Raiffeisen Group

Annual Report 2019

RAIFFEISEN

Management report

Management report

Regarding the financial year

Preface

Guy Lachappelle, Chairman of the Board of Directors of Raiffeisen Switzerland

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland

The Raiffeisen Group opened a new chapter in 2019. Together, the Raiffeisen banks and Raiffeisen Switzerland have created the conditions for a partnership based on trust. Our participatory path may be demanding, but we are nonetheless convinced that joint decisions lay the right foundation for a bank which handles financial transactions for nearly half of Switzerland's population and one third of Swiss businesses. Our members and clients' trust in Raiffeisen this year confirms that we are on the right track. Raiffeisen has wrapped up a year that was both meaningful for the cooperative and successful for business.

The first step in successfully modernising our cooperative was progress in clarifying the past. In January, Raiffeisen Switzerland published the findings of an independent investigation of equity stakes that it acquired between 2005 and 2015. In his report, Prof. Dr Bruno Gehrig identified certain deficiencies in the acquisition and management of equity holdings in the past, and the Board of Directors responded with a comprehensive action plan. Raiffeisen Switzerland significantly improved its management and governance.

In the course of the reform process, Raiffeisen created a group governance structure that reflects the Group's needs and institutionalises the exchange of ideas and experiences between the Raiffeisen banks and Raiffeisen Switzerland. Replacing the Delegate Meeting with a General Meeting has given each one of the 229 Raiffeisen banks a vote – "one bank, one vote". This has made decision-making processes clear, efficient and transparent.

The Raiffeisen Group now has an owner strategy for the first time in its 120-year history. This strategy distils the owners' expectations of Raiffeisen Switzerland and clarifies responsibilities. We firmly enshrined our cooperative values – liberalism, democracy and solidarity – in a new preamble to the Articles of Association of Raiffeisen Switzerland.

Raiffeisen Switzerland has contributed to the Group's reform efforts by optimising its corporate governance and further unbundling its equity holdings. In April 2019, it instituted a new departmental structure. It enables even more consistent customer orientation, optimal advice and assistance for the 229 Raiffeisen banks and effective product development. It sets up Raiffeisen to further improve on its main strength: client intimacy. In addition, Raiffeisen Switzerland launched an efficiency programme in 2019 and successfully completed it in early 2020.

Our central focus is on developing attractive products and efficient processes for our clients: Raiffeisen laid the foundation for end-to-end processes and the implementation of future digital projects by successfully rolling out the new core banking system in time for the start of 2019. In mid-April, Raiffeisen floated the first sustainability bond in the Swiss market. Another success relates to the asset management mandates that were launched the previous year. Their volume grew by over CHF 1 billion in 2019. Through the elimination of the collateral requirement by the Raiffeisen banks in December, Raiffeisen also set itself up to successfully execute its corporate client strategy and diversify its business segments.

Our cooperative model gives our 1.9 million cooperative members an active say in how the Raiffeisen community is organised and operated. Our clients express their confidence through their deposits, which increased again in 2019.

Raiffeisen had a very successful year. The Raiffeisen Group generated a profit of CHF 835 million in 2019. The Group made especially great gains in its client business and succeeded in markedly expanding its market share in client deposits. The net interest business increased despite a strained margin situation. The development of the commission and service business was also gratifying. In particular, Raiffeisen achieved significant growth in asset management mandates and collective investments.

In mortgage loans, we grew in line with our ambition together with the market. As a result, Raiffeisen was able to preserve its strong position in its core business and is well positioned in an intensively competitive market environment. Thanks to the conservative and security-oriented credit policy, the credit portfolio of the bank group continues to be of high quality. Around 92% of the net profit will be kept as a retained earnings reserve, and thus remain within the cooperative.

We want to build on these accomplishments this year. We plan to adopt the Group strategy, having started work on it in 2019. The Group strategy will lay out where Raiffeisen is headed in the next five years and how we will respond to changing client needs, new technologies and business models, as well as challenges such as the low interest environment.

The Raiffeisen Group demonstrated its willingness to change in 2019. The reform process increased confidence within the Group. It cleared the way for us to look forward. The constructive dialogue within the Raiffeisen Group strengthened our sense of community, and that is an integral part of our DNA as a cooperative bank. Thanks to our cooperative values, we operate like a miniature Switzerland. By supporting athletic, cultural and social projects, we help make our community diverse, vibrant and unique. We will continue to devote all our energy to serving our clients and rely on community, client intimacy and value generation – today and tomorrow.

Guy Lachappelle
Chairman of the Board of Directors
Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board
Raiffeisen Switzerland

Important events 2019

3 January 2019

Successful roll-out of new core banking system
All Raiffeisen banks in Switzerland use the new platform.

22 January 2019

Raiffeisen Switzerland publishes Gehrig report
In his investigation of investment transactions in the years 2005 to 2015, Prof. Dr Bruno Gehrig identified deficiencies in the acquisition and management of equity investments at Raiffeisen Switzerland. However, he finds no evidence of criminal conduct based on the available information. The Board of Directors of Raiffeisen Switzerland decided on a comprehensive set of measures.

Changes in the Executive Board of Raiffeisen Switzerland
Three members of the Executive Board of Raiffeisen Switzerland resign.

31 January 2019

Integration of ARIZON Sourcing Ltd into Raiffeisen Switzerland
Raiffeisen Switzerland acquires Avaloq’s 49% stake in former joint venture ARIZON Sourcing Ltd and completely integrates it into Raiffeisen Switzerland in the first half of 2019. As a result, Raiffeisen Switzerland can itself expedite the operation and further development of the bank platform.

4 April 2019

Raiffeisen Switzerland institutes new departmental structure and launches efficiency programme
Raiffeisen Switzerland optimises its organisation in order to tighten its focus on clients, Raiffeisen banks and the market. At the same time, the aim is to achieve recurrent savings of at least CHF 100 million. The efficiency programme was successfully concluded in January 2020.

15 April 2019

Raiffeisen launches first sustainability bond
Raiffeisen floats the first sustainability bond in the Swiss market. Investors can use it to invest in energy-efficient, low-emission and social housing.

7 May 2019

Philippe Lienhard joins Executive Board of Raiffeisen Switzerland
Philippe Lienhard takes over management of the Raiffeisen Bank Services department on 1 July 2019.

14 June 2019

Dr Markus D. Voegelin joins Executive Board of Raiffeisen Switzerland
Dr Markus D. Voegelin joined the Executive Board of Raiffeisen Switzerland as Chief Risk Officer (CRO) and as the new head of the Risk & Compliance department on 15 October 2019.

Owner workshop: Raiffeisen Group is shaping the future together
All Raiffeisen banks met in Crans-Montana for an owner workshop. There, they discussed the topics of "corporate governance" and the "owner strategy". The workshop was able to create a common understanding and a basis for enshrining the topics in the Articles of Association at the Extraordinary Delegate Meeting on 16 November 2019.

15 June 2019

Raiffeisen Switzerland Delegate Meeting
At the ordinary Delegate Meeting of Raiffeisen Switzerland in Crans-Montana, the 162 delegates approved the 2018 annual financial statements of Raiffeisen Switzerland and the 2018 consolidated annual financial statements of the Raiffeisen Group. In addition, the delegates commended the new remuneration framework for 2019 and the efforts of the Board of Directors and the Executive Board to provide greater transparency.

17 July 2019

Raiffeisen retains stake in Leonteq
The Board of Directors of Raiffeisen Switzerland decides to retain its 29% equity stake in Leonteq Ltd. Based on its long-standing relationship with the company, Raiffeisen Switzerland believes Leonteq holds considerable potential.

8 November 2019

Kathrin Wehrli will become a new Member of the Executive Board of Raiffeisen Switzerland
Kathrin Wehrli will join the Executive Board of Raiffeisen Switzerland on 1 March 2020, where she will oversee the Products & Investment Services department.

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16 November 2019

Raiffeisen modernises Group governance structure and adopts owner strategy
The Raiffeisen Group decides to introduce a new Group governance structure at the Extraordinary Delegate Meeting and, for the first time in its history, adopts an owner strategy.

Anne Bobillier elected to Board of Directors of Raiffeisen Switzerland
The delegates of Raiffeisen Switzerland elect Anne Bobillier to the Board of Directors at the Extraordinary Delegate Meeting.

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26 November 2019

Raiffeisen Switzerland launches digital capital market platform for Swiss bond market
Raiffeisen becomes the first Swiss bank to launch a digital capital market platform for the Swiss bond market. The platform is expected to go live in the first half of 2020. It is being implemented by Valyo Ltd, a wholly-owned subsidiary of Raiffeisen Switzerland.

Management report

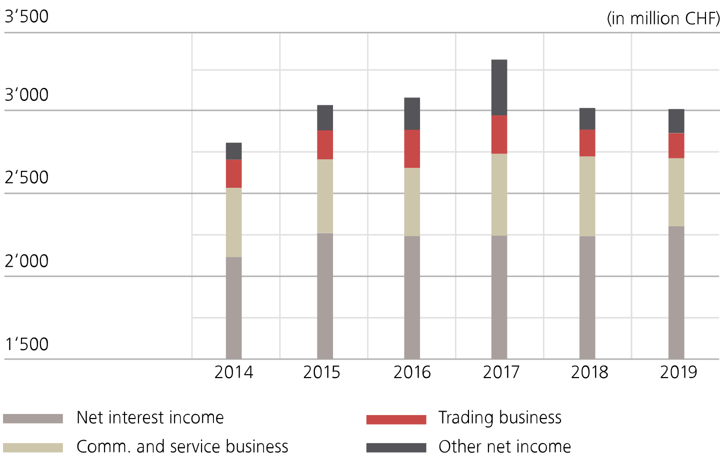
Business trend

Business performance

In 2019, Raiffeisen strengthened its market position as a leading Swiss retail bank and set the stage for even greater joint future success as a cooperative group. The year was successful for the Raiffeisen Group in financial terms as well. Key income items in the core business increased after adjusting for income generated by Notenstein La Roche Private Bank Ltd, which was sold in mid-2018. Business performance was strong across the board in interest operations and commission and trading activities. Due to this operational strength, operating income reached CHF 3,052 million.

Various negative extraordinary items dominated the previous year but were largely absent from the current year. Operating expenses came in at CHF 1,870 million, which is well below the previous year's figure (CHF 1,997 million). The first amortisation charge of CHF 51.1 million was booked for the core banking system in 2019. Raiffeisen closed the 2019 financial year with a Group profit of CHF 835 million (+CHF 294 million or +54.4%).

Performance of income items



Strong growth in client deposits

The Raiffeisen banks' deep local roots translated into very strong client business. Customer deposits outgrew the broader market by a wide margin, increasing CHF 10.5 billion (+6.3%) to CHF 176 billion. Moreover, assets under management rose CHF 15 billion to CHF 211 billion. The mortgage business also expanded by CHF 5.7 billion (+3.2%) to CHF 185 billion in 2019, which is consistent with our ambition to grow at basically the same rate as the market. The Raiffeisen Group had the pleasure of welcoming around 12,000 new cooperative members in the current year (previous year: +7,200). The number of clients increased by more than 36,000 in 2019 as well.

Positive developments in income and expenses

The very pleasing result was fuelled by income from operations, which increased across the board. The gross result from interest operations decreased CHF 24 million, or 1.0%, to CHF 2,267 million as a result of persistent pressure on margins and moderate lending growth. However, the Group still increased the net result from interest operations by CHF 26 million to CHF 2,254 million as a result of year-on-year improvements in value adjustments from interest operations. Interest operations constitute more than 70% of operating results and so remain Raiffeisen's main source of income. While the measurement of KMU Capital AG's portfolio companies once again had to be value-adjusted by around CHF 21 million, a net total of nearly CHF 8 million in value adjustments to loans in the retail business were released to profit or loss.

The commission business and services performed particularly well in 2019. Excluding the income of Notenstein La Roche Private Bank Ltd in the previous year, commission and service income rose by CHF 14 million to CHF 416 million (+3.4%). The increase reflects Raiffeisen's efforts to strengthen its investment activities. The result from trading activities also rose significantly, gaining CHF 18 million (+8.4%) to reach CHF 228 million.

The other result from ordinary activities fell CHF 36 million (–19.0%) year-on-year to CHF 153 million. However, the decrease was not attributable to the core operating business. Income from advisory services (other ordinary income) increased by around CHF 8 million as a result of Raiffeisen Immo AG's successful expansion. Income from the disposal of financial investments rose by roughly CHF 8 million as well. Income from participations dropped CHF 12 million. Also, fewer project expenses were recognised as assets for the new core banking system, which reduced other ordinary income by CHF 65 million. Other ordinary expenses improved by CHF 32 million in the current year. The improvement resulted from the fact that, in the previous year, CHF 36 million had been charged to other ordinary expenses due to the more conservative measurement of financial investments at KMU Capital AG.

Overall, operating income thus declined a slight 0.9%, or CHF 27 million, to CHF 3,052 million. If the previous year's income items of Notenstein La Roche Private Bank Ltd had been excluded, operating income would have increased by CHF 44 million, or 1.5%.

Operating expenses also performed favourably and fell CHF 127 million to CHF 1,870 million (–6.3%). The decrease is partly due to the absence of the costs of Notenstein La Roche Private Bank Ltd, which were still included in the previous year and amounted to CHF 72 million. Also, cost savings of CHF 48 million were achieved through the reduction of project activities relating to the core banking system and executing the efficiency programme at Raiffeisen Switzerland. A large portion of the cost savings identified in the efficiency programme will be reflected in a further reduction of operating expenses in subsequent years. All in all, the favourable income and cost performance produced a sizeable reduction in the cost/income ratio from 64.9% to 61.3%.

Successful year-end results with high Group profit
The value adjustments on participations and amortisation of goodwill stood at CHF 45 million, which is much less than the previous year's value of CHF 121 million. Depreciation of tangible fixed assets increased CHF 45 million to CHF 183 million due to the first depreciation charge for the core banking system. Overall, this resulted in a year-on-year improvement of CHF 31 million in value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets. Changes to provisions and other value adjustments were much lower at CHF 24 million (–CHF 100 million), which was also due to the almost complete absence of extraordinary items. The operating result improved by a correspondingly impressive CHF 231 million (+33.0%) to CHF 930 million.

Due to the corporate tax reform, deferred tax assets of nearly CHF 41 million were released, which lowered tax expenses by a total of CHF 44 million year-on-year to CHF 112 million. Together, this positive effect, the strong performance of the core business and the almost complete absence of negative extraordinary items caused Group profit to rise a significant CHF 294 million to CHF 835 million.

Income statement

Income from operating activities

Income from interest operations and commission and trading activities performed favourably in the current year, as mentioned earlier. However, multiple factors ensured that operating income was still down a slight CHF 27 million (–0.9%) year-on-year. This is particularly due to the absence of the income of Notenstein La Roche Private Bank Ltd, which was sold in mid-2018. Also, investments from the implementation of the core banking system, which were booked as other ordinary income, were down significantly year-on-year. On the other hand, the absence of extraordinary items in the current year had a positive impact on the Group's operating income.

Interest operations proved resilient despite the challenging competitive situation and persistent low interest rate environment. Income from interest operations may have decreased by CHF 24 million (–1.0%), but this is a respectable result given the external circumstances, the lower growth ambitions in the mortgage business and the steep increase in customer deposits on the liabilities side. The interest margin continued to shrink from 1.02% to 0.97%.

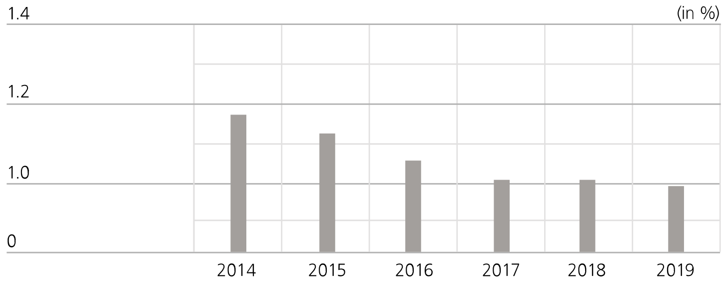
Changes in value adjustments for default risks and losses from interest operations fell a significant CHF 50 million to CHF 13 million. The value adjustments of CHF 21 million at KMU Capital AG were significantly lower in 2019 than the year before. Since more value adjustments were released than newly recognised, the risk situation in the retail business remains satisfactory even though the lending volume increased by CHF 5.8 billion (+3.1%). Net releases for the Raiffeisen banks amounted to CHF 12 million. Since value adjustments in interest operations were low, the net result from interest operations increased by CHF 26 million, or +1.2%, over the year before.

Focused efforts to improve the investment activities of the Raiffeisen banks paid off in the current year. The result from commission business and services (note 22) developed favourably. Income reached CHF 416 million as of year-end. Out of all the income items, this was the one most affected by the sale of Notenstein La Roche Private Bank Ltd in mid-2018. Without this effect, the increase in the commission business and services would have been CHF 14 million, or 3.4%. Income from securities trading and investment activities would have increased by CHF 19 million (+5.9%). The increase was more attributable to generally higher custody account volumes than to transactional income. Growth was particularly strong for asset management mandates. High business volumes in all segments produced an increase of CHF 7 million in services, but also an increase in commission expenses.

Trading activities (note 23.1 / note 23.2) also performed very well. The increase of CHF 18 million (+8.4%) to CHF 228 million is largely attributable to trading in interest products. Foreign exchange and notes trading was unchanged from the previous year.

The item "Other result from ordinary activities" was volatile in previous years. This is partly because capitalised development costs for the new core banking system, which were booked in other ordinary income, fluctuated heavily in the course of the project. Also, the subitems "Result from disposal of financial investments" and "Income from participations" cannot be directly influenced. Overall, the result of CHF 153 million came in CHF 36 million (–19.0%) below the previous year's result of CHF 189 million.

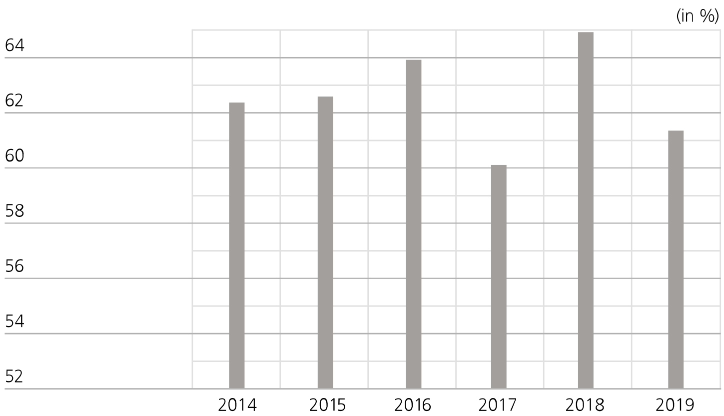
Interest margin



Operating expenses

The absence of the costs of Notenstein La Roche Private Bank Ltd, which had been included until mid-2018, the reduced project activities for the new core banking system and initial cost savings from the efficiency programme at Raiffeisen Switzerland lowered operating expenses a substantial CHF 127 million (–6.3%) to CHF 1,870 million. Significant cost savings were realised for both personnel expenses and general and administrative expenses. The cost/income ratio fell from 64.9% to 61.3% due to the smaller cost base.

Cost/income ratio trend

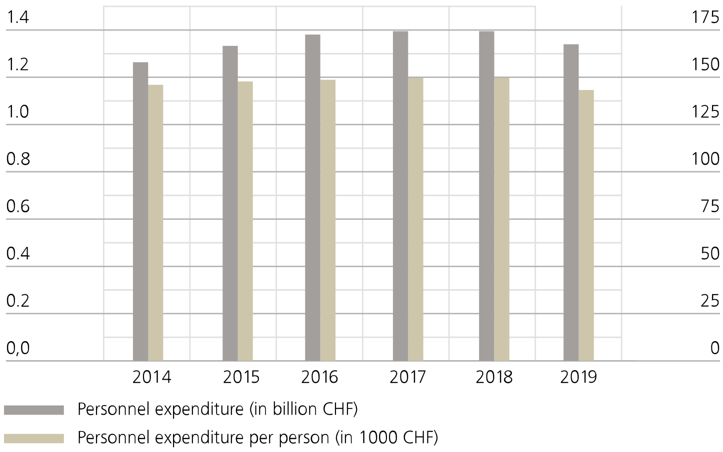


Personnel expenses

Personnel expenses (note 26) decreased CHF 59 million (–4.2%) to CHF 1,332 million. Once the costs of Notenstein La Roche Private Bank Ltd are excluded, the decline amounts to CHF 14 million, or 1.1%. Much of the decrease is attributable to the absence of expenses for temporary personnel in the core banking system project. Moreover, it should be noted that the personnel expenses for the financial year also include one-time reorganisation costs of CHF 12 million for the efficiency programme. A large portion of the savings from the efficiency programme will materialise in subsequent years.

The efficiency programme and the sale of the Notenstein La Roche Private Bank Ltd lowered the per-capita personnel expenses, from CHF 149,300 to CHF 143,900. The cost-cutting efforts aim to ensure durable cost savings within Raiffeisen Switzerland. Headcount dropped at Raiffeisen Switzerland but increased at the Raiffeisen banks and at Raiffeisen Immo AG, which is expanding. In total, the Group's headcount increased by 80 (+0.9%) to 9,295 full-time positions.

Change in personnel expenses and personnel expenses per full-time position



General and administrative expenses

General and administrative expenses (note 27) saw a slightly steeper reduction of CHF 68 million (–11.2%). Once the costs of Notenstein La Roche Private Bank Ltd are eliminated, the decline amounts to CHF 40 million, or 7.0%. The largest cost savings were achieved in the advisory services segment. IT expenses and expenses for facility operation and maintenance declined heavily.

Raiffeisen Group capital investment 2015–2019, by category

Net investment, in CHF million	2015	2016	2017	2018	2019
Bank buildings	92	83	76	109	92
Other real estate	2	8	10	53	17
Alterations and fixtures in third-party premises	17	15	11	9	26
IT hardware	22	17	15	14	16
IT software	65	129	208	157	56
ATMs	4	7	9	12	15
Furniture	5	5	4	6	6
Fixtures	3	5	8	10	10
Office machines, vehicles, security installations	7	7	3	13	9
Total net investment	**217**	**276**	**344**	**383**	**247**

Raiffeisen Group capital investment 2015–2019, by region

Net investment, in CHF million	2015	2016	2017	2018	2019
Lake Geneva region	21	15	16	35	27
Espace Mittelland	29	32	35	43	38
Northwestern Switzerland and Zurich	21	35	29	59	38
Eastern Switzerland*	124	168	227	217	95
Central Switzerland	7	16	21	21	40
Ticino	15	10	16	8	9
Total	**217**	**276**	**344**	**383**	**247**

* incl. central investment by Raiffeisen Switzerland

Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets

The core banking system rolled out throughout the Group at the start of the financial year will be depreciated over ten years. This caused depreciation of tangible fixed assets to increase by a total of CHF 45 million. Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets decreased CHF 76 million. The item decreased CHF 31 million (–12.0%) in total in the current year.

Changes to provisions and other value adjustments and losses

The large extraordinary items from the previous year are largely absent in the current year. As a result, this item declined CHF 100 million to CHF 24 million. This amount includes reorganisation provisions and a precautionary provision for a loss occurrence.

Extraordinary income and expenses

In the previous year, the sale of Notenstein La Roche Private Bank Ltd generated a profit of CHF 68 million. The year-on-year decline in extraordinary income was thus a considerable CHF 72 million in total to CHF 10 million. This item includes profit from the disposal of tangible fixed assets as well as CHF 5.2 million from a payment for warranty claims. Extraordinary expenses remained below the previous year's level at CHF 3 million and mainly contain losses from the disposal of tangible fixed assets.

Taxes

Despite the notably higher Group profit, tax expenses fell a significant CHF 44 million, or 28.3%, to CHF 112 million (note 29). The corporate tax reform, which will not affect the effective tax burden in most cantons until 2020, already had a positive effect on tax expenses at the Group level in the current year. The lower tax rates were already applied to deferred taxes in 2019. Deferred taxes are recognised at the Group level in order to correctly present the tax effect of the measurement differences between the Group's true-and-fair-view financial statements and the individual financial statements of the Raiffeisen banks. The lower tax rates resulted in the release of deferred taxes of CHF 41 million in the current year. The effective tax expenses of the individual Group companies decreased a slight CHF 17 million to CHF 153 million.

Balance sheet

The large volume increases in the retail business are reflected in the changes in total assets. Total assets grew an above-average CHF 23.0 billion to CHF 248.3 billion. An inflow of CHF 12.4 billion was recorded from primary refinancing sources (customer deposits +CHF 10.5 billion, bond issues and central mortgage institution loans +CHF 1.9 billion). Liquidity management resulted in another increase of CHF 3.4 billion in liabilities from securities financing transactions.

Amounts due to and from banks also increased considerably. This high growth was driven by the switch to the new core banking system. Money market transaction volumes were deliberately kept low at the end of 2018 due to system switchovers. The balance sheet for the current year, in contrast, contains a notably higher level of these transactions, which represent a large volume.

Amounts due from and to banks

As mentioned earlier, the large increase in amounts due from and to banks is driven by the system switch in the previous year.

Amounts due and liabilities from securities financing transactions

Securities financing transactions are mainly conducted in order to manage liquidity. These are exclusively repo transactions in which money is borrowed or granted against collateral. The liabilities in particular increased considerably, rising CHF 3.4 billion (+116.3%).

Loans to clients

Growth ambitions for the mortgage business have been redefined. The Group is still focused on growth, but now aims to grow in line with general market trends. The mortgage business grew the expected amount in 2019 as it increased CHF 5.7 billion (+3.2%) to CHF 185.3 billion (market growth: +3.2%). Other amounts due from customers grew 0.3% to CHF 8.2 billion. While demand from the public sector supplied very little momentum, volumes continued to grow in the corporate clients business.

Client demand for Libor and particularly fixed-rate mortgages remained very strong due to the persistent low interest rate environment.

Raiffeisen boasts a low-risk credit portfolio even though its credit volume has been consistently growing for an extended period of time. Traditionally secure residential properties account for 87% of its credit portfolio. The average net loan-to-value ratio is 60%. Commercial properties in the SME segment represent 8% of the credit portfolio, while agricultural properties make up 4%. The internal credit risk modules used for credit management and measurement adequately reflect the latent risks in the portfolio.

Value adjustments for default risks for potentially impaired loans have performed favourably. Value adjustments at Raiffeisen banks decreased to CHF 164.8 million in the current year, which puts the ratio of value adjustments to loans at 0.09%. At the Group level, this ratio is a low 0.122% after reaching 0.138% in the year before due to the valuation of positions at KMU Capital AG.

Trading portfolio assets

The Group recorded a decline of CHF 254 million (–7.3%) in trading portfolio assets (note 3.1). Trading positions of debt and equity securities and precious metals were all reduced. A large portion of the trading position of debt securities is held to hedge the interest rate risk of the bond components of the structured products.

Financial investments

Financial investments (notes 5.1 and 5.2) mainly consist of investment-grade bonds, which are managed at Raiffeisen Switzerland in accordance with statutory liquidity requirements and internal liquidity targets. Holdings of financial investments increased by CHF 582 million (+8.8%) in 2019.

Non-consolidated participations

The book value of non-consolidated participations (note 6) increased CHF 26 million to CHF 708 million in the current year. The increase was not the result of purchases but rather the strong performance of participations that are valued according to the equity method. The value of the participations in Pfandbriefbank schweizerischer Hypothekarinstitute AG, Aduno Holding Ltd and Leonteq Ltd was increased by a total of CHF 26 million based on the equity method.

Tangible fixed assets

Tangible fixed assets (note 8) saw a moderate increase of CHF 64 million in book value to reach nearly CHF 3 billion. Major investments were made in real estate and in automated client services such as ATMs and other self-service machines. Capitalizable project expenses for the core banking system declined heavily, as expected, dropping from CHF 108 million to CHF 47 million.

Intangible assets

The demerger strategy adopted in 2017 and implemented over the past few years significantly reduced the goodwill held on the balance sheet of the Raiffeisen Group. This item decreased another CHF 44 million in the current year, mainly as a result of another fair value write-down of the remaining goodwill of Leonteq Ltd. Intangible assets (note 9) stood at CHF 10 million at year-end.

Amounts due in respect of customer deposits/assets under management

Clients' considerable confidence in Raiffeisen was particularly reflected in an extraordinary increase in customer deposits. These increased CHF 10.5 billion (+6.3%) to CHF 176.2 billion during the year. Funding provided by customer deposits thus rose significantly from 88.3% to 91.1%. The increase in the domestic market amounted to 2.6%, and so our market share increased to 13.4%.

The low interest rate environment affected deposit volumes of different product groups differently. Volumes of transaction accounts increased the most. An above-average increase was also recorded for pension accounts. Traditional savings accounts, in contrast, changed very little due to the low interest rates on savings.

Liabilities from other financial instruments at fair value

This item (note 13) contains the structured products issued by Raiffeisen Switzerland B.V. Amsterdam. The growth continued in the current year. Holdings increased CHF 197 million (+8.6%) to CHF 2.5 billion.

The accounting treatment varies for structured products issued by Raiffeisen Switzerland. The products' underlying instruments are recognised at their nominal value in the position "Bond issues and central mortgage institution loans". The products' derivative components are carried at their fair values in positive and negative replacement values.

Bond issues and central mortgage institution loans

The central mortgage institution loans (note 14) are a supplemental source of funding for loans to clients and a flexible element for managing liability-side maturities. They increased CHF 1,458 million to CHF 23.3 billion. The total amount of bonds issued by Raiffeisen Switzerland changed very little. A relatively large bond totalling CHF 250 million was repaid in the current year. The maturing bond was easily replaced by three new bonds in the capital market. Among other things, Raiffeisen Switzerland issued the Swiss capital market's first sustainable bond for CHF 100 million, which met with strong demand.

Structured products issued by Raiffeisen Switzerland increased by CHF 366 million (+21.5%) to CHF 2.1 billion. Together with the products managed by Raiffeisen Switzerland B.V., total structured products increased CHF 563 million (+14.1%) to CHF 4.6 billion.

Provisions

Provisions decreased CHF 37 million to CHF 998 million due primarily to the aforementioned corporate tax reform, which prompted the release of deferred taxes of CHF 41 million. Provisions for other business risks amount to CHF 80 million. Most of these provisions were recognised last year in connection with the repurchase of ARIZON Sourcing Ltd in Liquidation. Reorganisation provisions amount to CHF 21 million and were set aside for the now-completed efficiency programme at Raiffeisen Switzerland. The other provisions of CHF 30 million are mainly connected to legal risks.

Capital adequacy/equity capital

Equity capital (statement of changes in equity and note 16) rose CHF 954 million to CHF 17.5 billion in the current year. Cooperative capital increased CHF 179 million thanks to continued demand for additional cooperative shares.

FINMA has confirmed that Raiffeisen is authorised to use the IRB model approach for calculating its regulatory capital requirements starting on 30 September 2019. The authorisation is subject to the floor transitional rules. The IRB model approach will be phased in gradually over a three-year transitional period with reduced application until it takes full effect at the end of 2022.

The risk-weighted TLAC ratio calculated using the IRB model approach at the end of the year is 18.4%. That means Raiffeisen already meets the current (15.2%) and future (17.9% as of 1 January 2026) regulatory requirements for the TLAC ratio. In addition, the Group already exceeds the future leverage ratio requirements with a leverage ratio of 7.2%.

Financial outlook for 2020

Market environment and general conditions

The economic outlook has darkened at one stroke for Switzerland due to the coronavirus. This year, the containment measures will lead to a severe slowdown and make the Swiss economy slide into a recession. For 2020, Raiffeisen continues to assume negative rates. Monetary policy will most likely not normalise in 2020, especially since the SNB will also still have to grapple with the challenges of a strong currency this year.

According to Raiffeisen, the Swiss real estate market will continue to be highly valued. The high price level will be supported by very low interest rates and not by speculative transactions. In commercially used real estate and investment properties in the residential market, yield considerations also take pride of place. The yield mark-up and investment crisis are currently keeping the market stable.

Development of the Raiffeisen Group's business

In 2020, the market environment will become increasingly difficult on account of continuing negative interest rates, falling margins and additional challenges related to the coronavirus. Therefore, Raiffeisen expects reduced yield growth compared to previous years in its core business. In the case of loans to clients, Raiffeisen expects growth in line with the market and in the case of customer deposits growth above the market. In the neutral business, Raiffeisen only expects moderate yield increases both in commission business and services as well as in trading activities. The cost base can be reduced in 2020 due to the completion of the efficiency programme at Raiffeisen Switzerland.

Management report

Strategy

Strategic background

The Swiss banking market is still undergoing a structural transformation. Margins will continue to be squeezed by persistent negative interest rates and increasingly fierce competition, also from providers from other industries. Exponentially accelerating growth in technology and ever-changing client needs require more investment in digitalisation.

Clients: Changed client needs and dwindling client loyalty

Clients expect maximum convenience in interactions with their bank. They demand all-in-one solutions from a single provider. More and more, they expect services to be available at any place and time. Greater transparency and comparability of products and services have made consumers more price-sensitive. They are increasingly willing to obtain financial services from technology providers.

Technology: New technologies are changing the business model

New technologies relating to blockchain, analytics, big data, biometrics and artificial intelligence are gaining importance and are affecting banking more and more. Technologies help client advisors communicate with clients, automate background processes and routines, and open the door for new, wholly digital offerings and business models. As technical interfaces are opened up, more financial services are being sold in cooperation with non-banks via marketplaces or digital platforms.

Competition: Crowding out increases – fight for market share

Domestic and foreign neobanks, international technology firms and other market players (pension funds and insurers in the mortgage market, etc.) are increasingly emerging as serious competitors for Swiss banks. The fight for market share amid slow market growth has intensified competition in the banks' traditional core business. New competitors not only cover the full range of financial services, but they also focus on specific services and attract new business with client-centric mobile-first offerings and favourable terms.

Economy: Persistent negative interest rates and resulting tighter margins dim business prospects

The policy rate of the Swiss National Bank (SNB) has been hovering around –0.75% since the start of 2015. Low interest rate policies and fiercer competition in the mortgage market have steadily narrowed interest rate margins. Until recently, interest rates were expected to normalise over the medium term. Since July 2019, however, interest rates have turned negative for all maturities up to 50 years. Negative interest rates harbour the risk of bubbles forming in a variety of asset classes, especially real estate. Interest rates are not expected to reverse direction in the near future, which puts sustained pressure on the retail banks' core business despite solid economic trends.

Regulatory environment: Tighter regulatory requirements

Regulatory requirements for the Swiss financial sector are tightening. The new Financial Services Act (FinSA) taking effect on 1 January 2020 contains new investor protection rules for the provision of financial services in the investment advisory and asset management business. Despite large substantive overlaps between FinSA and MiFID II, its European counterpart, it is not yet clear whether the EU will recognise FinSA as being equivalent to MiFID II and thereby make it possible to improve access to the European market.

Climate change and sustainable development challenges have prompted international players such as the EU, UN or OECD to formulate specific requirements for financial service providers to meet regarding corporate governance, sustainable finance and sustainability in general. It is not yet clear to what extent Swiss regulators will follow their lead. However, society is likely to expect banks and insurance providers to do more on the sustainability front.

Strategy implementation

The Raiffeisen Group performed well in all business areas despite the challenges presented by the market environment. The four strategic approaches mentioned below were central to the Raiffeisen Group's continued growth and success in 2019. They are currently being reviewed and revised as needed as part of the Group strategy revision process (see section "Corporate Governance").

Qualitative growth in the core business

Raiffeisen's core business is the domestic savings and mortgage market. It is also where Raiffeisen plans to leverage its expertise and client intimacy in order to continue growing profitably and solidify its market leadership.

Essential main activities in 2019

- **Range of home-related offerings expanded:** Raiffeisen wants to offer its clients comprehensive support with all their home-related needs. Various initiatives related to this goal were undertaken in 2019. In addition to the launching of the "Raiffeisen CasaCheck" app, which lets users quickly and easily calculate the value of a property, 2019 marked the expansion of Raiffeisen eVALO – a tool that calculates the need for energy renovations of buildings.
- **Comprehensive range of services:** Raiffeisen continued to drive the extension of the value chain in the core business. Raiffeisen Immo AG, which helps clients with real estate sales and related matters, is a key pillar of the residential property business. Geographical presence and client intimacy was reinforced in the current year by forming and expanding more teams. Our close cooperation with the Raiffeisen banks will form a solid basis for future success in this area, too. For retirement planning, Raiffeisen launched the Raiffeisen Pension Radar app in 2019, which is designed to sensitise users to retirement shortfalls. People can use the app to better understand their personal retirement situation and prepare more effectively for life after work.
- **Pioneer in launching new SARON products:** Raiffeisen aims to launch its initial SARON products as early as possible to allow our clients to transition smoothly from LIBOR to SARON. Development of a new SARON Flex mortgage and SARON Flex loan moved forward at a rapid pace in 2019. The product launch is scheduled for April 2020.

Further information on the initiatives implemented in 2019 is provided in the section "Added value".

Diversification of business areas

We want to seize opportunities in the business areas served by Raiffeisen in order to diversify our income streams and thus further reduce our dependence on interest operations. Our focus is on broadening our product and service portfolio in the investment and corporate clients business, investing in advisory services and channels, and vigorously tapping expertise within the Group.

Key activities in 2019
- **Introduction of digital capital market platform:** Raiffeisen expanded its range of digital services and drove the digitalisation of the Swiss financial industry by rolling out "Valyo", the digital capital market platform for the Swiss bond market.
- **Expansion of investment expertise with digital asset management:** Beginning in spring 2020, Raiffeisen and Vontobel will be collaboratively offering the first-ever fully digital asset management solution for private clients.
- **New distribution channel for processing forex transactions:** Companies can now perform forex transactions based on an individual forex strategy in e-banking at any hour, even when banks are normally closed.
- **Expanded offerings for corporate clients:** The fifth Raiffeisen Business Owner Centre (RUZ) was opened in 2019. In addition, Raiffeisen's "Raiffeisen Industry 4.0" project addresses companies' needs and financial challenges in the implementation of their digital transformation projects. The collaboration between Raiffeisen Business Owner Centres and Daura Ltd makes it possible to digitise the SME share register by using blockchain technology to digitise shares and participation certificates under Swiss law.

Further information on the initiatives implemented in 2019 is provided in the section "Added value".

Improvement in productivity

Efficient, cost-effective service delivery is becoming increasingly crucial to the Raiffeisen Group's competitiveness and long-term success. Raiffeisen Switzerland, its subsidiaries and the Raiffeisen banks have equally pursued rigorous cost discipline and targeted productivity increases through standardisation and process optimisation.

Key activities in 2019
- **Raiffeisen Switzerland optimised structure and launched efficiency programme:** Following the overhaul of the Board of Directors and changes in the Executive Board, Raiffeisen Switzerland continued its evolution in 2019. It optimised its organisation and tightened its focus on clients and the Raiffeisen banks. At the same time, the launch of the efficiency programme at Raiffeisen Switzerland identified sustained cost savings of CHF 105 million.
- **Successful completion of ARIZON integration:** After successfully rolling out the Avaloq platform across all Raiffeisen banks and Raiffeisen Switzerland, ARIZON was officially integrated in the current year when its assets were transferred to Raiffeisen Switzerland on 1 May 2019. As a result, Raiffeisen Switzerland now continues to develop and operate the core banking system "ACS" itself. Duplication of work can be eliminated and costs effectively reduced in this way.

Strengthening the corporate culture

Raiffeisen wants to sustainably cultivate and enhance the Raiffeisen brand and the values it stands for: credibility, sustainability, client intimacy and entrepreneurship. In particular, Raiffeisen wants to better highlight its primary unique selling propositions, such as the Group's cooperative business model and corporate responsibility.

Key activities in 2019

- **New Group governance structure and adoption of owner strategy:** The Raiffeisen banks approved a new Group governance structure as part of the Reform 21 project and adopted an owner strategy for Raiffeisen Switzerland. Through this process, the Raiffeisen banks and Raiffeisen Switzerland defined the requirements for the transparent, goal-driven management of the entire Group and set the stage for effective collaboration within the Raiffeisen Group.
- **Confirmation of cooperative business model for Raiffeisen Switzerland:** The completion of the analysis of Raiffeisen Switzerland's legal structure confirms that the cooperative business model is still more than capable of handling current and future challenges. Transforming Raiffeisen Switzerland into a joint stock corporation would not currently add any value for the Raiffeisen Group..
- **Raiffeisen launched first sustainability bond:** Swiss investors can invest in energy-efficient, low-emission and social housing thanks to the Sustainability Bond that launched in 2019.

For more information on the sustainability and corporate governance efforts of the Raiffeisen Group, see the sections entitled "Sustainability" and "Corporate governance".

Strategic management process

The strategic approaches are quantified as measurable targets and are monitored on an ongoing basis. The focus is on financial targets as well as "client" or "employee" metrics, providing a comprehensive view of strategic objectives that have been achieved. As a cooperative, Raiffeisen is profit-driven, but its primary commitment is to its members. Its overarching strategic focus is not profit maximisation.

