

\$700,000,000**Bank Austria****Bank Austria Aktiengesellschaft****7.25% Subordinated Notes Due February 15, 2017**

The 7.25% Subordinated Notes due February 15, 2017 (the "Notes") will be issued by Bank Austria Aktiengesellschaft (the "Bank" or "Bank Austria"). Interest on the Notes will be payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 1997.

The Notes will not be subject to optional or mandatory redemption prior to their stated maturity date, except in the event of the imposition of certain Austrian taxes. See "Description of the Notes — Tax Redemption". The Notes will be direct, unconditional and unsecured obligations of the Bank and will be subordinated in right of payment to the claims of depositors and other unsubordinated obligations of the Bank. The Fiscal Agency Agreement pursuant to which the Notes will be issued will permit the Bank to incur an unlimited amount of additional deposit and other obligations (not limited to obligations for money borrowed) to which the Notes would be subordinated in right of payment. See "Description of the Notes — Subordination".

The Notes will be represented by one or more permanent global registered certificates (together, the "Global Note") registered in the name of the nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as described herein, Notes in definitive form will not be issued. The Notes are offered, and will be transferable, only in denominations of \$250,000 and multiples of \$1,000 in excess thereof. The Notes will trade in DTC's Same-Day Funds Settlement System until maturity, and secondary market trading activity for the Notes will therefore settle in immediately available funds. See "Description of the Notes — Book-Entry System; Delivery and Form". The Notes will not be listed on any securities exchange, and there can be no assurance that there will be a secondary market for the Notes.

Prospective investors in the Notes should read the section of this Offering Memorandum entitled "The Proposed Acquisition of Creditanstalt".

THE BANK IS NOT REQUIRED TO BE, AND IS NOT, A MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THE NOTES ARE NOT DEPOSITS AND ARE NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENT AGENCY.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT. PROSPECTIVE PURCHASERS THAT ARE QUALIFIED INSTITUTIONAL BUYERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THESE SECURITIES (THE "INITIAL PURCHASERS") ARE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THESE SECURITIES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS".

	Price to Investors (1)	Discount	Proceeds to the Bank (2)
Per Note	99.810%	.875%	98.935%
Total	\$698,670,000	\$6,125,000	\$692,545,000

(1) Plus accrued interest, if any, from February 11, 1997.

(2) Before deducting expenses payable by the Bank.

The Notes offered hereby are offered severally by the Initial Purchasers, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Notes will be ready for delivery in book-entry form only through the facilities of DTC in New York, New York, on or about February 11, 1997, against payment therefor in immediately available funds.

Salomon Brothers Inc**Lehman Brothers****Credit Suisse First Boston****Merrill Lynch & Co.**

The date of this Offering Memorandum is February 6, 1997.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Memorandum has been prepared by the Bank solely for use in connection with the proposed offering of the Notes described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum by such offeree to any other person (other than any person retained to advise such offeree with respect to its purchase) is unauthorized, and any disclosure by such offeree of any of its contents, without the prior written consent of the Bank, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

The information contained herein concerning the City of Vienna, Creditanstalt-Bankverein ("Creditanstalt") and the Republic of Austria includes extracts from summaries of information and data publicly released by official sources and other sources indicated herein. This Offering Memorandum also contains summaries with respect to certain terms of certain documents, but reference is made to the actual documents (copies of which will be made available to prospective investors upon request to the Bank or the Initial Purchasers) for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. The Initial Purchasers have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

This Offering Memorandum contains various forward-looking statements and information that are based on management's belief as well as assumptions made by and information currently available to management. When used in this document, the words "anticipate", "estimate", "project", "expect", "should" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the key factors that have or will have a direct bearing on Bank Austria's results are political and economic conditions in Austria, changes in regulation of financial institutions imposed by Austrian and European Community governmental authorities, the success of the Bank's divestiture strategy, the consummation of the proposed acquisition

of Creditanstalt, the successful achievement of the Bank's strategic goals (including those in connection with the proposed acquisition of Creditanstalt), the continued availability of capital and financing, competitive factors and other factors affecting the Bank's results of operations beyond the Bank's control.

Neither the Initial Purchasers nor the Bank are making any representation to any offeree or purchaser of the Notes regarding the legality of investment therein by such offeree or purchaser under applicable legal investment or similar laws or regulations.

The contents of this Offering Memorandum are not to be construed as legal, business or tax advice. Each prospective investor should consult its own attorney, business advisor or tax advisor as to legal, business and tax advice.

No action has been (or will be) taken to permit a public offering in any jurisdiction.

FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Bank is currently exempt from the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12g3-2(b) under the Exchange Act. For so long as any Notes are "restricted securities" (as such term is defined in Rule 144(a)(3) under the Securities Act), during any period in which it is neither exempt from such requirements pursuant to Rule 12g3-2(b) nor a reporting company under Section 13 or 15(d) of the Exchange Act, the Bank has agreed to make available to each holder and each prospective purchaser of the Notes designated by a holder, upon request, the information required to be provided pursuant to Rule 144A under the Securities Act.

Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from the Bank, and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein, (ii) such person has not relied on the Initial Purchasers or any person affiliated with (any of) the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision and (iii) except as provided pursuant to clause (i) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby except as contained in this Offering Memorandum and, if given or made, such other information or representation should not be relied upon as having been authorized by the Bank or the Initial Purchasers.

ENFORCEMENT OF LIABILITIES; SERVICE OF PROCESS

The Bank is an Austrian joint stock corporation and most of its assets are located outside the United States. All of the members of the Managing Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*) of the Bank, most of the officers of the Bank and all of the experts named in this Offering Memorandum are residents of countries other than the United States, and all or a substantial portion of the assets of

such persons and entities are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or entities or to enforce against them judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The Bank has expressly submitted to the jurisdiction of the United States federal and state courts located in the Borough of Manhattan in the City of New York for the purpose of any suit, action or proceeding arising out of or based on the Notes offered hereby, and has appointed its New York branch as its agent in the City of New York to accept service of process in any such action.

The United States and Austria do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by a federal or state court in the United States based on civil liability, including judgments predicated upon United States federal securities laws, would not be enforceable in Austria. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Austria, such party may submit to an Austrian court the final judgment which has been rendered in the United States. A judgment by a federal or state court of the United States will be regarded by an Austrian court only as evidence of the outcome of the dispute to which such judgment relates, and an Austrian court may choose to rehear the dispute *ab initio*.

U.S. DOLLAR PRESENTATION; EXCHANGE RATES

Bank Austria publishes its financial statements in Austrian Schilling. In this Offering Memorandum, references to "U.S. dollars", "dollars", "U.S.\$" or "\$" are to U.S. currency, and references to "Austrian Schilling", "Schilling" or "ATS" are references to the currency of the Republic of Austria ("Austria" or the "Republic").

Solely for the convenience of the reader, this Offering Memorandum contains translations of certain Austrian Schilling amounts into U.S. dollar amounts. Unless otherwise indicated, the translations of Austrian Schilling into U.S. dollars have been made at the rate of \$1.00 = ATS 10.747 (\$0.093 per Austrian Schilling), the mean currency exchange rate for U.S. dollars as set by the Austrian National Bank and published by the Vienna Stock Exchange (the "Mean Rate") on September 30, 1996. On February 6, 1997, the Mean Rate was \$1.00 = ATS 11.619. These translations should not be construed as representations that the Austrian Schilling amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

For the purposes of information, the following table sets forth, for the periods and for the dates indicated, certain information concerning the Mean Rate for U.S. dollars, expressed in Austrian Schilling per U.S. dollar.

<u>Year ended December 31.</u>	<u>Year-End</u>	<u>Average (1)</u>	<u>High</u>	<u>Low</u>
1991	10.689	11.680	12.934	10.227
1992	11.354	10.990	11.810	9.775
1993	12.143	11.634	12.234	11.042
1994	10.969	11.418	12.887	10.490
1995	10.088	10.083	10.982	9.569
1996	10.954	10.585	11.012	10.081

(1) The average of the daily exchange rates during the relevant period.

PRESENTATION OF FINANCIAL INFORMATION

Beginning with the year ending December 31, 1995, the Bank was required to prepare its audited financial statements under the provisions of the Austrian Banking Act of 1993 (the "1993 Banking Act") and the regulations promulgated thereunder. The 1993 Banking Act brought the presentation of financial

statements in Austria into conformity with European Union standards, which facilitates more meaningful comparisons of credit institutions in Austria with credit institutions in other European Union countries. The generally accepted accounting principles followed by banks in Austria pursuant to the 1993 Banking Act are referred to in this Offering Memorandum as "New Austrian GAAP".

For the years ending December 31, 1994 and 1993, the Bank was required to prepare its audited financial statements under the provisions of the Austrian Banking Act of 1979 (the "1979 Banking Act"), as amended, and the regulations promulgated thereunder. The generally accepted accounting principles followed by banks in Austria pursuant to the 1979 Banking Act are referred to in this Offering Memorandum as "Old Austrian GAAP".

The presentation format required by New Austrian GAAP differs considerably from the presentation format required by Old Austrian GAAP. For a description of certain of the most significant differences between New Austrian GAAP and Old Austrian GAAP, see "Summary of Principal Differences between New Austrian GAAP and Old Austrian GAAP" and Notes 1 and 2 to the Audited Financial Statements of the Bank for the year ended December 31, 1995, which Audited Financial Statements begin on page F-2 of this Offering Memorandum.

For the purpose of this Offering Memorandum, financial data from the 1994 and 1993 audited financial statements of the Bank have been restated pursuant to New Austrian GAAP. These restatements are provided solely to facilitate meaningful comparisons of 1994 and 1993 financial information to 1995 financial information. The restated information has not been audited by the Bank's external auditors but has been subject to a limited review by such auditors. The audited financial statements of the Bank for the years ending December 31, 1994 and 1993 are attached as Annex A.

The financial information set forth under "Interim Financial Information" for the nine months ended September 30, 1996 and September 30, 1995 has been prepared on an unconsolidated basis for the Bank only. Such financial information has not been audited by the Bank's external auditors but has been subject to a limited review by such auditors.

Except as otherwise indicated, the financial information contained in this Offering Memorandum, including all tabular information, has been presented on an unconsolidated basis for the Bank. The Bank was first required to prepare consolidated financial statements pursuant to the 1993 Banking Act as of December 31, 1995. The consolidated financial statements for the Bank, together with its financial and non-financial subsidiaries and participations (the "Bank Austria Group" or the "Group") include the Bank's majority-owned financial subsidiaries on a fully consolidated basis and most of its other subsidiaries and participations on an equity basis. The Bank's contribution to total assets on the consolidated balance sheet is 98.6%. The consolidated statements for the year ended December 31, 1995 are attached as Annex B.

The financial information set forth in a number of tables in this Offering Memorandum has been rounded to the nearest whole number. Accordingly, in certain cases, the sum of the numbers in a column may not conform exactly to the total figure given for that column.

Austrian GAAP (New Austrian GAAP and Old Austrian GAAP) differs in certain significant respects from U.S. generally accepted accounting principles ("U.S. GAAP"). The principal differences between Austrian GAAP and U.S. GAAP with respect to the financial statements of the Bank are described in "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States".

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general banking purposes.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the detailed information and financial statements and the notes thereto appearing elsewhere in this Offering Memorandum.

Bank Austria

Bank Austria Aktiengesellschaft (the "Bank" or "Bank Austria") is engaged, directly and through its financial subsidiaries, joint ventures and entities in which it has an investment participation (the "participations"), in a wide range of banking, financial and other activities in Austria and throughout the world. The Bank took its current form as a result of the merger of two of the largest banks in Austria that became effective as of January 1, 1991. See "Bank Austria — Formation of the Bank". The Bank provides a full range of banking and financial services, including commercial and investment banking and dealing in securities, and holds participations in companies outside of the financial services industry.

Bank Austria is the largest Austrian bank in terms of total assets (ATS 678 billion at December 31, 1995). In approximate terms, one million customers hold over four and a half million accounts with the Bank, including three million passbook savings accounts representing approximately 11% of all savings deposits in Austria. The Bank, together with its financial subsidiaries and joint ventures, also provides a full range of commercial and investment banking services for Austrian corporate and governmental entities. The Bank conducts international banking activities through its main office in Vienna, through branches in New York, London, Hong Kong, Moscow and Singapore, through banking subsidiaries in Switzerland and Eastern and Central Europe, and through other offices, subsidiaries and joint ventures throughout the world.

Anteilsverwaltung-Zentralsparkasse ("AV-Z"), the establishing entity of the Bank, is the largest shareholder of the Bank. In addition, AV-Z owns a controlling interest in GiroCredit Bank Aktiengesellschaft der Sparkassen ("GiroCredit"), Austria's third largest bank. Since AV-Z acquired control of GiroCredit in 1994, the Bank and GiroCredit have combined certain of their operations in joint ventures that provide services to or on behalf of both institutions, including their pension management and asset management operations and certain elements of their data processing operations. Notwithstanding the existence of these joint ventures, the two banks remain separate corporate entities with independent obligations to their shareholders and creditors. In connection with the Bank's bid for the Republic's shares in Creditanstalt-Bankverein ("Creditanstalt"), the parties that make up the current coalition government in Austria reached an understanding that AV-Z should offer its shares in GiroCredit. The Bank does not believe that the proposed acquisition of Creditanstalt and any possible offer of shares of GiroCredit by AV-Z will be likely to have a material effect on the Bank's joint ventures with GiroCredit. See "The Proposed Acquisition of Creditanstalt".

The Bank's capital stock is quoted on the official trading market of the Vienna Stock Exchange (*Wiener Wertpapierbörse*) and on six other European stock exchanges, including that of Frankfurt am Main.

Guarantee Relationship with the City of Vienna

By Austrian statute, the City of Vienna is directly liable as a deficiency guarantor (*Ausfallsbürge*) for the obligations of AV-Z and, by virtue of the deficiency guaranty of AV-Z's obligations, indirectly liable as a deficiency guarantor for all obligations of Bank Austria. See "Bank Austria — Statutory Guarantee".

The Proposed Acquisition of Creditanstalt

On January 12, 1997, the Republic announced that the Bank had been selected to acquire the Republic's controlling interest in Creditanstalt for total consideration of ATS 17.161 billion (\$1.53 billion at the January 16, 1997 Mean Rate of \$1.00 = ATS 11.199, the date the purchase price was paid to the Republic) in cash. For a discussion of the principal terms of the acquisition, including the terms relating to AV-Z's ownership interest in the Bank and GiroCredit and certain developments relating to the Bank and the statutory guarantee, see "The Proposed Acquisition of Creditanstalt" and "Bank Austria — Statutory Guarantee".

Summary of Terms of the Notes

The following summary is qualified in its entirety by the more detailed description appearing under "Description of the Notes" below. Unless otherwise indicated, all references are to the subsections under "Description of the Notes".

Issuer	Bank Austria Aktiengesellschaft.
Issue	7.25% Subordinated Notes due February 15, 2017.
Principal Amount	The aggregate principal amount of the Notes will be \$700,000,000.
Issue Price	99.810%, plus accrued interest, if any, from February 11, 1997.
Interest	The Notes will bear interest at the rate of 7.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.
Maturity	The Notes will mature on February 15, 2017.
Status; Subordination	The Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Bank and will be subordinated in right of payment to the claims of depositors and other unsubordinated obligations of the Bank. As of December 31, 1995, the Bank had approximately ATS 598 billion (\$55.7 billion) in amounts due to customers and to credit institutions and securitized liabilities to which the Notes would be subordinated in right of payment. The obligations of the Bank to which the Notes are subordinated are not limited to such amount, and the Fiscal Agency Agreement pursuant to which the Notes will be issued will permit the Bank to incur an unlimited amount of additional deposit and other obligations (not limited to obligations for money borrowed) to which the Notes would be subordinated in right of payment. See "— Subordination".
Taxation	Payment of principal and interest on the Notes will be made without deduction or withholding for or on account of Austrian taxes unless such deduction or withholding is required by law. If any such deduction or withholding is required, the Bank will pay additional amounts, subject to customary exceptions. See "— Taxation; Additional Amounts". In such event, the Bank will be entitled to redeem the Notes. See "— Tax Redemption".
Form and Denomination	The Notes will be issued initially in the form of one or more permanent registered global certificates registered in the name of Cede & Co. as nominee for DTC. Transfers of interests in the Notes may be effected between DTC participants in accordance with procedures established for this purpose by DTC. Except in limited circumstances, owners of interests in the Notes will not be entitled to receive physical delivery of Notes in definitive form. See "— Book Entry System; Delivery and Form". The Notes will be issued in minimum denominations of \$250,000 and multiples of \$1,000 in excess thereof.
Governing Law; Submission to Jurisdiction	The Notes will be governed by the laws of the State of New York, except that the subordination provisions will be governed by the laws of the Republic of Austria. The Bank will submit to the jurisdiction of the United States federal and state courts located in the Borough of Manhattan in the City of New York, in respect of any suit, action or

proceeding arising out of or based on the Notes, and the Bank will appoint its New York branch as its agent for service of process.

Listing The Notes will not be listed on any stock exchange.

Rating The Notes offered hereby have been assigned a preliminary rating of Aa1 by Moody's Investors Service Inc. ("Moody's") and AAA by Standard & Poor's Ratings Services ("Standard and Poor's"). A security rating is not a recommendation to buy, sell or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. In connection with the Bank's bid to purchase all the Republic's shares in Creditanstalt, Standard & Poor's changed its rating outlook for the Bank and the City of Vienna from stable to negative, while currently confirming the Bank's and the City of Vienna's AAA long-term ratings, and Moody's gave notice of the placing under review for possible downgrade the Bank's Aaa long-term deposit and senior debt ratings and its Aa1 subordinated debt rating and the Aaa long-term debt rating of the City of Vienna. See "Bank of Austria — Statutory Guarantee" and "The Proposed Acquisition of Creditanstalt".

Summary Financial Information

The summary financial information of the Bank set forth below at and for the year ended December 31, 1995 has been derived from the audited financial statements of the Bank, which have been prepared pursuant to New Austrian GAAP. To provide the summary financial information below at and for the years ended December 31, 1994 and 1993, financial data from the 1994 and 1993 audited financial statements of the Bank, which were prepared pursuant to Old Austrian GAAP, have been restated pursuant to New Austrian GAAP. These restatements are provided solely to facilitate meaningful comparisons of 1994 and 1993 financial information to 1995 financial information. See "Presentation of Financial Information". The restated information has not been audited by the Bank's external auditors but has been subject to a limited review by such auditors.

For a description of the differences between New Austrian GAAP and Old Austrian GAAP, see "Summary of Principal Differences Between New Austrian GAAP and Old Austrian GAAP". Also, Austrian GAAP differs in certain significant respects from U.S. GAAP. See "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States".

	At or for the year ended December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(\$)
	(ATS and \$ in millions)			
Profit and loss account data				
Net interest earned.....	11,165.9	11,614.6	12,278.2	1,142.5
Income from shares, other ownership interests and non-fixed-interest securities	124.6	168.8	156.4	14.6
Income from equity interests and shares in group companies	758.2	911.0	874.1	81.3
Net commissions (1)	2,700.2	2,906.1	2,872.8	267.3
Income/expenses from financial transactions	1,331.5	175.8	905.2	84.2
Other operating income	267.7	306.1	393.8	36.6
Operating income	16,348.1	16,082.4	17,480.5	1,626.5
Personnel expenses (2)	(6,341.4)	(7,149.1)	(7,408.9)	(689.4)
Other administrative expenses (expenditures for materials)	(3,558.5)	(3,854.7)	(4,155.1)	(386.6)
Depreciation on assets	(417.1)	(681.8)	(714.0)	(66.4)
Other operating expenses	(192.2)	(243.2)	(351.0)	(32.7)
Operating expenditure	(10,509.2)	(11,928.8)	(12,629.0)	(1,175.1)
Operating results	<u>5,838.9</u>	<u>4,153.6</u>	<u>4,851.5</u>	<u>451.4</u>

(1) Commission income less commission expenses.

(2) The 1993 figure includes a one-time benefit of ATS 735 million resulting from the renegotiation of the Bank's pension plan.

	At or for the year ended December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(\$)
	(ATS and \$ in millions)			
Balance sheet data				
Vault cash, balances with central banks and postal giro offices	9,684.6	10,286.6	8,335.3	775.6
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank	31,176.2	51,171.9	44,339.5	4,125.8
Claims against credit institutions (1)	148,501.3	157,909.2	178,905.2	16,647.0
Claims against customers (1)	318,308.9	360,261.4	374,027.0	34,802.9
Bonds and other fixed-interest securities	27,203.6	13,750.1	25,022.2	2,328.3
Shares and other non fixed-interest securities ..	6,215.8	5,916.2	6,288.1	585.1
Equity interests	6,551.4	6,257.7	5,692.9	529.7
Shares in group companies	14,330.9	14,827.0	14,037.6	1,306.2
Other assets (2)	16,501.4	16,199.3	21,215.5	1,974.1
Total assets	<u>578,474.1</u>	<u>636,579.3</u>	<u>677,863.3</u>	<u>63,074.7</u>
Due to credit institutions	186,717.7	180,636.9	186,527.8	17,356.3
Due to customers:				
Savings deposits	162,868.9	169,272.6	171,296.6	15,939.0
Other liabilities	109,009.9	123,541.1	141,614.5	13,177.1
Securitized liabilities	55,470.8	92,710.1	99,017.1	9,213.5
Provisions	15,527.5	16,411.8	18,030.5	1,677.7
Subordinated liabilities	9,357.4	11,641.3	10,580.0	984.5
Supplementary capital	3,015.5	3,085.5	2,512.0	233.7
Subscribed capital	6,404.3	6,474.3	6,474.3	602.4
Reserves (3)	13,309.3	13,406.1	14,438.8	1,343.5
Liability reserve pursuant to the 1993 Banking Act	7,938.9	8,613.3	9,372.6	872.1
Other liabilities (4)	8,853.9	10,786.3	17,999.1	1,674.8
Liabilities and shareholders' equity (5)	<u>578,474.1</u>	<u>636,579.3</u>	<u>677,863.3</u>	<u>63,074.7</u>

(1) In accordance with Austrian banking regulations and New Austrian GAAP, the Bank shows all claims against credit institutions and claims against customers on its balance sheet net of the related loan loss reserves.

(2) Includes "intangible non-current assets", "tangible fixed assets", "treasury shares and interest, interests in a controlling company, interests in a company holding a majority interest" and "accrued items".

(3) Includes "capital reserves", "retained income" and "untaxed reserves".

(4) Includes "other liabilities", "deferred items" and "net profit".

(5) Shareholders' equity includes at December 31, 1993, 1994 and 1995, respectively, share capital of ATS 5.7 billion, ATS 5.8 billion and ATS 5.8 billion; participation capital of ATS 702 million, ATS 702 million and ATS 702 million; liability reserve (pursuant to the 1993 Banking Act) of ATS 7.9 billion, ATS 8.6 billion and ATS 9.4 billion; and statutory and other reserves of ATS 13.3 billion, ATS 13.4 billion and ATS 14.4 billion.

BANK AUSTRIA

Bank Austria and its financial subsidiaries, joint ventures and participations are engaged in a wide range of banking, financial and other activities in Austria and throughout the world. The Bank took its current form as a result of the merger of Zentralsparkasse und Kommerzialbank Aktiengesellschaft, Wien ("Z-Bank AG") and Österreichische Länderbank Aktiengesellschaft ("OLB"), two of the largest banks in Austria, that became effective as of January 1, 1991, as described below. Based on total assets of ATS 678 billion at December 31, 1995, the Bank is the largest bank in Austria. The Bank exercises a full range of banking and financial services, including commercial and investment banking and dealing in securities, and holds participations in companies outside of the financial services industry. The management of the Bank has been pursuing, and has indicated that it will continue to pursue over the next few years, a strategy of divesting its investment in most of its non-financial participations and of redeploying the proceeds in its core financial services businesses. See "Business — Non-Financial Participations".

Formation of the Bank

The predecessor of Z-Bank AG, Zentralsparkasse und Kommerzialbank, Wien ("Z-Bank") was founded in 1905 as a savings bank by the City Council of Vienna and began operations in 1907. Z-Bank acted as the principal banker to the City and the Province of Vienna and provided a wide range of banking services and investment banking services to its customers. The City of Vienna provided a guarantee for all the obligations of Z-Bank. See "— Statutory Guarantee".

OLB was founded in 1880 as a joint stock corporation that was authorized under Austrian law to provide a wide range of banking and related financial services. In addition, OLB owned a large portfolio of non-financial companies. Prior to the 1991 merger, the Republic of Austria was the majority stockholder in OLB.

In 1990, Z-Bank transferred its entire business operations to its wholly owned subsidiary Z-Bank AG and Z-Bank changed its name to Anteilsverwaltung Zentralsparkasse, which is referred to herein as "AV-Z". AV-Z is a corporate entity, created under Austrian law, that does not have any shareholders. Such entities are referred to as being "self-owned".

At the time of the 1991 merger, Z-Bank AG was the largest savings bank in Austria in terms of savings deposits and the third largest bank in Austria in terms of assets, and OLB was the fourth largest bank in Austria in terms of assets. The legal structure of the 1991 merger was selected in order to preserve for the merged bank the guarantee provided by the City of Vienna. The merged bank changed its name to Z-Länderbank Bank Austria Aktiengesellschaft, and then, effective August 2, 1993, to Bank Austria Aktiengesellschaft. As a result of the 1991 merger, AV-Z became the controlling owner of the merged bank, and the Republic became a significant shareholder. Currently, AV-Z owns 45.15% of the ordinary shares (shares with voting rights) of the Bank (and controls a total 49.15% of the ordinary shares, including ordinary shares owned by a company controlled by AV-Z), and the Republic indirectly owns 18.90% of the ordinary shares through Post und Telekombeteiligungsverwaltungsgesellschaft. See "Ownership, Management and Employees".

In 1994, the Bank merged with Wiener Landes-Hypothekenbank AG ("Wiener Hypo Bank AG"), a mortgage bank that was founded by the Province of Vienna. Wiener Hypo Bank AG possessed a license that permitted it to issue specially regulated debt securities that are secured by real property or loans to public entities. By acquiring Wiener Hypo Bank AG, the Bank obtained the right to issue such bonds.

In 1994, AV-Z acquired control of GiroCredit. At the time of the acquisition, GiroCredit was the third largest bank in Austria in terms of total assets. In addition to providing commercial and investment banking services, as well as asset management services, GiroCredit provides centralized services, such as data processing, clearing, liquidity management and fund management, for most savings banks in Austria. As a result of this acquisition, GiroCredit is under common control with Bank Austria.

Since AV-Z acquired control of GiroCredit, the Bank and GiroCredit have combined certain of their operations in joint ventures that provide services to or on behalf of both institutions, including their pension management and asset management operations and certain elements of their data processing operations. Notwithstanding the existence of these joint ventures, the two banks remain separate corporate entities with independent obligations to their shareholders and creditors. In connection with the Bank's bid for the Republic's shares in Creditanstalt, the parties that make up the current coalition government in Austria reached an understanding that AV-Z should offer its shares in GiroCredit. The Bank does not believe that the proposed acquisition of Creditanstalt and any possible offer of shares of GiroCredit by AV-Z will be likely to have a material effect on the Bank's joint ventures with GiroCredit. See "The Proposed Acquisition of Creditanstalt".

Statutory Guarantee

In Austria, the obligations of each savings bank, the organization of which was sponsored by a municipality, are by law guaranteed by such municipality. Accordingly, the City of Vienna, as sponsor of Z-Bank, guaranteed the obligations of Z-Bank, which was subsequently renamed AV-Z, as described above. AV-Z, as the transferor of Z-Bank's business to Z-Bank AG, is by law the guarantor of the obligations of Bank Austria. These guarantees constitute deficiency guarantees (*Ausfallsbürgschaft*) under Section 1356 of the Austrian Civil Code. The City of Vienna is, therefore, an indirect guarantor of all the obligations of the Bank by virtue of its guarantee of the obligations of AV-Z.

Under Austrian law, claims of a creditor of the Bank under a deficiency guarantee according to Section 1356 of the Austrian Civil Code would be honored only for amounts that such creditor had not been able to recover after having exhausted all legal remedies against the Bank and any property pledged to secure the Bank's debt to such creditor. Any legal defenses available to the Bank would be available as well to AV-Z and the City of Vienna in respect of their guarantees. As a result of this process, and because the Notes are subordinated in right of payment to the claims of depositors and other unsubordinated obligations of the Bank, a holder of Notes seeking payment from AV-Z on the basis of its deficiency guarantee may expect to experience delays in receiving payment from AV-Z (or, ultimately, the City of Vienna, as a deficiency guarantor of AV-Z).

There can be no assurance that the legislation granting the guarantees will not be revised, amended, repealed or otherwise altered. Prior to the Republic's acceptance of the Bank's bid for the Republic's shares in Creditanstalt, another bidder filed a complaint with the Commission (the "Commission") of the European Union (the "EU") alleging that the existence of the guarantees violates EU state aid rules and gave the Bank an unfair advantage by allowing the Bank to make a higher bid than would have been possible without the guarantees. The Bank believes that this complaint is without merit. Press reports indicate that the Commission is conducting an inquiry to determine whether the guarantees constitute state aid that violates EU laws and regulations. Should the Commission find that the guarantees are new state aid (*i.e.* granted after January 1, 1994) which was not notified to it, the Commission could order that the legislation providing for the guarantees be revised or repealed or that the guarantees be declared invalid. The Bank believes it unlikely that the guarantees will be considered invalid in light of the fact that they existed prior to the date the Republic joined the European Economic Area and therefore should not be subject to retroactive scrutiny. Even if the Commission finds that the guarantees are not new state aid, it may order that the guarantees be revised or repealed as of the date of its order. The Bank believes that any such order would not affect the application of the guarantees to liabilities of the Bank which arose prior to the date of the order.

To date, there have been no bills introduced in Austria to amend or repeal the legislation granting the guarantees. The Bank believes that the outright repeal of the statutory guarantees is unlikely, but that it may become obliged to pay compensation for the guarantees. See the discussion in "The Proposed Acquisition of Creditanstalt" for certain developments relating to the guarantees. In any event, the Bank believes that any repeal or amendment of the guarantees would not prejudice the guarantees with respect to obligations of the Bank which arose prior to such repeal or amendment.

A loss of the guarantees would have a negative effect on the credit ratings of the Bank and, therefore, could increase the Bank's funding costs. The statutory guarantees are relevant principally to the Bank's borrowing in international capital markets and derivative products activity, which historically have not constituted a significant source of funding or income for the Bank.

The Bank believes that any reduction in AV-Z's equity interest in the Bank will not affect the guarantees. See "The Proposed Acquisition of Creditanstalt".

The statutory guarantees do not extend to the obligations of the Bank's subsidiaries (and so will not extend to the obligations of Creditanstalt unless Creditanstalt were to be merged with the Bank).

THE PROPOSED ACQUISITION OF CREDITANSTALT

On January 12, 1997, the Republic announced that the Bank had been selected through a competitive bidding process to acquire the approximate 48.6% equity interest (representing an approximate 69.4% voting interest) of the Republic in Creditanstalt for total consideration of ATS 17.16 billion (\$1.53 billion at the January 16, 1997 Mean Rate of \$1.00 = ATS 11.199, the date the purchase price was paid to the Republic) in cash. The purchase price represents a payment of ATS 861 (ATS 850 plus ATS 11 in respect of an anticipated Creditanstalt dividend in equal amount) for each ATS 100 in nominal value of the Republic's shares in Creditanstalt.

As of December 31, 1995, Creditanstalt was Austria's second largest banking group measured in terms of total assets, with approximately ATS 645 billion (\$60 billion) in total assets on a consolidated basis. On a consolidated basis, Creditanstalt had shareholder's equity of ATS 25.56 billion (\$2.38 billion) as at December 31, 1995. Creditanstalt's consolidated operating income, operating result and surplus for the year after taxes were reported to be ATS 17.34 billion (\$1.61 billion), ATS 6.14 billion (\$571 million) and ATS 2.17 billion (\$202 million), respectively, for the year ended December 31, 1995. As of December 31, 1995, the Creditanstalt group had 318 offices (of which 61 were located outside Austria), and 9,714 staff members. (All figures concerning Creditanstalt in this paragraph have been taken from the publicly available financial statements of Creditanstalt and certain other information as published in Creditanstalt's 1995 annual report. The Bank and the Initial Purchasers assume no responsibility for the accuracy or completeness of such information.)

The Bank believes that the proposed acquisition will strengthen its competitiveness in the increasingly competitive Austrian, European and international financial markets. In contrast with many other highly developed European banking markets, the Austrian banking market remains rather fragmented. The Bank believes that the proposed acquisition will both improve the structure of the banking sector within Austria and underscore the Bank Austria Group's competitiveness as a preeminent Austrian financial services provider. Among the benefits the Bank expects to achieve from the proposed acquisition are improved market penetration for the Bank Austria Group in areas where Creditanstalt has a well-developed position (particularly in serving large Austrian corporate clients) and greater efficiencies through economies of scale and the socially responsible consolidation of overlapping operations. On the European level, the proposed acquisition should enable the Bank Austria Group to rank among the thirty-five largest banking groups in Europe and enhance the Bank Austria Group's ability to compete with its European rivals, which will become particularly important in the context of a single European currency. Also, the transaction should enhance the Bank's competitiveness in Central and Eastern European markets, which both the Bank and Creditanstalt have identified as priority markets. The Bank believes that the proposed acquisition stands to advance significantly the achievement of its strategic goals. See "Business — Strategy."

Consummation of the acquisition is subject to certain regulatory and competition law clearances. Although the Bank expects to complete the acquisition no later than the third quarter of 1997, there can be no assurance that the proposed acquisition transaction will be completed at that or any other time. In accordance with the terms of the acquisition agreement, which was signed on January 12, 1997, the Bank remitted full payment for the Republic's Creditanstalt shares on January 16, 1997, even though

consummation of the acquisition may not occur until several months later or not at all. If the acquisition does not occur, the Republic is obligated to return the purchase price plus interest to the Bank, subject to certain adjustments.

Under the acquisition agreement, the Republic represents that it owns the Creditanstalt shares free of encumbrances, that the shares are duly issued and fully paid and that the certificate in respect of the shares (*Zwischenschein*) to be delivered to the Bank validly represents the shares, but disclaims any other representations or indemnities in respect of the shares or Creditanstalt.

The acquisition agreement provides that consummation of the acquisition is subject to the condition that, within four weeks from the date the acquisition agreement was executed, AV-Z was to agree to ensure that the combined shareholdings of AV-Z and Wiener Holding AG in the voting shares of the Bank would be reduced (through the exchange or sale of shares and/or by not participating in capital increases) to less than 25% of the outstanding voting shares of the Bank by December 31, 2001. AV-Z was also required to express its intention to further reduce its total voting shares to less than 20% of the outstanding voting shares of the Bank within two years thereafter depending on existing market opportunities. Finally, AV-Z was required to agree that its voting rights corresponding to any holdings in excess of the 25% threshold would be exercised by a trustee with immediate effect (as of January 1, 2002 with respect to the 20% threshold). The Bank has been informed that on January 24, 1997 AV-Z satisfied these conditions.

In the acquisition agreement, the Bank agreed that the Republic will receive 70% of any gain from any sale by the Bank on the Vienna Stock Exchange or international stock exchanges of the Creditanstalt shares acquired from the Republic within three years from the date of the transfer of the shares. The Bank also agreed that within three years from the date of the transfer of the Republic's shares, it will (i) make an offer to buy out for cash Creditanstalt shareholders who are natural persons and who hold Creditanstalt voting shares with a value of up to ATS 200,000 at a price no less than ATS 850 minus a discount (which will not exceed 15%) and (ii) make an exchange offer of Bank Austria shares for all Creditanstalt shares based on an exchange ratio calculated by applying analogous provisions of the merger rules of the Austrian Stock Corporation Act.

In the materials submitted with its bid, the Bank stated that any reduction in the number of Creditanstalt employees in Austria would be achieved through natural attrition.

In connection with the Bank's successful bid, a paper setting forth certain political points of understanding entitled the "Future Procedure for Privatizations and Capital Market Reform as well as [the Creditanstalt] Sale" was signed by members of the Austrian People's Party (*Österreichische Volkspartei*) and the Austrian Social Democratic Party (*Sozialdemokratische Partei Österreichs*), including the Austrian Chancellor, the Deputy Chancellor (who is also the Foreign Minister), the Minister for Economic Affairs and the Finance Minister, as well as by Gerhard Randa (who is the Chairman of the Managing Board of the Bank). Among the points set out in the German-language paper are: "... 2. Sale of the Republic's 19% interest in Bank Austria in the widest possible distribution to private persons in the year 1997. 3. [Creditanstalt] will survive as an independent company for the period of at least 5 years (except for partial functions). 4. Employees: preservation of jobs at [Creditanstalt]. Personnel reduction only through natural attrition. 5. Disposal of the [Creditanstalt] holdings in Investkredit [a company that provides medium and long-term financing to industry] and Kontrollbank [a company that provides export financing guaranteed by the Republic] less the [GiroCredit] holdings to other holders and offer of all shares in GiroCredit by AV-Z with the aim of an earliest possible disposal. No participation of [the Bank] in the privatization of PSK [the Postal Bank]. 6. No asset-stripping (does not apply to regional banks, investment bank, ÖRAG [Creditanstalt's real estate holding subsidiary], ...) 7. Waiver of statutory guarantee or [payment of] consideration for statutory guarantee for the benefit resulting from the municipal guarantee to be established through international experts pursuant to a new savings banks act. ... 11. The exception to the rule for consolidation [for financial holding companies in Austria] will be limited to December 31, 1998. ... 13. Amendment of the savings bank act regarding waiver of statutory guarantee or consideration for statutory guarantee. ... 15. Points [11 and 13] are to be resolved by

government bill by the summer of 1997. . . ." This paper is a statement of political intent, and as such is not part of the acquisition agreement between the Bank and the Republic. It remains to be seen how the political parties will proceed with regard to the implementation of the points set forth in the paper. The Bank believes it unlikely, however, that any implementation measures which may be adopted would have a material adverse effect on the Bank.

Unaudited pro forma financial information, based on certain historical statements of the Bank and Creditanstalt, is included elsewhere in this Offering Memorandum. See "Unaudited Pro Forma Financial Information". Assuming the accuracy of Creditanstalt's publicly available financial information and based on the Bank's estimate of the current financial position of Creditanstalt, the Bank expects to continue to be in compliance with capital requirements upon the inclusion of Creditanstalt in the Bank Austria Group's balance sheet.

Under the 1993 Banking Act, after December 31, 1999 (to be changed to December 31, 1998 according to the paper discussed in the second preceding paragraph), the Bank effectively will have to treat the entire AV-Z group, which includes AV-Z and its principal subsidiaries (currently the Bank, Wiener Holding AG and GiroCredit), as consolidated with the Bank for purposes of determining its compliance with capital adequacy requirements. Assuming that AV-Z ceases to own a controlling interest in GiroCredit through a disposition at or near book value before the relevant time, the Bank expects that, based on its current financial position, the consolidation will not result in a significant increase in the amount of capital necessary to satisfy its capital adequacy requirements. If AV-Z continues to own a controlling interest in GiroCredit at such time, other measures may be required to ensure satisfaction of relevant capital adequacy requirements.

For convenience of reference only, attached to this Offering Memorandum as Annex C is a copy of portions of the publicly available financial statements of Creditanstalt and the Creditanstalt Group and certain other information as published in Creditanstalt's 1995 annual report. The Bank and the Initial Purchasers assume no responsibility for the accuracy or completeness of any of the information contained in Annex C. Although the Bank is very familiar with the Austrian banking market and is therefore well-acquainted with Creditanstalt and the other participants in that market, the Bank has had very limited access to information concerning Creditanstalt and therefore does not offer any representations with respect thereto (including information, such as the unaudited pro forma financial information contained herein, insofar as it is derived from Creditanstalt information). Neither the Republic nor Creditanstalt has been involved in the preparation of this Offering Memorandum, and neither is responsible for the whole or any part hereof.

The issuance and sale of the Notes is not contingent upon the status or completion of the acquisition transaction.

CAPITALIZATION

The following table sets forth the capitalization of the Bank at December 31, 1995 and at December 31, 1996. The figures shown as at December 31, 1995, are derived from the Audited Financial Statements of the Bank and the notes thereto in accordance with New Austrian GAAP. The figures shown as at December 31, 1996, are unaudited preliminary figures and therefore the items "Retained income", "Untaxed reserves" and "Liability reserve" may differ from the figures that will be presented in the audited financial statements of the Bank to be attached to the 1996 Annual Report of the Bank. Additional information regarding the Bank's capital is presented below in "Unaudited Pro Forma Financial Information — Unaudited Pro Forma Capital Data".

	At December 31, 1995 (ATS in millions)	At December 31, 1996 (ATS in millions)
Share capital: (1)		
57,571,590 ordinary shares, par value ATS 100 (2)	5,019	5,757
7,526,500 preferred shares, par value ATS 100	753	753
Total share capital	<u>5,772</u>	<u>6,510</u>
Capital reserves	11,126	15,675
Retained income	1,406	1,406
Untaxed reserves	1,906	1,983
Liability reserve	9,373	9,373
Total reserves	<u>23,811</u>	<u>28,437</u>
Total shareholders' funds	<u>29,583</u>	<u>34,947</u>
Participation capital (2) (3)	702	592
Total shareholders' funds and participation capital	<u>30,285</u>	<u>35,539</u>
Total secured debt	47,108	45,719
Total long-term unsecured debt	43,829	63,083
Total capitalization	<u>121,222</u>	<u>144,341</u>

(1) At December 31, 1995, ATS 36.1 million of the issued share capital was held in the Bank's own portfolio (ATS 592.2 million at December 31, 1996). At December 31, 1995, there were 50,194,956 ordinary shares outstanding.

(2) The following ordinary share capital increases occurred in 1996:

- ATS 600 million nominal value in the second quarter, which shares were purchased principally by WestLB;
- ATS 110 million nominal value in the fourth quarter in connection with an offer by the Bank to exchange ordinary shares for outstanding participation certificates; and
- ATS 28 million nominal value in the fourth quarter as consideration for the contribution in kind by Wiener Stadtwerke of shares of Bank Austria Handelsholding AG.

(3) At December 31, 1995, ATS 250.9 million of the issued participation capital was held in the Bank's own portfolio (ATS 62.7 million at December 31, 1996).

The Bank has issued warrants in connection with its offering of Swiss Franc 125,000,000 3% bearer notes due 2001 (the "SFR Warrants") and Deutsche Mark 250,000,000 3¼% bearer notes due 2001 (the "DM Warrants"). Holders of the SFR Warrants have the option to acquire an aggregate of 1,500,000 participation certificates of the Bank. Holders of the DM Warrants have the option to acquire an aggregate of 1,500,000 ordinary shares of the Bank. The Bank has entered into an agreement with a third party that will supply the ordinary shares at the request of the Bank upon exercise of the DM Warrants.

There have been no material changes in the Bank's capitalization since December 31, 1996.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information for the Bank Austria Group is based on the audited consolidated financial statements of the Bank Austria Group and the Creditanstalt Group for the year ended December 31, 1995 and the respective unaudited consolidated group financial statements for the six months ended June 30, 1996. The audited financial statements of Creditanstalt were not audited by the Bank's independent auditors but rather by Creditanstalt's own independent auditors. In preparing the pro forma financial information below, items from the financial statements of the Bank Austria Group have been added to those of the Creditanstalt Group without any adjustments except to reflect the purchase price. It should be noted that there are a number of conditions to be satisfied before the completion of the acquisition. The acquisition is expected to take place no later than the third quarter of 1997. See "The Proposed Acquisition of Creditanstalt".

The Bank has not made any determination of the fair value of the assets and liabilities of Creditanstalt. Accordingly, no fair market adjustments have been included in the tables below.

The unaudited pro forma consolidated profit and loss account data for the Bank Austria Group for the six-month period ended June 30, 1996 and the year ended December 31, 1995 have been prepared on the assumption that the proposed acquisition had occurred on January 1, 1995. The unaudited pro forma balance sheet data as at June 30, 1996 have been prepared on the assumption that the acquisition had occurred at that date. The unaudited pro forma financial information below should be read in conjunction with the "Notes to the Unaudited Pro Forma Financial Information" immediately following the tables.

The unaudited pro forma financial information for the Bank Austria Group has been presented solely as a convenience to prospective investors in the Notes and does not purport to represent the actual financial position of the Bank had the proposed acquisition occurred on the relevant date, or at the beginning of the periods indicated, or to project the financial position or results of the Bank or Creditanstalt at any future date or any future period. Such information is based on publicly available information concerning Creditanstalt, as to which the Bank and the Initial Purchasers assume no responsibility. To the extent the publicly available information concerning Creditanstalt is inaccurate or incomplete, the unaudited pro forma financial information is also likely to be inaccurate or incomplete.

Unaudited Pro Forma Profit and Loss Account Data at or for the six months ended June 30, 1996

	Bank Austria Group	Creditanstalt Group (ATS in millions)	Total
Net interest earned	6,529	5,131	11,660
Income from securities and equity interests	267	852	1,119
Commission income/expenses	1,944	1,962	3,906
Income/expenses from financial transactions	647	900	1,547
Other operating income	554	233	787
Operating income	9,941	9,078	19,019
General administrative expenses	(6,626)	(5,735)	(12,361)
a) personnel expenses	(4,233)	(3,408)	(7,641)
b) other administrative expenses (expenditures for materials)	(2,393)	(2,327)	(4,720)
Depreciation on assets	(558)	(245)	(803)
Other operating expenses	(127)	(57)	(184)
Operating expenditure	(7,311)	(6,037)	(13,348)
Operating results	2,630	3,041	5,671

**Unaudited Pro Forma Profit and Loss Account Data
at or for the year ended December 31, 1995**

	<u>Bank Austria Group</u>	<u>Creditanstalt Group</u>	<u>Total</u>
		(ATS in millions)	
Interest and similar earnings	40,441.9	40,030.8	80,472.7
Interest and similar expenses	(27,398.2)	(30,870.4)	(58,268.6)
Net interest earned	13,043.7	9,160.4	22,204.1
Income from securities and equity interests	738.1	2,229.8	2,967.9
a) income from shares, other ownership interests and non-fixed-interest securities	171.1	242.3	413.4
b) income from equity interests	405.0	1,782.6	2,187.6
c) income from shares in group companies	162.0	204.9	366.9
Commission income	4,499.2	4,717.3	9,216.5
Commission expenses	(790.3)	(1,164.2)	(1,954.5)
Income/expenses from financial transactions	1,054.0	1,657.1	2,711.1
Other operating income	1,121.8	741.6	1,863.4
Operating income	19,666.5	17,342.0	37,008.5
General administrative expenses	(11,796.0)	(10,239.0)	(22,035.0)
a) personnel expenses	(8,101.8)	(6,151.3)	(14,253.1)
b) other administrative expenses (expenditures for materials)	(3,694.2)	(4,087.7)	(7,781.9)
Depreciation on assets	(1,671.0)	(440.8)	(2,111.8)
Other operating expenses	(860.6)	(523.7)	(1,384.3)
Operating expenditure	(14,327.6)	(11,203.5)	(25,531.1)
Operating results	5,338.9	6,138.5	11,477.4
Balance of expenditure/income from the valuation and disposal of claims, securities held in the liquidity reserve and from contingent liabilities and credit risks	(4,603.0)	(3,486.0)	(8,089.0)
Balance of expenditure/income from the valuation and disposal of securities valued as non-current financial assets, and from equity interests and shares in group companies	2,244.6	(66.0)	2,178.6
Results from ordinary business activities	2,980.5	2,586.5	5,567.0
Extraordinary income	8.3	14.9	23.2
Extraordinary expenses	(300.8)	(226.1)	(526.9)
Extraordinary results	(292.5)	(211.2)	(503.7)
Taxes on income and earnings	(54.2)	(137.0)	(191.2)
Other taxes	(46.6)	(72.2)	(118.8)
Annual surplus	2,587.2	2,166.1	4,753.3
Profit portion of other shareholders	(140.6)	(79.9)	(220.5)
Profit for the year	<u>2,446.6</u>	<u>2,086.2</u>	<u>4,532.8</u>

**Unaudited Pro Forma Balance Sheet Data
at or for the six months ended June 30, 1996**

	<u>Bank Austria Group</u>	<u>Creditanstalt Group</u> (ATS in millions)	<u>Total</u>
Vault cash, balances with central banks and post giro offices	10,824	8,079	18,903
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank ..	53,446	39,304	92,750
Claims against credit institutions	200,384	236,773	437,157
Claims against customers	397,958	314,213	712,171
Bonds and other fixed-interest securities	18,108	63,754	81,862
Shares and other non-fixed-interest securities	10,989	2,702	13,691
Equity interests	6,891	10,188	17,079
Shares in group companies	7,863	11,638	19,501
Other assets	26,563	9,575	36,138
Total assets	<u>733,026</u>	<u>696,226</u>	<u>1,429,252</u>
Due to credit institutions	205,207	364,126	569,333
Due to customers:			
Savings deposits	163,474	75,562	239,036
Other liabilities	160,485	111,189	271,674
Securitized liabilities	115,785	86,859	202,644
Subordinated liabilities	11,313	11,838	23,151
Supplementary capital	2,079	3,771	5,850
Subscribed capital, reserves and liability reserve pursuant to the 1993 Banking Act	33,069	25,557	58,626
— purchase price for the shares of Creditanstalt			(17,161) (1)
Total subscribed capital, reserves and liability reserve pursuant to the 1993 Banking Act			41,465
Other liabilities	41,614	17,324	58,938
+ purchase price for the shares of Creditanstalt			17,161 (1)
Total other liabilities			76,099
Liabilities and shareholders' equity	733,026	696,226	1,429,252

(1) The purchase price for the shares of Creditanstalt (ATS 17,161 million) is both deducted from reserves and added to the item "Other liabilities".

Notes to the Unaudited Pro Forma Financial Information

The unaudited pro forma financial information presented above was prepared by adding items from the Bank Austria Group's and the Creditanstalt Group's consolidated financial statements without any adjustments other than to take into account the purchase price for the shares of Creditanstalt in the table containing unaudited pro forma balance sheet data. No other intercompany items between the Bank and Creditanstalt were consolidated.

Both the Bank and Creditanstalt have minority equity interests in companies that, pursuant to the 1993 Banking Act, are not fully consolidated in the respective group financial statements of the Bank and Creditanstalt. When the holdings of the Bank Austria Group and the Creditanstalt Group are added together, certain of these equity interests (such as Oesterreichische Kontrollbank AG and Österreichische Investitionskredit AG) may be fully consolidated in the combined Bank Austria Group and Creditanstalt Group pursuant to §30 of the 1993 Banking Act. No such consolidation has been shown in the unaudited pro forma financial information.

Under the 1993 Banking Act, limits are imposed on the amount of large exposures of a bank or a group of banks that may be outstanding with respect to a single client or group of connected clients. See "The Austrian Banking System — Regulation and Supervision". Although the Bank has not determined what clients or groups of connected clients the Bank Austria Group may have in common with the Creditanstalt Group for purposes of these large exposure limits, it expects to continue to satisfy the relevant large exposure limits.

Unaudited Pro Forma Capital Data

The following table sets forth certain unaudited pro forma capital data as of June 30, 1996. The table sets forth pro forma capital data without giving effect to the sale of the Notes or to any other capital increase. The figures for the Creditanstalt Group are taken from the publicly available information concerning Creditanstalt as of June 30, 1996, as to which the Bank and the Initial Purchasers assume no responsibility. To the extent that the publicly available information concerning Creditanstalt is inaccurate or incomplete, the unaudited pro forma capital data is also likely to be inaccurate or incomplete.

The unaudited pro forma capital data has been presented solely as a convenience to prospective investors in the Notes and does not purport to represent the actual capital position of the Bank Austria Group had the proposed acquisition occurred on the relevant date, or to project the capital position at any future date or any future period. The capital positions of both the Bank and Creditanstalt have changed since June 30, 1996.

	as of June 30, 1996(1)		
	Bank Austria Group	Creditanstalt Group (2)	Total
	(ATS in millions except ratios)		
Core capital (Tier 1 capital)	35,484	26,400	44,723(3)
Core capital ratio	8.73%	6.44%	5.48%
Supplementary funds (Tier 2 capital):			
Supplementary capital and participation capital	2,639	3,300	5,939
Valuation reserve for equity interests	0	2,300	2,300
Subordinated capital	10,255	11,800	22,055
Total supplementary funds	12,894	17,400	30,294
Deductions (4)	(1,855)	(3,200)	(5,055)
Own funds	46,523	40,600	69,962(5)
Assessment basis (6)	406,251	410,000	816,251
Total capital ratio	11.45%	9.90%	8.57%

- (1) The unaudited pro forma capital data presented in this table were prepared by adding relevant items with respect to the Bank and Creditanstalt without any adjustments other than the adjustment to core capital described in note (3) and the adjustment to own funds described in note (5).
- (2) The figures for Creditanstalt in this table have been taken from the unaudited consolidated financial information publicly reported by Creditanstalt with respect to the six months ended June 30, 1996.
- (3) Equal to the total core capital of the Bank Austria Group plus the Creditanstalt Group (ATS 61,884 million) minus the purchase price for the Creditanstalt shares (ATS 17,161 million).
- (4) These deductions include amounts for various intangible assets, including goodwill, software and any subordinated capital that may not be counted towards total capital for bank regulatory purposes.
- (5) Equal to the total own funds of the Bank Austria Group plus the Creditanstalt Group (ATS 87,123 million) minus the purchase price for the Creditanstalt shares (ATS 17,161 million).
- (6) The assessment basis is calculated pursuant to the 1993 Banking Act by adding risk-weighted assets, off-balance sheet transactions weighted by risk and partner and special off-balance sheet financial transactions at market value.

SELECTED FINANCIAL INFORMATION

The selected financial information of the Bank set forth below at and for the year ended December 31, 1995 has been derived from the audited financial statements of the Bank, which have been prepared pursuant to New Austrian GAAP. To provide the selected financial information below at and for the years ended December 31, 1994 and 1993, financial data from the 1994 and 1993 audited financial statements of the Bank, which were prepared pursuant to Old Austrian GAAP, have been restated pursuant to New Austrian GAAP. These restatements are provided solely to facilitate meaningful comparisons of 1994 and 1993 financial information to 1995 financial information. See "Financial Information". The restated information has not been audited by the Bank's external auditors but has been subject to a limited review by such auditors.

For a description of the differences between New Austrian GAAP and Old Austrian GAAP, see "Summary of Principal Differences Between New Austrian GAAP and Old Austrian GAAP". Also, Austrian GAAP differs in certain significant respects from U.S. GAAP. See "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States".

	At or for the year ended December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(\$)
	(ATS and \$ in millions)			
Profit and loss account data				
Interest and similar earnings	37,159.3	38,060.0	39,151.2	3,643.1
Interest and similar expenses	(25,993.4)	(26,445.4)	(26,873.0)	(2,500.5)
Net interest earned	11,165.9	11,614.6	12,278.2	1,142.5
Income from securities and equity interests	882.8	1,079.8	1,030.5	95.9
a) income from shares, other ownership interests and non-fixed-interest securities	124.6	168.8	156.4	14.6
b) income from equity interests	321.9	190.1	194.9	18.1
c) income from shares in group companies ..	436.3	720.9	679.2	63.2
Commission income	3,044.4	3,273.8	3,371.7	313.7
Commission expenses	(344.2)	(367.7)	(498.9)	(46.4)
Income/expenses from financial transactions ...	1,331.5	175.8	905.2	84.2
Other operating income	267.7	306.1	393.8	36.6
Operating income	16,348.1	16,082.4	17,480.5	1,626.5
General administrative expenses	(9,899.9)	(11,003.8)	(11,564.0)	(1,076.0)
a) personnel expenses (1)	(6,341.4)	(7,149.1)	(7,408.9)	(689.4)
b) other administrative expenses (expenditures for materials)	(3,558.5)	(3,854.7)	(4,155.1)	(386.6)
Depreciation on assets	(417.1)	(681.8)	(714.0)	(66.4)
Other operating expenses	(192.2)	(243.2)	(351.0)	(32.7)
Operating expenditure	(10,509.2)	(11,928.8)	(12,629.0)	(1,175.1)

	At or for the year ended December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(£)
	(ATS and £ in millions)			
Operating results	5,838.9	4,153.6	4,851.5	451.4
Balance of expenditure/income from the valuation and disposal of claims, securities held in the liquidity reserve and from contingent liabilities and credit risks	(3,438.0)	(1,176.0)	(4,518.7)	(420.5)
Balance of expenditure/income from the valuation and disposal of securities valued as non-current financial assets, and from equity interests and shares in group companies	(361.0)	(1,430.6)	2,194.1	204.2
Results from ordinary business activities	2,039.9	1,547.0	2,526.9	235.1
Extraordinary income	33.4	4.2	7.3	0.7
Extraordinary expenses	(514.8)	(350.1)	(299.5)	(27.9)
Extraordinary results	(481.4)	(345.9)	(292.2)	(27.2)
Taxes on income and earnings	(21.2)	(22.3)	(33.7)	(3.1)
Other taxes	(219.0)	(37.4)	(33.3)	(3.1)
Annual surplus	1,318.3	1,141.5	2,167.8	201.7
Changes in reserves	(815.4)	(503.5)	(1,509.5)	(140.5)
Profit for the year	502.9	638.0	658.3	61.3
Profit brought forward from previous year	11.3	13.1	4.5	0.4
Net profit	514.2	651.1	662.9	61.7

(1) The 1993 figure includes a one-time benefit of ATS 735 million resulting from the renegotiation of the Bank's pension plan.

	At or for the year ended December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(€)
	(ATS and € in millions)			
Balance sheet data				
Vault cash, balances with central banks and postal giro offices	9,684.6	10,286.6	8,335.3	775.6
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank	31,176.2	51,171.9	44,339.5	4,125.8
Claims against credit institutions(1)	148,501.3	157,909.2	178,905.2	16,647.0
Claims against customers(1)	318,308.9	360,261.3	374,027.0	34,802.9
Bonds and other fixed-interest securities	27,203.6	13,750.1	25,022.2	2,328.3
Shares and other non-fixed-interest securities ..	6,215.8	5,916.2	6,288.1	585.1
Equity interests	6,551.4	6,257.7	5,692.9	529.7
Shares in group companies	14,330.9	14,827.0	14,037.6	1,306.2
Intangible non-current assets	148.1	632.5	596.5	55.5
Tangible fixed assets	1,925.5	2,063.2	2,164.8	201.4
Treasury shares and interests, interests in a controlling company, interests in a company holding a majority interest	54.6	265.8	287.1	26.7
Other assets	14,047.1	11,878.2	16,547.7	1,539.8
Accrued items	326.1	1,359.6	1,619.4	150.7
Total assets	<u>578,474.1</u>	<u>636,579.3</u>	<u>677,863.3</u>	<u>63,074.7</u>
Due to credit institutions	186,717.7	180,636.9	186,527.8	17,356.3
Due to customers:				
Savings deposits	162,868.9	169,272.6	171,296.6	15,939.0
Other liabilities	109,009.9	123,541.1	141,614.5	13,177.1
Securitized liabilities	55,470.8	92,710.1	99,017.1	9,213.5
Other liabilities	7,840.0	9,821.4	17,033.6	1,585.0
Deferred items	499.7	313.8	302.6	28.2
Provisions	15,527.5	16,411.8	18,030.5	1,677.7
Subordinated liabilities	9,357.4	11,641.3	10,580.0	984.5
Supplementary capital	3,015.5	3,085.5	2,512.0	233.7
Subscribed capital	6,404.3	6,474.3	6,474.3	602.4
Capital reserves	10,837.8	10,839.7	11,126.5	1,035.3
Retained income	1,267.3	1,381.3	1,406.5	130.9
Liability reserve pursuant to the 1993 Banking Act	7,938.9	8,613.3	9,372.6	872.1
Net profit	514.2	651.1	662.9	61.7
Untaxed reserves	1,204.2	1,185.1	1,905.8	177.3
Liabilities and shareholders' equity (2)	<u>578,474.1</u>	<u>636,579.3</u>	<u>677,863.3</u>	<u>63,074.7</u>

(1) In accordance with Austrian banking regulations and New Austrian GAAP, the Bank shows all claims against credit institutions and claims against customers on its balance sheet net of the related loan loss reserves.

(2) Shareholders' equity includes at December 31, 1993, 1994 and 1995, respectively, share capital of ATS 5.7 billion, ATS 5.8 billion and ATS 5.8 billion; participation capital of ATS 702 million, ATS 702 million and ATS 702 million; liability reserve (pursuant to the 1993 Banking Act) of ATS 7.9 billion, ATS 8.6 billion and ATS 9.4 billion; and statutory and other reserves of ATS 13.3 billion, ATS 13.4 billion and ATS 14.4 billion.

	At or for the year ended December 31,			
	1993 (1)	1994	1995	
	(ATS)	(ATS)	(ATS)	(\$)
Per share data				
O.V.F.A. earnings per share (2) (3)	28	23	38	3.54
Annual surplus per share (3)	21	18	34	3.16
Dividend per share (4)	8	10	10	0.93
Book value per share (5)	437	440	473	44.01
Ratios				
Annual surplus/average total assets (6) (7)	0.23%	0.18%	0.33%	
Annual surplus/average shareholders' equity (6) (7)	4.92	4.04	7.38	
Operating results/average total assets (7) (8)	0.90	0.68	0.74	
Net interest margin (9)	2.14	2.04	2.04	
Commission income/operating income	18.62	20.36	19.29	
Efficiency ratio (8) (10)	68.78	74.18	72.25	
Personnel expenses/average total assets (7) (8)	1.25	1.18	1.13	
Operating expenditure/average total assets (7) (8)	1.98	1.96	1.92	
Tier 1 capital ratio	7.46	7.34	7.48	
Total capital ratio	10.35	10.76	10.32	

- (1) 1993 figures are not restated to reflect the merger of Wiener Hypo Bank AG with the Bank.
- (2) Calculated according to the Austrian Financial Analyst Association (O.V.F.A.) guidelines.
- (3) Calculated using period end shares (determined according to O.V.F.A. guidelines which eliminate treasury shares) outstanding of 63.29 million, 64.24 million and 64.02 million, respectively, in 1993, 1994 and 1995. See "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and the United States".
- (4) For all share capital and participation capital.
- (5) Calculated using period end shares outstanding of 64.04 million, 64.74 million and 64.02 million, respectively, in 1993, 1994 and 1995.
- (6) Annual surplus before changes in reserves.
- (7) Average based on total amounts at the beginning and the end of each year.
- (8) 1993 ratio excludes ATS 735 million one-time benefit from the renegotiation of the Bank's pension plan.
- (9) Net interest earned excluding dividends/average earning assets excluding equity interests and syndicate holdings.
- (10) Operating expenses/operating income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Austrian law governing the presentation of the Bank's financial information changed with the enactment of the 1993 Banking Act. The 1993 Banking Act brought the presentation of financial statements in Austria into conformity with European Union standards, which facilitates more meaningful comparisons of credit institutions in Austria with credit institutions in other European Union countries. The presentation format of financial statements under New Austrian GAAP (which includes the requirements of the 1993 Banking Act) differs considerably from the presentation format under Old Austrian GAAP. For a description of certain of the most significant differences between New Austrian GAAP and Old Austrian GAAP, see "Summary of Principal Differences Between New Austrian GAAP and Old Austrian GAAP" and Notes 1 and 2 to the Audited Financial Statements of the Bank for the year ended December 31, 1995, which Audited Financial Statements begin on page F-2 of this Offering Memorandum.

The new presentation requirements first became applicable to the Bank's audited financial statements for the year ending December 31, 1995. The audited financial statements of the Bank for the years ending December 31, 1994 and 1993 were prepared in accordance with Old Austrian GAAP. For the purpose of the following discussion, financial data from the 1994 and 1993 audited financial statements of the Bank have been restated pursuant to New Austrian GAAP. These restatements are provided solely to facilitate meaningful comparisons of 1994 and 1993 financial information to 1995 financial information. The restated information has not been audited by the Bank's external auditors but has been subject to a limited review by such auditors. The audited financial statements of the Bank for the years ending December 31, 1994 and 1993 are attached as Annex A.

New Austrian GAAP differs in certain significant respects from U.S. GAAP. The principal differences between New Austrian GAAP and U.S. GAAP with respect to the financial statements of the Bank are described in "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States".

Overview

The performance of the Bank for the years ended December 31, 1995, 1994 and 1993 was affected by both domestic and international general economic conditions and the interest rate environment in Austria. Austria joined the European Union in 1995. This caused structural changes in the Austrian marketplace, with more open competition leading to stronger pressure on domestic businesses. These structural changes, together with the slowing Austrian economy, contributed to keeping credit demand by both companies and retail customers weak in 1995. Long-term interest rates, which had risen somewhat in 1994, declined in 1995 to historic lows. Short-term interest rates continued their decline in 1995, although the yield curve remained steep.

In 1995, the gross domestic product in Austria grew by 1.8% (compared to 1994's 3.0% growth), as economic growth was generally weaker throughout Europe. The rate of growth in Austria slowed even further in 1996, and was affected by a sharp decline in tourism and negative developments in the construction sector. Borrowing by public entities slowed in 1995 as the Austrian government began to put into effect measures designed to ensure Austria's compliance with the Maastricht criteria. Private consumption, which remained strong in 1995, growing over 2% in real terms largely on account of the lower savings rate, also slowed in 1996, as the effects of reduced public sector demand began to trickle through to the broader economy. Thus, as in the prior year, competition for high quality corporate loans intensified, while loan demand remained, by historical standards, below average.

In response to the changes in the Austrian economy and the decline in short- and long-term interest rates, in 1995 and 1996 the Bank continued its strategy of pursuing the high-quality domestic lending business. The focus on higher-margin business resulted in a slight decrease in the Bank's market share, particularly in customer deposits. At the same time, the Bank focused more on activities outside Austria, including foreign currency-denominated loans, which have historically had lower margins than the Bank's Schilling-denominated loans. These factors put continuing pressure on the Bank's interest margins in

1995, which had also declined somewhat in 1994. The Bank intends to stabilize or slightly improve its market share position, which together with the continuing changes in the Austrian economy, can be expected to further pressure interest margins.

Despite pressure on the Bank's interest margins, the Bank's overall performance in 1995 and 1996 continued to improve. This improvement was a reflection of continued strong earnings in commission income and trading results, the Bank's focus on international business activities and the Bank's cost containment efforts. The Bank's progress in international activities is reflected in the performance of its foreign branches, all of which improved earnings over 1994, the development of the Bank's international alliances, and the increasing proportion of foreign assets and liabilities on the Bank's balance sheet.

