THE BANK FOR CORPORATES.
Annual Report 2001.

INVEST KREDIT
THE BANK FOR CORPORATES

THE INVESTKREDIT GROUP IN THE YEAR 2001.

- Jointly with the strategic partner Dexia Crédit Local, Kommunalkredit increased its share capital to EUR 13.8 m (January 2001)
- Investkredit was Lead Manager of SPAR´s corporate bond issue in the nominal amount of EUR 200 m (March 2001)
- The Supervisory Board of Kommunalkredit appointed Patrick Giacobbi to third member of the Board of Management in addition to Reinhard Platzer (CEO and Chairman) and Gerhard Gangl (March 2001)
- For the first time, Kommunalkredit issued bonds denominated in the currency of an EU-candidate country (CZK 500 m) (March 2001)
- Investkredit´s representative office Prague opens for business (April 2001)
- With the acquisition of Saski Point, Europolis Invest completes a major real-estate investment in Warsaw (April 2001)
- The European Investment Bank (EIB), Luxembourg, extends its first-ever global loan for investments in community infrastructure projects (EUR 50 m) to Kommunalkredit (April 2001)
- The Annual General Meeting of Investkredit votes to extend the authorised capital of approximately EUR 3 m through 2006 (May 2001)
- Total Investkredit Group assets exceed EUR 10 bn for the first time (June 2001)
- Moody´s Investors Service upgrades Kommunalkredit´s rating to Aa3 (June 2001)
- Investkredit splits its shares 1 to 10 (July 2001)
- First US lease transaction with Kommunalkredit's participation concluded. Further successful transactions concluded (July 2001)
- The Supervisory Board of Investkredit agrees with the wish of Alfred Reiter to resign as Chairman of the Board of Management at year-end and appoints Wilfried Stadler to CEO and Chairman, with Klaus Gugglberger to Member of the Board of Management (September 2001)
- Credit Default Swap deal concluded with a volume of USD 700 m to secure the AAA- and AA-rated Investkredit portfolios (September 2001)
- Europolis Invest signs contract on the acquisition of the real-estate complex Alliance Logistic Center near Warsaw (October 2001)
- INVEST EQUITY Group increases its investment volume to EUR 64 m by signing a framework agreement with KfW, Frankfurt (October 2001) and acquires Strohal Rotationsdruck GmbH on its privatisation (December 2001)
- Establishment of Investkredit branch in Frankfurt (December 2001)
- EBRD, London, becomes investor (EUR 105 m) in the Central and East European real estate portfolio of the Europolis Invest Group (December 2001)
- Kommunalkredit Finance & Leasing s.r.o. opens an office in Prague (December 2001)
- Europolis Invest acquires real-estate projects: Saski Crescent in Warsaw and Technopark Pekarska in Prague (December 2001)
- Successful completion of divestment project for the GBI by Europa Consult (December 2001)

CONTENTS.

INVESTKREDIT AT A GLANCE.

Investkredit shares.

	2001	2000	Change
Earnings per share[1)] (in EUR)	3.65	4.23[1)]	-14 %
Dividend per share (in EUR)	1.00[2)]	0.872[1)]	+15 %
Year-end price[1)] (in EUR)	36.45	35.00	+4 %
High[1)]	41.52	36.03	
Low[1)]	34.68	32.55	
Market capitalization (in EUR m)	230.8	221.6	+4 %
Price-earnings ratio	10.0	8.3	

[1)] Figures adjusted for sharesplit 1:10 until 13 July 2001
[2)] Proposal

Investkredit Group.[3)]

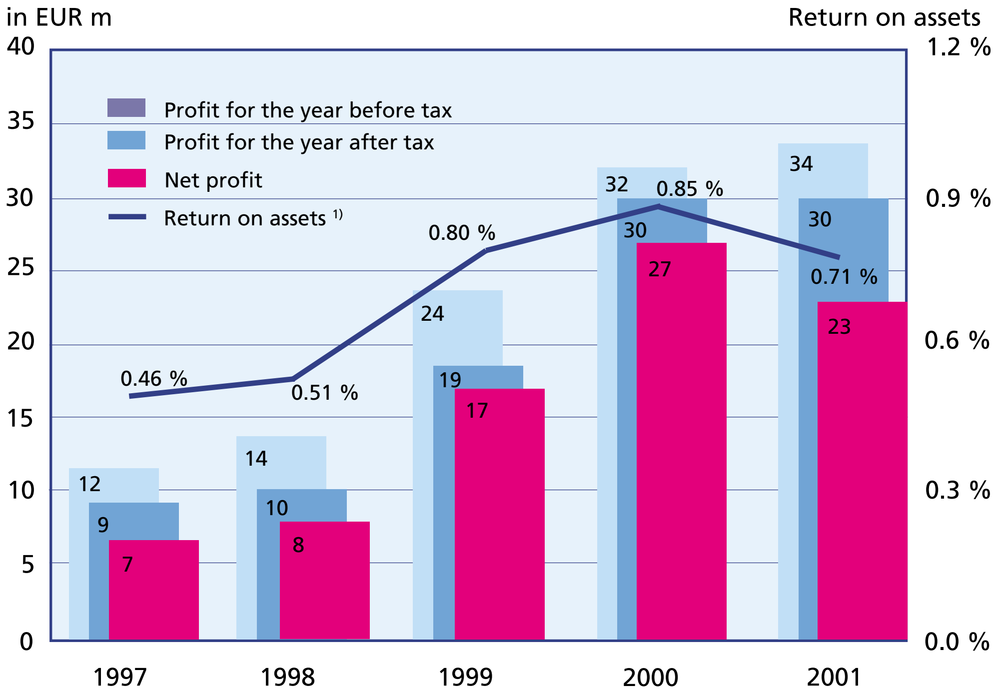
	2001 EUR m	2000 EUR m	Change
Net interest income	96.9	76.4	+27 %
Profit for the year before tax	33.8	32.4	+4 %
Profit for the year after tax	30.2	30.2	+0 %
Total assets	11,194.4	8,703.4	+29 %
Financing[4)]	9,548.1	7,437.8	+28 %
Core capital (Tier 1) pursuant to the Austrian Banking Act	358.3	272.0	+32 %
Core capital ratio	6.8 %	6.4 %	
Own funds (Tier 1 + 2 + 3) pursuant to the Austrian Banking Act	550.8	421.5	+31 %
Total capital ratio	10.4 %	9.9 %	
Number of employees (year-end)	320	290	+10 %

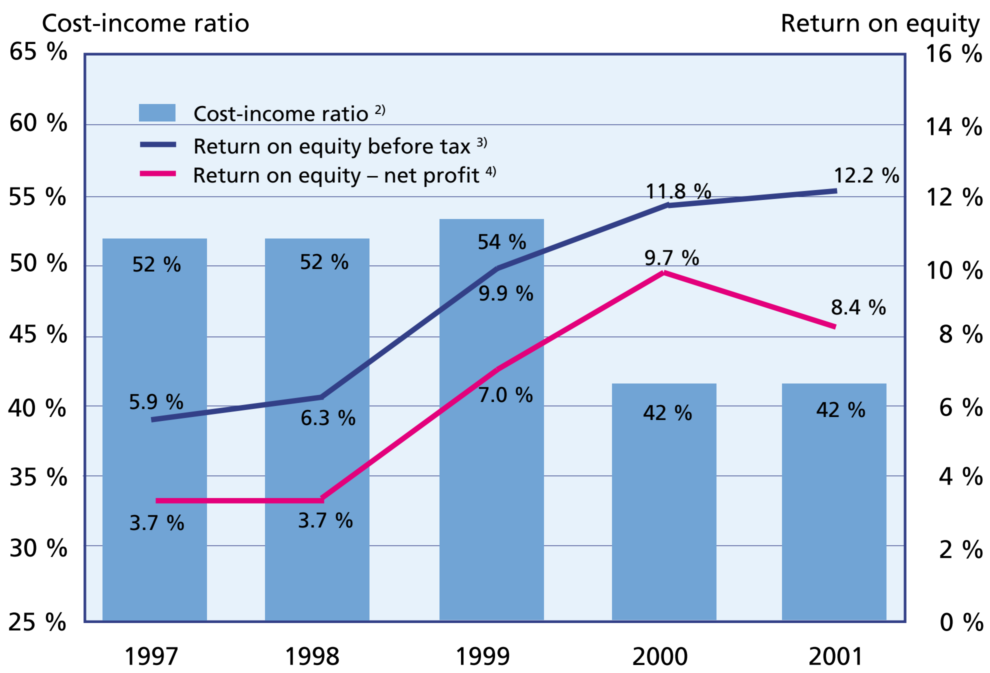
[3)] In this Annual Report, totals may not add precisely because of rounding
[4)] Loans and advances to customers, provision for guarantees and trust loans as well as bonds and other fixed-interest securities of other non-bank issuers

Rating.

Moody's Investors Service	long-term	short-term
Investkredit Bank AG	A1	P-1
Kommunalkredit Austria AG	Aa3	P-1

INCOME DEVELOPMENT OF THE INVESTKREDIT GROUP 1997 – 2001.





1) Ratio of net income before tax to average risk-weighted assets
2) Ratio of administrative expenses to income
3) Ratio of net income before tax to average equity
4) Ratio of net income after tax to average equity

KEY FIGURES OF THE INVESTKREDIT GROUP 1997 – 2001.

	HGB 1997	HGB 1998	IAS 1999	IAS 2000	IAS 2001
Net interest income (in EUR m)	49.3	51.1	62.1	76.4	96.9
Profit for the year before tax (in EUR m)	11.9	13.7	24.3	32.4	33.8
Net profit (in EUR m)	7.2	8.2	17.3	26.8	23.1
Core capital (Tier 1) pursuant to the Austrian Banking Act (in EUR m)	209.0	227.9	247.5	272.0	358.3
Own funds (Tier 1 + 2 + 3) pursuant to the Austrian Banking Act (in EUR m)	330.4	372.2	422.0	421.5	550.8
Total assets (in EUR m)	4,750.1	5,298.4	6,920.4	8,703.4	11,194.4
Employees (year-end)	232	244	269	290	320
Market capitalization (in EUR m)	187.7	204.7	206.0	221.6	230.7
Total capital ratio	12.7 %	13.2 %	12.6 %	9.9 %	10.4 %
Core capital ratio	8.1 %	8.1 %	7.4 %	6.4 %	6.8 %
Interest margin[1)]	1.10 %	1.02 %	1.02 %	0.98 %	0.97 %
Operating income per employee (in EUR m)	0.26	0.26	0.24	0.29	0.33
Profit for the year per employee (in EUR m)	0.05	0.06	0.09	0.11	0.11
Cost-income ratio[2)]	51.8 %	51.8 %	54.0 %	42.5 %	41.8 %
Return on assets[3)]	0.46 %	0.51 %	0.80 %	0.85 %	0.71 %
Return on equity before tax[4)]	5.9 %	6.3 %	9.9 %	11.8 %	12.2 %
Return on equity – net profit[5)]	3.7 %	3.7 %	7.0 %	9.7 %	8.4 %
Earnings per share (in EUR)	1.36	1.42	2.73	4.23	3.65

Owing to the application of IAS, the figures for 1997 and 1998 are only partly comparable

[1)] Ratio of net interest income to average total assets
[2)] Ratio of administrative expenses to income
[3)] Ratio of net income before tax to average risk-weighted assets
[4)] Ratio of net income before tax to average equity
[5)] Ratio of net income after tax to average equity

LETTER FROM THE BOARD OF MANAGEMENT.

Investkredit sharpened its profile as a specialist bank in 2001 **by consistently concentrating the activities of its subsidiaries in the areas relating to the business of long-term financing.** A clear indication of the **acceptance of this specialisation by our clients and business partners** is the rapid growth in the volume of corporate financing and in the volume of financing for local governments and real-estate projects.

We exceeded our **growth targets** last year as shown by the consolidated total assets figure of EUR 11.2 bn. Despite the 27% increase in net interest income to EUR 96.9 m, the overall **profit for the year before tax** of EUR 33.8 m was far below expectations. This was mainly due to the **need to make provisions for greater risks in the area of corporate financing.** Our cost-income ratio of 42% is excellent in comparison to peers and is the same as last year. We have not changed our goal of attaining a ratio of below 40% by 2004, as the regional expansion should have a positive impact on costs after the effects of the initial investment recede.

The equity base of the Group was strengthened in the reporting year, meaning that it will be possible to fund the expansion of the next few years without taking recourse to capital markets or a direct capital increase by shareholders. Increasing the share of own funds is often achieved through **alliances with strategic and/or financing partners**. A good example is the **capital increase of Dexia-Bank**, the leading bank for loans to local governments in the European market, carried out with **Kommunalkredit Austria AG**. This partnership enables the joint expansion into the candidate countries of Central and Eastern Europe and the higher rating supports Kommunalkredit's standing, allowing it to offer competitive terms to customers in the public sector.

Another major success was winning over the **EBRD as a strategic partner for a joint venture with our real estate subsidiary, Europolis Invest.** The EUR 105 m EBRD capital commitment to the joint venture makes Europolis Invest one of the major investors and developers in the EU candidate countries. The investment potential of our subsidiary over the next five years amounts to some EUR 1 bn. A look at the activities of Europolis in conjunction with the role played by Investkredit as a senior lender for Central European real-estate projects shows us that 2001 was the year in which Investkredit established its reputation as **a real-estate bank in its own right.**

Our **Malta subsidiary, Investkredit International Bank**, was able to win a number of institutional customers through a capital increase that also contributed to strengthening the core capital of the Group.

To prepare, and to a certain extent in anticipation of, the coming capital adequacy requirements under the Basel Accord (Basel II), we entered into a large-volume, long-term credit default swap transaction in order to release funds invested in high-grade securities categories. This transaction has the effect of making **own funds available for our core business of acting as a bank for corporates that extends loans to companies.**

Especially now, at a time of uncertainty among corporate customers with regard to the stance taken by banks regarding the new **financing environment of the euro capital market** and Basel II, we reaffirm our commitment to **our mission as a specialist bank for medium-sized enterprises.** We were therefore among the first banks to inform their clients thoroughly and repeatedly about the balance sheet rules and the new requirements for the **management of corporate capital structure.** A major advantage our customers enjoy is our ability to provide from one source the experience and know-how to raise the external or equity funding needed for the consolidation or expansion of business.

Against the background of the ever-growing need of lenders to diversify unsystematic risk, we benefit from our **neutral position in the Austrian market, allowing us to act as underwriters and "facilitators" for arranging major loans and bond issues**, thus helping to keep the market for external capital liquid. A good example was the successful issue of **corporate bonds** for our clients last year and the even greater volume floated in the current year with the goal of spreading their creditor base.

In the course of 2001, **Europa Consult** was able to establish itself firmly as a recognised and important member of the investment banking community. Both in **structuring management buy-outs** and in consulting for **business acquisitions or divestments,** major assignments were completed to the full satisfaction of the clients. Working in close cooperation with the **Corporate Lending Team** of the bank, we negotiated transactions involving the mezzanine capital fund created jointly with the Financing Guarantee Company (FGG) and INVEST EQUITY. The welcome **participation of the German KfW in the activities of INVEST EQUITY** enhanced the self-confidence of the team of excellent investment managers during a difficult year for private equity and venture capital activities.

In the area of **treasury services for corporates,** Investkredit captured a strong position among the top 500 Austrian companies as a partner for interest and currency derivative transactions. According surveys by external consultants, Investkredit holds **third place in the Austrian market for treasury services.** In the area of asset management progress was less satisfactory. **Investkredit investment funds** suffered from the **plummeting capital markets,** which decreased the volume of funds placed with our customers. We have therefore decided to focus even more on **risk-averse and guaranteed-capital products**, thereby meeting the needs of finance executives wishing to avoid having to report investment risks in addition to the normal risks related to their business.

Having now more or less completed the transformation of Investkredit from a bank specialised in financial aid to an investment bank, a process that began in 1995, and strengthening our major subsidiaries by entering into expansion partnerships in Europe, the bank's **next strategic move is towards internationalisation.** What has already started at the level of subsidiaries at Kommunalkredit and Europolis is now being implemented at Investkredit.

While the internationalisation strategy of Investkredit was best reflected in the balance sheet up until now under investments in investment-grade securities, it is currently being expanded by consistently exploiting **core competencies in the field of corporate financing in a regionally enlarged market.** This territory includes the EU candidate countries of Central and Eastern Europe in addition to the large market of Germany.

In contrast to the strategies adopted by Kommunalkredit and Europolis, Investkredit has decided not to pursue internationalisation by acquiring banking interests or subsidiaries, but rather by **establishing branch offices and representative offices.** The advantages of this method are the resulting ability to combine the competence of the local teams with the know-how of the headquarters in Vienna, which cuts the costs for our clients and shortens times for reaching decisions.

In Central Europe, Investkredit has its first locations in Prague and in Warsaw. With its first-class team, the representative office Prague achieved concrete results within a short time; Warsaw is to follow in early summer 2002. **We are setting an example as the only Austrian bank thus far to set up a branch office in Frankfurt**, the seat of the European Central Bank and of important members of the German and continental banking community. The purpose of this Frankfurt branch office is not only to **network with other underwriting partner banks,** but also to directly extend loans to medium-sized companies. Another function of Investkredit´s Frankfurt branch office is to serve as a **window of opportunity for developing innovative products,** which we as a specialist bank would like to offer to our clients with a head-start and, if possible, also with qualitative advantages.

The many successful international alliances of Investkredit in the past years encourage us to redefine ourselves **as a specialised banking group with a Central European focus**. This **evolutionary step** represents a new and fascinating challenge for all employees. Having established an understanding of Investkredit as an investment bank, they can deal confidently with the fact that we have opened the doors even wider to let in new products and market possibilities, and to catch a breath of the fresh air of international competition.

The Corporate Communications team responsible for the entire public appearance of the company is now facing the same challenges as the staff at Accounts and Controlling, which was confronted with preparing financial statements under the newly introduced International Accounting Standards (IAS), the Legal Department responsible for all contracts, and the Personnel Department that now deals with an international staff. **A specialised bank thrives on the vigorous collaboration and integrity of a dedicated and competent staff. We would like to thank all employees for their strong commitment to our mission.**

We wish to assure all our shareholders and business partners that we shall do our utmost to **perform even better** in the current business. The specific goal is to attain total assets of EUR 12.7 bn and to increase the ROE before taxes to over 15%. In the area of **credit risk management,** measures have been taken to keep default risks within bounds even if the difficult economic environment continues.

Raising the dividend (including bonus) to EUR 1.00 for 2001 is a sign of **our conviction that the strategy taken by Investkredit will lead to sustained sound results.**

Our special thanks go to Alfred Reiter, who for many years was the CEO of Investkredit, and until the end of the business year successfully managed the business of the bank. His readiness to delegate great amounts of responsibility to employees outstanding both in their jobs and as co-workers was decisive for the growth and development of new business in all areas of long-term finance. We are very happy that Alfred Reiter will continue to assist us as an advisor with his vast experience and critical insights.

Wilfried Stadler

Klaus Gugglberger

POLICY-MAKING BODIES.

Supervisory Board.

GEISERICH E. TICHY
Chairman

HELMUT ELSNER
Vice-Chairman (from 23 May 2001)
CEO and Chairman of the
Board of Management
Bank für Arbeit und Wirtschaft
Aktiengesellschaft

KARL SAMSTAG
Vice-Chairman
Vice-Chairman of the Board of Management
Bank Austria Aktiengesellschaft

ELISABETH BLEYLEBEN-KOREN
Vice-Chairperson (from 23 May 2001)
Vice-Chairperson of the Board of Management
Erste Bank der oesterreichischen
Sparkassen AG

KARL FINK
(from 23 May 2001)
Member of the Board of Management
WIENER STÄDTISCHE Allgemeine
Versicherung Aktiengesellschaft

KLAUS HABERZETTL
(to 23 May 2001)
General Manager
BA Private Equity GmbH

HERWIG HUTTERER

FRIEDRICH KADRNOSKA
(from 23 May 2001)
Member of the Board of Management
Bank Austria Aktiengesellschaft

HEINZ KESSLER
CEO and Chairman of the
Board of Management
Nettingsdorfer Papierfabrik Management AG

STEPHAN KOREN
(from 23 May 2001)
CEO and Chairman of the
Board of Management
Österreichische Postsparkasse AG

KURT LÖFFLER
Executive Manager
ERP-Fund

REGINA PREHOFER
Head of Division Multinational Corporates,
Corporate and Trade Finance
Bank Austria Aktiengesellschaft

KARL SEVELDA
Vice-Chairman (to 23 May 2001)
Member of the Board of Management
Raiffeisen Zentralbank Österreich
Aktiengesellschaft

GERHARD TANEW-ILIITSCHEW
Senior Vice President, Management Services
Raiffeisen Zentralbank Österreich
Aktiengesellschaft

KLAUS THALHAMMER
CEO and Chairman of the
Board of Management
Österreichische Volksbanken-AG

WOLFGANG AGLER
Employees' representative

GABRIELE BAUER
Employees' representative

REGINA FRICK
(to 30 November 2001)
Employees' representative

OTTO KANTNER
Employees' representative

HERMINE LESSIAK
(from 1 December 2001)
Employees' representative

PETER WIMMER
Employees' representative

State Commissioner.

ALEXANDER GANCZ
State Commissioner
Director
Federal Ministry of Finance

KURT BAYER
Deputy State Commissioner
Head of Department
Economic Policy and Integration
Federal Ministry of Finance

Board of Management.

ALFRED REITER
(to 31 December 2001) CEO and Chairman of the Board of Management

Born in Vienna (1939); studied at the University for Commerce and Business Administration in Vienna; worked at Creditanstalt-Bankverein and Österreichische Länderbank AG 1958 to 1966; Parliamentary Secretary for Economic Affairs 1966 to 1971; Head of Cabinet of the Federal Chancellor 1972 to 1975; Member of the Board of Management Investkredit Bank AG 1976 to 2001, since 1995, CEO and Chairman of the Board of Management; as from 1 January 2002 Senior Advisor; Chairman of the Supervisory Board of Kommunalkredit Austria AG since 1998.

WILFRIED STADLER
Member of the Board of Management (to 31 December 2001)
CEO and Chairman of the Board of Management (from 1 January 2002)

Born in Salzburg (1951); studied economics at the Vienna University of Economics and Business Administration; 1977 to 1983 enterpreneurial experience in his family-owned industrial company; 1983 to 1986 Economics Advisor with the Österreichischer Wirtschaftsbund; since 1987 in the Investkredit Bank AG, initially as Relationship Manager in the Corporate Lending Department, from 1992, Head of Corporate Lending Department; 1990 to 1995 Member of the Board of Management, Kommunalkredit Austria AG; since 1995, Member of the Board of Management, Investkredit Bank AG, since 2002 CEO and Chairman of the Board of Management; author and editor of numerous financial publications; lecturer at the Vienna University of Economics and Business Administration.

KLAUS GUGGLBERGER
Member of the Board of Management (from 1 January 2002)

Born in Innsbruck (1954); studied Social and Economic Sciences at the University of Innsbruck; 1980 to 1986, Österreichische Volksbanken-AG, lastly, Senior Vice President and Head of Special Financing Department; 1986 to 1993, Österreichische Länderbank/Bank Austria-Group, inter alia Manager of LB Leasing Gesellschaft m.b.H. and Chief Executive Officer of Sovereign Leasing, Manchester, England; since 1993, Head of the Investkredit Bank AG Structured Finance and Technical Consulting Department, responsible for Corporate Finance, Financial Analysis and Real Estate; since 2002 Member of the Board of Management; until 2001, Manager of Europa Consult GmbH.

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INVESTKREDIT SHARES.

Investkredit shares listed on the prime market of Wiener Börse

IMPORTANT INFORMATION ON INVESTKREDIT SHARES. Investkredit shares have been listed on the prime market of Wiener Börse since the introduction of the new market segmentation at the beginning of 2002. **This positions the share in the top trading segment of Vienna**. The Investkredit Bank AG shares have been listed on the stock exchange since September 1990. Initially, the shares were traded on the Unregulated Market; in October 1993 they were transferred the Official Market, and until the end of 2001 they were listed on the Specialist Market. The share capital did not change in the reporting year and was around EUR 46 m. Earnings per share decreased to EUR 3.65 m in 2001. The price-earnings ratio at year-end was 10.0 as compared with 8.3 at the end of 2000. The book value per share was EUR 40.92 at year-end. The stock's market capitalisation increased in the course of 2002 from EUR 222 m to EUR 231 m as a result of the rise in the stock market price of the share.

