Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure

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: the bank 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 banks resp. Group's goals. Potential measures are considered with regard to their cost and efficiency, measured using risk-adjusted performance measurement (RAPM). In this context, the bank 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

UniCredit Bank Austria AG as of June 30, 2008

Total Capital Requirements	**6.707.682**
Capital requirements for credit risk according to §§ 22a bis 22h BWG	**6.250.478**
of which: counterpart default risk from trading book	132.080
Standardised approach (SA)	**3.712.757**
SA exposure classes excluding securitization positions	3.694.368
Central governments or central banks	6.523
Regional governments or local authorities	10.300
Administrative bodies and non-comercial undertakings	15.128
Multilateral Developments Banks	13
Institutions	70.496
Corporates	1.982.980
Retail	8.061
Secured by real estate property	13.987
Past due items	2.654
Collective investments undertakings (CIU)	7.664
Other items	1.576.562
Securitization positions SA	18.389
Internal ratings based Approach (IRB)	**2.537.721**
IRB approaches when own estimates of LGD and/or Conversion Factors are used	2.002.855
Central governments and central banks	2.144
Institutions	510.676
Corporates	886.238
Retail	603.797
Equity IRB	525.927
Securitization positions IRB	8.939
Settlement Risk	**633**
Total Capital Requirements for position, foreign exchange and commodity risks	**226.644**
Position, foreign exchange and commodity risks under standardised approaches (SA)	23.526
hereof Traded debt instruments	1.840
hereof Equity	21.686
Position, foreign exchange and commodity risks under internal models (IM)	203.118
Total Capital Requirements for operational risks (OpR)	**229.927**
OpR Advanced measurement approaches	229.927