

CREDIT OPINION

12 October 2021

Update

 Rate this Research

RATINGS

Raiffeisenlandesbank Vorarlberg

Domicile	Bregenz, Austria
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Dom Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

Raiffeisenlandesbank Vorarlberg

Update following rating upgrade

Summary

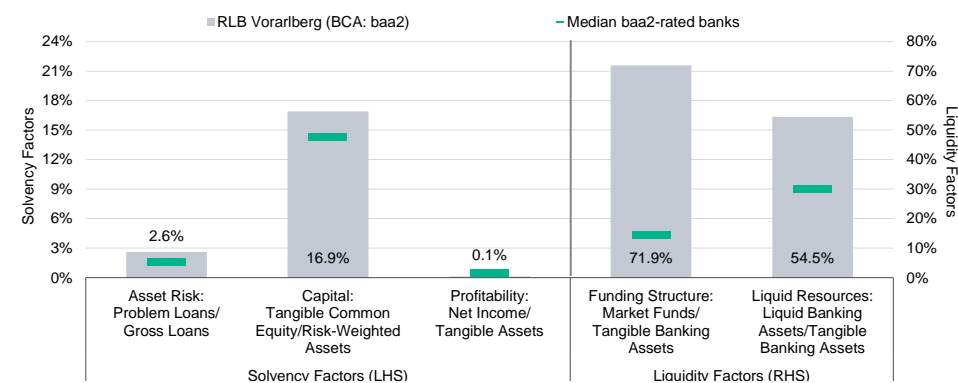
On 29 September we upgraded the deposit and issuer ratings of [Raiffeisenlandesbank Vorarlberg](#) (RLB Vorarlberg) to A3 from Baa1. We also upgraded the Baseline Credit Assessment (BCA) and Adjusted BCA to baa2 from baa3, and the Counterparty Risk Ratings (CRRs) to A2/P-1 from A3/P-2.

RLB Vorarlberg's A3 deposit and issuer ratings reflect the bank's baa2 BCA; its membership in the federal institutional protection scheme of [Austria's](#) (Aa1 stable) Raiffeisen Banking Group (RBG), which results in a baa2 Adjusted BCA; and two notches of uplift from the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities. We do not incorporate any rating uplift from government support for RLB Vorarlberg because of the wider scope of BRRD application in Austria and the proved willingness of the government to apply burden sharing to creditors.

RLB Vorarlberg's baa2 BCA reflect the bank's strong asset risk and capital metrics, leading to a resilient solvency profile, which balances sizeable equity investments, including the bank's stake in [Raiffeisen Bank International AG](#) (RBI, A2/A2 stable, baa2¹), that are pressuring its already low profitability. RLB Vorarlberg's BCA is no longer constrained by the assessment of RBG's own credit profile, because of the group's enhanced creditworthiness.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » RLB Vorarlberg's capitalisation is strong, especially when taking into account the bank's additional reserves that are not fully included in its regulatory capital ratios.
- » The quality of the bank's core lending book remains sound and better than that of its peers.
- » Its good access to the Raiffeisen sector and the increase in covered bond issuances mitigate the bank's high dependence on wholesale funding.

Credit challenges

- » RLB Vorarlberg's risk profile is strongly influenced by market risks, in particular its large stake in the sector's central institution, RBI.
- » The bank's profitability is modest and volatile, with some dependence on the income from participations.
- » Declining volume of liabilities designed to absorb losses in resolution implies a trend towards lower investor protection.

Outlook

- » The stable rating outlook reflects our expectation that the sector financials will remain stable, and that RLB Vorarlberg's liability structure will remain unchanged over the next 12-18 months.

Factors that could lead to an upgrade

- » RLB Vorarlberg's ratings could be upgraded if RBC's financial strength improves, such that it results in an increase in affiliate support.
- » The ratings may benefit from an additional rating uplift, as assessed in our Advanced LGF analysis, which would require significantly higher subordinated instruments.
- » We would consider upgrading the BCA if the bank demonstrates that it can sustain superior asset-quality metrics and improve its capitalisation and leverage combined with a sustainable increase in profits. However, this would not result in a rating upgrade unless RBC's financial strength improves as well.

