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CREDIT OPINION
3 March 2023

Update

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RATINGS

Raiffeisen Landesbank 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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EMEA	44-20-7772-5454

Raiffeisen Landesbank Vorarlberg

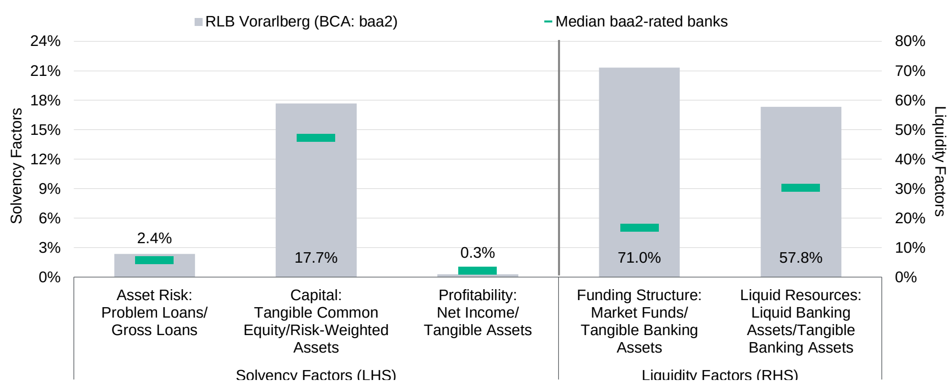
Update to credit analysis

Summary

Raiffeisenlandesbank Vorarlberg (RLB Vorarlberg) A3 deposit and issuer ratings reflect the bank's baa2 Baseline Credit Assessment (BCA); its membership in the institutional protection scheme of the Austrian Raiffeisen Banking Group (RBG), which due to strong sector cohesion results in a very close alignment of member banks' Adjusted BCAs and a baa2 Adjusted BCA for RLB Vorarlberg; and two notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. Although RBG has domestic systemic relevance for the financial sector we do not incorporate rating uplift from government support to RBG's member banks because of the wider scope of the application of the EU Bank Recovery and Resolution Directive (BRRD) in Austria (Aa1 stable) and the illustrated willingness of its government to apply burden-sharing to creditors,

RLB Vorarlberg's baa2 BCA reflects 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, baa3[1]) Current uncertain macroeconomic scenario adds to the strain on the bank's already constrained 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

» Its large stake in the sector's central institution RBI strongly influences the bank's risk profile because of inherent market risks.

» 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 RBG'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 sustained increase in profit. However, this would not result in a rating upgrade unless RBG'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, RBG'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 RBG'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 RBG remains unchanged.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2
Raiffeisen Landesbank Vorarlberg (Unconsolidated Financials) [1]

	12-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	7.6	7.0	6.4	6.6	6.5	3.9[4]
Total Assets (USD Billion)	8.6	8.6	7.2	7.5	7.8	2.4[4]
Tangible Common Equity (EUR Billion)	0.4	0.4	0.4	0.3	0.3	6.7[4]
Tangible Common Equity (USD Billion)	0.5	0.5	0.4	0.4	0.4	5.2[4]
Problem Loans / Gross Loans (%)	2.4	2.6	1.6	1.8	2.4	2.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.7	16.9	15.7	15.9	15.3	16.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.2	10.9	6.9	7.9	10.9	9.4[5]
Net Interest Margin (%)	0.5	0.5	0.5	0.5	0.5	0.5[5]
PPI / Average RWA (%)	0.7	0.8	0.6	0.8	0.8	0.8[6]
Net Income / Tangible Assets (%)	0.4	0.1	0.3	0.3	0.3	0.3[5]
Cost / Income Ratio (%)	75.9	72.6	80.1	71.1	68.9	73.7[5]
Market Funds / Tangible Banking Assets (%)	71.0	71.9	68.3	70.8	76.3	71.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	57.8	54.5	50.9	53.9	51.6	53.7[5]
Gross Loans / Due to Customers (%)	244.4	241.9	237.7	191.4	169.1	216.9[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 €7.6 billion as of December 2021, Raiffeisenlandesbank Vorarlberg (RLB Vorarlberg) is one of the smaller of the eight Raiffeisen Landesbanken in Austria, and it is majority owned by 16 local primary credit co-operatives in the region, for which the bank is the central institution. RLB Vorarlberg reported 342 full-time equivalent employees in 2021. Together with its owners, the primary banks, RLB Vorarlberg provides its services to 261,800 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 (81% of net exposures), with the remainder in Germany and Switzerland. The bank's assigned Strong + Weighted Macro Profile is in line with the Strong + Macro Profile of Austria.