In January 1997, the Bank agreed to acquire a controlling interest in Creditanstalt. See "The Proposed Acquisition of Creditanstalt".

Year Ended December 31, 1995 vs. December 31, 1994

Results of Operations

In 1995, the Bank's operating results (operating income less operating expenditures) increased by 16.8% to ATS 4.85 billion in 1995 from ATS 4.15 billion in 1994. The increase in the Bank's operating results was primarily due to an increase in net interest earned and earnings on financial business transactions, while operating expenditures increased by a smaller amount. As a result, the Bank's annual surplus before changes in reserves increased to ATS 2.17 billion in 1995 from ATS 1.14 billion in 1994, representing an increase of 90.0%.

Operating Income

Net Interest Earned. The Bank's net interest earned was ATS 12.28 billion in 1995 as compared to ATS 11.62 billion in 1994, an increase of 5.7%. This increase of ATS 663 million was primarily due to growth in interest earned of ATS 1.09 billion, or 2.9%, and smaller growth in interest paid of ATS 428 million, or 1.6%. The Bank's net interest margin remained stable in 1995 at 1.87%. The decline in short-term and long-term interest rates in Austria in 1995 and the existence of a positively-sloped yield curve led to a decrease in the average yield on interest-earning assets to 6.39% in 1995 from 6.42% in 1994, while the average cost of interest-bearing liabilities increased slightly to 4.51% in 1995 from 4.48% in 1994. Income from securities and equity interests declined by 4.5% to ATS 1.03 billion in 1995 from ATS 1.08 billion in 1994. This resulted from decreases in income from shares, other ownership interests and non-fixed interest securities (to ATS 156 million in 1995 from ATS 169 million in 1994) and income from shares in group companies (to ATS 679 million in 1995 from ATS 721 million in 1994), which were greater than the slight increase in income from equity interests (to ATS 195 million in 1995 from ATS 190 million in 1994).

Commission Income/Commission Expenses. Net commission income (commission income less commission expenses) was ATS 2.87 billion in 1995 as compared to ATS 2.91 billion in 1994, a decrease of 1.1%. This decrease was primarily due to the decreases in other services, including fees earned in connection with the insurance business and building society savings contracts, to ATS 475 million in 1995 from ATS 545 million in 1994 (a decline of 12.8%) and in securities brokerage transactions to ATS 494 million in 1995 from ATS 535 million in 1994 (a decline of 7.7%), which were partially offset by increases in foreign exchange transactions and transactions in coins and precious metals to ATS 405 million in 1995 from ATS 347 million in 1994 (an increase of 16.7%).

Income/Expenses From Financial Transactions. Results from financial transactions improved significantly compared to the previous year's performance, increasing to ATS 905 million in 1995 from ATS 176 million in 1994. The increase of ATS 729 million was due primarily to higher profits in securities trading, as well as a decrease in write-offs on the Bank's trading securities portfolio due to favorable price developments.

Operating Expenditure

Operating Expenditure. Total operating expenditure increased by 5.9% to ATS 12.63 billion in 1995 from ATS 11.93 billion in 1994. Personnel expenses increased by 3.6% to ATS 7.41 billion in 1995 from ATS 7.15 billion in 1994. In 1995, the number of the Bank's employees was reduced by 167 to 8,953 due to attrition. In light of several factors that increased the Bank's personnel costs, including the 1995 collective bargaining agreement, scheduled salary increases and certain statutory changes in assessments for social security contributions and other levies, the increase in total operating expenditure reflects the Bank's goal of achieving moderate increases in personnel expenses. Another significant factor contributing to the increase in total operating expenditure was increased administration expenditures, which increased by ATS 300 million, or 7.8% to ATS 4.16 billion in 1995 from ATS 3.86 billion in 1994. This increase was due to higher computer-related expenses and ongoing expenses for business units. The growth in administrative expenditures (including expenditures for maintenance of business premises and fixtures, electronic data processing equipment, advertising and legal services) dampened appreciably in 1996.

Results from Ordinary Business Activities

Balance of Expenditure/Income from the Valuation and Disposal of Claims, Securities Held in the Liquidity Reserve and from Contingent Liabilities and Credit Risks. The balance of this item in 1995 was a provision of ATS 4.52 billion, compared with a provision of ATS 1.18 billion in 1994. ATS 1.49 billion of this increase was due to the reversal in 1994 of a portion of the provision for country risk (a corresponding amount is reflected as an increase in income in the immediately following item, so that the net effect of the reversal between the two items is zero). The reversal in the country risk provision was the result of various debt restructuring measures in 1994 that affected certain foreign loans. If the effects of this reversal are disregarded, the 1995 amount represents an increase in provisions of ATS 1.85 billion over the 1994 figure (revised to ATS 2.67 billion). This increase of ATS 1.85 billion was due principally to higher provisions for domestic loans. Higher provisions with respect to the domestic lending business were necessary because of changes in the structure of the domestic market. The continued opening of markets resulting from Austria's joining of the European Union has led to structural adjustments, which in turn has resulted in more insolvencies of Austrian enterprises.

Balance of Expenditure/Income from the Valuation and Disposal of Securities Valued as Non-Current Financial Assets, and From Equity Interests and Shares in Group Companies. Income from this item was ATS 2.19 billion in 1995, which was an ATS 3.63 billion increase over the provision of ATS 1.43 billion in 1994. As mentioned in the previous paragraph, the ATS 1.49 billion reversal in the country risk provision is also reflected in this item. If this reversal is disregarded, the 1995 figure represents an increase of ATS 2.14 billion over the 1994 figure (revised to ATS 58 million). This increase of ATS 2.14 billion was largely due to profit from the sale of the non-financial group companies DZ-Donauzentrum Betriebs- u. Vermietungs AG and GET Management Gesellschaft für Gesundheit, Energie u. Technik.

Extraordinary Income/Extraordinary Expenses. The Bank had net extraordinary expenses (extraordinary income less extraordinary expenses) in 1995 of ATS 292 million, as compared to net extraordinary expenses in 1994 of ATS 346 million. ATS 231 million was allocated to the deficit portion of the pension provision and ATS 61 million to provisions for severance payments and anniversary bonuses. These provisions arose from a change in the actuarial calculation for the Bank's provisions for these amounts in 1992, which resulted in a deficit. Starting in 1992, the pension provision deficit is being amortized in equal installments over a twenty year period (the "20-year pension gap"), and the deficit in severance payments and anniversary bonus provisions is being amortized in equal installments over a five year period (the "five-year severance and anniversary bonus gap").

Taxes on Income and Earnings. The Bank's taxes on income and earnings were ATS 34 million in 1995, an increase of 54.5% from ATS 22 million in 1994. This increase of ATS 12 million was due to taxes on earnings at foreign branches, in particular the New York branch. Because of Austrian tax law related to banks, which allows for the exclusion of dividend income and certain amounts allocated to reserves from

taxable income, the Bank has accumulated net operating loss carry-forwards that can be used to offset future taxable earnings of the Bank. Such operating loss carry-forwards may not, however, be used in 1996 and 1997, due to measures adopted by the Austrian government in an effort to help Austria achieve compliance with the Maastricht criteria. Also, pursuant to the Austrian tax law related to banks, the allocation to the Bank's liability reserve, which was formerly fully deductible, became 50% deductible in 1995. Only 25% of the allocation to the Bank's liability reserve will be deductible in respect of 1996 and no amount will be deductible thereafter.

Changes in Reserves. Reserves increased to ATS 1.51 billion in 1995 from ATS 503 million in 1994. The increase resulted principally from an increase of ATS 281 million in the liability reserve on certain risk-weighted assets (pursuant to § 23 of the 1993 Banking Act), due to an increase in the total amount of those risk-weighted assets. An amount of ATS 750 million was allocated to the reserve pursuant to § 12 of the Austrian Income Tax Law, a component of untaxed reserves.

Financial Condition

At December 31, 1995, the Bank had total assets of ATS 677.86 billion, an increase of ATS 41.28 billion, or 6.5%, from ATS 636.58 billion at December 31, 1994. This increase was primarily due to an increase of ATS 21.00 billion in claims against credit institutions, an increase in ATS 13.77 billion in claims against customers and an increase of ATS 11.27 billion in bonds and other fixed-interest securities, offset by a decrease of ATS 6.83 billion in debt instruments issued by public agencies and similar securities.

Assets

Claims Against Credit Institutions. At December 31, 1995, claims against credit institutions totaled ATS 178.91 billion, an increase of 13.3%, from ATS 157.91 billion at December 31, 1994. Balances with foreign banks held in currencies other than Schilling accounted for most of this increase.

Claims Against Customers. Claims against customers rose ATS 13.77 billion, or 3.8%, to ATS 374.03 at December 31, 1995 from ATS 360.26 billion at December 31, 1994. This increase resulted primarily from an increase of ATS 4.5 billion, or 44.4%, in unlisted securities to ATS 14.6 billion at December 31, 1995 from ATS 10.1 billion at December 31, 1994, and an increase of ATS 8.7 billion, or 25%, in loans to customers to ATS 356.8 billion at December 31, 1995 from ATS 348.1 billion at December 31, 1994. The strongest increases occurred in financing for residential construction, which increased by ATS 4.8 billion, or 11%, to ATS 47.9 billion at December 31, 1995 from ATS 43.1 billion at December 31, 1994 and public sector financing, which increased by ATS 4.3 billion, or 5.6%, to ATS 81.0 billion at December 31, 1995 from ATS 76.7 billion at December 31, 1994.

Bonds and Other Fixed-Interest Securities. Bonds and other fixed-interest securities grew by ATS 7.66 billion, or 9.9%, to ATS 85.33 billion at December 31, 1995 from ATS 77.67 billion at December 31, 1994. This increase resulted from increased investments in bonds and other fixed-interest securities due to the weak credit demand in 1995.

Shares and Other Non-Fixed-Interest Securities. In 1995, shares (not including equity interests and shares in group companies) increased in value by ATS 0.4 billion to ATS 6.3 billion at December 31, 1995 from ATS 5.9 billion at December 31, 1994. These shares represent minority interests in industry and banking.

Securities. Elements of the item "securities" on the balance sheet prepared pursuant to Old Austrian GAAP can now be found in several separate items of the balance sheet prepared pursuant to New Austrian GAAP, including "claims against credit institutions", "claims against customers", "debt instruments issued by public agencies", "bonds and other fixed-interest securities" and "shares and other non-fixed-interest securities". See "Summary of Principal Differences between New Austrian GAAP and Old Austrian GAAP" and Notes 1 and 2 to the Audited Financial Statements of the Bank for the year ended December 31, 1995. The Bank's securities portfolio increased in 1995 by ATS 7.92 billion, or

9.46%, to ATS 91.61 billion at December 31, 1995 from ATS 83.70 billion at December 31, 1994. This increase was mainly due to an increase in bonds and other fixed-interest securities.

Equity Interests. The book value of the Bank's equity interests decreased by 9.0% in 1995, to ATS 5.69 billion at December 31, 1995 from ATS 6.26 billion at December 31, 1994. Share capital increases at Bankhaus Löbbecke & Co. KG and UNION Versicherungs-Aktiengesellschaft of ATS 255 million and ATS 32 million, respectively, were offset by a significant disposal of shares in AEG Austria Ges.m.b.H. in the amount of ATS 89 million and an increase in provisions for equity interests.

Shares in Group Companies. Shares in group companies decreased by ATS 789 million, or 5.3%, to ATS 14.04 billion at December 31, 1995 from ATS 14.83 billion at December 31, 1994. This decrease was due primarily to the sale of interests in the non-finance sector, including Aktiengesellschaft für Bauwesen, DZ-Donauzentrum Betriebs- u. Vermietungs AG and GET Management Gesellschaft für Gesundheit, Energie und Technik m.b.H., and the sale of shares (within the Group) in Investment Bank Austria AG ("Investmentbank Austria"). The most significant addition involved the establishment of Bank Austria (SR) a.s. in Bratislava.

Tangible Fixed Assets. The Bank's tangible fixed assets (comprised of land and buildings, office furniture and equipment) increased by ATS 102 million, or 4.9%, increasing to ATS 2.17 billion at December 31, 1995 from ATS 2.06 billion at December 31, 1994. Additions to land and buildings in 1995 of ATS 110 million were partially offset by disposals of ATS 45 million. The book value of land and buildings was ATS 626 million at the end of 1995, compared with ATS 582 million at the end of 1994. Additions to other tangible fixed assets (primarily office furniture and equipment) in 1995 of ATS 504 million involved the cost of adapting and equipping business units and were largely offset by depreciation totaling ATS 431 million, resulting in a book value of other tangible fixed assets at the end of 1995 of ATS 1.54 billion, compared with ATS 1.48 billion at the end of 1994.

Liabilities

Due to Credit Institutions. At December 31, 1995, amounts due to credit institutions totaled ATS 186.53 billion, an increase of 3.3% from ATS 180.64 billion at December 31, 1994. This increase was primarily due to an increase in borrowings from foreign credit institutions in foreign currencies of ATS 11.6 billion to ATS 110.3 billion at December 31, 1995 from ATS 98.7 billion at December 31, 1994, which was partially offset by a decline in domestic deposits in both Schilling and foreign currencies of ATS 4.0 billion to ATS 71.2 billion at December 31, 1995 from ATS 75.2 billion at December 31, 1994.

Due to Customers — Savings Deposits. At December 31, 1995, savings deposits amounted to ATS 171.28 billion, an increase of 1.2% from ATS 169.27 billion at December 31, 1994. The general trend in Austria towards alternative forms of savings, particularly in certificates of deposits, limited the growth of the Bank's savings deposits in 1995.

Due to Customers — Other Liabilities. At December 31, 1995, other liabilities due to customers totaled ATS 141.61 billion, an increase of 14.6% from ATS 123.54 billion at December 31, 1994. This increase was primarily due to an increase in domestic deposits in both Schilling and foreign currencies of ATS 21.8 billion.

Securitized Liabilities. At December 31, 1995, the Bank's own issues of debt securities amounted to ATS 99.02 billion, an increase of 6.8% from ATS 92.71 billion at December 31, 1994. Bond issues increased by ATS 4.11 billion, or 6.6%, in 1995 to ATS 66.60 billion at December 31, 1995 from ATS 62.49 billion at December 31, 1994. Certificates of deposits increased 7.3% in 1995 to ATS 32.42 billion at December 31, 1995 from ATS 30.22 billion at December 31, 1994.

Provisions. At December 31, 1995, total provisions amounted to ATS 18.03 billion, an increase of 9.9% from ATS 16.41 billion at December 31, 1994. Of the 1995 increase, changes in provisions for pensions added ATS 1.20 billion in 1995, whereas changes in the provisions for severance payments added ATS 92 million. The remaining shortfall in provisions for pensions as of December 31, 1995 was ATS 3.69 billion, compared to ATS 3.92 billion as of December 31, 1994. The remaining deficit for

severance and anniversary bonus payments at December 31, 1995 was ATS 61 million, which will be fully made up in 1996. An increase of ATS 335 million of the total provisions was related to the provisions for various miscellaneous and accrued liabilities.

Subordinated Liabilities. Subordinated liabilities decreased by 9.1% in 1995, to ATS 10.58 billion at December 31, 1995 from ATS 11.64 billion at December 31, 1994. This decrease was primarily due to the redemption of U.S. dollar-denominated and Canadian dollar-denominated bonds in 1995. Subordinated liabilities at December 31, 1995 included four Schilling-denominated bonds and twelve foreign currency-denominated bonds.

Subscribed Capital. The Bank's subscribed capital remained unchanged at ATS 6.47 billion.

Reserves. The Bank's liability reserve, which is a Tier 1 capital reserve account that Austrian banks are required to maintain, increased by 8.8% to ATS 9.37 billion at December 31, 1995 from ATS 8.61 billion at December 31, 1994, as the Bank allocated ATS 759 million of its annual surplus before changes in reserves of ATS 2.17 billion to the liability reserve in 1995. See "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States — Liability Reserve".

The Bank's other reserves (including capital reserves, retained income, and untaxed reserves) increased by 7.7% to ATS 14.4 billion at December 31, 1995 from ATS 13.4 billion at December 31, 1994, with the largest increase (ATS 721 million) occurring in untaxed reserves.

Year Ended December 31, 1994 vs. December 31, 1993

Results of Operations

The Bank's operating results (operating income less operating expenditures) declined by 28.9% to ATS 4.15 billion in 1994 from ATS 5.84 billion in 1993. The decrease in operating results in 1994 was primarily due to an increase in operating expenditures in 1994 as compared with 1993, which included a one-time benefit of ATS 735 million resulting from the renegotiation of the Bank's required contribution to its pension plan. This increase in operating expenditures was partially offset by an increase in net interest earned and net commission income. When excluding the one-time benefit of the pension renegotiation from the 1993 results, operating results decreased by 18.6% in 1994 as compared to 1993. As a result of the decrease in operating results, the Bank's annual surplus before changes in reserves declined to ATS 1.14 billion in 1994 from ATS 1.32 billion in 1993, representing a decrease of 13.4%.

Operating Income

Net Interest Earned. The Bank's net interest earned was ATS 11.62 billion in 1994 as compared to ATS 11.17 billion in 1993, an increase of 4.0%. The Bank's net interest earned as a percentage of average interest earning assets, however, declined to 2.15% in 1994 from 2.20% in 1993. The Bank's average yield on interest bearing liabilities declined to 4.48% in 1994 from 5.21% in 1993, reflecting a decrease in short-term and money market interest rates in Austria during 1994, which benefited the Bank given the short-term nature of its liabilities. The Bank's average yield on interest earning assets declined to 6.42% in 1994 from 7.18% in 1993, even though intermediate and long-term interest rates rose during 1994. Due to the significant level of competition for loans in the domestic market, the rise in interest rates did not have a commensurate effect on the Bank's yield on loans to non-credit institutions, which declined to 7.26% in 1994 from 8.22% in 1993. The Bank's income from Group companies, equity interests and non-fixed interest securities increased to ATS 1.08 billion in 1994 from ATS 883 million in 1993, an increase of 22.3%. This increase was primarily due to an increase in dividends from Group financial companies as a result of an increase in earnings in the Bank's credit card and mutual fund management subsidiaries.

Commission Income/Commission Expenses. Net commission income (commission income less commission expenses) was ATS 2.91 billion in 1994 as compared to ATS 2.70 billion in 1993, an

increase of 7.6%. The overall increase reflects an increase in fees earned in connection with the Bank's lending business, cash payment transactions, securities brokerage and foreign exchange transactions.

Income/Expenses From Financial Transactions. Income from financial transactions was ATS 176 million in 1994 as compared to ATS 1.33 billion in 1993, a decrease of 86.8%. This decrease resulted from lower trading profits from securities, foreign exchange transactions and trading in derivatives and higher write-offs on the Bank's trading securities portfolio.

Operating Expenditure

Operating Expenditure. Operating expenditure was ATS 11.93 billion in 1994 as compared to ATS 10.51 billion in 1993, an increase of 13.5%. This increase was primarily due to a 12.7% increase in personnel expenses, to ATS 7.15 billion in 1994 from ATS 6.34 billion in 1993. The increase was largely due to the fact that the 1993 figure reflects a one-time benefit of ATS 735 million relating to the renegotiation of the Bank's pension plan which provided for newly-instituted staff contributions to the pension plan, thereby reducing the Bank's expenses associated with the plan. If this one-time benefit is excluded from the 1993 results, personnel expenses increased by only 1.0% in 1994.

Results from Ordinary Business Activities

Balance of Expenditure/Income from the Valuation and Disposal of Claims, Securities Held in the Liquidity Reserve and from Contingent Liabilities and Credit Risks. In 1994, the balance of this item was a provision of ATS 1.18 billion, as compared to a provision of ATS 3.44 billion in 1993. This decrease in provisions was primarily due to the reversal in 1994 of a portion of the provision for country risks described above (a corresponding amount is reflected as a decrease in income in the immediately following item, so that the net effect of the reversal between the two items is zero). If the effects of this reversal are disregarded, net provisions decreased by ATS 773 million or 22.5% over the 1993 figure.

Balance of Expenditure/Income from the Valuation and Disposal of Securities Valued as Non-Current Financial Assets, and From Equity Interests and Shares in Group Companies. If the effects of the reversal in the provision for country risks described above are disregarded, the net change in this item in 1994 was an increase in income of ATS 421 million over the 1993 figure. This increase was primarily due to gains realized on the sale by the Bank in 1994 of its ownership interests in Mercurbank Aktiengesellschaft, and Reumannplatzgarage Wr. Garagenbau-und-Betriebsges.m.H. und Co KG, partially offset by allocations to provisions for holdings in other Bank Austria Group companies.

Extraordinary Income/Extraordinary Expenses. The Bank's net extraordinary expenses (extraordinary income less extraordinary expenses) were ATS 346 million in 1994, as compared to ATS 481 million in 1993, a decrease of 28.1%. This decrease was primarily due to the 1994 decrease in the allocation to the reserve for potential legal liabilities. In both 1994 and 1993, an amount of ATS 231 million was included as an extraordinary expense with respect to the 20-year pension gap, and an amount of approximately ATS 61 million was included with respect to the 5-year severance and anniversary bonus gap.

Taxes on Income and Earnings. Taxes on income, earnings and property increased 5.2% in 1994 to ATS 22.3 million in 1994 from ATS 21.2 million in 1993.

Changes in Reserves. Reserves decreased by 38.2% in 1994 to ATS 504 million in 1994 from ATS 815 million in 1993. This decrease was mainly the result of a lower allocation to the liability reserve pursuant to the 1993 Banking Act.

Financial Condition

At December 31, 1994, the Bank's total assets were ATS 636.58 billion, an increase of ATS 58.11 billion (of which 26.7 billion resulted from the merger with Wiener Hypo Bank AG), or 10.0%, from total assets of ATS 578.47 billion at December 31, 1993. This increase was primarily due to an increase of ATS 20.00 billion in debt instruments issued by public agencies, an increase of ATS 9.41 billion in claims

against credit institutions, and an increase of ATS 41.95 billion in claims against customers, partially offset by a decrease in bonds and other fixed-interest securities of ATS 13.45 billion.

Assets

Claims Against Credit Institutions. At December 31, 1994, amounts due from credit institutions were ATS 157.91 billion, an increase of 6.3% from such claims of ATS 148.50 billion at December 31, 1993. This increase was primarily due to an increase in the volume of business in the foreign inter-bank market and a desire by the Bank to limit its exposure to credit institutions to one that was short-term in nature.

Claims Against Customers. At December 31, 1994, claims against customers were ATS 360.26 billion, an increase of 13.2% from such claims of ATS 318.31 billion at December 31, 1993. This increase was primarily due to the merger with Wiener Hypo Bank AG (adding ATS 24.3 billion) and to an increase in loans to domestic customers of 11.0 billion, partially offset by a decrease in loans to foreign customers of ATS 2.1 billion.

Bonds and Other Fixed-Interest Securities. At December 31, 1994, the amount of bonds and other fixed-interest securities (including such securities contained within the items "debt instruments issued by public agencies", "claims against credit institutions" and "claims against customers") was ATS 77.7 billion, an increase of 30.6%, from a total of ATS 59.5 billion at December 31, 1993.

Shares and Other Non-Fixed-Interest Securities. At December 31, 1994, the amount of shares and other non-fixed-interest securities was ATS 5.92 billion, a decrease of 4.8%, from a total of ATS 6.22 billion at December 31, 1993.

Securities. At December 31, 1994, the Bank's securities portfolio, which included fixed-interest securities, equity shares and other securities, totaled ATS 83.7 billion, an increase of 27.4%, from a total of ATS 65.7 billion at December 31, 1993. This increase was primarily due to an increase in bonds and other fixed-interest securities resulting from the Bank's investment of excess liquidity in bonds of the Republic and its political subdivisions.

Equity Interests. At December 31, 1994, the amount of equity interests was ATS 6.26 billion, a decrease of 4.5%, from a total of ATS 6.55 billion at December 31, 1993. This decrease was primarily due to the sale of Perlmooser Zementwerke Aktiengesellschaft.

Shares in Group Companies. The book value of the Bank's equity interests in Bank Austria Group companies increased by 3.5% in 1994 to ATS 14.83 billion at December 31, 1994 from ATS 14.33 billion at December 31, 1993. The increase in 1994 was primarily due to acquisitions by the Bank in 1994 of UNITECH Aktiengesellschaft and Bank Austria Wohnbaubank Aktiengesellschaft, offset by sales of holdings in Mercurbank Aktiengesellschaft.

Tangible Fixed Assets. The Bank's tangible fixed assets increased 7.2% in 1994. Land and buildings increased by 11.1% in 1994 to ATS 0.58 billion at December 31, 1994 from ATS 0.52 billion at December 31, 1993. This increase has resulted primarily from collateral reposessions by the Bank in 1994. Office furniture and equipment increased by 5.6% to ATS 1.48 billion in 1994 from ATS 1.40 billion at December 31, 1993. This increase was primarily due to an upgrade of technical equipment in the Bank's branches and additional purchases of electronic data processing equipment, offset by depreciation of existing fixed assets.

Liabilities

Due to Credit Institutions. At December 31, 1994, amounts due to credit institutions were ATS 180.64 billion, a decrease of 3.3% from ATS 186.72 billion at December 31, 1993. This decrease was primarily due to a lower level of refinancing of export loans by Österreichische Kontrollbank.

Due to Customers — Savings Deposits. At December 31, 1994, savings deposits amounted to ATS 169.27 billion, an increase of 3.9% from ATS 162.87 billion at December 31, 1993. The general trend

in Austria towards alternative forms of savings, particularly in the form of certificates of deposits, limited the growth of the Bank's savings deposits in 1994.

Due to Customers — Other Liabilities. At December 31, 1994, amounts due to others were ATS 123.54 billion, an increase of 13.3% from ATS 109.01 billion at December 31, 1993. This increase was primarily due to a reduction in the funding of the Bank's New York branch from the inter-bank market with a corresponding increase in borrowings from other sources.

Securitized Liabilities. At December 31, 1994, securitized liabilities were ATS 92.71 billion, an increase of 67.1% from ATS 55.47 at December 31, 1993. This increase was primarily due to an increase in outstandings under various bonds issued and an increase in certificates of deposits, issued as an alternative to savings deposits. At December 31, 1994, outstandings under various bonds issued amounted to ATS 41.8 billion, an increase of 9.7% from ATS 38.1 billion at December 31, 1993. Municipal bonds and mortgage bonds increased to ATS 27.8 billion at December 31, 1994, of which 24.9 billion resulted from the merger with Wiener Hypo Bank AG.

Provisions. At December 31, 1994, total provisions amounted to ATS 16.41 billion, an increase of 5.7% from ATS 15.53 billion at December 31, 1993. Of the 1994 increase, changes in provisions for pensions added ATS 697 million in 1994, whereas changes in the provisions for severance payments added ATS 113 million. The remaining increase of ATS 64 million was related to provisions for various miscellaneous and accrued liabilities.

Subordinated Liabilities. Subordinated liabilities increased 24.4% in 1994, to ATS 11.64 billion at December 31, 1994 from ATS 9.36 billion at December 31, 1993. This increase was primarily due to an expansion in the supplementary element of own funds.

Subscribed Capital. The Bank's subscribed capital increased by 1.1% in 1994, to ATS 6.47 billion at December 31, 1994 from ATS 6.40 billion at December 31, 1993. The increase resulted from the merger with Wiener Hypo Bank AG.

Reserves. The Bank's liability reserve increased by 8.5% to ATS 8.61 billion at December 31, 1994 from ATS 7.94 billion at December 31, 1993, as the Bank allocated ATS 0.5 billion of its annual surplus (before changes to reserves) of ATS 1.14 billion to the liability reserve in 1994.

The Bank's other reserves remained constant at ATS 13.4 billion at December 31, 1994 and at December 31, 1993.

INTERIM FINANCIAL INFORMATION

The financial information set forth below for the nine months ended September 30, 1996 and 1995 and at September 30, 1996 reflect unaudited results of the Bank for the respective periods in the presentation required under New Austrian GAAP.

Pursuant to the regulations of the Austrian Ministry of Finance and of the Austrian National Bank, the Bank does not prepare profit and loss account data below the "operating results" line item on an interim basis. Therefore, information regarding additions to provisions for loan losses, gains or losses on the sale of interests in companies in the Bank Austria Group and extraordinary earnings or expenses are not reported for the nine months ended September 30, 1996 and 1995, as such items are evaluated only on an annual basis.

	For the nine months ended September 30,	
	1995	1996
	(ATS in millions)	
Profit and loss account data		
Net interest earned	8,986	9,247
Income from securities and equity interests:		
Income from shares, other ownership interests and non-fixed-interest securities	115	118
Income from equity interests and shares in group companies	604	588
Net commission income (1)	2,073	2,179
Income/expenses from financial transactions	661	899
Other operating income	264	273
Operating income	12,703	13,304
General administrative expenses:		
Personnel expenses	(5,639)	(5,808)
Other administrative expenses (expenditures for materials)	(3,038)	(3,113)
Depreciation on assets	(508)	(535)
Other operating expenses	(226)	(230)
Operating expenditures	(9,411)	(9,686)
Operating results	<u>3,292</u>	<u>3,618</u>

(1) Commission income less commission expenses.

	At December 31, 1995	At September 30, 1996
	(ATS in millions)	
Balance sheet data		
Vault cash, balances with central banks and postal giro offices	8,335	8,520
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank	44,340	55,069
Claims against credit institutions	178,905	189,143
Claims against customers	374,027	396,346
Bonds and other fixed-interest securities	25,022	23,957
Shares and other non-fixed-interest securities	6,288	9,643
Equity interests	5,693	6,069
Shares in group companies	14,038	14,171
Other assets	21,215	17,321
Total assets	677,863	720,239
Due to credit institutions	186,528	202,420
Due to customers:		
Savings deposits	171,297	160,723
Other liabilities	141,614	155,334
Securitized liabilities	99,017	116,672
Other liabilities	18,000	18,830
Provisions	18,030	17,485
Subordinated liabilities	10,580	11,669
Supplementary capital	2,512	2,130
Total liabilities	647,578	685,263
Subscribed capital	6,474	7,074
Reserves	14,438	18,529
Liability reserve	9,373	9,373
Total shareholders' equity	30,285	34,976
Total liabilities and shareholders' equity	677,863	720,239

Results of Operations

Operating results (operating income less operating expenditure) were ATS 3.62 billion for the nine months ended September 30, 1996, an increase of 9.9% from ATS 3.29 billion for the nine months ended September 30, 1995. This increase was due to an increase in operating income of 4.7% to ATS 13.30 billion for the nine months ended September 30, 1996 from ATS 12.70 billion for the nine months ended September 30, 1995, offset by an increase in operating expenditure of 2.9%, to ATS 9.69 billion for the nine months ended September 30, 1996 from ATS 9.41 billion for the nine months ended September 30, 1995.

The increase in operating income of 4.7% was primarily due to a 2.9% increase in net interest earned, to ATS 9.25 billion for the nine months ended September 30, 1996 from ATS 8.99 billion for the nine months ended September 30, 1995, and an increase in income from financial transactions to ATS 899 million for the nine months ended September 30, 1996 as compared to income of ATS 661 million for the nine months ended September 30, 1995.

The increase in operating expenditure of 2.9% was primarily due to an increase of 3.0% in personnel expenses, to ATS 5.81 billion for the nine months ended September 30, 1996 from ATS 5.64 billion for the nine months ended September 30, 1995, and a 2.5% increase in expenditures for materials, to ATS 3.11 billion for the nine months ended September 30, 1996 from ATS 3.04 billion for the nine months

ended September 30, 1995. Personnel expenses increased as increases in wages and salaries more than offset a decline in costs due to employee attrition.

Financial Condition

At September 30, 1996, the Bank had total assets of ATS 720.24 billion, an increase of ATS 42.38 billion, or 6.3%, from ATS 677.86 billion at December 31, 1995. This increase was primarily due to an increase of ATS 10.73 billion, or 24.2%, in holdings of debt instruments issued by public agencies, an increase of ATS 10.24 billion, or 5.7%, in claims against credit institutions, an increase of ATS 22.32 billion, or 6.0%, in claims against customers, and an increase of ATS 3.36 billion, or 53.4%, in shares and other non-fixed interest securities, partially offset by a decrease of ATS 1.07 billion, or 4.3%, in bonds and other fixed-interest securities.

The corresponding increase in liabilities of ATS 42.38 billion was primarily due to an increase of ATS 15.89 billion, or 8.5%, in amounts due to credit institutions, an increase of ATS 13.72 billion, or 9.7%, in other amounts due to customers, and an increase of ATS 17.66 billion, or 17.8%, in securitized liabilities, partially offset by a decrease of ATS 10.57 billion, or 6.2%, in savings deposits.

BUSINESS

The Bank Austria Group, which comprises the Bank, its subsidiaries and participations, is engaged in a wide range of banking, financial and other activities in Austria and throughout the world. The Bank took its current form as a result of the merger of two of the largest banks in Austria that became effective as of January 1, 1991. Based on total assets of ATS 678 billion at December 31, 1995, the Bank is the largest bank in Austria. The Bank's long-term senior indebtedness is rated Aaa by Moody's and AAA by Standard and Poor's and the Bank's short-term senior indebtedness is rated P-1 by Moody's and A-1+ by Standard and Poor's. These ratings reflect, in addition to the financial condition of the Bank, the guarantee of the Bank's obligations provided by the City of Vienna. In connection with the Bank's bid to purchase all the Republic's shares in Creditanstalt, Standard & Poor's changed its rating outlook for the Bank and the City of Vienna from stable to negative, while currently confirming the Bank's and the City of Vienna's AAA long-term ratings, and Moody's gave notice of the placing under review for possible downgrade the Bank's Aaa long-term deposit and senior debt ratings and its Aa1 subordinated debt rating and the Aaa long-term debt rating of the City of Vienna. See "Bank Austria — Statutory Guarantee" and "The Proposed Acquisition of Creditanstalt". The Bank also owns a substantial portfolio of equity investments in non-financial companies, primarily in Austria.

Strategy

Management of the Bank believes that the banking industry in Austria is undergoing significant changes. Accordingly, management is actively repositioning the Bank to compete more effectively in the changing environment. In this regard, the Bank has entered into an agreement to acquire a controlling interest in Creditanstalt. See "The Proposed Acquisition of Creditanstalt".

A number of factors are contributing to the changes in the banking industry. The intense competition among banks in Austria results principally from the fact that the market for banking services is expected to experience only limited growth in the near term and is saturated with financial institutions. Austrian consumers are demonstrating greater sophistication by increasingly investing in potentially higher yielding capital markets instruments as an alternative to traditional savings accounts. Corporate customers are adapting to a more open international environment and are demanding more complex financial services. As corporate customers look for growth opportunities beyond their borders, they increasingly borrow or conduct transactions in currencies other than the Austrian Schilling. Other significant factors affecting the banking industry include the requirements of the European Union that banks provide more extensive financial disclosure and comply with more stringent capital adequacy requirements.

It is anticipated that Austria will be a participant in the European monetary union as of January 1, 1999, and will therefore also introduce the common European currency (the "Euro"). The changeover from the Austrian Schilling to the Euro presents a major challenge for the entire economy and in particular for the banking sector. In addition to countless technical preparatory steps required for the changeover, there is significant public demand for information and explanation. While increased competition in certain business areas may result from banks in other EU countries offering Euro products within Austria, the Bank considers its home market advantage in Austria to be significant. To the extent the introduction of the Euro offers banks opportunities to expand their potential customer base (and allows banks outside Austria to compete for customers within Austria), the Bank will have a similar opportunity to compete for customers in other EU countries.

A related issue facing the Bank is the adaptation of its various electronic data processing systems in anticipation of the Euro and in anticipation of the turn of the century, when older software programs not designed to operate with years beginning with the digit "2" will need to have been adjusted or replaced. Both the introduction of the Euro and the year 2000 changes present considerable challenges, but also bring opportunities for the Bank to streamline and improve its systems. The Bank has formed two task forces responsible for developing and implementing plans to implement necessary changes to electronic data processing systems. The Bank's in-house personnel are working together with personnel at certain of the Bank's subsidiaries with the goal of having solutions in place by the end of 1998.

In light of these conditions, management has established the following strategic goals for the Bank:

- To further strengthen the Bank's consumer banking franchise. Management intends to continue to (i) rationalize product lines with a focus on improving margins, (ii) rationalize product delivery with a focus on enhancing efficiency and (iii) emphasize long-term market share expansion.
- To continue expanding the Bank's ability to serve the needs of its corporate customers in today's business environment. Management has been building upon the Bank's corporate banking franchise by focusing to a greater extent upon (i) customers in the private sector, (ii) the international needs of customers and (iii) the capital markets needs of customers.
- To continue building a focused international business portfolio based upon perceived opportunities in Eastern and Central Europe, where the Bank believes it has certain competitive advantages, and in selected areas in the Far East.

To advance the achievement of these goals, the Bank has reached an agreement with the Republic to acquire a controlling interest in Creditanstalt, a significant competitor in the Austrian banking market. See "The Proposed Acquisition of Creditanstalt". The Bank believes that the proposed acquisition will support the achievement of its strategic goals in many ways, including:

- Enhancing its competitiveness as a leading Austrian provider of consumer and business financial products through, among other things, the attainment of a larger and more diversified customer base and through improved geographic balance and business sector penetration within Austria. Historically, the Bank has had particular strength in serving personal banking customers (especially in the Vienna area), while Creditanstalt has had a prominent role in serving large Austrian corporate customers.
- Through increased size, raising its ability to achieve economies of scale, spreading the costs of both mass market activities and sophisticated niche capabilities over a broader revenue base, and raising its profile as a significant market participant on the European level.
- By achieving economies of scale and increasing operating efficiency, management believes it will strengthen the Bank's competitiveness vis-à-vis increasing competition from large foreign banks in the Austrian market.
- Increasing opportunity for the socially responsible consolidation of overlapping operations and for cost savings through the potential avoidance of duplication in new business initiatives.

- Strengthening the platform for growth established by the Bank and Creditanstalt in Central and Eastern Europe, where Creditanstalt has been particularly active, and by virtue of the benefits of greater size and reach, enhancing the likelihood that, in addition to Austrian companies, other international companies will turn to the Bank Austria Group for financial services in that domain (as well as for such services in the international financial products market).
- Further rounding out Bank Austria Group's palette of services as a universal financial services provider through coordination with Creditanstalt of complementary financial service offerings.

Although the Bank believes that the acquisition of a controlling interest in Creditanstalt will advance the realization of the Bank's goals, there can be no assurance that such goals will be attained. As with any acquisition of the size proposed, there are uncertainties and challenges to be met, including the challenge of retaining the business of Creditanstalt's customers and the goodwill of its employees following the change of control. Bank Austria believes that its experience in combining and coordinating the activities of banking institutions with differing historical backgrounds (gained through the merger of Z-Bank AG and OLB and, more recently, through the coordination of certain activities with GiroCredit and WestLB) will be of value in bringing Creditanstalt within the Bank Austria Group. The Bank believes that the realization of the benefits of the acquisition are not dependent on the legal merger of the Bank with Creditanstalt.

In addition to pursuing the acquisition of a controlling interest in Creditanstalt, Bank Austria intends to continue pursuing an active program of reducing its investments in non-financial participations and redeploying the proceeds expected to be realized in these sales, together with other funds available to the Bank, for the following purposes:

- To continue its investment in technology that will improve the efficiency of the Bank's operations, principally in the delivery of services to consumer banking customers and in the processing of transactions, with the purpose of achieving economies of scale and thereby reducing per unit costs.
- To build and strengthen alliances, create joint ventures and make acquisitions that combine complementary strengths to enable the Bank to leverage or otherwise extend its core business franchises.
- To maintain its efforts to control the growth of operating expenditures by rationalizing the Bank's branch network and reducing the number of employees through attrition. Management believes that the Bank's investment in technology for self-service and electronic banking operations enable it to continue to control the growth of operating expenditures and improve its quality of service.

The Bank is also pursuing its strategic goals currently by rationalizing the range of products and services offered and improving the manner in which they are delivered. The Bank is facilitating this shift by identifying customer groups according to their needs and assigning, to serve such groups, Bank employees who have received specialized training to cross-sell products offered by members of the Bank Austria Group.

Beginning with the merger of Z-Bank AG and OLB in 1991, Bank Austria has taken various steps to achieve its strategic goals. The branch network has been rationalized, staffing levels have been reduced, back-office and electronic data processing operations have been combined, and investment in banking technology has been increased. This branch network rationalization will now enable the Bank to focus on selling its products and providing more consumer-oriented services to its client base. The Bank's acquisition of Wiener Hypo Bank AG broadened the Bank's mortgage business and increased the Bank's flexibility in funding its mortgage and municipal loan portfolios. The Bank has acquired a number of small savings banks that have extended the Bank's branch network beyond its core Vienna market into other regions of Austria where the Bank was less well represented. In addition, the Bank recently announced its intention to acquire the Austrian banking subsidiary of its German strategic partner Westdeutsche Landesbank Girozentrale ("WestLB") as a further step in its alliance with WestLB. The acquisition of this

subsidiary, WestLB (Austria) AG, is expected to be consummated in early 1997, subject to regulatory approval.

The Bank has entered into a number of strategic alliances, such as those with Cassa di Risparmio delle Provincie Lombarde S.p.A. and WestLB, that extend the range of non-banking financial products the Bank can sell to its banking customers and engage its strategic partners to sell the Bank's products to a new customer base. In the alliance with WestLB, in which WestLB took a 9.1% interest in the Bank's share capital by way of a capital increase, Bank Austria gained a strong international partner. The Bank and WestLB have declared each other to be their preferred partner for cross-border financial transactions. In this cooperative relationship, the Bank and WestLB will focus primarily on foreign commercial transactions, foreign money transfers, currency clearing, the securities business, investment banking and business in Eastern Europe. In addition, the Bank has been using its unique relationship with GiroCredit to establish joint ventures that combine formerly independent business units into a larger entity that can achieve a greater market impact. Similarly, certain back-office and electronic data processing operations of the Bank and GiroCredit are in the process of being combined for the purpose of realizing economies of scale. In connection with the Bank's bid for the Republic's shares in Creditanstalt, the parties that make up the current coalition government in Austria reached an understanding that AV-Z should offer its shares in GiroCredit. The Bank does not believe that the proposed acquisition of Creditanstalt and any possible offer of shares of GiroCredit by AV-Z will be likely to have a material effect on the Bank's joint ventures with GiroCredit. See "The Proposed Acquisition of Creditanstalt".

The discussion in the remainder of this section of the Offering Memorandum is a description of the business of the Bank without inclusion of the business of Creditanstalt. If the proposed acquisition is given effect, certain aspects of the Bank's business may be expected to change as the Bank seeks to realize and build upon the benefits of the acquisition.

Consumer Banking

The Bank provides a full range of banking services to consumers, including loans, mortgage loans, savings and checking accounts and personal lines of credit (including overdraft facilities) as well as securities brokerage and custodian services. The members of the Bank Austria Group also offer consumers products such as credit cards, investment management services, mutual funds, life and property insurance and automobile leasing. See " — Other Financial Services".

As of December 31, 1995, the Bank had approximately one million customers holding in the aggregate 4.65 million accounts, of which 2.98 million are passbook savings accounts. The savings deposits held by the Bank as of December 31, 1995 aggregated ATS 171.3 billion. Based upon information published by the Austrian National Bank, the Bank believes that such savings deposits represented approximately 11% of all savings deposits in Austria. Also based upon information published by the Austrian National Bank, the Bank believes that, as of December 31, 1995, its outstanding loans to individuals represented approximately 11.9% of all such loans made by Austrian credit institutions.

As of the date of this Offering Memorandum, the Bank operates 299 branches in Austria. Immediately after the consummation of the 1991 merger, the Bank had an aggregate of 331 branches. Since that time, the Bank has closed or consolidated 64 branches and acquired or opened an aggregate of 32 branches, primarily as a result of acquiring smaller banks in various parts of Austria outside of Vienna. The Bank currently plans to close or consolidate additional branches through the end of 1997, at which time, in the absence of further acquisitions, it expects to have approximately 280 to 290 branches in Austria.

The Bank is pursuing its strategic goals by rationalizing the range of products offered and improving the manner in which they are delivered. Previously, the Bank concentrated its marketing efforts based on the perceived profitability of particular products rather than on an analysis of the needs of its customers. More recently, the Bank has attempted to research its customers' needs and to satisfy such needs with a more streamlined range of both banking and related financial products and services. To facilitate cross-selling, the Bank has implemented a customer profile data base that identifies and categorizes customers who may be interested in acquiring specific products. The principal objective of these efforts is to

strengthen customer relationships. From 1992 through 1994, the Bank retained McKinsey & Co. to develop comprehensive management, training and database programs to establish and support a new marketing strategy referred to as "Sales 2000". As a result, the Bank has reorganized its branch staff to serve identified segments of customers so that the quality and efficiency of services can be improved and sustained. Notwithstanding the reduction in the number of its branches, Bank Austria believes that it has substantially maintained its market share of savings deposits and consumer loans and that the Sales 2000 marketing strategy will help the Bank maintain and expand its market share in the long term.

Among the many products being cross-sold to the Bank's customers are portfolio consulting and discretionary portfolio management services of BANKINVEST AUSTRIA Bank Austria-GiroCredit Vermögensverwaltungsbank Ges.m.b.H. ("BANKINVEST AUSTRIA"), mutual fund products of SparInvest Austria Kapitalanlagegesellschaft m.b.H. ("SparInvest Austria"), life and property insurance provided by UNION Versicherungs-Aktiengesellschaft, and VISATM credit cards provided by VISA-SERVICE Kreditkarten Aktiengesellschaft ("VISA-SERVICE") (the exclusive licensor of VISATM cards in Austria). See "— Other Financial Services". The mutual fund products of SparInvest Austria and the portfolio management services of BANKINVEST AUSTRIA are mainly distributed through the branches of Bank Austria, GiroCredit and those savings banks that use the centralized services provided by GiroCredit. Recently, VISA-SERVICE has begun to offer VISATM cards to customers of the savings banks that use the services of GiroCredit. See "— Other Financial Services — Credit Cards". Management believes that the distribution of its products across a wider customer base will lead to reduced per transaction costs and to increased revenues. The Bank is exploring other opportunities to sell products across this expanded customer base.

During 1993, 1994 and 1995, the Bank invested an aggregate of ATS 2.2 billion primarily to build a new client-server computer architecture for its branches as well as to develop client advice-driven software and image scanning capabilities and intends to continue making substantial investments to improve self-service and electronic banking operations during the next several years.

In 1995, the Bank established a joint venture with GiroCredit to develop data processing capabilities, through an established company called Sparkassen-Datendienst-Aktiengesellschaft & Co. KG ("Spardat"), based upon customized computer software. The Spardat joint venture is expected to result in a lower cost of back-office operations for both banks. The Bank is also using technology to improve the efficiency of its delivery of products and services by encouraging its customers to conduct banking activities without the involvement of a teller. As of December 31, 1996 approximately 63,000 of the Bank's customers are using extended-hour telephone banking services, and approximately 18,000 customers are accessing banking services through their personal computers. The Bank offers for sale a customized version of QuickenTM, a personal financial management software product that permits the Bank's customers to obtain current information directly from their accounts. Through use of the foregoing technologies, the Bank expects to improve its operational efficiency, improve the quality of service and strengthen its relationship with its customers. In connection with the Bank's bid for the Republic's shares in Creditanstalt, the parties that make up the current coalition government in Austria reached an understanding that AV-Z should offer its shares in GiroCredit. The Bank does not believe that the proposed acquisition of Creditanstalt and any possible offer of shares of GiroCredit by AV-Z will be likely to have a material effect on the Bank's joint ventures with GiroCredit. See "The Proposed Acquisition of Creditanstalt".

The Bank is a member of a nationwide consortium of Austrian banks that provides a network of outdoor ATMs. As of December 31, 1995, the consortium network consisted of approximately 1,993 ATMs across Austria, of which approximately 175 were owned and operated by the Bank. In addition to the ATMs that are operated by the consortium, the Bank is enhancing its delivery of banking services by providing automated customer service capabilities in the form of its own ATMs inside its branches. Currently, the Bank has installed in excess of 225 ATMs inside its branches.

Corporate Banking

The corporate banking division of the Bank is organized to deliver a full range of banking and related financial services to corporations and governmental entities through its main offices in Vienna and a central office in each of the eight other Austrian provinces and the Bank's foreign branches and affiliates.

The Bank extends loans to companies within most sectors of the Austrian economy. At December 31, 1995, the Bank had domestic corporate loans outstanding of ATS 175.5 billion. The Bank is also a substantial lender to the public sector, with loans to the Republic of Austria and its political subdivisions of ATS 80.7 billion, or 25% of total domestic loans outstanding at December 31, 1995.

Each regional corporate lending office is the primary basis through which the risk-related client relationship is managed. The marketing of the Bank's services is done by relationship managers. Credit application and monitoring is conducted from separate regional lending offices. Credit review and approval, however, are overseen by the centralized credit committee in its Vienna head office. See "Selected Statistical Information — Credit Approval and Review Procedures".

The corporate lending group works together with the Bank's capital markets group to coordinate client needs with respect to financing, custodian, treasury and export-import services. In connection with recent privatizations of certain government-owned enterprises, the capital markets group and Investmentbank Austria have provided equity and fixed income underwriting services to such enterprises as well as to a handful of large private sector entities. While these entities look to the capital markets as an alternative to commercial bank borrowings, the absolute size of such financings remain small as a percentage of the total funding needs of corporate entities in Austria; however, the capital markets do provide a significant funding source for the Republic of Austria and its political subdivisions.

In recent years, corporate loan growth in Austria has been generally flat due to a combination of moderate economic growth, active competition, and the positive cash flow generating capacity of many private sector companies. Although the Republic of Austria and its political subdivisions have been active borrowers in recent years, borrowing activity slowed in 1996, in part due to the Republic's steps to comply with the Maastricht criteria. In managing its corporate loan growth, the Bank's management has stated that its primary focus is on the credit quality of the borrower and not on building market share by pursuing loans to corporate customers on the lower end of the credit spectrum.

The sectors of the economy that have accounted for a significant source of credit demand are the export-driven industries and the residential construction and mortgage financing businesses. The Bank has made a concerted effort to capitalize on these two growing sectors of the economy while preserving its conservative credit standards. The Bank's management believes that it has significantly expanded its market share of the export-finance business over the past three years.

Growth in residential construction and mortgage financing has been driven by various subsidized programs of the Republic of Austria and its political subdivisions. Bank Austria has had extensive experience in financing residential construction and is increasing its activities in mortgage financing. In recent months, demand for financing from the residential construction sector has softened as market conditions in that sector have grown weaker.

International Banking

The Bank conducts its international banking activities through its main office in Vienna as well as through its foreign branches in London, New York, Hong Kong, Moscow (which is planned to be converted into a subsidiary in 1997) and Singapore (which branch was opened in October 1996), banking subsidiaries in Switzerland and Eastern and Central Europe and other offices, subsidiaries and participations located around the world. The Bank's principal international activities consist of trade financing, including import and export financing, project financing and commercial lending as well as money market, currency and interest rate swaps, derivatives transactions and other usual treasury functions. See " — Other Financial Services". As of December 31, 1995, the Bank conducted operations through 23 subsidiary banks, branches and agency and representative offices in 17 countries.

The Bank's branches are engaged in various forms of lending to financial institutions and commercial enterprises and, to a limited extent, real estate financing. Besides a broad range of treasury products, a major marketing focus is on financing exports to Eastern and Central Europe. The London branch and the Bank's broker-dealer subsidiary in New York also conduct broker-dealer activities, principally for customers of the Bank.

Although the Bank's international asset growth in the past three years has been principally in Western Europe, the Bank is increasingly focusing on developing its business in the Far East and Eastern and Central Europe. The Bank converted its Singapore office to full branch status in October 1996. In Eastern and Central Europe, the Bank currently has banking subsidiaries in the Czech Republic, the Slovak Republic, Slovenia and Hungary. In 1996, the Bank also established representative offices in Croatia and Poland. The Bank plans to convert its representative office in Croatia and its branch in Moscow into subsidiaries in 1997. Many of the current activities of the Bank's Far East operations involve arranging financing for exports to Eastern and Central Europe. The Bank believes the Far East offers significant growth opportunities given the sizable demand for loans and commercial banking services engendered by the region's rapid economic expansion and the consequent favorable margins.

The Bank's export financing is in most cases secured by the partial guarantee of Oesterreichische Kontrollbank Aktiengesellschaft ("OKB"), which acts as an agent of the Republic of Austria in providing export insurance to Austrian exporters and to banks financing such exports. The Bank owns a 35% indirect interest in OKB. The Bank often provides loans and financial and other services to Austrian companies in which it holds participations in support of their export business.

Other Financial Services

The Bank Austria Group includes 141 credit, financial and bank-support service companies. See Note V to the Consolidated Financial Statements of the Bank Austria Group for the year ended December 31, 1995 and the notes thereto included in Annex B to this Offering Memorandum for a partial list of such companies. Approximately 120 of these companies provide services to the Bank's consumer and corporate banking customers. The remainder of these companies provide bank-support services to the Bank Austria Group companies. Set forth below is a description of the principal financial service companies, as well as of certain departments of the Bank involved in non-credit related services.

Asset Management and Investment Advisory Services. The Bank provides investment advice and discretionary portfolio management services through BANKINVEST AUSTRIA primarily to customers of the Bank, GiroCredit and the savings banks that use the services of GiroCredit. Since 1994, the Bank and GiroCredit have each owned 50% of the equity of BANKINVEST AUSTRIA. As of September 30, 1996, BANKINVEST AUSTRIA had an asset portfolio of approximately ATS 7.7 billion under management.

In September 1995, 75% of the ordinary shares of SparInvest Austria were acquired by BANKINVEST AUSTRIA. The remaining 25% is held by various Austrian savings banks. SparInvest Austria is the second largest funds management company in Austria, offering 99 mutual fund products. As of September 30, 1996, SparInvest Austria had an asset portfolio of approximately ATS 96.8 billion under management, as compared to ATS 81 billion under management at September 30, 1995. The assets under management by SparInvest Austria represent approximately 24% of the funds under management in Austria as of September 30, 1996.

Brokerage, Custodian and Related Capital Market Services. Through its branch network as well as through participations, the Bank provides securities brokerage, custodian and foreign exchange services directly to consumers and corporate customers. As of September 30, 1996, customers of the Bank maintained securities accounts with the Bank having an aggregate market value of approximately ATS 250 billion. During 1995 and the first three quarters of 1996, the Bank's brokerage, custodian and foreign exchange services operations produced commission income of approximately ATS 500 million and ATS 417 million, respectively.

Credit Cards. The Bank has been the leading provider of bank credit cards in Austria for fifteen years. The Bank owns 75% of VISA-SERVICE, the processor of VISATM credit cards in Austria, and it actively promotes the issuance of VISATM cards to its customers. As of June 30, 1996, VISA-SERVICE was responsible for processing transactions for approximately 550,000 VISATM credit cards in Austria, which accounted for approximately 43% of all major credit cards issued in Austria. At the end of 1996, the Bank itself had issued a total of 313,000 credit cards (including VISATM cards), representing approximately 25% of the total credit cards issued in Austria. The Bank utilizes its proprietary scoring profile to assess the creditworthiness of its current and prospective credit card customers. See "Selected Statistical Information — Credit Approval and Review Procedures — Consumer Credit Scoring". At June 30, 1996, VISA-SERVICE's fiscal year end, the company reported total after-tax earnings of ATS 221 million, after allocations of ATS 45 million for credit card sales-related fees to the Bank.

Leasing. The Bank conducts a substantial leasing business through approximately 150 subsidiaries. The leasing business consists for the most part of industrial and commercial real estate leasing, sale lease-back and, to a lesser extent, equipment leasing. The Bank also provides automobile leasing to consumers, in addition to customary automobile purchase financing, and it plans to expand this line of business, including through cooperation with car retailers. At December 31, 1995, the sum of the present value of future lease payments and the residual value of such leases of the combined leasing companies was ATS 14.43 billion. In November 1996, the Bank sold Sovereign Finance PLC, which is engaged in the leasing business in the United Kingdom, as part of its program to focus on core activities in its chief markets.

Investment Banking. The Bank currently owns 77.6% of the equity of Investmentbank Austria. The balance of the equity of Investmentbank Austria is held by several institutional and private investors. Investmentbank Austria underwrites public offerings of securities, advises public sector entities in privatizations and provides mergers and acquisitions advice. During 1994, 1995 and 1996, Investmentbank Austria lead-managed the initial public offerings of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft ("Wiener Städtische"), VA Technologie, VOEST-ALPINE STAHL and new issues and secondary offerings of the Austrian companies VAE, OMV, Flughafen Wien and the Polish company Exbud. In total during this period Investmentbank Austria lead-managed approximately ATS 15 billion.

With regard to fixed income products, Investmentbank Austria lead-managed a convertible bond for Lenzing Aktiengesellschaft, the largest such bond offering ever completed in Austria, and arranged eight ATS bonds and one DM bond transaction for PTA Austria, the first asset backed structure in Austria, in an aggregate amount of ATS 9 billion. From January 1, 1995 to June 30, 1996, Investmentbank Austria lead-managed some twenty ATS bond issues for borrowers such as Austrian provinces, municipalities, corporates and foreign entities.

Investmentbank Austria maintains operations in Hungary, the Czech Republic, Slovakia, Poland, Croatia, Slovenia and Romania. Investmentbank Austria acts as a primary broker and secondary market participant in Austria and selected foreign markets where it also provides equity and fixed income research to Bank Austria Group customers.

Pension Services. The Bank owns a 30% equity interest in Vereinigte Pensionskasse Aktiengesellschaft ("Pensionskasse"), a large multi-employer pension fund operator in Austria. Pensionskasse operates pension funds for over 400 companies and currently receives contributions from 38,000 beneficiaries. GiroCredit owns a 25% equity interest and Wiener Städtische a 30% equity interest in Pensionskasse. As of September 30, 1996, customer assets in pension funds operated by Pensionskasse totaled approximately ATS 2.0 billion compared to ATS 1.4 billion at December 31, 1995. SparInvest Austria acts as securities investment manager for Pensionskasse.

Insurance. The Bank owns a 33% interest in UNION Versicherungs-Aktiengesellschaft ("Union"), the seventh largest life insurance company in Austria. The balance of the equity in Union is shared equally between Wiener Städtische and Hamburg Mannheimer Versicherung Aktiengesellschaft, both of which hold capital shares of the Bank. See "Ownership, Management and Employees". The Bank generates

nearly 80% of Union's life insurance business and approximately 50% of Union's property and accident business. Gross premiums as of September 30, 1996 were ATS 1.1 billion. The Bank cooperates with Wiener Städtische in selling automobile insurance. Wiener Städtische also markets certain of the Bank's products, such as private accounts, credit cards and investment funds.

Building Society Savings Contracts. The Bank has a long-standing relationship with Bausparkasse der österreichischen Sparkassen Aktiengesellschaft ("S-Bausparkasse"), the largest building society in Austria, pursuant to which the Bank earns a commission for arranging deposit contracts with customers. Prospective residential mortgage applicants are encouraged, by means of a partial deposit subsidy provided by the Republic, to enter into a six-year deposit contract with a building society. Completion of the contract qualifies the applicant for a mortgage loan from such building society. In 1995, the Bank selected S-Bausparkasse as its sole provider of such contracts.

Non-Financial Participations

Bank Austria has a substantial portfolio of equity investments in nonfinancial companies, which it holds either directly or through holding companies. The non-financial companies generally fall into four business segments, which are described below. For a listing of the Bank's material nonfinancial participations, see Note V to the Consolidated Financial Statements of the Bank Austria Group for the year ended December 31, 1995 and the notes thereto included in Annex B to this Offering Memorandum.

Industrial and Construction Holdings. At December 31, 1995, the Bank held direct or indirect equity interests in 16 industrial and construction companies and held direct or indirect majority interests in six of them. At December 31, 1995, the Bank's largest direct or indirect investments were (i) a 33% ownership interest in Lenzing Aktiengesellschaft ("Lenzing"), a leading producer of synthetic fibers and pulp, (ii) a 100% direct interest in UNITECH Aktiengesellschaft, a company active in the automotive supply industry as well as electronics and communications technology and (iii) a 33% interest (representing 37% of the voting rights) in Allgemeine Baugesellschaft-A. Porr Aktiengesellschaft ("Porr"), a construction company. At the end of 1995, former direct interests in Austria Email Aktiengesellschaft and Wiener Porzellanmanufaktur Augarten Ges.m.b.H., were transferred to Bank Austria Industrieholding GmbH.

Lenzing is one of the world's leading, fully integrated producer of viscose fibers. Lenzing also produces pulp, plastics, high quality paper products and some specialized packaging and machinery. Lenzing's performance is highly dependent on the demand for synthetic and natural fibers. Lenzing is currently embarking upon the production of a new cellulosic fiber. The Lenzing group had a turnover of ATS 8.7 billion for the year ended December 31, 1995. Lenzing's shares are listed on the Vienna Stock Exchange. Porr, Austria's oldest and one of Austria's largest construction and civil engineering groups, had a turnover of ATS 14.4 billion for the year ended December 31, 1995. Porr's activities include construction of power stations, tunnels, residential and commercial buildings and roads as well as waste management. Porr's shares are listed on the Vienna Stock Exchange.

Trade and Services Holdings. The Bank's direct and indirect trade and services holdings include companies that do business in the areas of energy, waste disposal, electronics, technology and electronic data processing as well as food and agricultural products. In December 1996, the Bank began restructuring its holding company in this group, Bank Austria Handelsholding Aktiengesellschaft, so that its holdings will become direct holdings of the Bank.

Tourism and Leisure. Through its subsidiary, Hotel & Touristik Holding Aktiengesellschaft, the Bank operates a total of 52 inns and hotels (primarily through management agreements), approximately 280 restaurants and more than 100 travel agency offices in Austria and abroad.

Real Estate Companies. The Bank's portfolio of investments includes real estate ownership companies (holding properties used by the Bank and by third parties), mutual fund companies that offer real estate investment certificates to the investing public, residential construction companies, development projects and various construction services companies. A holding company owned by the

Bank engages in real estate project development, shopping malls management, residential construction, real estate mutual funds management and property management.

Strategy for the Future. The Bank's management currently intends to continue selling a substantial part of the Bank's investment in most of its non-financial participations over the next several years and to reinvest the proceeds from such sales in the Bank's core financial services businesses. Management presently plans to retain the Bank's investment in companies in the construction and trade and services sectors, since the financing activities of such companies are believed to complement the Bank's core businesses. The Bank plans to sell selected real estate holdings as market conditions permit. The Bank expects to retain an interest of approximately 5% to 10% in selected non-financial companies that are to be sold where such a retained interest would enable the Bank to maintain a contractual right of first refusal to provide banking services to such companies.

Accounting for Participations

Under the 1993 Banking Act and the accounting principles that are applicable to financial statements beginning with the year ending December 31, 1995, the Bank must publish consolidated Group financial statements whereby most of its financial participations will be fully consolidated and most of its investments in non-financial participations will be accounted for under the equity method. In addition to the consolidated Group financial statements, the Bank will continue to publish financial statements that pertain to the Bank only. The treatment of the Bank's financial and non-financial participations in financial statements that pertain only to the Bank are as described in the following three paragraphs.

The Bank's basis of its investment in a financial or non-financial company is the original acquisition cost to the Bank, with certain limited exceptions. In a limited number of cases, the value of an investment has been adjusted upward as a consequence of intra-Group transactions; in certain other cases, the value was written down to reflect permanent lower market values.

The Bank recognizes dividends received from directly held companies as dividend income on its profit and loss account. Dividends paid by an indirectly held participation to the intermediate holding company of the Bank may not be immediately paid to the Bank, but retained at the holding company for reinvestment or future distribution.

Upon the sale of a company that the Bank holds directly, the Bank recognizes the gain or loss on the sale in its profit and loss account. Any gain resulting from the sale of a company held indirectly is recognized at the intermediate holding company level and has no income statement effect on the Bank until such time as a dividend is paid by the intermediate holding company to the Bank.

Competition

The Bank and its financial subsidiaries and participations face significant competition in both consumer and corporate banking businesses from domestic and international competitors. Competition among financial institutions is equally high in insurance and other financial services areas. The high level of competition has led to compressed margins when compared to many other markets. As a result, consolidation in the banking industry is continuing. Austria's recent admission into the EU has facilitated the entry of banks based in other EU member countries to enter the Austrian market. To date, this has resulted primarily in an increase in competition in the commercial and investment banking sectors.

Credit demand by companies and retail customers remained weak in 1995 and 1996, which contributed to the reduction in domestic lending opportunities. Structural adjustments by Austrian commerce and industry, necessary in light of the new economic and strategic environment, were an important factor behind these developments. Economic growth in Austria stalled due to the conjunction of several factors, such as weakening global economic growth, a sharp decline in tourism and negative developments in the construction sector. Some sectors were particularly hard hit by these trends. In this economic environment, characterized by a period of structural change, business developments at Bank

Austria were nonetheless satisfactory on account of the Bank's decision to continue to pursue a selective, profit-oriented and risk-conscious lending policy.

Competition between Austrian banks for lending business based on terms and conditions fully reflects disparate developments. Austria's private insolvency law has made careful credit evaluation even more important, and has increased the competition to lend to high quality borrowers. For customers with above average credit ratings, already narrow margins thus came under further pressure. Yet despite weak credit demand, the Bank succeeded in obtaining risk premiums reflecting collateral levels. The fast pace of structural change, and the challenges this presents, justified the Bank's investments in risk management systems in recent years, and prompted the Bank to further expand its risk-related early warning systems and methods to limit risk exposure.

The Austrian market for banking services is currently comprised of 54 joint stock and private banks, 78 savings banks, 718 rural credit cooperative banks, 9 regional mortgage banks, 80 small business credit cooperatives and 102 special purpose banks and building societies. This fragmented market structure leads to intense price competition.

Bank Austria's primary domestic market is in the City of Vienna, where it does approximately 61.3% of its banking business. Management of the Bank believes that, as of June 30, 1996, it had a 14.0% share of the retail (private customers) business for all of Austria. The Bank believes that its customer retention programs, such as Sales 2000, will help maintain its existing customer base and expand its market share in the longer-term.

At December 31, 1995, loans made by the Bank to non-bank borrowers represented 12.8% of all such loans made by Austrian credit institutions. Within this lending market, the Bank is strongest in the sector of loans to domestic industry, in which it held 15.6% of the market share as of November 30, 1995.

