austria		989	13.8%
Total Austria		7,150	100.0%



^{*)} Considering Guarantors



Public Sector

Assets Volume Breakdown by Type of Debtor / Guarantor

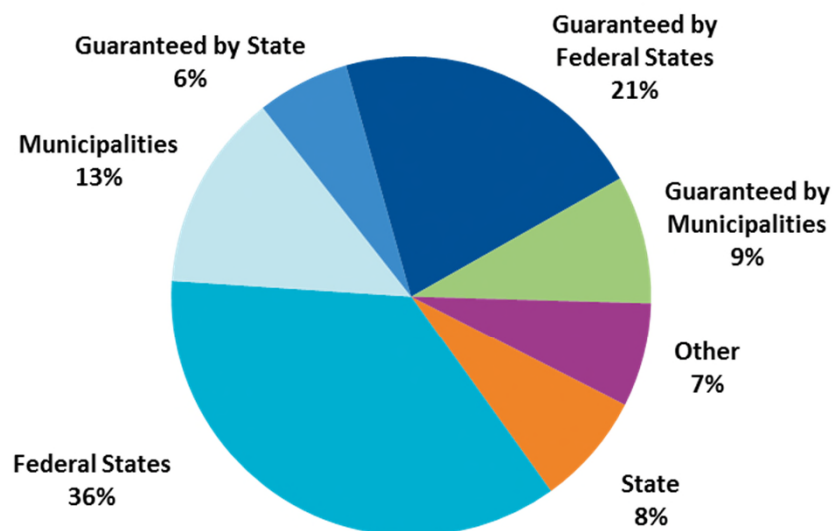
1 2 3

Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	544	6
Federal States	2,570	60
Municipalities	954	2,164
Guaranteed by State	445	161
Guaranteed by Federal States	1,515	248
Guaranteed by Municipalities	618	446
Other	504	693
Total	7,150	3,778

Type of Debtor / Guarantor



Public Sector

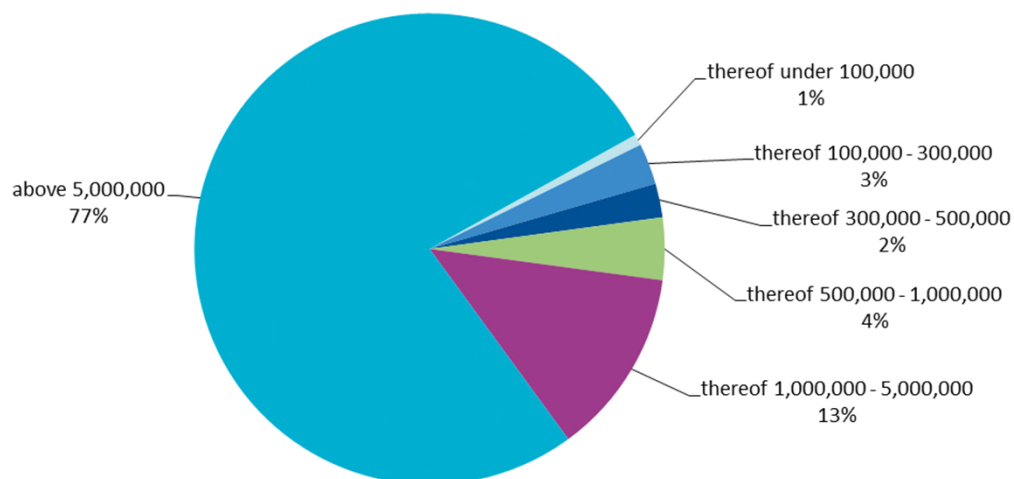
Volume Breakdown by Size of Assets

1 2 3

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	256	2,303
thereof under 100,000	55	1,198
thereof 100,000 - 300,000	202	1,105
300,000 - 5,000,000	1,389	1,331
thereof 300,000 - 500,000	166	432
thereof 500,000 - 1,000,000	306	432
thereof 1,000,000 - 5,000,000	917	467
above 5,000,000	5,504	144
Total	7,150	3,778

