Credit Rating Announcement

26 November 2025

Scope affirms Hypo-Bank Burgenland's A- issuer rating with Stable Outlook

The rating reflects the bank's well-established regional banking model, robust capitalisation and solid profitability metrics. Some asset quality risk, amid a weak macro-economic environment, is the main credit challenge.

Rating action

Scope Ratings GmbH (Scope) has affirmed Hypo-Bank Burgenland AG's (Bank Burgenland) issuer rating of A-, preferred senior unsecured debt rating of A-, a senior non-preferred debt rating of BBB+ and short-term debt rating of S-2, all with a Stable Outlook.

The full list of rating actions and rated entities is provided at the end of this rating action release.

Key rating drivers

Business model assessment: Consistent (Low). With total consolidated assets of EUR 7.7bn as of YE 2024, Bank Burgenland operates a well-established, profitable, regionally focused banking model in the Austrian federal states of Burgenland and Carinthia, as well as in the two metropolitan areas of Vienna and Graz. Bank Burgenland is a universal bank with a focus on real estate financing for private and corporate customers, small and medium-sized enterprises (SME) and the public sector. The bank has assumed the function of an umbrella institution and consolidates the other financial services entities of the GRAWE banking group, which are active in private banking, asset management and custodian services. Across these offerings, the bank puts a strategic emphasis on digital and customer-oriented services.

In 2024, Bank Burgenland closed the acquisition of 10 branches of Anadi Bank in Carinthia, together with the retail customer base and employees of these branches and a business volume of around EUR 1.7bn. The bank also acquired a select portfolio of SME loans and real estate financing with a focus on Carinthia. This integration has further catalysed targeted regional expansion, underlining Bank Burgenland's commitment to sustainable growth and stability.

Operating environment assessment: Supportive (High). The assessment reflects Scope's blended view of the different markets where Bank Burgenland operates.

Austria is the bank's domestic market and accounts for a dominant portion of loan exposures and revenues. The Austrian operating environment is highly supportive for banking activities, given the country's euro area membership, its wealthy, diversified and internationally competitive economy and its commitment to medium-term fiscal consolidation. GDP per capita in Austria is much higher than the EU average. The government has a favourable public debt profile and private sector debt is low. However, real GDP growth has largely stagnated between 2023-25, due to subdued external demand, investment activity and private demand.

The Austrian banking system is highly fragmented and overbanked, with the largest financial institutions having extensive operations in the Central and Eastern European region. The Austrian banking sector remains strong, underpinned by robust capital and liquidity buffers. Sound profits contribute to the sector's resistance to heightened geopolitical and credit risks. The latter relate in particular to construction and commercial real estate, as well as lending to SMEs, which are sensitive to the ongoing tense economic situation in Austria. The systemwide non-performing loans ratio is still moderate, however.

The regulatory environment is sound, with a well-established and proactive banking supervisor, a comprehensive resolution regime and a consistent track record of promoting financial stability. Supervision is jointly undertaken by the Single Resolution Board as well as the Financial Market Authority, the Austrian financial supervisory authority.

Scope arrives at an initial mapping of **bbb** based on a combined assessment of the issuer’s operating environment and business model.

Long-term sustainability assessment (ESG factor): Neutral. The assessment reflects Scope’s view that the issuer is embracing changes to ensure the long term sustainability of its business model. Progress made may be tangible but does not warrant further credit differentiation.

Bank Burgenland has a clear commitment to sustainability. This is particularly evident in the private banking subsidiary Schelhammer Capital Bank AG and the asset management company Security Kapitalanlage AG. The social exposure remains neutral, primarily influenced by the regional business profile. Scope sees considerable development potential in the environmental sector for Bank Burgenland's loan portfolio in the coming years. This is underpinned by the bank’s inaugural green bonds, issued in 2025.

Bank Burgenland continues to progress its digital transformation, with its successful online banking offering through DADAT Bank, custodian bank services, *Die Plattform*, and an online broker, *Traders Place*.

Due to the GRAWE group’s mutual ownership structure, the associated checks and balances are the central component of the governance structure.

The long-term sustainability assessment leads to an adjusted rating anchor of **bbb**.

Earnings capacity and risk exposures assessment: Supportive (+1 notch). The assessment reflects Scope’s view that earnings capacity is stable through economic cycles and provides a strong buffer against losses. Risks are well managed and are highly unlikely to lead to losses capable of undermining the issuer’s viability.

The bank's high intrinsic profitability supports the accumulation of loss absorption buffers and provides a significant cushion to invest into growth areas. Scope expects the level of profitability to decline slightly but remain supportive for the rating. The assets transferred as part of the Anadi Bank transaction are in line with the bank's prudent underwriting standards and result in a further geographic and sector diversification of the loan book.

Additionally, the bank’s pronounced private banking and wealth management activities make stable and significant earnings contributions which are less correlated with asset quality and interest income cycles, significantly strengthening the bank’s earnings profile.

