CREDIT OPINION

1 July 2025

Update

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Bausparkasse Wuestenrot AG

Update to credit analysis

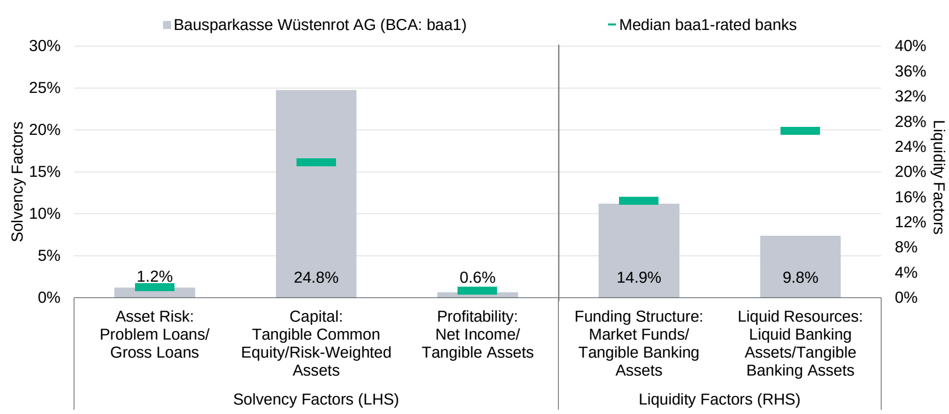
Summary

Bausparkasse Wuestenrot AG's (BSK Wuestenrot) A3 deposit and Baa1 issuer and senior unsecured debt ratings reflect its baa1 BCA and Adjusted BCA, one notch of rating uplift for the deposit ratings from our Advanced Loss Given Failure (LGF) analysis and no uplift for the issuer and senior unsecured debt ratings; and our assumption of low government support because of the building society's small size, which does not result in any rating uplift.

BSK Wuestenrot's baa1 BCA reflects its strong solvency and sound liquidity, while considering the building society's still limited, albeit improving, business diversification. Its robust solvency primarily stems from significant capital retention over previous years, which we expect to continue, enabling BSK Wuestenrot to achieve ample capitalization, mitigating potential non-lending risks arising from its significant equity investment in Wuestenrot Versicherungs-AG, its fully owned insurance subsidiary. The issuer's funding profile continues to benefit from highly granular retail deposits, accompanied by sizeable issuances of secured market funding instruments in the form of covered bonds. BSK Wuestenrot's baa1 BCA also incorporates its quasi monoline business model with the insurance arm contributing to earnings but still insufficient to offset business concentration risks from its primary source of income, namely building loans and savings.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Ratings

RATINGS

Bausparkasse Wuestenrot AG

Domicile	Salzburg, Austria
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

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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Credit strengths

» Strong loan book quality due to low-risk granular residential mortgages

» Strong capital buffers, well supported by a prudent dividend policy and intragroup capital fungibility

» Funding and liquidity profiles benefit from a good term structure and a high share of cover pool-eligible assets

Credit challenges

» Slowly recovering mortgage demand, resulting in competitive pressures and margin contraction, which poses challenges to growth strategy

» Concentration risks in Austria's residential property market

» Limited business diversification

Rating outlook

The negative outlook on BSK Wuestenrot's long-term deposit ratings reflects reduced volumes of junior deposits relative to the size of its balance sheet. Also, uncertainty regarding the future volume of senior unsecured debt within BSK Wuestenrot's liability structure amid sufficient capital to meet minimum requirements for eligible liabilities (MREL) is taken into account.

The stable outlook on BSK Wuestenrot's long-term issuer and senior unsecured debt ratings reflects our expectation that the building society's solvency and liquidity profile will remain broadly unchanged over the next 12-18 months, with limited earnings diversification, as well as an unchanged notching result from our Advanced LGF analysis for this rating class.

Factors that could lead to an upgrade

» BSK Wuestenrot's long-term ratings could be upgraded in case of an upgrade of its BCA, or if the volume of more junior ranking, bail-inable instruments relative to the issuer's balance sheet size increases substantially and beyond our current expectations, resulting in a reduced loss severity for its depositors and senior creditors, and in turn in a higher notching uplift from our Advanced LGF analysis.

