S&P Global Ratings

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Transaction Update: Oberbank AG (Mortgage Covered Bond Program)

Hypothekarisch fundierte Bankschuldverschreibungen

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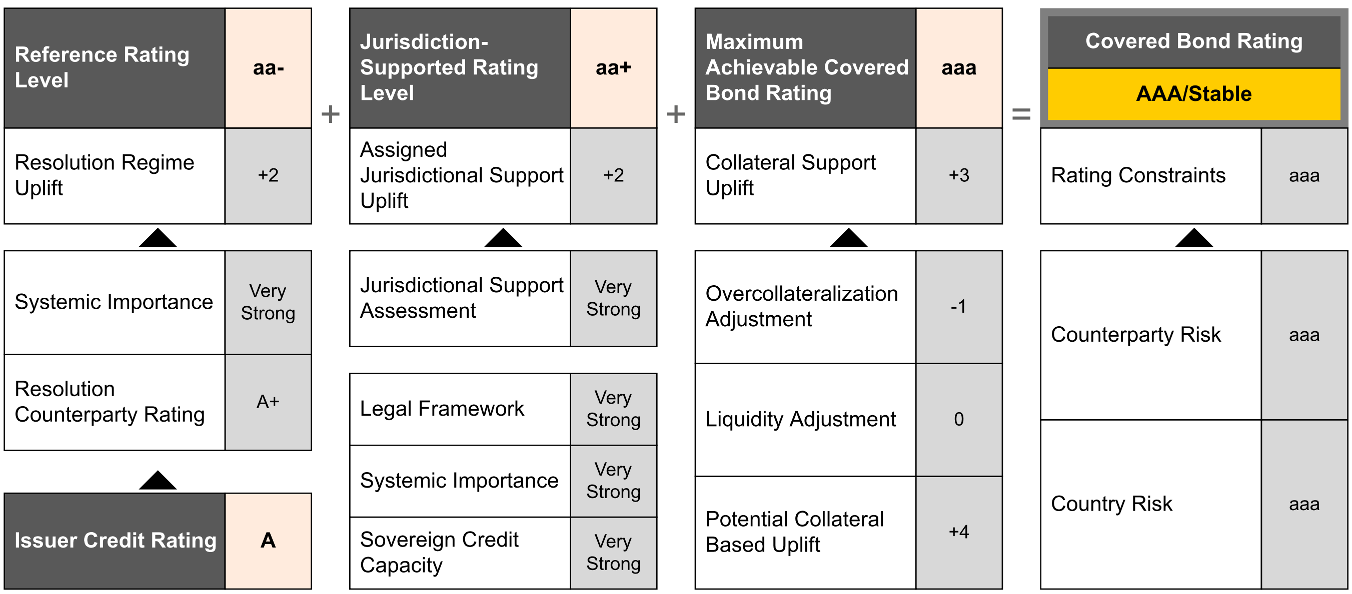


Major Rating Factors

Strengths

- Available credit enhancement, which exceeds the credit enhancement required at the 'AAA' rating level.
- The portfolio does not contain mortgage loans in arrears.
- The ratings on the covered bonds benefit from one unused notch of jurisdictional support and two unused notches of collateral-based uplift.

Weaknesses

- Concentration of residential mortgages in the State of Upper Austria.
- Absence of commitment to maintain overcollateralization in line with the currently assigned ratings on the covered bonds.

Outlook: Stable

S&P Global Ratings' stable outlook on our ratings on the mortgage covered bonds ("hypothekarisch fundierte Bankschuldverschreibungen") reflects the cushion of three unused notches--comprising one notch of jurisdictional-based support and two notches of collateral-based support--that would protect the ratings on the covered bonds if we were to lower the long-term issuer credit rating (ICR) on Oberbank AG by up to three notches.

We would lower our ratings on the covered bonds if the available credit enhancement became insufficient to cover the credit enhancement required for the current rating, either because of a reduction by the issuer of the available credit enhancement, or because of deteriorations of the cover pool's credit risk profile.

