MOODY'S
INVESTORS SERVICE

CREDIT OPINION
1 December 2021

Update

Rate this Research

RATINGS

Volksbank Wien AG

Domicile	Austria
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Dom Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

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.

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Volksbank Wien AG

Update following rating affirmation

Summary

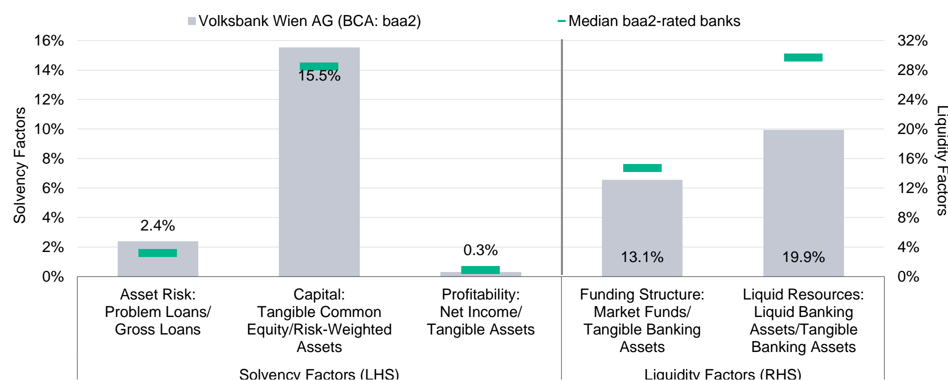
On 25 November, we affirmed the Baa1(positive) deposit ratings of Volksbank Wien AG (VBW). We also affirmed the bank's Baa2 junior senior unsecured debt rating, its baa2 Baseline Credit Assessment (BCA) and Adjusted BCA, as well as the bank's A2/P-1 Counterparty Risk Rating (CRR) and the Ba2(hyb) rating of its non-cumulative preference shares.

VBW's Baa1 deposit ratings reflect the bank's baa2 BCA and Adjusted BCA; and one notch of uplift from the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities.

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.

VBW's baa2 BCA reflects the bank's sound funding and liquidity profile as well as continuous improvement in its asset quality even in the challenging economic environment since the coronavirus outbreak, which has been accompanied by a strengthening capitalization. While the bank's financial metrics are overall trending towards a standalone creditworthiness commensurate with a higher BCA assessment the current BCA incorporates some remaining vulnerability as to the stability of this trajectory, in particular as it relates to capitalization pressure from required repayment of capital instruments.

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

Credit strengths

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

» Adequate capitalisation

» Low level of problem loans

Credit challenges

» Expectation of a moderate increase in exposures to problem loans in the Verbund's small businesses portfolio

» Concentration in the real estate sector

» Temporarily constrained ability to retain capital, based on the remaining repayment obligation of participation rights

Outlook

The positive outlook reflects the scenario that VBW's solvency profile remains stronger than we anticipated despite and after the scheduled repayments of the Austrian Government's participation rights which VBW is on track of fully meeting and despite the challenges introduced by the coronavirus pandemic.

The positive outlook continues to reflect the likelihood for VBW's long-term deposit ratings to achieve more rating uplift from our Advanced LGF analysis, provided the issuance of senior unsecured or lower-ranking instruments during 2022 and 2023 in order to comply with VBW's current regulatory MREL.

Factors that could lead to an upgrade

VBW's long-term deposit ratings could be upgraded if the bank's BCA is upgraded or following an increase in the stock of bail-in-able liabilities.

A BCA upgrade could result if the bank sustainably improves its standalone intrinsic strength by maintaining its achieved solvency, including a high coverage of problem loans without experiencing renewed pressure on its profitability.

Additional upward rating pressure could develop if VBW successfully completes its full debt issuance plan to become MREL-compliant by 2025, or in case it accelerates the required placement of bail-in instruments.

Factors that could lead to a downgrade

The ratings could be downgraded due to a deterioration in the bank's fundamental credit profile, for instance if we observe a material weakening in capital metrics and profitability, in particular if VBW experienced a substantial increase in problem loans and higher through-the-cycle losses.