Extract from the strategic targets for the Raiffeisen Group

Target value	2019 actual value	2018 actual value	2017 actual value
Loans to clients (change in %)	3.1	4.0	4.1
Client deposits (change in %)	6.3	1.0	3.7
Net new money for securities in Group (change in %) [1]	2.0	n/a	n/a
Gross new provisions for value adjustments, loan losses and loan loss provisions as a percentage of loans (in %)	0.04	0.06	0.04
Cost-income ratio (in %)	61.3	64.9	60.8
Net rate of fluctuation in the Group (in %) [1]	2.1	n/a	n/a

1 No information for 2017 or 2018 since the target was not tracked until 2019

Strategic outlook

Raiffeisen expects the market environment to remain challenging in 2020. It will have to respond appropriately to changes in order to preserve the Group's long-term success.

In 2019, Raiffeisen set itself up to be stronger in the future by optimising the Group's structures and completing the efficiency programme for Raiffeisen Switzerland. The Board of Directors of Raiffeisen Switzerland is developing the Group strategy "Raiffeisen 2025" in a participatory process with representatives of the Raiffeisen banks. The process will be completed by summer 2020.

Raiffeisen developed the Group strategy in order to proactively prepare its entire organisation to thrive in a still-rapidly changing environment. The strategy lays out Raiffeisen's future direction over the next five years and the overall Group positioning in the Swiss banking market. It also addresses current challenges such as the low interest rate environment, the diversification of the business areas and, most importantly, the bank's responses to new client needs, technologies and business models.

Management report

Risk policy

Risks and principles

General

- Risks are only taken within risk tolerance limits following careful consideration.
- Risks are managed systematically.
- Risks are only taken if they can be borne, offset by reasonable returns, and the ability to manage the risks has been confirmed.
- Risks are effectively contained, controlled and independently managed at all levels.

Credit risk

- Loans are only extended to clients who meet minimum creditworthiness and solvency criteria.
- Concentration risks are adequately monitored and limited.
- The credit policy is prudent.
- Financing at Raiffeisen banks that meets defined criteria requires prior approval of Raiffeisen Switzerland.
- The focus is on financing owner-occupied residential property.
- The focus in investment properties is on qualitative and sustainable growth.
- Corporate clients are evaluated based on the following aspects: regional ties, sufficient diversification, risk/return ratio and minimal exposure to high-risk industries.

Market risk

- Risks in the trading and banking books are managed using clearly defined guidelines.
- Clear strategic lines are drawn using limits and proven tools.
- Raiffeisen Switzerland trains and advises the Raiffeisen banks regarding their market risk in the banking book.
- Foreign currency assets are generally refinanced in the same currency (matched book approach).

Liquidity risk

- Refinancing sources are reasonably diversified.
- Liquidity in the Raiffeisen Group is managed at operational/tactical and strategic levels.
- The Raiffeisen banks manage liquidity risks at their own discretion based on instructions provided by Raiffeisen Switzerland.
- Access to money and capital markets is provided centrally through Raiffeisen Switzerland.

Operational risk

- Risks are evaluated through regular top-down and bottom-up risk assessments.
- Risks are monitored using risk indicators and an early warning system.
- The appropriateness and effectiveness of key controls in all risk-related processes is periodically reviewed and confirmed.
- Internal and external events are analysed on an ongoing basis; the findings from these analyses are implemented in the operational business processes.

Legal and compliance risk

- Internal policies and processes are promptly adapted to reflect changes in laws, regulations and professional rules and then implemented.
- Contracts are followed and enforced.

Risk controlling

Risk assessment

The Board of Directors of Raiffeisen Switzerland assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It approves the framework for Group-wide risk management, defines the risk policy and determines the risk tolerance of the Raiffeisen Group each year.

The Board of Directors of Raiffeisen Switzerland regularly examines the risks affecting the Raiffeisen Group. This is based on comprehensive reporting on credit, market and liquidity risks, operational risks, and legal and compliance risks. It also takes into account reputational risks that can result from all risk categories.

Raiffeisen Switzerland’s Risk & Compliance department draws up Risk reports. Reports focus on the risk situation, capital adequacy, compliance with overall limits and any measures taken. Furthermore, Risk & Compliance uses an early warning system to identify potentially unfavourable developments at individual Raiffeisen banks and branches.

The risk report and any measures are discussed in detail at the meetings of the Executive Board and the Risk Committee of the Board of Directors.

Assessment of the risk exposure affecting the Raiffeisen Group is based on quantitative and qualitative factors. The key risks are thoroughly assessed, both on the basis of regulatory requirements and using economic models. Raiffeisen's risk models are based on conservative assumptions about distribution, confidence intervals, holding intervals and risk diversification. The budgeting of risk capital and liquidity is based on stress scenarios.

Key elements of Group-wide risk control and management are the risk policy, the risk strategy, the identification process for new risks, forward-looking risk budgeting and scenario planning (realistic, pessimistic and stress) to determine the Group-wide risk tolerance and its operationalisation through overall limits, and the risk monitoring of subsidiaries, participations and risk categories that are important to the Raiffeisen Group.

Risk planning and control are based on a standard method for risk identification, measurement, assessment, management and monitoring. Aggregated and consolidated risk reporting provides plan versus actual analyses and thus closes the feedback loop.

The Raiffeisen Group puts particular emphasis on supplementing its model-based assessments with forward-looking risk analyses and risk estimates. Scenario-based analyses backed by macroeconomically plausible scenarios, together with assessments drawing on specialist areas and front office units, therefore play an important role in overall risk comprehension.

Risk policy principles

The Raiffeisen Group takes a cautious and selective approach to risk within a framework of clearly defined guidelines. In so doing, it takes care to strike the correct balance between risk and return, actively controlling the risks it enters into. It acts based on stable guidelines:

- **Clear business and risk policies:** Risk taking is directly linked to the core business in Switzerland.
- **Effective risk limitation:** The Raiffeisen Group's risk tolerance is clearly defined and enforced with a tried-and-tested limit system.
- **Centralised control:** Raiffeisen Switzerland monitors its individual business units, subsidiaries and participations.
- **Decentralised individual responsibility in line with clearly defined guidelines:** The Raiffeisen banks are responsible for managing their risks themselves. Their risk management is based on guidelines relating to business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- **Risk control based on transparency:** Independent reports are regularly issued on the risk situation as well as on the risk profile of the individual Raiffeisen banks and the Raiffeisen Group.
- **Independent risk monitoring and effective controls:** Overall risk and limits are monitored independently of the risk-managing business units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- **Comprehensive risk management process:** The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, monitoring and reporting.
- **Avoidance of risk concentration:** The Raiffeisen Group has effective tools at its disposal for identifying unwanted risk concentration and taking proactive measures to avoid it.
- **Protection of reputation:** The Raiffeisen Group attaches great importance to protecting its reputation. It also seeks to comply with high ethical standards in all of its business activities.

Independent risk control and compliance function

Risk management is organised based on the three-lines-of-defence model. Raiffeisen Switzerland maintains an independent risk control function and an independent compliance function for the Raiffeisen Group within its Risk & Compliance department (system responsibility). Operational responsibility rests with the Raiffeisen banks and with all the organisational units of Raiffeisen Switzerland. Business policy is geared to driving risk-conscious growth and active risk management based on Raiffeisen's risk culture. The subsidiaries of Raiffeisen Switzerland generally operate as independent entities. Risk monitoring is risk-based. The individual entities are assessed and assigned to a risk control level using formal, material and strategic criteria. Raiffeisen Switzerland monitors the risk control and risk situation of its subsidiaries and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Subsidiaries control risks based on guidelines and minimum requirements that are derived from the Group risk policy and implemented by the subsidiaries. These minimum requirements ensure the quality of local risk control and the Group's consolidated reporting.

Risk profile control

The Raiffeisen Group only enters into risks that relate to an approved business transaction and fall within its risk tolerance limits. The Board of Directors of Raiffeisen Switzerland approves the risk tolerance limits each year as part of the risk budgeting process. Risks are controlled using process requirements and overall limits. Risks that are difficult to quantify are limited by qualitative stipulations.

Risk categories

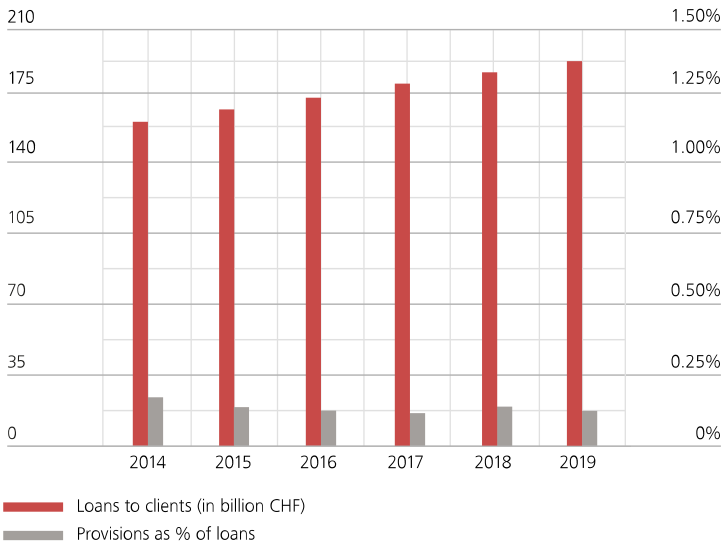
Credit risks

Credit risk management at the Raiffeisen Group is geared specifically to Raiffeisen-specific client and business structures. The Raiffeisen banks' client knowledge and decentralised individual responsibility play a key role in lending decisions and credit management. This is also true in cases where loans require the approval of Raiffeisen Switzerland because of their size or complexity.

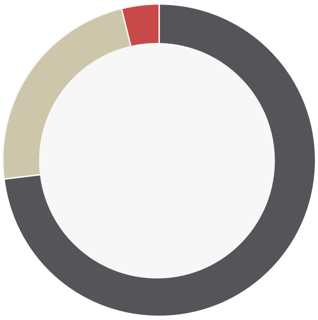
Credit risks are reviewed and assessed in nominal and risk-weighted terms. Management decisions are also based on statistical loss metrics (i.e. value-at-risk) and scenario analyses. Risks are monitored using credit quality metrics (such as financial viability, loan-to-value ratios, counterparty ratings and rating changes), as well as portfolio characteristics (such as diversification across borrowers, industries and collateral types).

Credit risk is the most important risk category due to the Raiffeisen Group's strong position in lending. The Raiffeisen Group generates a large part of its income by taking on credit risks in a controlled manner, and through the comprehensive and systematic management of these risks.

Development of loans and provisions



Raiffeisen Group lending by client segment



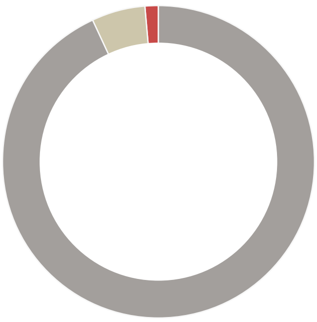
73.1% Private clients
23.1% Corporate clients incl. public bodies
3.8% Interbank

This evaluation reflects the risk view and therefore cannot be directly compared with the view of the balance sheet due to the different perspective.

Raiffeisen's main credit risks arise from transactions with collateralised loans to private individuals, commercial banks, and corporate and public-sector clients. Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for groups of affiliated counterparties and for sectors.

Generally prudent credit policy
Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking.

Mortgage loans by rank



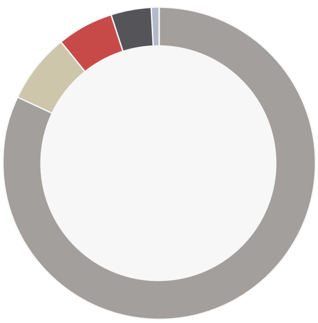
Mortgage ranking in % – disclosure as per SNB statistics

93.1% 1st place
5.6% 2nd place
1.3% 3rd place

Not including extra collateral

Financial viability, loan-to-loan value ratios and the repayment schedule for the borrowers' obligations play a crucial role. Loans are generally granted on a secured basis.

Loans by collateral and property type



82.2% Purely residential construction
7.1% Mixed residential/commercial construction
5.9% Fully commercial construction/industry
4.0% Agriculture
0.8% Other security interests in land

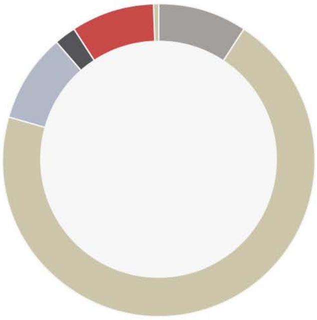
This evaluation reflects the risk view and therefore cannot be directly compared with the view of the balance sheet due to the diffrent perspective.

Property financing is part of Raiffeisen's core business. The main component comprises financing of residential properties.

Credit policy in the corporate client business

The Raiffeisen Group generally only offers financing to clients with good to moderate credit ratings.

Corporate client lending by rating category



9.3%	1 – 3	Low-risk positions
70.2%	4 – 8	Medium-risk positions
9.2%	9 – 11	High-risk positions
2.3%	12 – 13	Non-performing positions
8.5%	Without rating	Predominantly public bodies not rated externally
0.5%	No rating	

This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

The Group’s risk tolerance in the corporate lending business is clearly defined and implemented with corresponding limits for the entire Group. The Raiffeisen Group's priority is to place the expansion of its corporate client business on a solid foundation within the framework of the dedicated corporate client strategy.

Raiffeisen Group lending by sector (corporate clients)

12.6%	Public bodies
26.8%	Other sectors
10.7%	Agriculture
8.2%	Construction
39.0%	Real estate
2.7%	Hotels/catering

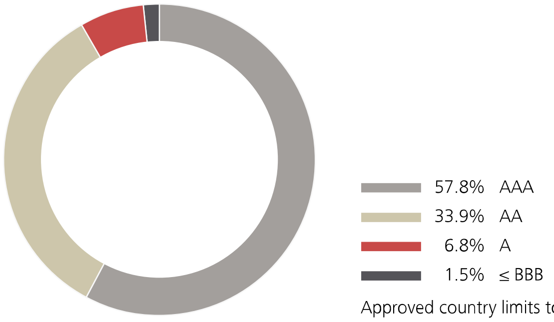
This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

The real estate sector accounts for the largest share of lending to corporate clients and other clients. Most of these loans are secured by mortgages. The loans in the other sectors are broadly diversified.

Active country risk management

As stipulated in the Articles of Association, Raiffeisen Switzerland's commitments abroad are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. Raiffeisen Switzerland's Treasury & Markets department, including Raiffeisen Switzerland B.V. Amsterdam, and its Corporate Clients & Branches department can enter into commitments abroad. These commitments are limited and monitored on an ongoing basis. The highest country limits exist for countries with very good ratings.

Breakdown by country limit



Approved country limits total CHF 11.525 billion.

Credit portfolio analysis and assessment
The Board of Directors of Raiffeisen Switzerland is periodically apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio. The analyses focus on information about changes in the risk situation, compliance with limits, measures taken, and the structural and qualitative features of the credit portfolio. Furthermore, the impacts of extreme macroeconomic changes on the credit portfolio are monitored.

Measuring credit risk
The credit risk of each individual counterparty is measured using the following parameters:

- Probability of default
- Credit exposure at the time of default
- Value of the collateral

The core element of credit risk measurement is the rating system, which is developed and monitored by Raiffeisen Switzerland's Risk & Compliance department. The clients' creditworthiness is assessed on the basis of the rating system. The Raiffeisen Group has implemented comprehensive rating system governance in connection with the internal rating systems. Rating system governance aims to organise internal rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

Raiffeisen has employed the Internal Rating Based (IRB) model approach approved by FINMA since the fourth quarter of 2019. Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes.

Assessment of the risk situation – credit risks
Credit growth is consistent with the strategy and characterised by low risk intensity overall. Lending is conservative overall and normally collateralised. Top priority is given to ensuring the borrower's ability to keep up with payments.

Around 90% of the Raiffeisen Group's credit portfolio is covered by mortgages. Owner-occupied residential properties account for more than half of the credit portfolio. They are mostly single-family homes and flats owned and occupied by private clients. Investment properties make up about one-third of the credit portfolio. Raiffeisen closely watches market developments with respect to owner-occupied residential properties and investment properties and monitors its portfolio extensively.

The individual client segments of the Raiffeisen Group's credit portfolio have been stable for years. Private clients represent over 70% of the volume. In the corporate client business, Raiffeisen remains sufficiently diversified and focuses on sectors with long-term growth potential. High-risk industries are handled with great caution.

Risk intensity remains low overall due to the broad diversification of the credit portfolio and the long-term, conservative credit policy in terms of rating, valuation, loan-to-value ratios and affordability.

Regular stress tests show that the Raiffeisen Group's credit portfolio is robust and well-diversified, even under sharply deteriorating conditions.

Market risks

Risks in the banking book
The banking book is primarily exposed to interest rate risks and foreign currency risks. Risks associated with fluctuating interest rates arise due to the Raiffeisen Group's significant positioning in interest operations and represent a major risk category. They are actively managed and monitored within authorised risk limits.

Clear guidelines and limits apply to the management of interest rate risks within the Raiffeisen Group – both for the Group as a whole and for individual legal entities. Risks are managed autonomously within this area by the individual legal entities, i.e. the Raiffeisen banks and Raiffeisen Switzerland. Risk managers have a proven set of risk management tools, including tools to simulate interest rate developments and assess their impact. Raiffeisen Switzerland's Treasury & Markets department provides advice on asset and liability management within the Raiffeisen Group. None of the other Group companies assume any material risks associated with fluctuating interest rates.

The Risk & Compliance department monitors compliance with interest rate risk limits and the overall development of interest rate risks. It focuses on monitoring the interest rate sensitivity of equity capital and running simulations to analyse the impact of changes in market interest rates on interest income. Interest-driven value-at-risk is also calculated in order to monitor the overall risk situation at various levels within the Group.

The disclosure of interest rate risks pursuant to FINMA Circular 2016/01 "Disclosure – banks" contains further details on interest rate risk management and interest rate risk exposure.

Raiffeisen Group: Interest rate risks in the banking book

in CHF million	31.12.2019	31.12.2018
Sensitivity (+100bp-Shift)	1,626	1,740

With respect to foreign currency risk, assets in a foreign currency are in principle refinanced in the same currency ("matched book" approach). This means foreign currency risk is largely avoided. The remaining foreign currency risk in the banking book is managed by Raiffeisen Switzerland's Treasury & Markets department within the limits that the Board of Directors has allocated.

Risks in the trading book
Of the entities within the Raiffeisen Group, only Raiffeisen Switzerland's Treasury & Markets department runs a trading book. In addition, the structured products business of Raiffeisen Switzerland B.V. Amsterdam is allocated to the trading book.

The Treasury & Markets department's trading risks are strategically limited using global limits. Risks are operationally limited by sensitivity, position and loss limits, and value-at-risk limits. Domiciled in the Netherlands, Raiffeisen Switzerland B.V. manages its interest rate risks with the help of a bond portfolio that replicates the interest rate risk profile of the issued structured products. Interest rate swaps are occasionally used for hedging. The bond portfolio, which consists entirely of investment-grade debt securities, entails credit spread risks. These are closely monitored and managed using limits.

All traded products are depicted and assessed as part of a risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled. The Risk & Compliance department monitors positions and market risks on a daily basis using market data and risk parameters that are independently checked for accuracy. Before new products are rolled out, the Risk & Compliance department performs an independent evaluation of the risks.

Assessment of the risk situation – market risks
Market risks mainly result from the risks associated with fluctuating interest rates in the banking book. The potential declines in value and loss of earnings are acceptable even in adverse scenarios involving interest rate shocks and stresses.

Market risks in the trading book are diversified across equities, bonds, interest rates, foreign currencies and precious metals. The expected potential for losses amid serious market turmoil is considered low relative to total income. Possible losses in such a scenario would be largely attributable to credit spread risks in the bonds asset class.

Liquidity risks

Raiffeisen Switzerland's Treasury & Markets department centrally manages liquidity risk for Raiffeisen Switzerland and the Raiffeisen Group based on regulatory requirements and internal targets.

The regulatory liquidity requirements apply on a consolidated basis at Raiffeisen Group level, and at an individual institution level to Raiffeisen Switzerland. The individual Raiffeisen banks are exempted from compliance with regulatory liquidity requirements but must still meet internal liquidity requirements.

Raiffeisen Switzerland's Treasury & Markets department manages transfers of liquidity within the Group and ensures that refinancing and liquidity costs are allocated to their originators. The individual banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland and to maintain an appropriate refinancing structure.

The Treasury & Markets department manages Raiffeisen Switzerland's cash reserves, facilitates the Group's access to money and capital markets, and ensures these refinancing sources are adequately diversified. It performs regular stress tests and assesses liquidity trends in the Raiffeisen Group on an ongoing basis, taking regulatory and economic requirements into consideration. The Risk & Compliance department independently monitors liquidity risk.

Assessment of the risk situation – liquidity risks
The Raiffeisen Group's liquidity situation is sound thanks to its focus on the domestic savings and mortgage business. Due to its low degree of dependence on major clients and broad diversification across private clients, its funding sources are minimally concentrated. Loans to clients are funded largely by customer deposits (91.1%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Operational risks

Operational and business risks arise in two ways: as a consequence of the banking transactions carried out by the Raiffeisen Group and by virtue of its function as an employer and owner/occupier of real estate. Viability and cost-benefit analyses determine whether a business risk should be avoided, reduced, transferred or borne. These risks are assessed in terms of the expected probability of occurrence and the severity of their impacts. This includes not only the financial impacts, but also the reputational and compliance consequences. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a given risk event.

Every year, the Raiffeisen Group carries out extensive operational risk assessments. The information gleaned from these assessments is documented in a Group-wide risk register that forms the basis for monitoring and controlling for the overall operational risk profile.

Information security
Information security – a discipline focused on data confidentiality, integrity and availability is becoming increasingly important. Cybercriminals pose the biggest threat in this regard. For this reason, information security risks must be comprehensively managed based on a regular assessment of the threat situation. Appropriate and effective measures for safeguarding information and infrastructure are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process. Considerable importance is attached to protecting financial privacy and personal data.

Internal control system (ICS)
Raiffeisen's ICS comprises all the control structures and processes intended to ensure the proper conduct of operations, compliance with statutory, regulatory and internal provisions, and complete, reliable reporting.

The framework that underlies the Group ICS and ensures its functionality is defined at the control environment level. The elements of the control environment include internal regulations, independent supervisory bodies, organisational charts and job profiles.

Processes, risks and controls are closely interconnected at the process level. Operational risks are identified and assessed for each major process, and key controls defined from there. All key controls are documented and incorporated in the processes. There are many other risk reduction measures in addition to the key controls.

The Raiffeisen Group carries out an assessment of the ICS's appropriateness and effectiveness at least once a year. The implementation of improvements derived from the assessment is tracked and monitored.

Consolidated ICS reporting is included in the standard risk report prepared for the Executive Board and the Board of Directors of Raiffeisen Switzerland and the Raiffeisen banks.

Early warning system of the Raiffeisen banks
Raiffeisen Switzerland operates an early warning system designed to quickly identify adverse developments at Raiffeisen banks and branches, and avert potential damage. The early warning system comprises quantitative risk indicators for the individual Raiffeisen banks and branches as well as an ad-hoc reporting process for integrating qualitative information. Early warning events are analysed and, if the situation requires it, resolved with the active involvement of Raiffeisen Switzerland. Early warning events are independently assessed and monitored by the Early Warning System Coordination Committee.

Business continuity management
Within the scope of business continuity management (BCM), Raiffeisen has adopted extensive measures to maintain operations even if critical resources become unavailable (staff, IT, buildings, suppliers). The specialist departments have various strategy options for keeping critical business processes functioning. Redundancy for all important IT components has been established and/or expanded at various sites.

To minimise potential losses and enable management to respond in an effective, coordinated fashion, Raiffeisen has put together crisis response teams and developed emergency plans in all important company units. It performs regular tests and drills to ensure the plans and organisational structures work properly and do not need to be updated. The crisis management team and organisation are regularly trained and tested using various scenarios to maintain BCM capabilities.

Assessment of the risk situation – operational risks
The operational risks are well within the risk budget defined by the Board of Directors overall. The comprehensive ICS keeps losses attributable to operational errors low.

The threat of cybercrime has generally increased. The Raiffeisen Group has reacted to the threats by expanding the Cyber Security and Defence Centre, among other things.

Migrating to the new core banking system has eliminated the risk associated with the developmental inflexibility of the previous solution.

Legal and compliance risks

The Risk & Compliance department reports to the Executive Board and the Risk Committee of the Board of Directors of Raiffeisen Switzerland on major compliance risks quarterly and on legal risks semi-annually.

These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2017/1 "Corporate governance – banks", are submitted to the Board of Directors once a year.

Legal risks
Raiffeisen Switzerland's Risk & Compliance department supports all of Raiffeisen Group's units in legal matters, ensures adequate regulatory competence at all levels, and actively manages legal risks. This also includes contractual risks. Risk & Compliance coordinates interactions with external lawyers where needed.

Compliance risks
Compliance is understood to mean adherence to all applicable statutory, regulatory and professional provisions and internal requirements with a view to identifying legal and reputational risks at an early stage, preventing such risks, and ensuring that business is conducted properly. Raiffeisen takes a comprehensive approach to compliance.

Although Raiffeisen operates almost exclusively within Switzerland, it has to comply with regulations governing cross-border financial services (cross-border business) and international and national tax matters (tax compliance). It specifically focuses on the following activities and issues:

- Raiffeisen monitors and analyses all relevant legal developments (regulatory monitoring) and participates in institutional commissions and working groups that cover the Swiss financial sector.
- Raiffeisen has traditionally attached great importance to the "know your customer" principle on account of its cooperative business model and the customer proximity that the model entails. Regulations to combat money laundering and the financing of terrorism reinforce these principles and put them in concrete form.
- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a passive service provision approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen banks and branches are prohibited from carrying out any activities outside of Switzerland, especially client-related trips abroad.
- Raiffeisen pursues a rigorous tax compliance strategy.
- Market conduct rules are adhered to, as are the resulting due diligence and advisory obligations.
- Data is protected and bank-client confidentiality ensured.
- Raiffeisen is committed to fair competition and its actions are guided by strong ethical principles.

In the year under review, the Raiffeisen Group invested heavily in implementing the provisions of the Financial Market Infrastructure Act (FMIA) and the Financial Services Act (FinSA), conforming to modified anti-money laundering regulations and the Data Protection Act (DPA), complying with the US Foreign Account Tax Compliance Act (FATCA) and Qualified Intermediary (QI) requirements, and executing the automated exchange of information (AEOI).

As a member of the Coordination of Domestic Banks (Koordination Inlandbanken), an interest group, Raiffeisen Switzerland is particularly involved in the Federal Financial Services Act (FinSA) and withholding tax optimisation (adoption of paying agent system). The governance structure was also reviewed and optimised.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and adapting internal policies and processes to new requirements as promptly as possible. Where necessary, modern electronic tools are used in support of the measures. In addition, the various compliance teams – via a "blended learning" approach – invest substantially in training and raising the awareness of staff and management at all levels.

Assessment of the risk situation – legal and compliance risks
The risk situation in 2019 was accentuated by high regulatory pressure and increased public perceptions of violations and/or misconduct. The Raiffeisen Group counters these risks by proactively monitoring legal developments, complying with stricter requirements, regularly training employees, and providing management and control.

Management report

Added value

Added value

One-third of all companies and 41% of the Swiss population are clients and thus members of the Raiffeisen community

Our commitment to the community is part of our DNA: With our cooperative values – liberalism, democracy and solidarity – we operate like a miniature Switzerland. As a result, we help make our community diverse, vibrant and unique. We are not alone in this effort, either: Over 1.9 million cooperative members are co-owners of their Raiffeisen bank and help shape the Raiffeisen community. In 2019, we welcomed around 12,000 new cooperative members.

The cooperative model not only makes us unique, it also adds tremendous value to society: Raiffeisen reinvests around 95% of the profits it generates. Our paramount goals are to ensure the quality of our services, qualitative growth and added value for our members, clients and society. Raiffeisen is thus deeply rooted in Switzerland: 2019, we returned CHF 139 million in member benefits to our cooperative members.

Raiffeisen is and will remain the Swiss bank that is closest to its clients – both physically and digitally. Raiffeisen still has the densest branch network among Switzerland's banks: Raiffeisen can be reached within ten minutes by 99% of the population. Thanks to the 229 autonomous Raiffeisen banks with 847 locations and a total of 1,765 ATMs throughout Switzerland, we are not only part of regional communities but close to our clients and aware of their needs. Our e-banking service has 1.4 million users, making it Switzerland's most-used e-banking platform.

Our clients' needs for comprehensive and personal financial advisory services have grown steadily in recent years. Consequently, more and more Raiffeisen banks are modernising their branches and putting advisory services centre stage. New client areas feature open, flexible designs and are used not only for traditional banking business but also for lunch learning sessions, information events and personal consultations. Raiffeisen proceeded with investment in the continuing education of its advisors in 2019. This effort to offer our clients superior advisory services was honoured with the audience award at the Sales Excellence Awards 2019.

The following developments and new offerings for our customers are particularly worthy of mention:

Ongoing evolution of digital banking
The limits of traditional banking and the needs of our clients are constantly changing, due in large part to the new possibilities of the digital world. To meet these needs with modern solutions and to offer our clients an attractive and secure experience on all channels, we are constantly improving Raiffeisen e-Banking and the related mobile banking app.

E-banking is the most frequently used interaction channel between Raiffeisen clients and their Raiffeisen bank. A new feature, the foreign currency home delivery service, has been available to the 1.4 million Raiffeisen e-banking users since May 2019. In a straightforward and convenient process, users can now order foreign currency from around 100 countries with just a few clicks and have it delivered straight to their home by A-Post+. This nationwide service has also been available to non-clients since November 2019 on the new website munaida.ch. Furthermore, 2019 also saw the expansion of credit card information in e-banking. The Raiffeisen e-safe, meanwhile, is about to launch. The e-safe gives clients a secure location to save their passwords as well as to store and exchange documents.

Helpful digital services for our clients in the area of housing

The RaiffeisenCasa online platform is packed with Raiffeisen's property and housing expertise. Since launching in autumn 2018, RaiffeisenCasa.ch has constantly been expanded. Current and aspiring property owners can find inspiration at RaiffeisenCasa along with fun facts, tips and background information about finding, buying, selling, modernising and financing real estate. The Raiffeisen CasaCheck app, which was launched in the current year, enables smartphone users to carry out an initial free-of-charge valuation of a property quickly and easily. In addition, Raiffeisen Immo AG – which was founded in 2018 and handles the marketing of real estate – expanded its services to the entire German-speaking region of Switzerland in 2019.

New card self-service

The number of debit card-based payments once again rose substantially in the current year. The new contactless function is particularly popular among customers. On average, 103 transactions were executed per person with the V PAY card's contactless function (previous year: 85). The average was lower at around 80 transactions per card for the Maestro cards, largely because they did not support contactless functionality until September 2019.

In addition, an online service was rolled out last spring that allows clients to cancel cards, request a new PIN, replace defective cards or modify limits. The card self-service is available via personal e-banking. One very popular feature is the loading function for prepaid cards. Money loaded on cards is available in only a few minutes. Other self-service functions are in the pipeline for 2020.

Broad integration of TWINT

"Twinting" is in – regardless of whether people are paying at cash registers, farm shops, vending machines, online shops or parking meters, or sending money to a friend. The mobile payment app, which was developed in collaboration with other major financial institutions in Switzerland, is increasingly being used in everyday life. The number of TWINT users doubled to nearly 420,000 accounts in the past year. The usage rate rose sharply as well: 52% of users made at least one transaction per month in 2019 (previous year: 25%). Raiffeisen and TWINT AG continued to drive the evolution of cashless payments in 2019, too. Now, for example, users can use different bank accounts for debits and credits. SBB was also added as a "twinting partner" this year. Other uses for TWINT are constantly being explored and developed.

Raiffeisen members discover the cantons' capitals

Raiffeisen rewards client loyalty with membership benefits. The more than 1.9 million members of local Raiffeisen banks used their membership benefits around 1.1 million times in 2019, enjoying perks such as the free museum pass, one-day ski passes and event tickets discounted up to 50%. With the "Capitals of the cantons" membership programme, Raiffeisen invited its members to visit the 26 centres of the cantons and explore Switzerland.

Crowdfunding platform lokalhelden.ch breaks through 10 million barrier

Raiffeisen's crowdfunding platform lokalhelden.ch enabled more success stories in 2019. By the end of 2019, roughly three years after its launch, the platform had collected over CHF 13 million in donations. This amount helped make over 690 local and regional projects possible throughout Switzerland. True to the spirit of the banking group's cooperative principle, Raiffeisen's lokalhelden.ch takes a local and regional approach to cooperative crowdsourcing, thus making a substantial contribution to a vibrant, athletic, cultural and pro-social Switzerland.

Wealth solutions

Award-winning investment activity
The persistently low interest rate environment in Switzerland has more clients looking for alternatives to their savings accounts. We help our clients transition from saving to investing with our products and services.

The new asset management mandates with their "Global", "Swissness" and "Sustainable" variants as well as different risk profiles were introduced in the course of 2018 and have proved highly popular. Their volume grew by over CHF 1 billion in 2019. Given the great deal of client interest, we expect to see further significant growth in 2020.

More and more people are looking for sustainable solutions for their assets. Our Futura label for sustainable investment products is specifically tailored to this need. We increased its volume by 13% in 2019. At the start of 2019, Raiffeisen also expanded the Futura fund family to include the new Pension Invest Futura Equity fund. The new pension fund allocates up to 100% of its assets to equities. The fund can be used for pension and vested asset custody accounts as well as unrestricted securities custody accounts.

Finally, the investment process for developing an independent house view was further optimised based on comprehensive analysis. Specifically, Raiffeisen clients benefit from a more focused investment policy and a more systematic presentation of investment performance.

Our efforts to boost investment activity were honoured by receiving the BILANZ Rating 2019 as the best bank for clients in the "National" category. This award underscores Raiffeisen's excellent performance in providing holistic advice and developing investment solutions. To maintain this position in future, we will be adding digital asset management to our offering in 2020. This new solution will be readily available to Raiffeisen clients via an app. A broad range of clients will then gain direct access to highly professional investment knowledge and securities-based savings plans and the ability, with the push of a button, to make highly diversified investments based on specific themes. The solution is an attractive addition to personal advisory services. We will also introduce a new advisory mandate towards the end of the year and tirelessly work to optimise our range of investment services.

Increasing demand for pension solutions
The second issue of Raiffeisen's pension barometer in 2019 showed a growing gap between what people in Switzerland expect from retirement and how they are actually preparing for it. While more people plan to retire early, many do not really think through their retirement plans at all or wait until their later years to do so. Raiffeisen launched the "Pension Radar" app so that clients can better understand their current pension situation. All users have to do is enter a few details in the app. It then provides an overview of their probable monthly income from OASI, pension fund, 3rd pillar assets and unrestricted assets.

The number of pillar 3a accounts grew in 2019 by a good 24,000 to 603,500 (+4.2%). Deposits (in account and fund savings plans) swelled almost 5.2% (+CHF 829 million) to reach CHF 16.8 billion. Deposits in vested asset accounts, including fund savings plans, now stand at CHF 5.77 billion. The use of pension products was once again significantly affected by the generally low interest rates in 2019. The number of retirement custody accounts, for example, increased around 18.9% (pillar 3a) and 5.3% (vested assets). The Pension Invest Futura Equity fund launched in 2019 capitalises on the growing popularity of fund savings plans in the long-term pension business, which is largely a reflection of record-low interest rates. In addition to the main activities in the investment business, 2019 also saw the continuous expansion of the pool of pension and succession planning experts in order to meet the growing demand due to demographic changes.

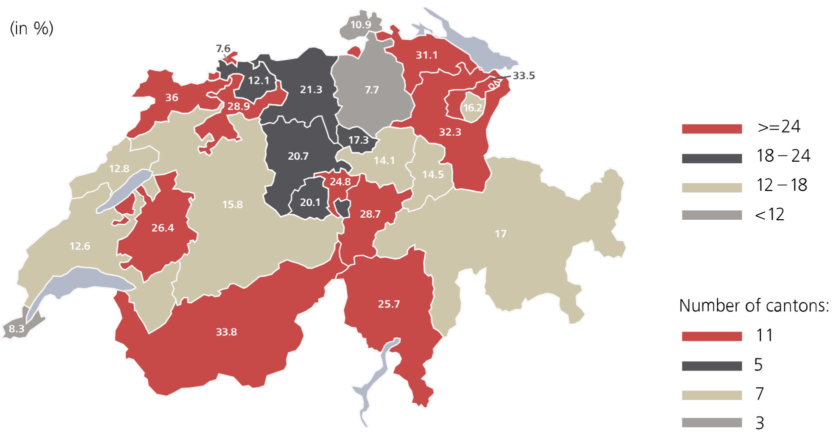
Importance of savings remains high

As a cooperative banking group, Raiffeisen is committed to helping as many Swiss residents as possible with wealth planning. Saving money is very important to Raiffeisen clients, whether it is for their personal retirement or for investments and purchases such as residential property. Customer deposits for Raiffeisen grew much more strongly than the market by a total of 6.3% (+CHF 10.48 billion) in 2019, leading once again to an increase in market share in this product segment. In the current year, the number of customer accounts increased 2.5% to reach a good 5.6 million accounts. While traditional savings deposits (savings accounts) hardly changed due to low savings interest rates, growth took place primarily in transaction accounts (personal and current accounts). The deposit volume in that segment rose CHF 7 billion (+11.4%). At the same time, 130,000 new transaction accounts were opened (+4.8%). The deposit volume in fixed-rate savings deposits (time and fixed-term deposits) grew CHF 870 million (+7.7%) despite the low market interest rates; however, the number of fixed-rate savings deposit accounts decreased by nearly 20,000 (–13.5%).

Financing grows in line with the market

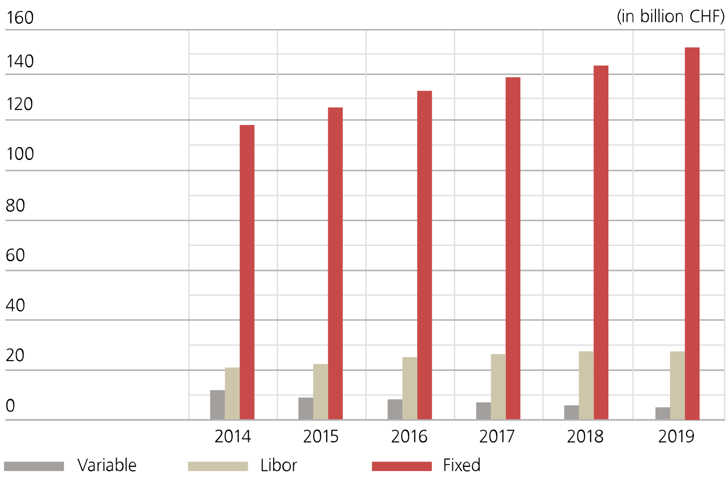
Mortgage loans increased 3.2% to CHF 185.3 billion, which is consistent with our ambition to grow at basically the same pace as the market. Due to continued low interest rates, demand remained strong for fixed-rate and Libor mortgages in 2019. The relevance of energy is growing steadily. Raiffeisen has integrated an energy property assessment with its financing advisory services so that clients can get an initial evaluation based on energy efficiency classes – much like the GEAK® energy performance certificate.

Market share of mortgage volumes by Canton*



* The SNB's evaluations for 2019 will only be available after the editorial deadline. Therefore, the market share as at the end of 2018 is reported.

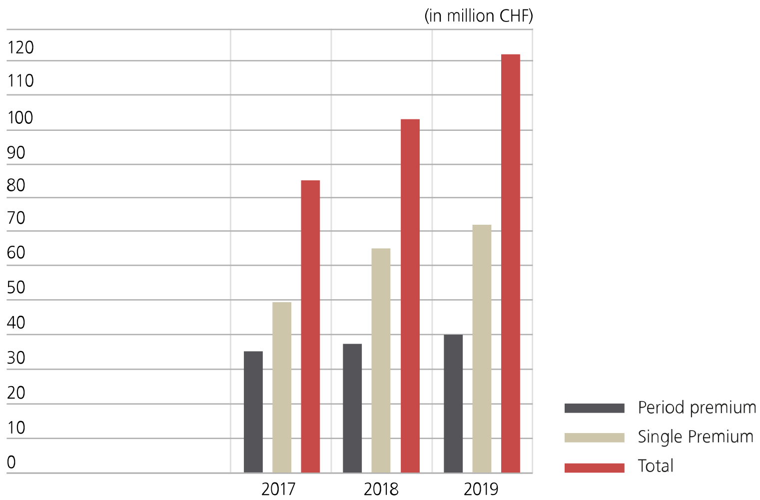
Trend in volume of various mortgage models 2014–2019



Rising volume of premiums from insurance products

Raiffeisen offers pension solutions that are individually geared to its clients' long- and short-term needs and therefore span the entire lifecycle. They include protection against biometric risks. All insurance products are tailored to the client's personal pension situation. Demand for pension solutions increased once again this year. As a result, the premium volume for life insurance products rose 9%. Single-premium policies contributed the most volume. However, revenue from savings and risk insurance increased as well, which is particularly welcome given the stagnant market environment. The non-life market continued to focus on construction and buildings insurance.

