RAIFFEISEN

# 2024 Half Year Results

## Raiffeisen Schweiz Investor Presentation

Investor Relations | Zurich | 21 August 2024

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## Agenda

# 1 Group Overview & Strategy Update
# 2 Financial Update H1 2024
# 3 Asset Quality & Risk Exposures
# 4 Capital, Funding & Liquidity
# 5 Swiss Regulatory Framework
# 6 Macro Snapshot in Switzerland

# 1 Group Overview & Strategy Update

# Raffeisen – Switzerland's Leading Cooperative Bank
## H1 2024

Raiffeisen serves **3.71m customers in Switzerland**, of whom **> 2.08m** are **cooperative members**.

**One of Switzerland's largest mortgage lenders** and **second-largest banking group**, Raiffeisen has been classified **D-SIB** in 2014.

Raiffeisen's **purely domestic retail business** has a **market share of 17.9% in mortgage lending** and provides solutions to **223'420 corporate clients - one in three businesses** in Switzerland.

**218 independent Raiffeisen banks** in **779 locations** across the country represent Switzerland's most extensive branch network.

Market leading **retail banking position** enables Raiffeisen's consistent profitable and qualitative growth in mortgage lending while further diversifying its revenue mix. Continued **digitalisation** of core banking operation support innovation **while driving cost/income ratio down**.

**Sustainability** is part of Raiffeisen's **strategy and a corporate value**.
In 2023 Raiffeisen contributed **CHF 33m** to society through **social & cultural engagement, contributions[1], donations and sponsoring.**

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[1] Climate fund, climate foundation, $Co_2$ compensation



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# Raiffeisen Schweiz Group Overview
## Strong Cooperative Foundation

**> 2m cooperative members**
Individuals, companies/legal entities

### Raiffeisen Group

**218 Raiffeisen banks**

Guarantee for Raiffeisen bank liabilities

**Solidarity fund**

Equity from Raiffeisen banks membership shares and additional payment liability (limited to Raiffeisen banks' capital)

Issuer

**Raiffeisen Schweiz Genossenschaft**
**Funding entity** and international counterparty

**S&P AA- stable / Fitch A+ stable**

### Roles within the Raiffeisen Group

- Owners of Raiffeisen Schweiz
- Domestic retail/corporate banking
- Wealth management
- Local market responsibility

**Haftungsverbund**
(Liability Union)
Strong risk community based on solidarity

- Central bank for Raiffeisen banks
- Risk/liquidity/capital management
- SPOC for the regulator
- Business strategy
- Representation of group interests
- International activity



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# Raiffeisen Schweiz 2025 Group Strategy

## On Track to Deliver on Core Initiatives

### Strategic Measures

| Strategic measure | KPI | 2020 | 2023 | H1 2024 | 2025 Target | Change |
|---|---|---|---|---|---|---|
| **Expansion of digital customer proximity**<br>• Digital client onboarding accessible since YE2023<br>• Launch of new Raiffeisen App for broader public usage planned for 2025 | number of customers | 3.55m | 3.69m | 3.71m | >3.79m | +6.8% |
| **Supporting customers' holistic journey**<br>• Covering digital and physical client needs through further investment in a holistic, hybrid multichannel offering combining digital and on-site advisory needs | main banking relationships[1] | 31.0% | 38.8% | 39.7% | ≥ 39.0% | +8.0% |
| **Bolster growth of investment and pension business**[2]<br>• Increase customer share of wallet, cross-selling initiatives<br>• Enable client advisors (education, certification) and enhance recruitment efforts<br>• Maintain sustainable investment focus (95% of fund volume) | share of fee and commission income[2] | 21.8% | 21.6% | 23.6% | ≥ 30.0% | +8.2% |
| **Digitalisation of mortgage loan processing**<br>• Standardised and semi-automated end-to-end mortgage process focused on an efficient customer journey<br>• Enhancement of digital self-service and after sales experiences planned | cost / income ratio | 59.4% | 51.9% | 55.3% | < 57.0% | -2.5% |

[1] Percentage of private clients doing most of their bank transactions with Raiffeisen (based on product use)
[2] Fee and commission income (including trading) as a percentage of operating income

# Raiffeisen Sustainability Strategy 2020-2025

**Vision** – differentiation as the sustainable cooperative bank

**Ambition** – being recognised as a responsible, sustainable, leading financial institution

**Mission** – management & strengthening of sustainability performance

**Sustainability drivers**

- Materiality analysis
- (Swiss) Regulations
- UN Principles for Responsible Banking

**Sustainability strategy**

## Fields of action

- Strengthening of groupwide sustainability management
- Improving positive impact & reducing negative impact on sustainable development
- Enhance accountability

# Transition to Net-Zero

## Current Targets & Measures as of 2024

**2030** «net-zero emissions bank» scope 1 & 2

**2050** «net-zero emissions bank» scope 1,2 & 3

**Transition plan**

| | | | GHG reduction targets | Operational targets (as of 2024) | Measures (as of 2024) |
|---|---|---|---|---|---|
| **Scope 1 and 2** | Operational footprint | **Operations** | -42% by 2030 (base year 2022) | • 7% renewal rate for fossil fuel heating systems p.a.<br>• 15% renewal rate vehicle fleet p.a.<br>• 100% power from renewable energy<br>• -2% energy use p.a. | • Raising awareness and financial support for heating replacement and installation of photovoltaic systems through internal climate fund<br>• Purchase of "renewable electricity" guarantees of origin<br>• Promoting low-emission business travel<br>• Promoting climate-compatible construction through compliance with relevant standards (SNBS, Minergie)<br>• Remaining operational emissions (Scope 1 and 2) are offset by purchasing $CO_2$ certificates or emission credits |
| **Selected scope 3 activities** | Financed emissions | **Mortgages** | -61% for commercial properties and -45% for residential properties by 2030 per $m^2$ (base year 2022) | • Raise awareness of climate compatibility amongst 3k homeowners p.a. | • Initiatives to raise awareness among clients of the potential for increasing the climate compatibility of their own homes (e.g. advice on renovation, support for the "renewable heating" campaign)<br>• Initiatives to raise awareness among corporate clients of the potential to increase climate compatibility<br>• Political commitment to climate protection, including an effective buildings programme<br>• Further development of eco-mortgages |
| | | **Loans** | No targets defined | • No coal, oil, natural gas or coal power plants<br>• <6% climate-damaging sectors<br>• Dialogue with min. 10% of financed companies re SBTi p.a. | • Defined exclusions of climate-intensive sectors<br>• Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate targets<br>• Support for an ambitious climate policy |
| | | **Bonds** | No targets defined | • Mediated or self-conducted dialogue with min. 10% of invested companies p.a. | • Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate target<br>• Financial support for the Go for Impact association to raise awareness among carbon footprinting and target setting |



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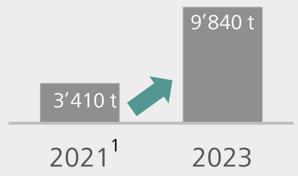
# Continuously Improving Impact Through Products And Services

## Key Achievements

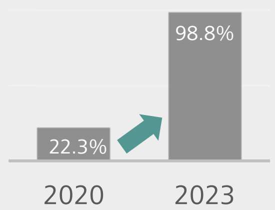
**Sustainability funds – share of all funds**


**Responsibly sourced & traceable gold (physical and ETF)**

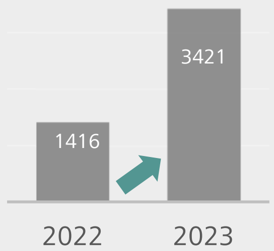



[1] year of introduction

**Sustainable asset management – share of all mandates**




**Modernisation checks & energy efficiency consultations**




### Active Ownership Report
In 2023 Raiffeisen Switzerland presented its first Active Ownership Report.

### Futura asset management mandates
ESG criteria have been taken into account in the majority of Raiffeisen asset management mandates since 2022, in accordance with the Futura Policy.

### Responsible and traceable gold
In 2021, a "Responsibly Sourced & Traceable" approach was adopted for all Raiffeisen gold ingots. In 2022 an ETF was launched following this approach.

### Sustainability and Green Bonds
Raiffeisen issued the first Sustainability Bond in Switzerland in 2019 and established a green bond programme focusing on financing energy efficient housing in 2021.

### Energetic real estate valuation
In 2015 Raiffeisen integrated as the first bank in Switzerland energetic real estate valuation into private real estate financing advisory.

**Memberships & standards**

GRI | UN environment programme finance initiative – Principles for Responsible Banking | TCFD | net-zero banking alliance | idée coopérative | Swiss Sustainable Finance | Swiss Climate Foundation | PCAF | SBG Swiss Better Gold Initiative | Raiffeisen FUTURA

# 2 Financial Update H1 2024

# Pleasing H1 2024
## Financial Highlights & Key Figures

- **Net profit: CHF 642m**
- **Return on equity: 6.9%**
- **Cost/income ratio: 55.3%**
- **Mortgage loans: CHF 215bn**
- **Assets under Management: CHF 260.9bn**
- **CET1: 19.5%**
- **TLAC ratio: 25.8%**

| **Key Figures**[1] | **H1 2023** | **H1 2024** | **change** | Guidance |
|---|---|---|---|---|
| Net interest income[2] | 1'547.0m | 1'430.2m | -7.6% | |
| Net interest margin | 1.10% | 0.96% | -14bps | |
| Fee & commission income | 310.9m | 335.6m | +7.9% | |
| Share of commission business[3] | 21.7% | 23.6% | +190bps | ≥ 30% |
| Operating result | 894.0m | 776.3m | -13.2% | |
| Cost/income ratio | 50.6% | 55.3% | +470bps | < 58% |
| Return on equity | 8.5% | 6.9% | -160bps | |
| | **FY 2023** | **H1 2024** | **change** | |
| TLAC ratio<br>Going-Concern CET1 ratio | 25.8%<br>19.5% | 25.8%<br>19.5% | 0bps<br>0bps | ≥ 25%[4]<br>≥ 19%[4] |
| TLAC leverage ratio | 8.3% | 8.5% | +20bps | ≥ 8%[4] |
| Liquidity coverage ratio | 172.9% | 160.6% | | |
| Net stable funding ratio | 139.1% | 139.0% | | |
| RWA | 97.1bn | 100.5bn | +3.4% | |

[1] rounded figures [2] Equivalent to «gross result from interest operations» according to RelV FINMA
[3] Commission business (incl. net income from trading) as a percentage of operating income
[4] Internal guidance



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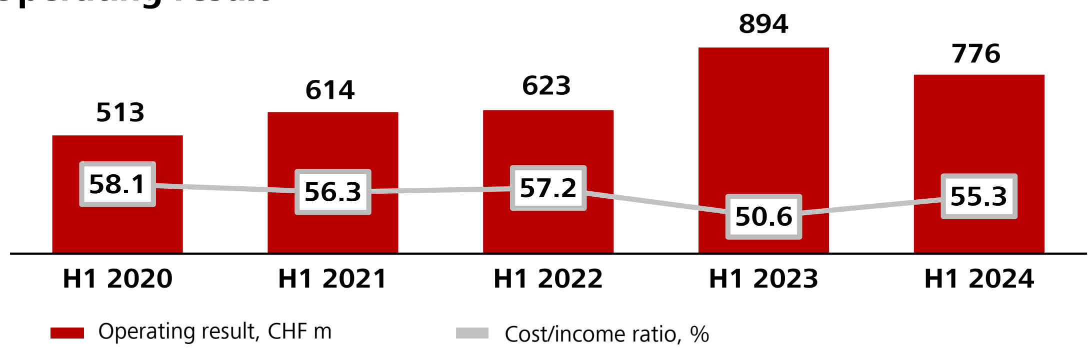
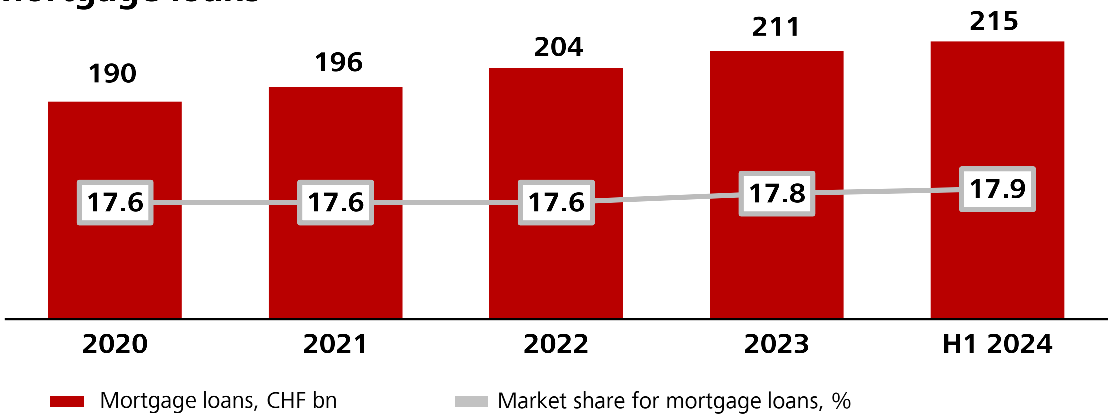
# H1 2024 Update

