



ÖVAG Finance (Jersey) Limited

(incorporated with limited liability under the laws of Jersey)

EUR 250,000,000

Fixed/Floating Rate Non-cumulative Non-voting Preferred Securities

(liquidation preference of EUR 1,000 per Preferred Security)

having the benefit of a support agreement entered into with

Österreichische Volksbanken-AG

(incorporated as a joint stock company in the Republic of Austria)

250,000 Fixed/Floating Rate Non-cumulative Non-voting preferred securities with a liquidation preference of EUR 1,000 each (the "Preferred Securities") are proposed to be issued by ÖVAG Finance (Jersey) Limited (the "Issuer") on 22 September 2004 (the "Closing Date"). The holders of the Preferred Securities will have the benefit of a support agreement to be entered into by Österreichische Volksbanken-AG ("ÖVAG") and the Issuer, as further described in "Support Agreement" herein, and in connection therewith the Issuer will have the benefit of an intercompany agreement to be entered into between the Issuer and ÖVAG, as further described in "Intercompany Agreement" herein.

The Preferred Securities will entitle holders to receive (subject to the limitations described in "Statement of Rights of the Preferred Securities") non-cumulative cash dividends payable at a fixed rate of 6.00 per cent. per annum in respect of the first Dividend Period (as defined herein) and, thereafter, at a floating rate equal to the aggregate of the prevailing Reference Rate (as defined herein) and 0.10 per cent. per annum, provided that the dividend rate shall be capped at 9.00 per cent. per annum. Dividends will be payable (a) in respect of the first dividend period, on 22 September 2005 and (b) thereafter semi-annually in arrear on the Dividend Payment Date (as defined herein) falling on 22 March and 22 September in each year, commencing on 22 March 2006.

The Preferred Securities will be redeemable at the option of the Issuer, (subject to Jersey law, the prior consent of ÖVAG and provided that the Preferred Securities are (subject to certain exceptions) substituted by capital of equal or better quality unless the Financial Market Authority (as defined herein) determines that ÖVAG and the Credit Institute Group (as defined herein) have sufficient Own Funds required for an adequate risk coverage even after repayment of the Preferred Securities), in whole but not in part, at EUR 1,000 per Preferred Security plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period to the specified Optional Redemption Date, on the Dividend Payment Date falling on 22 September 2011 or any Dividend Payment Date falling thereafter and, for taxation reasons or capital reasons, on any Dividend Payment Date, subject as described herein.

In the event of the liquidation, dissolution or winding-up of the Issuer, holders of Preferred Securities will be entitled to receive for each Preferred Security a liquidation preference of EUR 1,000 plus accrued and unpaid dividends (whether or not declared) for the then current applicable Dividend Period to the date of payment, subject as described herein.

Application has been made for the Preferred Securities to be admitted to listing on the Official Segment of the Stock Market of Euronext Amsterdam N.V. ("Euronext Amsterdam") and the Luxembourg Stock Exchange. This Offering Circular constitutes a prospectus for the purpose of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam.

BNP PARIBAS

JPMORGAN

DZ BANK AG

20 September 2004.

A copy of this Offering Circular has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue by the Issuer of the Preferred Securities.

In giving such consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

The Issuer confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer and the Preferred Securities which is material to the issue of the Preferred Securities, that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular on the part of the Issuer are honestly held and that there are no other facts the omission of which makes any such information or the expression of any such opinion or intention misleading in any material respect. The Issuer accepts responsibility accordingly.

ÖVAG confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer, ÖVAG, the ÖVAG Group (as defined in "Österreichische Volksbanken-AG") and the Preferred Securities which is material to the issue of such Preferred Securities, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole or any such information or the expression of any such opinion or intention misleading in any material respect. ÖVAG accepts responsibility accordingly.

This Offering Circular may only be used for the purposes for which it has been published.

No person has been authorised to give information or to make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, ÖVAG, or the Managers (as defined in "Subscription and Sale"). Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer, ÖVAG or the ÖVAG Group since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Preferred Securities and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, ÖVAG and the Managers to subscribe for or purchase any of the Preferred Securities.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Preferred Securities. It should be remembered that the price of securities and the income from them can go down as well as up. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preferred Securities, he or she should consult his or her professional advisers.

The distribution of this document and the offering of the Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, ÖVAG or the Managers to inform themselves about, and to observe any such restrictions.

Preferred Securities may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Preferred Securities have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act"). Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered within the United States or to U.S. persons.

A further description of certain restrictions on the offering and sale of the Preferred Securities and on the distribution of this document is given under "Subscription and Sale" below.

The Preferred Securities are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Preferred Securities.

Unless otherwise specified or the context requires, references to "euro", "Euro" and "EUR" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

In connection with the issue of the Preferred Securities, J.P. Morgan Securities Ltd. (the "**Stabilising Manager**") (or any duly appointed person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws and regulations. When conducted by Dutch persons or entities anywhere in the world or by non-Dutch persons or entities in The Netherlands, such stabilising will be conducted in accordance with the rules of the Further Conduct of Business Regulation to the Dutch Securities Market Supervision Act (*Nadere Regeling gedragstoezicht effectenverkeer 2002*) and will in any event be discontinued within 30 days after the Closing Date. Any stabilisation transactions conducted on the stock market of Euronext Amsterdam will be conducted by a member of Euronext Amsterdam.

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DOCUMENTS INCORPORATED BY REFERENCE

The most recently published, audited, annual, consolidated and non-consolidated financial statements of ÖVAG for the years ended 31 December 2003, 31 December 2002 and 31 December 2001 shall be deemed to be incorporated in, and to form part of, this Offering Circular. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in compliance with the Austrian Commercial Code (*Handelsgesetzbuch*) and the Austrian Banking Act (*Bankwesengesetz*).

Save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuer and ÖVAG will, at the specified offices of the Principal Paying and Transfer Agent, the Paying Agents, the Amsterdam Listing Agent and the Luxembourg Listing Agent, provide, free of charge, upon the oral or written request therefore, a copy of this Offering Circular (or any document incorporated by reference in this Offering Circular). Written or oral requests for such documents should be directed to the specified office of the Principal Paying Agent, or the specified office of JPMorgan Chase Bank as Principal Paying and Transfer Agent, BNP Paribas Securities Services, Luxembourg Branch as Paying Agent and Luxembourg Listing Agent in Luxembourg and ABN AMRO Bank N.V. as Paying Agent and Amsterdam Listing Agent in the Netherlands.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Circular.

Issuer:	ÖVAG Finance (Jersey) Limited, an indirect majority-owned consolidated subsidiary of the Parent, incorporated in Jersey and organised under the Companies (Jersey) Law 1991, as amended.
Parent:	Österreichische Volksbanken-AG.
Issue Size:	EUR 250,000,000.
Issue Details:	250,000 Fixed/Floating Rate Non-cumulative Non-voting Preferred Securities each with a liquidation preference of EUR 1,000. The net proceeds of the issue will be used to strengthen the capital base of the ÖVAG Group.
Maturity:	The Preferred Securities are perpetual and have no maturity.
Dividends:	<p>Dividends will be payable (a) in respect of the period from (and including) 22 September 2004 to (but excluding) 22 September 2005 at the rate of 6.00 per cent. per annum payable in arrear on 22 September 2005 and (b), thereafter, Dividends will be payable semi-annually in arrear on each Dividend Payment Date at a floating rate equal to the aggregate of the prevailing Reference Rate and 0.10 per cent. per annum, provided that the dividend rate shall be capped at 9.00 per cent. per annum.</p> <p>Dividends are non-cumulative. If in accordance with the Articles of Association of the Issuer no Dividend falls to be paid in any Dividend Period (as defined in "Statement of Rights of the Preferred Securities"), then the rights to such Dividend shall lapse.</p>
Dividend Payment Date:	22 September 2005 and, thereafter, 22 March and 22 September in each year, commencing on 22 March 2006, and shall remain unadjusted if any such Dividend Payment Date falls on a date which is not a Business Day (as defined in "Statement of Rights of the Preferred Securities").
Reference Rate:	In respect of a relevant Dividend Period, the 10-year mid swap rate in EUR (annual, 30/360) versus 6 month EURIBOR (semi-annual, ACT/360) which appears on Reuters Page "ISDAFIX2" under the heading "EURIBOR BASIS" and above the caption "11:00 AM CET" (as such headings and captions may appear from time to time) as of 11:00 am Central European time, on the second Business Day prior to the first day of such Dividend Period.
Support Agreement:	The holders of the Preferred Securities will have the benefit of a support agreement to be entered into as a deed poll by the Parent and the Issuer in respect of the obligations of the Issuer under the Preferred Securities (the " Support Agreement "). In connection with the Support Agreement, the Issuer will have the benefit of an intercompany agreement to be entered into between the Issuer and the Parent (the " Intercompany Agreement ") in respect of the Parent's obligations under the Support Agreement. See "Support Agreement" and "Intercompany Agreement" below.
Restrictions on Payments:	The Parent will not be obliged to make any payment in respect of Dividends under the Support Agreement in respect of any fiscal year:

(a) to the extent that such Dividends, together with the amount of:

(i) any Dividends (including any Additional Amounts (as defined in "Statement of Rights of the Preferred Securities") in respect thereof) previously paid by the Issuer in respect of the Preferred Securities in respect of such fiscal year;

(ii) any Dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities (as defined in "Statement of Rights of the Preferred Securities") in respect of such fiscal year; and

(iii) any Dividends proposed to be paid on, or payments proposed to be made to holders in respect of, the Preferred Securities or Dividend Parity Securities in respect of such fiscal year,

would exceed Distributable Funds (as defined in "Statement of Rights of the Preferred Securities") for the prior fiscal year; or

(b) even if sufficient Distributable Funds are available, to the extent that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Austrian Banking Act 1993, as amended, the Parent would be limited in making payments on Dividend Parity Securities.

In the event that the payments described above cannot be made in full by reason of any such limitation, such payments will be made *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

The above restrictions are imposed *mutatis mutandis* on payments by the Issuer of Dividends in respect of the Preferred Securities.

If no payment is made by the Parent under the Support Agreement pursuant to the foregoing provisions, the entitlement of the holders of Preferred Securities to enforce payment by the Parent to the Issuer shall lapse, and no payment in respect of any missed or reduced Dividend need be made at any time by the Issuer or by the Parent in such circumstances.

If on any Dividend Payment Date, Dividends are not paid in full on the Preferred Securities by the Issuer, no dividend or other distribution (including redemption or repurchases) may be made by the Parent in respect of Bank Share Capital (as defined in "Statement of Rights of the Preferred Securities") until such time as full payment of Dividends on the Preferred Securities is resumed.

If on any Dividend Payment Date, Dividends are not paid at all on the Preferred Securities by the Issuer, no dividend or other distribution (including redemption or repurchases) may be made by the Parent on any Dividend Parity Security during the then fiscal year until such time as full or *pro rata* payment of Dividends on the Preferred Securities is resumed.

Withholding Tax and Additional Amounts:

The Issuer will, subject to the exceptions described in "Statement of Rights of the Preferred Securities", pay such Additional Amounts to each holder of the Preferred Securities as may be necessary in order that every net payment in respect of the Preferred Securities, after withholding for any taxes

imposed by Jersey or Austria upon or as a result of such payment, shall equal the amounts which would be required to be paid in the absence of such withholding.

Optional Redemption:

The Preferred Securities are redeemable, subject to applicable legislation and the prior consent of the Parent, in whole but not in part, at the option of the Issuer, on the Dividend Payment Date falling on 22 September 2011 or any Dividend Payment Date thereafter, upon not less than 30 and not more than 60 Business Days' notice to the holders of Preferred Securities, to be redeemed at EUR 1,000 per Preferred Security plus accrued and unpaid Dividends for the then current Dividend Period to the specified Optional Redemption Date provided that the Preferred Securities which are redeemed are substituted by capital of equal or better quality, unless the Financial Markets Supervisory Authority (as defined in the Act) (the "FMA") determines that the Parent and the Credit Institute Group have sufficient Own Funds (as defined in the Act) required for an adequate risk coverage even after repayment of the Preferred Securities. Upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Preferred Securities accordingly.

Redemption for Tax Reasons and Capital Reasons:

In addition, subject to the conditions mentioned below, the Preferred Securities are redeemable at the option of the Issuer, subject to applicable legislation and to the prior consent of the Parent and provided (subject to certain exceptions) that the Preferred Securities are substituted by capital of equal or better quality, unless the FMA determines that the Parent and the Credit Institute Group have sufficient Own Funds required for an adequate risk coverage even after repayment of the Preferred Securities, in whole but not in part, at EUR 1,000 per Preferred Security plus accrued and unpaid Dividends for the then current Dividend Period to the Optional Redemption Date, if (i) the Issuer is or would be required to pay Additional Amounts in respect of payments due on the Preferred Securities; or (ii) (a) the statutory recognition of the Preferred Securities as Tier I regulatory capital as part of the Own Funds (as defined in the Act) of the Parent for Austrian capital adequacy purposes on a consolidated basis is changed, or (b) as a result of a change in law or regulation or the interpretation thereof, payments made directly by the Support Provider or any Subsidiary on any Investments (as defined in "Statement of Rights of the Preferred Securities") cease to be fully deductible as expenses for income tax purposes.

Rights upon Liquidation:

In the event of the liquidation, dissolution or winding-up of the Issuer, holders of Preferred Securities will be entitled to receive for each such Preferred Security a liquidation preference of EUR 1,000 plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the date of payment.

Notwithstanding the availability of sufficient assets of the Issuer to pay any liquidation distribution to the holders of the Preferred Securities as aforesaid, if, at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Parent, the liquidation distribution to be paid to holders of Preferred Securities and Asset Parity Securities shall not exceed the

amount per security that would have been paid as the liquidation distribution from the assets of the Parent (after payment in full in accordance with Austrian law of all creditors of the Parent, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the obligations of the Parent under the Support Agreement) had the Preferred Securities and all such Asset Parity Securities been issued by the Parent and ranked (i) junior to all liabilities of the Parent (other than any liability expressed to rank *pari passu* with or junior to the obligations of the Parent under the Support Agreement), (ii) *pari passu* with all Asset Parity Securities of the Parent and (iii) senior to Bank Share Capital.

The Parent has undertaken in the Support Agreement that, so long as any of the Preferred Securities are outstanding, unless the Parent itself is in liquidation, the Parent will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

Voting Rights:

Holders of the Preferred Securities will not be entitled to vote at any general meeting of shareholders of the Issuer. Holders of the Preferred Securities together with the holders of any preferred securities, preference shares or other securities of the Issuer having the right to vote for the election of Directors in such event are entitled to elect two additional Directors to the Issuer's Board of Directors if Dividends and any Additional Amounts in respect of such Dividends have not been paid in full for two consecutive Dividend Periods. Such Directors must vacate their office if, for two subsequent, consecutive Dividend Periods, Dividends and any Additional Amounts in respect of such Dividends are paid by the Issuer in full. For a fuller description, see "Statement of Rights of the Preferred Securities".

Form of the Preferred Securities:

The Preferred Securities will be issued in registered form. On the Closing Date, a single certificate representing the Preferred Securities will be deposited with JPMorgan Chase Bank (the "**Common Depository**") as common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The initial certificate will be issued, and the Preferred Securities will be registered, in the name of Chase Nominees Limited as nominee for the Common Depository. For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If either or both of Euroclear and Clearstream, Luxembourg announces an intention permanently to cease business and the Issuer is unable to locate a qualified successor within 60 days of receiving notice of, or becoming aware of, such intention, the number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the initial certificate will be transferred to each holder of Preferred Securities, and each such holder will be registered as a holder of the Preferred Securities in the register of members maintained by the Issuer, and receive a certificate

made out in its name. Other than in the circumstances referred to in this paragraph, definitive share certificates will not be available to holders of the Preferred Securities.

Ratings:

On issue, the Preferred Securities are expected to be assigned a Baa1 rating by Moody's Investor Services, Limited. A rating is not a recommendation to buy, sell or hold securities or shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Governing Law:

The Preferred Securities will be governed by and construed in accordance with the law of Jersey. The Support Agreement and the Intercompany Agreement will be governed by and construed in accordance with English law, save that the provisions concerning the ranking of the Support Agreement and the Intercompany Agreement and the definition of "Distributable Funds" described in "Statement of Rights of the Preferred Securities" will be governed by, and construed in accordance with, Austrian law.

Listing:

Application has been made to list the Preferred Securities on Euronext Amsterdam N.V. and on the Luxembourg Stock Exchange.

USE OF PROCEEDS

The proceeds of the issue will be used to strengthen the capital base of the ÖVAG Group. After payment of fees, commissions and expenses, the net proceeds of the issue which will be available to ÖVAG are expected to amount to approximately EUR 242,500,000.

THE ISSUER

History

The Issuer was incorporated in Jersey on 23 August 2004 (registered number 88372) for an unlimited duration and with limited liability under the laws of Jersey.

The registered office of the Issuer is 22 Grenville Street, St Helier, Jersey JE4 8PX. The Issuer has no place of business in Austria.

Business

The Issuer is a direct wholly-owned subsidiary of Volksbank Malta Ltd. (“**Volksbank Malta**”), 53 Dingli Street, Sliema, SLM 09, Malta and an indirect majority-owned (91.59 per cent.) subsidiary of ÖVAG and its sole purpose is the issue of the Preferred Securities.

As is stated on page 2 of this Offering Circular, the issue of the Preferred Securities requires the consent of the Jersey Financial Services Commission under the Control of Borrowing (Jersey) Order 1958, which consent will have been obtained as at the date of issue of the Preferred Securities. This consent will be subject to conditions which must be complied with on an ongoing basis. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the incorporation of the Issuer a significant effect on the financial position of the Issuer.

Share Capital

(a) The existing issued ordinary shares are not listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V. or on the Luxembourg Stock Exchange or on any other stock exchange and are not dealt on any other recognised market.

(b) The Issuer was established with an authorised share capital consisting of an unlimited number of shares of no par value designated as ordinary shares and an unlimited number of shares of no par value designated as preferred securities. Two ordinary shares were issued and fully paid at an issue price of EUR 1 each on incorporation of the Issuer. Save as described, there has been no subsequent change in the share capital of the Issuer.

(c) The holders of the ordinary shares in the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Preferred Securities.

(d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Capitalisation of ÖVAG Finance (Jersey) Limited

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at 20 September 2004, adjusted to give effect to the issue of the Preferred Securities to be issued on 22 September 2004.

	As at 20 September 2004
	<i>(in EUR)</i>
Short-term liabilities	—
Long-term liabilities	—
Stockholders' equity	
Share capital	250,000,002
Reserves	—
Retained earnings	—
Total stockholders' equity	250,000,002
Total capitalisation	250,000,002

Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness in the nature of borrowings and has had no contingent liabilities or granted any guarantees.

Directors

(a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

<u>Name</u>	<u>Function in the Issuer</u>	<u>Principal Activity Outside the Issuer</u>	<u>Domicile</u>
Julia Chapman	Director	Solicitor of the Royal Court of Jersey	Jersey
Gareth Essex-Cater	Director	Corporate Administration Manager	Jersey
Daniel Le Blancq	Director	Corporate Administration Manager	Jersey
Herbert Skok	Director	Board Member, Volksbank Malta	Malta

(b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature or conditions or is or was significant to the business of the Issuer since its incorporation.

No Director has any legal or beneficial interest, whether or not held by a third party, in the share capital of the Issuer.

At the date of this document there were no loans granted or guarantees provided by the Issuer to any Director of the Issuer.

Julia Chapman is a partner of Mourant du Feu & Jeune, the legal adviser to the Issuer as to matters of Jersey law and of the Mourant Group, the ultimate owner of Mourant & Co. Limited, to which fees are payable for providing corporate administration services to the Issuer, including provision of a secretary through its subsidiary company, Mourant & Co. Secretaries Limited. Julia Chapman is also a director of Mourant & Co. Limited. Gareth Essex-Cater and Daniel Le Blancq are employees of the Mourant Group and are corporate administration managers of Mourant & Co. Limited. Herbert Skok is a board member of Volksbank Malta.

(c) As at the date of this document, the Directors have not received any remuneration for the provision of their services to the Issuer.

The remuneration of the Directors shall from time to time be determined by the Issuer in a general meeting.

(d) The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, and provided that he has disclosed to the Directors the nature and extent of any of his interests which conflict or may conflict to a material extent with the interests of the Issuer at the first meeting of the Directors at which a transaction is considered or as soon as practical after the meeting by notice in writing to the Company Secretary of the Issuer or has otherwise previously disclosed that he is to be regarded as interested in a transaction with a specified person, a Director notwithstanding his office:

(i) may be a party to, or otherwise interested in, any transaction or arrangement with the Issuer or in which the Issuer is otherwise interested;

(ii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Issuer or in which the Issuer is otherwise interested; and

(iii) shall not, by reason of his office, be accountable to the Issuer for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he is removed from office by an ordinary resolution of the Issuer in a general meeting.

For purposes of the Issuer's Articles of Association, "**Law**" means the Companies (Jersey) Law, 1991, as amended.

Employees

The Issuer has no employees.

Secretary

The Secretary of the Issuer is Mourant & Co. Secretaries Limited of 22 Grenville Street, St. Helier, Jersey JE4 8PX.

General

(a) Since 23 August 2004, the date upon which the Issuer was incorporated, there has been no significant change in the trading or financial position of the Issuer.

(b) KPMG Channel Islands Limited of P.O. Box 453, 5 St. Andrews Place, Charing Cross, St. Helier, Jersey JE4 8WQ are to be appointed as auditors to the Issuer.

(c) No accounts have been prepared for the Issuer nor have any dividends been declared or paid since the date of the Issuer's incorporation.

(d) As at the date of issue of the Preferred Securities no transactions will have occurred since incorporation of the Issuer other than (i) the allotment of the shares described under "**Share Capital**" and (ii) the execution of the Support Agreement, the Intercompany Agreement, Subscription Agreement and the Agency Agreement described in this Offering Circular and of a Corporate Administration Agreement dated on or about such date and made between the Issuer and Mourant & Co. Limited.