Breakdown by Size of Assets



Executive Summary

Bank Austria Mortgage Cover Pool



COVERED BOND
• L A B E L •

Liquidity & Funding
Cover Pool

1 2 3

- **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

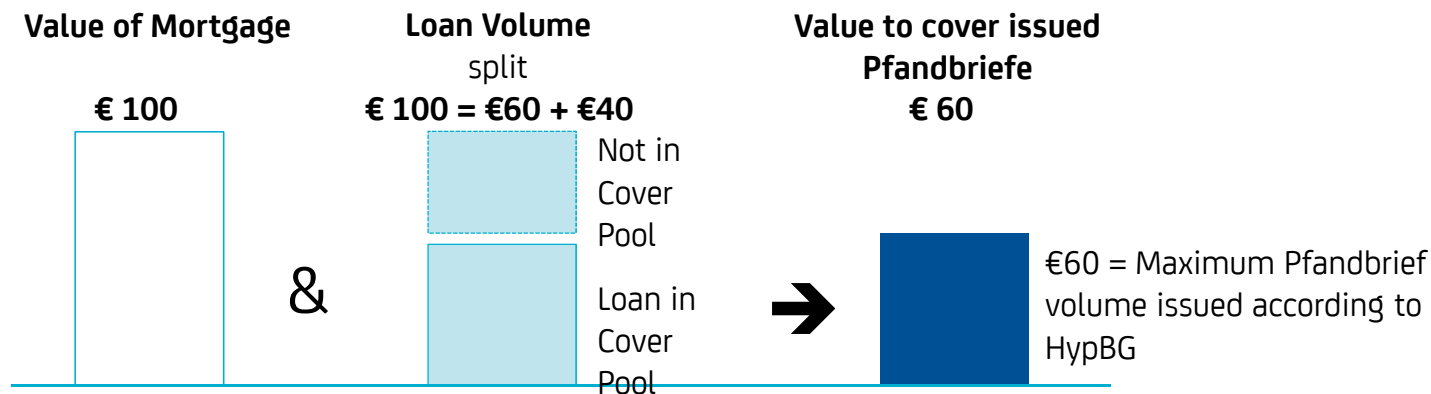
Whole Loan Approach and its Benefits for Investors

1 2 3

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)

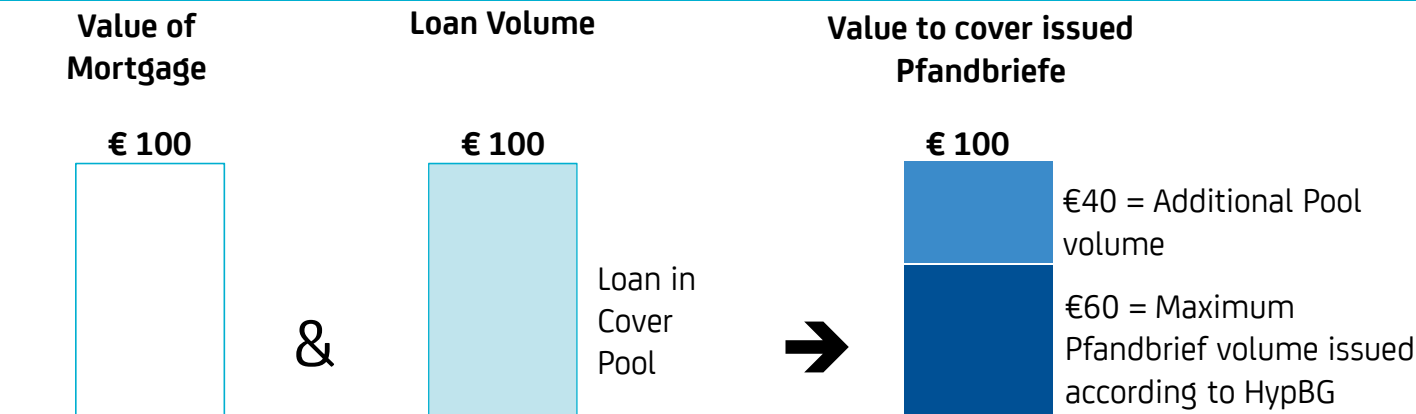
Scenario I: Split Loan Approach = Minimum Approach



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

- The over-collateralization is approx. EUR 5.4 bn or 110% (as of 30th June 2016)

