

CREDIT OPINION

14 October 2020

Update

✓ Rate this Research

RATINGS

Raiffeisenlandesbank Vorarlberg

Domicile	Bregenz, Austria
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Dom Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa1
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.

Contacts

Christina Holthaus +49.69.70730.721
Analyst
christina.holthaus@moodys.com

Alexander Hendricks, +49.69.70730.779
CFA
Associate Managing Director
alexander.hendricks@moodys.com

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 to credit analysis

Summary

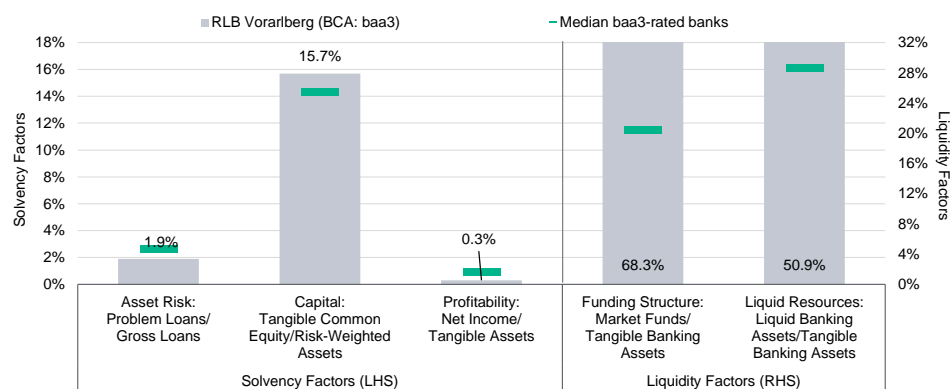
We assign Baa1(stable) deposit and issuer ratings to [Raiffeisenlandesbank Vorarlberg](#) (RLB Vorarlberg). We also assign a baa3 Baseline Credit Assessment (BCA) and Adjusted BCA, and A3/P-2 Counterparty Risk Ratings (CRRs).

RLB Vorarlberg's Baa1 deposit and issuer ratings reflect the bank's baa3 Baseline Credit Assessment (BCA); its membership in the federal institutional protection scheme of Austria's Raiffeisen Banking Group (RBG), which results in a close alignment of the member banks' Adjusted BCAs; 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 its government to apply burden-sharing to creditors.

RLB Vorarlberg's baa3 BCA is based on its strong asset quality and capitalisation, which provides a strong buffer against tail risks, especially those related to its equity participations in [Raiffeisen Bank International AG](#) (RBI, A3/A3 stable, baa3)¹. The bank's BCA further reflects its modest profitability and its vulnerability to a strong concentration in commercial real estate lending. RLB Vorarlberg's high dependence on confidence-sensitive market funding is mitigated by its access to the Raiffeisen sector and material liquid resources.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » RLB Vorarlberg's capitalisation is sound, 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 partially 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 income from participations.

Outlook

- » The rating outlook is stable, reflecting the fact that RBC's financial strength remains a limiting factor for RLB Vorarlberg's individual creditworthiness.
- » Over the next 12-18 months, we expect the bank's overall solvency and liquidity, as well as its liability structure, to remain broadly unchanged.

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 uplift in affiliate support.
- » The ratings may benefit from an additional rating uplift, as assessed in our Advanced LGF analysis, which would require materially 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. However, this would not result in a rating upgrade if the affiliate support remains constrained by the financial strength of RBC.

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 material weakening of RLB Vorarlberg's capital ratios, combined with indications of a material increase in asset risks, or from a deterioration in the bank's liquidity. 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]

	12-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg. ³
Total Assets (EUR Billion)	6.4	6.6	6.5	6.1	6.3	0.5 ⁴
Total Assets (USD Billion)	7.2	7.5	7.8	6.4	6.8	1.4 ⁴
Tangible Common Equity (EUR Billion)	0.4	0.3	0.3	0.3	0.3	5.3 ⁴
Tangible Common Equity (USD Billion)	0.4	0.4	0.4	0.3	0.3	6.1 ⁴
Problem Loans / Gross Loans (%)	1.6	1.8	2.4	3.3	2.9	2.4 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	15.7	15.9	15.3	13.8	14.5	15.0 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.9	7.9	10.9	15.0	12.2	10.6 ⁵
Net Interest Margin (%)	0.5	0.5	0.5	0.5	0.5	0.5 ⁵
PPI / Average RWA (%)	0.6	0.8	0.8	0.6	0.9	0.7 ⁶
Net Income / Tangible Assets (%)	0.3	0.3	0.3	0.2	0.3	0.3 ⁵
Cost / Income Ratio (%)	80.1	71.1	68.9	75.5	69.4	73.0 ⁵
Market Funds / Tangible Banking Assets (%)	68.3	70.8	76.3	76.3	77.0	73.8 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	50.9	53.9	51.6	48.3	52.5	51.5 ⁵
Gross Loans / Due to Customers (%)	237.7	191.4	169.1	165.9	154.1	183.6 ⁵

