

Transaction Update:

# BKS Bank AG (Mortgage Covered Bond Program)

March 13, 2026

Reference rating level	a	Jurisdiction-supported rating level	aa	Maximum achievable CB rating	aaa	<b>Covered bond rating</b>	
Resolution regime uplift	+2	Assigned jurisdictional support uplift	+3	Assigned collateral support uplift	+2	<b>AAA/Stable</b>	
Systemic importance	Very Strong	Jurisdictional support assessment	Very Strong	Over-collateralization adjustment	0	Rating constraints	aaa
Resolution counterparty rating	A-			Liquidity adjustment	-1	Sovereign risk	aaa
<b>Issuer credit rating</b>	BBB+			Potential collateral-based uplift	+4	Counterparty risk	aaa

Primary Contact

**Natalie Swiderek**  
Madrid  
34-91-788-7223  
natalie.swiderek@spglobal.com

Research Contributor

**Abha A Korde**  
CRISIL Global Analytical Center,  
an S&P Global Ratings affiliate  
Pune

## Credit Highlights

### Overview

**Key strengths**

The issuer’s overcollateralization commitment to maintain ‘AAA’ ratings.

One unused notch of collateral-based uplift would protect the ‘AAA’ covered bond ratings if we were to lower the long-term issuer credit rating (ICR) on BKS Bank AG (BKS Bank) by one notch.

A cover pool of mostly seasoned Austrian first-lien residential mortgage loans for owner occupation.

**Key risks**

Relatively high original loan-to-value (LTV) ratios and a high level of self-employed borrowers in the residential loan sub-portfolio, reflecting in our default frequency determination.

While there’s an increasing trend, the current small size of the commercial mortgage loan sub portfolio attracts a high default probability assumption under our analytical approach.

Concentration of mortgage loans in Carinthia, reflecting in our default frequency determination.

**Under our updated covered bonds criteria, the covered bonds achieve ‘AAA’ ratings with two notches of collateral support uplift above the jurisdiction-supported rating level (JRL) and a required overcollateralization of ‘AAA’ credit risk plus 50% of refinancing costs.** Based on cover pool data as of Dec. 31, 2025, the required overcollateralization for the ‘AAA’ rating is 12.2% (see “[Methodology For Rating Covered Bonds](#),” July 25, 2025). This compares to a required

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overcollateralization of 14.9% equivalent to 'AAA' credit risk plus 75% of refinancing costs previously. The cover pool comprises mostly Austrian residential and commercial mortgage loans, originated by BKS Bank. As of Dec. 31, 2025, the cover pool balance was €628.3 million (up from €542.4 million previously) while the amount of outstanding covered bonds remained unchanged with €392 million, resulting in higher available overcollateralization of 60.3% (38.4% previously). Overall, since our last review, the cover pool's share of commercial real estate (CRE) loans increased to about 19%. At the same time our credit metrics for the combined portfolio of residential and CRE loans have worsened since our previous review.

**'AAA' credit risk and the target credit enhancement (TCE) decreased under our updated criteria.** We calculated 'AAA' credit risk of 10% (down from 11.5% previously) and a TCE of 14.5% (down from 16% previously). The TCE determines the overcollateralization commensurate with the maximum collateral-based uplift of four notches above the JRL and considers the program's asset-liability maturity mismatch (ALMM) risk. Lower 'AAA' credit risk and TCE are driven by the removal of spread compression and commingling risk stresses, given their limited materiality to the required credit enhancement level. Additionally, the TCE decreased due to our lower asset spread assumptions when modeling refinancing risk under our new criteria. These positive effects have more than offset the negative impact of the deterioration in the cover pool's credit metrics on our cash flow results.

**The covered bonds benefit from one unused notch of collateral support uplift.** The unused notch protects the covered bonds' 'AAA' ratings in the event of a one notch downgrade of our long-term ICR on BKS Bank (BBB+/Stable/--), all else being equal.

