

Bausparkasse Wüstenrot AG

Austrian Mortgage-Covered Bonds – Performance Update



The AAA rating with a Stable Outlook assigned to the Austrian mortgage-covered bonds issued by Bausparkasse Wüstenrot AG (Wüstenrot) is based on sound issuer credit quality, enhanced by seven notches of cover pool support. Four notches thereof reflect our assessment of the strong fundamental credit support provided by the Austrian legal covered bond and resolution framework.

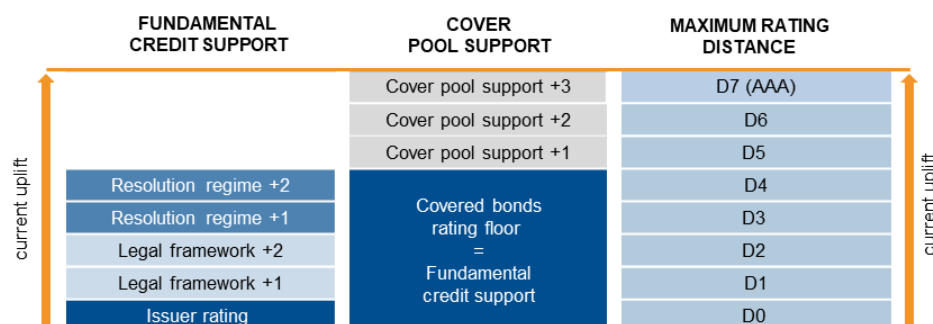
Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook
31 March 2021	EUR 1,018.8m	Residential mortgage loans	EUR 368.9m	AAA/Stable

Wüstenrot is the oldest and the only remaining independent building society in Austria. Together with its insurance subsidiary, Wüstenrot Versicherungs-AG, Wüstenrot forms a nationwide bancassurance franchise that is supported by distribution agreements with leading commercial banks such as Bank Austria and BAWAG.

Fundamental credit support factors from the Austrian legal and resolution framework provide a four-notch uplift above the bank's rating, which effectively forms a rating floor.

We assign a cover pool complexity (CPC) Score of 1 for the issuer's management of the interplay between complexity and the level of transparency provided to investors. This allows for a maximum additional uplift of three notches on top of the fundamental uplift and enables the programme to be rated AAA, reflecting the credit strength of the covered bond programme.

The covered bond ratings incorporate the maximum possible rating uplift. Therefore, an issuer downgrade or negative change in Outlook would result in commensurate changes in the covered bond ratings.



Stable Outlook

The Stable Outlook reflects: i) the continuous availability of high overcollateralisation (OC), which provides a significant buffer against a rise in credit and market risks, thereby maintaining the three notches of cover pool-based support; and ii) our expectation that the issuer will have stable credit quality.

Changes since the last performance update

Minimum supporting OC has decreased to 12% from 17% previously. The decline primarily reflects Wüstenrot's active issuance activity since the last review, allowing a reduction in asset-liability maturity and interest rate mismatches. It has also cut the cost of carry due to the decrease in the average interest rate paid on the covered bonds.

Ratings & Outlook

Issuer rating	N/D*
Outlook	N/D*
Last rating action	N/D*
Last rating action date	N/D*
Covered bond rating	AAA
Outlook	Stable
Rating action	Affirmed
Last rating action date	07.07.21

*N/D – Not disclosed; Scope has assigned a private, monitored issuer rating to the bank. The issuer has solicited the assigned rating and participated in the rating process.

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Related Research

Scope Ratings affirms at AAA/Stable the Austrian mortgage-covered bonds issued by Wüstenrot
July 2021

Austria's covered bonds: transposing EU directive brings credit-positive consolidation
April 2021

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Bloomberg: SCOP

The issuer

Only independent Bausparkasse in Austria

We maintain and monitor a private issuer rating on Wüstenrot, the only independent Bausparkasse (building society) in Austria.

As niche players, Austrian building societies have steadily been losing market share in recent years due to their limited product offering and an interest environment that has made their savings products less attractive to retail clients. Nevertheless, Wüstenrot has produced stable results thanks to its conservative risk strategy, cost management, and diversification into insurance.

Wüstenrot's independent structure results in a larger cost base and fewer opportunities for economies of scale than peers. Furthermore, Wüstenrot does not have access to a larger capital- and liquidity-supporting group structure. We nevertheless view positively the group's 'no dividend' policy, because it organically strengthens capital positions for all group entities. With regard to the bank's capital-raising abilities, potential support from its majority owner is limited.

For further details on our bank credit analysis see Appendix I.

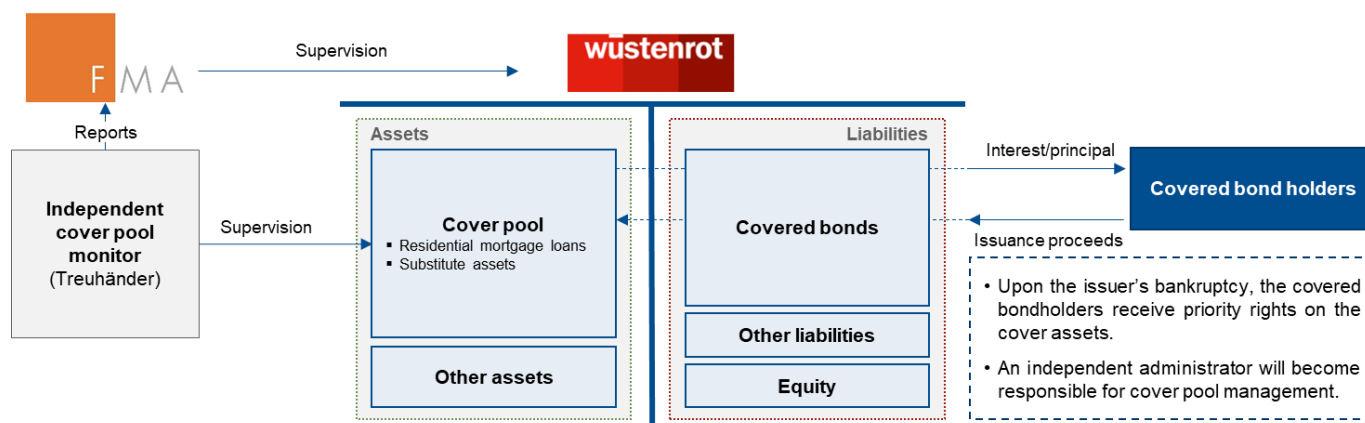
Programme structure

On-balance sheet framework

Wüstenrot is the regulated banking entity of a retail-focused financial conglomerate. As a building society focused on both the promotion of residential mortgage lending and regular savings, Wüstenrot is subject to a specialised building society act (the Bausparkassengesetz), which significantly restricts business opportunities for building societies compared to universal banks. In late 2013, Wüstenrot received a licence to issue covered bonds, allowing the bank to widen its refinancing opportunities.