Factors that could lead to a downgrade

- » A downgrade could be prompted if weakening fundamentals warrant a downgrade of the bank's BCA and, at the same time, RBC's fundamentals were to weaken to a level, such that the downgrade cannot be offset by higher affiliate support; or there were a deterioration in RBC's financial strength, because this would increase the constraints on RLB Vorarlberg's BCA.
- » In addition, a downgrade could result if the volume of senior unsecured debt relative to its tangible assets decreases by such an amount that it increases the severity of loss in our LGF analysis.
- » Negative pressure on the BCA could result from a weakening of RLB Vorarlberg's capital ratios, indications of an increase in asset risks, or from a deterioration in the bank's liquid resources or an increase in market funding reliance. However, this would not result in a rating downgrade if the financial strength of its affiliate RBC remains unchanged.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Raiffeisenlandesbank Vorarlberg (Unconsolidated Financials) [1]

	12-20 ²	12-19 ²	12-18 ²	12-17 ²	12-16 ²	CAGR/Avg. ³
Total Assets (EUR Billion)	7.0	6.4	6.6	6.5	6.1	3.6 ⁴
Total Assets (USD Billion)	8.6	7.2	7.5	7.8	6.4	7.5 ⁴
Tangible Common Equity (EUR Billion)	0.4	0.4	0.3	0.3	0.3	6.2 ⁴
Tangible Common Equity (USD Billion)	0.5	0.4	0.4	0.4	0.3	10.2 ⁴
Problem Loans / Gross Loans (%)	2.6	1.6	1.8	2.4	3.3	2.3 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	16.9	15.7	15.9	15.3	13.8	15.5 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.9	6.9	7.9	10.9	15.0	10.3 ⁵
Net Interest Margin (%)	0.5	0.5	0.5	0.5	0.5	0.5 ⁵
PPI / Average RWA (%)	0.8	0.6	0.8	0.8	0.6	0.7 ⁶
Net Income / Tangible Assets (%)	0.1	0.3	0.3	0.3	0.2	0.2 ⁵
Cost / Income Ratio (%)	72.6	80.1	71.1	68.9	75.5	73.6 ⁵
Market Funds / Tangible Banking Assets (%)	71.9	68.3	70.8	76.3	76.3	72.7 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	54.5	50.9	53.9	51.6	48.3	51.8 ⁵
Gross Loans / Due to Customers (%)	241.9	237.7	191.4	169.1	165.9	201.2 ⁵

[–] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

With total assets of €7.1 billion as of December 2020, Raiffeisenlandesbank Vorarlberg (RLB Vorarlberg) is one of the smaller of the eight Raiffeisenlandesbanken in Austria, and it is majority owned by 18 local primary credit cooperatives in the region, for which the bank is the central institution. RLB Vorarlberg reported 344 full-time equivalent employees in 2020. Together with its owners, the primary banks, RLB Vorarlberg provides its services to 267,500 customers in Vorarlberg.

The bank is a direct shareholder in RBI, the Austrian Raiffeisen sector's central institution, with a 2.9% share, which implies a significant indirect exposure to the Central and Eastern European banking markets. Traditionally, RLB Vorarlberg has partly relied on the income derived from participations.

Weighted Macro Profile of Strong +

RLB Vorarlberg is focused on the Austrian market (79% of net exposures), and the bank's assigned Strong + Weighted Macro Profile is in line with the [Strong + Macro Profile of Austria](#).

Recent developments

All G-20 countries, including Austria, experienced severe output losses in 2020, but the contraction in some economies was sharper than in others. We expect the pace of improvement to be asymmetric across countries. The recovery path is uncertain, and will remain highly dependent on the development and distribution of vaccines, effective pandemic management and government policy support.

Our baseline forecasts assume that the difficulty in controlling the spread of the coronavirus will hinder the gradual process of recovery in the short term. However, over time, we expect better pandemic management and the availability of an effective vaccine or treatments to reduce the importance of the virus as a macroeconomic variable. The pandemic-induced shock has triggered extraordinary fiscal policy responses from governments in advanced economies, including the US, Europe and Japan, facilitated by a large expansion of their central bank asset purchase programmes.

