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Raiffeisen Bank to Cut Back Operations in Russia, Pull Out of Poland

By The Moscow Times

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A Raiffeisen Bank International logo is pictured next to a traffic sign in Vienna, Jan. 16, 2015.

VIENNA — Raiffeisen Bank International plans to sell operations in Poland and Slovenia and cut back in Russia in a radical overhaul to help shrink its balance sheet and hit a core capital ratio of 12 percent by the end of 2017, it said.

Burned by hits in Ukraine and Hungary, emerging Europe's number two lender also announced a preliminary 2014 loss of 493 million euros ($558 million), lagging the average estimate of 455 million in a poll of analysts, and said it would not pay an equity dividend on 2014 results.

In an eagerly awaited strategy update, the Austrian lender said it aimed to boost its fully loaded common equity Tier 1 capital ratio from 10.0 percent of risk-weighted assets (RWAs) at the end of 2014.

Its supervisory board must still approve the measures.

Its biggest move is selling operations in Poland, where it is a top-eight player after acquiring Polbank in 2012 in a move that never lived up to its billing. It made 84 million euros in Poland last year, well short of initial projections.

In slides prepared for an analyst presentation, it said staying to participate in Poland's market consolidation would require substantially more financial resources.

Market sources had said in December that Raiffeisen may sell the Polish bank, which Deutsche Bank analysts have called Raiffeisen's "only saleable asset with a significant positive impact on capital." Poland also has Raiffeisen's biggest exposure to Swiss franc mortgages.

Raiffeisen will cut exposure in Russia, which was its single most lucrative market with profits of 342 million euros last year, but where a faltering economy has eaten into capital. RWAs there are set to fall by a fifth by end-2017 from 8.4 billion euros at the end of 2014.

It will also sell its Slovenia business and its Zuno direct bank, scale back loss-making units in Ukraine and Hungary, and slash or exit business in Asia and in the U.S.

"The implementation of these measures will result in an aggregate gross risk-weighted asset reduction in the selected markets of approximately 16 billion euros by end-2017," it said, adding it expected the cuts to be partially offset by growth in other business areas.

Raiffeisen had ruled out seeking more Austrian state aid or raising more capital after tapping investors for 2.8 billion euros in a rights issue a year ago which diluted parent Raiffeisen Zentralbank's stake to 61 percent.

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