Covered bond issuance is governed by the Austrian Covered Bond Act. Austria's Financial Market Authority currently limits covered bond issuances to 20% of the bank's balance sheet.

Figure 1: Issuance structure



Source: Scope Ratings.

Fundamental credit support analysis

The Austrian covered bond framework, particularly the Pfandbriefgesetz (Mortgage Bond Act) relevant for Wüstenrot's mortgage-covered bonds, combined with our positive view on the resolution regime, provides the covered bonds with a fundamental analysis-based credit differentiation of four notches above the issuer's rating.

Two notches of legal framework uplift ...

Our analysis of the current Pfandbriefgesetz confirms that the framework just meets the criteria to assign the maximum credit differentiation under our methodology. The provisions ensure that: i) the cover pool is segregated from the issuer's insolvency estate; ii) bond payments continue after insolvency; and iii) identified risks can be mitigated by OC, which generally remains available after insolvency. Austrian covered bonds also benefit from specific regulatory oversight. However, we recognise the framework's lack of clarity on liquidity or risk management for covered bonds.

In April 2021 the Austrian government published a draft proposal to consolidate the three existing frameworks and adjust areas needed to comply with the European covered bond harmonisation (see [here](#) for our comment). While previous weak points such as the lack of liquidity risk mitigation are addressed, we see some areas that require more clarification. Such clarification could be provided via secondary legislation or guidance on the regulation. We expect the new legislation to come into effect on 8 July 2022, replacing the current frameworks. If introduced as presented we do not expect the current support to decrease.

... plus two notches of resolution regime uplift

Wüstenrot's covered bonds also benefit from an additional two-notch uplift, which reflects the exclusion of covered bonds from bail-in, our view on the resolvability and likely maintenance of Wüstenrot in the hypothetical scenario of regulatory intervention in the bank, and the moderate importance of covered bonds in Austria. In our opinion, Wüstenrot is not a systemically important covered bond issuer and Austrian covered bond stakeholders are not sufficiently supportive or cohesive to justify an additional uplift.

For a more comprehensive assessment of the fundamental support factors relevant for Austrian covered bonds, see our [related research](#).

Cover pool characteristics

Reporting date	March 2020	March 2021
Balance (EUR m)	612.4	1,018.8
Residential	98.0%	98.3%
Substitute	2.0%	1.7%

General information

Reporting date	March 2020	March 2021
No. of loans	5,808	9,175
Avg. size (EUR)	103.4	109.2
Top 10 (%)	0.9%	0.5%
Remaining life (y)	26.0	26.4
Seasoning (y)	3.2	3.2
WA whole-loan LTV	70.0%	70.9%
WA eligible-loan LTV	53.1%	52.1%

Property type (%)

Reporting date	March 2020	March 2021
Houses	63.0	63.7
Flats	32.7	32.1
Multi-family houses	1.8	1.7
Other	2.5	2.5

Repayment type (%)

Reporting date	March 2020	March 2021
Annuity	100	100
Interest-only	0.0	0.0

Interest rate type (%)

Reporting date	March 2020	March 2021
Fixed	75.4	73.8
Floating	24.6	26.2

High credit quality translates into minimal credit risk

Cover pool analysis

Wüstenrot's mortgage-covered bond ratings are cover pool supported, with seven out of seven possible notches needed to support the highest credit quality. Fundamental credit support provides for a four-notch rating uplift and, effectively, a floor against a deterioration in cover pool credit quality.

Since our last review in 2020, the minimum supporting OC needed to achieve the highest rating has decreased to 12.0% from 17.0%. This reflects a stable, high quality cover pool and reduced asset-liability mismatches.

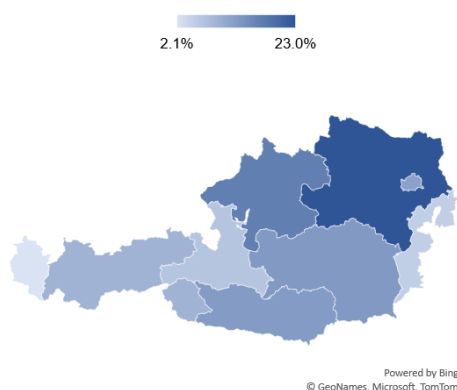
Cover pool composition

The credit quality of the cover pool is sound, reflecting its focus on purely domestic and residential borrowers. The pool has no large concentrations and is very granular with an average loan size of around EUR 110,000.

The Austrian Mortgage Bond Act does not stipulate a maximum loan/value ratio (LTV) for cover pool assets. However, Wüstenrot voluntarily limits its eligible LTV to 60%. The cover pool has a weighted average whole-loan LTV of 70.9% and a corresponding weighted average eligible-loan LTV of 52.1%. This indicates a high level of protection against credit losses in the event of borrower default.

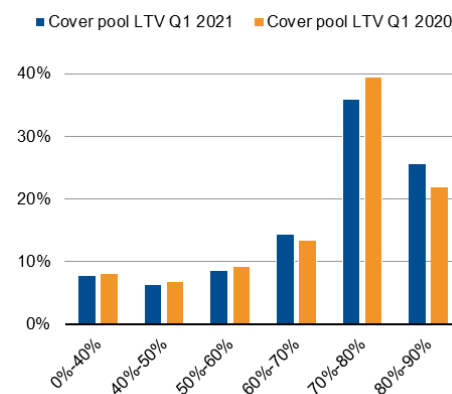
The weighted average seasoning of the pool has remained stable at 3.2 years. The cover pool is well distributed across Austria and concentrations have not materially changed since our last review.

