Raiffeisen Group
Raiffeisen Switzerland
Annual Report 2017

Management report

Management report
Regarding the financial year

Preface

Prof. Dr Pascal Gantenbein and Dr Patrik Gisel

The Raiffeisen Group had another intense and successful year in 2017, culminating in the roll-out of the new core banking system and the migration of the first tranche of banks towards the end of the year. By modernising Raiffeisen's IT landscape, we are streamlining our processes and preparing the ground for future digitisation projects. This innovative platform allows us to take a huge step into the future.

2017 was also very successful in financial terms – thanks to the excellent financials of Raiffeisen banks throughout Switzerland, we achieved an excellent result and grew across all income items:

- In our core mortgage and savings business, we were able to further strengthen our position as the leading Swiss retail bank. To build up the private clients business, which is central to Raiffeisen, we launched a pilot project for marketing real estate in two regions in 2017, offering clients sound knowledge of the market and comprehensive advisory services for the purchase and sale of private residential properties.
- In terms of investment activity, the Raiffeisen banks achieved record-breaking net cash inflows in 2017. At the same time, we cooperated even more closely with Notenstein La Roche Private Bank Ltd. Since 2017, investment clients have been able to invest in companies from their region through regional share baskets.
- Our market position was strengthened in 2017 by a significant increase in corporate client numbers. At the same time, the Raiffeisen Business Owner Centre (RUZ) evolved into a central element of our corporate client strategy. Last year also saw the award of Raiffeisen's first Eastern Switzerland Prize for Entrepreneurship, which was accompanied

by extensive media coverage. Raiffeisen has positioned itself as a competent and trustworthy bank for entrepreneurs overall.

Raiffeisen's cooperation strategy became even more focused last year. Effective 1 January 2019, Avaloq will be taking over Raiffeisen Switzerland's participation in the partners' current joint venture, ARIZON. In this context, Raiffeisen Switzerland sold its 10% participation in the Avaloq Group to Warburg Pincus. Likewise, the sale of Raiffeisen's participation in Helvetia Holding Ltd is also driven by the conviction that successful cooperation is not contingent on financial investment. Moreover, Raiffeisen Switzerland and Pro Senectute Switzerland began a collaboration in 2017 in which each contributes its expertise and capabilities in pensions and senior living.

Last year also saw changes at an organisational level. We are delighted that two new members were elected to the Board of Directors at the Delegate Meeting in June 2017. The election of Laurence de la Serna and Prof. Dr Pascal Gantenbein was made with a view to succession planning in the coming years. Furthermore, Raiffeisen Switzerland unveiled a new department and management structure, effective 1 January 2018, designed to tighten its client focus. IT and client channels are now given greater weight, and a new "Risk & Compliance" department actively addresses challenges in the regulatory environment.

On behalf of the Board of Directors and the Executive Board of Raiffeisen Switzerland, we want to deeply thank all of our members and clients for the trust they have placed in us. This is also due to the media coverage of the criminal proceedings against Dr. Pierin Vincenz, the former Chairman of the Executive Board. We would also like to express our deep appreciation to all our employees for their commitment. By working together, we made further substantial progress last year and laid the foundation for a successful future.

We expect the economy to continue its recovery as the year progresses. Currently, Raiffeisen expects Switzerland's gross domestic product to grow 2.1% in 2018. Despite the still-challenging market environment caused by persistently low interest rates, we expect to see growth in our core business in the current reporting period.

Prof. Dr Pascal Gantenbein
Deputy Chairman of the Board of Directors of Raiffeisen Switzerland

Dr Patrik Gisel
Chairman of the Executive Board of Raiffeisen Switzerland

Important events in 2017

16 January 2017

Raiffeisen underscores its regional ties by launching regional share baskets
Raiffeisen launches six regional share baskets, offering its clients and other prospective investors an attractive instrument for investing in companies in their region. This demonstrates how committed Switzerland's third-largest banking group is to its region.

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30 January 2017

Raiffeisen renews its Super League title sponsorship
At the SFL Award Night in late January, Raiffeisen announces that it will renew its commitment as the main sponsor of the Swiss Football League and the title sponsor of the Raiffeisen Super League for another four years.

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16 March 2017

Raiffeisen's commitment has an impact in the Swiss arts scene
As a founding partner of artlog.net, Raiffeisen opens a new chapter in arts sponsoring and also wins the Red Dot Award, an international design award. These activities underscore Raiffeisen's long-standing commitment to the arts.

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21 April 2017

Raiffeisen launches business magazine SAVOIR FAIRE
In April 2017, Raiffeisen launches SAVOIR FAIRE, a business magazine for corporate clients published in three languages. It offers business leaders' insights and corporate success stories.

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30 May 2017

Raiffeisen TWINT: The digital wallet is ready
Raiffeisen clients can now download TWINT, a platform-independent Swiss payment solution. That means that they, too, can benefit from direct account debits, payments among friends and a host of other features.

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17 June 2017

Raiffeisen delegates elect two new Board of Directors members for Raiffeisen Switzerland
At the 114th Delegate Meeting in Fribourg, the delegates of the Raiffeisen banks elects two new members to the Board of Directors. The election of Laurence de la Serna and Prof. Dr Pascal Gantenbein is made with a view to succession planning in the coming years.

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29 June 2017

Pro Senectute Switzerland and Raiffeisen Switzerland to join forces
Pro Senectute Switzerland and Raiffeisen Switzerland form a collaboration, with each contributing its expertise in pensions and senior living. The collaboration's main focus is on jointly raising public awareness about the need for financial planning for retirement, and on sharing knowledge about new needs in senior living situations.

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1 July 2017

New Head of Raiffeisen Unternehmerzentrum AG
Dr Matthias Weibel takes over as Managing Director of Raiffeisen Unternehmerzentrum AG (RUZ) on 1 July 2017.

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14 August 2017

lokalhelden.ch: One million Swiss francs for charitable projects
A little over a year after its launch, total donations generated by the lokalhelden.ch crowdfunding platform break through the one-million franc mark.

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15 September 2017

Raiffeisen sells participation in Helvetia Holding Ltd
Raiffeisen sells its entire 4% participation in Helvetia Holding Ltd. By selling its equity investment, Raiffeisen leaves the shareholder pool that includes the Patria Cooperative Society.

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2 October 2017

Raiffeisen pilots an expansion of its range of real estate services
Raiffeisen enters the real estate marketing business as part of a pilot project with Raiffeisen Immo Ltd. The new Raiffeisen Switzerland subsidiary offers clients sound market knowledge and comprehensive advisory services for the purchase and sale of private residential properties.

13 October 2017

FINMA proceedings at Raiffeisen Switzerland
FINMA initiates enforcement proceedings against Raiffeisen Switzerland in October 2017. The Raiffeisen Switzerland proceedings relate to corporate governance, specifically, the way participations were handled in the past. The proceedings do not affect the Raiffeisen banks' client business.

6 November 2017

Raiffeisen Switzerland establishes new department and management structure
Raiffeisen Switzerland tightens its client focus with a new department and management structure that takes effect on 1 January 2018. IT and client channels are to be given greater weight, and a new "Risk & Compliance" department actively addresses challenges in the regulatory environment. On a related note, Christian Poerschke is taking over the reins of the Finance Department from Marcel Zoller, who is taking early retirement on 30 April 2018. Poerschke will serve as the new CFO effective 1 January 2018. Rolf Olmesdahl is appointed COO effective 1 January 2018.

9 November 2017

First-ever award of Raiffeisen's Eastern Switzerland Prize for Entrepreneurship
Raiffeisen's first Eastern Switzerland Prize for Entrepreneurship is awarded in Gossau with 300 guests in attendance. Koch AG receives the grand prize at this award ceremony. The audience award goes to Bütschwil Käse AG.

17 November 2017

Raiffeisen Switzerland and Avaloq define future relationship
Raiffeisen Switzerland and Avaloq have put their relationship on a new footing and transformed their partnership into a pure customer-supplier relationship. Effective 1 January 2019, Avaloq will be taking over Raiffeisen Switzerland's participation in the partners' current joint venture, ARIZON. In this context, Raiffeisen Switzerland sells its 10% participation in the Avaloq Group to Warburg Pincus.

11 December 2017

Dr Beat Hodel takes over the new Risk & Compliance department at Raiffeisen
Raiffeisen appoints the previous Head of Group Risk Controlling, Dr Beat Hodel, as the new Head of the Risk & Compliance department. He will take over the reins on 1 January 2018.

14 December 2017

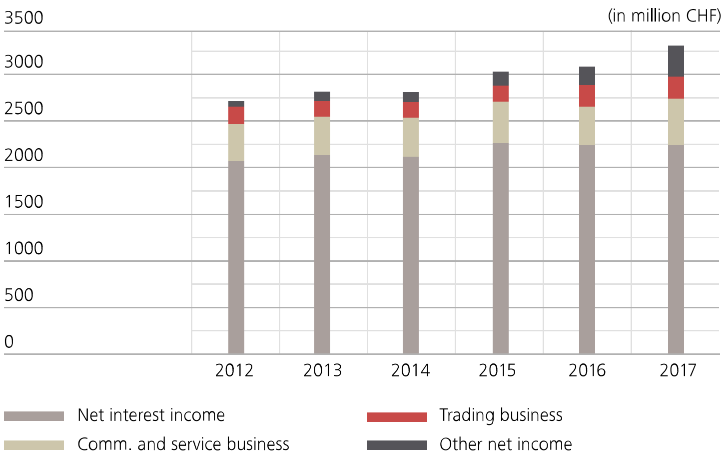
The Raiffeisen Business Owner Centre (RUZ) expands westward
Over the last four years, the Raiffeisen Business Owner Centre (RUZ) has evolved into a central element in Raiffeisen's corporate client strategy. In addition to its three current locations, two additional centres will open their doors in Western Switzerland and in the Espace Mittelland region in 2018 and 2019.

Management report
Business trend

Business performance

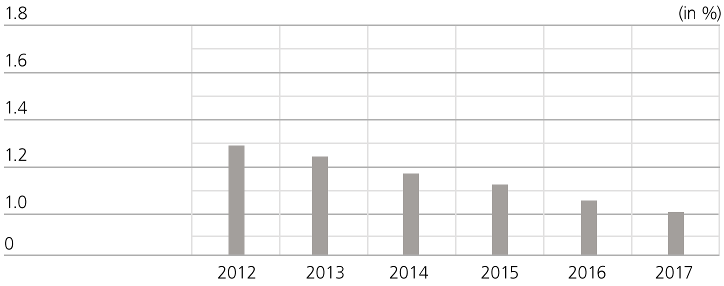
The Raiffeisen Group had an extremely successful financial year. The Group generated a Group profit of CHF 917 million thanks to an increase in income from the core business, strong performance from the financial markets and high income from the sale of participations, offset only by a moderate increase in expenditure. This excellent result came about from a combination of strong earnings and extraordinary income of CHF 119 million, generated mainly from the sale of participations. Besides reporting excellent financials for 2017, Raiffeisen also successfully implemented its strategic plans. The first wave of Raiffeisen banks migrated to a new, Avaloq-based core banking system at the turn of the year. Notenstein La Roche Private Bank Ltd implemented a new core banking system, also based on Avaloq, in October 2017. The Raiffeisen Group made further headway on the digitisation front in 2017. For example, Raiffeisen established the "lokalhelden.ch" crowdfunding platform, refined the "RaiffeisenCasa" real estate platform, created an additional communication channel with the new "Raiffeisen Piazza" app and launched "Raiffeisen TWINT" as a new channel for mobile payments. In addition, the Raiffeisen Group streamlined its Group structure by adopting a new cooperation strategy and selling the aforementioned equity participations.

Performance of income items



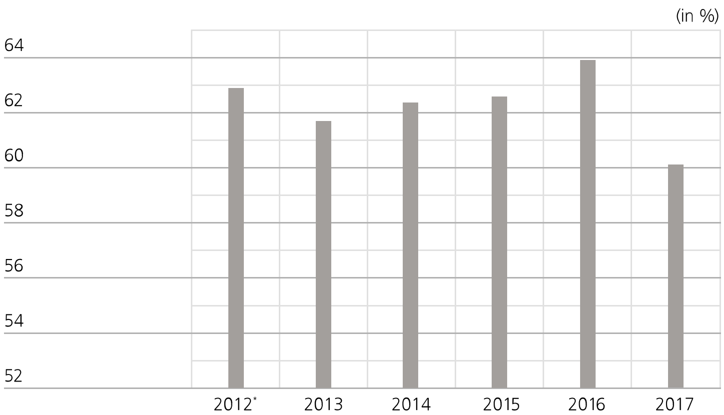
Group profit was so high because of the Group's excellent performance in operating income, which increased over CHF 201 million (+6.5%) to a record CHF 3.31 billion. All income items increased compared to the previous year. Although interest margins suffered from unremittingly low interest rates, interest income increased thanks to the growth in volume. Commission and service income was buoyed up by a favourable market environment and continued high growth in the service business. The biggest income driver was other results from ordinary activities, which increased CHF 143 million. Nearly CHF 90 million of the increase came from capitalising project expenditure for the new core banking systems at the Raiffeisen banks and at Notenstein La Roche Private Bank Ltd. The remaining increase consisted of higher income from participations and higher income from the sale of financial investments.

Interest margin



Operating expenses increased more moderately than in the past. They rose CHF 26 million, or 1.3% to CHF 2.013 billion. This below-average increase was partly due to the absence of costs from Asset Management, which was sold in the previous year, and partly due to general cost discipline. The project expenditure for the new core banking systems, which was recorded under operating expenses, was capitalised via "Other ordinary income" in tangible fixed assets and therefore recognised as assets. Once the systems go live, the realisation costs will reduce Group profits through higher amortisation over the next ten years.

Cost/income ratio trend



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

"Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets" decreased CHF 72 million to CHF 188 million. In the previous year, this item was impacted by a value adjustment of CHF 69 million for the Leonteq participation. The Group's operating result broke through the one-billion-franc barrier for the first time to reach CHF 1,108 billion (+CHF 254 million or +29.7%).

Extraordinary income came to CHF 119 million, mainly due to income from the disposal of equity participations in Helvetia Holding Ltd and Avaloq Group AG. Thanks to the good result, the Group has set aside CHF 80 million in reserves for general banking risks for the first time. These reserves serve as an additional financial cushion for the Group. Another consequence of the Group's strong business performance is its high tax expense of CHF 233 million. Nevertheless, Group profit reached CHF 917 million (+CHF 163 million or +21.6%), clearly surpassing the CHF 808 million in profit generated in 2015.

The Raiffeisen Group is highly satisfied with the result from its operating activities. Business volume and operating result increased on a broad basis throughout the entire country.

Strong financial market performance also helped drive this excellent result in the year under review. Unlike previous years, there were no negative extraordinary items, such as major value adjustments or write-downs.

The balance sheet business also performed very well. Mortgage loans increased CHF 7.2 billion, putting the total portfolio at CHF 172.6 billion. Client assets under management went up as well, rising CHF 6.8 billion to CHF 209.6 billion. In the retail business, clients showed a clear preference for transferring funds from bank accounts to custody accounts. Notenstein La Roche Private Bank Ltd's focus on the Swiss market and a few select international target markets is reflected in the performance of the assets under its management. Notenstein La Roche Private Bank successfully sold its Eastern Europe portfolio in the fourth quarter, leading to an outflow of CHF 2.1 billion in assets under management.

On 27 February 2018, the Zurich III Public Prosecutor's Office notified Raiffeisen Switzerland that it had instituted criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He has been charged with acting in bad faith in connection with Aduno and Investnet. Raiffeisen Switzerland has joined the proceedings as a private complainant and has additionally filed a criminal complaint against Dr Pierin Vincenz and other potentially involved individuals. However, these actions have no effect on the current annual financial statements.

Income statement

Income from operating activities

As mentioned above, all income items increased compared to the previous year. The Group saw the strongest growth in commission and service income and in other results from ordinary activities. Operating income reached CHF 3.31 billion – a record that will be hard to beat, at least in the near future. Operating business will continue to grow, but the capitalised amounts included in other results from ordinary activities will not return to the current year's level because the rollout of the core banking system will be completed in 2018.

Interest operations achieved a solid performance despite the difficult circumstances. The gross result from interest operations rose CHF 21 million (+0.9%) to CHF 2.251 billion. The interest environment remained challenging: the interest margin shed another 4 basis points to 1.02%. Little leeway remained for setting interest rates. While net interest income in the retail business increased, net income from centralised liquidity maintenance and hedging was lower than in the previous year. Raiffeisen continues to refrain from passing on negative interest rates to private clients. The current low-interest phase has affected all banks and prompted fierce competition. Indeed, competition has intensified as insurance companies, pension funds and other financial services providers enter the mortgage business. The Raiffeisen banks and Raiffeisen Switzerland's branches have resisted this downward trend. Between their successful work with clients, local presence and knowledge of market conditions, they recorded significant growth in business volume that resulted in this solid growth in interest operations.

The Item "Changes in value adjustments for default risks and losses from interest operations" decreased CHF 8 million to only CHF 2 million. Larger value adjustments were released to profit or loss in the current year than in the previous year. As a consequence, the net result from interest operations rose CHF 29 million to CHF 2.248 billion.

Supported by strong financial market performance, favourable net cash inflow and high-volume growth in the service business, the result from commission business and services (note 22) improved significantly, gaining CHF 28 million to reach CHF 494 million. It should be noted that last year's result included net income of CHF 23 million from the sale of one of the Group companies, Vescore Ltd. Much of the increase in securities trading and investment activities is attributable to strong income from brokerage fees. However, higher volumes were also responsible for the increase in portfolio-based income. In other services, growth was concentrated in income from payment transactions.

Commission income from securities trading and investment activities increased CHF 67 million while commission expense went up CHF 62 million; however, it should be noted that all commissions related to issuing structured products are reported in gross terms for the financial year. In the previous year, individual commission components were reported on a net basis because the sales process was structured differently at that time.

The result from trading activities increased slightly (+CHF 2 million to CHF 230 million) (note 23.1/23.2), largely as a result of foreign exchange, notes and coins trading. The Group's results from equities trading were also solid. Trading in interest products, however, proved to be more difficult in the year under review.

As mentioned in another section, the capitalisation of a total of CHF 199 million (previous year: CHF 111 million) led to a significant increase in "Other results from ordinary activities" to CHF 337 million. Due to the sale of a large portfolio of financial investments, "Result from the disposal of financial investments" increased a significant CHF 24 million as well. The increase in "Income from participations" (+CHF 22 million) was mainly due to using the equity method to measure participations, which produced higher valuations.

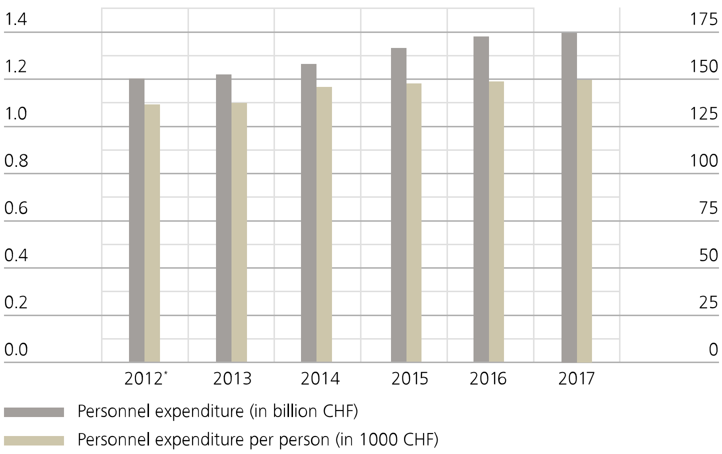
Operating expenses

The increase in operating expenses was more moderate than in the previous year. The increase of CHF 26 million (previous year: +CHF 100 million) to CHF 2.013 billion pushed expenses above the two-billion-franc mark for the very first time. The Group does not expect expenses to rise any further next year as the new core banking system should be completely rolled out at the Raiffeisen banks by the end of 2018. The cost/income ratio went down significantly, from 63.9% to 60.8%, as operating income rose considerably, but operating expenses only increased slightly.

Personnel expenses

Personnel expenses (note 26) increased CHF 14 million (+1.0%) to CHF 1,395 million. The largest increase was seen in ancillary personnel expenses for temporary staff to support projects. In the retail business (Raiffeisen banks and Raiffeisen Switzerland branches), the number of full-time positions went up 98. The number of full-time positions at the Group level increased 136 to 9,411 full-time positions.

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



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

General and administrative expenses

The rise in general and administrative expenses (note 27) was similarly moderate. This item went up CHF 12 million (+1.9%) to CHF 618 million. The cost increase pertained to other operating expenses. Costs for consulting services, which are heavily project-driven, rose sharply to reach a high of more than CHF 65 million in the current year.

Raiffeisen Group capital investment 2013–2017, by category

Net investment, in CHF million	2013	2014	2015	2016	2017
Bank buildings	89	56	92	83	76
Other real estate	2	2	2	8	10
Alterations and fixtures in third-party premises	19	18	17	15	11
IT hardware	19	13	22	17	15
IT software	11	34	65	129	208
ATMs	9	8	4	7	9
Furniture	5	3	5	5	4
Fixtures	11	4	3	5	8
Office machines, vehicles, security installations	9	5	7	7	3
Total net investment	**174**	**143**	**217**	**276**	**344**

Raiffeisen Group capital investment 2013–2017, by region

Net investment, in CHF million	2013	2014	2015	2016	2017
Lake Geneva region	15	18	21	15	16
Espace Mittelland	28	17	29	32	35
Northwestern Switzerland and Zurich	26	24	21	35	29
Eastern Switzerland*	82	65	124	168	227
Central Switzerland	11	12	7	16	21
Ticino	12	7	15	10	16
Total	**174**	**143**	**217**	**276**	**344**

* incl. central investment by Raiffeisen Switzerland

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

This item decreased sharply year-on-year, falling CHF 72 million to CHF 188 million. The decline was mainly attributable to the need to recognise value adjustments totalling CHF 69 million for the Leonteq participation in the previous year. Amortisation of goodwill and other intangible assets remained steady at CHF 41 million in 2017. Depreciation of tangible fixed assets stood at CHF 141 million, or slightly less than in the previous year. Due to the rollout of the new core banking system at Notenstein La Roche Private Bank Ltd, the first depreciation charge was recognised according to plan in the fourth quarter of the current year. The new banking platform will be amortised over a period of ten years.

Changes to provisions and other value adjustments, and losses

Losses not related to lending activity were CHF 2.2 million (previous year: CHF 1.5 million). Allocations and releases of provisions and other value adjustments produced a net release of CHF 2.7 million. Relatively large items in the restructuring provisions for Notenstein La Roche Private Bank Ltd and Raiffeisen Switzerland were released to profit or loss. On balance, this produced income of CHF 0.5 million, that is, a reduction in expenses for this item. In the previous year, this item contained expenses of CHF 6 million for various reasons, including net new provisioning for restructuring.

Extraordinary income and expenses

The Group benefited more from sales of participations in the current year than in the previous year. It received CHF 104 million in income from selling the participations in Helvetia Holding Ltd and Avaloq Group AG. Consequently, extraordinary income (note 28) reached CHF 119 million (+CHF 44 million).

Taxes

As a result of the Group's excellent business performance, taxes (note 29) rose a significant CHF 60 million to CHF 233 million. This includes CHF 177 million in expenses for current taxes incurred by the individual companies. Provisions for deferred taxes had to be increased CHF 56 million.

Balance sheet

The CHF 9.1 billion increase in total assets to CHF 227.7 billion is mainly attributable to the large increase in client positions in the retail business. The increase also reflected, albeit to a much lesser extent, the expansion of interbank positions as part of tactical liquidity management and volume growth in the structured products business.

Amounts due from/to banks

Both positions increased considerably as part of tactical liquidity management. Amounts due from banks increased CHF 1.2 billion to CHF 8.3 billion. Amounts due to banks went up slightly more, increasing CHF 1.8 billion to CHF 12.6 billion.

Amounts due/liabilities from securities financing transactions

Amounts due from securities financing transactions declined almost one-third to CHF 232 million. Liabilities from securities financing transactions decreased CHF 399 million to CHF 2.2 billion. These are exclusively repo transactions in which money is borrowed against collateral. Only the interest paid on these transactions is recognised in profit or loss. Changes in the value of the exchanged securities are not recognised in profit or loss.

Loans to clients

Loans to clients grew CHF 7.1 billion, or as much as in the previous year. The two items moved in very different directions. Amounts due from customers stagnated at CHF 7.9 million. Mortgage loans, by contrast, increased CHF 7.2 billion, or 4.3%, to CHF 172.6 billion. The Group grew faster than the Swiss mortgage market and so expanded its share of the domestic mortgage market from 17.2% to 17.5%. Current-year growth and the distribution of its portfolio were geographically diversified.

The Raiffeisen Group's loan portfolio has been stable for years. Roughly 90% of its loans are mortgage-backed, while over 70% of the volume consists of private clients who historically have extremely low default rates even in times of crisis. In the corporate client business, Raiffeisen focuses on clients with medium to good credit ratings. Central monitoring keeps the corporate clients portfolio adequately diversified.

Value adjustments on default risks declined CHF 16 million to CHF 208 million. As a result, the ratio of value adjustments to lending fell from 0.129% to 0.115%.

Trading portfolio assets

Trading portfolio assets (notes 3.1) increased almost CHF 1 billion to CHF 3.9 billion. While most trading positions changed very little, there was a strong increase in debt securities. This is one consequence of the strong growth in structured products. Bonds held as assets hedge the interest rate risk inherent in the bond components of structured products. The capital adequacy requirements for market risks in the trading book are detailed in the "Market risk" section of the notes to the annual financial statements.

Financial investments

Securities held as financial investments (notes 5.1 and 5.2) are managed in accordance with statutory liquidity requirements and internal liquidity targets. They are mainly investment-grade bonds. This item decreased CHF 0.4 billion to CHF 7.6 billion.

Non-consolidated participations

The new cooperation strategy prompted a sale of large participations. As a result, the book value of non-consolidated participations (note 6) decreased CHF 138 million to CHF 650 million. Disposals from sales totalled CHF 193 million. The Raiffeisen Group did not purchase any major participations. The participations, which are valued using the equity method, increased by CHF 55 million in value.

Tangible fixed assets

Due to the large amount capitalised for the core banking systems, the book value of tangible fixed assets (note 8) increased CHF 203 million to CHF 2.8 billion. This is a much larger increase than in the previous year. Overall, project costs of CHF 199 million (previous year: CHF 111 million) were capitalised in the current year. The investment volume in all other investment categories remained basically unchanged year-to-year.

Intangible assets

Intangible assets (note 9) declined CHF 48 million to CHF 372 million. Existing goodwill positions were amortised as scheduled.

Amounts due in respect of customer deposits/assets under management

Customer deposits increased CHF 5.8 billion to CHF 164.1 billion, much less than in the previous year (up CHF 8 billion). The slower growth is attributable, at least partially, to transfers from bank accounts to securities holdings. During the same period, custody account volumes at the Raiffeisen banks and Raiffeisen Switzerland branches increased CHF 3.5 billion (previous year: +CHF 1.3 billion). The ratio of customer deposits (including cash bonds) to loans to clients remains at a comfortable refinancing ratio of 91.3% (previous year: 91.9%).

The stronger increase in total portfolio value largely offset the weaker growth in client deposits. Assets under management at the Group level increased CHF 6.8 billion to nearly CHF 210 billion. The complete Eastern Europe portfolio was sold in the fourth quarter as Notenstein La Roche Private Bank Ltd tightened its focus on the domestic Swiss market and a few select international target markets, leading to an outflow of CHF 2.1 billion in assets under management.

Liabilities from other financial instruments at fair value

As Notenstein La Roche Private Bank Ltd moved forward with its strategic realignment, all outstanding structured products were transferred to Raiffeisen in the middle of 2017. Since that time, only Raiffeisen Switzerland and Raiffeisen Switzerland B.V. Amsterdam have issued new structured products. Products issued by Raiffeisen Switzerland B.V. are marked to market and reported in this balance sheet item. These structured investment solutions continued to grow rapidly in the current year. Holdings increased CHF 946 million, or 57.9%, to CHF 2.6 billion (note 13).

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

Bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans rose CHF 315 million to CHF 25.9 billion (note 14) – a moderate increase compared to previous years. Central mortgage institution loans, which are an excellent supplemental source of funding for loans and a flexible tool for managing liability-side maturities, increased almost CHF 1 billion to CHF 21 billion. Raiffeisen Switzerland bonds decreased CHF 528 million to CHF 3.3 billion due to the repayment of two bonds in 2017. Structured products issued by Raiffeisen Switzerland declined slightly to CHF 1.6 billion.

Provisions

Provisions (note 15) went up CHF 45 million to CHF 949 million. The increase is almost entirely attributable to additional provisioning for deferred taxes. After an increase of CHF 56 million, provisions for deferred taxes stood at CHF 907 million at the end of the current year. The restructuring provisions recognised by Notenstein La Roche Private Bank Ltd in the previous year in connection with the sale of Vescore Ltd were either used completely or released to profit or loss. No major changes occurred in the other categories of provisions.