Total individual life premiums



Corporate clients

The corporate clients business continued to grow. Raiffeisen has acquired more than 5,000 new corporate clients, mostly in the SME segment, since early 2019. All in all, we are trusted by more than 200,000 corporate clients, or one out of every three Swiss companies. Thanks to our local presence, SMEs are personally served by their regular corporate client advisors along the various stages in their company's lifecycle. A Swiss network of experts is available for special questions and unusual challenges.

The credit volume of corporate clients in the mortgage and loan segment increased by 4.5% to CHF 39.3 billion in 2019. Switzerland's solid economic growth supported this increase as well. The corporate clients business is still a top strategic priority for the Raiffeisen Group. One noteworthy decision made by the Raiffeisen banks this year involved the elimination of the collateral requirement from the Articles of Association. This gave rise to the opportunity to offer our corporate clients even greater local support in the area of financing solutions. The change in the Articles of Association does not constitute an easing of credit issuance criteria. The issuing of unsecured credit remains confined to corporate customers with high levels of creditworthiness. Effective instruments will ensure that future growth in the blank credit business remains within the risk capacity of each Raiffeisen bank and the Raiffeisen Group, respectively.

In future, we will make the back-office processes even more client-friendly and eliminate more red tape. Our focus is on making life easier for business owners.

The following developments in the individual business areas are particularly noteworthy:

Strong brand in capital goods leasing
Leasing transactions continued to gain in importance, exceeding the 500-million mark for the very first time with a volume of CHF 520 million at the end of 2019. Raiffeisen has rapidly evolved into one of Switzerland's largest providers in capital goods leasing. This allows us to help our clients conserve their cash compared to traditional financing solutions.

Foreign exchange transactions now in e-banking
The online foreign currency trading module launched in 2019 allows Raiffeisen clients to complete foreign currency transactions in e-banking on their own. When a client enters a currency order, the system shows the real-time exchange rate. The client can then execute exchange transactions worth up to CHF 500,000, respond swiftly to exchange rate fluctuations and hedge against currency risks.

Award-winning guarantee business
International business and international networks are highly important to many of our clients. That is why Raiffeisen further expanded its guarantee business. Raiffeisen Switzerland also received the "RBI Guarantee Deal of the Year Award 2019" from Raiffeisen International Vienna (RBI). The award was given in recognition of the excellent, long-standing relationship between Raiffeisen Switzerland and RBI in the international guarantee business.

Support for business owners from Raiffeisen Business Owner Centres (RUZ) and Business Owner Club
October 2019 saw the opening of the latest Business Owner Centre (RUZ) in Burgdorf. The services offered by Raiffeisen Business Owner Centres, which are now present in five locations, go beyond traditional bank products and services. They are an active network of business owners that serves business owners. Corporate clients are actively guided by experienced business owners on topics from start-up and investment financing to succession planning. There is nothing else like it in Switzerland. Since being established six years ago, the RUZ Business Owner Club has grown into Switzerland's largest network of

business owners with 1,700 members. In this way, Raiffeisen promotes entrepreneurship as part of its cooperative commitment. In 2019, the number of consultations and advisory services for SMEs increased by over 50% for the second time in a row. In 2020, activities will focus on SME consultations and advisory services and particularly on strengthening the Western Switzerland location. For companies in the French-speaking part of Switzerland, the RUZ in Yverdon-les-Bains, which opened in autumn 2018, serves partly as a gateway to expanding in the German-speaking part of Switzerland.

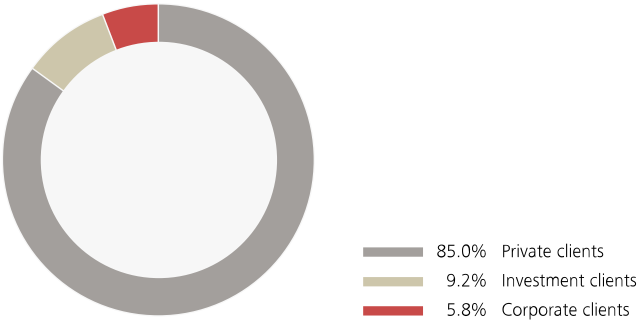
Raiffeisen entrepreneurship prize awarded for the third time

In the third year of the Raiffeisen's "Golden David" entrepreneurship prize, the award was handed out for the first time in two regions (Eastern and Western Switzerland). This accolade honours and supports regionally based, owner-managed companies with a long track record of success.

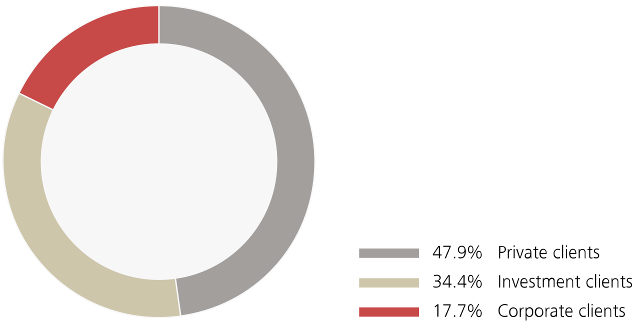
Business Broker: one succession solution per week

Over 10% of Swiss SMEs face the challenge of succession planning. Passing the baton to the next generation is one of the hardest things a business owner has to do. Business Broker Ltd., which specialises in external succession planning, developed succession solutions for an average of one SME per week last year.

Proportion of clients



Proportion of client volumes



Treasury & Markets

Treasury & Markets, a centre of competence within the Raiffeisen Group, offers market-related advice, products and services. Its business strategy is to effectively support client activities. In addition to hedging interest rate and currency risks, Raiffeisen Switzerland's Treasury & Markets department is a service provider and key point of contact within the group, particularly in connection with cash, precious metals, foreign currencies, securities or structured products.

One of Raiffeisen Switzerland's core services is to supply the Raiffeisen Group with cash in the form of Swiss francs and foreign currency from 100 countries. Banknotes are delivered to the Raiffeisen banks but can also be sent directly to clients at their home address.

As a central management unit, Treasury ensures that the Raiffeisen Group's cash holdings are managed effectively. Advising Raiffeisen banks on investments, refinancing and balance sheet hedging is another important service provided by Treasury & Markets.

Active player in the capital market
Raiffeisen succeeded in solidifying its position in investment banking. It served as (joint) lead manager or held a co-role for 21 issues in the Swiss capital market. All told, Raiffeisen conducted 65 transactions and placed a volume of CHF 2.9 billion.

RRaiffeisen was the joint lead manager for Pfandbriefbank schweizerischer Hypothekarinstitute AG's issues and placed a substantial portion of its total 2019 issuance of CHF 8.1 billion. It also became the first bank to issue a "Sustainability Bond" in Swiss francs.

Digital capital market platform
While all this was happening, Raiffeisen continued to expand its digital offering and became the first Swiss bank to launch a digital capital market platform. Valyo Ltd, a wholly owned subsidiary of Raiffeisen Switzerland, aims to give Swiss issuers digital access to the Swiss capital market.

Structured products
Investor demand for structured products was strong in 2019 amid persistently low interest rates. Raiffeisen Switzerland has established itself as one of the top 5 providers for this product category in the Swiss market. The product range was expanded and is geared toward both private clients and professional investors. Key success factors include transparency and the transfer of knowledge to final clients.

SARON roll-out
SARON is becoming established as the most important reference interest rate for financial products denominated in Swiss francs and will thus replace LIBOR at the end of 2021. Raiffeisen Switzerland has been providing Raiffeisen banks with SARON-based products since November 2019. In 2020, Raiffeisen will make mortgages and loans based on the recommended SARON reference interest rate available to its clients, too. Raiffeisen clients will enjoy a new, versatile product range based on an interest rate that is representative, robust and managed in Switzerland.

Management report

Personnel policy

Employees

Raiffeisen: An attractive employer

Raiffeisen offers its 10,916 (previous year: 10,838) staff members at every level outstanding employment conditions, engaging tasks and modern workplaces. It also stresses the importance of providing equal opportunities and invests in its employees and in recruiting new talent in the labour market. Raiffeisen encourages intrapreneurship, solidarity within the cooperative and sustainable engagement with all stakeholders.

Attractive employment conditions
Raiffeisen has a strong employer brand. Thanks to outstanding working conditions, Raiffeisen has succeeded in building long-term relationships with its employees. These relationships are one of the core drivers of the organisation's success. Raiffeisen encourages intrapreneurship among employees by specifically delegating responsibility and gives them considerable freedom to make their ideas a reality. Flexible work hours are provided at all tiers in the hierarchy wherever possible. All told, 41.30% (previous year: 33.42%) of employees work part-time at Raiffeisen.

Raiffeisen grants more days of holiday leave than average for Swiss companies and provides alternative holiday models. Employees receive between 25 and 30 days of paid holiday leave, depending on their age and pay grade, and, as of 2018, can buy additional days of paid holiday leave or save up holidays for a personal sabbatical.

Family policy
Raiffeisen provides modern-day benefits for families. It offers mothers 16 to 24 weeks of leave depending on how long they have been with the company. Fathers are given 15 additional paid days off, which they can take up to one month before or six months after their child is born. In addition, women have a guarantee of continued employment at 0.6 full-time equivalents (FTEs) or more in an appropriate function after maternity leave. If a child is sick, parents receive up to five additional days' paid time off.

Training tomorrow's workforce
Young Raiffeisen employees are a key factor in the company's success going forward. Raiffeisen offers a wide range of training programmes to give young people with different educational backgrounds a solid career start:

Apprenticeships:

- Federal VET diploma in business administration (banking; service and administration)
- Federal VET diploma in computing (systems engineering; application development)
- Federal VET diploma in ICT
- Federal VET diploma in mediamatics
- Federal VET diploma in interactive media design
- Federal VET diploma in child, adult and elder care
- Federal VET diploma in facility maintenance
- Federal VET diploma in client communications

Secondary school students:

- Commercial secondary school internship
- Business secondary school internship
- Computing secondary school internship
- Bank entry for secondary school graduates

University graduates:

- Trainee programmes for university graduates
- University internships

Raiffeisen's focused, systematic training programmes are an expression of its social responsibility for large numbers of young people throughout Switzerland. At the end of 2019, 711 (previous year: 764) individuals were participating in one of the above training programmes; 46% (previous year: 45%) of them were women. It is a sound investment: many young people stay with the company after completing their training in order to continue their personal and professional development at Raiffeisen.

Staff and leadership development
Digitisation, regulatory tightening, changing client needs and a fast-moving environment have raised the bar for the skills that employees need at Raiffeisen. It has become ever more important for employees to continuously improve their skills and remain employable. To meet this challenge, Raiffeisen specifically invests in training and education and supports its employees at all levels.

Managers and non-managerial employees can tap into a broad array of technical and advisory training courses, as well as personal development opportunities. The training offering is tailored to the needs of the various target groups. There are specific programmes for career starters, C-suite executives, board members, advisors and specialists. Employees can also enrol in various programmes developed specifically for Raiffeisen in cooperation with the Lucerne University of Applied Sciences and Arts. Raiffeisen also promotes lifelong development and offers seminars on prospects, health, relationship building and pensions for employees approaching retirement age.

Training programmes are developed with specific goals, assessed by attendees and continuously improved. Strategic training requirements are determined through a carefully specified process in close consultation with the people working in the relevant environment. In addition, Raiffeisen promotes the personal and professional development of its managers and employees, so they can actively move their teams forward.

Digitisation is not just a subject covered in class. It also affects how staff development is implemented. Learning formats such as online classes, web-based trainings, video-based learning, etc. are gaining ground in continuing education and making it possible to respond quickly to changes and promptly address current issues. Anytime, anyplace access also reduces travel time and absenteeism and supports our sustainability goals in addition to providing modern, timely training. Raiffeisen believes strongly in the importance of its leadership culture. Employees and managers regularly and frequently discuss job performance, mutual expectations and areas of development as part of an ongoing performance dialogue. This process helps establish a trust-based manager-employee relationship and thus lays a strong foundation for sustained success.

In 2019, Raiffeisen invested CHF 16.7 million (2018: CHF 16 million) in employee development. In the years ahead, a substantial number of Raiffeisen employees will receive more intensive training in empowerment, media literacy and methodological skills in order to be better prepared for the challenges and opportunities presented by digitisation. Many advisors have also obtained the industry-recognised ISO 17024 advisor certification.

Cultural development

In October 2019, an independent consulting company conducted an employee survey at Raiffeisen Switzerland. A participation rate of 86% was reported. The results will be used as a basis for the cultural development of Raiffeisen Switzerland. The results of the survey show that employees believe there is a need for action in relation to the strategy, vision, innovative capabilities and adaptability of Raiffeisen Switzerland. Trust in direct managers was assessed very positively. In addition, the survey showed that employees identify very strongly with Raiffeisen Switzerland. The Executive Board used the results to define key areas that will be tackled as part of the cultural development.

Diversity and equal opportunity

Studies show that providing equal opportunities and thus increasing diversity have a positive impact on a company's bottom line. Switzerland lags behind other European countries when it comes to gender equality at work. The Raiffeisen Group views diversity and equal opportunity as key drivers of economic success.

The company takes a holistic approach to ensuring diversity and equal opportunities for all employees, treating these issues specifically as important leadership skills and integral parts of the corporate culture. Through these efforts, Raiffeisen Switzerland aims to rigorously strengthen equal opportunity at all levels of the Raiffeisen Group.

Raiffeisen Switzerland has made it a strategic priority to raise the percentage of women in management positions. With women holding 27% of management positions in 2019, the Group has not yet achieved its target value (at least 30%). The efforts to promote diversity and equal opportunity will therefore be intensified even further in 2020. In addition, Raiffeisen is constantly working on gender equality solutions to supplement its current training and development programme. For example, Raiffeisen partners with the networks Advance Gender Equality in Business and Business Professional Women.

Counselling for personal challenges

In addition to the counselling services provided by Human Resources, all Group employees have had access to a social counselling service through an external partner, Reha Suisse, for several years. The service offers anonymous assistance with work, home and health issues. Reha Suisse supports employees professionally and provides viable solutions. Its clear processes, psychological expertise and extensive experience in the social insurance sector play a significant role in handling difficult situations. Through this partnership, Raiffeisen is able to respond appropriately and effectively to unusual, challenging situations in its employees' lives.

Raiffeisen Group key figures

	2019[1]	2018
Number of permanent employees [2]	**10,916**	**10,838**
Total number of women	5,509	5,404
Total number of men	5,407	5,434
Number of full-time positions [2]	**6,410**	**7,216**
Total number of women	2,125	2,501
Total number of men	4,285	4,715
Number of part-time positions [2]	**4,506**	**3,622**
Total number of women	3,384	2,903
Total number of men	1,122	719
Number of temporary staff (temporary workers/interns)	**914**	**1,015**
External employees (Raiffeisen Switzerland)	**713**	**736**
Employees abroad	**4**	**0**
Number of BoD members	**1,431**	**1,529**
of which women	340 (24%)	351 (23%)
of which Board of Directors members under 30	3 (0%)	not surveyed
of which Board of Directors members over 50	932 (65%)	not surveyed
Total number of managers	**4,519**	**4,585**
of which women	1,213 (27%)	1,225 (27%)
Number of board members (senior management)	**1,308**	**1,354**
of which women	147 (11%)	157 (12%)
of which Executive Board members under 30	11 (1%)	not surveyed
of which Executive Board members over 50	499 (38%)	not surveyed
Number of mid-level and lower management	**3,211**	**3,231**
of which women	1,066 (33%)	1,068 (33%)
of which lower / medium management under 30	243 (8%)	not surveyed
of which lower / medium management over 50	947 (30%)	not surveyed
Number of other employees	**5,705**	**5,542**
of which women	3,977 (70%)	3,843 (69%)
of which employees under 30	1,954 (34%)	not surveyed
of which employees over 50	1,228 (22%)	not surveyed
Number of trainees	**653**	**711**
of which women	294 (45%)	336 (47%)

Average length of service in years	10.4	9.3
Average age of employees in years	40.9	40.7
Employee turnover (including changes within the Group) in % [3]	14.4	12.1
Amount spent on training in CHF	16,727,507	15,937,120
Amount spent on child care in CHF	352,000	392,000
Return to the workplace after maternity leave in % [4]	90.0	85.7

1 Due to a different calculation methodology, the number of people in the table diverges slightly from the key figures displayed in the financial report.

2 Number of employees excluding temporary employees/interns/cleaning staff, including apprentices.

3 Number of resignations and transfers of the entire year compared to average number of employee.

4 Number of employees working again after maternity leave (excluding Raiffeisen banks).

Management report

Sustainability

Sustainability

"Sustainability is part of Raiffeisen's self-image, an embedded core value and an indispensable guiding principle for successful corporate governance. As a cooperative bank, Raiffeisen aims to have long-term and fair relations with its clients and partners and wants to contribute to sustainable development with its products and services. Raiffeisen discloses its sustainability performance and strengthens it continuously."

Heinz Huber
Chairman of the Executive Board
of Raiffeisen Switzerland

Introduction

Sustainability: Core value and strategic objective
Sustainability – along with credibility, client intimacy and entrepreneurship – is one of four Raiffeisen values. It is on this basis that the Raiffeisen Group's mission statement sets out the following principles: (1) Fair partner to our clients, (2) cooperative as a matter of principle, (3) team-focused and entrepreneurial working attitude among staff and (4) taking an active part in society. Amongst other things, special attention is paid in this regard to the use of products that promote the sustainable development of society and the environment. Moreover, being a cooperative enterprise aligned with the Swiss market, Raiffeisen respects the legal system in Switzerland, human rights, fundamental environmental standards and the principles of the market economy as a matter of course. Raiffeisen is particularly committed to the following specific standards and transparency guidelines relating to sustainability: the Access for All foundation's AA+ quality label for e-banking, the Global Reporting Initiative's standards for sustainability reporting and European SRI Transparency Code for sustainable funds. Raiffeisen Switzerland is a member of Swiss Sustainable Finance, the Swiss sustainable business association öbu, the Swiss Climate Foundation, the Swiss Green Building Association and the Sustainable Finance Working Group of the Swiss Bankers Association. Raiffeisen Switzerland joined the Swiss Better Gold Association in 2019. In the same year, the Board of Directors of Raiffeisen Switzerland also affirmed the strategic goal of improving sustainability performance.

Organisation
At the Group level, Raiffeisen Switzerland is responsible for the Group's strategic alignment with respect to sustainability, the inclusion of sustainability factors in risk management, the development and improvement of the Group's range of sustainable financial products, presenting the Group's position on sustainability topics to outside stakeholders, and advising and assisting the Raiffeisen banks with sustainability issues. Sustainability is addressed by the Board of Directors and all the committees of the Board of Directors of Raiffeisen Switzerland. The Executive Board of Raiffeisen Switzerland puts sustainability requirements into practice as part of its management activities, with various departments involved in their implementation. Corporate Responsibility & Sustainability is under the oversight of the Chairman of the Executive Board. The unit is concerned with strategic matters and sustainability management in particular. It reportes at least twice a year to the

Executive Board since 2018. Reports are also made to the Board of Directors on a twice-yearly basis. The 229 Raiffeisen banks autonomously adopt sustainable policies and practices recommended by Raiffeisen Switzerland.

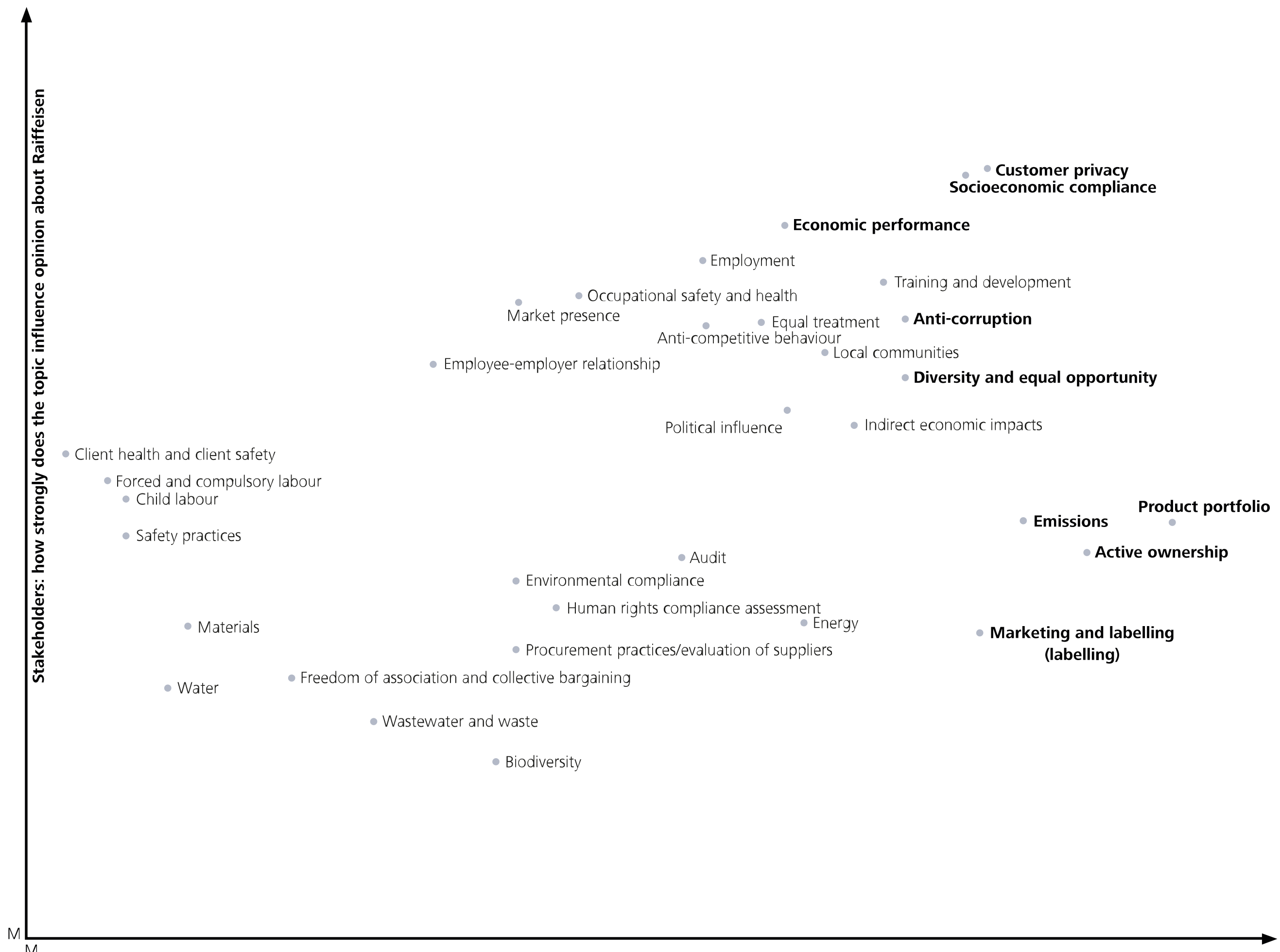
Focus of sustainability reporting

Internal and external stakeholders and outside experts were surveyed in 2018 in order to identify the material sustainability topics that would be covered in this management report on sustainability in detail. The choice of stakeholders and experts was validated with an external consulting firm. An analysis of the stakeholders' and experts' responses revealed that the following topics are particularly important to Raiffeisen from a sustainability perspective:

- Economic performance
- Product portfolio
- Active ownership
- Socioeconomic compliance (i.e. complying with financial regulations and regulations in the social and economic area)
- Anti-corruption
- Customer privacy
- Marketing and labelling
- CO_2 emissions
- Training and education
- Diversity and equal opportunity

The significance of these topics was discussed with stakeholders and the Global Reporting Initiative (GRI) in the current year and remains undisputed.

Materiality matrix



The matrix illustrates the results of the stakeholder and expert survey. The stakeholder survey axis shows how much a topic affected stakeholders' view of Raiffeisen. The sustainable development impact axis quantifies how much the surveyed experts believe Raiffeisen can or could drive sustainable development with regard to a particular topic.

Based on the Global Reporting Initiative’s (GRI) standards, the following sections describe why these topics are material to Raiffeisen, how Raiffeisen handles them and what it focused on in the current year. The "Employees" section of the management report contains the disclosures on diversity, equal opportunity, training, education and staff and leadership development. The GRI Content Index, supplemented with additional information, is available at https://www.raiffeisen.ch/rch/de/ueber-uns/markets/investor-relations/financial-information.html on the Raiffeisen Switzerland website.

Economic performance

Value generation and distribution
The Raiffeisen Group, as Switzerland's third-largest banking group, employs over 10,000 people, pays salaries, pension fund contributions and taxes, and supports charitable organisations and initiatives. In addition, through its financial products, financial services and purchasing, the Group helps to generate value locally, regionally and nationally in a way that benefits cooperative members, clients and society. The issues connected to this aspect of Raiffeisen's economic performance are managed by various units within the Raiffeisen Group. Generally speaking, the Raiffeisen Group does not pursue profit and growth at any price but rather seeks sustainable, long-term success. Raiffeisen employees receive fair, competitive wages. The pension fund aims to maintain a funding ratio of at least 100% and has adopted actuarial assumptions that will ensure and secure, reasonable pensions for present and future generations. Raiffeisen cooperative members receive particularly favourable terms for certain banking transactions as well as other exclusive benefits. The Raiffeisen Group – that is, the Raiffeisen banks as well as Raiffeisen Switzerland and its subsidiaries – pays local, cantonal and federal taxes throughout Switzerland. The Raiffeisen Group does not receive any public funding.

The focus on long-term, sustainable success and the fact that economic performance is provided in a decentralised manner by the Raiffeisen banks and Raiffeisen Switzerland are directly related to the Raiffeisen Group's business model, which is based on the autonomy of the Raiffeisen banks. As the statement of net added value (see next page) shows, the Raiffeisen Group's economic performance in the current year should be viewed positively.

Sponsorship details/Sponsorships
When it comes to sponsorships and donations, Raiffeisen Switzerland and the Raiffeisen banks set their own priorities based on local, regional and national needs and conditions. The bulk of these initiatives relate to culture and sports, including supporting around 20,000 young athletes in the world of skiing. Raiffeisen's decentralised approach to sponsorships, donations and community involvement reflects its local roots and strengthens the Raiffeisen brand throughout Switzerland. This approach is also perfectly expressed in the museum pass, which Raiffeisen uses to support around 500 museums throughout Switzerland.

The Raiffeisen Group's sponsorship programme amounts to around CHF 30 million. Economic, social and cultural contributions and donations make up around CHF 6.5 million. Through lokalhelden.ch, Raiffeisen provides a free project and donations platform for local projects that has crowdfunded over CHF 13 million in donations for more than 700 projects since 2017.

For three years, Raiffeisen has been handing out regional entrepreneurship awards that have attracted applications from more than 160 SMEs. A total of 25 finalists have been selected, and the jury has picked one winner for each prize awarded. This accolade recognises companies who have developed a particularly prudent and responsible business model. The prize-winners have resoundingly demonstrated that their business model successfully incorporates social, economic and environmental considerations.

Raiffeisen also wants to enable its employees to get directly involved in cultural, athletic and social causes. That is why Raiffeisen explicitly gives its staff time to engage in public service.

Key figures from the statement of net added value

	Current year in CHF million	Previous year in CHF million	Current year in %	Previous year in %
Creation of added value				
Corporate performance (= operating result)	**3,052**	**3,078**	**100.0**	**100.0**
General and administrative expenses	-538	-606	17.6	19.7
Extraordinary income	10	82	0.3	2.7
Extraordinary expenses	-3	-9	-0.1	-0.3
Gross added value	**2,521**	**2,545**	**82.6**	**82.7**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-227	-259	7.4	8.4
Changes to provisions and other value adjustments and losses	-24	-124	0.8	4.0
Net added value	**2,270**	**2,162**	**74.4**	**70.2**
Distribution of added value				
Personnel (salaries and employee benefits)	1,332	1,391	58.7	64.3
Cooperative members (paym. of interest on certif.: proposal to AGM)	63	60	2.8	2.8
Government	113	156	5.0	7.2
of which income tax paid	153	170	6.7	7.9
of which formation/release of provisions for deferred taxes	-40	-14	-1.8	-0.6
Bolstering of reserves (self-financing)	762	555	33.6	25.7
Total	**2,270**	**2,162**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF [1]	272	273		
Net added value per personnel unit in 1000 CHF [1]	245	232		
Number of personnel units (average)	9,255	9,313		

1 Calculated based on the average number of employees. Data basis: key figures in the financial report. For the calculation method, also refer to footnote 1 of the table with the key figures of the Raiffeisen Group in the "Employees" section of the management report.

Sustainable products and services

Product portfolio
Environmental and social factors, such as climate change, affect risks and simultaneously represent business opportunities. The Raiffeisen Group plans to give these factors due consideration when developing financial products and respond to growing client interest in sustainable products.

As a major mortgage lender, Raiffeisen educates clients about opportunities to improve properties' energy efficiency and reduce their CO_2 emissions. Raiffeisen clients, who obtain energy efficiency evaluations during home ownership consultations, can learn about their property's energy efficiency, identify potential investment needs and simulate renovation scenarios. In 2019, clients once again had access to low-cost thermal imaging and analyses provided by Raiffeisen banks and branches for the purpose of identifying energy conservation opportunities. When clients decide to obtain a cantonal building energy certificate (GEAK® Plus), Raiffeisen assists them with a financial contribution of CHF 200. SMEs that are Raiffeisen members receive a free initial analysis from an advisor at the Energy Agency of the Swiss Private Sector (EnAW).

All investment clients are asked about their sustainability stance and advised on request when they open a custody account and when their situation is periodically reviewed. Raiffeisen works closely with independent specialised partner companies in developing and managing sustainable investment products and carrying out sustainable asset management mandates (under the Futura brand in both cases). Inrate, a rating agency, is responsible for rating securities and real estate based on defined sustainability criteria. Vontobel Asset Management manages the Raiffeisen Futura investment funds. VERIT Investment Management is responsible for the Raiffeisen Futura Immo fund. Raiffeisen Switzerland manages the Futura asset management mandates.

In the case of Futura funds and Futura asset management mandates, the investment universe is determined on the basis of a strict selection procedure with a "best in service" approach according to ecological, social and ethical criteria identified by Inrate, which specialises in sustainability ratings. With the Futura Immo fund, Inrate assesses properties based on defined sustainability criteria, including location quality, housing quality and resource efficiency.

Two investment strategies were added to the range of Futura pension products in the current year. First, Raiffeisen Pension Invest Futura Equity was launched at the start of March. This fund allocates up to 100% of its portfolio to international equities. Second, the Raiffeisen Index Fund – Pension Growth was integrated in the sustainable Pension Invest Futura funds and renamed Raiffeisen Pension Invest Futura Growth as of 1 April 2019. The fund's strategic equity allocation is between 50% and 80%. Overall, Raiffeisen now provides its clients with a pension range consisting of four investment strategies that all pursue the Futura sustainability approach and take ecological, social and ethical criteria into account accordingly.

Raiffeisen Switzerland also floated the first sustainable bond in the Swiss capital market in April 2019: the Raiffeisen Sustainability Bond. Investors could use it to invest in energy-efficient, low-emissions and social housing.

The steady inflow of customer deposits in sustainable investment products validates Raiffeisen's strategy of offering clients an extensive array of sustainable investment solutions and products.

Environmental, social and governance factors

At the end of 2018, the Board of Directors of Raiffeisen Switzerland explicitly stated in the Raiffeisen Group's risk policy that due consideration must be given to social and environmental factors in risk management. The Raiffeisen Group's risk policy also states that risk management serves to protect the Group's reputation and prevent violations of laws, regulations and professional rules of conduct. Business relationships should only be maintained with clients whose integrity, reputation, trustworthiness and associates are beyond reproach.

Raiffeisen serves more than 200,000 corporate clients from every business sector. The greatest number of corporate clients operate in the property and housing sectors (16%), agriculture (12%) and construction (10%). Moreover, the customer structure reveals that Raiffeisen has largely focused its business model on the Swiss market and concentrates on retail and corporate clients (see "Client structure" table).

Switzerland regulates environmental, social and governance issues fairly efficiently and effectively compared to the rest of the world. That also means Raiffeisen is less exposed to risks from inadequate environmental, social and governance practices than multinational corporations. These factors are still relevant to Raiffeisen, though. That is why Raiffeisen intends to further systematise and, if appropriate, selectively improve how it manages these factors. Raiffeisen Switzerland worked to develop a more comprehensive framework of rules for this process in the current year. The basic tenets of the framework were approved by the Executive Board of Raiffeisen Switzerland at the end of the current year and are expected to be put into effect in 2020.

Customer structure (by domicile, segment, sector) as of 31/12/2019

Number of clients in total	**3.516 mn (100.0%)**
Private and investment clients in total	**3.311 mn (94.2%)**
Of which domiciled in	
Switzerland	97.5%
Countries bordering Switzerland	2.0%
Rest	0.5%
Of which segment	
Private clients	90.2%
Investment clients	9.8%
Corporate clients in total	**0.205 mn (5.8%)**
Of which domiciled in	
Switzerland	99.5%
Countries bordering Switzerland	0.4%
Rest	0.1%
Of which segment	
Self-employed individuals	31.4%
Small enterprises	53.4%
Medium-sized and medium-large enterprises	1.3%
Real estate companies	9.5%
Public-sector entities	4.4%

Responding to climate change

As a major mortgage lender for Switzerland, Raiffeisen faces the question of how climate change will affect building stock in Switzerland and its financing. In Switzerland, natural hazards are identified on the federal government's hazard map and the surface runoff risk map. These physical risks affect property financing much less than insurance. At the same time, energy renovation, modernisation and replacement construction will likely continue to pick up in response to stricter regulation, government incentives and growing public awareness of the consequences of climate change. The Raiffeisen Group has long aimed to raise client awareness of these issues and draws clients' attention to financing solutions.

Outside of mortgage financing, clarification is required as to how much climate change is affecting companies that bank with Raiffeisen. The corresponding risks and opportunities for companies – including regulatory – tend to be more medium- to long-term in nature and can have an impact on creditworthiness and solvency. Raiffeisen is keeping track of these developments.

Active ownership

By reviewing assets for their social and environmental impact, engaging with companies on sustainability topics and systematically exercising voting rights in furtherance of a specific agenda, investors can steer companies' strategies and business activities in a sustainable direction.

When exercising their voting rights for Swiss shares, the Raiffeisen Pension Invest Futura and Raiffeisen Futura Swiss Stock funds generally follow the voting rights recommendations made by Ethos Services SA, as does the Raiffeisen Pension Fund. Ethos publishes its guidelines and specific recommendations for each company on its website. They cover all important corporate governance topics. The Raiffeisen Pension Fund is also a member of the Ethos Engagement Pool Switzerland and is considering joining the international engagement pool.

Raiffeisen believes that its relationships with independent external partners for reviewing assets and exercising voting rights are beneficial.

Key figures for sustainable products and services

Products with specific social and ecological benefits (GRI FS 7 & FS 8 & FS 11)	31.12.2019	31.12.2018	31.12.2017
Investment products			
Sustainable funds (Futura funds)			
Volume (in million CHF)	7,753.5	6,565.6	5,862.7
Share of volume of all Raiffeisen funds (in %)	67.7	62.8	59.3
Share of custody account volume (in %)	20.5	16.5	14.4
Development funds [1]			
Volume (in million CHF)	252.3	272.2	305.6
Share of custody account volume (in %)	0.7	0.9	0.9
Structured products with a sustainability focus			
Volume (in million CHF)	12.3	9.9	0
Raiffeisen Asset management			
Volume (in million CHF)	253.2	38	0
Shares of all asset management mandates (in %)	19.2	13.5	0
Raiffeisen Pension Fund assets (in million CHF) [2]			
Value of the pension fund assets verified according to ecological, social and governance factors	2,985.9	2,587.7	2,691
Share of verified Raiffeisen Pension Fund assets as a proportion of the total pension fund assets (in %)	80.6	80.3	84.1
Leasing business			
Subsidised leasing in the case of replacement investments for Euro 6 emission standard-compliant lorries			
Volume (in million CHF)	10.7	14.9	3.1
% of total lorry leases (volume)	8.6	23	9
Raiffeisen Bonds			
Raiffeisen Sustainability Bond (in million CHF) [3]	100	-	-

1 responsAbility Investments AG investment funds are listed here because Raiffeisen Switzerland is a founding member and shareholder of responsAbility. These numbers refer to the securities held in Raiffeisen clients' custody accounts. They reflect Raiffeisen's performance and responsibility in the sale of responsAbility funds

2 Swiss real estate directly held by the Raiffeisen Pension Fund meets environmental/sustainability criteria, as required by the investment policy. These investments, which are worth roughly CHF 0.7 billion (20%), are therefore included here as of 31 December 2019.

3 Outstanding as of 31/12/2019.

Awareness-raising tools and initiatives

	2019	2018	2017
Energy-efficient renovation and climate compatibility			
GEAK® Plus certificates subsidised in the current year	146	-	-
Thermal imaging performed in campaigns concluded during the current year	11,300	8,500	-
e-Valo energy efficiency consultations for real estate	1,795	1,259	934

Responsible business activity

Socioeconomic compliance (following financial, economic and social regulations)
The banking industry is heavily regulated. The Raiffeisen Group bases its regulatory compliance activities on financial sector standards and guidelines. As a rule, all Raiffeisen Group employees are personally responsible for driving compliance and avoiding compliance risks in their line of work within the framework of applicable policies and processes. They communicate any deficiencies to Legal & Compliance, which is in charge of the compliance system for the Raiffeisen Group, or to the compliance officer responsible for their Raiffeisen bank or specialist area. Risks are identified, assessed and documented, and necessary control mechanisms are defined. Legal & Compliance monitors the development of legal risks across the Group and reports any major legal risks to the Executive Board and Risk Committee twice-a-year and to the Board of Directors of Raiffeisen Switzerland once-a-year. The section «Risk categories» contains more information on how Raiffeisen handles legal and compliance risks.

Anti-corruption
Corruption undermines the rule of law, promotes inefficiency and distorts competition. The Raiffeisen Group seeks to stop corruption by taking preventive measures. Anti-corruption responsibilities are defined at all hierarchical levels, enshrined in internal policies and assumed within the business areas of the individual Raiffeisen banks. Strict internal policies govern business relationships with politically exposed persons (PEPs), the combating of money laundering and terrorism financing and adherence to laws imposing economic and trade sanctions.

It is the duty and responsibility of Raiffeisen Switzerland and the Raiffeisen banks to take action to prevent money laundering. Every Raiffeisen bank has its own compliance officer and anti-money laundering officer, who receive training every year as well as technical support from Raiffeisen Switzerland. The Raiffeisen banks reach out to Raiffeisen Switzerland if they suspect or discover money laundering or terrorism financing. Raiffeisen Switzerland coordinates all further steps and instructs the Raiffeisen banks on how to respond.

Employees of Raiffeisen Switzerland, subsidiaries and the Raiffeisen Pension Fund are given internal guidelines on conflicts of interest and active and passive bribery as part of their employment regulations. The Raiffeisen banks either adopt Raiffeisen Switzerland's approach or develop an equally effective alternative approach of their own. Anti-corruption strategies and measures are also communicated to some business partners who supply goods and services to Raiffeisen.

The chairs of the executive boards of the Raiffeisen banks periodically conduct analyses of money laundering and terrorism financing risks according to Raiffeisen Switzerland guidelines and provide these to Raiffeisen Switzerland. Legal & Compliance monitors the development of these risks across the entire Group and reports material risks to the Risk Committee and Board of Directors of Raiffeisen Switzerland every quarter. Raiffeisen continues to strengthen its anti-corruption efforts, for example with additional measures regarding even clearer rules on handling conflicts of interest.

Marketing and labelling
Financial services are highly complex. This complexity explains Switzerland's tight regulation of product marketing for financial service providers. At the Raiffeisen Group, this issue is mainly handled by the Marketing and the Sales and Distribution Channel Concepts units of the Raiffeisen Bank Services department. Marketing and labelling (or product information) are kept transparent and legally compliant by adhering to all applicable regulations in Switzerland and by engaging in self-regulation (e.g. Financial Services Act, Collective Investment Schemes Act, FINMA circulars). Foreign regulations are taken into account as needed. In addition, the Raiffeisen Group's basic strategy generally requires its offerings to be straightforward, understandable and aligned with clients' needs. Each client

segment should be assigned a target product portfolio. Any products and services not included in the portfolio will only be offered to segment clients at their express request. Products should offer good value for money, while prices should be communicated transparently. Raiffeisen generally prioritises security over profitability, and profitability over growth. Client advisors are regularly trained to follow these principles. Thanks to all these efforts, Raiffeisen has managed to provide an understandable product range, fair prices and the desired level of transparency. As a result, it has developed a strong client focus, high levels of trust and long-lasting client relationships.

Raiffeisen has developed "Money Mix", a free educational programme with lessons on good money management for schools and young people. The programme contains various modules for teachers on budgeting, bank accounts, shopping, investing and retirement. The client complaint process and the number of regulatory violations may provide indications of potential problems related to marketing. In addition, Raiffeisen Switzerland investigates (through market research, etc.) the economic impacts of its marketing activities.

