REPUBLIC OF AUSTRIA

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

Rating Analysis - 8/16/24

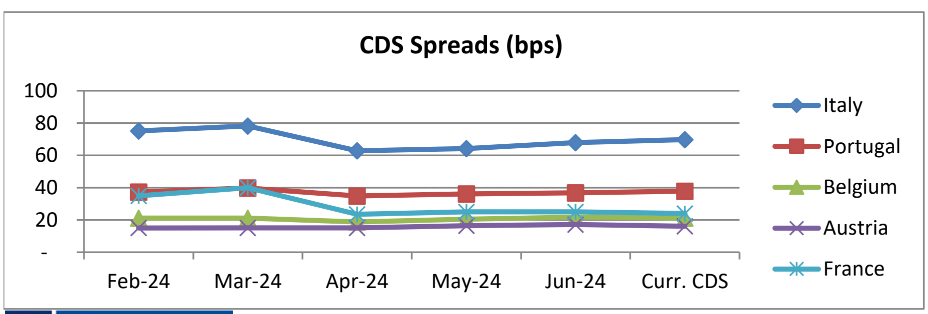
Over the past two decades, Austria's economy has demonstrated strong performance, with its GDP per capita ranking among the highest in the OECD. The country boasts relatively low income inequalities, supported by robust redistribution through public transfers, resulting in a lower relative poverty rate compared to many other OECD nations.

Following a recession in 2023, Austria's economy is on a path to recovery, albeit at a slow pace and maintaining a fragile state. Output growth turned negative at -0.7% in 2023, with a gradual uptick projected to reach 0.2% in 2024. The lingering inflation surge triggered by Russia's actions against Ukraine presents a persistent challenge. Public debt has notably increased, while the public deficit hovers close to the 3% mark. Despite these endeavors, risks loom on the economic horizon. The heightened geopolitical tensions pose significant indirect threats to Austria's economy, primarily through its involvement in European manufacturing value chains for globally traded goods. Affirming.

	Annual Ratios (source for past results: IMF)					
CREDIT POSITION	2021	2022	2023	P2024	P2025	P2026
Debt/ GDP (%)	101.8	80.4	81.2	86.0	91.4	97.0
Govt. Sur/Def to GDP (%)	-4.9	-1.8	-1.8	-2.1	-2.5	-2.9
Adjusted Debt/GDP (%)	101.8	80.4	81.2	86.0	91.4	97.0
Interest Expense/ Taxes (%)	4.0	3.3	4.2	4.1	4.0	3.9
GDP Growth (%)	6.4	10.4	6.9	2.5	3.6	3.6
Foreign Reserves/Debt (%)	1.8	2.1	0.8	0.6	0.6	0.5
Implied Sen. Rating	A+	AA-	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	64.0	-2.6	64.0	3.8	6.3	AA
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	A-
Kingdom Of Belgium	AA	108.6	-3.9	108.6	6.8	5.5	BBB
Republic Of Italy	BBB-	151.4	-6.8	151.4	12.7	6.2	BB+
Portugal Republic	BB+	105.8	1.1	105.8	8.6	9.6	BBB-



Country	EJR Rtg.	CDS
Italy	BBB-	70
Portugal	BBB-	38
Belgium	BBB	21
Austria	A+	16
France	A+	24

