

# Bank Austria



## Presentation to Fixed Income Investors

Investor Relations

May 2019

Banking that matters.



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## 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 **1<sup>st</sup> October 2016**
- **Transfer of CEE business from BA AG to UniCredit 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 18.6%** as of December 2018)

#### 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, 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*

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

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

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

*No impact of CEE transfer on Bank Austria clients*

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

***Solid CET1 ratio of 18.6% <sup>1)</sup>***



# 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 (CC) 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

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## 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 a fully plugged in CIB, delivering a unique Western, Central & Eastern European network

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UniCredit at a glance

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

**26.4 million** clients<sup>(1)</sup>  
**81%** revenues from Commercial Banking<sup>(2)</sup>

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

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

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

**€2.8bn** joint CIB-Commercial Banking revenues<sup>(5)</sup>

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

**51%** revenues outside Italy<sup>(6)</sup>

(1) Data as of FY18 includes 100% clients in Turkey

(2) Business division revenues as of FY18: CB Italy, CB Germany, CB Austria, CEE and Fineco

(3) Data as of 3Q18 (FY17 for Austria), ranking between #1 and #5 of market share in terms of total assets according to local accounting standard

(4) Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Romania, Serbia, Slovakia, Slovenia, Turkey

(5) Data as of December 2018 includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured finance products from Corporate clients

(6) Data as of FY18 based on regional view



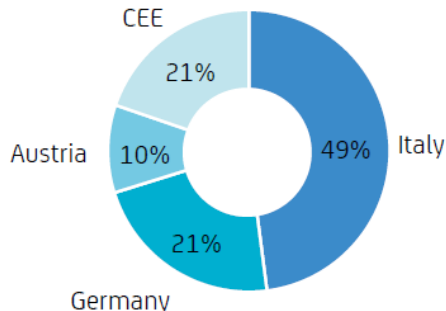
# Strong competitive advantage across countries and products

## Strong local Commercial Banks

# clients, m<sup>(1)</sup> Rank by assets in Europe<sup>(2)</sup>

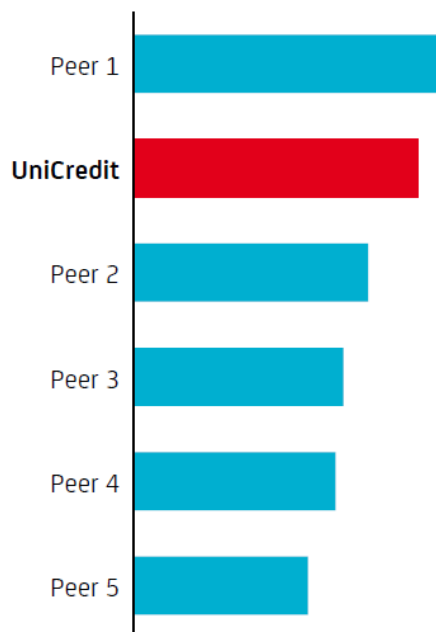
Italy	8.9	2
Germany	1.6	3
Austria	1.6	1
CEE	14.3	1

Revenues by geography<sup>(3)</sup>



## "Go to" bank for European "Mittelstand" Corporates

Loans to corporates in Europe zone, €bn<sup>(4)</sup>



## Best-in-class CIB product provider

EMEA rankings<sup>(5)</sup>

EMEA Bonds in Euro by # of transactions <sup>(5)</sup>	1
All Bonds in Euro in Italy and Germany <sup>(5)</sup>	1
Syndicated Loans in Italy, Germany, Austria, CEE <sup>(5)</sup>	1

## Awards



- **Global Finance** 2018 Best Bank for Liquidity Management in CEE and Western Europe, in Italy and in Austria<sup>(6)</sup>
- **Euromoney Trade Finance Survey 2018:** Best Service Provider (#1 Global All Services, Products/Payments, Overall Execution). Market Leader #1 in Bosnia Herzeġovina, Bulgaria, Croatia, Hungary, Italy, Romania, Serbia and Turkey<sup>(7)</sup>

(1) Data as of FY18 includes 100% clients on Turkey

(2) Data as of 3Q18, based on available public data. For Austria ranking on single entities only possible on the basis of annual figures: FY17 latest figures available. For Germany, only private banks, for CEE compared to Erste, KBC, Intesa Sanpaolo, OTP, RBI, SocGen (data as of 3Q18 where disclosed: KBC as of 1H18, SocGen as of FY17)

(3) Data as of FY18 based on regional view

(4) Data as of 4Q18; peers include: BNP Paribas, Deutsche Bank, Santander, HSBC, Intesa Sanpaolo, Société Générale. FX exchange rate at 30 September 2018

(5) Dealogic as of 2 January 2019; period: 1 Jan – 31 Dec 2018

(6) Source: [www.gfma.com](http://www.gfma.com)

(7) Source: [www.euromoney.com](http://www.euromoney.com)





## STRENGTHEN AND OPTIMIZE CAPITAL

**CET1 ratio guidance confirmed**  
**Full TLAC compliance**

- 4Q18 CET1 ratio 12.07%. MDA buffer of 201bps<sup>(1)</sup>
- FY19 CET1 ratio 12.0-12.5%, MDA buffer target of 200-250bps
- Real estate disposals confirmed, expected +0.2p.p. CET1 ratio impact mainly in 2019
- Fully compliant with TLAC subordination requirements of >17.1%. 4Q18 TLAC subordination ratio 17.42%, pro-forma<sup>(2)</sup> 18.13%, buffer of 107bps<sup>(2)</sup>

## IMPROVE ASSET QUALITY

**Ongoing de-risking**  
**2021 accelerated Non Core rundown fully on track**

- 4Q18 Group gross NPE ratio improved to 7.7% (-2.7p.p. Y/Y) with Group gross NPEs down 10.2bn Y/Y and 2.6bn Q/Q, of which 4.4bn<sup>(3)</sup> disposed in FY18
- Group Core gross NPE ratio 4.1%, down 99bps Y/Y, close to the EBA average<sup>(4)</sup>
- Accelerated Non Core rundown by 2021 fully on track. 4Q18 Non Core gross NPEs at 18.6bn, better than 19bn target. FY19 14.9bn target confirmed

## TRANSFORM OPERATING MODEL

**Transformation ahead of schedule**  
**Improved cost reduction**

- 93% of 944 Transform 2019 branch closure target already achieved, with 50 in 4Q18 and 881 since December 2015 in Western Europe
- 100% of 14,000 Transform 2019 FTE reduction target achieved. FTEs down by 1,087 Q/Q
- FY18 Group costs at 10.7bn, better than 11.0bn target. FY19 costs confirmed at 10.4bn

(1) MDA buffer vs. fully-loaded requirement as at 1 January 2019

(2) Managerial figures under current regulatory assumptions including \$3bn senior non-preferred issuance in January 2019

(3) Of which 2.1bn in Non Core; NPE = Non-Performing Exposure

(4) Weighted average "NPL" ratio of EBA sample banks is 3.4%. Source: EBA risk dashboard (data as at 3Q18). UniCredit's definition of "NPE" ratio is more conservative than that of EBA



## MAXIMIZE COMMERCIAL BANK VALUE

Multichannel offer/  
customer experience

Commercial  
partnerships

Extended product  
catalogue

E2E streamlining

Leading Debt and  
Trade Finance house  
in Europe

## ADOPT LEAN BUT STEERING CENTER

Group CC streamlining

- CEE mobile user penetration<sup>(1)</sup> further improved by 2.3p.p. Q/Q to 40.5%
- Confirming strong commitment to deliver innovative services in all Group geographies
- Google Pay launched in Italy, offering 7 million cardholders a new fast and easy way to pay via mobile
- Apple Pay launched in Germany, following the successful roll-out in Italy. UniCredit among the first
- New insurance product MyCare Family released in Italy in Nov 2018, with more than 50,000 contracts underwritten by year-end 2018
- Germany: new fully digitalised onboarding and retail account opening process
- Trade Finance: UniCredit named Global Best Service Provider in five categories and in 11 European countries in the 2019 Euromoney's Trade Finance Survey
- In 2018, UniCredit lead managed as bookrunner more than 100bn in combined syndicated Bonds and Loans globally, ranking #2 in EMEA for transactions denominated in EUR<sup>(2)</sup>. Moreover, with almost 350 deals, UniCredit was again the most active player in EMEA for Bonds in EUR, an undisputed leadership since 2012<sup>(2)</sup>, which has been further enhanced thanks to the fully plugged-in business model

- The ratio of GCC costs to total costs, is down to 3.4% in FY18. FY19 target of 3.8% confirmed

(1) Including Yapi at 100%. Ratio defined as number of retail mobile users as percentage of active customers.

(2) Source: Dealogic, as at 2 January 2019. Period 1 January – 31 December 2018; rankings by volume, unless otherwise stated.



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  - Asset Quality
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  - Funding Strategy & Position
  - Cover Pool
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## Bank Austria Highlights as of 31 December 2018

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 5,400 FTE and 123 branches in Austria**
- **Solid capital base** (18.6% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	Dec-18	Dec-17 <sup>1)</sup>
Total Assets	99.0	102.1
Customer Loans	62.6	60.0
Direct Funding	68.3	69.5
Equity	8.4	8.3

in € bn

	FY18	FY17
Operating income	1,983	2,022
Operating costs	-1,221	-1,292
LLP	66	-9
Net profit	637	653

in € mn

	Dec-18
Cost / income ratio	61.6%
CET1 capital ratio <sup>2)</sup>	18.6%
Total capital ratio <sup>2)</sup>	21.4%

Non-performing exposure ratio	3.3%
Coverage ratio	54.5%
Cost of risk	-11 bp

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

Market shares loans / deposits Austria	13.9%	12.5%
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# Business Model and Market Position in Bank Austria's Home Market

1 2 3 4

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 of Bank Austria)
- Focus on
  - **Multinational corporates in Austria, Nordics & Iberia**
  - **International and institutional Real Estate customers** requiring **investment banking solutions**, especially capital markets-related products
  - **Financial Institutions**
- Clients have access to the **banking network of the largest lender in CEE** as well as to **UniCredit branches** in major financial centers **worldwide**

CIB = Corporate & Investment Banking

### Unternehmerbank

#### Corporate Banking

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

### Privatkundenbank

#### Retail Banking

- Retail Banking covers **1.6 mn Retail and Small Business customers** (<€3mn turnover)
- **Broad Multi-channel offer via**
  - **Physical branch network** (with a total of 123 branches)
  - **Advisory services via video telephony between 8.00 a.m. and 8.00 p.m.** (geographically independent)
  - **Digital services: Internet Banking, Mobile Banking and Online Shop**
- **Support by experts in deposit business and real estate financing business** (locally or via video telephony)

#### Private Banking

- **Leading Private Banking in Austria** with every fifth Austrian High Net Worth Individual as customer of Bank Austria
- **Tailor-made financial services** to High Net Worth Individuals and foundations
- **Successful client approach** through Bank Austria's Private Banking Area or via Schoellerbank



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# P&L of Bank Austria Group – 2018

