S&P Global
Ratings

RatingsDirect®

New Issue: Bausparkasse Wuestenrot AG (Covered Bonds)

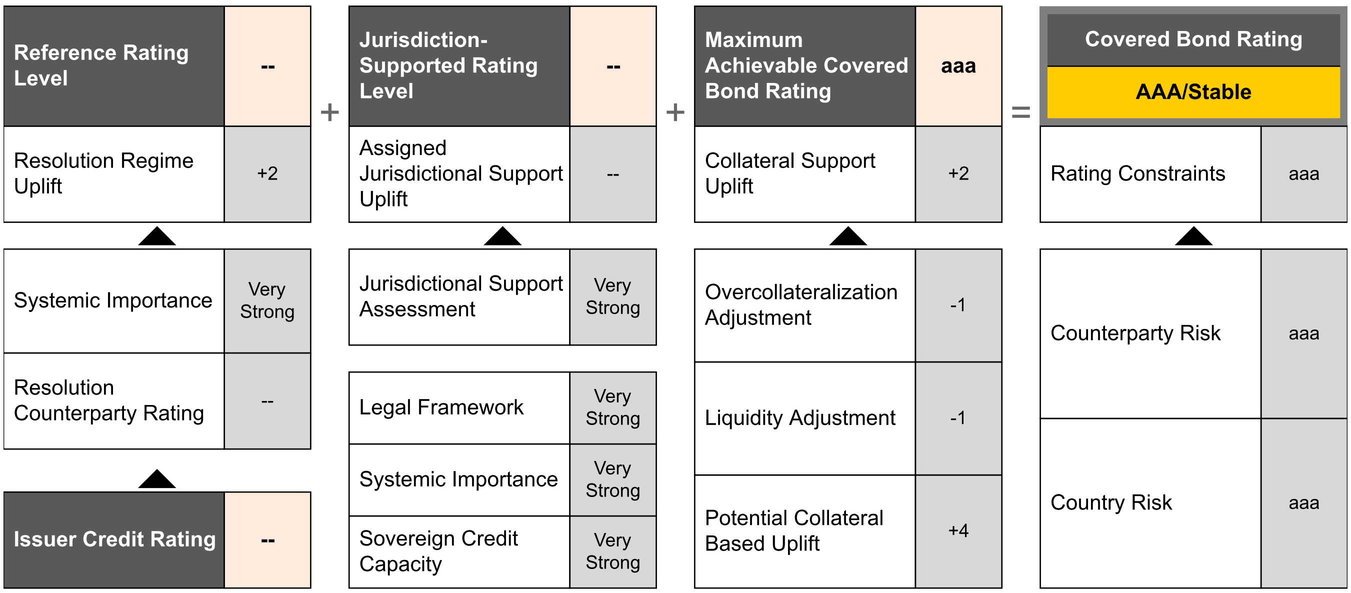
Primary Credit Analyst:
Natalie Swiderek, Madrid (34) 91-788-7223; natalie.swiderek@spglobal.com

Secondary Contact:
Andreas M Hofmann, Frankfurt + 49 693 399 9314; andreas.hofmann@spglobal.com

Table Of Contents

New Issue: Bausparkasse Wuestenrot AG (Covered Bonds)

Ratings Detail



Major Rating Factors

Strengths

- Very granular portfolio of Austrian residential mortgages diversified across regions.
- Available credit enhancement of 127.5%, which significantly exceeds the required credit enhancement at the 'AAA' rating level of 17.2%.
- The cover pool does not contain any loans that are more than 60 days in arrears.

Weaknesses

- There are currently no commitments in place for 180 days of liquidity coverage or overcollateralization.
- The cover pool includes about 24% of second- and lower-ranking loans as reflected in our credit analysis. In this respect, we note that the corresponding prior-ranking loans often comprise subsidized-housing loans.

Outlook: Stable

The stable outlook on the covered bond ratings reflects our view of the issuer's creditworthiness.

Rationale

On Dec. 11, 2019, S&P Global Ratings assigned its 'AAA' credit ratings to Bausparkasse Wüstenrot AG's (BWAG's) mortgage covered bond program and related issuances (Pfandbriefe; see "Bausparkasse Wuestenrot AG Austrian Covered Bonds Assigned 'AAA' Rating; Outlook Stable," published Dec. 11, 2019).