Austria implemented a large stimulus package that complements the ECB's supportive policy actions. The Austrian government launched emergency corporate lending guarantee programmes and expanded short-time work subsidies. The measures add to automatic stabilisers that support household incomes when unemployment increases. These policy measures will soften the negative economic effects of the pandemic, but might not fully mitigate the credit-negative operational effects that all the G-20 countries have sustained.

Detailed credit considerations

Asset quality is sound, and its modest level of nonperforming loans is supported by adequate provisioning

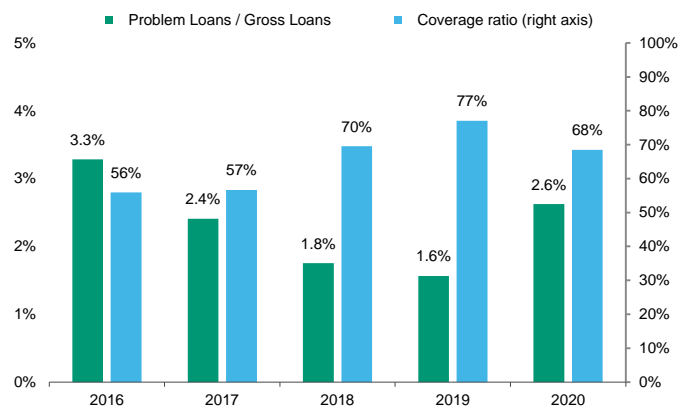
We assign a baa3 Asset Risk score to RLB Vorarlberg, four notches below the initial score of a2. The assigned score reflects the modest problem loans/gross loans of 2.6%, as well as our adjustments for concentrations in more cyclical industries, such as commercial real estate, and the market risks resulting from participations.

RLB Vorarlberg has one of the lowest problem loan ratios in the Austrian banking market, illustrating the conservative underwriting in its loan book of €1.6 billion, which is mostly focused on lending to regional corporates. However, the bank's problem loan ratio increased to 2.6% in 2020 from 1.6% a year earlier, while its provisioning levels declined slightly to 68% in 2020 from 77% in 2019. However, the concentration in construction and commercial real estate lending, measured as a percentage of RLB Vorarlberg's tangible common equity (TCE), is high at more than 200%, which could trigger large losses in a highly adverse macroeconomic scenario.

Besides the sound credit quality and concentration risk of the bank's loan book, we take into consideration the market risks stemming from the bank's equity participations in our Asset Risk score of baa3. RLB Vorarlberg's total equity investments accounted for 48% of its TCE as of year-end 2020. It holds a 2.9% stake in RBI, valued at €148 million, and some minor equity investments in regional non-banking companies of €32 million, including commercial real estate. These equity investments expose the bank to high risks from a potential lack of dividends or even impairment needs. The bank's revaluation reserves related to its €180 million participation portfolio represent a level of protection². Although such revaluation reserves cannot be (and are also not intended to be) realised without selling the participations, they imply a valuable buffer against value erosion in its participations, thereby partly protecting the bank's income statement from potential impairments.

Exhibit 3

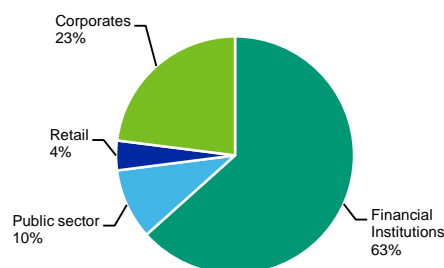
RLB Vorarlberg maintained a low problem loan ratio in the last five years



Sources: Moody's Financial Metrics and company reports

Exhibit 4

Breakdown of RLB Vorarlberg's exposure at default by sector As of year-end 2020, €8.1 billion



Source: Company reports

Strong capitalisation, taking into account additional reserves

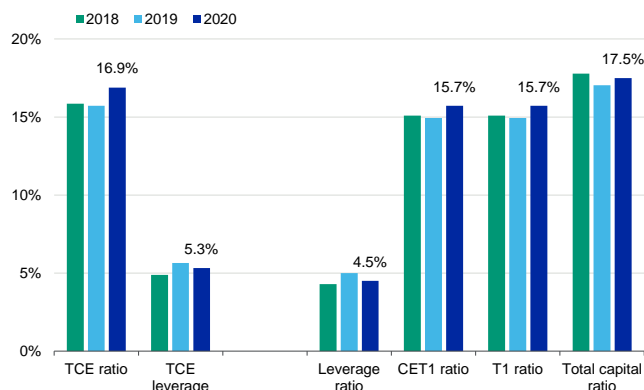
We position the Capital score at a1, two notches below the initial score of aa2. The score reflects the bank's sound and increasing solvency metrics, represented by a TCE ratio of 16.9%, as well as valuation risks in stressed markets resulting from potential impairments in its equity investments, which are mitigated by reserves.