**The banking sector shows resilience to economic risk.** Austria has emerged from one of its longest recessions in post-war history, with economic growth in the second half of 2025 surpassing our initial projections. Stronger-than-expected domestic demand--fueled by investment and modestly expanding consumption--has compensated for declining net exports, largely driven by global trade headwinds. Despite this rebound, economic recovery will remain fragile and we expect domestic economic growth of slightly above 1% GDP through 2029 (see "[Austria](#)," Feb. 6, 2026). While there are risks to our baseline scenario, mainly from geopolitical tensions, we think the impact on the banking system will be contained. At the same time, the risks have somewhat increased since 2024. The economy and the private sector seem to be more sensitive to adverse trends than we expected. While developments so far do not merit a negative economic risk trend, our assessment is now less robust than before. A delayed recovery or the private sector's continued vulnerability, with persistently higher risk costs, could cause a reassessment of economic risk trends (see "[Banking Industry Country Risk Assessment: Austria](#)," Sept. 30, 2025).

**Banking industry risk is stable.** This reflects recent improvements in profitability and cost efficiency, which we view as sustainable. We see relatively high nonperforming loans in the system -- currently hovering around 3%--not as a sign of higher risk appetite or substandard lending but more a reflection of a longer recession coupled with recent high interest rates. This view could however change, if there is no recovery in the asset quality metrics--specifically in the real estate portfolio--in line with the expected economic recovery.

## Outlook

The stable outlook on the covered bond ratings reflects one unused notch of collateral-based support that would protect the ratings on the covered bonds if we were to lower the ICR on BKS Bank by one notch, all else being equal.

## Program Description

Table 1

### Program overview\*

Jurisdiction	Austria
Legal framework	Austrian Covered Bond Act
Redemption profile	Hard bullet
Underlying assets	Residential and commercial mortgages; substitute assets
Outstanding covered bonds (mil. €)	392
Available credit enhancement (%)	60.29
Credit enhancement commensurate with current rating (%)	12.23
Legal overcollateralization (%)	2.00
Number of unused notches	1

\*Based on data as of Dec. 31, 2025.

BKS Bank's covered bonds are governed by the Austrian Covered Bond Act (CBA, "Pfandbriefgesetz") and are issued under its base prospectus for the issuance of bonds or under stand-alone documentation. The covered bonds constitute senior secured unsubordinated obligations of the issuer and rank pari passu with all other obligations secured by the mortgage cover pool register. Covered bondholders have recourse to BKS Bank and in the instance of its insolvency to the assets in the cover pool register. All covered bonds outstanding have a hard-bullet maturity.

No derivatives are registered in the cover pool to mitigate interest and foreign exchange rate risk. Interest rate risk arises from differences in the interest received on the cover pool assets (about 60% floating rate) versus the interest payable on the covered bonds (97.5% fixed rate paying). Cover pool assets are predominantly euro-denominated with a small share of 1.2% denominated in Swiss francs. We have taken the resulting interest rate and currency risk into account in our cash flow modelling.

