Raiffeisen Bank International AG

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Raiffeisen Bank International AG

SACP	bbb+

+

Support	0

+

Additional Factors	0

Anchor	bbb+	
Business Position	Adequate	0
Capital and Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Above Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB+/Positive/A-2

Group Credit Profile: The scores relate to the group credit profile of Raiffeisen Banking Group. We do not assess the SACP of Raiffeisen Bank International AG.

Major Rating Factors

Strengths:	Weaknesses:
• Benefits from institutional protection scheme as a member of the Raiffeisen Banking Group (RBG or the group). • Strong presence in Austria, Central and Eastern Europe (CEE), Southeastern Europe (SEE), and Russia in retail and commercial banking operations. • Above-average funding profile, owing to the group's strong retail deposit franchise.	• RBG's slower pace to adapt to changes in the operating environment than its main peers because of the complex group structure. • Tight margins in a highly competitive business in Austria and low efficiency of domestic operations. • Vulnerability to economic and political developments in Russia, CEE, and SEE.

Outlook: Positive

S&P Global Ratings' outlook on Raiffeisen Bank International AG (RBI) is positive. We continue to derive the ratings on RBI from our view that the bank is a core group member ofRBG and our expectation that the group's capitalization will improve over the next two years.

We would raise our rating on RBI if the group's capitalization improves materially, as reflected in our risk-adjusted capital (RAC) ratio increasing sustainably beyond 10%. A precondition for the upgrade would be a further asset quality improvement and cautious growth in higher-risk countries. This assumes also that we continue to see RBI as integral to RBG's identity and strategy, and that the rest of the group would support RBI under any foreseeable circumstances.

Although it is a more remote possibility, we could also raise the rating if we revised up our liquidity assessment for the group. It is rare among European banking groups that we consider liquidity to be a clear strength. RBG's consolidated liquidity metrics appear relatively impressive, but in our view they mask complexities from the decentralized structure and associated fungibility constraints. For an upgrade, we would, among other things, need to see that liquidity is a strength shared widely among group members.

We would most likely revise the outlook to stable if the group pursues an aggressive expansion strategy in foreign countries, or proves unable to improve efficiency over the next two years to defend its profitability by normalizing risk costs in the downturn of the cycle. Pronounced credit losses and weaker earnings in higher-risk regions, which could result in a material impact on capitalization, could also trigger a revision of the outlook to stable.

Rationale

We see a continued general positive momentum in RBG's performance, capitalization, and risk metrics. Low interest rates in Austria and some foreign markets remain a burden on performance, as the group derives more than two-thirds of its revenue from interest income, but bottom-line remains supported by growth in volume. Growth in some higher risk markets accelerated in the beginning of 2019, but, overall, we regard the group's growth policy as cautious and maintaining strict risk standards. Also, general improvement of the economic environments in most countries where the group operates, along with low risk costs and continued focus on working out nonperforming loans (NPLs) aids performance.

We expect that RBI will remain core for the group's strategy. While the group comprises numerous individual savings banks, as well as RBI and its network of subsidiaries, we regard the group as a cohesive economic entity and expect solidarity support among member banks in a crisis.

We equalize our ratings on RBI with the 'bbb+' group credit profile (GCP) of RBG. We do not assess a stand-alone credit profile (SACP) for RBI itself.

The GCP reflects the local Raiffeisen banks' strong domestic retail positions and RBI's strong competitive positions in corporate business in Austria, and in retail and corporate business in CEE, SEE, and Russia. At the same time, the assessment reflects the group's complex structure, which results in a somewhat slower reaction to a changing operating environment than that of peers and prevents the group from fully leveraging its size to gain efficiency. Also, group's revenue base is more prone to tail risks than that of most peers, given some revenue concentrations in higher risk countries.

We expect the group will remain adequately capitalized. We believe that our RAC ratio before diversification will increase, but, in our base case scenario, will remain below our 10% threshold over the next two years. Our main assumptions for the forecast are continued pressure on overall margins, normalizing risk costs at €450 million on average over the next two years, and continued strong growth in risk weighted assets at about 7% annually. We believe that capital buffer will continue to shield the group from tail risks in its foreign operations. Also, RBG's higher quality and granular loan portfolios in Austria somewhat balance riskier foreign operations.

We expect that funding will remain stronger than the peer average and liquidity will remain solid. RBG's strong retail deposit franchises in both the domestic and foreign markets provide funding stability and diversity. Given RBG's strong retail focus and very low wholesale funding proportion, we expect the group will remain resilient amid more challenging funding and liquidity markets in the medium term.

