Credit Rating Announcement 17 November 2026

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 Hypothekenpfandbriefe reflects the issuer's A- rating enhanced by six notches from the first and second recourse assessment. 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-/Stable. 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 its positions in retail and private banking as well as asset management and custodian banking for institutional investors. To view the issuer rating and rating report, please see here.

First Recourse Assessment: (up to 5 notches uplift) (ESG factor): The AAA programme rating is supported by the available first-recourse credit support. The assessment comprises the Covered Bonds Preference Regime, Country-Level Institutional Framework and Issuer-Level Programme Resilience which together can provide five notches of uplift above the A- issuer rating.

- **Covered Bonds Preference Regime (2 notches):** Austrian Hypothekenpfandbriefe benefit from statutory senior preference and bail-in exemption. The Austrian transposition of the BRRD (BaSAG) ranks covered bonds ahead of other liabilities and exempts secured liabilities, including covered bonds and related hedging instruments, from bail-in up to the value of the security.

- **Country-Level Institutional Framework (2 notches):** Austrian Hypothekenpfandbriefe on average benefit from a very supportive institutional framework. The Austrian covered bond framework rests on robust legislation aligned with the EU Covered Bond Directive, offering strong investor protection. Institutional support is strong, with preferential EU treatment, euro area membership and volumes of around 20% of GDP. A diversified issuance profile and uninterrupted benchmark activity support resilient

secondary-market liquidity. These strengths are balanced by limited national distinctiveness, a short stress track record and lower jumbo issuance compared to core markets.

- **Issuer-Level Programme Resilience (1 notch):** Bank Burgenland's Hypothekenpfandbriefe on average benefit from a supportive programme resilience. This assessment is based on the programme's high strategic relevance as a structural funding source for the issuer's core mortgage lending, supported by regular issuance and a well-diversified maturity profile. Austrian law ensures robust asset segregation, with an all-Austrian, euro-denominated pool aiding transferability. These strengths are balanced by modest scale, reliance on private-placement issuance, a material unhedged interest-rate mismatch and some notable borrower concentration.

Second recourse assessment (up to 3 notches): The programme benefits from one additional notch under the second recourse, supporting the current AAA rating. A further two notches of additional rating support remain available as a downgrade buffer against potential deterioration of the issuer rating. The assessment comprises the Payment Continuity Enhancement and quantitative cover pool analysis. Scope's analysis shows that the current AAA rating can be maintained if overcollateralisation remains at least 10%.

Following a hypothetical two-notch issuer downgrade to BBB, the current AAA rating can be maintained if overcollateralisation remains at least 12%, all else equal. This corresponds to a two-notch downgrade-buffer from the current A- issuer rating.

- **Payment Continuity Enhancement (3 notches) (ESG factor):** Austrian Hypothekenpfandbriefe on average benefit from a very supportive payment continuity enhancement. This assessment is based on a 180-day liquidity buffer held fully in Austrian sovereign bonds, no derivative exposure and strong post-insolvency powers to sell assets, execute call rights and arrange bridge financing. Collateral standards are conservative, with prudent valuation and independent trustee oversight. These strengths are balanced by hard-bullet bonds, no power to issue new bonds post-insolvency, no green covered bond issuance to date, a nominal-only coverage test and no mandatory interest-rate or FX risk limits.

- **Cover pool analysis (DDR: 22.1%; DRR: 63.7%):** The EUR 1.64bn cover pool as of September 2026 comprises 75.6% of residential loans of which around 30% are secured by multifamily, 23.6% of commercial loans and another 0.7% of liquid assets eligible for central bank operations. The mortgage loan portfolio is granular and seasoned with moderate concentration, no NPLs and conservative indexed LTVs (around 55%). Floating-rate loans make up 57.1%, raising exposure to rate volatility; most loans amortise. Vienna accounts for just over half of balances, reflecting the issuer's regional franchise.

  For the mortgage assets Scope calculated an average 1.25bps annual benchmark PD and a 7.7% term default probability after considering portfolio seasoning and amortisation. The 15% Austrian benchmark AAA distressed default rate is adjusted for portfolio-specific factors, including benchmark regional shares of 22.1% for Vienna, 3.3% for Burgenland and 6.2% for Carinthia. Base and distressed recovery rates are 95% and 63.7%, respectively.

- **Cash flow analysis (Supporting OC 10%):** The programme is mainly exposed to scenarios combining high prepayment rates with decreasing interest rates. This is driven by prepayment proceeds that are assumed to be reinvested at negative, stressed rates of down to -1%.

  These risks are balanced by well-matched asset and liability cash flows, bond call rights and a granular maturity profile. Cover assets have a weighted average life of 7.2 years, compared with 9.7 years for the covered bonds – or 5.6 years if call rights are executed.

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 support under the first or second recourse will not materially change.

Upside scenarios are not applicable as the rating is the highest achievable.

The **downside scenarios** for the rating and Outlook are (individually or collectively):

- An issuer rating downgrade by more than two notches
- A reduction in the first recourse uplift by more than two notches
- A deterioration in the second recourse uplift that would reduce the potential uplift from the cover pool analysis
- 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 'first recourse assessment' and 'second recourse 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 uplift under the second recourse 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 Bonds Rating Methodology, 23 July 2026), is available on scoperatings.com/rating-governance/methodologies.
The model used for this Credit Rating and Outlook is (Covered Bonds Expected Loss Model version 1.2), 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: public domain, the Rated Entity and Scope Ratings' internal sources.

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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 was 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.

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The Credit Rating/Outlook was first released by Scope Ratings on 15 November 2017. The Credit Rating/Outlook was last updated on 17 November 2025.

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