REPUBLIC OF AUSTRIA

*EJR Sen Rating(Curr/Prj) A+/ A+

Rating Analysis - 8/30/22

The Austrian economy was one of the most affected in the EU by the COVID pandemic, but it has rebounded well. The war in Ukraine has been another economic shock and—while current growth forecasts remain favourable—has caused downside risks to rise considerably. According to OECD, the Austrian economy is projected to expand by 3.6% in 2022 and 1.4% in 2023 though Russia's invasion of Ukraine has lowered growth prospects.

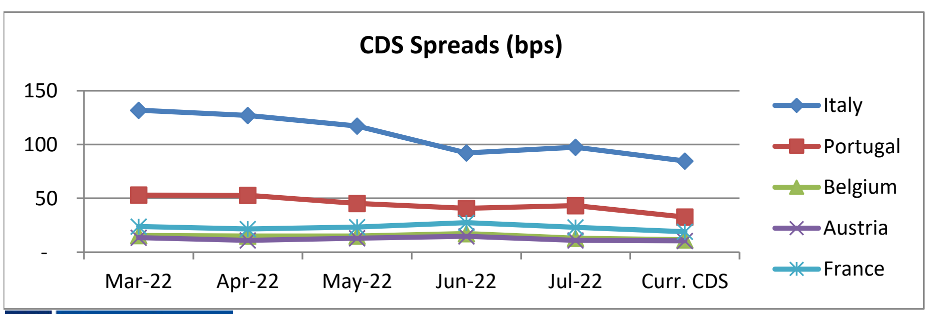
Elevated uncertainty, higher energy prices, labour shortages and supply-chain disruptions are weighing on business investment and export growth. Headline inflation is expected to increase sharply to 6.7% in 2022 but ease modestly over 2023. Fiscal policy is expected to tighten gradually over the projection horizon, reflecting the withdrawal of pandemic support packages. The government has introduced support measures to mitigate the impact of rising energy prices on households and firms, which should be targeted to avoid weakening price signals and to limit fiscal costs. While the eco-social tax reform is a welcome step in greening the economy, more action is necessary to progress towards net zero emissions by 2040. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2019	2020	2021	P2022	P2023	P2024
Debt/ GDP (%)	90.1	108.1	102.1	103.7	103.6	101.7
Govt. Sur/Def to GDP (%)	1.2	-7.4	-5.2	-3.6	-1.8	-0.2
Adjusted Debt/GDP (%)	90.1	108.1	102.1	103.8	103.6	101.7
Interest Expense/ Taxes (%)	5.1	5.0	4.0	3.6	3.3	3.0
GDP Growth (%)	3.1	-4.6	6.2	4.5	4.0	4.0
Foreign Reserves/Debt (%)	1.6	2.0	1.8	2.3	2.1	2.7
Implied Sen. Rating	AA-	A-	A+	A+	A+	A+

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

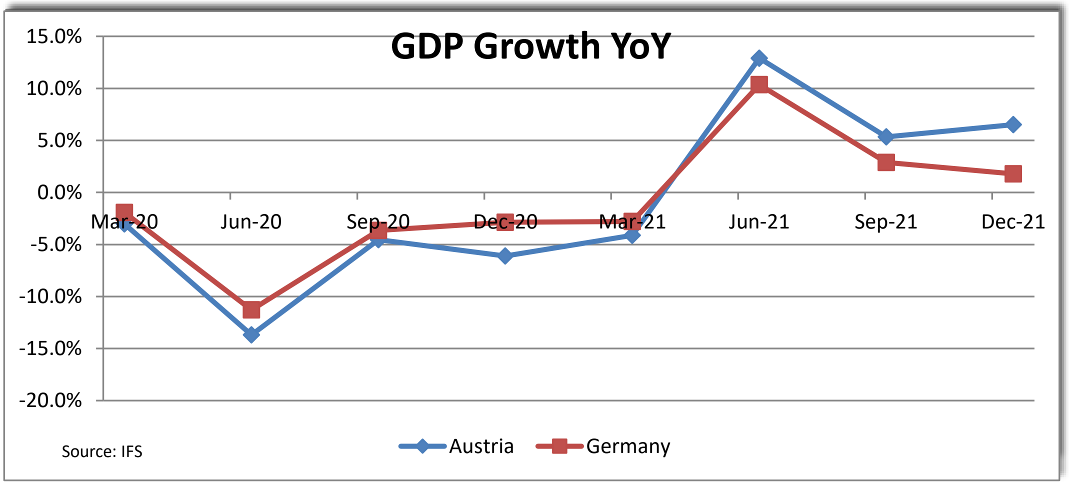
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
French Republic	AA	137.3	-6.0	137.3	4.6	8.2	A-
Kingdom Of Belgium	AA	128.0	-5.0	128.0	5.6	10.8	BBB-
Republic Of Italy	BBB-	173.7	-7.2	173.7	11.9	7.2	BB+
Portugal Republic	BBB-	145.5	-3.1	145.5	9.8	5.6	BBB-