[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 €6.4 billion as of December 2019, RLB Vorarlberg is one of the smaller of the eight Raiffeisenlandesbanken in [Austria](#) (Aa1 stable) and it is majority owned by 18 local primary credit co-operatives in the region, for which the bank is the central institution. RLB Vorarlberg reported 333 full-time equivalent employees in 2019. Together with its owners, the primary banks, RLB Vorarlberg provided its services to 269,000 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 income derived from participations.

Weighted Macro Profile of Strong +

RLB Vorarlberg is focused on the Austrian market (77% of net exposures), and the bank's assigned Strong + Weighted Macro Profile is in line with the [Strong + Macro Profile of Austria](#).

Recent developments

The coronavirus pandemic is causing an unprecedented shock to the global economy. The full extent of the economic downswing will be unclear for some time; however, the G-20 economies will contract in 2020. We expect the G-20 advanced economies as a group to contract by 6.5% in 2020 and the euro area by 9.0%, followed by a gradual recovery in 2021. In Europe, the pandemic adds to late-cycle risks for European banks. The recession in 2020 will weigh on banks' asset quality and profitability. We expect fiscal policy measures, as already announced by a variety of euro-area governments, to mitigate the economic contraction caused by the pandemic.

In this pandemic-induced recession and its aftermath, capital levels will be a key differentiator of credit profiles among banks. Generally, banks are facing a sharp deterioration in asset quality and reductions in profitability from already low levels, while central banks are providing extraordinary levels of liquidity and governments have strong incentives to support banking systems to foster an eventual recovery. Thus, when comparing a bank to its peers, the [level of capital](#) with which it entered this recession and its ability to retain capital throughout the next several years take on particular importance.

The European Central Bank (ECB) announced a series of measures to help European Union (EU) economies weather the widening effects of the pandemic, temporarily increasing banks' liquidity provisions, as well as lowering regulatory capital and liquidity requirements. As part of these temporary measures, the ECB increased its targeted long-term refinancing operations (TLTRO III) under more favourable terms and its financial asset purchase programme while refraining from lowering the ultralow interest rates further. The temporary suspension of buffer requirements for regulatory capital and the liquidity coverage ratio (LCR) gives banks greater flexibility and additional leeway to absorb the economic impacts, such as asset-quality declines. Overall, the package aims to help the banks continue to finance corporates and small and medium-sized businesses suffering from the effects of the pandemic. The ECB's measures will provide a limited relief for banks and their borrowers, and it will require significant fiscal policy measures by the EU and its member states to avert higher default rates in banks' lending books.

Austria announced 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. These measures add to the automatic stabilisers that support household incomes when unemployment increases. These policy measures will mitigate the negative economic effects of the pandemic, but might not fully offset its credit-negative operational effects.

Detailed credit considerations

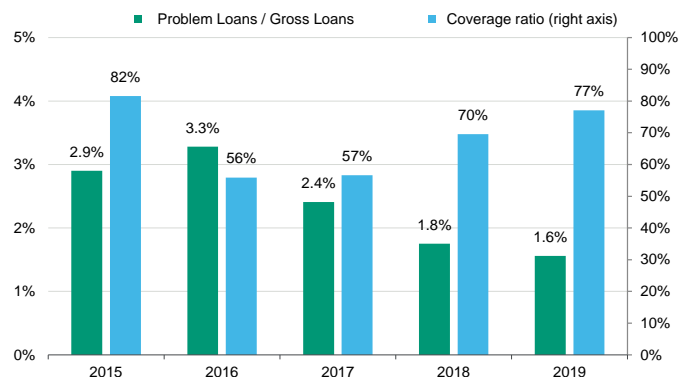
Asset quality is sound, and its modest level of nonperforming loans is supported by adequate provisioning

We assign a baa3 Asset Risk score to RLB Vorarlberg, five notches below the initial score of a1. The assigned score reflects the modest three-year average of problem loans to gross loans of 1.9%, as well as our adjustments for concentrations in more cyclical industries like commercial real estate and market risks 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 €1.7 billion, which is mostly focused on lending to regional corporates. In 2019, the bank's problem loan ratio remained sound, declining to 1.6% from 1.8% a year earlier, while provisioning levels were prudent at more than 70% of problem loans. However, measured as a percentage of RLB Vorarlberg's tangible common equity (TCE), the concentration in construction and commercial real estate lending is high at more than 200%, which could trigger large losses in a highly adverse macroeconomic scenario.

