

# HYPO – Bank Burgenland

## Austrian Hypothekenpfandbriefe - Performance Update

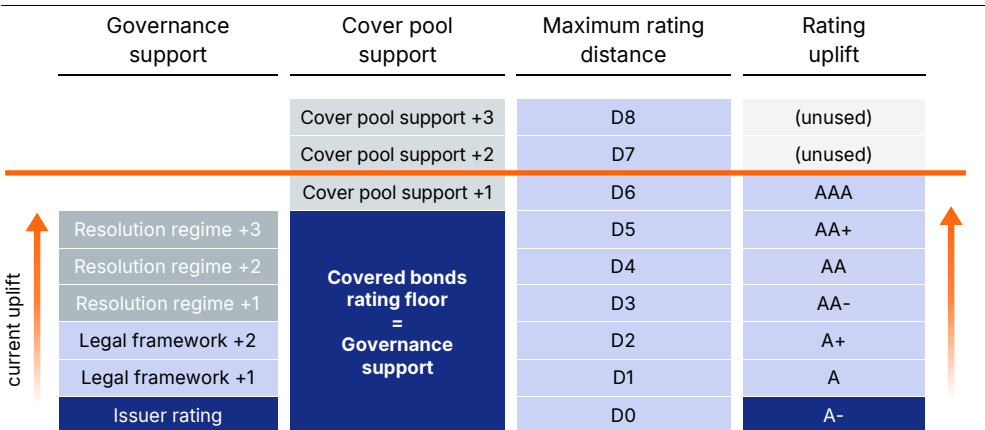
Table 1: The covered bond programme

Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook	Supporting OC <sup>1</sup>
30 Sept 2025	EUR 1.62bn	Mortgage loans	EUR 0.90bn	AAA/Stable	10%

<sup>1</sup> floored at legal minimum

The AAA rating with a Stable Outlook assigned to the mortgage covered bonds (Hypothekenpfandbriefe) issued by HYPO-Bank Burgenland AG (Bank Burgenland) are based on the bank's issuer rating (A-/Stable), enhanced by governance support and cover pool support based uplift. Governance support factors, in total, provide a rating uplift of up to five notches and, effectively, a floor against a deterioration in cover pool credit quality. This reflects our assessment of the strong governance support provided by the legal covered bond and resolution framework in Austria.

Figure 1: Covered bond rating building blocks



Source: Scope Ratings

Cover pool support could provide additional rating stability. If the rating of Bank Burgenland would be downgraded to BBB, the maintained nominal overcollateralisation of 79.7% as of September 2025 would be sufficient to support the highest achievable rating on the mortgage covered bonds.

The bonds are covered by a portfolio of mortgage loans to private residential and commercial borrowers. Commercial loans include housing corporations but also exposures to borrowers from other industries such as hospitality, services, retail or manufacturing. As of September 2025, the portfolio consists of 6,730 loans with a top 10 comprising 17.2%. The portfolio benefits from a moderate averaged indexed eligible loan to value of 49.5% and a seasoning of 5.8 years.

The covered bonds are exposed to market risks. Interest rate mismatches are driven by the 90.7% fixed rate mortgage bonds which compare to 45.5% of fixed rate loans. In addition, maturity mismatches arise from the bonds' remaining life of 8.9 years which compares to 7.0 years of the assets. The bonds do not benefit from maturity extensions. However, maturity mismatches can be managed from call rights that reduce the bonds' remaining life to around 5 years - if executed. The EUR28m of substitute assets do provide for a small cushion against short term liquidity risks. No exchange risk exists as both, assets and covered bonds are denominated in EUR.

Covered bond rating

AAA

Outlook

Stable

Rating action

Affirmation

Last rating action

17 Nov 2025

Issuer rating

A-

Covered bond rating

Stable

Last rating action rating

12 Dec 2024

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### Related research

[Scope affirms Hypo-Bank Burgenland AG's Austrian mortgage covered bond rating at AAA, Stable Outlook, November 2025](#)

[Scope affirms Hypo-Bank Burgenland's issuer rating at A-/Stable, December 2024](#)

[more research →](#)

1. Stable Outlook

The Stable Outlook on the mortgage covered bonds reflects the stable Outlook on the issuer, governance support factors and the cover pool. Governance and cover pools support allow for a cushion against a downgrade of the issuer rating of up to two notches. The rating may be downgraded upon (individually or collectively): i) an issuer rating downgrade by more than two notches; ii) a deterioration in Scope’s view on governance support factors relevant to the issuer and Austrian covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

2. Changes since the last performance update

Since our last analysis, both the cover pool and the outstanding covered bonds have remained relatively stable. The total cover assets declined by 1.9%, while the outstanding volume of covered bonds decreased by 2.7%. Key risk indicators such as loan-to-value (LTV) ratios and remaining maturities were largely unchanged. Additionally, there have been no material shifts in maturity or interest rate mismatches. Market risk remains the prevailing risk factor exposing the covered bonds to decreasing interest rates. Most assets are floating which compares to mainly fixed rate covered bonds. Available overcollateralization does fully mitigate all identified market and credit risks.