Overview	30.06.2016				
Issue volume	EUR 4.9 bn				
Over-collateralization	EUR 5.4 bn (110%)				
Total Asset Value	EUR 10.3 bn	o/w CHF	31.12.2014	30.06.2016	
Total Cover Value	EUR 7.0 bn	o/w CHF	EUR 1.6 bn	EUR 1.6 bn	(16% of total asset value)
			EUR 670 mln	EUR 564 mln	(8% 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 28.0%
- 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 (175 of 26,000) were taken out in 2014 for this reason
 - Special safety buffers are designated for CHF Loans
 - The credit rating of FX-Loans is subject to additional and stricter standards and will - as always - be evaluated regularly
 - For CHF Loans an additional FX-buffer of 25% on the credit volume is considered, which must be covered by the credit rating of the client
 - No new CHF mortgage loans, therefore no inflows into Cover Pool since 2010



Mortgage Cover Pool

Parameters of the Cover Pool and Issues

Liquidity & Funding
Cover Pool

1	2	3	■ Total Value of the Cover Pool as of 30 June 2016 in EUR equivalent:	10,269 mn
			• thereof in EUR:	8,572 mn
			• thereof in CHF:	1,569 mn
			• thereof substitute cover in EUR:	128 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9.2
Contracted Weighted Average Life (in years)	13.8
Average Seasoning (in years)	6.1
Total Number of Loans	29,814
Total Number of Debtors	27,984
Total Number of Mortgages	29,814
Average Volume of Loans (in EUR)	340,115
Stake of 10 Biggest Loans	15.1%
Stake of 10 Biggest Debtors	17.6%
Stake of Bullet Loans	37.9%
Stake of Fixed Interest Loans	15.4%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.3%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralisation*):	110.3% / 105.3%
■ Total Value of Issued Mortgage Pfandbriefe as of 30 June 2016 in EUR:	4,883 mn
■ Total Value of Sold Mortgage Pfandbriefe as of 30 June 2016 in EUR:	4,283 mn

Parameters of Issues:	
Total Number	99
Average Maturity (in years)	5.3
Average Volume (in EUR)	49,319,383

*) 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 6,987 mn, thus the overcollateralization is 43.1%. 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

Liquidity & Funding
Cover Pool

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		301	2,9%
Maturity 12 - 60 months		1.533	14,9%
thereof Maturity 12 - 36 months		680	6,6%
thereof Maturity 36 - 60 months		853	8,3%
Maturity 60 - 120 months		2.201	21,4%
Maturity longer than 120 months		6.234	60,7%
Total		10.269	100,0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		131	2,7%
Maturity 12 - 60 months		2.668	54,7%
thereof Maturity 12 - 36 months		1.032	21,1%
thereof Maturity 36 - 60 months		1.636	33,5%
Maturity 60 - 120 months		1.733	35,5%
Maturity longer than 120 months		350	7,2%
Total		4.883	100,0%



