FitchRatings

Banks
Retail & Consumer Banks
Switzerland

Raiffeisen Group

Key Rating Drivers

Swiss Retail Cooperative Group: Raiffeisen Group comprises 218 local banks and Raiffeisen Schweiz, the group's central institution. Its ratings are underpinned by the group's strong domestic franchise in retail and SME banking. They also reflect the group's conservative risk appetite with a loan portfolio dominated by Swiss residential mortgage loans, resulting in much better asset quality metrics than most international peers. The ratings also factor in the group's improved profitability, strong capitalisation and stable funding profile.

Mutual Support Underpins Ratings: The Issuer Default Ratings (IDRs) of Raiffeisen Schweiz and the local banks are group ratings and in line with Raiffeisen Group's IDRs. This is because Raiffeisen Group is a banking network, not a legal entity. The network's cohesion is underpinned by its mutual-support mechanism, which includes a solidarity fund to support failing banks and a cross-guarantee between the local banks and Raiffeisen Schweiz, to which the local banks are liable for up to the amount of their equity.

No creditor of any member bank has had losses since the establishment of the group. Raiffeisen Group is supervised as a group by the Swiss regulator, which does not set individual capital requirements for the local banks, and under its resolution plan the group will be resolved as one. Local banks operate predominantly in their geographic region, focusing on retail and SME clients, whereas Raiffeisen Schweiz is responsible for the group's strategy and oversight of the local banks' risk profiles, and acts as the group's central bank.

Large Swiss Housing Exposure: Raiffeisen Group has a strong record in managing credit risks, but the group is highly exposed to the residential real estate sector, as mortgage loans account for about 95% of gross loans. Over 60% of Raiffeisen Group's credit exposure is to owner-occupied homes, but exposure to real estate investments, including buy-to-let mortgage loans, is material.

Switzerland's strong economic fundamentals and Raiffeisen Group's conservative underwriting standards mitigate risks from this concentrated exposure. Asset quality remained strong in 2023 and we expect its gross impaired loan ratio to stay well below 1% over the next two years.

Improved Profitability: We expect Raiffeisen Group's operating profit/risk-weighted assets (RWAs) ratio to stabilise at around 1.5% in the next two years, supported by predictable revenue streams and costs and low loan impairment charges.

Profitability has improved in the past five years, but remains moderate and less diverse than that of international peers. Net interest income accounts for about three-quarters of revenue on average and is sustained by the low elasticity of the local banks' deposit base. The group has been expanding its fee-generating businesses, including the sale of investment products, and plans to increase the proportion of non-interest income to over 30% of revenue.

Strong Capitalisation: The group's common equity Tier 1 (CET1) ratio of 22.5% at end-March 2024 is higher than that of most peers. Internal capital generation is underpinned by low payout ratios to its cooperative members, which averaged 8% over the past five years. At the same time, the group's cooperative structure results in a weaker ability to raise core equity in the capital markets, in case of need, compared with listed peers.

Sound Deposit Franchise: Raiffeisen Group benefits from a large and stable granular customer deposit base, which represented just over 80% of funding at end-2023. The group regularly refinances mortgage loans through the issuance of covered bonds via the Swiss central mortgage institution Pfandbriefbank schweizerischer Hypothekarinstitute AG, and Raiffeisen Schweiz regularly issues unsecured bonds, including bail-in bonds.

Ratings

Raiffeisen Group

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns

Sovereign Risk (Switzerland)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Swiss Raiffeisen Group and Raiffeisen Schweiz at 'A+'; Outlook Stable (July 2024)

Global Economic Outlook – June 2024

Swiss Domestic Banks – Peer Review 2024 (January 2024)

Analysts

Maria Shishkina
+44 20 3530 1379
maria.shishkina@fitchratings.com

Marco Diamantini
+49 69 768076 114
marco.diamantini@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The most likely trigger of a downgrade of Raiffeisen Group's Viability Rating (VR) and IDRs would be a material deterioration of the group's asset quality in conjunction with weakening capitalisation, which could arise from a sharp and prolonged downturn in the Swiss housing market. A persistent increase in the group's gross impaired loan ratio to above 2%, or a material decline of the group's CET1 capital ratio below 16% without any action taken to restore it to this level within 12 months, would put Raiffeisen Group's ratings under pressure. A downgrade of Raiffeisen Group's IDRs would result in a downgrade of Raiffeisen Schweiz's and the local banks' IDRs.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of Raiffeisen Group's VR and Long-Term IDR would require a material and sustained improvement in operating profitability, with the four-year average operating profit/risk-weighted assets ratio above 3% and successful execution of the group's strategic plan to increase the proportion of non-interest revenue. An upgrade of Raiffeisen Group's IDRs would result in an upgrade of Raiffeisen Schweiz's and the local banks' IDRs.

