Raiffeisen Switzerland
Annual Report 2019

RAIFFEISEN

Preface

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

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland

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

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

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

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

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

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

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

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

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

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

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

Guy Lachappelle
Chairman of the Board of Directors
Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board
Raiffeisen Switzerland

Financial report

Raiffeisen Switzerland 2019

Business performance of Raiffeisen Switzerland

Raiffeisen Switzerland posted a net profit of CHF 42.5 million in the current year. This is on par with the previous year's net profit. However, CHF 2.9 million had to be released from the reserves for general banking risks. Total assets increased CHF 16.6 billion to CHF 64.2 billion.

Raiffeisen laid the foundation for end-to-end processes and the implementation of future digital projects by successfully rolling out the new core banking system in time for the start of 2019. At the same time, the activities of ARIZON Sourcing Ltd in Liquidation, which was chiefly responsible for developing the software, were integrated into Raiffeisen Switzerland at the same time as the introduction of the new system.

Raiffeisen Switzerland launched an efficiency programme in 2019 and successfully completed it in early 2020. As part of this project, sustainable cost savings amounting to CHF 105 million were identified. A large portion of these cost savings will be manifested in operating expenses in subsequent years.

Income statement

Result from interest operations
The gross result from interest operations increased CHF 5.5 million (+3.5%) to CHF 160.9 million. While net interest income in the retail business increased again, net income from Treasury remained at the same level as the previous year at CHF 42.1 million. The value adjustments for default risks and losses from interest operations decreased CHF 106 million to CHF 20.5 million (Note 14). The dramatic fall in value adjustments is attributable to the fact that extensive value adjustments were recognised for the commitments of KMU Capital Group. In the current year , these sorts of effects occurred to a much lesser extent. The net result from interest operations increased accordingly by CHF 111.4 million to CHF 140.3 million.

Result from commission business and services
The very favourable growth in asset management and collective investment schemes and the notable developments in issuance business with own structured products led to an increase in the securities and investment business of CHF 5.8 million to CHF 83.4 million (+7.5%). Commission expense also decreased CHF 5.0 million to CHF 41.3 million (–10.9%). Thus, the result from commission business and services (note 23) rose CHF 10.9 million from the previous year to CHF 121.4 million.

Result from trading activities
The result from trading activities increased a slight CHF 1.2 million (+1.6%) to CHF 79.4 million (note 24). A major contribution to this result was made by the result from the trade in banknotes and precious metals amounting to CHF 38.9 million. Trading activities continued to be dominated by low-interest policies at European central banks (ECB, BoE, SNB) in 2019. The Swiss National Bank changed its monetary policy from a Libor target corridor to the SNB reference rate. The American central bank (the Fed) cut interest rates three times in 2019. Many liquid funds were invested in equities, which propelled global stock markets to further highs in 2019. The US-China trade war dominated market sentiment until the middle of the fourth quarter. The interest rate market was particularly affected by this and proved to be highly volatile in 2019. The dispute was tentatively resolved with the signing of the Phase 1 deal between the US and China in early December,

and markets calmed down again. Overall, 2019 was marked by a high level of uncertainty and therefore very volatile markets and will go down in history as a challenging year for trading activities.

Other result from ordinary activities
The other result from ordinary activities decreased a significant CHF 51.4 million (–11.8%) to CHF 384.9 million.

Income from participations declined by CHF 30.7 million. The demerger strategy from previous years with the sale of investments led to a fall in the dividend yield.

The exchange of services between Raiffeisen Switzerland and ARIZON Sourcing Ltd in Liquidation has generated significant income in the past. This involved services that Raiffeisen Switzerland provided to ARIZON Sourcing Ltd in Liquidation in connection with the creation of the new banking software ACS. A large part of this income was lost as a result of the integration of the business operated by ARIZON Sourcing Ltd in Liquidation into Raiffeisen Switzerland in the spring of 2019.

Income for contribution-relevant services provided by Raiffeisen Switzerland to the Raiffeisen banks decreased CHF 7.7 million year-on-year (–6.6%). The decline was largely driven by a reduction in the costs of outside funding and the implementation of initial measures in the efficiency programme at Raiffeisen Switzerland.

The other ordinary expenses decreased CHF 10.5 million to CHF 32.4 million. The item includes the costs of producing printed matter for the Raiffeisen banks as well as expenditure on purchasing IT infrastructure for the Raiffeisen banks. The decrease is basically attributable to the absence of the development costs for the core banking system.

Operating expenses
Personnel expenses (note 26) rose CHF 24.0 million (+6.2%) to CHF 407.8 million. This large increase is due on the one hand to the creation of reorganisation provisions amounting to CHF 12 million in connection with the FIT efficiency programme. The integration of the activities of ARIZON Sourcing Ltd in Liquidation and its personnel into Raiffeisen Switzerland also led to an increase in personnel expenses.

The number of people employed by Raiffeisen Switzerland stood at 2,267 full-time positions at the end of the current year. The increase of 144 positions is primarily due to the integration of the staff from ARIZON Sourcing Ltd in Liquidation into Raiffeisen Switzerland.

General and administrative expenses (note 27) fell CHF 46.8 million year-on-year (–15.9%) to CHF 247.5 million. Office space expenses decreased CHF 5.3 million to CHF 23 million, while IT costs dropped CHF 58.6 million to CHF 66.0 million. The reason for the reduction in costs relates primarily to the forthcoming conclusion of the project to launch the new ACS banking software. In contrast, other operating expenditure rose by CHF 18.1 million to CHF 152.2 million. This includes in particular increased legal and consulting costs relating to the FINMA enforcement procedure, the renewal of the Raiffeisen Group's corporate governance, and various internal projects. Other general and administrative expenses remained unchanged from the previous year.

Value adjustments on participations and depreciations and amortisation
Depreciation of tangible fixed assets rose CHF 14.3 million to CHF 37.6 million. The increase was driven essentially by the first write-down of the ACS banking software. In the current year, however, extraordinary write-downs on tangible fixed assets remained low at CHF 0.6 million.

The value adjustments on participations fell sharply on the previous year. The sharp drop of CHF 76.5 million relates to the extensive value adjustments undertaken the previous year as a result of more cautious evaluation assumptions. Such effects did not occur in the current year.

Changes in provisions and other value adjustments, and losses
Compared to the previous year, this item fell by CHF 105.3 million. In the financial year 2018, the item was affected particularly strongly by exceptional factors. This relates to provisions in connection with the sale of Notenstein La Roche Private Bank Ltd, the acquisition of ARIZON Sourcing Ltd in Liquidation as well as the legal costs in connection with "Investnet". These kinds of effects were largely absent in the current financial year.

Extraordinary income, changes in reserves for general banking risks and taxes
The extraordinary income of CHF 28.5 million (note 28) was partly the result of the sale of tangible fixed assets for CHF 22.6 million. CHF 3.0 million was released from the reserves for general banking risks. Tax expenses in the current year amounted to CHF 1.8 million. These relate primarily to taxes on capital.

Net profit
As in the previous year, the reported net profit is CHF 42.5 million.

Balance sheet

Raiffeisen Switzerland's total assets increased CHF 16.6 billion.

The background to this sharp increase comprises three components. To facilitate a smooth software switchover at the end of 2018, a number of interbank transactions were suspended and re-established in 2019. As a result, the balance sheet total was much lower on the reporting date of 31.12.2018. Increased deposits of the Raiffeisen banks with Raiffeisen Switzerland amounting to CHF 3.5 billion and higher repo holdings of CHF 3.4 billion as part of financial and liquidity management are the two other key elements behind the increase in the total assets. These additional funds are held at the Swiss National Bank.

Amounts due to/from Raiffeisen banks
At the end of 2019, Raiffeisen Switzerland had a net amount due to Raiffeisen banks of CHF 16.5 billion (previous year: CHF 12.3 billion). The Raiffeisen banks hold assets at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Amounts due to/from other banks
Amounts due from other banks increased CHF 5.8 billion year-on-year to CHF 7.6 billion. Amounts due to other banks rose CHF 5.9 billion to CHF 12.3 billion. The increase is due primarily to the reduction in the items as of the cut-off date of 31 December 2018 as described above and to the subsequent re-establishment.