Rationale

We are publishing this transaction update as part of our annual review of Oberbank AG's mortgage covered bond program.

Our covered bond ratings process follows the methodology and assumptions outlined in our "Covered Bonds Criteria," published on Dec. 9, 2014 and our "Covered Bonds Ratings Framework: Methodology And Assumptions," published on June 30, 2015.

Before July 8, 2022, Oberbank issued mortgage covered bonds under the Austrian Law on Secured Bank Bonds (Law of 12/27/1905, Gesetz betreffend fundierte Bankschuldverschreibungen; FBSchVG). Austria's new covered bond law ("Pfandbriefgesetz") which implements the EU's Covered Bonds Directive was published on Dec. 10, 2021 and entered into force on July 8, 2022. It applies to all covered bonds issued from July 8, 2022 onward. Oberbank has updated its debt issuance program to reflect the amended legislation and has since issued covered bonds under the new covered bond law.

From our analysis of the Austrian legal and regulatory framework for covered bonds, we concluded that the cover pool assets are isolated from the issuer's insolvency risk. The protection of the cover pool assets and the cover pool's continued management enables us to rate the covered bonds above the long-term ICR on Oberbank.

Based on our operational risk analysis, which covers a review of origination, underwriting, collection, and default management procedures, as well as cover pool management and administration, we conclude that operational risk does not constrain the ratings on the covered bonds.

Under our resolution regime analysis, we determined a reference rating level (RRL) of 'aa-'. This is based on the fact that (i) Oberbank is domiciled in Austria, which is subject to the EU's Bank Recovery and Resolution Directive (BRRD) and (ii) our very strong assessment of the mortgage bonds' systemic importance in Austria. These factors increase the likelihood that Oberbank would continue servicing its covered bonds without accessing the cover pool or receiving jurisdictional support, even following a bail-in of its senior unsecured obligations.

Our jurisdictional support analysis determined the jurisdiction-supported rating level (JRL) of the covered bonds as 'aa+'. We considered the likelihood for the provision of the Austrian mortgage bonds' jurisdictional support, which we assess as very strong, resulting in a potential jurisdictional support uplift from the RRL of up to three notches. However, given our foreign currency long-term rating on Austria (AA+/Stable/A-1+), we can only assign two notches of jurisdictional support uplift above the RRL, resulting in one unused notch of jurisdictional support.

Our collateral support analysis determines to what extent the available collateral further increases the covered bonds' creditworthiness above the JRL of 'aa+'. We based our credit analysis on loan-by-loan data as of Dec. 31, 2022, while our cash flows are run as of February 2023.

As of Dec. 31, 2022, according to our analysis, the cover pool includes Austrian (47.2%) and German (3.9%) residential mortgages (together about 51.1% of total current balance) and Austrian (26.7%) and German (22.3%) commercial mortgages (together about 49% of total current balance). The available overcollateralization based on cover pool balance of 52.7% exceeds the target credit enhancement of 16.35% as determined in our collateral support analysis. Therefore, the covered bonds are eligible for four notches of potential collateral-based uplift above the JRL. From this potential uplift, we deduct one notch due to uncommitted overcollateralization. We do not apply a reduction for the lack of 180 days of liquid assets when the covered bond rating exceeds the foreign currency rating on the covered bond issuer's sovereign of domicile because our structured finance sovereign risk criteria already limit the number of notches of uplift above the long-term sovereign rating if refinancing risk is not addressed. Consequently, the achieved collateral support uplift is three notches above the JRL, of which one notch is used to achieve a 'AAA' rating. As a result, the covered bonds have two unused notches of collateral support, which together with one unused notch of jurisdictional support would protect the ratings on the covered bonds in the event of an issuer downgrade by up to three notches.

Counterparty and sovereign risks do not constrain the 'AAA' covered bond ratings.

