

Scope affirms Hypo-Bank Burgenland AG's Austrian mortgage covered bond rating at AAA, Stable Outlook

The rating on Hypo-Bank Burgenland AG's Austrian mortgage covered bonds (Hypothekenpfandbriefe) reflects the issuer's A- rating enhanced by six notches from governance and cover pool support. Two notches provide a buffer against an issuer downgrade.

Rating action

Scope Ratings GmbH (Scope) has affirmed the AAA rating on the Austrian mortgage covered bonds (Hypothekenpfandbriefe) issued by Hypo-Bank Burgenland AG (Bank Burgenland). The Outlook is Stable.

[Download the covered bond performance update.](#)

Key rating drivers

Covered bond rating anchor: A-. The issuer rating is the starting point of the covered bond rating. It reflects the bank's well-established, profitable and regionally focused banking operations in the Austrian regions of Burgenland, Vienna, Carinthia and Styria. Bank Burgenland's business model is well diversified, focusing on real estate financing, supported by good market positions in retail and private banking as well as asset management and custodian banking for institutional investors. (See detailed rating report [here](#)).

Governance support (plus up to five notches). This rating uplift reflects the high likelihood of covered bonds being maintained as a going concern in the event of regulatory action in the issuer as well as a smooth transition from the first (issuer) to the second recourse (cover pool) if needed. It consists of two notches from Scope's legal framework and structural support assessment and three notches from our resolution regime and systemic importance assessment.

Scope's legal framework and structural support analysis for Bank Burgenland's Austrian mortgage covered bonds considers: 1) the cover pool's valid segregation from a potential insolvency estate of the issuer; 2) the very high likelihood of bond payments continuing after a moratorium or insolvency; 3) strong legal asset eligibility and risk management principles; 4) that enhancements to the covered bond programme remain available after a moratorium or

insolvency of the issuer; and 5) the strong regulatory oversight specifically for Austrian covered bonds. (ESG factor)

The resolution regime and systemic importance assessment considers: 1) the existence and clarity of statutory provisions that allow to maintain an issuer and its covered bonds as a going concern upon a regulatory intervention; 2) the strength of such statutory provisions protecting covered bonds against regulatory actions or bail-in; 3) the moderate systemic importance in Austria of the issuer and the very high relevance of Austrian covered bonds; and 4) Austria's strong proactive stakeholder community. (ESG factor)

Cover pool support (plus up to three notches). This additional rating uplift reflects the impact of the second recourse. It considers the programmes cover pool complexity (CPC) risk category of Low-risk which could translate into an additional cover pool supported uplift of up to three notches. (ESG factor)

An overcollateralisation (OC) of 10% is needed to support the current AAA rating.

This OC reflects:

- **Credit risk – granular mixed mortgage portfolio.** The covered 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. Scope has calculated a term default rate of 9.0% for the residential and 9.3% for the commercial sub-portfolio. The coefficient of variation is 55% and 73%, respectively. Stressed recovery rates are 77.5% and 67.1%.
- **Market risk – interest rate mismatches prevail.** 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.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Stable Outlook** on the covered bonds reflects Scope's view on the stable credit performance of the issuer, and that governance support or cover pool support factors will not materially change.

Upside scenarios are not applicable as the ratings are the highest achievable.

The **downside scenarios** for the ratings and Outlooks are (individually or collectively):

- An issuer rating/Outlook downgrade by more than two notches
- A reduction in the governance support uplift by two notches or more
- A deterioration in Scope's CPC assessment that could reduce the potential credit support from the cover pool
- Available or committed OC below rating-supporting or legal minimum

Environmental, social and governance (ESG) factors

Governance is a key rating driver. For more detail, please refer to 'governance support' and 'cover pool support' (CPC assessment) under the 'key rating drivers' section above.

Quantitative analysis and assumptions

For its quantitative analysis Scope applied assumptions as laid down in the covered bond methodology.

Stress testing

No stress testing was performed.

Cash flow analysis

The assessment of potential cover pool support uplift is based on a cash flow analysis using Scope Ratings' covered bond model (Covered Bonds Expected Loss Model Version 1.2). The model applies Credit Rating distance-dependent stresses to scheduled cash flows to simulate the impact of increasing credit and market risks. The outcome of the analysis is an expected loss rate and an expected weighted average life for the instruments based on the generated cash flows.

Methodology

The methodology used for this Credit Rating and Outlook, (Covered Bond Rating Methodology, 25 July 2025), is available on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The models used for this Credit Rating and Outlook are (Covered Bonds Expected Loss Model Version 1.2 and Portfolio Model Version 1.1.), available in Scope Ratings' list of models, published under scoperatings.com/governance-and-policies/rating-governance/methodologies.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): registers.esma.europa.eu/cerep-publication. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The Outlook indicates the most likely direction of the Credit Rating if the Credit Rating were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Rating: the Rated Entity and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Rating originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Rating and Outlook and the principal grounds on which the Credit Rating and Outlook are based. Following that review, the Credit Rating and Outlook were not amended before being issued.

Regulatory disclosures

The Credit Rating and Outlook are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Rating and Outlook are UK-endorsed.

Lead analyst: Mathias Pleißner, Executive Director

Person responsible for approval of the Credit Rating: Marco Troiano, Managing Director

The Credit Rating/Outlook was first released by Scope Ratings on 15 November 2017. The Credit Rating/Outlook was last updated on 21 November 2024.

Potential conflicts

See scoperatings.com under Governance & Policies/Regulatory for a list of potential conflicts of interest disclosures related to the issuance of Credit Ratings, as well as a list of Ancillary Services and certain non-Credit Rating Agency services provided to Rated Entities and/or Related Third Parties.

Conditions of use/exclusion of liability

© 2025 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.

Team leader

Karlo Fuchs

k.fuchs@scoperatings.com

Scope Ratings GmbH

Lennéstraße 5

D-10785 Berlin

Phone: +49 30 27891-0

Fax: +49 30 27891-0

scoperatings.com



Bloomberg: RESP SCOP

info@scoperatings.com

[Scope contacts](#)

About Scope Group

With more than 300 employees operating from offices in Berlin, Frankfurt, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG analysis and fund research. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. Scope Ratings is registered in accordance with the EU rating regulation and operating in the European Union with ECAI status. Scope Ratings is the only European rating agency accepted by the ECB for the Eurosystem Credit Assessment Framework (ECAAF). The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on scopegroup.com.