

Presentation to Fixed Income Investors

Bank Austria

Vienna, November 2022

Empowering
Communities to Progress.

 **Bank Austria**
Member of  **UniCredit**

Agenda

- 1 **Opening Remarks**
- 2 **UniCredit Group**
- 3 **Overview of Bank Austria**
- 4 **Funding & Liquidity**
- 5 **Annex**





Opening Remarks



Bank Austria, a leading bank in the local market

Market position

- **Leading domestic bank** in **Corporate Banking** and **Wealth Management & Private Banking**
- **High client shares** in business with corporate customers and leading institution in Private Banking

Size

- Bank Austria is **by far the largest bank in Austria** at individual institution level
- With **assets of about € 120 bn** (as of 30 June 2022), largest Austrian bank on unconsolidated level

UniCredit Group

- Bank Austria is **part of UniCredit Group, with 13 core markets in Europe and worldwide presence**
- Bank Austria clients can use UniCredit's CEE network – UniCredit is market leader in the region

Capital

- Well-capitalized – with **CET1 ratio of 18.8%** ¹⁾





UniCredit Group



A differentiating strategy



UniCredit Unlocked

A unified
pan-European
Group



Refocused organisation putting our 15m clients back at the centre, growing and connecting with them through our empowered 13 banks unified in one Group



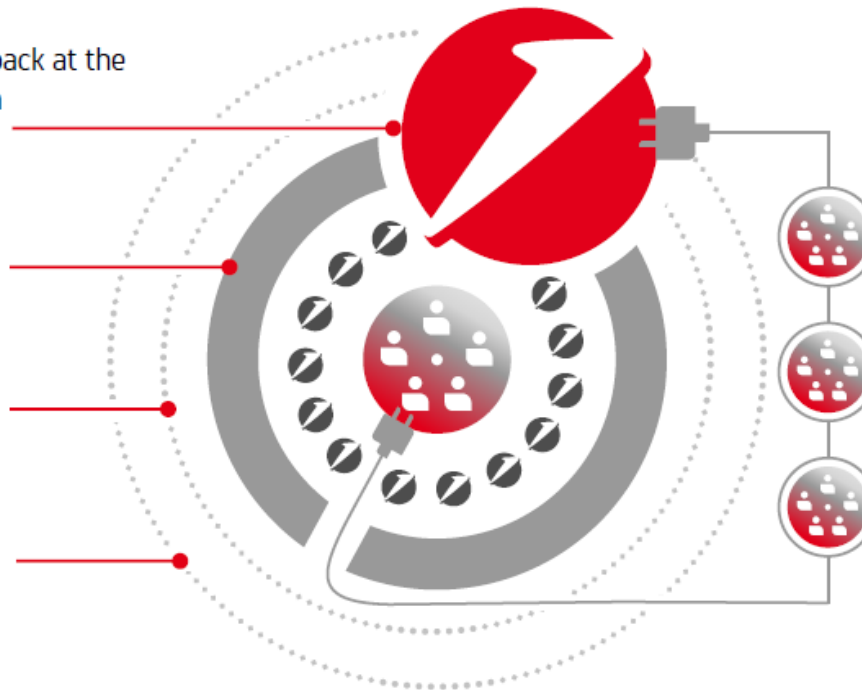
Product factories enhanced and bundled with an ecosystem of partners to best serve **all** clients



Digital and Data reclaimed core competencies and as key enabler of both our client experience and our people. Boosted by key partnerships



Principles, culture and values to unite and guide our people through common objectives and to support clients and communities to progress



KEY
DIFFERENTIATING
FACTORS



Scope

Common product factories attracting key talents and partners

Scale

Bringing our scale in the areas where it matters: technology, procurement, distribution...

Strategic flexibility

Ability to change pace across different segments geographies and products

Sustainability

Apply ESG in all we do supporting a just and fair transition in all our markets



An industrial plan in execution

OUR INDUSTRIAL TRANSFORMATION PLAN, IN EXECUTION FROM DAY 1



PEOPLE & ORGANISATION

- Streamline Group **structure** and delayer the **organisation**
- Empower people by defining clear **roles** and **accountability**
- New and refocused **leadership** team working together as one
- Simplify **processes** and **tasks** and improve automation



CONTENT & PRODUCTS

- Move from a siloed CIB to two Group-wide **product factories** serving all clients
- Reinforce factories by **hiring** key experts and internal **promotions**
- Grow **revenues** from high value returns segments and our client factories
- Create an ecosystem of **external partners** integrating offers and clients



DIGITAL & DATA

- New digital **leadership** team to drive optimisation and transformation
- Bring core **competencies** and **key levers** back in-house
- Optimise and streamline **current technology** machine
- Create a **global data** platform and start a cloud journey
- Progressive realisation of a fully **digitalised** and **data-driven business**



PRINCIPLES & VALUES

- A clear and unifying **vision** based on our inherent strengths
- Lead by example through clear **ESG targets** 2022-24
- Enhanced **products** and **advisory** to support clients green and social transition
- A **culture** embraced by the whole organisation

● WELL ADVANCED ○ ONGOING

EXAMPLES OF ACHIEVEMENTS SO FAR

-28%

Structures, moving closer to our clients

-43%

Layers of decision making

65%

Of delegations with increased thresholds, empowering local decision making within clear framework

Allianz

An innovative collaboration with interests' alignment

onemarkets Fund

First global offering to our main network

#4

in Core IB fee league table¹ (vs. #7 in 9M21)

UniCredit Services

Merged into UniCredit SpA

496

Digital hires in 9M22

+12.5%

Fully Digital Sales Q/Q

46%

Female in Group Exec. Committee

122k

Financial Education beneficiaries in 9M22

€44.7bn

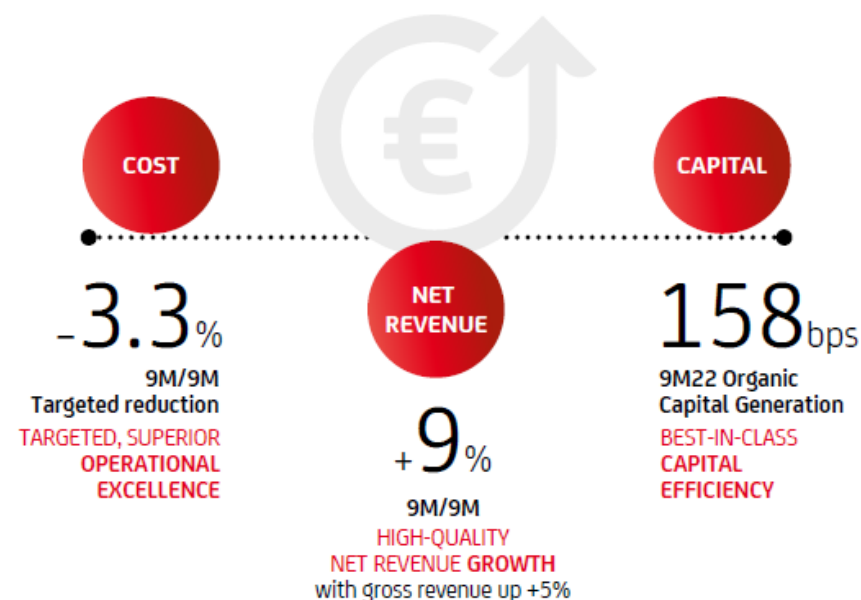
ESG volumes (loans, bonds and investment products) in 9M22



Financial results, underpinning our industrial transformation

3 LEVERS

Largely under management control, giving confidence in our strategy



Continued financial momentum and strengthening actions ahead of 2023 are creating the base for 2022 distribution¹ in line or better than 2021

RESULTS

Adjusting 313m TLTRO3 negative one off

In million	3Q22		Group	9M22		Group
		excl. Russia			excl. Russia	
		Y/Y		9M/9M		
Net Revenue	4,250	+7%	4,743	13,337	+9%	13,258
o/w Fees ²	1,880	+4%	1,930	5,841	+5%	5,985
o/w NII	2,244	+5%	2,481	6,737	+7%	7,266
Total Costs	-2,306	-3%	-2,385	-6,883	-3%	-7,087
GOP	2,164	+14%	2,442	6,835	+15%	7,536
Net Profit ³	1,334	+31%	1,678	4,007	+49%	3,771
RoTE	11.4%	+2.8p.p.	13.7%	11.6%	+3.9p.p.	10.4%
RoTE @13%	13.6%	+3.4p.p.	16.1%	13.2%	+4.0p.p.	11.7%
C/I Ratio	51.6%	-4.1p.p.	49.4%	50.2%	-4.3p.p.	48.5%
CET1r			15.41%			15.41%

All figures related to Group excl. Russia except CET1r, or unless otherwise stated