In addition to the reported TCE ratio, our assigned score takes into consideration additional local GAAP reserves³ of €61 million, which could be converted into capital directly, if necessary. These reserves are not related to the RBI stake, but result from customer loans and corresponding releases of provisions. Additionally, we take into consideration the capital resilience of RLB Vorarlberg in an adverse scenario, assuming a 50% reduction in the value of its holdings as of year-end 2019. RLB Vorarlberg reports its €149 million stake in RBI based on the lower of the historical cost or value. This results in a valuation that could be lower than the equity market valuation of RBI when considering RBI's share price based on the five-year average as a reference. However, we would not consider hidden reserves of the RBI stake in our assessment.

RLB Vorarlberg reported a regulatory Common Equity Tier 1 (CET1) capital ratio of 15.7% as of year-end 2020, up from 14.9% a year earlier. The increase in the ratio was driven by a slight 4% decrease in risk-weighted assets (RWA) to €2.2 billion in 2020 from €2.3 billion in 2019. RLB Vorarlberg decreased its total capital to €387 million from €393 million during 2020, which reflects a decrease in its Tier 2 capital. As a result, the bank's regulatory leverage ratio declined to 4.5% as of year-end 2020, from 5.0% a year earlier.

Exhibit 5

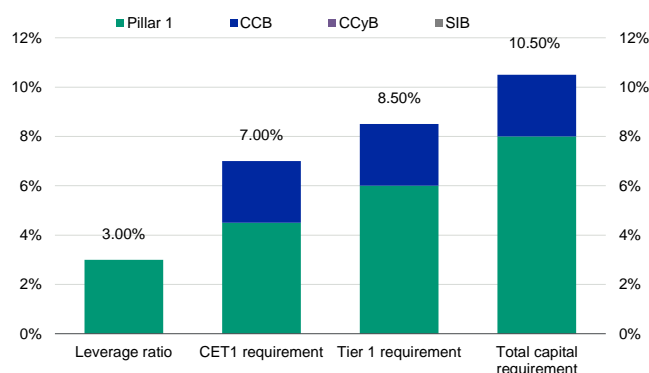
RLB Vorarlberg's capital ratios remain sound Data as a percentage of RWA



Sources: Moody's Financial Metrics and company reports

Exhibit 6

RLB Vorarlberg has kept up with its regulatory capital requirements



Sources: Moody's Financial Metrics and company reports

Profitability is modest and partly dependent on income from participations

We assign a Profitability score of b2 to RLB Vorarlberg, one notch above its b3 initial score. The b2 score reflects our expectation of a modest net profit relative to its total assets, as well as its dependence on more volatile income streams from participations. For 2021, we expect its net income/tangible assets to result in around 15-20 basis points of tangible assets based on our assumption of continued pressure on its net interest income.

