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Financial Institutions

CREDIT OPINION

3 June 2025

Update

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RATINGS

Hypo-Bank Burgenland AG

Domicile	Austria
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Hypo-Bank Burgenland AG

Update following ratings upgrade

Summary

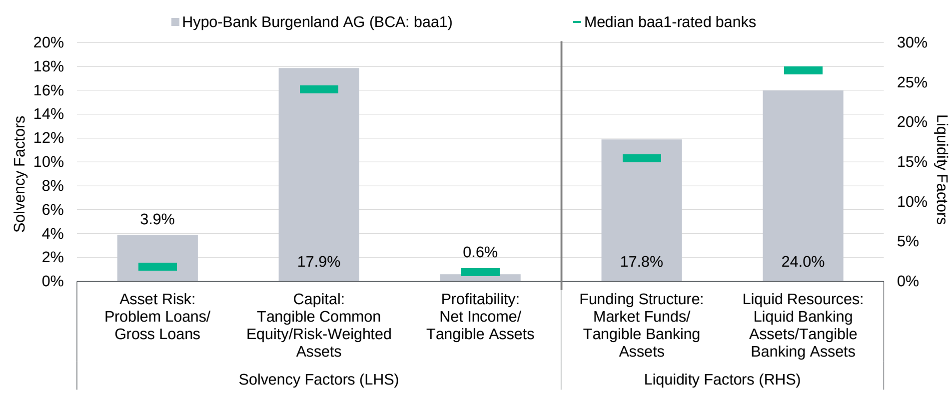
Hypo-Bank Burgenland AG's (Bank Burgenland) A2 deposit and issuer ratings reflect the bank's baa1 Baseline Credit Assessment (BCA) and Adjusted BCA and the application of our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class and results in two notches of ratings uplift. We do not incorporate any rating uplift from government support to Bank Burgenland because of the bank's small size in the context of the Austrian banking system.

Bank Burgenland's baa1 BCA reflects the bank's very strong capitalisation and solid, albeit slightly declining profitability effectively mitigating asset risks stemming from large sector concentrations to highly cyclical commercial real estate as well as high single name concentrations. The high level of capital also helps shield the bank against risks arising from its limited geographical diversification, as well as market and operational risks arising from its private banking business and guarantees provided to its insurance parent, GRAWE Group. The affirmation further reflects the bank's strengthened and primarily deposit-based funding profile and a sound volume of liquid resources, also considering the acquisition of Austrian Anadi Bank AG's (Anadi) retail business.

Exhibit 1

Rating Scorecard - Key financial ratios

Bank Burgenland



Source: Company and Moody's Ratings

Credit strengths

» Strong capitalisation

» Sound profitability

» Limited market funding reliance

Credit challenges

» Concentration risks in highly cyclical CRE

» Significant market risk

» Some execution risks around the integration of Anadi

Outlook

» The stable outlook on Bank Burgenland's long-term deposit and issuer ratings reflects our expectation of an unchanged financial profile, with profitability levels providing a sufficient cushion to absorb an elevated level of risk costs with no impact on the bank's strong capitalisation. Further, we expect a stable liability structure supporting the assigned rating uplift under our Advanced LGF analysis.

Factors that could lead to an upgrade

» Bank Burgenland's BCA could be upgraded if the bank sustainably strengthens its solvency profile, in particular if it meaningfully reduces its problem loans and concentration risks, while maintaining its strong capitalisation and stable funding and liquidity profile.

Factors that could lead to a downgrade

» Bank Burgenland's ratings could be downgraded if its BCA gets downgraded. In addition, a downgrade could result from a significant decrease in the volume of senior unsecured liabilities relative to its tangible assets such that it increases the loss severity of the respective instrument classes.

» Bank Burgenland's BCA could be downgraded in case of a significant weakening of its solvency or liquidity, in particular if it resulted from a meaningful deterioration of its asset risk, significantly straining its capital and profitability metrics.