Detailed credit considerations

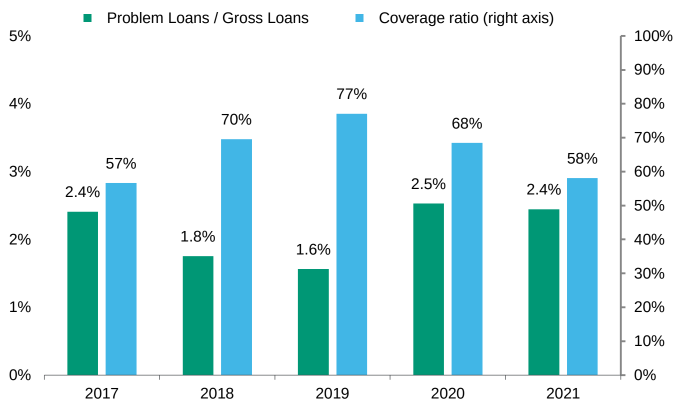
Asset quality is sound and modest level of nonperforming loans is supported by adequate provisioning

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 2.4%, as well as our adjustments for concentrations in more cyclical industries, such as commercial real estate, construction 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 €1.9 billion, which is mostly focused on lending to regional corporates. The bank's problem loan ratio has decreased to 2.4% in 2021 from 2.6% a year earlier, its provisioning level declined in 2021 to 58% as compared with 68% in 2020, but is still adequate. The concentration in construction and commercial real estate lending, measured as a percentage of RLB Vorarlberg's tangible common equity (TCE) remains high at more than 134% in 2021, however reduced from 200% as compared to a year earlier, and could trigger large losses in a highly adverse macroeconomic scenario.

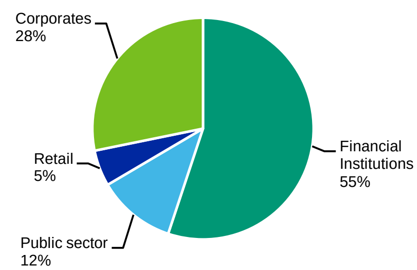
Besides the sound credit quality and concentration risk of the bank's loan book, we take into consideration the market risks stemming from the bank's equity participations in our Asset Risk score of baa3. RLB Vorarlberg's total equity investments accounted for 52% of its TCE as of year-end 2021. It holds a 2.9% stake in RBI, valued at €148 million, and some minor equity investments in regional nonbanking companies of €61 million, including in commercial real estate. These equity investments expose the bank to high risks from a potential lack of dividends or even impairment needs. For 2021, RLB Vorarlberg has not recorded an impairment on its RBI stake. The bank's revaluation reserves related to its participation portfolio represent a certain level of protection and imply a buffer against value erosion in its participations and partly protect the bank's income statement from potential impairments[2]. Following the share price correction of RBI's stake in the first quarter of 2022 (For additional detail, please refer to our publications available here), which reflects RBI's exposure to Russia and Ukraine, these reserves were presumably reduced in 2022, although the share price of RBI has started to recover after the announcement of the third quarter results in November 2022.

Exhibit 3
RLB Vorarlberg has maintained a low problem loan ratio in the last five years



Sources: Company reports and Moody's Investors Service

Exhibit 4
Breakdown of RLB Vorarlberg's exposure at default by sector
As of year-end 2021



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 17.7%, 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 reserves[3] of €68.6 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.