Key data per share	As at 31 December 2001
Share capital	EUR 46,000,110
Shares outstanding	6,330,000
Securities code number	74810
ISIN Code	AT0000748108
Reuters	OIKV.VI
Bloomberg	OEIKAVEquity
Year-end price (in EUR)	36.45
High 2001	41.52
Low 2001	34.68

Banks and industrial enterprises are major shareholders

STABLE SHAREHOLDER STRUCTURE. Ownership of Investkredit is mainly in the hands of the four major Austrian banking groups. Further shares are owned by insurance companies, industrial enterprises, and private shareholders and the staff of the bank. The stable ownership structure and the bank's specialisation are the reasons for Investkredit´s **neutral position in the banking sector as compared to the universal banks.** A share of 13% is held by industrial enterprises, private shareholders and the staff of the bank. Additional shareholders were gained in an employee stock participation programme. The Annual General Meeting of 24 May 2001, authorised Investkredit Bank AG until 23 November 2002, to acquire up to 5% of the free float for trading purposes.

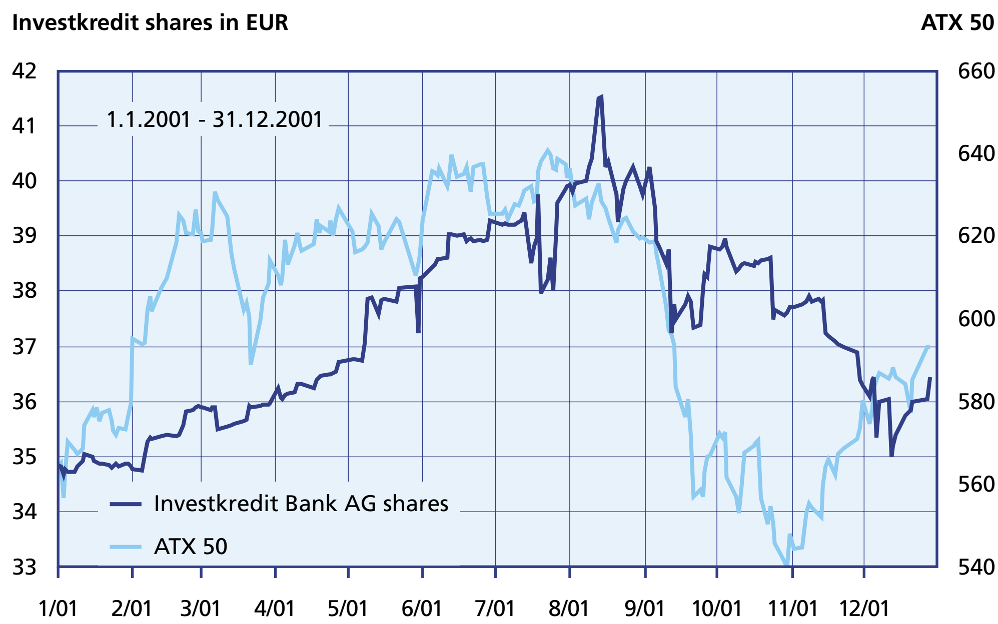
Shareholders	
BA/CA Group	26.7 %
BAWAG/P.S.K. Group	21.3 %
RZB	15.6 %
Erste Bank	11.3 %
Wiener Städtische	7.4 %
ÖVAG	3.4 %
Other Banks	1.2 %
Shares widely held, especially by industrial enterprises	13.1 %
	100.0 %

Difficult times for capital markets

STOCK MARKETS 2001. Stock markets underwent a very difficult phase during 2001. The slowdown in the world's three major economic blocks occurred in conjunction with crises in several emerging market economies (Argentina, Turkey), bankruptcies of major corporations (Swissair, Enron) and the further decline of new economy stocks. The low confidence among investors caused the downtrend, which had begun in the year 2000, to continue. The impact of the events of September 11 finally brought stock market prices to their lowest point. The recovery which followed in October and November was surprisingly strong and brought most stock markets back to above their September levels. For the full year 2001, the **extremely volatile stock markets** closed with losses ranging from 12% (S&P 500 – USA) to some 20% (German DAX and French CAC), and even 23% (Japan NIKKEI). The performance of stock markets was much weaker than governmental bond markets. **Bond markets** had profited from the decline in stock prices and the sinking interest rates even before September 11, but as a consequence of the steep rise in long-term interest rates as of November, the **bond markets**

Performance of Investkredit shares +5%

plunged. The Viennese stock market, which failed to attain its previous year's performance, did comparatively well in 2001. The ATX, the leading index of Wiener Börse, closed the year with a 6% increase year-on-year. The relevant index for the Investkredit stock, the **ATX 50**, which was incorporated into the ATX Prime Index in January 2002, rose 5%. The Investkredit stock performed well and its price **rose by about the same percentage** year-on-year.



Increase in dividend proposed

PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT. The Board of Management's proposal to the Annual General Meeting of 15 May 2002 for the distribution of the net annual profit of 2001, specifically, EUR 6,330,997.86, is to pay a dividend of EUR 1.00 per share (consisting of EUR 0.90 plus a bonus of EUR 0.10). **Changes in the capital of the company** during 2001 **make it possible** to distribute a dividend **bonus** to shareholders apart from making allocations to reserves. The total dividend payment represents an increase of 15% over that of the year before. The total dividend payout of EUR 6,330,000 represents approximately 14% of the 2001 dividend-entitled share capital of EUR 46,000,110. The proposed distribution in relation to the price of the Investkredit share of EUR 36.45 on 28 December 2001 represents a dividend yield of 2.7%.

Financial market calendar 2002	
1st quarter result	15 May 2002
Annual General Meeting	15 May 2002
Ex-date	22 May 2002
Dividend payment date	22 May 2002
1st half-year result	9 August 2002
1st-3rd quarter results	8 November 2002

"Don't waste time looking for obstacles that may not be there."

FRANZ KAFKA

MANAGEMENT DISCUSSION.

The members of the Investkredit Group.

Corporates

Investkredit Bank AG
Vienna

with offices
in Frankfurt, Prague,
Warsaw

Wilfried Stadler
Klaus Gugglberger

Investkredit International Bank p.l.c.
Sliema, Malta
100 %

John Buttigieg
Walter Anscheringer
Thomas Heinisch
Joseph Said

Europa Consult
Vienna
100 %

Gerhard Ehringer
Heike Jandl

VBV AG
Vienna
100 %

Julius Gaugusch
Stefan Süssenbach

Invest Mezzanine Capital Management
Vienna
100 %

Oliver Grabherr
Elisabeth Hackl

VBV Holding
Vienna
100 %

Julius Gaugusch
Stefan Süssenbach

INVEST EQUITY Early Stage
Vienna
100 %

Burkhard Feurstein
Martin Prohazka

INVEST EQUITY Beteiligungs-AG
Vienna
29.85 %

Helmut Bousek
Martin Prohazka

ETech Management
Vienna
100 %

Josef Ernst
Johann Salzmann

Local Governments

Kommunalkredit Austria AG
Vienna
51%
with an office
in Prague

Reinhard Platzer
Gerhard Gangl
Patrick Giacobbi

Prvá Komunálna Banka A.S.
Zilina, Slovakia
19.65 %

Jozef Mihalik
Gernot Dauman
Francis Teynier

Real Estate

Europolis Invest Immobilien Management
Vienna
100 %

Wolfgang Lunardon
Eduard Kornfeld
Bernhard Mayer

EUROPOLIS INVEST Management s.r.o.
Prague
100 %

Wolfgang Lunardon
Petr Urbánek

Four EUROPOLIS CE holding companies
Vienna
65 %

Eduard Kornfeld
Wolfgang Lunardon
Bernhard Mayer

Two Europolis real-estate investment companies
Vienna
100 %

Eduard Kornfeld
Bernhard Mayer

Specialist banking group in Europe

THE INVESTKREDIT GROUP. Together with its holding companies, Investkredit Bank AG has positioned itself as a specialist banking group in Europe which has managed to stand out against universal banks through **its specialisation on corporate customers, local governments and real estate**. In the corporate segment, Investkredit Bank AG offers the traditional medium and long-term loans. The Bank holds about 48% of the Group's total assets. Other financing instruments such as private equity, mezzanine financing, as well as M&A consultancy services are offered by the Investkredit's subsidiaries. Local government financing is offered by Kommunalkredit Austria AG, which held 43% of the Group's total assets in the financial year. Furthermore, the **Europolis Invest Group** is in charge of real-estate development as well as investments. The Investkredit Group is building a **European network** both **via its Austrian corporates** (through representative and branch offices) and its **international holdings** (such as Investkredit Bank p.l.c. or PKB).

Shares of the most important companies in total assets for 2001	
Investkredit Bank AG	48 %
Kommunalkredit Austria AG	43 %
Investkredit International	3 %
Other	6 %

Success through specialisation

STRATEGIC SPECIALISATION. Through its **focus on a few selected customer groups**, the Investkredit specialist banking group stands out against universal banks by consciously refraining from engaging in retail banking. The Investkredit Group has clearly focused on a combination of three business segments, i.e. corporate customers, local governments and real estate, that is unique throughout Europe. With regard to balancing the risk during the different phases of the business cycle, this combination proves advantageous since all three segments have their own business dynamics. Investkredit, furthermore, combines the functions of a medium- and long-term financing bank, an equity investor, an assets management bank, a treasury bank and a real-estate bank. It aims at **expanding its existing segments in an extended European core market** while simultaneously making use of profitable market niches.

Strategic partnerships with European specialist banks

Thus, it is important for the Bank to enter into **strategic partnerships with the leading specialists** in the respective European market segments (such as EIB and KfW in the field of private equity, Dexia in the field of local government financing and EBRD in the Central and Eastern European real-estate market).

In the long term, Investkredit aims at being among the most competitive service providers in the respective business segments where it strives for quality leadership. In the medium term, **the Group aspires to**:

> "A business that makes nothing but money is a poor kind of business."
>
> **HENRY FORD**

- consistently seek appropriate combinations of risk and income profiles
- broaden and deepen customer relations by providing continuity, know-how and innovative approaches
- reach a sustainable increase in return on equity approaching the 15% mark
- further reduce the cost-income ratio to less than 40% by 2004.

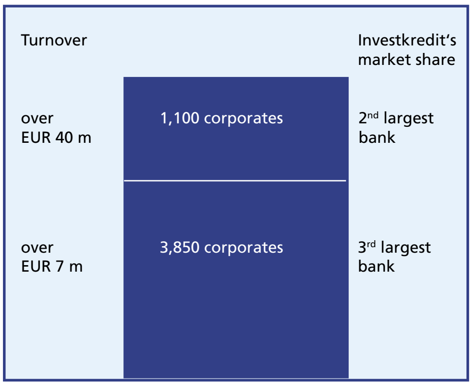
Management style allows for quick decisions

REALISATION OF STRATEGY. Investkredit's management team meets on a monthly basis to discuss the ways and means for a proper realisation of strategy. In addition, an **elaborate internal reporting system** allows for fine-tuning existing measures, as well as for quickly adjusting strategy to changed market conditions. Open and transparent disclosure and reporting practice is one of the key principles of the Bank's management style. Department heads meet with the members of the Board on a daily basis, thus enabling it to reach important business decisions within one day.

Investkredit as quality leader among Austrian banks (TOP 2000)

OUR CUSTOMERS. In 2001, Austrian banks once again commissioned the independent financial consultancy firm Schwabe, Ley & Greiner to conduct a survey among 3,850 corporates with a turnover of between roughly EUR 7 m and EUR 40 m (the TOP 2000 survey of 2001). The survey shows that approximately 9% of all medium-sized corporates belong to Investkredit's customers. With a share of 6%, Investkredit Bank AG continues to hold **third position in the TOP 2000 list** when it comes to **long-term financing**. In addition, Investkredit's **market shares** have proved extraordinarily **stable** during the rather turbulent developments on the Austrian banking sector. According to the TOP 500 survey carried out in 2000 among **1,100 large corporates** with a turnover of more than EUR 40 m, Investkredit is the **second largest long-term loan financier** in this customer group. The Bank's services, however, do not only consist in long-term financing but also – to an ever increasing extent – in asset management, interest-rate and currency management. The latest survey shows that the Bank's market share amounts to 27% in the field of interest derivatives. According to the TOP 2000 survey, Investkredit Bank AG is the "quality leader among Austrian banks". As in previous years, the Bank was also awarded **first place in the category "technical competence"**, as well as second place in "decisiveness" and "price". It is above all the technical competence, however, which forms a strong basis for exploiting the business potentials of other financial instruments.

Market share among Austrian corporates



Difficult market environment due to simultaneous economic contraction in Europe, the USA and Japan

THE MARKET ENVIRONMENT. At the end of 2001, **the world economy hit a 25-year low**. Since autumn 2000, industrial production has decreased by 7% in **the United States**. Investments into plant and equipment have above all declined in the New Economy. **Japan's** GDP dropped by 1% in real figures in 2001 with the country's economy being still in decline. In **Europe**, the economic situation has also significantly worsened throughout the last quarters. With a rate of +1.5%, the European Union's growth was cut by more than half as compared with the previous year. Thus, for the first time since the 1970s, the world's three largest economies have been simultaneously hit by a severe economic contraction. In order to ease the pressure on the economy, the US Federal Reserve Bank lowered the federal funds rate in 11 steps from 6.5% to 1.75% and the discount rate from 6% to 1.25%. The European Central Bank, however, wanted above all to keep prices stable and thus refrained from significantly **cutting the interest rates** for a long time. It finally reduced them in four steps by a total of 150 basis points. In the view of the coming EU enlargement, the currencies of the candidates significantly appreciated, while interest rates slowly declined. By way of a liberalisation of the Hungarian Foreign Exchange Law, the hedging of investments became possible for the first time. While at the end of the year, the Japanese yen was traded at about 19% below the year's high due to the country's persistent economic problems, the Swiss franc upheld its high exchange rate and remained attractive.

__Austrian corporates propensity to invest stable despite the economic slowdown__

As compared with the United States and Germany, **Austria** managed to record a more favourable real annual growth rate of +1.1% on average with the close business relations to the then still expanding Central and Eastern European markets reinforcing the positive trend. Export dynamics, however, significantly slowed throughout the year despite good competitive pricing by Austrian exports. Thus, towards the end of the year, export figures recorded hardly any increase despite a still expanding market share. Analogous to this development, net output in the manufacturing industry increased by an average annual rate of +1.5%. While the number of employed persons remained unchanged, productivity per hour increased by +2.1% thus lagging behind its longstanding growth rate. Manufacturers of durables and vehicles still managed to record measurable growth whereas production increase in consumer goods, primary products, industrial goods and in the basic materials sector remained significantly below the previous year's level. However, according to the latest investment survey conducted by WIFO (Austrian Institute of Economic Research), the **readiness to make investments** proved quite stable in 2001 despite the **sluggish performance of the economy**. Due to major projects carried out in the investment goods and car manufacturing sector, capital expenditure amounted to EUR 7.47 bn thus 9% above the previous year's amount. With a smaller increase in turnover, the propensity to invest thus reached a new peak (6.6%) in 2001.

"History cannot tell us what to do – only what not to do."

JOSÉ ORTEGA Y GASSET

Investments of the manufactoring industry in Austria

	2000	2001	2002
Nominal amount in EUR m	6,831	7,467	7,315
Changes as compared with the previous year	+16.0 %	+9.3 %	-2.0 %
Real amount in EUR m corresponding to prices of 1995	6,664	7,270	7,102
Changes as compared with the previous year	+15.3 %	+9.1 %	-2.3 %

On the whole, Investkredit still managed to **profit from its business opportunities** despite **the overall volatility** of the market environment.

DEVELOPMENT OF EARNINGS

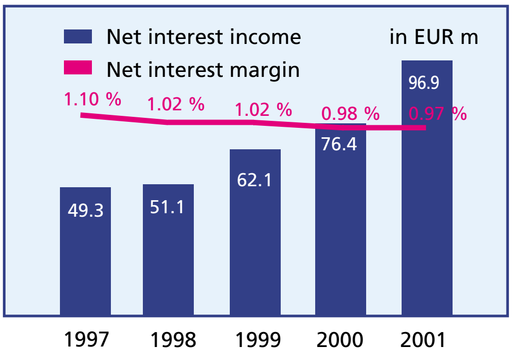
Increase in business volume and earnings

INCREASE IN EARNINGS. The Bank for Corporates' efforts to further develop its service range led to an increase in both business volume and earnings. The Bank's **operating earnings grew significantly**; however, the economic slowdown entailed higher investment in risk provisions.

Significant increase in operating earnings

NET INTEREST INCOME. In the financial year, net interest income was even reinforced in its position as **the most important source of earnings**. As compared with 2000, net interest income rose by EUR 20 m or 27% to EUR 96.9 m with the increase in total assets by 29% being mainly responsible for this development. Income from lending business, securities and investments in real estate also grew accordingly. Because of a steeper interest rate curve in the second half of the year, interest contributions relating to maturity transformations improved. The **interest margin**, i.e. the ratio of net interest income to the average amount of total assets, thus dipped from 0.98% to 0.97%. This development was due to the relative increase in local government financing in which lower margins and lower credit risks outweigh.

Development of net interest income 1997 – 2001



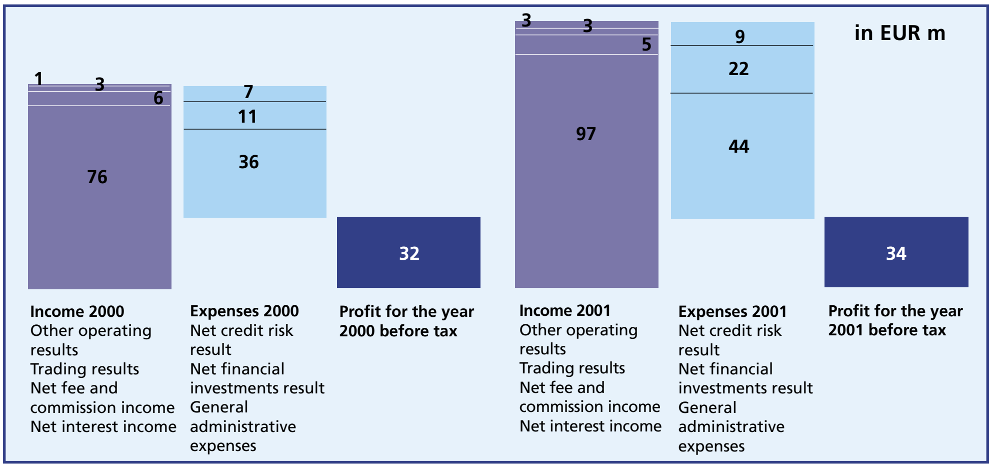
Higher expenses for risk provisions

OTHER OPERATING RESULTS. Net fee and commission income amounted to EUR 5.0 m and thus decreased by 15% as compared with 2000. This development was caused by higher expenditure in the securities sector. The most significant items of income came once again from environmental aid administered by Kommunalkredit for the Republic of Austria on a trust basis. In the financial year, **total risk provision** for loans in the lending business increased by 30% thus reaching an amount of EUR 8.5 m. The economic development, furthermore, led to higher expenses concerning value adjustment of corporate financing. On the whole, total risk provision for the lending business rose by EUR 4.7 m or 7% to EUR 69.0 m. At EUR 0.3 m, direct write-offs, however, remained on a very low level in the financial year. With EUR 3.0 m, **the net trading result** reached the same amount as in the previous year. Securities trading recorded a rather dissatisfying loss of EUR 1.4 m whereas derivatives trading achieved an amount of EUR 3.9 m thus improving on the previous year's result. **Financial investments** were hit by the strongest decline due to the assessment of marketable securities and the declining credit quality of a bond reported as fixed asset. Due to the write-down of the Bank's interest in INVEST EQUITY Beteiligungs-AG, the net result from investments also contributed to a total minus of EUR 22.0 m.

New employees to support expansion

GENERAL ADMINISTRATIVE EXPENSES. Due to the Group's strong expansion, general administrative expenses rose by 21% to EUR 44 m. An increase in **personnel expenses** by EUR 7.3 m to EUR 27.5 m was caused by both higher provisions for retirement which rose by EUR 4 m and the rather unfavourable market development for pension schemes. The number of employees increased by 30 to 320 (disregarding the Board of Management and staff on maternity leave) which entailed a rise in current wage costs of EUR 2.6 m or 16%. **Other administrative expenses** rose by 2% from EUR 13.4 m to EUR 13.7 m, proportionately less than income. Depreciation and value adjustment of property and equipment increased only slightly to EUR 2.6 m. In the past year, investments in property and equipment focused on computer hardware and securities software. On the whole, general administrative expenses rose by a total of 22% from EUR 36.2 m to EUR 44.3 m. The **cost-income ratio** (the ratio of general administrative expenses to income) remained at the previous year's level of 42% thus resting far behind the average obtained in the banking sector.

Development of income and expenses 2000 and 2001



Earnings per share reduced by higher taxes and minority interests

PROFIT FOR THE YEAR. In the financial year, **other operating results** rose to EUR 3.3 m. This development was mainly due to an increase in value of those derivatives that do not serve any trading purposes. As compared with 2000, **the profit for the year before tax** grew by 4% to EUR 33.8 m. Taking into account taxes of EUR 3.6 m, **the profit for the year after tax** amounted to EUR 30.2 m. If the stakes of international partners in subsidiaries are also taken into consideration, the Group recorded a **net profit** of EUR 23.1 m. Accordingly, **earnings per share** dropped from EUR 4.32 in 2000 to EUR 3.65.

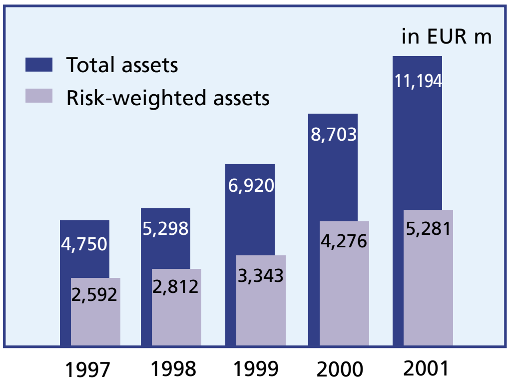
TOTAL ASSETS AND CAPITAL DEVELOPMENT.

Dynamic growth

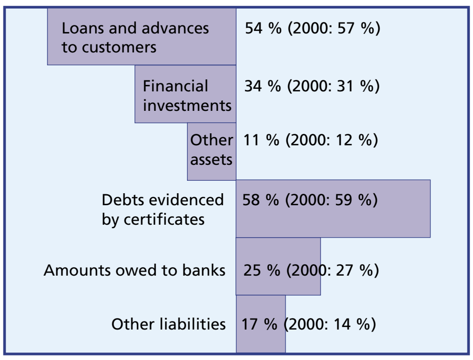
BALANCE SHEET STRUCTURE. The Investkredit Group recorded a 29% expansion in total assets to some EUR 11.2 bn, a similarly dynamic growth like in the year before.

The **largest part of the contributions to growth** resulted from **loans and advances to customers**. Significant growth rates were achieved particularly in the field of local government business in the course of bidding for loans auctioned by the Republic of Austria. In addition, securities financing contained in financial investments also increased distinctly. In the reporting year, the Investkredit Group has continued its financial investments in highly-rated international bonds.

Development of volume 1997 – 2001



Balance sheet structure 2001

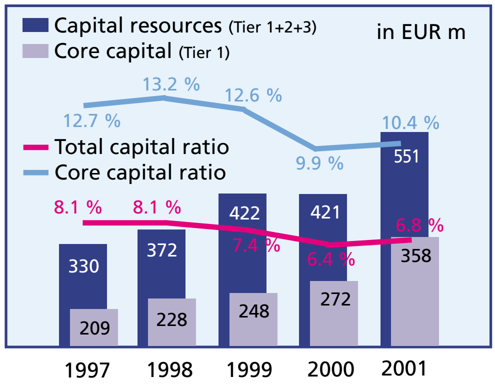


Loans and advances to customers – mainly to corporates and local governments – remain the largest share on the assets side with 54% after 57% in the year before. On the liabilities side, securitized debts continue to represent the largest share with a slight decline to 58%. In 2001 bond issues for the refinancing of new business reached a volume of some EUR 1.6 bn. Amounts owed to banks amounting to 25% are of minor significance. Compared with the rise in total assets, risk-weighted assets recorded a proportionately smaller increase. This development is due to the fact that the Investkredit Group continues to adopt a low-risk business policy, which, for example, becomes evident in the increase of communal financings that do not need backing with regulatory capital. By contrast, Investkredit concluded a **credit default swap** amounting to USD 700 m in the reporting year. Thereby the backing of Investkredit's portfolio with capital resources consisting of AAA and AA rated securities was reduced significantly.

