



BAWAG Capital Finance (Jersey) II Limited

(Incorporated with limited liability under the laws of Jersey)

6,000,000

Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares

**having the benefit of a support agreement entered into
with Bank für Arbeit und Wirtschaft Aktiengesellschaft**

(Incorporated in the Republic of Austria)

Issue Price: €25 per Preference Share

6,000,000 Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares with a liquidation preference of €25 each (the "Preference Shares") are proposed to be issued by BAWAG Capital Finance (Jersey) II Limited (the "Issuer") on 27 June 2002 (the "Closing Date"). The holders of the Preference Shares will have the benefit of a support agreement entered into between the Issuer and Bank für Arbeit und Wirtschaft Aktiengesellschaft ("BAWAG"), as further described in "Support Agreement" herein. The Preference Shares will entitle holders to receive (subject to the limitations described in "Description of the Preference Shares") non-cumulative preferential cash dividends accruing from the date of issue and payable quarterly in arrear on 27 September, 27 December, 27 March and 27 June in each year (each a "Dividend Date") at a rate of 7.125 per cent. per annum commencing on 27 September 2002.

The Preference Shares are redeemable at the option of the Issuer, subject to the prior consent of BAWAG, (which shall grant such consent only after either replacement of the principal amount of the Preference Shares so redeemed by the issue of other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the Austrian Financial Market Authority (the "*Finanzmarktaufsicht*" or "*FMA*"), in whole but not in part, at €25 per Preference Share plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period on 27 September 2007 (the "Optional Redemption Date") or any Dividend Date falling thereafter and, for taxation reasons or capital reasons, in whole but not in part at any time, subject as described in "Description of the Preference Shares". In the event of the winding-up of the Issuer or the liquidation, dissolution or winding-up of BAWAG, holders of Preference Shares will be entitled to receive for each Preference Share a liquidation preference of €25 plus accrued and unpaid dividends for the then current Dividend Period (as defined in "Description of the Preference Shares") to the date of payment, subject as described in "Description of the Preference Shares".

Application has been made to list the Preference Shares on the official market of Deutsche Börse AG (the "Frankfurt Stock Exchange") and on the Official Segment of the stock market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). This offering circular constitutes a prospectus for the purposes of the listing and issuing rules of Euronext Amsterdam.

**Deutsche Bank AG London
BCP Investimento**

**Merrill Lynch International
BNP Paribas**

UBS Warburg

The date of this Offering Circular is 25 June 2002.

A copy of this Offering Circular has been delivered to the Jersey Registrar of Companies in accordance with Article 6 of the Companies (General Provisions) (Jersey) Order 1992, and he has given, and has not withdrawn, his consent to its circulation.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue by the Issuer of the Preference Shares.

It must be distinctly understood that in giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

The Issuer confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer and the Preference Shares which is material to the issue of the Preference Shares, that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular on the part of the Issuer are honestly held and that there are no other facts the omission of which makes any such information or the expression of any such opinion or intention misleading in any material respect. The Issuer accepts responsibility accordingly.

BAWAG confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer, BAWAG and its subsidiaries and affiliates (the "Group") and the Preference Shares which is material to the issue of such Preference Shares, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole or any such information or the expression of any such opinion or intention misleading in any material respect. BAWAG accepts responsibility accordingly.

No person has been authorised to give information or to make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, BAWAG, Deutsche Bank AG London or Merrill Lynch International. Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or BAWAG or the Group since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Preference Shares and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, BAWAG, Deutsche Bank AG London or Merrill Lynch International to subscribe for or purchase any of the Preference Shares.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Preference Shares. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preference Shares, he or she should consult his or her professional advisers.

The distribution of this document and the offering of the Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, BAWAG, Deutsche Bank AG London and Merrill Lynch International to inform themselves about, and to observe any such restrictions.

Preference Shares may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Preference Shares have not been and will not be registered under the Securities Act of 1933 as amended (the "Securities Act"). Subject to certain exceptions, the Preference Shares may not be offered, sold or delivered within the United States or to U.S. persons.

A further description of certain restrictions on the offering and sale of the Preference Shares and on the distribution of this document is given under "Subscription and Sale" below.

This document may not be distributed to any individuals or legal entities in The Netherlands other than to individuals or legal entities who or which trade in securities in the conduct of their profession or trade, which include banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly invest or trade in securities.

The Preference Shares are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Preference Shares.

Unless otherwise specified or the context requires, references to “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

In connection with this issue, Deutsche Bank AG London (the “Stabilising Manager”) (or any duly appointed person acting for the Stabilising Manager) may over-allot or effect transactions which stabilise or maintain the market price of the Preference Shares at a level which might not otherwise prevail for a limited period. However, there is no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time.

Documents Incorporated by Reference

The articles of association of the Issuer are incorporated in, and form part of, this Offering Circular.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Circular.

| | |
|--------------------------|---|
| Issuer | BAWAG Capital Finance (Jersey) II Limited, an indirect wholly owned subsidiary of BAWAG incorporated in Jersey and organised under the Companies (Jersey) Law 1991. |
| Ultimate Parent | Bank für Arbeit und Wirtschaft Aktiengesellschaft |
| Issue Size | €150,000,000 |
| Issue Details | 6,000,000 Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares each with a liquidation preference of €25 (the “Liquidation Preference”). The Preference Shares will constitute regulatory hybrid capital for the purposes of sections 24(2) No.5 and 6 of the Austrian Banking Act (Bankwesengesetz). |
| Dividends | Subject to Jersey law and as provided in the Issuer’s Articles of Association, non-cumulative dividends will be payable, whether or not declared by the Board of Directors of the Issuer, quarterly in arrear on 27 September, 27 December, 27 March and 27 June in each year commencing on 27 September 2002 (each a “Dividend Date”), as more fully described in “Description of the Preference Shares” below. Dividends for each Dividend Period will accrue at a fixed rate per annum of 7.125 per cent., all as more fully described in “Description of the Preference Shares”. The amount of dividend that accrues in respect of any Dividend Period or any period of less than a Dividend Period will be computed on the basis of the number of days in the relevant period, from and including the date from which the dividend begins to accrue to but excluding the date on which it falls due divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the relevant period is the 31st day of a month but the first day of the relevant period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the relevant period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)). No dividend shall fall to be paid in the circumstances in which BAWAG would not be obliged to make a payment under the Support Agreement (see “Restrictions on Payments” below). If no dividend falls to be paid by the Issuer in respect of any Dividend Period, rights to such dividends shall lapse. |
| Support Agreement | <p>The Issuer and the holders of the Preference Shares will have the benefit of a support agreement entered into as a deed poll between BAWAG and the Issuer in respect of the obligations of the Issuer under the Preference Shares (the “Support Agreement”).</p> <p>The Support Agreement is intended to provide for dividend, redemption and liquidation rights equivalent to those which would attach to the Preference Shares if issued directly by BAWAG and to oblige BAWAG to make funds available to the Issuer to meet its payment obligations under the Preference Shares.</p> |
| Restrictions on Payments | |

BAWAG will not be obliged to make any payment in respect of dividends under the Support Agreement in any calendar year:

- (a) to the extent that such payment, together with the amount of:
 - (i) any dividends (including any Additional Amounts, as defined in “Description of the Preference Shares”, in respect thereof) previously paid by the Issuer in respect of the Preference Shares in the then current fiscal year;
 - (ii) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities (as defined in “Description of the Preference Shares”) in the then current fiscal year; and
 - (iii) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, Dividend Parity Securities in the then current calendar quarter,

would exceed “Distributable Funds” (as defined in “Description of the Preference Shares”) in relation to BAWAG for the prior fiscal year; or

- (b) even if Distributable Funds are sufficient, to the extent that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis, BAWAG would be limited in making payments on preferred or preference shares issued by it ranking *pari passu* as to participation in profits with BAWAG’s obligations under the Support Agreement.

In the event that the payments described above cannot be made in full by reason of any such limitation, such payments will be made pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

For the text of the Support Agreement, see “Support Agreement”.

The above restrictions are imposed *mutatis mutandis* on payments by the Issuer of dividends in respect of the Preference Shares: see “Description of the Preference Shares”.

If no payment is made in respect of a dividend by BAWAG under the Support Agreement pursuant to the foregoing provisions, the entitlement of the holders of Preference Shares to enforce payment by BAWAG to the Issuer shall lapse, and no payment in respect of any missed or reduced dividend need be made at any time by the Issuer or by BAWAG in such circumstances.

If a dividend is not paid (in whole or in part) on the Preference Shares by the Issuer, no dividend or other distribution (including repurchases or other redemptions of common shares) may be made by BAWAG in respect of its common shares or other securities issued by BAWAG or any subsidiary of BAWAG and entitled to the benefit of a support agreement or guarantee and ranking junior to or *pari passu* with the Preference Shares until such time as payment of dividends in respect of the Preference Shares is resumed.

The Preference Shares ordinarily will rank senior to the Issuer’s ordinary shares as to payment of dividends. However, in the event that dividends do not fall to be paid in relation to a Dividend Period on the Preference Shares, all amounts received by the Issuer in relation to

such Dividend Period may be distributed as dividends to the holder of the Issuer's ordinary shares instead of being paid to the holders of the Preference Shares.

| | |
|--|--|
| Withholding Tax and Additional Amounts | The Issuer will pay such additional amounts to each holder of the Preference Shares as may be necessary in order that every net payment in respect of the Preference Shares, after withholding for any taxes imposed by Jersey or Austria, upon or as a result of such payment, will not be less than the amount otherwise required to be paid, subject to the exceptions described in "Description of the Preference Shares". The obligations of the Issuer to pay any such additional amounts are described more fully in "Description of the Preference Shares". |
| Optional Redemption | The Preference Shares are redeemable at the option of the Issuer, subject to the prior consent of BAWAG (which shall grant such consent only after either replacement of the principal amount of the Preference Shares so redeemed by issuing other capital of at least equivalent quality (<i>Kapital gleicher oder besserer Qualität</i>) or having applied for and been granted consent by the <i>Finanzmarktaufsicht</i> , in whole but not in part, at the Liquidation Preference plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period (subject to Jersey Law and the Issuer's Articles of Association) on the Optional Redemption Date or any Dividend Date falling thereafter. |
| Redemption for Tax Reasons and Capital Reasons | In addition, the Preference Shares are redeemable at the option of the Issuer at any time, subject to the prior consent of BAWAG (which shall grant such consent only after either replacement of the principal amount of the Preference Shares so redeemed by issuing other capital of at least equivalent quality (<i>Kapital gleicher oder besserer Qualität</i>) or having applied for and been granted consent by the <i>Finanzmarktaufsicht</i>), in whole but not in part, at the Liquidation Preference plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period up to the Specified Redemption Date (as defined in "Description of the Preference Shares"), if (i) the Issuer is or would be required to pay Additional Amounts (as described in "Description of the Preference Shares") in respect of payments due on the Preference Shares; or (ii) if the <i>Finanzmarktaufsicht</i> determines and announces that, or as a result of a change in law or regulation or the interpretation thereof, the Preference Shares no longer qualify as Core Capital (<i>Kernkapital</i>) (as defined in "Description of the Preference Shares") of BAWAG for Austrian banking capital adequacy purposes on a consolidated basis. |
| Rights upon Liquidation | <p>In the event of the winding-up of the Issuer, holders of Preference Shares will be entitled to receive for each such Preference Share the Liquidation Distribution (as defined in "Description of the Preference Shares") subject to Jersey law and as provided in the Issuer's Articles of Association.</p> <p>Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the holders of the Preference Shares as aforesaid, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of BAWAG, the Liquidation Distribution paid to holders of Preference</p> |

Shares shall not exceed the amount per share that would have been paid as the Liquidation Distribution from the assets of BAWAG (after payment in full in accordance with Austrian law of all creditors of BAWAG, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the obligations of BAWAG under the Support Agreement) had the Preference Shares been issued by BAWAG and ranked (i) junior to all liabilities of BAWAG (other than any liability expressed to rank *pari passu* with or junior to the obligations of BAWAG under the Support Agreement), (ii) *pari passu* with all securities of BAWAG expressed to rank *pari passu* with the Preference Shares and (iii) senior to BAWAG's common shares. In the event of liquidation, dissolution or winding-up of BAWAG, the Board of Directors of the Issuer shall convene an Extraordinary General Meeting of the Issuer for the purpose of proposing a Special Resolution to place the Issuer in voluntary liquidation and in these circumstances the amount per share payable by the Issuer as liquidation distribution to holders of Preference Shares in the event of a winding-up of the Issuer will be as described above. BAWAG has undertaken in the Support Agreement that, so long as any of the Preference Shares is outstanding, unless BAWAG itself is in liquidation, BAWAG will not permit, or take any action to cause, the winding-up of the Issuer.

Voting Rights

Holders of the Preference Shares will not be entitled to vote at any general meeting of shareholders of the Issuer except in certain limited circumstances. Holders of the Preference Shares, together with the holders of any other preferred or preference shares of the Issuer having the right to vote for the election of Directors in such circumstances, are entitled to elect two additional Directors to the Issuer's Board of Directors if dividends have not been paid (in whole or in part) for any four consecutive Dividend Periods. Such additional Directors must vacate their office if dividend payments are resumed by the Issuer in full. For a more detailed description see "Description of the Preference Shares".

Form of the Shares

The Preference Shares will be issued in registered form. On the Closing Date, a single share certificate representing the Preference Shares will be registered in the name of and deposited with Clearstream Banking Aktiengesellschaft, Frankfurt am Main ("Clearstream Banking Frankfurt"). The Preference Shares will also be eligible for clearing and settlement in Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). For so long as the Preference Shares are deposited and registered as described above, book-entry interests in the Preference Shares will be shown on, and transfers thereof will be effected only through, records maintained by Clearstream Banking Frankfurt.

If any or all of Clearstream Banking Frankfurt, Euroclear and/or Clearstream, Luxembourg announces an intention permanently to cease business and the Issuer is unable to locate a qualified successor within 60 days of receiving notice of, or becoming aware of, such intention, the number of Preference Shares corresponding to each holder's book-entry interest in the Preference Shares represented by the initial share certificate will be transferred to each holder of

Preference Shares, and each such holder will be registered as a holder of the Preference Shares in the register of members maintained by the Issuer, and receive a share certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive share certificates will not be available to holders of the Preference Shares.

Ratings

On issue, the Preference Shares are expected to be assigned an A2 rating by Moody's Investors Service Inc. ⁽¹⁾ A rating is not a recommendation to buy, sell or hold securities or shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Governing law

The Preference Shares will be governed by and construed in accordance with the law of Jersey. The Support Agreement will be governed by and construed in accordance with English law save that the provisions concerning the ranking of the Support Agreement and those provisions described under "Restrictions on Payments" above will be governed by and construed in accordance with Austrian law.

Listing

Application has been made for listing of the Preference Shares on Euronext Amsterdam and the Frankfurt Stock Exchange.

⁽¹⁾ "A" Bonds and preferred stock which are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

SUMMARY FINANCIAL INFORMATION

Subject as provided below, the following summary financial information has been extracted from the published consolidated audited financial statements of BAWAG for the years ended 31 December 2001 and 31 December 2000.

Balance Sheet

| | 31 December 2001 | 31 December 2000 |
|---|-----------------------------|-----------------------------|
| | (consolidated) | (consolidated) |
| | (audited) | (audited) |
| | <i>(millions of euro)</i> | |
| Cash in hand, balances with central banks | 1,022 | 543 |
| Loans and advances to banks | 5,391 | 5,041 |
| Loans and advances to customers | 25,347 | 24,409 |
| Risk provisions for loans and advances | (688) | (694) |
| Trading Assets | 105 | 1,761 |
| Other current financial assets | 10,916 | 10,330 |
| Financial Investment | 3,757 | 2,991 |
| Intangible assets | 343 | 349 |
| Tangible fixed assets | 443 | 479 |
| Other assets | 1,306 | 526 |
| Total Assets | 47,942 | 45,735 |
| Amounts owed to banks | 7,030 | 7,051 |
| Amounts owed to customers | 26,066 | 23,151 |
| Debt evidenced by certificates | 10,276 | 10,877 |
| Provisions | 979 | 1,033 |
| Other liabilities | 895 | 1,000 |
| Subordinated and supplementary capital | 1,256 | 1,325 |
| Minority interests | 284 | 270 |
| Equity | 1,156 | 1,028 |
| Total Liabilities.. | 47,942 | 45,735 |

Income Statement

| | 31 December 2001 (consolidated) (audited) | 31 December 2000 (consolidated) (audited) |
|---|--|--|
| | <i>(millions of euro)</i> | |
| Interest and similar income | 2,453.4 | 1,291.0 |
| Interest payable and similar expense | (1,827.4) | (889.3) |
| Net interest income | 626 | 401.7 |
| Loan loss provisions | (121.3) | (75.4) |
| Commission income | 215 | 94.4 |
| Commission expense | (35.5) | (11.1) |
| Net commission income | 179.5 | 83.3 |
| Trading result | 33.6 | (28.7) |
| Administrative expenses | (578.8) | (294.4) |
| Other operating results | (7.6) | 23.2 |
| Extraordinary profit | | |
| Profit for the year before tax | 131.4 | 109.7 |
| Taxes on income and revenue | (20.9) | (22.7) |
| Profit for the year | 110.5 | 87 |
| Minority interest | (20.5) | (4.2) |
| Group profit for the year | 90.0 | 82.8 |

USE OF PROCEEDS

The net proceeds of the issue, which are expected to amount to approximately €147,000,000 (after deduction of fees and commissions), will be used for general corporate purposes of the Group and to strengthen the Group's capital base.

THE ISSUER

History

The Issuer was incorporated in Jersey on 21 May 2002 (registered number 83188) for an unlimited duration and with limited liability under the laws of Jersey.

The registered office of the Issuer is 22 Grenville Street, St Helier, Jersey JE4 8PX. The Issuer has no place of business in Austria.

Business

The Issuer is an indirect wholly-owned subsidiary of BAWAG and its sole purpose is the issue of the Preference Shares.

As is stated on page 2 of this Offering Circular, the issue of the Preference Shares requires the consent of the Jersey Financial Services Commission under the Control of Borrowing (Jersey) Order 1958, which consent has been obtained. This consent is subject to conditions which must be complied with on an ongoing basis. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

Share Capital

- (a) The existing issued ordinary shares of the Issuer are not listed on Euronext Amsterdam or on the Frankfurt Stock Exchange or on any other stock exchange and are not dealt on any other recognised market.
- (b) The Issuer was established with an authorised share capital of €16,500 consisting of 16,500 shares of par value €1 each, which were subsequently designated as ordinary shares. Its authorised share capital was increased by special resolution to €210,000,000 consisting of 35,000,000 ordinary shares of par value €1 each and 7,000,000 Preference Shares of a par value of €25 each. 100 shares were issued and fully paid following incorporation of the Issuer and designated ordinary shares on 25 June 2002. Save as described, there has been no subsequent change in the share capital of the Issuer.
- (c) The holders of the ordinary shares in the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Preference Shares.
- (d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness in the nature of borrowings and has had no contingent liabilities or granted any guarantees.

Directors

- (a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

| <u>Name</u> | <u>Function in the Issuer</u> | <u>Principal Activity Outside the Issuer</u> |
|------------------------|-------------------------------|--|
| Declan Hallissey | Executive Director | Director and company secretary of BAWAG International Finance Limited |
| Nicola Davies | Executive Director | Advocate, partner of Mourant du Feu & Jeune, director of Mourant & Co. Limited |
| Richard Gough | Executive Director | Corporate Administrator, associate director of Mourant & Co. Limited |

- (b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature or conditions or is or was significant to the business of the Issuer since its incorporation.

No Director or any connected person has any interest, whether or not held by a third party, in the share capital of the Issuer.

At the date of this document there were no loans granted or guarantees provided by the Issuer to any Director of the Issuer.

Nicola Davies is a partner of Mourant du Feu & Jeune, the legal adviser to the Issuer as to matters of Jersey law and of the Mourant Group, the ultimate owner of Mourant & Co. Limited, to which fees are payable for providing corporate administration services to the Issuer, including provision of a secretary through its subsidiary company, Mourant & Co. Secretaries Limited. Richard Gough is an employee of the Mourant Group and an associate director of Mourant & Co. Limited.

(c) As at the date of this document, the Directors have not received any remuneration for the provision of their services to the Issuer.

(d) The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, any Director of the Issuer may be counted in the quorum present at any meeting at which any proposed arrangement or contract in which he or she is interested is considered and, subject to the Articles of Association, may vote on any proposal, arrangement or contract in which he is materially interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon, provided however that notwithstanding the above, no Director of the Issuer may vote or be counted in the quorum in relation to any proposal, arrangement or contract in which he is materially interested, save where the Director's interest is by virtue of either (i) an interest in shares or other securities of the Issuer or (ii) the giving of a security, guarantee or indemnity in relation to either any money lent by the Director at the request of or for the benefit of the Issuer, any indebtedness of the Issuer for which the Director has assumed responsibility, any issue of shares in which the Director may be entitled to participate, any contract with another company in which the Director is interested (unless the Director has a holding of more than 1 per cent.), the adoption by the Issuer of any employee scheme in which the Director may benefit, or the purchase of insurance for the Director against any liability.

The remuneration of the Directors shall from time to time be determined by the Issuer in general meeting.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he is removed from office by an ordinary resolution of the Issuer in general meeting.

For purposes of the Issuer's Articles of Association, "Law" means the Companies (Jersey) Law, 1991.

Secretary

The Secretary of the Issuer is Mourant & Co. Secretaries Limited of 22 Grenville Street, St. Helier Jersey JE4 8PX.

General

- (a) Since 21 May 2002, the date upon which the Issuer was incorporated, there has been no significant change in the trading or financial position of the Issuer.
- (b) KPMG of 45, The Esplanade, St Helier, Jersey JE4 8WG have been appointed as auditors to the Issuer.
- (c) No accounts have been prepared for the Issuer nor have any dividends been declared or paid since the date of the Issuer's incorporation.
- (d) No transactions have occurred since incorporation of the Issuer other than (i) the allotment of the shares described under "Share Capital" and (ii) the execution of the Subscription Agreement and the Agency Agreement described in this Offering Circular and of a Corporate Administration Agreement dated 25 June 2002 and made between the Issuer, BAWAG and Mourant & Co. Limited.
- (e) There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the incorporation of the Issuer a significant effect on the financial position of the Issuer.

CAPITALISATION OF THE BAWAG/P.S.K.GROUP

The following table sets out the audited consolidated capitalisation of the Group as at 31 December 2001 and 2000:

| | As at 31 December 2001 | As at 31 December 2000 |
|--|---------------------------------------|---------------------------------------|
| | <i>(millions of euro)</i> | |
| Capitalisation | | |
| Share capital | 125 | 125 |
| Capital reserves | 30 | 30 |
| Profit reserves | 1,001 | 873 |
| Capital and reserves | 1,156 | 1,028 |
| Minority interests | 284 | 270 |
| Total supplementary capital | 479 | 559 |
| Total subordinated liabilities | 777 | 766 |
| Total Capitalisation ⁽¹⁾ | 2,696 | 2,623 |
| Capital Adequacy | | |
| Core Capital | 1,254.2 | 1,177.7 |
| Tier 2 Capital | 1,029.6 | 903.8 |
| Liability Reserves (according to §23 Austrian Banking Act) | (18.2) | (26.2) |
| Eligible Equity | 2,265.6 | 2,055.3 |
| Tier 3 Capital | 212.0 | 370.7 |
| Total Equity (eligible equity and Tier 3 Capital) | 2,477.6 | 2,426.0 |
| Total risk weighted assets and off balance sheet items | 22,219.3 | 19,048.4 |
| Core Capital ratio (%) | 5.64 | 6.18 |
| Total Capital ratio (%) | 10.2 | 10.79 |
| Total equity (eligible equity and Tier 3 Capital) | 2,477.6 | 2,426.0 |
| Distributable Funds | 679 | 661 |

Note:

(1) There has been no material change in the capitalisation of the Group since 31 December 2001.

BANK FÜR ARBEIT UND WIRTSCHAFT AKTIENGESELLSCHAFT

Overview

BAWAG/P.S.K. Group is one of the leading full-service banking groups in Austria and is Austria's third largest banking group in terms of total assets. The Group offers a full range of banking services with an emphasis on the retail business. It maintains current accounts, holds savings deposits, distributes investment products, grants loans to individuals, corporations and federal and local authorities, operates an e-banking system for private and corporate customers and issues letters of credit and guarantees. It also provides money transfer and foreign exchange services, forward currency facilities and buyer and supplier credits for Austrian exports. The Group is also active in the domestic money and capital markets. It offers investment management and advisory services and acts as a broker for different exchanges and OTC-markets. In Austria, the Group has a combined market share in savings deposit of 12.3 per cent. and in customer loans of 9.1 per cent. with a 1.2 million strong customer base.

The Group comprises principally two different entities: Bank für Arbeit und Wirtschaft Aktiengesellschaft ("BAWAG") and Österreichische Postsparkasse Aktiengesellschaft ("P.S.K."). On 17 August 2000, BAWAG acquired from Österreichische Industrieholding AG 74.82 per cent. of the share capital of P.S.K.

The main focus of the Group's business is on the domestic market using a branch network covering the whole of Austria. BAWAG's international business is focused on the emerging markets of Central and Eastern Europe, particularly the Czech Republic, Slovakia, Hungary and Slovenia. In January 2002 BAWAG acquired 100 per cent. of Istrobanka, the ninth largest Slovakian bank in terms of total assets. BAWAG also holds a 10.38 per cent. share in Magyar Kőrkereskedelmi Bank (Hungarian Foreign Trade Bank) ("MKB") in Hungary and an 8 per cent. share in Interbanka, Prague, the Czech Republic. Additionally, the Group runs a joint representative office in Ljubljana, Slovenia and has representative offices in Hong Kong and a subsidiary in Dublin, Ireland.

As of 31 December 2001, the Group had consolidated total assets of €47.9 billion, an increase of 4.8 per cent. from €45.7 billion as of 31 December 2000. Prior to the acquisition of P.S.K, total assets of BAWAG for the year ended 31 December 2000 amounted to €22.3 billion and for P.S.K. the amount was €21.5 billion. The Group's operating profit for the year ended 31 December 2001 was €260 million. During 2001 the Group employed an average of 5,116 people, a decrease of 57 from the previous year's aggregate average.

BAWAG and P.S.K are both incorporated as joint-stock companies in the Republic of Austria. BAWAG's headquarters are in the political municipality of Vienna. BAWAG is registered in the commercial register under the number FN107053g. BAWAG's head office is at Seitzergasse 2-4, A-1010 Vienna, Austria. P.S.K. is registered in the commercial register under the number FN158442d, its head office is at Georg Coch-Platz 2, A-1018 Vienna, Austria.

The objects of the Group cover all types of banking business. The Group's constitutional documents permit the establishment of other corporations, the acquisition of existing corporations and the holding of participations or interests in corporations. The Group is authorised to provide all kinds of business and services to achieve its business objectives.

At the date of this Offering Circular, the Group's authorised and issued share capital is €125,000,000 divided into 1,575,000 bearer shares, all of which are subscribed and fully paid. 53.57 per cent. of BAWAG's shares are held by the Österreichischer Gewerkschaftsbund ("Austrian Federation of Trade Unions") and 46.43 per cent. are held by Bayerische Landesbank Girozentrale Munich, Germany.

The Group's principal subsidiaries are discussed in greater detail below.

History of BAWAG

BAWAG was founded as the “Arbeiterbank” on 22 June 1922 by Dr. Karl Renner, State Chancellor of the First Republic and Federal President of the Second Republic of Austria. It was founded as the trade unions’ bank with the aim of providing banking facilities to working people. BAWAG’s long relationship with the trade unions has provided it with a stable shareholder base.

In 1934, BAWAG was forced to liquidate for political reasons. It re-opened in March 1947 and in 1963 was re-named the “Bank für Arbeit und Wirtschaft”. In 1979, an amendment to the Austrian Banking Act allowed the establishment of branches triggering extensive expansion in the following years. In 1995, Bayerische Landesbank Girozentrale acquired a 46.43 per cent. stake in BAWAG and became a strategic partner.

History of P.S.K.

The postal savings service was established on 12 January 1883 and conducted by the “k.k.Postsparcassen-Amt”. It was the “Staatssparcasse” (state savings bank) in the Austrian territory of the Austro-Hungarian Empire. It is one of the world’s oldest post office savings institutions.

On 14 May 1997, in preparation for its privatisation, Österreichische Postsparkasse, was transformed from a public-law institution into a joint-stock company by universal succession. On 30 October 1998 (with retroactive effect from 1 January 1998) the personal customer business and all branches of the former Bank der Österreichischen Postsparkasse AG were merged with P.S.K. The rest of P.S.K. including the commercial business segment was transferred to the newly founded P.S.K. Bank GmbH.

Strategy

The Group’s main strategy is to concentrate on its core banking business by offering a wide range of banking products for its retail and commercial clients and by offering an extensive range of financial services through its subsidiaries and strategic co-operations. Austria will remain the core market for the Group. Within Austria the Group intends to concentrate on its retail business with the aim of increasing market share. Outside Austria the Bank intends to continue to build a primary market in Central and Eastern Europe as well as develop its international loan portfolio.

The Group’s strategy is to grow the business organically by using its own funds rather than looking to its shareholders for capital increases. It aims to keep its costs low whilst broadening its customer base and exploiting new technologies.