As of 12 September 2025, we have affirmed Austrian’s sovereign rating and changed the Outlook to Negative. The changed outlook reflects high fiscal deficits, rising general government debt, and a modest growth outlook in Austria, while the wealthy and diversified economy, sound external position, stable banking sector, and strong debt affordability are credit strengths.

Residential property prices in Austria have shown a moderate upward trend in 2025. As of Q2 2025, the overall house price index (Statistik Austria) increased by 2.1% compared to Q2 2024. Prices for new residential properties rose by 3.5%, while existing homes saw a more modest increase of 1.7%. This marks a shift from the relative stagnation observed in 2024, indicating a gradual recovery in the housing market.

3. Rating drivers and mitigants

<p><b>Positive rating drivers</b></p> <ul style="list-style-type: none"><li>• Strong legal covered bond framework</li><li>• Strong resolution regime and systemic importance</li><li>• Strong credit quality of the domestic cover pool with market risks fully mitigated by available overcollateralisation</li></ul>	<p><b>Negative rating drivers and mitigants</b></p> <ul style="list-style-type: none"><li>• Systemic importance of Bank Burgenland as a covered bond issuer is limited making a going concern less likely in case of a regulatory intervention</li></ul>
<p><b>Upside rating-change drivers</b></p> <ul style="list-style-type: none"><li>• The ratings are at the highest level achievable</li><li>• Additional issuer downgrade cushion could arise from a higher governance support assessment (systemic importance) or a rating upgrade of the issuer</li></ul>	<p><b>Downside rating-change drivers</b></p> <ul style="list-style-type: none"><li>• The rating may be downgraded upon an issuer downgrade by more than two notches</li><li>• The rating may also be downgraded upon a deterioration of our assessment related to the programme’s governance support factors and the interplay between complexity and transparency by together more than two notches</li><li>• The rating may also be subject to a downgrade if the cover pool is unable to provide an additional uplift in case the issuer rating is downgraded, or our governance analysis deteriorates</li></ul>

Table of content

- 1. Stable Outlook
- 2. Changes since the last performance update
- 3. Rating drivers and mitigants
- 4. The issuer
- 5. Programme structure
- 6. Governance credit support analysis
- 7. Cover pool analysis
- 8. Availability of overcollateralisation
- 9. Other risk considerations
- 10. Sensitivity analysis
- 11. Summary of covered bond characteristics

## 4. The issuer

Bank Burgenland's issuer rating of A-/Stable reflects its well-established, profitable, regionally focused business model in the Austrian state of Burgenland, the Vienna metropolitan area, Carinthia and Styria, complemented by its good access to real estate markets in its home markets and in the rest of Austria. The issuer rating also reflects the reliable profit contributions that Bank Burgenland's institutional banking divisions have achieved through asset management and custodial services.

Together, Bank Burgenland, its banking subsidiary Schelhammer Capital and its other bank-related service companies form the GRAWE Banking Group, an integral part of GRAWE Group, an Austrian multi-line insurance group. Bank Burgenland and its subsidiaries are integrated in GRAWE Group's risk control processes. The bank is managed according to the arm's length principle. Due to the group's mutual ownership structure, management is strongly focused on internal capital generation and conservative reserve building, which is also reflected in its banking subsidiaries.

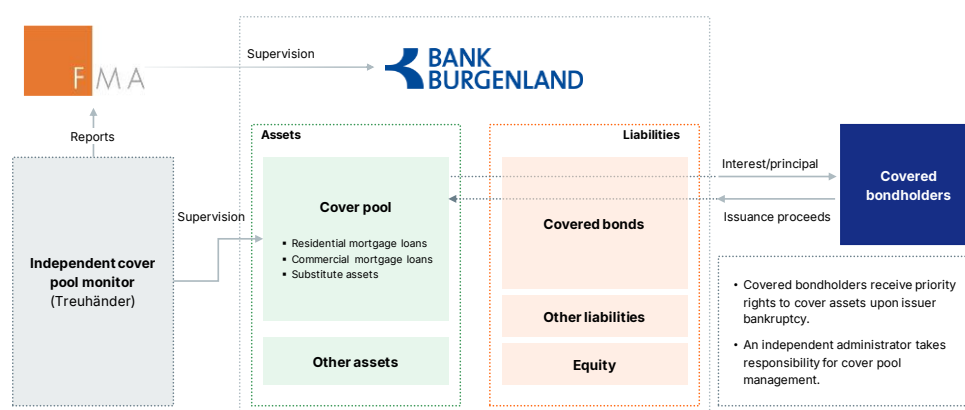
Further details on our credit assessment of Bank Burgenland are available at [www.scooperatings.com](http://www.scooperatings.com).

