

ECB comprehensive assessment: result of the Association of Volksbanks

26 October 2014

- In both scenarios, the Association of Volksbank's CET1 ratios are above the thresholds in the first two years, in the third year ratios fall below the thresholds
- Resulting capital requirement amounts to EUR 191 million in the baseline scenario and to EUR 865 million in the adverse scenario
- Downsizing measures implemented in 2014 and planned restructuring not taken into account

The Association of Volksbanks was part of the ECB's comprehensive assessment. The assessment consisted of two major parts. First, the asset quality review (AQR) tested the soundness of banks' assets as of the cut-off date 31 December 2013. Based on the AQR, a stress test was then carried out which simulated the development of the banks' capitalisation in the years 2014, 2015 and 2016 under two scenarios, the baseline and the adverse scenario. The capital ratio (common equity tier 1 capital ratio) thresholds set by the ECB are 8% in the baseline scenario and 5.5% in the adverse scenario. If those ratios were not reached, the resulting capital shortfall was determined.

The Association of Volksbanks reaches the threshold capital ratios in first two years of the stress test in both the baseline and the adverse scenario. In the third year, the Associations' ratios remain clearly below the thresholds, in the adverse scenario in particular. The capital shortfall of the Association of Volksbanks calculated by the ECB amounts to EUR 191 million in the baseline scenario and to EUR 865 million in the adverse scenario.

We would like to stress that the comprehensive assessment did not take into account the downsizing measures implemented by VBAG after 31 December 2013 or the restructuring plan announced recently which includes in particular the planned split of VBAG.

VBAG Group's total assets dropped from 20.9 billion as of 31 December 2013 to EUR 18.8 billion at the end of the first half year of 2014, it is expected that total assets will decrease further in the second half to approximately EUR 15.5 billion (preliminary year-end figure). As a result of VBAG's downsizing, total assets of the Association of Volksbanks also decreased in the first half year from EUR 40.6 billion at the end of 2013 to EUR 39.4 billion as of 30 June 2014.

The splitting up of VBAG is planned to take place in the first half year of 2015. Central organization and servicing functions are to be spun off and transferred to a regional Volksbank. It is planned that VBAG will become a liquidating company which will withdraw from the Association of Volksbanks. VBAG then would surrender its banking licence and would therefore cease to be subject to regulatory capital adequacy requirements.



At the beginning of October, it was decided that the primary banks will be restructured fundamentally. Currently 44 regional Volksbanks and 7 specialist institutions will merge together to form 9 regional banks supplemented by 3 specialist institutions.

Details of the plans regarding the split-up of VBAG and the restructuring of the primary banks will be worked out together with the authorities over the next weeks. The plans are subject to approval by the authorities.

Please contact the investor relations team if you require any further information, contact details are available on our webpage: www.volksbank.com/investor_relations