MOODY'S INVESTORS SERVICE

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Volksbank Wien - Mortgage Covered Bonds

Austrian Covered Bonds

Ratings

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
1,845,191,763	Residential & Commercial Mortgage Loans	1,380,000,000	Aaa

The ratings address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Summary Rating Rationale

We have assigned a long-term rating of Aaa to the covered bonds issued under the mortgage covered bond programme (Fundierte Bankschuldverschreibungen) of Volksbank Wien AG (VBW, or the issuer; A2(cr)). The covered bonds are full recourse to the issuer and secured by a cover pool of assets consisting of residential loans (78.6%), commercial loans (14.9%), promoted housing loans (2.5%) located in Austria and substitute assets (4.0%).

The rating takes into account the following factors:

» The credit strength of the issuer (CR Assessment A2(cr)).

» The cover pool's credit quality, which is reflected by the collateral score of 6.2%, and the over-collateralisation of 33.7% (on a nominal value basis).

» The support provided by the Austrian Covered Bond Act (Gesetz betreffend Fundierte Bankschuldverschreibungen).

Credit Strengths

» *Recourse to the issuer*: The covered bonds are full recourse to VBW (A2(cr)). See Covered Bonds Analysis.

» *Support provided by the Austrian legal framework*: The covered bonds are governed by the Austrian Covered Bond Act (Gesetz betreffend Fundierte Bankschuldverschreibungen). The act requires the issuer to maintain a cover pool with a nominal value of at least the nominal value of the covered bonds. Further, the act provides for the issuer's regulation and supervision and sets certain minimum requirements for the covered bonds and the cover pool. For more details on the Austrian Covered Bond Act, see Appendix 2: Legal Framework for Austrian Covered Bonds.

» *High credit quality of the cover pool*: The covered bonds are supported by a cover pool of high-quality assets. The assets are predominantly residential mortgage loans backed by properties in Austria. The collateral quality is reflected in the collateral score, which is currently 6.2%. See Cover Pool Analysis.

» *Cover pool diversification:* VBW's cover pool exhibits a higher risk diversification than most Austrian covered bond programmes: (1) geographical diversification: While all mortgage loans are backed by properties that are located in Austria, the exposures are widely diversified across the Austrian regions. (2) obligor concentration: the 10 largest obligors account for 8.7% of the commercial mortgage loans. We expect that VBW will maintain a high regional diversification and that the obligor concentration among commercial mortgage loans will increase somewhat over time. See Cover Pool Analysis.

» *Negligible currency risks*: The issuer's cover pool selection criteria includes that loans need to be denominated in euro. Further, the issuer does not intend to issue covered bond in non-euro currency for the forseeable future. There is a negligible currency risk exposure as the substitute assets (4.0% of the cover pool) are denominated in Swiss Franc, maturing in 2017 and 2020. We understand that the issuer will going forward only invest in euro denominated substitute assets. See Covered Bonds Analysis.

» *No set-off risk:* Set-off against cover pool assets that have been entered in the cover register is excluded by law. The issuer's cover pool includes only Austrian mortgages and the selection criteria require that each borrower has been notified about the use of the mortgage in the cover pool and exclusion of set-off. See Covered Bonds Analysis.

» *Provisions for a cover pool administrator*: Following an issuer default, the covered bondholders will benefit from a cover pool administrator, that acts independently from the issuer's insolvency administrator. See Covered Bonds Analysis.

Credit Challenges

» *High level of dependency on the issuer:* As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises, and enter into new hedging arrangements. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool. These changes could affect the cover pool's credit quality as well as the overall refinancing risk and market risks. The issuer has the ability, but not the obligation, to increase the over-collateralisation (OC) in the cover pool to mitigate the aforementioned risks. See Structural Analysis.

» *Refinancing risk:* Following a CB anchor event, covered bondholders, to achieve timely principal payment, may need to rely on proceeds being raised through the sale of, or borrowing against, cover pool assets. Following a CB anchor event, the market value of these assets may be subject to high volatility. A CB anchor event occurs when the issuer, or another entity in the issuer group that supports the issuer, ceases to service the payments on the covered bonds. See Covered Bonds Analysis.

» *Market risks*: Covered bondholders are exposed to interest rate risk. 89% of the residential mortgages and 89% of the commercial mortgages are with floating interest rate arrangements, while 41% of the covered bonds are with fixed interest rates and we expect the share of fixed rate covered bonds to increase over time. See Covered Bonds Analysis.

» *Time subordination:* After issuer default, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds. See Covered Bonds Analysis.

» *Lack of liquidity facility*: The Austrian legal framework lacks a 180 day liquidity reserve for both interest and principal payments. The programme does not benefit from any designated source of liquidity if cash flow collections are interrupted. See Covered Bonds Analysis.

Key Characteristics

Exhibit 1
Covered Bond Characteristics

Issuer:	**Volksbank Wien AG**
Covered Bond Type:	Residential & Commercial Mortgage Covered Bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Austrian Covered bonds Act (Gesetz betreffend Fundierte Bankschuldverschreibungen)

Entity used in Moody's EL and TPI analysis	**Volksbank Wien AG**
CR Assessment:	A2(cr)
CB Anchor:	CR assessment +1 notch
Deposit rating:	Baa2

Total Covered Bonds Outstanding:	**€1,380,000,000**
Main Currency of Covered Bonds:	EUR (100%)
Extended Refinance Period:	No
Principal Payment Type:	Hard bullet
Interest Rate Type:	Floating rate (58.7%) Fixed rate (41.3%) covered bonds
Committed Over-Collateralisation*:	0%
Current Over-Collateralisation:	33.7% (on a nominal basis)

Intra-group Swap Provider:	**n/a**
Monitoring of Cover Pool:	Regierungskommissär
Trustees:	n/a
Timely Payment Indicator:	Probable
TPI Leeway:	2 notches

* The issuer specifies in its Articles of Association a minimum OC to be maintained of 2% on a net present value basis
Source: Moody's Investors Service

Exhibit 2
Cover Pool Characteristics

Size of Cover Pool:	**€1,845,191,763**
Main Collateral Type in Cover Pool:	Residential (78.6%), Commercial (14.9%), Promoted Housing (2.5%)
Main Asset Location of Ordinary Cover Assets:	Austria (100%)
Main Currency:	EUR (100%)
Loans Count:	16,089 Residential, 1,637 Commercial, 263 Promoted Housing
Number of Borrowers:	14,283 Residential, 1,358 Commercial, 198 Promoted Housing
WA unindexed LTV:	66% Residential, 63.3% Commercial, 67.7% Promoted Housing
WA indexed LTV:	62.6% Residential, 63.2% Commercial, 63.4% Promoted Housing
WA Seasoning:	54 Residential, 60 Commercial, 66 Promoted Housing months
WA Remaining Term:	223 Residential , 171 Commercial, 173 Promoted Housing months
Interest Rate Type:	Floating rate assets (84.3%) Floating rate assets (15.7%)
Collateral Score:	6.2%
Cover Pool Losses:	16.0%
Further Cover Pool Details:	See Appendix 1
Pool Cut-off Date:	30 November 2016

Source: Moody's Investors Service

Covered Bond Overview

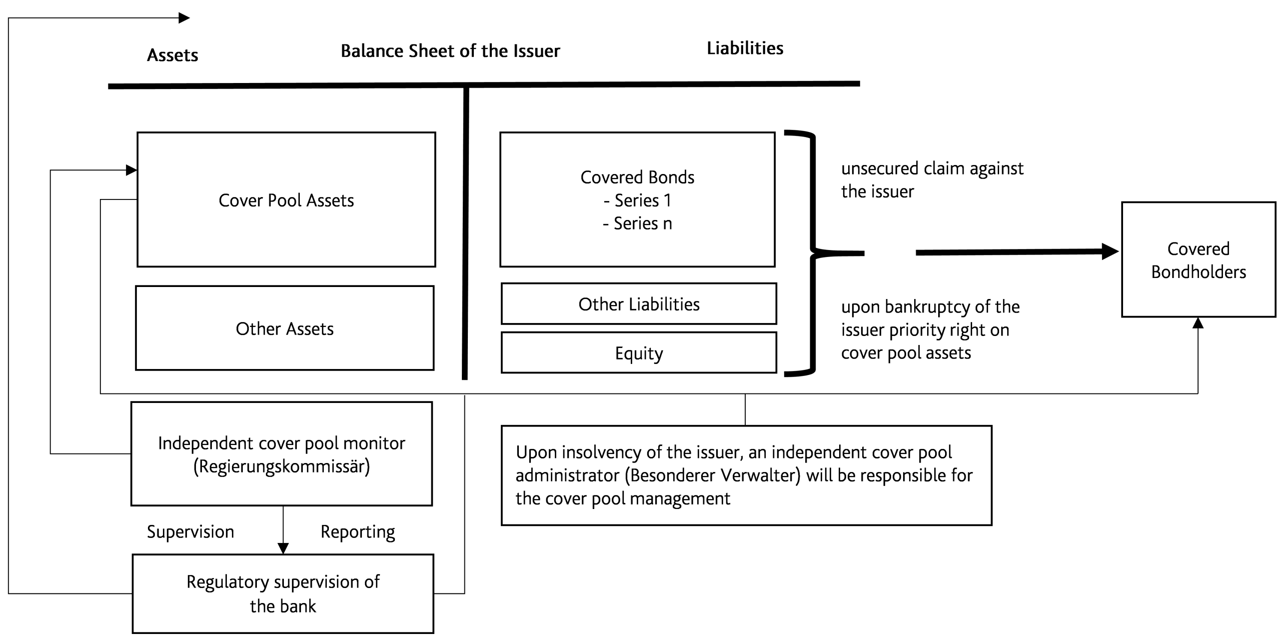
The covered bonds benefit from recourse to both the issuer and the cover pool, as well as the legal framework under the Austrian Covered Bond Act (Gesetz betreffend Fundierte Bankschuldverschreibungen). Our rating reflects these features.