Program Description

Table 1

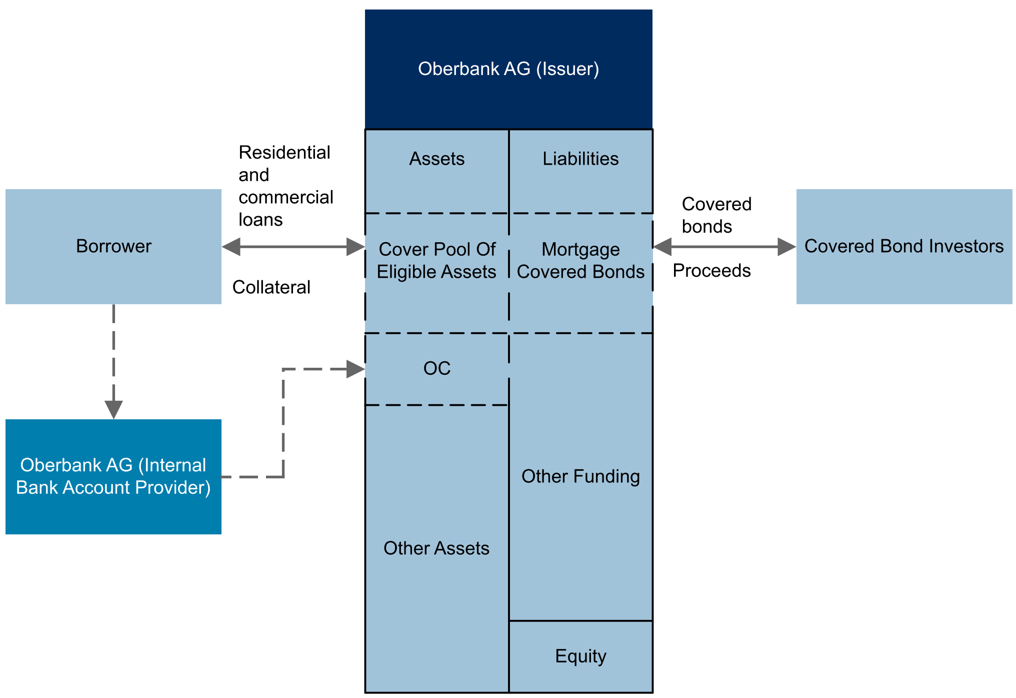
Program Overview	
Cover pool balance as of Dec. 31, 2022 and outstanding covered bonds as of February 2023	
Jurisdiction	Austria
Rating	AAA/Stable
Covered bond type	Legislation-enabled
Outstanding covered bonds (mil. €)	2,290.5
Redemption profile	Hard and soft bullet
Underlying assets	Residential mortgages and commercial mortgages
Assigned jurisdictional support uplift	2
Unused notches for jurisdictional support	1
Target credit enhancement (%)	16.35
Credit enhancement commensurate with current rating (%)	13.48
Available credit enhancement (%)*	52.66
Collateral support uplift	3
Unused notches for collateral support	2

Table 1

Program Overview (cont.)	
Total unused notches (jurisdictional and collateral support)	3

*Based on cover pool balance.

Oberbank AG Mortgage Covered Bond Program



OC--Overcollateralization.

With about €27.5 billion in assets as of year-end 2021, Oberbank is a midsize universal bank in Austria with a strong regional focus, mainly in Upper Austria and Salzburg, and to a lesser extent in Lower Austria and Vienna. It also has an established presence in neighboring countries including Germany, Czech Republic, and Hungary.

We first assigned a rating to Oberbank's covered bonds in March 2017. The covered bonds are issued under its debt issuance program or by using stand-alone documentation. As of the date of our analysis, there are €2,290.5 million of mortgage covered bonds outstanding.

The covered bonds constitute the issuer's senior secured unsubordinated obligations and rank pari passu with all other obligations secured by the cover pool register. Covered bondholders have recourse first to Oberbank, and should insolvency proceedings against the issuer be launched, to the assets in the cover pool register.

Since our previous analysis, the cover pool notional amount and the balance of outstanding covered bonds have continued to increase. As of February 2023, outstanding covered bonds stood at €2,290.5 million, up from €1,716.5 million previously.

