

Research Update:

Austria-Based OeKB Outlook Revised To Positive After Same Action On Sovereign; 'AA+/A-1+' Ratings Affirmed

March 1, 2022

Overview

- We revised our outlook on Austria to positive from stable on Feb. 25, 2022, because we think the country will make a faster and stronger recovery from the economic and fiscal impact of the pandemic.
- In our view Oesterreichische Kontrollbank AG (OeKB) benefits from an almost certain likelihood of extraordinary government support from the Austrian government, which has mandated OeKB in specific laws to act on its behalf as administrator of government export guarantees.
- We therefore equalize our ratings on OeKB with the ratings on Austria.
- We revised our outlook on OeKB to positive from stable and affirmed the 'AA+/A-1+' ratings.

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Rating Action

On March 1, 2022, S&P Global Ratings revised its outlook on Oesterreichische Kontrollbank (OeKB) to positive from stable. We affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings on the bank.

Rationale

The outlook revision follows a similar action on Austria (see "Austria Outlook Revised To Positive On Budgetary Consolidation Prospects; 'AA+/A-1+' Ratings Affirmed," published Feb. 25, 2022, on RatingsDirect). The Austrian economy looks set to emerge from the pandemic earlier and in better shape than we previously anticipated. This makes a stronger fiscal performance more likely, thanks to higher tax revenue and lower pandemic-induced spending.

We equalize our ratings on OeKB with those on Austria since we see an almost certain likelihood that Austria's federal government would provide timely and sufficient extraordinary support to the bank in the event of financial distress. We hold this view, despite Austria not owning any shares in

OeKB, due to the bank's:

- Critical role as Austria's sole appointed agent for administering the governmental export guarantee program and providing government-backed export financing. In this capacity, OeKB provides an essential service to Austria's export-focused economy; and
- Integral link with the Austrian government, resulting from the legal provisions that govern its mandate as Austria's official export credit agent. The government plays a major role in defining OeKB's strategy, and it provides unconditional, irrevocable, and timely guarantees for OeKB's bond issues. In addition, the government effectively guarantees most of OeKB's assets and provides continuous support by honoring drawn asset guarantees. Even though the federal government doesn't own OeKB, it remains involved in OeKB through commissioners that participate in the bank's shareholder and supervisory board meetings, and an inter-ministerial committee that needs to approve government guarantees administered via OeKB.

OeKB was established in 1946 to administrate export guarantees and has provided export-loan financing since 1960. With the adoption of the Export Promotion Act in 1964 and the Export Guarantees Act (Ausfuhrförderungsgesetz, AusfFG) in 1981, the bank became the sole appointed agent for administering government export guarantees issued by Austria. Export services remain the cornerstone of OeKB's business model. At year-end 2020, they represented more than 90% of OeKB's balance sheet and contributed about 74% of the bank's profit before taxes during the calendar year, primarily through net interest income.

Outlook

Our positive outlook on OeKB reflects that on Austria and our view that OeKB's role for and link with the government are unlikely to change over at least the next two years. We therefore expect our ratings and outlook on OeKB to move in line with those on Austria.

Downside scenario

We could lower the ratings if we were to conclude that the government was about to change its relationship with OeKB or withdraw its support, including guarantees on future bond issuance. Also, if the bank lost its exclusive position as the government's agent for export guarantees and export guarantee-based financing, we would consider a downgrade. Additionally, if OeKB were to deviate from its current government-approved strategy and become more involved in commercial activities for its own account, we could reassess the bank's role for and link with the government.

Upside scenario

We could upgrade OeKB if we upgraded Austria in the next 24 months and if, at the same time, our assessment of an almost certain likelihood of extraordinary support remained unchanged.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Austria Outlook Revised To Positive On Budgetary Consolidation Prospects; 'AA+/A-1+' Ratings Affirmed, Feb. 25, 2022
- Sovereign Risk Indicators, Dec. 13, 2021. Interactive version available at <http://www.spratratings.com/sri>.
- European Economic Snapshots: From Fast-Paced Recovery To Robust Expansion, Dec. 6, 2021
- Oesterreichische Kontrollbank AG, Sept. 20, 2021

Ratings List

Ratings Affirmed

Oesterreichische Kontrollbank AG

Senior Unsecured	AA+
Commercial Paper	A-1+

Ratings Affirmed; Outlook Action

	To	From
Oesterreichische Kontrollbank AG		
Issuer Credit Rating	AA+/Positive/A-1+	AA+/Stable/A-1+

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