

**Rating Action: Moody's upgrades five Austrian covered bond ratings; confirms one rating**

---

Global Credit Research - 03 Jul 2015

London, 03 July 2015 -- Moody's Investors Service has today upgraded by one notch the ratings of five covered bonds from issuers based in Austria (Aaa), following the assignment of Counterparty Risk (CR) Assessments to the relevant issuers (see press releases "Moody's concludes reviews on 8 Austrian Raiffeisen Banking Group member banks" and "Moody's concludes reviews on 3 Austrian banking groups; takes action on another 2 institutions' ratings" published 1 July 2015), concluding their reviews initiated on 17 March 2015. At the same time, Moody's confirmed the Aaa ratings assigned to Raiffeisenlandesbank Niederosterreich-Wien's (Baa2/Baa2 negative, ba2) mortgage covered bonds.

Moody's Financial Institutions Group assigned the CR Assessments in line with the rating agency's new global Banks methodology, published 16 March 2015.

Specifically, the rating agency has changed its reference point -- the covered bond (CB) anchor -- for determining the probability that an issuer will cease making payments under a covered bond, before any recourse to the covered bond collateral. Moody's will now use financial institutions' CR Assessments, when available, as the reference point for the CB anchor.

Please click on the following link to access the full list of affected credit ratings. This list is an integral part of this press release and identifies each affected issuer: [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF412158](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF412158).

Please refer to: [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_179038](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_179038), for Moody's new bank rating methodology.

**RATINGS RATIONALE**

For each of the issuers below, Moody's considers that over-collateralisation (OC) is committed if the issuers discretion to change the level of committed OC is sufficiently restricted.

--- Bawag P.S.K. (Baa1/Baa1 positive, baa3) - mortgage covered bonds

With a CR Assessment of A3(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 13.5%. Due to the sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 177.6%, of which 5.5% is in committed form.

--- BAWAG P.S.K. - public-sector covered bonds

With a CR Assessment of A3(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 10.5%. Due to a sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 48.4%, of which 7.0% is in committed form.

--- Erste Group Bank AG (Baa2/Baa2 stable, ba1) mortgage covered bonds

With a CR Assessment of Baa1(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 20.5%. Due to a sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 29.2%, of which 13.0% is in committed form.

--- Erste Group Bank - public-sector covered bonds

With a CR Assessment of Baa1(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 16.0%. Due to a sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 41.5%, of which 3.0% is in committed form.

---- Raiffeisenlandesbank Niederösterreich-Wien AG - mortgage covered bonds

With a CR Assessment of Baa1(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 20.0%. Due to a sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 90.5%, of which 0.0% is in committed form.

--- UniCredit Bank Austria AG (Baa2/Baa2 stable, ba2) - mortgage covered bonds

With a CR Assessment of Baa1(cr), a CB anchor of the CR Assessment plus one notch, and a TPI of "Probable", the TPI framework does not restrict the rating of the covered bonds below Aaa.

The OC required to achieve Aaa is 27.0%. Due to a sufficiently high CB anchor, no committed OC is required to achieve the target rating. The total OC in the programme is currently 80.8%, of which 2.0% is in committed form.

#### KEY RATING ASSUMPTIONS/FACTORS

Moody's determines covered bond ratings using a two-step process: an expected loss analysis and a TPI framework analysis.

**EXPECTED LOSS:** Moody's uses its Covered Bond Model (COBOL) to determine a rating based on the expected loss on the bond. COBOL determines expected loss as (1) a function of the probability that the issuer will cease making payments under the covered bonds (a CB anchor event); and (2) the stressed losses on the cover pool assets following issuer default.

The CB anchor for the programmes is the CR Assessment plus one notch. The CR Assessment reflects an issuer's ability to avoid defaulting on certain senior bank operating obligations and contractual commitments, including covered bonds. Moody's may use a CB anchor of the CR Assessment plus one notch in the European Union or otherwise where an operational resolution regime is particularly likely to ensure continuity of covered bond payments.

The cover pool losses for each programme is an estimate of the losses that Moody's currently models if a CB anchor event occurs. Moody's splits cover pool losses between market risks and collateral risks. Market risks measure losses stemming from refinancing risks and risks related to interest-rate and currency mismatches (these losses may also include certain legal risks). Collateral risks measure losses resulting directly from cover pool assets' credit quality. Moody's derives the collateral risk from the collateral score.

**TPI FRAMEWORK:** Moody's assigns a TPI to each covered bond that indicates the likelihood that the issuer will make timely payments to covered bondholders following a CB anchor event. The TPI framework limits the covered bond rating to a certain number of notches above the CB anchor.

Factors that would lead to a downgrade of the ratings:

The CB anchor is the main determinant of a covered bond's rating robustness. A change in the level of the CB anchor could lead to an upgrade or downgrade of the covered bonds.

The TPI Leeway measures the number of notches by which Moody's might lower the CB anchor before the rating agency downgrades the covered bonds because of TPI framework constraints.

A multiple-notch downgrade of the covered bonds might occur in certain limited circumstances, such as (1) a sovereign downgrade negatively affecting both the CB anchor and the TPI; (2) a multiple-notch lowering of the CB anchor; or (3) a material reduction of the value of the cover pool.

#### RATING METHODOLOGY

The principal methodology used in these ratings was "Moody's Approach to Rating Covered Bonds" published in March 2015. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF412158](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF412158) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Covered Bond Programme
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not use any stress scenario simulations in its analysis.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The following information supplements Disclosure 10 ("Information Relating to Conflicts of Interest as required by Paragraph (a)(1)(ii)(J) of SEC Rule 17g-7") in the regulatory disclosures made at the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for each credit rating:

For identification of which credit ratings have payors that have or have not paid Moody's for services other than determining a credit rating in the most recently ended fiscal year, please see the detailed list under the following link: [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF412158](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF412158). The list is an integral part of this press release.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

Alexander Zeidler  
Vice President - Senior Analyst  
Structured Finance Group  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Juan Pablo Soriano

MD - Structured Finance  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

## MOODY'S INVESTORS SERVICE

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing

the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.