REPUBLIC OF AUSTRIA

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

Rating Analysis - 8/18/23

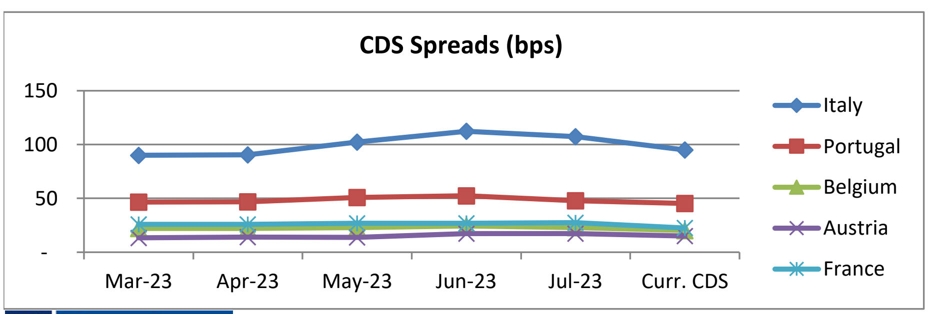
The current economic downturn is expected to gradually recover, with GDP projected to increase by 1.6% in 2024, driven by stronger domestic demand. As we move into H2'23, headline inflation will gradually decrease, and rising real wages will support household incomes. While the labor market conditions will remain tight, there will be a slight loosening over the next two-years, resulting in a small increase in unemployment. However, business investment will be hindered by higher interest rates and labor costs. , there will be a tightening of the fiscal stance due to the phasing out of pandemic-related support in 2023 and anti-inflation measures in 2024.

The high inflation, tighter financial conditions, and the withdrawal of pandemic-related expenditures will weigh on domestic demand throughout 2023. Risks to the projections are skewed towards the downside, as Austria, being a small open economy, is particularly vulnerable to weakening global demand or further disruptions in supply. Affirming.

	Annual Ratios (source for past results: IMF)					
CREDIT POSITION	2020	2021	2022	P2023	P2024	P2025
Debt/ GDP (%)	107.6	101.6	83.0	75.6	66.4	55.4
Govt. Sur/Def to GDP (%)	-7.4	-4.9	-1.8	0.5	3.1	5.4
Adjusted Debt/GDP (%)	107.6	101.6	83.0	75.6	66.4	55.4
Interest Expense/ Taxes (%)	5.1	4.0	3.4	3.1	2.8	2.5
GDP Growth (%)	-4.1	6.6	10.0	2.5	3.6	3.6
Foreign Reserves/Debt (%)	2.0	1.8	2.0	2.2	2.4	2.8
Implied Sen. Rating	A-	A+	AA-	A+	AA-	AA-

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

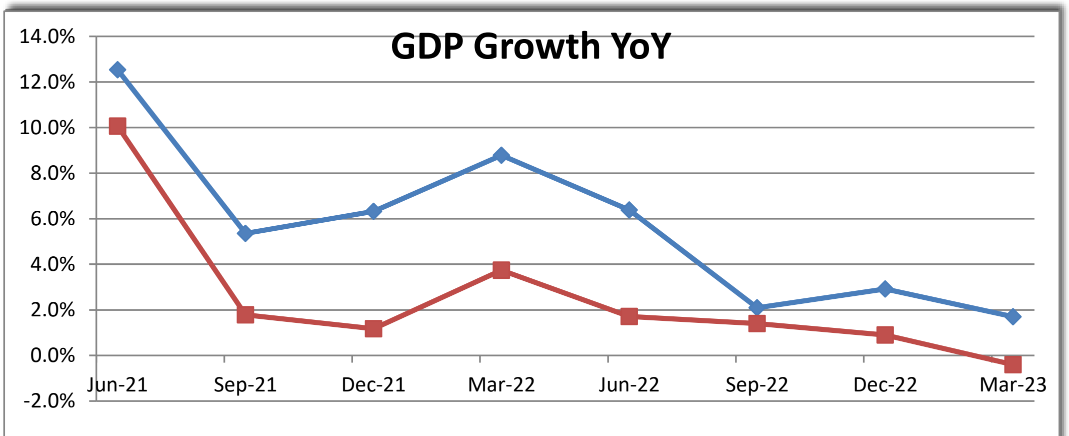
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA-
French Republic	AA	117.1	-4.2	117.1	6.1	5.5	A-
Kingdom Of Belgium	AA	103.8	-3.4	103.8	5.1	9.3	BBB
Republic Of Italy	BBB-	151.3	-7.8	151.3	14.6	6.8	BB+
Portugal Republic	BB+	116.6	-0.7	116.6	7.6	11.4	BBB-