Significantly improved capital ratio

CAPITAL RESOURCES. Due to a **set of measures** taken the core capital of the Investkredit Group has increased significantly by 32% to EUR 358 m in the reporting year: A contribution amounting to EUR 32 m was provided by the **capital increase of the Kommunalkredit Austria AG**, which was primarily executed by the strategic partner Dexia Crédit Local at the beginning of the year 2001. The **35% interest of the EBRD in the Europolis CE Group** with a commitment amounting to more than EUR 105 m affected the increase in core capital by means of revaluations of individual real-estate management companies and purchase price payments of some EUR 24 m. Another measure was the **capital increase of Investkredit International Bank p.l.c.**, where financing investors subscribed to preference shares amounting to EUR 17 m. The **formation of reserves** contributed to the increase in core capital with an amount of EUR 13 m. The total capital resources to be taken into account according to § 23 of the Austrian Banking Act amounted to EUR 551 m. As of 31 December 2001, the solvency ratio had increased from 9.9% of the assessment basis to 10.4%. The Tier 1 capital ratio also rose considerably, namely from 6.4% to 6.8%. The capital ratios, which are well above average as a result of the set of measures that have been taken, allow for the continuation of an expansionary business policy even after the current year.

Capital development 1997 – 2001



RATING. The rating for Investkredit Bank AG by Moody's Investors Service has remained stable with A1 in the long-term and Prime 1 in the short-term area in the reporting year. The position of **Kommunalkredit Austria AG** was strengthened by the **upgrading** of the Moody's Ratings from A1 to Aa3. The Bank Financial Strength Rating for Investkredit was fixed with C- for Investkredit and C+ for Kommunalkredit.

SOCIAL AND ENVIRONMENTAL REPORT.

Creation of additional jobs

STAFF. The dynamic business development is also reflected in the number of staff members. On 31 December 2001 **320 employees** (disregarding the Board of Management and maternity leave) belonged to the staff of the Investkredit Group. The proportion of female employees is 53% and that of part-time staff with contracts covering between 50% and 90% of normal working hours is 14% or 44 persons. In terms of normal working hours, this represents a staff of 305, in comparison to 278 in the year before. The average age of employees in the Investkredit Group is just under 37. The Investkredit Group is known for **stable long-term employment relationships**. Internationalisation and more complex needs concerning financial services require **innovative power and capability of development** of the staff. In 2001 the employees participated in numerous external technical and management seminars at home and abroad. Staff members from all business segments of Investkredit have given lectures at domestic and foreign technical events, seminars and conferences, some employees have worked as lecturers at universities and technical colleges. In the reporting year internal closed meetings and workshops were partly organised with the support of external systemically oriented organisational consultants. A wide range of projects, e.g. in the fields of product development, information technology and communication, make working for the Investkredit Group attractive. This may also be the reason for the minimal fluctuation within the Investkredit Group.

Taking over social responsibility

SPONSORING. The Investkredit specialist banking group accepts its social responsibility. In the reporting year Investkredit Bank AG supported **selected projects of more than 50 well-known institutions mainly in the social area**. Furthermore, the art projects "Artists and Refugees" of the Susret Association and the Association "Friends of the House of Artists in Gugging" were also sponsored. The total sum of financial aid provided for social activities by the Investkredit Group amounted to more than EUR 100,000. In the field of **environmental management** Kommunalkredit voluntarily fulfils the obligation of continuous improvement concerning environmental protection (chiefly concerning business trips, the consumption of paper and energy as well as product ecology). In November the KOMMUNALIS prize, Kommunalkredit's social prize for local authorities, was awarded at an evening gala.

OUTLOOK FOR 2002.

Cyclical upswing and stable medium-term perspectives expected in lending business

MARKET DEVELOPMENT. According to all available indicators the **economic slump in Austria will persist through the second quarter of 2002**. Then economic researchers expect an upswing allowing for real growth rates of about +3% by the end of the year. With 1.2% of the GDP, however, the annual average of the growth rate is not expected to be significantly higher than in 2001 according to the time pattern. Essential incentives are to be provided by the recovery of the US economy and by easing the pressure on households and corporates due to the decline in energy prices. The business situation of the Austrian manufacturing industry is expected to improve considerably in the second half of the year. Due to significantly declining commodity prices (-7.0%) real production will expand only by about 1.5% on an annual average similar to 2001. Not before the year 2003, however, is a continued recovery of the industrial sector expected and only if foreign demand increases again (+7.3% real exports), which would push production output to real +5.0%, thus higher than in the late 1990s. In view of these business expectations, a moderate development of the credit business is expected in the short term. With the predicted cyclical upswing for the second half of 2002, Investkredit expects a recovery in the area of investments. Low financing costs and the relatively lower self-financing ratio of corporates favour loan financings. Against the background of the EU enlargement and the increasing globalisation, significant modernisation and rationalisation requirements still need to be met by business sector. According to the latest WIFO (Austrian Institute of Economic Research) investment survey, companies report plans for investments amounting to EUR 7.31 bn for the whole year. The test shows that there will be increases especially in the car industry, the production of non-durable consumer goods and in the coal, iron and steel sector, with a value of 6.2% the investment ratio might again reach the level of 2000, an economic boom year.

"The more man is planning, the harder he will be hit by coincidence."

FRIEDRICH DÜRRENMATT

Ensuring liquidity for corporate customers in connection with Basel II

On the whole, Investkredit enjoys a **favourable financing environment**. However, a higher order intake level contrasts with higher credit risk costs. This is due to downgrading by rating agencies for to economic reasons and higher risk premiums. The trend of corporates towards medium- to long-term protection of liquidity will continue in the current year. Two factors illustrate this assessment: On the one hand, there is some uncertainty among businesses in connection with the policy approach that will be taken by major banks. On the other hand, by anticipating Basel II provisions changes in the financing culture will lead to a reassessment of the aspect **"security in financing"**. As a specialist bank for corporates, Investkredit is well prepared to deal with these developments in the financial markets in an adequate way. Investkredit regards it as part of its mission to take the macroeconomic implications of financing into consideration and promotes a **more relaxed approach and cultural awareness of the issue**.

Positive order situation for the Investkredit Group

The volume of loans already under contract, internal approvals and currently being processed results in a **payment potential** of more than EUR 600 m in the corporate segment as of 31 December 2001. In the local government segment, the order situation is also regarded as positive for the year 2002, since the financing requirements of local governments in Austria and in the adjoining states can be considered stable. In the real-estate area, more than 20 potential investments in Central and Eastern Europe are being evaluated.

Further growth of volume and earnings as a target

OUTLOOK. Continuing its business strategy, Investkredit **plans to achieve additional increases in the business volume**. The balance sheet total is targeted to increase annually by some EUR 1 to 2 bn within the next three years. This growth and the **further improvement of margins** – particularly in business with domestic corporates – is expected to result in a double-digit rise of net interest income. Investments in regional expansion and securities competence in the field of corporate bonds are to be utilised for developing the market position and for increasing results in the corporate segment. In the local government and real-estate areas, investments in Central and Eastern Europe are to be continued, the Europolis Group intends to develop its position as one of the most important real-estate investors in Central and Eastern Europe together with the EBRD. Earnings per share are expected to rise again and attain more than EUR 4.00 in 2002. Further aims are to achieve a sustained increase in the return on equity. An expansion of the existing business segments, coupled with a continued focus on specialisation is expected to contribute to an improvement of the cost-income ratio to less than 40% by the year 2004.

SEGMENT REPORTING ACCORDING TO IAS.

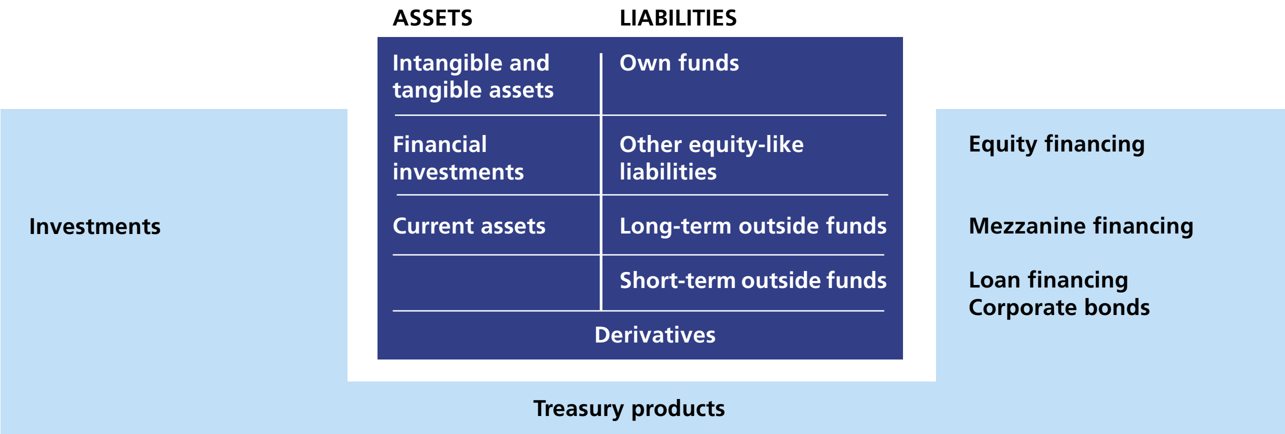
CORPORATES.

Services offered by Investkredit to optimise the capital structures of corporates

In its capacity as a modern investment bank, Investkredit offers its corporate customers all the products which contribute to an **optimisation of the capital structure**. Depending on the strategic situation of a company and taking account of the new Basel capital adequacy requirements for banks ("Basel II"), the best suited financing instruments are selected.

The consistent alignment of Investkredit's fields of business with the requirements of corporates' **capital structure management** is illustrated in the following diagram of a corporate balance sheet.

Business fields are aligned with the corporate balance sheet pattern



Major emphasis is still attached to **long-term external financing** intended to support investments. In this context, the main objective is to fix a maturity profile which is in line with the earnings and investment dynamics of the relevant corporate and to use **derivative instruments** (treasury products) to optimise interest rate and currency risks. **Corporate bonds** provide larger corporates with a solid base of bullet-maturity outside capital and at the same time offer the possibility of extending the group of debtors beyond the hitherto targeted banking community.

Wherever classic external financing schemes reach their risk limits, subordinated capital instruments (**mezzanine financing**) come in useful. In certain situations connected with the sale or purchase of a corporate or with a more rapid technology-related growth, **equity financing** through pre-market risk capital instruments (venture capital and private equity) constitutes an ideal solution.

Even though most financing products have an impact on the liabilities side of the corporate balance sheet, Investkredit also offers a selection of **Investkredit investment funds** for long-term investment themes appearing on the assets side of the balance sheet which is especially geared to corporates' requirements.

The following explanations contain more detailed information on the major fields of business within the core segment "Corporates".

CORPORATE LENDING.

A euro financial market is emerging

DEVELOPMENT OF THE FINANCIAL MARKET. Europe bears witness to the birth of a euro financial market, for which capital-market oriented rules are becoming increasingly important. This involves a re-orientation of the **credit-based financing tradition**. On the one hand, the **classic loan** – the core service of Investkredit Bank AG – plays a prominent role in corporate financing, on the other hand, financing instruments such as private equity, mezzanine financing and corporate bonds are gaining significance.

Corporate bonds are gaining significance

The future of loan financing

In March 2001, Investkredit was the lead manager in charge of the issuance of corporate bonds of SPAR Österreichische Warenhandels AG launched with a volume of EUR 200 m. In addition, the bank was also represented in the issuing group for the corporate bond of BBAG – Österreichische Brau-Beteiligungs-Aktiengesellschaft. Investkredit received further mandates to prepare the launch of corporate bonds which will be issued in the current year, such as the Egger bond with a volume of EUR 100 m. These mandates have made the Bank for Corporates one of the **leading banking partners for corporate bonds** in Austria. With respect to this instrument, cross-departmental collaboration – particularly with the Capital Markets Team of the Treasury Department – is of vital importance. Especially in its capacity as specialist bank, Investkredit regards the further development of loan financing as a great task and challenge. According to the customers of Investkredit continuity and predictability are pivotal features of any external financing transaction which are realised by means of medium- and long-term loan agreements.

The bank for family businesses

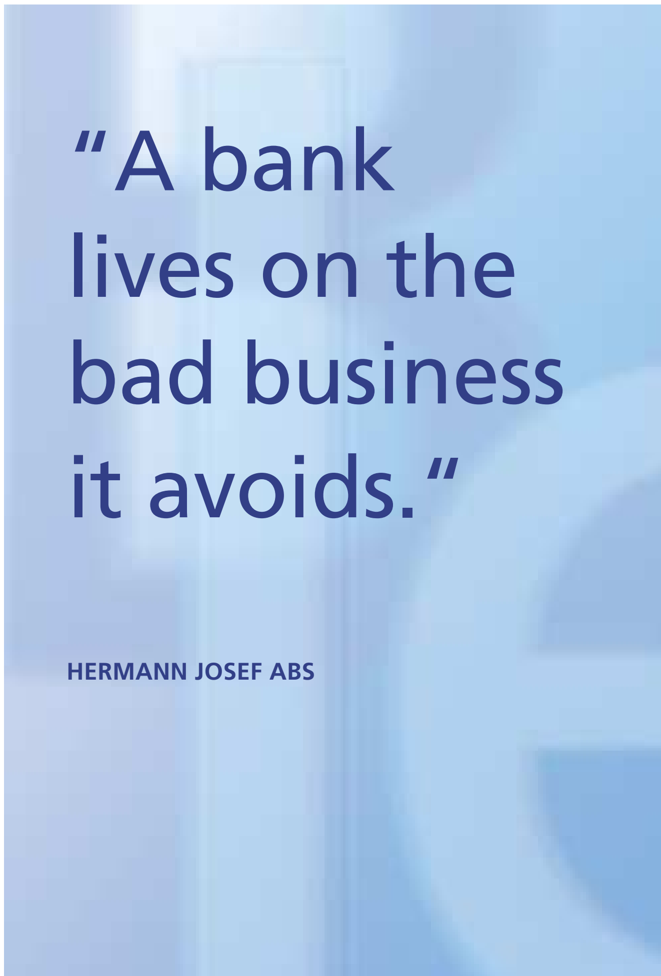
Austrian medium-sized corporates, which in most cases are **family businesses**, show a stable demand for long-term bank loans. In view of their preference for independent decision-making structures – which are not influenced by the stock markets – loans are particularly well suited to meet their requirements. Another factor is the high level of trust they place in their financing banks and the lack of disclosure requirements to the wide-spread publicity. However, the ongoing orientation towards a capital market approach regarding the pricing of loans, is encouraging a more **open disclosure practice of corporates** vis-à-vis their banks. As regards the level of credit margins, an increasing differentiation according to corporates' credit ratings and agreed collateralisation is being observed. Bank-internal and external ratings are gaining importance. Within the whole euro area, credit margins will converge along the risk profiles.

Basel II

In the run-up to the introduction of the new capital adequacy requirements for banks (Basel II), bringing the credit ratings of corporates in line with the ratings of large international rating agencies (e.g. Moody's Investors Service and Standard & Poor's) has already become a standard procedure followed by Investkredit.

Investkredit rating

The discussion of **ratings** is a major component of the **talks with our customers**. The departure point for the rating process of Investkredit is the credit quality of the balance sheet, which is determined on the basis of balance sheet ratios. Qualitative factors such as inno-



vative power and management help to ascertain the customer's credit standing. The discussion of corporates' self-assessment and their external assessment lends a **new quality** to **customer relations**.

Dealing with corporates' concerns

The spectrum of issues handled by Investkredit's customer service officers is becoming more and more sophisticated. Long-term, open partnerships with customers provide the basis to discuss forward-looking **issues of corporate financing** from a variety of perspectives at an early stage.

Investkredit's **specialised publications**, which support the know-how management of customers and employees alike, clearly illustrate the preparations made to address corporates' concerns. In the year under review, Investkredit published the following financial information brochures:

New publications

- Interest-rate and currency management instruments – a financial information brochure provided by the Bank for Corporates
- The future of corporate financing in the euro area
- Securities financing for corporates – a vademecum for the bond market

The business administration, management and technology experts as well as the lawyers at Investkredit are currently devising financing solutions which go beyond the bank's day-to-day business. The structuring of financing is of major importance for the implementation of business projects. In this respect, clear responsibilities within the bank and fast decision-making procedures are among the factors underlying the success of Investkredit.

In the year under review, various suggestions and ideas of our customers stimulated Investkredit to organise **INVEST Workshops** on the following topics:

Workshops organised in the year under review

- "Aid schemes for corporates in Upper Austria and Salzburg. Innovation – co-operation – projects"
- "Loans with treasury elements"
- "Change in ownership – a strategic approach for corporates"
- "Corporate pension schemes"
- "The future of corporate financing in the euro area. Markets – instruments – recommendations"

Financing transactions with corporates

Annual	1997	1998	1999	2000	2001	to 2001 (cumulative from 1957)
Financing (in EUR m)	415	308	500	553	720	9,663
Investments (in EUR m)	1,135	1,090	1,323	2,296	7,706	39,936

Financing: facts & figures

In 2001, Investkredit contracted EUR 720 m of financial loans. In the important area of capital investment financing, a volume of EUR 7.7 bn (see *table* "Financing transactions with corporates") was co-financed by Investkredit in 2001. The average amount of loans in 2001 was EUR 3.2 m, which was considerably higher than the average for 2000 (EUR 2.9 m). Maturity at 9.6 years has decreased on average from 2000 (10.1 years).

Investkredit as a financier for industry

Investkredit's importance as a **financing partner for industrial corporates** becomes visible in the fact that 47% of the bank's new financing transactions concluded in 2001 were accounted for by industrial corporates. The sectors of industry that received the largest share of financing in the year 2001 were the petroleum and chemical engineering industries, the non-metal mineral products industry, the ceramics and glass industries, and the electrical engineering industry.

The trend towards large-volume financing transactions with industrial corporates was continued in the reporting year. Against the background of portfolio control by banks, the syndicated financing business has grown in significance. In the future, Investkredit will extend its **function in underwriting partnerships**, as shown today in the strong increase investment volumes.

Deal structuring in the context of project financing transactions

2001 saw an increase in the level of **project financing transactions**. Starting out from the establishment of independent companies these types of loans are serviced out of the relevant project's sources of earnings. The bank's tasks in relation to structuring such deals range from the legal planning of the transaction to economic feasibility studies and ongoing project controlling. These models are mainly applied to real-estate transactions and public-private partnerships.

Credit rating and collateralisation determine loan terms

The arrangement of loan terms depends on specific credit ratings and the provision of security. While liquidity is agreed on a long-term basis, the interest rate adjustment is in many cases related to covenants, i.e. the credit margin is developing according to the relevant corporate's rating. The settlement of margins is thus linked to the dynamism of the corporate's economic development. In many cases the corporates have anticipated the interest rate cuts of the European Central Bank and have taken out variable-interest loans. In contrast, towards the end of the year, an increased interest in fixed-rate loans was seen.

Prudent loan management

The cyclical downturn in the second half of 2001 has also contributed to the fact that Investkredit paid **special attention to its loan management**. In individual cases it became necessary to increase collaterals. The importance of a contractual safeguarding of liquidity is pointed out in detail when talking to our customers. In accordance with the accounting and valuation principles, the required level of individual value adjustments has increased along the cyclical curve.

The following *table* shows the regional breakdown of the lending business in the reporting year and cumulated since 1957.

Regional breakdown of financing transactions with corporates

Regions	Financing 2001		Financing 1957 – 2001	
	in EUR m	Share	in EUR m	Share
Vienna	163	23 %	2,446	25 %
Lower Austria	62	9 %	1,619	17 %
Upper Austria	46	6 %	1.394	14 %
Styria	26	4 %	856	9 %
Tyrol	76	10 %	825	9 %
Salzburg	23	3 %	485	5 %
Carinthia	6	1 %	421	4 %
Vorarlberg	40	6 %	407	4 %
Burgenland	2	0 %	45	1 %
Total – Austria	444	62 %	8,498	88 %
Europe	86	12 %	427	4 %
Rest of world	190	26 %	738	8 %
Total – international business	276	38 %	1,165	12 %
Grand total	720	100 %	9,663	100 %

In the year under review, Vienna, Tyrol and Lower Austria had the largest share of financing. In terms of cumulative regional financing, Vienna, Lower Austria and Upper Austria are still in the lead.

Extended core market

As much as 38% of the financing transactions concluded in 2001 with a volume of EUR 720 m were accounted for by corporates which have their domicile outside of Austria. In the previous year, the figure was 20%. This analysis reflects the **increasing internationalisation of the financing business**. Large-scale loans for corporates with their domicile in Central and Eastern European countries are extended especially for real-estate projects.

Regional focus being expanded

The increasing importance of European financing transactions reflects the active internationalisation strategy of Austrian corporates. Following this trend, Investkredit has also expanded its regional focus and is currently active in the **core markets of Austria**, **Germany**, the **Czech Republic** and **Poland** as well as in **other Central European candidate countries**. In addition to the regional expansion of its core market, Investkredit also considers it part of its mission to support Austrian corporates in their internationalisation activities.

Offices in Prague, Warsaw and Frankfurt

EUROPEAN OFFICES. In April 2001, Investkredit opened a **representative office in Prague**. The motivating factors for entering the Czech Republic were the favourable economic conditions on the one hand, and the successful real-estate activities of the Europolis Invest Group in Prague on the other hand. The establishment of the Prague office will not only ensure a better servicing of Austrian customers in the Czech Republic but also promote the bank's direct business in the sphere of corporate and real-estate financing. The target group for corporate financing transactions include both Austrian corporates with existing and/or projected local offices or participating interests in companies in the Czech Republic, and Czech corporates with a good credit standing, an appropriate market share and a convincing business policy. Currently preparations are underway to open a **representative office in Warsaw** in the second quarter of 2002.

In January 2002, Investkredit opened a **branch office in Frankfurt**, the "city of the euro". The German market has acquired special significance mainly because of its size and because of the strong economic links with Austria and Austrian corporates. Among other things, the Frankfurt office supports Investkredit's Austrian customers in their activities in Germany and offers the whole spectrum of Investkredit services to German medium-sized corporates. Another focal element are syndicated financing operations. The regional focus in the medium- to long-term lending business is primarily on Baden-Württemberg and Hessen followed by Niedersachsen, Nordrhein-Westfalen and Bavaria.

> "If you would know the value of money, go and try to borrow some."
>
> **BENJAMIN FRANKLIN**

Second-largest ERP trust bank

AID MANAGEMENT. Aid management from application to final settlement continues to be a special task of the bank. Aid-related financing today mostly concentrates on **ERP trust and guarantee loans**. In the year under review, Investkredit was the second-largest ERP trust bank in terms of ERP total lendings, ranking only slightly behind the market leader. Great emphasis was also attached to the financing of research projects, which are supported by the Austrian Industrial Research Fund (FFF). The **re-organisation of the Austrian aid system** in the Structural Fund period up to 2006 is characterised

Competent consulting on aid-related financing transactions

by a shift in aid-related decisions towards the regional level. Co-financing with resources of the European Structural Funds is mainly granted in the form of direct subsidies. Loans at favourable interest rates thus become less significant as a financing instrument. Against this background, the **increase in the level of aid-related financing transactions reflects** the core competence of the bank. In 2001, the contracted volume amounted to EUR 90 m compared with EUR 50 m in the previous year. The ongoing updating of our **"EU-Förderdatenbank"** online service (www.investkredit.at) forms an essential basis for knowledge management in the field of aid-related financing.

Co-operation with EIB and KfW

At the European level, co-operation with the **European Investment Bank** (EIB) in Luxembourg was continued in the context of the global loan. The second global loan for investment projects of small- and medium-sized corporates, environmental protection projects and energy investments in the amount of EUR 36.3 m was fully used in the year under review. **Preparations for a third global loan** are at an advanced planning stage and the signing of the contract may be expected for the first quarter of 2002. The co-operation with the Frankfurt-based KfW – the largest development bank in Germany – was successfully continued in 2001. The co-operation includes the refinancing of investment projects of medium-sized corporates in Austria, Slovenia, Hungary, Slovakia and the Czech Republic.

Consulting on European aid programmes

EUROTECH MANAGEMENT. Investkredit's wholly-owned consulting subsidiary ETech Management (EuroTech Management) focuses on helping Austrian corporates to gain access to **research and technology support programmes** under the 6th EU Framework Programme (running until 2006). Compared to the 5th EU Framework Programme still in effect until the end of 2002, the budget of this future programme is to be increased by 17% to EUR 17.5 bn. With its team of technical industry specialists EuroTech offers a broad spectrum of consulting services concerning the eligibility for support funds for research and technology projects. The services include the preparation (selection of the appropriate support programme and tender date), the analysis and structuring of the project in terms of form and contents and the ongoing project controlling and EU-wide search for partners.

