Annual Report 2016
Raiffeisen Switzerland

RAIFFEISEN

Raiffeisen grows faster than the market

Prof. Dr Johannes Rüegg-Stürm and Dr Patrik Gisel

The Raiffeisen Group had another successful year in 2016. The 270 Raiffeisen banks located across Switzerland did excellent work. We generated growth in all income items and even expanded faster than the market. Fuelled by healthy growth in our core mortgage and savings business, we strengthened our position as leading Swiss retail bank. Our investment business outperformed the market. Tremendous progress was also made in our corporate clients business in 2016: The newly opened third Raiffeisen Business Owner Centre (RUZ) in Aarau-West puts us in even closer touch with Swiss companies.

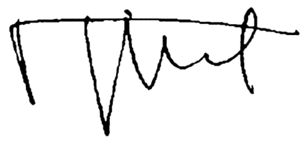
We have spent the past five years building a network that represents an important cornerstone of our growth and prepared ourselves for changing conditions in the rates business. After the end of this development phase, 2016 focused on optimally positioning our Group companies and business relationships. We realigned our cooperation in asset management by selling Vescore Ltd to Vontobel. That way, Raiffeisen can systematically focus on supporting and advising clients in the investment business, as this is where we are strong.

Another important step was the reorganisation of Notenstein La Roche Private Bank Ltd. We are in the process of refining the private bank's business model and optimising collaboration within the Group. Between our banks, our network and a strong private banking centre of competence, we can offer clients the full range of banking services.

The year 2016 was all about digitisation. Clients can now use more banking services over digital channels. They can take out online mortgages, open accounts via video chat and corporate clients can apply for credit lines online. Moreover, by developing our core banking system, we are laying the foundation for further digitisation initiatives. The RAI Lab strengthens our Group's innovativeness. This is important as we want to play an active part in shaping the rapidly progressing digitisation of our industry.

One huge success for us was the resolution of the US tax dispute. In 2013, we participated in the US programme as a Category 3 bank because we believed that Raiffeisen had not violated any US tax laws. In late 2016, we came to an agreement with the US Department of Justice (DoJ) and resolved the tax dispute without having to pay a fine. We are delighted that the DoJ has confirmed our assessment.

On behalf of the Board of Directors and the Executive Board of Raiffeisen Switzerland, we want to thank all of our members and clients for the trust they have placed in us. We would also like to express our deep appreciation to all our employees for their loyalty and commitment.



Prof. Dr Johannes Rüegg-Stürm
Chairman of the Board of Directors
of Raiffeisen Switzerland

Dr Patrik Gisel
Chairman of the Executive Board of
Raiffeisen Switzerland

Financial report
Raiffeisen Switzerland 2016

Business trend of Raiffeisen Switzerland

Raiffeisen Switzerland posted a net profit of CHF 46.2 million for the financial year under review. Total assets grew by CHF 5.1 billion to CHF 51.9 billion. There were again substantial shifts within the balance sheet, largely due to changes in liquidity.

The Asset Management business area was realigned by selling Vescore Ltd to Vontobel at the end of the third quarter. This decision resulted in a loss on the sale of CHF 26 million, which is included in the item "Extraordinary expenses". In addition to the sale of Vescore Ltd, another significant factor impacting the income statement of Raiffeisen Switzerland was the value adjustment on the participation in Leonteq Ltd. The price of the Leonteq Ltd share declined significantly on the stock market. Due to the periodic impairment test, Raiffeisen Switzerland posted value adjustments totalling CHF 85 million on this long-term investment. The valuation was based on analyst opinions and our own assessment. This resulted in a high increase in the item "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". Despite this unpleasant development, our very successful cooperation with Leonteq in the sphere of structured products has been very encouraging. Among other things, the structured product volume increased to nearly CHF 3.5 billion by the end of 2016.

No events occurred after the balance sheet date that would have a significant impact on operating profit.

Income statement

Income from ordinary banking activity
Gross results from interest operations increased CHF 6.6 million (+5.6%) to CHF 123.5 million. While net interest income in the corporate clients, leasing and retail business increased, the Treasury generated less net income from liquidity maintenance and hedging than in the previous year due to the very low interest rates. Changes in value adjustments for default risks and losses from the interest operations increased CHF 8.9 million to CHF 14.7 million (note 14). The net result from interest operations was CHF 108.9 million.

The result from the commission business and services (note 23) rose CHF 8.2 million year-on-year to CHF 81.9 million. All types of commission income posted slightly lower numbers than in the previous year. The commission income totalling CHF 115.2 million represents a good result despite the difficult market environment. Commission expense, on the other hand, declined a significant CHF 11.3 million to CHF 33.3 million.

The result from trading activities increased CHF 8.3 million (+10.9%) to CHF 84.2 million (note 24). Net trading income improved in almost all product categories compared to the previous year. The increases were particularly significant for trading in interest products and trading in precious metals and notes.

Other results from ordinary activities also increased by a significant CHF 26.9 million (+7.2%) to CHF 400.3 million. Other ordinary income (note 25) rose CHF 48.2 million (+14.2%) year-on-year to CHF 388 million. It includes income from individually billed services and the contributions from the Raiffeisen banks and Group companies for collective and strategic services provided by Raiffeisen Switzerland. The increase came about because Group companies Notenstein La Roche Private Bank Ltd, Vescore Ltd, ARIZON Sourcing Ltd and Raiffeisen Unternehmerzentrum AG have outsourced some services and IT to Raiffeisen Switzerland. As a result, intercompany income from Group companies increased CHF 34.6 million to CHF 185.5 million.

Income from collective and strategic services provided to the Raiffeisen banks was CHF 2.7 million higher than in the previous year, mainly because of the higher costs for central capital procurement. The individual and contribution-relevant services that Raiffeisen Switzerland provides to Raiffeisen banks are defined in accordance with the internal regulations on the financing of services (financing concept). The Board of Directors provides a comprehensive report on this issue at the Delegate Meeting of Raiffeisen Switzerland. Other ordinary expenses of CHF 45.6 million mainly include costs for producing printed material for the Raiffeisen banks, in addition to expenditure on purchasing IT infrastructure for the Raiffeisen banks.

Operating expenses

Personnel expenses (note 26) rose CHF 32 million (+9.9%) to CHF 354.7 million. CHF 2.5 million were paid into the Raiffeisen Employer Foundation in the year under review. The number of people employed by Raiffeisen Switzerland stood at 2,029 full-time positions at the end of the current year. The increase of 129 full-time positions is primarily attributable to the expansion of the private and affluent clients business, the corporate clients business, the client support centre and the expansion of shared services. The increase in personnel was also driven by the development of the new core banking system.

General and administrative expenses (note 27) amounted to CHF 255.9 million in the current year. This represents an increase of CHF 9.1 million (+3.7%). Office space expenses went up a moderate CHF 2.5 million to CHF 30.9 million. IT costs rose CHF 4.1 million to CHF 93.8 million due to the integration of Notenstein La Roche Private Bank Ltd's IT. The costs from these shared services are passed through to the Group companies (other ordinary income). The fees of the auditing firms stayed at prior-year levels. Other operating expenses (legal costs and consultancy fees, advertising expenses, third-party services, transmission costs, out-of-pocket expenses etc.) came in slightly higher year-on-year at CHF 124.7 million.

Value adjustments on fixed assets

The value adjustment on the Leonteq participation and greater depreciation of tangible fixed assets caused a significant increase in this item of CHF 90.3 million to CHF 133.6 million. As a result of the negative performance of the Leonteq share price in recent months, Raiffeisen Switzerland recognised value adjustments for the Leonteq participation totalling CHF 85 million (note 6). Depreciation of tangible fixed assets (note 7) increased CHF 7.9 million year-on-year to CHF 43.8 million. Amortisation of intangible assets increased from CHF 2 million to CHF 4.8 million. Extraordinary depreciation and amortisation was CHF 11.8 million, significantly higher than in the previous year (CHF 2.3 million). This is primarily attributable to the sale of Vescore Ltd.

Changes to provisions and other value adjustments, and losses

Changes in provisions for off-balance-sheet transactions, other business risks and litigation expenses are shown in note 14.

Extraordinary income, changes in reserves for general banking risks and taxes

The extraordinary income of CHF 9.2 million (note 28) consists primarily of the sale of VISA Europe Limited shares for CHF 4.5 million and an appreciation gain of CHF 4 million for Raiffeisen Unternehmerzentrum AG. CHF 140.5 million was taken from the reserves for general banking risks. Tax expenses in the year under review amounted to CHF 2.8 million.

Net profit

The reported net profit is CHF 46.2 million.

Balance sheet

The liquidity situation of the Raiffeisen banks, which is a function of the difference in the growth of customer deposits and the growth of loans, is directly reflected in Raiffeisen Switzerland's balance sheet and total assets. In the year under review, the total assets increased CHF 5.1 billion to CHF 51.9 billion.

Receivables/liabilities to Raiffeisen banks
At the end of 2016, Raiffeisen Switzerland's net liabilities to Raiffeisen banks amounted to CHF 11.1 billion (previous year: CHF 7.7 billion). The Raiffeisen banks hold assets of CHF 12.1 billion at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Receivables/liabilities vis-à-vis other banks
Current amounts due from banks increased CHF 3.9 billion year-on-year to CHF 6.9 billion. Amounts due to other banks increased CHF 3.6 billion to CHF 14 billion as part of tactical liquidity management.

