

Burning the Bridge

Why Raiffeisen Bank must leave Russia



BANKTRACK

B4Ukraine 

December 2024

Introduction

On February 24th, 2022, Russia launched a full-scale illegal ground invasion of Ukraine, escalating an already ongoing decade-long war on the Ukrainian people. Over the past two and a half years, this campaign of military aggression has claimed the lives of hundreds of thousands of soldiers on both sides, killed tens of thousands of Ukrainian civilians, forced millions of people to flee their homes, and levelled Ukrainian cities across the country.¹

Next to providing extensive military support to the Ukrainian government, most Western countries have coordinated to economically punish Vladimir Putin's autocratic regime for its assault on Ukraine. More than 1000 companies,² too, have joined in this effort and have pulled out of Russia to avoid financing and legitimising this war of aggression.

Russia has been faced with coordinated, targeted sanctions and boycotts, which seek to deprive the Kremlin of the funding needed for its war effort. These measures also seek to amplify pressure on Putin's regime by de-normalizing the war in the eyes of the Russian population and ensuring the Kremlin faces diplomatic and economic isolation as a consequence for its invasion of Ukraine.

The Russian financial sector, too, has been severely affected by boycotts and sanctions. Russian banks have been removed from the payment network SWIFT and “disconnected from the international financial system”, making it much harder for their Russian customers to do business abroad.³ Additionally, most large Western banks have ended their Russian operations and stopped serving retail customers in Russia by selling or shutting down their Russian units: France's Société Générale sold its Russian business in April 2022, while the US' Citigroup, which started reducing its Russian services immediately after the invasion, closed its last branch in November 2024.⁴

However, despite the legal, financial, reputational, and operational risks, a few Western banks and financial institutions continue to do business in Russia. They provide the financial architecture enabling the war on Ukraine and propping up the Russian economy; they pay hundreds of millions in taxes to the Russian regime, some of which is allocated to Russia's defence sector; and they are forced to assist in sending their employees to the frontlines as soldiers. These banks also knowingly or unknowingly play a significant role in weakening global economic pressure on Russia by allowing their customers to do business abroad and escape the conditions

of the Russian economy. Research by the Centre for European Policy Analysis suggests that if this economic pressure on Russia is not increased, Ukraine could be at serious risk in its attempts to defend itself from Russian aggression.⁵

Our research shows that Austria's **Raiffeisen Bank International (RBI)** in particular maintains a disproportionate presence in Russia, with most recent figures indicating that it **continues to turn more profit and pay more taxes in Russia than all other remaining Western banks put together**. This report examines the crucial role RBI is playing in Russia, showing that:

- RBI has maintained relationships with and provided services to Russian oligarchs and pro-Putin politicians both before and after the invasion of Ukraine,
- RBI has been subject to questions and investigations by Ukrainian, US, and EU authorities as a result of its operations in Russia,
- RBI has failed to publicly disclose critical information about its activities in Russia,
- While RBI has pledged to leave Russia, RBI's leadership has repeatedly delayed and stalled on its pledge and still refuses to commit to a full winding down of its Russian operations
- Most importantly, as a "systemically important bank", RBI's significant payment services and tax contributions in Russia mean that the bank continues to play a crucial role in sustaining the Russian wartime economy.

Based on this critical role, RBI is often described as a "financial bridge" between the West and Russia. This report makes the case for RBI to burn the bridge.

Image top right: Raiffeisen Bank International's headquarters in Vienna. Until 2017, the building served as the headquarters for RBI's predecessor, "Raiffeisen-Zentralbank", which previously acted as the central holding company for the Austrian Raiffeisen group.

Photo: M. Schreiber, CC-BY-SA 4.0, changes made



Raiffeisen Bank International – Factsheet

Raiffeisen Bank International is the international arm and central entity of the Austrian Raiffeisen Bankengruppe, a conglomerate of local and regional banks in Austria. It is majority-owned by Austria's Raiffeisen-Landesbanken and is therefore closely linked to the operations of Austria's local and regional Raiffeisen banks.

It was founded to consolidate and govern the Raiffeisen Group's already-existing operations abroad.

Founded: 2010

Countries: 12 (Central, Eastern, and Southeastern Europe)

Ownership: 61% owned by Austrian Raiffeisen-Landesbanken. 39% owned by free float investors.

