

Media release

Raiffeisen sees growth in all income items

St.Gallen, 24 February 2017. The Raiffeisen Group has once again closed the past business year with pleasing results and registered growth in all income items. Despite special effects, the Group achieved the third-highest profit in its history.

In an economically challenging market environment, the Raiffeisen Group performed excellent. Operating income rose by 2.7% or CHF 81.3 million to CHF 3.1 billion. All income items contributed to the increase: rates business, markets as well as commission business and services.

Despite this pleasing income growth, the operating result decreased by 9.4% or CHF 88.7 million. The reasons for this are, the increased operating expenses due to investments in IT and physical infrastructure, increased regulatory expenses and a value adjustment to the Leonteq shareholding amounting to CHF 69 million. As a result, the cost/income ratio increased by 1.3 percentage points to 63.9%. In connection with the sale of Vescore, the asset management company, extraordinary income arose to CHF 64 million. Compared with the previous year, Group profit decreased by 6.6% to CHF 754.1 million.

A glance at income items reveals that rates business remains the main income pillar with a share of around 72% or CHF 2.2 billion. Growth amounted to 2.0% or CHF 42.7 million, in the past business year. Markets activities also saw a considerable increase of 8.9% or CHF 18.6 million, while commission business and services grew only marginally by 0.9% or CHF 4.1 million.

Mortgage business remains the most important income pillar

Balance sheet business in particular has developed pleasingly. Both mortgage loans and client deposits grew considerably at rates above the market, with increases of CHF 6.8 billion respectively CHF 8.0 billion. The ongoing inflow of client money amounting to 5.3% (+6.2% in the previous year) equally from to all regions of Switzerland shows that clients have great trust in Raiffeisen banks.

Assets under management declined 2.9% to CHF 202.8 billion. Although the inflow of net new money was at a high level of CHF 8.0 billion, this was not enough to offset the CHF 14.0 billion decline associated with the sale of Vescore.

In its mortgage business, Raiffeisen has been able to continue its success. Mortgage loans increased by 4.3% from CHF 158.6 billion to CHF 165.4 billion in 2016. In comparison, the Swiss mortgage market saw lower growth of 2,6%. Raiffeisen's market share now amounts to 17.2%. Once again, the growth had no impact on default risks: losses from lending activities amounted to just CHF 15.9 million and thus made up 0.01% of loans to clients, only.

Patrik Gisel, Chairman of the Executive Board of Raiffeisen Switzerland: "Our continued income growth is founded on the clear business model and long-term stability of the Raiffeisen Group. We do not do business in speculative markets, are one of the most secure banks in Switzerland and stand out thanks to our great proximity to clients. These principles of success have paid off yet again."

Outstanding capital quality

Last summer the Federal Council altered the "too big to fail" provisions and now distinguishes between capital requirements for a "going concern" and for a "gone concern" with respect to systemically important banks. While the "gone concern" requirements have not yet been announced, Raiffeisen exceeds the current "going concern" requirements of 14.4%. The CET1 ratio amounts to 15.3% and the total capital ratio to 17.0% as of the end of 2016. The leverage ratio at 6.84% also substantially exceeds the required level of 4.625%.

US tax dispute successfully resolved and course set at Notenstein La Roche

The 2016 business year was marked by two events in particular: The sale of Vesorco, the asset management company, to Vontobel and the successful conclusion of the US tax dispute. In 2013 Raiffeisen decided to participate in the US tax dispute in category 3. The solution achieved in December 2016 confirms that this was the correct decision.

2016 was also the year of reorganisation at Notenstein La Roche. The private banking subsidiary was able to increase its operating income of CHF 176.5 million slightly (previous year CHF 172.0 million) and contribute profit of CHF 17.6 million to the Group's results. Overall the business year has been closed below expectations. The change initiated is aimed at slimming down processes and structure of the private bank and revising its product range. Through these measures, Notenstein La Roche is laying the foundation for further growth and strategic onwards development under the umbrella of the Raiffeisen Group. Within the framework of the diversification strategy, the services of the private bank and those of Raiffeisen will be coordinated even better in future, in order to offer clients customised advice with respect to investment matters at all stages of their lives.

