MOODY'S
INVESTORS SERVICE

CREDIT OPINION
20 March 2023

Update

Send Your Feedback

RATINGS

Volksbank Wien AG

Domicile	Austria
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Dom Curr
Outlook	Not Assigned
Long Term Debt	A3
Type	Senior Unsecured - Dom Curr
Outlook	Positive
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Christina Holthaus +49.69.70730.721
Analyst
christina.holthaus@moodys.com

Alexander Hendricks, CFA +49.69.70730.779
Associate Managing Director
alexander.hendricks@moodys.com

Carola Schuler +49.69.70730.766
MD-Banking
carola.schuler@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077

Volksbank Wien AG

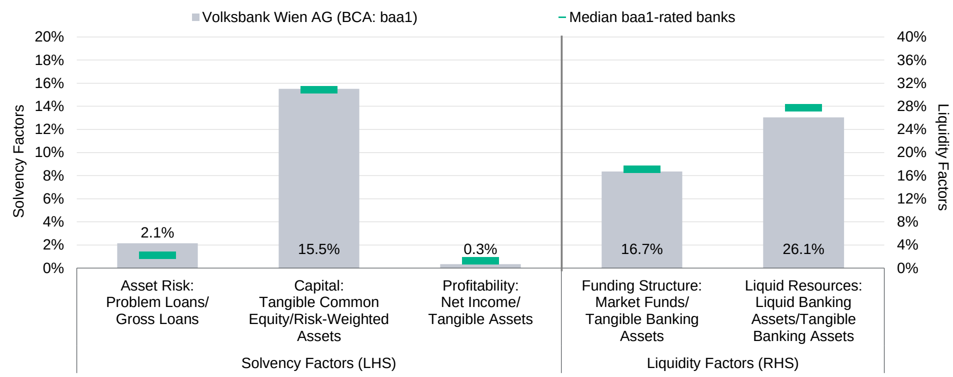
Update following rating upgrade and assignment of senior unsecured rating

Summary

On 27 February, we upgraded Volksbank Wien AG's (VBW) deposit ratings to A2 from Baa1, its junior senior rating to Baa1 from Baa2 and its Baseline Credit Assessment (BCA) and Adj. BCA to baa1 from baa2. On 3rd March, we further assigned a senior unsecured rating of A3 to VBW. The ratings reflect the baa1 BCA and Adj. BCA, and the outcome of our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class and results in two notches of uplift for deposits, one notch for senior unsecured debt and no uplift for junior senior instruments. VBW's ratings do not benefit from government support uplift because of its small size in the context of the Austrian banking system.

VBW's BCA baa1 reflects the bank's sound solvency profile, including a resilient asset quality performance during the pandemic, while its strong capital levels provide a substantial cushion against potential losses from adverse market developments. The bank's BCA further reflects the stable funding and solid liquidity profile, which benefits from the bank's large and granular deposit franchise in Austria. Because VBW is largely deposit funded, the rating agency expects its profitability to be supported by the benign interest rate environment and repricing of the bank's loan book.

Exhibit 1
Rating Scorecard - Key financial ratios



VBW's key financial ratios are calculated based on the consolidated financial statements of the cooperative group.
Source: Moody's Investors Service

VBW's ratings are based on the consolidated financial statements of Austria's (Aa1 stable) cooperative banking sector, the Oesterreichischer Volksbanken-Verbund (Verbund), which operates a statutory mutualist support framework that ensures the cohesion of its member banks. VBW serves as the central organisation for this framework.

Credit strengths

» Sound funding and liquidity, which benefit from a large deposit base and moderate dependence on market funds

» Solid capitalisation

» Low level of problem loans

Credit challenges

» Concentration in the real estate sector and tourism

» Efficiency lags that of domestic peers

Outlook

» The stable outlook on VBW's long-term deposit ratings reflects Moody's expectation that VBW will be able to protect its achieved solvency. Furthermore, the stable outlook reflects the assumption that the outstanding volumes of junior senior unsecured and subordinated debt instruments do not significantly drop below indicated levels in relation to the bank's balance sheet and that further MREL eligible instruments will be issued over the next 12 to 18 months.

» The positive outlook on the newly assigned senior unsecured rating reflects the likelihood for VBW's senior unsecured rating to achieve more rating uplift from the rating agency's Advanced LGF analysis, provided the issuance of further senior unsecured or lower-ranking instruments during 2023 and 2024 in order to comply with VBW's MREL requirements.

Factors that could lead to an upgrade

» VBW's ratings may be upgraded in case of an upgrade of its baa1 BCA because of a sustainably improved standalone intrinsic strength by either significantly increasing its capitalization or profitability beyond the rating agency's current assumption without incurring renewed asset risks and while keeping its defensive liquidity profile.

» The bank's deposit and senior unsecured debt ratings could be also upgraded in case of the issuance of additional volumes of further senior unsecured or lower-ranking instruments.

