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**BAWAG P.S.K.
BANK FÜR ARBEIT UND WIRTSCHAFT UND ÖSTERREICHISCHE POSTSPARKASSE
AKTIENGESELLSCHAFT
ANNOUNCES TENDER OFFER**

BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG (the "**Bank**") hereby announces an invitation (subject to certain offer restrictions) to holders of:

- the 150,000 Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preference Shares (ISIN XS0119643897) issued by BAWAG Capital Finance (Jersey) Limited on 31 October 2000; and
- the 6,000,000 Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares (ISIN DE0008600966) issued by BAWAG Capital Finance (Jersey) II Limited on 27 June 2002 (the "**Preference Shares**"),

to tender any and all of their Preference Shares for purchase by the Bank for cash, at the relevant Purchase Price specified below plus, in either case, an amount equal to any accrued but unpaid dividends on the relevant Preference Shares from, and including, the immediately preceding dividend payment date for the relevant Preference Shares up to, but excluding, the Settlement Date (the "**Tender Offer**").

Preference Shares	Issuer	ISIN	Outstanding Liquidation Preference	Purchase Price	Purchase Price as percentage of Liquidation Preference
Fixed/Floating Rate Preference Shares	BAWAG Capital Finance (Jersey) Limited	XS0119643897	€150,000,000	€700 per €1,000 in liquidation preference	70%
Fixed Rate Preference Shares	BAWAG Capital Finance (Jersey) II Limited	DE0008600966	€150,000,000	€17.50 per €25 in liquidation preference	70%

The Tender Offer is made on the terms of, and subject to the conditions (including the Regulatory Condition) contained in, the tender offer memorandum dated 20 February 2012 (the "**Tender Offer Memorandum**"). Capitalised terms used in this announcement and not otherwise defined herein shall have the meanings ascribed to them in the Tender Offer Memorandum.

The Bank reserves the right, in its sole and absolute discretion, not to accept any Tender Instructions (as defined below), not to purchase Preference Shares or to extend, terminate, withdraw or modify in any manner any of the terms and conditions of the Tender Offer, subject to applicable law. Whether

the Bank will accept for purchase Preference Shares validly tendered in the Tender Offer is subject, without limitation, to the consent of the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) to the purchase of the Preference Shares validly tendered pursuant to the Tender Offer (the "**Regulatory Condition**"). The Bank expects the Regulatory Condition to be satisfied prior to the Expiration Time.

RATIONALE FOR THE TENDER OFFER

The Bank is extending the Tender Offer as part of its ongoing capital management strategy with the aim of improving the Bank's capital position. The Bank intends to sell the Preference Shares repurchased by the Bank to the relevant issuer for cancellation. Preference Shares which have not been validly submitted and accepted for tender pursuant to the Tender Offer will remain outstanding.

The Bank will not exercise its early redemption options with respect to the Preference Shares at the upcoming call dates in June and July 2012 and will make any future redemption decisions on an economic basis and with regards to prevailing market conditions and regulatory requirements.

PARTICIPATING IN THE TENDER OFFER AND CASH TO BE RECEIVED

The Bank will only accept tenders of Preference Shares in the Tender Offer by way of the submission by Preference Shareholders of valid electronic instruction notices delivered by a Direct Participant to the Tender Agent in accordance with the procedures of the relevant Clearing System (each, a "**Tender Instruction**") and the blocking of the tendered Preference Shares in the relevant Clearing System, in accordance with the procedures set out in the Tender Offer Memorandum. Only Direct Participants may submit Tender Instructions.

To participate in the Tender Offer, Preference Shareholders should deliver, or arrange to have delivered on their behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Tender Instruction that is received by the Tender Agent by 17:00 hours (CET) on 2 March 2012 (the "**Expiration Time**").

Preference Shareholders are advised to check with any bank, securities broker or other intermediary through which they hold Preference Shares whether such intermediary must receive instructions, and any applicable deadlines of such intermediary for receiving such instructions, to participate in the Tender Offer before the deadlines specified in the timeline below.