1. Distribution subject to supervisory and shareholder approvals

2. Incl. client hedging fees accounted within trading profit

3. Refer to Annex for Net Profit definition

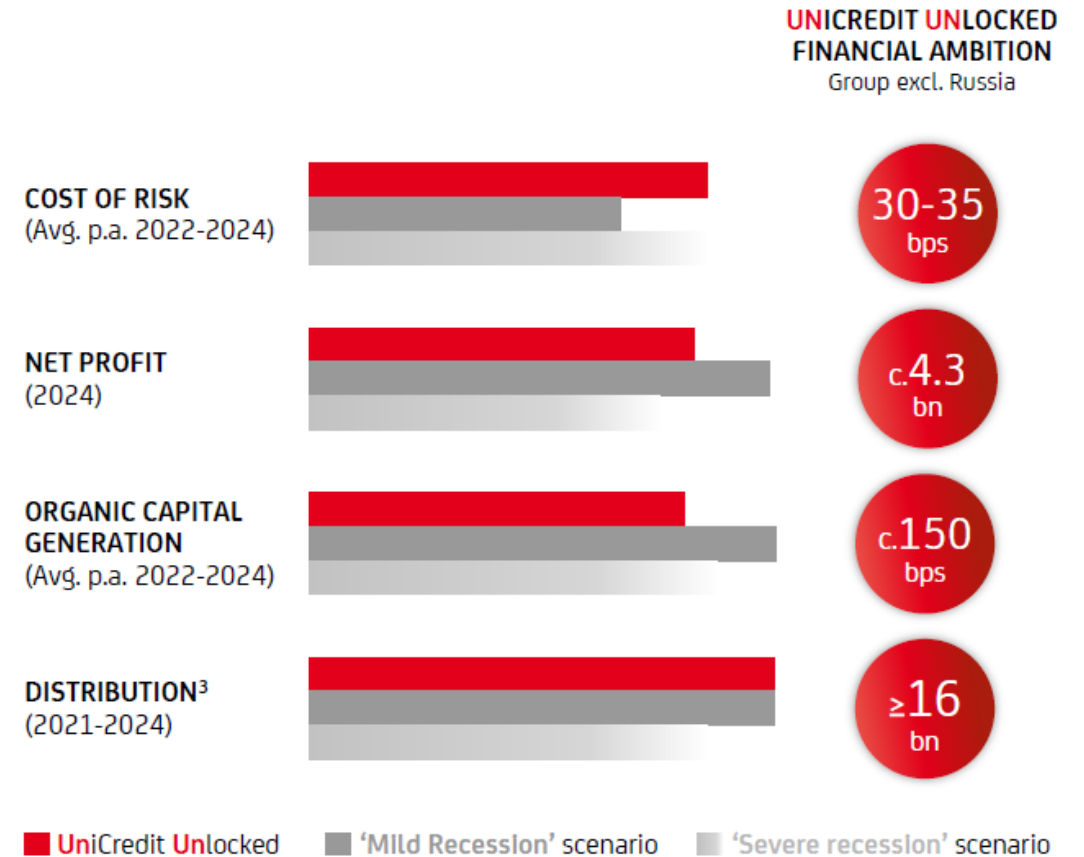


Further improving 2022 guidance

2022 GUIDANCE¹

Net revenue	>17.4bn
Net interest	>9.6bn
Costs	<9.4bn
Cost / Income	c.51%
Cost of risk	c.25bps
Net profit	>4.8bn
CET1r pro forma for 2022 distribution ²	>14.5%

ROBUST PERFORMANCE EVEN IN 'SEVERE RECESSION' SCENARIO



3Q22 financial highlights

Key recent financial events

- 2021 second buyback tranche of 1bn ongoing with 54m shares equal to 2.69% of capital repurchased as at 21/10/2022
- As part of our industrial plan:
 - simplified bancassurance agreement with CNP in Italy increasing strategic flexibility
 - consolidated partnership with Allianz in Croatia to unlock more value
 - merged UniCredit Services ScpA into UniCredit SpA to support our IT and digital strategy

	3Q22	vs 2Q22	vs 3Q21
Net Revenue	4.6bn 4.2bn	-2%	+7% 15%
<i>o/w Revenue</i>	4.5bn	+0%	+5%
<i>o/w LLPs</i>	-0.2bn	<i>n.m.</i>	-26%
Net Profit ¹	1.6bn 1.3bn	-10%	+31% 52%
Cost/Income ratio	48% 52%	0 p.p.	-4 p.p. -7p.p.
Cost of Risk	20bps	+10bps	-8bps
RoTE	13.2% 11.4%	-2 p.p.	+3 p.p. +5p.p.
CET1 ratio <i>(Group incl. Russia)</i>	15.41%	-32bps	-9bps
Diluted EPS <i>(Eur)</i>	0.65	-5%	+44%

Adjusting 313m TLTRO3 negative one off





3

Overview of Bank Austria



Bank Austria – at a glance

Key information

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 4,500 FTE and 107 branches** in Austria
- **Excellent capital base** (18.8% CET1 ratio¹⁾)
- **Stable liquidity** with a perfect balance between customer loans and direct funding
- **High market shares²⁾** in Austria (Loans: 13%, Deposits: 12%)
- Issuer/Deposit **Ratings** at Baa1/A3 (Moody's) and BBB+ (S&P); Counterparty Ratings at A2 (Moody's) and A- (S&P)

(in € billion)	Jun-22	Dec-21
Total Assets	123.2	118.4
Customer Loans	64.9	67.0
Direct Funding	71.7	74.1
Equity	9.1	8.9
(in € million)	1H22	1H21
Operating income	911	915
Operating costs	-541	-565
LLP	49	-32
Net profit	286	219
Cost / income ratio	59.4%	61.7%
	Jun-22	Dec-21
CET1 capital ratio ¹⁾	18.8%	16.8%
Total capital ratio ¹⁾	22.7%	20.5%
Non-performing exposure ratio	3.0%	3.0%
Coverage ratio	47.1%	48.4%
Cost of risk	-15 bp	10 bp



Business Model and Market Position in Austria

RETAIL

Retail Banking

- Covers **1.5m^{*)} Retail & Small Business customers** (<€ 1m turnover)
- **Broad multi-channel offer** via **physical branch network** (with a total of 117 branches), **remote advisory** (personal advisory services between 8.00 a.m. and 7.00 p.m., also via video telephony), **digital services** (internet and mobile banking) and **support by experts** in deposit business and real estate financing business

WEALTH MANAGEMENT & PRIVATE BANKING

Wealth Management & Private Banking

- **Leading Private Banking in Austria** with every fifth Austrian High Net Worth Individual (HNWI) as customer of Bank Austria
- **Successful client approach**
 - via **Private Banking Area** (15 locations all over Austria, cooperation with 11 funds),
 - **Wealth Management Area** of Schoellerbank (8 branches all over Austria and own Schoeller Invest KAG) and
 - **Tailor-made financial services** to HNWI and foundations (Wealth Planning, Special Funds Solutions, Generation Planning)

CORPORATES

Corporate coverage: Large corporates (turnover > € 1bn), **Medium corporates** (turnover > € 50m) and **Small corporates** (€ 1 – 50m turnover)

Offering the full range of investment banking products, from simple, standardized products to highly complex tailor-made structures, depending on client structure and client needs

- **Multinational corporates in Austria, Nordics & Iberia**
- **Financial Institutions, Public Sector clients and Commercial real estate clients**

Leading role as strategic financial partner in client coverage which we strive to continuously improve.

For most of the Austrian Large Corporates, we are the **main banking connection** with a wide range of product offering among all product lines

Member of UniCredit, a pan-European Commercial Bank with a unique franchise in **Italy, Germany, Central Europe/CE and Eastern Europe/EE**

- Unparalleled access to market leading products and services in **13 core markets** through our European banking network
- Leveraging on an international network of representative offices and branches, UniCredit serves clients in **another 15 countries worldwide**



P&L of Bank Austria Group

Solid profitability, based on a robust operative performance

Profit & Loss Development

- **Operating income** slightly below previous year, with strong net interest and fee income but lower trading income due to one-offs in 1H21
- **Operating costs** -4% lower y/y, due to continued strong cost discipline and further FTE reduction; significant improvement of cost/income ratio to 59.4%
- **Net write-downs of loans** positive (write-backs) at € +49m (1H21: € -32m), mainly driven by repayments in Corporates
- **Non-operating items** at € -102m, of which € - 98m systemic charges
- **Group Net Profit** at strong € 286m

