

Swiss Regulatory Framework



Swiss Regulatory Framework (I)

Recovery

Raiffeisen's strong and simple capital structure

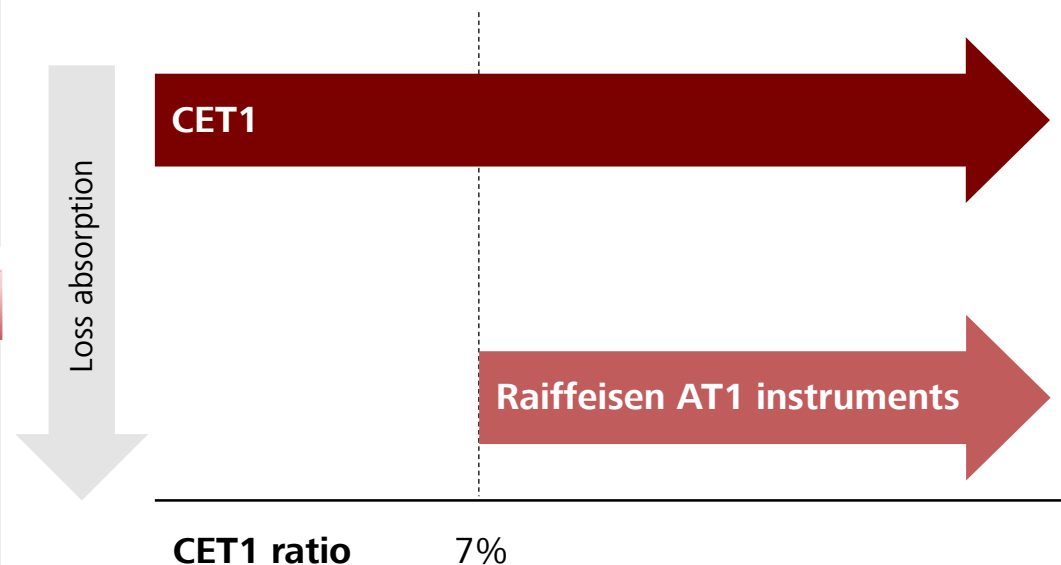
- As a cooperative, Raiffeisen's internal capital generation allows continuous build-up of high-quality capital (CET1)
- Raiffeisen complements CET1 capital exclusively with high-trigger CHF-denominated AT1 instruments
- Reclassifications of going concern to gone concern capital are guided by FINMA

Raiffeisen's AT1 instruments

- Raiffeisen's AT1 are loss-absorbing in a **going concern**
- Contractual triggers
 - 7% CET1/RWA
 - Point of Non-Viability (PONV): FINMA determination and/or public sector support
- Switzerland implemented the **contractual approach** for loss absorption at the PONV

Recovery

Trigger CET1 Ratio



Swiss Regulatory Framework (II)

Resolution Regime & Bail-in

Resolution

Trigger Point of non-viability (PONV, at FINMA's discretion)