Amounts due/liabilities from securities financing transactions
Liabilities from securities financing transactions decreased CHF 1.5 billion to CHF 2.5 billion. These are exclusively repo transactions in which money is borrowed against collateral. The only purpose of these transactions is to manage sight deposits held with the SNB. Only the paid interest is recognised in profit or loss. Changes in the value of the exchanged securities are not recognised in profit or loss. Amounts due from securities financing transactions were only CHF 13.2 million.

Loans to clients
Loans to clients rose a total of CHF 652.8 million (+6.1%) to CHF 11.4 billion in the current year. Raiffeisen Switzerland's branches increased lending volume CHF 695 million (+7.7%) to CHF 9.7 billion. These loans also include short-term Central Bank loans to institutional clients, loans to larger corporate clients, as well as the capital goods leasing business.

Trading portfolio assets
Trading portfolio assets remained unchanged at CHF 1.3 billion (note 3).

Financial investments
Securities holdings in financial investments (note 5), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value rose CHF 1 billion to CHF 6.6 billion.

Participations
The value of participations (note 6) decreased CHF 174.1 million to CHF 1.2 billion in the current year. The primary reason for this development was the sale of Vescore Ltd (CHF 100 million) and the value adjustment on the Leonteq participation (CHF 85 million). There were also other changes in various smaller participations.

Tangible fixed assets
The changes in tangible fixed assets are shown in note 7.1. The book value declined CHF 11.2 million to CHF 249.1 million.

Intangible assets
The changes in intangible assets are shown in note 8.

Client deposits
Raiffeisen Switzerland saw a strong increase in customer deposits, which rose CHF 711.5 million to CHF 10.7 billion. The increase was generated primarily in the branches, which now report holdings of CHF 7.8 billion.

Bond issues and central mortgage institution loans
Bond issues and central mortgage institution loans increased CHF 181 million to CHF 5.7 billion (note 13). The volume of central mortgage institution loans rose CHF 60.6 million to CHF 1.9 billion. Raiffeisen Switzerland bonds increased slightly by CHF 57.4 million to CHF 3.8 billion. A large maturing bond from 2006 was replaced by new issues in 2016 without a problem. This item now contains the bond components of the structured products issued by Raiffeisen Switzerland. They were CHF 63 million at the end of the current year.

Provisions
Provisions (note 14) increased CHF 0.2 million to CHF 16.8 million.

Reserves for general banking risks
CHF 140.5 million was taken from the reserves for general banking risks in the current year. The remaining amount of CHF 158.5 million is subject to tax (note 14).

Equity capital
Cooperative capital stood unchanged at CHF 1.7 billion at the end of December 2016. Equity capital decreased to CHF 2.1 billion.

Off-balance-sheet transactions

Total contingent liabilities (note 20) increased CHF 1.2 billion to CHF 3.8 billion due to persistently high demand for structured products issued by Notenstein La Roche Private Bank Ltd, for which Raiffeisen furnishes collateral security. The contract volume for derivative financial instruments (note 4) decreased CHF 2 billion to CHF 133 billion. Hedging transactions for the banking book decreased CHF 3.6 billion to CHF 43.7 billion. The positive replacement values amounted to CHF 1.6 billion (previous year: CHF 1.6 billion), while the negative replacement values amounted to CHF 1.8 billion (previous year: CHF 2.1 billion).

Remuneration report

The remuneration report is included in the annual report for the Raiffeisen Group.

Raiffeisen Switzerland balance sheet

as at 31 December 2016

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid funds	18,779,805	17,271,940	1,507,865	8.7	17
Receivables from Raiffeisen banks	2,923,285	3,758,642	-835,357	-22.2	10, 17
Receivables from other banks	6,948,718	3,095,492	3,853,226	124.5	10, 17
Amounts due from securities financing transactions	13,204	51,801	-38,597	-74.5	1, 17
Receivables from clients	2,274,938	2,237,698	37,240	1.7	2, 14, 17
Mortgage receivables	9,121,212	8,505,627	615,585	7.2	2, 10, 14, 17
Trading portfolio assets	1,282,433	1,311,118	-28,685	-2.2	3, 17
Positive replacement values of derivative financial instruments	1,604,991	1,633,087	-28,096	-1.7	4, 17
Financial assets	6,596,490	5,592,891	1,003,599	17.9	5, 10, 17
Accrued income and prepaid expenses	239,406	267,760	-28,354	-10.6	
Participations	1,243,250	1,417,390	-174,140	-12.3	6
Tangible assets	249,126	260,309	-11,183	-4.3	7
Intangible assets	18,145	22,984	-4,839	-21.1	8
Other assets	616,755	1,363,850	-747,095	-54.8	9
Total assets	**51,911,757**	**46,790,589**	**5,121,168**	**10.9**	**18, 19**
Total subordinated receivables	3,552	146,577	-143,025	-97.6	
of which subject to mandatory conversion and / or debt waiver	0	101,578	-101,578	-100.0	
Liabilities					
Liabilities to Raiffeisen banks	14,063,534	11,473,545	2,589,989	22.6	17
Liabilities to other banks	14,047,052	10,448,545	3,598,507	34.4	17
Liabilities from securities financing transactions	2,514,988	4,052,523	-1,537,535	-37.9	1, 17
Amounts due in respect of customer deposits	10,714,330	10,002,847	711,483	7.1	17
Trading portfolio liabilities	138,207	105,139	33,068	31.5	3, 17
Negative replacement values of derivative financial instruments	1,825,313	2,134,730	-309,417	-14.5	4, 17
Medium-term notes	73,681	104,476	-30,795	-29.5	17
Bonds and Pfandbriefdarlehen	5,743,882	5,562,865	181,017	3.3	12, 13, 17
Accrued expenses and deferred income	266,380	251,615	14,765	5.9	
Other liabilities	433,423	445,930	-12,507	-2.8	9
Provisions	16,834	16,656	178	1.1	14
Reserves for general banking risks	158,450	298,900	-140,450	-47.0	14
Cooperative capital	1,700,000	1,700,000	0	0.0	15
Statutory retained earnings reserve	169,443	162,790	6,653	4.1	
Profit	46,240	30,028	16,212	54.0	
Total equity capital	**2,074,133**	**2,191,718**	**-117,585**	**-5.4**	
Total liabilities	**51,911,757**	**46,790,589**	**5,121,168**	**10.9**	**19**
Total subordinated commitments	1,699,942	1,694,302	5,640	0.3	
of which subject to mandatory conversion and/or debt waiver	1,164,423	1,165,308	-885	-0.1	
Off-balance-sheet business					
Contingent liabilities	3,768,296	2,534,180	1,234,116	48.7	2, 20
Irrevocable commitments	1,779,694	1,565,510	214,184	13.7	2
Call commitments and additional funding obligations	24,625	22,926	1,699	7.4	2

Raiffeisen Switzerland income statement

2016

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	372,806	439,900	-67,094	-15.3	22
Interest and dividend income from financial assets	52,852	55,661	-2,809	-5.0	22
Interest expenditure	-302,113	-378,582	76,469	-20.2	22
Gross result from interest operations	**123,546**	**116,979**	**6,567**	**5.6**	
Changes in value adjustments for default risks and losses from interest operations	-14,665	-5,760	-8,905	154.6	14
Subtotal net result from interest operations	**108,881**	**111,219**	**-2,338**	**-2.1**	
Commission income securities and investment business	49,973	51,472	-1,499	-2.9	23
Commission income lending business	8,151	8,686	-535	-6.2	23
Commission income other service transactions	57,069	58,082	-1,013	-1.7	23
Commission expenditure	-33,308	-44,581	11,273	-25.3	23
Net income from commission business and service transactions	**81,885**	**73,659**	**8,226**	**11.2**	
Net trading income	**84,222**	**75,960**	**8,262**	**10.9**	**24**
Income from sale of financial assets	2,632	6,187	-3,555	-57.5	
Income from participating interests	51,311	62,799	-11,488	-18.3	
Income from real estate	3,938	3,888	50	1.3	
Other ordinary income	387,971	339,810	48,161	14.2	25
Other ordinary expenditure	-45,550	-39,262	-6,288	16.0	
Other ordinary profit	**400,302**	**373,423**	**26,879**	**7.2**	
Operating income	**675,290**	**634,261**	**41,029**	**6.5**	
Personnel expenses	-354,690	-322,707	-31,983	9.9	26
General and administrative expenses	-255,880	-246,816	-9,064	3.7	27
Operating expenses	**-610,571**	**-569,523**	**-41,048**	**7.2**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-133,589	-43,321	-90,268	208.4	
Changes to provisions and other value adjustments, and losses	-5,650	866	-6,516	-752.4	14
Operating result	**-74,520**	**22,283**	**-96,803**	**-434.4**	
Extraordinary income	9,196	24,013	-14,817	-61.7	28
Extraordinary expenditure	-26,119	-4	-26,115	652,875.0	28
Changes in reserves for general banking risks	140,450	-15,200	155,650	-1,024.0	14
Taxes	-2,767	-1,064	-1,703	160.1	29
Profit	**46,240**	**30,028**	**16,212**	**54.0**	

Proposed distribution of available profit addressed to the Ordinary Delegate Meeting of 17 June 2017 in Fribourg

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %
Appropriation of profit				
Profit	46,240	30,028	16,212	54.0
Profit brought forward	0	0	0	0.0
Available profit	**46,240**	**30,028**	**16,212**	**54.0**
Appropriation of profit				
– Allocation to statutory retained earnings reserve	3,740	6,653	-2,913	-43.8
– Interest on cooperative capital	42,500	23,375	19,125	81.8
Total appropriation of profit	**46,240**	**30,028**	**16,212**	**54.0**

Statement of changes in equity

2016

	Cooperative capital in 1,000 CHF	Statutory retained earnings reserve* in 1,000 CHF	Reserves for general banking risks in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at the beginning of the current year	**1,700,000**	**162,790**	**298,900**	**30,028**	**2,191,718**
Capital increase	0	0	0	0	0
Allocations to statutory retained earnings reserve	0	6,653	0	-6,653	0
Transfers from reserves for general banking risks	0	0	-140,450	0	-140,450
Interest on the cooperative capital	0	0	0	-23,375	-23,375
Profit	0	0	0	46,240	46,240
Equity capital at the end of the current year	**1,700,000**	**169,443**	**158,450**	**46,240**	**2,074,133**

* Statutory retained earnings are not distributable.