ÖSTERREICHISCHE VOLKSBANKEN-AG

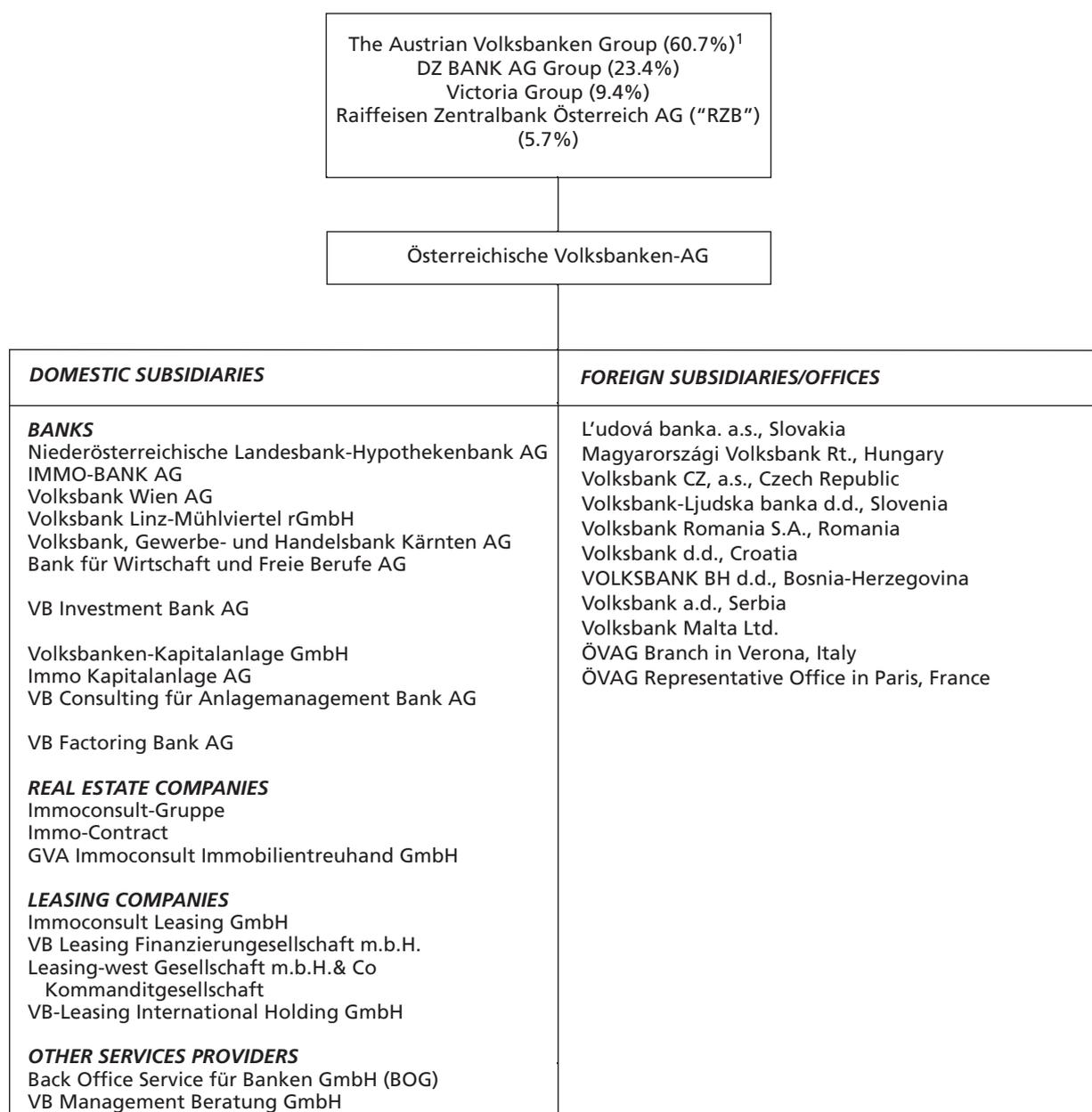
Introduction

Österreichische Volksbanken-AG ("ÖVAG") has its registered office at Peregringasse 3, A-1090 Vienna, Austria. ÖVAG was established under Austrian law on 4 November 1922 as a "*Genossenschaft mit beschränkter Haftung*", named *Österreichische Zentralgenossenschaftskasse, registrierte Genossenschaft mit beschränkter Haftung* a co-operative with limited liability and is now registered at the Austrian companies register under the name "*Österreichische Volksbanken-Aktiengesellschaft*" and with registration number FN116476p. In 1974, ÖVAG changed its status to a company limited by shares.

ÖVAG was originally established as the umbrella organisation for regional credit co-operatives and primary banks, which are members of the *Fachverband der Kreditgenossenschaften nach dem System Schulze-Delitzsch* (Federation of Austrian Credit Co-operatives), under the name "*Österreichische Zentralgenossenschaftskasse, registrierte Genossenschaft mit beschränkter Haftung*". ÖVAG is now the central institution of the Austrian Volksbanken (as defined below) as well as an independent commercial bank providing investment, corporate and mortgage banking services.

The Austrian Volksbanken Group (the "**Austrian Volksbanken Group**") consists of 66 local credit co-operatives (the "**Austrian Volksbanken**"), ÖVAG and the *Österreichische Genossenschaftsverband (Schulze-Delitzsch)* (the Federation of Austrian Co-operatives) the "**ÖGV**"). The majority of ÖVAG's shares are held by the Austrian Volksbanken Group and, in particular, by Volksbanken Holding registrierte Genossenschaft mit beschränkter Haftung ("**Volksbanken Holding**"), which is owned by 58 of the Austrian Volksbanken and 18 other co-operative (commercial) institute members of the ÖGV. No Austrian Volksbank or other co-operative holds more than 10 per cent. of the share capital of Volksbanken Holding. ÖVAG and its subsidiaries (the "**ÖVAG Group**") operate under the *Volksbank* brand, which is owned by the Federation of Austrian Credit Co-operatives and used both in Austria and in Central and Eastern Europe, offering their customers and partners, principally the Austrian Volksbanken and small and medium sized business enterprises ("**SMEs**"), a range of financial services both in Austria and other countries in Central and Eastern Europe ("**CEE**") and Malta.

The following structure chart shows ÖVAG's principal shareholders and ÖVAG's major domestic and foreign subsidiaries and offices:



Note:

1 Of the 60.7 per cent., 59.02 per cent. is held by Volksbanken Holding and 1.68 per cent. is held by other institutes of the Austrian Volksbanken Group.

The Federation of Austrian Co-operatives

The Austrian Volksbanken

The first tier of the Austrian Volksbanken consists of 66 local credit co-operatives. Including ÖVAG, the Austrian Volksbanken sector maintains approximately 600 branches Austria-wide and employs a total staff of 5,100. The total assets of the Austrian Volksbanken amount to approximately EUR 33.8 billion, according to the Austrian National Bank (*Oesterreichische Nationalbank*) (the "OeNB"). The Austrian Volksbanken have some 650,000 private clients and close to 30,000 corporate customers. Approximately 500,000 members constitute the core of the Austrian Volksbanken.

Co-operative Structure

In the financial services industry, the co-operative structure has certain advantages. Local staff have closer ties with their customers, both because of long-standing relationships and because such customers may also themselves be members of a co-operative. The staff and particularly the senior management at the local banks can be highly motivated because of their responsibilities towards local business activities. A low staff turnover and greater continuity of senior management are also considered to be strengths of the co-operatives structure. This is of particular relevance to the core strategy of the Austrian Volksbanken, which is to establish and maintain partnerships with customers. In addition, the consensus building approach used to develop key strategies is more readily acceptable to the Austrian Volksbanken as a whole.

Furthermore, in addition to a statutory deposit insurance fund, which, in the event that a bank is declared bankrupt, guarantees customers' deposits up to the amount of EUR 20,000, the Austrian Volksbanken have established a voluntary institutional protection system. In the event that an Austrian Volksbank is declared bankrupt, assistance may be provided to it by a special purpose fund (the "**Joint Security Fund**") funded by contributions and admission fees paid by the Austrian Volksbanken and ÖVAG. Each individual Austrian Volksbank participates in the Joint Security Fund. No Austrian Volksbank has an absolute right to claim assistance from the Joint Security Fund.

Corporate Purpose

The principal corporate purpose of ÖVAG is to further the interests both of the Austrian Volksbanken and their members as well as those of SMEs. According to its articles of association, ÖVAG's object as central institution of the Austrian Volksbanken, is to engage in all types of banking operations domestically and internationally including performing the following tasks for the Austrian Volksbanken:

- (i) managing and investing liquidity funds especially the liquidity reserves of the Austrian Volksbanken placed at its disposal;
- (ii) granting loans to the Austrian Volksbanken, providing them with technical support in their lending operations and offering temporary liquidity support, as well as facilitating money and business transactions between them and also with third parties;
- (iii) making cash free payment transfers and providing other banking services, assuring such transfers and services and their further technological development and advertising for such payment transfers and banking services; and
- (iv) issuing funded debentures.

Business Profile

Overview

ÖVAG and the Austrian Volksbanken were, as at 31 December 2003, the fifth largest bank group in Austria in terms of asset size, with an overall market share of approximately 5 to 7 per cent. in Austria with respect to loans and deposits, according to OeNB Statistics with respect to the ÖVAG Group figures. Together with the Austrian Volksbanken, ÖVAG operates a domestic franchise, particularly with regard to the areas of retail banking and the provision of services to SMEs. ÖVAG also aims to strengthen its profitability and market position by focusing on providing services to larger-sized Austrian enterprises.

ÖVAG reported a consolidated net income of EUR 56.5 million for the year ended 31 December 2003, which, as compared with ÖVAG's consolidated net income for the year ended 31 December 2002, represents an increase of EUR 10.4 million (or 22.6 per cent.). The result on ordinary operations of the ÖVAG Group for the year ended 31 December 2003 stood at EUR 119.3 million, exceeding the result on ordinary operations for the year ended 31 December 2002 by EUR 32.0 million or 36.7 per cent.

On 27 May 2003, ÖVAG acquired a 100 per cent. stake in Trust Banka a.d., Belgrade, now called Volksbank a.d. ("**Volksbank Serbia**"). On the date of initial consolidation, Volksbank Serbia reported assets amounting to EUR 16,445,000 and its equity stood at EUR 10,724,000. In December 2003, the European Bank for Reconstruction and Development (the "**EBRD**") carried out a capital increase, raising the nominal capital of Volksbank Serbia by EUR 1,312,000 with a premium of 98.10%. This resulted in a decrease of ÖVAG's holding in Volksbank Serbia to

85.46 per cent. As a consequence, an amount of EUR 806,000 of the total asset-side differential amount of EUR 5,547,000 from the initial consolidation was adjusted, which did not affect net income in the fiscal year 2003. The residual differential amount of EUR 4,740,000 was immediately reported in the ÖVAG Group's profit and loss account. Volksbank Serbia contributed a loss of EUR 579,000 to the ÖVAG Group's net income for the fiscal year 2003.

The following table sets out certain financial and other information relating to ÖVAG, the ÖVAG Group and the Austrian Volksbanken Group for the year ended 31 December 2003:

	ÖVAG	ÖVAG Group
	<i>in billions of EUR</i>	
Total Assets	12.79	21.56
Loans and Advances to Credit Institutions	4.43	3.31
Loans and Advances to Customers	4.29	12.5
Liabilities to Credit Institutions.....	6.17	5.92
Liabilities to Customers	0.71	5.59
Own Funds	0.98	1.5
Number of Staff.....	585	4,656

Strategy

Over the last few years, ÖVAG has pursued its so called "tripod strategy", which consists of the following three "legs":

- (i) fulfilling its role as the central financial institution of the Austrian Volksbanken;
- (ii) enhancing its position as a partnership orientated commercial bank for Austrian companies and international companies represented in Austria; and
- (iii) enlarging its operational platform as a universal banking group with a clear focus on CEE.

Central Institution of the Austrian Volksbanken

ÖVAG considers its function as the central institution of the Austrian Volksbanken to be its most important role. It has become more important since the late nineties, mainly as a result of a rapidly changing environment for banks all over the world. For example, since 1998 ÖVAG has had to provide the Austrian Volksbanken with support and advice with respect to the introduction of the Euro, structural changes needed as a result of new regulatory requirements such as Basel II and ensuring certain minimum standards and requirements pertaining to market and credit risk.

ÖVAG provides product and operational support to the Austrian Volksbanken. For example, ÖVAG provides the Austrian Volksbanken, as well as its own subsidiaries, with retail products, such as fully or partially capital guaranteed products and index-linked products, which the Austrian Volksbanken then sell to their own customers. As a result of providing such services, since 2001 ÖVAG's volume of sales has increased and product profitability ratios have improved, all contributing to the ÖVAG Group's overall profitability. See the table on "Segment Reporting by Lines of Business" below for further information on the ÖVAG Group's profitability by business segment.

In addition, ÖVAG engages in the refinancing of the Austrian Volksbanken, a role and function that became more important since the Austrian Volksbanken started to increase their market share in the domestic credit market. ÖVAG maintains solid liquidity reserve arrangements with the Austrian Volksbanken, with a view to ensuring above market average liquidity standards.

With respect to the provision of loans, if an Austrian Volksbank is unable to lend the full amount required by a customer, because, for example, such amount is greater than the statutory limit such Austrian Volsbank is permitted to lend or such Austrian Volksbank simply does not have the requisite funds to make such a loan, ÖVAG may step in as a co-lender and provide the necessary funds. The volume of syndicated loans entered into by ÖVAG has increased to approximately EUR 860 million in 2003, contributing positively to the regional strength of the ÖVAG Group.

As part of a joint venture between DZ BANK AG and ÖVAG, a special consulting entity, Volksbanken Consulting für Anlagemanagement Bank AG ("VBC"), was founded in 1997. The core functions of VBC include providing the Austrian Volksbanken with assistance and advice with respect to the management of interest rate risk, the structuring of balance sheets and the establishment of market strategies. ÖVAG holds a 75 per cent. stake in VBC, with the remainder held by DZ BANK AG.

ÖVAG's majority-owned (98.89 per cent.) subsidiary, Back Office Service für Banken GmbH, is a special settlement unit that offers the Austrian Volksbanken and the ÖVAG Group a means of effecting settlement and clearing transactions.

A principal aim of the Austrian Volksbanken is to preserve their independence. ÖVAG intends to support this aim, together with the ÖGV. The ÖGV is the central auditor of the Austrian Volksbanken and also represents their legal and other interests. In addition, the ÖGV is involved in the supervision of new products used throughout the ÖVAG Group and the Austrian Volksbanken.

Commercial Bank for Austrian and International Companies

ÖVAG has traditionally had a strong presence in the Austrian corporate market, but has recently adopted new lending standards. Strong competition in Austria has led to a credit market with, at first, shrinking margins, followed by more stable low level margins. Foreign banks re-entering the Austrian credit market also contributed to low margin levels.

With the implementation of Basel II, margins have improved, but still do not meet ÖVAG's targeted minimum total return. Therefore, as part of its business strategy ÖVAG decided about two years ago to begin measuring overall client relationships rather than credit margins on a stand alone basis. As a result, ÖVAG has developed a new approach to corporate lending. In advance of any negotiation for the provision of a loan, minimum returns on individual clients or customer groups are defined. ÖVAG's expectations from a particular transaction are discussed with the existing or prospective client and, where agreement is not reached, ÖVAG may grant certain margin concessions depending on the additional business provided to ÖVAG by such client.

ÖVAG does not consider that plain vanilla lending will exclusively provide stable earnings on credit activities. For this reason, close co-operation with ÖVAG's investment bank, VB Investmentbank AG ("VBIB"), as well as the structured finance and project finance units within the ÖVAG Group are also an important component of this new corporate lending approach.

ÖVAG has also decided to allocate primary responsibility regarding credit derivatives to the trading group in ÖVAG's treasury department (the "Treasury"). In an environment of accredited risk monitoring and measuring systems, credit risks are traded under close supervision and within a tight framework of economic capital guidelines.

In 2003, ÖVAG also developed an internal rating system that aims to provide a balanced scoring system offering enough individual depth, but avoiding excessive fine tuning. Twenty five "rating categories" have been introduced. The rating system is presently being installed at the Austrian Volksbanken. ÖVAG's approach to Basel II, namely to adopt the IRB approach, has recently been submitted to the Financial Markets Supervisory Authority (as defined in "The Austrian Banking System" below) for approval.

International Operations

Early in the 1990's, the first acquisition in a CEE country made by ÖVAG was that of L'udová banka, a.s. ("L'udová banka") in Slovakia. A presence in each of Hungary and the Czech Republic was established shortly thereafter and ÖVAG now has a banking subsidiary in each of the following countries: the Czech Republic, Hungary, Slovakia, Slovenia, Croatia, Bosnia-Herzegovina, Serbia and Montenegro, Romania and Malta. ÖVAG has established a special holding company for its activities in CEE, Volksbank International AG ("VBI AG"), which owns six of ÖVAG's subsidiary banks operating in CEE. ÖVAG's two other subsidiaries operating in CEE, Volksbank-Ljudska banka d.d. ("Volksbank Slovenia") and Volksbank Serbia, are currently owned directly by ÖVAG, although it is planned that ÖVAG's direct holdings will be transferred to VBI AG. VBI AG itself is owned by VOBA-Holding GmbH ("VOBA") (92.29 per cent.), DZ Bank Group (5.15 per cent.) and WGZ Bank (2.56 per cent.). VOBA is a wholly-owned subsidiary of ÖVAG.

ÖVAG also co-operates closely with domestic and international development banks (including the Multilateral Investment Guarantee Agency (“MIGA”) and the EBRD). In addition, it has entered into partnerships with other European co-operative banking groups.

Similarly to ÖVAG’s lending practice in Austria, when individual loan volumes exceed a subsidiary’s maximum lending limit, ÖVAG can provide guarantees or step in as a loan syndication partner.

The income stream comprises banking, leasing and project finance activities. The banking activities include retail and private banking, providing services to SMEs and also to clients of the Austrian Volksbanken, the ÖVAG Group and other European co-operative banks. Leasing and project finance activities are operated by Immoconsult Leasinggesellschaft m.b.H. (“ICL”), which was established prior to when banking activities were undertaken by ÖVAG in CEE. ÖVAG aims to continue operating those activities as part of its strategy.

Recent Developments

Following the sudden death of Klaus Thalhammer, the Chairman of the Managing Board (as defined under “Management and Employees” below), in September 2003, Franz Pinkl took over as Chairman of the Managing Board and Wolfgang Perdich became a new Board member in February 2004.

ÖVAG Group reported an unaudited operating income before provisions for risks of EUR 254 million for the first half year of 2004, which surpassed the half year of 2003 by 11 per cent. One of the main sources of this growth was the trading result based on the high income from the sale of structured securities. Operating expenses for the first half year of 2004 rose by 12.4 per cent. to EUR 182.28 million as compared to the first half year of 2003, mainly due to increasing personnel costs and administrative expenses. According to internal management accounts, ÖVAG’s Group total assets stood at EUR 23.00 billion as at 30 June 2004.

Outlook

As already mentioned above, the principal aim of the Austrian Volksbanken is to preserve and ensure their independence today and in the years ahead.

Existing support provided to the Austrian Volksbanken will be further enhanced with particular emphasis placed on liquidity and interest rate risk management, lending to SMEs and private banking services. Cross border business of existing or prospective customers of the Austrian Volksbanken will be a joint focus of individual Austrian Volksbanken and ÖVAG. In the past, cross border business performed by the Austrian Volksbanken was almost non-existent and efforts to attract business presently conducted with ÖVAG’s competitors have commenced only recently.

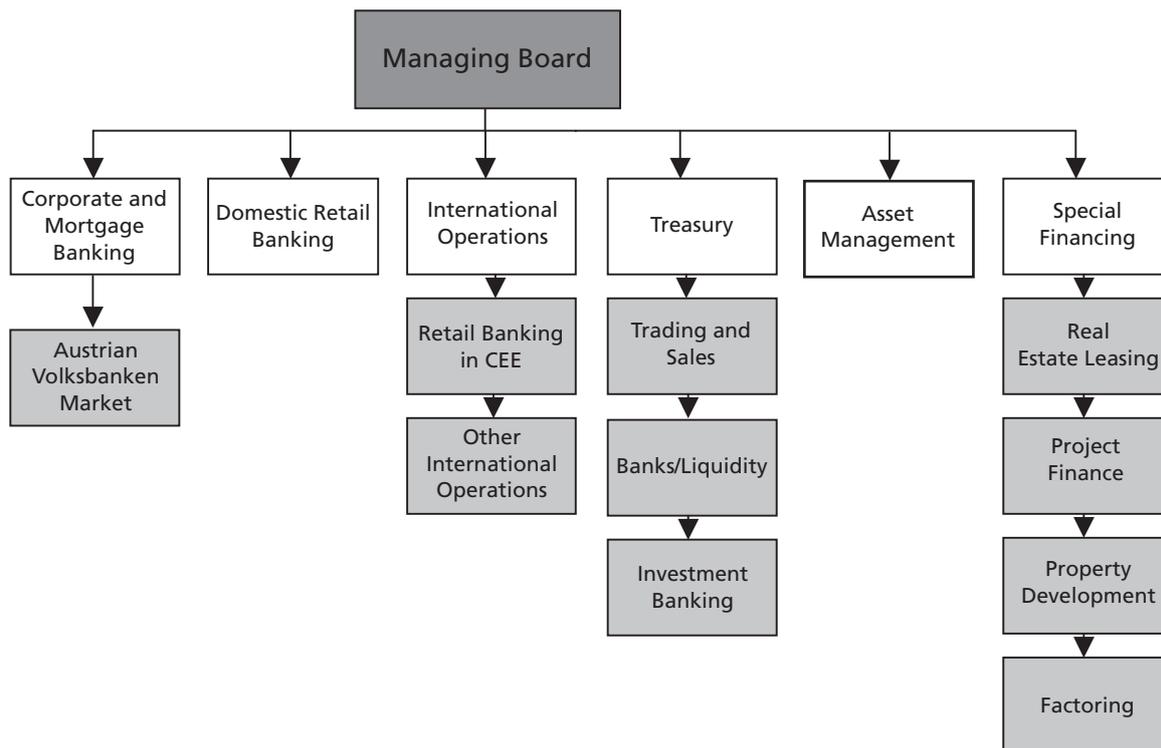
By adhering to the aims agreed between ÖVAG and senior representatives of the Austrian Volksbanken, the ÖVAG Group intends to increase its market share and remain one of the most profitable banking groups in Austria.