Figure 2: Regional distribution



Source: Scope Ratings, Wüstenrot.

Figure 3: Whole loan LTV distribution



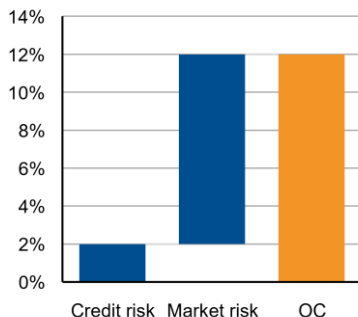
Source: Scope Ratings, Wüstenrot.

Asset risk analysis

Our projections of default in the cover pool use an inverse Gaussian distribution with a mean default rate of 7.5% and a coefficient of variation of 60%. The parameters for the default distribution were derived using the bank's loan-by-loan risk assessments.

We estimate a weighted average recovery rate of 100% under a base case scenario (D0) and 90% under the most stressful scenario (D7). Our recovery rate calculations reflect rating-distance-dependent market value declines as well assumptions regarding the Austrian housing market and its unique characteristics. Stressed security value haircuts range between 45.0% and 67.5%, depending on the property's location.

Supporting OC breakdown



Source: Scope Ratings

Asset-liability mismatches

	Assets	Liabilities
EUR	100%	100%
Fixed	73.8%	87.8%
Floating	26.2%	12.2%
WAL (years)	14.4	14.7

Cash flow risk analysis

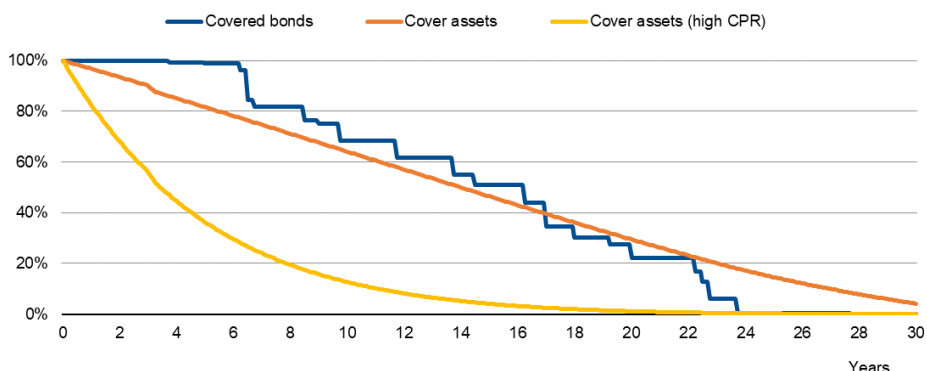
The rating-supporting OC of 12.0% mainly reflects the programme's sensitivity to high prepayments in combination with a stressed lower-for-longer interest rate scenario. Combined, these factors result in significant costs of carry for the programme. Market risks alone account for 10pp of the 12.0% supporting OC.

As of Q1 2021, the weighted average life (WAL) of the outstanding covered bonds decreased to 14.7 years from 17.4 years in our previous analysis. In comparison, the WAL of the scheduled cover pool remained at 14.4 years. If we assume a high prepayment scenario, the asset WAL significantly decreases to around five years, thereby creating a gap between the cover assets and the covered bonds.

Structural interest rate risk is moderate compared to other Austrian mortgage-covered bond programmes. 74% of the cover assets pay a fixed rate, while 88% of the covered bond rates are fixed. Most of the bank's mortgage loans have interest-reset dates with embedded interest rate caps and floors.

In total, credit risk accounts for 2pp of the supporting OC. This is relatively low, reflecting the mean default rate of 7.5%, a coefficient of variation of 60% and a stressed recovery rate of 90.0%. It also reflects the high prepayment scenario that drives the results, which reduces the lifetime of the assets and thereby the allocation of defaults.

Figure 4: Amortisation profile (relative)

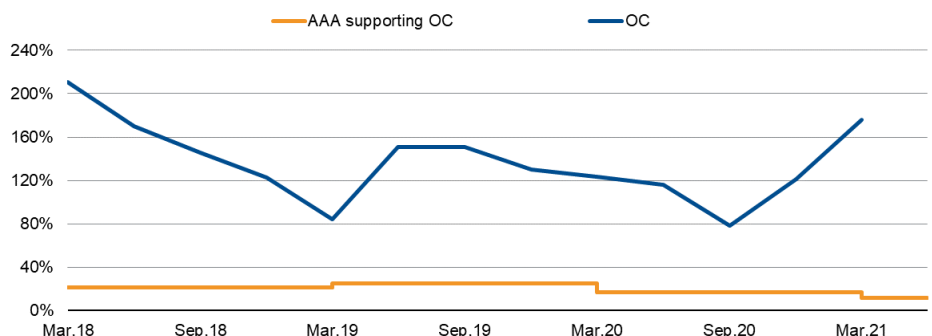


Source: Scope Ratings, Wüstenrot

Availability of overcollateralisation

Wüstenrot typically provides significantly higher levels of OC than the minimum stipulated by the legal framework (currently 2%). This demonstrates the issuer's willingness and ability to support the covered bond programme's strong credit quality. We are not aware of plans that would significantly change the risk profile or reduce available OC.

Figure 5: Available OC versus rating-supporting level



Source: Scope Ratings, Wüstenrot



Bausparkasse Wüstenrot AG

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Counterparty risk mitigated by alignment of interests

Other risk considerations

The rated bonds are exposed to Wüstenrot's roles as originator, servicer, account provider and paying agent. No documented replacement mechanisms would automatically shield the covered bonds from a credit deterioration of, for instance, the counterparties providing bank accounts. However, in such a scenario we believe the strong alignment of interests between the bank and covered bondholders would prevent negative impacts before a regulator intervenes. As part of the risk management process, the bank regularly monitors its accounts to ensure it can take remedial action at an early stage. We also take a positive view of the fact that most collections are made via direct debit, allowing for a relatively swift redirection of payments if needed.

