HYPO-BANK BURGENLAND AG

Rating report

Issuer
A-

Outlook
Stable

Lead Analyst
Julian Zimmermann
+49 69 6677389 89
j.zimmermann@scoperatings.com

Related research
more research →

Table of content

Summary and Outlook

Bank Burgenland's issuer rating of A- reflects the following assessments:

Business model assessment: Consistent (Low). Bank Burgenland operates a well-established, 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. In September 2024, Bank Burgenland closed the acquisition of the Austrian Anadi Bank AG's parts of businesses in Carinthia. The transaction, and well-progressed integration, supports regional expansion and has increased the importance of retail activities for the group.

Operating environment assessment: Supportive (High). The operating environment in Austria is highly supportive for banking activities with a proactive banking supervision. Sound profits contribute to the banking sector's resilience. Sector-wide asset quality was adversely impacted in recent years by a weak macroeconomic environment and high borrowing costs, in particular for construction and commercial real estate (CRE) and small and medium-sized enterprises (SME).

Long-term sustainability assessment (ESG factor): Neutral. Bank Burgenland's commitment to sustainability is well-advanced. This is evident across the group, including in the private banking subsidiary Schelhammer Capital Bank AG and the asset manager Security KAG. GRAWE banking group is well-placed with regard to its digital offerings with the online bank (DADAT Bank) and custodian bank services ('Die Plattform'). Green lending represents an area of potential growth, as underpinned by inaugural green bonds issued in 2025, based on the bank's green bond framework finalised in November 2024.

Earnings and risk exposures assessment: Supportive. The bank's solid operating performance and profitability are based on a conservative approach and diversified business mix. This provides a buffer to cover credit risks from exposure to CRE and SME lending. The acquisition of the predominantly retail business in the region of Carinthia contributes to broader regional diversification and increased granularity of the bank's loan portfolio.

Financial viability assessment: Comfortable. Bank Burgenland's regulatory capital base is very solid, especially considering its high asset risk weight intensity. The bank also displays a strong liquidity and funding profile.

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

The upside scenarios for the ratings and Outlooks:

- Significant increase in market shares at national level and greater diversification of revenue streams without material change in risk profile
- Sustained and high capital buffers with a robust liquidity and funding profile

The downside scenarios for the ratings and Outlooks:

- An unexpected deterioration in profitability, cost of risk or an inability to sustain cost efficiencies
- A considerable reduction in capital adequacy of liquidity and funding metrics

Table 1: Rating drivers

Step	Rating drivers	Assessment					
STEP 1	Operating environment	Very constraining	Constraining	Moderately supportive	Supportive	Very supportive	
STEP 1	*Low/High*	*Low*			*High*		
STEP 1	Business model	Narrow	Focused	Consistent	Resilient	Very resilient	
STEP 1	*Low/High*	*Low*			*High*		
STEP 1	**Initial mapping**	**bbb**					
STEP 1	Long-term sustainability	Negative	Neutral	Positive			
STEP 1	**Adjusted anchor**	**bbb**					
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining	Neutral	Supportive	Very supportive	
STEP 2	Financial viability management	At risk	Stretched	Limited	Adequate	Comfortable	Ample
STEP 2	Additional factors	Significant downside factor	Material downside factor	Neutral	Material upside factor	Significant upside factor	
STEP 2	**Standalone rating**	**a-**					
STEP 3	External support	Not applicable					
Issuer rating		**A-**					

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	**Hypo-Bank Burgenland AG**		
	Issuer rating	A-	Stable
	Preferred senior unsecured debt rating	A-	Stable
	Non-preferred senior unsecured debt rating	BBB+	Stable
	Short-term debt rating	S-2	Stable
	Covered bonds	AAA	Stable

1. Business model

'Consistent low' business model assessment

Headquartered in Eisenstadt, Austria, with total consolidated assets of EUR 7.7bn as of YE 2024, Bank Burgenland operates as a regional bank in the Austrian federal states of Burgenland and Carinthia, as well as in the two metropolitan areas of Vienna and Graz.

