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CREDIT OPINION
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Raiffeisen-Landesbank Tirol - Mortgage Covered Bonds

New Issue – Austrian covered bonds

Ratings

Cover Pool	Ordinary Cover Pool Assets	Covered Bonds	Rating
€ 1,240,582,835	Residential and Commercial Mortgage Loans	€ 904,169,000	Aaa

The ratings address the expected loss posed to investors. Our ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Summary

The covered bonds (Fundierte Bankschuldverschreibungen) issued under the mortgage covered bond programme of Raiffeisen-Landesbank Tirol AG (RLB Tirol, or the issuer; A3(cr)) are full recourse to the issuer and secured by a cover pool of assets consisting mostly of mortgage loans financing residential properties (55.0%), commercial properties (44.8%) and a few promoted housing properties (0.2%) in Austria.

Credit strengths include the credit strength of the issuer (CR Assessment A3(cr)), the cover pool's good credit quality and over-collateralisation levels and the support provided by the Austrian Covered Bond Act (Gesetz betreffend Fundierte Bankschuldverschreibungen).

Credit challenges include the high level of dependency on the issuer's credit strength and the refinancing risk of the covered bonds in the event that the issuer ceases to service the payments on the covered bonds.

Credit strengths

» ***Recourse to the issuer***: The covered bonds are full recourse to Raiffeisen-Landesbank Tirol AG (A3(cr)). (See "Covered bond analysis")

» ***Support provided by the Austrian legal framework***: The covered bonds are governed by the Austrian Covered Bond Act (Gesetz betreffend Fundierte Bankschuldverschreibungen). The act requires the issuer to maintain a cover pool with a nominal value of at least the nominal value of the covered bonds. Further, the act provides for the issuer's regulation and supervision and sets certain minimum requirements for the covered bonds and the cover pool. (For more details on the Austrian Covered Bond Act, see "Appendix 2: Legal framework for Austrian Covered Bonds")

» ***High credit quality of the cover pool***: The covered bonds are supported by a cover pool of high-quality assets. The assets finance mainly residential (55.0% of the cover pool) and commercial (44.8%) properties in Austria. The collateral quality is reflected in the collateral score, which currently is 10.4%. The residential mortgages exhibit the good credit standards that are characteristic for Austria. Most of the loans relate to the construction/acquisition of owner-occupied properties and almost all mortgages repay via regular installments, typically over a maximum of 25 years. The mortgages are floating rate, which exposes borrowers to risks stemming from rising interest rates. As a mitigating factor, the affordability test for new residential loan origination uses a 1.5x multiplier to the contractual interest rate (subject to a 4.0% floor minimum interest rate).

» ***No currency risks***: The issuer's cover pool selection criteria includes that loans need to be denominated in euro. Further, the issuer does not intend to issue covered bonds in non-euro currency for the forseeable future. (See "Covered bond analysis")

» ***No setoff risk***: Setoff against cover pool assets that have been entered in the cover register is excluded by law. The issuer's cover pool includes only Austrian mortgages, and the selection criteria require that each borrower has been notified about the use of the mortgage in the cover pool and exclusion of setoff. (See "Covered bond analysis")

» ***Provisions for a cover pool administrator***: Following an issuer default, the covered bondholders would benefit from a cover pool administrator, which acts independently from the issuer's insolvency administrator. (See "Covered bond analysis)

Credit challenges

» ***High level of dependency on the issuer's credit strength***: The credit quality of the covered bonds is primarily dependent on the credit quality of the covered bond issuer. If the issuer's credit strength deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds; consequently the credit quality of the covered bonds would deteriorate unless sufficient credit enhancements are implemented. (See "Covered bond description")

» ***Investors exposed to issuer discretion***: Before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the interest rate risks currently prevalent in the programme are minor because 80.9% of the assets and 84.2% of the bonds are floating rate, but the issuer could increase interest rate risk by issuing fixed rate covered bonds. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool. These changes could affect the cover pool's credit quality as well as the overall refinancing risk and market risks. The issuer has the ability, but not the obligation, to increase the over-collateralisation (OC) in the cover pool to mitigate the aforementioned risks. (See "Covered bond description")

» ***Refinancing risk***: Following a CB anchor event, covered bondholders, to achieve timely principal payment, might need to rely on proceeds raised through the sale of, or borrowing against, cover pool assets. Following a CB anchor event, the market value of these assets may be subject to high volatility. A CB anchor event occurs when the issuer, or another entity in the issuer group that supports the issuer, ceases to service the payments on the covered bonds. (See "Covered bond analysis")

» ***Cover pool concentration***: The cover pool has the following concentrations: (1) geographical concentration: Over 90.0% of the pool relates to properties in the federal state of Tirol. As a mitigating factor, the state of Tirol is an economically prosperous area with a well-developed tourism industry; (2) obligor concentration driven by the still modest size of the cover pool and a significant share of commercial real estate financings backed by hotel properties (50% of the sub-pool).

» ***Time subordination***: After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds. (See "Covered bond analysis")

» ***Lack of liquidity facility***: The Austrian legal framework lacks a 180-day liquidity reserve for both interest and principal payments. The programme does not benefit from any designated source of liquidity if cash flow collections are interrupted. (See "Covered bond analysis")

Key characteristics

Exhibit 1
Covered bonds characteristics

Issuer:	**Raiffeisen-Landesbank Tirol (A3(cr))**
Covered Bond Type:	Mortgage Covered Bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Austrian Covered Bonds Act (Gesetz betreffend Fundierte Schuldverschreibungen)

Entity used in Moody's EL and TPI analy	**Raiffeisen-Landesbank Tirol**
CR Assessment:	A3(cr)
CB Anchor:	CR assessment +1 notch
Deposit Rating:	Baa1, Stable Outlook

Total Covered Bonds Outstanding:	**€904,169,000**
Main Currency of Covered Bonds:	EUR (100%)
Extended Refinance Period:	No
Principal Payment Type:	Hard bullet
Interest Rate Type:	Fixed rate covered bonds (15.8%), floating rate covered bonds (84.2%)
Committed Over-Collateralisation	0%
Current Over-Collateralisation (OC):	37.2% on a nominal basis

Intra-group Swap Provider:	**n/a (no swaps)**
Monitoring of Cover Pool:	Regierungskommissär
Trustees:	n/a
Timely Payment Indicator:	Probable
TPI Leeway:	1 notch

Sources: RLB Tirol, Moody's Investors Service

Exhibit 2
Cover pool characteristics

Size of Cover Pool:	**€1,240,582,835**
Main Collateral Type in Cover Pool:	Residential (55.2%), Commercial (44.8%)
Main Asset Location:	Austria (100%)
Main Currency:	EUR (100%)
Loans Count:	5,968 (Residential), 1,880 (Commercial)
Number of Borrowers:	8,899 (Residential), 1,663 (Commercial)
Concentration of 10 Biggest Borrowers:	4.25% (Residential), 9.88% (Commercial)
WA Current LTV:	55.6% (Residential), 49.2% (Commercial)
WA Seasoning:	39 months (Residential), 51 months (Commercial)
WA Remaining Term:	20.2 years (Residentia)l , 14.7 years (Commercial)
Interest Rate Type:	Fixed rate assets (19.1%), Floating rate assets (80.9%)
Collateral Score:	10.4%
Cover Pool Losses:	19.5%
Further Cover Pool Details:	See Appendix 1
Pool Cut-off Date:	6 March 2018