In addition, we expect that a regulatory intervention in Wüstenrot would involve the use of available resolution tools with the aim of maintaining the issuer. We do not expect the active management and servicing of the cover pool to be severely impacted in such a scenario.

Sovereign risk does not currently affect the ratings

Sovereign risk does not limit the ratings of Wüstenrot's mortgage-covered bonds. We believe the risks of an institutional framework meltdown, legal insecurity or currency-convertibility problems are currently remote.

Governance factors remain key...

Governance considerations such as the strength of supervision and prudent management play a major role in our covered bond analysis, reflected in both our fundamental analysis and our cover pool support analysis. In addition, our newly introduced CPC Score measures the issuer's management of the interplay between complexity and the level of transparency provided to investors. For Wüstenrot, this allows for the maximum additional cover pool support uplift of three notches on top of the fundamental uplift.

... but no impact from environmental and social aspects

We have not directly included environmental and social aspects in our rating of the covered bonds issued by Wüstenrot. The issuer currently does not apply specific ESG underwriting guidelines which provide for adjustments to the terms and conditions of a mortgage loans if minimum ESG conditions are met/not met. Similarly, information provided on the collateral does not allow us to determine energy efficiency or differences in recovery proceeds.

No rating buffer to potential change in issuer rating

Sensitivity analysis

An issuer downgrade or negative change in the issuer's Outlook would result in commensurate changes for the covered bond ratings, while minimum supporting OC would remain stable at 12.0%. This reflects the maximum uplift available to the rated covered bonds.

Appendix I: Credit quality of the issuer

Issuer profile

Wüstenrot Group is a co-operative financial services group headquartered in Salzburg. Its main asset is Bausparkasse Wüstenrot AG (Wüstenrot), which in turn owns Wüstenrot Versicherungs-AG and other building society interests in CEE countries.

The group offers residential home financing, financial precautionary savings, life and non-life insurance products (including health and mobility), as well as general insurance-based investment products. As of end-2020, Wüstenrot had 480 employees in Austria and the insurance company had a further 1,058 employees.

As niche players, Austrian building societies have steadily been losing market share in recent years due to their limited product offering and an interest environment that has made their savings products less attractive to retail clients. Nevertheless, Wüstenrot has produced stable results thanks to its conservative risk strategy, cost management, and diversification into insurance.

Group structure

Table 1: Wüstenrot shareholder structure – BWA Beteiligungs- und Verwaltungs-AG (YE 2020)

Shares in the BWA Beteiligungs- und Verwaltungs-AG as of YE2020	in %
Wüstenrot Wohnungswirtschaft reg.Gen.m.b.H.	77.21
UniCredit Bank Austria AG	12.63
BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG	3.88
Oberbank AG	2.60
Other shares	3.68
	100.00

Source: Company data, Scope Ratings

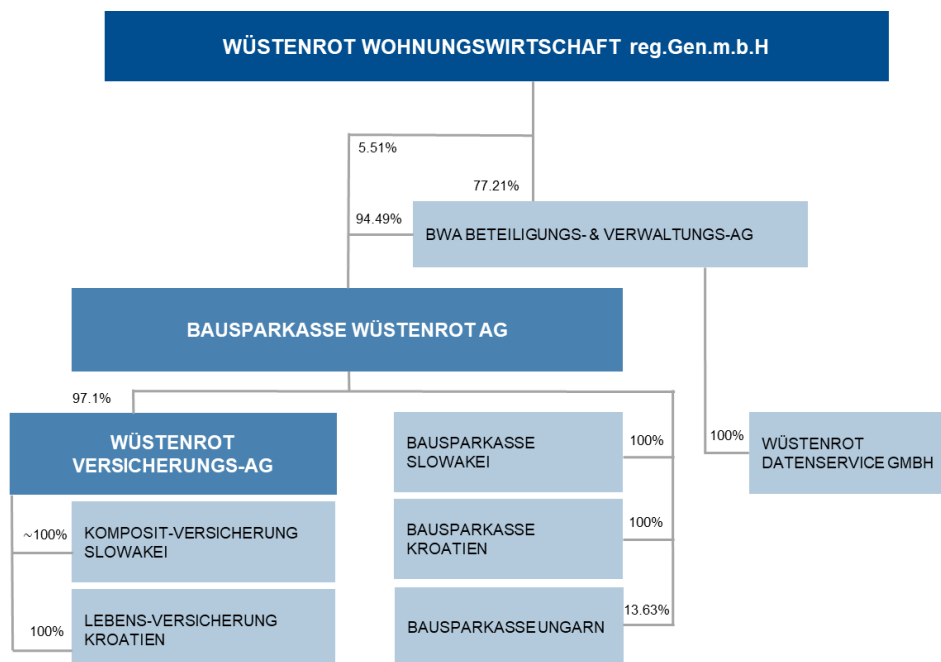
Mixed co-operative and private ownership

Wüstenrot's main shareholder, Wüstenrot Wohnungswirtschaft reg.Gen.m.b.H., is a cooperative institution owned by individual members, which was founded to promote affordable housing. Minority shareholders control 21.5% of the bank via BWA Beteiligungs- & Verwaltungs-AG. These are various banks, which are largely passive shareholders and either current or former distribution partners of Wüstenrot.

Wüstenrot is the largest entity within the group with total assets of EUR 6.5bn on a stand-alone basis, which represent 56% of consolidated group assets if the insurance subsidiary is included.

Wüstenrot is supervised nationally in Austria by the Financial Market Authority and the Austrian national bank. In addition, Austrian building societies are subject to a specialised building society law (the Bausparkassengesetz), which defines their special purpose.