We anticipate that our current rating approach--based on RBG group support--will continue to lead to a higher rating outcome than our stand-alone assessment of RBI. Even though it is unlikely in the medium term, we could adjust this approach in future if uplift to our view of RBI's SACP under our additional loss-absorbing capacity (ALAC) methodology led to a higher issuer credit rating than that based on group support.

Anchor: Reflects economic risks in the domestic and international operations and industry risk in Austria

The 'bbb+' anchor for RBG is one notch lower than that of a purely Austrian group and draws on our view of the weighted-average economic risk in countries the group is exposed to. This is based on the distribution of exposure at default for RBG's customer loan portfolio at year-end 2018, spanning Austria (58%), Czech Republic (7%), Germany (6%), Slovakia (5%), and Russia (5%), with the rest split across Europe.

We do not anticipate any material shifts in RBG's operations over the next two years as the group has accomplished the restructuring of its foreign operations. Reflecting the group's higher risk from its geographic footprint than from purely domestic banks, we expect the anchor to remain sustainably lower than that of a purely Austrian bank. We expect that growth in higher risk markets will remain strong, but not to an extent to materially change the overall risk profile.

The industry risk score for RBG is based solely on its home market of Austria. We regard the country of domicile and its bank regulation as most relevant for the industry risk assessment for internationally active groups.

Table 1

Raiffeisen Banking Group Austria Key Figures

	--Fiscal year ended Dec. 31 --				
(Mil. €)	2018	2017	2016	2015	2014
Adjusted assets	298860	285052	278909	278847	284688
Customer loans (gross)	190566	192166	186955	185187	190475
Adjusted common equity	22658	19875	18720	18132	16314

Table 1

Raiffeisen Banking Group Austria Key Figures (cont.)

	--Fiscal year ended Dec. 31 --				
(Mil. €)	**2018**	**2017**	**2016**	**2015**	**2014**
Operating revenues	8552	8856	8701	9217	9381
Noninterest expenses	5435	5888	5881	5997	6535
Core earnings	2299	2016	1649	1442	132

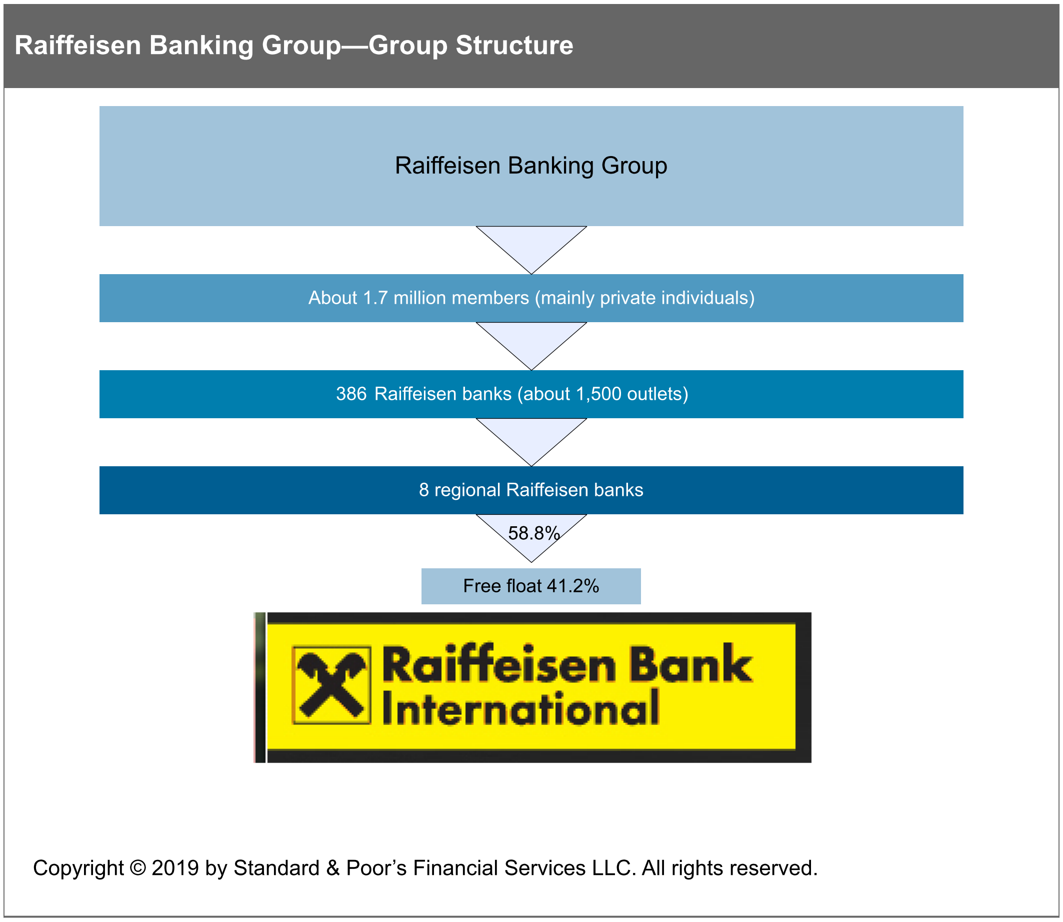
Business position: Largest banking group in Austria, with a strong footprint in CEE, SEE, and Russia

