

Prospectus Supplement No. 1  
20 December 2010



UniCredit Bank Austria AG

*(Incorporated as a joint stock company in the Republic of Austria under registered number FN 150714p)*

relating to the

€40,000,000,000

**EURO MEDIUM TERM NOTE PROGRAMME**

**FOR THE ISSUE OF NOTES INCLUDING PFANDBRIEFER AND JUMBO-PFANDBRIEFER DUE FROM ONE MONTH TO 40 YEARS FROM THE DATE OF ISSUE**

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This supplement (the "Supplement") constitutes a prospectus supplement pursuant to Art 16 (1) of the Directive 2003/71/EC (the "Prospectus Directive") and Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the "Prospectus Act") and is supplemental to, and should be read in conjunction with, the base prospectus dated 12 November 2010 (the "Prospectus") relating to a €40,000,000,000 Euro Medium Term Note Programme (the "Programme") of UniCredit Bank Austria AG (the "Issuer" or "Bank Austria").

The Prospectus was approved on 12 November 2010 by the Commission de Surveillance du Secteur Financier ("CSSF") and published on 12 November 2010 by making it available in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website of the Issuer ([www.bankaustria.at](http://www.bankaustria.at)).

This Supplement has been filed for approval with the CSSF in its capacity as competent authority in Luxembourg for approving this Supplement and to provide each of the Financial Markets Authority (Finanzmarktaufsicht) ("FMA") being the competent authority in the Republic of Austria as well as the respective competent authorities in each of the United Kingdom, Germany and the Republic of Ireland with a certificate of approval attesting that this Supplement has been drawn up in accordance with the Prospectus Directive. This Supplement has been approved by and filed with the CSSF on 20 December 2010 and has been published on or about 20 December 2010 by making it available in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website of the Issuer ([www.bankaustria.at](http://www.bankaustria.at)).

Terms defined in the Prospectus shall have the same meaning when used in this Supplement.

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**This Supplement does not constitute an offer of, or an invitation by or on behalf of any of the Issuer, the Dealers or the Arranger to subscribe for, or purchase, any Notes.**

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To the extent that there is any inconsistency between a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and b) any other statement in or incorporated by reference in the Prospectus, the statements in a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

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**In accordance with Art 16 of the Prospectus Directive and Article 13.2 of Chapter 1 of Part II of the Prospectus Act, investors who have already agreed to purchase or subscribe for the securities before this Supplement is published have the right, exercisable within a time limit of minimum two working days after the publication of this Supplement, to withdraw their acceptances.**

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*The Issuer accepts responsibility for the information contained in this Supplement. Having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.*

*No person has been authorised to give any information or to make any representation other than those contained in this Supplement in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or UniCredit Bank AG (the "Arranger"). Neither the delivery of this Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Bank Austria Group since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Bank Austria Group since the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*The distribution of this Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Supplement, see "Subscription and Sale" of the Prospectus.*

*The Dealers and the Arranger have not separately verified the information contained in this Supplement. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement. Neither this Supplement nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Dealers or the Arranger that any recipient of this Supplement or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplement or any financial statements and its purchase of Notes should be based upon any such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Bank Austria Group during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.*

The following significant new factor (as referred to in Art 16 (1) of the Prospectus Directive and Article 13.1 of Chapter I of Part II of the Prospectus Act) relating to the information included in the Prospectus which are capable of affecting the assessment of the Notes, have arisen:

In relation to the Madoff fraud on page 301 of the Prospectus the description of the Madoff Fraud in the Prospectus on page 301 under the heading "*Legal and arbitration proceedings*", shall be replaced in its entirety to read as follows:

"Several customers addressed enquiries and complaints against Bank Austria in connection with certain funds related to the fraudulent actions by Mr. Bernard L. Madoff. The following proceedings are relevant:

**Austrian civil proceedings:** In connection with the funds linked to the activities of Mr Madoff, a total of 69 legal actions are pending with Austrian courts to date, with the claimed amount totaling Euro 6,1 Mio. In five of six lawsuits, which have been issued yet, Bank Austria succeeded at first instance, one hereof at second instance as well and two hereof are already legally binding. Recently, the Commercial Court of Vienna pronounced a judgment in a singular case in favour of the plaintiff. The plaintiff's order to sell "Primeo" given on 28 October 2008, wasn't executed in due time as decided by the court. The compliant behavior of the bank to the prospectus gave reasonable ground to appeal.