The ÖVAG Group will continue its selective credit policy. Cross selling potential-analysis will remain an integral part of pre-acquisition client analysis, with emphasis placed on cross border business opportunities. In co-operation with the credit specialists of VBIB, the intention is to develop financing solutions for existing and prospective clients.

ÖVAG is currently considering opportunities with certain international banks whereby such banks may make equity investments in VBI AG. This initiative is aimed at strengthening ÖVAG’s CEE platform by affording the ÖVAG Group access to additional expertise and resources and also at raising ÖVAG’s current CEE market share (approximately 1 per cent. to 3 per cent. according to official (local) central bank statistics).

Business of the ÖVAG Group

The following chart provides an overview of the ÖVAG Group's lines of business:



Corporate and Mortgage Banking

This business segment is responsible for servicing multi-national corporations and large corporate clients and for issuing mortgage and public sector bonds, as well as tax-privileged (lower tax rate) housing bonds (*Wohnbauanleihen*) and the reinvestment of these funds in housing and public-sector loans. In addition to a number of ÖVAG departments, two subsidiaries, Niederösterreichische Landesbank-Hypothekenbank AG ("**Nö Hypo-Bank**") and IMMO-Bank AG concentrate on these operations.

Corporate Banking

In 2003, ÖVAG provided services to a number of corporations ranking among Austria's top 1,000 companies. ÖVAG further developed its co-operation with international organisations, such as MIGA, its subsidiaries in CEE, and the French bank Natexis Banque Populaire. ÖVAG has also provided export finance to corporate customers for hedging against country and project risks on a significant scale.

Austrian Volksbanken Market

ÖVAG, in its capacity as the central institution of the Austrian Volksbanken, forms an integral part of the network of the Austrian Volksbanken. In 2003, the volume of syndicated loans made by the Austrian Volksbanken to customers amounted to EUR 860 million, an increase of 10 per cent. compared to 2002. The risk-adjusted earnings improved by about 26 per cent. in the same period. See "Business Profile – Central Institution of the Austrian Volksbanken" above for further information on ÖVAG's business dealings with the Austrian Volksbanken.

Mortgage Banking

Nö Hypo-Bank is the principal bank operating in the Province of Lower Austria. Nö Hypo-Bank's total assets as at 31 December 2003 amounted to EUR 5,019.4 million, an increase of EUR 383.8 million, or 8.3 per cent., compared to the previous year. During the financial year 2003, net interest income grew 9.1 per cent to EUR 53.1 million, operating income increased 14.8 per cent to EUR 69.1 million, while operating expenses grew by 4.5 per cent to EUR 43.8 million. Operating result equalled EUR 25.3 million (up 38.5 per cent) and the result on ordinary activities amounted to EUR 17.2 million (up 51.7 per cent). Annual net income was EUR 14.6 million (up 54.9 per cent).

For the year ended 31 December 2003, deposits held with Nö Hypo-Bank increased from EUR 1,654.9 million to EUR 1,798.8 million. As at 31 December 2003, deposits by banks fell from EUR 600.8 million to EUR 588.7 million (down 2.0 per cent.). Customer deposits rose by 14.8 per cent. to EUR 1,210.1 million. Savings deposits rose by 6.2 per cent. to EUR 611.9 million. If savings cards operated as part of the giro system are also taken into account, the increase was 9.1 per cent., resulting in a total of EUR 678.6 million.

Investment in securities serves to increase the diversification of the loan portfolios. Nö Hypo-Bank adopts a conservative approach and now only invests in investment grade bonds. Interest and currency risks are generally hedged. As of 31 December 2003, own account investments amounted to EUR 1,083.9 million, an increase of 40 per cent. compared with EUR 774.0 million at the end of the previous year. The bulk of the portfolio consisted of government bonds and bank bonds, but there was also an increase in investments in ABS instruments (asset backed securities) and corporate bonds.

As a result of increases in all types of lending to customers other than banks, total loans and advances to customers grew by EUR 129.1 million (or 3.9 per cent.) to EUR 3,429.0 million of which loans to the public sector for the year ended 31 December 2003 were up 1.8 per cent., to EUR 2,449.0 million (as compared to EUR 2,405.8 in 2002).

Own Funds (as defined under "The Austrian Banking System – Capital Adequacy Requirements" below) amounted to EUR 196.2 million, or 13.4 per cent. of risk-weighted assets as at 31 December 2003.

Immo-Bank AG

Immo-Bank AG is the central property finance institution of the ÖVAG Group, which in 2003 raised EUR 68.5 million in long-term refinancing for housing construction by issuing housing bonds (*Wohnbauanleihen*). Immo-Bank AG co-operates with a number of ÖVAG's subsidiaries, including Volksbank Wien AG ("**VB Wien**"), Bank für Wirtschaft und Freie Berufe AG ("**WIF-Bank**"), Nö Hypo-Bank and ÖVAG's foreign subsidiaries.

Domestic Retail Banking

This business segment provides services to private customers as well as corporate clients, especially SMEs. These services are provided primarily by the branches of VB Wien, WIF-Bank, Volksbank Linz-Mühlviertel rGmbH ("**Volksbank Linz-Mühlviertel**") and Volksbank, Gewerbe- und Handelsbank Kärnten AG ("**VGHBK**").

Volksbank Wien AG

The branch network of VB Wien consists of 36 branches. VB Wien provides services to SMEs and private banking to high net worth individuals. As at 31 December 2003, VB Wien's loans amounted to EUR 778 million (up 8.0 per cent. compared to 2002) and deposits reached EUR 1,268 million (up 7.1 per cent.).

Volksbank Linz-Mühlviertel rGmbH

For the year ended 31 December 2003, Volksbank Linz-Mühlviertel reported a profit before provision for risks of EUR 1.2 million, compared with EUR 965,000 in 2002. Volksbank Linz-Mühlviertel's savings deposits increased to EUR 149.36 million (up 4 per cent. compared to 2002).

Volksbank, Gewerbe- und Handelsbank Kärnten AG

For the year ended 31 December 2003, VGHBK, situated in Carinthia, reported a profit of EUR 2.2 million, which represented an increase of approximately 33 per cent. as against 2002. VGHBK's total assets increased by EUR 50.6 million in the same period to EUR 540.8 million.

Bank für Wirtschaft und Freie Berufe AG

WIF-Bank specialises in providing services to the medical profession. For the year ended 31 December 2003, WIF-Bank reported a profit before risk provision of EUR 2.6 million.

Volksbank-Ljudska banka d.d., Slovenia

Volksbank Slovenia was established in 1993 and its network comprises 8 branches. As at 31 December 2003, Volksbank Slovenia employed a staff of 122 and operated 26,861 client accounts. For the year ended 31 December 2003, Volksbank Slovenia reported a 49 per cent. increase in total assets to EUR 303 million and lending volume totalled EUR 216 million. Total customer deposits amounted to EUR 87 million. Furthermore, Volksbank Slovenia increased its number of retail accounts by 22 per cent. and the volume of corporate lending increased by 61 per cent.

Volksbank Romania S.A., Romania

Volksbank Romania S.A. ("**Volksbank Romania**") was established in 2000. As at 31 December 2003, Volksbank Romania employed a staff of 177 and operated 37,265 client accounts. For the year ended 31 December 2003, Volksbank Romania's total assets stood at EUR 147 million (up 27 per cent. compared to 2002). Lending volume equalled EUR 109 million and total deposits amounted to EUR 53 million. Volksbank Romania opened one new branch in 2003, and its network now comprises a total of 9 branches.

Volksbank a.d., Serbia

Volksbank Serbia was established in 2003 and currently operates 5 branches. As at 31 December 2003, Volksbank Serbia employed a staff of 25 and operated 627 client accounts. The EBRD owns a 14.54 per cent. holding in Volksbank Serbia. Lending volume equalled EUR 9 million and total deposits amounted to EUR 6 million. See "Business Profile -Overview" above for information on Volksbank Serbia's impact on the ÖVAG Group's profit and loss account for the fiscal year 2003.

Volksbank d.d., Croatia

Volksbank d.d. ("**Volksbank Croatia**") was established in 1997 and its network comprises 11 branches. As at 31 December 2003, Volksbank Croatia employed a staff of 218 and operated 148,740 client accounts. For the year ended 31 December 2003, Volksbank Croatia reported total assets of EUR 355 million and deposits by private customers and corporate clients grew by 25 per cent. as against 2002. Lending volume equalled EUR 198 million and total deposits amounted to EUR 156 million.

VOLKSBANK BH d.d., Bosnia-Herzegovina

VOLKSBANK BH d.d. ("**VOLKSBANK Bosnia-Herzegovina**") was established in 2000. As at 31 December 2003, VOLKSBANK Bosnia-Herzegovina employed a staff of 146 and operated 72,927 client accounts. In 2003, VOLKSBANK Bosnia-Herzegovina opened 3 new branch offices, bringing its network to a total of 8 branches. Lending volume equalled EUR 61 million and total deposits amounted to EUR 69 million. As at 31 December 2003, total assets amounted to EUR 112 million.

Other International Operations

Volksbank Malta Ltd., Malta

2003 was the first full business year in which Volksbank Malta operated as an "onshore" bank. Volksbank Malta is now actively engaged in conducting a range of banking transactions for its clients in the domestic market. Volksbank Malta also provides non-domestic clients, located mainly in CEE, with project and other financing services as well as payment transaction services. Volksbank Malta's current lending volume to non-domestic clients amounts to approximately EUR 0.5 billion. As at 31 December 2003, Volksbanken Malta reported total assets of EUR 781 million, total equity of EUR 174 million, a pre-tax profit of EUR 6.46 million and total loans to customers of EUR 614 million.

B.P. Invest Consult

B.P. Invest Consult ("**BPIC**") was founded by the five member bank organisations belonging to the Confédération Internationale des Banques Populaires (CIBP). BPIC supports corporate clients of the Austrian Volksbanken, with cross-border investment projects, focusing, in particular, on the CEE markets.

Treasury

The Treasury focuses on the generation of liquidity in money and capital markets (issuing activities under the guidance of VBIB) and on medium to long-term strategic investments in national and international markets.

Trading and Sales

The money market and securities dealing unit is responsible for managing ÖVAG's trading book (mainly liquid government and financial securities) and offers a range of money market products through Treasury Sales, which is a department within the Treasury.

Furthermore, ÖVAG offers to its retail customers and corporate clients structured interest and index-linked products. In 2003, the Treasury sold a nominal amount about EUR 560 million structured bonds. In the first half of 2004, the volume sold was EUR 670 million.

With respect to ÖVAG's operations in CEE and under the supervision of the Treasury in Vienna, larger Treasury units are located in Budapest, Brno and Bratislava. Local trading and net open position limits are determined within the general lines approved by the ÖVAG Group's board.

Institutional Asset Management

The Institutional Asset Management division follows an investment policy and processes with regard to the conditions of a volatile capital market environment by focusing more on an absolute return approach and by consistently fine-tuning its risk management procedures. As at 31 December 2003, this division holds client assets of approximately EUR 790 million.

Capital Asset Management

The function of this division is to identify business opportunities in the international capital markets on the basis of a risk-conscious, niche-oriented investment strategy. Investments are made in investment-grade bonds, fixed-income-funds and credit derivatives. The total volume under management is, as of 31 July 2004, approximately EUR 640 million.

Banks/Liquidity Management

This division is entrusted with the continuous, system-based optimisation of minimum reserve management for ÖVAG, the Austrian Volksbanken and their affiliates (see "Risk Management" below).

International Financial Institutions

Co-operating closely with the Treasury, the International Financial Institutions division contributes to the liquidity management of ÖVAG's foreign subsidiaries. This division, acting as the first contact and information centre for foreign banks, supports the Austrian Volksbanken involved in international business.

Investment Banking

VB Investmentbank AG

VBIB provides integrated corporate finance services to both SMEs and some of the largest 1,000 corporates in Austria. In particular, VBIB offers structured finance, research and venture and private capital services to its clients.

Funding

Since 2000, ÖVAG has followed a new funding strategy with the following two principal aims: (i) to extend the average maturity of its liabilities and (ii) to raise the percentage of debts evidenced by certificates to total liabilities from 15 per cent. to at least 35 per cent.

As an issuing entity, VBIB is responsible for the long-term funding of the ÖVAG Group. As part of a long term funding strategy, VBIB has issued an average EUR 1.2 billion in securities in each of the last 3 years. Structured issues are tailor made for Austrian retail investors (including equity-linked and capital guaranteed issues) and for institutional investors (fixed income issues). In the near term, ÖVAG expects future growth potential from the German insurance market, which already accounts for more than 10 per cent. of ÖVAG's long term funding volume.

Asset Management

This business segment groups together the activities of Volksbanken Kapitalanlage GmbH (“**VB Kapitalanlage**”), IMMO Kapitalanlage AG and VBC.

Volksbanken-Kapitalanlage GmbH

VB Kapitalanlage had assets under management from publicly offered funds of EUR 3.1 billion as at 31 July 2004, a slight increase as against assets managed as at 31 December 2003. According to the *Vereinigung Österreichischer Investmentgesellschaften* (the Association of Austrian Investment Funds), VB Kapitalanlage is the seventh ranked Austrian fund management company in terms of volume. The volume of special fund assets under management amounts to approximately EUR 1.1 billion.

IMMO Kapitalanlage AG

IMMO Kapitalanlage AG was established at the end of 2003 and specialises in real estate portfolio management. The fund Immofonds 1 was set up on 22 March 2004 and as at 30 June 2004 managed assets with a total volume of approximately EUR 38 million. IMMO Kapitalanlage AG targets the retail customer group.

VB Consulting für Anlagemanagement Bank AG

VBC acts as a service provider to the Austrian Volksbanken by providing marketing support to member banks in their customer securities trading operations. Additionally, VBC concentrates its activities on portfolio management and provides advice to the Austrian Volksbanken with respect to balance sheet structuring.

Special Financing

Under this business segment, ICL perform activities related to real estate and other leasing operations and project and property development financing in Austria and CEE. ICL’s real estate section has 104 employees and constitutes 87 companies (with a majority equity stake). ICL also holds approximately 90 participations (equity stakes of up to 50 per cent.) in project companies responsible for real estate leasing operations and project and property development financing in Austria and CEE.

For the year ended 31 December 2003, about 20 per cent. of the finance volume originated in Austria. A new activity conducted by ICL is high volume container leasing. Total assets amounted to EUR 578 million as at 31 December 2003.

ICL is wholly-owned by Unternehmensbeteiligungs GmbH, a holding company, which itself is a wholly-owned subsidiary of ÖVAG. ICL has several subsidiaries, the principal ones being: VB Leasing International Holding GmbH (“**VBLI**”) (50 per cent., the remainder being held by VR Leasing AG), which holds stakes in leasing companies in Croatia, Slovenia, Slovakia, the Czech Republic, Hungary, Bosnia-Herzegovina, Poland, Serbia and Montenegro and Romania, VB Leasing Finanzierungsgesellschaft m.b.h. (“**VB Leasing**”) (100 per cent.) and GVA-Immoconsult Immobilientreuhand GmbH (“**GVA**”) (100 per cent.).

GVA Immoconsult Immobilientreuhand GmbH

GVA, which operates in the international real estate market, is not only engaged in office and commercial real estate rental markets, but also carries out appraisals, feasibility studies, prepares market reports and provides investment advice.

VB-Leasing International Holding GmbH

With a total staff of 572, VBLI and its subsidiaries (the “**VBLI Group**”) generated a leasing volume of more than EUR 646.6 million in 2003. The VBLI Group not only provides services with respect to vehicle and machinery leasing but also to the wood processing, metalworking and plastics industries.

VB Leasing Finanzierungsgesellschaft GmbH and Leasing-west Gesellschaft m.b.H. & Co. Kommanditgesellschaft

Leasing-west Gesellschaft m.b.H. & Co. Kommanditgesellschaft (“**Leasing-west**”) conducts vehicle and movable property leasing. A co-operation between VB Leasing in Eastern Austria and Leasing-west in Western Austria took place in January 2004, and they now operate under the common brand name of VB Leasing. One of the principal functions of VB Leasing is to provide a range of leasing-related services to the Austrian Volksbanken. The individual lines of

business (passenger car and truck leasing, servicing of banks, vendor leasing and IT financing) tailor their activities within the ÖVAG Group to specific market requirements and customer needs.

Real Estate Leasing

In 2003, the volume of new financing contracts entered into by retailers, hotels and hospitals in Austria amounted to EUR 58.8 million. Also in 2003, ICL strengthened its presence in the Czech Republic, Hungary and Slovenia, especially with respect to real estate leasing financing contracts entered into with large retailers. The volume of new leasing contracts totalled approximately EUR 78.8 million in 2003. The total volume of real estate leased in Austria and abroad stood at approximately EUR 137.5 million for the year ended 31 December 2003.

Project Financing

CEE as well as Greece and Switzerland rank among ICL's core markets for project financing. ICL raised the volume of new acquisitions by approximately 14.5 per cent. to EUR 1.03 billion as at 31 December 2003. As at 31 December 2003, the pre-tax profit of the project finance division amounted to EUR 12.4 million.

Property development

The Immoconsult real estate development division is a division of ICL, which mainly focuses on the development, construction and sale of commercial real estate (office buildings, shops and multi-purpose projects). In 2003, three office buildings (in Ljubljana, Bratislava and Budapest) with a floor space of 26,400 m² were completed.

Factoring

For the year ended 31 December 2003, VB Factoring Bank AG ("**VB Factoring**"), which specialises in factoring operations, reported a turnover of EUR 617.5 million (up 54.8 per cent. as compared to 2002) and a market share in Austria of 21 per cent. Domestic factoring operations accounted for 81 per cent. of VB Factoring's business volume and export factoring for 19 per cent.

The following table sets out the Segment Reporting by Lines of Business of the ÖVAG Group for the years 2003 and 2002:

	Corporate/ mortgage banking	Domestic retail banking	Retail banking CEE	Treasury	Asset Management	Special financing	Other consideration (including Volksbank Malta)	Group result
<i>(in EUR thousand)</i>								
Net interest income								
2003.....	98,703	56,902	87,041	30,046	828	97,043	(3,064)	367,500
2002.....	90,699	58,343	74,131	29,300	1,123	79,740	4,418	337,753
Provision for risk								
2003.....	(12,237)	(10,385)	(4,123)	888	0	(14,211)	(12,882)	(52,950)
2002.....	(16,350)	(16,629)	(7,720)	0	320	(14,020)	(47)	(54,447)
Net commission income								
2003.....	12,470	18,623	26,643	5,908	18,941	(1,122)	1,725	83,189
2002.....	12,730	16,279	30,320	8,000	21,060	1,420	(3,626)	86,183
Trading results								
2003.....	545	134	1,914	25,794	0	(3,135)	6,480	31,732
2002.....	6,370	(660)	1,449	17,660	0	2,450	(3,872)	23,397
General administrative expenses								
2003.....	(58,278)	(57,108)	(98,850)	(16,510)	(8,481)	(44,998)	(44,253)	(328,477)
2002.....	(56,940)	(57,976)	(84,698)	(15,070)	(10,180)	(45,030)	(38,793)	(308,688)
Other operating results								
2003.....	4,374	(12,860)	(5,557)	(413)	66	10,902	23	(3,466)
2002.....	4,770	(9,554)	(1,276)	50	320	9,100	(903)	2,517
of which amortisation of goodwill								
2003.....	(1,102)	(13,867)	(4,740)	0	0	(2,555)	0	(22,264)
2002.....	(79)	(8,927)	—	0	0	(580)	0	(9,586)
Income from financial investments								
2003.....	(1,694)	(23)	131	1,914	(12)	1,681	19,763	21,760
2002.....	(740)	(38)	(410)	(14,227)	50	1,954	13,960	549
Extraordinary result								
2003.....	0	0	0	0	0	0	(574)	(574)
2002.....	0	40	(90)	0	150	250	(1,280)	(930)
Pre-tax profit								
2003.....	43,884	(4,716)	7,199	47,627	11,342	46,160	(32,781)	118,714
2002.....	40,539	(10,186)	11,705	25,713	12,843	35,864	(30,144)	86,334
Total assets								
2003.....	8,377,725	2,557,636	2,816,737	925,278	34,062	2,867,135	3,983,066	21,561,640
2002.....	7,875,117	2,547,399	2,494,395	291,995	18,868	2,528,805	3,130,165	18,886,745
Loans and advances to customer								
2003.....	6,538,269	1,410,101	1,875,339	24,100	0	2,398,735	252,694	12,499,238
2002.....	6,295,413	1,341,784	1,471,669	197,000	0	2,034,453	139,602	11,479,920
Primary deposits								
2003.....	4,868,073	2,064,400	1,539,448	360,040	0	59,993	4,559,000	13,450,954
2002.....	4,525,490	1,862,659	1,371,789	284,000	0	51,698	4,324,475	12,420,111

(Source: Annual Reports for 2003 and 2002)

Capital Structure and Ownership

Capital Structure

ÖVAG's nominal issued share capital amounts to EUR 233,321,563 and comprises 30,093,740 ordinary bearer shares carrying voting rights and 2,000,000 non-voting preference bearer shares, as well as 10 registered shares. All shares are no par value shares and are fully paid up. The nominal value per share is EUR 7.27.

The Managing Board has been given authority until 30 April 2006 to increase the nominal issued share capital of ÖVAG by EUR 32,000,000 by offering new shares in one or more tranches in exchange for cash.

In addition to its issued share capital, ÖVAG has issued participation certificates with a nominal value of EUR 11,627,653. Participation certificates are issued and contributions are paid in accordance with the provisions of section 23 paragraph 4 of the Austrian Banking Act. Each participation certificate has a nominal value of EUR 72.67. Holders of participation certificates are entitled to the same percentage dividend in ÖVAG's profit as holders of ordinary bearer shares carrying voting rights.

ÖVAG has no outstanding convertible or exchangeable bonds. However as at 30 June 2004, ÖVAG's subsidiary, Immobank Aktiengesellschaft had issued a total of EUR 291 million senior convertible bonds.