Our covered bond ratings process follows the methodology and assumptions outlined in our covered bonds criteria and our "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015. Accordingly, we performed a legal and regulatory review, an operational risk review, a resolution regime analysis, a jurisdictional support analysis, a collateral support analysis, and a counterparty and sovereign risk analysis.

BWAG's mortgage covered bonds are issued under the Austrian Pfandbriefgesetz (Mortgage Bond Act); Gesetz vom 21. Dezember 1927 über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten. We consider that the Austrian legal and regulatory framework effectively isolates the cover pool assets from the issuer's insolvency estate for the benefit of the covered bondholders. The protection of the cover pool assets and the continued management of the cover pool allows us to elevate the rating on the covered bonds above BWAG's creditworthiness.

Based on our operational risk analysis, which covered a review of BWAG's lending process, collection procedures, and default management procedures, as well as cover pool management and administration, we believe that the ratings on the covered bonds are not constrained by operational risk.

Based on our resolution regime, jurisdictional support, and collateral support analysis, we have assigned notches of uplift from our assessment of the issuer's creditworthiness.

Under our resolution regime analysis, we have assigned a two-notch uplift above our assessment of BWAG's creditworthiness to determine the covered bonds' reference rating level (RRL). This reflects the exclusion of covered bonds from bail-in-able debt, and our view of a very strong systemic importance of covered bonds in Austria.

Under our jurisdictional support analysis, which determines the covered bonds' jurisdiction-supported rating level (JRL), the covered bonds benefit from additional notches of uplift above the RRL. This uplift reflects our very strong jurisdictional support assessment for mortgage covered bonds in Austria (see Assessments For Jurisdictional Support According To Our Covered Bonds Criteria," published on Oct. 16, 2018).

Based on our collateral support analysis using loan-by-loan data as of Sept. 30, 2019, we have assigned a further two-notch uplift above the JRL. This reflects the fact that the available overcollateralization of 127.46% exceeds the target credit enhancement of 17.20% commensurate with a potential four-notch uplift above the JRL. From these four notches, we deducted two notches due to uncommitted overcollateralization and the lack of at least 180 days of liquidity needs being covered by liquid assets at all times.

There are no rating constraints to the 'AAA' rating relating to legal, counterparty, or sovereign risks.

We have based our analysis on the criteria articles referenced in the "Related Criteria" section.