Capital adequacy/equity capital

As expected, the Federal Council has adopted an evaluation report containing additional requirements for domestically focused systemically important banks in the event of restructuring or liquidation (gone concern). Raiffeisen will most likely have to comply with the additional requirements beginning in 2025. The Group assumes that, given its high retention of earnings rate, it will be in compliance with these stricter TLAC ("too big to fail") requirements by the end of the transitional period without having to take any additional action.

As a domestically focused systemically important bank, Raiffeisen currently has to meet a risk-weighted capital ratio requirement of 14.4%. Raiffeisen's total capital ratio of 17.0% clearly exceeds these going concern requirements. Even the CET1 ratio of 15.9% is clearly higher than the current going concern requirements. With a leverage ratio of 7.1%, Raiffeisen exceeds both the current going concern requirements and the future TLAC leverage ratio.

Equity capital with minority interests (statement of changes in equity and note 16) went up a significant CHF 1.3 billion, or 9.1%, to CHF 15.7 billion. The high retention of earnings and record Group profit played a substantial role in strengthening the equity base. The subscription of additional cooperative share certificates remains as popular as ever and increased cooperative capital CHF 360 million (previous year: CHF 343 million) to nearly CHF 2.0 billion. The Raiffeisen Group set aside its first-ever reserves for general banking risks of CHF 80 million due to the excellent business performance at the Group level.

Financial outlook for 2018

Raiffeisen currently expects Switzerland's gross domestic product to grow 2.1% in 2018 after expanding 1.0% in 2017. This should accelerate the economic recovery. Interest rates are expected to remain negative, although interest rate normalisation is anticipated over the medium term. Property prices should stabilise at a high level as brisk construction activity in recent years has narrowed the gap between supply and demand. Demand has also been stifled by the current price level and regulatory measures. The Swiss banking market is expected to continue to be impacted by pressure on margins and fiercer competition.

Raiffeisen expects volume and income in the core business to grow in 2018, despite the ongoing challenges presented by the market environment. Loans to clients and client deposits are expected to grow a bit more slowly than in 2017. Due to margin erosion and low interest rates, higher volumes will translate into only marginally higher income in the rates business. In the neutral business, income is expected to increase in the commission and services business and in trading due to growth initiatives. The Raiffeisen Group's profit in 2018 is expected to be lower than in 2017, partly due to large one-time positive effects in 2017 (sale proceeds from participations), and partly because the core banking systems at the Raiffeisen banks and at Notenstein La Roche Private Bank Ltd will start to be amortised in 2018.

Management report
Strategy

Strategic review

In 2017, the Raiffeisen Group built on the previous years' good results. Growth continued both in loans to clients and the deposit business, although at a slightly slower pace than in 2016. Income went up across the board in the current year. In addition to achieving favourable growth in our core business, we also made further strides in the investment and corporate client business.

Longer value chain in the core business

By establishing Raiffeisen Immo AG, Raiffeisen has entered real estate marketing with a pilot operation in Northwestern Switzerland and the Bernese Oberland – a bold step to extend the value chain in its core business. RaiffeisenCasa, the expanded home and real estate portal, offers comprehensive home information and services in addition to its established real estate marketplace. As a result, clients enjoy a complete, seamless range of services for residential properties.

Raiffeisen invests in the future

Raiffeisen is perfectly poised for the continued digital transformation and is actively seizing opportunities while examining and utilising new technologies to streamline processes. Raiffeisen also uses the new possibilities of digital technology to develop novel, innovative products and services to satisfy and surpass client expectations.

The new "Raiffeisen Piazza" app, for example, offers the Raiffeisen banks an additional channel for communicating with clients via chat. The app also provides anytime, anyplace access to regional news and information from the local Raiffeisen banks. In addition, the "lokalhelden.ch" crowdfunding platform supports the realisation of regional projects. Through this platform, associations and nonprofits can collect donations simply, efficiently and digitally, and finance projects that benefit society. "Raiffeisen Piazza" and "lokalhelden.ch" share Raiffeisen's cooperative values, local roots and client intimacy, and innovatively bring them to the digital world.

Through RAI Lab, its innovation incubator, Raiffeisen researches future trends, technologies and business models to capture important trends and introduce them into the Raiffeisen Group. Raiffeisen formed the "Swiss Fintech Innovations" association along with around 16 other banks and insurers in 2017. This association aims to use networks and collaborations to experiment and innovate, pool interests, share knowledge and work out novel solutions. It allows Raiffeisen to advocate issues outside its own organisation and discuss them across disciplinary lines. Raiffeisen also plays an active part in the SwissID. Together with several other leading Swiss companies, Raiffeisen signed a Memorandum of Understanding (MoU) as part of the 2017 Digital Day. The MoU laid the groundwork for establishing a joint company (SwissSign Group AG) that aims to develop and implement a simple, safe and unambiguous method of digital identification for the Swiss population.

Another venture launched in 2017 was Raiffeisen TWINT, a new channel for mobile payments. With this "digital wallet", clients can make cashless payments, easily send and request money from friends, conveniently shop online or receive attractive discounts. Around 100,000 clients had signed up for Raiffeisen TWINT by the end of 2017.

The first wave of Raiffeisen banks migrated to the new Avaloq-based core banking system at the turn of the year. The new system simplifies the IT landscape and provides a strong foundation for future digitisation projects.

Successful completion of the optimisation of Notenstein La Roche Private Bank Ltd's internal processes and organisational structures

Notenstein La Roche Private Bank Ltd's organisational structures, processes and service range were optimised, thereby reducing operating expenses even more. In 2017, we continued to tighten our focus on the Swiss market and a small number of target markets. To support this objective, we sold the non-strategic Eastern Europe business. Additional measures to grow assets and increase income will be implemented in 2018.

The third quarter of 2017 was marked by the 1 October 2017 rollout of the new core banking system, which is also based on Avaloq. The private bank was put under new leadership at the same time. Dr Patrick Fürer, who joined Notenstein La Roche Private Bank Ltd in the spring as its CFO, took over as CEO in October 2017.

Sale of participations in Helvetia and Avaloq

Raiffeisen sold its participations in Helvetia and Avaloq in 2017 for a healthy profit. The sale was related to the realignment of Raiffeisen's cooperation strategy. Under this strategy, successful cooperation does not necessarily require an equity investment. Furthermore, the sale of the participations strengthens Raiffeisen's equity base and sends out a clear signal about its commitment to focus on its core business.

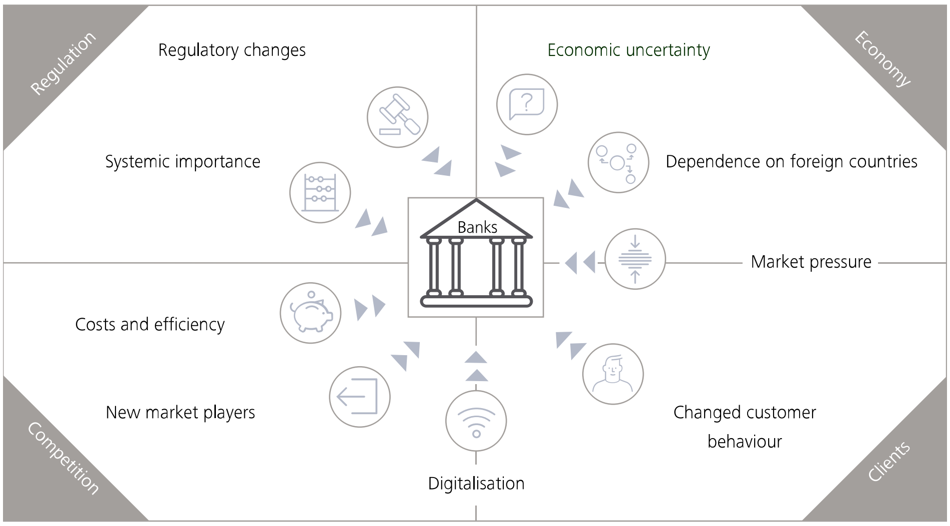
Persistently high expenses for regulatory projects

Regulatory compliance remained a challenge in 2017, necessitating substantial investments in human resources and infrastructure. The requirements resulting from our classification as a systemically important bank were implemented to a substantial extent. In June 2017, the Federal Council published an evaluation report defining the TLAC (total loss absorbing capacity) requirements for systemically important banks in Switzerland. These are additional capital requirements that the Raiffeisen Group will most likely be required to meet starting in 2025. Under these requirements, Raiffeisen must have additional funds to cover a potential reorganisation by the stated deadline. Thanks to its reliable cooperative business model, Raiffeisen currently believes that it will be able to meet these additional requirements on its own without having to raise extra capital.

Once again, the current financial year underscored the strength of Raiffeisen's cooperative business model, even in a challenging environment, and showed that the rigorous implementation of the strategic objectives lays the groundwork for Raiffeisen's continued growth and success.

Trends and challenges

The Swiss banking market has been undergoing a structural transformation for a number of years. Market pressure continues to mount in the face of macroeconomic challenges, client expectations, digitisation and stringent regulatory requirements. At the same time, banks face increased competition from new market players and consolidation pressure in the banking market.



Business: Upturn of the economic environment

The global economy continues to grow solidly despite ongoing political risks. This trend, along with the weaker Swiss franc, has helped to gradually stabilise the economy in Switzerland. While low interest rates keep demand for residential real estate high, excess capacity is beginning to emerge among investment properties. This development is being monitored on an ongoing basis, however. Nevertheless, we do not expect Swiss (residential) property prices to drop across the board in the near future, although we cannot rule out price corrections in individual regions.

Prudent lending practices are always essential for a sustainable business trajectory, but particularly so in the current environment, where many market players are still struggling to find investment opportunities. Raiffeisen has therefore chosen to adhere to its proven, conservative lending policies and cautious market assessments. It also continues to seek out and develop new sources of growth and income to offset falling margins in the core business.

Clients: high client expectations and changing client needs

Clients enjoy greater transparency around products and services and therefore have high expectations about the range of services provided by banks. Today, clients assume and expect anytime, anyplace access to services. Clients increasingly communicate with their banks through various channels, and demand for mobile banking is increasing. Banks must take care to coordinate physical and digital channels and develop innovative advisory and sales models to meet changing client needs.

The optimisation of digital and physical sales channels will play a big role in future. As a digital local bank, Raiffeisen offers clients online services while still maintaining a strong physical presence through local Raiffeisen banks.

Competitors: Fierce competition in the banking market

Pressure on margins will continue to rise in the Swiss banking market. Today, traditional banks not only have to defend their market share against other banks, but also against competitors from outside the industry, such as insurers, pension funds and technology firms. In this environment, traditional banks have realised that collaborating with fintech companies can give rise to new, innovative and comprehensive services that target client needs with a laser focus. At the same time, banks are challenged to re-engineer their business models and business processes from the ground up, drive digitisation along the entire value chain and differentiate themselves from the competition. This requires clear positioning as well as a comprehensive range of services.

Raiffeisen successfully strengthens its position as Switzerland's leading retail bank by clearly positioning itself in its core business and entering into carefully selected partnerships that augment its service offering in the core business. It also aims to expand the investment and corporate client business further. Raiffeisen wants to satisfy client needs by collaborating more with partners (in and outside the banking industry) in digital ecosystems (e.g., the "home" ecosystem).

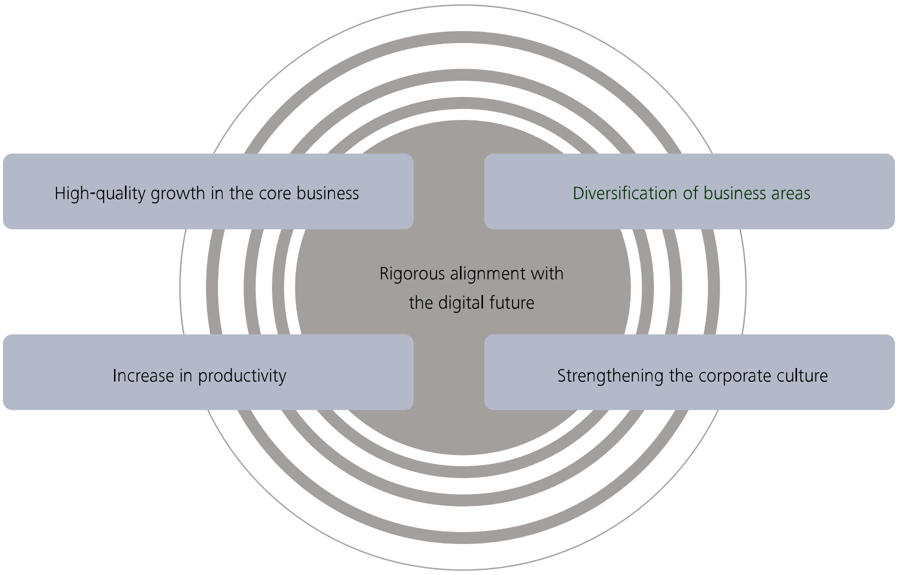
Regulation: High regulatory pressure

Regulation continues to increase for Swiss banks. Regulators are currently focused on two issues – maintaining the stability of the financial industry (systemic importance, Basel IV) and improving client protections (FinSA). Furthermore, Swiss laws are continuing to be harmonised with international regulatory standards. The implementation of regulatory provisions will therefore continue to require significant financial and human resources. Additional regulatory changes have taken place as well. For example, the Federal Council decided to improve the regulatory environment for fintech companies. In its "regulatory sandbox", the Financial Market Supervisory Authority is tearing down regulatory obstacles to new business models and promoting innovative solutions in the Swiss financial industry.

Regulatory compliance is a central requirement for Raiffeisen. At the same time, it actively participates in the regulatory debate, living up to its responsibility to society in this area as well.

Strategic objectives and their implementation

The Systematic implementation of strategic goals drives Raiffeisen Group's continued growth and success. As in previous years, Raiffeisen is pursuing four strategic approaches, supplemented by the overarching goal of rigorously aligning its business activities with the digital future.



Overarching goal: Rigorous alignment with the digital future

Objective
To strengthen its position as Switzerland's leading retail bank, Raiffeisen is aligning its business activities with the digital future, without neglecting the importance of its physical local presence. Personal service and local presence with 255 Raiffeisen banks at 912 locations remain the cornerstones of Raiffeisen's business. Local ties are further strengthened through the use of new digital technologies.

Implementation
Processes are systematically digitised end-to-end to enhance operating efficiency and customer focus. At the same time, Raiffeisen aims to merge physical and digital channels and create new offerings in order to supply clients with modern, flexible and personalised services. RAI Lab, the innovation incubator, captures trends of relevance to the Raiffeisen Group and tests and develops innovative ideas.

Strategic approach: High-quality growth in the core business

Objective
To enhance the quality of the core banking business, Raiffeisen intends to increase market penetration and develop the percentage of main banking relationships in its domestic savings and mortgage business.

Implementation
Raiffeisen's broad client base and superior client intimacy serve as a platform for future growth. We want to increase the number of clients who adopt Raiffeisen as their main bank by pursuing a segment-specific service and advisory approach. Our focus is on providing proactive support and comprehensive advisory services. Cities and metropolitan areas in particular continue to hold potential for winning new clients. New supplemental services have extended the value chain in the core business. This allows Raiffeisen to not only offer end-to-end services to clients, but also reduce its dependence on the rates business.

Strategic approach: Diversification of business areas

Objective
We want to leverage opportunities in the business areas served by the Raiffeisen Group in order to diversify our income streams and thus reduce our dependence on the rates business.

Implementation
The investment and corporate client business will be strengthened by adding new products and services, among other things. At the same time, we will step up our traditional private banking activities at Notenstein La Roche Private Bank Ltd and improve its profitability. We will also draw on Notenstein La Roche Private Bank Ltd's expertise more in order to provide Raiffeisen's investment clients with more personalised advisory services. Raiffeisen focuses on sustainability and high-quality growth – not only in its core business, but in adjoining business areas as well.

Strategic approach: Increase productivity

Objective
To remain competitive in the years to come, we aim to sustainably raise productivity by applying rigorous cost discipline at all tiers of the company.

Implementation
Standardised services must be provided as efficiently as possible, especially in retail banking. For this reason, Raiffeisen tirelessly seeks new ways to constantly standardise and automate its internal processes end-to-end. The new core banking system creates the environment required to reach this objective. Following that, the focus will shift to the realisation of economies of scale and synergies, as well as the standardisation and automation across the entire Raiffeisen Group. In doing so, clients will always remain the focus, not only in individual offerings but in standardised services as well.

Strategic approach: Strengthening the corporate culture

Objective
Raiffeisen aims to position itself as an attractive employer with a unique leadership culture.

Implementation
To successfully position ourselves as an attractive place to work, we must provide modern, proactive staff development programmes and continue to cultivate the Raiffeisen brand and cooperative business model. Achieving this objective requires credibility, sustainability, closeness and intrapreneurship. We also aim to nurture an even stronger culture of innovation in the Group. In the "Innovation Challenge" – which was first held in 2017 – employees had the opportunity to develop and discuss creative new business ideas. Raiffeisen plans to build on this success and host similar events throughout the Group in future.

Strategic management process

Raiffeisen Switzerland's Executive Board and Board of Directors regularly analyse the internal and external situation and identify any changes in the assumptions underlying the strategy. They use the findings from these analyses to determine the strategic priorities for the next three years. The strategic approaches are broken down into measurable targets and monitored on an ongoing basis. Raiffeisen has long used a balanced scorecard to manage target achievement. This tool tracks financial targets as well as client and employee parameters, providing a comprehensive view of strategic objectives we have achieved. As a cooperative, Raiffeisen's overarching strategic focus is not on maximising profit but on its commitment to its members.

Extract from the balanced scorecard for the Raiffeisen Group

Target value	2015 actual value	2016 actual value	2017 actual value	2018 target value*
Loans to clients (change in %)	5,0	4,2	4,1	4,0
Client deposits (change in %)	6,1	5,3	3,7	4,5
Total portfolio value, excluding own medium-term notes (change in %)	10,2	4,0	0,7**	10,0
Gross new provisions for value adjustments, loan losses and loan loss provisions as a percentage of loans (in %)	0,04	0,04	0,04	< 0,15
Cost-income ratio (in %)	62,6	63,9	60,8	< 61,0
Turnover of key persons (in %)***	5,4	2,0	1,0	< 7,0

* According to the multi-year plan.

** Including one-time effects (e.g., 2017 sale of Notenstein La Roche Private Bank Ltd's Eastern European business).

*** Only with top management as of 2016.

Strategic outlook 2018

Raiffeisen will continue to operate in a low interest rate environment in 2018. While there may be signs of interest rates gradually normalising over the medium term, interest margins should remain under pressure from the current negative interest rates in the short term. In response, Raiffeisen will not only pursue further qualitative growth in its core business, but will also work to reduce its dependence on the rates business in future.

Expansion of the investment and corporate client business

In the investment business, Raiffeisen focuses on leveraging additional opportunities and growing main bank relationships. In addition to taking action to enhance productivity, it also plans in 2018 to step up its efforts to increase the assets that Notenstein La Roche Private Bank Ltd has under management. The corporate client business will also be intensified and expanded as part of the diversification strategy.

Raiffeisen network – focus on core business

The Raiffeisen network will further tighten its focus on the core business. Raiffeisen is convinced that successful cooperation does not necessarily require a strategic equity investment. This allows Raiffeisen to focus its capital allocation on the core business amid tightening regulatory capital requirements.

Actively driving and promoting digitisation and innovation

The successful rollout of the new core banking system at the Raiffeisen banks has top priority in 2018. As financial and other resources become available in the medium term, they will be allocated to digitisation, market programmes and other efforts to drive the Group's strategic growth. Driving innovation is extremely important to the Raiffeisen Group's development and future success.

Raiffeisen aims to embrace digitisation along the value chain, tighten its client focus, enhance efficiency with digital end-to-end processes, and actively drive its positioning and growth in ecosystems (e.g. home).

Another important issue for Raiffeisen is the optimisation of digital and physical sales channels. To ensure the long-term success of its physical sales channels, it is necessary for Raiffeisen to refine its structures and service delivery in a focused manner. Changing client needs will drive further reductions in the number of branches, which will increasingly shift toward an advisory bank model. However, the physical sales network with local, personal client interactions will remain absolutely essential for Raiffeisen.

Project agenda 2018 – focused investments in the future

In the 2018 financial year, Raiffeisen will focus strongly on things that have a long-term income impact and contribute heavily to the goals of the strategic approaches. One particularly important new programme in the core business aims to use simple, standardised credit processes to leverage the opportunities of digitisation and thus sustainably operate the lending business at a profit. Another central issue for Raiffeisen is the ongoing refinement of the new core banking system. Regulatory projects are on the agenda for 2018 in addition to strategic projects.

New department and management structure – even greater client intimacy

Beginning on 1 January 2018, Raiffeisen Switzerland will be tightening its client focus with a new department and management structure and end-to-end process design. The updated organisational structure also satisfies modern corporate governance standards and complies with regulatory requirements for systemically important institutions. It has the added benefit of ensuring adequate and effective risk management system in the future, too.

Management report
Risk policy

Risks and principles

General

- Risks are only taken within risk tolerance limits after careful consideration.
- Risks are managed systematically.
- Risks are only taken if they can be borne, offset by reasonable returns, and the capabilities for managing the risks have been confirmed.
- Risks are effectively contained, controlled and independently managed at all levels.

Credit risk

- Loans are only extended to clients who meet minimum creditworthiness and solvency criteria.
- Concentration risks are avoided.
- The credit policy is prudent.
- 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 and minimal exposure to high-risk industries.

Market risk

- Interest rate risks are managed using proven tools and clearly defined guidelines and limits.
- Raiffeisen Switzerland trains and advises the Raiffeisen banks.
- Foreign currency assets are generally refinanced in the same currency (matched book approach).
- Trading risks are strategically clearly limited.

Liquidity risk

- Liquidity sources are properly diversified.
- Liquidity trends in the Raiffeisen Group are assessed at operational, tactical and strategic levels.
- The Raiffeisen banks and Notenstein La Roche Private Bank Ltd manage liquidity risks at their own discretion based on instructions provided by Raiffeisen Switzerland.
- Access to money and capital markets is provided centrally through Raiffeisen Switzerland.

Operational risk

- Risks are evaluated through regular top-down and bottom-up risk assessments.
- Risks are monitored using key risk indicators and an early warning system.
- The appropriateness and effectiveness of key controls in all risk-related processes is periodically reviewed and confirmed at the Group level.
- Internal and external events are analysed on an ongoing basis.

Legal and compliance risk

- Statutory, regulatory and professional provisions are promptly translated into internal rules and workflows.
- Contracts are followed and enforced.

Risk control

Risk assessment

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

The Board of Directors of Raiffeisen Switzerland regularly examines the risks affecting the Raiffeisen Group. Its examination is based on comprehensive reporting on credit, market and liquidity risks, as well as operational risks, which include legal and compliance risks. It also takes into account reputational risks that can result from all risk categories. The risk reports are prepared by Group Risk Controlling and by Raiffeisen Switzerland's Legal & Compliance department as independent entities. Reports focus on the risk situation, capital adequacy, compliance with overall limits and any measures taken. Furthermore, Group Risk Controlling uses an early warning system to identify unfavourable developments at individual Raiffeisen banks and branches.

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

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

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

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

The Raiffeisen Group puts particular emphasis on supplementing its model-based assessments with forward-looking 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, ARIZON Sourcing Ltd, Investnet Holding AG and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines relating to business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports 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.
- 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.

Independent risk control

Risk management is organised based on the three-lines-of-defence model. Independent risk and compliance control 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 management. The subsidiaries of Raiffeisen Switzerland generally operate as independent entities. Risk monitoring is risk-based. The individual entities are assessed and assigned to a risk control level using formal, material and strategic criteria. Raiffeisen Switzerland monitors the risk control and risk situation of the subsidiaries from a Group viewpoint and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Subsidiaries control risks based on guidelines and minimum requirements that are derived from the Group risk policy and implemented by the subsidiaries. These minimum requirements ensure the quality of local risk control and the Group's consolidated reporting.

Risk profile control

Raiffeisen only enters into risks that relate to an approved business transaction and fall within its risk tolerance limits. The Board of Directors sets the risk tolerance limits as part of the risk budgeting process. Risks are controlled using process requirements and overall limits. The process requirements for taking and managing risks are monitored in line with requirements. Risks that are difficult to quantify are limited by qualitative stipulations.

Risk categories

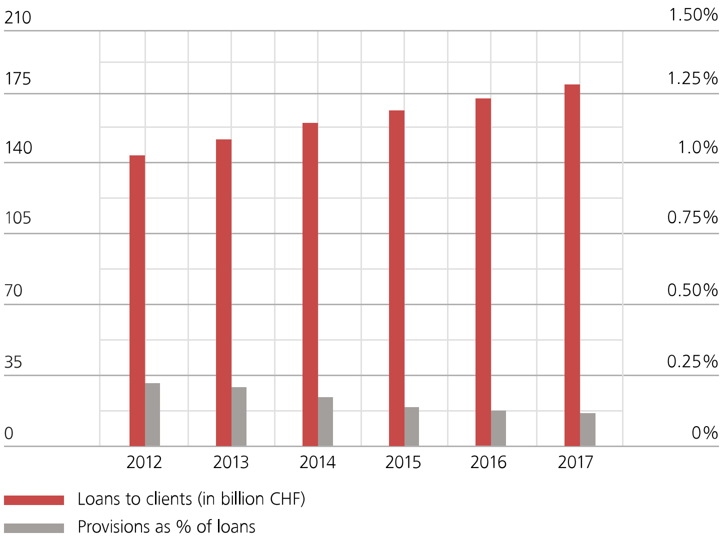
Credit risk

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

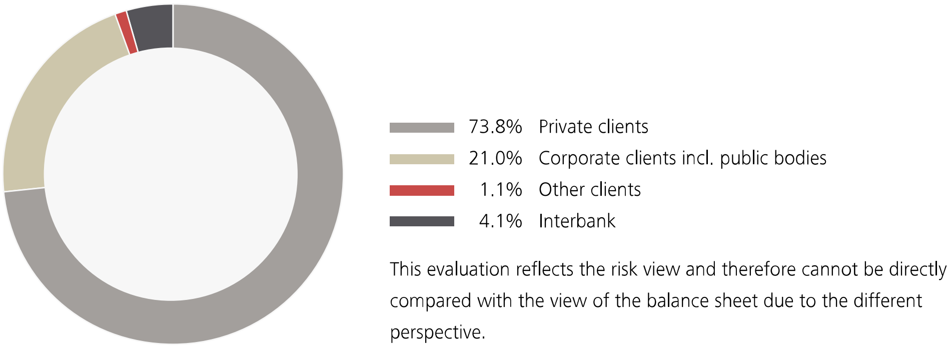
Credit risks are reviewed and assessed in nominal and risk-weighted terms. Management decisions are also based on statistical loss metrics (i.e. value at risk) and scenario analyses. Risks are monitored using credit quality metrics (such as financial viability, loan-to-value ratios, counterparty ratings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

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

Development of loans and provisions



Raiffeisen Group lending by client segment

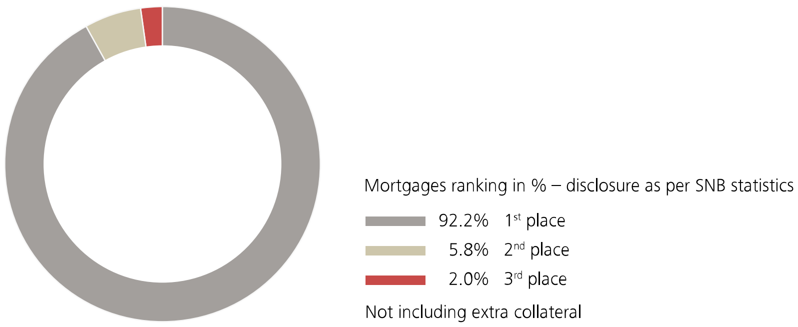


This evaluation reflects the risk view and therefore cannot be directly compared with the view of the balance sheet due to the different perspective.

Generally prudent credit policy

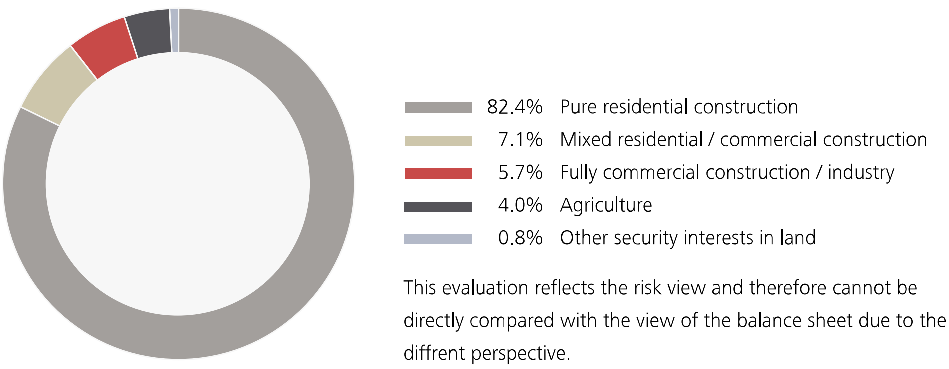
Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking.