In connection with its competence in relation to European support programmes, EuroTech won a tender of the Federal Ministry of Social Security and Generational Matters (BMSG) in 2001 and was charged with the management of the EU youth programme for the programme period from February 2001 to December 2006. An experienced team of experts in juvenile matters and support issues will manage this EU programme under the title **"Nationalagentur Jugend"** jointly with the competent regional authorities of the Federal Provinces. The EU youth programme was allocated support funds of about EUR 1.63 m per year, which will be used to finance about 350 projects.

Investments in asset backed securities

INTERNATIONAL BUSINESS. The focus of international business lay on markets which go beyond the bank's extended core market, with special emphasis being attached to security transactions in the US. In the context of this business policy the bank is investing in a prudently managed and broadly diversified portfolio of **asset backed securities** (ABS), thereby concentrating on low-risk, high-rated tranches, whose structure ensures a lower rating volatility than more subordinated tranches. Compared with the bank's overall volume of ABS, only 1.6% of the ABS tranches held by Investkredit have received a lower rating in the financial year ended on 31 December 2001. Against the background of the migration matrix published by the rating agencies, this figure illustrates the excellent rating stability of high-rated ABS tranches and also underlines the good quality of the invested ABS portfolio. This quality was also maintained by investments effected in the last year, with special attention being paid to ensuring a regional balance and spreading the investments in different ABS sub-markets. In order to control return and to achieve portfolio effects in international risk business, unstructured transactions with a higher risk profile are also concluded. However, the share of sub-investment-grade transactions concluded in 2001 only amounted to 1.5% of the overall expansion in this field of business.

Financing in the corporate segment

in EUR m	Domestic, without aid 2001	2000	Change	Domestic, with aid 2001	2000	Change	International business 2001	2000	Change	Total 2001	2000	Change
Loans[1]	1,673	1,745	-4 %	756	749	+1 %	1,113	932	+19 %	3,542	3,426	+3 %
Securities financing[2]	332	196	+69 %	-	-		1,279	952	+34 %	1,611	1,148	+40 %
Total financing	**2,005**	**1,941**	**+3 %**	**756**	**749**	**+1 %**	**2,392**	**1,884**	**+27 %**	**5,153**	**4,574**	**+13 %**

[1] Loans and advances to customers, trust loans and provision for guarantees
[2] Bonds and other fixed-income securities of other non-bank issuers

13% increase in corporate financing transactions

The *table* shows the structure of the overall level of financing in the corporate segment. In the reporting year, the overall volume of financing transactions increased by 13%. Loan financing transactions – including corporate financing, real-estate financing, and project financing – rose by 3% to EUR 3.5 bn. A particularly impressive growth of 40% was observed in security financing. Especially the 69% increase of domestic transactions reflects the growing demand for corporate bonds. For the first time in years, aid-related financing transactions did not record a decrease in 2001.

CORPORATE FINANCE, PRIVATE EQUITY AND CONSULTING.

Corporate finance services for a growing market

CORPORATE FINANCE. In the wake of the rapidly progressing globalisation, Investkredit's **medium-sized customers** are faced with an **accelerated structural change**. In this context, the appearance of new international competitors and the loss of market niches represent the major challenges. This altered market environment goes hand in hand with a clear increase in M&A activities – a trend which is promoted by the requirement for medium-sized corporates to reach a certain size in order to be competitive. Large corporates are thus called upon to focus their resources, which results in a rising number of spin-offs. Moreover, numerous entrepreneurial pioneers of the reconstruction period of the 1950s and 1960s are currently confronted with the task of finding successors. Investkredit has reacted to this market environment already at an early stage and has **systematically developed its corporate finance segment** in the last few years. Investkredit has many years of experience in the structuring of complex financing transactions and develops feasible financing concepts supporting corporates right from the beginning in setting out their course for the future, specifically in the context of the acquisitions, MBOs/MBIs and disinvestments.

Systematic expansion of instruments

The set of corporate finance instruments includes both M&A consulting, which is provided by Europa Consult GmbH, and all financing tools required for the implementation of M&A and growth projects. This enabled Investkredit to establish itself as an **overall provider of corporate finance services** and to be counted among the leading providers of private equity/venture capital and mezzanine capital in Austria. The bank

> "It is better to be approximately right than precisely wrong."
>
> **JOHN VON NEUMANN**

now aims at further extending these instruments with a focus on quality. For the future, it is planned gradually to expand the regional concentration on the extended European core market.

Assistance in the acquisition and disposal of corporates

EUROPA CONSULT. Europa Consult GmbH saw higher demand for corporate finance services among medium-sized companies. Europa Consult is a wholly-owned subsidiary of Investkredit, which specialises in consulting on **M&A transactions**. In the year under review, the company had advisory mandates in all fields of business, from the **acquisition and disposal of corporates** to the **solution of the problems of finding successors to family businesses** and the **structuring of financing transactions**. In 2001, a total number of 19 projects were supported. The customers of Europa Consult include typical medium-sized companies as well as public sector entities seeking advice in relation to privatisation projects. Europa Consult is becoming increasingly successful at winning business in to large-scale transactions, for which attractive performance fees may be negotiated. This serves as impressive proof that the company has been able to strengthen its position and now enjoys an excellent reputation in its relevant market environment. In the near future, Europa Consult's strategic focus will also be on a **well-targeted extension of its management buy-out activities**, which provide an ideal field to demonstrate the company's know-how in the structuring of financing transactions.

Difficult market conditions for private equity/venture capital

INVEST EQUITY GROUP. The INVEST EQUITY Group consists of **venture capital and private equity companies** with international investors and an Austrian investment focus. The group is one of the three largest independent market players in this field. INVEST EQUITY acquires stakes in companies that are not listed on the stock market and provides them with risk capital. Specialist teams cover a broad investment spectrum ranging from knowledge-based early stage enterprises to spin-offs of groups in the traditional sphere of industry. On the whole, INVEST EQUITY has in many important respects **strengthened** its **position in Austria** despite the difficult conditions on the capital market. Thus, the early stage team is now fully integrated. In the year under review, the INVEST EQUITY Early Stage Fund acquired stakes in two life-science companies and hence successfully documented its future emphasis. Furthermore, with KfW, Frankfurt, the Group was able to gain a renowned investor for the endowment of a parallel investment fund complementing the funds managed by INVEST EQUITY Beteiligungs-AG.

Market position strengthened with 10 transactions in 2001

In the reporting year, the Group has effected three investments and seven subsequent financings. Taking over the Austrian market leader in rotary printing in December 2001 not only raised the number of portfolio corporates to 15 but also completed the transaction spectrum from high-tech growth financings to spin-offs of consolidated subsidiaries and privatisations. The year under review was characterised by heavy drops in the European stock markets which mainly affected information and communication technology issues and new economy corporates. The resulting stagnation in new issues thus had a strong impact on the venture capital industry and led to a prolongation of the targeted and realisable market introductory phases. A significant easing of the tension may not be expected in the next two quarters. In consequence, 2001 recorded a considerable decrease in the volumes of new investments in venture-capital funds. However, the backlog in demand with respect to venture-capital instruments, which still exists in Europe, gives reason to expect a considerable rise in the inflow of funds from venture capitalists as mid-2002.

Pioneer in the field of mezzanine financing

INVEST MEZZANIN. With a volume of EUR 40 m INVEST MEZZANIN is the first fund for mezzanine capital in Austria. This innovative financing instrument offers Austrian corporates access to a form of financing that has proved itself over many years at the international level. It is chiefly regarded as subordinated debt and assumes equity-like functions (equity mezzanine capital). Mezzanine capital has a higher risk than loans but is serviced before equity and thus occupies an intermediate position between equity and borrowing in the financing structure. In the reporting year 2001, **three investments amounting to more than EUR 6.3 m were realised**, so that the portfolio now comprises eight corporates. With the exception of one fraud-related default, the investments generate potential increases in values and current interest income. On the whole, the environment for growth companies developed rather unfavourably in 2001, which altogether resulted in a more risk-sensitive and selective investment policy. The **strategic focus** will be increasingly shifted towards **corporates with stable earnings which have already reached a more advanced stage in their corporate development**. INVEST MEZZANIN expects that the further development of the mezzanine market will be positively influenced by the growing number of management-buy-out/management-buy-in transactions and by more risk-adequate lending policies of banks.

ASSET MANAGEMENT.

Selected Investkredit investment funds for corporates

INVESTKREDIT INVESTMENT FUNDS. In order to meet the asset management requirements of its corporate customers, Investkredit offers a selection of various Investkredit investment funds. **Investment funds suited for corporate pension schemes and low-risk floor funds** clearly prove that Investkredit's asset management policy is tailored to corporates' specific needs. The performance of the Investkredit investment funds was clearly influenced by the fact that all major stock markets ended the year with severe losses. While **the floor funds were able to maintain their ground with positive returns**, among the mixed funds only the **i2V-Vorsorgefonds**, managed by Vontobel Asset Management, ended the year 2001 on a **positive** note. The **i2V-Euro** and the **i2V-Select** were more strongly affected by the negative development of the stock markets und thus had to accept **slight losses**.

Decline in fund volumes

The unfavourable situation on the stock markets also had an impact on the sale of investment funds. As a result of buybacks, the **total volume of Investkredit investment funds** dropped from about EUR 250 m as at the end of 2000 to **EUR 190 m at the end of 2001**. This fall was mainly attributable to the floor funds i2F and i2-bond. Especially the i2F with its short-term orientation lost a great number of investors who switched to more attractive money market investments. All mixed funds, on the other hand, recorded an increase which totalled about EUR 9 m.

With the **issue of two umbrella floor funds in the beginning of 2002**, Investkredit will react to the declining trend in this field of business. The fund of funds approach is intended to reduce the dependence on a single fund manager and his or her performance and the related diversification in hedging styles is to enhance continuity.

Considerable increase in time deposits

TIME DEPOSITS. Deposits of corporate customers are mainly taken in via Investkredit International Bank p.l.c., Malta. This field of business was significantly extended in the previous year. With EUR 364 m the volume of deposits of Austrian corporate customers accepted in 2001 could be nearly doubled compared to the year before.

Investkredit International Bank p.l.c. in Malta had an excellent track record in 2001. With a capital base of EUR 29 m it reported a profit of EUR 3.7 m. Even before the end of the year the bank in Malta was able to enlarge its number of shareholders by two new (preference) shareholders and to increase its share capital to EUR 46 m. The bank's asset operations focus on extending loans to Austrian corporate customers and on participating in international syndicated securities financing transactions. The aforementioned injection of fresh capital will be used to increase the bank's commitment in these fields of business.

Growing importance of securities investment for corporate customers

CUSTODY ACCOUNTS SERVICES. In the year 2001, the financial asset management requirements of corporate customers were clearly influenced by the volatile market conditions. In consequence, **demand for investments involving a lower risk was stronger** than in the year before. The focal products of the year under review were investments and portfolio switching of funds to selected bonds and investment funds with low risk profiles. At a total of EUR 2.9 bn, the volume of assets under management decreased over the year 2000, while the **number of customers holding a securities account** with Investkredit rose **by about 4%**.

TREASURY.

Issuing focus on strengthening equity structure

REFINANCING. In 2001, long-term measures were implemented only in the first half of the year. The refinancing transactions planned for the second half of 2001 were postponed to the beginning of 2002 as a result of the political events in the wake of 11 September and their significant impact on the markets. Investkredit Bank AG floated a total of **six issues**. The largest transactions with a volume of EUR 50 m each were one seven-year floating-rate **FLORAX bond** floated on the European capital market and five-year **index-linked notes**. Investkredit's issuing activities primarily focused on refinancing transactions to strengthen the capital basis. For this purpose, Investkredit floated **three private placements** consisting of one EUR 20 m issue of a fifteen-year subordinated bond and a EUR 30 m and EUR 15 m issue of twenty-year supplementing capital bonds. In June, **Investkredit International Bank p.l.c.** issued five-year **floating-rate notes** with a volume of EUR 10 m on the Austrian capital market. For the current year it is planned to establish a refinancing facility of EUR 1.5 bn. Since it is generally believed that in the first half of 2002 investors will commit their funds preferentially to bonds, Investkredit is stepping up its refinancing activities in the beginning of the year. In January 2002, Investkredit floated its hitherto largest bond issue with a volume of USD 500 m and a five-year maturity on the international capital market under the lead management of the Schroeder Salomon Smith Barney Group.

> "When the experts are agreed, the opposite cannot be held to be certain."
>
> BERTRAND RUSSELL

Volatile environment weakened income from securities

SECURITIES MANAGEMENT. Securities management involves both own-account trading and the construction of a medium- to long-term investment portfolio consisting mainly of asset backed securities. In the year 2001 as well, Investkredit focused on the **euro capital market** and on the economic **area of the United States**. Trading activities naturally concentrated on liquid bond markets and shares from Western European countries. In 2001, the contributions to results were lower than in the years before.

Market leader with respect to interest rate derivatives

INTEREST RATE AND CURRENCY MANAGEMENT. In the financial year 2001, the high volatility of the financial markets provided the trading desks of banks and financial departments of corporates with great opportunities, but also confronted them with increased risks. Investkredit's treasury department was able to hedge the bank's risks arising from interest and exchange rate fluctuations and achieved a **positive trading result**, which proved to be rather volatile in the course of the year in line with the general market development. In the sphere of short-term money trading, the scenario of falling interest rates contributed very favourably to the bank's net interest income. Investkredit's corporate customers increasingly relied on the bank's market expertise and special know-how regarding **the use of short- and long-term interest rate and currency management tools** to implement hedging and optimisation strategies. Investkredit's leading position with respect to **interest rate derivatives** and its **market share of 27%** (TOP 2000, Schwabe, Ley & Greiner) document the bank's competence in this market area. At the Alpbach Finance Symposium in October, Investkredit's treasury department participated in the interest and exchange rate forecast and presented optimisation strategies for foreign currency funding of corporates at one of the special seminars held on this occasion.

Implementation of the InvestDirektFX online foreign exchange trading system

In the foreign exchange field, Investkredit has been offering a new Internet service since spring 2001. **InvestDirektFX** (www.investdirektfx.at) is an online foreign exchange trading system which Investkredit customers may use to carry out online spot and forward exchange deals at current market rates. In autumn 2001, the electronic hedging system for foreign currency risks was upgraded to a **24-hour service** which now also includes Eastern European currencies. The conclusion of online transactions is intended to complement the individual assistance offered by the bank's treasury staff.

InvestDirekt, the online account service, was fully implemented

InvestDirekt. The **free online account service** www.investdirekt.at enables Investkredit customers to view their security accounts and all other accounts directly via the Internet. Current market values of securities and derivatives and debit balances with interest deferrals are complemented by individual information on turnover, maturities and performance. Investkredit's major objective is to furnish customers with high-quality information. InvestDirekt is already used by 12% of all Investkredit customers.

LOCAL GOVERNMENTS.

60% of Austrian local authorities are customers of Kommunalkredit

BUSINESS APPROACH. Kommunalkredit Austria AG, Austria's **only specialist bank for the public sector, significantly enhanced its presence on the market** in 2001. Today, more than 60% of Austrian local authorities are customers of Kommunalkredit. In order to promote the development of small and medium-sized local infrastructure projects, the European Investment Bank (EIB) in Luxembourg has granted a first global loan to Kommunalkredit, with an increase being promised for 2002. Kommunalkredit's business operations are also affected by the plans of the Republic of Austria and of individual Federal Provinces to resign from their function as lenders in order to optimise their budgets and/or to reduce their Maastricht deficit and debt ratio.

Strong growth due to the purchase of public sector receivables

FINANCING. In 2001, Kommunalkredit among other things sold a number of loans of the Republic of Austria and of the Environmental and Water Management Fund as well as several housing loans in Carinthia and was able to achieve considerable premiums in these cases. The **rise in domestic lendings** by **more than EUR 1 bn** or 49% (see *table* "Financing in the local government segment") mainly derives from this area. Further sales of loans were already announced for 2002.

Growth in Central Europe with strategic partner Dexia

Similar developments – budget optimisation to accelerate structural reform processes – are likely to occur in the **Central European candidate countries**. Kommunalkredit has been able to gain a firm foothold in this market and has **extended its exposure in 2001**. The market is serviced jointly with its co-owner Dexia Crédit Local (via Dexia Kommunalkredit Holding) or by Kommunalkredit alone paving the way for the operations of the holding company. Kommunalkredit achieves stable earnings in Slovakia (stake in Prvá Komunalná Banka) and in the Czech Republic (office in Prague) and has been successful with several acquisitions in Poland, Hungary, Slovenia and Croatia. Hence, in 2002 Kommunalkredit will increase its presence in these countries. **Switzerland** became Kommunalkredit's **second "core market"** with respect to financing transactions with the public sector. Approximately 15% of all new transactions are concluded in Austria's western neighbouring country. This trend continued at the beginning of 2002. All in all, international loans increased by EUR 300 m or 72% (see *table* "Financing in the local government segment").

"It is not only for what we do that we are held responsible, but also for what we do not do."

MOLIÈRE

In 2001, Kommunalkredit also **succeeded in extending its range of products**, focusing more strongly on structured financing transactions. A major break-through was achieved in relation to the placement of special financing models: The specialist bank was able to establish itself successfully in the US lease business, and in its function as lead manager was responsible for the structuring of the actual loan component ("B-Loan") of the world-wide largest US lease transaction of the year. In the next few years, Kommunalkredit will strive for the market leadership in Austria.

Unless there is an external rating, all Kommunalkredit customers are rated internally, with the bank's rating scheme modelled on the one used by international rating agencies. The internal rating process and credit-risk-related data are already being adjusted to the requirements of Basel II both in conceptional and in structural terms. The banking book risks are controlled and limited in the context of the monthly meetings of the Asset Liability Committee (ALCO). The ALCO meeting constitutes the central element of the risk management process and serves as a forum for providing information about Kommunalkredit's risk situation, for making all important risk-relevant decisions and for fixing and monitoring the risk limits.

Financing in the local government segment

in EUR m	Austria 2001	2000	Change	Abroad 2001	2000	Change	Total 2001	2000	Change
Loans[1)]	3,196	2,140	+49 %	716	416	+72 %	3,912	2,557	+53 %
Securities financing[2)]	123	48	+158 %	103	104	-1 %	225	151	+49 %
Total financing	**3,319**	**2,188**	**+52 %**	**819**	**520**	**+57 %**	**4,137**	**2,708**	**+53 %**

1) Loans and advances to customers, trust loans and provision for guarantees

2) Bonds and other fixed-income securities of other non-bank issuers

MANAGEMENT OF TRUST FUNDS. More than 3,000 of all the projects carried out by Kommunalkredit within the scope of its trust funds management in the year 2001 (environmental aid programmes of the Federal Government, support and development co-operation programmes for Eastern European countries of the Federal Ministry for Foreign Affairs, "Wirtschaftsimpuls" programme of the Federal Province of Upper Austria) were deemed eligible for funding. The cash value of the funding amounted to approximately EUR 498 m. Furthermore, Kommunalkredit engaged in consulting services for several international clients. As at 31 December 2001, the Environmental and Water Management Fund administered by Kommunalkredit reported a balance sheet total of EUR 2.97 bn.

Two new equity investments

EQUITY INVESTMENTS. In 2000, Dexia Kommunalkredit Holding acquired a 78.4% stake in the Slovakian **Prvá Komunalná Banka** (PKB) in Zilina. With 614 employees in a total of 47 branch offices, PKB holds a share of 70% in the Slovakian market for local government financing. In 2001, the balance sheet total rose from EUR 460 m to EUR 523 m and the profit for the year remained stable at EUR 6.5 m. Kommunalkredit expects to contract additional new business from two subsidiaries which were set up in 2001 and started their operations in 2002: With Kommunalleasing GmbH (a subsidiary owned jointly with BAWAG PSK Leasing) Kommunalkredit was able to venture into the real-estate leasing market, and its IT subsidiary TrendMind will offer the SAP bank controlling products, which were successfully used within Kommunalkredit, also to other customers.

TREASURY. In 2001, Kommunalkredit raised an overall amount of about EUR 1.5 bn on the capital market for the financing of local government projects. In this context, 16 issues were launched, of which 14 were documented under the debt issuance programme, whose volume was increased to EUR 5 m in 2001. For the year 2002, Kommunalkredit plans to achieve a refinancing volume of EUR 1.8 bn.

REAL ESTATE.

Benefiting from advantages of Central and Eastern European growth market

BUSINESS APPROACH. One area in which the concept of internationalisation has been widely implemented is the real-estate segment which was considerably expanded in the last few years. This area which **constitutes the ideal field of business for a bank specialising in long-term operations** was turned into one of the Investkredit Group's most important growth businesses owing to the efforts of Europolis Invest, a real-estate management company owned by Investkredit, which successfully combined its own real-estate developments with investments in fully rented top-class commercial real estate located in the capitals of the EU candidate countries.

The Europolis Invest Group has specialised in three specific fields: **real-estate investments, real-estate project development and real-estate portfolio management**. The Group's business focus is on office properties and logistic properties. Since the central aim is to safeguard revenue in the long term, the main factors in project selection are the quality of the buildings, the creditworthiness of the tenants and the long-term contractual safeguarding of rentals. A profitable real-estate portfolio in Vienna – including properties such as the Akademiehof Karlsplatz – served as launching pad for the bank's activities in the Central and Eastern European countries.

The existing **real-estate portfolio** outside of Austria comprises two office projects in **Budapest**, called "City Gate" and "Info Park Research Centre", the "Hadovka Office Park" and the "Technopark Pekarska" project as well as the "River City Prague" urban development project in **Prague** and the "Warsaw Towers", "Saski Point" and "Saski Crescent" office buildings in **Warsaw**. The purchase of the "Alliance Logistic Centre" in the vicinity of Warsaw was the bank's first acquisition in the field of logistic properties.

Construction work on the "Danube House" building in the context of the River City Prague project was continued as planned in the year under review. The "Saski Point" and "Alliance Logistic Centre" buildings were acquired in the course of the reporting period. The contracts on the purchase of the "Saski Crescent" and "Technopark Pekarska" projects were signed at the end of the year. The two latter projects allowed the bank to implement its concept of so-called "forward deals" for the first time on a larger scale in the Central and Eastern European market. Forward deals are a mixture of classic real-estate investments and development projects, with the investment being already effected before the building is finished and let. Payment and purchase price depend on the completion of the construction work and the quality of the tenancy agreements.

Financing in the real-estate segment

	Austria			Abroad			Total		
in EUR m	2001	2000	Change	2001	2000	Change	2001	2000	Change
Loans[1]	13	9	+47 %	4	5	-30 %	16	14	+19 %
Securities financing[2]		42	-100 %	-	-			42	-100 %
Buildings	42	55	-23 %	199	45	+343 %	242	100	+142 %
Total financing	**55**	**105**	**-48 %**	**203**	**50**	**+305 %**	**258**	**155**	**+66 %**

[1] Loans and advances to customers, trust loans and provision for guarantees

[2] Bonds and other fixed-income securities of other non-bank issuers

EBRD as strategic partner for real-estate projects in Central and Eastern Europe

In December 2001, the London-based **European Bank for Reconstruction and Development** (EBRD) **purchased a 35% stake** in the **Europolis Invest Group** to participate in its successful Central European expansion strategy. For this purpose, the EBRD committed EUR 105 m in equity capital, making Europolis Invest one of the largest real-estate funds in the EU candidate countries. The **hitherto largest**

equity stake EBRD has acquired outside the financial sector provides the Europolis Group with the opportunity to increase its investments from currently EUR 242 m to EUR 1 bn over a projected period of five years. With the EBRD stake Investkredit has gained the international development bank, which focuses particularly on Central Europe, as co-operation partner for its real-estate business and has thus been able to build a **European network** in the real-estate sector. Investkredit Bank AG and Europolis Invest consider the strategic participation of the EBRD as proof of the confidence and confirmation of the strategy of real-estate investment in Central and Eastern Europe pursued for the past four years.

"The difficulty lies not in the new ideas, but in escaping the old ones."

JOHN M. KEYNES

Strengthened by this strategic participation the Europolis Group will extend its successful real-estate activities to new markets, such as **Romania, Bulgaria, Croatia and the Baltic States**.

The growing scale of the Europolis Group's activities **in Prague** required the establishment of a **management company**, whose major tasks consist in the management of the development process, tenant services, re-letting of properties and bookkeeping. For the next financial year, it is planned to set up another management company to take care of activities in Poland.

FINANCIAL STATEMENTS OF THE INVESTKREDIT GROUP FOR 2001.

INCOME STATEMENT OF THE INVESTKREDIT GROUP.