Since 2022, in response to macro-economic uncertainties, Bank Burgenland has been increasing risk provisions by adjusting risk parameters, effectively mitigating credit risk stemming from exposures to real estate and SME lending. Despite this adjustment, the overall cost of risk remained overall manageable, albeit higher than in previous years. The bank also manages market and operational risks from its private banking activities and guarantees to its parent company related to certain insurance products.

Credit quality has deteriorated somewhat since late 2023 due to continued weak macroeconomic performance in Austria and higher borrowing costs impacting mainly the CRE sector but also the bank's SME lending book. The bank is exposed to these trends via some concentration in these sectors, and the bank's NPL ratio increased to 3.7% at YE 2024, from 2.2% at YE 2023. Stringent underwriting standards and resilient earnings capacity serve as buffers against asset quality risks, positioning Bank Burgenland to navigate these challenges effectively.

Financial viability management assessment: Comfortable (+1 notch). The assessment reflects Scope's view that the issuer's maintains comfortable buffer to relevant regulatory requirements and Scope expects it to continue to do so. The issuer's financial viability is largely resilient to tail-risk events.

Bank Burgenland's regulatory capitalisation is very solid, especially considering the high regulatory risk intensity of its assets. The bank has maintained a very healthy capital base and a strong regulatory capital position also after the transaction with Anadi Bank. The transitional Common Equity Tier 1 ratio was 18.6% at YE 2024, providing a strong 10ppt buffer over the regulatory minimum. The sound capitalisation is also underpinned by a high leverage ratio of 12.2% at YE 2024, which also compares well to Austrian and international peers. The bank further holds sizeable §57 BWG reserves, which can also absorb risks if needed.

Bank Burgenland's balanced funding profile is bolstered by steadily growing and granular retail deposits, senior preferred issuance and covered bond programme. Funding remains comfortable following the acquisition of the retail business in Carinthia. This makes Bank Burgenland less dependent on market funding and more resilient to potential material deposit outflows. The bank's recent issuance of green bonds helps bolster its positioning on the capital market and expands funding opportunities.

Bank Burgenland maintains a strong liquidity position, evident in its robust liquidity coverage ratio of 218% and the net stable funding ratio at 133% as of YE 2024, comfortably exceeding regulatory requirements. The bank's liquidity portfolio primarily comprises highly liquid assets, aligning with Basel III liquidity standards. Looking ahead, we anticipate Bank Burgenland's liquidity to remain stable, supported by its prudent liquidity management practices and adherence to regulatory guidelines.

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

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's view that the risks to the current rating are balanced.

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

1. Significant increase in market shares at national level and greater diversification of revenue streams without material change in risk profile, leading to a higher Business Model assessment.

2. Sustained and high capital buffers with a robust liquidity and funding profile could lead to a higher assessment of Financial Viability Management.

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

1. An unexpected deterioration in profitability, cost of risk or an inability to sustain cost efficiencies could lead to a downgrade of the Earnings Capacity and Risk Exposures assessment.

2. A considerable reduction in capital adequacy of liquidity and funding metrics could lead to a lower Financial Viability Management assessment.

Debt ratings

Preferred senior unsecured debt: A-/Stable. The rating is aligned with the issuer rating and applies to senior unsecured debt ranking above other classes of senior unsecured debt.

Non-preferred senior unsecured debt: BBB+/Stable. The rating is one notch lower than the issuer rating, reflecting statutory subordination.

Short-term debt: S-2/Stable. Bank Burgenland's S-1 short-term credit rating is derived from the long-term issuer credit rating. The rating is consistent with Scope's long-term/short-term rating correspondence table.

Environmental, social and governance (ESG) factors

Please refer to the 'long-term sustainability assessment' under the 'key rating drivers' section above for the ESG analysis.

All rating actions and rated entities

Bank Burgenland

Issuer rating: A-/Stable, affirmed

Preferred senior unsecured debt rating: A-/Stable, affirmed

Non-preferred senior unsecured debt rating: BBB+/Stable, affirmed

Short-term debt rating: S-2/Stable, affirmed

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for these Credit Ratings and Outlooks, (Financial Institutions Rating Methodology, 18 September 2025), is available on 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 Ratings if the Credit Ratings 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 Ratings: public domain, 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 these Credit Ratings 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 Ratings and Outlooks and the principal grounds on which the Credit Ratings and Outlooks are based. Following that review, the Credit Ratings and Outlooks were not amended before being issued.

Regulatory disclosures

These Credit Ratings and Outlooks are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and Outlooks are UK-endorsed.
Lead analyst: Julian Zimmermann, Director
Person responsible for approval of the Credit Ratings: Marco Troiano, Managing Director
The Credit Ratings/Outlooks were first released by Scope Ratings on 20 December 2021. The Credit Ratings/Outlooks were last updated on 12 December 2024.

Potential conflicts

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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 (ECAF). 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 www.scopegroup.com

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