Capital Structure for the last 3 years

The following table sets out the changes (in EUR thousands) in the ÖVAG Group's issued share capital for the three years ended 31 December 2003:

	Subscribed Capital	Capital Reserves	Retained Earnings	Currency Reserve	Valuation Reserves Pursuant to IAS 39		Equity
					Available- for sale- Reserve	Hedging- Reserve	
As at Dec. 31, 2001.....	224,637	267,496	234,791	(3,769)	19,345	(748)	741,753
Reclassification of premium on treasury stocks from capital to capital reserve.....	14,392	(14,392)					—
As at Dec. 31, 2001 after reclassification	239,029	253,105	234,791	(3,769)	19,345	(748)	741,753
As at Dec. 31, 2002.....	241,790	261,687	267,229	(3,264)	32,149	(1,537)	798,055
As at Dec. 31, 2003.....	241,639	261,425	296,287	(8,462)	44,762	(2,281)	833,371

(Source: Annual Reports for 2003, 2002 and 2001)

Dividend Payments

For each of the years 2001, 2002 and 2003, ÖVAG paid a dividend of 6 per cent. based on a nominal value per share plus a 2 per cent. bonus of the applicable accumulated retained earnings.

Ownership

The following table shows the current holders of ÖVAG's ordinary bearer shares carrying voting rights (with a total face value of EUR 218.782 million) and their respective percentage holdings:

Shareholder:	Holding: (%)
Austrian Volksbanken Group including Volksbanken Holding.....	58.1%
DZ BANK Group.....	25.0% plus 1 share
Victoria Group	10.0%
RZB AG.....	6.1%
Others.....	0.8%

The following table shows the current holders of ÖVAG's total issued nominal share capital (totalling approximately EUR 233.322 million (calculated as follows: issued share capital of EUR 244.950 million, less participation certificates of EUR 11.628 million produces a total issued share capital of EUR 233.322 million) and their respective percentage holdings:

Shareholder:	Holding: (%)
Austrian Volksbanken Group including Volksbanken Holding.....	60.7%
DZ Bank Group.....	23.4%
Victoria Group.....	9.4%
RZB AG.....	5.7%
Others.....	0.8%

Capitalisation of ÖVAG and of the ÖVAG Group

The following table sets out (i) the unaudited non-consolidated capitalisation of ÖVAG as at 30 June 2004; (ii) the audited non-consolidated capitalisation of ÖVAG as at 31 December 2003; (iii) the unaudited consolidated capitalisation of the ÖVAG Group as at 30 June 2004; and (iv) the audited consolidated capitalisation of the ÖVAG Group as at 31 December 2003.

	30 June 2004		31 December 2003	
	ÖVAG (non- consolidated)	ÖVAG Group consolidated	ÖVAG (non- consolidated)	ÖVAG Group consolidated
	<i>(in EUR million)</i>			
Liabilities				
Liabilities to credit institutions	6,491	5,695	6,172	5,921
Liabilities to customers	984	6,318	710	5,593
Liabilities in the form of securities	4,972	8,301	4,381	7,572
Subordinated liabilities.....	373	413	255	285
Equity				
Issued share capital	245	239	245	242
Capital reserves	267	254	267	261
Retained earning reserves (including minority interest)	199	751	226	724
Total¹	13,531	21,971	12,255	20,599
Capital Adequacy				
Tier 1 Capital	701	1,103	701	1,142
Tier 2 Capital	396	464	278	354
Own Funds	1,096	1,566	979	1,496
Tier 1 ratio ²	8.07%	8.26%	8.96%	8.91%
Solvency ratio ³ %	12.62%	11.73%	12.51%	11.67%

Notes:

- 1 There has been no material change in the non-consolidated or the consolidated capitalisation of ÖVAG or the ÖVAG Group respectively, since 30 June 2004.
- 2 Tier 1 ratio means Tier 1 capital divided by risk-weighted assets of the banking book.
- 3 Solvency Ratio means Own Funds divided by risk-weighted assets of the banking book.

Risk Management

ÖVAG has taken certain organisational steps in order to meet current risk management practice applicable to the banking industry. A clear distinction is made between the management of all risks arising from banking business and the identification, measurement and monitoring of such risks. With a view to improving this practice and avoiding conflicts of interest, these tasks have been assigned to different organisational units. The Controlling/ Financial Reporting/Tax Division, which is entirely independent of market operations, is responsible for risk reporting, risk measurement and the quality assurance of the risk models

applied by these units. Ultimate responsibility for management of all risks rests with the Managing Board.

Market Risk

Within the ÖVAG Group, the Market Risk/Mid-Office Department, which forms part of the Controlling/Financial Reporting/Tax Division, is in charge of monitoring the risks arising from trading operations. All risk reports are submitted daily to the Managing Board. Daily estimates of potential losses that could result from unfavourable market developments constitute the core element of risk monitoring. In securities trading, value-at-risk calculations are carried out to assess the risk of interest rate products and first-line securities (including options) to foreign exchange trading, calculations being made to cover interest rate, foreign exchange and option risks. Furthermore, a series of other risk measures are applied on a daily basis. The liquidity risk is restricted by volume limits applying to trading in all currencies. All risks are subject to a structured system of limits approved by the Managing Board, which is supplemented by management-action triggers and stop-loss limits. The head of market risk reports directly to the Managing Board.

The Market Risk/Mid-Office Department also monitors counterparty, issuer and country limits and all embedded derivatives and structured securities issued by the ÖVAG Group. These limits are recorded separately for on-balance sheet and off-balance sheet products as well as for different maturity ranges. Reports on utilisation and overdrafts are made available daily to the relevant credit departments.

VaR is measured on a daily basis with a 99 per cent. confidence interval. The limit for the trading book (including money market, bonds, FX and equity) is less than 1 per cent. of the total capital. Since the beginning of 2004, back testing has been measured with the historical simulation method.

Market Risks Controlled through Asset-Liability Management

Within the ÖVAG Group, the Asset-Liability Management Committee, (the “**ALM Committee**”), which reports directly to the Managing Board, performs the function of monitoring and managing the inherent market risk of the Group’s balance sheet. The ALM Committee is responsible for optimising the ÖVAG Group’s balance-sheet structure, and for the management of long-term interest rate, foreign exchange and liquidity risks, as well as for safeguarding funding. It takes decisions concerning the ÖVAG Group’s issuing activities. In the ÖVAG Group, the contribution to interest rate income is computed for all profit centres in accordance with a uniform market rate scheme by applying reference interest rates to matching maturities. For example, ÖVAG’s subsidiaries in CEE are requested to match assets and liabilities in domestic currencies to the extent possible. Additional liquidity needs are covered either through ÖVAG or by using pre-arranged credit facility lines with local banks.

The risk taking capacity for interest rate risk is limited to a percentage of the operating income after a one per cent. parallel shift in the relevant yield curve. In response to the conditions likely to be imposed by Basel II, ÖVAG is working on a measurement of interest rate risks in its investment book, which will allow ÖVAG to determine the impact of these risks on income and asset development using a future oriented measurement method.

The ÖVAG Group employs derivatives as instruments for hedging against interest rate risks and managing the balance-sheet structure. Interest rate swaps (“**IRS**”) and futures are used as the primary hedging instruments for the ÖVAG Group’s own fixed interest rate issues. IRS are also employed in order to safeguard the market value of fixed-income investments in fixed-interest bearing securities as well as customer receivables.

Credit Risk

A triple-tier procedure is applied to credit risk management:

1. A team of credit risk specialists has established credit guidelines and principles. This team has the right to intervene in any decision relating to credit. The upper limit for a single unsecured credit risk is EUR 25 million (subject to exceptional circumstances).
2. In the fiscal year 2003, ÖVAG finalised an internal rating system entailing 25 rating categories, which corresponds to the requirements of Basel II. In line with the Austrian Volksbanken principle of partnership with customers, special attention is given to “soft facts”, such as management quality or business environment. The team of credit risk specialists is

responsible for monitoring the credit rating and security classifications on an ongoing basis, collecting data and assessing the probability of default, conducting sensitivity analyses as well as stress tests and performing management information tasks jointly with the Controlling/ Financial Reporting/Tax Division.

3. All decisions concerning individual exposures are taken with due regard for the principle of dual control, under which all loans exceeding the decision-making authority of the customer service desks of ÖVAG (upper limit of EUR 800,000) and its foreign subsidiaries have to be submitted to the team of credit risk specialists. The size of a particular foreign subsidiary's limit depends on its profitability and varies between EUR 3 million and EUR 100,000. A loan at the upper end of these limits requires approval from the local managing board and the credit committee.

Any application for a loan representing more than EUR 4 million may only be approved by the Managing Board and will be analysed and assessed at a weekly loan approval meeting. Managing Board members and executive staff of the loan and sales departments participate in these meetings.

The following tables set out specific breakdowns of loans and advances to credit institutions and customers by the ÖVAG Group for the periods indicated therein:

Breakdown by customer categories

	31 December 2003	31 December 2002
	<i>(in EUR thousand)</i>	
Loans and advances to credit institutions.....	3,309,160	3,134,229
Loans and advances to customers	12,499,238	11,479,920
of which public sector.....	2,746,514	2,764,873
of which corporate clients	8,312,356	7,459,758
of which private individuals	1,440,368	1,255,289
Total	15,808,399	14,614,150

(Source: Annual Reports for 2003 and 2002)

Breakdown by residual life

	31 December 2003			
	up to 1 year	1 year to 5 years	more than 5 years	Total
	<i>(in EUR thousand)</i>			
Loans and advances to credit institutions	2,964,162	201,715	143,284	3,309,160
Loans and advances to costumers	3,022,602	3,980,804	5,495,832	12,499,238
Total	5,986,764	4,182,519	5,639,116	15,808,399

(Source: Annual Report for 2003)

Breakdown by geographical markets

	31 December 2003	31 December 2002
Austria	11,537,262	11,227,789
of which credit institutions	2,726,516	2,654,204
of which customers	8,810,746	8,573,586
Central and Eastern Europe	3,535,510	2,857,758
of which credit institutions	181,850	222,266
of which customers	3,353,660	2,635,492
Other	735,626	528,603
of which credit institutions	400,794	257,760
of which customers	334,832	270,843
Total	15,808,399	14,614,150

(Source: Annual Reports for 2003 and 2002)

The following table sets out the risk provisions of the ÖVAG Group for the years ended 31 December 2003 and 2002:

Risk provisions (Balance Sheet)

	As at January 1	Currency translation	Changes in the scope of consolidation	Reclassifi- cation	Used	Released	Addition	As at December 31
<i>(in EUR thousand)</i>								
2003								
Credit risks	313,992	(2,987)	1,403	(501)	(25,313)	(42,060)	87,769	332,303
Country risks	1,314	0	0	0	0	(140)	0	1,174
Total provisions	315,306	(2,987)	1,403	(501)	(25,313)	(42,200)	87,769	333,477
2002								
Credit risks	296,403	169	1,627	7,057	(26,181)	(39,066)	73,983	313,992
Country risks	1,515	0	0	0	0	(201)	0	1,314
Total provisions	297,918	169	1,627	7,057	(26,181)	(39,267)	73,983	315,306

(Source: Annual Reports for 2003 and 2002)

Provisions for Risks (Profit and Loss Account)

	31 December 2003	31 December 2002
<i>(in EUR thousand)</i>		
Allocation to loan loss reserves	(87,769)	(73,983)
Release of loan loss reserves	42,200	39,267
Direct write-offs of loans and advances	(5,124)	(7,613)
Amounts received against written-off loans and advances	3,746	1,307
Allocation to provisions	(11,473)	(20,415)
Release of provisions	5,469	6,991
Total provisions	(52,950)	(54,447)

(Source: Annual Reports for 2003 and 2002)

The five largest exposures of problem loans, being loans which ÖVAG expects to make partial or total provision for depreciation, amount to less than 3 per cent. of total consolidated capital and do not exceed an amount of EUR 25 million.

Operational Risk

ÖVAG defines operational risk as “imminent losses that could occur due to the inadequacy or failure of internal procedures, human resources and systems, or the occurrence of events beyond the ÖVAG Group’s control”. In the risk management process, operational risks are assessed by means of standardised procedures, which will assure a realistic and comprehensive measurement of operational risks. The procedures implemented for these purposes are as follows:

The event database: This web-based application, which serves the continuous recording of actual operational losses, was rolled out throughout the ÖVAG Group in 2003.

Self-assessment: Structured interviews were conducted with managerial staff and other experts from the ÖVAG Group’s different lines of business. The dual goal of self-assessment is to enhance awareness of operational risks within the ÖVAG Group and to identify potential latent or eventual future risks.

Risk indicators: In close co-operation with different technical units, investigations were started in 2003 in order to establish whether there were indicators that could be documented, and whether their ongoing monitoring would permit the implementation of a reliable early-warning system for diverse operational risks. Furthermore, a series of other priority topics, such as information security, information technology security, business-continuity planning and disaster-recovery planning were conceptualised and integrated into the “Operational Risk Project”. In close cooperation with its subsidiaries, ÖVAG is currently devising minimum standards for the implementation of current projects, so that ÖVAG Group-wide quality assurance can be achieved in active risk management. This profile is intended to assist management by providing a basis for defining the ÖVAG Group’s readiness to assume risks and to aid future risk management by means of introducing measures that will limit and reduce risks or pass them on to third parties.

Litigation

On 11 June 2002, the European Commission imposed on eight major Austrian banks a fine amounting to EUR 124.26 million in relation to alleged infringements of Article 81 of the European Treaty that relates to 19 agreements and concerted practices, which allegedly affected trade between Member States (cartel proceedings). ÖVAG’s portion of the fine was EUR 7.59 million, which has already been paid in full. The affected Austrian banks, including ÖVAG, filed an action against the decision of the European Commission with the European Court of First Instance. A decision of the European Court of First Instance has not yet been rendered, however, ÖVAG’s management believes that any final fine awarded pursuant to any such decision of the European Court of First Instance is unlikely to have a material adverse effect on the financial position of ÖVAG or the ÖVAG Group.

In connection with these cartel proceedings, a class action was served on 16 May 2001 on certain Austrian banks including ÖVAG. This class action was not for a specific amount. The Court of First Instance (United States District Court, Southern District of New York) ruled that the U.S. courts lack jurisdiction in this matter. The plaintiff’s appeal against this decision was successful at the U.S. Court of Appeals (for the Second Circuit). ÖVAG’s management believes that the result of this appeal is unlikely to have a material adverse effect on the financial position of ÖVAG or of the ÖVAG Group.

Management and Employees

Management

The Board of Managing Directors (*Vorstand*) (the “**Managing Board**”) is responsible for the management of ÖVAG and acts on behalf of ÖVAG. The Supervisory Board (*Aufsichtsrat*) is responsible, according to its legal duties, for supervising the Managing Board. In addition to these statutory bodies, which are required to be in place under Austrian law, there is a voluntary Advisory Council to provide additional support to the Supervisory Board.

Board of Managing Directors (as at 1 August 2004)

Name	Principal activities outside of ÖVAG
Franz PINKL Chairman of the Board of Managing Directors	Supervisory Board of ARZ Allgemeines Rechenzentrum GmbH, Investkredit Bank AG, Niederösterreichische Landesbank- Hypothekenbank Aktiengesellschaft, Oesterreichische Kontrollbank Aktiengesellschaft, Österreichische Lotterien Gesellschaft mbH, Raiffeisen Zentralbank Oesterreich Aktiengesellschaft, Schulze-Delitzsch-Haftungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Victoria – Volksbanken Versicherungsaktiengesellschaft, Volksbank Niederösterreich Süd registrierte Genossenschaft mit beschränkter Haftung, Volksbanken-Beteiligungsgesellschaft mbH. Advisory Council of ARZ Allgemeines Rechenzentrum GmbH
Erich HACKL Member of the Board of Managing Directors	Supervisory Board of Bank für Wirtschaft und freie Berufe AG, Europay Austria Zahlungsverkehrssysteme GmbH, Niederösterreichische Landesbank- Hypothekenbank Aktiengesellschaft, Schulze-Delitsch-Haftungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr GmbH, VB Partner Kapital Beteiligungs AG, Venture for Business Beteiligungs AG, Verwaltungsgenossenschaft der Volksbank Wien registrierte Genossenschaft mit beschränkter Haftung, Victoria-Volksbanken Mitarbeitervorsorgekasse AG, Victoria-Volksbanken Versicherungsaktiengesellschaft, Volksbank International AG, Volksbank, Gewerbe- und Handelsbank Kärnten Aktiengesellschaft, Volksbank Linz – Mühlviertel registrierte Genossenschaft mit beschränkter Haftung, Volksbank Wien AG, Volksbanken – Versicherungsdienst GmbH, Volksbanken – Beteiligungsgesellschaft mbH. Advisory Council of Back Office Service für Banken GmbH, Victoria – Volksbanken Versicherungsgesellschaft Volksbank Reisen GmbH. Board of Managing Directors GEFINAG-HOLDING AG

Name	Principal activities outside of ÖVAG
Manfred KUNERT Member of the Board of Managing Directors	Supervisory Board of VB Consulting für Anlagemanagement Bank AG, VB Investmentbank AG, Verwaltungsgenossenschaft der Volksbank Wien registrierte Genossenschaft mit beschränkter Haftung, Victoria – Volksbanken Mitarbeitervorsorgekasse AG, Victoria – Volksbanken Pensionskassen AG, Volksbank International AG, Wiener Börse AG. Board of Managing Directors of GEFINAG-HOLDING AG Advisory Council of Volksbanken-Kapitalanlagegesellschaft GmbH Chairman of Myrrha Beteiligung GmbH
Wolfgang PERDICH Member of the Board of Managing Directors	Supervisory Board of IMMO-CONTACT Immobilienentwicklungs- und Vermarktungs Rt., Kis Buda Center Kft., L'udová banka a.s., Magyarországi Volksbank Rt., VB Factoring Bank Aktiengesellschaft, VB Järmü Pénzügyi Lízing Rt., VB Lízing Kft., VB Pénzügyi Lízing Rt., VB-Holding Aktiengesellschaft, VB-Leasing International Holding GmbH, Victoria – Volksbanken Életbiztosító Rt., Victoria – Volksbanken Poistovna a.s. (CZ), Victoria – Volksbanken Poistovna a.s. (SK), VOLKSBANKEN BH d.d., Volksbank CZ a.s., Volksbank d.d., Volksbank International AG, Volksbank-Ljudska banka d.d. Chairman of GVA-IMMOCONSULT Immobilientreuhand GmbH, Immoconsult Leasinggesellschaft mbH. Advisory Council of Volksbank Leasing Romania s.r.l.
Supervisory Board (as at 9 July 2004)	
Chairman	Principal Activities outside ÖVAG
Walter ZANDANELL	Chairman of the Managing Board Volksbank Salzburg rGmbH
First Deputy Chairman	Chairman of the Managing Board
Franz GATTERBAUER	Volksbank Alpenvorland rGmbH (from 11 December 2003)

Name	Principal activities outside of ÖVAG
Second Deputy Chairman Bernd KARLHUBER	Chairman of the Managing Board Almtaler Volksbank rGmbH
Members	
Harald BERGER	Chairman of the Managing Board Volksbank Südburgenland rGmbH
Hans HOFINGER	Legal in-house counsel and Member of the Managing Board of the Federation of Austrian Credit Co-operatives (Schulze-Delitzsch)
Franz Wilhelm HOPP	Member of the Managing Board ERGO Versicherungsgruppe AG
Herbert HUBMANN	Deputy Chairman of the Managing Board ADEG Oesterreich Handelsaktiengesellschaft Grosseinkauf der Kaufleute rGmbH Chairman of the Supervisory Board ADEG Oesterreich Handelsaktiengesellschaft
Wolfgang KIRSCH	Member of the Managing Board of DZ BANK, Deutsche Zentral-Genossenschaftsbank AG, Frankfurt am Main
Hubert KOPF	Chairman of the Managing Board Vorarlberger Volksbank rGmbH
Rainer KUHNLE	Chairman of the Managing Board Volksbank Krems Zwettel rGmbH
Adam-Johann MICHEL	Chairman of Staff Council DZ BANK, Deutsche Zentral-Genossenschaftsbank AG, Frankfurt am Main
Walter ROTHENSTEINER	Chairman of the Managing Board Raiffeisen Zentralbank Österreich AG
Karl STEINBERGER	Chairman of the Managing Board Volksbank Oberkärnten rGmbH
Thomas WIESER	Chairman of the Managing Board Allgemeine Bausparkasse rGmbH
Representatives of the Austrian Ministry of Finance	
Doris RADL Viktor LEBLOCH State Commissioner	
Delegated by the Staff Council	
Hans LANG Otto MOCEK Markus HUMMER Hans-Peter POSCH Ulrike PRÖTZNER Richard PREISLER Dieter SEYSER	

Name	Principal activities outside of ÖVAG
Member of the Advisory Council (as at 24 June 2004)	
Herbert PACHUCKI Chairman of the Advisory Council	Principal Activities outside ÖVAG Vice-President of the Council of the Federation of Austrian Credit-Co-operatives (Schulze-Delitzsch)
Werner EIDHERR Deputy Chairman of the Advisory Council	President of the Federation of Austrian Credit-Co-operatives Chairman of the Managing Board Volksbank Kufstein rGmbH
Andreas DICHTL	Chairman of the Managing Board Volksbank Raiffeisenbank Berchtesgardener Land eG
Alfred FREUNSCHLAG	Counsellor of the Technical Council
Franz FRISCHLING	Chairman of the Managing Board Volksbank Vöcklamarkt-Mondsee rGmbH
Hermann GEISLER	Lawyer, Member of Managing Board GAJA Mittelstandsfinanzierungs AG
Johannes JELENIK	Member of the Managing Board Volksbank Kärnten Süd rGmbH
Franz KNOR	Member of the Managing Board Volksbank Südburgenland rGMBH
Gerhard REINER	Chairman of the Managing Board Volksbank Graz-Bruck rGmbH (from 22 May 2003)
Hans Peter REITNER	Managing Director Weinviertler Volksbank rGmbH
Josef TREML	Chairman of the Managing Board Hagebank-Volksbank Vöcklabruck-Traunsee rGmbH
Othmar SCHMID	Member of the Managing Board Österreichische Apothekerbank rGmbH
Gerhard SCHWAIGER	Chairman of the Managing Board Volksbank Tirol Innsbruck-Schwaz AG (from 22 May 2003)
Peter SEKOT	Deputy Chairman of the Managing Board Marchfelder Volksbank rGmbH
Bernd SPOHN	Deputy Chairman of the Managing Board of the Federation of Austrian Credit Co-operatives (Schulze-Delitzsch)
Sonja ZWAZL	President of the Economic Chamber of Lower Austria

The business address of each member of the Board of Managing Directors and the Supervisory Board is Österreichische Volksbanken-AG, Peregringasse 3, 1090 Vienna, Austria.