We view RBG's business position as adequate and in line with an average bank in Austria and other countries with similar industry risk environments (e.g., Germany, France, Belgium, the Nordics). This is owing to RBG's solid domestic market share in retail and corporate banking, particularly from the dominant and stable client base in the lower-tier Raiffeisen banks, and from RBI's strong position in various countries in CEE, SEE, and Russia.

RBG' three-tier structure comprises:

- Tier 1: 386 independent Raiffeisen banks;
- Tier 2: Eight independent regional Raiffeisen banks; and
- Tier 3: Its central institution, RBI, including its foreign subsidiaries.

Chart 1



Member banks of RBG enjoy high operational independence and there is by design only very limited joint management and steering concepts, tools, and processes. The set-up is furthermore complicated because of the specifics of the ownership shares and structure, diverging expectations of different shareholders on different group banks, and the fact that RBI itself has a high number of subsidiaries in many countries. In our view, these characteristics, together with lack of sufficient financial transparency in consolidated reporting disclosure (both externally and internally), hinder the group from fully leveraging its strong customer franchise and gaining benefits from economies of scale.

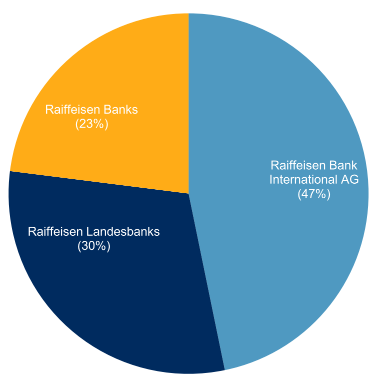
In our view, the group remains behind in terms of efficiency and speed of reaction to a changing operating environment compared with many of its foreign and domestic large peers (like Societe Generale, Credit Agricole, Germany's cooperative banking sector, Cooperatieve Rabobank, or Erste Group Bank). We expect no material changes to RBG's business position in the near future, as a deep organizational restructuring would be required for RBG to regain the higher-than-market-average business position that we often see when looking at countries' leading banking groups globally.

At the same time, we continue to regard RBG as a cohesive economic group and expect solidarity support among member banks in a crisis. The institutional protection schemes on the local and federal level cover only selected parts of RBG. However, each domestic member of the group is covered by one of the two schemes, which we consider to safeguard the overall cohesiveness of the group at a level that enables us to see the group as one risk unit. Given support structures in place, we don't think that the fact that the cooperative banks don't fully own RBI as limits the assessment.

Tier 1 and Tier 2 banks are predominantly active in Austria, with RBI being the group's gateway to the extended home markets in CEE, SEE, and Russia. The group has one of the densest and most diverse banking networks in the region, serving 14 million customers in 14 countries. This geographic diversification enables the group to generate sufficient revenue over the cycle, as demonstrated during the last financial crisis. In Austria, the group has about a 40% share of customer deposits; through RBI it also holds top-five market positions in 11 of 14 CEE markets, with a focus on standard retail and corporate banking activities.

Chart 2

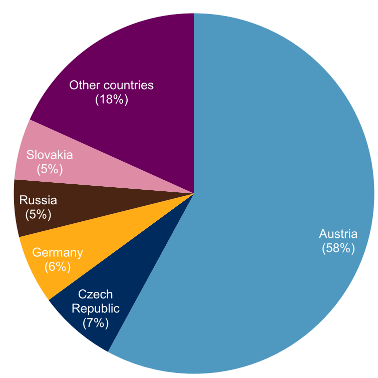
Raiffeisen Banking Group -- Breakdown Of Consolidated Assets
As of Dec. 31, 2019



Source: Company information.