## Profitable First Half Year reflects Strength & Stability of Business Model

### Operating result




### Mortgage loans




- Sound H1 net profit of CHF 642m
- Interest rate turnaround showed forecasted effect on NII[1] due to delayed transfer on the liability side
- Cost for client business supports diversification strategy
- CHF 3.8bn mortgage loan growth (+1.8%) - market position expanded
- 2% increase of client receivables (+ CHF 4.5bn), especially due to corporate business growth (+CHF 1.4bn)

[1] Equivalent to «gross result from interest operations» according to RelV FINMA



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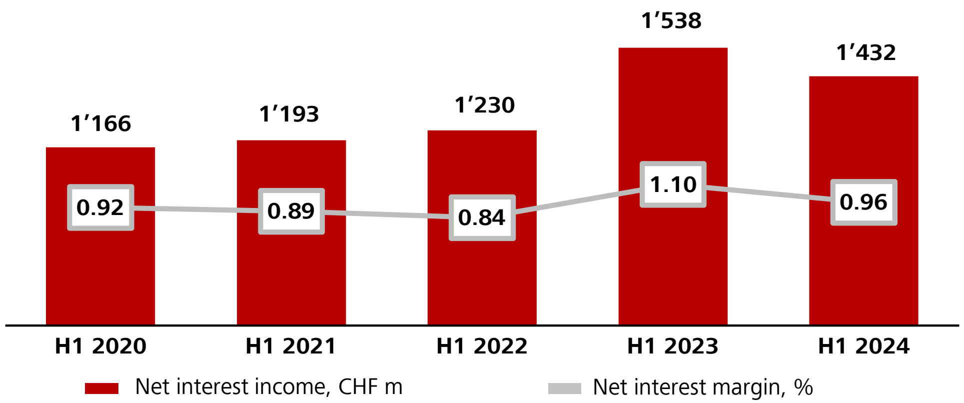
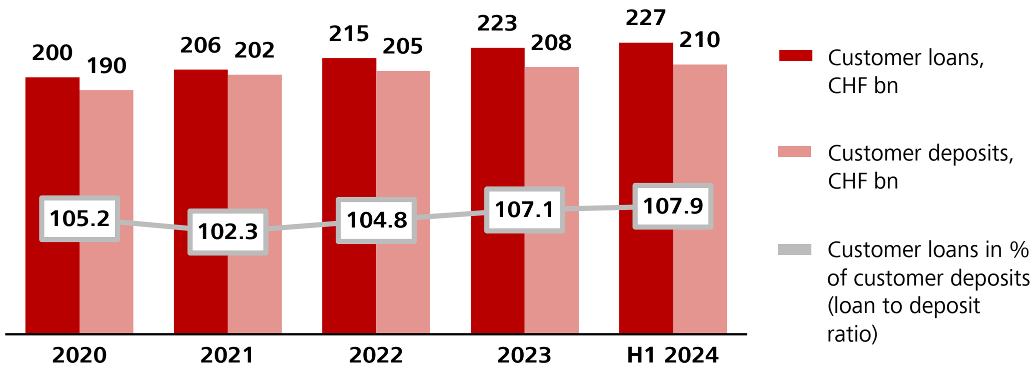
# Interest Income

## Strong NII despite Fluid Interest Rate Environment

### Interest income

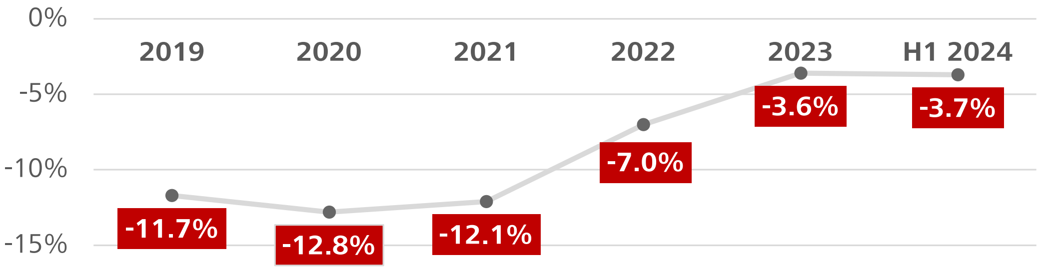



### Loans and deposits




### Economic Value Sensitivity

ΔEVE[1] in % Tier 1 Capital




- Lower NII[2] due to competitive offering for retail deposits, as expected after exceptional FY 2023
- Normalisation of NIM[3] as result of natural delayed rate adjustment for retail deposits in volatile rate cycle
- Further reduction of interest rate risk due to ongoing normalisation of customer tenor preferences (average maturity of mortgage book 2.8y vs. 2.9y FY 2023)

[1] Economic Value of Equity, excluding commercial margins/spread components [2] Equivalent to «gross result from interest operations» according to RelV FINMA [3] Net interest margin



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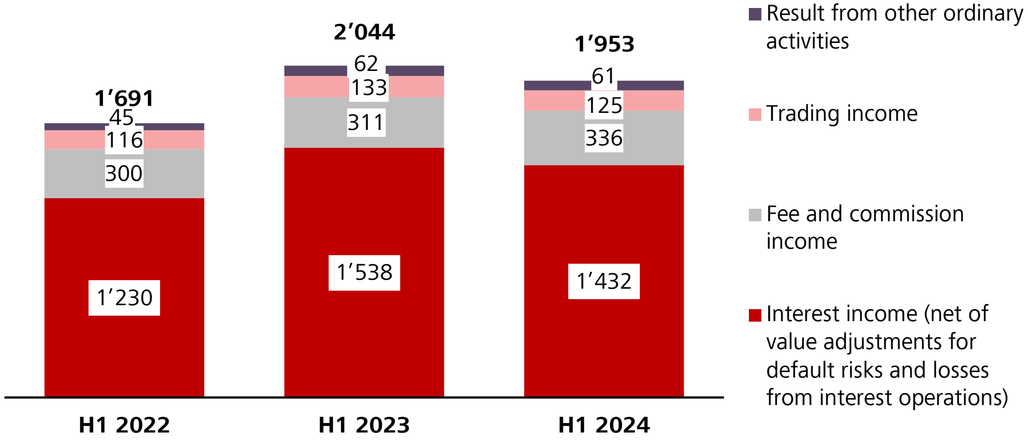
# Operating Income

Successful Diversification of Revenue Streams Reducing Concentration Risk

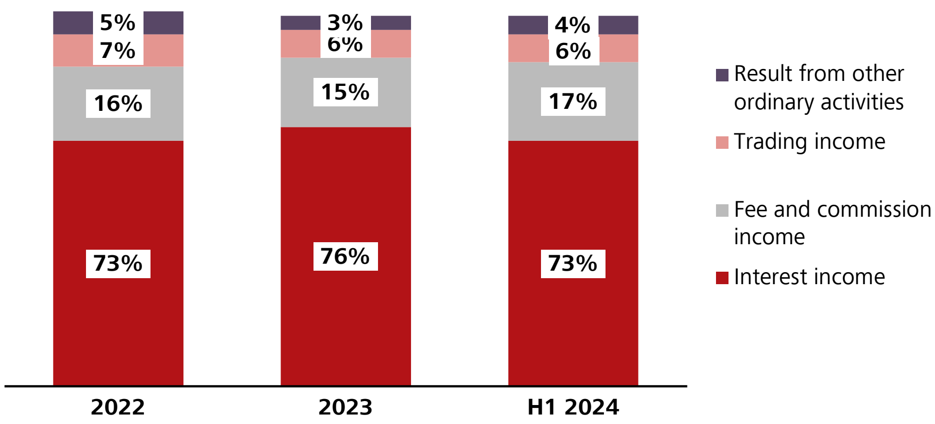
## Operating income

CHF m



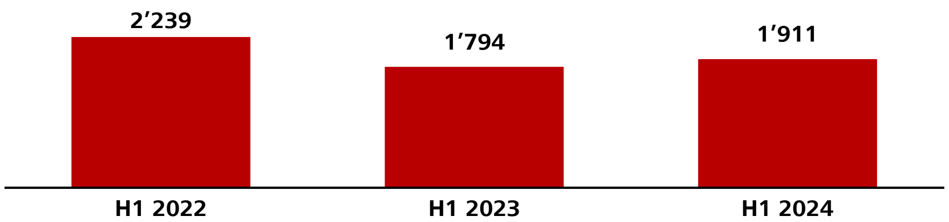

## Operating income components

%




## Net new money

Investment and pension products, CHF m




## Trend of revenue diversification remains strong

- Success of diversification strategy underlined by growth in pension and investment as well as corporate business
- Diversification efforts showing effect growing fee and commission income by + 7.9% to CHF 336m
- Non-interest income approaching strategic target of ≥ 30%



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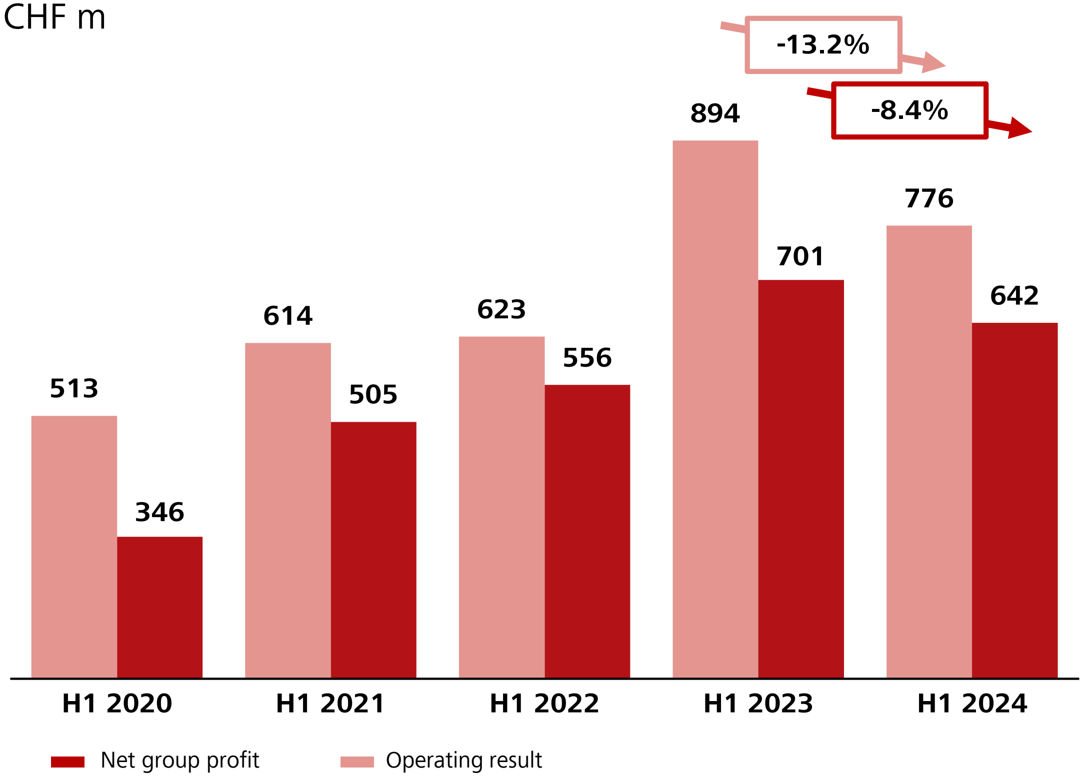
# Profitability and Financial Performance

