

**Oesterreichische Volksbanken-AG (VBAG) revalues portfolio of participations – write-downs of book values of Volksbank Romania and Investkredit – capital ratios remain stable**

**Modification of Schultze-Delitzsch Genossenschaftsverbund – Volksbanks are moving closer together**

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- Write-downs on book values of Volksbank Romania S.A. and Investkredit Bank AG in an amount of approximately EUR 700 million affect VBAG's results
- The preview for the year 2011 shows an expected loss between EUR 500 million and EUR 750 million in the consolidated IFRS group results
- Capital ratios are solid with an expected tier I ratio of 10.4% per year-end
- Due to the deteriorating market environment the first tranche of the participation capital held by the Republic of Austria will not be redeemed as scheduled
- The planned de-merger of VBAG's banking operations to Investkredit will not take place in 2011
- Structural reform of the Association of Volksbanks - Volksbanks will move closer together as a result of the planned modifications of the Schultze-Delitzsch Genossenschaftsverbund

The intensifying financial markets crisis, the major deterioration of the market environment for banks and the worsening economic outlook affect VBAG's results. Extraordinary write-downs on country risks and on participations significantly affect VBAG's full year results as well as the implementation of the planned measures.

The current economic environment (volatile markets, sovereign crisis, imminent recession in Europe) resulted in a drastic decline of market values of financial assets over the last months. This led VBAG's board of directors to revalue the portfolio of participations. The book values of Volksbank Romania S.A. and of Investkredit Bank AG will be written down by approximately EUR 700 million in VBAG's single entity statement.

The write-downs on participations together with the write-downs on sovereign risk in the first half year have a pronounced negative effect on VBAG's results. The preview for the 2011 results shows a loss of approximately EUR 900 million in the single entity statement (within a range of +/- EUR 150 million depending on the economic development over the next months). A loss between EUR 500 million and EUR 750 million is expected on the consolidated IFRS level.





Despite the expected losses, capital ratios remain solid. The write-downs are one-off effects which are mostly attributable to intra-group valuations, the regulatory capital base will decrease only by approximately EUR 200 million. The sale of Volksbank International (excluding Volksbank Romania) has a positive effect on capitalization. The tier I ratio in relation to credit risk is expected to reach 10.4% and the equity ratio is anticipated to amount to 13.7% by year-end.

Due to the financial markets crisis and the deteriorating economic outlook, the first tranche (EUR 300 million) of the participation capital held by the Republic of Austria will not be redeemed as scheduled for prudential reasons. Furthermore, the de-merger of VBAG's banking business to Investkredit which was planned for this year will not take place in 2011.

Currently the board of directors and the core shareholders of VBAG are discussing measures to strengthen VBAG's capitalization. Part of these discussions is the modification of the Schulze-Delitzsch Genossenschaftsverband (mutual support scheme of Volksbank sector) according to Article 3 of the directive 2006/48/EC (part of the European application of Basel II) and to Article 9 of the CCR I draft (Capital Requirements Regulation I, which is the directly applicable regulatory part of the Basel III execution on the European level). These legal requirements regulate the consolidation of banking networks interlinked by a central institution for regulatory monitoring purposes. The modification of the Genossenschaftsverband will result in a structural reform of the Association of Volksbanks. Regional Volksbanks and VBAG will move closer together, cooperation between the central institution and regional Volksbanks will be further strengthened. A resolution to implement such modifications was adopted today. We will provide more detailed information on the new mutual support scheme as soon as possible.

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