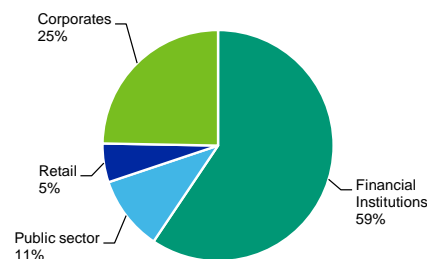
Besides the sound credit quality and concentration risk of the bank's loan book, we take into consideration market risks from the bank's equity participations in our Asset Risk score of baa3. RLB Vorarlberg's total equity investments accounted for 50% of the bank's TCE as of year-end 2019. It holds a 2.9% stake in RBI, valued at €149 million, and in addition some minor equity investments in regional non-banking companies of €31 million, including commercial real estate. These equity investments expose the bank to high risks from 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 kept its problem loan ratio low 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 2019, €7.4 billion**

Source: Company reports

Sound capitalisation, taking into account additional reserves

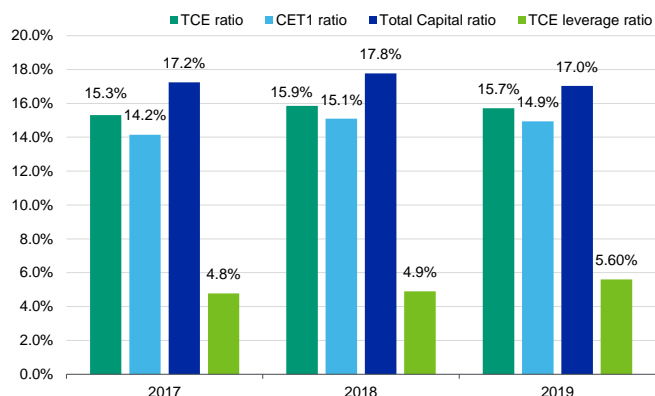
We position the Capital score at a2, two notches below the initial score of aa3. The score reflects the bank's sound and increasing solvency metrics, represented by a TCE ratio of 15.7%, as well as valuation risks in stressed markets resulting from potential impairments in its equity investments that are partially mitigated by reserves.

In addition to the reported TCE ratio, our assigned score takes into consideration additional local GAAP reserves³ of €61 million that could be turned 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.

As of year-end 2019, RLB Vorarlberg reported a regulatory CET1 capital ratio of 14.9%, down from 15.1% a year earlier. The decrease in the ratio was driven by an increase in risk-weighted assets to €2.3 billion from €2.0 billion in 2018 that outpaced the bank's capital measures performed in 2019. RLB Vorarlberg increased its total capital to €393 million from €362 million during 2019, which reflects a combined increase in shares, retained earnings and silent participations. In consequence, also the bank's regulatory leverage ratio improved 5.0% as of year-end 2019, compared with 4.3% a year earlier.

Exhibit 5

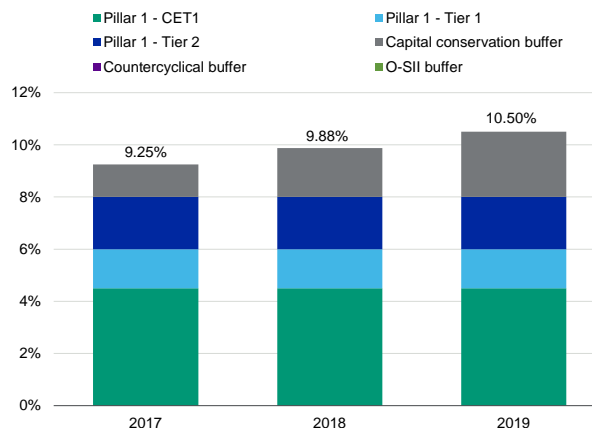
RLB Vorarlberg's capital ratios remain sound Data as a percentage of risk-weighted assets



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 b1, two notches below RLB Vorarlberg's ba2 initial score. The b1 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 2020, we expect the net income-to-tangible assets ratio to result in around 20 basis points of tangible assets based on our assumption of continued pressure on net interest income.