Key Indicators

Exhibit 2
Hypo-Bank Burgenland AG (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	7.7	6.5	6.8	6.5	6.2	5.5[4]
Total Assets (USD Billion)	8.0	7.2	7.3	7.4	7.6	1.2[4]
Tangible Common Equity (EUR Billion)	0.8	0.8	0.8	0.8	0.7	4.3[4]
Tangible Common Equity (USD Billion)	0.9	0.9	0.8	0.9	0.9	(0.0)[4]
Tangible Common Equity / Risk Weighted Assets (%)	17.9	20.0	17.9	16.0	16.8	17.7[5]
PPI / Average RWA (%)	3.4	3.3	1.7	1.6	1.6	2.3[5]
Net Income / Tangible Assets (%)	0.6	0.9	0.5	0.8	0.8	0.7[5]
Cost / Income Ratio (%)	53.0	50.8	61.8	65.0	65.1	59.1[5]
Market Funds / Tangible Banking Assets (%)	17.8	19.9	21.2	22.1	20.9	20.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	24.0	19.1	20.3	20.1	20.5	20.8[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of Basel III periods. [6] Simple average of periods for the latest accounting regime.
Sources: Moody's Ratings and company filings

Profile

Bank Burgenland is a regional bank, headquartered in Eisenstadt (Austria), with select activities in Hungary, Slovakia and Germany. Bank Burgenland is 100% owned by Grazer Wechselseitige Versicherung AG (GRAWE Group[1]), an Austrian insurance group, and consolidates multiple entities operating under their own brand names.

Bank Burgenland is a universal bank with a focus on corporate banking, particularly for small and medium-sized enterprises (SMEs) and the real estate sector, and held total assets of €7.7 billion as of 31 December 2024. Further, Bank Burgenland offers retail banking, private banking and asset management services.

On 21 December 2023, Bank Burgenland announced plans to take over significant parts of Anadi's activities, including all branches (10 locations) serving around 42,000 retail and 250 SME customers with a total business volume of €1.7 billion. The transaction closed in autumn 2024, after regulatory approvals.

Macro Profile of Strong+

Bank Burgenland's BCA is supported by its Strong+ Macro Profile, which is derived from the group's weighted average credit exposures, largely towards Austria (Aa1, stable) with minor holdings in central Europe and other countries. Bank Burgenland's Strong+ Macro Profile, therefore, matches the assigned Austrian Macro Profile.

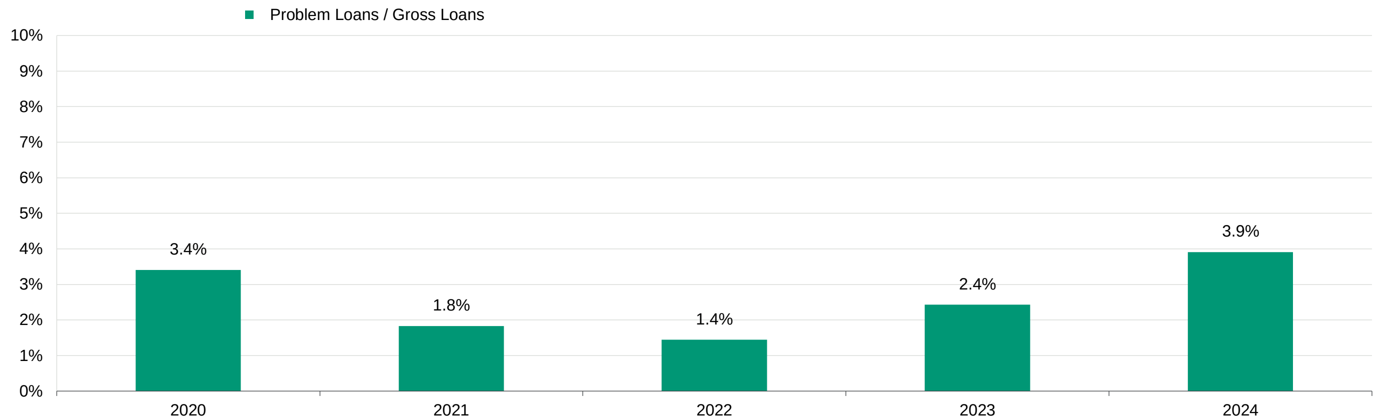
Detailed credit considerations

Asset quality has started to deteriorate moderately, concentration and market risks imply tail risks

We assign an asset risk score of ba1 to Bank Burgenland, reflective of the bank's concentration risk in commercial real estate (CRE) and significant lending exposures to SMEs in Burgenland, exposing the bank to a prolonged downturn in the commercial real estate market as well as to the anemic economic development in Austria. The score also captures the bank's exposure to market risk linked to guarantees the bank provides to its ultimate parent GRAWE Group and potential operational challenges from the integration of the Anadi operations.

