

**Rating Action: Moody's assigns Baa3 (hyb) rating to Raiffeisen Schweiz's high-trigger AT1 securities**

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Global Credit Research - 04 Mar 2015

Frankfurt am Main, March 04, 2015 -- Moody's Investors Service has today assigned a Baa3 (hyb) rating to the 'high trigger' additional tier 1 (AT1) securities to be issued by Raiffeisen Schweiz Genossenschaft ('Raiffeisen Schweiz'; senior unsecured debt Aa3, negative; Bank Financial Strength Rating (BFSR) C stable/ Baseline Credit Assessment (BCA) a3). The outlook on the new rating for the AT1 securities is stable.

The perpetual non-cumulative AT1 securities rank junior to Tier 2 capital, pari passu with other deeply subordinated debt securities with the same write-down trigger and senior only to the issuer's ordinary shares and other capital instruments qualifying as common equity tier 1 (CET1). Coupons may be cancelled in full or in part on a non-cumulative basis at the issuer's discretion or mandatorily in case the distributable items were not sufficient. The principal of the securities is partially or fully written down if Raiffeisen-Gruppe's ('the Group'; unrated) CET1 capital ratio falls below 7%. The Group comprises the local primary co-operative banks (Raiffeisenbanken) and Raiffeisen Schweiz, including its fully consolidated participations, as their central institution, which is the issuer of the AT1 securities.

Please see our report "Moody's Rates Raiffeisen Schweiz's Additional Tier 1 Capital Securities at Baa3 (hyb)", which will be published later today, for further details on the features of this instrument:  
[http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_179431](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_179431).

**RATINGS RATIONALE**

The Baa3 (hyb) rating assigned to the securities reflects Moody's approach to the rating of 'high trigger' securities, which takes account of the credit risk of their non-viability component and the credit risk associated with the distance to trigger breach. According to this methodology, Moody's used a model to assess the probability of Raiffeisen-Gruppe's CET1 ratio reaching the write-down trigger. The model is based on Raiffeisen Schweiz's adjusted BCA of a2, which incorporates the overall strength of the Group as well as the solidarity mechanisms within the Group, and Raiffeisen-Gruppe's CET1 capital ratio of 14.0% as of end-2014. Further taking into account the distance to the 7% CET1 trigger point (at Group level), the model provides an outcome of Baa3 (hyb).

Moody's ran a sensitivity analysis which factors in potential negative pressures on Raiffeisen Schweiz's BCA and the Group's intrinsic financial strength. The outcome of this sensitivity analysis confirms that the assigned Baa3 (hyb) rating remains resilient under the main plausible scenarios.

To position the 'high trigger' security rating, we rate to the lower of the model-based outcome and the non-viability security rating, which also captures the risk of coupon suspension on a non-cumulative case. Since the hypothetical non-viability security rating would be Baa2 (hyb), three notches below Raiffeisen Schweiz's adjusted BCA of a2, the assigned Baa3 (hyb) rating is not constrained by the non-viability security rating cap (Baa2).

The stable outlook assigned today on the rating of Raiffeisen Schweiz's 'high trigger' AT1 securities reflects the fact this rating would most likely remain unchanged even if the bank's adjusted BCA was revised to a3 from a2.

**WHAT COULD CHANGE THE RATING UP/DOWN**

The rating of this instrument could be upgraded if Raiffeisen-Gruppe's capitalisation were to strengthen substantially and/or if Moody's raised the issuer's adjusted BCA.

Conversely, downward pressure on the rating of this instrument could materialise if Raiffeisen Schweiz's adjusted a2 BCA was adjusted downwards by more than one notch in conjunction with the Group's CET1 ratio dropping below the current level on an ongoing and sustained basis. In addition, Moody's would also reconsider the rating if the probability of a coupon suspension increased.

The principal methodology used in these ratings was Global Banks published in July 2014. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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