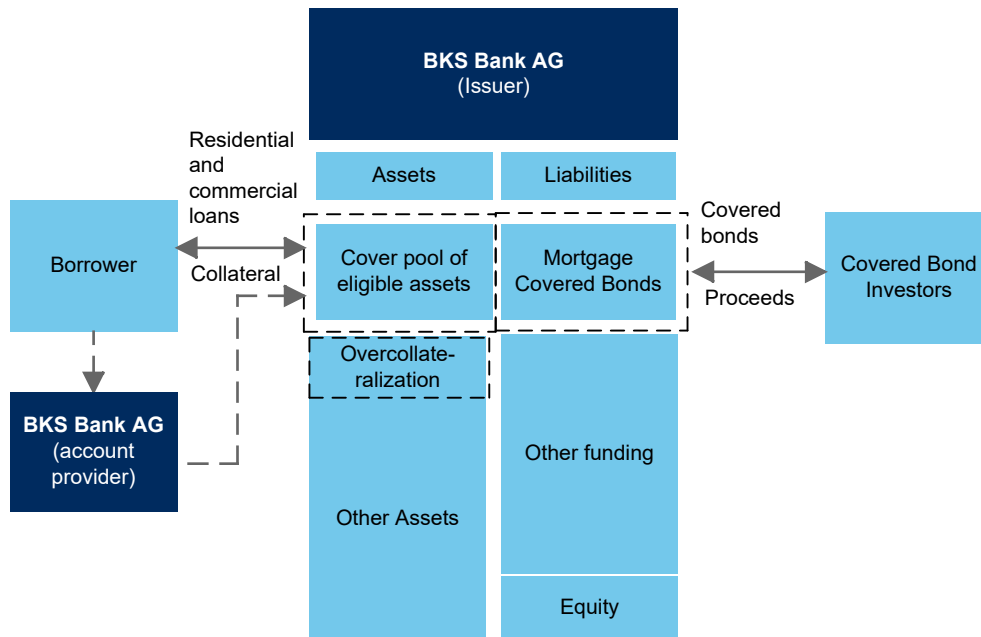
Our quarterly surveillance reports for this cover pool can be found [here](#).

Table 2

### Program participants

Role	Name	Rating	Rating dependency
Issuer	BKS Bank AG	BBB+/Stable/--	Yes
Originator/servicer	BKS Bank AG	BBB+/Stable/--	No
Collection account	BKS Bank AG	BBB+/Stable/--	No

## Program Structure



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## Rating Analysis

### Legal and regulatory risks

Some of BKS Bank's outstanding mortgage covered bonds were issued under the Austrian Law on Secured Bank Bonds ("Gesetz betreffend fundierte Bankschuldverschreibungen"). Covered bonds issued after July 7, 2022, are issued under the Austrian CBA which implemented the EU's Covered Bonds Directive. Issuances made before July 8, 2022, are not required to fulfill the requirements of the Austrian CBA and are grandfathered with their original designation.

In our view, the Austrian covered bond framework sufficiently addresses the relevant legal aspects of our updated covered bonds criteria and our legal criteria (see "[Asset Isolation And Special-Purpose Entity Methodology](#)," May 29, 2025). This enables us to rate the covered bonds above the long-term ICR on the issuer.

The Austrian CBA includes--among other characteristics--a 180-day liquidity buffer requirement, a 2% minimum overcollateralization requirement, the possibility for the special cover pool administrator to extend the maturity of the covered bonds by a maximum of 12 months subject to certain conditions, and the appointment of a cover pool monitor. Derivatives are allowed for risk hedging purposes and must be registered in the cover pool register subject to the counterparty's prior consent.

Under the legislation, LTV ratio limits are inferred from the reference of eligible cover pool assets in the Capital Requirements Regulation Art 129 (1), referring to an LTV ratio limit of 80% of the

value of the property for residential real estate, and 60% for CRE. For CRE, a limit of up to 70% is also possible. Issuers can set lower LTV ratio limits in their articles of association.

## **Resolution regime analysis**

Our analysis considers whether the applicable resolution regime in Austria increases the likelihood that the issuer will continue servicing its covered bonds even following a default on its senior unsecured obligations. BKS Bank is domiciled in Austria, which is subject to the EU's Bank Recovery and Resolution Directive. We assess the systemic importance for Austrian mortgage covered bonds as very strong. Under our covered bonds criteria, we determine the reference rating level (RRL) as the greater of (i) two notches above the long term ICR ('a'); and (ii) the resolution counterparty rating on the issuer ('A-'). As a result, the RRL is 'a'.

## **Jurisdictional support analysis**

Our jurisdictional support analysis assesses the likelihood that a covered bond program facing stress would receive support from a government-sponsored initiative instead of liquidating cover assets in the open market. For banks in countries that are members of a monetary union, we also consider support from supranational entities such as the European Central Bank in the eurozone. Our assessment of the expected jurisdictional support for Austrian mortgage covered bonds is very strong resulting in a jurisdictional support uplift from the RRL of three notches leading to a JRL of 'aa'.

