Bank Austria

Presents its Report for

2000

Annual Report

Bank Austria

2000

Bank Austria at a Glance

Bank Austria shares (31 December)

	2000	1999
Year-end price of ordinary shares in €	**58.60**	**56.00**
High / low closing price during the year	65.20 / 42.03	59.68 / 36.60
Year-end price of participation certificates in €	*	**46.50**
High / low closing price during the year	50.02 / 38.00	52.00 / 30.10
Number of shares outstanding	**114,000,000**	**114,525,588**
Number of participation certificates outstanding	*	**1,991,345**
Dividend per share in €	**	**1.02**
Basic earnings per share in € in accordance with IAS	**5.17**	**4.45**
Diluted earnings per share in € in accordance with IAS	**5.17**	**4.45**
Price/earnings ratio (ordinary shares)	**11.3**	**12.6**
Price/earnings ratio (participation certificates)	*	**10.4**
Average daily turnover in Bank Austria equities in € m	**24.4**	**19.4**
in % of average daily turnover on the Vienna Stock Exchange	29.5	22.3
Market capitalisation in € bn	**6.68**	**6.51**

* An offer was made to exchange participation certificates for ordinary shares in the period from 23 February 2000 to 22 March 2000. The remaining participation certificates were called in against payment of cash pursuant to a resolution passed at the Annual General Meeting held on 26 May 2000.

** The ordinary shares of Bank Austria exchanged for HypoVereinsbank shares are entitled to a full dividend for the year 2000. The dividend will be paid by HypoVereinsbank.

Key performance indicators

	2000	1999
Return on equity after taxes (ROE)	**13.1 %**	**11.9 %**
Return on assets (ROA)	**0.39 %**	**0.39 %**
Cost/income ratio	**66.7 %**	**71.7 %**
Risk costs / risk-weighted assets	**0.83 %**	**0.52 %**
Total capital ratio	**10.3 %**	**8.7 %**
Tier 1 capital ratio	**6.1 %**	**5.9 %**

Rating (February 2001)

	Long term	Short term
Moody's	**Aa2**	**P-1**
Standard & Poor's	**AA+**	**A1+**

Income statement (in € m)

	2000	1999	Change
Net interest income after losses on loans and advances	1,574	1,634	– 3.7 %
Net fee and commission income	862	777	+ 11.0 %
Net trading result	137	187	– 26.9 %
General administrative expenses	2,159	2,149	+ 0.5 %
Consolidated net income	592	512	+ 15.6 %

Selected balance sheet figures (in € m)

	2000	1999	Change
Total assets	165,019	139,999	+ 17.9 %
Loans and advances to customers after loan loss provisions	79,512	72,438	+ 9.8 %
Primary funds (including subordinated capital)	89,360	71,289	+ 25.3 %
Shareholders' equity	4,615	4,441	+ 3.9 %

Capital resources according to BIS (in € m)

	2000	1999	Change
Core capital (Tier 1)	4,880	4,548	+ 7.3 %
Supplementary elements (Tier 2)	3,821	2,789	+ 37.0 %
Tier 3	873	651	+ 34.1 %
Total net capital resources (Tier 1 to Tier 3 after deductions)	9,093	7,345	+ 23.8 %

Staff and offices

	2000	1999	Change
Staff numbers			
Bank Austria AG / Creditanstalt AG / Bank Austria Creditanstalt International AG	**13,442**	**13,816**	**– 2.7 %**
Bank Austria	**18,787**	**19,032**	**– 1.3 %**
in Austria	14,766	15,129	– 2.4 %
abroad (excluding Poland = 9,086)	4,021	3,903	+ 3.0 %
Offices	**631**	**655**	**– 24**
in Austria	518	523	– 5
abroad (excluding Poland = 391)	113	132	– 19

Highlights of the 2000 Financial Year

February / March	**Conversion of participation certificates into ordinary shares.**
March	**Announcement of preliminary 1999 results of the Bank Austria Group, for the first time in accordance with IAS.** **Group on track to meet medium-term targets with record profits.**
June	**After repurchase of own shares (1.21%), share capital is represented by 114,000,000 ordinary shares.**
17 July	**Successful introduction of a joint systems platform for Bank Austria and Creditanstalt.**
22 July	**Announcement of the integration of HypoVereinsbank (HVB) and Bank Austria (BA).**
July	**Bank Austria takes majority interest in the Polish bank Powszechny Bank Kredytowy (PBK); the local Bank Austria Creditanstalt unit is merged into PBK later in the year.**
10 August	**Bank Austria’s Supervisory Board votes in favour of joining forces with HypoVereinsbank.**
September	**Exchange ratio of one for one confirmed after detailed due diligence process.**
September	**Bank Austria again recognised as “best bank in Central and Eastern Europe”.**
13 September	**A statement by the Austrian Takeover Commission does not raise any objections to the integration of Bank Austria and HypoVereinsbank.**
27 September	**Extraordinary General Meeting of Bank Austria passes resolutions approving the multi-stage plan for the “merger at shareholder level” by an overwhelming majority (99.8%).**
6 November	**Constituent meeting of the Supervisory Board of Bank Austria (new).**
7 November	**Bank Austria Creditanstalt International merged into Bank Austria AG.**
15 November	**European Commission gives the green light to the integration of HypoVereinsbank and Bank Austria.**
7 December	**Transfer of Bank Austria (new) to HVB takes legal effect with the entry into the Commercial Register.** **First common strategy conference in the new HypoVereinsbank Group.**
2 February 2001	**First day of trading in HVB shares on the Vienna Stock Exchange and one-for-one exchange of Bank Austria shares for HypoVereinsbank shares.**

Contents

Components required by IAS

Major Companies of the Bank Austria Group

Bank Austria AG

Domestic

Consolidated companies

Asset Management GmbH
BA/CA-Leasing GmbH
BA Handelsbank AG
BA Wohnbaubank AG
Bank Austria Treuhand AG
CA IB Investmentbank AG
CAPITAL INVEST die Kapitalanlagegesellschaft der Bank Austria/Creditanstalt Gruppe GmbH
RINGTURM Kapitalanlagegesellschaft mbH
VISA-SERVICE Kreditkarten AG

WAVE Solutions Information Technology GmbH

Companies valued at equity

Adria Bank AG
Investkredit Bank AG
Oesterreichische Kontrollbank AG
Union Versicherungs-AG

Other companies

Allgemeine Baugesellschaft-A. Porr AG
Europay Austria Zahlungsverkehrssysteme GmbH
Informations-Technologie Austria GmbH
NOTARTREUHANDBANK AG
Österreichisches Verkehrsbüro AG
Vereinigte Pensionskasse AG
WIENER STÄDTISCHE Allgemeine Versicherung AG
WIGAST GmbH

100%

International

BA/CA-Asset Finance Ltd., Glasgow
BA/CA d.d., Ljubljana
BA/CA-(Schweiz) AG, Zurich
BA/CA-American LLC, New York
BA/CA-Asia Ltd., Hong Kong
BA/CA-Capital Management Ltd., Hong Kong
BA/CA-Croatia d.d., Zagreb
BA/CA-Czech Republic a.s., Prague
BA/CA-Deutschland AG, Munich
BA/CA-Hungary Rt., Budapest
BA/CA-Romania S.A., Bucharest
BA/CA-Slovakia a.s., Bratislava
Bank Austria Cayman Islands Ltd.
CB BA/CA-(Russia) ZAO
JSCB BA/CA-Ukraine, Kiev
Powszechny Bank Kredytowy S.A., Warsaw

Creditanstalt AG

Asset Management GmbH *
BA/CA-Leasing GmbH *
BANKPRIVAT AG
CA Wohnbank AG
CAPITAL INVEST die Kapitalanlagegesellschaft der Bank Austria/Creditanstalt Gruppe GmbH *

CA Betriebsobjekte AG

* valued at equity in the sub-group financial statements of Creditanstalt

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B.I.I. Creditanstalt International Bank Ltd., Grand Cayman
Banco B.I. Creditanstalt S.A., Buenos Aires
Banco BBA-Creditanstalt S.A., São Paulo
CAC-Leasing a.s., Prague

Adria Bank AG
Bank für Kärnten und Steiermark AG
Bank für Tirol und Vorarlberg AG
Bausparkasse Wüstenrot AG
CA Versicherung AG
Investkredit Bank AG
Oberbank AG
Oesterreichische Kontrollbank AG

Informations-Technologie Austria GmbH

BA/CA-(Singapore) Ltd., Singapore

AWT Internationale Handels und Finanzierungs AG
CA Bau-Finanzierungsberatung GmbH
Diners Club Austria AG
FactorBank AG
Grundstücke- und Gebäudeverwaltungs-AG
Lambacher HITIAG Leinen AG
M.A.I.L. Finanzberatung GmbH
Österreichische Hotel- und Tourismusbank GmbH
UNIVERSALE-BAU AG
Wienerberger Baustoffindustrie AG

A list of significant equity interests of Bank Austria including details of the interests held is given on pages 152–154.

Organisation Chart of the Bank Austria Group (March 2001)

	Bank Austria AG			
Managing Board responsibilities	Support Services Randa	Corporate Customers and Multinational Corporates Samstag	Private Customers and Professionals Werhahn-Mees	International Markets Hemetsberger
Group functions	Group Public Relations	Multinational Corporates, Corporate and Trade Finance	Product Management and Marketing	Group Treasury and Financial Markets
	Group Internal Communications	Corporate Customers	Sales Management Coordination and Processing	Emerging Markets Investments
	Group Marketing Communications	Infrastructure, Public Sector	Customer Help Desks	Global Capital Markets, Sales & Research
	Secretariat of the Managing Board			Global FX and International Coordination
	Group Strategy, Research and Management Support			Equity Trading
Sales units		Bank Austria AG Domestic Corporate Customers/Sales	Bank Austria AG Domestic Private Customers and Professionals/Sales	
Specialised subsidiaries		BA/CA-Leasing GmbH BA Handelsbank AG BA Private Equity GmbH		CA IB Investmentbank
Functional subsidiaries			DATA AUSTRIA Datenverarbeitungs GmbH Bank Austria Finanzservice GmbH	
Regional banking subsidiaries	Creditanstalt AG			
	Support Services Hampel	Corporate Customers Nageler	Private Customers and Professionals Danzmayr	
	Human Resources Support Services Internal Audit*	Regional sales units	Regional sales units SKWB-Schoellerbank**	

* reports to full Managing Board
** integration planned for 2001

Equity Interests, Asset Management and Human Resources **Kadrnoska**	Real Estate Finance and Real Estate Customers, Group Finance **Zwickl**	Risk Management **Mendel**	Organisation and IT **Haller**	Central and Eastern Europe **Hampel**
Equity Interest Management	Real Estate Finance and Real Estate Customers	Credit Management Domestic	Organisation Consulting, Org/IT Management, Group Purchasing	Retail Banking CEE
Human Resources	Group Finance and Risk Control	International Credit Management	Central Project Office, e-Business Project	Corporate Banking CEE
	Internal Audit*	Special Accounts Management	Group Payment Transactions	Operations Services CEE
	Legal Affairs	Strategic Credit Risk Management	Group Securities Services	
Capital Invest Asset Management GmbH BANK*PRIVAT*	BA Wohnbaubank AG			
			WAVE Org/IT Competence Centre IT-Austria Computer Centre KSB Services	

Bank of the Regions/CEE

Region 1
Poland

Region 2
Czech Republic
Slovak Republic
Hungary

Region 3
Croatia
Slovenia
Romania
Bulgaria

* reports to full Managing Board

Supervisory Board and Managing Board of Bank Austria Aktiengesellschaft

Supervisory Board (since 1 January 2001*)

Chairman	**Albrecht Schmidt** Spokesman of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG
Deputy Chairman	**Rudolf Humer** Chairman of the Managing Board, P Beteiligungs Aktiengesellschaft
Members	**Erich Becker** Chairman of the Managing Board, VA Technologie AG **Lino Benassi** Chief Executive Officer, Banca Intesa SpA **Adolf Franke** Member of the Managing Board, Westdeutsche Landesbank Girozentrale **Paul Hassler** Certified Public Accountant **Gerhard Mayr** Executive Vice-President Pharmaceutical Operations, Eli Lilly & Company **Dieter Rampl** Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG **Eberhard Rauch** Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG
Appointed by the Employees' Council	**Hedwig Fuhrmann** Chairman of the Employees' Council **Wolfgang Heinzl** First Deputy Chairman of the Employees' Council **Adolf Lehner** Second Deputy Chairman of the Employees' Council **Kornelia Urban** Second Deputy Chairman of the Employees' Council (until 16 January 2001) **Heribert Kruschik** Member of the Employees' Council (until 16 January 2001) **Wolfgang Lang** Member of the Employees' Council **Thomas Schlager** Member of the Employees' Council

Representatives of the Supervisory Authorities

Commissioner	**Doris Radl**
Deputy Commissioner	**Bernhard Bauer**
State Cover Fund Controller	**Alfred Katterl**
Deputy State Cover Fund Controller	**Christian Wenth**
Trustee pursuant to Mortgage Bond Act	**Günther Pullez**
Deputy Trustee pursuant to Mortgage Bond Act	**Alois Ramoser**

Managing Board (since 6 November 2000*)

Chairman and Chief Executive Officer	**Gerhard Randa**
Deputy Chairman and Deputy Chief Executive Officer	**Karl Samstag**
Members	**Wolfgang Haller** **Erich Hampel** **Wilhelm Hemetsberger** (since 17 February 2001) **Friedrich Kadrnoska** **Wolfram Littich** (until 16 February 2001) **Michael Mendel** (since 8 December 2000) **Kai Werhahn-Mees** (since 8 December 2000) **Franz Zwickl**

*** The integration of Bank Austria and HypoVereinsbank was carried out in several steps involving changes in the corporate structure pursuant to company law. These steps are explained on page 25 of this Annual Report. As a result, several changes took place in the composition and responsibilities of the Supervisory Board and the Managing Board of Bank Austria during the reporting year. A detailed list including the intermediate stages is given in the section on "Supervisory Board and Managing Board of Bank Austria AG" on pages 188 to 191 of this Annual Report.**




Photographs on page 12 (from left to right):
Top: **Gerhard Randa**
Middle: **Karl Samstag, Kai Werhahn-Mees**
Bottom: **Franz Zwickl, Friedrich Kadrnoska**

Photographs on page 13 (from left to right):
Top: **Erich Hampel, Michael Mendel**
Bottom: **Wolfgang Haller, Wilhelm Hemetsberger**

Ladies and Gentlemen,

Commenting on Bank Austria's past business year has always been a pleasure because the bank has developed very favourably in the ten years since it was established. Let me briefly remind you that the Bank Austria Group was created through the merger of Österreichische Länderbank and Zentralsparkasse in 1991 and was strengthened by the addition of Creditanstalt in 1997. Today the Bank Austria Group is easily the leading banking group in Austria.

Bank Austria is not alone in having developed further during the ten years of its existence. The environment in which we live has changed completely, too. The most decisive change was Austria's entry into the European Union – life has been different ever since. And of course we at Bank Austria have also broadened our outlook and oriented ourselves towards Europe.

It is from this perspective that the integration with HypoVereinsbank, certainly the most significant event in our corporate history, is to be seen. The chart on page 18 of this annual report illustrates this better than mere words: with this integration we are setting out towards new dimensions, advancing to the league of those players which not only see business in Europe as the focus of their activities, but which actually set the standards in this area.

Thus I am particularly pleased to address you here this year. I am pleased and proud that we have succeeded in winning HypoVereinsbank as the best imaginable partner. Under the Bank of the Regions concept, the guiding principle of the new HVB Group, we will continue to be responsible for those markets, including Austria, where we have traditionally maintained a strong presence. Within the HVB Group, we as Bank Austria have been entrusted with the important responsibility for the growth market of Central and Eastern Europe. The reason for this is certainly the fact that, in many respects, we have shown a strong commitment to this area at an early stage, long before EU enlargement.

So, what will change?

For our customers, the new constellation only offers advantages because we can draw on more resources – in terms of products, services and financial strength – and we have significantly widened the range of our capabilities by joining forces with HypoVereinsbank.

For our shareholders, the advantages of the new situation have already become tangible. Initially, the 1:1 exchange ratio – based on the average share prices 30 days before the announcement was made – implied a premium of 34 per cent. As the Bank of the Regions concept and the promised synergies met with a very favourable response from the capital market, Bank Austria shareholders benefited from a substantial share price gain within a short time after the integration. This value enhancement would have hardly materialised without the integration, despite our excellent performance trend. You as "old" shareholders in Bank Austria have undoubtedly benefited from a long-term increase in share value. As "new" shareholders in HypoVereinsbank you profit from this higher value and with the HypoVereinsbank share, you are now holding a stock which offers potential for the future, enjoys high liquidity and is included in all relevant European indices.

For Bank Austria Group staff it is certainly of the utmost importance that we pursue a growth strategy. We aim to and will invest and expand in "our" markets, that is, the increasingly interlinked Central and Eastern Europe. This calls for commitment, flexibility and of course quality. Our bank's staff have all of these qualities in great measure, and they now find more opportunities for personal development than ever before.

I would like to thank all of you, our customers, shareholders and staff, for having accompanied us on our way. For the future I can promise you that we will continue to pursue this successful path, in a dependable manner and with an even wider range of services. We can thus offer you more varied and attractive opportunities in the future.

Sincerely,

Gerhard Randa

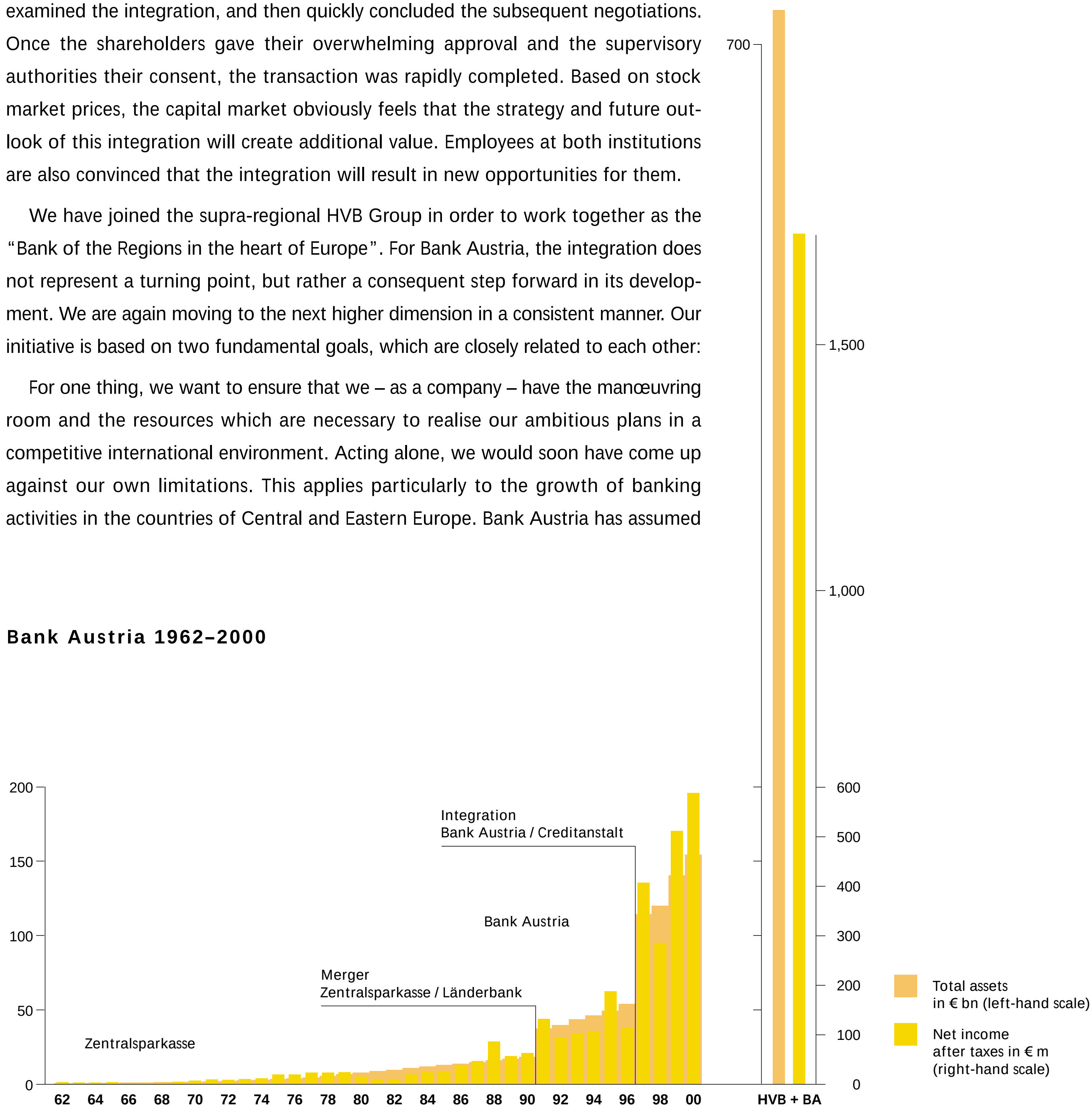
New Dimensions for the Bank and its Customers

2000 was a noteworthy year in the recent corporate history of Bank Austria. A decade following the merger creating Bank Austria in 1991, the bank, together with HypoVereinsbank, began writing a new chapter. A discreet approach was taken with regard to initiating the integration of the two banks. Both sides carefully examined the integration, and then quickly concluded the subsequent negotiations. Once the shareholders gave their overwhelming approval and the supervisory authorities their consent, the transaction was rapidly completed. Based on stock market prices, the capital market obviously feels that the strategy and future outlook of this integration will create additional value. Employees at both institutions are also convinced that the integration will result in new opportunities for them.

We have joined the supra-regional HVB Group in order to work together as the “Bank of the Regions in the heart of Europe”. For Bank Austria, the integration does not represent a turning point, but rather a consequent step forward in its development. We are again moving to the next higher dimension in a consistent manner. Our initiative is based on two fundamental goals, which are closely related to each other:

For one thing, we want to ensure that we – as a company – have the manœuvring room and the resources which are necessary to realise our ambitious plans in a competitive international environment. Acting alone, we would soon have come up against our own limitations. This applies particularly to the growth of banking activities in the countries of Central and Eastern Europe. Bank Austria has assumed

Bank Austria 1962–2000



the responsibility – as a competence centre of the HVB Group – for using this large potential. Moreover, within the Group, we can combine our investments in future technologies and at the same time take advantage of economies of scale. Most importantly, the integration promises growth and efficiency: synergies result from joint efforts, and not from a drive to oust each other from the market; growth means a joint step forward.

Growth initiative with the strength of Europe's third-largest bank

For another, as a service provider, our integration into Europe's third-largest bank considerably increases the level of efficiency we can bring to our core business activity, which is serving customers as a focused universal bank. The new structure allows us to expand our geographical reach, and it enhances our international standing, which benefits our internationally-oriented customers (economies of scope). Within the new Group we are creating a supra-regional finance platform for networked and innovative businesses. The markets we serve fit together like a puzzle. In the closely interlinked economic region of Southern Germany/Austria/CEE, we are the market leader, based not only on size but also in terms of our products and services. We have roots in all of these countries, where we maintain both traditional and modern sales channels. We have a supra-regional infrastructure and retain our identity while providing assistance to our customers.

Supra-regional finance platform for a market comprising 160 million consumers

Thus within the HVB Group, Bank Austria fulfils an economic function for both Austria and beyond, within an increasingly integrated Europe.

Continuity: extensive experience paves the way to the future

During the past ten years, Bank Austria was the driving force behind the process of consolidation which took place within the Austrian banking industry. The first major integration, which created Bank Austria in 1991, was the result of a merger between "Zentralsparkasse und Kommerzialbank" and "Länderbank", which were at that time the third and fourth largest banks in Austria. Zentralsparkasse, known as "Z", was created as a municipal savings bank with a broad social agenda in Vienna in 1905. Beginning in the 1960s, it rapidly developed into a universal bank. The bank focused on the retail market, becoming the first bank in Austria to implement modern computer technology and marketing methods on a large scale. Länderbank was created in 1880, and became one of the most important financiers for large companies in pre-war Austria. Following its nationalisation after the Second World War, Länderbank continued to play an important role in corporate banking and as an industrial holding company.

The second major step to grow into larger dimensions was taken by the bank at the beginning of 1997 with the purchase of Creditanstalt shares held by the

Republic of Austria. Creditanstalt, which was established in 1855 with the participation of the Rothschild family, can look back on a long tradition as an industrial bank and was at times one of the largest financial institutions in Europe. In the 1950s it became a universal bank and operated at the same time as an industrial holding company. In 1957, 40% of the bank's capital was placed as low denomination shares for small savers. In the seventies and eighties, Creditanstalt built an international network. At the beginning of 1997, Creditanstalt, then the second largest bank in Austria, was integrated with Bank Austria, concluding its privatisation and almost doubling Bank Austria's total assets.

With the integration of Creditanstalt, Bank Austria presented a business model that is widely emulated today: it continued to maintain the two established brand names, operating under uniform Group control and using a common infrastructure. Following the integration process, the Group succeeded in further expanding its market position. Thanks to the commitment and positive attitude of employees, the bank was able to limit complications from the integration process. Our integration experience has been clearly positive.

Successful introduction of a two-brand strategy following the integration of Creditanstalt

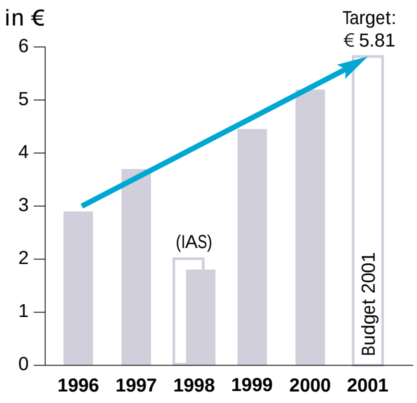
Closer to customers via the capital market

Bank Austria's climb to become the leading universal bank in Austria took place not only in quantitative steps, but was also linked with qualitative progress as well. The pressure exerted by the capital market played a significant role in this regard. This is also due in part to Austria's relatively late accession to the European Union in 1995, and to the final privatisation of the major banks which had been nationalised in 1945. Following the purchase of a majority interest in Creditanstalt in 1997 and the sale of the state's remaining shares in Bank Austria at the beginning of 1998, the free float climbed to between 50% and 55%, and Bank Austria became the country's largest publicly traded share.

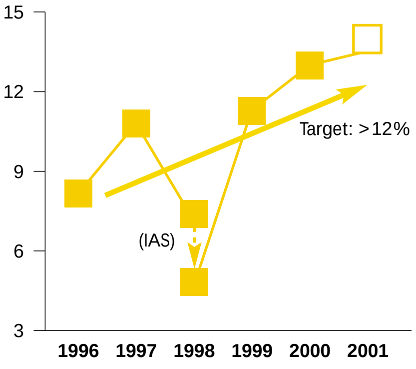
This orientation towards the capital market was connected to a far-reaching modernisation process. The steps taken in this direction included creating a uniform Group share; ensuring transparency in accounting by converting to IAS; converting the company pension system from a complicated multi-tiered system to a defined-contribution pension plan with contributions paid to pension funds; introducing modern controlling systems and management methods with performance incentives; and active investor relations activities providing the bank with important feedback from the capital market. The capital market has brought us closer to our own customers. With the new divisional structure introduced throughout the bank, and, one level below, a more detailed segmentation of the market, we have a better understanding of the needs of our target customer groups.

Value-driven control principles, internal and external transparency, incentives for greater flexibility

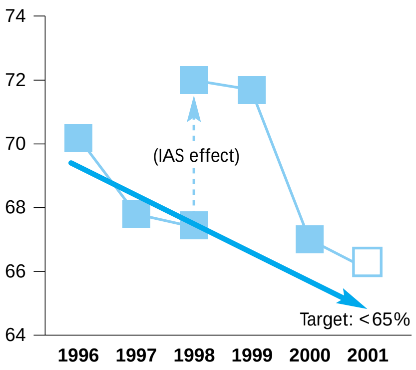
Earnings per share



Return on equity



Cost/income ratio



Medium-term growth path: promised/kept

During the previous decade, Bank Austria attained a new dimension through internal and external growth. In this regard, consolidation did not imply simply adding up total assets, but also increasing productivity. From 1990 to 2000, the number of branch offices was reduced by 15%, and the number of employees declined by 23% through normal staff turnover and measures which avoided social hardships. In 2000, net income after taxes per employee was six and a half times higher than the figure for 1990.

Bank Austria promised its shareholders that it would achieve specific medium-term profitability and efficiency goals during the 1997 to 2001 period. Following a brief detour in 1998 (caused by the emerging markets crisis), the bank remained on track with regard to meeting its targets. The bank has already achieved its target figures for 2001, and in some cases actually exceeded them. Return on equity after taxes was boosted from 8.3% (1996: pro forma Bank Austria + Creditanstalt) to 13.1% in 2000 (target figure for 2001: 12%). Earnings per share increased from € 2.90 in 1996 to € 5.17 in the reporting year, which is clearly in line with target figures for the future. The cost/income ratio fell during the same time period from over 70% to 66.7% – without the changeover to IAS in 1998/99, this figure would have already dropped to about 60%.

Excellence in core competencies

Some years ago the Bank Austria Group – similar to many other large banks – identified "growth segments" and made it a priority to expand these value-added intensive services. These include: firstly, the expansion of asset management activities. Following a time lag, the trend away from savings accounts and toward higher-yielding, higher-risk investments has arrived in Austria. Secondly, the advance of capital market products as corporate financing tools, where we are increasingly offering to medium-sized companies a level of expertise formerly available to major corporates only, as well as structured products on the new issues side and in the project finance field, by which the bank has made a name for itself in Austria and abroad. Thirdly, electronic banking, today – in the second, multilateral generation – Internet banking and the expansion of multi-channel sales. Fourthly, and last but not least, the Bank Austria Group made it a priority to expand in the CEE countries at an early stage, cautiously and selectively at first, but now to an ever growing degree. Thus even before the integration with HypoVereinsbank, it defined its core markets as the "increasingly integrated Central and Eastern Europe".

In view of the economic upturn of the past few years and increasing demands faced by Austria's leading international bank, Bank Austria reached the limits of its narrow domestic market and of the ability to further grow on its own. The threshold for success has again shifted higher. 2000 was the year of the New Economy. While the significance of the New Economy was viewed in much more realistic terms at the end of the year than at its beginning, one fact remains: the Internet is dramatically changing the banking industry. Open, cross-regional platforms are creating unprecedented price transparency and promoting the efficient use of information. In this environment, banks can no longer rely on customer loyalty and exclusive sales agreements. In addition, non-banking competitors are forcing their way into the banking business, and the value-added chain is breaking up. Extremely large amounts are needed for investments.

New technologies are changing the banking sector and require large-scale investments

At the same time, customers are also becoming more international, and the single European market will soon be enlarged. Trade with CEE countries is also increasing. Against this background, it is not sufficient to operate via a loose network of cooperative arrangements. The establishment of an extensive office network purely through organic growth takes time, and is limited by local customer loyalty. Accelerated "external growth" via an acquisition policy requires a sufficient ability to bear risks and thus access to capital. The size of the bank also plays an indirect role in the corporate customer business. With the advance of capital market products as corporate financing tools, placement power and capital market standing are becoming factors essential to success.

A banking infrastructure for an increasingly integrated Europe

Essential to success: capital market standing and placement power

HypoVereinsbank and Bank Austria – ideal partners

A large-scale investment and growth initiative – only such an initiative will meet with success – would simply not have been possible with the domestic capital market and the then-existing shareholder structure. The profitability requirements of international investors left us with the alternative: growth or downsizing. In addition, the debate within the EU with regard to public-sector guarantees has long pointed to the loss of the deficiency guarantee provided by the City of Vienna – with the inevitable impact on the bank's rating – and was another important factor considered in the decision.

We found the ideal partner in the form of HypoVereinsbank. The two banks' leading market positions on their respective home markets, the regional and cultural closeness they share, as well as the experience each bank had already made with regard to integration projects, prepared the way for a partnership. However, the key factor was the broad agreement between the two banks on the strategic vision for modern banking operations as expressed in the "Bank of the Regions" strategy.

An excellent strategic and cultural fit

Bank of the Regions in the Heart of Europe

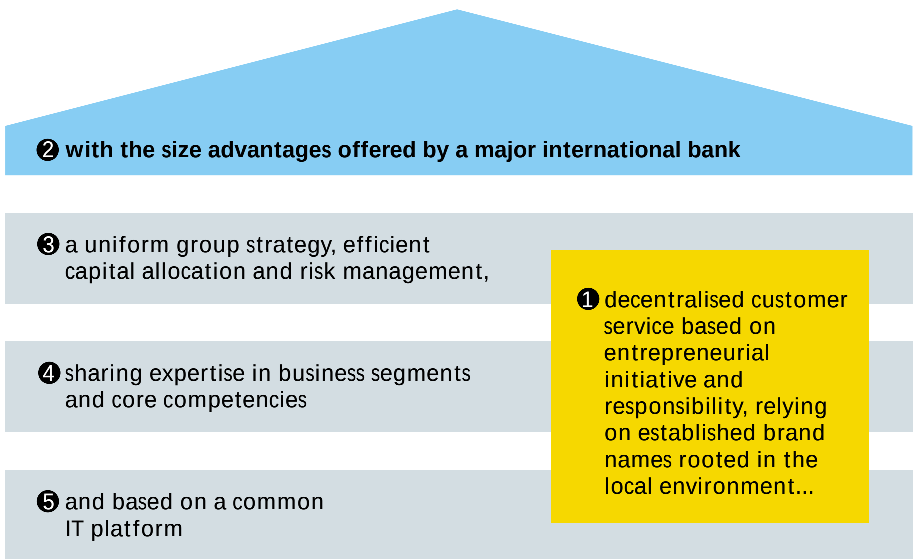
The Bank of the Regions strategy combines regional proximity to customers with the competence and efficiency of a focused universal bank. This strategy differs both from the centralised approach taken by many major banks and from the global investment banking model, and it represents a strategic response to the increasing irrelevance of national borders.

Today Europe is a highly-liberalised single market, and new technologies are further enhancing transparency. But Europe is also a network of regions with close trading relations. In this context, regions are defined by social and cultural integration strengths as well as by economic concentration.

Regional proximity to 8 million customers

Our customers live in these various regions. We will therefore serve them on a regional basis, via decentralised units with a profound understanding of local markets, units which maintain their local identities, benefit from an efficient decision-taking process and have extensive responsibility for regional management (cf. chart ①). This strategy values well-established brand names. For example, in Austria we will continue to operate under the brand names of Creditanstalt and Bank Austria.

The “Bank of the Regions” strategy



Regional and cultural closeness to customers, or "relationship banking", is not sufficient on its own. Companies operate on a supra-regional basis, financial markets are linked with each other around the globe and an international approach is also taken with regard to asset management. The HVB Group is the supra-regional structure that links together all of the various decentralised units (②). As the third largest bank in Europe, the Group also ensures a first class standing on the global capital market, along with strong placement power.

Decentralised and centralised tasks

The HVB Group pursues a uniform strategy (③) and unlocks synergies which result from combined investment efforts and infrastructure sharing. Professional risk management based on Group-wide standards and the centralised allocation of equity capital provide a basis for generating business volume in line with designated core competencies. The Group thereby fulfils the requirements of a focused universal bank which is clearly committed to serving its customers, including the market segment comprising medium-sized companies.

Group-wide risk and capital management

Moreover, the respective comparative strengths are brought together within the Group. Teams of experts operating in the international capital market, for example, work closely together, benefiting from each other's expertise (④). In line with the "integrated corporate finance bank" concept, they make their products and knowledge available to regional companies.

Sharing of expertise at an international level

The decentralised units of the Bank of the Regions will also benefit from the common IT platform (⑤) which is currently being created. In view of the challenges posed by new information channels and electronic banking, this common IT platform is key to the Group's strategy. Existing initiatives are being combined, and then implemented with the strong backing of the entire Group. This is the only way to cross the tremendous investment threshold in the e-business segment.

Common IT platform

We anticipate that the overall cost basis within the Group will be reduced by about € 500 m by the end of 2003. The integration of Bank Austria and HVB will account for € 320 m of these cost savings, while the integration of Bank Austria and Creditanstalt will account for € 175 m in cost savings. Added to this are synergies on the income side resulting from the joint use of growth potential.

Synergies reduce costs and enhance earnings

The HVB Group claims to be the market leader in the heart of Europe – along the very line that once separated Western and Eastern Europe – which now comprises an increasingly interlinked market of 160 million consumers. On account of its integration into the HVB Group, the Bank of the Regions strategy gives Bank Austria the opportunity and the resources to continue its success story as the leading bank in Austria with its distinct brands, and as Bank of the Regions in the countries of Central and Eastern Europe.

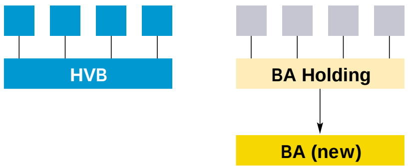
Bank Austria's success story continuing within the HVB Group

Bank Austria Shares

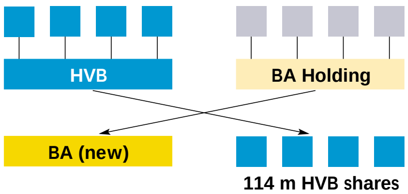
Transaction structure

Initial position

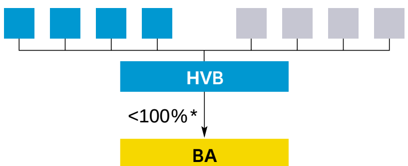
First step: spin-off



Second step: contribution



Third step: merger



* Registered shares held by AVZ and the Employees' Council Fund

With a view to finding a sound organisational structure for the integration process as quickly as possible, HypoVereinsbank and Bank Austria selected a transaction model based on the exchange of shares at a shareholder level. This model was best suited for fulfilling the criteria of economic efficiency, transparency and rapid implementation. It was very effective in reducing the need for equity capital, especially as the exchange of shares stabilised the Group's Tier 1 capital and even helped to improve the Tier 1 capital ratio (from 5.7% to 5.8%). The model thus convinced the rating agencies and preserved the undisclosed reserves of the new group as a basis for further acquisitions and investments.

A number of measures pursuant to company law were assembled as a package and presented to the public for the purpose of implementing the strategy. The shareholders approved the individual measures at their 10th, extraordinary general meeting on 27 September 2000. The measures were in each case supported by an overwhelming majority of votes. As the national supervisory authorities and the European Commission did not raise any objections either in regard to cartel law or on other grounds, the multi-tiered plan was quickly implemented.

In an initial preparatory phase the banking business of Bank Austria (old) was spun off and absorbed by Sparkasse Stockerau as at 7 November 2000 without any increase in capital, and the name of Sparkasse Stockerau was changed to Bank Austria Aktiengesellschaft (new). The corporate shell of the old Bank Austria operated as BA Holding AG and held the shares in Bank Austria (new). Sparkasse Stockerau, i.e. the subsequent Bank Austria (new), was provided with adequate capital resources through the contribution of the shares in Creditanstalt AG. Bank Austria Creditanstalt International AG was at the same time merged into Bank Austria (new).

In the second stage, BA Holding AG transferred its shares in Bank Austria (new) as a contribution in kind to Bayerische Hypo- und Vereinsbank AG against shares in HypoVereinsbank at a ratio of one for one. This contribution took effect when the increase in the capital of Bayerische Hypo- und Vereinsbank AG was entered in the trade register on 7 December 2000 (as at the day of the contribution, i.e. 1 January 2000). In return, BA Holding AG received 114 million shares in HypoVereinsbank AG on 8 December 2000.

The last step in the realisation of these plans took place on 2 February 2001 with the merger of BA Holding AG into Bank Austria (new), which took effect as at 31 December 2000. The shareholders of Bank Austria received shares in Bayerische Hypo- und Vereinsbank at an exchange ratio of one for one, and thus became direct shareholders of HypoVereinsbank. The shares in HypoVereinsbank have been listed on the Vienna Stock Exchange since 2 February 2001.

With a clear ownership structure into the HVB Group

In the just under ten years of Bank Austria's existence, its ownership structure has undergone a profound change. While in 1991 the public sector (in a broader sense) still maintained an ownership interest of 73% in the bank, in 2000 Bank Austria AG was a completely privately-owned company. The key years in this development were 1997 and 1998, when the free float of the bank's shares exceeded the 50% mark following share capital increases and the conversion offer made to Creditanstalt shareholders. Most recently the free float stood at 52.7% (calculated as a residual figure), somewhat less than during the previous year (55.0%), in part on account of the buyback of shares.

Change in ownership structure

In the course of 2000, and independently of the integration with HypoVereinsbank, Bank Austria carried out a number of equity capital measures which had been included in the bank's medium-term plans. With the conversion and subsequent calling in of participation certificates outstanding, as well as the share buyback programme, the bank concluded a long series of capital measures begun with the acquisition of Creditanstalt in January 1997, and realised its objective of introducing a uniform Group share.

During the period from 23 February 2000 to and including 22 March 2000, holders of participation certificates were offered the opportunity (pursuant to Section 102a (3) of the Austrian Banking Act) to exchange on a voluntary basis the 1,991,345 participation certificates then outstanding for ordinary shares in Bank Austria with an additional payment of ATS 66 per share. Many holders of participation certificates took advantage of this offer, and exchanged 870,543 certificates (representing 43.72% of the participation capital) for ordinary shares. Pursuant to a resolution passed at the 9th ordinary Annual General Meeting held on 26 May 2000, the remaining participation capital was called in against cash compensation, which took effect on 2 June 2000.

Uniform Group share realised via conversion and calling in of participation certificates

On 22 May 2000, in a second step, the Managing Board made use of its authorisation to buy back shares, which had been granted by the 8th ordinary Annual General Meeting on 19 May 1999. Pursuant to Section 65 (1) of the Austrian Joint Stock Companies Act, the bank acquired 1,396,131 own shares, and called them in pursuant to Section 192 (3) item 2 of the same Act. As a result of these two measures, from 27 July 2000 onwards exactly 114,000,000 ordinary shares remained.

114 million ordinary shares remain following the buyback of shares

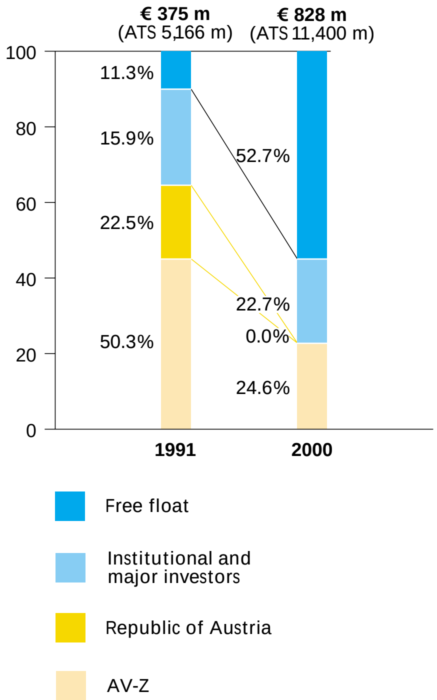
During the course of the reorganisation of Bank Austria AG in 2000 as described earlier, the publicly-traded Bank Austria AG (old) was renamed BA Holding AG and its business operations spun off to Sparkasse Stockerau under the new name of Bank Austria Aktiengesellschaft (new). The company's name was then changed to Bank Austria AG (new). Bank Austria AG (old) operated under the name of BA Holding AG, and contributed the shares in Bank Austria AG (neu) to HypoVereinsbank AG in return for new shares.

Subject to capital market's profitability requirements also in the new ownership structure

Following the conclusion of these transactions, HypoVereinsbank AG now holds 99.99% of the shares. Even within the new ownership structure, of course, Bank Austria remains – via its parent institution – subject to the capital market's profitability requirements. In line with a value-oriented management approach, we are working to achieve lean, efficient structures and efficient equity capital allocation. Group planning has established as a medium-term goal a 15% return on equity after taxes.

Historical shareholder structure of Bank Austria AG

Holdings in % of share capital



Former shareholders in Bank Austria	Number of ordinary shares	Interest in %
AV-Z Kapitalgesellschaft GmbH	28,081,895	24.6
WestLB	11,400,000	10.0
Wr. Städtische Group	6,300,000	5.5
Banca Intesa	3,640,966	3.2
Wüstenrot	1,952,129	1.7
Other major shareholders*	2,573,280	2.3
Free float	60,051,730	52.7
Total number of shares	114,000,000	100.0
… of which: bearer shares	88,008,105	77.2
Share capital in €	828,470,310	

* Other major shareholders: Hamburg-Mannheimer Versicherung, Siemens AG, Bank of Tokyo Mitsubishi

Capital market welcomes the integration with HVB

Following a number of positive recommendations by analysts, the Bank Austria share achieved a temporary high of € 57.49 at the end of the first week of the new year. During January, the share came under selling pressure from foreign investors, and on 7 February 2000 it fell to its low for the year, € 42.03. The price then recovered on account of positive announcements made by the company (including the results for 1999, and the intention to increase its interest in PBK), and also because the market took a more positive view of the banking industry in general (company mergers, Internet plans). In the remaining course of the first half year, the share price hovered at around € 50. Also contributing to this development was a presentation for analysts entitled "BA Open House", at which the corporate strategy was presented with a newly defined core market of "Austria and CEE". The share buyback programme provided the share with a further boost, and lifted the price toward € 55. Altogether, during the first six months, turnover remained significantly below the previous years' level, as did turnover in the Austrian market as a whole.

Share price movements in the first half of 2000

The share price jumped following the ad hoc announcement of the integration with HypoVereinsbank on 22 July 2000. On 18 July 2000, prior to any market speculation, Bank Austria's share price amounted to € 49.15, and thereafter climbed by 33% to a high for the year, € 65.20, on 9 August 2000. Thus from the very beginning, the market has reacted favourably to this "merger at a shareholder level".

Share price rockets on announcement of integration with HVB

In retrospect, the period from the announcement on 22 July 2000 until the exchange of shares on 2 February 2001 can be divided into three separate phases. In the initial phase, the market took a cautious approach with regard to the actual realisation of the transaction. The price differential between Bank Austria and HVB shares, which reflected the likelihood of a one-for-one exchange, stood at between 6% and 10%. The spread, however, narrowed sharply when the Austrian take-over commission did not come out against the transaction on 8 September 2000, meaning – at least in the market's eye – that a hurdle had been cleared. The second phase, where the price differential hovered at around 2%, covered the period from the extraordinary general meeting on 27 September 2000 to the time when the European Commission and the cartel authorities approved the merger in mid-November. In the final phase, shares in Bank Austria and HVB traded at virtually identical levels, with no notable price deviations, even in daily trading.