Well-progressed integration of the branch business of Anadi Bank in Carinthia

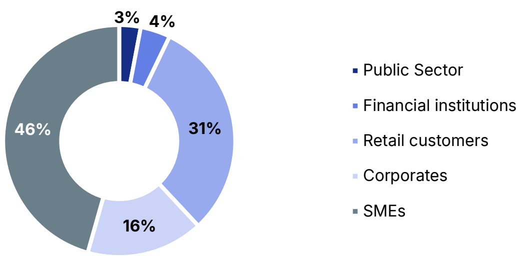
In September 2024, the bank closed the acquisition of all 10 branches of Anadi Bank AG in Carinthia, together with employees of these branches, the retail customer base of around 43,000 customers and a business volume of around EUR 1.7bn. Bank Burgenland also acquired portfolio of select SME loans and real estate financing with a focus on Carinthia, as well as the specialised team. Bank Burgenland is predominantly active in Austria, with a strong foothold in target regions.

Some limited international activities

A branch in Hungary focusses exclusively on lending to corporate customers in real estate, logistics service providers, SMEs and agricultural businesses. Bank Burgenland also has selected activities in Slovakia and Germany.

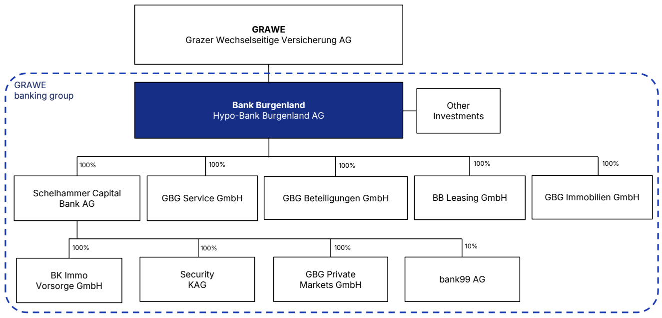
Bank Burgenland operates as a universal bank, with a focus on providing real estate financing, for private and corporate customers, SMEs and the public sector. Bank Burgenland has assumed the function of an umbrella institution and consolidates the other financial services entities of GRAWE banking group, which are active in private banking, asset management and custodian services.

Figure 1: Diversification of the loan book, %



Total amount EUR 5.15bn. Data as of YE 2024.
Source: Bank Burgenland, Scope Ratings

Figure 2: GRAWE banking group structure



Source: Bank Burgenland, Scope Ratings

Long-term multi-brand business strategy

Bank Burgenland is wholly owned by Grazer Wechselseitige Versicherung AG (GRAWE), an Austrian insurance group. GRAWE, ranked as one of the largest insurance companies in Austria based on earned premiums and extends its operations across the Central and Eastern European (CEE) region through its network of subsidiaries. GRAWE upholds a multi-brand strategy and fosters synergies on multiple fronts, including intra-group asset management agreements, CRE business, and leveraging Bank Burgenland's network for distributing insurance products.

Schelhammer Capital Bank is a private bank specialising in asset management for high net-worth individuals, families, foundations, as well as corporate and institutional clients (assets under management: EUR 33.7bn as of YE 2024). The bank also offers innovative online banking services under the 'DADAT Bank' brand and provides custody and account management solutions for clients of independent financial service providers under the *'Die Plattform'* brand.

Security Kapitalanlage (Security KAG) functions as the investment arm of the group, managing numerous investment funds for both private and institutional investors primarily in Austria, with an expanding presence in Germany (assets under management: EUR 7.9bn as of YE 2024).

Finally, GRAWE banking group collaborates closely with bank99, the digital bank under Austrian Post, offering outsourcing services. While GRAWE banking group holds a 10% stake in bank99, it is not consolidated in the financial statements.