## **Operational and administrative risks**

Our analysis of operational and administrative risks follows the principles within our covered bonds criteria. In our opinion, operational risk does not constrain the covered bond ratings to the same level as the ICR on BKS Bank.

We believe that a replacement cover pool manager would be available to manage the cover pool if the issuer were to become insolvent. In our view, Austria is an established covered bond market, and the mortgage assets in BKS Bank's cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers or servicers.

With total assets of €11 billion as of Sept. 30, 2025, BKS Bank is a small universal Austrian bank headquartered in Klagenfurt. Its share of the lending market in Austria is about 1.4%. While the bank historically focused on lending to corporates and small and mid-size enterprises primarily, its growth focus is currently on retail clients. In corporate lending, BKS Bank has a solid regional market share of about 20% in its home market of Carinthia. Its loan book is concentrated in Austria (about 73%) as complemented by its operations in Slovenia and Croatia, and--to a lesser extent--Slovakia and Germany.

BKS Bank is part of the 3 Banken Group, a partnership-based cooperation with two other regional banks in Austria--Oberbank AG and BTV Bank AG (see "[BKS Bank AG](#)," Feb. 6, 2026).

Since July 2025, the Austrian Financial Market Authority's (FMA) previously binding borrower-based measures for residential real estate lending that were in force since August 2022--including a 90% LTV ratio limit, a maximum debt service-to-income ratio of 40%, and a maximum loan maturity of 35 years--are supervisory guidelines rather than binding rules. A maximum 20% exemption of total newly originated residential mortgage loans from one or all of these guidelines remains in place.

Mortgage loan origination occurs mainly through BKS Bank branches and to a limited extent through its intermediaries, while all loan decisions are retained at the bank level. Loans are

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mostly repayment loans where borrowers pay monthly principal and interest installments. The interest rate on the loans is predominantly variable or fixed with a switch to a variable rate after a certain term.

For residential loans, BKS Bank requires a 20% equity share, which is analyzed in conjunction with the above-stated regulatory requirements. The examination of the consumer's creditworthiness always precedes any granting of a loan. As part of the origination process, the bank requires proof of income and conducts affordability and credit history checks.

For CRE loans, the required equity contribution depends on the customer's creditworthiness determined by the bank, which also conducts a stressed affordability calculation. The CRE loans' maximum term is 20 years.

Mortgage loans are mostly euro-denominated. The share of foreign-currency-denominated loans in BKS Bank's loan book is declining since the Austrian FMA largely prohibited new foreign exchange lending to unhedged households starting in 2010. Therefore, BKS Bank does not grant any new foreign currency loans except those that meet the Austrian FMA's minimum standards.

Collateral valuations are carried out before the loan is approved and are independent of the loan approval. The value of real estate collateral is reassessed annually, supported by automated monitoring procedures.

BKS Bank does not include loans with the following characteristics in the cover pool: among other speculative financings; foreign currency loans (apart from the existing small share of legacy Swiss franc-denominated loans that is declining, the cover pool only includes euro-denominated loans); and loans to borrowers having a bank internal rating of below a certain threshold. The cover pool does not currently include loans in arrears.

In our opinion, sufficiently prudent and effective underwriting and servicing procedures are in place to support our covered bond ratings.