Stabilisation of expectations and smooth settlement of a € 6.6 bn transaction

The real increase in the price of the HypoVereinsbank share (and thus of the Bank Austria share) in view of the integration is of greater significance than the relative movement between the two shares slated for exchange. This is because the share price is seen as reflecting the market's assessment of the Group's future in its new form. Unlike mergers at other companies, the price of the HVB share remained at a high level. While the price did decline temporarily in September on account of technical arbitrage transactions, in the further course of the year the HVB share developed in line with the Euro-Stoxx bank index. From the end of the year until results for the new HVB Group were announced (including the pro-rata consolidation of Bank Austria in the income statement, and the bank's full inclusion in the balance sheet), the price of the HVB share increased considerably. The stronger weighting given to the HVB share in European benchmark indices, which was to be expected in view of Bank Austria's inclusion and its significant free float, also contributed to this development. The number of HVB shares increased by 27% following the share capital increase against a contribution in kind.

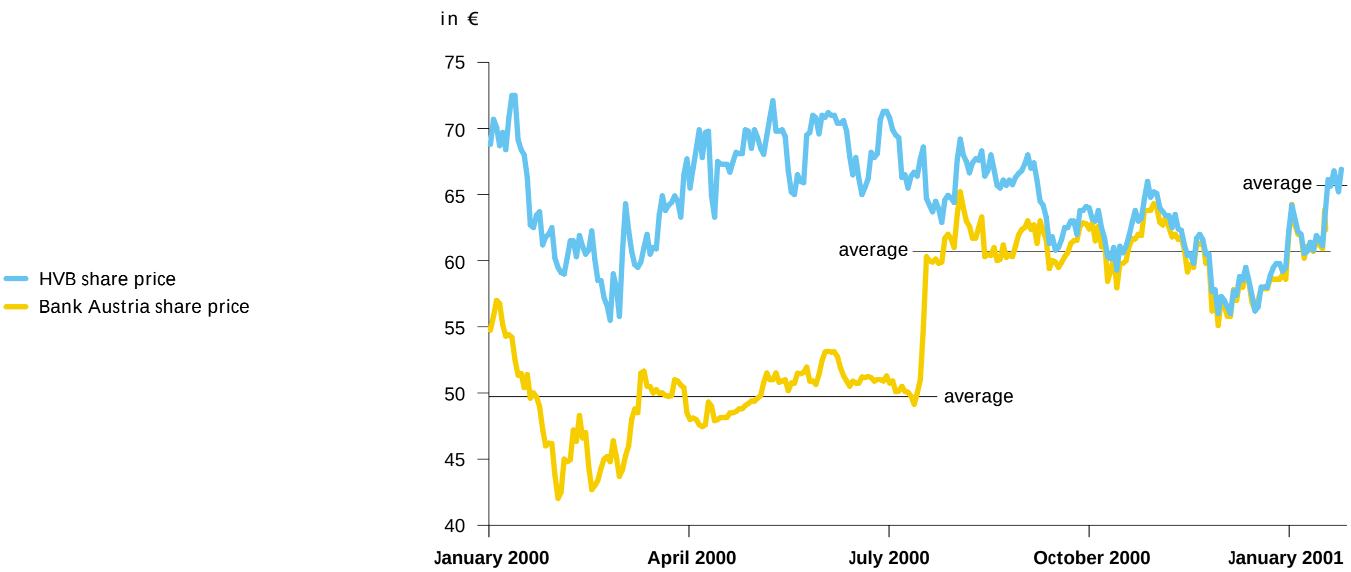
Bank Austria contributes to stronger weighting of HVB share

Shortly after the integration, former holders of Bank Austria shares saw a strong increase in the value of their shareholdings. Based on a share price of € 67.0 (end of February 2001) and compared with the average Bank Austria share price from the beginning of the year until 22 July 2000, shareholders benefited from a price gain of 35.1%. This actually slightly exceeded the "premium" of 34% that was calculated at the time the announcement was made, based on average prices for the preceding month and a one-for-one exchange ratio.

Substantial premium for former holders of Bank Austria shares

The smooth settlement of a demanding capital market transaction valued at € 6.6 bn, the convincing "Bank of the Regions" strategy, and the expected synergies were all received very favourably by the capital market, and leave room for further share price increases.

Favourable reception in the capital market



Management Report of the Group

Market situation and operating environment

In 2000, banks operated in a generally favourable economic environment which deteriorated somewhat as the year progressed. This contrasted with rising commodity prices, a restrictive interest rate policy in the US and Europe, and general weakness in international stock markets.

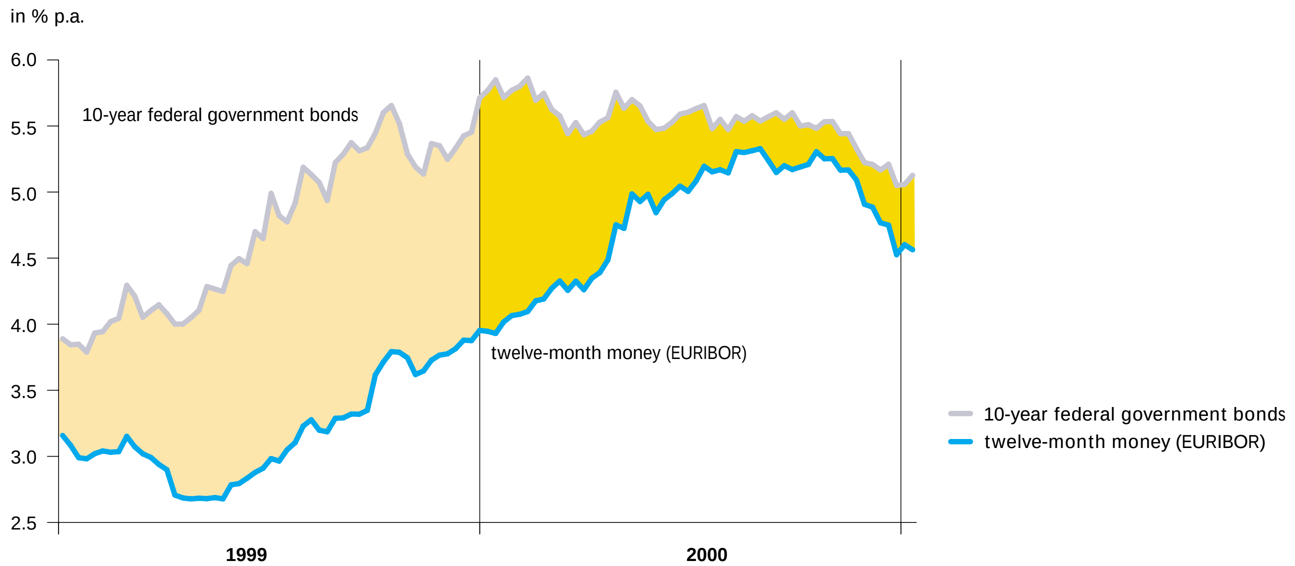
Restrictive monetary policies in the US and Europe

Dynamic growth of the world economy in the first few months of the year caused the appearance of a number of (long-forgotten) cyclical factors which acted as a brake and prompted monetary policy measures to counteract them: oil prices rose by more than 200% to reach a peak in August (Brent crude from US$ 10.2 to US$ 33.4 per barrel). The US Federal Reserve further tightened its restrictive policy pursued since November 1999 and raised interest rates three times during the year to achieve a “soft landing”, suppress inflationary trends (second-round effects) and break the link between stock market boom and consumption.

Flattening yield curve

Leveraged by the strong US dollar, these events also had an impact on Europe. The European Central Bank abandoned the policy of monetary expansion it had pursued at the beginning of the year and raised its main refinancing rate in six steps from 3% to 4.75%. In view of the steady trend in long-term bond yields, the euro yield curve and thus also the Austrian yield curve flattened. The interest rate differential between 10-year Austrian federal government bonds and twelve-month money fell from 1.7 to 0.5 percentage points in the course of the year (see chart below).

Austrian interest rate trends



This interest rate development resulted in two opposing trends in the banking sector: the usual pattern of delayed responses in the banking industry temporarily improved interest rate margins in the deposits business (see section on Private Customers and Professionals) in the first quarter; on the other hand, funding terms and thus banks' earnings from maturity transformation deteriorated significantly.

Contrasting effects of interest rate trend

Austria's economy benefited from a strong increase in private consumption, primarily in the first half of the year. Moreover, 2000 was an exceptionally good year for Austrian merchandise exports, which grew by 11.5% in real terms. Investment in equipment rose by 5.9%, driven by the favourable economic trend and companies' efforts to modernise and internationalise their operations. Although growth weakened somewhat after the middle of the year (as a result of restrictive monetary and fiscal policy influences as well as a temporary increase in inflation rates), GDP grew by 3.3% in real terms, a level close to the growth rate for the euro zone as a whole. Austrian banks thus faced rising credit demand (+6.7%), a high savings ratio (holdings of financial assets by private households increased by € 15 bn) and large transaction volumes. The trend towards securities investments and the advance of flexible equity financing continued. Export financing activities and international project and acquisition financing benefited from favourable economic trends and strengthening East/West ties.

Economic activity stimulates credit demand, raising of funds and international business

The countries of Central and Eastern Europe (CEE-8) recorded economic growth of over 4%. Overall, 2000 was thus a good year for convergence towards the EU countries, though there were considerable differences. Hungary led the field with 5.3% growth, whereas Romania's economy grew by only 1.8%. As a result of higher oil prices and, in some countries, high levels of economic activity, inflation in the CEE countries rose again. The strong increase in exports, especially to the EU, slightly reduced their current account deficits. Based on substantial oil revenues, Russia recorded the highest rate of economic growth since the transformation process started.

Convergence progress in the CEE countries. Major economic differences remain

Another factor that had a strong influence on the banking industry in the year 2000 was the sudden change in sentiment on growth stock markets. After a bull market in telecom, media and technology (TMT) stocks which lasted for 16 months and was reflected not only in share prices but also in a wave of IPOs, the TMT sector declined sharply from March onwards, and indices for growth and technology stocks fell to below the levels seen before the boom started. The global links of the New Economy with traditional economic sectors, in combination with rising interest rates, led to a dramatic deterioration in the creditworthiness of numerous debtors, which was not restricted to the US and the TMT sector (see section on Financial Markets). Banks had to raise their risk provisions during the year.

Stock market slump and rising interest rates affect credit quality

Development of Bank Austria in 2000

Consolidated income statement

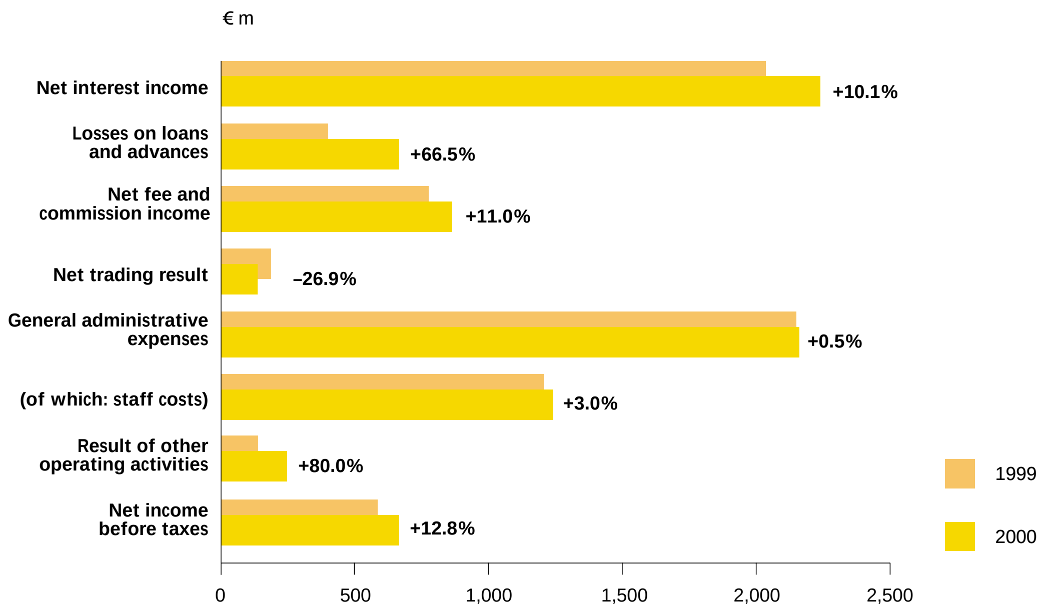
Bank Austria's results for 2000 meet the target figures and even exceed some of the targets which the bank set for itself after the integration with Creditanstalt four years ago. Consolidated net income for 2000 rose by € 80 m or 15.6% to € 592 m. Earnings per share increased to € 5.17, corresponding to the intermediate figure on the target path (2001: € 5.81). This increase is the net effect of a strong improvement in operating income components (significant growth of net interest income, substantially higher net fee and commission income, partly offset by a decline in the net trading result) as well as an increase in the result of other operating activities and a higher provisioning charge for the lending business.

Results in line with medium-term plan

Net interest income rose by € 206 m or 10.1% to € 2,240 m; this item accounts for a large proportion of total income and was thus the main factor determining the growth of results. The increase is based solely on interest components, reflecting the interest rate trend that prevailed particularly in the early part of the year. As a result of the change in the group of companies accounted for under the equity method, the share of net income of such companies declined by € 39 m or 18 % to € 177 m.

Individual items of the income statement

Results of the Bank Austria Group



The net charge for losses on loans and advances, which had been considerably reduced (by € 354 m) in the previous year, rose again in 2000, by € 266 m or 66.5% to € 666 m. The provisioning charge related almost exclusively to on-balance sheet loans and advances and is to be seen in connection with the regional and industry trends described above. In Austria, the deterioration in the risk position led to a higher provisioning charge across the board (charge for losses on loans and advances up by € 238 m to € 519 m). On the international side the picture was mixed, reflecting differences in economic trends: in the US, specific risk provisions were higher than expected (up by € 55 m to € 143 m), against the background of leverage ratios, interest rate developments and trends in dynamic key industries. On the other hand, the risk position in the CEE countries remained at a very low level (€ 8 m) (see also notes 24 and 33 in the notes to the consolidated financial statements).

In 2000, Bank Austria recorded an 11.0% increase in net fee and commission income (up by € 85 m to € 862 m). Most of this increase came from the securities business, including sales of mutual funds; in this sector net fee and commission income rose by € 70 m or 34.4% to € 273 m, thus making the largest contribution to the overall figure. Fees and commissions in the payments sector matched the high level of the previous year (– 0.3% to € 272 m). Stronger economic activity was also reflected in the 37.3% increase in commission income from the lending business to a total of € 126 m and in the 3.8% growth, to a total of € 134 m, in commission income from foreign exchange, foreign notes and coins, and precious metals business.

The net trading result for 2000 was € 137 m, down by € 50 m or 26.9% on the previous year. All of the decline was due to equity-related business; this item includes not only equity trading income in a narrower sense but also income from equity positions held as current assets in connection with sales of companies. Against the background of market developments, currency-related and interest rate-related transactions showed satisfactory increases of 17.1% and 58.4%, respectively. In this area, the increasing importance of business in CEE currencies is becoming noticeable.

An important factor that enabled the Group to achieve good results for 2000 was the steady cost trend. General administrative expenses totalled € 2,159 m, an increase of only € 10 m or 0.5% compared with the previous year. Staff costs, the largest component, accounted for 57.5% of the total figure and increased by 3.0%. One-half of the growth of wages and salaries was offset by a decline in expenses for post-employment benefits and a lower allocation to the provision for severance payments and pensions. This reflects the transition from a defined benefit plan to a defined contribution plan for future pension benefits at the turn of 1999/2000 as well as the changes in the number and structure of employees.

Other administrative expenses, including current expenses related to computer systems and advertising, were slightly lower (–2.3%) than in the previous year.

The cost/income ratio, i.e. the ratio of general administrative expenses to operating revenues (net interest income, net fee and commission income, and net trading result), was reduced to 66.7% in 2000 (from 71.7% in the previous year).

The result of other operating activities increased by € 110 m or 80% to € 248 m. Amortisation of goodwill remained unchanged at € 30 m and the balance of other operating income and expenses deteriorated further. On the other hand, results from current financial assets rose by € 29 m or 69.0%. The largest contribution to the strong growth of the overall figure came from the results from financial fixed assets, which rose by € 93 m or 54.6% to € 263 m. This figure includes the profits from the transfer of equity interests in non-banks to an entity outside the sphere of influence of the Bank Austria Group: as at the end of December 2000, about 25 companies were transferred to B & C Holding GmbH, the subsidiary of a foundation which is independent of the bank, against profit-sharing rights which evidence an entitlement to share in future profits from these companies (see section on Equity Interests).

Taxes on income amounted to € 47 m (1999: € 40 m). Of the current income tax expense, 41.5% related to international operations. Within the total figure, the deferred tax expense was € 6 m (1999: € 38 m).

After deduction of minority interests of € 23 m, or 3.7% of net income after taxes (€ 615 m), consolidated net income for the 2000 financial year was € 592 m.

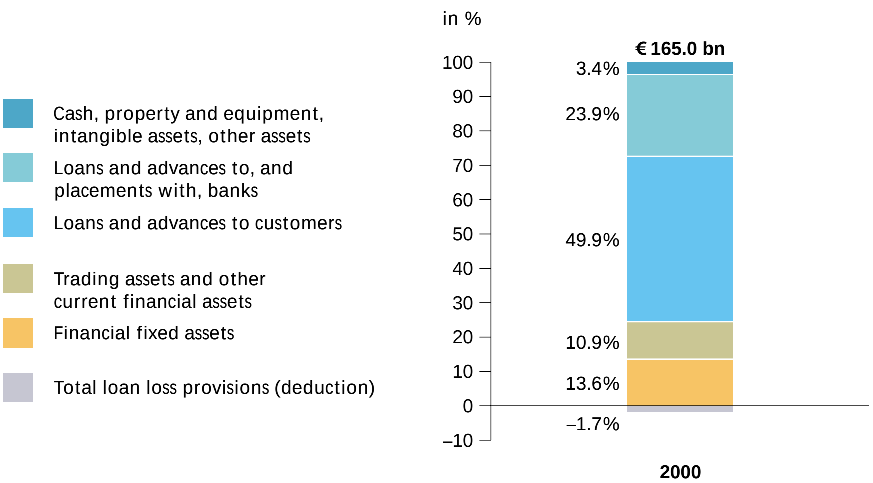
Balance sheet – structure and changes

Total assets reflect internal and external growth

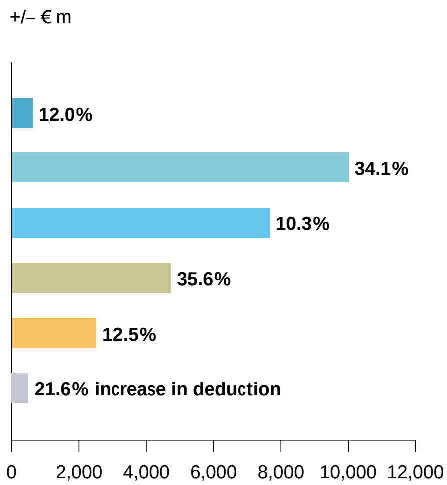
In 2000, total assets of the Bank Austria Group grew by 17.9% to € 165.0 bn. This growth resulted from the expansion of current business and from changes in the group of consolidated companies: Powszechny Bank Kredytowy S.A., Warsaw (PBK), in which Bank Austria held an interest of 56.6% at the end of the year (after taking a majority interest and merging its own Polish subsidiary with PBK), was consolidated for the first time as at the end of 2000. The consolidation as at year-end has effects on the balance sheet – PBK accounts for about 4% of the 18% increase – but not on the income statement. A technical factor contributing to balance sheet growth was exchange rate movements, above all the appreciation of the US dollar against the euro.

On the assets side, contributions to the € 25.0 bn balance sheet growth came from loans and advances to, and placements with, banks (+ € 10.0 bn) and loans and advances to customers (+ € 7.7 bn), a significant increase in trading assets (+42.8% or € 4.4 bn) and in financial fixed assets (+ € 2.5 bn). The strongest contribution to funding total assets came from resources entrusted to the Group by customers: these rose by € 18.1 bn or 25.4% to € 89.4 bn, thus accounting for over one half of the balance sheet total (customer deposits up by € 11.2 bn, liabilities evidenced by certificates up by € 5.4 bn). Interbank liabilities rose by € 5.7 bn or 10.6%.

Structure of assets



Increase in assets 1999/2000



Assets

Loans and advances to, and placements with, banks increased by 34.1% to € 39.4 bn, primarily those with maturities of less than one year. A special factor in this context is that one half of the expansion is due to the spin-off of Bank Austria Commercial Paper LLC and its transfer to HVB as part of structural changes. This involved transfers from customer loans to interbank claims. Loans and advances to, and placements with, banks account for 24% of total assets.

Loans and advances to customers rose by 10.3% to € 82.3 bn and thus represented just under one half of total assets. The expansion related mainly to long-term loans (with remaining maturities of over 5 years), which represent 44% of all loans and advances to customers.

Total loan loss provisions – disclosed on the assets side of the balance sheet below loans and advances – were increased by € 508 m or 21.6%. This is the result of a higher net allocation of € 741 m (1999: € 380 m) and lower use (€ 504 m) than in the previous year (€ 690 m). Moreover, translation differences and other changes having no impact on the income statement in the total amount of € 263 m (compared with only € 48 m in the previous year) increased the amount shown as total loan loss provisons.

Trading assets totalled € 14.3 bn at the end of 2000. The increase of € 4.3 bn or 42.8% compared with the previous year also reflects changes in current market prices. More than half of this growth is due to fixed-income securities, the remainder being accounted for by shares and investment certificates, interest rate derivatives and other trading assets. Other current financial assets comprise holdings which are neither classified as trading assets nor as financial fixed assets intended for continuing use within the Group. Most of the increase of € 450 m or 13.6% to € 3.7 bn in this item, too, was accounted for by bonds and other fixed-income securities, primarily those of public issuers.

The item financial fixed assets grew by € 2.5 bn or 12.5% to € 22.4 bn. Most of this growth related to bonds and other fixed-income securities, primarily those of issuers outside the public sector, while strategic holdings of shares were reduced. As a result of the divestment policy (see section on Equity Interests), equity interests and properties rented to third parties, which were valued at cost, declined by € 419 m and € 61 m, respectively. The figure stated for shares in unconsolidated subsidiaries was 18.1% higher than in the previous year.

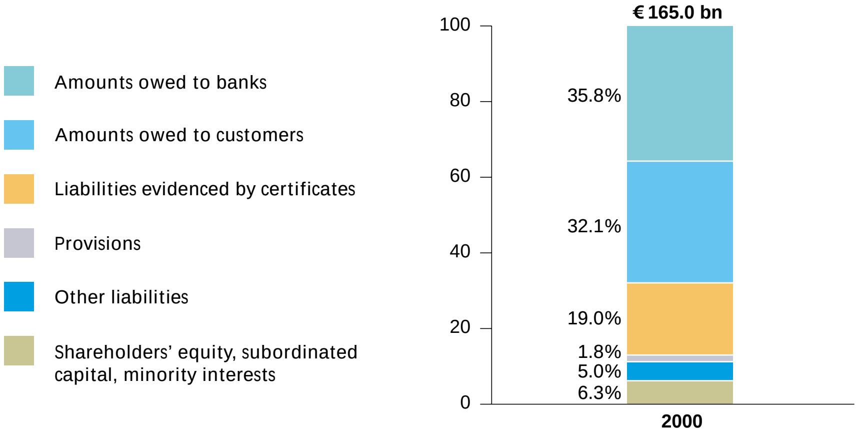
Liabilities and shareholders' equity

In 2000 amounts owed to banks increased by € 5.7 bn or 10.6% to € 59.1 bn. Amounts owed to customers increased by double this amount (+ € 11.2 bn or 26.6 %). A breakdown by product gives a clear picture of the trends on the liabilities side which were outlined in the introduction to the management report: refinanced export loans, which were granted on a trust basis at third party risk, expanded by 14.2%; savings deposits declined by 8%; sight and time deposits (all groups of depositors) showed the strongest growth, rising by 53% and thereby underlining the large transaction volumes and efficient cash management.

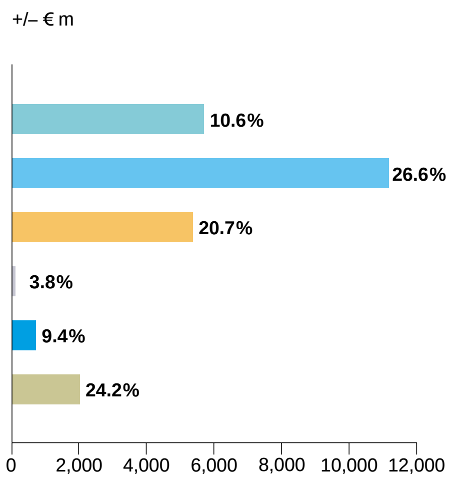
Within the liabilities evidenced by certificates (up by € 5.4 bn to a total of € 31.3 bn), debt securities issued as well as medium-term and short-term near-money market instruments rose strongly.

Provisions are stated at € 3.0 bn in the 2000 balance sheet, compared with € 2.9 bn in 1999. Within this item, provisions for severance payments, pensions and similar obligations, totalling € 2.4 bn, are the largest item with the strongest increase (+ € 180 m or 8.0%). Allocations to provisions and the interest component (€ 276 m) were partly offset by pension payments (€ 104 m). Other provisions declined (– € 162 m to € 407 m) because € 125 m was used for restructuring measures.

Structure of liabilities and shareholders' equity



Increase in liabilities and shareholders' equity, 1999/2000



Shareholders' equity

At the end of 2000, consolidated shareholders' equity was stated at € 4,615 m. The increase (€ 174 m or 3.9%) resulted from retained earnings, diminished by the effect of the share buyback (– € 74 m) as well as the conversion and redemption of participation certificates (– € 39 m). Currency translation as part of the consolidation procedures also had a reducing effect (– € 101 m).

Regulatory capital resources

The Bank Austria Group's capital resources are calculated pursuant to the Austrian Banking Act rules, which are in conformity with the EU Capital Adequacy Directive. Tier 1 capital increased by € 0.3 bn or 7.3% to € 4.9 bn as compared with the end of the previous year. Measured against the assessment basis (banking book) of € 79.8 bn (+3.5%) as defined in the Austrian Banking Act, the Tier 1 capital ratio is 6.1%. Supplementary elements (Tier 2) are stated at € 3.8 bn as at 31 December 2000, resulting in net capital resources of € 8.2 bn. The minimum capital requirement is € 6.4 bn, thus the excess coverage is € 1.8 bn. The total capital ratio rose from 8.68% to 10.30%.

Events after the balance sheet date

Pursuant to the resolution passed at the extraordinary general meeting of Bank Austria AG on 27 September 2000, BA Holding AG, as transferring company whose shares were still listed in the ATX segment of the Vienna Stock Exchange at the balance sheet date, was merged with Bank Austria AG and at the same time the shares in HypoVereinsbank AG were transferred to the shareholders in BA Holding AG. Shareholders in BA Holding AG thereby received one share in HypoVereinsbank AG, Munich, for each share held. As part of this merger, which became effective with its entry in the Austrian Register of Firms on 2 February 2001, the admission of shares in BA Holding AG to trading on the Vienna Stock Exchange was revoked.

On 12 February 2001 the Managing Board of Bank Austria decided to spin off the "International Trade Finance" operations of Bank Austria Handelsbank AG (BAHB) and transfer these assets to Bank Austria Aktiengesellschaft (BA) with retroactive effect as at 30 June 2000.

As part of the implementation of the integrated corporate finance concept, the Managing Board decided at the end of January 2001 to merge CA IB Vienna, the investment bank of the Bank Austria Group, into Bank Austria. This means that treasury, equity trading and investment banking are combined into a Group function within Bank Austria. In the course of these restructuring measures, Wilhelm Hemetsberger, Chairman of CA IB's Managing Board, joined the Managing Board of Bank Austria on 17 February 2001 and assumed responsibility for International Markets.

Selected growth rates: real GDP growth in %

	2000	2001
USA	5.0	2.5
Japan	1.5	1.5
Euro zone	3.4	2.7
CEE-8	3.8	3.8

Austria	2000	2001
GDP growth	3.3	2.5
Private consumption	2.6	2.0
Investment in equipment	5.9	5.4
Investment in construction	1.6	1.9
Exports in a broader sense	7.6	5.0
Imports in a broader sense	6.3	4.7

CEE-8 countries	2000	2001
Poland	4.2	4.1
Czech Republic	2.6	3.5
Hungary	5.3	5.0
Slovakia	2.2	2.9
Slovenia	4.5	4.5
Bulgaria	4.5	4.0
Croatia	3.5	3.0
Romania	1.8	2.0

Source: Bank Austria Economics Department

Outlook

For the current business year we expect weaker growth early in the year to be followed by a slightly rising trend. Especially in view of the economic slowdown in the US, the macroeconomic environment in the current year will be somewhat less favourable than in 2000. But in 2001, too, Austria will make almost full use of its growth potential, with GDP forecast to increase by 2 1/2%. In the middle of the year inflation will start to recede significantly, on account of the basis effect alone.

The countries of Central and Eastern Europe will again achieve strong economic growth in 2001, even if some countries will experience a slightly weaker trend (see table). Inflation should decline in this group of countries, too.

The moderate economic growth which is currently foreseeable could prompt the European Central Bank to reduce key interest rates, though only to a small extent. Long-term rates will probably rise somewhat in the second half of the year as growth will slightly accelerate. Corporate banking activities are expected to benefit from the interest rate movements seen around the turn of the year and so far this year. In retail banking, our ambitious goal is to repeat the record results achieved in the previous year. The trend towards securities and mutual fund investments will continue although the past year made large numbers of investors familiar with the risks of investing in equities. As far as the financial markets are concerned, there are indications that stock markets will bottom out in the course of this year. These trends are confirmed by the good overall results so far in 2001.

A major shift in Bank Austria's assets and earnings structure will result in 2001 from the transfer to HVB of Bank Austria business units in the "rest of the world" and, conversely, from HVB to Bank Austria in Central and Eastern Europe under the "Bank of the Regions" concept. The transfer will take place at arm's length, which means that fair and objective values and valuation criteria will be used. On this basis the asset position of the Bank Austria Group will be maintained. In the CEE countries, the "doubling" of market and earnings opportunities and the realisation of synergies is creating a strong basis both for further investment in the market position and for the use of earnings potential.

Overall, therefore, we expect the earnings performance to remain favourable in 2001 and the years beyond.

Domestic Private Customers and Professionals

Whilst retail banking plays a key role in Bank Austria's development, it is also one of the universal bank's significant growth components as it accounts for 40% of operating revenues. Bank Austria and Creditanstalt serve some 1.7 million customers, which make the Group the undisputed market leader in Austria.

This business segment comprises the retail banking activities of Bank Austria and Creditanstalt, the consolidated investment management companies, BANK*PRIVAT*, VISA and the residential construction banks, as well as CA-Versicherung AG and UNION Versicherung, both of which are accounted for under the equity method. The subsidiary companies accounted for about one fifth of total results in 2000.

Business developed very favourably in the Private Customers and Professionals division. A finely-tuned marketing strategy and the commitment displayed by customer advisers enabled Bank Austria and Creditanstalt to take advantage of the opportunities offered by the economic environment – opportunities resulting from developments in interest rates and strong economic growth, as well as trends in demand (investments in securities) and sales channels. In 2000 this segment's contribution to the Group's results for the first time significantly exceeded the relative level of equity capital committed: with net income before taxes totalling € 157 m compared with € 10 m in the previous year, this segment accounted for 24% of the Group's overall results, the share of equity capital amounted to 10%, which reflects the predominance of deposits relative to loans, a feature which is common to retail banking operations. On account of the disproportionately strong deposit business generated by this segment (relatively low capital requirement and large business volume) the return on equity before taxes jumped from 2.2% to 35.7%. These developments in particular show that in view of the high business volumes achieved by retail banking, even moderate changes in interest margins can have major implications. This results in strong fluctuations in profits after the high fixed costs have been deducted. The improvement in earnings is a result of the trend in costs: general administrative expenses increased by only 6%, although in addition to its day-to-day operations Bank Austria's retail business was faced with the transition to a common IT platform (see below). The cost/income ratio fell to under 80% and is thus moving in the right direction. The bank has set itself the target of reducing this ratio further to match the current average for the entire bank.

The increase in operating revenues in 2000 was achieved through net interest income and net fee and commission income at a ratio of 3:1. Net interest income rose sharply in the first few months of 2000 despite ongoing fierce competition on terms and conditions, and continued to rise slightly during the remaining part of the year. Net interest income improved by 26% or € 169 m in 2000. Brisk activity

Key figures – Domestic Private Customers and Professionals

€ m	2000	1999	Change in %
Net interest income	825	656	26 %
Losses on loans and advances	– 93	– 87	7 %
Net fee and commission income	439	377	16 %
Net trading result	19	21	– 10 %
General administrative expenses	– 1,022	– 963	6 %
Result of other operating activities	– 12	7	n.a.
Net income before taxes	157	10	>100 %
Share of Group total	24 %	2 %	
Risk-weighted assets (average)	10,407	9,571	9 %
Equity (average)	440	455	– 3 %
Share of Group total	10 %	11 %	
ROE before taxes	35.7 %	2.2 %	
Cost/income ratio	79.6 %	91.4 %	

in securities business helped to boost net fee and commission income, which increased by 16% or € 62 m relative to the previous year.

Advisory initiative in response to elimination of anonymous savings accounts

This further strong increase in commission income resulted not only from the continuing trend in favour of securities investments, but to a large extent from the ongoing boom in demand for mutual funds. The structural shift toward higher-yielding investments in 2000 was also supported by another development, namely, the statutory elimination of anonymous savings accounts on 1 November 2000. The bank's sales network smoothly handled the necessary conversions without any difficulties. Special counters were set up in branch offices and advisory times were extended. Customer advisers at Bank Austria and Creditanstalt had earlier taken advantage of this sensitive topic to answer customers' inquiries by providing them with information via the Group's sales channels and in thousands of personal contacts under the slogan "bank secrecy rules: offering the same level of discretion as anonymous accounts". One of the goals of this initiative was to help customers become better acquainted with complementary investment products – from "intelligent savings cards" and residential construction bonds offering tax incentives to mutual funds. These products can be tailored to meet individual needs and savings objectives more easily than through savings books alone.

Common IT platform for Creditanstalt and Bank Austria

The migration to a common IT platform on 17 July 2000 was undoubtedly the key event of the year (cf. page 103). The successful implementation of this massive "heureka!" project signifies a quantum leap forward for the bank, making it possible to completely restructure the retail business activities of Bank Austria and Creditanstalt. Both banks' retail banking operations have been subject to uniform strategic management since November 2000, and rely on a common back office structure. By utilising central functions such as product management, marketing and sales management, we are able to optimise the allocation of resources and free additional capacity for direct customer support.

Target group marketing: new focus on business customers

Comprehensive services and product know-how are also highly valued by our business customers. Bank Austria offers its customers attractive service packages such as "e-bonus". The low-cost conversion to electronic payment transactions is combined with a free payment transaction analysis which provides a detailed breakdown of the customer's payment flows. Bank Austria provides business customers with various services in cooperation with partners, such as software services by Data Austria and Internet services by the Austrian Institute of Applied Telecommunications. With a financing analysis, Bank Austria's business customers can take advantage of this expertise. This advisory instrument serves to optimise the financing structure of small and medium-sized companies.

Bank Austria offers young entrepreneurs support with setting up a new business. A service package for “start-ups” is carefully tailored to deal with the issues involved in the difficult move to self-employment. Nevertheless, some 22,000 persons in Austria recently started a business of their own, and the trend is moving up. The desire to provide professional assistance also gave birth to the electronic fiduciary register by the Vienna Chamber of Attorneys, which the Bank Austria Group helped to set up.

Business customers will make major efforts in 2001 to prepare their systems for the introduction of euro banknotes and coins. Bank Austria is supporting investments needed for the conversion to the euro by 31 December 2001 with a credit initiative which provides a two per cent interest rate subsidy (for the purchase or adaptation of cash registers, computer software, employee training, etc.).

With the addition of the Bank Austria Group and its subsidiary companies in CEE, the HVB Group serves some eight million private customers. In the Private Customers and Professionals segment, the **Bank of the Regions strategy** is of special significance: individual customers in particular demand advisory services which fully meet their cultural and social expectations. In Austria, Bank Austria is pursuing this goal with a two-brand strategy, and in CEE countries via a differentiated regional approach.

To reach its objective of securing **long-term customer relationships**, Bank Austria is taking a three-pronged approach: firstly, the bank is fine-tuning its market segmentation in order to more closely align its services and areas of expertise with customer needs. The all-round service provided to business customers, for both their business and private needs, and the strong position in the youth and student market – a market with great future potential – are examples of our strategy: providing customers with solutions to the issues they face at the various stages in their life, rather than simply offering products. Secondly, Bank Austria is emphasising mobile and direct sales in its mix of sales channels. Particularly with regard to self-service and e-banking, clear and uniform procedures which are not subject to process interruptions go hand-in-hand with the ability to serve users with different needs. The massive investments which are required in this area are made throughout the HVB Group, taking advantage of economies of scale. Thirdly, a range of high-quality yet standardised products has not only advantages for banking operations, but also benefits customers: the value created by customer advisers is focused on customer relationships and on advisory services.

Target group marketing: the younger generation

In 2001, Bank Austria will focus on making online accounts available for young people. Bank Austria has also made good progress among students, and in 2001 the product emphasis will increasingly shift toward accompanying students in the period following their studies. 10.2% of all Bank Austria customers are between the ages of 14 and 19, far above the industry average of 6.9%. This provides a good starting position for maintaining and broadening a solid long-term customer base.

Developments in branch-based sales

Sales channel mix

Including its branch office in the Riezlern customs area, at year-end 2000 Bank Austria maintained some 291 sales units, and Creditanstalt 198. During the reporting year, Bank Austria merged together six branch offices; through the integration of Sparkasse Stockerau into Bank Austria, two business units were added to the group. Since the merger between Zentralsparkasse and Länderbank in 1991, the number of branch offices has declined by 117. Business ventures with first-class non-banking partners on the premises of Bank Austria not only help to reduce costs, but most importantly, help to increase customer frequency. The bank's branch office strategy, which strives to meet the specific needs of individual locations, means that branch offices range from full-service to self-service branches. Creditanstalt's BankShops, which are located in shopping centres, have proved to be very successful. In October 2000, Creditanstalt opened its fifth BankShop in the city of St. Pölten.

Online banking

The strong demand for online banking continued in 2000. Bank Austria won 40,000 new online banking customers during the year, which represents a gain of 74% against the previous year. Of the 315,000 online accounts, 175,000 are current accounts, almost 43,500 are PlusCards, 63,000 are VISA credit-card accounts and 33,500 are securities accounts. Creditanstalt was also very successful with its electronic banking services. 80,000 customers use CA-B@nking, which corresponds to an increase of 127%. Both banks worked to promote electronic payment transactions. More than 528,000 transfers were made using CA-B@nking during the reporting year, and 67,000 CA-DiscountBroker orders were issued. Bank Austria implemented 12,000 securities transactions via the Internet, for a volume of € 53 m. With almost 2,000 hits per month on the bank's WAP gateway, WAP banking has also become an indispensable medium for banking services for many customers.

VISA-SERVICE Kreditkarten AG

VISA-SERVICE Kreditkarten AG, a consolidated subsidiary of Bank Austria, achieved total turnover of € 2.64 bn in 2000, some 13.6% more than during the previous year. There was significant growth of 16.1% in turnover with Austrian merchants, which amounted to € 1.6 bn. With over 800,000 VISA cardholders and more than 55,000 merchants who accept this credit card, VISA is the clear market leader in Austria.

In March 2000 VISA introduced its new business card programme: the VISA Business Card, which is designed to meet the needs of self-employed persons and smaller companies, and the VISA Corporate Card, which is suitable for larger companies and multinational corporates. Via the "two-card system", the VISA Business Card provides an ideal separation between business and personal expenses. The VISA Corporate Card offers exclusive CLW (Corporate Liability Waiver) coverage, which protects companies against the abuse of company cards by employees.

VISA Corporate Card
VISA Business Card

In the Grand Prix Customer Service Award, a competition for telephone-based customer services, VISA took first place for the third successive time among the banks and credit card companies that were tested in Austria. Moreover, for the first time ever, VISA succeeded in 2000 in surpassing all other 105 companies tested, in all industries, thereby emerging from the competition as the clear leader in telephone-based customer services in Austria.

The international standard for secure credit card transactions in the Internet, SET (Secure Electronic Transaction), is being further developed on an ongoing basis. Some 10,000 VISA cardholders in Austria currently take advantage of the SET standard for making secure payments via the Internet.

SET: the security standard for credit cards in the Internet

Diners Club Austria, which maintains close ties to Creditanstalt, was brought together at the end of December with the activities of AUA-AirPlus and Lufthansa AirPlus Österreich to form a joint venture, which is expected to expand opportunities for using the card.

Lending business

With regard to financing activities, in 2000 the Bank Austria Group placed an emphasis on building and residential living. At the end of February, the Group launched an initiative in the form of a lending discount which served as a "house-warming present" to customers. By the end of June this initiative had generated new personal loans totalling € 430 m. The advertising campaign was built around the slogan "Careful: these apartments burn your rent!" and was designed to appeal to the general desire among Austrians to own their own house or apartment. This successful lending initiative was then repeated in November and December. At Creditanstalt as well, lending for residential housing also increased by a disproportionate amount. Leasing offers were again used to complement the financing business for automobiles.

Focus on building and residential living

In the retail banking sector, Bank Austria and Creditanstalt again both experienced stronger demand for foreign-currency denominated loans, which accounted for virtually all new loans. The bank advised customers regarding the associated risks and rewards, and offers a number of innovative products for switching to another currency during the period of the loan.

Savings products

"Intelligent" savings cards

Bank Austria achieved very gratifying rates of growth with its PlusCard savings card. At year-end 2000, capital deposited on the 211,000 PlusCard accounts amounted to some € 719.4 m, an increase of 44%. Beginning in 2001, the PlusCard has offered graduated rates of interest based on the account balance, making the product even more attractive for customers. A similar card offered at Creditanstalt, the ErfolgsCard, also experienced very positive growth: in only two years it achieved a volume of € 545 m.

With regard to building society savings plans, Bank Austria made referrals for 47,000 new contracts and thus achieved an increase of 12% relative to the previous year. Creditanstalt's cooperation with Wüstenrot was expanded to include financing products offered by Creditanstalt, such as loans for the purchase of automobiles.

Retirement savings

Both Bank Austria and Creditanstalt are experiencing increasingly stronger demand for securities-based investments. Particular mention should be made of the lead products for retirement planning, "PensionsInvest" and "P.I.Free", where the volume invested more than doubled. The segment focusing on fund-linked life insurance policies also experienced rapid growth, with the number of referrals made by Bank Austria for new Master Life policies based on regular premiums increasing more than fourfold as against the previous year, while new policies based on one-off premiums doubled.

The results described above reflect the efforts made by Bank Austria in the retirement planning segment.

Creditanstalt's market-based "Securities Plan" was also successful. In addition to mutual funds, customers can use the plan to invest in residential construction bonds offering special tax incentives and in real estate via shares of CA-Immobilien-Anlagen AG.

Asset management

The mutual fund business continued its path of growth in 2000. The growing interest of investors in high-yield investment opportunities and the increasing need for private retirement planning are significant factors behind this development.

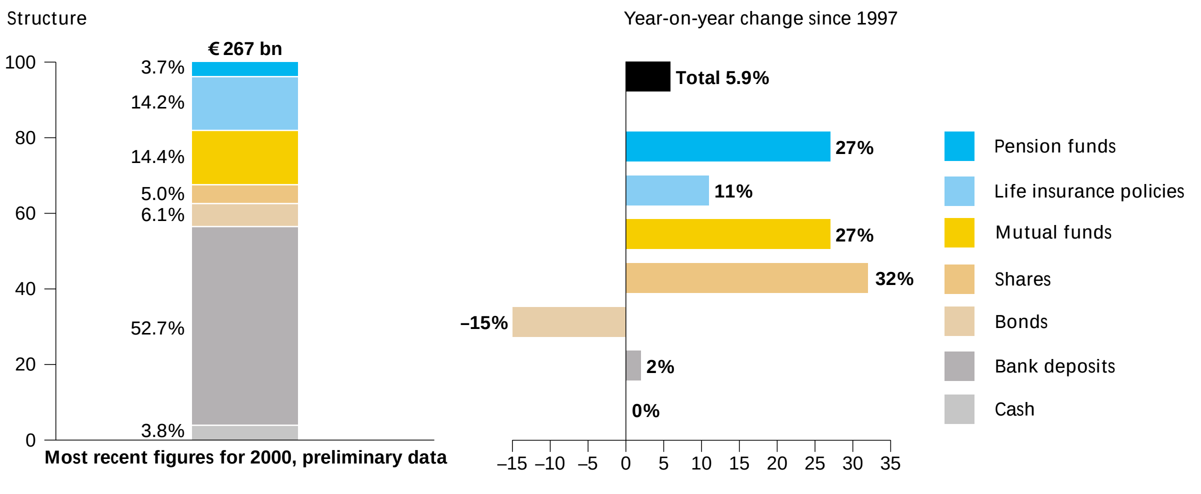
The overall volume of the mutual fund market in Austria stood at € 84.5 bn at year-end 2000. Thus the total amount of investments in mutual funds has moved closer to the total invested in savings accounts. The total volume of mutual funds managed by Capital Invest grew in the past year by some 5% from € 15.1 bn to € 15.8 bn. This corresponds to a market share of 18.7% as per year-end 2000.

At the beginning of March, Capital Invest launched "TopPharma", the first in a series of sectoral funds. This fund invests in the top global pharmaceuticals shares. On account of strong investor interest, fund volume increased to some € 135 m by year-end 2000. The pharmaceuticals industry was also one of the few positive exceptions to general share price developments in the reporting year. TopPharma achieved capital growth of about 40% by year-end 2000.

Capital Invest offers attractive sectoral and theme funds for the Bank Austria Group

Another new and innovative fund is "Select Dynamic Europe", which invests in shares of Europe's "New Markets", particularly high-growth, future-oriented industries. This fund was launched very successfully on the market, and by year-end 2000 volume had already amounted to € 26.6 m, with a significant number of units being placed outside Austria as well. The "New Markets" were among the market segments hit hardest by general share price declines, and fund management succeeded in shielding Select Dynamic Europe somewhat from the negative market developments.

Financial assets held by private households in Austria



In spite of the sharp drop in investor interest in bond funds, the launch of TrendInvest, a specialised bond fund, was a great success. Via an innovative bond management strategy, TrendInvest hopes to achieve particularly high levels of income during favourable market phases, and to avoid annual losses as much as possible on falling markets by hedging as much as 100% of the fund. By year-end 2000, this fund had already achieved a volume of some € 102 m.