According to section eight of ÖVAG's Articles of Association:

1. The Managing Board shall consist of a minimum number of two, and a maximum number of six persons. The number of Managing Board members shall be fixed by the Supervisory Board, which shall appoint one of the Managing Board members as its chairman.
2. The Supervisory Board shall assign the different functions to the members of the Managing Board and define such operations as require its approval. Furthermore, it shall lay down the rules of procedure for the Managing Board.

Payments to Management

For the year 2003, the total compensation paid to the members of the Managing Board amounted to EUR 1,552,000 (compared with: EUR 1,237,000 in 2002).

Employees

In 2003, the ÖVAG Group employed a staff of average 4,429 worldwide, 2,518 thereof in ÖVAG's subsidiaries in CEE and 1,911 at ÖVAG's offices in Vienna. The ÖVAG Group has employed an average of 3,987 employees over the last three years.

Principal Subsidiaries

As at 31 December 2003, the ÖVAG Group comprised 111 domestic and 46 foreign fully-consolidated companies and 35 domestic and 5 foreign companies consolidated at equity.

Auditors

The independent auditors of ÖVAG for the fiscal year 2002 were KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and, for the fiscal years 2003 and 2004, are KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kolingasse 19, A-1090 Vienna.

Summary Financial Information

The following table sets out in summary form ÖVAG's consolidated balance sheet, which has been extracted from the audited consolidated financial statements of ÖVAG for the years ended 31 December 2003 and 31 December 2002:

BALANCE SHEET

	31 December	
	2003	2002
	<i>(in EUR thousand)</i>	
Assets		
Cash and balances with central banks	1,238,662	365,788
Loans and advances to credit institutions.....	3,309,160	3,134,229
Loans and advances to customers	12,499,238	11,479,920
Risk providers for loans and advances	(333,477)	(315,306)
Trading assets.....	301,418	254,535
Financial investments.....	3,615,948	3,078,164
Intangible fixed assets.....	15,287	31,584
Tangible fixed assets.....	189,389	186,999
Income tax claims.....	30,135	31,489
Other assets.....	695,878	639,343
Total assets	21,561,640	18,886,745
Liabilities		
Amounts owed to credit institutions	5,921,186	4,444,331
Amounts owed to customers	5,593,080	5,122,045
Debts evidenced by certificates	7,572,417	7,012,899
Trading liabilities	137,584	92,268
Provisions.....	146,749	150,573
Tax liabilities	104,890	82,963
Other liabilities	573,346	514,313
Subordinated capital	285,457	285,167
Minority interests.....	393,561	384,130
Equity.....	833,371	798,055
Total liabilities and equity	21,561,640	18,886,745

The following table sets out in summary form ÖVAG's consolidated profit and loss account, which has been extracted from the audited consolidated financial statements of ÖVAG for the years ended 31 December 2003 and 31 December 2002:

PROFIT AND LOSS ACCOUNT

	31 December	
	2003	2002
	<i>(in EUR thousand)</i>	
Net interest income	367,500	337,753
Provisions for risks	(52,950)	(54,447)
Net interest income after provision for risks	314,550	283,307
Net commission income.....	83,189	86,183
Trading result.....	31,732	23,397
General administrative expenses	(328,477)	(308,688)
Other operating results	(3,466)	2,517
Operating result.....	97,528	86,715
Income from financial investments	21,760	549
Extraordinary result	(574)	(930)
Pre-tax profit for the year	118,714	86,334
Income taxes	(34,516)	(15,324)
After tax profit for the year	84,198	71,010
Minority interests.....	(27,694)	(24,921)
Consolidated net income	56,504	46,089

The following table sets out in summary form ÖVAG's cash flow statement, which has been extracted from the audited consolidated financial statements of ÖVAG for the years ended 31 December 2003 and 31 December 2002:

CASH FLOW STATEMENT

	31 December	
	2003	2002
	<i>(in EUR thousand)</i>	
Profit for the year (including minority interests)	84,198	71,010
Non-cash positions in net profit		
Depreciation of, and revaluation gains on fixed assets and financial investments	57,510	50,175
Allocation to, and release of provisions, including risk provisions	66,939	67,104
Profit from the sale of financial investments and fixed assets	(5,619)	(20,905)
Non-cash changes in taxes	14,756	4,969
Changes in assets and liabilities from operating activities after adjustment for non-cash components Loans and advances to credit institutions.....	(174,931)	286,335
Loans and advances to customer.....	(1,019,318)	(846,707)
Trading assets.....	35,362	103,290
Financial investments.....	(251,490)	51,074
Other assets from operating activities	(79,588)	(48,769)
Amounts owed to credit institutions	1,476,855	(2,484,936)
Amounts owed to customer.....	471,035	186,181
Debts evidenced by certificates	569,606	1,873,994
Other liabilities	(9,108)	34,231
Other changes.....	(11,653)	22,627
Cash flow from operating activities	1,224,554	(650,327)
Of which extraordinary	(574)	(930)
Proceeds from the sale or redemption of:		
Held-to-maturity securities.....	9,820	1,223
Financial investments.....	11,248	40,243
Fixed assets.....	4,552	17,624
Payments for the acquisition of:		
Held-to-maturity securities.....	(292,530)	(12,656)
Financial investments.....	(13,718)	(22,137)
Fixed assets.....	(44,063)	(52,702)
Cash flow from investing activities.....	(324,690)	(28,405)
Capital increase.....	0	0
Changes in treasury stocks	(413)	11,344
Dividends paid	(26,866)	(22,556)
Other changes (especially in subordinated capital).....	289	57,936
Cash flow from financing activities	(26,990)	46,725
Cash and cash equivalents at the end of previous period (cash and balances with central banks)	365,788	997,795
Cash flow from operating activities	1,224,554	(650,327)
Cash flow from investing activities.....	(324,690)	(28,405)
Cash flow from financing activities.....	(26,990)	46,725
Cash and cash equivalents at the end of period (cash and balances with central banks)	1,238,662	365,788
Payments of taxes, interest and dividends		
Income tax payments.....	(7,193)	(7,360)
Interest received.....	1,067,401	1,349,640
Interest paid	(764,627)	(1,003,159)
Dividends received.....	13,701	8,124

THE AUSTRIAN BANKING SYSTEM

The Austrian Banking System

Overview

As at 31 December 2003, the Austrian banking industry consisted of 896 independent banks with a total of 4,401 branches. The structure of Austria's banking system is characterised by a large number of small institutions and a small number of medium to large banks.

The industry can be split into the following sectors:

	<i>(in euro billion)</i>
Total assets	
Savings banks.....	215.4
Commercial banks.....	97.8
Raiffeisen (rural co-operatives).....	144.0
Mortgage banks.....	45.7
Volksbanken (credit co-operatives).....	31.9
Specialised banks.....	51.1
Building Societies.....	19.2
	<hr/> <hr/> 605.1 <hr/> <hr/>

Changes in banking practice generally, and in Austrian banking legislation specifically, have contributed to an erosion of the original distinctions between the sectors. Today, commercial banks, savings banks and co-operative banks all engage in substantially similar business.

Membership of the European Union

Austria joined the European Economic Area ("EEA") with effect from January 1994 and became a member of the European Union on 1 January 1995. Membership of the EEA entailed the adoption of and implementation by Austria of EU directives, which has resulted in significant changes to Austrian banking law and accounting rules as Austrian laws have since then been harmonised with EU directives.

Banking Act

The legal framework of the banking system was reformed in 1993 with the passing of the *Bankwesengesetz 1993* (the "Banking Act"), which was part of the *Finanzmarktanpassungsgesetz 1993* (the "Financial Markets Harmonisation Act"). The Financial Markets Harmonisation Act was passed to bring Austrian laws into compliance with the EEA treaty and EU banking directives. The Banking Act implements 11 EU directives and five EU recommendations. In August 1996, an amendment to the Banking Act was made, bringing Austrian law into compliance with EU directives on large exposures, deposit guarantees, consolidation, supervision and reporting.

A further amendment to the Banking Act, which, among other things, implemented the EU Investment Services Directive and the EU Capital Adequacy Directive, was enacted on 30 December 1996. The amendment consisted of the new Securities Supervision Act as well as amendments to the Banking Act, the Stock Exchange Act and the Austrian Insolvency Law, which had all come into effect by 1 January 1999.

Other amendments to the Banking Act followed. A recent amendment was enacted in 2001 by the *Finanzmarktaufsichtsgesetz* (the "Financial Markets Supervision Act"), which provided for a new Financial Market Authority ("*Finanzmarktaufsichtsbehörde*" or "FMA") and had various effective dates up to 1 April 2002.

By the enactment of the *Bundesgesetz über das Internationale Insolvenzrecht 2003*, (the "Act on International Insolvency Law") the provisions concerning general insolvency proceedings and those on the insolvency of banks were amended in line with the Council directive (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings and the directive 2001/24, on the reorganisation and winding up of credit institutions of 5 May 2001.

Regulation and Supervision

The structure of the regulation and supervision of the Austrian banking system is set forth in a number of statutes, including the Banking Act, the National Bank Act 1984 and the Mortgage Bond Act 1927, each as amended.

The Banking Act contains most of the essential regulations for “credit institutions”, as banks are designated. In addition to setting out capital adequacy rules, the Banking Act imposes various other requirements, restrictions and regulations on Austrian banks, including reporting and liquidity requirements, restrictions on participations and large exposures, and regulations regarding internal controls and internal audits, deposit guarantees, money laundering and customer protection.

The National Bank Act 1984 regulates the Austrian National Bank and its position in the system of European Central Banks, while the Mortgage Bond Act 1927 governs bonds backed by mortgages.

Under the Banking Act, the supervision of Austrian banks and of the branches of foreign banks in Austria is the responsibility of the FMA, assisted by the Austrian National Bank. The FMA may take a variety of actions under the Banking Act to supervise banks on a comprehensive basis. In order to enable the FMA to fulfil its obligations, banks must, among other things, prepare monthly preliminary balance sheets and quarterly profit and loss statements, and submit annual audit reports.

Pursuant to the Foreign Exchange Act 2004, the free movement of capital and monetary cross border transactions was implemented.

Federal Ministry of Finance

The Federal Ministry of Finance (the “**Ministry of Finance**”) is headed by the Federal Minister of Finance (the “**Minister of Finance**”), who is a member of the Federal Government. The Ministry of Finance monitors compliance with the Banking Act and other relevant legislation by the FMA.

Financial Market Authority

Since April 2002, all supervisory tasks and resources have been transferred from the Federal Ministry of Finance (supervision of banking, insurance and pension funds) and the former Austrian Securities Authority (securities supervision) to the FMA. The FMA monitors compliance with the Banking Act and other relevant legislation and regulations by Austrian banks and financial institutions, both at home and abroad, and by foreign banks operating in Austria. In accordance with EU Law and the Banking Act, credit and financial institutions organised in and regulated by the authorities of EEA Member States are subject to regulation and supervision by their home state and not by Austria. With respect to activities in Austria, some regulations of the Banking Act must be observed.

The European Central Bank and the Austrian National Bank

Since 1 January 1999, responsibility for the monetary and currency policy of all the states participating in the third stage of European Economic and Monetary Union (“**EMU**”), including Austria, rests with the European Central Bank. The governor of the Austrian National Bank is a member of the council of the European Central Bank.

In addition to its functions within the European System of Central Banks, the Austrian National Bank reviews reports filed by banks and makes recommendations to the Ministry of Finance. Detailed foreign currency statistics concerning the foreign currency position of all Austrian banks are compiled by the Austrian National Bank and provide it with an indication of the business volume of Austrian banks. Austria’s detailed information reporting requirements act as a form of regulatory mechanism since the figures in these reports and the information provided by the banks must be consistent and compiled in accordance with the rules and regulations of the Austrian National Bank.

The Austrian National Bank continuously evaluates the status of Austrian banks as part of the banking supervision regime provided for in the Banking Act.

Capital Adequacy Requirements

Under Austrian risk-based capital adequacy rules, which are based on EU law, each bank must maintain a ratio (the “**Solvency Ratio**”) of at least 8 per cent of the assessment basis. The Solvency Ratio is the ratio of Qualifying Capital (“**Own Funds**”, as explained below) to risk-adjusted assets and certain off balance sheet items (as explained below).

For the purposes of calculation of the Solvency Ratio, the Banking Act defines “Own Funds” as consisting principally of (i) paid-in capital, (ii) disclosed reserves, (iii) funds for general bank risks, (iv) Supplementary Capital, (v) certain hidden reserves, (vi) participation capital, (vii) subordinated capital, (viii) revaluation reserves and (ix) the commitments of members of co-operative banks to make additional contributions quantified in relation to their shareholdings. Certain losses, certain intangible assets and certain investments in banks or financial institutions are required to be deducted from equity in computing Qualifying Capital.

“Core Capital” consists of (i) paid-in capital, (ii) disclosed reserves, and (iii) funds for general bank risks, less losses and intangible assets. The Banking Act requires that the aggregate amount of the elements comprising Qualifying Capital, other than those elements which are part of Core Capital, must not exceed the Core Capital. In addition, the sum of subordinated debt may not exceed 50 per cent. of the Core Capital. Core Capital reflects a concept similar to “Tier 1 Capital” and Qualifying Capital (other than Core Capital) reflects a concept similar to “Tier 2 Capital”.

Risk-adjusted assets and certain off balance sheet items are computed by assigning the assets to four broad categories of relative credit risk: 0 per cent., 20 per cent., 50 per cent. and 100 per cent. The balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. Off-balance sheet items on the bank book such as swaps and other financial derivatives are valued either at cost or market price. As with on-balance sheet assets, each off-balance sheet item is assigned to a credit risk category depending upon the type of counterparty or the debtor and multiplied by the applicable percentage weight. Since 1998, banks have been required to meet the capital requirements regarding position risk as well as settlement and counterparty risk according to the “trading book approach”. As a complementary measure, short-term subordinated capital will be accepted as part of Own Funds (Short-term Subordinated Capital is commonly referred to as “Tier 3 Capital”, as such term is used in BIS capital adequacy rules).

Consolidated capital adequacy requirements must be met not only by a bank, but also by the bank together with all other financial services companies in the bank’s group. For this purpose, the group consists of the parent company bank and all other banks, factoring and leasing companies, investment firms and ancillary banking service undertakings in which it holds more than 20 per cent. of the share capital or which it controls.

Minimum Reserves

As of 1 January 1999, all banks incorporated in a state which is participating in the third stage of European Economic and Monetary Union (“**EMU**”) are obliged to maintain minimum reserves for liabilities. The percentages of the minimum reserve requirements may be determined by ordinance if this is required for the protection of creditors and the readiness to pay. As of now the minimum reserve requirement for sight deposits and time deposits for up to 2 years is set at 2.0 per cent. A general allowance of EUR 100,000 may be deducted. These reserves are interest bearing.

Failure by a bank to meet the minimum reserve requirements exposes it to potential penalty interest charges.

Deposit Guarantee Scheme

Austrian law requires that any bank which accepts deposits must join the guarantee scheme of its sector within the banking system. Non-membership of the relevant guarantee scheme results in the lapse of the bank’s licence to conduct deposit-taking business in Austria. Payments made by a guarantee scheme to restore guaranteed deposits are met by contributions from each member bank in the relevant sector. Each bank’s contribution is determined in proportion to the aggregate amount of such bank’s deposits, subject to a maximum contribution amount equal to one-third of the liability reserve of such bank

pursuant to section 23(6) Banking Act. ÖVAG has to be, and is, a member of the *Schulze-Delitzsch-Haftungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung* (the Schulze-Delitzsch Deposit Guarantee Scheme).

Accounting and Auditing

Generally, Austrian auditing regulations are adapted to EU standards. Austrian banks, and banks operating in Austria, are required to submit audited financial statements, including the audit reports thereon, to the FMA and the Austrian National Bank. Such statements must be submitted within six months of the end of the business year.

Recent legislation allows banks to use international accounting standards (such as International Financial Reporting Standards or US GAAP) to consolidate financial statements, provided that the financial statements comply with EU guidelines, contain all required information and are audited. In addition the auditors must confirm compliance with EU directive requirements.

Bank auditors are required to certify compliance with certain regulatory requirements, and to include in their long form reports to the supervising authorities an overall opinion on the risks, profitability and financial position of the respective bank. Bank auditors may be auditing firms but also sector related but independent institutions.

State Guarantees

On 1 May 2004, a change of the law concerning state guarantees for provincial mortgage banks entered into force. Accordingly, the Austrian provinces will continue to guarantee the liabilities of their provincial mortgage banks which originate until 2 April 2003. Liabilities that come into existence after 2 April 2003 and not later than on 1 April 2007 are guaranteed only if they expire until 30 September 2017. Liabilities originating from 1 April 2007 and thereafter are not guaranteed any more. This change of the law implements an understanding of 1 April 2003 between the EU Commission and the Republic of Austria. The new law concerns all Austrian provincial mortgage banks including Niederösterreichische Landesbank-Hypothekenbank AG, of which ÖVAG holds a share of approximately 40 per cent.

STATEMENT OF RIGHTS OF THE PREFERRED SECURITIES

The following are the terms and conditions of the fixed/floating rate preferred securities of ÖVAG Finance (Jersey) Limited (the “**Company**”) hereby designated as Non-cumulative Non-voting Preferred Securities (the “**Preferred Securities**”), which expression shall include any further fixed/floating rate preferred securities of the same Series issued pursuant to Article 6 of the Company’s Articles of Association (the “**Articles**”), as adopted by the Board of Directors pursuant to their meeting held on 20 September 2004. The Preferred Securities shall have attached to them the following rights and obligations in addition to the rights and obligations set out in the Articles.

1. Definitions and Interpretation

1.1 Capitalised terms used but not defined herein shall have the meanings given to them in the Articles. In addition, as used in this Statement, if not inconsistent with the subject or context, the terms set out below shall have the following meanings:

the “**Act**” means the Austrian Banking Act 1993, as amended;

“**Asset Parity Security**” means any preferred or preference share or other security issued by the Parent, the Company or any other Subsidiary of the Parent (i) ranking *pari passu* as to participation in the assets of the Parent with the Parent’s obligations under the Support Agreement, or (ii) entitled to the benefit of a guarantee or support agreement from the Parent ranking *pari passu* as to participation in the assets of the Parent with the Parent’s obligations under the Support Agreement;

“**Austrian Tax**” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Austria or by any federal authority therein or thereof having power to tax;

“**Bank Share Capital**” means the ordinary shares of the Parent, together with all other securities issued by the Parent (including *Vorzugsaktien* and *Partizipationskapital*), ranking *pari passu* with the ordinary shares of the Parent as to participation in a liquidation surplus;

“**Business Day**” means a day on which TARGET is operating;

“**Credit Institute Group**” means all companies consolidated with the Parent pursuant to §30 of the Act for capital adequacy purposes;

“**Distributable Funds**” means, in respect of each fiscal year of the Parent, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of accumulated retained earnings and any other reserves and surpluses of the Parent capable under the companies laws of Austria and the Austrian Banking Act 1993, of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

“**Dividend Determination Date**” means, with respect to any Dividend Period, the second Business Day prior to the first day of such Dividend Period;

“**Dividend Parity Security**” means any preferred security or preference share or other security (i) issued by the Parent and ranking *pari passu* as to payment of dividends with the Parent’s obligations under the Support Agreement or (ii) issued by the Company or any other Subsidiary of the Parent and entitled to the benefit of a guarantee or support agreement from the Parent ranking *pari passu* as to payment of dividends with the Parent’s obligations under the Support Agreement;

“**Dividend Payment Date**” means 22 September 2005 and thereafter, 22 March and 22 September in each year, and shall remain unadjusted if any such Dividend Payment Date falls on a date which is not a Business Day;

“**Dividend Period**” means the period from (and including) 22 September 2004 to (but excluding) the first Dividend Payment Date and each successive period from (and including) a Dividend Payment Date to (but excluding) the next succeeding Dividend Payment Date;

“Dividend Rate” means, in respect of a relevant Dividend Period, the percentage rate determined pursuant to Clause 3 (*Dividend*);

“Dividends” means the amount of dividends payable on the Preferred Securities in accordance with the terms thereof;

“Euro-zone” means the region comprised of member states of the European Union that adopt or have adopted the euro as a single currency in accordance with the Treaty;

“Financial Market Authority” has the meaning given to it in the Austrian Financial Market Supervision Act 2001;

“Holder” means a person whose name is entered in the Register as a holder of Preferred Securities;

“Investments” means direct or indirect investments in the ÖVAG Group which the Company shall acquire or subscribe for using the proceeds of the issue of the Preferred Securities;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Island or by any authority therein or thereof having power to tax;

“Law” means the Companies (Jersey) Law 1991 (as amended);

“Liquidation Distribution” means €1,000 per Preferred Security plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the date of payment;

“Margin” means 0.10 per cent.;

“Optional Redemption Date” means any date designated for the optional redemption, the redemption for tax reasons or the redemption for capital reasons of the Preferred Securities pursuant to Clause 5 (*Optional Redemption*) or 6 (*Redemption for Tax Reasons and for Capital Reasons*);

“Optional Redemption Price” means €1,000 per Preferred Security plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the Optional Redemption Date;

“ÖVAG Group” means the Parent and each Subsidiary;

“Paid-Up Amount” means €1,000 per Preferred Security;

“Parent” means Österreichische Volksbanken-Aktiengesellschaft;

“Paying Agent” means each of the Principal Paying and Transfer Agent, BNP Paribas Securities Services, Luxembourg Branch and ABN AMRO Bank N.V. or such other entity as is appointed by the Company and notified to the Holders of the Preferred Securities in accordance with Clause 10 (*Notices*);

“Principal Paying and Transfer Agent” means JPMorgan Chase Bank or such other entity as is appointed by the Company and notified to the Holders of the Preferred Securities in accordance with Clause 10 (*Notices*);

“Reference Rate” means in respect of a relevant Dividend Period, the 10-year mid swap rate in EUR (annual, 30/360) versus 6 month EURIBOR (semi-annual, ACT/360) which appears on Reuters Page “ISDAFIX2” under the heading “EURIBOR BASIS” and above the caption “11:00 AM CET” (as such headings and captions may appear from time to time) as of 11:00 am Central European time (the **“Relevant Screen Page”**), on the Dividend Determination Date;

“Registrar” means Mourant & Co. Limited or such other entity as is appointed by the Company and notified to the Holders of the Preferred Securities in accordance with Clause 10 (*Notices*);

“Subsidiary” means a company consolidated with the Parent under International Financial Reporting Standards;

“Support Agreement” means the Support Agreement to be dated 22 September 2004 entered into by the Parent and the Company;

“**TARGET**” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system; and

“**Treaty**” means the Treaty establishing the European Community, as amended by the Treaty on European Union.