Administrative and Legal Proceedings

The Bank is currently subject to an audit by the Rechnungshof, the independent accounting office established by the Austrian Constitution to audit the Republic, the provinces and the major cities, including companies which are controlled by any of the foregoing. The Rechnungshof audits the accounting of all of the foregoing entities as well as the legality and efficiency of their financial conduct. The Rechnungshof reports its findings to the legislature and is required to report criminal offenses to the authorities. The current audit, which commenced in the summer of 1995, is the first such audit of the Bank by the Rechnungshof because prior to 1995, it was not clear as a legal matter that the Rechnungshof had the authority to audit the Bank. The Bank has not been informed when the definitive report of the Rechnungshof with respect to its audit of the Bank will be available.

The Bank is involved in various litigations and claims incident to the normal conduct of its business. Although it is impossible to predict the outcome of any outstanding litigation, the Bank believes that, except as discussed below, adverse results in such litigations and claims, individually and in the aggregate, will not have a material effect on its financial condition.

In 1993 Bank Austria (Schweiz) Aktiengesellschaft ("BACH"), an 88% directly-owned subsidiary of Bank Austria Aktiengesellschaft in Switzerland, was named as a defendant in an action brought by Treuhandanstalt Berlin, the predecessor of Bundesanstalt für Vereinigungsbedingte Sonderaufgaben (BVS). Among the claims in the action is that BACH participated in embezzlement of monies. Damages in the amount of approximately ATS 1.7 billion plus interest of five percent per annum since January 1992 are being sought. The Bank and BACH believe the claim is without merit. The Bank has agreed to indemnify BACH for any losses or expenses that BACH may suffer in this action. It is currently anticipated that the resolution of this action could take several years. A reserve has been established by Bank Austria to cover the costs to litigate this matter. Bank Austria has not established a reserve to cover any potential liability as a result of this litigation, based on the Bank's assessment that the claim is without merit.

In 1995, management of the Bank and the Bank's employees' council (Betriebsrat) entered into an agreement under which a portion of the annual wage increases over the next ten years (which wage

increases are determined by collective bargaining) would be paid directly into the Bank's pension system rather than to the Bank's employees. The pension systems for employees who retired before the 1995 agreement entitle such employees to increases in their pensions based upon the wage increases determined by collective bargaining (i.e., without regard to the portion of wage increases after 1995 that is paid directly into the pension system). Two actions on behalf of retired employees were brought against the Bank alleging that the 1995 agreement improperly restricted increases in their pension payments. The Bank lost one of these actions (which had been brought by a single complainant) in two lower court instances and is currently appealing. The other action, which was brought on behalf of 178 persons, and which is based on a different factual situation, is still pending. It is not possible to predict the outcome of the litigation. The Bank believes that the current litigation and any possible subsequent claims of other retirees will not have a material adverse effect on its financial condition.

Prior to the Republic's acceptance of the Bank's bid for the Republic's shares in Creditanstalt, another bidder filed a complaint with the Commission of the EU that the existence of the guarantee of the Bank's obligations by AV-Z (and indirectly by the City of Vienna) violates EU state aid rules and gave the Bank an unfair advantage by allowing the Bank to make a higher bid than would have been possible without the guarantee. The Bank believes that this complaint is without merit. See "Bank Austria — Statutory Guarantee" and "The Proposed Acquisition of Creditanstalt".

SELECTED STATISTICAL INFORMATION

Average Balances and Interest Rates

The following table sets forth the average balances of assets and liabilities of the Bank for the year ended December 31, 1995 and, for interest-earning assets and interest-bearing liabilities, provides the amount of interest earned or paid and the average rate of such interest. For purposes of the following table, average balances have been determined based on the beginning and closing balances for each year. Because of the changes in New Austrian GAAP, comparable figures are not available for the years ended December 31, 1994 and 1993. For these years, figures prepared under Old Austrian GAAP have been presented.

	Year ended December 31, 1995		
	Average	Interest	Interest
	Balance (1)	Income	Rate
	(ATS in millions)		(%)
Assets			
Claims against credit institutions	164,539	8,641	5.25
Claims against customers	354,805	25,073	7.07
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank; Bonds and fixed-interest securities	83,349	5,437	6.52
Shares and other non-fixed-interest securities, equity interests, shares in group companies	26,510	1,030	3.89
Total income-earning assets	629,203	40,181	6.39
Non-income-earning assets	28,018		
Total Assets	657,221	40,181	6.11
Liabilities			
Due to credit institutions	183,582	8,699	4.74
Due to customers	302,862	11,610	3.83
Securitized liabilities	109,773	6,564	5.98
Total expenditure-bearing liabilities	596,217	26,873	4.51
Total non-expenditure-bearing liabilities	31,614		
Own funds (2)	29,390		
Total liabilities and own funds	657,221	26,873	4.09
Net interest earned		12,278	
Net interest earned as a percentage of average interest-earning assets			2.12%

(1) Average balance is the average of the amounts at the beginning and the end of the year.

(2) Own funds includes subscribed capital, capital reserves, retained income and liability reserves.

The following table sets forth the average balances of assets and liabilities of the Bank for the years ended December 31, 1993 (which figures have been restated to reflect the merger of Wiener Hypo Bank AG with the Bank) and 1994 and, for interest-earning assets and interest-bearing liabilities, provides the amount of interest earned or paid and the average rate of such interest. For purposes of the following table, average balances have been determined based on the beginning and closing balances for each year. As mentioned above, this information has been prepared pursuant to Old Austrian GAAP.

	Year ended December 31,							
	Restated 1993			1994				
	Average Balance	Interest Income	Interest Rate	Average Balance		Interest Income		Interest Rate
	(ATS)	(ATS)	(%)	(ATS)	(\$)	(ATS)	(\$)	(%)
				(ATS and \$ in millions)				
Loans to and items due from credit institutions	136,734	7,430	5.43	148,355	13,804	7,030	654	4.74
Loans to non-credit institutions	336,227	27,624	8.22	341,105	31,740	24,753	2,303	7.26
Bills of exchange	4,754	415	8.73	3,059	285	284	26	9.28
Securities and other interest-earning assets	61,293	3,927	6.41	77,103	7,174	4,935	459	6.40
Equity interest and syndicate holdings	20,529	792	3.86	21,834	2,032	970	90	4.44
Total interest-earning assets ...	559,537	40,188	7.18	591,456	55,035	37,972	3,533	6.42
Total non-interest-earning assets	25,835			27,441	2,553			
Total assets	585,372			618,897	57,588			
Savings deposits	161,120	7,993	4.96	166,121	15,457	7,215	671	4.34
Due to credit institutions	177,272	9,307	5.25	183,421	17,067	7,902	735	4.31
Due to others	110,756	5,097	4.60	118,718	11,047	4,403	410	3.71
Own floatations, acceptances and promissory notes and other interest-bearing liabilities	85,200	5,461	6.40	95,576	8,893	5,758	536	6.02
Total interest-bearing liabilities	534,348	27,858	5.21	563,836	52,465	25,278	2,352	4.48
Total non-interest-bearing liabilities	24,244			26,819	2,495			
Shareholders' equity (1)	26,780			28,242	2,628			
Total liabilities and shareholders' equity	585,372			618,897	57,588			
Net interest earned		12,330				12,694	1,181	
Net interest earned as a percentage of average interest-earning assets			2.20%					2.15%

(1) Shareholders' equity includes share capital, participation capital, liability reserves and statutory and other reserves.

Changes in Net Interest Earned — Volume and Rate Analysis

The following table sets forth changes in interest income and interest expense of the Bank for the years ended December 31, 1994 and 1995 prepared under New Austrian GAAP. Because of the changes in New Austrian GAAP, changes in average volumes, changes in average rates and cross-effects are not available.

Year ended December 31, 1994 as compared to year ended December 31, 1995

	Year ended December 31,		Change
	1994	1995	
	(ATS in millions)		
Interest income and income from securities and equity interests:			
Claims against credit institutions	8,372	8,641	269
Claims against customers	24,921	25,073	152
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank; Bonds and other fixed-interest securities	4,767	5,437	670
Shares and other non fixed-interest securities	1,080	1,030	(50)
Total income	<u>39,140</u>	<u>40,181</u>	<u>1,041</u>
Interest expense:			
Due to credit institutions	7,758	8,699	941
Due to customers	11,489	11,610	121
Securitized liabilities	7,198	6,564	(634)
Total interest expense	<u>26,445</u>	<u>26,873</u>	<u>428</u>

The following table segregates changes in interest income and interest expense of the Bank for the years ended December 31, 1993 and 1994, by changes in average volumes, changes in average rates and cross-effects. Volume and rate variances have been calculated based on the movement in average balances and the change in interest rates on average interest-earning assets and average interest-bearing liabilities, which have been calculated as set forth under "— Average Balances and Interest Rates". The figures have been prepared under Old Austrian GAAP and are therefore not directly comparable to the figures presented in the prior table. The 1993 figures have been restated to reflect the merger of Wiener Hypo Bank AG with the Bank.

Year ended December 31, 1993 (restated) as compared to year ended December 31, 1994

	Year ended December 31,		Change due to			
	Restated 1993	1994	Change (ATS in millions)	Volume	Rate	Rate/ volume
Interest Income:						
Loans to and items due from credit institutions ..	7,430	7,030	(400)	631	(951)	(81)
Loans to non-credit institutions	27,624	24,753	(2,871)	401	(3,225)	(47)
Bills of exchange	415	284	(131)	(148)	26	(9)
Securities and other interest-earning assets	3,927	4,935	1,008	1,013	(4)	(1)
Equity interests and syndicate holdings	792	970	178	50	120	8
Total interest income	40,186	37,972	(2,216)	1,947	(4,034)	(130)
Interest Expense:						
Savings deposits	7,993	7,215	(778)	248	(995)	(31)
Due to credit institutions	9,307	7,902	(1,405)	323	(1,670)	(58)
Due to others	5,097	4,403	(694)	366	(989)	(71)
Own floatations, acceptances and promissory notes and other interest-bearing liabilities	5,461	5,758	297	665	(328)	(40)
Total interest expense	27,858	25,278	(2,580)	1,602	(3,983)	(200)

Lending by Bank Austria

The Bank extends loans to companies within most of the industrial sectors of the Austrian economy. Domestic loans accounted for 81.3% of total loans outstanding at December 31, 1995, with the remaining 18.7% being foreign loans. The Bank is a substantial lender to the public sector in Austria, with loans to the Republic of Austria and its political subdivisions accounting for 25.1% of domestic loans and 20.4% of total loans outstanding at December 31, 1995. Loans to individuals accounted for 17.7% of domestic loans and 14.4% of total loans outstanding at December 31, 1995.

The growth in the loan portfolio in recent years has primarily resulted from an increase in loans to the public sector. Excess liquidity in the banking sector, combined with the conservative credit approach of the Bank in pursuing new corporate loans, has led to minimal growth in domestic loans, other than credit to public sector borrowers.

Loan Portfolio by Borrower. The following table sets forth the breakdown of the loan portfolio of the Bank among various types of borrowers as of December 31, 1993, 1994 and 1995. The loan balances are shown net of any accumulated reserve for potential loan losses. For purposes of this table, loans are classified as domestic or foreign based on the location of the particular entity or office to which a loan is made.

	At December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(\$)
(ATS and \$ in millions)				
Domestic Loans: (1)				
Loans to non-credit institutions:				
Agriculture	968	738	807	75.1
Mining	1,210	1,205	902	83.9
Iron and steel	2,995	2,414	2,448	227.8
Heavy engineering	6,491	6,649	7,885	733.7
Chemicals, petrochemicals and oil	4,632	5,380	4,912	457.1
Electrical	2,009	1,622	2,053	191.0
Pulp and paper mills, wood products	5,855	5,774	5,643	525.1
Textiles	2,650	2,227	2,227	207.2
Other manufacturing	45,122	46,027	45,490	4,232.8
Wholesale and retail trade	29,427	30,226	33,187	3,088.0
Transport and tourism	11,065	12,293	12,726	1,184.1
Individuals	53,167	54,659	57,165	5,319.2
Public sector (2)	68,881	76,947	80,738	7,512.6
Other	57,571	56,059	57,213	5,323.6
Total loans to non-credit institutions	<u>292,043</u>	<u>302,220</u>	<u>313,396</u>	<u>29,161.2</u>
Loans to credit institutions	<u>7,301</u>	<u>4,740</u>	<u>8,793</u>	<u>818.2</u>
Total domestic loans	<u>299,344</u>	<u>306,960</u>	<u>322,189</u>	<u>29,979.4</u>
Foreign Loans:				
Loans to non-credit institutions	47,666	46,399	47,233	4,395.0
Loans to credit institutions	25,396	25,150	26,905	2,503.5
Total foreign loans	<u>73,062</u>	<u>71,549</u>	<u>74,138</u>	<u>6,898.5</u>
Total domestic and foreign loans	<u>372,406</u>	<u>378,509</u>	<u>396,327</u>	<u>36,877.9</u>

(1) Includes at December 31, 1993, 1994 and 1995, respectively, bills of exchange totalling ATS 3.48 billion, ATS 2.64 billion and ATS 2.50 billion.

(2) Includes loans to the Republic of Austria and its political subdivisions.

Geographical Distribution of Risks. The following table sets forth the Bank's foreign country risk by geographical region as at December 31, 1993, 1994 and 1995 and as at September 30, 1996. Such risk figures include all claims and contingent claims of the Bank against non-residents, including claims against credit institutions, claims against (corporate and private) customers and investments in securities and in affiliated companies. The risk figures in the following table are broken down according to the location of the respective borrowers. Amounts are shown gross, i.e., before provisions for possible losses.

	Year ended December 31,			At September 30,	
	1993	1994	1995	1996	(%)
	(ATS in millions)				
Western Europe (1)	82,990	99,711	115,018	140,599	55.3
Central and Eastern Europe	12,309	12,226	13,086	12,991	5.1
North America (2)	39,338	39,757	35,750	48,279	19.0
Central and South America (3)	6,808	7,554	12,208	9,957	3.9
Far East	17,100	18,951	23,773	26,219	10.3
Southeast Asia	3,695	7,078	8,162	9,655	3.8
Other (4)	4,081	3,785	5,585	5,837	2.3
International Organizations (5)	146	911	847	847	0.3
Total	<u>166,467</u>	<u>189,973</u>	<u>214,429</u>	<u>254,384</u>	<u>100.0</u>

(1) Excludes Austria.

(2) Includes Canada and the United States only.

(3) Includes Mexico, Central America and South America.

(4) Includes the Middle East, the Indian subcontinent, Africa, Australia and New Zealand.

(5) Includes loans to the International Bank for Reconstruction and Development, the European Investment Bank and other such organizations.

Loan Portfolio by Original Maturity. The following table sets forth outstanding claims against credit institutions and customers as of December 31, 1993, 1994 and 1995, broken down by original term to maturity. In accordance with Austrian regulations, the Bank submits reports regarding its assets and liabilities on the basis of original term to maturity and is currently not able to prepare a break-down of the loan portfolio by remaining term to maturity.

	At December 31,			
	1993 (1)	1994	1995	
	(ATS)	(ATS)	(ATS)	(S)
	(ATS and \$ in millions)			
Claims against credit institutions:				
Less than five years	123,619	135,195	160,556	14,940
More than five years	<u>24,882</u>	<u>22,714</u>	<u>18,349</u>	<u>1,707</u>
Total claims against credit institutions	148,501	157,909	178,905	16,647
Claims against customers:				
Less than five years	130,984	147,973	162,770	15,146
More than five years	<u>187,325</u>	<u>212,288</u>	<u>211,257</u>	<u>19,657</u>
Total claims against customers	<u>318,309</u>	<u>360,261</u>	<u>374,027</u>	<u>34,803</u>
Total claims	<u>466,810</u>	<u>518,170</u>	<u>552,932</u>	<u>51,450</u>

(1) Information for the year ended December 31, 1993 has not been restated to reflect the merger of Wiener Hypo Bank AG with the Bank.

Fixed and Variable Rate Loans by Original Maturity. The following table sets forth information on the interest rate sensitivity by maturity for the Bank's claims against customers. As in the above table, the basis is original term to maturity rather than remaining term to maturity.

At December 31, 1995				
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(ATS in millions)			
Claims with fixed interest rates (1)	0	21,206	46,533	67,739
Claims with variable interest rates	229,105	73,015	183,073	485,193
Total claims outstanding	229,105	94,221	229,606	552,932

(1) Claims include bills of exchange, not eligible for refinancing at central banks, due from credit institutions, loans and bonds and other fixed interest securities, not listed on exchanges.

Securities

The Bank segregates its securities portfolio under requirements of Austrian law in two categories: current assets and investments. Current assets are primarily comprised of the trading and liquidity portfolio of the Bank and are mainly fixed-interest securities of the Republic of Austria and its political subdivisions. The majority of current assets are marked-to-market, although a small component is carried at lower of cost or market value. Investments, which are carried at lower of cost or market value, are securities which the Bank intends to hold to maturity. The majority of the fixed-interest securities included in investments are obligations of the Republic of Austria and its political subdivisions and international investment-grade bonds.

The following table provides the book values of the Bank's securities portfolio by current assets and investments at December 31, 1993, 1993 (restated to reflect the merger of Wiener Hypo Bank AG with the Bank), 1994 and 1995.

At December 31,					
	1993	Restated 1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(ATS)	(€)
	(ATS and € in millions)				
Current assets:					
Interest-bearing securities	35,911	36,971	34,846	38,807	3,611
Equity securities	4,956	4,956	5,064	5,236	487
Total current assets	40,867	41,927	39,910	44,043	4,098
Investments:					
Interest-bearing securities	23,567	23,567	42,822	46,519	4,329
Equity securities	1,260	1,260	967	1,052	98
Total investments	24,827	24,827	43,789	47,571	4,427
Total securities	65,694	66,754	83,699	91,614	8,525

The following table provides a comparison between the book value and the market value of the Bank's securities portfolio at December 31, 1995.

	At December 31, 1995		
	Book value	Market value	Gain/loss
	(ATS in millions)		
Current assets:			
Interest-bearing securities	38,807	39,267	460
Equity securities	5,236	5,476	240
Total current assets	<u>44,043</u>	<u>44,743</u>	<u>700</u>
Investments:			
Interest-bearing securities	46,519	46,930	411
Equity securities	1,052	636	(416)
Total investments	<u>47,571</u>	<u>47,566</u>	<u>(5)</u>
Total securities	<u>91,614</u>	<u>92,309</u>	<u>695</u>

Funding

The Bank's primary source of funds is savings deposits, which amounted to ATS 171.3 billion, or 28.5%, of its total funding base at December 31, 1995. Based on information published by the Austrian National Bank, the Bank's aggregate savings deposits as of December 31, 1995 represented approximately 11.1% of all savings deposits in Austria. Amounts due to non-credit institutions were ATS 141.6 billion at December 31, 1995, representing 23.6% of total funding. Amounts due to credit institutions were ATS 186.5 billion, or 31.0% of total funding at December 31, 1995.

Breakdown of Funding Sources. The following table presents the sources of the Bank's deposits and borrowed funds as of December 31, 1993, 1994 and 1995, broken down by certain major categories.

	At December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(€)
	(ATS and € in millions)			
Deposits:				
Savings deposits	162,869	169,273	171,297	15,939
Due to others	109,010	123,541	141,614	13,177
Due to credit institutions	<u>186,718</u>	<u>180,637</u>	<u>186,528</u>	<u>17,356</u>
Total deposits	458,597	473,451	499,439	46,472
Securitized liabilities:				
bonds issued	49,781	62,488	66,599	6,197
other securitized liabilities	<u>5,690</u>	<u>30,222</u>	<u>32,418</u>	<u>3,016</u>
Total securitized liabilities	55,471	92,710	99,017	9,213
Supplementary capital	<u>3,015</u>	<u>3,085</u>	<u>2,512</u>	<u>234</u>
Total funding	<u>517,083</u>	<u>569,246</u>	<u>600,968</u>	<u>55,919</u>

Breakdown of Deposits by Original Maturity. The following table sets forth, as of December 31, 1995, the maturities and categories of deposits.

	At December 31, 1995			Total
	Less than three months	Three months to one year	More than one year	
	(ATS in millions)			
Savings deposits	33,465	53,971	83,861	171,297
Due to others	132,895	4,711	4,008	141,614
Due to credit institutions	<u>112,997</u>	<u>28,752</u>	<u>44,779</u>	<u>186,528</u>
Total deposits	<u>279,357</u>	<u>87,434</u>	<u>132,648</u>	<u>499,439</u>

Credit Approval and Review Procedures

Following the 1991 merger, management of the Bank initiated a complete review of the loan portfolio of the former Z-Bank and OLB with the goal of combining and providing consistency between the credit approval and loan review procedures of the predecessor institutions. The outcome of such review was the establishment of a revised credit approval and loan review policy to reflect management's conservative approach in allocating credit.

Credit Approval Procedures. The Bank maintains a centralized credit committee in its Vienna head office (the "Credit Committee") which is responsible for setting the Bank's policies regarding discretionary lending limits and assessing the creditworthiness of each loan applicant. The Credit Committee has formulated an internal borrower classification system, which rates, on a scale of A (the highest rating for the best quality borrowers) through E, the economic situation of the borrower, not the quality of an individual loan, and therefore, the classification system does not take into account any collateral securing a particular loan. The Credit Committee has also established an internal loan classification system for rating individual loans that takes into account the rating of the borrower and the quality of any collateral. The Credit Committee has granted lending authority of up to ATS 15 million to each of the Bank's seven regional lending departments, and up to ATS 20 million to each of the Bank's lending departments for the Vienna region. Any loan in excess of ATS 15 million, in respect of loans made by a regional lending department, and in excess of ATS 20 million, in respect of loans made by one of the three lending departments in Vienna, must be approved by one of the two senior members of the Credit Committee. In addition, a loan in excess of ATS 40 million must be approved by one or two members of the Managing Board, depending upon the size of the loan, while a loan in excess of ATS 100 million requires full Managing Board approval. A loan in excess of ATS 300 million also requires approval of the Supervisory Board's credit subcommittee, and a loan in excess of ATS 1 billion requires approval of the entire Supervisory Board. The Bank's credit approval procedures are identical for domestic and foreign loans, as well as for loans to participations.

Loan Review Procedures. The frequency of review of outstanding loans is based on the Bank's internal loan classification system. Each loan is reviewed at least once a year. Depending on the size of the credit and the classification of the company, loans are reviewed at the regional level, by the Credit Committee or by the Managing Board. The Credit Committee reports the evaluation of all D and E loans as reviewed to the Managing Board. The Bank reviews annually the criteria for its internal loan classification procedures and revises such criteria as deemed necessary.

Consumer Credit Scoring. The Bank has developed a credit reference scoring profile to assess the creditworthiness of its current and prospective customers. The Bank formed a joint venture in February 1996 to assess the performance and expand the use of the scoring profile. The Bank has implemented the scoring profile for private customers and is in the process of implementing the scoring profile for commercial customers.

Loan Loss Experience and Allowance for Possible Loan Losses

The Bank's accounting and reserve procedures regarding problem credits differ significantly from those followed by banks in the United States. See "The Austrian Banking System — Regulation and Supervision" and "Summary of Principal Differences Between Generally Accepted Accounting Principles in Austria and in the United States".

The Bank's allocation to provisions for potential loan losses is evaluated on a loan-by-loan basis. As there is no legal or regulatory definition of a "problem" loan or "non-performing" loan in Austria and no legal requirement that "problem" or "non-performing" loans be reported to Austrian regulators or accorded a particular accounting treatment, the Bank internally evaluates the potential for repayment associated with each loan and allocates a provision based on management's expectation of a potential loss. The Bank has historically had what it considers to be low direct write-offs for bad debts due to its policy of prudently establishing loan loss reserves. Although related to some extent, the internal borrower classification system mentioned previously is not the basis on which the Bank provides for potential losses. The borrower classification system is based on the economic condition of the borrower, which may include multiple loans. The system is not meant to gauge the probability of loss on a particular loan or group of loans. In addition, the borrower classification system does not take into account the value of the collateral backing the loan. Therefore, a borrower may be classified as E because of the conditions in the borrower's industry, but may not be provided for due to the collateral backing the loan.

The Bank records customer loans on its balance sheet net of the allowance for possible loan losses. The establishment of an allowance is reflected in the Bank's profit and loss account by a provision recorded as a component of "Balance of expenditures / income from the valuation and disposal of claims, securities held in the liquidity reserve and from contingent liabilities and credit risks".

The Bank establishes provisions in respect of credits whose repayment has become doubtful. Generally, the Bank establishes a provision for a credit if: (i) a loan payment is missed and the grace period following the missed payment expires (generally 30-60 days); (ii) insolvency proceedings are commenced against the borrower; (iii) the Bank initiates proceedings against the Borrower; or (iv) the Bank determines for any reason that recovery of the loan could be doubtful or that the financial soundness of the borrower is questionable. In this regard, the Bank's Credit Committee performs industry analyses, reviews annual and, in cases of certain borrowers, quarterly or monthly financial reports and discusses potential problems with borrowers in order to identify problem credits as they are developing.

Once a problem credit has been identified, the Credit Committee analyzes the problem credit to determine what provision would be appropriate. Although the level of any provision depends upon a variety of factors, the Bank typically establishes provisions for up to the maximum level of potential loss related to a particular credit. Final decisions regarding all provisions are made by the Bank's Managing Board.

Bank Austria generally writes off loans only when the loss has become final and certain. Interest on a loan is no longer accrued once the loan has been declared due (accelerated); only interest actually received with respect to such credits is recorded on the Bank's profit and loss account. Thus, write-offs of loans in respect of which a provision has been established generally have a minimal effect on the Bank's profit and loss account. In addition, a write-off of a loan generally has a minimal effect on the Bank's balance sheet because (i) the Bank records loans on its balance sheet net of the allowance for possible loan losses, and (ii) generally establishes provisions at a level which the Bank considers to represent the expected risk of loss for a particular loan.

The following table sets forth the Bank's loan loss experience (direct write-offs and use of provisions for bad debts as a percentage of total customer loans including bills of exchange, or "write-off ratio") for the years ending December 31, 1993, 1994 and 1995.

Year ended December 31,		
1993	1994	1995
0.62%	0.50%	0.36%

The write-off ratio does not always correlate with the actual quality of the loan portfolio at a given time as a result of the time lag between the date of provisioning and the date of actual usage of provisions. On average, the time lag exceeds three years.

The following table sets forth the Bank's direct write-offs and use of provisions with respect to country risk as a percentage of total loans, bills of exchange and securities for the years ending December 31, 1993, 1994 and 1995.

Year ended December 31,		
1993	1994	1995
0.06%	0.36%	0.04%

The figure was greater in 1994 because the Bank participated in several sovereign debt restructurings and sold a number of loans in the secondary market in that year.

The Bank's net allocation to provisions for doubtful debts (which includes allocations to provisions established for individual risk and country risk for the bank's lending and securities business included in items 11/12 and 13/14 of the profit and loss account) increased to ATS 3.41 billion in 1995 from ATS 2.52 billion in 1994 and ATS 3.03 billion in 1993. The increase in 1995 over 1994 was due primarily to developments in the domestic lending business. The Bank expects that its total net allocation to provisions in 1996 will be equal to or slightly lower than the total net allocation to provisions in 1995.

The following table shows changes in the Bank's cumulative provision for loan losses, excluding the country risk and strategic risk provisions (described below), and direct write-offs for the years ended December 31, 1993, 1994 and 1995.

	Year ended December 31,			
	1993(1) (ATS)	1994 (ATS)	1995 (ATS)	(S)
	(ATS and \$ in millions)			
Cumulative provision for loan losses at the beginning of the year	10,648	11,886	12,784	1,190
Effects of mergers, exchange rate differentials and other adjustments	54	(62)	155	14
Use of provisions for bad debts	(1,844)	(1,557)	(1,067)	(99)
Allocations to provisions	4,117	3,262	4,545	423
Reversals of provisions	(1,089)	(745)	(1,134)	(106)
Net allocation to provisions for doubtful debts	3,028	2,517	3,411	317
Cumulative provision for loan losses at the end of the year ..	11,886	12,784	15,283	1,422
Direct write-offs	281	257	330	31

- (1) The information for the year ended December 31, 1993 has not been restated to show the effect of the merger with Wiener Hypo Bank AG because the effects of mergers and other adjustments are shown above for each year.

As an alternative to maintaining allowances for risks related to particular credits, the Bank maintains allowances for possible loan losses arising from liquidity and other problems in the country of the borrower. At December 31, 1995, the Bank had a country risk provision equal to approximately 64% of its

total exposure to borrowers in countries experiencing liquidity problems. A substantial portion of the Bank's country risk provisions are related to exposure to borrowers in the countries of Eastern Europe and Russia. For exposures to countries which the Bank considers to entail a high degree of risk, the Bank generally establishes country risk provisions of up to 100% of the principal amount of the exposure.

The Bank is permitted, in accordance with the 1993 Banking Act, to provide for risks associated with the overall banking business. Such reserve, referred to as the strategic reserve, may not exceed 4% of loans outstanding.

RISK MANAGEMENT

The goals of risk management for the Bank are to monitor and control the size and concentration of risks arising from interest rate and exchange rate fluctuations, as well as from liquidity sensitivity, in respect of its assets, liabilities and off-balance sheet transactions.

The Bank's risk management policies are formulated by its Managing Board and are supervised by the independent risk control unit within the Planning Division. The Bank observes a "global treasury" policy pursuant to which the Bank's risk management for its global network is implemented and supervised by the Treasury Department in its main office in Vienna. Day-to-day risk management for the Bank's domestic operations is administered in Vienna; risk management for banking and financial subsidiaries and the Bank's foreign operations is administered locally, within risk limits established at its main office in Vienna.

The Bank strictly distinguishes between positions (mismatches) held for trading and those used for purposes other than trading (asset-liability management). All financial risks are measured and reported by the risk control unit.

Trading Activities. The management of market risk of trading activities takes place through established and written trading policies that define the acceptable risk amount within which traders can buy and sell in their respective markets.

A key element is the estimation of potential losses a portfolio may experience arising from adverse changes in market conditions. The Bank employs a "Money-at-Risk" methodology, which, using a 97.5% confidence interval, employs statistical historical data to measure the loss that would result from an adverse, one-day shift in market prices. For less liquid markets, the Bank assumes a holding period longer than one day. The Bank's methodology includes what management believes to be a conservative correlation between different risk parameters.

The Bank has established separate volume limits, option limits and counterparty limits for the trading activities of the Bank in light of various stress scenarios. The limit system covers the trading activities in interest rate, foreign exchange and equity markets. Adherence to the various limits is monitored by the risk control unit in Vienna.

Asset-Liability Management Activities. The Bank monitors earnings exposure to interest rate risk arising from asset-liability management activities and aims to keep such exposure within appropriate limits.

The risk from gap mismatches is measured by evaluating the effect of major interest rate movements. Economic "Money-at-Risk" is estimated assuming certain immediate changes in rates.

The primary objective of the Bank's asset-liability function is to maximize net interest income while maintaining acceptable levels of interest-rate sensitivity. The Asset-Liability Committee, which determines certain market risk positions within the Bank's book of business, sets gap limits (volumes for each time bucket) and risk limits (Money-at-Risk limits). Other exposures created by differences in repricing dates are taken into account in determining the timing of changes in interest rates on the Bank's assets in response to market movements.

The Bank controls its interest rate risk with the selective use of off-balance sheet instruments, especially swaps. All derivatives are included either within the trading limits or the asset-liability management limits.

As a general matter, the Bank seeks to match its foreign currency-denominated assets with liabilities in the same currencies. With the exception of some strategic and structural positions, all open foreign exchange positions are part of the trading book and within the trading limits. The strategic and structural positions are mainly positions opened for the purpose of taking advantage of interest rate differentials between currencies. Based on present market conditions, these positions are mainly in Deutsche Mark and Austrian Schilling, as the Bank considers the foreign exchange risk as minimal.

Interest Rate Sensitivity. The Bank manages interest rate exposure with a view to limiting the impact of adverse interest rate movements on profitability. Risks may arise when there is an imbalance between assets and liabilities (including off-balance sheet transactions) with respect to the timing or calculation of interest rate changes. The Bank addresses the risk of changes in interest rates, particularly of a short-term nature, by monitoring levels and interest-rate sensitivity of assets, liabilities and certain off-balance sheet transactions. Other exposures created by differences in maturities or repricing dates are taken into account in determining the timing of changes in interest rates on the Bank's assets in response to market movements. In addition, the Bank makes regular use of interest rate swaps, options and other hedging strategies to limit interest rate exposure.

Exchange Rate Sensitivity. The Bank manages its exposure to exchange rate fluctuations in order to minimize the effect of exchange rate movements on its profitability. As a general matter, the Bank seeks to match its foreign currency-denominated assets with liabilities in the same currencies. To a limited extent, to take into account differences between assets and liabilities remaining following the Bank's effort to match positions in currencies, the Bank uses a variety of hedging instruments, including currency swaps, futures contracts, options and other instruments designed to minimize the effect of exchange rate fluctuations on the operating results of the Bank.

The following table shows the international proportion of assets and liabilities (including assets and liabilities generated outside Austria and in respect of non-residents) and the proportion of assets and liabilities denominated in currencies other than Austrian Schilling (translated into Austrian Schilling) at December 31, 1995.

	International Proportion		Foreign Currencies	
	(ATS)	%	(ATS)	%
	(ATS in millions)			
Assets				
Debt instruments issued by public agencies	6,754	1.0	6,754	1.0
Claims against credit institutions	133,835	19.7	131,621	19.4
Claims against customers	51,892	7.7	50,694	7.5
Debentures and other interest bearing (fixed-interest) securities	11,983	1.8	11,991	1.8
Other positions	6,456	0.9	8,369	1.2
Total	<u>210,920</u>	<u>31.1</u>	<u>209,429</u>	<u>30.9</u>
Liabilities				
Liabilities against credit institutions	115,243	17.0	117,772	17.4
Liabilities against customers	36,496	5.4	68,582	10.1
Liabilities in negotiable instrument form	24,645	3.6	24,929	3.7
Other positions	10,057	1.5	11,319	1.7
Total	<u>186,441</u>	<u>27.5</u>	<u>222,602</u>	<u>32.9</u>
Total assets	677,863		677,863	

Liquidity Sensitivity. The primary function of the Bank's liquidity management is to satisfy the demand for current and future funding requirements, including the replacement of existing funds as they mature or are withdrawn. The Bank's objective is to maintain a proper balance between maturity distributions, given the stability and diversity of different sources of funds, the characteristics of different investor groups and the types of instruments involved. A substantial portion of the Bank's assets, especially in Austria, is funded by customer deposits.

The medium- and long-term liquidity status and plan for the Bank is the responsibility of the Asset-Liability Committee and is reported regularly to the Managing Board.

Liquidity risks are also reduced by the Bank's high proportion of liquid assets, including inter-bank assets (which are diversified by currency, maturity and source), money market instruments and short-term loans. In addition, the Bank has significant credit lines available. For medium- and long-term assets, the Bank has significant sources of medium- and long-term funds, including customer savings deposits and certificates, bank obligations, loans documented by certificates of indebtedness, Eurobonds, certificates of deposit and medium-term notes.

Austrian Banking System — Capital Adequacy Directive. In addition to its own risk management policies, the Bank must comply with certain risk ratios established by Austrian regulatory and supervisory bodies. Because the Bank currently uses the Money-at-Risk approach for its trading activities, the Bank expects to be permitted to comply with the EU capital adequacy directive by using its own internal models.

The following table sets forth the original term to maturity of certain assets and liabilities of the Bank at December 31, 1995. As in previous tables, in accordance with Austrian regulations, the Bank submits reports regarding its assets and liabilities on the basis of original terms to maturity, rather than remaining terms to maturity.

At December 31, 1995						
	Payable on demand	Less than three months	Three months to one year	Between one and five years	More than five years	Total
(ATS in millions)						
Assets						
Claims against credit institutions	25,428	29,775	74,429	30,924	18,349	178,905
Claims against customers	44,711	26,632	28,130	63,297	211,257	374,027
Liabilities						
Due to credit institutions	27,585	85,412	28,752	9,873	34,906	186,528
Due to customers:						
a) savings deposits	28,795	4,669	53,971	72,200	11,661	171,296
b) other liabilities	65,837	67,059	4,711	3,019	989	141,615
Other securitized liabilities	0	2,824	2,873	17,738	8,983	32,418

Capital

The following table presents the components of the Bank's capital and capital adequacy (solvency) ratios at December 31, 1993, 1994 and 1995.

	At December 31,			
	1993	1994	1995	
	(ATS)	(ATS)	(ATS)	(€)
(ATS and € amounts in millions)				
Tier 1 capital:				
Share capital less book value of own shares	5,718	5,621	5,736	534
Liability reserve	8,135	8,613	9,373	872
Statutory, voluntary and other reserves	13,381	13,406	14,438	1,343
Less: book value of intangible assets	(132)	(442)	(506)	(47)
Total Tier 1 capital	<u>27,102</u>	<u>27,198</u>	<u>29,041</u>	<u>2,702</u>
Tier 2 capital:				
Supplementary capital	3,085	3,085	2,512	234
Participation capital less book value of own participation certificates	572	587	451	42
Subordinated capital	<u>8,247</u>	<u>10,396</u>	<u>9,801</u>	<u>912</u>
Total Tier 2 capital	<u>11,904</u>	<u>14,068</u>	<u>12,764</u>	<u>1,188</u>
Less: book value of holdings	(1,378)	(1,424)	(1,697)	(158)
Total capital	<u>37,628</u>	<u>39,842</u>	<u>40,108</u>	<u>3,732</u>
Risk-weighted assets	363,528	370,433	388,487	36,148
Tier 1 capital ratio	7.46	7.34	7.48	7.48
Total capital ratio	10.35	10.76	10.32	10.32

Pursuant to the 1993 Banking Act, the Bank is required to maintain total capital, or own funds, of 8% of risk-weighted assets, including off-balance sheet assets. The computation of total capital is subject to the limitation that Tier 2 capital may not exceed Tier 1 capital. See "The Austrian Banking System — Regulation and Supervision — Capital (Solvency) Ratios".

OWNERSHIP, MANAGEMENT AND EMPLOYEES

Principal Shareholders

With the exception of the ordinary shares of the Bank held by AV-Z and by the employees' council, the Bank's capital shares and participation certificates are held in bearer form. Therefore, the Bank is unable to determine by reference to its records the ownership of its issued and outstanding capital shares and participation certificates. A person or a group that holds at least 5% of either ordinary or preferred shares outstanding is required by the Austrian Stock Exchange Act to make certain limited reports concerning its ownership of such securities to the Bank. No such obligation exists with respect to holders of participation certificates. Based on such reports and other information available to the Bank, the following tables set forth as of December 31, 1996 certain information concerning ownership of the Bank's issued and outstanding ordinary shares and preferred shares with respect to its principal holders. Based on information available to the Bank, all Supervisory and Managing Board members and executive officers of the Bank as a group own in the aggregate less than 1% of ordinary shares and preferred shares.

Ordinary Shares

	<u>Number of Ordinary Shares Owned</u>	<u>Percent Ownership of Ordinary Shares</u>	<u>Percent of Total Share Capital (1)</u>
AV-Z (2)	25,991,895	45.15%	39.93%
Post und Telekombeteiligungsverwaltungs- gesellschaft (3)	10,883,050	18.90	16.72
Westdeutsche Landesbank Girozentrale	5,800,000	10.07	8.91
Wiener Städtische Allgemeine Versicherung AG ...	3,625,310	6.30	7.59
Cassa di Risparmio delle Provincie Lombarde S.p.A.	2,500,000	4.34	3.84
Wiener Holding AG (2)	2,300,000	4.00	3.53
Other	<u>6,471,335</u>	<u>11.24</u>	<u>19.48</u>
Total	<u>57,571,590</u>	<u>100.00%</u>	<u>100.00%</u>

- (1) Percent of Total Share Capital represents the percentage of ordinary and preferred shares outstanding.
- (2) AV-Z owns a controlling interest in Wiener Holding AG. Accordingly, the ordinary shares owned by Wiener Holding AG are controlled by AV-Z.
- (3) These shares were formerly held directly by the Republic, which owns Post und Telekombeteiligungsverwaltungsgesellschaft ("Postholding").

Preferred Shares

	<u>Number of Preferred Shares Owned</u>	<u>Percent Ownership of Preferred Shares</u>
Wiener Städtische Allgemeine Versicherung AG	1,317,190	17.50%
Hamburg Mannheimer Versicherung AG	1,100,000	14.62
Other.	<u>5,109,310</u>	<u>67.88</u>
Total.	<u>7,526,500</u>	<u>100.00%</u>

Any holder of ordinary shares in registered form (currently AV-Z and the employees' council) has the ability to prevent certain significant resolutions affecting the Bank from being passed at a shareholders meeting. Holders of registered shares may not transfer such shares without the approval of the Bank's Supervisory Board and the Managing Board.

AV-Z is a corporate entity, created under Austrian law, that does not have any shareholders. The City of Vienna, the sponsoring community under the law which created AV-Z, acting through the City Council, has the statutory right to nominate seven of the eight members of AV-Z's Supervisory Board. In addition, the Mayor of the City of Vienna serves *ex officio* as the eighth member of the Supervisory Board and as its Chairman. The Supervisory Board also currently includes a deputy mayor of the City of Vienna. The Supervisory Board of AV-Z nominates the Managing Board of AV-Z.

The Bank's Supervisory Board currently includes four members who are also members of the Supervisory Board of AV-Z. Three of the six members of the Bank's Managing Board are the three members of the Managing Board of AV-Z. See "— Supervisory Board and Managing Board".

From time to time, the current and preceding governments of the Republic have publicly discussed their intention to sell some or all of the ordinary shares of the Bank held by the Republic. On January 17, 1997, the Bank published formal notice based on information received by it that the Republic's ordinary shares had been acquired by Postholding, which is owned by the Republic. In connection with the selection of the Bank as the successful bidder for the Republic's shares in Creditanstalt, the parties that make up the current government coalition in Austria reached an understanding that the Republic would dispose of its shares in the Bank in 1997. See "The Proposed Acquisition of Creditanstalt".

The Bank and Cassa di Risparmio delle Provincie Lombarde S.p.A. ("Cariplo") have had discussions concerning Cariplo's acquiring additional ordinary shares of the Bank. It is currently proposed that any such transaction would take the form of an exchange of participation certificates held by Cariplo and surrendered to the Bank in return for ordinary shares and would occur by June 30, 1998 or, if earlier, within six months of an initial public offering of shares of Cariplo.

Supervisory Board and Managing Board

Like all Austrian joint stock corporations, Bank Austria has a two-tiered board. The Managing Board is responsible for the day-to-day management of the Bank and the representation of the Bank with respect to third parties, while the Supervisory Board appoints and removes the members of the Managing Board. The Supervisory Board may not itself make management decisions, but under the Austrian Stock Corporation Act and the By-Laws of the Bank, the Managing Board must obtain the consent of the Supervisory Board for certain actions.

The Managing Board must submit regular reports on the operations and the condition of the Bank to the Supervisory Board, and the Supervisory Board is also entitled to request special reports on the operations of the Bank. The members of the Managing Board are all full-time employees of the Bank. The members of the Supervisory Board are elected by the holders of ordinary shares, except for one-third of the members who are appointed by the employees' council of the Bank pursuant to Austrian labor laws. In certain very limited circumstances, holders of preferred shares may participate in the elections of the members of the Supervisory Board. The members of the Supervisory Board who are elected by the holders of ordinary shares are not full-time employees of the Bank. The members of the Supervisory Board who are appointed by the employees' council are full-time employees of the Bank. The Austrian Stock Corporation Act prohibits simultaneous membership on both the Managing Board and the Supervisory Board.

The current members of the Supervisory Board of the Bank are listed below. Those members who are appointed by the employees' council of the Bank are denoted with an asterisk.

<u>Name</u>	<u>Principal Occupation</u>
Dkfm. Dr. Siegfried Sellitsch, Chairman	Chief Executive Officer ("CEO"), Wiener Städtische Allgemeine Versicherung AG
Dkfm. Dr. Erich Meyringer, Deputy Chairman	Retired CEO of Bull AG
Walter Nettig, Deputy Chairman	President of the Chamber of Commerce in Vienna
Dr. Dieter Falke	Board Member, Westdeutsche Landesbank Girozentrale
Gunther W. Havranek	Tax Advisor
Rudolf Humer	CEO, Palmers Textil AG
Dir. Mag. Dr. Ewald Klinger	Managing Director, Entsorgungsbetriebe Simmering Ges.m.b.H.
Dr. Sandro Molinari	CEO, Cassa di Risparmio delle Provincie Lombarde S.p.A.
Friedel Neuber	CEO, Westdeutsche Landesbank Girozentrale
Dr. Walter Petrak	CEO, Versicherungsanstalt der österreichischen Bundesländer Versicherungsaktiengesellschaft
Dr. Helmut Andreas Schuster	CEO, Ankerbrot AG
Dr. Hugo Michael Sekyra	Board Member, Auricon Beteiligungs Aktiengesellschaft
Ir. Willem A. Wielens	CEO, Österreichische Philips Industrie Ges.m.b.H.
Hedwig Fuhrmann*	
Wolfgang Heinzl*	
Heribert Kruschik*	
Wolfgang Lang*	
Thomas Schlager*	
Walter Schlögl*	
Dr. Kornelia Urban*	

The members of the Managing Board of the Bank, and their offices, are listed below.

<u>Name</u>	<u>Office</u>
Dkfm. Gerhard Randa	Chairman and CEO
Karl Samstag	Deputy Chairman
Heinrich Gehl	Board Member
Helmut Jell	Board Member
Mag. Friedrich Kadrnoska	Board Member
Mag. Franz Zwickl	Board Member

Remuneration of Supervisory and Managing Board Members

In 1995 the total remuneration paid to the Bank's Managing Board, including retiring members of the Managing Board, amounted to ATS 55.0 million and retired members of the Managing Board or their surviving dependents received payments aggregating ATS 30.8 million. Payments to members of the Supervisory Board aggregated ATS 3.2 million, including attendance fees and expenses.

Loans granted to members of the Managing Board and the Supervisory Board outstanding on December 31, 1995 totalled ATS 1.6 million and ATS 14.4 million, respectively. No guarantees were issued for the benefit of members of the Managing Board or the Supervisory Board, nor were any salary

advances made to them. Loans to the Supervisory Board members include those made to members nominated by the employees. The maturities of such loans to members of the Managing Board and Supervisory Board range from five to ten years. The interest rate payable on such loans is based on the interest rate charged for loans made to employees of the Bank.

Employees

At December 31, 1995, the Bank (not including its subsidiaries and participations) employed 8,953 employees. During 1995, the average number of employees of the Bank was 9,005. Management considers employee relations to be good.

THE REPUBLIC OF AUSTRIA

General

The Republic of Austria is situated in Central Europe, bordered by Switzerland and Liechtenstein on the west, Germany and the Czech Republic to the north, Hungary and the Slovak Republic to the east and Slovenia and Italy to the south. The population of the Republic according to 1996 micro census figures is approximately 8.1 million, with approximately 1.6 million living in the capital city of Vienna. Since 1994, Austria has been a member of the European Economic Area ("EEA"), which was established among the EU and several European Free Trade Area ("EFTA") member states. Austria became a member of the EU effective January 1, 1995.

Form of Government

Under the Austrian federal constitution, Austria is a democratic and federal republic, with legislative and executive powers divided between the federal government and the nine federal provinces.

The legislative power of the federal government is vested in a bicameral legislature consisting of the *Nationalrat* and the *Bundesrat*. The *Nationalrat* is the main legislative body. Its members are elected for a period of four years by direct popular vote under a system of proportional representation. The *Nationalrat* may be dissolved before the completion of its four-year term by its own action or, in certain circumstances, by the federal President. The present *Nationalrat* was elected in December 1995 for a four-year term. The *Bundesrat* represents the nine provinces and has certain approval rights with respect to proposed legislation. The members of the *Bundesrat* are elected by the legislatures of the nine provinces in proportion to the populations thereof.

The executive powers of the federal government are vested in the federal President and the Cabinet, which is headed by the Chancellor. The federal President is elected by direct popular vote for a six-year term. Dr. Thomas Klestil assumed the office of federal President on July 8, 1992. The chief constitutional powers of the federal President include the appointment of the Chancellor and his Cabinet and the dissolution of the *Nationalrat*. A number of new members were appointed to the present Cabinet in January 1997, which was originally formed in March 1996 by a coalition of the Austrian Social Democratic Party and the Austrian People's Party. Mag. Viktor Klima of the Austrian Social Democratic Party is the current Chancellor and Dr. Wolfgang Schüssel of the Austrian People's Party is the Vice-Chancellor.

THE CITY OF VIENNA

General

The City of Vienna (the "City") is the capital of, and the largest city in, Austria. The City has approximately 1.6 million inhabitants and covers an area of 415 square kilometers. All of the important government head offices for the Republic are situated in the City, including the federal parliament, the federal ministries, the federal Chancellor's office, the federal President's office and the highest courts. The Austrian National Bank, the headquarters of almost all the major Austrian commercial banks, and insurance companies, and the only stock exchange in Austria, are also located in Vienna. The City is

Austria's financial and administrative center and is one of the most important crossroads for European east-west trade. The City is a direct guarantor of AV-Z and an indirect guarantor of the Bank's obligations. See "Bank Austria — Statutory Guarantee".

Municipal Administration

Under the Austrian federal constitution, the City has the legal status of both a municipality and a federal province. The federal constitution provides that all powers not expressly given to the federal government are to be exercised by the federal provinces. This means that the City has those legislative and executive powers and duties of a province under the federal constitution.

The Vienna City Council consists of 100 members who are elected for a term of five years. The Council sits as a provincial assembly in matters relating to the City as a province, and as a City Council in matters relating to the City as a municipality. The Mayor is the head of the City administration. The Mayor also acts as the head of the Province of Vienna. Following elections on October 13, 1996, a coalition of the Austrian Social Democratic Party and the Austrian People's Party was formed. The present mayor, Dr. Michael Häupl, who has been in office since November 7, 1994, was reelected. The deputy mayors are Grete Laska and Dr. Bernhard Görg.

Economy

The City's principal industries include electronics, machinery, food and consumer goods, and the automotive and chemical industries. Vienna's industry is characterized by a predominance of small and medium-sized companies. In addition, tourism is a major source of income for the City.

Revenues of the City

Under Austrian law, the City, as a federal province and a municipality, is entitled to a portion of the income from federal taxes which are apportioned between the federal government, the federal provinces and the municipalities. The City of Vienna also receives revenues from various provincial and city taxes, including trade taxes, payroll taxes, land taxes, beverage taxes, employers' levies and usage levies.

THE AUSTRIAN BANKING SYSTEM

Overview

The Austrian banking system, not unlike that of other continental European countries, embraces a diverse array of financial institutions of various sizes and with various primary businesses. The Austrian banking system is divided into the following five "sectors" according to the legal status of a bank and membership in a sector association: (i) joint stock banks and private banks; (ii) savings banks; (iii) regional mortgage banks; (iv) rural credit cooperatives; and (v) small business credit cooperatives. Building societies and special purpose banks do not have their own "sectors". Each building society and special purpose bank is a member of one of the five sectors listed above, such membership having been designated upon the organization of such building society or special purpose bank. The Bank is a member of the savings banks sector.

During the past two decades, the original differences between the sectors have become less distinct. Currently, Austrian banks generally engage in all types of banking operations. While joint stock banks, private banks, savings banks and credit cooperatives may have different business policies, they conduct substantially the same types of operations.

Integration with the European Union

Austria became a member of the EU effective January 1, 1995. As a result of Austria's membership in the EU, Austrian laws are in the process of being harmonized with the EU banking directives,

continuing the process that began in connection with Austria's membership in the EEA. See "— Regulation and Supervision".

Membership in the EEA (and consequently in the EU) requires the compliance with all EU banking directives, including the Second Banking Directive, which significantly loosened restrictions on the Austrian operations of banks and financial institutions based in other EU and EEA member states. At the same time, banks in Austria gained access to the Common Market.

Regulation and Supervision

The 1993 Banking Act contains most of the essential regulations for "credit institutions", as banks are designated in the 1993 Banking Act. The minimum reserves are regulated in the National Bank Act 1984. Savings banks are further subject to the Savings Bank Act of 1979. Bonds backed by mortgages are governed by the Mortgage Bond Act of 1927.

The 1993 Banking Act, most of the provisions of which became effective on January 1, 1994, was enacted in view of Austria's membership in the EEA. The Act adopted EU banking directives and recommendations into Austrian law, in particular the first and the second banking directives, the directive relating to own funds, solvency ratios and banks' annual accounts, as well as the directive on consolidated supervision of 1992.

An amendment to the 1993 Banking Act, which became effective on August 23, 1996, implemented, among other things, the EU directives on large exposures and deposit-guarantees and the consolidation directive. A further amendment to the 1993 Banking Act, which, among other things, effects compliance with the EU directives on investment services and on capital adequacy, was enacted on December 30, 1996 and has effective dates of January 1, 1997, July 1, 1997, and January 1, 1998.

Federal Minister of Finance. The Federal Minister of Finance (Federal Ministry of Finance) is the supervisory authority that monitors compliance with the 1993 Banking Act, the Savings Bank Act of 1979 in most cases and other relevant legislation (including related regulations) for Austrian banks and financial institutions in their activities in Austria and abroad.

Pursuant to the 1993 Banking Act, the Federal Minister of Finance must appoint a State Commissioner and a Deputy State Commissioner for any bank having more than ATS 5 billion in assets. The State Commissioners are entitled to participate in the meetings of the shareholders and the Supervisory Board of the bank to which they are appointed and have the obligation to object to resolutions which, in their view, violate federal laws or regulations. Any such objection made by the State Commissioners suspends the validity of such resolutions until a determination of the Federal Minister of Finance as to its validity. Dr. Rudolph Glöckel is the State Commissioner for the Bank. Dr. Gerhard Scharitzer is the Deputy State Commissioner.

Pursuant to the Mortgage Bond Act of 1927, the Bank is subject to inspection by a Trustee and a Deputy Trustee appointed by the Federal Minister of Finance. The Trustee and the Deputy Trustee are responsible for determining that the legal requirements for the registration of certain mortgage assets are met by the Bank. The Trustee for the Bank is Dr. Gunther Pullez. The Deputy Trustee is Dr. Alois Ramoser. In addition, a State Cover Fund Controller, who is appointed by the Federal Minister of Finance, is responsible to ensure that the legal requirements for segregation and security of certain asset-backed debt obligations of the Bank are met. The Bank's Controller is Mag. Karl Benes.

The Federal Minister of Finance is empowered to (i) request interim reports, auditing reports and other information from the boards of a bank on all business matters, (ii) inspect the books, documents and data carriers of banks and (iii) require special audits to be made by bank auditors or experts. The Federal Minister of Finance may also appoint special auditors or require the Austrian National Bank to audit banks and their branches and representative offices outside Austria. If a bank in Austria is found not to be in compliance with the legal requirements, the Federal Minister of Finance may issue decrees with a maximum validity of 18 months which (i) prohibit withdrawals of capital or profits from the bank, (ii) appoint a government commissioner who is authorized to prohibit all business which could be

prejudicial to the safety of the interests of customers of the bank, (iii) prohibit further management of the bank by such bank's existing managing board or (iv) prohibit (in whole or in part) further business of the bank.

The 1993 Banking Act (as amended) imposes, among others, the following requirements:

1. *Regular reports.* Regular reports must be filed by every bank in Austria immediately following the end of each calendar month and of each quarter with the Federal Minister of Finance. In addition, reports on large exposures (when incurred) and annual reports on hidden reserves are required. The reports must be in the format prescribed by implementing decrees. The Austrian National Bank receives these reports and must give an opinion to the Federal Ministry of Finance whether the regulations on solvency, own funds, liquidity, open positions, large exposures and participations have been observed.

2. *Capital (Solvency) Ratios.* The own funds of any bank and any group of banks must be at least 8% of the bank's assessment basis, which is calculated as the sum of the bank's risk-weighted and off-balance sheet assets. Own funds consist of paid-up capital, disclosed reserves and funds for general bank risks, which constitute the "core capital" (commonly referred to as Tier 1 capital), as well as supplementary capital, participation capital, subordinated capital, revaluation reserves and the commitments of members of cooperative banks to make additional contributions quantified in relation to their shareholdings (commonly referred to as Tier 2 capital). So-called "hidden reserves" and revaluation reserves constitute additional elements of own funds listed in the 1993 Banking Act, but the Bank has not included hidden reserves and revaluation reserves in calculating its capital (solvency) ratios. Creditanstalt, however, has included an amount for revaluation reserves in calculating its capital (solvency) ratios. See "Unaudited Pro Forma Financial Information — Unaudited Pro Forma Capital Data". The EU capital adequacy directive, which was implemented in Austria at the end of 1996, expands and supplements the foregoing criteria (with effective dates of January 1, 1997, July 1, 1997, and January 1, 1998). Starting in 1998, among other things, the Bank will be required to meet the capital requirements regarding position risk as well as settlement and counterparty risk according to a trading book approach. As a complementary measure, short-term subordinated capital will be accepted as own funds (commonly referred to as Tier 3 capital). For a discussion of the potential future consolidation of the entire AV-Z group at the level of the Bank for purposes of determining compliance with capital adequacy requirements, see "The Proposed Acquisition of Creditanstalt".

3. *Liquidity.* Banks must meet their payment obligations. Every bank must establish a financial and liquidity plan that enables the bank to react to possible disparities between incoming and outgoing payments and to changes in market conditions. Banks must structure the terms of their claims and obligations and provide for changing interest rates and maturity trends. In addition to these general regulations, banks must retain minimum liquid resources of first degree and of second degree. The 1993 Banking Act requires a detailed calculation plan for the foregoing.

4. *Open Positions.* The difference between asset and liability items of a bank in a foreign currency is defined as the bank's open position. At the end of any business day, any one open position may not exceed 30% of the bank's own funds. The total of all open positions may not exceed 50% of the bank's own funds at the close of business of any day. Similar restrictions are applicable for open positions regarding items that become due within a specific calendar quarter and any half year period.

5. *Large Exposures.* Under the 1993 Banking Act, a large exposure exists if the risk-weighted assets and off-balance sheet items with regard to a single client or group of connected clients exceed 15% (10% as of January 1, 1999) of the own funds of a bank or a group of banks. Large exposures require the prior consent of the bank's supervisory board. A single large exposure may not exceed 40% (25% as of January 1, 1999) of the own funds of a bank or a group of banks and may not exceed 30% (20% as of January 1, 1999) if made to the parent company or a subsidiary of the parent or the bank. The total of large exposures of a bank or a group of banks may not exceed 800% of its own funds. Exceptions apply for, among others, exposures to the Republic and the provinces.

6. *Participations.* The 1993 Banking Act governs qualified participations, which are direct or indirect holdings of at least 10% of the capital or voting rights, or the possibility to exercise a significant influence over the management of a company. Generally, no qualified participation in a non-bank may be held by a bank or a group of banks if the book value of the participation exceeds 15% of the own funds of the bank or a group of banks. The entire book value of qualified participations may not exceed 60% of the own funds of a bank or a group of banks. The limitations may be exceeded under certain circumstances. Exceptions exist for shares which are held (i) temporarily in connection with a company's financial restructuring, (ii) to fulfill a placement obligation for newly issued securities, (iii) in the name of the bank but for the account of a third person or (iv) as a non-permanent investment.

Central Bank of Austria. The Austrian National Bank is the central bank of Austria. The main task of the Austrian National Bank is to regulate the volume of money and to provide for the settlement of payments abroad. It is also responsible for maintaining the domestic purchasing power of the Schilling, as well as its relation to the stable currencies of foreign countries.

Pursuant to the 1993 Banking Act and other financial laws, the Austrian National Bank reviews reports and makes recommendations to the Federal Ministry of Finance. The Austrian National Bank compiles detailed foreign currency statistics concerning the foreign currency position of all Austrian banks and, therefore, has an indication of the business volume of all large Austrian banks. This detailed information acts as a *de facto* regulatory mechanism since the figures in these reports and the information provided by the banks must be consistent. Apart from the duties performed for the Ministry of Finance, the Austrian National Bank has independent responsibilities in exercising its functions as central bank, which include conducting discount, Lombard and open market transactions.

The Austrian National Bank prescribes minimum reserves by general decree pursuant to the Central Bank Act. All banks must report monthly on their compliance with reserve requirements to the Austrian National Bank on a prescribed form. If a bank does not meet the minimum reserve requirement, it may be charged interest, at a rate equal to 3½ percentage points above the discount rate of the Austrian National Bank, for 30 days on the amount of any deficit. Generally, required reserves consist of 5% for sight deposits, 3% for time deposits and savings deposits and other securitized liabilities with a notice period or term of less than 12 months, 3% for time deposits and savings deposits and other securitized liabilities with neither a notice period nor a term shorter than 12 months, 3% for debt securities having a term of less than 24 months, and 0% for debt securities having a term between 24 and 60 months.

As the lender of last resort to banks in Austria, the Austrian National Bank continuously evaluates the condition of the banks.

Deposit Protection Program. Any bank which receives deposits must join the deposit protection facility of its banking sector. See "—Overview". If a bank is not a member of the deposit protection facility, its license to conduct a deposit-taking business lapses. If the protection facility of a particular sector is called upon to make a payment to restore protected deposits, each member bank in that sector will be required to contribute to the protection facility in an amount that is determined in proportion to the aggregate amount of such bank's deposits, but not in excess of one-third of its liability reserve. If the payment due from the protection facility exceeds the aggregate maximum amount that its members can be called upon to contribute, the deposit protection facilities of the other banking sectors each will contribute a pro rata portion of the amount then remaining unpaid, but not in excess of one-third of their liability reserves. If the deposit protection facilities are unable to repay the protected deposits in full, the deposit protection facility that was primarily obligated to repay such protected deposits must issue bonds, for which the Republic may accept liability, in order to repay any amount then remaining unpaid. Under this deposit protection program, deposits are insured up to ATS 260,000 or equivalent per depositor. Deposits of legal persons are guaranteed up to ninety percent. Small clients receive preferred treatment up to an amount of ATS 26,000. The Notes do not constitute deposits and therefore do not benefit from this deposit protection program.

Audits and Financial Statements. Austrian auditing regulations are generally adapted to the EU standards. The audited financial statements, as well as the auditing reports thereon, must be submitted

by banks (and the branches of foreign banks) within six months after the end of the business year to the Federal Ministry of Finance and the Austrian National Bank. In addition, the data of the financial statements must be transmitted to the Austrian National Bank on electronic data carriers in standardized forms.

The financial statements of a bank must be audited by a bank auditor who is either a certified public accountant or the auditing entity associated with one of the specialized auditing institutions (e.g., the Savings Banks' Auditing Association).

The final audited financial statements must be published either in the official Austrian government daily newspaper or in a generally available publication gazette in Austria. The contents of the publication are prescribed by law.

In addition, the bank auditors must examine the correctness of the valuation of the assets of the bank as well as the timely and complete compliance of the bank with all relevant banking laws, in particular laws concerning the supervision of the Bank. The result of this audit must be included in a separate bank supervision audit report that is communicated to the managing and supervisory boards of the bank and the supervisory entities of the federal government.

THE AUSTRIAN ECONOMY

The information, including statistical data, contained in this section has been taken from official publications of, or otherwise provided by, the Austrian National Bank and the Austrian Institute for Economic Research (WIFO).

General

Austria has an industrialized economy, comprised primarily of diversified industrial and service sectors. Trade and service (public and private), which include the transport, telecommunications, banking, insurance and commerce (including tourism) industries, as well as a variety of production-related services, comprised approximately 39% of the 1995 gross domestic product ("GDP"). Industry and mining, construction, power and water, along with the small scale trade sector, formed approximately 39% of the GDP, with agriculture, public and other services accounting for the remainder. Adjusted for inflation, the 1994 GDP growth was 3.0% over 1993, 1993 showed a 0.4% growth in GDP over 1992 and 1992 showed a 2.0% growth over 1991. The 1995 GDP growth over 1994 was 1.8%.

Austria's economy is competitive with other industrialized nations in terms of productivity, inflation, domestic expenditure, savings and several other key economic indicators. With productivity in industry growing 163% from 1971 through 1994, Austria experienced the second fastest growth rate in the Organization for Economic Cooperation and Development ("OECD"). Inflation in 1995 (measured as the increase in the consumer price index) was at 2.2%, below the EU average of 3.2%. Austrian inflation rates in 1994 and 1993 were, respectively, 3.0% and 3.6%.

Germany is by far Austria's most important trading partner, and, consequently, events in Germany have an impact on the Austrian economy. The percentage of Austria's total exports represented by exports to Germany was approximately 38% in 1994, 39% in 1993 and 40% in 1992, while approximately 40% of its total imports during 1994, 41% in 1993 and 43% in 1992 came from Germany. Germany's trade relationship with Austria is the primary reason that the Austrian National Bank has followed a policy of maintaining a stable exchange rate between the Austrian Schilling and the Deutsche Mark, supported by a tight monetary policy. The condition of the Austrian economy has been influenced significantly by various factors including (i) the government's policy of privatizing state-owned industry, (ii) the opening up of Eastern Europe and (iii) Austria's entry into the EU, which are discussed below.

Since 1987, the Austrian government has actively pursued a policy of privatizing industries which initially had been nationalized under the Nationalization Acts of 1946 and 1947. From 1987 to 1994, the government sold state owned shares in excess of ATS 24 billion in various industries, including oil, coal, iron ore, electrical power, manufacturing and banking. In 1995 and 1996, privatization proceeds were ATS 5.9 billion and ATS 4.6 billion, respectively.

The political and economic changes in Eastern and Central Europe, after decades of planned economy, have exerted a strong influence on the Austrian economy, particularly in terms of exports and direct investments. From 1989 to the end of 1994, Austrian exports to Hungary, the Czech and Slovak Republics and Poland increased by 230%, compared to a 19.4% growth in aggregate exports for the same period. While in 1992, the EU accounted for approximately 66.1% and Eastern Europe for 11.6% of all Austrian exports, in 1993 and 1994 the export figures for Eastern Europe had risen to 12.7% and 13.6%, respectively, while exports to the EU were 63.6% and 62.9%, respectively. Austrians are provided with a mechanism for direct investment in Eastern Europe through a series of investment programs. Austrian direct investment in Eastern Europe at year-end 1993 totalled ATS 18.5 billion, while at year-end 1995 it had climbed to ATS 38 billion, representing approximately 10.0% of the aggregate foreign direct investment in Eastern Europe.

Austria formally joined the EU on January 1, 1995. The Austrian government expects Austria's entry to lead to increased trading and direct investment activities between Austria and the other EU member states. It is further expected that Austria's entry will reinforce its unique role as liaison between Western and Eastern Europe.

Interest Rate Environment

The interest rate environment in Austria has undergone significant changes from 1992. Between 1992 and the end of 1993, the 10-year secondary market yields in government bonds declined from a high of 8.5% to a low of 5.9%. Beginning in early 1994, yields increased to a high of 7.7%. Yields subsequently increased to a high of 7.8% in the first quarter of 1995, and then decreased to 5.9% by December 1996. Short-term rates have decreased since August of 1992.

The Current Economic Situation

The deceleration of economic growth observed since the spring of 1995 (the growth rate in 1995 was 1.8% compared to a growth rate of 3.0% in 1994) continued into early 1996, when cyclical sluggishness spilling over from major trading partners in western Europe was exacerbated by adverse weather conditions in an extended winter period. As a result, the growth rate in 1996 was expected to be 0.8%. In the second half of 1996 a recovery set in (the real growth rate in the third quarter was 1.0%), which is, however, unlikely to unfold quickly. The recovery was underpinned by substantial market growth outside western Europe (particularly in East-Central Europe and the USA) on the one hand, and by a marked improvement in export price competitiveness due to a lower effective Schilling exchange rate (since the beginning of the year, especially against the Lira and the U.S.\$), on the other. Merchandise exports are expected to rise in volume (in real terms) by 4.2% and 6.0% in 1996 and 1997, respectively.

The expected improvement in the domestic tourism industry has not yet developed. Overnight stays declined further during the 1996 summer season (from January to November 1996, overnight stays declined 4.2% compared to the same period in 1995). From January to November 1996, foreign currency receipts declined by 0.2%, while foreign currency expenditures for Austrian tourist spending abroad increased by 9.3%. In part due to this development, the 1996 balance of payments is expected to close with a negative value of almost 2% of GDP. Slight improvements in the tourism industry and the balance of payments are expected for 1997. Both trends will allow the Austrian current account to improve. On EU labor force survey definitions, the unemployment rate will go up to 4.2%. The annual inflation rate, which fell from 4.1% to 2.2% between 1992 and 1995, reached 1.6% for the first six months of 1996. Due to increases in the inflation rate in the second half of 1996, the annual inflation rate was 1.9%. The inflation rate is now expected to be 1.9% in 1997.

(Source: Austrian Institute for Economic Research)

The Budget

Pursuant to the Federal Government's budget drafts for 1996 and 1997, the central government deficit is projected to be reduced to around ATS 68 billion, equivalent to 2.7% of GDP. If budgetary projections are met, general government borrowing in 1997 would not exceed 3%, as stipulated by the Maastricht convergence criteria. Two thirds of the deficit reduction would be achieved by public expenditure restraint, and one third by raising additional revenues, mostly from taxes.

(Source: Austrian Institute for Economic Research)

DESCRIPTION OF THE NOTES

The following is a brief summary of certain terms and conditions of the Notes and of the Fiscal Agency Agreement (as defined below) with respect thereto and of certain related information. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Fiscal Agency Agreement (which includes the form of the Notes). The Fiscal Agency Agreement is available for inspection by holders of the Notes at the principal office of the Fiscal Agent in the City of New York, currently located at 450 West 33rd Street, 15th Floor, New York, NY 10001-2697.

General

The Notes will be issued by the Bank in accordance with a Fiscal Agency Agreement to be dated as of February 6, 1997 (the "Fiscal Agency Agreement") between the Bank and The Chase Manhattan Bank as fiscal agent (the "Fiscal Agent") for the Notes. The Notes will be limited to \$700,000,000 aggregate principal amount and will be issued only in fully registered form, without interest coupons, in minimum denominations of \$250,000 and multiples of \$1,000 in excess thereof. The Notes will initially be issued in the form of one or more permanent global certificates (together, the "Global Note") registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Interests in the Notes will be held through financial institutions acting on behalf of holders of such interests as direct or indirect participants of DTC. Except in limited circumstances, investors will be required to hold the interests in Notes purchased by them through DTC and owners of interests will not be entitled to receive physical delivery of Notes in definitive form. See "— Book-Entry System; Delivery and Form" below.

The Notes will mature on February 15, 2017 (the "Date of Maturity"), unless earlier redeemed in the event of certain changes in Austrian tax laws. See "— Tax Redemption".

The Notes will bear interest at the rate per annum set forth on the cover page of this Offering Memorandum from February 11, 1997 until payment in full of the principal of the Notes has been made or duly provided for. Interest on the Notes will be payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 1997, and ending on the Date of Maturity, or, if any such date is not a Business Day, on the next succeeding Business Day ("Interest Payment Dates") to the person or persons (a "Holder") in whose name such Notes are registered in the Note Register (as defined below) at the close of business on the February 1 and August 1, respectively, immediately preceding such Interest Payment Dates (a "Regular Record Date"), except that interest not so punctually paid or duly provided for, if any, will be paid to the persons in whose names the Notes (or one or more predecessor Notes) are registered as of the close of business on a special record date to be fixed by the Bank (a "Special Record Date" and, each Regular Record Date and Special Record Date, a "Record Date"). Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months. For the purposes hereof, the term "Business Day" means a day on which banks in the City of New York are not authorized or required by law to be closed.

For so long as Notes are represented by the Global Note, the registered owner of the Global Note, in accordance with the terms of the Notes, may be treated at all times and for all purposes by the Bank and the Fiscal Agent as the sole owner with respect to such Global Note with respect to all payments on the Notes and for all other purposes under the terms of the Notes and the Fiscal Agency Agreement.

Status of the Notes

The Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Bank and will rank *pari passu* without any preference among themselves and at least equally with all other present and future unconditional, unsecured and subordinated obligations of the Bank. See "— Subordination".

The Notes are not being registered with the Securities and Exchange Commission and are offered pursuant to an exemption from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. No indenture is required to be, and none is being, qualified under the Trust Indenture Act of

1939, as amended. The Notes are not deposits and are not insured by FDIC or any other government agency. The Notes will be issued outside Austria.

Book-Entry System; Delivery and Form

Except as set forth below, the Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Investors may hold their Notes directly through DTC, if they are participants in DTC ("Participants"), or indirectly through organizations that are Participants.

Upon the issuance of the Notes, DTC will credit, on its book-entry registration and transfer system, the respective principal amount of the Notes represented by the Global Note to the accounts of Participants. The Global Note will be deposited on the date of the closing and sale of the Notes with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC. The accounts to be credited will be designated by the Initial Purchasers. Ownership of beneficial interests in the Notes will be limited to Participants or persons that may hold interests through Participants. Ownership of interests in such Notes will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to Participants' interests) and such Participants (with respect to the owners of beneficial interests in such Notes). The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer beneficial interests in a Note to such persons may be limited.

Persons who are not Participants may beneficially own Notes held by DTC only through Participants or indirect Participants. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Global Note, Cede & Co. for all purposes will be considered the sole Holder of the Notes. Except as provided below, owners of beneficial interest in the Global Note will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders thereof.

Each person owning a beneficial interest in the Global Note must rely on the procedures of DTC and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a Holder of Notes under the Fiscal Agency Agreement and the Global Note. DTC may grant proxies and otherwise authorize Participants to take any action that DTC, as the holder of the Global Note, is entitled to take under such Global Note and the Fiscal Agency Agreement. The Bank understands that under existing industry practice, in the event the Bank requests any action of Holders of Notes or an owner of a beneficial interest in the Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the Participants to take such action, and the Participants would authorize beneficial owners owning through such Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Payment of principal of, and interest and any Additional Amounts (as defined below) on, the Notes will be made by the Bank in immediately available funds to Cede & Co., the nominee for DTC, as the registered owner of the Global Note. Neither the Bank nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note or the maintaining, supervising or reviewing of any records relating to such beneficial ownership interest.

Upon receipt of any payment on the Global Note, DTC, under its current practice, will immediately credit Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amounts of the Global Note as shown on the records of DTC. Payments by Participants to owners of beneficial interests in the Global Note held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such Participants.

Because DTC can only act on behalf of Participants, who in turn act on behalf of indirect Participants and certain banks, the ability of a Holder of the Notes to pledge such Notes to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Notes, may be affected by the lack of a physical certificate for such Notes.

DTC has advised the Bank that it will take any action permitted to be taken by a holder only at the direction of one or more Participants to whose account with DTC Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

DTC has advised the Bank as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions among its Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain organizations such as the Initial Purchasers. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Same-Day Settlement and Payment

Settlement for the Notes will be made by the Initial Purchasers in immediately available funds. The Notes will trade in DTC's Same-Day Funds Settlement System. Accordingly, so long as DTC continues to make its Same-Day Funds Settlement System available to the Bank, all payments of principal and interest will be made by the Bank in immediately available funds or the equivalent, and secondary market trading activity in the Notes will be required by DTC to settle in immediately available funds.

Definitive Notes

The Global Note shall be exchangeable for definitive Notes only if: (a) DTC notifies the Bank that it is unwilling or unable to continue as depository and a successor depository is not appointed within 90 days or if at any time it ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed within 90 days; (b) the Bank in its sole discretion determines that such Global Note shall be exchangeable for definitive Notes; or (c) an Event of Default (as defined below) shall have occurred and is continuing and any person having an interest in the Global Note advises the Fiscal Agent, through DTC, in writing, that it wishes to exchange its interest for definitive Notes. Notes so issued in definitive form will be issued in denominations of \$250,000 and multiples of \$1,000 in excess thereof and will be issued only in registered form, without coupons. Such definitive Notes shall be registered in the name or names of such person or persons as DTC shall instruct the Fiscal Agent. It is expected that such instructions may be based upon directions received by DTC from its Participants with respect to ownership of beneficial interests in such Global Note. The registration or transfer of any Notes in definitive registered form may be effected only on the Note Register (as defined herein).

The principal amount of the Notes in definitive form will be payable on the Date of Maturity or earlier redemption date, as the case may be, in immediately available funds in the City of New York upon presentation and surrender of the Notes at the office of the Fiscal Agent in the City of New York or at such place or places in the Borough of Manhattan, the City of New York as may be designated from time to time by the Bank and interest on the Notes and any Additional Amounts (as defined below) payable thereon will be payable to the persons in whose names such Notes (or one or more predecessor Notes) are registered at the close of business on the relevant Record Date. Such payments will be made by wire transfer in immediately available funds to a bank account in the United States designated by such person in a written notice received by the Fiscal Agent (a) in the case of a payment of interest, prior to the

Record Date immediately preceding the Interest Payment Date on which such payment is due and (b) in the case of payment of principal on the Date of Maturity, prior to the Record Date immediately preceding the Date of Maturity, or in the case of payment of principal on an earlier redemption date, no later than the fifteenth day prior to such earlier redemption date, provided that in the case of such payment of principal, the Notes shall have been surrendered to the Fiscal Agent for payment together with such notice. If no wire information has been furnished, payment will be made by check mailed to the registered address of the Holder.

Registration; Transfer and Exchange of Definitive Notes

The Fiscal Agent will maintain at its principal office in the City of New York, currently located at 450 West 33rd Street, 15th Floor, New York, New York 10001-2697, a note register (the "Note Register") with respect to the Notes. The name and address of the registered Holder of each Note and the amount of each Note will be recorded in the Note Register and the Bank and the Fiscal Agent may treat the person in whose name the Note is registered as the owner of such Note for all purposes.

Any Notes in definitive form may be presented for exchange or registration of transfer at the office of the Fiscal Agent in the City of New York, subject to the limitations and requirements set forth in the Fiscal Agency Agreement and the Notes. See "Notice to Investors". Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Fiscal Agent and the Bank and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Fiscal Agent may reasonably request to comply with applicable law. No exchange or registration of transfer of any Note shall be made after the fifteenth day immediately preceding the Date of Maturity or on or after the date upon which a notice of redemption of such Note is mailed to the Holder.

Subordination

In the event of the liquidation or bankruptcy (*Abwicklung oder Konkurs*) of the Bank, payments in respect of the principal of, and interest and any Additional Amounts (as defined below) payable on, the Notes will be subordinated to the prior payment in full of the deposit liabilities of the Bank and all other liabilities of the Bank, except those liabilities which by their terms rank equally with or are subordinated to the Notes. As of December 31, 1995, the Bank had approximately ATS 598 billion (\$55.7 billion) in amounts due to customers and to credit institutions and securitized liabilities to which the Notes would be subordinated in right of payment. THE OBLIGATIONS OF THE BANK TO WHICH THE NOTES ARE SUBORDINATED ARE NOT LIMITED TO SUCH AMOUNT, AND THE FISCAL AGENCY AGREEMENT PURSUANT TO WHICH THE NOTES WILL BE ISSUED WILL PERMIT THE BANK TO INCUR AN UNLIMITED AMOUNT OF ADDITIONAL DEPOSIT AND OTHER OBLIGATIONS (NOT LIMITED TO OBLIGATIONS FOR MONEY BORROWED) TO WHICH THE NOTES WOULD BE SUBORDINATED IN RIGHT OF PAYMENT. THE SUBORDINATION PROVISIONS OF THE NOTES WILL BE GOVERNED BY THE LAWS OF THE REPUBLIC OF AUSTRIA.

The Bank shall not be entitled to withhold any payments in respect of the principal of, and interest and any Additional Amounts payable on, any of the Notes on the grounds of set-off against any amount owed to it by the Holder nor shall any Holder be entitled to exercise or claim any right of set-off in respect of any amount owed by it to the Bank against any amount in respect of the principal of, and interest and Additional Amounts payable on, the Notes owed to it by the Bank.

Taxation; Additional Amounts

All payments of the principal of and interest on the Notes by the Bank will be made without deduction or withholding for or on account of any present or future tax, duty or charges of whatever nature imposed or levied by or on behalf of the Republic of Austria or any political subdivision or any authority thereof or therein having the power to tax (the "Taxing Jurisdiction") unless such deduction or withholding is required by law. If any such deduction or withholding is required, the Bank will pay to the Holder such additional amounts ("Additional Amounts") as may be necessary in order that each net payment on a Note after such deduction or withholding will not be less than the amount provided for in such Note to be then due and payable; *provided, however*, that the foregoing obligation to pay Additional Amounts will not apply if: (i) the Holder is subject to such tax, duty or charge for any reason other than the Holder's ownership of, or receipt of payments in respect of, such Note, (ii) the Note is presented for payment (where presentation is required) more than 30 days after the due date of the payment (or, if payment is not provided for when due, any later date when notice that such payment is available has been given) except to the extent that the Holder would have been entitled to such additional amount on presenting the Note for payment on the last day of such 30-day period or (iii) the actual beneficiary of payments under the Note is entitled to an exemption from withholding but fails, after having received a request to do so, to provide a certificate required to confirm that the beneficiary is so entitled.

Tax Redemption

The Notes may be redeemed at the option of the Bank in whole, but not in part, on giving not less than five years' notice in accordance with the Notes (which notice shall be irrevocable), at their principal amount, together with interest accrued (if any) to the date fixed for redemption, if (i) the Bank has or will become obliged to pay Additional Amounts referred to above as a result of any change in, or amendment of, the laws or regulations of a Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after February 11, 1997 and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it, provided that (x) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due and (y) the notice period shall be 90 days only (instead of 5 years) if the Bank shall, prior to the redemption of the Notes pursuant to Section 6 of the Notes have raised capital at least in the redemption amount (or in the Austrian Schilling equivalent thereof or in its countervalue in any other freely convertible currency) and of at least equal own funds quality (as defined in Art. 23 of the Austrian Banking Act (*Bankwesengesetz*)). Prior to the mailing of any notice of redemption pursuant to Section 7 of the Notes, the Bank shall deliver to the Fiscal Agent a certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent of the right of the Bank so to redeem have occurred and an opinion of independent legal advisers of recognized standing to the effect that the Bank has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Events of Default

Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

- (a) default being made for a period of seven days in the repayment of principal of, or 15 days in the payment of any interest upon, any of the Notes when and as the same become due and payable in accordance with the terms of the Notes; or
- (b) the Bank failing to perform or observe any covenant, condition or provision binding on it contained in the Notes (other than any obligation for the payment of principal or interest in respect of the Notes) or the Fiscal Agency Agreement and on its part to be performed and observed and such failure not being remedied within 45 days following the service on the Fiscal Agent of a notice by any Holder requiring the same to be remedied; or

- (c) any other indebtedness for moneys borrowed of the Bank amounting singly or in the aggregate to \$20,000,000 (or its equivalent in any other currency or currencies) (i) not being paid when due or within any grace period applicable to such indebtedness, or (ii) becoming or becoming capable of being rendered due and payable before its scheduled maturity by reason of a default by the Bank, or (iii) if payable on demand, not being paid when demanded except where, in any case, the same is being contested in good faith by the Bank, or any guarantee or indemnity given by the Bank in respect of any indebtedness for moneys borrowed of any other person amounting singly or in the aggregate to \$20,000,000 (or its equivalent in any other currency or currencies) not being honored when due and called upon; or
- (d) the security for any indebtedness for moneys borrowed of the Bank or for any guarantee or indemnity given by the Bank in respect of any indebtedness for borrowed money of any other person becoming enforceable and the creditors entitled thereto taking steps to enforce the same; or
- (e) the Bank being adjudicated or found bankrupt or insolvent or any order being made by any competent court or administrative agency, or any effective resolution being passed for (i) the Bank to be wound up, liquidated or dissolved or (ii) for the judicial appointment of an Official Controller to supervise the management of the Bank with binding authority with the effect of a temporary moratorium (*Geschäftsaufsicht*) in relation to the Bank or a substantial part of its assets, in the case of either (i) or (ii) otherwise than for the purposes of a reconstruction, merger or amalgamation effected with the prior approval of an Extraordinary Resolution of Holders (save that no reconstruction, merger or amalgamation of the Bank shall give rise to an Event of Default or shall require the approval of an Extraordinary Resolution of Holders provided that the Notes shall, following such reconstruction, merger or amalgamation, continue to have the benefit of the statutory guarantee of the City of Vienna pursuant to section 2(1) of the Austrian Savings Bank Act (*Sparkassengesetz*) of 1979, as amended),

any Holder may, at its option, by notice to the Bank through the Fiscal Agent, take only the actions described below in "— Action Upon Event of Default".

Action Upon Event of Default

If an Event of Default shall occur and be continuing, any Holder may, at its option, by notice to the Bank through the Fiscal Agent, take only the following steps:

- (i) in an event as contemplated in subparagraph (b) of "— Events of Default" above, institute judicial proceedings against the Bank as it may think fit to enforce the performance or observance by the Bank of any covenant, condition or provision contained in the Notes; or
- (ii) in any event contemplated in subparagraph (a), (c), (d) or (e) of "— Events of Default" above, inform the Federal Minister of Finance of the happening of such event and request that he apply to the competent court in Vienna for the commencement of bankruptcy proceedings against the Bank subject to the statutory requirement that such court declares that the Bank has become insolvent, and only if such declaration is made shall the Notes become due and repayable as hereinafter described; or
- (iii) if bankruptcy proceedings are commenced in such court against the Bank (on the application of any person other than a Holder acting solely in such capacity), file an application in such court demanding repayment of all principal amounts due under the Notes together with accrued interest and any Additional Amounts.

If the competent Austrian court declares the Bank insolvent, all claims due to the Holders by the Bank of principal and/or interest and any Additional Amounts shall be considered due and payable according to paragraph 14 of the Bankruptcy Act (*Konkursordnung*) in Austrian Schilling on the date such insolvency is published by judicial notice, converted at the rate of exchange applicable on the day preceding such date for the purchase with Austrian Schilling in Vienna of the amounts due.

If bankruptcy proceedings are commenced against the Bank, the Notes will cease to bear interest from the date on which judicial notice of such insolvency is published.

The Bank shall not be required to pay to the Holders any amounts necessary to compensate them for any difference between the principal amount and any accrued interest in respect of the Notes and, if less, the dollar equivalent of any Schilling amounts paid to a Holder in bankruptcy proceedings calculated at the rate of exchange prevailing at the date such payment is made to the Holder.

The Holders will be represented in any judicial action or bankruptcy proceedings instituted in Austria against the Bank by an attorney (*Curator*) appointed by and responsible to the Commercial Court of Vienna under the statute of 27th April, 1874, Imperial Legislation Gazette no. 49. Such *Curator* will be obliged to take any action and make any declarations required to the effect that the Holders will in the event of a liquidation or bankruptcy (*Abwicklung oder Konkurs*) only receive payments after the claims of depositors and all other unsubordinated creditors of the Bank shall have been satisfied.

Amendments

The Fiscal Agency Agreement and the Notes may be amended by the Fiscal Agent and the Bank without the consent of the Holders to cure any ambiguity or to correct or supplement any provision therein which may be inconsistent with any other provision of the Fiscal Agency Agreement or the Notes, provided that such action will not adversely affect in any material respect the interests of the holders of the Notes, or to cure any manifest error. The Fiscal Agency Agreement may otherwise be amended, and the rights and obligations of the Bank and the rights of the Holders under the Notes may be modified, with the consent of the holders of more than a majority in aggregate principal amount of the Notes outstanding, except that the consent of all Holders is required in order to change the Date of Maturity of any Note, to change the definition of Interest Payment Date, to reduce the principal amount of or rate of interest on any Note, to change the obligation under Section 5 of the Notes to pay Additional Amounts or the option or obligation under Section 6 of the Notes to redeem the Notes, to change the place of payment where, or the coin or currency in which, principal or interest on the Notes is payable, to modify the subordination provisions of the Notes in any manner adverse to the Holders, to reduce the percentage amount of Notes outstanding the consent of whose holders is required in order to amend the Notes or the Fiscal Agency Agreement, and to modify the provisions of the Notes or the Fiscal Agency Agreement governing the amendment of the Notes or the Fiscal Agency Agreement, except to increase any such percentage or to provide that other provisions of the Fiscal Agency Agreement or the Notes cannot be modified without the consent of the holder of each outstanding Note. Any consent or waiver given by a Holder shall be conclusive and binding upon such Holder and upon all future holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon the Note. Notwithstanding the foregoing, neither the Fiscal Agency Agreement nor the Notes may be amended in a manner that would result in a violation of the subordinated capital requirements set forth in Article 23(8) of the 1993 Banking Act.

Governing Law and Jurisdiction

The Notes shall be governed by and construed in accordance with the law of the State of New York, except that the subordination provision will be governed by and construed in accordance with the laws of the Republic of Austria. In relation to any suit, action or proceeding arising out of or based on the Notes, the Bank has irrevocably submitted to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in the City of New York and has appointed its New York branch as its authorized agent for service of process.

TAXATION

Austrian Tax Considerations

Under Austrian law as currently in effect, payments of principal and interest on the Notes to a non-resident of the Republic of Austria that does not maintain a permanent establishment in the Republic of Austria are generally exempt from any Austrian income or withholding tax. In certain circumstances, an investor may need to certify as to its non-resident status in order to avoid Austrian tax in respect of payments on the Notes.

Gains realized on the sale or other disposition of the Notes by a nonresident of the Republic of Austria that does not maintain a permanent establishment in the Republic of Austria are not subject to any Austrian income or withholding tax. Non-residents of the Republic of Austria are not subject to Austrian inheritance or gift taxes in respect of the Notes provided the deceased or the donor has no connection with the Republic of Austria other than the mere holding of the Notes.

There are no Austrian stamp, issue, registration or similar types of duties applicable to the Notes.

Prospective holders of the Notes are advised to consult their tax advisers with regard to the tax effects of their holding of the Notes.

United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is (i) a citizen or resident of the United States, or (ii) a U.S. domestic corporation, (iii) a trust subject to the control of a U.S. fiduciary and the primary supervision of a U.S. court, or (iv) otherwise subject to U.S. federal income taxation on a net income basis in respect of a Note (a "U.S. holder"). This summary deals only with purchasers in the initial offering that will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, persons that will hold Notes as part of a hedge, straddle or conversion transaction for tax purposes, or persons that have a functional currency other than the U.S. dollar. The summary is based on laws, regulations, rulings and decisions now in effect (or, in the case of certain Treasury regulations, now in proposed form), all of which are subject to change. The summary does not discuss tax considerations arising under any other national, state or local laws.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the tax considerations discussed below.

Payments of Interest

Payments of stated interest on a Note (including Additional Amounts) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting). Interest on a Note will be income from sources outside the United States. A U.S. holder will be able, subject to generally applicable limitations, to claim a foreign tax credit for any Austrian withholding taxes imposed on interest.

Purchase, Exchange or Retirement of Notes

Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. holder's tax basis in such Note. A U.S. holder's tax basis in a Note generally will equal the cost of the Note to such holder.

Gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a Note generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Gain generally will be treated as income from U.S. sources. Although the matter is not free

from doubt, loss may be treated as foreign source loss by reference to the source of interest on the Notes.

Non-U.S. Holders

Holders of Notes that are not U.S. holders ("non-U.S. holders") generally will not be subject to U.S. federal income tax on payments of interest (including Additional Amounts) on the Notes unless such interest is effectively connected with the conduct of a trade or business within the United States.

A non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of the Notes unless (i) the gain is effectively connected with the conduct of a trade or business within the United States or (ii) the holder is an individual who was present in the United States for at least 183 days during the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding

Payments of interest and the proceeds from redemption or other dispositions of the Notes received by non-corporate holders may be reported to the United States Internal Revenue Service and a 31% backup withholding tax may apply unless the holder provides a correct taxpayer identification number or a certificate of foreign status or otherwise establishes a basis for exemption. The United States Treasury Department recently proposed regulations that, if finalized, would change the requirements for establishing an exemption from information reporting and backup withholding.

EXCHANGE CONTROL REGULATIONS

The current exchange control regulations of the Austrian National Bank in respect of securities grant a general permission for all foreign exchange transactions covered by the regulations of the Austrian Foreign Exchange Act (*Devisengesetz*) on the condition that certain reporting requirements are observed, which mainly serve statistical purposes and must be observed by banks, financial institutions and non-banks when, inter alia, banking connections exist with non-residents (including clearing accounts, the maintenance of deposit accounts abroad and credit/loan accounts for and with non-residents) and where transaction volumes exceed certain thresholds. Upon establishing a business relationship, Austrian banks and financial institutions must establish the residential status of their customer. Non-residents must declare their identity. In implementation of the relevant United Nations embargoes, the general permission for foreign exchange transactions for or with residents of Iraq and Libya has been suspended.

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes offered and sold in reliance on Rule 144A.

The Notes are being initially offered and sold by the Initial Purchasers only to persons reasonably believed by the Initial Purchasers to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act.

Each prospective purchaser of Notes (a "144A Offeree"), by accepting delivery of this Offering Memorandum, will be deemed to have represented and agreed as follows:

(1) Such 144A Offeree acknowledges that this Offering Memorandum is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Memorandum, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto is unauthorized and any disclosure of any of its contents, without the prior written consent of the Bank, is prohibited.

(2) Such 144A Offeree agrees to make no photocopies of this Offering Memorandum or any documents referred to herein and, if such 144A Offeree does not purchase the Notes or the offering is terminated, to return this Offering Memorandum and all documents referred to herein to the Initial Purchaser or the affiliate thereof who furnished this Offering Memorandum and such documents to it.

Each purchaser of Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) is a Qualified Institutional Buyer, (B) is aware, and each beneficial owner of such Notes has been advised, that the sale to it is being made in reliance on Rule 144A and (C) is acquiring such Note for its own account or for the account of a Qualified Institutional Buyer.

(2) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and that, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (A) to a person whom the seller reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 or Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(3) The Notes will bear a legend to the following effect unless the Bank determines otherwise in compliance with applicable law:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE SECURITIES.

PLAN OF DISTRIBUTION

The Bank and the Initial Purchasers have entered into a Purchase Agreement, dated as of February 6, 1997 (the "Purchase Agreement"). Subject to the terms and conditions set forth in the Purchase Agreement, the Bank has agreed to sell to each of the Initial Purchasers, and each of the Initial Purchasers has severally agreed to purchase, the principal amount set forth opposite its name below.

<u>Initial Purchaser</u>	<u>Principal Amount</u>
Salomon Brothers Inc	\$156,250,000
Lehman Brothers Inc.	\$156,250,000
Credit Suisse First Boston Corporation	\$156,250,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$156,250,000
Deutsche Morgan Grenfell Inc.	\$ 25,000,000
Goldman, Sachs & Co.	\$ 25,000,000
SBC Warburg	\$ 25,000,000
Total	<u>\$700,000,000</u>

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent and that the Initial Purchasers will be obligated to purchase all of the Notes if any are purchased.

The Bank has been advised by the Initial Purchasers that the Initial Purchasers propose initially to offer and sell the Notes at the offering price set forth on the cover page of this Offering Memorandum only to persons reasonably believed by the Initial Purchasers to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act.

The Bank has agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the securities laws of the United States, or to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

Certain of the Initial Purchasers and their affiliates may be customers of, engage in transactions with, and perform services for, the Bank and its subsidiaries in the ordinary course of business.

The Notes are a new issue of securities with no established trading market, and no assurance can be given as to the liquidity of the trading market for the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors".

Each Initial Purchaser has acknowledged that (i) no governmental or regulatory action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes (or the possession or distribution of this Offering Memorandum or any other offering material relating to the Notes), in any country or jurisdiction where governmental or regulatory action for that purpose is required, and (ii) the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any circular, form of application, advertisement or other offering material relating to the Notes may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

LEGAL MATTERS

The validity of the Notes will be passed upon for the Bank by Milbank, Tweed, Hadley & McCloy, New York, New York, and by Dr. Karl Tambornino, a General Counsel of the Bank. Certain legal matters will be

passed upon for the Initial Purchasers by Cleary, Gottlieb, Steen & Hamilton, Frankfurt am Main, and by Strommer Reich-Rohrwig Karasek Hainz, Vienna, Austria, Austrian counsel for the Initial Purchasers.

Milbank, Tweed, Hadley & McCloy will rely, without independent investigation, upon Dr. Karl Tambornino and Cleary, Gottlieb, Steen & Hamilton will rely, without independent investigation, upon Strommer Reich-Rohrwig Karasek Hainz, with respect to matters governed by Austrian law.

Counsel to the Initial Purchasers may also perform services for the Bank and its subsidiaries.

INDEPENDENT AUDITORS

The Audited Financial Statements of the Bank and the notes thereto appearing in this Offering Memorandum at December 31, 1993, 1994 and 1995, and for the years then ended, and for the Bank Austria Group at December 31, 1995 and for the year then ended, have been audited by each of Sparkassen-Prüfungsverband (the Savings Bank Auditing Association, Auditing Board), Österreichische Wirtschaftsberatung Ges.m.b.H., Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Deloitte & Touche, Austria) and Europäische Treuhand u. Wirtschaftsberatungsgesellschaft m.b.H. Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Ernst & Young, Austria), as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firms as independent auditors.

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN AUSTRIA AND IN THE UNITED STATES

(Beginning with the year ending December 31, 1995, the Bank was required to prepare its audited financial statements under the provisions of the 1993 Banking Act and New Austrian GAAP. For the years ending December 31, 1994 and 1993, the Bank was required to prepare its audited financial statements under the provisions of the 1979 Banking Act and Old Austrian GAAP.)

The principal differences in Austrian GAAP (New Austrian GAAP as well as Old Austrian GAAP) as applied by the Bank and U.S. GAAP are described below.

1. *Entity Reported*

The financial statements presented for 1993 and 1994 include only accounts of the legal entity Bank Austria. In accordance with Old Austrian GAAP, neither the equity nor consolidation methods of accounting are applied to the other companies in the Bank Austria Group. Dividends from other companies in the Bank Austria Group are only shown if received by the Bank. Beginning with the year ending December 31, 1995, the Bank was required to prepare consolidated financial statements under Austrian GAAP, although only the Bank's financial subsidiaries were accounted for on the consolidation method and the Bank's non-financial subsidiaries were accounted for on the equity method. The consolidated financial statements of the Bank Austria Group as of December 31, 1995, which were prepared under the principles of consolidation described above, are attached as Annex B.

U.S. GAAP requires preparation of consolidated financial statements to include the accounts of all majority owned (over 50%) subsidiaries, with certain exceptions related to an inability to exercise operating control over the subsidiary. Equity investments of between 20% and 50% are to be accounted for by the equity method.

2. *Valuation of Loans and Interest Accrual*

In accordance with the 1993 Banking Act, the Bank can value claims against credit institutions as well as loans to non-credit institutions and some securities at a lower value than would result from the general application of the Austrian Commercial Code in order to consider particular risks associated with the banking business. The difference in valuation between the Austrian Commercial Code and the 1993

Banking Act may not exceed 4% of the total amount of loans. The valuation can be maintained until the Bank decides to adjust the valuation. There is no obligation to disclose such an undervaluation. No similar valuation adjustment is allowed under U.S. GAAP.

The Bank reports on the balance sheet loans to customers net of the related reserve for possible loan losses and does not provide details of the reserve in the footnotes. The manager's report provides information on such reserves since 1995. The reserve is calculated by evaluating the loans on a loan-by-loan basis, and, therefore, no general provision is made. Interest income is recognized on a loan that has been reserved if payments are subsequently received.

Under U.S. GAAP, loans are recorded both on a "gross" basis, without giving effect to the reserve for possible loan losses, and on a "net" basis, taking into account such reserve.

Under U.S. GAAP, reserves for possible loan losses are based upon management's judgment, historical experience, and an analysis of the specific terms and conditions of individual loans. Loans are written off when collection is deemed improbable. Pursuant to Statement of Financial Accounting Standards No. 114, as amended, a loan is deemed impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan. An impaired loan should be valued at the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical alternative, at the loan's observable market value or the fair value of the loan's collateral if the loan is collateral dependent.

Under U.S. GAAP, loans are generally placed on non-accrual status when they are 90 days past due. Previously accrued interest is generally reversed when a loan is placed on non-accrual status, unless both principal and interest are ultimately protected by sound collateral values and are in the process of collection. If the ultimate collectibility of principal is in doubt, any payments received on a loan on which accrual of interest has been suspended is accounted for as a reduction of the principal balance to the extent necessary to eliminate such doubt.

3. Gain on Sale and Lease Back

Property, plant and equipment are reported at the net value of cost less depreciation. The Bank has sold a portion of its property, plant and equipment to a related party within the Bank Austria Group and leased back the same assets. Under Austrian GAAP these assets were revalued, and the Bank recognized the profit on the sale as of the date of sale and leaseback.

Under U.S. GAAP, the Bank would have recognized the profit on the sale subsequent to the leaseback in accordance with the terms of the lease agreement and the items of the agreement would be disclosed in the financial statements.

4. Valuation and Classification of Securities

The Bank classifies securities on the balance sheet by the type of asset and no specific disclosure is made as to what securities are "available for sale" or are held as "trading securities". Equity securities can be carried at cost even if the Bank does not have any influence over the issuer. Securities held in the trading account are not marked to market in all instances. Investments can remain as "held to maturity" even if a portion of a single investment is sold prior to maturity.

Under U.S. GAAP, investments in equity securities that have a readily determinable fair value (excluding investments for which the equity method applies) and all investments in debt securities are classified in three categories and generally accounted for as follows:

- a) debt securities classified as "held to maturity securities" are reported at amortized cost (unless a decline in value below cost is other than temporary);
- b) debt and equity securities classified as "trading securities" are reported at fair value, with unrealized gains and losses included in earnings; and

- c) debt and equity securities classified as "available for sale securities" are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity.

Further, under U.S. GAAP, government and government guaranteed securities held for investment are valued on the basis of cost.

5. *Valuation of Derivatives*

The method for valuing traded derivatives is currently in transition. Since 1994, most of the derivatives are marked to market if held as "trading securities". The Bank discloses certain information regarding derivatives, including the basic principles of evaluation as well as the nominal amounts of derivatives.

U.S. GAAP requires extensive disclosure related to derivatives, including classification of the nature of the derivatives (for trading purposes or held or issued for purposes other than trading). Derivatives held for trading purposes are measured at fair value and gains and losses are recognized in the income statement. Disclosures for derivatives classified as trading securities include: the average fair value of those derivatives during the period, presented together with end of the period fair value, distinguished between assets and liabilities and net gains and losses arising from trading activity segregated by category.

Realized and unrealized gains and losses on derivatives designated as effective hedges of interest rate exposure are deferred and recognized as interest income or interest expense over the lives of the hedged assets or liabilities. Unrealized gains and losses on effective hedges against foreign currency commitments are deferred. Disclosure for derivatives that are held or issued for purposes other than trading include: the entities' objectives for holding the derivatives and a description of how the securities are reported in the financial statements, including recognition and classification of related gains and losses. For derivatives accounted for as hedges of forecasted transactions required disclosures include: a description of the anticipated transaction, a description of the class of derivatives used to hedge the anticipated transaction, an amount of hedging gain and loss explicitly deferred and a description of transactions or events that result in recognition in earnings of gains or losses deferred by hedge accounting. Other quantitative disclosures are encouraged and presented in practice.

6. *Recording of Provisions and Reserves*

Since under Austrian law a company's financial statements are used as the basis of its tax accounts, tax considerations heavily influence their preparation. Companies therefore may tend to apply more conservative valuation methods in their financial statements than they might otherwise use. Austrian GAAP permits the recognition of accruals or provisions for uncertain liabilities and loss contingencies. The amount of such accruals or provisions represents the anticipated expense to the Bank. In addition, property, plant and equipment are depreciated to the maximum amount allowed each year under tax law.

Under U.S. GAAP an accrual for a loss contingency is recorded by a charge to income if it is both probable that an asset has been impaired or a liability has been incurred and the minimum amount of loss can reasonably be estimated. Unspecified liability reserves for future losses, costs or risks do not meet criteria for accrual under U.S. GAAP. Under Austrian GAAP, however, provisions, reserves and valuation adjustments previously established may also be released in subsequent periods, which will increase reported profits in the subsequent period. Under U.S. GAAP, property, plant and equipment typically are not depreciated as quickly as under Austrian GAAP.

7. *Pensions, Severance and Anniversary Accruals*

Austrian GAAP provides for pension costs and similar obligations based upon actuarial studies that use the entry age method as defined by the Austrian Commercial Code. The difference between the actuarial calculation for pension costs and the provision in the balance sheet as of December 31, 1992,

can be amortized over 20 years. The pension liabilities are mostly unfunded. See the notes to the Audited Financial Statements of the Bank for a description of the accounting method used.

U.S. GAAP is more prescriptive, particularly as to the use of actuarial assumptions, and requires that a different actuarial method be used. The difference between the accounting methods reflects different actuarial calculations employed.

8. *Recognition of Profits*

The Bank recognizes all loan fees and associated costs as they are incurred. U.S. GAAP requires these items to be deferred and amortized over the loan period as an adjustment to the yield.

9. *Deferred Taxes*

Deferred taxes are calculated at the Bank Austria Group level and no deferred taxes are recognized at the Bank level.

Under U.S. GAAP, deferred taxes are provided for temporary differences between the book and tax basis of assets or liabilities at currently enacted tax rates. For deferred tax assets, a valuation allowance is to be established if it is more likely than not that some portion of such assets will not be realized.

10. *Treasury Shares*

The Bank classifies treasury shares as an asset.

Under U.S. GAAP, the treasury shares would be classified as a debit balance in the equity section.

11. *Repurchases of Debt Issues*

The Bank classifies its own debt securities acquired in the public securities market as an asset and defers the related gain or loss on "extinguishment".

Under U.S. GAAP, such debt may be considered extinguished for financial reporting purposes if certain criteria are met and the gain or loss recognized at the date of repurchase regardless of whether the securities are canceled or are held as treasury securities.

12. *Trust Transactions*

The Bank reported under Old Austrian GAAP loans on a trust basis at third party risk as a separate item on its balance sheet. Under New Austrian GAAP there is no item for fiduciary loans.

Under U.S. GAAP, banks do not record trust assets and liabilities on the balance sheet.

13. *Participation Capital*

See the explanation of the Bank's participation capital in the notes to the Audited Financial Statements of the Bank included elsewhere herein.

14. *Supplementary Capital*

Supplementary capital refers to funds placed at the disposal of the Bank for at least 8 years and are subordinated to the claims of other non-subordinated creditors. Interest may be paid on these funds only to the extent that it is covered by the annual surplus.

No such capital exists for U.S. GAAP purposes.

15. *Liability Reserve*

The Bank currently forms a liability reserve in an amount equal to a percentage of weighted assets in accordance with regulatory requirements (risk-weighted assets). As of December 31, 1993, the

regulatory requirements called for a liability reserve equal to 1.5% of total assets. The 1993 Banking Act requires that by December 31, 1994, the Bank's liability reserve must equal 2.5% of risk-weighted assets, although credit institutions are allowed a phase-in period until December 31, 1996. As of December 31, 1995, the Bank's liability reserve was equal to 2.40% of risk-weighted assets, which was in compliance with the applicable regulatory requirement.

Under U.S. GAAP allocations to specific reserves is not required.

16. *Untaxed Reserves*

The reserves with respect to the Austrian Income Tax Act are untaxed reserves, allocated voluntarily by the Bank.

17. *Interest Income*

Interest income under Old Austrian GAAP includes amounts received as dividends in respect of the Bank's participation in companies, including Bank Austria Group companies.

Under U.S. GAAP, amounts received as dividends from non-subsidary companies would not be considered to be a part of interest income regardless of whether a dividend had been declared by, or received from, such subsidiaries.

18. *Income/Loss from Valuation and Trading Activities*

Under Old Austrian GAAP the income statement line item "Net earnings/expenses from valuation and disposal of loans and securities, including securities trading" nets gains and losses on securities trades against additions to the Bank's allowance for possible loan losses and additional investment-related risk provisions. For a discussion of the corresponding item under New Austrian GAAP, see "Summary of Principal Differences between New Austrian GAAP and Old Austrian GAAP".

Under U.S. GAAP, gains and losses resulting from securities transactions and additions to the allowance for possible loan losses are reflected on two separate line items on the income statement.

19. *Expenditure for Materials*

This income statement line item includes expenditures for occupancy, data processing, professional services, telecommunication and marketing.

20. *Extraordinary Items*

Under Austrian GAAP, the Bank has recorded certain income and expense items as "extraordinary". The majority of these items relates to the difference between the funded and unfunded portion of the pension accrual; see the notes to the Audited Financial Statements of the Bank included herein for further information.

Under U.S. GAAP, such income and expense items would not be classified as extraordinary, but would be considered in the determination of the Bank's operating profit.

21. *Earnings per Share*

Earnings per share is calculated pursuant to the methodology set forth by the Austrian Financial Analyst Association (the "O.V.F.A. method"). Under the O.V.F.A. method, earnings are adjusted to eliminate the effect of non-recurring income and expenses and to provide for the tax effect of certain allocations to reserves. The O.V.F.A. method is intended to make earnings per share data comparable across years and institutions. The share basis for calculating O.V.F.A. earnings per share is period-end shares outstanding less any shares held as treasury shares.

Under U.S. GAAP in general, earnings per share is calculated based on net income available to common shareholders divided by average common shares and common share equivalents outstanding for the period.

22. *Accounting for Leases*

Austrian GAAP requires the recording of capital leases if certain criteria are met. All other leases are accounted for as operating leases.

Under U.S. GAAP, a lease that transfers substantially all of the benefits and risks of ownership is accounted for as a capital lease; all other leases are accounted for as operating leases.

23. *Information about Fair Value of Financial Instruments*

Under U.S. GAAP, information about the fair value of financial instruments (assets and liabilities) is required to be disclosed in accordance with SFAS No. 107.

Under Austrian GAAP, such disclosures are generally not required, except for fair value information concerning certain investments.

24. *Translation for Foreign Currency Financial Statements*

Under Austrian GAAP, unrealized gains and losses from translating foreign currency financial statements of branches and consolidated subsidiaries are recognized in earnings currently.

Under U.S. GAAP, such transactions gains and losses are excluded from earnings and are reported as a component of stockholders' equity.

25. *Mortgage Banking - Loan Servicing Rights*

U.S. GAAP requires the capitalization of acquired loan servicing rights and amortization of the capitalized value in proportion to and over the period of estimated net servicing income. Under Austrian GAAP, such amortization is performed only in certain cases.

26. *Financial Statements - Presentation and Disclosure*

The required form and content of financial statements for banks differ under Austrian GAAP and U.S. GAAP. U.S. GAAP requires a statement of stockholders' equity and a statement of cash flows to be included as part of the basic financial statements. These statements are not required under Austrian GAAP and U.S. GAAP footnote disclosure requirements differ significantly in many areas. The following summarizes certain of the more significant additional disclosure requirements under U.S. GAAP in addition to those described above:

- | | |
|----------------------|---|
| Loans and Deposit | — disclosure of concentration of credit risks, details of loans and maturity information, interest lost on non-performing assets and troubled debt restructuring and other matters. |
| Borrowings | — disclosure of five-year repayments of long-term borrowings and other information. |
| Segment Reporting | — disclosure of revenues, net profit and assets for each reportable segment for all periods presented. |
| Pension Information | — actuarial information and other detailed information. |
| Capital Requirements | — details of and compliance with regulatory capital requirements. |

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN NEW AUSTRIAN GAAP AND OLD AUSTRIAN GAAP

Pursuant to the 1993 Banking Act, the presentation of the financial statements have been brought into conformity with European standards, and the ability to make more meaningful comparisons of credit institutions in Austria with credit institutions in other European countries has been improved. The new presentation requirements of the 1993 Banking Act became applicable for years ending subsequent to December 31, 1994. In Bank Austria's case, this means that the new requirements initially applied to the Bank's financial statements for the year ending December 31, 1995.

The presentation under New Austrian GAAP varies considerably from the format prescribed under Old Austrian GAAP. Set forth below is a description of certain of the more significant changes.

Balance Sheet

The item "securities" is broken down under New Austrian GAAP mainly into the following categories: (i) "debt instruments issued by public agencies"; (ii) "bonds and other interest-bearing securities"; and (iii) "shares and other non-fixed-interest securities".

The items "due from credit institutions" and "loans to credit institutions", which were shown separately under Old Austrian GAAP, are combined under the item "claims against credit institutions" under New Austrian GAAP.

With regard to the item "equity interests and syndicate holdings" under Old Austrian GAAP, the item is divided into "equity interests" and "shares in group companies" under New Austrian GAAP.

Goodwill, leasehold agreements and capitalized software costs, which were included under various balance sheet items under Old Austrian GAAP, are combined within a separate item called "intangible non-current assets" under New Austrian GAAP.

Under Old Austrian GAAP, "loans on a trust basis at third party risk" were reflected on both the assets and liabilities sides of the balance sheet. Under New Austrian GAAP, there is no item for fiduciary loans.

Under Old Austrian GAAP, "own floatations" were shown as a separate item. Under New Austrian GAAP, such amounts are shown under "securitized liabilities" and "subordinated liabilities".

The item "reserves" that was presented under Old Austrian GAAP is divided into "capital reserves", "retained income" and "untaxed reserves" under New Austrian GAAP.

Profit and Loss Statement

Under New Austrian GAAP, the presentation of the "profit and loss account" does not include the concept of "partial operating profit" that was formerly presented under Old Austrian GAAP. Earnings from equity interests and from noninterest-bearing securities are no longer shown under "interest and similar earnings", but rather are shown under "income from securities and equity interests". "Income/expenses from financial transactions" under New Austrian GAAP consists of a component of earnings/expenses from trading.

Under New Austrian GAAP, "operating income", which formerly reflected only banking activities under Old Austrian GAAP, includes the results of financial transactions and income from non-banking activities.

Under New Austrian GAAP "operating expenditure" includes expenditures from non-banking transactions, which were formerly shown under Old Austrian GAAP under "other operating expenses", but it no longer includes taxes and levies.

Unlike "partial operating profit" under Old Austrian GAAP, "operating results" under New Austrian GAAP includes the results of financial transactions and non-banking transactions, but does not include tax expenses.

Under New Austrian GAAP, the results from the valuation and disposal of loans and securities carried as current assets which are not part of the trading portfolio, as well as additions to and reversals of provisions for contingent liabilities and credit risks are included in "value adjustments on claims and additions to provisions for contingent liabilities and credit risks" and "income from the reversal of value adjustments on claims and releases of provisions for contingent liabilities and credit risks".

Under New Austrian GAAP, the earnings/expenses from the valuation and disposal of holdings under Old Austrian GAAP are shown in "value adjustments on securities valued as non-current financial assets, as well as on equity interests in group companies" and "income from value adjustments on securities valued as non-current financial assets, equity interests and interests in group companies".

Under the new presentation requirements, "Results from ordinary business activities" (item V) are shown separately from extraordinary items as defined under Section 233 of the Commercial Code.

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FINANCIAL STATEMENTS OF BANK AUSTRIA AKTIENGESELLSCHAFT

BALANCE SHEET

	31st December 1995 (in ATS)		1994* (in ATS thousands)	
Assets				
1. Vault cash				
Balances with central banks and postal giro offices		8,335,337,815.66		10,286,585
2. Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank				
a) debt instruments issued by public agencies and similar securities	42,165,966,091.20		49,640,655	
b) bills of exchange eligible for refinancing at central banks	<u>2,173,496,320.40</u>	<u>44,339,462,411.60</u>	<u>1,531,217</u>	<u>51,171,872</u>
3. Claims against credit institutions				
a) due on demand	25,427,803,207.17		17,994,773	
b) other claims	<u>153,447,349,159.62</u>	<u>178,905,152,366.79</u>	<u>139,914,400</u>	<u>157,909,173</u>
4. Claims against customers		374,026,994,497.77		360,261,353
5. Bonds and other fixed-interest securities				
a) issued by public borrowers	10,381,178,447.93		1,284,315	
b) issued by other borrowers	<u>14,641,052,499.73</u>	<u>25,022,230,947.66</u>	<u>12,465,754</u>	<u>13,750,069</u>
of which:				
own bonds	281,747,883.06			
6. Shares and other non fixed-interest securities		6,288,139,186.55		5,916,236
7. Equity interest		5,692,872,401.12		6,257,655
of which:				
in credit institutions	1,750,043,391.69			
8. Shares in group companies		14,037,586,520.77		14,826,959
of which:				
in credit institutions	2,282,235,535.63			
9. Intangible non-current assets		596,450,996.81		632,533
10. Tangible fixed assets		2,164,783,696.75		2,063,153
of which:				
land and buildings used by the credit institution for its own business operations ..	328,672,730.88			
11. Treasury shares and interests, interests in a controlling company, interests in a company holding a majority interest		287,074,174.46		265,818
of which:				
par value	72,637,319.00			
12. Other assets		16,547,728,650.93		11,878,242
13. Subscribed capital, which is due but not yet paid		—		—
14. Accrued items		<u>1,619,451,585.48</u>		<u>1,359,611</u>
Total Assets		<u>677,863,265,252.35</u>		<u>636,579,259</u>

*Previous year's figures have been adapted to the new presentation scheme under the Austrian Banking Act.

BALANCE SHEET

	31st December 1995 (in ATS)		1994 (in ATS thousands)	
Liabilities				
1. Due to credit institutions				
a) due on demand	27,585,542,711.57		28,723,178	
b) subject to an agreed term or period of notice	158,942,242,423.66	186,527,785,135.23	151,913,783	180,636,961
2. Due to customers				
a) savings deposits	171,296,630,961.81		169,272,569	
of which:				
aa) due on demand	28,795,440,498.41			
bb) subject to an agreed term or period of notice	142,501,190,463.40			
b) other liabilities	141,614,524,219.89	312,911,155,181.70	123,541,053	292,813,622
of which:				
aa) due on demand	65,837,028,906.70			
bb) subject to an agreed term or period of notice	75,777,495,313.19			
3. Securitized liabilities				
a) bonds issued	66,599,435,560.00		62,488,550	
b) other securitized liabilities	32,417,693,433.56	99,017,128,993.56	30,221,582	92,710,132
4. Other liabilities		17,033,591,325.25		9,821,450
5. Deferred items		302,597,916.02		313,822
6. Provisions				
a) provisions for severance payments ...	1,507,098,943.25		1,415,168	
b) pension provisions	14,040,470,304.00		12,836,507	
c) provisions for taxes	176,744,339.93		189,134	
d) other	2,306,167,720.54	18,030,481,307.72	1,970,979	16,411,788
6A. Fund for general bank risks		—		—
7. Subordinated liabilities		10,579,950,000.00		11,641,313
8. Supplementary capital		2,512,000,000.00		3,085,470
9. Subscribed capital		6,474,258,000.00		6,474,258
10. Capital reserves				
a) subject to legal restrictions	11,122,309,776.69		10,839,746	
b) other	4,173,116.00	11,126,482,892.69	—	10,839,746
11. Retained income				
a) statutory reserve	137,269,077.18		137,269	
b) reserves pursuant to the bye-laws ...	—		—	
c) other reserves	1,269,210,723.13	1,406,479,800.31	1,244,011	1,381,280
12. Liability reserve pursuant to § 23(6), Austrian Banking Act (BWG)		9,372,648,000.00		8,613,305
		662,894,890.20		651,057
13. Net profit/loss				
14. Untaxed reserves				
a) valuation reserve due to special devaluation	1,879,991,504.67		1,140,057	
b) other untaxed reserves	25,820,305.00	1,905,811,809.67	44,998	1,185,055
of which:				
aa) investment reserve pursuant to § 9, 1992	14,500,000.00			
1988 Income Tax Law	1993	10,720,000.00		
bb) investment allowance pursuant to § 10, 1992	78,029.00			
1988 Income Tax Law	1993	522,276.00		
cc) rent reserve pursuant to § 11, 1988 Income Tax Law				
dd) reserve carried forward pursuant to § 12, 1988 Income Tax Law				
Total Liabilities		677,863,265,252.35		636,579,259

FINANCIAL STATEMENTS OF BANK AUSTRIA AKTIENGESELLSCHAFT

BALANCE SHEET SUB-ITEMS

	<u>31st December 1995 (In ATS)</u>	<u>1994 (In ATS thousands)</u>
Assets		
1. Foreign assets	<u>210,919,793,458.80</u>	<u>193,350,489</u>

BALANCE SHEET SUB-ITEMS

	31st December 1995 (in ATS)		1994 (in ATS thousands)	
Liabilities				
1. Contingent liabilities of which:				
a) acceptances and endorsement liabilities arising from circulated bills of exchange	14,360,083,965.80		14,498,207	
b) liabilities from guarantees and collateral provided	<u>40,356,431,805.28</u>	54,716,515,771.08	<u>39,894,101</u>	54,392,308
2. Credit risks.....		65,056,297,549.98		*
of which:				
liabilities from repurchase agreements	8,280,726,000.00			
3. Liabilities from transactions on a trust basis		1,844,701,651.34		1,885,983
4. Own funds to be taken into account pursuant to § 23 of the Austrian Banking Act (BWG) in connection with § 29 of the Austrian Banking Act (BWG)		40,108,363,171.41		39,842,808
5. Assessment basis pursuant to § 22 of the Austrian Banking Act (BWG)		388,487,450,832.34		370,432,870
6. Foreign liabilities		186,441,218,242.72		182,340,843
7. Deficit pursuant to Art. X (3), Accounting Law ...		3,691,344,000.00		3,922,056

* This has been required since 1995.

FINANCIAL STATEMENTS OF BANK AUSTRIA AKTIENGESELLSCHAFT

PROFIT AND LOSS ACCOUNT

	1995 (in ATS)	1994 (in ATS thousands)
1. Interest and similar earnings	39,151,182,792.65	38,059,965
of which:		
from fixed-interest securities	5,437,074,814.98	4,766,564
2. Interest and similar expenses	(26,872,971,010.90)	(26,445,382)
I. Net Interest Earned	12,278,211,781.75	11,614,583
3. Income from securities and equity interests		
a) income from shares, other ownership interests and non fixed-interest securities	156,359,094.72	168,843
b) income from equity interests ...	194,878,503.16	190,072
c) income from shares in group companies	<u>679,255,890.35</u>	<u>720,890</u>
	1,030,493,488.23	1,079,805
4. Commission income	3,371,708,592.88	3,273,825
5. Commission expenses	(498,943,876.72)	(367,728)
6. Income/expenses from financial transactions	905,160,957.97	175,858
7. Other operating income	393,860,029.88	306,076
II. Operating Income	17,480,490,973.99	16,082,419
8. General administrative expenses		
a) personnel expenses	(7,408,871,669.87)	(7,149,163)
of which:		
aa) wages and salaries	(4,860,358,491.84)	(4,697,924)
bb) expenditure for statutory social contributions and compulsory contributions related to wages and salaries	(705,604,859.16)	(756,672)
cc) other social expenditure ..	(141,655,043.69)	(179,020)
dd) expenditure for retirement benefits	(657,836,923.93)	(571,245)
ee) allocation to the pension provision	(973,254,703.00)	(852,958)
ff) allocation to the provision for severance payments ..	(70,161,648.25)	(91,344)
b) other administrative expenses (expenditures for materials) ...	(4,155,152,690.48)	(3,854,678)
	(11,564,024,360.35)	(11,003,841)
9. Depreciation on asset items 9 and 10	(713,952,308.71)	(681,758)
10. Other operating expenses	(350,978,449.75)	(243,212)
III. Operating Expenditure	(12,628,955,118.81)	(11,928,811)
IV. Operating Results	4,851,535,855.18	4,153,608
11./		
12. Balance of expenditure/income from the valuation and disposal of claims, securities held in the liquidity reserve and from contingent liabilities and credit risks	(4,518,719,727.19)	(1,175,965)
13./		
14. Balance of expenditure/income from the valuation and disposal of securities valued as non-current fixed assets, and from equity interests and shares in group companies	2,194,072,987.26	(1,430,631)

	1995 (in ATS)	1994 (in ATS thousands)
V. Results from Ordinary Business		
Activities	2,526,889,115.25	1,547,012
15. Extraordinary income	7,298,196.63	4,238
16. Extraordinary expenses	(299,460,779.83)	(350,092)
17. Extraordinary results (sub-total of items 15 and 16)	(292,162,583.20)	(345,854)
18. Taxes on income and earnings	(33,652,307.49)	(22,342)
19. Other taxes not included under item 18	(33,256,757.51)	(37,364)
19A. Expenses from allocations to the fund for general banking risks	—	—
VI. Annual Surplus/Deficit	2,167,817,467.05	1,141,452
20. Changes in reserves	(1,509,472,476.81)	(503,458)
VII. Profit/Loss for the Year	658,344,990.24	637,994
21. Profit/Loss brought forward from previous year	4,549,899.96	13,063
VIII. Net Profit/Net Loss	662,894,890.20	651,057

Vienna, 26th March 1996

The Managing Board:

GERHARD RANDA
(Chairman)

KARL SAMSTAG
(Deputy Chairman)

HELMUT JELL

FRIEDRICH KADR NOSKA

Based on an audit performed in accordance with our professional duties, the accounting records and the financial statements of the bank are in compliance with legal regulations. The financial statements pursuant to generally accepted accounting principles give a reasonable presentation of the bank's assets and liabilities, its financial position and results. The management report is in accordance with the financial statements.

Vienna, 20th May 1996

Savings Bank Auditing Association
Auditing Board

PETER BUCHBINDER
Österreichische Wirtschaftsberatung GmbH

Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

WOLFGANG GASSNER

WOLFGANG RIEDL

KLAUS GOSCHLER
Europäische Treuhand- u.
Wirtschaftsberatungsgesellschaft m. b. H.
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

G. E. TICHY

KONRAD TOIFL

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board was regularly informed by the Managing Board of the progress and financial position of Bank Austria Aktiengesellschaft and, in its meetings, performed all its tasks as defined by the law and the bye-laws.

The accounts, the financial statements for 1995, the notes to the financial statements and the management report were examined by the Europäische Treuhand- und Wirtschaftsberatungsgesellschaft m.b.H., the Österreichische Wirtschaftsberatung GmbH. Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and the Auditing Board of the Savings Bank Auditing Association. As they were found to be in full compliance with legal requirements and the examination showed no cause for objections, the auditor's certificate was presented without qualification. The Supervisory Board has endorsed the findings of this audit, agreed with the annual report and the use of earnings presented by the Managing Board, and approved the 1995 financial statements, which are thereby adopted pursuant to §125 (2) of the Joint Stock Companies Act.

Vienna, 21st May 1996

The Supervisory Board:

SIEGFRIED SELLITSCH
Chairman

NOTES TO THE FINANCIAL STATEMENTS

I. General Information

The 1995 financial statements were prepared pursuant to the provisions of the Commercial Code, and took into consideration the relevant requirements of the Austrian Banking Act and the Joint Stock Companies Act which apply to credit institutions. The presentation of the balance sheet and the profit and loss account was made pursuant to the forms contained in Annex 2 to § 43, Banking Act. The new presentation method differs considerably from that formerly used under Annex 1 to § 43, Banking Act. Attention is in particular drawn to the following differences:

New presentation method due to new Banking Act requirements

On the assets side of the balance sheet the former item securities has been broken down and classified as follows:

- debt instruments issued by public agencies eligible for refinancing at the central bank,
- bonds and other fixed-interest securities admitted for trading on the stock exchange (not including the above-mentioned debt instruments issued by public agencies),
- bonds and other fixed-interest securities not admitted for trading on the stock exchange (contained under claims against credit institutions and claims against customers)
- shares and other non fixed-interest securities

The items due from banks and loans to banks, previously presented separately, are now combined under the item claims against credit institutions. With regard to equity interests, a distinction is now being made between shares in group companies and other interests. A separate item has been created for intangible non-current assets such as goodwill, leasehold interests and software previously carried under various items.

Loans on a trust basis at third party risk should only be included in balance-sheet items if they are held in the company's own name but for the account of another party, and do not give the fiduciary the right of recapture in the case of bankruptcy. The new form does not contain a separate item for loans on a trust basis at third party risk.

Characteristic for the new presentation method on the liabilities side of the balance sheet is the fact that securitized liabilities are to be presented in one individual item as long as they are not subordinated. Subordinated liabilities are likewise to be presented as an individual item. The item formerly used to present reserves has now been separated into capital reserves, retained income and untaxed reserves.

The concept of partial operating profit, which formerly appeared in the profit and loss account, is no longer used by the new presentation method. Income from equity interests and other asset-related securities are no longer to be included under interest and similar earnings, but rather under income from equity interests and non fixed-interest securities. The item income/expenses from financial transactions comprises the results from transactions in securities in the bank's trade inventory and from foreign-exchange transactions and trade transactions with foreign notes and coins, precious metals and financial instruments.

Operating results, unlike the formerly-applied partial operating profit, include the results from financial transactions and non-banking business, but do not include tax expenditures other than levies on wages and salaries contained under personnel expenses.

Items 11 and 12, which have been set off, contain earnings from the valuation and disposal of claims and securities held as current assets which do not belong to the trade inventory, as well as additions to and reversals of provisions for contingent liabilities and credit risks.

Earnings from the valuation and disposal of shares in group companies, equity interests and securities held as fixed assets are to be presented in items 13 and 14, which have been set off. Under the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

new presentation method results from ordinary business activities are now kept separate from extraordinary items as defined in § 233 of the Commercial Code. To permit the comparison of balance sheet and profit and loss figures, figures from the previous year have been presented pursuant to the new presentation method

II. Information Regarding Accounting and Valuation Methods

The financial statements were prepared pursuant to generally accepted accounting principles which require a reasonable presentation of a company's assets and liabilities, its financial position and results. Assets and liabilities were evaluated conservatively, as required under Commercial Law, taking into consideration the peculiarities of the banking business.

In evaluating loans, due diligence was exercised in evaluating the known and anticipated financial position of the borrower as well as the enforceability of claims with due consideration being given to collateral. This task was facilitated by preselection via a risk classification system. Certain lending categories for the retail lending business were evaluated pursuant to statistical risk characteristics. Caution was taken to ensure that appropriate value adjustments and provisions were made for all recognizable risks.

The creation of a provision for country risk, regarding loans to borrowers in countries with serious economic problems, was made in accordance with the relevant opinions submitted by the chamber of accountants' expert committee for commercial law and auditing.

Securities now spread among "debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank", "claims against credit institutions", "claims against customers", "bonds and other fixed-interest securities" as well as "shares and other non fixed-interest securities", are categorized as to whether they serve as fixed assets, liquidity reserves or trade inventory.

Pursuant to § 55 (2), Banking Act, securities used for long-term business operations were classified as fixed assets. The head of the securities division has prepared and documented a decision in this regard. These securities are valued at cost.

Securities carried as trade inventory are valued at the purchase price or lower market value. Those carried as liquidity reserves are valued using the lower of cost or market price method.

Altogether, Bank Austria held securities classified as fixed assets which were valued at ATS 47,571 mn (31st Dec. 1994: ATS 43,784 mn), and securities classified as current assets amounting to ATS 44,043 mn (31st Dec. 1994: ATS 39,915 mn).

Equity interests and shares in group companies were valued at their purchase price pursuant to the provisions applicable to fixed assets. Write-offs and value adjustments were made for those investments whose value was permanently impaired due to continuing losses.

The excess of fair values of assets and liabilities acquired over book values resulting from mergers is included under the item intangible non-current assets, and is being depreciated over a five-year period using straight-line depreciation. The excess of fair values of assets and liabilities acquired over book values resulting from the purchase of savings banks is, analogous to goodwill, being depreciated over a fifteen-year period using straight-line depreciation. For computer software, the average useful life is estimated at four years for depreciation purposes.

Tangible fixed assets are valued at purchase price less scheduled depreciation. Real estate is depreciated at a rate between 2 percent and 4 percent per year, according to use. For computer equipment, the average useful life is estimated at four years for depreciation purposes. Other office furniture and equipment, with the exception of items of minor value fully deducted the year they were purchased, are depreciated over periods from five to ten years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Accrued interest, with the exception of interest earned on securities which is included under the relevant securities item, is shown under other assets. The same method was followed on the liabilities side of the balance sheet.

Discounts and premiums on liabilities in the form of bonds, municipal bonds and mortgage bonds were depreciated over the period to maturity. The net-value approach, on the other hand, was taken with regard to zero-coupon bonds.

Fixed-interest securities purchased above par and carried as fixed assets are depreciated to their redemption value spread over the period to maturity.

Currencies were generally converted at the prevailing mean rate of exchange on 30th December 1994. Swaps and forward transactions for currencies were valued principally according to the accrual method. Cash in foreign currencies was converted at the applicable bid rates.

Holdings in financial futures, options and forward rate agreements were appraised at market value. Insofar as interest hedging transactions were effected, results have been reflected in interest income or expense.

In 1995 the London branch, which had valued derivatives using the lower of cost or market price, changed to the mark to market method.

In making provisions for severance payments the calculation method used was in line with expert opinion number 78 of the chamber of accountants. An interest rate of 6 percent was selected for calculation purposes. In determining the pension provision, the accrued benefit valuation method (using a 4 percent discount rate pursuant to the Ettl-Pagler table) was uniformly applied to the disparate pension claims resulting under the internal service regulations of Zentralsparkasse und Kommerzbank AG and Österreichische Länderbank AG. Pursuant to the Accounting Law, the gap in the pension provision resulting from the new calculation procedure will be amortized over a twenty-year period (1992 to 2011).

III. Information Regarding Individual Balance-Sheet Items

Breakdown of Maturities

Claims against and amounts due to credit institutions and customers which are not due on demand, as well as other securitized liabilities, have the initial maturity periods or agreed periods of notice below (calculations are made pursuant to the requirements of the ordinance on monthly reports, Federal Gazette 679/1995 in line with the reporting guidelines of the Austrian National Bank).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Overview of Maturities

	<u>31st Dec. 1995</u>	<u>31st Dec. 1994</u>
	(in ATS mn)	
Claims against credit institutions		
up to three months	29,775	26,080
between three months and one year	74,429	70,997
between one and five years	30,924	20,123
more than five years	18,349	22,714
Claims against customers		
up to three months	26,632	29,791
between three months and one year	28,130	25,532
between one and five years	63,297	63,408
more than five years	211,257	212,288
Due to credit institutions		
up to three months	85,412	88,644
between three months and one year	28,752	22,530
between one and five years	9,873	8,660
more than five years	34,906	32,080
Due to customers		
a) savings deposits		
up to three months	4,669	2,877
between three months and one year	53,971	41,707
between one and five years	72,200	83,177
more than five years	11,661	8,806
b) other liabilities		
up to three months	67,059	66,145
between three months and one year	4,711	3,908
between one and five years	3,019	2,999
more than five years	989	1,895
Other securitized liabilities		
up to three months	2,824	939
between three months and one year	2,873	5,943
between one and five years	17,738	17,553
more than five years	8,983	5,787

In 1996 claims in the form of bonds and other fixed-interest securities totaling ATS 4,468.8 mn, and bonds issued of ATS 7,460.6 mn, become due and payable.

Trust Monies

The item savings deposits includes trust monies totaling ATS 540 mn.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Claims and Amounts Due to and against Group Companies and Companies in which there is an Ownership Interest

	Group Companies		Equity Interests	
	31st Dec. 1995	31st Dec. 1994	31st Dec. 1995	31st Dec. 1994
	(in ATS mn)			
Claims				
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank	311	52		
Claims against credit institutions	13,629	14,118	3,650	7,183
Claims against customers	29,730	26,947	4,274	307
Bonds and other fixed-interest securities	530		847	
Liabilities				
Due to credit institutions	10,846	7,842	2,087	4,084
Due to customers	2,534	4,371	1,681	251
Securitized liabilities			2,114	

Trust Transactions

As of 31st December 1995 there were no trust transactions which needed to be carried as assets or liabilities.

Securities

Securities admitted for trade on the exchange can be seen in the following breakdown:

	Listed	Not listed	Total
	(in ATS mn)		
Bonds and other fixed-interest securities	25,022		25,022
Shares and other non fixed-interest securities	3,934	2,355	6,289
Equity interests	2,423	3,270	5,693
Shares in group companies	189	13,849	14,038
Total	31,568	19,474	51,042

Securities listed on the exchange are divided between fixed assets and current assets as follows:

	Fixed Assets	Current Assets	Total
	(in ATS mn)		
Bonds and other fixed-interest securities	13,818	11,204	25,022
Shares and other non-fixed interest securities	1,013	2,921	3,934
Total	14,831	14,125	28,956

For bonds and other fixed-interest securities carried as fixed assets and whose purchase price exceeds the repayment amount, the difference is written off over the period to maturity pursuant to § 56 (2) of the Austrian Banking Act. As of year-end 1995 the difference to be spread out over the remaining period to maturity amounted to ATS 382,530,497.60.

Equity Interests and Shares in Group Companies

Companies in which Bank Austria holds at least a 25 percent interest and which are to be included in the Notes to the Financial Statements pursuant to § 238 item 2 of the Commercial Code are shown in

NOTES TO THE FINANCIAL STATEMENTS (Continued)

connection with § 265 (2) of the Commercial Code in the appendix entitled "The Bank Austria Group", which is an integral part of this annual report.

Customary banking relationships were maintained in large part with group companies. Financings using equity capital substitutes were used in part. As of 31st December 1995, agreements for passing on profits and losses to Bank Austria were maintained with the following companies:

- Bank Austria Handelsbank Aktiengesellschaft
- Bank Austria Treuhand & Beteiligungsfonds Aktiengesellschaft
- Bank Austria-Finanzservice Ges.m.b.H.
- GANYMED Immobilienvermietungsgesellschaft m.b.H.
- Garage Am Hof Gesellschaft m.b.H.
- HYPERION Immobilienvermietungsgesellschaft m.b.H.
- Konzern Service und Beratung GmbH
- VISA-SERVICE Kreditkarten Aktiengesellschaft

Tangible Fixed Assets

As of 31st December 1995 the value of land on which buildings stand amounted to ATS 153,014,261.65 (31st Dec. 1994: ATS 154,362,483.65). The item intangible non-current assets includes computer software valued at ATS 101,659,394.00 (31st Dec. 1994: ATS 77,843,497.00) which was acquired from a group company.

Treasury Shares

The table "Trade Inventory Developments of Treasury Shares and Participation Certificates" shows the treasury shares held in 1995 by the bank, a dependent company or a company of which the bank is majority shareholder. Transactions in treasury shares and participation certificates were effected in the course of the bank's activities as market maker in order to protect the market's ability to function. Sales proceeds were applied toward normal banking activities.

The share capital of Bank Austria remained unchanged during the reporting year at a nominal ATS 5,772,145,600.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The largest amount of own common and preferred shares held by the bank amounted to 358,186 shares or 0.62 percent (with share capital represented by 57,721,456 shares). The largest amount of own participation certificates held by the bank totaled 660,120 certificates or 9.40 percent (with participation capital represented by 7,021,124 certificates). The nominal capital share of additions and disposals is calculated on the basis of the weighted average.

Trade Inventory Developments of Treasury Shares and Participation Certificates

	<u>Number</u>	<u>Par Value in ATS</u>	<u>Percent of Nominal Capital</u>
Common shares			
Initial inventory	116,153	11,615,300	0.23
Additions	906,337	90,633,700	1.81
Disposals	<u>1,009,663</u>	<u>100,966,300</u>	<u>2.01</u>
Ending inventory	<u>12,827</u>	<u>1,282,700</u>	<u>0.03</u>
Preferred shares			
Initial inventory	98,485	9,848,500	1.31
Additions	451,505	45,150,500	6.00
Disposals	<u>496,564</u>	<u>49,656,400</u>	<u>6.60</u>
Ending inventory	<u>53,426</u>	<u>5,342,600</u>	<u>0.71</u>
Participation certificates			
Initial inventory	287,826	28,782,600	4.10
Additions	680,497	68,049,700	9.69
Disposals	<u>308,203</u>	<u>30,820,300</u>	<u>4.39</u>
Ending inventory	<u>660,120</u>	<u>66,012,000</u>	<u>9.40</u>

Common shares were purchased at an average price of ATS 796.22; the average sales price was ATS 808.95. Preferred shares were purchased at an average price of ATS 466.43; the average sales price was ATS 463.87. Participation certificates were purchased and sold at the average price of ATS 362.75 and ATS 362.28, respectively.

On 31st December 1995 the bank's portfolio of own holdings included subordinated bonds it had issued which were valued at ATS 29,511,786.33.

Fixed Assets

<u>Purchase price</u>	<u>31st Dec. 1994</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>31st Dec. 1995</u>
			(in ATS thousand)		
Securities	45,611,555	44,645,870	38,580,478	(2,050,194)	49,626,753
Equity interests	7,529,848	532,790	255,346	(246,276)	7,561,016
Shares in group companies	17,999,076	1,521,898	2,010,591	246,287	17,756,670
Intangible non-current assets	1,296,697	242,595	13,558		1,525,734
Tangible fixed assets					
a) land and buildings	945,718	109,824	53,029		1,002,513
b) other tangible fixed assets	4,520,003	504,421	320,946		4,703,478

Equity interests include profit participation claims which are shown in the item claims against customers. Securities include assets from the items debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank, claims against credit institutions, claims against customers, bonds and other fixed-interest securities, and shares and other non-fixed interest securities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>Residual Book Values</u>	<u>Write-ups</u>	<u>Cumulative Depreciation</u>	<u>Book Value 31st Dec. 1995</u>	<u>Book Value 31st Dec. 1994</u>	<u>Depreciation For Current Year</u>
(in ATS thousand)					
Securities		2,055,565	47,571,188	43,789,082	37,782
Equity interests	4,818	880,910	6,684,924	7,204,226	562,663
Shares in group companies		3,719,083	14,037,587	14,826,959	611,096
Intangible non-current assets		929,283	596,451	632,534	274,675
Tangible fixed assets					
a) land and buildings		376,320	626,193	581,955	19,692
b) other tangible fixed assets		3,164,887	1,538,591	1,481,197	430,584

Other Assets

This position contains accrued interest and commissions totaling ATS 9,667.1 mn (31st Dec. 1994: ATS 7,649.5 mn).

Subordinated Assets

	<u>1995</u>	<u>1994</u>
	(in ATS mn)	
Claims against credit institutions	96	115
of which against equity interests	23	29
of which against group companies	13	86
Claims against customers	375	620
of which against equity interests		
of which against group companies		
Bonds and other fixed-interest securities	216	148
of which against equity interests		94
of which against group companies	30	

Assets Sold under a Sale and Repurchase Agreement

The book value of actual assets sold under sale and repurchase agreements totaled ATS 614 mn as of 31st December 1995. Asset items will continue to be shown as assets, and the consideration received as liabilities.

Subordinated Liabilities

Subordinated liabilities as of 31st December 1995 include four schilling-denominated bonds. Two of these bonds mature in 1998, with the other two maturing in 1999. The item also encompasses twelve foreign-currency denominated bonds, most of which have an average term-to-maturity of ten years. The currencies involved are USD, AUD, CHF and JPY. Altogether, on 31st December 1995 subordinated capital totaled ATS 10,579,950,000.00. The concept of subordination is based on § 51 (9), Banking Act.

Supplementary Capital

The bank's supplementary capital is shown under item 8 on the liabilities side of the balance sheet, pursuant to § 23 (7), Banking Act. The value of this item declined by ATS 573.5 mn as against 31st Dec. 1994 on account of the drop in the term-to-maturity to under three years.

Other Liabilities

This item contains accrued liabilities amounting to ATS 7,787.8 mn (31st Dec. 1994: ATS 7,836.7 mn).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Equity Capital

The bank's subscribed share capital carried in the balance sheet as of 31st December 1995 remained unchanged at ATS 5,772,145,600 and consists of:

	<u>Shares</u>	<u>ATS (nominal)</u>
Common shares	50,194,956	5,019,495,600
Preferred shares	7,526,500	752,650,000

The bank's common shares incorporate the full range of shareholder rights pursuant to the Joint Stock Companies Act. The company issued non-voting preferred shares pursuant to § 115 of the Joint Stock Companies Act. When the profit is distributed, preferred shareholders are given priority over common shareholders, but they rank after the holders of participation certificates in receiving a 6 percent dividend on the nominal value of their holdings. By virtue of its bye-laws the bank reserves the right to issue new shares with preferred or equal status pursuant to § 117 (2) of the Joint Stock Companies Act.

Authorized capital. The managing board is authorized pursuant to § 6 (4) of the bye-laws to increase the share capital by a nominal amount of ATS 1,976,119,400 by 5th October 1996 against contributions in cash or contributions in kind, and to determine the issue price and the terms and conditions of issue with the approval of the supervisory board.

Contingent Capital. If holders of participation certificates, supplementary capital bonds, convertible bonds, option rights or warrants which have already been issued by the bank, or will be issued by the bank in the future, choose to exercise their conversion or subscription rights, share capital will be increased by an additional nominal ATS 2,582,755,000. In 1994 a nominal ATS 150 mn of the bank's contingent capital was utilized for a 3.75 percent, DM 250 mn equity warrant bond 1994/2001, and the ensuing 1,500,000 warrants. Each warrant holder may exercise the right to acquire one common share of Bank Austria, each with a par value of ATS 100, for ATS 1,020 per share until 7th June 1999.

Participation capital. The bank issued rights within the meaning of § 240 item 7 of the Commercial Code, representing participation capital in the amount of ATS 702,112,400 in nominal terms, which is shown in the balance sheet as of 31st December 1995 (31st Dec. 1994/1st Jan. 1995: ATS 702,112,400). The participation certificates of the bank represent participation capital pursuant to § 23 (4) of the Austrian Banking Act (BWG). When the profit is distributed, the certificates are entitled to a preferred dividend of 6 percent on their par value before the preferential dividend is paid to holders of preferred shares. The dividend may only be paid out of distributable profits. If the preferred dividend for a business year cannot be distributed in whole or in part, the arrears shall be paid in accordance with the profit of subsequent years that is available for distribution. If a resolution is adopted for the distribution of an extra dividend to holders of preferred shares, the dividend to holders of participation certificates shall be increased by the same percentage.

In the event the company is liquidated, payment of the liquidation proceeds shall be made to the holders of participation certificates up to the nominal amount of the participation capital before the payment of such proceeds to the shareholders. Liquidation proceeds in excess of the nominal amount of the participation capital shall be paid to the shareholders to the extent that they receive the nominal amount of the shares. Any residual amount from the liquidation proceeds shall be distributed to shareholders and holders of participation certificates on an equal parity basis.

Supplementary capital. Pursuant to § 23 (7) of the Austrian Banking Act, supplementary capital consists of those paid-in capital resources at the disposal of the credit institution for a contractual period of at least eight years where the rights to the statutory period of notice and premature termination have been waived, where interest may be paid on such resources to the extent that they are covered by the annual surplus (before changes in reserves), which may only be paid back prior to liquidation less pro-rata deductions made for net losses suffered during the maturity period, which are subordinated pursuant

NOTES TO THE FINANCIAL STATEMENTS (Continued)

to § 45 (4) of the Austrian Banking Act, for which the remaining term-to-maturity is at least three years and for which the bank auditors have confirmed that the above conditions have been fulfilled.

Developments in the Valuation Reserve and other Untaxed Reserves

	31st Dec. 1994	Reversals/Reclassification	Additions	31st Dec. 1995
1. Valuation reserve				
Reserve pursuant to § 12, Income Tax Law:				
Securities	260,218,483.51	(7,322,311.71)	750,136,046.52	1,003,032,218.32
Equity interests	104,314,213.22			104,314,213.22
Shares in group companies	756,232,989.00			756,232,989.00
Land and buildings	1,375,700.00			1,375,700.00
Other tangible fixed assets	1,048,656.00			1,048,656.00
	<u>1,123,190,041.73</u>	<u>(7,322,311.71)</u>	<u>750,136,046.52</u>	<u>1,866,003,776.54</u>
Valuation reserve pursuant to § 8 and § 122, Income Tax Law:				
Land and buildings	8,272,209.13			8,272,209.13
Other tangible fixed assets	8,595,041.00	(2,879,522.00)		5,715,519.00
	<u>16,867,250.13</u>	<u>(2,879,522.00)</u>		<u>13,987,728.13</u>
Total 1	<u>1,140,057,291.86</u>	<u>(10,201,833.71)</u>	<u>750,136,046.52</u>	<u>1,879,991,504.67</u>
2. Other untaxed reserves				
Reserve pursuant to § 9, Income Tax Law:				
1991	11,500,000.00	(11,500,000.00)		
1992	14,500,000.00			14,500,000.00
1993	10,720,000.00			10,720,000.00
Reserve pursuant to § 10, Income Tax Law:				
1991	938,886.00	(938,886.00)		
1992	78,029.00			78,029.00
1993	522,276.00			522,276.00
Reserve pursuant to § 4 (10) item 3a, Income Tax Law:	6,738,966.00	(6,738,966.00) *		
Total 2	<u>44,998,157.00</u>	<u>(19,177,852.00)</u>		<u>25,820,305.00</u>
Grand Total	<u>1,185,055,448.86</u>	<u>(29,379,685.71)</u>	<u>750,136,046.52</u>	<u>1,905,811,809.67</u>

* Amounts reclassified to other capital reserves not affecting results.

Provisions

The deficit determined pursuant to Art. X (3) of the Accounting Law in the pension provision calculated pursuant to § 211 (2) of the Commercial Code is being amortized in equal installments over a twenty-year period. The deficit resulted from the fact that until 1992 the figures used for tax purposes were included in part in the financial statements which were prepared pursuant to commercial law. The shortfall as of 31st December 1995 amounted to ATS 3,691 mn (31st December 1994: ATS 3,922 mn). Deficits for severance and anniversary bonus provisions amounted to ATS 61 mn on 31st December 1995 (31st Dec. 1994: ATS 123 mn).

Other provisions totaled ATS 2,306 mn (31st Dec. 1994: ATS 1,971 mn). Provisions made for impending losses on equity interests, contingent liabilities and the risks of legal action amounted to ATS 989 mn. An amount of ATS 1,317 mn was allocated for indeterminate liabilities, and in particular

NOTES TO THE FINANCIAL STATEMENTS (Continued)

includes provisions for expenditures on personnel and materials, for anniversary bonuses and unconsumed vacation days, and for charges likely to result from the fiscal audit.

Contingent Liabilities

	1995	1994
	(in ATS mn)	
Contingent liabilities from own drafts	12,482	11,864
Endorsement liabilities from endorsed bills of exchange	1,878	2,634
Contingent liabilities from documentary credits	2,533	2,213
Liabilities from guarantees	37,824	37,681

Assets Serving as Collateral

Pursuant to § 64 (1) item 8, Banking Act

	(in ATS mn)
Cover fund for trust monies included in liabilities item 2a)	600.0
Cover fund for the following instruments included in liabilities item 3a)	
mortgage bonds	6,773.0
municipal bonds	26,082.0
own bonds	18,168.0
medium-term notes	216.0
Total	<u>51,839.0</u>
Foreign exchange security deposit with the Austrian National Bank	510.0
Arrangement security deposit with the Oesterreichische Kontrollbank AG	99.8
Margin requirement at the Austrian Futures and Options Exchange (OETOB)	140.0
Margin requirement for derivative financial and securities transactions	248.6
Other foreign branches (local legal standards)	969.1
Total	<u>1,967.5</u>
Grand Total	<u><u>53,806.5</u></u>

IV. Data on the Profit and Loss Account

The item income from shares in group companies contains earnings of ATS 248 mn from equity interests through arrangements for passing on profits. The item balance of expenditure/income from the valuation and disposal of equity interests includes ATS 2,386 mn in profit from group companies. This resulted largely from the disposals of DZ-Donauzentrum Betriebs- u. Vermietungs AG and GET Management Gesellschaft für Gesundheit, Energie u. Technik.

Significant extraordinary expenditures consist almost exclusively of the allocation to the deficit portion for 1995 of the pension provision and the provisions for severance payments and anniversary bonuses.

Other operating expenditures and earnings contain both personnel expenditures and reimbursements for seconding staff to subsidiaries which amounted to ATS 300 mn.

The changes in untaxed reserves had no impact on the item taxes on income and earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Breakdown of Earnings at Foreign Branches

	London	New York	Hong Kong	Moscow	Total
	(in ATS thousand)				
Interest income	1,729,830	1,674,090	856,170	33,416	4,293,506
Income from securities and equity interests		18,528			18,528
Commission income	51,488	10,867	13,113	57,711	133,179
Earnings/expenses from financial transactions	279,301	67,354	42,866	(1,255)	388,266
Other operating income	43	16,726	2,316	128	19,213

V. Additional Data

Total Expenditures from the Use of Non-Capitalized Tangible Fixed Assets

The utilization of tangible fixed assets not shown in the balance sheet (in connection with rent and leasing obligations) will result in expenditures of which ATS 1,188.5 mn (31st Dec. 1994: ATS 741.7 mn) will be due for payment in the following year. A total of ATS 5,106.0 mn (31st Dec. 1994: ATS 3,757.6 mn) will be due for payment over the next five years.

Foreign Currency Business as a Percentage of Total Assets

Assets denominated in foreign currency accounted for 30.9 percent or ATS 209,429,424,819.24 (1994: 29.5 percent or ATS 188,520,810,661.96) of the bank's balance-sheet total, while liabilities denominated in foreign currency accounted for 32.8 percent or ATS 222,601,907,493.03 (1994: 32.5 percent or ATS 207,566,698,830.33) of the balance-sheet total.

Unsettled Forward Transactions

Like all active participants on international money and foreign-exchange markets, Bank Austria deals actively in a number of derivative financial products related to currencies and interest rates. These instruments are used both for hedging (price and interest-rate hedging) and for trading purposes. Since derivative instruments are considered standard financial management tools, Bank Austria offers its customers the complete range of these innovative financial instruments. (See page F-21 for a breakdown of open derivative financial transactions)

1. Currency instruments. For a number of years Bank Austria has been one of the leading Austrian banks handling forward foreign exchange transactions in all major international currencies and the schilling. To complement the traditional foreign exchange business the bank also handles currency options, primarily in USD, DEM, CHF and GBP, and focuses exclusively on OTC trading. The bank's business partners are mostly internationally renowned market participants, particularly on the financial centers in London, Frankfurt, Zurich, New York, Hong Kong, Singapore and Tokyo. Due to the complexity of the options trade, the bank makes significant efforts to advise commercial customers.

2. Interest-rate instruments. With regard to derivative interest-rate products, Bank Austria is active on both the OTC market and the standardized futures market. The bank acts as market maker in the OTC sector for FRA's (forward rate agreements) for USD, DEM, CHF, and ATS transactions. Bank Austria also uses closely-related products such as IRG's (interest rate guarantees), primarily for hedging and arbitrage strategies.

Futures transactions are effected exclusively on the highly liquid exchanges in Chicago (CME and CBT), London (LIFFE) and Paris (MATIF), Singapore (SIMEX) and the Vienna Stock Exchange (OETOB). Interest rate swaps (IRS) and cross-currency swaps (CCS) are very relevant for long-term

NOTES TO THE FINANCIAL STATEMENTS (Continued)

interest-rate transactions. The bank's business partners for FRA and swap transactions consist entirely of large banks in Europe and the U.S.

Breakdown of Total Volume of Open Derivative Financial Transactions

	Nominal Amounts by Term-to-maturity			Total	
	<1 Year	1-5 Years	>5 Years	31st Dec. 1995	31st Dec. 1994
	(In ATS bn)				
A) Interest-rate agreements					
OTC products					
FRA's	425.4	6.7		432.1	374.4
Interest swaps	62.5	86.7	47.3	196.5*	107.8
Interest-rate options — long	4.4	2.9	0.4	7.7	5.4
Interest-rate options — short	8.0	2.4	0.3	10.7	4.6
Other comparable agreements ...		0.8	0.2	1.0	1.0
Products traded on the exchange					
Interest-rate futures	81.6	2.8		84.4	11.2
Options on interest-rate futures ..					
B) Exchange-rate agreements					
OTC products					
Forward foreign exchange transactions	241.6			241.6*	219.8
Currency swaps	2.7	8.9	12.6	24.2*	16.1
Currency options — long	27.7			27.7	6.8
Currency options — short	38.0			38.0	9.8
Other comparable agreements					
Products traded on the exchange					
Currency futures					
Options on currency futures					
C) Securities-related transactions					
OTC products					
Securities swaps					
Share/index options — long	2.8			2.8	1.0
Share/index options — short	0.6			0.6	0.3
Other comparable agreements					
Products traded on the exchange					
Share/index futures					
Share/index options	0.3			0.3	0.1
D) Merchandise contracts					
OTC products					
Merchandise options — long		0.2		0.2	
Total	<u>895.6</u>	<u>111.4</u>	<u>60.8</u>	<u>1,067.8</u>	<u>758.3</u>

* These amounts represent the volume of the buying contracts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The volume of all open financial transactions, which is to be included in the assessment basis for the own fund requirement and is weighted by creditworthiness pursuant to § 22 of the Austrian Banking Act, amounted at year-end 1995 to only ATS 3.8 bn (1994: ATS 2.3 bn). The own fund requirement thus totaled ATS 307.9 mn (1994: ATS 183.2 mn).

VI. Data on Personnel and Executive Bodies

In 1995 the bank employed an average of 8,508 white-collar employees (1994: 8,621) and 497 blue-collar employees (1994: 512).

Loans granted to members of the managing board totaled ATS 1,606,686.12 on 31st December 1995 (31st Dec. 1994: ATS 2,827,681.98). Loans granted to members of the supervisory board amounted to ATS 14,446,164.70 (31st Dec. 1994: ATS 13,427,294.90). No guarantees were issued for the members of the managing board or supervisory board, nor were any salary advances made to them. Loans to the supervisory board include those made to members of the employees' council. The maturities of the loans range from five to ten years. The interest rate payable on these loans is based on the rate charged employees of Bank Austria.

Severance payments and pensions include allocations to and retirements from the provision for pensions and the provision for severance payments. Allocations for members of the managing board, senior executives and their survivors totaled ATS 37,281,891.37 in 1995, while allocations for other employees and their survivors amounted to ATS 1,006,134,459.88.

The term "senior executives" comprises general managers, heads of divisions, and the heads of the regional head offices and their deputies.

In 1995 total remuneration of members of the managing board amounted to ATS 54,996,535.91. A significant part of this amount was for severance payments to board members who left the bank in 1995. Remuneration for activities on behalf of group companies came to ATS 679,400.00.

Payments to former members of the managing board or their survivors totaled ATS 30,818,240.32. Total remuneration to members of the supervisory board in the 1995 business year totaled ATS 3,214,250.00. Payments for activities on behalf of group companies amounted to ATS 88,224.00. Amounts mentioned above include profit sharing payments and bonus payments, reimbursements for out-of-pocket expenses and commissions.

VII. Data on Mortgage Banking

1995 was the first full business year in which Bank Austria pursued mortgage banking activities, which include raising long-term funds via the issue of mortgage bonds and municipal bonds, and making these funds available in the form of long-term financings (mainly for residential construction, public-sector financing and infrastructure). These activities are handled by an independent organizational unit. Results in the 1995 fiscal year were above average.

Claims against Customers

Cover loans and other loans carried in this item totaled ATS 32,824,307,046.46 as of year-end 1995, and thus increased by 22.5 percent or ATS 6,035,618,755.48 relative to the previous year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Securitized Liabilities

Own mortgage banking issues. At year-end 1995 mortgage and municipal bonds in circulation amounted to ATS 31,328,084,000.00, an increase of 12.8 percent or ATS 3,545,053,000.00 over year-end 1994. At this time ATS 1,573,000.00 had already been drawn for redemption. The following table contains a list of outstanding individual series:

Outstanding mortgage bonds

Series	Year of Issue	Matures	Par Value (in ATS thousand)
19	1971	01.01.1996	56,625
20	1972	01.01.1997	80,896
21	1973	01.01.1998	84,036
22	1974	01.10.1998	41,575
23	1974	01.12.1998	102,125
24	1975	01.02.2000	143,065
25	1976	01.03.2001	82,510
26	1976	01.07.2001	99,128
27	1977	01.05.2002	312,815
28	1978	01.10.2003	524,320
29	1978	01.10.2003	32,131
30	1979	01.04.2004	70,662
31	1979	01.04.2004	85,786
32	1980	01.11.2004	23,081
50	1982	01.10.1997	9,162
51	1983	01.02.1996	288,889
52	1983	01.02.1998	57,249
54	1984	01.02.1999	18,894
56	1985	01.01.2000	28,814
57	1986	01.07.1997	562,056
58	1987	01.12.1998	125,697
59	1988	01.02.2001	114,241
60	1988	01.09.2000	692,331
61	1989	01.09.1996	618,765
62	1991	01.04.2000	255,600
63	1991	01.08.1999	120,900
64	1992	01.08.2002	243,395
65	1993	01.02.1998	370,000
66	1994	15.01.2000	160,000
67	1994	01.05.2000	41,000
68	1994	01.09.2000	90,000
69	1995	01.01.2001	880,000
Total			<u>6,415,748</u>
Plus series drawn for redemption			<u>1,063</u>
Grand total			<u><u>6,416,811</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>1995</u>	<u>1994</u>	<u>Change</u>
<u>(in ATS thousand)</u>		
6,416,811	5,804,908	+611,903

Outstanding municipal bonds

<u>Series</u>	<u>Year of Issue</u>	<u>Matures</u>	<u>Par Value</u> <u>(in ATS thousand)</u>
17	1971	01.01.1996	128,484
18	1972	01.01.1997	77,050
24	1976	01.03.1996	88,779
25	1976	01.07.1996	101,477
26	1977	01.05.1997	166,917
27	1978	01.10.1998	14,260
29	1978	01.10.1998	102,899
30	1979	01.04.1999	55,565
31	1979	01.04.1999	85,663
32	1979	01.07.1999	317,397
33	1980	01.11.1999	213,073
38	1982	01.10.1997	6,667
40	1983	01.06.1996	1,473,692
47	1985	01.10.2000	47,419
49	1986	01.01.2001	144,910
50	1986	01.11.1996	151,847
52	1987	01.08.1998	331,586
53	1987	01.08.1998	200,626
54	1987	01.03.2000	118,654
55	1987	01.06.1998	143,940
56	1987	01.06.1999	137,450
57	1987	01.10.1998	232,739
58	1987	01.10.2002	340,120
59	1988	01.01.1999	397,610
60	1988	01.01.2003	457,403
63	1988	01.10.1999	166,354
64	1989	01.01.1997	134,720
65	1989	01.04.1999	239,422
66	1989	01.06.1999	815,037
67	1989	01.09.1999	758,000
68	1990	01.01.1997	152,348
69	1990	15.01.1998	359,625
70	1990	01.02.2001	10,000
71	1990	01.03.1997	1,330,800
72	1990	20.04.2000	57,400
74	1990	15.07.1997	487,300
75	1991	01.01.1998	1,148,700
76	1991	01.01.2000	94,200
77	1992	01.01.1999	134,010
78	1992	15.01.1999	765,809
79	1992	01.05.2002	595,801
80	1992	01.10.1997	380,700
81	1992	01.11.1997	295,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Series	Year of Issue	Matures	Par Value (in ATS thousand)
82	1992	15.12.2002	346,500
83	1993	01.01.1998	470,000
84	1993	01.03.2000	440,000
85	1993	01.04.2003	1,220,000
86	1993	01.06.1998	540,000
87	1993	15.09.2000	195,000
88	1993	01.11.2003	357,000
89	1994	01.01.2004	1,100,000
90	1994	15.05.2006	1,610,000
91	1994	01.10.2000	1,140,000
92	1995	01.01.2007	1,360,000
93	1995	01.02.2003	650,000
94	1995	01.05.2003	210,000
95	1995	01.06.2007	500,000
96	1995	01.06.2003	280,000
97	1995	01.06.2010	500,000
98	1995	15.09.2003	518,760
F	1977	01.05.1997	12,050
Total			<u>24,910,763</u>
Plus series drawn for redemption			<u>510</u>
Grand total			<u><u>24,911,273</u></u>

1995	1994	Change
(in ATS thousand)		
24,911,273	21,978,123	+2,933,150

Issues in 1995

Mortgage and Municipal Bonds Issued

Variable-rate series with initial interest rates of 5.75 percent to 6.375 percent ..	1,870,266,000.00
Fixed-rate series with interest rates of 6.5 percent to 7.375 percent	<u>3,028,494,000.00</u>
Total issues in 1995	<u><u>4,898,760,000.00</u></u>

Cover for Mortgage Bonds and Municipal Bonds

Including series drawn for redemption, the total volume of outstanding mortgage bonds and municipal bonds amounted to ATS 31,328,084,000.00.

Classification of Assets Held as Cover

Mortgage loans serving as cover for mortgage bonds	6,772,520,149.72
Loans serving as cover for municipal bonds	24,583,375,466.03
Substitute cover other loans for municipal bonds	1,500,000,000.00
Assets whose use is subject to restriction	<u><u>32,855,895,615.75</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Mortgage Banking Business

Interest and similar earnings	2,245,071,447.79
Interest and similar expenses	(2,207,328,363.67)
Commission income	10,237,609.19
Commission expenses	(3,723,482.64)

ANNEX A

BALANCE SHEET

	as of 31st December 1994 (Austrian Schillings)		1993 (in thousands) *	
Assets				
1. Cash reserves:				
a) vault cash	4,117,902,474.10		3,683,110	
b) balances with the Austrian National Bank and the Austrian Postal Savings Bank	<u>6,168,407,730.76</u>	10,286,310,204.86	<u>6,051,757</u>	9,734,867
2. Checks, cash items in process of collection		64,354,261.09		84,445
3. Due from credit institutions,		123,839,747,140.17		110,270,670
of which monies due on demand or in less than 30 days	31,494,210,240.63			
of which monies due in not less than 30 days but less than 6 months	39,779,211,779.44			
4. Bills of exchange		2,641,851,358.76		3,475,461
of which rediscountable with the Austrian National Bank	1,531,216,954.97			
5. Securities:				
a) fixed-interest securities	77,668,074,013.14		60,537,730	
of which listed on exchanges	56,834,886,242.81			
b) shares	4,224,033,830.22		4,573,464	
of which listed on exchanges	3,904,767,818.87			
c) others	<u>1,807,322,056.74</u>	83,699,429,900.10	<u>1,642,670</u>	66,753,864
of which eligible as collateral for Austrian National Bank advances, ...	39,790,786,063.75			
of which from own floatations	2,687,404,856.53			
6. Loans to credit institutions,		29,890,380,139.30		32,697,368
of which covered by guarantees of the Republic or the provinces	15,231,289,279.60			
7. Loans to other borrowers:				
a) to the Republic and the provinces, ...	61,305,000,235.84		54,193,470	
b) to others	<u>284,671,404,336.20</u>	345,976,404,572.04	<u>282,039,626</u>	336,233,096
of which covered by guarantees of the Republic or the provinces,	31,584,818,782.79			
of which lendings according to mortgage banking rules	26,852,654,080.68			
8. Loans on a trust basis at third party risk ..		1,885,982,785.69		1,865,062
9. Equity interests and syndicate holdings:				
a) in credit institutions	3,719,575,786.84		3,856,264	
b) in other companies	<u>18,361,238,100.73</u>	22,080,813,887.57	<u>17,730,507</u>	21,586,771
of which interests held on behalf of participation funds	—			
Amount carried over		<u>620,365,274,249.58</u>		<u>582,711,604</u>

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

	as of 31st December 1994 (Austrian Schillings)		1993 (in thousands) *	
Liabilities				
1. Savings deposits:				
a) due on demand	—		—	
b) subject to a period of notice of less than 6 months	35,540,571,048.27		36,919,455	
c) subject to a period of notice of not less than 6 months	<u>133,731,998,009.27</u>	169,272,569,057.54	<u>126,049,581</u>	162,969,036
2. Due to credit institutions:				
a) from the refinancing of export credits with Oesterreichische Kontrollbank AG	36,557,558,015.85		39,115,922	
b) from lombard transactions with the Austrian National Bank	—		—	
c) from other deposits by credit institutions	<u>148,740,115,339.60</u>	185,297,673,355.45	<u>142,427,105</u>	181,543,027
of which monies due on demand or in less than 30 days	68,054,146,096.13			
of which monies due in not less than 30 days but less than 6 months	55,382,524,259.23			
3. Due to others		126,412,774,724.40		111,023,097
of which monies due on demand or in less than 30 days	71,975,847,991.76			
of which monies due in not less than 30 days but less than 6 months	28,351,671,473.44			
4. Own acceptances and promissory notes outstanding		314,246,070.05		513,763
5. Own floatations:				
a) mortgage bonds	5,804,908,000.00		6,084,510	
b) municipal bonds	21,978,123,000.00		18,803,922	
c) bonds	53,474,132,597.80		47,483,551	
d) medium-terms notes	15,119,764,000.00		11,654,492	
e) profit part. shares, convertible and profit-sharing bonds purs. to § 174, Joint Stock Companies Act	—		—	
f) profit participation shares within the meaning of the Participation Funds Act	—		—	
g) other	<u>—</u>	96,376,927,597.80	<u>—</u>	84,026,475
6. Loans on a trust basis at third party risk ..		1,885,982,785.69		1,865,062
7. Provisions:				
a) pension provision	12,836,506,601.00		12,139,521	
of which taxed	98,012.00			
b) for severance payments	1,415,168,295.00		1,302,055	
c) other	<u>2,230,324,521.25</u>	16,481,999,417.25	<u>2,166,213</u>	15,607,789
8. Share capital:				
a) common shares	5,019,495,600.00		5,019,496	
b) preferred shares	<u>752,650,000.00</u>	5,772,145,600.00	<u>752,650</u>	5,772,146
Amount carried over		601,814,318,608.18		563,320,395

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

BALANCE SHEET

	<u>as of 31st December 1994 (Austrian Schillings)</u>	<u>1993 (in thousands) *</u>
Assets		
Amount brought forward	620,365,274,249.58	582,711,604
10. Land and buildings:		
a) for own business operations	332,235,202.93	336,077
b) other	<u>249,720,194.60</u>	<u>187,874</u> 523,951
11. Office furniture and equipment	1,716,856,754.34	1,558,099
12. Outstanding contributions to share capital of which called up contributions	—	—
13. Treasury share par value	21,463,825.00 150,687,896.15	54,564
14. Interests in a controlling company, or in a company holding a majority interest	—	—
15. Other assets	14,163,021,516.37	14,252,553
16. Accrued items	1,359,610,350.27	355,176
17. Net loss:		
a) loss/profit brought forward from the previous year	—	—
b) profit transferred to controlling company	—	—
c) loss/profit for the year	—	—
Total	<u><u>638,337,406,164.24</u></u>	<u><u>599,455,947</u></u>

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

	as of 31st December 1994 (Austrian Schillings)		1993 (In thousands)*	
Liabilities				
Amount brought forward		601,814,318,608.18		563,320,395
9. Participation capital pursuant to § 23 (4), Austrian Banking Act (BWG)	•	702,112,400.00		702,112
10. Fund for general banking risks pursuant to § 57 (3), Austrian Banking Act (BWG) ...		—		—
11. Supplementary capital pursuant to § 23 (7), Austrian Banking Act (BWG)		3,085,470,000.00		3,085,470
12. Liability reserve purs. to § 23(6), Austrian Banking Act		8,613,305,000.00		8,135,152
13. Reserves:				
a) statutory reserve	9,404,647,821.25		9,404,648	
of which premium from issue of participation capital	—			
b) reserve pursuant to § 11, Income Tax Law (§ 4(7) 1972 Income Tax Law)	—		—	
c) reserve pursuant to § 12, Income Tax Law	1,123,190,041.73		1,176,761	
d) investment reserve pursuant to § 9, Income Tax Law:				
1990	—		8,114	
1991	11,500,000.00		11,500	
1992	14,500,000.00		14,500	
1993	10,720,000.00		10,720	
1994	—		—	
e) investment allowance pursuant to § 10, Income Tax Law:				
1990	—		26,612	
1991	938,886.00		1,167	
1992	78,029.00		78	
1993	522,276.00		522	
1994	—		—	
f) valuation reserve due to special depreciation	16,867,250.13		17,037	
g) voluntary reserve	1,244,010,723.13		1,130,011	
h) other reserves	1,460,413,767.67		1,278,563	
i) reserve pursuant to § 13, Reconstruction Law	—		181,851	
j) reserve purs. to § 1(3), Mergers & Acquisitions Law	118,692,260.96	13,406,081,055.87	118,692	13,380,776
14. Other liabilities		9,821,451,790.63		9,829,542
15. Deferred items		313,821,950.75		545,261
16. Profit available for dividend:				
a) profit/loss brought forward from the previous year	13,063,231.00		11,322	
b) profit transferred to controlling company	—		—	
c) profit for the year before dividends for participation capital	637,994,127.81			
less amount required for dividends for participation capital	(70,212,000.00)	567,782,127.81	580,845,358.81	445,917
457,239				
Total		638,337,406,164.24		599,455,947

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

ADDITIONAL BALANCE SHEET DETAILS

	as of 31st December 1994 (Austrian Schillings)		1993 (in thousands)*	
Assets				
18. Foreign assets,		193,350,488,971.17		162,941,649
of which covered by guarantees of the Republic or the provinces	29,051,103,015.47			
19. Assets subject to disposition restrictions:				
a) cover fund for funded bank bonds ...		19,647,050,000.00		22,397,913
b) cover fund for mortgage bonds and municipal bonds		28,064,094,829.84		25,039,536
c) cover fund pursuant to § 230a, Austrian Civil Code		<u>600,000,000.00</u>	<u>48,311,144,829.84</u>	<u>451,168</u> 47,888,617
20. Claims, including rights of recourse, against				
a) credit instit. in which equity interests are held		26,063,955,675.02		30,351,373
b) other companies in which equity int. are held		31,328,099,696.03		26,677,858
c) persons referred to in § 28, Austrian Banking Act (BWG)		<u>8,395,892,268.11</u>	<u>65,787,947,639.16</u>	<u>19,211,148</u> 76,240,379
21. Total amount of equity interests pursuant to § 29(2), Austrian Banking Act (BWG)			11,625,763,180.47	11,302,781
22. Subordinated claims			890,379,123.30	4,259,298
23. Contingent claims against:				
a) credit institutions		4,810,405,457.95		5,210,692
b) other		<u>48,831,562,622.56</u>	<u>53,641,968,080.51</u>	<u>48,460,605</u> 53,671,297
24. Assets sold under a sale and repurchase agreement,			7,147,960,000.00	6,991,696
of which sale and repurchase agreements with the Austrian National Bank	6,368,000,000.00			
of which sale and repurchase agreements with credit institutions	250,000,000.00			
25. Assets bought under a sale and repurchase agreement,			2,984,033.44	6,845
of which from credit institutions	2,984,033.44			

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

	as of 31st December 1994 (Austrian Schillings)		1993 (in thousands) *	
Liabilities				
17. Foreign liabilities		182,340,843,199.37		155,215,183
18. Contingent liabilities from guarantees		39,143,760,763.03		39,444,847
19. Other contingent liabilities from:				
a) own drafts outstanding		11,863,778,995.25		11,301,844
of which ERP bills	1,930,251,232.00			
b) own endorsement liabilities		2,634,428,322.23		2,779,496
c) other		<u>750,339,374.00</u>	15,248,546,691.48	<u>494,685</u>
20. Liabilities towards:				
a) credit instit. in which equity interests are held		32,506,106,293.75		33,153,072
b) other companies in which equity int. are held		<u>3,851,192,871.38</u>	36,357,299,165.13	<u>3,035,837</u>
21. Trust money savings deposits		452,957,818.94		402,345
22. Reserves:				
a) capital reserves		10,839,745,806.70		10,839,746
b) profit reserves		<u>2,566,335,249.17</u>	13,406,081,055.87	<u>2,541,030</u>
23. Own funds to be taken into account pursuant to § 23 of the Austrian Banking Act (BWG) in connection with § 29 of the Austrian Banking Act (BWG)		39,842,807,790.22		37,628,805
24. Basis for computation of own funds pursuant to § 22, Austrian Banking Act (BWG),		370,432,870,439.35		363,528,426
hereof weighted assets,	318,479,887,692.23			
hereof weighted off-balance sheet items ...	51,952,982,747.12			
25. Amount pursuant to Art. X(3), Accounting Law		3,922,055,944.00		4,152,765

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

PROFIT AND LOSS ACCOUNT

	1994 (Austrian Schillings)	1993 (in thousands) *
1. Interest and similar earnings from:		
a) loans and investments	32,066,965,589.48	35,469,041
of which from mortgage loans ..	471,580,595.96	
of which from municipal loans ..	1,493,351,135.22	
b) securities	4,935,403,759.63	3,927,018
c) holdings in companies	969,582,335.08	792,272
	37,971,951,684.19	40,188,331
2. Interest and similar expenses from:		
a) deposit business	19,519,409,192.43	22,403,939
b) own floatations	5,758,153,805.26	5,454,549
of which for mortgage bonds ..	473,642,854.61	
of which for municipal bonds ..	1,419,419,770.77	
	25,277,562,997.69	27,858,488
I. Net Interest Earned		
(item 1 less item 2)	12,694,388,686.50	12,329,843
3. Net commission income		
a) commissions and other income	3,273,823,874.22	2,970,428
b) commissions and other expenses	(367,727,989.31)	(344,343)
of which from mortgage banking business	2,003,073.64	
	2,906,095,884.91	2,626,085
II. Operating Income		
(total I + / — item 3)	15,600,484,571.41	14,955,928
4. Personnel expenses	7,149,163,313.97	6,366,388
of which:		
a) wages and salaries	4,697,924,364.08	
b) expenditure for statutory social contributions and compulsory contributions related to wages and salaries	756,673,459.13	
c) other social expenditure	179,019,703.68	
d) expenditure for retirement benefits	571,243,774.34	
e) allocation to the pension provision	852,957,658.00	
f) allocation to the provision for severance payments	91,344,354.74	
	3,854,677,921.03	3,567,674
5. Expenditures for materials		
of which rent and leasing expenses ..	706,727,006.59	
6. Depreciation and value adjustments on fixed assets	534,519,217.66	446,238
7. Taxes and levies (if not shown under items 4 and 25)	37,364,411.65	239,267

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994.

	1994 (Austrian Schillings)	1993 (in thousands) *
III. Operating Expenditure (Total of items 4 to 7)	(11,575,724,864.31)	(10,619,567)
IV. Partial Operating Profit (Total II less Total III)	4,024,759,707.10	4,336,361
8. Ordinary earnings from non-banking business	268,316,612.42	212,008
9. Ordinary expenses from non-banking business	(235,516,511.50)	(170,456)
10. Earnings/expenses from the valuation and disposal of loans and securities, as well as from trading transactions	(2,761,636,266.46)	(2,127,770)
11. Earnings/expenses from the valuation and disposal of holdings ...	193,179,738.21	(336,078)
12. Other extraordinary expenses	(367,306,960.19)	(515,830)
13. Other extraordinary earnings	41,997,566.18	63,302
14. Balance of other earnings/expenses (items 8-13)	(2,860,965,821.34)	(2,874,824)
15. to 21. Trading in goods	—	—

*) adjusted values following the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994

PROFIT AND LOSS ACCOUNT, Continued

	1994 (Austrian Schillings)		1993 (in thousands)*
22. Expenses from assumption of losses		—	—
23. Allocations to the fund for general banking risks		—	—
24. Reversals from the fund for general banking risks		—	—
V. Annual Surplus / Deficit (before taxes and changes in reserves) (Total IV +/- item 14, 22-24)		1,163,793,885.76	1,461,537
25. Taxes on income, earnings and property ..		(22,342,140.24)	(53,335)
VI. Annual Surplus / Deficit (before changes in reserves)		1,141,451,745.52	1,408,202
26. Changes in reserves	Allocations (-)	Reversals (+)	A(-) R (+)
a) liability reserve	(478,152,513.55)	—	(827,425)
b) statutory reserve	—	—	(25,112)
c) general reserve fund	—	—	—
d) tax reserves			
pursuant to § 9, Income Tax Law ...	—	8,114,187.88	(9,820)
pursuant to § 10, Income Tax Law ..	—	26,839,453.31	54,731
pursuant to § 11, Income Tax Law ..	—	—	—
pursuant to § 12, Income Tax Law ..	—	53,571,090.65	21,275
e) valuation reserve due to special depreciation	—	170,164.00	(934)
f) voluntary reserve	(114,000,000.00)	—	(118,000)
g) other reserves	—	—	—
Balance of changes in reserves	<u>(592,152,513.55)</u>	<u>88,694,895.84</u>	<u>(503,457,617.71)</u>
27. Dividends for holders of participation certificates		(70,212,000.00)	(57,000)
VII. Profit/Loss for the Year		567,782,127.81	445,917
28. +/- Profit/loss brought forward from previous year		13,063,231.00	11,322
29. Profits paid on the basis of a profit pooling arrangement or a profit transfer agreement		—	—
VIII. Net Profit/Net Loss		<u>580,845,358.81</u>	<u>457,239</u>

Vienna, 21st March 1995

The Managing Board:

WALTER HEINRICH	RENÉ ALFONS HAIDEN	JOSEF RAPP	GERHARD RANDA	KARL SAMSTAG
	HELMUT JELL		ROMUALD RIEDL	

Based on an audit performed in accordance with our professional duties, the accounting records and the financial statements of the bank are in compliance with legal regulations. The financial statements pursuant to generally accepted accounting principles give a reasonable presentation of the bank's assets and liabilities, its financial position and results. The management report is in accordance with the financial statements.

Vienna, 28th March 1995

Savings Bank Auditing Association
Auditing Board

PETER BUCHBINDER

Österreichische Wirtschaftsberatungs GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

WOLFGANG GASSNER
WOLFGANG RIEDL

KLAUS GOSCHLER

SOT Süd-Ost Treuhand Aktiengesellschaft
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

G. E. TICHY
KONRAD TOIFL

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board was regularly informed by the Managing Board of the progress and financial position of Bank Austria Aktiengesellschaft and, in its meetings, performed all its tasks as defined by the law and the bye-laws.

The accounts, the financial statements for 1994, the notes to the financial statements and the management report were examined by the SOT Süd-Ost Treuhand AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the Österreichische Wirtschaftsberatungs GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and the Auditing Board of the Savings Bank Auditing Association. As they were found to be in full compliance with legal requirements and the examination showed no cause for objections, the auditor's certificate was presented without qualification. The Supervisory Board has endorsed the findings of this audit, agreed with the annual report and the use of earnings presented by the Managing Board, and approved the 1994 financial statements, which are thereby adopted pursuant to § 125 (2) of the Joint Stock Companies Act.

Vienna, 29th March 1995

The Supervisory Board:

Siegfried Sellitsch

Chairman

NOTES TO THE FINANCIAL STATEMENTS

I. General Information

The 1994 financial statements were prepared pursuant to the provisions of the Commercial Code as contained in the 1990 Accounting Law, and to the forms contained in Annex 1 to § 43 Part 1 of the Banking Act. In addition, those requirements of the Banking Act which already apply to the 1994 financial statements were also taken into consideration.

In order to improve the ability to compare balance sheet and profit and loss figures, figures from the previous year were presented in accordance with § 223 (3) of the Commercial Code, and were determined by taking into account the merger between Bank Austria AG and Wiener Landes-Hypothekbank AG as of 1st January 1994. The key effects of the merger are presented in condensed form in the table on the following page.

Wiener Landes-Hypothekbank's profit for the year as of 31st December 1993, which totaled ATS 25.1 million, was allocated to the statutory reserve when the bank's operative business activities were brought into Wiener Landes-Hypothekbank AG, and were then included in the changes in reserves in the previous year's profit and loss account when this bank was merged with Bank Austria AG.

II. Information Regarding Accounting and Valuation Methods

In evaluating loans, due diligence was exercised in evaluating the known and anticipated financial position of the borrower as well as the enforceability of claims with due consideration being given to collateral. This task was facilitated by preselection via a risk classification system.

The valuation of loans to borrowers in countries with serious economic problems (high risk countries) was made in accordance with the relevant opinions submitted by the chamber of public accountants' expert committee for commercial law and auditing.

Securities carried as financial assets are valued at cost, provided that no permanent impairment of value has occurred, whereas those carried as current assets are valued using the lower of cost or market price method.

Pursuant to § 55 (2), Banking Act, securities used for long-term business operations were classified as financial assets. The competent head of the securities division has presented a filed and documented decision in this regard.

Altogether, Bank Austria held securities classified as financial assets which were valued at ATS 43,784 million (1st Jan. 1994: ATS 25,597 million), and securities classified as current assets amounting to ATS 39,915 million (1st Jan. 1994: ATS 41,157 million). (See below "Securities Listed on the Exchange")

Equity interests were valued at their purchase price provided that there was no permanent impairment resulting from continuing losses.

The bank's real estate is depreciated at a rate between 2% and 4%, according to use. For computer equipment, the average useful life is estimated at four years for depreciation purposes.

Securities Listed on the Exchange

In ATS million, classification pursuant to § 64 (1) Item 11, Banking Act

	<u>Fixed Assets</u>	<u>Current Assets</u>	<u>Total</u>
Bonds and other fixed-interest securities	7,284	6,466	13,750
Shares and other non fixed-interest bearing securities	935	3,105	4,040
Total	<u>8,219</u>	<u>9,571</u>	<u>17,790</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Balance Sheet

	31st Dec. 1993	merger-related changes (in ATS million)	1st Jan. 1994
Assets			
Due from credit institutions	110,015	266	110,281
Securities	65,694	1,060	66,754
Loans to other borrowers	311,979	24,254	336,233
Other assets items	85,104	1,084	86,188
Total	<u>572,792</u>	<u>26,664</u>	<u>599,456</u>
Liabilities			
Due to credit institutions	182,442	(899)	181,543
Savings deposits and due to others	273,784	208	273,992
Own floatations	59,138	24,889	84,027
Share capital	5,702	70	5,772
Supplementary capital	3,015	70	3,085
Liability reserve and other reserves	21,248	268	21,516
Other liability items	27,463	2,058	29,521
Total	<u>572,792</u>	<u>26,664</u>	<u>599,456</u>

Profit and Loss Account

	1993 excl. Wr. Landes- Hypothekebank	+ / - (in ATS million)	1993 incl. Wr. Landes- Hypothekebank
Net interest earned	12,083	247	12,330
Net commission income	2,700	(74)	2,626
Operating income	14,783	173	14,956
Operating expenditure	10,577	43	10,620
Partial operating profit	4,206	130	4,336
Balance of expenses from other profit items	2,879	(4)	2,875
Surplus for the year before taxes and changes in reserves	1,327	134	1,461
Taxes on income, earnings and property	9	44	53
Surplus for the year before changes in reserves	1,318	90	1,408
Changes in reserves	815	90	905
Dividends for holders of participation certificates	57	—	57
Profit for the year	446	—	446
Profit brought forward	11	—	11
Net profit	<u>457</u>	<u>—</u>	<u>457</u>

Other office furniture and equipment are depreciated over periods from five to ten years.

Analogous to goodwill, the excess of fair values of assets and liabilities acquired and goodwill, if any, over book values, resulting from the purchase of savings banks are depreciated over a five or fifteen year period using straight-line depreciation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Accrued interest is shown under "Other assets". The same method was followed on the liabilities side of the balance sheet.

Discounts and premiums on liabilities in the form of bonds, municipal bonds and mortgage bonds were depreciated over the period to maturity. The net-value approach, on the other hand, was taken with regard to zero-coupon bonds.

Fixed-interest securities purchased above par and carried as financial assets are depreciated at their redemption value spread over the period to maturity.

Currencies were generally converted at the prevailing mean rate of exchange on 30th December 1994. Swaps and forward transactions for currencies were valued principally according to the accrual method. Cash in foreign currencies was converted at the applicable bid rates.

Holdings in financial futures, options on these futures, other options and forward rate agreements were appraised at market value. Insofar as interest hedging transactions exist, results have been reflected in interest income or expense.

In making provisions for both severance payments and anniversary bonus payments the calculation method used was in line with the expert opinion of the Chamber of Public Accountants. An interest rate of 6% was selected for calculation purposes. In determining the pension provision, the accrued benefit valuation method (using a 4% discount rate pursuant to the Ettl-Pagler table) was uniformly applied to the disparate pension claims resulting under the internal service regulations of Zentralsparkasse und Kommerzbank AG and Österreichische Länderbank AG. Pursuant to the Accounting Law, the gap in the pension provision resulting from the new calculation procedure will be amortized over a twenty-year period (1992 to 2011).

Overview of Maturities

	<u>31st Dec. 1994</u>	<u>1st Jan. 1994</u>
	(in ATS million)	
a) claims other than due on demand		
up to three months notice	33,582	54,878
between three months and one year	30,915	26,874
between one and five years	68,944	58,714
more than five years	239,827	230,399
b) due from credit institutions other than due on demand		
up to three months notice	23,698	42,171
between three months and one year	66,081	41,738
between one and five years	15,063	6,672
more than five years	1,204	1,210
c) obligations other than due on demand		
up to three months notice	191,312	153,805
between three months and one year	73,877	81,851
between one and five years	121,515	99,515
more than five years	113,653	112,237

III. Information Regarding Individual Balance-Sheet Items

1. Breakdown of Maturities

Credit balances not due on demand (i.e., bills of exchange, non-listed fixed-interest securities, loans to credit institutions and other borrowers), and amounts due and obligations (savings deposits, due to credit institutions and others, own acceptances and promissory notes outstanding and own floatations)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

have the above initial maturity periods or agreed periods of notice (calculations are made pursuant to the requirements of the ordinance on monthly reports, Federal Gazette 1986/622 in line with the reporting guidelines of the Austrian National Bank).

In 1995 claims in the form of bonds and other fixed-interest securities totaling ATS 1,065 million, and other securitized liabilities of ATS 15,104 million, become due and payable.

2. Securities

The items listed in the following table are based on § 51, Banking Act, in connection with Annex 2 to § 43, Banking Act.

Securities

	<u>listed</u>	<u>not listed</u> (in ATS million)	<u>total</u>
Bonds and other fixed-interest securities	13,750	—	13,750
Shares and other non fixed-interest bearing securities	4,040	1,876	5,916
Equity interests	2,491	3,767	6,258
Holdings in group companies	<u>189</u>	<u>14,638</u>	<u>14,827</u>
Total	<u>20,470</u>	<u>20,281</u>	<u>40,751</u>

3. Equity Interests

Companies in which Bank Austria holds at least a 25% interest and which are to be included in the Notes to the Financial Statements pursuant to § 238 item 2 of the Commercial Code are shown in the appendix to the Notes to the Financial Statements, which is an integral part thereof. Customary banking relationships were maintained in large part with group companies.

Financings using equity capital substitutes were used in part. As of 31st December 1994, agreements passing on profits and losses to Bank Austria were maintained with the following companies:

- Bank Austria Beteiligungsfonds Aktiengesellschaft
- Bank Austria Handelsbank Aktiengesellschaft
- Bank Austria Kapitalanlagegesellschaft m.b.H.
- Bank Austria – Finanzservice Ges.m.b.H.
- GANYMED Immobilienvermietungsgesellschaft m.b.H.
- Garage Am Hof Gesellschaft m.b.H.
- HYPERION Immobilienvermietungsgesellschaft m.b.H.
- Konzern Service und Beratung GmbH
- VISA – SERVICE Kreditkarten Aktiengesellschaft
- Z-HAUSDIENTE UND KÜCHENBETRIEB Gesellschaft m.b.H.
- Z-Treuhand u. Vermögensverwaltungsgesellschaft m.b.H.

Reciprocally interlinked interests as defined in § 2 item 2, Banking Act, do not exist.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Land and Buildings

As of 31st December 1994 the value of land on which buildings stand amounted to ATS 162,555,414.65 (1st Jan. 1994: ATS 96,742,911.98).

5. Office Furniture and Equipment

This item includes intangible assets amounting to ATS 77,843,497 (1st Jan. 1994: ATS 132,502,465) which were acquired from a group company.

6. Treasury Shares

The table "Trade Inventory Developments of Treasury Shares and Participation Certificates" shows the treasury shares held in 1994 by the bank, a dependent company or a company of which the bank is majority shareholder.

Transactions in treasury shares and participation certificates were effected in the course of the bank's activities as market maker in order to protect the market's ability to function. Sales proceeds were applied toward normal banking activities.

Trade Inventory Developments of Treasury Shares and Participation Certificates

	Number	Par value in ATS	Percent of Nominal Capital
Common shares			
Initial inventory	3,959	395,900	0.01
Additions	1,430,016	143,001,600	2.85
Disposals	1,317,822	131,782,200	2.63
Ending inventory	116,153	11,615,300	0.23
Preferred shares			
Initial inventory	77,705	7,770,500	1.14
Additions	997,562	99,756,200	14.25
Disposals	976,782	97,678,200	13.95
Ending inventory	98,485	9,848,500	1.31
Participation certificates			
Initial inventory	365,312	36,531,200	5.20
Additions	2,182,880	218,288,000	31.09
Disposals	2,260,366	226,036,600	32.19
Ending inventory	287,826	28,782,600	4.10

The largest amount of own common and preferred shares held by the bank amounted to 1,071,082 shares or 1.88% (with share capital represented by 57,021,456 shares). The largest amount of own participation certificates held by the bank totalled 700,537 certificates or 9.98% (with participation capital represented by 7,021,124 certificates).

The nominal capital share of additions and disposals is calculated on the basis of the weighted average.

Common shares were purchased at an average price of ATS 974.79; the average sales price was ATS 989.67. Preferred shares were purchased at an average price of ATS 603.44; the average sales price was ATS 608.34. Participation certificates were purchased and sold at the average price of ATS 424.29 and ATS 416.98, respectively.

On 31st December 1994 the bank's portfolio of own holdings included subordinated bonds it had issued which were valued at ATS 56,751,143.60.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Fixed Assets

	<u>1st Jan. 1994</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>31st Dec. 1994</u>
	(in ATS thousand)				
1. Purchase price					
Securities					
a) fixed interest	23,628,310	32,016,004	10,985,515	—	44,658,799
b) shares	1,084,171	—	111,385	—	972,786
c) other	—	—	—	—	—
Equity interests	24,929,055	2,140,500	1,491,002	—	25,578,553
Land and buildings					
a) for own business operations	660,837	14,965	1,743	—	674,059
b) others	402,847	181,453	312,641	—	271,659
Office furniture and equipment	4,446,490	665,737	104,971	—	5,007,256
Other assets					
a) excess of former equity interests over book values from mergers	471,103	279,115	30,193	—	720,025
b) other asset items	99,603	513	760	—	99,356

	<u>write-ups</u>	<u>cumulative depreciations</u>	<u>book value 31st Dec.1994</u>	<u>book value 1st Jan.1994</u>	<u>depreciation for current year</u>
2. Residual book values					
Securities					
a) fixed interest	—	1,847,962	42,810,837	24,513,052	83,332
b) shares	—	—	972,786	1,084,171	—
c) others	—	—	—	—	—
Equity interests	72,524	3,570,263	22,080,814	21,586,771	253,491
Land and buildings					
a) for own business operations	—	341,824	332,235	336,077	18,901
b) others	—	21,939	249,720	187,873	8,686
Office furniture and equipment	658	3,291,057	1,716,857	1,558,099	494,534
Other assets					
a) excess of former equity interests over book values from mergers	—	332,447	387,578	264,422	155,959
b) other asset items	—	85,814	13,542	17,585	4,556

8. Other Asset Items

This position contains accrued interest and commission totaling ATS 7,649.5 million.

9. Obligations

As of 31st December 1994 there were four outstanding subordinated schilling bonds issued by the bank, two of which mature in 1995, and the other two in 1999. There are fourteen subordinated foreign-currency denominated bonds which are outstanding, with a term in most cases of ten years. The foreign currencies include Can\$, US\$, Aus\$, Sfr and Yen.

Altogether, subordinated bonds, excluding supplementary capital, amounted to ATS 11,641,312,767.

The concept of subordination is based on § 51 (9), Banking Act.

The bank's supplementary capital is shown under item 11 on the liabilities side of the balance sheet, pursuant to § 23 (7), Banking Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Other Liabilities

This item contains accrued liabilities amounting to ATS 7,836.7 million.

11. Own Funds

The bank's subscribed share capital as of year-end 1993 carried in the balance sheet as of 31st December 1993 for the amount of ATS 5,702,145,600 changed as follows during the business year: By virtue of the authorization granted to it in accordance with the bye-laws, the managing board adopted a resolution on 30th August 1994, which was approved by the supervisory board on 8th September 1994, to increase the bank's capital by ATS 70,000,000. The capital increase was implemented through the issue of 700,000 preferred shares. The shares, each with a par value of ATS 100, were issued against contributions in kind from the merger of Wiener Landes-Hypothekenbank AG with Bank Austria as of 1st January 1994.

In light of the above-mentioned increase in capital made from authorized capital in 1994, the subscribed capital amounted to ATS 5,772,145,600 on 31st December 1994. The subscribed capital is made up of 50,194,956 common shares, each with a par value of ATS 100, and 7,526,500 preferred shares, each with a par value of ATS 100.

The company issued non-voting preferred shares pursuant to § 115 of the Joint Stock Companies Act. When the profit is distributed, preferred shareholders are given priority over common shareholders, but they rank after the holders of participation certificates in receiving a 6% dividend on the nominal value of their holdings. By virtue of its bye-laws the bank reserves the right to issue new shares with preferred or equal status pursuant to § 117 (2) of the Joint Stock Companies Act.

Authorized Capital:

As already mentioned in the notes to the share capital, in 1994 a total of 700,000 preferred shares, each with a par value of ATS 100 (i.e., total nominal amount of ATS 70,000,000), were subscribed from the bank's authorized capital. After taking this subscription into account, the managing board is authorized pursuant to § 6 (4) of the bye-laws to increase the share capital by a further nominal amount of ATS 1,976,119,400 by 5th October 1996 against contributions in cash or contributions in kind, and to determine the issue price and the terms and conditions of issue with the approval of the supervisory board.

Contingent Capital:

If holders of participation certificates, supplementary capital bonds, convertible bonds, option rights or warrants which have already been issued by the bank, or will be issued by the bank in the future, choose to exercise their conversion or subscription rights, share capital will be increased by an additional nominal ATS 2,582,755,000.

In 1994 a nominal ATS 150 million of the bank's contingent capital was utilized for a 3.75%, DM 250 million equity warrant bond 1994/2001 issued by Bank Austria, and the ensuing 1,500,000 warrants. Each warrant holder may exercise the right to acquire one common share of Bank Austria, each with a par value of ATS 100, for ATS 1,020 per share until 7th June 1999.

Participation Capital:

The bank issued rights within the meaning of § 240 item 7 of the Commercial Code, representing participation capital in the amount of ATS 702,112,400 in nominal terms, which is shown in the balance sheet as of 31st December 1994 (31st Dec. 1993/1st Jan. 1994: ATS 702,112,400). The participation certificates of the bank represent participation capital pursuant to § 12 (6) of the old Banking Act (KWG) and § 23 (4) pursuant to the Austrian Banking Act (BWG). When the profit is distributed,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

the certificates are entitled to a preferred dividend of 6% on their par value before the preferential dividend is paid to holders of preferred shares. The dividend may only be paid out of distributable profits. If the preferred dividend for a business year cannot be distributed in whole or in part, the arrears shall be paid in accordance with the profit of subsequent years that is available for distribution. If a resolution is adopted for the distribution of an extra dividend to holders of preferred shares, the dividend to holders of participation certificates shall be increased by the same percentage.

In the event the company is liquidated, payment of the liquidation proceeds shall be made to the holders of participation certificates up to the nominal amount of the participation capital before the payment of such proceeds to the shareholders. Liquidation proceeds in excess of the nominal amount of the participation capital shall be paid to the shareholders to the extent that they receive the nominal amount of the shares. Any residual amount from the liquidation proceeds shall be distributed to shareholders and holders of participation certificates on an equal parity basis.

12. Revaluation Reserve and Untaxed Reserves

The following table shows developments affecting the revaluation reserve and untaxed reserves in 1994.

Developments in the Revaluation Reserve and other untaxed Reserves

	1st Jan. 94	Reversals	Additions	31st Dec. 94
	in ATS			
1. Revaluation reserve				
Reserve pursuant to § 12, Income Tax Law:				
Securities	302,789,574.16	42,571,090.65	—	260,218,483.51
Equity interests	871,547,202.22	11,000,000.00	—	860,547,202.22
Real estate	1,375,700.00	—	—	1,375,700.00
Office furniture and equipment	1,048,656.00	—	—	1,048,656.00
	1,176,761,132.38	53,571,090.65	—	1,123,190,041.73
Revaluation reserve pursuant to § 8 and § 122, Income Tax Law:				
Office furniture and equipment	8,765,205.00	170,164.00	—	8,595,041.00
Real estate	8,272,209.13	—	—	8,272,209.13
	17,037,414.13	170,164.00	—	16,867,250.13
Total Revaluation reserve	1,193,798,546.51	53,741,254.65	—	1,140,057,291.86
2. Other untaxed reserves				
Reserve pursuant to § 9, Income Tax Law:				
1990	8,114,187.88	8,114,187.88	—	0.00
1991	11,500,000.00	—	—	11,500,000.00
1992	14,500,000.00	—	—	14,500,000.00
1993	10,720,000.00	—	—	10,720,000.00
Reserve pursuant to § 10, Income Tax Law:				
1990	26,611,542.31	26,611,542.31	—	0.00
1991	1,166,797.00	227,911.00	—	938,886.00
1992	78,029.00	—	—	78,029.00
1993	522,276.00	—	—	522,276.00
Reserve pursuant to § 1 (3), Mergers and Acquisitions Law	118,692,260.96	—	—	118,692,260.96
Liability reserve pursuant to § 23 (6), Banking Act	8,135,152,486.45	—	478,152,513.55	8,613,305,000.00
Total other untaxed reserves	8,327,057,579.60	34,953,641.19	478,152,513.55	8,770,256,451.96
Grand Total (1+2)	9,520,856,126.11	88,694,895.84	478,152,513.55	9,910,313,743.82

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Provisions

The deficit determined pursuant to Art. X (3) of the Accounting Law in the pension provision calculated pursuant to § 211 (2) of the Commercial Code will be amortized in equal installments over a twenty-year period. The deficit resulted from the fact that until 1992 the figures used for tax purposes were largely included in the financial statements which were prepared pursuant to commercial law. The shortfall as of 31st December 1994 amounted to ATS 3,922 million. Deficits for severance and anniversary bonus provisions amounted to ATS 123 million on 31st December 1994 (1st Jan. 1994: ATS 184 million). The bank reduced the burden of pension payments in 1994 by further harmonizing pension rights. Employees receiving global overtime allowances eligible for pension benefits were given access to part of these allowances, in order to enable them to make private retirement contributions, thereby reducing the bank's pension obligations.

Other provisions totaled ATS 2,230 million (1993: ATS 2,166 million). Provisions made for impending losses on equity interests, securities, contingent liabilities and the risks of legal action amounted to ATS 1,067 million.

The remaining other provisions (ATS 1,163 million) were for indeterminate liabilities, and in particular include provisions for expenditures on personnel and materials, deferred taxes and charges likely to result from the fiscal audit, as well as for anniversary bonuses and unconsumed vacation days.

The item also includes provisions of ATS 70 million that were made for dividends to be distributed to holders of participation certificates. This represents a dividend payment of 10% on the nominal value entitled to dividends.

IV. Data on the Profit and Loss Account

The item "Interest and similar earnings from holdings in companies" includes earnings from equity interests through profit pooling arrangements (ATS 440 million) and through other group companies (ATS 259 million).

The item balance of earnings from the valuation and disposal of holdings includes ATS 178 million in profit from group companies.

Significant extraordinary expenditures in 1994 include the amortization of the deficit in the pension provision and the provisions for severance payments and anniversary bonuses.

Other operating expenditures and earnings (non-banking business) contain both personnel expenditures and reimbursements for seconding staff to subsidiaries which amounted to ATS 186 million.

The changes in untaxed reserves had no impact on the position "Taxes on income and earnings".

The table below contains a breakdown of earnings by geographic markets, which differ significantly due to the bank's organizational structure.

Earnings at Foreign Branches and the Riezler Branch*)

	London	New York	Hong Kong (In ATS thousand)	Riezler	Moscow	Total
Interest income	1,522,220	1,397,589	598,891	66,379	10,006	3,595,085
Income from securities and equity interests	—	2,295	—	—	—	2,295
Commission income	50,417	8,988	12,021	17,496	36,130	125,052
Earnings/expenses from financial transactions . . .	104,263	57,968	8,260	—	(276)	170,215
Other operating income . . .	1,099	18,864	4	—	674	20,641

*) the Riezler Branch is located in the Kleines Walsertal customs exempt territory

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. Additional Data

1. Total Expenditures from the Use of Non-capitalized Fixed Assets

The utilization of fixed assets not shown in the balance sheet (in connection with rent and leasing obligations) will result in expenditures of which ATS 741.7 million (1st Jan. 1994: ATS 761 million) will be due for payment in the following year. A total of ATS 3,757.6 million (1st Jan. 1994: ATS 3,809 million) will be due for payment over the next five years.

2. Foreign Business as a Percentage of Total Assets

Assets denominated in foreign currencies accounted for 29.5% or ATS 188,520,810,661.96 (1993: 30.1% or ATS 180,283,416,304.22) of the bank's total assets, while liabilities denominated in foreign currencies accounted for 32.5% or ATS 207,566,698,830.33 (1993: 29.2% or ATS 175,171,062,734.66) of total assets.

3. Unsettled Forward Transactions

Bank Austria deals in a number of derivative financial products related to currencies and interest rates. These instruments are used both for hedging and trading purposes, and reflect the bank's desire to offer its customers a broad range of modern financial instruments in the treasury area.

a) Currency Instruments:

Bank Austria has won global recognition as market maker in connection with forward foreign exchange transactions in major currencies and the schilling. The main exchanges are London, Frankfurt, Zurich and New York, and Hong Kong and Singapore, the main markets in East Asia.

The total volume of unsettled forward foreign exchange transactions on 31st December 1994 amounted to ATS 219.8 billion (1st Jan. 1994: ATS 233.8 billion) for long contracts and ATS 218.8 billion (1st Jan. 1994: ATS 233 billion) for short contracts.

In respect of currency and interest rate swaps, volume totaled ATS 15 billion for buying contracts and ATS 16.1 billion for selling contracts.

Activities related to currency options, which are becoming increasingly important for international foreign currency trading, focus almost entirely on the bank's commercial customers. The bank's main business partners are large banks in London, Frankfurt, and the United States. For certain currencies (principally, of course, for the Austrian schilling) Bank Austria acts as market maker.

b) Interest-Rate Instruments

With regard to derivative interest-rate products, Bank Austria is active on both the OTC market and the standardized futures market. Futures transactions are effected on the highly liquid exchanges in Chicago (CBT, CME), London (LIFFE) and Paris (MATIF).

The bank also acts as market maker in the OTC sector for FRA's (forward rate agreements) for US\$, DEM, SFR, and ATS transactions. Bank Austria also uses new, closely-related products such as IRG's (interest rate guarantees), primarily for hedging and arbitrage strategies.

Interest rate and cross-currency swaps are assuming greater relevance for long-term interest-rate transactions. Together with caps, floors and similar products, these instruments are used to solve complex financial structures in conjunction with financial engineering.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

VI. Data on Personnel and Executive Bodies

In 1994 the bank employed an average of 8,621 white collar employees (1993: 8,835) and 512 blue collar employees (1993: 545). Loans granted to members of the managing board totaled ATS 2,827,681.98 on 31st December 1994 (1st Jan. 1994: ATS 3,098,222.92). Loans granted to members of the supervisory board amounted to ATS 13,427,294.90 (1st Jan. 1994: ATS 7,594,659.82). No guarantees were issued for the members of the managing board or supervisory board, nor were any salary advances made to them. Loans to the supervisory board include those made to members of the employees' council. The maturities of the loans range from five to ten years. The interest rate payable on these loans is based on the rate charged employees of Bank Austria AG.

Expenditures for severance payments and pensions include allocations to and retirements from the provision for pensions and the provision for severance payments. Expenditures for members of the managing board, senior executives and their survivors totaled ATS 58,152,802.77 in 1994, while expenditures for other employees and their survivors amounted to ATS 886,149,210.01. The term "senior executive" comprises executive directors, heads of divisions, and the heads of the regional head offices and their deputies.

In 1994 total remuneration of members of the managing board amounted to ATS 31,100,776.72; remuneration for activities on behalf of group companies came to ATS 984,250.

Payments to former members of the managing board or their survivors totaled ATS 30,647,069.40. Total remuneration to members of the supervisory board in the 1994 business year totaled ATS 2,364,500. Payments for activities on behalf of group companies amounted to ATS 265,340. Amounts mentioned above include profit sharing payments and bonus payments, reimbursements for out-of-pocket expenses and commissions.

VII. Data on Mortgage Banking

Following the merger between Wiener Landes-Hypothekenbank AG and Bank Austria as of 1st January 1994, an independent organizational unit has pursued all mortgage banking activities — particularly fund raising activities via issues (mortgage bonds and municipal bonds), long-term financings (mainly residential construction and public-sector financing), managing and administering substitute cover assets and liquidity.

1. Own Mortgage Banking Issues

At year-end 1994 mortgage bonds amounted to ATS 5,804,256,000, or some ATS 280,254,000 less than at year-end 1993 (31st December 1993: ATS 6,084,510,000). The circulation of municipal bonds climbed from ATS 18,803,922,000 (as of 31st December 1993) by ATS 3,173,475,000 to ATS 21,977,397,000 as of 31st December 1994. Please refer to the following table "Outstanding Series" for a listing of individual series as of 31st December 1994.

Outstanding Series (in ATS thousand)

Series	Year of Issue	Matures	Amount
a) Municipal bonds			
16	1970	01.01.1995	117,574
17	1971	01.01.1996	128,484
18	1972	01.01.1997	77,050
24	1976	01.03.1996	88,779
25	1976	01.07.1996	101,477
26	1977	01.05.1997	166,917
27	1978	01.10.1998	14,260

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>Series</u>	<u>Year of Issue</u>	<u>Matures</u>	<u>Amount</u>
29	1978	01.10.1998	102,899
30	1979	01.04.1999	55,565
31	1979	01.04.1999	85,663
32	1979	01.07.1999	317,397
33	1980	01.11.1999	213,073
38	1982	01.10.1997	10,000
40	1983	31.05.1996	1,473,692
45	1985	01.03.1995	269,503
47	1985	01.10.2000	56,887
49	1986	01.01.2001	169,283
50	1986	01.11.1996	151,847
52	1987	01.08.1998	331,586
53	1987	01.08.1998	200,626
54	1987	01.03.2000	118,654
55	1987	01.06.1998	143,940
56	1987	01.06.1999	137,450
57	1987	01.10.1998	232,739
58	1987	01.10.2002	340,120
59	1988	01.01.1999	397,610
60	1988	01.01.2003	457,403
61	1988	01.07.1995	168,260
62	1988	01.09.1995	29,310
63	1988	01.10.1999	166,354
64	1989	01.01.1997	134,720
65	1989	01.04.1999	239,422
66	1989	01.06.1999	815,037
67	1989	01.09.1999	758,000
68	1990	01.01.1997	152,348
69	1990	15.01.1998	359,625
70	1990	01.02.2001	10,000
71	1990	01.03.1997	1,330,800
72	1990	20.04.2000	57,400
73	1990	01.05.1995	470,200
74	1990	15.07.1997	487,300
75	1991	01.01.1998	1,148,700
76	1991	01.01.2000	94,200
77	1992	01.01.1999	134,010
78	1992	15.01.1999	765,809
79	1992	01.05.2002	595,801
80	1992	01.10.1997	380,700
81	1992	11.11.1997	295,000
82	1992	15.12.2002	346,500
83	1993	01.01.1998	470,000
84	1993	01.03.2000	440,000
85	1993	01.04.2003	1,220,000
86	1993	01.06.1998	540,000
88	1993	01.11.2003	357,000
89	1994	01.01.2004	1,100,000
90	1994	15.05.2006	1,599,734

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>Series</u>	<u>Year of Issue</u>	<u>Matures</u>	<u>Amount</u>
91	1994	01.10.2000	1,137,079
F	1977	01.05.1997	18,120
M	1980	01.11.1995	490
Total			<u>21,977,397</u>
b) Mortgage bonds			
18	1970	01.01.1995	44,808
19	1971	01.01.1996	56,625
20	1972	01.01.1997	80,896
21	1973	01.01.1998	84,036
22	1974	01.10.1998	41,575
23	1974	01.12.1998	102,125
24	1975	01.02.2000	143,065
25	1976	01.03.2001	82,510
26	1976	01.07.2001	99,128
27	1977	01.05.2002	312,815
28	1978	01.10.2003	524,320
29	1978	01.10.2003	32,131
30	1979	01.04.2004	70,662
31	1979	01.04.2004	85,786
32	1980	01.11.2004	23,081
34	1980	01.09.1995	18,678
36	1980	01.09.1995	1,177
50	1982	01.10.1997	13,748
51	1983	01.02.1996	288,889
52	1983	01.02.1998	76,282
54	1984	01.02.1999	23,603
55	1985	01.01.1995	163,615
56	1985	01.01.2000	40,716
57	1986	01.07.1997	562,056
58	1987	01.12.1998	125,697
59	1988	01.02.2000	114,241
60	1988	01.09.2000	692,331
61	1989	01.09.2000	618,765
62	1991	01.04.2000	255,600
63	1991	01.08.1999	120,900
64	1992	01.08.2002	243,395
65	1993	01.02.1998	370,000
66	1994	15.01.2000	160,000
67	1994	01.05.2000	41,000
68	1994	01.09.2000	90,000
Total			<u>5,804,256</u>

2. Cover for Mortgage Bonds and Municipal Bonds

Including series drawn for redemption, the volume of outstanding mortgage bonds amounted to ATS 21,978,123,000, and that of municipal bonds to ATS 5,804,908,000. Thus the total volume of these issues amounted to ATS 27,783,031,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Assets held as cover for outstanding mortgage bonds and municipal bonds are classified in the following table:

Mortgage loans serving as cover for mortgage bonds.....	6,007,024,801.28
Loans serving as cover for municipal bonds	20,845,628,110.40
Substitute cover in the form of securities	<u>1,211,441,918.16</u>
Assets whose use is subject to restriction	<u>28,064,094,829.84</u>

THE BANK AUSTRIA GROUP AT A GLANCE

This overview is an integral part of the Notes to the Financial Statements. The figures have been prepared for publication pursuant to § 238 Item 2 of the Commercial Code. Figures are not stated where disclosure is not required under § 241 Para. 2 Item 1 of the Commercial Code.

Name of Company, Place of Domicile	Equity Interests		Equity Interests		Currency	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
	in 000's							
Banks, Financial Services and Allfinanz Companies								
Bank Austria Beteiligungsfonds Aktiengesellschaft, Vienna	X		100.00		ATS	416,991	33,141	31.12.94
Bank Austria Handelsbank Aktiengesellschaft, Vienna	X		100.00		ATS	257,968	19,018	31.12.94
Bank Austria Kapitalanlagegesellschaft m.b.H., Vienna	X		100.00		ATS	123,981	127,741	31.12.94
Bank Austria Wohnbaubank Aktiengesellschaft, Vienna	X		99.98		ATS	143,423	(1,931)	31.12.94
BA-GC Investmentbank Austria Aktiengesellschaft, Vienna	X			38.80	ATS	520,300	(28,756)	31.12.94
EB und HYPO-Bank Burgenland AG, Eisenstadt	X			40.35	ATS	800,093	44,769	31.12.93
Factor-Bank Aktiengesellschaft, Vienna	X			X				
Investkredit Holding Gesellschaft m.b.H., Vienna	X			X				
ÖCI-GZB Beteiligungsgesellschaft, m.b.H., Vienna	X			X				
ÖKB-Holdinggesellschaft m.b.H., Vienna	X			X				
VISA-SERVICE Kreditkarten Aktiengesellschaft, Vienna	X		75.00		ATS	169,495	172,748	30.06.94
Bank Austria d. d., Ljubljana	X		95.69		SIT	2,381,655	30,683	31.12.94
Bank Austria (CR) a. s., Prague	X		67.33		CSK	923,430	83,305	31.12.94
Bank Austria (Switzerland) Ltd., Zurich	X		88.00		SFR	52,507	217	31.12.94
Europai Kereskedelmi Bank RT, Budapest	X			50.00	HUF	2,168,028	330,111	31.12.93
UNION Versicherungs-AG, Vienna	X			33	ATS	161,788	52,211	31.12.93
Vereinigte Pensionskasse Aktiengesellschaft, Vienna	X			30				*
Bank Austria Leasing GmbH, Vienna	X	X	100.00		ATS	1,330,231	64,288	31.12.94
LB-Leasinggesellschaft m.b.H., Vienna	X		100.00		ATS	(68,805)	2,183	31.12.94
OLB Holdings (UK) Ltd., London	X		100.00		GBP	20,348	2,135	31.12.94
Z Leasing Immobilien Holding Gesellschaft m.b.H., Vienna	X		100.00		ATS	32,539	(33,375)	31.12.94
BFAG-Holding Gesellschaft m.b.H., Vienna	X			X				
Z-Treuhand und Vermögensverwaltungsgesellschaft m.b.H., Vienna	X		100.00		ATS	47,100	23,839	31.12.94
Production								
AEG Austria Gesellschaft m.b.H., Vienna	X			X				
Austria Email Aktiengesellschaft, Vienna	X			25.01	ATS	103,143	5,098	31.12.93
Bank Austria Industrieholding Gesellschaft m.b.H., Vienna	X		100.00		ATS	2,184,697	(16,398)	31.12.93
J. M. Voith Aktiengesellschaft, St. Pölten		X		25.00	ATS	359,748	(2,339)	30.09.93
Lenzing Aktiengesellschaft, Lenzing		X		33.40	ATS	1,502,582	(188,310)	31.12.93
UNITECH Aktiengesellschaft, Kirchdorf/Krems	X	X	99.96		ATS	325,343	(8,732)	31.12.93
Waagner-Biró Aktiengesellschaft, Vienna		X	76.74		ATS	357,424	42,792	31.12.93
Wiener Porzellanmanufaktur Augarten Gesellschaft m.b.H., Vienna	X	X	X					
Aktiengesellschaft für Bauwesen, Vienna	X	X	99.88		ATS	35,235	698	31.12.93
Allgemeine Baugesellschaft-A. Porr Aktiengesellschaft, Vienna	X			32.61	ATS	572,183	90,757	31.12.93
Wiener Betriebs- und Baugesellschaft m.b.H., Vienna	X	X	100.00		ATS	173,815	46,854	31.12.93

*) The merger was made with retroactive effect to 1st January 1994: financial statements as of 31st Dec. 1994 were not available at time of going to press.

Name of Company, Place of Domicile	Equity Interests		Equity Interests		Currency	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
	in 000's							
Trade and Services								
Bank Austria Handelsholding Gesellschaft m.b.H., Vienna	X		86.71		ATS	572,953	57,190	31.03.93
Bank Austria Aktiengesellschaft & Co. Rechenzentrum KG, Vienna	X		100.00		ATS	13,219	414	31.12.93
DATASERVICE Holding Ges.m.b.H., Vienna	X		X					
DATASERVICE Informatik Ges.m.b.H., Vienna	X		X					
DATASERVICE Organisations- und Datenverarbeitungs Ges.m.b.H., Vienna	X		X					
Gewista Werbegesellschaft m.b.H., Vienna	X		51.00		ATS	127,306	27,322	31.12.93
LB-Beteiligungs-Aktiengesellschaft, Biel	X		X					
TSG EDV-Terminal-Service Ges.m.b.H., Vienna	X		X					
Vienna Trade Ges.m.b.H., Vienna	X		X					
Wiener Hafen und Lager, Ausbau und Vermögensverwaltungsges.m.b.H. (WHV), Vienna ...	X	X	100.00		ATS	88,576	15,660	31.12.93
Wiener Messen und Congress Gesellschaft m.b.H., Vienna	X		X					
Tourism and Leisure								
CLS Beteiligungs-Gesellschaft m.b.H., Vienna	X			X				
Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. & Co. KG, Sauerbrunn	X		98.97		ATS	36,847	12,488	31.12.93
Hotel & Touristik Holding Aktiengesellschaft, Vienna ..	X		74.98		ATS	1,230,972	(14,689)	31.12.93
LTB Beteiligungs-Gesellschaft m.b.H., Vienna	X			X				
Palais am Stadtpark Hotelbetriebs AG, Vienna	X		80.00		ATS	(47,321)	(23,453)	31.12.93
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H., Vienna	X		X		—			
WIGAST Aktiengesellschaft, Vienna	X	X	78.55		ATS	275,751	13,617	31.12.93
Health								
GET Management Gesellschaft für Gesundheit, Energie und Technik GmbH, Vienna	X	X	100.00		ATS	75,117	(21,738)	31.12.93
Real Estate and Residential Construction								
ARWAG Holding-Aktiengesellschaft, Vienna	X			X				
Bank Austria Aktiengesellschaft-Liegenschaftsverwertung OHG, Vienna	X		100.00		ATS	100,563	1,219	31.12.93
Bank Austria Immobilienfonds AG, Vienna	X		100.00		ATS	97,921	66,168	31.12.93
Bank Austria Wohnbau Aktiengesellschaft, Vienna	X	X	100.00		ATS	191,706	10,640	31.12.93
Campustar (Hong Kong) Ltd., Central Hong Kong ...	X		99.99		HKD	27,187	(146)	31.12.93
Ekazent Bautenverwaltung Gesellschaft m.b.H., Vienna	X	X	X					
Ekazent Realitätengesellschaft m.b.H., Vienna	X	X	100.00		ATS	423,179	57,239	31.12.93
Erste Wiener Hotel-Aktiengesellschaft, Vienna	X			44.90	ATS	(19,889)	(5,662)	31.12.93
GANYMED Immobilienvermietungsgesellschaft mbH, Vienna	X	X	100.00		ATS	759,446	11,087	31.12.94
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H., Vienna	X			X				
HYPERION Immobilienvermietungsgesellschaft m.b.H., Vienna	X	X	100.00		ATS	589,738	10,352	31.12.94
IMMOTRUST Anlagen Aktiengesellschaft, Vienna	X	X		33.81	ATS	538,009	17,556	31.12.93
Interring Gesellschaft m.b.H., Vienna	X		100.00		ATS	157,670	19,091	31.12.93
KLEA Terrain- und Bau-Gesellschaft m.b.H., Vienna ..	X	X	100.00		ATS	907,830	14,894	31.12.93
Kommerz-Real Liegenschaftsverwertungsgesellschaft m.b.H., Vienna	X	X	X					
Lassallestraße Holding Gesellschaft m.b.H., Vienna ...	X		100.00		ATS	169,487	(84)	31.12.93
WED Holding Gesellschaft m.b.H., Vienna	X			X				
Wiener Bauträgergesellschaft m.b.H., Vienna	X	X	100.00		ATS	100,576	2,838	31.12.93
Wohnbauerrichtungs- und verwertungs-Aktiengesellschaft, Vienna	X	X	100.00		ATS	91,274	(452)	31.12.93
Z-Beteiligungsholding Gesellschaft m.b.H., Vienna ...	X		100.00		ATS	173,398	6,519	31.10.94

BALANCE SHEET

	as of 31st December 1993 (Austrian Schillings)		1992 (in thousands)	
Assets				
1. Cash reserves:				
a) vault cash	3,679,411,301.54		3,561,100	
b) balances with the Austrian National Bank and the Austrian Postal Savings Bank	6,005,174,529.20	9,684,585,890.74	2,283,453	5,844,553
2. Checks, cash items in process of collection		84,444,485.01		122,260
3. Due from banks, of which monies due on demand or in less than 30 days, of which monies due in not less than 30 days but less than 6 months	36,008,840,026.83 35,884,938,194.37	110,014,793,660.05		95,916,912
4. Bills of exchange, of which rediscountable with the Austrian National Bank	2,206,428,550.88	3,474,866,067.95		6,031,867
5. Securities:				
a) fixed-interest securities, of which listed on exchanges	59,478,287,154.73 39,052,664,801.03		45,238,609	
b) shares, of which listed on exchanges	4,573,464,272.45 4,185,256,655.36		4,765,346	
c) others	1,642,330,007.44	65,694,081,434.62	1,425,039	51,428,994
of which eligible as collateral for Austrian National Bank advances, of which from own floatations	31,596,663,219.96 2,147,322,643.03			
6. Loan to banks, of which covered by guarantees of the Republic or the provinces	13,972,766,247.72	32,695,141,689.63		32,123,605
7. Loans to non-banks:				
a) to the Republic and the provinces	42,000,252,149.39		38,299,183	
b) to others,	269,979,169,102.27	311,979,421,251.66	275,615,113	313,914,296
of which covered by guarantees of the Republic or the provinces	31,660,091,144.03			
8. Loans on a trust basis at third party risk		1,864,847,333.31		1,573,886
9. Equity interests and syndicate holdings:				
a) in banks	3,856,264,479.35		3,308,364	
b) in non-banks,	17,706,711,185.11	21,562,975,664.46	16,186,483	19,494,847
of which interests held on behalf of participation funds	—			
10. Land and buildings:				
a) for own business operations	336,076,969.29		462,234	
b) others	187,873,709.43	523,950,678.72	79,228	541,462
11. Office furniture and equipment		1,549,107,795.59		1,511,969
12. Outstanding contributions to share capital, of which called up contributions	—	—		—
13. Treasury shares par value	8,166,400.00	54,563,551.19		43,441
Amount carried over		559,182,779,442.93		528,548,092

BALANCE SHEET, continued

	as of 31st December 1993 (Austrian Schillings)		1992 (in thousands)	
Liabilities				
1. Savings deposits:				
a) subject to the statutory period of notice	24,139,797,868.61		18,939,477	
b) subject to a period of notice of less than 6 months ..	12,768,370,460.73		14,645,218	
c) subject to a period of notice of not less than 6 months	125,960,738,914.97	162,868,907,244.31	125,554,240	159,138,935
2. Due to banks:				
a) from the refinancing of export credits with Oesterreichische Kontrollbank AG	39,115,921,858.55		41,869,300	
b) from lombard transactions with the Austrian National Bank	—		—	
c) from other deposits by banks, of which monies due on demand or in less than 30 days	143,325,607,368.37	182,441,529,226.92	129,692,581	171,561,881
of which monies due in not less than 30 days but less than 6 months	63,877,806,874.69			
	60,632,113,805.55			
3. Due to non-banks, of which monies due on demand or in less than 30 days,..		110,915,072,398.04		110,468,717
of which monies due in not less than 30 days but less than 6 months	68,086,665,274.11			
	28,415,581,086.61			
4. Own acceptance and promissory notes outstanding		513,762,465.06		250,769
5. Own floatations:				
a) bonds	47,483,550,930.24		42,062,753	
b) medium-term notes	11,654,492,000.00		10,564,070	
c) Genußscheine	—		—	
d) other	—	59,138,042,930.24	—	52,626,823
6. Loans on a trust basis at third party risk		1,864,847,333.31		1,573,886
7. Provisions:				
a) pension provision,	12,139,521,231.00		11,609,423	
of which taxed	51,803.00			
b) for severance payments	1,298,720,485.00		1,191,893	
c) other	2,146,262,985.15	15,584,504,701.15	1,516,223	14,317,539
8. Share capital:				
a) ordinary shares	5,019,495,600.00		4,665,207	
b) preference shares	682,650,000.00	5,702,145,600.00	682,650	5,347,857
9. Participation capital pursuant to § 12 (6) ¹⁾		702,112,400.00		826,401
10. Supplementary capital pursuant to § 12 (7) ¹⁾		3,015,470,000.00		3,015,010
11. Liability reserve pursuant to § 12(10) ¹⁾		7,938,897,783.90		7,138,898
12. Reserves:				
a) statutory reserve, of which premium from issue of participation capital	9,404,647,821.25		7,404,868	
reserve pursuant to	—			
§ 13, Reconstruction Law	179,814,758.67		179,815	
c) reserve pursuant to § 1(3), Mergers and Acquisitions Law	118,692,260.96		118,692	
d) reserve pursuant to § 12, Income Tax Law	1,154,959,476.88		1,176,235	
e) investment reserve pursuant to § 9, Income Tax Law; 1990	114,187.88		—	
Amount carried over		550,685,292,082.93		526,266,716

1) Austrian Banking Act

BALANCE SHEET, continued

	as of 31st December 1993 (Austrian Schillings)		1992 (in thousands)	
Assets				
Amount brought forward.....		559,182,779,442.93		528,548,092
14. Other assets		13,282,628,584.86		16,089,241
15. Accrued items		326,108,798.18		263,057
16. Net loss:				
a) loss/profit brought forward from the previous year ..	—	—	—	—
b) loss/profit for the year	—	—	—	—
Total		572,791,516,825.97		544,900,390
17. Foreign assets,		162,941,639,365.23		149,728,470
of which covered by guarantees				
of the Republic or the provinces	30,360,472,429.50			
18. Assets subject to disposition restrictions:				
a) cover fund for funded bank bonds		22,397,913,000.00		24,947,644
b) cover fund pursuant to § 230a, Austrian Civil Code		451,168,095.50	22,849,081,095.50	451,748 25,399,392
19. Claims, including rights of recourse against:				
a) banks in which the bank has a holding, of which		30,351,372,844.53		32,545,860
GiroCredit Bank AG der Sparkassen	13,400,923,786.04			
b) non-banks in which the bank has a holding		26,677,340,763.86		29,059,906
c) persons referred to in § 17, Austrian Banking Act...		19,211,148,096.29	76,239,861,704.68	81,705,149
20. Investments pursuant to § 15, Austrian Banking Act			23,662,115,335.58	21,612,546
21. Subordinated claims			4,259,298,100.01	4,922,388
22. Contingent claims against:				
a) banks		5,210,691,556.33		5,318,327
b) non-banks		48,450,996,360.27	53,661,687,916.60	53,802,881
23. Assets sold under repurchase agreements,			7,415,594,181.71	11,416,180
of which to the Austrian National Bank	5,095,000,000.00			
of which to non-banks	762,731,639.70			
24. Assets bought under repurchase agreements,				
of which from			6,844,702.12	10,370
non-banks	—			

BALANCE SHEET, continued

	as of 31st December 1993 (Austrian Schillings)		1992 (in thousands)	
Liabilities				
Amount brought forward:		550,685,292,082.93		526,266,716
f) investment allowance pursuant to § 10, Income Tax Law:				
1989	—		49,797	
1990	26,611,542.31		32,044	
1991	1,166,797.00		1,167	
g) valuation reserve due to special depreciation	14,607,180.13		14,657	
h) voluntary reserve	1,130,010,723.13		1,038,011	
i) other reserves	1,278,562,409.00	13,309,187,157.21	1,641,484	11,656,770
13. Other liabilities		7,840,057,830.58		6,096,111
14. Deferred items		499,740,405.99		352,784
15. Net profit				
a) profit/loss brought forward from the previous year ...	11,322,448.01		20,135	
b) profit for the year before dividends for participation capital	502,916,901.25			
less amount required for dividends for participation capital	(57,000,000.00)	445,916,901.25	457,239,349.26	507,874
Total		572,791,516,825.97		544,900,390
16. Foreign liabilities		155,215,182,656.90		158,716,287
17. Contingent liabilities from guarantees		39,435,238,617.40		40,122,531
18. Other contingent liabilities from:				
a) own drafts outstanding, of which ERP bills	2,096,844,499.00	11,301,844,499.00	10,479,114	
b) own endorsement liabilities		2,779,495,950.20	3,315,504	
c) other		494,684,903.00	14,576,025,352.20	637,544
19. Liabilities towards:				
a) banks in which the bank has a holding, of which GiroCredit Bank AG der Sparkassen	1,894,504,695.02	33,153,071,773.97	29,958,970	
b) non-banks in which the bank has a holding		3,035,837,162.40	36,188,908,936.37	3,912,367
20. Trust money savings deposits		402,345,159.53		331,424
21. Liable capital pursuant to § 12 ¹⁾		30,417,685,416.32		27,813,682
of which participation capital	568,470,891.09			
of which supplementary capital	2,956,243,121.71			
22. Basis for calculating liable capital requirements pursuant to § 12 (2) ¹⁾ :				
a) assets subject to liable capital requirements pursuant to § 12 (2) no. 1		572,766,040,951.79		544,850,317
b) contingent liabilities subject to liable capital requirements pursuant to § 12(2) no. 2		46,495,375,690.60		42,180,024
23. Subordinated liabilities		12,372,852,767.00		7,336,508
24. Amount pursuant to Art. X (3), Accounting Law		4,152,765,117.00		4,383,474

1) Austrian Banking Act

PROFIT AND LOSS ACCOUNT

	1993 (Austrian Schillings)		1992 (in thousands)	
1. Interest and similar earnings from				
a) loans and investments	33,445,155,328.33		35,818,028	
b) securities	3,838,629,681.98		4,639,242	
c) holdings in companies	<u>792,186,558.10</u>	38,075,971,568.41	<u>1,329,289</u>	41,786,559
2. Interest and similar expenses from				
a) deposit business	22,373,545,490.44		26,805,728	
b) own flotations	<u>3,619,823,717.43</u>	25,993,369,207.87	<u>4,018,814</u>	30,824,542
I. Net Interest Earned (item 1 less item 2)		12,082,602,360.54		10,962,017
3. Net commission income				
a) commissions and other income	3,044,417,077.67		2,918,906	
b) commissions and other expenses	<u>(344,167,571.18)</u>	2,700,249,506.49	<u>(428,313)</u>	2,490,593
II. Operating Income (Total I +/- item 3)		14,782,851,867.03		13,452,610
4. Personnel expenses, of which:	6,341,371,997.97		7,478,292	
a) wages and salaries	4,592,009,369.42			
b) expenditure for statutory social contributions and compulsory contributions related to wages and salaries	701,030,166.01			
c) other social expenditure	146,590,356.75			
d) expenditure for retirement benefits	517,293,523.79			
e) allocation to the pension provision	299,389,605.00			
f) allocation to the provision for severance payments	85,058,977.00			
5. Expenditures for materials	3,558,506,621.57		2,798,279	
of which rent and leasing expenses	621,964,168.52			
6. Depreciation and value adjustments on fixed assets	445,238,943.60		829,194	
7. Taxes and levies (if not shown under items 4 and 23)	231,585,218.89		229,994	
III. Operating Expenditure (Total of items 4 to 7)		<u>(10,576,702,782.03)</u>		<u>(11,335,759)</u>
IV. Partial Operating Profit (Total II less Total III)		4,206,149,085.00		2,116,851
8. Ordinary earnings from non-banking business	233,766,076.40		172,803	
9. Ordinary expenses from non-banking business	<u>(192,235,451.99)</u>		<u>(109,010)</u>	
10. Earnings/expenses from the valuation and disposal of loans and securities, as well as from trading transactions	<u>(2,131,432,032.60)</u>		<u>(4,225,915)</u>	
11. Earnings/expenses from the valuation and disposal of holdings	<u>(336,078,081.53)</u>		<u>3,074,672</u>	
12. Other extraordinary expenses	<u>(515,668,248.78)</u>		<u>(524,876)</u>	
13. Other extraordinary earnings	62,467,767.30		809,324	
14. Balance of other earnings/expenses (items 8 to 13)		<u>(2,879,179,971.20)</u>		<u>(803,002)</u>
15. to 21. Trading in goods				
22. Expenses from assumption of losses		<u>—</u>		<u>—</u>
V. Annual Surplus/Deficit (before taxes and changes in reserves) (Total IV +/- item 14 less 22)		1,326,969,113.80		1,313,849
23. Taxes on income, earnings and property		<u>(8,629,169.69)</u>		<u>(16,669)</u>

PROFIT AND LOSS ACCOUNT, continued

	1993 (Austrian Schillings)		1992 (in thousands)	
VI. Annual Surplus/Deficit (before changes in reserves)			1,318,339,944.11	1,297,180
24. Changes in reserves	Allocations (—)	Reversals (+)	A (—) R (+)	
a) liability reserve pursuant to § 12 (10), Austrian Banking Act	800,000,000.00	—	— 695,500	
b) reserve pursuant to § 13, Reconstruction Law	—	—	—	
c) statutory reserve	—	—	—	
d) tax reserves:				
pursuant to § 11, Income Tax Law	—	—	+ 5,982	
pursuant to § 9, Income Tax Law	—	—	+ 3,744	
pursuant to § 10, Income Tax Law	—	55,251,357.34	+ 154,826	
pursuant to § 12, Income Tax Law	—	21,275,225.00	+ 38,287	
e) valuation reserve due to special depreciation	—	50,374.80	+ 9,337	
f) voluntary reserve	92,000,000.00	—	— 215,982	
g) other reserves	—	—	—	
Balance of changes in reserves	<u>892,000,000.00</u>	<u>76,576,957.14</u>	(815,423,042.86)	(699,306)
25. Dividends for holders of participation certificates			(57,000,000.00)	(90,000)
VII. Profit/Loss for the Year			445,916,901.25	507,874
26. Profit/loss brought forward from previous year			11,322,448.01	20,135
27. Profits paid on the basis of a profit pooling arrangement or a profit transfer agreement			—	—
VIII. Net Profit/Net Loss			<u>457,239,349.26</u>	<u>528,009</u>

Vienna, 29th March 1994

The Managing Board

	RENÉ ALFONS HAIDEN	GERHARD RANDA	
WALTER HEINRICH	JOSEF RAPP	ROMUALD RIEDL	KARL SAMSTAG

Based on an audit performed in accordance with our professional duties, the accounting records and the financial statements of the bank are in compliance with legal regulations. The financial statements pursuant to generally accepted accounting principles give a reasonable presentation of the bank's assets and liabilities, its financial position and results. The management report is in accordance with the financial statements.

Vienna, 3rd May 1994

Savings Bank Auditing Association
Auditing Board

PETER BUCHBINDER

KLAUS GOSCHLER

BDO Österreichische Wirtschaftsberatung GmbH
Wirtschaftsprüfungs-und
Steuerberatungsgesellschaft

SOT Süd-Ost Treuhand Aktiengesellschaft
Wirtschaftsprüfungs-und
Steuerberatungsgesellschaft

WOLFGANG GASSNER
WOLFGANG RIEDL

G.E. TICHY
KONRAD TOIFL

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board was regularly informed by the Managing Board of the progress and financial position of Bank Austria Aktiengesellschaft and, in its meetings, performed all its tasks as defined by the law and the bye-laws.

The accounts, the financial statements for 1993, the notes to the financial statements and the management report were examined by the SOT Süd-Ost Treuhand AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the BDO Österreichische Wirtschaftsberatungs GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and the Auditing Board of the Savings Bank Auditing Association. As they were found to be in full compliance with legal requirements and the examination showed no cause for objections, the auditor's certificate was presented without qualification. The Supervisory Board has endorsed the findings of this audit, agreed with the annual report and the use of earnings presented by the Managing Board, and approved the 1993 financial statements, which are thereby adopted pursuant to § 125 (2) of the Corporation Law.

Vienna, 4th May 1994

The Supervisory Board:

Siegfried Sellitsch
Chairman

NOTES TO THE FINANCIAL STATEMENTS

I. General Information

The 1993 financial statements were prepared pursuant to the provisions of the Commercial Code and the Banking Act as contained in the 1990 Accounting Law (Federal Gazette 475, dated 28th June 1990).

II. Information Regarding Accounting and Valuation Methods

In *evaluating* loans, due diligence was used in evaluating the known and expected economic development of the borrower as well as the enforceability of claims with due consideration being given to collateral. This task was facilitated by preselection via a risk classification system. The valuation of *loans* to borrowers in countries with serious economic problems (*high-risk countries*) was made in accordance with the relevant opinions submitted by the chamber of public accountants' expert committee for commercial law and auditing.

Securities are carried at the bank pursuant to the cost averaging method. At year-end 1993, the bank held investment securities amounting to ATS 24,827 million (31st Dec. 1992: ATS 21,099 million), valued at cost, provided that no permanent impairment of value has occurred. All remaining securities, or ATS 40,867 million (31st Dec. 1992: ATS 30,330 million), were again valued using the lower of cost or market price method.

Equity interests were valued at their purchase price provided that there was no permanent impairment resulting from continuing losses.

The bank's *real estate* is depreciated at a rate between 2% and 4%, according to use. For computer equipment, the average useful life is estimated at four years for depreciation purposes. Other office furniture and equipment are depreciated over periods from five to ten years.

Analogous to goodwill, the excess of fair values of assets and liabilities acquired over book values and goodwill, if any, resulting from the purchase of various savings banks are depreciated over a fifteen-year period using straight-line depreciation.

Accrued interest is shown under "Other assets". The same method was followed on the liabilities side of the balance sheet. The item "Other assets" includes the *excess of former equity interests over book values from mergers* which are depreciated over a five-year period.

Discounts on liabilities were capitalized pursuant to § 198 (7) of the Commercial Code, and depreciated over the period to maturity. The corresponding method was followed on *claims*. The net-value approach, on the other hand, was taken with regard to *zero-coupon bonds*.

Currencies were generally converted at the prevailing mean rate of exchange on 30th December 1993. Swaps and forward transactions for currencies were valued principally according to the accrual method. Cash in foreign currencies was converted at the applicable exchange rates.

Holdings in *financial futures*, options on these futures, other options and forward rate agreements were appraised at market value. While this appraisal procedure differs from the procedure used last year, it did not have any significant impact on determining the results. Insofar as hedging transactions exist, results have been reflected in interest income or expense.

In making provisions for both *severance payments* and anniversary bonus payments the calculation method used was in line with the expert opinion of the chamber of public accountants. An interest rate of 6% was selected for calculation purposes. In determining the *pension provision*, the accrued benefit valuation method (using a 4% discount rate pursuant to the Ettl-Pagler table) was uniformly applied to the disparate pension claims existing under the internal service regulations of Zentralsparkasse und Kommerzbank AG and Österreichische Länderbank AG. Pursuant to the Accounting Law, the gap in the pension provision resulting partly from past service costs will be amortized over a twenty-year period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

III. Information Regarding Individual Balance-Sheet Items

1. Credit balances and Due from banks

Credit balances not due on demand (i.e., bills of exchange, fixed-interest securities, loans to banks and loans to non-banks) have the following initial maturity periods or agreed periods of notice (calculations are made pursuant to the requirements of the ordinance on monthly reports, Federal Gazette 1986/622 in line with the reporting guidelines of the Austrian National Bank).

a) Periods to Maturity for Credit Balances not due on Demand

	<u>31st Dec. 1992</u>	<u>31st Dec. 1993</u>
	in ATS million	
up to three months	31,306	54,878
between three months and one year	43,291	26,784
between one and five years	62,200	57,000
more than five years	235,647	246,812

b) Periods to Maturity on Amounts due from Banks but not due on Demand

	<u>31st Dec. 1992</u>	<u>31st Dec. 1993</u>
	in ATS million	
up to three months	17,746	41,905
between three months and one year	43,961	41,738
between one and five years	8,645	6,672
more than five years	885	1,210

2. Equity interests

Companies in which Bank Austria holds at least a 25% interest and which are to be included in the Notes to the Financial Statements pursuant to § 238 item 2 of the Commercial Code are shown in the appendix to the Notes to the Financial Statements, which is an integral part thereof. Customary banking relationships are maintained in large part with majority-owned companies. Financings using equity capital substitutes were used in part. As of 31st December 1993, agreements passing on profits and losses to Bank Austria were maintained with the following companies:

- Bank Austria Beteiligungsfonds AG
- Euro-Handelsbank AG
- Bank Austria Kapitalanlage GmbH
- Garage Am Hof GmbH
- Konzern Service und Beratungs GmbH
- VISA Service Kreditkarten AG
- Z-Hausdienste und Küchenbetriebs GmbH
- Z-LB Kapitalanlagen Beratungs GmbH
- Z-Treuhand und Vermögensverwaltungsges.m.b.H.

3. Land and buildings

The value of land on which buildings stands is ATS 96,742,911.98 (31st Dec. 1992: ATS 101,208,805.96).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Office furniture and equipment

This item includes intangible assets amounting to ATS 132,502,465 (31st Dec. 1992: ATS 33,069,036) which were acquired from a majority-owned company.

5. Treasury shares

The table "Trade Inventory Developments of Treasury Shares and Participation Certificates" shows the treasury shares held in 1993 by the bank, a dependent company or a company of which the bank is majority shareholder.

Transactions in treasury shares and participation certificates were carried out in the course of the bank's activities as market maker in order to protect the market's ability to function. Sales proceeds were applied toward normal banking activities. The largest amount of own ordinary and preference shares held by the bank amounted to 710,187 shares or 1.33% (with share capital represented by 53,478,573 certificates). The largest amount of own participation certificates held by the bank totalled 812,568 certificates or 9.83% (with participation capital represented by 8,264,007 certificates).

In 1993 there were two share capital increases (one of which was from the conversion of participation certificates into ordinary shares).

The nominal capital share of additions and disposals is calculated on the basis of the weighted average. Ordinary shares were purchased at an average price of ATS 1,034.72; the average sales price was ATS 1,055.07. Preference shares were purchased at an average price of ATS 548.65; the average sales price was ATS 562.16. Participation certificates were purchased and sold at the average price of ATS 353.85 and ATS 367.47, respectively.

Trade Inventory Developments of Treasury Shares and Participation Certificates

	Number	Par value in ATS	Percent of Nominal Capital
Ordinary shares			
Initial inventory	4,822	482,200	0.01
Additions	387,898	38,789,800	0.80
Disposals	388,761	38,876,100	0.80
Ending Inventory	3,959	395,900	0.01
Preference shares			
Initial inventory	81,025	8,102,500	1.19
Additions	2,521,743	252,174,300	36.94
Disposals	2,525,063	252,506,300	36.99
Ending Inventory	77,705	7,770,500	1.14
Participation certificates			
Initial inventory	137,074	13,707,400	1.66
Additions	1,646,130	164,613,000	20.43
Disposals	1,417,892	141,789,200	17.60
Ending Inventory	365,312	36,531,200	5.20

6. Liabilities

Subordinated liabilities (including supplementary capital) amount to ATS 12,372,852,767.

Liabilities not due on demand (to banks and non-banks, own acceptances and outstanding promissory notes as well as own floatations) have the initial maturity periods or agreed periods of notice

NOTES TO THE FINANCIAL STATEMENTS (Continued)

as shown in the table (calculations are made pursuant to the requirements of the ordinance on monthly reports. Federal Gazette 1986/622 in line with the reporting guidelines of the Austrian National Bank).

Periods to Maturity for Liabilities not due on Demand

	<u>31st Dec. 1992</u>	<u>31st Dec. 1993</u>
	<u>in ATS million</u>	
up to three months	86,252	153,420
between three months and one year	112,030	81,763
between one and five years	94,597	96,988
more than five years	86,409	89,664

7. Provisions

The deficit determined pursuant to Art. X (3) of the Accounting Law in the *pension provision* calculated pursuant to § 211 (2) of the Commercial Code will be amortized in equal installments over a twenty-year period. The deficit resulted from the fact that the figures used for tax purposes were largely included in the financial statements which were prepared pursuant to commercial law. The effect of the changes in the bank's pension scheme is discussed in section IV. (Data on the Profit and Loss Account). The shortfall as of 31st December 1993 is noted under item 24. Deficits for *severance and anniversary bonus provisions* amounted to ATS 184 million (31st Dec. 1992; ATS 245 million) on 31st December 1993.

Other provisions totaled ATS 2,146 million, some ATS 630 million higher than in the previous year. Provisions made for impending losses on equity interests, securities, contingent liabilities and the risks of legal action amounted to ATS 912 million. The remaining other provisions (ATS 1,234 million) were for indeterminate liabilities, and in particular include provisions for expenditures on personnel and materials, deferred taxes and charges likely to result from the fiscal audit, as well as for anniversary bonuses and unconsumed vacation days.

The item also includes provisions for ATS 57 million that were made for dividends to be distributed to holders of participation certificates. This represents a dividend of 8% on the nominal value entitled to dividends.

8. Equity Capital

The bank's subscribed share capital as of year-end 1992 carried in the balance sheet as of 31st December 1992 for the amount of ATS 5,347,857,300 changed as follows during the business year:

By virtue of the authorization granted to it in accordance with the bye-laws, the managing board, after receiving the approval of the supervisory board, adopted a resolution on 20th April 1993 to increase the bank's capital by ATS 230,000,000. The capital increase was implemented through the issue of 2,300,000 new ordinary bearer shares. The shares, each with a par value of ATS 100, were issued against contributions in kind from the merger of Kommerz Holding Gesellschaft m.b.H. with the bank.

The managing board, after receiving the approval of the supervisory board, adopted a resolution on 2nd June 1993 to further increase the bank's capital in accordance with the bank's bye-laws. The capital increase was implemented through the issue of 1,242,883 ordinary bearer shares. The shares, each with a par value of ATS 100, were issued at a per share price of ATS 997. The issue was exclusively for holders of participation certificates who took advantage of the opportunity to convert these certificates into shares.

In light of the increase in share capital made from authorized capital in 1993, the subscribed capital amounted to ATS 5,702,145,600 on 31st December 1993. The subscribed capital is made up of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

50,194,956 ordinary shares, each with a par value of ATS 100, and 6,826,500 preference shares, each with a par value of ATS 100.

The company issued *non-voting preference shares* pursuant to § 115 of the Stock Corporation Law. When the profit is distributed, preference shareholders are given priority over ordinary shareholders, but they rank after the holders of participation certificates in receiving a 6% dividend on the nominal value of their holdings.

By virtue of its bye-laws the bank reserves the right to issue new shares with preferred or equal status pursuant to § 117 (2) of the Stock Corporation Law.

Authorized Capital

As already mentioned in the notes to the share capital, in 1993 a total of 3,542,883 ordinary bearer shares, each with a par value of ATS 100, were subscribed from the bank's authorized capital for the total nominal amount of ATS 354,288,300. After taking this subscription into account, the managing board is authorized pursuant to § 6 (4) of the bye-laws to increase nominal share capital a further ATS 2,046,119,400 by 5th October, 1996 at the latest against contributions in cash or contributions in kind, and to determine the issue price and the terms and conditions of issue with the approval of the supervisory board.

Contingent Capital

If holders of participation certificates, supplementary capital bonds, convertible bonds, option rights or warrants which were issued by the bank choose to exercise their conversion or subscription rights, share capital will be increased by an additional ATS 2,582,755,000.

Participation Capital

The bank issued rights within the meaning of § 240 Item 7 of the Commercial Code, representing participation capital in the amount of ATS 702,112,400 in nominal terms, which is shown in the balance sheet as of 31st December 1993 (31st December 1992: ATS 826,400,700). The participation certificates of the bank represent participation capital pursuant to § 12 (6) of the Austrian Banking Act and § 23 (4) pursuant to the new Banking Act. When the profit is distributed, the certificates are entitled to a preferred dividend of 6% on their par value before the preferential dividend is paid to holders of preference shares. The dividend may only be paid out of distributable profits. If the preferred dividend cannot be distributed for a business year in whole or in part, the arrears shall be paid in accordance with the profit of subsequent years that is available for distribution. If a resolution is adopted for the distribution of an extra dividend to holders of preference shares, the dividend to holders of participation certificates shall be increased by the same percentage.

In the event the company is liquidated, payment of the liquidation proceeds shall be made to the holders of participation certificates up to the nominal amount of the participation capital before the payment of such proceeds to the shareholders. Liquidation proceeds in excess of the nominal amount of the participation capital shall be paid to the shareholders to the extent that they receive the nominal amount of the shares. Any residual amount from the liquidation proceeds shall be distributed to shareholders and holders of participation certificates on an equal parity basis.

IV. Data on the Profit and Loss Account

The item *Interest and similar earnings from holdings in companies* includes earnings from subsidiary companies through profit pooling arrangements (ATS 283 million) and through other majority-owned companies (ATS 311 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Changes in the bank's pension scheme made in 1993, which take effect on 1st January 1995, foresee the gradual increase in contributions made by active and former employees to their retirement accounts to 10% by the year 2004. This resulted in a markedly lower allocation to the pension provision in 1993 (ATS 299.4 million compared to ATS 1,380.1 million in 1992). This reduction in the allocation was the result of the one-off extraordinary effect of some ATS 735 million, which came in large part from provisions for current pension payments, and from a reduction in allocations to provisions for active employees (around ATS 535 million).

The item *Balance of earnings from the valuation and disposal of holdings* includes ATS 242 million in expenditures on majority-owned companies, resulting largely from mergers between such companies and Bank Austria.

Significant *extraordinary expenditures* were incurred in 1993 through the allocation of shortfalls to the pension provision and the provisions for severance payments and anniversary payments as well as for the risk of legal action.

The changes in untaxed reserves had no impact on the position "Taxes on income, earnings and property."

Developments in the Revaluation Reserve and other untaxed Reserves

	<u>31st Dec. 1992</u>	<u>Merger of Z-Kapitalmarkt*</u>	<u>Dissolutions in ATS</u>	<u>Additions</u>	<u>31st Dec. 1993</u>
1. Revaluation reserve					
Reserve pursuant to § 12, Income Tax Law:					
Securities	296,363,143.66	0.00	15,375,225.00	0.00	280,987,918.66
Equity interests	871,547,202.22	0.00	0.00	0.00	871,547,202.22
Real estate	7,275,700.00	0.00	5,900,000.00	0.00	1,375,700.00
Office furniture and equipment	1,048,656.00	0.00	0.00	0.00	1,048,656.00
	<u>1,176,234,701.88</u>	<u>0.00</u>	<u>21,275,225.00</u>	<u>0.00</u>	<u>1,154,959,476.88</u>
Revaluation reserve pursuant to § 8 and § 122, Income Tax Law:					
Office furniture and equipment	11,616,438.00	0.00	0.00	0.00	11,616,438.00
Real estate	3,041,116.93	0.00	50,374.80	0.00	2,990,742.13
	<u>14,657,554.93</u>	<u>0.00</u>	<u>50,374.80</u>	<u>0.00</u>	<u>14,607,180.13</u>
Total revaluation reserve	<u>1,190,892,256.81</u>	<u>0.00</u>	<u>21,325,599.80</u>	<u>0.00</u>	<u>1,169,566,657.01</u>
2. Other untaxed reserves					
Reserve pursuant to § 9, Income Tax Law:					
1990	0.00	114,187.88	0.00	0.00	114,187.88
Reserve pursuant to § 10, Income Tax Law:					
1989	49,796,799.98	0.00	49,796,799.98	0.00	0.00
1990	32,044,340.89	21,758.78	5,454,557.36	0.00	26,611,542.31
1991	1,166,797.00	0.00	0.00	0.00	1,166,797.00
Reserve pursuant to § 1 (3), Mergers and Acquisitions Law:					
Reserve pursuant to § 12 (10), Banking Act:	118,692,260.96	0.00	0.00	0.00	118,692,260.96
	<u>7,138,897,783.90</u>	<u>0.00</u>	<u>0.00</u>	<u>800,000,000.00</u>	<u>7,938,897,783.90</u>
Total other untaxed reserves	<u>7,340,597,982.73</u>	<u>135,946.66</u>	<u>55,251,357.34</u>	<u>800,000,000.00</u>	<u>8,085,482,572.05</u>
Grand Total (1 + 2)	<u>8,531,490,239.54</u>	<u>135,946.66</u>	<u>76,576,957.14</u>	<u>800,000,000.00</u>	<u>9,255,049,229.06</u>

(*) from the merger between Z-Kapitalmarkt FinanzierungsberatungsgesmbH and Bank Austria

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. Additional Data

1. Total expenditures from the use of non-capitalized fixed asset.

The utilization of fixed assets not shown in the balance sheet (in connection with rent and leasing obligations) will result in expenditures of which ATS 761 million (31st Dec. 1992: ATS 843 million) will be due for payment in the following year. A total of ATS 3,809 million (31st Dec. 1992: ATS 4,213 million) will be due for payment over the next five years.

2. Foreign currency-denominated business as a percentage of total assets

Assets denominated in foreign currencies accounted for 31.5% or ATS 180,283,416,304.22 (1992: 28.3% or ATS 154,269,037,542.10) of the bank's total assets, while liabilities denominated in foreign currencies accounted for 30.6% or ATS 175,171,062,734.66 (1992: 30.6% or ATS 166,856,902,505.64) of total assets.

3. Unsettled Forward Transactions

Bank Austria actively deals in a number of derivative financial products. These instruments are used for both hedging (against price and interest rate risks) and trading purposes.

With regard to instruments traded on the stock exchange, activities are limited exclusively to interest-rate futures and options thereon. The main exchanges are in Chicago (CBT, CMF), London (LIFFE) and Paris (MATIF).

With regard to instruments not traded on the stock exchange (OTC contracts), Bank Austria's activities focus on the following areas:

a) Currency Instruments

Bank Austria acts as market maker in connection with foreign exchange forward transactions in major currencies and the schilling. The main exchanges are located in Europe (London, Frankfurt, Zurich) and East Asia (Hong Kong, Singapore). The total volume of foreign exchange forward transactions still open on 31st December 1993 amounted to ATS 233.8 billion (31st Dec. 1992: ATS 182.3 billion) for buying contracts and ATS 233 billion (31st Dec. 1992: ATS 173.2 billion) for selling contracts. In respect of currency swaps, volume totaled ATS 9.3 billion in each case.

Activities related to currency options focus almost entirely on the bank's commercial customers. The bank's main business partners are large banks in London and Frankfurt.

b) Interest-Rate Instruments

The bank also acts as market maker in the area of *forward rate agreements*, with an emphasis on US\$, DEM and SFR transactions. In regional terms, the European market is of the greatest significance to the bank. Interest has also been recently growing in warrants on forward rate agreements ("interest rate guarantees"), which Bank Austria uses primarily as a hedging instrument.

In the financial engineering area, *interest rate and currency swaps*, as well as *caps* and *floors*, serve as long-term hedges against price and interest-rate risks for customers and the bank's own positions.

VI. Data on Personnel and Executive Bodies

In 1993 the bank employed an average of 8,835 white-collar employees (1992: 8,993) and 545 blue-collar employees (1992: 560).

Loans granted to members of the managing board which were outstanding on 31st December 1993 totalled ATS 3,098,222.92 (1st January 1993: ATS 2,652,382). Loans granted to members of the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

supervisory board amounted to ATS 7,594,659.82 (1st January 1993: ATS 15,333,794). No guarantees were issued for the members of the managing board or supervisory board, nor were any salary advances made to them. Loans to the supervisory board include those made to members of the employees' council. The maturities of the loans range from five to ten years. The interest rate payable on the loans granted to the bank's executive bodies is based on the rate charged employees of Bank Austria Aktiengesellschaft.

Expenditures for *severance payments and pensions* include allocations to and retirements from the provision for pensions and the provision for severance payments. Funds earmarked for members of the managing board, senior executives and their survivors were reduced by ATS 8,163,976.09 in 1993, while expenditures for employees and their survivors amounted to ATS 392,612,953.09.

The term "senior executives" comprises executive directors, heads of divisions, and the heads of the regional head offices and their deputies. In 1993 *total remuneration* of members of the managing board amounted to ATS 26,122,923.21; remuneration for activities on behalf of majority-owned companies came to ATS 808,000. Payments to former members of the managing board or their survivors totalled ATS 30,146,009.82. *Total remuneration* to members of the supervisory board totalled ATS 4,248,545.50. Payments for activities on behalf of associated companies, which include profit-sharing payments and bonus payments, reimbursements for out-of-pocket expenses and commissions, amounted to ATS 87,008.

THE BANK AUSTRIA GROUP AT A GLANCE

This overview is an integral part of the Notes to the Financial Statements. The figures have been prepared for publication pursuant to § 238 Item 2 of the Commercial Code. Figures are not stated where disclosure is not required under § 241 Para. 2 Item 1 of the Commercial Code.

Name of Company, Place of Domicile	Equity holdings		Equity holdings		Currency	Equity		Balance
	direct	indirect	> 50%	< 50%		Capital	Results	Sheet Date
(in 000's)								
Banks, Financial Services and Allfinanz Companies								
Euro-Handelsbank AG, Vienna	X		100.00		ATS	277,000	20,000	31.12.93
EB und HYPO-Bank Burgenland AG, Eisenstadt	X			40.34	ATS	639,485	25,939	31.12.92
Factor-Bank Aktiengesellschaft, Vienna	X			X				
Investkredit Holding Gesellschaft m.b.H., Vienna	X			X				
Mercurbank Aktiengesellschaft, Vienna	X		100.00		ATS	524,636	60,179	31.12.93
ÖCI-GZB Beteiligungs- gesellschaft m.b.H., Vienna	X			X				
ÖKB-Holdinggesellschaft m.b.H., Vienna	X			X				
Z-Länderbank Bank Austria Investment Bank AG, Vienna	X		70.68		ATS	410,056	14,989	31.12.93 ⁴⁾
Bank Austria Beteiligungsfonds AG, Vienna	X		100.00		ATS	224,439	34,335	31.12.92
Bank Austria Kapitalanlagegesellschaft m.b.H., Vienna	X		100.00		ATS	134,415	79,744	31.12.93
Bank Austria Leasing Gesellschaft m.b.H., Vienna	X	X	100.00		ATS	1,331,077	33,424	31.12.93 ¹⁾
BFAG-Holding Gesellschaft m.b.H., Vienna	X			X				
KABAG Holding Gesellschaft m.b.H., Vienna	X			X				
LB-Leasinggesellschaft m.b.H., Vienna	X		100.00		ATS	(28,919)	(32,112)	31.12.92
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	X			X				
VISA-SERVICE Kreditkarten Aktiengesellschaft, Vienna	X		75.00		ATS	152,916	159,377	30.06.93
Z Leasing Immobilien Holding Gesellschaft m.b.H., Vienna	X		100.00		ATS	48,941	(2,647)	30.09.93
Z-Treuhand u. Vermögensverwaltungs- gesellschaft m.b.H., Vienna	X		100.00		ATS	61,231	14,376	30.09.93
Bank Austria — Wiener Städtische Pensionskassen AG, Vienna	X			50.00	ATS	71,429	(4,355)	31.12.92
UNION Versicherungs-AG, Vienna	X			33.33	ATS	144,533	21,983	31.12.92
Bank Austria (CR) a.s., Prague	X		67.33		CZK	825,000	60,876	31.12.93
Bank Austria d.d., Ljubljana	X		89.17		ATS	67,701	1,195	31.12.92
Bank Austria (Switzerland) Ltd., Zurich	X		88.00		SFR	51,990	1,064	31.12.93
Europai Kereskedelmi Bank Rt., Budapest	X			50.00	HUF	1,837,917	302,124	31.12.92
OLB Holdings (UK) Ltd., London	X		100.00		GBP	18,213	(1,428)	30.06.93
Production								
AEG Austria Gesellschaft m.b.H., Vienna	X			X				
Austria Email Aktiengesellschaft, Vienna	X			25.01	ATS	120,165	29,562	31.12.92
Bank Austria Industrieholding Gesellschaft m.b.H., Vienna	X		100.00					3)
J. M. Voith Aktiengesellschaft, St. Pölten		X		25.00	ATS	359,748	(2,339)	30.09.93
Lenzing Aktiengesellschaft, Lenzing		X		33.40	ATS	1,570,883	(93,001)	31.12.92
Waagner-Biró Aktiengesellschaft, Vienna		X	76.74		ATS	329,056	16,845	31.12.92

Name of Company, Place of Domicile	Equity holdings		Equity holdings		Currency	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
(in 000's)								
Wiener Porzellanmanufaktur Augarten Gesellschaft m.b.H., Vienna	X		X					
Aktiengesellschaft für Bauwesen, Vienna	X	X	99.88		ATS	36,466	3,865	31.12.92
Allgemeine Baugesellschoß-A. Porr Aktiengesellschaft, Vienna	X			33.29	ATS	539,963	75,947	31.12.92
Wiener Betriebs- und Baugesellschaft m.b.H., Vienna	X	X	100.00		ATS	136,385	9,073	31.12.92
Trade and Services								
Bank Austria Handelsholding Gesellschaft m.b.H., Vienna	X		85.62		ATS	427,790	(76,160)	31.03.93
Dataline Datenverarbeitungen- Ges.m.b.H., Vienna	X		100.00		ATS	72,168	(14,581)	31.12.92
Dataservice Holding Ges.m.b.H., Vienna	X		X					
Dataservice Informatik Ges.m.b.H., Vienna.....	X		X					
Dataservice Organisations- und Datenverarbeitungs- Ges.m.b.H., Vienna.....	X		X					
Dataservice Organisations- und Datenverarbeitungs- Ges.m.b.H. Rechenzentrum OHG, Vienna	X		100.00		ATS	12,805	(183,921)	31.12.92
Dataservice Systemhaus Ges.m.b.H., Vienna.....	X		X					
Gewista Werbegesellschaft m.b.H., Vienna.....	X		51.00		ATS	135,511	28,976	31.12.92
LB-Beteiligungs-Aktiengesellschaft, Biel	X		X					
SZKI Intelligens Software Szamitastechnikal Fejlesztő, Gyarto es Ertekesítő Rt., Budapest	X			X				
TSG EDV-Terminal-Service Gesellschaft m.b.H., Vienna	X		X					
Vienna Trade Ges.m.b.H., Vienna	X		X					
Wiener Hafen und Lager Ausbau- und Vermögensverwaltungsges. m.b.H., Vienna.....	X	X	100.00		ATS	89,059	80,035	31.12.92
Wiener Kühlhaus Frigoscandia Gesellschaft m.b.H., Vienna	X			X				
Wiener Messen und Congress Gesellschaft m.b.H., Vienna	X		X					
Tourism and Leisure								
CLS Beteiligungs-Gesellschaft m.b.H., Vienna.....	X			X				
Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. & Co. KG, Sauerbrunn	X		X					
Hotel & Touristik Holding Aktiengesellschaft, Vienna	X		74.98		ATS	885,511	(1,594)	31.12.92 ³⁾
LTB Beteiligungs-Gesellschaft m.b.H., Vienna.....	X			X				
Palais am Stadtpark Hotelbetriebs AG, Vienna.....	X		80.00		ATS	(21,593)	(27,345)	31.12.92
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co. KG, Vienna	X			X				
WIGAST Aktiengesellschaft, Vienna	X	X	100.00		ATS	265,074	(8,534)	31.12.92
Health								
GET Management Gesellschaft für Gesundheit, Energie und Technik mbH, Vienna	X	X	100.00					2)

Name of Company, Place of Domicile	Equity holdings		Equity holdings		Currency	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
(In 000's)								
Real Estate and Residential Construction								
ARWAG Holding-Aktiengesellschaft, Vienna.....	X			X				
Bank Austria-Aktiengesellschaft - Liegenschaftsverwertungs OHG, Vienna.....	X		100.00		ATS	101,105	(27)	31.12.92
Bank Austria Wohnbau AG, Vienna.....	X	X	100.00		ATS	191,706	10,640	31.12.93
Campustar (Hong Kong) Ltd., Central Hong Kong	X		99.99		HK\$	822	298	31.12.92
Ekazent Bautenverwaltung Gesellschaft m.b.H., Vienna	X	X	X					
Ekazent Realitätengesellschaft m.b.H., Vienna.....	X	X	X					
Erste Wiener Hotel Aktiengesellschaft, Vienna.....	X			44.90	ATS	43,102	8,855	31.12.92
GANYMED Immobilienvermietungsgesellschaft m.b.H., Vienna	X	X	100.0		ATS	753,574	(7,676)	31.12.92
GEWOG Gemeinnützige Wohnungsbau- Gesellschaft m.b.H., Vienna	X				X			
HYPERION								
Immobilienvermietungsgesellschaft m.b.H., Vienna	X	X	100.00		ATS	584,852	(6,398)	31.12.92
IMMOTRUST Anlagen								
Aktiengesellschaft, Vienna	X	X		33.90	ATS	520,833	4,002	31.12.92
Interring Gesellschaft m.b.H. Vienna.....	X		100.00		ATS	157,700	16,932	31.12.92
KLEA Terrain- und Bau-Ges. m.b.H. Vienna.....	X	X	100.00		ATS	1,050,531	2,729	31.12.92 ³⁾
Kommerz-Real								
Liegenschaftsverwertungs- gesellschaft m.b.H. Vienna	X	X	X					
Lassallestraße Holding Gesellschaft m.b.H., Vienna	X		100.00					3)
LB-Bauconsult Holding Ges.m.b.H. Vienna.....	X		X					
"NEUE HEIMAT" Gemeinnützige								
Wohnungs- und Siedlungsgesellschaft GmbH, Wr. Neustadt	X			X				
WED Holding Gesellschaft m.b.H., Vienna.....	X			X				
Wiener Bauträger Ges.m.b.H., Vienna ..	X	X	100.00		ATS	106,586	9,176	31.12.92
Wohnbauerrichtungs- und- verwertungs- Aktiengesellschaft, Vienna	X	X	100.00		ATS	105,192	(882)	31.12.92
Z-Immobilienfonds Aktiengesellschaft, Vienna.....	X		100.00		ATS	69,887	71,394	31.12.92

1) Abbreviated financial year from 1st Oct. to 31st Dec. 1993.

2) Newly-formed company: financial statements as of 31st Dec. 1993 are not yet available.

3) Restructurings resulted in significant changes in 1993; financial statements as of 31st Dec. 1993 are not yet available.

4) Now Bank Austria Investment Bank AG.

ANNEX B

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP

BALANCE SHEET

	31st December 1995 (in ATS thousand)	1994 (in ATS mn)
Assets		
1. Vault cash, Balances with central banks and postal giro offices	8,577,832	10,498
2. Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank:		
a) debt instruments issued by public agencies and similar securities	42,729,053	51,195
b) bills of exchange eligible for refinancing at central banks	2,173,496	1,531
	44,902,549	52,726
3. Claims against credit institutions		
a) due on demand	25,205,409	18,146
b) other claims	152,944,552	139,069
	178,149,961	157,215
4. Claims against customers	380,074,382	363,956
5. Bonds and other fixed-interest securities		
a) issued by public borrowers	10,563,258	2,686
b) issued by other borrowers	15,172,994	18,386
of which:		
own bonds	432,635	
6. Shares and other non fixed-interest securities	6,417,466	6,649
7. Equity interests	6,440,042	6,835
of which:		
in credit institutions	1,522,607	
Equity interests: valued at equity	992,186	
8. Shares in group companies	8,032,473	9,183
of which:		
in credit institutions	196,189	
Shares in group companies: valued at equity	7,627,301	
9. Intangible non-current assets	1,047,601	1,435
10. Tangible fixed assets	10,506,231	10,089
of which:		
land and buildings used by the credit institution for its own business operations	6,526,006	—
11. Treasury shares and interests, interests in a controlling company, interests in a company holding a majority interest	287,074	266
of which:		
par value	72,637	
12. Other assets	15,795,313	11,323
13. Subscribed capital, which is due but not yet paid	—	—
14. Accrued items	1,683,728	454
Total Assets	687,650,904	651,701

BALANCE SHEET

	31st December 1995 (in ATS thousand)		1994 (in ATS mn)	
Liabilities				
1. Due to credit institutions				
a) due on demand	25,953,469		28,981	
b) subject to an agreed term or period of notice	155,172,865	181,126,334	154,928	183,909
2. Due to customers				
a) savings deposits	172,625,804		170,698	
of which:				
aa) due on demand	29,286,238			
bb) subject to an agreed term of period of notice	143,339,566			
b) other liabilities	144,907,824	317,533,628	125,509	295,207
of which:				
aa) due on demand	66,676,731			
bb) subject to an agreed term or period of notice	78,231,093			
3. Securitized liabilities				
a) bonds issued	69,145,481		87,150	
b) other securitized liabilities	37,154,517	106,299,998	11,554	98,704
4. Other liabilities		18,306,752		10,594
5. Deferred items		746,876		920
6. Provisions				
a) provisions for severance payments	1,545,835		1,458	
b) pension provisions	14,059,546		12,857	
c) provisions for taxes	222,362		130	
d) other	2,442,731	18,270,474	2,193	16,638
6A. Fund for general bank risks		—		—
7. Subordinated liabilities		10,389,277		11,641
8. Supplementary capital		2,277,819		2,867
9. Subscribed capital		6,474,258		6,474
10. Capital reserves				
a) subject to legal restrictions	11,000,777		10,863	
b) other	4,173	11,004,950	1	10,864
11. Retained income				
a) statutory reserve	152,852		137	
b) reserves pursuant to the bye-laws ..				
c) other reserves	1,403,924	1,556,776	465	602
12. Liability reserve pursuant to § 23 (6), Austrian Banking Act (BWG)		9,457,446		8,771
13. Equity of other shareholders		1,460,912		1,490
14. Net profit		662,895		651
15. Untaxed reserves				
a) valuation reserve due to special depreciation	1,958,101		1,216	
b) other untaxed reserves	124,408	2,082,509	153	1,369
of which:				
aa) investment reserve pursuant to § 9, 1988 Income Tax Law	25,220			
bb) investment allowance pursuant to § 10, 1988 Income Tax Law	97,970			
cc) rent reserve pursuant to § 11, 1988 Income Tax Law				
dd) reserve carried forward pursuant to § 12, 1988 Income Tax Law				
ee) other untaxed reserves	1,218			
Total Liabilities		687,650,904		651,701

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP

BALANCE SHEET SUB-ITEMS

	<u>31st December 1995 (in ATS thousand)</u>	<u>1994 (in ATS mn)</u>
Assets		
1. Foreign assets	<u>224,741,587</u>	<u>209,999</u>

	31st December 1995 (in ATS thousand)	1994 (in ATS mn)
Liabilities		
1. Contingent liabilities	56,902,246	56,584
of which:		
a) acceptances and endorsement liabilities arising from circulated bills of exchange	14,423,464	14,526
b) liabilities from guarantees and collateral provided	41,340,516	40,760
2. Credit risks	65,848,458	*
of which:		
liabilities from repurchase agreements ...	8,280,726	
3. Liabilities from transactions on a trust basis	2,936,540	2,959
4. Own funds to be taken into account pursuant to § 23 and § 24 of the Austrian Banking Act (BWG) in connection with § 29 of the Austrian Banking Act (BWG)	41,905,364	41,321
5. Assessment basis pursuant to § 22 of the Austrian Banking Act (BWG)	391,568,881	372,848
6. Foreign liabilities	200,428,122	197,014
7. Deficit pursuant to Art. X (3), Accounting Law	3,753,092	4,046

* This has been required since 1995.

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1995 (in ATS thousand)		1994 (in ATS mn)	
1. Interest and similar earnings of which:.....		40,441,876		39,301
from fixed-interest securities	5,488,792			
2. Interest and similar expenses.....		(27,398,190)		(26,882)
I. Net Interest Earned.....		13,043,686		12,419
3. Income from securities and equity interests				
a) income from shares, other ownership				
interests and non fixed-interest securities		171,147		191
b) income from equity interests		90,004		100
c) income from interests in associated				
companies		314,987		324
d) income from interests in group				
companies		161,990	738,128	84
				699
4. Commission income		4,499,249		4,601
5. Commission expenses		(790,332)		(573)
6. Income/expenses from financial transactions ..		1,054,048		262
7. Other operating income		1,121,708		1,411
II. Operating income		19,666,487		18,819
8. General administrative expenses				
a) personnel expenses of which:		(8,101,759)		(8,060)
aa) wages and salaries	(5,394,673)			(5,428)
bb) expenditure for statutory social				
contributions and compulsory				
contributions related to wages				
and salaries		(821,213)		(893)
cc) other social expenditure		(161,421)		(199)
dd) expenditure for retirement benefits		(671,690)		(585)
ee) allocation to the pension provision		(974,550)		(855)
ff) allocation to the provision for				
severance payments		(78,212)		(100)
b) other administrative expenses				
(expenditures for materials)		(3,694,159)	(11,795,918)	(3,443)
				(11,503)
9. Value adjustments on asset items 9 and 10...		(1,671,024)		(1,649)
10. Other operating expenses		(860,636)		(961)
III. Operating Expenditure		(14,327,578)		(14,113)
IV. Operating Results		5,338,909		4,706
11./12. Balance of expenditure/income from the				
valuation and disposal of claims, securities				
held in the liquidity reserve and from				
contingent liabilities and credit risks.....		(4,602,993)		(1,490)

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

	1995	1994
	(in ATS thousand)	(in ATS mn)
13./14. Balance of expenditure/income from the valuation and disposal of securities valued as non-current fixed assets, and from equity interests and shares in group companies	2,244,603	(1,277)
V. Results from Ordinary Business Activities	2,980,519	1,939
15. Extraordinary income	8,331	31
16. Extraordinary expenses	(300,773)	(394)
17. Extraordinary results (sub-total of items 15 and 16)	(292,442)	(363)
18. Taxes on income and earnings	(54,275)	(49)
19. Other taxes not included under item 18	(46,615)	(53)
19A. Expenses from allocations to the fund for general banking risks	—	—
VI. Annual Surplus	2,587,187	1,474
20. Changes in reserves	(1,986,131)	(855)
VII. Profit for the Year	601,056	619
21. Profit brought forward	202,429	94
22. Profit portion of other shareholders	(140,590)	(62)
VIII. Net Profit	662,895	651

Vienna, 9th May 1996

The Managing Board

GERHARD RANDA	KARL SAMSTAG	HEINZ GEHL	HELMUT JELL	FRIEDRICH	FRANZ ZWICKL
(Chairman)	(Deputy Chairman)			KADRINOSKA	

Based on an audit performed in accordance with our professional duties, the consolidated financial statements are in compliance with legal regulations. The consolidated financial statements pursuant to generally accepted accounting principles give a reasonable presentation of the group's assets and liabilities, its financial position and results. The management report of the Bank Austria Group is in accordance with the consolidated financial statements.

Vienna, 20th May 1996

Savings Bank Auditing Association
Auditing Board

PETER BUCHBINDER
Österreichische Wirtschaftsberatung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
WOLFGANG GASSNER
WOLFGANG RIEDL

KLAUS GOSCHLER
Europäische Treuhand- u.
Wirtschaftsberatungsgesellschaft m. b. H.
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
G. E. TICHY
KONRAD TOIFL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP

I. General Information

In the previous year Bank Austria *voluntarily* prepared, and published in its annual report, consolidated financial statements which largely complied with the provisions of the Austrian Banking Act which came into effect on 1st January 1995. The consolidated balance sheet as of 31st December 1995 was prepared using the initial consolidation as of 1st January 1995 which was made pursuant to statutory requirements. The figures from the previous year reflect the status as of 31st December 1994 and are thus only of limited use for comparisons with figures from the 1995 financial year. In international terms, the financial statements of the Bank Austria Group are based on guideline seven for the harmonization of company law and on EU regulations concerning balance sheet guidelines for banks.

II. Companies to be Consolidated

Legal framework. The companies to be fully consolidated are determined pursuant to § 59, Austrian Banking Act. All members of the credit institution group must be included in the full consolidation. This comprises credit and financial institutions in which a controlling interest exists in connection with § 30, Austrian Banking Act. Credit institutions are defined as all domestic credit institutions, EU credit institutions and foreign companies which take deposits from the public and grant loans for their own account. Financial institutions include, in particular, leasing companies.

Furthermore, pursuant to § 59, Austrian Banking Act, companies providing bank-support services for the credit institution group (e.g., data processing services for the Bank Austria Group by the DATA-SERVICE Group) and companies providing near-bank services (e.g., Bank Austria-Finanzservice Ges.m.b.H., which also handles transfer transactions by phone) must be included in the full consolidation.

All other companies (e.g., production, trade and tourism enterprises) are not included in the full consolidation. In cases where equity interests result in significant economic influence, interests were valued under the equity method. The equity method is a special valuation method used for equity interests, and differs from the method used for fully consolidated companies where all assets and liabilities are included in the consolidated balance sheet after consolidated transactions are deducted. Insignificant companies were not valued at equity. A distinction must be made between companies to be consolidated and group companies. Group companies are all those companies within the Bank Austria Group which are controlled by the group parent company (Anteilsverwaltung-Zentralsparkasse) within the meaning of § 30, Austrian Banking Act.

Fully-consolidated companies. The group of companies fully consolidated with Bank Austria comprises

- 15 credit institutions
- 105 financial institutions
- 21 companies providing bank-support services or near-bank services.

Changes from the voluntary 1994 consolidated financial statements. Significant changes with regard to the companies to be consolidated resulted from the disposals of BA-GC Investmentbank Austria and its subsidiaries, of Bank Austria Kapitalanlagegesellschaft and of Bank Austria Aktiengesellschaft & Co. Rechenzentrum KG; Bank Austria (SR) a.s. in Bratislava should be mentioned as a significant addition. Bank Austria Beteiligungsfonds AG and Z-Treuhand und VermögensverwaltungsgesellschaftmbH were merged to form Bank Austria Treuhand & Beteiligungsfonds AG.

In terms of the influence of subsidiary companies on the consolidated financial statements and the profit and loss account, the above-mentioned disposals resulted in significant changes in the items bonds

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP (Continued)

and other fixed-interest securities (minus ATS 1 bn), other tangible fixed assets (minus ATS 944 mn) and commission income (minus ATS 353 mn).

III. Consolidation, Presentation and Valuation Principles

Consolidation Methods. A significant objective of the consolidated financial statements is to present the assets and liabilities, financial position and results of the consolidated companies as if these firms were one company (§ 250 (3) of the Commercial Code). The full consolidation thus generally leads to the inclusion of all assets, liabilities, income and expenditure of the subsidiary companies in the consolidated financial statements. Transactions within the group, however, are netted.

In line with this "one-company" principle, the book value of equity interests of the parent company was netted against the pro-rata equity capital of the subsidiary for capital consolidation purposes. Pursuant to § 254 (1) of the Commercial Code companies may choose between the book value method and the new valuation method. The Bank Austria Group uses the book value method. The time at which the subsidiary companies were first included in the consolidated financial statements serves as a reference date for capital consolidation (§254 (2), Commercial Code). Consolidation differences resulting on the assets side of the balance sheet were set off against consolidated retained income, while differences on the liabilities side of the balance sheet were assigned to retained income. Goodwill, which was set off against reserves in the initial consolidation and thus did not affect results, will be deducted from earnings from disposals in the final consolidation, thereby affecting results.

Claims and liabilities between consolidated subsidiaries were set off. Likewise, expenditures and income of consolidated companies were offset against each other. The Bank Austria Group opted to take advantage of §256 (2) of the Commercial Code with regard to the intra-group results of securities trading. Thus if a delivery or service is provided at the going market rate and the cost of ascertaining its value is disproportionately high, the elimination of an intra-group result can be waived.

Uniform Presentation and Valuation. The "one-company theory" behind the consolidated financial statements calls for the uniform valuation of assets and liabilities as required by §260 (2) of the Commercial Code.

An exception is made for differences resulting from this procedure which have only an insignificant impact on the group's assets and liabilities, financial position and results.

The Bank Austria Group applied the valuation provisions of the Austrian Banking Act relevant to the parent company Bank Austria Aktiengesellschaft to all subsidiaries in the consolidated financial statements. To the extent that value adjustments were necessary, these have been made under the transition process from individual financial statements of the subsidiary (Trade Balance Sheet I) to the consolidated balance sheet (Trade Balance Sheet II).

The standard presentation method used throughout the EU, Annex 2 to § 43. Austrian Banking Act, formed the basis for the presentation method used. Subsidiary companies using either the Commercial Code's presentation method for their balance sheet or a foreign presentation method convert data regarding their balance sheet and profit and loss account to the format used by the group parent company.

§ 252 (2) of the Commercial Code requires that the financial statements of the subsidiary companies included in the consolidated financial statements be prepared as of the reference date of the consolidated financial statements. Where this is not the case, an interim financial statement must be prepared for the consolidated financial statements. In the Bank Austria Group, statements for VISA-SERVICE Kreditkarten AG, KSG Karten-Verrechnungs- und Servicegesellschaft m.b.H., and LB Holding GmbH are prepared as of reference dates differing from that of the consolidated financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP (Continued)

statement. In the case of the first two companies mentioned, audited interim financial statements were used.

For companies valued at equity use was made of the voluntary provision under § 264 (5) of the Commercial Code, which does not require value adjustments for these companies. The book value method pursuant to § 264 (1) item 1 of the Commercial Code was used to ascertain the value of equity interests. Consolidated financial statements were utilized to the extent to which they were available for equity valuation purposes.

Since the methods of presentation and valuation used for both the individual financial statements of Bank Austria Aktiengesellschaft, the group parent, and the consolidated financial statements of the Bank Austria Group are virtually identical, the details regarding these methods can be found in the notes to the financial statements of Bank Austria Aktiengesellschaft. The main difference in balance sheet and valuation methods between the individual and consolidated financial statements regards the leasing business. In the consolidated financial statements the present discounted value of leasing claims replaces the values of assets serving the leasing business. Instead of depreciation and leasing income, interest income attributable to these present values is realized.

For converting currencies, the modified balance-sheet date rate of exchange method was used.

Profit and loss items 11 and 12 were set off pursuant to § 53 (3) of the Austrian Banking Act. This also applies to profit and loss items 13 and 14, which were set off pursuant to § 54 (2) of the Austrian Banking Act.

IV. Notes to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

Maturity Structure of Claims and Amounts Due

The following table presents the maturities of claims and amounts due based on their original terms:

Overview of Maturities

	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)	
Claims against credit institutions		
up to three months	31,197,858	26,957,140
between three months and one year	74,744,590	71,223,069
between one and five years	29,788,130	19,403,667
more than five years	17,213,974	21,484,806
Claims against customers		
up to three months	30,005,776	32,628,994
between three months and one year	31,767,515	28,248,844
between one and five years	63,670,393	64,198,768
more than five years	210,494,691	210,224,257
Due to credit institutions		
up to three months	82,920,397	86,892,993
between three months and one year	28,849,627	22,062,592
between one and five years	9,558,084	7,957,972
more than five years	33,844,757	38,014,341

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK AUSTRIA GROUP (Continued)**

	<u>31st Dec. 1995</u>	<u>31st Dec. 1994</u>
	(in ATS thousand)	
Due to customers		
<i>a) savings deposits</i>		
up to three months	5,348,433	3,598,513
between three months and one year	54,129,536	41,793,948
between one and five years	72,200,452	83,176,972
more than five years	11,661,135	8,805,664
<i>b) other liabilities</i>		
up to three months	67,994,339	66,560,197
between three months and one year	5,250,773	4,605,567
between one and five years	3,644,133	3,247,885
more than five years	1,341,848	2,605,236
Other securitized liabilities		
up to three months	6,828,466	3,122,993
between three months and one year	2,873,273	6,020,285
between one and five years	17,738,606	1,302,844
more than five years	9,714,172	1,108,177

In 1996 "bonds and other fixed-interest securities" totaling ATS 4.7 bn become due and payable (1994: ATS 1.4 bn). Under the item "bonds issued", ATS 8.9 bn will also become due and payable in 1996 (1994: ATS 15.1 bn).

Claims and Amounts Due to and against Group Companies and Equity Interests

	<u>Group Companies*</u>		<u>Equity Interests</u>	
	<u>31st Dec. 1995</u>	<u>31st Dec. 1994</u>	<u>31st Dec. 1995</u>	<u>31st Dec. 1994</u>
	(in ATS thousand)			
Claims				
Debt instruments issued by public				
agencies and bills of exchange eligible				
for refinancing at the central bank	311	52,000		
Claims against credit institutions	9,322,894	10,092,141	3,660,491	7,194,128
Claims against customers	15,527,672	12,254,321	4,415,991	446,706
Bonds and other fixed-interest securities	530,286	4,012	846,786	
Total	<u>25,381,163</u>	<u>22,402,474</u>	<u>8,923,268</u>	<u>7,640,834</u>
Liabilities				
Due to credit institutions	2,865,862	1,772,512	2,128,976	4,089,917
Due to customers	1,740,176	2,755,539	1,719,308	250,698
Securitized liabilities			2,113,929	
Subordinated liabilities				
Total	<u>4,606,038</u>	<u>4,528,051</u>	<u>5,962,213</u>	<u>4,340,615</u>

* Claims and liabilities between consolidated subsidiaries are set off against each other in the consolidation of debt; thus the remaining amounts concern only those group companies which are not fully consolidated.

Transactions with group companies largely comprised customary banking transactions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK AUSTRIA GROUP (Continued)**

Present Value of Leasing Claims

In 1995 the present value of future leasing claims totaled ATS 11.4 bn (1994: ATS 11.8 bn). Leasing transactions effected within the group of companies are deemed not to exist. The item does not include loans to and equity interests in leasing companies.

Securities

Pursuant to § 64 (1) item 10 of the Austrian Banking Act securities are classified as either listed or unlisted, and must be presented for all the balance-sheet items contained in the table below. "Listed" securities are those admitted to the official market or the over-the-counter market on the Vienna Stock Exchange, or which are listed on comparable foreign markets.

Listed and Unlisted Securities

	Listed		Not Listed	
	31st Dec. 1995	31st Dec. 1994	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)			
Bonds and other fixed-interest securities ..	25,736,252	21,072,468		
Shares and other non fixed-interest securities	3,969,110	4,609,352	2,448,356	2,040,117
Equity interests	2,423,342	2,490,549	4,016,700	4,343,962
Shares in group companies	188,745	527,096	7,843,728	8,655,662
Total	<u>32,317,449</u>	<u>28,699,465</u>	<u>14,308,784</u>	<u>15,039,741</u>

Securities carried as fixed assets were valued at cost, and current assets were valued at the lower of cost or market price method. The distinction made between fixed assets and current assets is based on § 55 (2) of the Austrian Banking Act, where securities used for long-term business operations were classified as fixed assets. The competent officers of the parent company and the individual subsidiaries have prepared and documented decisions in this regard.

Securities Listed on the Exchange

	Fixed Assets		Current Assets	
	31st Dec. 1995	31st Dec. 1994	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)			
Bonds and other fixed-interest securities	14,153,176	8,758,198	11,583,076	12,314,270
Shares and other non fixed-interest securities	1,163,393	1,106,629	2,805,717	3,502,723
Total	<u>15,316,569</u>	<u>9,864,827</u>	<u>14,388,793</u>	<u>15,816,993</u>

For bonds carried as fixed assets and whose purchase price differs from the repayment amount, § 56 (2) and (3) of the Austrian Banking Act require such differences to be shown in the notes to the consolidated financial statements. As of year-end 1995 the premium in the Bank Austria Group amounted to ATS 382.5 mn (1994: ATS 6.6 mn).

Pursuant to § 56 (4) and (5) of the Austrian Banking Act, the difference between the purchase price and the higher market value must be stated for listed securities not carried as fixed assets. The Bank Austria Group values such securities at the purchase price or lower market value, resulting in a difference between the purchase price and the higher market value of ATS 10 mn (1994: ATS 223 mn).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK AUSTRIA GROUP (Continued)**

Since Bank Austria Aktiengesellschaft is the only company in the Bank Austria Group to carry treasury shares and participation certificates in its securities trade inventory, information on such shares and participation certificates can be found in the notes to the financial statements of the parent company.

Fixed Assets

Unlike the individual financial statements, the consolidated financial statements must show any changes in the companies included in the full consolidation. These changes reflect additions and disposals of companies included in the full consolidation during the financial year. Furthermore, currency differences, caused by the inclusion of subsidiaries with financial statements denominated in foreign currency, are allocated to the relevant purchase and production costs, and to the cumulative depreciation of the individual capital goods.

<u>Purchase price</u>	<u>1st Jan. 1995</u>	<u>Changes*</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>31st Dec. 1995</u>
	(in ATS thousand)					
Securities	47,227,466	(1,042,690)	44,942,486	38,941,992	(2,050,194)	50,135,076
Equity interests	8,629,173	(6,071)	572,123	853,929	37,113	8,378,409
Shares in group companies	8,943,614	(3,047)	1,838,801	1,966,836	(63,418)	8,749,114
Intangible non-current assets	2,880,678	(212,805)	304,221	633,096	(9,811)	2,329,187
Tangible fixed assets						
a) land and buildings	8,387,546	(15,006)	686,638	149,308	(443)	8,909,427
b) other tangible fixed assets	7,231,218	(199,809)	1,232,168	1,946,311	10,657	6,327,923

* Changes in companies included in the full consolidation.

Equity interests include profit participation claims which are shown in the item claims against customers. Securities include assets from the items debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank, claims against credit institutions, claims against customers, bonds and other fixed-interest securities, and shares and other non fixed-interest securities. During the previous year, the schedule of fixed assets of the Bank Austria Group with regard to securities included only the last two items mentioned.

<u>Residual Book Values</u>	<u>Write-ups</u>	<u>Cumulative Depreciation</u>	<u>Book Value 31st Dec. 1995</u>	<u>Book Value 1st Jan. 1995</u>	<u>Depreciation For Current Year</u>
			(in ATS thousand)		
Securities	—	2,072,722	48,062,354	45,365,696	39,257
Equity interests	4,818	946,315	7,432,094	8,266,194	602,250
Shares in group companies ...		716,641	8,032,473	8,489,389	305,949
Intangible non-current assets ..		1,281,586	1,047,601	1,603,736	531,806
Tangible fixed assets					
a) land and buildings		1,081,602	7,827,825	7,466,947	162,491
b) other tangible fixed assets		3,649,517	2,678,406	2,805,853	987,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP (Continued)

Value of developed property. The land value of developed property must be shown separately under § 225 (7), Commercial Code.

	31st Dec. 1995	31st Dec. 1994
	(in ATS bn)	
Used for own business operations	1.4	1.4
Other	0.5	0.5

Intangible Non-Current Assets

Intangible non-current assets were acquired from group companies in the form of computer software valued at ATS 48.7 mn (1994: ATS 78 mn).

Subordinated Assets

Pursuant to § 45 (2) of the Austrian Banking Act, all subordinated assets are to be shown as sub-items on the assets side of the balance sheet, and classified as to whether they involve group companies or companies in which equity interests are held.

	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)	
Debt instruments issued by public agencies and bills of exchange eligible for refinancing at the central bank		
Claims against credit institutions	93,670	112,515
of which against group companies		73,125
of which against equity interests	33,490	39,210
Claims against customers	475,828	729,934
of which against group companies		
of which against equity interests	100,880	109,690
Bonds and other fixed-interest securities		
a) from public borrowers		
b) from other borrowers	224,728	101,570
of which against group companies	29,612	3,308
of which against equity interests		
c) own bonds		53,401
Total	<u>794,226</u>	<u>997,420</u>

Breakdown of other Assets and Liabilities

Pursuant to § 64 (1) item 12 of the Austrian Banking Act the most important individual amounts found in the item "other assets" are to be presented separately, insofar as the amounts are of significance for the evaluation of the financial statements. In this regard the Bank Austria Group has accrued assets totaling ATS 9.6 bn which involve interest and commission income. The item "other liabilities" contains accrued liabilities with a total value of ATS 8.7 bn.

Assets Sold under Repurchase Agreements

The book value of repurchase agreements pursuant to § 50 (4) of the Austrian Banking Act totaled ATS 1.1 bn.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Provisions

The Bank Austria Group is utilizing the transitional provision under Article X (3) of the Accounting Law regarding cover for deficits in provisions for pensions, severance payments and anniversary payments. The deficit in the pension provision will be amortized in equal amounts over the next sixteen years. As of 31st December 1995 the deficit in the pension provision totaled ATS 3.7 bn (1994: ATS 3.9 bn), and that of the provision for severance payments and anniversary payments ATS 61 mn (1994: ATS 123 mn).

Other provisions amounting to ATS 2.4 bn (1994: ATS 2.2 bn) contain provisions of ATS 403.9 mn for losses related to equity interests, guarantees and documentary credits.

The consolidation measures did not result in any latent taxes.

Subordinated Loans

With regard to subordinated loans, § 64 (1) item 5 of the Austrian Banking Act requires that a disclosure must be made regarding liability items 7 and 8 (subordinated liabilities and supplementary capital) if any single loan exceeds 10 percent of the total volume of subordinated liabilities. This was not the case within the Bank Austria Group. The total amount of subordinated liabilities came to ATS 10.4 bn (1994: ATS 11.6 bn). The concept of subordination is based on § 51 (9) of the Austrian Banking Act. Procedures used with regard to supplementary capital are based on the criteria found in § 23 (7) of the Austrian Banking Act.

Equity Capital

The initial consolidation of the fully-consolidated companies in capital consolidation differences on the assets side of the balance sheet amounting to ATS 855.7 mn and on the liabilities side of ATS 1.5 bn on 1st January 1995. The above differences do not appear directly in the consolidated balance sheet, since they were set off against retained earnings. For companies valued at equity, such differences on 1st January 1995 amounted to ATS 2.6 bn on the assets side, and ATS 945.5 mn on the liabilities side.

Minority interests represent — in cases where the parent company does not hold a 100 percent interest in the subsidiary's equity capital — the equity of other shareholders. In 1995 this amounted to ATS 1,460.9 mn (1994: ATS 1,489.7 mn).

Developments in the Valuation Reserve

	<u>1st Jan. 1995</u>	<u>Reversals</u>	<u>Additions</u>	<u>31st Dec. 1995</u>
		(in ATS thousands)		
Reserves pursuant to § 12, Income Tax Law				
Securities	260,218	7,322	750,136	1,003,032
Equity interests	104,314			104,314
Shares in group companies	760,553			760,553
Tangible fixed assets	74,034	2,770	4,942	76,206
Total	<u>1,199,119</u>	<u>10,092</u>	<u>755,078</u>	<u>1,944,105</u>
Valuation reserve pursuant to § 8 and § 122, Income Tax Law	<u>17,092</u>	<u>3,096</u>		<u>13,996</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Trust Transactions

The following table provides an overview of trust transactions pursuant to § 48 (1) of the Austrian Banking Act. In these transactions the trustee acted in its own name but for the account of another party. The trustor (customers) may never have the right of recapture in the case of bankruptcy.

Trust transactions

	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)	
Trust assets		
Claims against credit institutions		244,896
Claims against customers	8,991	128,655
Bonds and other fixed-interest securities		
Equity interests		111,000
Shares in group companies		
Total	<u>8,991</u>	<u>484,551</u>
Trust deposits		
Due to credit institutions	8,991	2,087
Due to customers		
savings deposits		
other liabilities		482,123
Securitized liabilities		
bonds issued		
other securitized liabilities		
Other liabilities		341
Total	<u>8,991</u>	<u>484,551</u>

Breakdown of Earnings by Geographic Markets

Certain earnings must be classified by geographic markets pursuant to § 64 (1) item 9 of the Austrian Banking Act. While a breakdown by foreign branch office is of significance to Bank Austria due to its foreign business activities, such earnings have been divided between "Austria" and "Abroad" due to the structure of the Bank Austria Group.

	Austria		Abroad	
	1995	1994	1995	1994
	(in ATS thousand)			
Interest and similar earnings	35,227,139	34,917,171	5,214,737	4,384,330
Earnings from securities and equity interests	701,381	660,469	36,747	38,121
Commission income	4,125,268	4,248,400	373,981	352,559
Earnings from financial transactions	538,649	56,300	515,399	205,811
Other operating income	1,087,366	1,351,907	34,342	58,825
Total	41,679,803	41,234,247	6,175,206	5,039,646

Breakdown of other and Extraordinary P & L Items

Pursuant to § 64 (1) item 12 of the Austrian Banking Act the most significant individual amounts found within "other" and "extraordinary" profit and loss items are to be presented if they are of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AUSTRIA GROUP (Continued)

importance in evaluating the financial statements. In this regard the Bank Austria Group incurred extraordinary expenses due almost exclusively to allocations made to provisions for pensions, severance payments and anniversary payments to cover the respective deficits. Other expenses involve outside computer services totaling ATS 131 mn.

Allocations to and Reversals of Untaxed Reserves

	1995		1994	
	Allocations	Reversals	Allocations	Reversals
	(in ATS thousand)			
Valuation reserve	755,078	13,188	2,297	2,571
Investment reserve pursuant to § 9, Income Tax Law		11,500		8,114
Investment allowance pursuant to § 10, Income Tax Law	102,384	5,953	106,795	27,186
Reserve pursuant to § 12, Income Tax Law				55,868
Other untaxed reserves	1,224	6		
Total	<u>858,686</u>	<u>30,647</u>	<u>109,092</u>	<u>93,739</u>

Equity of other Shareholders

As on the liabilities side of the balance sheet, there is also the item "equity of other shareholders" in the profit and loss account. In 1995 this amounted to ATS 140.6 mn (1994: ATS 62.6 mn).

V. Additional Data

Total Expenditures from the use of Non-Capitalized Tangible Fixed Assets

In connection with rent and leasing obligations, § 266 item 2, Commercial Code, requires that they be differentiated between two time periods: the following fiscal year and the following five fiscal years:

Obligations under Leasing and Rent Agreements

	31st Dec. 1995	31st Dec. 1994
	(in ATS thousand)	
for the following fiscal year	1,242,000	792,000
for the following five fiscal years	5,400,000	4,000,000

Foreign Currency Business as a Percentage of Total Assets

Assets denominated in foreign currency accounted for 31 percent or ATS 213.1 bn (1994: 29.6 percent or ATS 192.9 bn) of the consolidated total assets, while liabilities denominated in foreign currency accounted for 33.2 percent or ATS 228.4 bn (1994: 24.2 percent or ATS 158 bn).

Unsettled Forward Transactions

In the area of unsettled forward transactions, unsettled buying contracts as of 31st December 1995 amounted to ATS 243.4 bn (1994: ATS 221.5 bn), selling contracts ATS 241 bn (1994: ATS 220.5 bn), and swaps ATS 49.7 bn (1994: ATS 31.1 bn). Since this almost exclusively involves forward transactions of Bank Austria Aktiengesellschaft, details are included only in the notes to the financial statements for the bank.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Mortgage Banking

Within the Bank Austria Group mortgage banking activities are pursued exclusively by Bank Austria Aktiengesellschaft, and thus a detailed presentation is not included in the notes to the consolidated financial statements.

VI. Data on Personnel and Executive Bodies

Employees

On an annual average, some 9,754 white-collar workers (1994: 9,490) and 506 blue-collar workers (1994: 520) were employed by the Bank Austria Group. Part-time employees are included here based on the amount of time worked.

Expenditures for Severance Payments and Pensions

Pursuant to § 266 item 6 of the Commercial Code, expenditures for severance payments and pensions to employees at fully consolidated companies in the Bank Austria Group amounted to ATS 55.9 mn for managing board members and senior executives, and ATS 1 bn for other employees.

The term "senior executives" comprises general managers, heads of division, and the heads of the regional head offices and their deputies. Expenditures on "senior executives" are generally not included for subsidiaries, since business managers fall within the category "members of the managing board".

Emoluments of Members of the Managing Board and Supervisory Board

The earnings of the members of the managing boards and supervisory boards of the parent company and the subsidiary companies of the Bank Austria Group include all payments resulting from managing board, supervisory board or committee-related duties. In 1995 payments totaled ATS 55 mn for managing board members and ATS 3.2 mn for supervisory board members. Pension payments to former managing board members amounted to ATS 30.8 mn.

Loans to Members of the Managing Board and Supervisory Board

Loans made to members of the managing board amounted to ATS 1.6 mn (1994: ATS 2.8 mn). Loans made to members of the supervisory board (including representatives of the employees) amounted to ATS 14.4 mn (1994: ATS 13.4 mn). The maturities of the above loans are between five and ten years; the interest rate is the same as the rate charged other Bank Austria employees.

THE EQUITY INTERESTS OF THE BANK AUSTRIA GROUP

This overview pursuant to § 265 of the Commercial Code is a part of the Notes to the Consolidated Financial Statements of the Bank Austria Group. To enhance transparency, the presentation has been prepared in connection with the overview of Bank Austria AG's equity interests pursuant to § 238 Item 2 of the Commercial Code, which is an integral part of the Notes to the Financial Statements of Bank Austria AG. Figures are not stated where disclosure is not required under § 241 Para. 2 Item 1 of the Commercial Code, or pursuant to § 265 Para. 2 Item 4 of the Commercial Code.

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
(in ATS 1,000)								
1. GROUP COMPANIES								
2. Fully Consolidated								
Credit Institutions and Financial Institutions								
BA Maschinen und KFZ Leasing GmbH & Co KG, Vienna	X		X					
Bank Austria (CR) a.s., Prague/CZ	X		67.33		379,213	48,229	31.12.1995	
Bank Austria (Switzerland) Ltd., Zurich/CH	X		88.00		473,887	15,369	31.12.1995	
Bank Austria (SR) a.s., Bratislava/SK	X		100.00		165,446	(2,054)	31.12.1995	
Bank Austria d.d., Ljubljana/SLO	X		99.45		221,147	28,514	31.12.1995	
Bank Austria Handelsbank Aktiengesellschaft, Vienna ⁽¹⁾	X		100.00		223,225	47,784	31.12.1995	
Bank Austria Leasing GmbH, Vienna								
with 79 projekt companies	X	X	100.00		1,896,413	117,945	31.12.1995	
Bank Austria Treuhand & Beteiligungsfonds Aktiengesellschaft, Vienna ⁽¹⁾	X		100.00		317,525	34,331	31.12.1995	
Bank Austria Wohnbaubank Aktiengesellschaft, Vienna	X		89.98		138,047	1,195	31.12.1995	
LB Fonds Beratungsgesellschaft m.b.H., Vienna	X		X					
BANK AUSTRIA America, Inc., New York/USA		X	X					
Bank Austria Finance, Inc., New York/USA		X	X					
Bank Austria Securities, Inc., New York/USA		X	X					
LB Capital, Inc., New York/USA		X	X					
LB CREDIT CORPORATION, LTD, San Francisco/USA		X	X					
LB Holding GmbH, Vienna		X	X					
Midvale Securities Corporation, Los Angeles/USA		X	X					
RNC Capital Group, Inc., Los Angeles/USA		X	X					
RNC Capital Management, Los Angeles/USA		X	X					
LB-Leasinggesellschaft, m.b.H., Vienna	X		100.00		156,683	(2,993)	31.12.1995	
LBL-IMMORENT-Leasinggesellschaft m.b.H., Vienna		X	X					
M.A.V. 7. Bank Austria Leasing Bauträger GmbH & Co. OHG, Vienna		X	X					
OLB Holdings (UK) Ltd., London/GB	X		100.00		368,667	48,999	31.12.1995	
Sovereign Finance PLC, Manchester/GB		X	X					
Sab Beteiligungsgesellschaft m.b.H., Vienna	X		X					
VISA-SERVICE Kreditkarten Aktiengesellschaft, Vienna ⁽¹⁾	X		75.00		193,975	210,386	31.12.1995 ⁽²⁾	
Z Leasing Immobilien Holding Gesellschaft m.b.H., Vienna with 12 projekt companies	X		100.00		188,666	33,748	31.12.1995	
Z-LB (Cayman Islands) Limited, Grand Cayman/KY	X		X					
Z-LB Options Limited, London/GB	X		X					
Other Companies								
Bank Austria Aktiengesellschaft & Co EDV Leasing OEG, Vienna	X		X					
Bank Austria — Finanzservice Ges.m.b.H., Vienna ⁽¹⁾	X		X					
Bank Austria Aktiengesellschaft — Immobilien- und Mobilienvermietungs OHG, Vienna	X		X					
Bank Austria Aktiengesellschaft — Liegenschaftsverwertung OHG, Vienna	X		100.00		103,045	636	31.12.1995	
Bank Austria Property Investment Ltd., London/GB	X		X					

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital (in ATS 1,000)	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
DATALINE Datenverarbeitungs GmbH, Vienna	X		X					
DATASERVICE Informatik Ges.m.b.H., Vienna	X		X					
DATASERVICE Organisations- und Datenverarbeitungs-Ges.m.b.H., Vienna	X		X					
GANYMED Immobilienvermietungsgesellschaft m.b.H., Vienna ⁽¹⁾	X	X	100.00			759,446	15,565	31.12.1995
Garage Am Hof Gesellschaft m.b.H., Vienna ⁽¹⁾	X		X					
HYPERION Immobilienvermietungsgesellschaft m.b.H., Vienna ⁽¹⁾	X	X	100.00			589,738	10,754	31.12.1995
Lassallestraße Holding Gesellschaft m.b.H., Vienna	X		100.00			274,610	(23)	31.12.1995
Lassallestraße Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft m.b.H., Vienna		X	X					
KSG Karten- Verrechnungs- und Service- gesellschaft m.b.H., Vienna		X	X					
AUDAX Vermögensverwaltungsgesellschaft m.b.H., Vienna		X	X					
Z-Treuconsult Beteiligungsgesellschaft m.b.H., Vienna		X	X					
2. Group Companies which are not Subsidiaries of Bank Austria AG								
BA-GC Investmentbank Austria Aktiengesellschaft, Vienna Consolidated financial statements	X		38.80		E	348,186	(165,126)	31.12.1995
BANKINVEST AUSTRIA Bank Austria- GiroCredit Vermögensverwaltungsbank, Ges.m.b.H., Vienna	X		50.00		E	77,459	32,146	31.12.1995
SPARINVEST AUSTRIA Kapitalanlage Aktiengesellschaft, Vienna		X		X				
Die Erste Immorent Z Einrichtungshausverwertungsgesellschaft m.b.H., Vienna		X		X				
Eurolease Immorent Grundverwertungsgesellschaft m.b.H., Vienna		X		X				
GiroCredit Bank Aktiengesellschaft der Sparkassen, Vienna	X			X				
Immorent ASTRA Grundverwertungs Gesellschaft m.b.H. Vienna	X			X				
Immorent RASTA Grundverwertungsgesellschaft m.b.H., Vienna	X			X				
NÖBG-Vermögensverwaltungsgesellschaft m.b.H., Vienna	X			X				
ÖHFT-Vermögensverwaltungs Gesellschaft m.b.H., Vienna	X			X				
Sparkassen-Datendienst Aktiengesellschaft & Co. KG, Vienna	X		X		E			
Spardat Austria Rechenzentrum Gesellschaft m.b.H., Vienna		X	X					
Schul- u. Amtsgebäude Grundstücksverwaltungsgesellschaft m.b.H., Graz ...		X		X				
Schulerrichtungsgesellschaft m.b.H., Vienna		X		X				
3. Group Non-Finance Companies								
A2 Bauträger Immobilien- Verwertungs- und Vermietungsgesellschaft m.b.H., Vienna		X	X		E			
ARGENTUM Vermögensberatungs GmbH, Vienna		X	X					
Asphaltgesellschaft Richard Felsinger GesmbH, Wienersdorf-Oeynhausen		X	X					
AURUM Finanzierungs- und Beteiligungsgesellschaft mbH, Vienna		X	X		E			
Austroport Donauhäfen Betriebe AG, Vienna	X		X					
B.A. Prag Services S.R.O., Prague/CZ		X	X					

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital (in ATS 1,000)	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
BA & GrECo Versicherungsmanagement Ges.m.b.H., Vienna	X		X		E			
BA Dollar Libor Fund Ltd., St. Peter Port/GBG		X	X					
BA Fund Managers (Guernsey) Ltd., St. Peter Port/GBG		X	X					
BA WORLDWIDE FUND MANAGEMENT LTD., Virginia/USA		X	X					
Bank Austria Asia Nominees Limited, Hong Kong/HK ..	X		X					
Bank Austria Bratislava Service GmbH, Sered/SK		X	X					
Bank Austria Handelsholding Gesellschaft, m.b.H., Vienna	X		86.71		E	728,294	72,828	31.3.1995
Consolidated financial statements								
Bank Austria Immobilienfonds AG, Vienna	X		100.0		E	138,372	72,139	31.12.1994
Kunstforum Handelsgesellschaft, m.b.H., Vienna		X	X					
TELEDATA Consulting und Systemmanagement Gesellschaft, m.b.H., Götzis		X	X					
Bank Austria Industrieholding Gesellschaft m.b.H., Vienna Consolidated financial statements	X		100.00		E	2,197,829	29,868	31.12.1994
Bank Austria Leasing GmbH/Non-financial services group with 25 project companies		X	X					
Bank Austria Wohnbau Aktiengesellschaft, Vienna	X	X	100.00		E	200,956	23,820	31.12.1994
Baubeteiligungs AG, Vienna		X	X					
BFZ (Overseas) Ltd. Cayman Island, George Town/KY	X		X					
Campustar (Hong Kong) Ltd., Hong Kong/HK	X		99.99		E	35,756	141	31.12.1994
Celer Allgemeine Vermögensverwaltungs-, Investitions- und Beratungs Gesellschaft m.b.H., Budapest/H	X		X					
Computer Systemvertrieb Austria, GmbH, Vienna	X		X		E			
SÜD-OST Informationstechnik und Büromaschinen Gesellschaft m.b.H., Wr. Neustadt		X		X				
DATASERVICE Holding Ges.m.b.H., Vienna	X		X		E			
Delta Golf Donnerskirchen Golfplatz- Errichtungs-, Betriebs- und Vermietungsgesellschaft m.b.H. u. Co KG, Donnerskirchen	X	X	X					
Delta Golf Donnerskirchen Golfplatz- Errichtungs-, Betriebs- und Vermietungsgesellschaft m.b.H., Donnerskirchen		X	X					1
Ekazent Realitätengesellschaft m.b.H., Vienna	X	X	100.00		E	295,381		1.7.1995
Erste Wiener Hotel Aktiengesellschaft, Vienna	X			44.90	E	(61,173)	(12,674)	31.12.1994
Erzet-Vermögensverwaltungsgesellschaft m.b.H., Vienna	X		X					
FONTANA Hotelverwaltungsgesellschaft m.b.H., Salzburg	X		X					
FONTANA Clubhotel Gesellschaft m.b.H., Sauerbrunn		X	X					
FONTANA Kurhotel Gesellschaft m.b.H., Sauerbrunn		X	X					
FONTANA Sporthotel Gesellschaft m.b.H., Fieberbrunn		X	X					
Freizeitpark Oberlaa Vermietungs GmbH, Vienna		X	X					
Gert Rossow GmbH, Vienna	X		X					
Gewista Werbegesellschaft m.b.H., Vienna	X		51.00		E	153,465	37,811	31.12.1994
Außenwerbung Tschechien - Slowakei Beteiligungsgesellschaft m.b.H., Vienna		X		X				
Euroflag Zaszlorekam Kft., Budapest/H		X		X				
Europlakat Gesellschaft m.b.H., Polska, Warsaw/PL ...		X		X				
EUROPLAKAT International Werbegesellschaft m.b.H., Vienna		X	X					
Europlakat Kft., Budapest/H		X	X					

- 1) Figures are based on the opening balance as of 1st July 1995.
Currency conversions were based on the rates prevailing on 28th December 1995.

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
(in ATS 1,000)								
EUROPLAKAT s.r.o., Prague/CZ		X	X					
EUROPLAKAT-Interwerb s.r.o., Bratislava/SK		X	X					
Proreklam – Europlakat d.o.o., Ljubljana/SLO		X	X					
Sprint Werbegesellschaft m.b.H., Vienna		X	X					
Werbeunternehmen EUROPLAKAT Gesellschaft m.b.H., Maribor/SLO		X	X					
Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. Sauerbrunn	X		X					
Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. & Co. KG, Sauerbrunn	X		98.96			42,547	12,406	31.12.1994
Kurort Sauerbrunn GmbH, Sauerbrunn		X	X					
Helmut Lunacek GmbH, Vienna	X		X					
Hotel & Touristik Holding Aktiengesellschaft, Vienna ... Consolidated financial statements	X		74.98		E	428,856	(13,341)	31.12.1994
IMMOTRUST Anlagen Aktiengesellschaft, Vienna	X	X		33.76	E	556,299	17,764	31.12.1994
Interring Gesellschaft m.b.H., Vienna	X		100.00		E	183,549	23,446	31.12.1994
KLEA Terrain- und Bau-Gesellschaft m.b.H., Vienna	X	X	100.00		E	771,740	40,148	31.12.1994
Consolidated financial statements								
Kommerz-Real Liegenschaftsverwertungsgesellschaft m.b.H., Vienna	X	X	X					
Konzern Service und Beratung GmbH, Vienna ⁽¹⁾	X		X					
LB-Bauconsult GmbH-Liegenschaftsverwertung Althanstraße KG, Vienna	X		X					
LB-Beteiligungs-Aktiengesellschaft, Biel/CH	X		100.00			6,456	1,053	31.12.1994
LB-Liegenschaftsverwertung Gesellschaft m.b.H., Vienna	X		X					
LB Beteiligungsgesellschaft Sofia/BG	X		X					
LB International Trade Services Handelsgesellschaft m.b.H., Vienna		X	X					
M.A.V. 11., 3. Anlagen Vermietung Gesellschaft m.b.H. & Co OHG, Vienna		X	X					
M.A.V. 9., 3. Anlagen Vermietung Gesellschaft m.b.H. & Co OHG, Vienna		X	X					
Martin Breuner GmbH, Vienna	X		X					
Melusine Grundstücksverwaltungs- und Verwertungsgesellschaft m.b.H., Vienna	X		X					
MOVE Handels- und Beteiligungs GmbH, Vienna	X		X					
Palais am Stadtpark Hotelbetriebs AG, Vienna	X		X		E			
Plus Warenhandelsgesellschaft mbH, Vienna	X		X					
PRIMEO FUND, George Town/KY		X	X					
Rudolf Hinterecker GmbH, Vienna	X		X					
S-Informatik Gesellschaft m.b.H., Vienna	X	X	X					
Shopping Center Sopron Aktiengesellschaft, Sopron/H	X		X					
SPA Handelsgesellschaft m.b.H., Vienna		X	X					
Susanne Wendlinger GmbH, Vienna	X		X					
Telecom Pool Finanzierungsservice GmbH, Vienna		X		X				
Transmerx Import- und Export- Gesellschaft m.b.H., Vienna	X		X					
TSG EDV-Terminal-Service Gesellschaft m.b.H., Vienna	X	X	X		E			
UNITECH Aktiengesellschaft, Kirchdorf/Krems	X	X	100.00		E	239,017	54,131	31.12.1994
Consolidated financial statements								
Vispa-Förderungsgesellschaft für die Stadt Völkermarkt Gesellschaft m.b.H., Villach	X		X					
VYY-Vermögensverwaltungsgesellschaft m.b.H., Vienna	X		X					
Wiener Bauträgergesellschaft m.b.H., Vienna	X	X	100.00		E	83,966	(2,019)	31.12.1994

- 1) Integrated inter-company relationship with Bank Austria Aktiengesellschaft.
Currency conversions were based on the rates prevailing on 28th December 1995.

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital (in ATS 1,000)	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
"KONGRESS PARK" Geschäfts- und Wohnhaus- vermietungsgesellschaft m.b.H., Vienna		X	X					
RoTaCo-Bürohausvermietungsgesellschaft m.b.H., Vienna		X	X					
WBT Wohnpark Markhofgasse Vermietungs- GmbH, Vienna		X	X					
Wiener Bauträger Wohnungseigentumsgesellschaft m.b.H., Vienna		X	X					
Wiener Betriebs- und Baugesellschaft m.b.H., Vienna ..	X	X	100.00		E	82,471	(96,118)	31.12.1994
Consolidated financial statements								
Wiener Hafen und Lager, Ausbau u. Vermögensverwaltungsges. m.b.H. (WHV), Vienna ...	X	X	100.00		E	94,314	13,472	31.12.1994
WIENCONT Container Terminal Gesellschaft m.b.H., Vienna		X	X					
Wiener Hafen, Lager und Umschlagsbetriebe Gesellschaft m.b.H. (WHL), Vienna		X	X					
Wiener Messen und Congress Gesellschaft m.b.H., Vienna	X		X		E			
TOP Messestandbau Gesellschaft m.b.H., Vienna		X	X					
VAZ-Veranstaltungszentrum St. Pölten Betriebsgesellschaft m.b.H., St. Pölten		X	X					
Wiener Werbezentrale Gesellschaft, m.b.H., Vienna ..		X	X					
Wohnbauerrichtungs- und verwertungs- Aktiengesellschaft, Vienna	X	X	100.00		E	85,776	2,201	31.12.1994
"LVS" Bautechnik Ges.m.b.H., Vienna		X	X					
"LVS" Liegenschaftsverwertungs-, -entwicklungs- und - sanierungs Gesellschaft, m.b.H., Vienna		X	X					
Z-Beteiligungsholding Gesellschaft, m.b.H., Vienna with 22 subsidiaries	X		X		E			
Zentralexport Handelsgesellschaft, m.b.H., Vienna		X	X					
Z Leasing Immobilien Holding Gesellschaft, m.b.H./non-financial services group with 4 project companies		X	X					
II. ASSOCIATED COMPANIES								
1. Equity Valuation								
ARWAG Holding-Aktiengesellschaft, Vienna	X			X	E			
BFAG-Holding Gesellschaft, m.b.H., Vienna	X			X	E			
EB und HYPO — Bank Burgenland Aktiengesellschaft, Eisenstadt	X			34.13	E	550,302	46,677	31.12.1994
ECC-Holdinggesellschaft, m.b.H., Vienna	X			X	E			
EURÓPAI KERESKEDELMI BANK RT, Budapest/H.....	X			50.00	E	185,128	24,694	31.12.1994
EZÖV-Holding Gesellschaft, m.b.H., Vienna	X			X	E			
GrECo International Aktiengesellschaft, Vienna	X			X	E			
Investkredit Holding Gesellschaft, m.b.H., Vienna	X			X	E			
KABAG Holding Gesellschaft, m.b.H., Vienna	X			X	E			
ÖCI-GZB Beteiligungsgesellschaft, m.b.H., Vienna	X			X	E			
ÖKB-Holdinggesellschaft, m.b.H., Vienna	X			X	E			
Ringturm Kapitalanlagegesellschaft, m.b.H., Vienna	X			X	E			
UNION Versicherungs-Aktiengesellschaft, Vienna	X			33.33	E	206,586	55,989	31.12.1994
Vereinigte Pensionskasse Aktiengesellschaft, Vienna ...	X			30.12	E	130,613	(23,938)	31.12.1994
2. Materiality								
3. Anlagen Vermietung GmbH, Vienna								
ALPHA SPEZIALPAPIERE HANDELSGESELLSCHAFT, M.B.H., Vienna		X		X				

In view of the 1996 Structural Adjustment Act the liable capital reserve and resulting uncertainty of future tax developments were not included in the equity capital of credit institutions.
Currency conversions were based on the rates prevailing on 28th December 1995.

Name of Company, Domicile	Equity Interests		Equity Interests		Equity Valuation	Equity Capital	Results	Balance Sheet Date
	direct	indirect	> 50%	< 50%				
(in ATS 1,000)								
Bank Austria Leasing GmbH, Vienna with 7 project companies		X		X				
Bankhaus Löbbecke & Co. Berlin/D.	X			X				
KDK Forschungs- und Entwicklungsgesellschaft für Kabel, Draht und Kunststoff Ges.m.b.H., Vienna	X			X				
KKD Kunden-Karten-Dienstleistungsgesellschaft m.b.H., Vienna		X		X				
LB-Leasinggesellschaft m.b.H., Vienna with 5 project companies		X		X				
M & A Bank Aktiengesellschaft, Vienna		X		X				
Meinhardgarage Gesellschaft m.b.H., Innsbruck	X			X				
PHG POS – Handelsgesellschaft m.b.H., Vienna		X		X				
Rudolf Lechner & Sohn Verlags- & Commissionsbuchhandlungs AG, Vienna		X		X				
WED Holding Gesellschaft m.b.H., Vienna	X			X				
Z Leasing Immobilienholding Gesellschaft m.b.H., Vienna with 2 project companies		X		X				
Z-Treuconsult Beteiligungsgesellschaft m.b.H. & Co Wohnungseigentum "Hohe Warte" KG, Vienna	X	X		X				
III. OTHER EQUITY INTERESTS								
"NEUE HEIMAT" Gemeinnützige Wohnungs- und Siedlungsgesellschaft, Gesellschaft m.b.H., Vienna ..	X			X				
3. Anlagen Vermietung GmbH & Co KG, Vienna		X		X				
Adria Bank Aktiengesellschaft, Vienna	X			X				
Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft, Vienna	X		32.61			858,458	81,470	31.12.1994
Bank Austria Treuhand & Beteiligungsfonds Aktiengesellschaft, Vienna with 7 partnership entities		X		X				
Berg- und Schliff Schwaz-Pill Ges.m.b.H., Schwaz	X			X				
CLS Beteiligungs-Gesellschaft mit beschränkter Haftung, Vienna	X			X				
Danubia Handels- und Beteiligungsaktiengesellschaft, Vienna	X			X				
EMCOM Beteiligungs GmbH, Vienna	X			X				
Freizeitpark Oberlaa Vermietungs GmbH & Co KG, Vienna		X		X				
Garagen-, Einkaufs- und Freizeitzentrum Naßfeld Ges.m.b.H. & Co KG, Villach	X			X				
Gerlitz-Kanzelbahn-Touristik Ges.m.b.H. & Co KG, Annenheim	X			X				
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H., Vienna	X			X				
Immorent-OÖ Sparkassen Leasing Gesellschaft mbH, Linz	X		X					
LTB Beteiligungs-Gesellschaft m.b.H., Vienna	X		X					
Meinhardgarage Ges.m.b.H. & Co KG, Innsbruck	X		X					
Ottakringer Beteiligungs AG, Vienna	X		X					
RECULTA Altastensanierung GmbH, Vienna	X		X					
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H., Vienna	X		X					
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H., & Co KG, Vienna	X		X					
Schlanitzental HotelbetriebsgmbH & Co KG, Hermagor	X		X					
SERVICO Technische Betriebsführung und Bürodienste GmbH, Vienna	X		X					
Sparkassen-Haftungs Aktiengesellschaft, Vienna	X		X					
Stadtgemeinde Judenburg Wasserkraftwerk Gesellschaft m.b.H. & Co KG, Judenburg	X		X					
STEL-Holding Gesellschaft m.b.H., Vienna	X		X					

<u>Name of Company, Domicile</u>	<u>Equity Interests</u>		<u>Equity Interests</u>		<u>Equity Valuation</u>	<u>Equity Capital</u>	<u>Results</u>	<u>Balance Sheet Date</u>
	<u>direct</u>	<u>Indirect</u>	<u>> 50%</u>	<u>< 50%</u>		<u>(in ATS 1,000)</u>		
SZKI Intelligens Software Szamitatechnikai Fejlesztő, Gyarto es Ertekesito Rt., Budapest/H	X		X					
Thermengolfanlagen-Loipersdorf Fürstendfeld Betriebsgesellschaft m.b.H. & Co KG, Loipersdorf ...	X		X					
VBV delta Anlagen Vermietung Gesellschaft m.b.H., Vienna	X		X					
WEVAG Wohnpark Erdberg Vermietungs GmbH, Vienna		X	X					
WEVAG Wohnpark Rennweg Vermietungsges. m.b.H., Vienna		X	X					
Z-Treuconsult Beteiligungsgesellschaft m.b.H. & Co KG, Vienna.....		X	X					

ANNEX C

CONSOLIDATED BALANCE SHEET OF THE CREDITANSTALT GROUP AT 31 DECEMBER 1995

	31 Dec. 1995 in ATS 1,000	31 Dec. 1994 in ATS 1,000	Change	
			in ATS 1,000	in %
Assets				
1. Cash in hand, balances with central banks and post office banks	7,916,892	10,518,269	- 2,601,377	-24.7
2. Treasury bills and other bills eligible for refinancing with central banks	36,405,124	33,221,172	+ 3,183,952	+ 9.6
a) Treasury bills and similar securities	35,690,353	32,359,164	+ 3,331,189	+10.3
b) other bills eligible for refinancing with central banks ...	714,771	862,008	- 147,237	-17.1
3. Claims on credit institutions	221,515,478	204,107,636	+17,407,842	+ 8.5
a) repayable on demand	6,841,640	9,691,294	- 2,849,654	-29.4
b) other claims	214,673,838	194,416,342	+20,257,496	+10.4
4. Claims on customers	295,284,277	282,863,948	+12,420,329	+ 4.4
5. Bonds and other fixed-income securities	49,843,262	51,795,974	- 1,952,712	- 3.8
a) issued by public-sector entities	5,918,154	4,857,129	+ 1,061,025	+21.8
b) issued by other borrowers	43,925,108	46,938,845	- 3,013,737	- 6.4
of which: own issues	822,690	759,239	+ 63,451	+ 8.4
6. Shares and other variable-yield securities	2,857,458	3,048,092	- 190,634	- 6.3
7. Investments in related companies	10,002,490	9,437,923	+ 564,567	+ 6.0
of which: in credit institutions	3,710,119	3,586,420	+ 123,699	+ 3.4
8. Investments in subsidiaries	11,841,994	10,906,852	+ 935,142	+ 8.6
of which: in credit institutions	—	—	—	—
9. Intangible fixed assets	315,281	298,354	+ 16,927	+ 5.7
10. Tangible fixed assets	2,337,619	2,332,216	+ 5,403	+ 0.2
of which: land and buildings occupied by credit institutions for their own activities	680,604	568,135	+ 112,469	+19.8
11. Own shares and own participation certificates	173,885	198,063	- 24,178	-12.2
12. Other assets	5,716,100	5,964,390	- 248,290	- 4.2
13. Deferred expenses	796,695	759,646	+ 37,049	+ 4.9
	645,006,555	615,452,535	+29,554,020	+ 4.8

The financial information concerning Creditanstalt and the Creditanstalt Group (the "CA Group") in this Annex C has been taken from Creditanstalt's publicly available 1995 Annual Report. Neither Creditanstalt nor its independent auditors participated in the preparation of this Offering Memorandum or any of the Annexes hereto, including this Annex C. The Bank and the Initial Purchasers assume no responsibility for the accuracy or completeness of the information in this Annex C.

		31 Dec. 1995	31 Dec. 1994	Change	
		in ATS 1,000	in ATS 1,000	in ATS 1,000	in %
Liabilities and Shareholders' Equity					
1.	Liabilities to credit institutions.....	316,029,554	277,372,533	+38,657,021	+13.9
a)	repayable on demand.....	25,785,491	38,885,735	-13,100,244	-33.7
b)	with agreed maturity dates or periods of notice.....	290,244,063	238,486,798	+51,757,265	+21.7
2.	Liabilities to customers.....	179,850,645	193,052,124	-13,201,479	- 6.8
a)	savings deposits.....	76,856,694	75,099,224	+ 1,757,470	+ 2.3
aa)	repayable on demand.....	49,305	146,775	- 97,470	-66.4
bb)	with agreed maturity dates or periods of notice ..	76,807,389	74,952,449	+ 1,854,940	+ 2.5
b)	other liabilities.....	102,993,951	117,952,900	-14,958,949	-12.7
aa)	repayable on demand.....	45,019,710	50,790,434	- 5,770,724	-11.4
bb)	with agreed maturity dates or periods of notice ..	57,974,241	67,162,466	- 9,188,225	-13.7
3.	Liabilities evidenced by certificates.....	93,298,809	86,787,876	+ 6,510,933	+ 7.5
a)	bonds and notes.....	38,918,090	48,916,364	- 9,998,274	-20.4
b)	other certificates.....	54,380,719	37,871,512	+16,509,207	+43.6
4.	Other liabilities.....	6,590,096	8,314,731	- 1,724,635	-20.7
5.	Deferred income.....	793,133	1,245,913	- 452,780	-36.3
6.	Provisions.....	8,905,366	8,867,739	+ 37,627	+ 0.4
a)	provisions for severance compensation.....	1,159,424	1,126,950	+ 32,474	+ 2.9
b)	provisions for pensions.....	5,178,060	4,770,296	+ 407,764	+ 8.5
c)	other provisions.....	2,567,882	2,970,493	- 402,611	-13.6
7.	Subordinated liabilities.....	10,327,174	11,157,312	- 830,138	- 7.4
8.	Supplementary capital.....	3,654,800	3,741,400	- 86,600	- 2.3
9.	Paid-up capital.....	10,614,716	10,614,716	—	—
a)	subscribed capital.....	4,443,279	4,443,279	—	—
b)	capital reserves.....	6,171,437	6,171,437	—	—
	share premium.....	6,171,437	6,171,437	—	—
10.	Earned surplus.....	13,962,249	13,322,535	+ 639,714	+ 4.8
a)	revenue reserves.....	11,876,112	11,553,917	+ 322,195	+ 2.8
	of which: balance arising from capital consolidation....	- 624,085	- 388,698	- 235,387	-60.6
b)	consolidated surplus for the year.....	2,086,137	1,768,618	+ 317,519	+18.0
11.	Minority interests.....	980,013	975,656	+ 4,357	+ 0.4
	Shareholders' equity (items 9 to 11).....	25,556,978	24,912,907	+ 644,071	+ 2.6
		645,006,555	615,452,535	+29,554,020	+ 4.8

ITEMS SHOWN BELOW THE BALANCE SHEET

31 Dec. 1995
in ATS 1,000

Assets

1. Foreign assets	326,367,803
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Liabilities and Shareholders' Equity

1. Contingent liabilities	64,824,595
of which:	
a) acceptances and liabilities arising from the endorsement of rediscounted bills	14,356,656
b) guarantees and assets pledged as collateral security	49,354,614
2. Commitments	100,509,387
of which: commitments arising from sale and repurchase transactions	2,963,965
3. Liabilities arising from trust transactions	31,082,187
4. Total net capital resources under Sections 23 and 24 in combination with Section 29 of the Banking Act of the group of credit institutions	37,957,000
5. Basis of calculation under Section 22 of the Banking Act for the group of credit institutions	386,236,000
6. Foreign liabilities	287,298,469

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE CREDITANSTALT GROUP
for the year ended 31 December 1995

		1995	1994	Change	
		in ATS 1,000	in ATS 1,000	in ATS 1,000	in %
1.	Interest and similar income	40,030,788	37,367,313	+2,663,475	+ 7.1
2.	Interest and similar expenses	30,870,378	28,320,516	+2,549,862	+ 9.0
I.	Net interest income	9,160,410	9,046,797	+ 113,613	+ 1.3
3.	Income from securities and from investments in subsidiaries and related companies	2,229,724	1,488,978	+ 740,746	+49.7
a)	income from shares and other variable-yield securities ..	242,268	123,430	+ 118,838	+96.3
b)	income from investments in subsidiaries	204,851	82,760	+ 122,091	>100
c)	income from investments in companies valued at equity ..	1,620,312	985,060	+ 635,252	+64.5
d)	income from investments in other related companies ...	162,293	297,728	- 135,435	-45.5
	Net fee and commission income (subtotal of items 4 and 5) ..	3,553,140	3,575,258	- 22,118	- 0.6
4.	Fee and commission income	4,717,318	4,856,888	- 139,570	- 2.9
5.	Fee and commission expenses	1,164,178	1,281,630	- 117,452	- 9.2
6.	Net profit on trading activities	1,657,131	1,330,630	+ 326,501	+24.5
7.	Other operating income	741,550	971,447	- 229,897	-23.7
II.	Operating income	17,341,955	16,413,110	+ 928,845	+ 5.7
8.	General administrative expenses	10,238,970	9,645,410	+ 593,560	+ 6.2
a)	staff expenses	6,151,312	6,015,042	+ 136,270	+ 2.3
	wages and salaries	4,184,717	4,209,776	- 25,059	- 0.6
	statutory social-security contributions as well as levies and compulsory contributions dependent on wages and salaries	1,027,662	970,845	+ 56,817	+ 5.9
	other employee benefits	108,139	105,271	+ 2,868	+ 2.7
	expenses for retirement benefits	406,121	375,015	+ 31,106	+ 8.3
	allocation to the provision for pensions	311,967	235,577	+ 76,390	+32.4
	allocation to the provision for severance compensation ..	112,706	118,558	- 5,852	- 4.9
b)	other administrative expenses	4,087,658	3,630,368	+ 457,290	+12.6
9.	Depreciation in respect of asset items 9 and 10	440,844	406,213	+ 34,631	+ 8.5
10.	Other operating expenses	523,659	676,256	- 152,597	-22.6
III.	Operating expenses	11,203,473	10,727,879	+ 475,594	+ 4.4
IV.	Operating result	6,138,482	5,685,231	+ 453,251	+ 8.0
11./12.	Net expenses arising from the sale and valuation of loans and securities	-3,486,042	-3,154,879	- 331,163	-10.5
13./14.	Net expenses arising from the sale and valuation of bonds and notes valued as financial fixed assets and of investments in subsidiaries and related companies	- 65,978	- 354,835	+ 288,857	+81.4
V.	Result of ordinary activities	2,586,462	2,175,517	+ 410,945	+18.9
15.	Extraordinary income	14,941	27,286	- 12,345	-45.2
16.	Extraordinary expenses	226,125	238,241	- 12,116	- 5.1
17.	Result of extraordinary items (subtotal of items 15 and 16) ..	- 211,184	- 210,955	- 229	- 0.1
18.	Taxes on income	136,987	98,421	+ 38,566	+39.2
19.	Other taxes unless included in item 18	72,224	47,469	+ 24,755	+52.1
VI.	Surplus for the year	2,166,067	1,818,672	+ 347,395	+19.1
20.	Profit attributable to minority interests	79,930	50,054	+ 29,876	+59.7
VII.	Consolidated surplus for the year	2,086,137	1,768,618	+ 317,519	+18.0

ANNUAL ACCOUNTS OF CREDITANSTALT FOR 1995

BALANCE SHEET AT 31 DECEMBER 1995

	31 Dec. 1995 in ATS 1,000	31 Dec. 1994 in ATS 1,000	Change	
			in ATS 1,000	in %
Assets				
1. Cash in hand, balances with central banks and post office banks	4,870,838	7,467,400	- 2,596,562	-34.8
2. Treasury bills and other bills eligible for refinancing with central banks	34,119,667	32,499,048	+ 1,620,619	+ 5.0
a) Treasury bills and similar securities	33,404,896	31,644,386	+ 1,760,510	+ 5.6
b) other bills eligible for refinancing with central banks ...	714,771	854,662	- 139,891	-16.4
3. Claims on credit institutions	230,007,048	216,388,024	+13,619,024	+ 6.3
a) repayable on demand	6,577,744	9,214,500	- 2,636,756	-28.6
b) other claims	223,429,304	207,173,524	+16,255,780	+ 7.8
4. Claims on customers	270,663,280	256,224,010	+14,439,270	+ 5.6
5. Bonds and other fixed-income securities	42,285,205	35,994,824	+ 6,290,381	+17.5
a) issued by public-sector entities	5,709,984	3,058,826	+ 2,651,158	+86.7
b) issued by other borrowers	36,575,221	32,935,998	+ 3,639,223	+11.0
of which: own issues	786,280	721,818	+ 64,462	+ 8.9
6. Shares and other variable-yield securities	2,130,288	2,916,964	- 786,676	-27.0
7. Investments in related companies	8,028,507	7,368,632	+ 659,875	+ 9.0
of which: in credit institutions	2,215,792	2,264,382	- 48,590	- 2.1
8. Investments in subsidiaries	17,429,715	16,618,085	+ 811,630	+ 4.9
of which: in credit institutions	3,983,673	4,737,697	- 754,024	-15.9
9. Intangible fixed assets	150,555	105,087	+ 45,468	+43.3
10. Tangible fixed assets	1,706,168	1,719,896	- 13,728	- 0.8
of which: land and buildings occupied by the credit institution for its own activities	409,280	413,018	- 3,738	- 0.9
11. Own shares and own participation certificates	159,815	188,447	- 28,632	-15.2
of which: nominal value	38,580	33,101	+ 5,479	+16.6
12. Other assets	2,006,484	2,044,625	- 38,141	- 1.9
13. Deferred expenses	484,609	504,860	- 20,251	- 4.0
	614,042,179	580,039,902	+34,002,277	+ 5.9

		31 Dec. 1995	31 Dec. 1994	Change	
		in ATS 1,000	in ATS 1,000	in ATS 1,000	in %
Liabilities and Shareholders' Equity					
1.	Liabilities to credit institutions.....	309,413,906	269,520,522	+39,893,384	+14.8
a)	repayable on demand.....	25,247,766	38,032,938	-12,785,172	-33.6
b)	with agreed maturity dates or periods of notice	284,166,140	231,487,584	+52,678,556	+22.8
2.	Liabilities to customers.....	166,674,342	180,182,949	-13,508,607	- 7.5
a)	savings deposits	72,761,582	70,998,352	+ 1,763,230	+ 2.5
aa)	repayable on demand.....	—	—	—	—
bb)	with agreed maturity dates or periods of notice ..	72,761,582	70,998,352	+ 1,763,230	+ 2.5
b)	other liabilities	93,912,760	109,184,597	-15,271,837	-14.0
aa)	repayable on demand.....	41,320,746	46,601,347	- 5,280,601	-11.3
bb)	with agreed maturity dates or periods of notice ..	52,592,014	62,583,250	- 9,991,236	-16.0
3.	Liabilities evidenced by certificates	89,896,129	82,127,577	+ 7,768,552	+ 9.5
a)	bonds and notes	38,927,823	44,850,082	- 5,922,259	-13.2
b)	other certificates	50,968,306	37,277,495	+13,690,811	+36.7
4.	Other liabilities	1,367,510	2,070,834	- 703,324	-34.0
5.	Deferred income	160,246	273,258	- 113,012	-41.4
6.	Provisions	7,943,776	7,813,340	+ 130,436	+ 1.7
a)	provisions for severance compensation	1,066,500	1,007,700	+ 58,800	+ 5.8
b)	provisions for pensions	5,001,500	4,579,600	+ 421,900	+ 9.2
c)	other provisions	1,875,776	2,226,040	- 350,264	-15.7
7.	Subordinated liabilities	10,317,674	10,400,919	- 83,245	- 0.8
8.	Supplementary capital	3,648,800	3,736,900	- 88,100	- 2.4
9.	Subscribed capital	4,443,279	4,443,279	—	—
10.	Capital reserves.....	6,171,437	6,171,437	—	—
a)	share premium.....	6,171,437	6,171,437	—	—
b)	other capital reserves.....	—	—	—	—
11.	Revenue reserves	4,036,674	3,851,674	+ 185,000	+ 4.8
a)	statutory reserves	38,582	38,582	—	—
b)	other reserves	3,998,092	3,813,092	+ 185,000	+ 4.9
12.	Reserve under Section 23(6) of the Banking Act	8,530,000	7,943,000	+ 587,000	+ 7.4
13.	Net profit.....	462,109	476,727	- 14,618	- 3.1
14.	Untaxed reserves	976,297	1,027,486	- 51,189	- 5.0
a)	valuation reserve resulting from special depreciation ...	903,840	933,840	- 30,000	- 3.2
b)	other untaxed reserves	72,457	93,646	- 21,189	-22.6
	(investment allowance reserve under Section 10 of the Income Tax Act 1988)	72,457	93,646	- 21,189	-22.6
		614,042,179	580,039,902	+34,002,277	+ 5.9

ITEMS SHOWN BELOW THE BALANCE SHEET

	31 Dec. 1995 in ATS 1,000	31 Dec. 1994 in ATS 1,000	Change	
			in ATS 1,000	in %
Assets				
1. Foreign assets	309,927,572	283,080,806	+26,846,766	+ 9.5
Liabilities and Shareholders' Equity				
1. Contingent liabilities	59,378,024	54,105,339	+ 5,272,685	+ 9.7
of which:				
a) acceptances and liabilities arising from the endorsement of rediscounted bills	14,083,128	13,707,986	+ 375,142	+ 2.7
b) guarantees and assets pledged as collateral security ..	45,294,896	40,397,353	+ 4,897,543	+12.1
2. Commitments	97,628,455	81,599,087	+16,029,368	+19.6
of which: commitments arising from sale and repurchase transactions	2,943,965	2,783,478	+ 160,487	+ 5.8
3. Liabilities arising from trust transactions	—	—	—	—
4. Total net capital resources under Section 23 in combination with Section 29 of the Banking Act	36,258,415	36,207,557	+ 50,858	+ 0.1
5. Basis of calculation under Section 22 of the Banking Act....	344,714,295	324,349,206	+20,365,089	+ 6.3
6. Foreign liabilities	273,822,693	248,940,953	+24,881,740	+10.0
7. Cover shortage under the transitional regulations contained in Article X(3) of the Financial Reporting Act	1,748,300	1,938,500	— 190,200	— 9.8

PROFIT AND LOSS ACCOUNT OF CREDITANSTALT
for the year ended 31 December 1995

	1995	1994	Change	
	In ATS 1,000	In ATS 1,000	In ATS 1,000	In %
1. Interest and similar income	36,423,042	33,229,491	+ 3,193,551	+ 9.6
of which: from fixed-income securities	5,158,970	4,354,041	+ 804,929	+18.5
2. Interest and similar expenses	28,981,754	25,792,793	+ 3,188,961	+12.4
I. Net interest income	<u>7,441,288</u>	<u>7,436,698</u>	<u>+ 4,590</u>	<u>+ 0.1</u>
3. Income from securities and from investments in subsidiaries and related companies	1,172,053	831,586	+ 340,467	+40.9
a) income from shares and other variable-yield securities ..	45,352	32,337	+ 13,015	+40.2
b) income from investments in related companies	279,369	362,789	- 83,420	-23.0
c) income from investments in subsidiaries	847,332	436,460	+ 410,872	+94.1
Net fee and commission income (subtotal of items 4 and 5) ..	2,923,961	3,003,269	- 79,308	- 2.6
4. Fee and commission income	3,890,416	4,077,881	- 187,465	- 4.6
5. Fee and commission expenses	966,455	1,074,612	- 108,157	-10.1
6. Net profit on trading activities	1,498,592	1,033,475	+ 465,117	+45.0
7. Other operating income	509,000	441,231	+ 67,769	+15.4
II. Operating income	<u>13,544,894</u>	<u>12,746,259</u>	<u>+ 798,635</u>	<u>+ 6.3</u>
8. General administrative expenses	8,595,199	8,085,321	+ 509,878	+ 6.3
a) staff expenses	5,237,824	5,113,010	+ 124,814	+ 2.4
wages and salaries	3,505,786	3,536,381	- 30,595	- 0.9
statutory social-security contributions as well as levies and compulsory contributions dependent on wages and salaries	856,217	801,006	+ 55,211	+ 6.9
other employee benefits	84,382	86,383	- 2,001	- 2.3
expenses for retirement benefits	390,125	358,444	+ 31,681	+ 8.8
allocation to the pension provision	301,127	219,554	+ 81,573	+37.2
allocation to the provision for severance compensation	100,187	111,242	- 11,055	- 9.9
b) other administrative expenses	3,357,375	2,972,311	+ 385,064	+13.0
9. Depreciation in respect of asset items 9 and 10	275,370	254,118	+ 21,252	+ 8.4
10. Other operating expenses	300,193	228,764	+ 71,429	+31.2
III. Operating expenses	<u>9,170,762</u>	<u>8,568,203</u>	<u>+ 602,559</u>	<u>+ 7.0</u>
IV. Operating result	<u>4,374,132</u>	<u>4,178,056</u>	<u>+ 196,076</u>	<u>+ 4.7</u>
11./12. Net expenses arising from the sale and valuation of loans and securities	- 2,974,757	- 2,713,551	- 261,206	- 9.6
13./14. Net income/expenses arising from the sale and valuation of bonds and notes valued as financial fixed assets and of investments in subsidiaries and related companies	- 45,987	276,897	- 322,884	> 100
V. Result of ordinary activities	<u>1,353,388</u>	<u>1,741,402</u>	<u>- 388,014</u>	<u>-22.3</u>
15. Extraordinary income	-	-	-	-
16. Extraordinary expenses	196,000	195,700	+ 300	+ 0.2
17. Result of extraordinary items (subtotal of items 15 and 16) ..	- 196,000	- 195,700	- 300	- 0.2
18. Taxes on income	19,087	29,227	- 10,140	-34.7
19. Other taxes unless included in item 18	11,877	8,574	+ 3,303	+38.5
VI. Surplus for the year	<u>1,126,424</u>	<u>1,507,901</u>	<u>- 381,477</u>	<u>-25.3</u>
20. Adjustment of reserves	700,617	1,064,965	- 364,348	-34.2
of which: allocation to the Reserve under Section 23(6) of the Banking Act	587,000	335,000	+ 252,000	+75.2
VII. Profit for the year	<u>425,807</u>	<u>442,936</u>	<u>- 17,129</u>	<u>- 3.9</u>
21. Profit brought forward from the previous year	36,302	33,791	+ 2,511	+ 7.4
VIII. Net profit	<u>462,109</u>	<u>476,727</u>	<u>- 14,618</u>	<u>- 3.1</u>

NOTES TO THE ACCOUNTS OF CREDITANSTALT AND OF THE CA GROUP FOR 1995

The annual accounts of Creditanstalt-Bankverein (Creditanstalt) and the consolidated accounts of the CA Group for 1995 have been prepared in accordance with the formats set out in Annex 2 to Article I, Section 43, of the Austrian Banking Act as published in the Federal Law Gazette BGBl 639/1993.

These formats must for the first time be used for the annual accounts of credit institutions for business years ending after 31 December 1994. The financial reporting rules applicable in the European Union have thereby been introduced in Austria. At the same time credit institutions are required, for the first time, to prepare consolidated accounts from that date.

I. Accounting and valuation methods

a) Foreign currency translation

All assets and liabilities denominated in foreign currencies have been translated at the middle rates of exchange prevailing at the balance sheet date. Holdings of foreign notes and coins have been translated at the relevant middle rates of exchange.

In the consolidated accounts, foreign currency items of foreign CA Group members have first been translated into local currency at the local middle rates of exchange and then into Austrian schillings at the corresponding middle rates of exchange prevailing on the Vienna foreign exchange market at the balance sheet date.

b) Fixed assets

Securities intended to be held as long-term investments have been valued at cost.

Investments in subsidiaries and related companies are stated at acquisition cost unless persistent losses have led to permanent diminutions in value requiring write-downs. This applies to both listed and unlisted companies.

For interest-bearing securities held as fixed assets, use is made, above a specific amount, of the option to spread premiums/discounts over the period to maturity in accordance with Section 56(2) and Section 56(3) of the Banking Act. At the balance sheet date, the remaining premium for the period to maturity was ATS 101.0 million for the CA Group, and ATS 87.3 million for Creditanstalt.

Land and buildings as well as office furniture and equipment are stated at acquisition cost or production cost less normal depreciation. The depreciation rates for real property range between 2% and 3%, and for movable assets between 5% and 25%.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

The analyses of fixed assets are presented below. No use was made of the option to take the book values as acquisition cost for the first analysis of Group fixed assets.

Fixed assets of the CA Group at 31 December 1995 (in ATS m)

Balance sheet item	Balance sheet value at 31 Dec. 1994	Acquisition cost*) at 1 Jan. 1995	Additions 1995	Disposals 1995	Acquisition cost at 31 Dec. 1995	Accumulated depreciation/ write-downs/ write-ups until 31 Dec. 1995	Balance sheet value at 31 Dec. 1995	Depreciation/ write-downs/ write-ups 1995
2. a) Treasury bills and other securities eligible for refinancing with central banks	28,754	28,757	45,532	42,403	31,886	(32)	31,854	(27)
3. b) Other claims on credit institutions	299	276	—	45	231	(1)	230	—
4. Claims on customers	4,290	5,544	610	3,458	2,696	(9)	2,687	—
5. a) Bonds and other fixed-income securities issued by public-sector entities	1,382	1,382	2,177	1,318	2,241	(14)	2,227	(14)
5. b) Bonds and other fixed-income securities issued by other borrowers	24,612	24,623	8,726	9,559	23,790	(28)	23,762	(17)
6. Shares and other variable-yield securities	690	725	422	210	937	(14)	923	21
7. Investments in related companies	9,014	9,014**)	1,114	464	9,664	339	10,003	339
8. Investments in subsidiaries ..	10,415	10,415**)	2,880	1,707	11,588	254	11,842	254
9. Intangible fixed assets	274	479	131	24	586	(272)	314	(67)
10. Tangible fixed assets	2,171	4,913	565	90	5,388	(3,051)	2,337	(309)
Total fixed assets	81,901	86,128	62,157	59,278	89,007	(2,828)	86,179	180
<i>of which: net income for the year of companies valued at equity</i>								<u>1,620</u>

*) including foreign currency translation adjustment

**) including balance arising from consolidation

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

Fixed assets of Creditanstalt at 31 December 1995 (in ATS m)

Balance sheet item	Balance sheet value at 31 Dec. 1994	Acquisition cost*) at 1 Jan. 1995	Additions 1995	Disposals 1995	Acquisition cost at 31 Dec. 1995	Accumulated depreciation/ write-downs until 31 Dec. 1995	Balance sheet value at 31 Dec. 1995	Depreciation/ write-downs 1995
2. a) Treasury bills and other securities eligible for refinancing with central banks ...	27,178	27,199	44,493	41,568	30,124	(21)	30,103	(18)
3. b) Other claims on credit institutions	299	276	—	45	231	(1)	230	—
4. Claims on customers	4,290	5,544	610	3,458	2,696	(9)	2,687	—
5. a) Bonds and other fixed-income securities issued by public sector entities	1,590	1,282	2,091	1,301	2,072	(14)	2,058	(14)
5. b) Bonds and other fixed-income securities issued by other borrowers	12,118	11,899	8,222	5,924	14,197	(12)	14,185	(1)
6. Shares and other variable-yield securities	190	220	33	27	226	(38)	188	(2)
7. Investments in related companies	7,369	7,829	1,000	294	8,535	(507)	8,028	(73)
8. Investments in subsidiaries	16,618	18,204	2,362	1,457	19,109	(1,679)	17,430	(352)
9. Intangible fixed assets	105	196	73	—	269	(118)	151	(27)
10. Tangible fixed assets	<u>1,720</u>	<u>4,159</u>	<u>253</u>	<u>24</u>	<u>4,388</u>	<u>(2,682)</u>	<u>1,706</u>	<u>(248)</u>
Total fixed assets	<u>71,477</u>	<u>76,808</u>	<u>59,137</u>	<u>54,098</u>	<u>81,847</u>	<u>(5,081)</u>	<u>76,766</u>	<u>(735)</u>

*) including foreign currency translation adjustment

c) Current assets

Listed securities held as current assets with appropriate liquidity are marked to market. At 31 December 1995, the market value of such securities held by the CA Group exceeded cost by ATS 276.5 million (Creditanstalt: ATS 200.2 million). For other listed securities held as current assets, the market value within the CA Group at the balance sheet date was ATS 52.3 million (Creditanstalt: ATS 49.2 million) higher than the balance sheet figure.

Provisions have been made for identifiable risks associated with borrowers. For individual groups of risk assets, specific provisions have been made according to group-related criteria.

The provision for possible losses on loans to rescheduling countries takes account of international market prices.

No use has been made of the optional valuation rules under Section 57(1) of the Banking Act.

d) Liabilities

Issuing costs and premiums/discounts in connection with bond issues are spread on a straight-line basis over the period to maturity. Disbursement commissions are recognised in the profit and loss account at the time of loan disbursement, and premiums/discounts on mortgage bonds and local-authority bonds in the year of issue.

Pension obligations are calculated on the basis of the Ettl-Pagler mortality tables and an interest rate of 6%, using the present-value method for prospective pension benefits and the cash-value method for

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

pensions. For severance compensation obligations at the balance sheet date, a provision has been made which covers 50% of the deemed rights to severance payments. As a lower limit for the two provisions, the level permissible in accordance with the relevant expert opinion of the Austrian certified public accountants is maintained at all times.

The provisions for anniversary bonuses and death benefits have been calculated in accordance with the going-concern value method ("Teilwertverfahren"), using an interest rate of 6%. Their levels are in keeping with the recommendations contained in the expert opinion of the Austrian certified public accountants.

II. Consolidation principles

a) The 1995 consolidated accounts represent accounts required by law for the first time. 1 January 1995 was chosen as the date of first consolidation (capital consolidation and equity method valuation).

b) The consolidation was carried out in accordance with the consolidation rules contained in the Austrian Commercial Code as published in the Financial Reporting Act 1990, on the basis of audited annual accounts or sub-group accounts using group-wide valuation rules. For the purpose of capital consolidation and for the valuation at equity, the book value method was used (exception: for the sub-group accounts of CA-Leasing GmbH, the revaluation method was used). For the consolidation of AVABANK AG, CA-3 Banken Beteiligungsfonds AG, Creditanstalt Investment Bank AG and CA-Leasing GmbH, sub-group accounts were used.

c) In accordance with Section 59 of the Banking Act, the consolidated companies include the controlled domestic and foreign credit institutions as well as the major controlled domestic and foreign financial institutions. All other investments of Creditanstalt in companies which are material for giving a true and fair view of the CA Group's assets, financial and earnings position, were dealt with by way of the equity method. In the consolidated accounts, joint ventures were accounted for under the equity method instead of proportional consolidation. For the other companies in which investments are held, use was made of the rules of Section 249(2) and Section 263(2) of the Commercial Code. They are included in the list drawn up in accordance with Section 238 of the Commercial Code.

With the exception of Banca C. Steinhauslin and C., S.p.A., a company sold in 1995, the consolidated companies in the 1995 consolidated accounts are the same as in the 1994 consolidated accounts. Despite this change, a meaningful comparison of the two sets of accounts is possible.

d) For investments in companies which were neither fully consolidated nor included in the consolidated accounts by way of the equity method, the book values and dividends received as contained in the respective annual accounts have been used.

e) The sub-group of CA-Leasing GmbH comprises those companies which are to be included in accordance with Section 59(3) of the Banking Act and whose activities are a direct extension of banking or services ancillary to banking.

In the sub-group accounts of CA-Leasing GmbH and AVABANK AG, fixed assets leased to customers were attributed, in accordance with Section 59(7) of the Banking Act, to the individual categories of claims at the present value of the discounted claims under leasing transactions.

f) As part of the full consolidation, differences of about ATS 1.2 billion arising from capital consolidation on the assets side were set off against differences of about ATS 0.6 billion on the liabilities side, and the balance was shown as "Balance arising from capital consolidation" under the revenue reserves. The difference compared with the previous year results mainly from the change in the set of consolidated companies referred to above.

NOTES TO THE ACCOUNTS OF CREDITANSTALT AND OF THE CA GROUP FOR 1995 (Continued)

As part of the full consolidation, intercompany claims and liabilities were eliminated; in the profit and loss account, expenses arising from fully consolidated companies were offset against income from these companies.

g) To ensure that the consolidated accounts provide meaningful information, all companies accounted for under the equity method were included on a same-period basis. For those companies for which annual accounts as at 31 December 1995 were not yet available, preliminary confirmed figures for their net income for the year and equity were used. Differences between preliminary figures used and figures stated in the annual accounts are taken into account in the subsequent period. In the list prepared in accordance with Section 238 of the Commercial Code, the data contained in the most recent audited accounts are disclosed.

Under this valuation method, the book values of investments as at 1 January 1995 were compared with the share of equity. Differences on the liabilities side increased the revenue reserve by ATS 3.2 billion. The major part of these differences arose from retained profits in the period during which the investments have been held by Creditanstalt. Differences on the assets side which were not attributed to any specific assets amounted to ATS 3.6 billion and were offset against the revenue reserve. Attributed differences contained in investments in associated companies total ATS 2.1 billion.

Dividend payments received from these companies were replaced by the share of net income for the year.

Under the equity method, investments in companies which are not subject to the rules of the Banking Act continued to be valued according to general principles under the Commercial Code.

h) No major intercompany profits existed within the CA Group and those companies which are included in the consolidated accounts under the equity method.

i) At present, the Group members do not hold any shares and participation certificates in Creditanstalt.

j) In line with the prevailing views of authoritative sources and commentaries, the presentation of shareholders' equity in the balance sheet of the CA Group has been changed; according to the source, equity is now subdivided into paid-up capital and earned surplus. The Reserve under Section 23(6) of the Banking Act is included in the revenue reserves, which do, however, not yet contain any appropriations from the surplus for the year. Shareholders' equity totalled ATS 25.6 billion, up by ATS 0.6 billion on the previous year, most of the increase resulting from the movement in shareholders' equity of Creditanstalt.

k) The data in the 1994 consolidated accounts published on a voluntary basis were slightly adjusted to make them comparable with the 1995 consolidated accounts; however, no change was made in the valuation principles.

III. Notes to the balance sheet and the consolidated balance sheet

The consolidated balance sheet and the consolidated profit and loss account are determined to a large extent by the data in the annual accounts of Creditanstalt.

The CA Group's total assets rose by about ATS 29.6 billion or about 4.8%, corresponding to the growth in Creditanstalt's total assets. Foreign business accounted for about 50.6% of the CA Group's total assets (1994: about 49.6%) and about 50.5% of Creditanstalt's total assets (1994: about 48.8%).

The consolidated balance sheet total is about ATS 645 billion, exceeding the comparable figure for the annual accounts of Creditanstalt by about ATS 31 billion. This additional business volume is mainly accounted for by AVABANK, the CA-Leasing group as well as the commercial banking subsidiaries in Munich, Budapest, Prague and Warsaw.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

a) Analyses of the claims on credit institutions and on customers by original maturities for the CA Group and Creditanstalt as well as analyses of the liabilities to credit institutions and to customers by original maturities for the CA Group and Creditanstalt are given below.

Analysis of claims and liabilities by original maturities (CA Group)

Amounts in ATS m at 31 December*)	repayable on demand	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	Total
Claims on credit institutions	6,842	60,641	89,727	38,671	25,635	221,516
Claims on customers	58,276	49,625	16,345	39,682	131,356	295,284
Bonds and other fixed-income securities ...	—	239	2,712	18,342	28,550	49,843
Total claims — 1995	<u>65,118</u>	<u>110,505</u>	<u>108,784</u>	<u>96,695</u>	<u>185,541</u>	<u>566,643</u>
Total claims — 1994	<u>64,594</u>	<u>110,196</u>	<u>110,744</u>	<u>55,090</u>	<u>198,144</u>	<u>538,768</u>
Liabilities to credit institutions	25,785	142,187	67,606	42,355	38,096	316,029
Liabilities to customers	45,069	59,296	53,499	15,964	6,002	179,850
Liabilities evidenced by certificates	—	2,462	10,600	32,961	47,276	93,299
Total liabilities — 1995	<u>70,854</u>	<u>203,945</u>	<u>131,705</u>	<u>91,300</u>	<u>91,374</u>	<u>569,178</u>
Total liabilities — 1994	<u>89,823</u>	<u>200,990</u>	<u>129,791</u>	<u>50,982</u>	<u>85,626</u>	<u>557,212</u>

*) translated at the middle rate of exchange ruling in Vienna at the end of December

Analysis of claims and liabilities by original maturities (Creditanstalt)

Amounts in ATS m at 31 December*)	repayable on demand	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	Total
Claims on credit institutions	6,578	56,809	99,433	40,956	26,231	230,007
Claims on customers	60,690	44,884	11,623	30,717	122,749	270,663
Bonds and other fixed-income securities ...	—	—	1,900	15,136	25,249	42,285
Total claims — 1995	<u>67,268</u>	<u>101,693</u>	<u>112,956</u>	<u>86,809</u>	<u>174,229</u>	<u>542,955</u>
Total claims — 1994	<u>66,729</u>	<u>112,459</u>	<u>111,526</u>	<u>66,209</u>	<u>151,684</u>	<u>508,607</u>
Liabilities to credit institutions	25,248	139,422	66,353	41,426	36,965	309,414
Liabilities to customers	41,321	54,278	52,901	12,476	5,698	166,674
Liabilities evidenced by certificates	—	2,404	10,421	35,122	41,949	89,896
Total liabilities — 1995	<u>66,569</u>	<u>196,104</u>	<u>129,675</u>	<u>89,024</u>	<u>84,612</u>	<u>565,984</u>
Total liabilities — 1994	<u>82,082</u>	<u>193,470</u>	<u>125,683</u>	<u>48,805</u>	<u>81,791</u>	<u>531,831</u>

*) translated at the middle rate of exchange ruling in Vienna at the end of December

b) Details concerning companies in which an investment is held in accordance with Section 238 no. 2 of the Commercial Code are listed separately as a part of the notes to the annual accounts. ÖRAG Österreichische Realitäten-AG, CA Fund Advisory Fonds Beratungs Gesellschaft m.b.H. and "CA-Consult International" Investitionsprojektberatungsgesellschaft m.b.H. are fully controlled by, and integrated into, Creditanstalt.

c) The amount stated for land and buildings in Creditanstalt's balance sheet at 31 December 1995 includes the value of developed land of ATS 34.6 million (1994: ATS 34.8 million).

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

d) Trust assets

Trust assets held within the CA Group are about ATS 34,404 million. Of this total, the fund assets managed on behalf of third parties by Österreichische Investment Gesellschaft m.b.H. account for about ATS 30,171 million.

Assets held by Creditanstalt in its own name but for third-party account are included in the following balance sheet items:

	<u>1995</u>	<u>1994</u>
	in ATS m	
Claims on customers	3,322.1	3,216.6
Liabilities to credit institutions	33.8	28.7
Liabilities to customers	3,288.3	3,187.9

e) Reserves

At 31 December, the investment allowance reserve under Section 10 of the Income Tax Act in Creditanstalt's balance sheet was composed as follows:

	<u>1995</u>	<u>1994</u>
	in ATS 1,000	
from 1991	—	41,344
from 1992	43,893	29,657
from 1993	5,616	—
from 1994	22,948	22,645
from 1995	—	—
	<u>72,457</u>	<u>93,646</u>

The increase compared with the previous year's figures results from the merger with CALG Mobilien Leasing GmbH.

The valuation reserve for undisclosed reserves transferred under Section 12 of the Income Tax Act is shown at ATS 903.8 million (1994: ATS 933.8 million).

f) Provisions

Provisions for pensions in the CA Group's balance sheet total ATS 5,178.1 million (1994: ATS 4,770.3 million).

Under Austrian law, the requirement for the provision for pensions for Creditanstalt under Section 14 of the Income Tax Act totals ATS 5,924.4 million (1994: ATS 5,620.1 million). Of this amount, ATS 5,001.5 million (1994: ATS 4,579.6 million), including a portion of ATS 156.0 million which was subject to tax, is shown in the annual accounts of Creditanstalt at 31 December 1995 in accordance with the transitional rule under Section 116 of the Income Tax Act. The regular allocation is included as an expense in staff expenses, and the additionally required pro-rata 1995 allocation of ATS 117.5 million (1994: ATS 117.0 million), resulting from the transition to the Financial Reporting Act rules as at 1 January 1992, is shown under "extraordinary expenses" in the profit and loss account. The remaining additional requirement under the Income Tax Act to be allocated until the year 2009 is ATS 922.9 million (1994: ATS 1,040.5 million). The provision as calculated on the basis of the expert opinion of the Austrian certified public accountants, using an interest rate of 6% and the going-concern value method ("Teilwertverfahren"), would be ATS 7,095.3 million (1994: ATS 6,782.7 million). The shortfall of ATS 1,170.9 million (1994: ATS 1,162.6 million), or 16.5% (1994: 17.1%), compared with the

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

requirement of ATS 5,924.4 million (1994: ATS 5,620.1 million) under Section 14 of the Income Tax Act is below the tolerance limit of 25% indicated in the expert opinion of the certified public accountants. The cover shortage under Article X(3) of the Financial Reporting Act is ATS 1,748.3 million (1994: ATS 1,938.5 million). For the Austrian part of the CA Group, the total shortfall under the going-concern value method is ATS 2,151.1 million.

Provisions for severance compensation in the CA Group total ATS 1,159.4 million (1994: ATS 1,127.0 million). The provisions for severance compensation shown in Creditanstalt's balance sheet, at ATS 1,066.5 million (1994: ATS 1,007.7 million), comply with the rules under Section 14 of the Income Tax Act. This amount covers 50% of the deemed rights to severance payments and is ATS 238.9 million (1994: ATS 206.5 million) lower than the actuarial requirement of ATS 1,305.4 million (1994: ATS 1,214.2 million) calculated on the basis of an interest rate of 6%. The deviation of 18.3% (1994: 17.0%) is also below the tolerance limit of 25%.

A total amount of ATS 97.5 million (1994: ATS 100.7 million) was allocated to the provisions for anniversary bonuses and death benefits in Creditanstalt's balance sheet. Of this amount, one-fifth of the additional requirement of ATS 392.6 million under the Financial Reporting Act, i.e. ATS 78.5 million, was included in "extraordinary expenses" in the profit and loss account.

Other provisions mainly comprise provisions for risks in the lending and securities business as well as for expenses arising from equity investments in subsidiaries and related companies and for other expenses attributable to the financial year.

g) Equity capital

At 31 December 1995 the share capital, shown unchanged, was composed as follows:

	<u>nominal amount</u>
Ordinary shares	ATS 2,870,000,000
Non-Voting ordinary shares	ATS 1,230,000,000
	<u>ATS 4,100,000,000</u>

Ordinary shares of Creditanstalt carry the full shareholder rights under the Companies Act. Non-voting ordinary shares of Creditanstalt carry the same shareholder rights except the voting right; the preference dividend of 6% — if not or not fully paid — must be paid out of the net profits of the subsequent business years. At 31 December 1995 the nominal amount of authorised but unissued capital, which may be issued until 31 March 1997, was unchanged and amounted to ATS 1 billion.

The participation capital has been placed at the Bank's disposal as long as the company exists, under waiver of extraordinary and ordinary cancellation. It may be repaid only with due regard to the relevant provisions of the Companies Act and the banking supervision rules. CA participation certificates give the holder a share of the net assets and the right to receive a share of profit at the same percentage rate as the dividend paid on the non-voting ordinary shares, as well as the right to attend annual general meetings and request information there.

At 31 December 1995, the nominal participation capital under Section 23(4) of the Banking Act amounted to ATS 343,279,000, as in the previous year, represented by 686,558 participation certificates with a nominal value of ATS 500 each.

The accounts contain own participation capital with a book value of ATS 52,070,400 (1994: ATS 38,275,660). In addition, own participation capital with a book value of ATS 4,032,000 (1994: none) was lent.

NOTES TO THE ACCOUNTS OF CREDITANSTALT AND OF THE CA GROUP FOR 1995 (Continued)

At 31 December 1995, the CA Group's liabilities included subordinated capital in the amount of ATS 13,981,974,000 (1994: ATS 14,898,712,000), of which ATS 3,654,800,000 (1994: ATS 3,741,400,000) was supplementary capital under Section 23(7) of the Banking Act, and subordinated bonds accounted for ATS 10,327,174,000 (1994: ATS 11,157,312,000). At 31 December 1995, Creditanstalt's liabilities included subordinated capital in the amount of ATS 13,966,474,000 (1994: ATS 14,137,819,000), of which ATS 3,648,800,000 (1994: ATS 3,736,900,000) was supplementary capital under Section 23(7) of the Banking Act, and subordinated bonds accounted for ATS 10,317,674,000 (1994: ATS 10,400,919,000). At 31 December 1995, the Bank held supplementary capital with a nominal value of ATS 29,520,000 (1994: ATS 33,150,000) and subordinated capital with a nominal value of ATS 65,460,000 (1994: ATS 99,720,000) as well as US\$14,970,000 (1994: none) in its own portfolio.

Supplementary capital comprises those paid-up capital resources which, under the terms of an agreement, are placed at the disposal of the credit institution for at least eight years under waiver of ordinary and extraordinary notice; on which interest may be paid to the extent that such interest is covered by the surplus for the year (before adjustment of reserves); which, prior to liquidation, may be repaid only subject to pro-rata deduction of the net losses which have accrued during their term; which are subordinated under Section 45(4) of the Banking Act; whose residual maturity is at least three years; and with respect to which the bank auditors have certified the fulfilment of the conditions mentioned above.

Subordinated liabilities are liabilities, whether or not evidenced by certificates, which, under the terms of an agreement and in the event of liquidation or bankruptcy, may be satisfied only after the claims of other creditors have been satisfied.

A reciprocal shareholding relationship without significant influence on either side exists with EA-Generali AG.

h) Own shares

To ensure the proper functioning of the market, we and CA-affiliated companies acquired 1,134,243 ordinary shares with a nominal value of ATS 100 each at the average price of ATS 576, 2,177,062 non-voting ordinary shares with a nominal value of ATS 100 each at the average price of ATS 558, and 154,709 participation certificates with a nominal value of ATS 500 each at the average price of ATS 1,544, and we sold 1,394,915 ordinary shares at the average price of ATS 579, 1,924,422 non-voting ordinary shares at the average price of ATS 558, and 134,983 participation certificates at the average price of ATS 1,495. The sales proceeds were added to the working capital. At the balance sheet date, we held 36,598 shares (1994: 183,270) with a nominal value of ATS 100 each of the Bank's own ordinary shares (including 5,000 shares lent and 119,000 shares borrowed to cover short-term delivery obligations), 168,406 shares (1994: 51,566) with a nominal value of ATS 100 each of the Bank's own non-voting ordinary shares, and 36,160 participation certificates (1994: 19,234) of the Bank's own participation certificates (i.e. 5.27%, 1994: 2.8%). The holdings of ordinary shares and non-voting ordinary shares correspond to a total of 0.5% of Creditanstalt's share capital, while the highest level reached during 1995 was 0.57% of the share capital.

Additional securities lending and borrowing transactions were effected during 1995 to ensure the proper functioning of the Vienna Stock Exchange.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

i) Other information

Obligations arising from the use of tangible fixed assets not shown in the balance sheet (rented and leased assets), to the extent that contracts had been concluded by the time the balance sheet was drawn up:

	1995 in ATS m	1994 in ATS bn
CA Group		
total for the following five business years	4,939.6	5.9
of which:		
in the following business year	1,478.9	1.6
Creditanstalt		
total for the following five business years	2,856.2	2.9
of which:		
in the following business year	710.1	0.6

In 1995 the total volume of the CA Group's leasing business was about ATS 19.4 billion (1994: ATS 20.3 billion).

From subsidiaries, the CA Group acquired intangible assets in the amount of ATS 117.4 million, and Creditanstalt in the amount of ATS 37.5 million, during the business year.

Details concerning assets pledged as security under Section 64(1) no. 8 of the Banking Act, the breakdown of certain asset items into listed and unlisted securities under Section 64(1) no. 10 of the Banking Act, as well as the breakdown of securities admitted to stock exchange trading into those valued as fixed assets and others under Section 64(1) no. 11 of the Banking Act are given below.

Assets pledged as security under Section 64 (1) no. 8 of the Banking Act (Creditanstalt)

At 31 December 1995, fixed-income securities and assigned claims with a total nominal value of ATS 46,561.1 million were pledged as security for liabilities arising from the following transactions:

	<u>In ATS m*)</u>
Security provided in favour of the Austrian National Bank for foreign exchange transactions	1,287.4
Margin requirement in favour of ÖTOB	350.5
Security provided in favour of Oesterreichische Kontrollbank Aktiengesellschaft for the settlement of securities transactions	172.7
Security provided in favour of foreign banks for securities lending transactions	13.5
Assets pledged in favour of foreign banking subsidiaries	954.6
Security provided in favour of Euro-Clear for securities transactions	1,200.2
Claims assigned in favour of Oesterreichische Kontrollbank Aktiengesellschaft	41,157.0
Subtotal	45,135.9
Collateral fund for savings deposits on behalf of wards	204.2
Collateral fund for funded CA bonds	721.0
Substitute collateral for CA mortgage bonds	500.0
Total	<u>46,561.1</u>

*) translated at the middle rate of exchange ruling in Vienna at the end of December

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

Information under Section 64 (1) no. 10 and no. 11 of the Banking Act (Creditanstalt)

Amounts in ATS 1,000 at 31 December 1995*)	Unlisted	Listed	Valued as fixed assets	Other valuation	Total
5. Bonds and other fixed-income securities	—	42,285,205	17,012,154	25,273,051	42,285,205
a) issued by public-sector entities	—	5,709,984	2,101,476	3,608,508	5,709,984
b) issued by other borrowers	—	36,575,221	14,910,678	21,664,543	36,575,221
6. Shares and other variable-yield securities ..	810,514	1,319,774	45,249	1,274,525	2,130,288
7. Investments in related companies	809,320	7,219,187			8,028,507
8. Investments in subsidiaries	13,825,824	3,603,891			17,429,715

*) translated at the middle rate of exchange ruling in Vienna at the end of December

Of the bonds and other fixed-income securities shown on the assets side (under Section 64(1) no. 7 of the Banking Act), securities in the repayable amount of ATS 6,993.0 million held by the CA Group become due in 1996; securities in the repayable amount of ATS 5,864.8 million held by Creditanstalt become due in 1996. Of the bonds and notes shown on the liabilities side (Section 64(1) no. 7 of the Banking Act) of the CA Group's balance sheet, securities in the repayable amount of ATS 9,046.1 million issued by Creditanstalt become due in 1996.

The foreign assets shown below the line reflect Creditanstalt's business with partners who are not resident in Austria and do not have their habitual domicile in Austria. Within the total amount, the largest items are (in ATS billion):

Claims on foreign credit institutions	200.5
Claims on foreign customers	65.3
Foreign bonds and other fixed-income securities	37.6
Investments in subsidiaries and related companies	4.0
Other assets	1.6

The contingent liabilities shown below the CA Group's balance sheet are dominated by the data for Creditanstalt. The sub-item 1.a) acceptances and liabilities arising from the endorsement of rediscounted bills of Creditanstalt mainly includes bills under the Austrian export promotion scheme, ERP bills and bills rediscounted at the Austrian National Bank. The sub-item 1.b) guarantees and assets pledged as security includes guarantees in the total amount of ATS 38,716.8 million (1994: ATS 36,355.9 million) and letters of credit in the total amount of ATS 6,578.1 million (1994: ATS 4,041.5 million).

In addition to the contingent liabilities shown below the line, a commitment has been imposed on Creditanstalt under its membership, prescribed in Section 93 of the Banking Act of "Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H.". If claims are raised against this institution, formed for the purpose of savings deposits protection, each bank is obliged to contribute towards the settlement of such claims up to the maximum of one-third of its reserve set up under Section 23(6) of the Banking Act as shown at the latest balance sheet date. For Creditanstalt the relevant amount is ATS 2,843.3 million (1994: ATS 2,647.7 million). The relevant contingent liabilities of other Austrian members of the CA Group total ATS 69.9 million.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

Most of the commitments shown below the line represent loan commitments and undrawn credit facilities.

At 31 December 1995, the capital resources of Creditanstalt were unchanged at about ATS 36.3 billion, of which ATS 23.6 billion was core capital (1994: ATS 22.8 billion).

The total capital ratio was 10.5%, down by 0.7% on 1994; the tier 1 capital ratio was 6.8% compared with 7.0%. For Creditanstalt, the basis of calculation under Section 22 of the Banking Act consists of weighted assets of about ATS 303.5 billion and weighted off-balance sheet transactions of about ATS 41.2 billion; for the CA Group, the basis of calculation under Section 30 of the Banking Act consists of weighted assets of ATS 341.9 billion and weighted off-balance sheet transactions of ATS 44.3 billion. The consolidated capital resources of the CA Group totalled about ATS 38.0 billion (1994: ATS 37.2 billion), corresponding to about 9.8% of the consolidated basis of calculation of ATS 386.2 billion (1994: 10.3% of ATS 360.9 billion); of this, core capital amounted to about ATS 25.7 billion (1994: ATS 24.2 billion), representing about 6.7% of the basis of calculation, as in the previous year.

The foreign liabilities shown below the line reflect Creditanstalt's business with partners who are not resident in Austria and do not have their habitual domicile in Austria. Within the total amount, the largest items are (in ATS billion):

Liabilities to foreign credit institutions	210.0
Liabilities to foreign customers	30.8
Liabilities evidenced by certificates	27.7
Subordinated liabilities to foreigners and supplementary capital issued abroad	4.5

Foreign currency assets in the CA Group's balance sheet total ATS 328.3 billion, and foreign currency liabilities ATS 326.9 billion. Creditanstalt's balance sheet contains foreign currency assets of ATS 294.6 billion and foreign currency liabilities of ATS 293.2 billion (see analyses by currencies below).

Analysis of assets/liabilities by currencies

Amounts in ATS m at 31 December*)	Creditanstalt				CA Group			
	Assets		Liabilities		Assets		Liabilities	
	1995	1994	1995	1994	1995	1994	1995	1994
Austrian schilling	319,463	305,374	320,822	301,812	316,712	313,510	318,122	309,756
US dollar	131,665	130,555	121,979	135,575	146,335	145,615	135,515	150,915
D-mark	39,960	38,171	50,852	52,820	47,670	42,989	58,683	57,845
Pound sterling	37,145	28,356	37,775	29,589	37,469	28,419	38,103	29,657
Swiss franc	23,497	23,446	26,495	14,039	23,733	23,783	26,709	14,274
Other currencies	62,312	54,138	56,119	46,205	73,088	61,137	67,875	53,006
Subtotal — foreign currencies ..	294,579	274,666	293,220	278,228	328,295	301,943	326,885	305,697
Total	614,042	580,040	614,042	580,040	645,007	615,453	645,007	615,453

*) translated at the middle rate of exchange ruling in Vienna at the end of December

Creditanstalt's derivatives activities are shown below. The total volume of derivative transactions at the other units of the financial group (primarily at Creditanstalt's subsidiaries in Central Europe) is very modest, with risk controlled by Creditanstalt.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

**Total volume of outstanding financial derivative transactions (Creditanstalt) presented in the
format recommended by the Institute of International Finance Inc., Washington:**

Amounts in ATS m at 31 December 1995	Notional amounts Remaining life			Total	Market value (positive)
	< 1 year	1 — 5 years	> 5 years		
A. Interest rate contracts					
<i>OTC products:</i>					
Forward rate agreements.....	403,091.4	—	—	403,091.4	616.6
Single-currency swaps.....	79,860.4	171,735.7	69,802.8	321,398.9	8,925.8
Interest rate options bought.....	7,142.1	14,470.9	5,559.9	27,172.9	390.0
Interest rate options sold.....	5,609.3	10,982.9	5,690.5	22,282.7	—
Other interest rate contracts.....	—	—	—	—	—
<i>Exchange-traded products:</i>					
Interest rate futures.....	8,845.6	—	—	8,845.6	—
Options on interest rate futures.....	548.2	—	—	548.2	—
Total A	<u>505,097.0</u>	<u>197,189.5</u>	<u>81,053.2</u>	<u>783,339.7</u>	<u>9,932.4</u>
B. Foreign exchange contracts					
<i>OTC products:</i>					
Forward foreign exchange transactions.....	132,911.2	4,022.0	—	136,933.2	1,804.3
Cross-currency swaps.....	5,824.8	12,976.3	4,252.1	23,053.2	1,321.6
Currency options bought.....	7,208.4	151.3	—	7,359.7	82.9
Currency options sold.....	9,365.5	151.3	—	9,516.8	—
Other foreign exchange contracts.....	—	—	—	—	—
<i>Exchange-traded products:</i>					
Currency futures.....	—	—	—	—	—
Options on currency futures.....	—	—	—	—	—
Total B	<u>155,309.9</u>	<u>17,300.9</u>	<u>4,252.1</u>	<u>176,862.9</u>	<u>3,208.8</u>
C. Securities-related transactions					
<i>OTC products:</i>					
Securities swaps.....	—	—	—	—	—
Stock options bought.....	796.3	—	—	796.3	12.0
Stock options sold.....	611.8	—	—	611.8	—
Other securities-related contracts.....	3,807.2	112.0	—	3,919.2	16.4
<i>Exchange-traded products:</i>					
Stock and other securities-price-related index futures.....	493.1	—	—	493.1	—
Stock and other securities-price-related index options.....	1,186.4	—	—	1,186.4	—
Total C	<u>6,894.8</u>	<u>112.0</u>	<u>—</u>	<u>7,006.8</u>	<u>28.4</u>
Total A-C	<u>667,301.7</u>	<u>214,602.4</u>	<u>85,305.3</u>	<u>967,209.4</u>	<u>13,169.6</u>
thereof: OTC products.....	656,228.4	214,602.4	85,305.3	956,136.1	13,169.6
thereof: exchange-traded products.....	11,073.3	—	—	11,073.3	—

Our derivatives activities are conducted for the purpose of risk management of our customers, hedging our own risks, taking advantage of arbitrage opportunities as well as — in the Austrian money, capital, futures and options markets — providing liquidity through our function as a market maker. The extent of all these activities can be presented by a breakdown of the notional amounts by risk and product categories and by the various maturity ranges. Notional amounts are used in the derivatives sector as a basis of calculation without, however, giving a direct indication of the respective credit risk. The credit risk is best represented by the current positive market value. The positive market value is the amount we would expect to receive from the counterparty, on the basis of changes in market prices, if the contract were terminated.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

To make these transactions more easily comparable with on-balance sheet business, we use the risk categories defined in the Austrian Banking Act. The risk-weighted volume of all outstanding financial derivative transactions in accordance with Section 22 of the Banking Act, which is to be included in the basis of calculation of the required capital resources, is ATS 3.6 billion (1994: ATS 2.7 billion) and the capital resources required in this connection are ATS 287 million (1994: ATS 218 million).

The management of market risks has become a subject of public discussion over the past few years. The proposals put forward by the Group of Thirty, the International Organisation of Securities Commissions (IOSCO) and the Basle Committee on Banking Regulations and Supervisory Practices at the Bank for International Settlements are gradually being developed into an international standard for market risk measurement and market risk management. We are working on implementing these standards in all units of the financial group where trading activities are concentrated. Our money-at-risk concept uses a variance-covariance approach based on historical time series. This risk measurement approach is complemented by stress tests based on crises in the past.

In the future, the Austrian Banking Act will require banks to hold capital resources also to cover interest rate risks and share price risks arising from trading activities, as well as exchange rate risks. An amendment to this effect is still in the process of preparation, so that an exact calculation is not yet possible. The future additional requirement on the basis of year-end positions is estimated at about ATS 1.3 billion; the excess of capital resources over the required minimum is ATS 8.7 billion.

Details of the amounts of claims on (liabilities to) subsidiaries and related companies, whether or not evidenced by certificates, which are contained in individual asset and liability items and are required to be indicated under Section 45(3) of the Banking Act, are given in the table below.

Selected claims on/liabilities to subsidiaries and related companies

Amounts in ATS m at 31 December 1995*)	Subsidiaries		Other companies	
	Creditanstalt	CA Group	Creditanstalt	CA Group
Treasury bills and other bills eligible for refinancing				
with central banks	—	2	—	294
Claims on credit institutions	15,380	—	5,009	8,178
Claims on customers	35,386	24,379	2,068	32,435
Bonds and other fixed-income securities	66	—	10	57,497
Liabilities to credit institutions	6,128	—	1,788	14,887
Liabilities to customers	2,197	3,612	305	9,156
Liabilities evidenced by certificates	2,298	—	—	3,102
Subordinated liabilities	—	—	—	20,000

*) translated at the middle rate of exchange ruling in Vienna at the end of December

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

The statement of changes in balance sheet items of the CA Group below shows the sources of finance of the CA Group and the application of these funds. The financing funds (source of funds) are derived from a decrease in assets in the consolidated balance sheet (e.g. balances with the Austrian National Bank) and an increase in items on the liabilities side of the consolidated balance sheet (e.g. liabilities to credit institutions or additions to capital resources). The application of funds is reflected either in an increase in asset items (e.g. through increased lending) or in a decrease in liability items (liabilities to customers, subordinated liabilities).

Statement of changes in balance sheet items in 1995 (CA Group)

	Source of funds		Application of funds	
	ATS m	%	ATS m	%
ASSETS				
Increase in assets				
Treasury bills and other bills			3,184	6.3%
Claims on credit institutions			17,408	34.2%
Claims on customers			12,420	24.4%
Investments in subsidiaries and related companies			1,500	2.9%
Tangible and intangible fixed assets			22	0.1%
Decrease in assets				
Cash, balances with the Austrian National Bank	2,601	5.1%		
Bonds and other fixed-income securities	1,953	3.8%		
Shares and other variable-yield securities	191	0.4%		
Other assets	235	0.5%		
Change in assets	4,980	9.8%	34,534	67.9%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Increase in liabilities and shareholders' equity				
Liabilities to credit institutions	38,657	76.0%		
Liabilities evidenced by certificates	6,511	12.8%		
Provisions	38	0.1%		
Shareholders' equity	644	1.3%		
Decrease in liabilities and shareholders' equity				
Liabilities to customers			13,202	26.0%
Subordinated liabilities			830	1.6%
Supplementary capital			87	0.2%
Other liabilities			2,177	4.3%
Change in liabilities and shareholders' equity	45,850	90.2%	16,296	32.1%
Total source/application of funds	50,830	100.0%	50,830	100.0%

The movement in untaxed reserves (allocation/release) in the 1995 annual accounts of Creditanstalt has no effect on the taxes on income for the business year.

IV. Details concerning employees, Managing Board and Supervisory Board

a) Employees

The average total number of staff employed by fully consolidated companies within the Group was 9,617 (1994: 9,141), within Creditanstalt 7,137 (1994: 7,146).

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

b) Managing Board, Supervisory Board

Advances, loans and guarantees

MANAGING BOARD

Advances and loans to members of the Managing Board totalled ATS 10,486,743 (1994: ATS 4,862,261). They were granted on terms and conditions applicable to the Bank's own employees under the relevant rules contained in the Banking Act. The total amount includes loans backed by normal banking security, and advances against the persons' remuneration. Repayments during the business year totalled ATS 1,235,360 (1994: ATS 938,962).

SUPERVISORY BOARD

Advances and loans to members of the Supervisory Board totalled ATS 4,433,138 (1994: ATS 6,721,678) and were granted on market terms and conditions. Advances and loans to Supervisory Board members who are staff delegates were granted on terms and conditions applicable to the Bank's own staff under the relevant rules contained in the Banking Act. The total amount includes loans backed by normal banking security, and advances against the persons' remuneration. Repayments during the business year totalled ATS 586,476 (1994: ATS 918,986).

Emoluments of Managing Board, Supervisory Board and International Advisory Board members

MANAGING BOARD

The emoluments of the Managing Board members in the business year totalled ATS 34,432,088 (1994: ATS 33,273,265). The emoluments for activities for subsidiaries amounted to ATS 809,000 (1994: ATS 430,500), all of which was paid for functions performed as members of supervisory boards and boards of directors. Payments to former Managing Board members and their surviving dependants in the business year totalled ATS 32,366,575 (1994: ATS 26,077,130), the increase on the previous year being mainly attributable to the retirement of a member of the Managing Board. The emoluments received by these persons for activities for subsidiaries amounted to ATS 72,000 (1994: ATS 55,000), all of which was paid for functions performed as members of supervisory boards and boards of directors.

SUPERVISORY BOARD

The emoluments of the Supervisory Board members in the business year totalled ATS 4,754,064 (1994: ATS 4,707,000). The emoluments for activities for subsidiaries amounted to ATS 98,000 (1994: ATS 160,000), all of which was paid for functions performed as members of supervisory boards and boards of directors.

INTERNATIONAL ADVISORY BOARD

In 1995 the remuneration of the International Advisory Board members totalled ATS 821,780 (1994: ATS 1,193,600).

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

Members of the Managing Board and of the Supervisory Board

In the business year the following persons were members of the Managing Board and of the Supervisory Board:

MANAGING BOARD

Guido Schmidt-Chiari (Chairman)
Max Kothbauer (Deputy Chairman)
Alarich Fenyves (from 15 September 1995)
Ottokarl Finsterwalder (until 11 July 1995)
Roman Fojtl
Klaus Peschek
Herbert Sellner

SUPERVISORY BOARD

Walter Fremuth (Chairman)
Carl Anton Goëss-Saurau
(1st Deputy Chairman)
Anton Heschgl (2nd Deputy Chairman)
Michael Frenzel
Karl Hollweger
Alfred Holoubek
Herwig Hutterer
Dietrich Karner
Karl Kehrer
Paul Loebenstein
Kurt Mészáros
Peter Mitterbauer
Werner Muhm
Franz Rauch
Hans Dietmar Schweisgut
Johannes Strohmayer

Staff delegates:

Franz Brandweiner
Peter Burger
Martin Guttman
Michael-Karl Jandl
Karl Kainzner
Emmerich Perl
Johann Prossinger
Emmerich Rudavsky
Johannes Trojan
Helmut Wasser

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

c) Expenses for severance compensation and pensions

Expenses for severance compensation and pensions are included in the profit and loss account items "wages and salaries", "expenses for retirement benefits", "allocation to the provision for pensions", "allocation to the provision for severance compensation" and, as far as the pro-rata additional allocation is concerned, "extraordinary expenses".

Expenses for severance compensation and pensions for Managing Board members and managers of Creditanstalt in accordance with Section 80(1) of the Companies Act totalled ATS 109.5 million (1994: ATS 85.8 million). The managers within the meaning of Section 80(1) of the Companies Act include the heads of the Vienna Management units and Regional Management units, the managers of the branches in London, New York and Hong Kong, as well as their deputies.

Expenses for severance compensation and pensions for other employees of Creditanstalt totalled ATS 851.9 million (1994: ATS 759.0 million).

The amounts indicated include expenses for surviving dependants.

V. Notes to the profit and loss account of the CA Group and of Creditanstalt.

Analyses of the major income items of the CA Group and of Creditanstalt by geographical segments are given below.

**Analysis of income by geographical segments under Section 64 (1) no. 9
of the Banking Act (CA Group)**

Amounts in ATS m at 31 December*)	Interest income		Income from securities and investments in subsidiaries and related companies		Fee and commission income		Net profit on trading activities		Other operating income		Operating income (excl. interest expenses and fee and commission expenses)	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
Austria	31,433	29,961	1,844	1,376	4,197	4,536	1,343	1,253	564	835	39,381	37,961
Central European emerging markets 1)	1,637	936	48	20	351	122	142	118	17	—	2,195	1,196
European Union	3,072	2,758	1	3	42	45	174	(47)	80	35	3,369	2,794
USA	3,344	3,233	337	90	95	118	(3)	4	22	61	3,795	3,506
Far East 2)	524	436	—	—	31	35	1	2	58	38	614	511
Rest of the world	21	44	—	—	1	2	—	—	1	1	23	47
Total	<u>40,031</u>	<u>37,368</u>	<u>2,230</u>	<u>1,489</u>	<u>4,717</u>	<u>4,858</u>	<u>1,657</u>	<u>1,330</u>	<u>742</u>	<u>970</u>	<u>49,377</u>	<u>46,015</u>

*) translated at the middle rate of exchange ruling in Vienna at the end of December

1) Czech Republic, Poland, Slovakia, Slovenia, Hungary, Romania, Croatia, Bulgaria

2) India, Japan, China, etc.

**NOTES TO THE ACCOUNTS OF CREDITANSTALT
AND OF THE CA GROUP FOR 1995 (Continued)**

**Analysis of income by geographical segments under Section 64 (1) no. 9
of the Banking Act (Creditanstalt)**

Amounts in ATS m at 31 December*)	Interest income		Income from securities and investments in subsidiaries and related companies		Fee and commission income		Net profit on trading activities		Other operating income		Operating income (excl. interest expenses and fee and commission expenses)	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
Austria	30,564	27,900	1,171	829	3,724	3,880	1,327	1,054	451	367	37,237	34,030
European Union	2,895	2,415	1	3	40	45	174	(26)	3	6	3,113	2,443
USA	2,468	2,498	—	—	95	118	(3)	4	22	42	2,582	2,662
Far East 1)	496	416	—	—	31	34	1	2	33	27	561	479
Total	<u>36,423</u>	<u>33,229</u>	<u>1,172</u>	<u>832</u>	<u>3,890</u>	<u>4,077</u>	<u>1,499</u>	<u>1,034</u>	<u>509</u>	<u>442</u>	<u>43,493</u>	<u>39,614</u>

*) translated at the middle rate of exchange ruling in Vienna at the end of December

1) India, Japan, China, etc.

In 1995, the CA Group's cash flow — comprising the surplus for the year (after taxes), depreciation and net allocations to staff-related provisions — rose by 16.3% to ATS 3.2 billion.

The basis of calculation of earnings per share, a key figure for shareholders, is the Group result as determined in accordance with the method used by ÖVFA, the Austrian Association of Financial Analysts. For 1995, this figure (result of ordinary activities less income taxes and minority interests) was ATS 2,297.4 million for the CA Group. On the basis of the nominal capital of ATS 4,443.0 million, this result gives earnings per share of ATS 51.7 (up from ATS 44.6 in 1994 and ATS 41.7 in 1993).

The item Income from securities and investments in subsidiaries and related companies in the consolidated accounts of the CA Group contains income from profit-pooling arrangements in the amount of ATS 81.4 million (1994: ATS 66.3 million) and income of ATS 204.8 million (1994: ATS 82.8 million) from other subsidiaries not accounted for under the equity method. In the annual accounts of Creditanstalt, the item Income from securities and investments in subsidiaries and related companies contains income from profit-pooling arrangements in the amount of ATS 81.4 million (1994: ATS 66.3 million) and income of ATS 765.9 million (1994: ATS 370.2 million) from other subsidiaries. Subsidiaries are those companies in which the CA Group of Creditanstalt has a controlling interest.

In the profit and loss account of both the CA Group and Creditanstalt, the item Net income from the valuation and sale of investments in subsidiaries and related companies contains net income of ATS 91.0 million (1994: ATS 475.8 million) from subsidiaries.

The CA Group's operating result for 1995 reached about ATS 6.1 billion (1994: ATS 5.7 billion). This increase was higher than that for Creditanstalt, one of the contributing factors being the favourable trend in the CA Group's holdings outside the financial services sector.

The increase in net expenses shown under item 11/12 (sale and valuation of loans and securities) is mainly attributable to domestic business and is largely offset by the decrease in net expenses shown under item 13/14 (sale and valuation of bonds and notes valued as financial fixed assets and of investments in subsidiaries and related companies).

After deduction of minority interests, the CA Group's consolidated surplus for the year was ATS 2.2 billion (1994: ATS 1.8 billion), exceeding Creditanstalt's surplus for the year by about ATS 1.1 billion.

No dealer, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer made hereby except as contained in this Offering Memorandum and, if given or made, no such information or representation should be relied upon as having been authorized by the Bank, the Initial Purchasers or any of their respective agents. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information set forth herein or in the affairs of the Bank since the date hereof. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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Bank Austria

Bank Austria Aktiengesellschaft

**7.25% Subordinated Notes
due February 15, 2017**

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Offering Memorandum

Dated February 6, 1997

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