Acquisition and Integration of P.S.K.

Österreichische Postsparkasse Aktiengesellschaft is a post-office savings institution which was formerly owned by the Republic of Austria. In 1997, a decision was made to privatise P.S.K. and on 16 August 2000 the state holding company of P.S.K. agreed to sell 74.82 per cent. of the share capital of P.S.K. to BAWAG for a consideration of €0.96 billion. In November 2000 the acquisition was approved by the European Commission (“Fusionskontrolle”) as well as by the Austrian banking authorities. The acquisition became effective on 1 December 2000.

BAWAG’s stake in P.S.K. amounts to 74.82 per cent. The remaining 25.18 per cent. of P.S.K.’s share capital is held by KSP Unternehmensbeteiligungsgesellschaft m.b.H., Vienna, which is owned by Bayerische Landesbank (43 per cent.), Refco Group Ltd. (34 per cent.), Österreichischer Gewerkschaftsbund (17 per cent.) and by Reisebüro Ruefa (6 per cent.).

On 1 October 2001, the Group was restructured by the spin-off of P.S.K.’s Treasury and Banking Distribution divisions, which were taken over by BAWAG by way of universal succession made retrospective to 31 December 2000. Prior to this transaction, P.S.K. Bank was also merged with P.S.K. as of 31 December 2000. As a consequence of this spin-off, competences are now clearly staked out and tasks are performed centrally for the whole group. The corporate business of the Group will be concentrated within BAWAG, which also houses the Group’s treasury department, the internal staff units and the IT department. The Public Sector and Institutional Customers customer segments will be serviced by P.S.K., mainly because of its expertise in the field of payment transactions.

The acquisition has given BAWAG greater coverage in rural Austria and complemented its own retail focus which has historically been based in urban areas.

Acquisition of Istrobanka

On 21 January 2002 BAWAG signed an agreement to purchase 100 per cent. of the share capital of Istrobanka, a.s. from Slovenska poisťovňa and the City of Bratislava, which owned 82 per cent. and 18 per cent. respectively of the share capital of Istrobanka. The purchase price was 2,200 million Slovakian Koruna (approximately €51 million). This was approximately double the book value of the equity capital as per IAS or 1.3 times the book value according to the accounts as per local standards as at 31 December 2000. In addition, BAWAG subscribed for additional shares issued by Istrobanka for a consideration of €25.8 million.

Istrobanka was founded as a subsidiary of the largest Slovakian insurance company, the state owned Slovenska poisťovňa, in September 1992. It is the ninth-largest of 23 banks in Slovakia. As of 31 December 2001 the balance sheet total amounted to €590 million.

Istrobanka operates 36 branches in Slovakia, 8 of which are in Bratislava, and has 728 employees. Istrobanka holds a full-bank license and an unlimited mortgage bank license. The products and services offered by Istrobanka range from mortgage financing through export financing and servicing large investment projects to the sale of insurance products. Istrobanka is also one of the leading providers of electronic banking services in Slovakia. The focus of the bank is providing services for small and medium-sized businesses and retail banking for private persons and the self-employed.

The strategy of the Group is to increase the domestic market share of Istrobanka, especially in the retail sector and in public-sector business as well as in infrastructure financing.

Foundation of a joint payment transactions subsidiary

On 29 April 2002, the Group reached an understanding with Bank Austria Creditanstalt Group and the Erste Bank/Sparkassen Group to found a joint company for the processing of domestic and international payment transactions. The executive organs of the three banking groups will now need to approve the proposal. If this proposal is taken forward then, amongst other things, EU authorisation may be required. It is envisaged that other Austrian banks may join the venture at a later date. The intention is for the joint processing of payment transactions to be carried out completely separately from the banking business, products and activities of each of the individual banking groups.

Currently P.S.K is the leading provider of payment transfer services in Austria with a market share of more than 30 per cent. Based on a feasibility study carried out by the three banking groups, it is estimated that the planned processing company would (based on current figures) process approximately 1.2 billion transactions per year and would have some 1,500 employees. The company would be active at two locations in Vienna, and would have field offices in Linz, Graz and Innsbruck.

Selected Balance Sheet Data

The following table shows certain audited balance sheet data of the Group on a consolidated basis as of 31 December 2001 and 31 December 2000.

| | 31 December 2001 | 31 December 2000 |
|---|-----------------------------|-----------------------------|
| | <i>(millions of euro)</i> | |
| Balance sheet total | 47,942 | 45,735 |
| Loans and advances to credit institutions | 5,391 | 5,041 |
| Loans and advances to customers | 25,347 | 24,409 |
| Amounts owed to credit institutions | 7,030 | 7,051 |
| Amounts owed to customers | 26,066 | 23,151 |
| Own funds according to the Austrian Banking Act | 2,478 | 2,426 |
| Capital and disclosed reserves | 1,156 | 1,028 |

Branch Network

The Group runs the largest (in terms of outlets), centrally managed financial services network in Austria. The Group operates its business through an extensive branch network. As of 31 December 2001, the Group had 166 branches and exclusive access to 2,300 post offices in Austria. All the former P.S.K. branches have been either transformed into BAWAG branches or integrated into already existing BAWAG branches.

The head offices of BAWAG and P.S.K. are both in Vienna and BAWAG has a substantial number of other branches within Vienna. The Group's coverage of the remainder of Austria is divided into regions: Lower Austria, Upper Austria, Salzburg, Tyrol, Vorarlberg, Burgenland, Styria and Carinthia. These regions are divided into three groups and specific board members of the Group are assigned responsibility for the various regions.

The Group has a long term contract with the Österreichische Post AG ("ÖPAG") running through to 2012, whereby the Group currently has exclusive access to 2,300 post offices in Austria, where it can distribute its products. 118 P.S.K. financial advisory centres set up within the post offices provide professional assistance with banking matters. The Group plans to extend this network further, so that during the course of 2002 the number of financial advisory centres will be increased to 200.

The majority of the Group's branches operate as full service branches providing a complete range of the Group's retail products and services, as well as commercial services. Those branches which are not full service branches offer, as a minimum, payment services. Stemming from its history as a bank closely associated with the unions in Austria, the Group also appoints employee representatives who sell products and attract new customers within the workplace. All employee representatives have the full support of the Group's branches.

The Group's customers can also make use of ATMs (automated teller machines). As at 31 December 2001, the Group operated 471 ATMs. BAWAG and P.S.K. have also expanded into direct banking (such as e-banking and telephone banking) as a way of complementing its branch network.

Retail

From its foundation, BAWAG has concentrated on providing banking services to the domestic market and introduced the concept of banking to a large proportion of Austrian workers through its association with its trade union shareholders. Reflecting the Group's ownership structure and distribution network, the retail banking business and transactions with small and medium-sized enterprises has always been a core business. In the last few years, the Group has increased its market share in this area (as detailed below in *Salary Accounts, Savings Accounts and Private Loans*). Services and products are mainly supplied through 3 major distribution channels, the branch offices, the post offices and the mobile distribution network, but e-banking is increasingly playing a more prominent role. Geographically BAWAG's focus has historically been concentrated in the urban areas of Austria such as Vienna, Linz or Graz. Through the acquisition of P.S.K. the Group gained access to the rural areas of Austria through its exclusive arrangements with 2,300 post offices. At 31 December 2001, the Group had approximately 1.2 million retail customers.

The Group offers a full range of retail banking services and products through its extensive branch network and through its subsidiaries and co-operations. These include salary accounts, savings accounts, securities accounts, private loans and credit cards.

Salary Accounts

This is the most important feature of the Group's retail business and combined with other forms of current account, such as the pensioner's account, a key service instrument for retail customers. It is a prerequisite for many other BAWAG services and products that customers maintain a salary account with the Group. Interest rates on salary accounts are floating rate and withdrawals may be made on demand. As at 31 December 2001 more than 980,000 customers held a BAWAG or P.S.K. salary account.

Savings Accounts

Savings accounts have been a very important product for BAWAG since its incorporation and the Austrian-style savings book (*Sparbuch*) remains popular in Austria. Interest rates on savings accounts are fixed rate, the rate being dependent upon the term of the deposit. In addition, BAWAG has developed the “*Kapitalsparbuch*”, a savings account product where the rate of interest increases in each year that the account is held. As at 31 December 2001, the volume of savings deposits amounted to €16.34 billion which is equivalent to a growth in market share by 0.41 per cent. to 12.28 per cent. within the course of one year.

In October 2001 the Group introduced the “Eurobest” savings book, the first joint savings product at BAWAG and P.S.K. The total amounts deposited through the “Eurobest” savings books in the year 2001 amounted to €560 million. From 1 January 2002 to 13 May 2002 a further €507 million was deposited.

Private Loans

The Group offers a wide variety of loans from standardised private loans to overdraft facilities. Total loan volume increased by about 11 per cent. in the year 2001 to €2.93 billion from €2.64 billion in the year 2000. The number of new loans increased in the year 2001 by more than a fifth compared with the previous year, and their volume rose by 36 per cent. One of the Group’s most successful and popular products is the personal cash-delivery loan (*Barzustellungskredit* or *BZK*). Employee representatives arrange these loans which are delivered in cash by the post-network. The amount of each loan is measured against an individual’s monthly income and the applicant must have their salary account with the Group. Services in relation to the existing traditional “Kreditkoffer” loan package of P.S.K. were extended, so that the number of personal loans extended via the post offices increased by 5.5 per cent. from €7.8 million in the year 2000 to €10.3 million in the year 2001. The Group’s market share of loans extended to retail clients increased from 0.14 per cent. to 5.82 per cent. for the year 2001.

Credit Cards

The Group operates two kinds of credit card the BAWAG branded Mastercard and non-branded Mastercards and Visacards. As of 31 December 2001 the Group had issued 231,155 credit cards. The BAWAG branded cards can also be used as an electronic purse for cashless payment and customers are also given Maestro Cards with which to withdraw cash from their BAWAG accounts at ATMs.

As at 31 December 2001, the Group maintained private customer deposits of €16.34 billion and had loans and advances outstanding to private individuals amounting to €4.05 billion.

Investment Products

The Group distributes investment products both through its branch network as well as through post offices. The product range comprises proprietary products of BAWAG such as bonds and structured notes which are usually capital guaranteed as well as mutual funds of BAWAG P.S.K. Invest and others. BAWAG also participates in the underwriting of securities transactions. Furthermore for corporate clients and institutional investors the Group places bonds on a private placement basis. These bonds are normally structured products.

Direct Banking

The Group offers direct banking services under several brands. Private e-banking and Sofa Banking offer BAWAG and P.S.K. customers respectively, flexibility and security on a 24 hour basis. The private e-banking package includes internet banking, direct broker and mobile banking via SMS or mobile internet through WAP.

Since 2000, P.S.K. has offered its customers the possibility of settling their daily invoices swiftly and safely via the internet, independent of their banking connection. The internet site is an innovative service especially designed for companies with high payment transaction volumes, such as energy suppliers, telecommunication providers, insurance companies or mail order houses. P.S.K. acts as clearing house for the payment transactions between the individual companies and their customers. As at 31 December 2001, more than 71,000 customers had registered with the internet site. Since April 2001, users registered with the internet site have also been able to pay their taxes via the “Steuern Online” platform.

Additionally easybank AG, a direct BAWAG subsidiary, is Austria's only direct bank offering a service range equal to that of a large bank. easybank was founded as a 100 per cent. subsidiary of BAWAG in autumn 1996 and began trading on 1 January 1997. easybank operations are managed as a branch of BAWAG therefore minimising costs. Since 1999 easybank has reported positive figures. The dual brand strategy has been successful. As of 31 December 2001, easybank had more than 70,000 customers. Only 5 per cent. of easybank's customers have transferred from BAWAG or are customers of both institutions. All customers of easybank are entitled to use the BAWAG branch network.

Each of the brands offer identical products and services (with the exception of a call centre which is provided to easybank customers) but are targeted at different market segments. The BAWAG and P.S.K. brands are aimed at the Group's traditional retail market segment whereas the easybank brand has been targeted at the higher end of the retail market in terms of both income and/or education. The easybank brand is also targeted at a group known as "early innovators" who are customers with enhanced financial service requirements.

BAWAG has also launched other banking services exploiting new mobile telephone technologies such as SMS banking and WAP banking.

Corporate

The Group offers a wide range of products and services to the corporate banking sector with its customers being primarily small and medium sized enterprises ("SMEs"). In addition, BAWAG's relationship with Bayerische Landesbank Girozentrale enables it to service larger corporate customers, particularly through loan syndication.

The Group offers both account and payment services to its corporate customers. These services are primarily provided through the Group's branch network. A large proportion of this work is carried out in Vienna, but some of the larger branch offices, for example Graz (which currently employs about 170 people), can service many of the requirements of the Group's corporate clients.

The Group's market share for loans and advance to corporates increased between December 2001 and March 2002 by 0.52 per cent. to 8.78 per cent. On a year-to-year comparison of the total volumes this represented an increase of more than 20 per cent.

After the integration of P.S.K., the Group saw a growing number of corporate accounts maintained with BAWAG and P.S.K. The services offered by the two institutions are largely perceived as complementary. In 2001, the volumes of new foreign currency loans, one-off loans and borrowings on current accounts rose by an average of 30 per cent. Custom-tailored financing schemes such as the "Gewerbemilliarde" business programme and special loan offerings such as the "Liquiditätsoffensive", which is targeted at small companies, has increased the Group's market shares in business with small and medium-sized enterprises.

The Group also manages investment funds, administering 64 securities funds with a total volume of €4,022 billion as of 31 December 2001. BAWAG offers corporate finance services, risk management services, merger and acquisition consultancy services and operates venture capital funds strategically aimed at small businesses.

The management of the key accounts is centralised within BAWAG. The range of products and services offered has been extended as a consequence of P.S.K.'s payment transfer products.

Public Sector/Institutional Customers

The Group participates in public sector financing in particular in conjunction with European Union development loans. In the past it has also granted loans to the Federal Government through special companies and to public sector companies such as the Austrian railways. In addition, through the acquisition of P.S.K., the Group has been able to strengthen this sector, especially by funding municipalities.

Following the reorganisation of the Group, P.S.K. is responsible for the servicing of institutional customers, such as social insurance institutions, chambers promoting the interests of a particular trade or commerce, charitable and church organisations, and public sector. This is due to P.S.K.'s operational strength in payment transactions and also because P.S.K. had a larger number of existing customer contacts in this sector.

International

In addition to using existing close contacts with correspondent banks worldwide, the Group has developed and increased its international business through its co-operation with Bayerische Landesbank Girozentrale, Munich. The Group has placed emphasis on promoting business in its neighbouring Central European countries, in particular in Slovenia, Hungary, Slovakia and the Czech Republic. As part of this strategy, the Group recently acquired 100 per cent. of Istrobanka a.s., a Slovakian bank. The goal of the Group is to increase the domestic market share of Istrobanka especially in the retail sector and in the public sector businesses as well as in infrastructure financing.

Additionally the Group holds a 10.38 per cent. share in Magyar Külkereskedelmi Bank (Hungarian Foreign Trade Bank) ("MKB") in Budapest, Hungary and an 8 per cent. share in Interbanka, Prague, Czech Republic. Bayerische Landesbank holds a majority share in both of these institutions. In Hungary, an "Austrian Desk" has been set up at MKB and in Slovenia, a joint representative office for the Group and Bayerische Landesbank has been established in Ljubljana.

With its representative office in Hong Kong, the Group has connections within East Asia and participates in syndications for financial institutions. The Group also has a subsidiary at the International Financial Services Centre in Dublin.

Principal Subsidiaries

Through its principal subsidiaries, the Group complements its core retail and corporate banking services.

Österreichische Verkehrskreditbank AG ("ÖVKB")

ÖVKB was founded in 1969 and in 1999 BAWAG acquired the 51 per cent. majority stake belonging to the Austrian Federal Railways. The Group now holds 100 per cent. of the share capital of ÖVKB. In the past few years ÖVKB has increased its market share in several niches (such as at railway and underground stations) due to its product range which mainly comprises standardised, competitively priced products (deferred freight payment, factoring, foreign currency transactions).

ÖVKB's lending business primarily focuses on providing funds for the public sector. Using railway stations as locations for the bank's branch offices is an important aspect of ÖVKB's retail business.

BAWAG Wohnbaubank AG

The Group owns 100 per cent. of the share capital of BAWAG Wohnbaubank AG. Since its establishment in 1995, this company has issued over €350 million in tax-privileged convertible bonds which are made available primarily to non-profit making property developers for the construction of affordable housing for dependent employees.

LandesBausparkassen AG

The Group owns a 32.5 per cent. stake in LandesBausparkasse AG ("LBA"). As at 31 December 2001 LBA had a balance sheet total of over €445 million, approximately 180,000 customers and a market share of production within Austria of about 7 per cent. Since September 1999, when BAWAG acquired a stake in LBA, its market share of new contracts has increased and this continued in 2001, when the Group began to sell LBA's products via the post offices, which will constitute the basis for a further consolidation of LBA's market position. The building society function complements the Group's core retail business.

BAWAG-Versicherung AG

BAWAG-Versicherung AG sells insurance policies at a retail level focusing primarily on life insurance. As at 31 December 2001, it administrated 178,000 policies with a total insurance volume of over €2.1 billion. As part of its insurance business, the Group has formed an affiliation with Allianz Elementar

Versicherungs AG (“Allianz Elementar”) (which owns 25.1 per cent. of BAWAG-Versicherung AG). Allianz Elementar’s sales force sell BAWAG products, in particular loans. In return the Group sells Allianz Elementar products which do not compete with its own products through its branch network. Most of the Allianz Elementar sales force operate on a commission basis and so this broader distribution is achieved at a lower cost.

Postversicherung

Similar to BAWAG Versicherung AG, Postversicherung AG, a joint subsidiary of ÖPAG Österreichische Post AG and P.S.K., mainly operates in the life insurance sector and sells products serving as a basis for retirement provisions as well as residual loan debt life insurance policies as part of P.S.K.’s “Kreditkoffer” loan package. Postversicherung AG, was incorporated in 1995, and sells its products via the post offices. As at 31 December 2001 it had sold premiums totalling €48 million and was administering around 72,000 policies with an overall insurance volume of €867 million.

BAWAG P.S.K. Invest GmbH

BAWAG P.S.K. Invest Gesellschaft m.b.H is a 100 per cent. -owned fund management service founded by the merger of BAWAG-Invest Ges.m.b.H. with P.S.K Invest Kapitalanlagegesellschaft m.b.H. in August 2001. It currently manages 67 different investment fund products with a total volume of €4 billion.

BAWAG P.S.K. Leasing G.m.b.H.

BAWAG P.S.K. Leasing Gesellschaft m.b.H. is a 100 per cent. -owned subsidiary offering retail-level leasing services for cars, real estate or office equipment. It was formed in the middle of 2001 by integration of the motor vehicle and mobile equipment leasing division of P.S.K. Leasing GmbH into BAWAG Leasing Gesellschaft m.b.H. It also offers more specialised leasing services for corporate customers and BAWAG has established a number of property management companies in connection with its leasing business. After the merger, the leasing groups’ consolidated leasing volume amounted to approximately €980 million. The BAWAG P.S.K. Leasing Group ranks among the top 4 companies in terms of market share of the real estate and automotive segments of the Austrian leasing market. Currently, about 130 employees are managing more than 40,000 leasing contracts.

Sparda Bank AG

Sparda Bank Aktiengesellschaft is a highly specialised banking subsidiary offering account, savings and loan facilities to Austria’s railway employees. It has no separate branches and operates through the main BAWAG branches. For the financial year ended 31 December 2001 Sparda Bank increased the volume of saving deposits by 8 per cent. to €87 million and the balance sheet total by 8 per cent. to €143 million.

REFCO

In 1999, BAWAG acquired a 10 per cent. stake (consisting of 4.9 per cent. voting shares and 5.1 per cent. non-voting shares) in the REFCO group, one of the major US prime brokers globally active in the cash market, the foreign currency sector and in securities trading. This co-operation provides the Group with access to an international customer base and enables it to extend its product range for its asset management customers.

Funding Sources

At 31 December 2001, the Group had €16.3 billion of savings deposits, €9.7 billion of other deposits comprising deposits from public authorities, enterprises and private customers, and had raised €11.53 billion from issuing BAWAG bonds. BAWAG’s deposits are mainly from the retail sector, in particular from the savings books.

BAWAG issues bonds to both corporate and retail customers. Bonds are sold through the branch network and through the BAWAG internet site. In June 2000, BAWAG established a €3,000,000,000 Debt Issuance Programme to assist it with securities offerings. On 23 June 2001, this was increased to €5,000,000,000. BAWAG also structures particular issues for its corporate clients. All issues are managed from BAWAG’s head office in Vienna and the Treasury department can monitor and evaluate BAWAG’s

hedging position at any time. As of 31 December 2001, 96 per cent. of all loans, advances and securities to non banks were refinanced through primary deposits. BAWAG's favourable customer funding structure through primary deposits including domestic retail targeted issues minimises its reliance on more volatile and expensive interbank markets.

The following table illustrates the Group's levels of deposits by source:

| | 31 December 2001 | 31 December 2000 |
|--|-----------------------------|-----------------------------|
| | <i>(millions of euro)</i> | |
| Savings deposits | 16,337 | 15,128 |
| Other deposits | 9,729 | 8,023 |
| Own issues | 11,532 | 12,202 |
| Primary Deposits | 37,598 | 35,353 |
| Total Assets | 47,942 | 45,735 |
| Primary Deposits as a percentage of total assets | 78% | 77% |
| Primary Deposits as a percentage of loans, advances and securities (non-banks) | 96% | 96% |

Asset Concentration, Credit Approval and Monitoring

The following table sets out in percentage terms the Group's concentration of assets by business sector as of 31 December 2001:

| Business Sector | 31 December 2001 |
|--|-----------------------------|
| Public administration | 28.43% |
| Banking and other financial institutions | 21.51% |
| Private customers | 12.55% |
| Real estate | 10.10% |
| Services | 7.30% |
| Industrial | 5.39% |
| Transport | 4.96% |
| Utilities.. .. . | 3.08% |
| Trade | 2.88% |
| Others | 3.72% |

The Group's policy is to take collateral for the majority of its loans and advances. The Group reviews this security at least once a year as part of its credit monitoring procedure (as described below). The Group has created a standardised procedure relating to loan approval in the retail and corporate sector. Credit risk is monitored on an individual loan basis.

In the retail sector the Group uses two different distribution channels (BAWAG via branches, P.S.K. via post offices). The Group has standard loan application forms which can be used in every outlet and via the internet. The Group will undertake various credit checks using information supplied by the customer and databases available to Austrian banks. Depending on the size of the loan and the collateral being offered, loan approval may be granted by the individual branch manager. Applications for larger BAWAG loans and applications for all P.S.K. loans are administered at BAWAG's head office in Vienna.

Corporate customers may apply to their particular branch or directly to the head office in Vienna for loans. They must present specific financial data and qualitative information. This information is analysed by the Group's risk departments. The rating for each applicant on a scale of 1 to 8 is given or checked by the risk department where 1 represents the lowest risk of default (sovereign entities) and 8 the highest risk of default where the Group must make suitable provisions in its accounts. The rating system is currently adapted to the requirements of Basel II. Each individual rating assignment or credit approval is subject to

an independent review or approval by a risk unit. For larger loans, the approval of the Management Board or the Supervisory Board may be required. In the monitoring process each customer is reviewed at least once a year. Doubtful loans are reviewed quarterly to determine any possible need for provisioning.

The following table sets out Group's 10 largest single entity credit exposures. The table identifies each borrower by its relevant industry sector as at 31 December 2001:

| Business Sector of Entity | 31 December 2001 |
|----------------------------------|-------------------------------|
| | <i>(millions of euro)</i> |
| Public Sector | 6,252.6 |
| Telecommunications | 1,451.9 |
| Industry | 890.4 |
| Transportation | 502.3 |
| Transportation | 470.8 |
| Real Estate | 320.1 |
| Telecommunications | 305.2 |
| Industry | 259.0 |
| Public Sector | 255.5 |
| Real Estate | 239.0 |

Approach to provisioning and loan loss experience

The Group's guidelines for provisioning are conservative in that loans are considered non-performing when the Group considers that it is unlikely that it will be able to recover a loan. Non-payment is followed up by letters giving customers an opportunity to discuss the situation with the Group or reschedule debt where appropriate. Collection of smaller debts is dealt with internally and larger debts are referred to external lawyers.

When provisioning for loan losses, the Group must follow statutory guidelines. The following table describes the risk categories and sets out BAWAG's (not the Group's) loans by risk category as of 31 December 2001 and 2000:

| | 31 December 2001 | 31 December 2000 |
|---|-----------------------------|-----------------------------|
| a) Without apparent risk of loss | 31,991 | 23,800 |
| Percentage audited | 58 | 57 |
| b) Watch list | 2,054 | 498 |
| Percentage audited | 68 | 62 |
| c) Doubtful (losses are expected) | 679 | 500 |
| Percentage audited | 40 | 62 |
| d) Bad debt | 188 | 130 |
| Percentage audited | 45 | 17 |
| Total a – d | 34,913 | 24,928 |

(Loans and advances to credit institutions and to customers, debt securities and other fixed-income securities pursuant to section 22(4) of the Austrian Banking Act (*Bankwesengesetz*) ("BWG") in conjunction with appendix 1 to Section 22 BWG weighted off balance sheet transactions)

Description of categories:

a) *Without apparent risk of loss:*

All parts of loans to customers for which the above categories b, c and d risk do not apply. Although credit risk is generally present in these loans, they are individually not particularly risky.

b) *Watch list:*

These loans are not in immediate danger of default but require intensive monitoring due to one or more of the following circumstances:

- lack of disclosure of the economic situation for loans without sufficient collateral
- obvious worsened economic development
- insufficient equity of the borrower
- mismatch between risk and collateral
- material worsening of the earnings situation of the borrower
- material drop in sales
- late payments by the borrower
- worsening of the general situation within an economic sector

Specific information is available which suggests that it is necessary to monitor the loan relationship over the long term. The loan should not necessarily be regarded as doubtful.

c) *Doubtful (losses are expected):*

A loan is regarded as doubtful when the interest and principal are either completely or partially at risk. This is based upon at least reasonable doubt as to the collectibility of the loan. For this reason, a reserve has been established to cover at least part of the balance.

d) *Bad debt:*

In this category loan loss is certain, therefore these loans have been either entirely or partially written off.

The following table illustrates the status and development of loan loss provisions for BAWAG as of 31 December 2001 and 2000:

| | Loan Balance | | Allowance | | Net earnings charge | |
|--------------------|---------------------------|------------------|------------------|------------------|---------------------|------------------|
| | 31 December 2001 | 31 December 2000 | 31 December 2001 | 31 December 2000 | 31 December 2001 | 31 December 2000 |
| | <i>(millions of euro)</i> | | | | | |
| Commercial | 563.1 | 554.8 | 281.4 | 282.7 | (88.0) | (34.2) |
| Retail | 143.0 | 138.8 | 114.4 | 111.1 | (8.6) | (18.6) |
| Country risk.. .. | 16.4 | 15.4 | 10.1 | 9.4 | (0.6) | (1.8) |
| Total | 722.5 | 709.0 | 405.9 | 403.2 | (97.2) | (54.6) |

BAWAG, as a participant in a syndicated loan to Kirch Pay-TV, has a potential exposure to the Kirch Pay-TV Group, which has filed for insolvency. The maximum amount of BAWAG's exposure to the Kirch Pay-TV Group is estimated to be around €128 mn.

Although BAWAG has not made individual provisions in respect of this potential exposure, management believes that BAWAG is adequately positioned in respect of this exposure. This is due to a combination of the collateral that has been taken for the loan, which includes a pledge over the shares of various companies in the Kirch Pay-TV Group, the shares and the equipment of Beta-Digital (satellite

uplink and “multiplexing” of Free-TV and Pay TV channels in Europe) and the Pay-TV film library and through the allocation of BAWAG’s general provisions to any exposure which may arise in respect of the Kirch Pay-TV Group.

Risk Management Policies

Market risks for the Group, such as foreign exchange and securities risks and interest rate risks, are monitored by a three member group which has been operating since 1997. This group operates using an internally produced Value-at-Risk model approved pursuant to the Austrian Banking Act by the Austrian National Bank in line with EU regulations.

Value-at-Risk is the maximum statistical loss that the Bank must expect at a certain confidence level from holding a position for a specific period of time. The Group’s model is based on a 99 per cent. confidence level and a holding period of 10 days. Unexpected market movements can have a great impact on the value of a trading position and result in significant losses or gains. Consequently, in addition to this statistical Value-at-Risk method, the Group also performs daily back testing and stress testing of the Bank’s liquidity, interest rate and foreign exchange positions.

The “Market risk controlling – Banking book” department comprising of five members is responsible for the methodology to be applied for risk content measurement as well as for monitoring compliance with the established interest rate, volatility, spread and currency risks of the whole bank.

The interest rate risks related to the banking book are illustrated as present value loss risk (loss in fair value according to IAS), on the one hand, and as net interest income risk, on the other, by simulating different scenarios. The resulting reports form the basis for the work of the asset/liability committee (ALCO), the decision-making body with regard to all banking business options concerning interest rate, currency and liquidity issues.

The Group’s risk control department is entirely independent from the Bank’s Treasury Department and reports to the Managing and Supervisory Boards.

Credit risk is monitored using the Bank’s customer rating system referred to under credit approval above.