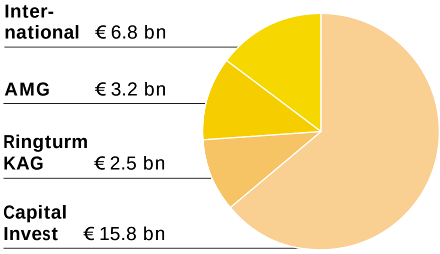
In the second half of the year, Capital Invest continued its successful series of sectoral fund issues. In September, the company launched Select Biotech and Select TeleWorld. Select Biotech invests in the most attractive global biotechnology shares. Biotechnology will have a particularly strong impact on human life in the 21st century. Companies which are active in this sector have a correspondingly bright outlook for the future, and offer investors who are not risk-averse the opportunity to make attractive long-term profits. During the subscription period in September 2000, investors put some € 43.6 m into the fund. Select Biotech was also affected by the general share price declines, but its performance nonetheless was substantially higher than the market. Despite the price declines, the volume increased to some € 46.8 m by year-end. Select TeleWorld invests in the most important shares in the telecommunications industry, telecom equipment providers, media and consumer electronics. These sectors have a very good long-term profit potential, with a correspondingly high level of volatility.

The most recent launch in Capital Invest's successful sectoral fund series is "Capital Invest Select Internet", which was issued at the beginning of December 2000. At the time of the launch, the downturn in Internet shares had already largely taken its course. Nonetheless, the fund met with great interest from investors. Investors who are not risk-averse can profit from the enormous long-term potential offered by shares in this innovative, future-oriented industry. Following the most recent market corrections, this sector is poised for a successful year in 2001.

In addition to sectoral funds, which are primarily designed to provide experienced investors with interesting opportunities to diversify their portfolios, the other funds managed by Capital Invest grew strongly despite the difficult investment backdrop in 2000. Particularly popular on the market are funds custom-tailored for private pension planning, despite all the turbulence on the capital markets. Experience shows that in the area of pension planning, which generally involves a long investment horizon, short-term price fluctuations are of only secondary importance.

Assets under management

€ 28.3 bn (31 Dec. 2000)



In 2000, the market again reacted very favourably to Capital Invest's Internet presence for publicly-traded funds. During the reporting year, preparations were made for a complete overhaul of the company's website. At the end of January 2001, Capital Invest's website was given a completely new look, ensuring a more transparent layout, better navigation and attractive new content. The Customer Support Center (CSC) makes it possible for major investors to view, in the greatest possible detail (fund composition, transactions affecting fund assets, performance, etc.), their specialised funds via the Internet; this feature is password protected. With a market share of 24% among major investors and institutional customers, Capital Invest holds a particularly strong position on the market.

Capital Invest's new Internet presence

Capital Invest's international activities focus on the countries of Central and Eastern Europe. Depending on local investment regulations, the Bank Austria Group is pursuing the strategy of adding international mutual funds to the range of investment products at the earliest possible opportunity. The local subsidiary banks of the Bank Austria Group and the business units of CA IB market the funds, with Capital Invest in Vienna operating as supplier and manager of the fund products. For the past three years investors in the Czech Republic have been able to choose from a broad range of mutual funds with international portfolios. Since the autumn of 2000 investors in Slovakia have also had access to these funds. In Hungary and Poland, particularly popular products were successfully introduced to complement the existing range of funds offered in local currencies. Croatia will soon follow.

Activities in CEE countries depend on local investment regulations

With the introduction of mutual fund activities which meet international standards, the Bank Austria Group has ensured itself a good starting position in the race for market leadership in Central and Eastern Europe also in the promising asset management business.

Asset Management GmbH (AMG), the Bank Austria Group's asset management company, experienced rapid growth in 2000. In a highly competitive environment, subject to extremely difficult market conditions, the company proved its innovative strength: asset volume managed by AMG amounted to € 3.2 bn at year-end 2000, an increase of 16.4% as against the previous year.

Asset Management GmbH

The Master Fonds, Bank Austria's funds of funds managed by AMG, also made very gratifying progress. Despite the negative developments on international exchanges in 2000, the total volume of the funds of funds increased by 133.7% to € 835.7 m. Particular mention should be made of the launch of "Master Fonds Innovativ" in February of the reporting year. This fund invests in selected equity funds which focus exclusively on growth stocks. At year-end 2000, fund volume already amounted to € 63 m.

Funds of funds and hybrid products

Discretionary asset management and structured products

There were also gratifying rates of growth in the area of individualised asset management services for private and institutional customers. Products backed by capital guarantees were very well received by the market. On account of market volatility, an increasing number of customers are coming to appreciate investment forms which, in addition to offering the chance to earn a profit, also guarantee the invested capital. The three capital guarantee products issued in 2000 by Bank Austria and managed by AMG were placed very successfully on the market. In addition, management again succeeded in significantly outperforming the market with the speculative element of the capital guarantee, BIA Options & Futures Funds (2000 performance: –0.8%; 1999: +58.1%; 1998: +35.9%; 1997: +40.6%).

Private banking

Competence centre for private banking customers

BANK*PRIVAT* AG, formed as a Group unit of Bank Austria and Creditanstalt, commenced business operations on 2 May 2000 as a wholly-owned Creditanstalt subsidiary. The bank commenced operations with € 2.9 bn in assets under management for customers, and was thus the largest private banking unit in Austria from the very start. In the eight remaining months of the calendar year, the assets managed by the bank increased by 14%, and income was boosted by 25%. With the spin-off of Bank Austria's and Creditanstalt's private banking activities to BANK*PRIVAT*, the Bank Austria Group created a competence centre to advise and win the most demanding private banking customers with substantial personal assets. By combining the expertise of both banks in a single unit, both the quality and efficiency of individual advisory services and problem-solving were further improved and optimum use was made of potential synergies.

In addition to its own clientele, BANK*PRIVAT* supports branch offices and units in Austria and abroad to advise high net worth individuals and win them as customers. The cooperation with international units (BANK*PRIVAT* desks) is being strengthened for the purpose of unlocking the great potential of Central and Eastern Europe for private banking services. A representative office is planned to be opened in Abu Dhabi in 2001.

Domestic Corporate Customers

Studies undertaken by market research institutes confirm the leading position taken by the Bank Austria Group in the corporate customer segment. The two-brand strategy again proved to be a successful instrument for this business segment in the year under review. Surveys confirm the high acceptance of the "Bank Austria" and "Creditanstalt" brand names in the market. At year-end the two banks served about 38,000 companies. This gives the Bank Austria Group a market share of 26%. Its customers include almost 50% of all Austrian medium-sized enterprises. In the case of large companies the figure is as high as 85%. Three-quarters of all large companies have chosen the Bank Austria Group as their main bank of account, and for two-thirds of them the Bank Austria Group is their preferred bank with which they maintain very intensive business relations. The Bank Austria Group in particular has a disproportionately large customer share in the areas of treasury products, documentary credit business, export finance, foreign currency transactions and foreign payment transactions.

The Group's position in the market and product competency in the advisory-intensive areas with a high value added is also reflected positively in the income statement. 2000 was a very good year for the domestic corporate customers segment in absolute terms. The achievements of this business segment are however particularly impressive when seen against the background of the highly-contested Austrian market. Net interest income increased significantly (+20%) in 2000 despite continued pressure on margins resulting from price competition from the non-private sector and from the upward trend in interest rates experienced in the first few months of the year. Net fee and commission income also rose strongly (+6%), and the net trading result matched the level of the previous year. While economic growth helped to significantly boost business volume particularly in the first half of the year, general developments in regard to risk in the latter half of the year required the bank to make substantially higher provisions for loan losses.

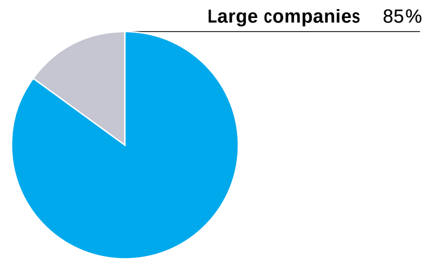
Costs were kept under control in 2000: with general administrative expenses held at a stable level (+1%), the cost/income ratio was cut to under 60%. Overall, net income before taxes rose by one half. The return on equity improved from 5.0% to 7.2%, but continued to reflect the market situation in Austria. International levels will be gradually approached with the advance of capital market instruments which are sufficiently flexible for companies. The Bank Austria Group is very well positioned to respond to these needs.

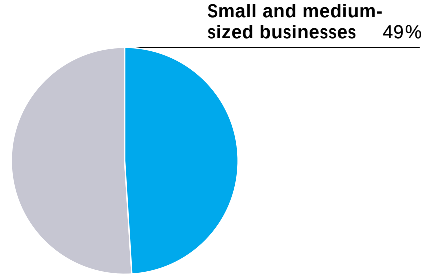
In 2000 the Bank Austria Group revised the structures, procedures and responsibilities in the corporate customer business and defined a new approach, which enabled it to reduce costs and significantly enhance earnings. These

Key figures – Domestic Corporate Customers

€ m	2000	1999	Change in %
Net interest income	610	508	20 %
Losses on loans and advances	– 287	– 197	46 %
Net fee and commission income	243	230	6 %
Net trading result	30	31	– 3 %
General administrative expenses	– 513	– 510	1 %
Result of other operating activities	23	10	>100 %
Net income before taxes	107	71	51 %
Share of Group total	16 %	12 %	
Risk-weighted assets (average)	35,058	29,819	18 %
Equity (average)	1,483	1,418	5 %
Share of Group total	33 %	33 %	
ROE before taxes	7.2 %	5.0 %	
Cost/income ratio	58.1 %	66.4 %	

Bank Austria Group as main bank of account





measures focused on positioning both banks' central units for corporate customer management, product development and settlement as a Group function. The sales networks of Bank Austria and Creditanstalt will remain separate pursuant to the successful two-brand strategy, and will continue to operate independently on the market. Both banks have in each case reduced the number of regional offices serving corporate customers to seven. At a regional level this step will be followed by further steps to integrate back-office functions. These measures will result in much leaner structures, fewer hierarchies and more efficient procedures, which will in turn enable the bank to improve the quality of its customer services.

Two-brand strategy reinforced by integration of back-office functions

The strategy implemented by Bank Austria AG in 1999 of offering corporate customers "services under one roof", whilst also defining clear lines of responsibility within the bank for specific customer groups and results, proved to be successful. A further innovative step was taken in the area of relationship management in the year under review. This mainly involves recognising customer needs quickly and accurately, tailoring high-quality services to meet all these needs, and ensuring maximum flexibility on the part of the customer adviser. The partnership with the customer which is a result of the Clienting® philosophy was very well received by companies in the test regions, and it is a concept which will now be introduced throughout Austria.

From sales-based thinking to a partnership with the customer

In the first half of 2000 Bank Austria gave greater priority to the marketing of treasury and special financing products, such as export and EU financings and venture capital, particularly in the segment of medium-sized enterprises. In view of the increasingly stronger trend toward alternative forms of financing, Bank Austria AG will in future concentrate more on private equity financing. The two existing equity funds (Gründerfonds and UBF Mittelstandsfinanzierungs AG) will be supplemented by additional new equity finance companies. In the year under review Bank Austria AG sold its holding in Bank Austria TFV High-Tech-Unternehmens Beteiligung GmbH (BA-TFV) to 3i Group plc, a British fund management company.

Focus of marketing activities: special financings, venture capital, private equity

In the autumn of 2000 marketing activities for corporate customers focused on capital formation at a corporate level. The autumn initiative mainly involved pointing out the advantages of pension plans using pension funds to ensure adequate capital coverage for employees' claims, and drawing attention to the opportunities offered by investments in attractive mutual funds. Through professional event-marketing initiatives and events organised in different regions of the country we increased customer awareness of this topic and strengthened relations with our customers.

Company pension schemes based on capital coverage

The integration of experts from the Bank Austria and Creditanstalt customer service units for electronic banking and financial management within a single subsidiary company, Data Austria, in the Group exceeded expectations for the planned realisation of synergies already in the first year. The concentrated expertise of both banks and the resulting quality further strengthened the Bank Austria Group's leading role in e-banking.

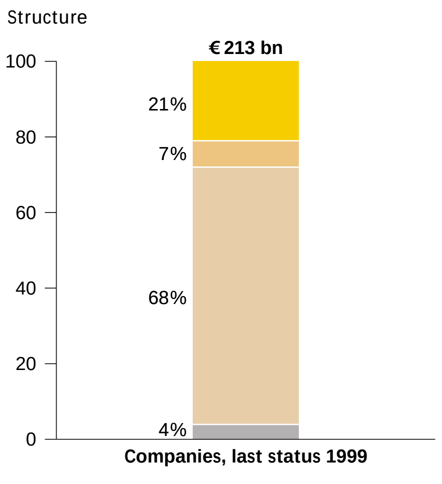
Electronic banking and financial management

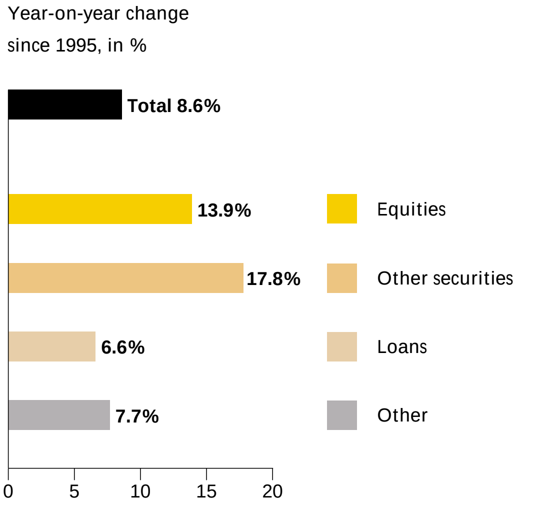
This is also reflected in the above-average capacity utilisation of the Group's electronic banking and financial management sales facilities. The 7,200 contacts with customers established and maintained via the old structures have increased to 9,000 today. This represents a 25% increase in the number of customers taking advantage of the advisory services in this area, a development which was accompanied by a 30% decline in costs using the new structure. The customer hotline shortened the response time still further. In the year under review 75% of the queries from customers were accepted within 20 seconds, which is a significant improvement over the 39% recorded for the previous year.

International Cash Management, a product department created in 2000, enabled the bank to win new customers in particular for its Europooling business. Bank Austria developed Margin Pooling, a new product for its Central and Eastern Europe core market, and successfully established the product in the market. Margin Pooling makes it possible for all account relationships within the Bank Austria Group to be included in a cash management model. A big advantage is that local accounts can also be integrated in the system in the respective local currencies.

Cash management: "Europooling", "Margin Pooling"

Financing of Austrian companies





With the BusinessLine, BusinessCash and BusinessPlanner products, Bank Austria offers corporate customers a comprehensive range of instruments for modern financial management. The new cash management software “Business Cash” is an ideal tool for professional liquidity management complementing “BusinessLine”. The range of products for corporate customers is completed with seminars on the topics of electronic banking, financial management and the euro.

In its lendings to public borrowers the bank’s efforts were targeted at improving terms and conditions. This policy was implemented without a loss of market share in the municipal sector. Financings for the federal government declined according to plan by about € 145 m through repayments and the expiry of loan agreements.

The bank has always attached great importance to offering customers, especially large companies and multinational corporates, “services under one roof”. The concept of **Integrated Corporate Finance** reflects efforts to establish a basis for close cooperation between long-term relationship banking and transaction-oriented investment banking. This consideration is based on the fact that major medium-sized companies, one of our principal target groups, are also beginning to use capital market instruments. This means that capital market products are gaining ground as instruments used throughout a company’s life cycle, for both investment and financing. This is an area characterised both by increasing customer demand and a particularly high potential for adding value, especially through the use of products that reduce equity capital requirements. And we can make particularly effective use of our portal function to give access to the global financial market.

In 2000 the volume of international financings more than doubled from € 456 m to € 1,071 m. The bank was particularly successful in Switzerland, where business volume totalled € 806.2 m. Regional authorities (cantons and municipalities) account for two-thirds of this volume, and companies closely associated with the public sector for one-third. Business in Spain and France also developed very favourably. Financing was made available to both countries for transport-related projects, motorway projects in Spain and local urban services. Examples are the participation in the financing for the underground railway system in Bilbao or the financing of a tramway project in Caen.

Multinational corporates, export and project finance

In 1999, the Bank Austria Group introduced relationship management as a Group function for large companies operating on an international scale. Given their multi-tiered organisational structure and complex international business relations, these companies have an enormous demand for individualised advice and problem-solving competence. Accompanying these customers in their strategic expansion and foreign investment projects is a task that we see as being particularly important. Examples are Wienerberger with its acquisition of Cherokee Sanford/USA or the financing of various investment projects of OMV UK Ltd. Special mention should be made of the substantial participation in financing the acquisition of Assi Domän's packaging operations by the Frantschach Group. Bank Austria acted as a major lender within the consortium.

Assisting multinational corporates in their strategic expansion

Besides providing support to major Austrian companies, we played a significant role in helping foreign groups of companies which belong to our customer base to make international acquisitions. Important transactions included the acquisition of a US company by Numico NV, in which we acted as co-arranger, and the acquisition of Rugby by RMC Plc.

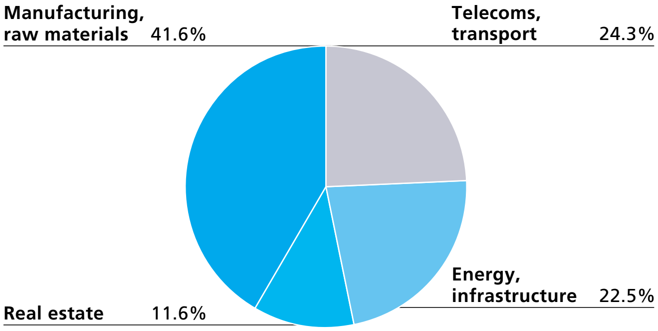
In 2000, the bank's comprehensive programmes with international companies for the purchase of accounts receivable again proved to be a particularly attractive instrument to improve the balance sheet and boost the performance indicators of these customers. In December 2000 Bank Austria was the first Austrian bank to conclude an ABS programme in cooperation with State Street Bank.

The Bank Austria Group maintained its clear leadership position in the area of export finance. Besides the traditional countries like Turkey, Iran, and China, the

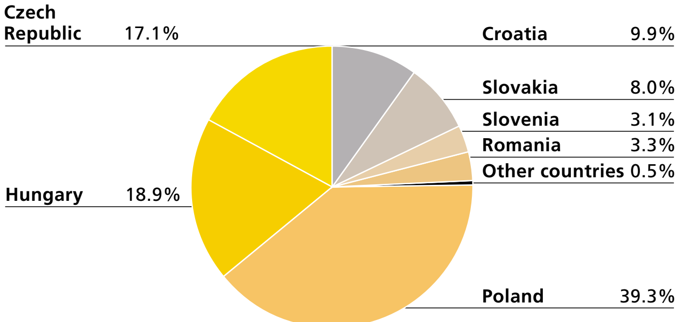
International project finance

Breakdown of portfolio as at 30 September 2000

by sector (all regions)



Countries in CEE



regional focus in the 2000 business year was on the African region (especially Algeria, Ghana and Gabon), Brazil and the Philippines. Bank Austria and Creditanstalt provided Austrian exporters with comprehensive support for their worldwide transactions, and facilitated many export transactions by including them in existing global credit agreements where cover is provided by Oesterreichische Kontrollbank. This applies in particular to export transactions with China, Iran and Algeria. Multi-sourcing projects, which are export transactions within the framework of major projects, made an important contribution to the Bank Austria Group's strong market position. Bank Austria makes it possible for these projects to be realised by assigning the risk to a number of different export credit insurance agencies. In this connection the private insurance market is also playing an increasingly important role. Using sophisticated financing and risk insurance structures, we carried out, for example, transactions in Turkey with the assistance of a private insurer and by applying a parallel insurance structure with OeKB and US Exim, and an Iran-related transaction using a reinsurance structure with SACE, an Italian credit insurance agency.

Export financing benefits from multi-sourcing advantages of an international banking group

Cooperation with the Group subsidiaries in the core market comprising Central and Eastern Europe will be further strengthened. The Bank Austria Group is successfully working with state-run export insurance agencies in Eastern Europe, such as EGAP, the export insurance agency in the Czech Republic.

In the project finance field, activities in 2000 remained focused on traditional sectors such as energy, telecommunications, and selected branches of the manufacturing industry. In the core market of Central and Eastern Europe, the Bank Austria Group holds an extremely strong position: it is the EBRD's number one co-financing partner, and is among the ten largest arrangers of project finance. In spring 2000 the Bank Austria Group received the "Best Project Finance House" award for the CEE region.

Project finance: focusing on growth sectors and growth regions

The dynamic growth experienced in 2000 was due on the one hand to the growing need of Austrian customers for assistance with their internationalisation projects, and on the other to the ongoing liberalisation in the markets of Central and Eastern Europe, particularly in the energy and telecommunications sectors. The combination of recognised product expertise in Vienna together with an efficient network of local offices has proved to be a particular strength. Special mention should be made of the mandates awarded in 2000 to finance two power plants, the acquisition of a European competitor by an Austrian customer in the consumer goods industry, as well as the role of lead arranger in a forint-denominated project financing for the local subsidiary of the world's largest mobile phone operator. Bank Austria acted either as arranger or co-arranger for ten transactions. For a number of transactions, the local currency content was a decisive factor.

Export and investment finance

Financings provided to exporters totalled almost € 5 bn by year-end 2000, and were thus some 15% higher than at the end of the previous year.

Growing internationalisation of Austrian companies supported by structured finance

In addition to success in winning new customers, the structuring of large volume financings in connection with substantial internationalisation projects by Austrian companies in North America, Scandinavia and several countries of Central Europe contributed greatly to the very positive developments.

Programmes for the purchase of accounts receivable met with an exceptionally favourable response from customers. These programmes are designed by the experts at Bank Austria to meet customers' individual needs. Demand for investment finance was also strong. On account of the complex nature of individual assistance schemes, the selection of a suitable instrument is of decisive importance. In the past year, the Bank Austria Group successfully assisted customers with numerous investment projects.

EU financings for small and medium-sized companies and for infrastructure projects

Investment projects for small and medium-sized companies as well as infrastructure projects for the public sector and for other parties handled by Bank Austria through the EIB global loan facility grew on average by 20% as against the same period in the previous year. Lending volume almost doubled. Thus Bank Austria is by far the largest partner of EIB in Austria. Thanks to the European Investment Fund's (EIF) 50% deficiency guarantee pursuant to the Growth & Environment (G&E) programme, it was possible to boost the lending volume of environmental loans to corporate and business customers by about 25% (see Ecology, page 106).

Financial institutions, documentary business and bills of exchange

Documentary business in CEE countries via an extensive network of banking subsidiaries and correspondent banks

The Bank Austria Group maintains contacts with over 5,000 correspondent banks and has some 3,000 account relationships. Cooperation with partner banks in the Middle East and Asia with regard to documentary credits and collection transactions was particularly successful. This region still generates the highest income and turnover in the documentary business. Bank Austria further expanded its market share in this region in 2000. In our core market of Central and Eastern Europe, we supported our customers' business activities not only via our own banking subsidiaries, but also via an extensive correspondent banking network. Bank Austria signed a cooperation agreement with the EBRD in London which simplifies trade with the CEE countries and thus provided a strong impetus to the documentary credits business.

Strong growth in guarantee business

Disproportionately high rates of growth were achieved in the commercial guarantee business. In the area of foreign guarantees alone, turnover increased by 29%, and the number of transactions by 11%. The outstanding guarantee volume at year end amounted to some € 5.8 bn. This is due to the bank's participation in almost all of the large transactions in the construction, real estate and telecommunications sectors. The Bank Austria Group played a lead role with regard to bid bonds for the auction of UMTS licences in Austria, and for a major road-building project in Poland.

During the past year, Bank Austria achieved further growth in the bills of exchange business. The volume of discounted bills of exchange amounted to € 596 m (27,000 transactions).

Leasing business

Following the merger in 1999, Bank Austria Creditanstalt Leasing was exceptionally successful in the period under review. With new business volume totalling just under € 1.7 bn, the company again surpassed the record results generated by the two predecessor companies in 1999. The company was thus able to further expand its market leadership in Austria and abroad, and has shown itself to be Austria's most innovative company in the leasing business. In addition to the contribution made by foreign business units, real-estate financings also contributed to extremely positive business developments, with new business reaching a record volume of € 402 m. This represents growth of 28% compared with the previous year.

The rapid pace of business growth at the subsidiary companies in the Czech Republic, in Slovakia, Poland, Hungary, Slovenia, Croatia, Germany, Italy and Argentina, and activities at the representative office in Romania, give BA/CA-Leasing a leading position among Austrian leasing companies, particularly in Central and Eastern Europe. In 2000, with just under 500 employees, leasing transactions abroad achieved a record volume of more than € 897 m.

The structured leasing finance segment also experienced dynamic growth. Business activities focused on the arrangement of complex cross-border leasing transactions for large Austrian and Western European customers, and on aircraft financing for regional airlines in Europe. In the area of equipment and motor vehicle leasing, the company was able to match the excellent results achieved in the previous year, with the volume of new business amounting to some € 391 m.

With the further development of BA/CA-Leasing's Internet platform in 2001, the company plans to systematically expand its distribution channels via the Internet while maintaining a high level of advisory expertise.

International Business focused on CEE

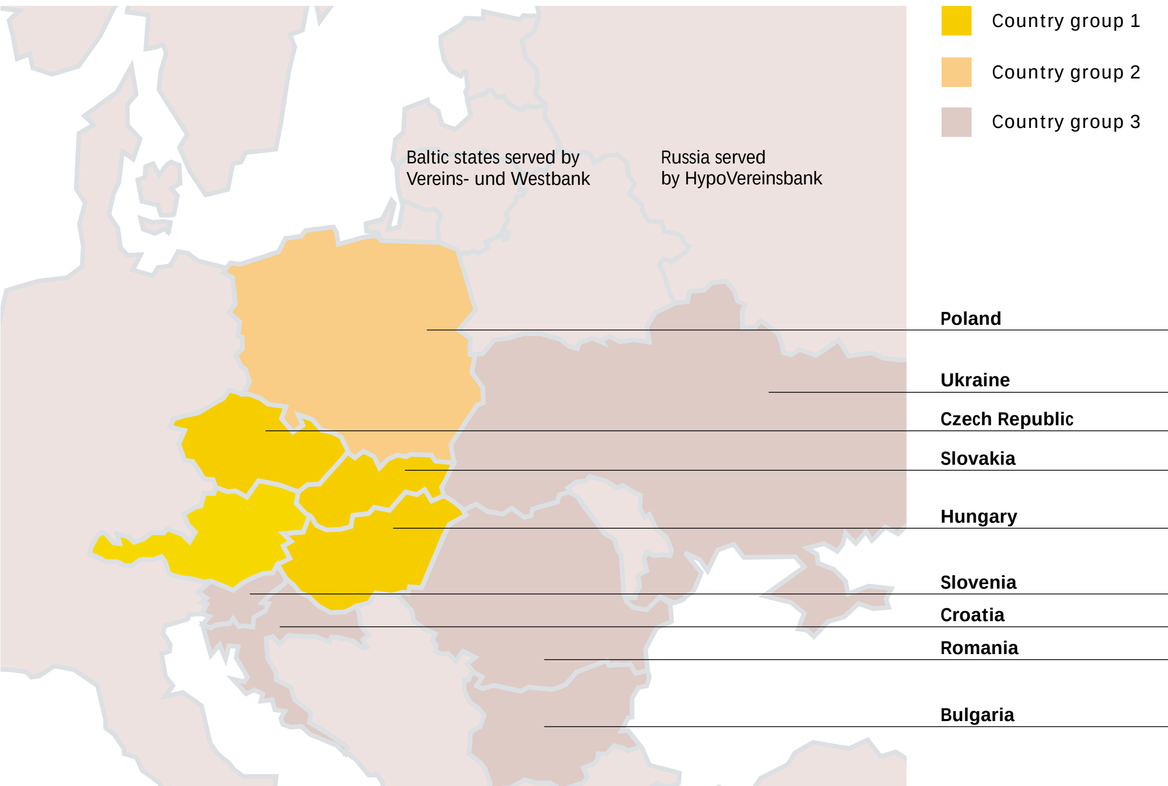
In 2000 and early 2001, Bank Austria's international business was completely re-oriented and focused. The International Business segment has its roots in the international network built by Creditanstalt and Bank Austria in the 1960s and 1970s to complement corporate banking activities. The international branches and subsidiaries were merged as part of the integration of Bank Austria and Creditanstalt in 1998. The Bank Austria Group, Austria's leading international bank, has actively supported Austria's export industry for a long time through a worldwide presence – including operating units located in the Far East, in Latin America, North America, Western Europe and in the CEE countries as well as in the international financial centres of New York, London and Singapore.

Bank Austria Group – traditionally Austria's leading international bank

During the past decade the commitment to the CEE countries rapidly became a strategic mission that was given top priority. In 1990, immediately after the markets were opened up, Creditanstalt and Bank Austria entered individual countries on a case-by-case basis, based on prevailing legal and economic conditions, and established a foothold there. When the initial transformation crisis was overcome in the mid-1990s, this pragmatic approach was followed by targeted development. With the harmonisation of the regulatory framework, and ahead of EU membership which

Early mover advantage in Central and Eastern Europe

The regions of the Bank Austria Group



	Offices BA/CA	Offices HVB
Poland	343	235
Ukraine	1	–
Czech Republic	17	18
Slovakia	6	4
Hungary	25	19
Slovenia	4	–
Croatia	5	1
Romania	2	–
Bulgaria	–	4

as at February 2001

most CEE countries are seeking, an increasing number of other international banking groups became active in this region, mainly through acquisitions. Thus competition has intensified.

Numerous awards confirm outstanding position in CEE countries:

Global Finance:
"best international bank in Central and Eastern Europe"
Euromoney:
"best international bank in Central and Eastern Europe"
The Banker:
"bank of the year 2000"
Central European:
"best bank in Hungary over the last decade"

In this environment, the early commitment to the emerging markets in Central and Eastern Europe is proving valuable today. Bank Austria did not jump on the bandwagon when it was already moving. Starting with a handful of employees in Budapest ten years ago, the Group has developed into the largest international bank in this region, with an extensive network built mostly through organic growth.

While regional differences exist in terms of market size, international integration and level of financial intermediation, the CEE countries are poised for economic growth, which will be accelerated by the processes initiated to attain EU membership. Therefore in spring 2000, Bank Austria launched an initiative defining its core market as Central and Eastern Europe or, more precisely, Austria and CEE. In Poland, the largest CEE country, Bank Austria acquired a majority interest in Powszechny Bank Kredytowy S.A. (PBK), Warsaw, and merged its local subsidiary with this bank. In view of this significant move and the more dynamic pace of market penetration in CEE, the indirect approach of a holding company for CEE operations proved to be no longer appropriate for taking full advantage of the enormous potential. For this reason Bank Austria Creditanstalt International was integrated into Bank Austria in November 2000 and reorganised as a separate division with a matrix organisation combining regional and divisional responsibilities.

Responsible for the CEE growth market within the HVB Group

The integration with HypoVereinsbank enables Bank Austria to move ahead much faster in the CEE countries, propelled by the strength of Europe's third largest bank. At the same time it can give its customers access to a stronger geographical presence and the status of a large bank in the other regions, too, including the advantage of network banking in the EU market. Tasks within the HVB Group were divided on the basis of comparative advantages. Given its excellent starting position, Bank Austria will be responsible for the business development of the HVB Group in the CEE market, where it will combine its units with those of HVB in line with the "Bank of the Regions" concept. Global operations outside CEE will be directed by HVB and the Bank Austria units will be integrated into HVB together with their existing business and staff base. This means that contacts for our corporate customers will remain largely the same, while the range and weight of the international network will increase. We started work on the integration project immediately after approval had been given by the European Commission. With the exception of Poland, the mergers will be completed by September 2001.

Continued presence with combined strength in the global markets for our customers

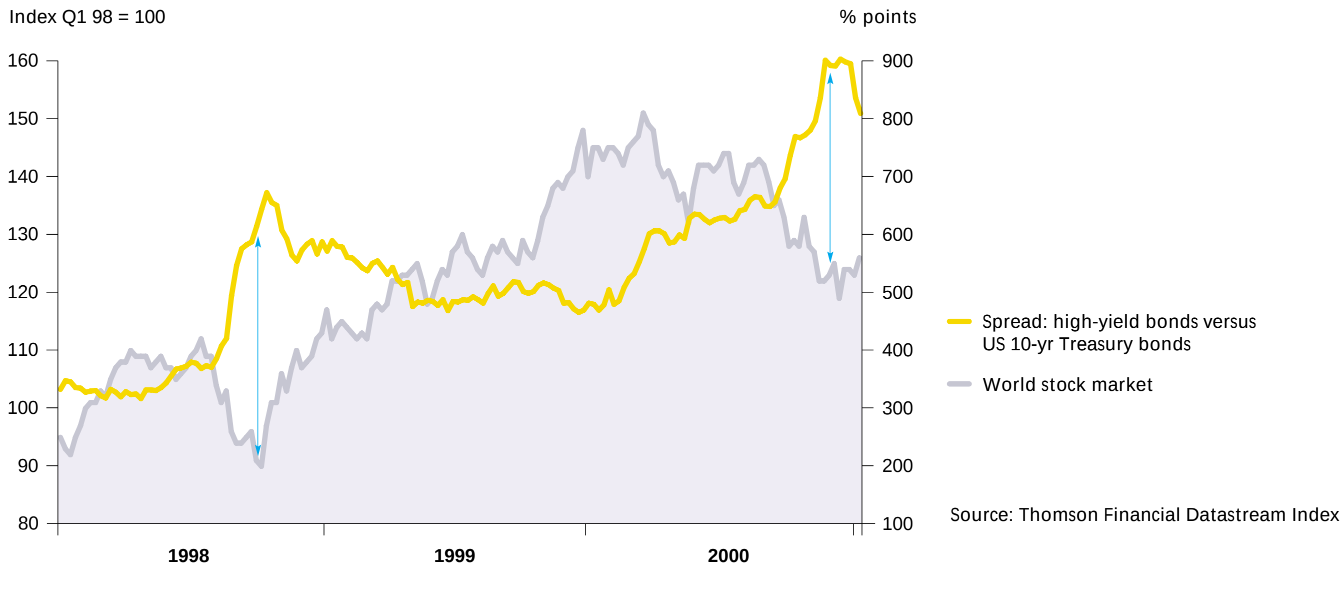
Just under 20,000 employees at the enlarged units will serve 2.5 million customers in about 700 branches. Based on the new structure, the HVB Group currently maintains a presence in twelve CEE countries: Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine. A representative office in Yugoslavia will be opened in the first half of 2001. In many countries the Group holds a top position, with market share between 5% and 10%.

Completing European integration, using business potential

Responding to local cultural and economic differences is the main idea behind the Bank of the Regions concept. Decentralised customer units are based on supra-regional structures which ensure a rapid and suitable transfer of expertise, the implementation of the HVB Group's performance standards and, last but not least, the establishment of a professional organisational and IT platform. The chosen organisational structure (see Organisation Chart on pages 8/9) provides a suitable framework for this interlocking of regional and divisional aspects. In response to differences in the starting position, the business policy approach is differentiated according to three regions (see map on page 64): universal bank as Poland's third largest bank (region 1); focused market development in the growth segments in the countries of region 2: Czech Republic, Hungary, Slovakia; ambitious niche policy in Bulgaria, Croatia, Romania and Slovenia. Business is planned to be further expanded through organic growth or selective acquisitions.

Based on the Bank of the Regions principle, pursuing a differentiated strategy: local customer service on a joint platform

Stock market and credit spreads



Source: Thomson Financial Datastream Index

Key figures – International Business

€ m	2000	1999	Change in %
Net interest income	488	533	– 8 %
Losses on loans and advances	– 152	– 104	46 %
Net fee and commission income	176	160	10 %
Net trading result	24	66	– 64 %
General administrative expenses	– 422	– 416	1 %
Result of other operating activities	– 6	10	n.a.
Net income before taxes	108	249	–57 %
Share of Group total	16 %	42 %	
Risk-weighted assets (average)	20,868	20,970	0 %
Equity (average)	1,260	1,257	0 %
Share of Group total	28 %	29 %	
ROE before taxes	8.6 %	19.8 %	
Cost/income ratio	61.4 %	54.8 %	

Business development in 2000

The International Business segment comprises a broad range of operations: commercial banking branches and subsidiaries, including the CEE banking subsidiaries, and the international business of Bank Austria Creditanstalt Leasing but excluding the treasury branches, which are part of the Financial Markets segment. Also included are the international finance and emerging markets investments units. As CA IB Investmentbank has an international business focus, its Austria-related capital market activities were reported as part of the International Business segment until 2000.

This variety of operations was the reason why business results in this segment for 2000 were exposed to widely differing influences from the operating environment, both in terms of geography and markets. Commercial banking activities benefited from satisfactory economic trends in Europe and from the convergence process in the CEE countries. After difficult years, the operating units in Asia resumed the trends experienced before the emerging markets crisis erupted. Results were very satisfactory. In South America, on the basis of the specific business orientation, operations remained very profitable in 2000 despite a partially difficult environment.

Negative factors in 2000 were the sharp decline of growth stock markets; the slump in New Economy stocks in the US accompanied by a tighter interest rate policy; and a dramatic deterioration in the credit standing of numerous – definitely innovative and promising – non-mainstream companies. The gap between stock market performance and credit spreads as an indicator of creditworthiness widened, especially in the fourth quarter, to reach an extent last seen during the crisis in 1998. This development also affected the primary market climate in Western Europe and Austria.

As the year progressed, the direct impact of capital market conditions on credit quality required additional loan loss provisions to be made for the US exposure. Thus the provisioning charge rose by almost one half. In combination with weaker net interest income – also an effect of US market conditions – this led to a significant decline in net income. With the business policy reorientation initiated at the beginning of 2000 and the provisions made, the US exposure has been finally adjusted. Following two reductions of key interest rates in the US in the first few months of 2001, the situation has eased (see chart on the left page).

Business development in the CEE countries

The CEE subsidiaries of Bank Austria were very successful in 2000. Net income before taxes rose by 39% to € 138.2 m. Major contributions to this increase came from net interest income (+13%) and the lower risk provisioning charge. CEE business accounts for only 1% of Bank Austria's total loan loss provisions. The net trading result significantly improved, too (+46%), largely offsetting the decline in net fee and commission income. More than one-fifth of Group net income before taxes comes from CEE business, to which 14% of equity has been allocated. The return on equity was again significantly above 20% in 2000.

In the retail banking sector our banking subsidiaries serve more than 1.5 million private customers and self-employed persons. They can use about 400 branch offices in Central and Eastern Europe, and – since September last year, starting in Slovakia – Internet banking as an additional distribution channel. Supported by a mobile sales force – also newly introduced – mortgage and credit card business rose strongly. With this expanded service the Bank Austria Group is again moving in the forefront of developments. Cooperation arrangements with insurance companies and the automotive industry were further expanded.

For 2001, in addition to the combination of HVB units with those of Bank Austria, the following items will be high on the agenda: winning new customers with a focus on selected business customers and private investors; consistently building e-banking facilities and call centres in additional countries; selectively expanding the branch network; and boosting real estate and card business.

In business with companies, the banking subsidiaries achieved sustained growth among the target groups comprising international and local corporates in the year 2000. On this basis our Group further expanded its leading position in this important market segment despite intense competitive pressure. Efforts to win new customers were extended to the mid-market segment in 2000. On the products side, the main emphasis is on short-term financings, capital investment financings, international export and trade financing as well as project financing.

In 2001, efforts will concentrate on further developing cash management and electronic banking services. Another focus will be on providing product packages targeted at medium-sized businesses. In the future, through the combined competence of units of HVB and Bank Austria in Central and Eastern Europe, we will offer an even broader range of products based on the high service quality delivered by young, highly motivated teams.

Key figures – Central and Eastern Europe

€ m	2000	1999	Change in %
Net interest income	187	166	13 %
Losses on loans and advances	– 5	– 13	– 65 %
Net fee and commission income	42	58	– 28 %
Net trading result	41	28	46 %
General administrative expenses	– 138	– 138	0 %
Result of other operating activities	11	– 1	n. a.
Net income before taxes	138	100	39 %
Share of Group total	21 %	17 %	
Risk-weighted assets (average)	3,206	3,550	– 10 %
Equity (average)	642	474	35 %
Share of Group total	14 %	11 %	
ROE before taxes	21.2%	20.7%	

Individual CEE banking subsidiaries in 2000

Poland

	PBK 57%	BPH 86%
Established	1989	1989
Staff	8,050	6,441
Offices	343	235

The two banks have a combined market share of over 10%, i.e. the third-largest market position in Poland. The extensive network provides customers with the services of a universal bank

The Bank Austria Group took a majority interest in **Powszechny Bank Kredytowy S. A., Warsaw (PBK)** in the year 2000. At the end of July, PBK shares representing a 10.29% interest were acquired from the Polish Treasury Department. Together with the legal merger of PBK and Bank Austria Creditanstalt Poland S.A., which became effective on 31 October, the Group's equity interest rose to about 57%. The merged unit is the third largest bank in Poland. The switch to a modern integrated IT system proceeded as planned and will probably be completed in the first half of 2001. PBK's results matched the satisfactory level achieved in 1999 although expenses rose primarily on account of the implementation of the new computer system.

The year 2001 will see the integration of PBK and Bank Przemyslowo-Handlowy S.A., Kraków (BPH), a subsidiary of HypoVereinsbank. Together the banks operate a network of almost 600 offices and they have a joint market share of more than 10% in the large Polish market.

Czech Republic

	BA/CA 78.6%	HVB 100%
Established	1991	1992
Staff	942	460
Offices	17	18

Branch network covering all major business centres in the Czech Republic, serving corporate and retail customers. Third-largest international bank. 20% interest held by Banca Intesa, 1.4% by Simest

Bank Austria Creditanstalt Czech Republic a.s. had a very good year. Despite heavy investment in three strategic projects (credit cards, mortgage business and mid-market), the bank's performance was well above budget. As economic conditions improved, the volume of lendings to companies rose strongly. The strategic orientation in the corporate banking sector was widened to include medium-sized businesses while strict risk criteria continue to be applied. The activities of the Treasury Customer Desk, which offers numerous special products for corporate customers, was further expanded. Retail banking operations produced the best results since the establishment of the bank in the Czech Republic. Sales of mutual funds developed very well. The bank also started to offer its customers asset management services; business in this area is growing rapidly. At present the bank has some 24,000 retail customers, one-third of whom became customers in the reporting year. Two small branches were added to the network, bringing the total number of the bank's offices to 17.

Slovakia

	BA/CA 100%	HVB 100%
Established	1994	1996
Staff	221	120
Offices	6	4

One of the most dynamic and profitable banks. A presence in all of the country's major business regions is planned to be established in the medium term

Bank Austria Creditanstalt Slovakia a.s. was particularly successful in 2000. The bank pursued a cautious credit risk policy; nevertheless, the volume of its loans to customers rose by about 20%. Customer deposits developed favourably. The representative office in Banská Bystrica was upgraded to a branch, the sixth branch office in Slovakia. In the year under review the bank widened the range of retail banking products. Internet banking was successfully introduced in autumn, and international mutual funds have been offered in cooperation with Capital Invest since October 2000. Bank Austria Creditanstalt Slovakia recently obtained a mortgage banking licence enabling it to offer mortgage loans to its customers from spring 2001.

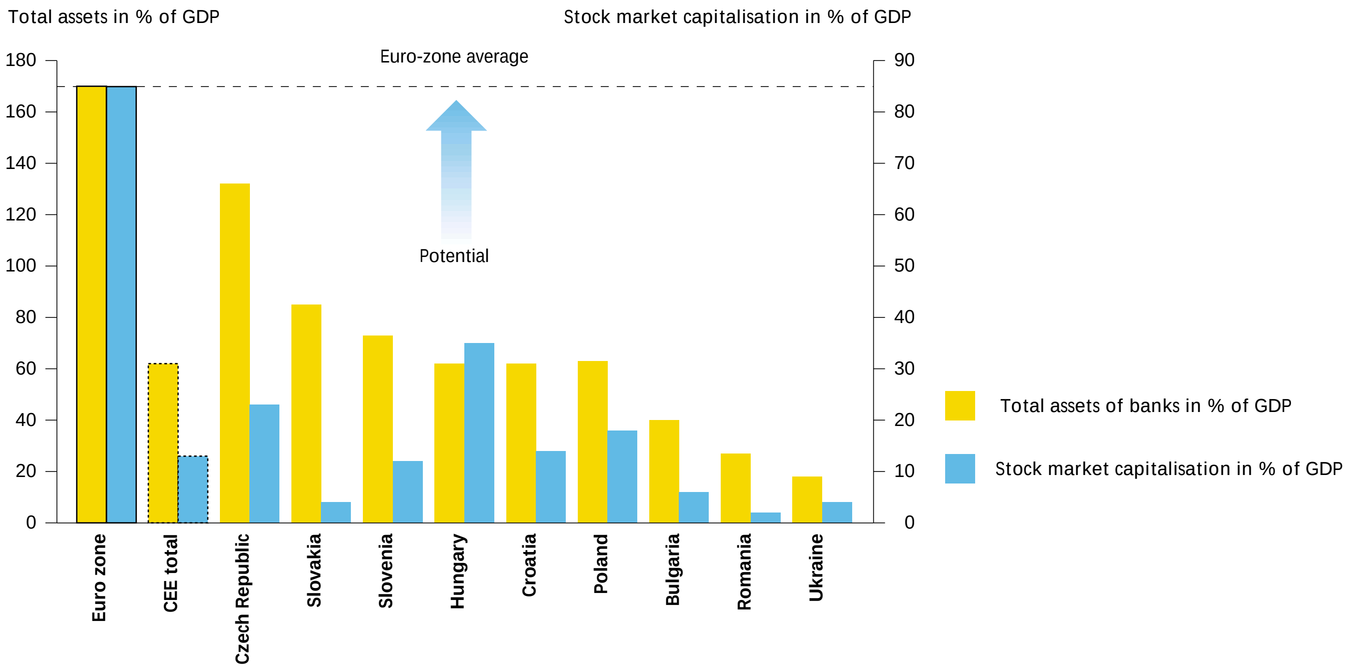
In its tenth business year, Bank Austria Creditanstalt Hungary Rt. further expanded its market share in almost all business segments. The bank achieved its best results ever, with net income after taxes up by about 40% on the previous year. Its special role in the banking market was recognised by various business magazines: for example, Euromoney awarded Bank Austria Creditanstalt Hungary "best bank in Hungary over the last decade", and Central European named it "best foreign bank in Hungary". The bank's country-wide presence through 25 offices is an essential success factor. Bank Austria Creditanstalt Hungary is among the leading banks for corporate customers in Hungary, with a market share of 8%. Deposits from corporate customers rose by 28%, loans to companies increased by 18%. Thanks to its efficient systems, the bank holds a top position in the commercial domestic payments sector, where its market share is 10%. The favourable trend seen in retail banking in the previous year intensified. 50,000 retail customers can now choose from a complete range of products. The volume of personal loans almost doubled. Although the savings ratio declined, retail deposits entrusted to the bank rose by 20%. Intensive cross-selling efforts brought the number of bank cards to about 30,000, an increase of more than 50%. Treasury operations produced outstanding results. As the bank took over the custody business of Budapest Bank, it became a market leader in this sector, too. The bank's custody portfolio now totals US$ 3.7 bn.

