

AD-HOC ANNOUNCEMENT

Vienna, 22 May 2012

ÖSTERREICHISCHE VOLKSBANKEN–AKTIENGESELLSCHAFT AND INVESTKREDIT FUNDING LTD ANNOUNCE A PROPOSED SCHEME OF ARRANGEMENT

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Österreichische Volksbanken Aktiengesellschaft (**ÖVAG**) and Investkredit Funding Ltd (the **Issuer**) hereby announce that the Issuer is proposing a scheme of arrangement pursuant to Part 18A of the Companies (Jersey) Law 1991 in relation to the €50,000,000 subordinated non-cumulative limited recourse notes (ISIN: DE 0009576108 and WKN: 957 610) issued by the Issuer on 28 November 2002 (the **Bonds**). The Issuer, with the consent of Investkredit Bank AG (**Investkredit**) and ÖVAG, is proposing that the terms and conditions of the Bonds be amended as set out below (the **Scheme**).

Today, the Austrian Financial Market Authority approved the implementation of the Scheme.

Rationale for the Scheme

On 27 February 2012 Investkredit and ÖVAG announced their intention to merge during the second half of 2012 (the **Merger**). ÖVAG will be the surviving legal entity as a result of the Merger and the obligations of Investkredit under the support undertaking between the Issuer and Investkredit dated 22 October 2002 in respect of the Bonds will become obligations of ÖVAG by operation of Austrian law.

At ÖVAG's annual general meeting on 26 April 2012, shareholders resolved to write-off 70 per cent. of the nominal value of ÖVAG's issued share capital and 70 per cent. of its issued participation capital. The write-off equals an amount of EUR 1,291 million on ÖVAG's share and participation capital following a loss (annual result after taxes) in the amount of EUR 1,357 million for the year 2011 as recorded in ÖVAG's unconsolidated balance sheet as at 31 December 2011.

At the same time, shareholders resolved to increase ÖVAG's issued share capital by EUR 484 million, of which EUR 250 million were subscribed by the Republic of Austria and EUR 234 million by the Austrian Volksbanken cooperatives, who are ÖVAG's principal shareholders. The Republic of Austria has also granted a surety to protect certain assets of ÖVAG with a book value of EUR 100 million from impairment (such surety arrangements and the subscription by the Republic of Austria of shares in ÖVAG being the **Government Support Package**).

ÖVAG and Investkredit expect to announce on 29 May 2012 their respective unaudited consolidated financial results as at and for the three month period ended 31 March 2012. Such announcement will be made available on the Website.

As a consequence of the proposed Merger and the Government Support Package and in the light of the changes to the capital requirements of banks that are expected to be introduced by the new EU capital requirements directive (and consequent regulations) in early 2013 (**CRDA**), each

of Investkredit and ÖVAG have been reviewing their respective capital requirements. They and the Issuer have concluded that certain amendments to the terms and conditions of the Bonds would be in the interests of the Issuer, the merged business of ÖVAG, its stakeholders and **Bondholders** (that is, persons with a beneficial interest as principal in the Bonds, held in global form through Clearstream Banking AG).

The terms and conditions of the Bonds contain provisions that require the Issuer to make interest payments on the Bonds in certain circumstances including if Investkredit or any of its subsidiaries (or following the Merger, ÖVAG or any of its subsidiaries): (i) declares or pays any dividends or makes any other payment or other distribution on any pari passu or junior ranking securities or (ii) redeems, repurchases or otherwise acquires any pari passu or junior ranking securities for any consideration other than conversion into or exchange for shares of common stock of Investkredit (or following the Merger, of ÖVAG).