Asset and Liability Management

The ALM group, consisting of three persons within the Group’s Risk Management Department, produces asset/liability management information that is used by the Management and Supervisory Boards as well as the Treasury. The Asset/Liability Management Committee (ALCO) meets twice a month to discuss and approve specific strategies, which are implemented by the Treasury. The ALCO consists of members of the managing board and other senior officers of the bank.

The following table shows the maturity structure (in millions of Euro) of the Group’s loans and assets as of 31 December 2001 and 31 December 2000

| | Repayable on demand | Up to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|--------------------------------|---------------------------|--|-----------------------------------|---------------------|--------------|
| Loans and advances to credit institutions 2001 .. | 1,686 | 1,483 | 1,037 | 843 | 342 | 5,391 |
| Loans and advances to credit institutions 2000 .. | 1,065 | 1,228 | 687 | 1,379 | 682 | 5,041 |
| Loans and advances to customers 2001 | 3,718 | 1,951 | 2,918 | 7,676 | 9,084 | 25,347 |
| Loans and advances to customers 2000 | 3,353 | 2,797 | 3,097 | 6,309 | 8,853 | 24,409 |
| Amounts owed to credit institutions 2001 .. | 1,974 | 3,452 | 1,041 | 52 | 511 | 7,030 |
| Amounts owed to credit institutions 2000 .. | 1,521 | 3,120 | 1,681 | 1 | 728 | 7,051 |

The following table shows the regional diversification of the Group's loans and advances to credit institutions as of 31 December 2001 and 31 December 2000

| | <u>31 December 2001</u> | <u>31 December 2000</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| | <i>(millions of euro)</i> | |
| Austria | 693 | 2,273 |
| International | 4,698 | 2,768 |
| Western Europe | 3,840 | 2,011 |
| Middle and Eastern Europe | 403 | 382 |
| North America | 192 | 158 |
| Latin America | 10 | 10 |
| Others | 253 | 207 |
| Total | <u>5,391</u> | <u>5,041</u> |

The following table shows the regional diversification of the Group's loans and advances to customers as of 31 December 2001 and 31 December 2000

| | <u>31 December 2001</u> | <u>31 December 2000</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| | <i>(millions of euro)</i> | |
| Austria | 21,707 | 20,652 |
| International | 3,640 | 3,757 |
| Western Europe | 2,631 | 2,934 |
| Middle and Eastern Europe | 387 | 314 |
| North America | 412 | 289 |
| Latin America | 32 | 48 |
| Others | 178 | 172 |
| Total | <u>25,347</u> | <u>24,409</u> |

Legal and Antitrust Proceedings

BAWAG and P.S.K. and other large Austrian banks are party to proceedings before the European Commission. The complaints communicated to date by the Directorate-General IV/Competition allege that these financial institutions infringed European law by fixing interest rates, prices and other terms through the so-called "Lombard Club" and other private meetings. Management believes that it is likely that a fine will be imposed by the Commission on the Group but the Group has made adequate provision for this and management believes that this is unlikely to have any material effect on the Group.

Information Technology

The Group provides IT-services to its clients and customers in particular, the private and business e-banking services in the electronic payment sector. Following the acquisition of P.S.K. the systems of BAWAG and P.S.K. are being consolidated to ensure that potential synergies are fully exploited. The systems of the Treasury Department have been successfully integrated and efforts are now being directed towards a unified operational IT-platform spanning all business lines.

Management and Employees

The Group has a two-tier board comprising of an Aufsichtsrat (Supervisory Board) and a Vorstand (Management Board). The day-to-day management of the Group is vested in the Management Board which meets every two weeks. The Supervisory Board meets every quarter and certain actions of the Management Board require the approval of the Supervisory Board.

The members of the Supervisory Board and the members of the Management Board, their positions and, where significant, their principal activities outside the Group as of the date of this Offering Circular are as follows:

Managing Board

| Name | Position | Principal Activities outside BAWAG |
|--------------------|--|---|
| Helmut Elsner | CEO and Chairman of the Managing Board | President of Verband Österreichischer Banken und Bankiers, Deputy Chairman of the Supervisory Board of Allianz Pensionskasse AG, Member of the Supervisory Boards of Austrian Airlines Österreichische Luftverkehrs AG, Investkredit Bank AG, Österr. Kontrollbank AG, Österreichische National Bank and Wiener Staatsoper |
| Christian Büttner | Member of the Managing Board | Chairman of the Supervisory Board of "GO ASIA" Invest Holding AG, Deputy Chairman of the Supervisory Board of OPEL Bank G.m.b.H., Member of Supervisory Board of Magyar Külkereskedelmi Bank, Member of Supervisory Board of Wiener Börse AG |
| Hubert Kreuch | Member of the Managing Board | Deputy Chairman of the Supervisory Boards of Gemeinnützige Wohn- und Siedlungsgen Ennstal reg G.m.b.H., GWB NORD-OST Gemeinnützige Wohnbau- und Baubetreuungsgesellschaft m.b.H., Kapital-Beteiligungs AG and NEUE HEIMAT Gemeinnützige Wohnungs- und Siedlungsges m.b.H., Chairman of the Supervisory Board of LBA LandesBausparkasse AG |
| Josef Schwarzecker | Member of the Managing Board | Deputy Chairman of the Supervisory Board of A.P.E.F. Beteiligungen AG, Member of Supervisory Board of ATV Privat-TV Services AG |
| Johann Zwettler | Member of the Managing Board | Chairman of the Supervisory Board of A.P.E.F. Beteiligungen AG, Deputy Chairman of the Supervisory Boards of GEWOG Neues Heim Gemeinnützige Wohnungsges.m.b.H, Ruefa Reisen AG and Steyermühl Papierfabriks- und Verlags AG, Member of the Supervisory Board of WED Wiener Entwicklungsgesellschaft für den Donauraum AG |

Supervisory Board

| Name | Position | Principal Activities outside BAWAG |
|-----------------------|-------------------------|--|
| Günter Weninger | Chairman | Deputy President of the Austrian Federation of Unions, Vienna |
| Alfred H. Lehner | Deputy Chairman | Chairman of the Managing Board of Bayerische Landesbank GZ, Munich, retired |
| Eduard Aschenbrenner | Member | Chief Secretary Local Government Employees Union, Vienna |
| Günther Chaloupek | Member | Head of the Department for Economics of the Vienna Chamber of Labour |
| Kurt Falthäuser | Member | Bavarian State Minister of Finance, Munich |
| Erich Foglar | Member | Central Secretary Union of Metal and Textile Workers, Vienna |
| Albert Hochleitner | Member | Chief Executive Officer of Siemens AG Österreich, Vienna |
| Peter Kahn | Member | Deputy Chairman of the Managing Board of Bayerische Landesbank GZ, Munich |
| Rudolf Kaske | Member | Chairman Union for Hotel, Catering, and Personal Services, Vienna |
| Siegfried Naser | Member | Managing President of the Bavarian Savings Banks and Giro Centre Association, Munich |
| Werner Strohmayer | Member | Member of the Managing Board of Bayerische Landesbank, Munich |
| Walter Sumetsberger | Member | Central Secretary Union for Postal and Telecommunications Workers, Vienna |
| Peter Stattmann | Member | Regional Managing Director for Lower Austria Union of Private Sector Employees, Vienna |
| Josef Tumberger | Member | Provincial Secretary, Federal Deputy Chairman Construction and Timber Union, Vienna |
| Dietrich Wolf | Member | Member of the Managing Board of Bayerische Landesbank GZ, Munich |
| Walter Zwiauer | Member | Deputy Chairman Union of Private Sector Employees, Vienna |
| Ingrid Streibel-Zarfl | Employee Representative | |
| Gerd Grünauer | Employee Representative | |
| Brigitte Jakobovits | Employee Representative | |
| Heinrich Kuen | Employee Representative | |

| Name | Position | Principal Activities outside BAWAG |
|---------------|-------------------------|---|
| Rudolf Leeb | Employee Representative | |
| Georg Matej | Employee Representative | |
| Beatrix Pröll | Employee Representative | |
| Josef Singer | Employee Representative | |

The address of each of the members of the Managing Board and the Supervisory Board is Bank für Arbeit und Wirtschaft Aktiengesellschaft, Seitzergasse 2-4, A-1010 Vienna, Austria.

At 31 December 2001, BAWAG employed 5,274 people. The BAWAG team is relatively young with an average age of 38.8 and the average length of service is over 13.1 years. BAWAG operates an in-house training programme and financial advisers have been appointed to train staff at major branch offices.

Auditors

The independent auditors of BAWAG are KPMG Austria GmbH Wirtschaftsprüfungs und Steuerberatungsgesellschaft, Kolingasse 19, A-1090 Vienna. They have audited the non-consolidated financial statements of BAWAG for the years ended 31 December 2001, 2000, 1999 and the consolidated financial statements of the Group for the year ended 2001 and have issued an unqualified audit certificate on each of these financial statements.

THE AUSTRIAN BANKING SYSTEM

Overview

As at 31 December 2001, the Austrian banking industry consisted of 907 independent banks with a total of 4,546 branches. The structure of Austria's banking system is characterised by a large number of small institutions, a smaller number of medium to large banks and no major bank of international scale.

The industry can be split into the following "sectors":

| | Total assets |
|---|--------------------------------------|
| | (in euro billion) |
| Savings banks | 203.2 |
| Commercial banks | 129.3 |
| Raiffeisen (rural co-operatives) | 125.8 |
| Mortgage banks | 35.8 |
| Volksbanken (trade co-operatives) | 29.4 |
| Specialised banks | 45.3 |
| Building Societies | 19.1 |
| | <hr/> <hr/> 587.9 <hr/> <hr/> |

Changes in banking practice generally, and in Austrian banking legislation specifically, have contributed to an erosion of the original distinctions between the sectors. Today, commercial banks, savings banks and co-operative banks all engage in substantially similar business; however, each has different business policies.

Membership of the European Union

Austria joined the European Economic Area ("EEA") in January 1994 and became a member of the EU on 1 January 1995. Membership of the EEA entailed the adoption of and implementation by Austria of most of the EU directives, which has resulted in significant changes to Austrian banking law and accounting rules as Austrian laws have been harmonised with EU directives.

The legal framework of the banking system was reformed in 1993 with the passing of the *Bankwesengesetz 1993* (the "Banking Act") which was part of the *Finanzmarktanpassungsgesetz 1993* ("Financial Markets Harmonisation Act"). The Financial Markets Harmonisation Act was passed to bring Austrian law into compliance with the EEA treaty and EU banking directives. The Banking Act implements 11 EU directives and five EU recommendations. In August 1996, an amendment to the Banking Act was made, bringing Austrian law into compliance with EU directives on large exposures, deposit guarantee, consolidation, supervision and reporting.

A further amendment to the Banking Act, which, among other things, implements the EU Investment Services Directive and the EU Capital Adequacy Directive, was enacted on 30 December 1996. The amendment consisted of the new Securities Supervision Act as well as amendments to the Banking Act, the Stock Exchange Act and the Austrian Insolvency Law, and had various effective dates up to 1 January 1999.

Further amendments of the Banking Act followed. The most recent amendment was enacted in 2001 by the *Finanzmarktaufsichtsgesetz* ("Financial Market Supervision Act") which provided for a new Financial Market Authority (*Finanzmarktaufsicht* or "FMA") and had various effective dates up to 1 April 2002.

Regulation and Supervision

The structure of the regulation and supervision of the Austrian banking system is set forth in a number of statutes, including the Banking Act, the National Bank Act 1984 and the Mortgage Bond Act 1927, each as amended.

The Banking Act contains most of the essential regulations for “credit institutions”, as banks are designated. In addition to setting out capital adequacy rules, the Banking Act imposes various other requirements, restrictions and regulations on Austrian banks, including reporting and liquidity requirements, restrictions on participations and large exposures, and regulations regarding internal controls and internal audits, deposit guarantees, money laundering and customer protection.

The National Bank Act 1984 regulates the position of the Austrian National Bank in the system of European Central Banks, while the Mortgage Bond Act 1927 governs bonds backed by mortgages.

Under the Banking Act, regulation and supervision of Austrian banks and of the branches of foreign banks in Austria is the responsibility of the FMA assisted by the Austria National Bank. The FMA may take a variety of actions under the Banking Act to supervise banks on a comprehensive basis. In order to enable the FMA to fulfil his obligations, banks must, among other things, prepare monthly preliminary balance sheets and quarterly profit and loss statements, and submit annual audit reports.

Federal Ministry of Finance

The Federal Ministry of Finance (the “Ministry of Finance”) is headed by the Federal Minister of Finance (the “Minister of Finance”), who is a member of the Federal Government. The Ministry of Finance, in the person of the Minister of Finance, monitors compliance with the Banking Act and other relevant legislation by the FMA.

Financial Market Authority

Since April 2002 all supervisory tasks and resources have been transferred from the Federal Ministry of Finance (supervision of banking, insurance and pension funds) and the former Austrian Securities Authority (securities supervision) to the FMA. The FMA monitors compliance with the Banking Act and other relevant legislation and regulations by Austrian banks and financial institutions, both at home and abroad, and by foreign banks operating in Austria. In accordance with the Banking Act, credit and financial institutions organised in and regulated by the authorities of EEA Member States are subject to regulation and supervision by their home state and not by Austria. With respect to activities in Austria, some regulations of the Banking Act must be observed.

The European Central Bank and the Austrian National Bank

Since 1 January 1999, responsibility for the monetary and currency policy of all the states participating in the third stage of European economic and monetary union, including Austria, rests with the European Central Bank. The governor of the Austrian National Bank is a member of the council of the European Central Bank.

In addition to its functions within the European System of Central Banks, the Austrian National Bank reviews reports filed by banks and makes recommendations to the Ministry of Finance. Detailed foreign currency statistics concerning the foreign currency position of all Austrian banks are compiled by the Austrian National Bank and provide it with an indication of the business volume of all large Austrian banks. Austria’s detailed information reporting requirements act as a form of regulator mechanism since the figures in these reports and the information provided by the banks must be consistent and compiled in accordance with the rules and regulations of the Austrian National Bank.

The Austrian National Bank continuously evaluates the status of Austrian banks as part of the banking supervision regime provided for in the Banking Act.

Capital Adequacy Requirements

Under Austrian risk-based capital adequacy rules, which are based on EU law, each bank must maintain a ratio (the “Solvency Ratio”) of at least 8 per cent. The Solvency Ratio is the ratio of Qualifying Capital (“Own Funds”, as explained below) to risk-adjusted assets and certain off-balance sheet items (as explained below).

For purposes of calculation of the Solvency Ratio, the Banking Act defines “Qualifying Capital” as consisting principally of (i) paid-in capital, (ii) disclosed reserves, (iii) funds for general bank risks, (iv) supplementary capital, (v) certain hidden reserves, (vi) participation capital, (vii) subordinated capital, (viii) revaluation reserves and (ix) the commitments of members of co-operative banks to make additional contributions quantified in relation to their shareholdings. Certain losses, certain intangible assets and certain investments in banks or financial institutions are required to be deducted from equity in computing Qualifying Capital.

“Core Capital” consists of (i) paid-in capital, (ii) disclosed reserves, and (iii) funds for general bank risks, less losses and intangible assets. The Banking Act requires that the aggregate amount of the elements comprising Qualifying Capital, other than those elements which are part of Core Capital, must not exceed the Core Capital. In addition, the sum of subordinated debt may not exceed 50 per cent. of the Core Capital. Core Capital reflects the same concept as “Tier 1 Capital” and Qualifying Capital (other than Core Capital) reflects a concept similar to “Tier 2 Capital”.

Risk-adjusted assets and certain off-balance sheet items are computed by assigning the assets to four broad categories of relative credit risk: 0 per cent., 20 per cent., 50 per cent. and 100 per cent. The balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. Off-balance sheet items on the bank book such as swaps and other financial derivatives are valued either at cost or market price. As with on-balance sheet assets, each off-balance sheet item is assigned to a credit risk category depending upon the type of counterparty or the debtor and multiplied by the applicable percentage weight. For the trading book the banks are required to meet the capital requirements regarding position risk as well as settlement and counterparty risk according to a “trading book approach”. For these risks “Tier 3” Capital can be used.

Consolidated capital adequacy requirements must be met not only by a bank, but also by the bank together with all other financial services companies in the bank’s group. For this purpose, the group consists of the parent company bank and all other banks, factoring and leasing companies, investment firms and ancillary banking service undertakings in which it holds more than 20 per cent. of the share capital or which it controls.

Minimum Reserves

As of 1 January 1999, all banks incorporated in a state which is participating in the third stage of European Economic and Monetary Union (“EMU”) are obliged to maintain minimum reserves for liabilities in all currencies of EMU participating member states. These minimum reserve requirements are generally set at a rate of 2 per cent. for sight deposits and term deposits up to 2 years and of 2 per cent. of 70 per cent. (i.e. 1.4 per cent.) for debentures and money market paper with maturities up to two years. A general allowance of €100,000 can be deducted. These reserves are interest bearing.

Failure by a bank to meet the minimum reserve requirements exposes the bank concerned to potential penalty interest charges.

Deposit Guarantee Scheme

Austrian law requires that any bank which receives deposits must join the guarantee scheme of its sector within the banking system. Non-membership of the relevant guarantee scheme results in the lapse of the bank’s licence to conduct deposit-taking business in Austria. Payments made by a guarantee scheme to restore guaranteed deposits are met by contributions from each member bank in the relevant sector. Each bank’s contribution is determined in proportion to the aggregate amount of such bank’s deposits, subject to a maximum contribution amount equal to one-third of the Section 23(6) Banking Act liability reserve of such bank. In case one sector cannot meet its obligation all other sectors’ schemes have to step in. Payments exceeding all sector scheme funds are financed by debentures guaranteed by the Ministry of Finance.

BAWAG has to be, and is, a member of the Deposit Guarantee Scheme of Banks and Bankers.

Accounting and Auditing

Generally, Austrian auditing regulations are adapted to EU standards. Austrian banks, and banks operating in Austria, are required to submit audited statements, including the audit reports thereon, to the FMA and the Austrian National Bank. Such statements must be submitted within six months of the end of the business year. The Austrian National Bank requires that data contained in financial statements also be transmitted electronically to it in standardised formats.

Recent legislation allows banks to use international accounting standards (such as International Accounting Standards or US GAAP) to consolidate financial statements provided that the financial statements comply with EU guidelines, contain all required information and are audited. In addition the auditor has to confirm compliance with EU directive requirements.

Bank auditors are required to certify compliance with certain regulatory requirements, and to include in their longform reports to the relevant supervising authorities an overall opinion on the risks, profitability and financial position of the respective bank. Bank auditors may be auditing firms but also sector related but independent institutions.

DESCRIPTION OF THE PREFERENCE SHARES

As used in the Articles of Association of the Issuer, “Company” means the Issuer and “Holder” means, in relation to any Preference Share, the member of the Issuer whose name is entered in the register of members as holder of such Preference Share.

The following is a description of the rights attaching to the Preference Shares which are set out in full in, are subject to, and are qualified in their entirety by reference to the Issuer’s Memorandum and Articles of Association (the “Articles”). Paragraphs in italics are not included in the Articles and contain a summary of certain procedures of Clearstream Banking AG, Frankfurt am Main (“Clearstream Banking Frankfurt”), Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) and Euroclear Bank S.A./N.V. (“Euroclear”) that will be applicable to the Preference Shares. Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear may, from time to time, change these procedures.

The following are the definitions, taken from the Articles of Association of the Issuer, which relate to the Preference Shares:

the “Agent” means Deutsche Bank Aktiengesellschaft or such other entity as is appointed by the Company and notified to the Holders of the Preference Shares in accordance with sub- Article 6(h);

“Asset Parity Security” means any preferred or preference share or other security issued by BAWAG, the Company or any other Subsidiary of BAWAG (a) ranking *pari passu* as to participation in the assets of BAWAG with BAWAG’s obligations under the Support Agreement, or (b) entitled to the benefit of a guarantee or support agreement from BAWAG ranking *pari passu* as to participation in the assets of BAWAG with BAWAG’s obligations under the Support Agreement;

“Austrian Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Austria or by any authority therein or thereof having power to tax;

“Bank Share Capital” means the common shares of BAWAG, together with all other securities of BAWAG (including *Vorzugsaktien*), ranking *pari passu* with the common shares of BAWAG as to participation in a liquidation surplus;

“BAWAG” means Bank für Arbeit und Wirtschaft Aktiengesellschaft;

“Business Day” means a day which is a day in London (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business or on which the TARGET system is operating;

“Core Capital” means capital which qualifies as core regulatory capital (*Kernkapital*) of BAWAG for Austrian Banking Capital Adequacy purposes as defined in the Austrian Banking Act (Bankwesengesetz), as amended from time to time and/or as determined by the *Finanzmarktaufsicht* or any successor thereto performing for the time being the same or similar functions in relation to banks in Austria;

“Directors” means the directors of the Company for the time being;

“Distributable Funds” means, in respect of each fiscal year of BAWAG, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year in the individual financial statements of BAWAG, of accumulated retained earnings and any other reserves and surpluses capable under Austrian law of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

“Dividend Date” means 27 September, 27 December, 27 March and 27 June in each year from and including 27 September 2002;

“Dividend Parity Security” means any preferred or preference share or other security (a) issued by BAWAG and ranking *pari passu* as to payment of dividends with BAWAG’s obligations under the Support Agreement or (b) issued by the Company or any other Subsidiary of BAWAG and entitled to the benefit of a guarantee or support agreement from BAWAG ranking *pari passu* as to payment of dividends with BAWAG’s obligations under the Support Agreement;

“Dividend Period” means the period from and including 27 June 2002 to (but excluding) the first Dividend Date and each successive period from and including a Dividend Date to (but excluding) the next succeeding Dividend Date;

“euro” and “€” mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty and whose smallest subdivision shall be one hundredth of a euro or one “cent”;

“Euro-zone” means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty;

“Group” means BAWAG together with its consolidated subsidiaries;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Island of Jersey or by any authority therein or thereof having power to tax;

“the Law” means the Companies (Jersey) Law, 1991;

“Liquidation Distribution” means the Liquidation Preference plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period to the date of payment;

“Liquidation Preference” means €25 per Preference Share;

“Optional Redemption Date” means the Dividend Date falling on 27 September 2007 upon which the Preference Shares may be redeemed pursuant to sub-Article 6(c);

“Paying and Transfer Agent” means Deutsche Bank AG, Amsterdam Branch and Deutsche Bank Aktiengesellschaft or such other entity as is appointed by the Company and notified to the Holders of the Preference Shares in accordance with sub-Article 6(h);

“Redemption Price” means the Liquidation Preference plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period ending on the date fixed for redemption;

“Register” means the register of members to be kept pursuant to Article 26;

“Registrar” means Deutsche Bank Aktiengesellschaft or such other entity as is appointed by the Company and notified to the Holders of the Preference Shares in accordance with sub-Article 6(h);

“Specified Redemption Date” means any date designated for the redemption for tax reasons or for capital reasons of the Preference Shares pursuant to sub-Article 6(d);

“Subsidiary” means a subsidiary of BAWAG (within the meaning of §228 paragraph 3 of the Austrian Commercial Code);

“Support Agreement” means the Support Agreement to be dated 25 June 2002 and made between BAWAG and the Company;

“TARGET” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system; and

“Treaty” means the Treaty establishing the European Community, as amended by the Treaty on European Union.

The following (with the exception of the paragraph in italics) is Article 6 of the Issuer’s Articles of Association relating to the Preference Shares:

“Without limiting the generality of the authority granted to the Board of Directors of the Company in these Articles (the “Board of Directors”, which expression in this Article 6 shall include any duly authorised committee of the Board of Directors), the Directors may issue at their discretion all or any of the 7,000,000 Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares (the “Preference Shares”, which expression shall include any further Preference Shares issued pursuant to sub-Article 6(f)(iv) below) which shall have attached to them the following rights and obligations:

(a) Dividends

- (i) Subject to the Law and as provided in sub-Article 6(a)(ii), non-cumulative dividends on the Preference Shares will accrue at 7.125 per cent per annum from and including 27 June 2002, payable quarterly in arrear on each Dividend Date (whether or not declared by the Board of Directors) except as provided in sub-Article 6(a)(ii). The amount of dividend payable for any Dividend Period or any period less than a Dividend Period will be calculated on the basis of the number of days in the relevant period, from and including the date from which the dividend begins to accrue to but excluding the date on which it falls due divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the relevant period is the 31st day of a month but the first day of the relevant period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the relevant period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (ii) Dividends on the Preference Shares will be non-cumulative and will be deemed to accrue on a day by day basis whether or not declared. Dividends on the Preference Shares will be paid by the Company out of funds legally available therefor; provided, however, that the Company will not be obliged to pay dividends on the Preference Shares on any Dividend Date during any calendar year:
 - (aa) to the extent that the aggregate of such dividends, together with:
 - (I) any dividends (including any Additional Amounts (as defined in sub-Article 6(g)) in respect thereof) previously paid by the Company in respect of the Preference Shares in the then current fiscal year;
 - (II) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and
 - (III) any dividends proposed to be paid, or payments proposed to be made to holders in respect of, Dividend Parity Securities in the then current calendar quarter,would exceed Distributable Funds for the prior fiscal year; or
 - (bb) even if Distributable Funds are sufficient, if the Board of Directors has received a certified copy of the minutes of a meeting of the Board of Directors of BAWAG in which the Board of Directors of BAWAG has resolved that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis, BAWAG would be limited in making payments on preferred or preference shares issued by it ranking *pari passu* as to participation in profits with BAWAG's obligations under the Support Agreement.

Notwithstanding any circumstances where the Company is not obliged to pay dividends on the Preference Shares pursuant to this sub-Article 6(a)(ii), the Board of Directors may, at its sole discretion, resolve that the Company will pay any such dividends and will give notice of such resolution to Holders of the Preference Shares in accordance with sub-Article 6(h).

If no dividend (or proportion thereof) falls to be paid in respect of the Preference Shares with respect to any Dividend Period then the right of Holders of the Preference Shares to receive a dividend or proportion thereof in respect of the Dividend Period ending on the relevant Dividend Date will be extinguished and the Company will have no obligation to pay the dividend accrued for such Dividend Period or to pay any interest thereon, whether or not dividends on the Preference Shares are paid for any future Dividend Period.

- (iii) When, by reason of any limitation described in sub-Article 6(a)(ii) above, dividends are not paid in full on the Preference Shares and any Dividend Parity Securities, all dividends declared or payable upon the Preference Shares and any such Dividend Parity Securities will be payable pro rata in the proportion that the amounts available for payment on the Preference Shares and any such Dividend Parity Securities on the due date of payment shall bear to the full amount that

would have been payable on the Preference Shares and such Dividend Parity Securities but for such limitation and any claims in respect of the difference between the full amount and the amount so payable shall be thereupon extinguished. If dividends are not paid in full in accordance with the foregoing, the Holders will be notified in accordance with sub-Article 6(h).

- (iv) Save as described in this sub-Article 6(a), Holders of the Preference Shares will have no right to participate in the profits of the Company.

It is intended that the Preference Shares will be initially represented by a single certificate for the total number of the Preference Shares. Such certificate for the Preference Shares is to be delivered into the physical custody of Clearstream Banking Frankfurt which will make payment of any amounts received by it to its accountholders in accordance with its published rules and regulations.

(b) Liquidation Distributions

- (i) In the event of any voluntary or involuntary winding-up of the Company, the Holders of the Preference Shares at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Preference Share held out of the assets of the Company available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of ordinary shares or any other class of shares of the Company or any other share or other security issued by the Company and having the benefit of a guarantee from BAWAG ranking junior as regards participation in assets to the Preference Shares, but such entitlement will rank equally with the entitlement of the holders of any other preferred or preference shares, if any, of the Company ranking *pari passu* with the Preference Shares as regards participation in assets of the Company.

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders of the Preference Shares, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of BAWAG, the Liquidation Distribution paid to Holders of the Preference Shares and the liquidation distribution per share paid to the holders of all Asset Parity Securities, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of BAWAG (after payment in full in accordance with Austrian law of all creditors of BAWAG, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to BAWAG's obligations under the Support Agreement) had the Preference Shares and all Asset Parity Securities been issued by BAWAG and ranked (x) junior to all liabilities of BAWAG (other than any liability expressed to rank *pari passu* with or junior to BAWAG's obligations under the Support Agreement), (y) *pari passu* with all Asset Parity Securities of BAWAG and (z) senior to BAWAG's Bank Share Capital.

- (ii) If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in sub-Article 6(b)(i) above, such amounts will be payable pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Distribution, as adjusted if applicable, the Holders of Preference Shares will have no right or claim to any of the remaining assets of the Company or BAWAG.
- (iii) In the event of the liquidation, dissolution or winding-up of BAWAG, the Board of Directors shall convene an Extraordinary General Meeting of the Company for the purpose of proposing a Special Resolution to put the Company into voluntary winding-up and the amount per share to which Holders of the Preference Shares shall be entitled as a Liquidation Distribution will be as set out in sub-Articles 6(b) (i) and (ii) above.

BAWAG will undertake in the Support Agreement that, so long as any of the Preference Shares is outstanding, unless BAWAG itself is in liquidation, BAWAG will not permit, or take any action to cause, the winding-up of the Issuer.

