

Raiffeisen Group

Update

Key Rating Drivers

Swiss Retail Cooperative Group: Raiffeisen Group comprises 218 local banks and Raiffeisen Schweiz Genossenschaft (A+/Stable), 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 are 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 group strategy and oversight of the local banks’ risk profiles. It also acts as the group’s central bank.

Large Swiss Housing Exposure: Raiffeisen Group has a strong record in managing credit risk, but mortgage loans account for about 95% of gross loans, significantly exposing the group to the residential real estate sector. 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 1H24 and we expect its gross impaired loans 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 year, 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 (end-3Q24: 22.5%) is higher than that of most peers. Internal capital generation is underpinned by low payout ratios to cooperative members, which averaged 8% over the past five years. At the same time, the group’s cooperative structure weakens its ability to raise core equity in the capital market, in case of need, compared with listed peers.

Sound Deposit Franchise: Raiffeisen Group has a large and stable granular customer deposit base, which represented just over 75% of funding at end-1H24. 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

Foreign Currency	
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 Foreign-Currency 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)
- Raiffeisen Group (July 2024)
- Global Economic Outlook - December 2024
- Western European Banks Outlook 2025 (December 2024)
- Swiss Domestic Banks – Peer Review 2024 (January 2024)

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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 loans 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 issuance programme is the only short-term rating that maps to the long-term rating, and 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 19.5% at end-September 2024, 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. We therefore view the likelihood of the group requesting state support to fill a funding or liquidity gap as minimal.

Significant Changes from Last Review

We expect Raiffeisen Group's profits to have declined in 2024 on the back of lower interest rates and higher costs, only partially compensated for by higher commission income from clients' securities' investments, as assets under management increased 10% to CHF50 billion in 1H24. At the same time, we expect profit to have remained stronger than the group's historical average and above their 2022 level, sustained by continued strong loan growth and minimal loan impairment charges, which benefit from Switzerland's robust housing market and resilient economy. In combination with strong profit retention, this should have contributed to maintain the group's CET1 ratio above 22% (end-September 2024: 22.5%).

We do not expect any impairments from the Raiffeisen Group's digitalisation project, which ran into problems that prevented the roll out of the new app. We also do not expect any significant changes to the group's strategy from the departure of Raiffeisen Group's CEO in December 2024, and we expect the group to remain focused on diversifying its revenue and investing in its digital channels in 2025. This should mitigate the decline in net interest margins from the latest interest rate cut of the Swiss National Bank (SNB) on December 2025, which brought the policy rate to 0.5% (end-2023: 1.75%). Fitch does not expect the SNB policy rate to further decline in 2025 and 2026.

Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
				Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
		20%	10%	20%	15%	25%	10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+ Sta
a								a	a	a	A
a-								a-	a-	a-	A-
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								f	f	ns	D or RD

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).

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half	1st half	12 months	12 months	12 months
	(USDm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)
	Not disclosed	Not disclosed	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	1,587	1,430	3,099	2,569	2,402
Net fees and commissions	372	336	624	591	536
Other operating income	206	186	372	388	433
Total operating income	2,166	1,952	4,096	3,549	3,371
Operating costs	1,306	1,177	2,361	2,175	2,115
Pre-impairment operating profit	860	775	1,735	1,374	1,256
Loan and other impairment charges	-2	-2	27	20	-12
Operating profit	861	776	1,709	1,354	1,268
Other non-operating items (net)	6	5	-47	24	8
Tax	156	141	269	196	183
Net income	711	641	1,393	1,182	1,093
Summary balance sheet					
Assets					
Gross loans	252,717	227,749	223,342	215,294	207,081
– of which impaired	1,122	1,011	852	790	803
Loan loss allowances	782	705	752	729	725
Net loans	251,935	227,044	222,590	214,565	206,355
Interbank	8,770	7,903	6,105	2,197	3,246
Derivatives	3,003	2,707	3,656	4,853	1,356
Other securities and earning assets	20,165	18,172	15,664	18,848	11,847
Total earning assets	283,872	255,826	248,016	240,463	222,804
Cash and due from banks	46,885	42,253	45,050	35,442	57,275
Other assets	4,430	3,992	4,069	4,730	4,411
Total assets	335,187	302,070	297,135	280,635	284,489
Liabilities					
Customer deposits	233,464	210,398	207,844	204,785	201,729
Interbank and other short-term funding	31,161	28,082	25,548	14,025	23,363
Other long-term funding	38,787	34,955	34,024	32,818	35,361
Trading liabilities and derivatives	2,890	2,605	3,662	4,051	1,772
Total funding and derivatives	306,302	276,039	271,078	255,678	262,225
Other liabilities	3,313	2,985	2,798	3,194	1,917
Total equity	25,572	23,046	22,334	20,626	19,133
Total liabilities and equity	335,187	302,070	297,135	280,635	284,489
Exchange rate		USD1 = CHF0.9012	USD1 = CHF0.8547	USD1 = CHF0.9303	USD1 = CHF0.9202

Source: Fitch Ratings, Fitch Solutions, Raiffeisen Group

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.6	1.8	1.5	1.4
Net interest income/average earning assets	1.1	1.3	1.1	1.1
Non-interest expense/gross revenue	61.3	58.4	62.9	64.1
Net income/average equity	5.7	6.5	5.9	5.9
Asset quality				
Impaired loans ratio	0.4	0.4	0.4	0.4
Growth in gross loans	2.0	3.7	4.0	3.2
Loan loss allowances/impaired loans	69.7	88.2	92.3	90.3
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0
Capitalisation				
Common equity Tier 1 ratio	22.8	22.8	22.1	21.0
Tangible common equity/tangible assets	7.6	7.4	7.4	6.7
Basel leverage ratio	7.8	7.7	7.7	7.0
Net impaired loans/common equity Tier 1	1.3	0.5	0.3	0.4
Funding and liquidity				
Gross loans/customer deposits	108.3	107.5	105.1	102.7
Liquidity coverage ratio	160.6	172.9	168.4	185.4
Customer deposits/total non-equity funding	76.9	77.4	80.9	77.1
Net stable funding ratio	139.5	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

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.	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	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.
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	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.
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	CREDIT-RELEVANT ESG SCALE How relevant are E, S and G issues to the overall credit rating?	
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2	Irrelevant to the entity rating but relevant to the sector.
				1	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>.

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