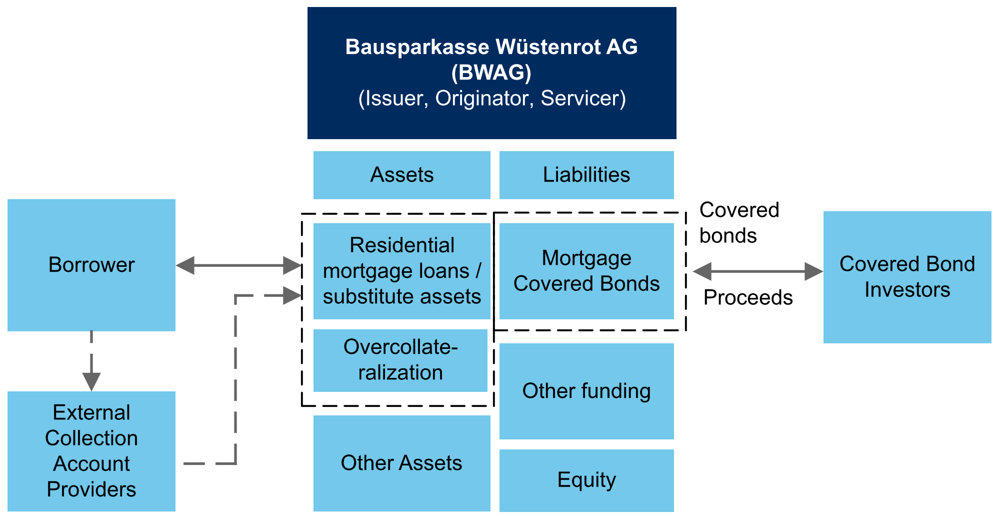
Program Description

Table 1

Program Overview	
Jurisdiction	Austria
Covered bond type	Legislation-enabled (Austrian Pfandbriefgesetz)
Cover pool assets	Residential mortgage loans and substitute assets
Covered bond rating	AAA/Stable
Cover pool notional amount (mil. €) as of Sept. 30, 2019	611.86
Outstanding covered bonds (mil. €) as of Oct. 31, 2019	269.00
Redemption profile	Hard bullet
Resolution regime uplift	2
Jurisdictional support uplift	--
Unused notches for jurisdictional support	--
Target credit enhancement (%)	17.20
Credit enhancement commensurate with current rating (%)	17.20
Available credit enhancement (%)	127.46
Assigned collateral support uplift	2
Unused notches for collateral support	0
Total unused notches	--

Transaction Structure

Bausparkasse Wüstenrot AG Mortgage Covered Bond Program



Source:

Wuestenrot group is a bank assurance group active predominantly in Austria, with small operations in neighboring Central and Eastern European countries in both banking and insurance segments. BWAG, a building society (Bausparkasse), is the largest entity in the Wuestenrot group with total assets of €6.54 billion.

BWAG is subject to the Austrian Building Society Act (Bausparkassengesetz - BSpG), which significantly restricts business opportunities for building societies when compared to those of universal banks. Building societies are authorized to take deposits from customers and provide them with loans from the collected amounts for housing-related measures and measures in relation to education and care.

BWAG has a long and established track record and high market share in its niche building savings loan business. It funds itself mostly through retail deposits with the majority linked to savings contracts. In December 2013, BWAG received its license to issue covered bonds, allowing it to diversify its refinancing opportunities. It uses covered bonds to manage asset liability maturity mismatch, and interest rate risk. Covered bond issuance is limited to 10% of the total balance sheet.

As of Oct. 31, 2019, BWAG had €269 million of mortgage covered bonds outstanding. The covered bonds constitute senior secured unsubordinated obligations of the issuer and rank pari passu with all other obligations secured by the cover pool register. Covered bondholders have recourse to the issuer and in the instance of the issuer insolvency to the assets comprised in the cover register.

BWAG collects payments from the cover pool assets in bank accounts held in its name with third-party credit institutions. There are no structural mitigants in place to protect covered bondholders from a deterioration in the credit quality of these credit institutions. Therefore, we have accounted for the risk of loss of collections from the cover assets when determining the required credit enhancement at the 'AAA' rating level.

There are no interest swap agreements present in the cover pool register to mitigate interest rate risk arising from differences in the interest received on the cover assets versus the interest payable on the covered bonds. Such risk is partially mitigated by the fact that the majority of the mortgages pay fixed interest rates over a defined term, while all current outstanding covered bond interest rates also are fixed.

Table 2

Program Participants

Role	Name	Rating	Rating dependency
Issuer	Bausparkasse Wüstenrot AG	--	Yes
Originator, servicer	Bausparkasse Wüstenrot AG	--	No

Rating Analysis

Legal and regulatory risks

We base our legal analysis on our "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," criteria, published on March 29, 2017, and our covered bond ratings framework.

The Austrian Pfandbriefgesetz (Mortgage Bond Act) provides the framework for BWAG's mortgage covered bonds. Accordingly, the mortgage covered bonds are secured by the cover pool notional comprising residential mortgages loans and substitute assets recorded by the issuer in a cover pool register. In addition, the allocation of mortgages to the cover pool register is indicated in the surety registry (by means of a "Kautionsband") of the land register. Borrowers must be notified before their mortgages are included in the cover pool register. Under the Mortgage Bond Act, borrowers do not have the right to set off any deposits they have with the issuer against their mortgages in the cover pool register.

The cover pool register is monitored by a trustee ("Regierungskomissär") appointed by the Ministry of Finance. The trustee has to ensure, among other factors, that the prescribed cover for the covered bonds exists at all times and that the assets are recorded correctly. Assets may not be removed from the register without the trustee's approval.

The Mortgage Bond Act provides, among other requirements, that the total volume of mortgages in the cover pool register must at least cover the total nominal amount of the outstanding covered bonds and the interest payable on them. In addition, a minimum overcollateralization of 2% of the nominal value of outstanding covered bonds must be held in the form of eligible substitute cover assets. Substitute assets are limited to 15% of the nominal amount of outstanding covered bonds.

