

Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure (June 30, 2009)

Bank Austria, as part of UniCredit Group, has made a priority of capital management and allocation (for both regulatory and internal capital) on the basis of the risk assumed in order to expand the Group's operations and create value. These activities are part of the Group planning and monitoring process and comprise:

- planning and budgeting processes:
 - proposals as to risk propensity and capitalisation objectives;
 - analysis of the impact on the Group's value and the creation of value for shareholders;
 - preparation and proposal of the financial plan and dividend policy;

- monitoring processes
 - analysis of performance achieved at total bank level and business unit level and preparation of management reports;
 - analysis and monitoring of limits;
 - analysis and performance monitoring of the capital ratios of the bank.

The Group has set itself the goal of generating income in excess of that necessary to remunerate risk (cost of equity), and thus of creating value, so as to maximise the return for its shareholders in terms of dividends and capital gains (total shareholder return). This is achieved by allocating capital to various business areas and business units on the basis of specific risk profiles and by a constant measurement and monitoring of the performance.

Capital and its allocation are therefore extremely important for the strategy, since capital is the object of the return expected by investors on their investment in the Group, and also because it is a resource that has to comply with regulatory provisions.

Capital at risk is dependant on the propensity for risk and is based on the target capitalisation level which is also determined in accordance with the bank's and the Group's credit rating.

If capital at risk is measured using risk management methods, it is defined as internal capital, if it is measured using regulatory provisions, it is defined as regulatory capital.

In detail:

- Internal capital is the portion of equity that is actually at risk, which is measured using probability models over a specific confidence interval.

- Regulatory capital is the component of total capital represented by the portion of shareholders' equity put at risk (Core Equity or Core Tier 1) that is measured using regulatory provisions.

Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of exposure assumed, while the latter is based on schedules specified in regulatory provisions.

The relationship between the two different definitions of capital at risk can be obtained by relating the two measures to the Group's target credit rating (AA- by S&P) which corresponds to a probability of default of 0.03%. Thus, internal capital is set at a level that will cover adverse events with a probability of 99.97% (confidence interval), while regulatory capital shall correspond percentage-wise to the value of major international banking groups with at least the same target rating.

Capital is managed dynamically Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on a monthly basis and anticipates the appropriate steps required to achieve its goals.

On the one hand, monitoring is carried out in relation to both shareholders' equity and the composition of capital for regulatory purposes, and on the other hand, in relation to the planning and performance of risk-weighted assets (RWA).

The dynamic management approach aims to identify the measures that are most suitable for achieving the bank's resp. the Group's goals. Potential measures are considered with regard to their cost and efficiency, measured using risk-adjusted performance measurement (RAPM). In this context, Bank Austria considers regulatory, accounting, financial, tax-related, risk management and other aspects and the changes affecting these aspects so that an profound assessment is ensured and all necessary instructions can be given to implement relevant measures.

Quantitative Disclosure:

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

	30.06.2009	31.12.2008
Total Capital Requirements	9,833,661	10,658,706
Capital requirements for credit risk according to §§ 22a bis 22h BWG	8,626,914	9,440,247
of which: counterpart default risk from trading book	143,233	183,858
Standardised approach (SA)	6,804,218	7,368,598
SA exposure classes excluding securitization positions	6,794,993	7,359,644
Central governments or central banks	417,187	354,930
Regional governments or local authorities	28,645	27,547
Administrative bodies and non-commercial undertakings	41,020	37,101
Multilateral Developments Banks	614	730
Institutions	270,170	400,444
Corporates	4,207,987	4,592,557
Retail	740,366	782,219
Secured by real estate property	361,544	344,820
Past due items	95,902	62,894
Items belonging to regulatory high-risk categories	34,305	33,501
Covered bonds	6,419	5,298
Short-term claims on institutions and corporate	24,874	22,701
Collective investments undertakings (CIU)	26,619	18,151
Other items	539,341	676,751
Securitization positions SA	9,225	8,953

Internal ratings based Approach (IRB)	1,822,696	2,071,649
IRB approaches when own estimates of LGD and/or Conversion Factors are used	2,002,855	2,002,855
Central governments and central banks	6,942	6,484
Institutions	171,742	191,581
Corporates	894,161	1,037,804
Retail	562,681	616,780
<i>hereof Retail secured by real estate</i>	<i>196,859</i>	<i>226,083</i>
<i>hereof qualified revolving retail exposures</i>	<i>67,045</i>	<i>78,138</i>
<i>hereof other retail exposures</i>	<i>298,777</i>	<i>312,559</i>
Equity IRB	133,160	160,274
<i>hereof all approaches according to § 77 SolvaV - simple risk weight approach</i>	<i>124,558</i>	<i>154,481</i>
<i>hereof all approaches according to § 77 SolvaV - PD/LGD approach</i>	<i>8,602</i>	<i>5,792</i>
<i>hereof all approaches according to § 77 SolvaV internal model</i>	<i>0</i>	<i>0</i>
Exposures for which grandfathering applies	176,038	155,238
Securitization positions IRB	54,010	58,727
Settlement Risk	436	7,020
Total Capital Requirements for position, foreign exchange and commodity risks	388,407	438,551
Position, foreign exchange and commodity risks under standardised approaches (SA)	66,610	74,276
hereof Traded debt instruments	57,877	61,672
hereof Equity	2,128	5,378
Position, foreign exchange and commodity risks under internal models (IM)	321,797	364,276
Total Capital Requirements for operational risks (OpR)	817,904	772,887
OpR Basic Indicator Approach	124,324	82,655
OpR Alternative Standardised Approach	437,771	434,811
OpR Advanced Measurement Approaches	255,809	255,421