

Disclosure pursuant § 17 lit. 1 - 5 Disclosure Regulation

**Regulation of the Financial Market Authority (FMA)
on the Disclosure Obligations of Credit Institutions**

The Austrian Financial Market Authority (FMA) and the Oesterreichische Nationalbank (OeNB) have assessed Bank Austria Creditanstalt Aktiengesellschaft for the use of own estimates for volatility adjustments (comprehensive method) for credit risk mitigation techniques.

With the FMA-decree dated June 12th 2008, Bank Austria Creditanstalt Aktiengesellschaft has been authorized to use its own volatility estimates (comprehensive method) for credit risk mitigation techniques. The permission was given without limitation.

Qualitative disclosure (§ 17 lit 1 – 5 Disclosure Regulation)

Within the compliance to the framework of Basel II requirements, UniCredit Group has been carrying out specific activities aiming at defining all the requirements for recognition of Credit Risk Mitigation techniques and to take all the necessary steps for their satisfaction, i.e. policies / internal guidelines, processes and supporting IT systems, in relation to the different approaches adopted (Standardized, IRB-F or IRB-A) and in accordance with each Country's domestic legal system and all local supervisory requirements.

With these regards specific policies representing the Group acknowledgement and interpretation of the regulatory requirements concerning the Credit Risk Mitigation have been issued. In particular the requirements set out by the "International Convergence of Capital Measurement and Capital Standards" and "Directive 2006/48/EC of the European Parliament and of the Council" have been translated into internal guidelines, pursuing several objectives:

- to encourage collateral and guarantees optimal management;
- to maximize the credit protections' mitigating effect on credit losses;
- to attain positive effect on Group Capital Requirements, ensuring that Local CRM practices meet minimum Basel 2 requirements;
- to define general rules for eligibility, valuation, monitoring and management of collateral (funded protection) and guarantees (unfunded protection) and to detail special rules and requirements for specific collaterals/guarantees.

Collateral / guarantee is accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason they have to be evaluated in the credit application along with the assessment of the creditworthiness and the repayment capacity of the borrower.

In the credit risk mitigation technique assessment, UniCredit Group emphasizes the importance of the legal certainty requirement for all the funded and unfunded credit protection techniques, as well as their suitability. Legal Entities put in place all necessary actions in order to:

- fulfill any contractual and legal requirements in respect of, and take all steps necessary to ensure the enforceability of the collateral/guarantee arrangements under the applicable law;
- conduct sufficient legal review confirming the enforceability of the collateral/guarantee arrangements on all parties and in all relevant jurisdictions.

Legal Entities conduct such review as necessary to ensure enforceability for the whole life of the underlying collateralized credit exposure. In general operative instructions and related processes are particularly severe, aiming at granting the perfection of each collateral/guarantee acquired.

On the other hand, suitability has always to be granted. Any collateral / guarantee can be considered adequate if it is consistent with the underlying credit exposure and when there are no relevant risks towards the protection provider.

- a) Policies and processes for, and an indication of the extent to which the Group makes use of, on – and off – balance sheet netting

In general netting agreements are considered eligible if they are legally effective and enforceable in all relevant jurisdictions, including in the event of insolvency or bankruptcy of counterparty.

Specifically, master netting agreements must meet the following minimum operational conditions:

- provide for the netting of gains and losses on transactions cleared under the master agreement so that a single net amount is owed by one party to the other;
- fulfill the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

Legal Entities can use netting agreement only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting), monitoring and controlling debts, credit and netting value.

Such credit risk mitigation technique may be used only to a limited extent of specific portfolios.

b) Policies and processes for collateral evaluation and management

Unicredit Group has implemented a clear and robust system for managing the credit risk mitigation techniques, governing the entire process for evaluation, monitoring and management.

The collateral value is based on the current market price or the estimated amount which the underlying asset could reasonably be liquidated for (i.e. financial instrument or real estate Fair Value).

In detail, for financial instruments, valuation methods are different depending on their type:

- securities listed on a recognized stock exchange, are evaluated according to the market price (the price of the most recent trading session);
- securities not listed on a recognized stock exchange, have to be based on pricing models based on market data;
- undertakings for Collective Investments and mutual funds are based on the price for the units that are publicly quoted daily.

Market price of pledged securities are adjusted by applying haircuts for market price and foreign exchange volatility according to Basel 2 regulation requirements. In case of currency mismatch between the credit facility and the collateral, an additional haircut is applied. Possible mismatches between the maturity of the exposure and that of the collateral are also considered in the adjusted collateral value.

The current models in place within the Group are mainly based on pre-defined prudential haircuts. Internal haircuts for each security based on Value at Risk (VaR) respectively estimated volatility adjustment approach are in use or under implementation.

The main Legal Entities of the Group are also provided with tools for the automatic evaluation of the mark to market of the pledged securities, granting the constant monitoring of the financial collateral values.

For the valuation of real estate collateral, specific processes and procedures ensure that the property is valued by an independent expert at or less than the market value.