Notes to the annual accounts

Name, legal structure and domicile of the bank

Under the name

- Raiffeisen Schweiz Genossenschaft
- Raiffeisen Suisse société coopérative
- Raiffeisen Svizzera società cooperativa
- Raiffeisen Svizra associaziun
- Raiffeisen Switzerland Cooperative

there exists an association of cooperative banks with a limited duty to pay in further capital pursuant to Art. 921 et seq. of the Swiss Code of Obligations ("OR"). Raiffeisen Switzerland Cooperative (hereinafter "Raiffeisen Switzerland") is the association of Raiffeisen banks in Switzerland. Raiffeisen Switzerland is domiciled in St.Gallen.

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 and the regulations governing risk policy for the Raiffeisen Group ("risk policy" for short). The risk policy is reviewed and updated annually. Raiffeisen Switzerland views taking on risks as one of its core competences and sees it as a vital prerequisite for achieving returns. 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 and Raiffeisen Switzerland against high exceptional losses, while safeguarding and strengthening its good reputation. Group Risk Controlling is responsible for ensuring that the risk policy is observed and enforced. The Compliance unit ensures that regulatory provisions are adhered to.

Risk control
Raiffeisen Switzerland controls the key risk categories using special processes and overall limits. Risks that are difficult to quantify are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

Group Risk Controlling, which reports to the Head of the Finance 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. Group Risk Controlling also regularly evaluates the risk situation as part of the reporting process.

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

- Risk identification
- Risk measurement and assessment
- Risk management
- Risk limitation, through the setting of appropriate limits
- Risk monitoring

The aim of risk management is 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 tolerance, i.e., ensure that risks are only entered into if they offer suitable return potential.

Credit risk

Credit risks are defined in 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 and trading products such as OTC derivatives. Risks also accrue from taking on long-term equity exposures that may involve losses when the issuer defaults.

Raiffeisen Switzerland identifies, assesses, manages and monitors the following risk types in the 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.

The branches primarily incur counterparty, collateral and concentration risks. Raiffeisen Switzerland's branches are part of the Branches & Regions department and extend credit to private and corporate clients, the latter being mostly SMEs. Here, risks are limited by securing the underlying claims.

In general, the Corporate Clients department is the instance that grants larger loans to corporate clients. When the credit being increased or newly extended exceeds CHF 50 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment. The assessment focuses on the concentration risk and any change in the value at risk. The Group-wide responsibilities of the Central Bank department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets and the hedging of currency, fluctuating interest rate and proprietary trading risks. The Central Bank department mainly incurs credit risks in connection with interbank business. With the exception of the repo business, these commitments are unsecured.

The Central Bank department may only conduct international transactions when country-specific limits have been approved and established. In exceptional cases in proprietary trading, positions may be taken in countries with prior approval from the Finance department. Country risks are constantly and actively managed and are mainly concentrated in Europe.

Pursuant to the Articles of Association, international commitments at Raiffeisen Switzerland may not exceed 5% of the consolidated Raiffeisen Group balance sheet total.

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions, such as derivative financial instruments, are converted to their respective credit equivalent. Raiffeisen Switzerland has concluded a netting agreement with various counterparties for off-balance-sheet receivables (for OTC transactions) and monitors exposure on a net basis.

Creditworthiness and solvency are assessed on the basis of compulsory standards at Raiffeisen Switzerland. Sufficient creditworthiness and the ability to maintain payments must be proven before any loan is approved. Loans to private individuals and legal entities are classified according to internal rating procedures and, on the basis of this classification, monitored from a risk-oriented perspective. The clients' creditworthiness is defined according to a range of 13 risk categories.

This system has proven 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 are available for more complex financing and the management of recovery positions.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process of identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and ensuring proper credit portfolio reporting. Evaluating the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics, including category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The responsible executive bodies receive quarterly updates on the development of 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 of portfolio-controlling measures, with the main focus being on controlling new business via the lending policy.

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific threshold limits have been established. Should one of these threshold values be reached, part of the decentralised credit authority is transferred to Raiffeisen Switzerland's Credit Office. This process guarantees a well-diversified local credit portfolio even in a decentralised organisation.

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2016, Raiffeisen Switzerland had two reportable cluster risks (including Group companies) with cumulative risk-weighted commitments (net) of CHF 1 billion. These amounted to 45.7% of eligible capital resources (previous year: three reportable positions of CHF 0.9 billion).

The credit volume of Raiffeisen Switzerland's 10 largest borrowers (excluding interbank business and public bodies) as at 31 December 2016 was CHF 1.5 billion or 9.7% of overall exposure (previous year: CHF 1.3 billion or 11.9%).

Market risk

Risk associated with fluctuating interest rates: Given that Raiffeisen Switzerland is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the market value of the equity capital. The impact on profitability is assessed using dynamic income simulations. Variable-rate positions are displayed based on a model that replicates historical interest rate fluctuations with money and capital market rates. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. The Treasury of the Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group – with the exception of Notenstein La Roche Private Bank Ltd. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors. Group Risk Controlling monitors compliance with limits and prepares associated reports, while also assessing the risk situation.

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

Capital adequacy requirements for market risk relating to the trading book

in 1,000 CHF	31.12.2016	Ø 2016	31.12.2015	Ø 2015
Foreign exchange/ precious metals	20,873	19,124	17,215	17,074
Interest rate instrum.	109,390	112,072	108,849	108,815
Equities/indices	21,018	21,402	17,280	19,733
Total	**151,281**	**152,598**	**143,344**	**145,623**

The financial investment portfolio is managed by the Treasury of the Central Bank department. 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. Group Risk Controlling monitors the interest rate and foreign currency risks of financial investments.

The Trading unit, which is part of the Central Bank department, is responsible for managing the Central Bank trading book. The branches do not keep a trading book of their own. The Central Bank trades in interest rates, currencies, equities and banknotes/ precious metals. It must strictly adhere to the value-at-risk, sensitivity and loss limits set by the Board of Directors and the Executive Board, which Group Risk Controlling monitors on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the income achieved from trading and conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is subject to risk limits and is closely monitored. They work with both standardised and over-the-counter (OTC) derivatives for the Central Bank's own account and on behalf of clients.

Reporting on compliance with value-at-risk, sensitivity and position limits and the assessment of the risk situation by Group Risk Controlling is primarily conducted via three reports:

- Weekly interest rate risk report, sent to responsible Executive Board members in line with FINMA Circular 2008/6
- Monthly risk report, sent to the Head of the Finance department who then decides whether the monthly risk report should be presented to the entire Executive Board
- Quarterly risk report, sent to the Board of Directors

Liquidity

Liquidity risks are controlled using commercial criteria and monitored by the Treasury and Group Risk Controlling at the Group level in accordance with banking law. Risk controlling involves, among other things, simulating liquidity inflows and outflows over different time horizons using various scenarios. These scenarios include the impact of bank funding crises and general liquidity crises.

Monitoring is based on statutory limits 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. This includes not only the financial impacts, but also the reputational and compliance consequences.

Operational risk tolerance and appetite is defined using a value-at-risk limit or using risk indicators and specific limits for relevant types of operational risks. Risk tolerance and appetite are approved annually by the Board of Directors (for the value-at-risk limits) and by Raiffeisen Switzerland's Executive Board (for the indicator limits). Group Risk Controlling monitors compliance with risk tolerance and appetite. If one of the defined limits is exceeded, remedial 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. Group Risk Controlling is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. Risk identification is supported by capturing and analysing operational events. Group Risk Controlling 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 or probability 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 assessment, significant internal operational risk events and relevant external events are reported quarterly to both Raiffeisen Switzerland's Executive Board and Board of Directors. Value-at-risk limit violations are escalated to the Board of Directors, while threshold limit violations are escalated to Raiffeisen Switzerland's Executive Board.

In addition to the standard risk management process, Group Risk Controlling 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.

IT risk

A reliable IT infrastructure is an indispensable requirement for the provision of banking services. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing the related threats and risks.

Information security

Potential risks are managed comprehensively. A regular assessment of the threat situation constitutes the basis for the risk management strategy. Appropriate and effective information security measures for safeguarding information and infrastructure with respect to confidentiality, integrity, availability and audit trails are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process.