INCOME STATEMENT IN EUR 1,000	NOTES	1.1. - 31.12.2001	1.1. - 31.12.2000	CHANGE IN %
Interest and similar income		1,027,889	835,221	23 %
Interest and similar expenses		-930,953	-758,773	23 %
Net interest income	**(18)**	**96,937**	**76,448**	**27 %**
Fee and commission income		10,863	10,369	5 %
Fee and commission expenses		-5,871	-4,511	30 %
Net fee and commission income	(19)	4,992	5,857	-15 %
Net credit risk result	(20)	-8,537	-6,586	30 %
Trading result	(21)	3,019	2,968	2 %
Net financial investments result	(22)	-22,024	-10,861	103 %
General administrative expenses	(23)	-43,875	-36,227	21 %
Other operating results	(24)	3,292	770	327 %
Extraordinary result		0	0	-
Profit for the year before tax		**33,804**	**32,369**	**4 %**
Tax on income	(25)	-3,610	-2,193	65 %
Profit for the year after tax		**30,194**	**30,176**	**0 %**
Minority interests		-7,062	-3,415	107 %
Net profit for the year		**23,133**	**26,760**	**-14 %**

IN EUR		1.1. - 31.12.2001	1.1. - 31.12.2000	CHANGE IN %
Earnings per share	**(27)**	**3.65**	**4.23**	**-14 %**

The previous year's figure has been adjusted for the 1:10 share split. As of 31 December 2001 there were no exercisable conversion or option rights in circulation. The undiluted earnings per share therefore correspond to the figures given.

BALANCE SHEET OF THE INVESTKREDIT GROUP.

ASSETS IN EUR 1,000	NOTES	31.12.2001	31.12.2000	CHANGE IN %
Cash and balances with central banks	(28)	15,106	4,780	216 %
Loans and advances to banks	(29)	887,105	661,866	34 %
Loans and advances to customers	(30)	6,086,376	4,950,232	23 %
Risk provisions for loans and advances	(7), (32)	-69,049	-64,310	7 %
Trading assets	(8), (33)	93,765	187,169	-50 %
Financial investments	(34)	3,831,483	2,689,824	42 %
Property and equipment	(36)	288,786	214,839	34 %
Other assets	(38)	60,783	59,007	3 %
Total assets		**11,194,354**	**8,703,408**	**29 %**

LIABILITIES IN EUR 1,000	NOTES	31.12.2001	31.12.2000	CHANGE IN %
Amounts owed to banks	(39)	2,810,094	2,357,201	19 %
Amounts owed to customers	(40)	686,532	328,155	109 %
Debts evidenced by certificates	(41)	6,453,065	5,139,159	26 %
Provisions	(42)	44,591	40,675	10 %
Other liabilities	(44)	517,421	324,429	59 %
Subordinated capital	(45)	291,104	197,087	48 %
Minority interests		133,344	22,532	492 %
Equity	(46)	258,203	294,168	-12 %
Total liabilities and equity		**11,194,354**	**8,703,408**	**29 %**

STATEMENT OF CHANGES IN EQUITY.

IN EUR 1,000	31.12.2001	31.12.2000	CHANGE 2001
Subscribed capital	46,000	46,000	0
Capital reserve	61,047	61,047	0
Retained earnings	142,015	157,038	-14,219
Hedging reserve	-7,662	8,842	-16,505
Net profit for the year	23,133	26,760	-3,628
Dividend paid by Investkredit Bank AG	-6,330	-5,520	-810
Aggregate	**258,203**	**294,168**	**-35,162**

For explanations on changes in the equity, see notes (46)

CASH FLOW STATEMENT.

IN EUR 1,000	2001	2000
Profit for the year (before minority interests)	**30,194**	**30,176**
Non-cash items included in profit for the year, and adjustments to reconcile profit for the year to cash flows from operating activities		
Depreciation/revaluation gains on property and equipment and financial investments	1,333	2,002
Transfer to/release of provisions and risk provisions for loans and advances	8,655	-10,606
Profit/loss from the disposal/valuation of financial assets, property and equipment	22,024	10,861
Other adjustments (net)	-175,303	-72,977
Changes in assets and liabilities from operating activities after adjustments for non-cash components		
Loans and advances to banks	-225,239	272,529
Loans and advances to customers	-1,136,143	-1,080,389
Trading portfolio	93,404	-68,592
Currents assets	-938,593	-707,079
Other assets from operating activities	-1,776	-24,405
Amounts owed to banks	452,893	-62,533
Amounts owed to customers	358,377	-69,441
Debts evidenced by certificates	1,313,906	1,661,373
Other liabilities from operating activities	192,182	211,458
Interest and dividends received	1,027,370	835,221
Interest paid	-930,433	-758,773
Extraordinary proceeds	0	0
Extraordinary payments	0	0
Income tax payments	-4,820	-2,493
Cash flow from operating activities	**88,030**	**166,333**
Proceeds from the disposal of		
Financial investments	86,307	335,844
Tangible and intangible fixed assets	732	7,873
Payments for the acquisition of		
Financial investments	-274,900	-411,316
Tangible and intangible fixed assets	-76,656	-162,806
Currency translation adjustments	-12,496	-1,586
Cash flow from investing activities	**-277,012**	**-231,991**
Proceeds from capital increases	0	0
Dividend payments	-5,520	-5,520
Changes in resource from other financing activities	94,016	6,843
Cash flow from financing activities	**88,497**	**1,323**
Cash holdings at the end of the previous period	**4,780**	**69,367**
Cash flow from operating activities	88,030	166,333
Cash flow from investing activities	-277,012	-231,991
Cash flow from financing activities	88,497	1,323
Effects of	0	0
Exchange rate fluctuations	0	0
Changes in the group of consolidated enterprises	110,812	-252
Cash holding at the end of the period	**15,106**	**4,780**

Notes to the financial statements of the Investkredit Group.

ACCOUNTING PRINCIPLES.

(1) GENERAL PRINCIPLES. The consolidated financial statements of Investkredit Bank AG (the Investkredit Group) were prepared on the basis of the International Accounting Standards (IAS) adopted and published by the International Accounting Standards Board (IASB). The statements qualify under the relevant legislation for exemption from the requirement to present a Group Financial Statement according to Austrian commercial law. In its accounting, the Investkredit Group is guided in principle by all interpretations adopted and published as at the balance sheet date by the Standing Interpretations Committee (SIC), even though they may not enter into force until later. Accounts are presented according to uniform Group methods. The financial statements of the Investkredit Group are based on the following relevant International Accounting Standards:

IAS 1	Presentation of Financial Statements
IAS 4	Depreciation Accounting
IAS 7	Cash flow Statements
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
IAS 10	Contingencies and Events After the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Accounting for Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 28	Accounting for Investments in Associates
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 32	Financial Instruments: Disclosures and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property

(2) CONSOLIDATED ENTERPRISES. A list of all enterprises included in the financial statements of the Investkredit Group is presented under point 35 (Disclosure of equity investments). The group of fully consolidated related enterprises includes not only the parent company Investkredit Bank AG (hereinafter referred to as "Investkredit") but also 29 Austrian and foreign enterprises (as compared with 21 in the previous year), the most important of which are Kommunalkredit Austria AG, Vienna (hereinafter referred to as "Kommunalkredit") and the Investkredit International Bank p.l.c., Sliema/Malta. In the financial year, the following 14 companies were included for the first time:

	Acquisition cost in EUR m	Investment
EUROPOLIS CE Beta Holding GmbH, Vienna	7.4	65 %
EUROPOLIS CE Gamma Holding GmbH, Vienna	0.0	65 %
Europolis E30 Holding Sp. z o.o., Warsaw	5.5	65 %
E30 Industrial Center I Sp. z o.o., Warsaw	3.0	65 %
E30 Industrial Center II Sp. z o.o., Warsaw	3.3	65 %
Europolis Invest Immobilien Management GmbH, Vienna	0.0	100 %
EUROPOLIS INVEST Management s.r.o., Prague	0.0	100 %
KA Beteiligungsholding GmbH, Vienna	88.0	100 %
RCP Alfa s.r.o., Prague	5.3	65 %
Europolis Saski Holding Sp. z o.o., Warsaw	13.5	65 %
Saski Park Sp. z o.o., Warsaw	14.4	65 %
VBV beta Anlagen Vermietung Gesellschaft mbH, Vienna	20.0	100 %
VBV Holding GmbH & Co Immobilien-Investitionen OHG, Vienna	0.0	100 %
VBV Holding GmbH & Co Immobilien-Vermietungen OHG, Vienna	1.7	100 %

In the financial year, the following 6 companies were no longer included in the group of fully consolidated enterprises due to mergers with other fully consolidated enterprises:

	Acquisition cost in EUR m	Investment
Europolis Holding s.r.o., Prague	0.0	100 %
E.I.P. Beteiligungs Gesellschaft mbH, Vienna	4.1	100 %
Warsaw Tower Sp. z o.o., Warsaw	25.2	100 %
Europolis Invest Immobilieninvestitions Gesellschaft mbH, Vienna	23.7	100 %
RCP Beteiligungsverwaltungs-Gesellschaft mbH, Vienna	7.6	100 %
VBV fünf Anlagen Vermietung Gesellschaft mbH, Vienna	1.3	100 %

32 enterprises whose overall influence on the financial position of the Group is of minor significance only were not consolidated. The total assets of these enterprises amount to less than 2.0% of the Group's total assets. In the Investkredit Group's financial statements, 10 associates (10 in the previous year) were accounted for under the equity method. In the financial year, no companies were included for the first time. Nine investments in associates are accounted for at cost because of their overall minor significance.

(3) CONSOLIDATION PRINCIPLES. The consolidation action taken in the context of preparing the Group Financial Statements includes capital consolidation, consolidation under the equity method, debt consolidation, the consolidation of expenses and income and the elimination of intra-Group results. The fully consolidated enterprises present their annual financial statements uniformly as of 31 December. Capital consolidation is carried out at cost. In that process, the acquisition costs for investments in the Group company are offset against the proportionate equity capital of the subsidiary at the time of acquisition. Intra-Group receivables, liabilities, expenses and income as well as intra-Group profits are eliminated, unless they are of minor significance. Associates are accounted for under the equity method and are reported under financial investments as investments in enterprises accounted for under the equity method. Local financial statements are used for valuation under the equity method. Alignment with the uniform Group valuation methods is undertaken only in the event of significant measurement differences in leasing business, but not otherwise. The annual results of associates are taken from the latest annual financial statements available, allowing for current forecasting, so that changes in equity are reflected in the same year. Dividends distributed are cancelled. Annual profits are shown in the income statement under Other investment earnings.

(4) CURRENCY TRANSLATION. In the case of the euro-currencies, the exchange rates correspond to those published by the European Commission on 31 December 1998. Assets and liabilities in other currencies (third currencies) are translated at the rate recommended by the European Central Bank as at the balance sheet date (28 December 2001):

Currency	AUD	CAD	CHF	CZK	DKK	GBP	HUF	JPY	NOK	PLN	SEK	USD
Mid exchange rate	1.7280	1.4077	1.4829	31.962	7.4365	0.6085	245.18	115.33	7.9515	3.4953	9.3012	0.8813

(5) LOANS AND ADVANCES. Loans and advances to banks and customers are entered at nominal value or at cost. Individual valuation adjustments are made to take into account recognizable credit and sovereign risks. Valuation adjustments are not offset against the corresponding loans and advances but are shown openly in the balance sheet. Premiums and discounts are distributed over the maturity period of the debt and are entered under Other assets or Other liabilities.

(6) LEASING BUSINESS. Fixed assets serving for leasing purposes are classified as Finance leases and are entered in the consolidated balance sheet in accordance with IAS 17 under the individual categories of receivables and at the present value of the discounted leasing claims.

(7) RISK PROVISIONS. Risk provisions cover impairment losses and reserves for all recognizable credit and sovereign risks. In its credit risk management, Investkredit Group uses a financial standing assessment system and an internal rating procedure. Every borrower is thus assigned an external or internal rating. Internal ratings correspond to the standard scale of Standard & Poor's and are made in several stages. The business development of all enterprises is continuously analysed and the credit risk is regularly evaluated. That makes it possible to classify assets in the banking book and off-balancesheet business fully according to criteria of soundness and collateralization. In the case of problematic positions, a special management team provides intensive support.

(8) TRADING ASSETS. Securities, derivative financial instruments and other items of the trading portfolio are reported at fair value on the balance sheet date, according to IAS 39. In the case of listed products, the stock exchange price is taken as the fair value. Unlisted products are measured by the present value method (present value of discounted future payment flows) or by the use of suitable option price models (value resulting from the application of option price formulae according to the Garman-Kohlhagen, Black-Scholes or the Hull-White models). All results under these items are reported in the Income statement under the Net trading result. To measure the market risk, value at risk (VAR) is calculated according to a model based on a confidence level of 99% and a holding period of 1 day. There are VAR limits for the interest rate risk, the share price risk and the currency risk. The standard procedure is applied for the regulatory reporting system. Interest rate risks arising outside of trading activities are analysed continuously, using the value at risk of the banking book and interest simulations.

(9) FINANCIAL INVESTMENTS. All fixed-interest and variable-yield securities, investments in unconsolidated subsidiaries and associates and other investments not attributed to the trading book are entered in this item. The items are either "held to maturity" or are "available for sale".

1. Held to maturity: Fixed-interest securities are valued at cost. If the cost differs from the repayment amount, the difference is written back, affecting current results proportionately over time. If the credit standing of the security debtor indicates a permanent impairment, the item is written off as necessary. Effects on current results are shown under the Net financial investments result. Variable-yield securities are valued at the fair price. Significant associates are accounted for under the equity method. Investments in unconsolidated subsidiaries as well as other investments are valued at cost. In the event of permanent impairment, the relevant item is written down.
2. Available for sale: Securities that are attributed neither to fixed assets nor to the trading portfolio have the function of liquidity reserve (available for sale) and are entered at the fair value on the balance sheet date. They are recorded in the balance sheet under financial investments, and effects on results are shown in the Net financial investments result.

(10) DERIVATIVES. The fair value of derivatives is calculated according to recognized methods in every case. Derivatives are treated differently according to their category, applying IAS 39:

1. Derivatives in the trading portfolio are recognized as trading assets or trading liabilities. If they show positive fair values, including deferred interest (dirty price), they are recognized as trading assets. Trading liabilities include negative market values. Trading assets are not offset against trading liabilities (netting). The change in the dirty price is shown as affecting results under the Net trading result.
2. Derivatives intended to protect the fair value of banking book items (fair value hedges) are also shown at their fair value (dirty price) under Financial investments or Other liabilities. Changes in the fair value of the items to be protected are entered with an effect on the current results in the Net financial investments result in the same way as the derivatives in this category.

3. Derivatives intended to hedge payment flows arising out of balance sheet items (cash flow hedges) are also reported under Financial investments or Other assets at their market value (dirty price). The change in market value is, however, netted against the reserves for hedging purposes without effect on the results.
4. Other derivatives are intended to protect against banking book market risks, but it is not possible to show a microhedge because hedging is conducted in relation with a whole portfolio (macrohedge). In application of IAS 39, the fair values in this category are recorded in the balance sheet, namely, dirty prices under Financial investments and negative dirty prices under Other liabilities. The change in the value of these derivatives on a clean-price basis is presented in the Income statement under Other operating results. Since the Bank uses derivatives to control the interest rate risk at a global level, but since the fair value changes of items protected at a macro level according to IAS 39 cannot be shown with an effect on the results, this part of the result is of only limited informative value.

(11) GOODWILL. Significant positive differences arising from capital and equity consolidation taking place after 1 January 1995 are allocated to the subsidiary's assets. Other positive amounts are entered as goodwill and are written off over a period of 10 to 15 years. They are included in Intangible Assets which forms part of Other Assets. Such differences which arose up to 31 December 1994 were offset against Retained earnings. Depreciation of goodwill is shown under Other operating results. Negative differences arising out of capital and equity consolidation were attributed to Retained earnings, if their negative effect on results expected at the time of acquisition had already occurred on the date of the first presentation of IAS consolidated financial statements. Because of their minor significance, all other negative differences were – with a neutral effect on results – accounted for under Retained earnings.

(12) PROPERTY AND EQUIPMENT. Property and equipment comprises land and buildings used by the Bank and by outside parties as well as office furniture and equipment. Land and buildings used by the Bank serve mainly for the Bank's own operations. The item of land and buildings used by outside parties includes those that function as investments and are let to outside parties.

1. Land and buildings used by the Bank as well as office furniture and equipment are entered at acquisition cost less planned straight-line depreciation. The assumed projected periods of use are:

Buildings	50 years
Office furniture and equipment	3 to 10 years
IT investments	2.5 to 5 years

2. Minor value assets up to an individual acquisition cost of EUR 363.36 are written off in the year of purchase.
3. Land and buildings used by outside parties that function as investments are recognized at their fair value in accordance with IAS 40. Land and buildings inside Austria are valued internally according to the Royal Institution of Chartered Surveyors (RICS) Standard. Land and buildings abroad are valued by external experts according to guidelines that are recognized not only by the IVSC (International Valuation Standards Committee) but also by TEGOVA (The European Group of Valuers' Associations). The gross rental method is used in calculations, on the basis of current rental lists and assumptions concerning market developments and interest rates. The change in the value of buildings between balance sheet dates is carried in the Income Statement in net interest income.

(13) INTANGIBLE ASSETS. Intangible assets include goodwill as well as software purchases. Goodwill purchased after 1 January 1995 is written off over 10 to 15 years by the straight-line method, and similar items arising before that date are offset against equity. Software is written off by the straight-line method over 4 years. Intangible investments are presented under Other assets.

(14) LIABILITIES. Liabilities are entered at cost. Premiums and discounts are distributed over the maturity period of the debt.

(15) TRADING LIABILITIES. Trading liabilities include the negative fair values arising out of derivative financial instruments and are shown under Other liabilities. They are entered at the fair value.

(16) PROVISIONS. Provisions for pensions, severance payments and jubilee bonus obligations are calculated annually by an independent actuary according to the projected unit credit method, in accordance with IAS 19. The biometric basis was the "Calculation bases for pension insurance (Salaried employees, Generation table) by F.W. Pagler – unpublished" – using prediction factors (for salaried employees) taken from the "Calculation bases for occupational disability insurance in Austria" by Pagler & Pagler. The most important parameters are a 5.5% interest rate, a 2% incremental rate of active salary and pension payments, a 1.5% career trend, a fluctuation rate of 0% and assumed pensionable ages of 56.5 years for women and 61.5 years for men. The interest rate was lowered from 5.75% to 5.5% due to lower interest rates, while the other parameters were not changed.

In earlier years, staff pension entitlements were transferred to a pension fund. The provisions now contain entitlements of staff who were already on pension at the time of transfer as well as the entitlements of active staff for invalidity and widows' pensions. The difference between the amount required for coverage and the proportionate pension provision at the time of transfer is entered in the balance sheet under deferred assets and is written back evenly over 10 years. Reserves for severance payments are formed to cover legal and contractual entitlements. A jubilee bonus reserve is formed for the payment of bonuses to long-serving staff. Other reserves are formed in the amount of projected use in each case.

(17) CURRENT AND DEFERRED TAXES. Taxes on income are accounted for and calculated in accordance with IAS 12. Current income tax assets and liabilities are stated according to local tax rates. Tax assets are shown under Other assets, and tax liabilities under Other liabilities or Reserves. The liability concept is used for the calculation of deferred taxes, and all temporary differences in amount are taken into consideration. Under this concept, the values of assets and liabilities in the IAS balance sheet are compared with the values that are applicable to taxation of the consolidated company in question. Differences between these values lead to temporary differences in value, for which deferred taxation items must be formed on the assets or liabilities side – irrespective of the time of their release. Deferred tax assets and deferred tax liabilities are then offset, if they exist for each company against the same tax creditor. Deferred tax assets or unused tax losses carried forward are recorded in the balance sheet if they will probably be used in relation with future profits.

INFORMATION ON THE INCOME STATEMENT.

(18) NET INTEREST INCOME.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Interest income	**1,001.8**	**814.8**
Lending business and money market	827.8	680.3
Fixed-income securities	161.2	124.4
Shares and other variable-yield securities	3.8	1.7
Interests in unconsolidated related enterprises	0.6	0.3
Investments in associates	7.2	4.0
Investments in other enterprises	1.2	4.1
Interest expenses	**-929.1**	**-755.2**
Deposits	-615.1	-501.5
Debts evidenced by certificates	-299.3	-241.8
Subordinated capital	-14.7	-11.9
Earnings from rental and leasing business	**24.2**	**16.8**
Leasing earnings	1.7	4.8
Earnings from rentals	24.4	15.6
Depreciation of property leased and other leasing expenses	-1.7	-3.0
Depreciation of property rented	-0.2	-0.6
Aggregate	**96.9**	**76.4**

(19) NET FEE AND COMMISSION INCOME.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Lending business	0.0	-0.3
Securities business	-0.9	0.8
Payment transactions	-0.3	-0.4
Environmental aid transactions	5.4	5.1
Other services business	0.8	0.8
Aggregate	**5.0**	**5.9**

Environmental aid transactions are services rendered by Kommunalkredit on behalf of the Republic of Austria.

(20) NET CREDIT RISK RESULT.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Allocation to risk provisions	-27.4	-13.4
Release of risk provisions	19.0	8.8
Direct write-offs	-0.3	-0.5
Amounts received against loans and advances written off	0.1	0.1
Currency adjustments	0.1	-1.6
Aggregate	**-8.5**	**-6.6**

(21) TRADING RESULT.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Securities trading	-1.4	3.2
Currency trading	3.9	-3.1
Interest derivatives	-0.5	2.1
Currency derivatives	0.5	0.2
Securities derivatives	0.5	0.5
Other financial instruments	0.0	0.0
Aggregate	**3.0**	**3.0**

The net trading result contains net results from the disposal and valuation of items in the trading portfolio, interest and dividend earnings in the trading portfolio as well as refinancing expenses for the trading portfolio. The trading portfolio is assessed on a fair value basis.

(22) NET FINANCIAL INVESTMENTS RESULT. This item includes the results from the disposal and valuation of securities in financial investments, investments in subsidiaries and associates and other investments.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Net result from securities	-19.1	-11.9
Net result from investments in subsidiaries and associates and other investments	-2.9	1.1
Aggregate	**-22.0**	**-10.9**

The net result from securities includes disposal gains amounting to EUR 1.2 m (2000: EUR 1.5 m).

(23) GENERAL ADMINISTRATIVE EXPENSES.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Personnel expenses		
Salaries	-19.1	-16.4
Compulsory social security contributions	-5.1	-4.4
Expenses for retirement and employee benefits	-3.4	0.6
Total personnel expenses	-27.5	-20.3
Other administrative expenses	-13.7	-13.4
Depreciation and amortization of property and equipment	-2.6	-2.5
Aggregate	**-43.9**	**-36.2**

The amount also includes expenses for the real-estate sector amounting to EUR 2.9 m. Expenses for unlet property were negligible.

(24) OTHER OPERATING RESULTS.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Other operating earnings	8.1	3.2
Depreciation of intangible assets	-0.8	-0.8
Other tax	-0.6	-0.8
Other operating expenses	-3.4	-0.9
Aggregate	**3.3**	**0.8**

Other operating earnings include EUR 5.7 m from the depreciation of derivatives that were not used as microhedges, EUR 0.4 m from the transfer of personnel and infrastructure to third parties, as well as EUR 0.3 m from the release of unused reserves of previous periods. Other operating expenses comprise EUR 1.4 m in relation to the partial disposal of several companies of the real-estate segment and EUR 0.9 m in relation to payments required by the General Settlement Fund Law.

(25) TAX ON INCOME.

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Current tax expense	-4.8	-2.5
Deferred tax expense	1.2	0.3
Aggregate	**-3.6**	**-2.2**

The actual taxes are calculated on the basis of the tax results for the financial year at the local tax rates applicable to the Group company in question. The following table shows the relation between the expected and actual taxes on income:

in EUR m	1.1. - 31.12.2001	1.1. - 31.12.2000
Profit for the year before tax	**33.8**	**32.4**
Income tax expense expected for the financial year at the statutory tax rate (34 %)	-11.5	-11.0
Effects of other tax rates	+1.3	-0.1
Tax reductions due to tax-exempt earnings of investments	+9.6	+3.7
Tax reductions due to other tax-exempt income	+4.6	+2.1
Tax increases due to non-deductible expenses	-7.7	-0.2
Tax expense/income not attributable to the reporting period	+0.1	+3.3
Reported income tax	**-3.6**	**-2.2**

(26) APPROPRIATION OF THE PROFIT. The Board of Management will propose to the Annual General Meeting on 15 May 2002 that the net profit for the year 2001 in the separate financial statements for Investkredit, amounting to EUR 6,470,997.86, be used to pay a dividend of EUR 1.00 per share including bonus. The total distribution is EUR 6,330,000.00. That is some 14% of the dividend-bearing share capital for 2001, amounting to EUR 46,000,110.00. After payment of the Supervisory Board emoluments, the remainder of some EUR 0.02 m will be carried forward.

(27) EARNINGS PER SHARE. According to IAS 33, earnings per share are calculated by dividing the Group profit for the year by the average number of shares outstanding.