Protecting client data

Banks hold sensitive client data. That is why Raiffeisen has made these data, and all efforts to protect them, a top priority. Clients trust their bank to obey laws and regulations, handle data responsibly and protect their information as effectively as possible.

Since it has overall responsibility for the compliance system, Raiffeisen Switzerland is tasked with centrally protecting client data within the Raiffeisen Group and operates an information security management system (ISMS) based on the ISO 27001 standard. The purpose of the system is to ensure information integrity, availability and confidentiality at all times. Information security is reviewed constantly and enhanced as needed. Several projects are conducted each year to strengthen the Group's cyber resilience (ability to withstand cyber attacks).

Raiffeisen Switzerland also has a data protection officer who oversees the entire Group. The officer ensures compliance with the criteria set out in the Swiss Data Protection Act. Mandatory rules on data protection and data security are implemented through internal directives. Client data requirements conform to the Data Protection Act and FINMA stipulations.

The Raiffeisen Group continuously improves its measures to protect personal data and adapts them to the threat level. Nothing occurred during the current year that would have prompted fundamental changes to the Group's approach to client data protection.

Key figures for responsible business activity

Social compliance	
Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area (GRI 419-1)	0
Anti-corruption	
Total number and percentage of Raiffeisen banks and branches that have implemented mechanisms to detect corruption (GRI 205-1)	100%
Significant risks related to corruption identified through the risk assessment (GRI 205-1)	0
Total number and nature of confirmed incidents of corruption (GRI 205-3)	0
Marketing and labelling	
Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling (GRI 417-2)	0
Total number of breaches in connection with marketing (GRI 417-3)	0
Customer privacy	
Complaints from outside parties and regulatory bodies (GRI 418-1)	0
Serious incidents registered through internal data leakage prevention (DLP) (GRI 418-1)	0
Alarms registered by the internal data leakage prevention system (GRI 418-1)	1,369 [1]

1 DLP alarms are triggered in response to rules based on a scoring system. An alarm does not automatically mean that a regulation has been violated. This is a good average (three alarms per day) for an operation with around 11,000 employees.

Responsible management

CO_2 emissions

Unchecked greenhouse gas emissions will lead to climate change with serious, irrevocable consequences for humanity and the environment. The Raiffeisen Group directly generates CO_2 emissions through business travel, cargo shipments and building energy for operating nearly 900 bank branches. The Raiffeisen Group's strategic goal is to reduce its CO_2 emissions (Scope 1 to Scope 3 together; see the footnote to the indicators for definitions of Scope 1 to 3) by 30% compared to 2012 levels by 2020. To achieve this target, it intends to implement standards that regulate energy, transport, resources and procurement. Employees will be trained and relevant banking processes checked for energy and resource efficiency on an ongoing basis.

The entire Group's environmental performance indicators are monitored by Environmental Management, a specialist unit in Raiffeisen Switzerland's IT & Services department. The unit also manages the Pro Futura incentives programme that encourages Raiffeisen banks to take steps to cut their CO_2 emissions. Pro Futura aims to promote emission reductions along the entire banking value chain, collects related best practices throughout the Raiffeisen Group and shares edited versions of the practices with all the Raiffeisen banks. It focuses on building energy consumption (electricity and heating) and business travel (cars, public transit and air travel). In addition, Raiffeisen's internal climate fund subsidises efforts to improve energy efficiency and reduce CO_2 emissions.

These initiatives resulted in energy retrofits for a large number of buildings. Large sites were connected to district heating systems; one head office building received an SNBS certification for sustainable construction. The Raiffeisen Group also had two of its sites classified as "major consumers" under Swiss energy law and so signed agreements with the federal and cantonal governments to reach specific targets at both of these sites and a dozen others. Raiffeisen intends to only use renewable heating energy in its buildings and to avoid or replace electricity generated using nuclear sources or fossil fuels. It makes sure all the vehicles in its fleet meet the legal requirements (no more than 130 g CO_2/km for passenger vehicles). When it constructs or modifies buildings, it encourages eco-friendly commuting by providing good access to public transport or building changing rooms and showers for employees who cycle to work.

CO_2 emissions were reduced 5% year-on-year during the current year. This suggests that Raiffeisen can reach its ambitious CO_2 reduction target for 2020, which it set back in 2012. It continues to improve its data basis and data quality in environmental management.

In addition to its own emissions, Raiffeisen Switzerland in early 2019 had an external partner (TEP Energy) estimate the CO_2 emissions of the buildings that Raiffeisen had (co-)financed via mortgage loans. The calculations show that the buildings (not including industrial or agricultural structures) generate around 2.1 million metric tons of CO_2 a year, and that the CO_2 is around 4% to 10% lower than the average for all of Switzerland. This is primarily because the buildings are newer and use fossil fuels less frequently due to their locations.

Raiffeisen also checked the corporate client credit portfolio internally in the current year regarding climate compatibility on the basis of the internal assignment of the individual loans according to the general methodology for economic sectors of the Federal Statistical Office (NOGA classification). It found that, according to NOGA classification, roughly 1.2% of all corporate loans go to companies in highly CO_2 intensive industries, namely electricity generation, road freight, airborne transport, waterborne transport, production of cement, lime and plaster as well as metal production and metalworking. Excluding power generation, which in Switzerland is not very CO_2 intensive, relatively speaking, this leaves only 0.6%, or less than 1%, of the total corporate loan portfolio. Based on this assessment, no loans were identified that were extended to companies that produce coal, petroleum or natural gas or operate coal-fired power plants.

Procurement
Wherever possible, Raiffeisen's supply chain is concentrated in Switzerland, both in terms of third-party financial products and in terms of procurement for its banking operations.

Raiffeisen sells third-party financial products alongside its own solutions. They include investment funds, structured products, direct investments, consumer loans, credit cards and insurance that serves investment purposes. Raiffeisen also works with external partners when developing its products. For example, all Raiffeisen investment funds are managed by Vontobel Asset Management. Outside partners are also used when physically trading and transporting precious metals such as gold and silver.

The most important procurement items used to operate the branch network are real estate, IT hardware and software, services, furnishings and vehicles. Raiffeisen ensures sustainability in its supply chain and outsourcing to partner organisations by following and constantly updating specific principles and criteria. As a result, suppliers and partner organisations have to meet social and environmental criteria as well as economic ones.

Performance indicators for responsible management

Category	Unit	Raiffeisen Switzerland and Group companies	Raiffeisen banks (including banks)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change to previous year in %	Raiffeisen[1] Group (total) per FTE
Building energy (total)	**kWh**	**15,378,000**	**24,971,000**	**27,701,000**	**68,051,000**	**-3**	**7,146**
Electricity	kWh	12,158,000	17,324,000	14,680,000	44,162,000	-2	4,637
Heating energy	kWh	3,221,000	7,647,000	13,021,000	23,889,000	-5	2,508
Business travel (total)	**km**	**12,694,000**	**2,552,000**	**1,389,000**	**16,635,000**	**-15**	**1,747**
of which public transport (rail, bus, tram)	km	3,523,000	1,468,000	962,000	5,952,000	-18	625
of which road transport by private cars (personal vehicles)	km	1,429,000	1,085,000	427,000	2,941,000	-23	309
of which road transport by company cars (company vehicles)	km	3,651,000	-	-	3,651,000	-12	383
of which road transport for courier deliveries	km	3,375,000	-	-	3,375,000	-5	354
of which passenger transport by air	km	60,000	-	-	60,000	-39	6
of which air freight	tkm	655,000	-	-	655,000	-6	69
paper consumption	tons				880	-19	0.09
water consumption	m^3	12,000	55,000	80,000	147,000	-9	15
Greenhouse gas emissions from energy, travel, paper and water[2]	**tonnes CO_2 eq**	**5,462**	**2,724**	**4,772**	**12,958**	**-5**	**1.36**
of which Scope 1	tonnes CO_2 eq	1,549	1,762	3,820	7,132	-9	0.75
of which Scope 2	tonnes CO_2 eq	167	177	0	344	-0	0.04
of which Scope 3	tonnes CO_2 eq	3,745	785	953	5,482	-0	0.58

1 Calculation based on the key figures of the Raiffeisen Group in the "Employees" section of the management report, excluding Group companies. For the calculation method, also refer to footnote 1 of the table with the key figures of the Raiffeisen Group in the "Employees" section of the management report.

2 The important emissions sources are recorded. The three system limits are:

Scope 1: direct greenhouse gas emissions from stationary sources in the company itself, such as heating or own vehicles;

Scope 2: indirect greenhouse gas emissions from energy generation outside the company, such as electricity and district heating;

Scope 3: other indirect greenhouse gas emissions outside the company from upstream and downstream processes, such as business travel by rail or upstream processes involved in supplying energy.

Each key figure recorded is annualised based on the last eight quarters and assigned to the recorded organisational units, based on the full-time equivalents. The next step is the extrapolation of the annualised key figures, aggregated by Raiffeisen Bank. They are generated based on the worst qualities such as "heating oil" for heat production. Currently the following shares of consumption values are recorded and extrapolated (recorded in brackets):

- Electricity: 65% (35%)
- Heating: 43% (57%)
- Employee driving: 86% (14%)
- Rail and public transport: 84% (16%)
- Water: 44% (56%)

The remaining categories are completely recorded and not extrapolated.

Review of the environmental data in the current year revealed that the values stated here are above the actual quantities. Greenhouse gas emissions are calculated based on the emission factors for the 2015 VfU indicators. The Raiffeisen Business Owner Centres (RUZ), Immo AG, Valyo Ltd and the former Group business Notenstein La Roche Private Bank Ltd were not considered.

Rounding differences are negligible.

Corporate governance

Corporate governance

Principles

Corporate governance principles

The Raiffeisen Group's most important corporate governance rules are established in the Articles of Association, the organisational regulations, the Terms and Conditions of Business, and a series of other instructions and directives. All the statutes and documents relevant to the business (such as the Articles of Association, regulations, instructions, product catalogues, forms and descriptions of processes) are contained in an electronic system of rules. The binding nature of the regulations and the regulatory documentation obligations are clearly defined. New issues, processes, products and amendments to existing ones can be handled centrally and made available directly to all staff thanks to this electronic aid.

The following report is largely based on the SIX Swiss Exchange Directive Corporate Governance (DCG). While the DCG is not generally binding on Raiffeisen, it is helpful for unlisted companies like a cooperative to apply this directive, too. Content that does not apply to the Raiffeisen Group is only mentioned in exceptional cases.

On 16 November 2019, the delegates of Raiffeisen Switzerland decided to transfer the powers of the Delegate Meeting to a General Assembly of all Raiffeisen banks (see chapter "Extraordinary Delegate Meeting"). However, the following report deals exclusively with the Delegate Meeting due to the time period being examined.

The report deals in particular with the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date of 31 December 2019. Information on the reform efforts of the Raiffeisen Group "Reform 21" can be found in the section "Strategy management report".

Corporate governance

Raiffeisen Group structure

Raiffeisen Group Structure

Cooperative members
(individuals, limited partnerships and collective associations entered in the Commercial Register and legal entities)

↓ General or Delegate Meeting

229 Raiffeisen banks (cooperatives)
Governance bodies: General Meeting, Board of Directors,
Executive Board, auditor for the purposes of the Swiss Code of Obligations

21 regional unions (associations)

↓ Delegate Meeting

Raiffeisen Switzerland (cooperative)
Governance bodies: Delegate Meeting, Board of Directors,
Executive Board, auditor for the purposes of the Swiss Code of Obligations

Raiffeisen banks

The 229 Raiffeisen banks with a total of 847 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own boards of directors and have an independent auditor. The banks' strategic management is adapted to regional conditions. The Raiffeisen banks are owned by the cooperative members, which may be natural persons or legal entities. They elect the members of the Board of Directors of their bank at local General Meetings. If the bank has more than 500 members, the General Meeting may decide by a three-quarters majority of the votes cast to transfer its powers to a Delegate Meeting or to move to paper voting (secret ballot).

Resolutions and elections require an absolute majority of the votes, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote will be held. If this too is tied, the motion will be rejected. The General Assembly is called at least five days before the assembly day by the Board of Directors. The invitation including the agenda items must be issued personally and in writing. At the same time, the annual report has to be laid out in client rooms.

The number of Raiffeisen banks fell from 246 to 229 in the current year as a result of various mergers. The individual Raiffeisen banks optimally align their activities with changes in their regional markets. Raiffeisen's presence in urban centres was expanded further.

Raiffeisen by canton as at 31 December 2019[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans[2] in CHF million	Client monies[3] in CHF million	Total assets in CHF million	Custody account volumes in CHF million
Aargau	25	77	200,431	19,030	18,146	22,765	3,511
Appenzell Ausserrhoden	2	6	17,844	1,558	1,414	1,814	295
Appenzell Innerrhoden	1	4	8,916	678	709	804	152
Basel-Land	8	20	59,306	6,087	5,439	7,132	1,272
Basel-Stadt	1	2	0	1,082	1,005	1,327	372
Berne	18	84	178,387	14,224	13,199	16,670	1,673
Fribourg	10	48	107,967	11,073	8,524	12,465	995
Geneva	5	19	45,995	4,629	5,166	5,994	1,023
Glarus	1	2	7,449	574	546	692	147
Grisons	8	37	60,530	5,501	5,303	6,601	832
Jura	5	26	28,611	3,243	2,351	3,643	259
Lucerne	16	44	132,986	10,323	9,804	12,254	1,550
Neuchâtel	2	15	28,579	2,208	1,815	2,563	295
Nidwalden	1	9	21,458	1,704	1,783	2,102	412
Obwalden	1	6	13,566	947	1,007	1,196	280
Schaffhausen	1	3	8,972	943	851	1,132	149
Schwyz	5	15	44,063	3,669	3,752	4,471	986
Solothurn	14	49	112,535	10,161	9,764	12,011	1,381
St.Gallen	30	76	201,990	22,783	19,559	26,701	4,630
Ticino	17	62	116,222	13,480	11,328	16,104	2,325
Thurgau	14	38	105,597	12,231	9,776	14,105	1,922
Uri	2	5	16,405	1,327	1,244	1,547	204
Vaud	15	56	113,350	10,535	8,648	12,171	2,104
Valais	16	90	147,777	14,638	13,784	17,192	1,912
Zug	6	14	42,062	4,429	4,505	5,562	1,324
Zurich	11	40	88,235	13,439	12,277	16,249	3,485
Total 2019	**235**	**847**	**1,909,233**	**190,496**	**171,699**	**225,267**	**33,490**
Total 2018	**252**	**880**	**1,897,369**	**185,106**	**163,322**	**215,015**	**29,919**
Increase/decrease	**-17**	**-33**	**11,864**	**5,390**	**8,377**	**10,252**	**3,571**
Increase/decrease in %	**-6.7**	**-3.8**	**0.6**	**2.9**	**5.1**	**4.8**	**11.9**

1 Raiffeisen banks and branches of Raiffeisen Switzerland

2 Receivables from clients and mortgage receivables (net values after deducting value adjustments)

3 Amounts due in respect of customer deposits and cash bonds

Raiffeisen Switzerland

The Raiffeisen banks own 100% of Raiffeisen Switzerland. Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the model articles of association of Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join.

Raiffeisen Switzerland bears responsibility for the Raiffeisen Group's business policy and strategy, and acts as a centre of competence for the entire Group. Its responsibilities include risk controlling, central bank functions (monetary settlement, liquidity maintenance and refinancing), interbank business and securities trading. Raiffeisen Switzerland also informs, advises and supports the Raiffeisen banks in management, marketing, business, information technology, training, human resources and legal services. In addition, it represents Raiffeisen's national and international interests. The six branches (St.Gallen, Berne, Basel, Winterthur, Zurich and Thalwil) have a total of 16 locations. They are managed directly by Raiffeisen Switzerland and are involved in client business.

Regional unions

The Raiffeisen banks are grouped into 21 regional unions organised as associations. The unions act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include coordinating regional advertising activities, holding training events for the Raiffeisen banks, safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities, and organising delegate elections for the Raiffeisen Switzerland Delegate Meeting.

Regional unions

Regional unions	Chair	Number of member banks
14 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Lehner, Kölliken	23
Berner Verband der Raiffeisenbanken	Rolf Mani, Därstetten	16
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	7
Deutschfreiburger Verband der Raiffeisenbanken	Aldo Greca, Giffers	5
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler-Stalder, Ebikon	18
Oberwalliser Verband der Raiffeisenbanken	Karlheinz Fux, St.Niklaus	6
Raiffeisenverband Nordwestschweiz	Fredi Zwahlen, Rickenbach	11
Raiffeisenverband Zürich und Schaffhausen	René Holenstein, Dietikon	8
Schwyzer Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	5
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	13
St. Galler Verband der Raiffeisenbanken	Marcel Helfenberger, Lömmenschwil	33
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	15
Urner Verband der Raiffeisenbanken	Rolf Infanger, Erstfeld	2
Zuger Verband der Raiffeisenbanken	Dr. Michael Iten, Oberägeri	6
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	5
Fédération genevoise des Banques Raiffeisen	Thomas Foehn, Meyrin / Hervé Broch, Ursy	5
Fédération jurassienne des Banques Raiffeisen	Nicolas De Cet, Bienne	6
Fédération neuchâteloise des Banques Raiffeisen	Laurent Risse, Neuchâtel	2
Fédération des Banques Raiffeisen du Valais romand	Emmanuel Troillet, Martigny	10
Fédération vaudoise des Banques Raiffeisen	Philippe Widmer, Yverdon-les-Bains	15
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mauro Cavadini, Riva San Vitale	18

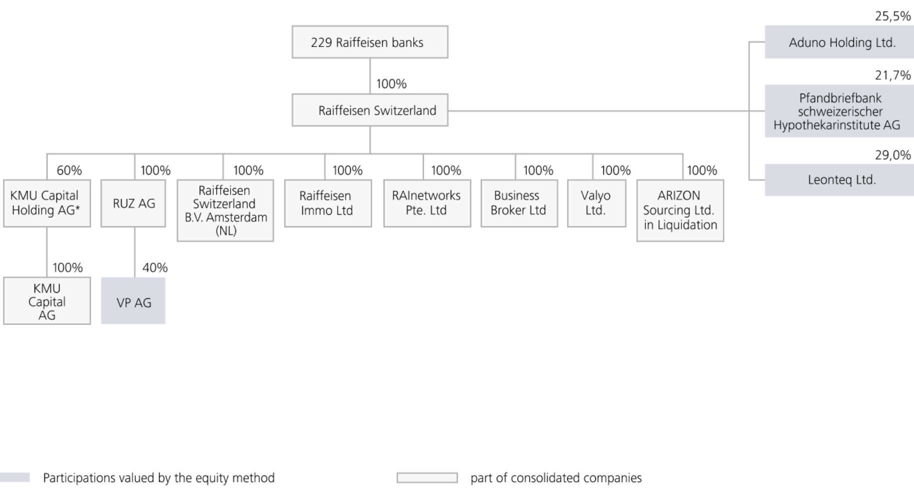
Group companies

Group companies are defined as all majority interests with more than 50% of the voting capital held by Raiffeisen Switzerland or its subsidiaries. The key fully-consolidated Group companies and the shareholdings valued according to the equity method are listed in note 7 (companies in which the bank holds a permanent direct or indirect significant participation). Raiffeisen Group companies have no cross-shareholdings. The following diagram shows the consolidated companies.

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	Banking business	Cooperative members
	Mainly retail business	
	Traditional savings and mortgage business	
	Corporate clients business	
	Payment services	
	Asset management and investment activity	
	Securities trading	
	Consumer goods leasing	
Raiffeisen Switzerland	Business policy/strategy and centre of competence for the Raiffeisen Group	Raiffeisen banks
	Risk controlling	
	Ensuring central bank functions (monetary settlement, liquidity and refinancing)	
	Banking business (mainly interbank business and securities trading)	
	Running of branches	
	Informs, advises and supports the Raiffeisen banks especially in the areas of management, marketing, business, asset management and investment activity, information technology, training, human resources and legal services	
KMU Capital Holding AG	Holding company	Raiffeisen Switzerland (60%) *
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
ARIZON Sourcing Ltd in Liquidation	Advisory and operational services for banks	Raiffeisen Switzerland
Raiffeisen Switzerland B.V. Amsterdam	Financial services	Raiffeisen Switzerland
Raiffeisen Immo Ltd	Brokering and advisory services for the sale and purchase of real estate	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchasing of software licences	Raiffeisen Switzerland
Business Brokers Ltd	Management consulting	Raiffeisen Switzerland
Valyo Ltd	Development and operation of platforms	Raiffeisen Switzerland

Consolidated companies



* Raiffeisen Switzerland lays claim to 100% of the shares in KMU Capital Holding AG (see footnote 4 in note 7 of the consolidated annual financial statements)

Corporate governance

Capital structure and liability

Capital structure and liability

Capital structure

Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the Raiffeisen banks' reserves in order to strengthen the capital base. The Raiffeisen Group's cooperative capital is CHF 2,351.0 million. A precise breakdown and accounting of changes in the current year are provided in note 16.

Changes in equity capital

Resigning cooperative members have the right to redeem their share certificates at their intrinsic value up to a maximum of their par value. The Board of Directors may refuse to redeem share certificates at any time without giving reasons. Share certificates bear interest at a maximum rate of 6%.

Changes in equity capital of the Raiffeisen Group

in CHF million	2019	2018	2017	2016
Cooperative capital	2,351	2,172	1,957	1,595
Retained earnings	14,092	13,611	12,746	12,036
Reserves for general banking risks	200	200	80	-
Group profit	835	541	917	754
Total	**17,478**	**16,524**	**15,700**	**14,385**

Capital structure and liability

The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on a principle of mutual liability, anchored in its Articles of Association. Working together in a cooperative union is also a strong expression of solidarity, as the fates of the Raiffeisen banks are closely linked as a risk-sharing group. Through the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford.

Liability of Raiffeisen Switzerland towards the Raiffeisen banks
In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. A total of CHF 1.9 billion in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate worth CHF 1,000 for every CHF 100,000 of total assets that they hold. This corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 2.12 billion, of which CHF 894 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 1.23 billion payment obligation from the Raiffeisen banks at any time.

Solidarity fund

The solidarity fund – in line with the cooperative notion of solidarity that Raiffeisen espouses – is an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets are CHF 337 million.

Duty of the Raiffeisen banks to pay in further capital towards Raiffeisen Switzerland

Raiffeisen banks are bound by the duty to pay in further capital under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves. The duty of the Raiffeisen banks to pay in further capital towards Raiffeisen Switzerland amounts to CHF 17.3 billion.

Directive authority of Raiffeisen Switzerland vis-à-vis Raiffeisen banks

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. The Raiffeisen banks are exempt from compliance with these provisions at the individual bank level. The conditions for this exemption are that the Raiffeisen banks must join together with Raiffeisen Switzerland, which guarantees all the Raiffeisen banks' obligations, and must grant Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, specifically with regard to capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organisational, operational and HR-related steps.

Major cooperative members

Cooperative members must hold at least one share certificate. If so resolved by the Board of Directors of the respective Raiffeisen bank, cooperative members can also subscribe for more than one share certificate, but only up to 10% of the cooperative capital or CHF 20,000 per cooperative member. Under the Swiss Code of Obligations (OR), the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates held.[There are no major cooperative members in the Raiffeisen Group which hold more than 5% of the capital or voting rights.] Membership of a Raiffeisen bank and the associated rights and obligations are closely tied to the individual/entity in question. This means that individual shares cannot normally be sold on or transferred. A member can nominate another member, their spouse or a descendant to represent them. No proxy may represent more than one member; every proxy requires written authorisation. Representatives of limited partnerships, collective associations or legal entities also require written authorisation.

Corporate governance

Organisation of Raiffeisen Switzerland

Delegate Meeting

On 16 November 2019, the delegates of Raiffeisen Switzerland decided to transfer the powers previously conferred upon the Delegate Meeting to a General Assembly of all Raiffeisen banks. The Articles of Association were modified accordingly and became effective on 16 November 2019 (see the section entitled "Extraordinary Delegate Meeting").

Until then, the Delegate Meeting was the highest body of Raiffeisen Switzerland. Each regional union appointed two delegates. In addition, further delegate places were allocated depending on the number of Raiffeisen banks in each regional union, the number of cooperative members and the total assets of all the Raiffeisen banks in each regional union. There were 164 delegates in the Delegate Meeting in the current year. Each delegate could cast one vote at the Delegate Meeting. Delegates could only be represented by an elected substitute delegate.

The Delegate Meeting and now the General Assembly passes its resolutions and conducts its elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. To call an Ordinary Delegate Meeting – or to call a General Assembly in the future – the date, location and time of the meeting and the dates of all stages in the procedure must be announced five months before the meeting. Applications to add items to the agenda must be submitted twelve weeks before the meeting. The agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out at least four weeks before the meeting. Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting (or an Extraordinary General Assembly).

In particular, the Delegate Meeting – or the General Assembly in the future – is responsible for the following:

- Changes to the Raiffeisen Switzerland Articles of Association
- Drawing up model articles of association for Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles
- Approving the annual financial statements of Raiffeisen Switzerland, the appropriation of net earnings of Raiffeisen Switzerland, approving the consolidated financial statements of the Raiffeisen Group, approving the management report of the Raiffeisen Group, and ratifying the actions of the Board of Directors and the Executive Board
- Appointing and dismissing the members of the Board of Directors, its Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks

The ratification of the actions of the Board of Directors and the Executive Board for the financial years 2017 and 2018 was not put on the 2019 agenda due to unresolved matters relating to the past.

Extraordinary Delegate Meeting

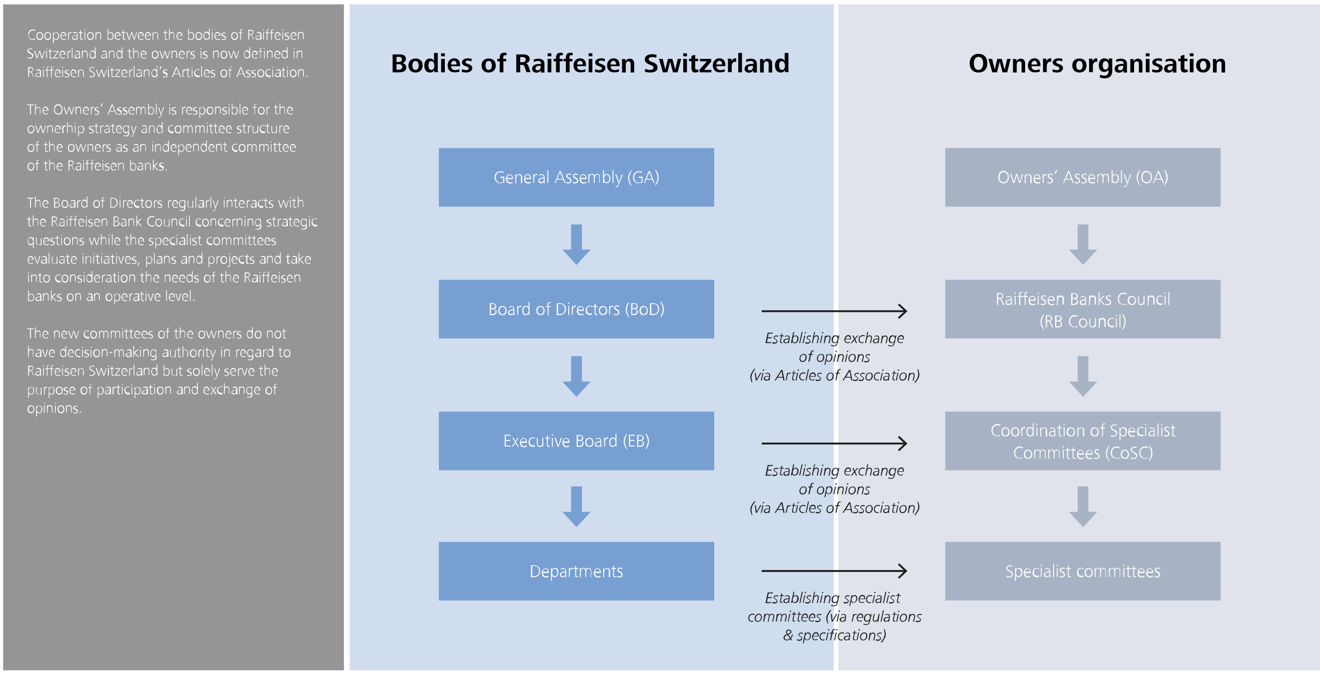
In the current year, an Ordinary Delegate Meeting was held on 15 June 2019, and an Extraordinary Delegate Meeting was held on 16 November 2019.

Raiffeisen Switzerland and the Raiffeisen banks cooperated in a participatory process to advance the reform initiated in September 2018. The Extraordinary Delegate Meeting on 16 November 2019 adopted a new Group governance structure for the Raiffeisen Group that reflects how the Group functions. The "one bank, one vote" principle and the resulting formation of a General Assembly was enshrined in the Articles of Association. During the reform process, the Raiffeisen banks developed a clear committee structure in their internal organisation so that they can have legitimised representatives voice their opinions on important decisions in the Group.

Representatives of all Raiffeisen banks met at an Owners' Meeting before the Extraordinary Delegate Meeting, where they adopted the first owner strategy in the history of Raiffeisen. The owners thus combined and transparently showed the expectations that they placed on Raiffeisen Switzerland.

Through this process, the Raiffeisen banks and Raiffeisen Switzerland jointly defined the requirements for the transparent management of the entire Raiffeisen Group and built the basis for better collaboration within the Group (see figure).

Overview of the committees and their interaction



In addition, the delegates decided that the remuneration report for the Board of Directors and the Executive Board of Raiffeisen Switzerland will be submitted to the General Assembly for a consultative vote in the coming year. Associated notes are provided in the section entitled "Remuneration report".

Raiffeisen Switzerland Board of Directors

The Board of Directors is mainly responsible for the Group's strategic development, financial management and overseeing the Executive Board of Raiffeisen Switzerland. The Board of Directors consists of ten members as at the balance sheet date. Only members of an affiliated Raiffeisen bank can become a member of the Board of Directors.

No Board of Directors' members have been employed by Raiffeisen Switzerland in the last two years. In addition, no member of the Board of Directors has a business relationship with Raiffeisen Switzerland that would pose a conflict of interest due to its nature or scope.

Anne Bobillier was elected to the Board of Directors of Raiffeisen Switzerland at the Extraordinary Delegate Meeting on 16 November 2019. The members of the Board of Directors possess in-depth knowledge of law, banking, finance, IT, real estate, risk management, compliance and auditing. Consequently, the members complement each other perfectly, which facilitates working together professionally in the interests of the entire banking group. All members of the Board of Directors are considered independent within the meaning of FINMA Circular 2017/1, paragraphs 18–22.

With the specific skills of the Board of Directors' members, Raiffeisen Switzerland is responding to the constantly rising demands on banking groups like Raiffeisen. Their wide-ranging profiles enable the Board of Directors to selectively manage and monitor the Raiffeisen Group's strategic challenges and forthcoming transformation process.

Members of the Board of Directors

Guy Lachappelle

Chairman of the Board of Directors
Member of the Strategy and Finance Committee
Member of the Nomination and Remuneration Committee

Born in
1961

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Chairman of the Board of Directors of Raiffeisen Switzerland

Professional background

Basler Kantonalbank, Basel (2010–2018)
- Chief Executive Officer and Chairman of the Management Board (2013–2018)
- Head of Corporate Clients/Member of the Management Board (2010–2013)

Bank Coop, Basel (2006–2010)
- Head of Lending and Production/Member of the Executive Board (2008–2010)
- Head of Credit Northwestern Switzerland (2006–2008)

Bank Cial, Basel (1999–2006)
- Head of Risk Management/Member of the Executive Board (2005–2006)
- Head of Credit Management (1999–2005)

Credit Suisse Group, Basel and Aarau (1994–1999)
- Various staff and management functions

A & U Kaderberatung, Basel (1990–1994)
- Management consultant and partner

Education

- Executive MBA HSG, University of St.Gallen (2002–2004)
- Postgraduate degree in Human Resources, HWV Olten (1991–1993)
- Law degree (lic. iur.), University of Basel (1982–1988)

Significant directorships and vested interests

- Member of the Board of Directors of the Swiss Bankers Association
- Chairman of the Raiffeisen Centenary Foundation
- Partner of Menschen im Alter GmbH

Memberships

- None

Prof. Dr Pascal Gantenbein

Vice Chairman of the Board of Directors
Chairman of the Strategy and Finance Committee
Member of the Risk Committee

Born in
1970

Nationality
Swiss

Joined
2017

Elected until
2020

Occupation
Full Professor of Financial Management at the Department of Economics at the University of Basel and Dean of Studies at the Department of Economic Sciences (since 2007)

Professional background

- Lecturer in Corporate Finance at the University of St.Gallen, Executive School (ES-HSG) (2008–2017)
- Various visiting professorships (HEC Paris (FR), University of Geneva (CH), HEC Montréal/École des hautes études commerciales (CAN), Wits Business School/ University of the Witwatersrand Johannesburg (SA) (2006–2017)
- Lecturer at the University of Liechtenstein (2004–2013)
- Lecturer in Financial Management and Professor for Economics focusing on finance, Swiss Institute of Banking and Finance, University of St.Gallen (1999–2007)

Education

- Sabbaticals at the University of Southern California/USC (USA), the University of California Los Angeles/UCLA (USA), the University of Maastricht (NL) and the Indian Institute of Management Bangalore/IIMB (IND) (2003–2016)
- Post-doctorate degree, University of St.Gallen (2000–2004)
- Degree and doctorate in Business Administration, University of St.Gallen (1990–1999)

Significant directorships and vested interests

- Fahrländer Partner Raumentwicklung AG, Zürich (Member of the Advisory Board)

Memberships

- The Royal Institution of Chartered Surveyors (RICS)
- Urban Land Institute (ULI)
- American Real Estate Society
- Swiss-American Society

Anne Bobillier

Member of the Board of Directors
Member of the Strategy and Finance Committee

Born in 1965

Nationality
Swiss/French

Joined
2019

Elected until
2020

Occupation
Corporate Project Manager at Bechtle Management AG (since 2019)

Professional background

Bechtle Suisse Romande, Geneva (2002–2018)
- Managing Director

Ascom Autelca AG, Berne (2001–2002)
- General Manager

IBM (1988–2001)
- Head of Services Sales Organisation (2000-2001)
- Head of Financial Services Sector (2000)
- Head of Banking, Finance & Securities Unit (1999–2000)
- Various management and sales positions (1988–1999)

Education

- Journée du conseil d'Administration, IMD Lausanne (2014–2019)
- Fundamentals for board members, Académie des administrateurs des sociétés (2011)
- Human relationships, Centre de relation d'aide de Montréal (2003)
- Information Technology, University of Geneva (1988)

Significant directorships and vested interests

- Member of the Board of Swiss Board Forum
- Member of the Board of Directors, CCIFS (Chambre de Commerce et d'Industrie Franco-Suisse)
- Member of the Board of Directors, SkySoft-ATM SA
- Member of the Board of Directors and Member of the Committee for Strategy and Business Development, Romande Energie SA
- Member of the Board of Directors, President of the Project Committee and Member of the Committee for Security, Skyguide, Société Anonyme Suisse pour les Services de la Navigation Aérienne civils et militaires

Memberships

- Member of Cercle Suisse des Administratrices
- Member of Swiss Board Forum

Andrej Golob

Member of the Board of Directors
Member of the Strategy and Finance Committee

Born in
1965

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
General Manager Business Development Germany, Austria, Switzerland and Managing Director of Xerox AG

Professional background

karldigital AG, Olten (2018–2019)
- Founder and Managing Partner

Equatex AG, Zurich (2015–2017)
- Chief Executive Officer

Swisscom AG, Zurich (2014–2015)
- Executive Vice President and Member of the Executive Board Swisscom Enterprise Customers

Swisscom IT Services Workplace AG, Zurich (2011–2013)
- Chief Executive Officer

Various senior management positions at Hewlett-Packard (1992–2011); including:
- Various senior management positions at Hewlett-Packard (1992–2011); including: Director Distribution Sales and Development Europe, Middle East & Africa (EMEA), Hewlett-Packard International, Dübendorf (2008–2011)
- Sales Director Corporate, Enterprise & Public Segment, Middle East, Mediterranean & Africa, Hewlett-Packard International, Dübendorf (2007–2008)
- Country General Manager of Division, HP Services, Hewlett-Packard Switzerland, Dübendorf (2006–2007)
- Country General Manager of Division Personal Systems Group, Hewlett-Packard Switzerland, Dübendorf (2002–2006)

Education

- Breakthrough Program for Senior Executives, IMD Lausanne (2007)
- Master in Business Administration (lic. oec. HSG), University of St.Gallen (1991)

Significant directorships and vested interests

- Member of the Board of Directors of SwissDigiNet AG
- Chairman of the Board of Directors of Raiffeisenbank Olten

Memberships

- Industrie- und Handelsverein Olten
- Swiss Institute of Directors

Thomas A. Müller

Member of the Board of Directors
Chairman of the Risk Committee
Member of the Audit Committee

Born in
1965

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Independent Member of the Board of Directors and Chairman of the Swiss Takeover Board

Professional background

EFG International, Zurich and Lugano (2018)
- Group Chief Risk Officer/Member of the Executive Board

BSI Bank (within the EFG Group), Lugano (2016–2017)
- Chief Executive Officer

Bank J. Safra Sarasin Ltd, Basel (2010–2016)
- Group Chief Financial Officer/Member of the Executive Board

Swiss Life Group, Zurich (2006–2009)
- Group Chief Financial Officer & Chief Risk Officer/Member of the Management Board

Banca del Gottardo/Swiss Life Group, Lugano (2002–2005)
- Chief Financial & Risk Officer/Member of the Executive Board

Marc Rich + Co Holding GmbH, Zug (1997–2000)
- Head of Trading Fixed Income

Credit Suisse/Schweizerische Volksbank, Zurich (1991–1997)
- Department Head of Treasury, Member of Senior Management
- Head of Asset & Liability Management, Member of Management

Education

- High Performance Boards, IMD Lausanne (2016)
- Master of Business Administration (MBA), IMD Lausanne (2001)
- Master of Economics (lic. rer. pol), University of Berne (1986–1991)

Significant directorships and vested interests

- President of the Swiss Takeover Board, Zurich
- Chairman of the Board of Directors of Credit Exchange AG, Zurich
- Member of the Board of Directors of Società Navigazione del Lago di Lugano

Memberships

- SwissVR (Association for Board Members)

Thomas Rauber

Member of the Board of Directors
Chairman of the Nomination and Remuneration Committee

Born in
1966

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Manager/owner of TR Invest AG (private SME investment company), Tafers (since 2010)

Professional background

Meggitt Gruppe (Meggitt PLC, Christchurch, UK) (1997–2010)
- CFO and Deputy General Manager, Meggitt SA, Villars-sur-Glâne, Fribourg (2008–2010)
- General Manager, Vibro-Meter France SAS (2005–2007)
- Finance Director, Vibro-Meter SA, Villars-sur-Glâne, Fribourg (1997–2005)

DANZAS (now DHL), Basel headquarters (1992–1997)
- Head of Controlling Eurocargo Division (1996–1997)
- Head Corporate Finance IT Coordination (1994–1996)
- Regional Controller (Europe) (1992–1994)

Swiss Bank Corporation, Basel (1990–1992)

Education

- Executive General Management, IMD Lausanne (2005)
- Lic. rer. pol. Business Administration, University of Fribourg (1986–1990)

Significant directorships and vested interests

- Member of the Board of Directors of Fastlog AG, Emmen and Thun
- Chairman of the Board of Directors of Raiffeisenbank Freiburg Ost Genossenschaft

Memberships

- None

Olivier Roussy

Member of the Board of Directors
Member of the Strategy and Finance Committee
Member of the Audit Committee

Born in
1964

Nationality
Swiss

Joined
2014

Elected until
2020

Occupation
Occupation Founder and manager of Major Invest SA, financial consulting, Yverdon-les-Bains (since 2012)

Professional background

MAJOR INVEST SA
- Independent financial consultant (since 2017)
- Independent asset manager (2012–2017)

Freiburger Kantonalbank (2010–2011)
- Team leader of Private Banking

Deutsche Bank (Suisse) SA (2005–2010)
- Investment Manager

CS and UBS, Zurich, Geneva and Lausanne (1987–2000)
- Portfolio Manager/Investment Advisor/Relationship Manager

Education

- Swiss Board Institute BoD Certificate (2017)
- CIWM Certified International Wealth Manager AZEK (2005)
- FAME Financial Asset Management and Engineering SFI (2003)
- CIIA Certified International Investment Analyst AZEK (2003)
- MBA Business School Lausanne (2002–2003)

Significant directorships and vested interests

- Chairman of the BoD of Major Invest SA, Yverdon-les-Bains

Memberships

- Swiss Institute of Directors

Dr Beat Schwab

Member of the Board of Directors
Member of the Audit Committee
Member of the Nomination and Remuneration Committee

Born in
1966

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Self-employed entrepreneur and Board of Directors member (since 2017)

Professional background

Credit Suisse AG, Zurich (2012–2017)
- Head Real Estate Investment Management/Managing Director

Wincasa AG, Winterthur (2006–2012)
- Chief Executive Officer

ISS Schweiz AG/Sevis AG, Facility Management, Zurich/Basel (1999–2006)
- Member of the Executive Board/Director of Business Development

Credit Suisse First Boston, Zurich (1998–1999)
- Head of Fixed Income/Forex Research Switzerland, Director

UBS Economic Research, Zurich (1992–1997)
- Head of Economic Research & Sector Analyses, Vice President

Education

- Master of Business Administration, Columbia University, New York (1996–1997)
- Doctorate (Dr. rer. pol.) (1993–1995)
- Degree in Economics (lic. rer. pol.), University of Berne (1987–1992)

Significant directorships and vested interests

- Chairman of the Board of Directors of Zug Estates Holding AG, Zug
- Vice Chairman of the Board of Directors of pom+Group AG & pom + Consulting AG, Zurich
- Member of the Board of Directors and Head of the Audit Committee of SBB Swiss Federal Railways, Berne
- Member of the Board of Directors and Head of the Audit & Risk Committee of Varia US Properties AG, Zug
- Foundation Council of SKB 1809, formerly Sparkasse Basel

Memberships

- Swiss VR (Association for Board Members)
- The Royal Institution of Chartered Surveyors (RICS)
- Chamber of Commerce and Employers Association Winterthur

Karin Valenzano Rossi

Member of the Board of Directors
Member of the Risk Committee
Member of the Nomination and Remuneration Committee

Born in
1972

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Independent attorney and notary, Lugano (since 1 June 2019); Member of the tribunal panel of the Swiss Association of Asset Managers (VSV), Zurich (since 2016); Instructor at AKAD Banking + Finance (Höhere Fachschule für Bank und Finanz, HFBF), Centro di Studi Villa Negroni, Vezia (now Kalaidos Banking + Finance School), The Banking Diploma (Swiss Banking) (since 2007); Instructor at Centro di Studi Bancari, Vezia (since 2004)

Professional background

Law firm of Walder Wyss AG, Zurich and notary's offices of Jermini Valenzano, Lugano (2015–2019)
- Partner

Spiess Brunoni Pedrazzini Molino Law Firm, now Molino Adami Galante Law Firm, Lugano (2001–2014)
- Partner (since 2009)
- Notary (since 2002)
- Lawyer

Education

- BoD Corporate Governance Certificate, Swiss Board Institute (2019–2020)
- Admitted to the Ticino Notaries Association (2002)
- Admitted to the Ticino Bar Association (2000)
- Law degree, University of Fribourg (1991–1997)

Significant directorships and vested interests

- Member of the Board of Directors, Banca Raiffeisen Lugano
- Member of the Board of Directors of Fidinam Holding SA

Memberships

- Swiss Bar Association (SAV)
- Ticino Bar Association (OATi)
- Ticino Notaries Association (OdNti)

Rolf Walker

Member of the Board of Directors
Chairman of the Audit Committee
Member of the Risk Committee

Born in
1962

Nationality
Swiss

Joined
2018

Elected until
2020

Occupation
Self-employed management consultant and independent Board of Directors member (since 2018)

Professional background

Ernst & Young, Berne/Zurich (1988–2018)
- Management of international, national and regional audit mandates, from 2001 as partner Auditor in charge and lead auditor accredited by the Swiss Financial Market Supervisory Authority (FINMA)
- Various consultancy mandates for financial service companies
- President of the Banking Audit Expert Commission of EXPERTsuisse (2010–2018)
- Head Professional Practice Financial Services of Ernst & Young AG (2004-2017)

Schweizerische Volksbank, Biel (1981–1985)
- Various positions (client advisory, accounting)

Education

- Qualified Swiss auditor, Kammerschule Bern (1991–1994)
- Höhere Wirtschafts- und Verwaltungsschule Bern, MBA-equivalent degree (Dipl. Kaufmann HWV) (1985–1988)

Significant directorships and vested interests

- None

Memberships

- None

Composition, election and term of office

The Board of Directors consists of nine to twelve members according to the Articles of Association. In filling these positions, attention is paid to ensuring an appropriate representation of the linguistic regions and banking authorities for the Raiffeisen banks. Half of the members of the Board of Directors must be representatives of the Raiffeisen banks. Members of the Board of Directors are elected for a two-year term (current term: 2018 to 2020) and can serve a maximum of 12 years. Members of the Board of Directors must step down at the end of the term of office in which they turn 70.