(c) Optional Redemption

- (i) The Preference Shares are redeemable, at the option of the Company, subject to the Law and to the prior consent of BAWAG (which shall grant such consent only after either replacement of the principal amount of the Preference Shares so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsicht*), in whole but not in part, on the Optional Redemption Date and on any Dividend Date falling thereafter upon not less than 60 nor more than 90 days' notice to the Holders of the Preference Shares specifying the relevant date fixed for redemption (which notice shall be irrevocable), each to be redeemed at the Redemption Price on the date fixed for redemption.
- (ii) Upon the expiry of such notice, the Company shall be bound to redeem the relevant Preference Shares accordingly, in accordance with and subject to the Law.

(d) Redemption for Tax Reasons and for Capital Reasons

Notwithstanding the foregoing, the Preference Shares will be redeemable, at the option of the Company at any time, subject to the Law and to the prior consent of BAWAG, (which shall grant such consent only after either replacement of the principal amount of the Preference Shares so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsicht*), in whole but not in part at the Redemption Price, if (i) the Company is or would be required to pay Additional Amounts (as defined in sub-Article 6(g)), or (ii) the *FMA* determines and announces that, or as a result of a change in law or regulation or interpretation thereof, the Preference Shares no longer qualify as Core Capital (*Kernkapital*) of BAWAG for Austrian Banking capital adequacy purposes on a consolidated basis upon not less than 60 nor more than 90 days' notice to the Holders of the Preference Shares designating the relevant Specified Redemption Date (which notice shall be irrevocable), each to be redeemed on the Specified Redemption Date. Upon the expiry of such notice, the Company shall be bound to redeem the Preference Shares accordingly, in accordance with and subject to the Law.

(e) Payments and Purchases

- (i) Dividends declared or payable on the Preference Shares will be payable by the Company on the relevant Dividend Date (but without interest in respect of a delay where such Dividend Date is not a Business Day) or other due date for payment as provided herein to the Holders of record thereof as they appear on the Register for the Preference Shares on the relevant record date, which will be five days prior to the relevant date for payment.

If the Company gives a notice of redemption in respect of the Preference Shares, then, by 10.00 a.m. (London time) on the date specified for redemption, the Company will irrevocably deposit with the Agent funds sufficient to pay the Redemption Price, and will give the Agent irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preference Shares as at the relevant record date, which will be seven days prior to the relevant date specified for redemption. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Preference Shares will be extinguished, except the right of the Holders of Preference Shares to receive the Redemption Price in respect of each share, but without interest, and the Preference Shares will cease to be outstanding.

- (ii) Subject to any applicable fiscal or other laws and regulations:
 - (a) each payment in respect of dividends will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preference Shares; and
 - (b) any payment in respect of the redemption of any Preference Share will be made by cheque against presentation and surrender of the relevant share certificate at the office of the Paying and Transfer Agent,

provided however, that a Holder of Preference Shares may receive any such payment by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the Paying and Transfer Agent in sufficient time prior to the relevant date of payment.

- (iii) In the event that payment of the Redemption Price in respect of any Preference Share is improperly withheld or refused and not paid by the Company, dividends on such Preference Share, subject as described in sub-Article 6(a)(ii), will continue to accrue, at the then applicable rate, from the date specified for redemption to the date of actual payment of such Redemption Price.
- (iv) In making any payment in respect of the Preference Shares, amounts shall be rounded, if necessary, to the nearest €0.01 (with €0.005 being rounded upwards).
- (v) Subject to the foregoing and to applicable law (including, without limitation, to Jersey and Austrian securities and banking laws and regulations) and to the rules of Euronext Amsterdam and the Frankfurt Stock Exchange (for such time as the Preference Shares remain listed thereon), the Company or BAWAG or any of BAWAG's other Subsidiaries may at any time and from time to time purchase outstanding Preference Shares by tender, in the open market or by private agreement. If purchases are made by tender, the tender must be available to all Holders of Preference Shares alike. Any such Preference Share so purchased by BAWAG or any of BAWAG's other Subsidiaries may be resold.

Any such purchase if made by the Company shall be made in such manner and on such terms as the Company shall approve in general meeting.

(f) Voting Rights

- (i) Holders of Preference Shares will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.
- (ii) If for any four consecutive Dividend Periods, dividends (whether or not declared) and any Additional Amounts in respect of such dividends have not been paid in whole or in part on the Preference Shares by the Company, then the Holders of outstanding Preference Shares together with the holders of any other preferred or preference shares of the Company having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the Holders of a majority in Liquidation Preference of such shares or by ordinary resolution passed by the Holders of a majority in Liquidation Preference of such shares present in person or by proxy at a separate general meeting of such Holders convened for the purpose, to appoint two additional members of the Board of Directors.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Preference Shares and the holders of any other preferred or preference shares of the Company having the right to vote for the election of Directors in the circumstances described in the preceding paragraph has not been given as provided for in the preceding paragraph, the Board of Directors will convene a separate general meeting for the above purpose. If the Board of Directors fails to convene such meeting within such 30 day period, the Holders of 10 per cent. in Liquidation Preference of the Preference Shares and such other preferred or preference shares will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting. Any member of the Board of Directors so appointed shall vacate office, subject to the terms of such other preferred or preference shares, if for any Dividend Period, dividends and any Additional Amounts in respect of such dividends have been paid in full on the Preference Shares by the Company.

Each of Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear will notify its accountholders in the event of its becoming aware that any such entitlement arises. Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear will, upon receipt of timely requests, take appropriate action in accordance with the following procedure to enable voting and other shareholder rights to be exercised in respect of the Preference Shares.

The Issuer's Articles provide that a voting certificate may be issued where the certificate for a Preference Share is deposited with the Agent or the Agent is satisfied that such certificate is held to its order or under its control. If an accountholder wishes to vote in respect of Preference Shares credited to his account at Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, he must so notify Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be, and instruct Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be, either to give written notice in accordance with subparagraph (i) above or to issue a voting certificate for the general meeting referred to in subparagraph (ii) above, in each case in respect of the Preference Shares credited to his account at Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be. In each case he must instruct Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be, to block his account in respect of such Preference Shares until after the written notice has been given, or as the case may be, the meeting has been held at which he wishes to vote. So long as the block continues such Preference Shares may not be withdrawn from such account. Upon notification of the block from Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be, the Agent will, if appropriate, issue a voting certificate to the accountholder entitling the accountholder or the accountholder's nominee to vote at the relevant meeting in respect of the blocked Preference Shares. Upon the giving of the written notice (or, if not such notice is given, upon the expiry of 30 days after the relevant accountholder has instructed Clearstream Banking Frankfurt, Clearstream, Luxembourg and/or Euroclear, as the case may be, as aforesaid) or, as the case may be, upon subsequent surrender to the Agent of the voting certificate, the block on the account will be removed.

- (iii) Any variation or abrogation of the rights, preferences and privileges of the Preference Shares by way of amendment of these Articles or otherwise (including, without limitation, the authorisation or issuance of any shares of the Company ranking, as to participation in the profits or assets of the Company, senior to the Preference Shares) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of the Holders of at least two-thirds of the outstanding Preference Shares or with the sanction of a resolution, passed at a separate meeting, by the Holders of at least two-thirds of the outstanding Preference Shares present and voting at such meeting.

Each of Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear will notify its accountholders in the event that any consent referred to in the paragraph above is requested from it. Each of Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear will, upon receipt of timely requests, take appropriate action consistent with the above to enable rights in respect of the above to be exercised.

- (iv) Notwithstanding the foregoing, provided that the most recent dividend payable on the Preference Shares has been paid in full by the Company, the holders of ordinary shares of the Company (in the case of the increase of the authorised amount of Preference Shares and the creation of one or more other series of preferred or preference shares of the Company as provided in sub-Article 6(f)(iv)(a) and the authorisation and creation of one or more other classes of shares of the Company as provided in sub-Article 6(f)(iv)(b)), or the Board of Directors (in the case of the issue of such shares as provided in sub-Article 6(f)(iv)(a) and 6(f)(iv)(b)) may, without the consent or sanction of the Holders of the Preference Shares, take such action as is required in order to amend these Articles:

- (a) to increase the authorised amount of Preference Shares or to create and issue one or more other series of preferred or preference shares of the Company ranking *pari passu* with the Preference Shares as regards participation in the profits and assets of the Company; or

- (b) to authorise, create and issue one or more other classes of shares of the Company ranking junior, as regards participation in the profits and assets of the Company, to the Preference Shares.
- (v) Notwithstanding the foregoing, no vote of the Holders of the Preference Shares will be required for the Company to redeem and cancel the Preference Shares in accordance with these Articles.
- (vi) No resolution may be proposed for adoption by the ordinary shareholders of the Company providing for the winding-up of the Company, unless the Holders of the outstanding Preference Shares and any other preferred or preference shares of the Company ranking *pari passu* as regards participation in profits or assets with the Preference Shares have approved such resolution. Such approval may only be given by the consent in writing of the Holders of at least two-thirds in Liquidation Preference of the outstanding Preference Shares and such other preferred or preference shares or with the sanction of a resolution passed by at least two-thirds in Liquidation Preference at a meeting of the Holders of the Preference Shares and such other preferred or preference Shares present and voting at such meeting. Such approval shall not be required if the winding-up of the Company is proposed or initiated because of the liquidation, dissolution or winding-up of BAWAG.
- (vii) Any Preference Share outstanding at such time that is owned by BAWAG or any entity in which BAWAG, either directly or indirectly, owns 20 per cent., or more of the voting shares or similar ownership interests, shall not carry a right to vote and shall, for voting purposes, be treated as if it were not outstanding.
- (viii) The Company will cause a notice of any meeting at which Holders of the Preference Shares are entitled to vote to be mailed to each Holder of a Preference Share. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

(g) Additional Amounts

All payments in respect of the Preference Shares by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Austrian Tax, unless the withholding or deduction of such Jersey Tax or Austrian Tax is required by law. In that event, the Company will pay, as further dividends, such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the Holders of Preference Shares after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable, (i) to a Holder of Preference Shares (or to a third party on his behalf) with respect to any Preference Share to the extent that such Jersey Tax or Austrian Tax is imposed or levied by virtue of such Holder (or the beneficial owner) of such Preference Share (a) having some connection with Jersey or the Republic of Austria, as the case may be, other than being a Holder (or beneficial owner) of such Preference Share, or (b) being able to avoid such withholding or deduction by making a declaration of non-residence or any other claim for exemption to the relevant tax authority (but failing to do so) or (ii) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the expiry of such period of 30 days and except that the Company’s obligations to make any such payments are subject to the limitations provided in sub- Article 6(a)(ii) and sub-Articles 6(b)(i) and (ii) above.

As used herein, the “Relevant Date” means the date on which the relevant payment first becomes due and payable or, if the full amount of the money payable has not been duly received by the Paying Agent or the Registrar on or prior to such due date, the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the Holders of Preference Shares in accordance with these Articles.

(h) Notices

Notices, including notice of any redemption of the Preference Shares, will be given by the Issuer (i) so long as any Preference Share is listed on the Frankfurt Stock Exchange and the Frankfurt Stock Exchange so requires, by publication in a leading national German newspaper approved by the Frankfurt Stock Exchange (which is expected to be the *Börsen-Zeitung*), (ii) so long as any Preference Share is listed on Euronext Amsterdam and the Euronext Amsterdam so requires, by publication in the Euronext Official Daily List (*Officiële Prijscourant*) of Euronext Amsterdam and in a daily newspaper of wide circulation in The Netherlands or, if such publication is not practicable, in a leading daily newspaper in English and having general circulation in Europe and (iii) by mail to Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear and, in each case not less than 30 nor more than 60 days prior to the date fixed for such redemption.

In accordance with their published rules and regulations, each of Clearstream Banking Frankfurt, Clearstream, Luxembourg and Euroclear will notify the holders of securities accounts with it to which any Preference Shares are credited of any such notices received by it.

OTHER PROVISIONS OF THE ISSUER'S ARTICLES

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect:

(a) Transfer of Shares

The shares of the Issuer are in registered form. Shares may be transferred by instrument in writing in the usual or common form, or in such other form as the Directors may approve. All instruments of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, by the transferee. Registration of transfers of shares will be effected without charge by or on behalf of the Issuer, but upon payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges which may be imposed in relation to it. The Directors of the Issuer may, without assigning any reason, refuse to register a transfer of any share which is not fully paid and may also refuse the registration of any transfer of any share (which is not fully paid) on which the Issuer has a lien. The Directors of the Issuer will not be required to register the transfer of any Preference Share after it has been called for redemption. Save as aforesaid, the Articles of Association contain no restrictions on the transferability of fully paid shares, provided that the instrument of transfer is lodged at the office of the Paying and Transfer Agents in Amsterdam and Frankfurt am Main or at the offices of any other authorised transfer agent appointed by the Issuer in respect of the Preference Shares, accompanied by the relevant share certificate and such other evidence of title as the Directors may require and is only in respect of one class of share.

Every person whose name is entered as a member in the Register shall be entitled without payment to one certificate, for each class of shares, evidencing all shares in registered form held by him. Where a Holder has transferred part of the shares comprised in his holding, he shall be entitled to a share certificate for the balance without charge. Every certificate with respect to shares shall be issued within two months after allotment or the lodgement at the office of the Paying and Transfer Agents in Amsterdam or Frankfurt am Main or such other authorised transfer agent appointed by the Issuer for such purposes by the relevant Holder of an instrument of transfer in respect of the shares (unless the conditions of issue of such shares otherwise provide).

If definitive share certificates are made available in respect of Preference Shares, such share certificates will be available from the Paying and Transfer Agents at their offices in Amsterdam or Frankfurt am Main, and will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three days of issue, by uninsured post at the risk of such Holders.

In the Agency Agreement (the "Agency Agreement") to be dated 25 June 2002 between the Issuer, BAWAG, the Agent, the Registrar and the Paying and Transfer Agent, the Issuer will agree that if a transferee is not (i) Clearstream Banking Frankfurt or (ii) a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, it shall give sufficient notice to the Registrar to allow for the appointment of a replacement registrar, if necessary.

The Registrar will initially be Deutsche Bank Aktiengesellschaft and the Paying and Transfer Agents will initially be Deutsche Bank AG, Amsterdam Branch and Deutsche Bank Aktiengesellschaft (or such other person as the Issuer may appoint and notify to the Holders). For so long as the Preference Shares are listed on Euronext Amsterdam and/or the Frankfurt Stock Exchange, the Issuer will maintain a paying and transfer agent in Amsterdam and/or Frankfurt am Main respectively.

(b) Replacement of Share Certificate

If a share certificate is damaged, defaced, lost, stolen or destroyed, a new share certificate representing the same shares may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the Directors of the Issuer may think fit and on payment of any exceptional expenses of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, on delivery of the old share certificate.

(c) Alteration in Capital

Subject as described in “Description of the Preference Shares” above, the Issuer may from time to time by special resolution alter its share capital in any manner permitted by the Law and, in particular, may increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such special rights (if any) or to be subject to such restrictions (if any) as the resolution may prescribe.

Subject as described in “Description of the Preference Shares” above, the Issuer may from time to time by special resolution consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, sub-divide its shares or any of them into shares of smaller amount and redeem its shares and may by special resolution reduce its share capital and capital redemption reserve in any manner authorised by Jersey law.

(d) Variation of Rights

All or any of the rights attached to any class of shares (other than the Preference Shares) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent in writing of the holders of not less than two-thirds of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. The necessary quorum for such separate meeting (other than an adjourned meeting) is two holders holding or representing at least one-third in nominal amount of the issued shares of that class or, if there is only one holder of the issued shares of such class, such holder.

(e) Dividends

Subject to the Law and as provided in sub-Article 6(a) in relation to the automatic declaration of dividends, the general meeting may declare annual or interim dividends out of profits on the recommendation of, and not exceeding the amount recommended by, the Directors. The Preference Shares ordinarily will rank senior to the Issuer’s ordinary shares as to payment of dividends. However, in the event that dividends do not fall to be paid in relation to a Dividend Period on the Preference Shares, all amounts received by the Issuer in relation to such Dividend Period may be distributed as dividends to the holders of the Issuer’s ordinary shares instead of being paid to the holders of the Preference Shares. No dividend has been paid on the ordinary shares of the Issuer since its incorporation.

(f) Prescription and Governing Law

Any dividend or distribution unclaimed for a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer. The Preference Shares are governed by Jersey law.

(g) Members’ Rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any General Meeting on a show of hands, every member who is present in person or by proxy has one vote, and, on a poll, every member present in person or by proxy has one vote for every share of any class of which he is the holder.

Subject to the rights attached to the Preference Shares, the directors or the liquidator of the Issuer may, as the case may be, with the sanction of a special resolution of the Issuer and any other sanction required by law, divide amongst the members in specie or in kind the whole or any part of the assets of the Issuer and may determine how such division shall be carried out as between the members or different classes of members.

SUPPORT AGREEMENT

Set forth below is the text of the Support Agreement:

THIS SUPPORT AGREEMENT (the “Support Agreement”), dated 25 June 2002, is executed and delivered by each of BANK FÜR ARBEIT UND WIRTSCHAFT AKTIENGESELLSCHAFT, incorporated under the laws of Austria (“BAWAG”) and BAWAG CAPITAL FINANCE (JERSEY) II LIMITED, a company incorporated with limited liability under the laws of Jersey (the “Company”).

WHEREAS, BAWAG desires to cause the Company to issue, and the Company desires to issue, the Preference Shares (as defined below) and BAWAG and the Company desire to enter into this Support Agreement.

NOW, THEREFORE each of BAWAG and the Company executes and delivers this Support Agreement for the benefit of the Holders (as defined below) and, in the case of BAWAG only, of the Company.

1. As used in this Support Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

“Additional Amounts”, in relation to the Company, has the meaning given to that term in sub-article 6(g) of the Company’s Articles of Association;

“Asset Parity Security” means any preferred or preference share or other security issued by BAWAG, the Company or any other Subsidiary of BAWAG (i) ranking *pari passu* as to participation in the assets of BAWAG with BAWAG’s obligations under this Support Agreement, or (ii) entitled to the benefit of a guarantee or support agreement from BAWAG ranking *pari passu* as to participation in the assets of BAWAG with BAWAG’s obligations under this Support Agreement;

“Bank Share Capital” means the common shares of BAWAG, together with all other securities of BAWAG (including *Vorzugsaktien*) ranking *pari passu* with the common shares of BAWAG as to participation in a liquidation surplus;

“Distributable Funds” means, in respect of each fiscal year of BAWAG, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year in the individual financial statements of BAWAG, of accumulated retained earnings and any other reserves and surpluses capable under Austrian law of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

“Dividend Parity Security” means any preferred or preference share or other security (i) issued by BAWAG and ranking *pari passu* as to payment of dividends with BAWAG’s obligations under this Support Agreement, or (ii) issued by the Company or any other Subsidiary of BAWAG and entitled to the benefit of a guarantee or support agreement from BAWAG ranking *pari passu* as to payment of dividends with BAWAG’s obligations under this Support Agreement;

“Dividend Period” has the meaning, in relation to the Preference Shares, given to such term in the Articles of Association of the Company;

“Dividends” means the amount of dividends payable on the Preference Shares in accordance with the terms thereof;

“Group” means BAWAG together with its consolidated Subsidiaries;

“Holder” means any holder from time to time of any Preference Share of the Company, provided, however, that in determining whether the Holders of the requisite percentage of Preference Shares have given any request, notice, consent or waiver hereunder, such term shall not include BAWAG or any entity of which BAWAG, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests (including the Company);

“Liquidation Date” means the date of final distribution of the assets of the Company in the case of a winding-up of the Company (whether voluntary or involuntary);

“Liquidation Distribution” means, in relation to the Preference Shares, the liquidation preference per share as provided by the terms thereof;

“Optional Redemption Date” has the meaning, with respect to the Preference Shares, given to such term in the Articles of Association of the Company;

“Preference Shares” means all of the Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares of the Company in issue from time to time, whether or not in issue on the date of this Support Agreement, the Holders of which are entitled to the benefits of this Support Agreement as evidenced by the execution of this Support Agreement; and

“Redemption Price” means with respect to each Preference Share the amount required under the terms thereof to be paid to the Holder upon the optional redemption of such Preference Shares;

“Subsidiary” means a subsidiary of BAWAG (within the meaning of §228 paragraph 3 of the Austrian Commercial Code).

Any other terms used in this Agreement and defined in the Articles of Association of the Company shall have the same meaning when used in this Agreement.

2. (i) (a) Subject to the limitations contained in the following paragraphs of this clause 2(i), BAWAG irrevocably and unconditionally agrees, if at any time the Company has insufficient funds to enable it to meet in full all of its obligations under or in respect of the Preference Shares as and when such obligations fall due, to make available to the Company funds sufficient to enable it to meet such payment obligations. The Company shall use any amount made available to it by BAWAG pursuant to this Support Agreement solely to fulfil its payment obligations under or in respect of the Preference Shares.
- (b) Notwithstanding clause 2(i)(a), BAWAG will not be obliged to make any payment to the Company under this Support Agreement in respect of Dividends (including accrued and unpaid Dividends relating to any payment due upon redemption or liquidation distribution and any Additional Amounts payable by the Company in respect of Dividends) on any Preference Shares in any calendar year:
 - (A) to the extent that such payment, together with the amount of:
 - (i) any Dividends (including any Additional Amounts in respect thereof) previously paid by the Company in respect of the Preference Shares in the then current fiscal year;
 - (ii) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and
 - (iii) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, Dividend Parity Securities in the then current calendar quarter,would exceed Distributable Funds for the prior fiscal year; or
 - (B) even if Distributable Funds are sufficient, to the extent that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis, BAWAG would be limited in making payments on preferred or preference shares issued by it ranking *pari passu* as to participation in profits with BAWAG's obligations under this Support Agreement.
- (c) Notwithstanding clause 2(i)(a), if, at the time that any amounts are to be paid in respect of Liquidation Distributions on the Preference Shares, proceedings are pending or have been commenced for the voluntary or involuntary liquidation,

distribution or winding-up of BAWAG, payment under this Support Agreement of amounts in respect of such Liquidation Distributions and payment by BAWAG in respect of any liquidation distributions payable with respect to any Asset Parity Securities shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of BAWAG (after payment in full in accordance with Austrian law of all creditors of BAWAG, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to BAWAG's obligations under this Support Agreement) had the Preference Shares and all such Asset Parity Securities been issued by BAWAG and ranked (i) junior to all liabilities of BAWAG (other than any liability expressed to rank *pari passu* with or junior to BAWAG's obligations under this Support Agreement), (ii) *pari passu* with Asset Parity Securities of BAWAG and (iii) senior to Bank Share Capital.

- (d) In the event that the amounts described in clause 2(i)(a) cannot be paid in full by reason of any limitation referred to in clause 2(i)(a), (b) or (c), such amounts will be payable by BAWAG to the Company pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

The determination of any such limitation of BAWAG's obligations under this Support Agreement as set forth above will be made on the relevant Dividend Date, date specified for the redemption or the Liquidation Date, as the case may be.

- (ii) This Support Agreement shall be deposited with and held by Deutsche Bank Aktiengesellschaft, as Agent until all the obligations of BAWAG hereunder have been discharged in full. BAWAG hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Support Agreement.
 - (iii) Subject to applicable law, BAWAG, may from time to time purchase Preference Shares from any Holder and hold or resell any Preference Share so purchased.
 - (iv) Subject to applicable law, BAWAG's obligations hereunder constitute unsecured obligations of BAWAG and rank and will at all times rank (a) junior to all liabilities of BAWAG (other than any liability expressed to rank *pari passu* with or junior to this Support Agreement), (b) *pari passu* with all payment obligations of BAWAG in respect of Asset Parity Securities and (c) senior to Bank Share Capital.
3. (i) BAWAG undertakes that it will not issue any preferred or preference shares ranking senior to its obligations under this Support Agreement or enter into any support agreement or give any guarantee in respect of any preference shares issued by any Subsidiary of BAWAG if such support agreement or guarantee (including, without limitation, any support agreement or guarantee that would provide a priority of payment with respect to Distributable Funds) would rank senior to this Support Agreement unless, in each case, (a) this Support Agreement is changed to give the Company and/or the Holders (as applicable) such rights and entitlements as are contained in or attached to such preferred or preference shares or such other support agreement or guarantee so that this Support Agreement ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment out of Distributable Funds as, any such preferred or preference shares or other support agreement or guarantee, provided that in no case shall this Support Agreement be changed so that BAWAG's obligations in respect of it rank *pari passu* with, or junior to, Bank Share Capital and (b) the most recent dividend payment on the Preference Shares has been paid in full by the Company.
- (ii) BAWAG undertakes that any amount required to be paid to the Company pursuant to this Support Agreement to enable the Company to pay any Dividend payable in respect of the most recent Dividend Period will be paid prior to any payment or other distribution in respect of any dividends upon common shares, *Vorzugsaktien* or any other shares of

BAWAG ranking junior to BAWAG's obligations under this Support Agreement (whether issued directly by BAWAG or by a Subsidiary of BAWAG and entitled to the benefit of a support agreement or guarantee ranking junior to BAWAG's obligations under this Support Agreement).

BAWAG also undertakes that it will not pay any dividends or distributions in respect of dividends upon common shares, *Vorzugsaktien* or any other shares of BAWAG ranking *pari passu* with or junior to this Support Agreement (whether issued directly by BAWAG or by a Subsidiary of BAWAG and entitled to the benefit of a support agreement or guarantee ranking *pari passu* with or junior to BAWAG's obligations under this Support Agreement) if dividends have not been paid (whether in whole or in part) in respect of the Preference Shares, from the date on which the Issuer first fails to pay such dividend until the date on which payments in respect of dividends on the Preference Shares are resumed.

BAWAG also undertakes that Bank Share Capital and any other shares of BAWAG ranking *pari passu* with or junior to the obligations of BAWAG under this Support Agreement (whether issued directly by BAWAG or by a Subsidiary of BAWAG and entitled to the benefits of any support agreement or guarantee ranking *pari passu* with or junior to BAWAG's obligations under this Support Agreement) will not be redeemed, repurchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by BAWAG or any Subsidiary of BAWAG (except by conversion into or in exchange for shares of BAWAG ranking junior to BAWAG's obligations under this Support Agreement), at any time whilst the Company is unable to pay Dividends in whole or in part and until such time as the Company shall have resumed the payment of, or set aside payment with respect to, full Dividends on all outstanding Preference Shares for four consecutive Dividend Periods thereafter.

- (iii) BAWAG undertakes to maintain the Company as a subsidiary for so long as any Preference Share shall remain in issue. BAWAG undertakes that, so long as any Preference Share is outstanding, unless BAWAG is itself in liquidation, BAWAG will not permit, or take any action to cause, the winding-up of the Company.
4. This Support Agreement shall terminate and be of no further force and effect upon full payment of the Redemption Price on, or purchase and cancellation of, all outstanding Preference Shares or full payment of the Liquidation Distributions and liquidation of the Company, provided however that this Support Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preference Shares or this Support Agreement must be restored by a Holder for any reason whatsoever.
 5. Each of BAWAG and the Company undertakes, for the benefit of the Holders:
 - (a) that it will perform its obligations and exercise its rights under this Support Agreement and, in the case of the Company (without limitation to the foregoing), will exercise its right to enforce performance of the terms of this Support Agreement by BAWAG; and
 - (b) that it will consent to an order for specific performance or similar relief by any court of competent jurisdiction in the event that any such order or relief is sought in an action brought by a Holder in respect of this Support Agreement.
 6. This Support Agreement shall take effect as a Deed Poll for the benefit of the Holders. Each of BAWAG and the Company hereby acknowledges and covenants that the obligations binding upon it contained in this Support Agreement are owed to, and shall be for the benefit of, each and every Holder, and that each Holder shall be entitled severally to enforce the said obligations against BAWAG or the Company.
 7. (i) Subject to operation of law, all undertakings and agreements contained in this Support Agreement shall bind the successors, assigns, receivers, trustees and representatives of BAWAG and the Company (as the case may be) and shall inure to the benefit of the Holders and/or the Company (as applicable). The Company shall not transfer its

obligations hereunder in any circumstances and BAWAG shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two thirds of the Preference Shares, which consent shall be obtained in accordance with procedures contained in the Company's Memorandum and Articles of Association and the applicable laws of Jersey; provided, however, that the foregoing shall not preclude BAWAG from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets and obligations (including its obligations under this Agreement) to, a banking organisation organised under the laws of a member state of the European Union, without obtaining any approval of such Holders.

- (ii) Except for those changes (a) required by clause 3(i) hereof; (b) which do not materially adversely affect the rights of Holders; or (c) necessary or desirable to give effect to anyone or more transactions referred to in the proviso to clause 7(i) (in any of which cases no agreement will be required), this Support Agreement shall be changed only by agreement in writing signed by BAWAG and the Issuer with the prior approval of the Holders of not less than two-thirds of the Preference Shares (excluding in each case any Preference Shares held by BAWAG or any entity of which BAWAG, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Issuer's Memorandum and Articles of Association and the applicable laws of Jersey.
- (iii) Any notice, request or other communication required or permitted to be given hereunder to BAWAG shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to BAWAG, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Bank für Arbeit und Wirtschaft Aktiengesellschaft
Seitzergasse 2-4
A-1010 Vienna

Facsimile: + 43 1 534 532 2930
Attention: Vorstand

The address of BAWAG may be changed at any time and from time to time and shall be the most recent such address furnished in writing by BAWAG to Deutsche Bank Aktiengesellschaft as Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

BAWAG Capital Finance (Jersey) II Limited
22 Grenville Street
St. Helier
Jersey JE4 8PX

Facsimile: 01534 609333
Attention: Group 18 – Maurant & Co. Limited

The address of the Company may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Company to Deutsche Bank Aktiengesellschaft as Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by BAWAG or the Company in the same manner as notices sent by the Company to the Holders.