Net Operating Profit (NOP) above previous year: revenues nearly stable, strong cost savings, excellent risk result

Overview Bank Austria

Profit & Loss

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(€ mn)	1-12 2018	1-12 2017	y/y	4Q18	3Q18	4Q17	q/q	y/y
Operating income	1,983	2,022	-1.9%	473	507	517	-6.6%	-8.4%
Operating costs	-1,221	-1,292	-5.5%	-308	-287	-316	7.3%	-2.5%
Operating profit	762	729	4.5%	165	220	201	-24.8%	-17.8%
Net write-downs of loans	66	-9	>-100.0%	3	-24	-79	>-100.0%	>-100.0%
Net operating profit	829	720	15.1%	169	196	122	-13.9%	37.7%
Non-operating items	-112	-149	-24.7%	-20	-21	-46	-7.1%	-56.7%
Profit (loss) before tax	716	571	25.5%	149	174	76	-14.7%	94.4%
P/L discontinued operations	15	114	-86.9%	1	0	-1	37.5%	>-100.0%
Other positions	-95	-32	>100.0%	-16	-25	0	-36.7%	>-100.0%
Group Net Profit	637	653	-2.6%	133	150	76	-10.8%	76.2%
Cost/income ratio	61.6%	63.9%	-234 bp	65.1%	56.6%	61.1%	845 bp	397 bp

- **Operating Income slightly below 2017 level**, mainly due to lower net interest in the prevailing low interest environment
- **Operating Costs down by 6% y/y**, improvements in all major cost categories, reflecting strong cost discipline. **Substantial improvement of cost/income ratio** (-2.3 pp) to 61.6% (net releases in CIB and Retail)
- **Net Write-Downs of Loans again positive with € +66 mn** (net releases in all business areas)
- **Non-Operating Items € -112 mn**: mainly systemic charges (€ -122 mn), provisions and income from real estate sales
- **P/L from discontinued operations: € +15 mn** (2017: € +114 mn), mainly due to real estate sales by Immo Holding (real estate group held for sale)



# P&L of Bank Austria Group – 2018 in detail

(€ million)	1-12/2018	1-12/2017 recast	Δ abs.	Δ in %
Net interest	963	998	-35	-3.5%
Dividends and other income from equity investments	155	154	1	0.8%
Net fees and commissions	706	711	-6	-0.8%
Net trading, hedging and fair value income/loss	103	77	26	33.4%
Net other expenses/income	57	81	-24	-30.0%
<b>Operating income</b>	<b>1,983</b>	<b>2,022</b>	<b>-38</b>	<b>-1.9%</b>
Payroll costs	-632	-667	35	-5.3%
Other administrative expenses	-561	-596	34	-5.8%
Recovery of expenses	0	1	0	-27.9%
Amortisation, depreciation and impairment losses on intangible and tangible assets	-29	-30	1	-4.3%
<b>Operating costs</b>	<b>-1,221</b>	<b>-1,292</b>	<b>71</b>	<b>-5.5%</b>
<b>Operating profit</b>	<b>762</b>	<b>729</b>	<b>33</b>	<b>4.5%</b>
Net write-downs of loans and provisions for guarantees and commitments	66	-9	76	n.m.
<b>Net operating profit</b>	<b>829</b>	<b>720</b>	<b>108</b>	<b>15.1%</b>
Provisions for risks and charges	-42	3	-46	n.m.
Systemic charges	-122	-102	-21	20.4%
Integration/ restructuring costs	2	-65	67	n.m.
Net income from investments	50	14	36	>100%
<b>Profit (loss) before tax</b>	<b>716</b>	<b>571</b>	<b>145</b>	<b>25.5%</b>
Income tax for the period	-79	-12	-66	>100%
<b>Net profit</b>	<b>638</b>	<b>558</b>	<b>79</b>	<b>14.2%</b>
Total profit or loss after tax from discontinued operations	15	114	-99	-86.9%
<b>Profit (loss) for the period</b>	<b>653</b>	<b>673</b>	<b>-20</b>	<b>-3.0%</b>
Non-controlling interests	-16	-19	3	-17.5%
<b>Net Profit attrib. to the owners of the parent company before PPA</b>	<b>637</b>	<b>653</b>	<b>-17</b>	<b>-2.6%</b>
Purchase Price Allocation effect	0	0	0	-
Goodwill impairment	0	0	0	-
<b>Net Profit attrib. to the owners of the parent company</b>	<b>637</b>	<b>653</b>	<b>-17</b>	<b>-2.6%</b>



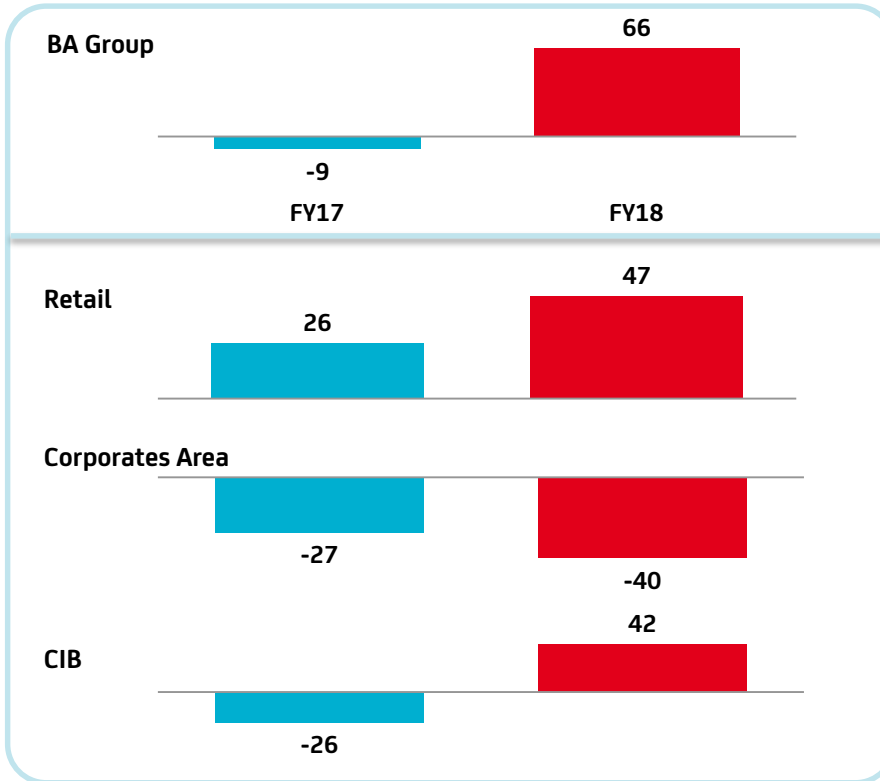


# Net Write-Downs of Loans

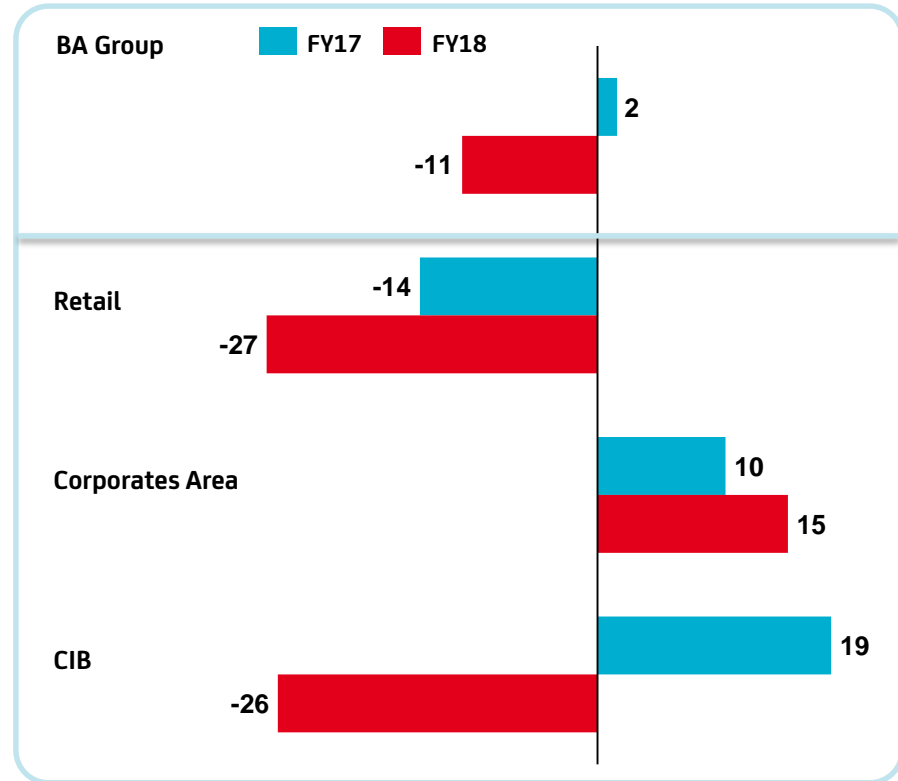
In 2018, further favorable development of **LLP** and **Cost of Risk**

1 2 3 4

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



Cost of Risk by Segment (bp)



- BA Group in 2018 with a positive contribution from **Net Write Downs** of € +66 mn
- Surplus of **Net Write Downs** mainly due to net releases in CIB (€ +42 mn) and Retail (€ +47 mn)
- **Cost of Risk:** due to positive LLP at -11 bp for BA Group



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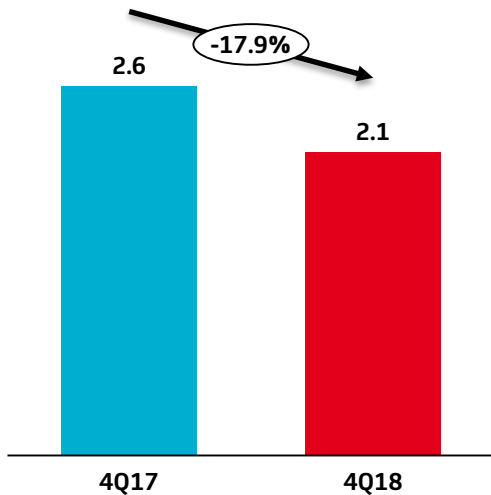
## 4 Annex



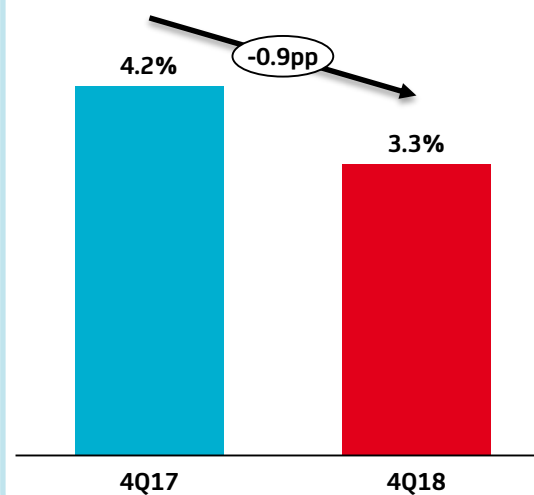
# Solid y/y development of Asset Quality also in 2018

