Credit Update

Danske Bank

19 August 2026

Investment Research

Corporate Bond News

Volksbank Wien

- The H1 26 report showed improved profitability and stable capitalisation, combined with a slightly reduced but still elevated NPL ratio. We regard the recent figures from Volksbank Verbund as credit neutral due to moderate deterioration in underlying core earning generation, driven by a higher cost base. This leaves performance impaired with core income 20% lower while the relatively high cost/income ratio rose to 75.8%, displaying a return on equity (before taxes) of an acceptable 7.1%.
- Moreover, we continue to see the NPLs as a credit profile driver. Overall, we see the credit quality as adequate, and we feel comfortable with the exposure of the retail-oriented and domestic-focused bank, while tailwinds from moderate-high rates should benefit net interest income. The Austrian economy is subdued, however a slowly improving environment could be approaching.
- In summary, we consider the group's conservative risk profile as a credit strength if the macroeconomic uncertainty continues and potentially leads to deteriorating economics. The current solid capitalisation provides comfortable headroom to regulatory minimum requirements, while a profitable performance is a credit supportive factor for the credit profile.
- We reiterate our Overweight recommendation on the subordinated bank Tier 2 bond from Volksbank Wien 5.192% in EUR maturing in 2027 (AT000B121967) on the back of the recent H1 26 report, and this view is supported by a moderately attractive relative valuation (G-spread of 57bp). Lastly, we continue to consider another tender offer as likely (although with highly uncertain timing), given the 5Y gradual amortisation of the initial EUR400m Tier-2 debt instrument.

Issuer info

Sector	Financials
Corporate ticker	VOWIBA Corp
Equity ticker	Unlisted
Market cap	N/A
Total assets	EUR32.5bn

Issuer credit rating

S&P	N/R
Moody's	A2 (Negative)
Fitch	BBB (stable)

Latest publication on issuer

Credit Comment – Volksbank Wien, 21 April 2026

Source: Bloomberg, Danske Bank Credit Research

Selected Bond

Company	ISIN	Min. Piece	Seniority	Currency	Maturity/Call	CPN	Issue Size (m)	Credit Ratings	Price	Yield*	Recommendation
VOLKSBANK WIEN AG	AT000B121967	100,000	Subordinated	EUR	06/10/2027	5.192	400	NR/Baa3/NR	102.4	3.0%	Overweight

*Note: Credit ratings by S&P, Moody's, Fitch, respectively. *Yield-to-Maturity.*

Source: Bloomberg, Danske Bank Credit Research

Volksbank Wien: H1 26

The Volksbank Association (and Volksbank Wien standalone) has announced its H1 26 financial results. The Association (Verbund) announced profit before tax of EUR99.7m, up from EUR63.4m in H2 25 and EUR77.6m in H1 25, driven by 4% y/y higher net interest income of EUR298.2m, due to a higher level of interest rates. The result was also supported by 2% higher net fees & commissions at EUR148.9m and to a lesser extent by trading income amounting to EUR3.7m. Moreover, expenses were 13.5% higher y/y, partly driven by increased headcounts, collective agreement and costs for IT projects. The underlying core income (NII+Fee-Costs) is 20% lower as it amounts to EUR109.6m, against EUR137.2m in the same period last year.

Importantly, loan loss provisions amounted to only EUR7.5m against EUR69.9m in H2 25 and EUR67.3m in H1 25. The reduced level reflects lower new defaults and net releases. This development translates to a return on equity (before taxes) for the Verbund unit of 7.1%, displaying an improved performance compared to 5.3% in FY 25 and 5.9% in FY 24. This level of performance compares with the bank's previously stated medium-term target (after tax) of more than 7%. In addition, profit before taxes for the Volksbank Wien AG unit was EUR29.5m, slightly down from EUR32.3m y/y.

