



## Rating\_Action: Moody's assigns A3 senior unsecured ratings to Volksbank Wien AG; outlook positive

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Frankfurt am Main, March 03, 2023 -- Moody's Investors Service (Moody's) has today assigned an A3 long-term domestic currency senior unsecured debt rating to Volksbank Wien AG's (VBW) expected benchmark issuance of up to €500 million. The outlook on the senior unsecured rating is positive.

All other ratings of VBW were unaffected by today's rating action.

### RATINGS RATIONALE

#### -- ASSIGNMENT OF SENIOR UNSECURED RATING

The senior unsecured rating reflects VBW's Baseline Credit Assessment (BCA) and Adjusted BCA of baa1, as well as the assessment of loss severity for senior unsecured debt under Moody's Advanced Loss Given Failure (LGF) analysis, indicating a low loss given failure, leading to a one-notch uplift from its baa1 Adjusted BCA, and low likelihood of support from the Government of Austria (Aa1 stable), which result in no rating uplift for the senior unsecured rating from government support.

The result from Moody's Advanced LGF for senior unsecured debt benefits from the outstanding volumes of more junior debt instruments including subordinated debt, junior senior unsecured debt instruments and preference shares outstanding, but also from the volume of junior deposits, which rank alongside senior unsecured debt under Austrian bank insolvency law. The rating agency further takes into account VBW's need to issue debt instruments to reach the regulatory minimum requirement for own funds and eligible liabilities (MREL) of 26.47% [1] of risk-weighted assets including the combined buffer requirement of 3.5% at the level of consolidated financials of Oesterreichischer Volksbanken-Verbund (Verbund) by year-end 2024, which requires additional debt issuance by VBW.

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.

Moody's assesses VBW's credit profile based on the consolidated financials of the Verbund.

#### -- RATING OUTLOOK

The expected €500 million A3-rated senior unsecured bond issuance of VBW carries a positive

outlook, which reflects the likelihood for VBW's senior unsecured rating to achieve more rating uplift from the rating agency's Advanced LGF analysis, if VBW issues another benchmark-sized bond over the next 12-18 months and provided that the balance sheet growth remains close to the rating agency's expectation.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

VBW's senior unsecured rating 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 senior unsecured debt rating could be also upgraded in case of the issuance of additional volumes of senior unsecured debt or lower-ranking instruments such that it reduces the loss severity in a manner that it results in a more favourable outcome under Moody's Advanced LGF analysis.

VBW's senior unsecured rating 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.

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

#### LIST OF AFFECTED RATINGS

Issuer: Volksbank Wien AG

..Assignments:

....Senior Unsecured Regular Bond/Debenture (Local Currency) , Assigned A3 POS

..Outlook Actions:

....Outlook, Changed To Stable(m) From Stable

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond

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## REFERENCES/CITATIONS

[1] Volksbank Wien AG's debt issuance base prospectus dated 20-May-2022

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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