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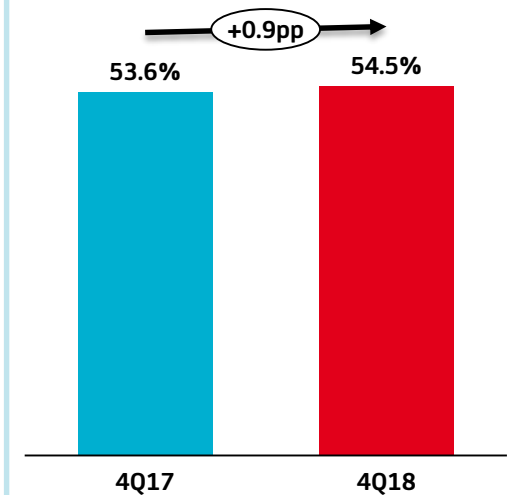
Gross NPE <sup>1)</sup> (€ bn)



% of Gross NPE on Total Loans<sup>1)</sup>



Coverage Ratio on NPE <sup>1)</sup>



- **Further reduced NPE portfolio** on y/y basis, resulting also in a reduced **NPE Ratio**
- **Coverage Ratio** stable at good 54.5%



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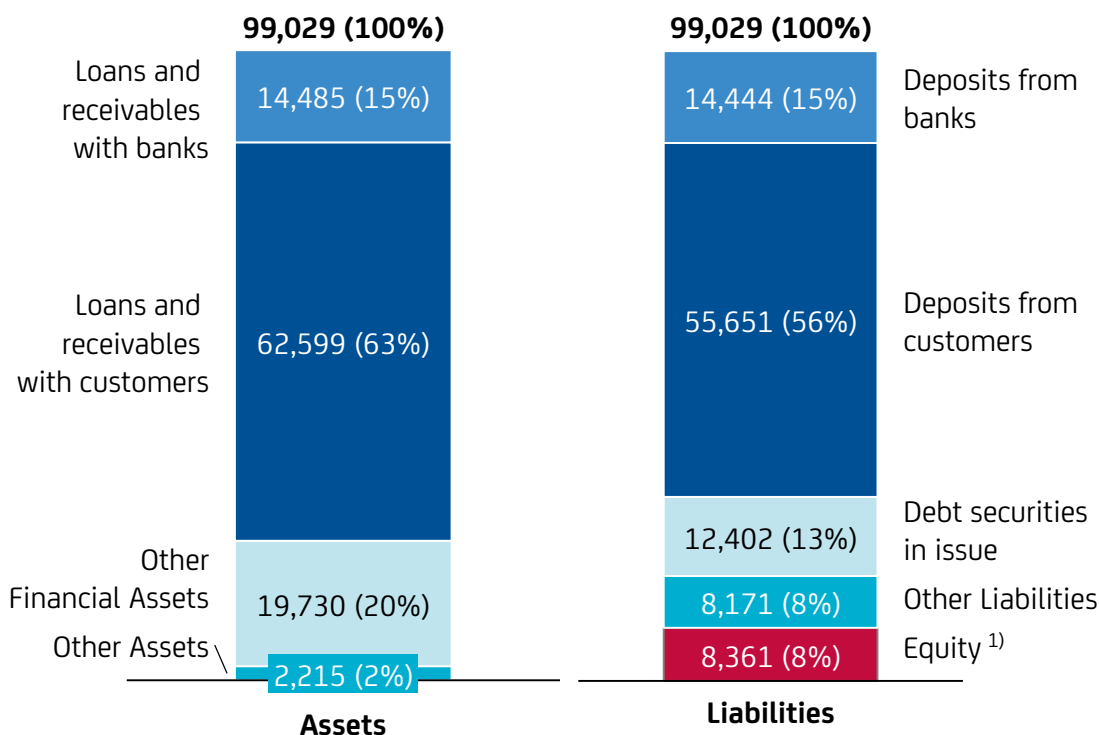
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# Balance Sheet structure of Bank Austria

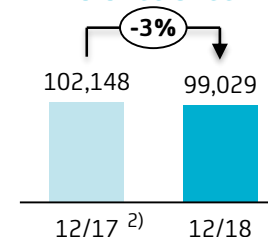
(as of 31 December 2018)

## Balance Sheet (€ mn)

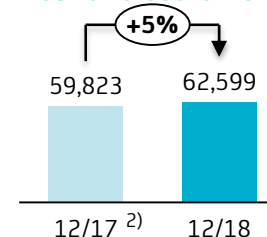


## Change vs. 31 December 2017<sup>2)</sup>

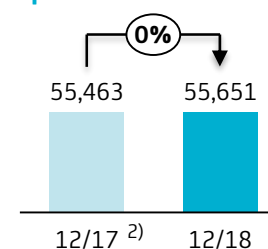
### Balance Sheet



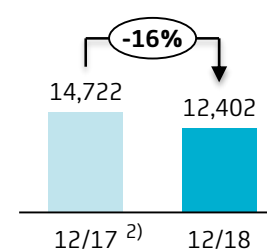
### Loans to customers



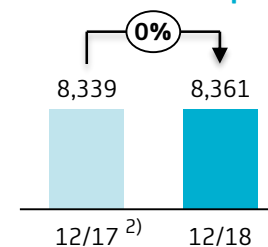
### Deposits from customers



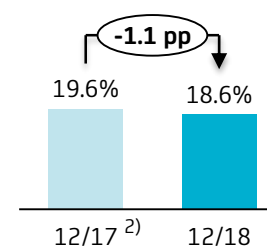
### Securities in issue



### Shareholders' Equity



### CET1 Ratio



- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (details see following page)
- **Strong capital base with a net equity<sup>1)</sup>** of € 8.4 bn
- **Excellent CET 1 Ratio at 18.6%**, decrease vs. 12/2017<sup>2)</sup> driven by higher RWA reflecting business growth

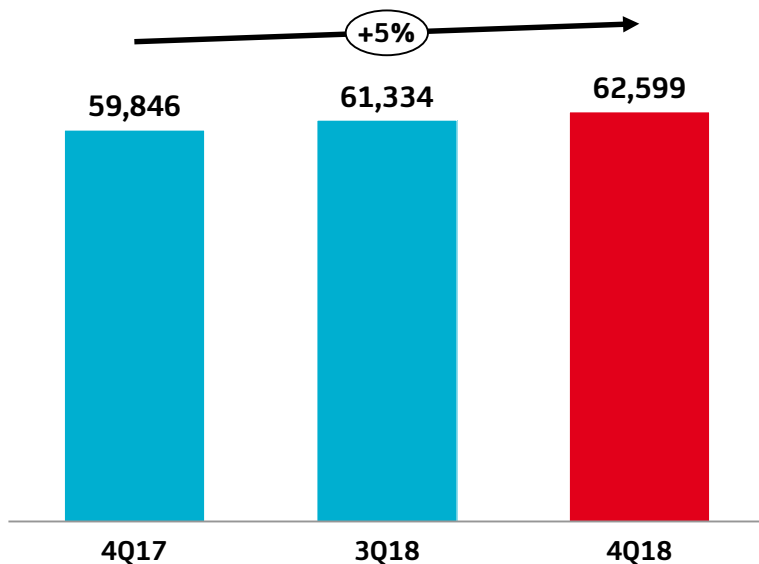


# Loan and Deposit Volumes

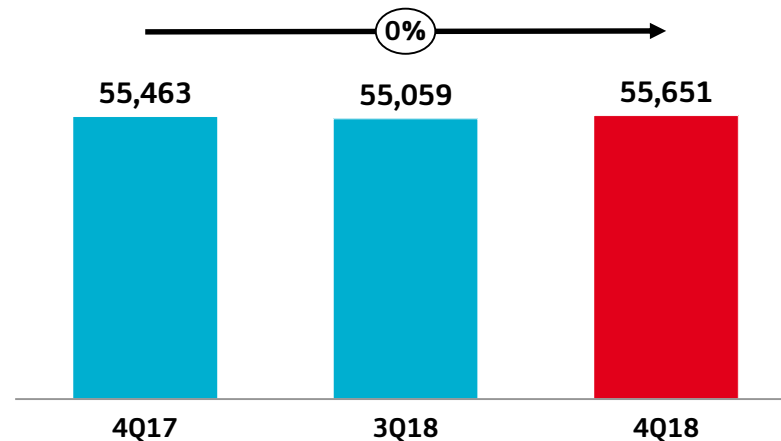
Well-balanced development of loans and deposits, very good Loans/Direct Funding Ratio

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## Loans to Customers<sup>1)</sup> (€ mn)



## Deposits from Customers<sup>1)</sup> (€ mn)



## Loans/Direct Funding Ratio<sup>2)</sup>

85%      91%      92%

- **Loans to customers** with a strong increase since YE17, in particular CIB
- **Deposits from customers** overall stable (increase in Retail offset by lower deposits from CIB customers)
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 92%**

<sup>1)</sup> Prior periods recast

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

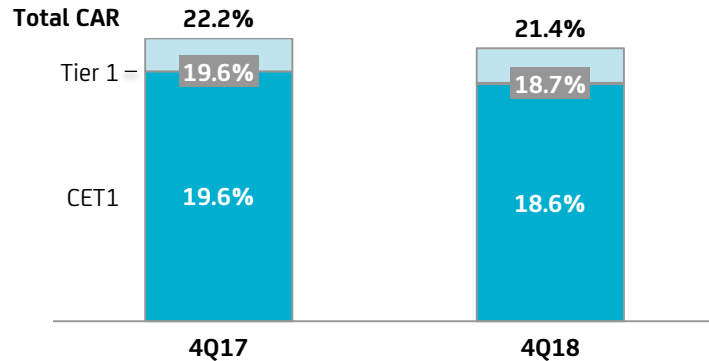


# Capital position BA GROUP IFRS

## Solid capital ratios

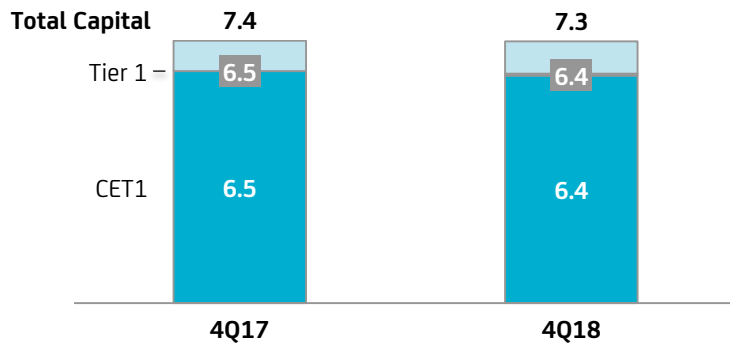
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### Capital Ratios

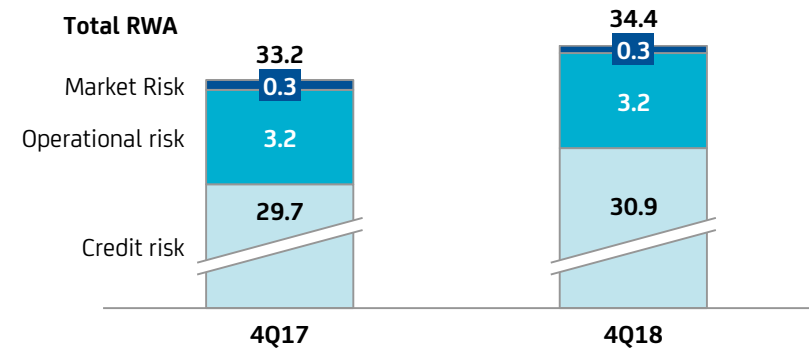


- **Total regulatory capital** almost stable at € 7.3 bn, with small structural changes (lower CET1 and Tier 1) due to end of "phase-in" (transitional) rules
- **Total RWA** up to € 34.4 bn, partly reflecting strong loan growth
- **CET 1 Ratio at strong 18.6%** (both transitional and fully loaded), decrease vs. 4Q17 mainly due to expiry of transitional treatments and growth in RWA
- **Total Capital Ratio at 21.4%**, decrease mainly due to increase in RWA
- **Leverage Ratio at strong 6.0%**

### Regulatory Capital (€ bn)



### Risk-Weighted Assets (RWA, € bn)



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

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## UniCredit S.p.A. – Holding

- **UniCredit SpA** is operating as the Group **Holding** as well as the Italian operating bank:
  - ✓ **TLAC/MREL issuer** assuming Single-Point of Entry (SPE)
  - ✓ **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 secs. (SSD, NSV<sup>\*)</sup>) covered/senior
- Private placements
- Network issues

- **Bank Austria** has its **own Issuing Programs** for the respective instruments to be issued
- **Bank Austria** continues to be **present on the local and global markets**
- **Coordinated approach within UniCredit** regarding **issuing activities** on the **global markets**



# Funding Strategy Bank Austria Group – Self-Sufficiency Principle

1 2 3 4

Liquidity & Funding  
Funding Strategy & Position

## Key Pillars of Bank Austria Group Funding Strategy

- **Well-diversified funding base** due to Bank Austria's commercial banking model.

The **key pillars** are

- **strong client deposit base related to a variety of products** (sight-, savings- and term deposits)
- complemented by **medium- and long-term placements of own issues** in the capital market in order to cover the medium and long term funding needs
- The key pillars described are part of the **self sufficiency principle of Bank Austria's funding strategy**.
  - It ensures that the proceeds are used primarily for business development of entities of Bank Austria Group
  - It enables Bank Austria to reflect its own funding costs according to its own risk profile



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

1 2 3 4

Liquidity & Funding  
Funding Strategy & Position

## Clear Rules and Principles in Bank Austria for the Management of Liquidity and Funding

- **Liquidity strategy**
  - Bank Austria AG acting as an **independent Liquidity Reference Bank (LRB)** within UniCredit Group - in line with the **self-funding principle** of the Group Strategy
  - Bank Austria AG **manages the liquidity development in Austria (including all Austrian Group entities)**
- **Clear operative rules**
  - Active **liquidity and funding management** by defining short-term and structural liquidity and funding limits for all subsidiaries of BA Group
  - All national legal / regulatory constraints have to be **followed on single entity level**
  - Bank Austria AG establishes a **separate Funding and Liquidity Plan for Austria** as part of the Funding and Liquidity Plan of UniCredit Group
  - Bank Austria enjoys a **sound counter-balancing capacity** and ensuring **compliance with key liquidity indicators** (LCR >100%, NSFR >100%)



# Agenda

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- 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



# Executive Summary

## Bank Austria Mortgage Cover Pool



COVERED BOND  
· L A B E L ·

Liquidity & Funding  
Cover Pool

1 2 3 4

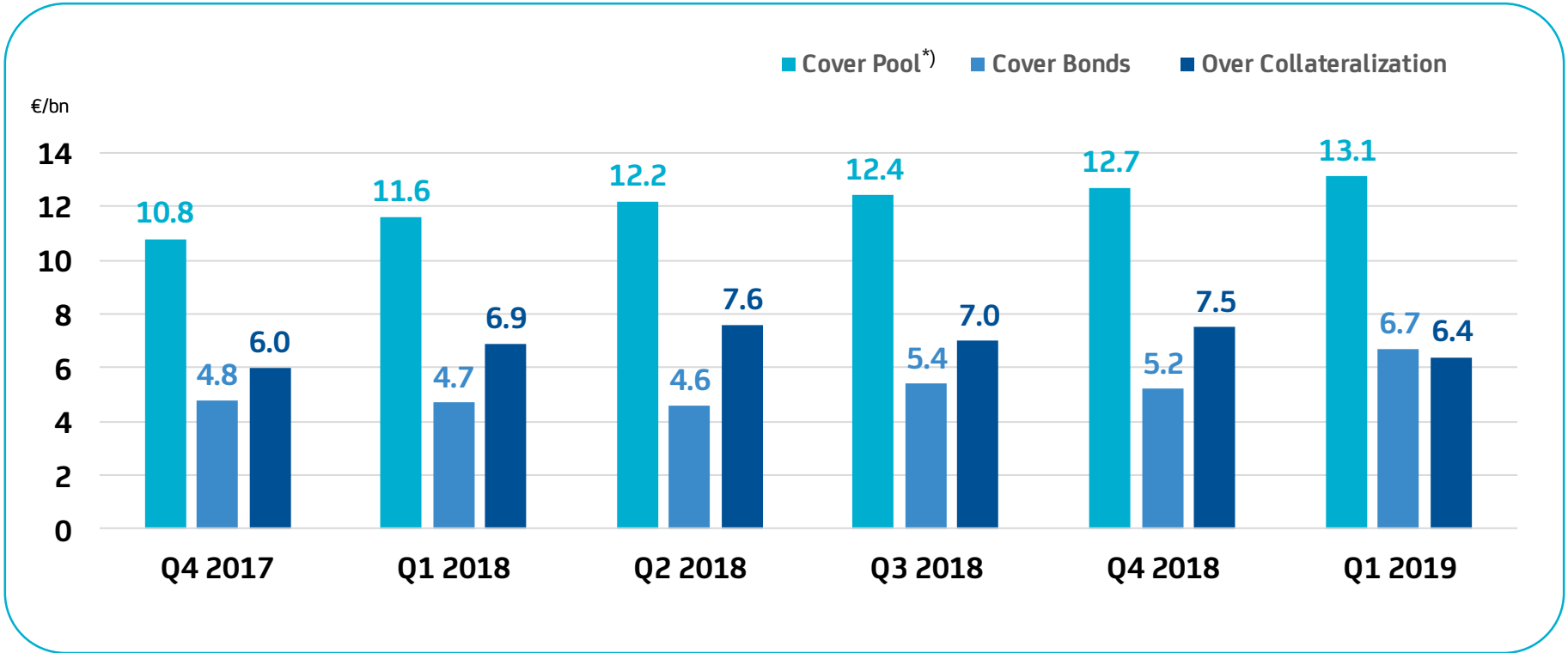
- **Aaa Rating by Moody's**
- Bank Austria decided to streamline its **Mortgage Cover Pool targeting a simple and transparent pool composition:**
  - focus on **Austrian mortgages only**
  - change to whole loan reporting instead of collateral volume
- **Benefit:**
  - **pure Austrian risk offer** to our investor base
  - no blending of risk, diversification to be decided by investor
  - simple pricing logic
- **No new CHF assets since 2010.** Decrease of total value in CHF over the last three years (2Q15: € 1,796 mn – 1Q19: € 1,082 mn)
- Steady increase of the cover pool (ca. € 2,000 mn in the last year), primarily by residential mortgages
- **ECBC Covered Bond Label** has been granted to the BA Mortgage Cover Pool



# Mortgage Cover Pool

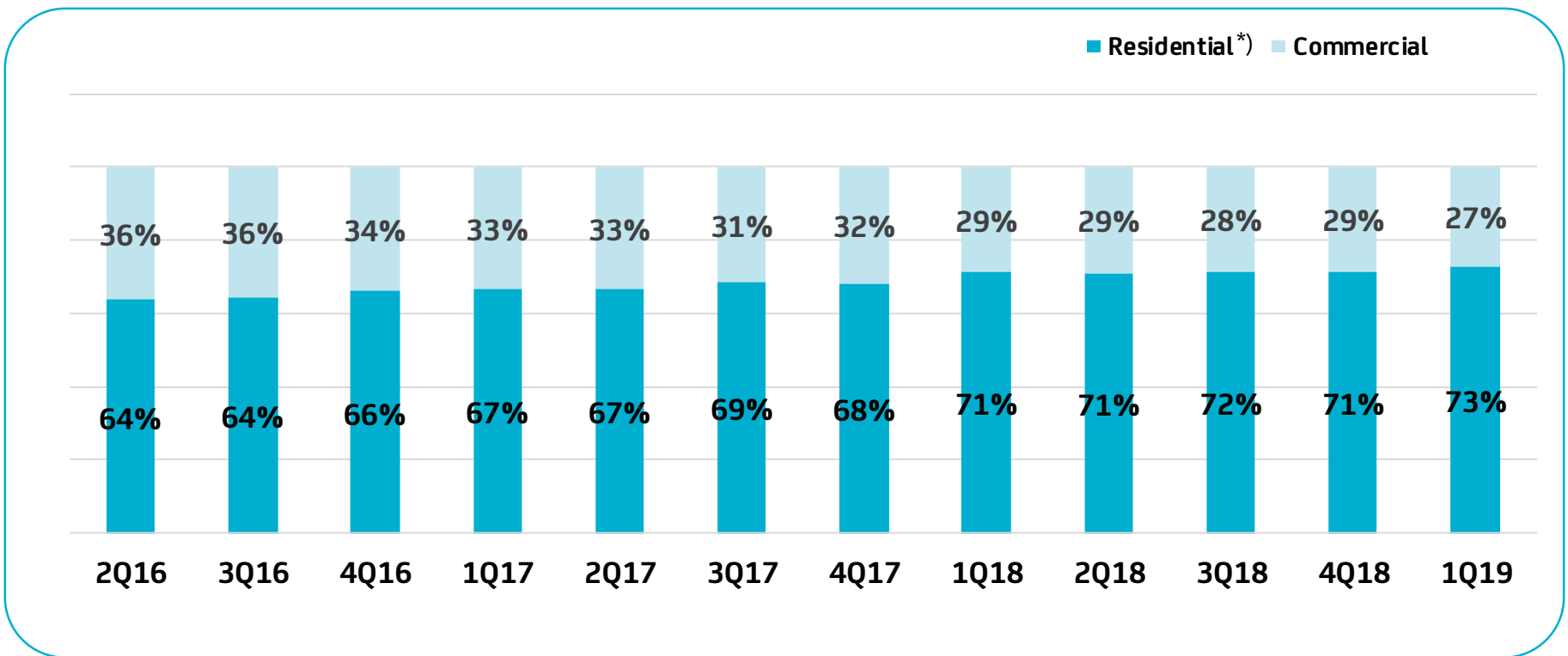
## Historical trend

1 2 3 4



# Mortgage Cover Pool

## Breakdown by type of use - Historical trend



■ Majority of cover pool consists of residential mortgages which increased steadily during the last three years