## Collateral support analysis

**Mortgage market outlook:** We expect the recent moderate correction in housing prices to benefit the sector overall. In real terms, house prices fell by 9% in 2023 and 5% in 2024 due to the rapid rise in interest rates which tightened household spending and curbed housing demand. Nominal prices began to stabilize in 2025, but real prices were still falling due to continued (though moderating) inflation. Following the correction, overvaluation risk has materially declined, as income development is now better aligned with house prices. Over the next couple of years, real housing prices are likely to return to growth, mainly reflecting the persisting overhang of demand over supply. We don't expect recent price decreases to materially affect the credit quality of Austrian banks' mortgage portfolios. Supporting our view are the track record of low credit losses for households lending during previous economic downturns and high-interest-rate cycles, as well as banks' prudent lending practices. There is, however, a more nuanced impact on CRE lending. The CRE sector has deteriorated markedly. We think the deterioration is not a sign of a broad weakness in the sector but more a reflection of the prolonged recession--longer than for peers--coupled with recent high interest rates and a correction in collateral valuations (see "[Banking Industry Country Risk Assessment: Austria](#)," Sept. 30, 2025).

As of Dec. 31, 2025, the cover pool comprises residential (81%) and commercial mortgages (19%) granted to borrowers, on some occasions, backed by different properties, and a small share of substitute assets. The residential loans are mainly for purchasing owner-occupied properties and represent on average a cover pool current LTV of 52.7% after house price indexation (up from 50.4% previously). The residential pool's weighted-average seasoning is around 5 years and the

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interest rate on the loans is either floating or fixed with a switch to floating rate after a certain period.

Since our last review, the CRE sub-portfolio's notional amount more than doubled albeit from a small base and its composition shifted noticeably, with a larger share of loans concentrated in Carinthia and a reduced share of exposures to multi-family housing. The CRE pool's weighted-average whole LTV ratio has risen relative to last year (see table 4).

We analyzed the CRE assets under our covered bonds CRE criteria, the residential mortgage loans based on our global residential loans criteria, and the substitute assets under our public sector criteria in each case applying 'AAA' stresses (see "Related Criteria").

Under our CRE criteria, given the CRE portfolio's small size of more than 150 loans but less than 250 loans, we apply a small pool adjustment factor to the default frequency of this sub-portfolio to reflect the greater risk from higher borrower concentration. Accordingly, the CRE portfolio's weighted-average foreclosure frequency (WAFF) decreased to 68.2% (from 100% previously), reflecting a lower small pool adjustment factor to the base foreclosure frequency, which we determined at 33.9% before applying the small pool adjustment, due to the growth of the CRE portfolio since our last review. At the same time, the weighted-average loss severity (WALS) increased to 55.9% (from 50.7% previously), reflecting higher market value decline assumptions on the back of lower multi-family housing exposures.

The residential WAFF remained stable with 21.5% while the WALS increased to 24.8% (from 22.4% previously). The higher WALS reflects higher current LTV ratios after house price indexation. This negative effect was partially offset by a lower share of loans backed by properties exceeding our jumbo valuation limits.

We determined a combined mortgage portfolio's WAFF of 31.8% (up from 29.9%) and a WALS of 31.7% (up from 25.4%). As a result, the cover pool's expected loss WAFF x WALS increased to 10.1% from 7.6% previously.

The cover pool includes one substitute asset. Considering its 'AA+' rating, we assume this asset as defaulted in a 'AAA' stress scenario. The below tables summarize the cover pool's composition and its key characteristics.

Table 3

### Cover pool composition

Asset type	As of Dec. 31, 2025		As of Dec. 31, 2024	
	Cover pool balance (€)	Cover pool balance (%)	Cover pool balance (€)	Cover pool balance (%)
Residential mortgages	509,725,074	81.12	485,281,834	89.48
Commercial mortgages	118,268,822	18.82	57,083,391	10.52
Substitute assets	349,250	0.06	0.00	0.00
Total	628,343,145	100	542,365,224	100