Amounts due/liabilities from securities financing transactions
Liabilities from securities financing transactions increased CHF 3.4 billion to CHF 6.3 billion. These are exclusively repo transactions in which money is borrowed against collateral. Among other things, the purpose of these transactions is to manage sight deposits held with the SNB. Changes in the value of the exchanged securities are not recognised in profit or loss. Amounts due from securities financing transactions were CHF 250 million at the balance sheet date.

Receivables from clients and mortgage receivables

Loans to clients decreased CHF 280.4 million (–1.9%) to CHF 13.9 billion in the current year. Both the integration of the business operated by Arizon Sourcing Ltd in Liquidation and the associated repayment of the loan contributed to the fall. Mortgage loans rose a slight 3.6%. Raiffeisen Switzerland's branches increased lending volume CHF 104.5 million (+1.0%) to CHF 10.9 billion. These loans also included short-term loans to institutional clients, loans to larger corporate clients, as well as the capital goods leasing business. These items are more volatile depending on business and are subject to greater changes.

Trading portfolio assets

Trading portfolio assets shrank CHF 270 million to CHF 758 million (note 3). Depending on the cut-off date, the trading volume recorded is generally subject to greater fluctuations, which reflect the short-term nature of this business.

Financial investments

Securities holdings in financial investments (note 5), mainly investment-grade bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value rose CHF 569 million to CHF 7.1 billion.

Participations

The book value of the participations (note 6) is CHF 435.5 million and changed very little year-on-year (+2.8%). While various value adjustments were taken to profit or loss in 2018, there was no further material need for such adjustments in the current year. The increase in the capital resources of Raiffeisen Switzerland B.V., Valyo Ltd and Raiffeisen Immo AG is the main reason for the change in this item.

Tangible fixed assets

The changes in tangible fixed assets are shown in note 7.1. The book value increased CHF 120.2 million to CHF 353 million. After the core banking software had been transferred to Raiffeisen Switzerland through the integration of the business of ARIZON Sourcing Ltd in Liquidation, Raiffeisen Switzerland sold a portion of these licences on to the Raiffeisen banks. These transactions led to fundamental changes in the book value of fixed assets. Part of the ACS software remained with Raiffeisen Switzerland and thus increased the fixed asset inventory. Further work on the ACS system and corresponding capitalisation through to the conclusion of the project likewise led to an increase in the book value.

Intangible assets

The changes in intangible assets are shown in note 8. As a result of ordinary depreciation and amortisation, the book value of the intangible assets has further decreased and is in total marginal.

Customer deposits

Customer deposits rose CHF 2.5 billion to CHF 13.9 billion. Branches of Raiffeisen Switzerland reported an increase of CHF 691 million. The deposits from corporate clients rose CHF 727 million. The generally short-term fixed deposit and term deposit investments, which stem primarily from institutional investors, increased markedly and made a considerably contribution to the increase in customer deposits.

Bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans (note 13) increased another CHF 0.5 billion to CHF 7.5 billion in the current year. Raiffeisen Switzerland bonds remained unchanged at CHF 3.4 billion. Raiffeisen Switzerland's subordinated bonds accounted for CHF 1.5 billion of this total. Bond components of structured products issued by Raiffeisen Switzerland amounted to CHF 2 billion. Holdings of central mortgage institution loans increased CHF 0.1 billion to CHF 2.1 billion in the current year.

Provisions

Provisions (note 14) decreased CHF 3.8 million to CHF 124.6 million.

Reserves for general banking risks
CHF 2.9 million was released from the reserves for general banking risks (note 14) in the current year.

Equity capital
Cooperative capital stood unchanged at CHF 1.7 billion at the end of December 2019. Equity capital decreased by CHF 2.9 million. This corresponds to withdrawals from the reserves for general banking risks.

Off-balance-sheet transactions

Total contingent liabilities (note 20) rose CHF 205 million to CHF 3.2 billion in the current year. The contract volume for derivative financial instruments (note 4) increased CHF 57.8 billion to CHF 171.3 billion. The positive replacement values shown in the balance sheet amount to CHF 1.8 billion (previous year: CHF 1.3 billion), while the negative replacement values amounted to CHF 2.2 billion (previous year: CHF 1.5 billion).

Remuneration report

The remuneration report is included in the Raiffeisen Group Annual Report.

Raiffeisen Switzerland balance sheet

as at 31 December 2019

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Assets					
Liquid assets	28,377,439	17,993,258	10,384,181	57.7	17
Amounts due from Raiffeisen banks	2,381,568	3,023,050	-641,482	-21.2	10, 17
Amounts due from other banks	7,562,069	1,815,732	5,746,337	316.5	10, 17
Amounts due from securities financing transactions	249,941	4,920	245,021	4,980.1	1, 17
Amounts due from clients	2,824,270	3,490,328	-666,058	-19.1	2, 17
Mortgage loans	11,104,948	10,719,248	385,700	3.6	2, 10, 17
Trading portfolio assets	757,875	1,027,521	-269,646	-26.2	3, 17
Positive replacement values of derivative financial instruments	1,823,769	1,310,767	513,002	39.1	4, 17
Financial investments	7,129,847	6,560,872	568,975	8.7	5, 10, 17
Accrued income and prepaid expenses	247,005	227,896	19,109	8.4	
Participations	435,474	423,809	11,665	2.8	6
Tangible fixed assets	353,088	232,866	120,222	51.6	7
Intangible assets	1,815	4,234	-2,419	-57.1	8
Other assets	920,495	754,607	165,888	22.0	9
Total assets	**64,169,604**	**47,589,108**	**16,580,496**	**34.8**	
Total subordinated receivables	2,000	-	2,000	-	
of which subject to mandatory conversion and/or debt waiver	-	-	-	-	
Liabilities					
Amounts due to Raiffeisen banks	18,906,019	15,366,151	3,539,868	23.0	17
Amounts due to other banks	12,263,833	6,410,927	5,852,906	91.3	17
Liabilities from securities financing transactions	6,326,901	2,925,136	3,401,765	116.3	1, 17
Amounts due in respect of customer deposits	13,943,409	11,423,677	2,519,732	22.1	17
Trading portfolio liabilities	197,542	69,530	128,012	184.1	3, 17
Negative replacement values of derivative financial instruments	2,179,800	1,535,839	643,961	41.9	4, 17
Cash Bonds	22,569	30,563	-7,994	-26.2	17
Bond issues and central mortgage institution loans	7,527,074	7,021,981	505,093	7.2	12, 13, 17
Accrued expenses and deferred income	300,217	310,936	-10,719	-3.4	
Other liabilities	451,263	436,675	14,588	3.3	9
Provisions	124,617	128,373	-3,756	-2.9	14
Reserves for general banking risks	6,336	9,297	-2,961	-31.8	14
Cooperative capital	1,700,000	1,700,000	-	-	15
Statutory retained earnings reserve	177,523	177,523	-	-	
Profit	42,500	42,500	-	-	
Total equity capital	**1,926,360**	**1,929,320**	**-2,960**	**-0.2**	
Total liabilities	**64,169,604**	**47,589,108**	**16,580,496**	**34.8**	
Total subordinated cash bonds	1,513,617	1,518,637	-5,020	-0.3	
of which subject to mandatory conversion and/or debt waiver	978,099	983,119	-5,020	-0.5	
Off-balance-sheet transactions					
Contingent liabilities	3,230,282	3,024,904	205,378	6.8	2, 20
Irrevocable commitments	2,447,488	2,464,883	-17,395	-0.7	2
Obligations to pay up shares and make further contributions	15,073	15,345	-272	-1.8	2

