



RATING ACTION COMMENTARY

Fitch Rates Raiffeisen Schweiz's Senior Non-Preferred 'A+'; Senior Preferred 'AA-'

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Fitch Ratings - London - 14 Sep 2021: Fitch Ratings has assigned Raiffeisen Schweiz's (RS; A+/Stable) 'bail-in bonds' (senior non-preferred) and senior bonds (senior preferred) long-term ratings of 'A+' and 'AA-', respectively.

RS is the central institution of the Swiss Raiffeisen Group (RG; A+/Stable/F1/a+) and is the sole issuer of capital-market instruments of the co-operative banking group.

KEY RATING DRIVERS

The senior preferred bonds are rated one notch above RS's Long-Term Issuer Default Rating (IDR) because Fitch expects creditors to be protected by RG's buffer of 'bail-in bonds' and additional tier 1 (AT1) instruments. As Switzerland's third-largest banking group, RG is required to maintain a buffer of gone-concern capital, excluding senior preferred debt, which will protect senior preferred creditors in a resolution.

Resolution buffer requirements for RG will increase to a minimum of 40% of the group's going-concern capital requirement, which for 2021 stands at 13.74% (9.44% CET1 ratio, up to 4.3% of the going-concern capital requirement can be met by AT1 capital). At end-1H21, RG reported an 18% common equity tier 1 (CET1) ratio. At the same time, it had issued CHF1.2 billion in AT1 capital and CHF800 million in 'bail-in bonds', equal to a combined 2.1% of risk-weighted assets.

RS's '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.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The senior preferred and senior non-preferred debt ratings would be upgraded if RS's Long-Term IDR is upgraded, which would be driven by an upgrade of RG's Long-Term IDR.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

The senior preferred and senior non-preferred debt ratings would be downgraded if RS's Long-Term IDR is downgraded, which would be driven by a downgrade of RG's Long-Term IDR. The ratings could also be downgraded if Fitch concludes that recovery prospects for senior non-preferred creditors weaken, or if the buffer is no longer sufficient to protect senior preferred creditors.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

RS's Long-Term IDR is assigned in line with RG's Long-Term IDR under Fitch's criteria for rating banking groups backed by mutual support mechanisms.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING		
Raiffeisen Schweiz Genossenschaft			
● Senior preferred	LT	AA-	New Rating
● Senior non-preferred	LT	A+	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Christian Scarafia

Managing Director

Primary Rating Analyst

+44 20 3530 1012

christian.scarafia@fitchratings.com

Fitch Ratings Ltd

30 North Colonnade, Canary Wharf London E14 5GN

Marco Diamantini

Associate Director

Secondary Rating Analyst

+49 69 768076 114

marco.diamantini@fitchratings.com

Christian Kuendig

Senior Director

Committee Chairperson

+44 20 3530 1399

christian.kuendig@fitchratings.com

MEDIA CONTACTS

Louisa Williams

London

+44 20 3530 2452

louisa.williams@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Exposure Draft: Bank Rating Criteria \(pub. 17 Aug 2021\) \(including rating assumption sensitivity\)](#)

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Raiffeisen Schweiz Genossenschaft

UK Issued, EU Endorsed

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