- (iv) The obligations of BAWAG and the Company to the Holders under this Support Agreement are solely for the benefit of the Holders and are not separately transferable from the Preference Shares.
 - (v) BAWAG will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by BAWAG to holders of the common shares of BAWAG.
8. (i) This Support Agreement shall be governed by, and construed in accordance with English law save that Clauses 2(i)(b) and (c) and Clause 2(iv) shall be governed by, and construed in accordance with Austrian law.
- (ii) Each of BAWAG and the Company hereby irrevocably agrees for the benefit of the Holders (and, in the case of BAWAG only, the Company) that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Support Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as (“Proceedings”)) may be brought in such courts.

Each of BAWAG and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon BAWAG and the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings against BAWAG or the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

Each of BAWAG and the Company hereby irrevocably and unconditionally appoints Clifford Chance Secretaries Limited at 200 Aldersgate Street, London EC1A 4JJ as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.

IN WITNESS WHEREOF this Support Agreement has been executed as a deed and delivered on behalf of each of BAWAG and the Company on the date shown below:

Executed as a deed by

BANK FÜR ARBEIT UND WIRTSCHAFT AKTIENGESELLSCHAFT

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Executed as a deed by

BAWAG CAPITAL FINANCE (JERSEY) II LIMITED

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Dated: 25 June 2002

TAXATION

General

The comments below are of a general nature based on current law and practice in the relevant jurisdiction referred to. They relate only to the position of persons who are the holders of their Preference Shares and may not apply to certain classes of persons such as dealers. Any holders of Preference Shares who are in doubt as to their personal tax position should consult their professional advisers.

Taxation in Jersey

Holders of Preference Shares (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, exchange, sale or other disposal of the Preference Shares. Dividend payments may be made by the Issuer without withholding or deduction for, or on account of, and without, any payment of Jersey income tax.

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposal of Preference Shares.

Taxation in Austria

The following assumes that the Preference Shares will be treated as shares for Austrian tax purposes. It cannot be entirely excluded that the Austrian tax authorities will qualify the Preference Shares not as shares but as debt instruments and the income derived therefrom as interest income. The consequences will also be described in the following (see "Taxation as Debt Instruments").

Taxation of Dividends

Dividends paid on Preference Shares issued by a foreign corporation are subject to income tax for the Austrian shareholder, who is an individual resident in Austria for tax purposes (Austrian Individual Holder). The dividend is taxed at the regular progressive tax rates of up to 50 per cent. A distribution to be treated as a repayment of paid-in capital is not subject to tax, if it can be proven that the payment is to be considered a return of capital (BMF, AÖF 1998/88 point 2.3.3./2). If the investor earns income subject to payroll tax, the following applies: No tax is levied on income other than income subject to payroll tax as long as the other income does not exceed € 730,00. An individual's investment income (including dividends from foreign corporations) is not taxed regardless of its source, if it does not exceed € 22,00.

Dividends received by an Austrian resident corporation or a non-resident corporation, which holds the Preference Shares as assets of a permanent establishment or fixed base in Austria ("Austrian Corporate Holder") are subject to corporate tax at a rate of 34 per cent. Dividends received by an Austrian resident corporation or a qualified non-resident EU corporation, which holds the Preference Shares as assets of an Austrian permanent establishment or a fixed base are not subject to corporate tax, if the recipient holds directly at least 25 per cent. of the shares of the dividend paying corporation for an uninterrupted period of 2 years (international participation exemption). This exemption does not apply, if the dividend paying corporation earns mainly passive activity income in the form of interest, rental income from movable and non-tangible goods or from the sale of shares, if the income of the dividend paying corporation is not subject to tax comparable to Austrian corporate tax and if it cannot be proven that the Austrian corporate holder of the dividend is not directly or indirectly owned more than 50 per cent. by individuals not resident in Austria. In case the dividend is taxed under these rules the foreign corporate tax levied on the income of the distributing corporation will be credited against the Austrian corporate tax due on the dividend received.

Taxation of Capital Gains

If an Austrian resident individual – holding the shares as part of his business or private portfolio – sells Preference Shares within one year after their acquisition, the capital gain realised will be taxed at the regular progressive income tax rates. No capital gain taxation will be incurred, if the Austrian resident individual – holding the shares as part of his private portfolio – has held less than 1 per cent. of the shares of the foreign corporation within the last five years and sells the shares more than one year after their

acquisition. If an Austrian resident individual holds the Preference Shares representing less than 1 per cent. of the issuing corporation's capital as part of his business assets for more than one year the capital gain realised upon the disposal of the shares will be taxed at half the individual's average income tax rate. In case an individual holds Preference Shares representing equal or more than 1 per cent. of the issuing corporation's share capital as part of his private assets the capital gain realised will also be subject to half the individual's average income tax rate. In case the individual investor has acquired the Preference Shares without consideration, the previous owner's holding period and ownership percentage will also be taken into account in determining the threshold amounts (if acquired as a gift or upon death of the owner). In case the company, which issued the Preference Shares distributes capital paid-in, it might be that the investor's tax basis is below the amount of capital returned. In this case capital gain taxation as explained above might apply.

Losses from the sale of Preference Shares by resident individuals are in principle deductible only if and to the extent that the corresponding capital gain would have been taxable. The deduction of losses might be subject to additional restrictions.

Capital gains realised by Austrian Corporate Holders are subject to corporate tax at the rate of 34 per cent. Only if the shares qualify for the international participation exemption (ownership of at least 25 per cent. for at least 2 years) the capital gain realised will be tax exempt (to the extent the capital gain realised does not recapture previous write-offs). For bookkeeping Austrian Corporate Holders write-offs are tax-deductible as well as losses realised upon the sale of the Preference Shares. However, it might be that the deduction can only be made over seven years.

Taxation as Debt Instrument

If the Austrian tax authorities would qualify the Preference Shares as debt instruments and the income derived therefrom as interest income, Austrian Individual Holders as well as Austrian Corporate Holders would be subject to Austrian personal or corporate income tax on payments received on the Preference Shares. In case the debt instrument is held by an Austrian Individual Holder and Austrian withholding tax of 25 per cent. is deducted by an Austrian coupon paying agent on the income qualified as interest, the withholding tax is a final tax. However, the owner might apply for taxation at regular rates if this leads to reduced taxation. Any capital gain from the sale of the Preference Shares by Austrian individual holders or Austrian corporate holders would be subject to Austrian personal income tax at the progressive rates or corporate tax at 34 per cent. unless the shares are sold by an Austrian resident individual out of his private assets after an ownership period of more than one year.

Inheritance and gift tax

Under Austrian law, the transfer of Preference Shares will be subject to Austrian inheritance or gift tax on a transfer by reason of death or as a gift if at the time of the transfer of the assets

- (a) the donor or transferor or the heir, donee or other beneficiary is resident in Austria at the time of the transfer, or, if an Austrian citizen, was not continuously outside of Austria and without Austrian residence for more than two years;
- (b) except as mentioned under a) the shares were held as assets of a permanent establishment maintained in Austria by a deceased or donor.

Other Taxes

There are no transfer, stamp or similar taxes, which would apply to the sale or transfer of the Preference Shares in Austria. Net worth tax is not levied any more in Austria.

Please note that the above is a summary of the possible tax implications for certain groups of Austrian investors. The summary is not comprehensive and we strongly suggest that an investor obtains advice on his personal tax situation prior to buying Preference Shares.

Taxation in the Netherlands

The following is a summary of certain Netherlands tax consequences relating to the purchase, ownership, and disposition of shares (“Shares”) in the capital of BAWAG Capital Finance (Jersey) II Limited (the “Company”). The summary does not address any laws other than the tax laws of The Netherlands as currently in effect and in force and as interpreted in published case law by the courts of The Netherlands at the date hereof, and is subject to change after such date, including changes that could have retroactive effect. The summary does not purport to be complete and in view of the general nature of this summary, it should be treated with corresponding caution. Each holder or prospective holder of Shares should consult his or her professional tax advisor with respect to the Netherlands tax consequences of an investment in Shares.

For the purposes of the principal Netherlands tax consequences described below, it is assumed that no individual holder of the Shares has a substantial interest in the Company. An individual has a substantial interest in the Company if either he – alone or together with his partner (*partner*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*)– or a person who is a connected person as defined in the Income Tax Act 2001 in relation to such individual, has, directly or indirectly, the ownership of, or certain rights over the Shares representing five per cent. or more of the total issued and outstanding capital (or the issued or outstanding capital of any class of Shares) of the Company, or rights to acquire, directly or indirectly, Shares, whether or not already issued, that represent five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Company or the ownership of, or certain rights over profit participating certificates (*winstbewijzen*) that relate to five per cent. or more of the annual profit of the Company or to five per cent. or more of the liquidation proceeds of the Company.

Netherlands Taxes on Income and Capital Gains

Netherlands Residents

Netherlands resident entities

Generally, a holder of Shares will be subject to Netherlands corporate income tax with respect to dividends or capital gains realised on the disposal or deemed disposal of Shares, if the holder is resident, or deemed to be resident, of The Netherlands.

Unless tax exempt, Netherlands resident entities are generally subject to corporate income tax, levied at a rate of 29 per cent. of the first €22,689 of the taxable profits and 34 per cent. of the excess over this amount.

Netherlands resident individuals

A holder of Shares who is resident of The Netherlands, deemed to be resident of The Netherlands, or who has elected to be treated as resident of The Netherlands for Netherlands tax purposes is subject to income tax in respect of income or capital gains derived from the Shares at the progressive rates of the Income Tax Act 2001 if:

- (i) the holder of the Shares has an enterprise or an interest in an enterprise, to which enterprise the Shares are attributable; or
- (ii) the income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

If conditions (i) and (ii) mentioned above do not apply to the individual holder of the Shares, the holder of the Shares will be subject to Netherlands income tax on a deemed return regardless of actual income derived from the Shares or gain or loss realised upon disposal or deemed disposal of the Shares.

The deemed return amounts to 4 per cent. of the average value of the holder’s net assets in the relevant fiscal year (including the Shares). The average value of the holder’s net assets in a fiscal year is equal to the sum of the value of the net assets at the beginning of the fiscal year and at the end of the fiscal year divided by two. Taxation only occurs to the extent the average value of the holder’s net assets exceeds

the “exempt net asset amount” (*heffingsvrij vermogen*) which is, for the year 2002, in principle €18,146. The deemed return is reduced by the portion of the personal allowances on annual income the holder is entitled to. As so reduced, the deemed return shall be taxed at a rate of 30 per cent.

Netherlands gift, estate and inheritance tax

Netherlands gift, estate or inheritance taxes will be due in The Netherlands in respect of the transfer of the Shares by way of gift by, or on the death of, a holder of the Shares if the holder is, or is deemed to be, resident of The Netherlands, for the purpose of the relevant provisions, at the time of the gift or his or her death.

Other taxes

There is no Netherlands registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty, other than court fees, payable in The Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of any agreement relating to the Shares or the performance of the Company’s obligations under the Shares.

No Netherlands value added tax will arise in respect of any payment in consideration for the issue of the Shares.

Taxation In The Federal Republic Of Germany

The following is a summary of the tax position in the Federal Republic of Germany. It is not possible to state categorically whether the Preference Shares will be treated as shares or debt instruments for German tax purposes as they contain elements of both categories. Holders of Preference Shares are therefore strongly advised to consult their professional advisers.

Taxation as Shares

Taxation of Dividends

Only one half of the dividends received by shareholders resident in Germany and non-resident shareholders who hold the Preference Shares as assets of a permanent establishment or fixed base in Germany, and who are individuals (“German Individual Holder”) are subject to income tax at regular rates (plus solidarity surcharge of 5.5 per cent. thereon) (so-called “half income system”). Accordingly, only one half of the expenses attributable to the shareholding are deductible. Distributions treated as repayment of paid-in capital for tax purposes are not subject to tax. If the Preference Shares are not held as assets of a trade or business, income from dividends received by an individual is generally tax-exempt to the extent that the dividends together with other investment income, do not exceed the amount of €1.550,00 (€3.100,00 in the case of a married couple filing jointly) (so-called “Investor Exemption”).

If an individual holds the Preference Shares as assets of a German commercial business, one half of the dividend is subject to trade tax. If the shareholder held less than 10 per cent. of the issued share capital in the Issuer at any time since the beginning of the calendar year in which the dividend is paid, the entire dividend is subject to trade tax. This applies irrespective of whether the shareholder is resident in Germany or not.

Dividends received by a German-resident corporation or a non-resident corporation which holds the Preference Shares as assets of a permanent establishment or fixed base in Germany (“German Corporate Holders”) are in principle tax exempt. If the shareholder is a bank or a financial services institution within the scope of section 1 para. 1a of the German Banking Act and if the Preference Shares have been recorded in the trading book, dividends are fully subject to taxation. The same applies if the Preference Shares were acquired by a finance company as defined by the German Banking Act to achieve short-term capital gains from trading activities.

If a corporation held less than 10 per cent. of the issued share capital in the Issuer at any time since the beginning of the calendar year in which the dividend is paid, the entire dividend is subject to trade tax.

In the case that shareholders resident in Germany and certain expatriate German citizens (former residents) in the aggregate, directly or indirectly, should hold more than 50 per cent. of the issued share capital or of the voting rights of the Issuer, under German controlled foreign corporation legislation, any German resident shareholder's pro rata share in certain passive income (including, without limitation, certain interest, dividends and capital gains from the disposition of securities or investments) earned by the Issuer and subject to a low-tax regime (i.e. in principle an effective tax burden of less than 25 per cent.) may be taxed to such shareholder, irrespective of whether such income is distributed or retained by the Issuer. Upon distribution of a dividend, the dividend will be exempt from German tax. Moreover, any single shareholder resident in Germany and holding, directly or indirectly, 1 per cent. or more of the issued share capital or voting rights of the Issuer may be taxed on his pro rata share in certain investment type income earned by the Issuer or its subsidiaries and subject to a low-tax regime (as defined under German tax law) irrespective of whether this income is distributed by the Issuer.

Taxation of Capital Gains

German Individual Holders are taxed on only one half of their capital gains from the disposition of the Preference Shares, if at all. If the Preference Shares were not held as assets of a trade or business, capital gains from the disposition of the Preference Shares are taxable only if the disposition takes place within one-year after the acquisition of the Preference Shares or – after the expiration of this period - if the shareholder at any time during the five years preceding the disposition, directly or indirectly, held an interest of 1 per cent. or more in the Issuer. Where the shareholder has acquired the Preference Shares without consideration, the previous owner's holding period and size of shareholding will also be taken into account.

Capital gains received by German Corporate Holders are in principle tax exempt. If the shareholder is a bank or a financial services institution within the scope of section 1 para. 1a of the German Banking Act and if the Preference Shares have been recorded in the trading book, capital gains from the sale of such Preference Shares are fully subject to taxation. The same applies if the Preference Shares were acquired by a finance company as defined by the German Banking Act to achieve short-term capital gains from trading activities.

Losses from the sale of the Preference Shares are in principle deductible only if and to the extent that the corresponding capital gains would be taxable. However, the deduction of such losses is subject to additional restrictions.

Taxation as Debt Instruments

If the German tax authorities should qualify the Preference Shares as debt instruments and the income derived therefrom as interest income, German Individual Holders and German Corporate Holders would be subject to German personal or corporate income tax and solidarity surcharge thereon with any payment received on the Preference Shares. Such income would also be subject to trade tax if the Preference Shares are held as assets of a German trade or business. Any capital gains from the disposition of the Preference Shares by German Individual Holders or German Corporate Holders would be subject to German personal or corporate income tax and solidarity surcharge thereon.

Inheritance And Gift Tax

Under German law, the transfer of Preference Shares will be subject to German inheritance or gift tax on a transfer by reason of death or as a gift if at the time of the transfer of the assets:

- (a) the donor or transferor or the heir, donee or other beneficiary is resident in Germany at the time of the transfer, or, if a German citizen, was not continuously outside of Germany and without German residence for more than five years; or
- (b) except as mentioned under (a) the shares were held as assets of a permanent establishment maintained in Germany by a deceased or donor.

Other Taxes

There are no transfer, stamp or similar taxes which would apply to the sale or transfer of the Preference Shares in Germany. Net worth tax is no longer levied in Germany.

SUBSCRIPTION AND SALE

Under a Subscription Agreement dated 25 June 2002 (the “Subscription Agreement”) Deutsche Bank AG London, Merrill Lynch International BCP Investimento-Banco Comercial Portugues de Investimento, S.A., BNP Paribas and UBS AG, acting through its business group UBS Warburg (the “Managers”) have jointly and severally agreed with the Issuer and BAWAG, subject to the satisfaction of certain conditions, to subscribe for the Preference Shares at the issue price of €25 per Preference Share. The Issuer has agreed to pay to the Managers a selling commission of €0.375 per Preference Share and a combined management and underwriting commission of €0.125 per Preference Share. Deutsche Bank AG London and Merrill Lynch International on behalf of the Managers is entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer and BAWAG have agreed to indemnify the Managers against certain liabilities in connection with the issue of the Preference Shares.

United States of America

The Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preference Shares (i) as part of their distribution at any time or (ii) otherwise until the expiration of the period ending 40 days after the later of the commencement of the offering and the Closing Date (the “Distribution Compliance Period”) within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Preference Shares during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Preference Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

The Preference Shares are being offered and sold outside the United States to non- U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preference Shares within the United States by a dealer (that is not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

- (1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Preference Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Preference Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preference Shares in, from or otherwise involving the United Kingdom.

Austria

Each of the Managers has represented and agreed that it will only offer the Preference Shares in the Republic of Austria in compliance with the provisions of the Austrian Capital Markets Act, Federal Law Gazette 1991/625 as amended, and any other laws applicable in the Republic of Austria governing the offer and sale of the Preference Shares in the Republic of Austria. Each of the Managers further agrees that the minimum amount of Preference Shares that it will sell to any individual investor in Austria will be 1,600 (which exceeds the threshold provided for in Section 3(1) No. 9 of the Austrian Capital Markets Act).

Germany

Each Manager has represented and agreed that it will comply with the Securities Sales Prospectus Act (the “Act”) of the Federal Republic of Germany (Wertpapier-Verkaufsprospektgesetz) of 13 December 1990 (as amended). In particular, each of the Managers has represented that it has not engaged and agreed that it will not engage in public offering (öffentliches Angebot) within the meaning of the Act with respect to any shares otherwise than in accordance with all other applicable legal and regulatory requirements.

The Netherlands

Prior to the publication of the advertisement of Euronext Amsterdam N.V. mentioned in Article 47.7 of its Listing Rules or, if earlier, the date on which the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*; the “AFM”) has determined that admission to listing on the Official Segment of Euronext Amsterdam N.V.’s stock market is likely (which in any event is the case if Euronext Amsterdam N.V. declares in writing that the Preference Shares will be admitted to listing on the Official Segment of Euronext Amsterdam N.V.’s stock market), contractually binding offers (or any solicitation of such offers) in respect of the Preference Shares may only be made in *The Netherlands* to individuals or legal entities who or which trade or invest in securities in the conduct of business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner), and

- (a) it must be made clear both upon making any such offers and in any documents or advertisements in which a forthcoming offering of the Shares are publicly announced that such offers are exclusively made to such individuals or legal entities; and
- (b) a copy of a draft of this Offering Circular must be submitted to the AFM before any such offer is made.

General

Each of the Managers has undertaken that it will comply, to the best of its knowledge and belief, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Preference Shares or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of Preference Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales in all cases at its own expense.

GENERAL INFORMATION

1. Listing

Application has been made to list the Preference Shares on Euronext Amsterdam and the Frankfurt Stock Exchange. At the date hereof it is not intended to list the Preference Shares on any other stock exchange.

So long as the Preference Shares are listed on Euronext Amsterdam N.V., the Issuer will comply with the provisions set forth in Schedule A of the Listing and Issuing Rules (*Fond-Senreglement*) of Euronext Amsterdam N.V., as amended from time to time.

So long as the Preference Shares are listed on Euronext Amsterdam N.V., the share paying agent in Amsterdam will be Deutsche Bank AG, Amsterdam Branch.

So long as the Preference Shares are listed on the Frankfurt Stock Exchange, there will be a share paying agent in the city of Frankfurt am Main.

2. Authorisations

The issue of the Preference Shares by the Issuer has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 25 June 2002.

The entering into of the Support Agreement by BAWAG has been duly authorised by resolutions of its Board of Directors passed on 8 April 2002.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or BAWAG under the laws of Jersey and Austria have been given for the issue of Preference Shares and for the Issuer and BAWAG, as the case may be, to undertake and perform their respective obligations under each of the Subscription Agreement, the Agency Agreement, the Preference Shares and the Support Agreement.

3. Legal status

The Issuer operates under the laws of Jersey (registered number 83188) with limited liability and for an unlimited duration.

BAWAG operates under Austrian law. BAWAG is registered in the Commercial Register of the Commercial Court in Vienna under file number FN 107053g.

4. Litigation

Save as disclosed in this Offering Circular, neither BAWAG nor the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts which could, if determined adversely, have a material adverse affect on the financial position of BAWAG or the Group nor, so far as BAWAG and the Issuer is aware, is any such litigation or arbitration pending or threatened.

5. Clearing

The Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg and Clearstream Banking Frankfurt.

German Security Code (WKN): 860 096

ISIN: DE 000 860 0966

Common Code: 015049316

6. No material change

Save as described herein, there has been no material adverse change in the financial position or prospects of BAWAG or the Group since 31 December 2001 or, in the case of the Issuer, since the date of its incorporation on 21 May 2002.

7. Subsidiaries

A list of BAWAG's subsidiaries including BAWAG's holdings of subsidiaries as at 31 December 2001 is set out in the published consolidated audited financial statements of BAWAG for the year ended 31 December 2001.

8. Documents for inspection

For so long as the Preference Shares remain outstanding, copies of the following documents (together, if applicable, with an English translation thereof) will, upon request, be available during normal business hours free of charge at the registered offices of the Issuer and BAWAG and at the specified offices of the Paying and Transfer Agents shown on the back page of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the articles of association of BAWAG;
- (c) the consolidated audited accounts and the annual reports of BAWAG and its subsidiaries for the financial year ended 31 December 2001;
- (d) the Auditors' reports set out herein;
- (e) the consents and authorisations referred to in paragraph 2 above;
- (f) the Support Agreement; and
- (g) the Agency Agreement.

For so long as the Preference Shares are listed on Euronext Amsterdam and/or the Frankfurt Stock Exchange, the most recently published consolidated and non-consolidated audited annual financial statements and consolidated unaudited semi-annual interim financial statements of BAWAG, and the most recently published audited annual accounts and unaudited semi-annual interim financial statements of the Issuer, will also be available at the offices of the Paying and Transfer Agents, currently shown on the back page of this Offering Circular. BAWAG does not publish non-consolidated interim financial statements. The first annual accounts of the Issuer are expected to be prepared for the period commencing on 21 May 2002 and ending on 31 December 2002.

9. Auditors

KPMG Austria have audited the consolidated financial statements of BAWAG prepared in accordance with Austrian Generally Accepted Accounting Standards for the financial years ended 31 December 1999 and 31 December 2000 and in accordance with International Accounting Standards for the financial year ended 31 December 2001. The auditors expressed an unqualified opinion on the accounts of BAWAG for the financial year ended 31 December 1999; 31 December 2000 and 31 December 2001. KPMG Austria has given and not withdrawn its written consent to the issue of this Offering Circular with their report in the form and context in which it is included.

No accounts of the Issuer have yet been prepared or audited. KPMG Jersey have been appointed as auditors to the Issuer.

10. Forthcoming Change in Jersey Law

It is anticipated that, later this year, an amendment will be made to Article 114 of the Companies (Jersey) Law 1991 ("Article 114") which imposes restrictions on the making of distributions by Jersey Companies (including the payment of dividends). Article 114 currently provides that a Jersey company may make a distribution at any time (a) out of its realised profits less its realised losses or (b) out of its realised revenue profits less its revenue losses (whether realised or not) subject, in the case of (b) to the condition that, immediately after the distribution is made, the directors of the company reasonably believe (i) that the company must be able to discharge its liabilities as they fall due and (ii) that the value of its assets will not be less than the amount of its liabilities. The anticipated change to Article 114 is that limb (ii) of this condition will refer instead to the "realisable value" of the company's assets not being less than its liabilities. The term "value" is not defined for the purposes of Article 114 as it currently stands and the term "realisable value" will not be defined for the purposes of Article 114 as amended.

11. Notices

All notices to the Holders of Preference Shares will be given by the Issuer (i) so long as any Preference Share is listed on the Frankfurt Stock Exchange and the Frankfurt Stock Exchange so requires, by publication in a leading national German newspaper approved by the Frankfurt Stock Exchange (which is expected to be the *Börsen-Zeitung*), (ii) so long as any Preference Share is listed on Euronext Amsterdam and Euronext Amsterdam so requires, by publication in the Euronext Official Daily List (*Officiële Prijscourant*) of Euronext Amsterdam and in a daily newspaper of wide circulation in The Netherlands or, if such publication is not practicable, in a leading daily newspaper in English and having general circulation in Europe and (iii) by mail to Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg.

In accordance with their published rules and regulations, each of Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg will notify the holders of securities accounts with it to which any Preference Shares are credited of any such notices received by it.

ANNEX

Consolidated Financial Statements of BAWAG P.S.K. Group

Concluding Remarks of the Managing Board of BAWAG

The BAWAG Managing Board has prepared the Consolidated Financial Statements as at 31 December 2001 in accordance with the International Accounting Standards (IAS). These Consolidated Financial Statements qualify under the relevant legislation for exemption from the requirement to present Consolidated Financial Statements according to Austrian law and comply with the currently valid EU regulations.

The Consolidated Financial Statements and the Management Report contain all the information required, and particularly explain operations of special significance and other circumstances essential to the future development of the group.

Vienna, 12 March 2002

The Managing Board

Auditors' Report

We have audited the Consolidated Financial Statements prepared by Bank für Arbeit und Wirtschaft Aktiengesellschaft as at 31 December 2001 according to the provisions of the International Accounting Standards (IAS) – in future International Financial Reporting Standards (IFRS) – of the International Accounting Standards Committee (IASC) – in future International Accounting Standards Board (IASB) – which comprise the Balance Sheet as at 31 December 2001, the Profit and Loss Account, the Cash-flow Statement, the Statement of Changes in Equity and the Notes for the financial year from 1 January to 31 December 2001 as well as the statement of last year's figures. These consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We have conducted our audit in conformity with the International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statement presentation. It is sufficiently explained in the Notes (clause 25) why the Consolidated Financial Statements do not include any information on transactions with associated companies. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the **Consolidated Financial Statements** give a true and fair view in all material respects of the net worth and financial positions of the group as at 31 December 2001 and of the results of its operations and its cash flows for the financial year ended on 31 December 2001 in accordance with the International Accounting Standards (IAS).

Under Austrian law (§ 59 a of the Austrian Banking Act), an audit of the Consolidated Management Report has to be conducted and it has to be certified whether the legal requirements for the exemption from the preparation of consolidated accounts according to Austrian law are met.

We confirm that the Management Report is consistent with the Consolidated Financial Statements and that the legal requirements for exemption from the presentation of consolidated accounts according to Austrian law are met.

Vienna, 12 March 2002

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Robert Reiter DDr. Hans Zöchling
Wirtschaftsprüfer und Steuerberater

Consolidated financial statements according to International Accounting Standards (IAS)

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Auditor's Report

**Report of the Supervisory
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Executive Bodies

Note:

Any differences in the tables are due to rounded amounts.