1.2 A reference to a numbered Clause herein is to the corresponding numbered Clause of this Statement of Rights relating to the Preferred Securities.

1.3 The definition of “Distributable Funds” in Clause 1.1 hereof shall be construed in accordance with Austrian law.

2. Form, Transfer and Listing

2.1 The Preferred Securities shall be issued in registered form at a price per Preferred Security equal to the Paid-Up Amount.

2.2 Transfers of the Preferred Securities shall be effected in accordance with the provisions contained in the Articles.

2.3 Application has been made to list the Preferred Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V. and on the Luxembourg Stock Exchange. The Company shall use its best endeavours to obtain and maintain a listing of the Preferred Securities on the Luxembourg Stock Exchange and the Official Segment of the Stock Market of Euronext Amsterdam N.V.

3. Dividend

3.1 Subject as provided in Clause 3.3, non-cumulative dividends on the Preferred Securities will accrue (a) from (and including) 22 September 2004 to but excluding 22 September 2005 (the “**First Dividend Payment Date**”) at the rate of 6.00 per cent. per annum, payable in arrear on the First Dividend Payment Date and (b) from and including the First Dividend Payment Date at the Dividend Rate payable semi-annually in arrear on 22 March and 22 September in each year (whether or not declared by the Board of Directors). Subject to the Law and Clause 3.2 below, Dividends will be payable on the relevant Dividend Payment Date following the first Dividend Payment Date at the Dividend Rate on the amount of the liquidation preference of €1,000 per Preferred Security provided, however, that, if any Dividend Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business day (without adjustment or interest in respect of a delay where such Dividend Payment Date is not a Business Day). The amount of the Dividend payable for any Dividend Period or any period less than a Dividend Period will be calculated on the basis of the number of days elapsed in the period using a calendar year of 360 days consisting of 12 months of 30 days each divided by 360.

3.2 The Dividend Rate will be determined by the Principal Paying and Transfer Agent for each Dividend Period falling after the First Dividend Payment Date on the basis of the following provisions:

3.2.1 On each Dividend Determination Date the Principal Paying and Transfer Agent will determine the Reference Rate as at 11.00 am Central European time. The Dividend Rate for the relevant Dividend Period shall be the aggregate of the relevant Reference Rate plus the Margin and *provided that* if the Dividend Rate for any Dividend Period would otherwise be greater than 9.00 per cent per annum it will be deemed to be 9.00 per cent. per annum for such Dividend Period.

3.2.2 In the event that the Reference Rate does not appear on the Relevant Screen Page, the rate for that date will be determined as if the parties had specified “EUR – Annual Swap Rate – Reference Banks” as the applicable Reference Rate. “EUR-Annual Swap Rate – Reference Banks” means that the rate will be a percentage determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the interbank market (the “**Reference Banks**”) at approximately 11.00 a.m. CET, on the Dividend Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a 10 year maturity commencing on the first day of that Dividend Period and in an amount that is representative for a single

transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to in the case of "EUR-ISDA-EURIBOR Swap Rate – 11.00", "EUR-EURIBOR-Telerate", with a maturity of six months. The Principal Paying and Transfer Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the first day of that Dividend Period will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

3.2.3 The Principal Paying and Transfer Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each Dividend Determination Date, determine the Dividend Rate in respect of the relevant Dividend Period and calculate the amount of the Dividend payable per Preferred Security on the Dividend Payment Date for the relevant Dividend Period (the "**Dividend Amount**") by applying the Dividend Rate for such Dividend Period to the liquidation preference amount of €1,000 per Preferred Security, multiplying such sum by the number of days elapsed in the period using a calendar year of 360 days consisting of 12 months of 30 days each divided by 360 and, if necessary, rounding the resultant figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

3.2.4 The Company shall cause notice of the Dividend Rate determined in accordance with this Clause 3.2 in respect of each Dividend Period and of the Dividend Amount and the relevant Dividend Payment Date to be given to the Holders in accordance with Clause 10 (*Notices*) as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The Dividend Amounts and the Dividend Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Dividend Period or in the event of proven or manifest error.

3.2.5 The Company shall cause notice of the Dividend Rate determined in accordance with this Clause 3.2 in respect of each Dividend Period and of the Dividend Amount and the relevant Dividend Payment Date to be given to Euronext Amsterdam N.V. and to the Luxembourg Stock Exchange by no later than the first day of each new Dividend Period and shall cause such information to be available at the offices of the Paying Agents in Luxembourg and Amsterdam.

3.2.6 So long as any Preferred Security remains outstanding the Company will maintain a Principal Paying and Transfer Agent.

The Company may from time to time replace the Principal Paying and Transfer Agent by another leading investment, merchant or commercial bank. If the Principal Paying and Transfer Agent is unable or unwilling to continue to act as the Principal Paying and Transfer Agent or fails duly to determine the Dividend Rate in respect of any Dividend Period as provided above, the Company shall forthwith appoint another such bank to act as Principal Paying and Transfer Agent.

3.2.7 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Clause 3.2 shall (in the absence of wilful default, fraud, bad faith or manifest error) be binding on the Company, the Parent and the Holders, and (in the absence of wilful default, fraud, bad faith or manifest error as aforesaid) no liability to the Holders shall attach to the Principal Paying and Transfer Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions.

3.3 Dividends on the Preferred Securities will be non-cumulative and will be deemed to accrue on a day by day basis whether or not declared. Dividends on the Preferred Securities will be paid by the Company out of funds legally available therefore *provided, however*, that the Company will not be obliged to pay Dividends during any fiscal year:

3.3.1 to the extent that the aggregate of such Dividends, together with:

- (a) any Dividends (including any Additional Amounts (as defined in Clause 9 (*Additional Amounts*)) in respect thereof) previously paid by the Company in respect of the Preferred Securities in the then current fiscal year;
- (b) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and
- (c) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, the Preferred Securities or Dividend Parity Securities in the then current fiscal year, would exceed Distributable Funds for the prior fiscal year; or

3.3.2 even if sufficient Distributable Funds are available, to the extent that, if the Board of Directors has received a certified copy of the minutes of a meeting of the Board of Directors of the Parent in which the Board of Directors of the Parent has resolved that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Act, the Parent would be limited in making such payments on Dividend Parity Securities.

If the Company does not pay a Dividend in respect of the Preferred Securities in any Dividend Period then the right of Holders of the Preferred Securities to receive a Dividend in respect of the Dividend Period ending on the relevant Dividend Payment Date will be extinguished and the Company will have no obligation to pay the Dividend accrued for such Dividend Period or to pay any interest thereon, whether or not Dividends on the Preferred Securities are paid for any future Dividend Period.

3.4 When, by reason of any limitation described in Clause 3.3 above, Dividends are not paid in full on the Preferred Securities and any Dividend Parity Securities, all Dividends declared or payable upon the Preferred Securities and any such Dividend Parity Securities will be payable *pro rata* in the proportion that the amounts available for payment on the Preferred Securities and any such Dividend Parity Securities on the due date of payment shall bear to the full amount that would have been payable on the Preferred Securities and such Dividend Parity Securities but for such limitation and any claims in respect of the difference between the full amount and the amount so payable shall be thereupon extinguished. If Dividends are not paid in full in accordance with the foregoing, the Holders will be notified in accordance with Clause 10 (*Notices*) and notice will be provided to the Paying Agents, to each listing authority or stock exchange on which the Preferred Securities are listed as soon as possible after such determination has been made.

3.5 Save as described in this Clause 3, Holders of the Preferred Securities will have no right to participate in the profits of the Company.

4. Liquidation Distributions

4.1 In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Holders of the Preferred Securities at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Preferred Security held out of the assets of the Company available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of Ordinary Shares or any other class of shares or preferred securities of the Company ranking junior as regards participation in assets to the Preferred Securities, but such entitlement will rank equally with the entitlement of the holders of any Asset Parity Security.

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Parent, the Liquidation Distribution paid to Holders of the Preferred Securities and the liquidation distribution paid to the holders of all Asset Parity Securities, shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Parent (after payment in full in accordance with Austrian law of all creditors of the Parent, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Parent's obligations under the Support Agreement) had the Preferred Securities and all Asset Parity Securities been issued by the Parent and ranked (x) junior to all liabilities of the Parent (other

than any liability expressed to rank *pari passu* with or junior to the Parent's obligations under the Support Agreement), (y) *pari passu* with all Asset Parity Securities of the Parent and (z) senior to the Parent's Bank Share Capital.

4.2 If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in Clause 4.1 above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Distribution, as adjusted if applicable, the Holders will have no right or claim to any of the remaining assets of the Company or the Parent.

4.3 In the event of the liquidation, dissolution or winding-up of the Parent, the amount per Preferred Security to which Holders shall be entitled as a Liquidation Distribution will be as set out in Clauses 4.1 and 4.2 above.

5. Optional Redemption

Subject to the conditions mentioned below, the Preferred Securities are redeemable, at the option of the Company, in whole but not in part, on the Dividend Payment Date falling on 22 September 2011 or any Dividend Payment Date thereafter, upon not less than 30 and no more than 60 Business Days' notice to the Holders (which notice shall be irrevocable) at the Optional Redemption Price. Such notice shall specify the relevant Optional Redemption Date and the Optional Redemption Price. Upon the expiry of such notice, the Company shall be bound to redeem the relevant Preferred Securities accordingly.

Such redemption shall be subject to (a) the Law, (b) the prior consent of the Parent and (c) the substitution of the Preferred Securities which are redeemed by capital of equal or better quality, unless the Financial Market Authority determines that the Parent and the Credit Institute Group have sufficient Own Funds (as defined in the Act) required for an adequate risk coverage even after repayment of the Preferred Securities.

6. Redemption for Tax Reasons and for Capital Reasons

Notwithstanding the foregoing, the Preferred Securities will, subject to the conditions mentioned below, be redeemable, at the option of the Company on any Dividend Payment Date after the issuance of the Preferred Securities, if:

6.1.1 the Company is or would be required to pay Additional Amounts (as defined in Clause 9 (*Additional Amounts*)); or

6.1.2 (a) the statutory recognition of the Preferred Securities as Tier 1 regulatory capital as part of the Own Funds (as defined in the Act) of the Parent for Austrian capital adequacy purposes on a consolidated basis is changed, or (b) as a result of a change in law or regulation or the interpretation thereof, payments made directly by the Support Provider or any Subsidiary on any Investments cease to be fully deductible as expenses for income tax purposes.

In each such case the Preferred Securities will be redeemable in whole but not in part, on any Dividend Payment Date, upon not less than 30 and no more than 60 Business Days' notice to the Holders (which notice shall be irrevocable), at the Optional Redemption Price. Such notice shall specify the relevant Optional Redemption Date and the Optional Redemption Price. Prior to the publication of any notice of redemption pursuant to this Clause 6, the Company shall deliver to the Principal Paying and Transfer Agent:

(a) a certificate signed by two Directors of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred; and

(b) with respect to any redemption pursuant to Clause 6.1.1 only, an opinion of independent legal advisers of recognised standing to the effect that the Company has or will be obliged to pay such Additional Amounts.

Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly.

Such redemption shall be subject to (a) the Law, (b) the prior consent of the Parent and (c) the substitution of the Preferred Securities which are redeemed by capital of equal or better quality, unless the Financial Market Authority determines that the Parent and the Credit Institute Group have sufficient Own Funds (as defined in the Act) required for an adequate risk coverage even after repayment of the Preferred Securities.

7. Payments and Purchases

7.1 Dividends declared or payable on the Preferred Securities (other than Dividends forming part of the Optional Redemption Price) will be payable by the Company on the relevant Dividend Payment Date (or if in any case such day is not a Business Day, the next following Business Day but without adjustment or interest in respect of a delay where such Dividend Payment Date is not a Business Day) or other due date for payment as provided herein to the Holders of record thereof as they appear on the Register for the Preferred Securities on the relevant record date, which will be five days prior to the relevant date for payment.

If the Company gives a notice of redemption in respect of the Preferred Securities, then, by 3.00 p.m. (London time) on the Optional Redemption Date, the Company will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Optional Redemption Price, and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Optional Redemption Price to the Holders of the Preferred Securities as at the relevant record date, which will be seven days prior to the relevant Optional Redemption Date. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders will be extinguished, except the right of the Holders to receive the Optional Redemption Price in respect of each Preferred Security, but without interest, and the Preferred Securities will cease to be outstanding and will be cancelled.

7.2 Subject to any applicable fiscal or other laws and regulations:

7.2.1 each payment in respect of Dividends will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preferred Securities; and

7.2.2 any payment in respect of the redemption of any Preferred Security will be made by cheque against presentation and surrender of the relevant Preferred Security certificate at the office of any Paying Agent,

provided however, that a Holder may receive any such payment by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the relevant Paying Agent in sufficient time prior to the relevant date of payment.

7.3 In the event that payment of the Optional Redemption Price in respect of any Preferred Security is improperly withheld or refused and not paid by the Company, Dividends on such Preferred Security, will continue to accrue, at the then applicable rate, from the Optional Redemption Date to the date of actual payment of such Optional Redemption Price.

7.4 In making any payment in respect of the Preferred Securities, amounts shall be rounded, if necessary, to the nearest €0.01 (with €0.005 being rounded upwards).

7.5 Subject to the foregoing and to applicable law (including, without limitation, to Jersey and Austrian securities and banking laws and regulations), the Company or the Parent or any of the Parent's other Subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement. If purchases are made by tender, the tender must be available to all Holders of Preferred Securities alike. Any such Preferred Security so purchased by the Parent or any of the Parent's Subsidiaries may be resold or cancelled.

Any such purchase if made by the Company shall be made in such manner and in such terms as the Company shall approve in a general meeting of shareholders.

8. Voting Rights

8.1 Holders of Preferred Securities will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.

8.2 If for any two consecutive Dividend Periods, Dividends (whether or not declared) and any Additional Amounts in respect of such Dividends have not been paid in full on the Preferred Securities by the Company, then the Holders together with the holders of any other outstanding preferred securities, preference shares or other Tier 1 securities of the Company having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the Holders of a majority in liquidation preference of such shares or securities or by ordinary resolution passed by the Holders of a majority in liquidation preference of such shares or securities present in person or by proxy at a separate general meeting of such Holders convened for the purpose, to appoint two additional members of the Board of Directors who, whether because of their individual residency status or otherwise, do not adversely affect the Company's regulatory or taxation position or status.

Not later than 30 days after such entitlement arises, if the written notice of the Holders and the holders of any other outstanding preferred securities, or preference shares or other Tier 1 securities of the Company having the right to vote for the election of Directors in the circumstances described in the preceding Clause has not been given as provided for in the preceding Clause, the Board of Directors will convene a separate general meeting for the above purpose. If the Board of Directors fails to convene such meeting within such 30 day period, the Holders of 10 per cent. in liquidation preference of the Preferred Securities and such other outstanding preferred securities, preference shares or other Tier 1 Securities will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting.

Any member of the Board of Directors so appointed shall vacate office, subject to the terms of such other outstanding preferred securities, preference shares or other Tier 1 securities, if for any two subsequent, consecutive Dividend Periods, Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Preferred Securities by the Company.

8.3 The Company will cause a notice of any meeting at which Holders are entitled to vote to be mailed to each Holder. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

9. Additional Amounts

9.1 All payments in respect of the Preferred Securities by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Austrian Tax, unless the withholding or deduction of such Jersey Tax or Austrian Tax is required by law. In that event, the Company will pay, as further Dividends, such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder (or to a third party on his behalf) with respect to any Preferred Security:

9.1.1 to the extent that such Jersey Tax or Austrian Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preferred Security) having some connection with Jersey or Austria, other than being a Holder (or beneficial owner) of such Preferred Security; or

9.1.2 where such Additional Amount is imposed on a payment to an individual and is required to be made pursuant to European Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

9.1.3 in respect of which the certificate representing it is presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Preferred Security to another Paying Agent in a Member State of the European Union;

except that the Company’s obligations to make any such payments are subject to the limitations provided in Clauses 3.3, 3.4, 4.1 and 4.2 above.

The Company shall at all times maintain a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Directive 2003/48/EC or any other Directive (each a “Relevant Directive”) implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

10. Notices

All notices to the Holders will be mailed to the Holder of record and, (a) for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a leading Luxembourg daily newspaper (which is expected to be the *Luxemburger Wort*) and (b) for so long as the Preferred Securities are listed on Euronext Amsterdam, notices to the Holders shall be valid if published in the Daily Official List of Euronext Amsterdam N.V. (“*Officiële Prijscourant*”) and a leading newspaper having general circulation in the Netherlands (which is expected to be *Het Financieele Dagblad*). Any such notice shall be deemed to have been given on the date of the first publication.

Signed on behalf of

ÖVAG FINANCE (JERSEY) LIMITED

By:
Director

Date:

OTHER PROVISIONS OF THE ISSUER'S ARTICLES

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect:

(a) Transfer of Shares

The shares of the Issuer are in registered form. Shares may be transferred by instrument in writing in the usual or common form, or in such other form as the Directors may approve. All instruments of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, by the transferee. Registration of transfers of shares will be effected without charge by or on behalf of the Issuer, but upon payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges which may be imposed in relation to it. The Directors of the Issuer may, without assigning any reason, refuse to register a transfer of any share which is not fully paid and may also refuse the registration of any transfer of any share (which is not fully paid) on which the Issuer has a lien. The Directors of the Issuer will not be required to register the transfer of any Preferred Security after it has been called for redemption. Save as aforesaid, the Articles of Association contain no restrictions on the transferability of fully paid shares, provided that the instrument of transfer is lodged at the office of the Paying Agent *in Luxembourg* or at the offices of any other authorised transfer agent appointed by the Issuer in respect of the Preferred Securities accompanied by the relevant certificate and such other evidence of the right to make the transfer as the Directors may require and is only in respect of one class of share.

Every person whose name is entered as a member in the Register shall be entitled without payment to one certificate, for each class of shares, evidencing all shares held by him. Where a Holder has transferred part of the shares comprised in his holding, he shall be entitled to a certificate for the balance without charge. Every certificate shall be issued within two months after allotment or the lodgement at the office of the Paying Agent *in Luxembourg* or such other authorised transfer agent appointed by the Issuer for such purposes. *If definitive certificates are made available in respect of Preferred Securities, such certificates will be available from the Principal Paying and Transfer Agent at its offices in London and the Paying Agent in Luxembourg.*

In the Agency Agreement (the "Agency Agreement") to be dated 22 September 2004 between the Issuer, the Parent, the Principal Paying and Transfer Agent, the Registrar and the Paying Agents, the Issuer will agree that if a transferee is not a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, it shall give sufficient notice to the Registrar to allow for the appointment of a replacement registrar, if necessary.

The Principal Paying and Transfer Agent will initially be JPMorgan Chase Bank, the Registrar will initially be Mourant & Co. Limited and the other Paying Agents will initially be BNP Paribas Securities Services, Luxembourg Branch and ABN AMRO Bank N.V. (or in each case such other person as the Issuer may appoint and notify to the Holders). For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange, the Issuer will maintain a paying agent in Luxembourg and for so long as the Preferred Securities are listed on Euronext Amsterdam, the Issuer will maintain a paying agent in Amsterdam.

(b) Replacement of Certificate

If a certificate is damaged, defaced, lost, stolen or destroyed, a new certificate may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the Directors of the Issuer may think fit and on payment of any exceptional expenses of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, on delivery of the old certificate.

(c) Alteration in Capital

Subject as described in "Statement of Rights of the Preferred Securities" above, the Issuer may from time to time by special resolution alter its share capital in any manner permitted by the Law.

(d) Variation of Rights

All or any of the rights attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent in writing of the holders of not less than two-thirds of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. The necessary quorum for such separate meeting (other than an adjourned meeting) is two holders holding or representing at least one-third of the issued shares of that class or, if there is only one holders of the issued shares of such class, such holder.

(e) Dividends

Subject to the Law the general meeting may declare annual or interim dividends out of profits on the recommendation of, and not exceeding the amount recommended by, the Directors. No dividend may be declared or paid on the ordinary shares unless all dividends on the Preferred Securities shall have been declared and paid in full for the immediately preceding twelve month period. No dividend has been paid on the ordinary shares of the Issuer since its incorporation. Any dividend or distribution unclaimed for a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer.

(f) Members' Rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands, every member who is present in person or by proxy has one vote, and on a poll, every member present in person or by proxy has one vote for every share of any class of which he is the holder.

Subject to the rights attached to the Preferred Securities, the Issuer may, with the sanction of a special resolution of the Issuer and any other sanction required by Law, divide amongst the members *in specie* or in kind the whole or part of the assets of the Issuer and the liquidator (or, if none, the directors) may determine how such division shall be carried out as between the members or different classes of members.

SUPPORT AGREEMENT

Set forth below is the text of the Support Agreement:

THIS SUPPORT AGREEMENT (the "**Support Agreement**"), dated 22 September 2004, is executed and delivered by each of **ÖSTERREICHISCHE VOLKSBANKEN-AKTIENGESELLSCHAFT**, incorporated under the laws of Austria (the "**Support Provider**") and **ÖVAG FINANCE (JERSEY) LIMITED**, a company incorporated with limited liability under the laws of Jersey (the "**Company**").