Figure 6: Wüstenrot group structure (YE 2020)



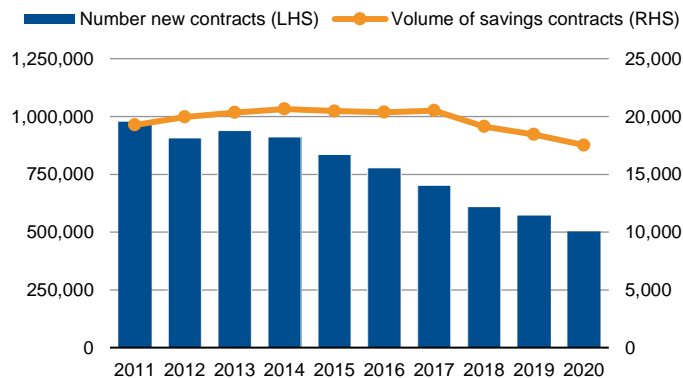
Source: Company data, Scope Ratings

Building societies provide various types of savings contracts. These appeal to Austrian retail clients because they offer the benefit of additional incentive payments from the government. The proceeds are used to finance residential housing, but loans can also be partly used for education and the care of the elderly or other individuals. Building society loans based on a savings contract are restricted to EUR 220,000 per person, and the maximum LTV is 80%.

Wüstenrot uses various distribution channels, including customer centres across Austria, a network of financial advisors, mortgage brokers, and cooperation with various commercial banks. We particularly regard the network of financial sales consultants as a competitive advantage for Wüstenrot as it provides a close connection to the bank's clients on a relatively low-cost basis.

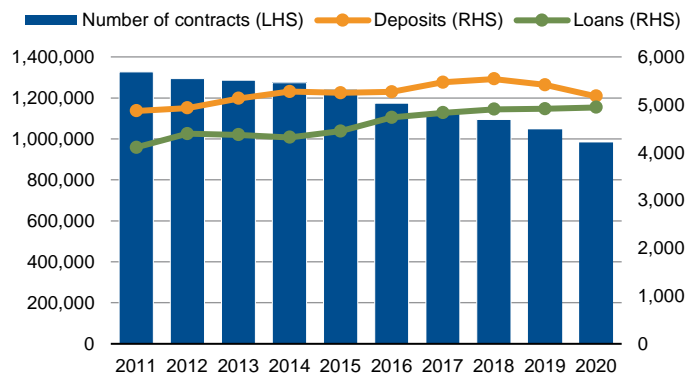
Despite falling rates and a declining market, many retail investors still consider building deposit contracts as a core investment, mainly due to the attached government subsidy. Hence, building societies continue to see tepid demand for their savings products, which function as their main and often exclusive source of funding. As Austria's third largest building society with a market share of 28% as of end-2020, Wüstenrot benefits from strong brand recognition as the oldest and only remaining independent building society in Austria.

Figure 7: Number of new savings contracts with building societies (units) versus volume of outstanding savings contracts (EUR m)



Source: Oesterreichische Nationalbank, Scope Ratings

Figure 8: Number of savings contracts with Wüstenrot (units) versus deposits and outstanding loans (EUR m)



Source: Company data, Scope Ratings

Falling market share and stagnating business will require adjustments to strategy

Despite government subsidies, building society contracts have become less attractive relative to alternatives in the form of plain low-rate mortgage loans that are available from traditional banks. Savings contracts are often no longer converted into loans. The number of regular savers has declined in favour of larger lump-sum deposits that are regarded as long-term.

Changed client preferences can lead to asset and liability mismatches for the building society sector, requiring an appropriate asset/liability management strategy, e.g. using derivatives and covered bonds. However, unlike in the German market, Austrian building deposits do not commit the bank to a fixed interest rate for a potential future mortgage loan, which significantly reduces the interest rate risk if savers do not convert their deposits into a mortgage loan.

Wüstenrot is not a full-service bank and, unlike its peers that are affiliated with commercial banks, does not have access to a retail branch network. However, based on its distribution agreements with other banking groups (e.g. BAWAG and Bank Austria) and its own sales force, Wüstenrot should nevertheless have an extensive bank client reach across Austria.

To capture a greater share of customer wallets and compete more effectively with full service banks, Wüstenrot is expanding its operations towards full-service banking and is adding an online-based platform, expected to launch in April 2022. The Covid-19 induced economic crisis has further reinforced management's view that digitisation needs to be expanded.

CEE subsidiaries under review

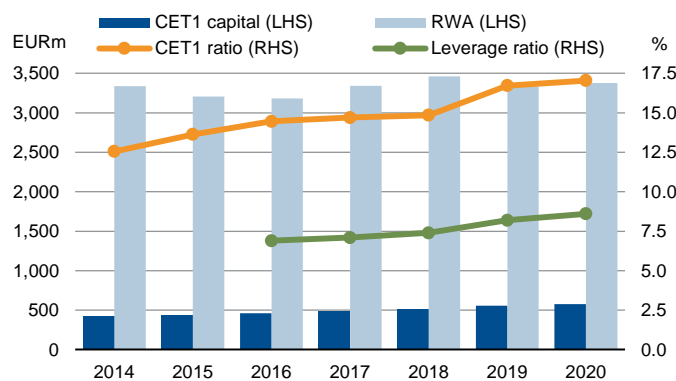
Wüstenrot is also active in three CEE countries. The bank fully owns Wüstenrot stavebna sportel'na a.s. in Slovakia and Wüstenrot stambena štedionica d.d in Croatia. It also holds a minority share (13.6%) of Hungarian Fundamenta Lakaskassza AG. Since the conditions for building societies in these three countries have deteriorated noticeably in recent years, Wüstenrot's strategy is now to exit the CEE region and to focus on Austria. An essential part of the refocusing on Austria is the founding of a commercial bank, for which a licensing procedure is currently underway.

Prudent and conservative management of capital and liquidity

Wüstenrot's stand-alone common tier 1 equity (CET1) ratio has continued to improve to 17.1% as of year-end 2020 (2019: 16.7%) and the total capital ratio to 20.3% (2019: 20.2%) at the parent company. The leverage ratio was also strong at 8.6% (2019: 8.2%). The liquidity coverage ratio was 318% at end-2020 due to the long-dated nature of the deposit base.