Covered Bond Description

The covered bonds issued under the mortgage covered bond programme of VBW are full recourse to the issuer. Upon a CB anchor event covered bondholders will have access to a cover pool of mortgage loan receivables (both commercial and residential mortgage loan receivables).

Structural Diagram

Exhibit 3



Structure Description

THE BONDS

All outstanding covered bonds have a bullet repayment at maturity, without any extension period for the repayment of the bonds. In line with the practice seen for other covered bond programmes under the Austrian Covered Bond Act, the issuance of covered bonds is limited to a maximum of 60% of the properties' market value. Moody's understands that the issuer intends to manifest this practice by asking its General Assembly to describe the issuance limit in its Articles of Association. Moody's considers the issuance limit in its analysis.

ISSUER RECOURSE

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interests on the covered bonds.

RECOURSE TO COVER POOL AND OVER-COLLATERALISATION

If the issuer becomes insolvent, the covered bondholders will have priority claims over a pool of assets (cover pool). See Cover Pool Description for the cover pool characteristics and Cover Pool Analysis for our analysis of the pool.

Based on an issuance of EUR 1,380 million, the over-collateralisation in the cover pool is currently 33.7%, on a nominal value basis of which the issuer provides 0% on a “committed” basis. The issuer has specified in its Articles of Association that it will maintain an over-collateralisation of at least 2.0% on a net present value basis.

The minimum OC level consistent with the Aaa rating is 8.5%, of which the issuer should provide 0% in a "committed" form (numbers in nominal terms). These numbers show that Moody's is relying on "uncommitted" OC in its expected loss analysis.

Although the issuer has the ability to increase the OC in the cover pool should the collateral quality deteriorate or market risks rise, the issuer does not have any obligation to do so. The failure to increase OC in such scenarios could lead to a negative rating action.

LEGAL FRAMEWORK

The covered bonds are governed by the Austrian Covered Bond Act (see Appendix 2: Legal Framework for Austrian Covered Bonds).

POOLING MODEL

All the cover pool assets were originated by the issuer or co-operative banks belonging to the Volksbanken-Verbund and the originator is entered into the land registry. The assets remain together with the economic risks on the balance sheets of the relevant originators. Upon transfer of the assets to the cover pool, the mortgage is marked by an entry ("Kautionsband") so that the originator or issuer can only remove the asset from the cover pool or de-register the mortgage from the land registry if the cover pool monitor ("Regierungskommissär") agrees. This model is prescribed by the Austrian legal framework for covered bonds. All borrowers have consented to this model and have waived their rights to set-off, as required by the Austrian covered bond legislation.

In case of the insolvency of the issuer, all cover assets form a separate pool ("Sondermasse") and would be available for the satisfaction of the covered bondholder on a priority basis. The originator receives senior unsecured claims against the issuer's insolvency estate instead. We have received a legal opinion that confirms that the originator, or its insolvency administrator, cannot rescind the contract or otherwise can get access to/challenge the separation of the separate pool.

To operate the pooling model, both the issuer and the originators rely on an integrated software solution, which in our view allows an efficient transfer of the assets. However, a degree of co-mingling risk remains, resulting from the fact that the transfer is not automatic and must be requested. In our view, the degree of co-mingling risk is comparable to the same risk in other covered bonds transactions in Austria.

Covered Bonds Analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds will be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator, explained further below.

Primary Analysis

ISSUER ANALYSIS

Credit quality of the issuer: The issuer's CR assessment is A2(cr). For a description of the issuer's rating drivers, please see our Credit Opinion, published February 2017 (see Moody's Related Research).

The reference point for the issuer's credit strength in our analysis is the "CB anchor", which for covered bond programmes under an EU covered bond law is the CR assessment plus one notch.

Dependency on the issuer's credit quality: The credit quality of the covered bonds are primarily dependent on the credit quality of the covered bonds issuer. Should the issuer's credit strength deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds; consequently the credit quality of the covered bonds would deteriorate unless other credit risks decrease.

In case of deterioration of the CB anchor, the issuer would have the ability, but not obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to negative rating actions.

Reasons for the high level of linkage of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool, issue further bonds and enter new hedging arrangements. Such actions could negatively affect the value of the cover pool.

REFINANCING RISK

Following a CB anchor event, the "natural" amortisation of the cover pool assets alone cannot be relied on to repay principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to certain volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology (see Moody's Related Research: "Moody's Approach to Rating Covered Bonds").

The refinancing-positive factors are balanced by negative ones. Refinancing-positve aspects of this covered bond programme include:

» The covered bond framework: Upon issuer default, the cover pool administrator has, inter alia, the ability to (i) transfer the cover pool together with the covered bonds to another suitable bank, which will assume the liabilities under the transferred covered bonds; or (ii) sell the cover pool assets to raise liquidity, if cash is needed for due payments on the outstanding covered bonds. The cover pool administrator may also raise funds against the cover pool assets through bridge loans.

» In a scenario in which cover pool assets are sold to raise liquidity, the risk of significant reductions to the nominal value of the assets is reduced as the majority of cover pool assets are with variable interest rate arrangements.

» The high credit quality of the cover pool, which is reflected in the collateral score (6.2%). A higher credit quality of the cover pool will lead to a lower write-off for losses and lower refinancing margins applied, all other variables being equal.

Refinancing-negative aspects of this covered bond programme include:

» In line with other covered bond programmes, we expect that upon a CB anchor event the cover pool assets will have a significantly higher weighted-average life, compared with the outstanding covered bonds.

» All covered bonds issued under this programme have a hard-bullet repayment, with no extension period. The programme does not benefit from any contractual provisions to allow for an extension of a principal refinancing period.

» The Austrian legal framework lacks a 180 day liquidity reserve to cater for upcoming bond maturities.

INTEREST-RATE AND CURRENCY RISK

As with the majority of European covered bonds, there is potential for interest-rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 4
Overview Assets and Liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	14.5	6.2	15.7%	41.3%
Variable rate	17.6	4.8	84.3%	58.7%

WAL = weighted-average life
Source: VBW

In the case of issuer insolvency, we currently do not assume that the special cover pool administrator (Besonderer Verwalter) will always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model separately assesses the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest and currency stressed rates used over different time horizons are published in our Rating Methodology (see Moody's Related Research: Moody's Approach to Rating Covered Bonds).

Aspects of this covered bond programme that are market-risk positive include:

» Currency risk is negligible: As of pool the cut off date, all of the cover pool assets except substitute assets (4.0% of the cover pool; denominated in Swiss Franc) and all outstanding covered bonds are denominated in euros. The issuer intends for the forseeable future to only utilize euro denominated assets and liabilities.

Aspects of this covered bond programme that are market-risk negative include:

» Interest rate risk: Currently, most of the assets are floating rate assets (84.3%) while a significant portion (41.3%) of the outstanding liabilities are fixed rate covered bonds. We expect that the share of floating rate loans will not change materially and that the share of fixed rate covered bonds could increase over time. The issuer is obliged according to the covered bond legislation to ensure that the cover pool assets must also cover the outstanding bonds in terms of interest income at all times.

TIMELY PAYMENT INDICATOR

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments will be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable amount of OC. We have assigned a TPI of Probable to these covered bonds, in line with the other mortgage covered bonds issued under the Austrian Covered Bond act.

Based on the current TPI of Probable, the TPI Leeway for this programme is 2 notches, therefore a lowering of the CB Anchor by 3 notches would likely lead to a downgrade of the covered bonds, all other variables being equal.

TPI-positive aspects of this covered bond programme include:

» The level of support expected for covered bonds in Austria.

» The Austrian Covered Bond Act, including:

   – At the time of the declaration of issuer's bankruptcy, a cover pool administrator will take over management responsibility of the covered bond programme. The cover pool administrator will act independently from the issuer's bankruptcy receiver. Having an independent administrator may reduce potential conflicts of interest between the covered bondholders and other creditors.

   – Set-off: We understand that setting-off against claims registered in the cover pool is not permitted in context of cover pool assets that are located in Austria and governed by Austrian law. The issuer's cover pool selection criteria require that each borrower has been notified about the use of the mortgage in the cover pool and exclusion of set-off.

» The credit quality of the cover pool assets, which is evidenced by the collateral score of 6.2%. A good credit quality of the cover pool assets increases the likelihood that the cover pool administrator will be able to raise funds against the cover pool assets.

TPI-negative aspects of this covered bond programme include:

» All covered bonds outstanding have a bullet repayment at maturity, without any extension period for the repayment of the bonds.