Outsourcing

Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen Switzerland securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions AG handles the scanning processes in the paper-based payment system, while the printing and shipping of bank vouchers has been outsourced to Trendcommerce AG. ARIZON Sourcing Ltd, a joint venture of Raiffeisen Switzerland and Avaloq, provides payment and securities operations services for Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd. The platform for the online identification of new and current customers via videostream is operated by Inventx AG

Raiffeisen Switzerland has been issuing a wide selection of structured investment products since November 2016 with assistance from Leonteq Ltd. Since this time, Raiffeisen Switzerland has also been issuing withholding-tax-free structured investment products through Raiffeisen Switzerland B.V., its subsidiary in Amsterdam. The Raiffeisen Switzerland Cooperative has concluded an outsourcing agreement with Leonteq Securities Ltd in this regard. 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.

Regulatory provisions

On 24 June 2015, FINMA, the Swiss Financial Market Supervisory Authority, issued a decision defining special requirements relating to the systemic importance of the Raiffeisen Group and Raiffeisen Switzerland. As an individual bank, Raiffeisen Switzerland remains exempt from the disclosure requirements. The consolidated information that must be disclosed pursuant to FINMA Circular 2016/1 can be viewed on the Raiffeisen website (raiffeisen.ch) or in the Raiffeisen Group's annual report.

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

Credit risks: International standard approach (SA-BIZ), using the following external ratings.

			Issuer/issue rating
Client category	**S&P**	**Fitch**	**Moody's**
Central governments and central banks	x	x	x
Public bodies	x	x	x
Banks and securities dealers	x	x	x
Companies	x	x	x

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

Market risk: Standard approach

The capital adequacy requirements for market risk are calculated using the standard 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. An overview is provided in the "Capital adequacy requirements for market risks relating to the trading book" table.

Operational risks: Basic indicator approach

Methods applied to identify default risks and to determine 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. In the hedonic pricing method, the bank uses regional property price information supplied by an external provider. The model is validated by an external specialist on behalf of the bank. The bank uses these valuations to update the property value periodically. In addition, the bank constantly monitors delinquent interest and principal payments in order to identify higher-risk mortgage loans. These loans are then thoroughly reviewed by credit specialists. The Recovery department is involved in certain cases. Additional collateral may be requested or a value adjustment recognised based on the missing collateral (also see the section entitled "Steps involved in determining value adjustments and provisions").

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 vacancy rates.

Loans against securities
The bank monitors the commitments and value of the collateral pledged for loans against securities on a daily basis. If the collateral value of the pledged security falls below the loan commitment amount, the bank will consider reducing the loan amount or request additional collateral. If the shortfall widens or if market conditions are unusual, the collateral will be realised and the loan settled.

Unsecured loans
For unsecured commercial operating loans, the bank 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. 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 price of property transactions that have similar characteristics to the real estate being valued. The bank uses the income capitalisation method for multi-family units, commercial real estate and special properties. Raiffeisen Switzerland's valuers or external accredited valuers must be involved if the real estate's collateral value exceeds a certain amount or if the real estate has special risks. The liquidation value is 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 primarily accepts transferable, liquid and actively traded financial instruments (such as bonds and equities) as collateral for Lombard loans and other loans against securities. The bank also accepts transferable structured products for which there is regular share price information and a market maker.

The bank discounts market values to account for the market risk associated with liquid, marketable securities and to determine the collateral value. The settlement period for structured products and long-tenor products may be considerably longer, and so they are discounted more heavily than liquid instruments. 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' account, particularly interest and currency instruments.

Hedges in the banking book are created by means of internal deposits and loans with the trading book; the Treasury does not take out hedges directly in the market. Hedges in the trading book are usually executed through offsetting trades with external counterparties.

Use of hedge accounting
Types of hedged items and hedging instruments
The bank 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 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, the bank 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.

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.

Single-entity financial statements are prepared subject to the above regulations and present a reliable view. Unlike financial statements prepared in accordance with the true and fair view principle, single-entity financial statements may include hidden reserves.

Raiffeisen Switzerland publishes the consolidated annual financial statements of the Raiffeisen Group in a separate annual report. This includes the annual financial statements of all the individual Raiffeisen banks, Raiffeisen Switzerland and major subsidiaries in which the Group directly or indirectly holds more than 50% of the voting shares. Raiffeisen Switzerland has therefore chosen not to prepare consolidated subgroup accounts that include the annual financial statement of Raiffeisen Switzerland and its majority interests.

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". Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

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 clients, mortgage loans

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 the 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 the 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.

Provision for credit items is 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.

Receivables and liabilities from securities financing transactions

Securities lending and borrowing

Securities lending and borrowing transactions are reported at the value of the cash collateral received or issued, including accrued interest.

Securities that are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland takes control of the contractual rights associated with them. Securities that are loaned or provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the contractual 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 expenses 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 contractual rights associated with them is 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 expenditure 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 measured and realised gains and losses during the period in question are reported under "Result from trading activities"; 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 instruments 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 lending activities that are intended for disposal are reported under "Financial investments" and valued according to the lower of cost or market value principle. The "lower of cost or market value" refers to the lower of the initial value 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.

Participations

Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under "Participations", irrespective of the proportion of voting shares held.

All participations in communal facilities are also reported here. 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 1 million of the equity capital or the book value is less than CHF 10 million. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required value adjustments. Participations may contain hidden reserves.

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

Immaterial 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. Tangible fixed assets may contain hidden reserves. Expenditure incurred in connection with the implementation of the future 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 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 amortisations 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

Other intangible assets

Acquired intangible assets are recognized 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 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 amortisations 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 depreciated 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 outflow of resources. Provisions for available overdraft limits are described in the section entitled "Amounts due from banks and clients, mortgage loans".

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 bank. These reserves are counted as capital in accordance with Art. 21 para. 1 letter c of the Capital Adequacy Ordinance and are partially taxable (see "Value adjustments, provisions and reserves for general banking risks" table in the Notes).

Taxes

Taxes are calculated and booked on the basis of the profit for the current year.

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 bank'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 reported 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 reported.

All Treasury hedging transactions are concluded via the trading book; the Treasury does 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 Treasury hedging transactions is reported under hedging instruments.

In the case of issued structured products that include a debt security, the derivative is split from the underlying 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".

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

Information regarding self-issued structured products was added to the accounting and valuation principles in the current year.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2016) and the drawing up of the annual financial statement that would have required disclosure in the balance sheet and/or notes.

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	13,205	51,808
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	2,514,987	4,052,366
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	2,580,400	3,556,475
with unrestricted right to resell or pledge	2,580,400	3,556,475
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	151,456	156,548
of which, repledged securities	0	25,627
of which, resold securities	138,207	105,139

* before netting agreements

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

	Mortgage cover in 1,000 CHF	Other cover in 1,000 CHF	Without cover in 1,000 CHF	Total in 1,000 CHF
Loans (before netting with value adjustments)				
Loans to clients	394,412	230,821	1,664,595	2,289,829
Mortgage loans	9,121,212	0	3,179	9,124,391
Residential property	7,890,068	0	1,516	7,891,584
Office and business premises	293,048	0	27	293,075
Trade and industry	598,601	0	0	598,601
Other	339,494	0	1,636	341,130
Total loans (before netting with value adjustments)				
Current year	**9,515,624**	**230,821**	**1,667,774**	**11,414,219**
Previous year	8,895,192	222,037	1,638,482	10,755,711
Total loans (after netting with value adjustments)				
Current year	**9,515,624**	**230,821**	**1,649,704**	**11,396,149**
Previous year	8,895,192	222,037	1,626,096	10,743,325
Off-balance-sheet business				
Contingent liabilities	3,506	3,005,576	759,214	3,768,296
Irrevocable commitments	707,000	26,008	1,046,687	1,779,694
Call commitments and additional funding obligations	0	0	24,625	24,625
Total off-balance-sheet business				
Current year	**710,506**	**3,031,584**	**1,830,526**	**5,572,616**
Previous year	566,356	2,120,910	1,435,350	4,122,615

	Gross amount borrowed in 1,000 CHF	Estimated proceeds from realisation of collateral in 1,000 CHF	Net amount borrowed in 1,000 CHF	Individual provisions in 1,000 CHF
Impaired loans				
Current year	**73,227**	**52,693**	**20,533**	**18,070**
Previous year	46,543	33,898	12,645	12,628

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 portfolio assets

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Assets		
Debt securities, money market securities / transactions	701,104	741,021
stock exchange listed [1]	701,104	741,021
Equity securities	141,102	94,140
Precious metals	415,321	449,101
Other trading portfolio assets	24,906	26,857
Total assets	**1,282,433**	**1,311,118**
of which determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	308,443	423,676

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Liabilities		
Debt securities, money market securities / transactions [2]	137,332	105,139
stock exchange listed [1]	137,332	105,139
Equity securities [2]	863	0
Precious metals [2]	0	0
Other trading portfolio liabilities [2]	13	0
Total liabilities	**138,207**	**105,139**
of which, determined using a valuation model	-	-