» BSK Wuestenrot's BCA could be upgraded as result of a further meaningful and sustainable strengthening of its solvency or liquidity and funding profile. The BCA could also be upgraded following sustainably improved business diversification.

Factors that could lead to a downgrade

» BSK Wuestenrot's ratings could be downgraded following a downgrade of its BCA, or as a result of further reduced volumes of junior deposits and senior unsecured volumes outstanding, such that it results in a higher loss severity and lower rating uplift resulting from our Advanced LGF analysis.

» The BCA of BSK Wuestenrot could be downgraded following a material joint weakening of its key financial metrics, for example an erosion of capital following the materialization of concentration and investment risks, or material earnings volatility.

Key Indicators

Exhibit 2
Bausparkasse Wuestenrot AG (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	7.5	7.3	7.3	7.0	7.1	1.1[4]
Total Assets (USD Billion)	7.7	8.1	7.8	7.9	8.7	(3.0)[4]
Tangible Common Equity (EUR Billion)	0.8	0.8	0.7	0.6	0.5	11.3[4]
Tangible Common Equity (USD Billion)	0.9	0.9	0.8	0.6	0.7	6.8[4]
Problem Loans / Gross Loans (%)	1.2	1.0	0.8	1.2	1.1	1.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	24.8	21.8	19.6	15.4	13.8	19.1[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.9	7.0	6.5	10.9	10.1	8.5[5]
Net Interest Margin (%)	1.3	1.4	1.1	1.3	1.4	1.3[5]
PPI / Average RWA (%)	0.7	1.1	0.9	0.5	0.6	0.8[6]
Net Income / Tangible Assets (%)	0.8	1.0	0.2	0.5	0.5	0.6[5]
Cost / Income Ratio (%)	82.2	71.5	75.9	84.7	81.9	79.2[5]
Market Funds / Tangible Banking Assets (%)	14.9	16.4	15.2	13.0	3.5	12.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	9.8	7.5	7.1	6.5	7.8	7.8[5]
Gross Loans / Due to Customers (%)	130.0	137.2	132.1	113.8	94.1	121.4[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [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 Ratings and company filings

Profile

With a total of €7.5 billion in assets as of year-end 2024, BSK Wuestenrot is the second largest among four building and loan associations in Austria. BSK Wuestenrot primarily offers Bauspar contracts (building savings)[1], a key product in long-term financial planning for homeowners. BSK Wuestenrot's business is complemented by Wuestenrot Versicherungs-AG, a composite insurance company, and more recently, Wuestenrot Bank AG.

BSK Wuestenrot's key shareholder is Wuestenrot Wohnungswirtschaft reg.Genossenschaft.m.B.H., a cooperative society regulated by the Austrian cooperative law.

BSK Wüstenrot has strategically refocused its operations exclusively on the Austrian market. Following the divestment of its affiliated entities in Hungary and Croatia, the issuer retains a subsidiary in Slovakia, which is currently in wind-down mode. In 2024, BSK Wuestenrot had around 430 employees who served more than one million customers in Austria out of its Salzburg head office and its nationwide sales network.

Detailed credit considerations

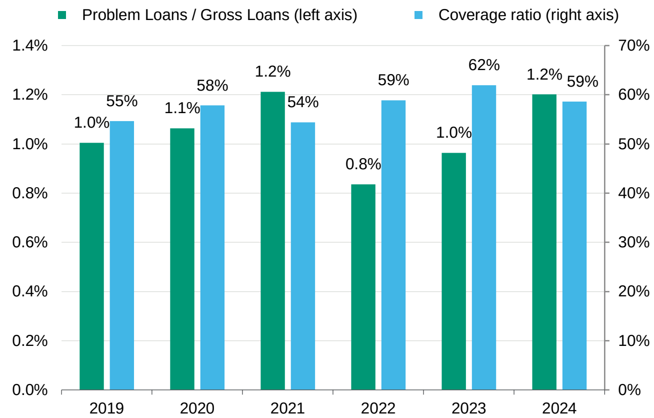
Strong asset quality, driven by focus on prime residential mortgages

We assign an a2 score for Asset Risk, two notches below the aa3 initial score. This reflects BSK Wuestenrot's inherent business concentration in the Austrian residential real estate market (95% of total loans) but also our expectation of a mild increase in problem loans.

