

## Ratings Raised On KA Finanz's Public Sector Covered Bonds After Equivalent Rating Action On Issuer

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OVERVIEW

- On Sept. 11, 2017, we raised and removed from CreditWatch positive our ratings on KA Finanz.
- We have therefore raised to 'AA+' from 'AA-' and removed from CreditWatch positive our ratings on KA Finanz's public sector covered bonds.
- Our ratings on KA Finanz's public sector covered bonds are constrained, under our counterparty criteria, by the absence of a replacement framework with regards to the bank account provider.
- The stable outlook on the covered bonds reflects that on the counterparty.

MADRID (S&P Global Ratings) Oct. 4, 2017--S&P Global Ratings today raised to 'AA+' from 'AA-' and removed from CreditWatch positive its credit ratings on KA Finanz AG's public sector covered bond program and related issuances. The outlook is stable.

On May 5, 2017, we placed on CreditWatch positive our ratings on KA Finanz's public sector covered bonds following our similar rating action on KA Finanz (see "Ratings On KA Finanz's Public Sector Covered Bonds Placed On CreditWatch Positive After Similar Rating Action On Bank").

Today's upgrade follows our Sept. 11, 2017 upgrade of Austrian state-owned KA Finanz to 'AA+/A-1+', which is equivalent to our foreign currency sovereign

ratings on the Republic of Austria (AA+/Stable/A-1+) and based on an almost certain likelihood of government support (see "Austria-Based KA Finanz Upgraded To 'AA+/A-1+' On Almost Certain Likelihood Of Government Support; Outlook Stable").

Under our criteria for rating covered bonds, the reference rating level (RRL) of the public sector covered bonds of KA Finanz is 'aa+'. In addition, under our covered bond criteria, we give no benefit to jurisdictional support as the RRL of KA Finanz's public sector covered bonds is at the level of the sovereign. Therefore, the jurisdiction-supported rating level (JRL) of the covered bonds is 'aa+'.

The ratings on the covered bonds are exposed to counterparty risk resulting from the bank account provider, as there is no counterparty replacement framework in line with our counterparty criteria (see "Counterparty Risk Analysis In Covered Bonds, published on Dec. 21, 2015, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Our counterparty criteria therefore constrain our ratings on the covered bonds.

Our ratings on the covered bonds are not constrained by our structured finance ratings above the sovereign criteria, or by legal or operational risks (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016).

The stable outlook on the covered bonds reflects that on the counterparty. As a result, any rating action on the counterparty will prompt a similar rating action on KA Finanz's covered bonds.

#### RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - Covered Bonds: Counterparty Risk Analysis In Covered Bonds, Dec. 21, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Criteria - Structured Finance - RMBS: Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds, Dec. 7, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework

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Methodology And Assumptions, June 25, 2013

- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RELATED RESEARCH

- Republic of Austria 'AA+/A-1+' Ratings Affirmed; Outlook Stable, Sept. 15, 2017
- Austria-Based KA Finanz Upgraded To 'AA+/A-1+' On Almost Certain Likelihood Of Government Support; Outlook Stable, Sept. 11, 2017
- Global Covered Bond Characteristics And Rating Summary Q2 2017, July 11, 2017
- Ratings On KA Finanz's Public Sector Covered Bonds Placed On CreditWatch Positive After Similar Rating Action On Bank, May 5, 2017

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