

Österreichische Volksbanken-Aktiengesellschaft (VBAG) published results for the 2014 business year, draft of demerger contract submitted at Commercial Register Court

24 April 2015

- **VBAG Group's total assets** fell to **EUR 15.1 billion**
- **Group result** after taxes and non-controlling interests of **EUR -500 million**
- Planned **split of VBAG** and transformation into a **pure wind-down** entity affects results
- **VBAG's single entity result** after taxes was **EUR -888 million** in 2014
- Capital write-down to be expected
- **Draft of demerger contract** submitted at **Commercial Register Court** today

VBAG Group results (IFRS) as of 31 December 2014

For the 2014 business year a **pre-tax consolidated result** of **EUR -466 million** and a **consolidated result after taxes and non-controlling interests** of **EUR -500 million** were reported. As a result of substantial wind-down measures implemented in 2014, VBAG Group's total assets decreased by EUR 5.8 billion year-on-year to EUR 15.1 billion as of 31 December 2014.

The regulatory basis for consolidation has been determined by the Capital Requirements Regulation (CRR) since 01 January 2014. Capital ratios now have to be reported for the highest scope of consolidation which is not VBAG Group but VB Holding Credit Institutions Group (essentially VBAG Group, VB Regio Invest Bank AG and VB Holding itself). At the end of 2014, VB Holding Credit Institutions Group's **common equity tier 1 capital ratio** and **equity ratio** were **6.2%** and **14.2%** respectively (both ratios based on total risk).

Net interest income increased by EUR 14 million in the reporting period and stood at **EUR 203 million** as of 31 December 2014. **Net trading income** also rose in comparison to the previous year and was **EUR 27 million** at the end of 2014, while **net fee and commission income** decreased slightly to **EUR 20 million**, primarily due to the winding down of assets of the non-core segments.

At **EUR -247 million** as of 31 December 2014, VBAG's **general administrative expenses** remained stable. The head-count decreased considerably, at the end of 2014 VBAG Group had **1,317 employees**. **Restructuring expenses** of **EUR -36 million** are to a large degree attributable to personnel-related measures.

The **other operating result** decreased compared to the previous year and was **EUR -82 million** in the period under review. **Risk provisions** stood at **EUR -38 million** at the end of 2014. While the requirement for risk provisions decreased as a consequence of the winding down of non-core assets, reversals of portfolio-based allowances were also declining leading in total to an increase of risk provisions of EUR 14 million.

Income from financial investments was **EUR -46 million** in the period under review and **income from discontinued operations** stood at **EUR -275 million** (at equity valuation of Volksbank Romania) as of 31 December 2014.

Change of VBAG's business model results in valuation losses

At the end of 2014 VBAG's general meeting approved the splitting of VBAG, the change of its business model and subsequent transformation into a wind-down entity. As a consequence, accounting and valuation methods had to be adapted, resulting in asset impairments.

VBAG single entity results (local GAAP) as of 31 December 2014

This change of accounting and valuation principles led to valuation losses in the period under review, the effect is more pronounced on the single entity level than on the IFRS level. In 2014 a single entity **valuation and disposal group result** of **EUR -1.1 billion** was reported. The 2014 **single entity result after taxes** was **EUR -888 million**, total net loss as of 31 December 2014 (including previous year's loss carry forward) was **EUR -1.3 billion**.





As a result of the loss, a further capital write-down of 96.65% will be recommended to the general meeting on 28 May 2015. Apart from share capital, participation capital will be affected by the expected capital write-down (participation capital subscribed by the Republic of Austria in 2009, participation capital 2008 XS0359924643, participation capital 2006 AT0000A018V0 and participation capital 1986 AT0000755665).

As a consequence of the 2014 losses, capital ratios dropped in 2014, VBAG's single entity **common equity tier 1 capital ratio** and **equity ratio** were **-2%** and **4.2%** as of 31 December 2014 (both based on total risk). Regulatory minimum capital ratios will not be met on the single entity level as long as VBAG still holds its banking license (equity capital available is below the regulatory requirement). The authorities were informed about the non-compliance of regulatory standards, in view of the planned split and transformation of VBAG into a wind-down entity no sanctions are expected.

Splitting of VBAG

Those tasks which VBAG is legally required to undertake in its capacity as the central organisation of the Association of Volksbanks, together with service functions which VBAG provides to the Volksbank sector, are to be transferred to Volksbank Wien-Baden AG.

VBAG will be transformed into a pure wind-down unit which aims are to rigorously pursue the wind-down process, to repay liabilities at maturity according to schedule and to ultimately implement its liquidation. Please note that repayment of liabilities refers to instruments which are not loss-absorbing only. The split of VBAG will be effected by means of demerger and is expected to become legally effective at the beginning of July through entry into the Commercial Register. Subsequently, VBAG will depart from the Association of Volksbanks and will surrender its banking license. It is planned to change the wind down entity's company name from "Österreichische Volksbanken-AG" to "immigon portfolioabbau ag".

The volume of the **wind down entity's total assets** as of 01 January 2015 is **EUR 7.1 billion**, assets in an amount of **EUR 8.7 billion** are **transferred to Volksbank Wien-Baden** (difference to VBAG's total assets is attributable to a liability of Volksbank Wien-Baden to the wind down unit resulting from the demerger).

Assets and liabilities which will remain in VBAG or will be transferred to Volksbank Wien-Baden include inter alia:

VB Wien-Baden (central organisation)		immigon (wind-down entity)	
Assets	Liabilities	Assets	Liabilities
Loans to Volksbanks	Amounts owed to Volksbanks	Non-core loan portfolio	Debts evidenced by certificates (bonds)
Loans to customers (corporate loans extended together with Volksbanks)	LiveBank	Loans to subsidiaries	Promissory notes
Bank book (LCR/ECB-eligible bonds)	Deposits	Non-core bank book	Upper and lower tier 2 capital
Cash reserve	Covered bonds	Loans to credit institutions	Tier 1 capital
Participations (e.g. start:gruppe)	Other liabilities	Participations (VBLL, VBLF, VB Factoring, RZB, investment companies)	Amounts owed to credit institutions
Other assets		Other assets	Other liabilities

The following demerger-related documents will be available in English on our webpage at the beginning of next week (investor relations – news):

- Draft of demerger and absorption contract and attachments
- VBAG's and Volksbank Wien-Baden's annual reports
- Presentation on demerger of VBAG and restructuring of Association

In addition, reports of the demerger auditor and of VBAG's and Volksbank Wien-Baden's management boards and supervisory boards will be available in German.

Please note that the split of VBAG and the absorption of the demerged parts by Volksbank Wien-Baden are subject to approval by the banking regulator, the European Commission and other institutions.

Do not hesitate to contact the investor relations team
(www.volksbank.com/investor-relations) if you require any further information