The Mortgage Bond Act does not contain an explicit requirement to cover at least 180 days of liquidity needs through liquid assets nor does it contain provisions for loan-to-value (LTV) criteria. As a building society, BWAG can grant loans up to 80% of the property's market value; however, it adheres to a 60% LTV limit when determining the amount that can be included in the cover pool.

Our analysis of the Mortgage Bond Act concluded that the cover pool register is effectively isolated from the issuer's insolvency estate for the benefit of the covered bondholders. If the issuer becomes insolvent, a court will appoint a cover pool administrator to continue the cover pool's management and to satisfy the covered bondholders' claims. The cover pool assets' protection and the cover pool's continued management allows us to assign a higher rating to the covered bond program than BWAG's creditworthiness.

For further details on our analysis of the Austrian covered bond legal framework, see "A Review Of Austria's Covered Bond Framework And Its Implications For S&P Ratings," published Sept. 9, 2015.

Operational and administrative risks

Our analysis of operational risk follows the principles laid out in our covered bond ratings framework and our covered bonds criteria.

We have conducted a review of the issuer's origination, underwriting, collection, and default management procedures. We have also reviewed the cover pool register's management and administration. In our opinion, there is no operational risk from the cover pool's management and loan origination that would constrain the covered bond rating to our assessment of the issuer's creditworthiness.

BWAG is subject to specific regulations under the Austrian Building Society Act focused on promoting residential mortgage lending and regular savings. Savings contracts provided by building societies receive a 1.5% state-backed savings premium.

BWAG uses multiple distribution channels, allowing for a wide customer reach across Austria. Distribution channels include a network of financial advisors, customer service centers, mortgage brokers, and partnerships with various commercial banks. All loan decisions are retained at BWAG.

Under the Austrian Building Society Act, mortgage loans can be offered up to a maximum loan amount of €220,000 per person and a maximum of 80% of a property's market value.

BWAG only grants euro-denominated mortgage loans for properties located in Austria. Mortgage loans can have a maximum maturity of 35 years and are amortizing so that the borrower pays monthly installments of both principal and interest. The interest rate on the mortgage loans is either a floating or fixed rate over a certain term. On average in 2018, newly granted mortgage loans had an amount of €117,000 and a maturity of 30.5 years, with 72% having a fixed interest rate for 10 years or more.

BWAG has established internal criteria for loans it considers eligible for cover pool inclusion to maintain the cover pool's credit quality. For example, although it can grant loans up to 80% of a property's market value it voluntarily limits the loan amount for cover pool inclusion to 60% of the property's market value, providing covered bondholders with an additional protection against credit losses in case of borrower default. In addition, loans in arrears for more than 60 days and nonperforming loans are excluded from the cover pool. BWAG also provides overcollateralization significantly above the legal minimum of 2% of outstanding covered bonds. We believe these factors together with our assessment of BWAGś creditworthiness indicate its commitment and ability to support the covered bonds.

As part of the lending process, BWAG requires proof of income, and it conducts affordability and credit history checks. Each borrower's income development is considered over the loans' life cycle, and borrower credit quality is assessed using a bank internal scoring system. The average debt servicing ratio in 2017-2018 was about 30.7%, which is below the Financial Market Stability Board's maximum recommended value of 40% of household net income.

Property valuations are performed offsite by appraisers that are independent from the loan decisions using a software system. Residential property values are reviewed every three years based on the evolution of Austria's house-price index.

Overall, we view BWAG's mortgage underwriting procedures as prudent. It is active predominately in Austria as a well-established specialist in its niche building savings loan business. Its credit risk profile is low, in our view, which is specific to the highly granular and collateralized building savings loan business. This is also supported by low levels of nonperforming loans over the past years, ranging from 1.02% in 2014 to 0.80% in 2018.

We have taken these factors into account in our determination of the cover pool's foreclosure frequency by using an originator adjustment factor of less than one.

We also believe that a replacement cover pool manager could be appointed if the issuer were to become insolvent. We consider Austria to be an established covered bond market, and we believe that the mortgage assets in the cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers or servicers. In addition, in our cash flow analysis we assumed a stressed fee of 50 basis points (bps), which we believe sufficient to attract a replacement servicer.