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More information:
For further information, see the latest *Corporate Bond Lists, 17 August 2026.*

In addition, the non-performing loan ratio (NPL ratio) has improved slightly to 5.2% in the period, down from 5.5% at FY 25, and unchanged y/y, however it is notably higher compared to 2.5% in FY 23. Despite the NPL trajectory, we find the current level elevated, but acceptable given the challenging economic environment. We noted previously that management targets a medium-term level of below 3%. Importantly for our overall assessment, we find comfort in the risk provisions, which should continue to ease this credit theme. The current range is still seen as elevated in comparison with the sector, standing higher than other European banks.

Furthermore, the cost/income ratio worsened from FY 25 at 69.2% to currently 75.8%, following a slightly improved operating result while the cost base rose at a faster pace. The group has previously outlined a medium-term level below 65%.

Importantly, the CET1 capital ratio for Verbund was unchanged at 15.6% in H1 26 since FY 25, and marginally up from 15.5% in FY 24, while for the Volksbank Wien AG entity it was 0.3pp lower at 17.4% y/y. The Verbund level is comfortably higher than the regulatory minimum requirements. Furthermore, the liquidity coverage ratio stands strong at 183%, almost constant y/y.

The group will host a conference call tomorrow afternoon, where we will learn more regarding the outlook, NII trajectory, cost management, funding plans, and asset quality with a focus on future NPL expectations. Also, Volksbank Wien will likely release its annual (and audited) FY 2026 report during March 2027.

Credit rating

On 21 April 2026, Fitch revised the credit rating (IDR) down to BBB from BBB- and reverted the outlook to stable. The downgrade derives from Volksbank Verbund and its embedded strong cohesion to its network of cooperative banks, being structured in a mutual support scheme. Fitch notes that the asset quality and profitability have deteriorated to levels weaker than those of its European peers, driven by its exposure to commercial real estate (CRE) lending including developers, which have faced subdued market conditions over the last two-years. On balance, the revised rating emphasised a sound funding profile and liquidity as supplemental credit strengths. Also, on 21 April 2026, Moody's took a broad range of rating actions on European banking groups following the introduction of full depositor preference. This mechanical revision led to a lower BCA rating (Baa2), lower senior unsecured (A3) and subordinated debt rating (Baa3) as well as a continued negative outlook. With regards to the negative outlook, it hinges mainly on the development in observed asset quality and challenging macroeconomic conditions in Austria putting a strain on the bank's financial profile. Moody's sees the capitalisation as solid and a sound funding structure, benefiting from a large and stable deposit base, which moderates dependence on market funds.

Credit conclusion

The H1 26 report showed improved profitability and stable capitalisation, combined with a slightly reduced but still elevated NPL ratio. We regard the recent figures from Volksbank Verbund as credit neutral due to moderate deterioration in underlying core earning generation, driven by a higher cost base. This leaves performance impaired with core income 20% lower while the relatively high cost/income ratio rose to 75.8%, displaying a return on equity (before taxes) of an acceptable 7.1%. Moreover, we continue to see the NPLs as a credit profile driver. Overall, we see the credit quality as adequate, and we feel comfortable with the exposure of the retail-oriented and domestic-focused bank, while tailwinds from moderate-high rates should benefit net interest income. The Austrian economy is subdued, however a slowly improving environment could be approaching. In summary, we consider the group's conservative risk profile as a credit strength if the macroeconomic uncertainty continues and potentially leads to deteriorating economics. The current solid capitalisation provides comfortable headroom to regulatory minimum requirements, while a profitable performance is a credit supportive factor for the credit profile.