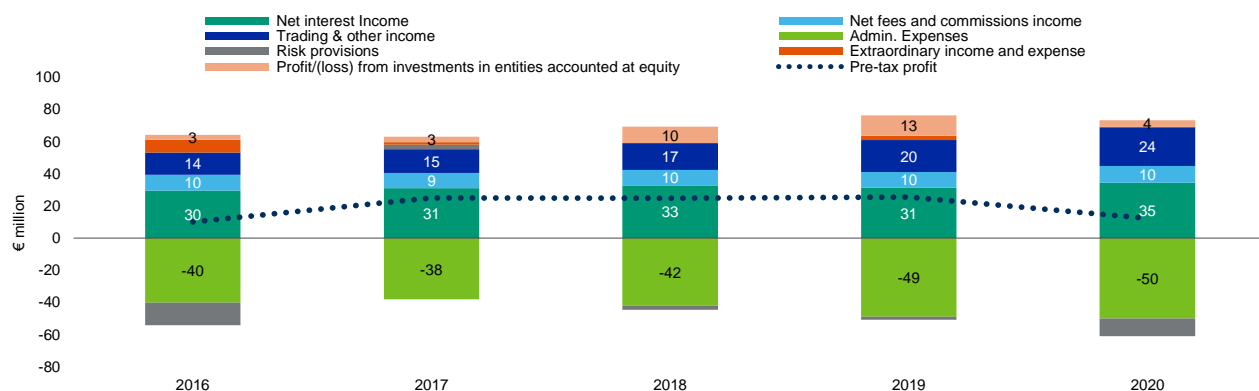
The assigned score takes into consideration the volatility in the bank's net income resulting from revenue related to activities from its non-banking equity investments, as well as from its equity investment in RBI. This revenue is considered less reliable and is exposed to considerable volatility. To evaluate the bank's standalone earnings generation capacity and exclude annual fluctuations, we consider our Moody's-adjusted net income, excluding those earnings. Moreover, we amend profitability for the creation or release of §57 local GAAP reserves to reach an unadjusted earnings generation capacity because such transfers dilute banks' profit. In 2021, we expect RLB Vorarlberg's profitability to remain under pressure as the low/negative interest rate environment weighs on returns from treasury and interbank activities.

In 2020, RLB Vorarlberg's net income declined to €8.7 million from €22.5 million a year earlier. Despite the increase in its net interest income to €34.5 million and fees income to €10.3 million from €31.5 million and €9.7 million, respectively, in 2019, the significantly higher loan loss provisions of €10.9 million compared with €1.9 million a year earlier were the main driver for its weaker result in 2020. At the same time, total operating expenses increased to €50.0 million from €48.9 million, also weighing on its 2020 net income. In 2020, RLB Vorarlberg did not build up any additional Austrian local GAAP reserves⁴.

Exhibit 7

RLB Vorarlberg's revenue

Data in € millions, Austrian local GAAP



Sources: Moody's Financial Metrics and company reports

High dependence on wholesale funding is mitigated by access to sector funds

We assign a Funding Structure score of b1, one notch above the caa3 initial score, reflecting the bank's relatively high market funds/tangible banking assets of 72% as of year-end 2020 (2019: 68%), as well as its good access to funds from regional Raiffeisen banks, which mitigates its reliance on wholesale funding.

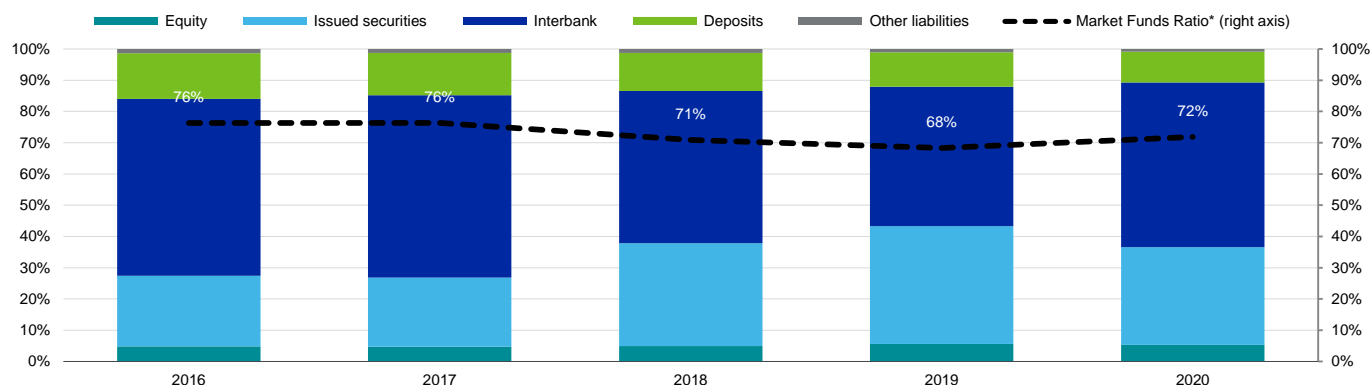
As part of its business model as a regional central bank for the primary Raiffeisen banks, RLB Vorarlberg's interbank liabilities include a high proportion of intragroup funding within the Raiffeisen sector. We adjust our market funding ratio for intragroup funding in the Raiffeisen sector (funds received from primary banks) because we consider funding from primary banks more sticky than the usual interbank business because it is part of the bank's business model to hold liquidity reserves for its primary banks. Additionally, we adjust the market funding ratio for pass-through funding from development banks because these funds are typically downstreamed to the primary banks and are not market confidence sensitive.