BSK Wuestenrot maintains robust credit quality in its granular mortgage loan book, carefully underwritten under the stringent guidelines of Austria's Building Society Act. Because Bauspar loans often serve as the primary source of housing finance in Austria, these mortgages are mainly first-ranking.

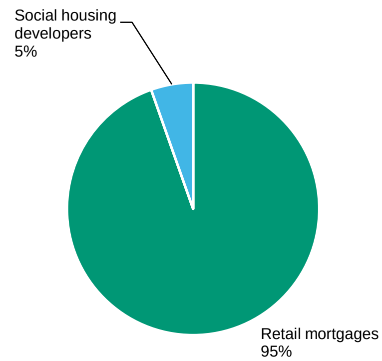
Owner-occupied residential mortgage loans are usually served with preference during periods of economic stress. BSK Wuestenrot has a strong through-the-cycle track record of loan performance, which underscores prudent underwriting practices. Problem loans have hovered around the 1% level over the past decade, remaining well below sector average. While the slowing economic recovery in Austria provides downside risks on loan performances, household affordability will be supported by lower inflation and higher wages.

Exhibit 3
BSK Wuestenrot has a track record of strong credit quality



Sources: Company and Moody's Ratings

Exhibit 4
BSK Wuestenrot's core business is low-risk residential mortgages; new lending to social housing developers stopped in 2016



Sources: Company and Moody's Ratings

Prudent dividend policy and high intragroup capital fungibility drive comfortable capital buffers, mitigating investment risks

We assign an aa2 Capital score to BSK Wuestenrot, one notch below the aa1 initial score. While acknowledging the significant excess capital buffers, this adjustment reflects potential tail risks stemming from BSK Wuestenrot's full ownership in Wuestenrot Versicherungs-AG, its insurance subsidiary.

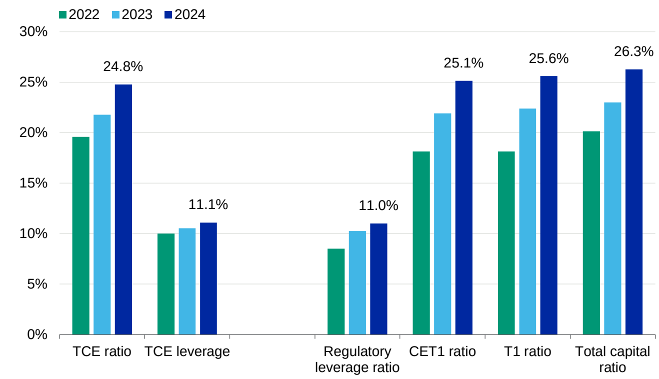
Despite the 100% stake BSK Wuestenrot holds in Wuestenrot Versicherungs-AG, the latter is not consolidated but accounted for as equity investment, in line with local accounting principles. The insurance subsidiary's subscribed capital accounts for more than half of BSK Wuestenrot’s tangible common equity (TCE), reflecting the high sensitivity of the latter to the viability of Wuestenrot Versicherungs-AG, although the investment risk is partially mitigated by the insurance subsidiary's strong solvency with significant capital reserves over the regulatory required minimum.

BSK Wuestenrot’s TCE ratio, our core metric for measuring a bank's capital strength, improved to 24.8% as of December 2024 from 21.8% in 2023 due to earnings retention, and is almost in line with the regulatory Common Equity Tier 1 (CET 1) capital ratio of 25.1%. Effective June 2025, BSK Wuestenrot is subject to a 2.4% Pillar 2 requirement (P2R), down from 3% at year-end 2024. The P2R partially accounts for the investment risk inherent in BSK Wuestenrot’s insurance company.

BSK Wuestenrot benefits from a prudent dividend policy, set out in the bylaws of Wuestenrot Wohnungswirtschaft reg.Gen.m.b.H., its cooperative parent holding. Full profit retention, coupled with currently modest asset growth, will enable the building society to strengthen its core capital base further.