Country	EJR Rtg.	CDS
Italy	BBB-	95
Portugal	BBB-	45
Belgium	BBB	20
Austria	A+	15
France	A+	23

Economic Growth

Following the contraction experienced in Q4'22, the Austrian economy rebounded in Q1'23. However, there are indications that output growth will remain sluggish until H2'23. The economy is facing challenges in the form of high inflation, which is impacting private consumption and exerting pressure on overall economic performance. Moreover, increased uncertainty and tighter financial conditions have resulted in a slowdown in private investment. Despite a decrease in headline inflation to 9.5% in April 2023, core inflation, primarily driven by the services sectors, continued to rise. While labor market conditions remain tight, there are signs of a slight cooling, with a slight increase in the unemployment rate from a low level and a downward trend in the job vacancy rate since Q3'22.



Source: IFS

Fiscal Policy

The budget deficit is expected to narrow, declining from 3.2% to 1.6% of GDP. The phasing out of crisis-related support, including most expenditure items that accounted for 3.9% of GDP in 2022, will play a significant role in this reduction. There will be a reduction in income taxes, while interest expenditure is anticipated to increase. Remaining pandemic-related expenses, which amounted to approximately 1.7% of GDP in 2022, will continue to be phased out over the next two years. Discretionary fiscal support to combat high inflation, equivalent to around 1.5% of GDP in 2022, will largely continue throughout 2023 and partially into 2024.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Austria	-1.82	82.97	15.11
Germany	-2.62	65.28	15.01
France	-4.25	117.11	22.50
Belgium	-3.36	103.79	20.17
Italy	-7.83	151.26	95.04
Portugal	-0.66	116.63	45.31

Sources: Thomson Reuters and IFS

Unemployment

Despite Austria's unemployment rate being below the EU average at 4.6 percent, the country faces labor shortages in various sectors, and a portion of the population remains marginalized. In June 2023, the unemployment rate in Austria saw an increase to 5.7%, up from 5.5% in the corresponding month of the previous year. This rise can be attributed to a growth in the number of registered unemployed individuals, reaching a total of 239,301 after an increase of 10,393.

Unemployment (%)	2021	2022
Austria	6.20	4.76
Germany	3.58	3.07
France	7.88	7.32
Belgium	6.28	5.58
Italy	9.56	8.08
Portugal	6.59	6.04