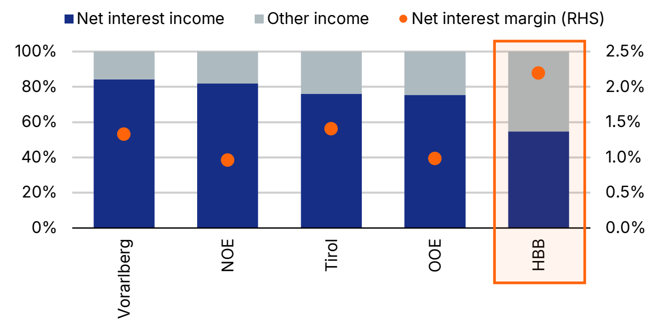
Resilient performance supported by diversified business mix and good margins

Bank Burgenland's robust net interest income is anchored in its strong regional foothold and its real estate financing activities. The bank's focus on long-term lending provides a predictable income stream with a historically manageable cost of risk.

Based on the group's well established banking services, fee and commission income has seen substantial growth, driven by strategic initiatives such as private banking operations, online banking, and platform business, which extends settlement services to smaller banks in Austria.

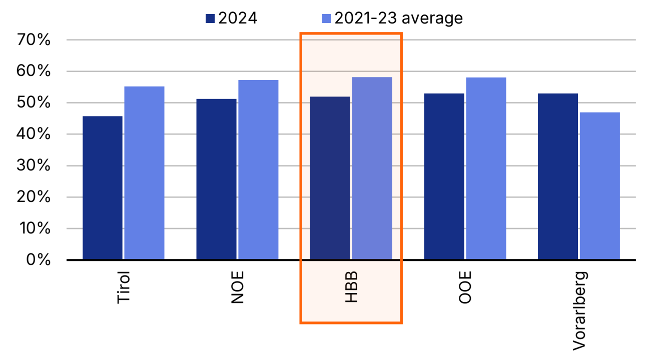
Despite navigating in an inflationary environment and heightened regulatory demands, Bank Burgenland retains a strategic grip on its cost structure, and the bank achieved a cost-to-income ratio of 51.9% in FY 2024, comparing relatively favourable to national and international peers.

Figure 3: Revenue profile – peer comparison, %



Note: Three-year averages based on 2022-2024.
Source: SNL, Scope Ratings

Figure 4: Cost-to-income ratio - peer comparison, %



Source: SNL, Scope Ratings

2. Long-term sustainability (ESG-D)

'Neutral' long-term sustainability assessment

Digitalisation is at the heart of the bank's strategy, and its digital offerings are well-established, allowing the group to diversify its business into various markets.

Digitalisation

GRAWE banking group's multi-brand strategy is supported by an online banking brand, DADAT, launched in 2017. DADAT positions itself as a modern direct bank, offering a wide range of banking products and services, accessible exclusively online. It serves as a frontrunner within the banking group, with some of its pioneering solutions gradually being integrated into the other group banks. Moreover, the banking group offers Traders Place, an online broker launched in 2023 in Germany, and a B2B fund platform branded as *'Die Plattform'*, catering to investment companies and custody service providers. This platform not only facilitates collaboration but also serves as an outsourcing partner for financial institutions seeking enhanced digitisation and automation of custody services.

Digitalisation efforts include 'robotics', aimed to speed up recurring tasks and minimise errors. The strategic focus on the digital transformation underscores the group's dedication to staying at the forefront of banking innovation while delivering enhanced services to its clientele.

Environment

Schelhammer Capital Bank is a long-standing player in sustainable banking, playing an important role in advancing the sustainable development agenda within GRAWE banking group. Security KAG boasts extensive expertise in ESG investments within the group setting industry standards.

Bank Burgenland has recently established its ESG strategy and a green bond framework, with inaugural issuances in 2025. This better positions Bank Burgenland on the capital market and diversifies funding opportunities. Increasing the number and volume of ESG assets under management over the next few years remains a general objective.

Governance

The governance structure is well established, ensuring no heightened exposure stemming from either the shareholder structure or the organisation of the GRAWE banking group. The board of directors of Bank Burgenland includes owner's representatives, as well as employee representatives and at least one independent board member. The remuneration policy is standardised at GRAWE group level and emphasises sustainable and value-oriented management while discouraging excessive risk-taking. Variable remuneration elements and KPIs are structured to align with annual target attainment and the enduring success of the organisation. Upholding the arm's length principle, Bank Burgenland and its subsidiaries are managed by GRAWE with full integration into the group's risk control mechanisms. Due to GRAWE's mutual corporate structure, the associated checks and balances are the central component of the governance structure.