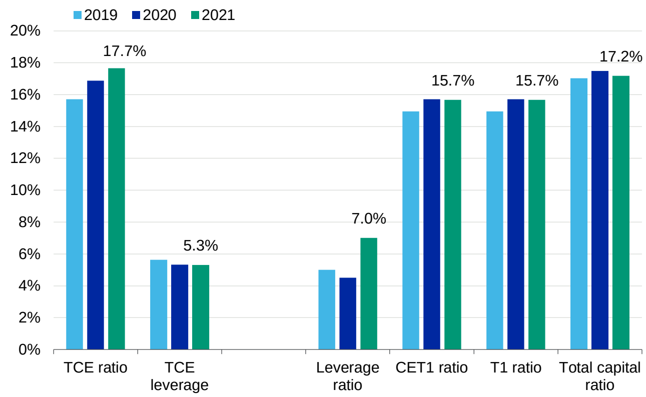
Additionally, we take into consideration the capital resilience of RLB Vorarlberg in an adverse scenario, assuming a 50% reduction in the value of its holdings from a multiyear average valuation. RLB Vorarlberg reports its €148 million stake in RBI based on the lesser of the historical cost or value. 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. In 2022, the share price of RBI has suffered because RBI faces a decline in future revenue from its operations in Russia and Ukraine, which have been major contributors to RBI's profit in the past. This has resulted in a current valuation that is higher than the equity market valuation of RBI, when considering RBI's share price based on the five-year average as a reference. Thus, RLB Vorarlberg might eventually adjust the valuation of its stake in RBI in 2022, but the amount will depend on the result of the annual valuation assessment by the bank's auditor.

RLB Vorarlberg reported a regulatory Common Equity Tier 1 (CET1) capital ratio of 15.7% as of year-end 2021, unchanged from 15.7% a year earlier. Risk-weighted assets (RWA) slightly increased to €2.3 billion in 2021 from €2.2 billion in 2020. RLB Vorarlberg increased its total capital to €390 million in 2021 from €387 million a year earlier, while Tier 2 capital decreased from €39.4 million to €34.0 million during the same period. The bank's regulatory leverage ratio increased to 7.0% as of year-end 2021, from 4.5% a year earlier, driven by a strengthening in the bank's core capital but also by a higher amount of permitted excluded exposures from the total exposure measure. However, TCE leverage has decreased to 5.3% in 2021 from 5.6% because of an increase in tangible banking assets. The difference between the CET1 ratio of 15.7% and TCE ratio of 17.7% arises because the CET1 ratio calculation leaves out retained profit and tier 2 capital considers the TCE ratio.