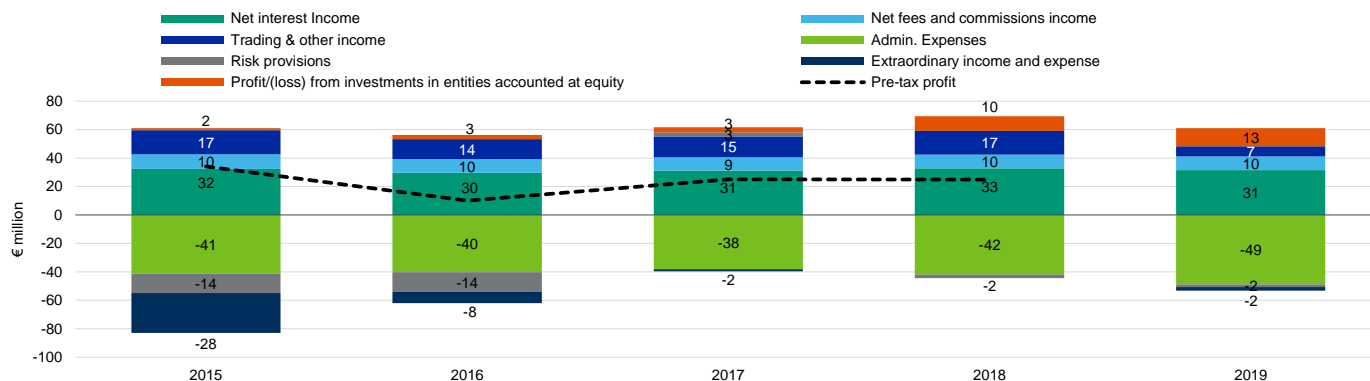
The assigned score takes into consideration the volatility in the bank's net income resulting from revenue related to non-bank activities from its non-bank equity investments, as well as from its equity investment in RBI. This revenue is considered less reliable and is exposed to considerable volatility. To evaluate the bank's standalone earnings generation capacity and exclude annual fluctuations, we consider an 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 transfer dilutes banks' profit. For 2020, 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, and provisioning levels will increase in response to the pandemic.

In 2019, RLB Vorarlberg's net income increased to €22.5 million from €18.5 million a year earlier. Even though net interest income declined to €31.5 million from €32.8 million and total operating expenses increased to €48.9 million from 41.9 million, the increase in non-interest income by €3.5 million to €18.6 million — mostly driven by earnings related to IT consulting — non-recurring gains of €2.5 million related to security investments and higher returns from its investment stakes of €12.7 million support the income in 2019. Moreover, RLB Vorarlberg benefitted from low loan-loss provisions of €2 million and did not build up any additional local GAAP reserves.⁴

Exhibit 7

RLB Vorarlberg's revenue

Data in euro millions, Austrian local GAAP



Sources: Moody's Financial Metrics and company reports

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

We assign a Funding score of b1, three notches above the caa1 initial score, reflecting the bank's relatively high market funds-to-tangible banking assets ratio of 68% as of year-end 2019 (2018: 71%), as well as the bank's good access to funds from regional Raiffeisen banks, which mitigates its reliance on wholesale funding.