Social

The social exposure remains neutral, primarily influenced by the regional business profile. Through the fund management arm, Security KAG, the banking group actively allocates available funds, supporting various initiatives and prioritising those with tangible social impact. Committed to upholding human rights, the banking group sets stringent expectations for itself and its business partners, including adherence to all relevant laws and regulations.

Figure 5: Long-term sustainability overview table[1]

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◇			◇				◇	
S Factor	◇				◇				◇	
G Factor			◇		◇				◇	
D Factor			◇		◇				◇	

Source: Scope Ratings

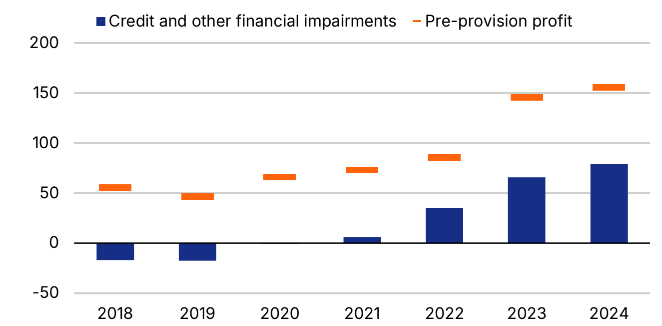
[1] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

3. Earnings capacity and risk exposures

'Supportive' earnings capacity and risks exposures assessment

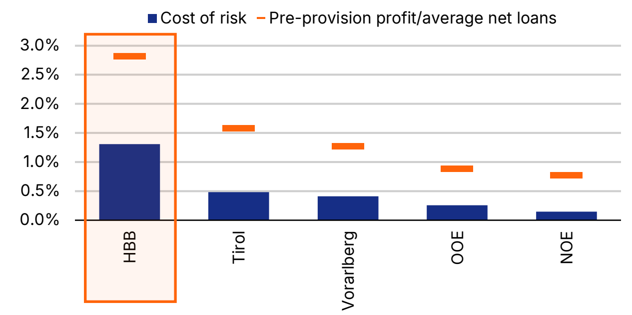
Bank Burgenland's robust earnings capacity supports the accumulation of loss absorption buffers. The group's earnings are more diversified than that of its Austrian peers due to private banking and asset management activities. Furthermore, interest rate hikes since 2022 and the rapid repricing of variable-rate loans boosted the bank's net interest margin expanding revenues. Net interest income likely peaked in 2024, but the bank is carefully managing its pricing policies to safeguard solid net interest margins. Since 2022, Bank Burgenland has been significantly bolstering risk provisions by adjusting risk parameters, mitigating credit risk. Overall cost of risk was relatively high in 2023-24 but remained manageable, including transfers to reserves under §57 BWG.

Figure 6: Pre-provision income and provisions, EUR m



Source: SNL, Bank Burgenland, Scope Ratings

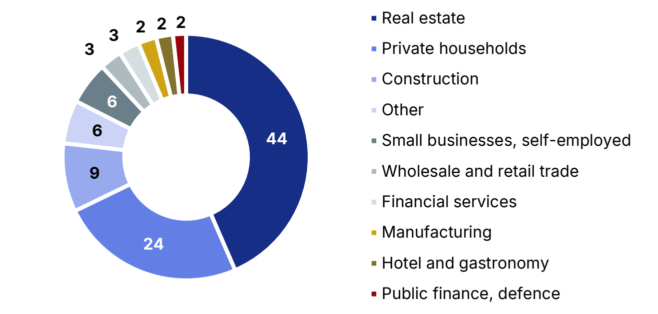
Figure 7: Peer comparison, %



* Cost of risk includes transfers to BWG § 57 reserves.
Note: Three-year averages based on 2022-2024. Source: SNL, Scope Ratings

