

Research Update:

# Netherlands-Based Bank Knab Downgraded To 'BBB' After Acquisition By BAWAG; Outlook Stable

November 12, 2024

## Overview

- BAWAG Group AG, an Austria-based banking group, completed its acquisition of Knab, previously owned by ASR Nederland N.V., on Nov. 1, 2024.
- We think that Knab is strategically important to BAWAG and fits BAWAG's consolidation aim in Western Europe.
- Nevertheless, our assessment of BAWAG's creditworthiness limits support to Knab to two notches of uplift compared with three notches under ownership by ASR.
- Consequently, we lowered our long-term ratings on Knab to 'BBB' from 'BBB+'.
- Our outlook is stable, reflecting our view on BAWAG's stable creditworthiness.

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## Rating Action

On Nov. 12, 2024, S&P Global Ratings lowered its long-term issuer credit rating on Knab N.V. to 'BBB' from 'BBB+'. The outlook on the long-term rating is stable. At the same time, we affirmed our 'A-2' short-term issuer credit rating on the bank.

## Rationale

**BAWAG's acquisition of Knab is in line with its Western Europe consolidation strategy.** BAWAG, which is the fourth-largest Austrian bank by total assets, with €55 billion at year-end 2023, acquired Knab (€18 billion of assets) on Nov. 1, 2024. The acquisition is important but not transformative at this stage for the small universal Austrian bank, which has a very low cost-to-income ratio and broad geographical diversification. BAWAG has experience in several niche activities and has recently made successful acquisitions.

**We expect Knab to continue pursuing its strategy under BAWAG's ownership.** We think BAWAG will support Knab's current strategy of developing its own lending operations and maintaining its niche focus as a pure online bank for entrepreneurs, their businesses and families. BAWAG is

likely to let Knab's management have some independence regarding both day-to-day operation and strategy as long as the strategy fits BAWAG's risk-to-profit targets. However, we think Knab will be under more pressure to upstream a larger dividend payout than with the two previous owners (Aegon and ASR).

Knab is currently predominantly dependent on Dutch mortgage specialist Robuust to originate its new mortgage inflows and future business. We deem it likely Knab will be able to secure sufficient newly originated domestic mortgages through Robuust in the coming years. Over the medium to long term, some synergies with the BAWAG-owned Hypo Trust, a Dutch mortgage lender specialist, could be generated.

**We view Knab's intrinsic creditworthiness as unchanged after the BAWAG acquisition despite reduced group support.** Our current assessment of BAWAG's creditworthiness, as well as the strategic importance of Knab for its new owner, leads to a two-notch uplift from our 'bb+' stand-alone credit profile (SACP) on Knab. We consider the strategic importance of Knab could increase over time. However, this would not lead to a change in our long-term issuer credit rating on Knab, which would remain capped at 'BBB' unless we view an improvement of BAWAG's credit strengths.

## Outlook

The stable outlook on Knab reflects our assessment of Knab's strategic importance to its future parent as well as our expectation regarding the stability of BAWAG's creditworthiness.

## Upside scenario

We would raise our ratings on Knab if we thought BAWAG's creditworthiness would improve. An improvement of Knab's intrinsic creditworthiness would not trigger an upward revision of our issuer credit rating because in this scenario we would remove one notch of group support.

## Downside scenario

We would lower our ratings on Knab if we thought BAWAG's creditworthiness would weaken. A lowering of our SACP on Knab by one notch would not lower our ICR which would in this scenario be supported by three notches of group support.

## Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB/Stable/A-2	BBB+/Negative/A-2
SACP	bb+	bb+
Anchor	bbb+	bbb+
Business position	Constrained (-3)	Constrained (-3)
Capital and earnings	Very Strong (+2)	Very Strong (+2)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Moderate and adequate (-1)	Moderate and adequate (-1)

	To	From
Issuer Credit Rating	BBB/Stable/A-2	BBB+/Negative/A-2
Comparable ratings analysis	0	0
Support	+2	+3
ALAC support	0	0
GRE support	0	0
Group support	+2	+3
Sovereign support	0	0
Additional factors	0	0

SACP--Stand-alone credit profile.

## Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Research Update: Aegon Bank N.V. Downgraded To 'BBB+' On Announced Sale By ASR Nederland N.V.; Outlook Negative, Feb. 6, 2024
- Aegon Bank N.V., Sept. 19, 2023

## Ratings List

### Downgraded; Outlook Action

	To	From
<b>Knab N.V.</b>		
Issuer Credit Rating	BBB/Stable/A-2	BBB+/Negative/A-2

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