Country	EJR Rtg.	CDS
Italy	BBB-	85
Portugal	BBB-	33
Belgium	BBB	12
Austria	A+	11
France	A+	19

Economic Growth

Austria's economy grew by 1.5% Q1'22, i.e. one percentage point slower than expected in the EU's Spring forecast. Since March 2022, the economic sentiment indicator and expectations deteriorated considerably, mainly due to the headwinds from Russia's war of aggression against Ukraine and disrupted supply chains. Consumer price inflation has increased to levels not seen since September 1975. Initially driven by energy prices, consumer price inflation is now relatively broad-based. Producer price inflation stands at its highest level since the mid-1970s and is expected to exert further pressure on consumer price inflation over 2022.



Fiscal Policy

The fiscal deficit has fallen sharply and the public debt-to-GDP ratio is expected to decline rapidly, leaving Austria with fiscal space which can be used to support the economy. As of December 2021, the Government Debt to GDP stood at 82.8%. The primary budget deficit is expected to close in 2022 and turn positive in 2024, mainly due to the withdrawal of pandemic support. While the overall stance of fiscal policy is tightening, grants from the Recovery and Resilience Facility will support public investments with an aggregate amount of around 0.8% of GDP until 2026.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Austria	-5.19	102.08	10.60
Germany	-3.62	77.80	10.21
France	-5.97	137.28	19.05
Belgium	-4.98	128.02	11.63
Italy	-7.19	173.71	84.74
Portugal	-3.09	145.47	32.67

Sources: Thomson Reuters and IFS

Unemployment

Employment is now above pre-COVID levels and both the overall unemployment rate and the long-term unemployment rate are below their previous levels, reflecting the effectiveness of pandemic policies (such as the short time work scheme) and the strong recovery. Nevertheless, there is evidence of growing skills and regional mismatches in the labor market. On the labour market, labour shortages are becoming increasingly important and have started to restrain the growth momentum.

Unemployment (%)

	2020	2021
Austria	6.03	6.20
Germany	3.83	3.58
France	8.03	7.88
Belgium	5.73	6.28
Italy	9.30	9.56
Portugal	7.12	6.60

Source: Intl. Finance Statistics

Banking Sector

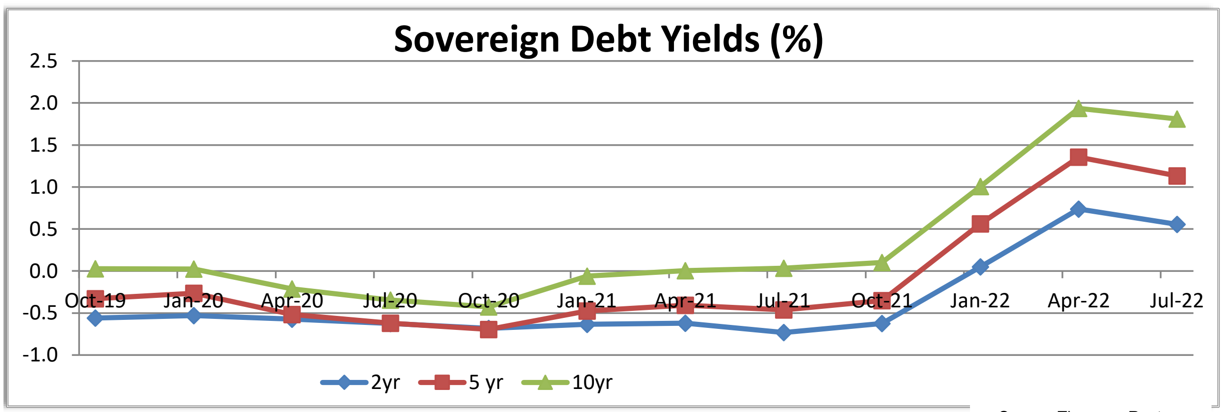
Banks in Austria are the world's most exposed international lenders to Russia. According to figures from the Bank for International Settlements, Austrian banks had $17.5B exposure to Russia and this compares with $14.7B for the United States. Austrian banks have been reported to have adequate capital and liquidity buffers and are in a position to absorb losses that might arise due to their Russian or Ukrainian subsidiaries' exposure.