» The covered bond programme does not benefit from any designated source of liquidity if cash flow collections are interrupted.

» Commingling risk: Upon the appointment of the cover pool administrator (Besonderer Verwalter), it is our understanding that the cover pool administrator has a priority claim on all cash flows stemming from the cover pool assets. However, these cash flows have to be separated from other cash flows to the issuer before they can be used to make payments to covered bondholders.

Additional Analysis

TIME SUBORDINATION

After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds.

Comparables

Exhibit 5

PROGRAMME NAME	Volksbank Wien AG - Mortgage Covered Bonds	Erste Group Bank AG - Mortgage Covered Bonds	Raiffeisenlandesbank Niederosterreich-Wien AG - Mortgage Covered Bonds	Raiffeisenlandesbank Oberoesterreich AG - Mortgage Covered Bonds	BAWAG P.S.K. - Mortgage Covered Bonds
Overview					
Programme is under the law	Covered Bond Act	Mortgage Bank Act	Covered Bond Act	Covered Bond Act	Covered Bond Act
Main country in which collateral is based	Austria	Austria	Austria	Austria	Austria
Country in which issuer is based	Austria	Austria	Austria	Austria	Austria
Total outstanding liabilities	1,380,000,000	9,875,057,037	2,137,425,561	942,000,000	1,514,513,819
Total assets in the Cover Pool	1,845,191,763	13,313,251,974	3,256,493,183	1,599,907,746	2,014,575,363
Issuer name	Volksbank Wien AG	Erste Group Bank AG	Raiffeisenlandesbank Niederoesterreich-Wien	Raiffeisenlandesbank OÖ Aktiengesellschaft	BAWAG P.S.K.
Issuer CR assessment	A2(cr)	A3(cr)	Baa1(cr)	Baa1(cr)	A2(cr)
Group or parent name	n/a	n/a	n/a	n/a	n/a
Group or parent CR assessment	n/a	0	0	0	n/a
Main collateral type	Residential	Residential	Residential	Residential	Residential
Collateral types	Residential 78.6%, Commercial 14.9%, Non-Profit housing 2.5%, Other/Supplementary assets 4%	Residential 47.2%, Commercial 22%, Non-Profit housing 13.6%, Multifamily 12.3%, Other/Supplementary assets 2%	Residential 40.3%, Multifamily 22.7%, Commercial 14.5%, Non-Profit housing 14.5%	Residential 52.2%, Commercial 39.4%, Promoted Housing 8.4%	Residential 85%, Commercial 4%, Other/Supplementary assets 7%, Multifamily 3.4%
Ratings					
Covered bonds rating	Aaa	Aaa	Aaa	Aaa	Aaa
Entity used in Moody's EL & TPI analysis	Volksbank Wien AG	Erste Group Bank AG	Raiffeisenlandesbank Niederoesterreich-Wien	Raiffeisenlandesbank Oberoesterreich AG	BAWAG P.S.K.
CB anchor	CoveredBondAnchor	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch
CR Assessment	A2(cr)	A3(cr)	Baa1(cr)	Baa1(cr)	A2(cr)
SUR / LT Deposit	Baa2	Baa1	Baa2	Baa2	A3
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	Yes	Yes
Value of Cover Pool					
Collateral Score	6.2%	8.9%	8.3%	8.1%	5.9%
Collateral Score excl. systemic risk	n/a	n/a	7.5%	n/a	4.7%
Collateral Risk (Collateral Score post-haircut)	4.2%	5.9%	5.6%	5.4%	3.9%
Market Risk	11.8%	15.3%	15.2%	10.3%	7.0%
Over-Collateralisation Levels					
Committed OC	0%*	13.0%	0.0%	0.0%	0.0%
Current OC	33.7%	25.5%	52.4%	69.8%	33.0%
OC consistent with current rating	8.5%	17.0%	17.5%	15.5%	9.0%
Surplus OC	25.20%	8.5%	34.9%	54.3%	24.0%
Timely Payment Indicator & TPI Leeway					
TPI	Probable	Probable	Probable	Probable	Probable
TPI Leeway	2	1	0	0	2
Refinancing period for principal payments of 6 months or greater:	No	No	No	No	No
Liquidity reserve to support timely payments on all issuances:	No	No	No	No	No
Reporting date	30 November 2016	30 September 2016	30 September 2016	30 September 2016	30 September 2016

*The issuer specifies in its Articles of Association a minimum OC to be maintained of 2% on a net present value basis

Source: Moody's, Latest published Performance Overview Reports

Cover Pool Overview

The cover pool of assets consists of residential loans, commercial loans and promoted housing loans located in Austria. Derivative contracts do not form part of the cover pool, in line with the Austrian market practice.

Cover Pool Description

Pool Description as of 30 November 2016

The cover pool consists of residential mortgage loans (78.6%), commercial assets (14.9%), promoted housing loans (2.5%) and substitute assets (4.0%). All of the cover assets are loans backed by properties located in Austria.

On a nominal value basis, the cover pool assets total €1.85 billion, which are backing €1.38 billion covered bonds. This translates into an OC level on a nominal basis of 33.7%.

We understand from the issuer that the issuance of covered bonds is limited to a maximum of 60% of the market value of the property that secures the cover asset, even though this is not required by the Austrian Covered Bond Act.

For VBW's underwriting criteria, see Appendix 1: Income Underwriting and Valuation.

Residential Mortgage Loans

Residential mortgage loans represent the largest sub-pool, accounting for 78.6% of the total cover pool. The properties backing the residential mortgages are located in Austria, with some regional concentration in Lower Austria, Styria, Vorarlberg and Tirol. The loans were granted for the acquisition, construction or renovation of owner-occupied properties.

The WA current LTV of the residential mortgage loans is 62.6%. This is in line with LTVs observed for other residential loans in programmes that we rate in Austria. This leverage calculation includes the effect of prior ranks, which 29.2% of the residential mortgage loans exhibit. The prior ranks relate in large part to loans funded by the federal states to promote environmentally friendly buildings. These loans also feature other Austrian covered bond programmes.

The residential cover pool features 89.1% as floating interest rates loans. 93.9% of the pool are amortising residential mortgages. The residential mortgage loans have an average seasoning of 54 months. All of the mortgage loans are performing as of the cut-off date of this report and are denominated in euros.

Exhibits 5 to 11 below show more details about the cover pool characteristics.

Exhibit 6
Cover Pool Information

Overview	
Asset type:	Residential
Asset balance:	1,449,611,399
Average loan balance:	90,100
Number of loans:	16,089
Number of borrowers:	14,283
Number of properties:	16,858
WA remaining term (in months):	223
WA seasoning (in months):	54

Details on LTV	
WA unindexed LTV (*):	66.0%
WA indexed LTV:	62.6%
Valuation type:	Market Value
LTV threshold:	60.0%
Junior ranks:	0.0%
Prior ranks:	29.2%

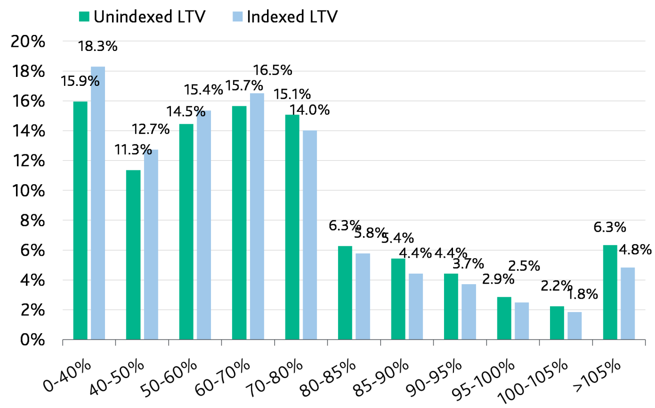
Specific Loan and Borrower characteristics	
Loans with an external guarantee in addition to a mortgage:	0.0%
Interest only Loans:	6.1%
Loans for second homes / Vacation:	0.0%
Buy to let loans / Non owner occupied properties:	0.0%
Limited income verified:	0.0%
Adverse credit characteristics (**):	0.0%

Performance	
Loans in arrears (≥ 2months - < 6months):	0.0%
Loans in arrears (≥ 6months - < 12months):	0.0%
Loans in arrears (≥ 12months):	0.0%
Loans in a foreclosure procedure:	0.0%

Multi-Family Properties	
Loans to tenants of tenant-owned Housing Cooperatives:	0.0%
Other type of Multi-Family loans (***):	0.0%

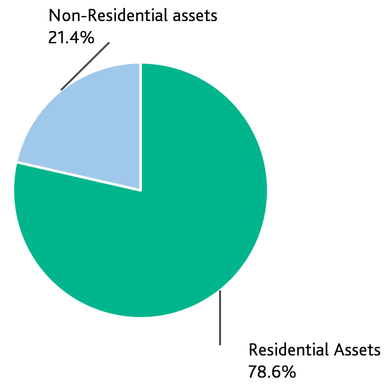
(note *) may be based on property value at time of origination or further advance or borrower refinancing.
(note **) Typically borrowers with a previous personal bankruptcy or borrowers with record of court claims against them at time of origination.
(note ***) This "other" type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let).
Source: VBW

