

Research Update:

KA Finanz Outlook Revised To Positive After Same Action On Austria; 'AA+/A-1+' Ratings Affirmed

March 1, 2022

Overview

- We revised our outlook on Austria to positive from stable on Feb. 25, 2022.
- The ratings and outlook on Austrian wind-down entity KA Finanz reflect our expectation that the entity will receive extraordinary government support from its sole owner, the Austrian government, in all circumstances, if needed.
- We consequently revised our outlook on KA Finanz to positive from stable and affirmed our 'AA+/A-1+' long- and short-term ratings.
- The positive outlook on KA Finanz reflects that on Austria, indicating that an upgrade of Austria will prompt a similar rating action on KA Finanz, unless the company's role and link to the Austrian government change materially over the next 12-24 months.

Rating Action

On March 1, 2022, S&P Global Ratings revised its outlook on Austria-based KA Finanz AG to positive from stable. At the same time, we affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings on the company.

Rationale

The outlook revision follows a similar rating action on Austria. We believe Austria's economic growth trajectory should remain broadly resilient over 2022-2025, benefitting the country's budgetary performance. That said, the main risks to Austria's economic prospects in the near term include the evolution of the pandemic. Moreover, we note that currently heightened geopolitical risks could lead to higher energy prices and inflation than we currently expect (see "Austria Outlook Revised To Positive On Budgetary Consolidation Prospects; 'AA+/A-1+' Ratings Affirmed," published Feb. 25, 2022, on RatingsDirect).

PRIMARY CREDIT ANALYST

Cihan Duran, CFA
Frankfurt
+ 49 69 3399 9177
cihan.duran
@spglobal.com

SECONDARY CONTACTS

Michelle Keferstein
Frankfurt
(49) 69-33-999-104
michelle.keferstein
@spglobal.com

Anna Lozmann
Frankfurt
+ 49 693 399 9166
anna.lozmann
@spglobal.com

KA Finanz's critical public policy role and integral link with the Austrian government is

unchanged. We believe that it will be supported by its owner in the event of financial difficulties and continue to receive funding. This reflects our opinion that there is an almost certain likelihood that the Austrian government would provide timely and sufficient extraordinary support to KA Finanz in all circumstances. The entity's public policy role as a wind-down entity will continue until this task is complete.

KA Finanz has a non bank-status since September 2017. Its wind-down horizon has recently been accelerated, with completion targeted by the end of 2023 versus the end of 2026 previously. We project that KA Finanz will continue to incur structural losses from its wind-down, which we expect will continue to be covered on an annual basis by the relevant government support framework through state-owned company ABBAG. The €8.2 billion funding framework established to support the wind-down process includes a loss-absorbing tranche of €988 million. We understand that this support mechanism will remain in place during the accelerated wind-down plan and regard the tranche as sufficient to cover further losses until the end of the runoff term.

Outlook

The positive outlook on KA Finanz reflects that on Austria. As a result, any rating action on Austria will prompt a similar rating action on KA Finanz.

Any weakening of KA Finanz's role for and link to Austria could cause us to take a negative rating action on the company. However, we do not anticipate any adverse changes. We believe that the almost certain likelihood of government support will not change over at least the next two years.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Austria Outlook Revised To Positive On Budgetary Consolidation Prospects; 'AA+/A-1+' Ratings Affirmed, Feb. 25, 2022
- KA Finanz AG, Nov. 19, 2021

Ratings List

Ratings Affirmed; Outlook Action

	To	From
KA Finanz AG		
Issuer Credit Rating	AA+/Positive/A-1+	AA+/Stable/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.