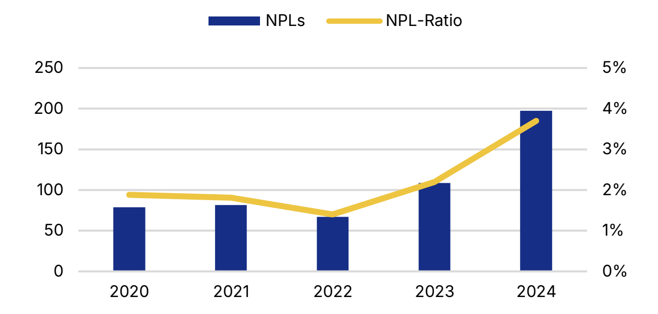
The Austrian macro-economic landscape has remained challenging in 2025, weighing on business opportunities and asset quality. At the same time, we expect the group to post solid earnings for FY 2025 and continue to manage the credit cycle prudently. Some market and operational risks remain due to private banking activities and guarantees to the parent company related to insurance products, and a larger number of new client relationships.

Figure 8: Lending exposure, % of total



Total amount as of June 2025: EUR 4.7bn
Source: Bank Burgenland, Scope Ratings

Figure 9: Asset quality, NPLs (EUR m) and NPL ratio (%, rhs)



NPLs: Non-performing loans.
Source: Bank Burgenland, Scope Ratings

Asset quality worsened somewhat in 2023 and 2024 driven by CRE and SME exposure

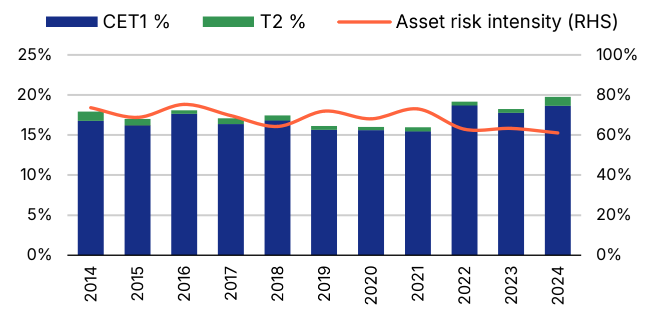
Bank Burgenland's credit risk stems from its loan portfolio accounting for 65% of total assets as of YE 2024. The loan portfolio is relatively concentrated towards real estate and SMEs, which left the bank relatively more exposed to these sectors' weak performance in recent years. This is partly mitigated by healthy diversification across other industries and retail business, which has been expanded by the acquisition of parts of Anadi Bank. Credit risk benefits from broader regional diversification and increased granularity. The bank's stringent underwriting standards and resilient earnings capacity serve as a further buffer against asset quality risks.

4. Financial viability management

'Comfortable' financial viability management assessment

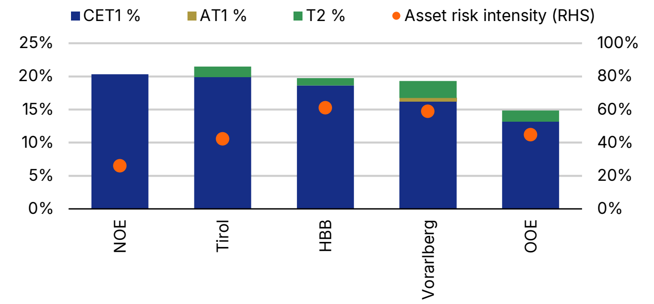
Bank Burgenland maintains a strong regulatory capital position with a transitional Common Equity Tier 1 (CET1) ratio of 18.6% at YE 2024 and a CET1 buffer of around 10ppt. While the asset risk intensity is higher compared to other real estate lenders within the Austrian peer group and across the European region, Bank Burgenland's regulatory capital position remains resilient, ensuring its ability to meet regulatory requirements and navigate market challenges effectively. The sound capitalisation is also underpinned by a high leverage ratio of 12.2% at YE 2024.