Table 4

**Key credit metrics**

	As of Dec. 31, 2025	As of Dec. 31, 2024
<b>Residential mortgages</b>		
Average loan size (€)	150,520	150,248
Weighted-average effective LTV ratio (%) *	77.80	77.58
Weighted-average cover pool current LTV ratio (%)	52.70	50.36
Weighted-average loan seasoning (years)§	5.14	4.86
Balance of loans to self-employed borrowers (%)	30.11	30.55
Balance of loans in arrears (%)	0.00	0.00
<b>Residential mortgages credit analysis results</b>		
WAFF (%)	21.45	21.49
WALS (%)	24.82	22.38
<b>Commercial mortgages</b>		
Weighted-average whole-loan LTV ratio (%)	69.07	62.20
Weighted-average cover pool current LTV ratio (%)	55.65	55.96
<b>Commercial mortgages credit analysis results</b>		
WAFF (%)	68.20	100
WALS (%)	55.94	50.67
<b>Combined mortgage pool credit analysis results</b>		
WAFF (%)	31.85	29.87
WALS (%)	31.73	25.40
'AAA' credit risk (%)	9.98	11.52

\*Calculated weighting 80% of the OLTV and 20% of the CLTV. LTV ratios are based on the loan balances secured on the property, including loan parts outside the asset pool and prior- and second-ranking balances if any. Adjusted for developments in the house-price index. §Seasoning refers to the elapsed loan term. LTV--Loan-to-value. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Table 5

**Loan-to-value ratios**

	As of Dec. 31, 2025	As of Dec. 31, 2024
<b>WAFF-effective LTV ratios/whole LTV ratios (%)</b>		
<b>Residential mortgages - effective LTV ratios (%)</b>		
0-40	14.78	18.04
40-50	9.74	9.26
50-60	9.31	10.35
60-70	11.79	11.88
70-80	13.39	10.92
80-90	14.83	13.22
90-100	9.43	8.47
>100	16.74	17.85
Weighted-average effective LTV ratio	77.80	77.58

**Loan-to-value ratios**

	As of Dec. 31, 2025	As of Dec. 31, 2024
<b>WAFF-effective LTV ratios/whole LTV ratios (%)</b>		
<b>Residential mortgages - effective LTV ratios (%)</b>		
<b>Commercial mortgages – whole-loan LTV ratios (%)</b>		
0-40	21.16	23.93
40-50	9.36	7.41
50-60	12.19	11.60
60-70	11.74	15.61
70-80	11.75	12.09
80-90	10.35	18.39
90-100	8.83	7.28
>100	14.62	3.68
Weighted-average whole LTV ratio	69.07	62.20
<b>WALS-cover pool LTV ratios (%)</b>		
<b>Residential mortgages - current LTV ratios after HPI, based on cover pool balance (%)</b>		
0-40	36.06	41.27
40-50	13.22	14.39
50-60	13.68	13.72
60-70	11.51	9.66
70-80	14.72	10.12
80-90	7.3	6.90
90-100	1.43	1.83
>100	2.09	2.12
Weighted-average cover pool LTV ratio	52.70	50.36
<b>Commercial mortgages - current LTV ratios, based on cover pool balance (%)</b>		
0-40	23.67	26.35
40-50	7.06	7.30
50-60	45.46	24.49
60-70	5.29	17.56
70-80	16.78	22.38
80-90	0.00	0.00
90-100	0.00	0.00
>100	1.74	1.94
Weighted-average current LTV ratio	55.65	55.96

WAFF--Weighted-average foreclosure frequency. LTV--loan to value. WALS--Weighted-average loss severity.

Table 6

**Residential loan seasoning distribution\***

	As of Dec. 31, 2025	As of Dec. 31, 2024
	<b>Current residential mortgage loan balance (%)</b>	
<=5 years	48.63	53.30

**Residential loan seasoning distribution\***

	As of Dec. 31, 2025	As of Dec. 31, 2024
	<b>Current residential mortgage loan balance (%)</b>	
>5 and <=6 years	11.54	16.12
>6 and <=7 years	13.33	9.41
>7 and <=8 years	8.37	6.55
>8 and <=9 years	5.96	7.12
>9 and <=10 years	5.86	4.65
>10 years	6.32	2.84
Weighted-average residential loan seasoning (years)	5.14	4.86

\*Seasoning refers to the elapsed loan term.