Exhibit 7
Balance per LTV-band



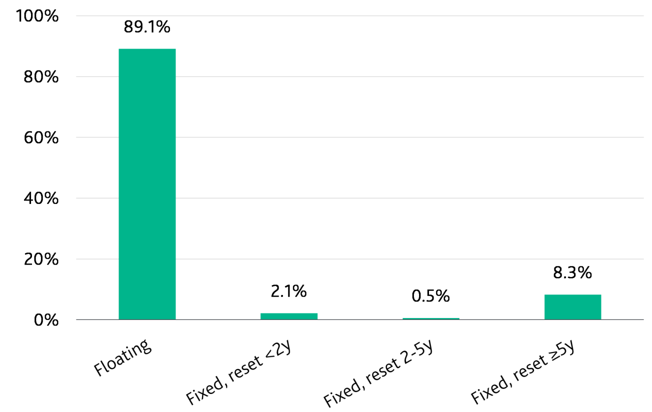
Source: VBW

Exhibit 8
Percentage of residential assets



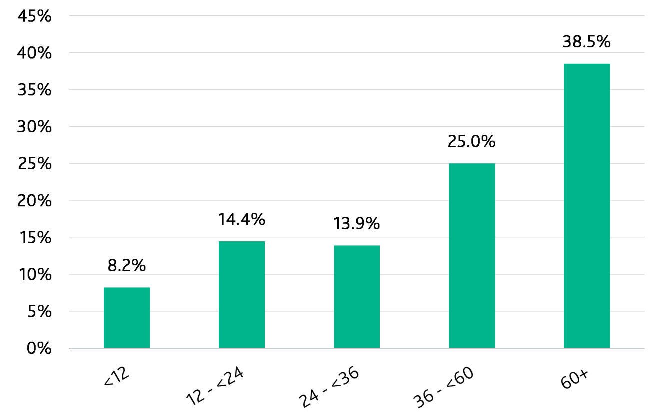
Source: VBW

Exhibit 9
Interest rate type



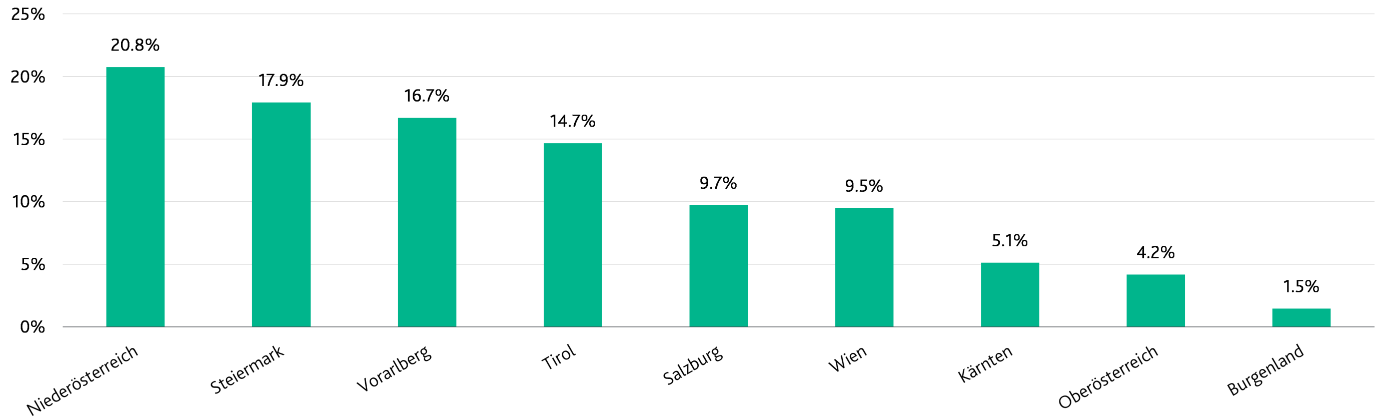
Source: VBW

Exhibit 10
Seasoning (in months)



Source: VBW

Exhibit 11
Main country regional distribution



Source: VBW

Commercial Mortgage Loans

All commercial mortgage loans (14.9% of the cover pool) are secured by properties in Austria. Within Austria, the main regional location of the properties is Styria (40.2%). The properties backing the commercial loans include a high share of multi-family properties (37.4%).

The ten largest obligors account for 8.7% of the cover pool, and the average loan balance of the commercial assets is EUR 167,883. About 88.8% of the pool are loans to small enterprise borrowers and 11.2% are loans to private individuals. About 73.4% of the pool are loans with full recourse to the property and borrower/sponsor.

10.7% of the pool are fixed interest rates loans. 3.8% of the commercial mortgages are bullet loans. All assets are performing.

Exhibits 12 to 19 below show more details about the cover pool characteristics.

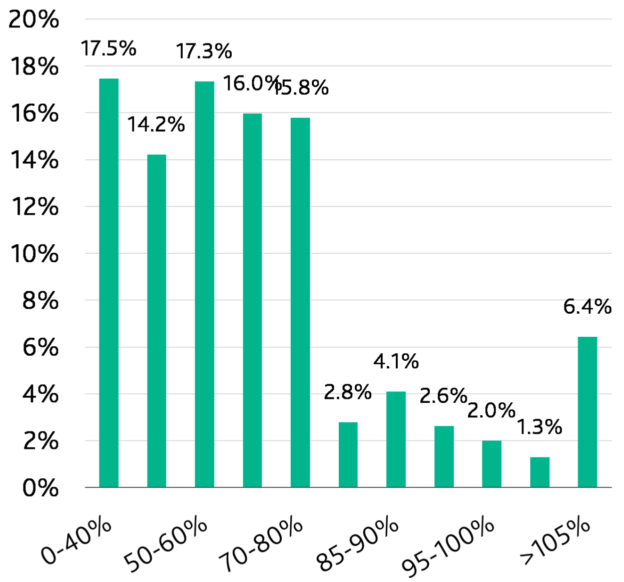
Exhibit 12
Cover Pool Information

Overview	
Asset type:	Commercial
Asset balance:	274,824,622
Average loan balance:	167,883
Number of loans:	1,637
Number of borrowers:	1,358
Number of properties:	2,232
Largest 10 loans:	6.9%
Largest 10 borrowers:	8.7%
WA remaining term (in months):	171
WA seasoning (in months):	60
Main countries:	Austria (100%)

Specific Loan and Borrower characteristics	
Bullet loans:	3.8%
Loans in non-domestic currency:	0.0%
Percentage of fixed rate loans:	10.7%
Performance	
Loans in arrears ≥ 2 months:	0.1%
Loans in a foreclosure procedure:	0.0%
Details on LTV	
WA current LTV (*):	63.3%
WA indexed LTV:	63.2%
Valuation type:	Market Value
LTV Threshold:	60.0%
Junior ranks:	37.5%
Prior and Equal ranks:	25.3%

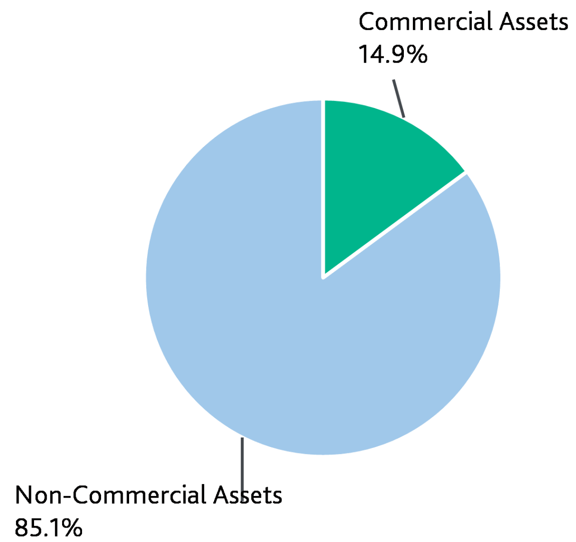
(note *) Based on original property valuation
n/a : information not applicable
Source: VBW

