Disclosure requirements for systemically important banks

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.

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 2018. 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 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]	1.16
Overall requirement (including anti-cyclical capital buffer)	**14.38**
of which core capital (CET1)	10.08
of which convertible capital with a high trigger level[3]	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 met as of 31 December 2017 with a total capital ratio of 16.5%, without considering net profit for the period. Taking account of net profit for the period, the total capital ratio is 17.2%.

Requirement on unweighted capital ratios – leverage ratio (in %)	
Basic requirement	4.500
Market share component[1]	0.125
Overall exposure component[1]	-
Overall requirement («going-concern»)	**4.625**
of which core capital (CET1)	3.125
of which convertible capital with a high trigger level[3]	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).

Risk-based capital adequacy requirements on the basis of capital ratios

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	Ratio (%)	Capital in CHF million	Ratio (%)
Risk-weighted positions (RWA)	**96,343**		**96,343**	
Risk-based capital requirements («going-concern») on the basis of capital ratios				
Total	**12,677**	**13.16%**	**13,853**	**14.38%**
of which CET1: Minimum	5,588	5.80%	4,335	4.50%
of which CET1:Capital buffer	3,083	3.20%	4,258	4.42%
of which CET1: Anti-cyclical capital buffer	1,116	1.16%	1,116	1.16%
of which AT1: Minimum	2,120	2.20%	3,372	3.50%
of which AT1: Capital buffer	771	0.80%	771	0.80%

Eligible capital («going-concern»)

Core capital (Tier1)	**16,409**	**17.03%**	**16,409**	**17.03%**
of which CET1	15,275	15.85%	15,275	15.85%
of which AT1 High-trigger	590	0.61%	590	0.61%
of which AT1 Low-trigger	544	0.56%	544	0.56%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%
Surplus	**3,731**	**3.87%**	**2,556**	**2.65%**

The Raiffeisen Group exceeds the «going-concern» requirements for risk-weighted capital requirements without applying transitional provisions as of 31 December 2017 with the value of 17,03 (requirement: 14.38%) by a total of 2.65 percentage points and a capital amount of CHF 2,556 million.

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 met as of 31 December 2017 with a total capital ratio of 16.5%, without considering net profit for the period. Taking account of net profit for the period, the total capital ratio is 17.2%.

	Transition rules		**Final rules (without transitional provisions)**	
	Capital in CHF million	**Ratio (%)**	**Capital in CHF million**	**Ratio (%)**
Overall exposure	**231,715**		**231,715**	
Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio				
Total	**8,110**	**3.500%**	**10,717**	**4.625%**
of which CET1: Minimum	4,866	2.100%	3,476	1.500%
of which CET1:Capital buffer	1,159	0.500%	3,765	1.625%
of which AT1: Minimum	2,085	0.900%	3,476	1.500%
Eligible capital («going-concern»)				
Core capital (Tier1)	**16,409**	**7.08%**	**16,409**	**7.08%**
of which CET1	15,275	6.59%	15,275	6.59%
of which AT1 High-trigger	590	0.25%	590	0.25%
of which AT1 Low-trigger	544	0.23%	544	0.23%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%
Surplus	**8,299**	**3.58%**	**5,692**	**2.46%**

The Raiffeisen Group exceeds the «going-concern» requirements for the leverage ratio without applying transitional provisions as of 31 December 2017 with the value of 7.08% (requirement: 4.625%) by a total of 2.46 percentage points.