Bank Austria Member of UniCredit

Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure
(Bank Austria Group – as of 30 June 2013)

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 a sound capital base and an allocation of capital to achieve the highest possible shareholder value.

From 2013 Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.93% (confidence interval).
At the same time regulatory capital ratios targets (Core Tier 1) are set consistently with regulatory expectations and the Risk Appetite Framework defined by the bank.

The capital management activities form a major part of 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. 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
  - preparation and proposal of the financial plan and an appropriate dividend policy

- monitoring processes
  - analysis and monitoring of limits for Pillar I and Pillar II
  - analysis and monitoring of the capital ratios of BA Group as well as at single entity level

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.

Capital Requirements

The capital requirements pursuant to Section 22 of the Austrian Banking Act comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book and from operational risk.

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) and the Council of the European Union decided their negotiation positions on 14 May 2012 (vote on more than 2,000 requests for amendments to the proposal of the European Commission), respectively, on 15 May 2012 (in a meeting of the ECOFIN). Controversial issues were sorted out by the trilogue negotiations of the Council, the Parliament and the Commission.

The final Capital Requirements Regulation – CRR and the Capital Requirements Directive – CRD IV were published in the EU Official Journal on 27th June 2013. The new legal framework will replace Capital Requirements Directives 2006/48/EC and 2006/49/EC.

CRR entered into force on 28th June 2013 (the day following its publication in the EU Official Journal) and will be directly applicable in all EU Member States as of 1st January 2014.
CRD IV entered into force on 17th July (the 20th following its publication in the EU Official Journal). CRD IV has to be transposed into the national law of the EU Member States until 31st Dec 2013 and has to be applied as of 1st January 2014. In Austria, the Austrian Banking Act amendment transposing CRD IV has already been voted by the Parliament.

Thus the rules will come into effect with 1st of January 2014 with a transition period until 2019. For large Austrian banks Austrian authorities require an earlier adoption of parts of the framework concerning Common Equity Tier 1 (minimum requirement and capital conservation buffer).

After the framework is fully implemented, Basel III will consist of stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5 % of RWA, Total Tier 1 Capital of 6 % and Total Capital of 8%. In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5% on top of the new minimum requirements. This will lead to an effective total requirement of 7% Common Equity Tier 1 Capital, 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%). In addition, systemic risk buffers (1-5%) and capital surcharges for systemic banks (0-3.5%) can be set by authorities. Where an authority imposes the systemic risk buffer and the systemic bank surcharge is applicable, the higher of the two should apply.

From today's point of view Bank Austria, with its strong capital base, is well placed to meet the new capital adequacy requirements (Basel III).

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Quantitative Disclosure:

Disclosure of Equity Requirement regarding §. 5 OffV – Bank Austria Group

(in EUR '000)	30/06/2013	31/12/2012
Risk weighted assets for credit risks §§ 22a to 22h BWG	**110,384,625**	**114,874,000**
thereof counterpart default risk from trading book	1,522,950	1,854,938
Standardised approach (SA)	**63,047,600**	**67,458,825**
SA exposure classes (excluding securitisation positions)	63,030,938	67,450,038
Central governments and central banks	4,294,325	4,415,788
Regional governments or local authorities	450,938	536,575
Administrative bodies and non-commercial undertakings owned by local authorities	1,092,425	277,638
Multilateral developments banks	0	0
Institutions	2,147,725	3,395,225
Corporates	29,538,650	33,372,600
Retail	15,150,413	13,198,663
Secured by real estate property	2,434,900	2,460,213
Past due items	2,438,725	3,607,750
Items belonging to regulatory high-risk categories	305,963	348,188
Covered bonds	788	800
Short-term claims on institutions and corporates	31,538	0
Collective investments undertakings (CIU)	28,900	29,063
Other items	5,115,650	5,807,538
Securitisation positions SA	16,663	8,788
Internal ratings based approach (IRB)	**47,337,025**	**47,415,175**
IRB approaches when neither own estimates of LGD nor conversion factors are used	14,527,313	14,732,850
Central governments and central banks	341,875	426,688
Institutions	620,850	754,563
Corporates	13,564,588	13,551,600
IRB approaches when own estimates of LGD and/or conversion factors are used	30,424,713	30,517,488
Central governments and central banks	145,900	119,463
Institutions	3,887,438	4,016,888
Corporates	20,249,050	19,647,313
Retail	6,142,325	6,733,825
Equity IRB	1,687,100	1,419,338
Exposures for which grandfathering applies	1,391,000	1,769,175
Securitisation positions IRB	697,900	745,500