Bank Austria Group

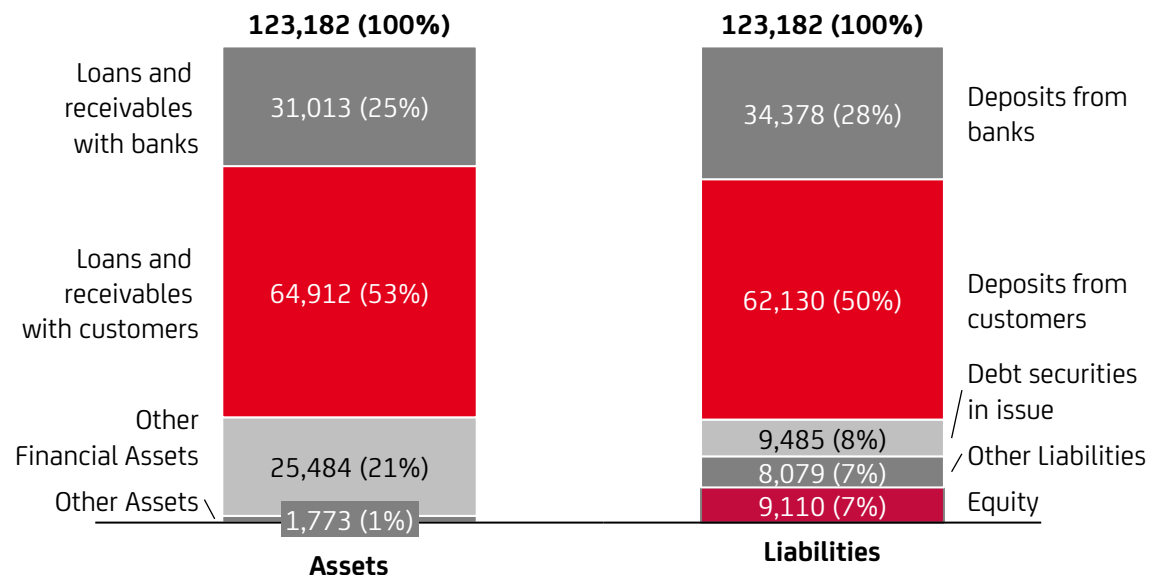
(€ million)

	1-6/ 2022	1-6/ 2021	y/y
Operating income	911	915	-0.5%
Operating costs	-541	-565	-4.4%
Operating profit	370	350	5.7%
Net write-downs of loans	49	-32	>-100%
Net operating profit	419	318	31.7%
Non-operating items	-102	-68	50.7%
Profit (loss) before tax	317	250	26.6%
Other positions	-31	-32	-1.5%
Group Net Profit	286	219	30.7%
Cost/income ratio	59.4%	61.7%	-238 bp



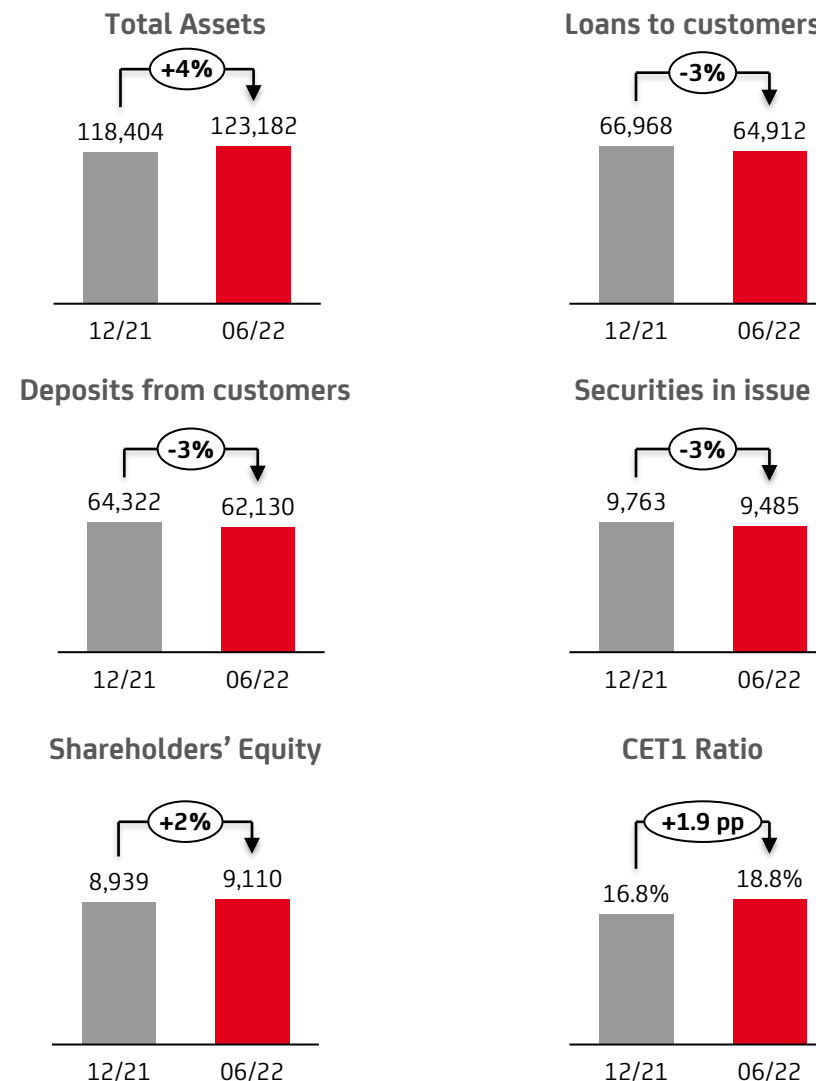
Balance Sheet structure of Bank Austria (as of 30 June 2022)

Balance Sheet (€ m)



- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (see next page)
- **Total assets** up by € 4.8bn vs. YE21, with lower loans to customers (-3%). Good development in retail loans, overcompensated by lower liquidity needs of corporates after peak at YE21; lower deposits from customers (-3%, also driven by corporates, but increase of Retail deposits); decrease of securities in issue, due to maturities and repayments
- **Higher capital base** with net equity up at **€ 9.1bn**, mainly due to inclusion of 1H22 profit

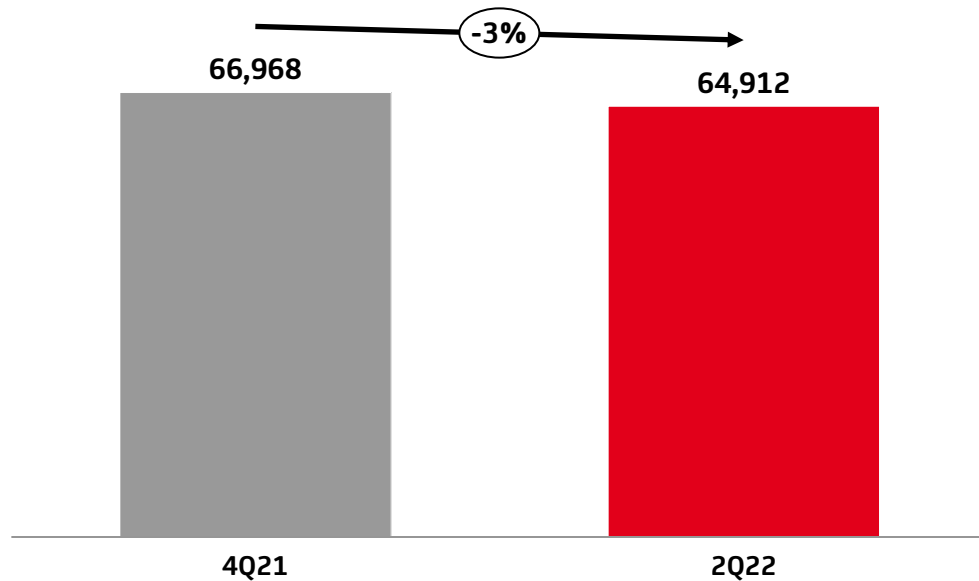
Change vs. 31 December 2021



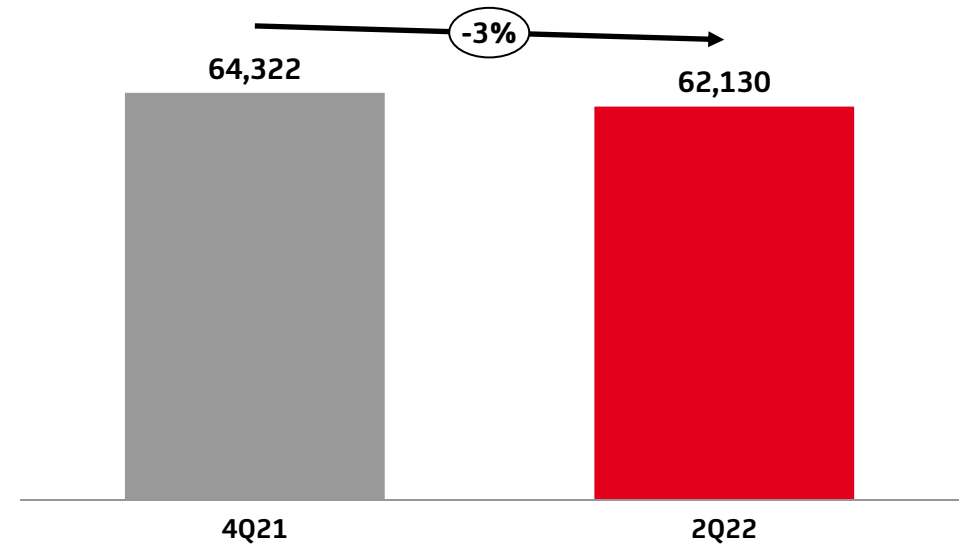
Loans and Deposit Volumes

Well-balanced development of loans and deposits

Loans to Customers (€ m)