Table 7

**Geographic distribution of loan assets**

	As of Dec. 31, 2025		As of Dec. 31, 2024	
	Current residential mortgage loan balance (%)	Current commercial mortgage loan balance (%)	Current residential mortgage loan balance (%)	Current commercial mortgage loan balance (%)
Burgenland	8.78	6.25	8.83	4.00
Carinthia (Kaernten)	38.77	42.07	38.55	16.24
Lower Austria (Niederösterreich)	11.47	9.79	11.55	13.58
Upper Austria (Oberösterreich)	0.59	0.00	0.73	0.00
Salzburg	0.91	0.00	0.95	0.00
Styria (Steiermark)	23.1	14.3	22.83	11.27
Tyrol (Tirol)	0.14	8.26	0.03	17.94
Vorarlberg	0.15	0	0.12	0.00
Vienna (Wien)	16.1	19.33	16.4	36.97

By applying our credit and cash flow stresses, we calculated 'AAA' credit risk of 10% and a TCE of 14.5%. Under our updated covered bonds criteria, we removed the spread compression and commingling risk stresses, given their limited materiality to the required credit enhancement level. Additionally, higher excess spread in the program (the difference between the interest generated by the assets and the interest payable on the covered bonds) contributed to lower 'AAA' credit risk and TCE. The TCE has further reduced due to our lower asset spread assumptions when modeling refinancing risk under our updated criteria. Accordingly, in our cash flow modeling, we applied a combined residential and commercial loan-weighted average target asset spread of 233.3 basis points (bps) for the first three years and a base-case asset spread of 83.3 bps thereafter (compared to 486.4 bps until the covered bond's maturity previously). Finally, all the above positive effects on the 'AAA' credit risk and TCE are partially offset by the cover pool's higher expected loss, and as for the TCE, the program's higher ALMM risk.

With an available overcollateralization exceeding the TCE, the maximum potential collateral-based uplift above the JRL is four notches. Since our last review, the issuer introduced an overcollateralization commitment to maintain the 'AAA' covered bond ratings. At the same time,

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180 days of liquidity needs are not covered for bonds issued before the adoption of the Austrian CBA. Therefore, under our updated covered bonds criteria, we deduct one notch from the four notches, leading to an achieved collateral-based uplift of three notches above the JRL. With a JRL of 'aa', two notches are used to attain 'AAA' ratings with an overcollateralization requirement of 12.2%, equivalent to 'AAA' credit risk plus 50% refinancing costs. As a result, there is one unused notch of collateral-based uplift.

Table 8

### Collateral support uplift metrics

	As of Dec. 31, 2025	As of Dec. 31, 2024
Asset WAM (years)	10.86	10.87
Liability WAM (years)	7.18	8.18
Maturity gap (years)	3.68	2.69
Weighted average target asset spread combined mortgage portfolio (bps)	233.32	486.39
Weighted average base case asset spread combined mortgage portfolio (bps)	83.32	N/A
Available credit enhancement (%)	60.29	38.36
'AAA' credit risk (%)	9.98	11.52
Required credit enhancement for first notch of collateral uplift (%)	9.98	12.65
Required credit enhancement for second notch of collateral uplift (%)	9.98	13.77
Required credit enhancement for third notch of collateral uplift (%)	12.23	14.89
Target credit enhancement for maximum uplift (%)	14.47	16.01
Credit enhancement commensurate with rating (%)	12.23	14.89
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	Y	N
Adjustment for committed overcollateralization (Y/N)	N	Y
Collateral support uplift (notches)	3	3

WAM--Weighted-average maturity. N/A—Not applicable. Bps--Basis points. Y--Yes. N--No.