Bank Assets (billions of local currency)

	Assets	Mkt Cap/ Assets %
ERSTE GROUP BANK	307.4	3.35
RAIFFEISEN INTL	192.1	1.77
VOLKSBANK VORARLBERG	2.0	0.75
OBERBANK AG	27.5	12.79
Total	529.1	
EJR's est. of cap shortfall at 10% of assets less market cap		35.7
Austria's GDP		402.7

Funding Costs

Interbank Rate in Austria increased to -0.24 percent in June from -0.39 percent in May of 2022. Interbank Rate in Austri is expected to be 0.51 percent by the end of this quarter, according to Trading Economics global macro models. In the long-term, the Austria Three Month Interbank Rate is projected to trend around 1.51 percent in 2023 and 1.26 percent ir 2024, according to market consensus.



Source: Thomson Reuters

Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 27 (1 is best, 189 worst) is strong.

The World Bank's Doing Business Survey*

	2021 Rank	2020 Rank	Change in Rank
Overall Country Rank:	**27**	**27**	**0**
Scores:			
Starting a Business	127	127	0
Construction Permits	49	49	0
Getting Electricity	29	29	0
Registering Property	31	31	0
Getting Credit	94	94	0
Protecting Investors	37	37	0
Paying Taxes	44	44	0
Trading Across Borders	1	1	0
Enforcing Contracts	10	10	0
Resolving Insolvency	22	22	0

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Austria is above average in its overall rank of 73.9 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom
World Rank 73.9*

	2021 Rank**	2020 Rank	Change in Rank	World Avg.
Property Rights	86.8	87.3	-0.5	53.6
Government Integrity	83.5	84.0	-0.5	45.9
Judical Effectiveness	84.8	73.2	11.6	45.4
Tax Burden	45.7	51.3	-5.6	77.7
Gov't Spending	29.1	27.2	1.9	67.1
Fiscal Health	90.0	87.9	2.1	72.1
Business Freedom	72.6	73.0	-0.4	63.2
Labor Freedom	68.4	68.3	0.1	59.5
Monetary Freedom	81.7	81.0	0.7	74.7
Trade Freedom	84.0	86.4	-2.4	70.7

*Based on a scale of 1-100 with 100 being the highest ranking.
**The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
Source: The Heritage Foundation

Credit Quality Driver: Taxes Growth:
REPUBLIC OF AUSTRIA has grown its taxes of 11.6% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 11.6% per annum over the next couple of years and 10.4% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
REPUBLIC OF AUSTRIA's total revenue growth has been less than its peers and we assumed no growth in total revenue over the next two years.

	Peer	Issuer	Assumptions	
Income Statement	**Median**	**Avg.**	**Yr 1&2**	**Yr 3,4,5**
Taxes Growth%	10.1	11.6	**11.6**	**10.4**
Social Contributions Growth %	6.0	5.1	**5.0**	**5.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	5.5	**5.5**	**5.5**
Total Revenue Growth%	9.1	8.7	**8.7**	**7.8**
Compensation of Employees Growth%	3.1	2.9	**2.9**	**2.9**
Use of Goods & Services Growth%	6.8	15.8	**15.8**	**14.2**
Social Benefits Growth%	2.8	4.1	**4.1**	**4.1**
Subsidies Growth%	9.3	(4.8)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.1	**1.1**	
Currency and Deposits (asset) Growth%	1.3	0.0		
Securities other than Shares LT (asset) Growth%	7.0	0.0		
Loans (asset) Growth%	(73.1)	48.4	**11.6**	**11.6**
Shares and Other Equity (asset) Growth%	(9.9)	121.5	**121.5**	**109.3**
Insurance Technical Reserves (asset) Growth%	2.7	0.0		
Financial Derivatives (asset) Growth%	0.0	(18.4)	**(18.4)**	**(18.4)**
Other Accounts Receivable LT Growth%	4.2	(5.3)	**(5.3)**	**(5.3)**
Monetary Gold and SDR's Growth %	0.0	0.0	**5.0**	**5.0**
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	5.8	4.3	**4.3**	**4.3**
Currency & Deposits (liability) Growth%	1.8	2.8	**2.8**	**2.8**
Securities Other than Shares (liability) Growth%	(0.1)	0.7	**0.5**	**0.5**
Loans (liability) Growth%	2.8	(6.2)	**0.5**	**0.5**
Insurance Technical Reserves (liability) Growth%	6.1	0.0		
Financial Derivatives (liability) Growth%	(22.1)	(47.1)	**(10.0)**	**(10.0)**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are REPUBLIC OF AUSTRIA's annual income statements with the projected years based on the assumptions listed on page 5.

