

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Bank Vontobel's long-term deposit ratings; outlook developing

02 Sep 2024

Vontobel Holding's long-term issuer ratings also affirmed, outlook remains negative

Frankfurt am Main, September 02, 2024 -- Moody's Ratings (Moody's) has today affirmed all ratings of Swiss private bank Bank Vontobel AG (Bank Vontobel) and of Vontobel Holding AG (Vontobel Holding, the parent company of Bank Vontobel). The rating affirmations relate to the Aa3/P-1 long- and short-term deposit ratings and the A2/P-1 long- and short-term Counterparty Risk Ratings (CRRs) of Bank Vontobel; to the A2 long-term issuer ratings of Vontobel Holding and to Vontobel Holding's Baa2(hyb) preferred stock non-cumulative (AT1) instruments rating. At the same time, we changed the outlook on Bank Vontobel's long-term deposit ratings to developing from negative, whereas the outlook remains negative for Vontobel Holding's long-term issuer ratings.

We also affirmed Bank Vontobel's A1(cr)/P-1(cr) long- and short-term Counterparty Risk Assessments (CR Assessment) and the bank's a2 Baseline Credit Assessment (BCA) and Adjusted BCA.

RATINGS RATIONALE

AFFIRMATION OF BANK VONTOBEL'S BCA AND ADJUSTED BCA

The affirmation of Bank Vontobel's a2 BCA reflects the bank's strong capitalisation, limited exposure to problem loans through the bank's highly collateralized mortgage and Lombard loan books and its sound liquidity buffers. It further reflects Bank Vontobel's good track record in wealth management and structured products issuance. The bank's a2 BCA further reflects our expectation that Bank Vontobel's profitability will remain supported by ongoing efficiency measures.

At the same time, the a2 BCA and Adjusted BCA also reflect the bank's unchanged

close integration with Vontobel Holding. While we expect that the holding company would support Bank Vontobel in case of need, this does not result in any uplift for Bank Vontobel's Adjusted BCA.

AFFIRMATION OF BANK VONTOBEL'S AND VONTOBEL HOLDING'S RATINGS

The affirmation of Bank Vontobel's and Vontobel Holding's ratings reflects the affirmation of the bank's a2 BCA and Adjusted BCA as well as the currently unchanged results of our Advanced Loss Given Failure (LGF) analysis, yielding two notches of rating uplift for the bank's deposit ratings and no uplift for Vontobel Holding's issuer ratings.

The ratings of Bank Vontobel and Vontobel Holding do not benefit from any government support uplift, which reflects our unchanged assumption of an only low likelihood of government support for the group.

DEVELOPING OUTLOOK FOR BANK VONTOBEL'S LONG-TERM DEPOSITS

We changed the outlook for Bank Vontobel's long-term deposits to developing from negative because of our expectation of a growing stock of senior unsecured bank debt, primarily through increased issuance of structured products, reducing the loss severity for certain of Bank Vontobel's liability classes. This could lead to a higher rating uplift assigned to the bank's deposit ratings as well as for the CRRs and long-term CR Assessment under our Advanced LGF analysis, provided the bank sustains its recently increased volume of structured notes issuances or issues other instruments at the same seniority level.

The developing outlook expresses that this anticipated rating improvement from our Advanced LGF analysis may be offset by a downgrade of Bank Vontobel's BCA, albeit the timing of these two events remains uncertain at this stage.

NEGATIVE OUTLOOK FOR VONTOBEL HOLDING'S ISSUER RATINGS

We maintain a negative outlook for Vontobel Holding's long-term issuer ratings to reflect the continued downside risks to Bank Vontobel's a2 BCA, which are significantly less likely to be offset by more favorable results from our Advanced LGF analysis for the group's issuer ratings as well as for the lower-ranking AT1 instruments issued by Vontobel Holding, since additional issuance at bank level would not add to the subordination cushion available for Vontobel Holding's rated debt classes.

Vontobel Holding has made some progress in stabilizing net new money flows in its institutional clients (asset management) business, where it had experienced net new money outflows since 2022.

The negative outlook expresses that we will continue to monitor Vontobel Holding's ability to gradually rebuild a track record of successful net new money generation in asset management, where we believe Vontobel Holding faces franchise challenges

relative to peers that have the potential to subdue the group's profitability outlook. Any sustained weakening of Vontobel Holding's financial profile would also cap the BCA of Bank Vontobel below the current level of a2.

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

As indicated by the developing outlook for Bank Vontobel's long-term deposit ratings, the bank's deposit ratings, long-term CR Assessment and CRRs may benefit from a one-notch higher rating uplift under our Advanced LGF analysis which may lead to single notch upgrades – unless offset by a downgrade of Bank Vontobel's BCA. By contrast, for Vontobel Holding's issuer ratings to benefit from uplift under our Advanced LGF analysis, issuance volumes of loss-absorbing liabilities would need to significantly exceed our current expectations.

An upgrade of Bank Vontobel's BCA is currently unlikely, mostly because of the bank's tight integration in Vontobel Holding.

As indicated by the negative outlooks for Vontobel Holding's long-term issuer ratings, we may downgrade Bank Vontobel's a2 BCA and Adjusted BCA in the absence of a sustained recovery of the group's asset management franchise and if not combined with a sustained strengthening of its funding and liquidity profile.

We may downgrade the ratings of Bank Vontobel or the issuer ratings of Vontobel Holding in case the volume of loss-absorbing liabilities, including existing AT1 instruments as well as structured notes issuances of Bank Vontobel to external investors were to materially fall short of our current expectations.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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