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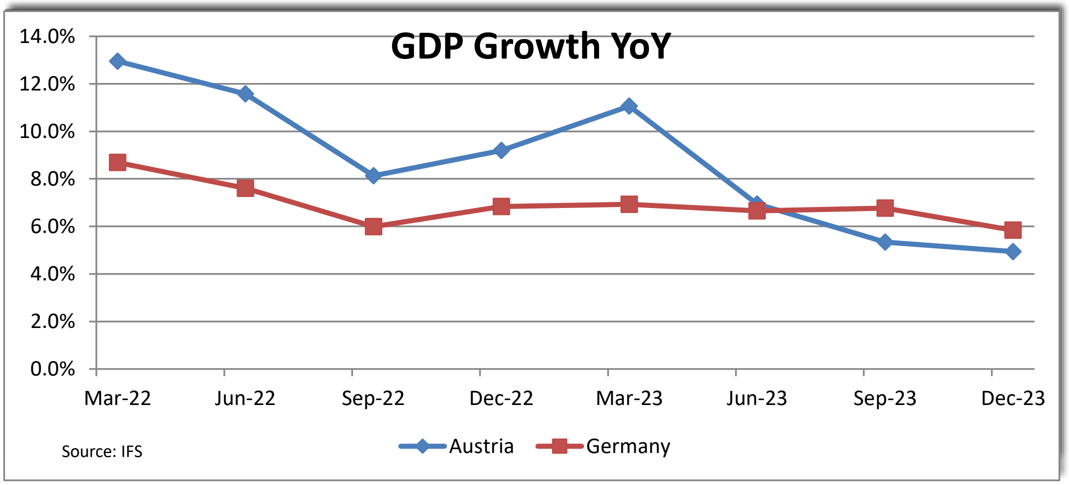
Economic Growth

The economic outlook suggests a gradual recovery from the current downturn, with growth expected to rebound slowly. The contraction experienced in 2023 was primarily driven by weakened domestic demand, which is anticipated to improve as inflation eases and financial conditions become more favorable. While the public deficit has decreased from its peak during the pandemic, it still remains relatively high. Economic activity has been slowing down since the latter half of 2022, primarily due to the softening domestic demand. Inflation has seen a significant uptick following the surge in energy prices triggered by the Ukrainian war outbreak.



Fiscal Policy

Real household consumption has been lackluster due to diminished purchasing power, with investment hindered by tighter financial conditions and labor shortages. Public finances have shown improvement post-pandemic, with budget deficits reducing from 8.0% in 2020 to an expected slight dip below 3% in 2024 and 2025. The public debt burden has also lessened from its peak, largely due to robust nominal GDP growth fueled by high inflation. The public debt burden is not expected to decrease substantially in the medium term, given the projected fiscal deficits.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Austria	-1.81	81.16	16.07
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
Belgium	-3.85	108.57	21.16
Italy	-6.85	151.35	69.77
Portugal	1.08	105.78	37.73

Sources: Thomson Reuters and IFS

Unemployment

The Austrian labor market has remained strong despite the slowing economy. In 2021, during the post-pandemic recovery, the unemployment rate steadily declined, reaching a historic low below 4.5% in early 2022. This was accompanied by gradual increases in labor force participation and employment rates, which surpassed pre-COVID levels. Concurrently, the job vacancy rate jumped to record-high levels. Wages have continued to increase in line with productivity, albeit more slowly than inflation.

Unemployment (%)	2022	2023
Austria	4.76	5.11
Germany	3.07	3.03
France	7.32	7.34
Belgium	5.58	5.53
Italy	8.08	7.67
Portugal	6.16	6.58

Source: Intl. Finance Statistics

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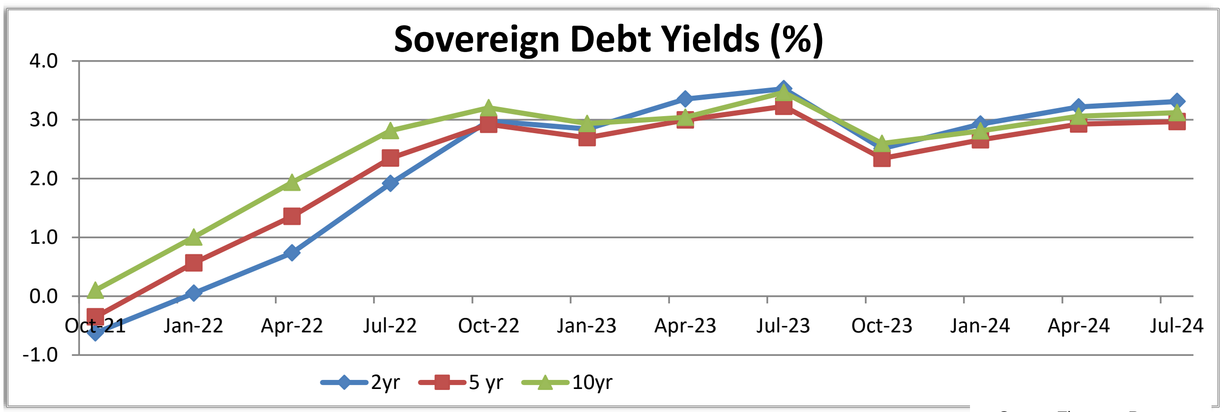
Banking Sector

