

## AD-HOC ANNOUNCEMENT

### ÖSTERREICHISCHE VOLKSBANKEN–AKTIENGESELLSCHAFT AND ÖVAG FINANCE (JERSEY) LIMITED ANNOUNCE AN INVITATION FOR OFFERS TO SELL PREFERRED SECURITIES AND SOLICITATION OF CONSENTS

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO ANY PERSON RESIDENT AND/OR LOCATED IN THE UNITED STATES OR TO ANY U.S. PERSON

22 May 2012

Österreichische Volksbanken–Aktiengesellschaft ("**ÖVAG**") and ÖVAG Finance (Jersey) Limited hereby announce that ÖVAG is inviting 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) (the "**Preferred Securities**") to offer to sell any and all of their Preferred Securities to ÖVAG for cash (the "**Invitation**") and to consent to the Proposals (as defined in the Invitation Memorandum dated 22 May 2012 (the "**Invitation Memorandum**")).

The Proposals are set out in, and the Invitation is made on the terms and subject to the conditions contained in, the Invitation Memorandum. Today, the Austrian Financial Market Authority approved the purchase of the Preferred Securities. The Netherlands Authority for the Financial Markets (AFM) has on 22 May 2012, pursuant to article 5:81 (3) of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*), granted dispensation to ÖVAG to proceed with the Invitation. This dispensation has several conditions attached to it, including that no purchase of Preferred Securities be made directly or indirectly by ÖVAG, at a better price or on better terms than those upon which the Invitation is being made, during the 12 month period commencing on the date of the Invitation Memorandum.

Capitalised terms used in this announcement have the meanings ascribed to them in the Invitation Memorandum.

| <b>Preferred Securities</b>  | <b>Aggregate Outstanding Amount</b> | <b>Clearing Codes</b>   | <b>Consent Payment</b>                   | <b>Purchase Price</b>                     |
|--|-------------------------------------|---|--|---|
| €250,000,000<br>Fixed/Floating Rate<br>Non-cumulative Non-<br>voting Preferred<br>Securities issued by<br>ÖVAG Finance (Jersey)<br>Limited | €250,000,000                        | WKN: A0DC0M<br>ISIN: XS0201306288<br>Common Code:<br>020130628<br>Dutch Security Code:<br>14963 | €10 per €1,000<br>liquidation preference | €390 per €1,000<br>liquidation preference |

### Rationale for the Invitation and Proposals

The Invitation for offers to sell Preferred Securities to ÖVAG for cash is part of ÖVAG's ongoing capital management and based on an agreement with the Republic of Austria. The aim of the Invitation is to enhance ÖVAG's capital position by increasing common equity. ÖVAG intends to sell or transfer the Preferred Securities purchased by ÖVAG to ÖVAG Finance for cancellation.

On 27 February 2012 ÖVAG and Investkredit Bank AG ("**Investkredit**") announced their intention to merge during the second half of 2012 (the "**Merger**"). ÖVAG will be the surviving legal entity following the Merger.

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 €1,291 million on ÖVAG's share and participation capital following a loss (annual result after taxes) in the amount of €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 €484 million, of which €250 million was subscribed by the Republic of Austria and €234 million by the Austrian Volksbanken, 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 €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 expects to announce on 29 May 2012 its unaudited consolidated financial results as at and for the three-month period ended 31 March 2012. Such announcement will be made available on ÖVAG's website.

As a consequence of the 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 ("**CRD4**"), ÖVAG has been reviewing its capital requirements. It has concluded that certain amendments to the terms and conditions of the Support Agreement and the Statement of Rights relating to the Preferred Securities would be in the interests of the merged business of ÖVAG and its stakeholders.

The Support Agreement contains provisions which (in summary) restrict ÖVAG from (i) paying dividends on its ordinary shares (and certain other securities); (ii) paying any distribution or dividends on Dividend Parity Securities (as defined in the Support Agreement); and (iii) subject to certain exceptions, redeeming, purchasing or otherwise acquiring any Dividend Parity Securities or its ordinary shares (or certain other securities) in each case if any dividend on the Preferred Securities has not been paid to Holders, until ÖVAG Finance has resumed paying dividends on the Preferred Securities.

ÖVAG believes that, particularly in the light of the Government Support Package, such provisions 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, ÖVAG is proposing that the Support Agreement should be amended to remove the restrictions described in the previous paragraph and the Statement of Rights of the Preferred Securities should be amended in order to conform relevant definitions. Such changes, if implemented, would mean that ÖVAG has greater discretion whether or not to make future dividend payments on its ordinary share capital or to pay dividends or interest on other junior securities or on its parity securities and to redeem or purchase any such securities, even if at the time it is not paying dividends on the Preferred Securities. The full text of the provisions which (i) are proposed to be deleted from the Support Agreement and (ii) will approve the amendment of the Statement of Rights, are set out in the Extraordinary Resolution.

