

FITCH AFFIRMS HETA'S GOVERNMENT-GUARANTEED TIER 2 NOTES AT 'AA+'

Fitch Ratings-Frankfurt/London-08 February 2017: Fitch Ratings has affirmed HETA Asset Resolution AG's EUR1bn government-guaranteed Tier 2 subordinated notes (XS0863484035) issued in 2012 and maturing in 2022 at 'AA+'.

KEY RATING DRIVERS

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

On 10 April 2016, the Austrian Financial Market Authority (FMA) imposed a bail-in of HETA's subordinated bonds, including the sovereign-guaranteed notes, and senior unsecured liabilities as part of HETA's resolution in accordance with the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz ueber die Sanierung und Abwicklung von Banken), which transposes the EU's Bank Recovery and Resolution Directive in Austria.

The Republic of Austria, as guarantor of the notes, was called under the guarantee and has since continued to ensure full and punctual payment of all amounts due. Fitch believes that the government has little incentive not to honour its guarantee as doing so would probably severely and durably damage its own standing in the capital markets.

The notes were unaffected by the province of Carinthia's tender offer submitted on 6 September 2016 to HETA's creditors covered by Carinthia's deficiency guarantees.

RATING SENSITIVITIES

The notes' rating is sensitive to changes in Austria's sovereign rating.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Bank Rating Criteria (pub. 25 Nov 2016)

<https://www.fitchratings.com/site/re/891051>

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