» The bank's junior senior unsecured debt and subordinated debt ratings could be upgraded in case of significant additional volumes of capital instruments (Tier 2 and Additional Tier 1) being issued.

Factors that could lead to a downgrade

» VBW's ratings could be downgraded if the bank's BCA is downgraded or if the bank's liability structure leads to a less favourable outcome under Moody's Advanced LGF analysis, which could for example result from a significant reduction in the volume of debt instruments subordinated to senior unsecured liabilities.

» A downgrade of VBW's BCA could result from a weakening of the bank's combined solvency profile, in particular if this were to be caused by a meaningful reduction in capitalization and profitability together with an increased reliance in market funding reliance beyond Moody's expectation.

Key indicators

Exhibit 2

Volksbank Wien AG (Consolidated Financials) [1]

	06-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	16.5	16.9	14.3	12.7	11.5	10.9[4]
Total Assets (USD Billion)	17.3	19.2	17.5	14.3	13.2	8.1[4]
Tangible Common Equity (EUR Billion)	0.7	0.7	0.6	0.8	0.7	(0.3)[4]
Tangible Common Equity (USD Billion)	0.7	0.8	0.8	0.9	0.8	(2.8)[4]
Problem Loans / Gross Loans (%)	1.5	2.0	2.3	2.8	2.4	2.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.9	17.5	16.6	19.2	17.0	17.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.9	14.7	17.6	18.1	17.3	15.7[5]
Net Interest Margin (%)	0.6	0.7	0.9	1.0	1.2	0.9[5]
PPI / Average RWA (%)	1.6	2.0	1.4	1.5	1.6	1.6[6]
Net Income / Tangible Assets (%)	0.4	0.5	0.1	0.3	0.6	0.4[5]
Cost / Income Ratio (%)	80.0	75.1	80.7	78.2	79.5	78.7[5]
Market Funds / Tangible Banking Assets (%)	47.0	46.0	38.0	31.5	32.7	39.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	50.9	53.0	42.8	35.5	33.9	43.2[5]
Gross Loans / Due to Customers (%)	82.9	78.9	82.1	85.8	85.4	83.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Exhibit 3

Oesterreichischer Volksbanken-Verbund (Consolidated Financials) [1]

	06-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	31.5	32.1	29.3	27.4	26.6	5.0[4]
Total Assets (USD Billion)	32.9	36.3	35.9	30.8	30.4	2.3[4]
Tangible Common Equity (EUR Billion)	2.2	2.1	2.1	2.1	1.9	4.0[4]
Tangible Common Equity (USD Billion)	2.3	2.4	2.5	2.3	2.2	1.4[4]
Problem Loans / Gross Loans (%)	1.7	2.2	2.1	2.6	3.1	2.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.5	15.7	14.7	13.9	12.9	14.5[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.2	19.1	18.6	22.9	29.0	21.0[5]
Net Interest Margin (%)	1.3	1.3	1.4	1.6	1.7	1.4[5]
PPI / Average RWA (%)	1.0	1.1	1.0	1.0	0.7	1.0[6]
Net Income / Tangible Assets (%)	0.4	0.6	0.0	0.3	0.4	0.4[5]
Cost / Income Ratio (%)	78.4	78.2	78.2	78.4	85.9	79.8[5]
Market Funds / Tangible Banking Assets (%)	17.2	16.7	13.1	8.6	5.9	12.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	20.1	26.1	19.9	14.1	14.2	18.9[5]
Gross Loans / Due to Customers (%)	97.9	94.5	95.9	96.9	93.8	95.8[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Volksbank Wien AG (VBW) is the central organisation of Austria's cooperative banking sector, the Oesterreichischer Volksbanken-Verbund (Verbund). Member banks of the Verbund benefit from a statutory mutualist support framework, codified in the Austrian Banking Act; and the cohesion and solidarity within the Verbund, reflected in a mutual obligation to support each member institution in case of need. The Verbund consists of nine primary banks, among which VBW is the central organisation. As of December 2022, VBW had 54 branches, while the Verbund had 236 branches along with 3,033 full-time employees.

Member banks of the Verbund are predominantly active in Austria. They mainly provide financial services to retail and small and medium-sized enterprises (SMEs). As of the end of December 2022, the Verbund held consolidated assets of €29.2 billion and reported net income of €115 million[1].

VBW took over the role as central organisation of the Verbund after the former Oesterreichische Volksbanken AG (VBAG) announced its reorganisation and break-up as the central institution of Austria's Volksbanken sector folllowing its failing in the ECB's Comprehensive Assessment in October 2014. VBAG relinquished its banking license and changed its name to immigon portfolioabbau ag (immigon) as per 4 July 2015.[2] All legally required businesses and necessary service activities were transferred to VBW at that time. As of year-end 2022, the Verbund had paid back the last outstanding tranche of the participation right of Austria, which was granted in the course of the restructuring lifting all requirements resulting from the state aid proceedings of the year 2015. As a consequence, Austria, which held a 25% stake in VBW, is no longer a shareholder.

For more information, please see VBW's Issuer Profile.