EXPECTED TRANSACTION TIMELINE

Commencement of the Tender Offer

20 February 2012

Tender Offer announced through the Clearing Systems, publication on the Notifying News Service and via the website of the Luxembourg Stock Exchange.

Tender Offer Memorandum available (subject to the offer and distribution restrictions set out in "*Invitation and Distribution Restrictions*" of the Tender Offer Memorandum and "*Jurisdiction Restrictions*" below) from the Dealer Managers and the Tender Agent.

Beginning of Tender Offer Period.

Expiration Time

17:00 hours (CET) on 2 March 2012

Deadline for receipt of Tender valid Tender Instructions by the Tender Agent in order for Preference Shareholders to be able to participate in the Tender Offer

End of Tender Offer Period.

Announcement of Final Results of Tender Offer

5 March 2012

Announcement of whether the Regulatory Condition has been satisfied and if so

Details of:

(i) the final aggregate liquidation preference of the Preference Shares of either series validly tendered pursuant to the Tender Offer;

(ii) the aggregate liquidation preference of Preference Shares of either series accepted for purchase pursuant to the Tender Offer; and

(iii) the Accrued Dividends,

distributed via the Clearing Systems and published by way of announcement on a Notifying News Service and via the website of the Luxembourg Stock Exchange.

Settlement Date

Expected to be 6 March 2012

Settlement date of the Tender Offer.

Payment of Tender Consideration in respect of Preference Shares accepted for purchase.

FOR FURTHER INFORMATION

A complete description of the terms and conditions of the Tender Offer is set out in the Tender Offer Memorandum. Further details about the Tender Offer and copies of the Tender Offer Memorandum, which may be obtained free of charge, may be obtained (subject to the offer and distribution restrictions set out in "*Invitation and Distribution Restrictions*" of the Tender Offer Memorandum) from:

The Dealer Managers

Citigroup Global Markets Limited

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Tel: +44 (0)20 7986 8969
Attention: Liability Management Group
Email: liabilitymanagement.europe@citi.com

and

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

Tel: +44 (0)20 7779 2468 /+44 (0)20 7325 4851
Attention: FIG syndicate / Liability Management
Email: FIG_syndicate@jpmorgan.com / emea_lm@jpmorgan.com

Any questions or requests for assistance in connection with the delivery of Tender Instructions or requests for copies of the Tender Offer Memorandum or related documents, which may be obtained free of charge, may be directed to:

The Tender Agent

Lucid Issuer Services Limited

Leroy House
436 Essex Road
London N1 3QP
United Kingdom

Tel: +44 (0)20 7704 0880
Attention: Paul Kamminga / Yves Theis
Email: bawag@lucid-is.com

The Dealer Managers do not take responsibility for the contents of this announcement and none of the Bank, the Tender Agent, or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Tender Offer, or any recommendation as to whether Preference Shareholders should tender Preference Shares in the Tender Offer.

No invitation to offer to sell any Preference Shares is being made pursuant to this announcement. Any such invitation is only being made in the Tender Offer Memorandum and any such acquisition or acceptance of the invitation should be made solely on the basis of information contained therein. This announcement must be read in conjunction with the Tender Offer Memorandum; both contain important information which should be read carefully before any decision is made with respect to the Tender Offer. If any Preference Shareholder is in any doubt as to the action it should take, it is

recommended to seek its own advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent adviser.

JURISDICTION RESTRICTIONS

General

This announcement and the Tender Offer Memorandum do not constitute an offer to buy or a solicitation of an offer to sell the Preference Shares, and Tender Instructions will not be accepted from Preference Shareholders, in any jurisdiction in which such offer or solicitation is unlawful. In any jurisdiction in which the Tender Offer is required to be made by a licensed broker or dealer and in which the Dealer Managers or any of their respective affiliates are so licensed, the Tender Offer shall be deemed to be made by the Dealer Managers or such affiliates on behalf of the Bank in such jurisdiction.