Sources: RLB Tirol, Moody's Investors Service

Covered bond overview

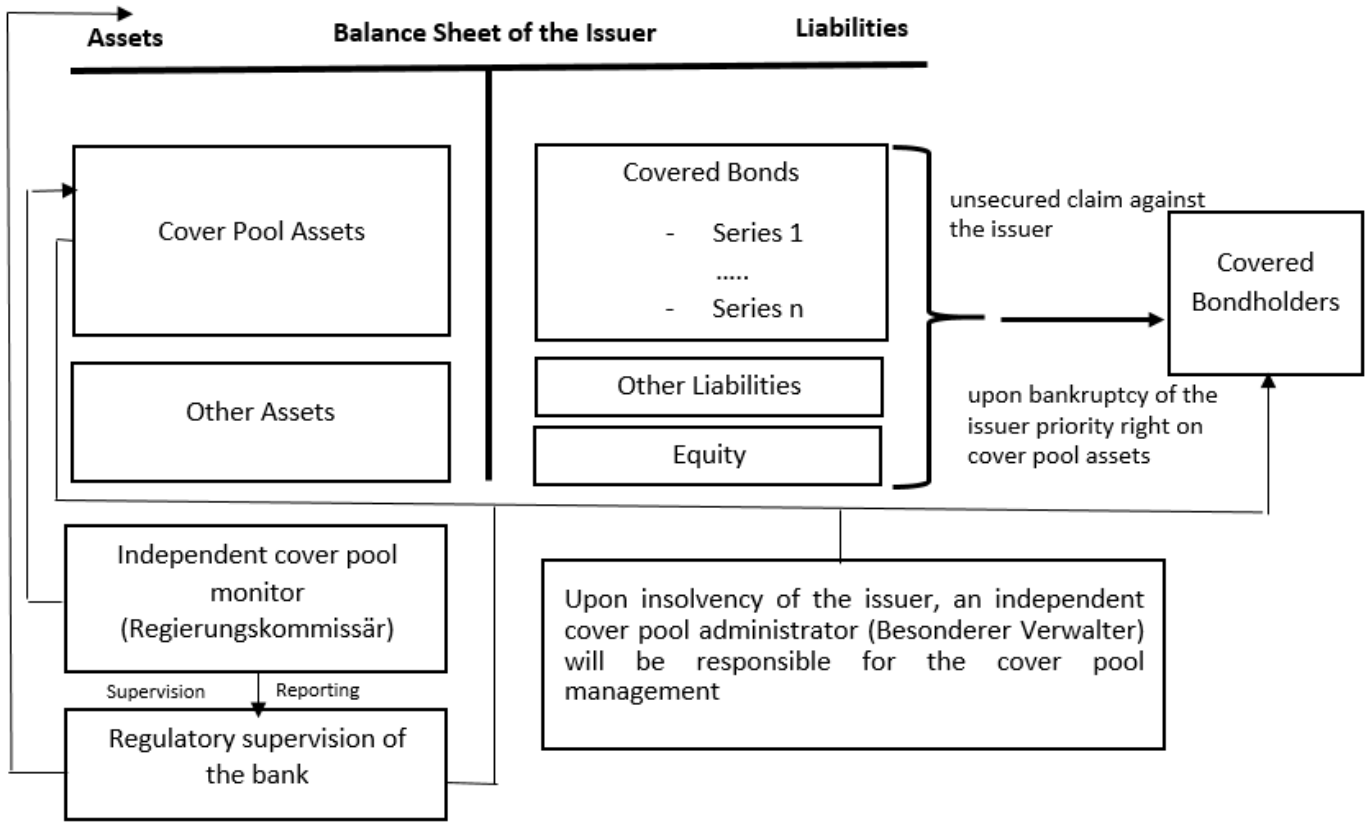
The covered bonds benefit from recourse to both the issuer and the cover pool, as well as the legal framework under the Austrian Covered Bond Act (Gesetz betreffend fundierte Bankschuldverschreibungen). Our rating reflects these features.

Covered bond description

The covered bonds issued under the mortgage covered bond programme of Raiffeisen-Landesbank Tirol are full recourse to the issuer. Upon a CB anchor event covered bondholders will have access to a cover pool of mortgage loan receivables.

Structural diagram

Exhibit 3



Structure description

The bonds

All outstanding covered bonds have a bullet repayment at maturity, without any extension period for the repayment of the bonds. In line with the practice of other covered bond programmes under the Austrian Covered Bond Act, the issuance of covered bonds is limited to a maximum of 60% of the properties' market value. We understand that the issuer will reflect this practice in its articles of association. We consider the issuance limit in our analysis.

Issuer recourse

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interest on the covered bonds.

Recourse to cover pool and over-collateralisation

If the issuer becomes insolvent, the covered bondholders would have priority claims over a pool of assets (cover pool). See "Cover pool description" for the cover pool characteristics and "Cover pool analysis" for our analysis of the pool.

Based on an issuance of €904 million, the over-collateralisation (OC) in the cover pool is currently 37.2%, on a nominal basis, of which 0.0% is provided on a "committed" basis. Under our Cobol model, the minimum OC consistent with the Aaa rating is 16.0%, of which the issuer should provide 0.0% in a "committed" form to be given full value (numbers in nominal terms). These numbers show that we rely on "uncommitted" OC in our expected loss analysis.

Although the issuer has the ability to increase the OC in the cover pool if the collateral quality deteriorates or market risks rise, the issuer does not have any obligation to do so. The failure to increase OC in such scenarios could lead to a negative rating action.

Legal framework

The covered bonds are governed by the Austrian Covered Bond Act. (See "Appendix 2: Legal framework for Austrian Covered Bonds")

Pooling model

All the cover pool assets were originated by the issuer or co-operative banks (Raiffeisenbanken) affiliated with the issuer, and the originator is entered into the land registry. The assets remain together with the economic risks on the balance sheets of the relevant originators. Upon transfer of the assets to the cover pool, the mortgage is marked by an entry ("Kautionsband") so that the originator or issuer can only remove the asset from the cover pool or de-register the mortgage from the land registry if the cover pool monitor ("Regierungskommissär") agrees. This model is prescribed by the Austrian legal framework for covered bonds. All borrowers have consented to this model and have waived their rights to setoff, as required by the Austrian covered bond legislation.

In case of the insolvency of the issuer, all cover assets form a separate pool ("Sondermasse") and would be available for the satisfaction of the covered bondholder on a priority basis. The originator receives senior unsecured claims against the issuer's insolvency estate instead. Legal opinions confirm that the originator, or its insolvency administrator, cannot rescind the contract or otherwise can get access to/challenge the separation of the separate pool.

To operate the pooling model, both the issuer and the originators rely on an integrated software solution, which in our view allows an efficient transfer of the assets. However, a degree of commingling risk remains, resulting from the fact that the transfer is not automatic and must be requested. In our view, the degree of commingling risk is comparable to the same risk in other covered bonds transactions in Austria.

Covered bond analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds would be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator, explained further below.

Primary analysis

Issuer analysis

Credit quality of the issuer: The issuer's CR Assessment is A3(cr). For a description of the issuer's rating drivers, see our Credit Opinion, published in November 2017. (See "Moody's related publications")

The reference point for the issuer's credit strength in our analysis is the "CB anchor", which for covered bond programmes under the covered bond law in Austria is the CR Assessment plus one notch.

Dependency on the issuer's credit quality: The credit quality of the covered bonds depends primarily on the credit quality of the issuer. If the issuer's credit strength were to deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds. Consequently, the credit quality of the covered bonds would deteriorate unless other credit risks decrease.

