

Rating Action: Moody's affirms ratings of Bank Vontobel and Vontobel Holding, outlook stable

29 Nov 2021

Frankfurt am Main, November 29, 2021 -- Moody's Investors Service ("Moody's") has today affirmed Bank Vontobel AG's (Bank Vontobel, or "the bank") deposit ratings at Aa3/P-1 with a stable outlook. Concurrently, Moody's affirmed the bank's a2 Baseline Credit Assessment (BCA) and a2 Adjusted BCA. The rating agency further affirmed Bank Vontobel's long- and short-term Counterparty Risk Ratings at A2/P-1 and its long- and short-term Counterparty Risk Assessment at A1(cr)/P-1(cr).

Moody's also affirmed Vontobel Holding AG's (Vontobel Holding, or "the group") A2 long-term issuer ratings with a stable outlook and the Baa2(hyb) preferred stock rating assigned to its high-trigger Additional Tier 1 (AT1) instruments.

For a list of all affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

-- AFFIRMATION OF BANK VONTOBEL'S BCA AND ADJUSTED BCA

The affirmation of Bank Vontobel's a2 BCA reflects an overall stable trend in the bank's and the group's key credit metrics, which Moody's expects to be sustained. The rating agency's assessment takes into account Bank Vontobel's and Vontobel Holding's broadened wealth management franchise, including the enlarged private banking activities following the acquisition of Notenstein La Roche. The bank and the group also benefit from a diversified product suite, generating sizeable assets under management (AUM), including asset management activities, and are complemented by 'digital investing' products offered through the bank's and the group's proprietary trading platforms.

The affirmation also considers Bank Vontobel's and Vontobel Holding's higher earnings generation capacity, its solid capitalisation levels as well as continued sound liquidity and funding profiles.

Similar to other asset and wealth managers, the bank and the group operate highly liquid balance sheets and benefit from sizeable customer deposits, with limited dependence on confidence-sensitive wholesale funding sources.

The rating agency's assessment is balanced by Vontobel's group-wide high dependence on capital market developments and client-driven trading income, which increases earnings volatility. Moody's also considers Bank Vontobel's recent strong growth in structured products issued to clients, which increases the bank's and the group's risk management complexity and susceptibility to market and operational risks.

At bank level, the more moderate earnings levels are compensated for by Bank Vontobel's strong capitalisation. Bank Vontobel benefits from a very high likelihood of support from its parent Vontobel Holding, which does not translate into any rating uplift. This is because Vontobel Holding's and Bank Vontobel's respective intrinsic financial strengths are considered similar.

-- AFFIRMATION OF LONG-TERM RATINGS

The affirmation of Bank Vontobel's Aa3 long-term deposit ratings and Vontobel Holding's A2 issuer ratings follows the affirmation of the bank's a2 BCA and Adjusted BCA and the unchanged result of Moody's Advanced Loss Given Failure (LGF) analysis.

Bank Vontobel's deposit ratings continue to benefit from a very low loss-given-failure reflecting the high volume of deposits protecting deposit holders in the unlikely event of failure or resolution, leading to two notches of rating uplift from its a2 Adjusted BCA.

Vontobel Holding's issuer ratings continue to indicate a moderate loss-given-failure for the group's senior unsecured debt instruments, leading to a positioning in line with bank's a2 Adjusted BCA, considering the

preference of deposits in resolution, the low volume of bail-in-able debt outstanding and our assumption that holding company debt ranks junior to bank debt holders in resolution.

The affirmation of Vontobel Holding's preferred stock ratings on its high-trigger AT1 instruments at Baa2(hyb) reflects the unchanged positioning at three notches below Bank Vontobel's a2 Adjusted BCA, taking into account the high loss-given-failure for the AT1 securities and the securities' coupon skip mechanism and write-down features.

-- RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects Moody's expectation of Bank Vontobel's and Vontobel Holding's stable financial profiles with broadly unchanged key financial ratios and largely stable liability structures, which results in unchanged rating uplift from Moody's Advanced LGF analysis.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Ratings of Bank Vontobel and Vontobel Holding could be upgraded following an upgrade of the bank's BCA or Adjusted BCA, or as a result of higher rating uplift resulting from Moody's Advanced LGF analysis.

Bank Vontobel's BCA could be upgraded if it achieves material and simultaneous improvements of its solvency and liquidity profiles.

Bank Vontobel's Adjusted BCA could be upgraded if Vontobel Holding materially reduces its market funding dependency resulting from the issuance of structured products.

A downgrade of Bank Vontobel's deposit ratings is likely to follow a downgrade of the bank's BCA or Adjusted BCA, or a reduction in the rating uplift resulting from Moody's Advanced LGF analysis.

A downgrade of Bank Vontobel's BCA or Adjusted BCA could follow (1) an unexpected materialisation of operational risks, specifically if caused by litigation charges in connection with typical private banking lawsuits (e.g. tax cases or reputational cases) or IT security issues that are severe enough to threaten the bank's or the group's reputation; (2) capital reductions or outflows that lead to a lower capitalisation, in particular a lower leverage ratio; (3) a material, prolonged erosion of AUM, as well as client or advisor attrition, leading to a significant decline in underlying profitability; or (4) acquisitions that are unduly aggressive from a commercial, financial or operational risk viewpoint.

A downgrade of Vontobel Holding's issuer ratings is likely to follow a downgrade of Bank Vontobel's BCA or Adjusted BCA.

LIST OF AFFECTED RATINGS

Issuer: Bank Vontobel AG

..Affirmations:

....Adjusted Baseline Credit Assessment , Affirmed a2

....Baseline Credit Assessment , Affirmed a2

....Long-term Counterparty Risk Assessment , Affirmed A1(cr)

....Short-term Counterparty Risk Assessment , Affirmed P-1(cr)

....Long-term Counterparty Risk Ratings, Affirmed A2

....Short-term Counterparty Risk Ratings, Affirmed P-1

....Long-term Bank Deposit Ratings, Affirmed Aa3, Outlook remains Stable

....Short-term Bank Deposit Ratings, Affirmed P-1

..Outlook Action:

....Outlook, Remains Stable

Issuer: Vontobel Holding AG

..Affirmations:

....Long-term Issuer Ratings, Affirmed A2, Outlook Remains Stable

....Pref. Stock Non-cumulative, Affirmed Baa2 (hyb)

..Outlook Action:

....Outlook, Remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625 . Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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 at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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