For the Legal Entities operating in Austria, Germany and Italy, systems for the periodic monitoring and revaluation of the real estate serving as collateral, based on statistical methods and internal databases or provided by external info-providers, are in place.

The other types of collateral (such as movable assets) are subject to through evaluation and specific prudential haircuts are applied. Monitoring activities strictly depend on the collateral characteristics. In general pledges on goods are treated with caution.

c) A description of the main types of collateral taken by the Group

The list of collateral types taken by each Legal Entity within the Group strictly depends on the approach adopted (Standardized, IRB-F, IRB-A) and on the specific legal framework of the Country.

The Holding Company provides specific guidelines for the eligibility of all kind of collaterals and each Legal Entity defines the list of eligible collaterals according to uniform Group methods and procedures and in compliance with all domestic legal and supervisory requirements and local peculiarities.

The main collateral types are represented by real estate, both residential and commercial, financial collaterals (including cash deposits, debt securities, equities, Undertakings for Collective Investments in Transferable Securities (UCITS) and mutual funds) and insurance policies.

d) The main types of guarantor and credit derivative counterparty and their creditworthiness

In general, the main types of guarantor counterparty are entrepreneurs and company partners/shareholders (and their relatives if the case) of the borrower. Less frequent are credit facilities covered by personal guarantees provided by other companies, usually the holding company or other companies belonging to the same economic group of the borrower, or by financial institutions and insurance companies.

Credit derivative providers are mainly banks and institutional counterparties.

The list of eligible protection providers depends on the specific approach adopted by each single Legal Entity. For instance, under the Standardized approach, eligible protection providers pertain to a restricted list of counterparts, such as central government and central banks, public sector entities and regional and local authorities, multilateral development banks, supervised institutions and corporate entities that have a credit assessment by an eligible ECAI associated with credit quality step 2 or above). Legal Entities adopting IRB-A have no particular restrictions and the list of eligible protection providers has to be defined by local Risk Management and Strategic Risk Management (if existing) and approved by the competent Body, in coordination with the Holding Company.

Before a personal guarantee is acquired, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her solvency and risk profile. The hedging effect of guarantees / credit derivatives for the purpose of credit protection depends basically on the protector's creditworthiness and the protected amount must be reasonably proportionate to the economic performance capabilities of the protection provider.

e) Information about market or credit risk concentrations under the credit risk mitigation instruments used

There is concentration risk when the major part of Group-wide collateral assets (at portfolio level) are concentrated in a small number of collateral types, instruments, special providers of collaterals or sectors.

Such concentration is monitored and controlled by the following processes / mechanisms:

- In case of personal guarantees / credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, the secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the bank's system of authority.
In case the protection provider, directly or indirectly, is a bank or a sovereign, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, a country limit must be obtained.
- For all the collateral / guarantee types, both credit and market risk, specific reporting and monitoring activities at consolidated level have to be implemented.

Quantitative disclosure

IRB Approach			
Exposures with	Amounts as at October 31, 2008		
	Financial collaterals	Other guarantees	Guarantees and credit derivatives
	€	€	€
Central administration and central banks	475.698,96	35.496,82	1.342.069.826,49
Supervised institutions	93.378.246,91	152.797.859,50	685.076.240,88
Public Entities	0,00	0,00	0,00
Corporates and specialized lendings	1.639.868.007,10	11.357.743.926,85	3.388.183.128,34
<i>Specialized lendings</i>	40.671.637,11	3.868.607.429,13	57.497.098,24
<i>Others</i>	1.599.196.369,99	7.489.136.497,72	3.330.686.030,10
Retail exposures	354.793.635,76	7.690.217.405,33	38.523.291,44
<i>Exposures secured with residential real estate property</i>	71.218.735,00	7.205.930.246,37	6.073.552,14
<i>Qualified revolving retail exposures</i>	0,00	46.568,30	0,00
<i>Other retail exposures</i>	283.574.900,76	484.240.590,66	32.449.739,30
Equities			
Total	2.088.515.588,73	19.200.794.688,50	5.453.852.487,15

Standard Approach:			
Exposures with	Amounts as at October 31, 2008		
	Financial collaterals	Other guarantees	Guarantees and credit derivatives
	€	€	€
Central governments and central banks	184.572,71		
Supervised institutions	2.529.729,60		145.298.301,73
Regional administrations and local authorities	7.360.670,92		
Administrative bodies and non-commercial undertakings	5.077.218,65		571.270.411,60
Multilateral development banks			
International Organisations			
Corporates	1.465.985.907,88	4.868.270,49	1.036.494.735,16
Retail exposures	3.172.839,67	2.155.044,56	186.438,43
Short term exposures with corporate			
Exposures in the form of Collective Investment Undertakings			
Exposures secured by real estate property	29.722.959,34		
Exposures in the form of covered bonds			
Past due exposures	9.567.122,07	118.482,98	4.736.438,88
Item belonging to regulatory high risk exposures			
Other exposures			21.461.750,00
Total	1.523.601.020,84	7.141.798,03	1.779.448.075,80