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		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	426	299	2,800,000	0	0	0
Swaps	464,842	508,024	47,903,086	716,136	984,943	39,005,200
Futures contracts	0	0	1,803,895	0	0	0
Options (OTC)	0	0	2,877	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total interest rate instruments	**465,268**	**508,322**	**52,509,858**	**716,136**	**984,943**	**39,005,200**
Foreign currencies						
Forward contracts	340,071	267,901	34,063,666	41,235	29,154	4,559,017
Comb. interest rate/currency swaps	0	119	10,063	0	0	0
Futures contracts	0	0	0	0	0	0
Options (OTC)	7,618	6,196	580,513	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total foreign currencies	**347,689**	**274,216**	**34,654,241**	**41,235**	**29,154**	**4,559,017**
Precious metals						
Forward contracts	15,396	18,471	1,082,899	0	0	0
Swaps	0	0	0	0	0	0
Futures contracts	0	0	30,640	0	0	0
Options (OTC)	10,633	6,359	568,076	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total precious metals	**26,029**	**24,830**	**1,681,615**	**0**	**0**	**0**
Equities and indices						
Forward contracts	0	0	0	0	0	0
Swaps	0	0	0	0	0	0
Futures contracts	0	0	129,030	0	0	0
Options (OTC)	3,695	3,695	187,639	0	8	184,237
Options (exchange traded)	2,896	101	25,222	0	0	0
Total equities and indices	**6,591**	**3,796**	**341,891**	**0**	**8**	**184,237**
Credit derivatives						
Credit default swaps	44	44	11,802	0	0	0
Total return swaps	0	0	0	0	0	0
First-to-default swaps	0	0	0	0	0	0
Other credit derivatives	0	0	0	0	0	0
Total credit derivatives	**44**	**44**	**11,802**	**0**	**0**	**0**
Other						
Forward contracts	0	0	0	0	0	0
Swaps	0	0	0	0	0	0
Futures contracts	0	0	0	0	0	0
Options (OTC)	2,000	0	23,700	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total other	**2,000**	**0**	**23,700**	**0**	**0**	**0**
Total						
Current year	**847,620**	**811,208**	**89,223,107**	**757,371**	**1,014,105**	**43,748,454**
of which determined using a valuation model	844,724	811,107		757,371	1,014,105	
Previous year	792,951	874,577	87,645,840	840,137	1,260,153	47,346,161
of which determined using a valuation model	791,978	874,236		840,137	1,260,153	

4.2 Derivative financial instruments by counterparty and time remaining to maturity

	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Central clearing houses	81,603	36,016	7,712,500	4,029,150	4,974,200	16,715,850
Raiffeisen banks*	54	326	21,066	1,150	0	22,216
Banks and securities dealers	1,472,351	1,766,858	58,991,245	34,477,306	17,277,194	110,745,745
Stock exchanges	2,896	101	1,988,787	0	0	1,988,787
Other customers	48,087	22,012	3,038,991	258,888	201,084	3,498,963
Total						
Current year	**1,604,991**	**1,825,313**	**71,752,589**	**38,766,494**	**22,452,478**	**132,971,561**
Previous year	1,633,087	2,134,730	59,905,139	51,791,085	23,295,777	134,992,001

* Primarily for clients' needs

No netting contracts are used to report the replacement values.

Quality of counterparties
Banks: Derivative transactions were conducted primarily with counterparties with a very good credit rating; 90.3% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor'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

	Book value current year in 1,000 CHF	Book value previous year in 1,000 CHF	Fair value current year in 1,000 CHF	Fair value previous year in 1,000 CHF
Financial assets				
Debt instruments	6,277,256	5,287,957	6,534,259	5,545,054
of which intended to be held until maturity	6,277,256	5,282,026	6,534,259	5,538,903
of which, not intended to be held to maturity (available for sale)	0	5,931	0	6,151
Equities	319,234	304,934	332,097	310,861
of which qualified participations *	0	0	0	0
Precious metals	0	0	0	0
Real estate	0	0	0	0
Total financial assets	**6,596,490**	**5,592,891**	**6,866,356**	**5,855,914**
of which securities for repo transactions in line with liquidity requirements	6,244,732	5,202,138		

* At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

	Book value Aaa to Aa3 in 1,000 CHF	Book value A1 to A3 in 1,000 CHF	Book value Baa1 to Baa3 in 1,000 CHF	Book value Ba1 to B3 in 1,000 CHF	Book value Below B3 in 1,000 CHF	Book value Unrated in 1,000 CHF
Debt securities	**6,244,732**	**32,525**	**0**	**0**	**0**	**0**

Ratings are assigned based on Moody's rating classes. The Raiffeisen Group uses the ratings issued by Moody's, Standard & Poor's and Fitch.

6. Participations

	Purchase price in 1,000 CHF	Accumulated value adjustments in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year value adjustments in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF	Market value at end of current year in 1,000 CHF
Participations Group companies										
- with market value	-	-	-	-	-	-	-	-	-	-
- without market value	743,613	-5,000	738,613	-	1,000	-105,000	-	4,004	638,617	-
Other participations										
- with market value	446,422	-5	446,417	-	2	-	-85,000*	-	361,419	369,767
- without market value	237,665	-5,305	232,360	-	10,356	-5	-	503	243,214	-
Total participations	**1,427,700**	**-10,310**	**1,417,390**	**-**	**11,358**	**-105,005**	**-85,000**	**4,507**	**1,243,250**	**369,767**

* As a result of the share price performance and unsatisfactory net profit for 2016, a value adjustment of CHF 85.0 million was recognised for the Leonteq participation as at 31 December 2016.

7. Tangible fixed assets

7.1 Tangible fixed assets

	Purchase price in 1,000 CHF	Cumulative depreciation/amortisation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year depreciation/amortisation in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF
Bank buildings	278,515	-110,635	167,880	0	2,240	0	-5,997	0	164,123
Other real estate	14,077	-4,277	9,800	0	0	0	-500	0	9,300
Proprietary or separately acquired software	142,626	-102,035	40,591	0	17,018	0	-19,558	0	38,051
Other tangible fixed assets	209,256	-167,218	42,038	0	13,545	-236	-17,695	0	37,652
Total tangible assets	**644,474**	**-384,165**	**260,309**	**0**	**32,803**	**-236**	**-43,750**	**0**	**249,126**

7.2 Operating leases

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-recognised lease commitments		
Due within 12 months	2,342	2,260
Due within 1 to 5 years	3,279	3,855
Due after 5 years	0	0
Total non-recognised lease commitments	**5,621**	**6,115**
of which obligations that can be terminated within one year	5,621	6,115

8. Intangible assets

	Purchase price in 1,000 CHF	Cumulative depreci-ation/amorti-sation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year invest-ment in 1,000 CHF	Current-year disinvest-ment in 1,000 CHF	Current-year depreci-ation/amortisation in 1,000 CHF	Book value at end of current year in 1,000 CHF
Other intangible assets	25,000	-2,016	22,984	0	0	-4,839	18,145
Total intangible assets	**25,000**	**-2,016**	**22,984**	**0**	**0**	**-4,839**	**18,145**

9. Other assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Equalisation account	187,163	393,587
Settlement accounts for indirect taxes	299,318	872,943
Other settlement accounts	125,826	91,920
Commodities	4,448	5,400
Miscellaneous other assets	0	0
Total other assets	**616,755**	**1,363,850**
Other liabilities		
Due, unredeemed coupons and debt instruments	32	42
Levies, indirect taxes	24,822	33,693
Solidarity fund	328,581	360,691
of which open guarantees to Raiffeisen banks	259	259
Other settlement accounts	79,795	51,364
Miscellaneous other liabilities	192	141
Total other liabilities	**433,423**	**445,930**

10. Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

	Current-year book values in 1,000 CHF	Current year Effective commitments in 1,000 CHF	Previous-year book values in 1,000 CHF	Previous year Effective commitments in 1,000 CHF
Pledged / assigned assets				
Receivables from Raiffeisen banks	0	0	0	0
Receivables from other banks	445,845	445,845	620,710	620,710
Mortgage receivables	2,879,905	1,909,960	2,732,882	1,847,542
Financial assets	984,418	233,705	887,283	138,905
Total pledged assets	**4,310,168**	**2,589,509**	**4,240,875**	**2,607,157**
Total assets under reservation of ownership	**0**	**0**	**0**	**0**

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

11. Pension schemes

All employees of Raiffeisen Switzerland 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.

11.1 Liabilities relating to own pension schemes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Amounts due in respect of customer deposits	120,704	245,005
Negative replacement values of derivative financial instruments	3,527	0
Bonds	40,000	40,000
Accrued expenses and deferred income	543	543
Total liabilities to own social insurance institutions	**164,775**	**285,548**

11.2 Employer contribution reserves in the Raiffeisen Employer Foundation

	Current year in 1,000 CHF	Previous year in 1,000 CHF
As at 1 January	7,449	2,189
+ Deposits [1]	2,506	7,500
– Withdrawals [1]	1,700	2,253
+ Interest paid [2]	20	12
As at 31 December	**8,274**	**7,449**

1 Contributions and payments are included in personnel expenditure.

2 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. They are not reported.

11.3 Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual report (in accordance with Swiss GAAP FER 26) of the Raiffeisen Pension Fund Cooperative, the coverage ratio is:

	On 31.12.2016 in %	On 31.12.2015 in %
Raiffeisen Pension Fund Cooperative	110.8	109,8

The fluctuation reserves of the Raiffeisen Pension Fund Cooperative did not reach the level stipulated in the pension fund regulations in the current year.

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 is explained under "Contribution to staff pension plans" in note 26 "Personnel expenses".

