

Kommunalkredit Austria AG Covered Bond Ratings Raised To 'AA+', Outlook Revised To Negative

January 29, 2026

Overview

- We raised our ratings on Kommunalkredit Austria AG's public sector covered bond program and all related issuances to 'AA+' from 'AA-' and revised the outlook to negative from stable.
- The issuer has committed to maintain at least 13% overcollateralization in their covered bond program and to cover 180-day liquidity needs on all outstanding covered bonds. In our view, this contractual commitment enhances the governance framework of the covered bond program that now benefits from two notches of collateral-based uplift and reaches the 'AA+' rating.
- Our negative outlook on the covered bond ratings reflects the outlook on Kommunalkredit Austria AG's issuer credit rating (ICR), which we revised to negative from stable on Dec. 11, 2025.

FRANKFURT (S&P Global Ratings) Jan. 29, 2026--S&P Global Ratings today raised its credit ratings on Kommunalkredit Austria AG's public sector covered bond program and related issuances to 'AA+' from 'AA-' and revised the outlook on the ratings to negative from stable.

The 'AA+' covered bond ratings benefit from a total of seven-notch uplift from the ICR, based on our assumption of very strong systemic importance and very strong jurisdictional support to Austrian public sector covered bonds in a scenario when the issuer would default on its senior unsecured obligations.

The maximum potential collateral-based uplift above the jurisdiction-supported rating level (JRL) is four notches. According to our covered bonds criteria, we reduce the potential collateral-based uplift by one notch if the covered bonds do not benefit from at least six months of liquidity coverage, and by a further notch if overcollateralization is uncommitted.

While the Austrian Covered Bond Act includes a 180-day liquidity buffer requirement for bonds issued after July 8, 2022, the previous legislation on grandfathered covered bonds lacks liquidity provisions. As Kommunalkredit Austria has such grandfathered issuances outstanding, we previously adjusted the maximum achievable collateral-based uplift by one notch due to the absence of a liquidity provision for all outstanding covered bonds.

As of Jan. 27, 2026, the issuer published a commitment to maintain 180-days liquidity coverage relating to all outstanding covered bonds. Therefore, we no longer adjust for missing liquidity

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coverage in the program. The issuer has also committed to maintaining at least 13% nominal credit enhancement in the program. This is above the credit enhancement level required for the current rating (11.58%). Therefore, we no longer reduce the potential collateral-based uplift due to the absence of committed overcollateralization. With the above two commitments in place, the program can potentially benefit from four notches of collateral-based uplift.

The available credit enhancement is commensurate with two notches of collateral-based uplift from the JRL, which results in a 'AA+' rating on the covered bonds.

In the absence of any unused notches for the covered bond ratings, the outlook on the ratings reflects the outlook on the ICR that we revised to negative from stable on Dec. 11, 2025. There are no rating constraints related to legal, counterparty, or administrative and operational risks.

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status:

- Risk management, culture, and oversight

Related Criteria

- [Criteria | Structured Finance | Covered Bonds: Methodology For Rating Covered Bonds](#), July 25, 2025
- [Criteria | Structured Finance | General: Counterparty Risk Methodology](#), July 25, 2025
- [Criteria | Structured Finance | Legal: Asset Isolation And Special-Purpose Entity Methodology](#), May 29, 2025
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities](#), Dec. 22, 2020
- [Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions](#), Jan. 30, 2019
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [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
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Global Covered Bond Insights Q1 2026](#), Dec. 11, 2025
- [Kommunalkredit Austria Outlook Revised To Negative On Asset Quality Deterioration; 'BBB/A-2' Ratings Affirmed](#), Dec. 11, 2025
- [Covered Bonds Outlook 2026: Rating Trends Broadly Balanced](#), Dec. 2, 2025
- [Global Banks Country-By-Country Outlook 2026](#), Nov. 12, 2025
- [How Our Updated Methodology For Rating Covered Bonds Affects Overcollateralization Requirements](#), Sept. 4, 2025

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- [Covered Bonds Primer](#), Sept. 2, 2025

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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