Figure 10: Capital profile, %



Source: SNL, Scope Ratings

Figure 11: Capital profile – peer comparison, %



Data as of YE 2024. Source: SNL, Scope Ratings

Balanced funding structure

Bank Burgenland's diversified funding base is bolstered by granular deposit base, senior preferred issuance and covered bond programme. Funding remains comfortable after the acquisition of the business in Carinthia, making Bank Burgenland less dependent on market funding and more flexible to material deposit outflows. The bank also took over four covered bonds issued by Anadi Bank. The balanced funding structure positions the bank favourably among its Austrian peers.

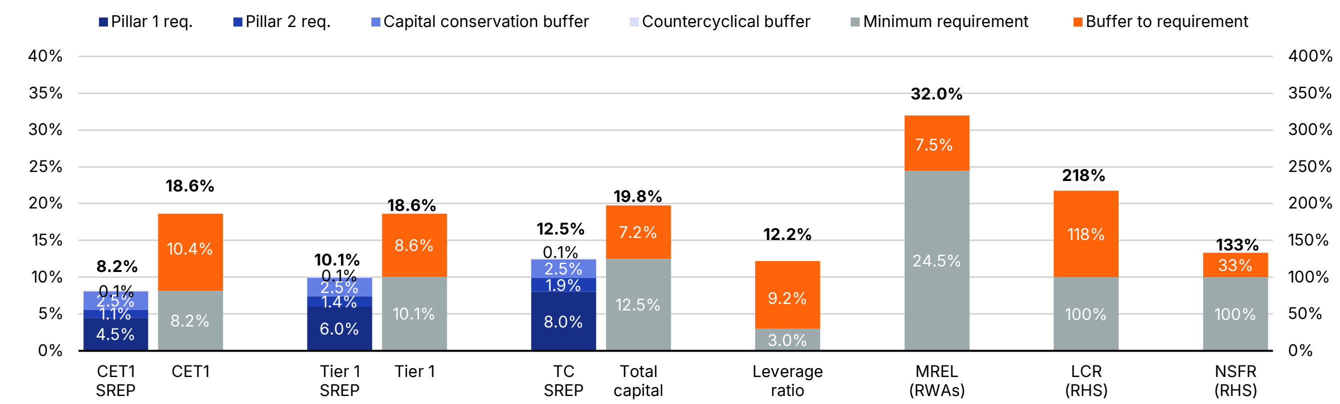
The bank issued inaugural green bonds in 2025. Use of proceeds go towards financing energy efficient real estate. The bank identified a green asset pool of EUR 108.5m, with two senior preferred green bonds with a total amount outstanding of EUR 21.5m.

Hypo-Bank Burgenland AG, serving as the parent entity of the GRAWE banking group, operates as the central point of entry for resolving various Austrian subsidiaries. Since 2022, the bank has consistently met the minimum requirement for own funds and eligible liabilities (MREL) requirements, facilitated by senior bond issuances.

Comfortable liquidity position

Bank Burgenland maintains a strong liquidity position, evident in its robust liquidity coverage ratio (LCR) and comfortable net stable funding ratio (NSFR). Looking ahead, we anticipate Bank Burgenland's liquidity to remain stable, supported by its prudent liquidity management practices and adherence to regulatory guidelines.

