

FITCH PLACES VOLKSBANKEN VERBUND'S INDIVIDUAL RATING ON WATCH NEGATIVE; OTHER RATINGS AFFIRMED

Fitch Ratings-London-21 December 2009: Fitch Ratings has today placed Volksbanken Verbund's (V-Verbund) Individual Rating of 'C/D' on Rating Watch Negative (RWN). At the same time, the agency has affirmed V-Verbund's Long-term Issuer Default Rating (IDR) at 'A' with a Stable Outlook, Short-term IDR at 'F1', Support Rating at '1' and Support Rating Floor (SRF) at 'A'. Fitch has also affirmed V-Verbund's central institution, Oesterreichische Volksbanken Aktiengesellschaft (VBAG), Long-term IDR at 'A' with a Stable Outlook, Short-term IDR at 'F1', Support Rating at '1' and SRF at 'A'. The ratings of the other VB-Verbund member banks have been affirmed at Long-term IDR 'A'; Outlook Stable; affirmed at Short-term IDR 'F1'. A full list of VB-Verbund member banks is included at the end of this comment.

The RWN on V-Verbund's Individual Rating reflects Fitch's opinion that V-Verbund as a whole will be challenged to absorb operating losses incurred at VBAG and that repositioning the central institution could be difficult and costly for V-Verbund. V-Verbund's Support Rating and the SRF, and hence IDRs, are based on Fitch's view that there is an extremely high likelihood that the Austrian authorities would support a sizeable domestic retail banking group such as V-Verbund in case of need. VBAG's ratings are based on Fitch's assumption that, as the central institution of the Volksbanken Verbund, VBAG would be the entity through which sovereign support - if ever needed - would be channelled to smaller member banks within the sector.

In 9M09, VBAG incurred a sizeable pre-tax loss (EUR607m), largely due to sharply higher loan impairment charges for Austrian and Central and Eastern European (CEE) corporate loans and CEE retail loans, but also due to impairments on financial investments. VBAG's management expects a further significant loss in Q409, albeit less than in Q309 (EUR467.4m pre-tax loss). While V-Verbund's primary banks continued to perform adequately in 9M09, their contribution was insufficient to off-set VBAG's loss and V-Verbund will report a sizeable loss for FY2009. Fitch expects VBAG's and V-Verbund regulatory capital ratios at end-2009 to be relatively comfortably above their regulatory minimums.

As a requirement for having obtained EUR1bn participation capital from the Austrian state in H109, VBAG is currently revising its strategy and business plan and Fitch understands that a variety of strategic options, including the disposal of assets or a strategic partnership, are being assessed. Fitch will resolve the RWN on V-Verbund's Individual Rating once VBAG has clarified its new strategic plan. In resolving the RWN, Fitch will - among other things - consider the general viability of VBAG's revised business model, the volume of risks taken at VBAG, notably in relation to V-Verbund as a whole, and any impact on VBAG's and V-Verbund's capitalisation.

V-Verbund, which is not a legal entity itself but a cooperative grouping of member banks, is Austria's fourth-largest banking group, offering a wide range of banking services. VBAG is responsible for managing the sector's liquidity requirements, but also a bank in its own right. The bank holding company itself offers capital market services while retail lending activities in CEE are grouped in its 51%-owned subsidiary, Volksbank International AG. It also provides corporate and real estate financing, largely in CEE but also in Austria, through its fully-owned subsidiary, Investkredit AG.

The full list of VB-Verbund member banks is as follows:

Volksbank Suedburgenland reg.Gen.m.b.H., Pinkafeld
Volksbank Feldkirchen, reg.Gen.m.b.H., Feldkirchen
Volksbank Kaernten Sued e.Gen., Ferlach
Volksbank Gmuend, eing.Gen.m.b.H., Gmuend

