

Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure (Bank Austria Group – as of 30 June 2011)

Bank Austria, as part of UniCredit Group, has set a priority on Capital management and Capital allocation. The Bank's Capital management strategy is characterized by a strong commitment to maintain its sound Capital base and an allocation of Capital to achieve the highest possible shareholder value.

Bank Austria's target capitalization is determined in accordance with the external rating. Therefore, the Group's target rating (AA- according to Standard and Poor's) corresponds to a probability of default of 0.03 % and the internal capital is set at a level that will cover adverse events with a probability of 99.97 % (confidence interval). At the same time regulatory capital ratios targets (Core Tier 1) are set to ensure that the credit rating is in line with those of the major international banking groups ("peers").

The Capital management activities are embedded in the Group's planning and budgeting process as well as within ICAAP/Pillar II processes. Bank Austria is monitoring regularly capital evolution and regulatory trends on country level as well as on group level, focusing especially on CEE region. The Capital management activities comprise:

- planning and budgeting processes:
 - proposals as to risk propensity, development and capitalization objectives
 - analysis of the impact of RWA development and changes in the regulatory framework on the Group's value and the 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 for Pillar I and Pillar II
 - analysis and monitoring of the capital ratios of BA Group as well as on a single entity level

- ICAAP/Pillar II
 - Risk identification
 - Risk profile measurement
 - Planning capital and definition of the risk appetite
 - Monitoring and reporting
 - Risk governance

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

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).

Capital Requirements

The own funds requirements are calculated according to § 22 BWG and include the requirements for credit risk, for position risk in bonds, equities and commodities and foreign currency and for operational risk.

Future regulatory developments

Amendments to the EU Capital Requirements Directive (CRD III) became partly effective on 1 January 2011 with the remainder to come into effect by the end of 2011. This includes the changes in:

- Remuneration policy (effective since 1 January 2011)
- Market risk/trading book (to become effective on 31 December 2011)
 - Incremental risk charge
 - Stressed Value at Risk
 - Securitization in trading book
- Increased capital requirements for re-securitization (to become effective on 31 December 2011)

Basel III / CRD IV, CRR

In June 2011 the Basel Committee on Banking Supervision published a final set of guidelines to strengthen the regulation, supervision and risk management in the banking sector (Basel III). The guidelines aim to improve the banking sector's ability to absorb shocks, to refine risk management and governance and strengthen banks' transparency and disclosures.

The European Parliament adopted an own initiative report on the implementation of the Basel guidelines into EU law.

On 20 July 2011, the European Commission has published a proposal for implementing Basel III in the EU via a Regulation (mainly Pillar 1 and 3) and a Directive (mainly Pillar 2).

The new legal framework will replace Capital Requirements Directives 2006/48/EC and 2006/49/EC and is planned to come into effect in 2013 with a transition period until 2019.

After the framework is fully implemented in 2019, Basel III will consist of stricter requirements for regulatory capital with a minimum of common equity of 4.5 %, Tier 1 Capital of 6 % and Total Capital of 8%. In addition, all banks will be required to hold a capital conservation buffer of 2.5% on top of the new minimum requirements. This will lead to an effective total requirement of 7% common equity, 8.5% Tier 1 Capital and 10.5% Total Capital. Furthermore, Member States can set an additional buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5% or even higher). In addition, capital surcharges for systemic banks are under discussion.

From today's point of view Bank Austria, with its strong equity capital base, is well placed to meet the new capital adequacy requirements (Basel III). The further EU procedure in adopting the Regulation and the Directive as well as the implementation of the Directive into Austrian law and its implications will be carefully monitored.