In the event that the CB anchor deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to a negative rating action.

Reasons for the high level of dependency of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool, issue further bonds and enter new hedging arrangements. Such actions could negatively affect the value of the cover pool.

Refinancing risk

Following a CB anchor event, the "natural" amortisation of the cover pool assets alone cannot be relied on to repay principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50.0% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology. (See "Moody's related publications: Moody's Approach to Rating Covered Bonds)

The refinancing-positive factors are balanced by negative ones. Refinancing-positive aspects of this covered bond programme include:

» The covered bond framework: Upon issuer default, the cover pool administrator has, inter alia, the ability to (1) transfer the cover pool together with the covered bonds to another suitable bank, which will assume the liabilities under the transferred covered bonds; or (2) sell the cover pool assets to raise liquidity, if cash is needed for due payments on the outstanding covered bonds. The cover pool administrator may also raise funds against the cover pool assets through bridge loans.

» In a scenario in which cover pool assets are sold to raise liquidity, the risk of significant reductions to the nominal value of the assets is reduced as the majority (80.9%) of cover pool assets are with floating-rate interest rate arrangements (three-month Euribor). However, the loan margin of the loan is fixed for the loan term.

» The high credit quality of the cover pool (residential sub-pool), which is reflected in the collateral score (10.4%). A higher credit quality of the cover pool will lead to a lower write-off for losses and lower refinancing margins applied, all other variables being equal.

Refinancing-negative aspects of this covered bond programme include:

» In line with other covered bond programmes, we expect that upon a CB anchor event the cover pool assets will have a significantly higher weighted-average life, compared with the outstanding covered bonds.

» All covered bonds issued under this programme have a hard-bullet repayment, with no extension period. The programme does not benefit from any contractual provisions to allow for an extension of a principal refinancing period.

» The programme does not benefit from any designated source of liquidity if cash flow collections are interrupted. The Austrian legal framework lacks a 180 day liquidity reserve to cater for upcoming bond maturities.

Interest rate and currency risk

As with the majority of European covered bonds, there is potential for interest rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 4

Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	6.5	14.8	19.1%	15.8%
Variable rate	12.7	2.8	80.9%	84.2%

WAL = weighted average life.
Source: RLB Tirol

In the event of issuer insolvency, we currently do not assume that the special cover pool administrator (Besonderer Verwalter) will always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model would separately assess the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest and currency stressed rates used over different time horizons are published in our Rating Methodology. (See "Moody's related publications: Moody's Approach to Rating Covered Bonds").

Aspects of this covered bond programme that are market-risk positive include:

» No currency risk: As of the pool cut off date, all of the cover pool assets and all outstanding covered bonds are denominated in euros. The issuer intends for the forseeable future to only utilize euro denominated assets and liabilities.

» Interest rate risk: Currently, most of the assets are floating rate loans (80.9%) and most of the covered bonds (84.2%) are floating rate, leading to limited interest rate risks. The issuer is obliged, according to the covered bond legislation, to ensure that the cover pool assets must also cover the outstanding bonds in terms of interest income at all times.

Aspects of this covered bond programme that are market-risk negative include:

» Future inclusion of fixed rate loans or issuances of fixed rate covered bonds in response to investor demands would increase market risks.

Timely Payment Indicator

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments would be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable amount of OC. We have assigned a TPI of Probable to these covered bonds, in line with the other mortgage covered bonds issued under the Austrian Covered Bond act.

Based on the current TPI of Probable, the TPI Leeway for this programme is one notch. This implies that we might downgrade the covered bonds' rating because of a TPI cap if we lower the CB anchor by two or more notches, all other variables being equal.

TPI-positive aspects of this covered bond programme include:

» The level of support expected for covered bonds in Austria.

» The Austrian Covered Bond Act, including:

  – At the time of the declaration of issuer's bankruptcy, a cover pool administrator will take over management responsibility of the covered bond programme. The cover pool administrator will act independently from the issuer's bankruptcy receiver. Having an independent administrator may reduce potential conflicts of interest between the covered bondholders and other creditors.

  – Setoff: We understand that setting off against claims registered in the cover pool is not permitted in context of cover pool assets that are in Austria and governed by Austrian law. The issuer's cover pool selection criteria require that each borrower has been notified about the use of the mortgage in the cover pool and exclusion of setoff.

» The credit quality of the cover pool assets, which is evidenced by the collateral score of 10.4%. A good credit quality of the cover pool assets increases the likelihood that the cover pool administrator will be able to raise funds against the cover pool assets.

TPI-negative aspects of this covered bond programme include:

» All covered bonds outstanding have a bullet repayment at maturity, without any extension period for the repayment of the bonds.

» The covered bond programme does not benefit from any designated source of liquidity if cash flow collections are interrupted.

» Commingling risk: Upon the appointment of the cover pool administrator (Besonderer Verwalter), it is our understanding that the cover pool administrator has a priority claim on all cash flows stemming from the cover pool assets. However, these cash flows have to be separated from other cash flows to the issuer before they can be used to make payments to covered bondholders.

Comparables

Exhibit 5

PROGRAMME NAME	Raiffeisen-Landesbank Tirol AG - Mortgage Covered Bonds	Erste Group Bank AG - Mortgage Covered Bonds	UniCredit Bank Austria AG - Mortgage Covered Bonds	Raiffeisenlandesbank Oberoesterreich AG - Mortgage Covered Bonds
Overview				
Programme is under the law	Covered Bond Act	Mortgage Bank Act	Mortgage Bank Act	Covered Bond Act
Main country in which collateral is based	Austria	Austria	Austria	Austria
Country in which issuer is based	Austria	Austria	Austria	Austria
Total outstanding liabilities	€ 904,169,000	€ 10,562,745,332	€ 4,796,221,300	€ 916,000,000
Total assets in the Cover Pool	€ 1,240,582,835	€ 13,378,635,788	€ 10,902,243,639	€ 2,250,913,442
Group or parent CR assessment	n/a	n/a	n/a	n/a
Collateral types	Residential 55.6% Commercial 35.9% Multi-Family 8.3% Non-profit Housing 0.2% Supplementary Assets 0.0%	Residential 46.8% Commercial 24.1% Multi-Family 12.4% Non-profit Housing 15.1% Supplementary Assets 1.7%	Residential 51.6% Commercial 33.1% Multi-Family 0.0% Non-profit Housing 14.1% Supplementary Assets 1.2%	Residential 52.5% Commercial 40.6% Multi-Family 0.0% Non-profit Housing 6.9% Supplementary Assets 0.0%
Share of CHF-denominated residential loans	0.0%	8.1%	14.2%	0.0%
Share of loans with LTV > 80% (all collateral types)	12.9%	22.3%	12.2%	27.9%
Ratings				
Covered bonds rating	Aaa	Aaa	Aaa	Aaa
Entity used in Moody's EL & TPI analysis	Raiffeisen-Landesbank Tirol AG	Erste Group Bank AG	UniCredit Bank Austria AG	Raiffeisenlandesbank Oberoesterreich AG
CB anchor	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch
CR Assessment	A3(cr)	A2(cr)	A3(cr)	A3(cr)
SUR / LT Deposit	Baa1	A3	Baa1	Baa1
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	Yes
Value of Cover Pool				
Collateral Score	10.4%	8.1%	12.3%	8.1%
Collateral Risk (Collateral Score post-haircut)	7.0%	5.4%	8.3%	5.4%
Market Risk	12.5%	13.3%	14.8%	10.7%
Over-Collateralisation Levels				
Committed OC	0% Nominal Basis	2% Unstressed NPV	2% Unstressed NPV	0% Nominal Basis
Current OC	37.2% Nominal Basis	18.2% Unstressed NPV	134.7% Unstressed NPV	145.7% Nominal Basis
OC consistent with current rating	16.0%	12.5%	19.0%	13.5%
Surplus OC	21.200%	5.7%	115.7%	132.2%
Timely Payment Indicator & TPI Leeway				
TPI	Probable	Probable	Probable	Probable
TPI Leeway	1	2	1	1
Refinancing period for principal payments of 6 months or greater	No	No	No	No
Liquidity reserve to support timely payments on all issuances	No	No	No	No
Reporting date	06 March 2018	30 June 2017	30 June 2017	30 September 2017

Sources: Moody's Investors Service, latest performance overview reports

Additional analysis

Time subordination

After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds.

