



RATING ACTION COMMENTARY

Fitch Affirms Heta's Government-Guaranteed Tier 2 Notes at 'AA+'

Tue 10 Nov, 2020 - 11:22 ET

Fitch Ratings - Frankfurt am Main - 10 Nov 2020: Fitch Ratings has affirmed Heta Asset Resolution AG's EUR1 billion government-guaranteed Tier 2 subordinated notes (XS0863484035) maturing in 2022 at 'AA+'.

KEY RATING DRIVERS

The rating of the notes is equalised with Austria's Long-Term Issuer Default Rating (AA+/Stable), based on Fitch's expectation that the Austrian government will honour its unconditional and irrevocable guarantee to noteholders. The Republic of Austria guarantees the "due and punctual" payment of all obligations payable by Heta under the notes.

In April 2016, the Austrian Financial Market Authority imposed a bail-in of Heta's senior unsecured and subordinated liabilities, including the sovereign-guaranteed notes, as part of Heta's resolution in accordance with the Federal Act on the Recovery and Resolution of Banks, which transposes the EU's Bank Recovery and Resolution Directive in Austria.

The Republic of Austria was called under the subordinated notes' guarantee and has since continued to ensure full and timely payment of all amounts due. Fitch believes the government has no incentive not to honour its guarantee as doing so would probably severely and durably damage its own standing in the capital markets.

RATING SENSITIVITIES

Factors that would individually or collectively lead to a positive rating action/upgrade:

We would upgrade the rating of the notes if Austria's sovereign rating is upgraded.

Factors that would individually or collectively lead to a negative rating action/downgrade:

We would downgrade the rating of the notes if Austria's sovereign rating is downgraded or if we believe that timely execution of the payments by the sovereign is not ensured.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>]

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Heta Asset Resolution AG		
● subordinated	LT AA+	Affirmed AA+

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Patrick Rioual

Senior Director

Primary Rating Analyst

+49 69 768076 123

Fitch Ratings – a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Marco Diamantini

Associate Director

Secondary Rating Analyst

+49 69 768076 114

Cristina Torrella Fajas

Senior Director

Committee Chairperson

+34 93 323 8405

MEDIA CONTACTS

Louisa Williams

London

+44 20 3530 2452

louisa.williams@thefitchgroup.com

Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)**ADDITIONAL DISCLOSURES**[Dodd-Frank Rating Information Disclosure Form](#)[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

Heta Asset Resolution AG

EU Issued

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Non-Bank Financial Institutions Europe Austria