Hungary

	BA/CA 90%	HVB 100%
Established	1990	1993
Staff	803	432
Offices	25	19

Universal bank with a strong market position in corporate banking, very active in money and capital markets, market leader in custody business, strong focus on retail banking.
High competence level in project financing and structured foreign trade financing.
In Hungary, Bank Austria and HVB together are the third-largest international bank. 10% interest held by Banca Intesa

Financial intermediation and stock market capitalisation / CEE



Slovenia

	BA/CA 99.5%
Established	1990
Staff	209
Offices	4

Strong in retail and corporate banking, largest international bank, leading market position in custody business, capital market, treasury and investment banking activities

Bank Austria Creditanstalt d.d. Ljubljana had a very successful year in 2000 – the bank was able to further enhance its leading position among international banks in Slovenia. For the third time in succession Euromoney named it "best foreign bank in Slovenia". A particularly favourable trend was seen in business with companies: lending volume rose by an impressive 61% on a tolar basis. Loans to the public sector more than doubled. Lendings to retail customers increased by 34% on a tolar basis, not least as a result of mortgage loans being introduced by the bank. On the deposits side, too, substantial growth was achieved in both local and foreign currency. The range of services was widened with the successful introduction of electronic banking. In response to market liberalisation, the bank established a separate securities division to use new business opportunities. In the custody business the bank expanded its market leadership position by winning new major customers.

Croatia

	BA/CA 80%	HVB 100%
Established	1997	2000
Staff	132	21
Offices	5	1

Retail and corporate banking, expansion of investment financing and project financing activities. 20% interest held by EBRD

Bank Austria Creditanstalt Croatia d.d., in whose share capital the EBRD holds a 20% interest, continued to develop successfully in the reporting year. The existing branch network was enlarged to five branches as the bank converted its representative office in Split into a branch office. The bank consistently strengthened its position in retail and corporate banking, the number of corporate customers rose by 60%, those of retail customers by more than 34%. Business activities focus on investment and project finance, foreign exchange trading and custody business. Bank Austria Creditanstalt Croatia will further broaden its range of services, especially for the target groups comprising international and export-oriented Croatian companies as well as high-income private customers.

Romania

	BA/CA 100%
Established	1997
Staff	97
Offices	2

Universal bank, corporate banking with a focus on international export and trade finance as well as project finance, first international bank active in retail banking

In 2000, the banking subsidiary in Romania, **Bank Austria Creditanstalt Romania S.A.** (BA/CA Romania) continued its successful development as a universal bank in a difficult economic environment, with total assets increasing from about € 60 m to just under € 190 m. In May of the reporting year, the bank officially opened its second branch in the city centre of Bucharest, the third branch will follow in spring 2001 in Temesvar. Through cooperation with two local banks which operate fully developed distribution networks, BA/CA Romania offers its customers accelerated payment transactions in all of Romania's major business centres. The range of products was widened to include car finance, debit cards and telephone banking. The bank also made preparations for the introduction of Internet banking, which will be actively offered in spring 2001. The strong commitment of the young team of employees led to the bank being nominated for the "best Romanian bank in 2000" award by a renowned Romanian business magazine.

The economic and political environment in Ukraine remained difficult, although signs of an economic upswing were seen for the first time since Ukraine became independent. **JSCB "Bank Austria Creditanstalt Ukraine"**, which was named "best international bank in Ukraine" by Euromoney in 1999, continued to pursue a conservative credit and market risk policy. The bank succeeded in winning as customers the subsidiaries of several renowned international companies which operate in the Ukrainian market as well as building business relations with major Ukrainian companies in the steel, beverage and food industries. Custody business, introduced in the reporting year, developed beyond expectations.

In the second year of recovery from the 1998 crisis year in Russia, **Bank Austria Creditanstalt (Russia)** strengthened its leading position among international banks and reported good results. The reorientation, initiated in 1999, of the business policy as a universal bank and the related build-up of a network of six branch offices in the Moscow area were successfully pursued in the reporting year. The strategy pursued by the bank is supported by the fact that political conditions are stabilising and the economic environment is improving. Fee-based business benefited from the expansion of the branch network and the issuance of VISA cards. As the number of retail customers rose by 7,100 to 8,800, and the number of corporate customers by about 40%, total customer funds entrusted to the bank tripled. Lending volume increased moderately, no provisioning was required in the reporting year.

Ukraine

	BA/CA 75%
Established	1997
Staff	48
Offices	1

Commercial bank for domestic and international corporate customers, focus on trade and project finance and custody business. Interests held by Aval Bank (no. 5 in Ukraine) and IFC

Russia

	BA/CA 100%	HVB (IMB) 41%
Established	1997	1989
Staff	235	800
Offices	6	2

Product range meeting international standards for corporate and retail customers. With a 41% interest, HVB is the main shareholder of IMB, the fourth-largest bank in Russia

Bank Austria in Western Europe and overseas

Excellent development in Western Europe

Business activities in Western Europe developed extremely well in 2000. The London Branch, which is by far the largest unit in this region, reinforced its market position through a number of major financings and reported a strong increase in profits. The smaller branches and banking subsidiaries in Munich, Milan and Zurich recorded dynamic business growth, almost tripling their contributions to net income before taxes. The representative offices in Madrid and Paris helped the bank to gain a stronger foothold in Spain and France, leading to a significant expansion of financing volumes in that region. These offices in the EU area are of strategic importance in accompanying West European companies into Bank Austria's core markets in Central and Eastern Europe: by providing competent advice in the home country and offering an attractive range of services in Central and Eastern Europe, Bank Austria successfully expanded its market position in this customer segment.

The London Branch was exceptionally successful in 2000. Benefiting from the prospering London market, all business segments performed excellently, enabling the London Branch to report very strong results. A particularly satisfactory trend was seen in the lending business, which added value through its outstanding expertise and distribution power. Outstanding transactions during the year included the sole mandate for the structuring and international placement of a US$ 140 m financing for OMV, Austria's largest oil and gas company. The total volume of syndicated loans which were contracted and placed in the market increased substantially. Bank Austria London played a prominent role in major international transactions for such companies as Lafarge, RMC, Singapore Airlines Leasing and France Télécom. A second securitisation, "Mozart", was finalised in the first half of the year, underlining the reputation of Bank Austria Creditanstalt London as a promoter of innovative financial structures.

Bank Austria Creditanstalt Deutschland AG is based in Munich and has a branch in Berlin. In its tenth business year, the bank achieved its best results ever. Lending volume as well as fee-based services were expanded by 25%. The bank specialises in serving corporate customers. It significantly widened its customer base among companies which are engaged in foreign trade and have business links with Austria and CEE, and gave many of them access to services provided by Bank Austria Group units in the CEE countries. Products such as summary accounts for export revenues and cash management met with a very favourable reception in the market.

The finance company and the representative office in Milan were combined and transformed into a branch. At the same time, business volume and the contribution to profits were almost doubled. Local business activities focused on corporate finance and project finance. The branch participated in major domestic and international projects. The Milan Branch was particularly successful in cross-border business, an area in which a strong market position has been built over the past few years. In close cooperation with Banca Intesa and other Italian banks, the branch again supported a large number of Italian companies in their business activities and in finance-related issues in Austria as well as Central and Eastern Europe, and referred them to Bank Austria Group offices. In the meantime, the Bank Austria Group has become a banking partner for more than 1,800 Italian companies in this region and it handles some 75% of payment transactions between Austria and Italy.

For Bank Austria Creditanstalt (Schweiz) AG, 2000 was a successful year, too. In line with its strategy, the bank fully concentrated on private banking and asset management. The acquisition of an 80% interest in Finacon, a Swiss private banking company, was successfully completed. Assets under management rose by some 30% in the course of the year. Earnings were very satisfactory.

The Brussels Representative Office of the Bank Austria Group serves as an important information hub, acting as a link between the bank and European Union agencies.

Ongoing training programmes and rapid transmission of information enable the banking subsidiaries in CEE to advise their local customers on current assistance schemes and financing opportunities.

Financial centres outside Europe

Overseas operations recorded mixed business trends. In Asia and South America, contributions to profits were very satisfactory, whereas results in the US remained disappointing in 2000.

For Bank Austria Creditanstalt American Corporation, 2000 was a difficult year. As provisions for loan losses had to be substantially increased, this business segment reported a loss. Overall, the results of the US units were balanced. The main task of the new management appointed in spring 2000 was to restructure the loan portfolio and downsize operations. The representative offices in Chicago, Atlanta and San Francisco were closed.

The business units in Asia achieved a strong increase in profits, resuming the trend of results experienced before the outbreak of the Asian crisis. A favourable trend of risks supported the strong earnings position. The Hong Kong Branch focused on its participation in large-volume financings for first-rate borrowers. Positive economic trends in China stimulated the business environment in Hong Kong.

The economic recovery in South-East Asia advanced more slowly than expected. Nevertheless, the Singapore Branch was able to use attractive business opportunities both in its narrow home market and in Australia. Activities in structured trade finance were intensified within restrictive risk parameters. The branch achieved excellent results for the year, based on good earnings from current business, success in restructuring old loans against which provisions had been made during the Asian crisis, and a lean cost structure.

Activities in the overseas regions focus on local business, providing assistance to Austrian companies and cooperating with selected local banks. The representative offices in Beijing and Tokyo also play an important role in this context. Through its local presence, the Bank Austria Group has provided services to Austrian exporters in a competent way for many years and thus enjoys a particularly high market share in this important customer segment.

Successful subsidiaries in Latin America

Brazil experienced a phase of political and economic consolidation in the reporting year. The inflation rate dropped to a low level of 6%, GDP growth reached 4%. In this favourable environment Banco BBA-Creditanstalt S.A. (Banco BBA-CA) strengthened its position as a leading wholesale bank in Brazil and generated excellent results. Its customers include most of Brazil's top companies. The bank repeated the traditionally good results achieved in international business (primarily trade financing) and in treasury operations. Credit risks developed favourably. An increasing contribution to overall results came from new business segments, including asset management, private banking and capital markets. FINAUSTRIA, the car finance subsidiary of Banco BBA-CA, successfully expanded its activities and is now among Brazil's leading consumer finance institutions. Banco BBA-CA's asset management company, BBA Capital Icatu Investimentos, joined forces with Icatu Investimentos in the reporting year. Today it is the largest local asset management company not associated with a retail bank.

Contrary to the general trend in Argentinian banking, Banco B.I. Creditanstalt S.A. improved its position, posting a 30% increase in net income after taxes. The good results were supported by success in retail lending, in trading activities and in the investment portfolio, which more than offset declining profits from corporate banking. By establishing an asset management company, the bank took account of the new market opportunities available in the mutual fund business. Creditanstalt Leasing S.A. Argentina, a Buenos Aires-based joint venture with Bank Austria Creditanstalt Leasing GmbH of Austria, concluded the first full business year with a positive result.

International financing

International loan markets showed mixed regional trends in 2000: in Western Europe, particularly in the wake of continued lively activities of many companies in the area of mergers and acquisitions, sustained strong demand was seen in the Euroloan market; on the other hand, the number of transactions newly brought to the market in the region of Central and Eastern Europe was relatively small, though higher than in previous years. In close cooperation with our local banking subsidiaries, our new business in this region concentrated on first-rate business partners, with strong emphasis being placed on relationship management and earnings potential.

In Western Europe we continued the successful path of selective growth in corporate banking, especially with a view to exploring and realising cross-selling opportunities available in the CEE area with subsidiaries of multinational companies operating in these countries. In this context, cooperation with our representative offices in Paris and Madrid as well as with our CEE banking subsidiaries has proved highly successful.

CA IB Investmentbank

CA IB further expanded its presence in Central and Eastern Europe and strengthened its position especially in the corporate finance advisory sector, where commission income from mergers & acquisitions business reached a new record level. Based on the current portfolio of mandates, this business is set to achieve above-average earnings in the future.

Strong market position of CA IB in corporate finance advisory and in the CEE countries

Capital market trends in 2000 were mixed. After a promising first six months the situation in the international financial markets deteriorated significantly. CA IB Investmentbank was unable to escape this development. The sharp decline in the New Economy sector had an impact on trading income.

One of the most successful transactions in 2000 was the initial public offering of PKN Orlen, the Polish oil and gas company. This transaction involved a volume of over US$ 500 m and was named "Deal of the Year" by Privatisation International. Another milestone was the privatisation of Bulbank, Bulgaria's largest bank. Bulbank was sold to UniCredito and Allianz for € 360 m.

High-volume advisory mandates in the telecom sector

CA IB executed several advisory mandates in the telecom sector. On the Vienna Stock Exchange, despite a difficult market environment, CA IB placed the € 1.2 bn share offering of Telekom Austria, the largest privatisation in Austrian history. Telekom Austria had previously been advised by CA IB on the acquisition of Czech Online, an Internet service provider. CA IB acted as joint global coordinator in the privatisation of Lithuanian Telecom, and as regional lead manager in the placement of the Austrian tranche of Deutsche Telekom's capital increase. In the privatisation of Macedonian telecom monopolist Makedonski Telekomunikacii, CA IB advised MATAV, the Hungarian company which led the buyers' consortium.

With the IPOs of JoWood and Yline in Vienna as well as the private placement of EMTS on the Zurich Stock Exchange, CA IB was successfully active in the New Economy sector during the first half of 2000.

caibon Internet Services AG, CA IB's online brokerage subsidiary, successfully launched trading platforms in Hungary and Poland. By the end of 2002, caibon plans to serve 9,000 investors.

In Hungary and Poland, CA IB has been established as a provider of asset management products for many years. In this fast-growing segment CA IB has secured significant market share. These activities are planned to be expanded in response to increasing demand for attractive investment instruments.

Awards confirm CEE competence

The number of awards received by CA IB reached a peak in 2000. For the sixth time in succession, Euromoney named CA IB "Best Foreign Securities House in Central and Eastern Europe". CA IB's local units in Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Poland and Slovenia attained top positions in these Euromoney rankings, too. Another Euromoney survey confirmed CA IB's position as top lead manager in Central and Eastern Europe. The corporate finance unit was awarded "M&A Advisory House 2000" by Central European. Global Investor and Reuters named CA IB "leading broker in Austria". The European Association of Securities Dealers (EASD) stated that, since the establishment of EASDAQ, CA IB was the most active lead and co-lead manager.

Financial Markets

The Financial Markets segment is the portal to the international financial markets which Bank Austria makes available to its customers, and which the bank uses to support its own sales divisions as well as for its own purposes. This business segment comprises the Group Treasury Division, which conducts trading activities in foreign exchange, money and fixed-income markets. The division includes the Corporate Service Desk, custody services and the expert teams, from financial engineering to research. Also part of the Financial Markets segment are equity trading activities and (short-term) equity positions held for trading purposes as well as other current financial assets.

In addition to the direct market activities, Financial Markets also performs asset/liability management to optimise the balance sheet structure of Bank Austria and Creditanstalt. Structural income from maturity transformation is recorded by Financial Markets and not by the other business segments.

In interpreting the key figures for the Financial Markets segment and the net trading result achieved by the Group as a whole, the reader should bear in mind that the Group Treasury Division provides extensive inputs to the customer-service units of the other business segments, which are partly recorded as trading results by these segments.

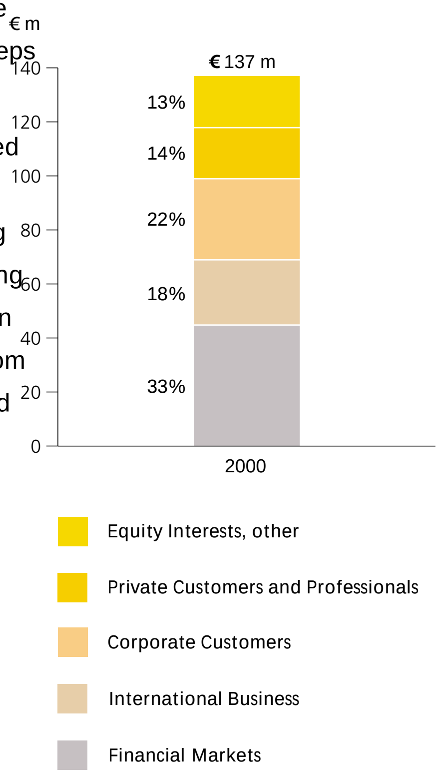
In 2000, foreign exchange, money and capital markets were characterised by a weak euro, a radical change in mood concerning the New Economy, and by restrictive interest rate policies pursued by central banks. It was only around the turn of the year, when signs of a pronounced slowdown in the US economy became visible, that the US Federal Reserve responded by lowering key interest rates in steps of 50 basis points each.

Net income before taxes generated by the Financial Markets segment declined by 20%, mainly due to an unsatisfactory fourth quarter. Net interest income fell substantially. While net fee and commission income rose by 30%, the net trading result lagged 30% behind the previous yearÕs level. The result of other operating activities largely reflects the realisation of long-term investments which had been made in special-purpose companies and were thus recorded as sales even if, from a business management point of view, this constitutes results from financial fixed assets.

Key figures Ð Financial Markets

€ m	2000	1999	Change in %
Net interest income	111	217	– 49%
Losses on loans and advances	9	– 2	n.a.
Net fee and commission income	13	10	30 %
Net trading result	45	64	– 30 %
General administrative expenses	– 190	– 169	12 %
Result of other operating activities	101	– 7	n.a.
Net income before taxes	90	113	– 20 %
Share of Group total	14 %	19 %	
Risk-weighted assets (average)	4,613	5,152	– 10 %
Equity (average)	763	751	2 %
Share of Group total	17 %	17 %	
ROE before taxes	11.8 %	15.0 %	
Cost/income ratio	112.1 %	58.0 %	

Net trading result by segment



Focus on CEE financial markets and flexible instruments

Regional competence bundled in transverse responsibility

The concept of a department offering integrated services in all instruments (bonds and bond options, swaps, FRAs, credit derivatives) in the emerging markets of the European time zone has proved highly successful. Through the usual division of activities into trading, sales and new issues, and in close cooperation with our local subsidiaries in Central and Eastern Europe, the Bank Austria Group made effective use of its CEE competence to serve customers and generated good results. In these markets, the research unit of Bank Austria plays a particularly important role. Economic analyses, market research and specific analyses are appreciated by business partners in East and West.

Operating environment in CEE countries continues to differ widely

The year 2000 saw extreme volatility in the markets of Central and Eastern Europe, too, due to general stock market weakness and local crises in Argentina and Turkey. In CEE, a surprisingly sharp increase in interest rates in Poland was caused by higher-than-expected inflation rates, very strong economic growth, political uncertainties and a large current account deficit. The situation did not ease until shortly before the year-end. On the other hand, bonds issued by Russia and Kazakhstan soared as oil prices rose strongly in the course of 2000 – Russia outperformed all other emerging markets worldwide!

Sought-after partner with a complete range of products: customer transactions up by one-third

In the previous year, derivatives trading had been integrated into capital market activities. The advantage of this move became clearly visible in the rapid development of the Polish swap market and the extremely difficult market environment. We were thus able to react flexibly and enhance our productivity. Our particularly strong activity in new issues was reflected in the fact that we lead-managed nine issues (including those of Pliva, the City of Kraków, the World Bank, Bremer Landesbank, Bankgesellschaft Berlin), acted as co-lead manager for 39 issues and participated in the syndicates for another 22 issues. Special highlights in 2000 were further issues for Bank Austria, two denominated in PLN, four in CZK (including two transactions of Bank Austria Creditanstalt Prague) and one in ZAR. On the sales side, 2000 was an extremely satisfactory year, with a 32% increase in customer transactions and a 20% expansion of the customer base, primarily through more intensive efforts being made to win CEE customers.

Bond markets increasingly dominated by corporate bonds

Large-volume corporate bond issues were again the dominant feature of activities in the bond markets in 2000. In connection with the UMTS licence auctions, telecom bonds had a crowding-out effect, measured by the number and volume of issues, at the expense of other bond issues. Despite the turbulent environment, the Bank Austria Group held its own in international new issues and issuing syndicates. Measured by the number of transactions, the Group even advanced to the top 40. Very good placement results were achieved both in corporate bonds and bank bonds. In 2000 we acted as lead manager for seven issues (including Bank Austria, Investkredit and HypoVereinsbank) as well as carrying out a higher-than-expected number of co-management mandates.

Bank Austria holds a strong position in international issuing syndicates and new issues

The secondary market for government bonds was very quiet in 2000 after the previous year's sharp increase in yields. The 10-year euro benchmark yield ranged between 5.5% and 5.2% during most of the year before declining to below 5% in the December rally. The bond sales unit achieved significant market share gains among institutional investors, substantially building and developing sales of corporate bonds and structured products. The sales team will continue to concentrate on major products and customers in this segment. Customer service intensity will rise further through the increase in market competence and the efficiency of electronic media.

Sales team gains market share among institutional investors even in a quiet year

The credit/corporates business was marked by clearly widening spreads, especially in the second half of the year. Sharply falling share prices, profit warnings by a number of large companies and the enormous financing requirements in the telecom industry led to considerable uncertainty in the corporate market, as did the downgrading of a number of renowned companies' credit ratings, also mostly in the telecom industry. Nevertheless, this very uncertainty further enhanced the importance of credit derivatives, especially credit default swaps. In combination with the issue of regulatory capital requirements, this led to a strong rise in the liquidity and volume of credit default swaps in the reporting period.

One of the focuses of our credit/corporates desk was on trading in credit default swaps. In the course of the year, we achieved a very strong trading performance by skilfully using the highly volatile spreads in the corporate bond market. These activities concentrated on the automotive industry, utilities, and the telecom and oil sectors. In the area of the Group's own bonds ("Wohnbaubank" bonds, mortgage bonds, supplementary capital, subordinated capital, etc.) we successfully

Highly successful credit trading, liquid secondary market for own issues

established a well-functioning secondary market. In connection with a significantly stronger sales unit we recorded a sharp increase in transaction volume and performance in this market segment.

Bank Austria offers corporate customers asset-backed transactions to help them manage their balance sheets

Bank Austria became the first Austrian bank to offer its corporate customers tailor-made structured financings via asset-backed securities or asset-backed commercial paper. Such a transaction was successfully concluded in 2000. Our client's receivables were purchased by a US-based specialist company and funded in international money and capital markets through the issuance of asset-backed commercial paper. The company was thus able to improve its balance sheet and further sharpen its focus on its core business.

Bank Austria has always seen trading activities in financial markets as a competence centre whose function is largely complementary to customer business and the bank's own positions. This is fully in line with the customer-driven approach of the HVB Group: under the heading of "integrated capital market approach", the bank offers an efficient interface with international capital markets, acting in close cooperation with other business segments as a link from lending to the new world of capital markets and securitisation. Therefore CA IB Investmentbank and its CEE subsidiaries will be integrated into this business segment effective in 2001.

The integration with HypoVereinsbank substantially improves the market position of our trading teams. Through its status as a large bank, Bank Austria can enhance its competitiveness – in the interest of its customers – through sheer weight, a stable rating and the placing power of a major capital market player. Above all, Bank Austria can now build the Group's market leadership position in the CEE markets with combined strength and put it to good use in the HVB Group network.

Financial engineering as a brain trust and trading partner for interest rate derivatives and structured products

The financial engineering team quickly proved to be a competent, reliable and efficient contact and trading partner for all interest rate derivatives and structured transactions. Both within the Bank Austria Group and in the interbank market the team was able to translate these competencies into outstanding results, while maintaining an appropriate risk/return ratio.

Money and foreign exchange markets

Foreign exchange markets felt the impact of the euro's weakness. We scored two major successes in building and developing our services for our customers: as part of our 24-hour trading service we offer our customers top-quality order management; the second major success is foreign exchange trading via the Internet, which we have been able to establish in the market within a short time, being the first Austrian bank to do so. In this environment, contributions to profits were mixed: the activities of our spot and banknotes & bullions units were very successful, whereas the profit contribution from currency options business was below our expectations. The FX Management department focused on CEE-related transactions, further expanding business in forwards, options and spot transactions.

24-hour order management and foreign exchange trading via the Internet

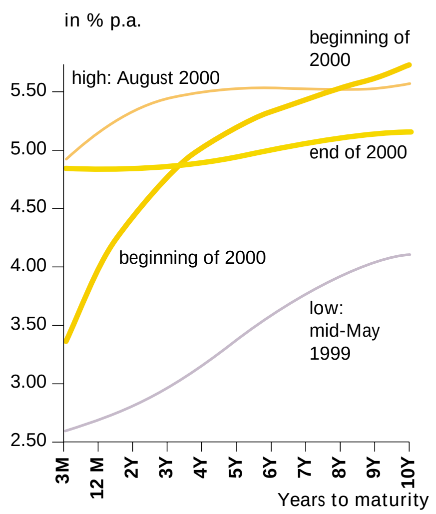
The Money Markets department achieved acceptable results for 2000, but did not match the exceptionally strong performance of the previous year because the interest rate environment was difficult, economic forecasts varied and the market's interest rate expectations were volatile. In 2000, increased use was made of interest rate derivatives (interest rate swaps, overnight indexed swaps) for money market dealings. Trading activities with international central banks was further intensified through improved service.

Asset/liability management and funding

As the yield curve flattened – the combined effect of restrictive interest rate policies and only small changes in long-term yields – asset/liability management faced difficult conditions.

With 65 transactions, funding for Bank Austria and Creditanstalt in 2000 reached a total of € 4.37 bn. Excluding bonds issued by Bank Austria's and Creditanstalt's banks specialised in raising funds for construction projects, and excluding medium-term notes as well as subordinated bonds, the total volume of new issues thus exceeded the previous year's level by more than 75% (1999: € 2.47 bn).

Austrian yield curve



Corporate Service Desk

The Corporate Service Desk set up within the Treasury Division provides services to corporate customers, branches and various departments of the Bank Austria Group for exchange risk and interest rate risk management. In highly volatile markets, the unit again achieved growth. Through competence and service quality it also confirmed and strengthened its market position as the top provider of services for corporate customers in Austria.

In the second half of the year, the unit launched a bond sales initiative which met with a very favourable response from companies. Efforts in this segment, too, have already produced results. We will continue to expand our activities and our range of investment products in 2001 as well as making increased use of market potential.

Custody

Leading position in custody services in Central and Eastern Europe

The custody business was affected by negative trends in international stock markets in 2000. After the successful integration of Budapest Bank's custodian business, which was acquired in the middle of 1999, the Group further expanded its position in CEE countries despite the unfavourable international stock market environment. Particularly good results were achieved in Hungary and Poland. According to the most recent issue of the Global Custodian magazine, the Bank Austria Group is among the top three providers of custody services in all countries where it has commercial banking operations. The Group also received its first award ("most improved custodian worldwide") from the GSCS Benchmarks magazine, namely for our subsidiary in Poland.

Emerging markets investments

Apart from investors' fears of payment difficulties in Argentina and Turkey towards the end of the year, the environment for emerging market instruments was positive: Russia and Ecuador signed rescheduling agreements, an "investment grade rating" was granted to Mexico. High oil prices gave many emerging markets – primarily Russia, Venezuela and Mexico – large windfall profits without excessively burdening oil-importing countries (including Brazil). These dynamic endogenous developments were, however, overshadowed by US interest rate and stock market trends, and in the course of the year, by fears of interest rate increases, New Economy problems and fears over the business cycle.

Top performance of the EMI portfolio

Emerging markets outperformed all other markets, rising by 15.7%. The Emerging Markets Investments unit made maximum use of limits in those countries where (in retrospect) increases reached the highest rates, i.e. Russia and Mexico. It also successfully managed its medium-term portfolio in such countries as Brazil and Venezuela while making optimum use of derivative instruments for risk-minimising investment strategies. This unit thus not only exceeded the performance of the relevant market index by 100% but also made its highest-ever contribution to Group results in the twelve years of its existence.

Equity trading

Having started the year in a cheerful mood, stock markets and equity trading ultimately faced one of the most difficult years of the past decade. Especially the technology and growth markets, including Nasdaq and Neuer Markt in Frankfurt, saw a spectacular slump in share prices. Euphoria over numerous equity issues, above all in the sectors mentioned above, was followed by a more down-to-earth attitude. Interest rate increases in several steps, higher oil prices and the slowdown in the US economy caused many companies – particularly in the telecom, media and technology industries – to issue profit warnings which gradually spread to other sectors, demonstrating the high degree of diffusion attained by the New Economy. Sectors which are less dependent on the business cycle, e.g. pharmaceuticals and luxury foods, showed positive trends.

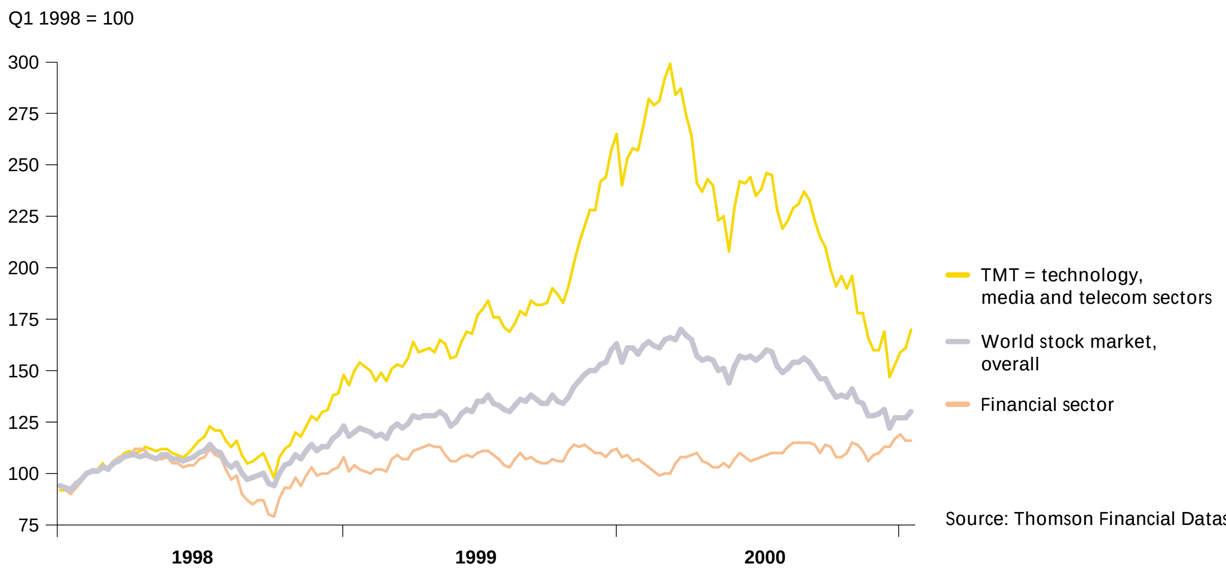
Despite this unfavourable environment in international stock markets, equity trading produced positive results. Although liquidity declined, above all on the Vienna Stock Exchange, additional market share gains were achieved in customer business and sales. As a specialist and market maker in a large number of instruments in the Vienna stock, futures and options market, Bank Austria again made an important contribution to Austrian capital market activities.

Performance of major stock market indices in 2000

End of 2000/1999	
World stock market index*	–16.4%
Dow Jones, New York	–6.2%
Nikkei 225, Japan	–27.2%
EuroStoxx	–5.9%
DAX	–7.5%
ATX	–10.4%
Growth markets	
Nasdaq	–39.9%
Nemax	–43.6%
TMT stocks*	–40.7%

*) Thomson Financial Datastream

Stock markets under the sway of the "New Economy"



Source: Thomson Financial Datastream Indices

Equity Interests

Key figures – Equity Interests

€ m	2000	1999	Change in %
Net interest income	191	84	>100 %
Losses on loans and advances	0	– 6	n. a.
Net fee and commission income	– 14	2	n. a.
Net trading result	17	3	>100 %
General administrative expenses	– 34	– 6	>100 %
Result of other operating activities	200	149	+ 34 %
Net income before taxes	359	227	+ 58 %
Share of Group total	54 %	39 %	
Risk-weighted assets (average)	4,990	3,472	44 %
Equity (average)	516	431	20 %
Share of Group total	11 %	10 %	
ROE before taxes	69.7 %	52.8 %	

For a number of years the Bank Austria Group has pursued a strategy which calls for the disposal of those equity interests which do not complement the Group's core competencies as a financial services provider. The Group exercises care to protect the interests of the affected companies and to take advantage of favourable market conditions.

With its divestment policy with regard to non-banking equity interests, the bank is responding to the desire of investors to create a portfolio pursuant to their personal preferences from a range of narrowly focused companies operating in various industries and regions. In order to evaluate the performance and outlook of an investment, the capital market prefers transparent companies with clearly defined lines of business (cf. chart Underperformance of diversified groups of companies). Portfolio allocation is thus a decision to be taken by investors, and not by companies.

This also applies to the banking sector. In the capital market paradigm, a bank which functions as an industrial holding company is a throwback to a time in which banks also had to meet public-law related tasks. Since the completion of the privatisation process, Bank Austria and Creditanstalt have re-defined their equity interests strategy and are focusing, as customer-oriented universal banks, on the financial services business. They have thus already pursued for some time the same equity interests strategy followed by the HVB Group.

Special status of business segment "Equity Interests"

Pursuant to the concept of segment reporting in accordance with IAS, the "Equity Interests" business segment includes only those companies which have not been allocated to other business segments. Companies whose core business activities form part of another segment are included in that segment. Companies in the Equity Interests business segment primarily include the remaining non-banking equity interests, some minority interests in the financial sector, including three regional banks of the former Creditanstalt Group, and companies providing bank support or auxiliary services such as real estate subsidiaries which maintain and manage buildings used by the bank. This segment also includes subsidiaries that provide significant functions and services for banking operations and which also offer some of these services to third parties.

Any evaluation of the performance of the Equity Interests business segment (cf. table) must therefore take the above into consideration. In particular, when interpreting ROE, the key profitability figure, as well as the items Net trading result and General administrative expenses, it should be kept in mind that annual business developments are determined by high-volume one-off transactions. In 2000, the Equity Interests business segment made a substantial contribution to Bank Austria's business results. The item Net interest income, which also includes distributions by equity interests, more than doubled. This also reflects the general improvement in the health of the companies, in part the rewards from long-term restructuring measures which were needed for listings on the stock exchange. The item Result of other operating activities surpassed the previous year's results by a significant margin (€ 200 m after € 149 m) on account of gains from the sale of companies. In particular, the income that Bank Austria has earned from its industrial holdings in recent years, whether in the form of current income or from the realisation of book profits, reflects a gratifying increase in profitability, bought at the price, in some individual cases, of difficult transition years.

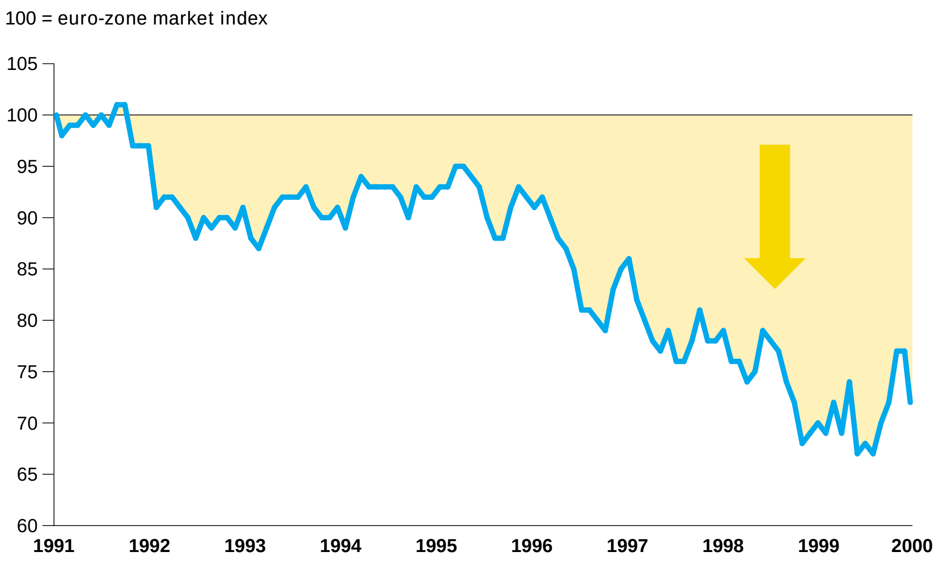
Income from non-banking equity interests evaluated from the perspective of long-term investments

In the year under review, the pace of divestiture accelerated. Among others, disposals included the Wienerwald restaurant chain (Austria and Germany), the operating company of Wiener Hafen "WHL", the stake in Wiener Messen und Congress GmbH, shares in the Rumpold waste disposal group and Creditanstalt's shares in BBAG Österreichische Brau-Beteiligungs-AG. In the real-estate segment, Creditanstalt sold off a large part of the ÖRAG Group, in particular domestic real estate used by third parties.

Direct sales and the spin-off of a portfolio comprising non-banking equity interests accelerated pace of divestiture in 2000

In February 2001, publicly-traded Lenzing AG was sold for € 90 per share to Zellulosefaser Beteiligungsgesellschaft m.b.H., which in turn is owned by private equity funds. The holding company will be domiciled in Austria, and production facilities in Austria will be expanded. At the time of going to press, the necessary approvals had not yet been obtained from the cartel authorities.

Underperformance of diversified groups of companies*



*) Companies which cannot be unequivocally assigned to a particular industry

End of 1991 = 100, euro-zone
Source: Thomson Financial Datastream Indices

Foundation created as innovative, capital market-friendly solution

On 31 December 2000, the Bank Austria Group spun off most of its non-banking equity interests held by both Bank Austria AG and Creditanstalt AG to the subsidiary of an independent foundation in exchange for profit-sharing rights that give the holder a claim to future income from these companies.

Placement on the capital market a possibility in the future

B & C Holding GmbH, the subsidiary company of the foundation which these companies were brought into, operates independently of Bank Austria. A professional management team has been assigned with the task of increasing the profitability and value of the assets which have been contributed. In addition, the bundling together of non-banking equity interests against issuance of profit-sharing rights creates the possibility, at a later stage and after conversion of the profit-sharing rights into shares, of making these interests available to a broader investing public via the exchange. B & C Holding holds shares in some twenty-five companies, including the publicly traded companies Austrian Airlines Österreichische Luftverkehrs AG, Semperit AG Holding, Voith Sulzer Papiermaschinen AG, Austria Email AG and Imperial Hotels Austria AG, in addition to equity interests in Gewista WerbegesmbH, Wiener Betriebs- und BaugesmbH, Vereinigte Papierindustrie- und Allgemeine Warenhandels AG, Wiener Porzellanmanufaktur Augarten GesmbH and a number of other companies, primarily in the fields of trade, services and tourism.

Report on individual equity interests

Companies performing a significant function complementary to banking business

Bank Austria Treuhand AG, a consolidated company, continued to operate successfully in 2000 as a specialty bank for participation models, particularly in the areas of real estate financing and financing for medium-sized companies. With a market capitalisation of € 462.8 m, Bank Austria Treuhand AG represents some 30% of the total market for Austrian real-estate securities. This includes the investment products of Immotrust Anlagen AG, BA Immofonds and BA-Wohnbaufonds 1–6.

Following a share-capital increase in September 2000 of € 11.3 m, the market capitalisation of Wohnbau-Gewinnscheine (residential construction profit-sharing certificates) grew to € 273.5 m, which thus represents the lion's share of real-estate securities offered by BA Treuhand. Demand remains high for Wohnbau-Gewinnscheine, particularly among private investors. Bank Austria Treuhand AG has also increasingly offered third-party products in the field of tax models since 2000.

Service subsidiaries

Dataservice Informatik GmbH is the software house of the Bank Austria Group, for which it also provides most of its services. In 2000, the company focused on realising the common data-processing platform for Bank Austria and Creditanstalt (the "heureka!" project), which went into operation as scheduled on 17 July 2000. This brought to a successful conclusion the three-year project which had involved the entire bank. The name of Dataservice Informatik GmbH was changed to WAVE Solutions Information Technology GmbH on 28 November 2000. Bank Austria's former organisation department was brought into the company, and beginning 1 January 2001, in addition to software development, organisational services and group information technology activities in the CEE region were also brought together within the company (for more information about WAVE, refer to page 102 of the Annual Report.)

Real-estate subsidiaries

CA Immobilien Anlagen AG ended the 2000 business year on a very successful note. Real estate assets total some € 268.9 m, which represents an increase of 50%. Gross yields (rental proceeds in terms of acquisition costs) rose from 6.2% to 7%. This was due to the purchase of office space in Budapest and Bratislava, and to the restructuring of the domestic real-estate portfolio. With regard to the company's domestic properties, the largest property in the downtown area was sold, and in turn two modern office buildings were purchased. In the coming business year, the company will continue to pursue its strategy of acquiring property in the capitals of Eastern Europe.

In the second half of the year, most of the domestic properties held by ÖRAG were transferred to the newly-created ÖRAG Österreichische Realitäten AG pursuant to a spin-off transaction. This newly-created company and other domestic properties owned by ÖRAG were then purchased by the Karl Wlaschek Privatstiftung business group. The company's other domestic real estate assets, which largely comprise Creditanstalt's technical centre in Vienna's 9th district, and foreign equity interests remained in "ÖRAG alt", whose name was changed to CA Betriebsobjekte AG. In 2000, CA Betriebsobjekte AG, whose results flow directly into Creditanstalt's income statement on account of an existing full integration agreement, achieved positive results from its ordinary business activities in addition to extraordinary income from the real estate transaction.

Equity interests in the banking sector

Adria Bank AG deals primarily with the financing and documentary settlement of import, export and transit transactions promoting trade relations between Austria and the successor countries of Yugoslavia. The company fulfilled its role as a specialist institute in the guarantee business, on the money market and in the interbank business. The diversification of business transactions undertaken by the company took place largely within Europe.

Despite the increase in total assets, the bank was only able to match the level of income achieved in the previous year on account of unfavourable market conditions during the business year. Adria Bank remains committed to pursuing its successful business strategy, while carefully observing economic and political developments in the successor countries of Yugoslavia, and will press ahead in its cooperative efforts with shareholders and their customers and with the established and newly-created banks in the region.

In 2000, Bank für Kärnten und Steiermark AG was able to benefit from the economic upswing on its market, and achieved group operating results of € 38.4 m (1999: € 30.3 m). Net income amounted to € 21.4 m, an increase of 6.9% over 1999. On account of the strong expansion in business volume, the profitability developments at the company were based on a very sound foundation. Net interest income continued to develop favourably, with an increase of 9.1% to € 55.4 m. In addition, net fee and commission income, which is based on the securities sector, grew strongly, by 19% to € 37.0 m. Operating income climbed some 11.9% to € 99.7 m, with the service business accounting for more than a third of these figures. As the bank consistently took advantage of opportunities to cut costs, operating expenses, which totalled € 62.4 m, rose by a modest 5.2%. Total assets climbed by 10.6% to € 3.4 bn in a year-on-year comparison. This increase was due largely to the item Loans and advances to customers, which grew by 15% to over € 2.0 bn. Bank für Kärnten und Steiermark also worked actively in 2000 to continue to refinance a portion of its business growth via primary deposits, which grew by an above-average 5% to € 1.8 bn.

Bank für Tirol und Vorarlberg (BTV) had a successful year in 2000. At € 5.11 bn, the bank's total assets were 16.6% higher than in the previous year. The most important source of growth on the assets side of the balance sheet were loans and advances to customers, which increased by 13.9% to € 3.45 bn. On the liabilities side, primary funds developed favourably, rising by 16.1% to € 2.97 bn, at a higher rate than the Austrian market as a whole. The strong customer preference for high-yielding investment forms is reflected in the volume of securities held in custody accounts, which expanded by € 0.39 bn to € 4.41 bn.

Operating income grew by 20.9% to € 136.7 m. Income from securities business rose by € 9.4 m, thereby becoming the most important component of fee-based business. Operating expenses grew by 19.1% to € 81.3 m. The major factors leading to this increase were higher allocations to the pension provision required on the basis of new actuarial tables, the transfer of future pension benefits to the pension fund, and higher spending on structural alterations. The operating result rose by 23.7% to € 55.4 m. Successful risk management made it possible to reduce the amount set aside for provisions to below the previous year's level. The results from ordinary business activities increased by 71.9% to € 41.0 m. Net income reached € 29.5 m, an increase of 90.2%.

Oberbank AG enjoyed another very successful business year in 2000. Operating results increased by 23.7% to € 91.2 m. This increase is due to strong growth in income from the interest-based business (up 10.5%), and from growth of 21.4% in net fee and commission income. In the services segment, the securities business generated the most significant income. Income from trading activities was below that of the previous year. Ongoing cost-saving measures were successful in keeping cost increases to a minimum. Operating expenses grew by 6.1%. This increase was due largely to higher allocations to pension provisions made necessary on account of new actuarial tables. The results from ordinary business activities increased by 26.0% to € 46 m, and net income by 23.0% to € 32.2 m. Oberbank's total assets grew by 8.4% to € 8.5 bn. Growth in credit volume was particularly strong at 9.2% to € 5.5 bn. Primary funds also increased by a significant 8.0% to € 4.8 bn. The range of services in the private equity segment was expanded, with a particular focus on innovative, medium-sized companies. In the retail banking business, Oberbank worked to promote portfolio management based on funds. At year-end, Oberbank maintained 98 branch offices in Austria and abroad.

Investkredit Bank AG is active in the long-term financing, corporate finance, equity financing and consulting, investments, treasury and real estate business segments. The total assets of the Investkredit Group (comprising Investkredit Bank AG, Kommunalkredit Austria AG and other specialised subsidiary companies) climbed by one-third to some € 9 bn. The financing business experienced exceptionally strong growth in the areas of public-sector financing and securities financing. Corporate finance, equity financing and consulting and corporate treasury services expanded as well. In the real estate sector, Investkredit consistently implemented its strategy of acquiring rented office space in countries which are candidates for EU membership. Kommunalkredit, a 51% subsidiary of Investkredit Bank AG, and Dexia, a French company holding a minority interest in Kommunalkredit, together acquired a majority interest in Slovakia's Prvá Komunálna Banka. According to preliminary results, both net income before taxes and also key figures such as return on equity and cost/income ratio will show significant improvement.

Oesterreichische Kontrollbank AG is the authorised agent for the Republic of Austria under the Austrian Export Promotion Act. In this capacity it issues guarantees for export loans and protects the interests of the Republic of Austria. It also refinances export loans pursuant to the export financing procedure. Other business segments include the settlement of fiduciary transactions and syndicated finance. Kontrollbank serves as office for bond issues, the principal paying agent for securities and as reporting office pursuant to the Austrian Capital Market Act. In addition, it also serves as central securities depository, and plays an important role in the automated settlement of on and off exchange securities transactions. Despite the decline in profitability caused by the cessation of trade settlement activities for the Vienna Stock Exchange, results from ordinary business activities remained at a very satisfactory level in 2000.

Equity interests in affiliated companies in the financial sector with which there are a number of cooperative business agreements

In 2000, the Wiener Städtische Group saw its consolidated premium income increase to more than € 2.5 bn. Foreign subsidiary companies made an exceptional contribution to this growth, and accounted for almost 20% of group premiums. The strongest rate of growth was achieved by Kooperativa in the Czech Republic, which has operated successfully in the privatised market for mandatory liability insurance for automobiles since the beginning of 2000. Kooperativa is Wiener Städtische's largest foreign subsidiary. Futura Lebensversicherung and a 100% interest in InterRisk AG Wiesbaden were also acquired in 2000, and Vienna Life commenced business operations in Poland. In Austria, the growth in premium income was largely due to the life insurance business, in particular fund-linked life insurance policies. While the company succeeded in bringing to a halt the trouble-some decline in premium income from the automobile insurance segment, the technical results in this segment remain unsatisfactory. The results of the publicly-listed Wiener Städtische AG were negatively affected by developments on international financial markets and by the requirement in a law accompanying the budget that provisions be subject to taxation.