Deposits from Customers (€ m)

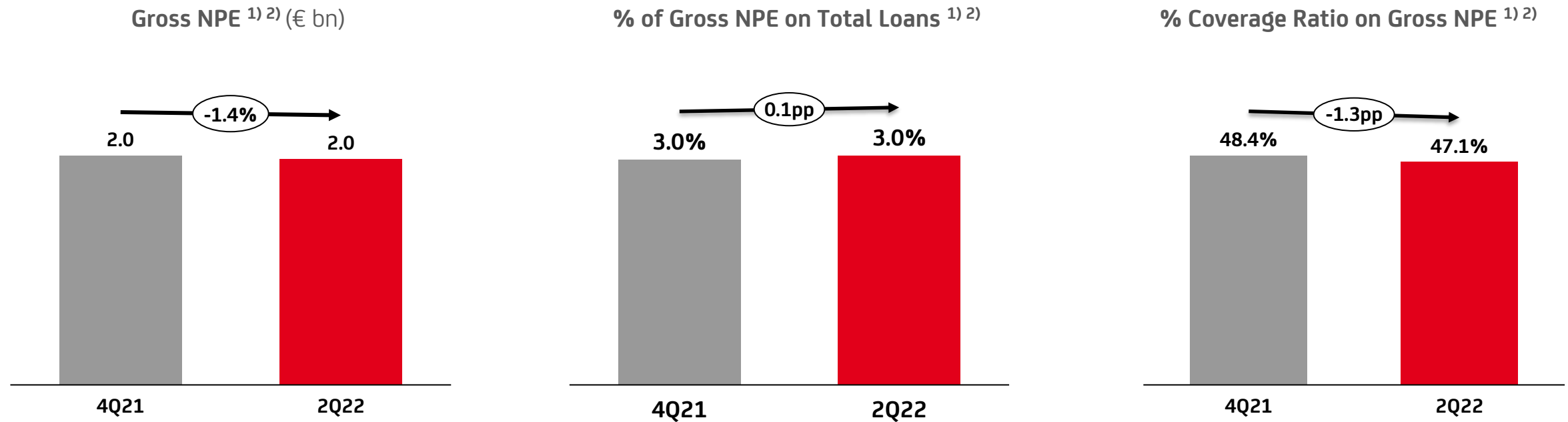


- **Loans to customers** decreased by 3% since YE21, mainly due to lower liquidity needs of corporates – but with a good commercial development in Retail
- **Deposits from customers** decreased by 3% as well, with an increase in Retail



Asset Quality

Good asset quality KPIs in 2022, despite COVID-19



- **NPE portfolio** (gross impaired loans) with a slight decline since year-end 2021, due to excellent collection results
- **NPE Ratio** (gross impaired loans in % of total loans) flat at 3.0%; COVID-19 crisis continues having very limited impact on asset quality
- **Coverage Ratio** declined to 47.1%, due to low provisioning of an ECA-covered³⁾ sovereign NPE

¹⁾ NPE = Non-Performing Exposure; on-balance volumes (non-banks) only

²⁾ Past due figures not shown separately as past due exposure is only a minor share of total NPE

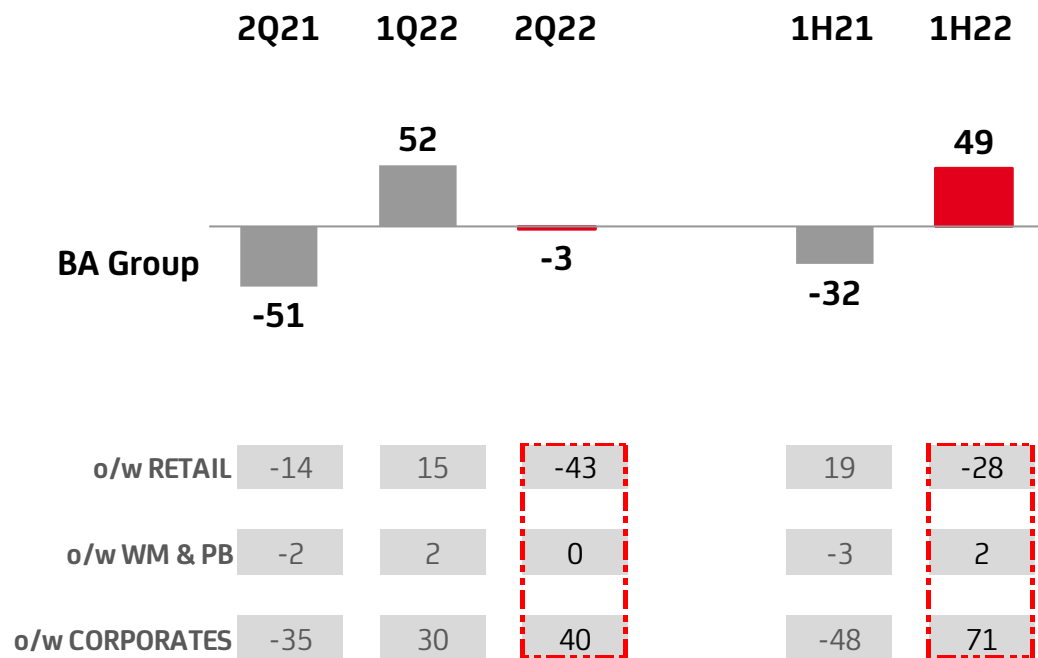
³⁾ ECA = Export Credit Agency



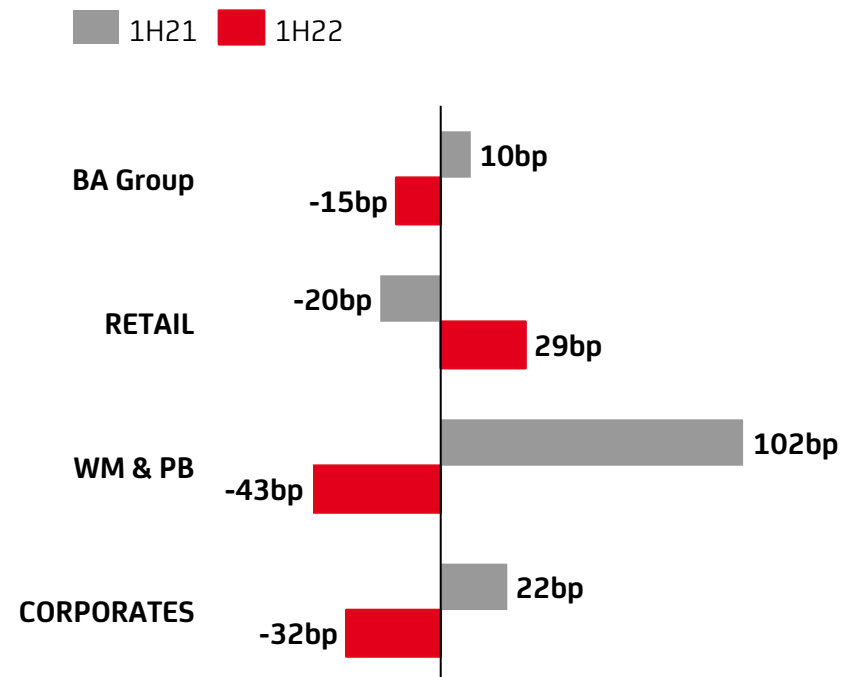
Net Write-Downs on Loans and Cost of Risk

In 1H22, significant Net Write-Backs and improved Cost of Risk y/y

Total Net Write-Downs of Loans by Segment (€ m)



Cost of risk by Segment (basis points)

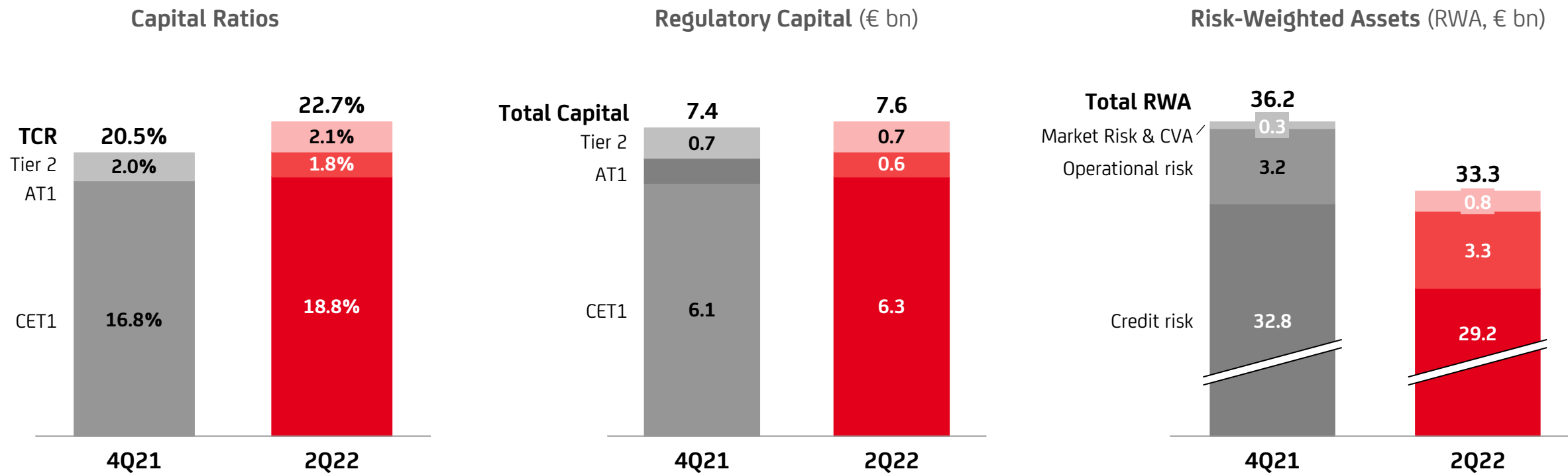


- **Net Write-Backs** of € +49m in 1H22, mainly driven by repayments in the Corporates area; corresponding **improvement of Cost of Risk**