Focus on the new core banking system

The introduction of the new core banking system at Raiffeisen banks, Raiffeisen Switzerland and Notenstein La Roche, will be at the heart of activities in 2017. The migration to the new system will form the basis for the exploitation of new business opportunities in digitalisation. Projects include a digital village square for the local bracing of Raiffeisen banks in the digital world as well as a digital workplace for employees.

The Raiffeisen network will be further developed consistently and focus on the client interface in 2017. Hereby ongoing expansion of the product and service range in the segments of retail, investment and corporate clients will be in the centre.

On a financial level, the 2017 business year will be challenging for the Raiffeisen Group. Margin pressure and the intensification of competition will continue to shape the Swiss banking market. Property prices are set to experience consolidation at a high level, as the high volume of construction activities in recent years has led to the convergence of supply and demand. Moreover, the price level reached in combination with regulatory measures will subdue demand. Despite the continuation of the demanding economic conditions in general, Raiffeisen is calculating on slightly higher income growth in 2017. With respect to rates business, somewhat lower growth in loans to clients and customer deposits is expected. Overall, higher operating results are expected for 2017 in comparison to the previous year. The Raiffeisen Group is looking to the future with optimism.

The Raiffeisen Group at a glance

	2016 (in million CHF)	2015 (in million CHF)	Change (in million CHF)	Change in Per- centage
Total assets	218,559.8	205,748.2	12,811.6	6.2
Loans to clients	173,445.0	166,478.7	6,966.3	4.2
Thereof mortgages	165,426.2	158,593.6	6,832.6	4.3
Client deposits	158,254.4	150,272.4	7,982.1	5.3
Assets under management (AuM)	202,794.9	208,855.9	-6,061.0	-2.9
Operating income	3,097.2	3,015.9	81.3	2.7
Net profit from rates busi- ness	2,219.4	2,176.8	42.7	2.0
Profit from commission busi- ness and services	466.8	462.7	4.1	0.9
Profit from markets activities	227.9	209.3	18.6	8.9
Other profit from ordinary activities	183.1	167.1	15.9	9.5
Operating expenses	1,979.3	1,887.4	91.9	4.9
Operating profit	854.7	943.4	-88.7	-9.4
Group profit	754.1	807.7	-53.6	-6.6

	2016 (in million CHF)	2015 (in million CHF)	Change (in million CHF)	Change in Per- centage
Equity capital	14,385.0	13,318.2	1,066.9	8.0
Total capital ratio in %	17.0	16.4		
Capital ratio in % (going concern)	16.5	15.9		
CET1 ratio in %	15.3	14.6		
Leverage ratio in %	6.8	6.7		
Employees (full-time)	9,276	9,286	-10	-0.1
Total employees	11,026	11,046	-20	-0.2
Members	1,876,687	1,862,032	14,655	0.8
Clients	3,745,135	3,717,987	27,148	0.7

Presentation: The presentation for the annual report press conference will be available for download at www.raiffeisen.ch/medien from 10:30 a.m.

Photographs: Pictures of the press conference will be available at www.raiffeisen.ch/medien from 2:00 p.m.

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Raiffeisen: third-largest banking group in Switzerland

The Raiffeisen Group is the leading Swiss retail bank. The third power in the Swiss banking sector has 1.9 million cooperative members and 3.7 million clients. The Raiffeisen Group is present at 955 locations throughout Switzerland. The 270 legally autonomous Raiffeisen cooperative banks are amalgamated into Raiffeisen Switzerland Cooperative, which is the strategic leader of the entire Raiffeisen Group. Through Group companies, partnerships and share holdings, Raiffeisen offers private individuals and corporate clients the full range of products and services. As of 31 December 2016, the Raiffeisen Group had CHF 203 billion in assets under management and CHF 173 billion in loans to clients. The Group's market share in mortgages is 17.2%. Total assets are CHF 219 billion.