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

Dividends in respect of the Preferred Securities have been deferred on a non-cumulative basis since 2010. Pursuant to the existing terms of the Preferred Securities, future dividend payments in respect of any Preferred Securities that are not purchased as part of the Invitation will be dependent on, among other things, the future profitability and regulatory capital adequacy of ÖVAG.

ÖVAG has today made a substantially similar proposal (by way of a scheme of arrangement) to the holders of the outstanding EUR 50,000,000 subordinated non-cumulative limited recourse notes of Investkredit Funding Ltd which have the benefit of a support undertaking of Investkredit. When the Merger is implemented, the obligations of Investkredit under such support undertaking will, by operation of law, become obligations of ÖVAG.

#### **Purchase Price to be Received for the Preferred Securities**

ÖVAG proposes to accept for purchase any and all of the Preferred Securities on the terms and subject to the conditions contained in the Invitation Memorandum.

Holders who have validly submitted an Electronic Order prior to the Expiration Time and whose offers to sell are accepted by ÖVAG will receive €390 per €1,000 liquidation preference of the Preferred Securities (the "**Purchase Price**") in immediately available funds in cash on the Settlement Date. Accrued dividends in respect of the Preferred Securities will not be payable as part of the Purchase Price. For the avoidance of doubt, Holders who have submitted an Electronic Order prior to the Expiration Time and whose offers to sell are accepted by ÖVAG will also, subject to satisfaction of the Consent Payment Conditions, receive the Consent Payment (as set out below).

#### **Proposals**

In order to amend the terms of the Support Agreement and approve the amendment of the Statement of Rights, a meeting of the Holders of the Preferred Securities has been convened to consider and, if thought fit, pass the Extraordinary Resolution which, subject to certain conditions set out therein, will (a) amend the Support Agreement and approve the amendment of the Statement of Rights; and (b) authorise ÖVAG and ÖVAG Finance to execute the Supplemental Support Agreement to effect the amendments to the Support Agreement referred to in (a) above, all as more fully described in the Extraordinary Resolution.

Holders who have submitted a valid Electronic Order or Consent Instruction (each of which includes an automatic instruction to the Registered Holder to instruct the Tender and Consent Agent (or its nominee) to attend the Meeting and vote in favour of the Extraordinary Resolution) to the Tender and Consent Agent before the Expiration Time (that is not withdrawn before the Expiration Time or otherwise in the limited circumstances in which withdrawal is allowed) will be eligible to receive, subject to satisfaction of the Consent Payment Conditions,

€10 per €1,000 liquidation preference of the Preferred Securities represented by the relevant Consent Instruction or Electronic Order (the "**Consent Payment**") in immediately available funds in cash on the Settlement Date.

The Consent Payment is separate from and independent to any Purchase Price payable to a Holder whose Preferred Securities are accepted for purchase pursuant to the Invitation.

Holders to whom the Invitation is not being made pursuant to the offer restrictions set out in the Invitation Memorandum may also be eligible, to the extent permitted by applicable laws and regulations and subject to satisfaction of the Consent Payment Conditions, to receive an identical amount to the Consent Payment by delivering, or arranging to have delivered on their behalf, a valid Ineligible Holder Instruction (which includes an automatic instruction to the Registered Holder to instruct the Tender and Consent Agent (or its nominee) to attend the Meeting and vote in favour of the Extraordinary Resolution) that is received by the Tender and Consent Agent before the Expiration Time and not withdrawn.

ÖVAG reserves the right in its absolute discretion to withdraw the Proposals at any time before the Meeting (or any adjourned Meeting) or to refrain from entering into the Supplemental Support Agreement even if the Extraordinary Resolution is passed. In the event the Proposals are withdrawn, the Meeting will still be held, but ÖVAG will be under no obligation to enter into the Supplemental Support Agreement to give effect to the amendments to the Support Agreement contained in the Extraordinary Resolution or to pass the resolution of ÖVAG Finance, as a shareholder of ÖVAG Finance, to make the amendments to the Statement of Rights.

### **Participating in the Invitation or the Proposals**

To offer to sell Preferred Securities pursuant to the Invitation or to be eligible to receive the Consent Payment, a Holder should deliver, or arrange to have delivered on its behalf, through the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Electronic Order, Consent Instruction or Ineligible Holder Instruction, as applicable, that is received by the Tender and Consent Agent by the Expiration Time.