Internal organisation and delimitation of powers

The Board of Directors and its committees meet as often as business dictates, but at least four times a year pursuant to the Articles of Association of Raiffeisen Switzerland Art. 39 (1) and Art. 42 (4). The following table shows the number of meetings held by the Board of Directors and its committees in 2019. Ordinary meetings of the Board of Directors generally last an entire day while committee meetings last half a day.

Meeting attendance 2019[1]	**Board of Directors**[2]	**Nomination and Remuneration Committee**[3]	**Strategy and Finance Committee**[4]	**AC/RC Joint Session**[5]	**Audit Committee**[6]	**Risk Committee**[7]
Number of meetings held	21	16	8	5	10	7
Number of members who missed no meetings	7	3	5	6	4	4
Number of members who missed one meeting	3	0	0	0	0	0
Number of members who missed two or more meetings	0	1	0	0	0	0
Meeting attendance, in %	97	97	100	100	100	100

1 Various members of the Board of Directors attend other meetings as well, which are not included in the presentation above: strategy meetings, meetings with FINMA, meetings with PwC, annual meetings with representatives of the regional unions, chairman and head of bank forums in the spring and autumn, and other communication platforms with the regional unions. This list is not exhaustive.

2 The Board of Directors was composed of nine members between 1 January and 15 November. At the Extraordinary Delegate Meeting on 16 November, one new member joined the Board of Directors.

3 The Nomination and Remuneration Committee was composed of four members throughout the year.

4 The Strategy and Finance Committee was composed of four members between 1 January and 15 November. From 16 November onward, it was composed of five members.

5 The AC/RC Joint Session was composed of six members throughout the year.

6 The Audit Committee was composed of four members throughout the year.

7 The Risk Committee was composed of four members throughout the year.

Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. The Chairman breaks tied votes. Resolutions are minuted. The Board of Directors meets once a year to review its own activities and positions. Individual Members of the Executive Board attend the meetings of the Board of Directors and its committees in consultation with the Chairman of the Board of Directors and the chairperson of the committee, respectively. They can advise and have the right to put forward motions. The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chairman of the Board of Directors and the Head of Internal Auditing attend selected meetings of the Executive Board. The Executive Board is also required to update the Board of Directors regularly on the financial position, earnings and risk situation, as well as on the latest developments and any unusual events at the Raiffeisen Group.

Under the Swiss Code of Obligations, the Articles of Association, and the Terms and Conditions of Business of Raiffeisen Switzerland, the main duties of the Board of Directors are to

- establish the business policy of the Raiffeisen Group, the risk policy and regulations and authorities required for running Raiffeisen Switzerland;
- pass the regulations necessary for the running of the Raiffeisen banks;
- resolve whether to accept or exclude Raiffeisen banks;
- prepare for the Delegate Meeting and execute the resolutions of this body;
- appoint and dismiss the auditor for the companies of the Raiffeisen Group;
- appoint and dismiss the Chairman and members of the Executive Board, the Head of Internal Auditing and their deputies;
- define the overall sum of variable remuneration and decide on the fixed and variable annual remuneration components for Executive Board members.

Moreover, the Board of Directors approves the strategy and financial planning, draws up the consolidated annual financial statements and the annual report of the Raiffeisen Group and of Raiffeisen Switzerland. Furthermore, it takes the planning and financial reporting of the Group company into account. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The Board of Directors may bring in external consultants in certain cases, as it did in 2019. The duties and powers of the standing committees are set forth in regulations and summarised below.

The powers exercised by the Board of Directors, its committees, the Chairman of the Executive Board and the Executive Board are specified in detail in the Articles of Association, the Terms and Conditions of Business and the authority levels of Raiffeisen Switzerland.

Committees of the Board of Directors

Strategy and Finance Committee

Duties

- Addressing strategically relevant developments, opportunities and challenges in the environment and for the Raiffeisen Group on a regular and systematic basis.
- Preparing strategic initiatives in the Board of Directors and supervising their realisation (responsible for content).
- Providing the Board of Directors with strategic risk assessments.
- Arranging and supervising the form of strategy work of the Raiffeisen Group (responsibility for processes).
- Ensuring good corporate governance at the Raiffeisen Group.
- Passing resolutions on participations, investments, contractual obligations, expenditure and loans, to the extent that authority over these matters is assigned to the Committee.
- Dealing with tasks assigned by the Board of Directors and providing general support to the Board of Directors in performing its duties and responsibilities.

Audit Committee

Duties

- Monitoring and assessing the financial reporting and integrity of financial statements.
- Approving the annually budgeted fee of the auditing firm and the audit of the Internal Auditing department and presenting the results to the Board of Directors.
- Analysing the audit reports of Raiffeisen Switzerland and the Group; ensuring that the objections contained therein are resolved and the recommendations are implemented.
- Monitoring the activities, resources, competences, independence and objectivity of the auditing firm and the Internal Auditing department and assessing their performance and cooperation and the remuneration of the auditing firm.
- Preparing for the appointment of the Head of Internal Auditing and presenting the results to the Board of Directors.
- Preparing for the election of the regulatory auditing firm and the auditor for the purposes of the Swiss Code of Obligations and presenting the results to the Board of Directors.
- Application to the Board of Directors regarding the recommendation to submit the annual accounts to the Delegate Meeting.

Risk Committee

Duties

- Assessing the framework concept for the Group-wide risk management at least once a year and arranging the necessary adjustments.
- Monitoring and assessing the effectiveness and appropriateness of the internal control system.
- Annual review of the risk policy and risk limits of Raiffeisen Switzerland and the Group, presenting the results to the Board of Directors.
- Analysing the risk situation of Raiffeisen Switzerland and the Group.
- Handling the reports issued by the Risk & Compliance department.
- Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice.
- Monitoring the implementation of risk strategies, particularly with regard to their compliance with the predefined risk tolerance and the risk limits according to the framework concept for the Group-wide risk management.
- Should a limit stipulated by the Board of Directors be exceeded, deciding on measures to reduce the risk and/or approve a temporary breach.

Nomination and Remuneration Committee

Duties

- Analysing trends and developments on the labour market.
- Ensuring strategically oriented leadership development and succession planning.
- Review of the planning and measures for the retention and promotion of staff.
- Preparing all activities relating to employment conditions for executive managers and staff, including, without limitation, remuneration and retirement plans.
- Preparing the remuneration report.
- Setting up rules for Members of the Board of Directors, the Executive Board and employees trading for their own accounts.
- Granting and monitoring loans to members of executive bodies and to these related parties within the scope of the regulations governing authority levels.
- Preparing for elections and presenting the results to the Board of Directors.

Important events

FINMA enforcement proceedings

On 12 June 2018, the Swiss Financial Market Authority (FINMA) issued an order that concluded the enforcement proceedings against Raiffeisen Switzerland it had initiated in October 2017. The conditions imposed by the order have been implemented or are in the process of being implemented and will be reviewed by a FINMA auditor. This process is supported by Raiffeisen Switzerland's Board of Directors.

Criminal proceedings against Dr Pierin Vincenz

Raiffeisen Switzerland has joined the proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland, and other defendants, as a private complainant. No further information can be disclosed in this respect given that criminal proceedings are ongoing.

Information and controlling tools vis-à-vis the Executive Board

The information and control instruments have been configured in compliance with the requirements defined by FINMA. The Raiffeisen Group has an established and proven management information system (MIS), which helps the Board of Directors fulfil its supervisory duties and oversee the powers transferred to the Executive Board.

The Board of Directors receives a final, comprehensive financial report every quarter. The report includes a year-on-year comparison, actual/plan comparison and expectations for each business segment and the entire Raiffeisen Group. These periodic reports are supplemented by analyses of relevant issues and developments. The minutes of the Executive Board meetings are also presented to the Chairman of the Board of Directors for inspection. In addition, individual Members of the Executive Board attend the meetings of the Board of Directors or committees in consultation with the Chairman of the Board of Directors or the chairperson of the committee, respectively, provide information on current issues and are available to provide information.

Risk and compliance

The Board of Directors is periodically updated on the risk situation. Every year, the Board of Directors is presented with a forward-looking risk analysis that serves to determine the Group's annual risk tolerance and assess its resulting risk capacity. The Board of Directors receives a detailed quarterly risk report on the overall risk situation and the utilisation of the overall limits approved by the Board of Directors.

The Raiffeisen Group has an internal control system (ICS) that supports the proper conduct of business activities based on processes, controls, regulations, directives and corresponding measures. The Board of Directors receives an annual report on the adequacy and effectiveness of the internal control system.

The Raiffeisen Group has a compliance function and a Compliance department to ensure risk-oriented compliance with statutory and regulatory requirements. The Board of Directors receives an annual assessment of the compliance risk of the Group's business activities and an activity report from the compliance function. Furthermore, the Board of Directors is given timely information on grave violations of compliance regulations or matters with major implications.

Internal Auditing

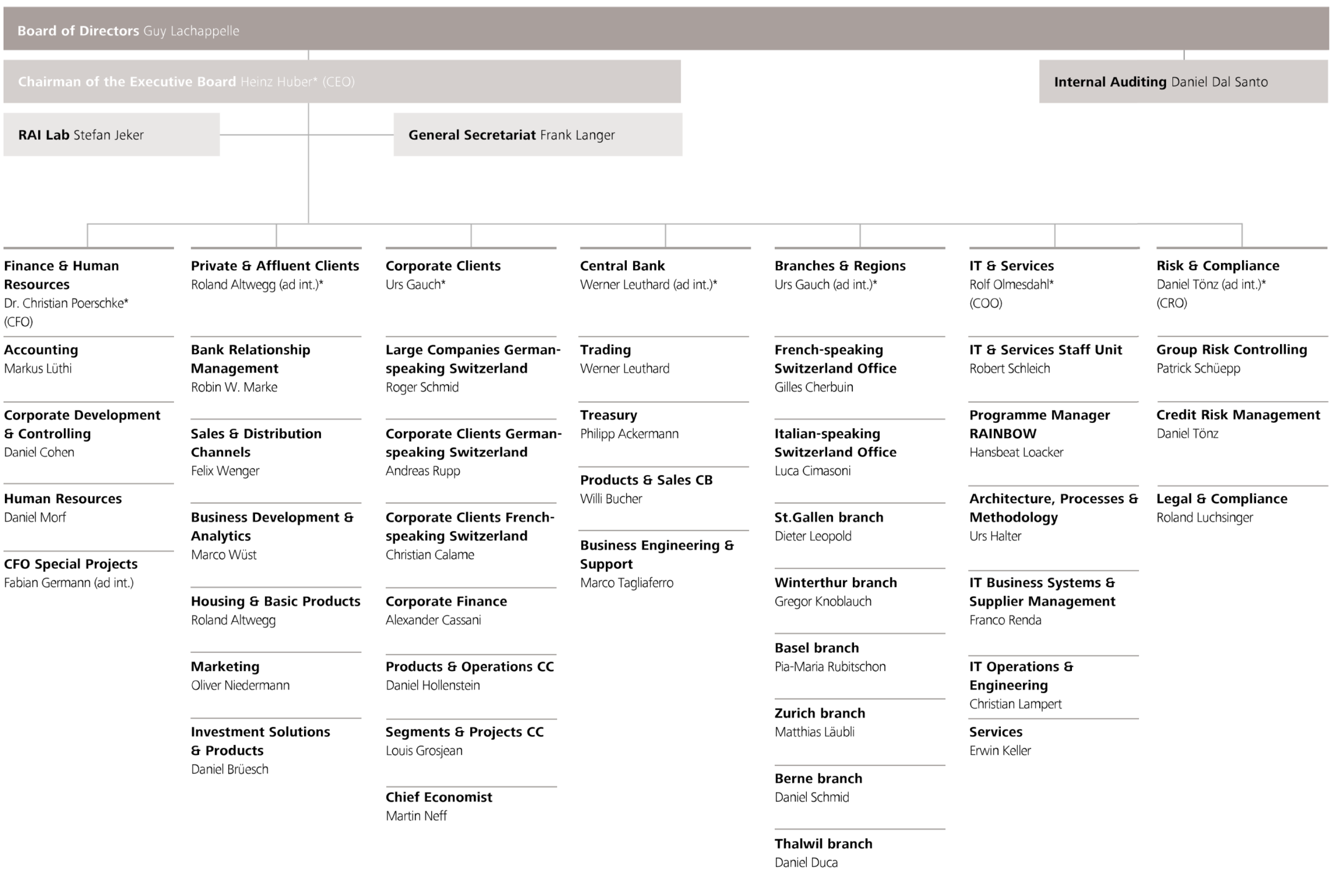
The Raiffeisen Group has an Internal Auditing department which reports to the Board of Directors and is independent of the Executive Board. This department supports the Board of Directors in fulfilling its oversight and control duties and has an unrestricted right to perform audits and obtain information within the bank. Internal Auditing reports to the Audit Committee, the Risk Committee and to the Board of Directors.

Executive Board of Raiffeisen Switzerland

The Executive Board manages the operational business of the Raiffeisen Group. This involves in particular identifying influences and changes that have a bearing on the Raiffeisen Group's environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, the Executive Board is charged with the execution of the resolutions passed by higher bodies. Moreover, it provides the Group with competent, reliable, future- and success-oriented management. In addition, within the Raiffeisen Group, the Executive Board is responsible for ensuring financial management, Group risk management and compliance. Moreover, the Executive Board acts as a risk committee, handles budgeting and budget control, defines organisation structure and makes key personnel decisions.

The Executive Board consists of the Chairman and seven other members. Normally, it meets once a week under the direction of the Chairman. The Executive Board has the power to pass resolutions if a majority of its members or their deputies are present. The Board passes most resolutions by consensus. If agreement cannot be reached, resolutions are passed by a simple majority, with the Chairman having the tie-breaking vote. Raiffeisen Switzerland business processes are handled by seven different departments (see organisational chart). The members of the Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland.

Organisational chart (up to 30 June 2019)



* Member of the Executive Board

Organisational chart (as at 31 December 2019)

Board of Directors Guy Lachappelle

- **Management Office BoD** Nadine Eisenhut-Zünd
- **Internal Auditing** Daniel Dal Santo

Chairman of the Executive Board Heinz Huber* (CEO)

- **Business Development & Digital Transformation** Andreas Staub
- **Head of Executive Staff** Frank Langer

Corporate Clients & Branches
Urs Gauch*

- **Corporate Client Centres Switzerland** Daniel Hollenstein
- **Special Products & Segment Mgmt. CC & Branches** Andreas Rupp
- **Management Support & Projects FK** Marco Meier
- **St.Gallen Branch** Johannes Holdener
- **Winterthur Branch** Gregor Knoblauch
- **Basel Branch** Pia-Maria Rubitschon
- **Zurich Branch** Matthias Läubli
- **Berne Branch** Daniel Schmid
- **Thalwil Branch** Daniel Duca

Raiffeisen Bank Services
Philippe Lienhard*

- **Sales & Distribution Channel Concepts** Felix Wenger
- **Bank Relationship Management** Helen Fricker
- **Marketing** Oliver Niedermann
- **Sede Svizzera italiana** Luca Cimasoni
- **Siège Suisse romande** Gilles Cherbuin

Products & Investment Services
Roland Altwegg a.i.*

- **Product Management** Roland Altwegg
- **Investment Centre** Roland Kläger a.i.
- **Support Centre** Roland Altwegg a.i.

Treasury & Markets
Werner Leuthard a.i.*

- **Trading** Werner Leuthard
- **Treasury** Philipp Ackermann
- **Products & Sales T&M** Willi Bucher
- **Business Engineering & Support** Marco Tagliaferro

IT & Services
Rolf Olmesdahl* (COO)

- **Architecture & Staff** Peter Kägi
- **Application Management** Robert Schleich
- **IT Operations & Engineering** Christian Lampert
- **Banking Operations & Test Management** Adrian Töngi
- **Services & Management Office** Erwin Keller

Finance & Human Resources
Dr. Christian Poerschke* (CFO)

- **Human Resources** Daniel Morf
- **Strategie- & Finanz-Controlling** Daniel Cohen
- **Accounting** Markus Lüthi

Risk & Compliance
Dr. Markus D. Voegelin* (CRO)

- **Group Risk management** Patrick Schüepp
- **Credit Risk Management** Daniel Tönz
- **Legal & Compliance** Roland Luchsinger

* Member of the Executive Board

Due to the change in the departmental structure as of 1 July 2019, the organization charts are presented before and after the reorganization.

Members of the Executive Board

Heinz Huber

Chairman of the Executive Board

Born in
1964

Nationality
Swiss

Joined Executive Board
2019

Professional background

Raiffeisen Schweiz (since 2019)
– Chairman of the Executive Board
Thurgauer Kantonalbank (2007–2018)
– Chairman of the Executive Board (2014–2018)
– Member of the Executive Board (2007–2018)
Owner and CEO of a spin-off company; member of the executive board of a global, listed IT company (2001–2006)
Credit Suisse (1996–2001)
– Various roles in management
UBS AG (1981–1996)
– Training, practical experience and management responsibility (various locations)

Education

– VR-CAS (Certified Director for Board Effectiveness), Swiss Board School in cooperation with IMP-HSG, University of St.Gallen
– Advanced Management Program, Harvard Business School, Boston, USA
– Master of Business Administration (MBA), University of Berne (Institute for Financial Management) and University of Rochester, NY, USA
– Executive MBA (Master of Business Administration), Lucerne University of Applied Sciences and Arts
– Federal Banking Diploma

Significant directorships

– Member of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich

Roland Altwegg

Interim Head of Products & Investment Services department
Head of Product Management

Born in
1973

Nationality
Swiss

Joined Executive Board
2019

Professional background

Raiffeisen Switzerland (since 2007)
– Interim Head of Products & Investment Services department/Interim Member of the Executive Board (from 2019 – February 2020)
– Head of Product Management (since 2015)
– Head of Private Clients (2011–2015)
– Head of Op Risk Controlling (2007–2011)

Bank Sarasin & Cie. AG (1999–2007)
– Head Market Risk

Pictet & Cie. / Pictet Asset Management AG (1996–1999)
– Fixed Income employee

Education

– Certified Financial Analyst & Asset Manager, Certified International Investment Analyst (CIIA), AZEK Zurich (2001–2002)
– Degree in Economics, lic. rer. pol, University of Basel (1993–1998)

Significant directorships

– Member of the Board of Directors of TWINT AG, Züurich
– Member of the Board of Directors of responsAbility Investments AG, Zurich
– Chairman of the Board of Directors of Raiffeisen Immo AG, St.Gallen
– Chairman of the Board of the Raiffeisen Switzerland (Luxembourg) Fund, Luxembourg
– Vice Chairman of the Foundation Board of the Raiffeisen Pension and Vested Assets Foundation, St.Gallen

Urs P. Gauch

Head of Corporate Clients & Branches department

Born in
1960

Nationality
Swiss

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2015)
- Head of Corporate Clients & Branches department/Member of the Executive Board (since 2019)
- Head of the Corporate Clients department/Member of the Executive Board (2015–2018)

Credit Suisse Group, Managing Director (1985–2015)
- Head of the SMU Business Switzerland (2013–2015)
- Head of International Corporate & Institutional Clients (2011–2012)
- Head of Special Business & Corporate Products (2008–2010)
- Head of Corporate Clients Switzerland – Key Accounts (2004–2007)
- Head of Corporate Center – Corporate & Retail Banking (2002–2003)
- Head of Management Support Corporate Clients (2000–2001)
- Head of Credit Recovery Mittelland/Ticino Region (1998–1999)
- Head of the Credit Recovery Department (1993–1997)
- Head of Controlling/Key Account Manager Corp. Clients, New York (1988–1993)
- Project Manager Controlling, SVB, Berne (1985–1988)

Education

- IMD Program for Senior Executives, Lausanne (2013)
- AMP Advanced Management Program, Harvard Business School, Boston (2003)
- Swiss Banking School, Zurich (1997)
- Degree in Business Administration, HWV, Berne (1985)

Significant directorships

- Member of the Board of Directors, Raiffeisen Unternehmerzentrum AG
- Member of the Board of Directors, werk14 AG
- Member of the Board of Directors, Vorsorge Partner AG
- Member of the Board of Directors, UPG Holding
- Member of the Board of Directors, Epi-Suisse
- Chairman of the Board of Directors, esisuisse

Philippe Lienhard

Head of Raiffeisen Bank Services department

Born in
1970

Nationality
Schweiz

Joined Executive Board
2019

Professional background

Raiffeisen Switzerland (since 2019)
- Head of Raiffeisen Bank Services department/Member of the Executive Board

Raiffeisenbank Mittelthurgau (2013–2018)
- Chair of Bank Management

Credit Suisse (2002–2012)
- Head of Private Clients Thurgau and Schaffhausen (2006–2012)
- Head of Private Clients Schaffhausen (2005–2006)
- Private client advisor (2002–2005)

AWD Holding AG (2000–2002)
- Financial Advisor

Education

- Executive MBA, University of St.Gallen (2012)
- Executive Program, Swiss Finance Institute (2007–2008)
- Law degree, lic.iur., University of Zurich (1991–1997)

Significant directorships

- None

Werner Leuthard

Interim Head of Treasury & Markets department

Born in
1966

Nationality
Swiss

Joined Executive Board
2019

Professional background

Raiffeisen Switzerland (since 2006)
- Interim Head of Treasury & Markets department/Interim Member of the Executive Board (since 2019)
- Function Head of Trading (since 2006)

Finorafa SA, Chiasso (2004–2006)
- CEO

Credit Suisse Group, Zurich (1990–2004)
- Global Head of Physical Precious Metal (PM) Trading, Director (2000–2004)
- Global Head of Precious Metals Liquidity Management and Interest Rate Trading, Director (1997–2000)
- Head of Treasury Advisory & Engineering Group and Treasury Sales Group, Domestic Customers, Member of Senior Management (1995–1997)
- Head of Foreign Exchange (FX) and PM Options, Member of Senior Management (1992–1994)
- Trader FX and PM Options (1990–1992)

Education

- Certificate of Advance Studies (CAS) in Financial Regulation University of Berne & University of Geneva (2017)
- Executive Master of Business Administration (EMBA) in General Management und Leadership, Lucerne School of Business (2011–2013)
- Executive Master of Corporate Finance
  Postgraduate diploma in Corporate Finance (NDS)
  Additional training, accounting SWISS GAAP FER for SMEs
  FHZ Fachhochschule Zentralschweiz, IFZ Zug (2002–2004)
- Investment Advisory Program
  International Bankers School, New York (Graduate School of Business of Columbia University & Stern School of Business of NYU) (1995)
- MBA-equivalent degree, Kaufmännisches Lehrinstitut, Zurich (1991–1994)

Significant directorships

- Member of the Board of Directors of responsAbility Participations AG, Zurich investment company
- Chairman of Valyo Ltd

Rolf Olmesdahl

Head of IT & Services department (COO)

Born in
1963

Nationality
Swiss

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2015)
- Head of the IT & Services department/Member of the Executive Board

Zurich Insurance Group, Member of the Group Leadership Team (2011–2015)
- Global Head of Application Development & Maintenance (2014–2015)
- Chief Information Officer General Insurance (2011–2014)

UBS (1979–2009)
- Chief Information Officer Wealth Management, Retail and Commercial Banking/Member of the Group Managing Board (2005–2009)
- Banking apprenticeship, IT trainee, various global management and project manager functions (1979–2005)

Education

- Executive MBA IMD Lausanne (1999–2000)
- Swiss Banking School/Swiss Finance Institut (1995–1997)
- Business administration degree from the KSZ (1989–1991)
- Federal Diploma in Organisation (1989)
- Federal Certificate in Office Organisation (1987)
- Banking apprenticeship (1979–1982)

Significant directorships

- None

Dr Christian Poerschke

Head of Finance & Human Resources department (CFO)

Born in
1974

Nationality
Swiss/German

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2005)
- Head of the Finance & Human Resources department (CFO)/Member of the Executive Board (since 2018)
- Head of the Services department (COO)/Member of the Executive Board (2015–2017)
- Head of Corporate Development & Controlling (2007–2015)
- Head of Corporate Controlling (2005–2007)

EFTEC, EMS-TOGO (2002–2005)
- Business Development & Controlling

Roland Berger Strategy Consultants (2000–2002)
- Consultant

Education

- Doctorate at Philipps University of Marburg (2007)
- Business administration degree at the University of Münster (1996–2000)

Significant directorships

- Chairman of the Management Board and Chairman of the Finance and Audit Committee of the Valida Foundation, St.Gallen
- Chairman of the Board of Directors of the Raiffeisen Pension Fund and Raiffeisen Employer Foundation

Dr Markus D. Voegelin

Head of Legal & Compliance department (CRO)

Born in
1969

Nationality
Swiss

Joined Executive Board
2019

Professional background

Raiffeisen Switzerland (since 2019)
- Head of Legal & Compliance department (CRO)/Member of the Executive Board

Bank Vontobel Ltd (2016–2019)
- Chief Risk Officer

Coutts & Co Ltd (2007–2016)
- Chief Operating Officer (2013–2016)
- Chief Financial Officer (2009–2014)
- Finance Director (2007–2009)

Julius Bär (2001–2007)
- Head of Private Banking Finance (2005–2007)
- Head of Business Line Management Private Banking (2005–2005)
- Head Group Controlling (2002–2005)
- Head of Finance & Controlling Projects/Technology (2001–2002)

Business consultancy (1998–2000)
- Business consultant, senior consultant

UBS AG (1991–19998)
- Corporate clients, recovery management, group controlling

Education

- Advanced Executive Program Swiss Finance Institute (2008)
- Doctorate, Dr. oec. publ., University of Zurich (1999)
- Degree in economics, University of Basel, lic. rer. pol. (1991–1996)

Significant directorships

- None

Management contracts

There are no management contracts with third parties at Raiffeisen.

Compensation and loans

Information about compensation and loans of the members of the Board of Directors and Executive Board can be found in the section entitled "Remuneration report".

Internal Auditing

Internal Auditing supports the corresponding activities within the Raiffeisen Group and supports the Board of Directors and its committees in the performance of their tasks. Auditing activities include, among other things, the objective and independent review of (i) the adequacy and effectiveness of the internal control system and risk management, (ii) compliance with requirements set out in laws, regulations and the Articles of Association, and (iii) the proper functioning of the operational structure, accounting and IT. Furthermore, the Board of Directors may use Internal Auditing for special tasks such as special audits, project support or advisory services provided such engagements do not violate its independence requirements. Internal Auditing has unlimited auditing, information and access rights within the Raiffeisen Group.

Internal Auditing has a solid-line reporting relationship with the Board of Directors of Directors of Raiffeisen Switzerland. It has a dotted-line reporting relationship with the Audit Committee of the Board of Directors. It is independent of the Executive Board. Internal Auditing reports to the Audit Committee, the Risk Committee and, in its additional annual activity report, the Board of Directors on matters relating to the Group and Raiffeisen Switzerland. Reports for Raiffeisen banks and Group companies are submitted to the appropriate board of directors. Internal Auditing conducts its auditing activities on the basis of an annual, risk-oriented audit schedule that is approved by the Board of Directors and coordinated with the auditing activities of the regulatory audit firm and the auditor for the purposes of the Swiss Code of Obligations.

Dr Daniel Dal Santo has been the Head of Internal Auditing since 2015. He attends Audit Committee and Risk Committee meetings (ten Audit Committee meetings, seven Risk Committee meetings and five Joint Sessions in 2019). He also attends Board of Directors meetings on selected agenda items. Internal Auditing had 73.3 full-time equivalents at the end of 2019 and performs its auditing activities in compliance with the rules and standards of the Institute of Internal Auditing Switzerland (IIAS).

Auditor for the purposes of the Swiss Code of Obligations and regulatory auditor

Raiffeisen banks

The Raiffeisen General Meeting elects the auditors for the purposes of the Swiss Code of Obligations for a term of three years each time. In 2019, the auditor for the purposes of the Swiss Code of Obligations was selected based on a tender for the Group-wide auditing mandate for 2019 and 2020. PricewaterhouseCoopers Ltd has been the regulatory audit firm and the auditor for the purposes of the Swiss Code of Obligations of the individual Raiffeisen banks since June 2005. It is supported by Raiffeisen Switzerland's Internal Auditing department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies

Since the 2007 financial year, PricewaterhouseCoopers Ltd has been the regulatory audit firm and the auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group. This includes not only the Raiffeisen banks but also the Group companies pursuant to note 7. The auditor is appointed by the delegates for a term of three years. PricewaterhouseCoopers Ltd was elected auditor for the purposes of the Swiss Code of Obligations and electable auditor for the Raiffeisen banks at the Delegate Meeting for a period of three years (2018 to 2020) on 16 June 2018. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Raiffeisen Group

PricewaterhouseCoopers Ltd, St.Gallen, is also responsible for auditing the consolidated annual financial statements. Rolf Birrer has been the lead auditor for the Raiffeisen Switzerland Cooperative and the consolidated annual financial statements of the Raiffeisen Group since the 2019 financial year. Stefan Keller Wyss has been the lead auditor for coordinating the audits of all Raiffeisen banks since the 2017 financial year. The lead auditors may carry out this mandate for seven years.

Raiffeisen has decided to invite tenders for the mandate of auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland and the Raiffeisen Group for the period starting 1 January 2021. This decision is based on the principle of good corporate governance, which recommends putting the mandate out for tender in regular relatively long-term intervals. The current auditor and other providers were invited to submit bids.

Audit fees

The fees of the auditing firm amount to CHF 10.7 million for services relating to the full audit of the individual annual financial statements, the Group accounts and the audits under Swiss banking law, and CHF 0.6 million for tax advisory and other consulting services.

Information tools available to the regulatory audit firm

The risk assessment, the audit plan derived from it, and the auditors' reports are examined by the Audit Committee and discussed with the auditor in charge. In 2019, the auditor in charge attended six meetings of the Audit Committee to discuss the audit company's reports.

Supervision and control of the external auditor

The auditor, PricewaterhouseCoopers Ltd, fulfils the requirements of the Swiss Federal Banking Act and is licensed by FINMA to audit banking institutions. Each year, the Audit Committee assesses the performance, remuneration and independence of the external auditor and ensures cooperation with the Internal Auditing department. In this assessment, it also looks for conflicts between auditing activities and consulting mandates.

Communication policy

Active, transparent and dialogue-driven communication is an integral part of the Raiffeisen Group's corporate philosophy. Communication in the 2019 reporting year was dominated by the publication of the independent investigation of Raiffeisen Switzerland's participations and the results of the Group's reform efforts. They include changes in the Executive Board, the institution of a new department structure and an efficiency programme at Raiffeisen Switzerland. The modernisation of the Group governance structure and the adoption of the Group's first owner strategy also attracted considerable media interest. Information was always provided as needed within the Raiffeisen Group and to the public in compliance with legal requirements.

Communication with various stakeholders – cooperative members, clients, employees and the general public – should always take place according to the principles of truthfulness, precision and consistency with the Raiffeisen Group's actions. The most important sources of information in this regard are the website, annual reports, half-yearly reports and Raiffeisen Group press conferences and releases. The latest changes, developments and special events are published on time in an audience-friendly format in full compliance with ad hoc publicity directives. The publications and press releases are available on the Raiffeisen website. Cooperative members also receive extensive information in person directly from their Raiffeisen banks at the Annual General Meeting.

Corporate governance

Remuneration report

Letter from the Chairman of the Nomination and Remuneration Committee

Dear Sir or Madam,

As the Chairman of the Nomination and Remuneration Committee of the Board of Directors of Raiffeisen Switzerland, I am pleased to present to you the remuneration report for the 2019 financial year. In 2019, our focus was on actively engaging in dialogue with the Raiffeisen banks, establishing the level of transparency demanded by the Raiffeisen banks and ensuring a remuneration policy at Raiffeisen Switzerland that is consistent with the market and our cooperative values.

Transparency
Since 1 January 2019, the Board of Directors' remuneration for Raiffeisen Switzerland has been based on a new set of regulations that provides flat fees for roles and expenses on top of the base remuneration. This has significantly lowered the total remuneration of the Board of Directors compared to the previous year. In addition, the parameters for the remuneration of the Executive Board of Raiffeisen Switzerland were revised and the total remuneration cap lowered by mutual agreement. This remuneration report shows the remuneration of the Board of Directors and the Executive Board in detail as gross amounts. This provides transparency and reflects our responsibility as a systemically important bank.

Dialogue with Raiffeisen banks
As the logical consequence of a transparent remuneration policy, we engaged in intense dialogue with the Raiffeisen banks with respect to the remuneration of the Board of Directors and Executive Board of Raiffeisen Switzerland at the Ordinary Delegate Meeting in June 2019. For the first time, the Delegate Meeting had a consultative vote on the 2018 remuneration report and 2019 remuneration forecast and expressed its nuanced assessment.

The amendment to the Articles of Association adopted in November 2019 enshrined the process for the General Assembly's consultative vote in the Articles of Association. As a result, the General Assembly will now be presented with the remuneration report as well as the maximum remuneration of the entire Board of Directors and Executive Board of Raiffeisen Switzerland for the following financial year for a consultative vote.

Cooperative remuneration policy
The insights gained from the consultative vote showed us that a cooperative remuneration policy must be multidimensional. Pay packages should be attractive and in line with the market while staying true to the cooperative value of fair, appropriate and sustainable compensation.

We achieve market conformity through our disclosure policy, which is oriented to the market practices of publicly traded companies. A biennial review of the remuneration system allows us to respond to market conditions and make prompt changes.

The Raiffeisen delegates' positive assessment of the remuneration for 2019 showed us that we are meeting the second requirement as well. The new remuneration policy reflects our cooperative values of personal responsibility, sustainable performance and acceptable risk tolerance and involves our Raiffeisen banks.

Outlook

To ensure that a remuneration policy in line with cooperative values is in place not only for the Board of Directors and Executive Board but also at all tiers of Raiffeisen Switzerland, the Board of Directors commissioned a comprehensive review and revision of the entire remuneration model for Raiffeisen Switzerland employees in the 2019 financial year. The key goals of the new employee remuneration model relate to better orientation to our basic values, a simplified remuneration system and guaranteed market conformity. Equal treatment remains just as important as before and will once again be analysed and reviewed in 2020.

The Board of Directors of Raiffeisen Switzerland is convinced that, in 2019, our cooperative laid the cornerstone of a remuneration policy that meets the various requirements of a cooperative and fares well in a market comparison.

On behalf of the Nomination and Remuneration Committee, I want to express my heartfelt thanks to everyone in the committees and working groups who played a part in successfully handling all the work in 2019. I look forward to working with you in the future.

Thomas Rauber

Chairman of the Nomination and Remuneration Committee
of the Board of Directors of Raiffeisen Switzerland
March 2020

Raiffeisen Group remuneration report

A competitive compensation system plays a key role in successfully positioning Raiffeisen Switzerland as an attractive employer. The remuneration system is designed to attract skilled workers on the job market and to retain them, among other things. Outstanding and extraordinary achievements are recognised and rewarded.

Raiffeisen Switzerland's remuneration system is based on criteria provided in laws, rules and regulations, including, without limitation, Circular 10/1 "Remuneration schemes" of the Swiss Financial Market Supervisory Authority (FINMA).

The Raiffeisen Group (Raiffeisen Switzerland including the Raiffeisen banks and consolidated companies) paid CHF 1,058,170,444 in total remuneration in the current year. The share of variable remuneration (excluding employer pension and social insurance contributions) totalled CHF 101,608,808. Remuneration was rendered exclusively in the form of cash. None of it was deferred.

in CHF	**2019**	**2018**
Total Raiffeisen Group remuneration	1,058,170,444	1,086,310,308
of which total Raiffeisen Group variable remuneration pool	101,608,808	106,017,403

Raiffeisen Switzerland remuneration report

Remuneration governance

The Nomination and Remuneration Committee of Raiffeisen Switzerland is responsible for implementing the regulations issued by the Board of Directors of Raiffeisen Switzerland. It consists of at least three members of the Board of Directors. The Nomination and Remuneration Committee reviews proposals concerning the remuneration of the Executive Board of Raiffeisen Switzerland and Board of Directors and submits recommendations to the Board of Directors for approval. In addition, the Nomination and Remuneration Committee and the Board of Directors jointly evaluate the performance of the Chairman of Raiffeisen Switzerland's Executive Board and sit down with him to jointly review the performance evaluations of the other Executive Board members.

