

Special disclosure for systemically important banks as of september 30 2016 («Too big to fail», «TBTF»)

Arts. 124 - 133 of the Capital Adequacy and Risk Diversification Ordinance (Eigenmittel- und Risikoverteilungsvorschriften - ERV) require systemically important banks in Switzerland to submit a calculation and disclosure of capital adequacy requirements on a quarterly basis. This calculation for systemically important banks constitutes a capital adequacy requirement in the sense of a parallel calculation alongside the requirements stipulated in ERV (annex 8), applicable to the Raiffeisen Group. It should be noted that the parallel calculation applicable under the rules governing systemic importance imposes different requirements on the qualities of capital. For this reason the individual capital ratios may differ.

The Swiss National Bank declared the Raiffeisen Group to be systemically important by a decision of 16 June 2014. Based on this decision, the Swiss Financial Market Supervisory Authority (FINMA) issued a decision on capital adequacy requirements under the regime of systemic importance. According to the international rules of the Basel Committee, transitional provisions apply to compliance with the requirements for systemically important banks up to 2019. Since the Raiffeisen Group already meets the capital adequacy requirements for systemically important banks in full, FINMA has established the requirements applicable to the Raiffeisen Group without transitional provisions. On 11 May 2016, the Federal Council adopted new too-big-to-fail provisions. The new provisions will enter into force on 1 July 2016. For nationally system-relevant banks – such as the Raiffeisen Group – this decision defines the requirements for the bank's going concern. The issue with regard to the requirements for additional loss-absorbing funds (gone concern) is expected to be clarified for nationally system-relevant banks in 2017. Until the determination of gone-concern capital requirements for nationally system-relevant banks, die TBTF capital requirements according to the individual FINMA decision will continue to apply to Raiffeisen, which must be fulfilled in parallel to these new TBTF requirements in accordance with this disclosure report.

Besides risk-weighted capital adequacy requirements, the requirements under the rules governing systemic importance also include requirements for unweighted capital adequacy requirements (leverage ratio), which are as follows:

Risk-weighted and unweighted capital adequacy requirements of the Raiffeisen Group under the rules governing system-relevant banks

Requirement on risk-weighted capital ratios (in %)	
Basic requirement	12.86
Market share component ¹⁾	0.36
Overall exposure component ¹⁾	-
Overall requirement (excluding anti-cyclical capital buffer)	13.22
Anti-cyclical capital buffer ²⁾	1.18
Overall requirement (including anti-cyclical capital buffer)	14.40
<i>of which core capital (CET1)</i>	10.10
<i>of which convertible capital with a high trigger level³⁾</i>	4.30

Until the definitive determination of the TLAC rules governing nationally system-relevant banks, according to FINMA specifications the fulfilment of a total capital ratio (incl. anti-cyclical capital buffer) of 15.6% according to the old TBTF rules is also required in parallel. This requirement was fulfilled as of 30 September 2016 with a total capital ratio of 16.7%.

Requirement on unweighted capital ratios - leverage ratio (in %)	
Basic requirement	4.500
Market share component ¹⁾	0.125
Overall exposure component ¹⁾	-
Overall requirement (excluding anti-cyclical capital buffer)	4.625
<i>of which core capital (CET1)</i>	3.125
<i>of which convertible capital with a high trigger level³⁾</i>	1.500

¹⁾ The market share and overall exposure components are calculated annually on the basis of the provisions set out in CAO Annex 9.

²⁾ The latest anti-cyclical capital buffer is shown in each case

³⁾ This requirement can also be met with core capital (CET1)

Table 1: Risk-based capital adequacy requirements on the basis of capital ratios as at 30 September 2016

	Transition rules		Final rules (without transitional provisions)	
	Capital (in CHF million)	Ratio (in %)	Capital (in CHF million)	Ratio (in %)
Risk-weighted positions (RWA)	90'881		90'881	
Risk-based capital requirements ("going concern") on the basis of capital ratios				
Total	10'838	11.93%	13'087	14.40%
of which CET1: Minimum	4'090	4.50%	4'090	4.50%
of which CET1: Capital buffer	3'290	3.62%	4'017	4.42%
of which CET1: Anti-cyclical capital buffer	1'072	1.18%	1'072	1.18%
of which AT1: Minimum	2'386	2.63%	3'181	3.50%
of which AT1: Capital buffer	-	0.00%	727	0.80%
Eligible capital ("going concern")				
Core capital (Tier 1)	14'789	16.27%	14'789	16.27%
of which CET1	13'639	15.01%	13'639	15.01%
of which AT1 High-trigger	600	0.66%	600	0.66%
of which AT1 Low-trigger	550	0.60%	550	0.60%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%

The Raiffeisen Group exceeds the "going concern" requirements for risk-weighted capital requirements without applying transitional provisions as at 30 September 2016 with the value of 16.27% (requirement: 14.40%) by a total of 1.87 percentage points and a capital amount of CHF 1'702 million.