Exhibit 5

RLB Vorarlberg's capital ratios remain sound

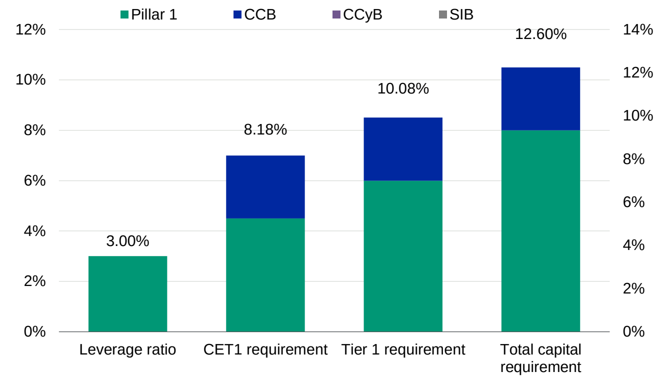
Data as a percentage of RWA



Sources: Company and Moody's Financial Metrics

Exhibit 6

RLB Vorarlberg has kept up with its regulatory capital requirements



Sources: Company and Moody's Financial Metrics

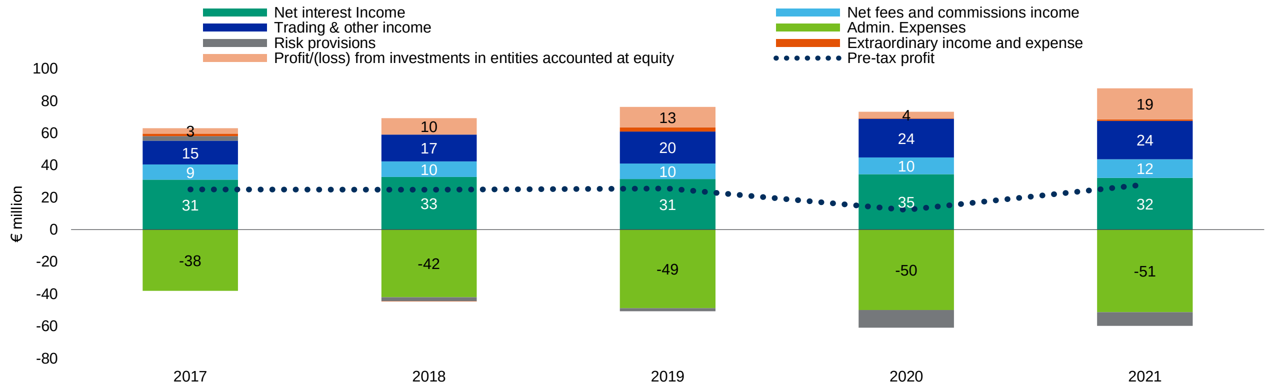
Profitability is dependent on income from participations, standalone profitability remains modest

We assign a Profitability score of b2 to RLB Vorarlberg, three notches below its ba2 initial score, which improved in 2021 from b3 in 2020, largely driven by RBI's dividend in 2021. The assigned b2 score reflects our expectation of a sustainable modest net profit relative to its total assets, as well as the bank's dependence on more volatile income streams from equity participations.

The assigned score takes into consideration the volatility in the bank's net income resulting from revenue related to activities from its nonbanking 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 2022, we expect RLB Vorarlberg's profitability to remain strained given the volatile macroeconomic environment throughout 2022 and taking into account the constraints on real estate financing arising from tighter underwriting criteria introduced in July 2022. We expect the rising interest rates to be beneficial for RLB Vorarlberg's margins, but these benefits might be offset by slower lending growth and rising operating costs.

In 2021, RLB Vorarlberg's net income increased to €40.0 million from €8.7 million a year earlier. Net interest income decreased to €32.2 million in 2021 from €34.5 million in 2020 while fee income increased to €11.6 million from €10.3 million during the same period. Lower loan loss provisions of €8.5 million compared with €10.9 million a year earlier were the main driver for its better result in 2021 beside the contributions from the bank's equity participations. At the same time, total operating expenses slightly increased to €51.3 million from €50.3 million. In 2021, RLB Vorarlberg built up additional Austrian local GAAP reserves of €7.8 million[4].

Exhibit 7
RLB Vorarlberg's revenue
Data in € millions, Austrian local GAAP



Sources: Company and Moody's Financial Metrics

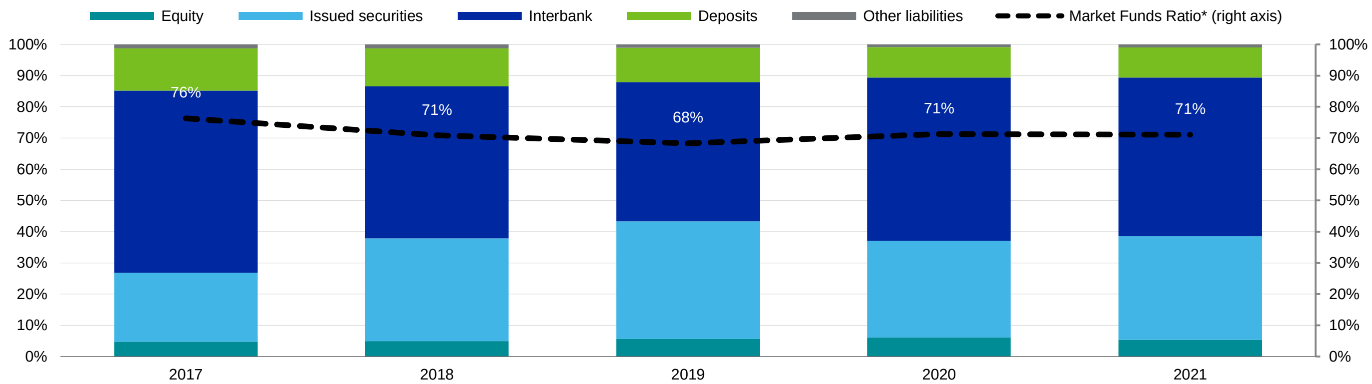
High dependence on wholesale funding is mitigated by access to sector funds