12. Issued structured products

	Book value				
	Valued as a whole		Valued separately		
	Booked in trading portfolio in 1,000 CHF	Booked in other financial instruments at fair value in 1,000 CHF	Value of the host instrument in 1,000 CHF	Value of the derivative in 1,000 CHF	Total in 1,000 CHF
Underlying risk of the embedded derivative					
Interest rate instruments	**0**	**0**	**1,632**	**-31**	**1,601**
With own debenture component (oDC)	0	0	1,632	-31	1,601
Without oDC	0	0	0	0	0
Equity securities	**0**	**0**	**61,300**	**-2,542**	**58,758**
With own debenture component (oDC)	0	0	61,300	-2,542	58,758
Without oDC	0	0	0	0	0
Foreign currencies	**0**	**0**	**0**	**0**	**0**
With own debenture component (oDC)	0	0	0	0	0
Without oDC	0	0	0	0	0
Commodities / precious metals	**0**	**0**	**30**	**-5**	**25**
With own debenture component (oDC)	0	0	30	-5	25
Without oDC	0	0	0	0	0
Total	**0**	**0**	**62,962**	**-2,577**	**60,385**

13. Bond issues and central mortgage institution loans

	Year of issue	Interest rate		Maturity	Early termination possibility	Bond principal in 1,000 CHF	
Non-subordinated own bonds	2010	1.375		21.09.2017	-	198,790	
	2010	2.000		21.09.2023	-	250,000	
	2011	2.125		04.02.2019	-	248,700	
	2011	2.625		04.02.2026	-	128,215	
	2011	2.375		10.05.2018	-	149,500	
	2014	0.000	1	07.02.2017	-	346,900	
	2014	1.625		07.02.2022	-	99,955	
	2014	0.312	1	05.06.2018	-	219,815	
	2016	0.000		17.09.2020	-	50,000	
	2016	0.300		22.04.2025	-	363,535	
	2016	0.750		22.04.2031	-	87,065	
Subordinated own bonds without PONV clause[2]	2011	3.875		21.12.2021	-	535,000	
Subordinated own bonds with PONV clause[2]	2013	3.000		Perpetual	02.05.2018	549,125	3
	2015	3.000		Perpetual	02.10.2020	599,990	3
Underlying instruments from issued structured products[4]	div.	2.424	5	2017		26,352	
		-0.177	5	2018		23,117	
		-0.137	5	2019		9,758	
		-0.543	5	2020		204	
		-0.729	5	2021		1,579	
		-0.121	5	after 2021		1,951	
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	div.	1.452	5			1,854,330	
Total outstanding bonds and Pfandbriefdarlehen						**5,743,882**	

1 Variable coupon, basis CHF Libor 3 months and spread

2 PONV clause = point of non-viability

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 Bonds 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)

14. Value adjustments, provisions and reserves for general banking risks

	End of previous year in 1,000 CHF	Appropriate application in 1,000 CHF	Reclassifications in 1,000 CHF	Write-backs, overdue interest in 1,000 CHF	New provisions against income statement in 1,000 CHF	Dissolution of provisions against income statement in 1,000 CHF	End of current year in 1,000 CHF
Provisions							
Provisions for default risks	9,802	-1,764	-312	81	8,344	-6,040	10,111
Provisions for other business risks	3,130	-3,000	0	0	0	0	130
Provisions for restructuring [1]	0	0	0	0	3,343	0	3,343
Other provisions [2]	3,724	-389	0	0	0	-84	3,250
Total provisions	**16,656**	**-5,154**	**-312**	**81**	**11,687**	**-6,124**	**16,834**
Reserves for general banking risks	**298,900**	**0**	**0**	**0**	**0**	**-140,450**	**158,450**
of which taxed	204,500	0	0	0	0	0	158,450
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	12,628	-9,601	312	85	17,309	-2,662	18,070
Value adjustments for latent risks	0	0	0	0	0	0	0
Total value adjustments for default and country risks	**12,628**	**-9,601**	**312**	**85**	**17,309**	**-2,662**	**18,070**

1 Of which, CHF 360,000 were recognised under personnel expenses.

2 Miscellaneous provisions include provisions for legal expenses.

15. Bank's capital

	Current year			Previous year		
	Total par value in 1,000 CHF	**Number of shares in 1,000**	**Interest-bearing capital in CHF 1,000**	**Total par value in 1,000 CHF**	**Number of shares in 1,000**	**Interest-bearing capital in CHF 1,000**
Cooperative capital	1,700,000	1,700	1,700,000	1,700,000	1,700	850,000
of which, paid up	1,700,000	1,700	1,700,000	1,700,000	1,700	850,000

The cooperative capital is owned in full by the 270 Raiffeisen banks within Raiffeisen Switzerland (previous year: 292 Raiffeisen banks). As in the previous year, no Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. As at 31 December 2016, this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 1,873.9 million, of which CHF 893.8 million have been paid in. The Raiffeisen banks took over CHF 806.2 million in share certificates without applying this amount toward the call-in obligation.

16. Related parties

	Amounts due from		Amounts due to	
	Current year in 1,000 CHF	**Previous year in 1,000 CHF**	**Current year in 1,000 CHF**	**Previous year in 1,000 CHF**
Group companies	802,119	386,596	3,287,531	2,888,956
Transactions with members of governing bodies	32,423	32,285	4,466	3,700
Other related parties	265,999	82,730	76,125	12,977
Total amounts due from / to related parties	**1,100,541**	**501,610**	**3,368,122**	**2,905,633**

Material off-balance-sheet transactions with related parties
Contingent liabilities to related parties amounted to CHF 3.3 billion (previous year: CHF 2.1 billion). Irrevocable commitments to related parties amounted to CHF 311.3 million (previous year: CHF 403.6 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:

- The Executive Board, the Extended Executive Board and the Head of Internal Auditing of Raiffeisen Switzerland enjoy industry-standard preferential terms, as do other personnel.
- Amounts due from Group companies of CHF 802.1 million include unsecured loans of CHF 255.7 million (last maturity on 31 December 2025) with an average interest rate of 0.9%.

Special provisions apply to the processing and monitoring of loans to executive bodies to ensure that staff remains independent at all times.

17. Maturity structure of financial instruments

	On demand in 1,000 CHF	Redeemable by notice in 1,000 CHF	Due within 3 months in 1,000 CHF	Due within 3 to 12 months in 1,000 CHF	Due within 1 to 5 years in 1,000 CHF	Due after 5 years in 1,000 CHF	Total in 1,000 CHF
Assets / financial instruments							
Liquid funds	18,779,805	0	0	0	0	0	18,779,805
Receivables from Raiffeisen banks	2,923,285	0	0	0	0	0	2,923,285
Receivables from other banks	192,359	0	6,406,359	300,000	50,000	0	6,948,718
Amounts due from securities financing transactions	0	0	13,204	0	0	0	13,204
Receivables from clients	1,463	73,321	1,140,077	245,744	732,012	82,320	2,274,938
Mortgage receivables	1,302	155,577	362,480	802,892	4,894,160	2,904,801	9,121,212
Trading portfolio assets	1,282,433	0	0	0	0	0	1,282,433
Positive replacement values of derivative financial instruments	1,604,991	0	0	0	0	0	1,604,991
Financial assets [1]	256,631	0	242,667	210,385	1,996,984	3,889,823	6,596,490
Total							
Current year	**25,042,268**	**228,898**	**8,164,787**	**1,559,022**	**7,673,156**	**6,876,944**	**49,545,075**
Previous year	24,427,406	230,972	4,460,466	1,504,287	6,637,589	6,197,577	43,458,296
Debt capital / financial instruments							
Liabilities to Raiffeisen banks	14,063,534	0	0	0	0	0	14,063,534
Liabilities to other banks	561,566	0	8,905,262	2,512,922	1,871,201	196,100	14,047,052
Liabilities from securities financing transactions	0	0	2,514,988	0	0	0	2,514,988
Amounts due in respect of customer deposits	3,150,716	4,513,883	1,647,424	451,702	583,180	367,425	10,714,330
Trading portfolio liabilities	138,207	0	0	0	0	0	138,207
Negative replacement values of derivative financial instruments	1,825,313	0	0	0	0	0	1,825,313
Medium-term notes	0	0	3,221	16,181	44,285	9,994	73,681
Bonds and Pfandbriefdarlehen	0	0	612,418	230,039	2,500,942	2,400,482	5,743,882
Total							
Current year	**19,739,337**	**4,513,883**	**13,683,313**	**3,210,844**	**4,999,609**	**2,974,001**	**49,120,987**
Previous year	15,994,551	5,126,368	10,583,283	4,874,606	4,366,153	2,939,709	43,884,670

1 No real estate figures are included in the financial assets (prior year: CHF 0).

18. Total assets by credit rating of country groups

	Net foreign exposure			
	Current year in 1,000 CHF	**Current year in %**	**Previous year in 1,000 CHF**	**Previous year in %**
Rating class				
Aaa to Aa3	6,145,421	98.7%	3,637,815	98.7%
A1 to A3	37,367	0.6%	26,498	0.7%
Baa1 to Baa3	37,440	0.6%	12,910	0.4%
Ba1 to B3	3,945	0.1%	5,972	0.2%
below B3	0	0.0%	0	0.0%
unrated	2,567	0.0%	2,216	0.1%
Total assets	**6,226,739**	**100.0%**	**3,685,411**	**100.0%**

Ratings are assigned based on Moody's rating classes. The Raiffeisen Group uses the ratings issued by Moody's, Standard & Poor's and Fitch.