Cover pool overview

The cover pool of assets consists of mortgage loans secured by residential and commercial property in Austria. Derivative contracts do not form part of the cover pool, in line with the Austrian market practice.

Cover pool description

Pool description

The cover pool consists of mortgage loans secured by residential properties and promoted housing (55.2%) and commercial properties (44.8%). All of the cover assets are loans backed by properties in Austria.

On a nominal value basis, the cover pool assets total €1,240 million, which are backing €904 million covered bonds. This translates into an OC level on a nominal basis of 37.2%.

We understand from the issuer that the issuance of covered bonds is limited to a maximum of 60.0% of the market value of the property that secures the cover asset, even though this is not required by the Austrian Covered Bond Act.

For Raiffeisen-Landesbank Tirol's underwriting criteria, see "Appendix 1: Income underwriting and valuation".

Residential mortgage loans

Euro-denominated residential mortgage loans account for 100% of the total cover pool. The properties backing the residential mortgages are in Austria, with a significant high regional concentration (96.8% in the federal state of Tirol). A majority of the mortgage loans were granted to finance the acquisition (45.8%), and construction or renovation of a residential property (21.8%), while the remaining reasons include re-mortgaging and equity release.

The WA current LTV of the residential mortgage loans is 55.6%. This is in line with LTVs observed for other residential loans in programmes that we rate in Austria. The residential cover pool features 74.8% as floating interest rates loans. 100% of the pool are amortising typically on an annuity basis over 20 to 30 years. The residential mortgage loans have an average seasoning of 39 months. All of the mortgage loans are performing as of the cut-off date of this report.

Exhibits 6 to 12 provide more details about the cover pool characteristics.

Exhibit 6

Cover pool information

Overview	
Asset type:	Residential Assets
Asset balance:	684,378,938
Average loan balance:	117,821
Number of loans:	5,967
Number of borrowers:	8,899
Number of properties:	6,263
WA remaining term (in months):	242
WA seasoning (in months):	39

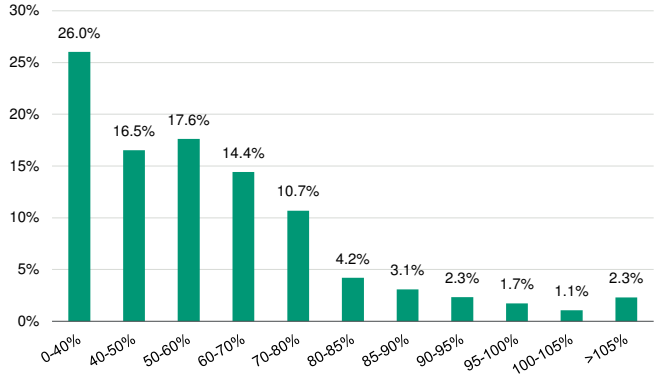
Details on LTV	
WA unindexed LTV: Whole loan	n/a
WA indexed LTV: Whole loan	55.6%
Valuation type:	Market Value
LTV threshold:	60%
Junior ranks (*):	n/d
Prior ranks:	n/d

Specific Loan and Borrower characteristics	
Loans with an external guarantee in addition to a mortgage:	n/a
Interest only Loans (**)	3.95%
Loans for second homes / Vacation:	n/d
Buy to let loans / Non owner occupied properties:	n/d
Limited income verified:	0.0%
Adverse credit characteristics:	0.0%

Performance	
Loans in arrears (≥ 2months - < 6months):	0.0%
Loans in arrears (≥ 6months - < 12months):	0.0%
Loans in arrears (≥ 12months):	0.0%
Loans in a foreclosure procedure:	0.0%

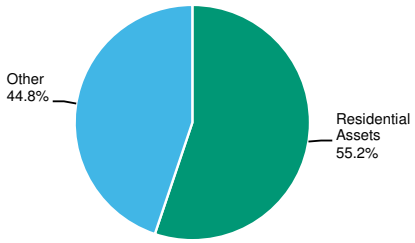
Source: RLB Tirol

Exhibit 7
Balance per LTV-band



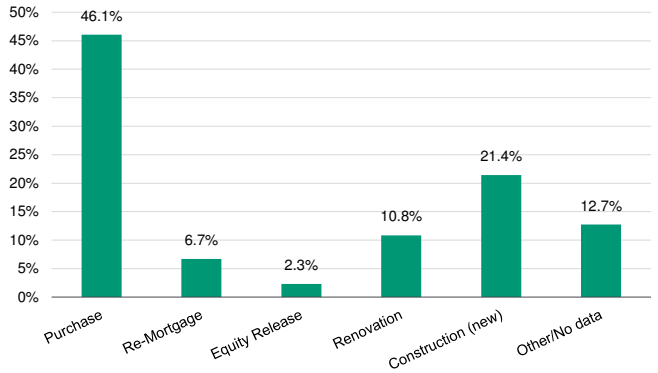
Source: RLB Tirol

Exhibit 8
Percentage of Euro-denominated residential mortgage loans



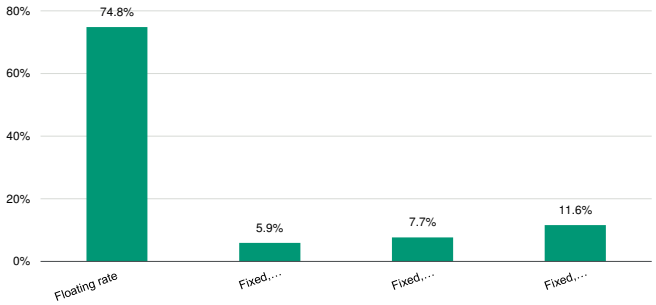
Source: RLB Tirol

Exhibit 9
Loan Purpose (estimate)



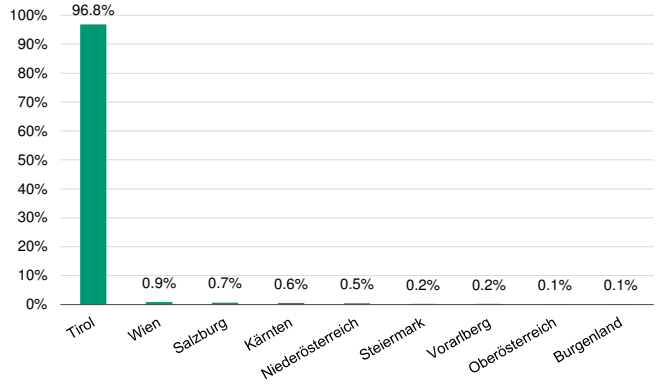
Source: RLB Tirol

Exhibit 10
Interest rate type



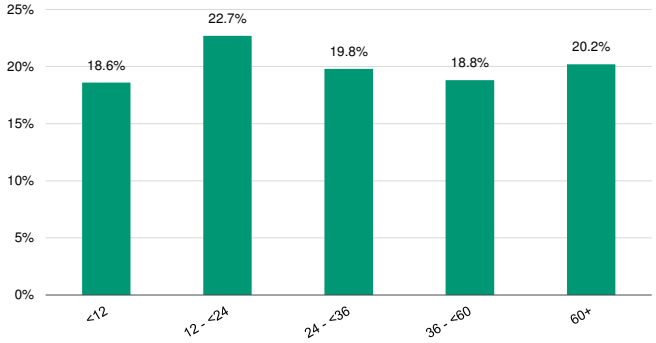
Source: RLB Tirol

Exhibit 11
Main country regional distribution



Source: RLB Tirol

Exhibit 12
Seasoning (in months)