Raiffeisen Switzerland income statement

2019

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Interest and discount income	289,808	303,687	-13,879	-4.6	22
Interest and dividend income from financial investments	40,892	43,735	-2,843	-6.5	22
Interest expense	-169,823	-192,056	22,233	-11.6	22
Gross result from interest operations	**160,876**	**155,366**	**5,510**	**3.5**	
Changes in value adjustments for default risks and losses from interest operations	-20,544	-126,465	105,921	-83.8	14
Subtotal net result from interest operations	**140,332**	**28,901**	**111,431**	**385.6**	
Commission income securities trading and investment business	83,401	77,588	5,813	7.5	23
Commission income from lending business	16,823	16,267	556	3.4	23
Commission income other services	62,491	63,010	-519	-0.8	23
Commission expense	-41,332	-46,362	5,030	-10.8	23
Net income from commission business and service transactions	**121,383**	**110,503**	**10,880**	**9.8**	
Net trading income	**79,358**	**78,138**	**1,220**	**1.6**	**24**
Result from the disposal of financial investments	10,747	2,607	8,140	312.2	
Income from participations	40,792	71,510	-30,718	-43.0	
Result from real estate	4,344	3,884	460	11.8	
Other ordinary income	361,485	401,193	-39,708	-9.9	25
Other ordinary expenses	-32,427	-42,905	10,478	-24.4	
Other ordinary profit	**384,941**	**436,289**	**-51,348**	**-11.8**	
Operating income	**726,014**	**653,831**	**72,183**	**11.0**	
Personnel expenses	-407,790	-383,815	-23,975	6.2	26
General and administrative expenses	-247,493	-294,285	46,792	-15.9	27
Operating expenses	**-655,283**	**-678,100**	**22,817**	**-3.4**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-45,290	-109,154	63,864	-58.5	6, 7, 8
Changes to provisions and other value adjustments, and losses	-12,633	-117,910	105,277	-89.3	14
Operating result	**12,808**	**-251,333**	**264,141**	**-105.1**	
Extraordinary income	28,534	46,180	-17,646	-38.2	28
Extraordinary expenses	-2	-1	-1	100.0	28
Changes in reserves for general banking risks	2,961	250,153	-247,192	-98.8	14
Taxes	-1,800	-2,500	700	-28.0	29
Profit	**42,500**	**42,500**	**-**	**-**	

Proposed distribution of available profit addressed to the Ordinary General Assembly of 20 June 2020

in 1,000 CHF	Current year	Previous year	Change	Change in %
Appropriation of profit				
Profit	42,500	42,500	-	-
Profit brought forward	-	-	-	-
Available profit	**42,500**	**42,500**	**-**	**-**
Appropriation of profit				
– Allocation to statutory retained earnings reserve	-	-	-	-
– Interest on cooperative capital	42,500	42,500	-	-
Total appropriation of profit	**42,500**	**42,500**	**-**	**-**

Statement of changes in equity

2019

in 1,000 CHF	Cooperative capital	Statutory retained earnings reserve[1]	Reserves for general banking risks	Profit	Total
Equity capital at the beginning of the current year	**1,700,000**	**177,523**	**9,297**	**42,500**	**1,929,320**
Capital increase	-	-	-	-	-
Allocations to statutory retained earnings reserve	-	-	-	-	-
Transfers from reserves for general banking risks	-	-	-2,961	-	-2,961
Interest on the cooperative capital	-	-	-	-42,500	-42,500
Profit	-	-	-	42,500	42,500
Equity capital at the end of the current year	**1,700,000**	**177,523**	**6,337**	**42,500**	**1,926,360**

1 Statutory retained earnings are not distributable.

Notes to the annual financial statements

Trading name, legal form, registered office

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

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

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

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

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

Risk management process

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

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

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 appetite, i.e. ensure that risks are only entered into if they offer suitable return potential.

Credit risk

Credit risks are defined in the risk policy as the risk of losses caused by clients or other counterparties failing to fulfil or render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivative contracts. 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 main component of this business is financing for loans secured by security interests in land. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, Raiffeisen Switzerland aims to deepen its client relationships in the areas of housing, wealth and entrepreneurship based on its broad client base. In particular, it plans to cultivate the investment and corporate client business more intensively.

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

Larger loans to corporate clients are primarily managed by the Corporate Clients & Branches department. Blank loans over CHF 250,000 are additionally checked by the Raiffeisen Switzerland Credit Office. Blank loans over CHF 250,000 are additionally checked by the Raiffeisen Switzerland Credit Office. When the credit being increased or newly extended exceeds CHF 150 million on a risk-weighted basis, the Head of Group Risk Controlling (Head GRC) also issues an assessment. A new blank credit concept is currently being prepared for corporate clients.

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

The maximum lending value of property loans secured by security interests in land depends on the marketability of the security or is influenced by the type of use through factors like location or property type.

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

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

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships.

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, legal entities and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is defined based on eleven risk categories and two default categories.

This system has proved its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams at Raiffeisen Switzerland are available to provide assistance for more complex financing arrangements and the management of recovery positions.

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

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

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

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

Cluster risks are monitored centrally by the Risk & Compliance department. As at 31 December 2019, Raiffeisen Switzerland had five reportable cluster risks with accumulated total exposures (after risk mitigation and risk weighting) of CHF 32.3 billion. The majority relates to the Swiss National Bank, which is exempt from the requirement to comply with the statutory limit. As at 31 December 2019, the total of the regulatory reporting of the 20 biggest overall exposures (after risk mitigation and risk weighting) of Raiffeisen Switzerland amounted to CHF 3.2 billion.

Market risk

Risk associated with fluctuating interest rates: Since interest rates for assets and liabilities are locked in for different periods, fluctuations in market interest rates can have a considerable impact on Raiffeisen Switzerland's net interest income and profit and loss. Value at risk is calculated along with interest rate sensitivity in various interest rate shock scenarios in order to assess the assumed interest rate risk to the net present value of the equity capital. The impact on profitability is assessed using dynamic income simulations.

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

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

The financial investment portfolio is managed by the Treasury & Markets 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 for high-quality liquid assets (HQLA). The Risk & Compliance department monitors the interest rate and foreign currency risks of financial investments.

Trading activities at the Treasury & Markets department include interest rates, foreign currencies, equities and banknotes/precious metals. Trading must strictly adhere to the value-at-risk, scenario and loss limits set by the Board of Directors and the Executive Board, which the Risk & Compliance department monitors on a daily basis. In addition, Risk & Compliance conducts daily plausibility checks of the valuation parameters used to produce profit and loss figures for trading.

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

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

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

Liquidity risk

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

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

Operational risk

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

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

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

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

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

The Risk & Compliance department also makes quarterly reports on major compliance risks as well as semi-annual reports on legal risks to the Executive Board and the Audit and Risk Committee of Raiffeisen Switzerland.

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

Outsourcing

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

In relation to its activities as an issuer of structured products, Raiffeisen Switzerland concluded an outsourcing agreement with Leonteq Securities Ltd. When Raiffeisen investment products are issued, Leonteq Securities Ltd performs duties in connection with structuring, processing, documenting and distributing the instruments. Leonteq Securities Ltd also manages the derivative risks and deals with the life-cycle management of the products.

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

The previous e-invoice function in Raiffeisen e-banking was replaced by the new eBill portal in November 2018. The portal is operated by SIX Paynet Ltd but is still accessed via Raiffeisen e-banking.

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 (www.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 risk

Raiffeisen uses the international standardised approach (SA-BIS) to calculate the capital adequacy requirements for credit risks. External issuer/issue ratings from three FINMA-recognised rating agencies are used for central governments and central banks, public-sector entities, banks and securities dealers, as well as companies. Issuer/issue ratings from an export insurance agency are also used for central governments; however, rating agency ratings take precedence over ratings issued by the export insurance agency. No changes were made to the rating agencies or export insurance agencies used in the current year. Positions for which external ratings are used are found chiefly under the following balance sheet items:

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

Market risk

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

Operational risk

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

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

Mortgage loans

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

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

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

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

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

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

Value of collateral

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

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

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

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

Business policy on the use of derivative financial instruments

Derivative financial instruments are used for trading and hedging purposes.

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

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

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 and currency swap
Price risk of foreign currency positions	Currency future contracts

Composition of the groups of financial instruments

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

Economic connection between hedged items and hedging instruments

At the inception of a hedge relationship between a financial instrument and an item, 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 customers, mortgage loans, value adjustment

These are reported at nominal value less any value adjustment required. Precious metal assets on metal accounts are valued at fair value if the relevant metal is traded on a price-efficient and liquid market. Interest income is reported on an accruals basis.

