

## **FITCH AFFIRMS KA FINANZ AT 'A + '/STABLE; WITHDRAWS RATINGS**

Fitch Ratings-London-15 November 2017: Fitch Ratings has affirmed KA Finanz AG's (KF) Long-Term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook and Short-Term IDR at 'F1+'. Fitch has simultaneously withdrawn KF's ratings for commercial reasons. A full list of rating actions is at the end of this rating action commentary.

### **KEY RATING DRIVERS**

#### **IDRs, SUPPORT RATING, SUPPORT RATING FLOOR (SRF) AND SENIOR DEBT**

KF's IDRs, senior debt ratings, Support Rating and SRF reflect Fitch's view that KF benefits from an extremely high likelihood of support from Austria (AA+/Stable/F1+), if required. Our assessment is driven by KF's state ownership, high share of funding provided or guaranteed by the state, and Austria's adequate financial flexibility to support the relatively small KF.

The government intends to remain KF's sole owner until the completion of its wind-down envisaged for 2026.

KF is a run-off company without a banking licence, but it remains within the scope of the EU's Bank Recovery and Resolution Directive and Single Resolution Mechanism. As a result, resolution measures including senior unsecured creditor bail-in cannot be formally ruled out if unexpected losses during KF's wind-down trigger the need for sovereign support beyond that already in place. However, we view a bail-in as extremely unlikely.

The refinancing agreement signed in June 2017 results in the gradual replacement of almost all of KF's non-guaranteed market funds by state funding. The state will rapidly become KF's dominant creditor, making a potential bail-in highly ineffective, and further increasing the state's incentive to provide additional support if needed.

### **SUBORDINATED DEBT**

The rating of the subordinated Tier 2 notes is notched down once from KF's Long-Term IDR. This reflects our view that the notes strongly benefit from state support. The one notch differential reflects the notes' contractual subordination to senior unsecured obligations.

### **STATE-GUARANTEED DEBT**

The ratings of the state-guaranteed EUR1 billion senior unsecured notes and EUR100 million commercial paper programme reflect our view that Austria has an extremely high incentive to honour its guarantees even if a resolution of KF triggers a bail-in of senior unsecured creditors.

### **RATING SENSITIVITIES**

Not applicable.

The rating actions are as follows:

Long-Term IDR: affirmed at 'A+'; Outlook Stable and withdrawn

Short-Term IDR: affirmed at 'F1+' and withdrawn

Support Rating: affirmed at '1' and withdrawn

Support Rating Floor: affirmed at 'A+' and withdrawn

Senior unsecured notes: affirmed at 'A+' and withdrawn

State-guaranteed senior unsecured note (XS1270771006): affirmed at 'AA+' and withdrawn

State-guaranteed commercial paper programme: affirmed at 'F1+' and withdrawn  
Debt issuance programme: affirmed at 'A+'/'F1+' and withdrawn  
Non-guaranteed CP programme: affirmed at 'F1+' and withdrawn  
Subordinated Tier 2 debt (XS0257275098, AT0000441209, XS0185015541, XS0144772927 and XS0255270380): affirmed at 'A' and withdrawn

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Applicable Criteria  
Global Bank Rating Criteria (pub. 25 Nov 2016)  
<https://www.fitchratings.com/site/re/891051>

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