Source: RLB Tirol

Commercial mortgage loans

Commercial mortgage loans represent 44.8% of the total cover pool including multifamily properties. The properties backing the commercial mortgages are in Austria. Within Austria, the main regional location of the properties is the federal state of Tirol (95%). The properties backing the commercial loans include a high share of hotels (50.0%) and land for primarily agriculture use (17.1%).

The 10 largest obligors account for 9.9% of the sub-pool, illustrating some risk exposures to single names.

87% of the loans are without a fixed interest rate for the loan term, exposing the asset to the risk of rising interest rates. Only 7.1% of the commercial mortgages are bullet loans without a regular loan repayment schedule before loan maturity. All assets are performing.

Exhibits 13 to 21 provide more details about the cover pool characteristics.

Exhibit 13

Cover pool information

Overview	
Asset type:	Commercial
Asset balance:	556,203,897
Average loan balance:	295,773
Number of loans:	1,881
Number of borrowers:	1,663
Number of properties:	1,682
Largest 10 loans:	8.0%
Largest 10 borrowers:	9.9%
WA remaining term (in months):	191
WA seasoning (in months):	51
Main countries:	Austria (100%)

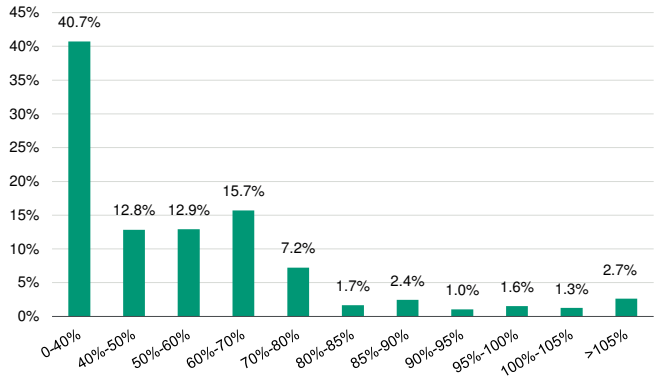
Specific Loan and Borrower characteristics	
Bullet loans:	7.1%
Loans in non-domestic currency:	0.0%
Percentage of fixed rate loans:	13.0%
Performance	
Loans in arrears ≥ 2 months:	0.0%
Loans in a foreclosure procedure:	0.0%
Details on LTV	
WA current LTV (*):	49.2%
WA indexed LTV:	n/d
Valuation type:	Market Value
LTV Threshold:	60.0%
Junior ranks:	n/d
Prior and Equal ranks:	n/d