Source: Intl. Finance Statistics

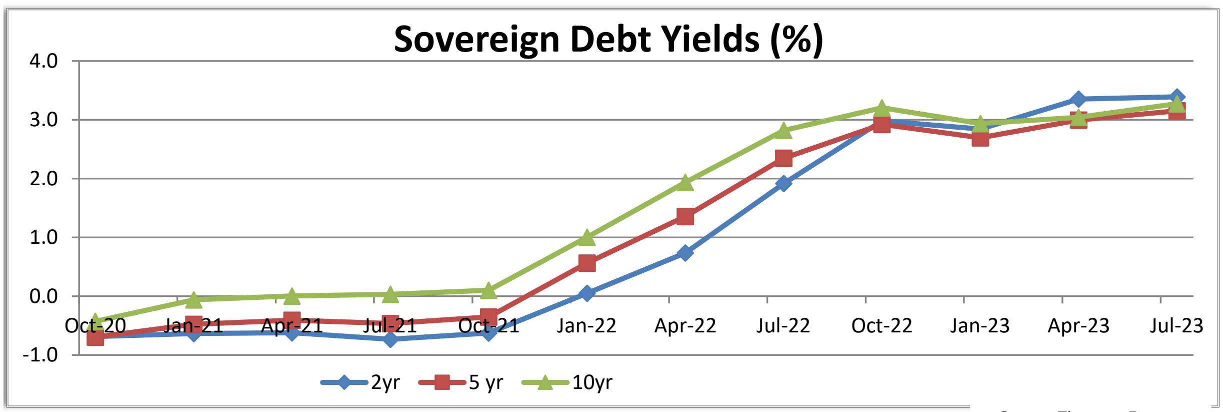
Banking Sector

Thanks to the combined efforts of banks, macroprudential supervisors, and micro-prudential supervisors, the Austrian banking sector has been able to navigate the current challenging environment and enhance its resilience. Furthermore, the implementation of tighter regulations, including liquidity requirements, within the euro area under the Single Supervisory Mechanism, coupled with the overall robust business models of Austrian banks, has proven effective

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
ERSTE GROUP BANK	323.9	3.99
RAIFFEISEN INTL	207.1	2.28
VOLKSBANK VORARLBERG	2.0	0.70
OBERBANK AG	26.8	15.79
Total	559.7	
EJR's est. of cap shortfall at 10% of assets less market cap		34.1
Austria's GDP		446.9

Funding Costs

The European Central Bank determines the benchmark interest rate in Austria. According to Trading Economics' global macro models and analysts' expectations, it is projected that the interest rate in Austria will reach 2.50 percent by the end of the current quarter. Looking ahead, Trade Economics' models suggest that the Austria Interest Rate will trend around 3.50 percent in 2023 and 2.75 percent in 2024.



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 71.1 for Economic Freedom with 100 being best.

Heritage Foundation 2023 Index of Economic Freedom
World Rank 71.1*

	2023 Rank**	2022 Rank	Change in Rank	World Avg.
Property Rights	97.0	98.4	-1.4	53.3
Government Integrity	80.9	82.9	-2.0	44.4
Judical Effectiveness	95.2	94.6	0.6	48.3
Tax Burden	45.7	45.5	0.2	78.1
Gov't Spending	13.0	20.3	-7.3	64.3
Fiscal Health	54.5	71.7	-17.2	54.5
Business Freedom	78.5	82.3	-3.8	59.8
Labor Freedom	78.8	78.4	0.4	55.5
Monetary Freedom	80.4	82.3	-1.9	72.1
Trade Freedom	78.6	79.2	-0.6	69.6

*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 11.4% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 11.4% per annum over the next couple of years and 10.3% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
REPUBLIC OF AUSTRIA's total revenue growth has been more 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%	7.9	11.4	**11.4**	**10.3**
Social Contributions Growth %	6.2	5.3	**5.0**	**5.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	4.1	**4.1**	**4.1**
Total Revenue Growth%	7.9	8.6	**8.6**	**7.7**
Compensation of Employees Growth%	4.3	3.3	**3.3**	**3.3**
Use of Goods & Services Growth%	6.4	6.6	**6.6**	**6.6**
Social Benefits Growth%	3.5	3.5	**3.5**	**3.5**
Subsidies Growth%	(6.3)	(41.7)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.1	**1.1**	
Currency and Deposits (asset) Growth%	(11.4)	0.0		
Securities other than Shares LT (asset) Growth%	(4.6)	0.0		
Loans (asset) Growth%	5.4	(96.4)	**11.4**	**11.4**
Shares and Other Equity (asset) Growth%	57.9	(82.5)	**2.0**	**2.0**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	0.0	(49.3)	**(10.0)**	**(10.0)**
Other Accounts Receivable LT Growth%	4.2	(1.7)	**(1.7)**	**(1.7)**
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%	6.8	(7.2)	**3.0**	**3.0**
Currency & Deposits (liability) Growth%	(2.6)	4.2	**4.2**	**4.2**
Securities Other than Shares (liability) Growth%	(15.1)	(11.2)	**(7.8)**	**(7.8)**
Loans (liability) Growth%	2.6	(5.9)	**0.5**	**0.5**
Insurance Technical Reserves (liability) Growth%	2.8	(10.8)	**3.0**	**3.0**
Financial Derivatives (liability) Growth%	(60.0)	62.8	**14.8**	**14.8**
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)