VBW's domestic exposures determine its Strong+ Macro Profile

VBW and the Verbund are predominantly active in Austria, and the assigned Strong+ Weighted Macro Profile is set on par with the Strong+ Macro Profile of Austria.

Detailed credit considerations

We assess VBW on the basis of the consolidated financial statements of the Verbund. This approach takes into consideration the statutory mutualist support framework, codified in the Austrian Banking Act; and the cohesion and solidarity within the Verbund, reflected in a mutual obligation to support each member institution in case of need. Consequently, the Verbund member banks, with the exception of VBW, are exempt from reporting individual capital and other regulatory ratios to the European Central Bank (ECB), their supervisor. The high level of cooperation within the Verbund is further demonstrated by VBW's role as a central bank institution, which provides ample control rights to the Vienna-based bank, including centralised management of capital, funding, liquidity and risk.

The Verbund's asset risks are driven by concentrations in the real estate and tourism sector

We assign a baa1 Asset Risk score to VBW, two notches below the initial a2 score. The baa1 score takes into consideration the Verbund's concentration in the real estate, tourism and SME sectors, which are more vulnerable to economic downturns.

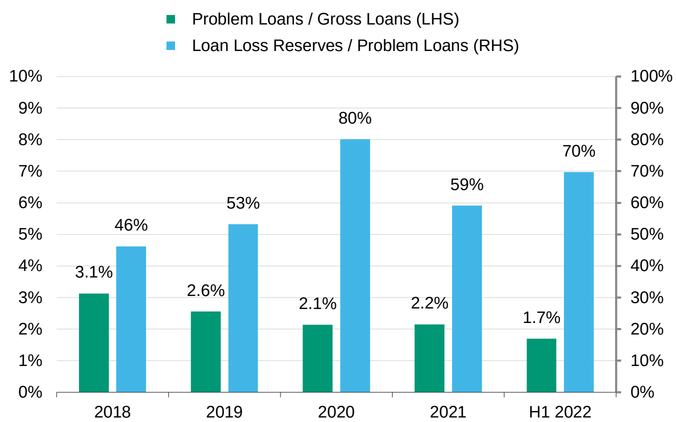
The Verbund's total loan book of €22.5 billion, as of December 2022 is focused on small and medium sized (SME) clients (€11.2 billion), followed by retail lending (€8.9 billion) which mainly relates to residential mortgage lending. Looking at the customer loans by industry the lending to the real estate sector with €6.3 billion or around 2.9x of the Verbund's tangible common equity [TCE] followed by tourism companies (€1.6 billion o around 0.7x TCE as of year-end 2022 represent large concentration risks. Around three quarters of the real estate exposure relates to the SME sector. After SME and real estate, the tourism clients mainly comprise family-owned hotels, which have benefited from support measures since the beginning of the pandemic, including a guarantee framework of the Austrian Hotel and Tourism Bank, a dedicated development bank.

Despite the fact that Verbund's SME client base is overwhelmingly focused on local business activities and generally not integrated into global supply chains, we expect these businesses to be partially affected by rising inflation because of higher energy prices in Austria, which could increase provisioning needs and lead to a marginal increase in problem loans in 2023. Smaller companies might be more challenged to operate successfully on the back of an increased inflation and rising interest rates, which increases the debt burden as VBW's loan book is predominantly consists of loans with variable rates.

Over the past two years, despite the pandemic, the Verbund's asset quality remained stable as reflected by a problem loan ratio of around 2% since December 2020. In 2022, the Verbund booked €31 million of risk provisions, which mainly relates to management overlays, in order to prepare for economic challenges as a result of the military conflict in the Ukraine. This compares to a release of €89 million of loan-loss provisions in 2021 that were caused by post-model adjustments in response to the pandemic.

Exhibit 4

The Verbund continues to de-risk its loan book while building up loan-loss reserves