**Criminal proceedings:** Bank Austria has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These proceedings were initiated by a complaint filed by the FMA (the Austrian Financial Market Authority) to the Austrian prosecutor. Subsequently complaints were filed by purported investors in funds which were invested, either directly or indirectly, in Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff Securities LLC (collectively referred to as "BMIS"). These complaints allege, amongst other things, that Bank Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo Fund. These criminal proceedings are at an early stage.

**U.S. Securities Class Actions in the U.S.:** Three putative securities class action lawsuits have been filed in the United States District Court for the Southern District of New York. All three lawsuits have been filed by purported investors in funds which were invested, either directly or indirectly, in BMIS. Defendants in the three lawsuits include, among others, Bank Austria, UniCredit S.p.A., Pioneer Alternative Investments, Primeo Select Fund and Primeo Executive Fund. The three lawsuits are still at a preliminary stage. Bank Austria has been served with statement of claims, but to date has not been required to submit a response. A conference with the Court is scheduled for 10 January 2011. At that conference, the Court will address various issues including the schedule for the defendants, including Bank Austria, to file motions to dismiss the lawsuits. Bank Austria anticipates filing a motion to dismiss the lawsuits. Among other grounds, the United States Supreme Court recently issued a decision holding that the United States' securities laws apply only to domestic securities transactions and transactions involving securities traded on an United States exchange. If the plaintiffs cannot meet that burden, their securities act claims should be dismissed.

The **United States Bankruptcy Court** appointed Irving H. Picard as Trustee (the "SIPA Trustee") for the liquidation of BMIS. The Trustee's job is to collect the assets of Madoff's estate and distribute those assets to creditors including investors. On 5 December 2010, the SIPA Trustee filed a complaint in the United States Bankruptcy Court in the Southern District of New York against some 70 defendants, including UniCredit S.p.A. ("UniCredit"), Bank Austria, Bank Austria World Wide Fund Management Limited ("BAWFM"), Pioneer Alternative Fund Management Limited ("PAI"), and 2020 Medici AG ("Medici") seeking, as against these and other defendants, to recover amounts to be determined at trial, allegedly representing so-called avoidable transfers to initial transferees of funds from BMIS, subsequent transfers of funds originating from BMIS (in the form of alleged management, performance, advisory, administrative and marketing fees, among other such payments, said to exceed USD 400 million in the aggregate for all defendants), and compensatory and punitive damages against certain defendants, including the five abovementioned, alleged to be in excess of USD 2 billion. Although the SIPA Trustee reserves the right to amend its complaint as its investigation of BMIS continues, the complaint includes allegations that many among the 70 defendants, including the aforementioned five, are liable for avoidable transfers under the US Bankruptcy Code, that they were unjustly enriched by the receipt of moneys from BMIS, that they aided and abetted BMIS's breach of fiduciary duty and BMIS's fraud by disregarding supposed indicia of fraud and by funneling funds into BMIS thereby allowing it to continue its Ponzi scheme.

On 10 December 2010, the SIPA Trustee filed another complaint in the United States Bankruptcy Court in the Southern District of New York against UniCredit, Bank Austria, Pioneer Global Asset Management S.p.A. ("PGAM"), BAWFM, Medici, Bank Austria Cayman Islands Ltd. ("BA-CA"), and several persons affiliated with UniCredit and Bank Austria seeking, as against these and other defendants, to recover amounts to be determined at trial. The complaint alleges that Bank Austria is liable as an initial transferee for certain avoidable transfers received from BMIS and that Bank Austria and other UniCredit S.p.A.-affiliated defendants are liable as subsequent transferees for transfers of funds originating from BMIS. This complaint further alleges that all

defendants were unjustly enriched by the receipt of moneys from BMIS, that they obtained and intentionally exercised control over stolen customer property as a result of their dealings with BMIS, and that they violated the Racketeer Influenced and Corrupt Organizations Act ("RICO") by allegedly participating in a plan to enrich themselves by feeding investors' money into Madoff's Ponzi scheme. The SIPA Trustee seeks treble damages under RICO (three times the reported net USD 19.6 billion losses allegedly suffered by all BMIS investors); alleged retrocession fees, management fees, custodial fees, and other such payments; compensatory, exemplary and punitive damages; and costs of suit.

These U.S. proceedings are in their initial stages. Bank Austria intends to defend itself vigorously against the Madoff-related claims and charges. At the time being it is not possible to reliably estimate the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists. In addition to the proceedings outlined above, additional actions arising out of Madoff's activities have been threatened and may be filed in the future by private investors or local authorities. Pending or future actions may have negative consequences for Bank Austria."