Capital and RWA – Bank Austria Group, according to IFRS

Further improved capital ratios



- **CET1 Ratio increased clearly to 18.8%**, well above regulatory requirements
- **Total Capital Ratio** at excellent **22.7%**, strong increase vs. 4Q21 due to lower RWA (see below)
- **Total regulatory capital** increased further to **€ 7.6bn**, also driven by partial inclusion of 1H22 profit
- **Total RWA** decreased strongly by € 2.9bn to **€ 33.3bn**, mainly due to a lower regulatory add-on, reflecting the progress in re-ratings following the implementation of new IRB PD models in 2021
- **Leverage Ratio** at strong **5.3%**; the decrease (year-end 2021: 6.5%) is driven by the end of temporary COVID-19-induced relief measures by the ECB





4

Funding & Liquidity



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

UniCredit S.p.A. – Holding

- **UniCredit S.p.A.** 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*) **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

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

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

- **Liquidity strategy**
 - Bank Austria acting as an independent Liquidity Reference Bank (LRB) within UniCredit Group - in line with the self-funding principle of the Group Strategy
 - Bank Austria 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 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%)

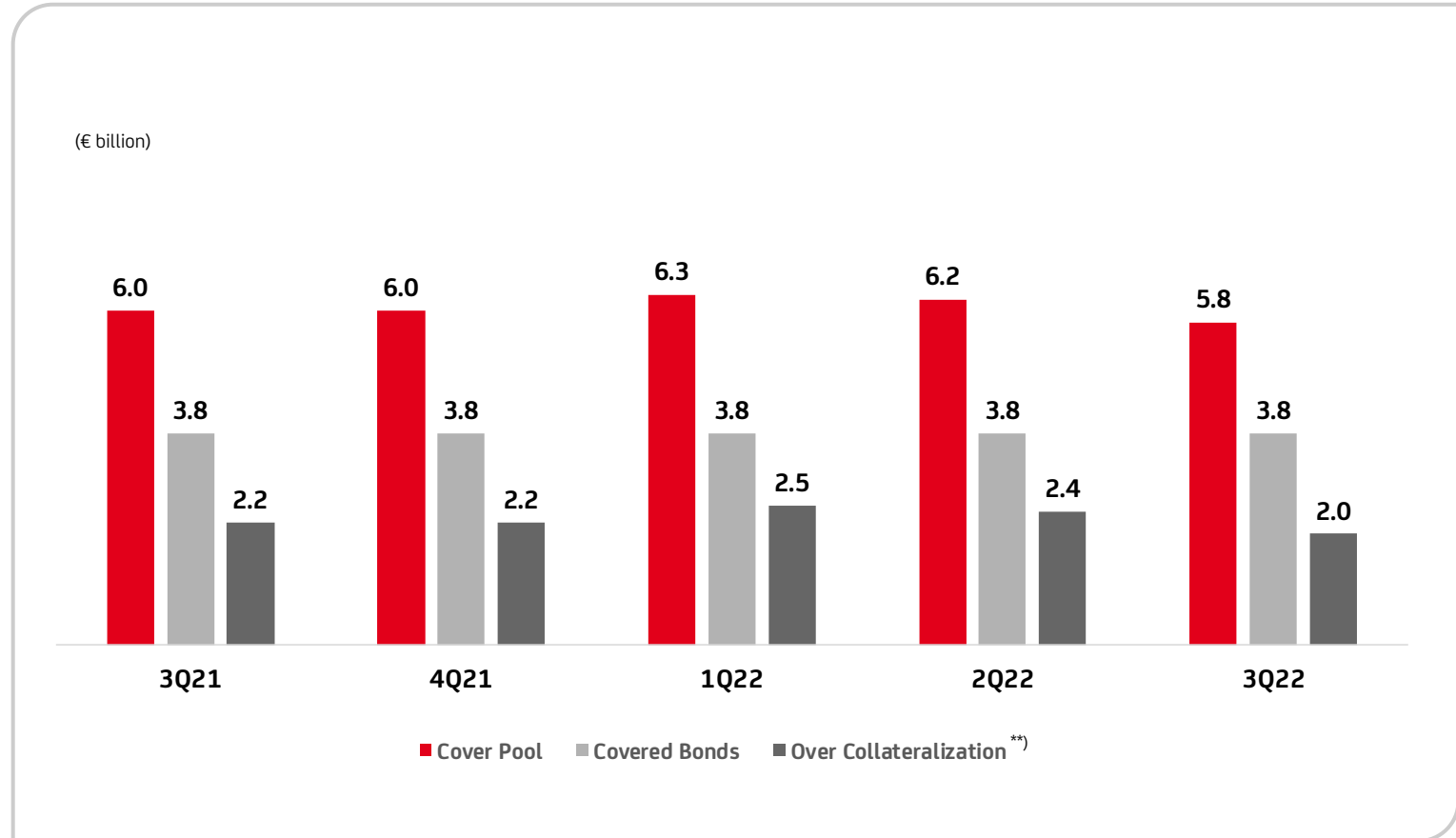


Public Sector Cover Pool

Overview and Yearly Development

Total Value of the Cover Pool as of 30 September 2022
(€-equivalent): **5,838 million**

- thereof in €: 5,124 million (87.8%)
- thereof in CHF: 116 million (2.0%)
- thereof public sector bonds (€-equivalent): 598 million (10.2%)
- Focus on **purely Austrian claims**
- **Moody's-Rating: Aaa**
- **ECBC Covered Bond Label^{*)}**



Public Sector Cover Pool

Parameters of Cover Pool and Issues

Parameters of Cover Pool

Weighted Average Life (in years including Amortization)	8.6
Contracted Weighted Average Life (in years)	13.5
Average Seasoning (in years)	7.3
Total Number of Loans	4,745
Total Number of Debtors	2,245
Total Number of Guarantors	301
Average Volume of Loans (€ million)	1.2
Stake of 10 Biggest Loans	21.2%
Stake of 10 Biggest Guarantors	36.0%
Stake of Bullet Loans	33.4%
Stake of Fixed Interest Loans	54.1%
Average Interest Rate	1.3%
Stake of Defaulted Loans	0.0%
Stake of Loans 90 Days Overdue	0.0%

Liquidity Buffer

Covered Liquidity buffer requirement (€ million)	0.0
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Parameters of Issues

Total Number	27
Average Residual Maturity (in years)	2.8
Average Volume (€ million)	140.1

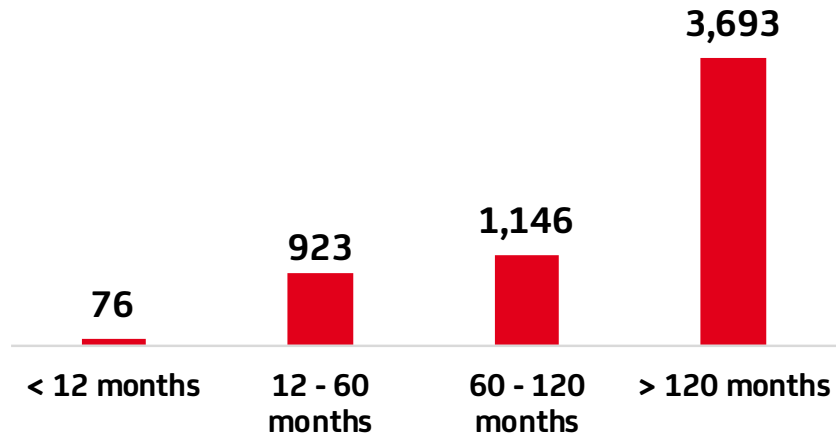


Public Sector Cover Pool

Maturity Structure of Cover Pool and Issues

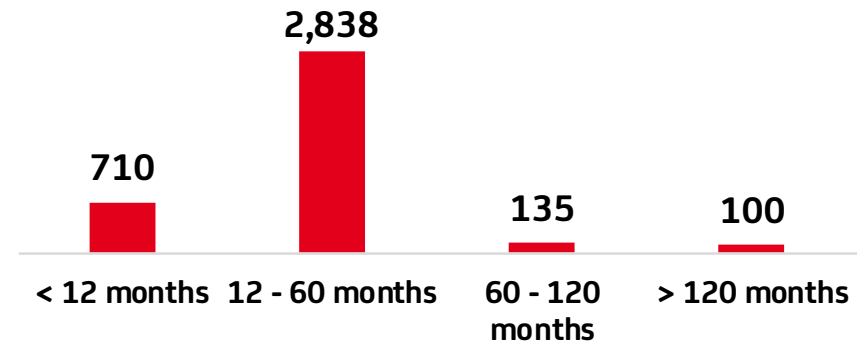
Maturity of assets in the cover pool^{*)}

(€ million)



Maturity of issued covered bonds^{**)}

(€ million)



^{*)} Without consideration of the repayment

^{**)} A list of Pfandbriefe and covered bonds of UniCredit Bank Austria AG (including the ISINs of all issues and information on the soft/hard bullet structure) can be found on the Covered Bond Label website (<https://www.coveredbondlabel.com/issuer/60-unicredit-bank-austria-ag>).