Exhibit 5

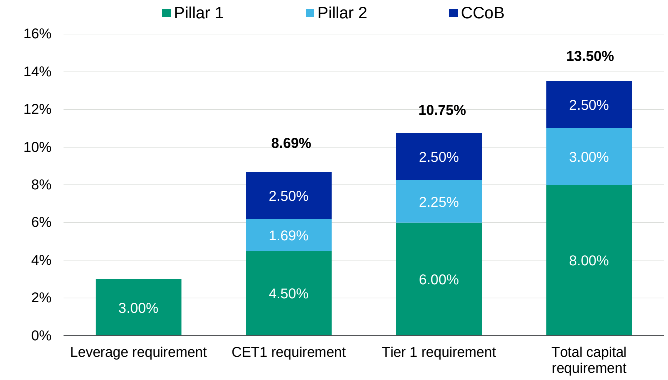
BSK Wuestenrot has built up significant capital buffers over the past few years ...



Sources: Company and Moody's Ratings

Exhibit 6

... largely exceeding its minimum capital requirements set out by the Austrian regulator



Sources: Company and Moody's Ratings

Profitability benefits from regular additional dividend income; business growth will not be sufficient to fully offset higher costs

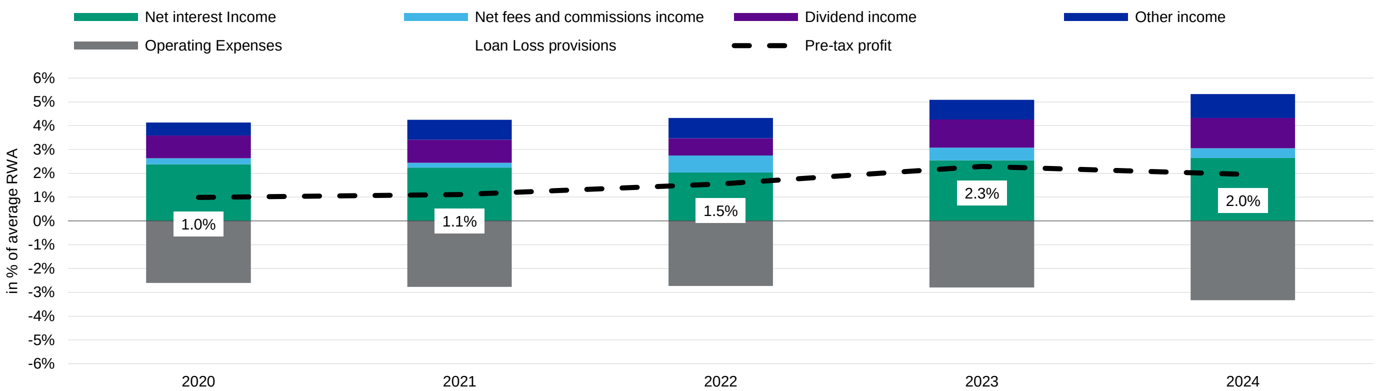
We assign a ba1 score for Profitability, two notches below the baa2 initial score. Our assessment reflects BSK Wuestenrot's profitability's sensitivity to the performance of its insurance company. Additionally, we anticipate a further moderation in profit due to constrained business growth from competitive pressure along with ongoing (IT) cost and interest margin pressure over the next 12-18 months. We expect BSK Wuestenrot's net profit to decline, but to remain at around 0.5% of tangible assets, from 0.76% as of YE2024. We do not expect the issuer's newly established bank to reach breakeven before 2028.

BSK Wuestenrot’s net interest margin stood at 1.3% as of year-end 2024, only slightly down from 1.4% in 2023. We expect continued margin pressure through 2028. From that point onward, we expect BSK Wuestenrot, including its bank, to regain stronger growth momentum.

BSK Wuestenrot's profitability chiefly depends on the spread between rates on its prudently underwritten residential mortgages and its retail deposit-based funding. Unlike under the German Bausparkassen Act, where loan interest rates are fixed at the time of signing the building saving contract, BSK Wuestenrot’s interest rate risk is contained by setting rates at the point of granting the loan, thereby protecting asset yields.

As Wuestenrot Versicherungs-AG's sole owner, BSK Wuestenrot dictates the dividend policy, typically directing two-thirds of the subsidiary's net profit to itself. This boosts BSK Wuestenrot's profitability but introduces instability risks linked to the subsidiary's regulatory capital position, which, however, are offset by its robust standalone regulatory solvency.