# Mortgage Cover Pool

## Parameters of Cover Pool and Issues

1 2 3 4

<i>Parameters of Cover Pool</i>	<i>201903</i>
Weighted Average Life (in years incl. Amortization)	9.8
Contracted Weighted Average Life (in years)	16.5
Average Seasoning (in years)	6.0
Total Number of Loans	46,874
Total Number of Debtors	40,934
Total Number of Mortgages	43,161
Average Volume of Loans (in EUR)	276,171
Stake of 10 Biggest Loans	10.0%
Stake of 10 Biggest Debtors	12.9%
Stake of Bullet Loans	21.6%
Stake of Fixed Interest Loans	32.7%
Amount of Loans 90 Days Overdue	-
Average Interest Rate	1.3%

<i>Parameters of Issues:</i>	<i>201903</i>
Total Number	84
Average Maturity (in years)	4.7
Average Volume (in EUR)	80,227,938.1

- Total Value of the **Cover Pool** as of **31 March 2019** (EUR equivalent): **13,154 mn**
  - thereof in EUR: 11,863 mn (90.2%)
  - thereof in CHF: 1,082 mn (8.2%)
  - thereof substitute cover in EUR: 209 mn (1.6%)
- **Moody's Rating: Aaa**





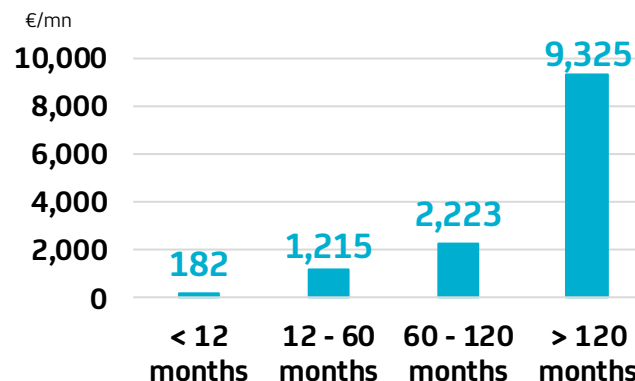
# Mortgage Cover Pool

## Maturity Structure of Cover Pool<sup>\*)</sup> and Issues

1 2 3 4

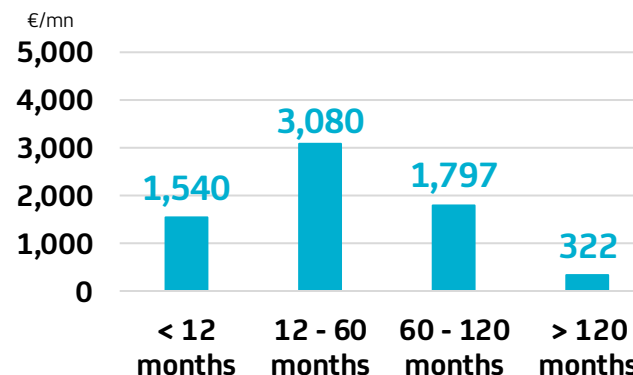
### Maturity of assets in the cover pool – March 2019

Maturity of Assets in the Cover Pool**	Total		Commercial		Residential	
	€/mn	%	€/mn	%	€/mn	%
< 12 months	182	1.4%	102	2.9%	80	0.8%
12 - 60 months	1,215	9.4%	778	22.2%	438	4.6%
12 - 36 months	518	4.0%	356	10.2%	162	1.7%
36 - 60 months	697	5.4%	421	12.0%	276	2.9%
60 - 120 months	2,223	17.2%	1,161	33.2%	1,062	11.3%
> 120 months	9,325	72.0%	1,459	41.7%	7,866	83.3%
<b>Total</b>	<b>12,945</b>	<b>100%</b>	<b>3,500</b>	<b>100%</b>	<b>9,445</b>	<b>100%</b>



### Maturity of issued covered bonds – March 2019

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	1,540	22.8%
12 - 60 months	3,080	45.7%
12 - 36 months	104	1.5%
36 - 60 months	2,976	44.2%
60 - 120 months	1,797	26.7%
> 120 months	322	4.8%
<b>Total</b>	<b>6,739</b>	<b>100%</b>

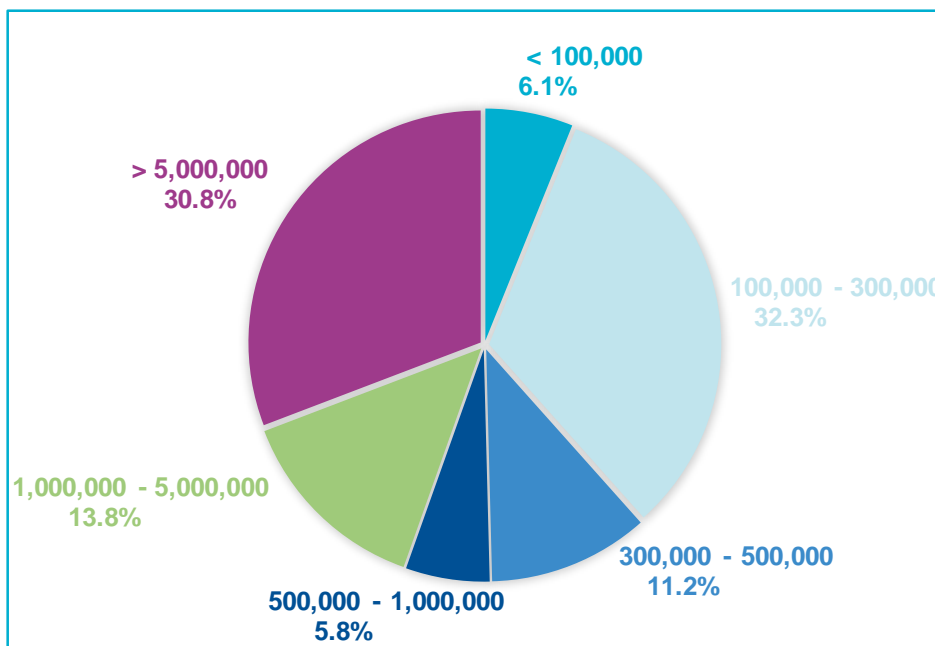


# Mortgage Cover Pool

## Assets Volume Breakdown<sup>\*)</sup>

1 2 3 4










Volume Breakdown by Size of Mortgages	Total		Commercial		Residential	
	€/mn	Number	€/mn	Number	€/mn	Number
< 300,000	4,977	37,017	66	451	4,911	36,566
< 100,000	798	13,895	8	142	789	13,753
100,000 - 300,000	4,180	23,122	58	309	4,122	22,813
300,000 - 5,000,000	3,983	5,932	515	413	3,468	5,519
300,000 - 500,000	1,447	3,958	40	102	1,406	3,856
500,000 - 1,000,000	756	1,110	100	139	656	971
1,000,000 - 5,000,000	1,781	864	375	172	1,406	692
> 5,000,000	3,985	212	2,920	109	1,065	103
<b>Total</b>	<b>12,945</b>	<b>43,161</b>	<b>3,500</b>	<b>973</b>	<b>9,445</b>	<b>42,188</b>

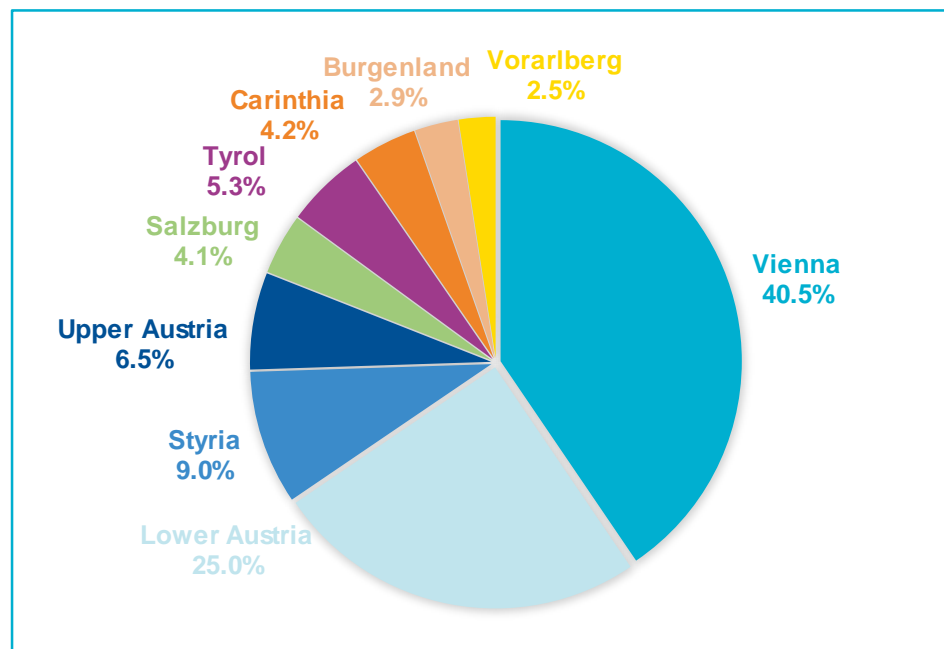


# Mortgage Cover Pool

## Regional Breakdown<sup>\*)</sup> of Mortgages in Austria

### Regional Breakdown Austria – March 2019

	Regional Breakdown Austria	Total	
		€/mn	%
	Vienna	5,247	40.5%
	Lower Austria	3,238	25.0%
	Styria	1,164	9.0%
	Upper Austria	832	6.5%
	Salzburg	527	4.1%
	Tyrol	692	5.3%
	Carinthia	549	4.2%
	Burgenland	376	2.9%
	Vorarlberg	319	2.5%
	<b>Total Austria</b>	<b>12,945</b>	<b>100%</b>