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

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

Value adjustments are not recognised for latent risks.

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

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

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

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

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

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

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 rights associated with them. Securities that are loaned and provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the rights associated with them. The market values of the borrowed and loaned out securities are monitored daily, to enable any additional collateral to be provided or requested as necessary.

Fees received or paid under securities lending and repurchase t ransactions 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 expense from repurchase transactions are accrued over the term of the underlying transaction.

Trading portfolio assets and trading portfolio liabilities

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

Financial investments

Fixed-income debt instruments and warrant bonds are valued according to the lower of cost or market value principle if there is no intention to hold them to maturity.

Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method with the discount or premium accrued over the remaining life.

Equity securities are valued according to the lower of cost or market value principle.

Real estate and equity securities acquired through lending activities and other real estate and equities intended for disposal are reported under "Financial investments" and valued at the lower of cost or market value. The "lower of cost or market value" principle refers to the lower of the acquisition cost or the liquidation value.

Precious metals held to cover liabilities from precious metals accounts are carried at market value as at the balance sheet date. In cases where fair value cannot be determined, they are valued according to the lower of cost or market value principle.

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. 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 amortisation of tangible fixed assets and intangible assets". If the useful life of a tangible fixed asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

Other intangible assets

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

Impairment testing

The value of intangible assets is reviewed 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 amortised over the new duration.

Provisions

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

Reserves for general banking risks

Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the 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 hedging transactions of the Treasury and Products & Sales T&M departments are concluded via the trading book; the Treasury and Products & Sales T&M departments do not themselves participate in the market. Only the replacement values of contracts with external counterparties are reported. The "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume of internal hedging transactions of the Treasury and Products & Sales T&M departments is reported under "Hedging instruments".

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 "Bond issues 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 trading and investment activity".

Changes as against previous year

No significant changes were made to the accounting and valuation principles in the reporting year.

Events after the balance sheet date

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

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

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

1 Before netting agreements

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

in 1,000 CHF	Mortgage cover	Other cover	Without cover	Total
Loans (before netting with value adjustments)				
Amounts due to customers	415,269	361,493	2,205,067	2,981,828
Mortgage loans	11,104,948	-	1,822	11,106,770
Residential property	9,377,866	-	1,795	9,379,661
Office and business premises	325,112	-	-	325,112
Trade and industry	962,359	-	-	962,359
Other	439,611	-	27	439,638
Total loans (before netting with value adjustments)				
Current year	**11,520,217**	**361,493**	**2,206,889**	**14,088,598**
Previous year	11,169,254	151,360	3,027,844	14,348,459
Total loans (after netting with value adjustments)				
Current year	**11,520,217**	**361,493**	**2,047,509**	**13,929,219**
Previous year	11,169,254	151,360	2,888,962	14,209,576
Off-balance-sheet transactions				
Contingent liabilities	4,212	43,593	3,182,476	3,230,282
Irrevocable commitments	1,062,112	21,901	1,363,475	2,447,488
Obligations to pay up shares and make further contributions	-	-	15,073	15,073
Total off-balance-sheet transactions				
Current year	**1,066,324**	**65,494**	**4,561,025**	**5,692,843**
Previous year	1,056,330	20,524	4,428,279	5,505,133

in 1,000 CHF	Gross amount borrowed	Estimated proceeds from realisation of collateral	Net amount borrowed	Individual provisions
Impaired loans				
Current year	**347,581**	**29,642**	**317,938**	**159,380**
Previous year	314,180	15,455	298,725	138,883

The difference between the net amount borrowed and the individual value adjustments 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

in 1,000 CHF	Current year	Previous year
Assets		
Debt securities, money market securities/transactions	287,105	422,842
stock exchange listed [1]	287,105	422,842
Equity securities	14,146	42,459
Precious metals	401,108	541,983
Other trading portfolio assets	55,516	20,236
Total assets	**757,875**	**1,027,521**
of which determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	153,692	287,915

in 1,000 CHF	Current year	Previous year
Liabilities		
Debt securities, money market securities/transactions [2]	189,724	69,530
stock exchange listed [1]	189,724	69,530
Equity securities [2]	5,272	-
Precious metals [2]	-	-
Other trading portfolio liabilities [2]	2,546	-
Total liabilities	**197,542**	**69,530**
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		
in 1,000 CHF	**Positive contract replacement value**	**Negative contract replacement value**	**Contract volume**	**Positive contract replacement value**	**Negative contract replacement value**	**Contract volume**
Interest rate instruments						
Forward contracts incl. FRAs	462	324	2,500,000	-	-	-
Swaps	421,469	429,621	42,870,954	534,422	843,444	36,083,921
Futures contracts	-	-	169,176	-	-	-
Options (OTC)	4,717	4,717	2,212,400	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	**426,647**	**434,662**	**47,752,530**	**534,422**	**843,444**	**36,083,921**
Foreign currencies						
Forward contracts	623,758	620,704	69,165,310	6,073	120,564	8,332,455
Comb. interest rate/currency swaps	0	2	150	-	-	-
Futures contracts	-	-	-	-	-	-
Options (OTC)	14,095	11,526	2,010,223	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign currencies	**637,853**	**632,232**	**71,175,683**	**6,073**	**120,564**	**8,332,455**
Precious metals						
Forward contracts	33,389	18,097	1,539,432	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	3,243	-	-	-
Options (OTC)	67,429	12,968	2,050,778	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	**100,818**	**31,065**	**3,593,454**	**-**	**-**	**-**
Equities and indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	145,470	-	-	-
Options (OTC)	95,587	95,587	3,703,254	-	-	92,581
Options (exchange traded)	368	245	5,605	-	-	-
Total equities and indices	**95,955**	**95,832**	**3,854,329**	**-**	**-**	**92,581**
Credit derivatives						
Credit default swaps	3,803	3,803	205,046	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	**3,803**	**3,803**	**205,046**	**-**	**-**	**-**
Other						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	-	-	-	-
Options (OTC)	18,199	18,199	256,462	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	**18,199**	**18,199**	**256,462**	**-**	**-**	**-**
Total						
Current year	**1,283,275**	**1,215,792**	**126,837,504**	**540,494**	**964,008**	**44,508,957**
of which determined using a valuation model	1,282,907	1,215,547	-	540,494	964,008	-
Previous year	818,859	837,728	75,296,997	491,908	698,110	38,214,972
of which determined using a valuation model	818,859	837,728	-	491,908	698,110	-

4.2 Derivative financial instruments by counterparty and time remaining to maturity

in 1,000 CHF	Positive contract replacement value	Negative contract replacement value	Contract volume up to 1 year	Contract volume 1 to 5 years	Contract volume over 5 years	Contract volume total
Central clearing houses	337,436	456,715	10,571,850	18,274,730	19,125,500	47,972,080
Raiffeisen banks [1]	133	67	12,038	100	-	12,138
Banks and securities dealers	1,405,210	1,633,020	86,638,797	20,831,721	9,160,387	116,630,905
Stock exchanges	368	245	323,478	16	-	323,494
Other customers	80,623	89,754	3,823,370	1,980,312	604,162	6,407,844
Total						
Current year	**1,823,769**	**2,179,800**	**101,369,534**	**41,086,879**	**28,890,049**	**171,346,462**
Previous year	1,310,767	1,535,839	51,013,685	36,855,132	25,643,152	113,511,968

1 Primarily for clients' needs

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted primarily with counterparties with a very good credit rating; 87.1% of the positive replacement values are open with counterparties with an upper-medium grade or better rating (Moody's) or with a comparable rating.