Other Debt and Issuer Ratings

Rating level	Rating
Raiffeisenbanken	
Long-Term IDR	A+
Short-Term IDR	F1
Raiffeisen Schweiz Genossenschaft	
Long-Term IDR	A+
Short-Term IDR	F1
Long-term senior preferred debt	AA-
Short-term senior preferred debt	F1+
Long-term senior non-preferred ('bail-in') debt	A+
Additional Tier 1 notes	BBB

Source: Fitch Ratings

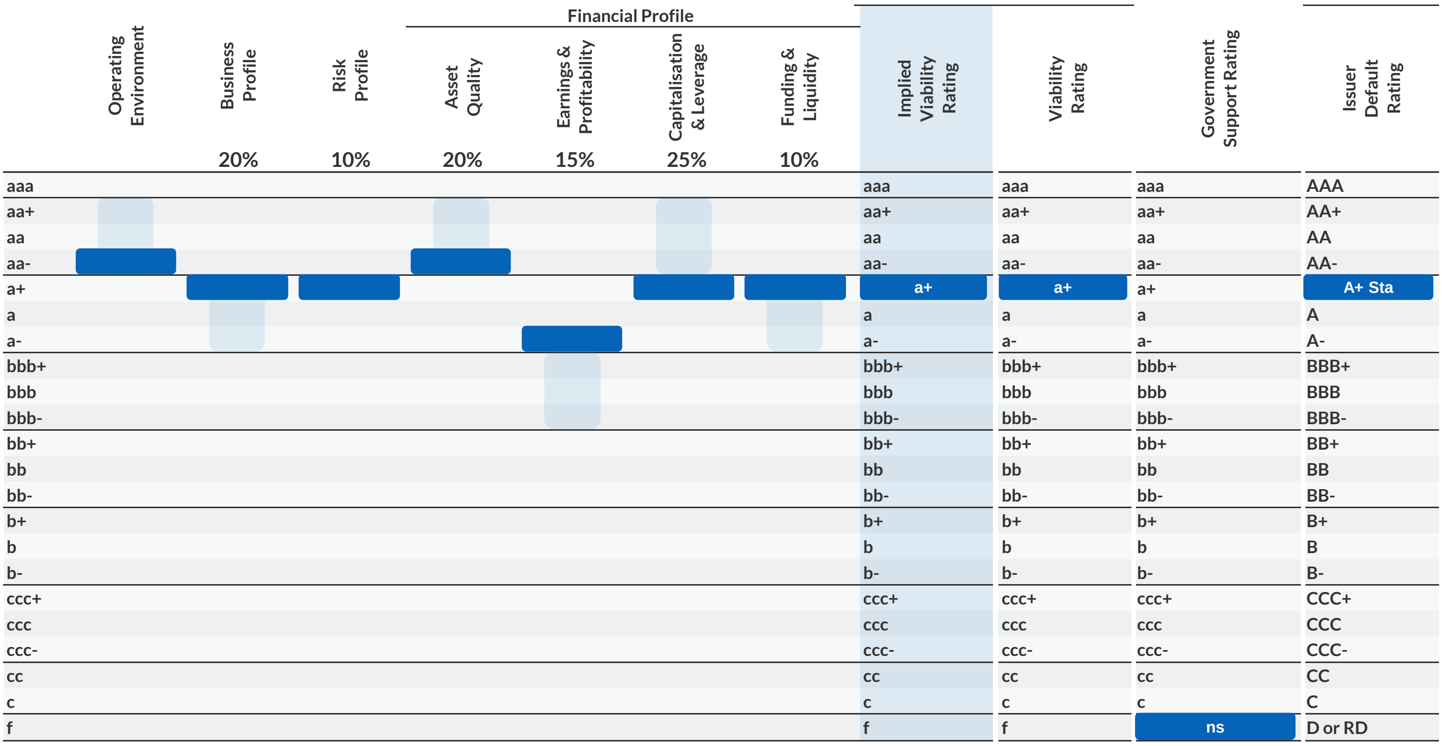
Raiffeisen Group's 'F1' Short-Term IDR is the lower of the two ratings that maps to a Long-Term IDR of 'A+'. This reflects our assessment of the group's funding and liquidity, to which we assign a score of 'a+'.