Mortgage loans by rank



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.

Loans by collateral and property type



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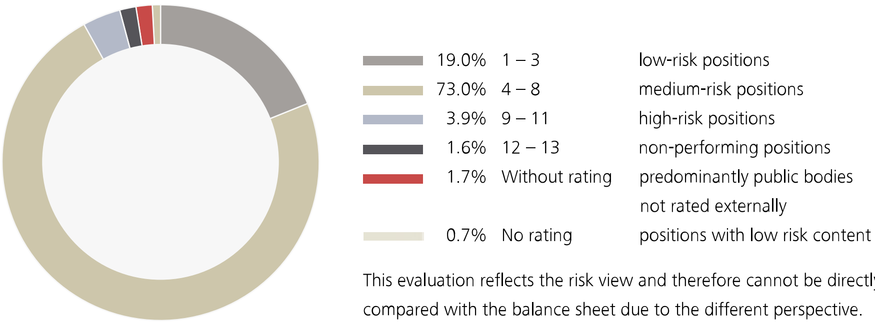
Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks and with corporate and public sector clients. The branches also extend secured loans to private individuals.

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

Credit policy in the corporate client business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings.

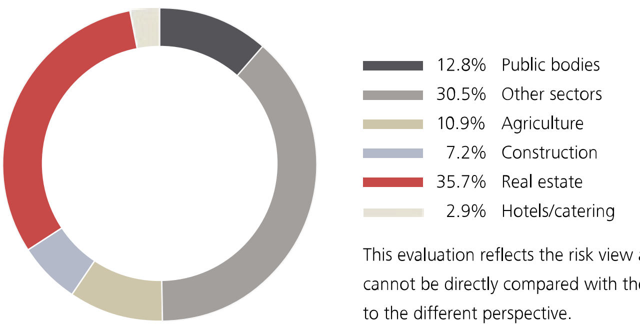
Corporate client lending by rating category



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

Its risk tolerance in the corporate lending business is clearly defined and implemented with corresponding limits for the entire Group. The Raiffeisen Group's priority is to place the expansion of its corporate client business on a solid foundation within the framework of the dedicated corporate client strategy. Its commitment is underscored by the substantial investments it has made in its staff, systems and organisation.

Raiffeisen Group lending by sector (corporate clients and other clients

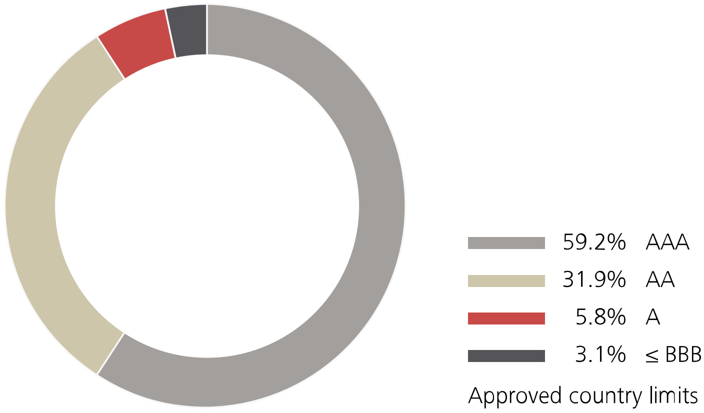


This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

Active country risk management

As stipulated in the Articles of Association, foreign exposure is 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. The Central Bank, Raiffeisen Switzerland B.V., Notenstein La Roche Private Bank Ltd and its subsidiaries can enter into commitments abroad. These commitments are limited and monitored on an ongoing basis.

Breakdown by country limits



Approved country limits total CHF 30.295 billions.

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.

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 aims to organise internal rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

Raiffeisen 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.

Assessment of the risk situation – credit risk
Credit exposure grew in line with the strategy while risk intensity remained low. Lending is generally conservative and collateralised. Top priority is given to ensuring the borrower's ability to keep up with payments.

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

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

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

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

Market risk

Risks in the banking book
The banking book is exposed to interest rate risks and foreign currency risks. Risk associated with fluctuating interest rates is a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. They are actively assumed within authorised risk limits in order to generate profit through maturity transformation.

Clear guidelines and limits apply to the management of interest rate risks within the Group – both on a consolidated basis and for individual legal entities. Risks are managed autonomously within this corridor by the individual legal entities, i.e. the Raiffeisen banks, Notenstein La Roche Private Bank Ltd and Raiffeisen Switzerland B.V. Risk managers 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. Netherlands-domiciled Raiffeisen Switzerland B.V., by contrast, manages its interest rate risks with the help of a bond portfolio that replicates the interest rate risk profile of the issued structured products. The other subsidiaries of Raiffeisen Switzerland, ARIZON Sourcing Ltd and Investnet Holding 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.

Raiffeisen Group: Interest rate risks in the banking book

(in CHF million)	31.12.2017	31.12.2016
Sensitivity (+100bp-Shift)	1,644	1,561

With respect to foreign currency risk, assets in a foreign currency are in principle refinanced in the same currency (matched book approach). This means foreign currency risk is largely avoided. The Treasury is responsible for managing the remaining foreign currency risk in the banking book.

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 and by value-at-risk limits.

All traded products are depicted and assessed in a 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 monitors trading risks on a daily basis, using market data and risk parameters that are independently checked for accuracy. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in 1,000 CHF)	2017	2016
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

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in 1,000 CHF)	ø 2017	31.12.2017	ø 2016	31.12.2016
Risk type				
Equities	348	727	578	241
Interest products	11,775	12,146	11,450	10,813
Foreign currencies	1,182	1,132	1,900	1,782
Precious metals	269	138	306	186

Liquidity and financing risks
The liquidity requirements apply on a consolidated basis at Raiffeisen Group level, at individual institution level to Raiffeisen Switzerland and to Notenstein La Roche Private Bank Ltd, and at the level of financial sub-groups, which includes both of these individual institutions. The individual Raiffeisen banks are exempted from compliance with regulatory liquidity requirements but still meet internal liquidity requirements.

Raiffeisen Switzerland's Treasury department centrally handles liquidity risk management for Raiffeisen Switzerland and the Raiffeisen Group. The Treasury department manages transfers of liquidity within the Group and ensures that refinancing and liquidity costs are allocated to their originators. The individual banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland and to maintain an appropriate refinancing structure. The Treasury department facilitates the Group's access to money and capital markets and ensures that these refinancing sources are properly diversified. The Treasury department performs regular stress tests and assesses liquidity trends in the Raiffeisen Group on an ongoing basis, taking regulatory and economic requirements into consideration. 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.

Assessment of the risk situation – market risk
Market risk mainly consists of the risks associated with fluctuating interest rates in the banking book. Risk associated with fluctuating interest rates increased slightly in 2017 due to growth in the core business. The duration of assets changed very little compared to the previous year. Simulations have shown that interest rate risks are acceptable even in adverse interest rate scenarios.

Market risks in the trading book are diversified across equities, interest rates, foreign currencies and precious metals. The potential for losses amid serious market turmoil is considered low relative to total income. There were no significant year-on-year changes in risk exposure.

The Raiffeisen Group's liquidity situation is robust.

Operational risk

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. Viability and cost-benefit analyses determine whether a business risk should be avoided, reduced, transferred or borne. These risks are assessed in terms of the expected probability of occurrence and the severity of their impacts. This includes not only the financial impacts, but also the reputational and compliance consequences. The 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 given risk event.

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.

Information security
Information security – a discipline focused on data confidentiality, integrity and availability – is becoming increasingly important, especially with regard to threats from cybercriminals. For this reason, information security risks must be comprehensively managed based on a regular assessment of the threat situation. Appropriate and effective measures for safeguarding information and infrastructure are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process. Considerable importance is attached to protecting financial privacy. Stringent data protection standards are also gaining importance given the growing significance of digital channels.

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

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

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

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

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

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

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

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

Assessment of the risk situation – operational risk
The operational risk situation has improved slightly and is within the risk budget defined by the BoD. A comprehensive ICS keeps losses attributable to operational errors low.

The threat of cybercrime and IT crime has generally increased. The Raiffeisen Group has responded to the threats and established a Cyber Security & Defence Centre.

The phased rollout of the new core banking solution (ACS) eliminates the risk associated with the developmental inflexibility of the previous solution (DIALBA).

No serious violations of client privacy or data protection were identified last year.

Legal and compliance risk

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 and ARIZON Sourcing Ltd.

These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2017/1, are submitted to the Board of Directors 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 the "know your customer" principle on account of its cooperative business model and the customer proximity that the model entails. Regulations to combat money laundering and the financing of terrorism reinforce these principles and make them concrete.
- 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 ensures 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), the Qualified Intermediary (QI) requirements, preparing for the automatic exchange of information (AEOI), complying with the changed anti-money laundering regulations, and conforming to the Swiss Financial Market Infrastructure Act (FMIA), the Financial Services Act (FinSA) and the Data Protection Act (DPA).

As a member of the Coordination Domestic Banks (CDB), Raiffeisen is particularly involved in the Federal Financial Services Act (FinSA) 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.

Assessment of the risk situation – legal and compliance risk
The risk situation in 2017 was accentuated by high regulatory pressure and increased public perceptions of violations and/or misconduct. Raiffeisen counters these risks by proactively monitoring legal developments, complying with requirements through projects and providing regular employee training.

Management report
Added value

Segments

Private and investment clients

Raiffeisen is an important partner for its private and investment clients, who count on it to provide extensive advice and assistance in financial matters. These Raiffeisen clients benefit not only from Switzerland's densest branch network, but also from increasingly differentiated digital channels. Raiffeisen broadened its range of digital services in 2017 by adding Raiffeisen Piazza, a local information app; Raiffeisen TWINT, a digital wallet; and the personal financial assistant in e-banking.

The RaiffeisenCasa internet platform was expanded in the current year. It brings together Raiffeisen's expertise on home issues and supplies tips and insights to sellers, buyers and potential residents. In making these moves, Raiffeisen has positioned itself as Switzerland's first all-inclusive partner for all things home-related. Furthermore, Raiffeisen entered the real estate marketing business in 2017 with a pilot operation in the Northwestern Switzerland and Bernese Oberland regions, offering clients sound knowledge of the market and comprehensive advisory services for the purchase and sale of private residential properties.

Raiffeisen is well-trusted in the investment business, too. In 2017, the volume of securities from retail business increased around 13%, in large part due to net new money inflows. To provide the best advice possible to clients with investment needs, in the current year Raiffeisen expanded its range of services, intensified its cooperation with Notenstein La Roche Private Bank Ltd and introduced regional share baskets that enable clients to invest in local companies.

Roughly 50% of the Swiss population is over 50 years old. The importance of advice and assistance in the third phase of life is growing and is reflected in the high demand. Raiffeisen Switzerland and the Pro Senectute Switzerland foundation entered into a multi-year partnership aimed at effectively supporting people aged 55 and up on issues such as pension planning, senior living and estate planning.

Every year, Raiffeisen rewards members for their loyalty with membership benefits: in 2017, the 1.9 million members used membership benefits over 1 million times, including the museum pass accepted by over 500 museums, one-day ski passes and event tickets with discounts of up to 50%. The "Ticino 2017" membership programme in particular was immensely popular.

Corporate clients

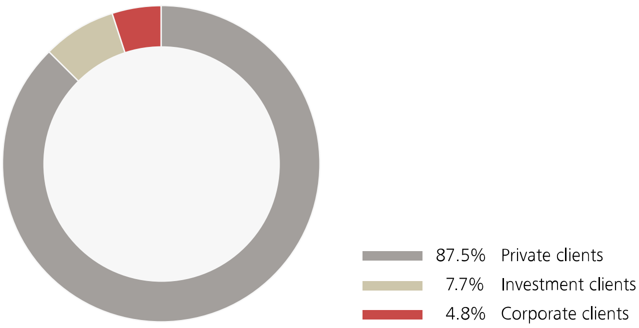
Raiffeisen invested in strengthening market perceptions of its capabilities in 2017 by launching the first issue of SAVOIR FAIRE in April. This business magazine, combined with a new online platform, offers insights and corporate success stories. Furthermore, Raiffeisen highlighted its status as a local, trustworthy bank for entrepreneurs and companies by handing out its first-ever Eastern Switzerland Prize for Entrepreneurship.

The Raiffeisen Business Owner Centre (RUZ) evolved into a central element of Raiffeisen's corporate client strategy in 2017, prompting a decision to open additional centres in Western Switzerland (2018) and the Espace Mittelland (2019) region. The RUZ was put under the new leadership of Dr Matthias Weibel and was strategically aligned with a skills-based model. The Raiffeisen network with the Raiffeisen Business Owner Centre, Business Broker AG and Vorsorge Partner AG offers entrepreneurs and companies a first port of call for any questions that may come up in a company's development cycle.

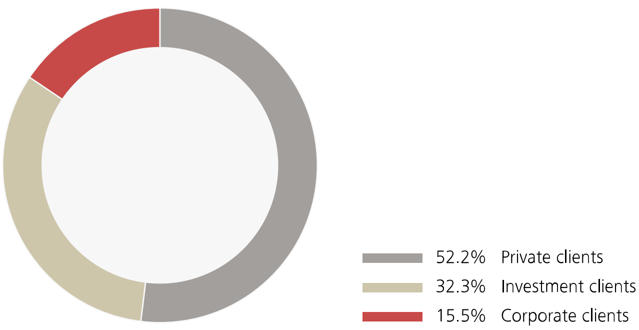
Digitisation is closely linked to higher process efficiency, especially among corporate clients. To bring these benefits to clients, Raiffeisen and Abacus have provided direct interfacing between the client's accounting software (AbaNinja) and Raiffeisen's e-banking system since early 2017. Raiffeisen also invested in product development, expanded its foreign guarantee and export financing services, launched RAIlease, a leasing portal for capital goods, and is prepared for the new payments standards. More supplementary products and solutions for corporate clients will be launched in 2018.

The volume of investment financing (excluding mortgages, leasing and current accounts) extended to Swiss-domiciled corporate clients went up yet again in 2017 (+3.3%). Growth was spread across companies of all sizes, from the self-employed to small, medium-sized and large companies, to major Swiss multinationals.

Proportion of clients



Proportion of client volumes



Services

Payments

With over 1.2 million e-banking contracts (+7.5%), 66.5 million logins (+13%) and 110 million payment orders (+7%), it has been another extremely successful year for e-banking. Once again, it was the most frequently used interaction channel between Raiffeisen banks and Raiffeisen clients. Several improvements and expansions are planned for 2018.

The growing popularity of debit cards (Maestro and V PAY) as a cashless payment method among Raiffeisen clients was reaffirmed in 2017. The number of transactions grew another 12% to 119 million.

The contactless function on the V PAY card launched in late 2016 supports this trend with fast and easy payments at the point of sale – no PIN code is required for transactions up to CHF 40. Contactless payments are already used in 20% of transactions. ATM withdrawals, by contrast, showed their first-ever decline (-1%) – which could signal a loss in the significance of cash.

Other payment innovations support this trend. Raiffeisen launched Raiffeisen TWINT, a mobile payment solution, at the end of May 2017. Every Raiffeisen client who has a debit card from Raiffeisen can register for the mobile payment app with direct bank account integration. By the end of the year, around 100,000 users had already registered. TWINT is most commonly used for person-to-person transfers. TWINT is also increasingly used for online shopping.

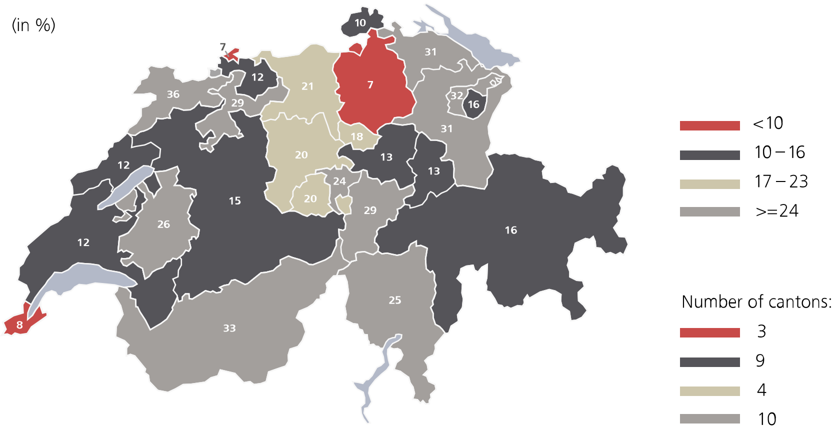
Corporate clients also benefit from innovations relating to commercial payment transactions. For example, the new E-Connect platform is highly popular among Raiffeisen's corporate clients, who can now communicate with different financial institutions via EBICS (Electronic Banking Internet Communication Standard). By launching EBICS Mobile, Raiffeisen has become the first bank in Switzerland to offer corporate clients a solution that takes electronic payment security to the next level.

Financing

Although growth slowed down slightly, Raiffeisen continues to grow faster than the market average, once again increasing its market share. However, even Raiffeisen saw a slight slowdown in growth, which dipped to 4.3%. As a result of this above-average growth, Raiffeisen's market share also increased slightly (currently 17.5%). As in previous years, low interest rates fuelled strong demand for fixed-rate and LiborFlex mortgages.

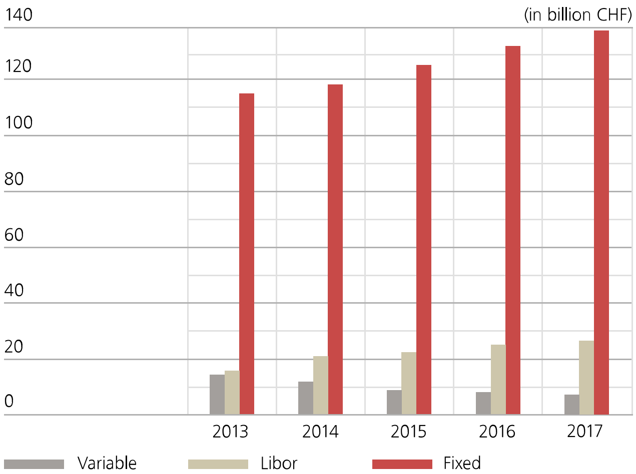
Only one year after being systematically integrated in home ownership consultations, energy efficiency evaluations have become a runaway success. In 2017, the Raiffeisen banks completed over 1,500 energy efficiency evaluations of properties that were already financed or were in need of financing. Energy assessments of properties use energy efficiency classes based on the GEAK energy performance certificate. Assessments include estimates of the costs for reasonable home energy retrofits, the potential energy savings, and possible incentives from federal and cantonal governments.

Share of mortgage market by canton 2016*



* The SNB's evaluations for 2017 will only be available after the editorial deadline. Therefore, the market share is reported as at the end of 2016.

Volume trends for various mortgage models 2013–2017



In 2017, Raiffeisen launched RAIlease, a leasing portal for capital goods. This application helps to make leasing transactions more client-driven and speeds up decision-making with an automatic review. Launching RAIlease allows Raiffeisen to more profitably leverage its sales capabilities in capital goods leasing and puts the corporate client business on a stronger footing in the market. The leasing transaction volume increased 13% in 2017.

Savings

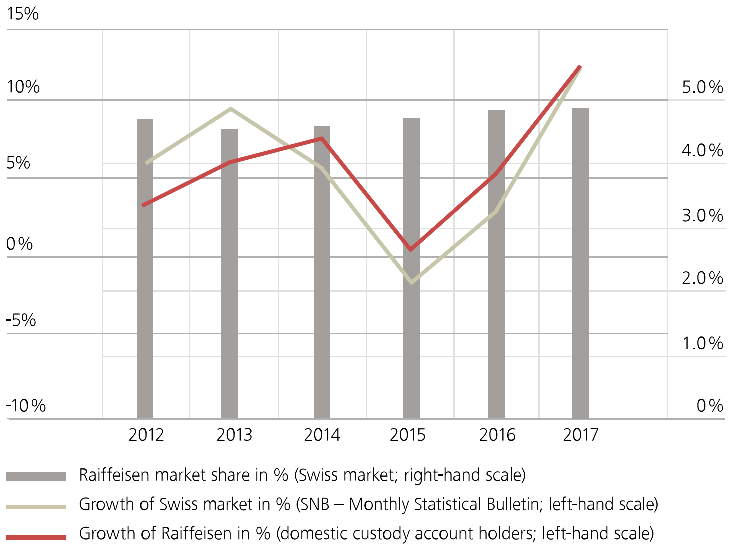
The number of accounts increased 113,171 to 6,186,956 (+1.9%), while volumes rose from CHF 152.3 billion to CHF 158.8 billion (+4.3%). Growth was concentrated among transaction accounts. Much of this volume growth came from transfers from savings accounts to transaction accounts. Also, many funds held in time and fixed-term deposits were not renewed upon maturity, but were instead transferred to transaction accounts due to the low interest rates. As a result, time and fixed-term deposit volumes decreased from CHF 12.8 billion to CHF 12.1 billion (-5.1%). Raiffeisen has a healthy share of the savings market of roughly 13.1%. In the current year, Raiffeisen converted the last physical savings book due to the launch of a new core banking system and will only offer savings accounts in future.

Investments

Raiffeisen recorded an increase of around CHF 1.3 billion in net new money in the current year. Investment funds recorded a very satisfactory increase of CHF 1.2 billion, with over half going into Raiffeisen funds. Structured products reported net inflows of around CHF 100 million. Purchases of direct investments exceeded sales of direct investments by around CHF 30 million.

Raiffeisen began offering regional share baskets in 2017. They allow clients to invest in regionally known, established companies that are globally successful and possess the potential to parlay their innovativeness into success in today's difficult business environment. A total of CHF 58 million was invested in these tracker certificates in the current year.

Trend in volume of securities



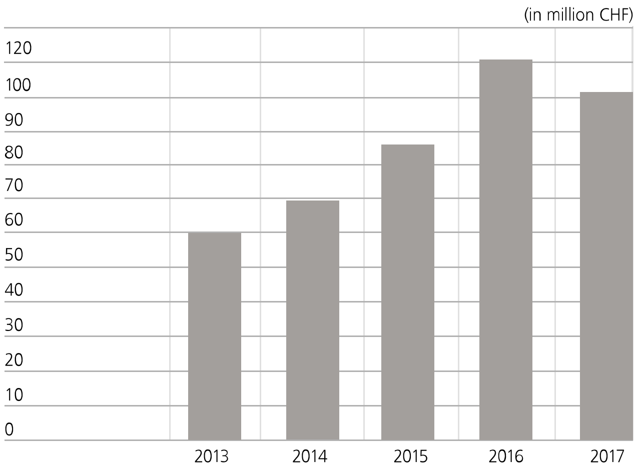
Pensions

The number of pillar 3a pension accounts grew 28,020 to 560,266. Deposits (in account and fund savings plans) swelled 4.2% (+ CHF 78 million) to reach CHF 1.9 billion. Vested assets, by contrast, grew more slowly due to the influence of various external factors, such as the labour market, pension funds and interest rates. Deposits in vested asset accounts – including fund savings plans – grew 4.7% (+ CHF 61 million) to reach CHF 1.3 billion. The use of pension products was once again significantly affected by the generally low interest rates in the current year. The number of retirement custody accounts, for example, increased around 24.4% (pillar 3a pension accounts) and 15.1% (vested asset accounts).

Insurance

Demand for insurance products remains intact even though sales declined slightly in response to FINMA's adjustment of the technical interest rate for life insurance policies and the correction of the surpluses in old-age pension insurance. We achieved a good result nonetheless due – once again – to comprehensive advisory services provided for home loans. In the single-premium policy business, the decline in old-age pension insurance was partially offset by the tranche products issued by Helvetia.

Total individual life premiums (regular premiums)



The volume in guarantees in the corporate client business enjoyed an above-average increase of 15% to CHF 310 million in the current year. Income from guarantees was roughly CHF 2.6 million in 2017. The upward trend shows that Raiffeisen's good product makes it a strong partner for all client segments in this market. This is how Raiffeisen builds trust among its clients and their contract partners. We expect volumes to grow further in 2018 due to the expanded range of foreign guarantees.

Corporate Finance

The Corporate Finance unit specialises in advising companies and business owners on the evaluation of strategic options, mergers and acquisitions (M&A), company valuations and financing. In 2016, the unit also became a partner of the MidCap Alliance, an international M&A network that primarily focuses on Europe and the US. In addition to handling mandates for third-party clients, the M&A team also supported a number of transactions for Raiffeisen Switzerland.

Management report
Personnel policy

Employees

Raiffeisen as an employer

Raiffeisen is an attractive employer that offers employees at every level excellent work conditions, interesting duties and modern workplaces. The Group makes targeted investments in the training and continuing education of young talent and managers, fosters individual development opportunities within the company and nurtures talent. Consistently promoting equal opportunities at all levels plays a crucial role in this collaboration.

The revised personnel policy and introduced in 2016 has proven its value. The employer branding strategy promotes intrapreneurship, different life plans, a sense of community, and wide-ranging responsibilities for employees. At Raiffeisen, every single employee can make a big difference. Raiffeisen promotes and appreciates personal initiative at every level of the company.

Raiffeisen employed 11,158 people in the current year, or the equivalent of 9,411 full-time positions on average over the year.

Attractive employment conditions
The Raiffeisen brand has a strong position in the labour market. Raiffeisen continues to attract skilled workers and retain current employees by providing outstanding employment conditions. Its efforts have translated into lasting relationships with employees who are the core drivers of the organisation's success. By specifically delegating responsibility, it encourages intrapreneurship among employees and gives them considerable freedom to make their ideas a reality.

All employees at every hierarchical level have the freedom to set their own work hours. All told, 33% of Raiffeisen employees and 26% of senior staff members work part-time. Employees receive between 25 and 30 days paid holiday leave depending on their age and pay grade.

Last year, we made another substantial investment in the development of employment conditions. New programmes like "Holiday buy" and "Holiday savings model with employer participation" were defined in detail and will be available starting in 2018.

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

Training tomorrow's workforce
The Group offers a wide range of training programmes to give young people with different educational backgrounds a solid career start:

- Apprenticeship in business administration
- IT specialist
- Mediamatics technician
- Interactive media designer

- Facility maintenance and management
- Internships for vocational secondary school students
- Bank entry for secondary school graduates
- Trainee programmes for university graduates

Raiffeisen's focused, systematic training programmes are an expression of its social responsibility for large numbers of young people throughout Switzerland. At the end of 2017, roughly 770 individuals were participating in one of the above training programmes – 49% of them were women. Many young people stay with the company after completing training.

Staff and leadership development

It is crucial for employees to develop new skills and remain employable. Raiffeisen believes that continuing education enables employees to develop personally and do their jobs more effectively, and so supports their efforts to acquire more training. Employees can avail of various internal and external continuing education opportunities.

Raiffeisen introduced advisor certification in the current year. This training and qualification programme not only ensures every advisor's employability across the industry, but also helps to further develop the banking profession.

All told, 430 internal training courses were held in 2017. Raiffeisen invested around CHF 17 million in internal and external training and continuing education programmes during this period. The programmes focus on developing social and leadership skills within the Group and cultivating an appreciation of shared values.

Raiffeisen developed a new understanding of leadership in the 2022 HR Strategy – the "7x7 of Leadership". By establishing a shared understanding of leadership, Raiffeisen aims to improve leadership quality, strengthen cultural supports for it and maintain the Group's adaptability. The 7x7 model gives managers a shared framework for discussing and thinking about leadership, and evaluating their own leadership performance. The Raiffeisen understanding of leadership can be accessed by all employees via a web application. The web application contains all 7x7 model content and is designed to familiarise managers with the Raiffeisen understanding of leadership and encourage them to reflect on their own understanding of leadership.

Raiffeisen is also actively addressing digitisation and its effects on the organisation and employees. One of the key success factors in digital transformation is the confident application of new technologies, services and practices. Raiffeisen is therefore creating the conditions for employees to acquire and deepen their digital skills.

Raiffeisen's mentoring programme is still in a class of its own. Managers and the entire Executive Board mentor numerous employees, helping them along in their development. The mentoring programme creates a coaching relationship between two individuals at different tiers of the hierarchy with different levels of experience. Roughly twenty two-person-teams participate in the programme at any given time. About 60% of participants are women.

Equal opportunity

The company takes a holistic approach to ensuring equal opportunities for all employees. Raiffeisen views Diversity and Inclusion management (D&I) as an important leadership skill. D&I is a key lever in the sustainable and target group-specific development and recruitment of managers and staff. Raiffeisen is a development partner of the Competence Centre for Diversity and Inclusion at the Research Institute for International Management at the University of St. Gallen. In this relationship, the partners actively transfer knowledge between industry and academia. The "Vive la Différence – Führung der Zukunft" (Vive la Différence – Leadership of the Future) event series sensitises managers to equal opportunity and unconscious biases in decision-making in day-to-day management. Our HR specialists are trained D&I experts who share their expertise with our managers to support employee recruiting and development. Regular analyses and a D&I dashboard keep the focus on the right levers for promoting the advancement of women, for example.