## 5. Programme structure

Bank Burgenland issues covered bonds using an on-balance sheet structure. Its issuances are governed by the new Austrian Covered Bond Act (PfandBG) and supervised by Austria's Financial Market Authority (FMA). Covered bond issuance is limited to financial institutions with a special licence to issue covered bonds. This includes universal banks, specialised mortgage banks and building societies. In principle, the issuer does not need to be the originator, as issuers can pool cover assets originated by other banks, for example through a true-sale of assets but also commonly through fiduciary arrangements (Treuhandschaft).

On balance sheet structure

Figure 2: Issuance structure



Source: Scope Ratings

## 6. Governance credit support analysis

Governance credit support is a rating driver for Bank Burgenland's mortgage covered bonds. It provides an uplift of five notches. This uplift is based on our credit-positive view on i) the legal framework for mortgage covered bonds in Austria; ii) the Austrian's resolution regime; and iii) the systemic relevance of covered bonds in Austria, including those of Bank Burgenland.

Together five notches from legal framework and resolution regime

### 6.1 Legal framework and structural support analysis

The Austrian's covered bond framework is very strong, meeting our criteria for protecting investors and resulting in the highest credit differentiation of two notches.

The relevant legal framework is based on the Covered Bond Act (Pfandbriefgesetz or PfandBG). The legislation has been approved and came into force on 8 July 2022, transposing the European Covered Bond Directive into local law.

Two notches reflecting strong legal framework in Austria

#### *Segregation of cover pool upon insolvency*

The Austrian framework expects an 'on-balance sheet' cover pool, where cover assets are ringfenced by registration in the cover register. Setting off against the cover pool is not allowed. When the issuer becomes insolvent, the cover pool receives the status of a special estate (Sondermasse), which segregates it from the remaining insolvency estate. The insolvency of the issuer will generally not impact the structure, terms and conditions of loans granted or the covered bonds issued. Covered bonds will not accelerate upon the insolvency or resolution of the issuer.

If proceeds from the sale of cover pool assets are insufficient to repay the covered bonds, investors have also recourse to the general insolvency estate of the issuer.

#### *Ability to continue payments after issuer insolvency*

Following insolvency, Austria's financial market supervisor (Finanzmarktaufsicht, or FMA) appoints a special administrator (besonderer Verwalter), which is tasked with ensuring the full and timely payment of covered bonds and managing the cover pool. The framework highlights that resolution or insolvency of the issuer will not affect the ability to make the promised payments on covered bonds or derivatives in the cover pool. The special administrator has the right to collect payments, sell cover assets and enter into bridge financings.

The ability to continue payments after the issuer's insolvency does further benefit from ongoing general and specific risk management principles strengthening Austrian covered bonds.

#### *Asset eligibility and risk management principles*

Residential mortgage loans are eligible up to 80% of the properties' mortgage lending value (following CRR 229); commercial mortgage loans are eligible up to 60% of the properties' mortgage lending value. At the same time the full loan amount is registered in the cover pool. Assets need to be located within the EEA, Switzerland and the United Kingdom. Underlying properties must be adequately insured against physical damage, and the insurance must be part of the cover pool. Building plots and buildings under construction are eligible for up to 10% of the cover pool. Substitute and liquid assets (max. 15% of the covered bonds outstanding) can comprise exposures to eligible public-sector issuers, financial institutions, deposits and cash.

Issuers must establish prudent processes and risk management systems to identify, assess and control risks including interest-rate and foreign-exchange risks. Liquidity risk is addressed by a mandatory 180-day coverage of net liquidity needs and in case the bank has issued soft bullet covered bonds, the special administrator can activate a maturity extension by up to 12 months without altering the time structure of existing covered bonds. Bank Burgenland has not opted for soft bullet structures.

#### *Programme enhancements remain available*

Austrian covered bonds must provide a mandatory minimum nominal overcollateralisation (OC) of 2% in addition to expected wind-down costs. Upon issuer insolvency, excessive and not explicitly committed OC above the legal minimum could be depleted and used by the issuer. However, it will generally be challenging to prove what amounts could be deemed excessive. In addition, every removal of cover assets from the cover register and every new issue must be approved by the trustee. Derivatives in the cover pool will not terminate upon the issuer's insolvency and will remain available to service the covered bond programme.

#### *Covered bond oversight*

The FMA must approve covered bond issuance programmes. After the approval is granted by the FMA in co-operation with the Austrian National Bank (OeNB), regulators and supervisors must perform special oversight over the programme. The FMA has the right to order special audits on the cover pool and can also order the issuer to carry out corrective measures. A trustee has to ensure that cover assets comply with regulations. The trustee signs off (de)- registration of cover assets, hedging agreements and the issuance of new covered bonds. The trustee must notify the FMA in case of a breach.

