MOODY'S RATINGS

Rating Action: Moody's Ratings affirms Raiffeisen Bank International's A1 deposit and senior unsecured debt ratings, outlook stable

01 Aug 2024

Frankfurt am Main, August 01, 2024 -- Moody's Ratings (Moody's) has today affirmed Raiffeisen Bank International AG's (RBI) A1 long-term deposit and senior unsecured debt ratings; the rating outlook remains stable. Concurrently, we have affirmed the bank's Baa2 junior senior unsecured debt and subordinate debt ratings, as well as the (P)A1 senior unsecured, (P)Baa2 junior senior unsecured and (P)Baa2 subordinate MTN program ratings. Furthermore, we affirmed RBI's Ba2(hyb) non-cumulative preferred stock rating, its P-1 short-term deposit ratings and its A1/P-1 long- and short-term Counterparty Risk Ratings (CRR). In addition, we affirmed the Baa2 senior subordinate debt rating of Raiffeisen Zentralbank Oesterreich AG, an entity assumed by RBI.

We also affirmed RBI's baa3 Baseline Credit Assessment (BCA), its baa2 Adjusted BCA and the bank's A1(cr)/P-1(cr) long- and short-term Counterparty Risk Assessment (CR Assessment).

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL493738 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

AFFIRMATION OF RBI'S BASELINE CREDIT ASSESSMENT

The affirmation of RBI's baa3 BCA reflects the strong operational performance of RBI's banking operations in its core countries, including its increased capitalization and profitability, which sufficiently mitigates inherent risks from the uncertainties associated with RBI's adjourned exit from its nonetheless shrinking Russian operations. The baa3 BCA further considers the group's liquidity management, which limits maturity transformation risks and defensively manages liquidity buffers.

Over the past two years RBI has shored up its capital and liquidity levels that enable the bank's financial profile to absorb the projected costs even if the exit from Russia occurs under unfavorable terms. In parallel, we expect that the bank contains its exposure to commercial real estate lending, a moderate increase in problem loans and loan loss provisions to remain low.

The bank continues to negotiate a sale of a majority stake in its Russian subsidiary, which would allow it to deconsolidate the local operations from group accounts and reduce reputational and sanction risks associated with the management of potentially conflicting stakeholder interests. The sale process for the group's Russian subsidiary has remained unresolved for more than two years, and RBI's plan to repatriate excess capital through an in-kind dividend payment has been called off because RBI has not been able to derive sufficient comfort concerning sanctions and compliance risks from its stakeholder dialogues.

AFFIRMATION OF RBI'S ADJUSTED BCA

The affirmation of RBI's baa2 Adjusted BCA reflects the affirmation of the bank's baa3 BCA and our assessment that the probability of support from Austria's Raiffeisen Bankengruppe (RBG) remains unchanged. This reflects RBI's role as RBG's central institution and its membership of RBG's federal institutional protection scheme (IPS). The IPS is designed to provide liquidity and capital support for its members, in addition to its role as a deposit guarantee scheme.

AFFIRMATION OF RBI'S RATINGS

The affirmation of RBI's ratings reflects the affirmation of its Adjusted BCA and the unchanged results of our Advanced Loss Given Failure (LGF) analysis. This analysis focuses on the domestic resolution perimeter of RBI and excludes the bank's international subsidiaries. These are neither members of the IPS nor of the resolution perimeter defined by resolution authorities. The latter reflects the multiple point of entry setup of the group for resolution purposes.

RBI's deposits and senior unsecured debt benefit from ample subordination provided by junior senior unsecured debt as well as by Tier 2 and Additional Tier 1 capital instruments, which results in three notches of rating uplift.

Furthermore, we continue to assume a moderate probability of support from the Government of Austria (Aa1 stable) for RBI's senior unsecured and higher-ranking liabilities, reflecting the systemic relevance of the bank, and which results in one notch of rating uplift.

OUTLOOK

The stable outlook on RBI's long-term deposit and senior unsecured debt ratings reflects our view that RBI's and RBG's financial profiles and RBI's liability structure will remain broadly unchanged over the next 12 to 18 months. The stable outlook also reflects our expectation that RBI will not achieve a full exit from Russia during the outlook horizon, although the ongoing wind-down and partial sale negotiations will lead to a significant exposure reduction.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

RBI's ratings could be upgraded in case of an upgrade of the bank's Adjusted BCA, which incorporates the financial strength of RBG, of which RBI is the central institution. The bank's junior senior unsecured and lower-ranking liabilities could also be upgraded in the case of additional issuances of junior senior unsecured debt, subordinated debt or Additional Tier 1 capital instruments, in volumes beyond our current expectations.

RBI's BCA could be upgraded if the bank increases its solvency back to a level last achieved in 2021, for example as a result of a significant reduction of exposure to reputational and sanctions risk in conjunction with sustained profit generation.

RBI's ratings could be downgraded in case of a downgrade of its Adjusted BCA, which could be triggered by a material weakening of RBG's financial profile, which reflects the financial strength of all three group layers, i.e. RBI, the regional Raiffeisenlandesbanks and the local primary Raiffeisen banks. RBI's ratings could also be downgraded in case of a material decrease of RBI's bail-in-able debt, in particular its capital instruments, such that it increases the loss severity and leads to fewer notches of rating uplift under our Advanced LGF analysis.

RBI's BCA could be downgraded in case its fully accessible capital and liquidity held in Austria and its other core countries were to weaken, for example due to unexpected material failures in complying with requirements from authorities or due to significant reputational damage.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at https://ratings.moodys.com/rmc-documents/409852 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL493738 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• EU Endorsement Status

• UK Endorsement Status

• Rating Solicitation

• Issuer Participation

• Participation: Access to Management

• Participation: Access to Internal Documents

• Lead Analyst

• Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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Bernhard Held
VP - Senior Credit Officer
Financial Institutions Group
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Alexander Hendricks, CFA
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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