Bank Austria currently maintains numerous cooperation agreements with Wiener Städtische AG, including UNION-Versicherung, a joint venture together with a third partner (see the section on Private Customers and Professionals), and CA-Versicherung AG.

Bausparkasse Wüstenrot AG concluded over 200,000 building society contracts with a total contractual amount of € 3.9 bn in 2000, its 75th anniversary. The inventory of savings contracts exceeded 1.2 million contracts at year-end 2000 (contractual amount: € 19.7 bn). Building society savings deposits totalled € 3.8 bn, while mortgage-backed loans and other (not mortgage-backed) loans amounted to € 2.7 bn. Of particular significance is the fact that in 2000, € 785 m in loan disbursements for building projects represented an absolute financing record (1999: € 501 m). This tremendous demand for building society loans indicates that building society financing is once again an attractive option and – following the sharp decline in 1999 – has again achieved its earlier significance.

Equity interests in companies outside the financial sector

In 2000 Wienerberger Baustoffindustrie AG continued to successfully focus on its core business (wall, ceiling and roofing systems), with turnover increasing by 18% to € 1.1 bn despite setbacks in Germany. Business developments were particularly favourable in the US and in Eastern Europe. Both regions saw clear improvements in terms of volume and prices with respect to the previous year. In the "pipe systems and waste water technology" segment, turnover increased by 39% to € 419 m, with Pipelife and Semmelrock contributing to these results.

With the sale of Treibacher Industrie AG and its remaining interest in Wipark Garagen, the Wienerberger Group continued to withdraw from non-core business activities. With group turnover of € 1.67 bn, results before taxes amounted to € 220 m.

The Austrian operations of Lambacher HITIAG Leinen AG broke even in 2000. At Karolina, the Hungarian subsidiary where a production facility was built in 1999, there were a number of start-up problems during the year, which have however largely been resolved. Thus the financial results for the 2001 business year are expected to be positive.

Lenzing AG had an extremely successful year in 2000, and turned in record results. Strong market demand for fibres led to plants operating at full capacity and – in connection with the structural improvements made over the past few years – to considerable gains in turnover and results. In addition, positive market developments and the continued strong demand for Lenzing fibres made several price increases possible. Demand for special fibres was exceptionally buoyant. At the business site in Lenzing, the production of innovative, technology-intensive fibres already accounts for some 60% of capacity. The Lyocell fibre is very successful: planned production capacity was increased in June 2000 to 20,000 tonnes per year, and there are plans to further expand capacity at the plant in Heiligenkreuz.

In addition to fibres, the company's core business, Lenzing Plastics, Lenzing Technik and the paper business segment also made significant contributions to turnover and results. As mentioned earlier, Lenzing AG was sold in February 2001.

Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft was able to further increase its turnover by some 4% (without an additional interest in Teerag-Asdag AG). The growth in turnover is due mainly to developments on the domestic market. With the integration and assumption of the industrial management of Teerag-Asdag AG, the consolidation of the Teerag-Asdag Group took place for the first time in 2000.

In December 2000 an agreement was concluded regarding the sale of the domestic construction division of Universale-Bau AG, including related equity interests and Universale-Bau GmbH in Munich, to Alpine Mayreder Bau GmbH. All real estate properties and Universale-International, the project development subsidiary, remained with Universale-Bau AG. In future, Universale-Bau AG will concentrate its business activities on the management and sale of its real estate holdings, and on the project development activities of Universale-International.

Österreichische Verkehrsbüro AG (ÖVB) continued to pursue a growth-oriented business strategy in 2000. Total turnover amounted to some € 349 m. With over 115 travel agency branches in Austria and abroad, and with 25 hotels which are operated on a lease or management basis, ÖVB is the largest tourism company in Austria. Including the group companies Intropa Reisebüro and Eurotours GmbH, some 1,400 employees achieved group sales of € 436 m. In the hotel management sector, some 480 employees realised total sales of € 34.5 m. Foreign branches achieved sales of € 34.2 m with 670 employees. Sales and results are expected to continue to develop favourably in 2001.

Information Technology

Over the past several years, transaction and settlement services in a broader sense have advanced from being a "back office activity" for the banking industry to becoming a competitive factor of strategic importance. Demands and competitive pressures are increasing from three sides: first, transaction volume is increasing exponentially, particularly in the securities business. In Austria, this has been largely on account of the securities boom, which ignited in the country somewhat later than in other markets. On account of the catch-up process in the CEE countries, this trend should continue in coming years. The growing use and increasing diversity of capital market instruments on both investor and borrower sides will be further strengthened by new channels such as e-banking and e-brokerage. Secondly, transaction times, both in terms of data entry and data processing, are being reduced, and open networks are creating greater transparency. The task of information technology is to coordinate this complex array of channels and interfaces and create a uniform platform. Thirdly, a market for transaction services has arisen within the financial sector itself. Highly-specialised providers are forcing their way into the traditional value added chain and are increasing competition based on price. Competition is continually increasing the pressure to improve productivity and raising the investment threshold.

Information technology, transaction and settlement bank, and an efficient infrastructure are not only cost factors, but also important competitive factors

In this environment Bank Austria has taken advantage of the integration with Creditanstalt to achieve significant synergies with regard to information technology, transaction and settlement banking, facility management and corporate logistics. The successful introduction of uniform data processing systems at Creditanstalt and Bank Austria reflects the Group's competence and efficiency. The service units – most of which are run as subsidiaries – operate as independent companies which already offer their services to third parties. The high level of cost transparency which has resulted has made a significant contribution to the stability of the bank's general administrative expenses. With the experiences made in 1999 and 2000, the service area within Bank Austria will approach its integration tasks at a higher, cross-regional level – CEE and HVB Group.

Market-based approach to providing services increases transparency and raises cost consciousness

Electronic banking proves its worth

Many of the exaggerated expectations with regard to the "New Economy" were brought down to the ground of the "Old Economy" in 2000. Bank Austria continues to believe in the future of new channels and sees itself as a technology leader within the HVB Group. In this regard Bank Austria follows a practical, evolutionary approach.

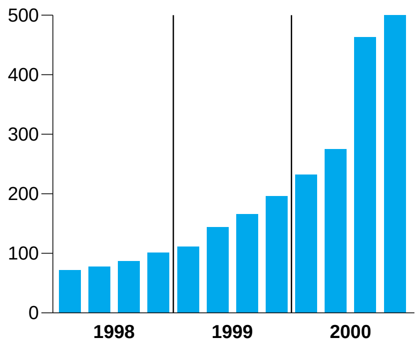
Financial management via e-banking offers medium-sized companies products formerly limited to large companies

In the last several years, the use of electronic banking has become commonplace. As at the end of December, the Bank Austria Group managed more than 500,000 electronic banking accounts. In addition to large companies, smaller companies and a growing number of private households are also handling their banking transactions electronically. Individuals already account for every three out of four users.

Modern financial management for companies via e-banking

Corporate customers (B2B), however, account for most of the volume that is settled. With "BusinessLine", "BusinessCash" and "BusinessPlanner", corporate customers have three different telebanking services at their disposal. Unlike the previous version of "Telebanking", the "BusinessLine" software now offers structured payments and extended securities services. The latest version of "BusinessLine" will be released soon, and includes a "euro assistant" that enables users to convert accounts quickly and easily from schilling to euro. This product is of special significance for small and medium-sized companies, since only a small number of companies in this segment keep their books in euro. In 2000, following comprehensive testing, we successfully introduced "BusinessCash", a professional liquidity management program. It shares a common database with the basic "BusinessLine" module, helping the program to achieve a high level of user friendliness. For businesses, select and professional financial planning is becoming increasingly important. For the customers of the Bank Austria Group we therefore developed the "BusinessPlanner" software. Among other features, "BusinessPlanner" allows customers to prepare a projected income statement and a projected balance sheet at the touch of a button. Together with "BusinessLine" and "BusinessCash", we are able to offer to our commercial customers compact tools for up-to-date financial management. In addition, the PC software can communicate with the Internet using the TCP/IP protocol. The bank is now developing pure B2B banking solutions.

Number of online accounts in thousands



For our subsidiary banks in Central and Eastern Europe, we have developed a cash management model that allows the linkage of all accounts carried within the Bank Austria Group, and thus offers the decisive advantage of margin pooling: accounts in national currency can be integrated into a cross-border cash management system.

Via the personalised homepage to Internet banking for individuals

Since September 2000 Bank Austria has maintained a new homepage in the Internet. It is now possible, for the first time, for users to configure the Bank Austria homepage to meet their individual needs via "My Page". The individual preferences range from special topics to news services via "My Inbox". Bank Austria's current homepage combines online banking and product information on a single page: the customer's financial status is integrated in "My Page", and he needs to login only once to access online banking and his personal homepage. The online banking module is offered free of charge to all holders of personal current accounts at the Bank Austria Group.

Creditanstalt also introduced a new homepage at the beginning of 2000. Almost 450,000 hits, a threefold increase, testifies to the fact that the number of visitors to the homepage has risen significantly. Creditanstalt was particularly successful in presenting active securities investors with near real-time prices for all important exchanges, with chart analyses and with specific asset allocation accounts.

Altogether, the Bank Austria Group had over 200,000 online banking customers at year-end 2000. These customers held over 500,000 online accounts, and the figure is increasing sharply. In a website ranking made at the end of November

Despite the emotional ups and downs observed in 2000 with regard to the “New Economy”, the Internet remains firmly on track as an unlimited communications and trading platform of the future.

Bank Austria is working to further develop its existing range of products with this environment in mind. The bank offers its customers, via WAP, SMS and POP, the opportunity to access their accounts and submit queries from home, on the road or from sales outlets via POP (Partner Online Payment). In the B2B sector, the orientation to customer processes (STP) is being strengthened. The bank will pursue the concept of “market places” with business partners. Bank Austria will open, in its name, portals on special topics which make the financial world accessible, for example, “Bauen & Wohnen”, retirement planning, youth, starting a new business.

On account of the integration with HypoVereinsbank, Bank Austria’s e-business offerings are now on the verge of making a quantum leap to becoming an Internet platform of European dimensions. The HVB Group is swiftly expanding its capabilities as one of the leading Internet banks in Europe, and in 2000 alone invested some € 250 million in these capabilities. Products range from online banking via the Internet, to a real estate portal and archive services. In addition, with the listed Direkt Anlage Bank (DAB), the Group is also one of the leading pan-European direct brokers. A goal of the Group is to create a continuous series of links between the customer and the back office in order to increase internal efficiency. Thus the project is also closely tied to the planned common “System€” IT platform. E-business activities will be brought together on a supra-regional basis under the project heading “WebPower”. Pursuant to the Bank of the Regions strategy, Bank Austria has assumed responsibility for WebPower in Austria and CEE, and in addition to e-banking, can place its CEE Internet broker “caibon” on a platform which covers a large area.

2000 by the “Institut für Bankinformatik und Bankstrategie” at the University of Regensburg, the homepages of Bank Austria and Creditanstalt were ranked 7th and 9th from among more than 1,000 banks, a very respectable showing.

Growing productivity gains in payment transactions

The Group Payment Transactions Division sees itself as a production-oriented unit (one which complements the banking business). Thus, in addition to absolute costs, it views transaction volume, productivity and the degree of automation as important performance parameters. In the domestic payment transactions area, paperless transactions increased by 6% in 2000, while paper-based transactions were reduced by 5% (to a share of just under 20%). Together with foreign payment transactions (5% growth, including international payments by cheque), some 308 million payment transactions were settled in 2000, 4% more than in the previous year. In view of the decline in staffing levels, this represents a productivity gain of 17%.

The changeover to the UN/EDIFACT format allows for numerous steps to be automated prior to the introduction of euro banknotes and coins

In Austria, the introduction of euro banknotes and coins will occur in tandem with a conversion of data formats in electronic payment transactions to the UN/EDIFACT format. The banking system already made the necessary changes to meet these requirements at the beginning of 1999, and customers are now in the process of making the necessary conversions. In 2000, following the smooth Y2K transition, the Bank Austria Group intensified its informational campaign to draw the attention of its customers (also in paper-based payment transactions) to urgently needed euro-related preparations. By the end of 2001, numerous tests and conversions to UN/EDIFACT will be carried out. The new data standard will open the door to further innovation in payment transactions, such as Electronic Bill Presentment and Payment. There are further benefits from the Internet linkage (via XML) within UN/EDIFACT’s global and sectoral transmission standards.

Market and technology leader in foreign payment transactions

Bank Austria is the unquestioned market leader in Austria in the area of foreign payment transactions. The Low Value Payment System STEPS initiated by the EBA (European Banking Association, Paris) was put into operation in November 2000. This gives the Bank Austria Group, which has participated in EBA clearing since 1997, a new channel for small commercial payments with 93 banks (EBA is, based on the number of transactions, easily the most successful cross-border clearing system, leading both TARGET and EAF). The trend towards cooperative efforts and linkage of clearing systems and providers is making no exception for payment transaction services. In this regard, an agreement was made between ARTIS/TARGET and EBA in 2000 which sets the course for the future. Beginning in 2002, the new SWIFT information channels “SWIFTNet” will be used. Specialists from Bank Austria are involved in both of these projects.

Transaction banking: GSS benefits from initial synergies

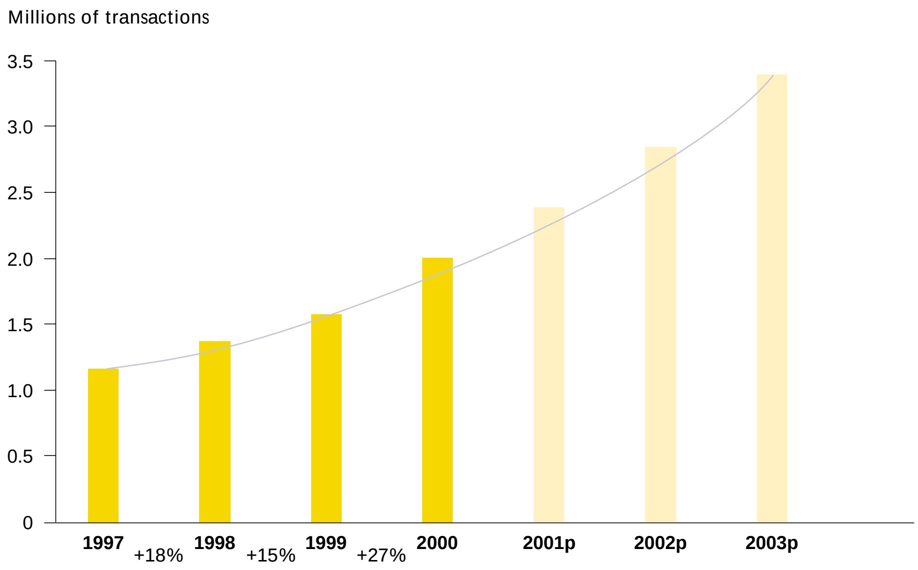
Since the merger of the respective Creditanstalt and Bank Austria functions at the end of 1998, the Group Securities Services Division has been responsible for securities services throughout the Bank Austria Group, including safe custody, settlement and administation of securities accounts. Following the systems integration in 1999, activities in 2000 centred on a restructuring in the direction of a settlement/transaction bank with a strong internal customer orientation. Products and processes continued to be standardised, with a focus on establishing a concise list of services with transparent prices. The bank succeeded in significantly improving quality and productivity by increasing automation accompanied by a training initiative.

Further progress made towards settlement/transaction bank

In 2000, the transaction volume again climbed sharply. As a trend over a period of several years, volume has increased by 20% per year (see chart). In addition, the growing variety of capital market instruments, longer trading hours and the simultaneous acceleration of processes (from order routing to settlement periods) placed significant demands on the bank. Based on the number of settlements, transaction volume increased in 2000 by 29% to 2.9 million, which includes an above average increase in derivative products (up 59%). The increase in staffing levels remained significantly below the magnitude of this growth, and thus productivity – despite numerous projects – again grew by over 15%.

Productivity increases as transaction volume continues to grow

Exponential growth in securities transactions



Bank Austria Group;
total settlements: buy/sell domestic and foreign, derivatives, settled identification numbers, delivery/payment business and transfers between securities accounts

Market leader in safe-custody business, fund administration and services

The safe custody department administers not only the Group's own funds, but also provides services to subsidiaries in CEE countries and external investment management companies. The number of funds has increased by one-third to 467, or significantly higher than € volume, which reflects both the diversification of funds by themes and the sluggish year on the stock markets. However, there was a slight decline (down 2% to 313,000) in the number of safe custody accounts for securities (from direct investments and own business), caused by the phasing out of anonymous safe custody accounts. The volume of securities held in safe custody accounts, on the other hand, increased by 5%. 60% of this volume is accounted for by Bank Austria, and 40% by Creditanstalt. In 2000, the securities services department settled some 5% more capital-related transactions; the decline on the domestic market was more than compensated for by the strong increase in the number of safe custody accounts managed abroad. With regard to issuer services, where the Bank Austria Group is the market leader in Austria, an acquisition drive began in 2000, which included, for example, the flexible computerised settlement of employee share ownership schemes.

As market maturity and depth increase, business with and via subsidiaries in CEE countries and in conjunction with CA IB shows promising potential. "Custody", a leading service unit in this region which has been recognised for its excellence on many occasions, was assigned to the Financial Markets business segment in 2000 for marketing reasons and in view of the clear separation of functions (further details on page 83).

Additional productivity gains through organisational measures. Exploration of potential synergies with FMS Bank

Over the next few years, the volume settled by Bank Austria will increase substantially, on account of underlying market developments, the advances made in e-brokerage and also in light of the upturn in CEE countries. In line with the "Bank of the Regions" strategy of placing decentralised customer business on a common technological platform, work is progressing towards the gradual integration of transaction banking, for which a single IT platform is a prerequisite. In an age of electronic networking, this issue is largely independent of locations. In initial discussions held with HypoVereinsbank at year-end 2000, comparisons were made between volumes settled, processing time as well as processes and structures. In 2001, detailed analyses and concrete discussions commenced with HVB's Financial Markets Service Bank with regard to potential productivity gains and synergies. This specialised bank, which was created through a merger in April 2000, settled some 16 million transactions in the year under review. As insourcer, FMS also provides services to nine customers outside the Group.

Org/IT, Support and Facility Management

At Bank Austria, organisation and IT functions are ensured by a number of companies. The systems house of the Bank Austria Group, WAVE Solutions Information Technology GmbH, succeeded the firm Dataservice Informatik GmbH (DSI) at the end of 2000 and today also comprises CAMSCO, Creditanstalt's former regional IT company which is the specialist for the CEE countries. WAVE Solutions is responsible for planning the entire system architecture, its further development and maintenance, and all future-oriented projects ranging from data processing to points of contact with the customer.

The organisational structure of information technology services: WAVE Solutions, the systems house of Bank Austria …

In February 2001, the bringing together of all Org/IT operations was initiated at HVB Group level to prepare for the implementation of the large variety of Org/IT tasks in connection with the establishment of a banking network in the CEE countries and the creation of a supraregional compatible IT structure. All IT activities will be brought together within "HVB Systems AG", a company which will be newly founded. HVB Systems will operate as a kind of holding company and (besides data processing centres, service providers and start-ups) manage five business segments: WAVE/System€, Group Control/SAP, Investment Banking, Lead Competence Real Estate and E-Business Solutions. The business segments are in each case responsible for the systems assigned to them, both in regard to HVB and Bank Austria. The reorganisation process is to be concluded by 1 July 2001.

… IT competence centre for the Bank of the Regions …

Regular banking operations, e-business and ongoing development projects will be overseen and managed by Data Austria GmbH and Informations-Technologie Austria GmbH (IT-Austria). As a cross-sector joint venture with other banks and savings banks, iT-Austria is responsible for the bank's mainframe computer centre. Following Y2K, the "heureka!" project was an important landmark in the year 2000. The project involved the migration of Creditanstalt and Bank Austria to a uniform data processing system whilst also providing the necessary resources.

… and service subsidiaries for day-to-day banking operations, from accounting entries to the call centre

Data Austria is the services unit of the Bank Austria Group for new sales channels. It advises the Bank Austria Group and customers on electronic banking-related issues and electronic cash management. The company provides ongoing support for the bank's e-business services as well as developers for solutions tailored to meet individual needs in this field. In 2000 a team of 63 persons acting on behalf of Bank Austria provided advisory services on about 9,000 occasions to Bank Austria customers. The electronic banking hotline handled 132,000 telephone calls. Data Austria is also responsible for all of the Group's call centres, which cover both in-house and customer services ranging from telephone banking to direct marketing. For this purpose the call centre activities of the former Bank Austria-

Teleservice GmbH were integrated within Data Austria, one of the most modern call centres in Austria. During the year 590,000 calls were handled by the fully automated system, while customer advisers took care of 677,000 calls.

KSB – the service company of the Bank Austria Group

Facility management

A number of different service units are concentrated in Konzernservice-Betriebe GmbH. The company's responsibilities previously covered only human resources and legal advisory services, but were expanded in the year under review to include facility management services. These new responsibilities include all Group-relevant services, from security to telephone services, building maintenance and in-house services. KSB also operates the bank's own printing-office and staff canteens, and manages the Group's inventory and delivery services. In addition, KSB is responsible for all the Group's direct costs of materials.

Staffing levels were reduced by 10% by consolidating various service units in only one company, KSB, and by harmonising work procedures as a result of this consolidation process. Spending on office space for the Group, alone, was cut by some € 7.3 million in the year under review. In 2001 efforts will focus on expanding the competence in facility management to include the CEE countries, and to enlarge the range of products by taking advantage of synergies.

IT solutions: from "heureka!" to System€

Europe's largest data processing conversion project in the banking sector

2000 was a crucial key year for all service companies, and of course also for operative business departments and branches. With the crossing over into a new millennium, the year began with a data processing/IT related challenge. No problems were encountered either in the bank's day-to-day operations or by customers in connection with the Y2K issue as all systems were already in a state of readiness after thorough testing. Compared with the delicate nature of the "heureka!" project, this was only a minor exercise. The "Bang" project was realised on 17 July 2000 with the migration to a uniform IT platform of the Bank Austria Group. The project was very successful and testifies to the team spirit between Creditanstalt and Bank Austria, also at branch level. The project volume exceeded € 200 m (ATS 2.8 bn), 14,000 workstations were newly configured, and 450 systems and 20,000 individual modules were newly developed or converted. This major project also provided Bank Austria with valuable experience regarding the coordination of technical and professional project management and change management with a view to increasing the acceptance rate. The project involved 1,500 employees from throughout the bank, 119 regional change coaches, 146 trainers and 335 instructors. Employees throughout the Group were trained in 33,246 days of training.

Moving into a new dimension with System€

A new chapter was opened in 2000 immediately after this project was concluded: based on the organisational structure described above, all IT units are participating in the major project for the creation of System€, a supraregional IT platform for the Bank of the Regions (see text highlighted below). The specific requirements for Austria will be identified and defined by means of a “gap analysis” by April 2001. The former CAMSCO, now a part of WAVE, is charged with the preparations for the introduction of the CORE02 system as a data processing system for the CEE countries (without Poland).

Inherent in the “Bank of the Regions” concept is the idea of decentralised market penetration and customer service whilst taking advantage of the benefits afforded by a major international bank. The regional component therefore relies on a common IT platform. This technology platform of the HVB Group is being prepared under the name “System€”. “€” stands for euro and the capacity for Europe-wide implementation, supraregional transparency and compatibility. These are prerequisites for the efficient settlement of transactions, the development of products through the mutual exchange of expertise, and for the efficient employment of capital throughout the group. And many future investments (the familiar “e-terms”: e-commerce, e-banking ...) will not be made as an interim solution but, in view of the critical mass that has been reached, they will involve large amounts (economies of scale). Of the € 320 m saved through synergies from the integration of HVB/BA, the IT segment alone accounts for € 120 m. Merely the standardisation of the systems used by Bank Austria and Creditanstalt will result in savings of about € 75 m.

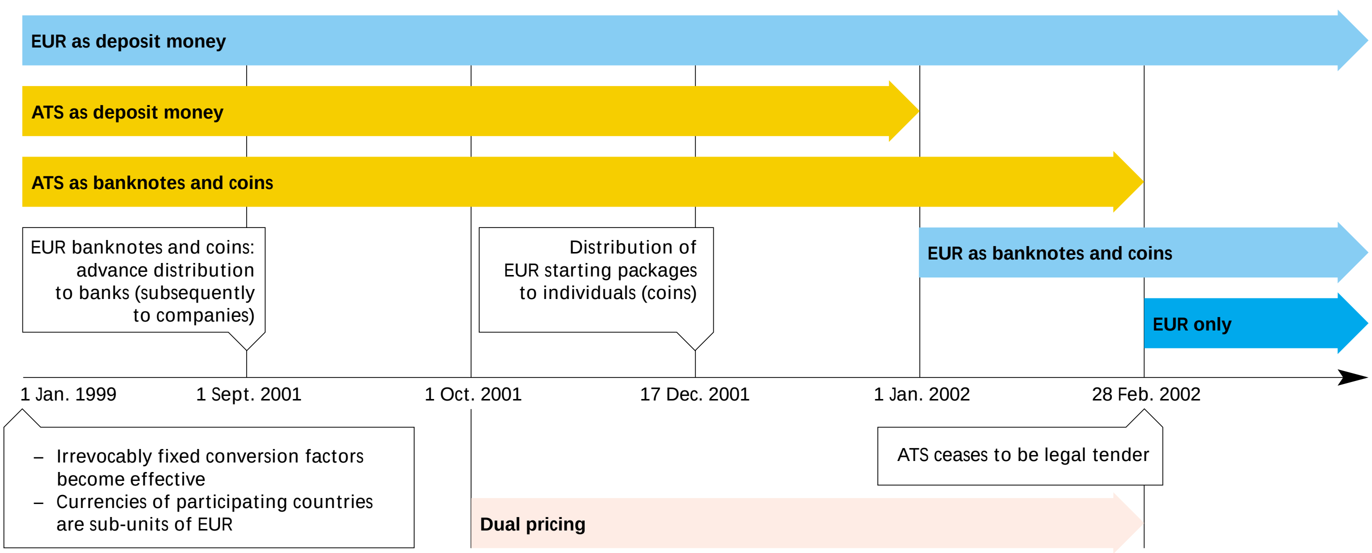
System€ is a multi-dimensional approach, a complex but consistent structure comprising numerous projects. Its purpose is to offer the regional sales units and customers a variety of access channels, and to harmonise the interfaces and channels used by the bank and by customers, ranging from, for example, the telephone, WAP mobile phone, Internet broker and self-service terminal to the conventional branch. In addition, System€ will provide support for the entire range of products offered by a modern, major international bank. All customer-related projects again come together at the integrated workplace. This represents the basis for personal customer service. The project-oriented introduction of System€ is a part of the agreed overall strategy for integrating Bank Austria with HVB. The experience gained through the “heureka!” project and the criteria that have been established on how to proceed provide a good foundation for this purpose. As a project which involves the entire bank, the architecture is based on the principle “one product – one process – one system”. It is planned to introduce System€ in Austria in 2003.

Euro/2: Cash logistics for Austria's economy

Only 18 months until the completion of monetary union

Following the application of its proven strategy which extends beyond individual divisions and sales units, the bank has appointed a special Group taskforce to manage phase 2 of the conversion to the euro. A WAVE team is supervising all measures for the Bank Austria Group which are necessary to ensure the problem-free introduction of the euro as legal tender on 1 January 2002. A study carried out in the first half of 2000 to take stock of the available resources involved all Group divisions and business segments. Aside from the technical aspects of payment transactions and the necessary conversions by customers, the biggest challenge is the €-cash logistics. This involves all measures to ensure the issue of €-cash in sufficient quantity and in good time to companies and consumers, as well as the withdrawal of schilling-denominated banknotes and coins. A total of 340 million euro-denominated banknotes and 1.5 billion euro-denominated coins have to be put into circulation in Austria. About 480 million schilling-denominated banknotes and an estimated 3 billion schilling-denominated coins have to be withdrawn. The phase leading up to the introduction of the euro will comprise a large-scale information campaign targeted at employees and customers. Its objective is to ensure that the changeover-weekend will run as smoothly as the Y2K transition process. Until then a number of technical and physical problems have to be overcome.

Time schedule for introduction of euro banknotes and coins



Ecology = Rational Management

Ecological factors are becoming increasingly important with regard to in-house operations and customer business (credit risk management/environmental rating, environmental investments, assistance products, consulting on preventative measures) in terms of production, costs and business objectives. Since the signing of the United Nations Environmental Program (UNEP) in 1993, Bank Austria has been actively committed to preventative environmental protection policies, and has subsequently become a member of Ö.G.U.T. (Austrian Society for Environment and Technology), B.A.U.M. (Austria-wide Working Group on Environmentally Conscious Management) and of EVA (Energy Utilisation Agency). Since 1999, the Bank Austria share has been one of the two Austrian shares contained in the Dow Jones Sustainability Index.

Ecology and economics are not mutually exclusive goals. As the costs of maintaining resources become visible – both globally and locally – they are no longer considered extraneous economic factors, but rather are becoming important parameters for rational management (internalisation of social costs). Bank Austria attaches particular importance to promoting environmental consciousness in Austria, setting the same standards for itself, and providing its customers in CEE countries with products and advisory services which enable them to successfully deal with environmental risks, and help them prepare for EU regulations.

In a broader context, the objectives of modern companies are no longer restricted to one-dimensional short-term thinking. The primary goal of management clearly remains the efficient allocation of capital and generation of the necessary profits, subject not only to the pressure of the international capital market, but also to the legitimate claims of subsequent generations. The sharp decline in TMT stocks in 2000 following an unprecedented bull market also made it clear that optimistic expectations for the future are best realised with well-balanced corporate growth, and that in the long term, such a strategy also creates a higher value added. Particularly on the threshold of the “knowledge society”, creativity arising from cultural and social diversity will be a key ingredient of economic success. “Sustainable development” requires, at a corporate level, synergies among economic, ecological and social production factors.

A start: key figures for the Bank Austria Group (pursuant to VfU)

Item	Unit	p.a.
Electricity	kWh/employee	5,649
Waste	kg/employee	242
Business travel	km/employee	1,250
Paper	kg/employee	41
	A4/employee	8,307
Water	litres/employee/day	103

Ecology management: what we are doing

Harmonisation of ecological concerns and cost management

All of the ecology-related concerns of the Bank Austria Group are handled by the business ecology management unit created in 1999. Ecology management oversees the use of working capital and the use of energy based on economic and ecological feedback control systems. In the year under review, a waste disposal strategy for twelve Group buildings was among the projects which were successfully implemented by the business ecology unit. By focusing on just a few waste management companies, the unit was able to optimise waste management and achieve cost savings of up to 10%.

In 2000, projects to reduce the cost of district heating at Creditanstalt's head office and the cost of electricity consumed were concluded very successfully, with cost savings of about € 0.4 m. At the Bank Austria facility on Lassallestrasse alone, it was possible to reduce costs by about 20%. The key figures for electricity, water, waste, paper etc. prepared by the business ecology unit pursuant to VfU standards (Association for Ecology Management of Financial Institutions) are compared with international companies (benchmarking) and thus represent an instrument which can be used to identify potential cost savings and areas where quality and performance can be improved. Promoting employee awareness via in-house media and organising events, such as "energy savings week", are among the unit's main tasks. The bank also sponsored ecological projects which included numerous forward-looking, environmentally-friendly projects designed by young people, students, companies and institutions. Five years ago the Federal Business Academy/Federal Business School in Vienna's 22nd district entered into an environmental partnership with Bank Austria, and in November 2000 became the first school in Europe to have a validated environmental statement pursuant to EMAS.

Environmental risks and opportunities

Ecological creditworthiness and risk factors

With regard to ecological issues, customers of the Bank Austria Group have a high level of expertise at their disposal. There are, after all, considerable risks (soil contamination, toxic emissions etc.) which must be considered in connection with collateral. Companies and investments are evaluated in light of industry-specific check lists and outside expertise for creditworthiness and risk management purposes. For mortgage loans and project financings in the commercial residential construction sector, potential hidden risks are evaluated and included in the decision-making process. The bank actively helps customers to comply with environmental requirements. Customer advisers at the bank have the necessary tools at their disposal in an updated form via the bank's Intranet.

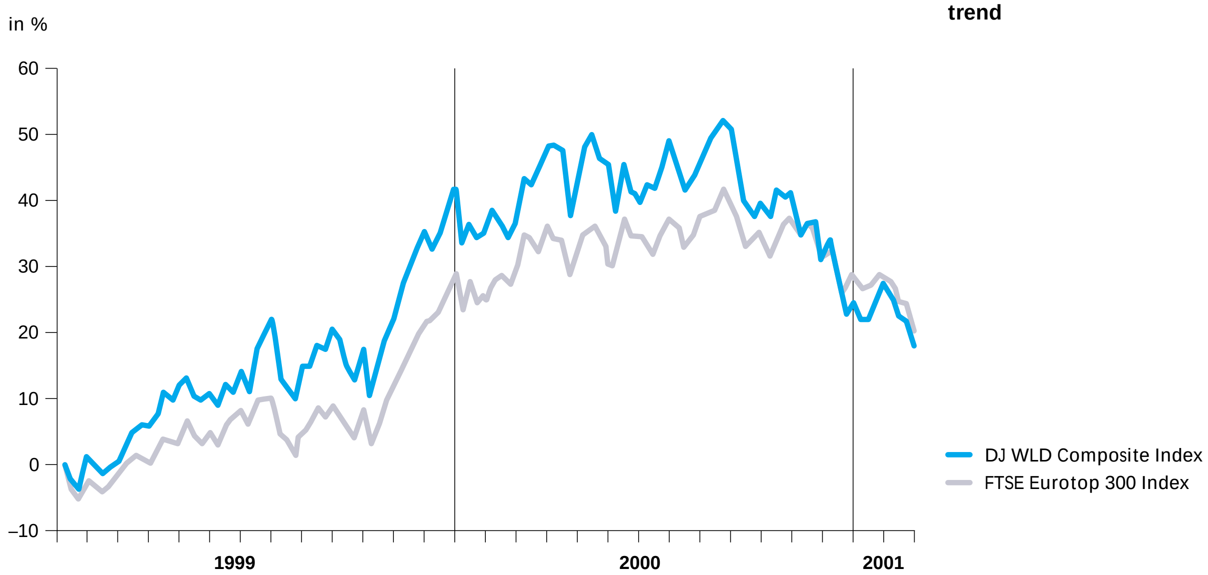
There are only two institutions in Austria that offer "environmental loans" pursuant to the EU "Growth and Environment" scheme, which are available to companies employing up to 100 persons. Bank Austria was also the first domestic bank to offer a global loan to refinance investments in building, plant and machinery, and which is geared to companies employing up to 500 persons.

The environment desk primarily assists small and medium-sized companies to recognise environmental risks, and provides them with information on the current legal framework. In addition, Ö.G.U.T. also prepares research and studies on the environmental situation and on environmental measures needed in CEE countries. Many CEE countries have already begun to harmonise their laws with EU environmental directives. In view of the complexity of EU law and the resulting need for substantial investment, Bank Austria has attractive opportunities to market credit and insurance products.

Structural instruments used by the EU:

ISPA (Instrument for Structural Policies for Pre-Accession)
PHARE (traffic infrastructure, energy and environmental projects)
SAPARD (Special Accession Programme for Agriculture and Rural Development)

DJ Sustainability Index



Stocks associated with sustainability keep up well with the general market trend

Corporate Communications

In 2000, activities focused on three areas: in Austria efforts were geared to positioning Bank Austria as the country's leading banking group in regard to innovation and dynamism.

Focus on innovative strength and dynamism, position in CEE countries, integration with HVB

A further objective of corporate communications was to actively communicate and take advantage of the Bank Austria Group's outstanding market position in Central and Eastern Europe on both a national and international level. Bank Austria has been informing the general public, through facts and figures, of the long-term benefits of a higher standard of living that are the result of the integration of Western and Eastern Europe. The bank does not view the dissemination of such information as something done purely for its own interest.

In view of the rapid pace of change, which requires procedures and the organisational structure to be adapted on an ongoing basis, internal communications have become an important instrument for the implementation of business strategies. Group communications, based on the Bank of the Regions concept, faces the challenge of harmonising the regional identity with the bank's actual status of a major European bank. A comprehensive correspondent network of communications officers is currently being established for the purpose of exchanging important information via a graduated media mix, from the staff journal to the Intranet. This will help employees to get to know one another and contribute toward a team spirit.

Finally, from August, the focus of our work and of public interest was the integration with HypoVereinsbank. Together with our colleagues at HypoVereinsbank, Bank Austria corporate communications has had the task of familiarising all other employees, customers, the media and investors with this "merger at shareholder level", and to eliminate any potential for biased opinions. The problem-free conclusion of the transaction, the overwhelming number of shareholders that voted in favour of integration, and the high level of acceptance by the public confirm that corporate communications activities were successful in achieving their objective and that the strategy convinces all concerned.

Besides these three areas, corporate communications activities also concentrated on providing sales support. We attached great importance to the consistent implementation of the two-brand strategy in Austria and on providing accompanying external and internal information in connection with the conversion of our data processing systems in the middle of the year. Each of the bank's project teams also includes communications experts.

Communication via the Internet – a platform without boundaries

In 2000 the presence of Bank Austria and Creditanstalt in the Internet was modernised and further improved. A significant feature in this regard is the Newsroom, which has been redesigned by the Corporate Communications unit. It offers information on the Group, contacts within the bank, and provides information on events and texts of press releases. Its services now include the possibility to access press releases in the Newsroom of Bank Austria's homepage whilst these releases are being issued via fax or e-mail. This particular service has met with an enthusiastic response. In addition, interested users were also able, via the Internet, to obtain the latest information on the integration with HVB.

Open information policy, with details available on a real-time basis

Domestic campaign for strengthening products and brands

In the year 2000, Bank Austria launched two campaigns which focused on important issues: in the spring the theme was "Bauen und Wohnen", followed in the autumn by a large-scale campaign promoting the concept of retirement planning, both by individuals and at companies, which is becoming increasingly relevant in today's world. The attempts to create a broad media mix through extensive use of the Internet were very successful.

Competence in addressing key issues

The communications strategy of Creditanstalt in 2000 emphasised continuity. The successful brand-name campaign "Gedanken zum Erfolg" of 1999 was put on a broader footing in 2000 with the established slogan "CA, die Bank zum Erfolg". Besides the sportsmen and sportswomen from the fields of tennis and golf who were included in Creditanstalt's sponsoring plan, this campaign drew on well-known figures from business and culture to address the public. Altogether, almost 20 topics with successful Austrians from different walks of life helped to associate the Creditanstalt brand name with the concept of success.

Prominent persons propagate "CA, die Bank zum Erfolg"

In its strategy for presentations and seminars, Bank Austria is essentially pursuing two goals: to market its position as the leading bank in Central and Eastern Europe, and to take a leading role in important issues with future potential such as innovation, e-business and risk capital financing, from the stock exchange to private equity.

Presentations and seminars: business meets politics, Bank Austria Europe Forum

The Bank Austria Europe Forum combined these two objectives in a series of presentations. Prominent guests and speakers included Austria's Federal President Thomas Klestil, the Croatian Minister for Integration Ivan Jacovcic, the Slovak Republic's Deputy Prime Minister Ivan Miklos, Slovenia's Deputy Prime Minister Marjan Senjur, and Germany's former Minister for Foreign Affairs Klaus Kinkel.

Sponsoring activities – from the Kunstforum to the CA-Trophy

Sponsoring of art: exhibitions which attracted a record number of visitors

The Bank Austria Group, as one of the country’s most important economic factors, is also aware of its responsibilities to society. This awareness is reflected in its many sponsoring activities. Traditionally, the emphasis is on culture, especially on the fine arts. The Bank Austria Kunstforum thus last year again organised a number of exhibitions which received international recognition and set a new record for the number of visitors to this art gallery which is well-known beyond Austria’s borders: 300,000 visitors viewed the widely-acclaimed exhibition “Cézanne, Vollendet – Unvollendet”, 225,000 guests came to see the Picasso exhibition and 30,000 persons bought tickets for the anniversary retrospective of Arnulf Rainer. Bank Austria is setting new standards not only in regard to its art-related strategy, but also in regard to the manner in which exhibitions are presented. The Cézanne exhibition was the first time when a presentation was open to the public around the clock for 72 hours.

Stronger focus on assistance to talented young people in Austria and Central and Eastern European countries

Bank Austria continued to promote contemporary Austrian art in 2000. For many years, Bank Austria has been purchasing pictures and offering artists the possibility to make interesting works accessible to the general public through exhibitions. By sponsoring numerous prizes, the bank has also drawn attention to unconventional approaches or styles. The focus on sponsoring activities in the field of music was continued last year, and included projects which concentrated on the core region of Central and Eastern Europe. One such example is the International Trenta Music Forum, a project conducted jointly with the Vienna Philharmonic Orchestra to help talented young musicians from this region. Another is the “KunstRaumMitteleuropa” project, involving a series of exhibitions, which was founded together with Siemens.

Aside from sponsoring art and cultural activities, Bank Austria is also active as sponsor for sport and social concerns. The bank participates, as need arises, in numerous smaller but important aid projects such as “Die Möwe”. There are also fund-raising schemes like “Licht ins Dunkel”, which Bank Austria has been quietly supporting for many years.

Sponsoring of sporting events with a broad public appeal

In the area of sport, Bank Austria is particularly committed to sponsoring team sports with a broad public appeal. Examples are Austria’s record football champions, Rapid Wien, and the Bank Austria Tour, Austria’s most important cycle race. The CA-Tennis-Trophy, a tennis tournament which each year attracts many of the world’s top 10 players to Vienna, is sponsored by Creditanstalt, as is Austria Wien, Vienna’s other traditional football club.

Human Resources – Our Most Important Asset

"A willingness to change and continuity, while at the same time moving into new dimensions" is not a meaningless phrase; it describes the concrete field of tension within which the employees of Bank Austria are working, now more than ever. This is also reflected in the bank's personnel-related activities in 2000.

Change management: new processes, new organisational structure, greater specialisation in sales, production and logistics

"A willingness to change" is to be seen in the context of the requirements imposed by the banking environment in regard to organisation and personnel. New technology is the pacemaker which is subjecting banking procedures to a process of fundamental change – a fact that is described in many sections of this report. The contours of the elementary functions such as customer services and the role as a production and transaction bank are consequently easier to discern. Therefore the extent to which Bank Austria reorganised its organisational structure, in-house processes and information technology in 2000 and in the current year to date was unprecedented. This was most apparent in Austria with the transition to a uniform IT platform in the middle of the year ("heureka!" project), which paved the way for the subsequent new approach in the bank's retail and corporate customer business.

Continuity: the customer as the point of reference

"Continuity" refers to day-to-day business, the close ties that are maintained with customers, and the identity of the domestic brand names. The customer adviser serves as the central point of contact for the increasingly large number of services which are prepared by specialists. The bank actively approaches the customer as a full service provider. The new definition of the role of branch officers was accompanied by numerous training measures in Austria.

New dimensions for personnel management: corporate responsibility for Austria and CEE in the HVB Group

"Moving into new dimensions" refers to the integration in the HVB Group and to the accelerated preparations which are under way in the CEE countries. The acquisition of a majority shareholding in PBK and its merger with Bank Austria in Poland, and especially the integration of the local Bank Austria and HVB subsidiaries that is to take place shortly, have posed new challenges for the Personnel Division, both in qualitative and quantitative terms. At the end of 2000 almost 50% of all employees were assigned to positions outside Austria. As progress is made in eliminating overlap and in integrating the Bank Austria and HVB units, the ratio in the regions for which Bank Austria is responsible (Austria and CEE) will approach 1:1. On the other hand, the integration in the HVB Group not only requires the creation of compatible business segment structures and, for example, to jointly take personnel-related decisions in connection with the integration of business units in the international financial markets. It also calls for a high degree of coordination within the matrix comprising divisional and regional units.

Organic interaction in a matrix organisation

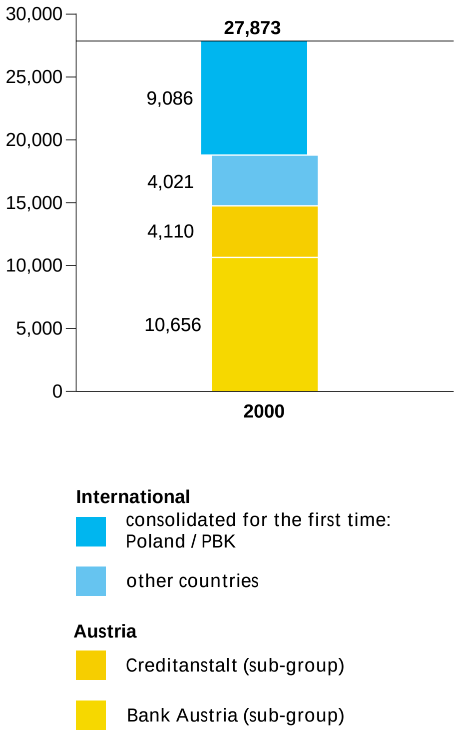
Partially decentralised structure and common standards

For the purpose of fulfilling these complex tasks, personnel management follows a graduated decentralised approach which is based on supraregional strategic principles. These guidelines have been established jointly by HVB and Bank Austria and, aside from setting forth principles, also comprise uniform standards which have to be implemented in the banks of the regions. The standards for example include human resources development tools such as the employee performance evaluation scheme, career role models and training standards, and leadership qualities.

Personnel management in the Bank Austria regions

It is self-evident that the strong drive to develop banking business in the CEE countries, which is led by Bank Austria, also requires supraregional personnel-related work. In the integration process to date, Bank Austria and HVB have jointly taken important decisions regarding the appointment of employees at the first and second management levels to maintain the dynamic pace of the integration process, and to establish operative structures as quickly as possible. For this purpose they availed themselves of the temporary project structure at the end of 2000 and at the beginning of 2001 in order to select the local and supraregional managers in a cascade system of interviews attended by persons from both banks, with selection being based purely on merit.

Staff numbers*



*) consolidated companies; commercial employees based on location; including apprentices and employees on maternity leave

The target structure calls for a CEE personnel department for the subsidiary banks in Central and Eastern Europe, which will be part of Bank Austria's Personnel Division. The department will be responsible for personnel management and personnel development. It will focus on continuing to establish quality criteria, with priority being given to the concept of equal opportunity for all and to creating a team spirit. We are therefore making a distinction in respect to each unit's respective starting position – one needs to take into account the enormous differences in size in the regions – and we want to take advantage of cultural differences pursuant to the fundamental idea of the Bank of the Regions. In addition, the size resulting from the combination of the two banks and the multicultural approach require that most of the operative personnel-related work (including administration) be done by the local management.