### **6.2 Resolution regime and systemic importance analysis**

Bank Burgenland's mortgage covered bonds benefit from an additional three-notch uplift that reflects i) the covered bonds' exemption from bail-in; ii) the high likelihood that the covered bonds remain with a resolved and restructured issuer and that the programme remains actively managed as going concern funding instrument; iii) the systemic relevance of mortgage covered bonds in Austria but only a moderate systemic relevance of Bank Burgenland in general and as a covered bond issuer; and iv) the strong and proactive stakeholder community.

Three notches reflecting strong resolution regime but moderate systemic importance.

#### *Availability of statutory provisions*

Austrian covered bonds are defined in line with statutory provisions according to the European Commission's Directive (2014/59/EU). It was transposed into the Federal Act on the Recovery and Resolution of Banks (BaSAG), enacted 1 January 2015. It provides the national resolution authority (Financial Market Authority [FMA]) with a toolkit to establish uniform rules and procedures for the resolution of relevant credit institutions.

#### *Strength of statutory provisions*

The national transposition of Article 55 of the BRRD into Articles 85 to 94 BaSAG exempts secured liabilities (Article 86 (2) BaSAG) such as covered bonds from bail-in. Where hedging instruments forming an integral part of the covered bond programme (cover assets) they will be excluded as well. The exemption is limited to the extent of the value of any security.

Austria was among the first to actively use the restructuring provisions and demonstrated how such provisions can work in favour of covered bond investors. When the FMA ordered a moratorium on Heta Asset Resolution AG – the workout entity of failed Hypo Alpe Adria Bank, senior unsecured debt was bailed-in, in contrast to Heta's public sector covered bonds that were neither impacted by the moratorium nor bailed-in.

#### *Systemic importance of issuer*

In principle, the bank's balanced refinancing and capital structures allow for a bail-in to keep the issuer supporting the covered bonds on a going concern basis. However, we believe and orderly wind-down, a sale or merger with another Austrian covered bond issuer is more likely opposed to a preservation of Bank Burgenland in case of regulatory intervention. This reflects Bank

Burgenland's moderate systemic relevance due to the bank's small size in relation to larger Austrian Banks.

#### *Systemic relevance of covered bonds*

We classify Austrian mortgage covered bonds as refinancing instruments with high systemic relevance. In 2024, new issuance reached only EUR 11.6 billion – less than half of the record volume seen in 2023. This decline was largely driven by subdued mortgage lending activity and a high share of deposit-based funding. Despite the slowdown in issuance, total outstanding covered bonds rose to a record EUR 113.0 billion, up from EUR 109.9 billion the year before. By year-end, the outstanding volume represented approximately 23% of Austria's GDP, placing the country in the upper third among European peers. The number of active issuers also increased, rising from 22 in 2023 to 26 in 2024.

#### *Proactive stakeholder community*

Austrian stakeholders have demonstrated regularly that they are strongly interested in a functioning covered bond market and are willing to support an orderly resolution of problems in case of a distressed issuer. Even before the BRRD came into force Austria was among the first to actively use restructuring provisions and demonstrated how such provisions can work in favor of covered bond investors (e.g. Heta Asset Resolution AG).

The market benefits from an active stakeholder community. Amongst others, the Austrian Federal Economic Chamber (Wirtschaftskammer Österreich or WKÖ) has become the main platform for issuers to discuss their interests. In addition, covered bond issuers have established a dedicated covered bonds industry lobby called 'Pfandbrief Forum', which provides information on the market, especially for international investors, and further aligns brand presence. The forum also represents issuers within the 'European Covered Bond Council', the European industry lobby.

## 7. Cover pool analysis

Bank Burgenland's mortgage covered bond ratings are cover pool-supported, providing one of the six notches of uplift needed to achieve the highest rating. Governance support provides for a five-notch rating uplift and an effective floor against a deterioration in cover pool credit quality.

### 7.1 CPC assessment

Our assessment on the interplay between complexity and transparency translates into a CPC category of 'low'-risk. The assessment on the interplay between complexity and transparency could add up to three notches of credit uplift above of the issuer rating enhanced by governance support. Consequently, the combined credit support could allow to maintain the covered bond rating at the highest level under a hypothetical issuer downgrade by up to two notches, assuming OC does not become a constraining factor.

The CPC category of 'low'-risk reflects the ongoing availability of detailed, regular, current and forward-looking transparency on key credit and market risk factors; information on lending products; ability to assess the issuer's underwriting and credit risk procedures; high visibility on origination and issuance strategy and full access to all relevant counterparty risk information.