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

5. Financial investments

5.1 Breakdown of financial investments

in 1,000 CHF	Book value current year	Book value previous year	Fair value current year	Fair value previous year
Financial assets				
Debt instruments	7,112,239	6,473,740	7,443,014	6,653,739
of which intended to be held until maturity	7,112,239	6,473,740	7,443,014	6,653,739
of which, not intended to be held to maturity (available for sale)	-	-	-	-
Equities	17,609	45,769	18,413	46,424
of which qualified participations [1]	-	-	-	-
Precious metals	-	-	-	-
Real estate	-	41,363	-	41,363
Total financial assets	**7,129,847**	**6,560,872**	**7,461,427**	**6,741,525**
of which securities for repo transactions in line with liquidity requirements	7,077,034	6,443,576	-	-

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

in 1,000 CHF	Book value Very safe investment	Book value Safe investment	Book value Average to good investment	Book value Speculative to highly speculative investment	Book value Highest-risk investment/ default	Book value Unrated investment
Debt securities	**6,940,981**	**20,140**	**-**	**-**	**-**	**151,117**

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

6. Participations

in 1,000 CHF	Purchase price	Accumulated value adjustments	Book value at end of previous year	Current-year transfers/ reclassifications	Current-year investment	Current-year disinvestment	Current-year value adjustments	Current-year Reversals	Book value at end of current year	Market value at end of current year
Participations Group companies	**38,242**	**-23,599**	**14,642**	**-**	**16,561**	**-**	**-5,382**	**721**	**26,542**	
- with market value	-	-	-	-	-	-	-	-	-	-
- without market value	38,242	-23,599	14,642	-	16,561	-	-5,382	721	26,542	-
Other participations	**560,007**	**-150,840**	**409,167**	**-**	**-**	**-234**	**-**	**-**	**408,933**	
- with market value	364,236	-139,105	225,131	-	-	-	-	-	225,131	180,413
- without market value	195,771	-11,735	184,035	-	-	-234	-	-	183,802	-
Total participations	**598,249**	**-174,440**	**423,809**	**-**	**16,561**	**-234**	**-5,382**	**721**	**435,474**	

In 2018, Raiffeisen Switzerland Cooperative initially terminated the shareholders' binding agreement for KMU Capital Holding AG (formerly Investnet Holding AG) for cause and subsequently, where necessary, voided the agreements in the context of "Investnet". As a result of the voidance, Raiffeisen Switzerland is claiming all the shares in KMU Capital Holding AG, which is entirely controlled by KMU Capital AG. The initiated civil proceedings are still pending. In connection with the voidance of agreements, Raiffeisen Switzerland also wrote off liabilities of CHF 30 million and contingent liabilities amounting to CHF 30 million in 2018. Raiffeisen Switzerland assumes that there will be no more payments.

If, contrary to the expectations of Raiffeisen Switzerland, neither the voidance of the agreements nor the validity of the termination are confirmed, minority shareholders might, if need be, be entitled to tender shares in KMU Capital Holding AG to Raiffeisen Switzerland from 1 July 2020 according to the shareholders' binding agreement of 2015 and based on a contractually agreed valuation method (put option). The above-mentioned written-off liabilities and contingent liabilities could become relevant in such a case. Due to the aforementioned contestation of the contract and the termination of the shareholders' agreement, the put option will not be valued as of 31 December 2019.

7. Tangible fixed assets

7.1 Tangible fixed assets

in 1,000 CHF	Purchase price	Cumulative depreci-ation/amorti-sation	Book value at end of previous year	Current-year transfers/ reclassi-fications	Current-year invest-ment	Current-year disinvest-ment	Current-year depreci-ation/ amortisation	Current-year Reversals	Book value at end of current year
Bank buildings	253,987	-92,435	161,552	-842	1,089	-370	-3,347	-	158,082
Other real estate	14,077	-6,387	7,690	-	-	-	-135	-	7,555
Proprietary or separately acquired software	154,534	-126,800	27,734	50	505,573	-362,070	-21,324	-	149,963
Other tangible fixed assets	205,755	-169,865	35,890	792	14,243	-34	-13,403	-	37,488
Total tangible assets	**628,353**	**-395,487**	**232,866**	**-**	**520,905**	**-362,474**	**-38,209**	**-**	**353,088**

The high investments and disposals in the item "proprietary or separately acquired software" are attributable to the integration of the business of ARIZON Sourcing Ltd in Liquidation and the sale of the core banking software to the Raiffeisen banks.

7.2 Operating leases

in 1,000 CHF	Current year	Previous year
Non-recognised lease commitments		
Due within 12 months	1,798	1,905
Due within 1 to 5 years	2,583	2,657
Due after 5 years	-	-
Total non-recognised lease commitments	**4,381**	**4,562**
of which obligations that can be terminated within one year	4,381	4,562

8. Intangible assets

in 1,000 CHF	Purchase price	Cumulative depreciation/amortisation	Book value at end of previous year	Current-year investment	Current-year disinvestment	Current-year depreciation/amortisation	Book value at end of current year
Other intangible assets	12,500	-8,266	4,234	-	-	-2,419	1,815
Total intangible assets	**12,500**	**-8,266**	**4,234**	**-**	**-**	**-2,419**	**1,815**

9. Other assets and liabilities

in 1,000 CHF	Current year	Previous year
Other assets		
Equalisation account	259,757	121,418
Settlement accounts for indirect taxes	629,424	586,319
Other settlement accounts	28,505	43,950
Commodities	2,807	2,809
Miscellaneous other assets	3	111
Total other assets	**920,495**	**754,607**
Other liabilities		
Due, unredeemed coupons and debt instruments	-	25
Levies, indirect taxes	24,176	28,293
Solidarity fund	337,891	335,193
of which open guarantees to Raiffeisen banks	866	216
Other settlement accounts	89,196	72,936
Miscellaneous other liabilities	-	228
Total other liabilities	**451,263**	**436,675**

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

in 1,000 CHF	Current-year book values	Current year Effective commitments	Previous-year book values	Previous year Effective commitments
Pledged/assigned assets				
Amounts due from Raiffeisen banks	-	-	-	-
Amounts due from other banks	769,932	769,932	654,657	654,657
Amounts due from clients	-	-	570	570
Mortgage loans	3,208,404	2,135,839	3,188,344	2,030,676
Financial investments	1,177,390	432,892	1,249,121	486,213
Total pledged assets	**5,155,726**	**3,338,663**	**5,092,692**	**3,172,116**
Total assets under reservation of ownership	**-**	**-**	**-**	**-**

1 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 statutory 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

in 1,000 CHF	Current year	Previous year
Amounts due in respect of customer deposits	68,721	18,830
Negative replacement values of derivative financial instruments	7,438	2,421
Bonds	40,000	40,000
Accrued expenses and deferred income	411	411
Total liabilities to own social insurance institutions	**116,570**	**61,661**

11.2 Employer contribution reserves in the Raiffeisen Employer Foundation

in 1,000 CHF	Current year	Previous year
As at 1 January	8,199	11,563
+ Deposits [1]	67	-
– Withdrawals [1]	3,354	3,382
+ Interest paid [2]	7	18
As at 31 December	**4,919**	**8,199**

1 Deposits and payments affect the contributions to staff pension plans (see note 26 “Personnel expenses”)

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:

in 1,000 CHF	Current year in %	Previous year in %
Raiffeisen Pension Fund Cooperative	116,4	108,4

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

The affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenditure 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		
in 1,000 CHF	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	Total
Underlying risk of the embedded derivative					
Interest rate instruments	**-**	**-**	**11,019**	**-4,717**	**6,302**
With own debenture component (oDC)	-	-	11,019	-4,717	6,302
Without oDC	-	-			-
Equity securities	**-**	**-**	**1,799,971**	**-20,242**	**1,779,729**
With own debenture component (oDC)	-	-	1,799,971	-27,748	1,772,223
Without oDC	-	-		7,506	7,506
Foreign currencies	**-**	**-**	**18,750**	**-352**	**18,398**
With own debenture component (oDC)	-	-	18,750	-352	18,398
Without oDC	-	-			-
Commodities/precious metals	**-**	**-**	**132,055**	**11,563**	**143,618**
With own debenture component (oDC)	-	-	132,055	11,563	143,618
Without oDC	-	-			-
Credit derivatives	**-**	**-**	**103,153**	**2,072**	**105,225**
With own debenture component (oDC)	-	-	103,153	2,072	105,225
Without oDC	-	-			-
Total	**-**	**-**	**2,064,949**	**-11,677**	**2,053,272**

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".