As the training of employees is arguably the most significant personnel management instrument, it is also important to ensure that there is an appropriate balance between centralised/decentralised training activities. The New Economy is changing the structure of the financial services sector as it increasingly permeates all areas of this sector, a fact which has already been mentioned on several occasions in this report. The volume of information generated by mankind is currently doubling every four years. Knowledge is becoming a competitive factor in a time of information overload. The quantitative aspect, in particular, requires the learning process to be decentralised. This needs to be accompanied by continued central support to ensure that quality standards are maintained. The bank's employee training programme is based on improving the employees' work-related skills. It thus on the one hand encourages employees to act on their own initiative and to take responsibility, and on the other hand seeks to increase the level of knowledge within the organisation. We are developing an overall management system for the learning process and for this purpose use the Intranet as a learning platform.

Learning on the threshold of the knowledge society: centralised quality standards and decentralised information processing at employees' own initiative

Personnel-related tasks in 2000 and early 2001

In the year under review we restructured various segments within the Bank Austria Group and spun off a number of units whilst founding new companies. These developments were most noticeable in the areas of IT and organisation, where we are moving towards a virtual service company; in the areas of in-house services, building maintenance and organisation; and amongst the private banking units. Bank Austria Creditanstalt International (BA/CA-I), the former holding company for international equity interests, was integrated in Bank Austria. The marketing, product development and controlling components of the two-brand strategy that is pursued in Austria will be strategically managed from 2001.

Personnel Department accompanies the reorganisation process

The bank introduced the "Job-Börse" to provide efficient support for these processes and to increase the flexibility of the in-house labour market. This magazine-like instrument, which appears several times a year, publicises attractive positions within the Bank Austria Group (soon also via the Intranet). Beginning in 2001, Bank Austria will also publish information on career opportunities in the company, especially at the subsidiary banks in the CEE countries, via its homepage. This information will be available to employees and persons outside the bank.

"Job-Börse" highlights individual career opportunities

In line with its long-term goal the Group further reduced the staffing levels of the three joint-stock companies (by 374 to 13,442 employees), notwithstanding the integration of Sparkasse Stockerau in Bank Austria AG. Since 1991 staffing levels have fallen by 22% as a result of normal staff turnover and organisational measures. There was also an overall decline in the number of employees working in the companies which are included in the consolidation, if the first-time consolidation of PBK is not taken into account. The Bank Austria Group employed 27,873 persons at the end of 2000. The net impact of employees integrated in HVB units and of expected additional HVB staff in CEE subsidiaries will cause staffing levels at the Bank Austria Group to increase to about 35,000 persons after the appropriate reorganisation measures have been implemented. About 60% of these employees will be working in the regions outside Austria.

Personnel statistics

Initiative to improve quality through in-house training

"Heureka!" training and change management

The first six months of 2000 were characterised by the Personnel Division's largest ever training project. In a period of some 100 days and with the help of 180 trainers, we trained 5,200 employees at 16 training centres throughout Austria how to operate the uniform data processing system comprising 35 different programmes. Besides participating in the training programmes organised by the head office, employees had the opportunity to practise at their workplace the systems and transactions about which they had learnt at the seminars. These training units were backed up by training partnerships which offered Bank Austria employees the opportunity to familiarise themselves with the systems' key functions at the offices of Creditanstalt on a real-time basis. The "2000 training year" comprised 50,400 training days and 5,000 seminars.

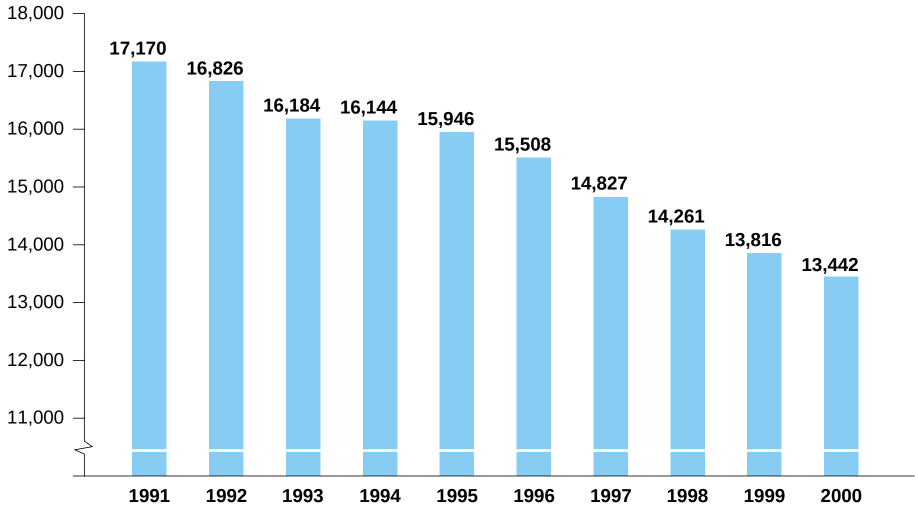
New definitions for branch-based sales activities

Bank Austria's attraction as an employer lies partly in the acknowledged training opportunities which it offers all employees from the Bank Austria Group aside from specific project work. In 2000 the role of branch office employees was redefined according to the new sales strategy. The key issues are automation, faster customer service coupled with requirements for an increase in the number of transactions processed, more flexible hours which permit a greater focus on individual customers, and a reduction of administrative tasks. In a specially developed programme employees are trained in how to actively approach customers in the reception areas, how to discard the "one man, one desk" concept, and how to always be there to serve the customer.

Staffing levels 1991-2000

(Bank Austria AG + Creditanstalt AG + BA CA International AG)

Headcount, as at 31 December



Training in CEE units – a key to success

The training department began training executive personnel in Slovenia, Croatia, the Czech Republic, Russia and Ukraine in banking and human relations skills from the summer of 2000. The courses were in each case held in the language of the respective country. A programme developed for the subsidiary banks in CEE is being implemented on a decentralised basis in accordance with group-wide quality standards. Of particular significance in this regard are the training units that focus on loans and on sales. There are plans for a development programme beginning in 2001, which is aimed at training employees with leadership potential from subsidiary banks in CEE countries. The programme is implemented in cooperation with the Wirtschaftsuniversität Wien, and its duration and content are similar to a postgraduate MBA course. At a research level, Bank Austria has created a virtual Internet professorship at the Center of Economic Research and Graduate Education (CERGE) in Prague. CERGE is one of the most renowned institutes specialised in training future top managers and executives for industry and public service.

Training initiative for employees and executives

Recruitment and personnel marketing

The training of promising junior staff to qualified executive positions is – in line with productivity goals – the focus of a future-oriented personnel strategy. Bank Austria's personnel marketing activities at universities underline its image as an employer in Eastern Europe, the market with future potential. An example is the Eastern Europe master class and Joszef programme. With the slogan "Young Executives for Eastern Europe", and in cooperation with the Wirtschaftsuniversität Wien, we want to attract high-calibre university graduates in business management who see the CEE countries as a personal professional challenge and also have a command of the required languages. In order to establish cross-border contacts with graduates at an early stage, Bank Austria is offering internships at subsidiary banks in CEE countries, but is also making internships in Austria available to students from Central and Eastern Europe. Another project implemented jointly with the Wirtschaftsuniversität Wien is termed "Center of Excellence". This is a programme which selects the best students who have completed their first course of studies. These students will in four semesters entrust their further development to well-known companies as potential employers. In addition, Bank Austria proposes specific topics for dissertations or theses for students at Austrian universities.

Bank Austria draws attention to Europe's markets with future potential

Management development

In order to increase flexibility and mobility within the company our activities also focused on management development from 2000. Specific training programmes were redesigned with the help of external partners (business schools, universities, business consultancy firms), or they were selected from the international training market. At the

Early identification and promotion of "high potentials"

heart of the training programme are the seminar on general management and the "Banking and Finance" college which were developed in cooperation with the Donau Universität Krems to meet Bank Austria's specific needs. With two tiers, namely expertise and leadership skills, the programme focuses on three target groups: top management, executives with management potential and promising junior employees/high potentials. In the first phase beginning in 2001 between seventy-five and eighty employees from different divisions will participate in this programme at the management trainee and executive levels. The top management will be offered courses at international business schools such as INSEAD Fontainebleau and the London Business School. There will always be a particular focus on the CEE countries. The "high potentials" amongst promising junior staff will be offered the opportunity to participate in a banking seminar, in a Bank Austria Banking Cyber School via the Internet, and in the "Succeed" talent promotion programme. These programmes were organised for Bank Austria by Finance Trainer International. For select executive staff with management potential we have planned a "Banking and Finance" college modelled on the lines of a demanding professional banking cyber school, and a general management seminar.

Values and social competence

The values we believe in will also guide us in our more extensive personnel-related work. These include transparency, tolerance, openness for ideas and a friendly manner, as well as a consistent focus on success, and performance-based promotion. Bank Austria was already considered to be an enterprise with social competence in the early 1990s. Equal opportunities for all are to be achieved through a greater sense of awareness and fair access to facilities and training rather than through a rigid system of quotas. Equality managers at Bank Austria and Creditanstalt support this process of enhancing awareness. They are committed to creating the appropriate conditions in the day-to-day office environment (introduction of the "gender approach" in all seminars that promote human relations skills, mentoring, part-time working opportunities, flexible working hours, informative events for persons on maternity leave, support for those returning to the bank, and the company kindergarten that is available to employees).

But "equal opportunities for all" also means making creative use of differences as factors for success. As the Bank Austria Group will in future also be more active outside Austria, it is important to recognise the diversity of norms, mentalities and cultures, and to take advantage of synergies offered through this diversity. Potential is also to be found in the interaction between youthful vigour and the wealth of experience of the older generation. Only a company which is open to all cultures and which takes account of all stakeholders can be financially successful in the longer term.

Group Reporting in accordance with IAS
Contents

Note

In this report, "Bank Austria" refers to the Bank Austria Group. To the extent that information relates to the separate financial statements of the parent company, "Bank Austria AG" is used.

In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals arrived at by adding up component figures which have not been rounded.

Consolidated Financial Statements of Bank Austria for 2000

Consolidated income statement for the year ended 31 December 2000

	(Notes)	2000 € m	1999 € m	Change € m	Change in %
Interest and similar income		8,670	6,136	2,534	41.3
Interest and similar expenses		6,430	4,102	2,328	56.8
Net interest income	(2)	2,240	2,034	206	10.1
Losses on loans and advances	(3)	666	400	266	66.5
Fee and commission income		1,118	984	134	13.6
Fee and commission expenses		257	208	49	23.6
Net fee and commission income	(4)	862	777	85	11.0
Net trading result	(5)	137	187	– 50	– 26.9
General administrative expenses	(6)	2,159	2,149	10	0.5
Result of other operating activities	(7)	248	138	110	80.5
Extraordinary result		–	–	–	–
Net income before taxes		**662**	**587**	**75**	**12.8**
Taxes on income	(8)	– 47	– 40	– 7	19.2
Net income after taxes		**615**	**547**	**68**	**12.4**
Minority interests		23	35	– 12	– 35.0
CONSOLIDATED NET INCOME		**592**	**512**	**80**	**15.6**

Earnings per share in €

	(9)	2000	1999
Basic earnings per share		5.17	4.45
Diluted earnings per share		5.17	4.45

Appropriation of profit

At the Annual General Meeting, a resolution will be proposed to pay a dividend of € 1.02 per share out of Bank Austria AG’s net income.

Consolidated balance sheet at 31 December 2000

Assets

	(Notes)	31 Dec. 2000 € m	31 Dec. 1999 € m	Change € m	Change in %
Cash and balances with central banks		1,623	848	776	91.5
Loans and advances to, and placements with, banks	(10)	39,417	29,397	10,020	34.1
Loans and advances to customers	(10)	82,320	74,648	7,672	10.3
– total loan loss provisions	(11)	–2,856	–2,348	– 508	21.6
Trading assets	(12)	14,256	9,982	4,274	42.8
Other current financial assets	(13)	3,751	3,301	450	13.6
Financial fixed assets	(14)	22,431	19,932	2,499	12.5
Intangible assets	(15)	642	710	– 68	– 9.6
Property and equipment	(15)	1,248	1,088	160	14.7
Other assets	(16)	2,188	2,442	– 255	–10.4
TOTAL ASSETS	(29)	**165,019**	**139,999**	**25,020**	**17.9**

Liabilities and shareholders' equity

	(Notes)	31 Dec. 2000 € m	31 Dec. 1999 € m	Change € m	Change in %
Amounts owed to banks	(17)	59,105	53,433	5,672	10.6
Amounts owed to customers	(17)	53,047	41,885	11,162	26.6
Liabilities evidenced by certificates	(18)	31,283	25,926	5,356	20.7
Provisions	(19)	2,972	2,862	111	3.9
Other liabilities	(20)	8,299	7,588	710	9.4
Subordinated capital	(21)	5,030	3,478	1,552	44.6
Minority interests		669	385	284	73.8
Shareholders' equity		4,615	4,441	174	3.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(29)	**165,019**	**139,999**	**25,020**	**17.9**

Statement of changes in consolidated shareholders' equity

€ m	Subscribed capital **	Capital reserves **	Retained earnings	Total
As at 1 January 1999	**847**	**1,989**	**1,346**	**4,182**
Consolidated net income			512	512
Dividend payment			–117	–117
Currency translation *			–139	–139
Other changes			3	3
As at 31 December 1999	**847**	**1,989**	**1,605**	**4,441**

€ m	Subscribed capital **	Capital reserves **	Retained earnings	Total
As at 1 January 2000	**847**	**1,989**	**1,605**	**4,441**
Consolidated net income			592	592
Dividend payment			–114	–114
Currency translation *			–101	–101
Conversion and redemption of participation certificates	–8	–9	–23	–40
Share buyback	–10	10	–74	–74
Spin-off into Bank Austria Holding AG		182	–199	–17
Other changes			–72	–72
As at 31 December 2000	**829**	**2,172**	**1,614**	**4,615**

*) including rate hedging costs associated with net investment in foreign entities
**) subscribed capital and capital reserves as shown in the separate financial statements of Bank Austria AG

Consolidated cash flow statement of Bank Austria

€ m	2000	1999
NET INCOME	**615**	**547**
Non-cash items included in net income, and adjustments to reconcile net income to cash flows from operating activities		
Depreciation, amortisation, write-downs and write-ups	1,072	671
Increase in staff-related provisions and other provisions	185	299
Decrease in other non-cash items	– 114	– 204
Gains/losses on disposals of intangible assets, property and equipment, and financial fixed assets	– 387	– 132
SUB-TOTAL	**1,371**	**1,182**
Increase/decrease in operating assets and liabilities after adjustment for non-cash components		
Trading assets	– 4,162	– 577
Loans and advances to banks and customers	– 13,543	– 8,812
Other assets	82	– 903
Amounts owed to banks and customers	10,629	10,762
Liabilities evidenced by certificates	6,111	4,496
Other liabilities	370	– 645
CASH FLOWS FROM OPERATING ACTIVITIES	**858**	**5,503**
Proceeds from disposal of		
financial fixed assets	6,328	2,534
property and equipment	195	60
Payments for purchases of		
financial fixed assets	– 7,670	– 7,322
property and equipment	– 320	– 410
Effects of changes in the group of consolidated companies	274	–
Other changes	– 124	– 206
CASH FLOWS FROM INVESTING ACTIVITIES	**– 1,317**	**– 5,343**
Proceeds from conversion of participation certificates	4	–
Share buyback, redemption of participation certificates, dividends paid	– 232	– 117
Subordinated liabilities and other financing activities	1,464	– 82
CASH FLOWS FROM FINANCING ACTIVITIES	**1,236**	**– 199**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**848**	**895**
Cash flows from operating activities	858	5,503
Cash flows from investing activities	– 1,317	– 5,343
Cash flows from financing activities	1,236	– 199
Effects of exchange rate changes	– 2	– 8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,623**	**848**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes paid	41	1
Interest received	7,591	5,740
Interest paid	– 5,829	– 4,115
Dividends received	240	151

Notes to the Consolidated Financial Statements of Bank Austria

(1) Summary of principal accounting and valuation principles

The 2000 consolidated financial statements of Bank Austria have been prepared in accordance with International Accounting Standards (IAS). The superordinate credit institution pursuant to Section 30 of the Austrian Banking Act is the former Sparkasse Stockerau AG, Stockerau, whose name has in the meantime been changed to Bank Austria AG, Vienna. As part of the structural changes in the Group which took place at the end of 2000 and resulted from the integration with Bayerische Hypo- und Vereinsbank AG, Munich, (hereinafter referred to as HypoVereinsbank or HVB), Sparkasse Stockerau took over substantially all of the previous operations of the Bank Austria Group.

Unless indicated otherwise, all financial data are in millions of euros (€).

IASs applied

All IASs published by the IASC as International Accounting Standards 2000, except the standards IAS 39 and IAS 40, both of which are effective from 1 January 2001, have been applied in preparing these consolidated financial statements. The comparative figures for the previous year are also based on these standards.

Interpretations SIC 1 to SIC 16 issued by the Standing Interpretations Committee (SIC) have also been taken into account.

The consolidated financial statements of Bank Austria presented in accordance with IAS in this annual report are based on the separate financial statements of all consolidated companies, which have been prepared in accordance with IAS on a uniform Group-wide basis. The local financial statements of associated companies accounted for under the equity method have been used unchanged, which has no material effects on the consolidated financial statements.

On the basis of the new ownership structure and the resulting integration into the HVB Group, minority interests in non-financial companies are no longer valued at equity because no significant influence is deemed to exist on the basis of the view of German banks now applied across the Group. The materiality limit has also been adjusted to the HVB Group standard.

Material differences between IAS rules and Austrian generally accepted accounting principles in reporting specific items of the balance sheet and the income statement are explained in the notes to the relevant items or in the description of the principal differences between consolidated financial statements in accordance with IAS and consolidated financial statements under Austrian generally accepted accounting principles on page 173 and subsequent pages of this annual report.

Foreign currency translation

Balance sheet values denominated in foreign currencies are translated at the mean spot exchange rate, and forward foreign exchange transactions at the mean forward rate prevailing at the balance sheet date.

Financial statements of foreign operations in foreign currency are translated into euro at the spot exchange rate at the balance sheet date (closing rate method).

In the reporting year, rate hedging was performed for the net investment in and results of foreign Group members.

Rate hedging transactions are valued together with the underlying on-balance sheet transaction.

Consolidated companies and consolidation methods

All companies that are material and are directly or indirectly controlled by Bank Austria AG have been consolidated in the consolidated financial statements.

Equity interests in associated financial companies which are material, i.e. companies which are not indirectly or directly controlled by Bank Austria AG but in which it can exercise a significant influence, are accounted for under the equity method.

Interests in all other companies are valued at cost. In the case of a permanent impairment, a write-down is made which is reversed when the circumstances that led to such write-down cease to exist.

The method of inclusion in the consolidated financial statements can be derived from the list of significant equity interests given in note 31.

The shares in Lenzing AG were held with a view to disposal already at the time when Bank Austria AG acquired Creditanstalt AG. Therefore Lenzing AG has been excluded from consolidation. At the beginning of 2001, subject to approval by the competent cartel authorities, this subsidiary was sold.

The Group holds a majority interest in Informations-Technologie Austria Ges.m.b.H., Vienna. As a result of agreements with shareholders outside the Group, the company is not controlled by Bank Austria AG and is therefore not a Group member.

RINGTURM Kapitalanlagegesellschaft m.b.H., Vienna, in which a minority interest is held, is a controlled company on the basis of agreements and has thus been consolidated.

Compared with the group of companies consolidated in the 1999 consolidated financial statements of Bank Austria, there have been the following changes:

a) Consolidated companies

As part of the integration of Bank Austria AG and HVB, Creditanstalt AG, Vienna, was transferred to Sparkasse Stockerau Aktiengesellschaft, Stockerau. Bank Austria Creditanstalt International AG, Vienna, was merged with Bank Austria AG, Vienna, and the banking business of Bank Austria AG, Vienna, was spun off into Sparkasse Stockerau AG, and the name of the listed company Bank Austria AG, Vienna, was changed to Bank Austria Holding AG, Vienna. Sparkasse Stockerau AG, whose name was changed to Bank Austria AG, Vienna, comprises substantially all of the assets and liabilities of the former Bank Austria AG with the exception of the interest in Bank Austria Commercial Paper Inc., New York, which took over Bank Austria AG's international branch in Greenwich, USA, and continued to be held by BA Holding AG, Vienna – a company that existed until it merged with HVB in January 2001 – and has thus been excluded from consolidation in the consolidated financial statements of Bank Austria.

BA Industrieholding GmbH, Vienna, has been excluded from consolidation following its transfer, against the granting of profit-sharing rights, to a private foundation which is independent of Bank Austria.

Diners Club Austria AG, Vienna, has transferred its credit card business to "AirPlus" Air Travel Card Vertriebsgesellschaft, Vienna, and has been excluded from consolidation because it no longer meets the materiality criterion.

The following companies have been excluded from consolidation because they are not material to the consolidated financial statements:

– BANK AUSTRIA Securities, Inc., New York,
– Bank Austria Creditanstalt (Singapore) Ltd., Singapore,
– GANYMED Immobilienvermietungsgesellschaft m.b.H., Vienna, and
– HYPERION Immobilienvermietungsgesellschaft m.b.H., Vienna.

Control of Powszechny Bank Kredytowy S.A. (PBK), Warsaw, was assumed towards the end of 2000. Therefore the company has been consolidated, together with a material subsidiary, Gornoslaski Bank Gospodarczy SA, Katowice, for the first time in the consolidated financial statements as at 31 December 2000 presented in this annual report. The purchase price for the additional 10.29% interest amounted to € 81 m. As part of this acquisition, Bank Austria Creditanstalt Poland S.A., Warsaw, was merged into PBK.

The following table shows the balance sheet of the PBK Group as contained in the consolidated financial statements of Bank Austria:

€ m	Addition of PBK Group
Cash and balances with central banks	355
Loans and advances to, and placements with, banks	1,116
Loans and advances to customers	3,355
– total loan loss provisions	–231
Trading assets	81
Other current financial assets	526
Financial fixed assets	514
Intangible assets	58
Property and equipment	181
Other assets	188
TOTAL ASSETS	**6,143**

€ m	Addition of PBK Group
Amounts owed to banks	658
Amounts owed to customers	4,780
Liabilities evidenced by certificates	12
Provisions	15
Other liabilities	368
Subordinated capital	1
Minority interests	288
Shareholders' equity	21
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,143**

As part of the sale of ÖRAG Österreichische Realitäten AG, Vienna, real estate used for banking operations was transferred to CA Betriebsobjekte AG, Vienna. Therefore this company has been consolidated.

b) Companies valued at equity

EB und HYPO-BANK BURGENLAND Aktiengesellschaft, Eisenstadt; Semperit AG Holding, Vienna; Wienerberger Baustoffindustrie AG, Vienna; and Informations-Technologie Austria GmbH, Vienna, have been excluded from the group of companies accounted for under the equity method either because they were sold or no significant influence in them exists or because they are not material to the consolidated financial statements presented in this annual report. Like interests in all other companies, interests in these companies are reflected in the consolidated balance sheet at their book values; dividends received from these companies are recognised in the consolidated income statement.

Effect of changes in the group of consolidated companies

Assets

€ m	31 Dec. 1999	Companies which were no longer consolidated	Companies no longer accounted for under the equity method	31 Dec. 1999 restated figures
Cash and balances with central banks	848	– 1		847
Loans and advances to, and placements with, banks	29,397	42		29,438
Loans and advances to customers	74,648	– 70		74,578
– total loan loss provisions	– 2,348	4		–2,344
Trading assets	9,982			9,982
Other current financial assets	3,301			3,301
Financial fixed assets	19,932	108	98	20,138
Intangible assets	710	– 3	– 141	566
Property and equipment	1,088	– 133		956
Other assets	2,442	1		2,443
TOTAL ASSETS	**139,999**	**– 53**	**– 42**	**139,904**

Liabilities and shareholders' equity

€ m	31 Dec. 1999	Companies which were no longer consolidated	Companies no longer accounted for under the equity method	31 Dec. 1999 restated figures
Amounts owed to banks	53,433	1		53,434
Amounts owed to customers	41,885	905		42,790
Liabilities evidenced by certificates	25,926	– 939		24,987
Provisions	2,862	– 4		2,858
Other liabilities	7,588	– 8		7,580
Subordinated capital	3,478	– 3		3,475
Minority interests	385	– 2		383
Shareholders' equity	4,441	– 3	– 42	4,396
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**139,999**	**– 53**	**– 42**	**139,904**

In the annual report, the previous year's figures are not restated.

Effect of changes in the group of consolidated companies

€ m	1999	Companies which were no longer consolidated	Companies no longer accounted for under the equity method	1999 restated figures
Net interest income	2,034	2	–23	2,013
Losses on loans and advances	400	–1	–	399
Net fee and commission income	777	–14	–	763
Trading result	187	–	–	187
General administrative expenses	2,149	–6	–	2,143
Result of other operating activities	138	4	–	142
Extraordinary result	–	–	–	–
Net income before taxes	**587**	–1	**–23**	**563**
Taxes on income	–40	–	–	–40
Net income after taxes	547	–1	–	546
Minority interests	35	–	–	35
CONSOLIDATED NET INCOME	**512**	**–1**	**–23**	**488**

In the annual report, the previous year's figures are not restated.

Capital consolidation

For the purpose of capital consolidation, the Group's cost of acquisition of a subsidiary is offset against the share of equity acquired in the newly consolidated company. Differences arising are allocated to the subsidiary's assets up to their fair value. Any differences remaining after such allocation are recognised in the balance sheet as goodwill and amortised over their estimated economic lives on a straight-line basis over a period of 15 to 20 years. The charge for amortisation of goodwill is reflected in the result of other operating activities.

For all equity interests acquired after 1 January 1995, goodwill has been calculated using the method described above, recognised as an asset and amortised. Goodwill arising on acquisitions before that date has been offset against retained earnings in accordance with IAS 22.

The capital of foreign subsidiaries has been translated using the exchange rate at the date of acquisition. Gains and losses arising on the translation of shareholders' equity are offset against retained earnings. The effect is shown in the statement of changes in consolidated shareholders' equity.

Consolidation procedures

Intragroup receivables, liabilities, expenses and income are eliminated unless they are of minor significance. Intragroup profits are also eliminated.

Leasing

As a lessor, we recognise the present value of future payments under a finance lease as a receivable stated as loans and advances. In the case of operating leases, the relevant assets are included in property and equipment.

Loans and advances

Loans and advances are carried in the balance sheet at their gross amounts, i.e. before deduction of provisions, including accrued interest. Interest is accrued only to the extent that interest is expected to be received.

Total loan loss provisions

The item “total loan loss provisions” shows the total amount of provisions made for losses on loans and advances in the form of specific provisions (including flat-rate specific provisions). Provisions for off-balance sheet transactions are recognised as provisions on the liabilities side of the balance sheet. Loan loss provisions are made on the basis of estimates of future loan losses.

Trading assets

Trading assets are recognised at their fair values. To determine fair value, market prices and market-related valuations (Bloomberg, Reuters, Telerate, ...) are used. Where such prices or valuations are not available, internal prices based on present value calculations or option pricing models are applied.

Netting is performed only to the extent that there is an enforceable netting right and this reflects the actually expected future cash flows under the transaction.

Other current financial assets

The assets included in this item are neither held for trading nor intended for continuing use within the Group. They are carried at the lower of cost and market value. Any write-ups are only made up to the amount of (amortised) cost.

Financial fixed assets

Financial fixed assets are intended for continuing use within the Group. Such assets – with the exception of companies accounted for under the equity method – are carried at cost and write-downs are made for other than temporary impairments. When the circumstances that led to a write-down cease to exist, a write-up is made up to the amount of (amortised) cost.

Differences between cost and the amount repayable are recognised through write-ups or write-downs spread over the period to maturity.

Intangible assets, property and equipment

Property and equipment as well as intangible assets are carried at cost less depreciation and/or amortisation. Any impairments that are expected to persist lead to a special write-down. When the circumstances that led to such a write-down cease to exist, an appropriate write-up is made.

Assets are depreciated on a straight-line basis over their estimated useful lives. At Bank Austria, depreciation and amortisation is calculated on the basis of the following average useful lives of property and equipment and intangible assets:

- buildings used for banking operations: 25 – 40 years
- buildings not used for banking operations: 50 years
- office furniture and equipment: 4 – 15 years
- software: 4 – 6 years
- goodwill: 15 – 20 years.

Other assets

The principal components of this item are receivables not relating to the banking business (mainly accounts receivable from deliveries of goods and the performance of services), tax claims and deferred tax assets.

Deferred taxes

Taxes on income are recognised and calculated in accordance with IAS 12 under the balance sheet-oriented liability tax allocation method. At any taxable entity, the calculation is based on the tax rates that are expected to apply to the period in which the deferred tax asset or liability will reverse.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability recognised in the balance sheet and its respective tax base. This will probably increase or decrease the income tax charge in the future (temporary differences). Deferred tax assets are recognised for tax losses carried forward if it is probable that future taxable profits will be available at the same taxable entity. Deferred tax assets and liabilities are not discounted.

The tax expense included in the determination of net income is recognised in the item "taxes on income" in the consolidated income statement. In the notes, tax expense is broken down into current and deferred income tax expense. Taxes other than those on income are included in the item "result of other operating activities".

Liabilities

All liabilities are stated at the nominal amounts.

In the case of liabilities evidenced by certificates, any difference between the issue price and the amount repayable is treated as a write-up or write-down spread over the period to maturity.

The appropriation of profits proposed at the Annual General Meeting is not reflected in the bank's liabilities because the amount of the distribution will be determined by resolution passed at the Annual General Meeting.

Provisions

A provision is recognised only if there is a legal or constructive obligation towards a third party outside the Group and a reliable estimate can be made of the amount of the obligation.

Provisions for / obligations arising from post-employment benefits and termination benefits

Provisions for post-employment benefits and termination benefits are recognised in accordance with the rules contained in IAS 19.

If rights to benefits are secured by defined-contribution plans, in particular future pension benefits, no provisions are permitted to be made. Payments agreed to be made to a pension fund for defined-contribution plans are recognised as an expense in the current period. There are no obligations going beyond that.

Under a commitment to provide defined benefits, Bank Austria continues to recognise a pension provision for the rights of retired employees and – as a special feature of Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by active employees for whom Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG). Disability risk as determined remains covered by the provision, allowance being made for benefits from the pension funds.

The pension obligations arising from commitments made by Group companies and existing at the balance sheet date were determined – with due regard to existing internal service regulations within the companies – on the basis of the following actuarial assumptions:

- discount rate: 6%
- salary increases under collective bargaining agreements: 2% p.a.
- career trends: 0.25% – 0.5% p.a.
- AVÖ 1999-P statistical tables (for salaried staff)
- no changes compared with the previous year.

Other liabilities

This item includes in particular negative market values on derivative financial instruments held in the trading portfolio.

Minority interests

The revaluation method is used to determine the amount of minority interests. The calculation is based on the figures in the local financial statements prepared on an IAS basis.

Shareholders' equity

Shareholders' equity is composed of paid-in capital, i.e. capital made available to the company by shareholders (subscribed capital plus capital reserves), and earned capital (revenue reserves, reserves pursuant to Section 23 (6) of the Austrian Banking Act, reserves for own shares, revaluation reserve, net income; excluding distributions in previous periods).

Net interest income

Interest and similar income is accrued as long as a loan is expected to be recoverable. Income mainly received as payment for the use of capital (usually calculated, like interest, on the basis of a specific term or on the amount receivable) is included in income similar to interest. Income from equity interests and from property rented to third parties is also included in this item.

The same principles apply to the recognition of interest and similar expenses.

Losses on loans and advances

This item includes direct write-offs, provisions for losses on loans and advances, and income from the release of loan loss provisions as well as recoveries of loans and advances previously written off.

Net fee and commission income

Net fee and commission income comprises income from services provided by the Group against fees and commissions as well as expenses incurred for services provided by third parties and related to the Group's fee-earning business.

Net trading result

The net trading result shows the realised results from trading activities and the results from the valuation of trading positions using the mark-to-market method.

Result of other operating activities

The result of other operating activities includes the net results from sales and valuation of current financial assets and financial fixed assets. Also included in this item are taxes not dependent on income, amortisation of goodwill as well as expenses and income not to be reported in other income or expense items.

Notes to the consolidated income statement

(2) Net interest income

€ m	2000	1999
Interest income from loans and advances to banks and customers	6,091	4,380
Interest income from bonds and other fixed-income securities	1,930	1,230
Interest income from leasing transactions	193	145
Share of net income of companies accounted for under the equity method	177	216
Other income similar to interest	279	164
INTEREST AND SIMILAR INCOME	**8,670**	**6,136**
Interest expenses for amounts owed to banks and customers	4,601	2,800
Interest expenses for liabilities evidenced by certificates	1,809	1,282
Other expenses similar to interest	20	20
INTEREST AND SIMILAR EXPENSES	**6,430**	**4,102**
NET INTEREST INCOME	**2,240**	**2,034**

The general increase in interest income and interest expenses resulted primarily from volume increases and changes in interest rates.

The changes in the group of consolidated companies presented above accounted for € 23 m of the decline in the share of net income of companies accounted for under the equity method.

Other income similar to interest includes special dividends in connection with sales of equity interests in the amount of € 168 m.

(3) Losses on loans and advances

€ m	2000	1999
Direct write-offs of, and provisions for, loans and advances to banks and customers	991	700
Release of provisions for loans and advances to banks and customers	–249	–220
Recoveries of loans and advances previously written off	–76	–64
Net charge for losses on loans and advances on the balance sheet	**666**	**416**
Allocation to provisions for contingent liabilities and commitments	46	37
Release of provisions for contingent liabilities and commitments	–44	–54
Net charge for provisions for off-balance sheet credit transactions	**2**	**–16**
NET CHARGE FOR LOSSES ON LOANS AND ADVANCES*	**666**	**400**

*) for details see Risk Report, note 32 and subsequent notes

(4) Net fee and commission income

€ m	2000	1999
Payment transactions	272	273
Lending business	126	91
Securities business	273	203
Foreign exchange, foreign notes and coin, and precious metals transactions	134	129
Other services and advisory business	56	81
NET FEE AND COMMISSION INCOME	**862**	**777**

(5) Net trading result

€ m	2000	1999
Equity-related transactions	4	81
Exchange rate-related transactions	95	81
Interest rate-related transactions	38	24
NET TRADING RESULT	**137**	**187**

The net trading result from equity-related transactions includes realised and unrealised amounts from marking to market, as well as dividend income and funding costs related to equity securities held for trading. Accrued interest and funding costs related to other trading assets are recognised in net interest income.

(6) General administrative expenses

€ m	2000	1999
Wages and salaries	842	770
Statutory social-security contributions	167	160
Other employee benefits	25	27
Expenses for retirement benefits	88	123
Allocation to the provision for severance payments and to the pension provision	119	126
Staff costs	**1,242**	**1,206**
Other administrative expenses	**782**	**800**
Depreciation of property and equipment and amortisation of intangible assets	**135**	**143**
GENERAL ADMINISTRATIVE EXPENSES	**2,159**	**2,149**

Amortisation of goodwill which is included in intangible assets is reflected in the result of other operating activities.

(7) Result of other operating activities

€ m	2000	1999
Other operating income	103	104
Other operating expenses	160	149
Amortisation of goodwill	30	30
Results from other current financial assets	71	42
Results from financial fixed assets	263	170
RESULT OF OTHER OPERATING ACTIVITIES	**248**	**138**

Other operating income and other operating expenses include items which are not to be recognised in other income or expense items.

Business activities in rescheduled debt resulted in a profit of € 50 m (1999: € 49 m), which is contained in the results from other current financial assets.

The results from financial fixed assets included a profit of € 194 m from the transfer of equity interests in non-financial companies to a subsidiary of a private foundation independent of Bank Austria against the granting of profit participation rights pursuant to Section 174 (3) of the Austrian Joint Stock Companies Act. In a similar transaction in the previous year, the disposal of real estate not required for business operations resulted in a profit of € 165 m. About € 83 m was realised from sales of other equity interests.

(8) Taxes on income

€ m	2000	1999
Current income tax expense	41	1
of which: abroad	*17*	*–8*
of which: Austria	*24*	*9*
Deferred income tax expense (+)/income (–)	6	38
Reported taxes on income	**47**	**40**

The following is a reconciliation between computed tax expense and reported tax expense:

€ m	2000	1999
Net income before taxes	662	587
Computed tax expense (34%)	**225**	**199**
Tax arising from non-deductible expenses	7	14
Tax saving at foreign tax rates	– 28	– 4
Tax saving on tax-exempt income from equity interests	– 81	– 49
Tax saving on other tax-exempt income	– 58	– 19
Tax saving on net income from companies accounted for under the equity method	– 43	– 55
Tax arising from non-deductible amortisation of goodwill	16	10
Tax saving on write-downs of equity interests	–	– 17
Tax saving on investment incentives	– 11	– 6
Tax credits from previous years	– 8	– 22
Changes in the extent to which foreign tax losses carried forward can be utilised	30	– 17
Other tax effects	– 2	5
Reported tax expense	**47**	**40**

In the financial year, no income taxes arose in connection with extraordinary transactions. As a result of the acquisition of companies, the exclusion of companies from consolidation and changes in exchange rates used for currency translation, the change in deferred taxes does not correspond to the expense.

The assets include deferred tax assets arising from the carryforward of unused tax losses in the amount of € 212 m (1999: € 137 m). Most of the tax losses carried forward can be carried forward without restriction.

In respect of tax losses carried forward in the amount of € 663 m (1999: € 612 m), no deferred tax asset was recognised because, from a current perspective, a tax benefit will probably not be realisable within a reasonable period. Information in future business years may require an adjustment to deferred tax assets.

(9) Earnings per share

	2000	1999
Number of shares as at 31 December	114,000,000	114,525,588
Average number of shares outstanding	114,443,296	114,525,588
Consolidated net income in € (adjusted)	591,809.000	509,971,000
Basic earnings per share in €	5.17	4.45
Diluted earnings per share in €	5.17	4.45

Own shares held as part of the trading portfolio were used for Bank Austria's activities as market maker to protect the Vienna Stock Exchange's ability to function. Therefore these shares continued to be regarded by Bank Austria as being in the market and were thus included in the number of shares outstanding.

During the reporting period, no financial instruments were outstanding which could have a dilutive effect on the ordinary shares. Therefore basic earnings per share are equal to diluted earnings per share.

Notes to the consolidated balance sheet

When comparing balance sheet figures, the reader should always bear in mind the change in the group of consolidated companies resulting from the acquisition of PBK (the effect of the change is presented in note 1, change in the group of consolidated companies).

(10) Loans and advances to banks and customers

Breakdown by product

€ m	2000	1999
Money market placements with banks	30,275	22,115
Loans to banks	3,636	3,701
Mortgage loans	4,356	4,592
Loans to local authorities	5,366	2,237
Leasing receivables	2,844	3,108
Export loans	8,300	8,277
Other loans and advances	66,960	60,015
LOANS AND ADVANCES TO BANKS AND CUSTOMERS	**121,737**	**104,044**

Loans and advances to banks and customers by region

€ m	2000	1999
Austria	**56,811**	**53,147**
Abroad	**64,926**	**50,897**
of which: Central and Eastern Europe	*13,134*	*7,293*
of which: North America	*14,135*	*11,312*
TOTAL	**121,737**	**104,044**

Breakdown by remaining maturity

€ m	Repayable on demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Loans and advances to, and placements with, banks	1,009	18,246	14,410	2,913	2,839	39,417
Loans and advances to customers	10,694	8,789	8,178	18,373	36,286	82,320
LOANS AND ADVANCES TO BANKS AND CUSTOMERS – 2000	**11,704**	**27,035**	**22,588**	**21,286**	**39,124**	**121,737**
Loans and advances to, and placements with, banks	1,076	14,235	8,397	3,047	2,643	29,397
Loans and advances to customers	8,979	11,346	9,266	20,074	24,982	74,648
LOANS AND ADVANCES TO BANKS AND CUSTOMERS – 1999	**10,055**	**25,580**	**17,663**	**23,121**	**27,625**	**104,044**

Information on leasing business

€ m	2000	1999
Total gross investment	3,803	3,579
Unearned finance income	–959	–819
Total net investment	2,844	2,760
Unguaranteed residual values	989	965

New leasing business developed as follows:

€ m	2000	1999
Austrian leasing business	**695**	**667**
Real estate	396	288
Equipment	299	379
International leasing business	**179**	**67**

(11) Total loan loss provisions

€ m	For loans and advances to, and placements with, banks		For loans and advances to customers		Total	
	2000	1999	2000	1999	2000	1999
At beginning of reporting year	74	336	2,274	2,279	2,349	2,615
Exchange differences and other changes not reflected in the income statement	–24	8	287	40	263	48
Allocation	13	17	977	583	990	600
Release	–8	–80	–241	–140	–249	–220
Utilisation	–8	–184	–497	–506	–504	–690
Transfer	–	–24	8	18	8	–6
At end of reporting year	48	74	2,808	2,274	2,856	2,348

€ m	2000	1999
Total loan loss provisions as at 31 December	**2,856**	**2,348**
of which: Austria	**2,167**	**1,863**
of which: abroad	**689**	**485**
of which: Central and Eastern Europe	*384*	*178*
of which: North America	*96*	*16*

(12) Trading assets

€ m	2000	1999
Bonds and other fixed-income securities	7,217	4,472
of which: bonds and other debt securities issued by public borrowers	*1,987*	*389*
of which: bonds and other debt securities issued by other borrowers	*5,118*	*4,055*
of which: own debt securities	*112*	*28*
Shares and other variable-yield securities	1,209	322
of which: shares	*897*	*278*
of which: investment certificates	*293*	*32*
of which: other variable-yield securities	*19*	*12*
Positive market values on derivative financial instruments	5,496	4,983
of which: equity derivatives	*53*	*52*
of which: exchange rate derivatives	*1,424*	*1,530*
of which: interest rate derivatives	*4,019*	*3,402*
Other trading assets	334	35
Own shares	–	169
TRADING ASSETS	**14,256**	**9,982**

(13) Other current financial assets

€ m	2000	1999
Bonds and other fixed-income securities	2,047	1,371
of which: bonds and other debt securities issued by public borrowers	*1,544*	*821*
of which: bonds and other debt securities issued by other borrowers	*347*	*266*
of which: own debt securities	*155*	*284*
Shares and other variable-yield securities	1,704	1,929
of which: shares	*440*	*510*
of which: investment certificates	*1,107*	*1,235*
of which: other variable-yield securities	*157*	*185*
OTHER CURRENT FINANCIAL ASSETS	**3,751**	**3,301**

(14) Financial fixed assets

€ m	2000	1999
Bonds and other fixed-income securities	18,038	15,019
of which: bonds and other debt securities issued by public borrowers	*7,758*	*7,244*
of which: bonds and other debt securities issued by other borrowers	*10,280*	*7,774*
Shares and other variable-yield securities	1,393	1,610
of which: shares	*54*	*39*
of which: investment certificates	*34*	*693*
of which: other variable-yield securities	*1,304*	*879*
Equity interests	1,447	1,866
of which: accounted for under the equity method	*957*	*1,270*
Shares in unconsolidated subsidiaries	1,161	983
of which: accounted for under the equity method	*34*	*29*
Land and buildings rented to third parties	393	454
FINANCIAL FIXED ASSETS	**22,431**	**19,932**

Movements in financial fixed assets

€ m	Carrying value 31 Dec.1999	Acquisition cost* 1 Jan. 2000	Changes in group of consolidated companies	Additions incl. reclassi-fications	Disposals incl. reclassi-fications	Accumulated depreciation	Carrying value 31 Dec. 2000	Write-ups (+) / write-downs and depreciation (-) in the financial year
Financial fixed assets	**19,932**	**20,945**	**692**	**7,453**	**–6,296**	**–364**	**22,431**	**25**
Bonds and other fixed-income securities	15,019	15,491	695	6,533	–4,387	–294	18,038	7
Shares	1,610	1,625	8	519	–758	–2	1,393	–0
Equity interests**	1,866	1,988	–252	151	–611	171	1,447	126
Shares in subsidiaries	983	1,284	241	236	–497	–103	1,161	–87
Properties rented to third parties	454	556	–	15	–43	–135	393	–21

*) including exchange differences of € 437 m / **) write-downs/write-ups include changes resulting from valuation at equity

(15) Intangible assets, property and equipment

€ m	2000	1999
Goodwill	455	525
Other intangible assets	187	185
INTANGIBLE ASSETS	**642**	**710**

The reduction of goodwill results mainly from companies no longer accounted for under the equity method (minus € 141 m), which exceeded additions resulting from the acquisition of new companies.

€ m	2000	1999
Land and buildings used for banking operations	577	553
Other land and buildings	133	111
Other property and equipment	538	424
PROPERTY AND EQUIPMENT	**1,248**	**1,088**

Movements in intangible assets and in property and equipment

€ m	Carrying value 31 Dec.1999	Acquisition cost* 1 Jan. 2000	Changes in group of consolidated companies	Additions incl. reclassi-fications	Disposals incl. reclassi-fications	Accumulated depreciation	Carrying value 31 Dec. 2000	Write-ups (+) / write-downs and depreciation (-) in the financial year
Intangible assets	710	924	–24	93	–60	–291	642	–55
Property and equipment	1,088	1,861	235	227	–213	–862	1,248	–115

*) including exchange differences of € 3 m

(16) Other assets

€ m	2000	1999
Other receivables	695	653
Other assets	748	1,212
Deferred tax asset (net)	502	465
Prepaid expenses	243	112
OTHER ASSETS	**2,188**	**2,442**

€ m	2000	1999
Deferred tax assets	290	328
Recognised benefits from unused tax losses carried forward	212	137
DEFERRED TAX ASSET (NET)	**502**	**465**

Deferred tax asset recognised in the balance sheet

€ m	2000	1999
Loans and advances to customers incl. loan loss provisions	100	23
Other assets	23	–
Amounts owed to customers and banks	24	–
Provisions for pensions and severance payments and other provisions	345	325
Other balance sheet items	–	57
Tax losses carried forward	212	137
TOTAL DEFERRED TAX ASSETS	**704**	**542**
Property and equipment	15	19
Financial fixed assets	181	58
Trading assets/liabilities	5	–
Liabilities evidenced by certificates	1	–
TOTAL DEFERRED TAX LIABILITIES	**202**	**77**
DEFERRED TAX ASSET (NET) RECOGNISED IN THE BALANCE SHEET	**502**	**465**

For each consolidated unit, deferred tax assets and liabilities attributable to the same local tax authority have been netted and the net amount has been included in the item "Other assets".