Exhibit 7
BSK Wuestenrot's pre-tax profit benefited from higher payouts from its insurance subsidiary



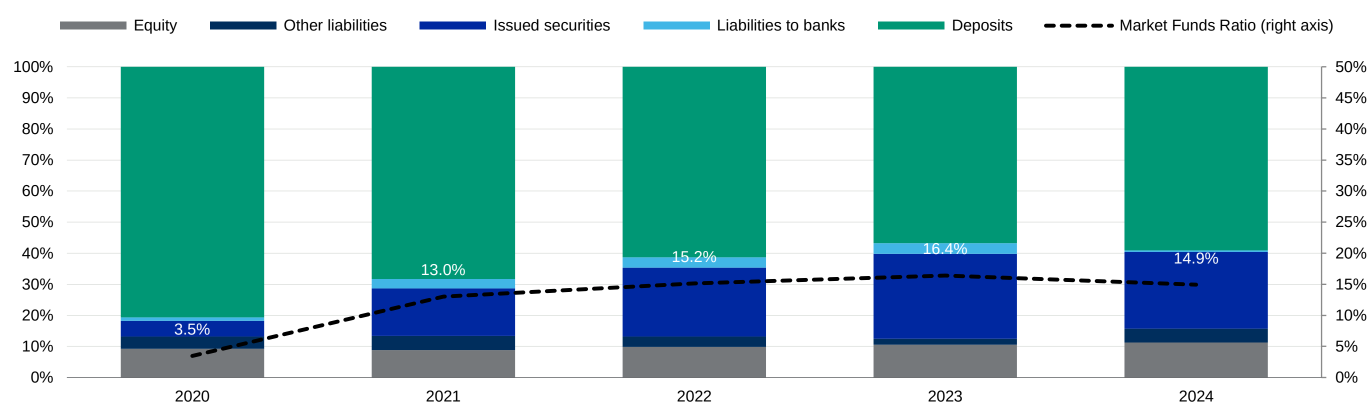
Sources: Company and Moody's Ratings

Sound funding profile resulting from granular long-term deposits and covered bonds

We assign an a2 Funding score, at par with the initial score of a2, reflecting our expectation of an unchanged level of market funding over the next 12 to 18 months. BSK Wuestenrot's sound funding profile is based on granular retail Bauspar deposits, which provide stability, complemented by long-term funding such as covered bonds, which aligns with the maturities of its loan book. These bonds also serve as a natural hedge against the high share of fixed interest rate loans.

Bauspar deposits, a stable and highly granular source of funding, are typically made available by retail customers by monthly payments for six years, with penalty haircuts applied in case of early payout requests. BSK Wuestenrot complements its long-term Bauspar deposit base with secured market funding in the form of covered bonds, capitalising on its large pool of high-quality residential mortgages. As of year-end 2024, BSK Wuestenrot's market funding ratio was 14.9%, slightly down from the 2023 level, but above from the single-digit percentages in 2020.

Exhibit 8
BSK Wuestenrot's funding profile is based on granular customer deposits, complemented by secured funding



Sources: Company and Moody's Ratings

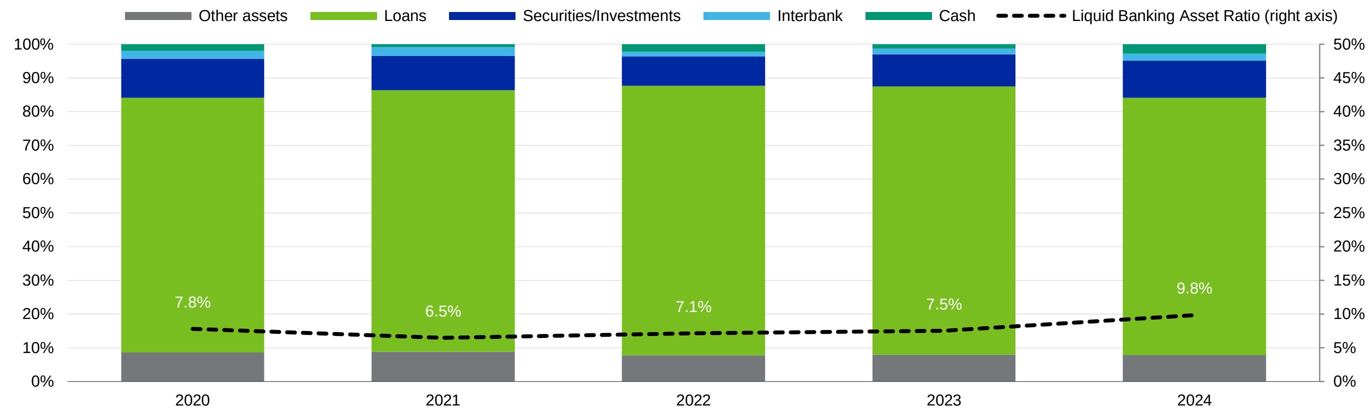
Liquidity well supported by contingent buffers and centralised liquidity management