Raiffeisen Schweiz is the sole issuer of capital-market instruments in the cooperative banking group. The senior preferred bonds are rated one notch above Raiffeisen Schweiz's Long-Term IDR because Fitch expects creditors to be protected by Raiffeisen Group's buffer of 'bail-in bonds' and additional Tier 1 (AT1) instruments. As Switzerland's second-largest banking group, Raiffeisen Group is required to maintain a buffer of gone-concern capital, excluding senior preferred debt, which will protect senior preferred creditors in a resolution. The 'F1+' rating on Raiffeisen Schweiz's certificates of deposits (CD) issuance programme is the only short-term rating that maps to the long-term rating reflects the protection provided to preferred creditors by the group's resolution buffers. Raiffeisen Schweiz's senior non-preferred debt (bail-in bonds) are rated in line with the Long-Term IDR. Fitch views these bonds as senior non-preferred liabilities of the issuer, which, under their terms, rank behind senior obligations.

Raiffeisen Schweiz's AT1 notes are notched down four times from Raiffeisen Group's VR, twice each for loss severity and for incremental non-performance risk, in line with Fitch's baseline notching for AT1 instruments. We use Raiffeisen Group's VR as the anchor rating because we believe that the group will protect Raiffeisen Schweiz's viability, including by ensuring that regulatory capital requirements are met at all times. The AT1 notes are also protected by Raiffeisen Group's cross-guarantee scheme.

Raiffeisen Schweiz's distributable reserves of CHF230.4 million at end-2023 provide a sufficient buffer to cover the coupon payment of the bank's outstanding and new AT1 notes. With a going-concern capital ratio of 19.1% at end-1Q24, Raiffeisen Group also has a comfortable buffer over its regulatory requirement (14.6%) and over the notes' 7% CET1 loss absorption trigger, which could trigger the notes' full or partial write-down. Raiffeisen Group has a strong retail deposit franchise, and liquidity is fungible within the group. Because of this, we view the likelihood of the group requesting state support to fill a funding or liquidity gap as minimal.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The earnings and profitability score of ‘a-’ has been assigned above the ‘bbb’ category implied score due to the following adjustment reason: earnings stability (positive).

The capitalisation and leverage score of ‘a+’ has been assigned below the ‘aa’ category implied score due to the following adjustment reason: capital flexibility and ordinary support (negative).

Company Summary and Key Qualitative Factors

Business Profile

Retail-Focused Swiss Cooperative Banking Group

Raiffeisen Group became Switzerland's second-largest banking group by assets after the merger of Credit Suisse Group AG into UBS Group AG. The group has a purely domestic focus and includes 218 local cooperative banks (Raiffeisenbanken). The local banks operate predominantly in their own regions, which often extend just over a few municipalities. As a consequence, the portfolio mix slightly differs from bank to bank, but overall the group's main business is real-estate mortgage financing funded through retail deposits. At end-2023, Raiffeisen Group had 17.8% and 15.1% market shares in domestic mortgage loans and deposits, respectively. It also managed around CHF46 billion of assets mainly from retail clients and had cooperation agreements with the domestic insurance companies Mobiliar and Helvetia.

Raiffeisen Group has close to 800 branches – the country's largest branch network. It has a strong penetration in Switzerland's rural regions, where local banks benefit from strong ties to local communities. Moreover, Raiffeisen Group's franchise benefits from about half of the local banks' retail clients also being their members. This underpins deposit stability, client retention and cross-selling. Raiffeisen Group also provides standardised financing solutions and payments to its 221,000 business clients, which account for more than a third of Switzerland's micro businesses and SMEs. Raiffeisen Schweiz also offers basic lending and markets products to large Swiss corporates.