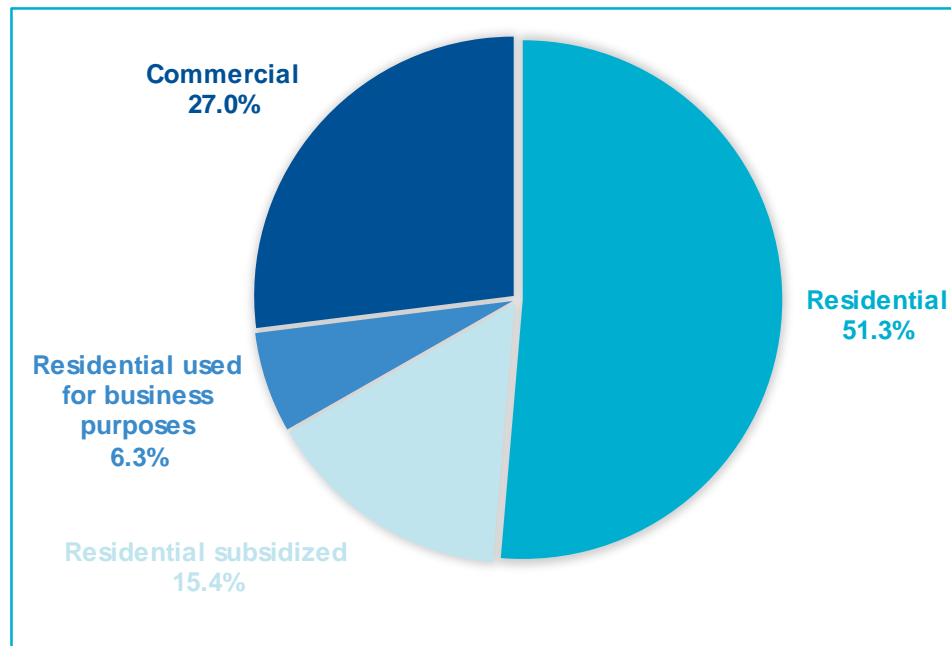
# Mortgage Cover Pool

## Breakdown<sup>\*)</sup> by Type of Use and LTV

1 2 3 4

### Breakdown by type of use – March 2019

Mortgages Breakdown by Type of Use	Total	
	€/mn	Number
Residential	6,646	39,199
Residential subsidized	1,987	2,134
Residential used for business purposes	812	855
Commercial	3,500	973
thereof Office	1,429	156
thereof Trade	952	65
thereof Tourism	306	130
thereof Agriculture	40	206
thereof mixed Use / Others	774	416
<b>Total</b>	<b>12,945</b>	<b>43,161</b>



	Residential	Commercial	Total
Total	9,445	3,500	12,945
Weighted Average LTV	53%	50%	52%



# Mortgage Cover Pool

## Breakdown<sup>\*)</sup> by Type of Use

1 2 3 4

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€12,945 mn** as of 31 March 2019 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
  - The main concentration is in the City of Vienna (40.5%) and the state of Lower Austria (25.0%)
- **Breakdown of cover pool by type of use:**
  - 73.0% residential real estate (thereof 15.4% subsidized)
  - 27.0% commercial real estate, of which:
    - Office 11.0%
    - Trade 7.4%
    - Tourism 2.3% and
    - Other / Mixed use 6.3%



# Executive Summary

## Public Sector Cover Pool of Bank Austria



COVERED BOND  
· L A B E L ·

Liquidity & Funding  
Cover Pool

1 2 3 4

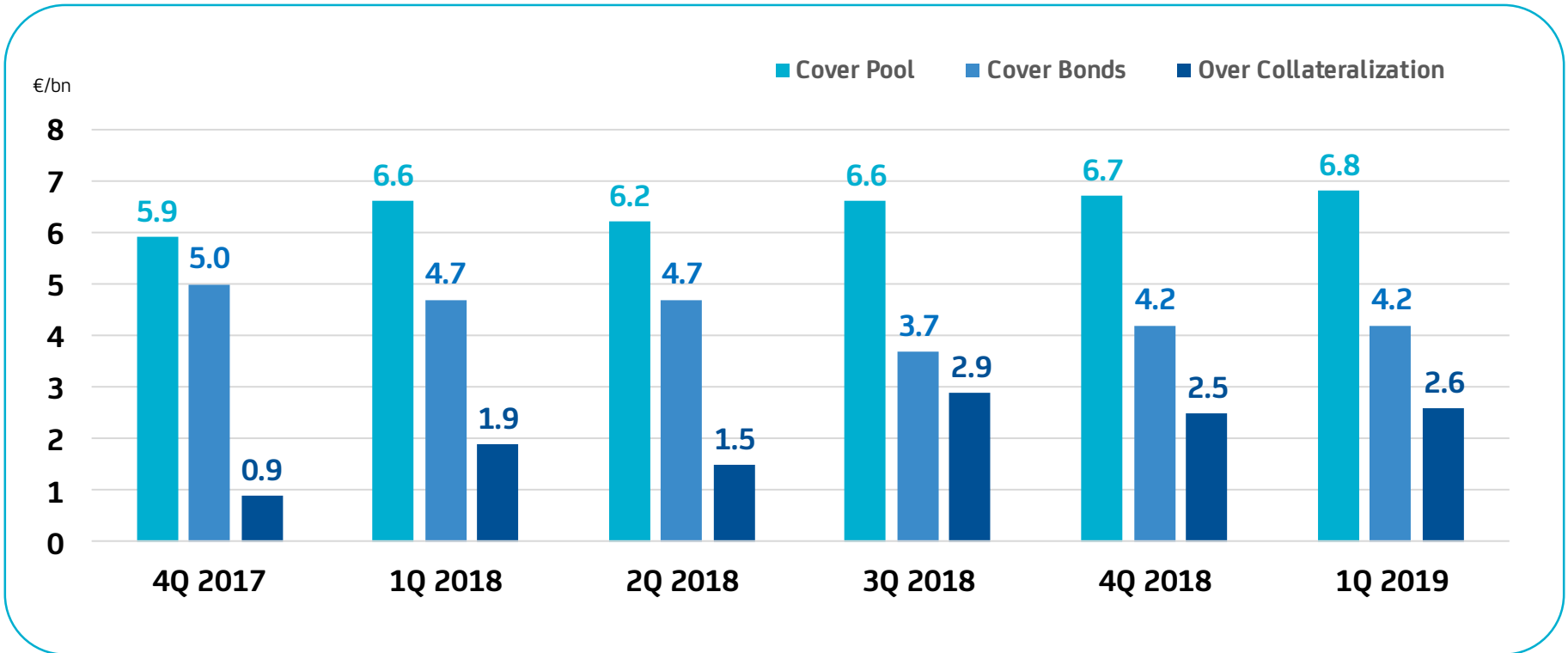
- **Aaa Rating** by Moody's
- Focus on **purely Austrian claims**
- Cover Pool Volume as of 31 March 2019 amounts to **EUR 6,813 mn**
- Average volume of loans is approx. **€ 1.6 mn**
- Average seasoning is **7.2 years**
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria



# Public Sector Cover Pool

## Historical trend

1 2 3 4



# Public Sector Cover Pool

## Parameters of Cover Pool and Issues

1 2 3 4

<i>Parameters of Cover Pool</i>	<i>201903</i>
Weighted Average Life (in years incl. Amortization)	7.7
Contracted Weighted Average Life (in years)	11.3
Average Seasoning (in years)	7.2
Total Number of Loans	4,275
Total Number of Debtors	1,476
Total Number of Guarantors	324
Average Volume of Loans (in EUR)	1,593,587
Stake of 10 Biggest Loans	25.0%
Stake of 10 Biggest Guarantors	52.9%
Stake of Bullet Loans	52.5%
Stake of Fixed Interest Loans	50.3%
Amount of Loans 90 Days Overdue	-
Average Interest Rate	1.4%

<i>Parameters of Issues:</i>	<i>201903</i>
Total Number	32
Average Maturity (in years)	3.3
Average Volume (in EUR)	130,770,487.5

- Total Value of the **Cover Pool** as of **31 March 2019**  
 (EUR equivalent): **€ 6,813 mn**
  - thereof in EUR: 5,038 mn (74.0%)
  - thereof in CHF: 171 mn (2.5%)
  - thereof public sector bonds in EUR equivalent:  
1,604 mn (23.5%)
- **Moody's Rating: Aaa**





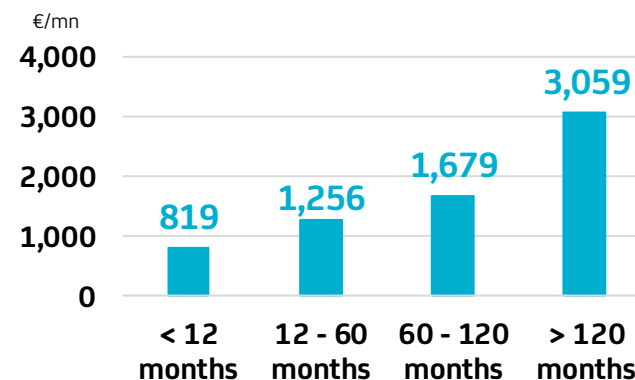
# Public Sector Cover Pool

## Maturity Structure of Cover Pool and Issues

1 2 3 4

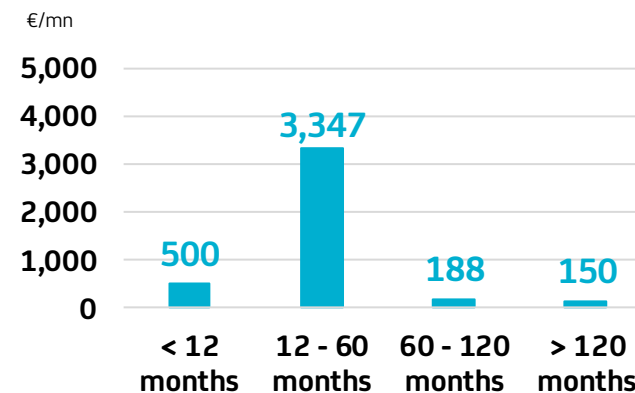
### Maturity of assets in the cover pool – March 2019

Maturity of Assets in the Cover Pool*	Total	
	€/mn	%
< 12 months	819	12.0%
12 - 60 months	1,256	18.4%
12 - 36 months	666	9.8%
36 - 60 months	589	8.6%
60 - 120 months	1,679	24.7%
> 120 months	3,059	44.9%
<b>Total</b>	<b>6,813</b>	<b>100%</b>



### Maturity of issued covered bonds – March 2019

Maturity of Issued Covered Bonds	Total	
	€/mn	%
< 12 months	500	11.9%
12 - 60 months	3,347	80.0%
12 - 36 months	2,077	49.6%
36 - 60 months	1,270	30.4%
60 - 120 months	188	4.5%
> 120 months	150	3.6%
<b>Total</b>	<b>4,185</b>	<b>100%</b>