Raiffeisen has made it a strategic priority to raise the percentage of women in senior staff and executive management positions. The Group wants to have women in 30% of senior staff and executive management positions. In addition to Raiffeisen's existing training and continuing education programme, the Women 3.0 programme offers talented women a wide range of internal and external opportunities for targeted continuing education and cross-company networking. Raiffeisen partners with the Advance Women in Swiss Business and the Business & Professional Women (BPW) networks.

For years, employees aged 50 and up have had the option of attending self-evaluation seminars and pre-retirement seminars.

Counselling for personal challenges

Raiffeisen employees throughout Switzerland have had access to a social counselling service through an external partner, Reha Suisse, for several years. The service offers anonymous assistance with work, home and health issues. Reha Suisse supports employees in a highly professional and efficient manner and provides viable solutions. Its clear processes, psychological expertise and extensive experience in the social insurance sector are of great help in handling difficult issues. Through this partnership, Raiffeisen is able to respond appropriately and effectively to unusual, challenging situations in its employees' lives.

Raiffeisen Group key figures

	2017	2016
Total number of employees	11,158	11,026
Total number of women	5,526	5,561
in %	49,5	50,4
of which in management	1,288	1,259
in %	26,7	26,5
Total number of men	5,632	5,465
in %	50,5	49,6
of which in management	3,529	3,496
in %	73,3	73,5
Number of part-time positions	3,658	3,575
in %	32,8	32,4
Total number of apprentices	698	732
in %	6,3	6,6
of which women	354	399
in %	50,7	54,5
of which men	344	333
in %	49,3	45,5
Number of BoD members	1,305	1,387
of which women	278	284
in %	21,3	20,5
Average length of service in years	7,7	7,7
Average age of employees in years	40,6	40,5
Employee turnover (including changes within the Group) in %*	12,5	11,2
Amount spent on training in CHF	16,631,827	20,124,735
Amount spent on child care in CHF	364,760	335,437
Return to the workplace after maternity leave in %	76	75

* Total number of employees leaving the company during the year compared to the average number of employees

Management report
Sustainability

Sustainability management

Sustainability is one of Raiffeisen's four corporate values. For this reason, the cooperative banking group actively addresses challenges and opportunities in business, society and the environment, and is dedicated to making Switzerland a healthy place to work. As a bank committed to sustainability, Raiffeisen uses its core competence to provide sustainable products to cooperative members and clients. Its efforts have proven successful: Today, over 50% of the money held in Raiffeisen funds is invested in sustainable products. Furthermore, Raiffeisen and two other banks ranked highest in a sustainability rating study of the Swiss retail banking sector conducted by the WWF in 2017. At the same time, Raiffeisen believes there is further potential to align its core business even more with sustainability.

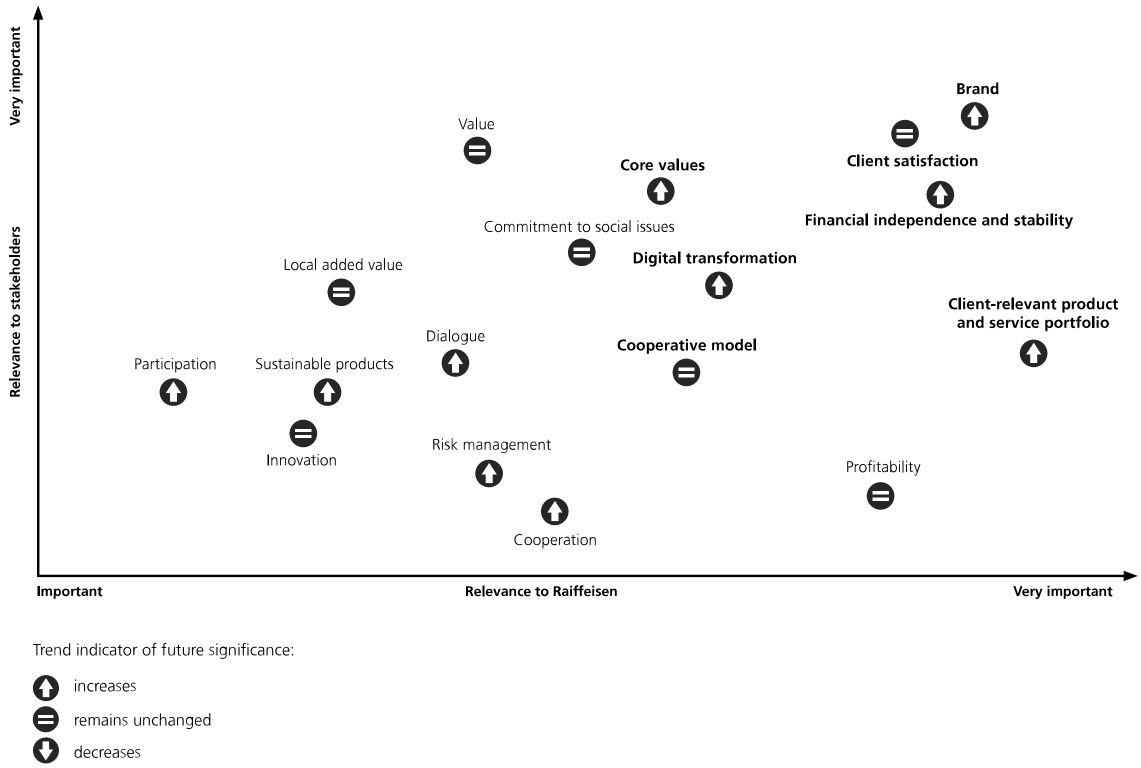
The Executive Board of Raiffeisen Switzerland is responsible for the sustainability strategy of the Raiffeisen Group. All sustainability activities go through the Corporate Social Responsibility (CSR) unit within Raiffeisen Switzerland's General Secretariat. CSR acts as a centre of competence and sustainability catalyst, and is tasked with refining the sustainability strategy and entrenching strategy-driven processes and activities at Raiffeisen Switzerland's operating units and the 255 Raiffeisen banks.

The materiality matrix and GRI Content Index are core elements of sustainability reporting. The GRI Content Index is available on the internet at raiffeisen.ch/csr. This report also highlights Raiffeisen's community involvement, dialogue with stakeholders, management of environmental and social risks, and the results of sustainable management.

Materiality matrix

The materiality matrix tracks various sustainability issues based on their relevance to Raiffeisen and various stakeholders. Issues with more relevance for stakeholders and Raiffeisen are weighted more in the development and implementation of the sustainability strategy. The matrix is a snapshot, but also forecasts the future relevance of the individual issues.

Raiffeisen materiality matrix



The last materiality analysis was conducted in 2015 by key personnel from Raiffeisen Switzerland and independent external specialists. It remains valid in the current year and will be thoroughly revised in 2018. The materiality matrix from 2015 identifies the following issues as highly relevant:

- Brand
- Client satisfaction
- Financial independence and stability
- Core values
- Digital transformation
- Cooperative model
- Client-relevant product and service portfolio

Brand

Sustainability has top priority for Raiffeisen. It protects the Raiffeisen brand accordingly.

The brand tracking study that Raiffeisen has conducted every year since 2006 shows that the majority of the Swiss population once again viewed Raiffeisen as Switzerland's strongest and most likeable bank brand in 2017. The cooperative also scored highly on client proximity and sustainability compared to the competition. Raiffeisen banks earned high marks for reputation, regional ties and credibility as well.

Raiffeisen was also perceived as an industry leader for its contribution to the common good in Switzerland in 2017, according to the Public Value Atlas for Switzerland, a study conducted by the University of St.Gallen.

Client satisfaction and value

Clients are satisfied if they receive advisory services that meet their needs and offer good value.

Raiffeisen maintained its position in the 2017 national satisfaction survey: high satisfaction among main-bank clients, a leading position compared to other banks and the highest satisfaction ratings in the industry concerning the quality of its advisory services. Once again, 80% of main-bank clients said in the current year that they would recommend Raiffeisen to an acquaintance.

Financial independence and stability

Raiffeisen is an important player in facilitating the circulation of money through the economy. As a systemically important banking group, its financial stability is crucial for Switzerland's economy. Raiffeisen banks protect their clients' and cooperative members' funds and support the circular flow of money through the economy. True to its principle of "security comes before profitability comes before growth", Raiffeisen aims for a low cost/income ratio with maximum security. It improved this ratio once again in the current year.

In 2017, Raiffeisen once again figured among Switzerland's most secure banks. For years, it has enjoyed a consistently high Moody's rating of Aa2 (with a stable outlook). By coming together in a cooperative association with a Group-wide risk controlling system, Raiffeisen banks have created a strong risk community that has remained profitable for years. Raiffeisen is not dependent on majority interests: Every cooperative member has only one vote.

Core values

The core of the Raiffeisen Group is its cooperative, value-driven business model. Raiffeisen's business activities and its relationship with employees are based on its core values: credibility, sustainability, client proximity and entrepreneurship. The bank focuses on the cooperative members' long-term wellbeing, not on short-term profit maximisation.

In the current year, Raiffeisen Switzerland collaborated with the Raiffeisen banks to review the Raiffeisen Group's vision and mission statement based on these four core values. The strategic approaches are defined by the Executive Board and by the Board of Directors of Raiffeisen Switzerland and apply throughout the Group. In implementing the strategy, each Raiffeisen bank adapts it to local conditions and acts on its own authority as an independent company within the basic strategy that applies throughout the Group.

Digital transformation

Raiffeisen believes digital transformation holds opportunities, not only for its banking business, but for the evolution of the cooperative model as well.

Raiffeisen broadened its range of digital services further by systematically and sustainably aligning its business with the digital future. The core banking system update provides a solid foundation for additional digitisation projects. Raiffeisen clients benefit not only from Switzerland's densest branch network but also from increasingly differentiated digital channels.

Furthermore, the RAI Lab promotes a vibrant culture of innovation at Raiffeisen and drives innovation and new business models. One example is the two-day "Innovation Challenge" during which over 100 employees developed innovative ideas for Raiffeisen.

The up-to-date IT infrastructure enables a modern, attractive working model for Raiffeisen employees.

Cooperative model
Dialogue and participation are essential features of the cooperative business model. The ability of cooperative members to exercise voting rights and the "one person, one vote" principle keep decision-making democratic, prevent the dominance of special interests and help encourage a sustainable long-term orientation.

The Raiffeisen banks actively practised the principles enshrined in the cooperative model in the current year. Roughly 400,000 cooperative members attended a general meeting of the various Raiffeisen banks where they had an opportunity to help determine the individual Raiffeisen banks' business policies.

Client-relevant product and service portfolio
A client-relevant product and service portfolio is crucial for sustainable success in the market. Being a cooperative bank, we put our members' needs first.

Raiffeisen Switzerland once again launched new products and services to adapt to changing client needs in the current year.

Demand for Futura investment funds increased even more in the current year. They recorded net cash inflows of CHF 831.1 million. After accounting for market movements, the volume of Futura investment funds increased CHF 1.2 billion to around CHF 5.86 billion. This represents a strong increase of 26.2%, as compared to 13.9% for the remaining conventional products. As a result, Futura funds accounted for an even larger share of Raiffeisen's total fund volume, increasing from 53.7% to 59.3%. In 2017, over 1,500 clients chose superior investment planning by signing up for a home ownership consultation with an energy assessment (eVALO). For details about sustainable Raiffeisen products, visit www.raiffeisen.ch/nachhaltigkeit.

Commitment to social issues

Raiffeisen has been committed to a healthy economy and a diversity of social activities at the regional and national level for decades. It supports associations that promote cultural, athletic, musical and social diversity in all Swiss regions. The Raiffeisen Group's sponsorships amount to roughly CHF 30 million per year.

The Raiffeisen MemberPlus programme provides special benefits to private and corporate client members. As part of the current year's summer membership programme, members travelled to Ticino, received discounted tickets to concerts and other cultural events and enjoyed over 600,000 free visits to over 500 museums throughout Switzerland. Corporate client members benefited from programmes for client or employee events and energy consultations, and attended Raiffeisen Business Owner Centre (RUZ) events.

In 2017, Raiffeisen members used one of the programmes more than a million times. In addition to adding value for cooperative members, these Raiffeisen programmes also delivered a significant impetus to Swiss tourism and the economy.

In sports, Raiffeisen has partnered with Swiss Ski since 2005 and supports numerous local ski clubs and associations. Raiffeisen's football programmes include the Raiffeisen Super League, which it has supported as the main sponsor since 2012, over 90 Raiffeisen Football Camps and the Super League Family Days. Raiffeisen supported the football and ski sports teams in the Special Olympics Switzerland as well. Raiffeisen also partners with others to support the Radio Blind Power project, which provides audio descriptions of Raiffeisen Super League games so that people with visual disabilities can enjoy them, too. All told, Raiffeisen awarded over CHF 1 million in sponsorships to more than 20,000 young athletes in the current year.

Through lokalhelden.ch, Raiffeisen provides a free project and donations platform for local projects that has crowdfunded over CHF 2 million in donations for local projects since 2017. Five of these projects are described in more detail at raiffeisen.ch/annualreport.

Raiffeisen employees are also involved in various charitable projects. Raiffeisen Community Engagement, a corporate volunteering programme driven by skills donations, helped ten non-profit organisations address concrete problems with a social, ecological and regional economic focus in the current year.

Finally, Raiffeisen contributes to the financing of Swiss communities. It does so directly through taxes and levies as well as indirectly through interest on members' share certificates and – on a much larger scale – through the creation of jobs in the community.

Sustainable management

Raiffeisen also ensures social and environmental sustainability along its value chains for operations management as well as goods and services procurement.

Statement of net added value

	Current year in CHF million	Previous year in CHF million	Current year in %	Previous year in %
Creation of added value				
Corporate performance (= operating result)	**3,310**	**3,108**	**100.0**	**100.0**
General and administrative expenses	-618	-606	18.7	19.5
Extraordinary income	119	75	3.6	2.4
Extraordinary expenses	-4	-4	-0.1	-0.1
Gross added value	**2,807**	**2,573**	**84.8**	**82.8**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-188	-260	5.7	8.4
Changes to provisions and other value adjustments and losses	1	-6	-0.0	0.2
Net added value	**2,620**	**2,307**	**79.2**	**74.2**
Distribution of added value				
Personnel (salaries and employee benefits)	1,395	1,380	53.2	59.8
Cooperative members (paym. of interest on certif.: proposal to AGM)	51	44	1.9	1.9
Government	233	174	8.9	7.5
of which income tax paid	177	153	6.8	6.6
of which formation/release of provisions for deferred taxes	56	21	2.1	0.9
Bolstering of reserves (self-financing)	941	709	35.9	30.7
Total	**2,620**	**2,307**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF*	300	277		
Net added value per personnel unit in 1000 CHF*	280	249		
Number of personnel units (average)	9,343	9,281		

* Calculated on the average number of personnel

Raiffeisen once again ensured sustainability in its supply chain and outsourcing to partner organisations in the current year by following and constantly updating specific principles and criteria. This means that Raiffeisen suppliers and partner organisations have to meet environmental and social criteria as well as economic ones.

Since 2017, the greenhouse gas balance sheet has been based on new calculation assumptions and amounts to 14,552 tons CO_2 equivalents. By applying the new calculation assumptions, the adjusted emissions fell by 2,484 tons (15%) compared to the previous year. Per employee (full-time equivalent), the emissions measured 1,499 tons CO_2

in the reporting period. By 2020, Raiffeisen wants CO_2 emissions to be 30% lower than the 2012 baseline. Raiffeisen generates greenhouse gas emissions primarily through building energy (electricity and heating) and business travel (cars, public transit and air travel).

The consumption of building energy remained stable in the Raiffeisen Group compared to the previous year. These currently amount to 72.4 gigawatt hours, which corresponds to 7,455 kilowatt hours per employee full-time equivalent. The heating energy reported is less fossil and much lower, while electricity consumption by contrast has increased. This shift has been caused by the new calculation assumptions, the consolidation and concentration of locations within the Raiffeisen Group and conversions at the St.Gallen location.

Business travel remained stable at 20.6 million kilometers; 2,119 kilometers were covered per employee across all travel categories. Business travel emissions were contained by raising employee awareness and defining a ceiling of 130 g CO_2/km for Raiffeisen's vehicle fleet. Domestic courier trips rose due to market developments while air travel by contrast decreased markedly.

The Raiffeisen Group consumed around 1,500 tonnes of – mostly sustainably produced – paper in 2017. An external partner recycles paper centrally for all Raiffeisen Switzerland units, most Group company locations and around two-thirds of the Raiffeisen banks. Paper consumption is factored into Raiffeisen's carbon footprint. Two-thirds of printed products were carbon-neutral in the current year.

Overview of relevant sustainability figures

Category	Unit	Raiffeisen Switzerland and Group companies	Raiffeisen banks (including banks)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change in %	Raiffeisen Group (total) per FTE
Building energy (total)	**kWh**	**15,002,000**	**29,626,000**	**27,761,000**	**72,389,000**	**0**	**7,455**
Electricity	kWh	12,426,000	19,908,000	14,032,000	46,366,000	22	4,775
Heating energy	kWh	2,576,000	9,718,000	13,729,000	26,023,000	-24	2,680
Business travel (total)	**km**	**16,042,000**	**1,871,000**	**2,664,000**	**20,577,000**	**2**	**2,119**
of which public transportation (rail, bus, tram)	km	4,720,000	895,000	1,842,000	7,458,000	3	768
of which road transport by private cars (personal vehicles)	km	2,002,000	975,000	822,000	3,799,000	-4	391
of which road transport by company cars (company vehicles)	km	4,471,000	-		4,471,000	6	460
of which road transport for courier deliveries	km	3,714,000	-	-	3,714,000	24	382
of which passenger transport by air	km	367,000	-	-	367,000	-15	38
of which air freight	tkm	768,000	-	-	768,000	3	79
paper consumption	tons				1,520	-	0.16
water consumption	m^3	18,000	90,000	118,000	226,000	-	23
Greenhouse gas emissions from energy and travel*	**tonnes CO_2 eq**	**6,440**	**2,924**	**5,188**	**14,552**	**-15**	**1.50**
of which Scope 1	tonnes CO_2 eq	1,633	1,696	4,055	7,384	-2	0.76
of which Scope 2	tonnes CO_2 eq	71	317	0	388	171	0.04
of which Scope 3	tonnes CO_2 eq	4,736	911	1,133	6,780	-27	0.70

* 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 2015 VfU indicators. Collection of environmental data 2017 with expanded data basis and likewise in previous years. Projections are always made on the assumption of the highest consumption. It was possible to take more measuring points into consideration with increasing experience in data collection and by optimising an interface. As a result of the improvement in the data quality, individual consumption figures have changed within the projection. The improved data quality can be applied retrospectively all the way to 2012. This facilitates monitoring of the goal to reduce greenhouse gas emissions by 30% compared to the 2012 baseline.

Pro Futura is an internal incentive system and practical tool that was made available to Raiffeisen banks in 2017. In it, users can implement measures to cut emissions and resource consumption, substitute non-renewable energy sources with renewable ones, offset unavoidable emissions and raise employee awareness. The trilingual application was used by over 50 Raiffeisen banks in the current year.

Stakeholders

Raiffeisen puts a high priority on engaging and transparently communicating with its various stakeholders. Raiffeisen considers its main stakeholders to be clients, cooperative members, employees, cooperation partners, society and policy makers. Stakeholder concerns are systematically and regularly identified and addressed, for example, in client surveys, at the cooperative members' Annual General Meeting or at employee events.

Environmental and social factors in risk management

Raiffeisen includes environmental and social factors in its risk assessments. They can be included in various risk categories and are given due consideration in group risk management activities. Raiffeisen Switzerland continuously reviews the effectiveness of its risk management process. A discussion on environmental and social risk management was launched in the current year. For more on risk management, see the section entitled Risk policy.

Corporate governance

Corporate governance
Principles

Corporate governance principles

The Raiffeisen Group's most important corporate governance rules 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. New issues, processes, products and amendments to existing ones can be handled centrally and made available directly to all staff thanks to this electronic aid.

The following report is largely based on the SIX Swiss Exchange Directive Corporate Governance (DCG). While the DCG is not generally binding on Raiffeisen, it is helpful even for unlisted companies like a cooperative to apply this directive 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 of 31 December 2017.

The text is structured in accordance with the SIX Swiss Exchange Directive Corporate Governance (DCG). Content that does not apply to the Raiffeisen Group is only mentioned in exceptional cases.

Corporate governance
Raiffeisen Group structure

Raiffeisen Group structure

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

General or Delegate Meeting

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

21 regional unions (associations)

Delegate Meeting

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

Raiffeisen banks

The 255 Raiffeisen banks with a total of 883 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own Boards of Directors and have an independent auditor. The banks' strategic management is adapted to regional conditions. The Raiffeisen banks are owned by the cooperative members, which may be natural persons or legal entities. They elect the Members of the Board of Directors of their bank at local General Meetings. If the bank has more than 500 members, the General Meeting may decide by three-quarters majority of the votes cast to transfer its powers to a Delegate Meeting or to move to paper voting (secret ballot).

Resolutions and elections require an absolute majority of the votes, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote held. If this too is tied, the motion will be rejected. 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 financial statements and balance sheet must be made available in client areas at the same time.

The number of Raiffeisen banks fell from 270 to 255 in the current year as a result of various mergers. The ongoing restructuring process enables the individual Raiffeisen banks to optimally align their activities with changes in their regional markets. The number of Raiffeisen banks will continue to decline over the next few years. At the same time, Raiffeisen's presence in urban centres was expanded further. Raiffeisen opened one new location in 2017.

Raiffeisen by canton as at 31 December 2017[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans [2] in CHF million	Client monies [3] in CHF million	Total assets in CHF million	Custody account volumes in CHF million
Aargau	26	80	198,287	17,997	16,813	21,097	3,250
Appenzell Ausserrhoden	2	6	17,956	1,441	1,326	1,657	284
Appenzell Innerrhoden	1	5	8,847	652	685	770	150
Berne	20	93	189,872	14,368	13,058	16,598	1,775
Basel-Land	8	19	55,838	5,394	4,697	6,153	1,113
Basel-Stadt	1	2	0	1,059	957	1,268	348
Fribourg	10	49	95,225	9,414	7,146	10,597	829
Geneva	5	17	41,050	3,998	4,489	5,036	882
Glarus	1	2	7,527	542	505	618	146
Grisons	9	39	60,558	5,232	4,904	6,111	775
Jura	5	24	28,209	3,054	2,172	3,405	257
Lucerne	15	46	118,356	8,882	8,239	10,433	1,281
Neuchâtel	4	14	28,260	2,031	1,626	2,285	321
Nidwalden	1	8	21,114	1,591	1,572	1,918	386
Obwalden	2	8	26,420	1,569	1,655	1,951	386
St.Gallen	34	76	199,235	21,258	18,294	24,660	4,386
Schaffhausen	1	3	8,506	830	778	1,008	129
Solothurn	16	55	116,360	9,962	9,418	11,602	1,313
Schwyz	6	17	43,497	3,403	3,458	4,114	991
Thurgau	17	42	104,791	11,348	9,028	12,958	1,865
Ticino	20	64	114,500	12,674	10,548	14,937	2,183
Uri	3	5	16,494	1,250	1,139	1,438	189
Vaud	17	63	116,118	10,136	8,526	11,635	1,947
Valais	20	108	144,691	13,337	12,609	15,752	1,789
Zug	6	14	41,667	4,258	4,207	5,226	1,123
Zurich	11	40	86,748	12,343	11,126	14,681	3,296
Total 2017	**261**	**899**	**1,890,126**	**178,023**	**158,975**	**207,908**	**31,394**
Total 2016	**276**	**942**	**1,876,687**	**171,029**	**152,353**	**198,930**	**28,140**
Increase/decrease	**-15**	**-43**	**13,439**	**6,994**	**6,622**	**8,978**	**3,254**
Increase/decrease in %	**-5.4**	**-4.6**	**0.7**	**4.1**	**4.3**	**4.5**	**11.6**

1 Raiffeisen banks and branches of Raiffeisen Switzerland

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

3 Amounts due in respect of customer deposits and cash bonds

Raiffeisen Switzerland

Raiffeisen banks own 100% of Raiffeisen Switzerland. 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. Its responsibilities include risk controlling, central bank functions (monetary settlement, liquidity maintenance and refinancing), interbank business and securities trading. Raiffeisen Switzerland also informs, advises and supports the Raiffeisen banks in management, marketing, business, information technology, training, human resources and legal services. In addition, it represents Raiffeisen's national and international interests. Raiffeisen Switzerland directly manages six branches with ten retail offices, which are involved in client business.

Regional unions

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

Regional unions

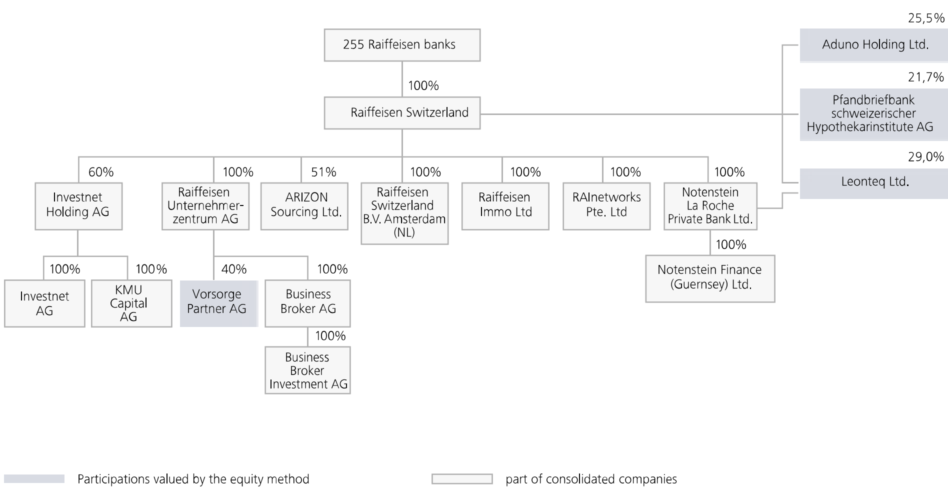
Regional unions	Chair	Number of member banks
14 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Lehner, Kölliken	24
Berner Verband der Raiffeisenbanken	Kurt Köhli, Port	17
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	8
Deutschfreiburger Verband der Raiffeisenbanken	Thomas Rauber, Tafers	5
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler, Ebikon	18
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	7
Raiffeisenverband Nordwestschweiz	Fredi Zwahlen, Rickenbach	12
Raiffeisenverband Zürich und Schaffhausen	Werner Zollinger, Männedorf	8
Schwyzer Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	6
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	14
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	37
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	18
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Dr Michael Iten, Oberägeri	6
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	6
Fédération genevoise des Banques Raiffeisen	Thomas Foehn, Meyrin	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	Emmanuel Troillet, Martigny	13
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	16
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mauro Cavadini, Riva San Vitale	21

Group companies

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

Company	Activity	Owner(s)
Raiffeisen banks	– Banking business	Cooperative members
	– Mainly retail business	
	– Traditional savings and mortgage business	
	– Corporate clients business	
	– Payment services	
	– Investment fund business	
	– Securities trading	
	– Consumer goods leasing	
Raiffeisen Switzerland	– Business policy/strategy and centre of competence for the Raiffeisen Group	Raiffeisen banks
	– Risk controlling	
	– Ensuring central bank functions (monetary settlement, liquidity and refinancing)	
	– Banking business (mainly interbank business and securities trading)	
	– Running of branches	
	– Informs, advises and supports the Raiffeisen banks especially in the areas of management, marketing, business, investment activity, information technology, training, human resources and legal services	
Notenstein La Roche Private Bank Ltd	Asset management for private clients	Raiffeisen Switzerland
Raiffeisen Switzerland B.V. Amsterdam	Securities, issue of structured products	Raiffeisen Switzerland
ARIZON Sourcing Ltd	Advisory and operational services for banks	Raiffeisen Switzerland (51 %)
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
Investnet Holding AG	Holding company	Raiffeisen Switzerland (60 %)
Raiffeisen Immo SA	Brokering and advisory services for the sale and purchase of real estate	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchasing of office supplies, software licences	Raiffeisen Switzerland

Consolidated companies



Corporate governance
Capital structure and liability

Capital structure and liability

Capital structure

Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the Raiffeisen banks' reserves in order to strengthen the capital base. The Raiffeisen Group's cooperative capital is CHF 1,957.4 million. A precise breakdown and accounting of changes in the current year are provided in note 16.

Changes in equity capital

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

Changes in equity capital (Raiffeisen Group)

in CHF million	2017	2016	2015	2014
Cooperative capital	1,957	1,595	1,248	748
Retained earnings	12,746	12,036	11,262	10,533
Reserves for general banking risks	80	-	-	-
Group profit	917	754	808	759
Total	**15,700**	**14,385**	**13,318**	**12,040**

Liability

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

Liability of Raiffeisen Switzerland towards the Raiffeisen banks
In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. A total of CHF 2.2 billion in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate worth CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.96 billion, of which CHF 894 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 1.06 billion from the Raiffeisen banks at any time.

Solidarity fund

The solidarity fund, in line with the cooperative notion of solidarity that Raiffeisen espouses, is an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets are CHF 334 million.

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

Raiffeisen banks are bound by the duty to pay in further capital under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves. The duty of Raiffeisen banks to pay in further capital towards Raiffeisen Switzerland is CHF 15.3 billion.