Consolidated Balance Sheet as at 31. 12. 2001

Assets

| in EUR million | (Notes) | 31.12. 2001 | 31.12. 2000 | absolute change | change in % |
|--|---------|---------------|---------------|-----------------|-------------|
| Cash and balances with central banks | (2) | 1,022 | 543 | 479 | 88.2% |
| Loans and advances to banks | (3) | 5,391 | 5,041 | 350 | 6.9% |
| Loans and advances to customers | (3) | 25,347 | 24,409 | 938 | 3.8% |
| Risk provisions for loans and advances | (4) | - 688 | - 694 | 6 | 0.9% |
| Trading assets | (5) | 105 | 1,761 | - 1,656 | 94.0% |
| Other current financial assets | (6) | 10,916 | 10,330 | 586 | 5.7% |
| Financial investments | (7) | 3,757 | 2,991 | 766 | 25.6% |
| Intangible assets | (8) | 343 | 349 | - 6 | 1.7% |
| Tangible fixed assets | (8) | 443 | 479 | - 36 | 7.5% |
| Other assets | (9) | 1,306 | 526 | 780 | 148.3% |
| Total Assets | | 47,942 | 45,735 | 2,207 | 4.8% |

Liabilities

| in EUR million | (Notes) | 31.12. 2001 | 31.12. 2000 | absolute change | change in % |
|--|---------|---------------|---------------|-----------------|-------------|
| Amounts owed to banks | (10) | 7,030 | 7,051 | - 21 | 0.3% |
| Amounts owed to customers | (10) | 26,066 | 23,151 | 2,915 | 12.6% |
| Debts evidenced by certificates | (11) | 10,276 | 10,877 | - 601 | 5.5% |
| Provisions | (12) | 979 | 1,033 | - 54 | 5.2% |
| Other liabilities | (13) | 895 | 1,000 | - 105 | 10.5% |
| Subordinated and supplementary capital | (14) | 1,256 | 1,325 | - 69 | 5.2% |
| Minority interests | | 284 | 270 | 14 | 5.2% |
| Equity | | 1,156 | 1,028 | 128 | 12.5% |
| Total Liabilities | | 47,942 | 45,735 | 2,207 | 4.8% |

Consolidated Profit and Loss Account for the business year 2001

| in EUR million | (Notes) | 2001 | 2000 | absolute change | change in % |
|---------------------------------------|-------------|--------------|--------------|--------------------|----------------|
| Interest and similar income | | 2,453.4 | 1,291.0 | 1,162.4 | 90.0% |
| Interest and similar expense | | - 1,827.4 | - 889.3 | - 938.1 | 105.5% |
| Net interest income | (15) | 626.0 | 401.7 | 224.3 | 55.8% |
| Loan loss provisions | (16) | - 121.3 | - 75.4 | - 45.9 | 60.9% |
| Commission income | | 215.0 | 94.4 | 120.6 | 127.8% |
| Commission expense | | - 35.5 | - 11.1 | - 24.4 | 219.8% |
| Net commission income | (17) | 179.5 | 83.3 | 96.2 | 115.5% |
| Trading result | (18) | 33.6 | - 28.7 | 62.3 | 217.1% |
| Administrative expenses | (19) | - 578.8 | - 294.4 | - 284.4 | 96.6% |
| Other operating results | (20) | - 7.6 | 23.2 | - 30.8 | 132.8% |
| Extraordinary profit | | | | | |
| Profit for the year before tax | (21) | 131.4 | 109.7 | 21.7 | 19.8% |
| Taxes on income and revenue | | - 20.9 | - 22.7 | 1.8 | 7.9% |
| Profit for the year | | 110.5 | 87.0 | 23.5 | 27.0% |
| Minority interests | | - 20.5 | - 4.2 | - 16.3 | - |
| Group profit for the year | | 90.0 | 82.8 | 7.2 | 8.7% |

Statement of Changes in Equity

| in EUR million | subscribed capital | capital reserves | revenue reserves | total |
|--------------------------------------|--------------------|------------------|------------------|----------------|
| As at 1. 1. 2000 | 114.5 | 40.3 | 670.8 | 825.6 |
| Group profit | | | 82.9 | 82.9 |
| Dividend payment | | | - 13.7 | - 13.7 |
| Currency conversion | | | - 5.3 | - 5.3 |
| Change in the scope of consolidation | | | 136.2 | 136.2 |
| Capital increase | 10.5 | - 10.3 | - 0.2 | - |
| Other changes | | | 2.3 | 2,3 |
| As at 31. 12. 2000 | 125.0 | 30.0 | 873.0 | 1,028.0 |

| in EUR million | subscribed capital | capital reserves | revenue reserves | total |
|--------------------------------------|--------------------|------------------|------------------|----------------|
| As at 1. 1. 2001 | 125.0 | 30.0 | 873.0 | 1,028.0 |
| Group profit | | | 90.1 | 90.1 |
| Dividend payment | | | - 20.8 | - 20.8 |
| Currency conversion | | | - 3.9 | - 3.9 |
| Change in the scope of consolidation | | | 8.0 | 8.0 |
| Effects of IAS 39 | | | 54.3 | 54.3 |
| As at 31. 12. 2001 | 125.0 | 30.0 | 1,000.7 | 1,155.7 |

Cash-Flow Statement

| in EUR million | 2001 | 2000 |
|---|--------------|------------|
| I. Profit for the year (after tax, excl. minority interests) | 111 | 87 |
| <i>Non-cash items included in profit for the year, and adjustments to reconcile profit for the year to cash flows from operating activities</i> | | |
| a) Depreciation, value adjustments, revaluation | 193 | 136 |
| b) Changes in provisions for personnel cost and other provisions | 1 | 158 |
| c) Changes in other non-cash items | 18 | 22 |
| d) Gain and loss on the disposal of intangible assets, tangible fixed assets and financial investments | - 25 | - 20 |
| e) Other adjustments (net) | - 509 | - 354 |
| Subtotal | - 211 | 30 |
| <i>Changes in assets and liabilities from operating activities after adjustments for non-cash components</i> | | |
| a) Loans and advances to banks and customers | - 1,393 | - 345 |
| b) Trading assets | 1,107 | 2,389 |
| c) Other current financial assets | - 630 | - 1,850 |
| d) Other assets | - 105 | 13 |
| e) Amounts owed to banks and customers | 2,960 | 422 |
| f) Debts evidenced by certificates | - 513 | - 80 |
| g) Other liabilities | - 183 | - 43 |
| Interest and dividends received | 2,523 | 1,295 |
| Interest paid | - 2,182 | - 1,154 |
| Income tax payments | - 51 | - 22 |
| II. Cash-flow from operating activities | 1,321 | 653 |
| <i>Proceeds from the disposal of</i> | | |
| a) Financial investments | 1,566 | 847 |
| b) Tangible fixed assets and intangible assets | 10 | 2 |
| <i>Payments for the acquisition of</i> | | |
| a) Financial investments | - 2,192 | - 667 |
| b) Tangible fixed assets and intangible assets | - 65 | - 47 |
| <i>Acquisition of subsidiaries (minus acquired cash)</i> | - | - 518 |
| <i>Other changes and influences from the change in the scope of consolidation</i> | - 71 | - 15 |

| in EUR million | 2001 | 2000 |
|--|--------------|--------------|
| III. Cash-flow from investing activities | - 751 | - 397 |
| a) Dividend payments | - 21 | - 14 |
| b) Subordinated liabilities and other financing activities | - 69 | 123 |
| IV. Cash-flow from financing activities | - 90 | 109 |
| Cash holdings at the end of the previous period | 543 | 177 |
| Cash-flow from operating activities | 1,321 | 653 |
| Cash-flow from investing activities | - 751 | - 397 |
| Cash-flow from financing activities | - 90 | 109 |
| Cash holdings at the end of the period | 1,022 | 543 |

The cash-flow statement informs about the status and development of the group's cash flows. It shows the inflow and outflow of funds divided into operative business, investment activities, and financing activities. The cash holdings recorded include cash in hand and balances with central banks.

Notes

The Vienna-based Bank für Arbeit und Wirtschaft Aktiengesellschaft (BAWAG) has a share capital of 125,000,000 euros. The number of 1,575,000 individual share certificates remained unchanged in 2001.

The expected dividend for the business year 2001 paid on ordinary shares in the amount of the share capital is 12%, which is equivalent to a total of 15,000,000 euros.

1) Accounting and valuation methods

The consolidated financial statements of BAWAG for the financial year 2001 were prepared for the first time on the basis of the International Accounting Standards (IAS). In its reporting the group took account of all relevant obligatory standards and of the interpretations (SIC) of the International Financial Reporting Interpretation Committee (IFRIC).

Basing the financial statements on the provisions of the IAS required the preparation of benchmark figures for the reference period 2000. Since 1 January 2001, application of the principles of *IAS 39 "Financial instruments: Recognition and Measurement"* and *IAS 40 "Investment Properties"* has been obligatory. As the reference figures for 2000 were not adjusted to these two standards, the application of IAS 39 allows only a limited comparison of the two sets of financial statements.

The consolidated IAS statements of BAWAG are based on the consolidated enterprises' individual financial statements which are prepared uniformly in accordance with IAS.

Differences between IAS accounting and accounting on the basis of Austrian accounting principles are described under clause 38) "Legal basis of and comments on the applied accounting, valuation and consolidation methods deviating from Austrian law" .

Balance sheet assets denominated in foreign currencies were converted on the basis of the mean spot rate, forward exchange operations on the basis of the forward exchange rate as at the balance sheet date.

Scope of consolidation and consolidation methods

The group's consolidated financial statements include 62 fully consolidated subsidiaries. Following the principle of materiality, the relevant subsidiaries' balance sheet total (the share of non-consolidated companies in the aggregate balance sheet total of all affiliated companies is less than 2%) and their contribution to the overall result (the contribution of non-consolidated companies to the aggregate annual result of all affiliated companies is less than 1%) were used as criteria for the inclusion.

A comparison of the group's profit and loss account for 2001 with the respective last year's figures is possible only to a limited extent. Since P.S.K. was consolidated for the first time as at 1 December 2000, the consolidated profit and loss account 2000 only included the income and expenditure of P.S.K. and its subsidiaries for the month of December.

Pursuant to IAS 39, participating interests in non-consolidated companies were valued at cost, or in the case of liquid listed securities at fair value. The book value of our group's participating interests that were not measured at fair value amounts to 487 million euros.

Clause 33) "Selected associated companies" contains a list of all our fully consolidated subsidiaries.

Capital is included in the consolidated accounts applying the revaluation method at the value stated on the date of the first inclusion.

Goodwill was capitalised for all participating interests acquired after 1 January 1995. Goodwill from purchases effected before this date will be set off against profit reserves. Capitalised goodwill is reported in the balance sheet under the item "*Intangible assets*" and – depending on the impairment test – amortised on a straight-line basis over a period of 20 years against the item "*Other operating income*" affecting the operating results.

Foreign currency is converted as at the reporting date. Inter-company transactions are valued at rates in line with the market, which allows us to dispense with eliminating inter-company profit.

Recognition and measurement methods

Loans and advances

Loans and advances are entered into the balance sheet at nominal value including deferred interest and are shown with their gross value, i. e. before deducting value adjustments. Additionally purchased loans and advances, which pursuant to IAS 39.19 were assigned to the valuation category “available-for-sale”, are entered into the balance sheet at fair value. The fair value is usually determined by measuring the present value of the contractually agreed cash flow on the basis of a risk-adjusted rate of interest.

Risk provisions

Value adjustments comprise risk provisions for potential loan losses through individual value adjustments or lumped individual value adjustments on the basis of previous experiences. The value adjustments for losses on loans are openly deducted from loans and advances in the balance sheet. Provisions for off-balance-sheet loans are entered on the liabilities side as debit provisions.

In accordance with IAS 39.10 we differentiate between four categories (portfolios) of **financial instruments**. Our financial instruments were assigned to these categories as at 1 January 2001. Financial instruments are accounted for using the trade date:

a) Held for trading

This category includes financial assets held for trading purposes. Financial trading instruments are measured at their fair values, which are determined on the basis of stock exchange prices or market-related valuation prices. Pursuant to IAS 30.10 derivatives are always classified as financial trading instruments, unless they are designated as hedging transactions (see Hedge Accounting below).

Trading assets are only set off against trading liabilities (netting), if it is legally enforceable and if such netting is in line with the actually expected development of the transaction.

b) Available-for-sale

Assets of this category are not held for trading. According to the criteria of IAS 39, such assets include marketable securities and other financial assets without a final maturity or financial assets which do not involve payments that may be fixed in advance. Assets whose fair value could be reliably established, were entered into the balance sheet at fair value. Assets for which no stock prices existed were measured by internal prices based on acknowledged present value calculations or on suitable option price models.

The first valuation as at 1 January 2001 was made by offsetting these assets against our profit carried forward not affecting current results. The changes in book values recorded in 2001 and/or the following periods are recognised as revenue in the profit and loss account under the item "Other operating income".

c) Held-to-maturity

Held-to-maturity assets are intended for long-term use by the company. They are measured at amortised cost.

At each balance sheet date, the obtainable value of an asset is established (impairment test). If this value is below the latest relevant book value, the asset is devalued accordingly. In order to determine the obtainable value, the expected future surplus payments are discounted at the original interest rate of the relevant financial investment. If this level of impairment decreases in the following periods, the asset must be written up at most to the level of the amortised acquisition cost.

d) Originated loans and receivables

This category includes all financial assets which are originated through direct supply of money, goods or services to the debtor and are not intended to be resold. They are entered into the balance sheet at amortised cost and are reported under liabilities.

Hedge Accounting (reporting of hedging relationships)

Pursuant to IAS 39.10 hedging instruments (or hedging transactions) are derivatives whose fair value shows a negative correlation with the fair value of the underlying transaction and in this way partly or fully eliminates the risk from the underlying transaction.

In our 2001 financial statements, hedge accounting was exclusively used for instruments belonging to the item "Debts evidenced by certificates". This kind of protection strategy was mainly applied to interest rate risks, which are hedged through interest rate swaps (IRS), as well as to interest rate and currency risks, which are hedged through cross-currency swaps (in individual cases also through currency forwards). In some cases we also used caps or bond options. Equity risks are hedged through equity swaps.

In order to be classified as hedging-efficient the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged instrument must range between 80 to 125%. For all own issues hedged through IRS and/or CRS, the hedging efficiency is proven on a quarterly basis.

Internal deals were not taken into account as affecting the balance sheet nor as affecting the current results.

Intangible assets, tangible fixed assets

The item "Intangible assets" particularly includes acquired goodwill and capitalised projects pursuant to IAS 38.

Intangible assets and tangible fixed assets were reported at acquisition or production cost minus straight-line scheduled depreciation. Rates for depreciation of buildings range from 2.5% to 4%; the rates applied to other tangible fixed assets range from 5% to 20%, rates applied to acquired and self-constructed intangible assets (with the exception of goodwill) amount to 20%. Assets added in the first half of the financial year are depreciated at the full annual rate; those added in the second half of the year are depreciated at half the annual rate.

Property and buildings held as investment properties are valued at amortised acquisition cost (IAS 40).

Apart from reviewing the depreciation method and the relevant periods of use, we also examine the individual assets with respect to their impairment on each balance sheet date.

Leasing

In the case of finance leases, receivables from the lessees are reported at the present values of the contractually agreed instalments taking account of any possible residual values. Operating leases – where all rights and duties in connection to the leasing object remain with the BAWAG P.S.K. Group as the owner of the object – are reported under financial investments. The relevant leasing object is written off as required. The leasing instalments are recognised as revenue.

Taxes on income and deferred taxes

In accordance with IAS 12, taxes on income are calculated and reported pursuant to the balance-sheet oriented liability method. They are calculated according to the local tax rates, which may be expected at the time of settling the tax account with the competent tax authority.

Deferred tax assets and liabilities result from the difference between the valuations of the reported assets or liabilities and their respective tax valuations. This will presumably lead to future income tax increases or income tax reductions (temporary differences). Deferred tax assets for unused tax losses carried

forward are reported if it is likely that taxable profits will be generated for the same taxable object in the future. Deferred taxes are not discounted.

Tax expenses affecting the current results are stated under the item *“Taxes on income and revenue”* in the consolidated profit and loss account and are subdivided into current and deferred income taxes in the Notes. Other, not income-related taxes are stated under the item *“Other operating income”*.

Liabilities

Pursuant to IAS 39, financial liabilities, which are not held for trading purposes, are valued at amortised acquisition costs, i. e. they are entered at the amount repayable.

Provisions

Provisions for social capital (i. e. provisions for pension and severance payments as well as for anniversary bonuses) are calculated in accordance with IAS 19 with the projected unit credit method.

The present value of the entitlements existing on the valuation date is established on the basis of actuarial calculations taking account of an appropriate discount rate and anticipated incremental rates of active salary and pension payments and is entered as provision into the consolidated balance sheet.

The major parameter underlying the actuarial calculations are the following:

| | | |
|--|----------------------|--------------------------|
| for pension payments: | discount rate: | 5% p. a. |
| | pension progression: | 2% p. a. |
| <hr/> | | |
| for severance payments and anniversary bonuses: | discount rate | 5% p. a. |
| | salary progression | 4,5% p. a. |
| | retirement age | 62 (men) 57 (women) * |

* taking account of the transitional provisions for women under the Austrian General Social Insurance Act (ASVG)

The calculations of the social capital provisions are based on the generational mortality tables *“AVÖ 1999-P-Rechnungsgrundlagen für die Pensionsversicherung (Calculation Bases for Pension Insurance)”* by Pagler & Pagler published in 1999.

Part of the pension entitlements of our employees are covered by Allianz Pensionskasse AG and APK Allgemeinen Pensionskasse AG. Payments to the pen-

sion fund are recognised as expenses for the current period, any further obligations do not exist.

The retirement benefit schemes of the BAWAG P.S.K. Group, which due to performance-related commitments are fully financed out of provisions, are mostly used for pension entitlements and potential pension entitlements of employees of the mother company, BAWAG, and employees of P.S.K. AG.

Other provisions for contingent liabilities to third parties are formed in the amount of the expected availment.

2) Cash and balances with central banks

Information on the Consolidated Balance Sheet

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|--------------|-------------|
| Cash in hand | 477 | 449 |
| Balances with central banks | 545 | 94 |
| Cash and balances with central banks | 1,022 | 543 |

3) Loans and advances to banks and customers

Breakdown by remaining maturities

| in EUR million | repayable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|----------------------------------|---------------------|----------------|--------------------|-------------|-------------------|--------------|
| Loans and advances to banks 2001 | 1,686 | 1,483 | 1,037 | 843 | 342 | 5,391 |
| Loans and advances to banks 2000 | 1,065 | 1,228 | 687 | 1,379 | 682 | 5,041 |

| in EUR million | repayable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|--------------------------------------|---------------------|----------------|--------------------|-------------|-------------------|---------------|
| Loans and advances to customers 2001 | 3,718 | 1,951 | 2,918 | 7,676 | 9,084 | 25,347 |
| Loans and advances to customers 2000 | 3,353 | 2,797 | 3,097 | 6,309 | 8,853 | 24,409 |

Loans and advances to banks by regional aspects

| in EUR million | 31.12. 2001 | | 31.12. 2000 | |
|------------------------------------|--------------|-----------------------|--------------|-----------------------|
| Austria | 693 | | 2,273 | |
| | | thereof guaranteed | | thereof guaranteed |
| International | 4,698 | 325 | 2,768 | 241 |
| Western Europe | 3,840 | – | 2,011 | – |
| Central and Eastern Europe | 403 | 241 | 382 | 241 |
| North America | 192 | – | 158 | – |
| Latin America | 10 | – | 10 | – |
| Other | 253 | 84 | 207 | – |
| Loans and advances to banks | 5,391 | | 5,041 | |

The assignment to the individual geographic regions is made according to the seat of the relevant transaction partner.

Loans and advances to customers by regional aspects

| in EUR million | 31.12. 2001 | | 31.12. 2000 | |
|--|---------------|-----------------------|---------------|-----------------------|
| Austria | 21.707 | | 20.652 | |
| | | thereof guaranteed | | thereof guaranteed |
| International | 3,640 | 132 | 3,757 | 128 |
| Western Europe | 2,631 | 58 | 2,934 | – |
| Central and Eastern Europe | 387 | 8 | 314 | 51 |
| North America | 412 | – | 289 | 7 |
| Latin America | 32 | – | 48 | – |
| Other | 178 | 66 | 172 | 70 |
| Loans and advances to customers | 25,347 | | 24,409 | |

Loans and advances to domestic customers account for 86% of the overall loans and advances, which illustrates that our group's lending business is clearly focused on the Austrian market.

Loans and advances to banks by type of loan

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|------------------------------------|--------------|--------------|
| Demand deposits | 1,686 | 1,065 |
| Time deposits | 2,879 | 3,134 |
| Lendings | 816 | 838 |
| Other | 10 | 4 |
| Loans and advances to banks | 5,391 | 5,041 |

The shifts between the items “Demand deposits” and “Time deposits”, which were short-term deposits last year too, are due to processing reasons.

Loans and advances to customers by type of loan

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|---------------|---------------|
| Giro business | 2,683 | 2,279 |
| Cash advances | 2,526 | 2,427 |
| Loans | 18,949 | 18,560 |
| One-off loans | 18,083 | 17,631 |
| Advances on current accounts | 843 | 844 |
| Other | 23 | 85 |
| Other | 1,189 | 1,143 |
| Loans and advances to customers | 25,347 | 24,409 |

The item “Other” mainly includes loans and advances from leasing activities.

Loans and advances to customers by sectors

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|---------------|---------------|
| Public sector | 6,020 | 6,350 |
| Guaranteed by public sector | 2,412 | 2,128 |
| Enterprises | 12,870 | 12,118 |
| Private customers | 4,045 | 3,813 |
| Loans and advances to customers | 25,347 | 24,409 |

4) Risk provisions

Development of risk provisions

| in EUR million | individual credit risks | lumped individual risks | country risks | TOTAL |
|-----------------------------|-------------------------|-------------------------|---------------|------------|
| as at 1. 1. 2001 | 544 | 123 | 27 | 694 |
| Additions | | | | |
| provisions formed via P&L | 146 | 18 | 2 | 166 |
| Disposals | | | | |
| earmarked use | - 99 | - 5 | - 11 | - 115 |
| provisions released via P&L | - 36 | - 16 | - 5 | - 57 |
| | - 135 | - 21 | - 16 | - 172 |
| as at 31.12. 2001 | 555 | 120 | 13 | 688 |

Breakdown of risk provisions

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---------------------------------|-------------|-------------|
| Loans and advances to banks | 11 | 27 |
| Loans and advances to customers | 645 | 631 |
| Other assets | 32 | 36 |
| Risk provisions | 688 | 694 |

Risk provisions by countries

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|----------------------------|-------------|-------------|
| Austria | 529 | 546 |
| International | 159 | 148 |
| Western Europe | 136 | 120 |
| Central and Eastern Europe | 14 | 26 |
| Latin America | 7 | 1 |
| Other | 2 | 1 |
| Risk provisions | 688 | 694 |

5) Trading assets

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|-------------|--------------|
| Debt securities and other fixed-income securities | 52 | 1,103 |
| Debt securities of public authorities | 24 | 308 |
| Debt securities of other public issuers | – | 6 |
| Debt securities of other issuers | 28 | 789 |
| of which own issues | 2 | 26 |
| Shares and other variable-yield securities | 1 | 1 |
| Shares | 1 | – |
| Investment certificates | – | 1 |
| Positive fair value from derivative financial instruments | 51 | 601 |
| Currency derivatives | 4 | 155 |
| Interest rate derivatives | 47 | 446 |
| Other trading assets | 1 | 56 |
| Trading assets | 105 | 1,761 |

In 2000, both BAWAG and P.S.K. maintained their own trading books. In the year under review, the trading books were merged as defined by BAWAG, and the other items were transferred to the banking book.

6) Other current financial assets

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|---------------|---------------|
| Debt securities and other fixed-income securities | 8,603 | 8,819 |
| Debt securities of public authorities | 834 | 1,565 |
| Debt securities of other public issuers | 389 | 788 |
| Debt securities of other issuers | 7,380 | 6,466 |
| of which own issues | 126 | 317 |
| Shares and other variable-yield securities | 2,313 | 1,511 |
| Shares | 77 | 57 |
| Investment certificates | 2,118 | 1,355 |
| Other | 118 | 99 |
| Other current financial assets | 10,916 | 10,330 |

As a result of the first valuation based on IAS 39, the shares and other variable-yield securities in the amount of 518 million euros, which were reported under “Financial investments” in 2000, were transferred to the group’s current assets.

7) Financial investments

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|--------------|--------------|
| Debt securities and other fixed-income securities | 2,920 | 1,652 |
| Debt securities of public authorities | 1,845 | 1,052 |
| Debt securities of other public issuers | 354 | 102 |
| Debt securities of other issuers | 721 | 498 |
| of which own issues | – | 30 |
| Shares and other variable-yield securities | | 518 |
| Shares | – | 9 |
| Investment certificates | – | 483 |
| Other | – | 26 |
| Participating interests | 418 | 436 |
| Shares in affiliated companies | 76 | 92 |
| Leased property and buildings | 343 | 293 |
| Financial investments | 3,757 | 2,991 |

In the context of the first-time application of IAS 39, we reorganised our current assets and our fixed assets in accordance with the intended retention period and with the definitions of IAS 39. The addition in leased properties and buildings mainly derives from the increase in the number of consolidated companies, which now also include all subsidiaries of BAWAG P.S.K. Immobilien AG.

Premiums on securities belonging to the group’s fixed financial assets are depreciated over their economic life, expenses are reported under “Net interest income”.

Development of financial investments

| in EUR million | book value as at 31.12.00 | acquisition cost as at 1. 1.01 | change in scope of consolidation | additions incl. book transfers depreciation | disposals incl. book transfers | cumulated tax | book value as at 31.12.01 | write ups and write downs business year |
|--|---------------------------------|--------------------------------------|--|---|-----------------------------------|------------------|---------------------------------|---|
| Financial Investments | 2,986 | 3,184 | 59 | 2,845 | - 2,232 | 175 | 3,680 | - 26 |
| Debt securities and other fixed-income securities | 1,648 | 1,676 | - | 2,760 | - 1,563 | 29 | 2,844 | - 16 |
| Shares and other variable yield securities | 517 | 584 | - | - | - 584 | - | - | - |
| Participating interests in associated companies | 177 | 177 | 1 | 5 | - 7 | 1 | 175 | - |
| Other participating interests | 259 | 278 | - | 26 | - 35 | 26 | 242 | - 6 |
| Shares in affiliated companies | 92 | 105 | - 11 | 32 | - 35 | 15 | 76 | 5 |
| Leased property and buildings | 293 | 364 | 69 | 22 | - 8 | 104 | 343 | - 9 |

The additions and disposals of securities are a result of the reclassifications made in the context of the first valuation according to IAS 39. Debt securities and other fixed-income securities do not include interest deferral and may thus not be compared with the balance sheet value.

8) Intangible assets and tangible fixed assets

| in EUR million | book value as at 31.12.00 | acquisition cost as at 1.1.01 | change in scope of consolidation | additions incl. book transfers depreciation | disposals incl. book transfers | cumulated tax | book value as at 31.12.01 | write ups and write downs business year |
|---|---------------------------|-------------------------------|----------------------------------|---|--------------------------------|---------------|---------------------------|---|
| Intangible assets | 349 | 374 | 4 | 15 | - 4 | 46 | 343 | - 25 |
| Goodwill | 345 | 346 | 4 | - | - 4 | 19 | 328 | - 22* |
| Acquired | 4 | 28 | - | 1 | - | 26 | 3 | - 2 |
| Self-constructed | - | - | - | 14 | - | 1 | 12 | - 1 |
| Tangible fixed assets | 479 | 925 | 16 | 29 | - 48 | 479 | 443 | - 59 |
| Land and buildings used to conduct business | 244 | 312 | - 13 | - 5 | - 10 | 60 | 223 | - 6 |
| Other land and buildings | 69 | 91 | 6 | - 3 | - 2 | 25 | 68 | - 3 |
| Office furniture and equipment | 166 | 522 | 23 | 37 | - 36 | 394 | 152 | - 50 |

*) thereof 3.6 billion euros due to impairment tests

9) Other assets

| in EUR million | 31.12.2001 | 31.12.2000 |
|---------------------------------------|--------------|------------|
| Tax assets | 25 | 132 |
| Other assets from insurance companies | 53 | 39 |
| Prepayments and accrued income | 55 | 60 |
| Other assets | 356 | 295 |
| Positive fair value from derivatives | 816 | - |
| Other assets | 1,306 | 526 |

The recognition of the positive fair values of derivatives is a result of the first-time application of IAS 39.

The group's deferred tax assets break down as follows:

Balance of deferred tax assets

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---------------------------------------|-------------|-------------|
| Loans and advances to banks/customers | – | 17 |
| Financial investments | 1 | 3 |
| Current financial assets | 6 | – |
| Provisions | – | 51 |
| Losses carried forward | 10 | 9 |
| Deferred tax assets | 17 | 80 |
| Tangible fixed assets | – | 3 |
| Deferred tax liabilities | – | 3 |
| Net deferred tax assets | 17 | 77 |

Deferred tax assets from and liabilities to the same local tax authority are netted out for each taxable entity and are stated under "Other assets" or "Provisions for deferred taxes".

10) Amounts owed to banks and customers

Breakdown by remaining maturities

| in EUR million | payable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|----------------------------|-------------------|----------------|--------------------|-------------|-------------------|--------------|
| Amounts owed to banks 2001 | 1,974 | 3,452 | 1,041 | 52 | 511 | 7,030 |
| Amounts owed to banks 2000 | 1,521 | 3,120 | 1,681 | 1 | 728 | 7,051 |

| in EUR million | payable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|--------------------------------|-------------------|----------------|--------------------|-------------|-------------------|---------------|
| Amounts owed to customers 2001 | 4,886 | 5,316 | 2,335 | 5,233 | 8,296 | 26,066 |
| Amounts owed to customers 2000 | 5,025 | 3,603 | 4,345 | 5,549 | 4,629 | 23,151 |

In 2001, savings deposits payable on demand were uniformly reported by their average holding period.

Amounts owed to banks by regional aspects

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|------------------------------|--------------|--------------|
| Austria | 1,868 | 1,877 |
| International | 5,162 | 5,174 |
| Western Europe | 3,368 | 4,242 |
| Central and Eastern Europe | 299 | 352 |
| North America | 1,103 | 338 |
| Latin America | 45 | 0 |
| Other | 347 | 242 |
| Amounts owed to banks | 7,030 | 7,051 |

The assignment to the individual geographic regions is made according to the seat of the relevant Counterparty.