Bank Burgenland's asset risk is primarily tied to its loan book, which makes up 66% of total assets. We anticipate a moderate deterioration in asset quality in 2025, driven more by corporate lending—especially to SMEs—than by commercial real estate (CRE). This reflects Austria's sluggish economic growth, although lower interest rates should ease debt servicing for both retail and corporate borrowers. SMEs remain particularly vulnerable due to their limited geographic and international reach. The bank's substantial exposure to highly cyclical CRE lending—several times its equity— and the related relatively large lending volumes to single debtors have been the main contributor to past asset quality deterioration and continues to pose meaningful tail risks.

Exhibit 3
The bank's sound asset quality continued to deteriorate in 2024

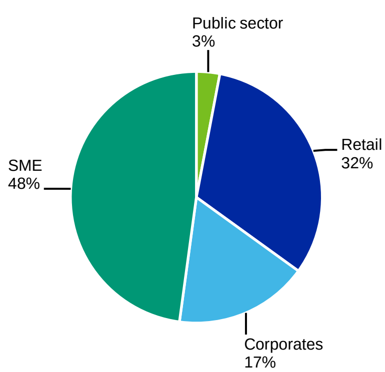


Sources: Company and Moody's Ratings

In addition, Bank Burgenland's market risk is still higher than that of its peers, reflecting tail risks stemming from guarantees related to insurance products issued by its parent. The market risk arises from the bank providing a guarantee for the invested capital to cover potential shortfalls in case the underlying asset performance or evaluation falls below a certain value. Such a guarantee is rather typical for the insurance sector, yet not for a regional banking franchise, despite the link to its insurance parent.

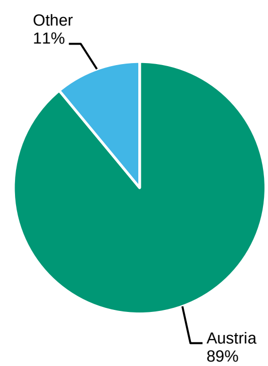
Bank Burgenland's asset management and private banking operations, run through its Schelhammer Capital subsidiary, provide a stabilizing counterbalance. These activities generate recurring fee and commission income, supporting more stable and diversified earnings. We view the associated market, operational, and legal risks as limited, given the relatively small scale of the bank's private banking business.

Exhibit 4
Bank Burgenland's loan book mainly includes SMEs, whereas its credit exposure to large corporates is limited
As of 31 December 2024



Sources: Company and Moody's Ratings

Exhibit 5
Bank Burgenland's operations are mainly concentrated in Austria



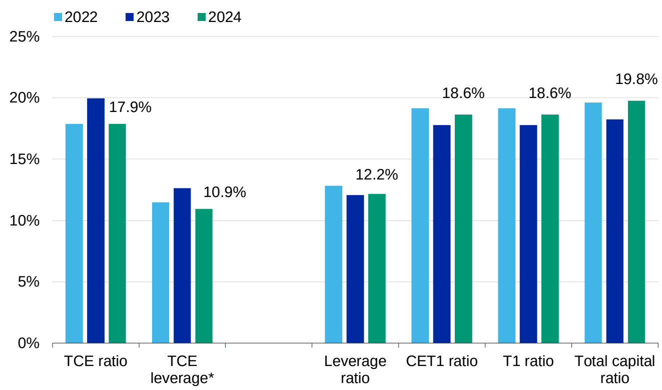
Sources: Company and Moody's Ratings

Sound capital ratios provide strong buffers

We assign a Capital score of aa3, one notch below the initial score. The assigned score reflects the bank's sound capitalisation, which provides good protection against the aforementioned tail risks. It also incorporates our expectation that risk-weighted assets (RWA) will only rise gradually as asset quality is likely to continue to deteriorate.