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 71% as of year-end 2021 (2020: 71%), 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 €3.8 billion in interbank liabilities, following continued participation in European Central Bank's Targeted longer-term refinancing operations (TLTRO) activities. Of the €3.8 billion, €1.23 billion were placed with the central bank (€0.6 billion in 2020) and €2.5 billion in securitized liabilities (2020: €2.2 billion) as of year-end 2021. The latter includes €2.0 billion in covered bonds, which increased by €0.3 billion. Additionally, RLB Vorarlberg held €0.7 billion of customer deposits as of year-end 2021. 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: Company and Moody's Financial Metrics

Sound liquidity mitigates funding risks

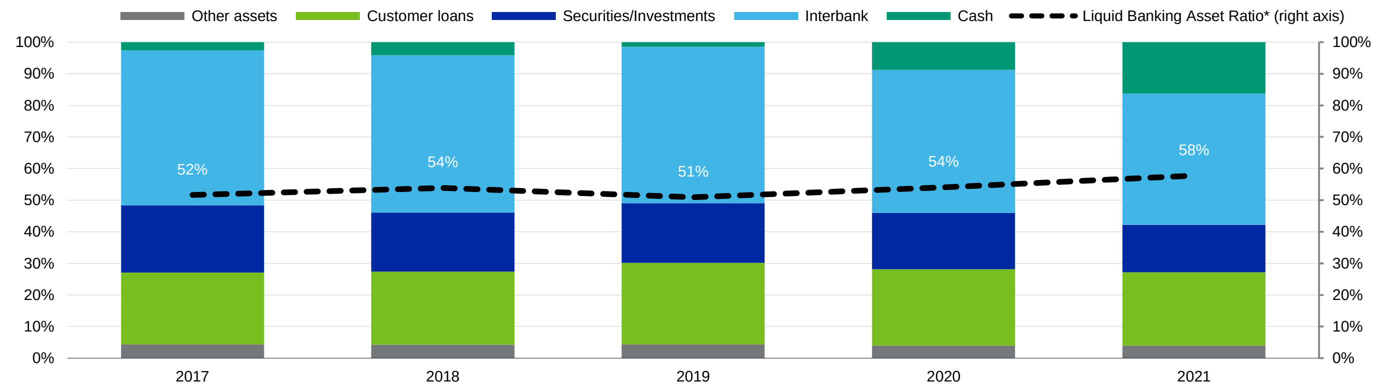
We assign a Liquid Resources score of a1 to RLB Vorarlberg, two notches below the initial score of aa2, which represents its strong liquid banking assets/tangible banking assets of 58% as of year-end 2021. Moreover, the a1 score includes our assessment of asset encumbrance because of covered bond issuances 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, led to the decrease in the assigned score to a1 from aa3 previously assigned.

As of year-end 2021, the bank's liquid resources of €5.0 billion (2020: €4.4 billion) included €3.1 billion in interbank lending (2020: €3.2 billion) and €1.23 billion in cash (2020: €0.6 billion). However, most 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 €0.6 billion from the 2020 level from the bank's participation in TLTRO III as a sustainable increase in liquid resources. As of year-end 2021 RLB Vorarlberg's liquidity coverage ratio was 176%.

Exhibit 9
RLB Vorarlberg's sound liquid resources partially include intragroup exposure
Composition of liquid resources as a percentage of tangible banking assets



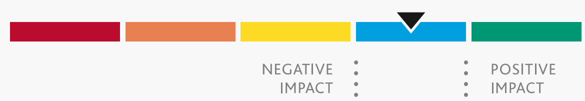
*Liquid banking assets ratio = Liquid assets/tangible banking assets.
Sources: Company reports and Moody's Financial Metrics

ESG considerations

Raiffeisen Landesbank Vorarlberg's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 10
ESG Credit Impact Score

CIS-2
Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

RLB Vorarlberg Credit Impact Score is neutral-to-low (**CIS-2**), reflecting mitigating impact of its member from Raiffeisen Bankengruppe over RLB Vorarlberg's ESG profile. Environmental and social risk factors have had a limited impact on the bank's credit profile to date.The bank's moderate governance risks mainly stem from the bank's participation in Raiffeisen Bank International AG and the bank's weak financial strategy, resulting in subdued operational efficiency.