Mortgage Cover Pool

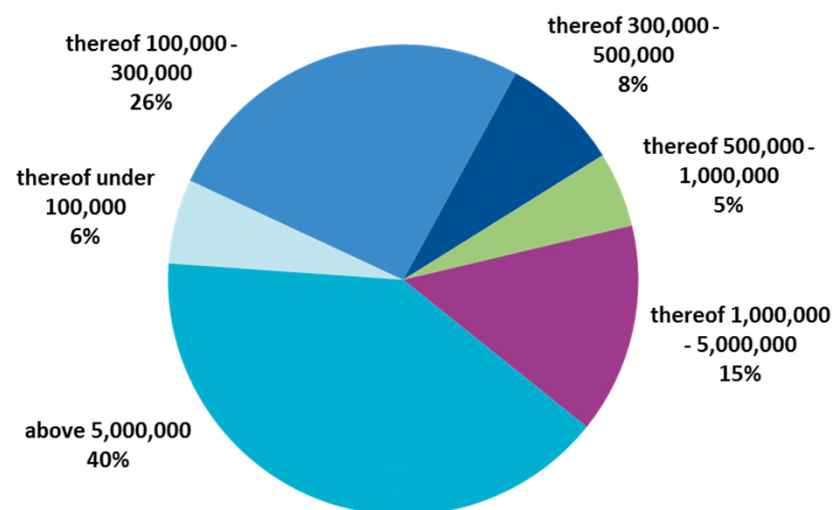
Assets Volume Breakdown

1 2 3

Liquidity & Funding
Cover Pool

Volume Breakdown by Size of Loans	in mn EUR	Number
below 300,000	3,270	25,867
thereof under 100,000	598	10,697
thereof 100,000 - 300,000	2,671	15,170
300,000 - 5,000,000	2,855	3,766
thereof 300,000 - 500,000	839	2,290
thereof 500,000 - 1,000,000	531	769
thereof 1,000,000 - 5,000,000	1,485	707
above 5,000,000	4,144	181
Total	10,269	29,814

Breakdown by Size of Loans





Mortgage Cover Pool

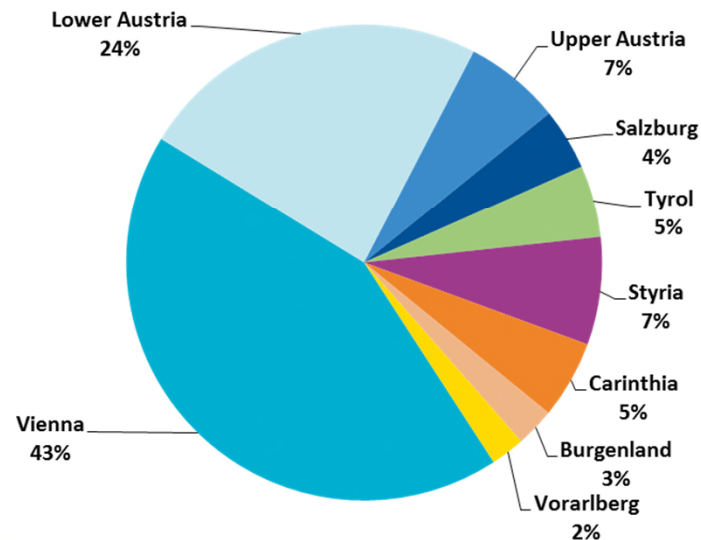
Regional Breakdown^{*)} of Mortgages in Austria

1 2 3

Liquidity & Funding
Cover Pool

Regional Breakdown Austria		in mn EUR	%
	Vienna	4,351	42.9%
	Lower Austria	2,422	23.9%
	Upper Austria	664	6.5%
	Salzburg	425	4.2%
	Tyrol	498	4.9%
	Styria	742	7.3%
	Carinthia	537	5.3%
	Burgenland	267	2.6%
	Vorarlberg	234	2.3%
Total		10,140	100.0%

Regional Breakdown Austria



Mortgage Cover Pool

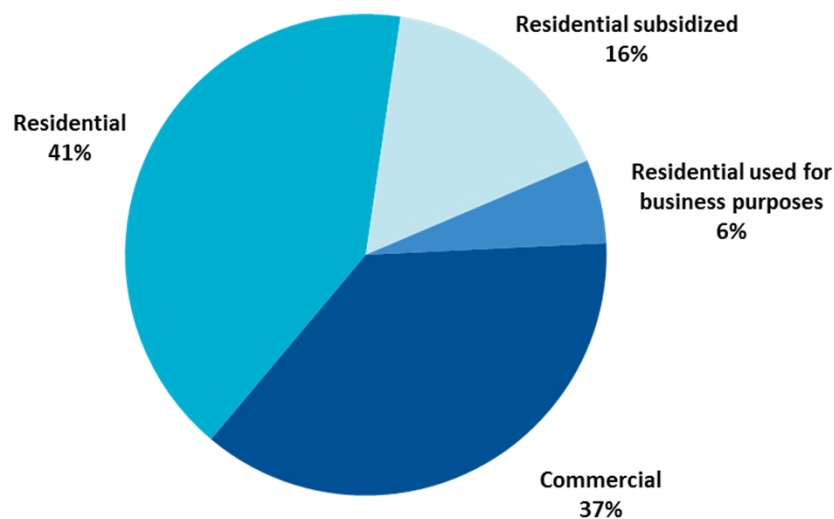
Breakdown^{*)} by Type of Use

1 2 3

Liquidity & Funding
Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	4,177	25,938
Residential subsidized	1,651	1,940
Residential used for business purposes	572	1,118
Commercial	3,740	818
thereof Office	1,661	141
thereof Trade	1,140	74
thereof Tourism	192	114
thereof Agriculture	23	104
thereof mixed Use / Others	724	385
Total	10,140	29,814