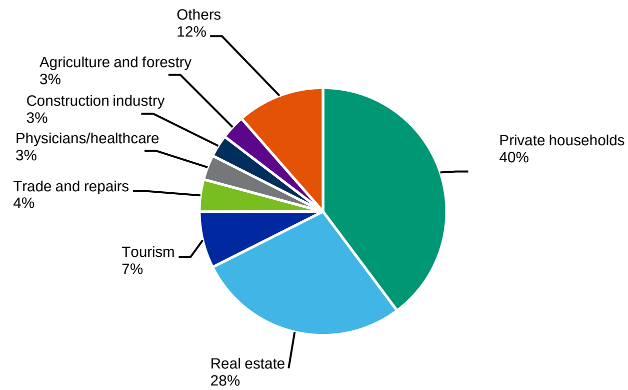


Sources: Company and Moody's Investors Service

Exhibit 5

Breakdown of the Verbund's loan book

As of year-end 2022, total €22.5 billion



Source: Company data

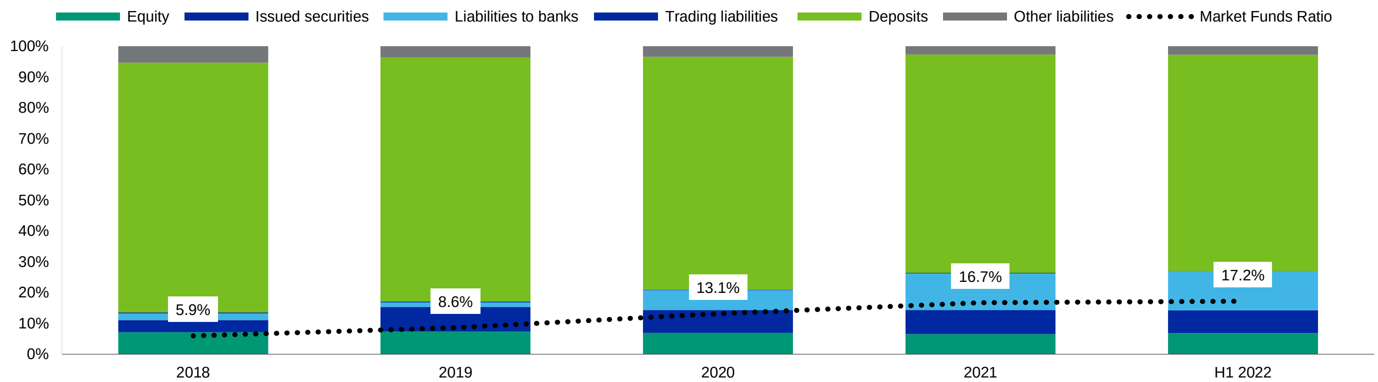
Large deposit franchise with moderate dependence on market funding

The Verbund's funding profile strongly supports VBW's BCA, which is reflected in our a2 Funding Structure score for the bank, which is one notch above the initial score of a3. Our assigned score takes into consideration the granular deposit franchise as well as expectation that the increase in the market funding ratio, will soften because of repayment of the Verbund's participation in TLTRO III funding.

The Verbund's funding profile benefits from the high granularity of deposits, which are generally more stable than large institutional deposits. As of December 2022, deposits funded €22.1 billion, or 76% of the Verbund's total assets, mainly including current account and savings account deposits from retail clients. Therefore, market funding reliance, as reflected by the market funding ratio of around 11%, is limited and comprises interbank liabilities of around €2 billion (including the remaining part of TLTRO III), as well as around €1 billion of covered bonds[3] and €0.5 billion of junior senior unsecured debt issued to fulfill the Verbund's MREL requirements as of December 2022.[4] As of June 2022, the gross loan-to-deposit ratio was 116% (95% as of December 2021).

For 2023, we expect the TLTRO funding to be gradually reduced and only in part replaced by unsecured debt issuances. In addition to its €500 million junior senior unsecured debt issued in Q1 2021, VBW will focus on issuing senior unsecured instruments before year-end 2024 to meet its MREL requirement of 26.5% of risk-weighted assets (RWA). In March 2023, it successfully placed a €500 million benchmark bond on the market.

Exhibit 6
Liability structure of the Verbund
In percentage of total assets (market funds as a percentage of tangible banking assets)



Sources: Company and Moody's Investors Service

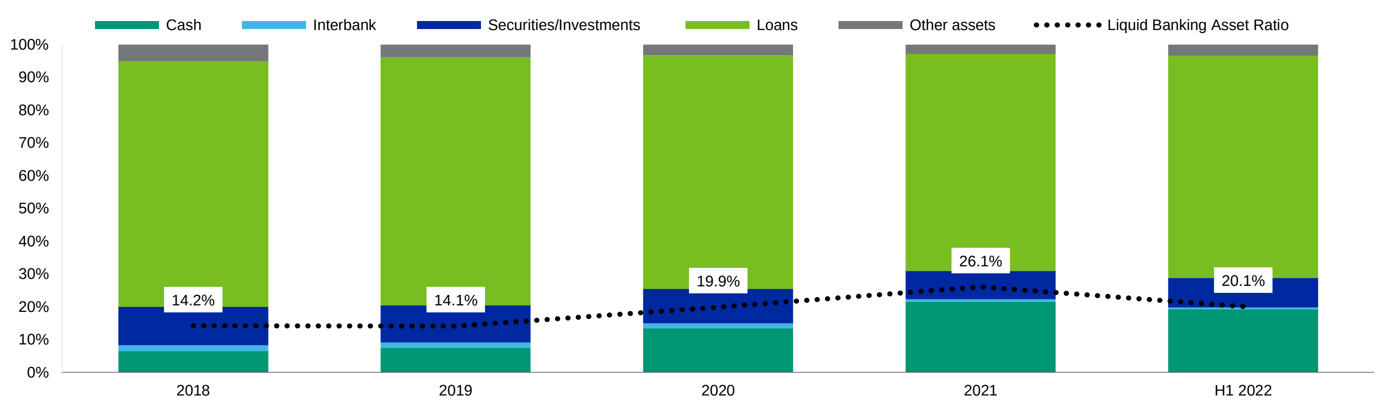
Strong liquidity supports VBW's funding profile

We assign a baa2 Liquid Resources score to VBW, two notches below the initial score of a3. The assigned score reflects the size and high quality of the Verbund's financial securities portfolio, as well as our expectation of a decline in the cash position once the TLTRO III is fully redeemed.

