Rating Action: Raiffeisen Bank SA

Moody's downgrades RZB AG's long-term ratings to A1 from Aa2

BFSR and preferred stock ratings downgraded to D+ negative and Baa1 negative, respectively

Frankfurt, April 01, 2009 -- Moody's Investors Service today downgraded the long-term debt and deposit ratings of Raiffeisen Zentralbank Oesterreich (RZB) to A1 from Aa2 and its bank financial strength rating (BFSR) to D+ (mapping to a Baa3 Baseline Credit Assessmet "BCA") from C (A3 as BCA). The Prime-1 short-term rating was affirmed. The outlook on the long-term debt and deposit ratings is stable, while the BFSR carries a negative outlook.

The rating changes reflect Moody's expectation that the persistent turmoil in international capital markets is likely to have an increasingly adverse effect on RZB's core markets in Central & Eastern Europe (CEE) and will exert pressure on asset quality, capital ratios, revenues and earnings. RZB's performance is heavily dependent primarily on the corporate and retail banking franchises that the group has successfully established in the region. At 30 June 2008, about 60% of RZB's risk-weighted assets and 91% of its pre-tax profits came from CEE, with Ukraine and Russia being the most important markets, followed by Romania, Slovakia, Poland, and Serbia amongst others.

As a result, Moody's expects losses on RZB's core loan portfolios throughout 2009 and beyond to weaken the bank's risk profile to a level that is below of what is typically required for a BFSR in the C range, and that the respective downside risk for RZB's risk-adjusted profitability and equity ratios is better reflected by the D+ rating. Under the new rating level, and based on the assumption that RZB's capital ratios will temporarily benefit from an additional EUR1.75 billion capital injection from the Republic of Austria, the bank has the capacity to absorb further write-downs of roughly EUR 4 billion on its exposures.

"RZB has built well-performing banks in CEE with good long-term perspectives. Nonetheless, the recent economic uncertainty and ongoing instability inherent in many of these markets may slow down revenue and earnings streams and significantly affect further asset quality," says Dominique Nutolo, a Frankfurt-based Moody's Assistant Vice President-Analyst, and lead analyst for RZB.

Moody's remains concerned that (i) these economic volatilities and uncertainties may be particularly pronounced among some of RZB's core markets, such as Russia and Ukraine, and that this is combined with a sizeable exposure to the less granular corporate sector, and (ii) given the nature of this exposure, the predictability of expected losses or write-down requirements is more challenging. This higher degree of rating migration is therefore also reflected in the rating and the negative outlook.

On a more positive note, Moody's notes favourably that RZB's exposures to those asset classes most affected by the crisis -- i.e. structured credit products -- are relatively small and should not have a disproportionate impact on RZB's earnings, capital or liquidity.

The A1 senior debt and deposit ratings incorporate Moody's opinion that the bank is of high systemic importance and is therefore very likely to receive the support of the Republic of Austria in the event of distress; although a major proportion of RZB's operations is located outside Austria and the bank has low retail exposure in its home market. The ratings also reflect the fact that the bank's franchise profile should allow for its return to stronger financial fundamentals and sustainable profitability within a moderate timeframe.

In line with the downgrade of RZB's debt rating, Moody's downgraded RZB's preferred stock rating to Baa1 from A1. The rating also reflects a wider notching differential due to the downgraded BFSR.

RATING ACTIONS ON SUBSIDIARIES OF RZB

Following the rating action on RZB, the ratings of its subsidiaries were affected as follows:

- ZAO Raiffeisenbank (RZB's subsidiary in Russia): local and foreign currency ratings for long-term deposits downgraded to Baa3 from Baa1, following the downgrade of RZB's BFSR to D+ (negative). The short-term deposit rating was downgraded to P-3 from P-2. The bank's senior unsecured debt rating was downgraded to Baa3, and the subordinated debt rating was downgraded to Ba1. The ratings carry a negative outlook, in line with the outlook on RZB's BFSR.

- Raiffeisen Bank Aval (Aval, RZB's subsidiary in Ukraine): long-term local currency deposit rating remains unchanged at Ba1 as it is constrained by the local currency deposit ceiling for Ukrainian banks. The bank's local currency debt rating has been downgraded to Baa3 from Baa2. Aval's foreign currency deposit rating also remains unchanged at B2 (on review for possible downgrade, in line with the sovereign ceiling) as it is constrained by the foreign currency deposit ceiling for Ukrainian banks. Aval's local currency deposit rating carries a stable outlook; the local currency debt rating carries a negative outlook in line with the outlook on RZB's BFSR.

- Raiffeisen Bank S.A. (majority-owned Romanian Subsidiary): long-term and short-term local currency deposit ratings downgraded to Baa2/Prime-2 from A3/Prime-1. Moody's deposit ratings for Raiffeisen Bank S.A. incorporate a 3-notch uplift from its Ba2 BCA based on a very high probability of support from its ultimate parent, RZB (which now has BCA of Baa3, mapped from the new D+ BFSR) and a high probability of systemic support. Moody's has placed a negative outlook on the local currency deposit ratings of Raiffeisen Bank S.A. in line with the negative outlook change on the parent's BSFR. The Baa3/Prime-3 foreign currency deposit ratings with stable outlook remain unaffected as they are constrained by the foreign currency deposit ceiling for Romanian banks.

- Raiffeisenbank (Bulgaria) EAD: long-term and short-term local currency deposit ratings of RZB's majority-owned Bulgarian subsidiary Raiffeisenbank downgraded to Baa3/Prime-3 from Baa1/Prime-2. Raiffeisenbank's deposit ratings incorporate an uplift from its Ba1 baseline credit assessment as a result of a high probability of support from its indirect parent, RZB. Raiffeisenbank's Baa3 long-term local and foreign currency deposit ratings were assigned a negative outlook, in line with the negative outlook for its D+ BFSR.

- Tatra banka (Slovakia): long-term local and foreign currency deposit ratings of Tatra banka downgraded to A2 from A1, with a stable outlook. The C- BFSR and the Prime-1 short-term deposit rating were not affected.

Moody's previous rating action on RZB AG was implemented on 17 September 2007, when it assigned an Aa2 issuer rating to the bank.

The principal methodologies used in rating RZB AG are "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found on <A href="http://www.moodys.com">www.moodys.com</A> in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating RZB AG can also be found in the Credit Policy & Methodologies directory.

RZB AG is domiciled in Vienna, Austria. At the end of June 2008, it had total consolidated assets of EUR159.2 billion and equity of EUR8.9 million, according to IFRS. The group's Tier 1 ratio was 6.3%, according to BIS standards. RZB reported consolidated pre-tax profits of EUR879 million and net income of EUR393 million in H1 2008.

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