We assign a baa3 Liquid Resources score, two notches above the ba2 initial score. The upward adjustment takes into account significant contingent liquidity buffers readily available in case of need.

BSK Wuestenrot possesses ample buffers of mortgage claims that qualify as collateral for its covered bonds. If necessary, these claims could be used to increase the volume of covered bonds issued to the market or posted at the central bank to generate additional cash. Furthermore, as the group treasury, BSK Wuestenrot manages liquidity centrally, providing it with access to substantial intragroup liquidity that is immediately available, in the form of either cash or committed credit lines. Thanks to its long-term deposit base, BSK Wuestenrot maintained a comfortable liquidity coverage ratio of 433% at year-end 2024.

All government bonds, which can be pledged for central bank liquidity, are measured at amortised costs, indicating they are held until maturity, thus limiting exposure to unexpected market rate changes. The gap between these bonds' book value and their (lower) market value, or unrealised mark-to-market losses, was negligible at the end of 2024.

Exhibit 9
BSK Wuestenrot's liquidity profile is supported by the high share of cover pool-eligible mortgages



Sources: Company and Moody's Ratings

Qualitative adjustment captures limited business diversification

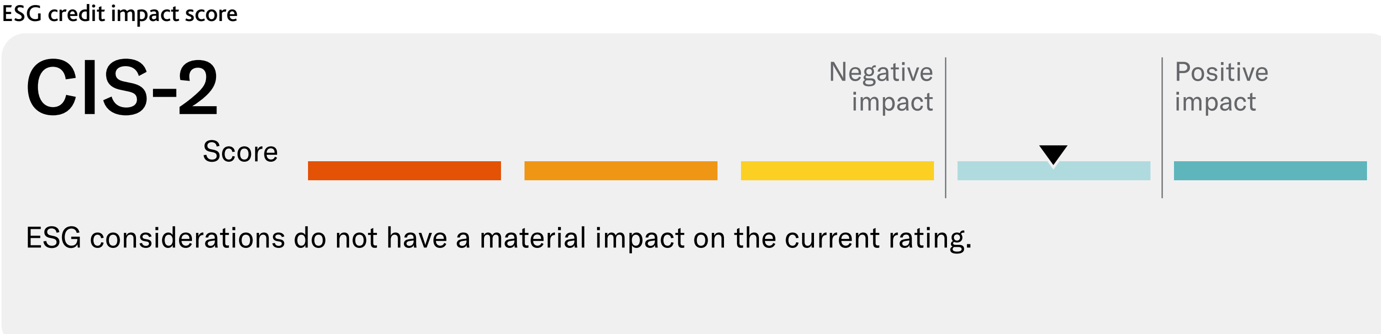
Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. It is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a bank's earnings streams and its potential to absorb shocks affecting a business line.

We reduce BSK Wuestenrot's a3 weighted average outcome of assigned Financial Profile factor scores by one notch to reflect the bank's lack of income diversification. While the insurance arm does provide a solid share to BSK Wuestenrot's earnings, it is still insufficient to dilute existing business concentration risks from its primary source of income, namely building loans and savings. The scope of these activities is narrowly limited by the special law applicable for Austrian Bausparkassen under which BSK Wuestenrot operates.