## Strong Operational Performance & Constant Internal Capital Generation

**Operating result & Net group profit**
CHF m




### H1 2024 Financial Performance

- Second highest H1 result in Raiffeisen history after exceptional FY 2023
- **6.9% return on equity** compares favourably against high capital levels
- Internal capital generation remains very strong with **>90% retained earnings** supporting the consequent organic growth of Raiffeisen's retail business model

**19.5%**
CET1 Capital Ratio

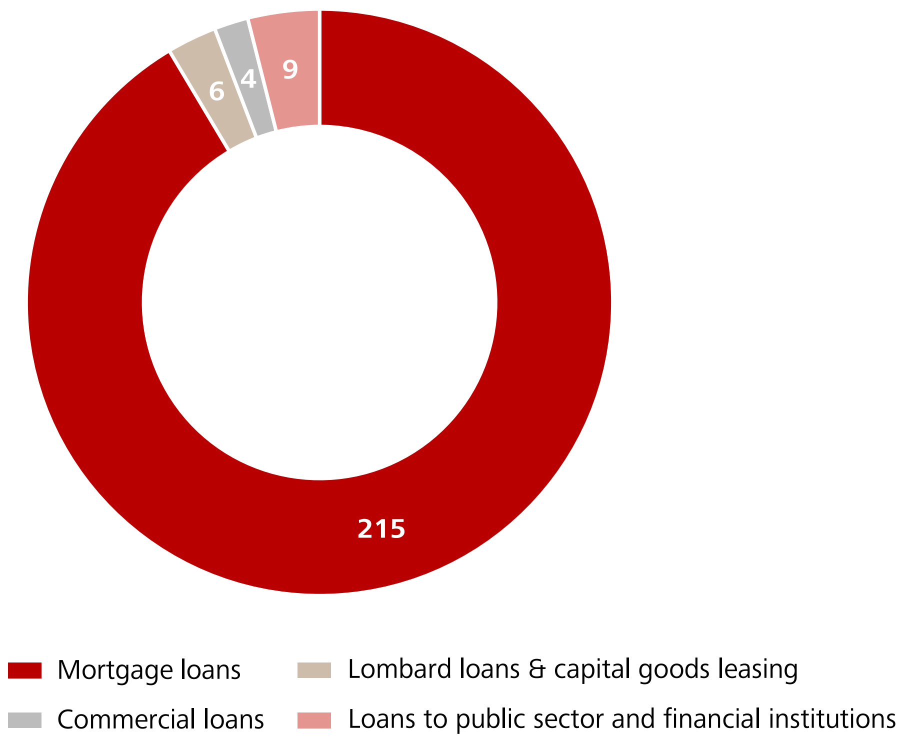
**6.4%**
CET1 Leverage Ratio

# 3 Asset Quality & Risk Exposure

# Loan Book Overview H1 2024 (I)

## Rock Solid Loan Book – Focused on Switzerland

**Loan book**
CHF bn as of 30 June 2024




**Cautious risk policy – robust credit portfolio**

- Prudent underwriting standards with strict affordability criteria
- Exposure in unsecured corporate loans remains very low despite the growth of Raiffeisen's corporate loan book
- 94% collateralized exposures

**Conservative mortgage portfolio – regionally diversified**

- High share of mortgage lending (91% of loan book)
- Mortgage loans: 75% fixed interest rates, 22% SARON, 3% variable
- 100% of financed properties **located in Switzerland**, geographically well diversified across all regions

**Low share of commercial loans (2% of loan book)**

- 97% of commercial loans to companies **domiciled in Switzerland**



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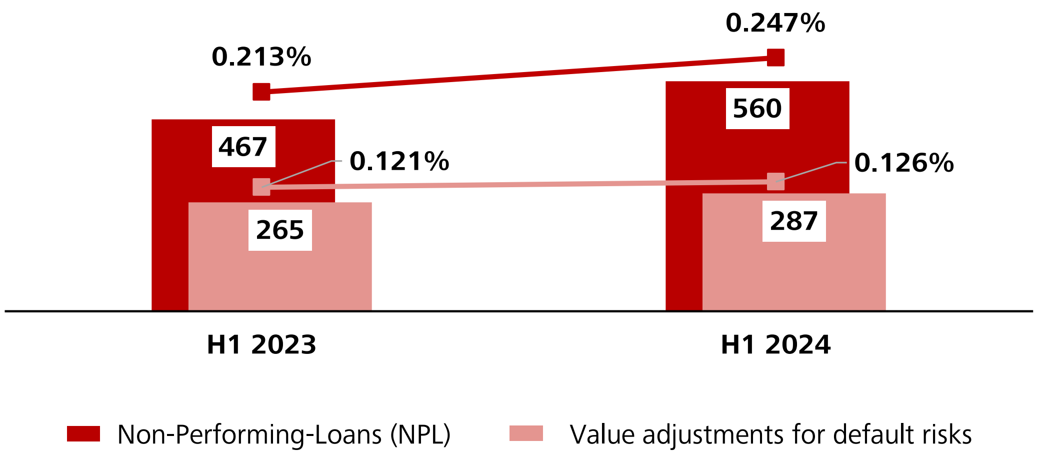
# Loan Book Overview H1 2024 (II)

## Non-Performing-Loans & Value Adjustments Remain on Low Levels

**NPL and value adjustments for default risks**
CHF m, in % of customer loans




### Longstanding strong credit quality

- NPL ratio increased to 0.247% while remaining at a very low level
- Value adjustments for default risks remaining at low 0.126% compared to 0.130% FY2023
- Loan book growth in line with cautious risk policy



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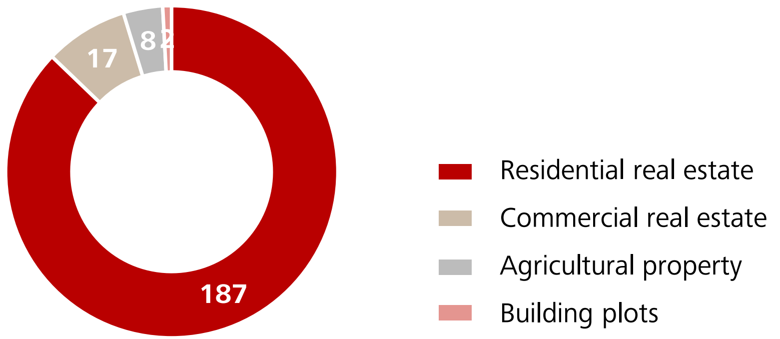
# Mortgage Book Breakdown H1 2024

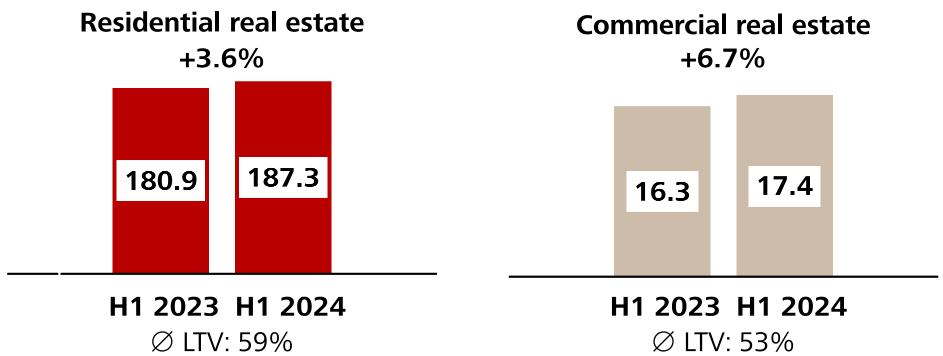
## Predominantly Residential Real Estate – Low LTVs

### Mortgage loans

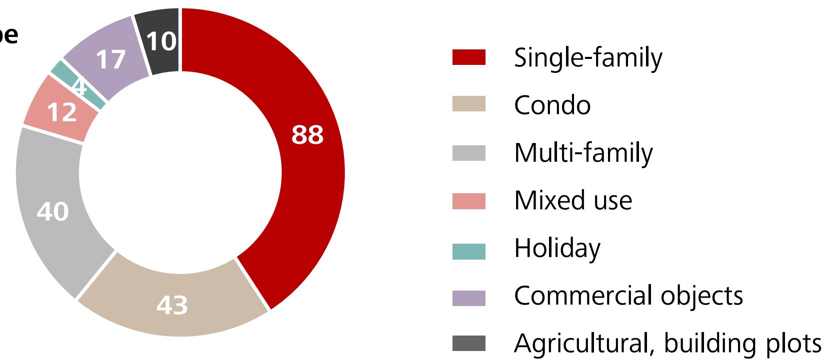
CHF bn as of 30 June 2024

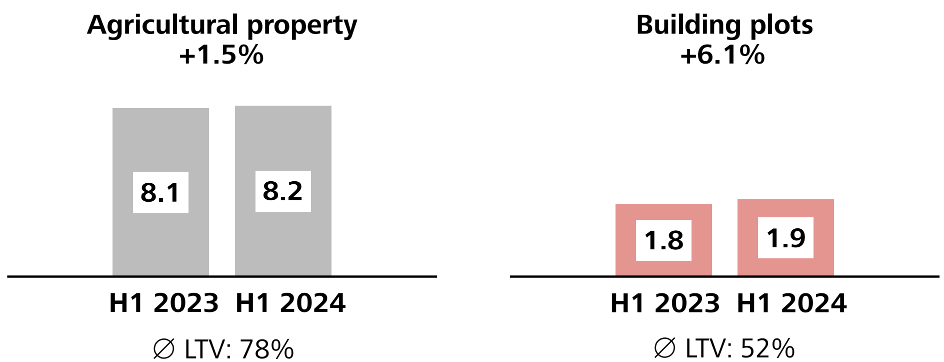
**by segment**




**by property type**



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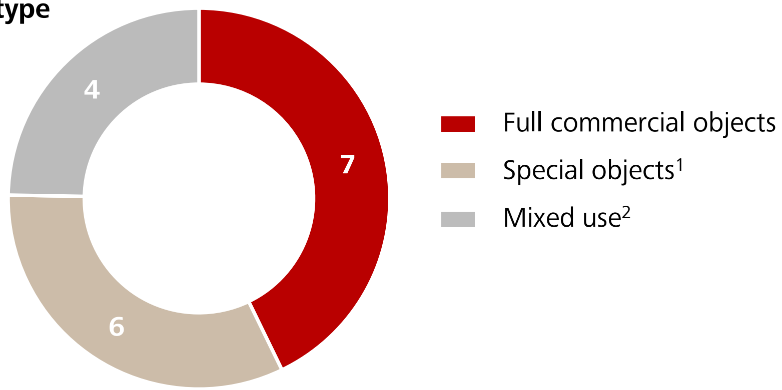
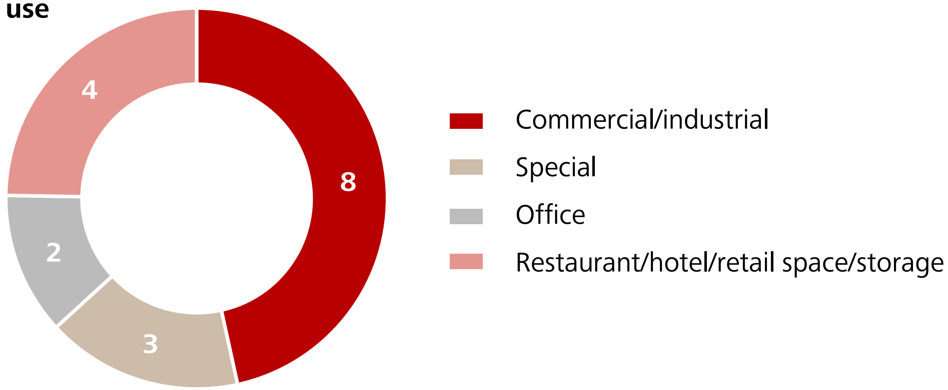
# Commercial Real Estate Breakdown H1 2024 (I)
## Low Share of Office Space Financing

