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Transaction Update:

BTV Vier Länder Bank AG Mortgage Covered Bond Program

March 20, 2026

Reference rating level	--	Jurisdiction-supported rating level	--	Maximum achievable CB rating	aaa	**Covered bond rating**	
Resolution regime uplift	+2	Assigned jurisdictional support uplift	+3	Assigned collateral support uplift	+2	**AAA/Stable**	
Systemic importance	Very Strong	Jurisdictional support assessment	Very Strong	Over-collateralization adjustment	0	Rating constraints	aaa
Resolution counterparty rating	--			Liquidity adjustment	0	Sovereign risk	aaa
Issuer credit rating	--			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	Key risks
The issuer's commitments to maintain overcollateralization for the 'AAA' ratings, and liquid assets to cover 180-day liquidity needs for all outstanding covered bonds together with an available overcollateralization above the target credit enhancement (TCE; the level of enhancement commensurate with the maximum collateral-based uplift) allow for four notches of collateral uplift.	Relatively high level of self-employed borrowers in the residential loan sub-portfolio, and concentration of mortgage loans in Tyrol and Vorarlberg, reflected in our default frequency determination.
Two unused notches of collateral-based uplift would protect the 'AAA' covered bond ratings if our view of the issuer's creditworthiness deteriorated, all else being equal.	Although the commercial mortgage loan sub portfolio has grown, its small size continues to attract a relatively high default frequency assumption under our analytical approach.
A cover pool of mostly seasoned Austrian first-lien residential mortgage loans for owner occupation.	Relatively high mismatch between the cover pool assets' weighted-average maturity and the outstanding covered bonds increases refinancing risk reflected in our TCE.

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. Based on cover pool data as of Dec. 31, 2025, the required overcollateralization for the 'AAA' ratings is 14% (see "Methodology For Rating Covered Bonds," July 25, 2025). This compares to a required overcollateralization of 28% equivalent to 'AAA' credit risk plus 75% of refinancing costs previously. Next to our updated covered bonds criteria, the issuer's introduction of an overcollateralization and liquidity commitment contributed to a lower required overcollateralization for the 'AAA' ratings. As of Dec. 31, 2025, the cover pool balance was €955.9 million (up from €801.7 million previously) while the amount of outstanding covered bonds slightly reduced to €426 million, resulting in higher available overcollateralization of 124.4% (83.9% previously). The cover pool comprises mostly Austrian residential and commercial mortgage loans, originated by BTV Vier Länder Bank AG (BTVAG). Since our last review, the cover pool's share of commercial real estate (CRE) loans continued to increase, resulting in a lower default frequency assumption for the CRE sub-portfolio on the back of a lower small pool concentration adjustment. This further led to a decrease in the cover pool's projected losses since our previous review.

'AAA' credit risk and the TCE decreased under our updated criteria. We calculated 'AAA' credit risk of 14% (down from 16.2% previously) and a TCE of 23.9% (down from 32% 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). Lower 'AAA' credit risk and TCE are driven by the removal of spread compression, basis risk and commingling risk stresses, given their limited materiality to the required credit enhancement level, and the cover pool's lower projected losses. Additionally, the TCE decreased due to our lower asset spread assumptions when modeling refinancing risk under our new criteria.

The covered bonds benefit from two unused notches of collateral support uplift. Since our previous review, BTVAG introduced an overcollateralization and liquidity commitment for its outstanding covered bonds, increasing the number of unused notches to two and reducing the required credit enhancement for a 'AAA' rating. The unused notches protect the 'AAA' covered bond ratings if our view of the issuer's creditworthiness deteriorated, 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 (NPLs) in the system--as of June 30, 2025, the banking system's NPL ratio was 2.9%--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 two unused notches of collateral-based support that would protect the ratings if our view of the issuer's creditworthiness deteriorated, 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. €)	426
Available credit enhancement (%)	124.40
Credit enhancement commensurate with current rating (%)	14.00
Legal overcollateralization (%)	2.00
Number of unused notches	2

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

BTVAG received its license to issue covered bonds in 2002 and issued its first covered bond in 2012. The covered bonds are issued under its bond issuance program and constitute senior secured unsubordinated obligations of BTVAG ranking pari passu with all other obligations secured by the mortgage cover pool register. Covered bondholders have recourse to BTVAG and in the instance of its insolvency to the assets in the cover pool register. To date 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 70% floating rate) versus the interest payable on the covered bonds (97.7% fixed rate paying). Cover pool assets are predominantly euro-denominated with a small share of 7.2% of CRE loans denominated in Swiss francs. We have taken the resulting interest rate and currency risk into account in our cash flow modeling.