Figure 12: Overview of distance to requirements as of YE 2024, %



Source: Company data, Scope Ratings

Appendix 1. Selected financial information – Bank Burgenland

	2020	2021	2022	2023	2024
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	1,100	1,123	1,199	1,091	1,587
Total securities	678	655	646	644	690
of which, derivatives	NA	NA	NA	NA	NA
Net loans to customers	4,118	4,416	4,601	4,394	4,997
Other assets	316	339	354	382	434
Total assets	**6,213**	**6,533**	**6,800**	**6,510**	**7,707**
Liabilities					
Interbank liabilities	663	688	479	100	60
Senior debt	891	1,020	1,289	1,594	1,758
Derivatives	NA	NA	NA	NA	NA
Deposits from customers	3,746	3,855	4,075	3,777	4,777
Subordinated debt	12	12	10	10	10
Other liabilities	NA	NA	NA	NA	NA
Total liabilities	**5,500**	**5,770**	**6,018**	**5,685**	**6,849**
Ordinary equity	713	763	782	825	858
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	**6,213**	**6,533**	**6,800**	**6,510**	**7,707**
Core tier 1/ common equity tier 1 capital	*661*	*738*	*799*	*733*	*877*
Income statement summary (EUR m)					
Net interest income	87	94	109	193	205
Net fee & commission income	73	86	86	80	97
Net trading income	9	12	5	4	9
Other income	17	14	14	13	12
Operating income	**186**	**206**	**214**	**290**	**324**
Operating expenses	120	133	129	144	168
Pre-provision income	**66**	**73**	**85**	**145**	**156**
Credit and other financial impairments*	-1	6	35	66	79
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**67**	**67**	**50**	**80**	**77**
Income from discontinued operations	0	0	0	0	0
Income tax expense	16	14	19	21	29
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**50**	**53**	**31**	**59**	**48**

Source: SNL, Scope Ratings
Note: * Including transfers to §57 BWG (1) reserves. Figures above may differ from reported figures.

Appendix 2. Selected financial information – Bank Burgenland

	2020	2021	2022	2023	2024
Funding and liquidity					
Net loans/ deposits (%)	110%	115%	113%	116%	105%
Liquidity coverage ratio (%)	154%	NA	NA	NA	NA
Net stable funding ratio (%)	NA	121%	126%	125%	133%
Asset mix, quality and growth					
Net loans/ assets (%)	66.3%	67.6%	67.7%	67.5%	64.8%
Problem loans/ gross customer loans (%)	1.2%	NA	NA	NA	NA
Loan loss reserves/ problem loans (%)	119.4%	NA	NA	NA	NA
Net loan growth (%)	5.0%	7.2%	4.2%	-4.5%	13.7%
Problem loans/ tangible equity & reserves (%)	6.6%	NA	NA	NA	NA
Asset growth (%)	11.2%	5.1%	4.1%	-4.3%	18.4%
Earnings and profitability					
Net interest margin (%)	1.6%	1.5%	1.7%	3.1%	3.1%
Net interest income/ average RWAs (%)	2.1%	2.1%	2.4%	4.6%	4.7%
Net interest income/ operating income (%)	46.9%	45.5%	51.1%	66.6%	63.5%
Net fees & commissions/ operating income (%)	39.2%	41.8%	40.1%	27.8%	30.0%
Cost/ income ratio (%)	64.5%	64.5%	60.1%	49.8%	51.9%
Operating expenses/ average RWAs (%)	2.9%	3.0%	2.8%	3.4%	3.8%
Pre-impairment operating profit/ average RWAs (%)	1.6%	1.6%	1.9%	3.5%	3.5%
Impairment on financial assets / pre-impairment income (%)	-1.0%	8.4%	41.2%	45.3%	50.8%
Loan loss provision/ average gross loans (%)	0.5%	NA	NA	NA	NA
Pre-tax profit/ average RWAs (%)	1.6%	1.5%	1.1%	1.9%	1.7%
Return on average assets (%)	0.9%	0.8%	0.5%	0.9%	0.7%
Return on average RWAs (%)	1.2%	1.2%	0.7%	1.4%	1.1%
Return on average equity (%)	7.2%	7.2%	4.0%	7.3%	5.7%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	15.6%	15.5%	18.7%	17.8%	18.6%
Tier 1 capital ratio (%, transitional)	15.6%	15.5%	18.7%	17.8%	18.6%
Total capital ratio (%, transitional)	16.0%	16.0%	19.2%	18.2%	19.8%
Leverage ratio (%)	9.3%	11.6%	12.8%	12.1%	12.2%
Asset risk intensity (RWAs/ total assets, %)	68.1%	73.0%	62.9%	63.3%	61.1%

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

Lead Analyst

Julian Zimmermann
+49 69 667738989
j.zimmermann@scoperatings.com

Team Leader

Marco Troiano
+39 02 3054 4993
m.troiano@scoperatings.com

Applied methodologies

Financial Institutions Rating Methodology, September 2025

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer