

A large, illuminated sign spelling "RAIFFEISEN" in white, glowing letters is mounted on two tall, thin metal poles. The sign is set against a backdrop of rolling green hills and a small village with warm lights at dusk. The sky is a deep blue, and the overall scene is serene and picturesque. The foreground shows some dark, leafy vegetation.

RAIFFEISEN

Key figures 2015

The Raiffeisen Group generated record profits once again in 2015. It increased Group profit by 6.4% year-on-year to CHF 808 million. All Group income items improved. Raiffeisen achieved high-quality growth in its core business. Client deposits went up 6.2% while mortgages rose 5.2%. Assets under management (AuM) increased by 4.9% as well.

	31.12.2015 Amounts in million CHF	31.12.2014 Amounts in million CHF	Change in %
Key figures			
Operating income	3,016	2,829	6.6
Operating expenditure	1,887	1,765	6.9
Operating result	943	891	5.9
Group profit	808	759	6.4
Cost/income ratio	62.6%	62.4%	
Key balance sheet figures			
Total assets	205,748	188,404	9.2
Loans to clients	166,479	158,546	5.0
of which mortgage receivables	158,594	150,731	5.2
Client deposit	151,920	143,807	5.6
Client deposit in % of loans to clients	91.3%	90.7%	
Capital resources			
Total equity capital	13,318	12,040	10.6
Return on equity (ROE)	6.4%	6.5%	
Leverage ratio (unweighted capital ratio)*	6.7%	6.4%	
Total capital ratio (equity capital)*	16.4%	15.3%	
Market data			
Share of mortgage market	16.9%	16.6%	
Number of clients	3,717,987	3,695,129	0.6
Number of cooperative members	1,862,032	1,846,747	0.8
Client assets			
Client assets under management	208,856	199,010	4.9
Lending business			
Losses on lending business	29	19	49.8
as % of loans to clients	0.017%	0.012%	
Resources			
Number of employees	11,046	10,755	2.7
Number of full-time positions	9,286	9,028	2.9
Number of locations	994	1,015	-2.1

All values according to the new accounting rules for banks (ARB)

* based on definition for systemically important banks

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Important events in 2015

1 JANUARY 2015

ARIZON starts operations

ARIZON Sourcing Ltd has been in operation since early 2015. Its roughly 260 employees develop and maintain Switzerland's most advanced retail banking platform.

22 JANUARY 2015

Raiffeisen and Helvetia renew cooperation

The Raiffeisen Group and Helvetia Insurance renew their 15-year-long alliance for another 5 years.

18 MARCH 2015

Biggest AT1 bond in Swiss francs

Raiffeisen Switzerland issues its AT1 (Additional Tier 1) hybrid bond with great success. Its total volume is CHF 550 million on 18 March 2015. This was raised by CHF 50 million on 29 September 2015. With an issue volume of CHF 600 million, the Raiffeisen hybrid bond is the biggest franc-denominated AT1 bond in history.

1 MAY 2015

New management structure and new Members of the Executive Board

Raiffeisen Switzerland strengthens its client focus with a new management structure. Christian Poerschke (Services), Rolf Olmesdahl (IT) and Urs Gauch (Corporate Clients) join the Executive Board as part of the reorganisation.

27 MAY 2015

Moody's upgrades deposit rating to Aa2

Moody's deposit rating for Raiffeisen is upgraded to Aa2 with a stable outlook. According to the rating agency, Raiffeisen is a high-quality borrower with very low credit risk.

4 FEBRUARY 2015

10th "Lipper Fund Award" for Raiffeisen

The Raiffeisen Futura Swiss Stock once again receives the "Lipper Fund Award" as the best Swiss equity fund over ten years.

28 APRIL 2015

Second RUZ centre opens

The new Raiffeisen Business Owner Centre (RUZ) in Baar joins the previous location in Gossau (SG).

26 SEPTEMBER 2015
Adoption of the basic strategy with 10,000 employees

For the first time in Raiffeisen's history, roughly 10,000 employees and BoD members come together in one place. They jointly adopt the new basic strategy.

1 NOVEMBER 2015
Notenstein Private Bank takes over Bank La Roche & Co Ltd

Notenstein Private Bank Ltd takes over Bank La Roche & Co Ltd's clients and employees. The bank is now called Notenstein La Roche Private Bank Ltd.

30 JUNE 2015
Raiffeisen shores up position in asset management

Raiffeisen subsidiary Notenstein Asset Management Ltd starts operations at the middle of the year. In September, it changes its name to Vescore Ltd.

1 OCTOBER 2015
New CEO of Raiffeisen Switzerland

Pierin Vincenz hands over the chairmanship of Raiffeisen Switzerland's Executive Board to Patrik Gisel.

The Extended Executive Board also welcomes three new members: Nadja Ceregato (Head of Legal & Compliance), Michael Federer (Head of Human Resources Management) and Roland Schaub (General Secretary).

4 DECEMBER 2015
Raiffeisen invests in Avaloq

Raiffeisen acquires a 10% equity stake in Avaloq Group AG, one of Switzerland's leading providers of IT banking solutions, and thus strengthens its ARIZON joint venture.

Improvements in all income items



2015 was an eventful year for the Swiss economy in general and Raiffeisen in particular. Raiffeisen was busy with the election of a new Chairman of the Executive Board, the adoption of the revised basic strategy and the new core banking system. Chairman of the Board of Directors, Johannes Rüegg-Stürm, talked with Patrik Gisel, Chairman of the Executive Board since 1 October 2015.

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

Right: Dr. Patrik Gisel,
Chairman of the Executive Board
of Raiffeisen Switzerland

Prof. Dr. Johannes Rüegg-Stürm: Last financial year, we ushered in a new era by making a major change in leadership. I am delighted that Patrik Gisel has become the Chairman of our Executive Board after many years as a board member. What were the biggest challenges in the financial year?

Dr. Patrik Gisel: This has been an intense year. It started out early, in January, as the unpegging of the Swiss franc confronted Switzerland with major challenges. However, the Swiss economy was

not alone in its struggles. The entire global economy was beset with difficulties in 2015: negative interest rates, plummeting commodity prices, the Greek crisis, recession in the emerging countries as well as geopolitical uncertainty had an impact on the economic environment. Nevertheless, Raiffeisen still achieved an excellent net income. We increased all our income items and grew faster than the market at a profit.

Rüegg-Stürm: I believe this success is a testament to our cooperative model. Client proximity, local decision-making authority, member codetermination and fair, sustainable business policies are the key to our success – especially in today's digitised world.

Gisel: I am convinced that the cooperative model is the perfect fit for our current times. Today's world is incredibly cooperative: people collaborate on the internet to carpool, brainstorm or donate their money or time to a good cause. These models require trust and codetermination. Raiffeisen started several digital initiatives of its own in the current year in order to steer the cooperative model into the future.

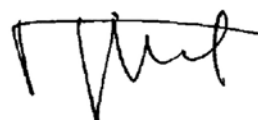
Rüegg-Stürm: Joint decision-making about the future is part of our DNA at Raiffeisen. That is why all our employees were involved in the revision of our basic strategy. For example, we met with 10,000 employees in Basel on 26 September 2015 in order to discuss and adopt the basic strategy together. This event was unprecedented in our cooperative's history.

Gisel: We jointly developed a long-range future strategy that all our employees can stand behind. But we achieved other milestones during the year, too. For example, we successfully launched RAINBOW in the middle of the year. This four-year Raiffeisen-led programme will develop and launch a new, state-of-the-art core banking system in cooperation with ARIZON. The system will enable the digital transformation of our business. We also want to expand our core business – especially with investment and corporate clients – in order to grow profitably. Our network is a vital competitive advantage, and we want to make it even stronger. We have tightened our business focus by consolidating all our asset management activities in Vescore Ltd and specialising Notenstein La Roche Private Bank Ltd in private banking.

Rüegg-Stürm: On behalf of the Board of Directors and the Executive Board of Raiffeisen Switzerland, I would like to give our heartfelt thanks to our clients for their trust in us. I also want to thank our employees for their commitment and loyalty. By working together, we were able to master 2015 and strengthened our position for the future.



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



Dr Patrik Gisel
Chairman of the Executive Board
of Raiffeisen Switzerland

Systemic importance

Raiffeisen highly capitalised

The Swiss National Bank (SNB) classified Raiffeisen as a systemically important bank due to its strong position in the Swiss banking market. Raiffeisen's efforts to satisfy the requirements associated with being classified systemically important are progressing according to plan in close cooperation with FINMA and the SNB. Raiffeisen is already fully compliant with the capital adequacy requirements for systemically important banks.

Following the 2008 financial crisis, Switzerland issued regulations for systemically important banks ("too big to fail") in order to prevent the need for taxpayers to bail out insolvent banks. Systemically important functions are services that are essential to the Swiss economy and cannot be quickly replaced. They must be maintained even in times of crisis. Art. 8 of the Swiss Federal Act on Banks and Savings Banks defines the domestic deposit and lending business and related payment transactions as systemically important. The two major global banks UBS and Credit Suisse were initially classified as systemically important in 2012, followed by Zürcher Kantonalbank (2013), Raiffeisen (2014) and PostFinance (2015).

Raiffeisen's classification was made as of 16 June 2014. This decision was primarily motivated by its strong market position in Switzerland's deposit and lending business with non-banks, especially in the mortgage business for private residential properties. According to the Swiss National Bank (SNB), Raiffeisen's failure as the third-largest player in the Swiss banking market would have far-reaching consequences for the Swiss economy and the Swiss financial system.

FORWARD-LOOKING MEASURES

The SNB is responsible for classifying systemically important banks and defining systemically important functions. FINMA, the Swiss Financial Market Supervisory Authority, is responsible

for the conception and implementation of the related requirements, however. The classification has two main consequences for Raiffeisen: heightened prudential (supervisory) requirements and contingency planning obligations.

Prudential requirements

The prudential requirements for systemically important banks will likely be defined in the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Traders by 1 July 2016 – as announced in the Swiss Federal Department of Finance's consultation draft on the modification of the "too big to fail" provisions of 22 December 2015. Banks have some freedom in how they comply with these requirements. The tightening of prudential requirements mainly serves a preventive function. It aims to make systemically important banks more resilient with larger equity and liquidity buffers. The stricter requirements affect risk diversification and disclosure obligations in addition to capital adequacy and liquidity coverage.

The prudential requirements for Raiffeisen were provisionally defined in dialogue with FINMA. FINMA issued a ruling in this regard in mid-2015. Being well-capitalised, the Raiffeisen Group is already in full compliance with the new going concern capital adequacy requirements (to ensure the banking group can continue as a going concern) for systemically important banks. To improve its capitalisation even further,

Raiffeisen issued a subordinated AT1 (Additional Tier 1) bond in spring 2015. The successful bond placement and its increase in autumn 2015 not only allowed Raiffeisen to continue its successful growth strategy, but also reflected the capital market's confidence in the cooperative banking group. The gone concern requirements (preparations for the Group's liquidation or restructuring) have not yet been defined for domestic systemically important banks, but are supposed to be laid out in detail by the end of 2017.

Systemically important banks must meet stricter capital adequacy requirements and tighter liquidity requirements. In this regard, Raiffeisen has been required to meet a liquidity coverage ratio (LCR) of at least 100% since 1 January 2016. Raiffeisen had to take a number of measures to meet this FINMA requirement. In particular, Raiffeisen banks have to rigorously enforce withdrawal limits on deposits that are subject to call.

Contingency planning

Systemically important banks must also have contingency plans in place. Contingency planning includes a stabilisation plan and an emergency plan. The contingency plan is prepared in close consultation with FINMA and will be finalised sometime in 2016. Both documents must be revised regularly to reflect ongoing internal and external changes.

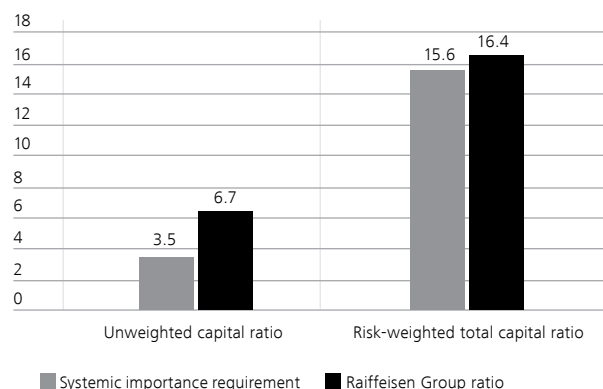
- In the stabilisation plan, Raiffeisen shows how it can independently stabilise the banking group in the event of a serious capital or liquidity crisis. The core of the plan is a catalogue of measures to improve capitalisation and liquidity.
- The emergency plan is developed for scenarios in which the stabilisation plan does not have the desired effect. In it, Raiffeisen lays out its strategy for continuing its systemically important functions in the event of imminent insolvency and protecting bank clients and the public sector from losses.

The stabilisation plan and the emergency plan are both based on Raiffeisen's established and proven risk management system.

HIGH STABILITY THANKS TO COOPERATIVE PRINCIPLES

Raiffeisen sees its classification as a systemically important bank as a logical consequence of its successful growth strategy of recent years. It shows that Raiffeisen is on course and acknowledges its responsibility as a domestic bank. Raiffeisen already was one of Switzerland's safest financial institutions thanks to cooperative principles such as mutual solidarity among banks and the high retention of earnings practised for years. Raiffeisen can strengthen its clients' trust even more as a systemically important bank with an extremely solid foundation.

Capital ratios in % (as at 31 December 2015)



Global economic environment

Frail global economy

The Swiss economy lost much of its steam after the Swiss franc was unpegged in January 2015. This Swiss franc shock continues to reverberate and will likely affect the economy this year as well. The entire global economy was beset with difficulties in 2015.

Global growth dropped year-on-year in 2015 due to adverse circumstances in emerging markets. China, after years of mostly credit-fuelled growth, now faces high levels of corporate debt and excess capacity. Industrial demand in the world's second-largest economy lost considerable momentum as the year progressed. This was a major contributor to the rapid decline in commodity prices, which badly affected emerging countries that rely heavily on commodity exports. Brazil and Russia, where growth had already tapered off in recent years, have slipped into a severe recession.

Industrialised nations, by contrast, are in good shape despite weaker demand for exports from emerging markets. Low energy prices and rising employment numbers have supported robust growth for the most part. The US economy remained on a dynamic growth track. The Eurozone economy started to pick up pace after a long period of stagnation. Brightening consumer sentiment and the unwinding of government austerity measures have returned private consumption to its position as a reliable driver of growth in the European economy.

The Eurozone's growth helped to prevent Switzerland slipping into a recession after the Swiss National Bank's surprise decision to unpeg the Swiss franc in January 2015. In addition, the slight weakening of the franc during the year eased the huge burden on exporters somewhat. The franc did not come under significant upward pressure even during financial market volatility. On the whole, however, economic

growth in Switzerland slowed down significantly after the Swiss franc shock. While private consumption once again proved to be a solid growth driver, the industrial sector is ailing; production dropped significantly in large swathes of the manufacturing industry in 2015.

Gulf between the ECB and the Fed

Despite the Eurozone's economic recovery, the gulf has widened between the monetary policies of the European Central Bank (ECB) and the Federal Reserve System (Fed). Inflation in industrialised countries remained extremely low in the second half of the year due to the steep drop in oil prices. This, along with the uncertain growth prospects for emerging markets, was one of the main reasons why the ECB decided at the end of the year to expand the bond-buying programme it had started in March 2015. On the other side of the pond, the Fed terminated its zero interest-rate policy and announced more potential interest rate moves in 2016 thanks to the strong economy and advanced economic cycle. Nevertheless, the yield on ten-year US government bonds only increased slightly as the year progressed as inflation expectations remained low. In the Eurozone, the ECB's bond purchases pushed down long-term interest rates to a new low, if only temporarily, during the first six months. Yields subsequently recovered, however, and in most cases ended up slightly higher over the year. In Switzerland, on the other hand, negative interest rates on sight deposits at the SNB in January 2015 also led to negative yields on long-term government bonds. Although yields temporar-

ily climbed above zero, they remained negative throughout most of the second half of the year. There are signs of normalisation this year. At least in the capital market, it should again be possible to obtain positive yields for longer maturities.

Challenging equity markets

Equity markets had a difficult year in 2015. Market volatility was particularly high in the second half of the year. Worries about growth in China and the global economy, uncertainty about the direction of US monetary policy and Greece's near bankruptcy all worked to weigh down the markets. The first two factors are likely to play a crucial role in 2016, too. The year had barely begun when the equity markets responded skittishly to disappointing economic data from China. Growth in the Middle Kingdom is likely to slow down further, which dampens expectations of a fast recovery in other emerging countries. In addition, it is not clear how long the US can remain in this cyclical upswing after seven years of economic expansion. Overall, the global economy's upside potential is limited and outweighed by the risks.

The Swiss economy faces headwinds from uncertain global conditions as well as the strong franc. The big hope is that the Eurozone, Switzerland's biggest trading partner, will once again see a moderate improvement in its growth rate. Steady population growth and persistently low unemployment augur well for private consumption. Overall, however, Switzerland seems poised for another year of sluggish economic development in 2016 as the Swiss franc shock continues to reverberate.

Sustainability

Responsibility in the core business

Raiffeisen embraces sustainability along its entire value chain. Every assessment of a business area includes non-financial aspects.

A 2015 analysis defined issues that have a material impact on Raiffeisen.

Raiffeisen has been reporting on its social and environmental performance in addition to financial and market figures since the 2011 reporting period. Unlike previous years, sustainability reporting will no longer be condensed into a separate chapter, but will instead be integrated in the annual report along the value chain.

This new method of presentation underscores the extent to which Raiffeisen has incorporated sustainability into its cooperative strategy and day-to-day challenges. Including sustainability in the reports on the individual business areas provides a more transparent, comprehensive view of Raiffeisen's operating results. Every assessment of a business area thus also includes non-financial aspects. This commitment, when combined with a broader view, improves the ability to pursue opportunities and avoid risks.

Group sustainability reporting uses the standards defined by the Global Reporting Initiative (GRI). This report, when combined with the GRI Content Index published on the internet at raiffeisen.ch/csr, meets the requirements of GRI G4 Guidelines. Switching sustainability reporting over to the latest GRI G4 Guidelines not only helps Raiffeisen focus on key issues, but it also takes greater account of the impact of corporate activities on the value chain.

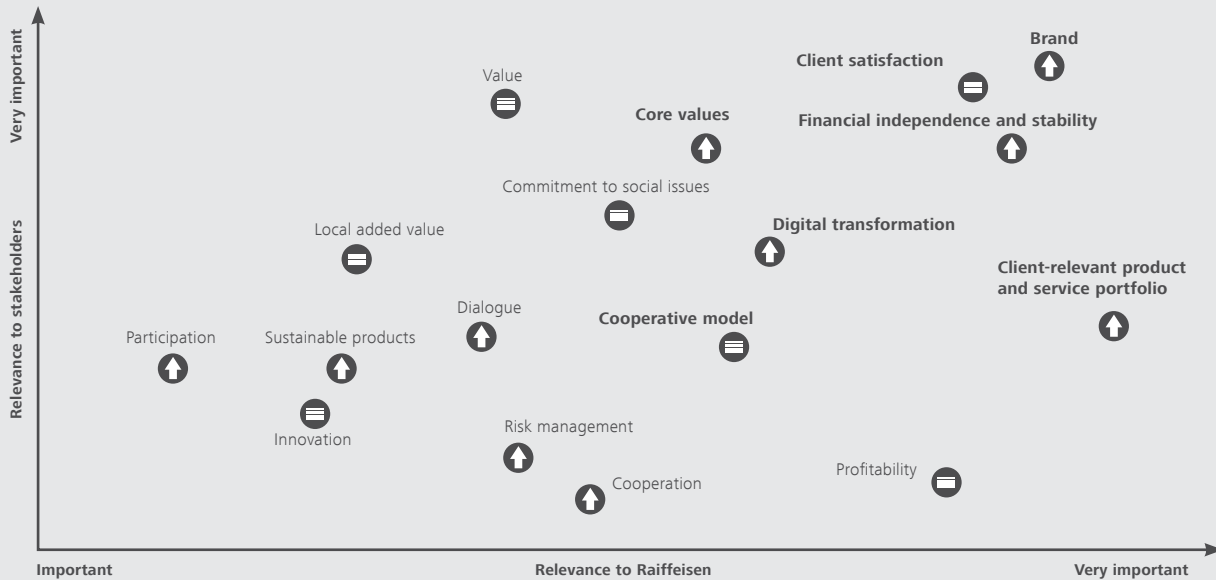
The GRI G4 Guidelines require the use of a materiality matrix to identify issues of relevance to stakeholders. A comparison between the stakeholders and Raiffeisen can be performed to identify issues that are important to both

groups. This can then be used to classify sustainability issues by their materiality to the company and prioritise them based on their economic, environmental and social impact.

Raiffeisen's materiality matrix on the opposite page classifies each issue by its relevance to the Group and to stakeholders. It only shows the 17 most relevant topics. The issues are identified and classified by key personnel at Raiffeisen and independent external specialists. Issues of greater relevance to stakeholders and Raiffeisen are given more weight in strategy development and optimisation in sustainability management. This enables Raiffeisen to remain successful and continue to grow over the long term.

The matrix also indicates the expected future significance of the various issues. The most relevant issues are explained underneath the matrix. The other issues are included in the GRI Content Index and reported on in the annual report.

Raiffeisen materiality matrix



Trend indicator of future significance:

- ↑ increases
- ▬ remains unchanged
- ↓ decreases

The most relevant issues

Brand

Studies have found that Raiffeisen is Switzerland's most likeable bank. It upholds cooperative values and always acts for the benefit of its members. Thanks to its responsible and long-term approach and philosophy as a bank, employer and economic operator, it avoids reputational risks and protects the brand.

Client satisfaction

Raiffeisen clients are satisfied and maintain long-term client relationships, as demonstrated by above-average client retention rates. Over half of the clients are cooperative members and thus co-owners of their Raiffeisen bank who have a voice in shaping their bank's long-term future.

Core values

In its over 100 year history, the cooperative bank has always remained true to its traditional values: sustainability, entrepreneurship, client intimacy and credibility. These values serve as benchmarks for assessing current developments. Every one of these values is grounded in the cooperative's legal form.

Financial independence and stability

Raiffeisen is one of Switzerland's most financially secure banking institutions. It has no majority shareholders: every cooperative member has but one vote through which he or she can shape the bank's future. If one Raiffeisen bank runs into difficulty, the other Raiffeisen banks are collectively liable for its obligations. Also, Raiffeisen pursues a long-term, sustainable business model by prioritising security over profitability, and profitability over growth.

Digital transformation

Raiffeisen strengthens its long-term competitiveness by anticipating new client needs, market developments and industry trends. Products and services must always be aligned with the latest needs. Raiffeisen believes digital transformation holds opportunities not only for its banking business, but for the evolution of the cooperative model as well.

Client-relevant product and service portfolio

Raiffeisen's decentralised cooperative structure gives it a dense network of branches and ATMs in large economic centres and rural regions. Raiffeisen engages in a variety of business activities to ensure that the Group remains financially successful in the long term. Raiffeisen offers private individuals and corporate and institutional clients a wide range of services and products through Group companies, joint ventures and enterprises in which it holds an equity investment.

Cooperative model

The cooperative business model is sustainable because it takes all the stakeholders into consideration. Each Raiffeisen bank adapts its strategy to local conditions and acts as an independent company on its own authority. The voting rights held by cooperative members ensure democratic decision-making and the bank's long-term perspective. The bank focuses on its members' long-term well-being, not on profit maximisation.

The GRI Content Index is available on the internet at raiffeisen.ch/csr.

Strategy

Proven strategy made even better

Again in 2015: Raiffeisen is the leading Swiss retail bank. Thanks to clear positioning in its core business and the rigorous implementation of its diversification strategy, the Group is in an excellent position to overcome any challenges the future may hold. The bank's determined focus on the digital future now supplements its strategic objectives.

The market environment posed various challenges in 2015. Switzerland's macroeconomic climate deteriorated after the Swiss franc was unpegged from the euro in January. Persistent negative interest rates squeezed interest rate margins even more. Shrinking margins and steadily tightening regulatory requirements put heavy pressure on the banking market to consolidate in 2015.

Raiffeisen had a very successful financial year despite the adverse environment. It increased market share once again in the mortgage and savings businesses. It also continued to pursue income diversification with all due rigor. By consolidating all of the Raiffeisen Group's asset management units into Vescore Ltd, Raiffeisen took another important step to strengthen its asset management business. The private banking business was strengthened by merging Notenstein Private Bank Ltd and the bank La Roche & Co AG to form Notenstein La Roche Private Bank Ltd. ARIZON Sourcing Ltd started operations. This joint venture with software and financial service provider Avaloq – along with the associated investment in a new core banking application – represents another cornerstone in the Raiffeisen Group's digital future. Even as Raiffeisen rolled out these growth initiatives, it continued to focus on improving its operating efficiency and cutting costs. All these factors collectively contributed to very good operating results.

The 2015 financial year has once again proven the value of Raiffeisen's cooperative model and its focus on client proximity and sustainability. The financial year's success was built on the rigorous development of this winning model in conjunction with targeted growth initiatives in order to drive further income diversification.

TRENDS AND CHALLENGES

Switzerland's banking market is still going through a period of change. In addition to macroeconomic challenges, banks face changing client needs, tougher competition and greater regulatory pressure. The industry is poised for another round of consolidation.

Economic environment more stable – upside potential limited

The macroeconomic climate is expected to improve somewhat for Switzerland's export-oriented economy despite the tough challenges posed by the unpegging of the Swiss franc and its resulting strength. Predictions of slight economic growth in Switzerland are largely based on higher growth expectations in the Eurozone and the upward movement of the US economy. Since economic development nonetheless remains defined by the central banks' low interest rate policies and the strong franc, interest rates will likely remain negative in Switzerland. Real estate prices will remain stable at a high level

or drop slightly. The much-predicted soft landing has thus materialised. In this environment, Raiffeisen is focused on long-term stability and maintaining a sustainable lending approach.

Fierce competition and consolidation in the banking market

Competition will continue to intensify in the Swiss banking market. Traditional banks are vying with more and more non-banking competitors for market share. Fintech companies – financial companies with digital business models – are gaining ground and trying to establish themselves in the market. This tougher competition will squeeze margins even more. The banking sector is responding with greater industrialisation (workflow and process optimisation). Banks appear to be moving away from vertical integration and disintegrating their value chains, specialising in certain areas and outsourcing activities. On the cost side, banks face stricter regulation and a growing demand for investment in new technology. This pressure on costs and earnings will continue to drive consolidation in the Swiss banking market. In this intense market environment, we have to differentiate ourselves by clearly focusing on clients' needs. We must also focus on boosting our operational efficiency.

Client needs are changing

Client needs and corresponding expectations of banks are changing. Clients are becoming tech-savvier and better informed and thus expect more from their banks. They want services that are available anywhere and not limited to certain banking hours. Clients communicate with their banks through various channels and are driving greater demand for mobile banking.

These changing client needs can only be met with the help of innovative advisory approaches and sales strategies. A multi-channel management process must coordinate physical and digital sales channels to ensure advisory services are individual, need-driven and not tied to any one channel. We must invest in sales,

human resources and information technology to respond to the changing needs of our clients. Raiffeisen is convinced, however, that personal advisory services and local presence will continue to play a crucial role despite the digital advance.

Tightening regulation

Swiss banks will continue to face strong regulatory pressure in the future. As in previous years, regulators will focus on two issues: safeguarding the stability of the financial industry (e.g. systemic importance, Basel IV) and improving client protections (e.g. Financial Services Act, FinSA). The banking industry will remain busy aligning Swiss laws with international regulatory standards. Considerable investments must be made in personnel and technical infrastructure in order to handle the tightening regulation. Banks will need to operate as efficiently as possible amongst these changes.

STRATEGIC OBJECTIVES AND MEASURES

The strategic approaches of the last several years have proven successful and significantly contributed to the Raiffeisen Group's long-term success. In response to changing conditions, the "determined focus on the digital future" has been added to the strategic approaches. We will continue to systematically implement the strategy in the coming financial year.

High-quality growth in the core business

Raiffeisen's core business is the domestic savings and mortgage market. Its goal is to further strengthen its already strong position in this market, always putting security before profitability and profitability before growth. Raiffeisen's broad client base and marked client proximity will continue to serve as a platform for future growth. We want to increase the number of clients who use Raiffeisen as their main bank by pursuing a segment-specific service and advisory approach. Cities and metropolitan areas in particular continue to hold potential for winning new clients.

Raiffeisen Group capital investment 2011–2015, by category

(net investment, in million CHF)

	2011	2012	2013	2014	2015
Bank buildings	121	176	89	56	92
Other real estate	21	20	2	2	2
Alterations and fixtures in third-party premises	28	11	19	18	17
IT hardware	15	17	19	13	22
IT software	17	20	11	34	65
ATMs	7	6	9	8	4
Furniture	7	9	5	3	5
Fixtures	12	7	11	4	3
Office machines, vehicles, security installations	9	6	9	5	7
Total net investment	236	272	174	143	217

Raiffeisen Group capital investment 2011–2015, by region

(net investment, in million CHF)

	2011	2012	2013	2014	2015
Lake Geneva region	30	15	15	18	21
Espace Mittelland	57	43	28	17	29
Northwestern Switzerland and Zurich	20	30	26	24	21
Eastern Switzerland*	101	153	82	65	124
Central Switzerland	18	19	11	12	7
Ticino	10	12	12	7	15
Total	236	272	174	143	217

* incl. central investment by Raiffeisen Switzerland

Diversification of business areas

We want to build up new business areas to diversify income and reduce our dependency on the rates business. We can also leverage synergies this way. Raiffeisen pursues two complementary approaches as part of its diversification strategy.

The first approach focuses on existing clients. Raiffeisen has a broad client base and understands its clients' needs very well. We want to offer these clients additional services by selectively expanding our investment and corporate clients business. To ensure high-quality services, Raiffeisen Switzerland maintains a centre of competence for specialist consulting. The centre assists Raiffeisen banks with specific client requests. Furthermore, we are constantly expanding our range of research and advisory services in order to support client advisors. Corporate clients can also access a regional business network through our Raiffeisen Business Owner Centre (RUZ).

The second approach widens the range of private banking and asset management services. The market is cultivated by independent subsidiaries. In private banking, Notenstein La Roche Private Bank Ltd concentrates on providing investment advisory and asset management services to private individuals in Switzerland and selected foreign target markets. Vescore Ltd provides all the asset management services for the Raiffeisen Group's institutional clients.

The clear structure and focus of the units allow us to continue to drive our diversification efforts. We want to see more qualitative growth in the investment and corporate clients business and in private banking and asset management.

Improvements in productivity

Shrinking margins, planned growth initiatives and compliance with new regulations require rigorous cost discipline throughout the company. Constant improvements in operating efficiency and a sustained increase in productivity

will enable us to remain competitive in the years to come. Standard services must be provided as efficiently as possible, especially in retail banking. Raiffeisen works constantly to increase standardisation and automation of its internal processes. We analyse cost pools on an ongoing basis and concentrate our efforts on leveraging synergies and economies of scale across the entire Raiffeisen Group. One current focus is the development and implementation of a new core banking application.

Strengthening the corporate culture

Raiffeisen's cooperative model and unique corporate culture are major differentiators. The cooperative business model is based on risk-conscious management, a long-range focus on members, and fair dealings with all stakeholders. These principles characterise Raiffeisen's approach and philosophy. Raiffeisen keeps decision-making authority local through a decentralised structure and close regional ties. This allows Raiffeisen to add value for the local economy, society and the environment. It embraces and applies its core values – credibility, sustainability, entrepreneurship and client proximity – within its organisation and in its relationships with clients. Raiffeisen features a unique management culture and comprehensive staff development. It values issues such as diversity and work-life balance.

Rigorous alignment with the digital future

Raiffeisen strives to rigorously align its operating activities with the digital future in order to further strengthen its position as a Swiss retail banking leader. Raiffeisen invests in the digitisation of processes to improve operating efficiency. It also focuses on merging physical and digital channels, allowing us to offer a modern, flexible and client-friendly banking experience. The opening of the RAI Lab in the current year laid another cornerstone in our digital transformation (also see the Research & Development chapter).

INVESTING IN THE FUTURE

Switzerland's banking market is changing radically. Raiffeisen wants to play an active role in these change processes, which will require investments in forward-looking projects. We are currently focusing on investing in technical infrastructure and diversifying our business areas. We are positioning Raiffeisen as an innovative, forward-looking banking group by having our subsidiary, ARIZON Sourcing Ltd, upgrade our core banking application and by holding a 10% equity stake in Avaloq Group AG. We are also moving ahead with the constant optimisation of our distribution network and the expansion of our digital channels.

These priorities are reflected in the distribution of Raiffeisen's net capital expenditure. Most of its spending goes towards the IT infrastructure and the establishment and expansion of a modern sales network. In this respect, Raiffeisen is a major investment partner in all Swiss regions.

STRATEGIC MANAGEMENT PROCESS

The Raiffeisen Group's strategy is reviewed annually and adapted as needed. Raiffeisen Switzerland's Executive Board and Board of Directors hold various closed conferences to analyse the internal and external situation and identify any changes in the assumptions underlying the strategy. They use the findings from this analysis to determine the strategic approaches for the next three years. In order to put their instructions in an operational context, the strategic approach is broken down into measurable targets.

Raiffeisen monitors compliance with defined targets to ensure the consistent implementation of the strategy and takes remedial action as needed. Raiffeisen has long used a balanced scorecard (BSC) to measure and manage target achievement. This strategy performance management tool tracks financial targets as well as client, employee, and process parameters.

JOINT INTEGRATION OF BASIC STRATEGY

To supplement its annual strategic management process, Raiffeisen initiated a one-time process to revise its basic strategy and values. Raiffeisen Switzerland's Board of Directors called for a revision of the basic strategy in 2010 in an initiative entitled "Shaping – creating – living the future together". As a cooperative banking group, Raiffeisen was convinced that its strategy and values had to be developed from the ground up through dialogue.

Raiffeisen developed the first draft of its basic strategy and values through in-depth discussions with 1,500 managers. Comments and suggested changes from Raiffeisen employees were collected, discussed, evaluated and incorporated into the basic strategy until it was finalised. To integrate the basic strategy across the entire organisation, the Raiffeisen banks and Raiffeisen Switzerland units went on a hike as a way of exploring the new basic strategy. The

strategy integration process reached its summit at the "Dialogue Plus" event held in Basel in autumn 2015. Around 10,000 Raiffeisen employees came together on 26 September 2015 to discuss the basic strategy, Raiffeisen's values, the future of Raiffeisen and tomorrow's clients. This unique employee event concluded the process of developing the basic strategy and kicked off the joint implementation of the strategy.

1. Baseline analysis	2. Determination of strategic approaches (closed EB and BD conferences)	3. Definition of strategic metrics (BSC) and multi-year financial planning	4. Budgeting of day-to-day business and projects
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The selected targets below put the strategic objectives of the Raiffeisen Group into an operational context:

Target value	BSC dimension	2013 actual value	2014 actual value	2015 actual value	2016 target value
Loans to clients	Clients	+5.3%	+4.9%	+5.0%	+4.0%
Customer deposits	Clients	+3.8%	+4.2%	+5.6%	+4.5%
Total portfolio value (excluding own medium-term notes)	Clients	+3.0%	+5.6%	+10.2%*	+10.0%
Gross new provisions Value adjustments	Finance	0.05%	0.05%	0.04%	<0.15%
Cost/income ratio	Processes	61.7%	62.4%	62.6%	<63.5%
Turnover of key persons	Employees	2.9%	3.4%	5.4%	<5.0%

* Including exceptional item due to acquisition of Bank La Roche & Co AG

Business trend

Significant profit increase and growth in all income items

The Raiffeisen Group generated record profits once again despite a very challenging market environment. Group profit came in at CHF 808 million, 6.4% higher than the previous year. The Group saw growth in all income items. Despite higher expenses for strategic projects, the Group achieved an operating result of CHF 943 million, which translates into an increase of CHF 52 million or 5.9%. In the traditional core business, both lending (+5.0%) and client deposits (+6.2%) grew rapidly.

2015 was a year of special external challenges for the Raiffeisen Group. The market environment soured when the Swiss franc was unpegged from the euro at the end of January. This put pressure on the trading business and the volume-based commission business in the first quarter. However, the negative consequences were cushioned by greater client activity and the established diversification strategy. In fact, the upsurge in client activity led to significant increases in the trading business and the transaction-based commission business. Moreover, while the unpegging of the Swiss franc did exacerbate the negative interest rate environment, it did not affect interest income as much as was initially feared. Significantly higher hedging costs squeezed interest margins further, but gross interest income went up significantly nonetheless thanks to active risk management and high volume growth.

The Group's strategic objectives affected its financial results in various ways. Qualitative growth in the domestic savings and mortgage business continued unabated in the current year and significantly increased the corresponding balance sheet items and positively impacted interest income. Raiffeisen continued to focus

on strengthening its market position, but not at any price or risk. Value adjustments for credit risk declined again despite strong growth in credit volumes. Effective losses from the lending business were only 0.017% of loans.

The Private Banking and Asset Management business areas were specifically strengthened in order to broaden the Group's income base. This led to greater specialisation of the business units in these segments in the year under review. The merger of Notenstein Private Bank and Bank La Roche & Co, which was completed on 1 November 2015, strengthened the market position of the new Notenstein La Roche Private Bank. It also increased client assets immediately and considerably (+CHF 6.0 billion). The institutional clients business was transferred to Vescore Ltd before the merger. Other central service areas, such as IT and parts of Services, were handed over to Raiffeisen Switzerland. This allowed Notenstein La Roche Private Bank to focus fully on its core business: asset management and investment advisory services for private clients. Consolidating all asset management activities in Vescore Ltd created a new centre of competence for advising and supporting institutional clients. The restructuring necessitated by focusing on strategic business

areas increased expenses significantly, especially other operating expenditure. However, this investment is starting to pay off in higher commission income from the securities and investment business.

The Raiffeisen Group values the digital future highly. It has already launched digital investment projects. It is continuing to expand its presence in digital distribution channels and is making progress in upgrading its core banking system in cooperation with Avaloq. Raiffeisen's purchase of a 10% participation in Avaloq Group AG strengthened the long-standing partnership between the two companies. The intense project work visibly affected operating expenditure. Expenses incurred in connection with the future core banking system were recognised in "Other ordinary income", which largely explains the significant increase in this item (+ CHF 37.6 million or +171%).

All income items grew in the current year. Operating income, calculated on the basis of net interest income, set a new record at CHF 3,016 million (+ CHF 187 million or +6.6%). Operating expenditure also increased significantly to CHF 1,887 million (+ CHF 122 million or +6.9%) due to the aforementioned strategic objectives. As in the previous year, an exceptional item helped to raise Group profit to CHF 808 million (2014: CHF 759 million). The sale of a small portion of the Leonteq participation generated extraordinary income of CHF 62 million.

The new financial reporting rules brought changes in multiple areas, including the recognition of client loans and the presentation of changes in value adjustments for loans to clients and provisions for off-balance sheet transactions, other business risks and litigation expenses. The previous year's figures have been restated to conform to the new accounting standards, except for individual notes.

Information on the consolidation principles and consolidated companies can be found in the notes to the consolidated annual accounts.

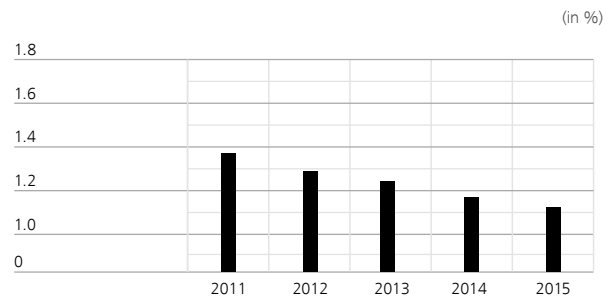
INCOME STATEMENT

Income from operating banking business

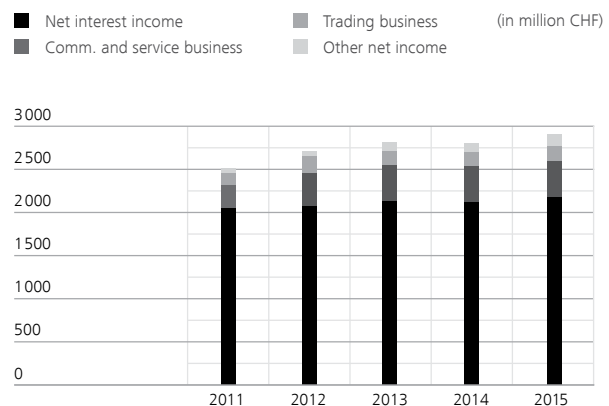
Stronger and more broadly based growth in the operating business helped to increase operating income by a significant CHF 187 million.

High volume growth caused gross interest income to rise CHF 54 million (+2.5%) to CHF 2,188 million. The interest margin was unable to recover due to rising interest rate hedging costs, the current interest environment and fierce competition in the banking market. It now stands at 1.12%, six basis points lower than in the previous year. Hedging interest rate risk was particularly challenging. Raiffeisen set up its hedging strategy for sideways interest rate movements. This was the first time that the Group had to address negative interest rates on a large scale. Raiffeisen was forced to pass on

Interest margin



Performance of income items



negative interest rates to large clients in some cases. Interest rates did not, however, have to be introduced for private clients.

Net interest income – i.e. interest income minus changes in value adjustments for credit risks and losses from interest operations – increased by CHF 41 million to CHF 2,177 million. The difference of CHF 11 million between net and gross interest income consists primarily of net new value adjustments (note 15).

Net income from commission business and service transactions (note 22) increased nearly CHF 34 million (+7.8%) to CHF 463 million. This increase was largely driven by income from the securities and investment business, which rose CHF 32 million, mainly due to increased efforts in the Private Banking and Asset Management business areas. The fund business (Asset Management) alone increased income by CHF 19 million to CHF 106 million. Portfolio-based commissions also went up significantly. Higher volumes also increased income from other service

transactions (+ CHF 6 million, primarily commissions from payment transactions) and commissions from the lending business (+ CHF 2 million). Commission expenditure rose CHF 7 million in 2015.

Net trading income climbed a significant CHF 52 million (+32.7%) to CHF 209 million (note 23.1/23.2). Net trading income improved in all product categories compared to the previous year. The increases were particularly significant in foreign exchange and notes trading and in trading in interest products.

Other ordinary profit grew strongly, increasing by CHF 60 million (+56.6%) to CHF 167 million. This increase is mainly attributable to three factors. First, the "Income from the sale of financial assets" item went up following an accounting change in the valuation of financial assets. Second, income from participating interests increased by CHF 17 million to CHF 80 million, primarily because of a special dividend from Six Group Ltd. Finally, Raiffeisen recognises expenses incurred in connection with the implementation of the future core banking system in Other ordinary income.

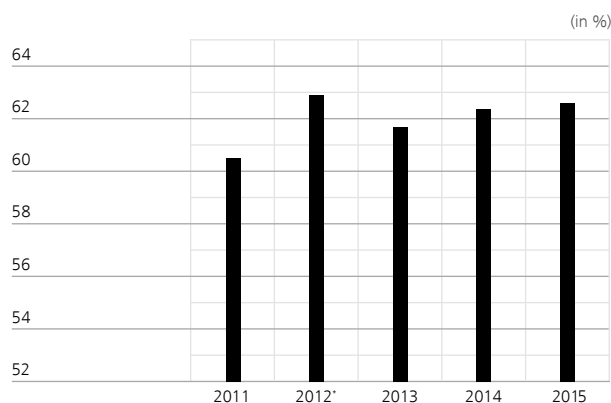
Operating expenditure

Operating expenditure was noticeably affected by the reorganisation of Asset Management and Private Banking and the demanding project work involved in upgrading the core banking system. It went up CHF 122 million, or 6.9%, to CHF 1,887 million. As a consequence, the cost/income ratio rose slightly to 62.6%.

Personnel expenditure

Personnel expenditure (note 26) increased by CHF 65 million, or 5.1%, to CHF 1,330 million. The increase is attributable to a higher headcount and general pay adjustments. The number of people employed by the Group increased by 258 (+2.9%) to 9,286 personnel units, largely because of the project to upgrade the core banking system. 87 personnel units were added in the retail business (Raiffeisen banks and Raiffeisen Switzerland branches).

Cost/income ratio trend



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

Other operating expenditure

Other operating expenditure (note 27) grew a significant CHF 58 million (+11.5%) to CHF 558 million as a result of the aforementioned circumstances. Occupancy costs went up CHF 7 million (+8.0%) as extra space was needed for additional workstations. Expenses for information and communications technology increased by CHF 9 million (+11.6%). Other operating expenditure increased by CHF 40 million (+13.1%), largely due to higher expenses for fees and duties and consulting costs.

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

Higher goodwill write-downs (note 9) increased this item by CHF 17 million (+10.6%) to CHF 181 million. Acquisitions and increases in equity participations in companies in the asset management, private banking and corporate clients segments increased goodwill write-downs to CHF 37 million (previous year: CHF 16 million). Depreciation on tangible fixed assets (note 8) decreased again, as in the previous year. It dropped to CHF 141 million in the year under review (previous year: CHF 147 million). Most of the decrease related to other tangible fixed assets. Cautious investment policies in the past had built up a certain investment backlog. As a result, investment went up considerably in the year under review.

Changes to provisions and other value adjustments and losses

The new financial reporting rules require losses and changes in risk coverage to be presented separately in the income statement. The change in value adjustments for loans recognised in the balance sheet is now listed as a new item right below gross interest income. This means that the change in provisions for off-balance sheet transactions, other business risks and litigation expenses (note 15) is shown separately. The income statement now shows the gross amount for both items, while the old financial reporting rules separated the amounts into new provisions and dissolutions (under extraordinary in-

come). Net new provisions were CHF 2 million in 2015, while losses recognised directly in income were also CHF 2 million. These add up to almost CHF 4 million. The previous year's figure was CHF 9 million due to significantly higher new provisions.

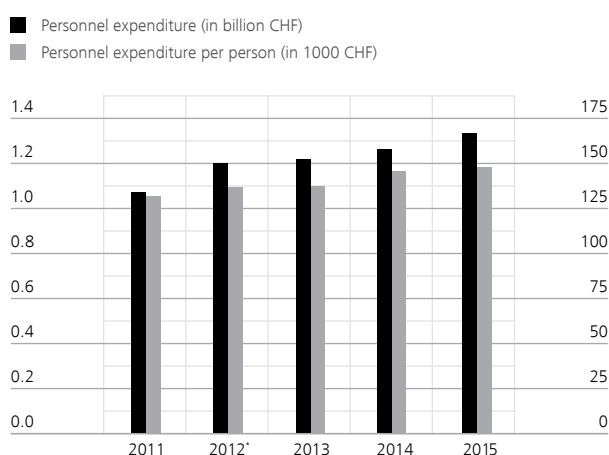
Extraordinary income and expenditure

As in the previous year, the extraordinary income of CHF 67 million (note 28) includes an extraordinary item in the form of income from the sale of participations. The aforementioned sale of a small portion of the Leonteq participation generated CHF 62 million in income. The extraordinary expenditure of CHF 3 million mainly consists of losses from the sale of tangible fixed assets.

BALANCE SHEET

Total assets went up CHF 17.3 billion to CHF 205.7 billion. Continued growth in the retail business led to high increases in loans to clients and customer deposits. The balance sheet was also affected by the fact that the Treasury Department reclassified assets and liabilities in response to tighter liquidity requirements and the new funding situation.

Change in personnel expenditure and personnel expenditure per personnel unit



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

Receivables from/liabilities to banks

The "Liquid funds" item went up a considerable amount in response to the new liquidity requirements. This increase came at the expense of the "Receivables from banks" item, which fell 27.4% year-on-year to CHF 3.8 billion. Liabilities to banks climbed CHF 2.4 billion to CHF 7.8 billion as part of tactical liquidity management.

Receivables and liabilities from security financing transactions

Receivables from security financing transactions came to a virtual standstill at CHF 391 million. Liabilities from security financing transactions increased by CHF 2.8 billion to CHF 4.1 billion. They have very short maturities.

Loans to clients

Under the new financial reporting rules, loans to clients are recognised in the balance sheet on a net basis, i.e. after deducting value adjustments. The Raiffeisen Group is in an excellent position in a highly competitive market. Its mortgage portfolio increased by CHF 7.9 billion or 5.2% to CHF 159 billion. Raiffeisen is growing faster than the market and increased its share in the domestic mortgage market to 16.9%. It achieved this growth without compromising its conservative risk policy. Raiffeisen banks operate locally and know their clients and the properties very well. Despite a steep increase in volume, the distribution of loans by client segment remains essentially the same and largely consists of private clients (74.2%). The average loan-to-value ratio for existing clients is unchanged at 60% and only slightly higher for new clients at 65%. Loans to corporate clients are usually collateralised and are extended to business partners with good credit ratings. Value adjustment for default risks declined again in 2015. It is now 0.134% of loans (previous year: 0.149%).

Trading business

The trading portfolio (note 3.1) is CHF 2.1 billion, slightly below the previous year's figure.

While shareholdings increased, precious metals portfolios declined by CHF 167 million due to the current market situation. The capital adequacy requirements for market risks in the trading book are detailed on page 96.

Financial assets

The securities classified as financial assets (note 5.1 and 5.2) mainly consist of highly rated bonds. They are managed in accordance with statutory liquidity requirements and internal liquidity targets. This item rose CHF 845 million to CHF 6.9 billion.

Non-consolidated participations

The value of participations (note 6) increased by CHF 118 million to CHF 732 million in the current year. Raiffeisen increased its participations in Leonteq Ltd and SIX Group Ltd. At the end of 2015, Raiffeisen Switzerland acquired a 10% equity stake in Avaloq Group AG. The value of the participations in Aduno Holding Ltd, Pfandbriefbank schweizerischer Hypothekarstitute AG and Leonteq Ltd went up CHF 26 million according to the equity method. The Raiffeisen Group holds additional shares representing small proportions of the equity capital and voting rights for operational purposes and business policy reasons.

Tangible fixed assets and intangible assets

The Group reported an increase of CHF 76 million to CHF 2.5 billion in tangible fixed assets (note 8). In 2015, it became clear that the two previous years of low investment had left other tangible assets and bank buildings in considerable need of repair. Raiffeisen also capitalised nearly CHF 54 million in project expenditure for the future core banking system.

Intangible assets rose a significant CHF 224 million to CHF 513 million, largely from strengthening and consolidating the Private Banking and Asset Management business areas. The acquisition of Bank La Roche & Co. resulted in CHF 66 million in goodwill, which will be amortised

over ten years. Intangible assets were also affected by the additional goodwill that arose from increasing the participation in Leonteq Ltd. A large portion of the goodwill increase was also attributable to the establishment of Investnet Holding AG. This company combines the former operations of Investnet AG and KMU Capital AG.

Customer deposits (customer deposits and medium-term notes)

The Group saw a strong increase in customer deposits, which went up CHF 8.1 billion to CHF 152 billion. CHF 1.1 billion of this increase came from the acquisition of Bank La Roche & Co. The steady increase was seen throughout Switzerland. Growth was especially strong in the Eastern Switzerland, Mittelland and Valais regions. Now that Raiffeisen is classified as a systemically important bank, it will have to comply with FINMA's stricter liquidity requirements starting in 2016. However, stricter withdrawal limits mean that savings deposits do not have to be completely backed by cash. The limits prompted a noticeable shift in account types in the year under review. Savings deposits went down, while balances in transaction accounts increased significantly.

Liabilities from other financial instruments at fair value

This item (note 3.2) refers to structured products issued by Notenstein subsidiary Notenstein Finance (Guernsey) Ltd. The market showed tremendous interest in these innovative products, and so additional products were issued. This item quadrupled, increasing by CHF 653 million to CHF 870 million.

Bonds and central mortgage institution loans

Bonds and central mortgage institution loans (note 14) did not increase as much as in the previous year (+ CHF 3.8 billion). This item went up CHF 2 billion to CHF 23.5 billion. Liabilities to Pfandbriefbank went up CHF 1.7 billion. Central mortgage institution loans, along with cus-

tomers deposits, are a source of funding to cover high growth in loans to clients. They are also an important tool for managing liability maturities. After redeeming a large bond from 2010 in the first quarter, Raiffeisen Switzerland issued another perpetual subordinated bond in April for CHF 550 million (high-trigger AT1 capital). Due to popular demand, the bond was increased to CHF 600 million in August. The volume of structured investment products issued by Notenstein La Roche Private Bank rose further (+ CHF 227 million).

Provisions

Due to the new financial reporting rules, this item no longer includes any value adjustments for credit risks (balance sheet transactions); these adjustments were deducted directly from the credit items. Provisions (note 15) increased by CHF 27 million to CHF 878 million, mainly due to new provisions for deferred taxes. Provisions for other business risks dropped CHF 12 million to CHF 23 million. CHF 3 million is still set aside for project costs in connection with the US tax dispute. We expect this matter to be fully resolved in the 2016 financial year. Provisions for litigation expenses for the entire Group only amount to CHF 9 million.

Equity capital/capital

The Raiffeisen Group exceeds the qualitative and quantitative capital requirements that apply to a systemically important bank. Its total capital ratio was 16.4% at the end of the year, which is well above the 15.6% required for systemically important banks. Most of the eligible equity capital (14.3%) consists of CET1 capital (core capital), which is the highest-quality capital. With a leverage ratio of 6.73%, the Group also clearly exceeds the minimum leverage ratio (unweighted capital adequacy requirement) of 3.46%. Equity capital with minority interests (statement of changes in equity and note 16) went up CHF 1.3 billion to CHF 13.3 billion as Raiffeisen retained a large amount of its earnings and issued CHF 493 million in additional share certificates.

OFF-BALANCE SHEET BUSINESS

Off-balance sheet business saw few changes. Irrevocable commitments increased by CHF 578 million due to an increase in loans for which a firm commitment has been given.

ASSETS UNDER MANAGEMENT

Although the turbulent markets did not provide an environment conducive to volume increases, assets under management nonetheless rose CHF 9.8 billion to CHF 208.9 billion. Most of this growth came from a strong CHF 5.2 billion increase in customer deposits from the retail business. The acquisition of Bank La Roche & Co resulted in inorganic growth of CHF 6 billion as well. Assets deposited and own-managed funds, on the other hand, declined in value.

OUTLOOK

Strategic outlook for 2016

The Raiffeisen Group's four strategic objectives have contributed significantly to its success in recent years and will continue to be pursued in 2016. They have been joined by the larger goal of thoroughly preparing the Raiffeisen Group's operations for the digital future.

In the core business, the focus is on expanding digital distribution channels. RaiffeisenCasa, for example, is an innovative real estate marketplace designed to strengthen Raiffeisen's position as a highly capable partner for real estate issues. Raiffeisen's new donation and project finance platform enables associations and non-profit organisations to collect donations and finance projects in an efficient, cutting-edge format (crowdfunding). More progress will be made in the diversification strategy through Notenstein La Roche Private Bank Ltd and asset management company Vescore Ltd and the selective expansion of the investment and corporate clients business. In the corporate clients business, a new Corporate Finance Unit is helping to successfully develop this client segment by expanding the range of services available to corporate clients. The Raiffeisen Group will come even closer to reaching its operational efficiency goals in the 2016 financial year as ARIZON Sourcing Ltd develops a new core banking application. These strategic projects will be joined in 2016 by regulatory projects such as meeting all the requirements that come from being classified as a systemically important bank by the Swiss National Bank. Strategic and regulatory projects tie up a significant amount of resources, but this is necessary in order to prepare Raiffeisen properly for future challenges.

Financial outlook for 2016

Raiffeisen expects the 2016 financial year to be challenging. The Swiss banking market remains in flux, with dwindling margins and fierce competition. The Swiss economy is expected to gradually recover, but only after a long, drawn-out adjustment period. Switzerland's gross domestic product is currently forecast to grow 0.9% in 2016. Swiss interest rates are not anticipated to rise and will thus remain negative in 2016. Despite the challenging economic environment, Raiffeisen still expects income to grow slightly in the 2016 financial year. In the rates business, customer deposits and loans to customers are forecast to grow as fast as the market. These higher volumes will only translate into marginally higher interest income, though, due to ongoing margin erosion and higher interest hedging costs. Matters look very different in the neutral business; income increases are expected in the commission business and service transactions and in trading. Custody account volumes are anticipated to grow faster than the market in the investment business.

On the cost side, operating expenditure is poised to rise slightly. Most of the cost increase will come from higher costs for major digitisation and regulation projects, technical infrastructure investments and distribution channel expansion. Raiffeisen actively manages costs and so expects to keep cost growth low. While Raiffeisen has rather modest expectations for the 2016 financial year, it assumes that it will be able to match its results from the 2015 financial year.

Market activities

Expansion of digital channels

Raiffeisen achieved solid growth rates in the lending and deposit-taking business in the current year. The launch of new sales platforms is driving further digitisation in the core business. Raiffeisen also expanded the investment and corporate clients business further.

In 2015, Raiffeisen was once again ranked as Switzerland's strongest and most likeable bank brand for most people in Switzerland, according to a brand tracking study that has been performed by Raiffeisen since 2006. It also scored high on credibility, client proximity, sustainability and entrepreneurship compared to the competition. Raiffeisen banks' reputation, credibility and close regional ties are regarded as a major asset.

SEGMENTS**Private clients**

The retail business remains Raiffeisen's core business. Around 90% of its clients are in the private clients segment. Raiffeisen clients benefit from personal service at nearby locations thanks to an extremely dense branch network.

The rates or balance sheet business remained the main income stream in 2015, accounting for 72% of volume and revenue. However, the investment business is also gaining popularity among Raiffeisen clients, especially in investment funds. Clients view funds as an ideal solution for building wealth and securely reaching medium- to long-term financial goals. In keeping with its diversification strategy, Raiffeisen is constantly deepening and widening its capabilities in the investment business by investing in research and advisors.

Client satisfaction

Raiffeisen once again set the benchmark in national satisfaction surveys of private individuals in the past financial year. Raiffeisen's main bank

clients proved very satisfied, as they were in previous surveys. Raiffeisen maintained its leading position compared to other banks. Satisfaction with the quality of its advisory services is the highest in the industry. Clients' willingness to recommend is also very important: 80% of main bank clients would recommend Raiffeisen to an acquaintance.

Membership

Members receive superior banking services and many exclusive benefits. Also, as co-owners of their bank, they have a voice in shaping its business policy at the Annual General Meeting. Roughly 400,000 people attended a Raiffeisen Annual General Meeting in 2015. 75,000 new members signed up, bringing the total number of Raiffeisen bank members to more than 1.85 million.

The Raiffeisen MemberPlus programme gives members access to attractive leisure activities, promoting local tourism and the rich cultural scene in Switzerland. In 2015, members used discount programmes roughly 1.4 million times, including the museum pass for free admission to over 490 Swiss museums, which was used around 600,000 times.

The "Central Switzerland" summer member programme alone generated 140,000 experiences in the form of excursions, discounted trips or hotel stays, which supported local tourism. The new summer member programme starts in May 2016 and invites Raiffeisen members to explore Switzerland's wine-growing regions.

Further expansion of holistic investment and wealth advisory services

Raiffeisen's wealth advisory activities focus on long-term asset accumulation. They rely on a holistic advisory approach supported by a systematic wealth analysis. Raiffeisen wants to provide clients with solutions that take account of their unique situation and personal goals.

A new advisory application was launched to systematically support holistic investment and wealth advisory services. The investment proposals are now even more responsive to clients' individual preferences and personal wealth accumulation forecast.

Raiffeisen established the Investment Office as a centre of competence for investment issues to support the investment business. It gives the Raiffeisen banks efficient access to wide-ranging research and advisory services. Advisors are continuously supported in the form of recommendations for optimising clients' investment solutions.

Corporate clients

Raiffeisen serves more than 150,000 corporate clients in Switzerland. Qualitative growth continued in 2015. Client numbers and volumes increased while value adjustments dropped. This growth underscores Raiffeisen's position as a valuable partner for SMEs.

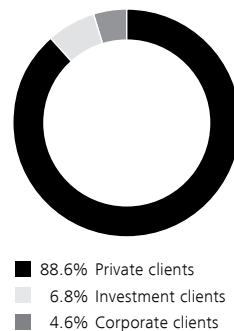
The corporate clients business moved to a separate department on 1 May 2015. This change marked another key milestone in Raiffeisen's evolution. The Corporate Clients Strategy was refined and aligned with current requirements. Several initiatives will be implemented in the corporate clients business in 2016: the product and service range will be expanded, the network of SME service providers from the Group will be strengthened, and sales will be driven through digital channels.

A second Raiffeisen Business Owner Centre (RUZ) opened up in Baar in 2015. It serves as a

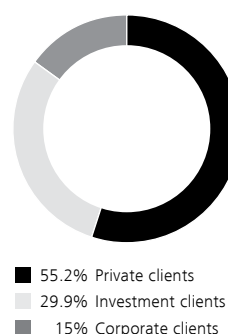
networking hub for entrepreneurs in Central Switzerland. A third RUZ will be opened near to Aarau in the second half of the year. Other Business Owner Centres are in the pipeline in order to roll out this platform throughout Switzerland.

Raiffeisen started offering corporate finance services in the current year. A team of seasoned specialists advises companies and business owners on strategy as well as national and international mergers and acquisitions. The corporate finance services also include company valuations and fairness opinions, as well as succession and finance advisory services.

Proportion of clients



Proportion of client volumes



Raiffeisen is committed to Switzerland as a competitive place to do business. Through its involvement in the Swiss Climate Foundation, it provides financial assistance to SMEs investing in climate-friendly products or projects. As a lender, Raiffeisen also supports aid programmes such as the Federal Office for the Environment's Technology Fund.

Major changes in payment processes in Switzerland will play a crucial role in the coming years, especially for SMEs. Raiffeisen will inform, advise and assist its corporate clients with their payment needs as the country's third-largest banking group.

Credit policy in the corporate clients business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings. Its risk tolerance in the corporate lending business is clearly defined by corresponding limits for the entire Group. The Raiffeisen Group's corporate clients business is growing on a solid foundation. Its commitment is underscored by the substantial investments made in its staff, systems and organisation.

Capital goods leasing

The abandonment of the euro exchange rate floor led to a dramatic increase in uncertainty in Switzerland, which affected capital goods leasing as well. Unsettled, many SMEs were obviously reluctant to make investments. Raiffeisen nevertheless won as much new business as in the previous year by vigorously working the market and offering attractive products and services in close cooperation with reputable traders.

Institutional clients

Notenstein Asset Management Ltd started operations in the middle of the year. This Raiffeisen subsidiary was formed by merging the institutional clients businesses of Notenstein La Roche Private Bank Ltd, 1741 and Vescore Solutions. In September, it changed its name to Vescore Ltd. It advises and supports institutional invest-

tors. Client assets totalled CHF 16 billion at the end of the current year. Visit vescore.com for more information.

CLIENT NEEDS

Investments

Raiffeisen increased net new money in the current year despite a difficult environment characterised by turbulent equity and currency markets and near-zero interest rates. Investment funds and direct investments went up an impressive CHF 893 million and CHF 554 million, respectively, while structured products went down around CHF 982 million as a high volume of products matured. The Raiffeisen Futura Immo fund successfully completed a capital increase of CHF 50 million in the first half of the current year. Raiffeisen plans to build up its investment business even more and increase net new money and total custody account volumes in 2016.

Sustainability in the investment business

Raiffeisen offers several sustainable investment funds under the Futura label. These products invest exclusively in companies that are consistently successful over the long term while meeting high social and environmental standards. The Raiffeisen Futura fund universe is reviewed by Inrate, an independent rating agency, using a best-in-service approach. This method assesses a company's sustainability performance. Securities are only included in the universe if they meet stringent sustainability criteria.

The Raiffeisen Pension Invest Futura and Raiffeisen Futura Swiss Stock funds follow the recommendations made by Ethos when actively exercising their voting rights for all the Swiss equities in their portfolios. Ethos is a Swiss foundation for socially responsible investment and active share ownership.

Since the launch of its first products in mid-2001, the Futura family has steadily expanded into seven different funds currently holding CHF 4 billion in assets. Net inflows to the funds ex-

ceeded CHF 660 million in 2015. It is especially pleasing that the funds have time and again performed exceptionally in comparison to the competition. For example, Futura Swiss Stock received its fifth Lipper Fund Award as the best Swiss equity fund over ten years in early 2016. Futura investment funds make up 49% of Raiffeisen's total fund volume. Raiffeisen aims to continuously increase the share of sustainable investments in the total fund volume.

Sustainability plays a big role in advisory services and reporting as well. Client advisors work with clients to determine whether and how much the clients want to invest in sustainable investment products and securities, and incorporate this information into the investment proposal and implementation. The schedule of assets identifies all sustainable products and securities with the Futura label. Sustainable investments are also reported as a share of custody account assets.

Swiss Sustainable Finance

Raiffeisen is a member of Swiss Sustainable Finance (SSF), a platform aiming to strengthen Switzerland's position as a leading centre for sustainable financial services. More than 60 organisations – including financial service providers, investors, research organisations and public sector entities – have joined forces to promote social and environmental issues in investment and financial services. This not only opens up a wide range of opportunities, but also systematically strengthens Switzerland as a financial centre. Various working groups address and develop issues such as promoting sustainable investments, transferring knowledge, establishing a platform for institutional asset managers and increasing volumes in sustainable investments.

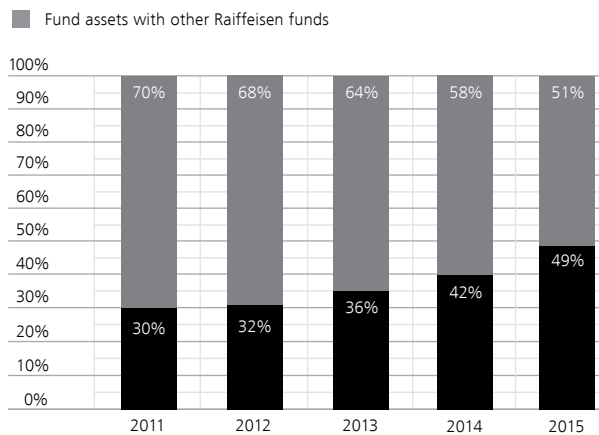
Undiminished demand for development investments

Raiffeisen owns equity in responsAbility Investments AG and has a seat on the Board of Directors. responsAbility has been involved in devel-

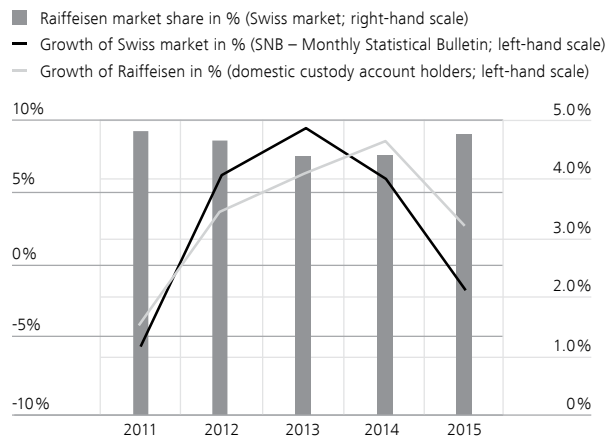
opment investments since 2003 and manages twelve different investment products that invest in themes such as microfinance, sustainable agriculture and energy. More information is available at responsability.com.

Breakdown of fund volume by form of investment

Fund assets with sustainable Raiffeisen Futura funds	
31.12.2011	2,068,948,015
31.12.2012	2,253,137,689
31.12.2013	2,495,055,529
31.12.2014	3,245,399,436
31.12.2015	3,959,610,411



Trend in volume of securities



Demand for this form of alternative investment is growing steadily. At the end of 2015, responsAbility had around CHF 2.8 billion in assets under management. Volumes in these investment products at Raiffeisen increased by CHF 80 million in the current year and reached CHF 297 million at the end of 2015.

Financing

Construction activity remained unchanged from the two previous years in 2015. Around 50,000 new dwelling units were financed. Growth will likely slow down slightly in 2016, though, according to leading indicators. Construction activity was primarily driven by population growth and persistently low mortgage rates. Prices in the real estate sector are clearly being impacted by tighter mortgage lending requirements and the introduction and increase of the countercyclical capital buffer. All types of housing have

experienced a decline in asking prices with up-market residential properties dropping the most.

Tighter mortgage lending requirements have affected the Swiss mortgage market, too. Growth declined slightly year-on-year to only 2.8% in 2015. Raiffeisen, by contrast, grew by 5.2%, thus succeeding in maintaining the previous year's growth rate. Despite this minor decline, Raiffeisen still increased its market share. Demand for fixed-rate mortgages and LiborFlex mortgages remained high thanks to the level of interest rates, as in the previous year.

Savings

Raiffeisen must meet significantly higher liquidity requirements as of 1 January 2016 now that it is classified as a systemically important bank. Raiffeisen meets these requirements by complying more stringently with the withdrawal limits for variable deposits – i.e. account balances. Since 1 January 2016, Raiffeisen requires strict compliance with contractual withdrawal limits for account balances in order to optimise its liquidity planning. Overdrafts are charged the 2% fee specified by the regulator. This development, combined with record low interest rates, resulted in the transfer of large volumes from savings accounts to transaction accounts in 2015. Volumes in all accounts (Raiffeisen banks and branches) rose 4.5% or CHF 6.2 billion (+108,540 accounts). Fixed-interest savings deposits (time and fixed-term deposits) fell 0.4% (CHF 55 million) in the current year due to low interest rates.

Pensions

Raiffeisen pension savings grew briskly in the current year. The combination of pension accounts, savings target protection and pension fund savings is becoming increasingly popular. In 2015, 26,416 new accounts (+5.5%) were opened with the Raiffeisen Pension Foundation. Deposits including fund savings plans rose 6% (+CHF 780 million). Raiffeisen managed CHF 13.8 billion in pension assets in 2015, which equates to a market share of about 14%. The

Share of mortgage market by canton 2014



pension market is also affected by the generally low interest rates. Market interest fell from over 1% to less than 0.5% on 3a accounts and below 0.15% on pillar 2 accounts.

Payments

Card use by Raiffeisen clients continues to grow, with cashless transactions going up 13% from 96.8 million in 2014 to 109.1 million in 2015. Now that credit cards have been contactless for some time, Raiffeisen will also launch a contactless V PAY debit card in mid-2016. The growing availability of contactless payment terminals encourages cashless, contactless payments at the point of sale. Like credit cards, the V PAY debit cards will also allow payments of up to CHF 40 without a PIN.

Raiffeisen will begin to offer its own version of Paymit, a mobile payment solution, in spring 2016. In the initial phase, clients can credit funds to their Paymit account with a credit card for free and make payments using their mobile phone. In the second phase, clients will be able to link Paymit directly to their bank accounts.

Raiffeisen clients will be able to use the European SEPA Direct Debit system starting in November 2016. Clients purchasing goods and services in the Eurozone in EUR can then authorise merchants to debit their bank account directly.

Insurance

The insurance business continues to gain importance. Growth in life insurance policies with regular premiums continued in 2015. New policies written went up 13%, which is much faster than the market. The bestselling products are Raiffeisen term life insurance, endowment life insurance – used in connection with indirect amortisation for home loans – and the tranche products issued by Helvetia. Raiffeisen will revise the label products and look into a new product for indirect amortisation in 2016.

CHANNELS

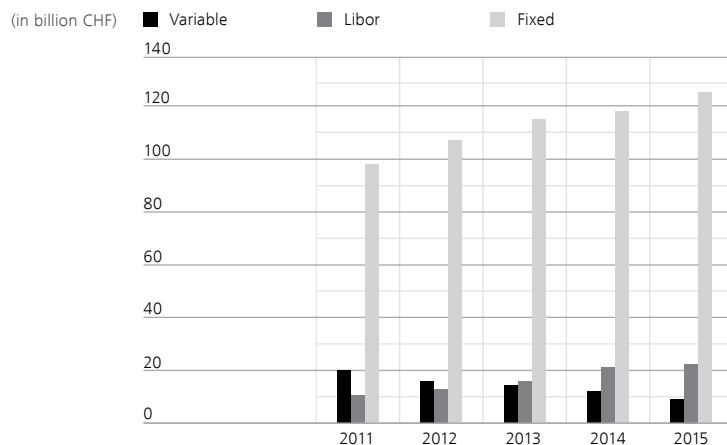
Raiffeisen is systematically driving digitisation. It invests in new and existing digital channels in addition to upgrading its core banking system. Other milestones on its path to a digital future include ongoing initiatives like RaiffeisenCasa, an online marketplace; Lokalhelden.ch, a crowdfunding platform; and the addition of new e-banking functions.

E-banking

The number of e-banking users exceeded the one-million mark in 2015 after increasing by 75,000 users or 8% year-on-year. In addition, 95 million payment orders were issued electronically.

The new e-banking system was rolled out in stages from July to September. Raiffeisen had overhauled the system's look and functionality

Volume trends for various mortgage models 2011–2015



and optimised the user experience. All clients were migrated to the new e-banking system in September. The old application was deactivated at the end of November.

MemberPlus portal

The MemberPlus portal is a central platform where Raiffeisen members can learn about the latest offers for members. Links to affiliates' booking and order platforms make it easy and convenient to purchase the products or services. Starting in the 2015/16 winter season, 50% vouchers can be presented electronically on smartphones. Some ski resorts allow members to use their voucher to buy a ski day pass directly in the online shop.

Social media

Raiffeisen interacts with clients on social media as well. It has established an online presence as an additional service channel in recent years. Client enquiries received through Facebook and Twitter are answered seven days a week. The Raiffeisen blog (panorama-magazin.ch) started serving Romandy and Ticino in addition to German-speaking Switzerland in autumn 2015.

RaiffeisenCasa.ch

RaiffeisenCasa.ch, the new real estate marketplace, is a free publication for private real estate owners to advertise properties for sale. This new website provides prospective home buyers with extensive assistance in purchasing and evaluating real estate.

Client Service Centre

Raiffeisen communicates with clients in person, by phone and on social media. Raiffeisen clients receive support for e-banking, card cancellations, banking services and issues relating to the MemberPlus member portal in Switzerland's official languages. Over 850,000 client enquiries were fielded in 2015.

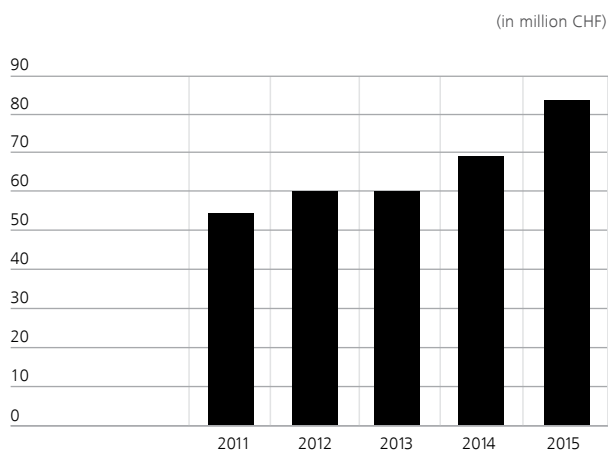
Branch network

With branches at 981 locations, Raiffeisen operates Switzerland's densest branch network. This means that Raiffeisen remains close to clients and maintains locations in less developed regions. Clients actively use the branches, which indicates that they expect comprehensive advisory services. Raiffeisen takes this into account when redesigning branches by giving centre stage to advisory services.

ATMs

Raiffeisen's ATM network expanded to 1,635 machines in 2015, including 530 ATMs at non-branch locations. ATM services are available to clients 24 hours a day. More and more ATMs offer audio instructions for visually impaired clients and are accessible for people with disabilities.

Total individual life premiums (regular premiums)



COMMITMENT TO SWITZERLAND

Raiffeisen is committed to ensuring Switzerland remains an attractive place to live and work. The Group supports associations that promote cultural, athletic, musical and social diversity in all Swiss regions. At a national level, Raiffeisen has been the main sponsor of the Raiffeisen Super League since 2012 and has partnered with Swiss Ski for over ten years. Its sponsorships are worth roughly CHF 30 million per year.

Raiffeisen also sponsors countless ski clubs and associations that, in turn, sponsor young athletes. In the current year, Raiffeisen awarded over CHF 1 million in sponsorships to more than 20,000 young winter sports athletes.

Raiffeisen's football programmes across Switzerland include over 70 Raiffeisen Football Camps, the Super League Family Days and an official football partnership with the Special Olympics Switzerland.

Employees volunteer extensively, too. "Raiffeisen Volunteers – Committed to Switzerland" is unique in the financial services sector. This Group-wide online volunteering platform has showcased employees' dedication and capabilities since 2011. Raiffeisen Volunteers was transferred to the BENEVOL platform at the end of 2015. In 2015, Raiffeisen Switzerland launched a new pilot project called "Community Engagement". In this skills-based volunteering programme, twelve Raiffeisen employees donated their expertise to five charitable organisations on certain days over a period of six months. Their assignments ranged from drafting business plans and setting up a financial control system to designing a communication strategy. The project is set to be expanded in 2016. Raiffeisen Volunteers and Community Engagement put in 29,286 voluntary hours in 2015.

RESEARCH AND DEVELOPMENT

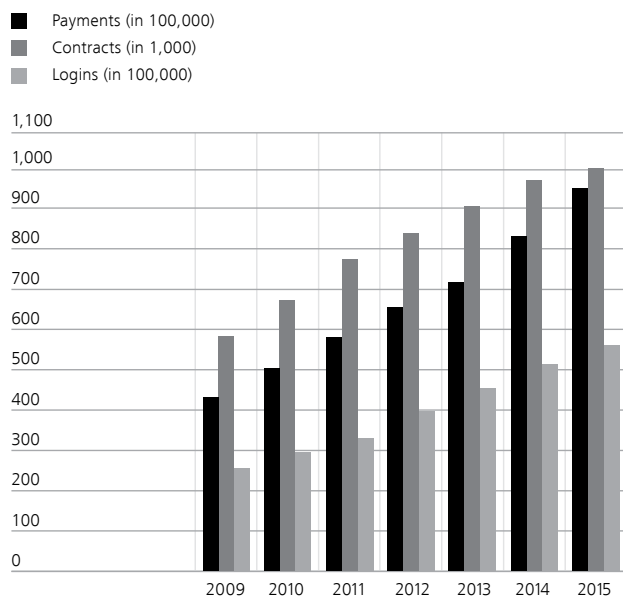
In the fast-moving banking market, innovation is one of the keys to long-term success. Raiffei-

sen anticipates current trends and changing client needs. Its analysts prepare fact and data-based recommendations for various internal stakeholder groups, ranging from market surveys and tracking studies to performance and client satisfaction measurements.

Raiffeisen Switzerland's Economic Research team regularly conducts economic and financial market analyses and publishes forecasts of economic and financial market trends.

The RAI Lab, created in 2015, is responsible for developing innovation ideas and new business models and independently implementing digital banking prototypes and pilot projects as well as new business models.

Development of Raiffeisen e-banking



INFRASTRUCTURE AND PROCUREMENT

Energy and resource efficiency in buildings and transport

The Raiffeisen Group generates greenhouse gas emissions mainly through building energy (electricity and heating) and business travel (cars, air travel, public transit). These categories constitute some 80% of the Group's environmental footprint. Raiffeisen aims to lower emissions 30% by 2020 (base year = 2012) by using more renewable energy in its buildings.

The greenhouse gas emissions for the entire Raiffeisen Group from building energy and business travel amounted to 14,430 tonnes of CO₂ eq., or around 1,500 kg of CO₂ eq. per employee. This figure is higher than in the previous year due to the acquisition of additional companies and the roughly 10% increase in employee numbers.

To improve its carbon footprint, Raiffeisen obtains all of its electricity from renewable Swiss sources, including 93% hydropower and 5% photovoltaics. Building heat and electricity consumed 69.7 gigawatt hours of energy in 2015. Building energy consumption per year and employee amounted to 7,260 kWh. This translates into a year-on-year decrease of 3%.

Raiffeisen uses the standard for sustainable construction in Switzerland (SNBS) when building new bank buildings. The connection of a Raiffeisen building to a district heating system in Dietikon in the current year represents a milestone. Raiffeisen generally uses resources sparingly and minimises the use of chemicals. Environmentally responsible behaviour is encouraged when cleaning offices and travelling on business.

An extensive resource analysis was prepared for the ATMs used in the Group during the current year. It will be used to make Swiss ATMs more efficient in cooperation with manufacturers and customers. All Raiffeisen ATMs already use 100% certified Naturemade Star power from Switzerland.

Energy and resource efficiency in IT

Data centres tend to be a bank's biggest power consumers. Raiffeisen, however, has once again reduced its power requirements despite increases in computing capacity. The St.Gallen and Gossau data centres are paragons of energy efficiency and operational excellence for the entire industry. Their energy consumption is evenly split between IT server infrastructure and data centre infrastructure (air-conditioning, uninterruptible power supplies, etc.). Raiffeisen reduced power consumption even further by gradually placing all the systems in housings. Heat losses in the hot water supply system were greatly reduced with the help of building automation. Efficient, state-of-the-art LED light bulbs have been installed for room illumination. Raiffeisen employed new technology and rigorously virtualised and consolidated its systems in order to significantly reduce the heat given off by servers and thus the cooling demand. Raiffeisen needs less space now that it has optimised its IT infrastructure. It rents some of the freed-up data centre space to outside companies with the same security and reliability requirements. In addition, waste heat from a Raiffeisen data centre heats water all year round at the St.Gallen site and at homes, shops and a restaurant located on Raiffeisen properties.

Procurement and recycling

More extensive supply chain controls were instituted in the previous year. Firstly Raiffeisen conducted a relevance analysis for the 40-plus product categories and defined purchasing policies. The purchasing policies form a binding framework for Group-wide procurement management and define the basis for all future supplier relationships. Twelve sustainability criteria were incorporated into due diligence reviews of outsourcing partners at the start of 2015. Now, suppliers have to meet social and environmental criteria in addition to economic ones. Raiffeisen's goal is for 50% of all centrally managed suppliers to agree to abide by the purchasing policies by 2020.

Environmental data

Category	Unit	Raiffeisen Switzerland and Group companies	Raiffeisen banks (included banks)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change in %	Raiffeisen Group (total) per FTE
Building energy (total)	kWh	13,206,000	13,738,000	42,810,000	69,754,000	7	7,260
Electricity	kWh	11,124,000	8,138,000	19,956,000	39,218,000	-12	4,082
of which share of electricity from renewable sources	kWh	11,124,000	8,138,000	19,956,000	39,218,000	19	4,082
Heating energy	kWh	2,082,000	5,600,000	22,854,000	30,536,000	49	3,178
of which share of heating energy from renewable sources	kWh	–	575,000	–	575,000	–	60
of which fossil fuels	kWh	1,642,000	4,591,000	22,854,000	29,087,000	59	3,027
of which district heating	kWh	440,000	434,000	–	874,000	-61	91
Business travel (total)	km	15,661,000	1,643,000	2,470,000	19,774,000	6	2,058
of which public transportation (rail, bus, tram)	km	2,479,000	738,000	1,565,000	4,782,000	-15	498
of which road transport by car (personal vehicles)	km	1,713,000	905,000	905,000	3,523,000	-37	367
of which road transport by car (company vehicles)	km	6,646,000	–	–	6,646,000	85	692
of which road transport for courier deliveries	km	4,090,000	–	–	4,090,000	52	426
of which passenger transport by air	km	92,000	–	–	92,000	-16	10
of which air freight	tkm	641,000	–	–	641,000	-18	67
Greenhouse gas emissions from energy and travel¹	tonnes CO₂ eq	5,725	1,739	6,965	14,429	29	1.50
of which Scope 1	tonnes CO ₂ eq	1,637	1,024	5,096	7,757	52	0.81
of which Scope 2	tonnes CO ₂ eq	36	36	–	72	-61	0.01
of which Scope 3	tonnes CO ₂ eq	4,052	679	1,869	6,600	12	0.69

* This covers relevant emission sources from Raiffeisen's energy consumption and business travel. The three system boundary categories are:

– Scope 1: direct greenhouse gas emissions from stationary sources right at the company, e.g. heating or vehicles

– Scope 2: indirect greenhouse gas emissions from energy generation outside the company, e.g. electricity and district heating

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

Greenhouse gas emissions are calculated based on the emission factors for the 2010 VfU indicators and/or Eco-Invent database V 2.1.

The anti-corruption guidelines apply to the entire Raiffeisen Group and are particularly important in construction and procurement. The bidding procedures are standardised.

Raiffeisen sources its products and services locally. Roughly 92% of the total purchasing volume (not including Group companies) is sourced from Swiss suppliers. On average, 74% of the total value is added in Switzerland.

The Raiffeisen Group uses roughly 1,000 tonnes of paper each year. By 2018, Raiffeisen wants all its paper to be sustainably sourced and all its printing processes to be carbon-neutral. An external partner recycles paper centrally for Raiffeisen Switzerland, most Group company locations and around two-thirds of the Raiffeisen banks. It focuses on disposing of confidential documents securely and professionally. The recycling rate is nearly 100%.

Raiffeisen Switzerland recycles and disposes of most of the Raiffeisen banks' obsolete IT hardware and waste packaging. It plans to extend this service to the entire Group by 2020.

The printing and shipping centre, which Trendcommerce (Switzerland) Ltd has been successfully operating for two years, further optimised its energy and resource consumption and reduced waste throughout the production process for the Raiffeisen Group's centralised printed products.

Raiffeisen by canton as at 31 December 2015¹

Canton	Number of banks	Number of bank branches	Number of members	Loans ² in million CHF	Client monies ³ in million CHF	Total assets in million CHF	Custody account volumes in million CHF
Aargau	27	88	195,186	16,770	15,558	19,468	2,890
Appenzell Ausserrhoden	2	6	16,032	1,189	1,093	1,326	222
Appenzell Innerrhoden	1	5	8,650	613	630	704	126
Berne	22	98	185,709	12,947	11,730	14,795	1,478
Basel-Land	8	19	54,253	4,950	4,279	5,544	994
Basel-Stadt	1	2	–	970	851	1,146	279
Fribourg	15	51	96,216	8,945	6,515	9,758	760
Geneva	6	18	43,891	4,043	4,406	4,850	758
Glarus	1	2	7,463	485	441	545	130
Grisons	10	45	59,585	4,856	4,480	5,527	696
Jura	5	30	27,800	2,793	2,011	3,094	224
Lucerne	20	52	128,903	8,853	8,047	10,087	1,239
Neuchâtel	4	17	27,787	1,877	1,517	2,077	279
Nidwalden	2	8	21,637	1,495	1,452	1,817	331
Obwalden	1	6	13,078	818	843	1,009	228
St.Gallen	38	83	198,278	19,790	17,200	22,713	4,002
Schaffhausen	1	3	7,989	719	602	811	114
Solothurn	22	59	119,766	9,480	8,759	10,716	1,173
Schwyz	8	17	42,038	3,096	3,062	3,705	765
Thurgau	17	44	102,482	10,371	8,145	11,486	1,643
Ticino	20	78	112,265	11,683	9,480	13,285	1,818
Uri	3	14	16,524	1,142	1,040	1,290	176
Vaud	19	61	110,743	9,052	7,473	10,088	1,644
Valais	25	120	141,188	12,125	11,463	14,133	1,592
Zug	8	14	41,131	4,124	3,810	4,812	997
Zurich	12	41	83,438	10,908	9,809	12,634	2,748
Total 2015	298	981	1,862,032	164,094	144,696	187,420	27,306
Total 2014	311	1,003	1,846,747	156,643	138,577	178,024	27,936
Increase/decrease	-13	-22	15,285	7,451	6,119	9,396	-630
Increase/decrease in %	-4.2	-2.2	0.8	4.8	4.4	5.3	-2.3

¹ Raiffeisen banks and branches of Raiffeisen Switzerland

² Receivables from clients and mortgage receivables (from 2015: net values after deducting value adjustments)

³ Amounts due in respect of customer deposits and medium-term notes

Employees

Sustainable personnel policy

Raiffeisen strives to build long-term relationships with its over 11,000 employees. The building blocks of these relationships are attractive employment conditions, regular development opportunities within the company and a commitment to providing equal opportunities.

Raiffeisen employed 11,046 people in the current year, or the equivalent of 9,157 full-time positions on average over the year. This represents an increase of 2.7% year-on-year. Raiffeisen is an attractive employer and strives to build long-term relationships with its employees. The Group promotes equal opportunity at all levels and creates a work environment where employees of all generations can grow. Raiffeisen offers good prospects for employees at all levels by providing progressive employment conditions, challenging work and opportunities for self-actualisation.

Attractive employment conditions

Raiffeisen reinforces its positioning as an attractive employer by providing outstanding employment conditions that attract new workers and retain current employees for the long term. Each Raiffeisen bank is largely free to set its own employment terms and thereby respond flexibly to local market conditions.

Employees can set their own work hours. 32% of Raiffeisen employees work part-time. Raiffeisen Switzerland generally offers the same conditions for full-time and part-time employees. Employees receive between 25 and 30 days of paid vacation depending on their age and pay grade.

Being a family-friendly company, Raiffeisen gives mothers at least 16 weeks of maternity leave. Fathers also receive up to 15 additional paid days off, which they can take up to one month before or six months after the child is

born. Mothers have a guarantee of continued employment at 0.6 full-time equivalent (FTE) or more in an adequate function after maternity leave. If a child is sick, parents will receive up to five additional days paid time off.

Raiffeisen employees have better pension plans than the industry average. The banking group supplies employees with innovative solutions that are tailored to their unique circumstances and constantly updated to reflect changes in society.

Training tomorrow's workforce

Raiffeisen puts a top priority on training young people. The Group offers a wide range of training programmes to give young people with different educational backgrounds a solid career start: apprenticeships in business administration, IT, mediamatics, interactive media design and facility maintenance, internships for vocational high school students, bank entry for high school graduates and trainee programmes for university graduates. Raiffeisen, in other words, takes its social responsibility as a major employer quite seriously. At the end of 2015, 809 individuals were going through one of the above training programmes. Most of the young people stay with the company after completing training.

Staff development

The advancement and continuous development of all employees is a core element of Raiffeisen's corporate culture. Using an established goal setting and performance appraisal process, employee performance is measured based on the

attainment of development goals and the acquisition of team or leadership skills.

The training programmes are clearly aligned with the corporate strategy to get employees thinking about their professional development early on. All told, 446 internal training courses were held in 2015. The Raiffeisen Group invested CHF 1,642 per full-time equivalent in internal and external training and continuing education programmes during this period. Its focus is on developing soft and leadership skills within the Group, cultivating an appreciation of shared values and teaching management fundamentals. Raiffeisen has a one-of-a-kind mentoring programme, where managers and the entire Executive Board serve as mentors to employees.

Promoting highly dedicated employees

Raiffeisen systematically identifies and promotes key personnel and high potentials. Its priority is to develop the next generation of Executive Board members. Raiffeisen has implemented a systematic approach to qualitative personnel planning. It provides managers with targeted, efficient tools for assessing employee potential and for succession and development planning.

Equal opportunity

Equal opportunity is integral to sustainability, one of Raiffeisen's core values. The company takes a holistic approach to ensuring equal opportunities for all employees. It offers seminars and talent development programmes that are tailored to various target groups. Raiffeisen views diversity management as a leadership skill and supports managers with targeted analyses and diversity and inclusion reporting.

In 2014, Raiffeisen Switzerland was the first partner company to support the creation of a Competence Centre for Diversity & Inclusion (CCDI) at the Research Institute for International Management (Forschungsstelle für Internationales Management; FIM) of the University of St.Gallen. The CCDI FIM is a think tank and an intermediary between academia and industry

Raiffeisen Group employee figures

	2015	2014
Total number of employees	11,046	10,755
Total number of women	5,587	5,518
in %	50.6	51.3
of which in management	1,231	1,151
in %	26.4	26.0
Total number of men	5,459	5,237
in %	49.4	48.7
of which in management	3,440	3,248
in %	73.6	74.0
Number of part-time positions	3,360	3,938
in %	32	40
Total number of apprentices	765	784
in %	6.9	7.3
of which women	401	424
in %	52.4	54.1
of which men	364	360
in %	47.6	45.9
Number of BoD members	1,612	1,711
of which women	344	353
in %	21.3	20.6
Average length of service in years [†]	8.2	8.3
Average age of employees in years [†]	39.3	40.1
Employee turnover (including changes within the Group) in % [*]	10.7	12.3
Amount spent on training in CHF	18,145,062	18,202,390
Amount spent on child care in CHF	442,500	333,000
Return to the workplace after maternity leave in % [*]	89	96

* excluding Notenstein La Roche Private Bank

that specialises in the development and implementation of pioneering diversity strategies. Another way in which Raiffeisen promotes a healthy work-life balance is the "Women Back to Business" certificate programme at the University of St.Gallen.

Raiffeisen has made it a strategic priority to raise the percentage of women in senior staff and executive management positions. It has set measurable targets, too: By the end of 2015, Raiffeisen wanted to have women in 30% of senior staff and executive management positions. While various factors have prevented Raiffeisen from reaching its 30% target by 2015, it has not lost sight of its goal and expects to reach it in the near future.

Employees aged 50 years and up have the option of attending self-evaluation seminars and pre-retirement seminars.

Counselling for personal problems

All Raiffeisen Group employees can use an anonymous counselling service to deal with personal problems. Staff can request to be contacted by specialists from Reha Suisse, an external Raiffeisen partner. Psychologists, physicians, economists and HR consultants provide sound, independent assessments of those affected that focus on concrete ways to assist these persons.

Risk policy and risk control

Cautious risk-taking, prudent risk management

The Raiffeisen Group has adopted a cautious risk policy that considers long-term impacts. It puts great value on risk diversification and carefully avoids risk concentration, especially in the credit business. Scenario analyses support active forward-looking risk management. Credit risks and risks associated with fluctuating interest rates are the Raiffeisen Group's most important risk categories.

RISK ASSESSMENT

The Board of Directors (BoD) assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines the risk policy and reviews it on an annual basis. It also defines the level of risk tolerance and overall limits on an annual basis.

The quarterly BoD risk report provides information on the risk situation, changes in risk parameters, capital adequacy, compliance with overall limits and any measures taken. Monitoring focuses on credit risks, market risks in the bank and trading books, liquidity risks and operational risks. Monitoring also extends to solidarity risks within the Raiffeisen Group in order to counteract potential problems at individual Raiffeisen banks or subsidiaries. The BoD risk report is examined in depth by the Audit and Risk Committee of the Board of Directors. Based on this preparatory work, the Board of Directors reviews the findings of the BoD risk report and its implications for risk strategy on a quarterly basis. It monitors both the risk situation and changes in risk-bearing capital.

The Board of Directors conducts an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk Controlling's ICS appropriateness and effectiveness report and the reports produced by Internal Auditing.

The risk report for the Board of Directors is prepared by Group Risk Controlling as an independent entity. The report and any measures are discussed in detail in the meetings of the Extended Executive Board, which acts as the Risk Committee.

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

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

The risk associated with fluctuating interest rates in the bank book is assessed using income, sensitivity and value-at-risk analyses. Operational risks are assessed in terms of the expected probability of occurrence and the severity of

Measures (mitigation)

- Risks are only taken within risk tolerance limits after careful consideration
- Risks are managed systematically
- Risks are offset by reasonable returns
- Risks are effectively contained, controlled and independently managed at all levels

Risk

Global
Liquidity risks

Measures (mitigation)

- Proper diversification of liabilities
- Assessment of liquidity trends in the Raiffeisen Group at the operational, tactical and strategic level
- The Raiffeisen banks and Notenstein La Roche Private Bank Ltd manage liquidity risks at their own discretion based on instructions provided by Raiffeisen Switzerland
- Money and capital markets are accessed centrally through Raiffeisen Switzerland

- Loans only extended to clients who meet minimum creditworthiness and solvency criteria
- Avoidance of concentration risks
- Prudent credit policy
- The focus is on financing owner-occupied residential property
- Corporate clients are evaluated based on the following aspects:
 - Regional ties
 - Sufficient diversification
 - Risk/return ratio
 - Minimal exposure to high-risk industries

Credit risk

Operational risks

- Risks evaluated through regular top-down and bottom-up risk assessments
- Management via key risk indicators and early warning system
- Periodic review and confirmation of the appropriateness and effectiveness of key controls in all risk-related processes at the Group level
- Analysis of internal and external events
- Management and monitoring of Raiffeisen banks through an early warning system
- Use of special audits

- Management of interest rate risks using proven tools and clearly defined guidelines and limits
- Training and advising the Raiffeisen banks
- Foreign currency assets generally refinanced in the same currency (matched book approach)
- Trading risks are strategically clearly limited

Market risk

Legal and compliance risks

- Statutory, regulatory and professional provisions are promptly translated into internal rules and workflows and complied with
- Contracts are followed and enforced
- Avoidance of legal proceedings by applying suitable sanctions
- Evaluation of sensitive issues with measures taken as needed

their impacts. This includes not only the financial impacts, but also the reputational and compliance consequences. The appropriateness and effectiveness of control measures are incorporated into the assessment. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a risk event.

The Raiffeisen Group places particular emphasis on supplementing its model-based assessments with forward-looking practical analyses and estimates. Scenario-based analyses backed by macroeconomically plausible scenarios together with assessments drawing on specialist areas and front-office units therefore play an important role in overall risk comprehension. The results from these analyses appear as a commentary in the risk report and are – in certain cases – also presented as a special report.

Risk policy principles

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

- Clear business and risk policies: Risk taking and risk management are directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and effectively enforced with a tried and tested limit system.
- Decentralised individual responsibility in line with clearly defined guidelines: Raiffeisen banks, Notenstein La Roche Private Bank Ltd, Vescore Ltd, ARIZON Sourcing AG and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines on business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports on the risk situation as well as the risk profile of the individual Raiffeisen banks and the Raiffeisen Group are regularly issued.

- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation, monitoring and reporting. This risk management process covers all risk categories.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.
- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. It also seeks to comply with high ethical principles in all its business activities.

Group risk management

Independent risk management is organised throughout the Group and relies on effective tools for identifying and preventing unwanted risk. The Raiffeisen Group has achieved continuous growth and executed its diversification strategy without excessive increases in risk thanks to its clearly focused business policy, steady and cautious risk culture as well as active and targeted risk management. Raiffeisen expanded its risk organisation and risk infrastructure in the current year. The expansion included aligning the risk organisation and infrastructure with the changed organisational and risk profile following the adoption of its diversification strategy. It also aligned these elements with the new macroeconomic reality of low interest rates and ongoing instability. All these efforts are intended to establish effective, appropriate risk control now and in the future and thus to ensure the Raiffeisen Group's continued resilience to stress scenarios. Its solid capitalisation, focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffei-

sen's business model. As a result, the Raiffeisen Group enjoys a high level of liquidity and an excellent reputation throughout the market at all times.

Key elements of the Group-wide risk control and management are the risk policy, forward-looking risk budgeting and scenario planning to determine the Group-wide risk tolerance, and its operationalisation through overall limits set by the BoD.

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

The Group companies of Raiffeisen Switzerland generally operate as independent entities. Group Risk Controlling at Raiffeisen Switzerland monitors the risk control and risk situation of the Group companies from a Group viewpoint and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Group companies control risks based on guidelines and minimum requirements that are derived from Group risk policy and implemented by the Group companies. These minimum requirements ensure the quality of local risk control. Group Risk Controlling and the Group companies engage in a risk dialogue on the basis of the Group companies' risk reports. In addition, the Group companies' risks are integrated into the Group's risk reporting to ensure consolidated risk control.

Control of key risk categories

The Raiffeisen Group controls the key risk categories using special processes and overall limits. As part of the risk budgeting process, the Board of Directors sets the level of risk tolerance and then uses this to define the overall limits. Risks that cannot be reliably quantified are lim-

ited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile by Group Risk Controlling.

CREDIT RISKS

Credit risks are the most important risk category, due to the Raiffeisen Group's strong position in lending. The Raiffeisen Group generates a large part of its income through the controlled taking on of credit risks and the comprehensive and systematic management of these risks. Credit risk management at the Raiffeisen Group is geared explicitly to Raiffeisen-specific client and business structures. Decentralised individual responsibility plays a key role in lending decisions and credit management. It is retained as a basic principle even in cases where loans require the approval of Raiffeisen Switzerland because of their size or complexity.

Credit risks are only entered into after a thorough check of the counterparty has been conducted. Direct client knowledge plays an important role in this. It is not the strategy of the Raiffeisen Group to assume credit risks of anonymous third parties via capital markets. Borrowers are predominantly individuals, but also public bodies and corporate clients. The majority of corporate clients are small companies that operate within the locality of Raiffeisen banks.

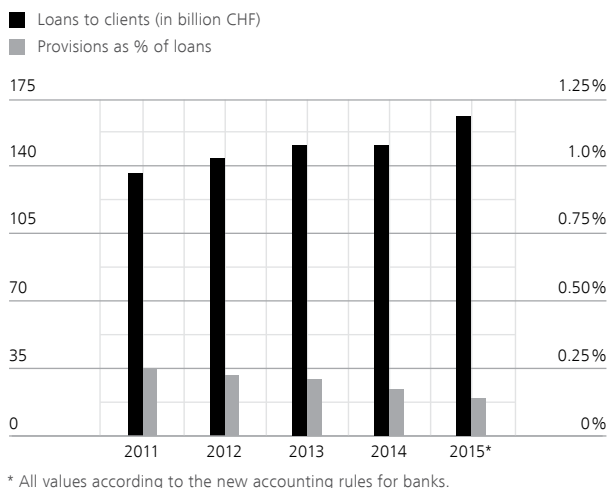
Generally prudent credit policy

Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking. Loan decisions are largely based on financial viability, loan-to-value ratios and the repayment schedule for the borrower's obligations. Most loans are granted on a secured basis.

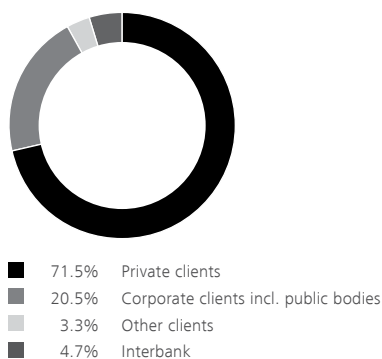
Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks and with corporate and public sector clients. The branches also extend secured loans to private individuals.

Credit management is a seamless process from the granting of the loan to its ongoing moni-

Volumes and provisions

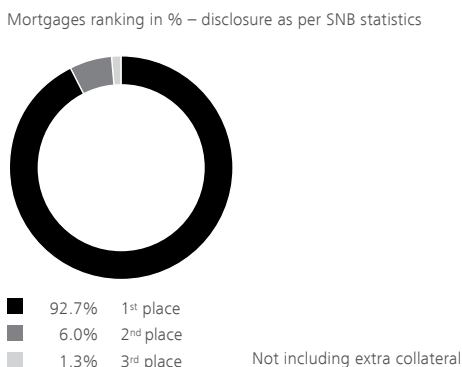


Raiffeisen Group lending by client segment



This evaluation reflects the risk view and therefore cannot be directly compared with the view of the balance sheet due to the different perspective. Simple companies are assigned to "Other clients".

Mortgage loans by rank



toring. The concept is rounded off with an appropriate and proven method for establishing provisions for default risks.

Raiffeisen Switzerland monitors, controls and manages concentration risks within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process for identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

Credit policy in the corporate clients business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings. Its risk tolerance in the corporate lending business is clearly defined and implemented with corresponding limits for the entire Group.

The Raiffeisen Group priority is to place the expansion of its corporate clients business on a solid foundation. Its commitment is underscored by the substantial investments it has made in its staff, systems and organisation.

Active country risk management

As stipulated in the Articles of Association, foreign exposures are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. Raiffeisen Switzerland may however grant exceptional permission if compliance with foreign legislation (especially foreign regulatory provisions) can be ensured. Only the Central Bank and Notenstein La Roche Private Bank Ltd and its subsidiaries can enter into commitments abroad. These commitments are entered into cautiously and monitored closely.

Credit portfolio analysis and assessment

The Board of Directors is periodically apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio. The analyses focus on sector concentrations and

monitoring large individual exposures. In particular, they investigate the impact of severe macroeconomic difficulties on individual sectors and the overall credit portfolio. The Raiffeisen Group's credit portfolio has proven to be extremely robust and well-diversified, even under sharply deteriorating conditions.

Measuring credit risk

The credit risk of each individual counterparty is measured using three parameters:

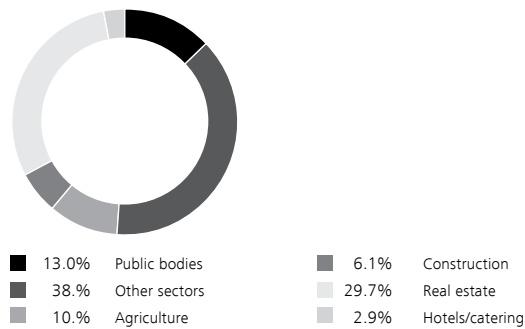
- Probability of default
- Credit exposure at the time of default
- Value of the collateral

The core of credit risk measurement is the rating system, which is developed and monitored by Group Risk Controlling. The rating system is used to assess the clients' creditworthiness and to determine the economic capital for limiting the individual credit risk positions. The Raiffeisen Group has implemented comprehensive rating system governance in connection with the internal rating systems. Rating system governance uses specified processes, controls and structures to make sure the rating system works properly. It defines and ensures good governance within the Group. It also aims to organise rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. Rating system governance focuses on five tasks: model development, approval, implementation, model application and documentation. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

Raiffeisen Switzerland's Board of Directors has formally approved the rating models for private clients and investment properties.

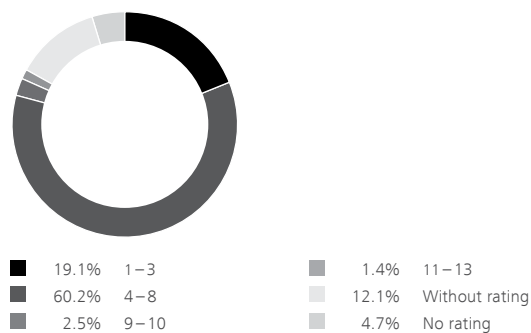
The capital adequacy for credit risks is currently calculated using the international standard approach (SA-BIS).

Raiffeisen Group lending by sector (corporate clients and other clients)



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

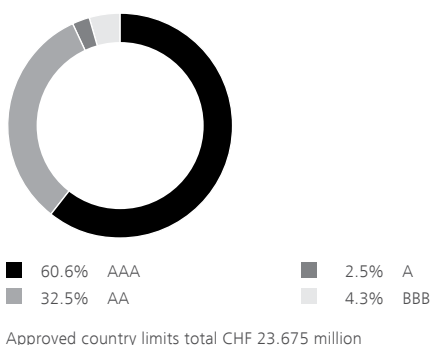
Corporate client lending by rating category



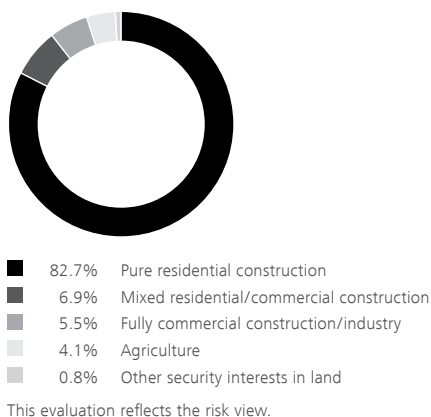
- 1-3 = low-risk positions
- 4-8 = medium-risk positions
- 9-10 = high-risk positions
- 11-13 = non-performing positions
- Without rating = predominantly public bodies not rated externally
- No rating = positions with low risk content

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

Breakdown by country limits



Loans by collateral and property type



Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes. Particular attention is paid to potential concentration risks. The underlying model is in line with recognised practice and is supplemented by scenario analyses. Models and parameters are examined on a regular basis, adjusted in line with developments and calibrated by means of back-testing.

MARKET RISKS
Risks in the bank book

The bank book is exposed to interest rate risks and foreign currency risks.

Interest rate risks are a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen therefore attaches great importance to managing these risks.

Within the Raiffeisen Group, each Raiffeisen bank and Notenstein La Roche Private Bank Ltd is individually responsible for managing the interest rate risks on its balance sheet in line with clearly defined guidelines and limits. Both Raiffeisen banks and Notenstein La Roche Private Bank Ltd have a well-developed set of risk management tools, including tools to simulate interest rate developments and assess their impact. The Central Bank department provides advice on asset and liability management within the Raiffeisen Group. ARIZON Sourcing Ltd, Vescore Ltd and Raiffeisen Unternehmerzentrum AG have no material risks associated with fluctuating interest rates in their balance sheet structure.

Group Risk Controlling monitors compliance with interest rate risk limits and the overall development of interest rate risks. It focuses on monitoring the interest rate sensitivity of equity capital and running simulations to analyse the impact on interest income. It calculates the value at risk for interest rates at various Group levels in addition to the interest rate sensitivity in order to monitor the overall risk situation.

With respect to foreign currency risks, assets in a foreign currency are in principle refinanced in the same currency (a matched book approach). This means foreign currency risks are largely avoided. The Treasury is responsible for managing the remaining foreign currency risk in the bank book. Group Risk Controlling monitors adherence to the applicable sensitivity limit on a daily basis.

Risks in the trading book

Of the entities within the Raiffeisen Group, the Central Bank of Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd run a trading book. Trading risks are strategically limited by using global limits. Risks are operationally limited by sensitivity and loss limits at the Central Bank and by value-at-risk and stress limits in the case of Notenstein La Roche Private Bank Ltd. Sensitivity is a measure of the loss of value in the event of a percentage change in the underlying risk factor; the applicable percentage change is determined in line with the risk factor.

All traded products are depicted and assessed in a standardised trading and risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled and provides the ratios for monitoring all positions and market risks. Group Risk Controlling and the Financial Risk Controlling of Notenstein La Roche Private Bank Ltd monitor trading risk on a daily basis, using market data and risk parameters that are independent of the trading area. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

Liquidity and financing risks

The capital and risk diversification requirements apply on a consolidated basis at Raiffeisen Group level and at individual institution level to Raiffeisen Switzerland and to Notenstein La Roche Private Bank Ltd. The liquidity requirements apply on a consolidated basis at Raiffeisen Group level and at an individual institution

Raiffeisen Group: Interest rate risks in the bank book

(in millions CHF)

	31.12.2015	31.12.2014
Sensitivity (+100bp-Shift)	1,673	1,351

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in 1,000 CHF)

	2015	2014
Risk type		
Equities	4,000	4,000
Interest products	43,000	43,000
Foreign currencies	6,000	6,000
Precious metals	5,000	5,000
Total	58,000	58,000
Loss limits		
Day	2,000	2,000
Calendar month	5,000	5,000
Calendar year	10,000	10,000

level to Notenstein La Roche Private Bank Ltd. According to a 24 July 2015 ruling, the liquidity requirements also apply to Raiffeisen Switzerland as both an individual institution and a financial sub-group starting on 1 July 2016. In accordance with a FINMA ruling of 3 September 2010, the individual Raiffeisen banks are exempted from complying with capital adequacy, risk diversification and liquidity rules.

Raiffeisen Switzerland's Treasury department handles liquidity and refinancing management for Raiffeisen Switzerland and the Raiffeisen banks. It facilitates the Group's access to money and capital markets and ensures that liabilities are properly diversified. The refinancing strategy takes into account business and regulatory requirements. It ensures that the necessary liquidity is available and that the maturity structure is appropriate and diversified. Raiffeisen Switzerland's Treasury also assesses liquidity trends in the Raiffeisen Group at the operational, tactical and strategic level on an ongoing basis and performs regular stress tests. Group Risk Controlling ensures that monitoring is conducted independently.

Notenstein La Roche Private Bank Ltd has its own Treasury and its own access to money and capital markets so that it can comply with liquidity requirements at individual institution level. Independent monitoring is conducted by the Financial Risk Controlling department, which is organisationally part of Notenstein La Roche Private Bank Ltd, but reports to Group Risk Controlling.

The Raiffeisen Group's liquidity situation is robust. The LCR is significantly higher after accounting for the withdrawal restrictions rigorously imposed on savings deposits and similar products starting on 1 January 2016.

OPERATIONAL RISKS

Operational and business risks arise in two ways: as the consequences of the banking transactions carried out by the Raiffeisen Group and

by virtue of its function as an employer and owner/occupier of real estate.

Business risks can never be eliminated entirely. Viability and cost-benefit analyses determine whether a business risk should be avoided, reduced, transferred or borne. The analyses cover financial aspects as well as reputational and compliance consequences. Internal control systems and processes play a key role in managing operational risks.

The Raiffeisen Group carried out comprehensive operational risk assessments over the course of the current year. The information gleaned from these assessments is documented in a Group-wide risk register that forms the basis for monitoring and controlling the overall operational risk profile. These assessments are conducted annually.

IT risks

IT risks, including cyber risks, are captured in a combined top-down and bottom-up approach and documented in a group-wide risk register. Action is taken to mitigate the risks wherever indicated by a cost-benefit analysis, depending on the expected annual loss and presumed maximum loss.

IT risks are assessed annually. Annual assessments track progress made in mitigating top risks, among other things.

Information security

Information security is becoming more and more important, especially with respect to bank reputation and the Swiss banking industry. For this reason, information security risks must be comprehensively managed. A regular assessment of the threat situation constitutes the basis for the risk management strategy. Appropriate and effective measures for safeguarding information and infrastructure with respect to confidentiality, integrity, availability and audit trails are in place for this purpose. Raiffeisen bases its policies on recognised standards and

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in 1,000 CHF)

	ø 2015	31.12.2015	ø 2014	31.12.2014
Risk type				
Equities	451	417	707	291
Interest products	12,253	12,645	13,858	15,176
Foreign currencies	1,114	1,658	1,733	1,983
Precious metals	740	409	255	119

established practice. Considerable importance is attached to protecting financial privacy. Stringent data protections are also gaining importance given the growing significance of digital channels.

No serious violations of client privacy or data protections have been identified in previous periods.

Internal control system (ICS)

Raiffeisen's internal control system comprises all the activities, methods and controls intended to ensure the proper conduct of operations, compliance with statutory and supervisory regulations and complete, reliable financial reporting.

The ICS model establishes general organisational conditions at the enterprise level designed to ensure the Group ICS functions properly. This includes defining the Group-wide ICS framework and the associated roles along with their tasks and responsibilities in particular.

Processes, risks and controls are closely interconnected at the process level. The Raiffeisen Group's documented processes form the basis for the ICS.

The major risks inherent in each business process are identified and assessed, and the key risks and controls defined from there. All key controls are documented and incorporated in the processes. The goal is to reduce the key risks inherent in the processes by means of appropriate key controls. There are many other risk reduction controls in addition to the key controls.

The ICS for IT processes and information security is modelled on the standard global General Computer Controls (GCC) and the ISO/IEC 27002 frameworks, and is based on the attainment of control objectives that have been set using standardised criteria.

The Raiffeisen Group periodically carries out an assessment of the ICS's appropriateness and effectiveness.

Reporting on the ICS's appropriateness and effectiveness is included in the standard risk report for the Executive Board and the Board of Directors of Raiffeisen Switzerland.

Early warning system of the Raiffeisen banks

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

Business continuity management

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

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

LEGAL AND COMPLIANCE RISKS

Legal & Compliance reports to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on major compliance risks quarterly and on legal risks semi-annually. Its reports contain overviews of the legal and compliance risks at Notenstein La Roche Private Bank Ltd, Vescore Ltd and ARIZON Sourcing AG. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2008/24, are submitted to the Board of Directors once a year.

Legal risks

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

Compliance risks

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

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

- Raiffeisen monitors and analyses all relevant legal developments (regulatory monitoring) and participates in institutional commissions and working groups that cover the Swiss financial sector.
- Raiffeisen has traditionally attached great importance to "know your customer" princi-

ples. Regulations to combat money laundering and the financing of terrorism reinforce and substantiate these principles.

- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a "passive provision of services" approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen is prohibited from carrying out any activities outside of Switzerland, especially client-related trips abroad.
- Raiffeisen advocates rigorous tax compliance strategies.
- Raiffeisen adheres to market conduct rules and the resulting due diligence and advisory obligations.
- Raiffeisen protects data and bank client confidentiality.
- Raiffeisen is committed to fair competition and its actions are guided by strong ethical principles.

In the current year, Raiffeisen invested heavily in complying with the US Foreign Account Tax Compliance Act (FATCA), preparing for the automatic exchange of information, complying with the changed anti-money laundering regulations and resolving the US tax dispute.

Raiffeisen is participating in the programme to resolve the US tax dispute in category 3. The Group assumes that Raiffeisen banks did not systematically and actively aid US clients in evading taxes. Raiffeisen aims to obtain a consolidated non-target letter for all Raiffeisen banks and Raiffeisen Switzerland. It submitted the requisite independent examiner's report to the US Department of Justice (DOC) on time at the end of June 2015.

Raiffeisen subsidiary Notenstein La Roche Private Bank Ltd, on the other hand, decided not to participate in the US programme. The US division of Wegelin was split off in January 2012 and not transferred to Notenstein.

As a member of the Coordination Domestic Banks (CDB), Raiffeisen is particularly involved in the Federal Financial Services Act (FFSA) and tax compliance strategies in and outside Switzerland.

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

Corporate governance

Raiffeisen's business model is built on a democratic foundation

Raiffeisen is organised as a cooperative. Every one of the 292 banks is legally independent and adapts its strategy to local conditions. Raiffeisen is one of Switzerland's most secure banking institutions thanks to its mutual liability structure, solid equity base and members' co-determination rights.

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

The following report is largely based on the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although the code and directives are not binding for Raiffeisen, it is helpful even for an unlisted company such as the cooperative to apply these best practices in certain areas. The report deals in particular with the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date 31 December 2015.

RAIFFEISEN GROUP STRUCTURE**Group companies**

Group companies are defined as all majority interests with more than 50% of the voting capital held by Raiffeisen Switzerland or its Group companies. The key fully consolidated Group companies and the shareholdings valued according to the equity method are listed in Note 7 (Companies in which the bank holds a permanent direct or indirect significant participation).

Changes from prior year

The accounting policies (page 104) describe the changes in the accounting and valuation rules since the previous year.

Mergers of Raiffeisen banks

The number of legally and organisationally independent Raiffeisen banks fell from 305 to 292 in the current year as a result of various mergers. The mergers were motivated by operational and market considerations. The ongoing structuring process enables the individual Raiffeisen banks to optimally align their activities with their regional markets. The number of independent Raiffeisen banks will continue to decline over the next few years.

Expansion of Raiffeisen locations

The presence in urban centres was further expanded. Raiffeisen banks opened four new locations in 2015.

Organisational structure

The 292 Raiffeisen banks with a total of 965 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own Boards of Directors and have an independent auditor. Raiffeisen banks are owned by the cooperative members. The Members of the Board of Directors are elected at the local General or Delegate Meeting. They are familiar with local conditions and align the strategy of their Raiffeisen bank accordingly. Raiffeisen banks own 100% of Raiffeisen Switzerland.

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

Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the Articles of Association of Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join. Raiffeisen Switzerland bears responsibility for the Raiffeisen Group's business policy and strategy, and acts as a centre of competence for the entire Group. It represents their national and international interests. Raiffeisen Switzerland directly manages six branches with ten retail offices, which are involved in client business.

Major participations

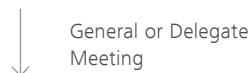
Note 7 (Companies in which the bank holds a permanent direct or indirect significant participation) lists all major participations of the Raiffeisen Group, including company name, domicile, capital and share of voting rights.

Major cooperative members

Under the Swiss Code of Obligations (OR), the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates held. Furthermore, the Articles of Association stipulate that no cooperative member may own more than 20,000 Swiss francs of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative members holding more than 5% of capital or voting rights.

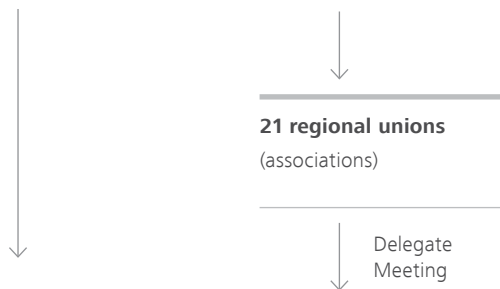
Cooperative members

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



292 Raiffeisen banks (cooperatives)

Governance bodies: General Meeting, Board of Directors, Executive Board, auditor for the purposes of the Swiss Code of Obligations



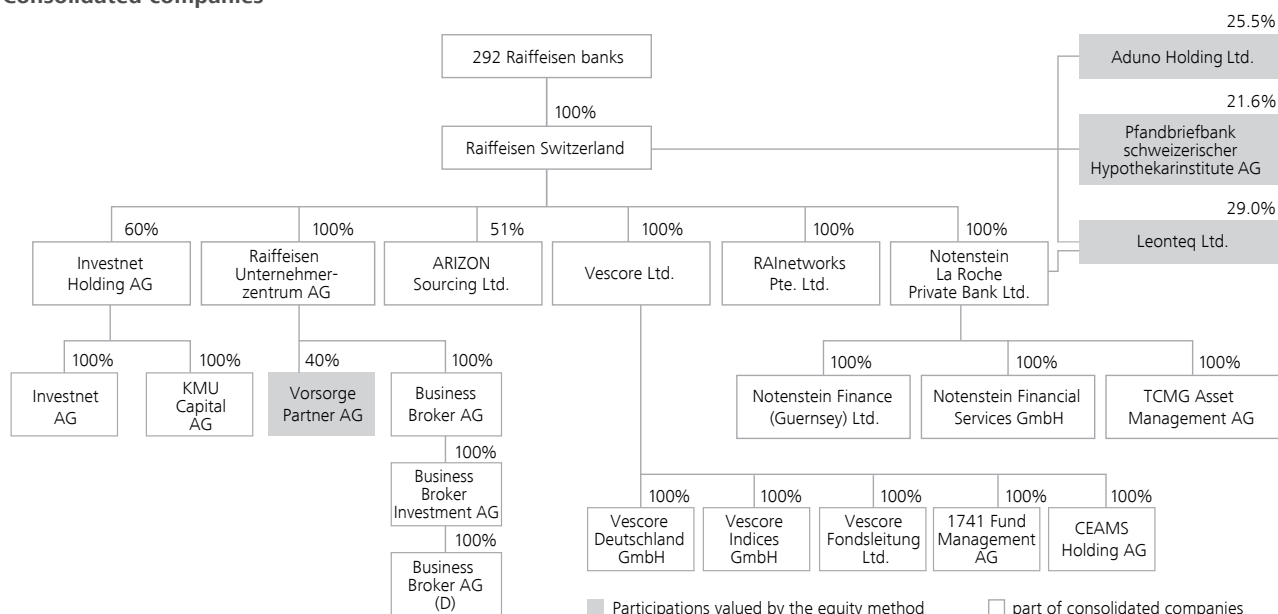
Raiffeisen Switzerland (cooperative)

Governance bodies: Delegate Meeting, Board of Directors, Executive Board, auditor for the purposes of the Swiss Code of Obligations

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	<ul style="list-style-type: none"> Banking business Mainly retail business Traditional savings and mortgage business Corporate clients business Payment services Investment fund business Securities trading Consumer goods leasing 	Cooperative members
Raiffeisen Switzerland	<ul style="list-style-type: none"> Business policy/strategy and centre of competence for the Raiffeisen Group Risk controlling Ensuring central bank functions (monetary settlement, liquidity and refinancing) Banking business (mainly interbank business and securities trading) Running of branches Informs, advises and supports the Raiffeisen banks especially in the areas of management, marketing, business, information technology, training, human resources and legal services 	Raiffeisen banks
Notenstein La Roche Private Bank Ltd	Asset management for private clients	Raiffeisen Switzerland
Vescore Ltd	Asset management and fund business	Raiffeisen Switzerland
ARIZON Sourcing Ltd	Advisory and operational services for banks	Raiffeisen Switzerland
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
Investnet Holding AG	Holding company	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchasing of office supplies, software licences	Raiffeisen Switzerland

Consolidated companies



Cross-shareholdings

Raiffeisen Group companies have no cross-shareholdings.

CAPITAL STRUCTURE AND LIABILITY

Capital structure

The Raiffeisen Group's cooperative capital is CHF 1,248.3 million. A precise breakdown and accounting of changes in the current year are provided in Note 16.

Changes in equity capital

Membership of a Raiffeisen bank and the associated rights and obligations are tied closely to the individual/entity in question. This means that individual shares cannot normally be sold on or transferred. Resigning cooperative members have the right to redeem their share certificates at their intrinsic value, up to a maximum of their par value. The Board of Directors may refuse to redeem share certificates at any time without giving reasons. Share certificates bear a maximum 6% interest.

Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the

Raiffeisen banks' reserves in order to strengthen the capital base.

Security model

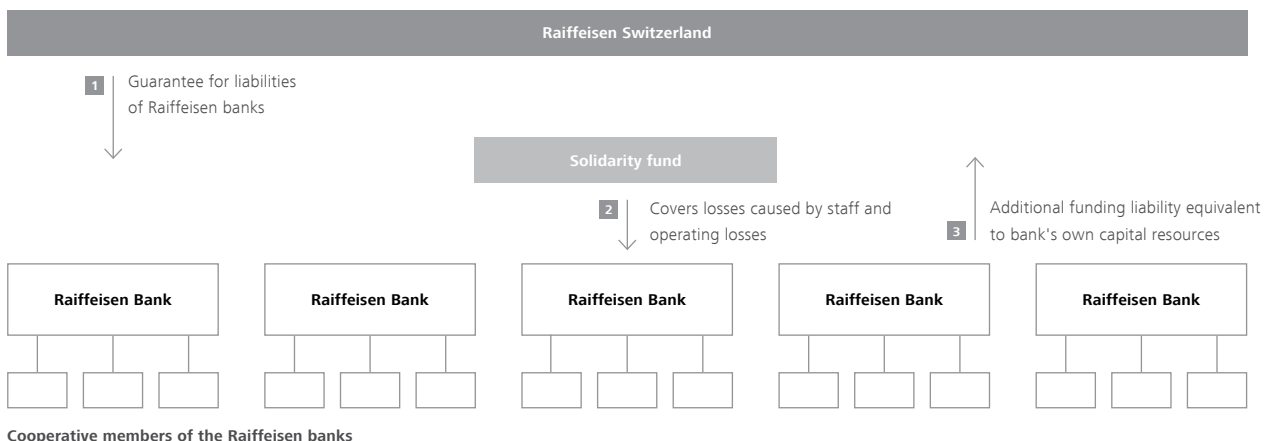
The Raiffeisen business model, business policies, a high level of equity and the ability to help shape policy as a cooperative member give Raiffeisen clients comprehensive security.

Liability

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

Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. A total of CHF 1.7 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of



Cooperative members of the Raiffeisen banks

Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate of CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.8 billion, of which CHF 924 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 876 million from the Raiffeisen banks at any time.

Solidarity fund

The solidarity fund is – in line with the cooperative notion of solidarity that Raiffeisen espouses – an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets are CHF 363.8 million.

Additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland

Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves. The additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland is CHF 12.5 billion.

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

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. Raiffeisen banks are exempted from compliance with these provisions at the individual bank level. However, to enjoy this dispensation, Raiffeisen banks must have a central organisation that guarantees all Raiffeisen bank obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-a-vis Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, specifically with regard to capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organisational, operational and HR-related steps.

EXECUTIVE BODIES OF RAIFFEISEN SWITZERLAND

Delegate Meeting

The Delegate Meeting is the highest body of Raiffeisen Switzerland. Each regional union appoints two delegates. In addition, further delegate places are allocated depending on the number of Raiffeisen banks in each regional union as well as the number of cooperative members and the balance sheet total of all the Raiffeisen banks in each regional union. There are currently 164 members of the Delegate Meeting. In particular, the Delegate Meeting is responsible for the following:

- Changes to the Raiffeisen Switzerland Articles of Association
- Drawing up model articles of association for Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles

Changes in equity capital (Raiffeisen Group)

(in million CHF)

	2015	2014	2013	2012
Cooperative capital	1,248	748	637	616
Retained earnings	11,262	10,533	9,848	9,245
Group profit	808	759	717	635
Total	13,318	12,040	11,202	10,496

- Issuing the financing principles and regulations governing the contributions made by the Raiffeisen banks to Raiffeisen Switzerland
- Approving the annual report of Raiffeisen Switzerland, the appropriation of net earnings of Raiffeisen Switzerland, approving the consolidated accounts of the Raiffeisen Group
- Approving the management report of the Raiffeisen Group, ratifying the actions of the Board of Directors and the Executive Board
- Appointing and dismissing the members of the Board of Directors, its Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks

Board of Directors

The Board of Directors is mainly responsible for the Group's strategy development, for financial management and for overseeing Raiffeisen Switzerland and the Executive Board.

The Board of Directors consists currently of ten members. Some Members of the Board of Directors sit on the boards of individual Raiffeisen banks, while others are not involved within the Group. This ensures that the widest possible range of main professional qualifications and experience (from politics, business and society) are represented in this executive body.

No Board of Directors members have been active employees of Raiffeisen Switzerland in the last three years. In addition, no member of the Board of Directors has had significant business relationships as a contractual agent with Raiffeisen Switzerland.

Composition, election and term of office

The Board of Directors consists of nine to twelve members. In filling these positions, attention is paid to ensuring an appropriate representation of the linguistic regions and banking authorities of the Raiffeisen banks. Half of

the Members of the Board of Directors should be representatives of the Raiffeisen banks.

Members of the Board of Directors are elected for a two-year term (current term: 2014 to 2016) and can serve a maximum of twelve years. Members of the Board of Directors must step down at the end of the term of office in which they attain the age of 65.

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. The Board of Directors met seven times in 2015. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. The Chairman breaks tied votes. Resolutions are minuted. The Board of Directors meets once a year to review its own activities and positions.

The Members of the Executive Board generally attend meetings of the Board of Directors and also attend certain meetings of the Board of Directors committees depending on their function on the Executive Board. They can advise and have the right to put forward motions.

Duties of the Board of Directors

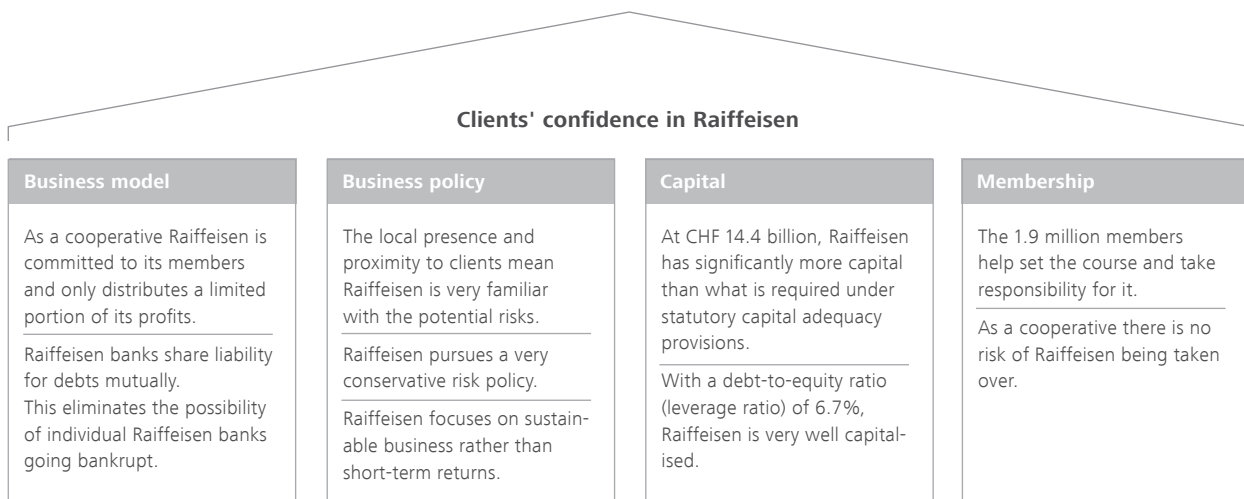
Under the Swiss Code of Obligations, the Articles of Association and the Terms and Conditions of Business of Raiffeisen Switzerland, the main duties of the Board of Directors are as follows:

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, the risk policy and regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss Members of the Executive Board, the Head of Internal Auditing and their deputies
- To define the overall sum of variable remuneration and decide on the fixed and variable annual remuneration components for Members of the Executive Board

The regional unions

Regional unions	Chair	Number of member banks
14 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Lehner, Kölliken	25
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	20
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	9
Deutschfreiburger Verband der Raiffeisenbanken	Thomas Rauber, Tafers	6
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler, Ebikon	23
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	8
Raiffeisenverband Nordwestschweiz	Reto Forrer, Basel	12
Raiffeisenverband Zürich und Schaffhausen	Werner Zollinger, Männedorf	9
Schwyzter Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	8
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	20
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	42
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	17
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Dr Michael Iten, Oberägeri	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	9
Fédération genevoise des Banques Raiffeisen	Bernhard Bucher, Confignon	6
Fédération jurassienne des Banques Raiffeisen	Christian Spring, Vicques	6
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	17
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	19
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	21

The member banks are the Raiffeisen banks and the branches of Raiffeisen Switzerland.



- To appoint and dismiss the regulatory audit company for Raiffeisen Switzerland and Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute the resolutions of this body

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the standing committees are set forth in regulations which are summarised on page 69.

Delimitation of powers

The powers exercised by the Board of Directors, its committees, the Chairman of the Executive Board and the Executive Board are specified in detail in the Articles of Association (which are available on the Internet at raiffeisen.ch), the Terms and Conditions of Business and the authority levels of Raiffeisen Switzerland.

Information and controlling tools

The Board of Directors is kept informed of the activities of Raiffeisen Switzerland's Executive Board in a number of ways. The Chairman of the Board of Directors and the Head of Internal Auditing attend selected meetings of the Executive Board. The Executive Board is also required to update the Board of Directors regularly on the financial, earnings and risk situation, and on the latest developments and any unusual events at the Raiffeisen Group.

Risk management and compliance

Risk management and compliance are described in detail in the "Risk policy and risk control" section of the management report.

Internal Auditing

Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It reviews compliance with requirements set out in laws, regulations and the Articles of Association as well as the proper functioning of the

operational structure, the information flow, accounting and IT. Dr Daniel Dal Santo has been the Head of Internal Auditing since October 2015. He reports directly to the Audit and Risk Committee of the Board of Directors.