Cross-Guarantee Scheme Underpins Group Cohesiveness

Raiffeisen Group is a highly integrated cooperative banking group. A cross-guarantee scheme between Raiffeisen Schweiz and the local banks, backed by the Swiss Code of Obligations, ensures the group's cohesiveness. It requires the local banks to pay in capital up to the amount of their equity and hidden reserves to support Raiffeisen Schweiz, if needed. In return, Raiffeisen Schweiz guarantees all the local banks' liabilities. Raiffeisen Group also operates a solidarity fund with a CHF341 million paid-in endowment to cover its members' operational losses, which is sufficient to recapitalise local banks in idiosyncratic stress scenarios.

The local banks are legally independent entities with their own management. They jointly own 100% of Raiffeisen Schweiz, which also has a cooperative legal status and accounts for about a quarter of the group's assets. Raiffeisen Group's statutes and business policies have been strengthened over the past five years following the replacement of most of the group's senior management. They aim to ensure the effectiveness of the group's governance, mutual support and organisation by governing Raiffeisen Schweiz's powers, duties and interactions with the local banks.

In its capacity as Raiffeisen Group's central institution, Raiffeisen Schweiz routinely assesses the risk profiles of the local banks and can impose remedial actions on troubled members based on early-warning indicators (mainly breaches of capital, liquidity, profitability or asset quality ratios). In our view, this is rating positive as it increases cohesion, discipline and responsiveness. Raiffeisen Schweiz converted its six branches (all in large Swiss cities) into independent local cooperative banks in 2022 and 2023 to focus fully on its role as a central institution of the group.

Risk Profile

Raiffeisen Group has a sound record in managing credit risks. Credit standards are set by Raiffeisen Schweiz and rolled out to the local banks. Raiffeisen Schweiz also defines the unsecured lending limit for each local bank. Local banks unsecured lending is generally limited to less than a fifth of its equity, but some are granted higher limits if unsecured SME financing is strategic to their business models, and they have the necessary competencies and processes. The local banks do not have their own IT systems, and their data are stored centrally at Raiffeisen Schweiz. This way the central institution can maintain an overview of the risk, and manage concentration limits at group level.

Limits also apply to interest-rate risk in the banking book (IRRBB), both at group level and for the local banks. IRRBB is intrinsic to the local banks' business model, which generate income from maturity transformation by financing fixed-rate mortgages with sight deposits. If the local banks exceed their internal limits, they must enter hedging transactions with Raiffeisen Schweiz, which serves as the central counterparty. Raiffeisen Schweiz is the only bank within Raiffeisen Group with a trading book, and hedges the exposure to the market.

Raiffeisen Group introduced a new replicating model for variable-rate client products in 2022. This affected the repricing assumptions for current accounts, with the average interest rate reset period extended to 1.4 years, from 0.8 years, more in line with Swiss peers. At the same time, clients' preference for money market mortgages whilst interest rates are higher has reduced the duration of the loan book, while the average term of client deposits slightly increased. Combined, these effects resulted in the group's maximum economic loss in regulatory IRRBB stress tests declining to EUR0.5 billion at end-2023 (end-2021: EUR2.5 billion), and in a regulatory IRRBB coefficient comparable to that of Swiss peers.

Financial Profile

Asset Quality

Raiffeisen Group's impaired loans ratio has remained stable at below 1% since 2010, with LICs averaging about 1bp of gross loans. Impaired loans' coverage with specific allowance (end-2023: 34%) is adequate in light of the group's focus on secured residential property financing. Total loan loss allowances covered 88% of impaired loans at end-2023.

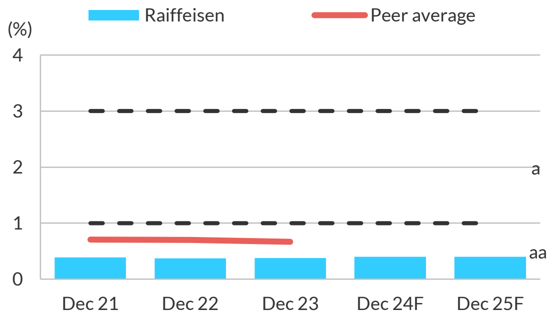
Mortgage loans accounted for about 95% of group's gross loans at end-2023. Residential buildings secured 92% of mortgages, with another 2% secured by offices, and 3% each by commercial or industrial properties and by mixed residential-commercial premises. Owner-occupied residential properties account for over 60% of residential lending, while the remaining is evenly split between private buy-to let and real estate businesses and cooperatives.