(17) Amounts owed to banks and customers

Breakdown by product

€ m	2000	1999
Money market deposits by banks	45,019	40,478
Refinanced export loans	10,245	8,973
Savings deposits	16,174	17,523
Sight deposits	13,663	10,435
Time deposits	23,210	13,702
Other amounts owed to banks and customers	3,841	4,207
AMOUNTS OWED TO BANKS AND CUSTOMERS	**112,152**	**95,318**

Amounts owed to banks and customers by region

€ m	2000	1999
Austria	**49,510**	**44,417**
Abroad	**62,642**	**50,902**
of which: Central and Eastern Europe	*10,958*	*6,120*
of which: North America	*12,717*	*4,618*
TOTAL	**112,152**	**95,318**

Breakdown by remaining maturity

€ m	Repayable on demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Amounts owed to banks	5,196	40,495	2,888	1,418	9,109	59,105
Amounts owed to customers	15,878	20,750	7,726	4,750	3,942	53,047
Amounts owed to banks and customers – 2000	**21,074**	**61,245**	**10,614**	**6,168**	**13,051**	**112,152**
Amounts owed to banks	3,374	37,058	2,190	3,501	7,310	53,433
Amounts owed to customers	13,004	11,894	5,046	5,217	6,724	41,885
Amounts owed to banks and customers – 1999	**16,378**	**48,952**	**7,236**	**8,718**	**14,033**	**95,318**

(18) Liabilities evidenced by certificates

Breakdown by product

€ m	2000	1999
Mortgage bonds	1,147	1,365
Municipal bonds	1,592	1,687
Other debt securities	10,132	6,194
DEBT SECURITIES ISSUED	**12,871**	**9,246**
Bonds	2,046	2,646
Commercial paper	1,247	1,548
Medium-term notes	901	1,238
Certificates of deposit	13,738	10,891
Own acceptances and promissory notes	350	208
Other money market paper	130	150
OTHER LIABILITIES EVIDENCED BY CERTIFICATES	**18,412**	**16,681**

Breakdown by remaining maturity

€ m	Repayable on demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities issued	–	503	880	6,740	4,747	12,871
Other liabilities evidenced by certificates	–	14,648	1,007	1,412	1,345	18,412
LIABILITIES EVIDENCED BY CERTIFICATES – 2000	**–**	**15,151**	**1,887**	**8,152**	**6,092**	**31,283**
Debt securities issued	–	253	927	4,964	3,102	9,246
Other liabilities evidenced by certificates	–	9,703	3,454	1,797	1,727	16,681
LIABILITIES EVIDENCED BY CERTIFICATES – 1999	**–**	**9,956**	**4,381**	**6,760**	**4,829**	**25,926**

Debt securities issued are listed securities evidenced by certificates. Other liabilities evidenced by certificates are unlisted securities issues of the Bank Austria Group.

(19) Provisions

€ m	2000	1999
Severance payments, pensions and similar obligations	2,423	2,243
Provisions for taxes	143	50
of which: for current taxes	*63*	*37*
of which: for deferred taxes	*80*	*13*
Other provisions	407	569
of which: for impending losses	*327*	*364*
of which: for restructuring costs	*80*	*205*
TOTAL PROVISIONS	**2,972**	**2,862**

Compared with the figures published in the previous year, provisions for indeterminate liabilities in the amount of € 311 m were reclassified pursuant to IAS 37 as other liabilities retroactively for 1999.

Deferred tax liability recognised in the balance sheet

€ m	2000	1999
Loans and advances to banks and customers incl. loan loss provisions	11	3
Financial fixed assets	42	3
Other assets	4	–
Property and equipment	23	6
Provisions for pensions and severance payments and other provisions	–	1
TOTAL DEFERRED TAX LIABILITIES	**80**	**13**
DEFERRED TAX LIABILITY (NET) RECOGNISED IN THE BALANCE SHEET	**80**	**13**

For each consolidated unit, deferred tax assets and liabilities attributable to the same local tax authority have been netted and the net amount has been included in the item "Provisions".

€ m	2000	1999
Pension provision as at 1 January (= present value of future benefits earned)	2,243	3,022
+/– change in group of consolidated companies	8	–
+ interest cost	98	176
+ current service cost	41	71
+ past service cost	38	–
+ additional amount from the provision for restructuring costs	99	–
+/– balance of transfers from / payments to Austrian mandatory pension insurance scheme (ASVG)	–	2
– pension payments of the reporting year	–104	–126
– settlement	–	–907
+/– actuarial gain/loss as at 31 December	–	6
Pension provision as at 31 December (= present value of future benefits earned)	2,423	2,243

(20) Other liabilities

€ m	2000	1999
Other amounts payable	1,924	2,167
Negative market values on derivative financial instruments	5,294	4,700
of which: equity derivatives	*46*	*57*
of which: exchange rate derivatives	*1,438*	*1,540*
of which: interest rate derivatives	*3,810*	*3,055*
of which: other derivatives	*–*	*48*
Other liabilities	828	581 *
Deferred income	253	141
TOTAL OTHER LIABILITIES	**8,299**	**7,588**

*) Compared with the figures published in the previous year, provisions for indeterminate liabilities in the amount of € 311 m were reclassified pursuant to IAS 37 from provisions to other liabilities retroactively for 1999.

(21) Subordinated capital

€ m	2000	1999
Subordinated liabilities	3,805	3,100
Supplementary capital	1,225	378
Subordinated capital	**5,030**	**3,478**

Breakdown by remaining maturity

€ m	Repayable on demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Subordinated liabilities	–	10	62	1,527	2,206	3,805
Supplementary capital	–	–	–	69	1,156	1,225
Subordinated capital – 2000	**–**	**10**	**62**	**1,596**	**3,361**	**5,030**
Subordinated liabilities	–	–	45	1,340	1,715	3,100
Supplementary capital	–	–	–	44	334	378
Subordinated capital – 1999	**–**	**–**	**45**	**1,384**	**2,049**	**3,478**

Additional IAS disclosures

(22) Fair values

The following table shows the fair values of balance sheet items and related off-balance sheet transactions. Loans and advances to, and placements with, banks as well as loans and advances to customers are stated after deduction of loan loss provisions. The fair values indicated in the table are the amounts for which the financial instruments could have been traded between knowledgeable, willing parties in an arm's length transaction at the balance sheet date. To the extent that market prices were available from exchanges or other efficient markets, these were stated as fair values. For the other financial instruments, internal valuation models were used, in particular the present value method. For fixed-rate loans and advances to, and amounts owed to, banks and customers with a remaining maturity of, or regular interest rate adjustment within, less than one year, the balance sheet values were stated as fair values. Investments in listed companies are included in the fair value of financial fixed assets at their market value as at the balance sheet date.

€ m	2000		1999		Diff. between book value and fair value in 2000	Diff. between book value and fair value in 1999
	Book value	Fair value	Book value	Fair value		
Loans and advances to, and placements with, banks	39,371	39,520	29,322	29,416	150	93
Loans and advances to customers	79,517	79,876	72,374	72,552	359	178
Financial fixed assets	26,182	26,479	23,233	23,624	297	392
Amounts owed to banks	59,105	59,107	53,433	53,422	3	–11
Amounts owed to customers	53,047	53,015	41,885	41,842	–32	–43
Liabilities evidenced by certificates	31,283	31,375	25,926	25,989	92	63
Subordinated capital	5,030	5,272	3,478	3,518	242	40

(23) Loans and advances to, and amounts owed to, subsidiaries and companies in which an equity interest is held

The following tables show the amounts of Bank Austria's loans and advances to, and amounts owed to, subsidiaries as well as other companies in which Bank Austria holds an equity interest. Business relations with these companies are maintained on terms and conditions in line with banking practice.

€ m	Subsidiaries		Other equity interests	
	31 Dec. 2000	31 Dec. 1999	31 Dec. 2000	31 Dec. 1999
Loans and advances				
Loans and advances to, and placements with, banks	457	171	1,961	1,755
Loans and advances to customers	1,829	1,473	1,159	1,290
Loan loss provisions	–	–	–	– 4
Bonds and other fixed-income securities	11	30	191	230
TOTAL	**2,297**	**1,675**	**3,310**	**3,270**
Liabilities				
Amounts owed to banks	328	138	10,644	9,463
Amounts owed to customers	126	553	336	319
Liabilities evidenced by certificates	–	18	43	76
Subordinated capital	–	–	7	–
TOTAL	**454**	**709**	**11,029**	**9,858**

(24) Segment reporting

Segment reporting in accordance with IAS 14 (revised 1997) has two dimensions:

The primary segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group in 2000. The secondary reporting format is based on geographical segments.

The internal reporting structure comprises the following business segments:

Domestic Customer Business	Corporate Customers
	Private Customers and Professionals
International Business	
Financial Markets	
Equity Interests	

Domestic Customer Business / Corporate Customers essentially includes the corporate customer business of Bank Austria AG and Creditanstalt AG as well as the Austrian leasing business.

Domestic Customer Business / Private Customers and Professionals comprises relationships with retail and business customers, credit card business, and investment business.

International Business shows the activities of Bank Austria Creditanstalt International (which merged with Bank Austria AG in the fourth quarter of 2000) and its subsidiaries, the investment bank and the non-Austrian leasing business.

Financial Markets includes Treasury operations in a narrower sense (proprietary trading) and equity trading.

Equity Interests covers holdings in companies (primarily industrial companies) which are not included in any of the business segments described above.

Other items/reclassifications show inter-segment eliminations, reconciliations between management results and the Group's consolidated income statement, and profit contributions which cannot be attributed to the individual business segments.

The result of each business segment is measured by the net income before taxes generated by the respective segment. In addition to the cost/income ratio, the return on equity is one of the major indicators used for controlling the business segments.

The return on equity is determined by dividing net income before taxes by average shareholders' equity allocated to the business segment.

Capital allocation is based on supervisory guidelines. As a first step, the capital requirement for the trading book is determined on a Group basis. Then the equity capital required to support 50% of the Group's carrying amounts of equity interests in the financial sector is calculated. The remaining equity capital is allocated to the individual business segments in proportion to the assessment basis (banking book) as defined in the Austrian Banking Act. The interest rate on long-term riskless investments in the capital market is applied to allocated equity capital, and the notional income from the investment of equity capital is included in net interest income.

Net interest income is split up according to the market interest rate method. Costs are allocated to the individual business segments from which they arise.

The cost/income ratio is determined by dividing general administrative expenses by the total of net interest income, net fee and commission income and net trading result.

Business segment data

€ m		Corporate Customers	Private Customers and Professionals	International Business	Financial Markets	Equity Interests	Other items/ reclassifications	Bank Austria Group
Net interest income	2000	610	825	488	111	191	15	2,240
	1999	508	656	533	217	84	37	2,034
Losses on loans and advances	2000	–287	–93	–152	9	–	–143	–666
	1999	–197	–87	–104	–2	–6	–3	–400
Net fee and commission income	2000	243	439	176	13	–14	4	862
	1999	230	377	160	10	2	–2	777
Net trading result	2000	30	19	24	45	17	2	137
	1999	31	21	66	64	3	2	187
General administrative expenses	2000	–513	–1,022	–422	–190	–34	22	–2,159
	1999	–510	–963	–416	–169	–6	–86	–2,149
Result of other operating activities	2000	23	–12	–6	101	200	–58	248
	1999	10	7	10	–7	149	–32	138
Net income before taxes	2000	107	157	108	90	359	–159	662
	1999	71	10	249	113	227	–83	587
Assessment basis (average, as defined in the Austrian Banking Act)	2000	35,058	10,407	20,868	4,613	4,990	1,669	77,604
	1999	29,819	9,571	20,970	5,152	3,472	–	68,985
Equity (average)	2000	1,483	440	1,260	763	516	71	4,533
	1999	1,418	455	1,257	751	431	–	4,311
Return on equity before taxes in %	2000	7.2	35.7	8.6	11.8	69.7	–	14.6
	1999	5.0	2.2	19.8	15.0	52.8	–	13.6
Cost/income ratio in %	2000	58.1	79.6	61.4	112.1	–	–	66.7
	1999	66.4	91.4	54.8	58.0	–	–	71.7

Breakdown of income by geographical segment

€ m	Austria 2000	Austria 1999	Western Europe 2000	Western Europe 1999	Central and Eastern Europe 2000	Central and Eastern Europe 1999	America 2000	America 1999	Asia 2000	Asia 1999	Total 2000	Total 1999
Net interest income	1,556	1,522	110	82	205	165	328	214	41	51	2,240	2,034
Losses on loans and advances	519	281	–3	–3	8	9	143	88	–1	25	666	400
Net interest income after losses on loans and advances	1,037	1,241	113	86	197	155	185	126	42	26	1,574	1,635
Net fee and commission income	709	638	28	28	104	72	10	28	10	9	862	777
Net trading result	96	124	–2	–1	21	44	17	13	5	7	137	187

Income and expenses as well as assets are attributed on the basis of the location of the business unit recording the transaction.

(25) Assets on which interest is not being accrued

Within Bank Austria, assets are put on a non-accrual status if, as a result of the economic outlook, assets generally earning interest are not expected to produce cash inflows in the subsequent period.

€ m	2000	1999
Non-accrual assets within loans and advances to, and placements with, banks	518	557
Non-accrual assets within loans and advances to customers	2,269	2,057
ASSETS PUT ON A NON-ACCRUAL STATUS	**2,787**	**2,614**

(26) Assets pledged as security

Bank Austria has pledged cash and cash equivalents as security for liabilities in connection with the clearing of securities and foreign exchange transactions.

€ m	2000	1999
Margin requirement at futures and options exchanges and with various brokers	141	122
Security provided in favour of Oesterreichische Kontrollbank AG for the settlement of securities transactions	28	46
Security provided in favour of foreign banks for securities lending transactions	44	368
Assets pledged in favour of foreign banks and other foreign financial institutions	533	321
Security provided in favour of Euro-Clear for securities transactions	785	491
Claims assigned in favour of Oesterreichische Kontrollbank AG	6,623	6,164
SUB-TOTAL	**8,152**	**7,512**
Cover fund for savings deposits held in trust for guardianships	87	87
Cover fund for funded bonds	747	839
Cover fund for mortgage bonds and municipal bonds	2,128	3,681
TOTAL	**11,113**	**12,119**

(27) Subordinated assets

Subordinated assets are contained in the following balance sheet items:

€ m	2000	1999
Loans and advances to, and placements with, banks	199	41
*of which: subsidiaries**	*197*	–
of which: equity interests	*1*	*3*
Loans and advances to customers	113	156
of which: subsidiaries	–	–
of which: equity interests	*4*	*4*
Bonds and other fixed-income securities	533	265
of which: subsidiaries	–	–
of which: equity interests	–	–
Shares and other variable-yield securities	52	97
of which: subsidiaries	*6*	–
of which: equity interests	*6*	*18*

*) In the item "Loans and advances to, and placements with, banks" the sub-item "of which: subsidiaries" results from business relations with other banks of the HVB Group which are not consolidated in these consolidated financial statements (see note 35).

(28) Contingent liabilities and commitments

€ m	2000	1999
Acceptances and endorsements	103	186
Other contingent liabilities	10,976	9,236
TOTAL CONTINGENT LIABILITIES	**11,079**	**9,422**
Liabilities arising from sales with an option to repurchase	2,368	971
Other commitments*	16,824	17,937
TOTAL COMMITMENTS	**19,192**	**18,908**

*) Other commitments include unutilised loan commitments.

(29) Assets and liabilities in foreign currency

At the end of 2000, assets and liabilities denominated in the following currencies were held within Bank Austria:

€ m	Bank Austria Group 2000 Assets	2000 Liabilities	1999 Assets	1999 Liabilities
Euro	**93,037**	**97,606**	**82,885**	**81,602**
US dollar	36,949	35,876	32,601	39,867
Swiss franc	11,625	10,781	8,407	2,424
Yen	5,805	4,664	3,777	3,308
Other	17,604	16,092	12,329	12,798
SUB-TOTAL – FOREIGN CURRENCIES	**71,983**	**67,413**	**57,114**	**58,396**
TOTAL	**165,019**	**165,019**	**139,999**	**139,999**

(30) Repurchase agreements

Under repurchase agreements, assets were sold to third parties with a commitment to repurchase the financial instruments at a price specified when the assets were sold.

The following table shows repurchase agreements concluded by Bank Austria:

€ m	2000	1999
Loans and advances to, and placements with, banks	2,216	719
Loans and advances to customers	–	7
Trading assets	3,306	34
Other current financial assets	–	1

(31) List of selected equity interests

The following is a list of selected equity interests of Bank Austria.

The list of equity interests required pursuant to the Austrian Commercial Code / Austrian Banking Act is part of the separate financial statements of Bank Austria AG and may be ordered free of charge.

Name and domicile of company	Proportion in % Ownership interest held	Voting power, if different
CONSOLIDATED COMPANIES		
Asset Management GmbH, Vienna	100.00	
BA/CA Asia Ltd., Central Hong Kong	100.00	
BA/CA Asset Finance Ltd., Glasgow	94.41	
BA/CA Capital Management Ltd., Central Hong Kong	66.67	
Bank Austria Cayman Islands Ltd., Georgetown, Cayman Islands	100.00	
Bank Austria Creditanstalt (Schweiz) AG, Zurich	88.00	
Bank Austria Creditanstalt American LCC, New York	100.00	
Bank Austria Creditanstalt Croatia d.d., Zagreb	80.02	
Bank Austria Creditanstalt Czech Republic a.s., Prague	78.58	
Bank Austria Creditanstalt d.d., Ljubljana	99.54	
Bank Austria Creditanstalt Deutschland AG, Munich	100.00	
Bank Austria Creditanstalt Hungary Rt., Budapest	90.04	
Bank Austria Creditanstalt Leasing GmbH, Vienna	99.98	
Bank Austria Creditanstalt Romania S.A., Bucharest	100.00	
Bank Austria Creditanstalt Slovakia a.s., Bratislava	100.00	
Bank Austria Handelsbank Aktiengesellschaft, Vienna	100.00	
Bank Austria Treuhand AG, Vienna	75.00	
Bank Austria Wohnbaubank Aktiengesellschaft, Vienna	89.98	
BANKPRIVAT AG, Vienna	100.00	
CA Betriebsobjekte AG, Vienna	100.00	
CA IB Investmentbank AG, Vienna	100.00	
CA Wohnbank AG, Vienna	100.00	
CABET-Holding AG, Vienna	100.00	
CAIB (U.S.A.) Inc., New York	100.00	
CAPITAL INVEST die Kapitalanlagegesellschaft der Bank Austria Creditanstalt Gruppe GmbH, Vienna	100.00	
CB Bank Austria Creditanstalt (Russia) ZAO, Moscow	100.00	
Creditanstalt AG, Vienna	100.00	
Gornoslaski Bank Gospodarczy S.A., Katowice	68.71	
JSCB "Bank Austria Creditanstalt Ukraine", Kiev	75.10	
Konzern Service und Beratung GmbH, Vienna	100.00	
Lassallestraße Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft m.b.H., Vienna	100.00	
MEH Vermögensverwaltung GmbH, Vienna	100.00	

Name and domicile of company	Proportion in % Ownership interest held	Voting power, if different
Powszechny Bank Kredytowy S.A., Warsaw	56.64	
RINGTURM KapitalanlagegmbH, Vienna	40.00	controlled
VISA-SERVICE Kreditkarten Aktiengesellschaft, Vienna	75.00	
WAVE Solutions Information Technology GmbH, Vienna	100.00	
Z.E.H. Vermögensverwaltung GmbH, Vienna	100.00	
ASSOCIATED COMPANIES VALUED AT EQUITY		
Adria Bank Aktiengesellschaft, Vienna	29.33	
B.I.I. Creditanstalt International Bank Ltd., Grand Cayman	50.00	
Banco B.I. Creditanstalt S.A., Buenos Aires	50.00	
Banco BBA-Creditanstalt S.A., São Paulo	48.00	32.65
Bank für Kärnten und Steiermark AG, Klagenfurt	29.15	29.93
Bank für Tirol und Vorarlberg AG, Innsbruck	41.72	41.70
Bausparkasse Wüstenrot AG, Salzburg	26.00	
BBA Finanz- und Unternehmensbeteiligungs Ges.m.b.H., Vienna	100.00	
CA Versicherung AG, Vienna	50.00	
Investkredit Bank Aktiengesellschaft, Vienna	24.77	
Oberbank AG, Linz	32.38	33.39
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna	40.89	
Union Versicherungs-Aktiengesellschaft, Vienna	33.33	

UNCONSOLIDATED		
A. SUBSIDIARIES		
AWT Internationale Handels und Finanzierungs AG, Vienna	100.00	
Bank Austria Creditanstalt (Singapore) Ltd., Singapore	100.00	
BANK AUSTRIA Securities, Inc., New York, N.Y.	100.00	
CA Bau-Finanzierungsberatung Gesellschaft m.b.H., Vienna	100.00	
CA Management-Systems-Consult Gesellschaft m.b.H., Vienna	100.00	
CA-Telefon Informations- und Auftrags-Service GmbH, Vienna	100.00	
DATA AUSTRIA Datenverarbeitungs GmbH, Vienna	100.00	
Diners Club Austria AG, Vienna	99.80	
GANYMED Immobilienvermietungsgesellschaft m.b.H., Vienna	100.00	
Grundstücke- und Gebäudeverwaltungs-AG, Vienna	74.99	
HYPERION Immobilienverwaltungsgesellschaft m.b.H., Vienna	100.00	
Informations-Technologie Austria GmbH, Vienna	61.37	not controlled
Lenzing Aktiengesellschaft, Lenzing *	50.10	
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	55.26	
Steyr Mannlicher AG & Co. KG, Vienna	100.00	
UNIVERSALE-BAU AG, Vienna	100.00	
WIGAST Gesellschaft m.b.H., Vienna	100.00	

*) sold in 2001

Name and domicile of company	Proportion in % Ownership interest held	Voting power, if different
B. ASSOCIATED COMPANIES		
FactorBank AG, Vienna	42.00	
Lambacher HITIAG Leinen AG, Stadl-Paura	45.56	
M.A.I.L. Finanzberatung Gesellschaft m.b.H., Vienna	49.00	
Österreichische Hotel- und Tourismusbank GmbH, Vienna	50.00	
Vereinigte Pensionskasse Aktiengesellschaft, Vienna	30.11	
C. OTHER COMPANIES		
Allgemeine Baugesellschaft-A.Porr Aktiengesellschaft, Vienna	32.61	37.30
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	17.46	
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	19.45	
NOTARTREUHANDBANK AG, Vienna	25.00	
WIENER STÄDTISCHE Allgemeine Versicherung Aktiengesellschaft, Vienna	8.00	8.98

Notes:

The figure indicated under **ownership interest held** is the Bank Austria Group's ownership interest in the equity of the company, expressed as a percentage rate. Ownership interests in the company held by consolidated companies and other subsidiaries are added up.

The proportion of **voting power, if different,** includes all voting shares and may differ from the ownership interest in capital as a result of syndicate agreements, non-voting preference shares and/or other supplementary agreements.

Controlled = controlled on the basis of syndicate or other agreements with shareholders outside the Group

Not controlled = not controlled on the basis of syndicate or other agreements with shareholders outside the Group

Risk Report

(32) Global risk management

Bank Austria identifies, measures, monitors and manages all risks associated with banking business on a Group-wide basis and coordinates these activities with the risk control and risk management units of HypoVereinsbank.

Bank Austria divides the monitoring and controlling processes associated with risk controlling and risk management into the following categories:

– market risk
– credit risk
– liquidity risk
– operational risk
– other risk

The Managing Board determines the risk policy and approves the principles of risk controlling and risk management, the establishment of limits for all relevant risks, and the risk control procedures.

In performing these tasks, the Managing Board is supported by specific committees and independent risk controlling and risk management units.

The asset/liability management committee is responsible for the management of balance-sheet structure positions. A separate market risk committee controls market risk arising from the trading books and establishes a framework and limits for the foreign branches and banking subsidiaries. Country risks are assessed by the country risk committee.

The "Market Risk Management and ALCO Support", "Credit Risk Methods and Portfolio Management" and "Operational and Group Risk" departments are in charge of developing and implementing the methods of risk measurement, further improving and refining the measurement and control instruments, developing and maintaining manuals, as well as reporting on Bank Austria's risk profile in an independent and neutral manner.

Credit risk is managed for the Group as a whole, and across all types of products and customer groups, by the Risk Management Division.

In respect of other risks, the methods used by Bank Austria for the assessment of risks associated with equity interests, risks inherent in the real estate portfolio and business risks will be adjusted to the methods used by HVB to enable HVB to perform Group-wide overall risk assessment. In line with the principle of dual management and control, both economic capital and regulatory capital will be determined. These data will be used to determine Bank Austria's overall risk, taking account of all types of risk mentioned above. This will provide the basis for making decisions on risk capital allocation.

Market risks on trading activities

At Bank Austria, market risk management encompasses the recognition, measurement, monitoring and management of all market risks resulting from the banking business. The processes and methods used for defining and monitoring limits as well as measuring risks associated with trading activities have been summarised in a market risk management manual.

Over the past few years, the value-at-risk (VAR) method has generally become the accepted method of measuring market risk. This method was introduced throughout Bank Austria on a Group-wide basis and has replaced or supplemented the former limit systems. Value at risk represents the potential loss which might arise from a trading book and is determined by the statistically expected changes in market parameters.

Bank Austria uses a model which has been developed by itself and takes a variance-covariance approach. Daily risk measurement is based on two standard deviations and a one-day holding period. Using this method, possible losses arising from the trading books are no larger, with a probability of 97.5%, than the amount of value at risk.

As at 31 December 2000, value at risk for our trading books was as follows:

	Bank Austria AG	Bank Austria Group
Exchange rate risk	€ 1.5 m	€ 1.4 m
Equity position risk	€ 4.0 m	€ 4.4 m
Interest rate position risk	€ 1.4 m	€ 1.4 m

From 1 January 1998 onwards, the internal model of risk measurement has additionally been used for the purpose of determining the capital resources required to be held pursuant to the Second Amendment to the Austrian Banking Act (implementation of the Capital Adequacy Directive). Under this model, value at risk has also been calculated for a two-week holding period. This calculation takes into account the quantitative standards required by law and by the Austrian Federal Ministry of Finance (one-sided confidence level of 99%, multiplier 3, add-on in the amount of the specific position risk); the multiplier of 3 was confirmed by the Austrian National Bank in an expert opinion issued pursuant to Section 26b of the Austrian Banking Act.

As at 31 December 2000, this results in the following capital requirements:

	Bank Austria AG	Bank Austria Group
Risk associated with open foreign exchange positions	€ 25.0 m	€ 25.5 m
General position risk in debt instruments	€ 21.9 m	€ 27.7 m
General and specific position risk in equities	€ 55.9 m	€ 61.3 m
OVERALL RISK*	**€ 91.5 m**	**€ 102.8 m**

*) The OVERALL RISK capital requirement is not the sum of the individual risk categories because correlations between exchange risk and interest rate risk reduce overall risk.

In addition to the VAR limits – and depending on the type of business – gamma, vega, volume, position and basis-point-value limits as well as stop-loss limits are set. The limits are set according to the level of risk tolerance defined in respect of the budgeted profit components.

Within Bank Austria, the reliability and accuracy of the internal model is monitored by daily back-testing comparing the value-at-risk amounts with the actually observed fluctuations in market parameters and in the total value of the trading books. The results of back-testing have so far continued to confirm the accuracy and reliability of the model.

During the 2000 financial year, back-testing revealed no excess, which means that the model is in the green zone under the Austrian Banking Act and the Basle regulatory guidelines.

Value at risk (1 day) and back-testing results

Value-at-risk calculations in the trading sector are complemented by various stress scenarios to identify the potential effects on the Group's earnings of stressful market conditions for which there is only a low probability. The assumptions made under such stress scenarios include extreme movements in prices or rates and a dramatic deterioration in market liquidity.

The current stress scenarios of Bank Austria – broken down into the three major risk categories – show the following levels:

	Interest rates	Exchange rates	Equities
Developed countries	+/– 60 bp	+/– 15%	+/– 15 – 30%
Emerging markets	+/– 500 bp	+/– 30%	+/– 40 – 50%
New Economy equities	n.a.	n.a.	+/– 30 – 40%

In the interest rate sector, tests are carried out to simulate a straightforward parallel shift, a turnaround in the yield curve, and a strong long-term increase in money market rates.

Market risks and asset/liability management

Bank Austria uses a separate procedure to evaluate market risks resulting from the general structure of the balance sheet and from the decisions of the asset/liability management committee (ALCO). ALCO ensures the management of balance-sheet structure positions through money market and capital market transactions. Bank Austria's profit centres are released from any market risk through a matched funds transfer pricing system applied throughout the Group. Splitting net interest income into a terms-related contribution allocated to the business divisions and a contribution from maturity transformation creates the basic conditions for uniform centralised management of all market risks by ALCO.

Given the special significance and complexity of domestic customer business, market risks resulting from the banking book positions are also regularly analysed by means of simulations of net interest income volatility. In addition to various interest rate scenarios and the business volume as at the reporting date, these simulations are also based on assumptions regarding new business, demand behaviour and general developments affecting margins in those market segments which are of greatest importance to Bank Austria. By modelling trends in net interest income over the projection period, the bank can thus make assessments of the maximum risk potential and forecast developments. In this way, the bank can identify risks in this area at an early stage and take appropriate measures. Additionally, the value-at-risk method is used to analyse the banking book.

A comprehensive analysis of the Group's interest rate risk as at 31 December 2000 showed the following interest rate sensitivities, defined as the effects of an interest rate increase of one basis point (0.01%) on fixed-interest-bearing assets and liabilities.

The "other positions" involve interest rate risk resulting from lending and deposits business and from ALCO activities.

€		Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Euro	Trading	746	47,155	–183,243	106,447	72,190	43,295
Euro	Other positions	15,631	–55,804	–206,624	–354,192	–1,505,567	–2,106,556
Pound sterling	Trading	6,810	6,709	–55,245	–45,193	–14,452	–101,371
Pound sterling	Other positions	4,142	9,354	–134,159	–145,869	–194	–266,726
US dollar	Trading	33,130	–5,370	–70,862	5,030	–1,564	–39,636
US dollar	Other positions	–2,662	–130,932	–203,949	216,113	101,834	–19,596
Swiss franc	Trading	4,738	–38,938	–12,152	15,320	–12,407	–43,439
Swiss franc	Other positions	5,746	37,528	–151,639	22,505	25,183	–60,677
Yen	Trading	3,336	14,497	–47,129	–12,797	–32,482	–74,575
Yen	Other positions	–2,159	–12,418	–6,227	57,988	10,434	47,618
Other	Trading	4,679	5,047	–20,011	–3,854	17,966	3,827
Other	Other positions	1,842	–7,823	–17,765	16,560	–22,323	–29,509

Credit/counterparty risk

The general principles applied to credit rating processes and lending decisions are laid down in a set of rules (general principles and specific principles for individual customer groups, products and regions). These rules are regularly reviewed in the light of current developments in the area of risk assessment. Discretionary powers and approval authority are exclusively granted to experienced lending officers and include authority to approve new business and to review exposures. Approval authority is differentiated according to amount, creditworthiness of business partners, maturity and security.

In each case, new transactions are approved, and existing exposures involving credit risk are reviewed, in line with the two-signatures principle. Primary responsibility for risk rests with the unit serving customers. Within the Group, primary responsibility for risk encompasses the primary assessment of credit risk.

Secondary responsibility for risk rests with a risk management unit which is separate from the units serving customers. Secondary responsibility for risk comprises mainly the secondary evaluation of credit applications.

The units serving customers regularly review loan exposures for their risk content and submit them to the credit risk management unit for approval.

Special attention is given to reviewing and managing bad and doubtful debt. As soon as early warning signals appear, bad and doubtful debt is dealt with by specially trained staff. An exposure is classified as bad or doubtful if, in view of the borrower's financial position and of the security provided, a loss of principal and/or interest may be expected. Such exposures are subject to special approval authority, both at the units serving customers and at the risk management units.

In the area of credit/counterparty risk, Bank Austria has made an essential step towards meeting its objective of managing the Group's credit portfolio on the basis of risk-adjusted return (RAROC). The approach to credit risk control has been further developed and refined at the individual-loan and portfolio levels.

Credit/counterparty risk is defined as the probability of incurring a financial loss resulting from a borrower's/counterparty's inability to meet its obligations. This comprises counterparty risk, international transfer risk and settlement risk.

Credit/counterparty risk is analysed for the classic banking products – such as loans and commitments to lend – and for products in the trading book as well as derivative financial instruments.

Bank Austria gives special attention to risks on (OTC) derivatives contracts with a view to limiting the future potential default risk on such contracts.

RAROC (risk-adjusted return on capital) analyses credit transactions with a two-dimensional risk approach: on the one hand, the expected loss resulting from a default is calculated; on the other hand, unexpected loss and economic capital are determined on an individual loan basis, taking account of portfolio effects. Expected loss is the average annual loss rate, based on historical experience, resulting from events of default. It is calculated by multiplying the loss probability by the credit equivalent and the loss rate. Unexpected loss is a measure of the annual fluctuations of actual loan losses around expected loss. In the management system, the loss expected in the lending business is reflected in standard risk costs, while unexpected loss will be taken account of in the future through the allocation of economic capital.

Refined rating instruments have been designed and implemented to support this control system and to optimise risk assessment. Activities in this area focused on implementing and applying the new rating system for corporate customers in Austria, developing a credit rating system for Central and East European companies, and designing a model for small and medium-sized businesses. These rating models provide a basis for quantifying loan default risk in the form of loss probabilities.

In line with these new rating systems, credit analysis is based on both quantitative criteria, such as financial statements, and qualitative factors taking into account also the possible future development of a company. If the borrower is a member of a group, the group will also be analysed.

The objective is to assign to all customers a specific rating on a rating scale. This rating scale can be translated into the rating scale of HVB; the scales will be standardised shortly.

This rating scale is applied across the Bank Austria Group. It can be translated into the previously used rating categories and into external rating scales. An empirical loss probability has been determined for each rating category of this scale, exclusively based on the customer's creditworthiness. Security is additionally taken into account in determining the expected loss.

In the past year a quantitative model to determine credit risk for the Group's entire portfolio was implemented step by step. This credit portfolio model is used to identify and, if necessary, reduce risk concentrations as well as measuring correlations within the portfolio with a view to diversifying risk. In addition, economic capital can also be calculated by using this model. This will supplement the allocation of regulatory capital with a capital allocation method based on risk-adjusted return.

At the same time, through this work on refining and further developing the methods of credit risk management, Bank Austria is preparing for possible changes in banking supervision guidelines, which are currently under consideration with a view to more precisely differentiating between capital requirements for different credit risks and recognising internal rating systems for supervisory purposes.

Operational risk

Increasing attention is being given to operational risk. Therefore, at the end of 2000, Bank Austria set up a department which concentrates on operational risk and Group risk.

This was another step made with a view to covering all types of risk in the banking business. Another reason why this unit was created is that regulators are paying closer attention to "other risks" at banks. In the foreseeable future, operational risk, the main component of this risk category, is to be backed with capital resources on a compulsory basis. Moreover, the need for accurate measurement and control has also led to stronger emphasis being placed on dealing with operational risk.

Operational risk is defined as the risk of unexpected losses due to human error, flawed management processes, natural and other disasters, technological failures, and changes in the external environment (event risk). For example, in the future, IT system failures, damage to property, processing errors or fraud will be subject to accurate and consolidated risk measurement and management, on which the calculation of risk capital will be based.

Processes associated with risk are detected and addressed in close coordination and co-operation with other service units such as internal audit, compliance or the legal department. Also to be considered is the fact that Bank Austria has always taken numerous measures in the various divisions to manage and reduce operational risk. Examples are data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes.

This means that the principal activities in the area of operational risk will be to

– further sensitise all units of the Bank Austria Group to issues concerning operational risk,
– develop a high-quality database comprising internal and external loss data for risk measurement,
– design a model to measure operational risks on an actuarial basis,
– identify insurable operational risks,
– introduce a qualitative approach such as control self assessment to assess control quality and derive necessary measures.

The main tasks in 2001 will include establishing an information system in the Bank Austria Group to collect consistent and complete data on operational risk. Based on cause-related categories of individual risks, these data will be used for internal reporting and the risk measurement system currently being established. This system will help to identify sources of risk at an early stage and to quantify operational risk in order to manage the allocation of economic capital. Attention will also be given to coordination with HypoVereinsbank so as to ensure the rapid and smooth inclusion of risk data in the risk calculations of the HVB Group.

In addition, the use of questionnaire-based control self assessment to ascertain control and process quality will be extended to the Bank Austria Group. This will provide a faster and more comprehensive insight into the risk profile of the divisions and their action plans to minimise risk.

Finally, another focus of activities in the current year will be on adjusting the organisational structure to take account of operational risk, together with the establishment of a cross-divisional Operational Risk Committee.

(33) Credit risk

The net charge for losses on loans and advances was € 666 m, substantially higher than the 1999 figure and the original budget figure for 2000.

An analysis by business segment presents the following picture:

€ m	Corporate Customers	Private Customers and Professionals	Inter-national Business	Financial Markets	Equity Interests	Other positions/ reclassifications	Bank Austria Group
Net charge for losses on loans and advances – 2000	–287	–93	–152	9	–	–143	–666
Net charge for losses on loans and advances – 1999	–197	–87	–104	–2	–6	–3	–400

The increase in the provisioning charge was due to the general trend of risks in Austria and to the application of the HVB Group's uniform Group-wide valuation system.

In the USA, uncertainties over the US economy were growing and massive problems were experienced, particularly among growth companies. For these reasons, the charge for specific risk provisions was higher than originally expected.

Provisioning requirements in the Central and East European markets remained at a low level.

(34) Financial derivatives

The activity levels of Bank Austria in derivative instruments are shown in the table "Total volume of outstanding financial derivative transactions".

As at 31 December 2000, the notional amounts of financial derivative transactions totalled € 449 bn (1999: € 432 bn). Trading activities accounted for 77% (83%) of this total volume, the remainder related to banking book positions.

Derivatives are over-the-counter (OTC) contracts, concluded directly with the counterparties, or exchange-traded contracts. Most of the OTC business volume relates to interbank trading. Corporates and institutional customers use derivative instruments for interest-rate and exchange risk management purposes.

Exchange-traded instruments account for a relatively small proportion of the total volume of transactions.

Derivative financial instruments are classified as interest rate contracts, foreign exchange contracts and securities-related transactions, in line with the form of presentation which is widely used in the market. These categories are subdivided into forward transactions, swaps and options as well as exchange-traded futures and options. Interest rate contracts accounted for € 358 bn, foreign exchange contracts totalled € 87 bn, and securities-related transactions amounted to € 4 bn.

The table shows the notional amounts of transactions as well as positive and negative market values as at the balance sheet date, divided into trading book and banking book positions. These positions are stated at their market or fair values, reflecting the contract values as at the balance sheet date.

Total volume of outstanding financial derivative transactions of the Bank Austria Group

€ m	Trading book			Banking book		
	Notional amounts	Dirty price Pos. market value	Dirty price Neg. market value	Notional amounts	Clean price Pos. market value	Clean price Neg. market value
TOTAL	**343,646.270**	**5,505.956**	**5,286.947**	**105,151.189**	**1,037.073**	**1,379.241**
of which: OTC products	*334,588.024*	*5,473.237*	*5,252.048*	*105,151.189*	*1,037.073*	*1,379.241*
of which: exchange-traded products	*9,058.246*	*32.719*	*34.899*	–	–	–
A. Interest rate contracts	**263,468.700**	**4,001.699**	**3,723.130**	**94,644.958**	**842.088**	**851.481**
OTC products:	**255,932.451**	**3,987.344**	**3,717.288**	**94,644.958**	**842.088**	**851.481**
Forward rate agreements	11,803.685	8.201	8.326	6,334.385	8.281	3.066
Single-currency swaps	166,581.038	3,588.063	3,311.703	86,307.234	823.521	813.599
Interest rate options bought	31,898.872	356.456	–	312.712	10.286	–
Interest rate options sold	34,309.886	–	379.710	1,685.853	–	34.816
Other interest rate contracts	11,338.970	34.624	17.549	4.774	–	–
Exchange-traded products:	**7,536.249**	**14.355**	**5.842**	**–**	**–**	**–**
Interest rate futures	5,782.136	6.358	1.843	–	–	–
Options on interest rate futures	1,754.113	7.997	3.999	–	–	–
B. Foreign exchange contracts	**76,264.937**	**1,471.921**	**1,533.976**	**10,450.432**	**192.922**	**524.760**
OTC products:	**76,264.937**	**1,471.921**	**1,533.976**	**10,450.432**	**192.922**	**524.760**
Forward foreign exchange transactions	55,136.545	1,273.614	1,295.030	319.967	1.230	453
Cross-currency swaps	6,491.322	99.166	150.241	10,124.258	191.692	524.307
Currency options bought	7,712.727	99.141	–	3.000	–	–
Currency options sold	6,924.343	–	88.705	3.207	–	–
Other foreign exchange contracts	–	–	–	–	–	–
Exchange-traded products:	**–**	**–**	**–**	**–**	**–**	**–**
Currency futures	–	–	–	–	–	–
Options on currency futures	–	–	–	–	–	–
C. Securities-related transactions	**3,912.633**	**32.336**	**29.841**	**55.799**	**2.063**	**3.000**
OTC products:	**2,390.636**	**13.972**	**784**	**55.799**	**2.063**	**3.000**
Securities swaps	–	–	–	26.700	–	3.000
Equity options bought	871.556	9.896	–	29.099	2.063	–
Equity options sold	1,246.572	–	784	–	–	–
Other securities-related contracts	272.508	4.076	–	–	–	–
Exchange-traded products:	**1,521.997**	**18.364**	**29.057**	**–**	**–**	**–**
Equity and equity index futures	211.834	5.058	8.054	–	–	–
Equity and equity index options	1,310.163	13.306	21.003	–	–	–

For portfolio management and risk management purposes, recognised pricing models are used. Contracts are valued at official market rates and prices (interest rates, exchange rates and securities prices).

Transactions entered into within the Bank Austria Group on market terms and conditions between the banking book and the trading book are included, unlike transactions within the same book. This reflects the practice of immediately recognising in the income statement the effect of value fluctuations arising from the trading book regardless of realisation.

The valuation of the banking book at the clean price takes account of interest accrued until the balance sheet date and recognised in the income statement.

The market value of cross-currency swaps is presented with the exchange rate component. The result from exchange rate components is to be offset against the net market value as at the balance sheet date.

Activity levels in derivative instruments were increased mainly in interest rate contracts, primarily swaps and options. To be mentioned in this context is the expansion of trading activities in credit derivatives, which are conducted in Vienna and London. At the balance sheet date, the volume of credit default swaps was € 11 bn.

The bank continued to develop structured products, widening the range of products offered to corporate customers in this sector to include cap loans.

The total volume of swaps (trading book: € 173 bn, banking book: € 96 bn) reflects the build-up of the EUR swap book. In the CEE markets, business in PLN swaps and forward rate agreements increased considerably, additionally boosted by a large number of Euro-PLN issues of Western issuers. This in turn stimulated the cross-currency swap market (EUR/PLN).

Given the low level of CZK interest rates and the decline in SKK interest rates, there was only moderate demand for interest rate derivatives in these currencies.

Foreign exchange markets experienced extremely high volatility, a decline in the external value of the euro, and lower liquidity in the options market. ECB interventions added to the nervousness prevailing among market participants. Several banks ceased to act as market makers in options, thereby further reducing liquidity. This prompted Bank Austria to reduce its options positions, too.

Growth in securities-related transactions was mainly due to OTC and exchange-traded index options.

Turbulent developments in international stock markets were also reflected to a very large extent in the forward markets. Driven by market nervousness, volatilities rose sharply in spring and reached record levels in autumn 2000.

In Austria, options on Telekom Austria shares stimulated activity in the derivatives market in Vienna.

On the Austrian Futures and Options Exchange, the bank continued to exercise its market maker function for instruments based on 10 equities and the ATX index in the year 2000.

The Austrian OTC market did not see any significant business volumes in 2000. On the other hand, there was increased demand for OTC contracts based on foreign underlying instruments with foreign counterparties.

Measured as a proportion of total activity levels in derivatives, Bank Austria's banking book was slightly expanded compared with the previous year, to € 105 bn at the end of the year. Swaps are the main type of instrument used to hedge the asset portfolio as well as the bank's own issues and those of other issuers.

As at 31 December 2000, potential credit risk arising for Bank Austria on contracts with external counterparties in the event of the counterparty's insolvency was € 6 bn (1999: € 4.5 bn). Positive market values represent potential replacement cost of the contracts. The credit risk arising from derivative instruments is covered by capital resources; only OTC contracts are covered, in the case of options only options bought are covered. Options sold represent a liability of the bank, exchange-traded contracts are secured by margin deposits.

The conclusion of netting (master) agreements makes it possible to offset claims against liabilities arising from defined derivatives transactions. If netting agreements are taken into account, the capital requirement for these contracts is about 40% lower.

Collateral agreements with selected counterparties are another method used to reduce credit risk and capital requirements. First-class security (cash collateral and government bonds) covers almost all of the default risk on OTC derivatives.

Market values expressed as a proportion of activity levels are relatively constant, moving within the international standard range.

Information required under Austrian law

(35) Legal basis under Austrian law

Legal basis of consolidated financial statements prepared in accordance with International Accounting Standards (IAS) in Austria: pursuant to the Austrian Consolidated Financial Statements Act as published in the Federal Law Gazette BGBl No. 49/1999 of 26 March 1999, a new Section 59a was introduced to the Austrian Banking Act. Under Section 59a, a bank preparing consolidated financial statements in accordance with internationally accepted accounting principles is exempted from the obligation to prepare consolidated financial statements pursuant to the Austrian Banking Act. To qualify for such exemption, consolidated financial statements must be consistent with the rules contained in Council Directive 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions, and meet the requirements of Section 245a (1) items 2 to 5 and (2) of the Austrian Commercial Code.

The auditors must certify that these requirements are met, and "the auditors' report shall report on the findings of the audit of the consolidated financial statements, and of the management report of the Group, in a manner which is at least equivalent to that required by Section 274 (1) to (4) of the Austrian Commercial Code".

IASs are internationally accepted accounting principles and the auditors have certified that the requirements of Section 59a of the Austrian Banking Act have been met. Thus the 2000 consolidated financial statements of Bank Austria AG in accordance with IAS meet the legal requirements applicable in Austria.

All of the shares in Bank Austria AG were transferred to HVB against shares in HVB at the exchange ratio of one for one. As a result, at the balance sheet date, the parent company of Bank Austria AG was no longer BA Holding AG, Vienna, but HVB. Pursuant to Section 59a of the Austrian Banking Act in conjunction with Section 30 of the Austrian Banking Act, the superordinate credit institution having its registered office in Austria must prepare consolidated financial statements. Thus the consolidated financial statements of HVB do not have the effect of exempting Bank Austria from this obligation pursuant to the Austrian Banking Act, and therefore the consolidated financial statements contained in this annual report have been prepared from the perspective of Bank Austria AG, Vienna, as superordinate domestic credit institution.

A complete list of equity interests of Bank Austria AG is given in the notes to the company's separate financial statements and is available free of charge on request.

(36) Consolidated shareholders' equity and shareholders' equity of Bank Austria AG

Consolidated shareholders' equity is composed of paid-in capital (nominal capital plus capital reserves) of Bank Austria AG, the Group's parent company, and earned capital (retained earnings of the Group plus consolidated net income).