19. Balance sheet by currency

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Assets					
Liquid funds	18,359,223	245,169	38,825	136,588	18,779,805
Receivables from Raiffeisen banks	2,923,088	0	192	6	2,923,285
Receivables from other banks	3,090,368	1,287,488	2,242,963	327,898	6,948,718
Amounts due from securities financing transactions	0	0	13,204	0	13,204
Receivables from clients	2,053,329	105,405	70,949	45,255	2,274,938
Mortgage receivables	9,121,212	0	0	0	9,121,212
Trading portfolio assets	741,272	37,153	88,577	415,430	1,282,433
Positive replacement values of derivative financial instruments	1,604,991	0	0	0	1,604,991
Financial assets	6,373,338	139,542	83,604	7	6,596,490
Accrued income and prepaid expenses	238,344	293	765	3	239,406
Participations	1,239,342	3,901	0	7	1,243,250
Tangible assets	249,126	0	0	0	249,126
Intangible assets	18,145	0	0	0	18,145
Other assets	616,755	0	0	0	616,755
Total assets reflected in the balance sheet	**46,628,533**	**1,818,952**	**2,539,079**	**925,193**	**51,911,757**
Delivery claims under spot exchange, forward exchange and currency option contracts	15,197,053	8,201,012	13,259,587	3,490,842	40,148,493
Total assets	**61,825,586**	**10,019,964**	**15,798,666**	**4,416,035**	**92,060,250**
Liabilities					
Liabilities to Raiffeisen banks	11,642,098	1,808,009	318,560	294,866	14,063,534
Liabilities to other banks	8,790,595	1,259,460	3,007,444	989,552	14,047,052
Liabilities from securities financing transactions	295,000	611,325	1,470,734	137,929	2,514,988
Amounts due in respect of customer deposits	9,894,625	192,098	556,765	70,843	10,714,330
Trading portfolio liabilities	135,300	2,908	0	0	138,207
Negative replacement values of derivative financial instruments	1,825,313	0	0	0	1,825,313
Medium-term notes	73,681	0	0	0	73,681
Bonds and Pfandbriefdarlehen	5,725,622	3,870	14,030	361	5,743,882
Accrued expenses and deferred income	260,031	1,158	5,038	153	266,380
Other liabilities	433,416	7	0	0	433,423
Provisions	16,834	0	0	0	16,834
Reserves for general banking risks	158,450	0	0	0	158,450
Cooperative capital	1,700,000	0	0	0	1,700,000
Statutory retained earnings reserve	169,443	0	0	0	169,443
Profit	46,240	0	0	0	46,240
Total liabilities reflected in the balance sheet	**41,166,648**	**3,878,835**	**5,372,570**	**1,493,704**	**51,911,757**
Delivery obligations under spot exchange, forward exchange and currency option contracts	20,552,387	6,129,372	10,422,556	2,935,859	40,040,174
Total liabilities	**61,719,036**	**10,008,207**	**15,795,126**	**4,429,563**	**91,951,931**
Net position per currency	**106,550**	**11,757**	**3,540**	**-13,528**	**108,320**

	31.12.2016	31.12.2015
Foreign currency conversion rates		
EUR	1.073	1.088
USD	1.016	1.001

Information on off-balance sheet business

20. Contingent assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Contingent liabilities		
Guarantees to secure credits and similar	3,657,442	2,455,545
Performance guarantees and similar	11,374	11,860
Other contingent liabilities	99,480	66,775
Total contingent liabilities	**3,768,296**	**2,534,180**
Contingent assets		
Contingent assets arising from tax losses carried forward	-	-
Other contingent assets	30,000	-
Total contingent assets	**30,000**	**-**

21. Fiduciary transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Fiduciary investments with third-party banks	15,422	1,998
Total fiduciary transactions	**15,422**	**1,998**

Information on the income statement

22. Result from interest operations

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Interest and dividend income		
Interest income from receivables from Raiffeisen banks	188,576	260,722
Interest income from receivables from other banks	-5,100	4,185
Interest income from securities financing transactions	-149	-21
Interest income from receivables from clients	27,335	21,781
Interest income from mortgage loans	140,665	137,253
Interest and dividend income from financial investments	52,852	55,661
Other interest income	21,479	15,981
Total interest and dividend income	**425,658**	**495,562**
of which negative interest on the lending business	-53,327	-26,283
Interest expenditure		
Interest expenditure from liabilities to Raiffeisen banks	27,698	-12,257
Interest expenditure from liabilities to other banks	10,872	-6,597
Interest expenditure from securities financing transactions	220	5,769
Interest expenditure from liabilities to clients	-17,204	-26,543
Interest expenditure from cash bonds	-1,520	-2,140
Interest expenditure from bonds and Pfandbriefdarlehen	-120,316	-126,877
Other interest expenditure	-201,863	-209,937
Total interest expenditure	**-302,113**	**-378,582**
of which negative interest on the borrowing business	59,300	41,441
Gross result from interest operations	**123,546**	**116,979**

23. Result from commission business and services

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from securities and investment business		
Fund business	10,000	9,381
Custody account business	23,193	23,377
Brokerage	13,810	16,415
Other securities and investment business	2,970	2,299
Commission income from lending business	8,151	8,686
Commission income from other service transactions		
Payments	51,308	52,203
Account maintenance	2,247	2,147
Other service transactions	3,514	3,732
Total commission income	**115,193**	**118,240**
Commission expenditure		
Securities business	-26,012	-29,247
Payments	-2,831	-5,179
Other commission expenditure	-4,465	-10,155
Total commission expenditure	**-33,308**	**-44,581**
Total net income from commission business and service transactions	**81,885**	**73,659**

24. Result from trading activities

24.1 Breakdown by business area

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Branches of Raiffeisen Switzerland	6,612	6,535
Equities trading desk	2,006	3,163
Algorithmic trading desk	-862	1,246
Foreign currency trading desk	10,569	8,065
Fixed income trading desk	13,548	3,638
Macro hedge trading desk	-1,566	-1,068
Banknotes/precious metals trading desk	44,583	35,990
Options trading desk	1,093	1,254
Rates trading desk	8,238	17,136
Total net trading income	**84,222**	**75,960**

24.2 Breakdown by underlying risk

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Foreign exchange trading	16,596	16,415
Precious metals and foreign notes and coins trading	45,206	37,679
Equities trading	945	3,070
Fixed income trading	21,475	18,796
Total net trading income	**84,222**	**75,960**

25. Other ordinary income

	Current year in 1,000 CHF	Previous year in 1,000 CHF
IT services for Group companies	60,719	60,930
Other individual services provided for Group companies	185,481	150,860
Contributions from the Raiffeisen banks for collective and strategic services	77,651	74,968
Charges for internal services relating to Group projects	61,710	51,005
Other	2,411	2,047
Total other ordinary income	**387,971**	**339,810**

26. Personnel expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Banking authorities, attendance fees and fixed emoluments	1,994	1,767
Salaries and bonuses for staff	289,775	260,924
AHV, IV, ALV and other statutory contributions	21,979	19,843
Contributions to staff pension plans	33,904	33,140
Ancillary staff expenses	7,039	7,033
Total personnel expenses	**354,690**	**322,707**

27. General and administrative expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Office space expenses	30,900	28,414
Expenses for information and communications technology	93,758	89,673
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,875	3,528
Auditor fees	2,598	2,344
of which, for financial and regulatory audits	2,525	2,193
of which, for other services	73	151
Other operating expenses	124,749	122,858
Total general and administrative expenses	**255,880**	**246,816**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 9.2 million consisted primarily of the sale of VISA Europe Limited shares for CHF 4.5 million and an appreciation gain of CHF 4 million for Raiffeisen Unternehmerzentrum AG. Extraordinary expenses include CHF 26 million in losses on the sale of Vescore Ltd.

Prior year
As in the previous year, the extraordinary income of CHF 24 million includes an extraordinary item in the form of income from the sale of participations. CHF 17.5 million came from the sale of shares in Pfandbriefbank schweizerischer Hypothekarinstitute AG to the Raiffeisen banks. Another CHF 5.9 million came from the sale of various smaller companies.

29. Current taxes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Expenditure for current income tax	2,767	1,064
Total tax expenditure	**2,767**	**1,064**
Average tax rate weighted on the basis of the operating result	-3.7%	4.8%

There are no tax loss carryforwards that affect income tax. Deferred tax is solely calculated and reported at the Raiffeisen Group level.

Raiffeisen Switzerland Cooperative

St. Gallen

Report of the statutory auditor to the Delegate Meeting

on the financial statements 2016

pwc

Report of the statutory auditor

to the Delegate Meeting of Raiffeisen Switzerland Cooperative, St. Gallen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Raiffeisen Switzerland Cooperative which comprise the balance sheet as at 31 December 2016, income statement, statement of changes in equity, notes for the year then ended, including the accounting and valuation principles, information on the balance sheet, information on off-balance sheet business and information on the income statement.

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the articles of incorporation.

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 financial statements" section of our report.

We are independent of Raiffeisen Switzerland Cooperative 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 10.1 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which Raiffeisen Switzerland Cooperative operates.