Quantitative Disclosure:

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

(in EUR '000)	30/06/2011	31/12/2010
Risk Weighted assets for credit risks §§ 22a to 22h BWG	110,954,238	113,333,225
of which: counterpart default risk from trading book	1,325,338	1,579,025
Standardised approach (SA)	69,276,425	77,512,175
SA exposure classes excluding securitization positions	68,922,238	77,146,800
Central governments or central banks	4,834,625	4,443,763
Regional governments or local authorities	554,275	510,638
Administrative bodies and non-commercial undertakings	335,288	614,800
Multilateral Developments Banks	0	0
Institutions	2,159,100	2,479,613
Corporates	35,170,713	44,905,963
Retail	13,551,900	10,967,563
Secured by real estate property	2,284,013	3,400,375
Past due items	3,879,925	3,706,838
Items belonging to regulatory high-risk categories	360,250	369,175
Covered bonds	18,625	78,575
Short-term claims on institutions and corporate	86,738	73,913
Collective investments undertakings (CIU)	55,000	128,788
Other items	5,631,788	5,466,800
Securitization positions SA	354,188	365,375
Internal ratings based Approach (IRB)	41,677,813	35,821,050
IRB approaches when neither own estimates of LGD nor Conversion Factors are used	10,639,325	0
Central governments and central banks	284,538	0
Institutions	493,500	0
Corporates	9,861,288	0
IRB approaches when own estimates of LGD and/or Conversion Factors are used	28,702,775	35,821,050
Central governments and central banks	133,675	55,663
Institutions	3,071,850	3,164,725
Corporates	17,440,200	19,291,425
Retail	8,057,050	11,505,250
Equity IRB	1,842,000	1,314,850
Exposures for which grandfathering applies	1,663,825	1,772,638
Securitization positions IRB	493,713	489,138

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

(in EUR '000)	30/06/2011	31/12/2010
Total Capital Requirements	10,014,991	10,232,470
Capital requirements for credit risk according to §§ 22a bis 22h BWG	8,876,339	9,066,658
of which: counterpart default risk from trading book	106,027	126,322
Standardised approach (SA)	5,542,114	6,200,974
SA exposure classes excluding securitization positions	5,513,779	6,171,744
Central governments or central banks	386,770	355,501
Regional governments or local authorities	44,342	40,851
Administrative bodies and non-commercial undertakings	26,823	49,184
Multilateral Developments Banks	0	0
Institutions	172,728	198,369
Corporates	2,813,657	3,592,477
Retail	1,084,152	877,405
Secured by real estate property	182,721	272,030
Past due items	310,394	296,547
Items belonging to regulatory high-risk categories	28,820	29,534
Covered bonds	1,490	6,286
Short-term claims on institutions and corporate	6,939	5,913
Collective investments undertakings (CIU)	4,400	10,303
Other items	450,543	437,344
Securitization positions SA	28,335	29,230

Internal ratings based Approach (IRB)	3,334,225	2,865,684
IRB approaches when neither own estimates of LGD nor Conversion Factors are used	851,146	
Central governments and central banks	22,763	
Institutions	39,480	
Corporates	788,903	
IRB approaches when own estimates of LGD and/or Conversion Factors are used	2,296,222	2,865,684
Central governments and central banks	10,694	4,453
Institutions	245,748	253,178
Corporates	1,395,216	1,543,314
Retail	644,564	920,420
hereof Retail secured by real estate	201,854	277,670
hereof qualified revolving retail exposures	26,229	41,942
hereof other retail exposures	416,481	600,808
Equity IRB	147,360	105,188
hereof all approaches according to § 77 SolvaV - simple risk weight approach	105,645	98,077
hereof all approaches according to § 77 SolvaV - PD/LGD approach	41,715	7,111
hereof all approaches according to § 77 SolvaV internal model	0	0
Exposures for which grandfathering applies	133,106	141,811
Securitization positions IRB	39,497	39,131
Settlement Risk	0	0
Total Capital Requirements for position, foreign exchange and commodity risks	183,046	227,818
Position, foreign exchange and commodity risks under standardised approaches (SA)	34,283	107,042
hereof Traded debt instruments	17,668	98,750
hereof Equity	1,684	1,391
Position, foreign exchange and commodity risks under internal models (IM)	148,763	120,776
Total Capital Requirements for operational risks (OpR)	955,606	937,994
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	955,606	937,994
OpR Basic Indicator Approach	165,436	150,356
OpR Alternative Standardised Approach	262,419	294,225
OpR Advanced Measurement Approaches	527,751	493,413