Credit Rating Announcement

20 January 2026

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

The affirmation reflects the credit-neutral impact of the planned acquisition of Austrian Anadi Bank AG, with Hypo-Bank Burgenland AG becoming the bank's sole owner. Closing of the transaction is expected for February 2026.

Rating action

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

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

The affirmation of the ratings reflects the credit-neutral impact of the full acquisition of Austrian Anadi Bank AG (Anadi Bank or AAB) by Bank Burgenland, announced on 7 January 2026 ('the transaction'). Subject to the fulfilment of conditions and the approval of the relevant supervisory authorities closing is expected in February 2026.

The transaction will include domestic public finance exposures of around EUR 450m, mostly to municipalities, digital retail banking with around 25,000 customers, and a roughly EUR 350m corporate loan portfolio. Anadi Bank reported total assets of EUR 1.4bn at YE 2024. Previously, Bank Burgenland had acquired Anadi Bank's branch network in Carinthia and a selected small- and medium-sized enterprises (SME) portfolio in 2024.

The transaction will moderately weigh on the group's asset quality after consolidation, given Anadi Bank's weak corporate loan portfolio quality. Anadi Bank reported a 13.9% non-performing loans ratio as of YE 2024, mostly driven by commercial real estate (CRE) exposures. Scope expects the combined entity's earnings capacity to be moderately negatively impacted in the near-term by some restructuring expenses and loan loss provisions. At the same time, high credit risk provisioning already booked by Anadi Bank mitigates associated risks. The acquisition will improve diversification with respect to greater exposure to the public sector and retail consumer loans, but the combined entity's portfolio will broadly retain its tilt towards SMEs, and the CRE and construction sectors. A well-managed integration could have positive medium-term implications via cost synergies and an enlarged footprint in the bank's core markets, including via Anadi Bank's digital retail banking.

The combined entity's capitalisation should remain robust after the transaction. Scope expects the combined entity's funding and liquidity profiles to remain solid and supportive for the ratings, given Bank Burgenland's granular retail deposit base, and well-established access to covered bond and senior unsecured debt issuance.

Key rating drivers

Business model assessment: Consistent (Low). The transaction does not impact this assessment as it does not materially affect Bank Burgenland's geographical or business diversification, or its positioning within the Austrian banking market and the bank's scale of operations. At the same time, the transaction could have positive medium-term implications via cost synergies and an enlarged footprint in the bank's core markets.

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, SMEs and the public sector. The GRAWE banking group, with total assets of EUR 7.7bn at YE 2024, is also active in private banking, asset management and custodian services.

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

The transaction does not impact this assessment as AAB's activities are similarly focused on the Austrian market, in line with Bank Burgenland.

Austria will remain the bank's core market. 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.

The transaction does not impact this assessment but introduces some execution risks as Anadi Bank is integrated. Scope expects execution risks to be significantly mitigated by the experience gained from and due diligence performed for the previous transaction with Anadi Bank in 2024.

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 transaction does not impact this assessment materially. At the same time, Scope expects moderate negative impacts in the near-term during the transition phase on the combined entity's asset quality metrics, and profitability due to some restructuring expenses and loan loss charges.

The bank's high profitability supports the accumulation of loss absorption reserves and provides buffers that have allowed Bank Burgenland to act as a consolidator, as highlighted by the transactions with Anadi Bank. Scope expects the overall level of profitability to remain supportive for the rating. The bank's private banking and wealth management activities make stable and significant earnings contributions.

Since 2022, 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 worsened somewhat in recent years 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.

The transaction does not impact this assessment, as the combined entity's anticipated capitalisation and liquidity and funding profiles are expected to remain robust and supportive, with a granular retail deposit base and well-established access to capital markets, including via covered bond issuance.

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 initial transaction with Anadi Bank in 2024. 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. The acquisition of the retail business in Carinthia in 2024 boosted the bank’s funding position. 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.

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. A successful integration of Anadi Bank and a significant further 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 higher capital buffers following the Anadi Bank transaction, 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. A pronounced deterioration in profitability, asset quality and associated cost of risk or an inability to realise 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. Bank Burgenland's S-2 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, affirmed. As per Rating Definitions updated in December 2025, Outlooks are not assigned to short-term ratings; hence the Outlook for the short term rating has been withdrawn (irrelevant rating category).

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.

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The Credit Ratings/Outlooks were first released by Scope Ratings on 20 December 2021. The Credit Ratings/Outlooks were last updated on 26 November 2025.

Potential conflicts

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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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