**European Commission - Press release**

# State aid: Commission approves amended restructuring plan of Austrian bank ÖVAG

Brussels, 02 July 2015

The European Commission has found the amended restructuring plan of Österreichische Volksbanken AG (ÖVAG) and the Volksbanken-Verbund (Verbund) to be in line with EU state aid rules. The Austrian Volksbanken sector consists of a central institute, ÖVAG, and the Verbund, which includes over 50 primary banks and other affiliates. The Commission concluded in particular that the amendments will fundamentally restructure the Austrian Volksbanken sector in order to make it viable in the long-term without further state support. The changes became necessary after an assessment by the European Central Bank (ECB) identified a capital shortfall. This assessment was carried out in October 2014, in the context of the Single Supervisory Mechanism (SSM).

In June 2015 Austria notified changes to the restructuring plan of ÖVAG that the Commission had originally approved in September 2012 including public support to ÖVAG. These changes were necessary because an assessment by the ECB/SSM in 2014 revealed a capital shortfall of €865 million for the Volksbanken sector.

ÖVAG and the primary banks decided to overcome the capital shortfall through a significant structural transformation. On 3 July 2015, the core functions of ÖVAG as the Verbund's central organisation will be transferred to Volksbank Wien-Baden, one of the primary banks. At the same time, the remaining non-core assets in ÖVAG will be separated from the Verbund to be wound-down under the name of "Immigon" and will relinquish its banking licence, so that Immigon no longer has to meet the capital requirements for banks. The 51 primary banks in the Verbund will be merged into 10 bigger institutions to reap synergies and have unlimited liability for the obligations of the Verbund and the new central organisation. Thus, the entire Verbund becomes the beneficiary of the state aid granted in 2012 to ÖVAG, as its economic successor.

The Commission assessed the new restructuring plan on the basis of EU rules on state aid for the restructuring of banks during the crisis. The Commission concluded that the plan will enable the new Volksbanken-Verbund to return to long-term viability without additional public money as a smaller and more focused group.

Under the 2012 state aid decision ÖVAG had been under an obligation to repay to Austria the outstanding €300 million of participation capital to remedy the distortions created by the public support received. Given that ÖVAG/Immigon will be wound down, Austria instead committed to include in the amended restructuring plan a payment schedule for the Verbund, which will now repay the outstanding amount by the end of 2023.

## Background

ÖVAG is the central institute of the Volksbanken sector in Austria. The Volksbanken-Verbund is a system of joint financial liability and liquidity transfer among ÖVAG and, currently, 51 independent primary banks and several other affiliated institutions. 51.6 % of ÖVAG is currently held by the primary banks. The Austrian state holds 43.3 % of ÖVAG.

In 2014, the ECB/SSM stress test assessment revealed a capital shortfall of €865 million for the consolidated Volksbanken-Verbund including ÖVAG. The ECB requested a capital ratio of 14.63% by 26 July 2015.

In 2009, ÖVAG received a public recapitalisation of €1 billion in the form of participation capital as well as State guarantees covering €3 billion of bonds. In 2012, ÖVAG's accumulated losses reduced the participation capital to €300 million, while the state injected fresh equity amounting to €250 million and provided an asset guarantee of €100 million. Following an in-depth investigation, the Commission approved the aid and a restructuring plan in September 2012. The 2012 restructuring plan included an internal separation of ÖVAG's core and non-core activities as well as the repayment of the remaining participation capital of €300 million by ÖVAG until 2017. The primary banks were due to contribute to that repayment, to the extent that the minimum regulatory capital adequacy requirements allowed.

Please also see the Commission's Policy Brief "State aid to European banks: returning to viability" on the application of EU state aid rules in the banking sector.

More information will be available on the Commission's competition website, in the public case register under the case number SA.31883, once confidentiality issues have been dealt with.

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