The distribution of this announcement and the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement comes are required to inform themselves about and to observe, any such restrictions.

Each Preference Shareholder participating in the Tender Offer will also be deemed to give certain representations in respect of the jurisdictions referred to herein and generally (see below and "*Offer Restrictions*" and "*Procedures for Submitting Tender Instructions*" in the Tender Offer Memorandum). Any Tender Instruction pursuant to the Tender Offer from a Preference Shareholder that is unable to make these representations may be rejected.

United States

The Tender Offer is not being made and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, and the Preference Shares may not be tendered in the Tender Offer by any such use, means, instrumentality or facility from or within the United States, or to U.S. persons or by persons located or resident in the United States. Accordingly, copies of this announcement and the Tender Offer Memorandum and any other documents or materials relating to the Tender Offer are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States, or to U.S. persons or to persons located or resident in the United States. Any purported offer to sell in response to this Tender Offer resulting directly or indirectly from a violation of these restrictions will be invalid and offers to sell made by a U.S. person, a person located or resident in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person will not be accepted. For the purposes of this paragraph, "**United States**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

Each Preference Shareholder participating in the Tender Offer will represent that it is not a U.S. person, it is not located in the United States and it is not participating in the Tender Offer from the United States, or it is acting on a non-discretionary basis for a principal that is not a U.S. person, that is located outside the United States and that is not giving an order to participate in the Tender Offer from the United States.

United Kingdom

The communication of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Tender Offer is not being made, and such documents and/or materials have not been approved by, an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom, and are only for circulation to persons outside the United Kingdom or to persons within the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or within Article 43(2) of the Order, or to other persons to whom it may lawfully be communicated in accordance with the Order (such persons together being "**relevant persons**").

The Tender Offer Memorandum is only available to relevant persons and the Tender Offer will be available only to, or engaged in only with, relevant persons, and this financial promotion must not be relied or acted upon by persons other than relevant persons.

Italy

None of the Tender Offer, this announcement, the Tender Offer Memorandum or any other document or materials relating to the Tender Offer have been submitted to the clearance procedures of the Commissione Nazionale per le Società e la Borsa (the "**CONSOB**") pursuant to Italian laws and regulations. The Tender Offer is being carried out in Italy as an exempted offer, pursuant to article 101-bis, paragraph 3-bis of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and article 35-bis, paragraph 3 of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**").

Holders or beneficial owners of the Preference Shares that are located in Italy can tender the Preference Shares only if they qualify as qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, letter b) of the Issuers' Regulation, otherwise none of this announcement, the Tender Offer Memorandum or any other documents or materials relating to the Preference Shares or the Tender Offer may be distributed or made available to them.

Holders or beneficial owners of the Preference Shares that are located in Italy may tender their Preference Shares for purchase through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each Intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Preference Shares or the Tender Offer.

Belgium

None of this announcement, the Tender Offer Memorandum or any other documents or materials relating to the Tender Offer have been submitted to or will be submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*) and, accordingly, the Tender

Offer may not be made in Belgium by way of a public offering, as defined in Article 3 of the Belgian Law of 1 April 2007 on public takeover bids (as amended or replaced from time to time). Accordingly, the Tender Offer may not be advertised and will not be extended, and none of this announcement, the Tender Offer Memorandum or any other documents or materials relating to the Tender Offer (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than "qualified investors" in the sense of Article 10 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (as amended or replaced from time to time), acting on their own account. Insofar as Belgium is concerned, the Tender Offer Memorandum has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Tender Offer. Accordingly, the information contained in this announcement and the Tender Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

France

The Tender Offer is not being made directly or indirectly to the public in the Republic of France ("**France**"). None of this announcement, the Tender Offer Memorandum or any other offering material or information relating to the Tender Offer, has been or will be submitted for clearance to or approved by the *Autorité des Marchés Financiers* and they may not be released, issued, or distributed or caused to be released, issued, or distributed, directly or indirectly, to the public in France, except to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, in each case acting on their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code Monétaire et Financier*.

Announcement dated 20 February 2012