

## European Council sets requirement for core capital ratio of European large banks at 9%

Vienna, 27 October 2011

- The European Council yesterday set the requirement for the core capital ratio of European large banks at 9% and agreed on a 50% haircut for Greek debt
- The capital requirement for Oesterreichische Volksbanken-AG (VBAG) of EUR 972 million is not final according to the European Banking Authority (EBA) since capital effects resulting from VBAG's restructuring process have not been included
- VBAG continues to focus on the implementation of its new business model (concentration on core business areas, reduction of RWAs) and on strengthening capital ratios
- Together with its core shareholders Oesterreichische Volksbanken-AG is currently working on the modification of the Genossenschaftsverbund

The European Council yesterday set the requirement for the core capital ratio for large European banks at 9% and decided that Greek debt will be cut by 50%.

Based on VBAG's core capital ratio calculated for the 2011 EBA stress test of 6.4% according to Basel III, VBAG's capital requirement would amount to EUR 972 million. The European Banking Authority acknowledges in its press release VBAG's restructuring measures and assumes that the calculated capital requirement will be different by mid-2012.

The sale of the participation in VBI which was concluded at the beginning of September results in a RWA decline of approximately EUR 7 billion and will reduce the amount of required capital. Furthermore, the planned modification of the Genossenschaftsverbund (mutual support scheme of Volksbank sector) which will have positive effects on capital ratios has not been taken into consideration in the capital requirement calculated by EBA. Effects from the haircut for Greek debt are already included in the preview for 2011 results.

VBAG continues the implementation of the new business model which is based on the concentration on core business and on a consistent reduction of risk-weighted assets, the focus remains on strengthening capital ratios.

Together with the regional Volksbanks VBAG is currently working on a structural reform of the Association of Volksbanks through a modification of the Schulze-Delitzsch Genossenschaftsverbund in line with CRD IV. "Furthermore we will withdraw from certain business areas in the medium term and refocus on the core business of a cooperative banking group in Austria", says VBAG's CEO Gerald Wenzel.

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