13. Bond issues and central mortgage institution loans

in 1,000 CHF	Year of issue	Interest rate	Maturity	Early termination possibility	Bond principal in
Non-subordinated own bonds	2010	2.000	21.09.2023	-	249,950
	2011	2.625	04.02.2026	-	149,335
	2014	1.625	07.02.2022	-	99,955
	2016	0.000	17.09.2020	-	50,000
	2016	0.300	22.04.2025	-	375,000
	2016	0.750	22.04.2031	-	76,860
	2018	0.350	16.02.2024	-	399,225
	2018	0.000 [1]	19.06.2020	-	175,000
	2018	0.000 [1]	11.09.2020	-	60,000
	2019	0.125	07.05.2024	-	99,760
	2019	0.000	07.10.2020	-	110,000
	2019	0.000	07.10.2020	-	40,000
Subordinated own bonds without PONV clause [2]	2011	3.875	21.12.2021	-	535,000
Subordinated own bonds with PONV clause [2]	2015	3.000	Perpetual	02.10.2020	572,625 [3]
	2018	2.000	Perpetual	02.05.2023	395,785 [3]
Underlying instruments from issued structured products [4]	div.	0.036 [5]	2020		1,517,697
		1.756 [5]	2021		148,238
		-0.318 [5]	2022		184,302
		0.001 [5]	2023		41,702
		0.106 [5]	2024		146,715
		0.499 [5]	after 2024		26,296
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	div.	1.294 [5]	div.		2,073,630
Total outstanding bond issues and central mortgage institution loans					**7,527,074**

1 Variable coupon, basis CHF Libor three months and spread.

2 PONV clause = point of non-viability/time of imminent insolvency

3 Subordinated perpetual Additional Tier 1 bond with contingent write-down. With FINMA's consent, the bond can be terminated on a unilateral basis by Raiffeisen Switzerland (no earlier than five years following issue).

4 In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. Underlying instruments are recognised at their nominal value in "Bond issues and central mortgage institution loans". The derivative components of the products are recognised at market value in "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

5 Average weighted interest rate (volume-weighted).

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

in 1,000 CHF	End of previous year	Appropriate application	Reclassifications	Past due interest, recoveries	New provisions against income statement	Dissolution of provisions against income statement	End of current year
Provisions							
Provisions for default risks	6,678	-671	-80		1,663	-2,301	5,289
Provisions for other business risks	75,926	-15,182			12,047	-2,027	70,764
Provisions for restructuring	16,363	-10,068			15,090		21,385
Other provisions [1]	29,406	-2,228					27,179
Total provisions	**128,373**	**-28,149**	**-80**	**-**	**28,800**	**-4,328**	**124,617**
Reserves for general banking risks	**9,297**	**-**	**-**	**-**	**-**	**-2,961**	**6,336**
of which taxed	9,297	-	-	-	-	-2,961	6,336
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	138,883	-304	80	202	26,721	-6,201	159,380
Value adjustments for latent risks	-	-	-	-	-	-	-
Total value adjustments for default and country risks	**138,883**	**-304**	**80**	**202**	**26,721**	**-6,201**	**159,380**

1 Other provisions include provisions for legal expenses.

Due particularly to Raiffeisen Switzerland's efficiency programme, restructuring provisions increased by CHF 15.0 million; of which personnel expenses accounted for CHF 12.1 million. The balance of CHF 21.4 million includes provisions of CHF 6.2 million from the previous year, which result from the sale of Notenstein La Roche Privatbank AG.

The provisions of CHF 70.8 million for other business risks include provisions of CHF 59.1 million, which resulted from the repurchase of ARIZON Sourcing Ltd in Liquidation.

15. Cooperative capital

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

The cooperative capital is owned in full by the 229 Raiffeisen banks within Raiffeisen Switzerland (previous year: 246 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 2019, this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 2’121,0 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	
in 1,000 CHF	**Current year**	**Previous year**	**Current year**	**Previous year**
Group companies	216,154	971,880	326,610	266,859
Transactions with members of governing bodies	10,445	15,037	2,960	1,733
Other related parties	96,974	424,224	204,303	337,067
Total amounts due from/to related parties	**323,572**	**1,411,141**	**533,874**	**605,660**

Material off-balance-sheet transactions with related parties

Contingent liabilities to related parties amounted to CHF 2.6 billion (previous year: CHF 2.4 billion). Irrevocable commitments to related parties amounted to CHF 372.8 million (previous year: CHF 245.1 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 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 216.2 million include unsecured loans of CHF 155.1 million (last maturity on 31 December 2025) with an average interest rate of 1,5%.
– Amounts due to Group companies of CHF 326.6 million include positions in the amount of CHF 60 million that have an average interest rate of –0.3%.
– Liabilities to other related parties include CHF current account balances in the amount of CHF 26.1 million for which the credit balance exceeding the allowance is subject to a negative interest rate of –0.4%. Furthermore, a credit balance in the amount of CHF 7.7 million is included, which bears 2.75% interest.

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

17. Maturity structure of financial instruments

in 1,000 CHF	On demand	Redeemable by notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets/financial instruments							
Liquid assets	28,377,439	-	-	-	-	-	28,377,439
Amounts due from Raiffeisen banks	2,381,568	-	-	-	-	-	2,381,568
Amounts due from other banks	122,286	-	7,409,783	30,000	-	-	7,562,069
Amounts due from securities financing transactions	-	-	249,941	-	-	-	249,941
Amounts due from clients	211	190,729	1,593,996	375,096	505,343	158,894	2,824,270
Mortgage loans	590	109,785	597,460	1,308,320	5,458,254	3,630,540	11,104,948
Trading portfolio assets	757,875	-	-	-	-	-	757,875
Positive replacement values of derivative financial instruments	1,823,769	-	-	-	-	-	1,823,769
Financial investements [1]	17,609	-	65,090	546,103	2,486,755	4,014,291	7,129,847
Total							
Current year	**33,481,347**	**300,514**	**9,916,269**	**2,259,519**	**8,450,353**	**7,803,725**	**62,211,727**
Previous year	24,173,039	598,409	3,669,685	1,929,245	8,370,654	7,204,665	45,945,696
Debt capital/financial instruments							
Amounts due to Raiffeisen banks	18,906,019	-	-	-	-	-	18,906,019
Amounts due to other banks	656,748	-	9,157,459	2,228,626	221,000	-	12,263,833
Liabilities from securities financing transactions	-	-	6,321,090	5,810	-	-	6,326,901
Amounts due in respect of customer deposits	4,253,985	4,664,273	2,855,876	715,549	935,664	518,062	13,943,409
Trading portfolio liabilities	197,542	-	-	-	-	-	197,542
Negative replacement values of derivative financial instruments	2,179,800	-	-	-	-	-	2,179,800
Cash Bonds	-	-	1,897	1,592	19,080	-	22,569
Bond issues and central mortgage institution loans	-	-	520,167	2,084,156	2,680,581	2,242,171	7,527,074
Total							
Current year	**26,194,093**	**4,664,273**	**18,856,489**	**5,035,733**	**3,856,325**	**2,760,233**	**61,367,147**
Previous year	22,018,264	4,501,464	8,398,798	2,925,572	3,834,937	3,104,767	44,783,803

1 No real estate figures are included in the financial assets (prior year: 41'362'658 Swiss francs).

18. Total assets by credit rating of country groups (foreign assets)

	Net foreign exposure			
in 1,000 CHF	**Current year**	**Current year in %**	**Previous year**	**Previous year in %**
Rating class				
Very safe investment	7,108,608	98.0	2,774,592	98.2
Safe investment	22,477	0.3	11,607	0.4
Average to good investment	121,261	1.7	30,287	1.1
Speculative to highly speculative investment	1,500	0.0	4,629	0.2
Highest-risk investment/default	-	-	-	-
Unrated investment	2,519	0.0	3,441	0.1
Total assets	**7,256,366**	**100.0**	**2,824,555**	**100.0**