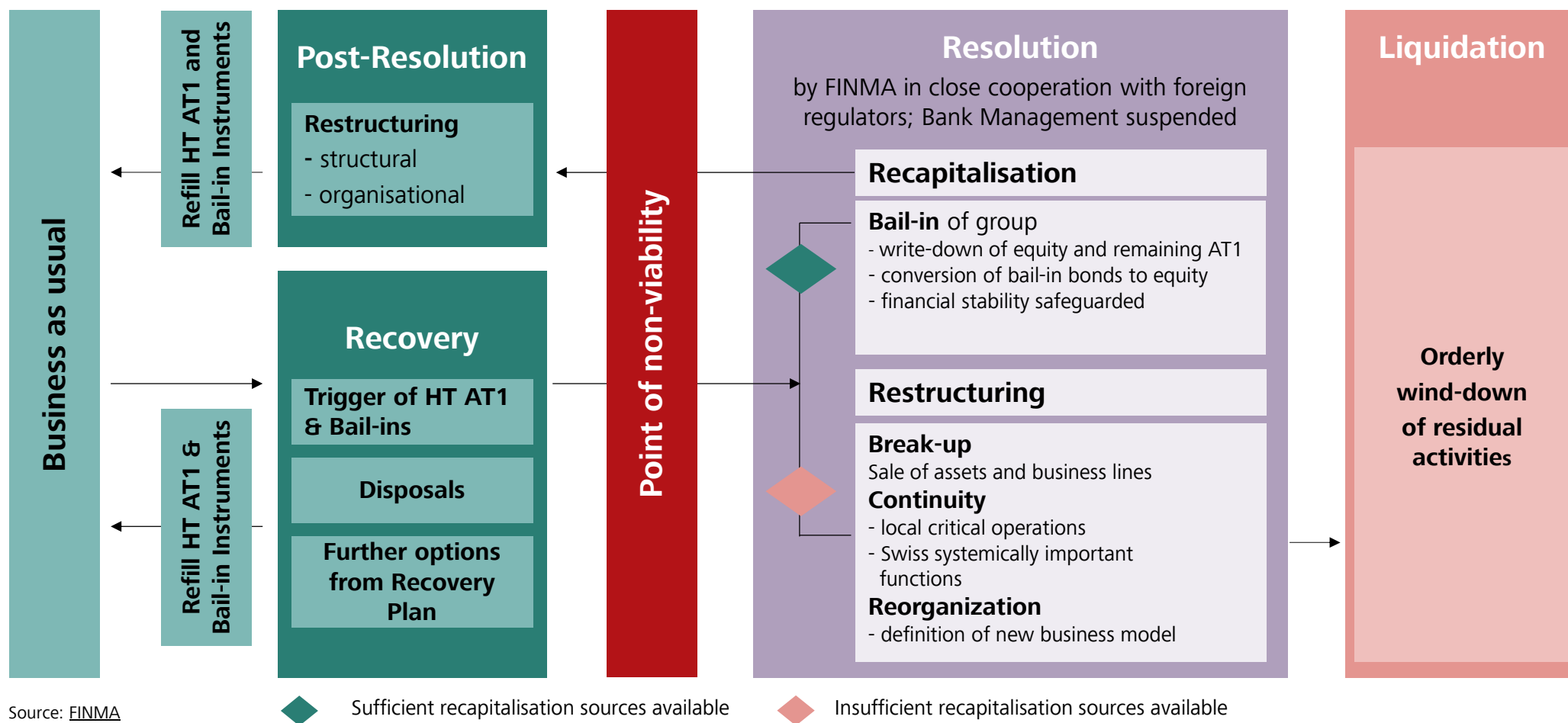


Swiss Bail-in and resolution regime & Raiffeisen

- Bail-in instruments only absorb losses in a formal restructuring (*gone concern*)
- Entire equity capital and AT1 instruments to be fully eliminated/written off, before FINMA may force losses into bail-in debt (hierarchy of claims)
- Debt-for-equity swap on most senior regulatory instruments (bail-in instruments) transfers all remaining equity to bail-in debt investors, minimising their economic loss
- No Creditor Worse Off than in Liquidation (NCWOL) principle applies; principle **not waived** in Raiffeisen bail-in instruments (but limited rights of debtors to challenge FINMA's application of NCWOL test based on prudent valuation)
- Strict and complete hierarchy of losses enforced by law³

¹ In so far as not converted/written off prior to restructuring based on contractual terms. Extraordinary measures taken by the Federal Council or certain types of public sector support could impact priority of loss absorption. ² Includes (in descending order) other claims not excluded from conversion/write-down and non-privileged deposits ³ Swiss Banking Insolvency Ordinance (BIO-FINMA)

Overview of the Possible Stages of a Resolution of a Major Swiss bank



Source: [FINMA](#)