**Commercial real estate**
CHF bn as of 30 June 2024

**by property type**




**by type of use**




- Commercial real estate with a low 8% share of total mortgage book
- **100% of financed property located in Switzerland**
- Office space represents a minor part of Raiffeisen’s commercial real estate lending, < 1% of total mortgage book

[1] Properties adapted to operator's specific needs, e.g. gas station, parking
[2] Mixed-economy properties with predominant commercial share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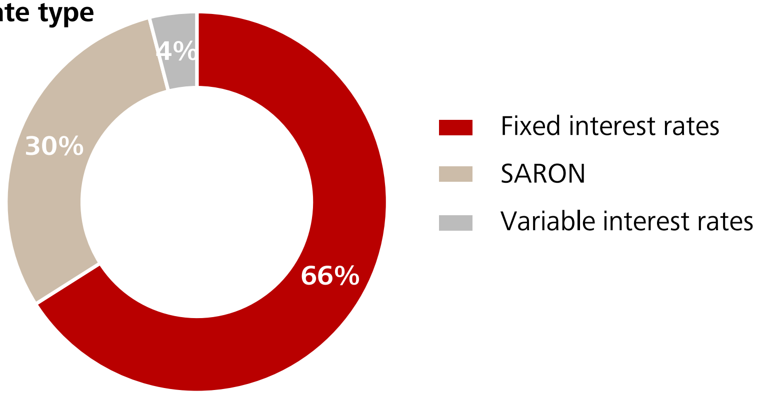
# Commercial Real Estate Breakdown H1 2024 (II)

## Value Adjustments Remain on Very Low Levels

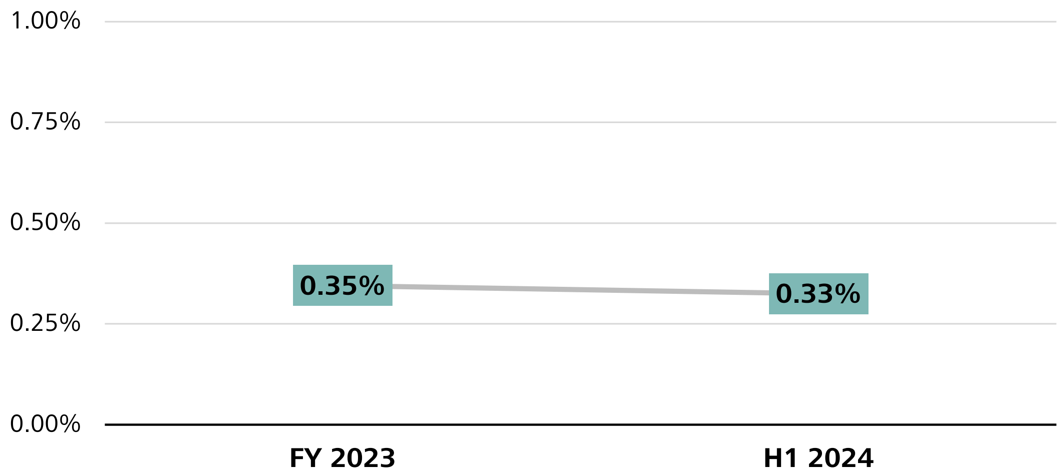
### Commercial real estate

CHF bn as of 30 June 2024

**by interest rate type**




### Value adjustments and provisions ratio




- Lower interest burden for customers compared to EU/US due to Swiss interest rate environment
- Fixed-rate mortgages account for 66% of the commercial real estate portfolio
- Raiffeisen has **insignificant** exposure to European or US-banks with high commercial real estate exposure



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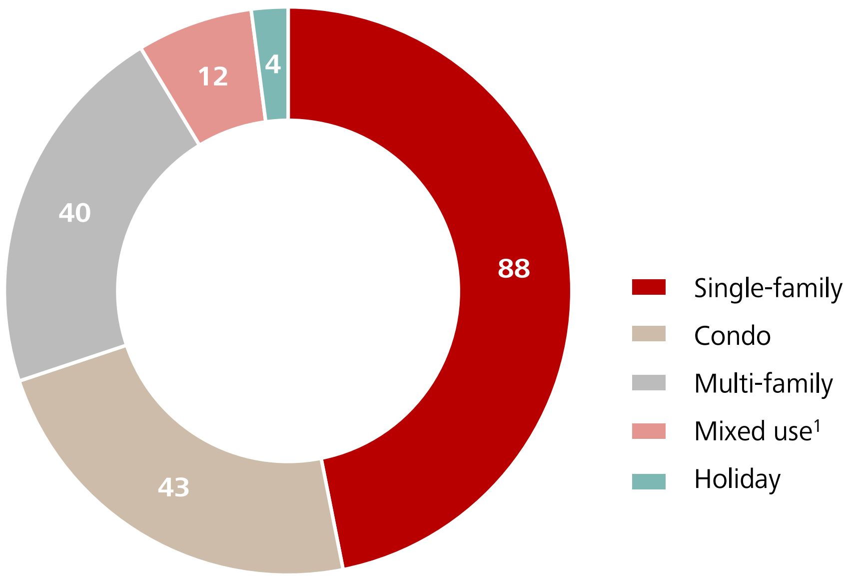
# Residential Real Estate Breakdown H1 2024

## Low Share of Holiday Home Financing

**Residential real estate**
CHF bn as of 30 June 2024

**by property type**




- 91% are single-/multi-family homes and condos
- Holiday home financing accounts to low 2% share in residential property portfolio
- **100% of financed residential property located in Switzerland**
- Owner-occupied residential real estate mortgages have an average mortgage size of CHF 429'000

[1] Mixed-economy property with predominant residential share

# Raiffeisen's Mortgage Book H1 2024
## Prudent Underwriting Standards with High Collateralisation

### Easy-to-understand, transparent mortgage structures

- 2Y to 10Y fixed rate contracts or SARON-linked products
- Conservative initial LTVs
- Linear contractual amortisation via tax-preferred pension investments or repayments
- Strict affordability criteria comprising all housing cost (5% interest rate, maintenance, repayments) in accordance with Swiss Bankers Association rules
- No free prepayment option for fixed rate contracts

### Regionally diversified, conservative mortgage portfolio

- Moderate LTVs for owner occupied residential real estate
- Low share of commercial real estate lending, office space financing, and buy-to-let mortgages
- Property development finance with marginal share and low concentration
- Average maturity of the mortgage book is 2.8 years (with 40% > 3 years), acting as a powerful hedge for customers against rising rates
- Value adjustments remain on low levels

**87%**
residential real estate

**75%**
with fixed interest rates

**CHF 429'000**
average mortgage size
(owner occupied residential real estate)

**59%**
average LTV



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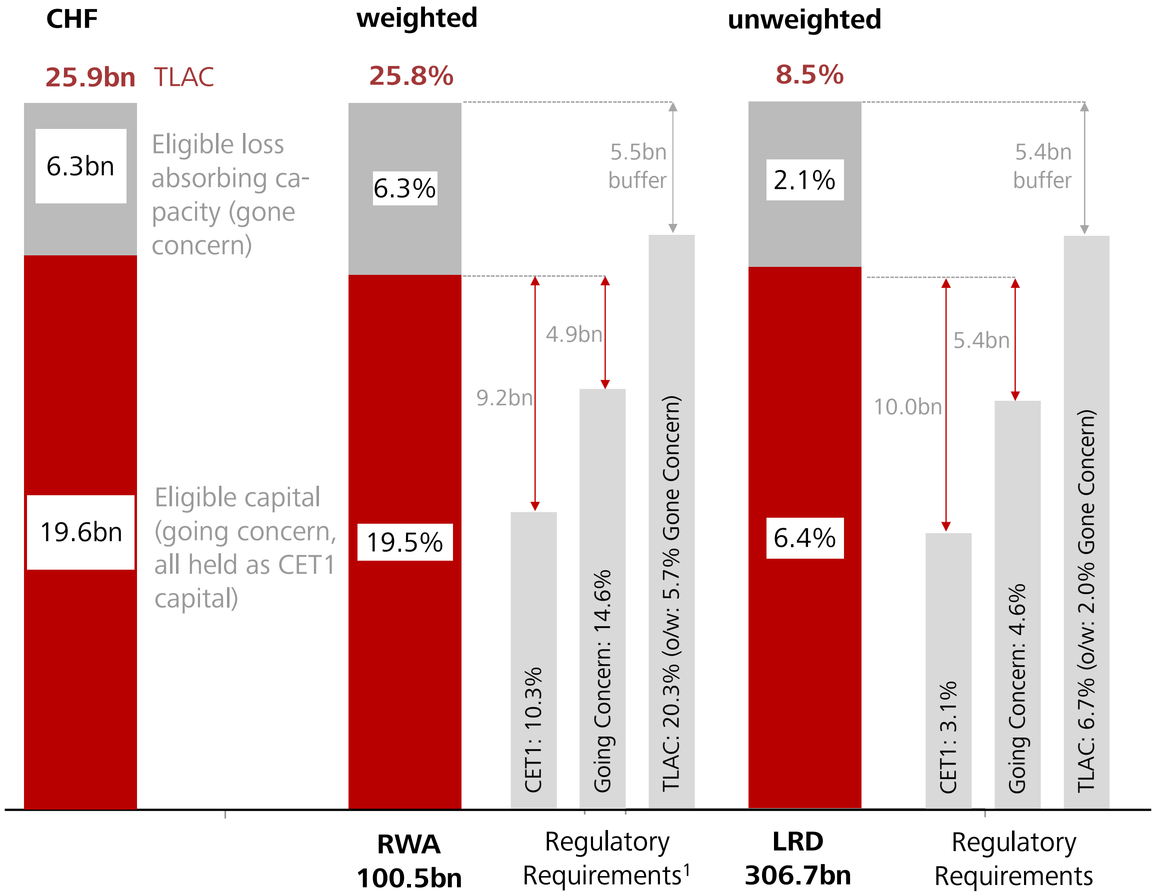
# 4 Capital, Funding & Liquidity

# Capital H1 2024 (I)

## 2026 TLAC Requirements Already Fulfilled & Solid Capital Position Further Strengthened




[1] Final rules

- High profit retention of **>90%** being the hallmark of the cooperative business model
- Capital base further strengthen through CHF 150m Bail-in bond issue H1 2024
- Raiffeisen fulfils gone concern requirements with continued build-up of bail-in capital and reclassification of going concern capital
- Unweighted TLAC leverage ratio increased from 8.3% FY 2023 to 8.5% H1 2024
- **CET1 and loss absorbing capacity** of the Raiffeisen group **expanded** to **CHF 25.9bn**