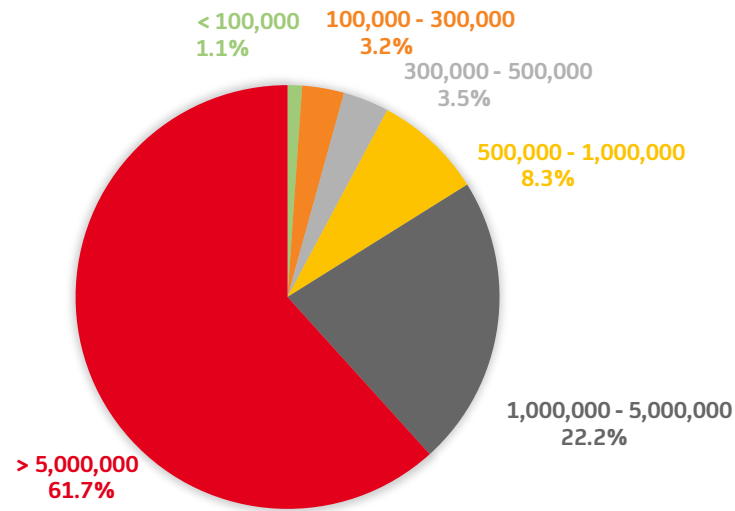
The base prospectus for the EMTN program, including the conditions of a potential postponement of maturity, is available on the UniCredit Bank Austria website (<https://www.bankaustria.at/en/about-us-issues-under-base-prospectuses-base-prospectuses.jsp>). A list of covered bonds with the designation "European Covered Bonds (Premium)" can be found on the website of the Austrian Financial Market Authority (<https://www.fma.gv.at/en/banks/fma-disclosure/other-disclosure-items/>).



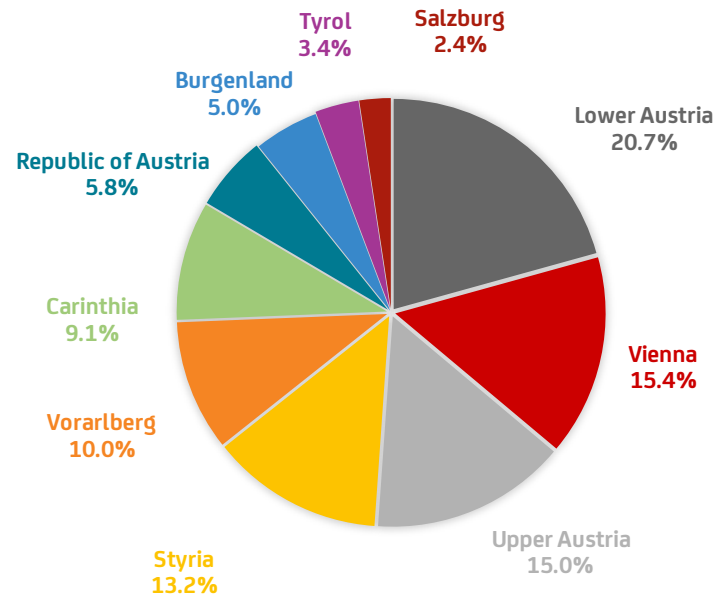
Public Sector Cover Pool

Breakdown of Assets by Size, Region and Type of Debtor / Guarantor

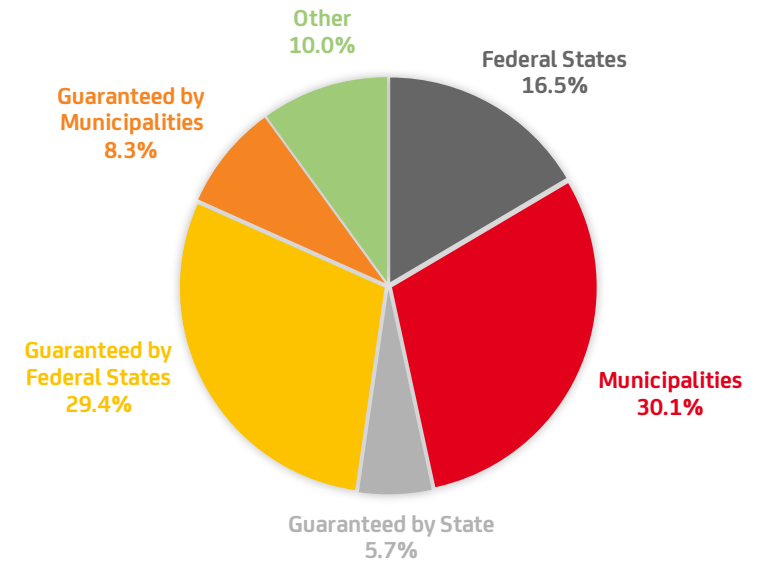
Breakdown by size of assets



Regional breakdown Austria^{*)}



Breakdown by type of debtor/guarantor



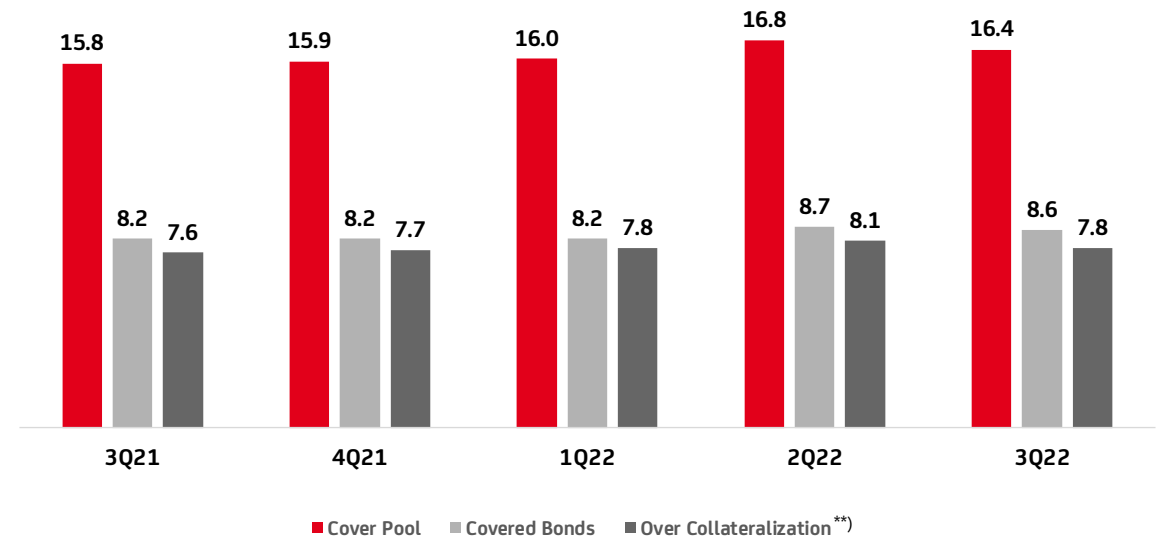
Mortgage Cover Pool

Overview and Yearly development

Total Value of the Cover Pool as of 30 September 2022
(€-equivalent): **16,413 million**

- thereof in €: 15,710 million (95.7%)
 - thereof in CHF: 703 million (4.3%)
- Focus on **Austrian mortgages**
 - **Moody's-Rating: Aaa**
 - **ECBC Covered Bond Label^{*)}**
 - **Decrease of total value of CHF cover assets** over the last six years (3Q16: € 1,523 million – 3Q22: € 703 million; no new CHF assets since 2010)

(€ billion)