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

19. Balance sheet by currency

in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	28,007,471	242,915	12,555	114,497	28,377,439
Amounts due from Raiffeisen banks	2,380,746	-	19	803	2,381,568
Amounts due from other banks	1,221,955	2,903,086	1,817,187	1,619,841	7,562,069
Amounts due from securities financing transactions	-	249,941	-	-	249,941
Amounts due from clients	2,288,055	358,289	80,947	96,979	2,824,270
Mortgage loans	11,104,948	-	-	-	11,104,948
Trading portfolio assets	350,616	174	5,856	401,229	757,875
Positive replacement values of derivative financial instruments	1,823,769	-	-	-	1,823,769
Financial investments	7,116,401	8,710	4,729	7	7,129,847
Accrued income and prepaid expenses	243,812	1,306	1,621	266	247,005
Participations	435,467	-	-	7	435,474
Tangible fixed assets	353,088	-	-	-	353,088
Intangible assets	1,815	-	-	-	1,815
Other assets	920,495	-	-	-	920,495
Total assets reflected in the balance sheet	**56,248,640**	**3,764,421**	**1,922,915**	**2,233,628**	**64,169,604**
Delivery claims under spot exchange, forward exchange and currency option contracts	20,889,725	19,947,019	24,473,688	15,478,381	80,788,813
Total assets	**77,138,364**	**23,711,440**	**26,396,603**	**17,712,010**	**144,958,417**
Liabilities					
Amounts due to Raiffeisen banks	15,835,868	2,295,669	411,818	362,663	18,906,019
Amounts due to other banks	6,577,751	1,563,722	1,333,506	2,788,853	12,263,833
Liabilities from securities financing transactions	2,933,000	2,510,277	773,752	109,872	6,326,901
Amounts due in respect of customer deposits	11,803,275	1,426,859	662,902	50,373	13,943,409
Trading portfolio liabilities	197,542	-	-	-	197,542
Negative replacement values of derivative financial instruments	2,179,800	-	-	-	2,179,800
Cash Bonds	22,569	-	-	-	22,569
Bond issues and central mortgage institution loans	7,315,134	72,650	128,290	11,001	7,527,074
Accrued expenses and deferred income	294,438	1,258	4,189	331	300,217
Other liabilities	451,263	-	-	-	451,263
Provisions	124,617	-	-	-	124,617
Reserves for general banking risks	6,337	-	-	-	6,337
Cooperative capital	1,700,000	-	-	-	1,700,000
Statutory retained earnings reserve	177,523	-	-	-	177,523
Profit	42,500	-	-	-	42,500
Total liabilities reflected in the balance sheet	**49,661,618**	**7,870,436**	**3,314,457**	**3,323,093**	**64,169,604**
Delivery obligations under spot exchange, forward exchange and currency option contracts	27,529,785	15,829,118	23,037,339	14,427,761	80,824,003
Total liabilities	**77,191,403**	**23,699,554**	**26,351,795**	**17,750,854**	**144,993,607**
Net position per currency	**-53,039**	**11,886**	**44,808**	**-38,844**	**-35,189**

	31.12.2019	31.12.2018
Foreign currency conversion rates		
EUR	1.087	1.126
USD	0.968	0.984

Information on off-balance sheetbusiness

20. Contingent assets and liabilities

in 1,000 CHF	Current year	Previous year
Contingent liabilities		
Guarantees to secure credits and similar	2,981,383	2,860,759
Performance guarantees and similar	94,456	63,752
Other contingent liabilities [1]	154,442	100,394
Total contingent liabilities	**3,230,282**	**3,024,904**
Contingent assets		
Contingent assets arising from tax losses carried forward	14,073	23,778
Other contingent assets	-	-
Total contingent assets	**14,073**	**23,778**

1 The other contingent liabilities include a guaranteed open amount vis-a-vis third parties that applies to derivative transactions, whose underlying replacement values vary according market conditions. The guarantee is evaluated with a scenario-based risk model and at 31 december 2019 amounted to CHF 24.3 million.

21. Fiduciary transactions

in 1,000 CHF	Current year	Previous year
Fiduciary investments with third-party banks	16,957	19,663
Total fiduciary transactions	**16,957**	**19,663**

Information on the income statement

22. Result from interest operations

in 1,000 CHF	Current year	Previous year
Interest and dividend income		
Interest income from amounts due from Raiffeisen banks	71,425	92,744
Interest income from amounts due from other banks	-4,362	2,319
Interest income from securities financing transactions	770	1,487
Interest income from amounts due from clients	41,172	39,880
Interest income from mortgage loans	146,131	143,710
Interest and dividend income from financial investments	40,892	43,735
Other interest income	34,671	23,548
Total interest and dividend income	**330,699**	**347,422**
of which negative interest on the lending business	-75,519	-57,645
Interest expenditure		
Interest expenditure from amounts due to Raiffeisen banks	53,507	32,722
Interest expenditure from amounts due to other banks	2,059	5,739
Interest expenditure from securities financing transactions	3,654	631
Interest expenditure from amounts due to clients	-14,140	-15,313
Interest expenditure from cash bonds	-226	-487
Interest expenditure from bond issues and central mortgage institution loans	-95,476	-105,812
Other interest expenses	-119,203	-109,537
Total interest expenditure	**-169,823**	**-192,056**
of which negative interest on the borrowing business	78,905	72,563
Gross result from interest operations	**160,876**	**155,366**

23. Result from commission business and services

in 1,000 CHF	Current year	Previous year
Commission income		
Commission income from securities trading and investment activities		
Custody account business	25,795	24,930
Brokerage	11,004	12,214
Fund business and asset management business	17,388	15,710
Other securities trading and investment activities	29,214	24,735
Commission income from lending business	16,823	16,267
Commission income from other service transactions		
Payments	56,342	57,078
Account maintenance	2,222	2,360
Other service transactions	3,927	3,573
Total commission income	**162,715**	**156,865**
Commission expenditure		
Securities business	-38,559	-43,173
Payments	-2,666	-2,749
Other commission expenditure	-107	-441
Total commission expenditure	**-41,332**	**-46,362**
Total net income from commission business and service transactions	**121,383**	**110,503**

24. Result from trading activities

24.1 Breakdown by business area

in 1,000 CHF	Current year	Previous year
Branches of Raiffeisen Switzerland	7,601	7,394
Equities trading desk	5,990	6,025
Foreign currency trading desk	8,807	9,746
Fixed income trading desk	7,800	6,943
Macro hedge trading desk	-275	345
Banknotes/precious metals trading desk	38,989	38,688
Options trading desk	1,327	2,312
Rates trading desk	9,117	6,687
Total net trading income	**79,358**	**78,138**

24.2 Breakdown by underlying risk

in 1,000 CHF	Current year	Previous year
Foreign exchange trading	14,638	16,774
Precious metals and foreign notes and coins trading	40,661	41,136
Equities trading	6,698	6,783
Fixed income trading	17,361	13,445
Total net trading income	**79,358**	**78,138**

25. Other ordinary income

in 1,000 CHF	Current year	Previous year
IT services for Group companies	62,575	65,841
Other individual services provided for Group companies	192,668	207,248
Contributions from the Raiffeisen banks for collective and strategic services	72,151	76,376
Charges for internal services relating to Group projects	25,939	39,402
Other	8,154	12,326
Total other ordinary income	**361,485**	**401,193**

26. Personnel expenses

in 1,000 CHF	Current year	Previous year
Meeting attendance fees and fixed compensation to members of the banking authorities	1,791	2,618
Salaries and bonuses for staff	337,232	316,855
AHV, IV, ALV and other statutory contributions	26,586	23,744
Contributions to staff pension plans	36,148	33,912
Other personnel expenses	6,033	6,686
Total personnel expenses	**407,790**	**383,815**

27. General and administrative expenses

in 1,000 CHF	Current year	Previous year
Office space expenses	23,004	28,343
Expenses for information and communications technology	65,967	124,552
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,533	3,981
Auditor fees	2,775	3,427
of which, for financial and regulatory audits	2,426	3,047
of which, for other services	348	380
Other operating expenses	152,214	133,982
Total general and administrative expenses	**247,493**	**294,285**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 28.5 million includes CHF 22.5 million from the sale of licences of the core banking system to the Raiffeisen banks. Furthermore, CHF 5.2 million from the integration of ARIZON Sourcing Ltd was credited to extraordinary income. In addition, hidden reserves of CHF 9.2 million were dissolved in fixed assets.