As key audit matters, the following areas of focus have been identified:

- Valuation of loans to customers (amounts due from customers and mortgage loans)
- Impairment of equity participations

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the 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.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

Overall materiality	CHF 10.1 million
How we determined it	0.5 % of net assets (equity)
Rationale for the materiality benchmark applied	We chose net assets (equity) as the benchmark because, in our view, it is the benchmark which represents the solvency and security of Raiffeisen Switzerland Cooperative and it is key for the economic decisions of the cooperative members, customers and the supervisory authority.

We agreed with the Audit and Risk Committee of the Board of Directors that we would report to them misstatements above CHF 1.0 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 financial statements of the current period. These matters were addressed in the context of our audit of the 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	*How our audit addressed the key audit matter*
We consider the valuation of loans to customers as a key audit matter as they represent a significant portion of total assets at 22.0 % (prior year: 23.0 %). In addition, judgement is required to assess the valuation and the amount of any impairment. In particular, we focussed on the following	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, amortisation, ability to repay, valuation and collateral

points: • The approach applied by Raiffeisen Switzerland Cooperative to identify customer loans that are potentially impaired • The appropriateness and application of the significant judgement permitted by the policies 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 collateral cover are taken from the financial statements (notes).	• *Loan approval* Review of compliance with the requirements of the internal authorisation regulations • *Loan disbursement* Review of whether the payment 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 focussed on new business/resubmissions in the mortgage business with a repayment ratio greater than 33 1/3 % of sustainable income, 'exception to policy' loans, corporates, investment properties, unsecured loans, customer loans with outstanding interest and amortisation payments, customer loans with low ratings, account overdrafts and overdue receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Switzerland Cooperative 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 at risk in the sense 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 Switzerland Cooperative. The assumptions used were within the range of our expectations.

Impairment of equity participations

Key audit matter	*How our audit addressed the key audit matter*
Raiffeisen Switzerland Cooperative has equity participations with a carrying value of CHF 1.2 billion. For its impairment tests, Raiffeisen Switzerland Cooperative uses either a market multiples approach based on customer assets under management or the discounted cash flow method. Under the market multiples approach, the customer assets under management are divided into various categories and valued applying a goodwill multiple – based on the gross margin of each asset category – and added to the net asset value of the company. For the discounted cash flow method, the enterprise value is calculated based on the expected future cash flows to the investor. We consider the assessment of the impairment of participations as a key audit matter because significant judgement is required to determine the assumptions relating to future business results, the discount rate to be applied to the forecasted cash flows and the valuation of customer assets under management using goodwill multiples.	We have re-performed the equity participation impairment tests of Raiffeisen Switzerland Cooperative and assessed their appropriateness. For the valuations made by Raiffeisen Switzerland Cooperative using the market multiples approach, we compared the applied goodwill multiples with the available information on transactions for which a purchase price was publicly available. Further, we reviewed on a sample basis the structure of the customer assets under management by customer type and customer domicile, and considered the goodwill multiples in our assessment of the appropriateness of the goodwill multiples. For the impairment tests of Raiffeisen Switzerland Cooperative performed using the discounted cash flow method, we performed plausibility checks on a sample basis of the business plans and the expected cash flows of significant equity participations against externally available and other information. We re-performed the calculation for the discount rate applied to significant equity participations; for the others, we performed plausibility checks. In addition, we assessed the appropriateness and correct application of the valuation methods used. The assumptions used were within the range of our expectations.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing Raiffeisen Switzerland Cooperative'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 either to liquidate Raiffeisen Switzerland Cooperative or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the financial statement 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 art. 906 CO in conjunction with art. 728a para. 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the administration of the cooperative register and the proposed appropriation of available earnings complies with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Beat Rütsche

Audit expert
Auditor in charge

Ralph Gees

Audit expert

St. Gallen, 31 March 2017

Five-year overview

Balance sheet – five-year overview

	2016 in 1,000 CHF	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF	2012 in 1,000 CHF
Assets					
Liquid funds	18,779,805	17,271,940	7,771,842	5,531,017	5,444,339
Receivables from Raiffeisen banks	2,923,285	3,758,642	3,953,353	4,633,236	5,621,429
Receivables from other banks	6,948,718	3,095,492	4,672,095	5,294,759	3,769,832
Amounts due from securities financing transactions	13,204	51,801	474,223	651,028	851,475
Receivables from clients	2,274,938	2,237,698	2,051,802	1,811,849	1,673,973
Mortgage receivables	9,121,212	8,505,627	7,651,603	6,943,747	6,327,389
Trading portfolio assets	1,282,433	1,311,118	1,735,756	1,157,926	1,646,344
Positive replacement values of derivative financial instruments	1,604,991	1,633,087	1,682,705	883,905	1,048,054
Financial assets	6,596,490	5,592,891	4,971,082	3,624,093	3,472,656
Accrued income and prepaid expenses	239,406	267,760	243,034	237,924	268,127
Participations	1,243,250	1,417,390	955,750	1,112,266	1,041,887
Tangible assets	249,126	260,309	263,319	257,274	269,253
Intangible assets	18,145	22,984	0	0	0
Other assets	616,755	1,363,850	1,021,923	480,451	627,205
Total assets	**51,911,757**	**46,790,589**	**37,448,485**	**32,619,475**	**32,061,964**
Liabilities					
Liabilities to Raiffeisen banks	14,063,534	11,473,545	11,157,296	9,975,138	9,013,091
Liabilities to other banks	14,047,052	10,448,545	7,221,460	5,842,870	5,385,512
Liabilities from securities financing transactions	2,514,988	4,052,523	1,043,602	859,023	589,680
Amounts due in respect of customer deposits	10,714,330	10,002,847	8,297,193	7,218,300	7,569,833
Trading portfolio liabilities	138,207	105,139	121,490	104,277	89,380
Negative replacement values of derivative financial instruments	1,825,313	2,134,730	2,148,635	1,359,382	1,698,313
Medium-term notes	73,681	104,476	141,573	173,444	251,040
Bonds and Pfandbriefdarlehen	5,743,882	5,562,865	5,306,195	5,069,570	5,455,220
Accrued expenses and deferred income	266,380	251,615	245,490	266,611	264,580
Other liabilities	433,423	445,930	410,363	398,523	404,948
Provisions	16,834	16,656	24,697	26,841	13,452
Reserves for general banking risks	158,450	298,900	283,700	281,700	289,700
Cooperative capital	1,700,000	1,700,000	850,000	850,000	850,000
Statutory retained earnings reserve	169,443	162,790	159,796	157,214	152,147
Profit	46,240	30,028	36,994	36,582	35,067
Total equity capital	**2,074,133**	**2,191,718**	**1,330,490**	**1,325,496**	**1,326,914**
Total liabilities	**51,911,757**	**46,790,589**	**37,448,485**	**32,619,475**	**32,061,964**

Income statement – five-year overview

	2016 in 1,000 CHF	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF	2012 in 1,000 CHF
Interest and discount income	372,806	439,900	499,590	526,894	581,677
Interest and dividend income from financial assets	52,852	55,661	52,794	52,877	71,410
Interest expenditure	-302,113	-378,582	-440,310	-459,081	-538,548
Gross result from interest operations	**123,546**	**116,979**	**112,074**	**120,690**	**114,539**
Changes in value adjustments for default risks and losses from interest operations	-14,665	-5,760	2,753	2,832	-294
Subtotal net result from interest operations	**108,881**	**111,219**	**114,828**	**123,522**	**114,245**
Commission income securities and investment business	49,973	51,472	50,334	45,461	44,573
Commission income lending business	8,151	8,686	6,827	5,837	7,876
Commission income other service transactions	57,069	58,082	64,599	63,392	66,027
Commission expenditure	-33,308	-44,581	-40,377	-36,700	-30,514
Net income from commission business and service transactions	**81,885**	**73,659**	**81,383**	**77,990**	**87,963**
Net trading income	**84,222**	**75,960**	**42,340**	**72,599**	**57,880**
Income from sale of financial assets	2,632	6,187	7,237	193	-1,823
Income from participating interests	51,311	62,799	44,249	51,477	22,367
Income from real estate	3,938	3,888	3,188	3,375	3,241
Other ordinary income	387,971	339,810	273,657	277,647	262,614
Other ordinary expenditure	-45,550	-39,262	-35,003	-33,389	-18,346
Other ordinary profit	**400,302**	**373,423**	**293,328**	**299,303**	**268,053**
Operating income	**675,290**	**634,261**	**531,879**	**573,414**	**528,141**
Personnel expenses	-354,690	-322,707	-320,583	-308,600	-326,297
General and administrative expenses	-255,880	-246,816	-164,015	-179,136	-173,880
Operating expenses	**-610,571**	**-569,523**	**-484,598**	**-487,736**	**-500,177**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-133,589	-43,321	-41,189	-41,457	-46,619
Changes to provisions and other value adjustments, and losses	-5,650	866	-11,796	-15,761	-814
Operating result	**-74,520**	**22,283**	**-5,705**	**28,460**	**-19,469**
Extraordinary income	9,196	24,013	45,758	13,624	56,416
Extraordinary expenditure	-26,119	-4	0	-12,417	-165
Changes in reserves for general banking risks	140,450	-15,200	-2,000	8,000	0
Taxes	-2,767	-1,064	-1,059	-1,086	-1,715
Profit	**46,240**	**30,028**	**36,994**	**36,582**	**35,067**

Imprint

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