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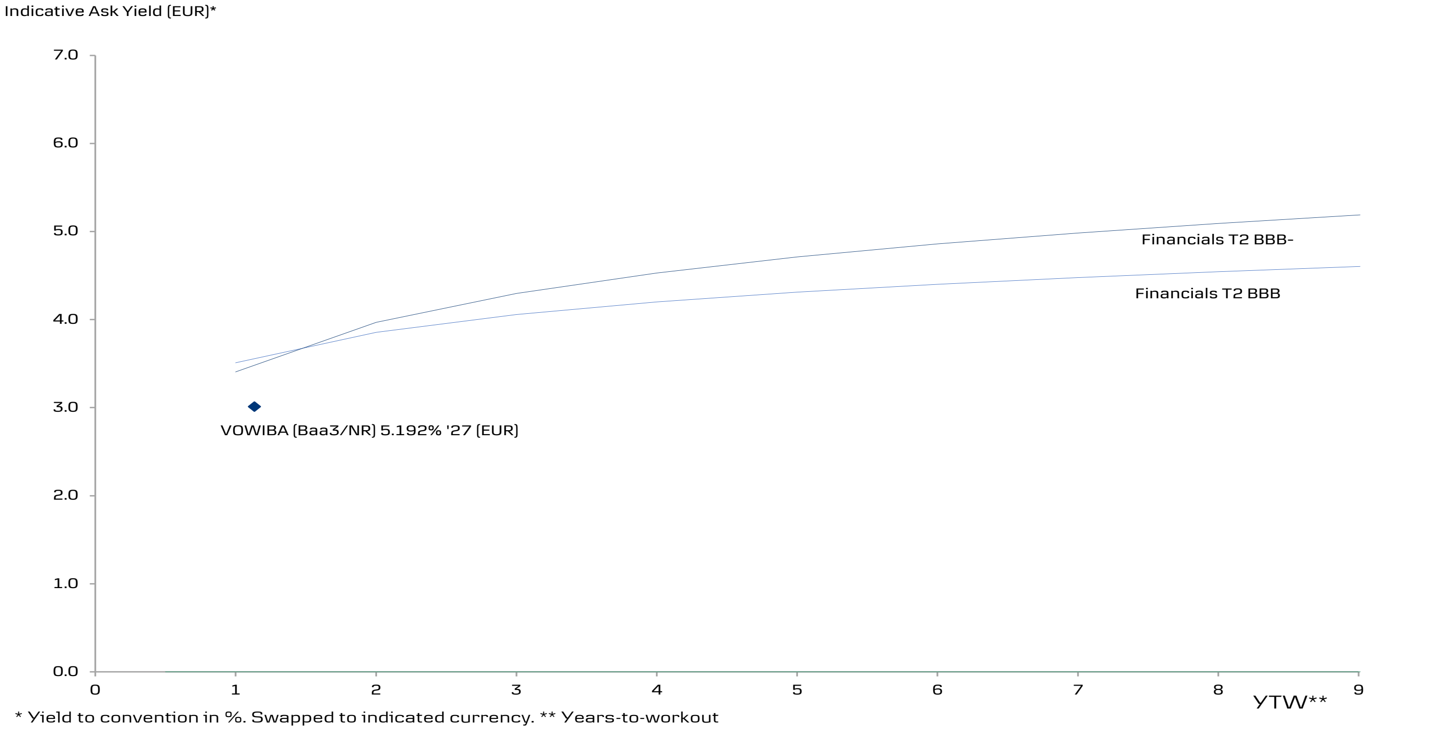
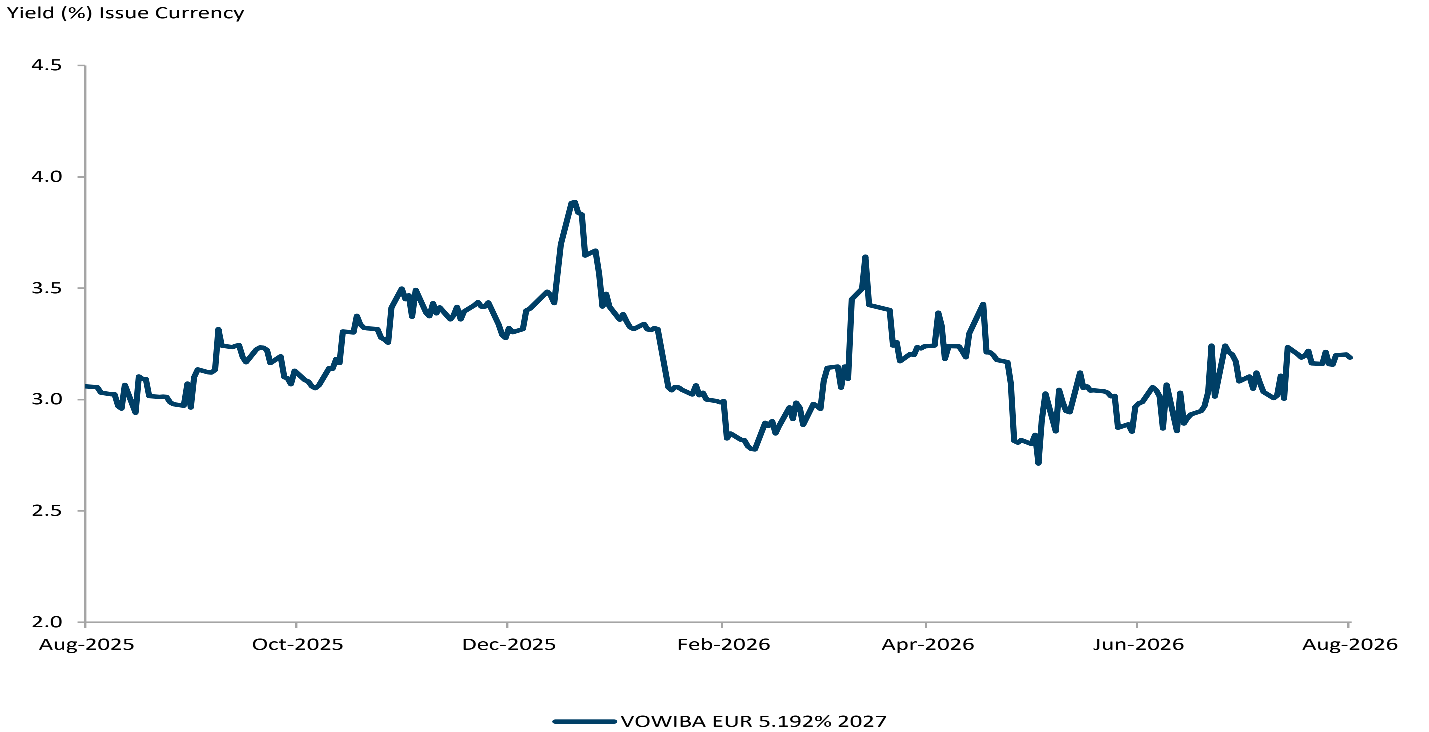
Relative value chart: VOWIBA 5.192% 2027 in EUR (YTM)



* Yield to convention in %. Swapped to indicated currency. ** Years-to-workout
Note: Fair value curve(s) based on Danske Bank Credit Research's (mid) peer group of European issuers

Source: Bloomberg, Danske Bank Credit Research

Historical yield: VOWIBA 5.192% 2027 in EUR (YTM)



Source: Bloomberg, Danske Bank Credit Research

Disclosures

This research report has been prepared by Credit Research, a division of Danske Bank A/S ('Danske Bank'). The author of this research report is Rasmus Justesen, Chief Analyst.

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Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

We expect to update this investment analysis following the publication of Volksbank Wien AG's annual report provided that at such time the bond continues to be among our preferred credits.

This publication should be read in conjunction with the international single name credit bond publications *Corporate Bond News*, *Corporate Bonds: Investment opportunities in single name international fixed income credit* and *Company Profiles*. These publications are typically published once a month.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of first dissemination.

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Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country.

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Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
Overweight	Outperformance relative to peer group	12 months	44%	19%
Marketweight	Performance in line with peer group	12 months	50%	40%
Underweight	Underperformance relative to peer group	12 months	6%	2%
Sell	A decrease in price of more than 10%	12 months	-	-

No changes in recommendation in the past 12 months

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