Amounts owed to customers by regional aspects

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|----------------------------------|---------------|---------------|
| Austria | 25,032 | 22,273 |
| International | 1,034 | 878 |
| Western Europe | 665 | 496 |
| Central and Eastern Europe | 150 | 149 |
| North America | 30 | 27 |
| Latin America | 22 | 31 |
| Other | 167 | 175 |
| Amounts owed to customers | 26,066 | 23,151 |

Amounts owed to customers by sectors

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|----------------------------------|---------------|---------------|
| Savings deposits | 16,337 | 15,128 |
| Other deposits | 9,729 | 8,023 |
| Public authorities | 2,183 | 1,493 |
| Enterprises | 4,928 | 4,051 |
| Private customers | 2,618 | 2,479 |
| Amounts owed to customers | 26,066 | 23,151 |

11) Debts evidenced by certificates

Breakdown by remaining maturities

| in EUR million | payable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|--------------------------------------|-------------------|----------------|--------------------|-------------|-------------------|--------------|
| Debt securities in issue 2001 | | 21 | 1,178 | 3,417 | 3,626 | 8,242 |
| Debt securities in issue 2000 | | 375 | 796 | 3,770 | 3,802 | 8,743 |

| in EUR million | payable on demand | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|--|-------------------|----------------|--------------------|-------------|-------------------|--------------|
| Other debt evidenced by certificates 2001 | | 73 | 424 | 708 | 829 | 2,034 |
| Other debt evidenced by certificates 2000 | | 176 | 266 | 694 | 998 | 2,134 |

The item “Debt securities in issue” refers to issues listed on the stock exchange. The item “Other debt evidenced by securities” contains cash bonds and private placements not listed on the stock exchange.

12) Provisions

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|-----------------------------|-------------|--------------|
| Severance payments | 77 | 68 |
| Pensions | 185 | 186 |
| Anniversary bonus | 17 | 16 |
| Provisions for taxes | 89 | 119 |
| thereof for current taxes | 16 | 43 |
| thereof for deferred taxes | 73 | 76 |
| Other provisions | 611 | 644 |
| Provisions | 979 | 1,033 |

The item “Other provisions” includes actuarial provisions in the amount of 480 million euros (2000: 421 million euros).

Development of social capital

| in EUR million | provisions for pensions | provisions for severance payments | provisions for anniversary bonuses | total social capital provisions |
|--|-------------------------|-----------------------------------|------------------------------------|---------------------------------|
| Present value of acquired entitlements as at 1. 1. 2001 | 186 | 68 | 16 | 270 |
| Change in scope of consolidation | - | - | - | - |
| Service cost | 4 | 6 | 1 | 11 |
| Interest cost | 9 | 3 | 1 | 13 |
| New commitments | - | - | - | - |
| Transfer of payments to social insurance (ASVG) | - 10 | - 4 | - 1 | - 15 |
| Actuarial result as at 31.12. 2001 | - 4 | 4 | - | - |
| Provisions as at (present value of acquired entitlements) | 185 | 77 | 17 | 279 |

| in EUR million | provisions for pensions | provisions for severance payments | provisions for anniversary bonuses | total social capital provisions |
|--|-------------------------|-----------------------------------|------------------------------------|---------------------------------|
| Present value of acquired entitlements as at 1. 1. 2000 | 174 | 54 | 9 | 237 |
| Change in scope of consolidation | 17 | 18 | 5 | 40 |
| Service cost | 3 | 5 | 1 | 9 |
| Interest cost | 10 | 3 | 1 | 14 |
| New commitments | 3 | - | - | 3 |
| Transfer of payments to social insurance (ASVG) | - 7 | - 9 | - 1 | - 17 |
| Actuarial result as at 31.12. 2000 | - 14 | - 2 | - | - 16 |
| Provisions as at (present value of acquired entitlements) | 186 | 68 | 16 | 270 |

Development of provisions

| in EUR million | as at 1. 1. 2001 | change in scope of consolidation | allocation | use | release | as at 31.12. 2001 |
|---|---------------------|--|------------|-------------|-------------|----------------------|
| Provisions for taxes | 119 | 19 | 22 | - 37 | - 34 | 89 |
| Current taxes | 43 | 2 | 10 | - 33 | - 6 | 16 |
| Deferred taxes | 76 | 17 | 12 | - 4 | - 28 | 73 |
| Other provisions | 644 | - 1 | 103 | - 97 | - 39 | 611 |
| Provisions for possible loss from pending transactions | 5 | - | - | - | - 5 | - |
| Actuarial provisions | 421 | - | 59 | - | - | 480 |
| Other provisions | 217 | - 1 | 45 | - 97 | - 34 | 131 |

The provision for the valuation of derivatives formed in the previous years and reported under the item "Other provisions" was used up due to the fair-value method applied under IAS 39.

Balance of deferred tax liabilities

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---------------------------------------|-------------|-------------|
| Loans and advances to banks/customers | 17 | - |
| Financial investments | 4 | 2 |
| Provisions | 36 | 5 |
| Loss carried forward | 14 | - |
| Other | 2 | - |
| Deferred tax assets | 73 | 7 |
| Self-constructed intangible assets | 4 | - |
| Loans and advances to banks/customers | 16 | - |
| Trading assets / liabilities | 4 | 4 |
| Financial investments | 32 | 17 |
| Current financial assets | 18 | - |
| Tangible fixed assets | 69 | 61 |
| Other | 3 | 1 |
| Deferred tax liabilities | 146 | 83 |
| Net deferred tax liabilities | - 73 | - 76 |

The sum total of all temporary differences for which pursuant to IAS 12.39 no deferred tax liabilities were reported amounts to 177 million euros.

13) Other liabilities

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|-------------|-------------|
| Other liabilities | 183 | 392 |
| Other liabilities from insurance companies | 15 | 15 |
| Trading liabilities | 60 | 478 |
| Currency debt | 2 | 22 |
| Interest payable | 58 | 456 |
| Negative fair value from derivatives | 588 | |
| Prepayments and accrued income | 49 | 115 |
| Other liabilities | 895 | 999 |

The recognition of the negative fair value of banking book derivatives results from the first-time application of IAS 39.

14) Subordinated and supplementary capital

Breakdown by remaining maturities

| in EUR million | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|----------------------------------|-------------------|-----------------------|----------------|----------------------|------------|
| Subordinated capital 2001 | – | 6 | – | 771 | 777 |
| Subordinated capital 2000 | – | 5 | – | 761 | 766 |

| in EUR million | up to 3 months | 3 months to 1 year | 1 – 5 years | more than 5 years | total |
|---------------------------------------|-------------------|-----------------------|----------------|----------------------|------------|
| Supplementary capital 2001 | 39 | 58 | 110 | 272 | 479 |
| Supplementary capital 2000 | 27 | 131 | 199 | 202 | 559 |

Information on the Consolidated Profit and Loss Account

Owing to the fact that P.S.K. and its subsidiaries were first consolidated as at 1 December 2000, last year's figures only allow a limited comparison with the group's 2001 statements. In order to enhance the comparability, we provided the figures of a pro-forma consolidation of P.S.K. for the whole year 2000 as additional information. It must, however, be taken into account that the profit and loss account only includes P.S.K.'s earnings but not the refinancing cost of about 50 million euros.

15) Net interest income

| in EUR million | 2001 | 2000 | full year 2000 |
|---|------------------|----------------|------------------|
| Interest income from loans and advances to banks | 393.7 | 143.5 | 400.9 |
| Interest income from loans and advances to customers | 1,217.7 | 815.4 | 1,256.9 |
| Interest income from fixed-income securities | 670.9 | 221.8 | 511.8 |
| Current income from shares and variable-yield securities | 52.3 | 41.8 | 43.6 |
| Current income from participating interests | 17.2 | 12.5 | 13.1 |
| Current income from participating interests in associated companies | 10.3 | 7.8 | 7.8 |
| Current income from shares in affiliated companies | 9.6 | 19.2 | 19.2 |
| Current income from leasing operations | 81.7 | 29.0 | 30.2 |
| Interest and similar income | 2,453.4 | 1,291.0 | 2,283.4 |
| Interest expenses for amounts owed to banks | - 341.2 | - 199.7 | - 322.7 |
| Interest expenses for amounts owed to customers | - 747.0 | - 469.0 | - 668.8 |
| Interest expenses for debts evidenced by certificates | - 673.7 | - 184.3 | - 560.1 |
| Interest expenses for subordinated/supplementary capital | - 65.5 | - 35.0 | - 41.8 |
| Other expenses for leasing operations | - | - 1.3 | - 1.3 |
| Interest and similar expenses | - 1,827.4 | - 889.3 | - 1,594.6 |
| Net interest income | 626.0 | 401.7 | 688.8 |

Interest and similar income is reported on an accrual basis as long as their collectibility is taken as granted. Interest income also includes the depreciation of the premium on investment securities as it accrues. The net interest income includes 24.0 million euros from the lease of properties and buildings to third parties.

16) Loan loss provisions

| in EUR million | 2001 | 2000 | full year 2000 |
|---|----------------|---------------|----------------|
| Direct write-offs of and value adjustments for loans and advances to banks and customers | - 194.1 | - 90.9 | - 118.9 |
| Released value adjustments for loans and advances to banks/customers | 57.0 | 30.8 | 43.7 |
| Amounts received against loans and advances written off | 0.3 | 0.4 | 0.5 |
| Risk provisions for loan losses reflected in the balance sheet affecting the current-period result | - 136.8 | - 59.7 | - 74.6 |
| Provisions allocated to contingencies and credit risks | - 1.2 | - 15.7 | - 17.5 |
| Provisions released for contingencies and credit risks | 16.7 | - | 2.8 |
| Provisions for off-balance sheet loan losses affecting the current-period result | 15.5 | - 15.7 | - 14.8 |
| Loan loss provisions | - 121.3 | - 75.4 | - 89.4 |

17) Net commission income

| in EUR million | 2001 | 2000 | full year 2000 |
|---------------------------------------|--------------|-------------|----------------|
| Payment transactions | 138.4 | 42.0 | 120.1 |
| Lending business | 5.7 | 9.8 | 14.3 |
| Securities and custody business | 9.0 | 16.0 | 17.7 |
| International/forex/currency business | 14.0 | 6.9 | 13.1 |
| Other services | 12.4 | 8.6 | 13.4 |
| Net commission income | 179.5 | 83.3 | 178.6 |

The item "Net commission income" includes all income and expenses from the group's service transactions, such as agency fees for new loan accommodations.

18) Trading result

| in EUR million | 2001 | 2000 | full year 2000 |
|------------------------------------|-------------|---------------|----------------|
| Equity-related transactions | - 0.7 | 1.2 | 1.2 |
| Interest-rate-related transactions | 22.0 | - 4.0 | - 12.1 |
| Currency-related transactions | 12.3 | - 26.5 | - 2.3 |
| Other transactions | - | 0.6 | 0.6 |
| Trading result | 33.6 | - 28.7 | - 12.6 |

Apart from realised and unrealised net results from the assessment at fair value, the trading result also contains the dividend income from the shares of the trading portfolio and the interest accrued on the other trading assets.

19) Administrative expenses

| in EUR million | 2001 | 2000 | full year 2000 |
|---|----------------|----------------|----------------|
| Wages and salaries | - 184.7 | - 133.7 | - 203.1 |
| Expenses for statutory social security contributions | - 52.1 | - 31.4 | - 50.3 |
| Voluntary employee benefits | - 5.8 | - 3.0 | - 5.9 |
| Expenses for retirement benefits | - 16.4 | - 8.2 | - 8.6 |
| Allocation to/release of pension provisions | 1.1 | 0.6 | - 0.9 |
| Allocation to/release of severance payment provisions | - 9.4 | 3.1 | 2.0 |
| Allocation to/release of anniversary bonus provisions | - 1.5 | - 0.4 | - 0.5 |
| Staff costs | - 268.8 | - 173.0 | - 267.3 |
| Other administrative expenses | - 238.2 | - 83.7 | - 251.9 |
| Depreciation on tangible fixed assets, intangible assets and investment properties | - 71.8 | - 37.7 | - 65.9 |
| Administrative expenses | - 578.8 | - 294.4 | - 585.2 |

In 2001, the group capitalised administrative expenses in the amount of 14 million euros as project cost.

The amortisation of goodwill reported under intangible assets is included in the item "Other operating results".

20) Other operating results

| in EUR million | 2001 | 2000 |
|--|--------------|-------------|
| Other operating income | 58.3 | 60.9 |
| Other operating expenses | - 17.9 | - 44.7 |
| Amortisation of goodwill | - 22.0 | - 18.7 |
| Income from other current financial assets | - 45.8 | 6.1 |
| Income from financial investments | 7.6 | 16.8 |
| Profit from insurance business | 12.2 | 2.8 |
| Other operating results | - 7.6 | 23.2 |

The categories "Other operating income" and "Other operating expenses" include items which do not belong to any other income or expense categories.

In 2001, "Other operating expenses" include expenses for leased property and buildings in the amount of 4.2 million euros.

The results from the group's foreign currency valuations amount to 3.8 million euros in the year under review.

In 2000, impairment tests led to the amortisation of goodwill equivalent to 16.4 million euros. In 2001, the impairment test resulted in an amortisation of 3.6 million euros, which was assigned to the "Key Account" segment.

Profit from insurance business

| in EUR million | 2001 | 2000 |
|--|---------------|---------------|
| Earned net premiums | 88.9 | 70.9 |
| Income from capital investments | 22.9 | 26.8 |
| Other income | 0.5 | 0.2 |
| Aggregated income | 112.3 | 97.9 |
| Expenses for events insured against | - 45.0 | - 25.7 |
| Change in actuarial net provisions | - 43.0 | - 47.5 |
| Expenses for the insurance business | - 7.8 | - 6.8 |
| Expenses for capital investments | - 0.1 | - 2.6 |
| Other expenses | - 1.9 | - 0.9 |
| Aggregated expenses | - 97.8 | - 83.5 |
| Profit before allocation to refund of premium | 14.5 | 14.4 |
| Expenses for refund of premium | - 2.3 | - 11.6 |
| Profit from insurance business | 12.2 | 2.8 |

21) Taxes on income and revenue

| in EUR million | 2001 | 2000 |
|-----------------------------|---------------|---------------|
| Current income tax expense | - 13.9 | - 20.3 |
| Deferred income tax expense | - 7.0 | - 2.4 |
| Taxes on income | - 20.9 | - 22.7 |

The following transition statement shows the relation between the calculated and the reported tax expenses:

| in EUR million | 2001 | 2000 |
|--|-------------|-------------|
| Profit for the year before tax | 131.4 | 109.7 |
| Calculated tax expense (34%) | 44.7 | 37.3 |
| Tax savings due to tax-exempt income from participations | - 24.7 | - 10.4 |
| Tax savings due to other tax-exempt income | - 2.3 | - 5.0 |
| Tax savings due to preferential treatment of investments | - 0.6 | - 2.9 |
| Tax savings due to creditable foreign withholding taxes | - 0.7 | - 0.4 |
| Tax savings due to differences in foreign tax rates | - 0.5 | - 2.8 |
| Tax savings from shares in the profit of partnerships | 0.1 | - 2.7 |
| Tax from non-deductible expenses | 2.9 | 7.7 |
| Other tax effects | 5.1 | 13.3 |
| Tax expense not attributable to the reporting period | - 3.2 | - 11.4 |
| Reported income tax expense | 20.9 | 22.7 |

The assets include deferred taxes due to capitalised benefits from still unused tax losses carried forward in the amount of 23.1 million euros. The major part of the losses carried forward may be carried forward for an unlimited period of time. The untaxed part of the liability provision amounts to 308.8 million euros.

The aggregate amount of actual and deferred taxes directly debited to the group's equity is equivalent to 34.6 million euros.

Further information pursuant to IAS

22) Fair Value

The following table shows the fair values of the individual balance sheet items. The fair value indicates the amount or price at which financial instruments could have been traded between knowledgeable, willing parties in an arm's length transaction at the balance sheet date. To the extent prices of stock markets or other functioning markets were available, the relevant assets or liabilities were stated at these prices. The other financial instruments were reported on the basis of internal valuation models, especially the present value method.

Investment properties were valued by independent external experts.

For fixed-rate loans and advances extended to or amounts owed to banks and customers with a remaining maturity or ongoing interest-rate adjustment of less than a year the fair value was equated with the carrying value.

Participating interests are valued on the basis of expert opinions. Listed participating interests which are liquid securities are already included in the fair value of the financial investments at their pro rata share in the stock market value as at the balance sheet date.

Fair values of balance sheet items

| in EUR million | book value 31.12. 2001 | fair value 31.12. 2001 | book value 31.12. 2000 | fair value 31.12. 2000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Assets | | | | |
| Loans and advances to banks | 5,391 | 5,422 | 5,041 | 5,057 |
| Loans and advances to customers | 25,347 | 25,851 | 24,409 | 24,460 |
| thereof additionally purchased loans & advances | 307 | 320 | | |
| Other current financial assets | 10,916 | 10,916 | 10,330 | 10,393 |
| Related derivatives | - | - 64 | - | - 32 |
| Financial investments | 3,757 | 3,802 | 2,991 | 2,998 |
| thereof investment properties | 343 | 363 | 293 | 323 |
| | 45,411 | 45,991 | 42,771 | 42,908 |
| Liabilities | | | | |
| Amounts owed to banks | 7,030 | 7,037 | 7,051 | 7,053 |
| Amounts owed to customers | 26,066 | 26,086 | 23,151 | 23,129 |
| Debts evidenced by certificates | 10,276 | 10,678 | 10,877 | 10,864 |
| Related derivatives | - | - 327 | - | - 186 |
| Subordinated and Supplementary Capital | 1,256 | 1,320 | 1,325 | 1,142 |
| | 44,628 | 45,121 | 42,404 | 42,188 |

The figures do not include derivatives which may not be directly assigned to any balance sheet item and which were stated under "Other assets" or "Other liabilities".

Fair values of financial instruments

| in EUR million | book value 31.12. 2001 | fair value 31.12. 2001 |
|----------------------------------|---------------------------|---------------------------|
| Held to maturity | 2,920 | 2,945 |
| Available for sale | 11,473 | 11,473 |
| Trading | 858 | 858 |
| Originated loans and receivables | 30,431 | 30,953 |
| | 45,682 | 46,229 |

23) Segmental reporting

Segmental reporting pursuant to IAS 14 includes a **primary** subdivision by business segments and a **secondary** subdivision by regions.

In the context of segmental reporting, the following business segments have been defined:

- a) The private and corporate customers segment includes the retail business via the branch offices, the post offices, the mobile distribution network and e-banking. Customers consist of salaried employees and small and medium-sized enterprises.
- b) The key accounts segment comprises the public sector, institutional customers such as social insurance institutions, and large national and international business customers.
- c) The financial markets segment consists of the group's treasury activities, particularly the results of the banking book and the issuing activities.
- d) The real estate and leasing segment includes the results of the relevant subsidiaries and the funding of real estate projects through loans.
- e) The segment "Other" includes earnings from participating interests not belonging to the group's core business as well as consolidation-related reconciliations and atypical results.

The net interest income is distributed on the basis of the market interest rate method. The costs are allocated to the relevant segments according to source.

The results of the individual business segments is compared with the respective segment's net profit for the year before taxes. The return on equity is calculated from the ratio of net profit for the year before taxes to equity.

The capital is allocated according to regulatory criteria in proportion to the own funds required by the individual business segments and is stated as equity investment income under the net interest income at the relevant reference interest rate for long-term investments.

The cost/income ratio is calculated by dividing administrative expenses by the sum total of net interest income, net commission income and trading result. Due to the group's new organisational structure, which entered into force on 1 July 2001, the figures of 2000 will not be stated.

Breakdown by business segments 2001

| in EUR million | Private and Corporate Customers | Key Accounts | Financial Markets | Real Estate and Leasing | Miscellaneous | BAWAG-Group |
|--|---------------------------------|--------------|-------------------|-------------------------|---------------|-------------|
| Net interest income | 382.1 | 119.2 | 80.1 | 46.6 | - 2.0 | 626.0 |
| Loan loss provisions | - 23.8 | - 67.3 | - 6.5 | - 4.6 | - 19.1 | - 121.3 |
| Net commission income | 115.2 | 61.9 | - 2.5 | 0.2 | 4.7 | 179.5 |
| Trading result | - | - | 33.6 | - | - | 33.6 |
| Administrative expenses | - 391.9 | - 75.9 | - 39.4 | - 39.5 | - 32.1 | - 578.8 |
| Other operating results | 6.5 | - 8.2 | - 17.1 | 7.2 | 4.0 | - 7.6 |
| Profit for the year before tax | 88.1 | 29.7 | 48.2 | 9.9 | - 44.5 | 131.4 |
| Measurement basis pursuant to the Austrian Banking Act | 5,100.1 | 6,984.2 | 6,148.1 | 1,972.0 | 2,014.8 | 22,219.3 |
| Equity pursuant to the Austrian Banking Act | 301.7 | 413.2 | 363.7 | 116.7 | 58.9 | 1,254.2 |
| ROE before tax | 29.20% | 7.19% | 13.25% | 8.49% | - | 10.48% |
| Cost/income ratio | 78.81% | 41.91% | 35.43% | 84.40% | - | 68.98% |

The regional subdivision of the key accounts segment depends on the registered seat of the counterparty, the regional subdivision of the other segments depends on the seat of the relevant group company. Since the segment "Miscellaneous" may not be broken down according to regions, no changes were made to the figures from this segment.

Breakdown by regions 2001

| in EUR million | Austria | Western Europe | Central and Eastern Europe | North America | Latin America | Other | Miscellaneous | BAWAG Group |
|--|----------|----------------|----------------------------|---------------|---------------|--------|---------------|-----------------|
| Net interest income | 607.5 | 6.9 | 9.3 | 1.2 | 0.1 | 3.0 | -2.0 | 626.0 |
| Loan loss provisions | -94.2 | -7.0 | 4.8 | - | -5.8 | - | -19.1 | -121.3 |
| Net commission income | 160.0 | 8.5 | 1.8 | 3.1 | - | 1.4 | 4.7 | 179.5 |
| Trading result | 33.6 | - | - | - | - | - | - | 33.6 |
| Administrative expenses | -530.5 | -9.2 | -2.1 | -3.4 | - | -1.5 | -32.1 | -578.8 |
| Other operating results | -11.8 | 0.1 | - | 0.1 | - | - | 4.0 | -7.6 |
| Profit for the year before taxes | 164.6 | -0.7 | 13.8 | 1.0 | -5.7 | 2.9 | -44.5 | 131.4 |
| Measurement basis pursuant to the Austrian Banking Act | 17,293.9 | 2,012.5 | 284.1 | 496.9 | 3.2 | 113.9 | 2,014.8 | 22,219.3 |
| Equity | 1,023.1 | 119.1 | 16.8 | 29.5 | - | 6.7 | 58.9 | 1,254.2 |
| ROE before tax | 16.09% | - | 82.10% | 3.38% | - | 43.04% | - | 10.48% |
| Cost/income ratio | 66.22% | 59.74% | 18.92% | 79.07% | - | 34.09% | - | 68.98% |

24) Loans extended to and amounts owed to affiliated and associated companies

The BAWAG P.S.K. Group's loans extended to and amounts owed to affiliated and associated companies are reported at the amount indicated in the table below. The business transactions with these companies are carried out on terms customary in banking operations.

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|-------------|-------------|
| Loans and advances to banks | 9 | 16 |
| Loans and advances to customers | 295 | 382 |
| Risk provision | - | -21 |
| Loans to affiliated companies | 304 | 377 |
| Amounts owed to banks | - | 4 |
| Amounts owed to customers | 64 | 74 |
| Amounts owed to affiliated companies | 64 | 78 |

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|--------------------|--------------------|
| Loans to banks | 1,528 | 142 |
| Loans to customers | 294 | 263 |
| Risk provisions | - 3 | - 3 |
| Debt securities and other fixed-income securities | 10 | 23 |
| Loans to associated companies | 1,829 | 425 |
| Amounts owed to banks | 245 | 610 |
| Amounts owed to customers | 45 | 68 |
| Debt evidenced by certificate | - | 42 |
| Subordinated capital | 14 | - |
| Amounts owed to associated companies | 304 | 720 |

25) Transactions with associated companies

Under the Austrian banking secrecy (§ 38 of the Austrian Banking Act), a bank is not allowed to disclose any secrets it was entrusted with or had access to only in connection with a business transaction. Therefore, the figures do not include any data on business transactions with the BAWAG shareholders. A disclosure, which is in fact not required by the currently valid EU directives, would entail a penalty as defined under § 101 of the Austrian Banking Act.

26) Non-interest-bearing loans and advances

If, due to economic developments, it can no longer be expected that loans and advances usually bearing interest may be recovered in the following period, these loans and advances are put on a non-accrual basis.

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|--------------------|--------------------|
| Loans and advances to banks | 35 | 26 |
| Loans and advances to customers | 299 | 282 |
| Non-interest-bearing loans and advances | 334 | 308 |

27) Assets provided as security

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|--------------|--------------|
| Receivables assigned to Österreichische Kontrollbank AG | 717 | 618 |
| Cover in favour of European Investment Bank | 272 | 139 |
| Cover fund for savings deposits of ward money | 28 | 18 |
| Cover fund for funded loans | 1,340 | 1,403 |
| Cover for other purposes | 20 | 20 |
| Assets provided as security | 2,377 | 2,198 |

28) Subordinated assets

The asset items of the balance sheet include the following subordinated assets:

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--|-------------|-------------|
| Loans and advances to banks | 9 | 9 |
| thereof associated companies in which a participating interest is held | 1 | 1 |
| Loans and advances to customers | 28 | 29 |
| thereof associated companies in which a participating interest is held | 9 | 27 |
| Debt securities and other fixed-income securities | 8 | 32 |
| thereof affiliated companies | 8 | 31 |
| Other variable-yield securities | 32 | 62 |
| thereof affiliated companies | 32 | 60 |

29) Contingencies and credit risks

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|-------------------------------------|--------------|--------------|
| Contingencies | 1,152 | 854 |
| Liabilities on guarantees furnished | 1,151 | 852 |
| Other contingencies | 1 | 2 |
| Credit risks | 4,121 | 5,400 |
| Optional repurchase agreements | 4 | 1,015 |
| Other credit risks | 4,117 | 4,385 |

The unused credit lines constitute the major component of the item "Other credit risks".

30) Foreign currency positions

At the end of 2001, BAWAG held assets and liabilities in the following foreign currencies:

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|-------------------------|---------------|---------------|
| Assets | | |
| USD | 4,507 | 4,248 |
| CHF | 2,928 | 3,312 |
| JPY | 2,792 | 2,663 |
| Other | 443 | 1,344 |
| Foreign currency | 10,670 | 11,567 |
| Euro | 37,272 | 34,168 |
| Total | 47,942 | 45,735 |
| Passiva | | |
| USD | 5,024 | 3,782 |
| CHF | 2,300 | 2,028 |
| JPY | 1,164 | 930 |
| Other | 866 | 1,894 |
| Foreign currency | 9,354 | 8,634 |
| Euro | 38,588 | 37,101 |
| Total | 47,942 | 45,735 |

31) Genuine repurchase agreements

A genuine repurchase agreement involves the sale of financial assets subject to an agreement that the same financial assets will be transferred back at a fixed price at a specified later date.

The genuine repurchase agreements of the BAWAG-PSK Group are as follows:

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|--------------------------------|-------------|-------------|
| Loans to customers | 29 | - |
| Other current financial assets | 190 | - |
| Investment securities | 310 | - |
| Repurchase agreements | 529 | - |

The following table shows the transition from the gross investment value to the present value.