Mortgages / Type of Use



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



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

1 2 3

Liquidity & Funding
Cover Pool

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€ 10,140 mn** as of 30 June 2016 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna 42.9% and the state of Lower Austria 23.9%
- **Breakdown of cover pool by type of use:**
 - 63.1% residential real estate (thereof 16.3% subsidized)
 - 36.9% commercial real estate, divides as follows:
 - Office 16.4%
 - Trade 11.2%
 - Tourism 1.9%
 - Other / Mixed use 7.4%

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



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1 Overview Bank Austria

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2 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

3 Annex



Agenda

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- Cover Pool

3 Annex

- **Bank Austria within UniCredit Group**
- Real Estate Market Austria
- Legal Situation – Austrian Covered Bonds



UniCredit at a glance

A clear international profile based on a strong European identity

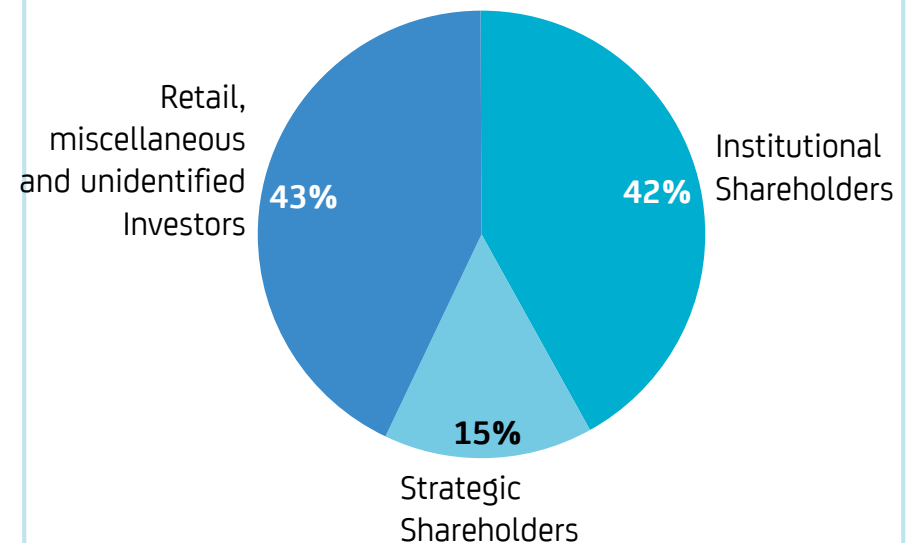
1 2 3

Annex
BA within UniCredit Group

UniCredit Highlights

- Strong local roots in 17 countries
- ~ 123,900 employees
- ~ 6,600 branches
- ~ 30 mn customers in Europe
- One of the most important banks in Europe with total assets of ~ € 875 bn
- One of the 30 Global Systemically Important Banks (“G-SIBs”) worldwide
- Market capitalization of ~ € 11 bn ²⁾
- Common Equity Tier 1 (CET1) Ratio at 10.33% under Basel 3 fully loaded ³⁾

Shareholder Structure¹⁾



Main shareholders:

- Stable shareholders, e.g. Foundations
- Institutional investors
- Retail investors

1) Source: UniCredit analysis on Sodali Shareholders' ID. All data based on ordinary shares as at 16 June 2016

2) As of 2 August 2016

3) As of 30 June 2016



Agenda

1 Overview Bank Austria

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

2 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

3 Annex

- Bank Austria within UniCredit Group
- **Real Estate Market Austria**
- Legal Situation – Austrian Covered Bonds



Austrian Real Estate Market Overview

- 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. In 2015 as a whole, the total return of this portfolio amounted to 5.9%. Over the last ten years annual average total return was calculated as 5.7% and even in the crisis years 2008/2009 total return amounted to around 4%
- In 2015 investment in commercial real estate in Austria reached a new record volume of up to EUR 3.8bn depending on the source. With ultra-low or even negative interest rates demand for real estate will stay strong, although it is somewhat hampered by scarce supply of core property and high prices
- Residential real estate prices in Vienna have risen considerably over the last ten years. Nevertheless, price increases slowed down last year, while prices in the rest of Austria accelerated