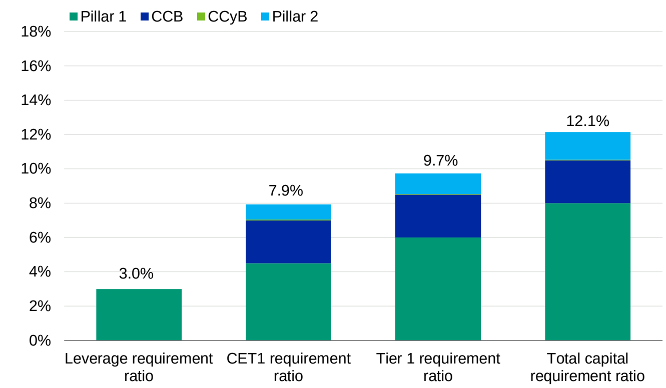
Bank Burgenland's capital ratio, measured as tangible common equity (TCE)/RWA stood at 17.9% as of 31 December 2024, down 210 basis points year-over-year (Exhibit 6). The Common Equity Tier 1 (CET1) capital ratio and Tier 1 capital ratio increased to 18.6% as of 31 December 2024 (2023: 17.8%). The bank's sound capital position is underlined by its robust leverage ratio of 12.2% and a very high risk density, with RWA accounting for 61% of total assets as of year-end 2024, according to the standardized approach for measuring risk weights.

Exhibit 6
Bank Burgenland's capital ratios remain strong
Capital as a percentage of RWA; leverage ratio as a percentage of tangible assets



TCE = Tangible Common Equity; CET1 = Common Equity Tier 1; the TCE leverage ratio compares TCE with tangible banking assets.
Sources: Company and Moody's Ratings

Exhibit 7
Bank Burgenland exceeded its regulatory capital requirement as of year-end 2024
As a percentage of RWA



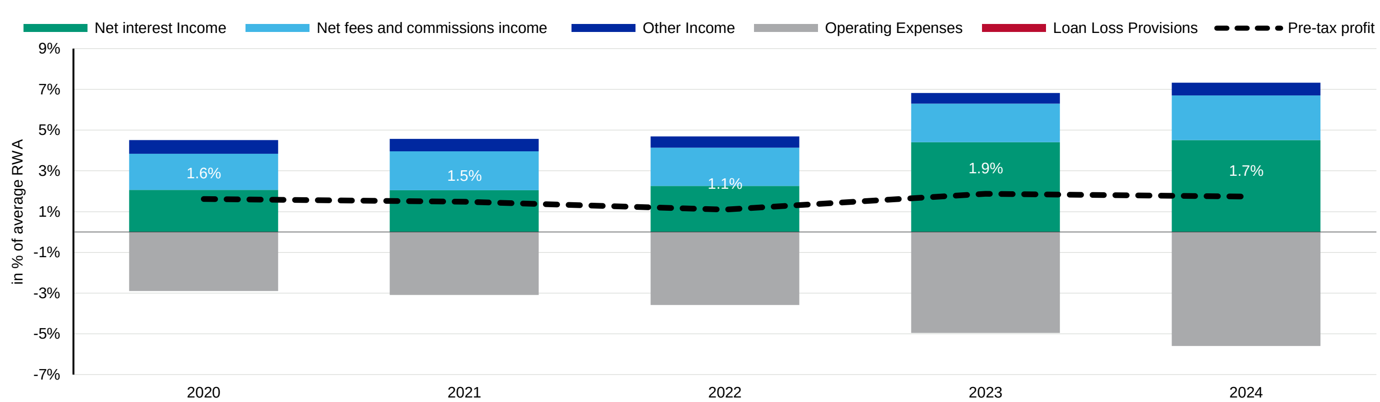
CCoB = capital conservation buffer; CCyB = countercyclical capital buffer.
Sources: Company and Moody's Ratings

Strong profitability is supported by a diversified earnings profile

We assign a Profitability score of baa3 to Bank Burgenland, one notch below the initial baa2 score and reflective of the bank's sound capital generation capacity, that will, however, increasingly become strained by declining interest rates going forward.

The group's earnings are more diversified than those of its closest domestic peers, thanks to its relatively larger private banking and asset management activities. Net interest income benefitted from higher rates in 2023 and 2024, though this effect is expected to diminish as interest rates have started to decline. Sustaining profitability will depend on effective cost and risk management, especially amid weak economic growth. Meanwhile, the asset management and private banking segments face potential pressure from market slowdowns and increased volatility.