Table 9

### BKS Bank AG mortgage covered bond program vs other Austrian covered bond programs

Program name	BKS Bank AG	BTV AG	Oberbank AG
<b>Overview</b>			
Jurisdiction	Austria	Austria	Austria
Covered bond type	LCB	LCB	LCB
Outstanding assets (mil. EUR)	628.34	955.95	4,173.91
Outstanding covered bonds (mil. EUR)	392	426	2,876.50
Cover pool composition	Residential: 81.12%; Commercial: 18.82%; Substitute: 0.06%	Residential: 64.18%; Commercial: 34.57%; Substitute: 1.25%	Residential: 52.39%; Commercial: 47.61%
<b>Rating details</b>			
Issuer credit rating	BBB+	--	A
Reference rating level	a	--	aa-
Jurisdictional-supported rating level	aa	--	aaa

## BKS Bank AG mortgage covered bond program vs other Austrian covered bond programs

Program name	BKS Bank AG	BTV AG	Oberbank AG
<b>Overview</b>			
Covered bonds rating	AAA/Stable	AAA/Stable	AAA/Stable
Total unused notches	1	0	3
<b>Credit analysis</b>			
Combined mortgage WAFF (%)	31.85	38.23	24.20
Combined mortgage WALs (%)	31.73	27.17	37.47
<b>Overcollateralization (OC)</b>			
Available OC (%)	60.29	96.36	53.96
Asset default risk (%)	9.98	14.61	7.36
Target credit enhancement (%)	14.47	26.42	10.78
OC consistent with current rating (%)	12.23	26.42	2.00
Cash-flow analysis as of	Dec. 31, 2025	Sept. 30, 2025	March 30, 2025

WAFF--Weighted-average foreclosure frequency. WALs--Weighted-average loss severity. LCB--Legislation-enabled covered bonds.

## Counterparty Risk

We analyze counterparty risk under our updated covered bonds criteria. It does not constrain the ratings on the program and related issuances.

Borrowers make their payments into the accounts held with BKS Bank. Based on our legal risk analysis, we concluded that cash collections from the cover pool assets received post-issuer insolvency, upon which a special administrator will be appointed to manage the cover pool assets, would form part of the separate cover pool estate and therefore are not available to the issuer's general creditors. However, cover pool collections accumulated in the collection account pre-issuer insolvency are potentially exposed to commingling risk if they are not reinvested into cover pool assets or used for covered bond payments.

As part of our analysis of operational and administrative risks, we apply a forward-looking assessment of the issuer's maintenance of credit support. Since rating inception, BKS Bank has maintained overcollateralization levels well above the level required for 'AAA' ratings. Furthermore, an overcollateralization commitment commensurate with 'AAA' ratings is in place. We expect BKS Bank to continue maintaining credit support for its covered bonds and therefore currently do not stress commingling risk in our cash flow analysis. There are no derivatives registered in the cover pool.

## Sovereign risk

We analyze sovereign risk by applying our structured finance sovereign risk criteria (see ["Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions,"](#) Jan. 30, 2019). Under these criteria, covered bonds--issued in a jurisdiction that is within a monetary union that do not include structural coverage of refinancing needs over a 12-month period--exhibit moderate sensitivity to country risk. As a result, we can rate the covered bonds up to four notches above the sovereign rating. Given our 'AA+' long-term sovereign rating on Austria, sovereign risk does not constrain our ratings on the covered bonds.

## Environmental, Social, And Governance

Environmental and social credit factors have no material influence on our credit rating analysis of BKS Bank's mortgage covered bonds. However, governance factors are a moderately negative consideration in our credit rating analysis. Although BKS Bank is committed to maintain a minimum overcollateralization level in the program, the requirement to maintain 180 days of liquid assets does not extend to covered bonds issued before July 8, 2022. This reduces the unused notches of uplift by one and increases the required credit enhancement for the current rating.

## Related Criteria

- [Methodology For Rating Covered Bonds](#), July 25, 2025
- [Asset Isolation And Special-Purpose Entity Methodology](#), May 29, 2025
- [Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement](#), April 4, 2024
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