VBW's ratings could also be downgraded if the group significantly reduced its unsecured debt issuance plans or failed to successfully execute these.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Volksbank Wien AG (Consolidated Financials) [1]

	06-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	16.7	14.3	12.7	11.5	10.6	13.8[4]
Total Assets (USD Billion)	19.8	17.5	14.3	13.2	12.7	13.4[4]
Tangible Common Equity (EUR Billion)	0.7	0.6	0.8	0.7	0.5	11.9[4]
Tangible Common Equity (USD Billion)	0.9	0.8	0.9	0.8	0.6	11.5[4]
Problem Loans / Gross Loans (%)	1.9	2.3	2.8	2.4	3.5	2.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	19.8	16.6	19.2	17.0	14.6	17.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.5	17.6	18.1	17.3	29.7	19.1[5]
Net Interest Margin (%)	0.9	0.9	1.0	1.2	1.2	1.0[5]
PPI / Average RWA (%)	3.2	1.4	1.5	1.6	0.7	1.7[6]
Net Income / Tangible Assets (%)	0.6	0.1	0.3	0.6	0.4	0.4[5]
Cost / Income Ratio (%)	66.0	80.7	78.2	79.5	90.5	79.0[5]
Market Funds / Tangible Banking Assets (%)	46.1	38.0	31.5	32.7	32.5	36.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	52.7	42.8	35.5	33.9	47.7	42.5[5]
Gross Loans / Due to Customers (%)	83.7	82.1	85.8	85.4	83.1	84.0[5]

[-] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [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]

	06-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	31.8	29.3	27.4	26.6	25.3	6.8[4]
Total Assets (USD Billion)	37.7	35.9	30.8	30.4	30.4	6.4[4]
Tangible Common Equity (EUR Billion)	2.1	2.1	2.1	1.9	1.8	5.5[4]
Tangible Common Equity (USD Billion)	2.5	2.5	2.3	2.2	2.1	5.2[4]
Problem Loans / Gross Loans (%)	1.8	2.1	2.6	3.1	4.2	2.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.5	14.7	13.9	12.9	13.2	14.1[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.6	18.6	22.9	29.0	39.7	25.2[5]
Net Interest Margin (%)	1.3	1.5	1.6	1.7	1.8	1.6[5]
PPI / Average RWA (%)	1.0	1.1	1.0	0.7	0.8	0.9[6]
Net Income / Tangible Assets (%)	0.5	0.0	0.3	0.4	0.2	0.3[5]
Cost / Income Ratio (%)	79.1	76.2	78.4	85.9	85.9	81.1[5]
Market Funds / Tangible Banking Assets (%)	19.6	13.1	8.6	5.9	6.1	10.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.1	19.9	14.1	14.2	17.5	17.8[5]
Gross Loans / Due to Customers (%)	95.2	95.9	96.9	93.8	94.8	95.3[5]

[-] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [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 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 30 June 2021, VBW had 57 branches, while the Verbund had 242 branches along with 3,204 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 30 June 2021, the Verbund held consolidated assets of €31.8 billion (4% of the aggregated balance sheet size of the Austrian banking industry) and reported a net income of €92.6 million for the first half of 2021. In May 2019, immigon portfolioabbau ag (immigon), the wind-down entity of the former central institution of the Verbund, ceased all banking-related activities and entered liquidation thereafter.

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 Austrian 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 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 management.

The Verbund's problem loans will increase from the current low level

We assign a baa1 Asset Risk score to VBW, two notches below the initial a2 score. The baa1 score includes a negative adjustment for real estate concentration risks. The adjustment also takes into account our expectation of moderately higher nonperforming loan ratios for VBW and the Verbund's SME exposures, reflecting a future reduction of government support measures that have been reinstated during the current lockdown.