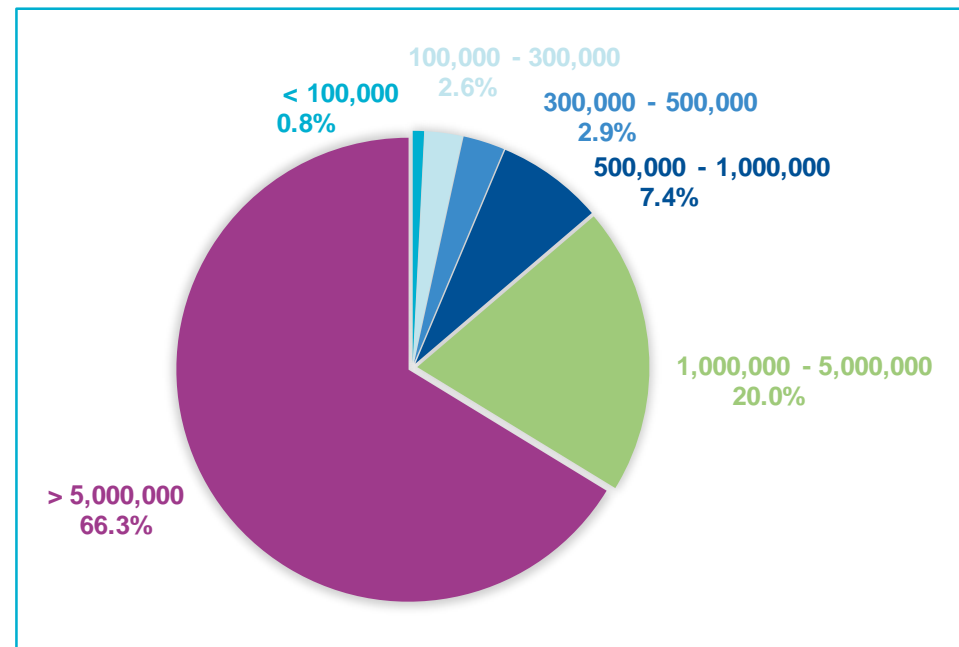
# Public Sector Cover Pool

## Volume breakdown by Size of Assets

1 2 3 4

### Breakdown by size of assets – March 2019











Volume Breakdown by Size of Assets	Total	
	€/mn	Number
< 300,000	234	2,215
< 100,000	54	1,231
100,000 - 300,000	180	984
300,000 - 5,000,000	2,066	1,920
300,000 - 500,000	198	506
500,000 - 1,000,000	505	705
1,000,000 - 5,000,000	1,363	709
> 5,000,000	4,513	140
<b>Total</b>	<b>6,813</b>	<b>4,275</b>

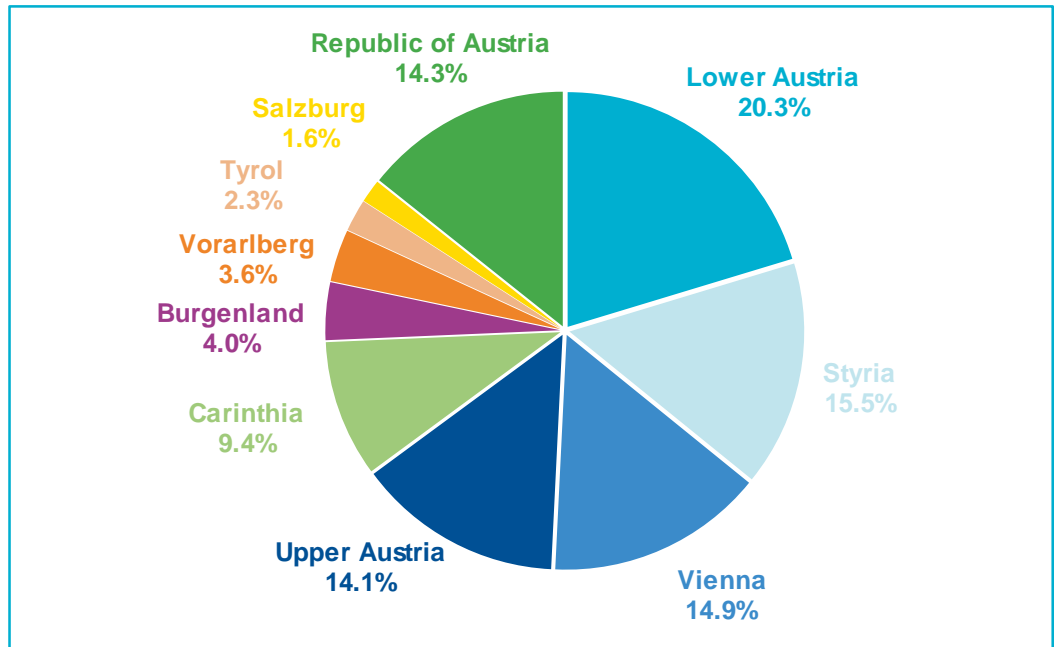


# Public Sector Cover Pool

## Regional Breakdown of Assets<sup>\*)</sup> in Austria

### Regional Breakdown Austria – March 2019

	Regional Breakdown Austria	Total	
		€/mn	%
	Lower Austria	1,384	20.3%
	Styria	1,058	15.5%
	Vienna	1,017	14.9%
	Upper Austria	962	14.1%
	Carinthia	642	9.4%
	Burgenland	270	4.0%
	Vorarlberg	245	3.6%
	Tyrol	151	2.3%
	Salzburg	109	1.6%
	Republic of Austria	974	14.3%
	<b>Total Austria</b>	<b>6,813</b>	<b>100%</b>

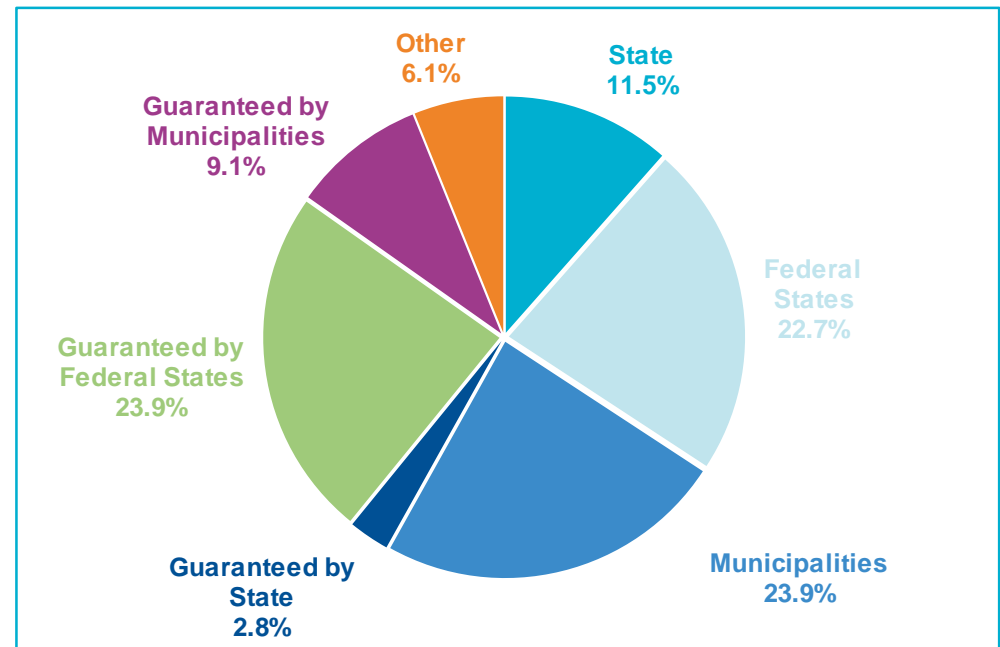


# Public Sector Cover Pool

## Assets Volume Breakdown by Type of Debtor / Guarantor

### Breakdown by type of debtor / guarantor – March 2019

Assets: Type of Debtor / Guarantor	Total	
	€/mn	Number
State	785	5
Federal States	1,547	44
Municipalities	1,626	2,642
Guaranteed by State	189	129
Guaranteed by Federal States	1,628	363
Guaranteed by Municipalities	620	537
Other	417	555
<b>Total</b>	<b>6,813</b>	<b>4,275</b>



# Agenda

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## 1 UniCredit Group

## 2 Overview Bank Austria

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

## 3 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

## 4 Annex

- **Liquidity & Funding - Transactions**
- Economic Conditions in Austria
- Ratings Overview
- Real Estate Market Austria
- Legal Situation – Austrian Covered Bonds



# Overview of outstanding Pfandbrief Benchmark Issues since 2015

1 2 3 4

Annex  
Liquidity & Funding Transactions

Bank Austria Mortgage Pfandbrief	0.625%	20/03/2029	€ 500 mn	March 2019	MS + 15bps
Bank Austria Mortgage Pfandbrief	0.625%	16/01/2026	€ 500 mn	Jan. 2019	MS + 18bps
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



# Overview of outstanding Pfandbrief Benchmark Issues until 2014

1 2 3 4

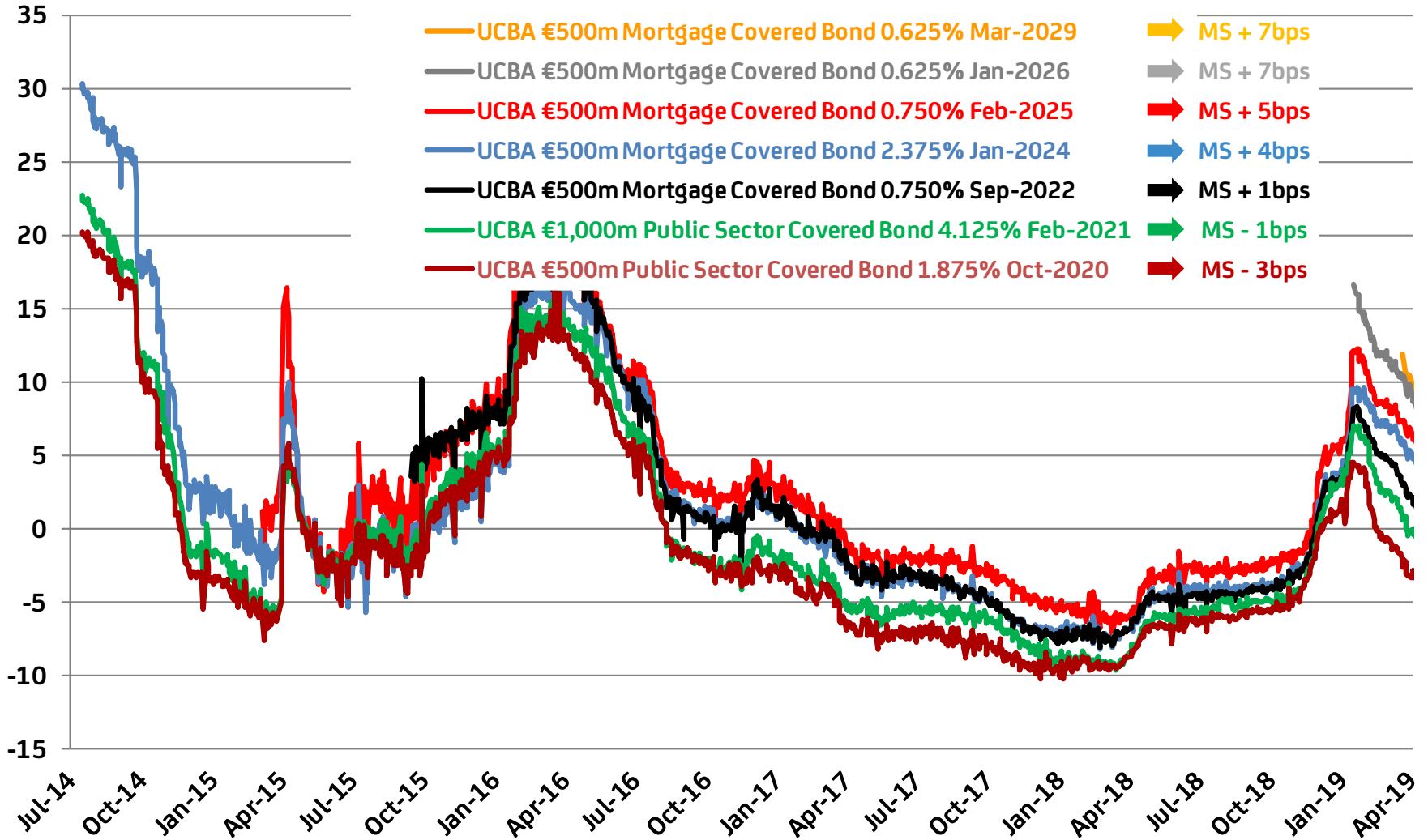
Annex  
Liquidity & Funding Transactions