Prior year
Extraordinary income of CHF 46.2 million includes CHF 35.2 million from the sale of Notenstein La Roche Privatbank Ltd and CHF 11 million from the sale of tangible fixedassets.

Hidden reserves existed for the participation in Leonteq Ltd at the end of 2017 because themarket value of the stake exceeded the book value by CHF 47.4 million. These hiddenreserves were eliminated as at the end of 2018 due to the lower mark-to-marketaccounting of Leonteq Ltd.

29. Current taxes

in 1,000 CHF	Current year	Previous year
Expenditure for current income tax	1,800	2,500
Total tax expenditure	**1,800**	**2,500**
Average tax rate weighted on the basis of the operating result	14.1%	-1.0%

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

Report of the statutory auditor

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

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Report on the audit of the financial statements

Opinion
We have audited the financial statements of Raiffeisen Switzerland Cooperative, which comprise the balance sheet as at 31 December 2019, income statement, statement of changes in equity and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2019 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 9.4 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 matter the following area of focus has been identified:
– Valuation of loans to customers (amounts due from customers and mortgage loans)

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 9.4 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 Committee of the Board of Directors that we would report to them misstatements above CHF 940,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

We consider the valuation of loans to customers as a key audit matter as they represent a significant portion of total assets at 22% (prior year: 30%). In addition, judgement is required to assess the valuation and the amount of any impairment.

In particular, we focussed on the following points:

- The approach applied by Raiffeisen 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 (see appendix).

How our audit addressed the key audit matter

We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans:

- Credit analysis
  Review of compliance with the guidelines and requirements concerning documentation, ability to repay, valuation and collateral
- Loan approval
  Review of compliance with the requirements of the internal authorisation regulations
- Loan disbursement
  Review of whether the disbursement of loans to customers is executed only after all of the required documents are present
- Credit monitoring
  Review of whether the identification of loans that show signs of being at risk is done in a timely and complete manner and whether loans that show signs of being at risk and impairments are checked periodically, especially with regard to the realisability of the collateral cover and the amount of the impairment.

Further, we performed the following tests of detail on a sample basis:

- We performed an assessment of the impairment of customer loans and tested the application of the processes to identify customer loans with a potential need for impairment. Our sample contains a random selection of positions out of the entire loan portfolio as well as a risk-oriented selection of doubtful receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen 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 being 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.

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 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 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 statements is located at the website of EXPERTsuisse:
https://www.expertsuisse.ch/en/audit-report-for-public-companies
This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 906 CO in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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 the available earnings comply with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Rolf Birrer
Audit expert
Auditor in charge

Ralph Gees
Audit expert

St.Gallen, 14 April 2020

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Five-year overview

Balance sheet – five-year overview

in 1,000 CHF	2019	2018	2017	2016	2015
Assets					
Liquid assets	28,377,439	17,993,258	18,819,203	18,779,805	17,271,940
Amounts due from Raiffeisen banks	2,381,568	3,023,050	2,655,902	2,923,285	3,758,642
Amounts due from other banks	7,562,069	1,815,732	8,214,912	6,948,718	3,095,492
Amounts due from securities financing transactions	249,941	4,920	51,371	13,204	51,801
Amounts due from clients	2,824,270	3,490,328	2,441,407	2,274,938	2,237,698
Mortgage loans	11,104,948	10,719,248	9,870,963	9,121,212	8,505,627
Trading portfolio assets	757,875	1,027,521	1,325,870	1,282,433	1,311,118
Positive replacement values of derivative financial instruments	1,823,769	1,310,767	1,632,217	1,604,991	1,633,087
Financial investments	7,129,847	6,560,872	6,308,591	6,596,490	5,592,891
Accrued income and prepaid expenses	247,005	227,896	228,036	239,406	267,760
Participations	435,474	423,809	1,055,938	1,243,250	1,417,390
Tangible fixed assets	353,088	232,866	195,321	249,126	260,309
Intangible assets	1,815	4,234	6,653	18,145	22,984
Other assets	920,495	754,607	788,398	616,755	1,363,850
Total assets	**64,169,604**	**47,589,108**	**53,594,782**	**51,911,758**	**46,790,589**
Liabilities					
Amounts due to Raiffeisen banks	18,906,019	15,366,151	15,528,573	14,063,534	11,473,545
Amounts due to other banks	12,263,833	6,410,927	13,676,261	14,047,052	10,448,545
Liabilities from securities financing transactions	6,326,901	2,925,136	1,757,968	2,514,988	4,052,523
Amounts due in respect of customer deposits	13,943,409	11,423,677	11,044,803	10,714,330	10,002,847
Trading portfolio liabilities	197,542	69,530	133,799	138,207	105,139
Negative replacement values of derivative financial instruments	2,179,800	1,535,839	1,610,794	1,825,313	2,134,730
Cash Bonds	22,569	30,563	61,758	73,681	104,476
Bond issues and central mortgage institution loans	7,527,074	7,021,981	6,836,274	5,743,882	5,562,865
Accrued expenses and deferred income	300,217	310,936	289,993	266,380	251,615
Other liabilities	451,263	436,675	458,400	433,423	445,930
Provisions	124,617	128,373	16,685	16,834	16,656
Reserves for general banking risks	6,337	9,297	259,450	158,450	298,900
Cooperative capital	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Statutory retained earnings reserve	177,523	177,523	173,183	169,443	162,790
Profit	42,500	42,500	46,840	46,240	30,028
Total equity capital	**1,926,360**	**1,929,320**	**2,179,473**	**2,074,133**	**2,191,718**
Total liabilities	**64,169,604**	**47,589,108**	**53,594,781**	**51,911,757**	**46,790,589**

Income statement – five-year overview

in 1,000 CHF	2019	2018	2017	2016	2015
Interest and discount income	289,808	303,687	320,123	372,806	439,900
Interest and dividend income from financial investments	40,892	43,735	48,337	52,852	55,661
Interest expenses	-169,823	-192,056	-242,372	-302,113	-378,582
Gross result from interest operations	**160,876**	**155,366**	**126,088**	**123,546**	**116,979**
Changes in value adjustments for default risks and losses from interest operations	-20,544	-126,465	-1,782	-14,665	-5,760
Subtotal net result from interest operations	**140,332**	**28,901**	**124,306**	**108,881**	**111,219**
Commission income securities trading and investment business	83,401	77,588	73,690	49,973	51,472
Commission income from lending business	16,823	16,267	13,395	8,151	8,686
Commission income other services	62,491	63,010	59,711	57,069	58,082
Commission expenses	-41,332	-46,362	-44,286	-33,308	-44,581
Net income from commission business and service transactions	**121,383**	**110,503**	**102,510**	**81,885**	**73,659**
Net trading income	**79,358**	**78,138**	**79,522**	**84,222**	**75,960**
Results from the disposal of financial investments	10,747	2,607	20,525	2,632	6,187
Income from participations	40,792	71,510	52,322	51,311	62,799
Results from real estate	4,344	3,884	3,668	3,938	3,888
Other ordinary income	361,485	401,193	403,513	387,971	339,810
Other ordinary expenses	-32,427	-42,905	-34,243	-45,550	-39,262
Other ordinary profit	**384,941**	**436,289**	**445,785**	**400,302**	**373,423**
Operating income	**726,014**	**653,831**	**752,123**	**675,290**	**634,261**
Personnel expenses	-407,790	-383,815	-381,111	-354,690	-322,707
General and administrative expenses	-247,493	-294,285	-254,653	-255,880	-246,816
Operating expenses	**-655,283**	**-678,100**	**-635,764**	**-610,571**	**-569,523**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-45,290	-109,154	-74,775	-133,589	-43,321
Changes to provisions and other value adjustments, and losses	-12,633	-117,910	-4,352	-5,650	866
Operating result	**12,808**	**-251,333**	**37,232**	**-74,520**	**22,283**
Extraordinary income	28,534	46,180	116,316	9,196	24,013
Extraordinary expenses	-2	-1	-673	-26,119	-4
Changes in reserves for general banking risks	2,961	250,153	-101,000	140,450	-15,200
Taxes	-1,800	-2,500	-5,035	-2,767	-1,064
Profit	**42,500**	**42,500**	**46,840**	**46,240**	**30,028**

Imprint

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