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## RBI - Preliminary 2019 Q4 Results

Rating: accumulate | target price: 23.05 EUR | current price: 21.55 EUR

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### Reported results skewed by one-time events

- At EUR 353m, the 2019 fourth quarter net income of Raiffeisen Bank International showed a 16.5% rebound from the previous quarter.
- The preliminary bottom-line result shows a 40% beat relative to the average analysts' estimate (EUR 251.6m as implied by the full-year consensus), and it exceeds by 20% our EUR 292.9m forecast, which assumed lower trading and fee income and gains from investments in associates.
- As warned, the reported fourth-quarter results were heavily impacted by one-time events, which on the positive side included an adjustment to RBI's investment in SoftwareOne (EUR 117m), and on the negative side consisted among others of additional provisions for legal risk associated with the loan portfolio (EUR 65m total, of which EUR 47m related to CHF loans in Poland), write-offs on investments accounted for under the equity method (EUR 74m), and additional impairment after the adoption of the EBA's new definition of default (EUR 14m).
- Net interest income increased 1.7% q/q to EUR 881m in Q4, and NIM grew by 2bp to 2.32%.
- Fee income was up by 4.5% on the third quarter at EUR 489m.
- Total costs came out below expectations despite rising 8.9% to EUR 938m.
- Provisioning totaled EUR 154m in Q4 including the EUR 14m EBA default adjustment.
- Summing up, after stripping unexpected one-time events, RBI delivered solid performance in Q4 in terms of interest income and in terms of fee income, which came close to a record level. The intensified provisioning for CHF loan risk might be a sign of higher write-offs in the future.

### Overview of preliminary 2019 Q4 results

(EUR m)	4Q'18	3Q'19	4Q'19	Y/Y	Q/Q
Net interest income	842.8	866.4	881.0	4.5	1.7
Fee income	466.7	468.0	489.0	4.8	4.5
Trading income	-23.4	-12.9	190.0	-	-
<b>Total income</b>	<b>1,286.2</b>	<b>1,321.5</b>	<b>1,560.0</b>	<b>21.3</b>	<b>18.0</b>
Other operating income	-354.1	-266.1	-62.0	-82.5	-76.7
Banking taxes	-12.8	-10.8	-21.0	63.6	94.0
Operating expenses	-494.4	-487.9	-855.0	73.0	75.3
<b>Total costs</b>	<b>-861.2</b>	<b>-764.8</b>	<b>-938.0</b>	<b>8.9</b>	<b>22.6</b>
<b>Operating income before provisioning</b>	<b>424.9</b>	<b>556.7</b>	<b>622.0</b>	<b>46.4</b>	<b>11.7</b>
Provisioning	-258.4	-91.7	-154.0	-40.4	68.0
<b>Pre-tax income</b>	<b>166.5</b>	<b>465.0</b>	<b>468.0</b>	<b>181.1</b>	<b>0.6</b>
Tax	-39.8	-123.6	-88.0	120.9	-28.8
Minority interests	-29.5	-38.4	-27.0	-8.4	-29.7
<b>Net income</b>	<b>97.2</b>	<b>303.0</b>	<b>353.0</b>	<b>263.2</b>	<b>16.5</b>

### 2019 Q4 prelims vs. expectations

(EUR m)	4Q'19	Consensus	differ.	mBank	differ.
Net interest income	881.0	882.2	-0.1%	848.2	3.9%
Fee income	489.0	474.9	3.0%	432.9	13.0%
Operating expenses	-938.0	-717.6	30.7%	-787.2	19.2%
Provisioning	-154.0	-122.7	25.5%	-21.0	633.3%
Net income	353.0	251.6	40.3%	292.9	20.5%

Source: RBI, mBank

## List of abbreviations and ratios contained in the report:

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**PBA** – Profit on Banking Activity  
**P/CE** – price to earnings with amortisation  
**MC/S** – market capitalisation to sales  
**EBIT/EV** – operating profit to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**ROE** – (Return on Equity) – annual net profit divided by average equity  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**EBITDA margin** – EBITDA/Sales

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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