Exhibit 13
Balance per LTV-band



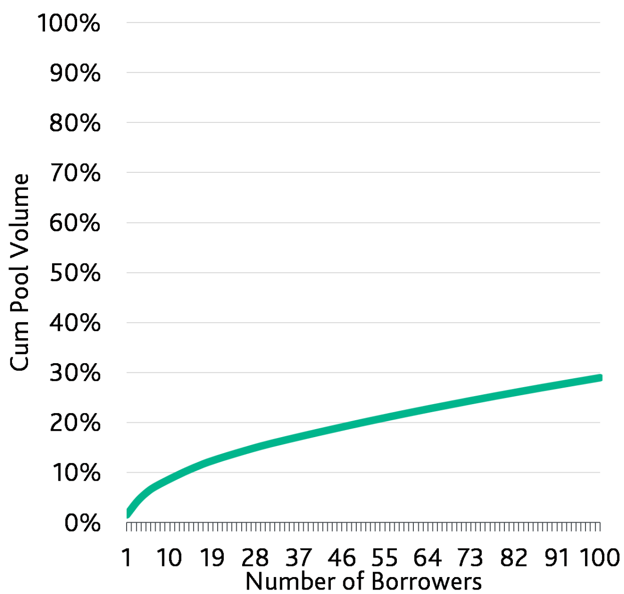
Source: VBW

Exhibit 14
Percentage of commercial assets



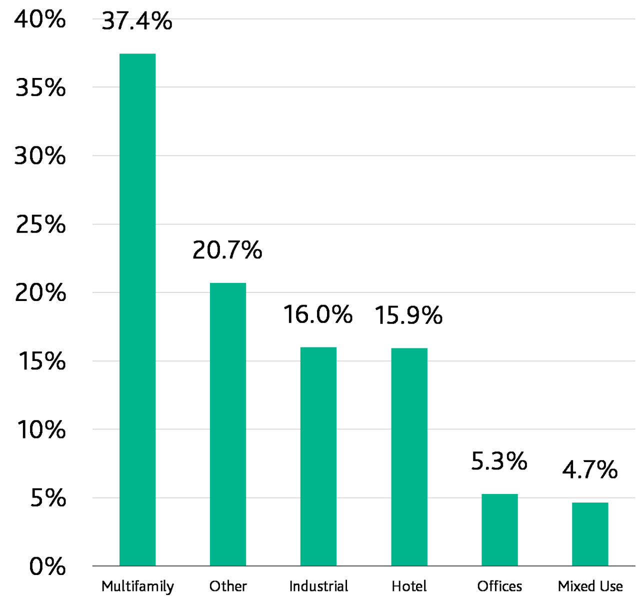
Source: VBW

Exhibit 15
Borrower concentration



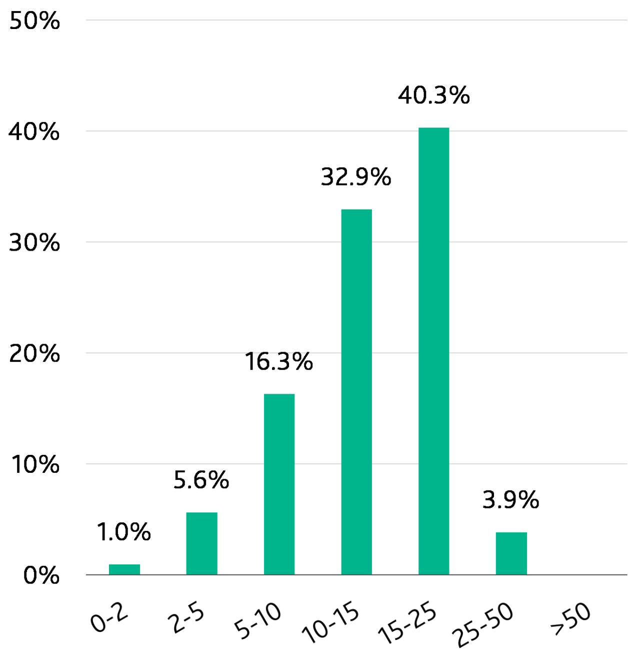
Source: VBW

Exhibit 16
Property type



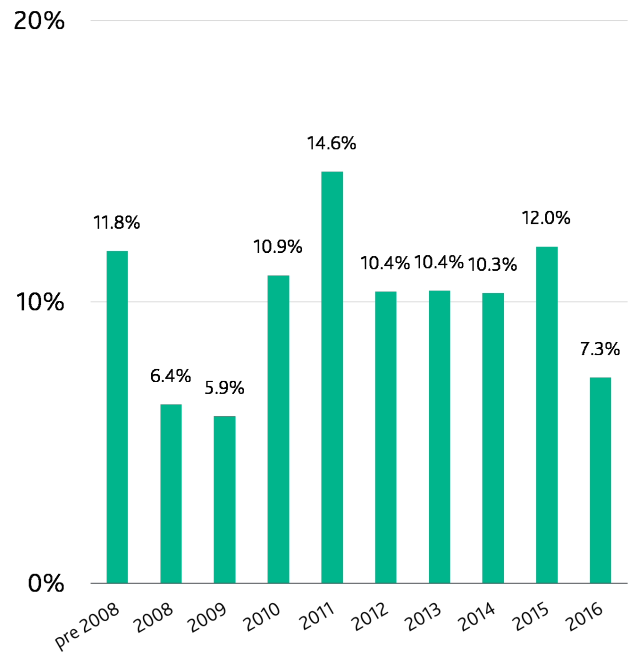
Source: VBW

Exhibit 17
Remaining Term (in years)



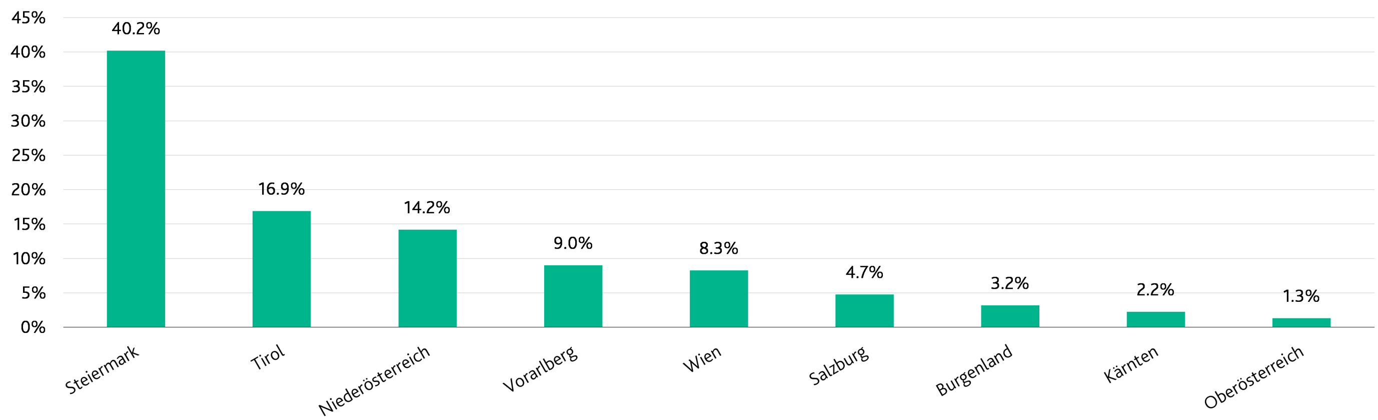
Source: VBW

Exhibit 18
Year of loan origination



Source: VBW

Exhibit 19
Main country regional distribution



Source: VBW

Promoted Housing Mortgage Loan

Only 2.5% of the cover pool comprises promoted housing mortgage loans. Promoted housing (Gefördeter Wohnbau) loans are a common loan product in Austria, supporting this well recognized sector. About half of the Austrian condominium housing stock was built or is administered under the promoted housing scheme.

The largest part of properties backing the pool are located in Styria (41.4%) and all loans are denominated in euros.

The weighted-average current LTV of the sub-pool is low at 63.4%. The loans have an average seasoning of 66 months and remaining term of 14 years. About 89.4% of the loans in this sub-pool are floating interest rates mortgages and 97.1% are amortising loans.

Exhibits 20 to 25 below show more details about the cover pool characteristics.

Exhibit 20

Cover Pool Information

Overview	
Asset type:	Promoted_Housing
Asset balance:	46,076,817
Average loan balance:	175,197
Number of loans:	263
Number of borrowers:	198
Number of properties:	249
WA remaining term (in months):	173
WA seasoning (in months):	66

Details on LTV	
WA unindexed LTV (*):	67.7%
WA indexed LTV:	63.4%
Valuation type:	Market Value
LTV threshold:	0.0%
Junior ranks:	0.0%
Prior ranks:	23.7%

Specific Loan and Borrower characteristics	
Loans with an external guarantee in addition to a mortgage:	0.0%
Interest only Loans:	2.9%
Loans for second homes / Vacation:	0.0%
Buy to let loans / Non owner occupied properties:	0.0%
Limited income verified:	0.0%
Adverse credit characteristics (**):	0.0%

Performance	
Loans in arrears (≥ 2months - < 6months):	0.0%
Loans in arrears (≥ 6months - < 12months):	0.0%
Loans in arrears (≥ 12months):	0.0%
Loans in a foreclosure procedure:	0.0%

Multi-Family Properties	
Loans to tenants of tenant-owned Housing Cooperatives:	0.0%
Other type of Multi-Family loans (***):	0.0%

*(note *) may be based on property value at time of origination or further advance or borrower refinancing.*

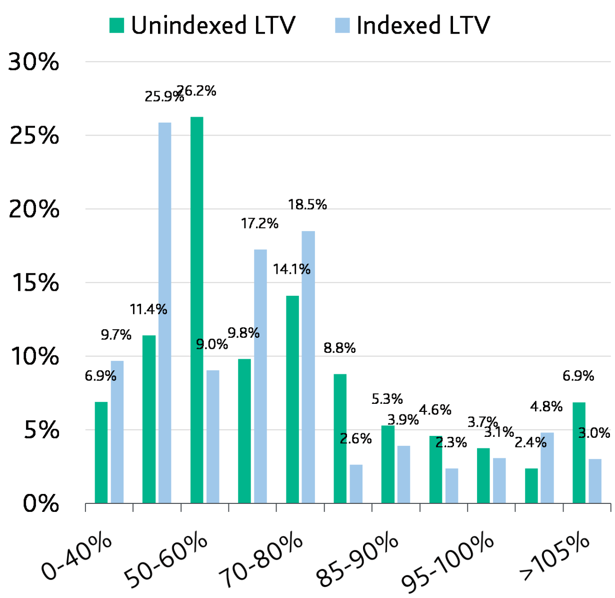
*(note **) Typically borrowers with a previous personal bankruptcy or borrowers with record of court claims against them at time of origination.*