The Verbund's liquidity is adequate to cover short-term liquidity needs, as reflected by its liquid resources of around €4 billion, or around 15% of TBA (2021: 26%), which include a reduced cash position of €3.5 billion, down from €6.9 billion as of December 2021 as a result of the partial repayment of the TLTRO III, as well as other liquid securities as of December 2022. As of the same date, the Verbund's liquidity coverage ratio was 165%, down from 224% in 2021. This decline was largely because of VBW's participation in the TLTRO III programme (H1 2022: €3.5 billion). For the next 12-18 months, we expect liquid resources ratio to decrease even further once the TLTRO III is fully redeemed.

In addition to cash, liquid securities and interbank claims, the group possesses ample buffer of mortgage claims that qualify as collateral for Volksbank Wien AG - Mortgage Covered Bonds (Aaa). Those claims could, in case of need, be used to increase the volume of covered bonds, which then could be posted at the central bank to generate additional cash, given the current level of over-collateralisation in the programme of 111%.

Exhibit 7
Asset structure of the Verbund
In percentage of total assets (liquid banking assets as a percentage of tangible banking assets)



Sources: Company and Moody's Investors Service

Strong capitalisation provides substantial cushion against adverse market developments

The assigned a1 Capital score is positioned one notch below the aa3 initial score and reflects the Verbund's strong capitalisation providing a substantial cushion against potential losses as well as the expected impact in on the ratio in case of adverse market developments. We also acknowledge the bank's early and full repayment of participation rights, held by Austria in December 2022, which has resolved previous constraints on further build-up of its capitalization.

The Verbund's solid TCE ratio of around 15.7%[5] as of December 2022 is more than one percentage point above the regulatory Common Equity Tier 1 (CET1) capital ratio of 14.0% (year-end 2021: 14.1%)[6] because of the regulatory deductions applied to the Verbund's participations. In absolute terms, the CET1 capital remained almost unchanged at €2.0 billion while the RWA slightly increased to €14.1 billion as of December 2022 from €13.8 billion in 2021. The Verbund calculates its RWA conservatively across all lending portfolios under the standardised approach. For the upcoming years, we expect the RWA to continue to grow in line with increasing business volume.

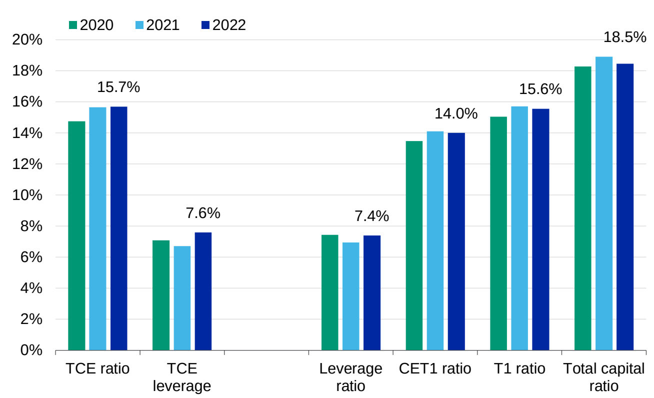
The Verbund's 15.6% fully loaded Tier 1 capital ratio as of December 2022 was stable compared to 15.7% as of year-end 2021 and includes a €220 million Additional Tier 1 (AT1) bond. Because these instruments are contractually designed to absorb losses in a gone-concern scenario or upon the intervention of resolution authorities, we do not include them in the TCE calculation, but include them in the Advanced LGF analysis. Moreover, the total capital ratio of 18.5% as of December 2022 includes further Tier 2 instruments and is comfortably above the regulatory requirements of 14.0% including the Pillar 2 requirement. Other than for Germany or Switzerland, the Austrian regulator FMA did not decide to increase the countercyclical capital buffer (CCyB) from currently 0% or to implement an additional sectoral buffer as a response to increased house prices because it expects the implementation of upper lending limits to have a sufficient impact on the house price development.

While no direct links to immigon exist anymore, the Verbund was obliged to repay the remainder of the original €300 million of participation rights (Genussrechte) as of year-end 2023, which were granted to the Austrian government as compensation for rescuing the former central bank organisation, VBAG. As of December 2022, the Verbund had paid back the final tranche of €100 million one year earlier than required. The repayment of the final tranche ends the participation of the Austrian government and improves the Verbund's earnings retention.