Austrian Real Estate Market

Prices for residential real estate

1 2 3

Annex
Real Estate Market Austria

- The strong increase of real estate prices in Vienna has moderated considerably over the last quarters
- Prices in Austria excl. Vienna, which showed a more moderate development over the last ten years, recently accelerated



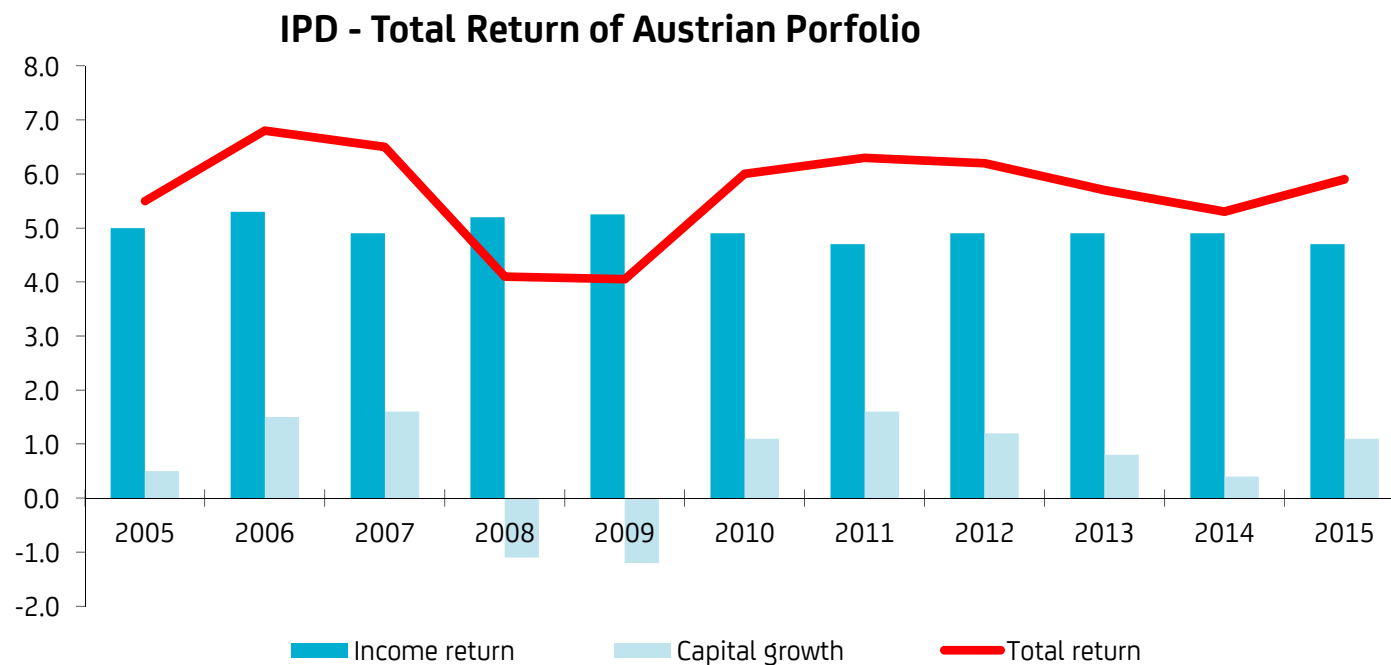
Austrian Real Estate Market

IPD

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Annex
Real Estate Market Austria

- Austria's real estate market scores through relatively high stability, which is confirmed by calculations done by IPD/MSCI.



Source: IPD/MSCI



Agenda

1 Overview Bank Austria

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

2 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

3 Annex

- Bank Austria within UniCredit Group
- Real Estate Market Austria
- **Legal Situation – Austrian Covered Bonds**



Austrian Legal Framework

Mortgage and Public Sector Pfandbriefe

1 2 3

Annex

Legal situation – Austrian covered bonds

Austrian Covered Bonds

Pfandbriefe

Fundierte Schuldverschreibungen

Hypothekendarstellungsgesetz
(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

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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