

Raiffeisen Schweiz Genossenschaft Proposed Bail-in Bonds Assigned 'A' Rating

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S&PGR Rates Raiffeisen Schweiz Proposed Bail-in Bonds 'A'

FRANKFURT (S&P Global Ratings) Oct. 20, 2020--S&P Global Ratings today assigned its 'A' long-term issue rating to the bail-in bonds to be issued by Raiffeisen Schweiz Genossenschaft (RCH; A+/Stable/A-1), a core group member of Swiss Cooperative Raiffeisen Group. We understand the proposed bonds will be Basel III compliant. The rating is subject to our review of the bonds' final documentation.

We rate the proposed bond in accordance with our criteria for hybrid capital instruments (see "Hybrid Capital: Methodology And Assumptions, published July 1, 2019, on RatingsDirect). The 'A' issue rating reflects our analysis of the proposed instrument and our 'a+' assessment of the unsupported group credit profile (uGCP) of Swiss Raiffeisen Group, in line with to the issuer credit rating (ICR) on RCH.

The issue rating stands one notch below the uGCP because the bonds are contractually subordinated in case of resolution proceedings by the Swiss regulator. We understand the proposed notes would be subject to conversion or write-down as gone concern capital in resolution after junior instruments, but before more senior obligations including senior preferred notes. The group's required TLAC thresholds at June 30, 2020, are CET1 of 9.42%, regulatory Tier 1 capital of 12.92%, and total capital of 13.72%, against which the bank reported comfortable 16.2%, 17.2%, and 18.1%, respectively.

We understand that the planned bail-in securities are not part of the bank's regulatory going-concern capital base, such as Tier 1 capital, and represents only regulatory gone concern capital. As such, we would expect these securities to not qualify as having equity content under our criteria.

Because the proposed issuance is in line with our expectations of the group's hybrid capital plans, it has no impact on our ICR on RCH. Once regulatory authorities consider Swiss Raiffeisen Group's resolution plan effective, and if we conclude that the group has sufficient amounts of bail-in-able instruments--such as Tier 1, Tier 2, and subordinated instruments--our view of the group's credit quality could improve thanks to additional loss absorbing capital (ALAC) uplift. At the same time, we would most likely offset such an uplift with a negative rating adjustment factor, given the stronger rating fundamentals of higher-rated peers (see "Switzerland-Based Bank Raiffeisen Schweiz Genossenschaft Rated 'A+/A-1'; Outlook Stable," published Sept. 21, 2020).

Nevertheless, Swiss Raiffeisen Group's resolution plan becoming regulatory effective would likely prompt us to assign the group resolution counterparty ratings.

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Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Raiffeisen Schweiz Genossenschaft's Proposed High-Trigger Tier 1 Capital Notes Assigned 'BBB' Rating, Sept. 30, 2020
- Switzerland-Based Bank Raiffeisen Schweiz Genossenschaft Rated 'A+/A-1'; Outlook Stable, Sept. 21, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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