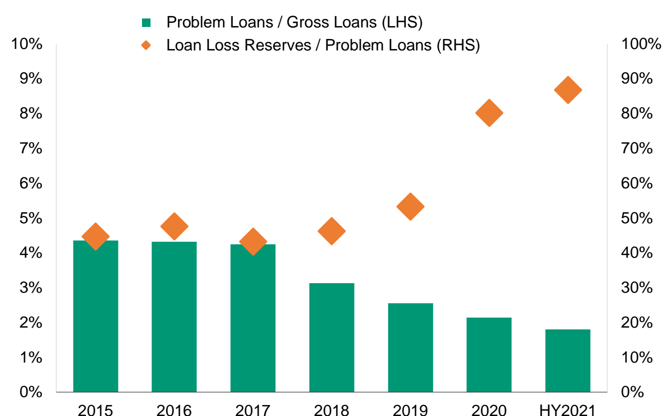
Following a decline in problem loans in 2020 and 2021, we expect the Verbund's asset quality to decline moderately in 2022 because smaller companies may be more challenged to operate successfully after the expiry of support measures in Austria. The sector's total loan book of €21.5 billion, as of June 2021, was concentrated in SME clients (€8.0 billion). The real estate sector dominated the loan book with a total exposure of €5.2 billion. The Verbund's SME client base is overwhelmingly focused on local business activities and generally not integrated into global supply chains. Consequently, these businesses are more vulnerable to restrictions on domestic social and business activities rather than to disruptions of international trade. As of 31 July 2021, the share of customer exposures with some form of still active pandemic-related concessions had declined to 7.3% of the Verbund's €25.9 billion customer exposures. During the pandemic, 19.8% of exposures had benefited from such concessions, mainly in the form of payment holidays. Verbund customers that have left a moratorium have so far not shown a significantly different performance from the rest of the group's customers. However, customers subject to more extended payment deferrals will find it harder to resume regular payments, and they may be at higher risk of default during and following the period of government support reduction.

The Verbund's €1.7 billion customer receivables from tourism companies as of year-end 2020 are concentrated in family-owned hotels, which have benefited from support measures, including a guarantee framework of the Austrian Hotel and Tourism Bank, a dedicated development bank. In light of the weak winter holiday tourism season 2020-21, a significant share of borrowers from the tourism and related service sectors will remain dependent on public support measures. This is reflected in the reduced, but still high, uptake of pandemic concessions for the tourism, recreation and accommodation subsegments within the Verbund's lending portfolio as of the end of January 2021.

During H1 2021, the Verbund booked additional loan loss reserves, which now cover 87% of problem loans. This is a very good coverage ratio in the context of the strong role of real-estate-secured loans in the Verbund's portfolio. The substantial reduction in problem loans since 2014 reflects the restructuring of the Austrian Volksbanken sector, including the separation from immigon in July 2015. The problem loan ratio, excluding the former Oesterreichische Volksbanken AG (VBAG), was 5.1% in 2014.

Exhibit 4

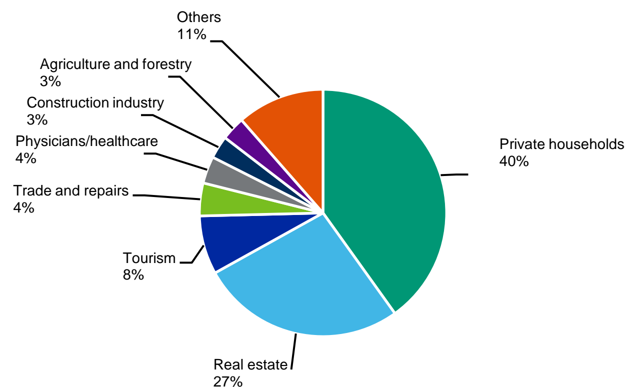
The Verbund has continued to de-risk its loan book after the separation from immigon in July 2015



Sources: Company and Moody's Investors Service

Exhibit 5

Breakdown of Verbund's loan book



As of year-end 2020; retail, corporate real estate and public exposures remained consistent in the first half of 2021
Source: Company

Solid funding profile, which benefits from a large deposit base and low dependence on market funds