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

(in EUR '000)	30/06/2013	31/12/2012
Total Capital Requirements	**10,015,659**	**10,405,358**
Capital requirements for credit risk according to §§ 22a to 22h BWG	**8,830,770**	**9,189,920**
thereof counterpart default risk from trading book	121,836	148,395
Standardised approach (SA)	**5,043,808**	**5,396,706**
SA exposure classes (excluding securitisation positions)	5,042,475	5,396,003
Central governments and central banks	343,546	353,263
Regional governments or local authorities	36,075	42,926
Administrative bodies and non-commercial undertakings owned by local authorities	87,394	22,211
Multilateral developments banks	0	0
Institutions	171,818	271,618
Corporates	2,363,092	2,669,808
Retail	1,212,033	1,055,893
Secured by real estate property	194,792	196,817
Past due items	195,098	288,620
Items belonging to regulatory high-risk categories	24,477	27,855
Covered bonds	63	64
Short-term claims on institutions and corporates	2,523	0
Collective investments undertakings (CIU)	2,312	2,325
Other items	409,252	464,603
Securitisation positions SA	1,333	703
thereof re-securitisation	*0*	*0*

Internal ratings based approach (IRB)	**3,786,962**	**3,793,214**
IRB approaches when neither own estimates of LGD nor conversion Factors are used	1,162,185	1,178,628
Central governments and central banks	27,350	34,135
Institutions	49,668	60,365
Corporates	1,085,167	1,084,128
IRB approaches when own estimates of LGD and/or conversion factors are used	2,433,977	2,441,399
Central governments and central banks	11,672	9,557
Institutions	310,995	321,351
Corporates	1,619,924	1,571,785
Retail	491,386	538,706
thereof retail secured by real estate	*199,097*	*215,632*
thereof qualified revolving retail exposures	*26,673*	*26,364*
thereof other retail exposures	*265,616*	*296,710*
Equity IRB	134,968	113,547
thereof all approaches according to § 77 SolvaV - simple risk weight approach	*106,859*	*87,221*
thereof all approaches according to § 77 SolvaV - PD/LGD approach	*28,109*	*26,326*
thereof all approaches according to § 77 SolvaV - internal model	*0*	*0*
Exposures for which grandfathering applies	111,280	141,534
Securitisation positions IRB	55,832	59,640
thereof re-securitisations	*1,907*	*4,169*
Settlement risk	**0**	**0**
Total capital requirements for position, foreign exchange and commodity risks	**202,501**	**203,546**
Position, foreign exchange and commodity risks under standardised approaches (SA)	12,317	14,513
thereof traded debt instruments	6,696	9,819
thereof equity	0	0
thereof foreign exchange	5,621	4,694
Position, foreign exchange and commodity risks under internal model (IM)	190,184	189,033
Total capital requirements for operational risks (OpR)	**982,388**	**1,011,892**
OpR Standardised (STA) / Alternative Standardised approach (ASA) / Advanced Measurement Approach (AMA)	**982,388**	**1,011,892**
OpR Basic Indicator Approach	163,259	166,866
OpR Alternative Standardised Approach	224,419	239,676
OpR Advanced Measurement Approach	594,710	605,350