### 7.2 Cover pool composition

Bank Burgenland's mortgage covered bonds are secured by a portfolio consisting of residential loans (74.1%), commercial loans (24.2%), and substitute assets (1.7%). Residential exposures include both private individuals and housing corporations, while the remaining loans comprise commercial real estate exposures to the hospitality, services, retail, and manufacturing sectors. Non-recourse and special-purpose vehicle structures are rare.

The low weighted average loan-to-value (LTV) ratio of 49.4% (down from 49.9%) on an eligible-loan basis indicates high protection against credit losses in the event of borrower default. The Austrian Covered Bond Act stipulates a maximum LTV ratio of 80% for residential mortgage assets and 60% for commercial loans. This level determines the maximum amount of covered bonds that can be issued against mortgage collateral. Bank Burgenland continues to voluntarily limit its eligible LTV ratio to 60% for all mortgage loans. The average whole-loan LTV stands at 56.0% (down from 56.1%). Granularity is moderate. The portfolio consists of 6.730 loans with a top 10 of 17.2%.

With 48.9% (from 47.4%) of the portfolio remains to be skewed to Vienna metropolitan region. By population, Vienna accounts for around one third of Austria's total. At the same time, the portfolio benefits from a 18.6% share to mortgage loans from Burgenland and 15.3% to Carinthia. The latter because of the acquisition of the Anadi Bank portfolio, executed in September 2024.

#### Cover pool characteristics

Reporting date	Sept 2025	Sept 2024
Balance (EUR mn)	1,621	1,652
Residential (%)	74.1	73.6
Commercial (%)	24.2	26.4
Substitute (%)	1.7	0.2

#### General information

Reporting date	Sept 2025	Sept 2024
No. of loans	6,730	6,930
Avg. size (EUR '000)	236.8	238.0
Top 10 (%)	17.2	18.8
Remaining life (y)	7.0	7.1
Seasoning (y)	5.8	5.4
WA eligible-loan LTV (%)	49.4	49.9
WA whole-loan LTV (%)	56.0	56.1

#### Interest rate type (%)

Reporting date	Sept 2025	Sept 2024
Floating	54.5	53.0
Fixed	45.5	47.1

#### Repayment type (%)

Reporting date	Sept 2025	Sept 2024
Annuity / Linear	86.1	87.2
Interest-only	13.9	12.8

Figure 3: Regional distribution

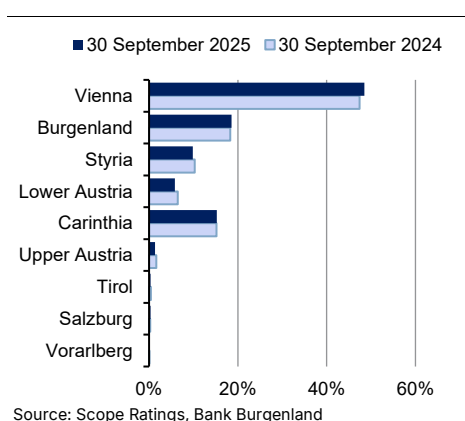
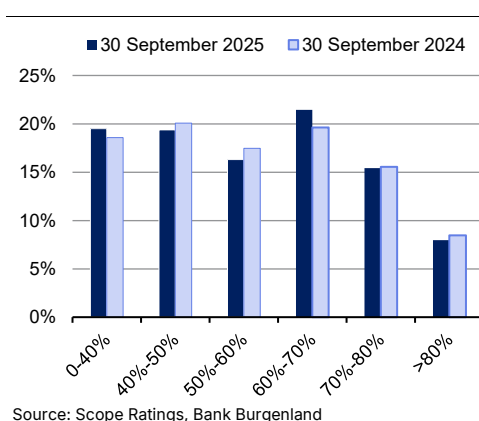


Figure 4: Whole loan LTV distribution



### 7.3 Asset risk analysis

The cover pool's credit quality remains solid. Our projection of default depends on the asset type within the portfolio. For owner-occupied residential property we are using an inverse gaussian distribution described by a mean lifetime default rate and a coefficient of variation. For less granular commercial mortgage loans we build a non-parametric distribution (see **Figure 6**).

We derived the sub-portfolios by allocating all loans exposed to owner-occupied residential property to the residential sub-portfolio with the rest being commercial. This has the effect that housing associations will be allocated to the commercial sub-pool.

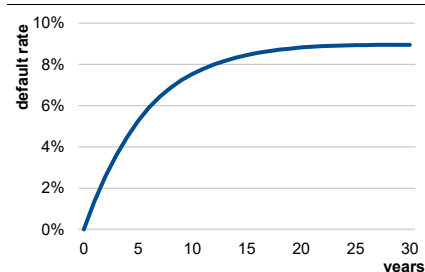
The selected private residential sub-pool decreased to 42.6% from 48.3% since our last analysis. The residential sub-pool is granular with 4,364 mortgage borrowers (Scope aggregated). The largest borrower accounts for 0.7% (by total). We established an unchanged mean default rate of 9.0% and an unchanged coefficient of variation of 55%.

