

BAWAG P.S.K. STATEMENT ON CITY OF LINZ LITIGATION

BAWAG P.S.K. CEO Byron Haynes: *“The City of Linz’s losses were self-inflicted. We made the City of Linz more than 20 offers to restructure/exit their contract, all of which the City ignored or rejected.”*

VIENNA, 26 July, 2013— BAWAG P.S.K. CEO Byron Haynes today testified at the ongoing civil trial between the Bank and the City of Linz in the Commercial Court in Vienna. The litigation was brought by BAWAG P.S.K. to receive payments owed to it by the City of Linz under a valid SWAP contract.

In the claim, BAWAG P.S.K. seeks to recover over EUR 500 million as of June 30, 2013.

During his testimony, Mr. Haynes made the following points:

- BAWAG P.S.K. had a valid contract with the City of Linz and therefore has a valid claim.
- Specifically City of Linz senior political officials were notified with EUR -62 million market valuation on 11.11.2008 and EUR -92 million market value in march 2010.
- The Bank communicated more than 50 times with the City of Linz since 2007 and provided more than 20 proposals for them to exit or restructure Swap 4175.
- The City of Linz rejected or ignored all of these opportunities to exit or restructure and chose a default resulting in losses.
- The City of Linz’s actions were unreasonable and ultimately resulted in the City’s losses.
- The City of Linz received positive cash flows of CHF 10 million compound relating to the swap transaction.
- The City of Linz could have closed out with positive profits until may 2008.
- The City of Linz even saw positive cash returns on an early close-out of a similar SWAP transaction.

Commenting on today's testimony, Mr. Haynes stated: *“We have a very strong legal position regarding our contract with the City of Linz and are confident that we will prevail in this litigation. We have made multiple attempts to settle this matter out of Court and remain open to doing so. We are also willing to discuss options for the City of Linz to finance a settlement.”*

Mr. Haynes continued: *“Our position is clear and consistent. We have a valid contract with the City of Linz, which the City did not formally dispute for more than four years. Unfortunately, the City of Linz rejected or ignored our multiple proposals, and ignored the global financial meltdown, resulting in significant self-inflicted losses.”*

Mayor Dobusch’s testimony has been delayed until 19th August 2013.