**AA-/A-1+**
**stable**
Standard & Poor's
Issuer Credit Rating / Short-Term Rating

**A+/F1**
**stable**
Fitch
Long-Term / Short-Term Issuer Default Rating



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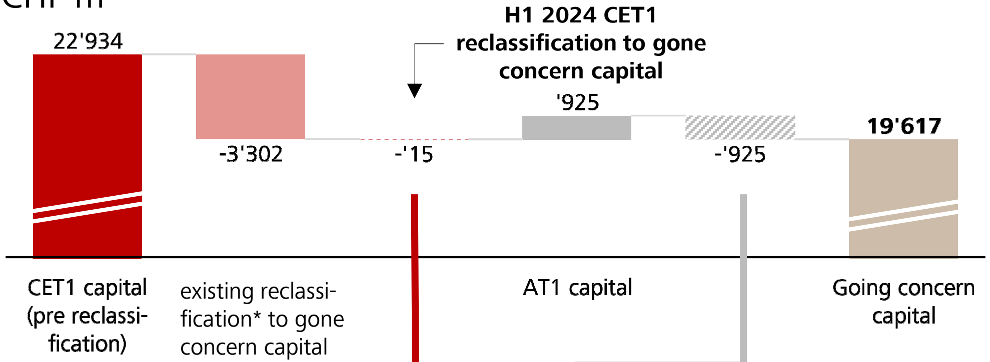
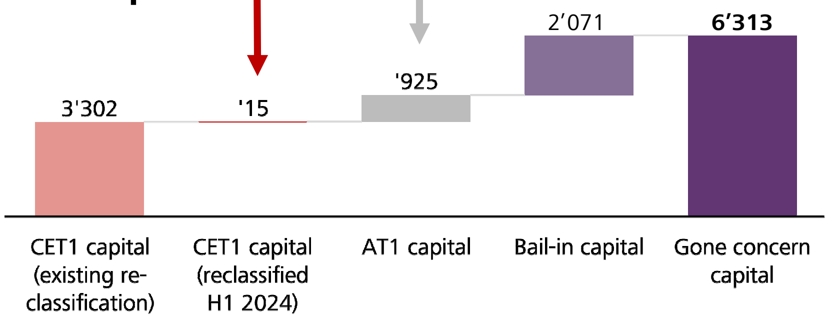
# Capital H1 2024 (II)

## Raiffeisen's Loss-Absorbing Capacity – Strong, Simple & Transparent Capital Structure

### Going concern capital
CHF m

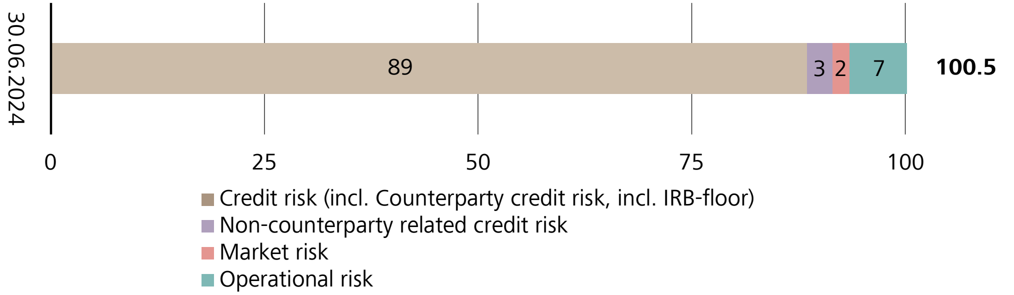



### Gone concern capital
CHF m




* as of 31.12.2023

### RWA Overview
CHF bn




- Any going concern-eligible capital above the minimum requirement can be counted toward gone concern, subject to reclassification
- A maximum of 25% of gone concern requirements can be met with instruments having a remaining maturity of between one and two years
- **RWA density** slightly reduced to **32.8%** in H1 2024 compared to 33% FY2023 despite expansion of lending business and balance sheet growth



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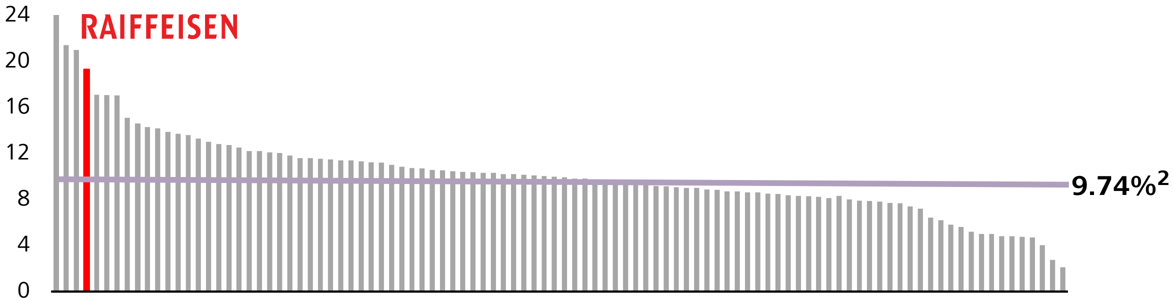
# Strength of Capitalisation

## Raiffeisen Schweiz is one of Europe's Best Capitalised Banks

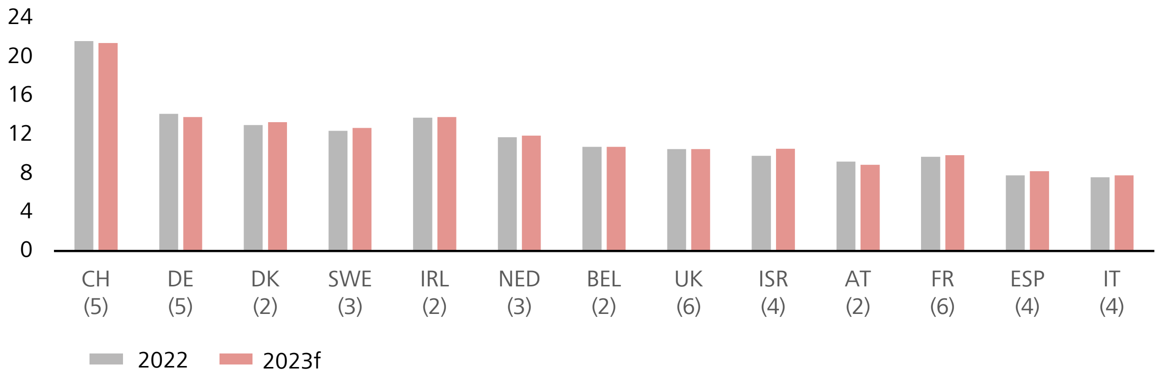
**S&P Global RAC-Ratio**

%, before diversification, against world's top 200 rated banks




**Banks' average RAC ratio by country**

%, (number of banks per country)




**Raiffeisen's RAC ratio[1] demonstrates the strength of its capitalisation**

- Raiffeisen's S&P RAC ratio YE 2022: **19.3%** due to early fulfilment of TLAC requirements (-3.6 %)
- **Global average** RAC ratio: **9.74%** (YE 2022) compared to 11.7% for European banks
- The high RAC ratio puts Raiffeisen among Europe's strongest banks by regulatory tier 1 capital
- S&P expects RAC ratios of the world's top 200 banks to decrease to 9.71%[2] in 2024
- **Raiffeisen's RAC ratio outlook 2023:** 21.65 – 22.15%[3]

[1] standardised RWA in relation to regulatory capital
[2] average RAC Ratio [3] Update publication end of September 2024

Source: Standard & Poor's RatingsDirect: Raiffeisen Schweiz Genossenschaft (01.12.2023), Top 200 Banks: Capital Ratios Continue to normalize after pandemic peaks (18.09.2023)[3]



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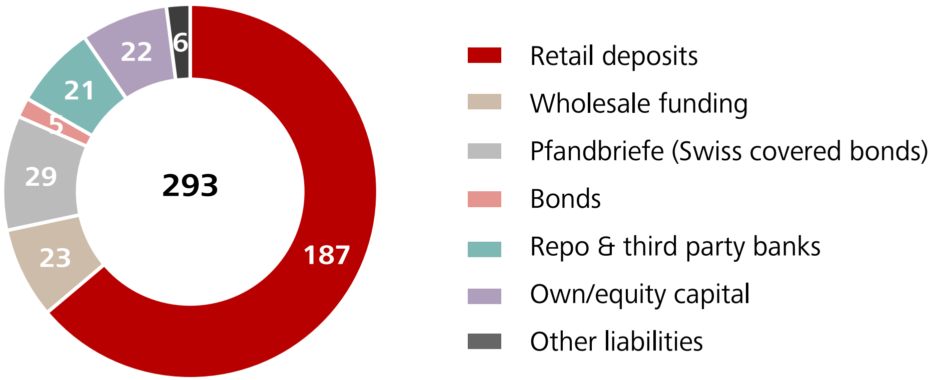
# Funding
Stable, Customer Deposit-Funded Business Model

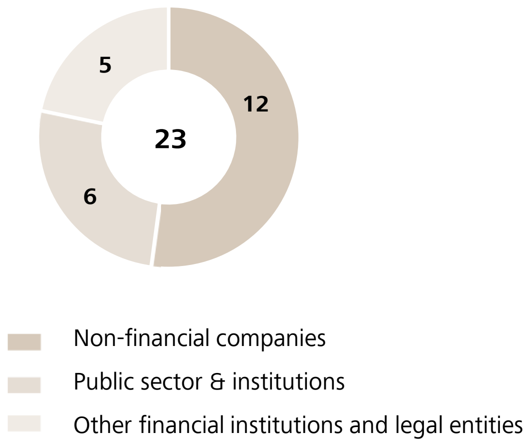
**Funding Structure**
CHF bn as of 30 June 2024




**Split retail deposits**[1]
CHF bn


[1] subject to withdrawal restrictions

**Split wholesale funding**
CHF bn



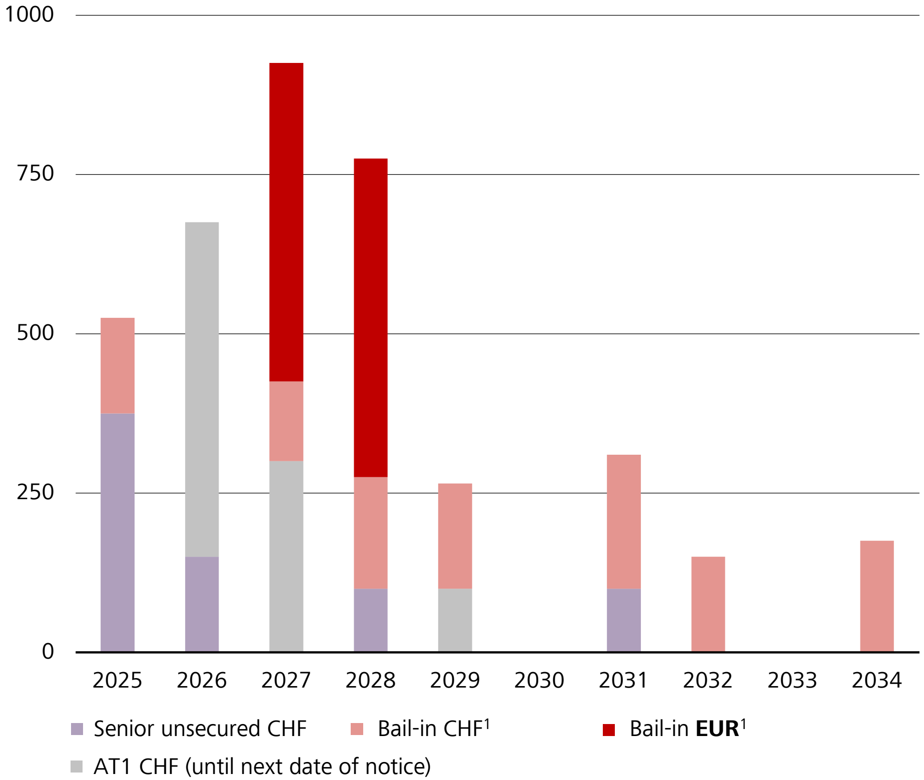

- 107.9% loan-to-deposit ratio at reasonable levels
- Low concentration among top 20 customers – 31.0% from regional/local governments and 23.0% from pension funds – both considered stable funding
- New rate cycle puts regained interest margin under pressure

# Funding Plan

## Continued Build-up of Bail-in Capital, B/S Evolution Supported by Debt Issuance

### Maturity profile of Raiffeisen capital/debt instruments

CHF m




[1] Comparable to Senior Non-Preferred (SNP) as an asset class

- Further build-up of bail-in capital and balance sheet growth are main driver for capital and funding transactions
- Raiffeisen assesses different funding markets as opportunities arise while striving for predictability and stability for investors
- Raiffeisen considers **EUR** market as a key strategic investor base and expects to become a regular issuer