Mortgage Cover Pool

Parameters of Cover Pool and Issues

Parameters of Cover Pool

Weighted Average Life (in years including Amortization)	10.0
Contracted Weighted Average Life (in years)	17.1
Average Seasoning (in years)	6.1
Total Number of Loans	62,459
Total Number of Debtors	54,435
Total Number of Mortgages	57,253
Average Volume of Loans (€ million)	0.3
Stake of 10 Biggest Loans	9.4%
Stake of 10 Biggest Debtors	10.1%
Stake of Bullet Loans	19.6%
Stake of Fixed Interest Loans	39.5%
Average Interest Rate	1.3%
Average Loan-to-Value	48.9%
Stake of Defaulted Loans	0.0%
Stake of Loans 90 Days Overdue	0.0%

Liquidity Buffer

Covered Liquidity buffer requirement (€ million)	0.0
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Parameters of Issues

Total Number	72
Average Residual Maturity (in years)	4.1
Average Volume (€ million)	120.1

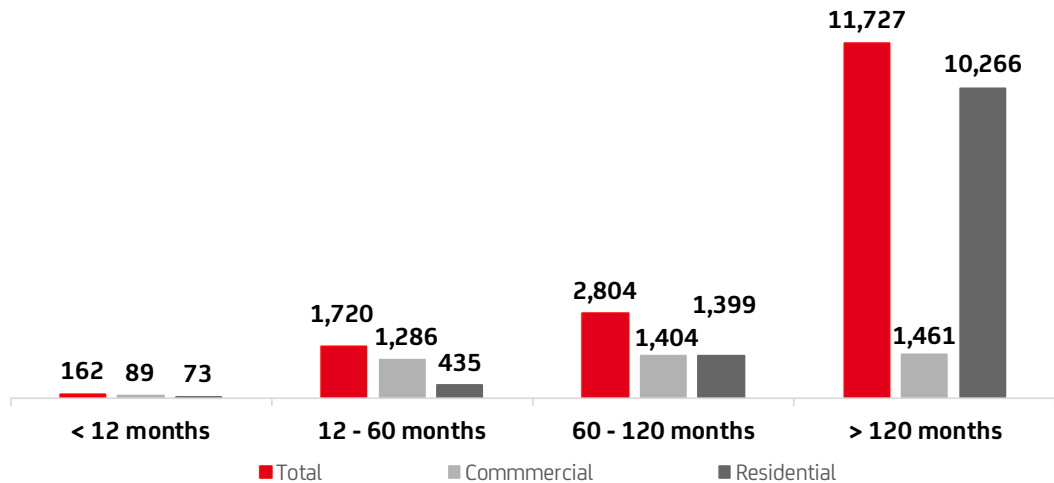


Mortgage Cover Pool

Maturity Structure of Cover Pool and Issues

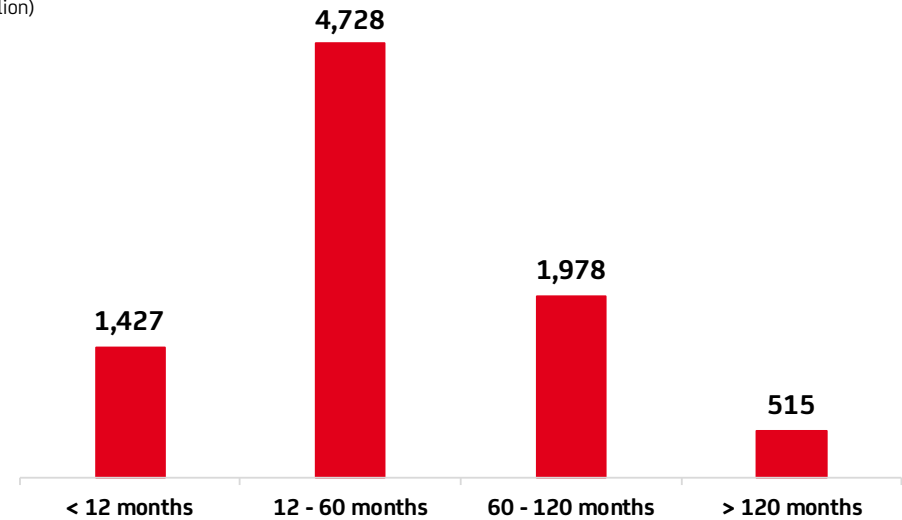
Maturity of assets in the cover pool^{*)}

(€ million)



Maturity of issued covered bonds^{**)}

(€ million)



^{*)} Without consideration of the repayment

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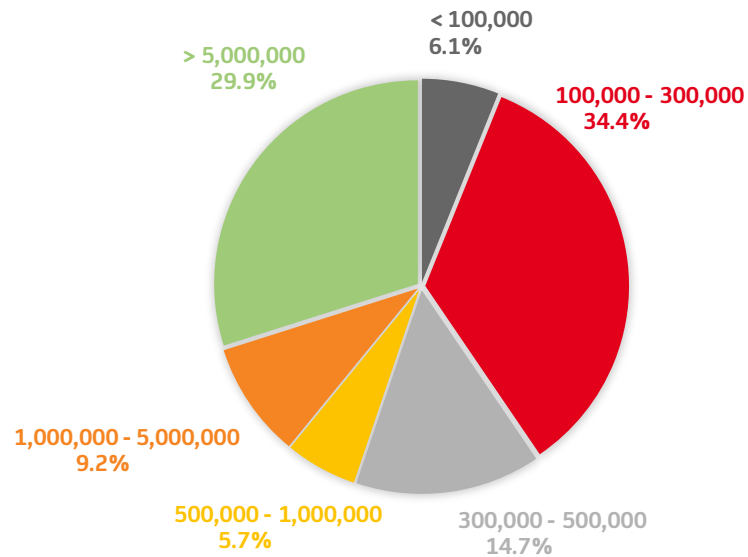
The base prospectus for the EMTN program, including the conditions of a potential postponement of maturity, is available on the UniCredit Bank Austria website (<https://www.bankaustria.at/en/about-us-issues-under-base-prospectuses-base-prospectuses.jsp>). A list of covered bonds with the designation "European Covered Bonds (Premium)" can be found on the website of the Austrian Financial Market Authority (<https://www.fma.gv.at/en/banks/fma-disclosure/other-disclosure-items/>).



