S&P Global Ratings

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Bulletin:

Raiffeisen Schweiz Genossenschaft Continues To Leverage On Its Leading Retail Franchise

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FRANKFURT (S&P Global Ratings) March 7, 2024--S&P Global Ratings said today that Raiffeisen Schweiz Genossenschaft's (Raiffeisen; AA-/Stable/A-1+) full-year 2023 results underline its strong franchise and conservative lending standards. We expect that its high capital buffers and robust loss-absorbing capacity will continue to shield the bank from external shocks.

The group published 2023 results of Swiss franc (CHF) 1,391 billion, up 17.7% over 2022, mainly driven by higher interest income and fee increases. The bank's 2023 results were at the higher end of our projections, but we expect reported revenue growth to cool in 2024 as rising deposit rates offset higher margins on the asset side--which mostly consists of fixed-rate Swiss mortgages.

We expect Raiffeisen to demonstrate further progress on its "Raiffeisen 2025" strategy, leveraging on its solid market position to improve its earnings structure. In our view, the group materially profited from the market turbulence caused by the acquisition of Credit Suisse by UBS, increasing its market share to 17.8% and reinforcing its position as the second-largest banking group in the fragmented Swiss market.

The group continues its path of increasing return on equity to 8.0% in 2023 from 5.4% at year-end 2020, bringing it closer to peer levels. Return on equity is likely to remain lower than for international peers but closer to the national average--because local banks have generally higher equity bases. The cooperative group retained more than 90% of its net profits for 2023, strengthening its regulatory common equity tier 1 ratio to 19.5% at year end, higher than that of most European cooperative peers and comparing strong globally.

Benefitting from nationwide diversification in granular residential real estate business, which was minimally affected by the housing price developments seen in other markets, loan loss provisions amounted to 0.1% of customer loans in 2023, similar to our forecast for 2024.

However, Raiffeisen's inflow of net new money of CHF2.9 billion in its asset management business in 2023 is below our expectations and continues to be materially lower than peers'. A stronger investment business was primarily held back by the lagging roll-out of digital investment products, which it now expects by second half 2024. If this project is successful, it could bolster future earnings.

We continue to consider Raiffeisen's resolution plan as effective as it continues its build-up of loss absorbing capacity, currently amounting to a 25.8% total loss absorbing capacity ratio--already ahead of its 2026 target of 20.3%. However, changes to the country's too-big-to-fail regime, which will likely be discussed in 2024, could also target Raiffeisen, such as in higher capital or liquidity requirements.

The stable rating outlook on Raiffeisen reflects our expectation that it will retain its robust business, financial, and capital positions substantiated by high additional loss absorbing capacity buffers.

This report does not constitute a rating action.