The average residential real estate price increase continued in 2022 and 2023, although it is slowing. At end-2023, prices of residential properties were 30% higher than in 2016, partly reflecting low supply and high net immigration. However, Fitch believes that large household wealth levels (amounting to over four times GDP, by far the highest among advanced European countries) will cushion the impact of a potential downturn of the housing market on the banking sector, despite the household sector's high level of gross debt.

Raiffeisen Group's loan-to-value and debt-service-to-income limits are broadly in line with Swiss peers' and monitored effectively by FINMA, the Swiss regulator. About three quarters of mortgages are fixed-rate, with the average fixed-rate period in the portfolio being for close to three years. Affordability calculations at origination are based on stressed interest rates of 5%, a much higher level than the prevailing mortgage lending rates.

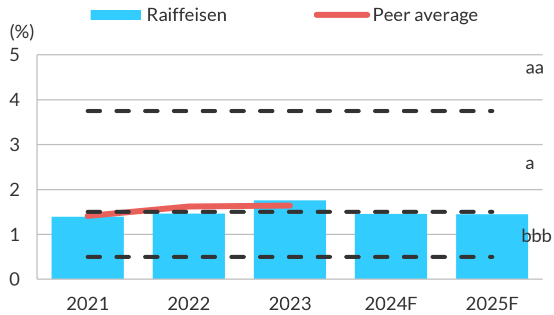
Unsecured loans to SMEs and large corporates are well diversified. We forecast the impaired loans ratio to remain broadly stable in the next two years as we still expect GDP to expand and unemployment to remain very low.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Raiffeisen Group's 2023 operating profit was the highest ever reported, driven by significantly higher revenue across all business areas. This more than offset higher operating expenses. We expect operating profits to decline in 2024 following the interest rate cuts by the Swiss National Bank, which will reduce the group's deposit margins. At the same time, we expect operating profit/RWAs to stabilise at around 1.5% over the next two years, driven by lending volume and net commission income growth, which should more than offset the increase in operating expenses.

The group's reliance on net interest income has previously exposed its profitability to low interest rates in Switzerland, which local banks compensated for by growing their loan books. The group aims to increase its net fee and commission income substantially by increasing its share of its clients' assets under management (AUM), with a focus on standardised investment and pension products. We believe Raiffeisen Group has room to grow these businesses by exploiting the local banks' client relationships as its retail AUM/deposits ratio is substantially lower than that of peers.

Raiffeisen Group's cost/income ratio is high by international standards and broadly in line with that of Swiss peers. Operating expenses increased in 2022 and 2023, in line with the group's strategy to hire client advisors at the local banks. We also expect investments in digitalisation and new technologies to lead to higher operating expenses in the coming years. These investments will be only partially offset by efficiency gains as the group remains committed to its large branch network.

Capitalisation and Leverage

Raiffeisen Group's capitalisation benefits from its very high earnings retention. The group has paid out, on average, only 8% of its profits in the past five years, and retained earnings accounted for almost 78% of Raiffeisen Group's capital at end-2023. Paid-in capital has also increased by 45% since 2019 as clients subscribed share certificates of their local banks, in particular following the conversion of six branches of Raiffeisen Schweiz into independent local banks.

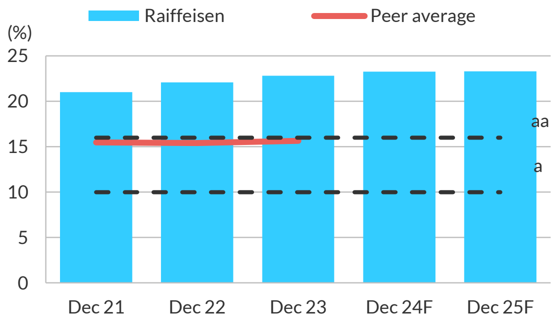
Raiffeisen Group's CET1 ratio (end-1Q24: 22.5%) is generally better than that of international peers. Its RWA density (end-2023: 33%) is now more in line with other mortgage lenders, following the transition to an internal ratings-based model approach for calculating credit RWAs, completed in 2022. We do not expect significant changes to Raiffeisen Group's capital ratios from the implementation of Basel III final in 2025.