Table 2: Unweighted capital adequacy requirements on the basis of the leverage ratio as at 30 September 2016

	Transition rules		Final rules (without transitional provisions)	
	Capital (in CHF million)	Ratio (in %)	Capital (in CHF million)	Ratio (in %)
Overall exposure	222'291		222'291	
Unweighted adequacy capital requirements ("going concern") on the basis of the leverage ratio				
Total	6'669	3.000%	10'281	4.625%
of which CET1: Minimum	5'113	2.300%	6'669	3.000%
of which CET1: Capital buffer	-	0.000%	278	0.125%
of which AT1: Minimum	1'556	0.700%	3'334	1.500%
Eligible capital ("going concern")				
Core capital (Tier 1)	14'789	6.65%	14'789	6.65%
of which CET1	13'639	6.14%	13'639	6.14%
of which AT1 High-trigger	600	0.27%	600	0.27%
of which AT1 Low-trigger	550	0.25%	550	0.25%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%

The Raiffeisen Group exceeds the "going concern" requirements for the leverage ratio without applying transitional provisions as at 30 September 2016 with the value of 6.65% (requirement: 4.625%) by a total of 2.03 percentage points.

Table 3: Capital composition and capital ratios on the basis of risk-weighted positions

	Capital quality	31.12.2015 in CHF million	31.03.2016 in CHF million	30.06.2016 in CHF million	30.09.2016 in CHF million
Capital composition based on definition for systemically important banks:					
"Hard" core capital (before deductions and reclassification)		13'284	13'508	13'779	14'093
Deductions from "hard" core capital ⁴⁾		-513	-502	-490	-453
"Hard" core capital	CET1	12'771	13'006	13'290	13'639
Convertible capital with high trigger level (7%):					
Perpetual subordinated bond 2015	AT1	600	600	600	600
Perpetual subordinated bond 2013 ⁵⁾	AT1	550	550	549	550
Total capital for the continued orderly operation of the bank (going concern)		13'921	14'156	14'439	14'789
Supplementary capital (Tier 2)					
Fixed-term subordinated bond 2011-2021	Tier 2	370	318	320	321
Subordinated time deposits	Tier 2	77	77	77	77
Total of total capital		14'368	14'551	14'836	15'187
Total risk-weighted positions		87'459	89'044	89'942	90'881
Capital ratios based on definition for systemically important banks:					
Ratio of eligible "hard" core capital (CET1 ratio)		14.6%	14.6%	14.8%	15.0%
Ratio of convertible capital with high trigger level		0.7%	0.7%	0.7%	0.7%
Ratio of convertible capital with low trigger level		0.6%	0.6%	0.6%	0.6%
Ratio for the continued orderly operation of the bank (going concern)		15.9%	15.9%	16.1%	16.3%
Ratio of supplementary capital (Tier 2)		0.5%	0.4%	0.4%	0.4%
Total of total capital ratio		16.4%	16.3%	16.5%	16.7%

Table 4: Composition of leverage ratio on basis of unweighted positions⁶⁾

	31.12.2015 (in CHF million)	31.03.2016 (in CHF million)	30.06.2016 (in CHF million)	30.09.2016 (in CHF million)
Total assets as stated in consolidated financial statements	205'748	212'021	213'539	220'442
Adjustments for consolidated companies and deductions from core capital ⁷⁾	-513	-502	-490	-453
Adjustments for fiduciary assets	-	-	-	-
Adjustments for derivatives ⁸⁾	-1'569	-2'002	-2'007	-1'506
Adjustments for security financing transactions ⁹⁾	-282	-367	-252	-93
Adjustments for off-balance-sheet transactions	3'552	3'397	3'834	3'902
Other adjustments	-	-	-	-
Total exposure for leverage ratio	206'937	212'546	214'625	222'291
Total core capital (Tier 1)	13'921	14'156	14'439	14'789
Leverage ratio	6.73%	6.66%	6.73%	6.65%

⁴⁾ The deductions from "hard" core capital include intangible assets (goodwill)

⁵⁾ Under the transitional provisions (CAO Art. 148b para. 1 letter b), the perpetual subordinated low-trigger bond from 2013 qualifies as high-trigger conversion capital until the first capital call window opens (2 May 2018).

⁶⁾ The overall exposure is shown on the basis of reporting date values pursuant to FINMA Circular 2015/3.

⁷⁾ These positions take into account the intangible assets (goodwill) that are deducted from the core capital

⁸⁾ This position takes into account the counterparty netting of OTC derivatives based on the existing netting agreements. FINMA Circular 2015/3 allows the deduction of margin payments

⁹⁾ This position takes into account the netting resulting from reverse repo transactions that are cleared via SIX SIS AG and there is no risk of default. FINMA Circular 2015/3 allows netting if the regulatory requirements are met