Cover pool assets and liabilities are euro denominated. About 58.9% of assets are variable-rate paying while variable-pay liabilities account for about 34.9% of outstanding covered bonds. The cover pool contains no derivatives, and we have modeled any interest rate risk arising from mismatches between the interest payable on the assets versus the interest payable on the covered bonds in our cash flow model, Covered Bond Monitor.

Oberbank provides the bank account for the covered bond program. In the absence of structural mitigants, we have taken the associated counterparty risk into account when determining the required credit enhancement at a 'AAA' rating level.

Table 2

Program Participants

Role	Name	Rating	Rating dependency
Issuer	Oberbank AG	A/Stable/A-1	Yes
Arranger	Oberbank AG	A/Stable/A-1	No
Originator/servicer	Oberbank AG	A/Stable/A-1	No
Bank account provider	Oberbank AG	A/Stable/A-1	No

Rating Analysis

Legal and regulatory risks

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

Most of Oberbank's outstanding 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") which implements the EU's Covered Bonds Directive. The revised law merged the three laws in force before July 8, 2022 ("Hypothekenbankgesetz," "Pfandbriefgesetz," and the "Gesetz betreffend fundierte Bankschuldverschreibungen") into one, lessening the legal complexity for Austrian covered bonds. An issuance made before July 8, 2022 will not be required to fulfill certain requirements of the new law, and outstanding bonds will be grandfathered with the original designation.

The covered bonds constitute the issuer's direct and unsubordinated obligations and rank pari passu among themselves and with all other obligations secured by the cover pool register. Covered bondholders and registered derivative counterparties have recourse to the issuer and--if the issuer becomes insolvent--to the assets included in the cover register.

The new legislation includes--among others--a 180-days' liquidity buffer requirement, a 2% minimum overcollateralization requirement, the possibility for the special cover pool administrator to extend the covered bonds' maturity by a maximum of 12 months subject to certain conditions, the appointment of a cover pool monitor (which can be internal or external at the issuer's choice), and the requirement of a borrower's consent for a loan to be registered as a cover pool asset.

Derivatives are allowed for risk hedging purposes and must be registered in the cover register subject to prior consent of the counterparty.

Under the new legislation, the loan-to-value (LTV) ratio limits can be deduced from the reference of eligible cover assets to CRR Art 129 (1), including an LTV ratio limit of 80% of the value of the property for residential real estate, and 60% for commercial real estate. For commercial real estate, a limit of up to 70% is also possible. At the same time, issuers can set lower LTV ratio limits in their articles of association.

Borrowers do not have the right to set off any deposits they have with the issuer against their mortgages in the cover pool register. We understand that the prohibition of setoff does not apply to derivative contracts, when netting occurs for receivables arising under one and the same master agreement.

If the issuer becomes insolvent, a bankruptcy court, after consultation with the Austrian Financial Market Authority, 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 allow us to assign a higher rating to the covered bond program than the long-term ICR on Oberbank.

From our legal analysis of the Austrian Pfandbriefgesetz, we conclude that it addresses the main legal aspects that we assess in a covered bond legislation. Our analysis concluded that the cover pool register is effectively isolated from the issuer's insolvency estate for the covered bondholders' benefit.

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.

The origination of residential mortgage loans occurs mainly through Oberbank's branches and through a limited extent, using the bank's cooperation partners. Commercial mortgages are originated only via the issuer's branches. The issuer's philosophy is to build long-term client relationships providing specialized advisory services for real estate clients and achieving stable cash flows through a balance of risk and return.

Housing loans are originated subject to a maximum LTV ratio of 80%, a debt-to-income ratio of 6x, and a debt service-to-income ratio of 30%. As part of the origination process, the bank requires proof of income and conducts affordability and credit history checks. Residential loans are granted up to a maximum term of 30 years with the amount granted considering the borrower's income, and the collateral value. Residential loans are typically repayment loans with borrowers paying monthly installments of principal and interest. Repayment free periods of up to five years from the start of the loan term are possible. The maximum interest rate fixation period is 15 years.