32) Leasing transactions

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|-------------|-------------|
| Gross investment value | 1,251 | 1,027 |
| Unrealised financial income | 228 | 211 |
| Receivables from finance leases (Net investment value) | 1,023 | 816 |

33) Selected associated companies

The following table shows the fully consolidated subsidiaries of the BAWAG P.S.K. Group:

| | | shares in % |
|--|--|------------------------|
| Banks | Kapital & Wert Bank AG, Vienna | 100.00% |
| | Österreichische Verkehrskreditbank AG, Vienna | 100.00% |
| | SPARDA Bank AG, Vienna | 100.00% |
| | easybank AG, Vienna | 100.00% |
| | BAWAG Wohnbaubank AG, Vienna | 100.00% |
| | Österreichische Postsparkasse AG, Vienna | 74.82% |
| Non-banks | BAWAG P.S.K. IMMOBILIEN AG, Vienna | 100.00% |
| | BAWAG P.S.K. Leasing GmbH, Vienna | 100.00% |
| | BAWAG Overseas Inc., New York | 100.00% |
| | BAWAG International Finance Ltd., Dublin | 100.00% |
| | Austost Anstalt, Schaan | 100.00% |
| | BAWAG Leasing Ges.mbH & Co. "Center am Fleischmarkt KG" Immobilien und Anlagen KG, Vienna | 100.00% |
| | "Ingebe" Industrie- und Gewerbe-Beteiligungsges.mbH, Vienna | 100.00% |
| | AUST-INGEBE Beteiligungsverwaltung GmbH, Vienna | 100.00% |
| | HBV Holding und Beteiligungsverwaltung Ges.mbH, Vienna | 100.00% |
| | BAWAG-Versicherung AG, Vienna | 74.90% |
| | A & E Leasing Ges.mbH, Vienna | 100.00% |
| | Austost Handels- und Treuhand Ltd., Guernsey | 100.00% |
| | Austost Handels- und Treuhandges.mbH, Munich | 100.00% |
| | BAWAG Capital Finance Ltd., Jersey | 100.00% |
| | BAWAG Finance Holding Ltd., Dublin | 100.00% |
| | BAWAG Immobilien Holding GmbH, Vienna | 100.00% |
| | BAWAG Immobilien Holding GmbH & Co KEG, Vienna | 100.00% |
| | CARNI Industrie-Immobilienenges.mbH, Vienna | 100.00% |
| | FFE Finanzierungsvermittlungsges.mbH, Vienna | 100.00% |
| | ÖKK Holding Gs.mbH, Vienna | 100.00% |
| | R & B Leasingges.mbH, Vienna | 100.00% |
| | RF 17 BAWAG Immobilienleasing GmbH, Vienna | 100.00% |
| | BAWAG P.S.K. IMMOBILIENLEASING GmbH | 100.00% |
| | RF fünfzehn BAWAG Mobilien-Leasing Ges.mbH, Vienna | 100.00% |
| | RVG Immobilienholding Ges.mbH, Vienna | 100.00% |
| | RVG Realitätenverwertungsges.mbH, Vienna | 100.00% |
| | BAWAG Leasing Ges.mbH & Co Immobilien und Anlagen KG, Vienna | 99.65% |
| P.S.K. Liegenschaften Vermietungs- und VerwaltungsgmbH, Vienna | 100.00% | |
| P.S.K. Beteiligungsverwaltung AG, Vienna | 100.00% | |
| AI-ALTERNATIVE INVESTMENT LTD, Jersey | 100.00% | |

| | |
|--|---------|
| P.S.K. IMMOBILIENLEASING GmbH, Vienna | 100.00% |
| B.L.H. BAWAG Leasing Holding GmbH, Vienna | 100.00% |
| BAWAG Leasing GmbH & Co. Betriebsanlagenverwaltungs KG, Vienna | 100.00% |
| Einkaufscenter Vermietungs- und Leasingges.mbH, Vienna | 100.00% |
| Einkaufscentermanagement u. -verwaltungsges.mbH, Vienna | 100.00% |
| FC Leasing GmbH, Vienna | 100.00% |
| GARA Feuerwehrentralen Leasing Ges.mbH, Vienna | 100.00% |
| GARA Feuerwehrentralen Leasing Ges.mbH & Co, KG, Vienna | 100.00% |
| GARA Leasing GmbH, Vienna | 100.00% |
| GARA RPK Grundstücksverwaltungsges.mbH, Vienna | 100.00% |
| Hafner See – Liegenschaftsverwaltungsges.mbH, Vienna | 100.00% |
| M. Sittikus Str. 10 Errichtungs GmbH, Vienna | 100.00% |
| Mag. Werner Trinko GmbH, Vienna | 100.00% |
| BAWAG Immobilienleasing GmbH, Vienna | 100.00% |
| RF acht BAWAG Leasing Ges.mbH & Co. KG, Vienna | 100.00% |
| RF elf Realitätenverwertungsges.mbH, Vienna | 100.00% |
| RF sechs BAWAG Leasing Ges.mbH & Co. KG, Vienna | 100.00% |
| RF sieben BAWAG Leasing Ges.mbH & Co. KG, Vienna | 100.00% |
| RF zehn BAWAG Leasing Ges.mbH & Co. KG, Vienna | 100.00% |
| RF zwölf BAWAG Leasing Ges.mbH, Vienna | 100.00% |
| UHW Finanzierungsdienstleistungen beta GmbH, Vienna | 100.00% |
| IDG Immobilien Development GmbH, Vienna | 100.00% |
| IDG Immobilien Development GmbH & Co KG, Vienna | 100.00% |
| START Immobilienleasing GmbH, Vienna | 100.00% |
| Rf zwei BAWAG Leasing Ges.mbH & Co. KG, Vienna | 99.84% |
| Plato Grundstückverwertung GmbH, Vienna | 99.80% |

34) Events occurred after the balance sheet date

The full list of the group's associated companies according to the Austrian Commercial Code/Banking Act is contained in the Notes to the Financial Statements of BAWAG and may be ordered free of charge.

In December 2001, BAWAG won the bidding process for the sale of the Slovakian Istrobanka a. s. In the meantime, the suspensory conditions have been met, and there are no more obstacles to the closing. Istrobanka, which reported a balance sheet total of 620 million euros, has more than 700 employees and 36 branch offices all over Slovakia. By building on the bank's existing business and by introducing new products – for example adapting our easybank direct-bank concept to the Slovakian market – this new participating interest will further strengthen our core activities in Central Europe.

Risk Report

35) Market Risk

The treasury units of BAWAG and P.S.K. were merged into a newly established trading in order to achieve a uniform market image and make use of synergies. Similarly, the divisions processing treasury operations were integrated. Typical banking risks such as market and credit risks are managed centrally at BAWAG. The procedures and methods required for measuring the market risk, as well as the determination of the relevant limits are constantly monitored and documented in a risk management handbook, which is updated to match the relevant applicable requirements.

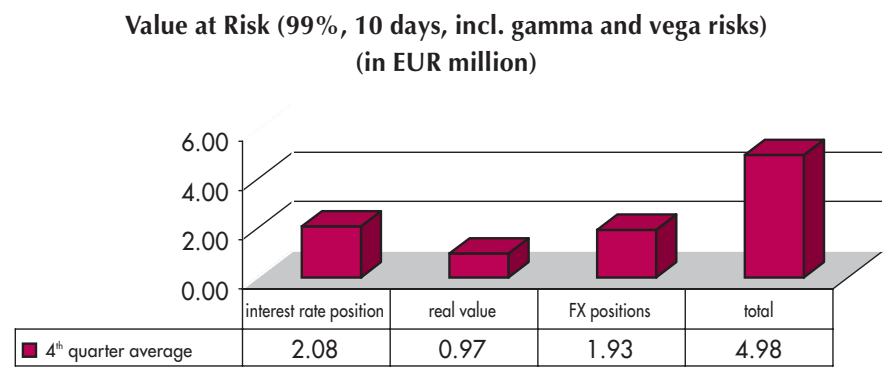
Market Risks in the Trading Book

As of September 2001, the trading book within the group was consolidated. This had no significant effects on risk content in terms of the absolute market risk figures or the number and nature of financial instruments.

In the trading book, market risks such as securities, foreign exchange and interest rate risks are computed by means of an internal model tested and approved by the Oesterreichische Nationalbank (OeNB) on the basis of an analytical variance/covariance matrix. In this process, the value-at-risk parameter indicates the loss which, on the basis of the historical market development, must not be exceeded within a chosen probability of 99%.

Based on a confidence level of 99% and a holding period of one day, the value-at-risk (including gamma and vega risks) was 1.26 million euros at the end of the year.

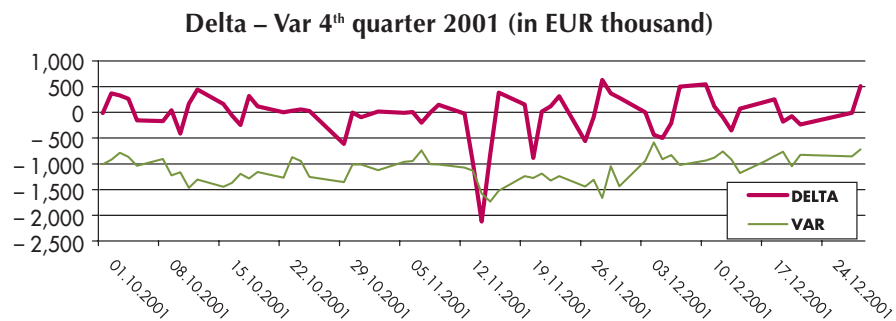
The following diagram illustrates the value-at-risk of the individual risk categories for a holding period of 10 days for the 4th quarter 2001:



Furthermore, the value-at-risk computed by means of the internal model is used to determine the required equity backing, taking into account the qualitative and quantitative standards stipulated by the relevant legislation, as well as the optimum multiplying factor “3” fixed by the OeNB in its relevant expertise under § 26 b of the Austrian Banking Act.

The quality of the internal model is checked on a daily basis by comparing the indicated value-at-risk figures (VaR) with the actual changes of the market parameters included in the total value of the trading book (delta of the back testing result). If a negative delta exceeds the value-at-risk figure of the previous day, this will be referred to as an “exception”. In 2001, the computations of the internal model showed one single exception which was attributable to considerable interest rate fluctuations primarily in the EUR, USD and GBP money markets. Thus, in 2001 the high standard of the model resulting from the 99% confidence interval was confirmed and the optimum multiplying factor “3” can be maintained.

The following diagram shows a detailed comparison of the daily value-at-risk figures and the back testing results of the trading book for the 4th quarter of 2001 (from the date of the integration of the treasury divisions):



As a supplement to the value-at-risk computation, time- and cause-related stress tests are carried out, in order to analyse possible effects on the trading book caused by unusual market movements. These are completed on the basis of statistical methods (correlation changes, higher confidence level, etc.) as well as on the basis of changed market risk factors (interest rate levels, exchange rates, volatilities).

This is to ensure that the group’s risk will remain within the limits envisaged by BAWAG’s business policy even under unusual market conditions. The probity of this approach was confirmed by the events of 11 September 2001, when extensive market movements did not cause any drastic enlargement of the market risk or fluctuation in earnings.

Market Risks in the Banking Book

The interest rate risks related to the banking book are illustrated as present value loss risk (loss in fair value according to IAS), on the one hand, and as net interest income risk, on the other, by simulating different scenarios. The resulting reports form the basis for the work of the asset/liability committee (ALCO), the decision-making body with regard to all banking book relevant business options concerning interest rate, currency and liquidity issues.

The “Market risk controlling – Banking book” staff department is responsible for the methodology to be applied for risk content measurement as well as for monitoring compliance with the established interest rate, volatility, spread and currency risks of the whole bank.

This includes all assessment, performance calculation and procedural issues.

The following table illustrates the commitment profile of interest-rate-sensitive positions as at 31 December 2001:

| in EUR million | up to 1 months | 1–6 months | 6–12 months | 1–5 years | 5–10 years | more than 10 years |
|-----------------------|----------------|------------|-------------|-----------|------------|--------------------|
| Assets | 12,142 | 10,345 | 3,598 | 17,875 | 5,677 | 1,834 |
| Liabilities | 20,275 | 12,161 | 3,914 | 11,290 | 2,924 | 907 |
| Off Balance | 1,706 | – 93 | – 1,326 | – 1,162 | 578 | 257 |

As part of the uniform BAWAG P.S.K reference interest rate system, customer sectors with matching maturities are freed from market risk. All customer business positions committed until further notice, as well as all other positions, are grouped by means of replication portfolios which reflect the establishment of fixed interest rates in the best possible manner.

Derivative Financial Operations of the BAWAG P.S.K. Group as at 31. 12. 2001

| in EUR million | nominal value/residual maturity | | | | fair value | |
|--|---------------------------------|---------------|-------------------|---------------|--------------|--------------|
| | up to 1 year | 1-5 years | more than 5 years | Total | positive | negative |
| Interest rate derivatives | 20,062 | 20,475 | 19,508 | 60,045 | 983 | - 738 |
| thereof Interest rate swaps/banking book | 13,354 | 12,764 | 17,180 | 43,298 | 878 | - 633 |
| Interest rate options/banking book | 1,971 | 2,927 | 1,784 | 6,682 | 43 | - 48 |
| Forwarded rate agreements and interest rate futures/banking book | 1,409 | 6 | - | 1,415 | 15 | - 4 |
| Interest rate swaps/trading book | 1,146 | 4,634 | 280 | 6,060 | 43 | - 48 |
| Interest rate options/trading book | 1,127 | 30 | 264 | 1,421 | 3 | - 4 |
| Forwarded rate agreements and interest rate futures/trading book | 1,055 | 114 | - | 1,169 | 1 | - 1 |
| Exchange rate contracts | 9,292 | 1,387 | 230 | 10,909 | 281 | - 136 |
| thereof Currency swap/banking book | 919 | 1,322 | 230 | 2,471 | 120 | - 74 |
| Forward exchange operations/banking book | 4,350 | 60 | - | 4,410 | 130 | - 31 |
| Forward exchange operations/trading book | 4,023 | 5 | - | 4,028 | 31 | - 30 |
| Securities-related operations | - | - | - | - | - | - |
| Total | 29,354 | 21,863 | 19,738 | 70,954 | 1,265 | - 874 |
| thereof Banking book operations | 22,003 | 17,079 | 19,194 | 58,277 | 1,186 | - 790 |
| Trading book operations | 7,351 | 4,783 | 543 | 12,678 | 78 | - 84 |

The derivatives are used for both the banking book and the trading book. In the banking book, for which the major part of the derivative contracts were concluded, the derivatives are used both as micro-hedges for the direct hedging of individual transactions, such as the hedging of interest rate risks of fixed-rate issues by means of interest rate swaps, and as macro-hedges. In the latter case the interest rate risks of entire balance-sheet units, such as credits, securities and savings are controlled by means of appropriate off-setting transactions. Structured issues are realised through asset swaps and credit default swaps, which, however, do not pose any risk for the bank as they are hedged in the market.

Allocation of derivatives with hedge accounting (for issues) as at 31. 12. 2001:

| in EUR million | nominal value/residual maturity | | | Total | fair value | |
|-----------------------|---------------------------------|--------------|----------------------|-------|------------|----------|
| | up to 1 years | 1-5 years | more than 5 years | | positive | negative |
| Interest rate swaps | 669 | 1,265 | 3,031 | 4,964 | 419 | - 92 |
| Interest rate options | 577 | 488 | 48 | 1,113 | 0 | - 1 |

All derivatives are valued in accordance with the usual market standards. In addition, the counter-party default risks for derivatives are limited by lines that are proposed by the competent divisions and are approved by the management. The utilisation is regarded as being the positive fair value plus an add-on. Any new products are admitted for trade in both the banking and the trading book only after a product introduction procedure agreed by ALCO.

Liquidity Risk

In the long-term liquidity analysis, contractually agreed asset and liability maturities are compared in order to identify imbalances in the individual maturity periods. This includes a review not only of the nominal maturities but also of the convertibility into cash of individual positions, e. g. which bonds are eligible for selling at short notice and/or as collateral. This analysis forms the basis for any potential liquidity measures to be resolved by ALCO.

Foreign Currency Risk

The extent of open foreign currency positions is restricted by the establishment of internal limits, which are well below the limit values provided for by § 26 of the Austrian Banking Act. Compliance with these limits is monitored both decentrally and centrally by the independent "Market risk controlling – Banking book" staff department. At year's end, the open foreign currency position in the BAWAG individual group company was insignificantly higher than the minimum limit of 2% of the equity to be included, while, on a consolidated basis, this limit was not exceeded.

36) Credit Risk

The term credit risk relates to possible losses which arise from customer defaults. Credit risks are classified in three risk categories: risk of default (payments guaranteed by contract are not made), country risk (transfer risk and conversion risk), and settlement risk (default in performance derived from the settlement of payment undertakings).

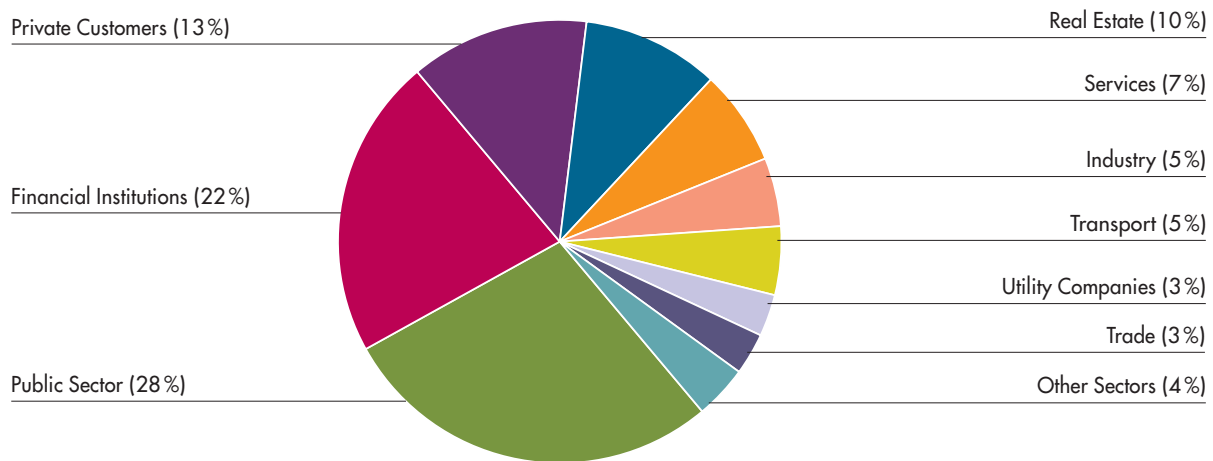
The credit risk management in the BAWAG P.S.K. Group is uniformly structured throughout all sectors. The past business year saw the group-internal harmonisation of credit processes, instruments for risk limitation and risk spreading

(e. g. standard risk costs, guidelines on competences and responsibilities, etc.), as well as the completion of the work aimed at the unification of the internal rating systems.

The credit risk on loan exposures is measured by means of various rating (commercial, banking business and international business operations) and scoring systems (retail banking operations) which are adjusted to the respective requirements.

The rating system applied to commercial banking operations is based on a “three-pillar model” and differentiates 12 credit risk classes. Besides hard facts (balance sheet rating based on annual financial statements and rating based on account data), the rating system also considers various soft facts (e. g. management quality, internal organisation, market and sector appraisal). Historic data are used to establish empirically whether a deterioration of the relevant credit rating may be anticipated, which is then included in the preliminary calculation as standard risk costs, taking into consideration the relevant collateral.

The exposure spread regarding loans and advances to banks and customers by sectors as at 31 December 2001 in percentage terms is as follows:



In addition to the growing demands resulting from the expansion of credit business, credit risk management also fulfils the requirements provided for by the new equity regulations. In this connection, objectives to be implemented include the timely fulfilment of the requirements of the IRB approach, the use of an internal model for portfolio management and the allocation of economic equity.

37) Operational Risk

The operational risk includes the risk of unexpected losses caused by human error, faulty management procedures, natural and other disasters, technological failure, and changes in the external environment (event risk) as well as business risk, reputation risk and strategy risk.

The BAWAG P.S.K. Group minimises the operational risk by means of the targeted implementation of specifically defined measures. These include rules and procedures established for the whole bank, control processes, periodic and event-related reviews by the audit department as well as a central database for all occurring losses.

In the course of the merger of the respective sectors of BAWAG and P.S.K., business and procedural systems were analysed. The measures aimed at the establishment of customer-oriented and efficient processes as parts of a progressive and uniform system infrastructure will be rapidly implemented.

The methods used ensure that scarce equity resources are allocated to the individual business units in such a manner that, with adequate provision of the economically required reserves, sufficient room for future expansion will be available.

Information required by the Austrian Banking and Accounting Acts

38) Legal basis of and comments on the applied accounting, valuation and consolidation methods deviating from Austrian law

Pursuant to the new § 59 a of the Austrian Banking Act, which was introduced in accordance with the Austrian Act on the Consolidated Accounts of Enterprises, Federal Law Gazette No. 49/1999 of 26 March 1999, consolidated financial statements prepared according to internationally accepted accounting standards qualify for exemption from the requirement to present consolidated financial statements in accordance with the Austrian Banking Act. For this purpose the consolidated financial statements must be in compliance with the provisions of the Council Directive 86/635/EEC on the Accounts and Consolidated Accounts of Banks and Other Financial Institutions and must meet the requirements under § 245 a, Paragraphs 1 Z 2 to 5 and Paragraph 2 of the Austrian Commercial Code.

Compliance with these requirements must be confirmed by the statutory auditor, with “the audit certificate informing about the result of the audit of the consolidated financial statements and the management report in a manner at least equivalent to § 274, Paragraphs 1 to 4 of the Austrian Commercial Code”.

IAS are internationally accepted accounting standards, and the auditors have confirmed that the requirements of § 59 a of the Austrian Banking Act were met. Hence, the present Consolidated Financial Statements 2001 of the BAWAG P.S.K. Group according to IAS comply with the legal requirements for consolidated accounting in Austria.

The main objective pursued by preparing financial statements on the basis of IAS is to meet the investors' information requirements, which constitutes a considerable improvement in transparency and commercial significance compared to group accounts presented in accordance with the Austrian Commercial Code/Banking Act.

Accomplishing this goal calls for a comprehensive valuation closely related to the market, a recognition of profits on an accrual basis, and a presentation exactly in line with the appropriate principles of business administration. In consequence, financial statements prepared on the basis of IAS have the great advantage of increased international comparability.

In the following cases, this new objective generates certain differences between financial statements drawn up according to IAS and statements presented on the basis of the Austrian Commercial Code/Banking Act. However, only the most important ones will be discussed below.

Contents of the consolidated financial statements

Financial statements following the IAS principles among other things also require the preparation of a cash-flow statement to examine the relevant company's capability to generate liquid funds in the future. Other obligatory components supporting the disclosure of the company's actual economic position include segmental reporting, a statement of changes in equity and a schedule of the company's provisions.

In order to enable the reader of the balance sheet correctly to assess the company's performance in the reporting period, the notes to the IAS statements offer a great number of additional and more detailed pieces of information which are not contained in statements based on the Austrian Commercial Code.

Scope of consolidation

In contrast to the scope of consolidation based on the Austrian Banking Act, the scope of consolidation according to IAS comprises all major subsidiaries in which a controlling interest stake is held. In consequence, several banks are not included in the financial statements because of their minor importance, while some companies which do not engage in banking operations but are of great

relevance to the group's performance (such as BAWAG Versicherung) will be taken account of.

The IAS reference figures for the financial year 2000 were based on a scope of consolidation which slightly deviates from that used for the financial year 2001. However, this does not affect the comparability of the figures.

Structuring requirements

The IAS do not provide for an obligatory form of presentation in relation to the balance sheet or the profit and loss account. It is within the company's discretion to choose the kind of structuring best suited for conveying the relevant information. To enhance the clarity of the documents, the IAS require the balance sheet and profit and loss account to be presented in a more concise form, which is more than compensated for by the numerous additional details supplied in the notes to the financial statements.

A striking difference between financial statements based on IAS and ones prepared according to the Austrian Banking Act is the open recognition of loan loss provisions in the balance sheet and of their effects on the overall result in the profit and loss account, which provides a far better insight into the relevant bank's credit risk policy.

According to IAS, trading assets are also reported under a separate balance sheet item. This item basically comprises the securities portfolio stated at fair value and the positive fair values of derivatives.

Valuation principles

In contrast to Austrian accounting principles, accounting based on IAS does not apply the principle of caution, and particularly not the imparity principle which prohibits the recognition of unrealised profits. Under IAS the realisation of profits on an accrual basis is of major importance.

Tax deferral

Differences between the fiscal valuation of the individual assets and liabilities and the valuation according to IAS generate deferred tax assets or deferred tax liabilities, provided that these differences will be balanced out in the future (temporary concept). In compliance with IAS, these deferred tax assets or liabilities must be entered into the balance sheet. Pursuant to Austrian accounting principles, deferred taxes can only derive from temporary differences between the commercial and the taxable profit, and the obligation to recognise such items only relates to deferred tax liabilities. The recognition of deferred tax assets from tax losses carried forward is prohibited under the Austrian Commercial Code.

Pursuant to IAS, the tax expense for the current period consists of the tax payments effected and the change in deferred tax assets and liabilities recorded in the relevant period.

Different calculation parameters for provisions for social capital

As a result of applying different calculation methods the level of the provisions formed for social capital under IAS is generally higher than that required by the Austrian Commercial Code. IAS 19 provides for the application of the pension entitlement accumulation procedure, while under the Austrian Commercial Code provisions are calculated in most cases on the basis of the discounted value method.

The selection of the discount factor also leads to different valuations. The approach based on the Austrian Commercial Code is frequently oriented towards the fiscally admissible value, while according to IAS the calculation of the provisions for social capital is based on a long-term capital market rate. Furthermore, IAS-based accounting also takes account of future salary increases due to career trends.

39) Transition of group equity from the Austrian Banking Act to IAS 2000

| in EUR million | 31.12. 2000 |
|---|----------------|
| Equity according to the Austrian Banking Act | 728.8 |
| Change in scope of consolidation | - 2.3 |
| Capitalisation of goodwill | 344.0 |
| Revaluation of assets | - 44.3 |
| Revaluation of deferred taxes | 47.7 |
| Revaluation of provisions for human resources | - 92.4 |
| Revaluation of other provisions | 46.2 |
| Other | 0.3 |
| Equity according to IAS | 1,028.0 |

40) Transition of the group's profit for the year from the Austrian Banking Act to IAS 2000

| in EUR million | 2000 |
|---|--------------|
| Profit for the year according to the Banking Act | 107.6 |
| Provisions for pensions and severance payments | 16.8 |
| Other provisions | - 9.9 |
| Amortisation of goodwill | - 18.7 |
| Deferred taxes | - 2.4 |
| Change in scope of consolidation | - 3.5 |
| Other revaluations | - 7.1 |
| Profit for the year according to IAS | 82.8 |

41) Trust assets in local transactions

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---------------------------------|-------------|-------------|
| Trust assets | 43 | 42 |
| Loans and advances to banks | 3 | 8 |
| Loans and advances to customers | 40 | 34 |
| Trust liabilities | 43 | 42 |
| Amounts owed to banks | 17 | 21 |
| Amounts owed to customers | 26 | 21 |

42) Breakdown of securities pursuant to the Austrian Banking Act

The following table breaks down the group's securities pursuant to § 64, Paragraph 1 Z 10 and Z 11 of the Austrian Banking Act as at 31 December 2001:

| in EUR million | not listed on the stock exchange | on the stock exchange | listed held to maturity | other valuation | total 2001 | total 2000 |
|---|----------------------------------|-----------------------|-------------------------|-----------------|---------------|---------------|
| Debt securities and other fixed-income securities | 2,013 | 9,562 | 2,430 | 7,132 | 11,575 | 11,574 |
| Shares and other variable-yield securities | 689 | 1,625 | - | 1,625 | 2,314 | 2,030 |
| Participating interests | 397 | 21 | - | 21 | 418 | 436 |
| Shares in affiliated companies | 76 | - | - | - | 76 | 92 |
| Total securities | 3,175 | 11,208 | 2,430 | 8,778 | 14,383 | 14,132 |

The difference between the balance sheet value and the lower amount repaid as defined under § 56, Paragraph 2 of the Austrian Banking Act amounts to 64 million euros.

The expected redemption in 2002 amounts to 2,398 million euros (2001: 1,689 million euros). The supplementary and subordinated capital held by the group is equivalent to 30 million euros (2000: 38 million euros).

Debt evidenced by certificates amounting to a par value of 877 million euros will mature and fall due for payment in the following year.

43) Group share capital and reserves pursuant to the Austrian Banking Act

The following tables show the equity requirements under the Austrian Banking Act for the banking group as at the end of the year 2000 and 2001 and the individual components of the banking group's equity as at the end of the year 2000 and 2001.

Share capital and reserves

Share capital

| in EUR million | 31.12. 2001 | 31.12. 2000 |
|---|--------------|--------------|
| Share capital BAWAG | 125 | 125 |
| Reserves BAWAG | 861 | 828 |
| Differences, minority interests, deductions | 268 | 225 |
| Core capital (Tier I) | 1,254 | 1,178 |
| Reserves pursuant to § 57 Austrian Banking Act, revaluation reserves | 134 | 106 |
| Supplementary and subordinated capital | 895 | 797 |
| Supplementary elements (Tier II) | 1,029 | 904 |
| Deduction for participating interests | - 18 | - 26 |
| Equity eligible for inclusion | 2,265 | 2,056 |
| Tier III | 212 | 371 |
| Equity | 2,477 | 2,426 |
| This amount of equity is matched against the following equity requirements: | | |
| Credit risk | 1,778 | 1,524 |
| Market risk | 21 | 241 |
| | 1,798 | 1,765 |

44) Staff information

The following table indicates the annual average of the total staff employed by BAWAG in 2000 and 2001 respectively:

| | 31.12. 2001 | 31.12. 2000 |
|------------------------------------|--------------|--------------|
| Salary earners | 5,114 | 5,067 |
| Wage earners | 2 | 106 |
| Annual average of employees | 5,116 | 5,173 |

Information on members of the Managing Board, the Supervisory Board and the Employee Council

In the balance sheet year, expenses for severance payments and pensions amounted to 8,197,000 euros for the Managing Board of BAWAG and executive employees of the group's parent company and to 7,376,000 euros for the other employees.

The aggregate emoluments for the members of the Managing Board of BAWAG active in the financial year 2001 amounted to 2,296,000 euros.

The emoluments for members of the Supervisory Board of BAWAG active in the financial year 2001 totalled 291,000 euros.

The emoluments include management bonuses, bonuses for participating in the preparation of the balance sheets, expense allowances, and commissions.

No credits and loans to members of the Managing Board were outstanding at the balance sheet date. The loans extended to the members of the Supervisory Board amounted to 454,000 euros. There were no liabilities assumed nor advances granted to these persons. Loans to the Supervisory Board also included the loans granted to employee representatives. The terms of the above-mentioned loans range between 5 and 10 years. The interest rates are equivalent to the rates for BAWAG employees.

45) Further information required by the Austrian Banking Act

The book value of the land included under land and buildings is 83 million euros (2000: 141 million euros).

Liabilities arising from the use of tangible fixed assets not reported in the balance sheet are expected to amount to 17 million euros in 2002 and 79 million euros for the next five years.

A total of 23.8 million euros in deferred interest on supplementary capital bonds is reported under the item "Other liabilities".

Expenses for subordinated liabilities amount to 41.8 million euros.

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