Executive Board of Raiffeisen Switzerland

The Executive Board is responsible for the operational management of the Raiffeisen Group. In particular, this involves identifying influences and changes that have a bearing on the Raiffeisen Group's environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, the Executive Board is charged with execution of the resolutions passed by higher bodies, with the competent, secure, forward-looking and profit-oriented management of the Group, with financial and human resources organisation and with the implementation of risk policy.

The Executive Board consists of the Chairman and seven other members. Meetings are normally held once every two weeks, led by the Chairman. The Executive Board has the power to pass resolutions if a majority of its members or their deputies are present. The Board passes most resolutions by consensus. If agreement cannot be reached, resolutions are passed by a simple majority, with the Chairman having the tie-breaking vote. Resolutions are minuted.

The Extended Executive Board consists of the Executive Board plus four more members: the Head of Group Risk Controlling, the Head of Legal & Compliance, the Head of Human Resources Management and the General Secretary. It meets roughly every two months, and is responsible in particular for implementing strategy, acting as a risk committee, budgeting and budget control, defining application architecture, project management and making key personnel decisions.

Raiffeisen Switzerland business processes are handled by seven different departments (see organisational chart on pages 70/71).

The Members of the Executive Board and of the Extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland. The Chairman, three Members of the Executive Board and three Members of the Extended Executive Board were re-elected in the 2015 financial year.

Group management coordination

Meetings have been held every two months since May 2015 in order to drive strategic coordination and consultation within the Group. They are attended by the Chairman of the Executive Board, the Deputy Chairman of the Executive Board and the Head of the Finance Department of Raiffeisen Switzerland as well as the CEOs of Notenstein La Roche Private Bank Ltd, Vescore Ltd and ARIZON Sourcing Ltd.

Sustainability management by the Executive Board

The Executive Board is responsible for the sustainability strategy of Raiffeisen Switzerland. The execution of the sustainability strategy is the responsibility of the Head of the Services Department. Sustainability was further entrenched throughout the Group in the period under review. Long-range goals, annual objectives and implementing measures were defined. CSR Management provides regular progress reports on the sustainability measures at management meetings in individual departments. The sustainability strategy is concentrated in four key areas: responsibility in the core business (private clients, corporate clients and affluent clients/wealth advisory), responsibility as an employer, responsibility in banking operations and responsibility to society.





Management contracts

There are no management contracts with third parties at Raiffeisen.

Auditor for the purposes of the Swiss Code of Obligations

Since the 2007 financial year, Pricewaterhouse-Coopers Ltd has been the auditor under the Swiss Code of Obligations for the whole Raiffeisen Group. It is appointed by the delegates for a term of three years. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Members of the Board of Directors

			
Prof. Dr Johannes Rüegg-Stürm	Philippe Moeschinger	Rita Fuhrer	Angelo Jelmini
<ul style="list-style-type: none"> Chairman of the Board of Directors Chairman of the Strategy and Finance Committee Member of the Nomination and Remuneration Committee 	<ul style="list-style-type: none"> Deputy Chairman of the Board of Directors Chairman of the Nomination and Remuneration Committee 	<ul style="list-style-type: none"> Member of the Board of Directors Member of the Nomination and Remuneration Committee 	<ul style="list-style-type: none"> Member of the Board of Directors Member of the Nomination and Remuneration Committee
Born in 1961	Born in 1960	Born in 1953	Born in 1955
Place of residence St.Gallen	Place of residence Thônex GE	Place of residence Auslikon ZH	Place of residence Lugano-Pregassona TI
Joined 2008	Joined 2008	Joined 2010	Joined 2011
Elected until 2016	Elected until 2016	Elected until 2016	Elected until 2016
Occupation Professor of Organisation Studies at the University of St.Gallen (HSG) Director of the Institute for Systemic Management and Public Governance (IMP-HSG)	Occupation Director General of Comptoir Immobilier SA	Occupation Former cantonal government representative	Occupation City Council Member of the City of Lugano; Head of the Spatial Development Department; co-owner of notary and lawyer's office Sulser Jelmini Padlina e Partner in Lugano and Mendrisio
Significant directorships <ul style="list-style-type: none"> Member of the Executive Board of the Institute for Legal Studies and Legal Practice at the University of St.Gallen (IRP-HSG) Member of the Executive Board of the Institute for Technology Management at the University of St.Gallen (ITEM-HSG) Member of the Executive Board of the Institute of Business Education and Educational Management at the University of St.Gallen (IWP-HSG) Chairman of the Raiffeisen Centenary Foundation 	Significant directorships <ul style="list-style-type: none"> Member of the BoD of Courtiers Partenaires SA Member of the BoD of Comptoir Immobilier SA Member of the BoD of Gendre & Emonet SA Committee Member of SVIT Romandie Chairman of the BoD of Banque Raiffeisen d'Arve et Lac Member of the Fédération genevoise des Banques Raiffeisen 	Significant directorships <ul style="list-style-type: none"> Member of the BoD of Jucker Farmart, Seegräben Member of the BoD of Balgrist Campus Ltd Chairwoman of Trägerverein Uniklinik Balgrist Chairwoman of the Foundation Council of the Museum and Historical Material of the Air Force Chairwoman of the Foundation Council of the Foundation to Preserve and Promote Traditional Crafts Chairwoman of the Züri Oberland Local Crafts Cooperative Member of the Foundation Council of the Viventis Foundation 	Significant directorships <ul style="list-style-type: none"> Board Member, Schweizerische Vereinigung für Landesplanung, Ticino Section (VLP-ASPAN-TI) Various board of director memberships Chairman of the BoD, Raiffeisenbank Lugano



Anne-Claude Luisier

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

Born in 1967

Place of residence Ayent VS

Joined 2010

Resigned as of 31.12.2015

Occupation

Founder and Director Senso Creativ Sàrl, Director of Fondation Senso5

Significant directorships

- Member of the comité ASA Valais
- Member of the Fédération Banques Raiffeisen du Valais romand



Daniel Lüscher*

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

Born in 1961

Place of residence Herznach AG

Joined 2008

Elected until 2016

Occupation

Chairman of the Executive Board of Raiffeisenbank Aarau-Lenzburg

Significant directorships

- Chairman of the Swiss Excellence Forum, Sursee



Olivier Roussy

- Member of the Board of Directors
- Member of the Audit and Risk Committee

Born in 1964

Place of residence Yverdon-les-Bains (VD)

Joined 2014

Elected until 2016

Occupation

Founder and manager of Major Invest SA, Vermögensverwaltung/Finanz Consulting, Yverdon-les-Bains

Significant directorships

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



Urs Schneider

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

Born in 1958

Place of residence Amlikon-Bissegg TG

Joined 2008

Elected until 2016

Occupation

Deputy Director and Member of the Management Board of the Swiss Farmers' Union

Significant directorships

- Member of the BoD of Agrimmo AG, Berne
- Member of the BoD of Schweiz. Agrarmedien and "Agri" (agricult. publication in French-speaking Switzerland), Berne and Lausanne
- Member of the BoD of Grünes Zentrum AG, Weinfelden
- Chairman of Agro-Marketing Suisse, Berne
- Member of the Management Board of the Swiss Farmers' Guarantee Cooperative, Brugg
- Member of the Foundation Board of the Foundation for Sustainable Nutrition by the Swiss Agricultural Industry, Brugg
- Member of the Foundation Board of the Employee Benefits Foundation of the Swiss Farmers' Association, Brugg
- Chairman of the Thurgauer Verband der Raiffeisenbanken
- Member of the BoD of Raiffeisenbank Mittelthurgau, Weinfelden

**Prof. Dr. Franco Taisch**

- Member of the Board of Directors
- Member of the Audit and Risk Committee

Born in 1959**Place of residence** Neuheim ZG**Joined** 2008**Elected until** 2016**Occupation**

Chairman and founding partner of kreisquadrat gmbh, the decision network; Owner of taischconsulting, leadership and law; Chairman of the Directorate at the IFU|BLI Business Law Institute and Professor of Commercial Law at the University of Lucerne

Significant directorships

- Founding partner and Chairman of the BoD of HealthBank, a global health cooperative, Geneva
- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Co-owner and Member of the BoD of Clinica Alpina SA, Scuol
- Executive Board Delegate of IG Genossenschaftsunternehmen, Lucerne
- Member of the Foundation Board of KMU Next, Berne
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug

**Lic. iur. Edgar Wohlhauser**

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

Born in 1961**Place of residence** Arth SZ**Joined** 2006**Elected until** 2016**Occupation**

Partner at BDO Ltd, Zurich

Significant directorships

- Member of the BoD of Wertim AG, Altdorf
- Member of the Pension Commission of Kaderkasse Gemini

**Werner Zollinger**

- Member of the Board of Directors
- Member of the Audit and Risk Committee

Born in 1958**Place of residence** Männedorf ZH**Joined** 2006**Elected until** 2016**Occupation**

Chairman of the Board of Directors and owner of ProjectGo AG, Zug

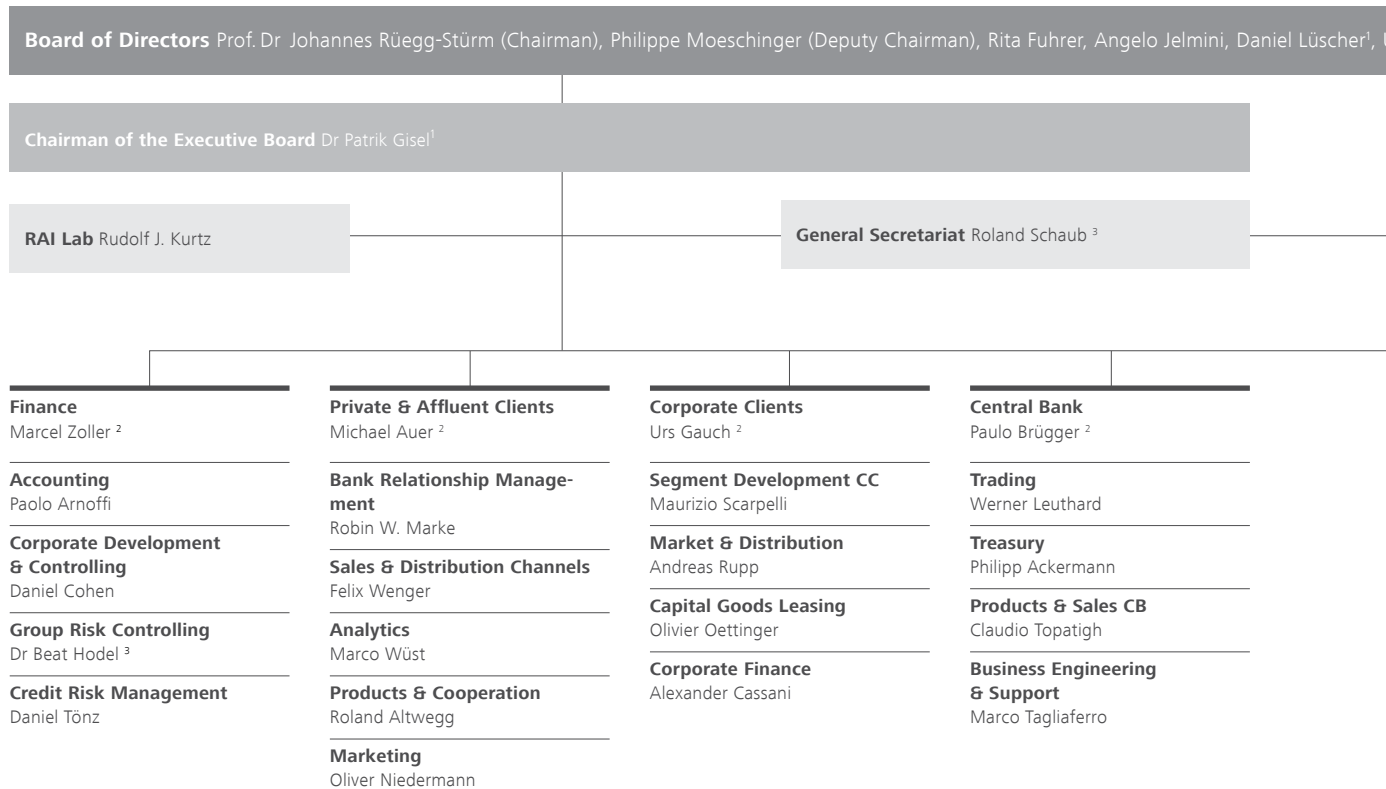
Significant directorships

- Chairman of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf
- Chairman of the Raiffeisen Regionalverband Zürich/Schaffhausen

Committees of the Board of Directors

Committee	Members	Duties
Strategy and Finance Committee	<ul style="list-style-type: none"> ■ Prof. Dr Johannes Rüegg-Stürm (Chairman) ■ Daniel Lüscher ■ Urs Schneider 	<ul style="list-style-type: none"> ■ Dealing with tasks assigned by the Board of Directors and general support for the Board of Directors in performing its duties and responsibilities ■ Monitoring strategically relevant developments, opportunities and challenges for the environment and the Raiffeisen Group ■ Preparing strategic initiatives in the Board of Directors and supervising their realisation (responsible for content) ■ Arranging and supervising the strategy work of the Raiffeisen Group (responsible for processes) ■ Providing the Board of Directors with strategic risk assessments ■ Ensuring good corporate governance at the Raiffeisen Group ■ Passing resolutions on participations, investments, contractual obligations, expenditure and loans, to the extent that authority over these matters is assigned to the Committee
Audit and Risk Committee	<ul style="list-style-type: none"> ■ Lic. iur. Edgar Wohlhauser (Chairman) ■ Olivier Roussy ■ Prof. Dr Franco Taisch ■ Werner Zollinger 	<ul style="list-style-type: none"> ■ Analysis of the annual accounts, specifically amendment of accounting principles and valuation of balance sheet items ■ Deciding on measures to approve or withdraw a temporary exemption if a BoD limit has been exceeded ■ Supporting and monitoring the work of the auditor and Internal Auditing, as well as cooperation between the two ■ Approving the annually budgeted auditor's fee ■ Monitoring and assessing the effectiveness and appropriateness of the internal control system ■ Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice (compliance) ■ Analysis of the risk situation of Raiffeisen Switzerland and the Group, as well as monitoring and assessing measures to record, manage and control risks ■ Monitoring compliance with the financing plan ■ Preparing for the election of the regulatory audit company and the auditor for the purposes of the Swiss Code of Obligations and presenting the results to the Board of Directors ■ Preparing for the appointment of the Head of Internal Auditing and presenting the results to the Board of Directors
Nomination and Remuneration Committee	<ul style="list-style-type: none"> ■ Philippe Moeschinger (Chairman) ■ Rita Fuhrer ■ Angelo Jelmini ■ Prof. Dr Johannes Rüegg-Stürm 	<ul style="list-style-type: none"> ■ Preparing for elections and presenting the results to the Board of Directors ■ Analysing trends and developments in the human resources market ■ Developing a strategically sound staff development and succession plan ■ Preparing all activities relating to employment conditions for executive managers and staff, including, without limitation, remuneration and retirement plans ■ Preparing the remuneration report ■ Setting up rules for employees trading for their own accounts ■ Granting and monitoring loans to executive bodies

Organisational chart of Raiffeisen Switzerland



¹ Dependent in the sense of FINMA Circular 2008/24 paragraphs 20–24

² Member of the Executive Board

³ Member of the Extended Executive Board

This representation depicts the organisation at the time of editing (2 March 2016).

Jrs Schneider, Olivier Roussy, Prof. Dr. Franco Taisch, Lic. iur. Edgar Wohlhauser, Werner Zollinger

Internal Auditing Dr Daniel Dal Santo

Communication & Politics Dr Hilmar Gernet

Branches & Regions

Gabriele Burn ²

French-speaking Switzerland office

Gabriele Burn

Italian-speaking Switzerland office

Romano Massera

St.Gallen branch

Dieter Leopold

Winterthur Branch

Gregor Knoblauch

Basel branch

Daniel Schmid a.i.

Zurich branch

Matthias Läubli

Berne branch

Daniel Schmid

Thalwil branch

Daniel Duca

IT

Rolf Olmesdahl ²

IT Staff Unit

Robert Schleich

Programme Manager

RAINBOW

Hansbeat Loacker

IT Architecture & Overall Conception

Urs Halter

IT Business Systems & Supplier Management

Franco Renda

IT Operations

Christian Lampert

IT Notenstein

Christoph Schwalm

Services

Dr Christian Poerschke ²

Legal & Compliance

Nadja Ceregato ³

Projects

Erwin Keller

Human Resources Management

Michael Federer ³

Training & Development

Daniel Morf

Services

Roger Hellmüller, interim

Service & Support Centre

Frank Langer

Members of the Executive Board

**Dr Patrik Gisel**

Function Chairman of the Executive Board (CEO)

Born in 1962

Place of residence Erlenbach ZH

Joined Executive Board 2000

Significant directorships

- Vice Chairman of the BoD of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich
- Member of the BoD of Helvetia Swiss Insurance Company Ltd, St.Gallen
- Member of the BoD and the Committee of the Swiss Bankers Association, Basel
- Member of the BoD of SIX Group Ltd, Zurich
- Member of the BoD of Ergis AG, Wald (AR)
- Member of the Board of Directors of esisuisse, the Swiss banks' and securities dealers' depositor protection association
- Member of the Board Committee of Unico Banking Group, Brussels
- Member of the Management Board of the Betula Association, Romanshorn
- Lecturer at the University of Zurich
- Chairman of the BoD of Notenstein La Roche Private Bank Ltd, St.Gallen
- Chairman of the BoD of Vescore Ltd, St.Gallen
- Member of the BoD of ARIZON Sourcing Ltd, St.Gallen
- Member of the BoD of Leonteq Ltd, Zurich

**Michael Auer**

Function Head of Private & Affluent Clients Department and Deputy Chairman of the Executive Board

Born in 1964

Place of residence Speicher AR

Joined Executive Board 2008

Significant directorships

- Member of the BoD of Säntis Schwebbahn AG
- Member of the Retail Banking Steering Committee
- Member of the Executive Committee of UNICO Banking Group, Brussels
- Member of the Coordination Domestic Banks
- Member of the Foundation Board of Swiss Museum Pass
- Chairman of the BoD of the Raiffeisen Pension Fund and Raiffeisen Employer Foundation
- Member of the BoD of Notenstein La Roche Private Bank Ltd
- Member of the BoD of Raiffeisen Unternehmerzentrum AG
- Member of the BoD of Vorsorge Partner AG

**Paulo Brügger**

Function Head of Central Bank Department

Born in 1966

Place of residence Zumikon ZH

Joined Executive Board 2007

Significant directorships

- Member of the BoD of responsAbility Participations AG, Zurich
- Member of the BoD of Vescore Ltd, St.Gallen
- Member of the Investment Committee, Raiffeisen Pension Fund

**Gabriele Burn**

Function Head of Branches & Regions Department

Born in 1966

Place of residence Krattigen BE

Joined Executive Board 2008

Significant directorships

- Chair of the Swiss Climate Foundation
- Member of the Advisory Board of Schweizer Berghilfe
- Member of the Foundation Board of KMU Next
- Member of the Management Board of the Zurich Banking Association
- Vice-Chairwoman of the Banking Association of the City of St.Gallen
- Board member of the Green Building Association



Urs P. Gauch

Function Head of Corporate Clients Department

Born in 1960

Place of residence Tafers FR

Joined Executive Board 2015

Significant directorships

- Member of the BoD of FL Metalltechnik AG, Grünen-Sumiswald
- Chairman of the BoD of Raiffeisen Unternehmerzentrum AG
- Member of the BoD of Business Broker AG, Zurich
- Member of the BoD of Business Broker Investment AG, Zurich
- Member of the Supervisory Board of Business Broker AG, Hohentwiel (DE)



Rolf Olmesdahl

Function Head of IT department (CIO)

Born in 1963

Place of residence Cham ZG

Joined Executive Board 2015

Significant directorships

- Chairman of the BoD of ARIZON Sourcing Ltd, St.Gallen



Dr Christian Poerschke

Function Head of Services Department

Born in 1974

Place of residence Speicher AR

Joined Executive Board 2015

Significant directorships

- Member of the Foundation Board of the Swiss Finance Institute



Marcel Zoller

Function Head of Finance Department (CFO)

Born in 1957

Place of residence Goldach SG

Joined Executive Board 2008

Significant directorships

- Chairman of the BoD of Jagd & Natur Medien AG
- Member of the Management Board and member of the Finance and Audit Committee and of the Strategy Committee of the Valida Foundation, St.Gallen
- Chairman of the BoD of TCMG Asset Management AG, Zollikon
- Member of the BoD of Investnet Holding AG
- Member of the BoD of Investnet AG
- Member of the BoD of KMU Capital AG

Members of the Extended Executive Board

**Nadja Ceregato**

Function Head of Legal & Compliance

Born in 1969

Place of residence Teufen AR

Joined Extended Executive Board 2015

Significant directorships

- Member of the Legal and Compliance Commission of the Swiss Bankers Association

**Michael Federer**

Function Head of Human Resources Management

Born in 1972

Place of residence Teufen AR

Joined Extended Executive Board 2015

Significant directorships

- Member of the BoD of the Employers Association of Banks in Switzerland
- Member of the HR Committee of UNICO Banking Group, Brussels
- Member of the Educational Advisory Board of the City of St.Gallen
- Advisory Board Member of the Raiffeisen Pension Fund

**Dr Beat Hodel**

Function Head of Group Risk Controlling (CRO)

Born in 1959

Place of residence Bäch SZ

Joined Extended Executive Board 2005

Significant directorships

No significant directorships

**Roland Schaub**

Function General Secretary

Born in 1966

Place of residence Teufen AR

Joined Extended Executive Board 2015

Significant directorships

No significant directorships

Information on qualifications and occupational background is given on raiffeisen.ch.

REMUNERATION REPORT

Raiffeisen Group

A competitive compensation system plays a key role in successfully positioning Raiffeisen as an attractive employer. The remuneration system is designed to attract skilled workers and retain talented employees. Outstanding achievements are acknowledged and every individual's performance is rewarded. This is essential in order to achieve long-term strategic targets.

Raiffeisen's remuneration system satisfies the key criteria from laws, rules and regulations, including, without limitation, the regulations from Circular 10/1 "Remuneration schemes" of the Swiss Financial Market Supervisory Authority (FINMA), which apply for Raiffeisen Switzerland. The Circular defines minimum standards for the design, implementation and disclosure of remuneration schemes in financial institutions.

Independent remuneration system

Raiffeisen's cooperative model is geared towards long-term enterprise growth. Profits are not distributed as dividends but rather retained to strengthen the equity capital base. There are therefore no misguided incentives to take excessive risks in pursuit of above-average profits. Raiffeisen's low risk profile is reflected in the risk policy stipulated by the Board of Directors and in its credit limit system, as well as its limited trading activities and extremely modest value adjustments.

The low risk profile, stable earnings and cooperative tradition are the reasons why an independent remuneration system was established. This scheme involves, among other things, remuneration caps for all groups of risk-takers, limits on variable remuneration components and all remuneration in non-deferred cash. Raiffeisen believes that, given its specific situation, it makes more sense to institute caps than to defer part of the variable remuneration. This decision was largely based on the low risk profile and consistently stable earnings generated with Raiffeisen's business model. Moreover,

absolute caps are clear, transparent and easy to manage. This satisfies one of the key principles of FINMA Circular 10/1.

Raiffeisen's remuneration policy aims for constancy; the remuneration system rewards stable returns and sustained success.

Management pensions cover senior management staff at Raiffeisen Switzerland and the Raiffeisen banks. The intention is to allow senior management staff to retire early at 62, ideally with the same benefits they would have received if they had retired at the normal retirement age of 65. The pensions are funded by employee contributions that are matched 1:1 by the employer.

The remuneration system regulates the remuneration paid to members of the Board of Directors, the Executive Board and the Extended Executive Board in detail and lays out basic principles for the total remuneration paid to all Raiffeisen Switzerland employees. Raiffeisen Switzerland also issues recommendations to Raiffeisen banks.

Handling risk-takers separately

The Board of Directors has identified another group of risk-takers other than the eight members of the Executive Board and the four members of the Extended Executed Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Despite quite modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk-takers at the Central Bank department are identified every year before the remuneration process begins, are reported by the Head of Central Bank to the Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland with the object of determining the total variable remuneration pool.

In 2015, this group consisted of 53 people (not counting members of the Executive Board or Extended Executive Board).

Compliance with equal pay

Raiffeisen's remuneration policy aims to provide equal pay for equal work. An analysis conducted at Raiffeisen Switzerland in 2014 by an independent partner found that Raiffeisen Switzerland pays equal wages and that the wage difference is considerably lower than the tolerance level accepted by the Swiss Federal Office for Gender Equality. This analysis is conducted regularly. The next review of the data is scheduled for the spring of 2017.

Total remuneration and total variable remuneration

The Raiffeisen Group paid CHF 1,056,807,953 in total remuneration (including the Raiffeisen banks and consolidated companies) in the current year. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 122,742,581. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	2015	Prior year
Total Raiffeisen Group remuneration	1,056,807,953	1,003,615,496
of which total Raiffeisen Group variable remuneration pool	122,742,581	107,455,667

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration

For all employees (including Executive Board members, Extended Executive Board members and the Head of Internal Auditing), remuneration comprises the following components:

- Fixed remuneration in line with the market: Every employee has an individual contractual salary. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.
- Moderate variable remuneration: Bonuses are paid based on the Group's sustained success and individual employee performance reviews. These may be granted for all functions, including controlling functions. The Board of Directors does not receive variable remuneration. All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits: Fringe benefits are granted within the framework of applicable regulations, directives and industry standards.

Determining fixed remuneration for the Board of Directors and the Executive Board (including the Extended Executive Board)

The members of the Raiffeisen Switzerland Board of Directors receive remuneration commensurate with their respective responsibilities and time commitment. Additionally, members belonging to a committee, heading a committee or presiding over the Board of Directors receive higher pay.

Fixed remuneration for Executive Board members, Extended Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority. Fixed remuneration (excluding employee and employer contributions to pension plans and so-

cial insurance) is capped at a maximum of CHF 1,200,000.

Determining the total variable remuneration pool

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

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

Role of controlling functions

In the course of the remuneration process, the Chief Risk Officer assesses the risk situation and the Head of Legal & Compliance assesses compliance performance based on risk and compliance reports from the past twelve months. These assessments, which expressly include the risk categories credit, market, liquidity and operational risks, are then consulted when determining the total variable remuneration pool. The measures of risk that are used include value at risk, limit utilisation parameters and audit findings (development and degree of completion). All the measures of risk that are used are supplemented by a qualitative assessment of the responsible controlling functions. As a result, an evaluation of all major risk categories is included in the remuneration process.

By approving the risk and compliance report, the Board of Directors is informed regularly and comprehensively about risk development in line with Raiffeisen's risk profile, making risk awareness of all parties involved much more acute. Risk classes that are not explicitly mentioned (legal, compliance and reputational risk) are covered in evaluations of operational risks and, in some instances, addressed qualitatively through separate reports (e.g. compliance reporting). Reputational risk, in particular, is

viewed as a consequential risk that always results from the possible occurrence of another risk. As a result, the management of reputation risk must concentrate on the original risk and its consequences. Damage to reputation and/or violation of compliance or the law is a parameter that is included in the assessment of the extent of damage due to the original risk. As part of mitigation, appropriate management strategies are defined that primarily target the original risk and – to some extent – also address the resulting damage.

Allocation of variable remuneration

The Board of Directors does not receive variable remuneration. The Board of Directors decides on the allocation of variable remuneration to Executive Board members, Extended Executive Board members and the Head of Internal Auditing.

Variable remuneration paid to Executive Board members, Extended Executive Board members and the Head of Internal Auditing (excluding employee and employer contributions to pension plans and social insurance) may in no case exceed two-thirds of the individual member's fixed remuneration. The following criteria apply to the individual allocation of variable remuneration to Executive Board members, Extended Executive Board members and the Head of Internal Auditing:

- Achievement of individual targets
- Relative profitability of the Raiffeisen Group over time compared to the market
- Progress in strategic initiatives and projects
- Changes in risk assumed

The Executive Board allocates variable remuneration individually for named Central Bank employees with access to the market and trading opportunities (the so-called risk-takers). This allocation is based on the performance achieved by the Central Bank while taking into account the risks that were taken. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allo-

cation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-term success by taking excessive risks. Serious rule violations can lead to a reduction in, or loss of, variable remuneration. Raiffeisen positions itself as an attractive employer by allowing personnel to accrue pension credits in the Raiffeisen Pension Fund on variable remuneration paid out in excess of CHF 3,000.

The remuneration structure is designed so that the variable remuneration paid to controlling functions in no way depends on the risks they monitor and, given its amount, should largely be qualified as bonuses (under civil law).

Governance

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

- Outlining the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for Raiffeisen banks.
- Approving the annual remuneration report submitted to the Board by the Nomination and Remuneration Committee.
- Reviewing remuneration policy on a regular basis and whenever there are indications that reviews or revisions may be necessary.
- Having the structure and implementation of its remuneration policy checked annually by external auditors or Internal Auditing.
- Determining the amount of the total variable remuneration pool each year
- Defining fixed and variable remuneration components for Executive Board members, Extended Executive Board members and the Head of Internal Auditing, including pension plan contributions.

The Nomination and Remuneration Committee is responsible for implementing regulations issued by the Board of Directors; it deals with remuneration topics in four meetings each year. The chapter "Governance bodies of Raiffeisen

Switzerland" describes the composition and main responsibilities of the Nomination and Remuneration Committee.

Compensation 2015

Total remuneration

In the current year, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 252,225,823. Accrued remuneration expenses (both fixed and variable) for the current year have been recorded in full as personnel expenditure. There are no remuneration expenses from earlier reporting years affecting profit and loss.

In the current year, the Board of Directors approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 43,641,479 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form.

The total variable remuneration pool benefited 1,870 individuals (previous year: 1,911 individuals) at Raiffeisen Switzerland.

Board of Directors

The members of the Raiffeisen Switzerland Board of Directors in office in 2015 received remuneration totalling CHF 1,799,650 for the current year, including all allowances and at-

tendance fees. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 480,200. Board of Directors members receive no variable remuneration in the form of a profit-sharing element. In addition, the total social insurance contributions for the Board of Directors members amounted to CHF 390,431. Neither joining nor termination payments were made to Board of Directors members in the current year.

Members of the Executive Board (including members of the Extended Executive Board and the Head of Internal Auditing)

Total remuneration paid to Executive Board members, Extended Executive Board members and the Head of Internal Auditing of Raiffeisen Switzerland for the current year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 11,080,690. Of this, CHF 1,536,080 was paid to Dr Patrik Gisel, CEO of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. Employee and employer contributions to pension plans and social insurance for Executive Board members, Extended Executive Board members and the Head of Internal Auditing totalled an additional CHF 5,899,524. CHF 643,131 of this amount was paid for Dr Patrik Gisel, CEO of Raiffeisen Switzerland, of which

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	252,225,823	208,584,344	43,641,479
Income statement-related debits and credits in the current year for earlier reporting years	0	0	0
Total remuneration paid to Executive Board members and Extended Executive Board members* (excluding employee and employer contributions to pension plans and social insurance)	12,840,799	7,638,002	5,202,796
Total remuneration paid to other risk-takers* (excluding Executive Board members)	(11,080,690)	(6,591,050)	(4,489,641)
	13,541,981	7,932,981	5,609,000

* Excluding employer pension plan and social insurance contributions

CHF 104,480 consisted of a contribution to the regular management pension plan as set out in the pension regulations. Fixed remuneration includes business-related Board of Directors fees for Executive Board members. The Extended Executive Board consists of four members. Three were appointed on 1 October 2015.

Loans granted to members of the Executive Board and the Extended Executive Board are disclosed in note 17 in the annual report. Loans to members of the Executive Board are approved by the Nomination and Remuneration Committee. The bank's Executive Board enjoys preferential terms standard for the industry, as do other personnel. In the current year, no joining or severance payments were made to Executive Board members, Extended Executive Board members or any other risk-takers.

Raiffeisen banks

Raiffeisen banks are not subject to the stipulations outlined in the FINMA 10/1 "Remuneration Systems" circular. However, the Raiffeisen Switzerland Board of Directors recommends that the Raiffeisen banks orient their respective local remuneration systems to the recommendations made by Raiffeisen Switzerland.

Raiffeisen Switzerland advises

Raiffeisen banks

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

- Remuneration for all employees of the Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, as in the Raiffeisen Switzerland model.
- The risk profile of the Raiffeisen banks and their balanced business model allow all remuneration (both fixed and variable) to be

provided in the form of non-deferred cash payments.

- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the militia system with roots in local business – decides on the total sum of the variable remuneration, as well as on the individual allocation of the variable remuneration to the members and Chairman of the Executive Board.
- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so does not significantly increase remuneration.

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

Other Group companies

The applicability criteria of FINMA Circular 10/1 "Remuneration schemes" do not apply to the other companies. For this reason, the other consolidated companies – like the Raiffeisen banks – are not subject to the stipulations outlined in FINMA Circular 10/1 "Remuneration schemes". They have their own remuneration systems that are aligned with their needs.

RIGHTS OF CODETERMINATION

Cooperative members have rights of codetermination at two levels: on the level of the Raiffeisen banks and on the level of Raiffeisen Switzerland.

Raiffeisen banks

Article 7 of the Articles of Association provides that cooperative members may be individuals or legal entities.

Limit on voting rights and powers of representation

Each cooperative member has one vote, irrespective of the number of share certificates they hold. A member can nominate another member, their spouse or a descendant to represent them. No proxy may represent more than one member, and they require written authorisation. Representatives of limited partnerships, collective associations or legal entities also require written authorisation.

Voting regulations

The General Meetings pass their resolutions and conduct their elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote held. If this too is tied, the motion will be rejected.

Calling of a General Meeting and the agenda

The Raiffeisen bank Board of Directors, or – if necessary – the auditor for the purposes of the Swiss Code of Obligations, calls the General Meeting a minimum of five days in advance. The invitation must be personally addressed in writing to the members and include the agenda. The annual report and balance sheet must be made available in client areas at the same time.

