

## Kommunalkredit Austria's Public Sector Covered Bonds Assigned 'A' Ratings; Outlook Stable

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### OVERVIEW

- We have assigned our 'A' ratings to Kommunalkredit Austria's public sector covered bonds. The outlook is stable.
- The ratings reflect our view of the jurisdictional support for public sector covered bonds in Austria.
- The available credit enhancement is sufficient to cover the foreign exchange risk.

FRANKFURT (S&P Global Ratings) June 13, 2017--S&P Global Ratings today assigned its 'A' credit ratings to Kommunalkredit Austria AG's public sector covered bond program and related issuances of "Fundierte Bankschuldverschreibungen". The outlook on the ratings is stable.

We have applied our covered bonds criteria, our criteria for rating covered bonds backed by pools of public sector assets, and our structured finance ratings above the sovereign criteria (see "Related Criteria").

The 'A' ratings reflect our rating reference level (RRL) of 'bbb' and jurisdictional-supported rating level (JRL) of 'a' for the program. We have not assigned any notches of collateral-based uplift above the JRL.

As the covered bond program includes unhedged foreign exchange (FX) exposure

and because the local legislation does not include provisions to address this additional risk (such as stress testing the exposure, or the ability to require increased minimum overcollateralization levels, for example), we have considered the FX risk in our minimum required credit enhancement level commensurate with the JRL. The available credit enhancement is sufficient to cover the FX risk.

Our current counterparty criteria cap our ratings on the program and related issuances at the JRL (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

There are no rating constraints related to country, legal, or administrative and operational risks.

The stable outlook on our ratings reflects our view of the credit strength of the issuer.

#### POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including our "Covered Bonds Criteria," published on Dec. 9, 2014.

However, the resolution regime analysis section of this criteria is under review (see "Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings," and "Request for Comment: Methodology For Assigning Financial Institution Resolution Counterparty Ratings ," both published on Jan. 31, 2017).

As a result of this review, we may amend certain paragraphs of our covered bonds criteria. This change may affect the ratings on the outstanding covered bonds issued under this covered bond program. Until this time, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria").

#### RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - Covered Bonds: Counterparty Risk Analysis In Covered Bonds, Dec. 21, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- 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 - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

#### RELATED RESEARCH

- European Economic Snapshots For 2Q 2017 Published, May 15 2017
- Global Covered Bond Characteristics And Rating Summary Q1 2017, April 20, 2017
- Republic of Austria 'AA+/A-1+' Ratings Affirmed; Outlook Stable, March 17, 2017
- Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings, Jan. 31, 2017
- Request for Comment: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, Jan. 31, 2017
- International Public Finance Rating Trends: German, Austrian, And Swiss Local And Regional Governments, Nov. 2, 2016
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Aug. 15, 2016
- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, July 20, 2016

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