High-inflation, subdued economic conditions, and monetary tightening in the Euro area have diminished financing activity and cooled the Austrian housing market further. Corporate loan growth halved in 2023 compared to 2022, and banks have become increasingly pessimistic about future economic prospects, leading to tighter lending standards. Despite these pressures, indicators suggest that Austria's banking sector remains in good shape.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
ERSTE GROUP BANK	337.2	5.34
RAIFFEISEN INTL	198.2	2.78
VOLKSBANK VORARLBERG	2.0	0.70
OBERBANK AG	27.8	17.76
Total	565.2	
EJR's est. of cap shortfall at 10% of assets less market cap		28.1
Austria's GDP		478.2

Funding Costs

The Austria 10-Year Government Bond Yield is currently trading around 3.02%. This yield represents the return investors receive for holding Austrian government bonds with a 10-year maturity. Looking ahead, analysts expect the Austria 10-Year Bond Yield to rise slightly to 3.03% by the end of the current quarter. This modest increase may reflect expectations of continued monetary policy tightening by the ECB to combat elevated inflation in the Eurozone.



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.

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Economic Freedom

As can be seen below, Austria is above average in its overall rank of 68.4 for Economic Freedom with 100 being best.

Heritage Foundation 2024 Index of Economic Freedom
World Rank 68.4*

	2024 Rank**	2023 Rank	Change in Rank	World Avg.
Property Rights	96.9	97.0	-0.1	#N/A
Government Integrity	74.8	80.9	-6.1	#N/A
Judical Effectiveness	94.8	95.2	-0.4	#N/A
Tax Burden	45.1	45.7	-0.6	#N/A
Gov't Spending	8.6	13.0	-4.4	#N/A
Fiscal Health	36.5	54.5	-18.0	#N/A
Business Freedom	81.9	78.5	3.4	#N/A
Labor Freedom	78.9	78.8	0.1	#N/A
Monetary Freedom	73.8	80.4	-6.6	#N/A
Trade Freedom	79.2	78.6	0.6	#N/A

*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

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Credit Quality Driver: Taxes Growth:
REPUBLIC OF AUSTRIA has grown its taxes of 4.5% per annum in the last fiscal year which is disappointing. We expect tax revenues will grow approximately 4.5% per annum over the next couple of years and 4.5% 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 a 5.5% growth in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions Yr 1&2	Yr 3,4,5
Taxes Growth%	5.4	4.5	4.5	4.5
Social Contributions Growth %	6.4	7.2	7.0	7.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	11.7	9.0	9.0
Total Revenue Growth%	6.4	6.2	5.5	5.0
Compensation of Employees Growth%	6.3	8.7	8.7	8.7
Use of Goods & Services Growth%	5.0	2.9	2.9	2.9
Social Benefits Growth%	4.4	6.9	6.9	6.9
Subsidies Growth%	(2.5)	(5.0)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.4	1.4	
Currency and Deposits (asset) Growth%	(8.2)	0.0		
Securities other than Shares LT (asset) Growth%	12.0	0.0		
Loans (asset) Growth%	(57.9)	(56.6)	4.5	4.5
Shares and Other Equity (asset) Growth%	(74.8)	(663.3)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	8.3	0.0		
Financial Derivatives (asset) Growth%	(18.0)	(4.8)	(4.8)	(4.8)
Other Accounts Receivable LT Growth%	(0.5)	(0.1)	(0.1)	(0.1)
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%	0.8	(0.7)	3.0	3.0
Currency & Deposits (liability) Growth%	(2.1)	4.4	4.4	4.4
Securities Other than Shares (liability) Growth%	9.1	10.4	7.3	7.3
Loans (liability) Growth%	(0.5)	0.3	0.3	0.3
Insurance Technical Reserves (liability) Growth%	2.8	(10.0)	3.0	3.0
Financial Derivatives (liability) Growth%	0.0	(3.6)	(3.6)	(3.6)
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