Volksbank, Gewerbe- und Handelsbank Kaernten Aktiengesellschaft, Klagenfurt
Volksbank Gailtal eG, Koetschach-Mauthen
VOLKSBANK OBERKAERNTEN reg.Gen.m.b.H., Spittal a. d. Drau
SPARDA-BANK VILLACH/INNSBRUCK reg.Gen.m.b.H., Villach
Volksbank Alpenvorland e.Gen., Amstetten
VOLKSBANK BADEN e.Gen., Baden
Volksbank Fels am Wagram reg.Gen.m.b.H., Fels am Wagram
Volksbank Marchfeld e.Gen., Gaenserndorf
VOLKSBANK OBERES WALDVIERTEL reg.Gen.m.b.H., Heidenreichstein
Waldviertler Volksbank Horn reg.Gen.m.b.H., Horn
Volksbank Krems-Zwettl Aktiengesellschaft, Krems a. d. Donau
Volksbank Laa a.d. Thaya eing.Gen.m.b.H., Laa an der Thaya
Weinviertler Volksbank reg.Gen.m.b.H., Mistelbach
Volksbank Obersdorf-Wolkersdorf-Deutsch-Wagram reg.Gen.m.b.H., Obersdorf
Volksbank Niederoesterreich-Mitte reg.Gen.m.b.H., St. Poelten
Volksbank Ost reg.Gen.m.b.H., Schwechat
Volksbank Donau-Weinland reg.Gen.m.b.H., Stockerau
Volksbank Tullnerfeld eG, Tulln
Volksbank Niederoesterreich Sued reg.Gen.m.b.H., Wiener Neustadt
Volksbank Oetscherland reg.Gen.m.b.H., Wieselburg
Volksbank Altheim-Braunau reg.Gen.m.b.H., Altheim
Volksbank Bad Goisern, reg.Gen.m.b.H., Bad Goisern
Volksbank Bad Hall e.Gen., Bad Hall
Volksbank Eferding - Grieskirchen reg.Gen.m.b.H., Eferding
"Volksbank Enns-St.Valentin, reg.Gen.m.b.H.", Enns
Volksbank Friedburg reg.Gen.m.b.H., Strasswalchen
Volksbank Linz - Muehlviertel reg.Gen.m.b.H., Linz
SPARDA-BANK LINZ, reg.Gen.m.b.H., Linz
Volksbank Ried im Innkreis reg.Gen.m.b.H., Ried im Innkreis
Volksbank Schaerding reg.Gen.m.b.H., Schaerding
Almtaler Volksbank reg.Gen.m.b.H., Scharnstein
VOLKSBANK VOECKLABRUCK-GMUNDEN e.Gen., Voecklabruck
Volksbank Voecklamarkt-Mondsee reg.Gen.m.b.H., Voecklamarkt
VOLKSBANK WELS e. Gen., Wels
Volksbank Oberndorf reg.Gen.m.b.H., Oberndorf
Volksbank Salzburg eG, Salzburg
Volksbank Steirisches Salzkammergut, reg.Gen.m.b.H., Bad Aussee
VOLKSBANK fuer den Bezirk Weiz reg.Gen.m.b.H., Gleisdorf
Volksbank Graz-Bruck reg.Gen.m.b.H., Graz
Volksbank Sued-Oststeiermark e.Gen., Hartberg
Volksbank Aichfeld-Murboden reg.Gen.m.b.H., Judenburg
Volksbank Muerztal-Leoben reg.Gen.m.b.H., Leoben
Volksbank fuer die Sued- und Weststeiermark reg.Gen.m.b.H., Koeflach
Volksbank Enns- und Paltental reg.Gen.m.b.H., Rottenmann
Volksbank Tirol Innsbruck-Schwaz AG, Innsbruck
Volksbank Landeck eG, Landeck
Volksbank Osttirol reg.Gen.m.b.H., Lienz
VOLKSBANK VORARLBERG e. Gen., Rankweil
Volksbank Kufstein reg.Gen.m.b.H., Kufstein
VB Factoring Bank Aktiengesellschaft, Salzburg
IMMO-BANK Aktiengesellschaft, Wien
Volksbank Wien AG, Wien
Oesterreichische Apothekerbank reg.Gen.m.b.H., Wien
Wiener Spar- und Kreditinstitut reg.Gen.m.b.H., Wien
Gaertnerbank, reg.Gen.m.b.H., Wien
Bank fuer Aerzte und Freie Berufe Aktiengesellschaft, Wien
Allgemeine Bausparkasse reg.Gen.m.b.H., Wien
Oesterreichische Volksbanken-Aktiengesellschaft, Wien
Volksbank-Quadrat Bank AG, Wien

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

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