For commercial mortgages depending on the object type, the bank typically limits the LTV ratio to a maximum of 80% and requires a debt service coverage ratio of at least 1.2. Oberbank does not typically pursue long-term financings of buy-to-let properties with a loan size of €3 million or more or long-term financings of housing cooperatives ("Wohnbaugenossenschaften").

In our opinion, there is no operational risk from the cover pool's management and loan origination that would constrain the covered bond ratings. We also believe that a potential replacement cover pool manager would be available if the issuer were to become insolvent. We consider Austria to be an established covered bond market and 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, we have modelled a stressed blended portfolio servicing fee of about 37 basis points (bps), which we believe is sufficient to attract a replacement servicer.

Resolution regime analysis

The RRL on Oberbank's covered bonds is 'aa-'. The RRL reflects our assessment of the covered bonds' creditworthiness considering the resolution regime.

In determining the RRL, we consider the following factors:

- Oberbank is domiciled in Austria, which is subject to the EU's BRRD.
- Our very strong assessment of the systemic importance for Austrian mortgage covered bonds, which allows for two notches of uplift from the ICR on Oberbank.

These factors recognize 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 because the law exempts covered bonds from bail-in. 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.

Jurisdictional support analysis

The JRL on the covered bonds is 'aa+', which is two notches above the RRL and equivalent to the long-term sovereign rating on Austria (AA+/Stable/A-1+). The JRL is our assessment of the likelihood that the covered bonds in case of stress would receive support from a government-sponsored initiative instead of from the liquidation of collateral assets in the open market.

Given our very strong jurisdictional support assessment of mortgage covered bonds in Austria, the covered bonds can receive up to three notches of jurisdictional support uplift above the RRL. However, given Austria's sovereign rating, only two notches of jurisdictional support can be assigned. Therefore, the covered bonds have one unused notch for jurisdictional support.

Collateral support analysis

Our analysis of the residential mortgage loans is based on the specific adjustments defined for Austria and Germany under our global residential loans criteria (see "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," published on Jan. 25, 2019).

We analyze the commercial portion of the cover pool using our commercial real estate criteria (see "Methodology And

Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds," published on March 31, 2015).

We base our credit analysis on loan-by-loan as of Dec. 31, 2022, and asset and liability cash flow data as of Feb. 10, 2023. Since our previous review, the cover pool has continued to grow but the split between residential and commercial mortgages according to our classification has remained fairly stable (see table 3). Under our commercial real estate criteria, exposures to housing cooperatives ("Wohnbaugenossenschaften") are classified as commercial properties. Within the commercial pool multifamily housing exposures, which we view as less risky than traditional commercial real estate, represent about 27.3% of commercial mortgage loans.

Table 3

Pool Composition (Current Balance)

	As of Dec. 31, 2022		As of Dec. 31, 2021	
Asset type	**Current loan balance (€)**	**Percentage of current loan balance**	**Current loan balance (€)**	**Percentage of current loan balance**
Total Residential mortgages	1,962,184,866	51.07	1,592,241,456	51.62
Austria	1,814,151,772	47.22	1,499,119,072	48.60
Germany	148,033,094	3.85	93,122,384	3.02
Total commercial mortgages	1,879,663,216	48.93	1,492,185,396	48.38
Austria	1,024,526,466	26.67	823,830,529	26.71
Germany	855,136,750	22.26	668,354,867	21.67
Total residential and commercial loans	3,841,848,082	100	3,084,426,852	100

Most residential mortgages are granted for owner occupation, with a limited share of buy-to-let properties. The weighted-average residential mortgage loan seasoning is about 46.22 months. The weighted-average current LTV ratio including prior ranking balances for the residential and commercial mortgage loans is about 46.73% and 52.92% respectively.

At the time of cover pool inclusion, a borrower's account cannot be overdrawn. The cover pool does not include loans in arrears or defaulted loans as the issuer removes loans from the cover pool register if a borrower's performance deteriorates beyond a predetermined threshold as measured by the borrower's bank internal rating. Further, syndicated loans, are not included in the cover pool.