ANNUAL REVENUE AND EXPENSE STATEMENT
(MILLIONS EUR)

	2018	2019	2020	2021	P2022	P2023
Taxes	105,696	109,691	101,112	112,798	125,883	140,485
Social Contributions	58,749	61,122	61,078	64,189	67,398	70,768
Grant Revenue						
Other Revenue						
Other Operating Income	24,060	24,750	23,501	24,797	24,797	24,797
Total Revenue	188,505	195,563	185,691	201,784	218,078	236,050
Compensation of Employees	40,364	41,844	43,087	44,347	45,644	46,979
Use of Goods & Services	23,824	24,863	25,931	30,027	34,770	40,262
Social Benefits	84,251	87,027	93,279	97,108	101,094	105,244
Subsidies	5,817	5,848	18,958	18,057	18,059	18,061
Other Expenses				17,668	17,668	17,668
Grant Expense						
Depreciation	9,752	10,153	10,500	10,984	10,984	10,984
Total Expenses excluding interest	179,571	185,051	208,813	218,191	228,219	239,197
Operating Surplus/Shortfall	8,934	10,512	-23,122	-16,407	-10,141	-3,147
Interest Expense	6,256	5,637	5,030	4,476	4,525	4,574
Net Operating Balance	2,678	4,874	-28,154	-20,883	-14,666	-7,721

ANNUAL BALANCE SHEETS

Below are REPUBLIC OF AUSTRIA's balance sheets with the projected years based on the assumptions listed on page 5.

Base Case	ANNUAL BALANCE SHEETS (MILLIONS EUR)					
ASSETS	2018	2019	2020	2021	P2022	P2023
Currency and Deposits (asset)	30,768	30,658	40,070	38,567	38,567	38,567
Securities other than Shares LT (asset)	6,103	5,650	4,845	4,666	4,666	4,666
Loans (asset)	-1,503	-2,634	-773	-1,147	-1,280	-1,429
Shares and Other Equity (asset)	526	253	377	835	1,849	4,096
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	474	532	598	488	398	325
Other Accounts Receivable LT	26,162	28,193	30,321	28,717	27,198	25,759
Monetary Gold and SDR's						
Other Assets					128,303	128,303
Additional Assets	110,741	117,054	118,137	128,303		
Total Financial Assets	173,271	179,706	193,575	200,429	199,701	200,288
LIABILITIES						
Other Accounts Payable	29,801	30,112	35,810	37,365	38,988	40,681
Currency & Deposits (liability)	1,650	1,705	1,730	1,779	1,779	1,779
Securities Other than Shares (liability)	276,410	281,644	323,912	326,272	327,936	329,609
Loans (liability)	45,446	44,482	48,579	45,550	60,216	67,937
Insurance Technical Reserves (liability)	125	115	119	119	119	119
Financial Derivatives (liability)	715	753	1,030	545	491	441
Other Liabilities	16,584	16,832	17,019	17,152	17,152	17,152
Liabilities	370,731	375,643	428,199	428,782	442,719	451,026
Net Financial Worth	-197,460	-195,937	-234,625	-228,352	-243,018	-250,739
Total Liabilities & Equity	173,271	179,706	193,574	200,430	199,701	200,288

Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustmer which are reflected in the results for the projected ratings. We have assigned a rating of "A+" whereas the ratio-implied rating for th recent period is "A+"; we expect results to remain approximately the same.

Changes in Indicative Ratios

We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:
For the issuer REPUBLIC OF AUSTRIA with the ticker of 1480Z AV we have assigned the senior unsecured rating of A+. There are three notches in our rating categories (e.g., A-, A, and A+) other than those deep into speculative grade; for CC, C, and D there are no notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:
We are using the methodology version #15a available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:
The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to page 3 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:
Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:
Our rating is dependant on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly-available 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:
EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:
Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:
EJR uses 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, governmental filings and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7: The information is generally high quality and readily avail.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:
This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:
Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating, include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:
Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:
Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			**Resulting Ratio-Implied Rating**		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	11.6	15.6	7.6	A+	A+	A
Social Contributions Growth %	5.0	8.0	2.0	A+	A+	A
Other Revenue Growth %		3.0	(3.0)	A+	A+	A+
Total Revenue Growth%	8.7	10.7	6.7	A+	A+	A+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	A+	A+	A+

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:
This credit rating is not assigned to an asset-backed security.

ATTESTATION FORM
In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:
1) No part of the credit rating was influenced by any other business activities,
2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature: **Today's Date**

August 30, 2022
…………………………………………… ……………………………………
Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang
August 30, 2022
…………………………………………… ……………………………………
Steve Zhang
Senior Rating Analyst

Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that the its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.