Chart 3

Raiffeisen Banking Group -- Exposure On Default
Customer loans as of Dec. 31, 2018

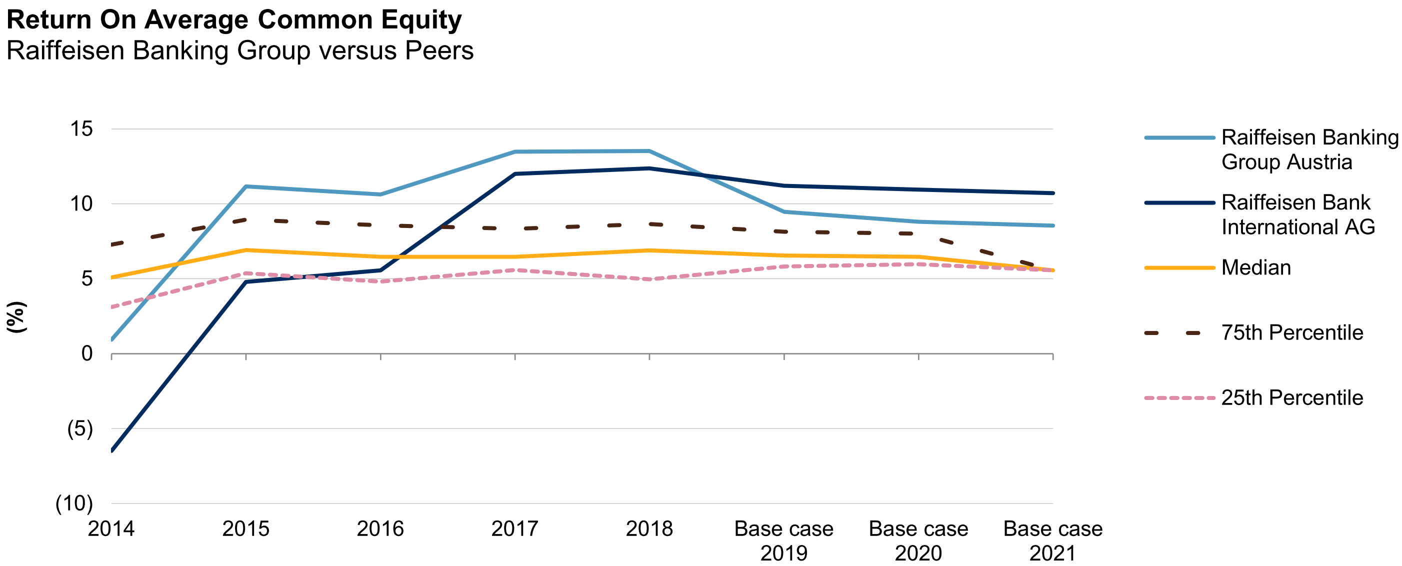


Source: Company information.

The balance of a relatively granular portfolio of corporate and retail lending in Austria with foreign operations provides diversification benefits and business position strength compared with many peers operating in environments with similar risk.

RBI's investment banking activities are minor and do not contribute materially to the group's overall results. RBG's focus on traditional banking, on the one hand, adds to the stability of the results, but, on the other hand, results in a high reliance on interest income generation and sensitivity to low interest rates. The bottom line is supported by low risk costs, but will come under pressure when risk costs normalize--leaving the management teams of the member banks with the urgent and challenging task of a material cost reduction to prepare for the downturn of the business cycle.

Chart 4



Peers compared here: Societe Generale; Commerzbank AG; Danske Bank A/S; OP Financial Group; BPCE; Caisse Centrale du Credit Mutuel; Credit Agricole S.A.; Cooperative Banking Sector Germany; Cooperatieve Rabobank U.A.; Erste Group Bank AG; UniCredit Bank AG; Desjardins Group.

Table 2

Raiffeisen Banking Group Austria Business Position

	--Fiscal year ended Dec. 31 --				
(%)	2018	2017	2016	2015	2014
Return on average equity	13.50	13.48	10.63	11.16	0.94

Capital and earnings: Adequate buffer against risks

As a group, RBG is not required to adhere to the regulatory capital ratios. Those apply only to single group members. There are no group members operating at a low margin to the minimum regulatory ratios and we expect that increasing regulatory capital requirements will keep pushing the group to have stronger capitalization. However, we note that the group's estimation of the Tier 1 regulatory capital ratio of 12% is materially below the peer average. RBI's subgroup 14.9% is stronger, but also remains below the peers.