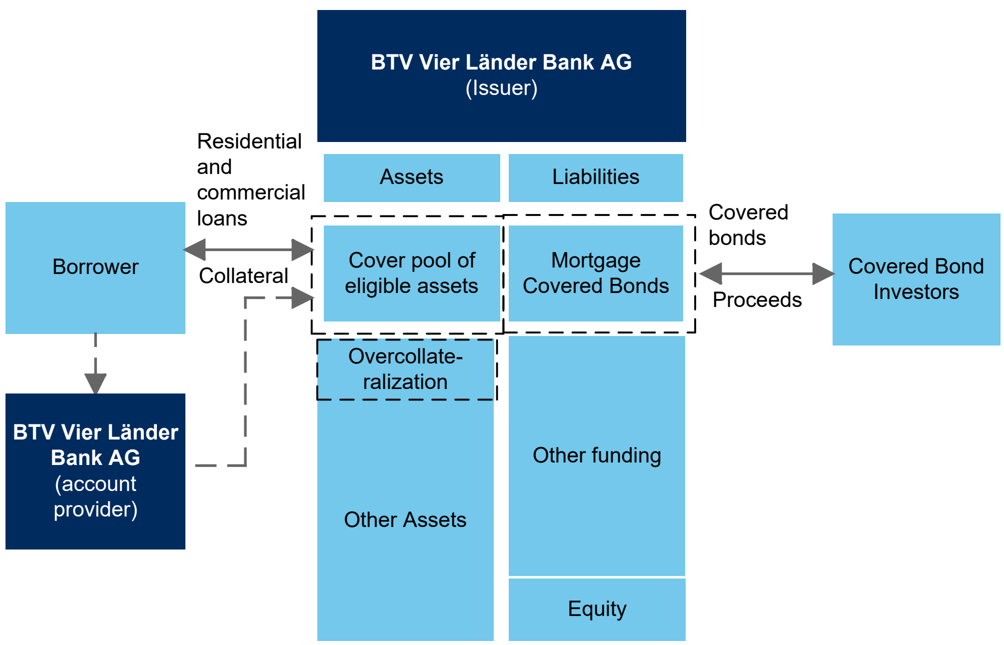
Our quarterly surveillance reports for this cover pool can be found here.

Table 2

Program participants

Role	Name	Rating	Rating dependency
Issuer	BTV Vier Länder Bank AG	--	Yes
Originator/servicer	BTV Vier Länder Bank AG	--	No
Collection account	BTV Vier Länder Bank AG	--	No

Program Structure



Rating Analysis

Legal and regulatory risks

Some of BTVAG'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 Austria's new covered bond law ("Pfandbriefgesetz" "Austrian Covered Bond Act") which implemented the EU's Covered Bonds Directive. Issuances made before July 8, 2022, are not required to fulfill the requirements of the Austrian Covered Bond Act 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 our assessment of BTVAG's creditworthiness.

The Austrian Covered Bond Act 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. BTVAG is domiciled in Austria, which is subject to the EU's Bank Recovery and Resolution Directive. We assess the systemic importance for Austrian mortgage programs as very strong. Under our covered bonds criteria, we determine the reference rating level (RRL) as the greater of (i) our assessment of BTVAG's creditworthiness plus two notches; and (ii) the resolution counterparty rating on the issuer.

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.

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 BTVAG's creditworthiness.

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 assets in BTVAG's mortgage 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 €15.5 billion as of Sept. 30, 2025, BTVAG is a small universal Austrian bank. Its share of the lending market in Austria is about 2%. It has a sound position in corporate and small and midsize enterprise lending in its core market of Tyrol and Vorarlberg. The bank is traditionally closely involved in tourism and tourist infrastructure in its core market of Tyrol. Its local business is complemented by its operations in Germany, Switzerland, and--to a lesser extent--Italy. BTVAG is part of the 3 Banken Group, a partnership-based cooperation with two other regional banks in Austria--Oberbank AG and BKS Bank AG.