In spring 2000, an offer was made to exchange participation certificates of Bank Austria AG for no par value shares in Bank Austria in the period from 23 February to 22 March. This offer related to new Bank Austria shares. About 870,000 participation certificates were exchanged for no par value shares in Bank Austria AG.

In respect of participation certificates which were not exchanged, a resolution was passed at the 9th ordinary Annual General Meeting on 26 May 2000 to call in the participation certificates against cash payment pursuant to Section 102a of the Austrian Banking Act. Upon completion of this transaction, only one category of equity instruments of Bank Austria AG was listed on the Vienna Stock Exchange.

Through a share buyback Bank Austria AG reduced the number of equity instruments issued by it to 114 million no par value bearer shares.

As part of the structural changes in Bank Austria AG in the 2000 financial year referred to in previous sections of this annual report, the name of the listed company Bank Austria AG was changed to Bank Austria Holding AG. Therefore, from that time onwards, the calculation of earnings per share has been based on the listed shares outstanding of this company, which held all shares in Sparkasse Stockerau, a company whose name was changed to Bank Austria AG and to which the banking business of the former listed Bank Austria AG was spun off.

As part of the integration of HypoVereinsbank and Bank Austria, Bank Austria Holding AG transferred its shares in Bank Austria AG as a contribution in kind to Hypovereinsbank AG, Munich, with effect from 8 December 2000, against shares in HypoVereinsbank at a ratio of one for one.

As Bank Austria AG pays dividends on the basis of Austrian law, only part of the shareholders' equity calculated pursuant to the Austrian Commercial Code and the Austrian Banking Act is available for distribution: accumulated profit, free revenue reserve, and capital reserve not subject to legal restrictions. For 2000, a maximum amount of € 288 m (1999: € 135 m) was available for distribution.

(37) Employees

In 1999 and 2000, the Bank Austria Group employed the following average numbers of staff (the number of employees at PBK, Poland, totalling just under 9,000, is not reflected in the calculations of the annual average because PBK was only consolidated at the end of 2000):

Employees*

	2000	1999
Salaried staff	16,866	16,980
Other employees	305	312
TOTAL	**17,171**	**17,292**
of which: in Austria	*13,290*	*13,707*
of which: abroad	*3,881*	*3,585*

*) average man-years of staff employed in Bank Austria, excluding apprentices and employees on unpaid maternity or paternity leave

(38) Information on members of the Managing Board, the Supervisory Board and the Employees' Council

The list of members of the Managing Board and of the Supervisory Board of Bank Austria AG is given on pages 188 to 191 of this annual report.

Expenses for severance payments and pensions

Severance payments and pensions include allocations to and reversals of the provision for pensions and severance payments. In the reporting year, allocations and payments into a pension fund for members of the Managing Board, senior executives and their surviving dependants totalled € 4.9 m, allocations and payments into a pension fund for other employees and their surviving dependants amounted to € 82.6 m.

Emoluments of members of Bank Austria AG's Managing Board and Supervisory Board

The emoluments of 11 members of the Managing Board active in the 2000 business year totalled € 7.5 m (1999: nine members, € 2.5 m). Of this total amount, current salary payments amounted to € 3.3 m, and special payments and severance payments totalled € 4.2 m. Emoluments for activities on behalf of subsidiaries amounted to € 0.1 m (adjusted1999 figure: € 0.2 m).

Payments to former members of the Managing Board and their surviving dependants totalled € 3.6 m (adjusted 1999 figure: € 4.0 m). Emoluments for activities on behalf of subsidiaries amounted to € 0.04 m as in the previous year.

The emoluments of members of the Supervisory Board active in the 2000 business year totalled € 0.5 m for Bank Austria AG as in the previous year. Emoluments for activities on behalf of subsidiaries amounted to € 0.02 m as in the previous year. Emoluments include directors' fees, annual bonuses, expense allowances and commissions.

Loans and advances to members of the Managing Board and the Supervisory Board of Bank Austria AG

As at the balance sheet date, outstanding loans and advances granted to members of the Managing Board totalled € 0.1 m as in the previous year. New loans and interest charged totalled € 0.1 m, while repayments amounted to € 0.04 m.

Loans to members of the Supervisory Board amounted to € 0.54 m (1999: € 0.72 m). New loans amounted to € 0.1 m, while repayments totalled € 0.1 m. Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to ten years. The rate of interest payable on these loans is the rate charged to employees of Bank Austria AG.

(39) Trust business contained in local financial statements

The local financial statements of Group members contain the following assets held by these companies on a trust basis:

€ m	2000	1999
Loans and advances to, and placements with, banks	62	12
Loans and advances to customers	1,619	1,120
Debt securities	6	33
Shares	52	76
Equity interests	42	71
Property and equipment	145	130
Other assets	17	27
TOTAL TRUST ASSETS	**1,943**	**1,469**
Amounts owed to banks	159	235
Amounts owed to customers	1,314	714
Liabilities evidenced by certificates	308	327
Other liabilities	162	193
TOTAL TRUST LIABILITIES	**1,943**	**1,469**

(40) Breakdown of securities pursuant to the Austrian Banking Act

The following table gives a breakdown of securities pursuant to Section 64 of the Austrian Banking Act:

Breakdown of securities pursuant to Section 64 (1) items 10 and 11 of the Austrian Banking Act as at 31 December 2000

€ m	Unlisted	Listed	of which: valued as fixed assets	of which: other valuation	Total 2000	Total 1999
Bonds and other fixed-income securities	901	22,504	15,369	7,135	23,405	14,111
Shares and other variable-yield securities	2,819	830	557	273	3,649	3,862
Equity interests	677	686	686	–	1,363	1,866
Shares in subsidiaries	1,084	161	161	–	1,245	983
TOTAL SECURITIES	**5,480**	**24,182**	**16,774**	**7,408**	**29,662**	**20,822**

(41) Principal differences between consolidated financial statements in accordance with IAS and consolidated financial statements under Austrian generally accepted accounting principles

The main differences between consolidated financial statements in accordance with IAS and consolidated financial statements under Austrian generally accepted accounting principles (Austrian Commercial Code / Austrian Banking Act) are as follows:

1) objective and content of financial statements in accordance with IAS,
2) formats for the balance sheet and the income statement,
3) recognition and valuation principles,
4) group of companies to be consolidated,
5) accounting for deferred taxes,
6) different assumptions used in calculating staff costs arising from pensions and similar obligations,
7) separation of minority interests held outside the Group from shareholders' equity,
8) more extensive disclosure requirements in the notes.

1) Objective and content of financial statements in accordance with IAS

The objective of financial reporting in accordance with IAS is to provide information about, and present fairly, the financial position and performance of the enterprise with a view to facilitating investment decisions and enabling users to evaluate the results of the stewardship of management.

Under International Accounting Standards, this objective is met through timely, complete, transparent and fair value-based reporting; determination of net income for the period on the accrual basis of accounting; and a form of presentation that is in line with proper business management principles. This enhances the international comparability of financial statements in accordance with IAS, as against financial statements prepared in conformity with local accounting standards.

A cash flow statement is an integral part of financial statements prepared in accordance with IAS.

Dividend payments are not determined or restricted by consolidated financial statements in accordance with IAS. Profit distributions are always made on the basis of the separate financial statements, prepared in accordance with local rules, of the company paying the dividend.

Purely tax-induced values are not allowed in financial statements prepared in accordance with IAS. Tax effects are reflected in the tax expense for the period, including deferred taxes (see 5 below), of the enterprise.

The notes to the financial statements contain disclosures and explanations providing users with relevant information and enabling them to properly assess the development of the enterprise during the reporting period (see 8 below).

2) Formats for the balance sheet and the income statement

International Accounting Standards do not set out compulsory formats for the balance sheet and the income statement. The IAS rules usually contain minimum requirements and leave it to the reporting enterprises to find the formats best suited to the objectives and purposes of presenting information.

An obvious difference between financial statements in accordance with IAS and those pursuant to the Austrian Banking Act is the compact presentation of the balance sheet and the income statement, making them easier to read. This does not result in any loss of information because the disclosure of numerous details, as well as additional breakdowns and explanatory notes which are not given in respect of financial statements prepared pursuant to the Austrian Commercial Code / Austrian Banking Act, significantly increases the content of information provided to users. Total loan loss provisions are presented on the face of the balance sheet, and the net charge for losses on loans and advances is disclosed in the income statement, in addition to further details on credit risk given in the notes. All this provides a considerably improved insight into the bank's credit risk policy.

3) Recognition and valuation principles

Financial reporting under Austrian law is guided by the principles of prudence, especially the principle of recognising possible losses but not anticipating possible gains. This principle is not applicable under the IAS rules.

Specific differences in individual items of the balance sheet and the income statement are explained in the notes to these items.

4) Consolidated companies

All significant controlled companies must be consolidated in accordance with IAS. In contrast to this, pursuant to Section 30 of the Austrian Banking Act, a controlled credit institution which is not material to the consolidated financial statements must also be consolidated. The provision of Section 30 of the Austrian Banking Act which restricts the group of consolidated companies to near-financial companies is not applied for the purposes of IAS-based consolidated financial statements. Financial companies which are not controlled and in which the ultimate holding company of the Group holds only an indirect majority interest, are not consolidated in accordance with IAS.

Compared with the group of companies to be consolidated under the Austrian Banking Act rules, this leads to numerous changes, resulting from the non-inclusion of several banks and financial institutions because these are not material to the consolidated financial statements, and from the inclusion of controlled real-estate subsidiaries and data-processing subsidiaries of Bank Austria which meet the materiality criterion. The method used to account for investments in companies in the consolidated financial statements is described in the section dealing with equity interests.

5) Accounting for deferred taxes

Under the IAS rules, differences between tax bases and amounts recognised in the balance sheet in accordance with IAS, if these differences reverse in the future, require the recognition of deferred tax assets or deferred tax liabilities, in the same way as current tax losses and tax losses carried forward from previous periods. In contrast to this, under the rules of the Austrian Commercial Code, deferred taxes can arise only from temporary differences between accounting profit and taxable profit; only the net amount of deferred tax liabilities, if any, must be recognised in the balance sheet.

The tax expense for the period thus comprises current tax payments made in the period and changes in deferred tax assets and liabilities during the period.

6) Different assumptions used in calculating staff costs arising from pensions and similar obligations

Pension provision

The calculation of pension provisions pursuant to the Austrian Commercial Code is often based on projected benefit valuation methods. IAS 19 requires the application of the projected unit credit method.

The discount rate chosen for discounting the projected benefit obligation under commercial law is often the same as that permitted for tax purposes. In accordance with IAS, the discount rate is determined by reference to long-term market yields on corporate bonds or government bonds.

Moreover, future salary increases resulting from career trends must be taken into account. As the underlying variables used for calculation purposes differ, pension provisions set up in accordance with IAS 19 are as a rule significantly higher than those pursuant to the Austrian Commercial Code. Post-employment benefits also include the provision for severance payments.

7) Minority interests held outside the Group are not part of shareholders' equity

In compliance with the IAS rules, interests in the capital of consolidated companies which are not owned, directly or indirectly through subsidiaries, by the parent company are not shown as a sub-item within consolidated shareholders' equity but as a separate balance sheet item.

8) More extensive disclosures required in the notes

For the purposes of creating comparability and achieving a fair presentation of the financial position and performance, the IAS rules require detailed information and disclosures to be given in the notes to the financial statements. Information to be presented as part of financial statements in accordance with IAS includes, for example, a statement of changes in shareholders' equity, segment reporting, and disclosures of the fair values of assets.

(42) Consolidated capital resources and regulatory capital requirements

The following tables show the capital requirements for the Bank Austria group of credit institutions pursuant to Section 30 of the Austrian Banking Act as at the balance sheet date of 1999 and 2000, as well as the various components of Bank Austria's capital resources as at the end of 1999 and 2000.

Capital resources and capital requirements

€ m	2000	1999
Core capital (Tier 1)	**4,880**	**4,548**
Paid-in capital	829	671
Capital reserve	2,172	2,080
Revenue reserve *	191	463
Reserve pursuant to Section 23 (6) of the Austrian Banking Act	1,441	1,181
Untaxed reserves	127	135
Differences on consolidation pursuant to Section 24 (2) of the Austrian Banking Act	572	330
Fund for general banking risks	–	–
– Intangible assets	–452	–312
Supplementary elements (Tier 2)	**3,821**	**2,789**
Undisclosed reserves	–	–
Supplementary capital	1,310	303
Participation capital	–	6
Revaluation reserve	209	206
Subordinated capital	2,302	2,274
Deductions	**–481**	**–643**
Net capital resources (Tier 1 and Tier 2)	**8,220**	**6,694**
Assessment basis (banking book)	**79,783**	**77,116**
Tier 1 capital ratio	*6.1%*	*5.9%*
Total capital ratio	*10.3%*	*8.7%*
Tier 3	**873**	**651**
Requirement for the trading book	339	551
Open foreign exchange position	26	48
Requirement to be covered by Tier 3	**365**	**599**

*) including that part of the accumulated profit which is not intended for distribution

Capital requirements pursuant to the Austrian Banking Act

€ m Weightings	Bank Austria Group Assets and off-balance sheet transactions	Weighted amounts	Required capital
0%	32,331		
10%	427	43	3
20%	21,491	4,298	344
50%	9,741	4,871	390
100%	62,119	62,119	4,970
Investment certificates	1,203	326	26
ASSETS – TOTAL	**127,312**	**71,657**	**5,733**
Financial derivative transactions	57,130	225	18
Other off-balance sheet transactions	27,856	7,901	632
BANKING BOOK – TOTAL	**212,298**	**79,783**	**6,383**

Concluding Remarks of the Managing Board of Bank Austria

The Managing Board of Bank Austria has prepared the consolidated financial statements as at 31 December 2000 in accordance with International Accounting Standards (IAS). These consolidated financial statements meet the legal requirements for exemption from the obligation to prepare consolidated financial statements under Austrian law and are consistent with applicable EU rules.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 12 March 2001

The Managing Board

Randa
(Chairman)

Samstag
(Deputy Chairman)

Haller

Hampel

Hemetsberger

Kadrnoska

Mendel

Werhahn-Mees

Zwickl

Report of the Auditors

Auditors' report

We have audited the consolidated financial statements prepared by Bank Austria AG as at 31 December 2000, which comprise the balance sheet at 31 December 2000, the income statement, the cash flow statement, the statement of changes in shareholders' equity, and the notes for the financial year beginning on 1 January 2000 and ending on 31 December 2000, as well as the comparative figures for the previous year. The Managing Board is responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (ISA) issued by 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 from material misstatement.

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 policies applied and significant estimates made by the Managing Board, as well as evaluating the overall consolidated financial statement presentation.

In relation to one significant foreign company (Banco BBA-Creditanstalt S.A., São Paulo, Brazil) which is accounted for under the equity method, our opinion is based on the findings of the audit by other independent auditors with adequate professional competence. We have reviewed their opinion for plausibility. The contribution of this company to total assets is € 342 m and its contribution to results is € 65 m. We believe that our audit together with the opinion of the other auditors provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2000 and of the results of its operations and its cash flows for the financial year beginning on 1 January 2000 and ending on 31 December 2000 in accordance with International Accounting Standards (IAS).

Pursuant to Austrian law (Section 59a of the Austrian Banking Act) it is our responsibility to certify that the legal requirements for the preparation of consolidated financial statements and a group management report in accordance with internationally accepted accounting principles have been met, exempting a company from the obligation to prepare consolidated financial statements pursuant to Austrian law. In this respect, we report as follows:

We certify that the consolidated financial statements and the management report of the Group are consistent with Council Directives 83/349/EEC and 86/635/EEC on consolidated accounts (of banks). The required explanatory notes on accounting policies and consolidation methods which differ from Austrian law are contained, and the overall presentation of the consolidated financial statements and of the management report of the Group is equivalent to the presentation pursuant to the Austrian Commercial Code and the Austrian Banking Act.

Thus the legal requirements for the preparation of consolidated financial statements and a group management report in accordance with internationally accepted accounting principles have been met, exempting Bank Austria from the obligation to prepare consolidated financial statements pursuant to Austrian law. The management report of the Group for 2000 is consistent with the consolidated financial statements.

Vienna, 12 March 2001

Savings Bank Auditing Association
Auditing Board

Klaus Goschler | Wolfgang Riedl

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gottwald Kranebitter | Martin Wagner

Österreichische Wirtschaftsberatung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Philip Göth | Wolfgang Gassner

Report of the Supervisory Board

For Bank Austria, the 2000 financial year was marked by the integration with HypoVereinsbank and the related structural changes in the Group.

The company in its current legal form was established as Sparkasse Stockerau Aktiengesellschaft. Assuming the name of Bank Austria Aktiengesellschaft, it absorbed the banking business of Bank Austria Aktiengesellschaft through universal succession as at 7 November 2000 when that business was spun off. At the same time, Bank Austria Creditanstalt International AG as transferring company merged with the company.

The Supervisory Board of Bank Austria, in its meetings held on 10 August 2000, 21 August 2000 and 4 September 2000, dealt exclusively with the structural changes in the group of credit institutions, in particular with the basic approval of the transaction, preparation of audit reports of the Supervisory Board, appointment of the auditors, and consent to the exchange ratio of Bank Austria shares for HypoVereinsbank shares.

On 21 August 2000, the Supervisory Board of Sparkasse Stockerau Aktiengesellschaft passed the resolutions required for the structural changes; the resolutions of the Supervisory Board of Bank Austria Creditanstalt International AG were passed on 4 September 2000.

The structural changes were approved at the extraordinary general meetings of Bank Austria on 27 September 2000, and of Sparkasse Stockerau on 26 September 2000.

In the financial year, the Supervisory Board of (the respective) Bank Austria Aktiengesellschaft held a total of eight meetings as well as a number of committee meetings. The Supervisory Board was regularly informed by the bank's Managing Board of the progress and status of the company. In its meetings, the Supervisory Board performed all its duties as defined by the law and the bye-laws. The same applies to the Supervisory Board of Sparkasse Stockerau Aktiengesellschaft and the Supervisory Board of Bank Austria Creditanstalt International AG, each of which held five meetings during the financial year until 6 November 2000.

Pursuant to a resolution passed at the extraordinary general meeting held on 26 September 2000, the members of the Supervisory Board of (the new) Bank Austria Aktiengesellschaft were the same, from 4 November 2000, as the members of the Supervisory Board of Bank Austria Aktiengesellschaft before the banking business was spun off. Friedel Neuber resigned from the Supervisory Board on 6 November 2000, and Carlo Salvatori on 11 December 2000. With effect from 4 December 2000, the Employees' Council delegated Adolf Lehner as a member of the Supervisory Board in place of Walter Schlögl.

At the extraordinary general meeting held on 29 December 2000, a resolution was passed to reduce the number of Supervisory Board members to nine shareholder representatives and five staff representatives. Since 1 January 2001, the Supervisory Board members representing the shareholder have been Albrecht Schmidt as Chairman, Rudolf Humer as his deputy, Erich Becker, Lino Benassi, Adolf Franke, Paul Hassler, Gerhard Mayr, Dieter Rampl and Eberhard Rauch. The Supervisory Board members delegated by the Employees' Council are Hedwig Fuhrmann, Wolfgang Heinzl, Adolf Lehner, Wolfgang Lang and Thomas Schlager.

In its meeting held on 6 November 2000, the Supervisory Board appointed Gerhard Randa as Chairman of the Managing Board, Karl Samstag as his deputy, as well as Wolfgang Haller, Erich Hampel, Friedrich Kadrnoska, Wolfram Littich, Michael Mendel (from 8 December 2000), Kai Werhahn-Mees (from 8 December 2000) and Franz Zwickl as members of the Managing Board until 3 April 2005. Wilhelm Hemetsberger was appointed as a Managing Board member with effect from 17 February 2001, replacing Wolfram Littich, who resigned from the Managing Board on 16 February 2001.

The accounting records, the financial statements for 2000 and the management report were audited by the Auditing Board of the Savings Bank Auditing Association, by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and by Österreichische Wirtschaftsberatung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. As the audit did not result in any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board has endorsed the findings of the audit, agrees with the financial statements and the management report, including the proposal for the appropriation of profits, presented by the Managing Board, and approves the 2000 financial statements, which are thereby adopted pursuant to Section 125 (2) of the Austrian Joint Stock Companies Act.

The 2000 consolidated financial statements, including the notes, prepared in accordance with International Accounting Standards (IAS) and the management report of the Group were audited by the Auditing Board of the Savings Bank Auditing Association, by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and by Österreichische Wirtschaftsberatung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audit did not result in any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 1999 and as at 31 December 2000, and of the results of its operations and its cash flows for the financial year beginning on 1 January 1999 and ending on 31 December 1999, and for the financial year beginning on 1 January 2000 and ending on 31 December 2000, in accordance with International Accounting Standards (IAS).

The auditors certify that the management report of the Group is consistent with the consolidated financial statements and that the legal requirements for exemption from the obligation to prepare consolidated financial statements pursuant to Austrian law are met.

The Supervisory Board has endorsed the findings of the audit.

Vienna, 19 March 2001

The Supervisory Board

Albrecht SCHMIDT
Chairman of the Supervisory Board

Glossary

Important concepts and terms used in this Annual Report are explained and defined below.

Assessment basis as defined in the Austrian Banking Act

This is the sum of assets, off-balance sheet positions and special off-balance sheet positions related to the banking book and weighted by transaction/counterparty risk, calculated in accordance with Austrian banking supervision rules. See also risk-weighted assets.

Austrian Banking Act

The Austrian Banking Act as amended.

Austrian Commercial Code

The Austrian Commercial Code as amended.

Business units of the Bank Austria Group

Branches, other business units providing direct customer services, and representative offices of all financial companies in the Bank Austria Group.

Capital resources

Capital resources comprise paid-in capital, earned capital as well as differences and minority interests resulting from capital consolidation (= core capital / Tier 1), supplementary and subordinated capital (supplementary elements / Tier 2) and re-classified Tier 2 capital (= Tier 3 capital).

Companies accounted for under the equity method

Equity interests in such companies are stated in the consolidated balance sheet at the share of net assets including any goodwill. The share of profits or losses is included in the consolidated income statement.

Consolidated companies

These are significant controlled companies whose assets, liabilities, income and expenses are, after eliminations, included in the consolidated financial statements of Bank Austria.

Core capital (Tier 1)

Paid-in capital and reserves as well as differences arising on capital consolidation, less intangible assets.

Dividend per share

The (proposed) dividend per share.

Earnings per share

Consolidated net income (in 1999 less amounts distributable to holders of participation certificates) divided by the average number of shares outstanding.

In its trading portfolio, the bank temporarily holds its own shares only in its capacity as market maker to ensure the Vienna Stock Exchange’s ability to function. Therefore such shares are treated as shares outstanding.

For details on the method of calculation, see note 9.

Market capitalisation

The market value of all Bank Austria shares – and, in the previous year, Bank Austria participation certificates – as at year end.

Net capital resources

In the capital resources table, net capital resources include only Tier 1 and Tier 2 capital and deductions. Net capital resources cover the capital requirement for the banking book (solvency) and are used as a regulatory measure for limiting large exposures and for other regulatory standards.

Tier 3 capital can only be used to cover the regulatory capital requirement for the trading book and for the open foreign exchange position pursuant to the Austrian Commercial Code.

Price/earnings ratio

The price of ordinary shares – and, in the previous year, participation certificates – as at year end, divided by earnings per share.

Risk-weighted assets

Total of assets weighted by counterparty risk (banking book). See also assessment basis as defined in the Austrian Banking Act.

ROA (return on assets)

Consolidated net income after taxes divided by average total assets.

ROE (return on equity)

Consolidated net income after taxes divided by average shareholders' equity.

Tier 1 capital ratio

The ratio resulting from the division of Tier 1 capital by the assessment basis (with respect to the banking book).

Valuation of equity interests

- Companies which are controlled and significant are included in the group of consolidated companies (see above).
- Financial companies which are not controlled but significant, and in which significant influence can be exercised, are accounted for under the equity method (see above).
- Investments in all other companies are stated in the balance sheet at book value. Dividends paid by such companies are reflected in the income statement.

Quarterly Data

Balance sheet

At end of quarter	31 Dec. 2000 € m	30 Sept. 2000 € m	30 June 2000 € m	31 March 2000 € m
Assets				
Cash and balances with central banks	1,623	636	874	1,182
Loans and advances to, and placements with, banks	39,417	31,799	33,409	29,990
Loans and advances to customers	82,320	81,856	77,329	77,881
– total loan loss provisions	– 2,856	– 2,432	– 2,463	– 2,393
Trading assets	14,256	11,303	10,059	10,242
Other current financial assets	3,751	3,825	3,796	3,892
Financial fixed assets	22,431	22,707	22,713	21,939
Intangible assets	642	673	687	701
Property and equipment	1,248	1,094	1,101	1,128
Other assets	2,188	2,529	2,029	2,639
TOTAL ASSETS	**165,019**	**153,989**	**149,534**	**147,201**
Liabilities and shareholders' equity				
Amounts owed to banks	59,105	53,694	58,852	57,322
Amounts owed to customers	53,047	47,880	46,006	43,527
Liabilities evidenced by certificates	31,283	32,512	26,893	27,211
Provisions	2,972	3,123	3,113	3,120
Other liabilities	8,299	7,265	5,731	7,384
Subordinated capital	5,030	4,528	4,074	3,696
Minority interests	669	404	398	392
Shareholders' equity	4,615	4,583	4,469	4,549
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,019**	**153,989**	**149,534**	**147,201**

Income statement

By quarter	Q 4 2000 € m	Q 3 2000 € m	Q 2 2000 € m	Q 1 2000 € m
Net interest income	635	547	557	501
Losses on loans and advances	307	134	118	107
Net fee and commission income	235	215	204	208
Net trading result	– 18	27	33	95
General administrative expenses	540	542	536	541
Result of other operating activities	143	63	25	17
Net income before taxes	**148**	**176**	**165**	**173**
Taxes on income	17	– 26	– 14	– 24
Net income after taxes	**165**	**150**	**151**	**149**
Minority interests	1	8	7	7
CONSOLIDATED NET INCOME	**164**	**143**	**143**	**142**

Supervisory Board and Managing Board of Bank Austria Aktiengesellschaft

On 7 November 2000, the business operations of Bank Austria (old) were spun off into Sparkasse Stockerau AG, whose name was subsequently changed to Bank Austria (new).

Supervisory Board of Bank Austria (old)

Chairman

Siegfried Sellitsch
Chairman of the Managing Board,
Wiener Städtische Allgemeine Versicherung Aktiengesellschaft

First Deputy Chairman

Walter Nettig
President of the Vienna Chamber of Commerce

Second Deputy Chairman

Rudolf Humer
Chairman of the Managing Board, P Beteiligungs Aktiengesellschaft

Members

Erich Becker
Chairman of the Managing Board, VA Technologie AG

Dieter Falke
Member of the Managing Board, Westdeutsche Landesbank Girozentrale
(until 29 February 2000)

Adolf Franke
Member of the Managing Board, Westdeutsche Landesbank Girozentrale
(since 26 May 2000)

Günther W. Havranek
Tax Consultant, Certified Public Accountant

Ewald Klinger
Managing Director, Entsorgungsbetriebe Simmering Ges.m.b.H.

Gerhard Mayr
Executive Vice-President Pharmaceutical Operations, Eli Lilly & Company

Friedel Neuber
Chairman of the Managing Board, Westdeutsche Landesbank Girozentrale

Walter Petrak

Carlo Salvatori
Managing Director and CEO, Banca Intesa SpA

Helmut Andreas Schuster

Willem A. Wielens
CEO, Philips Regional Headquarters Western Europe, Middle East & Africa

Appointed by the Employees' Council

Hedwig Fuhrmann
Chairman of the Employees' Council

Wolfgang Heinzl
First Deputy Chairman of the Employees' Council

Kornelia Urban
Second Deputy Chairman of the Employees' Council

Heribert Kruschik
Member of the Employees' Council

Wolfgang Lang
Member of the Employees' Council

Thomas Schlager
Member of the Employees' Council

Walter Schlögl
Member of the Employees' Council

Supervisory Board of Bank Austria (new)*

Chairman	Siegfried Sellitsch Chairman of the Managing Board, Wiener Städtische Allgemeine Versicherung Aktiengesellschaft
First Deputy Chairman	Walter Nettig President of the Vienna Chamber of Commerce
Second Deputy Chairman	Rudolf Humer Chairman of the Managing Board, P Beteiligungs Aktiengesellschaft
Members	Erich Becker Chairman of the Managing Board, VA Technologie AG Adolf Franke Member of the Managing Board, Westdeutsche Landesbank Girozentrale Günther W. Havranek Tax Consultant, Certified Public Accountant Ewald Klinger Managing Director, Entsorgungsbetriebe Simmering Ges.m.b.H. Gerhard Mayr Executive Vice-President Pharmaceutical Operations, Eli Lilly & Company Walter Petrak Carlo Salvatori Managing Director and CEO, Banca Intesa SpA (until 11 December 2000) Helmut Andreas Schuster Willem A. Wielens CEO, Philips Regional Headquarters Western Europe, Middle East & Africa
Appointed by the Employees' Council	Hedwig Fuhrmann Chairman of the Employees' Council Wolfgang Heinzl First Deputy Chairman of the Employees' Council Adolf Lehner Second Deputy Chairman of the Employees' Council (since 4 December 2000) Kornelia Urban Third Deputy Chairman of the Employees' Council Heribert Kruschik Member of the Employees' Council Wolfgang Lang Member of the Employees' Council Thomas Schlager Member of the Employees' Council Walter Schlögl Member of the Employees' Council (until 4 December 2000)

* Supervisory Board of Sparkasse Stockerau AG:
Herbert Masopust (Chairman), Johannes Raul (Deputy Chairman), Ilse Fürst, Ernst Mehlgarten, Rudolf Piber, Rudolf Richentzky, Andrea Stefanek, Martin Gramer, Alfred Zwettler

Supervisory Board since 1 January 2001

Albrecht Schmidt Spokesman of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG	**Chairman**
Rudolf Humer Chairman of the Managing Board, P Beteiligungs Aktiengesellschaft	**Deputy Chairman**
Erich Becker Chairman of the Managing Board, VA Technologie AG Lino Benassi Managing Director and CEO, Banca Intesa S.p.A. Adolf Franke Member of the Managing Board, Westdeutsche Landesbank Girozentrale Paul Hassler Certified Public Accountant Gerhard Mayr Executive Vice-President Pharmaceutical Operations, Eli Lilly & Company Dieter Rampl Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG Eberhard Rauch Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG	**Members**
Hedwig Fuhrmann Chairman of the Employees' Council Wolfgang Heinzl First Deputy Chairman of the Employees' Council Adolf Lehner Second Deputy Chairman of the Employees' Council Kornelia Urban Third Deputy Chairman of the Employees' Council (until 16 January 2001) Heribert Kruschik Member of the Employees' Council (until 16 January 2001) Wolfgang Lang Member of the Employees' Council Thomas Schlager Member of the Employees' Council	**Appointed by the Employees' Council**

Representatives of the Supervisory Authorities

	for Bank Austria (old)
Rudolf Glöckel	Commissioner
Josef Kramhöller	Deputy Commissioner
	for Bank Austria (new)*
Doris Radl	Commissioner
Bernhard Bauer	Deputy Commissioner
	for Bank Austria (old and new)
Alfred Katterl	State Cover Fund Controller
Christian Wenth	Deputy State Cover Fund Controller
Günther Pullez	Trustee pursuant to Mortgage Bond Act
Alois Ramoser	Deputy Trustee pursuant to Mortgage Bond Act

* Commissioner for Sparkasse Stockerau: Waltraud Müllner-Toifl

Managing Board of Bank Austria (old)

Chairman and Chief Executive Officer	Gerhard Randa
Deputy Chairman and Deputy Chief Executive Officer	Karl Samstag
Members	Heinrich Gehl Wolfgang Habermayer (since 4 April 2000) Wolfgang Haller Friedrich Kadrnoska Wolfram Littich (since 4 April 2000) Gerhard Novy (until 3 April 2000) Franz Zwickl

Managing Board of Bank Austria (new) since 6 November 2000*

Chairman and Chief Executive Officer	Gerhard Randa
Deputy Chairman and Deputy Chief Executive Officer	Karl Samstag
Members	Erich Hampel Wilhelm Hemetsberger (since 17 February 2001) Wolfgang Haller Friedrich Kadrnoska Wolfram Littich (until 16 February 2001) Michael Mendel (since 8 December 2000) Kai Werhahn-Mees (since 8 December 2000) Franz Zwickl

* Managing Board of Sparkasse Stockerau AG:
Karl Seliger (Chairman), Robert Ahlfeld

Bank Austria Group Offices

Bank Austria AG in Austria

Head Office **Customer service centres**	**A-1030 Vienna,** Vordere Zollamtsstrasse 13 Tel.: (+43 1) 711 91-0 Fax: (+43 1) 711 91-56 155 Internet: http://www.bankaustria.com e-mail: inter.contact@bankaustria.com	**A-1010 Vienna,** Am Hof 2 Tel.: (+43 1) 711 91-0
Regional offices in Vienna	**City Centre** A-1010 Vienna, Am Hof 2 Tel.: (+43 1) 711 91-0 **North-East** A-1210 Vienna, Schwaigergasse 30 Tel.: (+43 1) 711 91-0 **North-West** A-1020 Vienna, Negerlegasse 10 Tel.: (+43 1) 711 91-0	**South-East** A-1030 Vienna, Vordere Zollamtsstrasse 13 Tel.: (+43 1) 711 91-0 **South-West** A-1120 Vienna, Schönbrunner Strasse 222–228 Tel.: (+43 1) 711 91-0 **West** A-1070 Vienna, Neubaugasse 1 Tel.: (+43 1) 711 91-0
Regional offices in the federal provinces of Austria	**Burgenland** A-1030 Vienna, Landstrasser Hauptstrasse 1 Tel.: (+43 1) 711 91-0 **Carinthia/East Tyrol** A-9500 Villach, Hans-Gasser-Platz 8 Tel.: (+43 4242) 2022-0 **Lower Austria/South-East** A-2340 Mödling, Enzersdorfer Strasse 4 Tel.: (+43 1) 711 91-0 **Lower Austria/West** A-3100 St. Pölten, J.-Raab-Promenade 27 Tel.: (+43 2742) 399-0 **Upper Austria** A-4021 Linz, J.-K.-Vogel-Strasse 7–9 Tel.: (+43 7232) 7630-0	**Salzburg** A-5020 Salzburg, Faberstrasse 10 Tel.: (+43 662) 8690-0 **Styria** A-8011 Graz, Am Eisernen Tor 1 Tel.: (+43 316) 8043-0 **Tyrol** A-6021 Innsbruck, Museumstrasse 20 Tel.: (+43 512) 5353-0 **Vorarlberg** A-6900 Bregenz, Kornmarktplatz 2 Tel.: (+43 5574) 4955-0
Branches*	Amstetten, Angern, Arnoldstein, Auersthal, Bad Bleiberg, Bad Sauerbrunn, Baden, Bludenz, Bregenz, Bruck/Mur, Bruckneudorf, Brunn/Gebirge, Deutschkreutz, Deutsch Wagram, Dornbirn, Drobollach, Eberndorf, Eisenkappel, Eisenstadt, Feistritz/Drau, Feldkirch, Fohnsdorf, Fürnitz, Gänserndorf, Garsten, Gmünd (2), Gols, Graz (8), Griffen, Groß-Enzersdorf, Großpetersdorf, Gumpoldskirchen, Guntramsdorf, Hallein, Hausleiten, Heidenreichstein, Hinterbrühl, Horn, Innsbruck (3), Judenburg, Kapfenberg, Klagenfurt (2), Klosterneuburg (3), Knittelfeld, Kohfidisch, Krems, Kufstein, Leoben, Leopoldsdorf im Marchfeld, Lienz, Linz (5), Marchegg, Maria	Enzersdorf, Mattersburg, Matzen, Mauerbach, Mistelbach, Mödling (2), Murdorf, Neudörfl/Leitha, Neunkirchen, Neuzeug, Niederfellabrunn, Nötsch/Gailtal, Obdach, Oberpullendorf, Oberschützen, Oberwart, Orth/Donau, Perchtoldsdorf, Pöls, Pressbaum, Purkersdorf, Radenthein, Ried/Innkreis, Riezlern, Salzburg (3), Schrems, Schwaz, Schwechat, Sierning, Spillern, Spittal/Drau, Stegersbach, Steyr (5), Stockerau, Strasshof, St. Pölten (3), Traun, Tulln, Untersiebenbrunn, Velden, Villach (10), Vöcklabruck, Völkermarkt, Vösendorf (2), Waidhofen/Ybbs, Weiz, Wels, Vienna (131), Vienna International Airport, Wolfsberg, Wörgl, Wr. Neudorf, Wr. Neustadt, Zell/See.

* as at 31 December 2000

Creditanstalt AG in Austria

Head Office

A-1010 Vienna, Schottengasse 6
Tel.: (+43 1) 531 31-0
Fax: (+43 1) 531 31-47 566
Internet: http://www.creditanstalt.co.at
e-mail: info@creditanstalt.co.at

Regional offices in Vienna Private Customers and Professionals

City Centre
A-1010 Vienna, Schottengasse 6
Tel.: (+43 1) 531 31-0

Central
A-1040 Vienna, Frankenberggasse 13
Tel.: (+43 1) 505 05 91-0

North
A-1210 Vienna, Schwaigergasse 30
Tel.: (+43 1) 277 52-0

South/West
A-1120 Vienna, Krichbaumgasse 33
Tel.: (+43 1) 811 27-0

Regional offices in Vienna Corporate Customers

Schottengasse
A-1010 Vienna, Schottengasse 6
Tel.: (+43 1) 531 31-0

City Centre/South
A-1010 Vienna, Schubertring 14
Tel.: (+43 1) 515 12-0

Central/West
A-1070 Vienna, Mariahilfer Strasse 54
Tel.: (+43 1) 521 05-0

North
A-1210 Vienna, Am Spitz 3
Tel.: (+43 1) 277 27-0

Regional offices in the federal provinces of Austria Private Customers and Professionals

Burgenland
A-7000 Eisenstadt, Pfarrgasse 28
Tel.: (+43 26 82) 690-0

Carinthia
A-9020 Klagenfurt, Burggasse 4
Tel.: (+43 463) 58 44-0

Lower Austria North
A-3100 St. Pölten, Kremsergasse 39
Tel.: (+43 27 42) 390-0

Lower Austria South
A-2700 Wr. Neustadt, Kollonitschgasse 1
Tel.: (+43 26 22) 301-0

Upper Austria
A-4021 Linz, Hauptplatz 27
Tel.: (+43 732) 76 61-0

Salzburg
A-5027 Salzburg, Rainerstrasse 2
Tel.: (+43 662) 86 88-0

Styria
A-8010 Graz, Herrengasse 15
Tel.: (+43 316) 80 45-0

Tyrol
A-6020 Innsbruck, Maria-Theresien-Strasse 36
Tel.: (+43 512) 53 00-0

Vorarlberg
A-6900 Bregenz, Rathausstrasse 6
Tel.: (+43 55 74) 402-0

Regional offices in the federal provinces of Austria Corporate Customers

Burgenland
A-7000 Eisenstadt, Pfarrgasse 28
Tel.: (+43 26 82) 690-0

Carinthia
A-9020 Klagenfurt, Burggasse 4
Tel.: (+43 463) 58 44-0

Lower Austria
A-3100 St. Pölten, Kremsergasse 39
Tel.: (+43 27 42) 390-0

Upper Austria
A-4021 Linz, Hauptplatz 27
Tel.: (+43 732) 76 61-0

Salzburg
A-5027 Salzburg, Rainerstrasse 2
Tel.: (+43 662) 86 88-0

Styria
A-8010 Graz, Herrengasse 15
Tel.: (+43 316) 80 45-0

Tyrol
A-6020 Innsbruck, Maria-Theresien-Strasse 36
Tel.: (+43 512) 53 00-0

Vorarlberg
A-6900 Bregenz, Rathausstrasse 6
Tel.: (+43 55 74) 402-0

Selected subsidiaries and equity interests of Bank Austria AG and Creditanstalt AG in Austria

Adria Bank AG
A-1010 Vienna, Tegetthoffstrasse 1
Tel: (+43 1) 514 09-0

Asset Management GmbH
A-1020 Vienna, Obere Donaustrasse 19
Tel: (+43 1) 331 47-0

B.A.I. Bauträger Austria Immobilien GmbH*
A-1020 Vienna, Obere Donaustrasse 21
Tel: (+43 1) 331 46-0
Internet: http://www.bai.at

Bank Austria Creditanstalt Leasing GmbH
A-1041 Vienna, Operngasse 21
Tel.: (+43 1) 588 08-0
Internet: http://www.leasaustria.com

(Offices in Vienna, Dornbirn, Graz, Innsbruck, Linz, Salzburg and Villach; subsidiaries in Argentina, Croatia, the Czech Republic, Germany, Hungary, Italy, Poland, Slovakia and Slovenia as well as a representative office in Romania)

Bank Austria Handelsbank AG
A-1015 Vienna, Operngasse 6
Tel: (+43 1) 514 40-0

Bank Austria Treuhand AG
A-1020 Vienna, Obere Donaustrasse 19
Tel: (+43 1) 331 71-0

Bank Austria Wohnbaubank AG
A-1010 Vienna, Renngasse 2
Tel: (+43 1) 711 91-55 662

BANK*PRIVAT* AG
A-1010 Vienna, Hohenstaufengasse 6
Tel: (+43 1) 53 740-0
Internet: http://www.bankprivat.at

CAPITAL INVEST GmbH
A-1020 Vienna, Obere Donaustrasse 19
Tel: (+43 1) 331 73-0
Internet: http://www.capitalinvest.co.at

Ekazent Immobilien Management GmbH*
A-1220 Vienna, Siebeckstrasse 7
Tel: (+43 1) 201 22-0
Internet: http://www.ekazent.at

Informations-Technologie Austria GmbH
A-1020 Vienna, Lassallestrasse 5
Tel: (+43 1) 217 17-0
Internet: http://www.it-austria.com

RINGTURM Kapitalanlagegesellschaft m.b.H.
A-1010 Vienna, Schottenring 30
Tel: (+43 1) 535 54 18
Internet: http://www.ringturm.at

Union Versicherungs-AG
A-1010 Vienna, Schottenring 30
Tel: (+43 1) 313 83-0

VISA-SERVICE Kreditkarten AG
A-1030 Vienna, Invalidenstrasse 2
Tel: (+43 1) 711 11-0
Internet: http://www.visa.at

AWT Internationale Handels und Finanzierungs AG
A-1013 Vienna, Hohenstaufengasse 6
Tel: (+43 1) 531 31-43250
Internet: http://www.awt.at

(10 subsidiaries in Bulgaria, Croatia, Germany, Hungary, Macedonia, Poland, Serbia, Singapore, Slovakia and Ukraine)

Bank für Kärnten und Steiermark AG
A-9020 Klagenfurt, St. Veiter Ring 43
Tel: (+43 463) 58 58-0
Internet: http://www.bks.at

(38 offices in Austria; 2 representative offices in Croatia and Slovenia)

Bank für Tirol und Vorarlberg AG
A-6020 Innsbruck, Erlerstrasse 5-9
Tel: (+43 512) 53 33-0
Internet: http://www.btv.at

(35 offices in Austria; 1 representative office in Italy)

CA Bau-Finanzierungsberatung GmbH
A-1190 Vienna, Hutweidengasse 22
Tel: (+43 1) 369 16 45-0
Internet: http://www.cabfb.at

CA Versicherung AG
A-1010 Vienna, Gonzagagasse 16
Tel: (+43 1) 531 45-0
Internet: http://www.ca-versicherung.at

Diners Club Austria AG
A-1041 Vienna, Rainergasse 1
Tel: (+43 1) 501 35-0
Internet: http://www.dinersclub.at

FactorBank AG
A-1041 Vienna, Floragasse 7
Tel: (+43 1) 506 78-0
Internet: http://www.factorbank.com

M.A.I.L Finanzberatung GmbH
A-1010 Vienna, Schottengasse 6-8
Tel: (+43 1) 531 31-42290
Internet: http://www.mailfinanz.com

Oberbank AG
A-4020 Linz, Hauptplatz 10-11
Tel: (+43 732) 78 02-0
Internet: http://www.oberbank.at

(94 offices in Austria and 4 offices in Germany, 2 representative offices in the Czech Republic and in Hungary)

Österreichische Hotel- und Tourismusbank GmbH
A-1011 Vienna, Parkring 12a
Tel: (+43 1) 515 30-0
Internet: http://www.oeht.at

WAVE Solutions Information Technology GmbH
A-1090 Vienna, Nordbergstrasse 13
Tel: (+43 1) 717 30-0
Internet: http://www.wave-solutions.at

*** held via the real estate foundation**

International network*

CA IB Investmentbank AG
A-1010 Vienna, Nibelungengasse 15
Tel.: (+43 1) 588 84-0
Fax: (+43 1) 585 42 42
Internet: http://www.ca-ib.com
e-mail: ca-ib@ca-ib.com

(business units in Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Ukraine and the United Kingdom; representative offices in France, Germany, Israel, Italy, Lithuania, Turkey, Yugoslavia)

Central and Eastern Europe

Bulgaria
Bank Austria AG
Sofia Representative Office
BG-1040 Sofia, Blvd. Dragan Tsankov 36
World Trade Center Interpred BLB. Rm. 615
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Croatia
Bank Austria Creditanstalt Croatia d.d.
HR-10000 Zagreb, Jurisiceva 2
Tel.: (+385 1) 48 00 777
Internet: http://www.baca.hr

(branches in Dubrovnik, Rijeka, Split, Zadar, Zagreb)

Czech Republic
Bank Austria Creditanstalt
Czech Republic a.s.
CZ-11005 Praha 1, Revoluční 7, P.O. Box 18
Tel.: (+420 2) 2285 3111
Internet: http://www.ba-ca.cz

(branches in Brno, České Budějovice, Hradec Králové, Karlovy Vary, Nový Bor, Ostrava, Plzeň, Prague, Zlín)

Hungary
Bank Austria Creditanstalt Hungary Rt.
H-1054 Budapest, Akadémia u. 17
Tel.: (+36 1) 301 1300
Internet: http://www.baca.hu

(branches in Békéscsaba, Budaörs, Budapest, Debrecen, Györ, Kecskemét, Kaposvár, Miskolc, Mosonmagyarovar, Nyíregyháza, Pécs, Sopron, Szeged, Székesfehérvár, Szolnok, Szombathely, Tatabánya, Veszprém, Zalaegerszeg)

Poland
Powszechny Bank Kredytowy S.A.
PL-00-958 Warszawa, Towarowa Str. 25A,
P.O. Box 3
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Tel.: (+48 22) 520 9000
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e-mail: info@ru.bacai.com

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SK-814 16 Bratislava, Mostová 6
Tel.: (+42 17) 5969 1111
Internet: http://www.baca.sk

(branches in Bratislava, Košice, Banská Bystrica)

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Tel.: (+386 1) 4777 600
Internet: http://www.ba-ca.si

(branches in Koper, Ljubljana, Maribor, Murska Sobota)

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