Local banks are exempt from compliance with regulatory capital requirements, which apply only to Raiffeisen Schweiz on a standalone basis and to Raiffeisen Group as a whole. Raiffeisen Group's going-concern capital consists of the group's consolidated CET1 and the AT1 instruments issued by Raiffeisen Schweiz. Raiffeisen Group complies with its final gone-concern capital requirement of 5.7%, and its emergency plan has been approved by the Swiss banking supervisor FINMA.

Raiffeisen Group's going-concern leverage ratio (end-1Q24: 6.2%) is strong compared with Swiss and international peers', and is comfortably above the going-concern leverage ratio requirement of 4.6%. The gone-concern minimum leverage requirement is being phased in, and the group is already in compliance with the final rules.

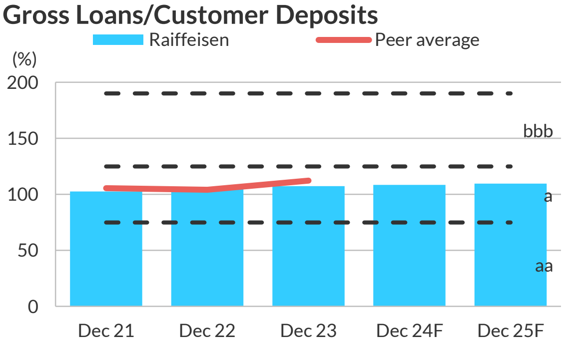
The Swiss Federal Department of Finance (FDF) published a review of the "Too Big to Fail" regime for Swiss Banks in April 2024. Among other recommendations, the FDF proposes to increase requirements for banks' total loss absorbing capacity, as well as the level of capital required to back participations in foreign subsidiaries, but we currently do not expect material changes in capital requirements for Raiffeisen Group. A separate parliamentary investigation into Credit Suisse's failure, to be released by end-2024, is also expected to include additional recommendations for tighter regulation.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Customer deposits accounted for over three quarters of Raiffeisen Group's total funding at end-2023. They are predominantly from retail clients and have proved resilient to reputational issues in the past. Over 80% of customer deposits were at sight at end-2023 despite an increase in the proportion of term and savings accounts, driven by higher interest rates. Client deposits are complemented with central mortgage institution loans, which, at 12% of total funding, are Raiffeisen Group's second-largest funding source, and with bank deposits mostly from multilateral and central banks.

The local banks are obliged to place their excess liquidity with Raiffeisen Schweiz, which is the only entity that issues debt and collects interbank deposits. Raiffeisen Schweiz has placed CHF925 million AT1 capital with its clients and has issued over CHF2 billion of 'bail-in' bonds in the past four years to complement its surplus CET1 capital in fulfilling the gone-concern requirements. Raiffeisen Schweiz also offers structured products to its clients, issued through two entities (end-2023: CHF2.4 billion). The group's debt maturity profile is well spread-out over the next ten years, with less than CHF1 billion maturing each year.

Raiffeisen Schweiz also holds the vast majority of the group's liquidity reserves (end-1Q24: CHF46.2 billion). Most of the liquidity is held as cash at the Swiss National Bank. In the event of liquidity stress, emergency liquidity lines from the SNB are also available to Raiffeisen Group. We believe that the group's high amounts of SNB eligible collateral should mitigate potential more stringent regulatory liquidity requirements.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. 'F' represents Fitch's forecasts.

Peer average includes Zuercher Kantonalbank (VR: a+), Basler Kantonalbank (a), UBS Switzerland AG (a), Sparkassen-Finanzgruppe Hessen-Thueringen (a+).