WHEREAS, the Support Provider desires to cause the Company to issue, and the Company desires to issue, the Preferred Securities (as defined below) and the Support Provider and the Company desire to enter into this Support Agreement.

NOW, THEREFORE each of the Support Provider and the Company executes and delivers this Support Agreement for the benefit of the Holders (as defined below).

1. As used in this Support Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

"Additional Amounts", in relation to the Company, has the meaning given to that term in Paragraph 9 of the Statement of Rights;

"Articles of Association" means the Articles of Association of the Company, as amended from time to time;

"ASCA" means the Austrian Stock Corporation Act, as amended from time to time;

"Asset Parity Security" means any preferred or preference share or other security issued by the Support Provider, the Company or any other Subsidiary of the Support Provider (i) ranking *pari passu* as to participation in the assets of the Support Provider with the Support Provider's obligations under this Support Agreement, or (ii) entitled to the benefit of a guarantee or support agreement from the Support Provider ranking *pari passu* as to participation in the assets of the Support Provider with the Support Provider's obligations under this Support Agreement;

"Bank Share Capital" means the ordinary shares of the Support Provider, together with all other securities issued by the Support Provider (including *Vorzugsaktien* and *Partizipationskapital*) ranking *pari passu* with the ordinary shares of the Support Provider as to participation in a liquidation surplus;

"Credit Institute Group" means all companies consolidated with the Support Provider pursuant to §30 of the Austrian Banking Act 1993, as amended for capital adequacy purposes;

"Distributable Funds" means, in respect of each fiscal year of the Support Provider, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of accumulated retained earnings and any other reserves and surpluses of the Support Provider capable under the companies laws of Austria and the Austrian Banking Act 1993 of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

"Dividend Parity Security" means any preferred or preference share or other security (i) issued by the Support Provider, and ranking *pari passu* as to payment of dividends with the Support Provider's obligations under this Support Agreement, or (ii) issued by the Company or any other Subsidiary of the Support Provider and entitled to the benefit of a guarantee or support agreement from the Support Provider ranking *pari passu* as to payment of dividends with the Support Provider's obligations under this Support Agreement;

"Dividend Period" has the meaning, in relation to the Preferred Securities, given to such term in the Statement of Rights;

"Dividends" means the amount of dividends payable on the Preferred Securities in accordance with the terms thereof;

"Holder" means any "Holder" means any holder from time to time of any Preferred Security of the Company, provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, such term shall not include the Support Provider or any entity of which the

Support Provider, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests (including the Company);

“Liquidation Date” means the date of final distribution of the assets of the Company in the case of a liquidation, dissolution or winding-up of the Company (whether voluntary or involuntary);

“Liquidation Distribution” means €1,000 per Preferred Security plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the date of payment;

“Optional Redemption Date” has the meaning, in relation to the Preferred Securities, given to such term in the Statement of Rights;

“Optional Redemption Price” has the meaning, in relation to the Preferred Securities, given to such term in the Statement of Rights;

“Preferred Securities” means all of the euro Fixed/Floating Rate Non-cumulative Non-voting Preferred Securities of the Company in issue from time to time, whether or not in issue on the date of this Support Agreement, the Holders of which are entitled to the benefits of this Support Agreement as evidenced by the execution of this Support Agreement;

“Statement of Rights” means the statement of rights adopted and prevailing from time to time in relation to the Preferred Securities and setting out the rights attaching thereto as issued by or on behalf of the Directors on behalf of the Company pursuant to Article 6(b) of the Articles of Association; and

“Subsidiary” means a company consolidated with the Support Provider under International Financial Reporting Standards.

Any other terms used in this Agreement and defined in the Statement of Rights or Articles of Association of the Company shall have the same meaning when used in this Agreement.

2.

2.1

2.1.1 Subject to the limitations contained in the following paragraphs of this Clause 2.1, the Support Provider irrevocably and unconditionally agrees, if at any time the Company has insufficient funds to enable it to meet in full all of its obligations under or in respect of the Preferred Securities as and when such obligations fall due, to make available to the Company such funds in such form as are sufficient to enable it to meet such payment obligations. The Company shall use any amount made available to it by the Support Provider pursuant to this Support Agreement solely for the purposes of enabling the Company to fulfil its payment obligations under or in respect of the Preferred Securities.

2.1.2 Notwithstanding Clause 2.1.1, the Support Provider will not be obliged to make any payment to the Company under this Support Agreement in respect of Dividends (including accrued and unpaid Dividends relating to any payment due upon redemption or liquidation distribution and any Additional Amounts payable by the Company in respect of Dividends) on any Preferred Securities in any fiscal year:

(i) to the extent that such payment, together with the amount of:

(a) any Dividends (including any Additional Amounts in respect thereof) previously paid by the Company in respect of the Preferred Securities in the then current fiscal year;

(b) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and

(c) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, the Preferred Securities or Dividend Parity Securities in the then current fiscal year, would exceed Distributable Funds for the prior fiscal year; or

(ii) even if sufficient Distributable Funds are available to the extent that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Austrian Banking Act 1993, as amended, the Support Provider would be limited in making such payments on Dividend Parity Securities.

2.1.3 Notwithstanding Clause 2.1.1, if, at the time that any amounts are to be paid in respect of Liquidation Distributions on the Preferred Securities, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, distribution or winding-up of the Support Provider, payment under this Support Agreement of amounts in respect of such Liquidation Distributions and payment by the Support Provider in respect of any liquidation distributions payable with respect to any Asset Parity Securities shall not exceed the amount per security that would have been paid as the liquidation distribution from the assets of the Support Provider (after payment in full in accordance with Austrian law of all creditors of the Support Provider, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Support Provider's obligations under this Support Agreement) had the Preferred Securities and all such Asset Parity Securities been issued by the Support Provider and ranked (i) junior to all liabilities of the Support Provider (other than any liability expressed to rank *pari passu* with or junior to the Support Provider's obligations under this Support Agreement), (ii) *pari passu* with all Asset Parity Securities of the Support Provider and (iii) senior to Bank Share Capital.

2.1.4 In the event that any amounts owed by the Support Provider to the Company under Clause 2.1.1 cannot be paid in full by reason of any limitation referred to in Clause 2.1.2 or 2.1.3, such amounts will be payable by the Support Provider to the Company *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

The determination of any such limitation of the Support Provider's obligations under this Support Agreement as set forth above will be made on the relevant Dividend Payment Date, Optional Redemption Date or Liquidation Date, as the case may be.

2.2 This Support Agreement shall be deposited with and held by JPMorgan Chase Bank, as Principal Paying and Transfer Agent until all the obligations of the Support Provider have been discharged in full. The Support Provider hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Support Agreement.

2.3 Subject to applicable law, the Support Provider, at its sole option, shall be entitled to purchase Preferred Securities from any Holder and hold or resell any Preferred Security so purchased.

2.4 Subject to applicable law, the Support Provider's obligations hereunder constitute unsecured obligations of the Support Provider and rank and will at all times rank (a) junior to all liabilities of the Support Provider (other than any liability expressed to rank *pari passu* with or junior to this Support Agreement), (b) *pari passu* with all payment obligations of the Support Provider in respect of Asset Parity Securities and (c) senior to all payment obligations of the Support Provider in respect of Bank Share Capital.

3.

3.1 The Support Provider undertakes that it will not issue any preferred securities, preference shares or other Tier 1 securities ranking senior to its obligations under this Support Agreement or enter into any support agreement or give any guarantee in respect of any preference shares or preferred securities or other Tier 1 securities issued by any Subsidiary of the Support Provider if such support agreement or guarantee (including, without limitation, any support agreement or guarantee that would provide a priority of payment with respect to Distributable Funds) would rank senior to this Support Agreement unless, in each case, (a) this Support Agreement is changed to give the Holders such rights and entitlements as are contained in or attached to such preferred securities, preference shares or other Tier 1 securities or such other support agreement or guarantee so that this Support Agreement ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment out of Distributable Funds as, any such preferred securities, preference shares or other Tier 1 securities or other support agreement or guarantee and (b) the most recent Dividend payment on the Preferred Securities has been paid in full by the Company.

3.2 The Support Provider undertakes that any amount required to be paid to the Company pursuant to this Support Agreement to enable the Company to pay any Dividend payable in respect of the most recent Dividend Period will be paid prior to any payment or other distribution in respect of any dividends (except dividends paid and /or distributed in the form of Bank Share Capital or other shares of the Support Provider ranking junior to the

obligations of the Support Provider under this Support Agreement) upon Bank Share Capital or any other shares of the Support Provider ranking junior to the Support Provider's obligations under this Support Agreement (whether issued directly by the Support Provider or by a Subsidiary and entitled to the benefit of a support agreement or guarantee ranking junior to the Support Provider's obligations under this Support Agreement).

3.2.1 In the event that any Dividend is not paid in full to the Holders, the Support Provider will not declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Bank Share Capital until such time as the Company shall have resumed the payment of, or set aside payment with respect to, full Dividends on all outstanding Preferred Securities for two consecutive following Dividend Periods; or

3.2.2 In the event that any Dividend is not paid at all to the Holders, the Support Provider will not declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Dividend Parity Securities during the then fiscal year until such time as the Company shall have resumed the payment of, or set aside payment with respect to, full or pro rata payment of Dividends on all outstanding Preferred Securities.

3.3 The Support Provider also undertakes that any Dividend Parity Securities, Bank Share Capital and any other shares of the Support Provider ranking *pari passu* with or junior to the obligations of the Support Provider under this Support Agreement (whether issued directly by the Support Provider or by a Subsidiary and entitled to the benefits of any support agreement or guarantee ranking *pari passu* with or junior to this Support Agreement) will not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Support Provider or any Subsidiary (except by conversion into or in exchange for shares of the Support Provider ranking junior to this Support Agreement), at any time whilst the Company is unable to pay Dividends in full until such time as the Company shall have resumed the payment of, or set aside payment with respect to, full Dividends on all outstanding Preferred Securities for two consecutive Dividend Periods, unless such Dividend Parity Securities, Bank Share Capital or any such other shares of the Support Provider are redeemed, purchased or otherwise acquired (i) as a result of the trading of the Support Provider in such shares in its ordinary course of business as permitted by the ASCA, or (ii) in order to fulfil its obligations under stock option or employee stock ownership schemes as permitted by the ASCA.

3.4 The Support Provider undertakes to maintain the Company as a Subsidiary for so long as any Preferred Security shall remain in issue. The Support Provider undertakes that, so long as any of the Preferred Securities is outstanding, unless the Support Provider is itself in liquidation, the Support Provider will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Company.

4. This Support Agreement shall terminate and have no further force and effect upon full payment of the Optional Redemption Price on, or purchase and cancellation of, all outstanding Preferred Securities or full payment of the Liquidation Distributions and liquidation of the Company, provided however that this Support Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Support Agreement must be restored by a Holder for any reason whatsoever.

5. Each of the Support Provider and the Company undertakes, for the benefit of the Holders:

5.1 that it will perform its obligations under this Support Agreement and, in the case of the Company (without limitation to the foregoing), will exercise its rights under an agreement between it and the Support Provider on similar terms to this Support Agreement to enforce performance of the terms of this Support Agreement by the Support Provider; and

5.2 that it will consent to an order for specific performance or similar relief by any court of competent jurisdiction in the event that any such order or relief is sought in an action brought by a Holder in respect of this Support Agreement.

6. This Support Agreement shall take effect as a Deed Poll for the benefit of the Holders. Each of the Support Provider and the Company hereby acknowledges and covenants that the obligations binding upon it contained in this Support Agreement are owed to, and shall be

for the benefit of, each and every Holder, and that each Holder shall be entitled severally to enforce the said obligations against the Support Provider or the Company.

7.

7.1 Subject to applicable law, all undertakings and agreements contained in this Support Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Support Provider and the Company (as the case may be) and shall inure to the benefit of the Holders. The Company shall not transfer its obligations hereunder in any circumstances and the Support Provider shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Preferred Securities, which consent shall be obtained in accordance with procedures contained in the Company's Memorandum and Articles of Association (including the Statement of Rights) and the applicable laws of Jersey; provided, however, that the foregoing shall not preclude the Support Provider from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets and obligations (including its obligations under this Agreement) to, a banking organisation organised under the laws of a member state of the European Union, without obtaining any approval of any Holders.

7.2 Except for those changes (a) required by Clause 3.1 hereof; (b) which do not materially adversely affect the rights of Holders; or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 7.1 (in any of which cases no agreement will be required), this Support Agreement shall be changed only by agreement in writing signed by the Support Provider and the Company with the prior approval of the Holders of not less than two-thirds of the Preferred Securities (excluding in each case any Preferred Securities held by the Support Provider or any entity of which the Support Provider, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Company's Memorandum and Articles of Association (including the Statement of Rights) and the applicable laws of Jersey.

7.3 Any notice, request or other communication required or permitted to be given hereunder to the Support Provider shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Support Provider, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Österreichische Volksbanken-Aktiengesellschaft
Peregringasse 3
1090 Vienna
Austria

Facsimile: +431 05040 04 3125

Attention: Balance Sheet Manager

The address of the Support Provider may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Support Provider to JPMorgan Chase Bank as Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

ÖVAG Finance (Jersey) Limited
22 Grenville Street
St. Helier
Jersey JE4 8PX

Facsimile: +44 1534 609333

Attention: Jersey Corporate 3
Mourant International Finance Administration

The address of the Company may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Company to JPMorgan Chase Bank as Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Support Provider or the Company in the same manner as notices sent by the Company to the Holders.

7.4 The obligations of the Support Provider and the Company to the Holders under this Support Agreement are solely for the benefit of the Holders and are not separately transferable from the Preferred Securities.

7.5 The Support Provider will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Support Provider to holders of the ordinary shares of the Support Provider.

8.

8.1 This Support Agreement shall be governed by, and construed in accordance with English law save that Clauses 2.1.2 and 2.1.3 and Clause 2.4 shall be governed by, and construed in accordance with, Austrian law.

8.2 Each of the Support Provider and the Company hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Support Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as ("Proceedings")) may be brought in such courts.

Each of the Support Provider and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Support Provider and the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings against the Support Provider or the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

Each of the Support Provider and the Company hereby irrevocably and unconditionally appoints Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or at its London office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.

9. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect the rights of any person which exist apart from that Act.

IN WITNESS WHEREOF this Support Agreement has been executed as a deed and delivered on behalf of each of the Support Provider and the Company on the date shown below:

Executed as a deed by)
ÖSTERREICHISCHE)
VOLKSBANKEN-AKTIENGESELLSCHAFT)

By:) By:)
acting under the authority of that company in the presence of:

Witness's Signature:
Name:
Address

Executed as a deed by)
ÖVAG FINANCE (JERSEY))
LIMITED)

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address

Dated: 22 September 2004

INTERCOMPANY AGREEMENT

Set forth below is the text of the Intercompany Agreement:

THIS INTERCOMPANY AGREEMENT (the “**Intercompany Agreement**”), dated 22 September 2004, is executed and delivered by each of **ÖSTERREICHISCHE VOLKSBANKEN-AKTIENGESELLSCHAFT**, incorporated under the laws of Austria (“**ÖVAG**”) and **ÖVAG FINANCE (JERSEY) LIMITED**, a company incorporated with limited liability under the laws of Jersey (the “**Company**”).

WHEREAS, ÖVAG desires to cause the Company to issue, and the Company desires to issue, the Preferred Securities (as defined below).

WHEREAS, ÖVAG and the Company have, for the benefit of the Holders (as defined below), entered into the Support Agreement (as defined below).

NOW, THEREFORE each of ÖVAG and the Company execute and deliver this Intercompany Agreement to give the Company the benefit of the Support Agreement.

1. As used in this Intercompany Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

“**Preferred Securities**” means all of the euro Fixed/Floating Rate Non-cumulative Non-voting Preferred Securities of the Company in issue from time to time, whether or not in issue on the date of the Support Agreement, the Holders of which are entitled to the benefits of the Support Agreement as evidenced by the execution of the Support Agreement; and

“**Support Agreement**” means the Support Agreement dated 22 September 2004 entered into by ÖVAG and the Company.

Any other capitalised terms used in this Agreement shall have the same meaning as in the Support Agreement.

2. ÖVAG irrevocably and unconditionally agrees to extend all of the obligations assumed by it pursuant to the Support Agreement to and for the benefit of the Company as if the Support Agreement were given by ÖVAG only and references therein to “**Holders**” and “**Holder**” (other than in Clause 2.3 thereof and the second reference to Holders in Clause 7.2 thereof) were references to the “**Company**” and the words immediately following “**Holders**” in the second sentence of Clause 7.1 thereof up to the semi-colon therein were deleted.

3. This Intercompany Agreement shall terminate and be of no further force and effect upon full payment of the Optional Redemption Price on, or purchase and cancellation of, all outstanding Preferred Securities or full payment of the Liquidation Distributions and liquidation of the Company, provided however that this Intercompany Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or the Support Agreement must be restored by a Holder for any reason whatsoever.

4. This Intercompany Agreement shall take effect as a Deed. ÖVAG hereby acknowledges and covenants that the obligations binding upon it contained in this Intercompany Agreement are owed to, and shall be for the benefit of, the Company, and that the Company shall be entitled to enforce the said obligations against ÖVAG.

5. Subject to operations of law, all undertakings and agreements contained in this Intercompany Agreement shall bind the successors, assigns, receivers, trustees and representatives of ÖVAG and shall inure to the benefit of the Company.

6. Any notice, request or other communication required or permitted to be given hereunder to ÖVAG shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to ÖVAG, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Österreichischen Volksbanken-Aktiengesellschaft
Peregringasse 3
1090 Vienna
Austria

Facsimile: +431 05040 04 3125

Attention: Balance Sheet Manager

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefore or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

ÖVAG Finance (Jersey) Limited
22 Grenville Street
St. Helier
Jersey JE4 8PX

Facsimile: +44 1534 609333

Attention: Jersey Corporate 3
Mourant International Finance Administration

7.

7.1 This Intercompany Agreement shall be governed by, and construed in accordance with, English law.

7.2 Each of ÖVAG and the Company hereby irrevocably agrees for the benefit of each other that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Intercompany Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as ("**Proceedings**") may be brought in such courts.

Each of ÖVAG and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon ÖVAG and the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings against ÖVAG or the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

Each of ÖVAG and the Company hereby irrevocably and unconditionally appoints Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or at its London office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.

8. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

IN WITNESS WHEREOF this Intercompany Agreement has been executed as a deed and delivered on behalf of each of ÖVAG and the Company on the date shown below:

Executed as a deed by)
ÖSTERREICHISCHE VOLKSBANKEN-)
AKTIENGESELLSCHAFT)

By: By:
acting under the authority of that company in the presence of:

Witness's Signature:
Name:
Address:

Executed as a deed by)
ÖVAG FINANCE (JERSEY) LIMITED)

By:
acting under the authority of that company in the presence of:

Witness's Signature:
Name:
Address:
Dated: 22 September 2004

TAXATION

General

The comments below are of a general nature based on current law and practice in the relevant jurisdiction referred to. They relate only to the position of persons who are the holders of the Preferred Securities ("Holders") and may not apply to certain classes of persons such as dealers. Any Holders of Preferred Securities who are in doubt as to their personal tax position should consult their professional advisers.

Taxation in Jersey

As at the date of this Offering Circular, Holders (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, exchange, sale or other disposal of the Preferred Securities. Dividend payments may be made by the Issuer without withholding or deduction for, or on account of, and without, any payment of Jersey income tax.

On 3 June 2003, the European Union ("EU") Council of Economic and Finance Ministers adopted a directive on the taxation of savings income in the form of interest payments (the "EU Savings Tax Directive"). It is proposed that, subject to a number of important conditions being met, each EU Member State will, from 1 July 2005, be required to provide to the tax authorities of another EU Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other EU Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding tax system for a transitional period in relation to such payments.

Jersey is not a member of the European Union and is therefore not required to implement the EU Savings Tax Directive. However, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, Jersey, in line with steps proposed by other relevant third parties, proposes to introduce a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent situate in Jersey (the terms "beneficial owner" and "paying agent" for this purpose are as defined in the EU Savings Tax Directive). The withholding tax system would apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

Under the current proposals in respect of the implementation of such a withholding tax system in Jersey, the Issuer would not be obliged to levy withholding tax in respect of interest payments made by it to a paying agent.

The state of Jersey has not yet adopted measures to implement these proposals but is expected to adopt such measures on the same timetable as EU Member States and other relevant third countries.

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposal of Preferred Securities.

Taxation in Austria

The following discussion is a summary of certain tax matters arising under Austrian tax law. The discussion does not purport to be a comprehensive description of all tax considerations, which may be relevant to a decision to purchase the Preferred Securities. With the exception of certain illustrative data, the discussion is limited to income taxation of dividends, interest and capital gains under Austrian law, and does not address all aspects of such Austrian taxation. The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the Austrian tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. The discussion does not consider any specific facts or circumstances that will be relevant to a particular Holder. In particular, this discussion does

not consider the tax considerations that will be relevant to prospective investors who reside outside Austria, including but not limited to foreign investors with a permanent establishment in Austria. The following summary only applies to individual or corporate Holders, who are subject to unlimited tax liability in Austria ("**Austrian individual holders**" respectively "**Austrian corporate holders**"). Certain corporate entities may be subject to a different tax treatment. If not stated otherwise, the discussion applies to both business and private assets of the Austrian individual holder.

The following assumes that the Preferred Securities will be treated as debt instruments for Austrian tax purposes. However, it cannot be entirely excluded that the Austrian tax authorities will qualify the Preferred Securities not as debt securities but as shares and the income derived therefrom as dividend income. Holders of Preferred Securities are therefore strongly advised to consult their tax adviser.