As the central bank for the Raiffeisen banks in Vorarlberg, the bank's funding profile consisted of €3.7 billion in interbank liabilities (2019: €2.9 billion), of which €1.2 billion were placed in the sector and €2.2 billion in securitised liabilities (2019: €2.4 billion) as of year-end 2020. The latter includes €1.7 billion in covered bonds, which declined by €0.1 billion. Additionally, RLB Vorarlberg held €0.7 billion of customer deposits at the time. As of year-end 2020, RLB Vorarlberg's interbank liabilities increased by €0.8 billion up from €2.9 billion in 2019, following the participation in the ECB's TLTRO III. However, we do not consider most of the TLTRO III as market funding, because it is stored as extra liquidity in the bank's cash position instead of being used for lending activities to benefit from attractive remuneration terms of the TLTRO III.

Exhibit 8

RLB Vorarlberg is highly dependent on market funding

Composition of funding sources as a percentage of tangible banking assets



*Market funding ratio = Market funds/tangible banking assets.

Sources: Moody's Financial Metrics and company reports

Sound liquidity mitigates funding risks

We assign a Liquid Resources score of a1 to RLB Vorarlberg, two notches below the initial score of aa2, which represents its strong liquid banking assets/tangible banking assets of 57% as of year-end 2020. Moreover, the a1 score includes our assessment of asset encumbrance because of covered bond issuances and additional restrictions on intragroup deposits that RLB Vorarlberg holds as part of its role as a central institution.

As the central bank for the regional primary banks, RLB Vorarlberg provides intragroup lending to the primary banks and RBI. We negatively adjust our Liquid Resources score for liquidity reserves held at RBI and other intragroup lending for primary banks because we assume that these amounts are not fully fungible for RLB Vorarlberg to cover short-term liquidity needs. Interbank lending to RBI generally includes the minimum reserve that RLB Vorarlberg holds for its primary banks and is not available to cover the bank's liquidity needs. Additionally, we adjust our ratio for encumbrance of liquid securities that are initially classified as liquid, but we know that those are pledged as collateral, for example, for public-sector covered bonds.

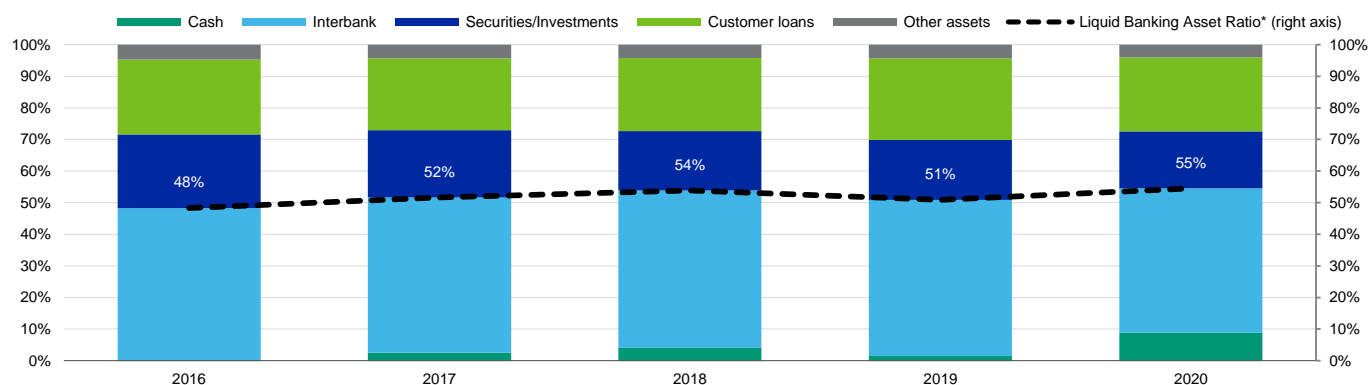
However, the assigned score further captures additional liquid resources the bank can generate through overcollateralisation in its mortgage covered bond programmes. In case of need, RLB Vorarlberg can increase issuances and post it at the central bank to generate additional cash, given the current level of overcollateralisation in the programme. In 2019, the overcollateralisation decreased, which, in combination with the decline in liquid banking assets, leads to the decrease in the assigned score to a1 from aa3 previously assigned.