Bail-in **EUR**[1]

| Pricing date | Amount | Interest | Maturity | ISIN |
|---|---|---|---|---|
| 24 Oct 2022 | 500m | 5.230% | 1 Nov 2027 | CH1224575899 |
| 25 Apr 2023 | 500m | 4.840% | 3 Nov 2028 | CH1251998238 |



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# Ratings

## Raiffeisen’s Financial & ESG Ratings

- On 24 July 2024, Fitch affirmed Raiffeisen’s ratings emphasizing its strong position in the Swiss retail and corporate business. Fitch also recognises Raiffeisen's profitability, strong capitalisation and robust risk profile, which makes Raiffeisen stand out internationally thanks to the high quality of its credit portfolio.
- On 1 December 2023 S&P confirmed the very good rating of Raiffeisen putting the group among the best rated banks in the world.
- S&P upgraded Raiffeisen's rating in April 2023 and at the same assigned an AA-/ A-1+ resolution counterparty rating, due to the voluntarily early fulfilment of the 2026 regulatory Total Loss-Absorbing Capacity (TLAC) requirements.

| **Credit ratings** | **S&P** | **Fitch** |
|---|---|---|
| Senior unsecured | AA- | AA- |
| Bail-in[1] | A | A+ |
| Additional Tier 1 | BBB | BBB |
| Long-Term | AA- | A+ |
| Short-Term | A-1+ | F1 |
| Outlook | Stable | Stable |

| **ESG ratings** | **RAIFFEISEN Rating** | **Scale** |
|---|---|---|
| ISS ESG | Prime C | D- D D+ C- C C+ B B+ A+<br>Published 19.10.2023 |
| MSCI | A | CCC B BB BBB A AA AAA<br>Published 26.01.2024 |
| RepRisk | AA | D CCC B BB BBB C A AA AAA<br>Status July 2024 |

[1] Comparable to Senior Non-Preferred (SNP) as an asset class



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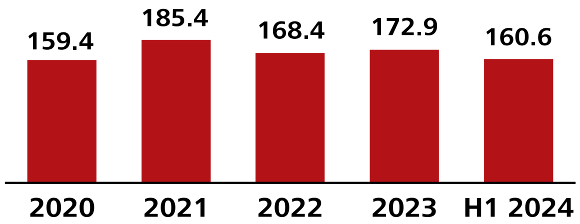
# Liquidity

## Robust Short Term & Structural Liquidity

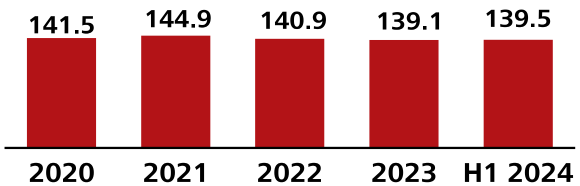
**Liquidity Coverage Ratio**
as of 30 June 2024, %

**161%**




**Net Stable Funding Ratio**
as of 30 June 2024, %

**139%**




### Stable Basel III liquidity ratios

- Raiffeisen's business model supports very high LCR levels
- Short-term liquidity ratio remains robust despite market and rate developments in CHF
- Liquidity buffer consists of first-class hold-to-maturity bonds and deposits at the Swiss central bank (SNB)

### Implementation of additional liquidity requirements

- As a D-SIB, Raiffeisen is subject to additional liquidity requirements since 2024 onwards



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# 5 Swiss Regulatory Framework

# Federal Council's Report on Banking Stability

Published 10 April 2024

## Capital

- More cautious assessment of certain balance sheet items
- Forward-looking Pillar 2 equity surcharges

## Liquidity

- Better use of SNB's potential to provide liquidity
- Introduction of Public Liquidity Backstop (PLB)

## Governance & oversight

- Senior Managers Regime
- Compensation
- Strengthening FINMA, e.g. fine authority, professional ban, etc.

## Stabilization & resolution planning

- Strengthened by further regulatory requirements

# Swiss Liquidity Regime for Systemically Important Banks (SIBs)
Sizable Buffer Above LCR to Withstand Continued Stress Events

| | |
|---|---|
| **Goal** | • SIBs must hold additional liquidity in order to absorb liquidity shocks better than non-SIBs<br>• Additional liquidity must allow orderly resolution of the bank |
| **Concept** | • In addition to the LCR stress scenario, coverage for credit extension risks, cliff risks within a 90-day horizon, and institution-specific additional risks (including intraday liquidity)<br>• Fulfilment of liquidity requirement through HQLA surplus, liquidity-generating measures and partial recognition of SNB Emergency Liquidity Assistance (ELA) |
| **Impact on Raiffeisen** | • Regulation leads to substantial additional liquidity requirement<br>• Additional liquidity requirement is confidential and not publicly disclosed |

## Public Liquidity Backstop

- The Swiss government plans to introduce a public liquidity backstop to bolster liquidity provision to banks in emergencies.
- The draft law also caters for temporary liquidity injections to SIBs during the restructuring process.
- In September 2023, Federal Council submitted the bill to introduce a public liquidity backstop to parliament, parallel working on an overall evaluation of the Too-Big-To-Fail (TBTF) regulatory framework.
- Parliament has put decision on hold in November 2023 until the evaluation of the TBTF regulatory framework is concluded.



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# 6 Macro Snapshot in Switzerland

# Macro Environment (I)

## Switzerland's Recent Economic Performance Underpins Its Safe Haven Status

| | | Switzerland | Germany | France | Austria | Netherlands | Denmark | Sweden | Norway | Finland |
|---|---|---|---|---|---|---|---|---|---|---|
| Macro environment | Political stability (rank, WEF-GCI 2019) | **1** | 19 | 34 | 5 | 7 | 9 | 32 | 20 | 4 |
| | Public debt in % of GDP (2023) | 39% | 66% | 110% | 75% | 49% | 30% | 32% | 37% | 74% |
| | Inflation ø 2019-2023 (%, YoY) | **1.0%** | 4.0% | 3.1% | 4.4% | 4.5% | 3.1% | 4.0% | 3.7% | 3.0% |
| | Unemployment rate (%, 2023) | **2.1%** | 3.3% | 7.4% | 5.1% | 3.7% | 5.0% | 7.5% | 3.6% | 7.3% |
| GDP per capita (PPP-based in 1'000 USD, 2023) | | **89** | 66 | 59 | 69 | 73 | 75 | 66 | 82 | 60 |
| Household | liabilities in % of GDP (2023) | 128% | 52% | 72% | 49% | 99% | 91% | 88% | 92% | 75% |
| | net financial assets in % of GDP (2023) | 251% | 135% | 168% | 131% | 193% | 264% | 226% | 41% | 65% |
| Net immigration in % of population (ø 2019-2021) | | 0.8% | 0.4% | 0.3% | 0.5% | 0.5% | 0.0% | 0.5% | 0.4% | 0.3% |
| Home ownership | rate total (%, 2022) | 42% | 47% | 63% | 51% | 71% | 60% | 64% | 79% | 70% |
| | rate w/mortgage (%, 2022) | 38% | 22% | 30% | 22% | 60% | 47% | 50% | 61% | 39% |
| | Mortgage interest tax deduction | x | | | | x | x | x | x | x |
| | Imputed rent/notional taxable income | x | | | | x | | | | |

Sources: World Economic Forum, IMF, OECD, Eurostat, EU Commission

### Stable and potent economy

- Rock-solid Swiss economy required only limited fiscal and monetary stimulus during recent crises
- Switzerland's public finances remain very resilient without any significant debt increase in the wake of international upheavals
- Energy price shock had limited effect on inflation due to high Swiss prices, strong CHF, and a lower energy intensity of the Swiss industrial sector
- Tax incentives drive high levels of household indebtedness, while household's financial assets allow banks to diversify revenue streams



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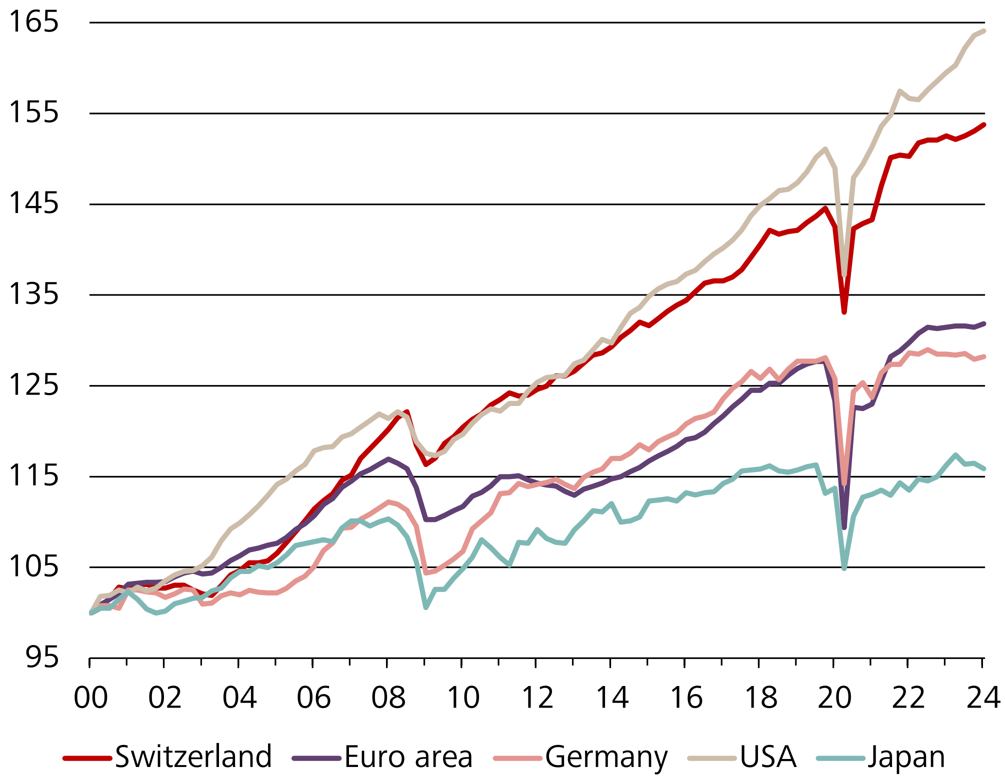
# Macro Environment (II)

## Switzerland's Growth Dynamic Outperforms in Global Comparison

**Gross domestic product** (indexed, Q1 2000 = 100)




Source: Refinitiv, Raiffeisen Economic Research

- Compared to other developed countries, **Switzerland's GDP** has shown a **more stable and consistent growth pattern** over time
- The **economy has demonstrated resilience**, weathering crises with less severe setbacks compared to other countries
- The continuous **appreciation of the Swiss franc** has posed challenges for some sectors, but it has also **incentivized innovation** and **efficiency gains**



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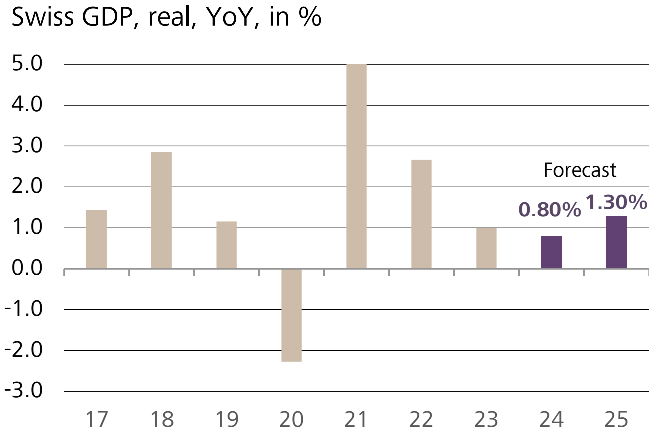
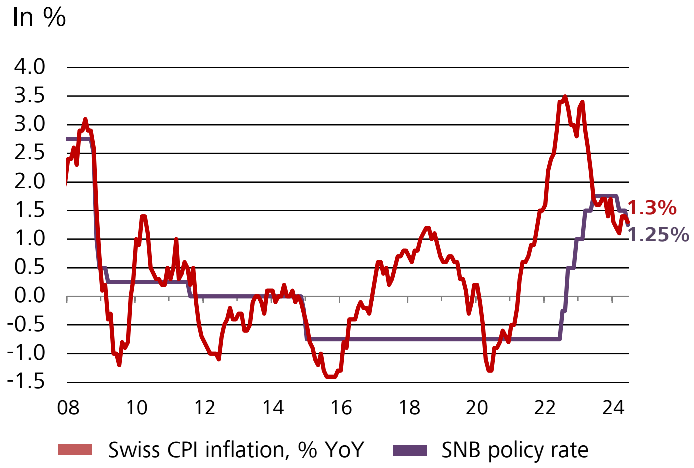
# Economic Environment
SNB is Leading the Easing Cycle