*(note ***) This "other" type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let).*

Source: VBW

Exhibit 21

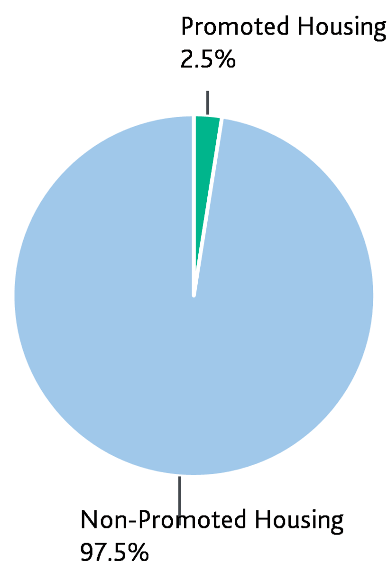
Balance per LTV-Band



Source: VBW

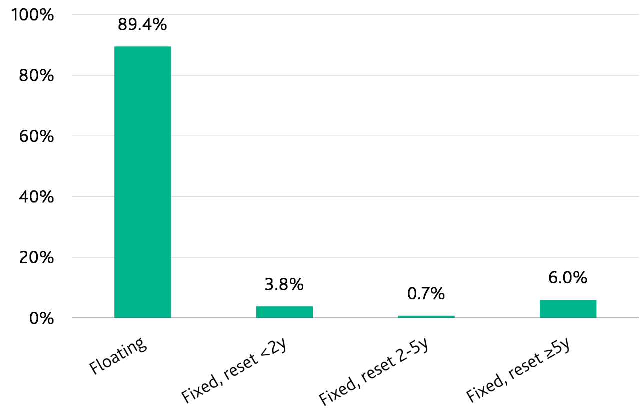
Exhibit 22

Percentage of residential assets



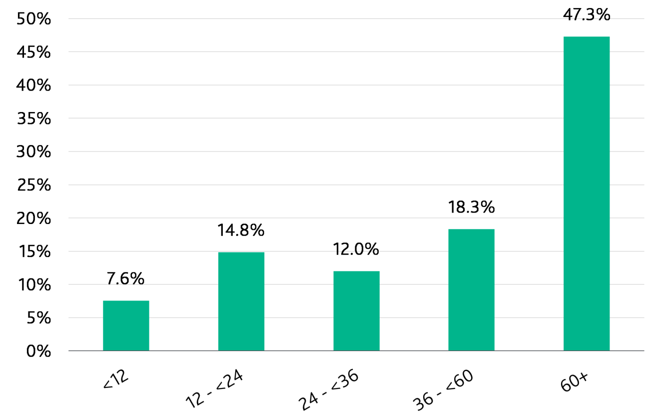
Source: VBW

Exhibit 23
Interest rate type



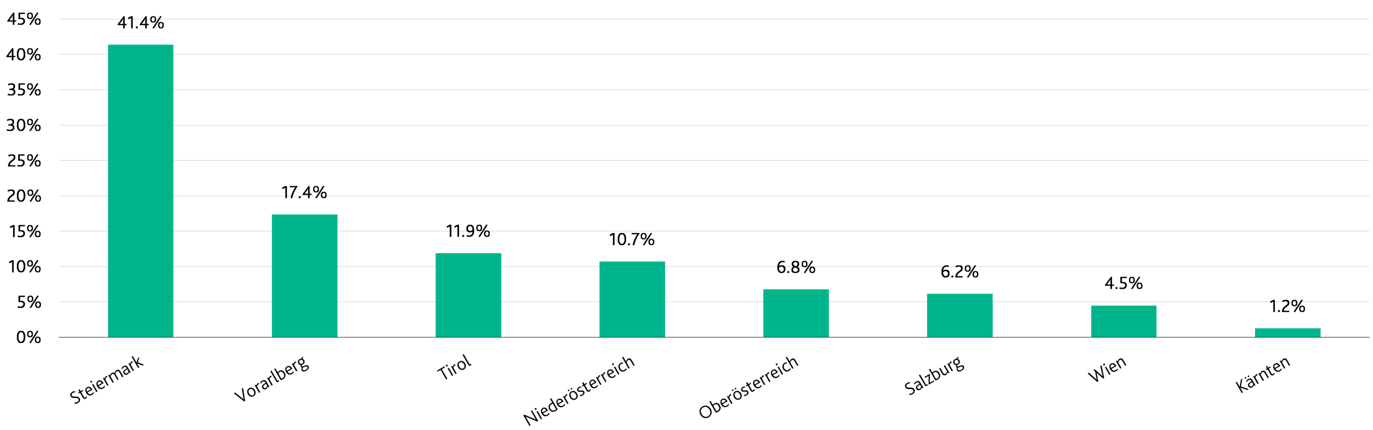
Source: VBW

Exhibit 24
Seasoning (in months)



Source: VBW

Exhibit 25
Main country regional distribution



Source: VBW

Substitution

Exposure to decisions made by the issuer in its discretion as manager of the cover pool creates additional risk. For example, before a CB anchor event, the issuer may remove assets from the cover pool and/or add new assets to the cover pool. Such actions could negatively affect the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, creating substitution risk. Nevertheless, cover pool quality over time will be protected by, among others, the requirements of the Austrian Covered Bond Act, which specify what types of assets are eligible (see Appendix 2: Legal Framework for Austrian Covered Bonds).

Cover Pool Monitor

Pursuant to the Austrian Covered Bond Act, a Regierungskommissär has been appointed to monitor the various day-to-day operations with respect to the cover pool. For more details on the cover pool monitor's role, see Appendix 2: Legal Framework for Austrian Covered Bonds.

Cover Pool Analysis

Our credit analysis of the pool takes into account specific characteristics of the pool,as well as legal risks.

Residential Cover Pool Analysis (78.6% of cover pool)

We calculate the collateral score for residential mortgage loans with a scoring model (called MILAN) that we use to assess the credit risk of residential mortgage loan portfolios.

» From a credit perspective, Moody's views the following characteristics of the loans as positive:

- The weighted average (WA) current LTV of the residential loans is 62.6%. This is in line with LTVs observed for other residential loans in programmes that we rate in Austria. The issuer appraises all properties within a three-year frequency, in line with European regulatory requirements.
- The mortgage loans are amortising on a regular basis with the view to fully repay the mortgage within 25 years. The share of mortgage loans lacking regular amortisation is with 6.1% low, in line with our observation of other Austrian covered bond programmes.
- We assume that the large majority of loans were granted for property construction, acquisition or renovation of owner-occupied properties.
- The issuer voluntarily maintains the high credit quality of the cover pool: Any loan that experiences a delay of a scheduled debt service payments for more than 90 days is removed from the cover pool (pre-issuer insolvency).
- The regional diversification is higher in this cover pool than in many other Austrian covered bond programmes, reducing concentration risks in the pool.

» *From a credit perspective, Moody's views the following characteristics of the loans as negative:*

- 6.6% of the residential loans exhibit a LTV above 100%, suggesting a significant likelihood of losses should the borrower cease to service its mortgage obligations.
- As it is market standard in Austria, 89.1% of the residential loans are with floating interest rate arrangements based on Euribor rates. Hence, the borrower is exposed to rising interest rates increasing the debt service burden. The issuer considers the risk of rising interest rates in its underwriting by using the higher of the current interest rate versus a floor of at least 4.0%.

Commercial Cover Pool Analysis (14.9% of cover pool)

We calculate the collateral score for the commercial mortgages using a multi-factor model which is solved through a Monte Carlo simulation. Our analysis takes into account, inter alia, the impact of concentration on borrower, regional and country levels as well as individual borrowers' credit quality.

» *From a credit perspective, Moody's views the following characteristics of the loans as positive:*

- 37.4% of the commercial loans, a relatively high share, are secured by multifamily properties, which typically exhibit less credit risk than other commercial property types.
- The current WA LTV of the commercial loans is 63.3%. This number is in line with LTVs observed for other commercial loans that we rate in Austria. The issuer appraises all properties annually, in line with European regulatory requirements.
- Only 3.8% of the commercial mortgages are bullet loans, while 96.2% of the commercial loans amortise in full over the loan term. 96.1% of the commercial loans amortise within the next 25 years, in line with the useful life of the financed properties.
- About 88.8% of the commercial pool are loans to small enterprise borrowers and 11.2% are loans to private individuals. For 73.4% of the commercial loans the issuer has recourse not only to the mortgage property but also to the borrower/sponsor of the investment.
- The borrower concentration of VBW's cover pool is lower than observed in other Austrian covered bond programmes: There are a total of 1,358 commercial borrowers in the cover pool, of which the 10 largest borrowers represent 8.7% of the aggregated amount of commercial loans. We expect that the obligor concentration among commercial mortgage loans will increase somewhat over time.

» *From a credit perspective, Moody's views the following characteristics of the loans as negative:*

- Around 89.3% of the loans in the cover pool feature floating interest rates based on Euribor. This exposes the borrowers to the risk of increasing debt service payments in case of increasing interest rates.
- Around 40.2% of the properties securing the commercial mortgages in the cover pool are concentrated in the region of Styria. The regional concentration increases the likelihood of losses in certain scenarios.
- There is a significant share of loans financing property types that typically exhibit a higher credit risk like for example hotels (15.9%) and industrial properties (16.0%).

Promoted Housing Cover Pool Analysis (2.5% of cover pool)

» From a credit perspective, Moody's views the following characteristics of the loans as positive:

- The borrowers are building societies ("Gemeinnützige Bauvereinigungen"), operating under a separate act ("Wohnungsgemeinnützigkeitsgesetz WGG") and under public supervision. The entities typically benefit from high demand for the flats they rent out as the rent charged for the flats is typically significantly below market rent levels, reflecting the non-profit nature of the organisations.
- The WA LTV of the promoted housing mortgages is 63.4%.

» *From a credit perspective, Moody's views the following characteristics of the loans as negative:*

- The issuer benefits from recourse to the borrower (the building society) and a mortgage on the property but does not have direct recourse to the tenants occupying the flats. However, the borrower has the ability to increase the rent charged to cover its costs.
- The sub-pool exhibits a certain level of borrower-concentration: The average loan balance per borrower is only euro 0.2 million but the 10 largest borrower represent 35% of the aggregated amount of promoted housing mortgage loans.
- 89.4% of the promoted housing mortage loans exhibit floating interest rate arrangements.

Methodology and Monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in December 2016. Other methodologies and factors that may have been considered in the rating process can also be found on http://www.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix 1: Income Underwriting and Valuation Residential Mortgage Loans

Exhibit 26

A. Residential Income Underwriting	
1 Is income always checked?	Yes
2 Does this check ever rely on income stated by borrower ("limited income verification") ?	No, no lending based on "limited income verification"
3 Percentage of loans in Cover Pool that have limited income verification	none
4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	n/a
5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST").	Credit amount is based on "Haushaltsrechnung" which includes income and outgo likewise. Repayment must be indemnified by free income of mentioned households (guideline 50% max.)
6 If not, what percentage of cases are exceptions.	n/a
7 Is it confirmed income after tax is sufficient to cover both interest and principal.	Yes
8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Total liabilities charged by stressed interest rate must be covered in free income of the mentioned household within 300 month
9 Does the age of the borrower constrain the period over which principal can be amortised?	Age of requester plus duration of loan mustn't be more than 80 years, check via relevant rating tool
10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Yes; repayment charged by stressed interest rate over a period of 25 years (exception: periods with fixed interest rates agreed are calculated on that base)
11 Are all other debts of the borrower taken into account at point loan made?	Yes
12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tact)	Basically the requester is asked to give most realistic informations personally; for reasons of check up the relevant rating tool includes guidelines based on Statistik Austria (Mikrozensus)
Other comments	None

B. Residential Valuation	
1 Are valuations based on market or lending values?	Market values
2 Are all or the majority of valuations carried out by external (with no direct ownership link to any company in the Sponsor Bank group) valuers?	No, the majority of valuations are carried out by qualified internal valuers
3 How are valuations carried out where external valuer not used?	Valuations are acarried out by qualified internal valuers
4 What qualifications for external valuers require?	External valuers have to be court certified experts
5 What qualifications do internal valuers require?	There are three levels of qualifications for internal valuers defined in the internal regulatory
6 Do all external valuations include an internal inspection of a property?	Yes, external valuers have to do the inspection of the property and deliver a photo documentary as part of the appraisal
7 What exceptions?	none
8 Do all internal valuations include an internal inspection of a property?	No, there are exceptions for certain standard residential properties
9 What exceptions?	Standard residential properties not surpassing a market value of EUR 360.000 (EUR 100.000 since 11.10.2016)

Source: VBW

Commercial Mortgage Loans

Exhibit 27

Commercial Lending	
1. Business Focus	
1.1 What kind of CRE loans will form part of the cover pool?	Loans and advances to retail and corporate customers, excluding: • Syndicated loans • Current accounts/overdraft facilities • Foreign currency accounts Loans collateralised with a domestic mortgage (no ranking) of collateral class 1 – loan collateral that can be realised easily (SK1 collateral), excluding: Buildings erected on third-party land, building leases, lien on buildings only, real estate leasing Qualities of real estate collateral: Quality 1 (see 1.3) Minimum loan balance EUR 20,000.00 Minimum residual term of loan 2 years Valid customer rating Customer rating better than/equal to 4E
1.2 What CRE property types do you finance?	Business premises, offices, multi-family residences, residential/commercial premises, warehouses, accommodation, social housing, industrial premises, trade premises, agriculture/forestry, mining, energy generation, infrastructure, technology, leisure, events, public buildings
1.3 What kind of restrictions do you have in terms of property location and quality	Property/mortgage must be in Austria Qualities of real estate collateral: Quality level 1: Loans collateralised with residential or commercial properties with an estimated value of less than/equal to EUR 1 million
1.4 Does the cover-pool only contain self-originated loans or loan participations (e.g. syndicated loans, mezzanine loans)?	No, syndicated loans may not be accepted under any circumstances until further notice

2. Loan underwriting policy	
2.1 Do you accept loans with refinancing risk? If yes, do you have a maximum Exit-LTV limit at loan maturity?	Plays only a secondary role, as full amortisation is generally assumed at the time the loan is granted
2.2 Do you have a maximum LTV ratio that is covenanted in the loan agreement? Do max. LTV ratio vary by property type? Please specify.	Plays only a secondary role, as full amortisation is generally assumed at the time the loan is granted as a rule, the LTV should not exceed 80% at the time the loan is granted
2.3 Do you have a minimum DSCR ratio that is covenanted in the loan agreement? Do min. DSCR ratio vary by property type? Please specify.	see 2.2
2.4 Do you always require full hedging in terms of interest rate and currency risk? If not, which stresses are used to calculate the DSCR ratios?	As part of the loan application process, ability to repay is calculated using a notional credit rate (flat rate) on the basis of a "stressed" fixed interest rate. The level of this "stressed" interest rate depends on the actual (residual) term of the loan (e.g. 10-year swap curve + margin/interest mark-up). The cover funds do not include any foreign currency accounts. Only loans that are collateralised with a domestic mortgage of collateral class 1 are included in cover funds
2.5 Do you require a minimum exit debt yield? Please specify	Not generally specified – corresponding covenants can be arranged in individual cases; these covenants play only a secondary role for loans included in cover funds
2.6 Do you allow exceptions to and what reasons would justify exceptions?	No

Source: VBW

Exhibit 28

3. Cash flow analysis	
3.1 Is a cash-flow assessment always carried out?	Future ability to repay is calculated and checked based on the expected CFs as part of the loan application. Ability to repay is reviewed on an ongoing basis during the term of the loan and at least once a year as part of monitoring of exposure (credit reviews).
3.2 Do you consider in the DSCR calculation (cash-flow assessment) possible reduction in property cash flow (e.g. due to lease roll-over, changing market rents, capex requirements)?	A sustainable cash flow is generally assumed when calculating the DSCR. Management costs, scheduled investments for replacement and improvement and other costs that cannot be passed on must be taken into account, among others. Depending on the project, a "break-even" rent is also calculated (e.g. for retail and office properties).
3.3 Do you rely in the DSCR calculation (cash-flow assessment) on possible increases in property cash flow (e.g. due to expected reduction in property vacancy, rent increase, property disposal income, or sponsor support)?	If, as well as rental income, earnings are also generated from business operations, total income is used to calculate ability to repay. The ability to repay must be ensured based on rental income or income from business operations. Other types of income (e.g. from the sponsor's private sphere) are not taken into account when calculating ability to repay. These may be regarded merely as additional sources of income to provide bridging in "crisis periods" (e.g. during short-term loss of rent).
3.4 Do you consider in the cash flow assessment the quality (tenant) and diversity of cash flows? How do you assess tenant quality?	The quality of the tenant plays an important part in the loan decision. However, there are no specific requirements with regard to the quality of tenants. Certain specifications are defined on a case-by-case basis as part of the loan decision (including pre-letting rate, minimum creditworthiness/rating of tenant, waiver of termination by tenant, appropriate mix of tenants in the case of commercial premises, previous experience with tenants). The internal rating or external ratings (e.g. CRIF, KSV von 1870, Dun & Bradstreet) are used if necessary.
3.5 How often is the property cash flow and loan DSCR assessment updated?	Ability to repay is reviewed at least once a year as part of monitoring of exposure (credit review). This review is conducted on the basis of up-to-date financial documents (e.g. list of tenants, annual accounts).

4. Borrower (Schuldner)	
4.1 Do you accept SPVs as a borrower?	Yes, depending on the project
4.2 Do you always require direct recourse to the borrower and sponsor (natural person) holding the equity stake? If not, please provide details/limits on non-recourse business.	An analysis of the project is generally carried out first; if there is insufficient collateralisation, additional collateral (e.g. personal liability of a natural person) is requested
4.3 Do you have minimum requirements as for the borrower's quality? Please detail.	The borrower's creditworthiness is expressed by means of an internal rating. New business is possible with borrowers with a rating of 4C or below only in individual cases where this is justified. Loans that are included in cover funds must have a valid customer rating of better than/equal to 4E.
4.4 How do you assess borrower's quality?	Internal rating, (unencumbered) assets, customer relationship to date, professional/project experience
4.5 Do you allow exceptions to 4.3?	No
What reasons would justify exceptions?	