Exhibit 8

The Verbund's regulatory capitalisation is strong

Fully-loaded capital ratios

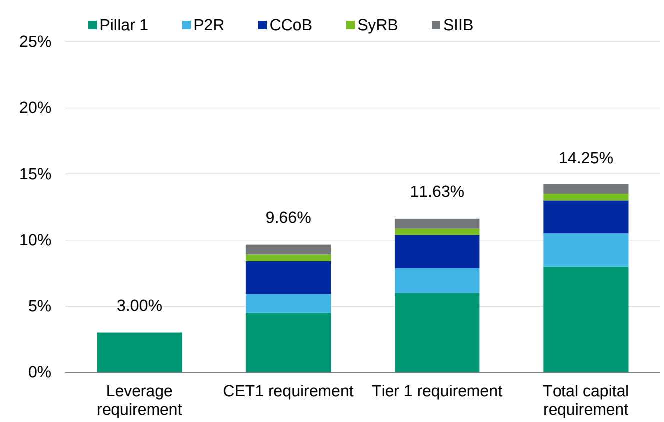


TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital. All transitional
Our TCE is a balance-sheet equity measure without regulatory deductions.
Sources: Company and Moody's Investors Service

Exhibit 9

VBW has adequate capital buffers over regulatory capital requirements

The Verbund's regulatory capital requirements as of December 2022*



CCoB = capital conservation buffer; SyRB = systemic risk buffer; SIIB = systemically important institutions buffer, *SIIB already reflects the increased requirement since 01 January 2023 from 0.5% to 0.75%.
Source: Company

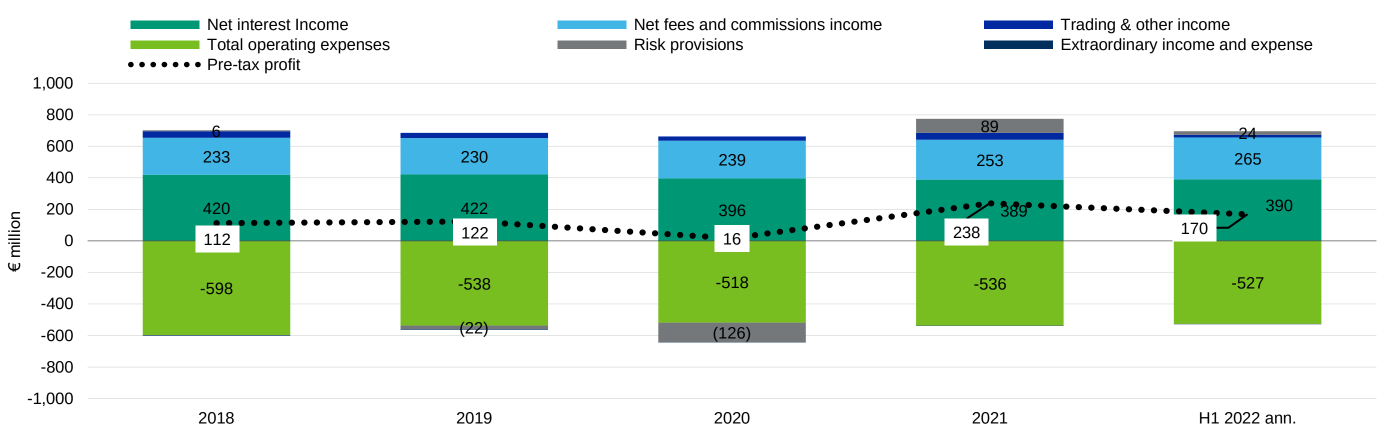
Profitability supported by efficiency gains and rising rates environment

The assigned Profitability score for VBW is ba1, one notch above the ba2 initial score, reflects our expectation of a sustainably improved profitability over the next few years as a result of both the group's improving operating efficiency as well as the expected impact from a more benign interest rate environment and repricing of the bank's loan book.

The Verbund's earnings are well diversified, with 72% of revenue resulting from net interest income (NII), 39% from net fee and commission income (NFCI) and -12% from other income in 2022. At the same time, VBW's profitability has benefitted from an improving cost structure derived from the group's efficiency program launched in 2018 after its significant restructuring. While the group's cost-to-income ratio still lags its domestic peers as reflected by a cost-to-income ratio of 78% vs. 65% for rated domestic peers as of December 2021, efficiency gains have improved the group's resilience to economic challenges over the past five years (2018: cost-to-income ratio of 86%). Because VBW is largely deposit funded, we expect further rising profitability from a more benign interest rate environment and repricing of the bank's loan book.

In 2022, NII increased to €468 million from €406 million in the year-earlier period[7], mainly as a result of the repricing of the Verbund's loan book, which is mostly accounted at variable rates. At the same time, the NFCI was broadly stable at €255 million compared to 2021. Further, the administrative expenses decreased to €500 million from €515 million one year earlier as the Verbund was able to reduce personnel expenses. However, a normalisation in risk provisions of €31 million compared to a €89 million release in 2021 as well as the other operating result of -€64 million (2021: -€2 million) result in lower year-over-year net profit of €115 million (2021: €219 million). Since the other operating result includes expenses in relation to the final repayment of the participation right of Austria of more than €80 million, we consider this as a one-off expense.