Delegate Meeting and secret ballot

If the bank has more than 500 members, the General Meeting may decide by three-quarters majority of the votes cast to transfer its powers to a Delegate Meeting or to move to paper voting (secret ballot).

Raiffeisen Switzerland

The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates for the Delegate Meeting, which is the highest body of Raiffeisen Switzerland (for its composition, see "Raiffeisen Switzerland Delegate Meeting"). This selection is made through the regional unions.

Limit on voting rights and powers of representation

Under Article 26 of the Articles of Association of Raiffeisen Switzerland, each delegate to the Delegate Meeting has one vote. Delegates may only be represented by an elected substitute delegate.

Voting regulations

The Delegate Meeting passes its resolutions and conducts its elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter will be debated further and a second vote held. If not enough candidates receive an absolute majority in an election, there is then a second round of voting in which a relative majority is sufficient. A resolution to amend the Articles of Association requires a two-thirds majority of the votes cast.

Calling of a Delegate Meeting and the agenda

The following points must be observed when calling an Ordinary Delegate Meeting:

- Five months prior to the meeting: The date, location and time of the meeting and the dates of all stages in the procedure must be announced.

- Twelve weeks before the meeting: Applications to add items to the agenda must be submitted.
- Four weeks before the meeting: The agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out.

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

The cooperative members are also the co-owners of their Raiffeisen bank, in equal shares. They must hold at least one share certificate. If so resolved by the Board of Directors of the respective Raiffeisen bank, members can also subscribe for more than one share certificate, but only up to 10% of the cooperative capital or CHF 20,000 per Raiffeisen bank. Members have only one vote regardless of the number of shares they hold. This limit means that statutory regulations on obligatory offers for sale and change of control clauses are not relevant to the Raiffeisen Group.

AUDITORS

Raiffeisen banks

PricewaterhouseCoopers Ltd has been the regulatory audit company of the individual Raiffeisen banks since June 2005. It is supported by Raiffeisen Switzerland's Internal Auditing Department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies

PricewaterhouseCoopers Ltd is also the regulatory audit company for Raiffeisen Switzerland, Notenstein La Roche Private Bank Ltd, TCMG Asset Management AG, Vescore Ltd, Vescore Fondsleitung Ltd, Vescore (Germany) GmbH, Vescore Indices GmbH, CEAMS Holding AG, 1741 Fund Management Ltd, KMU Capital AG, Investnet AG, Investnet Holding AG, Raiffeisen Unternehmerzentrum AG, ARIZON Sourcing Ltd and RAINetworks Pte. Ltd.

Raiffeisen Group

PricewaterhouseCoopers Ltd, St.Gallen, is also responsible for auditing the consolidated accounts. Beat Ritsche has been the lead auditor since 2012 and is responsible for the mandate.

Audit fees

The fees of the auditing firms amount to CHF 13.0 million for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law, and CHF 0.2 million for other consulting services.

Information tools available to the regulatory audit company

The risk assessment, the audit plan derived from it, and the auditors' reports are examined by the Audit and Risk Committee and discussed with the lead auditor.

Supervision and control of the external auditor

The auditor PricewaterhouseCoopers Ltd fulfils the requirements of the Swiss Federal Banking Act and is licensed by FINMA to audit banking institutions. Each year, the Audit and Risk Committee assesses the performance, remuneration and independence of the external auditor and ensures cooperation with the Internal Auditing department.

COMMUNICATION AND POLITICS

The latest changes, developments and special events are published through a range of communication channels, in good time and in a manner that suits the target groups in question. The publications and press releases are available online (raiffeisen.ch/medien).

Cooperative members also receive appropriate, direct and comprehensive information from the Raiffeisen banks at the General Meeting, at client events and through the client magazine PANORAMA, which is published at regular intervals throughout the year.

Raiffeisen is involved in various bodies in the Swiss business and banking sector. In the Swiss

Bankers Association (SBA), for example, it has representatives on the Board of Directors, the Board of Directors Committee and in various steering committees, commissions and working groups. In Coordination Domestic Banks (CDB), which Raiffeisen established along with the Association of Swiss Cantonal Banks, it works together with Migros Bank, esprit Netzwerk and RBA-Holding to protect the interests of domestic banks. In 2012, the CDB initiated the creation of the Parliamentary Group of Domestic Banks (PGDB), with Raiffeisen as its secretary. The PGDB's mission is to ensure that financial market regulations take domestic banks' needs into account more. In 2015, the PGDB focused on the bills for the Federal Financial Services Act (FinSA) and the Financial Institutions Act (FinIA).

As in previous years, Raiffeisen made a financial contribution to supporting the Swiss political system in the current year and donated a total of CHF 246,000 to the parties represented in the Swiss Federal Assembly. This amount is split equally between the two chambers. The parties receive CHF 615 for each seat in the National Council and CHF 2,674 for each seat in the Council of States. They may use the donations as they see fit and do not give an account of their spending to Raiffeisen.

DISCLOSURE OBLIGATIONS (CAPITAL ADEQUACY)

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 1 June 2012 and FINMA Circular 2008/22 entitled "Disclosure obligations regarding capital adequacy within the banking sector". Information on the capital adequacy situation is contained in the "Capital adequacy disclosure" chapter.

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and

quantitative information regarding eligible and required capital, as well as credit, market and operational risks, is available on the Raiffeisen website (raiffeisen.ch).

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. Under FINMA Circular 2008/22, systemically important banks have special quarterly disclosure obligations. Corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available on Raiffeisen's website (raiffeisen.ch).

As part of its capital adequacy reporting under supervisory law, the Raiffeisen Group submits half-yearly reports on its capital adequacy situation to the Swiss National Bank.

Consolidated balance sheet as at 31 December 2015

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid funds	18,907,231	9,218,851	9,688,380	105.1	18
Receivables from banks	3,811,404	5,250,653	-1,439,249	-27.4	11, 18
Amounts due from securities financing transactions	391,404	689,624	-298,220	-43.2	1, 18
Receivables from clients	7,885,116	7,814,965	70,151	0.9	2, 18
Mortgage receivables	158,593,585	150,730,695	7,862,890	5.2	2, 11, 18
Trading portfolio assets	2,115,027	2,194,572	-79,545	-3.6	3, 18
Positive replacement values of derivative financial instruments	1,795,296	1,809,606	-14,310	-0.8	4, 18
Financial assets	6,877,419	6,032,297	845,122	14.0	5, 11, 18
Accrued income and prepaid expenses	225,196	217,308	7,888	3.6	
Non-consolidated participations	731,891	613,583	118,308	19.3	6, 7
Tangible assets	2,475,780	2,399,505	76,275	3.2	8, 11
Intangible assets	512,757	288,634	224,123	77.6	9
Other assets	1,426,065	1,143,497	282,568	24.7	10
Total assets	205,748,171	188,403,790	17,344,381	9.2	
Total subordinated receivables	65,381	41,387	23,994	58.0	
of which subject to mandatory conversion and/or debt waiver	1,815	–	1,815	–	
Liabilities					
Liabilities to banks	7,803,302	5,450,368	2,352,934	43.2	11, 18
Liabilities from securities financing transactions	4,084,475	1,288,537	2,795,938	217.0	1, 18
Amounts due in respect of customer deposits	150,272,350	141,545,099	8,727,251	6.2	12, 18
Trading portfolio liabilities	105,139	121,490	-16,351	-13.5	3, 18
Negative replacement values of derivative financial instruments	2,397,684	2,296,309	101,375	4.4	12, 4, 18
Liabilities from other financial instruments at fair value	870,029	216,564	653,465	301.7	3, 13, 18
Medium-term notes	1,647,436	2,262,330	-614,894	-27.2	18
Bonds and central mortgage institution loans	23,470,245	21,518,753	1,951,492	9.1	13, 14, 18
Accrued expenses and deferred income	711,202	633,693	77,509	12.2	12
Other liabilities	183,016	159,625	23,391	14.7	10
Provisions	877,574	850,635	26,939	3.2	15
Cooperative capital	1,248,277	747,742	500,535	66.9	16
Retained earnings	11,262,202	10,532,486	729,716	6.9	
Currency translation reserve	11	24	-13	-54.2	
Group profit	807,662	759,354	48,308	6.4	
Total equity capital (without minority interests)	13,318,152	12,039,606	1,278,546	10.6	
Minority interests in equity capital	7,567	20,781	-13,214	-63.6	
– of which minority interests in Group profit	-1,330	1,372	-2,702	-196.9	
Total equity capital (with minority interests)	13,325,719	12,060,387	1,265,332	10.5	
Total liabilities	205,748,171	188,403,790	17,344,381	9.2	
Total subordinated commitments	1,771,822	1,159,158	612,664	52.9	
of which subject to mandatory conversion and/or debt waiver	1,242,828	623,526	619,302	99.3	
Off-balance sheet business					
Contingent liabilities	435,499	412,900	22,599	5.5	2, 20
Irrevocable commitments	7,558,790	6,980,481	578,309	8.3	2
Call commitments and additional funding obligations	105,959	96,677	9,282	9.6	2

Consolidated income statement 2015

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	3,130,499	3,217,780	-87,281	-2.7	25
Interest and dividend income from financial assets	59,707	60,374	-667	-1.1	
Interest expenditure	-1,002,334	-1,144,590	142,256	-12.4	25
Gross result from interest operations	2,187,872	2,133,564	54,308	2.5	
Changes in value adjustments for default risks and losses from interest operations	-11,121	1,724	-12,845	-745.1	15
Net result from interest operations	2,176,751	2,135,288	41,463	1.9	
Commission income securities and investment business	357,014	325,064	31,950	9.8	
Commission income lending business	18,012	15,662	2,350	15.0	
Commission income other service transactions	203,829	197,405	6,424	3.3	
Commission expenditure	-116,170	-109,120	-7,050	6.5	
Net income from commission business and service transactions	462,685	429,011	33,674	7.8	22
Result from trading activities and the fair value option	209,334	157,767	51,567	32.7	23
Income from sale of financial assets	20,175	5,574	14,601	261.9	
Income from participating interests	80,367	63,688	16,679	26.2	24
Income from real estate	18,655	20,360	-1,705	-8.4	
Other ordinary income	59,637	22,006	37,631	171.0	
Other ordinary expenditure	-11,726	-4,910	-6,816	138.8	
Other ordinary profit	167,108	106,718	60,390	56.6	
Personnel expenditure	-1,329,796	-1,265,112	-64,684	5.1	26
Operating expenditure	-557,649	-500,140	-57,509	11.5	27
Operating expenditure	-1,887,445	-1,765,252	-122,193	6.9	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-181,256	-163,826	-17,430	10.6	6, 8, 9
Changes to provisions and other value adjustments, and losses	-3,806	-8,686	4,880	-56.2	15
Operating result	943,371	891,020	52,351	5.9	
Extraordinary income	66,947	50,867	16,080	31.6	28
Extraordinary expenditure	-3,294	-4,431	1,137	-25.7	28
Taxes	-200,692	-176,730	-23,962	13.6	29
Group profit (including minority interests)	806,332	760,726	45,606	6.0	
Minority interests in Group profit	-1,330	1,372	-2,702	-196.9	
Group profit	807,662	759,354	48,308	6.4	

Cash flow statement 2015

	Origin of funds for current year in 1,000 CHF	Use of funds for current year in 1,000 CHF	Origin of funds for previous year in 1,000 CHF	Use of funds for previous year in 1,000 CHF
Cash flow from operating results (internal financing)				
Group profit	807,662	–	759,354	–
Value adjustments on participations	2,958	–	1,110	–
Depreciation and amortisation of tangible fixed assets and intangible assets	178,298	–	162,716	–
Provisions and other value adjustments	44,548	17,609	41,758	21,397
Change in value adjustments for default risks and losses	67,402	80,398	70,653	86,847
Appreciation on participations	–	25,600	–	29,474
Accrued income and deferred charges	–	7,888	–	7,104
Accrued expenses and deferred income	77,509	–	34,889	–
Interest paid on share certificates for previous year	–	29,477	–	32,070
Balance	1,017,405	–	893,588	–
Cash flow from equity capital transactions				
Change in cooperative capital	526,494	25,959	132,488	21,360
Currency translation differences	–	13	24	–
Minority interests in equity capital	–	13,214	14,253	–
Balance	487,308	–	125,405	–
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	15,008	110,674	225,557	83,755
Real estate	20,157	113,916	24,970	84,046
Software/other tangible fixed assets/objects in finance leasing	1,845	125,412	1,842	86,049
Intangible assets	11,607	272,977	–	89,401
Changes to the consolidated Group	–	161	105	230
Balance	–	574,523	–	91,007
Cash flow from banking activities				
Liabilities to banks	2,352,934	–	558,401	–
Liabilities from securities financing transactions	2,795,938	–	170,104	–
Amounts due in respect of customer deposits	8,727,251	–	6,544,293	–
Trading portfolio liabilities	–	16,351	17,213	–
Negative replacement values of derivative financial instruments	101,375	–	890,370	–
Liabilities from other financial instruments at fair value	653,465	–	216,564	–
Medium-term notes	–	614,894	–	793,476
Bonds	1,134,118	841,626	1,403,581	507,934
Central mortgage institution loans	2,609,900	950,900	3,607,000	917,200
Other liabilities	23,391	–	–	16,388
Receivables from banks	1,439,787	–	894,981	–
Amounts due from securities financing transactions	298,220	–	264,384	–
Receivables from clients	–	66,675	–	150,545
Mortgage receivables	–	7,853,908	–	7,226,130
Trading portfolio assets	79,545	–	–	828,095
Positive replacement values of derivative financial instruments	14,310	–	–	878,751
Financial assets	–	845,122	–	1,429,462
Other assets	–	282,568	–	546,672
Liquid funds	–	9,688,380	–	2,200,224
Balance	–	930,190	–	927,986
Total origin of funds	1,504,713	–	1,018,993	–
Total use of funds	–	1,504,713	–	1,018,993

Statement of changes in equity 2015

	Cooperative capital in 1,000 CHF	Retained earnings in 1,000 CHF	Currency translation differences in 1,000 CHF	Minority interests in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at the beginning of the current year	747,742	10,532,486	24	20,781	759,354	12,060,387
Capital increase	526,494	–	–	–	–	526,494
Capital decrease	-25,959	–	–	–	–	-25,959
Changes in the scope of consolidation	–	–	–	-11,884	–	-11,884
Changes to the consolidated Group	–	-161	–	–	–	-161
Currency translation differences	–	–	-13	–	–	-13
Interest on the cooperative capital	–	–	–	–	-29,477	-29,477
Allocation to voluntary retained earnings reserves	–	729,877	–	–	-729,877	–
Profit	–	–	–	-1,330	807,662	806,332
Equity capital at the end of the current year	1,248,277	11,262,202	11	7,567	807,662	13,325,719

Notes to the consolidated annual accounts

TRADING NAME, LEGAL FORM AND REGISTERED OFFICE

The Raiffeisen Group is a bank group without legal personality. It comprises 292 independent Raiffeisen banks, Raiffeisen Switzerland and the associated subsidiaries.

RISK MANAGEMENT

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

Risk policy

Risk management systems are based on statutory provisions and the regulations governing risk policy for the Raiffeisen Group ("risk policy" for short). The risk policy is reviewed and updated annually. The Raiffeisen Group views entering into risks as one of its core competences, but only with full knowledge of their extent and dynamics and only when the requirements in terms of systems, staff resources and expertise are met. The risk policy aims to limit the negative impact of risks on earnings and protect the Raiffeisen Group from high exceptional losses while preserving and strengthening its good reputation. Group Risk Controlling is responsible for ensuring that the risk policy is observed and enforced. The Compliance unit ensures that regulatory provisions are adhered to.

Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that cannot be reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

Group Risk Controlling, which reports to the Head of the Finance Department, is responsible for the independent monitoring of risk. This primarily involves monitoring compliance with

the limits stipulated by the Board of Directors and the Executive Board. Group Risk Controlling also regularly evaluates the risk situation as part of the reporting process.

Notenstein La Roche Private Bank Ltd conducts risk control activities of its own within defined overall limits that are separate from the risk control activities of the risk-taking units; Raiffeisen Switzerland monitors the risk controls and risk exposure of its subsidiaries and ensures that Raiffeisen Switzerland's Board of Directors receives integrated risk reports that include Notenstein La Roche Private Bank Ltd. Raiffeisen Switzerland is under contract to control risks for Vescore Ltd and ARIZON Sourcing Ltd.

Risk management process

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

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

Raiffeisen Group's risk management systems aim to

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

Credit risks

The business units of the Raiffeisen banks and Raiffeisen Switzerland manage their credit risk autonomously, though still in accordance with Group-wide standards. The standards may be different for Notenstein La Roche Private Bank Ltd, which enters into commitments that are immaterial to the Group's risk situation.

Credit risks are defined in risk policy as the risk of losses caused by clients or other counterparties failing to fulfil or render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivatives. Risks also accrue from taking on long-term equity exposures that may involve losses when the issuer defaults.

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

- Counterparty risks
- Collateral risks
- Concentration risks
- Country risks

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.

Raiffeisen banks are chiefly exposed to counterparty, collateral and concentration risks. The majority of these risks result from loans granted to individuals or corporate clients. Corpo-

rate clients are mainly small companies that operate within the business area of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Articles of Association of Raiffeisen banks stipulate limits for the acceptance of credit risks arising from uncovered transactions; loans over CHF 250,000 must be hedged with Raiffeisen Switzerland.

Like the Raiffeisen banks, the Raiffeisen Switzerland branches primarily incur counterparty, collateral and concentration risks. These branches are part of the Branches & Regions Department and extend credit to private and corporate clients.

In general, the Corporate Clients Department is the instance that grants larger loans to corporate clients. When the credit being increased or newly extended exceeds CHF 50 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment. The assessment focuses on the concentration risk and any change in the value at risk. The Group-wide responsibilities of the Central Bank Department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets and the hedging of currency, interest rate and proprietary trading risks. The Central Bank Department may only conduct international transactions when country-specific limits have been approved and established. In exceptional cases in proprietary trading, positions may be taken in countries with prior approval from the Finance Department. Country risks are constantly and actively managed and are principally concentrated in Europe.

Notenstein La Roche Private Bank Ltd has its own access to the market and manages its banking and country risks as part of the Group's centralised limit management.

Pursuant to the Articles of Association, international positions 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 items, such as derivative financial instruments, are converted to their respective credit equivalent. The Raiffeisen Group has concluded a netting agreement with various counterparties for off-balance sheet receivables (for OTC transactions) and monitors exposure on a net basis.

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

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. Sufficient creditworthiness and the ability to keep up with payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal rating procedures and, on the basis of this classification, monitored from a risk-oriented perspective. The clients' creditworthiness is defined according to a range of 13 risk categories. This system has proved its worth as a means of dealing with the key 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.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process for identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group,

evaluating the portfolio structure and ensuring proper credit portfolio reporting. Evaluating the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics, including category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The responsible executive bodies receive quarterly updates on the development of exceptions to policy. 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.

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

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2015, the Raiffeisen Group had no reportable cluster risks. The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) on 31 December 2015 was CHF 1.3 billion, or 0.8% of loans to clients (previous year: CHF 1.6 billion, or 1.0%).

Market risks

Risk associated with fluctuating interest rates: Given that the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a significant influence on interest income. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the market value of the equity capital. The impact on profitability is assessed using dynamic income simulations.

Variable-rate positions are simulated using a model that replicates historical interest rate fluctuations with money and capital market rates. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. The Treasury of Raiffeisen Switzerland's Central Bank Department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group except for Notenstein La Roche Private Bank Ltd, which accesses the market directly. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors. Group Risk Controlling monitors compliance with limits and prepares associated reports while also assessing the risk situation.

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

The financial assets portfolio is managed by the Treasury of the Central Bank Department of Raiffeisen Switzerland. Financial assets are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities that meet statutory liquidity requirements. Group Risk Controlling monitors the interest rate and foreign currency risks of the financial assets. In addition, Notenstein La Roche Private Bank Ltd has its own financial assets portfolio, which is managed and monitored by the relevant units within the overall limits.

Trading, which is part of the Central Bank Department, is responsible for managing the Central Bank trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. The Central Bank trades in interest rates, currencies, equities and banknotes/ precious metals. It must strictly adhere to the value-at-risk, sensitivity and loss limits set by the Board of Directors and the Executive Board, which Group Risk Controlling monitors on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the profits achieved in trading and

conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is carried out exclusively by experienced traders. They work with both standardised and over-the-counter (OTC) derivatives for Central Bank's own account and for clients.

The Board of Directors of Notenstein La Roche Private Bank Ltd defines the limits for the trading and bank book based on the overall limit assigned by the Board of Directors of Raiffeisen Switzerland. Notenstein La Roche Private Bank Ltd's Treasury is responsible for managing the trading and bank book within the defined limits. Notenstein La Roche Private Bank Ltd's Financial Risk Controlling Department monitors compliance with these limits in its capacity as an independent supervisory body.

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

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

Liquidity

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

Monitoring is based on statutory limits as well as additional limits that are set by the Board of Directors of Raiffeisen Switzerland and based on the above scenario analyses.

Operational risks

At Raiffeisen, operational risks mean the danger of losses arising as a result of the unsuitability or failure of internal procedures, people or systems, or as a result of external events. This includes not only the financial impacts, but also the reputational and compliance consequences.

Operational risk tolerance and appetite is defined using a value-at-risk limit or using risk indicators and specific limits for relevant types of operational risks. Risk tolerance and appetite are approved annually by the Board of Directors (for the value-at-risk limits) and by Raiffeisen Switzerland's Executive Board (for the indicator limits). Group Risk Controlling monitors compliance with risk tolerance and appetite. If one of the defined limits is exceeded, remedial action is defined and taken.

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

The results of the risk assessment, significant internal operational risk events and relevant external events are reported quarterly to both Raiffeisen Switzerland's Executive Board and

Board of Directors. Value-at-risk limit violations are escalated to the Board of Directors, while limit violations are escalated to Raiffeisen Switzerland's Executive Board.

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

Group Risk Controlling monitors the operational risks of Vescore Ltd and ARIZON Sourcing Ltd pursuant to a contract. Notenstein La Roche Private Bank Ltd has its own OpRisk Team. The CRO of Notenstein has a dotted line reporting relationship with the CRO of the Raiffeisen Group.

IT risks

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

Information security

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

Outsourcing

Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen Switzerland securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions Ltd handles the scanning

processes in the paper-based payment system, while printing and shipping of the bank vouchers has been outsourced to Trendcommerce AG. ARIZON Sourcing Ltd, a joint venture of Raiffeisen Switzerland and Avaloq, provides payment and securities operations services for Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd.

In relation to its activities as issuer of structured products, Notenstein La Roche Private Bank Ltd concluded an outsourcing agreement with Leonteq Securities Ltd. When Notenstein investment products are issued, Leonteq Securities Ltd performs duties in connection with the structuring, processing, documentation and distribution of the instruments. Leonteq Securities Ltd also manages the derivative risks and deals with the life-cycle management of the products.

Regulatory provisions

According to the FINMA ruling of 3 September 2010, the Raiffeisen banks are exempted from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

The Swiss Financial Market Supervisory Authority (FINMA) classified the Raiffeisen Group and Raiffeisen Switzerland as systemically important in a ruling issued on 24 June 2015.

Capital adequacy requirements for market risks relating to the trading book

in 1,000 CHF	31.12.15	Ø 2015	31.12.14	Ø 2014
Foreign exchange/precious metals	18,000	18,771	24,265	19,158
Interest rate instruments	125,819	125,202	109,872	111,684
Equities/indices	17,328	20,491	19,724	8,824
Total	161,147	164,464	153,861	139,666

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

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

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

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

- Receivables from banks
- Receivables from clients and mortgage receivables
- Financial assets
- Positive replacement values

Market risks: Standard approach

The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table, "Capital adequacy requirements for market risks relating to the trading book".

Operational risks: Basic indicator approach

METHODS APPLIED TO IDENTIFY DEFAULT RISKS AND TO DETERMINE THE REQUIRED VALUE ADJUSTMENT

Mortgage loans

The property value of owner-occupied residential properties is determined using either the

real value method or a hedonic pricing method. In the hedonic pricing method, the bank uses regional property price information supplied by an external provider. The model is validated by an external specialist on behalf of the bank. The bank uses these valuations to update the property value periodically. In addition, the bank constantly monitors delinquent interest and principal payments in order to identify higher-risk mortgage loans. These loans are then thoroughly reviewed by credit specialists. 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 (also see "Steps involved in determining value adjustments and provisions").

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

Loans against securities

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

Unsecured loans

For unsecured commercial operating loans, the bank asks the client to provide information that can be used to assess the state of the company's finances. This information is requested annually or more frequently if necessary. Audited annual reports and any interim financial state-

ments are requested regularly. This information is evaluated and any increased risks are identified. If the risks are higher, the bank will conduct a detailed assessment and work with the client to define appropriate measures. If the loan commitment is determined to be at risk in this phase, a value adjustment will be recognised.

Steps involved in determining value adjustments and provisions

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

VALUE OF COLLATERAL

Mortgage loans

Every mortgage loan is preceded by a recent valuation of the underlying collateral. The valuation method varies depending on property type and use. The bank values residential properties with a hedonic pricing model together with the real value method. This approach compares the price to property transactions that have similar characteristics as the property being valued. The bank uses the capitalised value method for multi-family units, commercial real estate and special properties. Raiffeisen Switzerland's valuers or external accredited valuers must be involved if the property's collateral value exceeds a certain amount or if the property has special risks. The liquidation value is calculated if the borrower's creditworthiness is poor.

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

Loans against securities

The bank primarily accepts transferable, liquid and actively traded financial instruments (such as bonds and equities) as collateral for Lombard loans and other loans against securities. The

bank also accepts transferable structured products for which there is regular share price information and a market maker.

The bank discounts market values to account for the market risk associated with liquid, marketable securities and to determine the collateral value. The settlement period for structured products and long-tenor products may be considerably longer, and so they are discounted more heavily than liquid instruments. Discounts on life insurance policies or guarantees are dictated by the product.

BUSINESS POLICY ON THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Business policy on the use of derivative financial instruments

Derivative financial instruments are used for trading and hedging purposes.

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

Hedges in the bank book at Raiffeisen Switzerland are created with internal deposits and loans with the trading book; the Treasury does not take out hedges directly in the market. For the most part, the trading book executes offsetting trades with external counterparties for the hedges.

Notenstein La Roche Private Bank Ltd uses derivative financial instruments in risk management mainly for hedging interest and foreign currency risks, but also for hedging market risks assumed in connection with issuing structured products. All hedges are taken out with external counterparties.

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

Use of hedge accounting

The Raiffeisen banks and Notenstein La Roche Private Bank Ltd do not use hedge accounting for financial reporting purposes.

Types of hedged items and hedging instruments

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

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

Composition of the groups of financial instruments

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

Economic connection between hedged items and hedging instruments

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

Effectiveness testing

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

- The hedge is determined to be highly effective at inception and ongoing (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 trade and any gain or loss from the ineffective part is recognised in the income statement.

CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus related ordinance), and the guidelines and directives of the Swiss Financial Market Supervisory Authority (FINMA). The detailed positions shown for a balance sheet item are valued individually. The consolidated annual accounts represent a true and fair view of the Raiffeisen Group's assets, finances and earnings.

Principles of consolidation

General

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

ticipations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidated companies and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of the individual Raiffeisen banks, Raiffeisen Switzerland and major Group companies in which the Group directly or indirectly holds more than 50% of the voting shares. The fully consolidated Group companies and the shareholdings valued according to the equity method are listed in the note "Companies in which the bank holds a permanent direct or indirect significant participation". Minor participations are not listed individually if the Group holds less than 10% of the voting shares and equity capital and its holding is either worth less than CHF 1 million of the equity capital or the book value is less than CHF 10 million.

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

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

Consolidation date

All fully consolidated companies close their annual accounts as at 31 December.

Accounting and valuation principles**Recording of business events**

All business transactions that have been concluded by the balance sheet date are recorded on a same-day basis and valued 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 reported as per the trade date.

Foreign currencies

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

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

Liquid funds, 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 bonds and central mortgage institution loans are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables

These are reported at nominal value less any value adjustments 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. Latent risks are treated as impaired loans. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

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.

Provisions 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 "Receivables from clients" in line with the present-value method.

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

Repurchase and reverse repurchase transactions

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase

transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest.

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

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

Trading business and liabilities from the trading business

The trading business and the liabilities from the trading business are valued and recognised at fair value. Positions for which there is no representative market are valued at the lower of cost or market. Both the gains and losses arising from this valuation and the gains and losses realised during the period in question are reported under "Result from trading activities and the fair value option". This also applies to interest and dividend income on trading portfolios. 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 assets

Fixed-income debt securities and warrant bonds are valued at the lower of cost or market if there is no intention to hold them to maturity. Debt instruments acquired with the intention of holding them to maturity are valued according to the accrual method with the discount or premium accrued over the remaining life. Equity is valued at the lower of cost or market. Real estate and equities acquired through the lending business that are intended for disposal are reported under "Financial

assets" and valued at the lower of cost or market. The "lower of cost or market" refers to the lower of the initial value or the liquidation value. Precious metals held to cover liabilities under precious metal accounts are valued at their market value on the balance sheet date. In cases where fair value cannot be determined, these are valued at the lower of cost or market.

Non-consolidated participations

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

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

Tangible assets

Tangible assets are reported at their purchase costs 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 expenditure. Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are booked directly to the income statement. 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 assets is reviewed as at every balance sheet date whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is recognised in profit or loss under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the useful life of a tangible asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

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

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

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

review, the residual book value is amortised over the new duration.

Provisions

Provisions are recognised on a prudential basis for all risks identified at the balance sheet date that are based on a past event and will probably result in an outflow of resources. Provisions for available overdraft limits are described in the section entitled "Receivables from banks and clients, mortgage receivables".

Reserves for general banking risks

Reserves may be allocated for general banking risks. These reserves are allocated 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.

Taxes

Taxes are calculated and booked on the basis of the profit for the current year. Deferred tax of 19.2% (previous year: 19.1%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

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

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

Derivative financial instruments

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

basis are always recognised in the balance sheet.

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

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

The structured products issued in Guernsey are valued at fair value. These products are carried at market value under "Liabilities from other financial instruments at fair value".

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

Derivative financial instruments used to hedge interest rate risk as part of balance sheet "structural management" are valued in accordance with the accrual method. Interest-related gains and losses arising from 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 securities and investment business".

Changes as against previous year

The Federal Council completely changed the basis of financial reporting for banks by changing the Banking Ordinance as at 30 April 2014. FINMA detailed the new financial reporting requirements in Circular 2015/1 "Accounting – banks ('ARB')". The Raiffeisen Group's annual accounts as at 31 December 2015 are the first accounts to be drawn up under the new financial reporting rules. As a result, the accounting and valuation rules have changed since the previous year as described below.

Change in the balance sheet

Value adjustments for default risks are deducted directly from loans to clients and are no longer shown on the liabilities side under value adjustments and provisions. Repurchase and reverse repurchase transactions (securities financing transactions) are shown under a separate balance sheet item. Before, they were included under receivables from or liabilities to banks or clients. The "Receivables from money market securities" item was eliminated. Corresponding transactions will now be recognised instead under "Receivables from banks", "Receivables from clients" or "financial assets". The replacement values of derivative financial instruments are shown as a separate balance sheet item. Before, they were included under "Other assets" or "Other liabilities". The item "Liabilities from money market securities" was eliminated, and all the corresponding assets are now included in "Bonds and central mortgage institution loans". "Liabilities to clients in the form of savings and investment deposits" and "Other liabilities to clients" are grouped into the new "Liabilities from client deposits" item. This item will now be used to recognise time deposits as well (previously recognised under "Medium-term notes"). Another new item, "Liabilities

from the trading business", contains short positions from the trading business (previously, "Liabilities to banks"). The new item "Liabilities from other financial instruments at fair value" contains the issued structured products valued at fair value. They were previously included in "Liabilities from money market securities" (original maturity of less than one year) or "Bonds and central mortgage institution loans" (original maturity of more than one year). "Receivables and obligations from social security and staff pension plan contributions" are now recognised under "Accrued expenses and deferred income" or "Accrued income and deferred expenses" (previously, "Other assets" or "Other liabilities").

Changes in the income statement

"Interest income" is shown as a gross amount and a net amount. "Net interest income" includes changes in value adjustments for default risks and losses from interest operations. The previous subtotals "Operating income" and "Gross profit" have been eliminated. The new subtotal is simply called "Operating result".