Due to RBI's issuance of Tier 1 instruments and our expectations that retained earnings will outpace risk-weighted asset growth, we expect a further improvement of our RAC ratio for RBG, but we expect it to stay below our 10% threshold for a stronger assessment in the next two years in our base-case scenario. We project only marginal growth in higher-risk countries and risk costs below our view of normalized losses over the cycle. Year-end 2018 RAC was 9.3%.

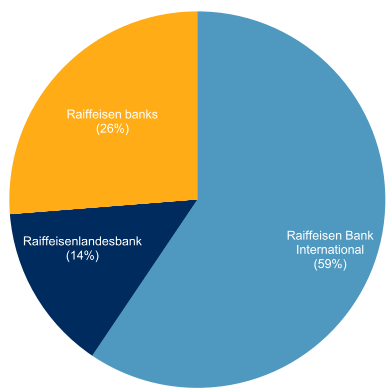
We expect that the operating environment in the group's biggest core markets will remain stable, facilitating the generation of steady earnings from its traditional customer-led retail and corporate customer business. We expect the pace of the improvement in efficiency to be slow, but steady.

We project RBG's three-year average earnings buffer, which measures the capacity for a bank's earnings to cover normalized losses, at 40-50 basis points (bps), which is low relative to the median of 90-100 bps for the largest European banks. However, we anticipate that internal earnings accumulation will be sufficient to support the single-digit growth that management targets and to uphold the capital buffer in the next two years, absent unexpected high-impact adverse events.

In our base case, we believe the situation in riskier countries remains manageable and is highly unlikely to lead to losses at the aggregated RBG level. However, RBG's earnings remain sensitive to economic and political developments outside Austria. The main risk in terms of foreign exposure remains Russia. At the same time, the Russian operations have been so far remarkably resilient, also in the years of the downturn in the Russian operating environment.

Chart 5

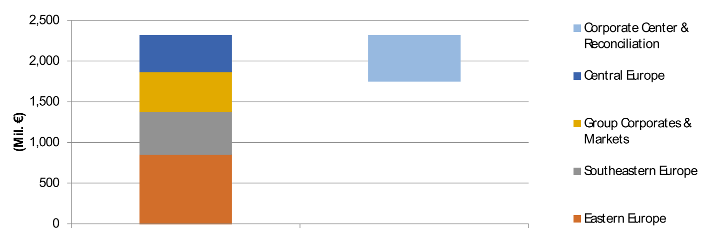
Raiffeisen Banking Group -- Profit Before Taxes In Group



Source: S&P Global Ratings.

Chart 6

Raiffeisen Bank International -- Geographic Breakdown Of Profit before Taxes (2018)



Source: S&P Global Ratings.

Table 3

Raiffeisen Banking Group Austria Capital And Earnings					
	--Fiscal year ended Dec. 31 --				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
S&P RAC ratio before diversification	9.32	8.67	8.24	7.4	6.44
S&P RAC ratio after diversification	9.15	8.68	9	8.61	7.48
Adjusted common equity/total adjusted capital	95.23	100	100	100	100
Net interest income/operating revenues	68.04	66.36	68.13	68.63	73.08
Fee income/operating revenues	24.46	30.39	29.12	27.67	27.52
Market-sensitive income/operating revenues	3.88	1.17	2.71	1.55	-0.61
Noninterest expenses/operating revenues	63.55	66.49	67.59	65.06	69.66
Preprovision operating income/average assets	1.06	1.05	1.01	1.14	1.00
Core earnings/average managed assets	0.79	0.71	0.59	0.51	0.05

Table 4

Raiffeisen Banking Group Austria Risk-Adjusted Capital Framework Data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	62,007	3,442	6	10,667	17
Of which regional governments and local authorities	9,268	271	3	547	6
Institutions and CCPs	37,734	5,701	15	8,942	24
Corporate	104,959	81,498	78	100,642	96
Retail	92,115	49,611	54	50,320	55
Of which mortgage	62,832	25,110	40	18,896	30
Securitization§	351	339	97	278	79
Other assets†	14,541	8,948	62	17,563	121
Total credit risk	311,707	149,539	48	188,412	60
Credit valuation adjustment					
Total credit valuation adjustment	--	744	--	0	--
Market Risk					
Equity in the banking book	5,222	6,763	130	46,673	894
Trading book market risk	--	4,784	--	8,139	--
Total market risk	--	11,548	--	54,812	--
Operational risk					
Total operational risk	--	15,408	--	12,068	--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	177,238	--	255,291	100
Total Diversification/ Concentration Adjustments	--	--	--	4,744	2
RWA after diversification	--	177,238	--	260,035	102
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		21,365	12.1	23,793	9.3
Capital ratio after adjustments‡		21,365	12.0	23,793	9.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31 2018, S&P Global Ratings.