Exhibit 8
Bank Burgenland maintains a diversified earnings stream and benefitted from the higher interest-rate environment, offsetting higher expenses
Data in € million



Operating expenses include personnel expenses, administrative costs, deposit insurance fees and systemic risk charges, and depreciation and amortisation.
Sources: Company and Moody's Ratings

Strong deposit base is supported by the bank's covered bond franchise

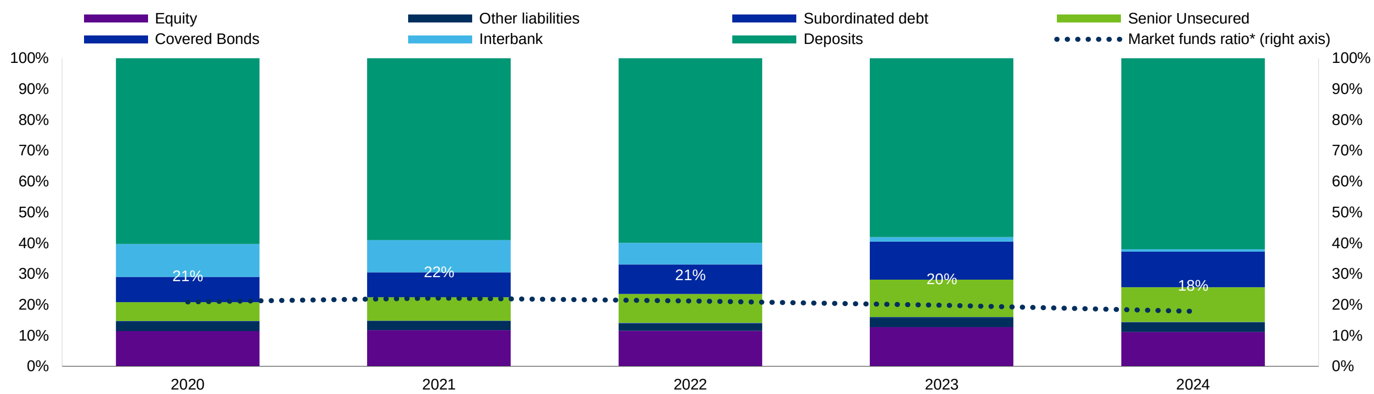
We assign a Funding score of a3 to Bank Burgenland, in line with the initial score, reflecting the bank's focus on deposit funding and resulting limited refinancing risks.

As of year-end 2024, Bank Burgenland's deposits stood at €4.8 billion, representing 62% of total assets. These deposits are well-diversified, with minimal exposure to single clients, reducing the risk of large, sudden outflows. Market funding includes €0.1 billion in interbank liabilities—significantly reduced after TLTRO repayments—alongside €0.9 billion each in covered bonds and senior unsecured debt.

Exhibit 9

Bank Burgenland mainly relies on deposit funding

As a percentage of tangible banking assets



*Market funds ratio = Market funding/tangible banking assets.

Sources: Company and Moody's Ratings

Liquidity is sound

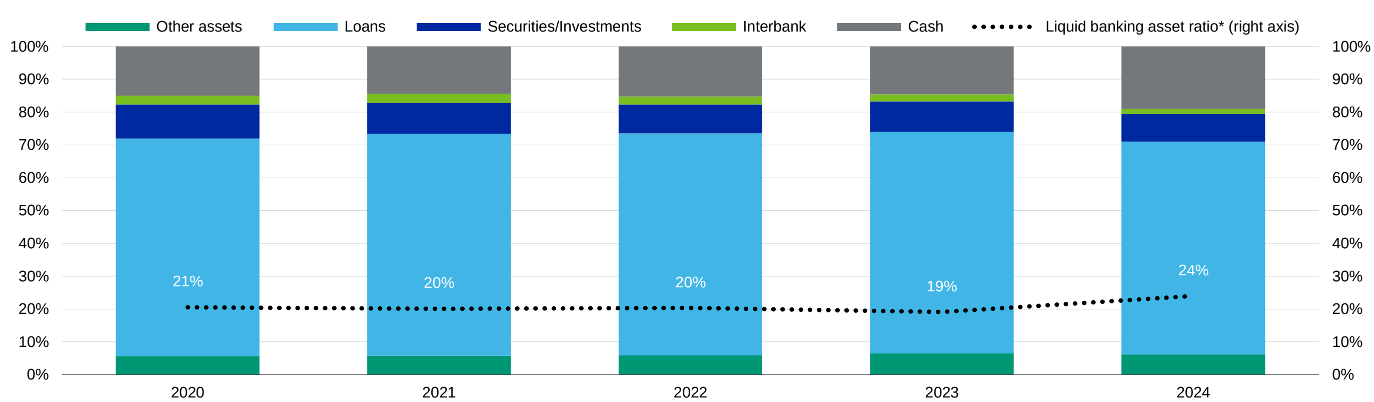
We assign a Liquid Resources score of baa2, one notch below the initial baa1 score, reflecting the bank's good liquid reserves and some limited asset encumbrance.