The commercial sub-pool accounts for 1,039 (Scope aggregated) borrowers with the largest borrower accounting for 4.0% (by total). Our projections of default in the cover pool used a non-parametric default distribution, which can be approximated with a mean default rate of 9.3% from 10.1% earlier. Its implied coefficient of variation is 73% (from 71%). We used a correlation framework to incorporate the impact of geographical, industry and obligor concentrations.

The parameters for the default distribution were derived using the bank's loan-by-loan risk assessments which have been mapped to Scope's PD metrics.

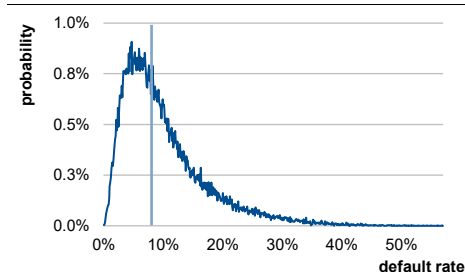
Mixed mortgage portfolio with solid and stable asset performance

**Figure 5: Residential expected term defaults, cumulative (DP/years)**



Source: Scope Ratings

**Figure 6: Commercial PD distribution and mean default rate (light blue)**



Source: Scope Ratings

We estimated a recovery rate of up to 100% under a base case scenario (D0) for both the residential and the commercial pool. In the most stressful scenario (D8), we estimated a recovery rate of 77.5% (up from 75.8%) for the residential pool and 67.1% (up from 57.7%) for the commercial pool. The increase of stressed recovery rates is mainly driven by less conservative value decline assumptions for Austrian properties - in particular commercial real estate. Our recovery rate calculations reflect rating distance-dependent market value declines as well as assumptions regarding the Austrian housing market and its unique characteristics.

#### Residential Austrian security value haircuts

Region	Base MVD	Stressed MVD	Firesale discount	Sale costs	Stressed SVH*
Residential Austria	0%	44.5%	20%	10%	60.0%
Commercial	0%	na	30%		75.0%
Multifamily	0%	na	30%		65.0%

MVD: market value decline / SVH: security value haircut \*rounded



## 7.4 Cash flow risk analysis

The overcollateralisation (OC) supporting the rating is 10%, unchanged to our analysis one year ago. Cover pool support could provide additional rating stability to Bank Burgenland's mortgage covered bonds. Our cash flow analysis shows, that if our rating on Bank Burgenland would be BBB, the maintained nominal overcollateralisation of 79.8% as of September 2025 would be more than sufficient to support the highest achievable rating on the mortgage covered bonds.

The unchanged rating-supporting OC of 10% reflects the mortgage programme's sensitivity to a combination of high prepayments and declining interest rates. The programme does currently benefit from a strong excess spread due to its interest rate mismatches. Most covered bonds (91%) are fixed rate. 55% of the mortgage loans reference floating rates and about half of the fixed rate assets reset prior to their final maturity dates exposing the programme to additional interest rate mismatches. In addition, the programmes excess spread was stressed assuming annual prepayments of up to 15%. As such, cash is assumed to be reinvested at no margin and negative interest rates (-1%).

The covered bonds do not benefit from any hedging against the open interest rate position. Foreign currency risks do not exist as both, asset and liabilities are EUR denominated.

The amortisation schedule for both, assets and liabilities, was established using line by line information as provided by Bank Burgenland. For resetting loans, we assume that they will switch to floating rates at the portfolio's average reset date and at the respective (stressed) rate. Margins are assumed at 1.5%.

Our base case does assume, that issuer call rights attached to the covered bonds are executed. This essentially decreases the covered bond's weighted average life to 5.0 years from 8.9 years if the final maturity would be considered. We believe that a prudent administrator would try to reduce the programmes risk horizon where possible, assuming this would provide a benefit to investors.

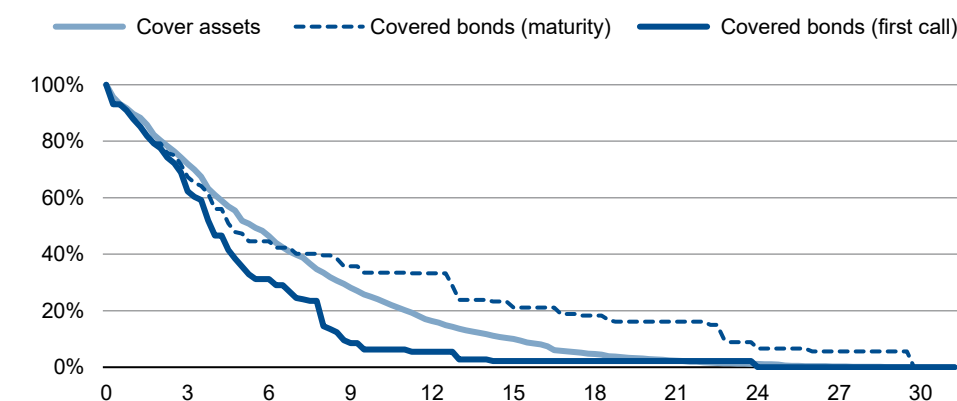
In the event of recourse to the cover pool and where available asset cash flows are not sufficient to pay the bond's maturing (or first call) liability, we have assumed stressed asset sales used to cure liquidity shortfalls. We have applied a 150bps refinancing spread for the residential mortgage loans (incl. housing cooperations) and 350bps for the commercial mortgage loans.