Risk position: In line with peer average

We think that group's risk profile is overall in line with that of its main peers. We think the group is more sensitive to adverse scenarios than most of its peers, reflecting higher focus on operations in higher risk countries, but in our opinion, the comfortable capital buffer sufficiently shields the group from unexpected risks. Also, risks from foreign operations and high complexity of the group structure are balanced by the group's very low domestic risk profile, prudent risk management, and continued focus on asset quality improvement.

We expect the group's domestic operations to grow in line with the economy in the next two years. We expect that overall foreign growth will remain strong, but not to the extent it would trigger a worsening of the group's risk profile or other components of the GCP.

The independent Tier 1 and Tier 2 banks generally only operate in their own regions and are constrained by their own limits on single exposures. As a result, the group's concentration by single names mostly reflects RBI's large loans. On an aggregated basis, the single-name and sector concentrations in the loan book are low. Reflecting the high granularity of traditional banking operations, we think that the loan book will remain widely diversified geographically, and by sector and single name.

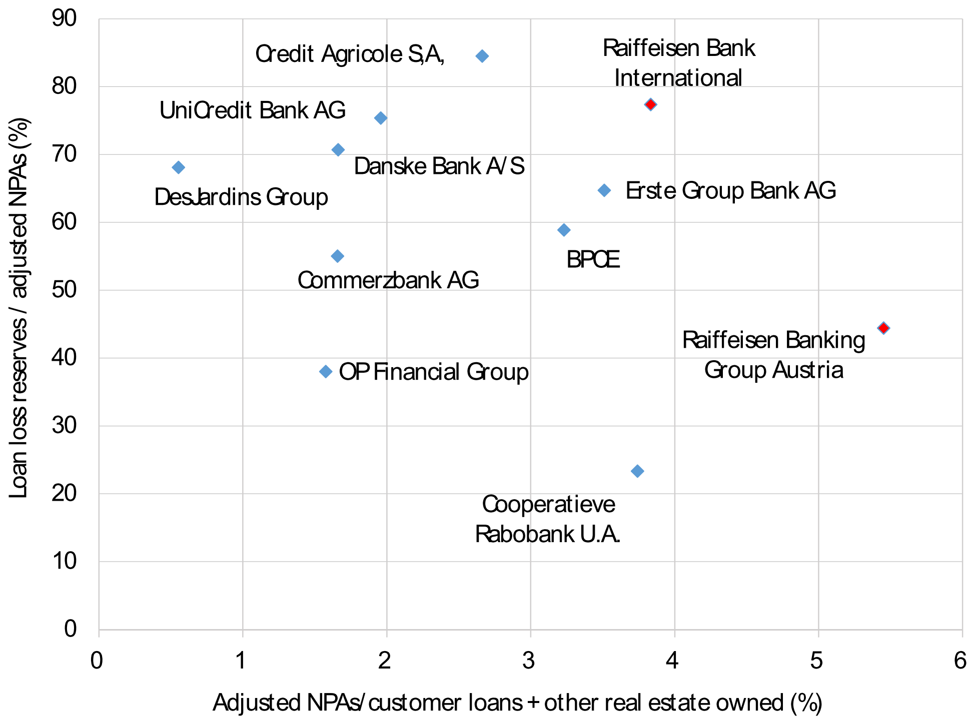
At the same time, our RAC ratio cannot fully capture the complexity of RBG's business model, spread across different countries and different independent tiers. The group's activities in higher risk foreign markets expose RBG not only to credit risk, but also to substantial market, operational and geopolitical risks.

Furthermore, the group's structure results in relative complexity in the monitoring of the consolidated group risk profile. Risk profiles across group members differ, given each bank's independent risk strategy. The situation is somewhat mitigated by the fact that the scope for risk monitoring is broadly influenced by the joint risk unit. Within several consolidated risk-monitoring schemes, member banks provide a set of data on a regular basis to the respective risk-monitoring units. Monitoring, however, as we understand, largely relates to a small set of metrics.

RBG's NPLs represented 5.4% of the customer loan book at year-end 2018, which is weaker than the peer average of banking groups operating in similar economic risk environments. However, this proportion is driven by the Austrian part of the operations, and we think that it is not a reflection of poorer asset quality, but more the result of a different managerial approach (with longer, but effective own work out of impaired loans).

Chart 7

Raiffeisen Banking Group -- Asset Quality Comparison With Peers'



NPA--Nonperforming asset. Source: S&P Global Ratings.

We consider that the group's market and operational risks are adequately managed and sufficiently covered by the capital buffer.

Table 5

Raiffeisen Banking Group Austria Risk Position

	--Fiscal year ended Dec. 31 --				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	(0.83)	2.79	0.95	(2.78)	(0.31)
Total managed assets/adjusted common equity (x)	13.22	14.39	14.94	15.42	17.50
New loan loss provisions/average customer loans	0.09	0.21	0.36	0.73	1.10
Gross nonperforming assets/customer loans + other real estate owned	5.45	5.22	7.00	6.33	6.59
Loan loss reserves/gross nonperforming assets	44.43	49.34	57.44	84.38	86.02

Funding and liquidity: Above-average funding thanks to a strong retail deposit franchise

We continue to reflect the stability of RBG's granular retail funding base and its moderate reliance on wholesale funding in our assessment of its above-average funding. We see liquidity as solid but not a clear strength.

We base our assessment on the sizable surplus funding of the majority of local Raiffeisen banks. These banks' funding comes chiefly from the deposits of retail and smaller corporations, and they typically display loan-to-deposit ratios well below 100%, supported by a strong franchise and broad branch network.

We also recognize that solidarity among the banks in the Raiffeisen group adds stability to the members' funding profiles. We do not consider that short-term bank deposits from intragroup banks are available stable funding for calculation purposes. Therefore, the group's stable funding ratio of 114% in 2018 does not fully capture ongoing group support from RBG placing excess liquidity from client deposits at Tier 1 banks with RBI. We expect the group to continue benefitting from the solid reputation of both its Austrian and foreign operations, which contributes to the gradual increase of the deposit base and better deposit pricing power than many competitors.

RBG's loan-to-deposit ratio was a strong 81% as of end-2018, also supported by the self-sufficiency of most of the foreign operations.

RBI has demonstrated its ability to access wholesale markets and make private placements through the cycle. As RBG's central institution, RBI benefits from the group's ongoing placement of excess liquidity, but also from its own focus on retail and corporate deposits in foreign markets. RBG's dependence on wholesale funding (defined as interbank, unsecured, and secured debt issues) is much lower than the peer average. Short-term wholesale funding was only 5.7% at end-2018. This supports our strong funding assessment. At the same time, it makes our very high key liquidity metric--RBG's ratio of coverage of short-term wholesale funding by broad liquid assets of 4.4x at end-2018--of more limited analytical value for the group than for many peers. What is more important, we cannot assume full fungibility of liquidity within the RBG network. Overall, we regard the liquidity management of the group as prudent and we understand the group established stringent stress testing of its liquidity).

Table 6

Raiffeisen Banking Group Austria Funding And Liquidity

	--Fiscal year ended Dec. 31 --				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	89.93	78.35	77.07	74.11	69.2
Customer loans (net)/customer deposits	80.69	94.9	94.73	96.15	103.16
Long term funding ratio	94.75	90.59	91.05	88.92	85.54
Stable funding ratio	114.41	104.84	105.18	103.3	98.64
Short-term wholesale funding/funding base	5.74	10.17	9.65	11.91	15.41
Broad liquid assets/short-term wholesale funding (x)	4.42	1.95	2.09	1.75	1.35
Net broad liquid assets/short-term customer deposits	44.47	15.41	17.08	15.11	9.6
Short-term wholesale funding/total wholesale funding	54.65	46.98	42.09	46	50.02

Support: Group support drives the ratings on RBI

RBI is the group's central institution. We view its role as core for the group's strategy, and that it is highly likely to benefit from the group's support mechanisms if needed. This group relationship is the basis underlying our approach of equalizing our ratings on RBI with the 'bbb+' GCP of RBG.

We anticipate that our current rating approach--based on RBG group support--will continue to lead to a higher rating outcome than our stand-alone assessment of RBI, even if it is supported by material bail-in buffer accumulation in the next four years. Nevertheless, we could adjust this approach in future if uplift under our ALAC methodology to our view of RBI's stand-alone intrinsic strength led to a higher rating than one based on group support.

Our ratings on RBI are based on the group's aggregate creditworthiness, since we consider member banks to be a group of integrated institutions, although they are legally independent. We consider the group as a cohesive economic entity despite its decentralized organization and the high operational flexibility of the member banks. Our view primarily reflects the groupwide cross-guarantee scheme, and the institutional protection scheme at the national level, including group-based regulatory oversight.

Our bbb+ assessment of the GCP of RBG includes no uplift for external support, for two reasons:

- As for most other European markets, we now see the prospects for extraordinary government support as uncertain in Austria, given the move to use the new bank resolution framework to deal with failing banks and constraints on the conditions under which taxpayer support can be provided.
- We do not anticipate a bail-in led resolution strategy that would seek to avoid the default of senior liabilities across RBG group entities.

While we still lack final details and clarity on the resolution process for the group, our base-case expectation is that RBI would follow a separate resolution path, and that the group's cross-guarantee mechanism effectively ceases to exist once the regulator deems one of the members as likely to default.

We understand that the regulators would apply resolution tools to some of the individual institutions within RBG, but not to the group as a whole. For individual cooperative banks, it seems unlikely that they would be subject to a well-defined bail-in resolution process, given their small size, limited complexity, and low systemic importance as stand-alone entities. By contrast, as a systemic banking institution in Austria, we expect that the resolution authorities would want to pursue a bail-in led resolution strategy for RBI that could avoid a default on its senior obligations. This resolution strategy could encompass also many of RBI's subsidiaries across CEE as they are likely perceived as systemically important in their own markets.

While RBI and its subgroup entities will likely increase their bail-in buffers over time, we consider it unlikely that a rating view based on RBI's own creditworthiness plus uplift in recognition for those bail-in buffers would lead to a higher rating outcome than the current group support-based outcome.

Additional rating factors: None

No additional factors affect this rating.

Subordinated and hybrid issue ratings

The ratings on the subordinated and hybrid issues reflect our analysis of the instruments and our 'BBB+' issuer credit rating on RBI.

In most cases, when rating subordinated and hybrid instruments, we notch down from the issuer SACP, as we believe that this approach is more reflective of the instruments' risks. However, for RBI, we use our issuer credit rating as starting point for the notching of its subordinated and hybrid instruments. This is because we believe that RBG's group support will extend to RBI's subordinated and hybrid issues.

The rating triggers for the hybrid instruments are the same as for the issuer credit rating. This rating approach will remain in place unless we come to believe that group support is unlikely to be available for RBI's subordinated and hybrid instruments. In that case, we would do an SACP analysis for RBI and notch down from RBI's SACP to derive the ratings on the subordinated and hybrid instruments.

Additional Tier 1 hybrid instruments (XS1640667116)

At 'BB', the issue rating stands four notches below the issuer credit rating. We derive this four-notch difference as follows:

- One notch because the notes are contractually subordinated;
- Two notches as the notes have Tier 1 regulatory capital status; and
- One notch because the notes include a mandatory contingent capital clause that could lead to the full or partial temporary write-down of the principal amount.

The instrument has the mandatory write-down, linked to a regulatory common equity Tier 1 (CET1) ratio of 5.125% of the consolidated RBI or the issuer level. We treat this mandatory trigger as a "nonviability" trigger and don't apply additional notching to this instrument. The reason for this is that Basel III requirements and market expectations will likely require many banks to operate with significantly higher capital than a CET1 ratio of 5.125% implies.

We classify the notes as having intermediary equity content. This reflects our understanding that the notes are perpetual, regulatory Tier 1 capital instruments that have no step-up. The payment of coupons is discretionary and the notes can additionally absorb losses on a going-concern basis through the write-down feature and the non-payment of coupons.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
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Related Research

- The Austrian Banking System Is Likely To Remain Resilient In A Downturn, Nov. 23, 2018
- Various Rating Actions Taken On Five Austrian Banks On Reduced Industry Risk, May 30, 2018
- Austrian Raiffeisen Bank International Outlook Revised To Positive On Derisking And Improving Fundamentals, May 30, 2017

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of June 27, 2019)*

Raiffeisen Bank International AG	
Issuer Credit Rating	BBB+/Positive/A-2
Junior Subordinated	BB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
30-May-2017	BBB+/Positive/A-2
26-Jan-2017	BBB+/Negative/A-2
02-Jun-2016	BBB/Developing/A-2
09-Jun-2015	BBB/Negative/A-2
03-Feb-2015	A-/Watch Neg/A-2
13-Aug-2014	A-/Negative/A-2
Sovereign Rating	
Austria	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.