Raiffeisen Switzerland's Board of Directors is responsible for the following:

- Outlining the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for Raiffeisen banks
- Approving the annual remuneration report submitted to the Board by the Nomination and Remuneration Committee
- Reviewing remuneration policy on a regular basis and whenever there are indications that reviews or revisions may be necessary
- Having the structure and implementation of its remuneration policy checked by external auditors periodically or by Internal Auditing as necessary
- Regularly determining the amount of the total variable remuneration pool
- Defining the fixed and variable component of the remuneration for Members of the Executive Board and the Head of Internal Auditing, including contributions to the occupational pension

The Nomination and Remuneration Committee deals with remuneration topics at its meetings. At least four meetings are required each year. In 2019, the Nomination and Remuneration Committee held 16 meetings (including conference calls) with a general attendance rate of 97%. The Nomination and Remuneration Committee focused on the following areas in 2019:

- The final staffing of the Board of Directors of Raiffeisen Switzerland
- The search for two more Members of the Executive Board of Raiffeisen Switzerland
- The review and revision of the remuneration system of the Executive Board of Raiffeisen Switzerland
- The review of the remuneration system for Raiffeisen Switzerland employees
- Intensive communications with internal and external stakeholders

The Chairman of the Nomination and Remuneration Committee invites other members of the Board of Directors, the Executive Board, other experts, remuneration advisors and external legal advisors as needed. Whenever discussions pertain to remuneration, the person whose remuneration is being discussed does not take part in the discussion.

The remuneration approval structure can be summarised as follows:

Topic	Nomination and Remuneration Committee	Board of Directors
Develop or modify remuneration policy	Recommendation	Approval
Remuneration report	Recommendation	Approval
Remuneration for the CEO	Recommendation	Approval
Remuneration for the remaining Members of the Executive Board and Head of Internal Auditing	Recommendation [1]	Approval
Remuneration for the Board of Directors	Recommendation	Approval
Total amount of variable remuneration of Raiffeisen Switzerland	Recommendation	Approval

1 Together with the Chairman of the Executive Board except for the Head of Internal Auditing

At the Delegate Meeting of 15 June 2019, the Board of Directors for the first time moved for the delegates to hold a consultative vote on the remuneration report.

Internal Auditing regularly evaluates the operational implementation of the remuneration regulations at Raiffeisen Switzerland to ensure compliance with Raiffeisen Switzerland's remuneration system.

Remuneration policy

The remuneration policy is designed to align the interests of our employees with those of our clients. Raiffeisen Switzerland has an independent remuneration system that governs the remuneration paid to the Board of Directors and the Executive Board in detail and lays out basic principles for the total remuneration paid to all Raiffeisen Switzerland employees. Raiffeisen Switzerland also issues remuneration recommendations to Raiffeisen banks.

Remuneration caps are defined for all groups of risk-takers. There are limits on variable components. All remuneration is paid in the form of non-deferred cash. The remuneration system provides adequate incentives to drive and differentiate performance.

Being a cooperative, Raiffeisen Switzerland aims for stable returns and sustained success, which significantly affects the remuneration system. The remuneration policy aims for consistency. Incentives are designed to encourage appropriate business conduct and avoid potential conflicts of interest and excessive risk appetite.

The remuneration system is aligned with the business strategy. It gives due consideration to the Group's goals, values, cooperative culture and long-term, sustainable alignment.

Furthermore, Raiffeisen Switzerland places considerable emphasis on social responsibility and on a remuneration system that is both simple and transparent. The remuneration system must be attractive enough to recruit, motivate and retain talent over the long term. At the same time, Raiffeisen Switzerland believes in equal pay for equal work. The second study on wage equality, conducted at Raiffeisen Switzerland by the same independent partner as in 2014 and 2017, once again found that Raiffeisen Switzerland pays equal wages to men and women.

The following table summarises the principles of our remuneration policy.

Transparency	The structure of the remuneration system of Raiffeisen Switzerland is simple and transparent; the principle of "equal pay for equal work" applies as an absolute matter of course.
Strategic direction	The remuneration system is geared to the business strategy, with the goals, values, cooperative culture and long-term and sustainable orientation of the Group being thaken into account appropriately.
Consideration of risk	Incentives are designed to encourage appropriate business conduct and avoid potential conflicts of interest and excessive risk behaviour.
Performance orientation	The remuneration system sets appropriate incentives within the meaning of performance orientation and differentiation.
Market positioning	The remuneration system is attractive enough to recruit talented individuals, motivate them and ensure their long-term loyalty to the company. The appropriateness of the remuneration is reviewed based on regular market comparisons.

Remuneration system

For all employees (including Members of the Executive Board, senior management, additional risk takers and other controlling functions), remuneration comprises the following elements:

- Fixed remuneration in line with the market: Every employee has an individual contract establishing the fixed remuneration. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.
- Moderate variable remuneration: Variable remuneration is paid based on the Group's sustained success and individual employee performance reviews. It is also based on the assessment of how much individual employees contribute to the corporate culture. It can be paid for all functions, including controlling functions. Special care is taken to prevent the remuneration system giving controlling functions incentives that could cause conflicts of interests with their duties. Employees generally have no contractual guarantee to be paid variable remuneration. Exceptions are listed in section "Other remuneration". All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits are granted within the framework of applicable regulations, directives and industry standards.

The determination of the total variable remuneration pool is based in equal measure on the long-term development of the following criteria:

- Relative profitability over time compared to the market
- Change in equity capital
- Performance of strategic initiatives and projects
- Changes in economic capital required relative to core capital

Determination of the remuneration for the Board of Directors
The members of the Raiffeisen Switzerland Board of Directors receive remuneration commensurate with their respective responsibilities and time commitment. Additionally, members belonging to a committee, heading a committee or presiding over the Board of Directors receive higher pay. The members of the Board of Directors do not receive variable remuneration. The Board of Directors has no performance indicators that would encourage unnecessary risk-taking.

In accordance with the valid remuneration regulations, the Chairman of the Board of Directors receive annual fixed remuneration of CHF 750,000 and was not entitled to receive committee fees. The full members of the Board of Directors received a fixed remuneration of CHF 90,000. The Chairman of the Board of Directors received an annual lump-sum expense allowance of CHF 9,000 for his representative duties. The other members of the Board of Directors receive an annual lump-sum expense allowance of CHF 3,000.

Furthermore, the full members of the Board of Directors received:

- CHF 25,000 per committee for being a member of the Nomination and Remuneration Committee or Strategy and Finance Committee
- CHF 30,000 per committee for being a member of the Audit Committee or Risk Committee
- CHF 40,000 per committee for serving as Chairman of the Nomination and Remuneration Committee or Strategy and Finance Committee
- CHF 50,000 per committee for serving as Chairman of the Audit Committee or Risk Committee

The remuneration table below shows the total remuneration paid to the individual members of the Board of Directors.

Determination of the remuneration for the Executive Board

As detailed in the letter from the Chairman of the Nomination and Remuneration Committee, the realignment of the remuneration model for the Board of Directors also entailed a review and renegotiation of the remuneration of the members of the Executive Board. The maximum total gross remuneration of the Chairman of the Executive Board and the other members of the Executive Board of Raiffeisen Switzerland was reduced as of the current year. The gross caps communicated at the Delegate Meeting on 15 June 2019 – no more than CHF 1,500,000 for the Chairman of the Executive Board and generally less than CHF 1,000,000 for each of the other members of the Executive Board – were adhered to in the current year. The annual remuneration of the Executive Board consists of fixed and variable remuneration and fringe benefits. Loans granted to Members of the Executive Board and the Head of Internal Auditing are disclosed in note 17 in the annual report. Loans to members of the Executive Board are approved by the Nomination and Remuneration Committee. Furthermore, the Executive Board enjoys industry-standard preferential terms, as do the other employees.

Fixed remuneration

Fixed remuneration for Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority. Each member of the Executive Board and the Head of Internal Auditing receive a fixed basic salary that is reviewed each year by the Nomination and Remuneration Committee. The members of the Executive Board and the Head of Internal Auditing receive market-standard pension and fringe benefits.

Variable remuneration

The process of determining the performance-based allocation includes determining the total available pool of variable remuneration. Individual allocation to the Members of the Executive Board as well as to the Head of Internal Auditing is configured as follows:

Individual variable remuneration is also allocated by the Board of Directors and cannot exceed two-thirds of the fixed remuneration (excluding employer contributions to pension plans and social insurance) in any individual case.

The variable remuneration is allocated based on the attainment of Raiffeisen, area, team and employee targets. Both qualitative and quantitative targets are used for this purpose. The targets are assigned varying weights depending on the employee's function and role.

Separate handling of risk-takers not on the Executive Board

The Board of Directors has identified another group of risk-takers other than the eight members of the Executive Board and the Head of Internal Auditing: employees of the Treasury & Markets department with access to the market and trading opportunities. Despite quite modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk-takers are identified every year before the remuneration process begins; they are reported by the Head of Treasury & Markets to the

Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland as part of the motion determining the total variable remuneration pool. In 2019, this group consisted of 57 people (not counting Executive Board members or the Head of Internal Auditing).

The allocation of the variable remuneration to risk-takers is individually determined by the Executive Board. This allocation is based on achieved performance while taking into account the risks that were taken. The Executive Board or respective supervising line managers determine the allocation of variable remuneration among other employees. Function and performance reviews as well as the assessment of the contribution to corporate culture by the supervising manager play a major role in determining individual allocations. There are thus no incentives for individuals to strive for short-term success by taking excessive risks.

The remuneration structure is designed to ensure the variable remuneration paid to controlling functions in no way depends on the risks they monitor. In terms of their amount, variable remuneration should largely be qualified as bonuses (under civil law).

Remuneration for the BoD in 2019

In the 2019 reporting year, the total remuneration of the Board of Directors was subject to the remuneration system in force since 1 January 2019 and presented at the Delegate Meeting in June 2019. As a result, the members of the Board of Directors of Raiffeisen Switzerland received remuneration totalling CHF 1,994,375 for 2019. In addition, the employer share of social insurance contributions for the members of the Board of Directors totals CHF 368,410 for 2019. The following table (information in CHF) provides details on the remuneration of individual members of the Board of Directors and their functions.

Name	Position	Base remuneration	Committee remuneration	Attendance fees	Total gross remuneration	Flat-rate expenses	Employer pension plan and social insurance contributions
Lachappelle, Guy	Chair of the BoD, Member of the SFC 1 and NRC 4	750,000	-	-	**750,000**	9,000	136,305
Gantenbein, Pascal	Vice Chair of the BoD, Chair of the SFC 1 and Member of the RC 3	140,000	70,000	-	**210,000**	3,000	40,294
Bobillier, Anne (Joined 16.11.2019)	Member of the BoD and SFC 1	11,250	3,125	-	**14,375**	375	2,174
Golob, Andrej	Member of the BoD and SFC 1	90,000	25,000	-	**115,000**	3,000	22,865
Müller, Thomas A.	Member of the BoD and AC 2 and Chair of the RC 3	90,000	80,000	-	**170,000**	3,000	33,769
Rauber, Thomas	Member of the BoD and Chair of the NRC 4	90,000	40,000	-	**130,000**	3,000	25,913
Roussy, Olivier	Member of the BoD, SFC 1 and AC 2	90,000	55,000	-	**145,000**	3,000	29,108
Schwab, Beat	Member of the BoD, AC 2 and NRC 4	90,000	55,000	-	**145,000**	3,000	28,787
Valenzano Rossi, Karin	Member of the BoD, RC 3 and NRC 4	90,000	55,000	-	**145,000**	3,000	15,012
Walker, Rolf	Member of the BoD, Chair of the AC 2 and Member of the RC 3	90,000	80,000	-	**170,000**	3,000	34,182
Total 2019		**1,531,250**	**463,125**	**0**	**1'994'375**	**33,375**	**368,410**
Total 2018		1,390,413	524,928	709,200	**2,624,541**	83,206	423,882

Employer contributions to the pension plan and social insurance comprise AHV/IV/EO and ALV including pension plans.

1 SFC = Strategy and Finance Committee

2 AC = Audit Committee

3 RC = Risk Committee

4 NRC = Nomination and Remuneration Committee

Remuneration for the Executive Board in 2019

Total remuneration paid to the current members of the Raiffeisen Switzerland Executive Board, the Head of Internal Auditing and the three ad interim members of the Executive Board of Raiffeisen Switzerland for the current year (excluding employer contributions to pension plans and social insurance) came to CHF 7,349,621. Of this, CHF 1,432,258 was attributable to the base salary and variable pay of Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. In addition, compensation of CHF 298,808, which is the industry standard for executive board members, was paid for the bonus he did not receive from his former employer for 2018. In return, the Chairman of the Executive Board assumed his position at the earliest possible time. Employer contributions to pension plans and social insurance totalled CHF 2,120,000*; CHF 443,361 of this amount was paid to Heinz Huber. Fixed remuneration includes business-related board of directors fees for Executive Board members.

Furthermore, former members of the Executive Board (including members who retired from the Executive Board in the current year) of Raiffeisen Switzerland received remuneration from continued salary payments during the notice periods (excluding employer pension plan and social insurance contributions) totalling CHF 3,983,000 in the current year. Employer pension plan and social insurance contributions total CHF 1,449,525. Continued salary payments to former members of the Executive Board were accounted for in the 2018 income statement and deferred.

* Projection, since the variable remuneration will now be paid in April 2020

Further compensation in 2019

Raiffeisen Switzerland understands further compensation to mean guaranteed bonuses and joining or severance payments. Such payments are only agreed to by Raiffeisen Switzerland within narrow limits and in justified exceptional cases. In this respect, joining payments are understood to mean compensation payments in the sense of compensation for disadvantages suffered. At Raiffeisen Switzerland, joining and severance payments must be approved in compliance with clear and transparent decision-making processes.

Compensation payments for missed bonuses of CHF 548,808 were paid to two people in total for the current year. In addition to the Chairman of the Executive Board, Markus Voegelin received compensation for disadvantages suffered in his capacity as a new member of the Executive Board. The total sums of the further compensation were paid in cash. No other joining or severance payments were made.

Total remuneration by Raiffeisen Switzerland

In the current year, Raiffeisen Switzerland paid out remuneration (excluding employer pension plan and social insurance contributions) totalling CHF 333,323,820. Accrued remuneration expenses (both fixed and variable) for the current year have been recorded in full as personnel expenses. There are no remuneration expenses from earlier reporting years affecting profit and loss. In the current year, the Board of Directors approved and deferred a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 47,917,287 for Raiffeisen Switzerland. Of this amount, CHF 5,100,000 was paid to risk-takers outside the Executive Board and CHF 2,383,808 to the Executive Board, ad interim members of the Executive Board and the Head of Internal Auditing.

The final calculation of the variable compensation was based on the figures from the Group's financial statements as of 31 December 2019 and was submitted to the Board of Directors of Raiffeisen Switzerland for a decision in February 2020. In this context, the payment date for the variable remuneration was pushed back to April.

The fixed component was paid in cash. The variable remuneration component for the 2019 financial year will also be paid in cash in April 2020. No shares of fixed or variable remuneration were deferred.

The total variable remuneration pool benefited the same group of people as in the years before. Due to the postponed payment of the variable remuneration, the final number of beneficiaries will not be available until the end of April 2020. In the previous year, Raiffeisen Switzerland paid variable compensation to 2,080 people.

in CHF [1]	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration	333,323,820	285,406,533	47,917,287
Charges/credits from earlier reporting years affecting current profit and loss	0	0	0
Total remuneration paid to members of the Executive Board, the Head of Internal Auditing and ad interim members of the Executive Board	7,349,621	4,965,813	2,383,808 [3]
Total remuneration paid to former members of the Executive Board [2]	3,983,000	3,983,000	0
Total remuneration paid to other risk-takers (excluding Executive Board members)	14,323,208	9,223,208	5,100,000

1 Excluding employer pension plan and social insurance contributions

2 Including members of the Executive Board who left during the current year

3 This amount includes all the amounts mentioned in the section Further compensation 2019

Remuneration report Raiffeisen banks

The Board of Directors of Raiffeisen Switzerland recommends that the Raiffeisen banks orient their respective local remuneration systems to the recommendations made by Raiffeisen Switzerland.

Raiffeisen Switzerland advises the Raiffeisen banks and supports them in structuring and implementing their local remuneration systems while retaining their autonomy. The most important features of these recommendations are as follows:

- Remuneration for employees of Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, as in the Raiffeisen Switzerland model.
- According to the risk profile of Raiffeisen banks and their balanced business model, all remuneration (both fixed and variable) is provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors decides on the total sum of the variable remuneration, as well as on the individual allocation of the variable remuneration to the members and Chairman of the Executive Board.
- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so does cannot significantly increase remuneration.

Raiffeisen Switzerland monitors this process by regularly reviewing local remuneration systems in terms of conception and implementation and addressing irregularities with Raiffeisen banks in the context of a structured process.

Financial report

Raiffeisen Group 2019

Key figures

2019

in million CHF	Current year	Previous year	Change in %
Key figures			
Gross result from interest operations	2,267	2,291	-1.0
Operating income	3,052	3,078	-0.9
Operating expenses	1,870	1,997	-6.3
Operating result	930	699	33.0
Group profit	835	541	54.4
Cost income ratio	61.3%	64.9%	
Key balance sheet figures			
Total assets	248,345	225,333	10.2
Loans to clients	193,450	187,694	3.1
of which mortgage receivables	185,291	179,558	3.2
Customer deposits	176,179	165,701	6.3
Customer deposits in % of loans to clients	91.1%	88.3%	
Total equity (with minority interests)	17,416	16,480	5.7
Capital resources [1]			
Common Equity Tier 1 (CET1)	16,868	16,408	2.8
CET1 ratio	17.2%	16.5%	
Total capital ratio	18.3%	17.8%	
TLAC ratio	18.4%	18.0%	
Leverage ratio	7.1%	7.6%	
TLAC leverage ratio	7.2%	7.8%	
Market data			
Share of mortgage market	17.6%	17.6%	
Number of cooperative members	1,909,233	1,897,369	0.6
Client assets			
Client assets under management [2]	211,046	196,070	7.6
Lending business			
Value adjustments for default risks	235	259	-9.0
as % of loans to clients	0.122%	0.138%	
Resources			
Number of employees	11,045	10,947	0.9
Number of full-time positions	9,295	9,215	0.9
Number of locations	847	880	-3.7

1 according to FINMA Circular 2016/1

2 Account balances and securities accounts without own medium-term notes

Consolidated balance sheet

as at 31 December 2019

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Assets					
Liquid assets	29,643,304	19,188,528	10,454,776	54.5	18
Amounts due from banks	7,676,569	2,224,730	5,451,839	245.1	11, 18
Amounts due from securities financing transactions	249,941	4,920	245,021	4,980.1	1, 18
Amounts due from customers	8,159,886	8,135,116	24,770	0.3	2, 18
Mortgage loans	185,290,514	179,558,432	5,732,082	3.2	2, 11, 18
Trading portfolio assets	3,201,182	3,454,705	-253,523	-7.3	3, 18
Positive replacement values of derivative financial instruments	1,897,986	1,336,726	561,260	42.0	4, 18
Financial investments	7,194,368	6,612,833	581,535	8.8	5, 11, 18
Accrued income and prepaid expenses	262,726	259,248	3,478	1.3	
Non-consolidated participations	708,160	682,877	25,283	3.7	6, 7
Tangible fixed assets	2,997,533	2,933,400	64,133	2.2	8, 11
Intangible assets	9,996	53,811	-43,815	-81.4	9
Other assets	1,052,960	887,633	165,327	18.6	10
Total assets	**248,345,125**	**225,332,959**	**23,012,166**	**10.2**	
Total subordinated claims	77,442	76,108	1,334	1.8	
of which subject to mandatory conversion and/or debt waiver	-	-	-	-	
Liabilities					
Amounts due to banks	12,280,041	6,463,282	5,816,759	90.0	11, 18
Liabilities from securities financing transactions	6,326,901	2,925,136	3,401,765	116.3	1, 18
Amounts due in respect of customer deposits	176,179,481	165,701,376	10,478,105	6.3	12, 18
Trading portfolio liabilities	197,542	69,530	128,012	184.1	3, 18
Negative replacement values of derivative financial instruments	2,318,347	1,927,991	390,356	20.2	12, 4, 18
Liabilities from other financial instruments at fair value	2,497,397	2,299,953	197,444	8.6	3, 13, 18
Cash bonds	459,027	590,741	-131,714	-22.3	18
Bond issues and central mortgage institution loans	28,724,944	26,864,051	1,860,893	6.9	13, 14, 18
Accrued expenses and deferred income	840,052	854,782	-14,730	-1.7	12
Other liabilities	106,591	120,859	-14,268	-11.8	10
Provisions	998,369	1,035,435	-37,066	-3.6	15
Reserves for general banking risks	200,000	200,000	-	-	15
Cooperative capital	2,351,045	2,172,270	178,775	8.2	16
Retained earnings reserve	14,091,755	13,610,967	480,788	3.5	
Currency translation reserve	6	5	1	20.0	
Group profit	835,159	540,820	294,339	54.4	
Total equity (without minority interests)	**17,477,965**	**16,524,062**	**953,903**	**5.8**	
Minority interests in equity	-61,532	-44,239	-17,293	39.1	
of which minority interests in Group profit	-10,738	-43,882	33,144	-75.5	
Total equity (with minority interests)	**17,416,433**	**16,479,823**	**936,610**	**5.7**	
Total liabilities	**248,345,125**	**225,332,959**	**23,012,166**	**10.2**	
Total subordinated liabilities	1,589,522	1,594,672	-5,150	-0.3	
of which subject to mandatory conversion and/or debt waiver	1,054,004	1,059,154	-5,150	-0.5	
Off-balance-sheet transactions					
Contingent liabilities	496,081	530,776	-34,695	-6.5	2, 20
Irrevocable commitments	10,499,152	9,510,885	988,267	10.4	2
Obligations to pay up shares and make further contributions	109,214	109,234	-20	-0.0	2

Consolidated income statement

2019

in 1,000 CHF		Previous year	Change	Change in %	Note
Interest and discount income	2,818,985	2,895,035	-76,050	-2.6	25
Interest and dividend income from financial investments	42,776	48,584	-5,808	-12.0	
Interest expense	-594,666	-652,937	58,271	-8.9	25
Gross result from interest operations	**2,267,095**	**2,290,682**	**-23,587**	**-1.0**	
Changes in value adjustments for default risks and losses from interest operations	-12,959	-62,735	49,776	-79.3	15
Net result from interest operations	**2,254,136**	**2,227,947**	**26,189**	**1.2**	
Commission income from securities trading and investment activities	342,766	373,275	-30,509	-8.2	
Commission income from lending activities	21,702	21,377	325	1.5	
Commission income from other services	229,592	224,240	5,352	2.4	
Commission expense	-178,025	-168,113	-9,912	5.9	
Result from commission business and services	**416,035**	**450,779**	**-34,744**	**-7.7**	**22**
Result from trading activities and the fair value option	**228,054**	**210,375**	**17,679**	**8.4**	**23**
Result from disposal of financial investments	13,223	5,269	7,954	151.0	
Income from participations	64,268	76,241	-11,973	-15.7	24
Result from real estate	21,633	20,891	742	3.6	
Other ordinary income	64,609	129,252	-64,643	-50.0	
Other ordinary expenses	-10,403	-42,286	31,883	-75.4	
Other result from ordinary activities	**153,330**	**189,367**	**-36,037**	**-19.0**	
Operating income	**3,051,555**	**3,078,468**	**-26,913**	**-0.9**	
Personnel expenses	-1,331,731	-1,390,544	58,813	-4.2	26
General and administrative expenses	-538,461	-606,410	67,949	-11.2	27
Operating expenses	**-1,870,192**	**-1,996,954**	**126,762**	**-6.3**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-227,486	-258,648	31,162	-12.0	6, 8, 9
Changes to provisions and other value adjustments, and losses	-24,288	-123,815	99,527	-80.4	15
Operating result	**929,589**	**699,051**	**230,538**	**33.0**	
Extraordinary income	9,964	82,439	-72,475	-87.9	28
Extraordinary expenses	-3,325	-8,573	5,248	-61.2	28
Changes in reserves for general banking risks		-120,000	120,000	-100.0	15
Taxes	-111,807	-155,979	44,172	-28.3	29
Group profit (including minority interests)	**824,421**	**496,938**	**327,483**	**65.9**	
Minority interests in group profit	-10,738	-43,882	33,144	-75.5	
Group profit	**835,159**	**540,820**	**294,339**	**54.4**	

Cash flow statement

2019

in 1,000 CHF	Cash inflow for current year	Cash outflow for current year	Cash inflow for previous year	Cash outflow for previous year
Cash flow from operating results (internal financing)				
Group profit	835,159	-	540,820	-
Change in reserves for general banking risks	-	-	120,000	-
Value adjustments on participations	246	-	4,846	-
Depreciation and amortisation of tangible fixed assets and intangible assets	227,240	-	245,566	-
Provisions and other value adjustments	72,477	109,542	130,298	43,497
Change in value adjustments for default risks and losses	75,699	98,907	116,569	65,481
Appreciation on participations	-	25,595	-	14,821
Accrued income and prepaid expenses	-	3,478	18,557	-
Accrued expenses and deferred income	-	14,730	4,208	-
Interest paid on share certificates for previous year	-	60,032	-	52,041
Balance	**898,537**	**-**	**1,005,024**	**-**
Cash flow from shareholder's equity transactions				
Change in cooperative capital	245,097	66,322	270,177	55,303
Currency translation differences	1	-	-	2
Minority interests in equity	-	17,293	-	43,882
Balance	**161,483**	**-**	**170,990**	**-**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	161	95	23,731	46,516
Real estate	21,539	130,903	89,828	194,576
Software/other tangible fixed assets/objects in finance leasing	965	138,372	59,548	223,507
Intangible assets	50	837	210,434	-
Balance	**-**	**247,492**	**-**	**81,058**
Cash flow from banking operations				
Amounts due to banks	5,816,759	-	-	6,139,673
Liabilities from securities financing transactions	3,401,765	-	724,617	-
Amounts due in respect of customer deposits	10,478,105	-	1,616,551	-
Trading portfolio liabilities	128,012	-	-	64,269
Negative replacement values of derivative financial instruments	390,356	-	236,345	-
Liabilities from other financial instruments at fair value	197,444	-	-	280,353
Cash bonds	-	131,714	-	245,224
Bonds	1,824,681	1,421,688	1,374,065	1,232,558
Central mortgage institution loans	2,739,000	1,281,100	1,985,000	1,201,100
Other liabilities	-	14,268	-	39,167
Amounts due from banks	-	5,451,071	6,106,959	-
Amounts due from securities financing transactions	-	245,021	226,752	-
Amounts due from customers	-	11,770	-	273,909
Mortgage loans	-	5,722,642	-	6,933,048
Trading portfolio assets	253,523	-	424,378	-
Positive replacement values of derivative financial instruments	-	561,260	340,126	-
Financial investments	-	581,536	980,555	-
Other assets	-	165,327	-	35,497
Liquid assets	-	10,454,776	1,334,494	-
Balance	**-**	**812,528**	**-**	**1,094,956**
Total origin of funds	**1,060,020**	**-**	**1,176,014**	**-**
Total use of funds	**-**	**1,060,020**	**-**	**1,176,014**

Statement of changes in equity

2019

in 1,000 CHF	Cooperative capital	Retained earnings reserve	Reserves for general banking risks	Currency translation differences	Minority interests	Profit	Total
Equity capital at the beginning of the current year	**2,172,270**	**13,610,967**	**200,000**	**5**	**-44,239**	**540,820**	**16,479,823**
Capital increase	245,097	-	-	-	-	-	245,097
Capital decrease	-66,322	-	-	-	-	-	-66,322
Changes to the consolidated Group					-6,555		-6,555
Currency translation differences	-	-	-	1	-	-	1
Interest on the cooperative capital	-	-	-	-	-	-60,032	-60,032
Allocation to voluntary retained earnings reserves	-	480,788	-	-	-	-480,788	-
Profit	-	-	-	-	-10,738	835,159	824,421
Equity capital at the end of the current year	**2,351,045**	**14,091,755**	**200,000**	**6**	**-61,532**	**835,159**	**17,416,433**

Notes to the consolidated annual financial statements

Trading name, legal form, registered office

The Raiffeisen Group is a bank group without legal personality. It comprises 229 independent Raiffeisen banks in the legal form of a cooperative, Raiffeisen Switzerland domiciled in St.Gallen, and the associated Group companies.

Risk management

The risks of the Raiffeisen banks and Raiffeisen Switzerland are closely tied together.

Risk policy
Risk management systems are based on statutory provisions, regulations governing risk policy for the Raiffeisen Group ("risk policy" for short) as well as the framework and framework concepts for institute-wide risk management. The risk policy, framework and framework concepts are checked annually for obsolescence. The Raiffeisen Group views entering into risks as one of its core competences. Risks are only entered into with full knowledge of their extent and dynamics, and only when the requirements in terms of systems, staff resources and expertise are met. The risk policy aims to limit the negative impact of risks on earnings and protect the Raiffeisen Group against high exceptional losses while safeguarding and strengthening its good reputation. The Raiffeisen Group's risk management is organised using the three-lines-of-defence model: risks are managed by the responsible risk-managing business units (first line). The Risk & Compliance department is responsible for compliance with and enforcement of risk policy and regulatory requirements (second line). Internal Auditing ensures the independent review of the risk management framework (third line).

Risk control
The Raiffeisen Group limits and monitors the main risk categories via risk guidelines. Appropriate limits are used for quantifiable risks. Risks that are difficult to quantify are limited by qualitative stipulations.

Raiffeisen Switzerland's Risk & Compliance department is responsible for the independent monitoring of risk. This primarily involves monitoring compliance with the limits stipulated by the Board of Directors and the Executive Board. The Risk & Compliance department also evaluates the risk situation on a regular basis as part of the reporting process.

Monitoring of the subsidiaries is adjusted to the corresponding risk profiles. These are periodically reviewed. Raiffeisen Switzerland monitors the minimum risk management requirements. There is a periodic exchange with the risk control owner.

Raiffeisen conducts various regular stress tests to analyse the effects of adverse scenarios on the resilience of the bank. This involves examining the influence of important target values, such as profit, capital requirements or liquidity. The stress test analyses are carried out at the overall bank level or the level of certain sub-portfolios or risk categories. Moreover, as a systemically relevant bank, Raiffeisen carries out reverse stress tests as part of its stabilisation or emergency planning.

Conducting stress tests is an integral part of risk management at Raiffeisen. The Board of Directors of Raiffeisen Switzerland determines the risk tolerance on the basis of the stress test at Group level.

Risk management process

The risk management process is valid for all risk categories, namely for credit, market, liquidity and operational risks. It incorporates the following elements:

– Risk identification
– Risk measurement and assessment
– Risk management
– Risk monitoring and reporting

Raiffeisen Group's risk management systems aim to

– ensure that effective controls are in place at all levels and to guarantee that any risks entered into are in line with accepted levels of risk tolerance;
– create the conditions for entering into and systematically managing risks in a deliberate, targeted and controlled manner; and
– make the best possible use of risk appetite, i.e. ensure that risks are only entered into if they offer suitable return potential.

Credit risk

The business units of the Raiffeisen banks and Raiffeisen Switzerland manage their credit risk autonomously, although still in accordance with Group-wide standards.

Credit risks are defined in the risk policy as the risk of losses caused by clients or other counterparties failing to fulfil or render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities, trading products such as OTC derivatives, and long-term equity holdings.

The Raiffeisen Group identifies, assesses, manages and monitors the following risks in its lending activities:

– Counterparty risk
– Collateral risk
– Concentration risk
– Country risk

Counterparty risks accrue from the potential default of a debtor or counterparty. A debtor or counterparty is considered to be in default when receivables are overdue or at risk.

Collateral risks accrue from impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables from individual borrowers or in individual coverage categories, industries or geographic areas.

Country risk is the risk of losses caused by country-specific events.

Retail banking in Switzerland is the Raiffeisen Group's core business. The main component of this business is financing for loans secured by security interests in land. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, the Raiffeisen Group aims to deepen its client relationships in the areas of housing, wealth and entrepreneurship based on its broad client base. In particular, it plans to cultivate the investment and corporate client business more intensively.

Raiffeisen banks are chiefly exposed to counterparty, collateral and concentration risks. The majority of these risks result from loans granted to private or corporate clients. Corporate clients are mainly small and medium-sized companies that operate within the business areas of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Articles of Association of Raiffeisen banks stipulate limits for the acceptance of credit risks arising from uncovered transactions; uncovered loans to private clients are generally not possible and require the approval of Raiffeisen Switzerland. Loans to corporate clients over CHF 250,000 must be hedged with Raiffeisen Switzerland. A new blank credit concept is currently being prepared for corporate clients.

Like the Raiffeisen banks, the Raiffeisen Switzerland branches primarily incur counterparty, collateral and concentration risks. The branches of Raiffeisen Switzerland extend loans to private and corporate clients.

In general, the Corporate Clients department is the instance that grants larger loans to corporate clients. Blank loans over CHF 250,000 are additionally checked by the Raiffeisen Switzerland Credit Office. When the credit being increased or newly extended exceeds CHF 150 million on a risk-weighted basis, the Head of Group Risk Controlling (Head GRC) also issues an assessment.

The Group-wide responsibilities of the Treasury & Markets department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets, as well as the hedging of currency, fluctuating interest rate and proprietary trading risks. International transactions may only be conducted when country-specific limits have been approved and established.

Financing and disposals of KMU Capital AG are audited by the Investment Committee of KMU Capital AG. The Investment Committee consists of four members, with three members being appointed and delegated by Raiffeisen Switzerland (VRP KMU Capital AG, managing director KMU Capital AG, BoD member Raiffeisen Switzerland). The fourth member is an independent member of the Board of Directors of KMU Capital AG mandated by Raiffeisen Switzerland. The strategic objective is value-preserving liquidation of the portfolio over a period of three to six years.

Pursuant to the Articles of Association, Raiffeisen Switzerland's commitments abroad may not exceed 5% of the consolidated Raiffeisen Group balance sheet total on a risk-weighted basis.

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions and derivative financial instruments are converted to their respective credit equivalent. In the case of derivative financial instruments, the standard approach for the credit equivalents of SA-CCR derivatives is applied. Raiffeisen Switzerland has concluded a framework agreement for OTC derivative transactions (Swiss framework agreement or ISDA) with the counterparties of Treasury & Markets with which OTC derivative transactions are concluded and, depending on the counterparty, a collateral appendix for variation margin payments. Credit support is exchanged by transferring the margin requirement, which is calculated daily. These OTC exposures are monitored taking into account the collateral exchanged.

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships. Details are provided in note 7 of the information on the balance sheet.

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. Sufficient creditworthiness and the ability to maintain payments must be proven before any loan is approved. Loans to private individuals, legal entities and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is defined based on eleven risk categories and two default categories. This system has proved its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams at Raiffeisen Switzerland are available to provide assistance for more complex financing arrangements and the management of recovery positions.

Extensive internal rules define the methods, procedures and responsibilities for valuing loan collateral, particularly for determining market values and collateral values. These rules are constantly reviewed and updated to reflect changes in regulatory requirements and market conditions. When security interests in land are put up as collateral, the bank values them using generally accepted estimation methods that are adapted to the property type. This includes hedonic models, income approaches and expert estimates. The models used and the individual valuations themselves are regularly reviewed. The maximum lending amount for any property loan secured by security interests in land varies depending on the realisability of the collateral and is affected by the type of use.

Raiffeisen analyses loan positions for default risk at regular intervals and/or in response to certain events and recognises value adjustments and/or loan loss provisions as needed. The bank considers loans to be impaired when it becomes unlikely that debtors will be able to meet their future obligations or the intrinsic value of the loan no longer exists, but at the very latest when the contractual principal, interest or commission payments are more than 90 days overdue. Provisions are recognised for the full amount of the interest and commission payments.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties, sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio on a Group-wide basis, evaluating the portfolio structure and ensuring proper credit portfolio reporting. A semi-annual credit portfolio report provides responsible decision-makers with information on the economic environment, the structure of the credit portfolio, the risk situation and developments during the period under review. The report contains an assessment of credit portfolio risk and identifies any need for action.

Evaluating the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics, including, without limitation, category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The Executive Board and the Board of Directors of Raiffeisen Switzerland receive a quarterly risk report detailing the risk situation, risk exposure, limit utilisation and changes in exception-to-policy loans. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad hoc risk analyses where required. Monitoring and reporting form the basis for portfolio-controlling measures, with the main focus being on controlling new business via lending policy.

Cluster risks are monitored centrally by the Risk & Compliance department. As at 31 December 2019, Raiffeisen Switzerland had one reportable cluster risk with accumulated total exposures (after risk mitigation and risk weighting) of CHF 29.2 billion. This relates to the Swiss National Bank, which is exempt from the requirement to comply with the statutory limit. For the regulatory reporting of the 20 biggest overall exposures of the Raiffeisen Group, due to the prescribed threshold (2% of the capital valuation basis), only one counterparty with an overall exposure (after risk mitigation and risk weighting) of CHF 0.8 billion was reportable.

Market risk

Risk associated with fluctuating interest rates: Since interest rates for assets and liabilities are locked in for different periods, fluctuations in market interest rates can have a considerable impact on the Raiffeisen Group's profit and loss. Value at risk is calculated along with interest rate sensitivity in various interest rate shock scenarios in order to assess the assumed interest rate risk to the net present value of the equity capital. The impact on profitability is assessed using dynamic income simulations. To measure mark-to-market risk, a gap analysis is performed using all balance-sheet and off-balance-sheet items along with their contractually fixed maturities. Loans and deposits with non-fixed maturities and capital commitment periods are modelled on the basis of historical data and forward-looking scenarios. These models are backtested at least once a year and undergo regular independent validation. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible business units. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors. Interest rate risks are hedged using established instruments. Raiffeisen Switzerland's Treasury & Markets department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group. The Risk & Compliance department monitors compliance with interest risk limits and prepares the associated quarterly reports, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

Other market risk: Since assets in a foreign currency are generally refinanced in the same currency, foreign currency risks are largely avoided by the Raiffeisen banks.

The financial investment portfolio is managed by the Treasury & Markets department of Raiffeisen Switzerland. Financial investments are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities that meet statutory liquidity requirements for high-quality liquid assets (HQLA). The Risk & Compliance department of Raiffeisen Switzerland monitors the interest rate and foreign currency risks of financial investments.

The Treasury & Markets department is responsible for managing Raiffeisen Switzerland's trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep trading books. Trading activities include interest rates, currencies, equities and banknotes/precious metals. Trading must strictly adhere to the value-at-risk, scenario, position and loss limits set by the Board of Directors and the Executive Board, which the Risk & Compliance department monitors on a daily basis. In addition, the Risk & Compliance department conducts daily plausibility checks of the valuation parameters used to produce profit and loss figures for trading.

Reporting on compliance with value-at-risk, scenario, position and loss limits and the assessment of the risk situation by the Risk & Compliance department is primarily conducted via the following reports:

- Daily trading limit report to the responsible Executive Board members of Raiffeisen Switzerland
- Weekly market and liquidity risk report for Raiffeisen Switzerland, presented to responsible Executive Board members of Raiffeisen Switzerland
- Monthly risk report to the Executive Board of Raiffeisen Switzerland
- Quarterly risk report to the Board of Directors of Raiffeisen Switzerland

The Risk & Compliance department communicates breaches of market risk limits set by the Board of Directors and Executive Board on an ad hoc basis within the scope of the respective risk reports.

Liquidity risk

Liquidity risks are managed centrally for the Raiffeisen Group by the Treasury (Treasury & Markets department) of Raiffeisen Switzerland in accordance with applicable laws, regulations and commercial criteria and are monitored by the Risk & Compliance department of Raiffeisen Switzerland. Risk management involves, among other things, simulating liquidity inflows and outflows over different time horizons using various Group-wide scenarios. These scenarios include the impact of liquidity shocks that are specific to Raiffeisen or affect the market as a whole.

Monitoring is based on statutory minimum requirements and risk indicators based on the above scenario analyses.

Operational risk

At Raiffeisen, operational risks mean the danger of losses arising as a result of the unsuitability or failure of internal procedures, people or systems, or as a result of external events. They also include risks relating to cyber attacks and information security in general. This includes not only the financial impacts, but also the reputational and compliance consequences.

Operational risk tolerance is defined at Group level using value-at-risk limits or stop-loss limits and frequencies of occurrence. Risk tolerance is approved annually by the Board of Directors of Raiffeisen Switzerland. The Risk & Compliance department of Raiffeisen Switzerland monitors compliance with risk tolerance. If one of the defined limits or a threshold is exceeded, suitable action is defined and taken.

Each functional department within the Raiffeisen Group is responsible for identifying, assessing, managing and monitoring operational risk arising from its own activities. The Risk & Compliance department is responsible for maintaining the Group-wide register of operational risks and for analysing and evaluating operational risk data. Risk identification is supported by the capture and analysis of operational events. The Risk & Compliance department is also in charge of the concepts, methods and instruments used to manage operational risks, and it monitors the risk situation. In specific risk assessments, operational risks are identified, categorised by cause and impact, and evaluated according to the frequency of occurrence and the extent of losses. The risk register is updated dynamically. Risk reduction measures are defined and their implementation is monitored by the line units. Emergency and catastrophe planning measures for mission-critical processes are in place.

The results of the risk assessments, key risk indicators (KRIs), significant internal operational risk events and relevant external events are reported quarterly to both the Executive Board and the Board of Directors of Raiffeisen Switzerland. Value-at-risk limit violations are escalated to the Board of Directors of Raiffeisen Switzerland.