Mortgage loan origination occurs mainly through BTVAG branches and to a limited extent through its intermediaries, while all loan decisions are retained at the bank level. Housing loans are subject to a maximum LTV ratio of 80% and a debt service-to-income ratio of maximum 40%, among others. The maximum loan term for private clients is 35 years. The maximum LTV for commercial mortgage loans is 60% of the property's market value. Loans are mostly repayment loans where borrowers pay monthly principal and interest installments. Interest-only loans are granted for a limited period only. The interest rate on the loans is predominantly variable or fixed with a switch to a variable rate after a certain term.

Mortgage loans are mostly euro-denominated (93% of the loan book). The share of legacy foreign-currency-denominated loans in BTVAG's loan book has been declining since the Austrian Financial Market Authority largely prohibited new foreign currency lending to unhedged households starting in 2010. Therefore, BTVAG does not grant any new foreign currency loans except those that meet the Austrian Financial Market Authority’s minimum standards.

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. As well as economic aspects--including pay slips, insurance policies, accounts, and balance sheets (for the case of self-employed borrowers)--personal aspects such as qualifications, lifestyle, and reputation are assessed. The customers' creditworthiness is updated monthly through an account behavior rating. In addition, a bank internal credit scoring is performed at least annually.

Property valuations are carried out centrally by the credit management department and generally occur through an onsite property inspection. Property values are monitored at least yearly for commercial property and once every three years for residential properties. In addition, for residential real estate, BTVAG performs an annual, automated re-evaluation.

BTVAG does not include speculative financings and loans to borrowers having a bank internal rating below a certain threshold in the cover pool, among others. Furthermore, the bank removes loans from the cover pool if a borrower's credit quality deteriorates beyond a predetermined threshold as measured by the borrower's bank internal rating.

Since July 2025, the Austrian Financial Market Authority’s 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.

In our opinion, sufficiently prudent and effective underwriting and servicing procedures 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 (61.1%) and commercial mortgages (37.9%) 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 46.3% after house price indexation (up from 44.4% previously). The residential pool's weighted-average seasoning is about 6.4 years and the interest rate on the loans is either floating or fixed with a switch to floating rate after a certain period.

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. Since our last review, the CRE sub-portfolio's notional amount increased by about 30% resulting in a lower small pool concentration adjustment. Accordingly, our expectation of defaults in a stressed scenario for the CRE portfolio as measured by its weighted-average foreclosure frequency (WAFF) decreased to 56.2% (from 69.3% previously). Before applying the small pool adjustment, the CRE sub-portfolio's WAFF improved marginally to 34% from 34.2% previously. This reduction is driven by a lower concentration of loans in Tyrol and Vorarlberg which more than compensated for the negative effects of a higher share of loans with a whole loan-to-value ratio above 70% and a lower share of multifamily exposures. At the same time, our expectation of loss-given default in a stressed scenario for the CRE portfolio as measured by its weighted-average loss severity (WALS) increased to 38.9% (from 37.1% previously), reflecting an increase in current LTVs.

The residential WAFF increased to 20% (from 18.2% previously) mainly due to higher effective LTV ratios, a lower seasoning and a higher share of loans to self-employed borrowers. The residential WALS increased to 22.7% (from 20.8% previously) reflecting higher current LTV ratios after house price indexation and a higher share of loans backed by properties exceeding our jumbo valuation limits.

We determined a combined mortgage portfolio's WAFF of 34.4% (down from 38.2%) and a WALS of 29.2% (up from 27.2%). As a result, the cover pool's projected losses measured as the product of WAFF and WALS decreased to 10.1% from 10.4% previously. This reduction is driven by the lower CRE portfolio's WAFF reflecting a lower small pool concentration adjustment, due to the growth of the CRE portfolio since our last review, and a lower concentration of CRE loans in Tyrol and Vorarlberg.

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

	As of Dec. 31, 2025		As of Dec. 31, 2024	
Asset type	**Cover pool balance (€)**	**Cover pool balance (%)**	**Cover pool balance (€)**	**Cover pool balance (%)**
Residential mortgages	584,076,420	61.10	514,547,574	64.18
Commercial mortgages*	361,888,885	37.86	277,217,844	34.57
Substitute assets	9,988,800	1.04	9,987,400	1.25
Total	955,954,105	100	801,752,818	100

*Includes multifamily housing.