	31.12.2001	31.12.2000
Net profit for the year in EUR m	23.1	26.8
Average number of no par value shares issued	6,330,000	6,330,000
Profit per share in EUR	**3.65**	**4.23**

The amounts of the previous year were adjusted by a share split-up of 1:10. The adjusted earnings per share take into account the potential dilution effect arising out of the exercise of conversion and option rights. The adjusted earnings per share for 2001 and 2000 show no deviation from the above figures.

INFORMATION ON THE BALANCE SHEET.

(28) CASH AND BALANCES WITH CENTRAL BANKS. This item consists solely of cash and balances with central banks.

(29) LOANS AND ADVANCES TO BANKS.

	Repayable on demand		Other	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Austrian banks	53	31	312	327
Foreign banks	7	9	516	295
Aggregate	**60**	**40**	**828**	**622**

The amount of EUR 51 m (2000: EUR 79 m) included in this item represents the refinancing shares of customer banks in the TOP scheme, an aid plan of the Republic of Austria that was discontinued in 1995.

(30) LOANS AND ADVANCES TO CUSTOMERS.

	Repayable on demand		Other	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Austrian customers	41	112	4,293	3,566
Enterprises	17	88	1,864	1,924
Public sector	17	10	2,275	1,467
Other	7	14	154	175
Foreign customers	12	14	1,741	1,259
Enterprises	12	13	1,141	895
Public sector	0	0	587	364
Other	0	0	12	0
Aggregate	**53**	**126**	**6,033**	**4,824**

This item includes loans and advances of EUR 1.5 m (2000: EUR 1.1 m) in respect of finance lease contracts. The total of leasing instalments outstanding and residual values not guaranteed is EUR 1.9 m (2000: EUR 1.2 m), and the aggregate of the interest components not yet earned is EUR 0.4 m (2000: EUR 0.1 m).

(31) LOANS AND ADVANCES TO RELATED ENTERPRISES AND ENTERPRISES IN WHICH AN EQUITY INVESTMENT IST HELD.

	Related enterprises		Enterprises in which an equity investment is held	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Loans and advances to banks	3	0	0	0
Loans and advances to customers	45	46	87	110
Other assets	438	342	44	50
Aggregate	**487**	**388**	**130**	**160**

(32) RISK PROVISIONS. Risk provisions are related to loans and advances to customers and contingent liabilities. They include credit risks as well as a litigation risk in relation to a financing transaction. The assessment basis for valuation adjustment also includes deferred interest as of the balance sheet date. Provisions for country risks which are included in this item are directly allocated to the borrowers. Global valuation adjustments were not undertaken. The amount of loans and advances bearing no interest and earnings was EUR 37 m (2000: EUR 42 m) before valuation adjustment.

in EUR m	31.12.2001	31.12.2000
As at 1 January	64	74
Additions		
Allocation to risk provisions for loans and advances	27	13
Disposals		
Earmarked use	-4	-16
Release of risk provisions for loans and advances	-19	-9
Currency adjustments	0	2
As at 31 December	**69**	**64**

(33) TRADING ASSETS.

in EUR m	31.12.2001	31.12.2000
Bonds and other fixed-income securities	21	110
Money market paper	0	0
Loans and bonds	21	110
thereof: Listed bonds	20	83
Shares and other variable-yield securities	5	6
Shares	5	5
Investment certificates	0	0
Other	0	0
thereof: Listed shares and other variable-yield securities	5	6
Own shares and other variable-yield securities	0	0
Positive fair values from derivative financial instruments	68	72
Other trading portfolio items	0	0
Aggregate	**94**	**187**

(34) FINANCIAL INVESTMENTS.

in EUR m	31.12.2001	31.12.2000
Bonds and other fixed-income securities	3,257	2,287
Money market paper	0	0
Loans and bonds	2,935	1,958
Treasury bills	322	328
thereof: Listed bonds	2,941	2,280
Shares and other variable-yield securities	177	66
Shares	6	11
Investment certificates	172	55
thereof: Listed shares and other variable-yield securities	32	55
Own shares and other variable-yield securities	0	0
Other securities and derivatives for hedging purposes	296	259
Investments in unconsolidated related enterprises	30	32
Investments in enterprises accounted for under the equity method	59	44
Other investments	13	2
Aggregate	**3,831**	**2,690**

Financial investments include securities belonging to the category Available for sale in the amount of EUR 2,101 m (2000: EUR 1,015 m). Investments in unconsolidated related enterprises do not contain any investments in banks. Investments in enterprises accounted for under the equity method include a EUR 15 m bank investment. The schedule in point 35 (Disclosure of equity investments) contains a complete list and classification of all holdings in unconsolidated related enterprises, enterprises accounted for under the equity method and other investments. This list, furthermore, informs about the proportionate investments, equity and annual results. The development and composition of all financial investments (excluding those securities classified as Available for sale) is disclosed under point 37 (Schedule of fixed asset transactions). The Investkredit Group investments include mainly banks and financial institutions as well as real-estate enterprises. Moreover, the Group has a single-entity relationship with VBV beta Anlagen Vermietung Gesellschaft mbH in the field of corporation and turnover tax.

(35) DISCLOSURE OF EQUITY INVESTMENTS.

Name and registered office	BWG-Category 1)	Investment direct	Investment indirect	dormant 2)	Extent of investment: without dormant % 3)	Extent of investment: with dormant holding %	Information on financial statement: Last financial statement available as at	Shareholders´ equity pursuant to § 244 (3) Commercial Code EUR m	Profit/loss for the year EUR m	
1. Related enterprises										
1.1. Fully consolidated related enterprises										
VBV Anlagenvermietungs- und Beteiligungs-Aktiengesellschaft, Vienna	FI	x			100.00 %		31.12.2001	38.8	8.3	
VBV Holding Gesellschaft mbH, Vienna	FI	x	x		100.00 %		31.12.2001	8.7	3.1	
VBV beta Anlagen Vermietung Gesellschaft mbH, Vienna (Organschaft)	FI	x			100.00 %		31.12.2001	16.7	0.0	
VBV Vermögensanlagen und Beteiligungen Verwaltungs-GmbH Investitionsgüter-Vermietungs OHG, Vienna	FI	x	x		100.00 %		31.12.2001	14.1	0.3	
E.I.A. eins Immobilieninvestitionsgesellschaft mbH, Vienna	OE	x	x	x	100.00 %	100.00 %	31.12.2001	1.6	0.6	
VBV Holding GmbH & Co Immobilien-Vermietungen OHG, Vienna	AB	x			100.00 %		31.12.2001	7.7	0.5	8)
VBV Holding GmbH & Co Immobilien-Investitionen OHG, Vienna	AB	x			100.00 %		31.12.2001	-0.1	-0.1	8)
Europolis Invest Immobilien Management GmbH, Vienna	OE	x			100.00 %		31.12.2001	0.1	-0.4	14)
KA Beteiligungsholding GmbH, Vienna	AB	x			100.00 %		31.12.2001	88.0	0.0	15)
Investkredit International Bank p.l.c., Sliema/Malta	CI	x	x		26.09 %	16)	31.12.2001	49.6	3.5	
VBV drei Anlagen Vermietung Gesellschaft mbH, Vienna	OE		x		100.00 %		31.12.2001	21.8	3.9	10)
EUROPOLIS INVEST Management s.r.o., Prague	OE		x		100.00 %		31.12.2001	0.0	0.0	
"VBV iota" - IEB Holding Gesellschaft mbH, Vienna	OE		x		86.96 %		31.12.2001	8.1	-3.0	
EUROPOLIS CE Alpha Holding GmbH (previously EUROPOLIS CE Holding GmbH), Vienna	AB		x		65.00 %		31.12.2001	-0.4	-1.0	
Europolis Hadovka s.r.o. (previously Europolis Holding s.r.o.), Prague	OE		x		65.00 %		31.12.2001	7.6	1.1	13)
Infopark Research Center I Kft, Budapest	OE		x		65.00 %		31.12.2001	-0.7	0.8	
Europolis Holding Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	11.7	2.9	11)
EUROPOLIS CE Beta Holding GmbH (previously EUROPOLIS CE Warschau Holding AG), Vienna	AB		x		65.00 %		31.12.2001	1.4	0.0	
Europolis Holding Kft, Budapest	OE		x		65.00 %		31.12.2001	3.6	1.9	
Europolis Saski Holding Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	13.1	-0.7	
Saski Park Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	3.6	1.7	
Europolis E30 Holding Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	5.6	-0.2	
E30 Industrial Center II Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	0.2	0.5	
E30 Industrial Center I Sp. z o.o., Warsaw	OE		x		65.00 %		31.12.2001	-0.2	0.4	
RCP Holding GmbH, Vienna	AB		x		65.00 %		31.12.2001	20.5	0.0	12)
RCP Alfa s.r.o., Prague	OE		x		65.00 %		31.12.2001	5.9	0.0	
EUROPOLIS CE Gamma Holding GmbH, Vienna	AB		x		65.00 %		31.12.2001	0.0	0.0	
Kommunalkredit Austria AG, Vienna	CI		x		51.00 %		31.12.2001	106.3	11.3	
Kommunalkredit Beteiligungs- und Immobilien GmbH, Vienna	AB		x		51.00 %		31.12.2001	5.5	0.2	

Name and registered office	BWG-Category 1)	Investment direct	Investment indirect	dormant 2)	Extent of investment without dormant holding % 3)	Extent of investment with dormant holding %	Information on financial statement: Last financial statement available as at	Shareholders´ equity pursuant to § 244 (3) Commercial Code EUR m	Profit/loss for the year EUR m	
1.2. Included at cost										
Europa Consult GmbH, Vienna	OE	x			100.00 %		31.12.2001	1.1	0.0	
INVEST EQUITY early stage Beteiligungs-AG, Vienna	OE	x			100.00 %		31.12.2001	3.4	-0.3	7)
Invest Mezzanine Capital Management Gesellschaft mbH, Vienna	OE	x			100.00 %		31.12.2001	0.0	0.0	
VBV vier Anlagen Vermietung Gesellschaft mbH, Vienna	OE	x	x	x	100.00 %		31.12.2000	0.0	0.1	
VBV sechs Anlagen Vermietung Gesellschaft mbH, Vienna	FI	x	x	x	100.00 %		31.12.2000	0.0	0.0	
ETECH Management Consulting Gesellschaft mbH, Vienna	OE	x			100.00 %		31.12.2001	0.0	0.0	7)
IED-Beteiligungen GmbH, Munich	OE	x			100.00 %		x	x	x	6)
CALG Secunda Grundstückverwaltung GmbH, Vienna	FI	x	x	x	75.00 %	98.53 %	31.12.2000	0.0	0.1	
CALG Vomido Grundstückverwaltung GmbH, Vienna	FI	x	x	x	50.00 %	92.42 %	31.12.2000	0.0	0.0	
INVEST EQUITY early stage Business Consulting GmbH, Vienna	OE		x		100.00 %					
VBV acht Anlagen Vermietung Gesellschaft mbH, Vienna	OE		x		100.00 %					
Investkredit Management s.r.o., Prague	OE		x		100.00 %					
Schloß Gabelhofen Hotelbetriebs-gesellschaft mbH, Vienna	OE		x		100.00 %					
Schloß Krumbach Hotelbetriebsgesellschaft mbH, Vienna	OE		x		100.00 %					
VBV elf Anlagen Vermietung Gesellschaft mbH, Vienna	OE		x		100.00 %					
VBV gamma Anlagen Vermietung Gesellschaft mbH, Vienna	FI		x		100.00 %					
VBV Holding GmbH & Co Anlagen Leasing OHG, Vienna	OE		x		100.00 %					
VBV neun Anlagen Vermietung Gesellschaft mbH, Vienna	FI		x		100.00 %					
Immo-Lease Grundstücksverwaltungs-GmbH, Vienna	FI		x		99.69 %					
LBL eins Grundstückverwaltung Gesellschaft mbH, Vienna	FI		x		81.00 %					
VBV zwölf Anlagen Vermietung Gesellschaft mbH, Vienna	OE		x		75.00 %					
WIKA Leasing-Gesellschaft mbH, Vienna	FI		x		75.00 %					
HTP Pekarska s.r.o., Prague	OE		x		65.00 %					
Europolis Pekarska s.r.o., Prague	OE		x		65.00 %					
RCP Beta s.r.o., Prague	OE		x		65.00 %					
RCP Delta s.r.o., Prague	OE		x		65.00 %					
RCP Epsilon s.r.o., Prague	OE		x		65.00 %					
RCP Gama s.r.o., Prague	OE		x		65.00 %					
RCP Omega s.r.o., Prague	OE		x		65.00 %					
RCP ISC s.r.o., Prague	OE		x		65.00 %					
Kommunalkredit Finance & Leasing s.r.o. (previously Cesky Komunalny Leasing s.r.o.), Prague	FI		x		51.00 %					
IED Holding ltd, Sliema/Malta	OE		x		26.09 %					
2. Associates										
2.1. Included at equity										
IMMORENT-BUSTA Grundverwertungs-gesellschaft mbH, Vienna	FI	x	x	x	50.00 %	99.44 %	31.12.2000	0.0	0.2	
Immorent-VBV Grundverwertungs-Gesellschaft mbH, Vienna	FI		x		100.00 %	5)	31.12.2000	4.3	4.0	
VBV delta Anlagen Vermietung Gesellschaft mbH, Vienna	OE		x		40.00 %		31.12.2001	0.9	0.8	7)
International Business Center Rt, Budapest	OE		x		32.50 %		31.12.2001	10.3	1.6	
INVEST EQUITY Beteiligungs-AG, Vienna	OE		x		29.85 %		31.12.2001	20.4	-7.7	7)

Name and registered office	BWG-Category 1)	Investment direct	Investment indirect	dormant 2)	Extent of investment without dormant % 3)	Extent of investment with dormant holding %	Last financial statement available as at	Shareholders´ equity pursuant to § 244 (3) Commercial Code EUR m	Profit/loss for the year EUR m	
"Die Erste" Büro- und Gewerbezentren Errichtungs- und Betriebs-Gesellschaft mbH, Linz	OE		x		25.50 %		31.12.2000	2.8	0.2	
Dexia Kommunalkredit Holding Gesellschaft mbH, Vienna	AB		x		25.07 %		31.12.2001	27.2	2.3	
Tisi Leasinggesellschaft mbH, Vienna	FI		x	x	25.00 %	99.26 %	31.12.2000	3.8	3.7	
Leasing 431 Grundstückverwaltung Gesellschaft mbH, Vienna	FI		x		25.15 %		31.12.2000	11.3	1.0	
Prvá Komunálna Banka a.s., Zilina (SK)	CI		x		19.65 %		31.12.2001	31.6	6.4	
2.2. Included at cost										
IMMORENT-IBA Leasinggesellschaft mbH, Vienna	FI	x	x	x	50.00 %	93.59 %	31.12.2000	0.1	0.0	
Invest Equity Management Consulting Gesellschaft mbH, Vienna	OE	x	x		47.39 %		31.12.2000	0.1	0.0	
AGCS Gas Clearing and Settlement GmbH, Vienna	OE	x			20.00 %		x	x	x	6)
Betriebsanlagen & Wirtschaftsgüterleasing GmbH, Vienna	FI		x		50.00 %					
CALG 435 Grundstückverwaltung Gesellschaft mbH, Vienna	FI		x		50.00 %					
LBL drei Grundstückverwaltung-GmbH, Vienna	FI		x		33.20 %					
Ing. Rudolf Kaiser Gesellschaft mbH, Sattledt	OE		x		28.57 %					
Kofis Leasing a.s., Zilina (SK)	OE		x		25.07 %					
IMS - Ionen Mikrofabrikations Systeme Gesellschaft m.b.H., Vienna	OE		x		24.04 %					
3. Other investments included at cost										
APCS Power Clearing and Settlement AG (previously APCS Power Clearing and Settlement GmbH), Vienna	OE	x			14.00 %		31.12.2000	0.2	-0.1	9)
Venture Capital in treuhändiger Verwaltung der Venture Finanzierungsgesellschaft m.b.H. in Liqu., Vienna	OE	x			5.78 %		31.12.2000	0.1	0.0	
Venture Finanzierungsgesellschaft m.b.H. in Liqu., Vienna	CI	x			5.78 %		31.12.2000	0.1	0.0	
WED Holding GmbH, Vienna	OE	x			5.77 %		31.12.2000	11.5	0.0	
Kasberg Lift - GmbH & Co KG, Grünau	OE	x			4.88 %		x	x	x	4)
Euro Synergies Investment S.C.A., Luxembourg	OE	x			1.51 %		31.12.2000	7.1	-5.5	
Austrian Research Centers GmbH (previously Österreichisches Forschungszentrum Seibersdorf GmbH), Vienna	OE	x			0.93 %		x	x	x	4)
Aviation Holdings plc, London	OE	x			0.37 %		x	x	x	4)
Einlagensicherung der Banken und Bankiers GmbH, Vienna	OE	x	x		0.15 %		x	x	x	4)

1) CI = Credit Institution, FI = Financial Institution, AB = Auxiliary Banking Service, OE = Other Enterprise
2) Shares include dormant partnerships
3) Including indirect investments, without dormant partnerships
4) Investments of minor significance
5) No controlling influence
6) New investment
7) According to the preliminary financial statements
8) Incomplete financial year from 28 July to 31 December 2001
9) Incomplete financial year from 30 June to 31 December 2000
10) Merger of Europolis Invest Immobilieninvestitionsgesellschaft m.b.H., Vienna, and VBV fünf Anlagen Vermietung Gesellschaft m.b.H., Vienna with VBV drei Anlagen Vermietung Gesellschaft m.b.H., Vienna in the financial year of 2001
11) Merger of Warsaw Tower Sp. z o.o., Warsaw with Europolis Holding Sp. z o.o., Warsaw, in the financial year of 2001
12) Merger of E.I.P. Beteiligungs Gesellschaft m.b.H., Vienna, and RCP Beteiligungsverwaltung-Gesellschaft m.b.H., Vienna with RCP Holding GmbH, Vienna in the financial year of 2001
13) Merger of Europolis Hadovka s.r.o., Prague with Europolis Holding s.r.o., Prague (now Europolis Hadovka s.r.o., Prague)
14) Incomplete financial year from 7 February to 31 December 2001
15) Incomplete financial year from 29 November to 31 December 2001
16) Controlling influence

(36) PROPERTY AND EQUIPMENT.

in EUR m	31.12.2001	31.12.2000
Land and buildings used by the Group	23	24
Land and buildings used by outside parties	259	185
Office furniture and equipment	6	6
Aggregate	**289**	**215**

The development and composition of property and equipment is presented under point 37 (Schedule of fixed asset transactions). Minor value assets are entered in the schedule of fixed asset transactions as additions and disposals in the year of acquisition. The balance sheet item of Land and buildings used by the Group includes a land value of EUR 4 m (2000: EUR 4 m). The increase from EUR 185 m to EUR 259 m in the item of land and buildings used by outside parties is due to the acquisition of three office properties and one building in Prague with the latter being still under construction. The difference between the fair value and the carrying amount in the items of the individual balance sheets which cover all land and buildings used by outside parties results in EUR 73 m (2000: EUR 55 m).

(37) SCHEDULE OF FIXED ASSET TRANSACTIONS.

in EUR m	At cost as of 1 January	Currency trans-lation	Additions	Disposals	At cost as of 31 December
Property and equipment	**225**	**7**	**77**	**-2**	**306**
Land and buildings	210	7	74	-1	290
Office furniture and equipment	14	0	3	-1	16
Intangible assets	**17**	**0**	**3**	**-11**	**9**
Goodwill	14	0	2	-10	7
Other	2	0	0	-1	2
Financial investments (excluding securities available for sale)	**1,368**	**6**	**287**	**-106**	**1,555**
Other related enterprises	92	2	3	-20	77
Enterprises accounted for under the equity method	74	1	17	0	92
Other investments	5	0	11	-1	16
Fixed-income securities	1,197	2	256	-85	1,370
Variable-yield securities	0	0	0	0	0
Other financial investments	0	0	0	0	0
Aggregate	**1,610**	**12**	**367**	**-119**	**1,870**

in EUR m	Accumu-lated depreciation	Accumu-lated write-ups	Carrying amount 31.12.	Current depre-ciation	Current write-ups	Carrying amount 1.1.
Property and equipment	**-22**	**5**	**289**	**-4**	**2**	**215**
Land and buildings	-12	5	**282**	-2	2	209
Office furniture and equipment	-10	0	**6**	-2	0	6
Intangible assets	**-3**	**0**	**6**	**-1**	**0**	**15**
Goodwill	-1	0	**5**	0	0	14
Other	-2	0	**1**	0	0	1
Financial investments (excluding securities available for sale)	**-100**	**6**	**1,462**	**-17**	**2**	**1,251**
Other related enterprises	-47	0	**30**	-3	0	32
Enterprises accounted for under the equity method	-34	1	**59**	-3	0	44
Other investments	-3	0	**13**	0	0	2
Fixed-income securities	-15	5	**1,360**	-12	2	1,173
Variable-yield securities	0	0	**0**	0	0	0
Other financial investments	0	0	**0**	0	0	0
Aggregate	**-125**	**11**	**1,756**	**-22**	**4**	**1,481**

Current depreciation includes extraordinary depreciation amounting to EUR 8.4 m. The acquisition of real-estate project-type companies resulted in additions in land and buildings in the amount of EUR 74 m.

(38) OTHER ASSETS.

in EUR m	31.12.2001	31.12.2000
Intangible assets	6	15
Other assets	38	31
Deferred items	16	13
Deferred interest	0	0
Aggregate	**61**	**59**

The development and composition of intangible assets is shown under point 37 (Schedule of fixed asset transactions). The intangible assets include goodwill amounting to EUR 5 m (2000: EUR 14 m). Other assets include deferred tax assets of EUR 7 m (2000: EUR 2 m). A breakdown and explanation of deferred taxes is contained in point 43. The difference between the pension reserve at the time of transfer recorded in the balance sheet and the pension fund capital requirement of EUR 1.5 m (2000: EUR 1.9 m) is recorded in deferred items on the assets side.

(39) AMOUNTS OWED TO BANKS.

	Repayable on demand		Other liabilities	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Austrian banks	24	15	1,403	1,276
Foreign banks	9	128	1,375	939
Aggregate	**33**	**143**	**2,778**	**2,215**

(40) AMOUNTS OWED TO CUSTOMERS.

	Repayable on demand		Other liabilities	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Austrian customers	41	39	554	197
Enterprises	13	25	194	146
Public sector	0	0	16	16
Other	28	14	345	35
Foreign customers	4	9	87	83
Enterprises	4	9	31	27
Public sector	0	0	4	4
Other	0	0	53	52
Aggregate	**45**	**48**	**642**	**280**

(41) DEBTS EVIDENCED BY CERTIFICATES.

			thereof listed	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Bonds issued	6,380	5,046	6,017	4,749
Money market paper issued	0	0	0	0
Other debts evidenced by certificates	73	93	0	0
Aggregate	**6,453**	**5,139**	**6,017**	**4,749**

Bonds issued amounting to EUR 431 m will fall due next year.

(42) PROVISIONS.

in EUR m	31.12.2001	31.12.2000
Provisions for current taxes	8	8
Provisions for deferred taxes	2	0
Provisions for personnel expenses	30	30
Other provisions	4	3
Aggregate	**45**	**41**

As a consequence of mergers in the years 1998 and 1999, tax provisions of merged enterprises that were formed following inspections in previous years, amounting on the balance sheet date to EUR 4.3 m, were taken over without any effect on results. A breakdown and explanation of deferred taxes is contained under point 43.

Provisions for personnel expenses developed as follows:

in EUR m	Pension	Severance	Jubilee bonus	Total
Present value of defined benefit obligations - DBO - as at 1.1.2001	49	5	1	55
- Plan assets	-28	0	0	-28
Provisions as of 1.1.2001	21	5	1	27
Service Cost	1	0	0	1
Interest Cost	3	0	0	3
Payments	-2	0	0	-2
Change in plan assets	0	0	0	0
Actuarial result	2	0	0	2
Definded benefit obligations - DBO - as at 31.12.2001	49	6	1	56
- Plan Assets	-28	0	0	-28
Actuarial provision requirement as at 31.12.2001	**20**	**6**	**1**	**27**
Vacation provisions				3
Provisions for personnel expenses as at 31.12.2001				**30**

The pension provisions are the result of obligations arising from direct promises or individual contracts. In previous years, staff pension entitlements were transferred to a pension fund and are shown as Plan assets in the **Table**. The provisions now contain entitlements of staff who were already on pension at the time of transfer and entitlements of active staff for invalidity and widows' pensions. The full actuarially calculated obligation for pensions is EUR 48.6 m (2000: EUR 49.0 m), of which entitlements amounting to EUR 28.2 m (2000: EUR 28.1 m) have been transferred to the pension fund, resulting in provisions of EUR 20.4 m (2000: EUR 20.8 m).