Exhibit 11
ESG Issuer Profile Scores

ENVIRONMENTAL
E-3
Moderately Negative

SOCIAL
S-3
Moderately Negative

GOVERNANCE
G-3
Moderately Negative

Source: Moody's Investors Service

Environmental

RLB Vorarlberg's moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a regional bank. In line with its peers, RLB Vorarlberg is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, RLB Vorarlberg is actively engaging in further developing its comprehensive risk management and climate risk reporting frameworks and tries to align its business with the transition to a low-carbon economy.

Social

RLB Vorarlberg faces moderate social risks related to regulatory and litigation risks, requiring high compliance standards. High cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches. The exposure to customer relation risks is lower than those of its peers, given the bank's business model with limited exposure to retail clients.

Governance

RLB Vorarlberg's governance risks are moderate, reflecting relatively high-risk appetite and very high concentration risks inherent in its large equity investment in Raiffeisen Bank International (RBI). Management's ability to address the bank's subdued profitability remains a concern because it provides only a limited buffer against adverse developments and limits the bank's capital generation capacity and, hence, growth prospects. RLB Vorarlberg's ownership structure as a mutualist (Austrian Raiffeisen banking sector) results in a very specific governance set-up, but this does not result in incremental governance risks because of Austria's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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 and because of its membership in the sector's federal IPS.

This support significantly reduces the probability of default because the co-operative group's cross-sector support mechanism aims to stabilise its members by avoiding a bail-in or any form of loss participation by creditors. The sector's strong cohesion results in a very close alignment of member banks' Adjusted BCAs. The financial strength of RBG and the Very High affiliate support assumption for RLB Vorarlberg result in an adjusted BCA of baa2, at the same level as the bank's 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 sector's strong cohesion and its sound capitalization help mitigate its higher-risk Central and Eastern European exposures housed at RBI.

Loss Given Failure (LGF) analysis

RLB Vorarlberg is subject to the EU BRRD, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, taking into account the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution.

In our Advanced LGF analysis, we consider the results of both the formal legal position (pari passu, or 'de jure' scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or 'de facto' scenario), to which we assign a 25% probability.

We further assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets. In addition, we assume a 26% share of deposits are junior wholesale deposits, for which we factor in a 25% run-off before failure, while we assume a 5% run-off in preferred deposits. These assumptions are in line with our standard assumptions.

» 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 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 12

Raiffeisen Landesbank 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	2.4%	a2	↔	baa3	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	17.7%	aa2	↔	a1	Stress capital resilience	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↔	b2	Earnings quality	Expected trend
Combined Solvency Score		a2		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	71.0%	caa3	↔	b1	Extent of market funding reliance	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	57.8%	aa2	↔	a1	Intragroup restrictions	Stock of liquid assets
Combined Liquidity Score		ba2		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				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	5,007	77.5%	5,029	77.8%
Preferred deposits	416	6.4%	353	5.5%
Junior deposits	146	2.3%	98	1.5%
Equity	194	3.0%	194	3.0%
Total Tangible Banking Assets	5,201	100.0%	6,012	93.0%

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	16.7%	16.7%	16.7%	16.7%	3	3	3	3	0	a2
Counterparty Risk Assessment	16.7%	16.7%	16.7%	16.7%	3	3	3	3	0	a2 (cr)
Deposits	16.7%	3.0%	16.7%	15.2%	2	3	2	2	0	a3
Senior unsecured bank debt	16.7%	3.0%	15.2%	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 13

Category	Moody's Rating
RAIFFEISEN LANDESBANK 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) and (2) 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.

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