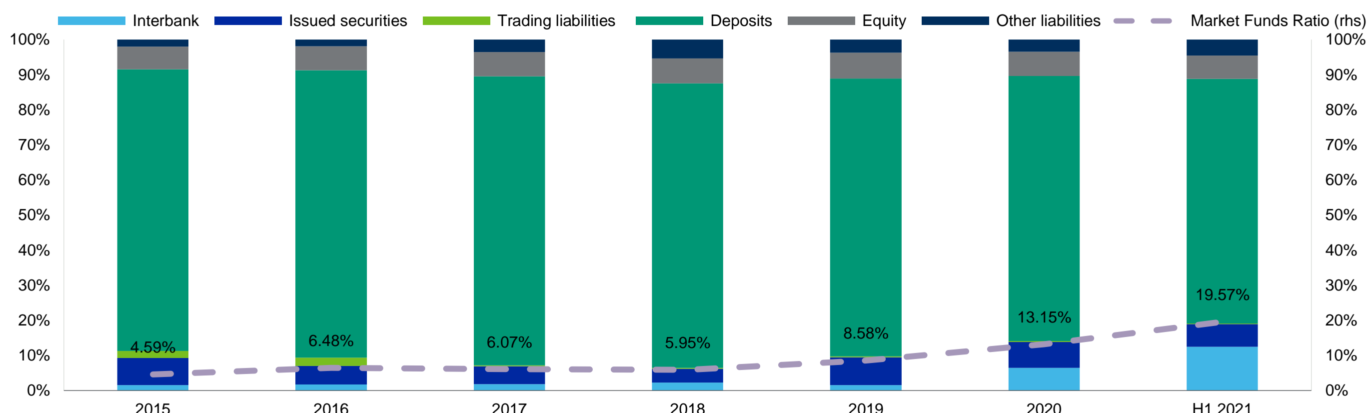
The Verbund's funding profile strongly supports VBW's BCA, which is reflected in our a1 Funding Structure score for the bank. It is one notch above the initial score to reflect that the Verbund had only temporarily sourced a total of €3.5 billion of TLTRO III funds from the ECB by June 2021, which inflates the initial Market Funding ratio. TLTRO funding will be gradually reduced and in part replaced by unsecured debt issuances. In addition to its €500 million junior senior unsecured debt issued in Q1 2021, VBW anticipates to offer at least one more benchmark-size unsecured instrument before year-end 2024, in the context of future regulatory minimum requirements for bail-in-able debt.

In light of very limited maturities over the near term, the group will not need to access funding markets this year. The next big bond maturity is in 2022, when VBW's €400 million tier 2 bond has its first call date.

The a1 Funding Structure score also captures the high granularity of the sector's deposits, which are generally more stable than large institutional deposits. As of 30 June 2021, deposits funded 79% of the Verbund's total assets (75% as of 31 December 2020) and mainly included current account and savings account deposits from retail clients. As of June 2021, the gross loan-to-deposit ratio was 92% (93% as of December 2020). The Verbund has a low dependence on market funds, but new issuances of covered bonds, TLTRO funding and our expectation of it being largely replaced by unsecured bond instruments over the next few years have increased the role of market funding for the Verbund and VBW.

Exhibit 6

Liability structure of the Verbund in percentage of total assets (Market Funds Ratio in percentage of tangible banking assets)



Sources: Company and Moody's Investors Service

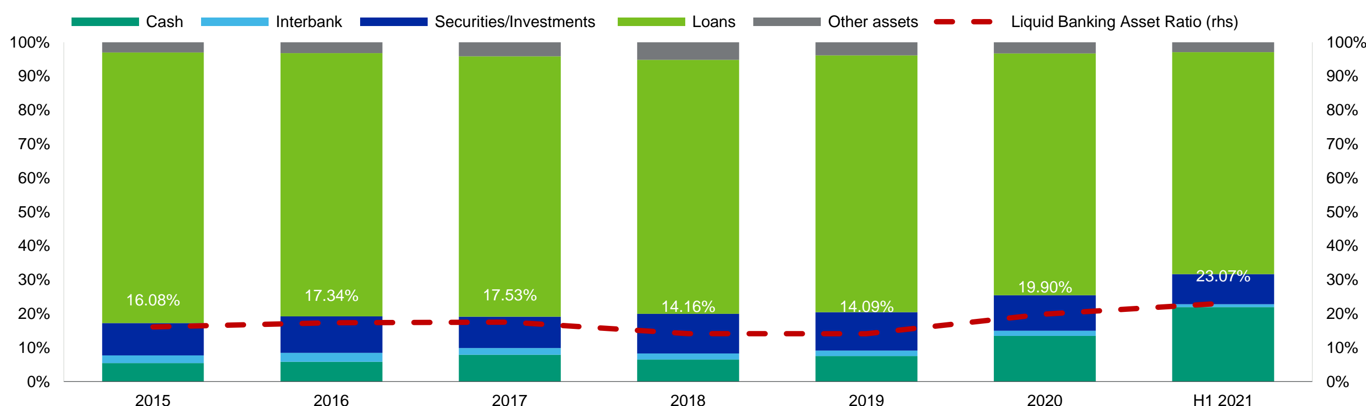
Strong liquidity supports VBW's business profile

The Verbund's liquidity is well positioned to cover short-term liquidity needs. Our assigned Liquid Resources score of baa2 reflects the size and high quality of the Verbund's financial securities portfolio. As of 30 June 2021, the Verbund's liquidity coverage ratio was 239% up from 185% in 2020. This effect was largely because of VBW's participation in the TLTRO III programme of June 2021 with €3.5 billion. As of year-end 2020, the Verbund reported a pool of liquid resources of €7.0 billion[1], and as of June 2021, the Verbund's cash position alone was €7.0 billion, up from €3.9 billion as of December 2020.