For the loans in the pool, our analysis estimated the foreclosure frequency and the loss severity, and by multiplying the foreclosure frequency by the loss severity, the potential loss associated with each loan. To quantify the potential losses associated with the entire pool, we calculated a weighted-average foreclosure frequency (WAFF) and a weighted-average loss severity (WALS) assuming 'AAA' credit stresses. The product of these two variables estimates the required loss protection, in the absence of additional factors. We assume that the probability of foreclosure is a function of both borrower and loan characteristics and will become more likely--and the realized loss on a loan more severe--as the economic environment deteriorates.

As of Dec. 31, 2022, at a 'AAA' level of stress, the WAFF and WALS for the combined pool of Austrian and German residential mortgages are 17.55% (18.5% previously) and 30.7% (33.2% previously), respectively. The improvement in the combined residential portfolio's WAFF is mainly due to decreased effective LTV ratios, and increased seasoning. The lower combined Austrian and German residential WALS is mainly due to reduced current LTV ratios.

For the Austrian and German commercial pool, the combined WAFF is 32.9% (35.8% previously) and the WALS is 49.5% (59.9% previously). These figures decreased due to lower current LTV ratios. Another factor behind the lower commercial WAFF is the removal of the previously applied 1.1x adjustment to the base foreclosure frequency for industry concentration. This removal is based on additional information we received from the issuer on the property types securing these loans.

For the entire cover pool of Austrian and German residential and commercial mortgage loans, our WAFF is 25.1% (26.8% previously) and 39.9% (46.1% previously).

Table 4

Key Credit Metrics

	As of Dec. 31, 2022	As of Dec. 31, 2021
Residential mortgages		
Average loan size (€)	161,842	131,852
Weighted-average effective LTV ratio (%)*	65.61	69.79
Weighted-average original LTV ratio (%)	69.58	74.47
Weighted-average current LTV ratio (%)	46.73	51.04
Weighted-average loan seasoning (months)§	46.22	44.30
Balance of loans in arrears (%)	0.00	0.00
Residential mortgages credit analysis results		
WAFF (%)	17.55	18.49
WALS (%)	30.72	33.19
Commercial mortgages		
Weighted-average current LTV ratio (%)	52.92	66.90
Commercial mortgages credit analysis results		
WAFF (%)	32.94	35.76
WALS (%)	49.54	59.88
Combined mortgage pool credit analysis results		
WAFF (%)	25.08	26.84
WALS (%)	39.93	46.10
'AAA' credit risk (%)	10.61	15.13

*Calculated weighting 80% of the OLTV and 20% of the CLTV. LTVs are based on the full 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, 2022
WAFF-effective LTV/whole LTV ratios (%)	
Residential mortgages - effective LTV ratios (%)	
0-40	21.12

Table 5

Loan-To-Value Ratios (cont.)	
40-50	11.44
50-60	13.82
60-70	13.49
70-80	13.14
80-90	11.01
90-100	8.37
>100	7.61
Weighted-average effective LTV ratio	65.61
Commercial mortgages - whole LTV ratios (%)	
0-40	23.14
40-50	12.08
50-60	10.24
60-70	16.71
70-80	15.52
80-90	7.36
90-100	3.72
>100	11.22
Weighted-average whole loan LTV ratio	68.89
WALS-current LTV ratios* (%)	
Residential mortgages - current LTV ratios after HPI (%)	
0-40	43.35
40-50	13.82
50-60	12.72
60-70	13.69
70-80	11.23
80-90	3.27
90-100	0.78
>100	1.11
Weighted-average current LTV ratio	46.73
Commercial mortgages - current LTV ratios (%)	
0-40	27.64
40-50	12.47
50-60	35.38
60-70	7.78
70-80	11.82
80-90	2.15
90-100	0.74
>100	2.01
Weighted-average current LTV ratio	52.92

WAFF--Weighted-average foreclosure frequency. LTV--loan-to-value. WALS--Weighted-average loss severity. HPI--House price index. *Cover pool.