Exhibit 10
2021 and H1 2022 pre-provision income benefited from release of loan-loss provisions
In € millions

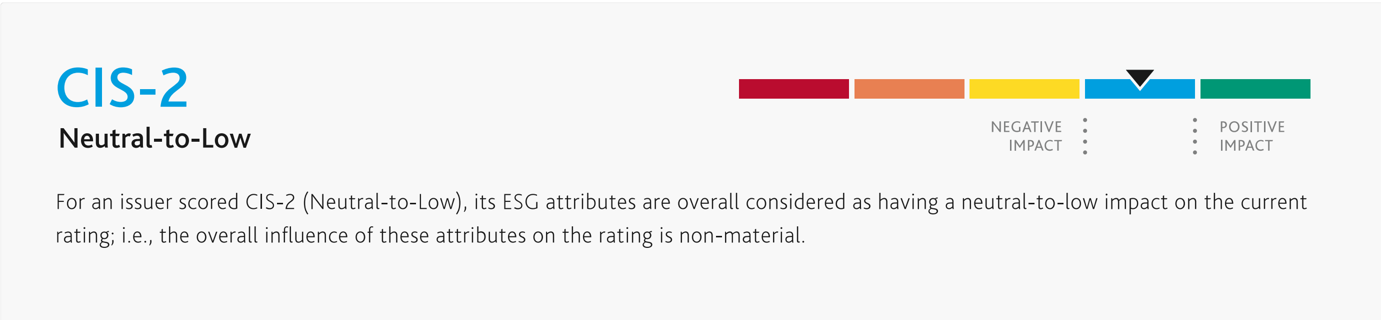


Sources: Company and Moody's Investors Service

ESG considerations

Volksbank Wien AG's ESG Credit Impact Score is Neutral-to-Low CIS-2

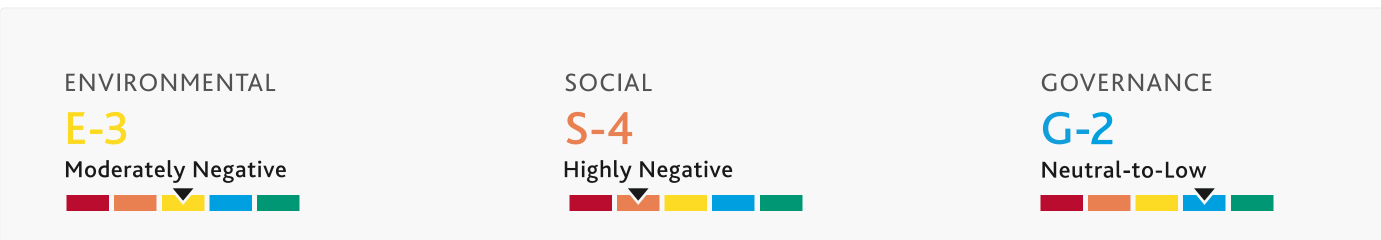
Exhibit 11
ESG Credit Impact Score



Source: Moody's Investors Service

Volksbank Wien AG's (VBW) Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environmental and social factors on the ratings to date, and neutral-to-low governance risks.

Exhibit 12
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

VBW faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a wholesale bank in Austria. In line with its peers, VBW is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, VBW is actively engaging in further developing its comprehensive risk management and climate risk reporting frameworks and tries to align its business with the transition to a low-carbon economy.

Social

VBW faces high industrywide social risks related to customer relations and associated regulatory risk, litigation exposure and high compliance standards in its operations. These risks are mitigated by the bank's developed policies and procedures. High cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

Governance

VBW's governance risks are low, reflecting the continuous improvement in its asset quality, which has been accompanied by strengthening capitalisation. VBW's ownership structure as a mutualist (cooperative banking sector) result in a very specific governance set-up, but this does not result in incremental governance risks because of Austria's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis

The Verbund represents a conglomerate of eight regional Volksbanken and one specialised financial institution in Austria. The Verbund is a banking group in the context of the European Capital Requirements Regulation and, therefore, is regulated as a group. All of its affiliated institutions, apart from the central institution, VBW, are exempt from certain regulations. Consequently, the EU's Bank Recovery and Resolution Directive, which is an operational resolution regime (ORR), applies to the Verbund, but not to its member entities individually.

We apply our LGF analysis on the basis of the Verbund's consolidated liabilities, taking into account the risks faced by the different debt and deposit classes across the liability structure at failure. We assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits. These are in line with our standard assumptions. Because of the Verbund's clear focus on retail banking, we expect only a small percentage (10%) of VBW's deposits to be considered junior (or institutional) deposits.

» For VBW's deposits, our LGF analysis indicates a very low loss given failure, leading to a two-notch uplift above the bank's baa1 Adjusted BCA.

» For VBW's senior unsecured debt, our LGF analysis indicates a low loss given failure, leading to a one-notch uplift above the bank's baa1 Adjusted BCA.