Resolution regime analysis

As part of our covered bonds criteria, our analysis considers the resolution regime in place in Austria to determine the RRL. The RRL on BWAG is two notches above our assessment of BWAG's creditworthiness. We consider the following factors:

- BWAG is domiciled in Austria, which is subject to the EU's Bank Recovery and Resolution Directive (BRRD), which excludes covered bonds from bail-in-able debt.
- We assess the systemic importance for Austrian mortgage covered bonds as very strong.
- Therefore, the RRL is the greater of (1) our assessment of the issuer's creditworthiness plus two notches; and (2) the resolution counterparty rating (RCR) on the issuer, where applicable. Because we do not assign an RCR to BWAG, the RRL is two notches above our assessment of its creditworthiness.

This uplift recognizes that resolution regimes like the BRRD increase the probability that an issuer could service its covered bonds even following a default on its senior unsecured obligations. This is because the law exempts covered bonds from bail-in if there is a bank resolution. We consider this as an internal form of support, because the bail-in of certain creditors of the issuer does not require direct government support. This increases the likelihood that an issuer would continue to service its covered bonds without accessing the cover pool or receiving jurisdictional support, even if it were to face failure.

Jurisdictional support analysis

In our jurisdictional support analysis, we determine the covered bonds' JRL, which is our assessment of 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.

Our jurisdictional support analysis assesses three factors: the legal framework's strength, the covered bonds' systemic importance, and the sovereign's credit capacity. For Austrian mortgage covered bonds, we assess all three factors as very strong leading to an overall jurisdictional support assessment of very strong. In addition, our sovereign rating on Austria (AA+/Stable/A-1+) does not constrain the JRL. As a result, the covered bonds benefit from jurisdictional support uplift above the RRL.

Collateral support analysis

Under our collateral support analysis, we determined that the cover pool further enhances the covered bonds credit quality by two notches above the JRL.

The covered bonds' available credit enhancement of 127.46% substantially exceeds the target credit enhancement of 17.20% commensurate with a maximum potential collateral-based uplift of four notches above the JRL. From these four notches, we have deducted two because the covered bonds do not benefit from liquidity support and committed overcollateralization, resulting in a two-notch collateral support uplift above the JRL.

We performed a credit and cash flow analysis applying the specific stresses defined for Austria in our criteria "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017.

Credit risk analysis and cover pool composition

Our collateral support analysis is based on loan-level data as of Sept. 30, 2019. The cover pool register of €611.86 million is split into euro-denominated residential mortgage loans (98%) and substitute assets (2%).

The cover pool is purely domestic, regionally diversified, and very granular, with an average loan size of about €103,000 and no major concentrations.

The weighted-average mortgage loan seasoning is around 2.8 years, and the weighted-average original LTV is 72%. Our calculation of original LTV includes the original loan amount, any subordinated loans, any prior-ranking balances, and the reported property valuation at the time of origination.

BWAG voluntarily restricts the LTV to 60% when determining the eligible amount for cover pool inclusion. The cover pool's weighted average current LTV is about 50%.

All mortgage loans in the cover pool are amortizing loans with borrower's paying monthly installments of principal and interest.

BWAG removes loans from the cover register if a borrower's performance deteriorates beyond a predetermined threshold as measured by the bank internal rating of the borrower.

We assess the credit quality of the residential mortgages by estimating the credit risk associated with each loan in the pool. We then calculate the aggregate risk to assess the cover pool's overall credit quality. To quantify the potential losses associated with the entire pool, we weight each loan's foreclosure frequency and loss severity by its percentage of the total pool balance. The product of this weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) estimates the required loss protection, assuming all other factors remain unchanged.

As of Sept. 30, 2019, we estimate a WAFF of 26.60% and a WALS of 46.5%. These measures are based on a 'AAA' stress level. The resulting projected loss figure is therefore 12.4% of the current cover pool balance.

The main factors driving the WAFF are original LTVs and seasoning. All else equal, the higher the share of loans in the pool with an original LTV ratio greater than 73%--our archetypical original LTV assumption for Austrian residential mortgages (above which we increase our base foreclosure frequency assumption of 13% progressively)--the higher the cover pool's WAFF. This currently affects about 66.6% of loans. Conversely, the higher the share of loans in the pool with seasoning greater than five years, the lower the pool's WAFF, all else equal. Currently most of the mortgages (about 94%) are less than five years seasoned (see table 7) and therefore do not receive the benefit of seasoning in our determination of foreclosure frequency.