The previous year's numbers in the balance sheet and income statement were restated to conform to the new accounting standards.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2015) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the balance sheet

1 Securities financing transactions (assets and liabilities)

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	391,411	689,717
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	4,084,259	1,148,512
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	3,515,132	1,141,521
with unrestricted right to resell or pledge	3,515,132	1,141,521
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	495,469	822,564
of which repledged securities	108,492	168,425
of which resold securities	105,139	121,490

* before netting agreements

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

	Mortgage cover in 1,000 CHF	Other cover in 1,000 CHF	Without cover in 1,000 CHF	Total in 1,000 CHF
Loans (before netting with value adjustments)				
Loans to clients	2,341,381	1,061,833	4,561,040	7,964,254
Mortgage loans	158,593,586	–	140,728	158,734,314
Residential property	146,319,829	–	64,757	146,384,586
Office and business premises	3,198,236	–	8,293	3,206,529
Trade and industry	4,548,148	–	10,645	4,558,793
Other	4,527,373	–	57,033	4,584,406
Total loans (before netting with value adjustments)				
Current year	160,934,967	1,061,833	4,701,768	166,698,568
Previous year	153,207,225	930,556	4,640,204	158,777,985
Total loans (after netting with value adjustments)				
Current year	160,934,967	1,061,833	4,481,901	166,478,701
Previous year [†]	–	–	–	–
Off-balance sheet business				
Contingent liabilities	53,686	104,179	277,634	435,499
Irrevocable commitments	5,352,051	227,069	1,979,670	7,558,790
Call commitments and additional funding obligations	–	–	105,959	105,959
Total off-balance sheet business				
Current year	5,405,737	331,248	2,363,263	8,100,248
Previous year	5,057,127	348,076	2,084,855	7,490,058

[†] These values were not captured in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

	Gross amount borrowed in 1,000 CHF	Estimated proceeds from realisation of collateral in 1,000 CHF	Net amount borrowed in 1,000 CHF	Individual provisions in 1,000 CHF
Impaired loans				
Current year	873,329	644,643	228,686	222,849
Previous year*	915,051	661,007	254,044	249,098

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

* Impaired loans were solely comprised of on-balance-sheet transactions in the current year. The previous year may have also included off-balance-sheet transactions. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

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

3.1 Assets

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolio assets		
Debt securities, money market securities / transactions	1,346,350	1,326,131
stock exchange listed*	914,984	1,106,803
traded on a representative market	431,366	219,328
Equity securities	291,871	194,214
Precious metals	449,937	617,394
Other trading portfolio assets	26,869	56,833
Other financial instruments at fair value		
Debt securities	–	–
Structured products	–	–
Other	–	–
Total assets		
of which determined using a valuation model	–	–
of which securities eligible for repo transactions in accordance with liquidity requirements	434,217	664,013

* stock exchange listed = traded on a recognised stock exchange

3.2 Liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolio liabilities		
Debt securities, money market securities / transactions ¹	105,139	121,261
of which listed ²	105,139	121,261
Equity securities ¹	–	229
Precious metals ¹	–	–
Other financial instruments at fair value		
Debt securities	–	–
Structured products	870,029	216,564
Other	–	–
Total liabilities	975,168	338,054
of which determined using a valuation model	–	–

¹ for short positions (booked using the trade date accounting principle)² stock exchange listed = traded on a recognised stock exchange

4 Derivative financial instruments (assets and liabilities)**4.1 Derivative financial instruments by contract type**

	Trading instruments			Hedging instruments		
	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	2,513	1,888	7,350,000	–	–	–
Swaps	582,955	640,474	55,039,307	743,420	1,233,483	41,625,500
Futures	–	–	3,192,150	–	–	–
Options (OTC)	3,608	5,509	78,333	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total interest rate instruments	589,076	647,871	65,659,790	743,420	1,233,483	41,625,500
Foreign exchange						
Forward contracts	197,145	230,918	20,861,018	96,716	8,017	5,535,731
Comb. interest rate/currency swaps	–	1,270	10,881	–	–	–
Futures	–	–	15,517	–	–	–
Options (OTC)	4,060	3,325	300,735	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total foreign exchange	201,205	235,513	21,188,151	96,716	8,017	5,535,731
Precious metals						
Forward contracts	7,202	5,404	910,405	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	17,919	–	–	–
Options (OTC)	943	185	84,147	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total precious metals	8,145	5,589	1,012,471	–	–	–
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	204	3,845	194,052	–	–	–
Futures	–	–	135,391	–	–	–
Options (OTC)	142,558	220,108	3,112,129	–	18,653	184,930
Options (exchange traded)	973	341	34,324	–	–	–
Total equity securities/indices	143,735	224,294	3,475,896	–	18,653	184,930

Continued on the next page

	Trading instruments			Hedging instruments		
	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF
Credit derivatives						
Credit default swaps	9,565	21,721	315,171	–	–	–
Total return swaps	–	–	–	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	9,565	21,721	315,171	–	–	–
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	677	–	–	–
Options (OTC)	3,433	2,543	31,732	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total other	3,433	2,543	32,409	–	–	–
Total						
Current year	955,159	1,137,531	91,683,888	840,137	1,260,153	47,346,161
of which determined using a valuation model	943,946	1,129,685		840,137	1,260,153	
Previous year	1,149,817	1,193,116	103,320,351	659,789	1,103,193	41,258,296
of which determined using a valuation model	1,130,390	1,175,848		659,789	1,103,193	

4.2 Derivative financial instruments by counterparty and time remaining to maturity

	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Banks and securities dealers	1,643,337	2,308,568	53,961,574	50,896,333	21,902,653	126,760,559
Other customers	137,597	80,711	2,746,324	830,758	501,514	4,078,596
Stock exchanges	973	341	3,156,054	201,540	–	3,357,594
Central clearing houses	13,388	8,063	1,750,000	1,601,100	1,482,200	4,833,300
Total						
Current year	1,795,296	2,397,684	61,613,952	53,529,731	23,886,367	139,030,049
Previous year	1,809,606	2,296,309	74,228,688	50,048,413	20,301,546	144,578,647

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted with counterparties primarily with a very good credit rating. 92,1% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

5. Financial investments

5.1 Breakdown of financial investments

	Book value current year in 1,000 CHF	Book value previous year in 1,000 CHF	Fair value current year in 1,000 CHF	Fair value previous year in 1,000 CHF
Financial assets				
Debt instruments	6,507,580	5,676,925	6,763,615	5,900,828
of which intended to be held until maturity	6,362,676	4,866,877	6,618,260	5,084,212
of which not intended to be held to maturity (available for sale)	144,904	810,048	145,355	816,616
Equities	338,538	319,447	344,592	331,057
of which qualified participations*	22,746	17,688	22,746	17,688
Precious metals	405	448	405	448
Real estate	30,896	35,477	34,421	44,487
Total financial assets	6,877,419	6,032,297	7,143,033	6,276,820
of which securities for repo transactions in line with liquidity requirements	5,891,951	5,165,890	-	-

* At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

	Book value Aaa to Aa3 in 1,000 CHF	Book value A1 to A3 in 1,000 CHF	Book value Baa1 to Baa3 in 1,000 CHF	Book value Ba1 to B3 in 1,000 CHF	Book value Below B3 in 1,000 CHF	Book value Unrated in 1,000 CHF
Debt securities	5,975,387	253,218	54,662	14,594	-	209,719

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

6 Non-consolidated participations

	Purchase price in 1,000 CHF	Cumulative deprec./ amort. and value adjustments (equity method) in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassi- fications in 1,000 CHF	Current-year invest- ment in 1,000 CHF	Current-year disinvest- ment in 1,000 CHF	Current-year depreci- ation/amor- tisation in 1,000 CHF	Current-year value adjust- ments on partici- pations val. acc. to equi- ty method in 1,000 CHF	Book value at end of current year in 1,000 CHF	Market value in 1,000 CHF
Holdings valued according to the equity method	214,481	163,626	378,107	-	24,562	-15,008	-	25,600	413,261	
– with market value	83,132	16,853	99,985	-	24,531	-15,008	-	11,132	120,640	672,683
– without market value	131,349	146,773	278,122	-	31	-	-	14,468	292,621	-
Other non- consolidated participations	245,778	-10,302	235,476	-	86,112	-	-2,958	-	318,630	
– with market value	127,776	-58	127,718	-	-	-	-	-	127,718	225,179
– without market value	118,002	-10,244	107,758	-	86,112	-	-2,958	-	190,912	-
Total non- consolidated participations	460,259	153,324	613,583	-	110,674	-15,008	-2,958	25,600	731,891	897,862

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

Company name/holding	Registered office	Operating activity	Capital in 1,000 CHF	Current-year equity interest in % ¹	Current-year voting share in % ¹	Previous-year equity interest in % ¹	Previous-year voting share in % ¹
7.1 Group companies							
Raiffeisen Switzerland Cooperative ²	St.Gallen	Central bank, association services	1,700,000	100.0	100.0	100.0	100.0
Raiffeisen Unternehmerzentrum AG	Gossau SG	Advisory services for SMEs	5,000	100.0	100.0	100.0	100.0
Business Broker AG ³	Zurich	Management consulting	100	100.0	100.0	100.0	100.0
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0	100.0	100.0
Notenstein Private Bank Ltd	St.Gallen	Private bank	22,200	100.0	100.0	98.2	100.0
Notenstein Finance (Guernsey) Limited ⁴	Guernsey	Financial services	5,000	100.0	100.0	100.0	100.0
Notenstein Financial Services GmbH ⁴	München	Investment advisory services and financial asset brokerage	121	100.0	100.0	100.0	100.0
TCMG Asset Management AG ⁴	Zollikon	Affiliated company	43,202	100.0	100.0	94.2	94.2
Vescore AG (ex Notenstein Asset Management AG)	St.Gallen	Asset Management	10,000	100.0	100.0	100.0	100.0
Vescore Fondsleitung Ltd (ex 1741 Asset Management Ltd) ^{5,6}	St.Gallen	Asset Management/ Fund business	5,000	100.0	100.0	100.0	100.0
1741 Fund Management Ltd ^{5,6}	Vaduz	Asset Management/ Fund business	2,800	100.0	100.0	100.0	100.0
Vescore Deutschland GmbH ^{5,6}	Munich	Asset Management/ Fund business	544	100.0	100.0	100.0	100.0
CEAMS Holding AG ^{5,6}	Meilen	Affiliated company	120	100.0	100.0	70.0	70.0
Vescore Indices GmbH ^{5,6}	St.Gallen	Advisory services	40	100.0	100.0	100.0	100.0
KMU Capital Ltd ⁷	Herisau	Financial services	2,566	100.0	100.0	60.0	60.0
Investnet AG ⁷	Herisau	Financial services	150	100.0	100.0	60.0	60.0
Investnet Holding Ltd ⁸	Herisau	Affiliated company	10,000	60.0	60.0	–	–
ARIZON Sourcing Ltd ¹¹	St.Gallen	Operational and advisory services for banks	10,000	51.0	51.0	51.0	51.0
Dynapartners Ltd ⁶	Freienbach	Asset Management	2,421	–	–	94.5	94.5
Vescore Solutions AG (Integration in die Vescore AG) ⁶	St.Gallen	Asset Management	185	–	–	51.0	51.0
7.2 Holdings valued according to the equity method							
Vorsorge Partner AG	St.Gallen	Pension advisory services	100	40.0	40.0	40.0	40.0
Leonteq Ltd ⁹	Zurich	Financial services	15,945	29.0	29.0	26.6	26.6
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG ²	Zurich	Pfandbriefbank	800,000	21.6	21.6	21.6	21.6
of which not paid up			448,000				
7.3 Other non-consolidated participations¹⁰							
responsAbility Participations AG	Zurich	Financial services	138,877	14.4	14.4	19.8	19.8
of which not paid up			77,142				
Swiss Bankers Prepaid Services Ltd	Grosshöchstetten	Financial services	10'000	16.5	16.5	16.5	16.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organisation of fairs	23,283	11.5	11.5	11.4	11.4
Avaloq Group AG	Freienbach	Affiliated company	103	10.0	10.0	–	–
SIX Group Ltd	Zurich	Financial services	19,522	6.9	6.9	5.6	5.6
Helvetia Holding Ltd	St.Gallen	Financial services	995	4.0	4.0	4.0	4.0

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

² The Raiffeisen banks directly own Raiffeisen Switzerland Cooperative and 18.6% of Pfandbriefbank schweizerischer Hypothekarinstitute AG

³ Control of Raiffeisen Unternehmerzentrum AG

⁴ Control of Notenstein La Roche Private Bank Ltd

⁵ Controlled by Vescore Ltd as of 2015

⁶ Controlled by TCMG Asset Management AG until 2014

⁷ Controlled by Investnet Holding AG as of 2015. Controlled by Raiffeisen Switzerland Cooperative until 2014

⁸ Starting on 1 July 2020, all minority shareholders will have a put option to sell their shares in majority shareholder Raiffeisen Switzerland based on a defined valuation method.

⁹ Raiffeisen Switzerland Cooperative sold call options on Leonteq founding partners for 5.8% of the share capital in Leonteq AG. The strike price is CHF 210 per share (adjusted for dividend payments) and the term is 10 years (until October 2025).

¹⁰ All participations in cooperation partners and joint ventures by the banks are listed here. Other participations are listed if (a) the shareholding represents more than 10% of the voting share and equity and (b) the shareholding is worth > CHF 1 million of the equity or the book value is > CHF 10 million.

¹¹ Avaloq Group AG holds 49% of ARIZON Sourcing Ltd

8. Tangible fixed assets

8.1 Tangible fixed assets

	Purchase price in 1,000 CHF	Accumulated depreciation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassi- fications in 1,000 CHF	Current-year invest- ment in 1,000 CHF	Current-year disinvest- ment in 1,000 CHF	Current-year depreci- ation/amorti- sation in 1,000 CHF	Book value at end of current year in 1,000 CHF
Bank buildings	2,203,280	-486,493	1,716,787	-13,577	105,474	-13,898	-35,745	1,759,041
Other real estate	471,298	-110,682	360,616	6,367	8,442	-6,259	-8,141	361,025
Proprietary or separately acquired software	144,466	-103,056	41,410	57	65,010	-425	-11,074	94,978
Other tangible fixed assets	1,137,902	-857,322	280,580	7,166	60,324	-1,374	-86,071	260,625
Objects in finance leasing	258	-146	112	-13	78	-46	-20	111
Total tangible assets	3,957,204	-1,557,699	2,399,505	-	239,328	-22,002	-141,051	2,475,780

8.2 Operating leases

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-recognised lease commitments		
Due within 12 months	2,337	-
Due within 1 to 5 years	4,268	-
Due after 5 years	-	-
Total non-recognised lease commitments	6,605	-
of which obligations that can be terminated within one year	6,538	-

* These values were not captured in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

9 Intangible assets

	Purchase price in 1,000 CHF	Accumulated depreciation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year invest- ment in 1,000 CHF	Current-year disinvest- ment in 1,000 CHF	Current-year depreci- ation/amorti- sation in 1,000 CHF	Book value at end of current year in 1,000 CHF
Goodwill	337,735	-49,101	288,634	247,977	-11,607	-35,231	489,773
Other intangible assets	-	-	-	25,000	-	-2,016	22,984
Total intangible assets	337,735	-49,101	288,634	272,977	-11,607	-37,247	512,757

10 Other assets and other liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Equalisation account	392,818	392,112
Settlement accounts for indirect taxes	876,074	596,701
Other settlement accounts	29,563	39,368
Employer contribution reserves with pension plans	114,983	104,034
Miscellaneous other assets	12,627	11,282
Total other assets	1,426,065	1,143,497
Other liabilities		
Due, unredeemed coupons and debt instruments	21,134	24,799
Levies, indirect taxes	80,244	99,687
Other settlement accounts	74,151	25,536
Miscellaneous other liabilities	7,487	9,603
Total other liabilities	183,016	159,625

11 Assets pledged or assigned to secure own commitments and of assets under reservation of ownership¹

	Current-year book value in 1,000 CHF	Current year effective commitments in 1,000 CHF	Previous-year book value in 1,000 CHF	Previous year effective commitments in 1,000 CHF
Receivables from banks	769,768	763,593	616,145	616,145
Mortgage receivables	26,420,252	18,998,762	23,304,057	17,289,992
Financial assets	1,249,757	138,905	1,265,730	203,850
Tangible assets/other assets	880	–	3,334	2,450
Total pledged assets	28,440,657	19,901,260	25,189,266	18,112,437
Total assets under reservation of ownership²	111	111	112	112

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

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

12 Social insurance institutions

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

The employees of Notenstein La Roche Private Bank Ltd are insured with Katharinen Pension Fund I and II, which are both defined-contribution plans. All employees are insured and thus vested starting at the minimum annual BVG salary defined by law. The employer has no additional obligations to provide further benefits. Katharinen Pension Fund II is a voluntary pension plan for employees of Notenstein La Roche Private Bank Ltd that enables the use of personalised investment strategies.

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. Eight Raiffeisen banks (prior year: eight) and Investnet AG, Business Broker AG and CE Asset Management AG are insured outside the pension plans of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

The employees transferred from Bank La Roche & Co Ltd remain covered by Stiftung La Roche & Co until 31 December 2015.

12.1 Liabilities to own social insurance institutions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Amounts due in respect of customer deposits	361,563	344,967
Negative replacement values of derivative financial instruments	–	17
Bonds	40,000	20,000
Accrued income and prepaid expenses	543	397
Total liabilities to own social insurance institutions	402,106	365,381

12.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for pension plans outside the Raiffeisen Group (Others). Notenstein La Roche Private Bank Ltd has no employer contribution reserves as at 31 December 2015.

	Current year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF	Previous year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF
As at 1 January	102,117	1,916	104,033	94,625	1,694	96,319
+ Deposits	22,019	144	22,163	19,495	210	19,705
– Withdrawals	-11,590	–	-11,590	-12,697	–	-12,697
+ Interest paid*	366	11	377	694	12	706
As at 31 December	112,912	2,071	114,983	102,117	1,916	104,033

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

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. The individual employer contribution reserves of the affiliated companies cannot be offset against each other.

The balance of the employer contribution reserves is recorded in the balance sheet under "Other assets". The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

12.3 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2015 in %	on 31.12.2014 in %
Raiffeisen Pension Fund Cooperative	109.8	112.2
Katharinen Pension Fund I	111.2*	116.9
Katharinen Pension Fund II	118.8*	121.7

* Unaudited value

The fluctuation reserves of the Raiffeisen Group's pension plans did not reach the level stipulated in the pension fund regulations in the current year. The affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenditure with significant influencing factors

	Current year in 1,000 CHF	Prior year in 1,000 CHF
Pension expenditure according to separate financial statements	122,089	117,472
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-10,573	-7,127
Employer contributions reported on an accruals basis	111,516	110,345
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	-	-
Pension expenditure of the Raiffeisen Group (see note 26 "Personnel expenditure")	111,516	110,345

* Part of a restructuring provision recognised in 2012 was financed using the employer contribution reserves. Because of this use of the employer's contribution reserves, which is in line with its purpose, the deposits/withdrawals from the employer's contribution reserves in this table differ from the deposits and withdrawals shown in table "12.2. Employer's contribution reserves".

13 Issued structured products

	Book value				
	Valued as a whole		Valued separately		
	Booked in trading portfolio in 1,000 CHF	Booked in other financial instruments at fair value in 1,000 CHF	Value of the host instrument in 1,000 CHF	Value of the derivative in 1,000 CHF	Total in 1,000 CHF
Underlying risk of the embedded derivative					
Interest rate instruments	-	77,121	99,464	-8,571	168,014
With own debenture component (oDC)	-	77,121	99,464	-8,571	168,014
Without oDC	-	-	-	-	-
Equity securities	-	790,305	1,171,154	-49,699	1,911,760
With own debenture component (oDC)	-	790,284	1,171,154	-73,139	1,888,299
Without oDC	-	21	-	23,440	23,461
Foreign currencies	-	2,602	2,350	-337	4,615
With own debenture component (oDC)	-	2,602	2,350	-337	4,615
Without oDC	-	-	-	-	-
Commodities / precious metals	-	-	2,742	-1,414	1,328
With own debenture component (oDC)	-	-	2,742	-1,414	1,328
Without oDC	-	-	-	-	-
Total	-	870,029	1,275,710	-60,021	2,085,718

Issued structured products of Notenstein La Roche Private Bank Ltd

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. The underlying instruments are recognised at their nominal value under "Liabilities from bonds". The derivative component of the products is recognised at fair value in "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

Issued structured products of Notenstein Finance Guernsey.

Structured products are carried at market value and included in "Liabilities from other financial instruments at fair value".

14 Outstanding bonds and central mortgage institution loan

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1,000 CHF
Bonds of Raiffeisen Switzerland					
Non-subordinated own bonds	2006	3.125	30.05.2016		520,930
	2010	1.375	21.09.2017		161,045
	2010	2.000	21.09.2023		230,045
	2011	2.125	04.02.2019		249,870
	2011	2.625	04.02.2026		128,640
	2011	2.375	10.05.2018		148,415
	2014	0.000	07.02.2017		337,190 ¹
	2014	1.625	07.02.2022		99,900
	2014	0.000	05.06.2018		194,625 ¹
Bonds of Raiffeisen Switzerland – subordinated without PONV clause ⁵	2011	3.875	21.12.2021		528,475
Bonds of Raiffeisen Switzerland – subordinated with PONV clause ⁵	2013	3.000	Perpetual	02.05.2018	550,000 ²
	2015	3.000	Perpetual	02.10.2020	600,000 ²
Total bonds of Raiffeisen Switzerland					3,749,135
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					
	div.	1.485 ⁴	div.		18,445,400
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					18,445,400
Loans from Notenstein La Roche Private Bank Ltd ³					
Loans from Notenstein La Roche Private Bank Ltd – non-subordinated		-0.380 ⁴	2016		499,003
		0.020 ⁴	2017		187,181
		-0.025 ⁴	2018		173,000
		-0.020 ⁴	2019		86,487
		0.230 ⁴	2020		70,723
		0.200 ⁴	after 2020		259,316
Total loans from Notenstein La Roche Private Bank Ltd					1,275,710
Total outstanding bonds and central mortgage institution loan					23,470,245

¹ Variable coupon, basis CHF Libor 3 months and spread

² 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).

³ 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".

⁴ Average weighted interest rate (volume-weighted).

⁵ PONV clause = point of non-viability.

15 Value adjustments and provisions

	Previous year end in 1,000 CHF	Use in conformity with designated purpose in 1,000 CHF	Reclassifications in 1,000 CHF	Past due interest, recoveries in 1,000 CHF	New creations charged to income in 1,000 CHF	Releases to income in 1,000 CHF	Balance at current year end in 1,000 CHF
Provisions for deferred taxes	793,378				37,435	–	830,813
Provisions for default risks	13,253	–	1,757	–	1,923	-1,754	15,179
Provisions for other business risks	34,550	-14,345	130		3,338	-1,078	22,595
Other provisions*	9,454	-43	-130		95	-389	8,987
Total provisions	850,635	-14,388	1,757	–	42,791	-3,221	877,574
of which value adjustments for default risks in respect of impaired loans/receivables	235,845	-27,653	-1,757	7,284	60,118	-50,988	222,849
of which value adjustments for latent risks	–	–	–	–	–	–	–
Value adjustments for default and country risks	235,845	-27,653	-1,757	7,284	60,118	-50,988	222,849

* Other provisions include provisions for legal expenses.

16 Cooperative capital

	Number of members	Nominal amount per share	in 1,000 CHF
Equity capital at the beginning of the current year			
Cooperative capital	1,846,747		387,876
Cooperative capital (additional cooperative shares) *			359,866
Total cooperative capital	1,846,747		747,742
+ Payments from new cooperative members	73,962	200	14,792
	178	300	53
	173	400	69
	2,809	500	1,405
+ Payments of cooperative shares (additional cooperative shares)			506,200
+ Payments through increase in nominal capital			3,975
Total payments from new cooperative members	77,122		526,494
- Repayments to departing cooperative members	-59,266	200	-11,853
	-185	300	-56
	-138	400	-55
	-2,248	500	-1,124
- Repayments of cooperative shares (additional cooperative shares)			-12,871
Total repayments to departing cooperative members	-61,837		-25,959
Total cooperative capital at the end of the current year			
of which cooperative capital	1,780,569	200	356,114
	5,991	300	1,797
	5,639	400	2,255
	69,833	500	34,916
of which cooperative capital (additional cooperative shares)			853,195
Total cooperative capital at the end of the current year	1,862,032		1,248,277

* To avoid double counting, the number of members is shown only under the position "Cooperative capital".

Interest-bearing cooperative capital (Current year CHF 1,248,277,400, previous year CHF 747,741,600)

Paid-up cooperative capital (Current year CHF 1,248,277,400, previous year 747,741,600)

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2015:
CHF 3,455,452,000 (previous year: CHF 3,273,026,000).

No cooperative member holds more than 5% of voting rights.

17 Related parties

	Amounts due from		Amounts due to	
	Current year in 1,000 CHF	Previous year in 1,000 CHF	Current year in 1,000 CHF	Previous year in 1,000 CHF
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	18,069	15,281 ¹	3,426	– ²
Members of the Executive Board, of the Extended Executive Board and Head of Internal Auditing of Raiffeisen Switzerland and associated persons and companies	42,891	30,149 ¹	6,974	– ²
Other related parties	3,531,202	3,371,177	18,738,991	16,942,511
Total amounts due from/to related parties	3,592,162	3,416,607	18,749,391	16,942,511

¹ In the previous year, receivables included off-balance sheet transactions

² Obligations to officers and directors were not recorded in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

³ Includes receivables from and liabilities to non-consolidated participations with a participating interest between 20% and 50%, or a participating interest of less than 20% if significant influence can be exercised otherwise.

Material off-balance-sheet transactions with related parties

Contingent liabilities exist vis-a-vis associated persons amounting to CHF 18.2 million (previous year CHF 20.9 million), irrevocable commitments amounting to CHF 379.8 million (previous year CHF 29.2 million) and call-in obligations amounting to CHF 96.6 million (previous year CHF 96.6 million).

Transactions with associated persons

On- and off-balance-sheet transactions with associated persons are allowed at arm's length terms, with the following exceptions:

Standard preferential terms apply to the Executive Board, the Extended Executive Board and to the Head of Internal Auditing of Raiffeisen Switzerland.

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

18 Maturity structure of financial instruments

	On demand in 1,000 CHF	Redeemable by notice in 1,000 CHF	Due within 3 months in 1,000 CHF	Due within 3 to 12 months in 1,000 CHF	Due within 1 to 5 years in 1,000 CHF	Due after 5 years in 1,000 CHF	Total in 1,000 CHF
Assets/financial instruments							
Liquid funds	18,907,231	–	–	–	–	–	18,907,231
Receivables from banks	428,410	148,727	3,079,436	154,831	–	–	3,811,404
Amounts due from securities financing transactions	–	–	366,374	25,030	–	–	391,404
Receivables from clients	56,156	2,149,947	1,714,114	848,134	2,083,872	1,032,893	7,885,116
Mortgage receivables	42,635	9,394,202	6,496,051	17,228,357	86,593,417	38,838,923	158,593,585
Trading portfolio assets	2,115,027	–	–	–	–	–	2,115,027
Positive replacement values of derivative financial instruments	1,795,296	–	–	–	–	–	1,795,296
Financial assets ¹	305,519	–	153,604	376,581	2,308,405	3,733,310	6,877,419
Total							
Current year	23,650,274	11,692,876	11,809,579	18,632,933	90,985,694	43,605,126	200,376,482
Previous year ²	12,034,181	14,072,775	13,356,319	18,230,581	86,090,737	38,382,908	182,167,501
Debt capital/financial instruments							
Liabilities to banks	439,516	–	4,593,367	2,450,419	320,000	–	7,803,302
Liabilities from securities financing transactions	–	–	4,032,272	52,203	–	–	4,084,475
Amounts due in respect of customer deposits	23,977,480	112,484,974	3,094,128	3,340,080	6,075,931	1,299,757	150,272,350
Trading portfolio liabilities	105,139	–	–	–	–	–	105,139
Negative replacement values of derivative financial instruments	2,397,684	–	–	–	–	–	2,397,684
Liabilities from other financial instruments at fair value	870,029	–	–	–	–	–	870,029
Medium-term notes	–	–	182,048	365,065	983,689	116,634	1,647,436
Bonds and central mortgage institution loan	–	–	162,463	1,973,370	7,893,236	13,441,176	23,470,245
Total							
Current year	27,789,848	112,484,974	12,064,278	8,181,137	15,272,856	14,857,567	190,650,660
Previous year ³	14,444,298	115,967,414	7,079,894	6,121,201	14,872,634	13,920,214	172,405,655

¹ Financial assets include CHF 30,895,892 of real estate (previous year: CHF 35,477,459).

² In the previous year, this item included loans to clients (gross) before deducting value adjustments. The previous year's figure does not include the positive replacement values of derivative financial instruments.

³ The previous year's figure does not yet include the negative replacement values of derivative financial instruments. We are not presenting the previous year's figures in conformity with the new financial reporting requirements in either case, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

19 Balance sheet by currency

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Assets					
Liquid funds	18,335,414	405,088	38,498	128,231	18,907,231
Receivables from banks	1,379,824	499,277	1,599,059	333,244	3,811,404
Amounts due from securities financing transactions	–	36,987	295,357	59,060	391,404
Receivables from clients	7,564,740	163,118	94,528	62,730	7,885,116
Mortgage receivables	158,593,585	–	–	–	158,593,585
Trading portfolio assets	1,076,453	339,994	201,934	496,646	2,115,027
Positive replacement values of derivative financial instruments	1,795,296	–	–	–	1,795,296
Financial assets	5,889,442	614,194	305,297	68,486	6,877,419
Accrued income and prepaid expenses	214,400	4,714	4,259	1,823	225,196
Non-consolidated participations	727,982	3,909	–	–	731,891
Tangible assets	2,475,642	138	–	–	2,475,780
Intangible assets	512,757	–	–	–	512,757
Other assets	1,425,181	735	–	149	1,426,065
Total assets reflected in the balance sheet	199,990,716	2,068,154	2,538,932	1,150,369	205,748,171
Delivery claims under spot exchange, forward exchange and currency option contracts	9,310,229	6,479,601	9,728,175	1,950,268	27,468,273
Total assets	209,300,945	8,547,755	12,267,107	3,100,637	233,216,444
Liabilities					
Liabilities to banks	3,982,435	1,698,715	1,384,105	738,047	7,803,302
Liabilities from securities financing transactions	1,917,004	658,301	1,377,788	131,382	4,084,475
Amounts due in respect of customer deposits	145,040,009	2,848,636	1,717,706	665,999	150,272,350
Trading portfolio liabilities	101,740	3,399	–	–	105,139
Negative replacement values of derivative financial instruments	2,397,684	–	–	–	2,397,684
Liabilities from other financial instruments at fair value	301,790	346,083	197,596	24,560	870,029
Medium-term notes	1,647,436	–	–	–	1,647,436
Bonds and central mortgage institution loan	23,192,191	86,046	166,116	25,892	23,470,245
Accrued expenses and deferred income	705,250	3,892	1,900	160	711,202
Other liabilities	172,254	6,879	3,775	108	183,016
Provisions	877,574	–	–	–	877,574
Cooperative capital	1,248,277	–	–	–	1,248,277
Retained earnings	11,263,196	-1,350	–	356	11,262,202
Currency translation reserve	20	-9	–	–	11
Group profit	808,073	-521	–	110	807,662
Minority interests in equity capital	7,567	–	–	–	7,567
– of which minority interests in Group profit	-1,330	–	–	–	-1,330
Total liabilities reflected in the balance sheet	193,662,500	5,650,071	4,848,986	1,586,614	205,748,171
Delivery obligations under spot exchange, forward exchange and currency option contracts	15,700,549	2,821,544	7,356,264	1,528,013	27,406,370
Total liabilities	209,363,049	8,471,615	12,205,250	3,114,627	233,154,541
Net position per currency	-62,104	76,140	61,857	-13,990	61,903

31.12.2015 31.12.2014

Foreign currency conversion rates

EUR	1.088	1.202
USD	1.001	0.994

Information on off-balance sheet business

20 Contingent assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Guarantees to secure credits and similar	239,811	237,049
Performance guarantees and similar	54,575	53,595
Other contingent liabilities	141,113	122,256
Total contingent liabilities	435,499	412,900
Contingent assets arising from tax losses carried forward	9,464	–
Other contingent assets	–	–
Total contingent assets*	9,464	–

* We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

21 Fiduciary transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Fiduciary investments with third-party banks	132,826	136,169
Fiduciary loans	900	–
Total fiduciary transactions	133,726	136,169

Information on the income statement

22 Net income from commission business and service transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from securities and investment business		
Fund business	106,353	87,836
Custody account business	75,021	59,283
Brokerage	83,605	82,057
Asset management business	66,179	65,130
Other securities and investment business	25,856	30,758
Commission income from lending business	18,012	15,662
Commission income from other service transactions		
Payments	142,285	137,758
Account maintenance	25,195	25,483
Other service transactions	36,349	34,164
Total commission income	578,855	538,131
Commission expenditure		
Securities business	-38,704	-37,534
Payments	-65,284	-63,155
Other commission expenditure	-12,182	-8,431
Total commission expenditure	-116,170	-109,120
Total net income from commission business and service transactions	462,685	429,011

23 Result from trading activities and the fair value option

23.1 Breakdown by business area

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Raiffeisen Switzerland Cooperative	75,960	42,340
Raiffeisen banks	119,515	101,294
Group companies	13,859	14,133
Total net trading income	209,334	157,767

23.2 Breakdown by underlying risk and based on the use of the fair value option

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Result from trading activities from		
Foreign exchange trading	129,482	109,400
Precious metals and foreign notes and coins trading	58,006	55,069
Equities trading	3,245	-1,646
Fixed income trading	18,601	-5,056
Total net trading income	209,334	157,767
of which from fair value option*	3,281	-
of which from fair value option on assets	-	-
of which from fair value option on liabilities	3,281	-

* We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

24 Income from participating interests

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Participations valued according to the equity method	40,869	40,870
Other non-consolidated participations	39,498	22,818
Total income from participating interests	80,367	63,688

25 Negative interest

Negative interest on lending business is shown as a reduction in interest and discount income. Negative interest on deposit-taking business is recognised as a reduction in interest expenditure. Negative interest is primarily incurred by Raiffeisen Switzerland. The Raiffeisen Switzerland annual report contains a breakdown.

26 Personnel expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Banking authorities, attendance fees and fixed compensation	24,640	23,038
Salaries and bonuses for staff	1,066,165	1,013,018
AHV, IV, ALV and other statutory contributions	94,129	89,346
Contributions to staff pension plans	111,516	110,345
Other personnel expenses	33,346	29,365
Total personnel expenses	1,329,796	1,265,112

27 General and administrative expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Office space expenses	93,521	86,570
Expenses for information and communications technology	88,279	79,129
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	27,220	26,165
Fees of audit firms*	13,241	
– of which for financial and regulatory audits	12,998	
– of which for other services	243	
Other operating expenses	335,388	308,276
Total general and administrative expenses	557,649	500,140

* These values were not captured in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

28 Extraordinary income and expenditure

Current year

The extraordinary income of CHF 66.9 million mainly consists of CHF 66.0 million in income from the sale of tangible assets and participations (of which CHF 61.9 million from the sale of Leonteq Ltd shares).

