

# Disclosure systemically important banks as of december 31 2016

## Special disclosure for systemically important banks ('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.

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, the 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 <sup>1</sup>	0.36
Overall exposure component <sup>1</sup>	-

**Overall requirement (excluding anti-cyclical capital buffer) 13.22**

Anti-cyclical capital buffer <sup>2</sup>	1.18
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**Overall requirement (including anti-cyclical capital buffer) 14.40**

of which core capital (CET1)	10.10
of which convertible capital with a high trigger level <sup>3</sup>	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 31 December 2016 with a total capital ratio of 16.9%.

**Requirement on unweighted capital ratios – leverage ratio (in %)**

Basic requirement	4.500
Market share component <sup>1</sup>	0.125
Overall exposure component <sup>1</sup>	-

**Overall requirement («going-concern») 4.625**

of which core capital (CET1)	3.125
of which convertible capital with a high trigger level <sup>3</sup>	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 31 December 2016**

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	Ratio (%)	Capital in CHF million	Ratio (%)
<b>Risk-weighted positions (RWA)</b>	<b>91,383</b>		<b>91,383</b>	
<b>Risk-based capital requirements («going-concern») on the basis of capital ratios</b>				
<b>Total</b>	<b>10,905</b>	<b>11.93%</b>	<b>13,162</b>	<b>14.40%</b>
of which CET1: Minimum	4,112	4.50%	4,112	4.50%
of which CET1:Capital buffer	3,313	3.63%	4,039	4.42%
of which CET1: Anti-cyclical capital buffer	1,081	1.18%	1,081	1.18%
of which AT1: Minimum	2,399	2.63%	3,198	3.50%
of which AT1: Capital buffer	-	0.00%	731	0.80%
<b>Eligible capital («going-concern»)</b>				
<b>Core capital (Tier1)</b>	<b>15,071</b>	<b>16.49%</b>	<b>15,071</b>	<b>16.49%</b>
of which CET1	13,922	15.23%	13,922	15.23%
of which AT1 High-trigger	600	0.66%	600	0.66%
of which AT1 Low-trigger	549	0.60%	549	0.60%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%

<b>Surplus</b>	<b>4,166</b>	<b>4.56%</b>	<b>1,909</b>	<b>2.09%</b>
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The Raiffeisen Group exceeds the «going-concern» requirements for risk-weighted capital requirements without applying transitional provisions as at 31 December 2016 with the value of 16.49% (requirement: 14.40%) by a total of 2.09 percentage points and a capital amount of CHF 1,909 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 fulfilled as of 31 December 2016 with a total capital ratio of 16.9%.

**Table 2: Unweighted capital adequacy requirements on the basis of the leverage ratio as at 31 December 2016**

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	Ratio (%)	Capital in CHF million	Ratio (%)
<b>Overall exposure</b>	<b>220,868</b>		<b>220,868</b>	
<b>Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio</b>				
<b>Total</b>	<b>6,626</b>	<b>3.000%</b>	<b>10,215</b>	<b>4.625%</b>
of which CET1: Minimum	5,080	2.300%	6,626	3.000%
of which CET1:Capital buffer	-	0.000%	276	0.125%
of which AT1: Minimum	1,546	0.700%	3,313	1.500%
<b>Eligible capital («going-concern»)</b>				
<b>Core capital (Tier1)</b>	<b>15,071</b>	<b>6.82%</b>	<b>15,071</b>	<b>6.82%</b>
of which CET1	13,922	6.30%	13,922	6.30%
of which AT1 High-trigger	600	0.27%	600	0.27%
of which AT1 Low-trigger	549	0.25%	549	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 31 Decemberr 2016 with the value of 6.82% (requirement: 4.625%) by a total of 2.20 percentage points.

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

	Capital quality	31.12.2015 in CHF million	30.06.2016 in CHF million	31.12.2016 in CHF million
<b>Capital composition based on definition for systemically important banks:</b>				
"Hard" core capital (before deductions and reclassification)		13,284	13,779	14,341
Deductions from "hard" core capital <sup>1</sup>		-513	-490	-419
<b>"Hard" core capital</b>	<b>CET1</b>	<b>12,771</b>	<b>13,290</b>	<b>13,922</b>
<b>Convertible capital with high trigger level (7%):</b>				
Perpetual subordinated bond 2015	AT1	600	600	600
Perpetual subordinated bond 2013 <sup>2</sup>	AT1	550	549	549
<b>Total capital for the continued orderly operation of the bank («going-concern»)</b>		<b>13,921</b>	<b>14,439</b>	<b>15,071</b>
<b>Supplementary capital (Tier2)</b>				
Fixed-term subordinated bond 2011-2021	Tier2	370	320	321
Subordinated time deposits	Tier2	77	77	75
<b>Total of total capital</b>		<b>14,368</b>	<b>14,836</b>	<b>15,467</b>
<b>Total risk-weighted positions</b>		<b>87,459</b>	<b>89,942</b>	<b>91,383</b>

**Capital ratios based on definition for systemically important banks:**

<b>Ratio of eligible "hard" core capital (CET1 ratio)</b>	<b>14.6%</b>	<b>14.8%</b>	<b>15.2%</b>
Ratio of convertible capital with high trigger level	0.7%	0.7%	0.7%
Ratio of convertible capital with low trigger level	0.6%	0.6%	0.6%
<b>Ratio for the continued orderly operation of the bank («going concern»)</b>	<b>15.9%</b>	<b>16.1%</b>	<b>16.5%</b>
Ratio of supplementary capital (Tier2)	0.5%	0.4%	0.4%
<b>Total capital ratio</b>	<b>16.4%</b>	<b>16.5%</b>	<b>16.9%</b>

**Table 4: Composition of leverage ratio on basis of unweighted positions<sup>3</sup>**

	31.12.2015 in CHF million	30.06.2016 in CHF million	31.12.2016 in CHF million
Total assets as stated in consolidated financial statements	205,748	213,539	218,590
Adjustments for consolidated companies and deductions from core capital <sup>4</sup>	-513	-490	-419
Adjustments for fiduciary assets	-	-	-
Adjustments for derivatives <sup>5</sup>	-1,569	-2,007	-929
Adjustments for security financing transactions <sup>6</sup>	-282	-252	-262
Adjustments for off-balance-sheet transactions	3,552	3,834	3,888
Other adjustments	-	-	-
<b>Total exposure for leverage ratio</b>	<b>206,937</b>	<b>214,625</b>	<b>220,868</b>
<b>Average core capital (Tier1)</b>	<b>13,921</b>	<b>14,439</b>	<b>15,071</b>
<b>Leverage ratio</b>	<b>6.73%</b>	<b>6.73%</b>	<b>6.82%</b>

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

2 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).

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

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

5 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.

6 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.