n/d : information not disclosed by Issuer
n/a : information not applicable

Source: RLB Tirol

Exhibit 14

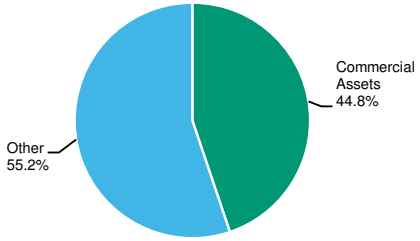
Balance per LTV-band



Source: RLB Tirol

Exhibit 15

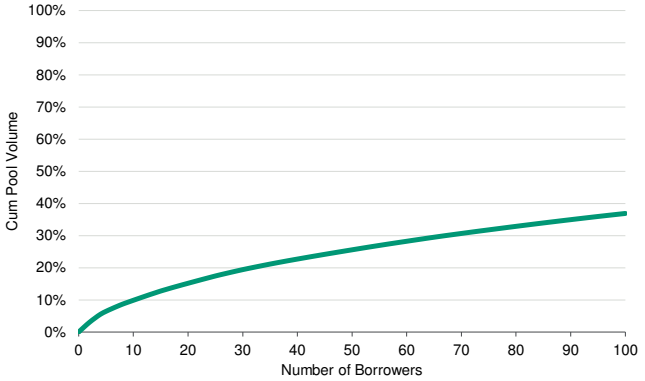
Percentage of commercial mortgage loans



Source: RLB Tirol

Exhibit 16

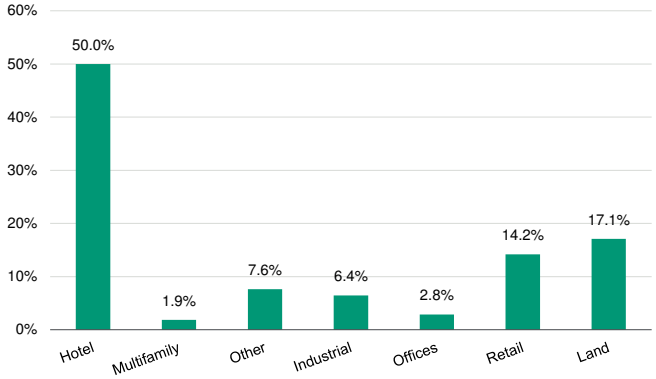
Borrower concentration



Source: RLB Tirol

Exhibit 17

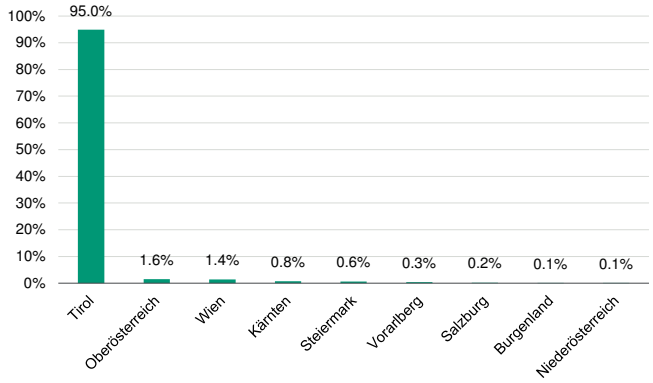
Property type



Source: RLB Tirol

Exhibit 18

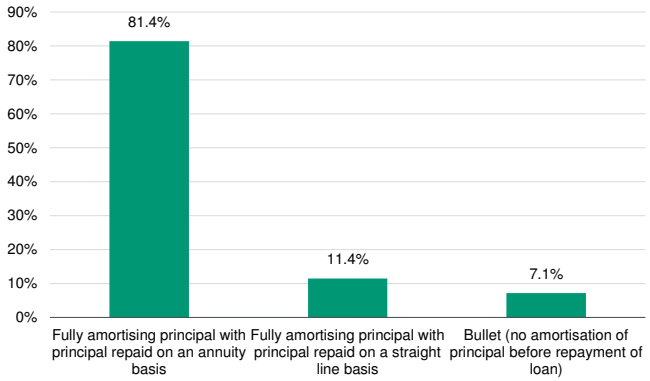
Main country regional distribution



Source: RLB Tirol

Exhibit 19

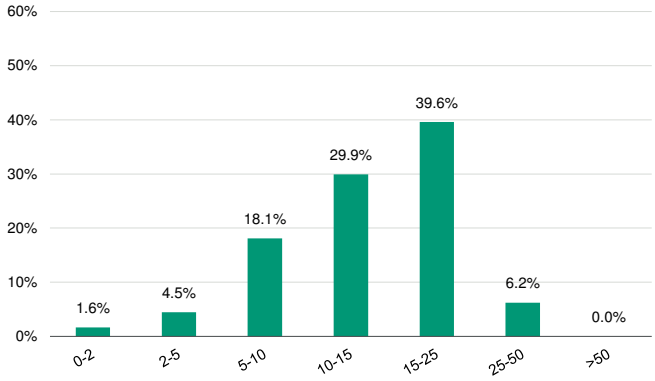
Principal payment method



Source: RLB Tirol

Exhibit 20

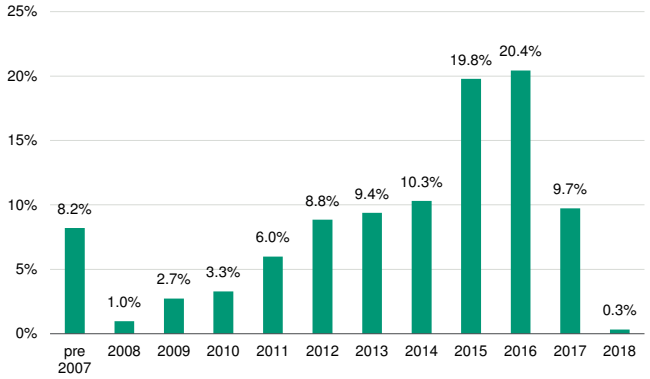
Remaining term (in months)



Source: RLB Tirol

Exhibit 21

Year of loan origination



Source: RLB Tirol

Substitution

Exposure to decisions made by the issuer in its discretion as manager of the cover pool creates additional risk. For example, before a CB anchor event, the issuer may remove assets from the cover pool, or add new assets to the cover pool, or both. Such actions could negatively affect the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, creating substitution risk. Nevertheless, cover pool quality over time will be protected by, among other things, the requirements of the Austrian Covered Bond Act, which specify what types of assets are eligible. (See "Appendix 2: Legal framework for Austrian Covered Bonds")

Cover pool monitor

Pursuant to the Austrian Covered Bond Act, a Regierungskommissär has been appointed to monitor the various day-to-day operations with respect to the cover pool. (For more details on the cover pool monitor's role, see "Appendix 2: Legal framework for Austrian Covered Bonds")

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool,as well as legal risks.

Residential cover pool analysis (55.2% of cover pool)

We calculate the collateral score for residential mortgage loans with a scoring model (called MILAN) that we use to assess the credit risk of residential mortgage loan portfolios.

» From a credit perspective, we view the following characteristics of the loans as positive:

- The weighted average (WA) current LTV of the residential loans is 55.6%. This is in line with LTVs observed for other residential loans in programmes that we rate in Austria. The issuer appraises all properties within a three-year frequency, in line with European regulatory requirements.
- All mortgage loans are amortising on a regular basis with the view to fully repay the mortgage within 20 to 30 years.
- The large majority of properties are owner-occupied.
- The issuer maintains the high credit quality of the cover pool: Any loan with a credit scoring of 4.0 or worse is removed from the cover pool (pre-issuer insolvency). The issuer's credit scores range from 1.0 to 5.0 with 5.0 indicating a loan default.

» From a credit perspective, we view the following characteristics of the loans as negative:

- 3.4% of the residential loans exhibit a LTV above 100%, suggesting a significant likelihood of losses should the borrower cease to service its mortgage obligations.
- 100% of the residential loans are with floating interest rate arrangements based on Euribor rates. Hence, the borrower is exposed to rising interest rates increasing the debt service burden. As a mitigating factor, the affordability test for new residential loan origination uses an 1.5x multiplier to the contractual interest rate (subject to a 4.0% floor minimum interest rate).
- All loans are backed by properties in Austria. Within Austria, there is a very high concentration to the state of Tirol (96.8%), reflecting the issuer's business focus. The geographical concentration results in concentration risk in the pool.

Commercial cover pool analysis (44.2% of cover pool)

We calculate the collateral score for the commercial mortgages using a multifactor model which is solved through a Monte Carlo simulation. Our analysis takes into account, inter alia, the impact of concentration on borrower, regional and country levels as well as individual borrowers' credit quality.

» From a credit perspective, we view the following characteristics of the loans as positive:

- The current WA LTV of the commercial loans is 49.2%. This number is in line with LTVs observed for other commercial loans that we rate in Austria. The issuer appraises all properties annually, in line with European regulatory requirements.
- 92.9% of the commercial loans amortise in full over the loan term, while a small share (7.1%) of the commercial mortgages are bullet loans. The remaining term of the loans is relatively long (45.8% of the loans in this sub-pool have a remaining term of more than 15 years) but the issuer considers in its underwriting the useful life of the financed properties.

» From a credit perspective, we consider the following characteristics of the loans as negative:

- 50% of the commercial loans, a higher share than in other Austrian covered bond programmes, are secured by hotels, which typically exhibit higher credit risk than other commercial property types. Hotel financings can exhibit high credit risk as the economic success of the hotel depends, inter alia, on the capabilities of the operator, weather conditions and frequent investments to maintain the quality of the hotel offering.

- 8.9% of the commercial loans exhibit a LTV above 85%, suggesting a significant likelihood of losses should the borrower cease to service its mortgage obligations.
- 87% of the loans in the cover pool feature floating interest rates based on Euribor. This exposes the borrowers to the risk of increasing debt service payments in case of increasing interest rates.
- 95% of the properties securing the commercial mortgages in the cover pool are concentrated in the state of Tirol. The regional concentration increases the likelihood of losses in certain scenarios.

Methodology and monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in December 2016. Other methodologies and factors that may have been considered in the rating process can also be found on http://www.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This lack of data availability could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix 1: Income underwriting and valuation

A. Residential income underwriting

The table below details the loan underwriting procedures provided by the issuer for residential mortgage loans that form or are expected to form part of the cover pool.

1. Income Underwriting	
1.1 Is income always checked?	Yes
1.2 Does this check ever rely on income stated by borrower ("limited income verification") income stated by the borrower?	No - Income stated by borrower is not sufficient.
1.3 Percentage of loans in Cover Pool that have limited income verification	None
1.4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	Not applicable
1.5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST").	Yes
1.6 If not, what percentage of cases are exceptions.	No exceptions
For the purposes of any IST	
1.7 Is it confirmed income after tax is sufficient to cover both interest and principal.	Yes
1.8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Payment of interest and principal on an annuity basis over 20 to 30 years (only residential buildings).
1.9 Does the age of the borrower constrain the period over which principal can be amortised?	Yes – Generally the principal must be amortised until the borrower is 80.
1.10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Yes: 4 % interest rate for all products
1.11 Are all other debts of the borrower taken into account at point loan made?	Yes
1.12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tact)	The living expenses are based on standard expenses integrated into the rating tool. These are published by Statistik Austria. No maximum percentage of [post tax] income that is assumed to be available for debt repayment or multiples are stated.
Other comments	

Source: RLB Tirol

B. Residential valuation

2. Valuation	
2.1 Are valuations based on market or lending values?	Market values
2.2 Are all or the majority of valuations carried out by external (with no direct ownership link to any company in the Sponsor Bank group) valuers?	No - The majority of valuations are carried out by internal valuers.
2.3 How are valuations carried out where external valuer not used?	Market values are determined using the appropriate method for the real estate items.
2.4 What qualifications for external valuers require?	External valuers have to be sworn and certified court appraisers.
2.5 What qualifications do internal valuers require?	Multi-year professional experience and internal training is a minimum requirement.
2.6 Do all external valuations include an internal inspection of a property?	Yes
2.7 What exceptions?	None
2.8 Do all internal valuations include an internal inspection of a property?	Valuations of commercial property always include internal inspection.
2.9 What exceptions?	Exceptions: Small residential property is sometimes not inspected inside if the building is in a good state of preservation.
Other comments	

Source: RLB Tirol

C. Commercial lending

The table below details the loan underwriting procedures provided by the issuer for mortgage loans secured by commercial properties that form or are expected to form part of the cover pool.