ESG considerations

BSK Wuestenrot AG's ESG Credit Impact Score is CIS-2

Exhibit 10
ESG credit impact score

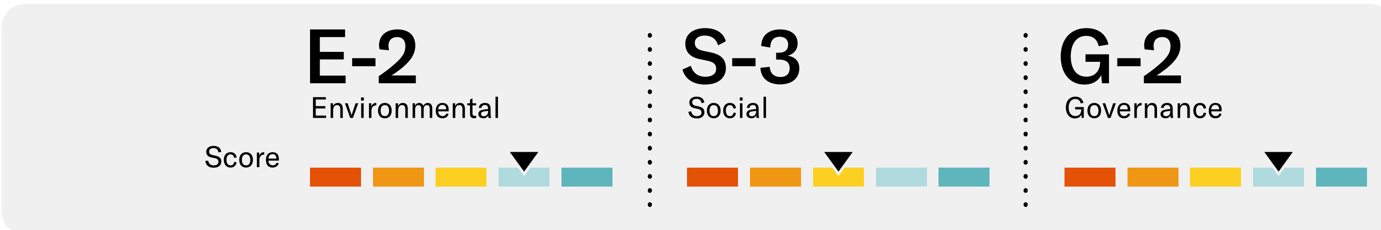


Source: Moody's Ratings

Bausparkasse Wuestenrot AG's (BSK Wuestenrot) ESG **CIS-2** indicates that ESG factors do not have a material impact on the ratings to date.

Exhibit 11

ESG issuer profile scores



Source: Moody's Ratings

Environmental

BSK Wuestenrot faces low exposure to environmental risks. The building society has limited exposure to carbon transition risks because its loan book is fully concentrated in Austrian residential mortgages, with no exposure to corporate loans.

Social

BSK Wuestenrot faces moderate social risks related to customer relations as well as demographic and societal trends. Risks related to the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation are mitigated by developed policies and procedures. High cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches. BSK Wuestenrot along with its insurance subsidiary places strong emphasis on adapting its product range to the whole life-cycle of its retail customer base, moderating risks associated with demographic shifts and societal trends.

Governance

BSK Wuestenrot's governance risks are low. The building society demonstrates sound governance, an appropriate financial strategy and risk management as well as a management team well qualified for the business model. Related governance risks owed to a controlling ownership are mitigated by BSK Wuestenrot's largely independent board of directors, effectiveness of oversight and prudent capital allocation.

Support and structural considerations

Loss Given Failure (LGF) analysis

BSK Wuestenrot is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. We, therefore, apply our Advanced LGF analysis. We assume the proportion of deposits considered junior at 10%, below our standard assumption of 26%, because of the bank's largely retail-oriented depositor base. All the other assumptions are in line with our standard ones. For deposits our Advanced LGF analysis indicates a low loss given failure, which results in one notch of uplift from BSK Wuestenrot's Adjusted BCA.

Government support considerations

Because of its small size relative to the Austrian banking system and its limited degree of interconnectedness, we assume a low probability of government support to BSK Wuestenrot in the event of stress, which does not result in any rating uplift.

Rating methodology and scorecard factors

Exhibit 12
Rating Factors

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	1.2%	aa3	↓	a2	Sector concentration	Long-run loss performance
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	24.8%	aa1	↓↓	aa2	Stress capital resilience	Capital retention
Profitability						
Net Income / Tangible Assets	0.6%	baa2	↓	ba1	Earnings quality	Expected trend
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	14.9%	a2	↔	a2	Deposit quality	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	9.8%	ba2	↓	baa3	Additional liquidity resources	Access to committed facilities
Combined Liquidity Score		baa2		baa1		
Financial Profile		a2		a3		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet is not applicable.

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	-	-	-	-	-	-	-	3	0	a1
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	a1 (cr)
Deposits	-	-	-	-	-	-	-	1	0	a3
Senior unsecured bank debt	-	-	-	-	-	-	-	0	0	baa1

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	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	1	0	a3	0	A3	A3
Senior unsecured bank debt	0	0	baa1	0	Baa1	Baa1

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

Ratings

Exhibit 13

Category	Moody's Rating
BAUSPARKASSE WUESTENROT AG	
Outlook	Negative(m)
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
ST Issuer Rating	P-2

Source: Moody's Ratings

Endnotes

1 With Bauspar contracts, customers make deposits over six years, eligible for state subsidy regardless of household income, to build up a down payment on a future property and entitle the borrower to a bauspar loan.

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