Cover pool support uplift allows for highest ratings considering a minimum overcollateralisation of 10%

### Asset-liability mismatches

	Assets	Liabilities
EUR (%)	100.0	100.0
Fixed (%)	45.5	90.7
Floating (%)	54.5	9.3
WAL maturity (years)	7.0	8.9
WAL first call (years)	n/a	5.0

**Figure 7: Amortisation profile (years)**



Source: Scope Ratings, Bank Burgenland

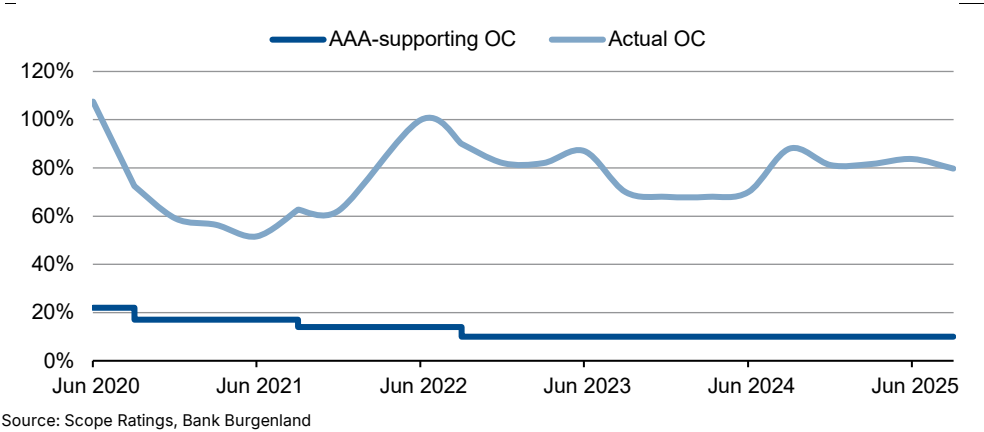
We complemented our base case cash flow results with additional analysis, testing sensitivities to higher credit losses, non-execution of bond extension, frontloaded defaults, time subordination, higher liquidity premiums and alternative interest rates stresses. Sensitivities towards bond extension and alternative interest rates resulted into an adjustment to our base case rating supporting overcollateralisation.

8. Availability of overcollateralisation

The current rating of Bank Burgenland allows us to account for the provided OC. We are not aware that any change to the programme may alter its risk profile or reduce the available OC to levels that would no longer support the current rating uplift.

Supportive level of available overcollateralisation fully taken into account

Figure 8: Available OC versus current rating-supporting level



## 9. Other risk considerations

The rated covered bonds have counterparty exposures to the issuer as loan originator, servicer, bank account provider and paying agent. According to our resolution assessment, we see the bank as in principle being resolvable. As a consequence, if a regulator were to intervene, we believe the strong alignment of interests between the bank and the covered bond holders would prevent any negative impact.

Counterparty exposure does not limit the rating

Country risk is not a key risk factor that constrains the covered bond rating. Austria is currently rated AA+/Negative. We have no evidence that transfer risk (e.g. risk of capital controls), convertibility risk (e.g. risk of eurozone exit), the risk of an institutional meltdown are pertinent risk factors for Austria. A sovereign downgrade of Austria will not mechanically constrain the rating of the covered bonds. A deterioration of the macroeconomic environment as well as the impact of a sovereign downgrade may impact relevant qualitative and quantitative rating factors such as the rating anchor (issuer rating) as well as risk factors assessed in the cover pool support analysis.

Country risk is not a key rating driver

Governance factors are key for the analysis of Austrian covered bonds as such drive our legal and resolution regime analysis. In our quantitative analysis performed for the covered bonds issued by Bank Burgenland we however have not directly included ESG aspects.

Governance factors are key for the analysis of Austrian covered bonds

Bank Burgenland has not yet issued any green covered bonds. However, the bank published its Green Bond Framework in October 2024. The framework outlines the Bank's commitment to financing environmentally sustainable projects, particularly energy-efficient residential and commercial buildings. The framework is aligned with the ICMA Green Bond Principles and supports certain UN Sustainable Development Goals (SDGs). Eligible assets include new constructions and renovations that meet strict energy performance criteria. The bank ensures transparent use of proceeds, regular impact reporting, and external verification. Green bonds may be issued as covered bonds, senior or subordinated instruments, and proceeds are allocated to a designated "Green Pool" of qualifying assets.