C. Commercial Lending	
1 Business Focus	
1.1 What kind of CRE loans will form part of the cover pool?	Real estate development, commerce and industry, agriculture
1.2 What CRE property types do you finance?	Public institutions, social services, commercial real estate, hotel / catering, free time / sports, motor trade, energy, agricultural and forest land and buildings.
1.3 What kind of restrictions do you have in terms of property location and quality	100% in Austria, of which about 95.6% are in Tyrol. Certain quality criteria are currently not available.
1.4 Does the cover-pool only contain self-originated loans or loan participations (e.g. syndicated loans, mezzanine loans)?	Self-acquired loans of Raiffeisen-Landesbank and Raiffeisenbanken.
2. Loan underwriting policy	
2.1 Do you accept loans with refinancing risk? If yes, do you have a maximum Exit-LTV limit at loan maturity?	Balloon financing ensures that the balloon can be repaid in full within the maximum repayment term (which is shorter than the economic useful life).
2.2 Do you have a maximum LTV ratio that is covenanted in the loan agreement? Do max. LTV ratio vary by property type? Please specify.	No
2.3 Do you have a minimum DSCR ratio that is covenanted in the loan agreement? Do min. DSCR ratio vary by property type? Please specify.	No
2.4 Do you always require full hedging in terms of interest rate and currency risk? If not, which stresses are used to calculate the DSCR ratios?	In some of the financing, fixed interest rates or hedges of the interest rate risk are agreed. There are no foreign currency loans in the cover pool.
	When determining the rating, simulations are carried out for interest rate risks.
	In the review of the ability to pay, the notional interest rate of 4% is assumed. Exception: In the case of project rating, a time-related rising interest rate is assumed to increase to 4%.
2.5 Do you require a minimum exit debt yield? Please specify	No
3. Cash flow analysis	
3.1 Is a cash-flow assessment always carried out?	Yes
3.2 Do you consider in the DSCR calculation (cash-flow assessment) possible reduction in property cash flow (e.g. due to lease roll-over, changing market rents, capex requirements)?	The cash flow forecast takes into account the anticipated vacancy rate and probable changes in rents. The amount of proceeds and discounts is determined by the credit risk manager responsible for the rating.
3.3 Do you rely in the DSCR calculation (cash-flow assessment) on possible increases in property cash flow (e.g. due to expected reduction in property vacancy, rent increase, property disposal income, or sponsor support)?	When examining commercial real estate financing, a constant (after a start-up phase) cash flow is generally expected. In project rating, rental income and property-related costs are indexed with the HICP. The level of indexation is determined by the credit risk manager responsible for the rating.
3.4 Do you consider in the cash flow assessment the quality (tenant) and diversity of cash flows? How do you assess tenant quality?	Tenant quality and diversification of rental income are assessed by the credit risk manager as part of the risk analysis.
3.5 How often is the property cash flow and loan DSCR assessment updated?	Annually
4. Borrower (Schuldner)	
4.1 Do you accept SPVs as a borrower?	Yes
4.2 Do you always require direct recourse to the borrower and sponsor (natural person) holding the equity stake? If not, please provide details/limits on non-recourse business.	The borrowers are always directly liable. We do not require joint liability (guarantee, letter of comfort) of shareholders in all cases.
4.3 Do you have minimum requirements as for the borrower's quality? Please detail.	The prerequisite for taking out a loan in the cover pool is a borrower rating of at least 3.5. Loans with a borrower rating of less than 3.5 may not remain in the cover pool.
4.4 How do you assess borrower's quality?	Based on the established rating systems.
4.5 Do you allow exceptions to 4.3? What reasons would justify exceptions?	No

Source: RLB Tirol

D. Commercial property valuation

D. Commercial Property Valuation	
1 Are valuations based on market or lending values?	Market values
2 Do you consider vacant possession values for single-tenanted properties?	Yes The rental loss risk is taken into account with a percentage of the net rent (income less taxes and operating costs).
3 How are valuations carried out where external valuer not used?	The real estate valuations are carried out by a real estate appraiser of Raiffeisen Abwicklungs- und Dienstleistungsgesellschaft mbH. , which are not involved in the credit decision process, carried out in our internal real estate appraisal system R & S (company Sprengnetter).
4 Do valuations always comply with standards of the RICS Red Book?	The structure and content of the reports comply with the RISC Red Book. The valuation methods are mainly derived from the Austrian Real Estate Valuation Act („Liegenschaftsbewertungsgesetz").
5 Do you always require that valuations include a review of the lease contracts, a technical report and environment report?	In the appraisal, existing leases must be submitted. Furthermore, a technical description of the property and an environmental description are carried out in the appraisals.
6 Do you always require that valuations provide reference to comparable recent property transactions?	For small residential real estate (owner-occupied flats and single-family dwellings) comparisons of time- and local-level transactions are always used to check the market value. For commercial real estate, which is valued on the basis of its income value, data on transactions of comparable real estate are generally not available. However, the calculation of the yield values is based on customary rents or key performance indicators of comparable real estate (eg bed occupancy and GOP of hotels)
7 Could the value of a property portfolio exceed the value of the individual properties?	No
8 How often is the property value updated and how often is checked that the LTV covenant is not breached? (annually, ad-hoc, depending on general market movement)?	In accordance with Article 208 (3) CRR, the market values of commercial real estate are reviewed at least annually and the market values of residential real estate at least every three years.
Other comments	None

Source: RLB Tirol

Appendix 2: Legal framework for Austrian Covered Bonds

In Austria, there are three different covered bond acts, under which Austrian covered bond issuers can issue covered bonds. The three acts are:

- Mortgage Bank Act (Hypothekenbankgesetz);

- Austrian Pfandbrief Act (Pfandbriefgesetz or PfandbriefG); and

- Austrian Covered Bond Act (Gesetz betreffend fundierte Bankschuldverschreibungen or FBSchVG), see chart 1 below.

For the purposes of this report, our references to Austrian covered bond legislation relates to all these three types of act and other relevant regulation, if not stated otherwise. This covered bond transaction is governed by the Austrian Covered Bond Act, under which covered bonds will be issued from time to time, in each case constituting direct, unconditional and senior obligations of the issuer. The issuer is a regulated bank and supervised by the appropriate authorities.

Mortgage-sector covered bonds are secured by a pool of assets (cover pool). A 60.0% loan-to-value (LTV) limit for cover pool assets is market practice in Austria although only specified in the Mortgage Bank Act. The covered bond issuer has to establish a cover register for its covered bonds, which secures covered bondholders' claims upon insolvency of the covered bond issuer.