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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)

	2020	2021	2022	2023	P2024	P2025
Taxes	101,112	113,221	126,457	132,110	138,055	144,267
Social Contributions	61,078	64,237	67,793	72,707	77,796	83,242
Grant Revenue						
Other Revenue						
Other Operating Income	23,739	26,834	28,011	31,294	31,294	31,294
Total Revenue	185,929	204,292	222,261	236,111	247,145	258,804
Compensation of Employees	43,164	44,828	46,544	50,575	54,955	59,715
Use of Goods & Services	25,931	30,337	32,008	32,949	33,918	34,915
Social Benefits	93,333	97,350	100,731	107,677	115,102	123,039
Subsidies	18,956	18,807	11,767	11,180	11,181	11,182
Other Expenses				23,894	23,894	23,894
Grant Expense						
Depreciation	10,494	11,005	11,975	12,904	12,904	12,904
Total Expenses excluding interest	208,890	219,813	225,922	239,179	251,954	265,649
Operating Surplus/Shortfall	-22,961	-15,521	-3,661	-3,068	-4,808	-6,845
Interest Expense	5,117	4,490	4,213	5,577	5,657	5,738
Net Operating Balance	-28,077	-20,011	-7,875	-8,645	-10,466	-12,583

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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	2020	2021	2022	2023	P2024	P2025
Currency and Deposits (asset)	40,059	37,731	32,926	34,708	47,580	47,580
Securities other than Shares LT (asset)	4,845	4,666	3,451	4,013	4,013	4,013
Loans (asset)	-320	-796	396	172	180	188
Shares and Other Equity (asset)	182	1,000	-90	507	517	527
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	780	758	377	359	342	326
Other Accounts Receivable LT	30,461	31,462	32,929	32,899	32,869	32,839
Monetary Gold and SDR's						
Other Assets					122,832	122,832
Additional Assets	118,730	135,013	110,270	122,832		
Total Financial Assets	194,737	209,834	180,259	195,490	208,333	208,305
LIABILITIES						
Other Accounts Payable	35,829	38,840	38,128	37,873	39,009	40,179
Currency & Deposits (liability)	1,730	1,779	1,853	1,934	1,934	1,934
Securities Other than Shares (liability)	323,653	326,125	276,345	305,077	327,281	351,100
Loans (liability)	48,480	45,696	42,988	43,124	53,590	66,173
Insurance Technical Reserves (liability)	119	120	120	108	111	115
Financial Derivatives (liability)	1,030	619	996	960	925	892
Other Liabilities	13,622	13,974	14,409	14,519	14,519	14,519
Liabilities	424,463	427,153	374,839	403,595	426,904	439,460
Net Financial Worth	-229,726	-217,319	-194,580	-208,106	-218,572	-231,155
Total Liabilities & Equity	194,737	209,834	180,259	195,489	208,333	208,305

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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 "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 #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.

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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%	4.5	8.5	0.5	A+	A+	A
Social Contributions Growth %	7.0	10.0	4.0	A+	A+	A+
Other Revenue Growth %		3.0	(3.0)	A+	A+	A+
Total Revenue Growth%	5.5	7.5	3.5	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**

Aug 16, 2024

Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

Aug 16, 2024

Steve Zhang
Senior Rating Analyst

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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.

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