As of year-end 2020, the bank's liquid resources of €3.8 billion (2019: €3.3 billion) included €3.2 billion in interbank lending (2019: €3.2 billion) and €0.6 billion in cash (2019: €0.1 billion). However, a major part of the interbank claims are liquidity reserves, which the bank holds because of its function as the central institution for the primary banks and are not available as a liquidity buffer for RLB Vorarlberg. Moreover, we do not consider the increase in cash of €0.5 billion compared to 2019 from the bank's participation in TLTRO III as a sustainable increase in liquid resources. As of the same date, RLB Vorarlberg's liquidity coverage ratio was 161%.

Exhibit 9

RLB Vorarlberg's sound liquid resources partially include intragroup exposure

Composition of liquid resources as a percentage of tangible banking assets



*Liquid banking assets ratio = Liquid assets/tangible banking assets.

Sources: Moody's Financial Metrics and company reports

ESG considerations

The global banking sector has been classified as "Low" risk in our [environmental risks heat map⁵](#) and as "Moderate" risk in our [social risk heat map⁶](#). RLB Vorarlberg's exposure to environmental and social risks is in line with our general assessment of the global banking industry. Moreover, we are not aware of any noteworthy idiosyncratic social risk drivers potentially affecting the credit profile of RLB Vorarlberg.

For social risks, we also place RLB Vorarlberg in line with our general view for the banking sector, indicating a moderate exposure to such risks. This includes considerations in relation to the rapid and widening spread of the coronavirus because of the substantial implications for public health and safety, and the deteriorating global economic outlook, which are creating a severe and extensive credit shock across many sectors, regions and markets.

Governance⁷ is highly relevant for RLB Vorarlberg, as it is to all banks. For RLB Vorarlberg, we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations**Affiliate support**

We consider the likelihood of support from RBG, the Austrian Raiffeisen sector, very high because of RLB Vorarlberg's vital regional importance to the sector. This support significantly reduces the probability of default because the co-operative group cross-sector support mechanism aims to stabilise its members by avoiding a bail-in or any form of loss participation by creditors. However, the financial strength of RBG combined with the very high probability of RLB Vorarlberg receiving support does not result in rating uplift from its baa2 BCA.

We assess the Austrian Raiffeisen sector's financial capacity to provide support to its members based on the co-operative group's combined financial strength. The financial strength, but also the sector's cohesion has improved, particularly capital cushions are on the rise, a key factor to support its overall credit profile, which is strongly correlated with its higher-risk Central and Eastern European exposures housed at RBL.

Loss Given Failure (LGF) analysis

RLB Vorarlberg is subject to the EU BRRD, which we consider an operational resolution regime. We assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions.

We further consider on a forward-looking Advanced LGF analysis the volumes of senior unsecured issuances to increase again in 2021 and continues to indicate a very low loss-given-failure for RLB Vorarlberg's issuer and deposit ratings, albeit the buffer to a lower outcome is expected to shrink.

- » RLB Vorarlberg's deposits are likely to face a very low loss given failure, resulting in two notches of rating uplift from the baa2 Adjusted BCA.
- » RLB Vorarlberg's senior obligations (which the issuer rating speaks to) are also likely to face a very low loss given failure, resulting in two notches of rating uplift from the baa2 Adjusted BCA.

Government support considerations

In contrast to banks in other EU countries and reflective of the government measures in Austria implemented since 2014, we assess a low level of support for the senior debt and deposit ratings of Austrian banks. As a result, we do not include any beneficial rating impact for government support in RLB Vorarlberg's issuer and deposit ratings despite the strong national market shares and the relevance of the Raiffeisen sector as a whole to the country's banking system.