CEO: Johann Strobl

Chairman of the Board: Erwin Hameseder

Total employees: 45,000 (Russia: 10,000)

Total assets: €206bn (Russia: €19.45bn)

Total profits: €2.97bn (Russia: €1.39bn)

RBI's history in Russia

For many years, the cornerstone of Raiffeisen Bank International's European strategy has been its role as a "bridge between the East and the West".⁶ Central to this identity is its long history in Russia: RBI was one of the first Western banks to establish a Russian arm in 1996, and has expanded rapidly in the country since then. Alongside Italy's UniCredit, RBI is one of only two foreign banks whose Russian operations are viewed as "systemically important" by the Kremlin, meaning their failure or departure could trigger a financial crisis in the country. As a result of the bank's important position, **Russia's autocratic and expansionist regime continues to benefit from the revenues and legitimacy provided by RBI to sustain its war on Ukraine.**

Shortly after the onset of Russia's war on Ukraine, RBI publicly committed to seeking an exit from Russia – a message that the bank underscored in May 2023 and has consistently repeated since then.⁷ Despite these public commitments, however, the relationship between RBI and the Russian regime has remained largely unchanged since the onset of the war.

Legitimising Putin – before the invasion

Even before Russia's 2022 invasion of Ukraine, RBI had already played a significant role in enabling the autocracy and military aggression of the Putin regime. Under former CEO Herbert Stepic, who repeatedly praised Putin throughout the 2010s for "improving" Russian democracy,⁸ RBI's Russian branch became the bank of choice for tax-avoiding Russian oligarchs such as Roman Abramovich, as was revealed in the Pandora Papers.⁹ The bank also provided services to Russian fossil fuel companies, including Gazprom,¹⁰ which have kept the Russian regime afloat and have been key funders of the war on Ukraine.

By providing services and support to a number of key Kremlin allies, RBI helped underpin Russia's militarism towards Ukraine for over a decade leading up to the full-scale invasion. As of 2024, RBI continues to provide **cover for the Kremlin** in several key ways.

Legitimising Putin – since the invasion

It is in part thanks to RBI's continued presence in Russia that Putin's regime has been able to weather economic and diplomatic pressure and continue its war efforts. RBI has played a normalising role in Russia by continuing to serve over four million customers and employing nearly 10,000 people as of September 2024.¹¹

By continuing to supply financing and payment services in Russia, RBI's banking services help weaken the consequences the country as a whole is facing as a result of the war. Russian elites, in particular, escape these consequences by using RBI to get their money out of Russia. Until September 2024, RBI handled about **half of all international payments** between Russia and the rest of the world.¹² Since most Russian banks are sanctioned and cut off from international payment systems, RBI has been described as a "window to the world" in enabling Russian customers to ignore global economic pressure and keep doing business abroad.¹³ RBI has reduced this service due to pressure from sanctions authorities, but it continues to facilitate international payments for its Russian corporate clients, even as other European banks operating in Russia have suspended this service.

The Kremlin has forced all international companies that do business in Russia to assist with its war effort, and RBI is no exception. Per a September 2022 law, foreign companies operating in Russia must register their Russian employees for conscription in Russia.¹⁴ **At least one Russian RBI employee has been killed** in Ukraine after being conscripted.¹⁵ This means RBI's compliance with the Russian war machine has a direct human cost.

In addition to fulfilling its legal obligations to support the war effort in Russia, RBI has also been implicated in several scandals resulting from its alleged involvement in shoring up diplomatic support for Putin and his allies. RBI was listed on the Ukrainian government’s “**International Sponsors of War**” list due to allegations – denied by RBI – that the bank recognised Russian territorial claims in Ukraine and provided special loan arrangements to Russian soldiers.¹⁶ In May 2024, RBI faced investigations by US sanctions authorities¹⁷ following allegations that it had advertised “expansion plans” in Russia.¹⁸ RBI also allegedly **continues to provide support to Putin’s cronies**, with a September 2024 investigation revealing the bank to hold accounts for Bosnian politician and Putin ally Milorad Dodik, who used them to avoid sanctions applied by the United States.¹⁹

These direct and indirect relationships between RBI, the Russian regime, and its allies help diplomatically and financially sustain Putin’s claim to legitimacy in Russia and prolong his ability to withstand international pressure to bring the war to an end.

Activists from Attac Austria distribute flyers about RBI’s Russian operations at a protest in front of RBI’s Vienna headquarters in April 2024.
Photo: Julian Kragler



Financing war – the figures

Most importantly, RBI continues to turn a major profit in Russia and make very significant tax contributions to the Russian government, **41% of which will be used for military purposes** in 2025.²⁰ In addition to providing financial services to its Russian retail and corporate customers, RBI has therefore also contributed vast sums of money to the Russian state and its war on Ukraine.

As of October 2024, RBI has paid the Kremlin more than **€1.3 billion** in tax revenues since the start of the invasion and continues to turn immense profits in Russia, with its margins decreasing at an extremely slow pace since early 2022.

The bank has repeatedly promised to leave Russia and to scale down its business in the meantime. However, in the first three quarters of 2024, RBI **increased its profits** compared to the same period in 2023, and it only marginally reduced its tax contributions to the Russian war chest by **15%** compared to the previous year. **RBI is still moving in the opposite direction of fulfilling its commitment** to “drastically reduce [Russian] business”²² and end its complicity in the war on Ukraine.

	2022	2023	Q1-Q3 2024
Assets in Russia	€26.87bn	€20.7bn	€19.45bn (June 2024)
Profits in Russia	€2.62bn	€1.81bn	€1.39bn
Tax paid in Russia	€559m	€469m	€277m

Derived from BankTrack's Russia tracker.²¹

Timeline – RBI’s Broken Promises

24 February 2022

Full-scale Russian invasion of Ukraine begins.

1 March 2022

RBI CEO Johann Strobl claims the bank will not leave Russia: “It is very important that you understand, we are not walking away”.²³

17 March 2022

Strobl first mentions exiting Russia: “We are therefore assessing all strategic options for the future of Raiffeisenbank Russia, up to and including a carefully managed exit from Raiffeisenbank in Russia”.²⁴

30 March 2022

Strobl claims the exit may face delays: “A bank is not a sausage stand that can be closed in a week”.²⁵

9 January 2023

Ukrainian government accuses RBI of recognising Russian territorial claims in Ukraine and providing favourable loans to soldiers. RBI denies the allegations.

17 February 2023

US sanctions authority OFAC launches an inquiry into RBI’s Russian activities.

23 February 2023

RBI’s Annual Report is released, indicating the bank’s **Russian profits increased by ca. 440%** over pre-war numbers.²⁶

30 March 2023

RBI’s Annual General Meeting. Strobl confirms the bank is making plans for a spin-off or a sale, while board chairman Erwin Hameseder claims it is “morally arrogant” to expect the bank to accelerate its exit from Russia.²⁷

6 July 2023

Reuters reveals that RBI will not spin off its Russian business by September 2023, as promised, and has still not presented a clear exit plan.²⁸

19 December 2023

RBI reveals a complex plan to swap some of its Russian assets with Austrian assets formerly owned by Russian oligarch Oleg Deripaska.

22 February 2024

RBI's Annual Report is released. In it, Strobl notes that even with a book value of zero, full deconsolidation of the Russian subsidiary bank, could be completely cushioned by our current capital reserves", **confirming that RBI could exit Russia without a sale.**²⁹

18 April 2024

RBI announces it expects the ECB to order it to cut down its Russian lending activities by 60% by 2026. Rather than use the order as an opportunity to accelerate its disengagement from Russia, RBI announces that this order will "go far beyond RBI's own plans to further reduce the Russian business".³⁰

8 May 2024

RBI drops its asset swap plan after the US registers concerns that it would enable Deripaska to evade sanctions. Still no plan for a disengagement from Russia.

5 September 2024

Russian court bans RBI from selling shares in its Russian subsidiary. RBI announces that this will "inevitably lead to further delays" in its Russia exit, but does not publicly lay out an alternative path to leaving Russia.³¹

30 October 2024

Strobl claims RBI is not ready to withdraw from Russia "without any compensation", refusing to commit to scaling down its Russian business to zero following the Russian transfer ban.³²

Will RBI leave Russia?

Raiffeisen Bank International has publicly claimed that it is committed to exiting Russia via a spin-off or sale of its Russian subsidiary AO Raiffeisenbank, and that it seeks to reduce its business in Russia in the meantime in line with requirements outlined by the European Central Bank.³³ However, political pressure by the Russian government, previous failed attempts to sell the bank, and contradictory statements by the banks' higher-ups indicate that the bank is willing to stall and delay its Russia exit while it continues to turn a significant profit in the country.

The bank has claimed that exiting Russia is “not entirely in our own hands” and that it is “very difficult” to make a realistic forecast on when its exit will be completed.³⁴ In part, this is due to the fact that selling the bank requires approval from Russian and Western authorities. Earlier in 2024, RBI attempted to sell its Russian assets via a complex swap with Austrian assets formerly owned by sanctioned Russian oligarch Oleg Deripaska; this deal fell through after pressure from US sanctions authorities.³⁵ No further deals have been attempted since then; and as of September 2024, AO Raiffeisenbank's shares have been frozen by a Russian court, meaning the bank is currently unable to sell its Russian unit.³⁶

Critics have noted, however, that the bank has been previously slow to act on other options to leave Russia, and may be seeking to delay its Russian exit for its own ends.³⁷ RBI has publicly criticised the European Central Bank's requirement that it reduce its business in Russia, claiming that it goes “far beyond RBI's own plans”.³⁸ As late as October 2024, Strobl claimed that RBI is still “not ready” to leave Russia without compensation.³⁹ RBI also receives significant protection from the Austrian government, who allegedly threatened to veto EU sanctions against Russia unless RBI was taken off the Ukrainian government's “International Sponsors of War” list.⁴⁰ This political protection helps shield RBI from vulnerability and may be a significant contributor to the bank's continued failure to leave Russia.

This puts RBI out of step with other Western banks such as Citigroup and BNP Paribas, which have suspended retail services in Russia without selling off their units. Financial experts have noted that the bank is exhibiting an “expectation... that it can ride out the storm” and delay the decision to scale down until it can find a favourable buyer or simply wait out the war.⁴¹ Since RBI continues to maintain a dubious relationship with the Russian government and has failed to significantly reduce its activities in Russia since the onset of the war, we are compelled to agree with this analysis.

RBI in Russia – What must happen

Raiffeisen Bank International has acknowledged that the “tragic and devastating events in Ukraine have shaken us all”,⁴² and affirms that it is “committed to achieving the deconsolidation of AO Raiffeisenbank”.⁴³ However, the bank has so far failed to deliver on these statements, and on the contrary continues to materially and diplomatically contribute to the ongoing war on Ukraine and has stalled on exiting Russia.

Raiffeisen must take the following steps to remedy its *de facto* complicity in the war crimes of the Russian regime:

- 1. RBI must disclose detailed information on its activities in Russia.** So far, RBI has not published comprehensive information on its Russian unit’s lending activities, exposure to Russian corporations and government entities, human rights due diligence, and/or investments. Investors and businesses with financial relationships with RBI should seek RBI to publish this information, which could pose significant risks for and have a critical impact on the bank’s overall operations.
- 2. RBI must scale down its Russian business to zero and write off the losses rather than seek to exit Russia via a sale or spin-off.** As outlined above, several of RBI’s peer banks have spent the time since the onset of the invasion seeking to fully reduce their lending activities and suspend their services in Russia. These banks have now fully withdrawn from the market despite having comparable Russian activities at the start of the invasion. The B4Ukraine coalition has further outlined numerous options beyond a sale by which companies can leave Russia, including writing off the losses from withdrawal and/or seeking arbitration against the Russian government.⁴⁴ Now that it is subject to a transfer ban, RBI must follow this example, abandon its failed attempts to sell the bank with Kremlin approval, and commit to leaving Russia by other means.

3. RBI must commit to allocating profit made from its operations in Russia since the invasion to a fund for the reconstruction of Ukraine.

Even if RBI leaves Russia effective immediately, it will still have spent two and a half years profiting from continued operations in a rogue state amidst a war that has injured or killed more than a million people. The bank can contribute towards remedying its de facto complicity in the war by committing to being part of Ukraine's post-war reconstruction. RBI maintains significant operations in Ukraine and its future as a bank is intertwined with a stable and secure Eastern Europe in the long term. It must commit to using its profits to help rebuild this future rather than continuing to profit from a war that threatens it.

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