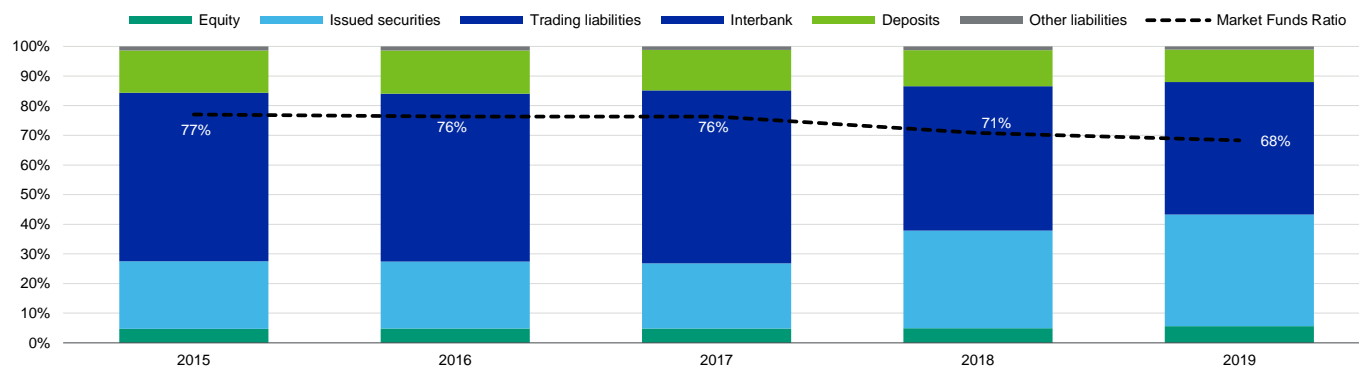
As part of its business model as a regional central bank for the primary Raiffeisen banks, RLB Vorarlberg's interbank liabilities include a high proportion of intragroup funding within the Raiffeisen sector. We adjust our market funding ratio for intragroup funding in the Raiffeisen sector (funds received from primary banks) because we consider funding from primary banks more sticky than 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 €2.9 billion in interbank liabilities (2018: €3.2 billion), of which €1.2 billion were placed in the sector and €2.4 billion in securitised liabilities (2018: €2.2 billion) as of year-end 2019. The latter includes €1.8 billion in covered bonds, which increased by €0.4 billion following the issuance of some benchmark covered bonds during 2019. Additionally, RLB Vorarlberg held €0.7 billion of customer deposits at the time.

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, two notches below the initial score of aa2, which represents RLB Vorarlberg's strong liquid banking assets/tangible banking assets of 51% as of year-end 2019. 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.

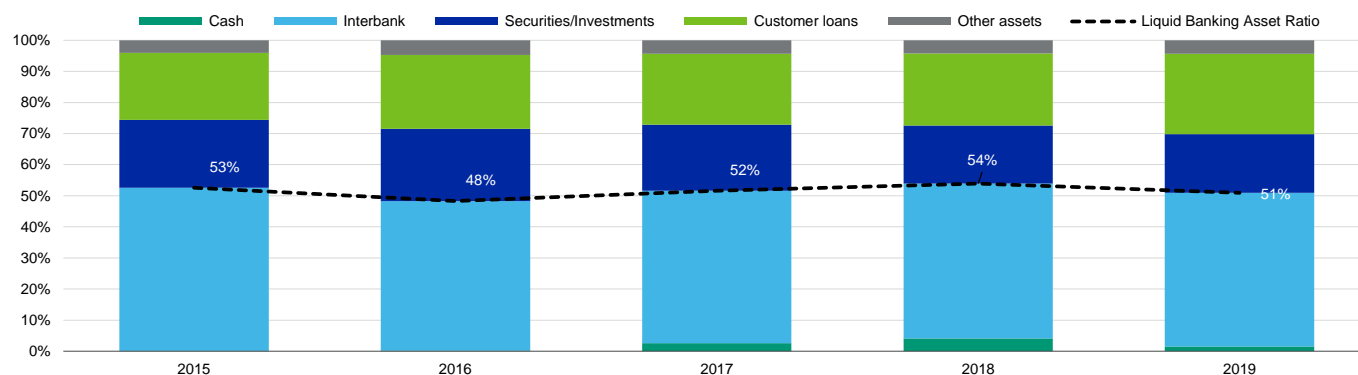
As the central bank for the regional primary banks, RLB Vorarlberg provides intragroup lending to the primary banks and RBI. We negatively adjust our Liquid Resources score for liquidity reserves held at RBI and other intragroup lending for primary banks because we assume that these amounts are not fully fungible for the RLB Vorarlberg to cover short-term liquidity in case of need. Interbank lending to RBI generally includes the minimum reserve that RLB Vorarlberg holds for its primary banks and is not available to cover the liquidity needs of the bank. 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 bonds 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 decrease in liquid banking assets by 3%, leads to the decrease in the assigned score to a1 from aa3 previously assigned.

As of year-end 2019, the bank's liquid resources of €3.3 billion (2018: €3.6 billion) included €3.2 billion in interbank lending (2018: €3.3 billion) and €0.1 billion in cash (2018: €0.3 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. As of the same date, RLB Vorarlberg's liquidity coverage ratio was 165%.

