

VBI to Help Volksbanken Meet Stress Test Target by Mid-2012

By [The Moscow Times](#)

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London — Austria's Volksbanken is set to escape onerous European capital targets by closing the sale of its Eastern European arm VBI to Sberbank within weeks, two sources close to the situation said.

Only one country in the region where VBI operates still needs to give regulatory approval for the deal, the sources said late on Wednesday, keeping it on track to close the transaction by the middle of February.

Volksbanken, which failed EU stress tests of big banks last year, has said it would struggle to hit the target set by the European Banking Authority, or EBA, for key banks to have core Tier 1 capital worth 9 percent of risk-weighted assets by mid-2012.

"With that [VBI sale] Volksbanken would fall under the threshold for being considered an international banking group and the 9 percent rule would not apply by June," one of the

sources said on condition of anonymity.

Volksbanken, Austria's fourth-largest bank, would need an extra 1.05 billion euros (\$1.34 billion) in capital to reach the EBA goal. Its core Tier 1 ratio is now around 5.5 percent.

Ratings agency Fitch had said last month that it was "exceedingly likely that in order to meet the EBA target ... [Volksbanken] will require additional capital, either from within the Volksbanken sector or the Austrian government."

Sberbank clinched a deal in September to buy VBI for at least 585 million euros, gaining a springboard for expansion in the region.

But Sberbank has been seeking to push the purchase price below 500 million because the lender's results have been worse than expected as its units struggle with tough conditions, especially in Hungary.

The two sides have now agreed on a price, two sources close to the deal said. Final details were not immediately available.

Loss-making Volksbanken, which has been counting on asset sales to help boost its balance sheet, declined comment.

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