Table 4

Key credit metrics

	As of Dec. 31, 2025	As of Dec. 31, 2024
Residential mortgages		
Average loan size (€)	214,132	189,295
Weighted-average effective LTV ratio (%) *	77.00	69.55
Weighted-average cover pool current LTV ratio (%)	46.26	44.35
Weighted-average loan seasoning (years)§	6.44	6.80
Balance of loans to self-employed borrowers (%)	33.49	25.10
Balance of loans above concentration threshold (%, Tyrol & Vorarlberg)	54.29	53.09
Balance of loans in arrears (%)	0.07	0.00
Residential mortgages credit analysis results		
WAFF (%)	20.05	18.19
WALS (%)	22.65	20.76
Commercial mortgages		
Weighted-average whole-loan LTV ratio (%)	55.79	55.09
Weighted-average cover pool current LTV ratio (%)	36.46	33.71
Commercial mortgages credit analysis results		
WAFF (%)	56.16	69.34
WALS (%)	38.95	37.12
Combined mortgage pool credit analysis results		
WAFF (%)	34.54	38.23
WALS (%)	29.19	27.17
'AAA' credit risk (%)	14.00	16.15

*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
WAFF-effective LTV ratios/whole LTV ratios (%)		
Residential mortgages - effective LTV ratios (%)		
0-40	18.70	18.02
40-50	11.01	11.05
50-60	11.85	15.58
60-70	13.26	12.6
70-80	14.27	12.78
80-90	9.76	10.61
90-100	6.85	8.07
>100	14.29	11.29
Weighted-average effective LTV ratio	77.00	69.55
Commercial mortgages – whole-loan LTV ratios (%)		
0-40	28.49	34.28
40-50	17.71	15.23
50-60	6.73	8.04
60-70	6.28	8.14
70-80	15.99	9.72
80-90	4.91	3.82
90-100	19.69	20.77
>100	0.20	0.00
Weighted-average whole LTV ratio	55.79	55.09
WALS-cover pool LTV ratios (%)		
Residential mortgages - current LTV ratios after HPI, based on cover pool balance (%)		
0-40	50.57	53.83
40-50	11.85	13.49
50-60	9.81	10.51
60-70	10.09	8.74
70-80	9.05	4.62
80-90	3.35	4.02
90-100	1.13	1.47
>100	4.16	3.32
Weighted-average cover pool LTV ratio	46.26	44.35
Commercial mortgages - current LTV ratios, based on cover pool balance (%)		
0-40	58.57	55.01
40-50	13.71	14.75
50-60	20.56	29.41
60-70	7.01	0.37
70-80	0.14	0.34
80-90	0.00	0.00
90-100	0.00	0.13

Loan-to-value ratios

	As of Dec. 31, 2025	As of Dec. 31, 2024
>100	0.00	0.00
Weighted-average current LTV ratio	36.46	33.71

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
	Current residential mortgage loan balance (%)	
In arrears (no seasoning benefit)	0.07	0.00
<=5 years	45.6	40.59
>5 and <=6 years	8.54	10.36
>6 and <=7 years	7.8	8.42
>7 and <=8 years	8.04	8.24
>8 and <=9 years	6.71	5.84
>9 and <=10 years	4.78	7.02
>10 years	18.46	19.53
Weighted-average residential loan seasoning (years)	6.44	6.80

*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 (%)
Austria				
Burgenland	0.13	0.47	0.17	0.61
Carinthia (Kaernten)	0.33	0.12	2.34	0.11
Lower Austria (Niederoesterreich)	5.99	0.48	6.04	0.00
Upper Austria (Oberoesterreich)	0.50	0.00	0.66	0.00
Salzburg	1.40	0.73	0.52	0.64
Styria (Steiermark)	0.29	3.73	0.35	0.00
Tyrol (Tirol)	59.24	48.02	59.59	50.94
Vorarlberg	20.05	9.93	18.50	13.90
Vienna (Wien)	12.07	13.67	11.83	14.12
Germany	0.00	22.84	0.00	19.68

By applying our credit and cash flow stresses, we calculated 'AAA' credit risk of 14% and a TCE of 23.9%. The reduction in both metrics is due to cover pool's lower projected losses and the application of our updated covered bonds criteria. Under these criteria, we removed the spread compression, basis risk and commingling risk stresses, given their limited materiality to the required credit enhancement level. However, this effect is partially offset by lower excess spread in the program (the difference between the interest generated by the assets and the interest payable on the covered bonds). The TCE further reduced due to our lower asset spread assumptions when modeling refinancing risk under our updated criteria, although this effect has partially been offset by the program's higher ALMM. Accordingly, in our cash flow modeling, we applied a combined residential and commercial loan-weighted average target asset spread of 257.4 basis points (bps) for the first three years and a base-case asset spread of 107.4 bps thereafter (compared to 650.3 bps until the covered bonds' maturity previously) (see table 8).

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, and a commitment to hold liquid assets sufficient to cover 180 days of liquidity needs for all its outstanding covered bonds. Therefore, the achieved collateral-based uplift is four notches above the JRL. With a JRL of 'aa', two notches are used to attain 'AAA' ratings with an overcollateralization requirement of 14%, equivalent to 'AAA' credit risk. As a result, there are two unused notches of collateral-based uplift.

Table 8

Collateral support uplift metrics

	As of Dec. 31, 2025	As of Dec. 31, 2024
Asset WAM (years)	10.01	8.67
Liability WAM (years)	2.41	3.34
Maturity gap (ALMM; years)	7.60	5.33
Weighted average target asset spread combined mortgage portfolio (bps)	257.38	650.29
Weighted average base case asset spread combined mortgage portfolio (bps)	107.38	N/A
Available credit enhancement (%)	124.4	83.89
'AAA' credit risk (%)	14.00	16.15
Required credit enhancement for first notch of collateral uplift (%)	14.00	20.11
Required credit enhancement for second notch of collateral uplift (%)	14.00	24.07
Required credit enhancement for third notch of collateral uplift (%)	18.97	28.03
Target credit enhancement for maximum uplift (%)	23.94	31.99
Credit enhancement commensurate with rating (%)	14.00	28.03
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	N	N
Adjustment for committed overcollateralization (Y/N)	N	Y
Collateral support uplift (notches)	4	3

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

Table 9

BTV Vier Länder Bank AG mortgage covered bond program vs other Austrian covered bond programs

Program name	BTV AG	BKS Bank AG	Oberbank AG
Overview			
Jurisdiction	Austria	Austria	Austria
Covered bond type	LCB	LCB	LCB
Outstanding assets (mil. EUR)	955.95	628.34	4,173.91
Outstanding covered bonds (mil. EUR)	426	392	2,876.50
Cover pool composition	Residential: 61.10%; Commercial: 37.86%; Substitute: 1.04%	Residential: 81.12; Commercial: 18.82%; Substitute: 0.06%	Residential: 52.39%; Commercial: 47.61%
Rating details			
Issuer credit rating	--	BBB+	A
Reference rating level	--	a	aa-
Jurisdictional-supported rating level	--	aa	aaa
Covered bonds rating	AAA/Stable	AAA/Stable	AAA/Stable
Total unused notches	2	1	3
Credit analysis			
Combined mortgage WAFF (%)	34.54	31.85	24.20
Combined mortgage WALS (%)	29.19	31.73	37.47
Overcollateralization (OC)			
Available OC (%)	124.4	60.29	53.96
Asset default risk (%)	14.00	9.98	7.36
Target credit enhancement (%)	23.94	14.47	10.78
OC consistent with current rating (%)	14.00	12.23	2.00
Cash-flow analysis as of	Dec. 31, 2025	Dec. 31, 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 BTVAG. 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, BTVAG 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 BTVAG 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).

This is a multi-jurisdictional pool of residential and commercial mortgage loans. The issuer is in Austria, which is part of a monetary union. The covered bonds have hard-bullet maturities and no structural coverage of refinancing needs over a 12-month period. Therefore, the covered bonds exhibit moderate sensitivity to country risk and can be rated up to four notches above the sovereign rating on Austria. Given our long-term sovereign ratings on Austria and Germany, of 'AA+' and 'AAA', respectively, the supplemental tests--largest sovereign test and largest transfer and convertibility test--do not apply.

As a result, 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 BTVAG's mortgage covered bonds. Governance factors are now a neutral consideration in our credit rating analysis. Since our last annual review BTVAG has introduced a commitment to maintain a minimum overcollateralization level in the program to support the covered bonds' 'AAA' ratings and a commitment to maintain 180 days of liquid assets for all its outstanding covered bonds. Both commitments increase the unused notches of uplift to two and reduce the required credit enhancement for 'AAA' ratings.

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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