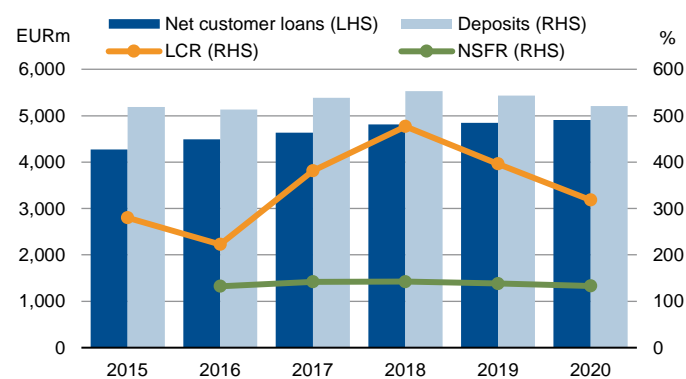
Capital generation at the parent company benefits from retained earnings as well as the upstreaming of dividends from its insurance subsidiaries, which were suspended for 2019 due to the uncertainty related to Covid-19. In 2020, the insurance subsidiary distributed a dividend of EUR 12.6m.

Figure 9: Capital adequacy ratios



Source: Company data, Scope Ratings

Figure 10: Funding and liquidity ratios



Source: Company data, Scope Ratings

Wüstenrot's funding depends mainly on retail deposits, with the majority linked to savings contracts. This provides the bank with a stable deposit base because any cancellation of a building deposit contract incurs penalty fees.

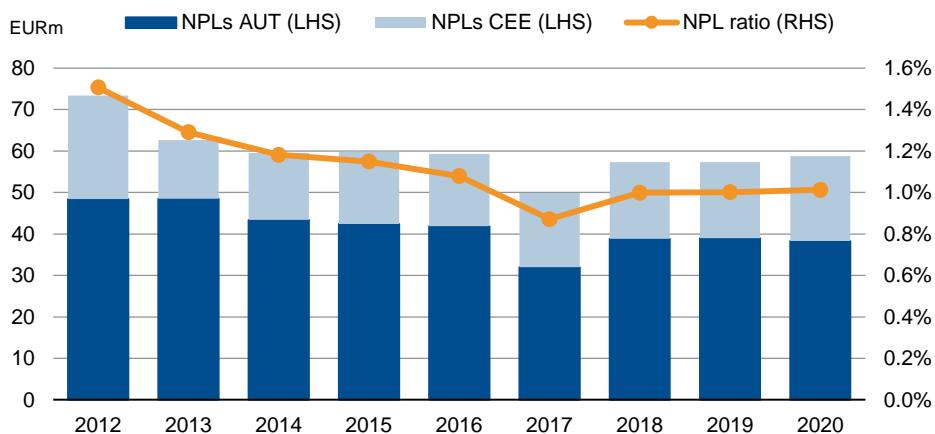
The loan-to-deposit ratio has been increasing steadily in recent years, reaching 94% at the end of 2020. In response to the low interest rate environment the bank has started to reduce its deposit base and to reinvest excess liquidity into its core lending activity. At end-2020, the bank owned EUR 462m of bonds, of which EUR 151m were central bank eligible (in addition to other ECB collateral). In addition, the bank holds shares in a fund in the amount of about EUR 200m that invests in corporate and covered bonds. In general, all bond holdings continued to decline in 2020 because the bank reinvested excess liquidity in its business, a trend that we expect to continue in 2021.

Low-risk profile provides resilience during economic crisis

We consider Wüstenrot's credit risk to be low in light of its strong focus on residential mortgage lending. Wüstenrot's loan portfolio (around EUR 4.9bn as of year-end 2020) is composed of residential mortgages in Austria. The majority of loans are based on savings contracts (Bauspardarlehen) and are for own use properties. Such mortgage loans typically carry an initial LTV of between 60% and 80% and an effective maturity profile of 10-20 years. 93% of the portfolio is secured. The bank has no exposure to corporates or SMEs except for some loans to housing developers. While tourism exposure is a concern for Austrian lenders, Wüstenrot's national portfolio is very granular and well diversified across all Austrian regions. Rising unemployment nevertheless remains a threat to asset quality.

After a period of consistently low non-performing loans (NPLs), the Covid-19 recession has led to a considerable accumulation of payment deferrals in Wüstenrot's portfolio. On unconsolidated basis the NPL ratio reached 1.79% during the last crisis in 2009, which is still low compared to commercial bank peers. At year-end 2020, the NPL ratio according to Basel definitions amounted to a still low 1.07% on unconsolidated basis and remained rather unchanged from the previous year.

Figure 11: NPL ratio (Basel definition) of the group institutions in Austria, Slovakia and Croatia



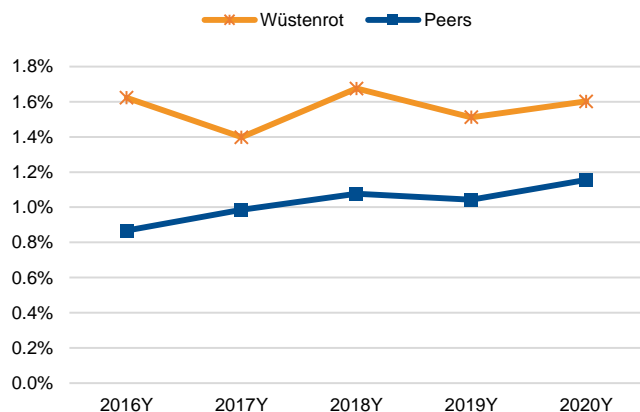
Source: Company information, Scope Ratings

In the course of 2020, debt moratoriums under statutory government schemes increased materially but could already be reduced by the end of the year. However, due to the continuing economic uncertainty in combination with the introduction of the EBA's definition of non-performing loans, Wüstenrot reported higher additions to general loan loss reserves. In addition, the widening of credit spreads as well as the impairment of a securities exposure due to a local bank insolvency resulted in a significant loss in the valuation of financial instruments.

