Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure
(Bank Austria Group – as of 31 December 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 for a sound Capital base and an allocation of Capital to achieve the highest possible shareholder value.

Bank Austria's 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 consistently with regulatory expectations.
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
    - Capital planning 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).

<u>Capital Requirements</u>

The own funds requirements are calculated according to § 22 Austrian Banking Act (BWG) and include the requirements for Credit Risk, for all risk types of the trading book, for Commodities Risk, for Foreign Exchange Risk outside of the trading book, and for Operational Risk.

<u>Regulatory developments 2011:</u>

Amendments to the EU Capital Requirements Directive (CRD III) became fully effective within 2011. These include changes in:

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

Future regulatory developments - Basel III / CRD IV, CRR

The Basel Committee on Banking Supervision published a framework of global regulatory standards for capital adequacy and liquidity in December 2010 (original version). The framework for capital adequacy was slightly modified in June 2011 (modified version). . The aim of the framework is to improve the banking sector's ability to absorb shocks, to refine risk management and governance, to improve liquidity and moreover to strengthen banks' transparency and disclosures.

In July 2011 the European Commission published the proposed rules for Basel III in the EU via a Regulation (mainly Pillar 1 and 3) and a Directive (mainly Pillar 2).

The Committee on Economic and Monetary Affairs of the European Parliament (ECON) is currently concerned with around 2.000 requests for amendments to the proposal of the European Commission. The Danish Presidency of the Council developed a second compromise version of the new framework. The trialogue of the Council, the Parliament and the Commission is in progress. The plenary vote on the Regulation and the Directive is expected for this summer.

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. Austrian authorities require an earlier adoption of parts of the framework beginning with January 2013.

After the framework is fully implemented, 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 Core Tier 1 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)	31/12/2011	31/12/2010
Risk weighted assets for credit risks §§ 22a to 22h BWG	**109,164,613**	**113,333,225**
thereof counterpart default risk from trading book	1,665,250	1,579,025
Standardised approach (SA)	**69,234,263**	**77,512,175**
SA exposure classes (excluding securitisation positions)	69,234,263	77,146,800
Central governments and central banks	4,613,350	4,443,763
Regional governments or local authorities	649,488	510,638
Administrative bodies and non-commercial undertakings owned by local authorities	335,113	614,800
Multilateral developments banks	0	0
Institutions	3,543,463	2,479,613
Corporates	35,844,850	44,905,963
Retail	11,977,450	10,967,563
Secured by real estate property	2,473,838	3,400,375
Past due items	3,798,325	3,706,838
Items belonging to regulatory high-risk categories	403,075	369,175
Covered bonds	14,750	78,575
Short-term claims on institutions and corporates	48,963	73,913
Collective investments undertakings (CIU)	32,363	128,788
Other items	5,499,238	5,466,800
Securitisation positions SA	0	365,375
Internal ratings based approach (IRB)	**39,930,350**	**35,821,050**
IRB approaches when neither own estimates of LGD nor conversion factors are used	11,025,000	0
Central governments and central banks	222,225	0
Institutions	428,100	0
Corporates	10,374,675	0
IRB approaches when own estimates of LGD and/or conversion factors are used	26,707,900	35,821,050
Central governments and central banks	210,500	55,663
Institutions	3,090,750	3,164,725
Corporates	16,614,450	19,291,425
Retail	6,792,200	11,505,250
Equity IRB	1,596,138	1,314,850
Exposures for which grandfathering applies	1,862,550	1,772,638
Securitisation positions IRB	601,313	489,138

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

(in EUR '000)	31/12/2011	31/12/2010
Total Capital Requirements	**10,015,027**	**10,232,470**
Capital requirements for credit risk according to §§ 22a to 22h BWG	**8,733,169**	**9,066,658**
thereof counterpart default risk from trading book	133,220	126,322
Standardised approach (SA)	**5,538,741**	**6,200,974**
SA exposure classes (excluding securitisation positions)	5,538,741	6,171,744
Central governments and central banks	369,068	355,501
Regional governments or local authorities	51,959	40,851
Administrative bodies and non-commercial undertakings owned by local authorities	26,809	49,184
Multilateral developments banks	0	0
Institutions	283,477	198,369
Corporates	2,867,588	3,592,477
Retail	958,196	877,405
Secured by real estate property	197,907	272,030
Past due items	303,866	296,547
Items belonging to regulatory high-risk categories	32,246	29,534
Covered bonds	1,180	6,286
Short-term claims on institutions and corporates	3,917	5,913
Collective investments undertakings (CIU)	2,589	10,303
Other items	439,939	437,344
Securitisation positions SA	0	29,230
thereof re-securitisation SA	*0*	*0*

Internal ratings based approach (IRB)	**3,194,428**	**2,865,684**
IRB approaches when neither own estimates of LGD nor conversion Factors are used	882,000	0
Central governments and central banks	17,778	0
Institutions	34,248	0
Corporates	829,974	0
IRB approaches when own estimates of LGD and/or conversion factors are used	2,136,632	2,865,684
Central governments and central banks	16,840	4,453
Institutions	247,260	253,178
Corporates	1,329,156	1,543,314
Retail	543,376	920,420
thereof retail secured by real estate	*217,295*	*277,670*
thereof qualified revolving retail exposures	*23,595*	*41,942*
thereof other retail exposures	*302,486*	*600,808*
Equity IRB	127,691	105,188
thereof all approaches according to § 77 SolvaV - simple risk weight approach	*95,613*	*98,077*
thereof all approaches according to § 77 SolvaV - PD/LGD approach	*32,078*	*7,111*
thereof all approaches according to § 77 SolvaV - internal model	*0*	*0*
Exposures for which grandfathering applies	149,004	141,811
Securitisation positions IRB	48,105	39,131
thereof re-securitisations	*4,367*	*0*
Settlement risk	**0**	**0**
Total capital requirements for position, foreign exchange and commodity risks	**330,575**	**227,818**
Position, foreign exchange and commodity risks under standardised approaches (SA)	21,752	107,042
thereof traded debt instruments	6,562	98,750
thereof equity	28	1,391
thereof foreign exchange	15,162	6,901
Position, foreign exchange and commodity risks under internal model (IM)	308,823	120,776
Total capital requirements for operational risks (OpR)	**951,283**	**937,994**
OpR Standardised (STA) / Alternative Standardised approach (ASA) / Advanced Measurement Approach (AMA)	**951,283**	**937,994**
OpR Basic Indicator Approach	165,437	150,356
OpR Alternative Standardised Approach	237,626	294,225
OpR Advanced Measurement Approach	548,220	493,413