

Disclosure § 5 OffV (Capital Adequacy)

Qualitative Disclosure (December 31, 2010)

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 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 3) will come into effect in 2011. This includes the changes in:

- Remuneration policy (31.12.2010)
- Market risk/trading book (31.12.2011)
 - Incremental risk charge
 - Stressed Value at Risk
 - Securitization in trading book
- Increased capital requirements for re-securitization (31.12.2011)

Basel III

In December 2010 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 resolution on the implementation of the Basel guidelines into EU law. Basel III will be implemented by the way of a directive amending the Capital Requirements Directive (2006/48/EC and 2006/49/EC) known as CRD 4.

The new framework 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.

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 implementation of the final set of tools into national law and its implications will be carefully monitored.

Quantitative Disclosure:

Disclosure of Equity Requirement according to § 5 OffV

Bank Austria Group

	31/12/2010	31/12/2009
Risk Weighted assets for credit risks §§ 22a to 22h BWG	113,333,225	101,635,838
of which: counterpart default risk from trading book	1,579,025	1,798,988
Standardised approach (SA)	77,512,175	73,074,188
SA exposure classes excluding securitization positions	77,146,800	72,473,063
Central governments or central banks	4,443,763	4,404,000
Regional governments or local authorities	510,638	360,475
Administrative bodies and non-commercial undertakings	614,800	433,613
Multilateral Developments Banks	0	100
Institutions	2,479,613	3,023,025
Corporates	44,905,963	41,898,375
Retail	10,967,563	9,364,975
Secured by real estate property	3,400,375	4,696,625
Past due items	3,706,838	1,565,925
Items belonging to regulatory high-risk categories	369,175	345,575
Covered bonds	78,575	205,025
Short-term claims on institutions and corporate	73,913	105,500
Collective investments undertakings (CIU)	128,788	123,425
Other items	5,466,800	5,946,425
Securitization positions SA	365,375	601,125
Internal ratings based Approach (IRB)	35,821,050	28,561,650
IRB approaches when own estimates of LGD and/or Conversion Factors are used	35,821,050	26,784,763
Central governments and central banks	55,663	93,663
Institutions	3,164,725	1,562,288
Corporates	19,291,425	18,526,313
Retail	11,505,250	6,602,500
Equity IRB	1,314,850	1,485,488
Exposures for which grandfathering applies	1,772,638	2,047,300
Securitization positions IRB	489,138	291,400

	31/12/2010	31/12/2009
Total Capital Requirements	10,232,470	9,150,848
Capital requirements for credit risk according to §§ 22a bis 22h BWG	9,066,658	8,130,867
of which: counterpart default risk from trading book	126,322	143,919
Standardised approach (SA)	6,200,974	5,845,935
SA exposure classes excluding securitization positions	6,171,744	5,797,845
Central governments or central banks	355,501	352,320
Regional governments or local authorities	40,851	28,838
Administrative bodies and non-commercial undertakings	49,184	34,689
Multilateral Developments Banks	0	8
Institutions	198,369	241,842
Corporates	3,592,477	3,351,870
Retail	877,405	749,198
Secured by real estate property	272,030	375,730
Past due items	296,547	125,274
Items belonging to regulatory high-risk categories	29,534	27,646
Covered bonds	6,286	16,402
Short-term claims on institutions and corporate	5,913	8,440
Collective investments undertakings (CIU)	10,303	9,874
Other items	437,344	475,714
Securitization positions SA	29,230	48,090

Internal ratings based Approach (IRB)	2.865.684	2.284.932
IRB approaches when own estimates of LGD and/or Conversion Factors are used	2.865.684	2.142.781
Central governments and central banks	4.453	7.493
Institutions	253.178	124.983
Corporates	1.543.314	1.482.105
Retail	920.420	528.200
hereof Retail secured by real estate	277.670	182.158
hereof qualified revolving retail exposures	41.942	64.607
hereof other retail exposures	600.808	281.435
Equity IRB	105.188	118.839
hereof all approaches according to § 77 SolvaV - simple risk weight approach	98.077	112.185
hereof all approaches according to § 77 SolvaV - PD/LGD approach	7.111	6.654
hereof all approaches according to § 77 SolvaV internal model	0	0
Exposures for which grandfathering applies	141.811	163.784
Securitization positions IRB	39.131	23.312
Settlement Risk	0	0
Total Capital Requirements for position, foreign exchange and commodity risks	227.818	242.915
Position, foreign exchange and commodity risks under standardised approaches (SA)	107.042	80.157
hereof Traded debt instruments	98.750	72.400
hereof Equity	1.391	2.211
Position, foreign exchange and commodity risks under internal models (IM)	120.776	162.758
Total Capital Requirements for operational risks (OpR)	937.994	777.066
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	937.994	777.066
OpR Basic Indicator Approach	150.356	124.324
OpR Alternative Standardised Approach	294.225	314.881
OpR Advanced Measurement Approaches	493.413	337.861

Market Risk capital requirement		
	31/12/2010	31/12/2009
Position Risk	220.917	237.368
Exchange Risk	6.901	5.547
Market Risk capital requirement	227.818	242.915