» For VBW's junior senior unsecured debt, our LGF analysis indicates a moderate loss given failure. Therefore, the rating is on par with the bank's baa1 Adjusted BCA.

» For VBW's subordinated debt, our LGF analysis indicates a high loss given failure. Therefore, the rating is one notch below the bank's baa1 Adjusted BCA.

Additional notching for AT1 instruments

We assign a Ba1(hyb) rating to VBW's AT1 notes. This rating is three notches below the bank's baa1 Adjusted BCA. The rating reflects our assessment of the instruments' undated deeply subordinated claim in liquidation, the issuer's ability to redeem under certain conditions the securities at a level below par in case these have been strained by a write-down and the securities' non-cumulative coupon deferral features. The securities' principal is subject to a partial or full write-down on a contractual basis if the Verbund's or VBW's CET1 ratios fall below 5.125%, the issuer receives public support or the Austrian Financial Market Authority determines that the conditions for a full write-down of the instrument are fulfilled and orders such a write-down as a precautionary measure to prevent insolvency.

Government support considerations

In contrast to banks in other EU countries and reflecting the government measures implemented in Austria since 2014, we assign a low level of support for the senior unsecured debt and deposit ratings of Austrian banks. Consequently, we do not include any uplift for government support in VBW's long-term deposit ratings. This view also takes into account the Verbund's relatively low importance to the domestic deposit-taking market.

Counterparty Risk Ratings (CRRs)

VBW's CRRs are A1/P-1

The CRRs are three notches above the Adjusted BCA of baa1, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. VBW's CRRs do not benefit from any rating uplift based on government support, which is in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

VBW's CR Assessment is A1(cr)/P-1(cr)

The CR Assessment assigned to VBW is three notches above the bank's Adjusted BCA of baa1, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments.

CR Assessments for banks are subject to a going-concern ORR, reflecting the loss absorption that capital and more junior debt instruments provide in the bank's liability structure. In Austria, counterparty obligations rank above senior unsecured debt and junior deposits, but not above preferred deposits.

Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology used in rating VBW is our Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 13

Oesterreichischer Volksbanken-Verbund

MACRO FACTORS		
WEIGHTED MACRO PROFILE	STRONG +	100%

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.1%	a2	↔	baa1	Sector concentration	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.5%	aa3	↔	a1	Stress capital resilience	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↑	ba1	Return on assets	Expected trend
Combined Solvency Score		a3		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	16.7%	a3	↑	a2	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	26.1%	a3	↓↓	baa2	Quality of liquid assets	Expected trend
Combined Liquidity Score		a3		a3		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	3,788	13.6%	5,273	18.9%
Deposits	22,109	79.2%	20,561	73.6%
Preferred deposits	19,898	71.3%	18,903	67.7%
Junior deposits	2,211	7.9%	1,658	5.9%
Senior unsecured bank debt			60	0.2%
Junior senior unsecured bank debt	500	1.8%	500	1.8%
Dated subordinated bank debt	464	1.7%	473	1.7%
Junior subordinated bank debt	7	0.0%	0	0.0%
Preference shares (bank)	220	0.8%	220	0.8%
Equity	838	3.0%	838	3.0%
Total Tangible Banking Assets	27,924	100.0%	27,924	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	13.4%	13.4%	13.4%	13.4%	3	3	3	3	0	a1
Counterparty Risk Assessment	13.4%	13.4%	13.4%	13.4%	3	3	3	3	0	a1 (cr)
Deposits	13.4%	7.3%	13.4%	7.5%	1	1	1	2	0	a2
Senior unsecured bank debt	13.4%	7.3%	7.5%	7.3%	1	0	1	1	0	a3
Junior senior unsecured bank debt	7.3%	5.5%	7.3%	5.5%	0	0	0	0	0	baa1
Dated subordinated bank debt	5.5%	3.8%	5.5%	3.8%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.8%	3.0%	3.8%	3.0%	-1	-1	-1	-1	-2	ba1

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	a1	0	A1	
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	2	0	a2	0	A2	A2
Senior unsecured bank debt	1	0	a3	0	A3	
Junior senior unsecured bank debt	0	0	baa1	0	Baa1	
Dated subordinated bank debt	-1	0	baa2	0	Baa2	
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 14

Category	Moody's Rating
VOLKSBANK WIEN AG	
Outlook	Stable(m)
Counterparty Risk Rating -Dom Curr	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured -Dom Curr	A3
Junior Senior Unsecured -Dom Curr	Baa1
Subordinate -Dom Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)

Source: Moody's Investors Service

Endnotes

1 reported, preliminary results 2022

2 In May 2019, immigon, the wind-down entity of the former central institution of the Verbund, ceased all banking-related activities and entered liquidation thereafter.

3 Our market funding ratio only takes into consideration 50% of covered bonds.

4 reported, preliminary financials

5 based on preliminary financials

6 Fully loaded

7 reported, preliminary financials

REPORT NUMBER 1358124

Contributors

Christopher McCoy
Associate Analyst

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454