BASEL III implementation in AUSTRIA

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BASEL III framework

- Austria is a member of the EU → „CRD 4 package“ is applicable
  - Directive No. 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms („Capital Requirements Directive“)
  - Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms („Capital Requirements Regulation“)
- CRR applicable directly as of 1 January 2014
- CRD transposed into Austrian law by the the Amendment Law to the Austrian Banking Act and other related banking laws, Federal Gazette No. I 184/2013, which entered into force on 1 January 2014
- Gradual phase in of full framework
Minimum Capital Requirements in Austria

Bank’s own buffer

Pillar 2

Higher of Systemic risk, G-SII and O-SII buffers**

Countercyclical capital buffer

Capital conservation buffer

Tier 2

Additional Tier 1

Common Equity Tier 1

1 - 2% *

0 - 2% *

0 - 5% *

0 - 2.5% *

2.5%

2%

1.5%

4.5%

Basic requirement

Bank-specific additional own funds

Extra cushion of CET1 capital for systemically important institutions and for macroprudential risk

Extra cushion of CET1 capital in boom times

Extra cushion of CET1 capital

Combined buffer

* Assumed upper bounds (values can be higher)
** In certain cases can be the sum of SII and systemic risk buffer.
# Largest Banks in Austria

<table>
<thead>
<tr>
<th>Bank</th>
<th>balance sheet 2013</th>
<th>Tier 1 Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erste Group Bank AG</td>
<td>EUR 201.5 billion</td>
<td>11.4%</td>
</tr>
<tr>
<td>Unicredit Bank Austria AG</td>
<td>EUR 177.8 billion</td>
<td>11%</td>
</tr>
<tr>
<td>RZB Österreich AG</td>
<td>EUR 147.3 billion</td>
<td>12.6%</td>
</tr>
<tr>
<td>Raiffeisenlandesbank Oberösterreich AG</td>
<td>EUR 37.4 billion</td>
<td>9.8%</td>
</tr>
<tr>
<td>BAWAG PSK</td>
<td>EUR 36.4 billion</td>
<td>15.3%</td>
</tr>
<tr>
<td>Raiffeisen Holding W-NÖZ</td>
<td>EUR 30.7 billion</td>
<td>13.3%</td>
</tr>
<tr>
<td>Österreichische Volksbanken AG</td>
<td>EUR 20.9 billion</td>
<td>14.1%</td>
</tr>
<tr>
<td>Sberbank Europe AG</td>
<td>EUR 11.4 billion</td>
<td>9.5%</td>
</tr>
<tr>
<td>VTB Bank (Austria) AG</td>
<td>EUR 5.5 billion</td>
<td>9.8%</td>
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</table>
Implementation of Basel III

- Austrian banks have achieved the new Basel III Tier 1 Ratios earlier than required
- However,
  - there is still uncertainty as to the required buffers and whether they can be achieved, which is causing some nervousness amongst the banks
  - low margins and interest rates and therefore equity is building up slowly
  - Banks with CEE exposure expected to have to build up higher buffers
  - Changes in the financing landscape - smaller tranches will be financed through traditional debt financing means
Systemically important institutions

The Austrian Financial Market Institution is required to publish (Art 69b BWG) certain information, such as
- a list of globally systemically important institutions (Art 23b BWG) and
- a list of other systemically important institutions (Art 23c BWG)

→ publications not yet available
→ currently stress test of largest Austrian banks performed
Expected Effect of Basel III (CRD IV)

- banks are still uncertain as to their total capital requirements
- loans are expected to get more expensive
- alternative means of funding will play a larger role in commercial financing (e.g. bonds, crowd funding, alternative investments, possibly mezzanine capital)
- possible effect on competiveness between banks of different jurisdictions with different requirements
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- Attorney at Law/Associate in renowned international business law firms in Austria, England and Poland (2003-2011)
- Several activities as lecturer in German and English and author of various publications

Main Practice Areas
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- Capital Markets Law
- Corporate Law and M & A
- Aviation Law
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