In addition to the standard risk management process, the Risk & Compliance department conducts ad hoc risk analyses where required, analyses any loss events that arise and maintains close links with other organisational units that, as a result of their function, come into contact with information on operational risks within the Raiffeisen Group.

The Raiffeisen banks analyse their operational risk situation through assessments at least once a year. These analyses are approved by the Board of Directors of each bank and forwarded to the Risk & Compliance department.

The Risk & Compliance department also reports to the Executive Board and the Audit and Risk Committees of Raiffeisen Switzerland on major compliance risks quarterly and on legal risks semi-annually. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2017/1, are submitted to the Board of Directors of Raiffeisen Switzerland once a year.

Outsourcing

Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Swisscom (Switzerland) Ltd is also the vendor and service provider of the TWINT app, Switzerland's digital payment solution. Bank Vontobel AG provides global custody and global execution services under a master agreement concerning the provision of securities services. Swiss Post Solutions Ltd handles the scanning and post-processing of paper-based payments. The printing and shipping of the bank vouchers has been outsourced to Trendcommerce (Schweiz) AG. Bottomline Technologies SARL's financial messaging solution ensures that payment transaction messages are received and forwarded. The platform for the online identification of new and current customers via Videostream is operated by Inventx AG.

When Raiffeisen investment products are issued, Leonteq Securities Ltd performs duties in connection with structuring, processing, documenting and distributing the instruments. Leonteq Securities Ltd also manages the derivative risks and deals with the life-cycle management of the products.

SIX Terravis Ltd administers the mortgage certificates register on a fiduciary basis. The operation of the digital solution for private document storage was outsourced to DSwiss Ltd.

The e-bill portal is operated by SIX Paynet Ltd and accessed via Raiffeisen e-banking.

Regulatory provisions

According to a FINMA ruling, the Raiffeisen banks are exempt from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

The Swiss National Bank (SNB) classified the Raiffeisen Group as systemically important for the purposes of the Swiss Banking Act in a ruling issued on 16 June 2014.

The Raiffeisen Group has opted for the following approaches for calculating capital adequacy requirements:

Credit risk

Raiffeisen has been using the internal ratings based model approach (Foundation IRB approach, "F-IRB") to calculate its capital requirements for credit risks since 30 September 2019. In the case of positions for which a model-based approach is not possible, the calculation of the required capital for credit risks continues to be carried out according to the standardised approach (SA-BIZ). External issuer/issue ratings from three FINMA-recognised rating agencies are used for central governments and central banks, public-sector entities, banks and securities dealers, as well as companies. Issuer/issue ratings from an export insurance agency are used for central governments; however, rating agency ratings take precedence over ratings issued by the export insurance agency.

No changes were made to the rating agencies or export insurance agencies used in the current year.

Positions for which external ratings are used are found chiefly under the following balance sheet items:

- Amounts due from banks
- Amounts due from customers and mortgage loans
- Financial investments
- Positive replacement value

In the past, Raiffeisen used the International Standardised Approach (SA-BIS) to calculate capital adequacy requirements for credit risks. The switch to the internal ratings based model approach (Foundation IRB approach, "F-IRB") took effect on 30 September 2019. The internal rating models used by Raiffeisen underwent an extensive review as part of the FINMA IRB approval process. FINMA gave Raiffeisen its approval to use the F-IRB approach to calculate capital adequacy requirements for credit risks starting on 30 September 2019. It was subject to floor transitional provisions, as is usually done with these kinds of transitions. That means that the risk-weighted positions calculated using the IRB model approach must not fall below a certain floor relative to the standardised approach (SA-BIS). The floor is 95% in the first year, 90% in the second and 85% in the third. After that, the IRB floor is determined by national laws and regulations.

Market risk

The capital adequacy requirements for market risk are calculated using the standardised approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options.

Operational risk

Raiffeisen uses the basic indicator approach to calculate capital adequacy requirements for operational risks.

Methods applied to identify default risks and to establish the required value adjustment

Mortgage loans

The property value of owner-occupied residential properties is determined using either the real value method or a hedonic pricing method. The bank uses these valuations to update the property value periodically. In addition, the bank constantly monitors delinquent interest and principal payments.

The property value of multi-family units, commercial real estate and special properties is determined using the income capitalisation method, which is based on long-term cash flows. This model also takes into account market data, location information and vacancy rates. Rental income from investment properties is reviewed periodically, particularly when there are indications of significant changes in rental income or vacancies. In addition, late payment of interest and amortisation is also regularly monitored here.

With the described methods and with rating systems the bank identifies mortgage loans associated with higher risks. These loans are thoroughly reviewed by credit specialists. Raiffeisen Switzerland's Recovery Department is involved in certain cases. Additional collateral may be requested or a value adjustment recognised based on the missing collateral (see also the section entitled "Steps involved in determining value adjustments and provisions").

Loans against securities

The bank monitors the commitments and value of the pledged securities on a daily basis. If the collateral value of the pledged securities falls below the credit limit amount (fixed collateral) or drawn-down amount (variable collateral), the bank will consider reducing the loan amount or request additional collateral. If the shortfall widens and/or no client-side improvement is possible within a specified period, the securities will be realised and the loan settled.

Unsecured loans
For unsecured commercial operating loans, the bank normally asks the client to provide information that can be used to assess the state of the company's finances. This information is requested annually or more frequently if necessary. Audited annual financial statements and any interim financial statements are requested regularly. This information is evaluated and any increased risks are identified. If the risks are higher, the bank will conduct a detailed assessment and work with the client to define appropriate measures in order to bring the commitment back into compliance. If the loan commitment is determined to be at risk in this phase, a value adjustment will be recognised.

Steps involved in determining value adjustments and provisions
The steps described in sections "Mortgage loans", "Loans against securities" and "Unsecured loans" are used to identify the need to recognise a value adjustment and/or provision. Furthermore, positions previously identified as being at risk are re-assessed quarterly. The value adjustment is updated if needed.

Value of collateral

Mortgage loans
Every mortgage loan is preceded by a recent valuation of the underlying collateral. The valuation method varies depending on property type and use. The bank values residential property using a hedonic pricing model together with the real value method. This approach compares the value of the property to purchase prices paid in the past, producing a statistical price that properties with comparable characteristics (size, appointments, location) have received. The bank uses the income capitalisation method for multi-family units, commercial real estate and special properties. In addition, Raiffeisen Switzerland's valuers or external accredited valuers must be involved if the real estate's lending basis exceeds a certain amount or if the real estate has special risks. The liquidation value is also calculated if the borrower's creditworthiness is poor.

The bank bases its loan on the lower of an internal or external valuation and the purchase price or capital expenditure (if incurred no more than 24 months previously).

Loans against securities
The bank accepts direct investments, structured products and funds as collateral for loans against securities. The bank discounts market values to account for the market risk associated with the financial instruments and to determine the collateral value. The risk discounts vary depending on the asset class and product group but are calculated using a defined, approved set of derivation rules. Discounts on life insurance policies or guarantees are dictated by the product.

Business policy on the use of derivative financial instruments and hedge accounting

Business policy on the use of derivative financial instruments
Derivative financial instruments are used for trading and hedging purposes.

Derivative financial instruments are only traded by specially trained traders. The bank does not make markets. It trades standardised and OTC instruments for its own and clients' accounts, particularly interest and currency instruments, equity/index securities and commodities.

Hedges in the banking book at Raiffeisen Switzerland are created by means of internal deposits and loans with the trading book; the Treasury and Products & Sales T&M departments do not take out hedges directly in the market. Hedges in the trading book are usually executed through offsetting trades with external counterparties.

The Raiffeisen banks trade or hedge derivative financial instruments as a commission agent solely to meet clients' needs.

Use of hedge accounting

The Raiffeisen banks do not use hedge accounting in the meaning of the financial reporting regulations.

Types of hedged items and hedging instruments

Raiffeisen Switzerland uses hedge accounting predominantly for the following types of transactions:

Hedged item	Hedged using:
Interest rate risks from interest rate sensitive receivables and liabilities in the bank book	Interest rate and currency swap
Price risk of foreign currency positions	Currency future contracts

Composition of the groups of financial instruments

Interest rate sensitive positions in the banking book are grouped into various time bands by currency and hedged accordingly using macro hedges. The bank also uses micro hedges.

Economic connection between hedged items and hedging instruments

At the inception of a hedge relationship between a financial instrument and an item, Raiffeisen Switzerland documents the relationship between the hedging instrument and the hedged item. The documentation covers things such as the risk management goals and strategy for the hedging instrument and the methods used to assess the effectiveness of the hedge. Effectiveness testing constantly and prospectively assesses the economic relationship between the hedged item and the hedging instrument by actions such as measuring offsetting changes in the value of the hedged item and the hedging instrument and determining the correlation between these changes.

Effectiveness testing

A hedge is deemed to be highly effective if the following criteria are substantially met:

- The hedge is determined to be highly effective both at inception and on an ongoing basis (micro hedges).
- There is a close economic connection between the hedged item and the hedging instrument.
- The changes in the value of the hedged item offset changes in the value of the hedging instrument with respect to the hedged risk.

Ineffectiveness

If a hedge no longer meets the effectiveness criteria, it is treated as a trading portfolio asset and any gain or loss from the ineffective part is recognised in the income statement.

Consolidation, accounting and valuation principles

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus the related ordinance) and FINMA Circular 2015/1 Accounting – Banks (ARB). The detailed positions shown for a balance sheet item are valued individually. The consolidated annual financial statements represent a true and fair view of the Raiffeisen Group's assets, finances and earnings.

Consolidation principles

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Raiffeisen Switzerland is legally a subsidiary even though it acts as the central coordinator, liquidity pool and safety net. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on the latter. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual financial statements of the Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual financial statements is thus the total of the cooperative capital of the individual Raiffeisen banks.

Scope of consolidation and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual financial statements of the individual Raiffeisen banks, Raiffeisen Switzerland and major Group companies in which the Group directly or indirectly holds more than 50% of the voting shares. The fully consolidated Group companies and the shareholdings valued according to the equity method are listed in the note "Companies in which the bank holds a permanent direct or indirect significant participation". Minor participations are not listed individually if the Group holds less than 10% of the voting shares and equity capital and its holding is either worth less than CHF 2 million of the equity capital or the book value is less than CHF 15 million.

Under the full consolidation method, the assets and liabilities, off-balance-sheet transactions, and income and expenses are all recorded in full. Capital is consolidated according to the purchase method. All material amounts receivable and payable, off-balance-sheet transactions, and income and expenses between consolidated companies are offset. Material intercompany profits are not generated and so intercompany profit elimination is ignored in the consolidation.

Minority interests of between 20% and 50% are consolidated according to the equity method. Participations of less than 20%, those with little materiality in terms of capital or income, and those of a non-strategic nature are not consolidated but are instead accounted for at acquisition cost less any operationally required value adjustments.

Consolidation date

The closing date for the annual financial statements of all consolidated companies is 31 December.

Accounting and valuation principles

Recording of business transactions
All business transactions that have been concluded by the balance sheet date are recorded on a same-day basis in the balance sheet and the income statement in accordance with the relevant valuation principles. Spot transactions that have been concluded but not yet settled are posted to the balance sheet on the trade date.

Foreign currencies
Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses arising from this valuation are reported under "Result from trading activities and the fair value option". Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

If the annual financial statements of Group companies are denominated in foreign currencies, the balance sheet and off-balance sheet are converted at the rates prevailing on the balance sheet date, while the income statement is converted at the average rate for the year. The conversion difference is recognised directly in equity capital as a currency translation difference with no impact on profit and loss.

Liquid assets, borrowed funds
These are reported at nominal value. Precious metal liabilities on metal accounts are valued at fair value if the relevant metal is traded on a price-efficient and liquid market.

Discounts and premiums on the Group's own bond issues and central mortgage institution loans are accrued over the period to maturity.

Amounts due from banks and customers, mortgage loans, value adjustments
These are reported at nominal value less any value adjustment required. Precious metal assets on metal accounts are valued at fair value if the relevant metal is traded on a price-efficient and liquid market. Interest income is reported on an accruals basis.

Receivables are deemed to be impaired where the bank believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired loans – and any collateral that may exist – are valued on the basis of the liquidation value.

Impaired loans are subject to provisions based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realisable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

Value adjustments are not recognised for latent risks.

If a loan is impaired, it may be possible to maintain an available credit limit as part of a continuation strategy. If necessary, provisions for off-balance-sheet transactions are recognised for these kinds of unused credit limits. For current account overdrafts, which typically show considerable, frequent volatility over time, initial and subsequent provisions are recognised for the total amount (i.e. value adjustments for effective drawdowns and provisions for available limits) under "Changes in value adjustments for default risks and losses from interest operations". If drawdowns change, a corresponding amount is transferred between value adjustments and provisions in equity. Reversals of value adjustments or provisions are also recognised under "Changes in value adjustments for default risks and losses from interest operations".

Interest and related commissions that have been due for more than 90 days, but have not been paid, are deemed to be non-performing. In the case of current account overdrafts, interest and commissions are deemed to be non-performing if the specified overdraft limit is exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commissions are no longer recognised as income but reported directly under value adjustments for default risks.

A receivable is written off at the latest when completion of the realisation process has been confirmed by legal title.

However, impaired loans are written back up in full, i.e. the value adjustment is reversed if payments of outstanding principal and interest are resumed on schedule in accordance with contractual provisions and additional creditworthiness criteria are fulfilled.

Individual value adjustments for credit items are calculated per item on a prudential basis and deducted from the appropriate receivable.

All leased objects are reported in the balance sheet as "Amounts due from customers" in line with the present-value method.

Securities lending and borrowing

Securities lending transactions are reported at the value of the cash collateral received or issued, including accrued interest. Securities which are borrowed or received as collateral are only reported in the balance sheet if the Raiffeisen Group takes control of the rights associated with them. Securities which are loaned or are provided as collateral are only removed from the balance sheet if the Raiffeisen Group forfeits the rights associated with them. The market values of the borrowed and loaned securities are monitored daily so that any additional collateral can be provided or requested as necessary.Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis. Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis.

Repurchase and reverse repurchase transactions

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest.

Securities received and delivered are only recorded in/removed from the balance sheet if control of the rights, which these securities include, is acquired or transferred. The market values of the received or delivered securities are monitored daily so that any additional collateral can be provided or requested as necessary.

Interest income from reverse repurchase transactions and interest expense from repurchase transactions are accrued over the term of the underlying transaction.

Trading portfolio assets and trading portfolio liabilities

The trading portfolio assets and trading portfolio liabilities are valued and recognised at fair value. Positions for which there is no representative market are valued according to the lower of cost or market value principle. Both the gains and losses arising from this valuation and the gains and losses realised during the period in question are reported under "Result from trading activities and the fair value option". This also applies to interest and dividend income on trading positions. The funding costs for holding trading positions are charged to trading profits and credited to interest income. Income from firm commitments to securities issues are also reported under trading profits.

Financial investments

Fixed-income debt instruments and warrant bonds are valued according to the lower of cost or market value principle if there is no intention to hold them to maturity. Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method with the discount or premium accrued over the remaining life. Equity securities are valued according to the lower of cost or market value principle. Real estate and equity securities acquired through the lending activities and other real estate and equity securities intended for disposal are reported under "Financial investments" and valued at the lower cost of cost or market. The "lower of cost or market value" principle refers to the lower of the acquisition cost or the liquidation value. Precious metals held to cover liabilities from precious metals accounts are carried at market value as at the balance sheet date. In cases where fair value cannot be determined, they are valued according to the lower of cost or market value principle.

Non-consolidated participations

Non-consolidated participations include minority holdings of between 20% and 50% which are valued according to the equity method.

This balance sheet item also includes holdings of less than 20% and all holdings of an infrastructural nature. These are valued in accordance with the principle of initial value, i.e. initial value less operationally required value adjustments. They are tested for impairment as of each balance sheet date.

Tangible fixed assets

Tangible fixed assets are reported at their purchase cost plus value-enhancing investments and depreciated on a straight-line basis over their estimated useful life, as follows:

Real estate		66 years
Alterations and fixtures in rented premises	full rental term, maximum	15 years
Furniture and fixtures		8 years
Other tangible assets		5 years
Internally developed or purchased core banking software		10 years
IT systems and remaining software		3 years

Minor investments are booked directly to operating expenses. Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are booked directly to the income statement. Expenditure incurred in connection with the implementation of the new core banking systems is recognised as an asset through "Other ordinary income". Real estate, buildings under construction and core banking systems are not depreciated until they come into use. Undeveloped building land is not depreciated.

The value of tangible fixed assets is reviewed as at every balance sheet date whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is recognised in profit or loss under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the useful life of a tangible fixed asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

Goodwill: If the cost of acquiring a company is higher than the value of the net assets acquired based on standard Group accounting guidelines, the difference is reported as goodwill. Goodwill is amortised on a straight-line basis over its estimated useful life. The amortisation period is usually five years. In justifiable cases, it may be as high as ten years. If goodwill was on the books as of 31 December 2014 and its useful life was originally estimated to be more than ten years, it is still amortised over its original estimated useful life.

Other intangible assets: Acquired intangible assets are recognised where they provide the Group with a measurable benefit over several years. Intangible assets created by the Group itself are not capitalised. Intangible assets are recognised at acquisition cost and amortised on a straight-line basis over their estimated useful life within a maximum of five years.

Impairment testing: The value of intangible assets is reviewed as of every balance sheet date whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is recognised in profit or loss under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the useful life of an intangible asset changes as a result of the review, the residual book value is amortised over the new duration.

Provisions

Provisions are recognised on a prudential basis for all risks identified at the balance sheet date that are based on a past event and will probably result in an obligation. In regards to provisions for available overdraft limits, we refer to the chapter "Amounts due from banks and clients, mortgage loans, value adjustments".

Reserves for general banking risks

Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the Raiffeisen Group. These reserves are counted as capital in accordance with Art. 21 para. 1 letter c of the Capital Adequacy Ordinance.

Taxes

Taxes are calculated and booked on the basis of the profit for the current year. Deferred tax of 17,5% (previous year: 19.1%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

Contingent liabilities, irrevocable commitments, obligations to make payments and additional contributions

These are reported at their nominal value under "Off-balance-sheet transactions". Provisions are created for foreseeable risks.

Derivative financial instruments

Reporting: The replacement values of all contracts concluded on the Group's own account are recognised in the balance sheet regardless of their income statement treatment. The replacement values of exchange-traded contracts concluded on a commission basis are recognised in the balance sheet only to the extent that they are not covered by margin deposits. The replacement values of over-the-counter contracts concluded on a commission basis are always recognised in the balance sheet.

All hedging transactions of Raiffeisen Switzerland of the Treasury and Products & Sales T&M departments are concluded via the trading book; the Treasury and Products & Sales T&M departments do not participate in the market itself. Only the replacement values of contracts with external counterparties are reported. The "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume of internal hedging transactions of the Treasury and Products & Sales T&M departments is reported under "Hedging instruments".

For structured products issued by Raiffeisen Switzerland that include a bond, the derivative is separated from the base contract and valued separately. The debt securities (underlying contracts) are reported at nominal value under "Bonds and central mortgage institution loans". Discounts and premiums are reported under the item "Accrued expenses and deferred income" or "Accrued income and prepaid expenses", as the case may be, and realised against the interest income over the remaining life. Issued structured products that do not include a debt security and the derivative portions of the structured products that include a debt security are recognised at fair value under "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

The structured products issued by Raiffeisen Switzerland B.V. Amsterdam are valued at fair value. These products are carried at market value under "Liabilities from other financial instruments at fair value".

Treatment in the income statement: The derivative financial instruments recorded in the trading book are valued on a fair-value basis.

Derivative financial instruments used to hedge risk associated with fluctuating interest rates as part of balance sheet "structural management" are valued in accordance with the accrual method. Interest-related gains and losses arising from the early realisation of contracts are accrued over their remaining lives.

The net income from self-issued structured products and the net income from the commission-based issue of structured products by other issuers are booked under "Commission income from securities and investment activity".

Changes as against previous year
There have been no material changes to the accounting and valuation principles.

Events after the balance sheet date
No events with a measurable effect on the 2019 operating result occurred after the balance sheet date Significant effects on the economic outlook that currently cannot be assessed are to be expected as a result of the COVID-19 pandemic in spring 2020. This extraordinary situation will influence the result of the 2020 financial year.

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

in 1,000 CHF	Current year	Previous year
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions [1]	249,931	4,925
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions [1]	6,325,135	2,925,133
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	6,019,581	2,944,113
with unrestricted right to resell or pledge	6,019,581	2,944,113
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	447,066	74,493
of which, repledged securities	249,524	-
of which, resold securities	197,542	69,530

1 before netting agreements

2. Collateral for loans/receivables and off-balance- sheet transactions, as well as impaired loans/receivables

in 1,000 CHF	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	1,931,346	1,196,564	5,161,321	8,289,231
Mortgage loans	185,290,389	-	104,263	185,394,652
Residential property	170,032,769	-	53,192	170,085,961
Office and business premises	3,514,895	-	6,408	3,521,303
Commercial and industrial premises	6,047,868	-	11,037	6,058,905
Other	5,694,857	-	33,626	5,728,483
Total loans (before netting with value adjustments)				
Current year	**187,221,735**	**1,196,564**	**5,265,584**	**193,683,883**
Previous year	181,627,661	940,028	5,381,782	187,949,471
Total loans (after netting with value adjustments)				
Current year	**187,221,735**	**1,196,564**	**5,032,101**	**193,450,400**
Previous year	181,627,661	940,028	5,125,859	187,693,548
Off-balance-sheet				
Contingent liabilities	51,478	144,992	299,611	496,081
Irrevocable commitments	7,776,676	242,805	2,479,671	10,499,152
Obligations to pay up shares and make further contributions	-	-	109,214	109,214
Total off-balance-sheet				
Current year	**7,828,154**	**387,797**	**2,888,496**	**11,104,447**
Previous year	6,872,244	330,480	2,948,171	10,150,895

in 1,000 CHF	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans				
Current year [1]	**883,754**	**604,963**	**278,791**	**235,455**
Previous year	863,884	569,271	294,613	258,663

The difference between the net amount borrowed and the provisions is attributable to the fact that prudent estimates have been made of the amounts Raiffeisen expects to receive based on the creditworthiness of individual borrowers.

3. Trading portfolios and other financial instruments at fair value (assets and liabilities)

3.1 Assets

in 1,000 CHF	Current year	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions	2,711,245	2,834,058
stock exchange listed [1]	2,595,362	2,698,336
traded on a representative market	115,883	135,722
Equity securities	31,186	57,214
Precious metals	403,235	543,197
Other trading portfolio assets	55,516	20,236
Other financial instruments at fair value		
Debt securities	-	-
Structured products	-	-
Other	-	-
Total assets	**3,201,182**	**3,454,705**
of which, determined using a valuation model	115,883	135,722
of which, securities eligible for repo transactions in accordance with liquidity requirements	311,265	586,329

1 stock exchange listed = traded on a recognised stock exchange

3.2 Liabilities

in 1,000 CHF	Current year	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions [2]	189,724	69,530
of which, listed [1]	189,724	69,530
Equity securities [2]	5,272	-
Precious metals [2]	-	-
Other trading portfolio liabilities [2]	2,546	-
Other financial instruments at fair value		
Structured products	2,497,397	2,299,953
Other	-	-
Total liabilities	**2,694,939**	**2,369,483**
of which, determined using a valuation model	2,497,397	2,299,953

1 stock exchange listed = traded on a recognised stock exchange

2 for short positions (booked using the trade date accounting principle)

4. Derivative financial instruments (assets and liabilities)

4.1 Derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
in 1,000 CHF	**Positive replacement values**	**Negative replacement values**	**Contract volume**	**Positive replacement values**	**Negative replacement values**	**Contract volume**
Interest rate instruments						
Forward contracts incl. FRAs	462	324	2,500,000	-	-	-
Swaps	421,518	429,476	42,765,214	534,422	843,444	36,083,921
Futures	-	-	169,176	-	-	-
Options (OTC)	4,786	7,288	3,770,679	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	**426,766**	**437,088**	**49,205,069**	**534,422**	**843,444**	**36,083,921**
Foreign exchange						
Forward contracts	623,758	620,704	69,165,310	6,073	120,564	8,332,455
Comb. interest rate/currency swaps	0	2	150	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	14,281	11,588	2,016,767	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign exchange	**638,039**	**632,294**	**71,182,227**	**6,073**	**120,564**	**8,332,455**
Precious metals						
Forward contracts	33,440	18,097	1,542,987	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	3,243	-	-	-
Options (OTC)	68,667	12,990	2,059,685	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	**102,107**	**31,087**	**3,605,915**	**-**	**-**	**-**
Equity securities/indices						
Forward contracts	-	-	-	-	-	-
Swaps	18,405	83,468	1,791,400	-	-	-
Futures	-	-	145,470	-	-	-
Options (OTC)	141,153	133,558	4,409,520	-	-	92,581
Options (exchange traded)	368	245	5,605	-	-	-
Total equity securities/indices	**159,926**	**217,271**	**6,351,995**	**-**	**-**	**92,581**
Credit derivatives						
Credit default swaps	10,332	17,640	913,492	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	**10,332**	**17,640**	**913,492**	**-**	**-**	**-**
Other						
Forward contracts	-	-	-	-	-	-
Swaps	697	315	108,414	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	19,625	18,645	284,603	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	**20,322**	**18,960**	**393,017**	**-**	**-**	**-**
Total						
Current year	**1,357,491**	**1,354,339**	**131,651,715**	**540,494**	**964,008**	**44,508,957**
of which determined using a valuation model	1,357,124	1,354,094	-	540,494	964,008	-
Previous year	844,817	1,229,881	77,709,749	491,908	698,110	38,214,972
of which determined using a valuation model	844,817	1,229,881	-	491,908	698,110	-

4.2 Derivative financial instruments by counterparty and time remaining to maturity

in 1,000 CHF	Positive replacement values	Negative replacement values	Contract volume up to 1 year	Contract volume 1 to 5 years	Contract volume over 5 years	Contract volume total
Banks and securities dealers	1,479,426	1,771,566	88,086,340	23,587,094	9,771,683	121,445,116
Other customers	80,756	89,821	3,835,408	1,980,412	604,162	6,419,982
Stock exchanges	368	245	323,478	16	-	323,494
Central clearing houses	337,436	456,715	10,571,850	18,274,730	19,125,500	47,972,080
Total						
Current year	**1,897,986**	**2,318,347**	**102,817,076**	**43,842,252**	**29,501,345**	**176,160,672**
Previous year	1,336,726	1,927,991	52,804,807	37,377,924	25,741,991	115,924,721

No netting contracts are used to report the replacement values.

Quality of counterparties
Banks/securities dealers: Derivative transactions were conducted with counterparties with a very good credit rating. 82.8% of the positive replacement values are open with counterparties with an upper-medium grade or better rating (Moody's) or with a comparable rating.

Clients: In transactions with clients, the required margins were secured by assets or free credit lines.

5. Financial investments

5.1 Breakdown of financial investments

in 1,000 CHF	Book value current year	Book value previous year	Fair value current year	Fair value previous year
Financial investments				
Debt securities	7,112,239	6,473,740	7,443,014	6,653,739
of which, intended to be held until maturity	7,112,239	6,473,740	7,443,014	6,653,739
of which, not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	24,372	58,387	68,191	96,519
of which qualified participations [1]	6,587	12,618	49,602	50,095
Precious metals	-	-	-	-
Real estate	57,757	80,706	63,114	85,276
Total financial investments	**7,194,368**	**6,612,833**	**7,574,319**	**6,835,534**
of which securities for repo transactions in line with liquidity requirements	7,077,034	6,443,576	-	-

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

in 1,000 CHF	Book value Very safe investment	Book value Safe investment	Book value Average to good investment	Book value Speculative to highly speculative investment	Book value Highest-risk investment/ default	Book value Unrated investment
Debt securities	**6,940,981**	**20,140**	**-**	**-**	**-**	**151,118**

Ratings are assigned based on Moody’s rating classes. The Raiffeisen Group uses the ratings of all three major international rating institutions.

6. Non-consolidated participations

in 1,000 CHF	Acquisition cost	Accumulated value adjust-ments and changes in book values (equity method)	Book value previous year end	Changes to the consolidated Group	Current year reclassifi-cations	Current year additions	Current year disposals	Current year value adjustments	Current year changes in book value in the case of participations valued using the equity method	Book value as at end of current year	Market value
Participations valued using the equity method	**286,759**	**280,429**	**567,188**	**-**	**-**	**-**	**-**	**-149**	**25,595**	**592,634**	
- with market value	128,663	47,652	176,315	-	-	-	-	-	15,917	192,232	180,321
- without market value	158,096	232,777	390,873	-	-	-	-	-149	9,678	400,402	–
Other non-consolidated participations	**135,009**	**-19,320**	**115,689**	**-**	**-**	**95**	**-161**	**-97**	**-**	**115,526**	
- with market value	145	-4	141	-	-	-	-	-	-	141	521
- without market value	134,864	-19,316	115,548	-	-	95	-161	-97	-	115,385	–
Total non-consolidated participations	**421,768**	**261,109**	**682,877**	**-**	**-**	**95**	**-161**	**-246**	**25,595**	**708,160**	

7. Companies in which the bank holds a permanent direct or indirect significant participation

Company name/holding in 1,000 CHF	Registered office	Business activity	Capital	Current year equity interest in %[1]	Current year voting share in %[1]	Previous year equity interest in %[1]	Previous year voting share in %[1]
7.1 Group companies							
Raiffeisen Switzerland Cooperative [2]	St.Gallen	Central bank, association services	1,700,000	100.0	100.0	100.0	100.0
Raiffeisen Unternehmerzentrum AG	Gossau SG	Advisory services for SMEs	5,000	100.0	100.0	100.0	100.0
Raiffeisen Immo Ltd	St.Gallen	Brokering and advisory services	5,000	100.0	100.0	100.0	100.0
Business Broker Ltd	Zurich	Management consulting	100	100.0	100.0	100.0	100.0
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0	100.0	100.0
KMU Capital Ltd [3]	St.Gallen	Financial services	2,566	100.0	100.0	100.0	100.0
KMU Capital Holding Ltd [4]	Herisau	Affiliated company	10,000	60.0	60.0	60.0	60.0
ARIZON Sourcing Ltd in Liquidation	St.Gallen	Operational and advisory services for banks	10,000	100.0	100.0	51.0	51.0
Raiffeisen Switzerland B.V. Amsterdam	Amsterdam NL	Financial services	1,000	100.0	100.0	100.0	100.0
Valyo Ltd	Baden	Development and operation of platforms	1,050	100.0	100.0	-	-
7.2 Participations valued using the equity method							
Vorsorge Partner AG	St.Gallen	Pension advisory services	100	40.0	40.0	40.0	40.0
Leonteq Ltd [5]	Zurich	Financial services	18,934	29.0	29.0	29.0	29.0
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG [2]	Zurich	Pfandbriefbank	900,000	21.7	21.7	21.7	21.7
of which not paid up			504,000				
7.3 Other non-consolidated participations [6]							
responsAbility Participations AG	Zurich	Financial services	138,877	14.4	14.4	14.4	14.4
Swiss Bankers Prepaid Services Ltd	Grosshöchstetten	Financial services	10,000	16.5	16.5	16.5	16.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organisation of fairs	23,233	11.5	11.5	11.5	11.5
Twint Ltd	Zurich	Financial services	12,750	4.0	4.0	5.0	5.0
SIX Group Ltd	Zurich	Financial services	19,522	5.5	5.5	6.9	6.9

1 The level of equity capital and voting shares is always stated from the perspective of the directly controlling company.

2 The Raiffeisen banks directly own Raiffeisen Switzerland Cooperative and 18.7% of Pfandbriefbank schweizerischer Hypothekarinstitute AG.

3 Controlled by KMU Capital Holding AG.

4 In 2018, Raiffeisen Switzerland Cooperative initially terminated the shareholders' binding agreement for KMU Capital Holding AG (formerly Investnet Holding AG) for cause and subsequently, where necessary, voided the agreements in the context of "Investnet". As a result of the voidance, Raiffeisen Switzerland is claiming all the shares in KMU Capital Holding AG, which is entirely controlled by KMU Capital AG. The initiated civil proceedings are still pending. In connection with the voidance of agreements, Raiffeisen Switzerland also wrote off liabilities of CHF 30 million and contingent liabilities amounting to CHF 30 million in 2018. Raiffeisen Switzerland assumes that there will be no more payments. If, contrary to the expectations of Raiffeisen Switzerland, neither the voidance of the agreements nor the validity of the termination are confirmed, minority shareholders might, if need be, be entitled to tender shares in KMU Capital Holding AG to Raiffeisen Switzerland from 1 July 2020 according to the shareholders' binding agreement of 2015 and based on a contractually agreed valuation method (put option). The above-mentioned written-off liabilities and contingent liabilities could become relevant in such a case. Due to the aforementioned contestation of the contract and the termination of the shareholders' agreement, the put option will not be valued as of 31 December 2019.

5 Raiffeisen Switzerland Cooperative sold call option on Leonteq founding partner for 2.4% of the share capital in Leonteq AG. The strike price is CHF 210 per share (adjusted for dividend payments) and the term is 10 years (until October 2025).

6 All participations in cooperation partners and joint ventures by the banks are listed here. Other participations are listed if the shareholding represents more than 10% of the voting share and equity and the shareholding is worth either > CHF 2 million of the equity or the book value is > CHF 15 million.

8. Tangible fixed assets

8.1 Tangible fixed assets

in 1,000 CHF	Acquisition cost	Accumulated depreciation	Book value previous year end	Impact of any changes in the scope of consolidation	Current year reclassi-fications	Current year additions	Current year disposals	Current year depreci-ation	Book value as at end of current year
Bank buildings	2,345,314	-554,681	1,790,633	-	-11,320	102,750	-10,686	-39,410	1,831,967
Other real estate	564,744	-140,917	423,827	-	3,474	28,153	-10,853	-10,359	434,242
Proprietary or separately acquired software	607,875	-115,830	492,045	-	50	56,289	-	-60,202	488,182
thereof self-developed	411,981	-	411,981	-	-	38,958 [1]	-	-45,094	405,845
Other tangible fixed assets	1,149,402	-922,522	226,880	-	7,796	82,083	-965	-72,658	243,136
Objects in finance leasing	45	-30	15	-	-	-	-	-9	6
Total tangible assets	**4,667,380**	**-1,733,980**	**2,933,400**	**-**	**-**	**269,275**	**-22,504**	**-182,638**	**2,997,533**

1 Recognised in the income statement under "Other ordinary income".

8.2 Operating leases

in 1,000 CHF	Current year	Previous year
Non-recognised lease commitments		
Due within 12 months	1,914	2,054
Due within 1 to 5 years	2,717	2,838
Due after 5 years	-	-
Total non-recognised lease commitments	**4,631**	**4,892**
of which obligations that can be terminated within one year	4,584	4,808

9. Intangible assets

in 1,000 CHF	Cost value	Accumulated depreciation	Book value previous year end	Changes to the consolidated Group	Current year additions	Current year disposals	Current year amortisation	Book value as at end of current year
Goodwill [1]	261,040	-211,463	49,577	-	837	-50	-42,183	8,181
Other intangible assets	12,500	-8,266	4,234	-	-	-	-2,419	1,815
Total intangible assets	**273,540**	**-219,729**	**53,811**	**-**	**837**	**-50**	**-44,602**	**9,996**

1 The valuation of the goodwill on Leonteq AG resulted in an extraordinary write-off of CHF 38 million. The remaining depreciation resulted from ordinary goodwill amortization.

10. Other assets and other liabilities

in 1,000 CHF	Current year	Previous year
Other assets		
Compensation account	259,757	120,099
Settlement accounts for indirect taxes	631,857	588,824
Other settlement accounts	20,266	41,611
Employer contribution reserves with pension plans	126,729	124,728
Miscellaneous other assets	14,351	12,371
Total other assets	**1,052,960**	**887,633**
Other liabilities		
Due, unredeemed coupons and debt instruments	6,613	8,352
Levies, indirect taxes	44,127	48,865
Other settlement accounts	36,134	45,248
Miscellaneous other liabilities	19,717	18,394
Total other liabilities	**106,591**	**120,859**

11. Assets pledged or assigned to secure own commitments and of assets under reservation of ownership[1]

in 1,000 CHF	Current year book value	Current year effective commitments	Previous year book value	Previous year effective commitments
Amounts due from banks	814,887	814,887	1,028,007	1,028,007
Amounts due from customers	-	-	570	570
Mortgage loans	34,190,618	23,969,645	32,236,407	22,468,008
Financial investments	1,177,390	432,892	1,249,121	486,213
Tangible fixed assets/other assets	-	-	-	-
Total pledged or assigned assets	**36,182,895**	**25,217,424**	**34,514,105**	**23,982,798**
Total assets under reservation of ownership[2]	**6**	**6**	**15**	**15**

1 Without securities financing transactions (see separate presentation of the securities financing transactions in note 1).

2 These are primarily finance leasing objects that are recognised as assets.

12. Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law.

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. 5 (previous year: 8) Raiffeisen banks as well as one Group company are insured outside the Raiffeisen Group's pension scheme (other collective foundations, collective insurance contracts, etc.).

12.1 Liabilities to own social insurance institutions

in 1,000 CHF	Current year	Previous year
Amounts due in respect of customer deposits	191,435	136,257
Negative replacement values of derivative financial instruments	7,438	2,421
Bonds	40,000	40,000
Accrued expenses and deferred income	411	411
Total liabilities to own social insurance institutions	**239,284**	**179,089**

12.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for pension plans outside the Raiffeisen Group (Others).

in 1,000 CHF	Current year Raiffeisen	Others	Total	Previous year Raiffeisen	Others	Total
As at 1 January	123,054	1,674	124,728	123,949	1,599	125,548
+ Deposits	14,690	-	14,690	15,506	295	15,801
– Withdrawals	-12,432	-373	-12,805	-16,600	-220	-16,820
+ Interest paid [1]	116	-	116	199	-	199
As at 31 December	**125,428**	**1,301**	**126,729**	**123,054**	**1,674**	**124,728**

1 Interest paid on the employer contribution reserves is recorded as interest income.

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. The individual employer contribution reserves of the affiliated companies cannot be offset against each other. The balance of the employer contribution reserves is recorded in the balance sheet under "Other assets". The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

12.3 Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual reports (in accordance with Swiss GAAP FER 26) of the pension plans of the Raiffeisen Group, the coverage ratio is:

in %	31.12.2019	31.12.2018
Raiffeisen Pension Fund Cooperative	116.4	108.4

The fluctuation reserve of the Raiffeisen Pension Fund Cooperative slightly exceeded the 115% target set out in the regulations as of 31 December 2019. The Assembly of Delegates of the Raiffeisen Pension Fund Cooperative decides how any uncommitted funds will be used. In this decision, the Assembly generally follows the "Principles on the appropriation of uncommitted funds (profit participation)" that it has adopted. The Board of Directors of Raiffeisen Switzerland assumes that, even if uncommitted funds are available, no economic benefits will accrue to the employer until further notice; uncommitted funds are to be used to benefit pension plan members.

The affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenditure with significant influencing factors

in 1,000 CHF	Current year	Previous year
Pension expenditure according to separate financial statements	120,226	120,666
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-1,885	1,019
Employer contributions reported on an accruals basis	**118,341**	**121,685**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	-	-
Pension expenses of the Raiffeisen Group (see note 26 "Personnel expenses")	**118,341**	**121,685**

13. Issued structured products

	Book value				
	Valued as a whole		Valued separately		
in 1,000 CHF	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	Total
Underlying risk of the embedded derivative					
Interest rate instruments	**-**	**31,624**	**11,019**	**-4,717**	**37,926**
With own debenture component (oDC)	-	31,624	11,019	-4,717	37,926
Without oDC	-	-	-	-	-
Equity securities	**-**	**1,894,056**	**1,799,971**	**-20,242**	**3,673,785**
With own debenture component (oDC)	-	1,893,664	1,799,971	-27,748	3,665,887
Without oDC	-	392	-	7,506	7,898
Foreign currencies	**-**	**-**	**18,750**	**-352**	**18,398**
With own debenture component (oDC)	-	-	18,750	-352	18,398
Without oDC	-	-	-	-	-
Commodities/precious metals	**-**	**149,020**	**132,055**	**11,563**	**292,638**
With own debenture component (oDC)	-	149,020	132,055	11,563	292,638
Without oDC	-	-	-	-	-
Credit derivatives	**-**	**422,697**	**103,153**	**2,072**	**527,922**
With own debenture component (oDC)	-	422,697	103,153	2,072	527,922
Without oDC	-	-	-	-	-
Total	**-**	**2,497,397**	**2,064,949**	**-11,677**	**4,550,669**

Structured products Raiffeisen Switzerland Cooperative
In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. Underlying instruments are recognised at their nominal value in "Bond issues and central mortgage institution loans". The derivative components of the products are recognised at market value in "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

Structured products of Raiffeisen Switzerland B.V. Amsterdam
Issued structured products are carried at market value and included in "Liabilities from other financial instruments at fair value".