**Holders are advised to check with any bank, securities broker or other intermediary through which they hold Preferred Securities whether such intermediary must receive instructions to participate in the Proposals and the Invitation before the deadlines specified in the timeline below.**

### **Expected Transaction Timeline**

| <b>Date</b> | <b>Event</b>  |
|-------------|---|
| 22 May 2012 | Commencement of the Invitation and distribution of the Invitation Memorandum.   |
|             | Notification of the Meeting will be made to (i) Holders in accordance with the Statement of Rights and (ii) Euronext Amsterdam and the Luxembourg Stock Exchange in accordance with the requirements thereof. |

5 p.m., CET, 11 June 2012  
("Expiration Time")

The Invitation expires unless ÖVAG extends or terminates it prior to the Expiration Time in its sole discretion: deadline for receipt by the Tender and Consent Agent of Electronic Orders, Consent Instructions or Ineligible Holder Instructions.

After this time, an Electronic Order, a Consent Instruction or an Ineligible Holder Instruction may only be withdrawn in the limited circumstances set out herein.

12 noon, CET, 12 June 2012

Voting deadline.

Last date for Holders to instruct the Registered Holder to appoint the Tender and Consent Agent as its proxy to attend the Meeting and vote in favour of or against the Extraordinary Resolution in accordance with the Voting Rights, subject to in each case the rights of ÖVAG to re-open, extend, amend and/or withdraw the Invitation.

12 noon, CET, 15 June 2012

Date and time of Meeting of the Holders. Notice of the outcome of the Meeting will be given to Holders as soon as possible thereafter via the Clearing Systems.\*

15 June 2012

Announcement by ÖVAG of (i) whether it accepts offers to sell; (ii) the aggregate liquidation preference of Preferred Securities accepted for purchase (which may be zero); and (iii) the aggregate liquidation preference of the Preferred Securities remaining outstanding following completion of the Invitation.

16 June 2012 – 14 July 2012

Companies Law Article 53 Application Period.

17 July 2012 ("Settlement Date")

Expected Settlement Date.

If ÖVAG has accepted offers to sell Preferred Securities, the Purchase Price will be paid.

If the Consent Payment Conditions are satisfied, the Consent Payment and Ineligible Holder Amount will be paid.

\* *If the Meeting is not quorate on the date stated above, such Meeting shall stand adjourned for such period and to such place as the chairman of the Meeting in his discretion shall determine and, in the event that such Meeting is adjourned, ÖVAG may elect (in its sole and absolute discretion) to re-open the Invitation and/or extend the voting deadline.*

**For further information:**

A complete description of the terms and conditions of the Proposals and the Invitation is set out in the Invitation Memorandum. Further details about the transaction can be obtained from:

## DEALER MANAGERS

### **BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

Tel: +44 207 595 8668

Email: [liability.management@bnpparibas.com](mailto:liability.management@bnpparibas.com)

### **Citigroup Global Markets Limited**

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

Tel: +44 (0) 20 7986 8969

Email:

[liabilitymanagement.europe@citi.com](mailto:liabilitymanagement.europe@citi.com)

## TENDER AND CONSENT AGENT

### **Citibank, N.A., London Branch**

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

Telephone: +44 20 7508 3867

Fax: +44 20 3320 2405

Email: [exchange.gats@citi.com](mailto:exchange.gats@citi.com)

A copy of the Invitation Memorandum is available to eligible persons upon request from the Tender and Consent Agent.

Neither of the Dealer Managers takes responsibility for the contents of this announcement and none of ÖVAG, ÖVAG Finance, the Dealer Managers, the Tender and Consent Agent or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Invitation, or any recommendation as to whether Holders should tender Preferred Securities in the Invitation or vote on the Proposals. This announcement must be read in conjunction with the Invitation Memorandum. No Invitation to acquire any Preferred Securities is being made pursuant to this announcement. Any such Invitation is only being made in the Invitation Memorandum and any such acquisition or acceptance of offers to sell should be made solely on the basis of information contained in the Invitation Memorandum. This announcement and the Invitation Memorandum contain important information which should be read carefully before any decision is made with respect to the Invitation or the Proposals. If any Holder 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.

This press release concerns regulated information (*gereguleerde informatie*) in the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

### **Jurisdictional Restrictions**

#### *General*

Neither this announcement nor the Invitation Memorandum constitute an offer to purchase Preferred Securities. Neither this announcement nor the Invitation Memorandum constitute a solicitation of an offer to sell Preferred Securities in any jurisdiction in which such solicitation or offer is unlawful, and offers to sell will not be accepted from Holders located or resident in any jurisdiction in which such solicitation or offer is unlawful. In those jurisdictions where the securities or other laws require the Invitation to be made by a licensed broker or dealer, any actions in connection with the Invitation shall be deemed to be made on behalf of ÖVAG by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

The distribution of the Invitation Memorandum in certain jurisdictions is restricted by law. Persons into whose possession the Invitation Memorandum comes are required by ÖVAG, ÖVAG Finance, the Dealer Managers and the Tender and Consent Agent to inform themselves about, and to observe, any such restrictions.