We do not incorporate any rating uplift from government support for RLB Vorarlberg because of the wider scope of the EU BRRD application in Austria and the proved willingness of its government to apply burden sharing to creditors.

Counterparty Risk Ratings (CRRs)

RLB Vorarlberg's CRRs are A2/P-1

The CRRs are three notches above the Adjusted BCA of baa2, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

RLB Vorarlberg's CRRs do not benefit from any rating uplift based on government support, which is in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

RLB Vorarlberg's CR Assessment is A2(cr)/P-1(cr)

The bank's CR Assessments are positioned three notches above the baa2 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, primarily senior unsecured debt. To determine the CR Assessment, we focus purely on subordination, taking no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The [Banks](#) methodology, which was published in July 2021, was used to rate RLB Vorarlberg.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Raiffeisenlandesbank Vorarlberg

Macro Factors							
Weighted Macro Profile		Strong +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.6%	a2	↔	baa3	Sector concentration	Market risk	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.9%	aa2	↔	a1	Stress capital resilience	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets	0.1%	b3	↔	b2	Earnings quality	Expected trend	
Combined Solvency Score		a3		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	71.9%	caa3	↔	b1	Extent of market funding reliance	Market funding quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	54.5%	aa2	↔	a1	Intragroup restrictions	Stock of liquid assets	
Combined Liquidity Score		ba2		baa3			
Financial Profile							
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint							
BCA Scorecard-indicated Outcome - Range				baa1 - baa3			
Assigned BCA				baa2			
Affiliate Support notching				-			
Adjusted BCA				baa2			
Balance Sheet							
		in-scope (EUR Million)		% in-scope		at-failure (EUR Million)	% at-failure
Other liabilities		5,079		78.6%		5,051	78.2%
Deposits		540		8.4%		471	7.3%
Preferred deposits		400		6.2%		369	5.7%
Junior deposits		140		2.2%		102	1.6%
Senior unsecured bank debt		647		10.0%		743	11.5%
Equity		194		3.0%		194	3.0%
Total Tangible Banking Assets		6,460		100.0%		6,460	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	16.1%	16.1%	16.1%	16.1%	3	3	3	3	0	a2
Counterparty Risk Assessment	16.1%	16.1%	16.1%	16.1%	3	3	3	3	0	a2 (cr)
Deposits	16.1%	3.0%	16.1%	14.5%	2	3	2	2	0	a3
Senior unsecured bank debt	16.1%	3.0%	14.5%	3.0%	2	1	2	2	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a2	0	A2	
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	2	0	a3	0	A3	A3
Senior unsecured bank debt	2	0	a3	0	A3	A3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
RAIFFEISENLANDESBANK VORARLBERG	
Outlook	Stable
Counterparty Risk Rating -Dom Curr	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2

Source: Moody's Investors Service

Endnotes

- [1](#) The ratings shown are RBI's deposit and senior unsecured debt ratings and outlook, and its BCA.
- [2](#) Under Austrian local GAAP, the stake is valued at the lower of the acquisition cost or market value. A market value above the acquisition cost results in hidden reserves.
- [3](#) Fully taxed local GAAP reserves, based on §57(1) of the Austrian Legal Banking Act, are deducted from gross loans and not disclosed as reserves.
- [4](#) In accordance with §57(1) of the Austrian Legal Banking Act, such fully taxed reserves under the Austrian local GAAP are labelled loan loss provisions and booked under risk charges in the income statement. Economically, however, the transfers represent allocations of net profit to capital reserves.
- [5](#) Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages, and natural and human-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, that could impair the evaluation of assets are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.
- [6](#) Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and societal trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenue bases. Pressure on profitability can be particularly severe for small banks that have limited options to mitigate declines in net interest income, their main revenue source. By contrast, large institutions equipped with resources to invest in new businesses or technology will be somewhat able to overcome these challenges.
- [7](#) Corporate governance is a well-established key driver for banks, and related risks are typically included in our evaluation of banks' financial profiles. Further factors such as specific corporate behaviour, key-person risk, insider and related-party risk, strategy and management risk factors, and dividend policy may be captured in individual adjustments to the BCA. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates because of poor governance, such as a breakdown in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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