



## Rating Action: Moody's assigns (P)Baa2 subordinate debt rating to BAWAG Group's proposed medium-term notes issuance

18 Mar 2019

Frankfurt am Main, March 18, 2019 -- Moody's Investors Service (Moody's) has today assigned a provisional (P)Baa2 subordinate debt rating to BAWAG Group AG's (BAWAG Group) proposed medium-term notes issuance.

Moody's provisional ratings, issued in advance of the final issuance, represent its preliminary credit opinion on the proposed notes. A definitive rating may differ from the provisional rating if the terms and conditions of the final issuance are materially different from those of the draft prospectus it reviewed.

A full list of affected ratings can be found at the end of this press release.

### RATINGS RATIONALE

#### ASSIGNMENT OF SUBORDINATE DEBT RATING

Moody's assigned the (P)Baa2 subordinate debt rating to BAWAG Group's proposed medium-term notes issuance under its EUR10 billion debt issuance program. Under this program, BAWAG Group and its main operating subsidiary, BAWAG P.S.K. (deposits A2 positive/senior unsecured A2 stable, BCA baa1), can issue debt instruments of different seniorities, including subordinated debt instruments.

The (P)Baa2 subordinate debt rating reflects the baa1 Baseline Credit Assessment (BCA) and Adjusted BCA of BAWAG P.S.K. and the results of Moody's Advanced Loss Given Failure (LGF) analysis, which indicate a high loss severity in case of failure, leading to a rating assignment one notch below the Adjusted BCA.

Today's rating assignment does not affect any other ratings or assessments assigned to BAWAG Group or BAWAG P.S.K.

#### RATING OUTLOOK

Ratings on subordinated instruments do not carry outlooks.

#### FACTORS THAT COULD LEAD TO AN UPGRADE/DOWNGRADE

The rating of the subordinated debt instruments could be upgraded if the BCA of BAWAG P.S.K. is upgraded. Upward rating pressure on BAWAG P.S.K.'s BCA could result from (1) continued strengthening of its solvency metrics, especially if combined with a track record of successful integration of acquired operations and (2) the limitation of acquisitive growth to smaller bolt-on acquisitions with limited execution risks.

Further, the rating could be upgraded following a significant increase in the group's volume of subordinated or low-trigger Additional Tier 1 capital instruments, beyond Moody's current expectations. This may lead to rating uplift under Moody's Advanced LGF analysis for this debt class.

Conversely, the rating of the subordinated debt instruments could be downgraded following a downgrade of BAWAG P.S.K.'s BCA. Downward pressure on BAWAG P.S.K.'s BCA could be triggered by (1) an increase in asset risks as a result of unexpectedly weak credit performance; (2) execution challenges related to acquisitions and in particular to the growth strategy in Germany; (3) greater than expected pressure on BAWAG's capital ratios as a result of acquisitive growth or pay outs to shareholders.

#### LIST OF AFFECTED RATINGS

Issuer: BAWAG Group AG

Assignment:

....Subordinate debt rating (local currency) of (P)Baa2

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Banks published in August 2018. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

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