## 10. Sensitivity analysis

Bank Burgenland's mortgage covered bond ratings benefit from a buffer against an issuer downgrade of up to two notches. Assuming the issuer's willingness to support the highest ratings as well as a stable covered bond programme risk profile, a two-notch downgrade would increase the rating-supporting OC requirement to 16.5%.

Two notches buffer against an issuer downgrade

As a consequence, the rating may be downgraded upon: i) an issuer rating downgrade by more than two notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and Austrian covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

In addition, we tested credit sensitivities along three commonly adopted climate scenarios designed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)<sup>1</sup> assuming cover pool support became the central scenario. The rating supporting OC of 10% would increase by 2% (absolute increase) in an Orderly scenario. In case of Disorderly and Hot-House Scenario, the increase would be 1%% and 0.7% respectively.

<sup>1</sup> <https://www.ngfs.net/en>

## 11. Summary of covered bond characteristics

Reporting date	30 September 2025	30 September 2024
Issuer name	Hypo-Bank Burgenland AG	
Country	Austria	
Covered bond name	Hypothekenpfandbrief (Hypf)	
Covered bond legal framework	Austrian mortgage-covered bonds issued under the PfandBG	
Cover pool type	Austrian legal covered bond framework	
Composition	Residential = 74.1%	Residential = 73.5%
	Commercial = 24.2%	Commercial = 26.3%
	Substitute = 1.7%	Substitute = 0.2%
Issuer rating	A-/Stable	A-/Stable
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Hard bullet	Hard bullet
Cover pool currencies	EUR (100%)	EUR (100%)
Covered bond currencies	EUR (100%)	EUR (100%)
Governance cover pool support	5	5
Maximum additional uplift from cover pool complexity category	3	3
Maximum achievable covered bond uplift	8	8
Potential covered bond rating buffer	2	2
Cover pool (eligible assets) (EUR mn)	1,621.5	1,651.8
thereof, substitute assets (EUR mn)	27.8	2.5
Covered bonds (EUR mn)	901.9	878.4
Overcollateralisation: current/legal minimum	79.7% / 2.0%	88.1% / 2.0%
Overcollateralisation to support current rating	10.0%	10.0%
Overcollateralisation upon a one-notch issuer downgrade	14.0%	14.0%
Weighted average life of assets	7.0 years	7.1 years
Weighted average life of liabilities (final legal maturity)	8.9 years	9.5 years
Number of loans	6,730	6,930
Average loan size (EUR '000)	236.8	238.0
Top 10	17.2%	18.8%
Interest rate type assets	Fixed: 45.5%	Fixed: 43.6%
	Floating: 54.5%	Floating: 56.4%
Interest rate type liabilities	Fixed: 90.7%	Fixed: 87.6%
	Floating: 9.3%	Floating: 12.4%
Weighted average eligible-loan LTV ratio	49.4%	49.9%
Geographic split	Vienna (48.9%)	Vienna (47.4%)
	Burgenland (17.8%)	Burgenland (18.3%)
	Carinthia (15.5%)	Carinthia (15.2%)
Default measure (mortgage/substitute)	Inv. Gaussian / Non-parametric	Inv. Gaussian / Non-parametric
Weighted average term default rate (residential/commercial)	9.0% / 9.3%	9.0% / 10.1%
Weighted average coefficient of variation (residential/commercial)	55% / 73%	55% / 71%
Weighted average recovery assumption (base [D0]) (residential/commercial)	100% / 100%	100% / 100%
Weighted average recovery assumption (stressed [D8]) <sup>2</sup> (residential/commercial)	77.5% / 67.1%	75.8% / 57.7%
Share of loans > three months in arrears (NPL)	0.0%	2.6%
Interest rate stresses (max/min)	9% / -1%; EUR	9% / -1%; EUR
FX stresses (max/min; currency-dependent)	n/a	n/a
Max liquidity premium (residential (incl. MFH)/commercial)	150 bps / 350bps	200 bps / 400 bps
Average servicing fee (residential/commercial)	25 bps / 50 bps	25 bps / 50 bps

Source: Scope Ratings

<sup>2</sup> D0 and D8 denote the stresses commensurate with the rating distance between our credit view on the issuer and the covered bond ratings.

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## Related research

[Climate risk in covered bond ratings can have counterintuitive credit impacts](#), September 2025

[Covered Bond Quarterly: higher mortgage rates highlight need for macroprudential measures in Europe](#), July 2025

[Covered Bond Outlook 2025: Credit stability in times of increasing uncertainty](#), January 2025

## Applied methodologies

[Covered Bond Rating Methodology](#), July 2025

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