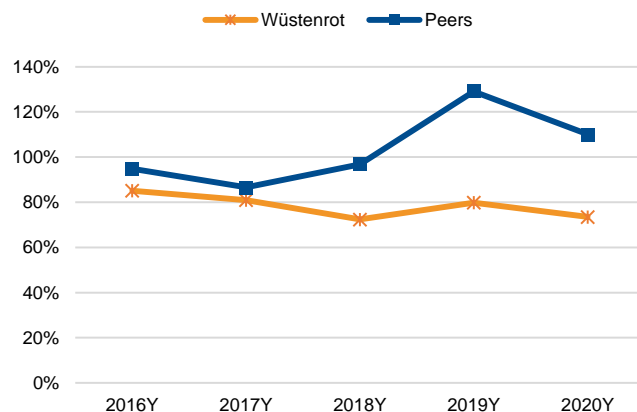
In our view, the Covid-19 recession in Austria is unlikely to result in a further decline in Wüstenrot's asset quality. We believe that unemployment in Austria will remain fairly stable in the course of 2021. In this context, we believe that impairments will remain low on Wüstenrot's retail mortgage portfolio, whereas general provisioning may be maintained at currently elevated levels.

Peer comparison

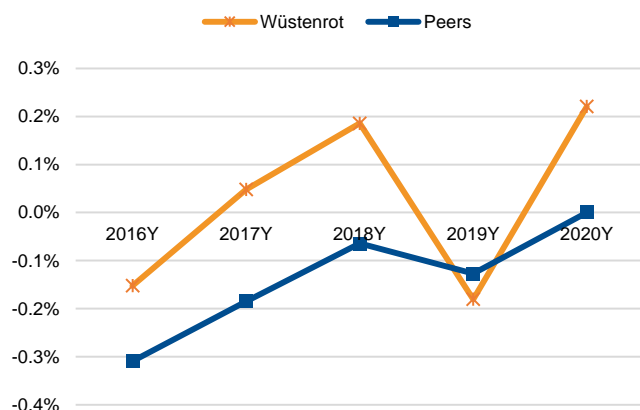
Net interest margin (%)



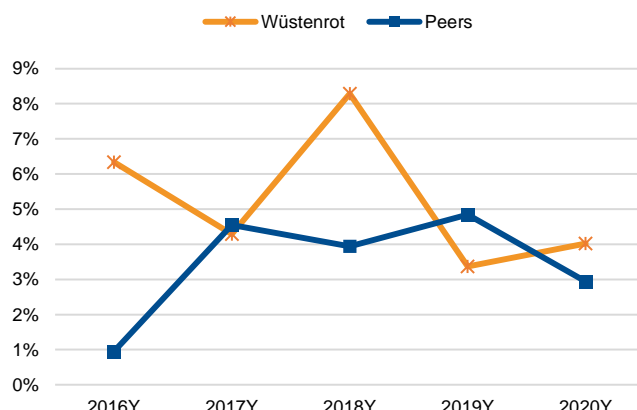
Cost/income ratio (%)



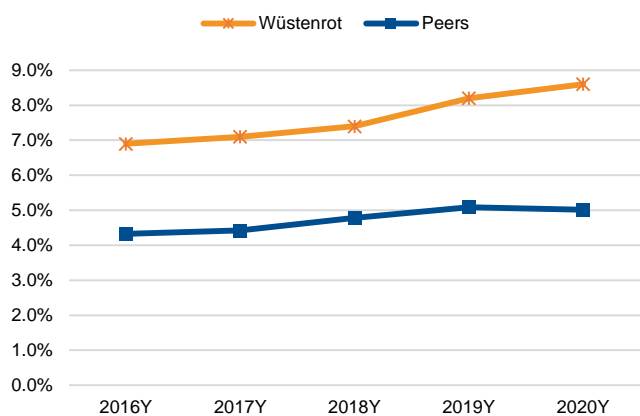
Loan loss provisions/average gross loans (%)



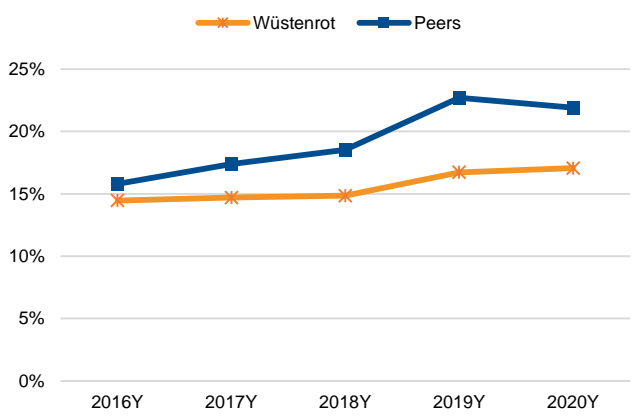
Return on average equity (%)



Leverage ratio (%)



CET1 ratio (% , transitional)



Peers: ALTE LEIPZIGER Bauspar AG, Bausparkasse der österreichischen Sparkassen AG (S Bausparkasse), Bausparkasse Mainz AG, Debeka Bausparkasse AG, start:Bausparkasse AG, Wüstenrot Bausparkasse AG

Source: SNL



Bausparkasse Wüstenrot AG

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Selected financial information – Bausparkasse Wüstenrot AG (1/2)

	2016Y	2017Y	2018Y	2019Y	2020Y
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	151	187	196	311	295
Total securities	931	940	995	892	723
of which, derivatives	6	7	2	0	1
Net loans to customers	4,490	4,638	4,811	4,846	4,911
Other assets	490	515	534	516	535
Total assets	6,062	6,280	6,537	6,566	6,464
Liabilities					
Interbank liabilities	144	47	38	34	72
Senior debt	48	115	190	271	326
Derivatives	NA	10	15	61	93
Deposits from customers	5,138	5,390	5,531	5,434	5,212
Subordinated debt	135	100	100	100	100
Other liabilities	NA	105	105	89	60
Total liabilities	5,571	5,767	5,980	5,990	5,864
Ordinary equity	491	513	557	576	600
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	6,062	6,280	6,537	6,566	6,464
<i>Core tier 1 / common equity tier 1 capital</i>	461	491	514	557	576
Income statement summary (EUR m)					
Net interest income	91	79	99	91	96
Net fee & commission income	13	10	9	8	7
Net trading income	NA	NA	NA	NA	NA
Other income	NA	NA	NA	NA	NA
Operating income	140	133	145	135	143
Operating expenses	119	108	105	108	105
Pre-provision income	21	25	40	27	38
Credit and other financial impairments	-7	2	9	-9	11
Other impairments	11	-1	-5	14	2
Non-recurring income	NA	NA	NA	NA	NA
Non-recurring expense	NA	NA	NA	NA	NA
Pre-tax profit	17	24	36	22	25
Income from discontinued operations	0	0	0	0	0
Income tax expense	-14	2	-8	2	2
Other after-tax items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	30	22	44	19	24