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 map](#). RLB Vorarlberg's exposure to environmental and social risks is in line with our general assessment for the global banking industry. Moreover, we are not aware of any noteworthy idiosyncratic social risk drivers potentially affecting the credit profile of RLB Vorarlberg.

In line with that of banks globally, RLB Vorarlberg's exposure to social risks is "Moderate". This includes considerations in relation to the rapid and widening spread of the pandemic, given the substantial implications for public health and safety, and the deteriorating global economic outlook, which is creating a severe and extensive credit shock across many sectors, regions and markets. For further information, see our social risks [heat map](#).

Corporate governance is highly relevant for RLB Vorarlberg, as it is to all entities in the banking industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and 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 RBC, the Austrian Raiffeisen sector, very high because of RLB Vorarlberg's regional importance to the sector. This support significantly reduces the probability of default because the cooperative group's cross-sector support mechanism aims to stabilise its members by avoiding a bail-in or any form of loss participation by creditors.

We assess the Austrian Raiffeisen sector's financial capacity to provide support to its members based on the cooperative group's combined financial strength. Although their combined financial strength has recently improved, we still consider RBC's capitalisation moderate relative to its overall credit profile, which is strongly correlated with its higher-risk Central and Eastern European exposures that are housed at RBI. The sector's limited support capacity implies a constraint on the possible uplift included in the member banks' ratings. Member banks with BCAs of baa3 or higher, therefore, do not benefit from any rating uplift as a result of our very high support assumption for the Raiffeisenlandesbanken. Accordingly, RBC's cross-sector support results in no rating uplift for RLB Vorarlberg.

Loss Given Failure (LGF) analysis

RLB Vorarlberg is subject to the EU BRRD, which we consider an operational resolution regime. We assume 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 are in line with our standard assumptions.

- » RLB Vorarlberg's deposits are likely to face very low loss given failure, resulting in two notches of rating uplift from the baa3 Adjusted BCA.
- » RLB Vorarlberg's senior obligations (which the issuer rating speaks to) are also likely to face very low loss given failure, resulting in two notches of rating uplift from the baa3 Adjusted BCA.

Government support

In contrast to banks in other EU countries and reflective of government measures in Austria implemented since 2014, we assign a low level of support for the senior debt and deposit ratings of Austrian banks. As a consequence, 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)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

RLB Vorarlberg's CRRs are positioned at A3/P-2

The CRRs are positioned three notches above the Adjusted BCA of baa3, 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

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

RLB Vorarlberg's CR Assessment is positioned at A3(cr)/P-2(cr)

The bank's CR Assessments are positioned three notches above the baa3 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 November 2019, was used to rate RLB Vorarlberg.

About Moody's Bank Scorecard

Moody's Bank 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	1.9%	a1	↔	baa3	Sector concentration	Market risk	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.7%	aa3	↔	a2	Risk-weighted capitalisation	Stress capital resilience	
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	b1	Earnings quality	Expected trend	
Combined Solvency Score		a2		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	68.3%	caa1	↔	b1	Market funding quality	Extent of market funding reliance	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	50.9%	aa2	↔	a1	Asset encumbrance	Intragroup restrictions	
Combined Liquidity Score		ba1		baa3			
Financial Profile							
				baa2			
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				baa2 - ba1			
Assigned BCA				baa3			
Affiliate Support notching				-			
Adjusted BCA				baa3			
Balance Sheet							
		in-scope (EUR Million)		% in-scope		at-failure (EUR Million)	% at-failure
Other liabilities		4,906		76.4%		4,963	77.3%
Deposits		558		8.7%		502	7.8%
Preferred deposits		413		6.4%		393	6.1%
Junior deposits		145		2.3%		109	1.7%
Senior unsecured bank debt		765		11.9%		765	11.9%
Equity		193		3.0%		193	3.0%
Total Tangible Banking Assets		6,422		100.0%		6,422	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	16.6%	16.6%	16.6%	16.6%	3	3	3	3	0	a3
Counterparty Risk Assessment	16.6%	16.6%	16.6%	16.6%	3	3	3	3	0	a3 (cr)
Deposits	16.6%	3.0%	16.6%	14.9%	2	3	2	2	0	baa1
Senior unsecured bank debt	16.6%	3.0%	14.9%	3.0%	2	1	2	2	0	baa1

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	a3	0	A3	
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3(cr)	
Deposits	2	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	2	0	baa1	0	Baa1	Baa1

[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	A3/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	Baa1
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 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 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.

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER

1215602