As at 31 December 2001, other provisions included bonuses for participating in the preparation of the balance sheet of EUR 1.6 m and auditing and consulting expenses in the amount of EUR 0.8 m.

The provisions developed as follows:

in EUR m	As at 1.1.2001	Use	Release	Allo-cation	Reclassi-fication	As at 31.12.2001
Provisions for current taxes	8	-1	-2	3	0	8
Provisions for deferred taxes	0	0	0	2	0	2
Provisions for personnel expenses	30	-2	0	2	0	30
Other provisions	3	0	-3	4	0	4
Aggregate	**41**	**-2**	**-5**	**11**	**0**	**45**

(43) DEFERRED TAX ASSETS AND LIABILITIES. Deferred tax assets and liabilities include taxes arising out of temporary differences between valuation according to IAS and amounts from the tax-based profit calculations of the Group enterprises.

Deferred tax were related to the following items:

	Deferred tax assets		Deferred tax liabilities	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Financial investments	19	6	21	8
Property and equipment	0	0	4	1
Leasing	0	0	0	0
Provisions for personnel expenses	4	4	0	0
Other provisions	0	0	0	0
Risk provisions	0	0	0	0
Trading portfolio	0	0	0	0
Other items	0	0	0	1
Tax losses carried forward	7	2	0	0
Aggregate	**30**	**12**	**25**	**10**
Net	**5**	**2**		

No deferred tax items were formed for temporary differences in relation with investments of EUR 51.1 m in subsidiaries, since the requirements under IAS 12.39 were satisfied.

(44) OTHER LIABILITIES.

in EUR m	31.12.2001	31.12.2000
Trading liabilities	78	52
Deferred items	44	41
Leasing liabilities	0	0
Other liabilities	389	226
Dividend paid by Investkredit Bank AG	6	6
Aggregate	**517**	**324**

The negative fair values from derivative financial instruments in the trading portfolio are presented under trading liabilities. The deferred liabilities chiefly contain premiums from long-term loans and bonds as well as deferred items related to interest support for the TOP schemes. Other liabilities include EUR 9.5 m of tax debts (2000: EUR 10.4 m), most of which are deferrals arising out of a tax inspection.

(45) SUBORDINATED CAPITAL.

			thereof listed	
in EUR m	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Profit participation rights capital	0	0	0	0
Supplementary capital	100	49	88	37
Other subordinated liabilities	191	148	190	148
Aggregate	**291**	**197**	**278**	**185**

The most important subordinated liabilities are:

Currency	Nominal in m	in EUR m	Interest rate	Issuer/type
EUR	45.0	45.0	7.000 %	Investkredit-supplementary capital bond 2001
ATS	400.0	31.4	8.250 %	Investkredit bond issue 1995-2005
ATS	300.0	23.2	6.500 %	Investkredit bond issue 1997-2012
USD	20.0	23.2	5.250 %	Subordinated Collared Floating Rate Notes 1994-2004
ATS	300.0	22.8	7.500 %	Investkredit bond issue 1993-2005

Expenses related to all subordinated liabilities in the financial year amounted to EUR 14.7 m (2000: EUR 11.9 m). Claims of creditors to the repayment of these liabilities are subordinated in relation with other creditors and, in the event of bankruptcy or liquidation, may be paid back only after all non-subordinated creditors have been satisfied.

(46) EQUITY. The share capital of EUR 46,000,110.00 is divided into 6,330,000 non par value shares. In the financial year, a share split-up of 1:10 was carried out. The shares are issued to bearer. With the approval of the Supervisory Board, the Board of Management is empowered to increase the share capital up to 23 May 2006 by issuing a maximum of 42,280 new non par value shares issued to bearer, in one or more operations and by at most EUR 3,072,487.60. During the financial year, Investkredit traded in its own shares for market-making reasons. As at 31 December 2001, Investkredit held 1,843 of its own shares in the carrying amount of EUR 0.1 m. Due to the minor significance, they were not deducted from equity but presented under Financial investments. The maximum number of own shares held in the financial year was 301,350.

The consolidated own funds to be taken into account according to the Austrian Banking Act (§ 24) amounted to EUR 550.8 m as at 31 December 2001. The consolidated assessment basis (according to the banking book and the trading book) was EUR 5,281.2 m. This leads to a consolidated solvency ratio of 10.4% as compared with 9.9% in 2000. The consolidated Tier 1 capital ratio amounted to 6.8% as compared with 6.4%. The composition and development of the Investkredit Group's own funds calculated according to the Austrian Banking Act are as follows:

Assessment basis pursuant to § 22 (2) Austrian Banking Act (in EUR m)	Banking book	Trading book	Total 2001	Proportion	Compared to 2000
Risk-weighted assets	4,305		4,305	84.2 %	3,402
Risk- and counterpart-weighted off-balance-sheet transactions	589		589	11.5 %	471
Special off-balance-sheet transactions	219		219	4.3 %	175
Assessment basis, aggregate	**5,112**		**5,112**	**100.0 %**	**4,048**
Own funds requirement, Banking book[1]	409		409	74.2 %	324
Own funds requirement, Trading book[2]		14	14	2.5 %	18
Own funds requirement, Currency risk[2]		1	1	0.1 %	0
Total = Required own funds	**409**	**14**	**423**	**76.8 %[3]**	**342**
Actual own funds					
Core capital	358		358		272
Supplementary capital	212		212		163
Carrying amount of investments (holdings of more than 10 %)	-34		-34		-31
Own funds to be taken into account (Tier 1 and Tier 2)	**537**	**0**	**537**		**404**
Tier 3		14	14		18
Total own funds	**537**	**14**	**551**	**100.0 %**	**421**
Free own funds			128	23.2 %	79

[1] 8 % of the assessment basis
[2] According to capital adequacy regulations, standard procedure
[3] Share in own funds

OTHER INFORMATION.

(47) INFORMATION ON THE CASH FLOW STATEMENT. The Cash flow statement shows the status and development of cash flows of the Investkredit Group. The cash holdings recorded include cash in hand and balances with central banks, strictly interpreted.

(48) SEGMENT REPORTING. The purpose of segment reporting is to present the components of net results of the Investkredit Group in the following segments:

Corporates (corporate lending, corporate finance, private equity and consulting, asset management, treasury)
Local government (local government financing)
Real estate (real-estate project development, investments and portfolio management)

Consolidation bookkeeping entries are shown under Other. When interest rates corresponding to the market conditions do not apply, market interest rates fixed according to the market interest rate method are used for pricing between the individual segments. Services for subsidiaries are performed at cost price by Investkredit Bank AG.

in EUR m	Corporates	Local government	Real estate	Other	Total
Interest and similar income	524.9	478.6	27.1	0.0	1,030.5
Interest and similar expenses	-470.1	-451.4	-12.0	0.0	-933.6
Net interest income	**54.8**	**27.1**	**15.0**	**0.0**	**96.9**
Fee and commission income	3.7	6.8	0.4	0.0	10.9
Fee and commission expenses	-3.2	-2.3	-0.4	0.0	-5.9
Net fee and commission income	0.5	4.5	0.0	0.0	5.0
Net credit risk result	-8.0	-0.5	0.0	0.0	-8.5
Trading result	2.6	0.4	0.0	0.0	3.0
Net financial investments result	-22.5	0.5	0.0	0.0	-22.0
General administrative expenses	-25.5	-15.4	-2.9	0.0	-43.9
Other operating results	2.9	1.3	-0.9	0.0	3.3
Extraordinary result	0.0	0.0	0.0	0.0	0.0
Profit for the year before tax	**4.7**	**17.9**	**11.2**	**0.0**	**33.8**
Tax on income	0.7	-0.3	-3.9	0.0	-3.6
Profit for the year after tax	**5.4**	**17.5**	**7.3**	**0.0**	**30.2**
External share in profit for the year	0.3	-7.1	-0.2	0.0	-7.1
Net profit	**5.7**	**10.4**	**7.1**	**0.0**	**23.1**
Segment assets	5,873	5,015	336		
Segment liabilities	5,844	4,872	142		
Average equity	**175**	**55**	**47**		**277**
Cost-income ratio	**44.0%**	**48.2%**	**19.6%**		**41.8%**
Return on equity before tax					**12.2%**
Return on equity – net profit	**3.2%**	**18.9%**	**15.1%**		**8.4%**

in EUR m	Corporates	Local government	Real estate	Other	Total
Interest and similar income	498.1	331.1	18.7	-0.9	846.9
Interest and similar expenses	-447.4	-312.4	-10.8	0.1	-770.5
Net interest income	**50.7**	**18.7**	**7.9**	**-0.8**	**76.4**
Fee and commission income	4.2	6.1	0.0	0.0	10.4
Fee and commission expenses	-3.9	-0.4	-0.3	0.0	-4.5
Net fee and commission income	0.3	5.7	-0.2	0.0	5.9
Net credit risk result	-4.5	-0.5	-1.5	0.0	-6.6
Trading result	1.7	1.3	0.0	0.0	3.0
Net financial investments result	-10.8	-0.1	0.2	-0.1	-10.9
General administrative expenses	-19.4	-12.6	-4.2	0.0	-36.2
Other operating results	2.9	-0.9	-1.0	-0.2	0.8
Extraordinary result	0.0	0.0	0.0	0.0	0.0
Profit for the year before tax	**20.9**	**11.5**	**1.1**	**-1.1**	**32.4**
Tax on income	-0.6	-1.4	-0.2	0.0	-2.2
Profit for the year after tax	**20.3**	**10.1**	**0.9**	**-1.1**	**30.2**
Segment assets	5,349.4	3,365.7	377.2		
Segment liabilities	5,070.4	3,265.3	71.4		
Average equity	**162.0**	**53.9**	**59.0**	**0.0**	**274.9**
Cost-income ratio	**36.7 %**	**49.0 %**	**55.3 %**		**42.5 %**
Return on equity before tax	**12.9 %**	**21.4 %**	**1.9 %**		**11.8 %**
Return on equity - net profit					**9.7 %**

Business activities are conducted preponderantly in Austria. Therefore, a breakdown of revenue by regions does not seem to be meaningful. The regional breakdown of assets and liabilities is as follows:

	31.12.2001		31.12.2000	
in EUR m	Assets	Liabilities	Assets	Liabilities
Austria	**5,864**	**9,478**	**4,759**	**7,387**
Rest of European Union	1,921	1,289	1,464	1,015
Rest of Western Europe	669	199	448	147
Rest of Central and Eastern Europe	807	196	599	127
North America	1,620	32	1,120	28
Rest of world	314	0	313	0
Total outside Austria	**5,330**	**1,716**	**3,945**	**1,317**
Aggregate	**11,194**	**11,194**	**8,703**	**8,703**

(49) BREAKDOWN BY REMAINING MATURITY.

Breakdown by remaining maturity as at 31 December 2001:

in EUR m	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and advances to banks	72	371	75	204	165
Loans and advances to customers	58	146	170	1,292	4,420
Securities – trading assets	5	0	0	1	20
Securities – available for sale	47	9	14	273	1,204
Securities – held to maturity	387	1	34	454	864
Securities – micro hedges	0	17	17	32	56
Aggregate	**571**	**543**	**309**	**2,256**	**6,729**
Amounts owed to banks	59	1,276	930	81	464
Amounts owed to customers	337	150	47	43	110
Debts evidenced by certificates	116	162	270	3,460	2,444
Subordinated capital	1	0	7	85	198
Aggregate	**513**	**1,588**	**1,254**	**3,669**	**3,216**

Breakdown by remaining maturity as at 31 December 2000 (Comparative figures)**:**

in EUR m	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and advances to banks	40	169	69	211	173
Loans and advances to customers	127	85	83	1,269	3,385
Securities – trading assets	6	0	0	35	75
Securities – available for sale	77	9	11	194	713
Securities – held to maturity	205	1	35	286	657
Securities – micro hedges	0	8	14	36	36
Aggregate	**455**	**274**	**211**	**2,032**	**5,040**
Amounts owed to banks	143	1,346	528	143	198
Amounts owed to customers	48	77	20	71	113
Debts evidenced by certificates	80	136	130	2,567	2,227
Subordinated capital	0	0	0	91	107
Aggregate	**270**	**1,558**	**678**	**2,872**	**2,644**

Remaining maturity is the period between the balance sheet date and the date on which the claim or liability becomes contractually due, and, in the case of partial amounts, is calculated separately for each part. Deferred interest is accounted for under the period "Up to 3 months".

(50) LOANS AND ADVANCES TO, AND AMOUNTS OWED TO, RELATED ENTERPRISES AND ENTERPRISES IN WHICH AN EQUITY INVESTMENT IST HELD.

in EUR m	31.12.2001	31.12.2000
Loans and advances to banks		
Related enterprises	3	0
Investments	0	0
Loans and advances to customers		
Related enterprises	45	46
Investments	87	110
Amounts owed to banks		
Related enterprises	-3	0
Investments	0	0
Amounts owed to customers		
Related enterprises	-4	-10
Investments	-4	-9

(51) SUBORDINATED ASSETS. The assets shown on the balance sheet include the following subordinated assets:

in EUR m	31.12.2001	31.12.2000
Loans and advances to banks	12	12
Loans and advances to customers	0	0
Fixed-income securities	34	35
Variable-yield securities	0	0
Aggregate	**46**	**46**

(52) ASSETS ASSIGNED AS COLLATERAL. The Investkredit Group has furnished claims amounting to EUR 125 m (2000: EUR 114 m) as security for global loans by the European Investment Bank, Luxembourg. Moreover, it has assigned claims in the amount of EUR 37 m to Oesterreichische Kontrollbank Aktiengesellschaft. For trading at the Frankfurt and London Stock Exchanges, EUR 6 m have been furnished as security.

(53) CONTINGENT LIABILITIES AND OTHER OFF-BALANCE-SHEET LIABILITIES.

in EUR m	31.12.2001	31.12.2000
Contingent liabilities		
ERP bills	176	197
Guarantees	396	570
Other	0	0
Aggregate	**573**	**767**
Other liabilities		
Credit lines and promises	461	316
Liabilities from repurchase agreements	0	0
Other	0	0
Aggregate	**461**	**316**

(54) OTHER LIABILITIES. Investkredit and Kommunalkredit are required pursuant to § 93 of the Austrian Banking Act to undertake proportionate safeguarding of depositors' accounts in the framework of the relevant programme of Banken und Bankiers GmbH, Vienna. On the basis of leasing agreements, liabilities in the amount of EUR 0.3 m will be incurred in the year 2002 (previous year for 2001: EUR 0.2 m). The corresponding liabilities for the years 2002 to 2006 are EUR 0.9 m (previous year for 2001 to 2005: EUR 0.6 m).

(55) TRUST ACTIVITIES. The breakdown of trust activities not shown in the balance sheet is as follows:

in EUR m	31.12.2001	31.12.2000
Loans and advances to banks	3	1
Loans and advances to customers	189	202
Financial investments	3	21
Trust assets	**195**	**224**
Amounts owed to banks	0	0
Amounts owed to customers	-195	-226
Trust liabilities	**-195**	**-226**

(56) Assets and liabilities in foreign currencies. Foreign currencies are those outside the euro area.

in EUR m	31.12.2001 Assets	31.12.2001 Liabilities	31.12.2000 Assets	31.12.2000 Liabilities
USD	1,952	1,883	1,272	1,382
GBP	90	135	75	118
CHF	746	388	553	123
JPY	108	122	111	2
Other	169	145	427	169
Total foreign currency	3,065	2,673	2,437	1,795
EUR	8,129	8,521	6,266	6,909
Aggregate	**11,194**	**11,194**	**8,703**	**8,703**

(57) DERIVATIVE FINANCIAL TRANSACTIONS. The structure of open derivative financial transactions is as follows:

in EUR m	Nominal amount at 31.12.2001 Remaining maturity Up to 1 year	1 to 5 years	Over 5 years	Total 2001	Market value positive	Market value negative	Total 2000	Trading portfolio 2001
Interest-rate related business	3,987	7,054	5,260	**16,301**	216	-244	**13,802**	**3,759**
OTC products								
FRAs	260	43	-	303	0	-0	138	303
Interest swaps	3,283	6,620	4,904	14,808	214	-239	12,592	3,441
Interest-rate options – purchase	4	71	170	245	2	-	131	-
Interest-rate options – sale	425	321	185	930	-	-4	908	-
Other interest contracts	-	-	-	-	-	-	-	-
Products traded on the stock exchange								
Interest-rate futures	15	-	-	15	-	-	33	15
Currency related business	1,157	1,034	402	**2,593**	67	-65	**3,256**	**863**
OTC products								
Currency futures	114	-	-	114	3	-0	35	86
Currency swaps	930	1,034	402	2,366	64	-64	3,123	665
Currency options – purchase	55	-	-	55	1	-	53	55
Currency options – sale	57	-	-	57	-	-1	45	57
Other currency contracts	-	-	-	-	-	-	-	-
Securities related business	4	4	6	**14**	-	-	**5**	**-**
OTC products								
Shares-/Index futures – purchase	-	-	-	-	-	-	-	-
Shares-/Index futures – sale	-	-	-	-	-	-	-	-
Shares-/Index options – purchase	4	4	6	14	-	-	4	-
Shares-/Index options – sale	-	-	-	-	-	-	1	-
Products traded on the stock exchange								
Shares-/Index futures	-	-	-	-	-	-	-	-
Shares-/Index options	-	-	-	-	-	-	-	-
Other business	95	2,222	1,509	**3,825**	54	-56	**2,395**	**-**
OTC products								
Options	95	2,222	1,509	3,825	54	-56	2,395	-
Total	5,242	10,314	7,176	**22,732**	338	-365	**19,457**	**4,623**

(58) FAIR VALUE BALANCE SHEET.

in EUR m	Value of item	Fair value Banking book	Available for sale	Trading book	Micro hedge	Total
Cash and balances with central banks	15	15	0	0	0	15
Loans and advances to banks	887	859	34	0	0	893
Loans and advances to customers	6,086	5,686	320	0	124	6,129
Risk provision	-69	-69	0	0	0	-69
Trading assets	94	0	0	94	0	94
Financial investments	3,831	1,735	1,980	0	122	3,837
Tangible fixed assets	289	289	0	0	0	289
Other assets	61	61	0	0	0	61
Aggregate	**11,194**	**8,576**	**2,334**	**94**	**245**	**11,249**
Amounts owed to banks	2,810	1,946	0	0	870	2,817
Amounts owed to customers	687	630	0	0	53	683
Debts evidenced by certificates	6,453	5,147	0	0	1,361	6,508
Provisions	45	45	0	0	0	45
Other liabilities	517	351	0	78	56	485
Subordinated capital	291	202	0	0	95	297
Minority interests	133	133	0	0	0	133
Equity	258	281	0	0	0	281
Aggregate	**11,194**	**8,735**	**0**	**78**	**2,435**	**11,249**

(59) RISK MANAGEMENT. A good management of risks that might occur in all fields of business reinforces a bank's competitive position. Investkredit's basic principles of risk management are documented in various handbooks and internal guidelines. As part of the banking risks, the credit risk constitutes the most essential risk the Investkredit Group is exposed to. Other risks that may be encountered are market risks, liquidity risks and operational risks. Basically, a value at risk is fixed for all fields by an organisational unit that does not depend on the closing of deals. Furthermore, stress tests simulating extreme market fluctuations are carried out. In addition, the determination of a bank's economic equity is essential in assessing the risks it is able to bear. New agreements reached by the Basel Committee are likely to entail changes concerning the capital adequacy requirements. Investkredit aims at quickly applying new methods and has already carried out parallel calculations to this end.

(60) MARKET RISKS ARISING OUT OF TRADING ACTIVITIES. Market risks arising out of trading activities are calculated continuously – broken down by interest rate risk, share price risk and currency risk – and are assessed daily after close of business. With a confidence level of 99 % and a holding period of 1 day, a variance/covariance approach is applied for the interest rate risk and the currency risk; in the case of the share price risk, volatility shown by market data or figures calculated by the Bank is taken as the basis. The strict rules of an internal risk management handbook are applied to the conduct of trading activities. These rules also contain limits for value at risk. The breakdown of risk is as follows:

in EUR m	Average 2001	31.12.2001	Average 2000	31.12.2000
Debt issues	1.2	1.1	0.6	0.4
Share price risks	0.2	0.3	0.4	0.2
Currency	0.1	0.0	0.1	0.1
Aggregate	**1.5**	**1.4**	**1.1**	**0.7**

(61) INTEREST RATE AND LIQUIDITY RISKS IN THE BANKING BOOK. With changing market interest rates, the bank may encounter interest rate risks, if it holds a surplus of fixed-rate positions. The interest rate risk is, however, assessed continuously in the light of the interest risk item. For this purpose, fixed-rate assets and liabilities, as well as derivative instruments are entered into maturity tables according to their respective interest-lockup period. As a consequence, a gap analysis using different scenarios is carried out and the value at risk is calculated by means of the RiskMetrics method (confidence level of 99%, holding period of 1 month).

Liquidity risks are similarly assessed which enables the bank to meet its payments when they are due, as well as to procure sufficient means under the expected conditions if the need occurs. Refinancing within the stipulated time is an essential target to be met in bank controlling.

(62) CREDIT RISK REPORT. Credit risks imply that debtors are not able to meet their payments. Credit risks comprise non-payment risks, country risks and default risks whereas the probability of non-payment by a debtor is assessed via different rating schemes. Therefore, the Bank's rating system first takes into account the non-payment risk of a debtor. Every borrower is assigned an internal or external rating. There are eight classes for non-defaulting loans and two classes for defaulting/doubtful loans. The internal classification corresponds to the standard rating scale of both Moody's Investors Service and Standard & Poor´s and is carried out in several steps. Changes in the key balance sheet figures or other information, such as the level of indebtedness in the case of Federal and local government authorities, can lead to continuous changes in ratings. Ratings must be reassessed at least once a year. Where an external rating by S & P, Moody's or Fitch/IBCA is available, the least favourable rating of these agencies is used. Thus, the assets in the banking book and off-balance-sheet transactions are classified completely by credit standing and collateralisation. Furthermore, the credit risk is presented as value at risk and the return on risk-adjusted capital (RORAC) is calculated for individual asset classes. The following **table** shows the portfolio composition (assets and contingent liabilities in the form of guarantees and other off-balance-sheet commitments) classified by rating categories – before taking into account collaterals and the netting of balance sheet items:

	31.12.2001		31.12.2000	
in EUR m	Volume	Proportion	Volume	Proportion
AAA	2,633	22 %	1,886	20 %
AA	2,780	23 %	2,242	23 %
A	3,109	26 %	2,882	30 %
BBB	1,865	15 %	1,428	15 %
BB	1,241	10 %	753	8 %
B	186	2 %	192	2 %
CCC	229	2 %	188	2 %
D	8	0 %	18	0 %
Aggregate	**12,051**	**100 %**	**9,590**	**100 %**

(63) OPERATIONAL RISKS. Operational risks incur losses that are due to the inadequacy and failure of internal procedures, human resources and systems or external circumstances and thus include fraud, mistakes, insufficient documentation, computer errors, computer crashes, legal risks, etc. So far operational risks cannot be assessed by means of a standard procedure as is the case with market and credit risks. Investkredit, however, tries to define a method according to which such risks may be identified, assessed by means of a uniform standard, reported and minimised or avoided altogether. Therefore, it is essential to document all incurred losses, to create internal monitoring systems, as well as redundant computer systems and to take care of the necessary insurance coverage. The future equity accord (Basel II) will require a certain amount of equity to cover for operational risks.

(64) INFORMATION ON EMPLOYEES.

	2001	2000
Employees of the Group		
Austria	283	268
Abroad	9	3
Aggregate	**292**	**271**

The **table** shows the average number of staff during the financial year, part-time staff being weighted according to the extent of employment.

(65) INFORMATION ON EMOLUMENTS OF AND LOANS TO MEMBERS OF THE POLICY-MAKING BODIES. The following **table** contains information on the total emoluments of members of the Board of Management and the Supervisory Board as well as on severance payments and pensions for members of the Board of Management, senior officers and other staff (including changes in provisions and reserves):

in EUR m	2001	2000
Total emoluments of:		
Active Management Board members	0.9	0.8
Former Management Board members	0.3	0.5
Supervisory Board members	0.1	0.1
Expenses for severance payments for:		
Board of Management, Senior Officers	1.1	0.7
Other employees	0.5	0.3
Expenses for pensions for:		
Board of Management, Senior Officers	2.1	-0.9
Other employees	1.2	2.2

As at 31 December 2001, no loans to members of the Board of Management and the Supervisory Board were outstanding. Also there were no Investkredit guarantees for such persons.

(66) INFORMATION CONCERNING POLICY-MAKING BODIES.
Supervisory Board.