Holders and Registered Holders with any questions on the Proposals or Invitation should contact the Dealer Managers for further information.

#### **United States**

The Invitation 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 no offer to sell Preferred Securities may be made by any such use, means, instrumentality or facility from or within the United States, or by any U.S. Person (as defined in Regulation S of the United States Securities Act of 1933, as amended (each a "**U.S. Person**")) or by persons located or resident in the United States. Accordingly, copies of the Invitation Memorandum and any other documents or materials relating to the Invitation are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded 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 Preferred Securities resulting directly or indirectly from a violation of these restrictions will be invalid and offers to sell Preferred Securities made by a U.S. Person, by any person acting for the account or benefit of a U.S. Person, or by 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 located or resident in the United States will not be accepted. For the purposes of this paragraph, United States means the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States of America and the District of Columbia.

#### **Italy**

None of the Invitation, the Invitation Memorandum or any other documents or materials relating to the Invitation have been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* (CONSOB). The Invitation is being carried out in the Republic of Italy (Italy) as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the 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

("CONSOB Regulation"). Holders can offer the Preferred Securities through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in 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 September 1, 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

#### **United Kingdom**

The communication of the Invitation Memorandum and any other documents or materials relating to the Invitation are 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 Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or to other persons to whom it may lawfully be communicated in accordance with the Order.

#### **Belgium**

The Invitation Memorandum is not addressed to, and may not be accepted by, any Holder or Registered Holder who is resident in Belgium and is not a qualified investor (*investisseur qualifié/gekwalificeerde belegger*) as defined pursuant to Article 10 of the Belgian law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets.

#### **France**

Neither the Invitation Memorandum, nor any other offering material or information relating to the Invitation, has been submitted for clearance to 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 the French Republic, 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, 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*.

#### **General**

Neither the Invitation Memorandum nor the electronic transmission thereof constitutes an offer to buy or the solicitation of an offer to sell the Preferred Securities (and any offer to sell the Preferred Securities pursuant to the Invitation will not be accepted from Holders) in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require the Invitation to be made by a licensed broker or dealer and the Dealer Managers or any of its affiliates is such a licensed broker or dealer in any such jurisdiction, such Invitation shall be deemed to be made by the Dealer Managers or such affiliate, as the case may be, on behalf of ÖVAG in such jurisdiction. ÖVAG may accept offers to sell made by a Holder if such acceptance will not result in a breach of any applicable laws, rules or regulations.



In addition to the representations referred to above in respect of the United States, each Holder participating in the Invitation will be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in the Invitation Memorandum. Any offer to sell Preferred Securities made by a Holder that is unable to make these representations will not be accepted.

In the case of the Proposals, each Holder participating in the Proposals as an Ineligible Holder will also be deemed to give certain representations as to that Holder's status as an Ineligible Holder, and to give certain other representations as set out in the Invitation Memorandum in respect of any submission of an Ineligible Holder Instruction in favour of the Proposals. Each of ÖVAG, ÖVAG Finance, the Dealer Managers and the Tender and Consent Agent reserves the right, in its sole and absolute discretion, to investigate, in relation to any offer to sell Preferred Securities or submission of an Ineligible Holder Instruction in favour of the Proposals, whether any such representation given by a Holder is correct and, if such investigation is undertaken and as a result ÖVAG determines (for any reason) that such representation is not correct, such offer to sell may be rejected.

Stock exchange listed issues of participation capital issued by Österreichische Volksbanken-Aktiengesellschaft:

ISIN:

AT0000755665 Österreichische Volksbanken-AG Partizipationsscheine  
XS0359924643 EUR 500,000,000 Perpetual Non Cumulative Participation Capital  
Certificates

The five biggest listed issues of Österreichische Volksbanken-Aktiengesellschaft in terms of issue volume:

ISIN:

XS0451759012  
XS0417722393  
AT000B053442  
XS0275528627  
AT000B061437

The issues of Österreichische Volksbanken-Aktiengesellschaft are admitted on the following stock exchanges:

Second Regulated market of Wiener Börse AG  
Official trading of Wiener Börse AG  
Regulated market of Baden-Württembergische Wertpapierbörse  
Regulated market of the Prague Stock Exchange  
Regulated market of the Luxembourg Stock Exchange  
Open Market of Berlin Stock Exchange  
Open Market of Stuttgart Stock Exchange  
Open Market of Frankfurt Stock Exchange