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), which could quickly increase the 27% nominal overcollateralisation offered by the €3.4 billion of cover pool assets over the €2.7 billion of covered bond liabilities as of 30 June 2021.

Exhibit 7

Asset structure of the Verbund in percentage of total assets (Liquid Banking Assets Ratio in percentage of tangible banking assets)



Sources: Company and Moody's Investors Service

Adequate capitalisation, but limited ability to retain capital

As reflected in our assigned a3 Capital score, which is adjusted three notches downward from an aa3 initial score, VBW and the Verbund's capital ratios are adequate for their risk profiles. This supports the bank's BCA. The a3 assigned score incorporates the limitations to future earnings retention, based on the remaining repayment obligation of silent participation capital.

The Verbund's adequate tangible common equity (TCE) ratio of 15.5% as of June 2021 was 1 percentage point above the regulatory Common Equity Tier 1 (CET1) capital ratio of 14.5% (year-end 2020: 14.1%) because of the regulatory deductions applied to the Verbund's participations. In absolute terms, the CET1 capital remained almost unchanged at €2.0 billion. At the same time, the

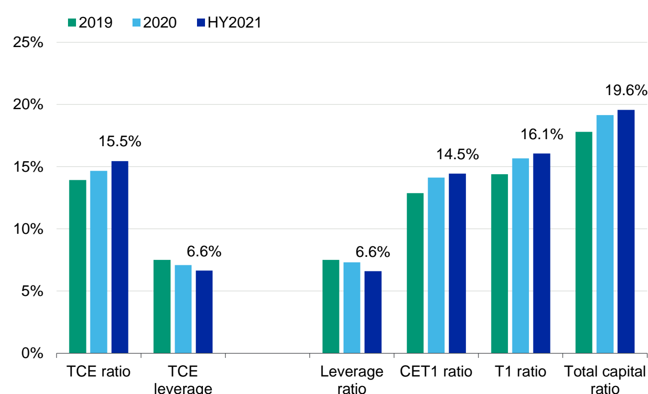
Verbund benefited from a decrease in risk-weighted assets to €13.7 billion as of 30 June 2021 from €14.2 billion in 2020. To a large extent, this improvement reflects the adoption of the SME supporting factor introduced by the updated capital regulation under the CRR2 quick-fix package, which limits the risk weights for the Verbund's SME exposures to 76.2% of regular risk-weighted assets. The Verbund calculates this conservatively across all lending portfolios under the standardised approach.

Following VBW's issuance of €220 million of low-trigger Additional Tier 1 (AT1) instruments, the Verbund has fully covered the 1.5% gap between regulatory Pillar 1 CET1 requirements and Pillar 1 Tier 1 requirements with AT1 capital. This is reflected in a 16.1% transitional Tier 1 capital ratio as of 30 June 2021, up from 15.7% as of year-end 2020. Because these instruments are contractually designed (through the application of a low write-down trigger of a 5.125% CET1 ratio at the Verbund or VBW level) 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.

Exhibit 8

SME supporting factor has supported VBW's capitalisation

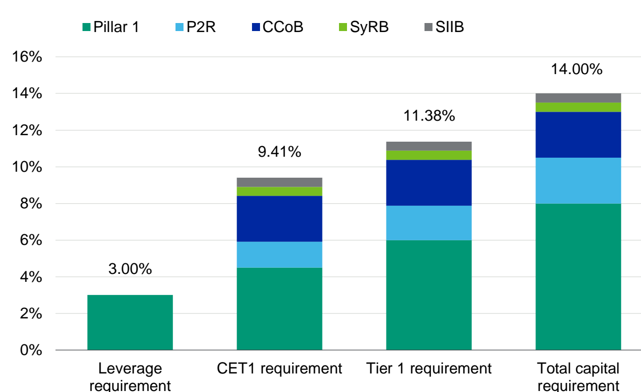
The Verbund's phased-in capital ratios



TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital.
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



CCoB = Capital conservation buffer; SyRB = Systemic risk buffer; SIIB = Systemically important institutions buffer.
Source: Company

While no direct links to immigon exist anymore, the Verbund is 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 30 June 2021, the Verbund had repaid a cumulative amount of €76 million, and the Verbund plans to pass the next threshold of a cumulative €200 million in H2 2021 through repayment out of earnings and (if required) reserves.