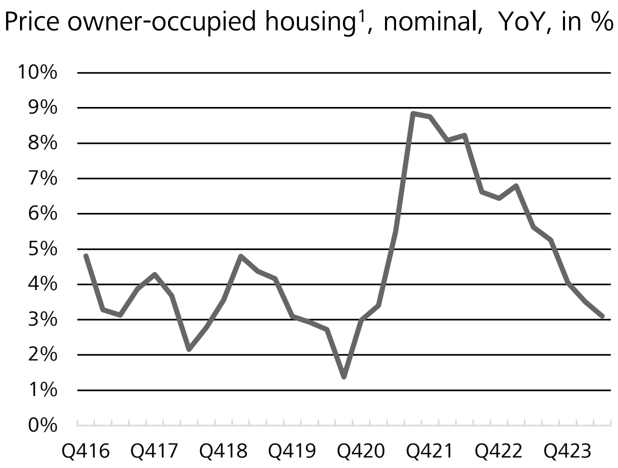
## GDP growth




## Interest Rates




## Real Estate Market




**Weak external demand, particularly from euro area, dampens growth prospects.**

**Swiss inflation remains moderate, supported by strong Swiss franc and weak second round effects.**

**Higher interest rate level is slowing down price dynamics and reduced attractiveness of real estate investments.**

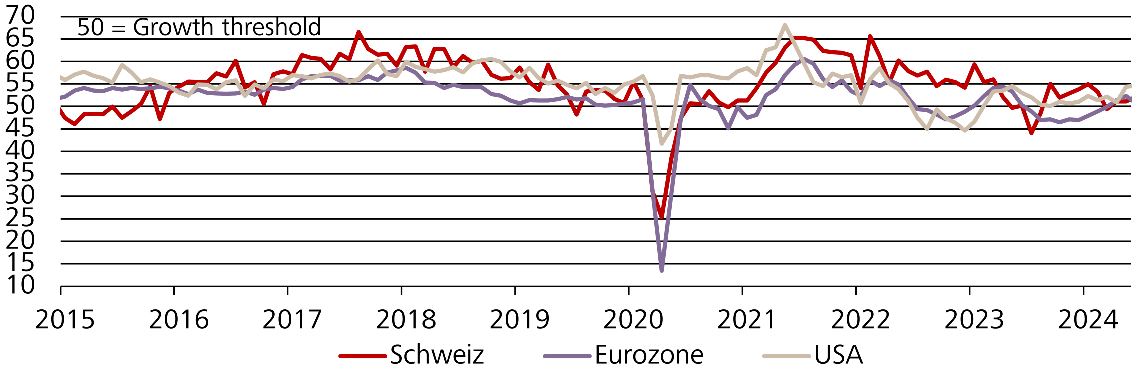
[1] Raiffeisen transaction-price index for owner-occupied housing, average rate of price change of single-family homes and condominiums

Sources: SECO, SNB, BFS, Raiffeisen Economic Research

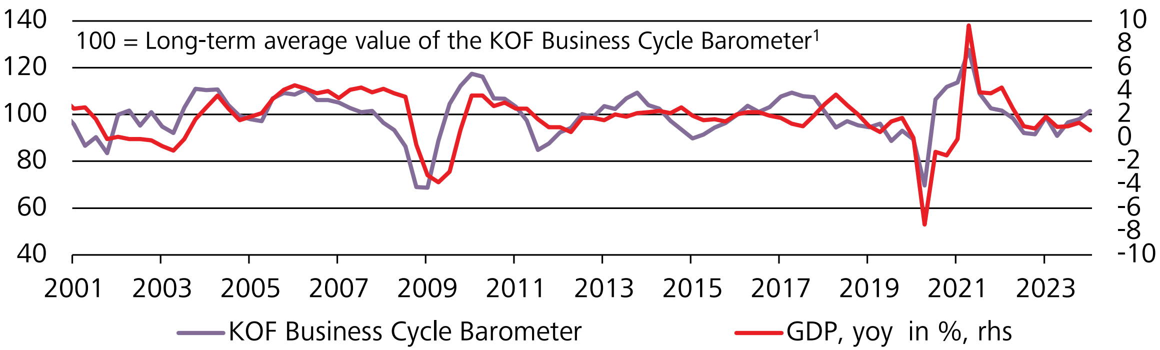
# Economic Indicators

## Swiss Leading Indicators in Global Comparison

**Composite Purchase managers' index (PMI)**




**Swiss GDP and economic barometer**




- Global growth remains moderate, but recession fears have subsided
- Swiss economy growths below average for second year in a row. Expected GDP growth 2024: 0.8% and 2025: 1.3%
- Manufacturing remains weak but with limited spill over to the service economy. Consumption stays a stable growth pillar, supported by strong immigration and moderate inflation
- The SNB cut its key rate early. But interest rate level is already comparatively low, not far above neutral level

[1] KOF Swiss Economic Institute is publishing a leading composite indicator, the KOF Economic Barometer, predicting how the Swiss economy should perform in the near future.



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# Real Estate Market in Switzerland
Strong Fundamentals

**Residential Property**

- With interest rates falling again, cost advantage in self-owned real estate compared to renting has returned
- Non-financial motives such as prestige, raising children in their own home and self-fulfilment keep demand for home ownership high
- Price drops remains unlikely due to high demand and severe shortage of housing supply

**Rental Apartments**

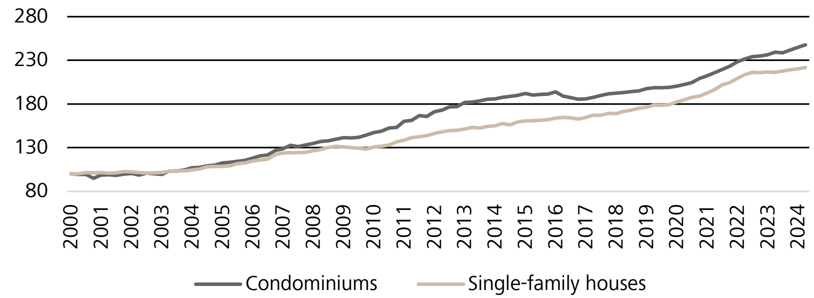
- Migration record in 2023 drives demand, migration dynamics remains high in the first half of 2024
- Strict planning laws, shortage of building plots, and high construction costs limit the supply for new apartments
- Demand outstrips supply by far. Vacancy rates falling at a record pace. Rents rise dynamically (+6.4% YoY in Q224).

**Commercial Real Estate**

- Working from home and e-commerce put rents for office and retails space under pressure
- Adjustment processes in the market are under way, but take time (long-term leases, implementation of new workplace concepts, etc.)

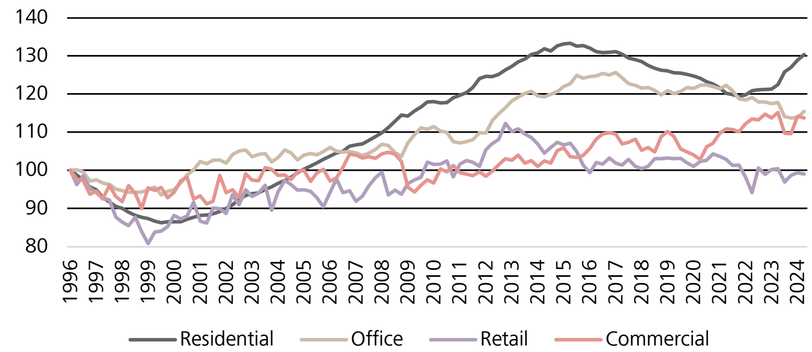
**Transaction prices for Swiss residential property**

(indexed; 2000=100)




**Development of supply rents**

(indexed; 1996=100)

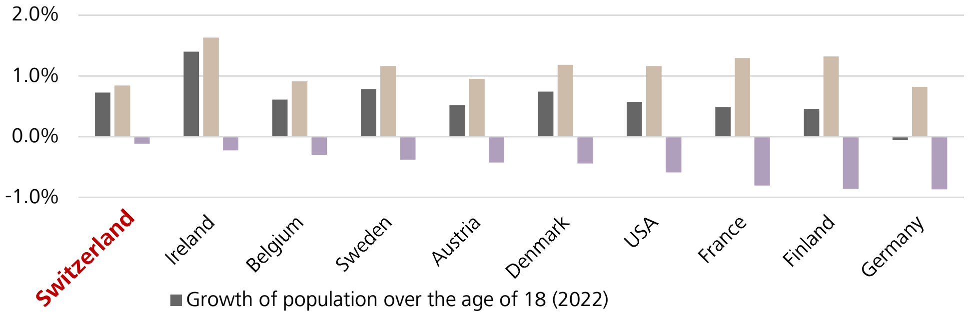



Sources: Wüest Partner, Raiffeisen Economic Research

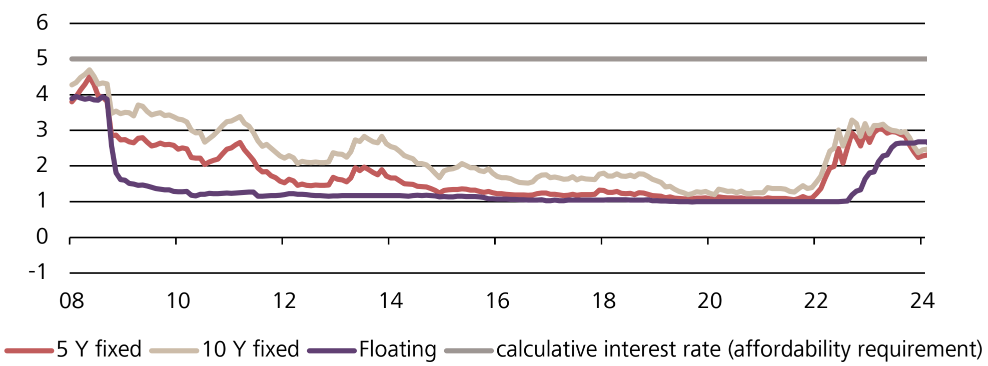
# Swiss Mortgages (I)

## Strong Fundamentals Amid Strict Equity & Affordability Requirements

**Supply and demand**




**Swiss mortgage rates vs (interest rate) affordability requirement**




Sources: Docu.Media, EMF, FSO, Raiffeisen Economic Research

### Strong demand + limited supply = rising prices

- Fast-growing population and demographics drive housing demand
- Strict planning laws, shortage of building plots, and high construction costs limit the supply for new apartments
- Demand exceeds supply by far, leading to a housing shortage, rising real estate prices, and rent increases

### Strict equity and affordability requirements

- Home equity and affordability requirements limit mortgage eligibility. Even after the rise in interest rate, calculative interest exceeds actual interest rate by far.
- Mortgage debt rolled for tax reasons explains Switzerland's high household indebtedness as well as an amortization obligation only up to 67%. However, only gross debt is high. Net debt is significantly lower.
- Tax-deductibility of mortgage interest acts as an automatic stabiliser protecting household budgets from interest rate increases