Source: SNL, Scope Ratings



Bausparkasse Wüstenrot AG

Austrian Mortgage-Covered Bonds – Performance Update

Selected financial information – Bausparkasse Wüstenrot AG (2/2)

	2016Y	2017Y	2018Y	2019Y	2020Y
Funding and liquidity					
Net loans/ deposits (%)	87%	86%	87%	89%	94%
Liquidity coverage ratio (%)	223%	381%	477%	397%	318%
Net stable funding ratio (%)	132%	142%	142%	138%	133%
Asset mix, quality and growth					
Net loans/ assets (%)	74.1%	73.8%	73.6%	73.8%	76.0%
Problem loans/ gross customer loans (%)	1.3%	1.1%	1.2%	1.2%	1.2%
Loan loss reserves/ problem loans (%)	40.7%	48.8%	50.7%	52.2%	58.3%
Net loan growth (%)	5.2%	3.3%	3.7%	0.7%	1.3%
Problem loans/ tangible equity & reserves (%)	11.5%	9.3%	9.8%	9.5%	9.3%
Asset growth (%)	-0.6%	3.6%	4.1%	0.4%	-1.6%
Earnings and profitability					
Net interest margin (%)	1.6%	1.4%	1.7%	1.5%	1.6%
Net interest income/ average RWAs (%)	2.8%	2.4%	2.9%	2.7%	2.9%
Net interest income/ operating income (%)	65.0%	59.5%	67.8%	67.6%	67.0%
Net fees & commissions/ operating income (%)	9.1%	7.8%	5.8%	6.1%	5.2%
Cost/ income ratio (%)	85.1%	80.9%	72.4%	79.9%	73.5%
Operating expenses/ average RWAs (%)	3.7%	3.3%	3.1%	3.2%	3.1%
Pre-impairment operating profit/ average RWAs (%)	0.6%	0.8%	1.2%	0.8%	1.1%
Impairment on financial assets / pre-impairment income (%)	-32.3%	8.6%	22.0%	-32.3%	28.6%
Loan loss provision/ average gross loans (%)	-0.2%	0.0%	0.2%	-0.2%	0.2%
Pre-tax profit/ average RWAs (%)	0.5%	0.7%	1.1%	0.6%	0.8%
Return on average assets (%)	0.5%	0.3%	0.7%	0.3%	0.4%
Return on average RWAs (%)	0.9%	0.7%	1.3%	0.6%	0.7%
Return on average equity (%)	6.3%	4.3%	8.3%	3.4%	4.0%
Capital and risk protection					
Common equity tier 1 ratio (% , fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (% , transitional)	14.5%	14.7%	14.8%	16.7%	17.1%
Tier 1 capital ratio (% , transitional)	14.5%	14.7%	14.8%	16.7%	17.1%
Total capital ratio (% , transitional)	19.3%	18.6%	18.4%	20.2%	20.3%
Leverage ratio (%)	6.9%	7.1%	7.4%	8.2%	8.6%
Asset risk intensity (RWAs/ total assets, %)	52.5%	53.2%	52.9%	50.7%	52.3%
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL, Scope Ratings



Bausparkasse Wüstenrot AG

Austrian Mortgage-Covered Bonds – Performance Update

Appendix II: Summary of covered bond characteristics

Reporting date	31 March 2020	31 March 2021
Issuer name	Bausparkasse Wüstenrot AG	
Country	Austria	
Covered bond name	Hypothekendarlehenbrief (Hypf) Austrian mortgage-covered bonds issued under the PfandG	
Covered bond legal framework	Austrian legal covered bond framework	
Cover pool type	Residential mortgages	
Composition	Residential = 98.0% Substitute assets = 2.0%	Residential = 98.3% Substitute assets = 1.7%
Issuer rating	N/D	
Current covered bond rating	AAA/Stable	
Covered bond maturity type	Hard bullets	
Cover pool currencies	EUR (100%)	
Covered bond currencies	EUR (100%)	
Fundamental cover pool support	4	
CPC Score	N/A	
Maximum achievable covered bond uplift	7	
Potential covered bond rating buffer	0	
Cover pool/eligible assets (EUR m)	726.6 / 612.4	
thereof, substitute assets and deposits (EUR bn)	12.2	
Covered bonds (EUR m)	274.0	
Overcollateralisation: current/legal minimum	123.5% / 2.0%	
Overcollateralisation to support current rating	17.0%	
Overcollateralisation upon a one-notch issuer downgrade	N/A	
Weighted average life of assets	14.5	
Weighted average life of liabilities	17.4	
Number of loans	5,808	
Average loan size (EUR)	103.4	
Top 10 exposures	0.9%	
Interest rate type – assets (fixed/floating)	75.4% 24.6%	
Interest rate type – liabilities (fixed/floating)	100% 0.0%	
Weighted average whole-loan LTV (unindexed)	70.0%	
Weighted average eligible-loan LTV (unindexed)	53.1%	
Geographic split (top 3)	Lower Austria (22.7%) Upper Austria (14.8%) Styria (13.1%)	
Default measure	Inverse Gaussian	
Mean default rate	10.0%	
Coefficient of variation	60.0%	
Recovery assumption (D0 / D7)	100% / 90.0%	
Interest rate stresses (max./min.; currency-dependent)	-1 to 10%	
Forex stresses (max./min.; currency-dependent)	NA	
Max liquidity premium	150bps	
Servicing fee	25bps	

D0 and D7 denote the stresses commensurate with the rating distance from the minimum and maximum achievable covered bond uplift



Bausparkasse Wüstenrot AG

Austrian Mortgage-Covered Bonds – Performance Update

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