We expect the Verbund's future capitalisation to partly benefit from the participation of individual Volksbanken, which, through Volksbanken Holding eGen, hold 43.2% of immigon's subscribed capital, in immigon's liquidation proceeds. Immigon's resolution as a bank concluded in H1 2019 and the entity is now in liquidation. Following a moderate €4.9 million net loss in 2020, immigon's €0.9 billion total asset liquidation balance sheet as of 31 December 2020 consisted almost fully of cash assets (€0.8 billion), while its wind-down equity was €718 million.

Sectorwide profitability is strained by low interest rates and cost of risk

Our assigned Profitability score for VBW is b2, three notches below the initial score and in line with our expectation of moderate profitability over the next few years. This reflects both the group's improving operating efficiency and our expectation of still volatile loan loss provisions in the recovering operating environment.

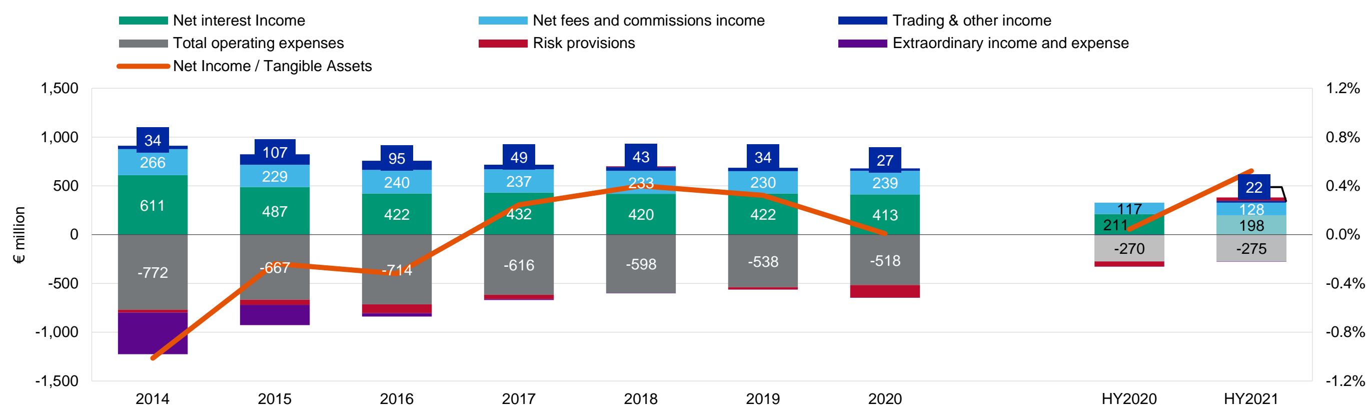
The Verbund's profitability will continue to be strained by low interest rates, which has been more difficult to offset through loan growth within an uncertain economic environment. The Verbund continues to benefit from efficiency gains derived from its cost-reduction initiatives, which helped the group lower its cost-to-income ratio to around 76% in 2020 and (including front-loaded regulatory expenses) 79% during H1 2021, somewhat below the 82% reported in the previous two years.

Despite continued strain on its net interest income (€198 million after €211 million in H1 2020), the Verbund reported a significantly higher pretax profit of €115.3 million for H1 2021, compared with a pretax profit of €35.7 million as of 30 June 2020. Its H1 2021 results mainly benefited from a €31.7 million net reversal of risk provisions, after an expense of 48.7 million in the H1 2020, and higher net fee and commissions income amounting to €127.9 million (up €11 million from H1 2020) resulting from a stronger securities business. In H1 2021, the Verbund managed to realise further operating cost savings (down by €6 million to €254 million).

Exhibit 10

Loan-loss provisions increased in H1 2021 and pre-provision income benefitted from declining operating cost

Revenue in euro € millions (LHS) and profitability in percentage terms (RHS)



Half-year profitability ratios are shown on an annualised basis

Sources: Company and Moody's Investors Service

ESG considerations

In line with our general view on the banking sector, VBW has a low exposure to environmental risks (see our environmental risk heat map[2] for further information).

For social risks, we also place VBW in line with our general view on the banking sector, which indicates a modest exposure. This includes considerations in relation to the pandemic, given the substantial implications for public health and safety and the severe and extensive economic shock the pandemic has caused across many sectors, regions and markets. For further information, see our social risk heat map[3]).

Governance[4] is highly relevant for VBW, as it is to all banks. However, we do not have any particular governance concern for this bank. The strategic discussions held a couple of years earlier about the Verbund's structure have been resolved and have resulted in a greater degree of alignment within the group. Nonetheless, corporate governance and, specifically, a joint focus on the cohesion among Verbund banks, remain key credit considerations and require ongoing monitoring.

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 we consider 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 deposit base to be considered junior (or institutional) deposits.

For VBW's deposits, our LGF analysis indicates a low loss given failure, leading to a one-notch uplift above the bank's baa2 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 baa2 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 baa2 Adjusted BCA.

Additional notching for AT1 instruments

We assign a Ba2(hyb) rating to VBW's AT1 note. This rating is three notches below the bank's baa2 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 A2/P-1

The CRRs are three notches above the Adjusted BCA of baa2, 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 A2(cr)/P-1(cr)

The CR Assessment assigned to VBW is three notches above the bank's Adjusted BCA of baa2, 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 11

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	2.4%	a2	↔	baa1	Sector concentration	Expected trend	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.5%	aa3	↓↓	a3	Capital retention	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	b2	Return on assets	Expected trend	
Combined Solvency Score		a3		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	13.1%	a2	↔	a1	Deposit quality	Expected trend	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	19.9%	baa2	↔	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				baa2			
Affiliate Support notching				0			
Adjusted BCA				baa2			

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	6,475	21.0%	7,528	24.4%
Deposits	22,196	72.0%	20,642	67.0%
Preferred deposits	19,976	64.8%	18,977	61.6%
Junior deposits	2,220	7.2%	1,665	5.4%
Senior unsecured bank debt	9	0.0%	509	1.7%
Junior senior unsecured bank debt	500	1.6%	500	1.6%
Dated subordinated bank debt	486	1.6%	486	1.6%
Junior subordinated bank debt	10	0.0%	10	0.0%
Preference shares (bank)	220	0.7%	220	0.7%
Equity	925	3.0%	925	3.0%
Total Tangible Banking Assets	30,820	100.0%	30,820	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	14.0%	14.0%	14.0%	14.0%	3	3	3	3	0	a2
Counterparty Risk Assessment	14.0%	14.0%	14.0%	14.0%	3	3	3	3	0	a2 (cr)
Deposits	14.0%	6.9%	14.0%	8.6%	1	2	1	1	0	baa1
Junior senior unsecured bank debt	6.9%	5.3%	6.9%	5.3%	0	0	0	0	0	baa2
Dated subordinated bank debt	5.3%	3.7%	5.3%	3.7%	-1	-1	-1	-1	0	baa3
Non-cumulative bank preference shares	3.7%	3.0%	3.7%	3.0%	-1	-1	-1	-1	-2	ba2

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	a2	0	A2	
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	1	0	baa1	0	Baa1	Baa1
Junior senior unsecured bank debt	0	0	baa2	0	Baa2	
Dated subordinated bank debt	-1	0	baa3	0	Baa3	
Non-cumulative bank preference shares	-1	-2	ba2	0	Ba2 (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 12

Category	Moody's Rating
VOLKSBANK WIEN AG	
Outlook	Positive
Counterparty Risk Rating -Dom Curr	A2/P-1
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Junior Senior Unsecured -Dom Curr	Baa2
Subordinate -Dom Curr	Baa3
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)

Source: Moody's Investors Service

Endnotes

1 These comprise bonds, cash, ECB credit claims and covered bond issuance leeway.

2 Environmental risks can be defined as environmental hazards encompassing the effects of air pollution, soil/water pollution, water shortages, and natural and human-made hazards (physical risks). Additionally, regulatory or policy risks such as the effects of carbon regulations or other regulatory restrictions, including the related transition risks such as policy, legal, technology and market shifts, which could impair the evaluation of assets, are important factors. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

3 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and social trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, which increase information technology costs; ageing population concerns in several countries, which affect the demand for financial services; or socially driven policy agendas, which translate into regulations that affect banks' revenue bases.

4 Corporate governance is a well-established key driver for banks, and the related risks are typically included in our evaluation of banks' financial profiles. Further factors such as specific corporate behaviour, key-person risk, insider and related-party risk, strategy and management risk factors, and dividend policy may be captured in individual adjustments to the BCA, if deemed applicable. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates because of poor governance, such as a breakdown in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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