	2019	2020	2021	2022	P2023	P2024
Taxes	109,691	101,112	113,221	126,184	140,569	156,594
Social Contributions	61,122	61,078	64,237	67,666	71,049	74,602
Grant Revenue						
Other Revenue						
Other Operating Income	24,750	23,739	26,748	27,834	27,834	27,834
Total Revenue	195,563	185,929	204,206	221,684	239,452	259,030
Compensation of Employees	41,844	43,164	44,828	46,321	47,864	49,458
Use of Goods & Services	24,863	25,931	30,341	32,358	34,509	36,803
Social Benefits	87,027	93,333	97,346	100,785	104,345	108,032
Subsidies	5,848	18,956	18,807	10,957	10,958	10,959
Other Expenses				23,202	23,202	23,202
Grant Expense						
Depreciation	10,153	10,494	11,005	11,962	11,962	11,962
Total Expenses excluding interest	185,223	208,890	219,814	225,585	232,840	240,416
Operating Surplus/Shortfall	10,340	-22,961	-15,608	-3,901	6,612	18,614
Interest Expense	5,637	5,117	4,482	4,243	4,292	4,341
Net Operating Balance	4,702	-28,077	-20,090	-8,146	2,320	14,273

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	2019	2020	2021	2022	P2023	P2024
Currency and Deposits (asset)	30,663	40,083	38,531	33,831	33,831	33,831
Securities other than Shares LT (asset)	5,650	4,845	4,666	3,410	3,410	3,410
Loans (asset)	-2,641	-770	-1,155	-42	-47	-52
Shares and Other Equity (asset)	304	218	1,121	196	200	204
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	702	780	758	384	346	311
Other Accounts Receivable LT	28,558	30,743	32,379	31,815	31,261	30,716
Monetary Gold and SDR's						
Other Assets					110,629	110,629
Additional Assets	117,053	118,662	130,920	110,629		
Total Financial Assets	180,289	194,561	207,220	180,223	179,630	179,049
LIABILITIES						
Other Accounts Payable	30,256	35,913	38,890	36,084	37,167	38,282
Currency & Deposits (liability)	1,705	1,730	1,779	1,853	1,853	1,853
Securities Other than Shares (liability)	281,644	323,653	326,177	289,754	267,105	246,226
Loans (liability)	44,462	48,523	45,757	43,036	40,716	26,443
Insurance Technical Reserves (liability)	115	119	120	107	110	114
Financial Derivatives (liability)	753	1,030	619	1,008	1,157	1,329
Other Liabilities	13,626	13,789	14,171	14,393	14,393	14,393
Liabilities	372,561	424,757	427,513	386,235	383,321	368,468
Net Financial Worth	-192,272	-230,196	-220,293	-206,012	-203,692	-189,419
Total Liabilities & Equity	180,289	194,561	207,220	180,223	179,630	179,049

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 adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "A+" whereas the ratio-implied rating for the most recent period is "AA-"; we expect results to decline slightly.

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 #16 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%	11.4	15.4	7.4	AA-	AA-	A+
Social Contributions Growth %	5.0	8.0	2.0	AA-	AA-	AA-
Other Revenue Growth %		3.0	(3.0)	AA-	AA-	AA-
Total Revenue Growth%	8.6	10.6	6.6	AA-	AA-	AA-
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	AA-	AA-	AA-

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 18, 2023

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Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

August 18, 2023

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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.