

Rating Action: Moody's confirms Addiko Bank AG's ratings; outlook stable

06 Dec 2019

Frankfurt am Main, December 06, 2019 -- Moody's Investors Service (Moody's) has today confirmed the Ba3/NP long- and short-term deposit and Counterparty Risk Ratings of Addiko Bank AG (Addiko). Concurrently, the rating agency confirmed the bank's Ba2(cr)/NP(cr) Counterparty Risk Assessments (CR Assessments). The outlook on Addiko's long-term deposit ratings has been changed to stable from rating under review.

Today's rating action concludes the rating review for Addiko opened on 11 October 2019 and reflects the bank's announcement on 19 November 2019 to postpone a planned issuance of subordinated debt.

Addiko's ba2 Baseline Credit Assessment (BCA) and Adjusted BCA are not affected by today's rating action.

For a list of affected ratings please refer to the end of this press release.

RATINGS RATIONALE

-- CONFIRMATION OF RATINGS AND RATING INPUTS

The confirmation of Addiko's deposit ratings, its Counterparty Risk Ratings (CRRs) and CR Assessments is driven by the bank's announcement to postpone a planned issuance of subordinated debt, which would have increased the volume of loss-absorbing cushion for these instrument classes. The rating confirmation reflects the now unchanged expected loss for these liabilities under Moody's Advanced Loss Given Failure (LGF) analysis which indicates a high loss given failure for Addiko's Ba3 deposit ratings.

-- RATIONALE FOR THE STABLE OUTLOOK

The outlook on Addiko's deposit ratings is stable, reflecting Moody's view that Addiko will be able to sustain achieved solvency improvements and maintain its current funding structure over the outlook horizon.

WHAT COULD CHANGE THE RATINGS UP

An upgrade of Addiko's ratings could be prompted by: 1) a higher BCA or Adjusted BCA; 2) a change in Addiko's liability structure that could prompt a better result from Moody's Advanced LGF analysis, for example through significantly higher volumes of institutional or junior deposits and/or the issuance of senior (or junior senior) unsecured bonds.

Upward pressure on Addiko's BCA could be exerted if the bank's macro profile were to improve, or if the bank were to develop a sound financial track record of successfully divesting non-core legacy assets and shifting funds into profitable core lending activities to retail and SME customers, thereby improving its asset quality without compromising its level of risk coverage, as well as reducing concentration risks to legacy corporate customers, in combination with improving regulatory capital at single entity and group level.

WHAT COULD CHANGE THE RATINGS DOWN

A downgrade of Addiko's ratings could be prompted by a BCA downgrade.

Downward pressure on Addiko's BCA could be exerted in the event of: 1) a reversal of the positive trend in asset quality, which could be triggered by a weakening of macroeconomic growth prospects in South Eastern Europe; 2) unexpected losses, including those from foreign currency lending and pending legal cases, which may negatively impact Addiko's capitalisation; and 3) a significant deterioration in its funding profile, including unexpected deposit outflows and a decline in liquidity buffers.

LIST OF AFFECTED RATINGS

Issuer: Addiko Bank AG

..Confirmations:

...Long-term Counterparty Risk Ratings, confirmed at Ba3

...Short-term Counterparty Risk Ratings, confirmed at NP

...Long-term Bank Deposits, confirmed at Ba3, outlook changed to Stable from Ratings under Review

...Short-term Bank Deposits, confirmed at NP

...Long-term Counterparty Risk Assessment, confirmed at Ba2(cr)

...Short-term Counterparty Risk Assessment, confirmed at NP(cr)

..Outlook Action:

...Outlook changed to Stable from Rating under Review

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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