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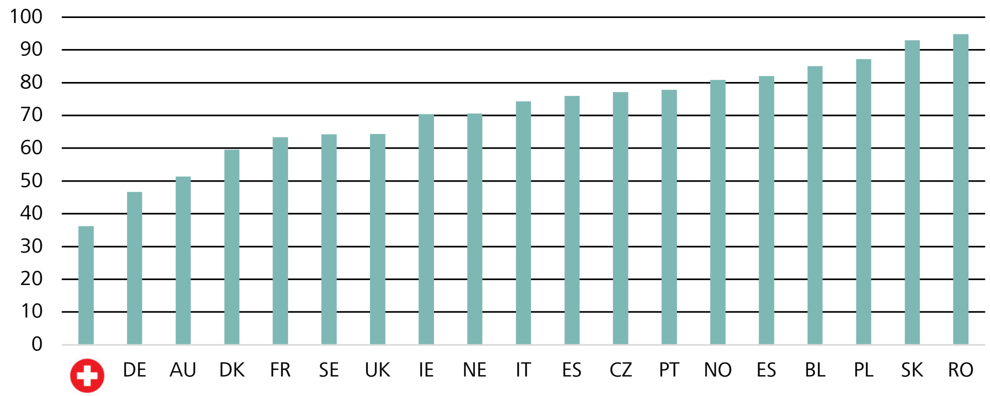
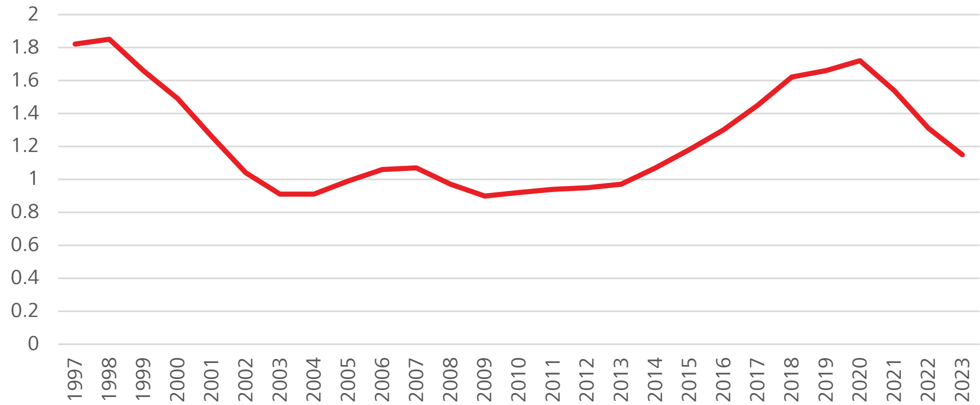
# Swiss Mortgages (II)
## Property Ownership is Limited to High Quality Debtors

**Owner occupation rate, in %, 2022**




**Dwelling vacancy rate, in %**




### High creditworthiness debtors

- Due to very strict affordability framework Home ownership is increasingly a privilege for the well-to-do
- Those households are less affected by unemployment and have access to significant wealth. They are therefore able to service their debt even in a rising rate environment

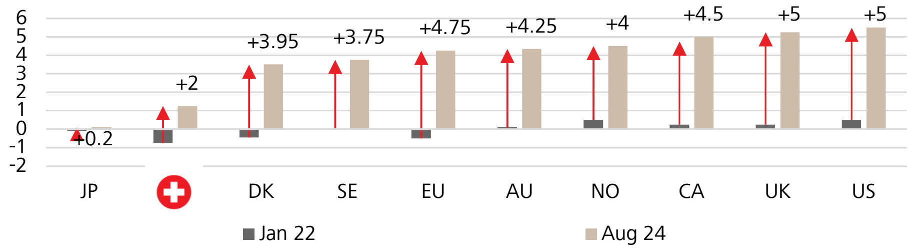
### Market is moving rapidly towards housing shortage

- Building permits for dwellings on 20 year low, no supply impulses expected
- At the same time record high net migration is driving demand
- Construction pipeline is far too small to match expected demand, therefore vacancy rates will continue to fall

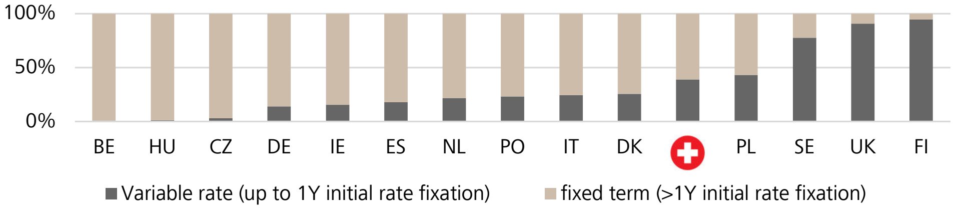
Sources: EMF, FSO, Raiffeisen Economic Research

# Swiss Mortgages (III)
## Limited Impact of Interest Rate Increase

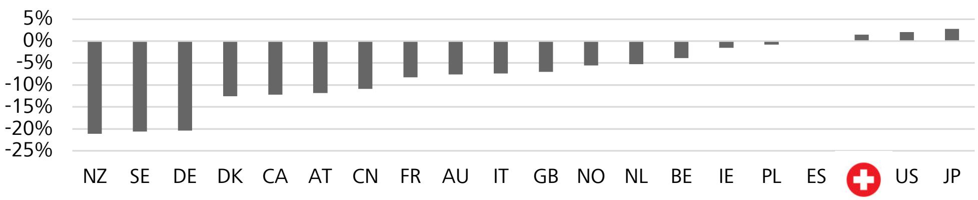
**Policy rate increases of major central bank, in %**




**New mortgages by tenor, 3rd quarter 2023**




**Real change in residential property prices, Q4 2021 vs Q4 2023**




Sources: BIS, EMF, World Bank, Datastream, Raiffeisen Economic Research

### Moderate rise in interest rates

- General interest rate levels as well as dynamics are much lower than in most other countries.
- No pressure for SNB to hike rates further, thanks to moderate inflation pressure.

### Prevalence of fixed rate contracts limits rates exposure

- Only one quarter of outstanding Swiss mortgages are floating/variable rate contracts.
- Tax-deductibility of mortgage interest acts as an automatic stabiliser for household budgets.

### Robust market

- Swiss real estate market with high robustness in challenging market environment.



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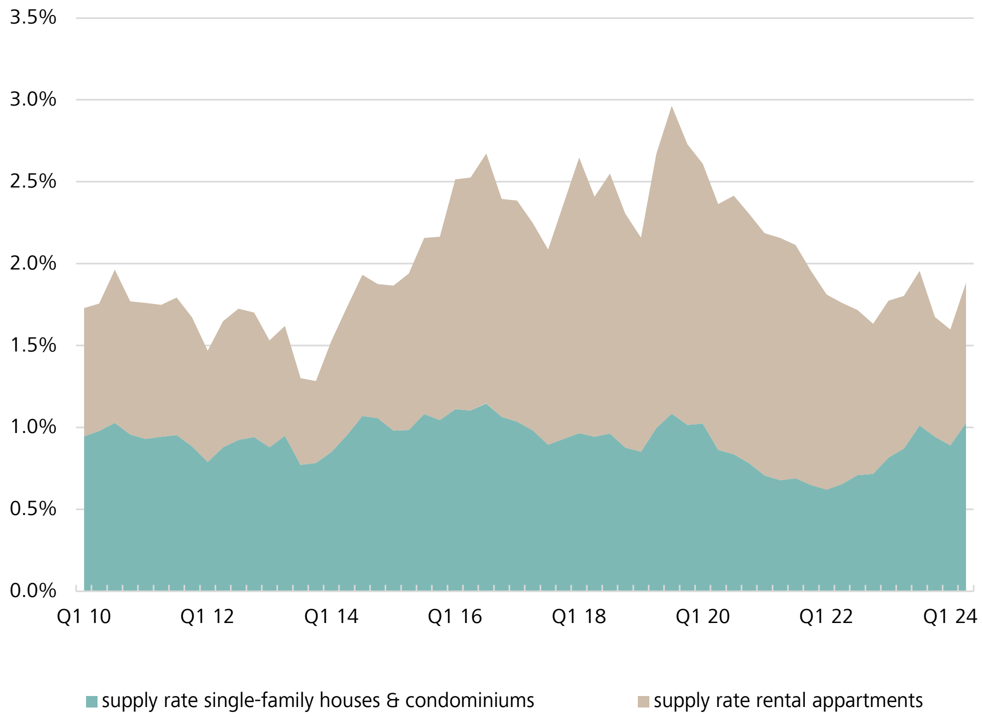
# Housing Supply Rate in Switzerland

## Swiss Residential Real Estate Market is Characterized by Pronounced Scarcity

### Number of online adverts divided by housing stock




- Supply shortage of owner-occupied property has been going on for years and led to sharply rising prices in most regions.
- Low interest rate environment supported extremely high demand due to low financing costs, while relatively few owner-occupied property was built.
- Due to high immigration demand for housing remains high despite rise in interest rates.
- High demand meets scare supply, causing prices to continue to rise.

Source: BFS, Meta-Sys, Raiffeisen Economic Research



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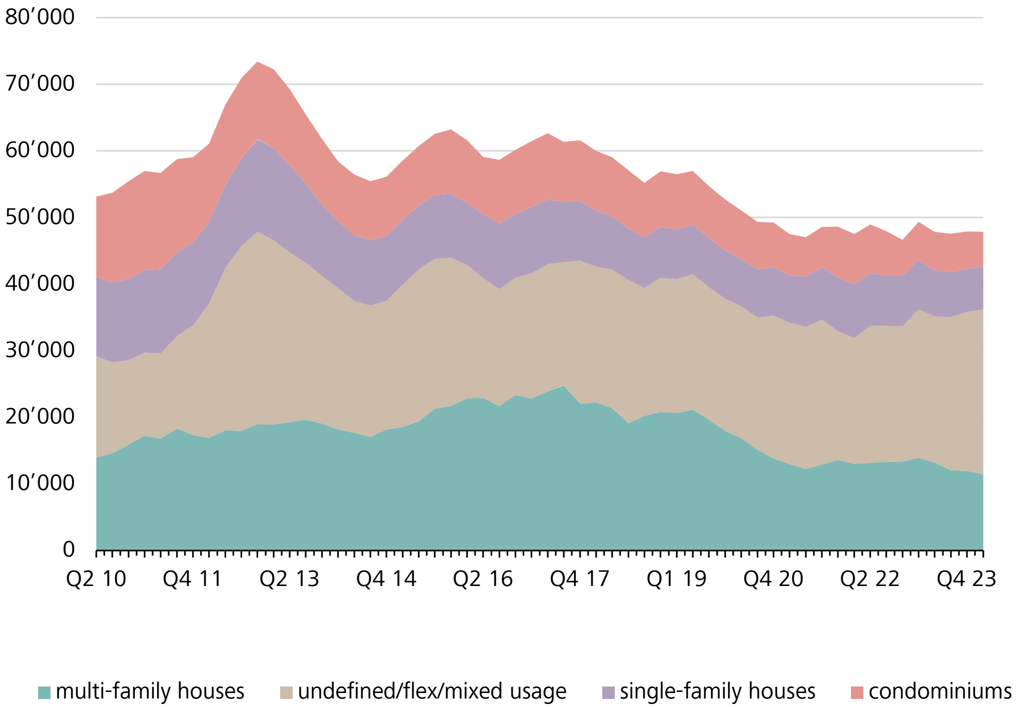
# Residential Construction in Switzerland

## Strict Planning Laws are a Limiting Factor to Real Estate Supply

**Flats in newly submitted planning applications** (four-quarter totals)




- Noticeable increase in supply is not expected in the years to come, due to structural challenges (e.g. shortage of building land, sluggish densification).
- Relatively few new flats are in the construction pipeline. Thus, future construction activity is unable to keep pace with immigration.
- As a result, flats remain very scarce resources.
- A scenario of oversupply in owner-occupied and rental housing is extremely unlikely for the coming years.

Source: BFS, Raiffeisen Economic Research



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# Thank you

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The published financial figures are unaudited.

**Commitment to Regular Fixed Income Investor Communication**

**21 August 2024**
Publication of Half-Year Results 2024

**22 August 2024**
Individual / Group Investor Call Upon Request

**27 February 2025**
Media Conference Annual Results 2024

**28 February 2025**
Individual / Group Investor Call Upon Request