

SWAP losses: BAWAG P.S.K. expects the City of Linz to avert further damages**End of mediation means the end for Linz' delaying tactics**

(Vienna, 14 February 2013) – While the City of Linz continues to deploy delaying tactics, BAWAG P.S.K.'s focus in the civil proceedings is on making a full presentation of the facts of the case. BAWAG P.S.K. will present strong evidence to show that the City of Linz' current difficulties, with losses of more than EUR 450 million, were caused by the inactivity of its responsible politicians over the course of years, despite warnings by the bank. The interest alone is costing the City of Linz EUR 100,000 a day.

Now that the mediation has officially ended, BAWAG P.S.K.'s focus is on kick-starting the proceedings again after a delay of months, which was caused by the City of Linz' stalling tactics. BAWAG P.S.K. welcomes the opportunity to demonstrate the facts of the case to an objective civil court. Rapid resolution of the dispute should also be in the City of Linz' interest: the interest alone on the incurred losses comes to EUR 100,000 a day.

Linz' difficulties were caused by its own failure to act

For the City of Linz, the SWAP transaction was a proper and beneficial deal, on market terms. That situation only changed once the financial crisis hit in 2008, at which time BAWAG P.S.K. immediately informed City Councillor for Finance Johann Mayr of the potential risks and made several proposals on how best to exit the deal. Mayor Franz Dobusch personally conducted the negotiations for the City of Linz beginning in 2010. BAWAG P.S.K. continued to offer exit and restructuring proposals, right up to the time of the City of Linz' announcement that it was initiating court proceedings. Had its politicians not hesitated and failed to act for so many years, Linz would not be in its current predicament.

Transparency is in the interests of the public

According to a press release by City Councillor Johann Mayr, the City does not intend to waive BAWAG P.S.K.'s duty of banking secrecy. BAWAG P.S.K. is endeavouring in the public interest to bring about transparency in this matter, and will do everything it can to bring the facts of this case to light without violating its duties of banking secrecy.

BAWAG also expects the court to deal with a number of pending evidentiary applications in the criminal proceedings:

- for example, neither the defendant's nor the mayor's e-mail archives have yet been opened in the criminal proceedings;
- the restructuring proposals made at an early stage to the City of Linz by other banks have not yet been investigated;
- despite clear suspicions of fraud based on an internal City of Linz memo from 2006, no investigation has been conducted so far.

Failure of mediation proceedings no surprise to mediators or the City of Linz

The official end of the mediation proceedings presumably came as no surprise to the City of Linz or the mediators, and indeed there were already indications in the media at the end of last year that the mediation was to fail.

BAWAG P.S.K. calls for an end to the City of Linz' stalling tactics

BAWAG P.S.K. once again appeals to City of Linz officials to cease their delaying tactics in the civil courts and thus prevent further losses to the City of Linz. BAWAG P.S.K. remains interested in an out-of-court settlement with the City of Linz, but is prepared, if necessary, to litigate this matter through to final resolution at all levels of the Austrian court system.

Further inquiries:
BAWAG P.S.K. group press office
Tel. 0043 (0) 5 99 05 – 31210,
E-Mail: presse@bawagpsk.com