Table 6

Residential Loan Seasoning Distribution*

	As of Dec. 31, 2022	As of Dec. 31, 2021
	Percentage of current residential loan balance	
<=5 years	72.21	73.09
>5 and <=6 years	7.4	7.12
>6 and <=7 years	5.71	5.95
>7 and <=8 years	4.61	4.87
>8 and <=9 years	3.65	3.21
>9 and <=10 years	2.37	1.94
>10 years	4.06	3.82
Weighted-average residential loan seasoning (months)	46.22	44.30

*Seasoning refers to the elapsed loan term.

Table 7

Geographic Distribution Of Loan Assets

	As of Dec. 31, 2022		As of Dec. 31, 2021	
	Percentage of current residential loan balance	Percentage of current commercial loan balance	Percentage of current residential loan balance	Percentage of current commercial loan balance
Austria	**92.46**	**54.51**	**94.14**	**55.21**
Burgenland	1.57	0.32	1.64	0.64
Carinthia (Kaernten)	0.85	0.56	0.85	0.48
Lower Austria (Niederoesterreich)	18.3	9.11	18.27	8.36
Upper Austria (Oberoesterreich)	43.43	13.42	44.23	12.76
Salzburg	9.47	4.89	9.80	4.47
Styria (Steiermark)	2.51	2.53	2.39	2.13
Tyrol (Tirol)	1.38	1.14	0.90	0.81
Vorarlberg	0.07	0.05	0.06	0.00
Vienna (Wien)	14.88	22.47	16.01	25.56
Germany	**7.54**	**45.49**	**5.85**	**44.79**
Baden-Wuerttemberg	0.44	2.09	0.29	0.8
Bavaria (Bayern)	5.54	18.99	4.40	20.14
Berlin	0.13	7.85	0.06	4.29
Brandenburg	0.07	0.08	0.00	0.16
Hamburg	0.2	0	0.25	0.00
Hesse	0.18	3.17	0.14	4.76
Lower Saxony (Niedersachsen)	0.02	1.11	0.00	1.42
North Rhine-Westphalia (Nordrhein-Westfalen)	0.03	0.01	0.04	0.00
Rhineland-Palatinate (Rheinland-Pfalz)	0.1	1.02	0.09	1.19
Saxony (Sachsen)	0.02	1.04	0.00	1.19
Saxony-Anhalt	0.48	6.23	0.27	6.35

Table 7

Geographic Distribution Of Loan Assets (cont.)				
Schleswig-Holstein	0.12	1.34	0.14	2.07
Thuringia	0.02	1.64	0.02	1.44

For our cash flow analysis, we have determined a weighted-average recovery period of 24 months for the mortgage loans in the cover pool. In addition, we have calculated a stressed refinancing spread for the cover pool of 706 bps (703 bps previously).

The results of our credit analysis, including the cover pool's WAFF of 25.08%, weighted-average recovery rate (1-WALS) equivalent to 60.07%, weighted-average time to recovery, and refinancing costs, represent inputs to our cash flow analysis. We stress the cover pool's cash flows, incorporating among other factors, various default patterns, default timings, various interest rate stresses, prepayment rates, and delinquency assumptions. The aim of our cash flow analysis is to determine whether the cash flows from the assets suffice, at a 'AAA' rating level, to make timely payment of interest and ultimate payment of principal on the covered bonds.

The cover pool register currently does not include derivatives to mitigate interest rate risk arising from differences in interest payable on the assets versus the interest received on the liabilities. 34.9% of liabilities pay a floating rate, with the remainder paying a fixed rate of interest. At the same time, about 58.9% of assets pay a floating rate of interest. We have taken interest rate risk into account, by modeling the collateral composition in our cash flow analysis, considering the interest mismatch as well as basis risk. We also model the possibility that the spread on the mortgages compresses over time due to defaults, prepayments, and product switches. To account for this, we reduce margins, assuming a percentage of the higher-yielding loans exit the portfolio.