The Austrian Covered Bond Act inter alia sets out rules detailing which assets qualify as cover assets for public sector covered bonds. Eligible assets for a cover pool are (1) direct claims against entities in Austria and member states of the EEA, or Switzerland or local and regional governments in these countries; or (2) debt guaranteed by the aforementioned public-sector entities.

The covered bond issuer may include derivatives in the cover pool even though this is not current market practice in Austria. We understand that claims of hedge counterparties rank equally with those of covered bondholders.

Under the Act, the covered bond issuer must comply with a nominal cover test. This test requires a minimum OC of 0.0% which means the nominal value of the cover pool must be at least as high as the nominal value of the covered bonds.

The Austrian Covered Bond Act allows issuers to commit themselves to a present value test (PV test). We understand that the issuer becomes legally obliged to maintain this PV test by operation of the Austrian covered bond legislation if this has been included in the articles of association of the issuer.

A cover pool monitor ("Regierungskommissär") will monitor various operations with respect to the cover pool on a regular basis. For example, we understand that cover assets may not be de-registered from the cover pool without the prior consent of the cover pool monitor.

Upon insolvency of the covered bond issuer, all cover assets, including, in our understanding, the actual OC at that point, would be available for the covered bondholder on a priority basis.

In the event of an issuer default, the cover pool will be segregated from the bankruptcy estate of the issuer and a cover pool administrator (Besonderer Verwalter) will be appointed upon the commencement of bankruptcy procedures. This cover pool administrator shall undertake the necessary administrative measures to satisfy claims by the covered bondholders by collecting claims that are due, selling individual cover assets or organising bridge financing.

Payments and receivables on the cover pool assets are not required to be separated from other cash flows of the covered bond issuer before a declaration of bankruptcy. Upon the commencement of bankruptcy proceedings, the covered bondholders would have a preferential claim on all receivables in the cover pool. The appointed cover pool administrator will be obliged by operation of the Austrian Covered Bond Act to apply all collections to satisfy the preferential claims against the cover pool.

We understand that no setoff may be exercised by the borrower against the Austrian cover assets recorded in the cover pool and governed by Austrian law by the operation of the act.

In the event of the issuer's insolvency, it is possible that assets outside Austria (that is, mortgage-sector borrowers outside Austria) will be less protected against claims of other creditors of the issuer compared with assets in Austria. For claims against borrowers outside

Austria and for loans governed by non-Austrian law, the amount due by the borrowers could be determined based on foreign law. This law may allow the borrower to exercise setoff, hence, the amount payable by such borrower may be reduced accordingly.

In the event of an issuer default, the following scenarios may occur:

» If feasible, the cover pool administrator may transfer the cover pool together with the obligations under the covered bonds to another suitable bank, which will assume the obligations under the covered bond and will take over the cover pool.

» If the cover pool and the outstanding covered bonds are not transferred and the cover pool assets are not sufficient to satisfy all claims of covered bondholders, the outstanding covered bonds would accelerate. The cover pool administrator would dispose of the cover pool assets, subject to the approval of the competent court and distribute the proceeds stemming from the disposal of the cover pool assets among the cover bondholders on a pari passu basis. If the proceeds prove insufficient to meet all claims of the pari passu creditor of the cover pool, then the covered bondholders will have a senior unsecured claim against the general bankruptcy estate of the covered bond issuer.

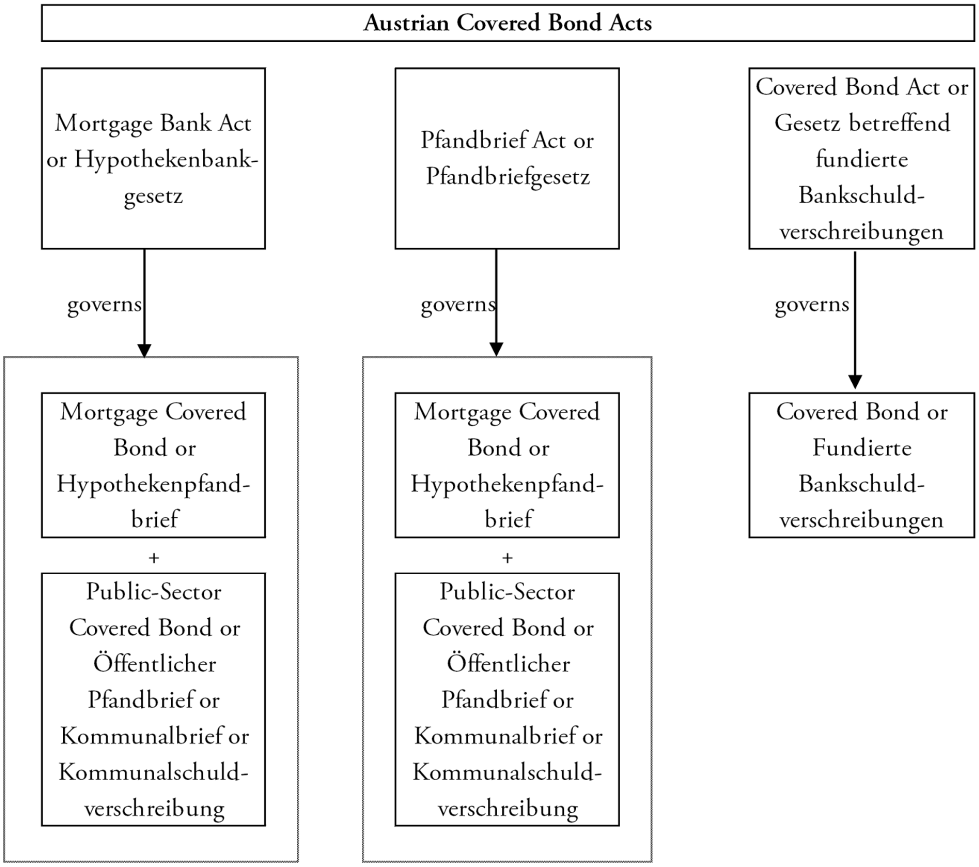
» Subject to the approval of the competent court, the cover pool administrator may sell the cover pool assets and satisfy the claims of the covered bondholders by an early redemption of the covered bonds at the then-current present value, provided certain conditions were met, which include the following:

– A transfer of the cover pool together with the outstanding covered bond to another suitable bank is not possible;

– There is sufficient cover for all pari passu claims against the cover pool; and

– The covered bond issuer has opted for an early redemption at present value in its articles of association in this scenario.

Overview of covered bond acts in Austria



Moody's related publications

Rating Methodology

» Moody's Approach to Rating Covered Bonds, December 2016 (PBS 1044142)

Special Comments

» Aligning Austrian Covered Bond Laws with Emerging European Standards Will Be Credit Positive

» Austrian Regulator's New Macro-prudential Tools Would Be Credit Positive for Banks and Covered Bonds

» EU Bank Recovery and Resolution Regime Strengthens Austrian Covered Bonds and Improves Their Ratings

» Moody's Global Covered Bonds Monitoring Overview: Q3 2017, March 2018 (PBS_1113023)

» European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 (SF66418)

Performance Overviews

» Erste Group Bank Mortgage Covered Bonds

» UniCredit Bank Austria - Mortgage Covered Bonds

» Raiffeisenlandesbank Oberoesterreich AG - Mortgage Covered Bonds

Credit Opinions

» Raiffeisen-Landesbank Tirol AG

Webpage

» www.moodys.com/coveredbonds

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