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	(USDm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)
Summary income statement					
Net interest and dividend income	3,626	3,099	2,569	2,402	2,350
Net fees and commissions	731	624	591	536	451
Other operating income	436	372	388	433	312
Total operating income	4,792	4,096	3,549	3,371	3,113
Operating costs	2,762	2,361	2,175	2,115	2,093
Pre-impairment operating profit	2,030	1,735	1,374	1,256	1,020
Loan and other impairment charges	31	27	20	-12	53
Operating profit	1,999	1,709	1,354	1,268	968
Other non-operating items (net)	-55	-47	24	8	4
Tax	314	269	196	183	119
Net income	1,630	1,393	1,182	1,093	852
Summary balance sheet					
Assets					
Gross loans	261,310	223,342	215,294	207,081	200,620
– Of which impaired	997	852	790	803	900
Loan loss allowances	879	752	729	725	261
Net loans	260,431	222,590	214,565	206,355	200,359
Interbank	7,143	6,105	2,197	3,246	4,037
Derivatives	4,278	3,656	4,853	1,356	1,645
Other securities and earning assets	18,327	15,664	18,848	11,847	12,557
Total earning assets	290,179	248,016	240,463	222,804	218,597
Cash and due from banks	52,709	45,050	35,442	57,275	36,661
Other assets	4,760	4,069	4,730	4,411	4,395
Total assets	347,648	297,135	280,635	284,489	259,653
Liabilities					
Customer deposits	243,177	207,844	204,785	201,729	190,425
Interbank and other short-term funding	29,891	25,548	14,025	23,363	14,740
Other long-term funding	39,809	34,024	32,818	35,361	31,045
Trading liabilities and derivatives	4,285	3,662	4,051	1,772	2,246
Total funding and derivatives	317,162	271,078	255,678	262,225	238,455
Other liabilities	3,274	2,798	3,194	1,917	1,933
Preference shares and hybrid capital	1,082	925	1,135	1,214	892
Total equity	26,131	22,334	20,626	19,133	18,374
Total liabilities and equity	347,648	297,135	280,635	284,489	259,653
Exchange rate		USD1 = CHF0.8547	USD1 = CHF0.9303	USD1 = CHF0.9202	USD1 = CHF0.88985

Source: Fitch Ratings, Fitch Solutions, Raiffeisen Group

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.8	1.5	1.4	1.0
Net interest income/average earning assets	1.3	1.1	1.1	1.1
Non-interest expense/gross revenue	58.4	62.9	64.1	67.9
Net income/average equity	6.5	5.9	5.9	4.8
Asset quality				
Impaired loans ratio	0.4	0.4	0.4	0.5
Growth in gross loans	3.7	4.0	3.2	3.6
Loan loss allowances/impaired loans	88.2	92.3	90.3	29.0
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0
Capitalisation				
Common equity Tier 1 ratio	22.8	22.1	21.0	19.1
Tangible common equity/tangible assets	7.4	7.4	6.7	7.1
Basel leverage ratio	7.7	7.7	7.0	7.1
Net impaired loans/common equity Tier 1	0.5	0.3	0.4	3.6
Funding and liquidity				
Gross loans/customer deposits	107.5	105.1	102.7	105.4
Gross loans/customer deposits + covered bonds	94.6	92.9	91.0	93.4
Liquidity coverage ratio	172.9	168.4	185.4	159.4
Customer deposits/total non-equity funding	77.4	80.9	77.1	80.3
Net stable funding ratio	139.1	140.9	144.9	–

Source: Fitch Ratings, Fitch Solutions, Raiffeisen Group

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The Government Support Rating (GSR) of 'no support' reflects our view that senior creditors cannot rely on receiving full extraordinary sovereign support in the event that Raiffeisen Group becomes non-viable. This is because Swiss legislation and regulation to address the 'too-big-to-fail' problem for large Swiss banks is in place, and would require senior creditors to bear losses ahead of any potential extraordinary sovereign support. The country's large banking system relative to GDP has provided strong incentives to implement legislation in this respect. Consequently, in our view, resolution legislation in Switzerland is sufficiently progressed to resolve even a large Swiss group, and resolution legislation becomes the overriding factor and all other factors are therefore scored as 'low importance'.

Environmental, Social and Governance Considerations

FitchRatings **Raiffeisen Group**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Raiffeisen Group has 5 ESG potential rating drivers

- Raiffeisen Group has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES