

**BAWAG P.S.K. files a claim against the city of Linz  
Counterclaim for damages in the amount EUR 418 million submitted to the Commercial  
Court of Vienna.**

Due to the claim filed by the city of Linz in connection with a swap agreement, BAWAG PSK regards its efforts to find a constructive solution as failed. Therefore BAWAG P.S.K. on its part also filed a lawsuit against the city of Linz in order to assert its claims in the amount of EUR 417,737,018.29 in connection with the same transaction (SWAP II).

BAWAG P.S.K.'s claim for damages results from the premature termination of the transaction which has been forced by the city of Linz (breach of payment obligation). The amount of around EUR 418 million is composed of costs which BAWAG P.S.K. had to pay to third parties, as well as of current claims against the city resulting from this transaction. According to the contract entered into with the city of Linz, the bank is entitled to be compensated for payments not made by the city. The claims are now being enforced by way of court proceedings.

Already in mid-2007 BAWAG P.S.K. liaised with the city of Linz in order to discuss a termination of the transaction and, or, its restructuring. Even in mid-2008 a profitable exit from the transaction would have been possible for the city of Linz. Also thereafter, BAWAG P.S.K. repeatedly urged a risk limitation or an exit from the transaction, as the development on the financial markets remained unfavorable for the city of Linz. The city of Linz always disregarded these suggestions.

Based on the breach of contract by the city of Linz, BAWAG P.S.K. now made use of its right, and was for the first time in a legal position, to terminate the swap transaction (since only the city of Linz so far had the right to terminate the transaction). By taking this measure, BAWAG P.S.K. has limited the risks in the interest of the city of Linz with regard to the continuing volatility of markets, and reduced the costs for the city of Linz.

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