Bank Burgenland's liquid resources, mainly held in cash and cash equivalents (€1.5 billion), account for 24% of tangible banking assets. The bank also holds a small repo-eligible securities portfolio of €0.3 billion and interbank assets of €0.1 billion. Bank Burgenland's LCR of 217% and NSFR of 133%, both as of year-end 2024, stood well above the required minima.

Exhibit 10

Bank Burgenland maintains sufficient liquidity

Asset breakdown as a percentage of tangible assets



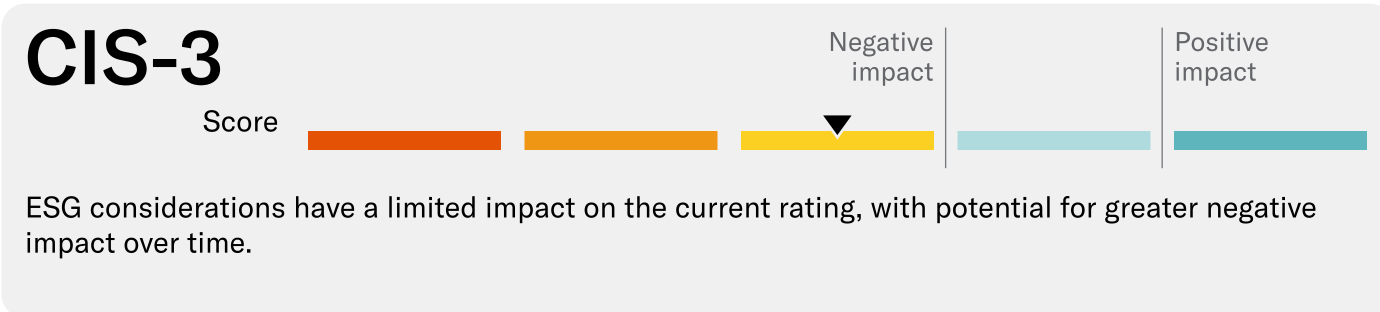
*Liquid banking assets ratio = Liquid assets/tangible banking assets.

Sources: Company and Moody's Ratings

ESG considerations

Hypo-Bank Burgenland AG's ESG credit impact score is CIS-3

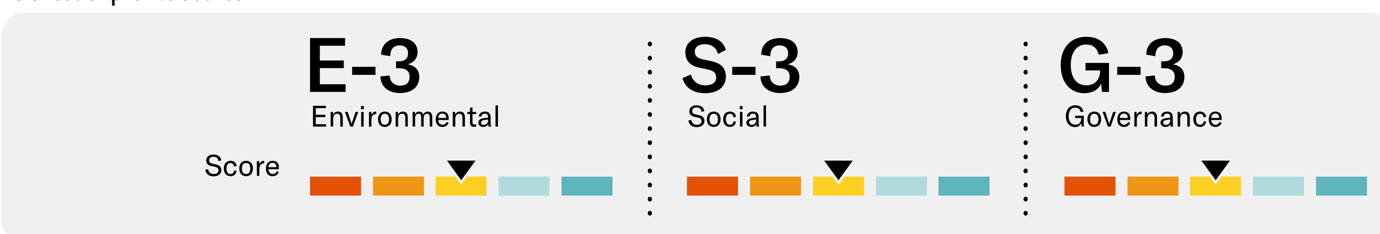
Exhibit 11
ESG credit impact score



Source: Moody's Ratings

Hypo-Bank Burgenland AG' (Bank Burgenland) **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with potential for greater negative impact over time, mostly related to the management's less proactive risk and capital management in comparison with peers. Environmental and social factors have a limited credit impact on the ratings to date.