The Raiffeisen business model, business policies, strong capital base and the ability to help shape policy as a cooperative member give Raiffeisen clients comprehensive security.

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

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

Major cooperative members

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

Corporate governance
Organisation of Raiffeisen Switzerland

Delegate Meeting

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 delegates in the Delegate Meeting. Each delegate can cast one vote at the Delegate Meeting. Delegates may only be represented by an elected substitute delegate. 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. To call an Ordinary Delegate Meeting, the date, location and time of the meeting and the dates of all stages in the procedure must be announced five months before the meeting. Applications to add items to the agenda must be submitted twelve weeks before the meeting. The agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out at least four weeks before the meeting. Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

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
- Approving the annual financial statements of Raiffeisen Switzerland, the appropriation of net earnings of Raiffeisen Switzerland, approving the consolidated financial statements of the Raiffeisen Group, approving the management report of the Raiffeisen Group, and ratifying the actions of the Board of Directors and the Executive Board
- Appointing and dismissing the members of the Board of Directors, its Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks

Raiffeisen Switzerland Board of Directors

The Board of Directors is mainly responsible for the Group's strategic development, for financial management and for overseeing the Executive Board. The Board of Directors currently consists of twelve members. Every effort is made to ensure 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 employed by Raiffeisen Switzerland in the last two years. In addition, no member of the Board of Directors has had significant business relationships as a contractual agent with Raiffeisen Switzerland.

Members of the Board of Directors

Prof. Dr Johannes Rüegg-Stürm

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

Born in
1961

Nationality
Swiss

Place of residence
Schmerikon SG

Joined
2008

Elected until*
2018

Occupation
Full Professor of Organisation Studies at the University of St.Gallen (HSG) (since 2002);
Director of the Institute for Systemic Management and Public Governance (IMP-HSG) (since 2010)

* On 8 March 2018, Prof. Dr. Johannes Rüegg-Stürm announced his immediate resignation as Chairman of the Board of Directors.

Professional background

- Co-founder and programme director of the innovative interdisciplinary Master's programme M.A. in Management, Organisation Studies and Cultural Theory at the HSG (since 2011)
- Seminar instructor and process advisor at the IMP-HSG (since 2010)
- Head of the Organisation Studies research centre at the IMP-HSG (since 2010)
- Head of the business administration assessment level at the HSG (since 2001)

Education

- Sabbaticals at the Warwick Business School and at the University of St Andrews (1995/1996–2005)
- Post-doctorate degree at the HSG (1998)
- Degree and doctorate in Business Administration at the HSG (1980–1986)

Significant directorships

- 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)
- Chairman 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

Philippe Moeschinger

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

Born in
1960

Nationality
Swiss

Place of residence
Thônex GE

Joined
2008

Elected until
2018

Occupation
Director General of Comptoir Immobilier SA (since 2011)

Professional background

- Manager of the Foundation for Industrial Land in Geneva (1996–2011)
- Director of a profit centre at Tectron Holding, Geneva (1990–1996)
- Industrial engineer at IBM (Suisse), Lausanne (1986–1990)
- Marketing assistant at UCCEL in Dallas, Texas (1985–1986)

Education

- Diploma from the Institute of Real Estate Studies (iei), Geneva (1994)
- Master's degree from HEC Geneva (1984)
- College-preparatory secondary school diploma with a concentration on business (Wirtschaftsmaturität) (1980)

Significant directorships

- Member of the BoD of Comptoir Immobilier SA
- Member of the BoD of Gendre & Emonet Gérance immobilière SA
- Member of the BoD of Gestion Capital Immobilier Suisse SA
- Member of the BoD of Capital Immobilier Suisse AG
- Member of the BoD of Société coopérative L'HABRIK, Les Rambossons, Geneva
- Member of the BoD of Société coopérative pour l'habitat social, Tunnel
- Committee Member of SVIT Romandie
- Member of Fédération genevoise des Banques Raiffeisen
- Chairman of the BoD of Banque Raiffeisen d'Arve et Lac

Laurence de la Serna

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

Born in
1967

Nationality
Swiss

Place of residence
Conches GE

Joined
2017

Elected until
2018

Occupation
Managing Director of Jean Gallay S.A., Plan-les-Ouates GE (since 2008)

Professional background

- Marketing Accountant at COTECNA S.A., Geneva (2002–2008)
- Assistant Account Manager at Credit Suisse, Geneva (1993–1995)
- Assistant Director of the International & Credit Departments at Credit Suisse, Geneva (1992–1993)

Education

- MBA in Finance & Real Estate, Golden Gate University, San Francisco, California, USA (1990–1991)
- Bachelor's in Management & International Business, Holy Names College, Oakland, California, USA (1986–1989)
- Ecole Supérieure de Commerce, Geneva (1982–1986)

Significant directorships

- Member of the BoD of Jean Gallay S.A., Plan-les-Ouates GE
- Member of the BoD of SIG (Services industriels Genève), Le Lignon GE
- Member of the BoD of SOGEMCO (Société de Gestion Hotelière Mövenpick Cointrin S.A.), Meyrin GE
- Member of the Council of CCIG (Chambre de commerce, d’industrie et des services de Genève), Geneva
- Vice President at UIG (Union industrielle Genevoise), Geneva
- Member of CSPE (Conseil Stratégique de la Promotion Economique), Geneva

Rita Fuhrer

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

Born in
1953

Nationality
Swiss

Place of residence
Auslikon ZH

Joined
2010

Elected until
2018

Occupation
Former cantonal councillor (since 2010)

Professional background

- Head of the Department for Economic Affairs of the Canton of Zurich (2004–2010)
- Head of the Department for Social Affairs and Security of the Canton of Zurich (1995–2003)
- Member of the Cantonal Council of the Canton of Zurich (1995–2010)
- Member of the Cantonal Parliament (1992–1995)
- Head of Secondary Education Promotion Pfäffikon (1989–1995)
- Head of a health insurance agency (1973–1994)

Education

- Commercial training (1971–1973)
- Needlework teacher seminar (1970–1971)

Significant directorships

- Member of the BoD of Balgrist Campus Ltd
- President of the Swiss Association 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

Prof. Dr Pascal Gantenbein

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

Born in
1970

Nationality
Swiss

Place of residence
St.Gallen

Joined
2017

Elected until
2018

Occupation
Full Professor of Financial Management at the Faculty of Economics at the University of Basel and Dean of Studies at the Faculty of Economic Sciences (since 2007); Lecturer in Corporate Finance at the University of St.Gallen (HSG) (since 2008); Lecturer at the Centre for Urban & Real Estate Management at the University of Zurich (since 2004)

* Since the resignation of Prof. Dr. Johannes Rüegg-Stürm on 8 March 2018, Deputy Chairman Prof. Dr. Pascal Gantenbein has presided over the Board of Directors on an interim basis.

Professional background

- Professional Member of The Royal Institution of Chartered Surveyors (RICS) (since 2011)
- Senior Advisor, Hoffmann & Co. AG, Basel (since 2006)
- Visiting professorships at the HEC Paris (FR), the University of Geneva (CH), the HEC Montréal/École des hautes études commerciales (CAN) and the Wits Business School/University of the Witwatersrand Johannesburg (SA) (2006–2012)
- Lecturer at the University of Liechtenstein (2004–2013)

Education

- Sabbaticals at the University of Southern California/USC (USA), the University of California, Los Angeles/UCLA (USA), the University of Maastricht (NL) and the Indian Institute of Management Bangalore/IIMB (IND) (2003–2016)
- Post-doctorate degree at the University of St.Gallen (HSG) (2000–2004)
- Degree and doctorate in Business Administration at the University of St.Gallen (HSG) (1990–1995)

Significant directorships

- Member of the BoD of Grether AG, Binningen
- Member of the Advisory Board of St.Galler Pensionskasse, St.Gallen

Angelo Jelmini

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

Born in
1955

Nationality
Swiss

Place of residence
Lugano-Pregassona TI

Joined
2011

Elected until
2018

Occupation
City Council Member of the City of Lugano; Head of the Spatial Development Department (since 2011); co-owner of notary and law office Sulser Jelmini Padlina e Partner in Lugano and Mendrisio (since 1994)

Professional background

- Founding member and subsequently member of the Board of Directors and Secretary of Cassa Raiffeisen di Pregassona-Cureggia, now Lugano (since 1984)
- Co-founder of the notary and law office Sulser & Jelmini, Lugano and Mendrisio (since 1994)
- Associate of the law and notary office Camillo Jelmini, Lugano (1982–1993)

Education

- Admitted to the bar as a lawyer and notary in the Canton of Ticino (1982–1984)
- Law degree magna cum laude from the University of Berne (1975–1981)
- Advanced-level secondary school diploma (type B) from Kantonsschule Kollegium Schwyz (1971–1975)

Significant directorships

- City Council Member of the City of Lugano; Head of the Spatial Development Department
- Chairman of the BoD at Trasporti Pubblici Luganesi SA (TPL), Lugano
- Member of the BoD at Ferrovie Luganesi SA (FLP), Lugano
- Owner of Studio legale e notarile Sulser Jelmini Padlina e Partner, Lugano e Mendrisio
- Chairman of the BoD, Banca Raiffeisen Lugano

Daniel Lüscher*

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

Born in
1961

Nationality
Swiss

Place of residence
Herznach AG

Joined
2008

Elected until
2018

Occupation
Chairman of the Executive Board of Raiffeisenbank Aarau-Lenzburg (since 1991)

* Dependent in the sense of FINMA Circular 2017/1 paragraphs 18–22

Professional background

- Member of the Raiffeisen Architecture Committee (2006–2008)
- Member of the Raiffeisen Steering Committee (2001–2008)
- Chairman of the Aargauer Verband der Raiffeisenbanken (2001–2008)
- Deputy Chairman of the Executive Board of Raiffeisenbank Kölliken-Entfelden (1990–1991)
- Bank employee of Raiffeisenbank Kölliken-Entfelden (1989)
- Assistant auditor at Revisionsverband schweizerischer Regionalbanken, Zurich (1988–1989)
- Self-employed non-physician foot care provider (1983–1988)

Education

- Leadership in Excellence, SEF (2015)
- Master of Advanced Studies in Bank Management HSL (2005–2007)
- Federal Banking Diploma (1989–1993)
- Federal Podiatry Diploma (1982–1988)
- Commercial training (1978–1981)

Significant directorships

- Chairman of the Swiss Excellence Forum, Sursee
- President of the Association Aarau Standortmarketing (VAS)

Olivier Roussy

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

Born in
1964

Nationality
Swiss

Place of residence
Yverdon-les-Bains VD

Joined
2014

Elected until
2018

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

Professional background

- Independent financial consultant MAJOR INVEST SA (since 2017)
- Independent asset manager MAJOR INVEST SA (2012–2017)
- Team leader of Private Banking Freiburger Kantonal Bank (2010–2011)
- Investment Manager Deutsche Bank (Suisse) SA (2005–2010)
- Portfolio Manager/Investment Advisor/Relationship Manager, CS and UBS, Zurich, Geneva and Lausanne (1987–2000)

Education

- CIWM Certified International Wealth Manager AZEK (2005)
- FAME Financial Asset Management and Engineering SFI (2003)
- CIIA Certified International Investment Analyst AZEK (2003)
- MBA Business School Lausanne (2002–2003)
- Commercial training (1981–1984)

Significant directorships

- Chairman 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

Nationality
Swiss

Place of residence
Amlikon-Bissegg TG

Joined
2008

Elected until
2018

Occupation
Deputy Director of the Swiss Farmers' Union (since 2000)

Professional background

- Farmers' Secretary/Managing Director of Thurgau Bauernverband (1994–2000)
- Assistant, Department of Agriculture of the Canton of Thurgau (1984–1994)

Education

- Agro. Eng. HTL, University of Applied Sciences for Agriculture Zollikofen (1980–1983)
- Agricultural training (1974–1978)

Significant directorships

- Member of the BoD of Agrimmo AG, Berne
- Member of the BoD of Schweiz. Agrarmedien AG and "Agri" S.a.r.l. (agricult. publication in French-speaking Switzerland), Berne and Lausanne
- Member of the BoD of Grünes Zentrum AG, Weinfelden
- Member of the BoD of Landwirtschaftliches Bau- und Architekturbüro LBA, Brugg
- Chairman of Agro-Marketing Suisse, Berne
- 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
- Member of the Executive Board of the Association to Promote the Quality Strategy of the Swiss Agriculture and Food Industry, Berne
- Member of the BoD of Raiffeisenbank Mittelthurgau, Weinfelden
- Chairman of the Thurgauer Verband der Raiffeisenbanken

Prof. Dr. Franco Taisch

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

Born in
1959

Nationality
Swiss

Place of residence
Neuheim ZG

Joined
2008

Elected until
2018

Occupation
Business owner and part-time Full Professor of Commercial Law at the University of Lucerne (since 2007/2009)

Professional background

- Executive, Member of Executive Boards and member of Boards of Directors of listed and unlisted companies in Switzerland and abroad – most recently Member of the Executive Board of the Julius Baer Group, Zurich (1994–2007)
- Lecturer and Honorary Professor at various universities in Switzerland and abroad (1993–2009)
- Lawyer in Zurich, Geneva and New York (1987–1994)

Education

- Post-doctorate degree at the University of Lucerne (2007–2009)
- IMD, Lausanne (2000)
- Practising Law Institute, New York (1992)
- Law licence, Zurich (1987–1989)
- Degree and doctorate at the Faculty of Law and Political Science of the University of Zurich (1980–1987)

Significant directorships

- President and owner of taischconsulting, leadership, governance, strategy and law, Zug
- Chairman and founding partner of kreisquadrat gmbh, the decision network, Lucerne
- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Executive Board Delegate of the interest group IG Genossenschaftsunternehmen, Lucerne
- Co-owner and Member of the BoD of Clinica Alpina SA, Scuol and Samedan
- Founding partner and Chairman of the BoD of the healthbank Group, Geneva and Baar
- Full professor (part-time) for Business Law at the University of Lucerne
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug
- Partner at the International Centre for Corporate Governance/Swiss Board School, St.Gallen

Lic. iur. Edgar Wohlhauser

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

Born in
1961

Nationality
Swiss

Place of residence
Arth SZ

Joined
2006

Elected until
2018

Occupation
Partner at BDO Ltd, Zurich (since 2010)

Professional background

- Partner at Ernst & Young, Legal Financial Services (2002–2010)
- Head of investigative proceedings in the legal department of the Federal Banking Commission, Berne (1999–2001)

Education

- LL.M., University of Zurich (2000–2002)
- Swiss Banking School, Zurich (1993–1995)
- Lawyer (1986–1989)
- Lic. iur., University of Freiburg i.Ue. (1981–1986)

Significant directorships

- Member of the BoD of Wertim AG, Altdorf
- Member of the Executive Pensions Commission at Gemini

Werner Zollinger

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

Born in
1958

Nationality
Swiss

Place of residence
Männedorf ZH

Joined
2006

Elected until
2018

Occupation
Chairman of the BoD and owner of ProjectGo AG, Zug (since 2007)

Professional background

- Owner and CEO of ProjectGo AG in Zug, security consulting (since 2007)
- National and international project experience in technical communication, IT and security infrastructure (since 1990)
- Extensive experience as the head of development and technical operations in an executive position (1994–2007)

Education

- Electrical engineering degree (dipl. Elektroingeniuer) HTL Abendtechnikum Zurich (1982–1986)

Significant directorships

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

Composition, election and term of office

The Board of Directors consists of nine to twelve members according to the Articles of Association. In filling these positions, attention is paid to ensuring an appropriate representation of the linguistic regions and banking authorities for the Raiffeisen banks. Half of the Members of the Board of Directors should be representatives of the Raiffeisen banks. Members of the Board of Directors are elected for a two-year term (current term: 2016 to 2018) 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 and delimitation of powers

The Board of Directors and its committees meet as often as business dictates, but at least six times a year (full Board of Directors) and four times a year (Board of Directors' committees). The following table shows the number of meetings held by the Board of Directors and its committees in 2017. Ordinary meetings of the Board of Directors generally last an entire day while committee meetings last half a day.

Meeting attendance 2017 [1]	Board of Directors [2]	Nomination and Remuneration Committee [3]	Strategy and Finance Committee [4]	Audit and Risk Committee [5]
Number of meetings held	17	20 [6]	6	5
Number of members who missed no meetings	7	3	4	4
Number of members who missed one meeting	4	1	0	1
Number of members who missed two or more meetings	1	0	0	0
Meeting attendance, in %	96	99	100	96

1 Various members of the Board of Directors attend other meetings as well: strategy meetings, meetings of the Executive Board of Raiffeisen Switzerland, meetings with FINMA, meetings with PwC, annual meetings with representatives of the regional unions, chairman and head of bank forums in the spring and autumn, and other communication platforms with the regional unions. This list is not exhaustive.
2 The Board of Directors consisted of ten members at the beginning of the year and twelve members at the end of the year. Two new members joined the Board of Directors at the Delegate Meeting in 2017.
3 The Nomination and Remuneration Committee consisted of four members at the beginning and end of the year.
4 The Strategy and Finance Committee consisted of three members at the beginning of the year and four members at the end of the year.
5 The Audit and Risk Committee consisted of four members at the beginning of the year and five members at the end of the year.
6 In addition, five meetings were held with a delegation of the regional unions during the Board of Directors elections.

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

Under the Swiss Code of Obligations, the Articles of Association, and the Terms and Conditions of Business of Raiffeisen Switzerland, the main duties of the Board of Directors are 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 Extended 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 Executive Board members
- 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 Board of Directors may bring in external consultants in certain cases, as it did in 2017. The duties and powers of the standing committees are set forth in regulations and summarised below.

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

FINMA proceedings at Raiffeisen Switzerland

FINMA initiated enforcement proceedings against Raiffeisen Switzerland in October 2017. The Raiffeisen Switzerland proceedings relate to corporate governance, specifically, the way participations were handled in the past. The proceedings do not affect the Raiffeisen banks' client business.

The Board of Directors and the Executive Board of Raiffeisen Switzerland launched their own corporate governance check back in 2016. The findings from this check have already been corrected or addressed by various measures.

Together with FINMA, Raiffeisen Switzerland aims to wrap up the proceedings in the spring of 2018. Raiffeisen Switzerland is in close, open and transparent dialogue with FINMA – the Board of Directors and Executive Board constructively support the proceedings to the best of their ability.

Independent Lead Director

The Board of Directors has appointed Pascal Gantenbein as an Independent Lead Director to ensure a thorough and complete clarification of all issues and avoid the appearance of any conflicts of interest. Pascal Gantenbein was elected to the Board of Directors of Raiffeisen Switzerland at the Delegate Meeting in June 2017. This means he has the best prerequisites and maximum independence for supporting the proceedings from within the Board of Directors.

Committees of the Board of Directors

Strategy and Finance Committee

Duties

- 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 in the environment and for 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

Duties

- Analysis of the annual accounts, specifically amendments of accounting principles and valuation of balance sheet items
- Deciding on measures to approve or withdraw a temporary exemption if a value-at-risk 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 with 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

Duties

- Preparing for elections and presenting the results to the Board of Directors
- Analysing trends and developments in the labour 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 members of executive bodies

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

The information and controlling tools have been designed in compliance with the requirements defined by the Swiss Financial Market Supervisory Authority (FINMA). The Raiffeisen Group has an established and proven management information system (MIS), which helps the Board of Directors fulfil its supervisory duties and oversee the powers transferred to the Executive Board.

Every quarter, the Board of Directors receives a final, comprehensive financial report with a year-on-year comparison, actual/budget comparison and expectations for each business segment and the entire Raiffeisen Group. The report is discussed at the meetings of the Audit and Risk Committee of the Board of Directors and the entire Board of Directors. These periodic reports are supplemented by analyses of relevant issues and developments. The minutes of the Executive Board meetings are also presented to the Chairman of the Board of Directors for their inspection. In addition, Executive Board members participate in Board of Directors meetings or committees at the invitation of the Board of Directors, provide information on current issues and are available to provide information.

Risk and compliance

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

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

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

Internal Auditing

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

Executive Board of Raiffeisen Switzerland

The Executive Board manages the operational business of the Raiffeisen Group. This involves in particular identifying influences and changes that have a bearing on the Raiffeisen Group's environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, the Executive Board is charged with the execution of the resolutions passed by higher bodies, 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. 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). 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 Extended Executive Board was abolished as of 1 January 2018.

Group management coordination

Group-wide meetings are held every two months in order to drive strategic coordination and consultation within the Group. They are attended by the Chairman of the Executive Board, Deputy Chairman of the Executive Board and Head of the Finance department of Raiffeisen Switzerland, as well as the CEOs of Notenstein La Roche Private Bank Ltd, Raiffeisen Unternehmerzentrum AG, Investnet Holding AG and ARIZON Sourcing Ltd.

Organisational chart (31 December 2017)

Board of Directors Prof. Dr Johannes Rüegg-Stürm

Chairman of the Executive Board Dr Patrik Gisel*

Internal Auditing Daniel Dal Santo

RAI Lab Stefan Jeker

General Secretariat Roland Schaub**

Finance
Marcel Zoller*

- **Accounting** Paolo Arnoffi
- **Corporate Development & Controlling** Daniel Cohen
- **Group Risk Controlling** Dr. Beat Hodel**
- **Credit Risk Management** Daniel Tönz

Private & Affluent Clients
Michael Auer*

- **Investment Office** Roland Kläger
- **Bank Relationship Management** Robin Marke
- **Sales & Distribution Channels** Felix Wenger
- **Analytics** Marco Wüst
- **Products & Cooperation** Roland Altwegg
- **Marketing** Oliver Niedermann

Corporate Clients
Urs P. Gauch*

- **Chief Economist** Martin Neff
- **Segment Management** Louis Grosjean
- **Corporate Clients German-Speaking Switzerland** Andreas Rupp
- **Capital Goods Leasing** Olivier Oettinger
- **Corporate Finance** Alexander Cassani
- **Clients in French-speaking Switzerland** Christian Calame
- **Large Companies in German-speaking Switzerland** Roger Schmid
- **Projects & Processes CC** Maurizio Scarpelli
- **Products & Operations CC** Daniel Hollenstein

Central Bank
Paulo Brügger*

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

Branches & Regions
Gabriele Burn*

- **French-speaking Switzerland office** Gabriele Burn
- **Italian-speaking Switzerland office** Marzio Grassi
- **St.Gallen branch** Dieter Leopold
- **Winterthur branch** Gregor Knoblauch
- **Basel branch** Pia-Maria Rubitschon
- **Zurich branch** Matthias Läubli
- **Berne branch** Daniel Schmid
- **Thalwil branch** Daniel Duca

IT
Rolf Olmesdahl*

- **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 & Engineering** Christian Lampert
- **IT Notenstein** Christoph Schwalm

Services
Dr. Christian Poerschke*

- **Human Resources Management** Michael Federer**
- **Projects** Matthias Faupel
- **Legal & Compliance** Nadja Ceregato**
- **Services** Erwin Keller
- **Service & Support Centre** Frank Langer
- **Training & Development** Daniel Morf

* Member of the Executive Board
** Member of the Extended Executive Board

Members of the Executive Board

Dr Patrik Gisel

Chairman of the Executive Board (CEO)

Born in
1962

Nationality
Swiss

Place of residence
Erlenbach ZH

Joined Executive Board
2000

Professional background

Raiffeisen Switzerland (since 2000)
- Chairman of the Executive Board (since 2015)
- Head of Market department (2005–2015)
- Deputy Chairman of the Executive Board (2002–2015)
- Head of Corporate Development, Finance and Information Technology/Member of the Executive Board (2000–2004)

Union Bank of Switzerland/UBS AG (1994–1999)
- IT department and section head

Boston Consulting Group (1993–1994)
- Banking and insurance consultant

Swiss Bank Corporation (1987–1993)
- Group Head of Financial IT System Development

University of St.Gallen (1987–1993)
- Assistant and lecturer

Education

- Doctorate at the University of St.Gallen (1992)
- Degree at the University of St.Gallen (1988)

Significant directorships

- Member of the BoD and the Committee of the Swiss Bankers Association, Basel
- Member of the BoD and the Risk Committee of SIX Group Ltd, Zurich
- Deputy Chairman of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich
- Member of the BoD and the Investment and Risk Committee of Helvetia Swiss Insurance Company Ltd, St.Gallen
- Chairman of the CEO Circle, UNICO Banking Forum
- Member of the BoD of Schweizerische Management Gesellschaft, Zurich
- Chairman of the BoD of Notenstein La Roche Private Bank Ltd, St.Gallen
- Member of the BoD of ARIZON Sourcing Ltd, St.Gallen
- Member of the Management Board of the Betula Association, Romanshorn

- Member of the BoD of Ergis AG, Wald (AR)
- Lecturer at the University of Zurich
- Member of the Foundation Board of Ostschweizerische Stiftung für klinische Krebsforschung (OSKK), St.Gallen

Michael Auer

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

Born in
1964

Nationality
Swiss

Place of residence
Speicher AR

Joined Executive Board
2008

Professional background

Raiffeisen Switzerland (since 2001)
- Head of Private & Affluent Clients department/Member of the Executive Board (since 2015)
- Head of Bank Relationship Management/Member of the Executive Board (2008–2015)
- Head of Human Resources Management (2001–2008)

Human Leverage AG and hrGate AG (1999–2001)
- Managing Director

Swiss Bank Corporation (1990–1999; since 1997: UBS AG)
- Head of HR in the Corporate Clients unit
- Head of the Logistics unit
- Head of the Regional Training Centre in St.Gallen

Education

- HWV St.Gallen (1987–1990)
- Executive MBA University of St.Gallen (1999)

Significant directorships

- Member of the Retail Banking Steering Committee
- Member of the Foundation Board of Swiss Museum Pass
- Chairman of the Executive Board, UNICO Banking Forum
- Member of the BoD of Aduno Holding AG
- Member of the BoD of TWINT Ltd
- Member of the BoD of Säntis Schwebebahn AG
- 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 Coordination Domestic Banks
- Chairman of the BoD of Raiffeisen Immo Ltd

Paulo Brügger

Head of Central Bank department

Born in
1966

Nationality
Swiss

Place of residence
Zumikon ZH

Joined Executive Board
2007

Professional background

Raiffeisen Switzerland (since 2003)
- Head of Bank Central Bank department/Member of the Executive Board (since 2005)
- Head of Trading department (2003–2005)

UBS AG (1995–2003)
- Global Head Product Management Treasury Products (2001–2003)
- Regional Head Foreign Exchange Trading (1998–2001)
- Global Risk Management Group Proprietary Trading (1995–1998)

Julius Bär (1993–1995)
- Treasury Products Proprietary Trading/Currency Fund Management

Union Bank of Switzerland (1988–1993)
- Deputy Head of the Interest and Futures Trading desk

Education

- Degree in Business Administration from the KSZ, Economy School Zurich (1995)
- Banking apprenticeship (1985)

Significant directorships

- Member of the BoD of responsAbility Participations AG, Zurich
- Member of the Investment Committee, Raiffeisen Pension Fund
- Member of the BoD of Leonteq Securities Ltd, Zurich

Gabriele Burn

Head of Branches & Regions department

Born in
1966

Nationality
Swiss

Place of residence
Krattigen BE

Joined Executive Board
2008

Professional background

Raiffeisen Switzerland (since 2008)
- Head of Branches & Regions/Member of the Executive Board (since 2015)
- Head of Marketing & Communication/Member of the Executive Board (2011–2015)
- Head of Branches/Member of the Executive Board (2008–2011)

Raiffeisenbank Thunersee-Süd (1997–2008)
- Chair of Executive Boards

Berner Kantonalbank (1992–1997)
- Team leader Commercial/SMEs and Key Corporate Clients, various specialist and management functions

Bank EvK, EvK-Leasing (1989–1992)
- Credit officer, sales team member and accounts officer

Berner Kantonalbank (1986–1989)
- Credit officer, executive assistant

Education

- CAS Digital Leadership, University of Applied Sciences in Business Administration (HWZ) Zurich (2017)
- MAS Bank Management, IFZ Zug (2010)
- Postgraduate diploma in bank management, Executive Master of Banking, IFZ Zug (2005)
- Federal Banking Diploma (1996)
- Banking apprenticeship (1986)

Significant directorships

- Chairwoman of the Swiss Climate Foundation
- Board member of the Green Building Association
- Member of the Management Board of the Zurich Banking Association
- Vice-Chairwoman of the Banking Association of the City of St.Gallen
- Member of the Foundation Board of Ella & J. Paul Schnorf Foundation
- Member of the Specialist Council at Lucerne University of Applied Sciences and Arts, Institute for Financial Services Zug IFZ
- Member of the Board of Directors of the Swiss Association for Hotel Financing SGH
- Member of the Advisory Board of Schweizer Berghilfe

Urs P. Gauch

Head of Corporate Clients department

Born in
1960

Nationality
Swiss

Place of residence
Pfäffikon SZ

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2015)
- Head of Corporate Clients department/Member of the Executive Board

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

Education

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

Significant directorships

- Member of the BoD of FL Metalltechnik AG, Grünen-Sumiswald
- Chairman of the BoD of Raiffeisen Unternehmerzentrum AG
- Chairman of the BoD of Business Broker AG, Zurich
- Chairman of the BoD of Business Broker Investment AG, Zurich
- Member of the BoD of Investnet AG
- Member of the BoD of Investnet Holding AG
- Member of the BoD of KMU Capital AG
- Member of the BoD of Vorsorge Partner AG
- Member of the Management Board of Epi-Suisse

Rolf Olmesdahl

Head of IT department (CIO)

Born in
1963

Nationality
Swiss

Place of residence
Cham ZG

Joined Executive Board
2015

Professional background

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

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

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

Education

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

Significant directorships

- Chairman of the BoD of ARIZON Sourcing Ltd, St.Gallen
- Member of the Research Council, Institute of Information Management HSG, University of St.Gallen

Dr Christian Poerschke

Head of Services department

Born in
1974

Nationality
Swiss/German

Place of residence
Speicher AR

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2005)
- Head of Services department/Member of the Executive Board (since 2015)
- Head of Corporate Development & Controlling (2007–2015)
- Head of Corporate Controlling (2005–2007)

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

Roland Berger Strategy Consultants (2000–2002)
- Consultant

Education

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

Significant directorships

- Member of the Foundation Board of the Swiss Finance Institute

Marcel Zoller

Head of Finance department (CFO)

Born in
1957

Nationality
Swiss

Place of residence
Goldach SG

Joined Executive Board
2008

Professional background

Raiffeisen Switzerland (since 2008)
- Head of the Finance department/Member of the Executive Board

St.Galler Kantonalbank (1981–2007)
- Head of Service Centre, Deputy CEO (2001–2007)
- Head of Private and Commercial Clients market area (1996–2000)
- Deputy project manager for KB-fit strategy project (1994–1996)
- Branch manager (1989–1994)
- Assistant branch manager (1981–1989)

Swiss Bank Corporation (1980–1981)
- Administrator in precious metals and foreign notes trading

St.Galler Kantonalbank (1976–1980)
- Administrator

Education

- Stanford Executive Program, United States (2001)
- Management training at SKU, Switzerland, courses in business management (1997)
- Executive Program, Swiss Finance Institute (1990)
- Federal Banking Diploma (1985)
- Banking apprenticeship (1976)

Significant directorships

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

Management contracts

There are no management contracts with third parties at Raiffeisen.

Compensation and loans

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

Internal Auditing

Internal Auditing supports the internal auditing activities within the Raiffeisen Group and supports the Board of Directors and its committees 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. Internal Auditing has unlimited auditing, information and access rights within the Raiffeisen Group. Dr Daniel Dal Santo has been the Head of Internal Auditing since 2015. He reports directly to the Audit and Risk Committee of the Board of Directors and participates in Board of Directors and Audit and Risk Committee meetings (seven meetings of the Board of Directors and five meetings of the Audit and Risk Committee in 2017). Internal Auditing performs its auditing activities in compliance with the rules and standards of the Institute of Internal Auditing Switzerland (IIAS).

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

Raiffeisen banks
The Raiffeisen General Meeting elects the auditors for the purposes of the Swiss Code of Obligations for three-year terms. PricewaterhouseCoopers Ltd has been the regulatory audit company and the auditor for the purposes of the Swiss Code of Obligations of the individual Raiffeisen banks since June 2005. It is supported by Raiffeisen Group's Internal Auditing department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies
Since the 2007 financial year, PricewaterhouseCoopers Ltd has been the regulatory audit company and the auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group. This includes not only the Raiffeisen banks but also the Group companies pursuant to note 7. The auditor is appointed by the delegates for a term of three years. PricewaterhouseCoopers Ltd was elected auditor for the purposes of the Swiss Code of Obligations at the 2015 Delegate Meeting for a period of three years (2015–2017). The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Raiffeisen Group
PricewaterhouseCoopers Ltd, St.Gallen, is also responsible for auditing the consolidated annual financial statements. Beat Rütsche has been the lead auditor for the Raiffeisen Switzerland Cooperative and the consolidated annual financial statements of the Raiffeisen Group since the 2012 financial year. The lead auditor may carry out this mandate for seven years.

Audit fees
The fees of the auditing firms amount to CHF 13 million for services relating to the full audit of the individual annual financial statements, the Group accounts and the audits under Swiss banking law, and CHF 0.5 million for tax advisory and 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. In 2017, the lead auditor attended all five meetings of the Audit and Risk Committee to discuss the audit company's reports. Each year, the Audit and Risk Committee also evaluates the risk assessment and resulting audit plan of the auditors and Internal Auditing and discusses these matters in the presence of the lead auditor and the Head of Internal Auditing.

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. The Audit and Risk Committee assesses the performance and remuneration of the auditor and verifies its independence based on reports and joint meetings with the lead auditor. In particular, it looks for conflicts between auditing activities and consulting mandates.

Information policy

An open, active and transparent information policy is an integral part of the Raiffeisen Group's corporate philosophy. Communication with various stakeholders – cooperative members, clients, employees and the general public – extends beyond the legal requirements and adheres to the principles of truthfulness, consistency and matching words with deeds. The most important sources of information in this regard are the website, annual reports, half-yearly reports and Raiffeisen Group press conferences and releases. The latest changes, developments and special events are published 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. Cooperative members are also kept informed by their Raiffeisen banks in person, directly and comprehensively at the Annual General Meeting.

Corporate governance
Remuneration report

Raiffeisen Group remuneration report

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 on the job market and to retain them. Outstanding and extraordinary achievements are recognised and rewarded.

Raiffeisen's remuneration system is based on criteria provided in laws, rules and regulations, e.g. the regulations issued by the Swiss Financial Market Supervisory Authority (FINMA).

The Raiffeisen Group (Raiffeisen Switzerland including the Raiffeisen banks and consolidated companies) paid CHF 1,096,762,318 in total remuneration in the current year. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 120,804,675. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	2017	Prior year
Total Raiffeisen Group remuneration	1,096,762,318	1,081,713,355
of which total Raiffeisen Group variable remuneration pool	120,804,675	123,068,099

Raiffeisen Switzerland remuneration report

Remuneration system features

Raiffeisen Switzerland has an independent remuneration system. 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 employees. Raiffeisen Switzerland also issues recommendations to Raiffeisen banks.

Remuneration caps are defined for all groups of risk-takers. There are limits on variable components. All remuneration is paid in the form of non-deferred cash. Raiffeisen believes that it makes more sense to institute caps than to defer part of the variable remuneration. Being a cooperative, Raiffeisen has a low risk profile and aims for stable returns and sustained success, which significantly affects the remuneration system. The remuneration policy aims for consistency.

Furthermore, Raiffeisen places considerable emphasis on social responsibility and is committed to providing equal pay for equal work. The second study on wage equality, conducted at Raiffeisen Switzerland by the same independent partner as in 2014, once again found that Raiffeisen pays equal wages and that the wage difference is considerably lower than the tolerance level accepted by the Swiss Federal Office for Gender Equality.

Handling risk-takers separately
The Board of Directors has identified another group of risk-takers other than the eight members of the Executive Board, the Head of Internal Auditing and the four members of the extended Executive 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; they 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 as part of the motion determining the total variable remuneration pool. In 2017, this group consisted of 56 people (not counting Executive Board members).

Remuneration policy 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 selected elements of its remuneration policy reviewed every year by external auditors or by Internal Auditing.
- Determining the amount of the total variable remuneration pool each year
- Defining fixed and variable remuneration components for Executive Board members, the members of the extended Executive Board 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 section "Committees of the Board of Directors" describes the composition and main responsibilities of the Nomination and Remuneration Committee.

Composition of remuneration

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

- Fixed remuneration in line with the market: Every employee has an individual contract establishing the fixed remuneration. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.
- Moderate variable remuneration: Variable remuneration is paid based on the Group's sustained success and individual employee performance reviews. 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, the members of the Extended Executive Board 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 social 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 over variable compensation

The Heads of Group Risk Controlling and Legal & Compliance comment on the risk situation and compliance performance and provide their assessment of the current situation based on risk and compliance reports from 2017. These assessments, which expressly cover credit, market, liquidity and operational risk, 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 regularly and comprehensively informed about risk development in accordance with Raiffeisen's risk profile.

Allocation of variable remuneration to the Executive Board (including Extended Executive Board and the Head of Internal Auditing) and risk-takers

The Board of Directors does not receive variable remuneration. The Board of Directors decides on the allocation of variable remuneration to Executive Board members, the members of the Extended Executive Board and the Head of Internal Auditing. It must not exceed two-thirds of the individual member’s fixed remuneration (excluding employee and employer contributions to pension plans and social insurance). The following criteria apply to the individual allocation:

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

The allocation of the variable remuneration to risk-takers is individually determined by the Executive Board. 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 allocation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual allocations. There are thus no incentives for individuals to strive for short-term success by taking excessive risks.

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

Compensation 2017

Total remuneration

In the current year, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 296,323,079. Accrued remuneration expenses (both fixed and variable) for the year under review have been recorded in full as personnel expenses. There are no remuneration expenses from earlier reporting years that are recognised in 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 51,309,606 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form. The total variable remuneration pool benefited 2,027 individuals at Raiffeisen Switzerland (previous year: 2,011).

Board of Directors

The Board of Directors regularly reviews the remuneration regulations. The remuneration rates for members of the Board of Directors have remained unchanged for the past four years. A total of CHF 1,678,400 in remuneration was paid in the 2016 financial year.

Raiffeisen's classification as a systemically important bank and increasing substantive complexity required the Board of Directors to conduct an in-depth examination of regulatory affairs and market issues during the current year. As a result, there was a substantial increase in the number of meetings attended by members of the Board of Directors. Furthermore, Laurence de la Serna and Prof. Dr Pascal Gantenbein were newly elected to the Board of Directors as part of succession planning for the years to come. It was against this backdrop that the rates for remuneration paid to members of the Board of Directors were reviewed and updated for future years as of 2017.

Members of Raiffeisen Switzerland's Board of Directors serving in 2017 received remuneration totalling CHF 2,408,412 for the current year. This includes all allowances and meeting attendance fees. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 548,300. In addition, social insurance contributions for members of the Board of Directors totalled CHF 481,147.

Members of the Executive Board (including members of the Extended Executive Board and the Head of Internal Auditing)
Total remuneration paid to members of the Raiffeisen Switzerland Executive Board, members of the Extended Executive Board and the Head of Internal Auditing for the current year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 11,028,631. Of this, CHF 1,813,187 was paid to Dr Patrik Gisel, Chairman of the Executive Board 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 totalled an additional CHF 5,595,460. CHF 601,796 of this amount was paid for Dr Patrik Gisel. Fixed remuneration includes business-related Board of Directors' fees for Executive Board members.

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 the same industry-standard preferential terms as other employees. No joining or severance payments were made in the current year.

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	296,323,079	245,013,473	51,309,606
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*	13,041,899	8,456,966	4,584,933
(excluding employee and employer contributions to pension plans and social insurance)	(11'028'631)	(6'998'865)	(4'029'767)
Total remuneration paid to other risk-takers (excluding Executive Board and Extended Executive Board members)*	14,321,844	8,281,844	6,040,000

* Excluding employer pension plan and social insurance contributions

Remuneration report Raiffeisen banks

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

- Remuneration for all employees of Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, as in the Raiffeisen Switzerland model.
- According to the risk profile of Raiffeisen banks and their balanced business model, all remuneration (both fixed and variable) is provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the Swiss militia system with roots in local business – decides on the overall sum of the variable remuneration, as well as on the individual allocation of the variable remuneration to members and the chairpersons of bank management.
- 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 Raiffeisen banks in the context of a structured process.

Remuneration report of other Group companies

The Group companies have their own remuneration systems that are aligned with their needs.

Remuneration report – outlook

Beginning on 1 January 2018, Raiffeisen Switzerland will be tightening its client focus with a new department and management structure. As a result, there will be personnel changes in the Executive Board and changes in several department structures.

All risk management activities will now be bundled in the new Risk & Compliance department. The Chief Risk Officer (CRO) is responsible for Group-wide risk management and risk management compliance and sits on the Executive Board.

As a result of the reorganisation of the department, the governance functions are now represented directly on the Executive Board of Raiffeisen Switzerland. Consequently, the Extended Executive Board will be dissolved as of 1 January 2018.

Corporate governance
Material changes

Material changes between the balance sheet date and the editorial deadline (09.03.2018)

New department and management structure effective 1 January 2018
Raiffeisen Switzerland has tightened its client focus with a new department and management structure. This resulted in personnel changes in the Executive Board, the dissolution of the Extended Executive Board and changes in several department structures.

Marcel Zoller, the long-standing CFO, will retire as at 30 April 2018. His place has already been taken by Dr Christian Poerschke, who took over the reins of the Finance & Human Resources department effective 1 January 2018.

Risk management activities are now bundled in the new Risk & Compliance department, which allow us to satisfy modern corporate governance standards, continue to manage risk adequately and effectively, and comply with regulatory requirements. The new Risk & Compliance department will be headed by Dr Beat Hodel, who previously headed Group Risk Controlling. As the Chief Risk Officer (CRO), he sits on the Executive Board and is responsible for Group-wide risk management and for risk management compliance.

Rolf Olmesdahl will assume the function of Chief Operating Officer (COO).

Dissolution of Group Management Coordination effective 1 January 2018
To adjust the management rhythm, the Executive Board of Raiffeisen Switzerland decided to realign the overall management of its subsidiaries. The realignment will expand the organisation's focus on strategic issues. To support this goal, Raiffeisen Switzerland and its subsidiaries will annually hold a dedicated strategy workshop. The Group Management Coordination Committee, which had a more operational focus, will be dissolved.

Raiffeisen reorganises ownership structure at Investnet (26 February 2018)
Raiffeisen Switzerland and the minority shareholders of Investnet Holding AG have decided to reorganise the ownership structure of the private equity group.

Criminal proceedings against Dr Pierin Vincenz (27 February 2018)
On 27 February 2018, the Zurich III Public Prosecutor's Office notified Raiffeisen Switzerland that it had instituted criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He has been charged with acting in bad faith in connection with Aduno and Investnet. Raiffeisen Switzerland has joined the proceedings as a private complainant and has additionally filed a criminal complaint against Dr Pierin Vincenz and other potentially involved individuals. However, these actions have no effect on the current annual financial statements.

It is not currently possible to say with certainty whether and to what extent these events will affect the aforementioned plans to reorganise the ownership structure of Investnet.

Raiffeisen Switzerland announces changes in the Board of Directors (8 March 2018)
There has been a change in the leadership of the Board of Directors of Raiffeisen Switzerland. The serving Chairman of the Board of Directors of Raiffeisen Switzerland, Prof. Dr Johannes Rüegg-Stürm, has decided to resign his position effective immediately. Prof. Dr Pascal Gantenbein will serve as the interim Chairman of the Board of Directors of Raiffeisen Switzerland.

Financial report
Raiffeisen Group 2017

Key figures

2017

in million CHF	Current year	Previous year	Change in %
Key figures			
Operating income	3,310	3,108	6.5
Operating expenses	2,013	1,988	1.3
Operating result	1,108	855	29.7
Group profit	917	754	21.6
Cost income ratio	60.8%	63.9%	
Key balance sheet figures			
Total assets	227,728	218,590	4.2
Loans to clients	180,538	173,445	4.1
of which mortgage receivables	172,622	165,426	4.3
Customer deposits	164,085	158,254	3.7
Customer deposits in % of loans to clients	90.9%	91.2%	
Capital resources			
Total equity	15,700	14,385	9.1
Return on equity (ROE)	6.1%	10.5%	
Leverage ratio (unweighted capital ratio)*	7.1%	6.8%	
Total capital ratio (equity capital)*	17.4%	16.9%	
Market data			
Share of mortgage market	17.5%	17.2%	
Number of cooperative members	1,890,126	1,876,687	0.7
Client assets			
Assets under management	209,592	202,795	3.4
Lending business			
Losses on lending business	22	16	35.7
as % of loans to clients	0.012%	0.009%	
Resources			
Number of employees	11,158	11,026	1.2
Number of full-time positions	9,411	9,276	1.5
Number of locations	912	955	-4.5

* based on definition for systemically important banks

Consolidated balance sheet

as at 31 December 2017

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Assets					
Liquid assets	20,523,022	20,389,822	133,200	0.7	18
Amounts due from banks	8,331,689	7,083,612	1,248,077	17.6	11, 18
Amounts due from securities financing transactions	231,672	338,260	-106,588	-31.5	1, 18
Amounts due from clients	7,916,175	8,018,804	-102,629	-1.3	2, 18
Mortgage loans	172,621,503	165,426,200	7,195,303	4.3	2, 11, 18
Trading portfolio assets	3,879,083	2,911,801	967,282	33.2	3, 18
Positive replacement values of derivative financial instruments	1,676,852	1,743,165	-66,313	-3.8	4, 18
Financial investments	7,593,388	7,951,965	-358,577	-4.5	5, 11, 18
Accrued income and prepaid expenses	277,805	246,797	31,008	12.6	
Non-consolidated participations	650,117	787,634	-137,517	-17.5	6, 7
Tangible fixed assets	2,802,620	2,599,512	203,108	7.8	8, 11
Intangible assets	371,884	419,433	-47,549	-11.3	9
Other assets	852,136	672,706	179,430	26.7	10
Total assets	**227,727,946**	**218,589,711**	**9,138,235**	**4.2**	
Total subordinated claims	154,819	123,674	31,145	25.2	
of which subject to mandatory conversion and/or debt waiver	794	1,106	-312	-28.2	
Liabilities					
Liabilities to banks	12,602,955	10,852,715	1,750,240	16.1	11, 18
Liabilities from securities financing transactions	2,200,519	2,599,332	-398,813	-15.3	1, 18
Amounts due in respect of customer deposits	164,084,825	158,254,449	5,830,376	3.7	12, 18
Trading portfolio liabilities	133,799	138,207	-4,408	-3.2	3, 18
Negative replacement values of derivative financial instruments	1,691,646	2,017,470	-325,824	-16.2	12, 4, 18
Liabilities from other financial instruments at fair value	2,580,306	1,633,944	946,362	57.9	3, 13, 18
Cash bonds	835,965	1,177,775	-341,810	-29.0	18
Bond issues and central mortgage institution loans	25,938,644	25,623,178	315,466	1.2	13, 14, 18
Accrued expenses and deferred income	850,574	828,695	21,879	2.6	12
Other liabilities	160,026	170,104	-10,078	-5.9	10
Provisions	948,633	903,476	45,157	5.0	15
Reserves for general banking risks	80,000	-	80,000	-	15
Cooperative capital	1,957,396	1,594,753	362,643	22.7	16
Retained earnings reserve	12,745,940	12,036,214	709,726	5.9	
Currency translation reserve	7	-4	11	-275.0	
Group profit	917,068	754,069	162,999	21.6	
Total equity (without minority interests)	**15,700,411**	**14,385,032**	**1,315,379**	**9.1**	
Minority interests in equity	-357	5,334	-5,691	-106.7	
of which minority interests in Group profit	-6,317	-2,233	-4,084	182.9	
Total equity (with minority interests)	**15,700,054**	**14,390,366**	**1,309,688**	**9.1**	
Total liabilities	**227,727,946**	**218,589,711**	**9,138,235**	**4.2**	
Total subordinated liabilities	1,761,917	1,777,462	-15,545	-0.9	
of which subject to mandatory conversion and/or debt waiver	1,226,398	1,241,943	-15,545	-1.3	
Off-balance-sheet transactions					
Contingent liabilities	468,486	391,640	76,846	19.6	2, 20
Irrevocable commitments	8,790,318	8,016,607	773,711	9.7	2
Call commitments and additional funding obligations	113,897	118,541	-4,644	-3.9	2

Consolidated income statement

2017

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Interest and discount income	2,943,160	3,051,591	-108,431	-3.6	25
Interest and dividend income from financial assets	54,449	58,287	-3,838	-6.6	
Interest expenditure	-747,106	-880,050	132,944	-15.1	25
Gross result from interest operations	**2,250,503**	**2,229,828**	**20,675**	**0.9**	
Changes in value adjustments for default risks and losses from interest operations	-2,341	-10,418	8,077	-77.5	15
Net result from interest operations	**2,248,162**	**2,219,410**	**28,752**	**1.3**	
Commission income from securities trading and investment activities	422,489	355,564	66,925	18.8	
Commission income from lending activities	20,260	17,643	2,617	14.8	
Commission income from other services	234,606	214,418	20,188	9.4	
Commission expense	-183,016	-120,873	-62,143	51.4	
Result from commission business and services	**494,339**	**466,752**	**27,587**	**5.9**	**22**
Result from trading activities and the fair value option	**230,402**	**227,939**	**2,463**	**1.1**	**23**
Result from disposal of financial investments	28,555	4,712	23,843	506.0	
Income from participations	88,796	67,137	21,659	32.3	24
Result from real estate	20,566	20,989	-423	-2.0	
Other ordinary income	209,678	119,790	89,888	75.0	
Other ordinary expenses	-10,635	-18,308	7,673	-41.9	
Other result from ordinary activities	**336,960**	**194,320**	**142,640**	**73.4**	
Operating income	**3,309,863**	**3,108,421**	**201,442**	**6.5**	
Personnel expenses	-1,395,392	-1,381,132	-14,260	1.0	26
General and administrative expenses	-618,087	-606,460	-11,627	1.9	27
Operating expenses	**-2,013,479**	**-1,987,592**	**-25,887**	**1.3**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-188,433	-260,081	71,648	-27.5	6, 8, 9
Changes to provisions and other value adjustments, and losses	478	-6,034	6,512	-107.9	15
Operating result	**1,108,429**	**854,714**	**253,715**	**29.7**	
Extraordinary income	119,373	75,062	44,311	59.0	28
Extraordinary expenses	-3,628	-4,172	544	-13.0	28
Changes in reserves for general banking risks	-80,000	-	-80,000	-	15
Taxes	-233,423	-173,768	-59,655	34.3	29
Group profit (including minority interests)	**910,751**	**751,836**	**158,915**	**21.1**	
Minority interests in group profit	-6,317	-2,233	-4,084	182.9	
Group profit	**917,068**	**754,069**	**162,999**	**21.6**	

Cash flow statement

2017

in 1,000 CHF	Origin of funds for current year	Use of funds for current year	Cash inflow for previous year	Cash outflow for previous year
Cash flow from operating results (internal financing)				
Group profit	917,068	-	754,069	-
Change in reserves for general banking risks	80,000	-	-	-
Value adjustments on participations	6,088	-	310	-
Depreciation and amortisation of tangible fixed assets and intangible assets	182,337	-	250,788	-
Provisions and other value adjustments	70,604	25,447	38,303	12,401
Change in value adjustments for default risks and losses	60,457	76,472	71,101	70,360
Appreciation on participations	-	55,038	-	21,949
Accrued income and prepaid charges	-	31,008	-	21,601
Accrued expenses and deferred income	21,879	-	117,493	-
Interest paid on share certificates for previous year	-	43,717	-	33,650
Balance	**1,106,751**	**-**	**1,072,103**	**-**
Cash flow from shareholder's equity transactions				
Change in cooperative capital	406,840	44,197	383,674	37,198
Currency translation differences	11	-	-	15
Minority interests in equity	626	6,317	-	2,233
Balance	**356,963**	**-**	**344,228**	**-**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	192,898	6,431	3	34,388
Real estate	63,618	148,971	35,235	125,877
Software/other tangible fixed assets/objects in finance leasing	1,261	260,012	2,615	187,535
Intangible assets	7,143	935	524	33,452
Changes to the consolidated Group	-	626	27,575	-
Balance	**-**	**152,055**	**-**	**315,300**
Cash flow from banking operations				
Liabilities to banks	1,750,240	-	3,049,413	-
Liabilities from securities financing transactions	-	398,813	-	1,485,143
Amounts due in respect of customer deposits	5,830,376	-	7,982,099	-
Trading portfolio liabilities	-	4,408	33,068	-
Negative replacement values of derivative financial instruments	-	325,824	-	380,214
Liabilities from other financial instruments at fair value	946,362	-	763,915	-
Cash bonds	-	341,810	-	469,661
Bonds	559,129	1,203,463	1,551,136	1,022,703
Central mortgage institution loans	2,069,700	1,109,900	2,740,400	1,115,900
Other liabilities	-	10,078	-	12,912
Amounts due from banks	-	1,248,077	-	3,271,958
Amounts due from securities financing transactions	106,588	-	53,144	-
Amounts due from clients	107,578	-	-	146,875
Mortgage loans	-	7,184,237	-	6,820,411
Trading portfolio assets	-	967,282	-	796,774
Positive replacement values of derivative financial instruments	66,313	-	52,123	-
Financial investments	358,577	-	-	1,074,546
Other assets	-	179,430	753,359	-
Liquid assets	-	133,200	-	1,482,591
Balance	**-**	**1,311,659**	**-**	**1,101,031**
Total origin of funds	**1,463,714**	**-**	**1,416,331**	**-**
Total use of funds	**-**	**1,463,714**	**-**	**1,416,331**

Statement of changes in equity

2017

in 1,000 CHF	Cooperative capital	Retained earnings reserve	Reserves for general banking risks	Currency translation differences	Minority interests	Profit	Total
Equity capital at the beginning of the current year	**1,594,753**	**12,036,214**	**-**	**-4**	**5,334**	**754,069**	**14,390,366**
Capital increase	406,840	-	-	-	-	-	406,840
Capital decrease	-44,197	-	-	-	-	-	-44,197
Changes in minority interests	-	-626	-	-	626	-	-
Currency translation differences	-	-	-	11	-	-	11
Interest on the cooperative capital	-	-	-	-	-	-43,717	-43,717
Creation of reserves for general banking risks	-	-	80,000	-	-	-	80,000
Allocation to voluntary retained earnings reserves	-	710,352	-	-	-	-710,352	-
Profit	-	-	-	-	-6,317	917,068	910,751
Equity capital at the end of the current year	**1,957,396**	**12,745,940**	**80,000**	**7**	**-357**	**917,068**	**15,700,054**

Notes to the consolidated annual financial statements

Trading name, legal form, registered office

The Raiffeisen Group is a bank group without legal personality. It comprises 255 independent Raiffeisen banks in the legal form of a cooperative, Raiffeisen Switzerland domiciled in St.Gallen, and the associated Group companies.

Risk management

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

Risk policy
Risk management systems are based on statutory provisions 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. Risks are only entered into with full knowledge of their extent and dynamics, and only when the requirements in terms of systems, staff resources and expertise are met. The risk policy aims to limit the negative impact of risks on earnings and protect the Raiffeisen Group against high exceptional losses while safeguarding and strengthening its good reputation. The Raiffeisen Group's risk management is organised using the three-lines-of-defence model: Risks are managed by the responsible line units (first line). Group Risk Controlling ensures that the risk policy is observed and enforced, and the Compliance unit ensures that regulatory provisions are adhered to (second line). Internal Auditing ensures the independent review of the risk management framework (third line).

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

Group Risk Controlling 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 overall limits defined by the Board of Directors and the Executive Board of Raiffeisen Switzerland – which 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 ARIZON Sourcing Ltd. The Investnet Group is monitored based on its assigned risk control level. Raiffeisen Switzerland monitors the minimum risk management requirements. There is a periodic exchange with the risk control owner.

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

Credit risk

The business units of the Raiffeisen banks and Raiffeisen Switzerland manage their credit risk autonomously, 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 the risk policy as the risk of losses caused by clients or other counterparties failing to fulfil or render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products, such as OTC 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 activities:

- Counterparty risk
- Collateral risk
- Concentration risk
- Country risk

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

Collateral risks accrue from impairments in the value of collateral.

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

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

Retail banking in Switzerland is the Raiffeisen Group's core business. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, the Raiffeisen Group aims to diversify its business areas based on its core business. In particular, it plans to cultivate the investment and corporate client business more intensively.

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

Corporate clients are mainly small and medium-sized companies that operate within the business areas of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Articles of Association of Raiffeisen banks stipulate limits for the acceptance of credit risks arising from uncovered transactions; uncovered loans to private clients are generally not possible and require the approval of Raiffeisen Switzerland. Loans to corporate clients over CHF 250,000 must be hedged with Raiffeisen Switzerland.

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 75 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment. The CRO's 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, as well as the hedging of currency, fluctuating interest rate and proprietary trading risks. The Central Bank department may only conduct international transactions when country-specific limits have been approved and established.

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.

New financing transactions of KMU Capital AG are reviewed by KMU Capital AG's Investment Committee. The Investment Committee consists of six members, with Raiffeisen Switzerland providing two representatives.

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

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions, such as derivative financial instruments, are converted to their respective credit equivalent. The Raiffeisen Group concluded a Swiss master agreement for OTC derivative instruments with most of the Central Bank counterparties whose OTC transactions are not cleared centrally, as well as a credit support appendix for variation margins. Credit support is exchanged by transferring the margin requirement, which is calculated daily. These OTC commitments are managed and monitored 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 maintain payments must be proven before any loan is approved. Loans to private individuals, legal entities and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is defined based on eleven risk categories and two default categories. This system has proven its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams 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, sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and ensuring proper credit portfolio reporting. An annual credit portfolio report provides responsible decision-makers with information on the economic environment, the structure of the credit portfolio and developments during the period under review. The report contains an assessment of credit portfolio risk and identifies any need for action.