The top drivers of the cover pool's WALS are a comparatively higher share of second- and lower-ranking loans, and our overvaluation assumption for Austrian residential properties.

BWAG's cover pool's weighted-average current LTV ratio of 50% is lower than that of other Austrian programs we rate, which, all else equal, leads to a lower WALS. At the same time, the share of second- and lower-ranking loans in the pool (about 24%) drives the WALS up, all else equal. In respect of the second- and lower-ranking loans, we note that the corresponding prior-ranking loans are often comprised of subsidized-housing loans.

Austrian property prices have increased since 2009. Based on our analysis of house prices in relation to income, we apply a property indexation adjustment. We also adjust our market value decline (MVD) assumptions by applying an overvaluation adjustment to determine the residential WALS.

The small share of substitute assets comprises three Austrian sovereign bonds (rated 'AA+'). In our analysis we assume these to default in a 'AAA' stress scenario, with a 25% immediate recovery according to our public sector criteria (see Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, published on Dec. 9, 2014).

Table 3

Cover Pool Composition

	As of Sept. 30, 2019	
Asset type	**Value (€)**	**Percentage of cover pool**
Residential mortgages	599,711,193	98.01
Substitute assets	12,150,000	1.99
Total	611,861,193	100

Table 4

Key Credit Metrics

	As of Sept. 30, 2019
Average loan size in the cover pool (€)	103,362

Table 4

Key Credit Metrics (cont.)

	As of Sept. 30, 2019
Weighted-average whole loan original LTV ratio (%)	72.00
Weighted-average cover pool LTV ratio (%)*	50.20
Weighted-average loan seasoning (months)§	33.70
Balance of loans in arrears (%)	0.00
Second-lien mortgage (% cover pool notional)	24.20
Self-employed (% cover pool notional)	3.24
Credit analysis results	
Weighted-average foreclosure frequency (WAFF; %)	26.60
Weighted-average loss severity (WALS; %)	46.50
'AAA' credit risk (%)	9.21

*Adjusted for developments in the house-price index. §Seasoning refers to the elapsed loan term.

Table 5

Cover Pool Assets By Loan Size

	As of Sept. 30, 2019
(€ '000s)	Percentage of current residential mortgage loan balance
0-100	25.55
100-300	66.70
300-500	6.96
500-1000	0.79

Table 6

Loan-To-Value Ratios

As of Sept. 30, 2019		
	Percentage of residential mortgage loan balance	
LTV ratios (%)	Original loan total balance LTV ratio	Cover pool current LTV ratio
0 - 10	0.03	0.3
10 - 20	0.54	2.1
20 - 30	1.12	4.6
30 - 40	2.92	9.1
40 - 50	4.27	24.3
50 - 60	7.98	47.3
60 - 70	11.11	10.8
70 - 80	42.45	1.1
80 - 90	28.07	0.2
90 - 100	0.73	0.2
>100	0.78	0.0

LTV--Loan- to-value.

Table 7

Loan Seasoning Distribution*

As of Sept. 30, 2019

	Percentage of current residential mortgage loan balance
Less than 18 months	21.90
18-60	72.36
More than 60	5.74
Weighted-average loan seasoning (months)*	33.70

*Seasoning refers to the elapsed loan term.

Table 8

Geographic Distribution Of Loan Assets

As of Sept. 30, 2019

	Percentage of current residential mortgage loan balance
Lower Austria (Niederoesterreich)	23.06
Upper Austria (Oberoesterreich)	15.46
Carinthia (Kaernten)	12.91
Styria (Steiermark)	12.85
Vienna (Wien)	11.66
Tyrol (Tirol)	9.59
Salzburg	6.84
Burgenland	5.51
Vorarlberg	2.12

Cash flow analysis

The results of our credit analysis, including the WAFF of 26.6% and weighted-average recovery rate (1-WALS) equivalent to 45.5%, represent inputs to our cash flow analysis. In addition, we have assumed a stressed refinancing spread for the residential mortgages of 425 bps, which is based on "Assessments For Target Asset Spreads According To Our Covered Bonds Criteria," published Oct. 16, 2018. Our foreclosure period assumption is 30 months.