14. Outstanding bond issues and central mortgage institution loans

in 1,000 CHF	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal
Bonds of Raiffeisen Switzerland – non subordinated	2010	2.000	21.09.2023		249,950
	2011	2.625	04.02.2026		149,335
	2014	1.625	07.02.2022		99,955
	2016	0.000	17.09.2020		50,000
	2016	0.300	22.04.2025		375,000
	2016	0.750	22.04.2031		76,860
	2018	0.350	16.02.2024		399,225
	2018	0.000	19.06.2020		175,000 [1]
	2018	0.000	11.09.2020		60,000 [1]
	2019	0.125	07.05.2024		99,760
	2019	0.000	07.10.2020		110,000
	2019	0.000	07.10.2020		40,000
Bonds of Raiffeisen Switzerland – subordinated without PONV clause [2]	2011	3.875	21.12.2021		535,000
Bonds of Raiffeisen Switzerland – subordinated with PONV clause [2]	2015	3.000	Perpetual	02.10.2020	572,625 [3]
	2018	2.000	Perpetual	02.05.2023	395,785 [3]
Underlying instruments from issued structured products [4]	div.	0.036 [5]	2020		1,517,697
		1.756 [5]	2021		148,238
		-0.318 [5]	2022		184,302
		0.001 [5]	2023		41,702
		0.106 [5]	2024		146,715
		0.499 [5]	after 2024		26,296
Total bonds of Raiffeisen Switzerland					**5,453,444**

Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG

	div.	1.037 [5]	div.		23,271,500
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					**23,271,500**
Total outstanding bond issues and central mortgage institution loans					**28,724,944**

1 Variable coupon, basis CHF Libor three months and spread

2 PONV clause = point of non-viability/time of imminent insolvency

3 Subordinated perpetual Additional-Tier-1 bond with contingent write-down. With FINMA's consent, the bond can be terminated on a unilateral basis by Raiffeisen Switzerland (no earlier than five years following issue).

4 In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. Underlying instruments are recognised at their nominal value in "Bond issues and central mortgage institution loans". The derivative components of the products are recognised at market value in "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

5 Average weighted interest rate (volume-weighted)

15. Value adjustments and provisions

in 1,000 CHF	Previous year end	Changes to the consolidated Group	Use in conformity with designated purpose	Reclassi-fications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions									
Provisions for deferred taxes	893,263	-	-	-	-	-	33,055	-74,209	852,109
Provisions for default risks	15,769	-	-	-2,045	-	-	3,624	-2,752	14,596
Provisions for other business risks [1]	79,207	50	-15,745	-	-	-	19,258	-2,273	80,497
Provisions for restructuring [2]	16,363	-	-10,068	-	-	-	15,090	-	21,385
Other provisions [3]	30,832	-	-2,253	-	-	-	1,400	-197	29,782
Total provisions	**1,035,435**	**50**	**-28,066**	**-2,045**	**-**	**-**	**72,427**	**-79,431**	**998,369**
Reserves for general banking risks	**200,000**	**-**	**-**	**-**	**-**	**-**		**-**	**200,000**
Value adjustments for default and country risks									
Value adjustments for default risks in respect of impaired loans/receivables	258,663	-	-47,592	2,045	-3	10,889	62,765	-51,312	235,455
Value adjustments for latent risks	-	-	-	-	-	-	-	-	-
Total value adjustments for default and country risks	**258,663**	**-**	**-47,592**	**2,045**	**-3**	**10,889**	**62,765**	**-51,312**	**235,455**

1 The provisions of CHF 80 million for other business risks include provisions of CHF 59 million, which resulted from the repurchase of ARIZON Sourcing Ltd in Liquidation at the end of 2018.

2 Due particularly to Raiffeisen Switzerland's efficiency programme, restructuring provisions increased by CHF 15 million; of which personnel expenses accounted for CHF 12.1 million. The balance of CHF 21 million includes provisions of CHF 6 million from the previous year, which result from the sale of Notenstein La Roche Privatbank AG.

3 Other provisions include provisions for legal expenses.

16. Cooperative capital

	Number of members	Nominal amount per share	in 1,000 CHF
Cooperative capital at the beginning of the current year			
Cooperative capital	1,897,369		403,264
Cooperative capital (additional cooperative shares) [1]			1,769,006
Total cooperative capital at the beginning of the current year	**1,897,369**		**2,172,270**
+ Payments from new cooperative members	74,525	200	14,905
	121	300	36
	177	400	71
	2,852	500	1,426
+ Payments of cooperative shares (additional cooperative shares)			228,659
Total payments from new cooperative members	**77,675**		**245,097**
– Repayments to departing cooperative members	-63,252	200	-12,650
	-103	300	-31
	-144	400	-58
	-2,312	500	-1,156
– Repayments of cooperative shares (additional cooperative shares)			-52,427
Total repayments to departing cooperative members	**-65,811**		**-66,322**
Total cooperative capital at the end of the current year			
of which cooperative capital	1,825,445	200	365,088
	3,006	300	902
	5,735	400	2,294
	75,047	500	37,523
of which cooperative capital (additional cooperative shares)			1,945,238
Total cooperative capital at the end of the current year	**1,909,233**		**2,351,045**

1 To avoid double counting, the number of members is shown only under the position "Cooperative capital".

Number of cooperative shares, number of shares: Current year 11,399,140, previous year 10,522,809

Interest-bearing cooperative capital: Current year CHF 2,351,045,000, previous year CHF 2,172,270,000

Paid-up cooperative capital: Current year CHF 2,351,045,000, previous year CHF 2,172,270,000

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2019: CHF 4,181,330,000 (previous year CHF 3,994,596,000).

No cooperative member holds more than 5% of voting rights.

17. Related parties

	Amounts due from		Amounts due to	
in 1,000 CHF	**Current year**	**Previous year**	**Current year**	**Previous year**
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	7,328	8,870	4,698	4,483
Members of the Executive Board and Head of internal Auditing of Raiffeisen Switzerland and associated persons and companies	9,597	13,492	4,518	2,924
Other related parties [1]	4,911,886	5,165,240	23,850,492	22,747,582
Total amounts due from/to related parties	**4,928,811**	**5,187,602**	**23,859,708**	**22,754,989**

1 Includes particularly receivables from and liabilities to non-consolidated participations with a participating interest between 20% and 50%, or a participating interest of less than 20% if significant influence can be exercised otherwise.

Material off-balance-sheet transactions with related parties

Contingent liabilities exist vis-a-vis related parties amounting to CHF 39.3 million (previous year CHF 99.8 million), irrevocable commitments amounting to CHF 372.8 million (previous year CHF 187.7 million) and call-in obligations amounting to CHF 109.2 million (previous year CHF 109.2 million).

Transactions with related parties

On- and off-balance-sheet transactions with related parties are allowed at arm's length terms, with the following exceptions:

- Standard preferential terms apply to the Executive Board, the Extended Executive Board and to the Head of Internal Auditing of Raiffeisen Switzerland.
- Liabilities to other related parties include CHF current account balances in the amount of CHF 26.1 million for which the credit balance exceeding the allowance is subject to a negative interest rate of –0.4%. Furthermore, a credit balance in the amount of CHF 7.7 million is included, which bears 2.75% interest.

Special provisions apply to the processing and monitoring of loans to executive bodies to ensure that staff remain independent at all times.

18. Maturity structure of financial instruments

in 1,000 CHF	At sight	Cancellable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets/financial instruments							
Liquid assets	29,643,304	-	-	-	-	-	29,643,304
Amounts due from banks	236,786	-	7,409,783	30,000	-	-	7,676,569
Amounts due from securities financing transactions	-	-	249,941	-	-	-	249,941
Amounts due from customers	10,266	1,768,411	1,906,171	837,715	2,292,833	1,344,490	8,159,886
Mortgage loans	20,318	5,094,041	7,462,499	22,326,766	98,902,608	51,484,282	185,290,514
Trading portfolio assets	3,201,182	-	-	-	-	-	3,201,182
Positive replacement values of derivative financial instruments	1,897,986	-	-	-	-	-	1,897,986
Financial investments [1]	17,609	-	65,090	546,103	2,493,518	4,072,048	7,194,368
Total							
Current year	**35,027,451**	**6,862,452**	**17,093,484**	**23,740,584**	**103,688,959**	**56,900,820**	**243,313,750**
Previous year	25,423,656	7,713,357	10,894,181	21,804,948	104,796,139	49,883,709	220,515,990
Debt capital/financial instruments							
Amounts due to banks	671,397	1,559	9,157,459	2,228,626	221,000	-	12,280,041
Liabilities from securities financing transactions	-	-	6,321,091	5,810	-	-	6,326,901
Amounts due in respect of customer deposits	66,446,420	93,000,965	5,482,363	3,408,138	6,063,433	1,778,162	176,179,481
Trading portfolio liabilities	197,542	-	-	-	-	-	197,542
Negative replacement values of derivative financial instruments	2,318,347	-	-	-	-	-	2,318,347
Liabilities from other financial instruments at fair value	2,497,397	-	-	-	-	-	2,497,397
Cash bonds	-	-	62,154	92,697	259,440	44,736	459,027
Bond issues and central mortgage institution loans	-	-	860,967	3,102,156	7,904,931	16,856,890	28,724,944
Total							
Current year	**72,131,103**	**93,002,524**	**21,884,034**	**8,837,427**	**14,448,804**	**18,679,788**	**228,983,680**
Previous year	63,199,555	91,089,050	11,450,708	7,998,364	15,195,916	17,908,467	206,842,060

1 Financial assets include CHF 57,758,000 of real estate (previous year: CHF 80,706,000).

19. Balance sheet by currency

in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	29,149,705	357,699	18,058	117,842	29,643,304
Amounts due from banks	1,246,170	2,944,804	1,843,005	1,642,590	7,676,569
Amounts due from securities financing transactions	-	249,941	-	-	249,941
Amounts due from customers	7,665,218	316,085	83,036	95,547	8,159,886
Mortgage loans	185,290,020	494	-	-	185,290,514
Trading portfolio assets	538,300	1,030,316	1,019,324	613,242	3,201,182
Positive replacement values of derivative financial instruments	1,897,986	-	-	-	1,897,986
Financial investments	7,174,682	14,319	5,360	7	7,194,368
Accrued income and prepaid expenses	259,277	1,563	1,621	265	262,726
Non-consolidated participations	708,160	-	-	-	708,160
Tangible fixed assets	2,997,533	-	-	-	2,997,533
Intangible assets	9,996	-	-	-	9,996
Other assets	1,052,912	26	-	22	1,052,960
Total assets reflected in the balance sheet	**237,989,959**	**4,915,247**	**2,970,404**	**2,469,515**	**248,345,125**
Delivery claims under spot exchange, forward exchange and currency option contracts	20,882,049	19,943,971	24,469,031	15,481,625	80,776,676
Total assets	**258,872,008**	**24,859,218**	**27,439,435**	**17,951,140**	**329,121,801**
Liabilities					
Amounts due to banks	6,581,272	1,564,415	1,344,984	2,789,370	12,280,041
Liabilities from securities financing transactions	2,933,000	2,510,277	773,752	109,872	6,326,901
Amounts due in respect of customer deposits	170,747,855	3,910,655	1,106,635	414,336	176,179,481
Trading portfolio liabilities	197,542	-	-	-	197,542
Negative replacement values of derivative financial instruments	2,318,347	-	-	-	2,318,347
Liabilities from other financial instruments at fair value	377,782	935,514	960,374	223,727	2,497,397
Cash bonds	459,027	-	-	-	459,027
Bond issues and central mortgage institution loans	28,513,003	72,650	128,290	11,001	28,724,944
Accrued expenses and deferred income	834,668	1,231	3,811	342	840,052
Other liabilities	105,637	949	-	5	106,591
Provisions	998,369	-	-	-	998,369
Reserves for general banking risks	200,000	-	-	-	200,000
Cooperative capital	2,351,045	-	-	-	2,351,045
Retained earnings reserve	14,091,792	-	-	-37	14,091,755
Currency translation reserve	-	-	-	6	6
Group profit	835,216	-	-	-57	835,159
Minority interests in equity	-61,532	-	-	-	-61,532
– of which minority interests in group profit	-10,738	-	-	-	-10,738
Total liabilities reflected in the balance sheet	**231,483,023**	**8,995,691**	**4,317,846**	**3,548,565**	**248,345,125**
Delivery entitlements from spot exchange, forward exchange and currency option contracts	27,525,293	15,823,823	23,035,828	14,426,959	80,811,903
Total liabilities	**259,008,316**	**24,819,514**	**27,353,674**	**17,975,524**	**329,157,028**
Net position per currency	**-136,308**	**39,704**	**85,761**	**-24,384**	**-35,227**

	31.12.2019	31.12.2018
Foreign currency conversion rates		
EUR	1.087	1.126
USD	0.968	0.984

Information on off-balance-sheet business

20. Contingent assets and liabilities

in 1,000 CHF	Current year	Previous year
Contingent liabilities		
Guarantees to secure credits and similar	184,950	313,280
Performance guarantees and similar	156,340	117,100
Other contingent liabilities [1]	154,791	100,396
Total contingent liabilities	**496,081**	**530,776**
Contingent assets		
Contingent assets arising from tax losses carried forward	41,810	50,410
Other contingent assets	-	-
Total contingent assets	**41,810**	**50,410**

1 The other contingent liabilities include a guaranteed open amount vis-a-vis third parties that applies to derivative transactions, whose underlying replacement values vary according market conditions. The guarantee is evaluated with a scenario-based risk model and at 31 december.2019 amounted to CHF 24.3 million.

21. Fiduciary transactions

in 1,000 CHF	Current year	Previous year
Fiduciary investments with third-party banks	16,957	19,663
Total fiduciary transactions	**16,957**	**19,663**

Information on the income statement

22. Results from commission business and services

in 1,000 CHF	Current year	Previous year
Commission income		
Commission income from securities trading and investment activities		
Custody account business	64,909	69,391
Brokerage	63,487	76,678
Fund business and asset management business	107,360	122,876
Other securities trading and investment activities	107,010	104,331
Commission income from lending activities	21,702	21,377
Commission income from other services		
Payments	164,105	159,096
Account maintenance	29,619	31,860
Other services	35,868	33,283
Total commission income	**594,060**	**618,892**
Commission expense		
Securities business	-80,491	-83,869
Payments	-77,680	-67,876
Other commission expense	-19,854	-16,368
Total commission expense	**-178,025**	**-168,113**
Total results from commission business and services	**416,035**	**450,779**

23. Result from trading activities and the fair value option

23.1 Breakdown by business area

in 1,000 CHF	Current year	Previous year
Raiffeisen Switzerland Cooperative	79,358	78,138
Raiffeisen banks	133,240	127,374
Group companies	15,456	4,863
Total result from trading activities and the fair value option	**228,054**	**210,375**

23.2 Breakdown by underlying risk and based on the use of the fair value option

in 1,000 CHF	Current year	Previous year
Result from trading activities from:		
Foreign exchange trading	137,024	135,553
Precious metals and foreign notes and coins trading	51,739	54,282
Equities trading	6,698	6,899
Fixed income trading	32,593	13,641
Other	-	-
Total result from trading activities and the fair value option	**228,054**	**210,375**
of which, from fair value option	15,232	12
of which, from fair value option on assets	46,270	13,380
of which, from fair value option on liabilities	-31,038	-13,368

24. Income from participating interests

in 1,000 CHF	Current year	Previous year
Participations valued according to the equity method	39,863	65,708
Other non-consolidated participations	24,405	10,533
Total income from participating interests	**64,268**	**76,241**

25. Negative interest

in 1,000 CHF	Current year [1]	Previous year [1]
Negative interest on lending business (Reduction in interest and discount income)	75,672	57,706
Negative interest on deposit-taking business (Reduction in interest expense)	81,188	74,987

1 Negative interest relates primarily to hedging transactions and transactions with banks.

26. Personnel expenses

in 1,000 CHF	Current year	Previous year
Meeting attendance fees and fixed compensation to members of the banking authorities	24,495	24,644
Salaries and benefits for staff	1,061,443	1,101,899
AHV, IV, ALV and other statutory contributions	98,956	101,792
Contributions to staff pension plans	118,341	121,685
Other personnel expenses	28,496	40,524
Total personnel expenses	**1,331,731**	**1,390,544**

27. General and administrative expenses

in 1,000 CHF	Current year	Previous year
Office space expenses	84,485	90,126
Expenses for information and communications technology	87,917	94,892
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	27,026	27,645
Fees of audit firms	11,242	13,263
of which, for financial and regulatory audits	10,669	12,684
of which, for other services	573	579
Other operating expenses	327,791	380,484
Total general and administrative expenses	**538,461**	**606,410**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 10.0 million contains income from the sale of tangible fixed assets of CHF 3.6 million as well as a payment of CHF 5.2 million to ARIZON Sourcing Ltd in Liquidation for warranty claims.

The extraordinary expenses of CHF 3.3 million include losses from the sale of tangible fixed assets of CHF 2.6 million.

Previous year
The extraordinary income of CHF 82.4 million mainly consists of CHF 76.1 million in income from the sale of tangible fixed assets and participations (of which CHF 68 million came from the sale of Notenstein La Roche Private Bank Ltd).

The extraordinary expenses of CHF 8.6 million include losses from the sale of tangible assets of CHF 7 million.

29. Current and deferred taxes

in 1,000 CHF	Current year	Previous year
Creation of provisions for deferred taxes	33,055	-
Release of provisions for deferred taxes	-74,209	-14,135
Expenses for current taxes	152,961	170,114
Total tax expenses	**111,807**	**155,979**
Average tax rate weighted on the basis of the operating result	12.0%	22.3%

It was possible to partly set off the previous year's tax-relevant net profit against tax loss carryforwards that had not yet been used. The influence of this set-off on the tax expenditure of the Raiffeisen Group is insignificant.

Report of the statutory auditor

to the General Meeting of Raiffeisen Switzerland Cooperative, St.Gallen

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Report on the audit of the consolidated financial statements of the Raiffeisen Group

Opinion

We have audited the consolidated financial statements of the Raiffeisen Group, which comprise the consolidated balance sheet as at 31 December 2019, consolidated income statement, cash flow statement, statement of changes in equity and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements as at 31 December 2019 give a true and fair view of the financial position, the results of operations and the cash flow in accordance with accounting rules for banks and comply with Swiss law as well as with the consolidation, accounting and valuation principles described in the notes.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of Raiffeisen Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 47.0 million

We concluded full scope audit work at Raiffeisen Switzerland Cooperative, Raiffeisen banks and Raiffeisen Switzerland B.V. This work contributes to the audit of 73% of the balance sheet total and 67% of the gross income of the Raiffeisen Group.

As key audit matter the following area of focus has been identified:
– Valuation of loans to customers (amounts due from customers and mortgage loans)

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall materiality	CHF 47,0 million
How we determined it	5% of profit before tax, changes in reserves for general banking risks and extraordinary income and expense
Rationale for the materiality benchmark applied	We chose profit before tax, changes in reserves for general banking risks and extraordinary income and expense as the benchmark because, in our view, it is the benchmark against which the performance of the Raiffeisen Group is most commonly measured, and it is a generally accepted benchmark for materiality purposes.

We agreed with the Audit Committee of the Board of Directors that we would report to them misstatements above CHF 4.7 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit at Raiffeisen Switzerland Cooperative, Raiffeisen banks and Raiffeisen Switzerland B.V. in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the Raiffeisen Group operates.

The Raiffeisen banks conduct their business activities in accordance with the centralised requirements of Raiffeisen Switzerland Cooperative; they are subject to centralised risk monitoring and have to organise their accounting and financial reporting and design the internal controls relating to the preparation of their financial statements in accordance with the guidelines of Raiffeisen Switzerland Cooperative. All Raiffeisen banks use the same core banking application. The process for preparing the accounts is the same for all Raiffeisen banks. All financial statements of the Raiffeisen banks are subject to a banking law and statutory audit. As at the date of preparing the consolidated financial statements of the Raiffeisen Group, the reporting packages of about 60% of the Raiffeisen banks have been audited.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans to customers (amounts due from customers and mortgage loans)

Key audit matter
The primary income source of the Raiffeisen Group is its interest rate business. In this reepect, it is involved in both the traditional mort-gage business and the commercial loans business.

We consider the valuation of loans to customers as a key audit matter as such loans represent the largest single asset category by value on the consolidated balance sheet at 78% (prior year: 83%). In addition, judgement is required to assess the valuation and the amount of any impairment.

In particular, we focussed on the following points:

- The approach applied by Raiffeisen Group to identify customer loans that are potentially impaired
- The appropriateness and application of the significant judgement permitted by the poli-cies relating to the calculation of the amount of any potential individual value adjustments

The accounting and valuation principles applied to customer loans, the process used to identify the default risk and to determine the need for impairment as well as the evaluation of the col-lateral cover are taken from the consolidated financial statements (see appendix).

How our audit addressed the key audit matter
We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans:

- Credit analysis
  Review of compliance with the guidelines and requirements concerning documentation, ability to repay, valuation and collateral
- Loan approval
  Review of compliance with the requirements of the internal authorisation regulations
- Loan disbursement
  Review of whether the disbursement of loans to customers is executed only after all of the required documents are present
- Credit monitoring
  Review of whether the identification of loans that show signs of being at risk is done in a timely and complete manner and whether loans that show signs of being at risk and impairments are checked periodically, especially with regard to the realisability of the collateral cover and the amount of the impairment.

Further, we performed the following tests of detail on a sample basis:

- We performed an assessment of the impairment of customer loans and tested the application of the processes to identify customer loans with a potential need for impairment. Our sample contains a random selection of positions out of the entire loan portfolio as well as a risk-oriented selection of doubtful receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Group regarding the value of collateral with no observable market price as well as other available information on market prices and price comparisons.
- In addition, we made an assessment of the method to estimate impairments. Our audit focussed on customer loans identified as being at risk in the sense of the requirements of the FINMA Circular "Accounting – Banks". We also checked whether the impairments were made in accordance with the accounting rules and the accounting and valuation principles of Raiffeisen Group.

The assumptions used were within the range of our expectations.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting rules for banks, the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Raiffeisen Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the companies in the Raiffeisen Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:
http://expertsuisse.ch/en/audit-report-for-public-companies
This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

In accordance with article 906 CO in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Rolf Birrer
Audit expert
Auditor in charge

Ralph Gees
Audit expert

St. Gallen, 14 April 2020

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Regulatory disclosure

Disclosure obligations

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) and FINMA Circular 2016/1 entitled "Disclosure – banks".

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. Under FINMA Circular 2016/1, systemically important banks have special quarterly disclosure obligations. The corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available on Raiffeisen's website.

On the following pages, the annual report includes a selection of tables that have to be disclosed pursuant to the FINMA Circular 2016/1 by Raiffeisen Group. Complete disclosure with the qualitative and quantitative information on risks, equity capital base and liquidity is available on the Raiffeisen homepage (Über uns/Raiffeisen Schweiz Markets/Investor Information/Capital adequacy and liquidity disclosure).

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2015/1. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts.

Key regulatory figures as of 31 December 2019

	in CHF million	a	b	c	d	e
		31.12.2019	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**
	Available capital (amounts) [1]					
1	Common Equity Tier 1 (CET1)	16,868	16,063	16,548	16,479	16,408
2	Tier 1	17,836	17,019	17,513	17,447	17,381
3	Total capital	17,983	17,225	17,721	17,658	17,650
	Risk-weighted assets (amounts) [2]					
4	Total risk-weighted assets (RWA)	98,295	97,333	102,032	102,003	99,307
4a	Minimum capital requirement	7,864	7,787	8,163	8,160	7,945
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.2%	16.5%	16.2%	16.2%	16.5%
6	Tier 1 ratio (%)	18.1%	17.5%	17.2%	17.1%	17.5%
7	Total capital ratio (%)	18.3%	17.7%	17.4%	17.3%	17.8%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%) [3]	1.1%	1.2%	1.2%	1.2%	1.2%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	8.1%	8.2%	8.2%	8.2%	8.2%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.8%	13.6%	13.2%	13.1%	13.4%
	Target capital ratios in accordance with note 8 of the CAO [4]					
12b	Countercyclical buffer (Art. 44 and 44a of the CAO)	1.1%	1.2%	1.2%	1.2%	1.2%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure	252,263	239,054	237,223	239,641	228,582
14	Basel III leverage ratio (%)	7.1%	7.1%	7.4%	7.3%	7.6%
	Liquidity Coverage Ratio					
15	Total HQLA	27,805	23,323	21,355	20,971	21,691
16	Total net cash outflow	20,367	18,361	17,681	17,459	17,608
17	LCR ratio (%)	136.5%	127.0%	120.8%	120.1%	123.2%

1 The deduction required by Art. 32 (e) of the Capital Adequacy Regulation was applied for the first time as of 30 September 2019 and reduced eligible capital by around CHF 0.5 billion.

2 The adoption of the IRB approach as of 30 September 2019 reduced the risk-weighted assets (RWAs). An IRB floor of 95% was used in the first year in accordance with the transitional provisions.

3 Includes national countercyclical buffer (Art. 44 of the CAO).

4 Systemically important banks can refrain from publishing rows 12a, 12c, 12d, 12e (note 8 of the CAO not applicable).

Overview of risk-weighted positions

	in CHF million	31.12.2019	31.12.2018	31.12.2019
		a	b	c
		RWA	RWA	Minimum Capital Requirement[1]
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**75,707**	**89,147**	**6,056**
2	Of which: standardised approach (SA)	10,687	89,147	854
3	Of which: foundation internal ratings-based (F-IRB) approach [2]	24,142	-	1,931
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach [3]	40,878	-	3,270
6	**Counterparty credit risk (CCR)**	**324**	**611**	**26**
7	Of which: standardised approach for counterparty credit risk [4]	324	611	26
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	**Credit valuation adjustment (CVA)**	**306**	**-**	**24**
11	**Equity positions under the simple risk weight approach**	**-**	**-**	**-**
12	**Equity investments in funds – look-through approach**	**-**	**-**	**-**
13	**Equity investments in funds – mandate-based approach**	**9**	**-**	**1**
14	**Equity investments in funds – fall-back approach**	**111**	**-**	**9**
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in banking book**	**-**	**-**	**-**
17	Of which: securitisation internal ratings-based approach (SEC-RBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA, including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardises approach (SEC-SA)	-	-	-
20	**Market risk[5]**	**3,895**	**2,343**	**312**
21	Of which: standardised approach (SA)	3,895	2,343	312
22	Of which: internal model approaches (IMA)	-	-	-
23	**Capital charge for switch between trading book and banking book**	**-**	**-**	**-**
24	**Operational risk**	**5,707**	**5,721**	**457**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,547**	**1,484**	**124**
26	**Floor adjustment[6]**	**10,689**	**-**	**855**
27	**Total**	**98,295**	**99,307**	**7,863**

1 The required capital for all items amounts to 8% of the risk-weighted assets (RWA)

2 Implemented as per 30.09.2019

3 Raiffeisen uses the foundation IRB approach (F-IRB). As for the IRB segment retail only the advanced IRB approach (A-IRB) exists, the RWA and minimum capital requirements for the IRB segment retails are disclosed here.

4 From 31 December 2019, the standard approach (SA-CCR) has been used to measure the counterparty credit risk of derivative transactions for the purposes of determining capital adequacy requirements.

5 In the reporting period the assets in the trading portfolio increased, resulting in a growth of market risk

6 An IRB floor of 95% is used for the first year (as of 30/09/2019) under the IRB transitional provisions

Presentation of regulatory eligible available capital

	in CHF million	31.12.2019	30.06.2019
	Common equity (CET1)		
1	Issued and paid-in capital, fully eligible	2,351	2,271
2	Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	15,063	14,292
	of which retained earnings reserves	14,292	14,292
	of which foreign currency translation reserve	-	-
	of which profit (loss) for the period [1]	772	-
5	Minority interests	-	-
6	**Total "hard" core capital (CET1) before adjustments**	**17,414**	**16,563**
	= Common Equity Tier 1 capital before regulatory adjustments		
7	Prudential value adjustments	-4	-4
8	Goodwill	-8	-8
9	Other intangibles	-2	-3
12	Shortfall of provisions to expected losses [2]	-533	n.a.
28	**= Total regulatory adjustments to CET1**	**-14**	**-15**
29	**= Common Equity Tier 1 capital (net CET1)**	**16,868**	**16,548**
	Additional Tier 1 capital (AT1)		
30	Issued and paid in instruments, fully eligible	968	965
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	968	965
36	**= Additional Tier 1 capital before regulatory adjustments**	**968**	**965**
43	= Total regulatory adjustments to AT1	-	-
44	**= Additional Tier 1 capital (net AT1)**	**968**	**965**
45	**= Tier 1 capital (net Tier 1)**	**17,836**	**17,513**
	Tier 2 capital (T2)		
46	Issued and paid in instruments, fully eligible	76	76
47	Issued and paid in instruments, subject to phase-out	71	132
51	**= Tier 2 capital before regulatory adjustments**	**147**	**208**
57	= Total regulatory adjustments to T2	-	-
58	**= Tier 2 capital (net T2)**	**147**	**208**
59	**= Regulatory capital (net T1 & T2)**	**17,983**	**17,721**
60	**Total risk-weighted assets**	**98,295**	**102,032**
	Capital ratios		
61	**CET1 ratio (item 29, as a percentage of risk-weighted assets)**	**17.2%**	**16.2%**
62	**T1 ratio (item 45, as a percentage of risk-weighted assets)**	**18.1%**	**17.2%**
63	**Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)**	**18.3%**	**17.4%**
64	CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets) [3]	8.1%	8.2%
65	of which, capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	2.5%	2.5%
66	of which, countercyclical buffer in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	1.1%	1.2%
67	of which, capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	0.0%	0.0%
68	CET1 available to meet minimum and buffer requirements as per the Basel minimum standards, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets) [4]	13.8%	13.2%
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Non-qualified participation in the financial sector	87	99
73	Other qualified participations in the financial sector (CET1)	619	600

1 Excluding interest on cooperative capital

2 The deduction required by Art. 32 (e) of the Capital Adequacy Regulation was applied for the first time as of 30 September 2019 due to the adoption of the IRB approach and reduced eligible capital by around CHF 0.5 billion

3 With considering the national countercyclical buffer

4 Line 68 is presented without consideration of transitional provisions for Going-Concern

LIQ1: Qualitative disclosure of the liquidity coverage ratio

Art. 12 of the Liquidity Ordinance requires the Raiffeisen Group and Raiffeisen Switzerland to comply with the liquidity coverage ratio (LCR). The LCR is intended to ensure that banks hold sufficient high-quality liquid assets (HQLA) in order to cover, at all times, the net cash outflow that could be expected in a standard stress scenario for 30 days, as defined by outflow and inflow assumptions. The published LCR metrics are based on the daily closing averages of all business days in the corresponding reporting quarters.

		Q3 2019[1]		Q4 2019[1]	
		Unweighted values in CHF million	Weighted values in CHF million	Unweighted values in CHF million	Weighted values in CHF million
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)		23,323		27,805
B. Cash outflows					
2	Retail deposits	96,925	9,545	99,125	9,770
3	of which stable deposits	6,000	300	6,000	300
4	of which less stable deposits	90,925	9,245	93,125	9,470
5	Unsecured business-client or wholesale funding	13,156	7,665	14,149	8,520
6	of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	0	0	0	0
7	of which non-operational deposits (all counterparties)	12,431	6,940	13,500	7,871
8	of which unsecured debt securities	725	725	650	650
9	Secured business client or wholesale funding and collateral swaps		8		43
10	Other cash outflows	10,235	2,077	10,645	2,191
11	of which cash outflows related to derivative exposures and other transactions	693	693	843	753
12	of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	68	68	120	120
13	of which cash outflows from committed credit and liquidity facilities	9,475	1,316	9,682	1,317
14	Other contractual funding obligations	3,151	1,365	3,757	1,978
15	Other contingent funding obligations	2,136	107	2,309	115
16	**Total cash outflows**		**20,766**		**22,618**
C. Cash inflows					
17	Secured funding transactions (e.g. reverse repo transactions)	56	1	229	2
18	Inflows from fully performing exposures	4,348	2,334	4,196	2,190
19	Other cash inflows	71	71	59	59
20	**Total cash inflows**	**4,475**	**2,406**	**4,484**	**2,251**

			Adjusted value		Adjusted value
21	**Total high-quality liquid assets (HQLA)**		**23,323**		**27,805**
22	**Total net cash outflows**		**18,361**		**20,367**
23	**Liquidity coverage ratio (LCR) (%)**		**127.03%**		**136.52%**

1 Average daily closing averages of all business days in the reporting quarters (65 data points taken into account in the third quarter, 63 data points taken into account in the fourth quarter).

Of the portfolio of high-quality liquid assets (HQLA), 83% consist of category 1 assets, 94% of which are held as liquid funds. The remaining category 1 assets are mainly public sector bonds with a minimum rating of AA–. Of the category 2 assets, which account for 17% of the HQLA portfolio, 89% consist of Swiss mortgage bonds. The remaining 11% largely consist of public sector bonds as well as covered bonds with a rating of at least A–.

Net cash outflows (no. 22) increased slightly compared to the previous quarter and the last reporting period. The HQLA portfolio (no. 21) has increased significantly since the last reporting period. This produced a quarter-on-quarter increase in the short-term liquidity coverage ratio (no. 23) from 127% to 136%. Cash outflows relating to the derivatives portfolio (no. 11) have declined because of lower market fluctuations in recent years and stayed at a low level throughout the reporting period. The remaining positions have continuously developed within the scope of the growth in total assets.

The Raiffeisen Group does not carry out any significant foreign exchange operations resulting from its core business. Due to the low level of lending business in foreign currencies, foreign currency liabilities are transferred to Swiss francs using the matched-period method.

The Raiffeisen Group has centralised liquidity risk management, which is performed by Raiffeisen Switzerland's Treasury department. It manages the liquidity of the Raiffeisen Group based on regulatory requirements and internal target parameters. The individual Raiffeisen banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland. Raiffeisen Switzerland's Treasury department manages the liquidity reserve centrally and organises the liquidity transfer within the Group.

Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
in million CHF	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**
Income statement										
Net interest income	2,119	2,126	140	29	-24	-48	19	121	2,254	2,228
Result from commission business and services	304	292	121	111	12	58	-21	-10	416	451
Result from trading activities	133	127	79	78	15	5	1	0	228	210
Other result from ordinary activities	69	74	385	436	19	227	-320	-548	153	189
Operating income	**2,625**	**2,619**	**725**	**654**	**22**	**242**	**-321**	**-437**	**3,051**	**3,078**
Personnel expenses	-912	-894	-408	-384	-19	-114	7	2	-1,332	-1,390
General and administrative expenses	-581	-584	-247	-294	-15	-195	304	467	-539	-606
Operating expenses	**-1,493**	**-1,478**	**-655**	**-678**	**-34**	**-309**	**311**	**469**	**-1,871**	**-1,996**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-191	-128	-45	-109	-5	-85	14	63	-227	-259
Value adjustments, provisions and losses	-13	-13	-12	-118	-	-	1	7	-24	-124
Operating profit	**928**	**1,000**	**13**	**-251**	**-17**	**-152**	**5**	**102**	**929**	**699**
Extraordinary income	31	22	29	46	3	7	-53	7	10	82
Extraordinary expenses	-546	-592		0	-	-	543	584	-3	-8
Changes in reserves for general banking risks	-16	-16	3	250	-	-	13	-354	-	-120
Taxes	-148	-167	-2	-3	-3	0	41	14	-112	-156
Group profit (including minority interests)	**249**	**247**	**43**	**42**	**-17**	**-145**	**549**	**353**	**824**	**497**
Minority interests in Group profit	-	-	-	-	-	-	-11	-44	-11	-44
Group profit	**249**	**247**	**43**	**42**	**-17**	**-145**	**560**	**397**	**835**	**541**
Key balance sheet figures										
Total assets	212,084	202,499	64,170	47,589	3,100	3,752	-31,009	-28,507	248,345	225,333
Amounts due from customers	5,439	5,440	2,824	3,490	110	147	-213	-942	8,160	8,135
Mortgage loans	174,189	168,843	11,105	10,719	-	-	-3	-4	185,291	179,558
Amounts due in respect of customer deposits	162,348	154,531	13,943	11,424	-	-	-112	-254	176,179	165,701

Five-year overview

Balance sheet – five-year overview

in million CHF	2019	2018	2017	2016	2015
Assets					
Liquid assets	29,643	19,188	20,523	20,390	18,907
Amounts due from banks	7,677	2,225	8,332	7,084	3,811
Amounts due from securities financing transactions	250	5	232	338	391
Amounts due from customers	8,160	8,135	7,916	8,019	7,885
Mortgage loans	185,291	179,558	172,622	165,426	158,594
Trading portfolio assets	3,201	3,455	3,879	2,912	2,115
Positive replacement values of derivative financial instruments	1,898	1,337	1,677	1,743	1,795
Financial assets	7,194	6,613	7,593	7,952	6,878
Accrued income and prepaid expenses	263	259	278	247	225
Non-consolidated participations	708	683	650	788	732
Tangible fixed assets	2,998	2,933	2,803	2,599	2,476
Intangible assets	10	54	372	419	513
Other assets	1,053	888	852	673	1,426
Total assets	**248,345**	**225,333**	**227,729**	**218,590**	**205,748**
Liabilities					
Amounts due to banks	12,280	6,463	12,603	10,853	7,803
Liabilities from securities financing transactions	6,327	2,925	2,201	2,599	4,085
Amounts due in respect of customer deposits	176,179	165,701	164,085	158,255	150,272
Trading portfolio liabilities	198	70	134	138	105
Negative replacement values of derivative financial instruments	2,318	1,928	1,692	2,017	2,398
Liabilities from other financial instruments at fair value	2,497	2,300	2,580	1,634	870
Cash bonds	459	591	836	1,178	1,647
Bond issues and central mortgage institution loans	28,725	26,864	25,939	25,623	23,470
Accrued expenses and deferred income	840	855	851	829	711
Other liabilities	107	121	160	170	183
Provisions	998	1,035	949	904	878
Reserves for general banking risks	200	200	80	-	-
Cooperative capital	2,351	2,172	1,957	1,595	1,248
Retained earnings reserve	14,092	13,611	12,746	12,036	11,262
Group profit	835	541	917	754	808
Total equity capital (without minority interests)	**17,478**	**16,524**	**15,700**	**14,385**	**13,318**
Minority interests in equity	-62	-44	-1	5	8
– of which Minority interests in group profit	-11	-44	-6	-2	-1
Total equity capital (with minority interests)	**17,416**	**16,480**	**15,699**	**14,390**	**13,326**
Total liabilities	**248,345**	**225,333**	**227,729**	**218,590**	**205,748**

Income statement – five-year overview

in million CHF	2019	2018	2017	2016	2015
Interest and discount income	2,819	2,895	2,943	3,052	3,130
Interest and dividend income from financial investments	43	49	54	58	60
Interest expense	-595	-653	-747	-880	-1,002
Gross result from interest operations	**2,267**	**2,291**	**2,250**	**2,230**	**2,188**
Changes in value adjustments for default risks and losses from interest operations	-13	-63	-2	-11	-11
Subtotal net result from interest operations	**2,254**	**2,228**	**2,248**	**2,219**	**2,177**
Commission income from securities trading and investment activities	343	374	422	355	357
Commission income from lending activities	22	21	20	18	18
Commission income from other services	230	224	235	214	204
Commission expense	-178	-168	-183	-121	-116
Result from commission business and services	**416**	**451**	**494**	**466**	**463**
Net trading income	**228**	**210**	**230**	**228**	**209**
Income from sale of financial assets	13	5	29	5	20
Income from participations	64	76	89	67	80
Income from real estate	22	21	21	21	19
Other ordinary income	65	129	210	120	60
Other ordinary expenses	-10	-42	-11	-18	-12
Other result from ordinary activities	**153**	**189**	**338**	**195**	**167**
Operating income	**3,052**	**3,078**	**3,310**	**3,108**	**3,016**
Personnel expenses	-1,332	-1,390	-1,395	-1,381	-1,330
General and administrative expenses	-538	-606	-618	-606	-558
Operating expenses	**-1,870**	**-1,996**	**-2,013**	**-1,987**	**-1,888**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-227	-259	-188	-260	-181
Changes to provisions and other value adjustments, and losses	-24	-124	0	-6	-4
Operating result	**930**	**699**	**1,109**	**855**	**943**
Extraordinary income	10	82	119	75	67
Extraordinary expenses	-3	-8	-4	-4	-3
Changes in reserves for general banking risks	-	-120	-80	-	-
Taxes	-112	-156	-233	-174	-200
Group profit (including minority interests)	**824**	**497**	**911**	**752**	**807**
Minority interests in Group profit	-11	-44	-6	-2	-1
Group profit	**835**	**541**	**917**	**754**	**808**

Appropriation of profit in the five-year overview

in million CHF	2019	2018	2017	2016	2015
Retained earnings reserve	772	481	865	710	774
Distribution to cooperative members	63	60	52	44	34
Distribution ratio in % [1]	8%	11%	6%	6%	4%

1 This year, the proposal for appropriation of profit is provisional.

Impressum

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