In our cash flow analysis, we also sized for the fact that cover pool cash flows received before the issuer's insolvency may be at risk, if these are not reinvested in the cover pool assets or used to make payments on the covered bonds.

By applying our credit and cash flow stresses, we calculated a 'AAA' credit risk of 10.61% and a target credit enhancement of 16.35%. The lower figures are mainly due to the reduction in the portfolio's WAFF and WALS and an increased difference between the interest generated by the assets and the interest payable on the covered bonds amid higher interest rates together with the current mix of variable-rate paying assets (58.9%) versus variable-rate paying liabilities (34.9%).

As the available credit enhancement exceeds the target credit enhancement, the covered bonds can achieve a potential collateral-based uplift of four notches above the JRL. As outlined above (see "Rationale"), a one notch deduction applies resulting in a maximum collateral-based uplift of three notches above the JRL. The covered bonds use one notch to achieve a 'AAA' rating resulting in two unused notches of collateral support, which together with one unused notch of jurisdictional support, would protect the ratings on the covered bonds if we were to downgrade the issuer by up to three notches, all else being equal.

Table 8

Collateral Uplift Metrics		
	As of Feb. 28, 2023	**As of Dec. 31, 2021**
Asset WAM (years)	9.17	8.84

Table 8

Collateral Uplift Metrics (cont.)

	As of Feb. 28, 2023	As of Dec. 31, 2021
Liability WAM (years)	6.86	7.54
Maturity gap (years)	2.31	1.30
Available credit enhancement (%)	52.66*	79.69
'AAA' credit risk (%)	10.61	15.13
Required credit enhancement for first notch of collateral uplift (%)	12.05	16.52
Required credit enhancement for second notch of collateral uplift (%)	13.48	17.92
Required credit enhancement for third notch of collateral uplift (%)	14.92	19.31
Target credit enhancement for maximum uplift (%)	16.35	20.70
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	N	Y
Adjustment for committed overcollateralization (Y/N)	Y	Y
Collateral support uplift (notches)	3	2

WAM--Weighted-average maturity. *Based on cover pool balance.

Counterparty risk

Oberbank is the bank account provider for the covered bond program, which potentially exposes investors to bank account and commingling risk. However, we consider such risks in our cash flow modeling and therefore believe that counterparty risk does not constrain the ratings.

No derivatives are registered in the cover pool.

We analyzed the counterparty risks using our counterparty criteria (see "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019).

Sovereign risk

We analyze sovereign risk under our structured finance sovereign risk criteria (see "Related Criteria").

This is a multi-jurisdictional pool of residential and commercial mortgage loans. The issuer is located in Austria, which is part of a monetary union, The covered bonds are a mix of hard and soft bullet maturities. The hard bullet bonds have 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 Austria's sovereign rating.

Furthermore, given the long-term sovereign ratings on Austria and Germany of 'AA+' and unsolicited: 'AAA', respectively, the supplemental tests--largest sovereign test and largest transfer and convertibility test--do not apply.

As a result, sovereign default risk does not constrain the rating on the covered bond program.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	G-2	**G-3**	G-4	G-5

- N/A	- N/A	- Risk management, culture, and oversight.

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Environmental and social credit factors have no material influence on our credit rating analysis of Oberbank's mortgage covered bonds. However, governance factors are a moderately negative consideration in our credit rating analysis of the mortgage covered bonds. The issuer has not committed to maintain a minimum level of overcollateralization in the program. This reduces the unused notches of uplift by one.

Related Criteria

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- 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
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Related Research

- Various Rating Actions Taken On Austrian Banks On Stabilization Of Operating Performance, Feb. 24, 2023
- European Housing Prices: A Sticky, Gradual Decline, Jan. 11, 2023
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- ESG Credit Indicator Report Card: Covered Bonds, April 7, 2022

- Global Covered Bond Insights Q1 2022, March 17, 2022
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- Glossary Of Covered Bond Terms, April 27, 2018