Commercial Property Valuation (Bewertung von Gewerbeimmobilien)	
1 Are valuations based on market or lending values?	The market value and the lending value derived from this are generally authoritative for the loan decision – the lending value is used to determine the bank's internal risk position/collateralisation (calculation of the unsecured portion) – The amount that is eligible for cover is determined based on the estimated value/market value (in accordance with CRR regulation 575/2013, article 126), minus prior charges and senior collateral (= real estate collateral eligible for inclusion per loan)
2 Do you consider vacant possession values for single-tenanted properties?	No
3 Do valuations always comply with standards of the RICS Red Book?	The guidelines on property valuation are set out in internal guidelines.
4 Do you always require that valuations include a review of the lease contracts, a technical report and environment report?	Internal valuations comply with the specifications of the relevant Austrian laws
5 Do you always require that valuations provide reference to comparable recent property transactions?	As part of the survey of the property, an extract is requested from the Federal Environment Agency's database showing the atlas of contaminated sites and the land registry of sites that are suspected to be contaminated. If a property is suspected to be contaminated, a mandatory environmental impact assessment can be requested on an individual basis.
6 Could the value of a property portfolio exceed the value of the individual properties?	Valuations are based on external price data – an association-wide licensing agreement is in place for collection of purchase price data from the property price database Immounited. If an insufficient number of comparable prices or comparable properties are available, the intrinsic value method is used
7 How often is the property value updated and how often is checked that the LTV covenant is not breached? (annually, ad-hoc, depending on general market movement)?	No – each property must be valued individually.
Other comments	None

Appendix 2: Legal Framework for Austrian Covered Bonds

In Austria, there are three different covered bond acts, under which Austrian covered bond issuers can issue covered bonds. The three acts are:

- Mortgage Bank Act (Hypothekenbankgesetz);

- Austrian Pfandbrief Act (Pfandbriefgesetz or PfandbriefG); and

- Austrian Covered Bond Act (Gesetz betreffend fundierte Bankschuldverschreibungen or FBSchVG), see chart 1 below.

For the purposes of this report, our references to Austrian covered bond legislation relates to all these three types of act and other relevant regulation, if not stated otherwise.

This covered bond transaction is governed by the Austrian Covered Bond Act, under which covered bonds will be issued from time to time, in each case constituting direct, unconditional and senior obligations of the issuer. The issuer is a regulated bank and supervised by the appropriate authorities.

Mortgage-sector covered bonds are secured by a pool of assets (cover pool). A 60% loan-to-value (LTV) limit for cover pool assets is market practice in Austria although only specified in the Mortgage Bank Act. The covered bond issuer has to establish a cover register for its covered bonds, which secures covered bondholder's claims upon insolvency of the covered bond issuer.

The Austrian Covered Bond Act inter alia sets out rules detailing which assets qualify as cover assets for public sector covered bonds. Eligible assets for a cover pool are (i) direct claims against entities located in Austria and member states of the EEA, or Switzerland or local and regional governments located in these countries; or (ii) debt guaranteed by the aforementioned public-sector entities.

The covered bond issuer may include derivatives in the cover pool even though this is not current market practice in Austria. We understand that claims of hedge counterparties rank equally with those of covered bondholders.

Under the Act, the covered bond issuer must comply with a nominal cover test. This test requires a minimum over-collateralisation (OC) of 0% which means the nominal value of the cover pool must be at least as high as the nominal value of the covered bonds.

The Austrian Covered Bond Act allows issuers to commit themselves to a present value test (PV test). We understand that the issuer becomes legally obliged to maintain this PV test by operation of the Austrian covered bond legislation if this has been included in the articles of association of the issuer.

A cover pool monitor ("Regierungskommissär") will monitor various operations with respect to the cover pool on a regular basis. For example, we understand that cover assets may not be de-registered from the cover pool without the prior consent of the cover pool monitor.

Upon insolvency of the covered bond issuer, all cover assets, including, in our understanding, the actual OC at that point in time, would be available for the covered bondholder on a priority basis.

In the event of an issuer default, the cover pool will be segregated from the bankruptcy estate of the issuer and a cover pool administrator (Besonderer Verwalter) will be appointed upon the commencement of bankruptcy procedures. This cover pool administrator shall undertake the necessary administrative measures to satisfy claims by the covered bondholders by collecting claims that are due, selling individual cover assets or organising bridge financing.

Payments and receivables on the cover pool assets are not required to be separated from other cash flows of the covered bond issuer before a declaration of bankruptcy. Upon the commencement of bankruptcy proceedings, the covered bondholders would have a preferential claim on all receivables in the cover pool. The appointed cover pool administrator will be obliged by operation of the Austrian Covered Bond Act to apply all collections to satisfy the preferential claims against the cover pool.

We understand that no set-off may be exercised by the borrower against the Austrian cover assets recorded in the cover pool and governed by Austrian law by the operation of the act.

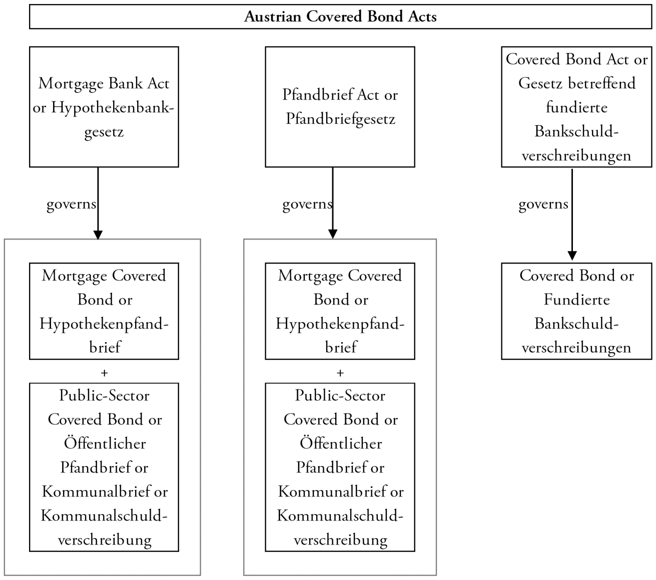
In the event of the issuer's insolvency, it is possible that assets located outside Austria (i.e., mortgage-sector borrowers located outside Austria) will be less protected against claims of other creditors of the issuer compared with assets located in Austria. For claims against borrowers located outside Austria and for loans governed by non-Austrian law, the amount due by the borrowers could be determined based on foreign law. This law may allow the borrower to exercise set-off, hence, the amount payable by such borrower may be reduced accordingly.

In case of Swiss cover assets, we understand that, in the event of an issuer default, a Swiss court might open a secondary insolvency proceeding against the issuer in Switzerland. From an expected loss point of view, we do not consider this as a significant concern, because we understand that only a small group of Swiss creditors of the issuer – for example Swiss employees of the issuer – would be able to make their claims within these proceedings. However, we also understand that payments on the cover pool assets in Switzerland might not be available for the cover pool administrator for as long as the secondary insolvency proceedings continue in Switzerland.

In the event of an issuer default, the following scenarios may occur:

- If feasible, the cover pool administrator may transfer the cover pool together with the obligations under the covered bonds to another suitable bank, which will assume the obligations under the covered bond and will take over the cover pool.
- If the cover pool and the outstanding covered bonds are not transferred and the cover pool assets are not sufficient to satisfy all claims of covered bondholders, the outstanding covered bonds would accelerate. The cover pool administrator would dispose of the cover pool assets, subject to the approval of the competent court and distribute the proceeds stemming from the disposal of the cover pool assets among the cover bondholders on a pari passu basis. If the proceeds prove insufficient to meet all claims of the pari passu creditor of the cover pool, then the covered bondholders will have a senior unsecured claim against the general bankruptcy estate of the covered bond issuer.
- Subject to the approval of the competent court, the cover pool administrator may sell the cover pool assets and satisfy the claims of the covered bondholders by an early redemption of the covered bonds at the then-current present value, provided certain conditions were met, which include the following:
  - A transfer of the cover pool together with the outstanding covered bond to another suitable bank is not possible;
  - There is sufficient cover for all pari passu claims against the cover pool; and
  - The covered bond issuer has opted for an early redemption at present value in its articles of association in this scenario.

Overview of Covered Bond Acts in Austria



Moody's Related Research

Rating Methodology:

» Moody's Approach to Rating Covered Bonds, December 2016 (PBS 1044142)

Special Comments:

» Moody's Global Covered Bonds Monitoring Overview: Q2 2016, November 2016 (PBS_1039127)

» EU Bank Recovery and Resolution Regime Strengthens Austrian Covered Bonds and Improves Their Ratings, July 2015 (PBS 1006468)

» European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 (SF66418)

Performance Overviews:

» Erste Group Bank AG - Mortgage Covered Bonds

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» Raiffeisenlandesbank Oberoesterreich AG - Mortgage Covered Bonds

» BAWAG P.S.K. AG - Mortgage Covered Bonds

Credit Opinions:

» Volksbank Wien AG

» Rating Action: Moody's assigns first-time Baa2 deposit ratings to Volksbank Wien AG; outlook stable

Webpage:

» www.moodys.com/coveredbonds

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