Exhibit 12
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Bank Burgenland faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a regional, diversified bank. In line with its peers, Bank Burgenland is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Bank Burgenland is actively engaging in further developing its comprehensive risk management and climate risk reporting frameworks and tries to align its business with the transition to a low-carbon economy.

Social

Bank Burgenland faces moderate social risks mainly related to customer relations as well as to demographic and societal trends. The bank's developed policies and procedures mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Bank Burgenland operates mostly in Austria, which faces challenges from adverse demographic trends affecting long-term economic growth prospects and impacting the demand for certain banking products. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends such as digitization are key to address these risks.

Governance

Bank Burgenland faces moderate governance risks, reflecting the bank's sound profitability and limited loan losses, despite elevated market and non-lending credit risks that go beyond the typical profile of a regional banking franchise. The bank's risk management, policies and procedures are largely in line with industry practices, and commensurate with its universal banking model, though risk and capital management are less proactive in comparison with peers . Bank Burgenland is owned by the mutualist insurance group Grazer Wechselseitige Versicherung AG (GRAWE Group, 100%), which is reflected in the composition of its board of directors, that includes representatives of the owner next to employee representatives. A number of independent board members and Austria's developed institutional framework mitigates associated governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

The introduction of the BRRD has demonstrated a reduction in the willingness of the EU governments to bail out banks because it severely restricts the conditions under which authorities can use public money to fund a bank recapitalisation. We expect most failing banks to be resolved without governments providing financial support. This approach to support will be broadly consistent throughout the EU because the BRRD provides little room for national discretion.

Therefore, Bank Burgenland's ratings do not benefit from government support uplift, given its small size in the context of the Austrian banking system.

Loss Given Failure (LGF) analysis

Bank Burgenland is subject to the EU BRRD, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter a resolution. We apply our standard assumptions.

For the bank's deposit and issuer ratings, our LGF analysis indicates a very low loss given failure, leading to a two-notch rating uplift from the bank's baa1 Adjusted BCA.

Methodology and scorecard

The principal methodology used is the Banks Methodology, published in March 2024.

Rating methodology and scorecard factors

Exhibit 13
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	-	-	-	ba1	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	17.9%	aa2	↑↑	aa3	Risk-weighted capitalisation	Expected trend
Profitability						
Net Income / Tangible Assets	0.6%	baa2	↔	baa3	Return on assets	Expected trend
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	17.8%	a3	↔	a3	Extent of market funding reliance	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	24.0%	baa1	↔	baa2	Stock of liquid assets	Expected trend
Combined Liquidity Score		a3		baa1		
Financial Profile		a2		baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	1,805	23.5%	2,292	29.8%
Deposits	4,777	62.1%	4,290	55.8%
Preferred deposits	3,535	46.0%	3,358	43.7%
Junior deposits	1,242	16.2%	932	12.1%
Senior unsecured bank debt	867	11.3%	867	11.3%
Dated subordinated bank debt	10	0.1%	10	0.1%
Equity	231	3.0%	231	3.0%
Total Tangible Banking Assets	7,690	100.0%	7,690	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	26.5%	26.5%	26.5%	26.5%	3	3	3	3	0	a1
Counterparty Risk Assessment	26.5%	26.5%	26.5%	26.5%	3	3	3	3	0	a1 (cr)
Deposits	26.5%	3.1%	26.5%	14.4%	2	3	2	2	0	a2
Senior unsecured bank debt	26.5%	3.1%	14.4%	3.1%	2	1	2	2	0	a2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	2	0	a2	0	A2	A2
Senior unsecured bank debt	2	0	a2	0	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 14

Category	Moody's Rating
HYPO-BANK BURGENLAND AG	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2
ST Issuer Rating	P-1

Source: Moody's Ratings

Endnotes

1 The bank was originally founded in 1928. After GRAWE Group acquired Bank Burgenland in 2006, the banking group GRAWE Bankengruppe was established in 2008, with Bank Burgenland as the leading institute.

REPORT NUMBER 1448156

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