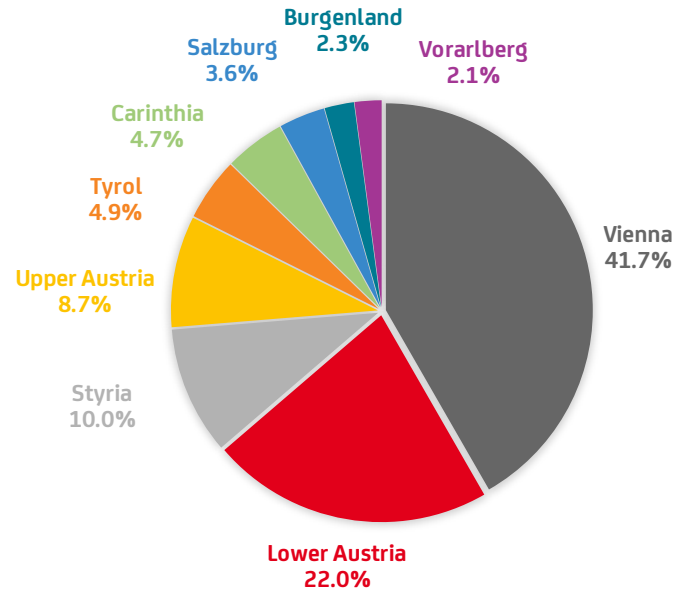
Mortgage Cover Pool

Breakdown of Mortgages by Size, Region and Type of Use

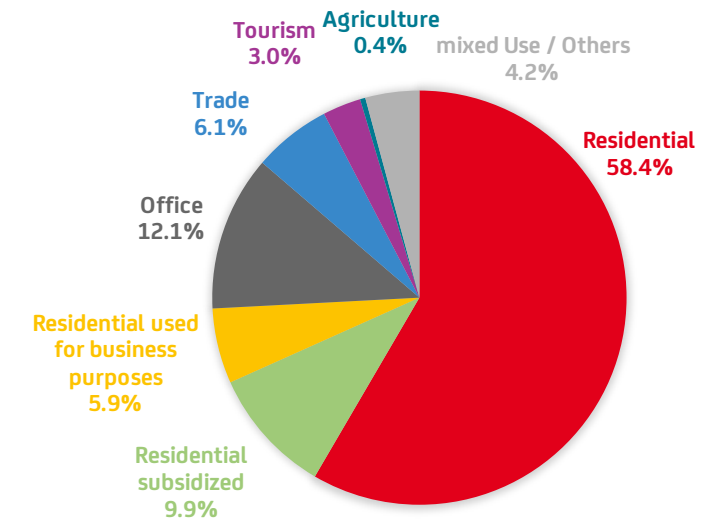
Breakdown by size of assets



Regional breakdown Austria



Breakdown by type of use





5

Annex

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

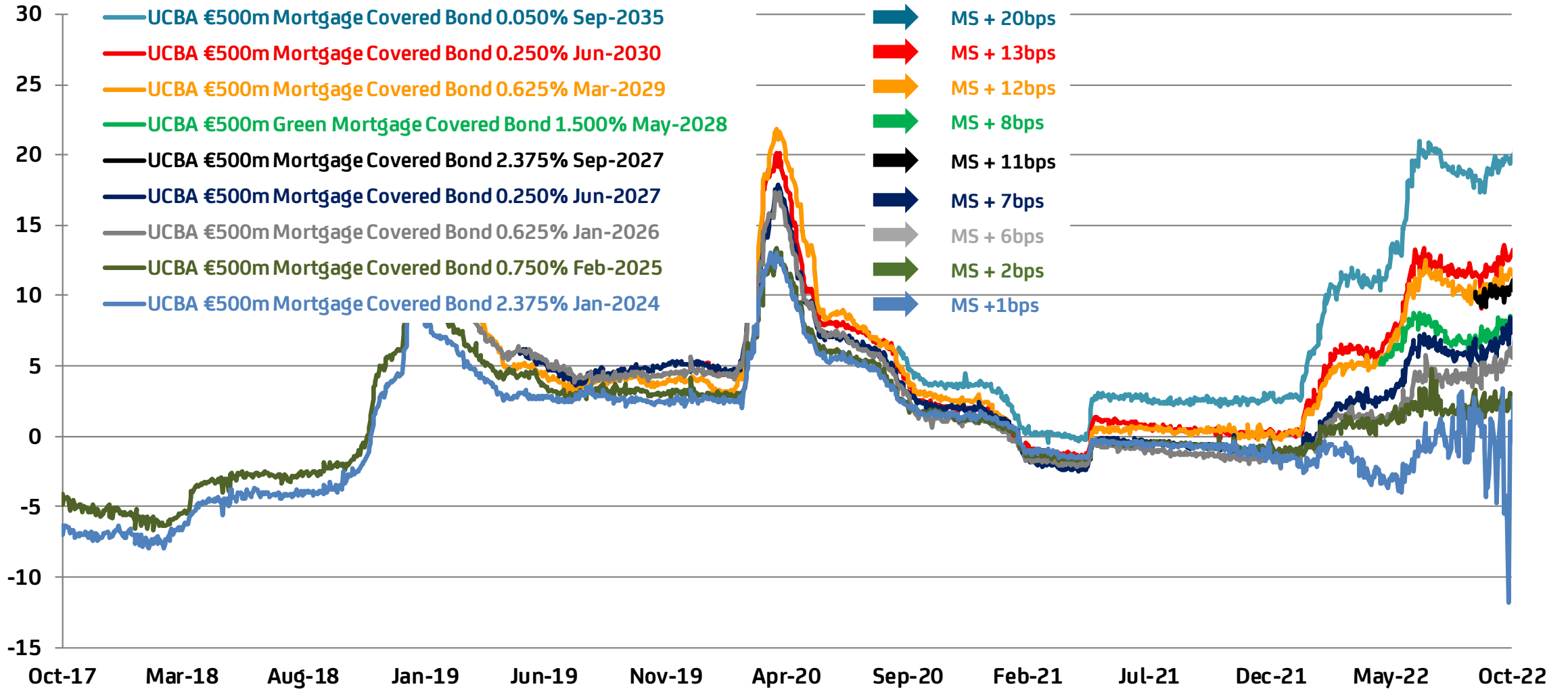


Overview of Bank Austria's outstanding Pfandbrief Benchmark Issues

Type of Pfandbrief	Interest rate	Due date (dd/mm/yyyy)	Volume	Date of issuance	Mid Swap + number of basis points
Green Mortgage Pfandbrief: AT000B049911	1.50%	24/05/2028	€ 500m	May 2022	MS + 6bps
Mortgage Pfandbrief: AT000B049846	0.05%	21/09/2035	€ 500m	Sept. 2020	MS + 9bps
Mortgage Pfandbrief: AT000B049796	0.25%	21/06/2030	€ 500m	Jan. 2020	MS + 6bps
Mortgage Pfandbrief: AT000B049788	0.25%	04/06/2027	€ 500m	June 2019	MS + 7bps
Mortgage Pfandbrief: AT000B049754	0.625%	20/03/2029	€ 500m	March 2019	MS + 15bps
Mortgage Pfandbrief: AT000B049739	0.625%	16/01/2026	€ 500m	Jan. 2019	MS + 18bps
Mortgage Pfandbrief: AT000B049572	0.75%	25/02/2025	€ 500m	Feb. 2015	MS + 3bps
Mortgage Pfandbrief: AT000B049465	2.375%	22/01/2024	€ 500m	Jan. 2014	MS + 35bps



UniCredit Bank Austria Covered Bond Spread Comparison



Rating Overview

	Moody's					S&P				Fitch		
	Long-Term Deposits	Long-Term Senior Unsecured	Short-Term	Subordinated ¹⁾	Counterparty Risk	Long-Term	Short-Term	Subordinated ¹⁾	Counterparty Risk	Long-Term	Short-Term	Subordinated ¹⁾
Bank Austria²⁾	A3	Baa1 Negative	P-2	Baa3	A2 / P-1	BBB+ Negative	A-2	BBB-	A-	-	-	-
Public Sector Covered Bond	Aaa											
Mortgage Covered Bond	Aaa											
UniCredit S.p.A.	Baa1	Baa1 Negative	P-2	Baa3	Baa1 / P-2	BBB Stable	A-2	BB+	BBB+	BBB Stable	F2	BB+

(as of 21 November 2022)

¹⁾ Subordinated (Lower Tier II)

35 ²⁾ Securities issued before 31 Dec. 2001 which benefit from a secondary liability by the City of Vienna (grandfathered debt) are exclusively subordinated and are also rated as shown above by Standard & Poor's, while by Moody's the corresponding subordinated securities are rated Baa2



Austrian Real Estate Market

Overview

- **2021** was an exceptional year for commercial real estate investments in Austria due to the pandemic. The investment volume increased by +20% compared to the first year of the pandemic to a **total volume of approx. € 4.0 billion**. The first two quarters of 2022 started robustly despite the war in Ukraine, as some transactions could not be completed in 2021. **The forecast for 2022 is over € 4.5 billion**. Residential real estate was also in 2021 the most popular asset class with around 35% of the total investment volume, followed by office properties with 24%, Retail with 17% and Logistics & Industry with 11%. The continuing high demand - with limited supply - led to significant price increases for residential real estate and differentiated yields for office properties
- 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 property prices have risen significantly in 2021 and first half of 2022. Across Austria, they rose by **above + 11% in 2021** as a whole compared to 2020. This was mainly due to increases in the prices of condominiums. In Vienna, apartment prices rose by **an average of +10.80%**.
Price development in Austria excluding Vienna was varied, with apartment prices rising significantly more than house prices. Construction prices increased almost abruptly by around +18% compared to 2020
- The **further development** of real estate prices in 2022 must be viewed differently due to the noticeable rise in interest rates, the lending restrictions and the COVID-19 pandemic plus current warlike activities. Residential real estate is noticeably affected, office real estate will come under adaptive pressure in the medium term. Most affected by high vacancies is the city hotel segment



Austrian Real Estate Market

Prices for residential real estate

- After a noticeable increase in prices in 2021 of around +11%, the price curve rose into the 10% plus region in the first half of 2022. Professional forecasters predict a further price increase until year-end 2022. Mostly affected by sharply rising construction prices at a rate of approx. 18% within one year. The shortage of building land is also an urgent issue.
- Residential property prices in Austria (excluding Vienna) developed slightly stronger in the second year of the pandemic, 2021, at around +12,8% p.a. compared to Vienna at around +10.8%

Source: OeNB, Technical University Vienna, Department für Raumplanung



Austrian Real Estate Market

Investment Property Databank (IPD)

- 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 2021 | 3.25% |
| • Yield of Austrian Government Bonds (10Y) | 1.43% |
| • Spread | 1.82% |



Austrian Covered Bond Law

Mortgage and Public Sector Covered Bonds

- On 8 July 2022, the **new Covered Bond Law** (*Pfandbriefgesetz - PfandBG*) entered into force in Austria. The Covered Bond Law is based on an EU Directive, which harmonized the rules for Covered Bonds within the EU.
- The Covered Bond Law offers investors in Mortgage and Public Covered Bonds a **safety net** by i.a. the following provisions:
 - The issuer has to maintain an **overcollateralization** of at least 2 % of the nominal amount of the Covered Bonds issued at all times.
 - The credit institution must at any time maintain a **liquidity buffer**, which covers the net liquidity outflows of the respective Covered Bond Program over the next 180 days.
 - Each credit institution, which issues covered bonds, is obligated to appoint an internal or external **Trustee**.
 - In case of insolvency of the issuer, the **assets in the Cover Pool are being separated** from the rest of the assets and the holders of Public Covered Bonds or Mortgage Covered Bonds have a preferential claim on the cover assets. A special cover pool administrator will then be appointed to manage the cover pools.
- Covered Bonds are declared as **gilt-edged** under Austrian Civil Law.



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as of November 21, 2022