The extraordinary expenditure of CHF 3.3 million includes losses from the sale of tangible assets of CHF 3.0 million.

Previous year

The extraordinary income of CHF 50.9 million mainly consists of CHF 48.5 million in income from the sale of tangible assets and participations (of which CHF 44.3 million from the sale of Vontobel Holding Ltd shares).

The extraordinary expenditure of CHF 4.4 million includes losses from the sale of tangible assets of CHF 1.6 million.

29 Current and deferred taxes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Creation of provisions for deferred taxes	37,435	27,803
Expenses for current taxes	163,257	148,927
Total tax expenditure	200,692	176,730
Average tax rate weighted on the basis of the operating result	21.3%	19.8%

Tax loss carryforwards exist at several Raiffeisen banks and Group companies. It was possible to set off the previous year's tax-relevant net profit against tax loss carryforwards that had not yet been used. The influence on the tax expenditure of the Raiffeisen Group is insignificant.

Report of the statutory auditor



Report of the statutory auditor
for the Raiffeisen Group's consolidated annual accounts
to the Board of Directors of the
Raiffeisen Switzerland Cooperative, St. Gallen

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Raiffeisen Group, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 86 to 125), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

PricewaterhouseCoopers Ltd, Vadianstrasse 25a/Neumarkt 5, Postfach, 9001 St. Gallen
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PricewaterhouseCoopers Ltd is a member of a global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 906 CO in connection with art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 906 CO in connection with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Beat Rüttsche
Audit expert
Auditor in charge

Ralph Gees
Audit expert

St. Gallen, 31 March 2016

Capital adequacy disclosure

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2015/1. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts.

Basel III disclosure

Eligible capital under regulatory rules – transfer to balance sheet values

	Current year in 1,000 CHF	Reference ¹	Previous year in 1,000 CHF	Reference ¹
Balance sheet				
Assets				
Liquid funds	18,907,231		9,218,851	
Receivables from banks	3,811,404		5,250,653	
Amounts due from securities financing transactions	391,404		689,624	
Receivables from clients	7,885,116		7,814,965	
Mortgage receivables	158,593,585		150,730,695	
Trading portfolio assets	2,115,027		2,194,572	
Positive replacement values of derivative financial instruments	1,795,296		1,809,606	
Financial assets	6,877,419		6,032,297	
Accrued income and prepaid expenses	225,196		217,308	
Non-consolidated participations	731,891		613,583	
Tangible assets	2,475,780		2,399,505	
Intangible assets	512,757		288,634	
of which goodwill	512,757	(I)	288,634	(I)
Other assets	1,426,065		1,143,497	
Total assets	205,748,171		188,403,790	
Liabilities				
Liabilities to banks	7,803,302		5,450,368	
Liabilities from securities financing transactions	4,084,475		1,288,537	
Amounts due in respect of customer deposits	150,272,350		141,545,099	
of which subordinated time deposits, eligible as supplementary capital (T2)	77,430	(II)	62,618	(II)
Trading portfolio liabilities	105,139		121,490	
Negative replacement values of derivative financial instruments	2,397,684		2,296,309	
Liabilities from other financial instruments at fair value	870,029		216,564	
Medium-term notes	1,647,436		2,262,330	
Bonds and central mortgage institution loan	23,470,245		21,518,753	
of which subordinated bond, eligible as additional core capital (AT1) ²	1,150,000	(III)	550,000	(III)
of which subordinated bond, eligible as supplementary capital (T2) – phase out	369,933	(IV)	428,000	(IV)
Accrued expenses and deferred income	711,202		633,693	
Other liabilities	183,016		159,625	
Provisions	877,574		850,635	
of which deferred taxes for untaxed reserves	793,378		765,575	
Cooperative capital	1,248,277		747,742	
of which eligible as "hard" core capital (CET1)	1,248,277	(V)	747,742	(V)
Retained earnings	11,262,202	(VI)	10,532,486	(VI)
Currency translation reserve	11		24	
Group profit	807,662	(VII)	759,354	(VII)
Minority interests in equity capital	7,567		20,781	
of which eligible as "hard" core capital (CET1)	–	(VIII)	–	(VIII)
Total capital (with minority interests)	13,325,719		12,060,387	
Total liabilities	205,748,171		188,403,790	

¹ The references refer to table "Minimum capital requirement and eligible regulatory capital".

² Of which convertible capital with a low trigger level amounting to CHF 550 million.

Minimum capital requirement and eligible regulatory capital

	Basel III		Basel III	
	Current year risk-weighted positions in 1,000 CHF	Current year required capital in 1,000 CHF	Previous year ¹ risk-weighted positions in 1,000 CHF	Previous year required capital in 1,000 CHF
Minimum capital requirement				
Credit risk (standard approach BIZ)				
Receivables from banks	364,180	29,134	976,731	78,138
Receivables from clients	5,024,441	401,955	4,958,101	396,648
Mortgage receivables	66,658,223	5,332,658	63,543,490	5,083,479
Positive replacement values of derivative financial instruments	57,537	4,603	44,155	3,532
Accrued income and prepaid expenses	107,612	8,609	74,451	5,956
Other assets	141,568	11,325	141,822	11,346
Net interest positions outside trading book	1,223,393	97,871	880,541	70,443
Net equity positions outside trading book ²	1,969,847	157,588	1,743,186	139,455
Contingent liabilities	157,413	12,593	121,625	9,730
Irrevocable commitments	1,311,506	104,920	996,163	79,693
Call commitments and additional funding obligations	105,959	8,477	96,676	7,734
Add-ons for forward contracts and options purchased	191,698	15,336	193,572	15,486
Unsettled transactions		2		3
Guarantee obligations to central counterparties (CCPs)		355		11
CVA (standard approach)		12,018		11,121
Mandatory capital for credit risks and other credit risk positions		6,197,445		5,912,776
Non-counterparty-related risks				
Real estate (including real estate in financial assets)	2,251,938	180,155	2,166,113	173,289
Other tangible assets/other recognised assets subject to depreciation	251,888	20,151	268,875	21,510
Mandatory capital for non-counterparty-related risks		200,306		194,799
Market risks (standard approach)				
Interest rate instruments – general market risk		100,324		78,931
Interest rate instruments – specific risk		25,495		30,941
Equity instruments		17,143		19,443
Foreign currencies and gold		8,909		14,824
Other precious metals		11,764		12,563
Options		185		281
Mandatory capital for market risks		163,820		156,983
Mandatory capital for operational risks (basic indicator method)		435,109		417,073
Total mandatory capital		6,996,680		6,681,631

Continued on the next page

	Current year in 1,000 CHF	Reference ³	Previous year in 1,000 CHF	Reference ³
Eligible capital				
Capital social	1,248,277	(V)	747,742	(V)
Retained earnings	11,262,202	(VI)	10,532,510	(VI)
Group profit ⁴	773,362	(VII)	727,458	(VII)
Minority interests	–	(VIII)	–	(VIII)
Total "hard" core capital (CET1) before adjustments	13,283,841		12,007,710	
Goodwill	-512,757	(I)	-288,634	(I)
Participations to be consolidated (CET1 instruments)	–		–	
Total CET1 adjustments	-512,757		-288,634	
Total eligible "hard" core capital (net CET1)	12,771,084		11,719,075	
Additional core capital (AT1) ⁵	1,150,000	(III)	550,000	(III)
Deductions from AT1 capital	–		–	
Total eligible core capital (net Tier 1)	13,921,084		12,269,075	
Supplementary capital (Tier 2)	447,363		490,618	
of which fully eligible	77,430	(II)	62,618	(II)
of which temporarily applied (phase out)	369,933	(IV)	428,000	(IV)
Deductions from supplementary capital (Tier 2)	–		–	
Total eligible capital (regulatory capital)	14,368,447		12,759,693	
Total risk-weighted assets	87,458,514		83,520,381	
Capital ratios				
CET1 ratio	14.6%		14.0%	
Tier 1 ratio	15.9%		14.7%	
Total capital ratio	16.4%		15.3%	
CET1 minimum requirement under Capital Adequacy Ordinance (CAO) transitional provisions	5.7%		5.2%	
of which capital buffer under the CAO	0.0%		0.0%	
of which countercyclical buffer (CCP)	1.2%		1.2%	
Available CET1 (after deducting CET1 to cover minimum requirements for AT1 and T2 ratios)	12.9%		11.3%	
CET1 capital target according to FINMA Circular 2011/2 (including CCP)	10.4%		10.4%	
Available CET1 (after deducting CET1 to cover AT1 and T2 target ratios)	11.2%		10.1%	
Tier 1 capital target according to FINMA Circular 2011/2 (including CCP)	12.6%		12.6%	
Available Tier 1 (after deducting CET1 to cover target ratios)	13.4%		12.3%	
Capital target for regulatory capital according to FINMA Circular 2011/2 (including CCP)	15.6%		15.6%	
Available regulatory capital	16.4%		15.3%	
Contributions below the threshold values for deductions (before risk weighting)⁶				
Participations in the financial area up to 10%	341,442		289,054	
Participations in the financial area above 10%	427,456		393,801	

¹ Allocation to balance sheet items based on old accounting policies (FINMA Cir. 2008/2)

² Including equity securities which have received a risk weighting of 250%

³ The references refer to table "Eligible capital under regulatory rules – transfer to balance sheet values".

⁴ Excluding interest on cooperative capital

⁵ Of which convertible capital with a low trigger level amounting to CHF 550 million

⁶ The major participations pursuant to note 7.2 "Holdings valued according to the equity method" and note 7.3 "Other non-consolidated participations" of the Raiffeisen Group's annual report are risk-weighted for calculating capital adequacy.

Credit risk by counterparty as at 31 December 2015

Loan commitments (in 1,000 CHF)	Central govern- ments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit- ments	Total
Balance sheet items								
Receivables from banks	35,342	3,776,062	–	–	–	–	–	3,811,404
Receivables from clients	3,207	133,812	3,134,595	1,360,447	3,253,055	–	–	7,885,116
Mortgage receivables	25,678	52,143	203,514	1,580,274	156,731,976	–	–	158,593,585
Interest and equity positions outside trading book ¹	574,117	447,378	953,853	3,679,554	–	621,498	–	6,276,400
Replacement values of derivatives ²	–	103,058	–	14,147	83,722	–	–	200,927
Other assets	886,776	498,058	2,632	178,776	297,531	–	–	1,863,773
Total current year	1,525,120	5,010,511	4,294,594	6,813,198	160,366,284	621,498	–	178,631,205
Total previous year	1,379,051	6,786,710	4,009,305	5,121,921	152,578,227	523,804	944	170,399,962
Off-balance sheet items³								
Contingent liabilities	101	13,279	1,514	93,132	110,022	–	–	218,048
Irrevocable commitments	4,801	216,081	590,965	272,452	1,388,923	–	–	2,473,222
Call commitments and additional funding obligations	4	–	–	105,955	–	–	–	105,959
Add-ons for forward contracts and options purchased ²	3,052	436,331	4,660	27,982	49,913	–	–	521,938
Total current year	7,958	665,691	597,139	499,521	1,548,858	–	–	3,319,167
Total previous year	178	498,904	543,533	455,556	1,369,360	–	–	2,867,531

Credit risk/minimisation of credit risk as at 31 December 2015

Loan commitments (in 1,000 CHF)	Covered by recognised financial securities ⁴	Covered by guarantees and credit derivatives	Covered by mort- gage collateral ⁵	Other loan commitments	Total
Balance sheet items					
Receivables from banks	700,359	191,226	–	2,919,819	3,811,404
Receivables from clients	570,570	137,733	2,313,094	4,863,719	7,885,116
Mortgage receivables	246,988	75,060	158,187,132	84,405	158,593,585
Interest and equity positions outside trading book ¹	–	–	–	6,276,400	6,276,400
Replacement values of derivatives ²	121,285	–	–	79,642	200,927
Other assets	–	–	–	1,863,773	1,863,773
Total current year	1,639,202	404,019	160,500,226	16,087,758	178,631,205
Total previous year	1,713,709	198,423	152,624,499	15,863,331	170,399,962
Off-balance sheet items³					
Contingent liabilities	39,113	3,002	20,457	155,476	218,048
Irrevocable commitments	42,150	32,487	1,020,862	1,377,723	2,473,222
Call commitments and additional funding obligations	–	–	–	105,959	105,959
Add-ons for forward contracts and options purchased ²	107,068	4,354	–	410,516	521,938
Total current year	188,331	39,843	1,041,319	2,049,674	3,319,167
Total previous year	188,817	27,715	1,064,627	1,586,372	2,867,531

Segmentation of credit risks at of 31 December 2015

Loan commitments (in CHF million)	Risk weightings under supervisory law									Total
	0%	2%	20%	35%	50%	75%	100%	125%	150%	
Balance sheet items										
Receivables from banks	2,390	23	1,137	–	250	–	11	–	–	3,811
Receivables from clients	250	–	397	1,394	2,509	751	2,564	–	20	7,885
Mortgage receivables	219	–	37	134,766	117	16,496	6,830	–	129	158,594
Interest and equity positions outside trading book ¹	688	–	4,474	–	329	–	226	–	559	6,276
Replacement values of derivatives ²	94	5	33	–	36	–	33	–	–	201
Other assets	1,368	–	43	–	5	14	434	–	–	1,864
Total current year	5,008	28	6,122	136,160	3,245	17,261	10,098	–	708	178,631
Total previous year	5,067	6	4,601	129,044	4,383	17,307	9,388	–	604	170,400
Off-balance sheet items³										
Contingent liabilities	32	–	6	14	13	30	123	–	–	218
Irrevocable commitments	40	–	562	774	236	201	660	–	–	2,473
Call commitments and additional funding obligations	–	–	–	–	–	–	106	–	–	106
Add-ons for forward contracts and options purchased ²	64	19	139	–	272	0	28	–	–	522
Total current year	137	19	707	788	521	231	916	–	–	3,319
Total previous year	156	–	678	863	342	113	715	–	–	2,868

¹ Receivables from and liabilities to Pfandbriefbank are offset against each other.

² Derivative counterparty risk is calculated using the mark-to-market method. Netting agreements with counterparties are taken into account when calculating capital adequacy.

³ Non-derivative off-balance sheet items are shown after conversion into credit equivalents.

⁴ Securities are recognised using the simple method.

⁵ Collateral is assigned based on capital optimisation aspects. For that reason, the values are not identical to the values in the "Mortgage cover" column in the table entitled "2. Collateral for loans/receivables and off-balance sheet business".

Risk weighted positions based on external ratings as at 31 December 2015

Loan commitments (in 1000 CHF) ¹		Risk weighted positions				
		0%	20%	50%	100%	150%
Counterparty						
Central governments and central banks	With rating	1,493,194	5	14	4	–
	Without rating	–	–	–	–	–
Public-sector entities ²	With rating	87,919	820,283	61,858	–	–
	Without rating	–	752,884	2,471,863	329,202	4,828
Banks and securities traders	With rating	1,711,772	1,688,300	575,023	11,130	–
	Without rating	532,270	485,802	422,294	189	–
Corporates	With rating	73	4,338,676	114,445	75,348	31
	Without rating	26,746	–	–	3,071,447	19,339
Total	With rating	3,292,958	6,847,264	751,340	86,482	31
	Without rating	559,016	1,238,686	2,894,157	3,400,838	24,167
Grand total		3,851,974	8,085,950	3,645,497	3,487,320	24,198

¹ Before risk-mitigating measures

² Including loan commitments to joint institutions of the banks, BIS, IMF and multilateral development banks.

Disclosure for systemically important banks

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. The SNB's decision was motivated by Raiffeisen's strong market position in Switzerland's deposit and lending business.

Being a systemically important bank, Raiffeisen is required under the special rules for systemically important banks (Art. 124–135 of the Capital Adequacy and Risk Diversification Ordinance (Eigenmittel- und Risikoverteilungsvorschriften – ERV)) to present an additional capital adequacy calculation.

Systemically important banks also have more extensive disclosure obligations under FINMA Circular 2008/22 "Capital adequacy disclosure – banks". The following tables present the disclosure. According to the international regulatory framework of the Basel Committee, the requirements for systemically important banks will be gradually phased in until 2019. Since the Raiffeisen Group already fully meets the capital adequacy requirements for systemically important banks, FINMA defined the requirements for the Raiffeisen Group without any phase-in arrangements. The requirements under the rules governing systemic importance also include requirements for unweighted capital adequacy requirements (leverage ratio) in addition to risk-weighted capital adequacy requirements.

Minimum capital adequacy requirements for risk-weighted and unweighted capital adequacy requirements

Requirement on risk-weighted capital ratios (in %)	
Basic requirement	4.50
Capital buffer	8.50
Progressive component ¹	1.40
Overall requirement (excluding anti-cyclical capital buffer)	14.40
Anti-cyclical capital buffer ²	1.19
Overall requirement (including anti-cyclical capital buffer)	15.59
of which to be held in "hard" core capital (CET1)	11.19
of which in convertible capital with a high trigger level	3.00
of which in convertible capital with a low trigger level	1.40
Requirement on unweighted capital ratios – leverage ratio (in %) ³	
Basic requirement	1.08
Capital buffer	2.04
Progressive component ¹	0.34
Overall requirement	3.46

¹ The progressive component is re-defined by FINMA each year.

² The latest anti-cyclical capital buffer is shown in each case.

³ The requirement for the leverage ratio is equivalent to 24% of the requirement for risk-weighted capital ratios (ERV Art. 134)

Capital quality	31.12.2014 in millions CHF	30.06.2015 in millions CHF	31.12.2015 in millions CHF	
Capital composition and capital ratios on the basis of risk-weighted positions				
Capital composition based on definition for systemically important banks:				
"Hard" core capital (before deductions and reclassification)	12,008	12,636	13,284	
Deductions from "hard" core capital ¹⁾	-289	-323	-513	
Reclassification of hard core capital to cover the progressive components ²	-129	-197	-227	
Eligible "hard" core capital (net CET1) according to the definition of systemic importance³	CET1	11,590	12,116	12,544
Convertible capital with high trigger level (7%):				
Perpetual subordinated bond 2015	AT1	-	550	600
Convertible capital with low trigger level (5%):				
Perpetual subordinated bond 2013	AT1	550	550	550
Other components for fulfilment of the progressive component:				
Fixed-term subordinated bond 2011–2021	Tier 2	428	374	370
Subordinated time deposits	Tier 2	63	77	77
Reclassification of core capital for progressive components ²	CET1	129	197	227
Total capital		12,760	13,864	14,368
Total risk-weighted positions		83,520	85,616	87,459
Capital ratios based on definition for systemically important banks:				
Ratio of eligible "hard" core capital (CET1 ratio)		13.88%	14.15%	14.34%
Ratio of convertible capital with high trigger level (7%)		0.00%	0.64%	0.69%
Ratio of convertible capital with low trigger level (5%)		0.66%	0.64%	0.63%
Ratio of other components for fulfilment of the progressive component		0.74%	0.76%	0.77%
Total capital ratio		15.28%	16.19%	16.43%

	Requirements		Available total capital	
	Capital adequacy requirement (in CHF million)	Requirement ratio (in %)	Available capital (in CHF million)	Effective capital ratio (in %)
Cover for risk-weighted capital adequacy requirement as at 31.12.2015				
Basic requirement	3,936	4.50	3,936	4.50
Capital buffer	8,473	9.69	9,208	10.53
of which anti-cyclical capital buffer ⁴⁾	1,039	1.19	1,039	1.19
of which conversion capital with a high triggering rate (7%)			600	0.69
Progressive components	1,224	1.40	1,224	1.40
of which conversion capital with a low triggering rate (5%)			550	0.63
of which convertible capital without trigger rate and other components			447	0.51
of which covered by "hard" core capital ²⁾			227	0.26
Total	13,633	15.59	14,368	16.43
Surplus			735	0.84
Total risk-weighted positions as at 31.12.2015				87,459

¹ The deductions from "hard" core capital include intangible assets (goodwill).

² If the progressive component is higher than the convertible capital with a low trigger level, requirements are met in the form of "hard" core capital.

³ Due to reclassification of the CET1 capital for the progressive component, the statement of "hard" core capital (CET1) under the regime of systemic importance differs from the capital adequacy disclosure as defined in FINMA Circular 2008/22.

⁴ Current anti-cyclical capital buffer of 2.0% on home ownership financing within Switzerland, effective from 30 June 2014.

The Raiffeisen Group exceeds the current capital adequacy requirements based on the definition for systemically important Swiss banks as at 31.12.2015 with a figure of 16.43% (requirement: 15.59%) by a total of 0.84 percentage points and a capital amount of CHF 735 million.

(in million CHF)	31.12.14	30.06.15	31.12.15
Composition of leverage ratio on basis of unweighted positions¹			
Total assets as stated in consolidated financial statements	188,640	201,345	205,748
Adjustments for consolidated companies and deductions from core capital ²	-289	-323	-513
Adjustments for fiduciary assets	-	-	-
Adjustments for derivatives ³	-1,724	-2,048	-1,569
Adjustments for security financing transactions ⁴	-511	-68	-282
Adjustments for off-balance sheet transactions	3,134	3,620	3,552
Other adjustments ⁵	-231	-235	-
Total exposure for leverage ratio	189,019	202,292	206,937
Average core capital (Tier 1)	12,269	13,413	13,921
Leverage ratio	6.49%	6.63%	6.73%

	Requirements		Available core capital	
	Capital adequacy requirement (in million CHF)	Requirement ratio (in %)	Available capital (in million CHF)	Available ratio (in %)
Cover for unweighted capital adequacy requirement – leverage ratio as at 31.12.2015				
Basic requirement	2,235	1.08	2,235	1.08
Capital buffer	4,222	2.04	10,991	5.31
of which conversion capital with a high triggering rate (7%)			600	0.29
Progressive components	695	0.34	695	0.34
of which conversion capital with a low triggering rate (5%)	-		550	0.27
of which covered by "hard" core capital ⁶			145	0.07
Total	7,152	3.46	13,921	6.73
Surplus			6,769	3.27

¹ The overall exposure is shown on the basis of reporting date values pursuant to FINMA Circular 2015/3.

² These positions take into account the intangible assets (goodwill) that are deducted from the core capital.

³ This position takes into account the counterparty netting of OTC derivatives based on the existing netting agreements. FINMA Circular 2015/3 allows the deduction of margin payments.

⁴ This position takes into account the netting resulting from reverse repo transactions that are cleared via SIX SIS AG and there is no risk of default. FINMA Circular 2015/3 allows netting if the regulatory requirements are met.

⁵ This position takes into account the provisions for default risks that are set off against the assets.

⁶ If the progressive component is higher than the convertible capital with a low trigger level, requirements are met in the form of "hard" core capital.

The Raiffeisen Group exceeds the current requirements for leverage ratio for systemically important Swiss banks as at 31.12.2015 with a figure of 6.73% (requirements: 3.46%) by a total of 3.27 percentage points.

Information on the liquidity coverage ratio (LCR)

	Q3 2015		Q4 2015	
	Unweighted values (monthly averages) in 1000 CHF	Weighted values (monthly averages) in 1000 CHF	Unweighted values (monthly averages) in 1000 CHF	Weighted values (monthly averages) in 1000 CHF
High-quality liquid assets (HQLA)				
1 Total high-quality liquid assets (HQLA)		19,732,720		20,714,985
Cash outflows				
2 Retail deposits	104,803,498	10,368,799	107,221,985	10,647,949
3 of which stable deposits	6,000,000	300,000	6,000,000	300,000
4 of which less stable deposits	98,803,498	10,068,799	101,221,985	10,347,949
5 Unsecured business-client or wholesale funding	14,131,740	8,365,650	14,403,861	8,327,050
6 of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	–	–	–	–
7 of which non-operational deposits (all counterparties)	14,098,321	8,332,230	14,365,235	8,288,424
8 of which unsecured debt securities	33,420	33,420	38,626	38,626
9 Secured business client or wholesale funding and collateral swaps		203,574		33,771
10 Other cash outflows	7,224,659	2,623,192	7,677,548	2,675,276
11 of which cash outflows related to derivative exposures and other transactions	1,500,135	1,500,135	1,459,975	1,459,975
12 of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	109,933	109,933	131,033	131,033
13 of which cash outflows from committed credit and liquidity facilities	5,614,591	1,013,123	6,086,539	1,084,267
14 Other contractual funding obligations	2,222,573	1,439,541	2,671,827	1,827,653
15 Other contingent funding obligations	1,911,265	95,563	2,332,391	116,620
16 Total cash outflows		23,096,319		23,628,318
Cash inflows				
17 Secured funding transactions (e.g. reverse repo transactions)	158,867	33,643	8,472	8,472
18 Inflows from fully performing exposures	2,363,092	1,580,060	2,769,785	1,925,611
19 Other cash inflows	485,892	485,892	712,100	712,100
20 Total cash inflows	3,007,852	2,099,595	3,490,357	2,646,183
		Adjusted value		Adjusted value
21 Total high-quality liquid assets (HQLA)		19,732,720		20,714,985
22 Total net cash outflows		20,996,724		20,982,135
23 Liquidity coverage ratio (LCR) (%)		93.98		98.73

Qualitative disclosure of the liquidity coverage ratio (LCR)

Art. 12 of the Liquidity Ordinance requires the Raiffeisen Group to comply with the liquidity coverage ratio (LCR). The LCR is intended to ensure that banks hold sufficient high-quality liquid assets (HQLA) in order to cover, at all times, the net cash outflow that could be expected in a standard stress scenario for 30 days, as defined by outflow and inflow assumptions. The published LCR metrics are based on simple monthly averages of the corresponding reporting quarters.

Raiffeisen focuses on the domestic savings and mortgage market. Due to its low degree of dependence on major clients and broad diversification among private clients, its funding sources are minimally concentrated.

Loans to clients are funded largely by customer deposits (91%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Private client deposits are responsible for the largest portion of liquidity requirements (No. 2). As expected, growth in private client deposits increased liquidity requirements in the second half of the year. The bank creditor portfolio was tactically expanded further. On the one hand, this led to an increase in cash outflows for "unsecured business client or major client funding" (No. 5) and, on the other, to a rise in the HQLA portfolio (No. 1). 80% of the HQLA portfolio consists of category 1 assets. This includes 85% in deposits with the Swiss National Bank, after position-squaring. The remaining category 1 assets consist primarily of cash and public sector bonds rated at least AA-. After position-squaring, Swiss central mortgage institution loans represent almost 90% of the category 2 assets, which make up 20% of the HQLA portfolio. The remaining 10% are primarily public sector bonds and covered bonds rated at least A-. Cash outflows relating to the interest rate hedging portfolio have remained stable (No. 11). The remaining positions have undergone continuous development within the scope of the growth in total assets.

The Raiffeisen Group does not have any significant foreign exchange operations resulting from its core business. Due to the low level of lending business in foreign currencies, foreign currency liabilities are transferred to Swiss francs using the matched-period method.

The Raiffeisen Group has centralised liquidity risk management, which is performed by Raiffeisen Switzerland's Treasury department. It manages the liquidity of the Raiffeisen Group based on regulatory requirements and internal target parameters. The individual Raiffeisen banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland. Raiffeisen Switzerland's Treasury department manages the liquidity reserve centrally and organises the liquidity transfer within the Group.

Due to its classification as a systemically important bank, Raiffeisen has been required to maintain a short-term liquidity coverage ratio of at least 100% since 1 January 2016. The initiated changes will enable the Raiffeisen Group to meet this requirement.

Group companies compared

(in million CHF)	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Income statement										
Net interest income	2,030	1,981	111	115	18	27	18	12	2,177	2,135
Net income from commission business and service transactions	231	215	74	81	170	145	-12	-12	463	429
Net trading income	119	101	76	42	12	12	2	3	209	158
Other ordinary result	59	58	373	294	135	23	-400	-268	167	107
Personnel expenditure	-830	-811	-323	-320	-176	-138	-1	4	-1,330	-1,265
Other operating expenditure	-539	-513	-247	-164	-153	-69	381	246	-558	-500
Total operating expenditure	-1,369	-1,324	-570	-484	-329	-207	380	250	-1,888	-1,765
Depreciation on fixed assets	-120	-124	-43	-42	-18	-3	-	5	-181	-164
Value adjustments, provisions and losses	-7	-6	1	-12	-1	-1	3	10	-4	-9
Operating profit (interim result)	943	901	22	-6	-13	-4	-9	-	943	891
Extraordinary income	29	14	24	46	67	43	-53	-52	67	51
Extraordinary expenditure	-597	-556	-	-	-1	-21	595	572	-3	-5
Changes in reserves for general banking risks	-11	-10	-15	-2	-	-	26	12	-	-
Taxes	-151	-147	-1	-1	-11	-1	-37	-28	-200	-177
Group profit (including minority interests)	213	202	30	37	42	17	522	504	807	760
Minority interests in Group profit	-	-	-	-	-	-	-1	1	-1	1
Group profit	213	202	30	37	42	17	523	503	808	759
Key balance sheet figures										
Total assets	176,955	168,546	46,791	37,448	8,326	5,650	-26,324	-23,240	205,748	188,404
Receivables from clients	5,500	5,579	2,238	2,052	395	275	-248	-91	7,885	7,815
Mortgage receivables	149,619	142,663	8,506	7,652	473	422	-4	-6	158,594	150,731
Amounts due in respect of customer deposits	135,979	130,043	10,003	8,297	4,666	3,302	-376	-97	150,272	141,545

Balance sheet – five-year overview

(in million CHF)	2015	2014	2013	2012	2011
Assets					
Liquid funds	18,907	9,219	7,019	6,943	4,698
Receivables from banks	3,811	5,251	6,146	4,881	2,861
Amounts due from securities financing transactions	391	690	954	1,367	806
Receivables from clients	7,885	7,815	7,664	7,736	7,594
Mortgage receivables	158,594	150,731	143,497	135,762	128,327
Trading portfolio assets	2,115	2,194	1,366	1,837	1,548
Positive replacement values of derivative financial instruments	1,795	1,810	931	1,057	1,135
Financial assets	6,878	6,032	4,603	4,100	4,775
Accrued income and prepaid expenses	225	217	210	211	260
Non-consolidated participations	732	614	719	633	519
Tangible assets	2,476	2,399	2,403	2,382	2,275
Intangible assets	513	289	215	179	–
Other assets	1,426	1,143	597	766	804
Total assets	205,748	188,404	176,324	167,854	155,602
Liabilities					
Liabilities to banks	7,803	5,450	4,892	5,134	5,667
Liabilities from securities financing transactions	4,085	1,289	1,118	620	815
Amounts due in respect of customer deposits	150,272	141,545	135,001	128,822	116,427
Trading portfolio liabilities	105	121	104	90	150
Negative replacement values of derivative financial instruments	2,398	2,296	1,406	1,707	1,812
Liabilities from other financial instruments at fair value	870	217	–	–	–
Medium-term notes	1,647	2,262	3,056	4,230	5,743
Bonds and central mortgage institution loans	23,470	21,519	17,933	15,186	13,637
Accrued expenses and deferred income	711	634	599	569	566
Other liabilities	183	160	176	216	212
Provisions	878	850	831	782	698
Cooperative capital	1,248	748	637	616	599
Retained earnings	11,262	10,533	9,848	9,245	8,681
Group profit	808	759	717	635	595
Total equity capital (without minority interests)	13,318	12,040	11,202	10,496	9,875
Minority interests in equity capital	8	21	6	2	–
– of which Minority interests in Group profit	-1	1	-1	0	–
Total equity capital (with minority interests)	13,326	12,061	11,208	10,498	9,875
Total liabilities	205,748	188,404	176,324	167,854	155,602

Income statement – five-year overview

(in million CHF)	2015	2014	2013	2012	2011
Interest and discount income	3,130	3,218	3,295	3,404	3,423
Interest and dividend income from financial assets	60	60	61	82	84
Interest expenditure	-1,002	-1,145	-1,225	-1,393	-1,431
Gross result from interest operations	2,188	2,133	2,131	2,093	2,076
Changes in value adjustments for default risks and losses from interest operations	-11	2	5	-3	7
Subtotal net result from interest operations	2,177	2,135	2,136	2,090	2,083
Commission income securities and investment business	357	325	313	299	179
Commission income lending business	18	16	14	15	12
Commission income other service transactions	204	197	173	159	146
Commission expenditure	-116	-109	-105	-106	-94
Net income from commission business and service transactions	463	429	395	367	243
Net trading income	209	158	185	190	137
Income from sale of financial assets	20	5	3	–	–
Income from participating interests	80	64	57	44	41
Income from real estate	19	20	19	18	18
Other ordinary income	60	22	14	13	6
Other ordinary expenditure	-12	-5	-13	-13	-8
Other ordinary result	167	106	80	62	57
Personnel expenditure	-1,330	-1,265	-1,210	-1,283	-1,070
Other operating expenditure	-558	-500	-513	-502	-451
Total operating expenditure	-1,888	-1,765	-1,723	-1,785	-1,521
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-181	-164	-178	-198	-239
Changes to provisions and other value adjustments, and losses	-4	-9	-23	-24	-19
Operating result	943	890	872	702	741
Extraordinary income	67	51	21	85	4
Extraordinary expenditure	-3	-4	-4	-2	-4
Taxes	-200	-177	-173	-150	-146
Group profit (including minority interests)	807	760	716	635	595
Minority interests in Group profit	-1	1	-1	–	–
Group profit	808	759	717	635	595

Imprint

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Market view: Economic forecasts from
Raiffeisen's chief economist in Zurich



All the figures and background information on the 2015 financial year are available
at **raiffeisen.ch/annualreports**