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
Bank Austria Public Sector Pfandbrief	1.875%	29/10/2020	€ 500 mn	Oct. 2013	Mid-Swap +25
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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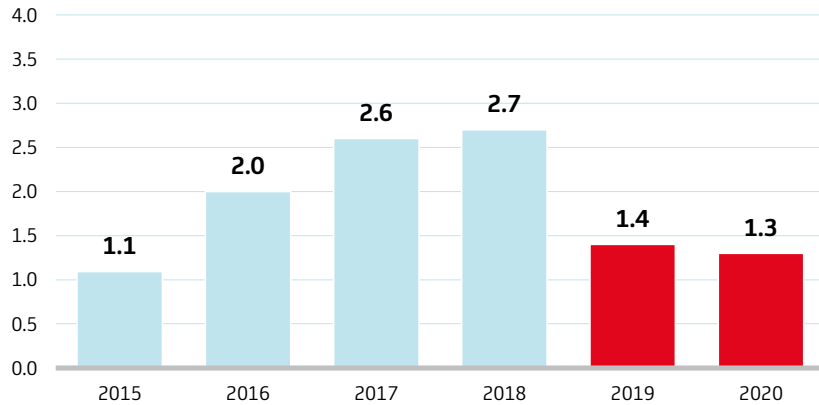
## 4 Annex

- Liquidity & Funding - Transactions
- **Economic Conditions in Austria**
- Ratings Overview
- Real Estate Market Austria
- Legal Situation – Austrian Covered Bonds

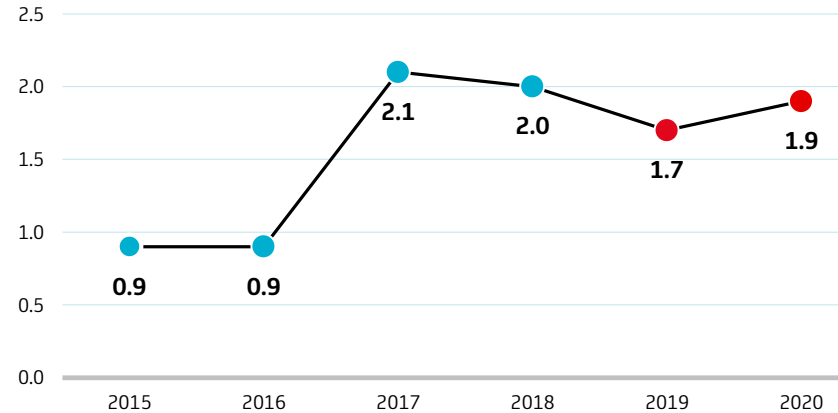


# Economic Conditions in Austria

## Economic growth (real, yoy in %)

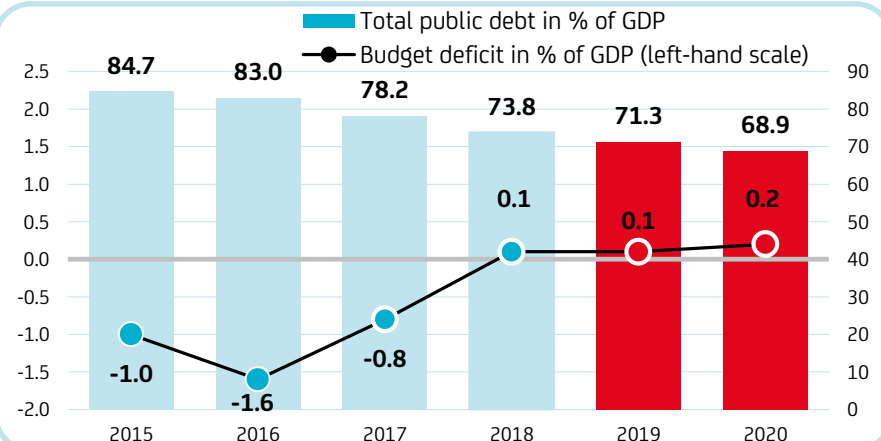


## Inflation rate (yearly average, in %)



- Following a 2.7% increase in GDP for 2018 as a whole, the slowdown in the Austrian economy is clearly visible. We therefore lowered our growth forecast for 2019 to 1.4%. A strong weakening of the economy in the USA will ultimately also confront the domestic export industry with further increasing challenges. We expect a decline in economic growth in Austria in 2020 to only 1.3%.
- After averaging 2% in 2018, we expect inflation to amount only 1.7% in 2019. Rising wage dynamics and solid domestic demand suggest that inflation will average 1.9% in 2020.
- In view of the good economic situation, the low interest rate environment and a disciplined spending policy, a budget surplus was achieved in 2018. We also expect a slight surplus for 2019/20, so that total public debt will also decline again.

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



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# Rating Overview

	Moody's				S&P			
	Long-Term	Short-Term	Subordinated	Counterparty Risk	Long-Term	Short-Term	Subordinated	Counterparty Risk
<b>Bank Austria</b>	<b>Baa1</b> Developing	<b>P-2</b>	<b>Ba1</b>	<b>A3</b>	<b>BBB+</b> Negative	<b>A-2</b>	<b>BBB-</b>	<b>A-</b>
Public Sector Covered Bond	<b>Aaa</b>				-			
Mortgage Covered Bond	<b>Aaa</b>				-			
<b>UniCredit S.p.A.</b>	<b>Baa1</b> Stable	<b>P-2</b>	<b>Ba1</b>	<b>Baa1</b>	<b>BBB</b> Negative	<b>A-2</b>	<b>BB+</b>	<b>BBB+</b>

(as of 19 March 2019)

<sup>1)</sup> Subordinated (Lower Tier II)

<sup>2)</sup> 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

- 2018 was again a very strong year in commercial real estate in Austria. The investments in 2018 with appr. € 4 bn however did not reach the level of the record year 2017. The first half year of 2018 started somewhat weaker as already, due to a lack of appropriate offer, the record volume of 2017 could not be reached until year-end 2018. With about 65% of all investments in 2018, office properties were the most important asset category – with strong demand and a limited offer having led to unchanged low yields in all office locations.
- The Austrian real estate market has the well-earned reputation as a relatively stable market. Real estate analyst 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 in recent years. Nevertheless, price increases slowed down in the second half of 2018. Price development in Austria (excluding Vienna) develops more robustly than in the capital.



# Austrian Real Estate Market

## Prices for residential real estate

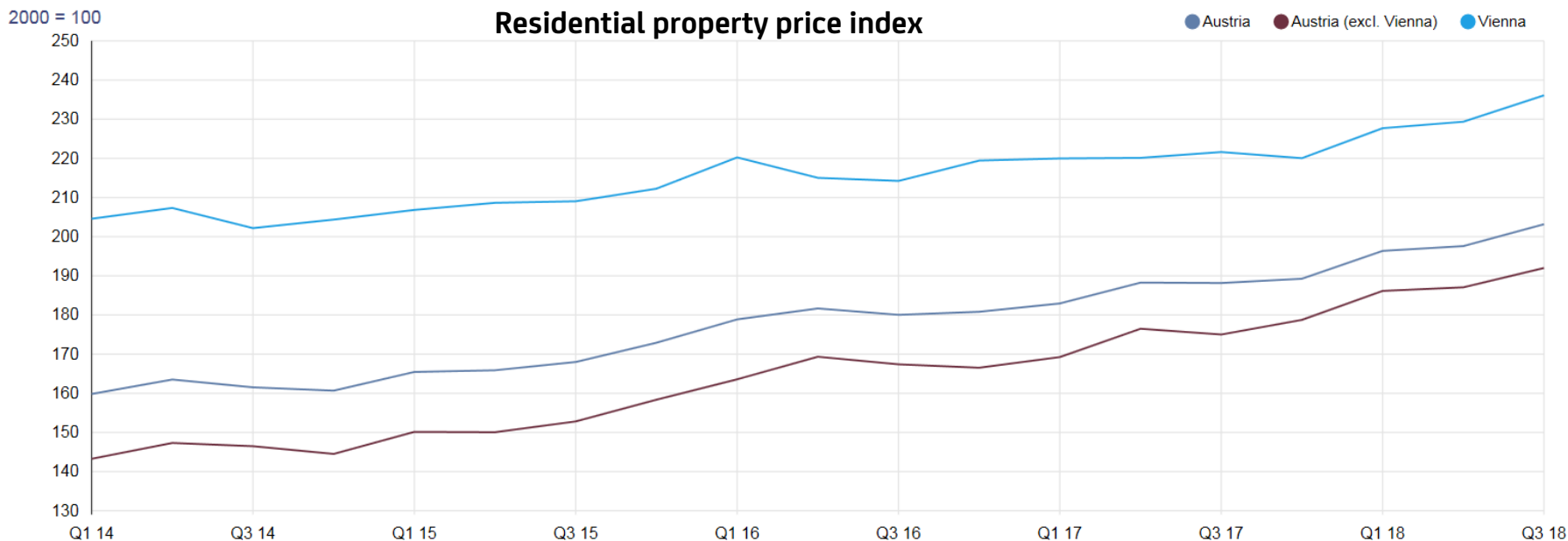
1 2 3 4

Annex

Real Estate Market Austria

- After a consolidation at the end of 2017, the prices in Vienna increased once more in the first half of 2018. Also in the second quarter of 2018, prices rose continuously by approx. 2%. The forecast for the whole year 2018 is an increase of approx. 4.0%.
- In comparison, prices in Austria (excl. Vienna) - with 2.6 % since the beginning of 2018 - have shown a stronger development than in Vienna.

Source: OeNB, Technical University Vienna, Department für Raumplanung



# Austrian Real Estate Market

## Investment Property Databank (IPD)

1 2 3 4

- Real estate remains attractive for investors looking for yield.
- As long as property investments offer higher yields than alternatives such as government bonds, demand for real estate will remain high.

### 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) | 0.50% |
| • Spread                                    | 3.25% |





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  - Liquidity & Funding - Transactions
  - Economic Conditions in Austria
  - Ratings Overview
  - Real Estate Market Austria
  - **Legal Situation – Austrian Covered Bonds**



# Austrian Legal Framework

## Mortgage and Public Sector Pfandbriefe

1 2 3 4

Annex

Legal situation – Austrian covered bonds

Austrian Covered Bonds

Pfandbriefe

Fundierte  
Schuldverschreibungen

**Hypothekbankgesetz**  
(Mortgage Banking Act 1899)

**Pfandbriefgesetz**  
(Pfandbrief Law 1938)

**Law of 1905**

**Bank Austria**



# Comparison Austria vs. Germany

1 2 3 4

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 <sup>*)</sup>	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



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