ÖVAG believes that, particularly in the light of the Government Support Package, such provisions in the terms and conditions of the Bonds are no longer appropriate and may restrict the flexibility of ÖVAG to deal with its future capital requirements in a manner which reflects its plans for the development of its business and the introduction of CRD4. Accordingly, the Issuer, with the consent of Investkredit and ÖVAG, is proposing that the terms and conditions of the Bonds should be amended to remove the requirement to make interest payments on the Bonds in the circumstances described in the previous paragraph. Such changes, if implemented, would give the Issuer greater discretion in relation to the payment of future interest payments on the Bonds, irrespective of whether Investkredit or in respect of payments in 2013 and thereafter (and following the Merger) ÖVAG or any of its subsidiaries is at the time paying dividends on its ordinary share capital or dividends or interest on other junior securities or on its parity securities, and whether or not it redeems or purchases such other securities.

In addition, the Issuer is proposing to change the terms and conditions of the Bonds so as to grant to each Bondholder an option (the **Put Option**) to require the Issuer to procure that ÖVAG purchases pursuant to the Deed of Undertaking (as defined in the Explanatory Statement) all or some of the Bonds held by that Bondholder at a price of EUR 392.50 per EUR 1,000 nominal amount of the Bonds (the **Optional Purchase Price**). Accrued interest in respect of the Bonds will be paid in addition to the payment of the Optional Purchase Price.

As part of these proposals, Bondholders are being offered an opportunity to exit their investment at a premium to current market prices. The Bonds have no maturity date and no dividend step-up or other similar economic incentive for redemption by the Issuer. Neither ÖVAG, Investkredit nor the Issuer has any present intention to redeem or purchase the Bonds, save pursuant to the Put Option. Accordingly, there can be no assurance that Bonds that are not acquired pursuant to the Put Option will in the future be redeemed by the Issuer or otherwise be repurchased by ÖVAG or Investkredit.

Pursuant to the existing terms of the Bonds, future interest payments in respect of any Bonds that are not purchased as part of the Put Option will be dependent on, among other things, the future profitability and regulatory capital adequacy of Investkredit or in respect of payments in 2013 and thereafter (and following the Merger) of ÖVAG.

These proposed amendments are further described in detail in the Scheme, which is set out in Part 5 of the explanatory statement relating to the Scheme (the **Explanatory Statement**).

ÖVAG has today made a substantially similar proposal to the holders of the €250,000,000 fixed/floating rate non-cumulative non-voting preferred securities issued by ÖVAG Finance (Jersey) Limited (ISIN: XS0201306288 and Common Code: 020130628).

Approval of the Scheme

A meeting of Bondholders to consider the Scheme ordered by the Royal Court of Jersey (the *Court*) is expected to be held on 15 June 2012 starting at 12:00 p.m. CEST (the *Meeting*). The Meeting will be held at the offices of Freshfields Bruckhaus Deringer LLP, Seilergasse 16, 1010 Vienna, Republic of Austria.

In order to vote at the Meeting, Bondholders must arrange for a Direct Participant Letter (as defined in the Explanatory Statement) to be completed and sent to the Information Agent by the Direct Participant (as defined in the Explanatory Statement) through which the Bondholder holds its Bonds no later than 11:00 a.m. BST / 12:00 p.m. CEST on 12 June 2012. A copy of the Direct Participant Letter may be downloaded from Investkredit's website at www.volksbank.com/investkredit (the *Website*). Bondholders may also contact the Information Agent on +49 69 1366 1254 if they wish to receive a paper or electronic copy of the Explanatory Statement or the Direct Participant Letter.

If the Bondholders approve the Scheme at the Meeting, a hearing before the Court is necessary in order to sanction the Scheme. All Bondholders are entitled to attend the Court hearing in person or through counsel to support or oppose the sanction of the Scheme. It is expected that the Court hearing to sanction the Scheme will be held at 9:00 a.m. BST on 25 June 2012 at Royal Court House, The Royal Square, St. Helier, Jersey, Channel Islands. Investkredit and/or the Issuer will announce the exact date and time of such hearing by making an announcement of such date and time by notice through Clearstream, a notifying news service and on the Website at least two Business Days (as defined in the Explanatory Statement) in advance of such hearing.