GEISERICH E. TICHY
Chairman

HELMUT ELSNER
Vice-Chairman (from 23 May 2001)
CEO and Chairman of the Board of Management
Bank für Arbeit und Wirtschaft Aktiengesellschaft

KARL SAMSTAG
Vice-Chairman
Vice-Chairman of the Board of Management
Bank Austria Aktiengesellschaft

ELISABETH BLEYLEBEN-KOREN
Vice-Chairperson (from 23 May 2001)
Vice-Chairperson of the Board of Management
Erste Bank der oesterreichischen Sparkassen AG

KARL FINK
(from 23 May 2001)
Member of the Board of Management
WIENER STÄDTISCHE Allgemeine Versicherung Aktiengesellschaft

KLAUS HABERZETTL
(to 23 May 2001)
General Manager
BA Private Equity GmbH

HERWIG HUTTERER

FRIEDRICH KADRNOSKA
(from 23 May 2001)
Member of the Board of Management
Bank Austria Aktiengesellschaft

HEINZ KESSLER
CEO and Chairman of the Board of Management
Nettingsdorfer Papierfabrik Management AG

STEPHAN KOREN
(from 23 May 2001)
CEO and Chairman of the Board of Management
Österreichische Postsparkasse AG

KURT LÖFFLER
Executive Manager
ERP-Fund

REGINA PREHOFER
Head of Division Multinational Corporates, Corporate and Trade Finance
Bank Austria Aktiengesellschaft

KARL SEVELDA
Vice-Chairman (to 23 May 2001)
Member of the Board of Management
Raiffeisen Zentralbank Österreich Aktiengesellschaft

GERHARD TANEW-ILIITSCHEW
Senior Vice President,
Management Services
Raiffeisen Zentralbank Österreich Aktiengesellschaft

KLAUS THALHAMMER
CEO and Chairman of the Board of Management
Österreichische Volksbanken-AG

WOLFGANG AGLER
Employees' representative

GABRIELE BAUER
Employees' representative

REGINA FRICK
(to 30 November 2001)
Employees' representative

OTTO KANTNER
Employees' representative

HERMINE LESSIAK
(from 1 December 2001)
Employees' representative

PETER WIMMER
Employees' representative

State Commissioner.

ALEXANDER GANCZ
State Commissioner
Director Federal Ministry of Finance

KURT BAYER
Deputy State Commissioner
Head of Department
Economic Policy and Integration
Federal Ministry of Finance

Board of Management.

ALFRED REITER
CEO and Chairman of the Board of Management (to 31 December 2001)

WILFRIED STADLER
Member of the Board of Management (to 31 December 2001)
CEO and Chairman of the Board of Management (from 1 January 2002)

KLAUS GUGGLBERGER
Member of the Board of Management (from 1 January 2002)

(67) EVENTS AFTER THE BALANCE SHEET DATE. In January 2002, both Investkredit and Kommunalkredit, respectively, issued the largest volume of bonds ever, increasing the volume of issues to more than EUR 1 bn. The consolidated enterprise VBV drei sold the Heiligenstädter Lände complex.

(68) THE TRANSITION TO IAS. The primary objective of IAS financial statements is to provide investors with information regarding an enterprise's financial position and performance. On the other hand, the main emphasis in financial statements pursuant to the Austrian Commercial Code is on the protection of creditors. These differing goals result in differences in accounting methods and also in reporting.

Risk provisions. Risk provisions are shown openly on the assets side as a reduction, according to usual international practice.

Trading assets and liabilities. Trading portfolio items which are contained in several different balance sheet items pursuant to the Austrian Commercial Code are summarized under IAS rules in Trading assets or Trading liabilities. These items also contain the fair values of derivative financial instruments.

Financial investments. The item of financial investments covers equity investments, securities serving as financial assets as well as securities in the liquidity reserve. Securities in current assets which are valued under the Austrian Commercial Code at the lower of cost and market value are stated under IAS at fair value.

Derivative transactions. By application of IAS 39, derivatives are treated differently according to their category. Derivatives in the trading portfolio are attributed to trading assets or liabilities. They are accounted for at their fair value, which is a deviation from the practice under the Austrian Commercial Code. Derivatives in the banking book are treated, depending on their purpose, as fair value hedges, cash flow hedges or macrohedges, and considerable differences arise vis-à-vis the Austrian Commercial Code through accounting at fair value.

Reserves for personnel purposes. Reserves for pensions and similar commitments are based according to the Austrian Commercial Code on the statistical accumulation procedure and under the IAS on the dynamic defined benefit obligations procedure. Future developments of salaries and pensions are taken into account in the calculation. The discount factor is oriented according to the capital market.

Deferred taxes. According to the Austrian Commercial Code, deferred tax liabilities that arise through differences between the result under commercial law and the tax result are entered as liabilities, while there is an option for the entry of deferred assets on the assets side. Pursuant to IAS 12, deferred taxes are formed according to temporary balance sheet differences. Deferred tax assets or liabilities therefore arise differently under the IAS balance sheet approach and the Austrian tax assessment system – irrespective of the time of their release.

Equity capital. Equity held by outside parties is entered in a separate balance sheet item. The Bank's own shares are shown in the trading portfolio but are deducted from equity capital for the calculation of profit per share. The equity capital item includes the hedge reserve, which contains the changes in derivative transactions of the banking book. Changes in the fair value of real-estate investments which have a neutral effect and are due to first consolidations are shown in equity capital pursuant of IAS 40.

Real-estate investment. Real estate that is not used for the Bank's own business operations and is not leased is entered according to the Austrian Commercial Code at acquisition cost and according to IAS 40 at fair value. Equally according to IAS, changes in fair value are entered with effect on results.

The Board of Management of Investkredit Bank AG

Wilfried Stadler

Klaus Gugglberger

Vienna, February 2002

Audit report according to IAS and audit certificate according to § 245a Austrian Commercial Code.

We have audited the accompanying Consolidated Financial Statements of Investkredit Bank AG, Vienna, which comprise the Balance Sheets as at 31 December 2001 and 31 December 2000, and the Income Statements, the Cash flow Statements, the Statements of Changes in Equity and the Notes for the financial years from 1 January 2001 to 31 December 2001 and from 1 January 2000 to 31 December 2000. These consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We have conducted our audit in conformity with accounting principles applicable in Austria. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements give a true and fair view in all material respects of the financial position of Investkredit Bank AG, Vienna, and its subsidiaries as at 31 December 2001 and 31 December 2000 and of the results of its operations and its cash flows for the financial years 1 January 2001 to 31 December 2001 and 1 January 2000 to 31 December 2000 in accordance with the International Accounting Standards (IAS).

Under Austrian law, an audit of the Consolidated Management Report has to be conducted and it has to be certified whether the legal requirements for the exemption from the preparation of consolidated accounts according to Austrian law are met.

We confirm that the Management Report is consistent with the Consolidated Financial Statements and that the legal requirements for exemption from the presentation of consolidated accounts according to Austrian law are met.

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca — Martin Wagner

Chartered Accountants and Tax Consultants

Vienna, 21 February 2002

REPORT OF THE SUPERVISORY BOARD.

In the year 2001, the Supervisory Board and its Committees performed the duties entrusted to them under the law and the Statutes. The Board of Management informed the Supervisory Board regularly on the progress of business and the situation of the Bank. The resolutions submitted for adoption and important principles and individual questions were discussed in detail at six meetings of the Supervisory Board, six meetings of the Loans Committee and one meeting of the Accounts Review Committee in preparation for approval of the annual financial statements.

The accompanying annual financial statements and the management discussion have been examined by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The final result of the audit gave no cause for objection, so that the auditor has issued an unqualified opinion.

The financial statements 2001 including the Notes, in keeping with International Accounting Standards (IAS), and the management discussion have been examined by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit gave no cause for objection and the legal requirements were fully met. In the opinion of the auditors, the financial statements give a true and fair view in all material respects of the financial position of Investkredit and its subsidiaries as of 31 December 2001 and 31 December 2000 and of the profit or loss and cash flows in the financial years 2001 and 2000, in conformity with the International Accounting Standards. The auditors confirm that the consolidated financial statements meet the legal requirements for exemption from the obligation to present a consolidated financial statement under Austrian law. The representatives of the auditors took part in the Supervisory Board meeting of 20 March 2002 that was convened for approval of the financial statements and were available to answer questions from members of the Supervisory Board.

The Supervisory Board has noted and given its assent to the results of the audit, has endorsed the 2001 financial statements, the management discussion and the proposal for the distribution of the profit and has thus given its approval pursuant to § 125 (2) of the Austrian Stock Corporation Act. The Supervisory Board has also noted and given its assent to the result of the audit of the consolidated financial statements.

In the course of its meeting of 18 September 2001, the Supervisory Board took notice of the wish expressed by the CEO, Alfred Reiter, to retire at year-end after 26 years of meritorious service with the bank. At the meeting of 27 September 2001, Wilfried Stadler who has heretofore been successfully active as a member of the Board of Management, was unanimously elected Chairman of the Board of Management. At the same meeting, Klaus Gugglberger was selected from the circle of suitably qualified departmental managers to membership and appointed to the Board of Management.

The Supervisory Board

Geiserich E. Tichy
Chairman

Vienna, 20 March 2002

GLOSSARY OF IMPORTANT TECHNICAL TERMS.

Assessment basis according to the Austrian Banking Act (BWG). Total of the riskweighted assets, off-balance-sheet and special off-balance-sheet items of the banking book, calculated according to the Austrian Banking Act. See Risk assets.

Asset backed securities (ABS). Documentary evidence of payment entitlements in tradable securities. Asset backed securities arise through the combination of certain financial assets (securitization).

Associates. Enterprises on whose business policy decisive influence can be exercised. They are accounted for under the equity or the cost method.

Austrian Banking Act (BWG). The Austrian Banking Act, as amended by Federal Law Gazette BGBl. I 97/2001.

Austrian Commercial Code (HGB). The Austrian Commercial Code as amended by Federal Law Gazette BGBl. I 98/2001.

Available for sale. A category of securities that function as a liquidity reserve.

B2B. Business-to-business. E-commerce transactions between corporates.

B2C. Business-to-consumer. E-commerce transactions between corporates and consumers.

Banking book. Includes all items not attributed to the trading book.

Basel II. Shorthand for the New Basel Capital Accord.

BIS capital ratio. Index of internationally active banks for underpinning their credit risks (risk-weighted assets including off-balance-sheet transactions) and market risks with the capital required under banking supervisory regulations (core capital, supplementary own funds and Tier 3 capital; capital as defined by the Bank for International Settlements – BIS). The minimum standard for the ratio of equity capital to risk-weighted assets and the market risk items multiplied by the factor of 12.5 is 8%. A minimum standard of 4% is prescribed for the ratio of core capital to risk-weighted assets.

Capital adequacy costs. Costs per commitment/credit rating arising under capital adequacy requirements. Like standard risk costs, they are a fixed element in the calculation of margins.

Capital adequacy directive. EU Directive on the appropriate provision of equity capital, in particular with regard to market risks arising out of the trading activities of banks and securities firms.

Capital market. Market for long-term investment and borrowing of capital, see also Money market.

Capital resources. Capital resources as defined in the Austrian Banking Act comprise paid-in capital, capital generated as well as differences and minority interests of other shareholders resulting from capital consolidation (= core capital / Tier 1), supplementary and subordinated capital (Supplementary elements / Tier 2) and reclassified Tier 2 capital (= Tier 3 capital, chiefly short-term subordinated liabilities).

Cash flow hedge. Microhedge for the protection of cash flows out of balance-sheet items.

Cash flow statement. Calculation and disclosure of flows of payment resources which a bank has generated or consumed in a financial year out of current business activity, investment activity and financing activity. In addition, the cash holdings at the beginning of the financial year are compared with the amount at the end of the year.

Categories of equity investments. Equity investments are classified as fully consolidated enterprises if they are controlled and significant. If they are not controlled but are significantly influenced and are significant, they are accounted for under the equity method, while all other equity investments are recognized in the balance sheet at the carrying amount and in the income statement at the dividend distributed.

Clean price. Price of a financial instrument without provision for deferred interest.

Confidence level. Probability that a potential loss lies within a range that is stated as value at risk; the Investkredit Group calculates it at 99%.

Core capital (Tier 1). Paid-in capital and capital generated as well as differences arising on capital consolidation, less intangible assets.

Core capital ratio. Core capital divided by the assessment basis (including 12.5 times the trading book requirement).

Corporate Bond. Securitized form of capital market financing.

Corporate lending. Services of Investkredit in the segments of corporate lending, corporate finance, equity investment financing and consulting as well as asset management.

Cost-income ratio. Index of the cost-efficiency of enterprises under IAS: general administrative expenses as a proportion of income (the total of net interest income, net fee and commission income, net trading result and net financial investment result).

Credit default swap. A credit derivative, similar in structure to a conventional guarantee. One party (secured party) makes a recurrent payment to the other party (transferor of title) that is essentially determined according to the nominal value of a financial instrument (e.g. a bond) and the rating of the relevant address. In the event of default, the transferor makes good the loss.

Credit derivatives. Instruments with which credit risks are transferred. They neither change nor re-establish the original credit relations of the counterparts (the parties disposing of the credit risks).

Credit equivalent. Also called credit risk equivalent. Procedure for translating volatile claims against customers for purposes of comparability into an equivalent, constant claim over time with regard to the risk content. The credit equivalent consists of the current commitment, a share of unused credit lines and, in the case of derivatives, sometimes a surcharge for the possible future increase in the claim. It also corresponds to the amount for the relevant regulatory credit risk (risk-weighted assets), which must be underpinned with equity capital.

CreditMetrics. A J.P. Morgan method and data for the calculation of credit risk, see http://new.riskmetrics.com/products/data/, a further development of RiskMetrics.

Credit risk. The danger that customers will not meet their contractually agreed payment commitments. The credit risk includes credit, sovereign and settlement risks.

Credit Value at Risk (Credit VAR). Maximum possible default with a given probability.

Derivatives. Derivative instruments: financing instruments whose valuation is mainly derived from the price, price fluctuations and price expectations of a basic instrument (for example, shares, bond issues, foreign currency, indices). The chief derivatives are swaps, options and futures.

Dirty price. Price of a financial instrument including provision for deferred or accrued interest.

Dividend per share. The dividend per share proposed to the Annual General Meeting.

Early stage financing. Financing of the early phase in the development of a corporate, from financing the basic concept to the commencement of production and marketing.

Earnings per share. According to IAS, an index that compares the profit for the year after tax (less the result accounted for by shareholders outside the Group) to the average number of ordinary shares. In addition to earnings per share, adjusted earnings per share are shown if the number of shares has increased or can increase owing to the recognition of drawing rights ("dilution effect"). In its trading portfolio, Investkredit temporarily holds its own shares only in its capacity as a market-maker to ensure the Vienna Stock Exchange's ability to function. Therefore, such shares are treated as shares outstanding.

Electronic banking. Banking transactions via the Internet or other electronic networks or through the exchange of data carriers.

Expected default frequency (EDF). The probability of default of a debtor within a particular period of time (as a rule, 1 year).

Exposure. The amount that can be lost by a bank in connection with a loss from a risk incurred, for example, the default of a borrower.

Fair value. The amount or price at which assets or liabilities could be traded between knowledgeable, willing parties in an arm's length transaction. The fair value is regularly identical with the market price.

Fair value hedge. Microhedge to protect the fair value of balance-sheet items.

FLORAX bond. Variable-interest bond, the interest on which is tied to a reference rate, e.g. EURIBOR.

Foreign exchange swap. Agreement between two contracting parties to exchange capital and interest payments in different currencies.

Forward rate agreements (FRAs). Agreements between two contracting parties fixing the interest rate for a future period and an agreed nominal amount (not an exchange of capital).

Fully consolidated enterprises. Related enterprises are fully consolidated if they are not insignificant. In the context of full consolidation, assets, liabilities, earnings and expenses are fully incorporated in the consolidated financial statement after deduction of consolidation items.

Fund of funds. Securities fund that invests in other funds. For reasons of risk diversification, a fund of funds may not invest more than 20% of its assets in a single target fund (among the Investkredit investment funds, i2V-Select is a fund of funds).

Futures. Listed contracts standardized with regard to amount, quality and date of delivery in which an item traded in the money, capital, precious metals or foreign exchange market is to be delivered or purchased at the price determined by the stock exchange. Frequently, in such contracts (for example, on the basis of share indices), an adjusting payment is due in order to fulfil the existing commitment (instead of the physical delivery or purchase of securities).

Hedging. Procedure under which an existing risk item is neutralized by a countervailing transaction.

Held to maturity. Category of securities that are assigned to fixed assets and are held until they fall due.

IAS. International Accounting Standards: accounting rules in the development of which international associations of accountants and experts cooperate under the leadership of the International Accounting Standards Committee. The purpose is comparable worldwide accounting and publicity and the processing of relevant information for a broad public, in particular, investors. The rules include not only general accounting principles but also, currently, 40 standards, and are becoming accepted as an EU-wide system for financial statements.

Index-linked notes. Bonds, the interest on which is tied to a stock exchange index.

Interest-rate risk. Risk of a reduction in revenue or an increase in costs and a loss of value resulting from a change in interest rates.

Interest-rate swap. Agreement between two contracting partners to exchange interest payments in one and the same country or currency over a particular period of time (not an exchange of capital).

Internal rating. Rating of a corporate by the bank, see also Rating.

Investment grade. AAA (S&P) / Aaa (Moody's) to BBB- (S&P) / Baa3 (Moody's) ratings. The default risk is low in this range.

Investments accounted for under the equity method. Significant but not controlled equity investments are recognized in the consolidated balance sheet at the share of own funds. The share of profits or losses for the year is entered in the consolidated income statement.

Liability concept. Under the balance-sheet-oriented liability method, deferred taxes are regarded as liabilities to or claims against the tax authorities.

Macrohedge. Protection of a portfolio of financial instruments that as a rule contains several derivatives.

Market-to-market valuation. Valuation of financial instruments at current fair prices, independently of acquisition costs and including unrealized price gains.

Market capitalization. Value of all shares as at year-end.

Market risk. Danger of a loss in value arising through unexpected changes in fair prices (interest, share prices, exchange rates, prices of goods), before the items affected can be closed or protected.

MBI. Management Buy-In. Acquisition of a business by an external management with the support of a financing bank and usually of a financing investor.

MBO. Management Buy-Out. Acquisition of a corporate by the management with the support of a financing bank and usually of a financial investor.

Mergers and acquisitions (M&A). Combinations or purchases and sales of corporates.

Mezzanine financing. Chiefly, subordinated financing that takes on functions similar to equity capital. Mezzanine capital occupies a position between equity and borrowing in the financing structure.

Microhedge. Protection of a financial instrument by a derivative.

Migration probability. The probability that an corporate's rating will deteriorate, improve or remain stable over a year.

Minimum capital requirements. Banks must have equity capital backing for at least 8% of their risk-weighted assets.

Money market. A market for the short-term investment or borrowing of money, see also Capital market.

Net trading result. Balance of earnings and expenses from a bank's own trading in securities, financial instruments (in particular, derivatives), foreign currency and precious metals that are valued at fair prices (market-to-market valuation). This item also includes that part of current interest, dividends and refinancing components that is to be attributed to trading activities.

New Basel Capital Accord. Comprehensive approach to the minimum capital requirements of banks, prepared by the Basel Committee on Banking Supervision, first published as a consultation paper in 1999. The 600-page second version is divided into seven technical documents, see also: Basel II.

Non-investment grade. BB+ (S&P) / Ba1 (Moody's) to D ratings. Investments in this range (e.g. high-yield bonds or junk bonds) carry a higher default risk.

Online banking. Transaction of banking business via electronic networks (Internet) also known as electronic banking.

Operational risk. The risk of direct or indirect losses resulting from the failure or inadequacy of internal procedures, human error, system failure or external events.

Option. The right to purchase (purchase option/call) a particular item (for example, securities or currency) from a contracting party or to sell such item to him (selling auction/put) at a previously agreed price, at a particular time and over a particular period of time.

OTC derivatives. Financial instruments (derivatives) that are not standardized and are not listed on a stock exchange but are traded directly between market participants – **o**ver **t**he **c**ounter.

Own funds to be taken into account. Total of core capital (Tier 1) and supplementary capital resources (Tier 2), excluding deductions. This item covers the capital resources required for the banking book (solvency) and is used as a regulatory measure for limiting large exposures and for other regulatory standards. Tier 3 capital is not part of own funds to be taken into account, and can be used only to cover the regulatory capital requirement for the trading book and for the open foreign exchange position pursuant to the Austrian Banking Act.

Portfolio. Part or total set of assets (for example, securities, loans, equity investments or real estate). The primary purpose of portfolio formation is the diversification of risk. Securities: combination of like transactions, in particular of securities and/or derivatives, according to price-risk considerations.

Price/earnings ratio. The price of an ordinary share as at year-end, divided by earnings per share.

Private equity. Equity capital financing that is directed towards corporates in more mature markets during a period of change and growth.

Projected unit credit method. Present value pension entitlement procedure. It is a capital accumulation procedure under IAS 19 (revised 1998), according to which the commitment must be recognized at the actuarial present value of the pension entitlement existing on the financial statements date. A characteristic is that trend assumptions (for example, expected salary increases) must be taken into account in the case of dynamic pension commitments. The discounting rate is oriented in the light of the interest rates for bonds issued by corporates with high credit standing.

Quantitative score. Indicator in the Investkredit rating process. It is calculated from key balance sheet figures.

Rating. Standardized assessment of the credit standing of an issuer and its securities by specialized rating agencies, such as Moody's Investors Service or Standard & Poor's.

Rating agency. Agency for the assessment of corporates in terms of ratings; international rating agencies: Moody's Investors Service (Moody's) (US), Standard & Poor's (S&P) (US), Fitch, Inc. (Fitch IBCA) (US, UK); German rating agencies: EuroRatings AG (Germany), Creditreform Rating AG (Germany), URA and RS Rating Services AG (Germany).

Related enterprises. Enterprises on whose business policy a controlling influence can be exercised.

Return on assets (ROA). Total return on capital, profit for the year (before tax) divided by average risk-weighted assets.

Return on equity (ROE). Index of the income situation of a corporate, consisting of the profit for the year divided by average equity.

Risk assets. Total of the assets in the banking book weighted by counterpart risk. See Assessment basis according to the Austrian Banking Act (BWG).

Risk management. Identification, measurement and control of risks.

RiskMetrics. J.P. Morgan method and data for the calculation of the market risk (interest-rate, currency and share-price risks) see http://new.riskmetrics.com/products/data/

Risk-weighting. Procedure in which every transaction – on or off the balance sheet – is assigned a percentage weighting that reflects the estimated credit risk.

RORAC (Return on risk-adjusted capital). Returns divided by the economic capital used.

Securitization. Embodiment of rights (e.g. claims) in securities (e.g. shares and bonds).

Securitized money and capital market financing. Securitized financing instruments as an alternative to large-volume industrial loans.

Seed capital. Capital for the translation of an idea into realizable results, covering the period up to the determination of the business concept for a corporate at the establishment stage.

Segment reporting. Disclosure of assets and earnings of a corporate, classified by segments and geographical areas (regions).

Shareholder value. Management concept that is geared to creating sustained increases in the value of a corporate. Strategic and operational decisions are expected to lead to returns higher than the equity capital costs and thus to increase value for shareholders.

Standard risk costs for credit risks. Risk premiums calculated in advance for lending business. They cover the loss through credit defaults to be expected within a year, on the basis of historical experience.

Structured financing. Optimization of maturity periods and financing costs with a high degree of individuality, the coordinated use of loan financing (with the incorporation of aid programmes and interest and exchange rate risk management instruments), equity capital and mezzanine financing or securitized financing instruments, taking into account tax and company law instruments.

Swap. The exchange of payment flows.

Syndication. Action by Investkredit in relation with structured financing; project-related coordination of syndicate partners (consortia).

System rating. Indicator in the Investkredit rating process. It includes the Quantitative score and current customer information from the Investkredit information system.

Trading book. Items of a bank's own trading with financial instruments that it holds for the purpose of resale or has taken over in order to make short-term use of existing or expected differences between purchase and selling prices or fluctuations in prices and interest rates. Items outside the trading book are counted in the banking book.

Value-at-risk concept. Procedure for the calculation of a potential for loss arising out of changes in fair prices. Value at risk states the loss that will not be exceeded under normal market conditions on the assumption of previously determined probability (confidence level) within a defined liquidity period (for example, one day).

Venture capital. Equity financing directed towards young or newly established businesses with extraordinary growth potential.

Volatility. Index of the change of interest rates or prices over time, in mathematical terms the annualized standard deviation of interest rates or prices.

INVESTOR RELATIONS.

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For more information on the business fields, please refer to p. 10

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