Taxation as Debt Instruments

Austrian individual holders as well as Austrian corporate holders are subject to Austrian personal or corporate income tax on interest income derived from the Preferred Securities. In case the debt instrument is held by an Austrian individual holder and Austrian withholding tax ("**Kapitalertragsteuer**") of 25 per cent. is deducted by an Austrian coupon paying agent on the interest payment and on the pro rata interest upon disposition of the instrument, the withholding tax is a final tax. However, the individual might opt for an assessment at regular rates if this leads to lower taxation. Costs laid out to earn the interest are not taken into account either in the case of the fixed rate, or in the case of an income tax assessment. Austrian corporate holders can avoid Austrian withholding tax by submitting a written declaration of exemption from withholding tax ("**Befreiungserklärung**" due to Sec 94 lit 5 EStG) to the paying agent, if the interest income is to be assessed as business receipts of a domestic or foreign trade or business. Austrian corporate holders are subject to corporate income tax on the interest income at the normal rate (34 per cent., from 2005: 25 per cent.) via the corporate income tax return. If the payment is made outside of Austria, there is no deduction of Austrian withholding tax. In this case taxation is – with respect to Austrian individual holders – shifted to the procedure of tax declaration and tax assessment by the tax authorities. Interest payments are subject to personal income tax at a fixed rate of 25 per cent. unless assessment at the regular rates leads to lower taxation (option for assessment at regular rates). Costs laid out to earn the interest do not reduce the basis of assessment. Any capital gain from the sale of the Preferred Securities by Austrian individual holders due to changes of the fair market value of the instrument will be subject to Austrian personal income tax at the progressive income tax rates, unless the shares are sold by the Austrian individual holder out of his private assets after an ownership period of more than one year. Capital Gains realized by Austrian corporate holders are liable to corporate income tax at the standard rate of 34 per cent. (from 2005: 25 per cent.).

Taxation as Shares

In case the Austrian tax authorities qualify the Preferred Securities as shares the interest payments should be qualified as dividends and the dividend payments would be subject to income tax in the hands of the Austrian individual holder. Foreign dividends received via Austrian coupon paying agents are subject to a 25 per cent. Austrian withholding tax. In general, the withholding tax is a final tax. The individual can opt for an assessment, if this leads to lower income taxation (half income tax rate procedure). Costs laid out to earn the dividends cannot be taken into account either in the case of the final tax, or in the case of an income tax assessment. However, the Austrian Finance Minister can decree that income taxation has to be effectuated at the regular rates with respect to distributions paid by foreign companies, which are not subject to tax comparable to Austrian corporate income tax. No such decree exists at present, but it cannot be excluded that one will be issued some time in the near future. If dividend payments are received outside of Austria, no Austrian withholding tax is deducted and the taxation of the dividend income has to be effectuated via the personal income tax return. Foreign dividends are subject to personal income tax at a final rate amounting to 25 per cent, unless the application of the half income tax rate procedure leads to lower income taxation. Costs laid out to earn the dividends are not taken into account either in the case of the fixed rate, or in the case of the half rate procedure. However, the Austrian Finance Minister can decree that income taxation has to be effectuated

at the regular rates with respect to dividends paid by foreign companies, which are not subject to tax comparable to Austrian corporate income tax. No such decree exists at the time being, but it cannot be excluded that one will be issued some time in the near future. The alienation of the Preferred Securities by an Austrian individual holder gives rise to a taxable profit or, as the case may be, gain if the sales proceeds exceed the book value or the acquisition cost respectively, and the expenses incurred on the sale. The same applies when a shareholding is relinquished in the case of liquidation of the company. Capital gains, however, are not taxable, if privately held shares amounted to less than 1 per cent. of the shares of the foreign company within the last five years before alienation and if the time span between acquisition and alienation of the Preferred Securities exceeds one year. This exemption does not apply to capital gains realised in the case of liquidation of the company. Foreign dividends received by an Austrian corporate holder are in general subject to corporate tax at the standard rate of 34 per cent. (from 2005: 25 per cent.). From the year 2004 on, however, dividends are exempt from corporate tax, if the Austrian corporation holds at least 10 per cent. of the capital of the foreign dividend paying corporation for an uninterrupted period of 1 year. In this case gains (also capital gains), losses and other changes in value of the participation have no tax effect, unless the foreign company is wound up (subject to certain limitations). Subject to certain conditions the Austrian corporate holder also has the option to treat the gains (capital gains), losses and other changes in value of the participation as taxable income. Temporary arrangements exist with respect to the transition from the previous version of the international participation exemption to the current one. The participation exemption does not apply, if the dividend paying corporation earns mainly passive income in the form of interest, rental income from movable and non-tangible goods or from the sale of participations, if the income of the dividend paying corporation is not subject to tax comparable to Austrian corporate tax.

Inheritance and gift tax

Under Austrian law, the transfer of Preferred Securities will be subject to Austrian inheritance or gift tax on a transfer by reason of death or a gift, if at the time of the transfer of the securities: (a) the donor, deceased or the donee, heir or other beneficiary is resident in Austria at the time of the transfer, or, if having Austrian citizenship, was not continuously outside of Austria and without a place of residence in Austria for more than two years; or (b) the shares were held as assets of a permanent establishment maintained in Austria by the deceased or donor. Inheritance tax will not accrue if the Preferred Securities are qualified as debt instruments and if the securities were held as part of the private assets ("*Privatvermögen*") by the deceased Austrian individual holder. In case the Preferred Securities are qualified as shares, no inheritance tax will accrue, if the deceased holds less than 1 per cent. of the share capital at the time of death.

Other Taxes

There are no transfer, stamp or similar taxes, which would apply to the sale or transfer of the Preferred Securities in Austria. Net wealth tax is not levied in Austria.

Taxation in the Netherlands

Dutch Resident Holders

Holders who are individuals and are resident or deemed to be resident in The Netherlands, or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes, are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Preferred Securities or gain or loss realised upon disposal or redemption of the Preferred Securities, provided that the Preferred Securities are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4 per cent. of the average value of the Holder's net assets in the relevant fiscal year (including the Preferred Securities) and is taxed at a flat rate of 30 per cent.

Corporate Holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Preferred Securities.

Taxation in Germany

The following section is a short summary of certain German taxation principles that may be or may become relevant with respect to the Preferred Securities. This section does not purport to be a comprehensive description of all of the German tax consequences that may be relevant to Holders. The summary is based on German domestic tax laws currently in force and as applied in practice as of the date of this Offering Circular. Provisions may change at short-term notice, possibly with retroactive effect.

There is some uncertainty as to how the German tax authorities and/or tax courts will treat the Preferred Securities. The Preferred Securities may qualify as debt or equity instruments for German tax purposes. **Prospective Holders are advised to consult their tax advisers as regards the tax consequences of the acquisition, holding and disposition or transfer without consideration, respectively, of the Preferred Securities. Only these advisers will be able to take into account appropriately the details relevant to the taxation of the respective Holders.**

Withholding tax

German withholding tax on interest (*Zinsabschlag*) will be deducted from payments on the Preferred Securities to (i) a Holder who is tax resident in Germany or who is not tax resident in Germany but holds the Preferred Securities as assets of a German permanent establishment ("**German Investor**") if the Preferred Securities are kept or administered in a domestic securities deposit account by a German credit institution or financial services institution, which term includes a German branch of a foreign credit institution or financial services institution but excludes a foreign branch of a German credit institution or financial services institution ("**German Disbursing Agent**") and the German Disbursing Agent acts as a paying agent, or (ii) German tax resident or non-German tax resident Holder if the Preferred Securities are presented for payment at the office of a German Disbursing Agent ("**Over-The-Counter-Transaction**"). Withholding tax will be levied at a rate of 30 per cent. (in the case of an Over-The-Counter-Transaction the tax rate is 35 per cent.) plus 5.5 per cent. solidarity surcharge thereon.

If the Preferred Securities have been acquired through a German Disbursing Agent and have since then been held in a securities deposit account with or have been administered by such German Disbursing Agent the assessment base for withholding tax upon redemption or disposal will be an amount equal to the difference between the issue price or the purchase price and the sale proceeds or redemption proceeds. If this is not the case the assessment base will be an amount equal to 30 per cent. of the sale proceeds or redemption proceeds. The withholding tax and solidarity surcharge thereon are credited against the German corporate income tax, income tax and solidarity surcharge liability.

Taxation as debt instruments

If the German tax authorities and/or tax courts qualify the Preferred Securities as debt instruments and the income derived therefrom as interest income, German Investors and Holders presenting the Preferred Securities in the course of an Over-The-Counter-Transaction will be subject to German income tax or corporate income tax respectively (each plus solidarity surcharge thereon) with any payment received on the Preferred Securities. In case the Preferred Securities are held as business assets in a German permanent establishment any payments will also be subject to trade tax.

Capital gains from the sale or redemption of the Preferred Securities by German Investors and Holders presenting the Preferred Securities in the course of an Over-The-Counter-Transaction will in any case be subject to German income tax or corporate income tax, as the case may be, (each plus solidarity surcharge thereon) and if the Preferred Securities are held as business assets in a German permanent establishment capital gains will also be subject to trade tax.

Tax consequences in case the Preferred Securities are qualified as equity

Due to its legal nature and its terms and conditions the Preferred Securities may be qualified as equity instruments.

Risk of applicability of the German Investment Tax Act (Investmentsteuergesetz)

The Issuer believes that even if the Preferred Securities are qualified as equity instruments, Holders will not be subject to the German Investment Tax Act. The Investment Tax Act

requires an investment according to the principle of risk diversification. As the Issuer only invests in the ÖVAG Group this requirement will not be satisfied.

Risk of applicability of the German Foreign Tax Act (Außensteuergesetz)

Even if the Preferred Securities are qualified as equity the Issuer believes that it is unlikely that the German Foreign Tax Act will be applied to the Preferred Securities as the Preferred Securities do neither grant a participation in the share capital of the Issuer or any other entity nor grant general voting rights.

If, however, the Foreign Tax Act is applied, Holders who are tax resident in Germany will be taxed on their pro rata share in the income (determined according to German tax accounting rules) earned by the Issuer irrespective of whether such income is distributed by the Issuer. The full amount of the share in the income of the Issuer will be subject to German income tax or corporation tax (each plus solidarity surcharge thereon) and, in case the Preferred Securities are held as business assets of a German permanent establishment, to trade tax. In the case of German corporations additional tax liability will arise in case the profits of the Issuer are distributed, resulting in a (partial) double taxation, because 5 per cent. of any dividends distributed by the Issuer will be subject to German corporate income tax in the event that the Foreign Tax Act applies. According to the prevailing view of German legal scholars as well 5 per cent. (rather than the amount) of such distributions should in addition to the tax liability described above be subject to German trade tax. In case of certain German institutional investors (insurance companies, pension funds (*Pensionsfonds*) and in certain circumstances also credit institutions, financial services institutions or financial enterprises) there is a risk that the full amount of distributions could be subject to corporate income tax and trade tax resulting in an effective double taxation.

Taxation if the German Foreign Tax Act is not applied

If the German Foreign Tax Act is not applied although the Preferred Securities are qualified as equity, which the Issuer believes is rather unlikely, the tax analysis as set out in the following paragraphs will apply.

Taxation of Interest

50 per cent. of the Interest Payments received by a German Investor who is an individual ("**German Individual Investor**") will be subject to German income tax (plus solidarity surcharge thereon). Accordingly, only 50 per cent. of the expenses economically related to the Interest Payments are deductible for income tax purposes. In addition, the entire income is subject to trade tax if a German Individual Investor holds the Preferred Securities as business assets of a German permanent establishment.

95 per cent. of the Interest Payments received by a corporate German Investor ("**German Corporate Investors**") are in principle exempt from German corporate income tax, but 100 per cent. of the Interest Payments will be subject to trade tax if a German Corporate Investor holds the Preferred Securities as business assets of a German permanent establishment. If the German Corporate Investor is a credit institution or financial services institution within the meaning of the German Banking Act (*Kreditwesengesetz*) and if the Preferred Securities have been recorded in the trading book, or a German insurance undertaking or pension fund (*Pensionsfonds*) Interest Payments are fully subject to corporate income tax and trade tax. The same applies if the Preferred Securities were acquired by a financial enterprise as defined in the German Banking Act to achieve short-term capital gains from trading activities.

Taxation of Capital gains

German Individual Investors are subject to tax with 50 per cent. of the capital gains from the sale or redemption of the Preferred Securities if the Preferred Securities are either sold within one year after the acquisition of the Preferred Securities or if the German Private Investor at any time during the five years preceding the sale, directly or indirectly held an interest of 1 per cent. or more in the Issuer. In addition the capital gains will be subject to trade tax if German Individual Investors who hold the Preferred Securities as business assets receive capital gains from the disposition of the Preferred Securities.

95 per cent. of capital gains received by a German Corporate Investor from the sale or redemption of the Preferred Securities are in principle tax exempt. If the Preferred Securities are held by a credit institution or financial services institution within the meaning of the

German Banking Act (*Kreditwesengesetz*) and if the Preferred Securities have been recorded in the trading book or if the Preferred Securities are held by a German insurance company or pension fund (*Pensionfonds*), capital gains from the disposal of Preferred Securities are fully subject to corporate income tax and trade tax. The same applies if the Preferred Securities were acquired by a financial enterprise as defined in the German Banking Act to achieve short-term capital gains from trading activities.

Losses from the sale of the Preferred Securities are in principle deductible only if and to the extent that the corresponding capital gains would be taxable. However, the deduction of such losses is subject to additional restrictions.

Taxation in case the Issuer is disregarded for German tax purposes

Income derived from the Preferred Securities may also be treated as interest and may therefore be taxed in accordance with the paragraph "Taxation as debt instruments" in case the German tax authorities disregard the Issuer for German tax purposes and therefore treat the Holders in the same way as if they had directly invested in ÖVAG. However, in this case it cannot be excluded that the Holders are considered to have an equity interest in ÖVAG in which case the investors would be taxed as described in the paragraph "Tax consequences in case the Preferred Securities are qualified as equity".

Gift or inheritance tax

A transfer of the Preferred Securities as a gift or by reason of death will be subject to German inheritance or gift tax if the Holder, or the heir, donee or other beneficiary is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act. This may in particular be the case if the Holders, heir, donee or other beneficiary is

(i) an individual having at the time of the donation or death its residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than five years without having a residence in Germany, or

(ii) a corporation having its seat or central place of management in Germany,

or the Preferred Securities belong to business assets attributable to a permanent establishment or a permanent representative in Germany.

Other taxes

There are stamp taxes, registration taxes or equivalent taxes which would apply to the sale or transfer of the Preferred Securities in Germany. Net worth tax is currently not levied in Germany.

EU Savings Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

SUBSCRIPTION AND SALE

Under a Subscription Agreement dated 20 September 2004 (the “**Subscription Agreement**”) BNP Paribas, J.P. Morgan Securities Ltd. and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (the “**Managers**”) have jointly and severally agreed with the Issuer and ÖVAG, subject to the satisfaction of certain conditions, to subscribe for the Preferred Securities at the issue price of EUR 1,000 per Preferred Security. The Issuer has agreed to pay to the Managers a total combined management and underwriting commission and selling commission of 2.00 per cent. BNP Paribas and J.P. Morgan Securities Ltd. (on behalf of the Managers) are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer and ÖVAG have agreed to indemnify the Managers against certain liabilities in connection with the issue of the Preferred Securities.

United States of America

The Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until the expiration of the period ending 40 days after the later of the commencement of the offering and the Closing Date (the “**Distribution Compliance Period**”) within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Preferred Securities during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

The Preferred Securities are being offered and sold outside the United States to non- U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by a dealer (that is not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

(1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or ÖVAG; and

(3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

Austria

Each Manager has represented and agreed that it will only offer the Preferred Securities in the Republic of Austria in compliance with the provisions of the Austrian Capital Markets Act

as amended and any other laws and regulations applicable in the Republic of Austria governing the offer and sale of the Preferred Securities in the Republic of Austria.

Except as specifically agreed with the Managers, no steps may be taken that would constitute a public offering of the Preferred Securities in Austria and the offering of the Preferred Securities may not be advertised in Austria.

Jersey

Each Manager has represented and agreed that it will not direct its selling efforts in respect of the Preferred Securities towards natural persons or persons (other than financial institutions) who are resident for income tax purposes in Jersey.

Germany

Each Manager has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the "**Act**") of the Federal Republic of Germany has been or will be published with respect to the Preferred Securities and that it will comply with the Act and any other laws and legal and regulatory requirements applicable in the Federal Republic of Germany with respect to the issue, sale and offering of securities, whether as part of their initial distribution or as part of any resale of the Preferred Securities in the secondary market. In particular, each of the Managers has represented that it has not engaged and agrees that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Preferred Securities otherwise than in accordance with the Act.

The Netherlands

Each of the Managers has represented and agreed that prior to the publication of the advertisement as mentioned in Article 47.7 of the Listing and Issuing Rules of Euronext Amsterdam (*Fondsenreglement*), no contractually binding offers (or solicitations of such offers) in respect of the Preferred Securities shall be made to any individual or legal entity in The Netherlands, other than to individuals or legal entities, who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "**Professionals**"), provided that in any documents or advertisements in which a forthcoming offering of such Preferred Securities is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professionals.

General

Each of the Managers has undertaken that it will comply, to the best of its knowledge and belief, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of Preferred Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales in all cases at its own expense.

GENERAL INFORMATION

1. Listing

In connection with the application for the Preferred Securities to be listed on the Luxembourg Stock Exchange and on the Official Segment of the Stock Market of Euronext Amsterdam N.V., copies of the memorandum and articles of association of the Issuer and the articles of association of ÖVAG (together, if necessary, with English translations thereof) and a legal notice relating to the issue of the Preferred Securities will be deposited prior to listing with the Amsterdam Listing Agent (except for such legal notice) and the Commercial Register in Luxembourg (*Registre de commerce et des sociétés*), where such documents may be examined and copies obtained upon request. At the date hereof it is not intended to list the Preferred Securities on any other stock exchange.

So long as the Preferred Securities are listed on the Luxembourg Stock Exchange and on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the Issuer will maintain a paying agent in each of the Netherlands and Luxembourg.

2. Authorisations

The issue of the Preferred Securities by the Issuer has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 20 September 2004.

The issue of the Preferred Securities as consolidated Tier 1 capital of ÖVAG has been duly authorised by resolutions of ÖVAG's Managing Board passed on 27 July 2004 and ÖVAG's Supervisory Board passed on 24 June 2004.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or ÖVAG under the laws of Jersey and Austria have been given for the issue of Preferred Securities and for the Issuer and ÖVAG, as the case may be, to undertake and perform their respective obligations under each of the Subscription Agreement, the Agency Agreement, the Preferred Securities and the Support Agreement.

3. Legal status

The Issuer operates under the laws of Jersey (registered number 88372) with limited liability and for an unlimited duration.

ÖVAG operates under Austrian law. ÖVAG is registered at the Austrian commercial registry with registration number FN116476p.

4. Litigation

Save as disclosed in this Offering Circular, neither ÖVAG nor the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts which could, if determined adversely, have a material adverse affect on the financial position of ÖVAG or the ÖVAG Group nor, so far as ÖVAG and the Issuer is aware, is any such litigation or arbitration pending or threatened.

5. Clearing

The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

German Security Code (WKN): A0DC0M

ISIN: XS0201306288

Common Code: 020130628

Dutch Security Code: 14963

6. No material change

Save as described herein, there has been no material adverse change in the financial or trading position or prospects of ÖVAG or the ÖVAG Group since 31 December 2003 or, in the case of the Issuer, since the date of its incorporation on 23 August 2004.

7. Subsidiaries

A list of ÖVAG's subsidiaries as at 31 December 2003 is set out in the published consolidated audited financial statements of ÖVAG for the year ended 31 December 2003.

8. Documents available

For so long as the Preferred Securities remain outstanding, copies of the following documents (together, if applicable, with an English translation thereof) will, upon request, be available during normal business hours free of charge at the registered offices of the Issuer and ÖVAG and at the specified offices of the Paying Agents shown on the back page of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the articles of association of ÖVAG;
- (c) the consolidated and non-consolidated audited annual financial statements of ÖVAG for the financial years ended 31 December 2003, 31 December 2002 and 31 December 2001;
- (d) the consents and authorisations referred to in paragraph 2 above;
- (e) the Support Agreement (available for inspection only); and
- (f) the Agency Agreement (available for inspection only).

For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the most recently published consolidated and non-consolidated audited annual financial statements and consolidated unaudited semi-annual interim financial statements of ÖVAG, and the most recently published audited annual accounts of the Issuer, will also be available at the offices of the Paying Agents, currently shown on the back page of this Offering Circular. ÖVAG does not currently publish consolidated or non-consolidated interim financial statements. The first annual accounts of the Issuer are expected to be prepared for the period commencing on incorporation and ending on 31 December 2004.

9. Auditors

KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs und Steuerberatungsgesellschaft, Kolingasse 19, A-1090 Vienna have audited the consolidated financial statements of ÖVAG prepared in accordance with International Financial Reporting Standards and in compliance with the Austrian Commercial Code (*Handelsgesetzbuch*) and the Austrian Banking Act (*Bankwesengesetz*) for the years ended 31 December 2003 and 31 December 2002. The auditors expressed an unqualified opinion on the accounts of ÖVAG for the years ended 31 December 2003 and 31 December 2002.

No accounts of the Issuer have yet been prepared or audited. KPMG Channel Islands Limited are to be appointed as auditors to the Issuer.

10. Notices

All notices to the Holders will be given by the Issuer (i) so long as any of the Preferred Securities is listed on either Euronext Amsterdam or the Luxembourg Stock Exchange and Euronext Amsterdam or the Luxembourg Stock Exchange so requires, by publication in either the Daily Official List of Euronext Amsterdam ("*Officiële Prijscourant*") and a leading newspaper having general circulation in Amsterdam (which is expected to be *Het Financieele Dagblad*) or a leading Luxembourg daily newspaper (which is expected to be the *Luxembourger Wort*) and (ii) by mail to Euroclear and Clearstream, Luxembourg and (iii) to Euronext Amsterdam through the Amsterdam Listing Agent or to the Luxembourg Stock Exchange through the Luxembourg Listing Agent.

In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify the holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

11. Compliance with Euronext rules

As long as the Preferred Securities are listed on Euronext Amsterdam, the Issuer will comply with the provisions set forth in Article 2.1.20, sections a-g of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam.

12. Structuring Advice

BNP Paribas and J.P. Morgan Securities Ltd. will receive a fee pursuant to their role as structuring advisers in connection with the structuring of the transaction.

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REGISTRAR

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PAYING AGENT AND LUXEMBOURG LISTING AGENT

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PAYING AGENT

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AMSTERDAM LISTING AGENT

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