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

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific limits have been established. Measures are defined and taken if these limits are reached or exceeded.

Cluster risks are monitored centrally by Financial Risk Control & Methods. As at 31 December 2017, the Raiffeisen Group had no reportable cluster risks. The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public-sector entities) as at 31 December 2017 was CHF 1.2 billion (previous year: CHF 1.3 billion).

Market risk

Risk associated with fluctuating interest rates: Since assets and liabilities are subject to different interest rates, fluctuations in market interest rates can have a considerable impact on the Raiffeisen Group's interest income and shareholder value. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the net present value of the equity capital. The impact on profitability is assessed using dynamic income simulations. To measure mark-to-market risk, a gap analysis is performed using all balance-sheet and off-balance-sheet items along with their contractually fixed interest rates. Loans and deposits with non-fixed interest rates and capital commitment periods are replicated on the basis of historical experience. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. Interest rate risks are hedged using established instruments. The Treasury of Raiffeisen Switzerland's Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group, with the exception of Notenstein La Roche Private Bank Ltd, 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 interest risk limits and prepares associated quarterly reports, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

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

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

The Trading unit, 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, position and loss limits set by the Board of Directors and the Executive Board, which Group Risk Controlling monitors on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the income achieved from trading and conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is subject to risk limits and is closely monitored.

The Board of Directors of Notenstein La Roche Private Bank Ltd defines the limits for the trading and banking 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 banking 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.

Compliance with value-at-risk, sensitivity, position and loss limits and the assessment of the risk situation by Group Risk Controlling are primarily communicated via four reports:

- Daily trading limit report to the responsible Executive Board members
- 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

Group Risk Controlling communicates any breaches of market risk limits set by the Board of Directors and Executive Board on an ad hoc basis within the scope of the respective risk reports.

Capital adequacy requirements for market risk relating to the trading book

in 1,000 CHF	31.12.2017	Ø 2017	31.12.2016	Ø 2016
Foreign exchange/precious metals	43,234	34,032	22,687	20,683
Interest rate instruments	160,765	162,391	144,161	147,891
Equities/indices	40,521	31,558	21,025	21,411
Total	**244,520**	**227,981**	**187,873**	**189,986**

Liquidity
Liquidity risks are controlled using commercial criteria and monitored by the 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 and risk indicators based on the above scenario analyses.

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

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

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

The results of the risk assessments, key risk indicators (KRIs), 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 of Raiffeisen Switzerland.

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.

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

Group Risk Controlling monitors the operational risks of 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.

Outsourcing

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

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

Regulatory provisions

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

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

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

Raiffeisen uses the international standardised approach (SA-BIS) to calculate the capital adequacy requirements for credit risks.

External issuer/issue ratings from three FINMA-recognised rating agencies are used for central governments and central banks, public-sector entities, banks and securities dealers, as well as companies.

Issuer/issue ratings from an export insurance agency are used for central governments; however, rating agency ratings take precedence over ratings issued by the export insurance agency.

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

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

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

Raiffeisen started the FINMA approval process for calculating capital adequacy requirements and measuring and managing credit risk in accordance with the F-IRB approach in 2015 and was awarded "broadly compliant" status in 2016. The approval process is expected to be completed in 2019.

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

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

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

Mortgage loans
The property value of owner-occupied residential properties is determined using either the real value method or a hedonic pricing method. 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 (see also the section entitled "Steps involved in determining value adjustments and provisions").

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

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

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

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

Value of collateral

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

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

Loans against securities
The bank primarily accepts transferable, liquid and actively traded financial instruments (such as bonds and equities) as collateral for Lombard loans and other loans against securities. The bank also accepts transferable structured products for which there is regular share price information and a market maker.

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

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

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

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

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

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 risk 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 do not use hedge accounting for financial reporting purposes.

Types of hedged items and hedging instruments
Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd use hedge accounting predominantly for the following types of transactions:

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

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

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

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

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

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

Consolidation, accounting and valuation principles

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

Consolidation principles

General

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

Scope of consolidation and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual financial statements of the individual Raiffeisen banks, Raiffeisen Switzerland and major Group companies in which the Group directly or indirectly holds more than 50% of the voting shares. The fully consolidated Group companies and the shareholdings valued according to the equity method are listed in the note "Companies in which the bank holds a permanent direct or indirect significant participation". Minor participations are not listed individually if the Group holds less than 10% of the voting shares and equity capital and its holding is either worth less than CHF 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. Participations of less than 20%, those with little materiality in terms of capital or income, and those of a non-strategic nature are not consolidated but are instead accounted for at acquisition cost less any operationally required value adjustments.

Consolidation date

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

Accounting and valuation principles

Recording of business transactions

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

Foreign currencies

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

The balance sheet and off-balance sheet of Group companies abroad that are denominated in foreign currencies are 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 assets, borrowed funds

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

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

Amounts due from banks and customers, mortgage loans

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

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

Impaired loans are subject to provisions based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realisable sale value of the collateral. 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.

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

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

Securities lending and borrowing

Securities lending 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 expense on an accruals basis.

Repurchase and reverse repurchase transactions

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

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

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

Trading portfolio assets and trading portfolio liabilities

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

Financial investments

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

Non-consolidated participations

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

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

Tangible fixed assets

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

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

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

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

Intangible assets

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

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

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

Provisions

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

Reserves for general banking risks

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

Taxes
Taxes are calculated and booked on the basis of the profit for the current year. Deferred tax of 19.0% (previous year: 19.1%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

Contingent liabilities, irrevocable commitments, obligations to make payments and additional contributions
These are reported at their nominal value under "Off-balance-sheet transactions". Provisions are created for foreseeable risks.

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

All Treasury hedging transactions 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 "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume of internal Treasury hedging transactions is reported under "Hedging instruments".

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

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

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

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

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

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

Events after the balance sheet date

On 27 February 2018, the Zurich III Public Prosecutor's Office notified Raiffeisen Switzerland that it had instituted criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He has been charged with acting in bad faith in connection with Aduno and Investnet. Raiffeisen Switzerland has joined the proceedings as a private complainant and has additionally filed a criminal complaint against Dr Pierin Vincenz and other potentially involved individuals. However, these actions have no effect on the current annual financial statements.

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

in 1,000 CHF	Current year	Previous year
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	231,673	338,261
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	2,200,730	2,599,331
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	2,106,069	2,591,018
with unrestricted right to resell or pledge	1,848,151	2,580,400
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	368,151	477,838
of which, repledged securities	200,453	74,158
of which, resold securities	133,799	138,207

* before netting agreements

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

in 1,000 CHF	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	2,281,290	960,565	4,761,697	8,003,552
Mortgage loans	172,621,503	-	117,459	172,738,962
Residential property	158,974,661	-	52,415	159,027,076
Office and business premises	3,570,300	-	6,376	3,576,676
Commercial and industrial premises	5,207,294	-	9,026	5,216,320
Other	4,869,249	-	49,642	4,918,891
Total loans (before netting with value adjustments)				
Current year	**174,902,793**	**960,565**	**4,879,156**	**180,742,514**
Previous year	167,798,667	1,198,623	4,668,565	173,665,855
Total loans (after netting with value adjustments)				
Current year	**174,902,793**	**960,565**	**4,674,320**	**180,537,678**
Previous year	167,798,667	1,198,623	4,447,714	173,445,004
Off-balance-sheet				
Contingent liabilities	45,025	108,923	314,538	468,486
Irrevocable commitments	6,300,180	247,204	2,242,933	8,790,318
Call commitments and additional funding obligations	-	-	113,897	113,897
Total off-balance-sheet				
Current year	**6,345,205**	**356,127**	**2,671,369**	**9,372,701**
Previous year	5,726,362	356,264	2,444,163	8,526,789

in 1,000 CHF	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans				
Current year	**805,208**	**592,506**	**212,702**	**207,575**
Previous year	905,101	672,219	232,882	223,590

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

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

3.1 Assets

in 1,000 CHF	Current year	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions	3,151,818	2,222,124
stock exchange listed [1]	3,151,653	1,099,219
traded on a representative market	165	1,122,905
Equity securities	259,603	248,290
Precious metals	444,184	416,479
Other trading portfolio assets	23,478	24,908
Other financial instruments at fair value		
Debt securities	-	-
Structured products	-	-
Other	-	-
Total assets	**3,879,083**	**2,911,801**
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	871,020	342,686

1 stock exchange listed = traded on a recognised stock exchange

3.2 Liabilities

in 1,000 CHF	Current year	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions [2]	131,457	137,331
of which, listed [1]	131,457	137,331
Equity securities [2]	1,209	863
Precious metals [2]	-	-
Other trading portfolio liabilities [2]	1,133	13
Other financial instruments at fair value		
Structured products	2,580,306	1,633,944
Other	-	-
Total liabilities	**2,714,105**	**1,772,151**
of which, determined using a valuation model	2,580,306	1,633,944

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

4. Derivative financial instruments (assets and liabilities)

4.1 Derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
in 1,000 CHF	**Positive replacement values**	**Negative replacement values**	**Contract volume**	**Positive replacement values**	**Negative replacement values**	**Contract volume**
Interest rate instruments						
Forward contracts incl. FRAs	215	171	4,400,000	-	-	-
Swaps	322,665	350,866	40,122,999	574,444	647,857	34,951,200
Futures	-	-	1,464,385	-	-	-
Options (OTC)	1,459	2,610	85,537	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	**324,339**	**353,647**	**46,072,921**	**574,444**	**647,857**	**34,951,200**
Foreign exchange						
Forward contracts	402,980	389,113	53,500,511	130,815	18,848	4,187,874
Comb. interest rate/currency swaps	263	8	10,545	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	11,589	8,252	1,186,275	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign exchange	**414,832**	**397,373**	**54,697,331**	**130,815**	**18,848**	**4,187,874**
Precious metals						
Forward contracts	12,406	24,641	1,432,744	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	33,266	-	-	-
Options (OTC)	26,510	19,158	2,495,518	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	**38,916**	**43,799**	**3,961,528**	**-**	**-**	**-**
Equity securities/indices						
Forward contracts	-	-	-	-	-	-
Swaps	16,011	48,206	1,983,038	-	-	-
Futures	-	-	248,795	-	-	-
Options (OTC)	123,976	125,216	3,757,996	-	188	92,581
Options (exchange traded)	558	170	12,525	-	-	-
Total equity securities/indices	**140,545**	**173,592**	**6,002,354**	**-**	**188**	**92,581**
Credit derivatives						
Credit default swaps	24,592	26,626	840,495	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	**24,592**	**26,626**	**840,495**	**-**	**-**	**-**
Other						
Forward contracts	-	-	-	-	-	-
Swaps	181	1,311	45,876	-	-	-
Futures	-	-		-	-	-
Options (OTC)	28,188	28,405	421,891	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	**28,369**	**29,716**	**467,767**	**-**	**-**	**-**

Total						
Current year	**971,593**	**1,024,753**	**112,042,396**	**705,259**	**666,893**	**39,231,655**
of which determined using a valuation model	971,034	1,024,584	-	705,122	665,480	-
Previous year	985,794	1,000,005	94,533,188	757,371	1,017,465	43,868,454
of which determined using a valuation model	974,042	994,239	-	757,371	1,014,105	-

4.2 Derivative financial instruments by counterparty and time remaining to maturity

in 1,000 CHF	Positive replacement values	Negative replacement values	Contract volume up to 1 year	Contract volume 1 to 5 years	Contract volume over 5 years	Contract volume total
Banks and securities dealers	1,445,765	1,545,439	77,416,750	28,696,417	13,275,690	119,388,857
Other customers	115,926	100,252	3,690,428	1,154,491	488,954	5,333,873
Stock exchanges	558	170	1,758,971	-	-	1,758,971
Central clearing houses	114,603	45,785	7,522,500	8,620,300	8,649,550	24,792,350
Total						
Current year	**1,676,852**	**1,691,646**	**90,388,649**	**38,471,208**	**22,414,194**	**151,274,051**
Previous year	1,743,165	2,017,470	73,854,834	41,294,548	23,252,260	138,401,642

No netting contracts are used to report the replacement values.

Quality of counterparties
Banks/securities dealers: Derivative transactions were conducted with counterparties with a very good credit rating. 81.4% of the positive replacement values are open with counterparties with an upper-medium grade or better rating (Moody's) or with a comparable rating.

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

5. Financial investments

5.1 Breakdown of financial investments

in 1,000 CHF	Book value current year	Book value previous year	Fair value current year	Fair value previous year
Financial investments				
Debt securities	7,409,737	7,598,777	7,629,048	7,861,851
of which, intended to be held until maturity	7,300,873	7,499,852	7,519,279	7,762,228
of which, not intended to be held to maturity (available for sale)	108,864	98,925	109,769	99,623
Equity securities	144,596	318,970	148,956	332,087
of which qualified participations [1]	58,771	50,508	58,771	50,508
Precious metals	484	446	484	446
Real estate	38,571	33,772	41,895	36,460
Total financial investments	**7,593,388**	**7,951,965**	**7,820,383**	**8,230,844**
of which securities for repo transactions in line with liquidity requirements	7,048,156	7,163,693	-	-

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

in 1,000 CHF	Book value Very safe investment	Book value Safe investment	Book value Average to good investment	Book value Speculative to highly speculative investment	Book value Highest-risk investment/default	Book value Unrated investment
Debt securities	**7,059,444**	**168,940**	**49,179**	**-**	**-**	**132,174**

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

6. Non-consolidated participations

in 1,000 CHF	Acquisition cost	Accumulated value adjust-ments and changes in book values (equity method)	Book value previous year end	Changes to the consolidated Group	Current year reclassifi-cations	Current year additions	Current year disposals	Current year value adjustments	Current year changes in book value in the case of participations valued using the equity method	Book value as at end of current year	Market value
Participations valued using the equity method	**250,751**	**210,585**	**461,336**	**-**	**-**	**-**	**-**	**-**	**55,023**	**516,359**	
- with market value	92,655	19,061	111,716	-	-	-	-	-	9,681	121,397	291,265
- without market value	158,096	191,524	349,620	-	-	-	-	-	45,342	394,962	–
Other non-consolidated participations	**339,160**	**-12,862**	**326,298**	**-**	**-**	**6,431**	**-192,898**	**-6,088**	**15**	**133,758**	
- with market value	127,763	-45	127,718	-	-	-	-127,574	-	-	144	323
- without market value	211,397	-12,817	198,580	-	-	6,431	-65,324	-6,088	15	133,614	–
Total non-consolidated participations	**589,911**	**197,723**	**787,634**	**-**	**-**	**6,431**	**-192,898**	**-6,088**	**55,038**	**650,117**	**291,588**

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

Company name/holding in 1,000 CHF	Registered office	Business activity	Capital	Current year equity interest in %[1]	Current year voting share in %[1]	Previous year equity interest in %[1]	Previous year voting share in %[1]
7.1 Group companies							
Raiffeisen Switzerland Cooperative[2]	St.Gallen	Central bank, association services	1,700,000	100.0	100.0	100.0	100.0
Raiffeisen Unternehmerzentrum AG	Gossau SG	Advisory services for SMEs	5,000	100.0	100.0	100.0	100.0
Raiffeisen Immo Ltd	St.Gallen	Brokering and advisory services	5,000	100.0	100.0	-	-
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	100.0	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]	Munich	Investment advisory services and financial asset brokerage	-	-	-	100.0	100.0
KMU Capital Ltd[6]	Herisau	Financial services	2,566	100.0	100.0	100.0	100.0
Investnet AG[6]	Herisau	Financial services	150	100.0	100.0	100.0	100.0
Investnet Holding Ltd[7]	Herisau	Affiliated company	10,000	60.0	60.0	60.0	60.0
ARIZON Sourcing Ltd[8]	St. Gallen	Operational and advisory services for banks	10,000	51.0	51.0	51.0	51.0
Raiffeisen Switzerland B.V. Amsterdam	Amsterdam NL	Financial services	1,000	100.0	100.0	100.0	100.0
7.2 Participations valued using the equity method							
Vorsorge Partner AG	St. Gallen	Pension advisory services	100	40.0	40.0	40.0	40.0
Leonteq Ltd[9]	Zurich	Financial services	15,945	29.0	29.0	29.0	29.0
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG[2]	Zurich	Pfandbriefbank	900,000	21.7	21.7	21.7	21.7
of which not paid up			504,000				
7.3 Other non-consolidated participations[11]							
responsAbility Participations AG	Zurich	Financial services	138,877	14.4	14.4	14.4	14.4
of which not paid up			38,571				
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	16.5	16.5	16.5	16.5
Cooperative Olma Messen St.Gallen	St. Gallen	Organisation of fairs	23,133	11.5	11.5	11.5	11.5
Avaloq Group AG	Freienbach	Affiliated company	100	-	-	10.0	10.0
Twint Ltd	Zurich	Financial services	10,200	5.0	5.0	5.0	5.0
SIX Group Ltd	Zurich	Financial services	19,522	6.9	6.9	6.9	6.9
Helvetia Holding Ltd	St. Gallen	Financial services	995	-	-	4.0	4.0
Coresystems Ltd[11]	Windisch	IT services	347	22.5	22.5	19.0	19.0
adRom Digital Media Ltd[11]	Vaduz	IT services	50	33.3	33.3	33.3	33.3
Fehr Group Ltd[11]	Winterthur	Affiliated company	898	35.7	35.7	32.1	32.1
Quartal Financial Solutions Inc.[11]	Nevada USA	IT services	6,501	47.6	47.6	47.6	47.6

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

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

3 Control of Raiffeisen Unternehmerzentrum AG

4 Control of Notenstein La Roche Private Bank Ltd.

5 Controlled by Notenstein La Roche Private Bank Ltd: The company was liquidated in 2017.

6 Controlled by Investnet Holding AG.

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

8 Raiffeisen Switzerland Cooperative and Avaloq have entered into various call and put options for shares in ARIZON Sourcing Ltd. These options are contingent on various future milestones and events. Depending on the event, Raiffeisen Switzerland Cooperative has the right to purchase all the shares in ARIZON Sourcing Ltd that are held by Avaloq. At the same time, Avaloq also has the right to sell its shares to Raiffeisen Switzerland Cooperative. On the other hand, upon the occurrence of certain events, Avaloq has the right to make an initial purchase of 2% and a later additional purchase of up to 29% of the shares held by Raiffeisen Switzerland Cooperative, leaving Raiffeisen Switzerland Cooperative with a stake of only 20% in ARIZON Sourcing Ltd. At the same time, Raiffeisen Switzerland Cooperative has the right to sell a total stake of 31% to Avaloq. These options will lapse with the planned sale of Arizon to Avaloq in early 2019.

9 Raiffeisen Switzerland Cooperative sold call option on Leonteq founding partner for 2.9% 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 Held for sale by KMU Capital AG without any permanent investment intentions.

8. Tangible fixed assets

8.1 Tangible fixed assets

in 1,000 CHF	Acquisition cost	Accumulated depreciation	Book value previous year end	impact of any changes in the scope of consolidation	Current year reclassi-fications	Current year additions	Current year disposals	Current year depreci-ation	Book value as at end of current year
Bank buildings	2,325,393	-536,040	1,789,353	-	-31,037	128,120	-52,553	-43,983	1,789,900
Other real estate	483,067	-122,524	360,543	-	16,575	20,851	-11,065	-8,209	378,695
Proprietary or separately acquired software	332,448	-128,776	203,672	-	37	207,529	-	-8,846	402,392
thereof self-developed	164,799	-	164,799	-	-	198,941*	-	-1,048	362,692
Other tangible fixed assets	1,141,102	-895,265	245,837	-	14,436	52,483	-1,241	-79,934	231,581
Objects in finance leasing	148	-41	107	-	-11	-	-20	-24	52
Total tangible assets	**4,282,158**	**-1,682,646**	**2,599,512**	**-**	**-**	**408,983**	**-64,879**	**-140,996**	**2,802,620**

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

8.2 Operating leases

in 1,000 CHF	Current year	Previous year
Non-recognised lease commitments		
Due within 12 months	2,579	2,533
Due within 1 to 5 years	3,416	3,626
Due after 5 years	-	-
Total non-recognised lease commitments	**5,995**	**6,159**
of which obligations that can be terminated within one year	5,927	6,078

9. Intangible assets

in 1,000 CHF	Cost value	Accumulated depreciation	Book value previous year end	Changes to the consolidated Group	Current year additions	Current year disposals	Current year amortisation	Book value as at end of current year
Goodwill	553,178	-151,890	401,288	-	935	-	-36,992	365,231
Other intangible assets	25,000	-6,855	18,145	-	-	-7,143	-4,349	6,653
Total intangible assets	**578,178**	**-158,745**	**419,433**	**0**	**935**	**-7,143**	**-41,341**	**371,884**

10. Other assets and other liabilities

in 1,000 CHF	Current year	Previous year
Other assets		
Compensation account	9,162	180,565
Settlement accounts for indirect taxes	649,385	303,233
Other settlement accounts	57,030	54,585
Employer contribution reserves with pension plans	125,548	123,233
Miscellaneous other assets	11,011	11,090
Total other assets	**852,136**	**672,706**
Other liabilities		
Due, unredeemed coupons and debt instruments	12,474	15,856
Levies, indirect taxes	55,093	60,877
Other settlement accounts	77,619	87,324
Miscellaneous other liabilities	14,840	6,047
Total other liabilities	**160,026**	**170,104**

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

in 1,000 CHF	Current year book value	Current year effective commitments	Previous year book value	Previous year effective commitments
Amoungs due from banks	391,805	376,039	528,792	524,567
Mortgage loans	29,535,283	21,660,076	28,229,613	20,671,997
Financial investments	1,525,745	477,515	1,354,638	233,705
Tangible fixed assets/other assets	-	-	35	-
Total pledged or assigned assets	**31,452,833**	**22,513,630**	**30,113,078**	**21,430,269**
Total assets under reservation of ownership[2]	**52**	**52**	**107**	**107**

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 recognized 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 and Business Broker AG are insured outside the pension plans of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

12.1 Liabilities to own social insurance institutions

in 1,000 CHF	Current year	Previous year
Amounts due in respect of customer deposits	186,678	274,962
Negative replacement values of derivative financial instruments	4,345	3,527
Bonds	40,000	40,000
Accrued expenses and deferrerd income	543	543
Total liabilities to own social insurance institutions	**231,566**	**319,032**

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

in 1,000 CHF	Current year Raiffeisen	Others	Total	Previous year Raiffeisen	Others	Total
As at 1 January	118,897	4,336	123,233	112,912	2,071	114,983
+ Deposits	19,756	100	19,856	18,648	4,867	23,515
– Withdrawals	-14,937	-2,837	-17,774	-12,974	-2,607	-15,581
+ Interest paid*	233	-	233	311	5	316
As at 31 December	**123,949**	**1,599**	**125,548**	**118,897**	**4,336**	**123,233**

* 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 31.12.2017 in %	on 31.12.2016 in %
Raiffeisen Pension Fund Cooperative	116.1	110.8
Katharinen Pension Fund I (unaudited value)	117.6	111.2
Katharinen Pension Fund II (unaudited value)	125.6	119.7

The fluctuation reserve of the Raiffeisen Pension Fund Cooperative slightly exceeded the level set out in the regulations as at 31 December 2017. The Assembly of Delegates of Raiffeisen Pension Fund Cooperative decides how the resulting uncommitted funds will be used. The Board of Directors of Raiffeisen Switzerland assumes that, despite this surplus cover, no economic benefits will accrue to the employer until further notice; instead, the benefits are to be used to benefit pension plan members.

The fluctuation reserves of the Raiffeisen Group's remaining 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

in 1,000 CHF	Current year	Previous year
Pension expenditure according to separate financial statements	128,056	123,103
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-4,394	-3,390
Employer contributions reported on an accruals basis	**123,662**	**119,713**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	-	-
Pension expenses of the Raiffeisen Group (see note 26 "Personnel expenses")	**123,662**	**119,713**

13. Issued structured products

	Book value				
	Valued as a whole		Valued separately		
in 1,000 CHF	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	Total
Underlying risk of the embedded derivative					
Interest rate instruments	**-**	**19,005**	**2,189**	**54**	**21,248**
With own debenture component (oDC)	-	19,005	2,189	54	21,248
Without oDC	-	-	-	-	-
Equity securities	**-**	**2,279,939**	**1,316,006**	**2,137**	**3,598,082**
With own debenture component (oDC)	-	2,279,882	1,316,006	-12,165	3,583,723
Without oDC	-	57	-	14,302	14,359
Foreign currencies	**-**	**16,055**	**1**	**-1**	**16,055**
With own debenture component (oDC)	-	16,055	1	-1	16,055
Without oDC	-	-	-	-	-
Commodities/precious metals	**-**	**60,199**	**97,689**	**15,724**	**173,612**
With own debenture component (oDC)	-	60,199	97,689	15,724	173,612
Without oDC	-	-	-	-	-
Credit derivatives	**-**	**205,107**	**204,794**	**-1,314**	**408,587**
With own debenture component (oDC)	-	205,107	204,794	-1,314	408,587
Without oDC	-	-	-	-	-
Total	**-**	**2,580,306**	**1,620,679**	**16,600**	**4,217,585**

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

Structured products of Raiffeisen Switzerland B.V. Amsterdam
Issued structured products are carried at market value and included in "Liabilities from other financial instruments at fair value".

14. Outstanding bond issues and central mortgage institution loans

in 1,000 CHF	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal
Bonds of Raiffeisen Switzerland					
Bonds of Raiffeisen Switzerland - non subordinated	2010	2.000	21.09.2023		250,000
	2011	2.125	04.02.2019		249,580
	2011	2.625	04.02.2026		150,000
	2011	2.375	10.05.2018		150,000
	2014	1.625	07.02.2022		100,000
	2014	0.000	05.06.2018		215,000 [1]
	2016	0.000	17.09.2020		50,000
	2016	0.300	22.04.2025		375,000
	2016	0.750	22.04.2031		79,815
Bonds of Raiffeisen Switzerland – subordinated without PONV clause[2]	2011	3.875	21.12.2021		535,000
Bonds of Raiffeisen Switzerland – subordinated with PONV clause[2]	2013	3.000	Perpetual	02.05.2018	543,945 [3]
	2015	3.000	Perpetual	02.10.2020	589,925 [3]
Underlying instruments from issued structured products[4]		0.619 [5]	2018		566,056
		-0.215 [5]	2019		416,597
		-0.316 [5]	2020		191,778
		-0.111 [5]	2021		96,035
		-0.506 [5]	2022		154,334
		0.035 [5]	after 2022		195,878
Total bonds of Raiffeisen Switzerland					**4,908,944**
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					
	div.	1.247 [5]	div.		21,029,700
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					**21,029,700**
Total outstanding bonds and central mortgage institution loan					**25,938,644**

1 Variable coupon, basis CHF Libor 3 months and spread

2 PONV clause = point of non-viability

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

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

5 Average weighted interest rate (volume-weighted)

15. Value adjustments and provisions

in 1,000 CHF	Previous year end	Use in conformity with designated purpose	Reclassifications	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions							
Provisions for deferred taxes	851,464	-	-	-	58,510	-2,576	907,398
Provisions for default risks	13,421	-	2,313	-	2,136	-3,804	14,066
Provisions for other business risks	18,528	-211	-	-	1,430	-163	19,584
Provisions for restructuring [1]	11,506	-7,533	-	-	-	-3,473	500
Other provisions [2]	8,557	-1,924	-	-	6,215	-5,763	7,085
Total provisions	**903,476**	**-9,668**	**2,313**	**-**	**68,291**	**-15,779**	**948,633**
Reserves for general banking risks	**-**	**-**	**-**	**-**	**80,000**	**-**	**80,000**
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	223,590	-14,987	-2,313	6,330	54,127	-59,172	207,575
Value adjustments for latent risks	-	-	-	-	-	-	-
Total value adjustments for default and country risks	**223,590**	**-14,987**	**-2,313**	**6,330**	**54,127**	**-59,172**	**207,575**

1 Of which, CHF 0.7 million were recognised under personnel expenses.

2 Other provisions include provisions for legal expenses.

16. Cooperative capital

	Number of members	Nominal amount per share	in 1,000 CHF
Cooperative capital at the beginning of the current year			
Cooperative capital	1,876,687		398,970
Cooperative capital (additional cooperative shares)*			1,195,783
Total cooperative capital at the beginning of the current year	**1,876,687**		**1,594,753**
+ Payments from new cooperative members	69,968	200	13,993
	200	300	60
	137	400	55
	2,931	500	1,466
+ Payments of cooperative shares (additional cooperative shares)			391,265
+ Payments through increase in nominal capital			
Total payments from new cooperative members	**73,236**		**406,839**
– Repayments to departing cooperative members	-57,451	200	-11,490
	-204	300	-61
	-106	400	-42
	-2,036	500	-1,018
– Repayments of cooperative shares (additional cooperative shares)			-31,585
– Repayments through decrease in nominal capital			
Total repayments to departing cooperative members	**-59,797**		**-44,196**
Total cooperative capital at the end of the current year			
of which cooperative capital	1,804,511	200	360,902
	6,033	300	1,810
	5,700	400	2,280
	73,882	500	36,941
of which cooperative capital (additional cooperative shares)			1,555,463
Total cooperative capital at the end of the current year	**1,890,126**		**1,957,396**

* To avoid double counting, the number of members is shown only under the position "Cooperative capital".
Number of cooperative shares, number of shares: Current year 9,519,365, previous year 7,742,800

Interest-bearing cooperative capital: Current year CHF 1,957,395,500, previous year CHF 1,594,753,300

Paid-up cooperative capital: Current year CHF 1,957,395,500, previous year CHF 1,594,753,300

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2017: 3,816,513,000 (previous year CHF 3,633,647,000)

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

17. Related parties

	Amounts due from		Amounts due to	
in 1,000 CHF	**Current year**	**Previous year**	**Current year**	**Previous year**
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	20,051	19,274	4,949	3,655
Members of the Executive Board, of the Extended Executive Board and Head of internal Auditing of Raiffeisen Switzerland and associated persons and companies	41,068	42,986	9,807	8,579
Other related parties [1]	4,687,348	4,643,716	21,673,490	20,444,021
Total amounts due from/to related parties	**4,748,467**	**4,705,976**	**21,688,246**	**20,456,255**

1 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 related parties amounting to CHF 28.5 million (previous year CHF 10.4 million), irrevocable commitments amounting to CHF 269.1 million (previous year CHF 252.9 million) and call-in obligations amounting to CHF 109.2 million (previous year CHF 109.2 million).