We stress the cover pool's cash flows, incorporating various default patterns, default timings, interest rate paths, prepayment rates, and delinquency assumptions, which we run at different points over the weighted-average life of the covered bonds. Our cash flow analysis determines the target credit enhancement needed to achieve the maximum potential collateral-based uplift, inclusive of 100% refinancing costs and the credit enhancement required to cover 'AAA' credit risk assuming no asset-liability maturity mismatch.

The cover pool does not include interest rate swaps to mitigate interest rate risk resulting from the differences in interest received on the assets versus the interest payable on the covered bonds. Such risk is partially mitigated by the fact that the majority of the mortgages (74.6%) pay fixed interest rates over a defined term, while all current outstanding covered bond rates also are fixed. Most of the mortgage loans have interest reset dates with embedded caps and floors.

As of Oct. 31, 2019, the weighted average life of the outstanding covered bonds is 18.2 years, while the weighted average life of the cover pool assets is 15 years. Our cash flow analysis indicates that an immediate recession start and rising prepayments drive the results as the excess spread in the program is reduced.

In our cash flow analysis, we also sized for the fact that cover pool collections held in third-party bank accounts may be at risk, if not reinvested in cover pool assets or used to make payments on the covered bonds.

We have calculated 'AAA' credit risk of 9.21% and a target credit enhancement commensurate with the maximum potential collateral-based uplift of four notches of 17.20%. With an available credit enhancement of 127.46%, the covered bonds can therefore achieve a potential four-notch collateral-based above the JRL. We reduce these four notches by two to account for the fact that the program does not benefit from at least six months of liquid assets, and that there is currently no commitment to maintain overcollateralization at the 'AAA' rating level. As a result, the maximum collateral-based uplift is two notches above the JRL (see table 9).

Table 9

Collateral Support Uplift Metrics

As of Sept. 30, 2019	
Asset weighted average maturity (years)	15.09
Liability weighted average maturity (years)	18.23
Maturity gap (years)	3.14
Available credit enhancement (%)	127.46
'AAA' credit risk (%)	9.21
Required credit enhancement for first notch of collateral-based uplift (%)	11.21
Required credit enhancement for second notch of collateral-based uplift (%)	13.21
Required credit enhancement for third notch of collateral-based uplift (%)	15.20
Target credit enhancement for maximum potential collateral-based uplift (%) – credit enhancement required for current rating	17.20
Potential collateral-based uplift (notches)	4
Adjustment for liquidity (Y/N)	Y
Adjustment for committed overcollateralization (Y/N)	Y
Collateral based uplift (notches)	2

WAM--Weighted-average maturity.

Counterparty risk

We have identified bank account risk to which the covered bonds are exposed. However, we consider such risk in our cash flow modeling and therefore believe that it does not constrain the ratings on the covered bonds (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

Borrowers effect their payments via direct debit or bank transfer into the accounts held with the account bank providers. BWAG uses these accounts in its normal course of business. Cash collections are accessible at any time, or within a time period of less than seven days.

There is no documented replacement mechanism in place, which would protect the covered bondholders from the bank account providers' credit deterioration. Therefore, we considered the risk that cover pool collections may be lost if they have not been reinvested in cover assets or used to pay the covered bonds.

We have stressed this risk in our analysis by assuming that one month of collections are lost. This assumption considers that most collections are done via direct debit and are spread throughout the month. In addition, BWAG as part of its risk management process monitors its bank accounts to manage the exposure if the counterparty's credit quality deteriorates.

Sovereign risk

Given the long-term sovereign rating on Austria of 'AA+', sovereign risk does not constrain our ratings on the covered bonds under our criteria (see "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published Jan. 30, 2019).

Under our structured finance ratings above the sovereign 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.

Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Global Covered Bond Insights Q3 2019, Sept. 10, 2019
- Global Covered Bond Characteristics And Rating Summary Q3 2019, Sept. 10, 2019
- Covered Bond Monitor: Technical Note, Sept. 6, 2019
- Austria Affirmed At 'AA+/A-1+'; Outlook Stable, March 15, 2019

- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, Oct. 16, 2018
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Oct. 16, 2018
- Glossary Of Covered Bond Terms, April 27, 2018