On the date the Scheme becomes effective or shortly thereafter, ÖVAG will pay to Bondholders who voted at the Meeting (whether such Bondholders voted in favour of or against the Scheme) EUR 7.50 per EUR 1,000 nominal amount of the Bonds voted at the Meeting (the *Scheme Implementation Fee*). Payment of the Scheme Implementation Fee is conditional on the Scheme becoming effective. The Scheme Implementation Fee is separate from the Optional Purchase Price.

Following approval by Bondholders and sanctioning by the Court, the Scheme will become effective and legally binding on the Issuer, all Bondholders, Investkredit and ÖVAG on the date on which the order of the Court sanctioning the Scheme under Article 125 of the Companies (Jersey) Law 1991 is delivered to the Registrar of Companies in Jersey for registration, which is expected to be 27 June 2012.

Bondholders are advised to check with any bank, securities broker or other intermediary through which they hold Bonds whether such intermediary must receive instructions to participate in the Scheme before the deadlines specified in the timeline below.

Expected Transaction Timeline

Event	Time and/or date
Voting Instruction Deadline	11:00 a.m. BST/12:00 p.m. CEST on 12 June 2012
Meeting of Bondholders	12:00 p.m. CEST on 15 June 2012
Court hearing to sanction the Scheme	9:00 a.m. BST on 25 June 2012
Effective Date	27 June 2012
Payment of Scheme Implementation Fee	27 June 2012
Exercise period of the Put Option	28 June 2012 to 4:00 p.m. BST / 5:00 p.m. CEST on 13 July 2012
Payment of the Optional Purchase Price	17 July 2012

For further information:

A complete description of the Scheme and the Explanatory Statement proposed by the Issuer is available to be downloaded from the Website. A copy of the Scheme, the Explanatory Statement and any further details about the transaction can be obtained from:

The Information Agent:

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Attention of: Exchange Team

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Notice to US Bondholders: The modification of the Bonds by the proposed amendments to the terms and conditions of the Bonds pursuant to the Scheme may be deemed an exchange of new securities under the US Securities Act of 1933, as amended (the *Securities Act*), which may not be offered or sold in the United States absent registration under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The amendments to the terms and conditions of the Bonds have not been and will not be registered under the Securities Act but will be effected in reliance on the exemption provided by Section 3(a)(10) thereof.

The Scheme relates to the Bonds of a company incorporated under the laws of Jersey and is to be made by means of a scheme of arrangement provided for under the laws of Jersey. The Scheme will be subject to the disclosure requirements and practices applicable in Jersey to a scheme of arrangement, which differs from the disclosure and other requirements of US securities laws.

Neither of the Scheme Co-ordinators takes responsibility for the contents of this announcement and none of ÖVAG, ÖVAG Finance (Jersey) Limited, the Scheme Co-ordinators, the Information Agent or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Scheme, or any recommendation as to whether Bondholders should accept the proposals in the Scheme or vote on the Scheme. This announcement must be read in conjunction with the Explanatory Statement. No invitation to acquire any securities is being made pursuant to this announcement. Any such invitation is only being made in the Explanatory Statement and any such acquisition or acceptance of offers to sell should be made solely on the basis of information contained in the Explanatory Statement. This announcement and the Explanatory Statement contain important information which should be read carefully before any decision is made with respect to the Scheme. If any Bondholder 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.

The five biggest listed issues of Investkredit Bank AG
in terms of issue volume:

ISIN:

AT0000A0SNL2

AT0000A0SNJ6

AT0000A0SNG2

AT0000A0SNF4

AT0000A0SNH0

The issues of Investkredit Bank AG are admitted on the
following stock exchanges:

Second Regulated market of Wiener Börse AG

Official trading of Wiener Börse AG

Regulated market of the Luxembourg Stock Exchange

Open Market of Frankfurt Stock Exchange