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

– Standard preferential terms apply to the Executive Board, the Extended Executive Board and to the Head of Internal Auditing of Raiffeisen Switzerland.
– Liabilities to other related parties include CHF current account balances in the amount of CHF 36.5 million for which the credit balance exceeding the allowance is subject to a negative interest rate of 0.4%. Furthermore, a credit balance in the amount of CHF 7.3 million is included, which bears 2.75% interest.

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

18. Maturity structure of financial instruments

in 1,000 CHF	At sight	Cancellable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets/financial instruments							
Liquid assets	20,523,022	-	-	-	-	-	20,523,022
Amounts due from banks	329,580	28,770	7,903,339	70,000	-	-	8,331,689
Amounts due from securities financing transactions	-	-	231,672	-	-	-	231,672
Amounts due from clients	121,778	1,997,873	1,431,077	796,215	2,270,237	1,298,995	7,916,175
Mortgage loans	38,792	7,185,360	6,679,476	17,411,056	98,020,868	43,285,951	172,621,503
Trading portfolio assets	3,879,083	-	-	-	-	-	3,879,083
Positive replacement values of derivative financial instruments	1,676,852	-	-	-	-	-	1,676,852
Financial investments [1]	85,896	-	213,194	287,040	2,869,389	4,137,869	7,593,388
Total							
Current year	**26,655,003**	**9,212,003**	**16,458,758**	**18,564,311**	**103,160,494**	**48,722,815**	**222,773,384**
Previous year	25,679,382	10,393,775	16,820,529	18,505,032	95,003,768	47,461,143	213,863,629
Debt capital/financial instruments							
Liabilities to banks	833,979	1,362	10,156,681	1,375,933	235,000	-	12,602,955
Liabilities from securities financing transactions	-	-	2,200,519	-	-	-	2,200,519
Amounts due in respect of customer deposits	55,939,147	94,251,070	3,092,077	2,968,214	6,315,329	1,518,988	164,084,825
Trading portfolio liabilities	133,799	-	-	-	-	-	133,799
Negative replacement values of derivative financial instruments	1,691,646	-	-	-	-	-	1,691,646
Liabilities from other financial instruments at fair value	2,580,306	-	-	-	-	-	2,580,306
Cash bonds	-	-	87,074	177,671	496,010	75,210	835,965
Bonds and central mortgage institution loan	-	-	502,316	2,361,485	7,732,950	15,341,893	25,938,644
Total							
Current year	**61,178,877**	**94,252,432**	**16,038,667**	**6,883,303**	**14,779,289**	**16,936,091**	**210,068,659**
Previous year	54,912,107	93,295,112	15,583,759	6,665,359	15,664,281	16,176,452	202,297,070

1 Financial assets include CHF 38,571,000 of real estate (previous year: CHF 33,772,498).

19. Balance sheet by currency

in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	19,291,618	1,036,362	34,501	160,541	20,523,022
Amoungs due from banks	3,481,515	1,077,226	2,333,030	1,439,918	8,331,689
Amounts due from securities financing transactions	-	-	180,301	51,371	231,672
Amounts due from clients	7,478,530	201,353	174,880	61,412	7,916,175
Mortgage loans	172,621,503	-	-	-	172,621,503
Trading portfolio assets	1,496,727	776,541	994,983	610,832	3,879,083
Positive replacement values of derivative financial instruments	1,676,852	-	-	-	1,676,852
Financial investments	6,720,518	471,634	335,648	65,588	7,593,388
Accrued income and prepaid expenses	248,298	17,475	10,354	1,678	277,805
Non-consolidated participations	650,109	8	-	-	650,117
Tangible fixed assets	2,802,620	-	-	-	2,802,620
Intangible assets	371,884	-	-	-	371,884
Other assets	852,064	13	15	44	852,136
Total assets reflected in the balance sheet	**217,692,238**	**3,580,612**	**4,063,712**	**2,391,384**	**227,727,946**
Delivery claims under spot exchange, forward exchange and currency option contracts	22,544,391	10,884,414	21,404,457	5,481,937	60,315,199
Total assets	**240,236,629**	**14,465,026**	**25,468,169**	**7,873,321**	**288,043,145**
Liabilities					
Liabilities to banks	6,401,700	1,333,571	3,223,754	1,643,930	12,602,955
Liabilities from securities financing transactions	539,001	796,008	764,086	101,424	2,200,519
Amounts due in respect of customer deposits	159,392,026	2,779,233	1,416,026	497,540	164,084,825
Trading portfolio liabilities	133,799	-	-	-	133,799
Negative replacement values of derivative financial instruments	1,691,646	-	-	-	1,691,646
Liabilities from other financial instruments at fair value	618,775	798,648	962,939	199,944	2,580,306
Cash bonds	835,965	-	-	-	835,965
Bonds and central mortgage institution loan	25,686,501	82,055	160,236	9,852	25,938,644
Accrued expenses and deferred income	846,440	1,192	2,766	176	850,574
Other liabilities	159,019	242	747	18	160,026
Provisions	948,633	-	-	-	948,633
Reserves for general banking risks	80,000	-	-	-	80,000
Cooperative capital	1,957,396	-	-	-	1,957,396
Retained earnings reserve	12,745,864	-16	-	92	12,745,940
Currency translation reserve	-	2	-	5	7
Group profit	916,922	1	-	145	917,068
Minority interests in equity	-357	-	-	-	-357
– of which minority interests in group profit	-6,317	-	-	-	-6,317
Total liabilities reflected in the balance sheet	**212,953,330**	**5,790,936**	**6,530,554**	**2,453,126**	**227,727,946**
Delivery entitlements from spot exchange, forward exchange and currency option contracts	27,257,337	8,595,027	18,907,930	5,397,718	60,158,012
Total liabilities	**240,210,667**	**14,385,963**	**25,438,484**	**7,850,844**	**287,885,958**
Net position per currency	**25,962**	**79,063**	**29,685**	**22,477**	**157,187**

	31.12.2017	31.12.2016
Foreign currency conversion rates		
EUR	1.171	1.073
USD	0.975	1.016

Information on off-balance sheet-business

20. Contingent assets and liabilities

in 1,000 CHF	Current year	Previous year
Guarantees to secure credits and similar	303,085	233,267
Performance guarantees and similar	41,970	47,183
Other contingent liabilities	123,431	111,190
Total contingent liabilities	**468,486**	**391,640**
Contingent assets arising from tax losses carried forward	2,830	1,952
Other contingent assets	-	-
Total contingent assets	**2,830**	**1,952**

21. Fiduciary transactions

in 1,000 CHF	Current year	Previous year
Fiduciary investments with third-party banks	167,941	219,799
Total fiduciary transactions	**167,941**	**219,799**

Results from commission business and services

22. Results from commission business and services

in 1,000 CHF	Current year	Previous year
Commission income		
Commission income from securities trading and investment activities		
Fund business	81,199	91,658
Custody account business	80,492	76,223
Brokerage	89,668	74,967
Asset management business	65,099	74,664
Other securities trading and investment activities	106,031	38,052
Commission income from lending activities	20,260	17,643
Commission income from other services		
Payments	157,089	148,934
Account maintenance	33,737	24,876
Other services	43,780	40,608
Total commission income	**677,355**	**587,625**
Commission expense		
Securities business	-96,955	-41,942
Payments	-70,437	-67,227
Other commission expense	-15,624	-11,704
Total commission expense	**-183,016**	**-120,873**
Total results from commission business and services	**494,339**	**466,752**

23. Result from trading activities and the fair value option

23.1 Breakdown by business area

in 1,000 CHF	Current year	Previous year
Raiffeisen Switzerland Cooperative	79,522	84,222
Raiffeisen banks	129,457	119,061
Group companies	21,423	24,656
Total result from trading activities	**230,402**	**227,939**

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

in 1,000 CHF	Current year	Previous year
Result from trading activities from		
Foreign exchange trading	131,671	129,076
Precious metals and foreign notes and coins trading	73,431	66,475
Equities trading	3,815	994
Fixed income trading	23,485	31,394
Other	-2,000	-
Total result from trading activities	**230,402**	**227,939**
of which, from fair value option	421	10,198
of which, from fair value option on assets	-	62
of which, from fair value option on liabilities	421	10,136

24. Income from participating interests

in 1,000 CHF	Current year	Previous year
Participations valued according to the equity method	69,543	47,332
Other non-consolidated participations	19,253	19,805
Total income from participating interests	**88,796**	**67,137**

25. Negative interest

in 1,000 CHF	Current year [1]	Previous year [1]
Negative interest on lending business (Reduction in interest and discount income)	56,000	53,681
Negative interest on deposit-taking business (Reduction in interest expenditure)	61,821	55,882

1 Negative interest relates primarily to hedging transactions and transactions with banks.

26. Personnel expenses

in 1,000 CHF	Current year	Previous year
Meeting attendance fees and fixed compensation to members of the banking authorities	24,000	24,416
Salaries and benefits for staff	1,098,718	1,094,007
AHV, IV, ALV and other statutory contributions	98,183	97,861
Contributions to staff pension plans	123,662	119,713
Other personnel expenses	50,829	45,135
Total personnel expenses	**1,395,392**	**1,381,132**

27. General and administrative expenses

in 1,000 CHF	Current year	Previous year
Office space expenses	92,698	96,469
Expenses for information and communications technology	120,187	106,767
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	29,108	28,406
Fees of audit firms	13,571	13,248
of which, for financial and regulatory audits	13,037	13,074
of which, for other services	534	174
Other operating expenses	362,523	361,570
Total general and administrative expenses	**618,087**	**606,460**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 119.4 million mainly consists of CHF 115.8 million in income from the sale of tangible fixed assets and participations (of which CHF 104.1 million came from the sale of the participations in Helvetia Holding Ltd and Avaloq Group AG).

The extraordinary expenses of CHF 3.6 million include losses from the sale of tangible assets of CHF 3.1 million.

Previous year
The extraordinary income of CHF 75.1 million mainly consists of CHF 72.7 million in income from the sale of tangible fixed assets and participations (of which CHF 63.7 million came from the sale of the Vescore Group).

The extraordinary expenses of CHF 4.2 million include losses from the sale of tangible assets of CHF 3.8 million.

29. Current and deferred taxes

in 1,000 CHF	Current year	Previous year
Creation of provisions for deferred taxes	55,934	20,651
Expenses for current taxes	177,489	153,117
Total tax expenses	**233,423**	**173,768**
Average tax rate weighted on the basis of the operating result	21.1%	20.3%

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.

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Report of the statutory auditor

to the Board of Directors of Raiffeisen Switzerland Cooperative, St. Gallen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Raiffeisen Group which comprise the consolidated balance sheet as at 31 December 2017, consolidated income statement, cash flow statement, statement of changes in equity and notes for the year then ended, including the consolidation, accounting and valuation principles.

In our opinion, the consolidated financial statements as at 31 December 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting Rules for Banks (ARB) and comply with Swiss law as well as with the consolidation, accounting and valuation principles described in the notes.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of Raiffeisen Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 57.5 million, which represents 5 % of profit before tax.

Audit scope:

- We concluded full scope audit work at Raiffeisen Switzerland Cooperative, Raiffeisen Banks, Notenstein La Roche Private Bank Ltd, Raiffeisen Switzerland B.V. and ARIZON Sourcing Ltd.
- The above-mentioned audits cover 73 % of the balance sheet total, 71 % of the gross income and 68 % of the profit of the Raiffeisen Group.

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

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

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Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; For example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit at Raiffeisen Switzerland Cooperative, Notenstein La Roche Private Bank Ltd, Raiffeisen Switzerland B.V., ARIZON Sourcing Ltd and Raiffeisen Banks in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the Raiffeisen Group operates.

The Raiffeisen Banks conduct their business activities in accordance with the centralised requirements of Raiffeisen Switzerland Cooperative; they are subject to centralised risk monitoring and have to organise their accounting and financial reporting and design the internal controls relating to the preparation of their financial statements in accordance with the guidelines of Raiffeisen Switzerland Cooperative. All Raiffeisen Banks use the same core banking application. The process for preparing the accounts is the same for all Raiffeisen Banks. All financial statements of the Raiffeisen Banks are subject to a banking law and statutory audit. Given the homogeneity of the Raiffeisen Banks and their limited room for manoeuvre with regard to accounting and financial reporting, the reporting packages of about 60 % of the Raiffeisen Banks have been audited as at the date of preparing the consolidated financial statements of the Raiffeisen Group.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall materiality	CHF 57.5 million
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Raiffeisen Group is most commonly measured, and it is a generally accepted benchmark for materiality purposes.

We agreed with the Audit and Risk Committee of the Board of Directors that we would report to them misstatements above CHF 5.8 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

pwc

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans to customers (amounts due from customers and mortgage loans)

Key audit matter	*How our audit addressed the key audit matter*
The primary income source of the Raiffeisen Group is its interest rate business. In this respect, it is involved in both the traditional mortgage business and the commercial loans business. We consider the valuation of loans to customers as a key audit manner as such loans represent the largest single asset category by value on the consolidated balance sheet at 79 % (prior year: 79 %). In addition, judgement is required to assess the valuation and the amount of any impairment. In particular, we focussed on the following points: • The approach applied by Raiffeisen Group to identify customer loans that are potentially impaired • The appropriateness and application of the significant judgement permitted by the policies relating to the calculation of the amount of any potential individual value adjustments The accounting and valuation principles applied to customer loans, the process used to identify the default risk and to determine the need for impairment as well as the evaluation of the collateral cover are taken from the consolidated financial statements (notes).	We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans: • *Credit analysis* Review of compliance with the guidelines and requirements concerning documentation, ability to repay, valuation and collateral • *Loan approval* Review of compliance with the requirements of the internal authorisation regulations • *Loan disbursement* Review of whether the disbursement of loans to customers is executed only after all of the required documents are present • *Credit monitoring* Review of whether loans that show signs of being at risk are identified in a timely and complete manner, and whether loans that show signs of being at risk and impairments are checked periodically, especially with regard to the realisability of the collateral cover and the amount of the impairment. Further, we performed the following tests of detail on a sample basis: • We performed an assessment of the impairment of customer loans and tested the application of the *processes to identify* customer loans with a potential need for impairment. Our sample contains a random selection of positions out of the entire loan portfolio as well as a risk-oriented selection of doubtful receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Group regarding the value of collateral with no observable market price as well as other available information on market prices and price comparisons. • In addition, we made an assessment of the *method to estimate impairments*. Our audit focussed on customer loans identified as being at risk in the sense of the requirements of the FINMA Circular ‘Accounting – Banks’. We also checked whether the impairments were made in accordance with the accounting rules and the accounting and valuation principles of Raiffeisen Group. The assumptions used were within the range of our expectations.

Impairment testing of goodwill

Key audit matter	*How our audit addressed the key audit matter*
The amount reported under 'Intangible assets' comprises goodwill in the amount of CHF 365 million stemming from acquisitions of equity participations and group companies. For its impairment tests on goodwill, the Raiffeisen Group uses either a market multiples approach based on customer assets under management or the discounted cash flow method. Under the market multiples approach, the customer assets under management are divided into various categories and valued applying a goodwill multiple based on the gross margin of each asset category. For the discounted cash flow method, the enterprise value is calculated based on the expected future cash flows to the investor. We consider the assessment of the impairment of goodwill as a key audit matter because significant judgement is required to determine the assumptions relating to future business results, the discount rates to be applied to the forecasted cash flows and the valuation of customer assets under management using goodwill multiples.	We have re-performed the goodwill impairment tests of the Raiffeisen Group and assessed their appropriateness. For the valuations made by the Raiffeisen Group using the market multiples approach, we compared the applied goodwill multiples with the available information on transactions for which a purchase price was publicly available. Further, we reviewed on a sample basis the structure of the customer assets under management by customer type and customer domicile, and considered it in our assessment of the appropriateness of the goodwill multiples. For the impairment tests of the Raiffeisen Group performed using the discounted cash flow method, we performed on a sample basis plausibility checks of the business plans and the expected cash flows of significant equity participations against externally available and other information. We re-performed the calculation of the discount rate applied to significant equity participations; for the others, we performed plausibility checks. In addition, we assessed the appropriateness and correct application of the valuation methods used. The assumptions used were within the range of our expectations.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting Rules for Banks and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Raiffeisen Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the companies in the Raiffeisen Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibility for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with art. 906 CO in conjunction with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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 Rütsche	Ralph Gees
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St. Gallen, 10 April 2018

Capital adequacy disclosure

Disclosure obligations

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 1 June 2012 and FINMA Circular 2016/1 entitled "Disclosure – banks: Capital adequacy and liquidity disclosure requirements".

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. Under FINMA Circular 2016/1, systemically important banks have special quarterly disclosure obligations. The corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available on Raiffeisen's website. 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.

On the following pages, the annual report includes a selection of tables that have to be disclosed pursuant to the FINMA Circular 2016/1 for the first time on 31.12.2017 by Raiffeisen Group. Complete disclosure with the qualitative and quantitative information on risks, equity capital base and liquidity is available on the Raiffeisen homepage.

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.

Minimum disclosure as at 31 December 2017

		Current year in 1,000 CHF
1	**Minimum capital based on risk-based requirements**	**7,707,452**
2	**Eligible capital**	**16,744,156**
3	of which "hard" core capital (CET1)	15,274,971
4	of which core capital (T1)	16,408,841
5	**Risk-weighted positions (RWA)**	**96,343,148**
6	**CET1 ratio (Common Equity Tier 1 capital as % of RWA)**	**15.85**
7	**Core capital ratio (core capital as % of RWA)**	**17.03**
8	**Total capital ratio (as % of RWA)**	**17.38**
9	Countercyclical capital buffer (as % of RWA)	1.16
10	CET1 target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer [1]	10.36
11	T1 target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer [1]	12.56
12	Total capital target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer [1]	15.56
13	**Basel III leverage ratio (core capital as % of overall exposure)**	**7.08**
14	Exposure	231,714,975
15	**Short-term liquidity coverage ratio, LCR (as %) in Q4**	**130.50**
16	Numerator of LCR: Total high-quality liquid assets	23,123,703
17	Denominator of LCR: Total net cash outflows	17,719,302
18	**Short-term liquidity coverage ratio, LCR (as %) in Q3**	**126.78**
19	Numerator of LCR: Total high-quality liquid assets	22,109,158
20	Denominator of LCR: Total net cash outflows	17,438,666
21	**Short-term liquidity coverage ratio, LCR (as %) in Q2**	**124.27**
22	Numerator of LCR: Total high-quality liquid assets	22,188,202
23	Denominator of LCR: Total net cash outflows	17,854,714
24	**Short-term liquidity coverage ratio, LCR (as %) in Q1**	**120.63**
25	Numerator of LCR: Total high-quality liquid assets	22,287,906
26	Denominator of LCR: Total net cash outflows	18,475,551

1 Derived from the FINMA decision of July 2015, the CET1 target ratio is 9.2%, the T1 target ratio is 11.4% and the total capital target ratio is 14.4%, plus a countercyclical buffer of 1.16% in each case.

Minimum capital requirement

	Current year risk-weighted positions in 1,000 CHF	Current year required capital in 1,000 CHF	Previous year risk-weighted positions in 1,000 CHF	Previous year required capital in 1,000 CHF
Minimum capital requirement				
Credit risk (standard approach BIZ)				
Amounts due from banks	455,534	36,443	354,962	28,397
Amounts due from clients	5,163,989	413,119	5,161,375	412,910
Mortgage loans	73,541,085	5,883,288	69,673,740	5,573,899
Positive replacement values of derivative financial instruments	72,745	5,820	62,004	4,960
Accrued income and prepaid expenses	101,474	8,118	107,417	8,593
Other assets	171,547	13,724	147,021	11,762
Net interest positions outside trading book	1,095,863	87,669	1,167,851	93,428
Net equity positions outside trading book [1]	1,632,957	130,637	2,035,625	162,850
Contingent liabilities	313,947	25,116	255,296	20,424
Irrevocable commitments	1,609,252	128,740	1,448,360	115,869
Call commitments and additional funding obligations	113,897	9,112	118,542	9,483
Add-ons for forward contracts and options purchased	251,533	20,123	188,647	15,092
Unsettled transactions		-		-
Guarantee obligations to central counterparties (CCPs)		2,883		1,660
CVA (standard approach)		12,386		8,764
Mandatory capital for credit risks and other credit risk positions		**6,777,176**		**6,468,092**
Non-counterparty-related risks				
Real estate (including real estate in financial assets)	2,596,925	207,754	2,382,250	190,580
Other tangible fixed assets/other recognized assets subject to depreciation	244,263	19,541	251,038	20,083
Mandatory capital for non-counterparty-related risks		**227,295**		**210,663**
Market risks (standard approach)				
Interest rate instruments – general market risk		112,683		108,417
Interest rate instruments – specific risk		48,082		35,744
Equity instruments		40,508		20,966
Foreign currencies and gold		10,703		7,524
Other precious metals		35,505		16,583
Options		1,319		59
Mandatory capital for market risks		**248,800**		**189,293**
Mandatory capital for operational risks (basic indicator method)		**454,181**		**442,621**
Total mandatory capital		**7,707,452**		**7,310,669**

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

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 assets	20,523,022		20,389,822	
Amounts due from banks	8,331,689		7,083,612	
Amounts due from securities financing transactions	231,672		338,260	
Amounts due from clients	7,916,175		8,018,804	
Mortgage loans	172,621,503		165,426,200	
Trading portfolio assets	3,879,083		2,911,801	
Positive replacement values of derivative financial instruments	1,676,852		1,743,165	
Financial investments	7,593,388		7,951,965	
Accrued income and prepaid expenses	277,805		246,797	
Non-consolidated participations	650,117		787,634	
Tangible fixed assets	2,802,620		2,599,512	
Intangible assets	371,884		419,433	
of which goodwill	365,231	(I)	401,288	(I)
of which other intangibles	6,653	(I)	18,145	(I)
Other assets	852,136		672,706	
Total assets	**227,727,946**		**218,589,711**	
Liabilities				
Liabilities to banks	12,602,955		10,852,715	
Liabilities from securities financing transactions	2,200,519		2,599,332	
Amounts due in respect of customer deposits	164,084,825		158,254,449	
of which subordinated time deposits, eligible as supplementary capital (T2)	67,815	(II)	75,349	(II)
Trading portfolio liabilities	133,799		138,207	
Negative replacement values of derivative financial instruments	1,691,646		2,017,470	
Liabilities from other financial instruments at fair value	2,580,306		1,633,944	
Cash bonds	835,965		1,177,775	
Bonds and central mortgage institution loan	25,938,644		25,623,178	
of which subordinated bond, eligible as additional core capital (AT1)[2]	1,133,870	(III)	1,149,115	(III)
of which subordinated bond, eligible as supplementary capital (T2) – phase out	267,500	(IV)	321,000	(IV)
Accrued expenses and deferred income	850,574		828,695	
Other liabilities	160,026		170,104	
Provisions	948,633		903,476	
of which deferred taxes for untaxed reserves	907,398		851,464	
Reserves for general banking risks	80,000	(VI)	-	(VI)
Cooperative capital	1,957,396		1,594,753	
of which eligible as "hard" core capital (CET1)	1,957,396	(V)	1,594,753	(V)
Retained earnings reserve	12,745,940	(VI)	12,036,214	(VI)
Currency translation reserve	7	(VI)	-4	(VI)
Group profit	917,068	(VII)	754,069	(VII)
Minority interests in equity	-357		5,334	
of which eligible as "hard" core capital (CET1)	-	(VIII)	-	(VIII)
Total equity capital (with minority interests)	**15,700,054**		**14,390,366**	
Total liabilities	**227,727,946**		**218,589,711**	

1 The references refer to table «Composition and presentation of eligible capital».

2 Of which conversion capital with a high triggering rate amounting to CHF 590 million. Under the transitional provisions (CAO Art. 148b para. 1 letter b), the perpetual subordinated low-trigger bond from 2013 amounting to CHF 544 million qualifies as high-trigger conversion capital until the first capital call window opens (2 May 2018).

Composition and presentation of eligible capital under regulatory rules

	(in 1,000 CHF)	Reporting period	Reference[1]	Prior period	Reference[1]
	Common equity (CET1)				
1	Issued and paid-in capital, fully eligible	1,957,396	(V)	1,594,753	(V)
2	Retained earnings reserve (inclusion reserves for general banking risks)	12,825,947	(VI)	12,036,214	(VI)
2	Group profit[2]	863,512	(VII)	710,131	(VII)
5	Minority interests	-	(VIII)	-	(VIII)
6	**Total "hard" core capital (CET1) before adjustments**	**15,646,855**		**14,341,098**	
	= Common Equity Tier 1 capital before regulatory adjustments				
8	Goodwill	-365,231	(I)	-401,288	(I)
9	Other intangibles	-6,653	(I)	-18,145	(I)
28	**= Total regulatory adjustments to CET1**	**-371,884**		**-419,433**	
29	**= Common Equity Tier 1 capital (net CET1)**	**15,274,971**		**13,921,665**	
	Additional Tier 1 capital (AT1)				
30	Issued and paid in instruments, fully eligible[3]	1,133,870	(III)	1,149,115	(III)
31	of which: classified as equity under applicable accounting standards	-		-	
32	of which: classified as liabilities under applicable accounting standards	1,133,870		1,149,115	
36	**= Additional Tier 1 capital before regulatory adjustments**	**1,133,870**		**1,149,115**	
43	= Total regulatory adjustments to AT1	-		-	
44	**= Additional Tier 1 capital (net AT1)**	**1,133,870**		**1,149,115**	
45	**= Tier 1 capital (net Tier 1)**	**16,408,841**		**15,070,780**	
	Tier 2 capital (T2)				
46	Issued and paid in instruments, fully eligible	67,815	(II)	75,349	(II)
47	Issued and paid in instruments, subject to phase-out	267,500	(IV)	321,000	(IV)
51	**= Tier 2 capital before regulatory adjustments**	**335,315**		**396,349**	
57	= Total regulatory adjustments to T2	-		-	
58	**= Tier 2 capital (net T2)**	**335,315**		**396,349**	
59	**= Regulatory capital (net T1 & T2)**	**16,744,156**		**15,467,129**	
60	**Total risk-weighted assets**	**96,343,148**		**91,383,350**	
	Capital ratios				
61	**CET1 ratio (item 29, as a percentage of risk-weighted assets)**	**15.9**		**15.2**	
62	**T1 ratio (item 45, as a percentage of risk-weighted assets)**	**17.0**		**16.5**	
63	**Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)**	**17.4**		**16.9**	
64	CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets)[4]	7.0%		7.0%	
65	of which, capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	2.5%		2.5%	
66	of which, countercyclical buffer in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	0.0%		0.0%	
67	of which, capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)[4]	0.0%		0.0%	
68	CET1 available to meet minimum and buffer requirements as per the Basel minimum standards, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)[5]	13.9%		13.4%	
	Amounts below the thresholds for deduction (before risk-weighting)[6]				
72	Non-qualified participation in the financial sector	195,701		317,245	
73	Other qualified participations in the financial sector (CET1)	529,993		478,325	

1 The references refer to table «Composition of eligible capital – reconciliation».

2 Excluding interest on cooperative capital

3 Of which conversion capital with a high triggering rate amounting to CHF 590 million. Under the transitional provisions (CAO Art. 148b para. 1 letter b), the perpetual subordinated low-trigger bond from 2013 amounting to CHF 544 million qualifies as high-trigger conversion capital until the first capital call window opens (2 May 2018)

4 Without taking into account the national countercyclical buffer.

5 The CET1 capital available according to this presentation (line 68) and the requirements (lines 64-67) are presented without consideration of transitional provisions.

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.

Information on the liquidity coverage ratio (LCR)

		Q3 2017 [1]		Q4 2017 [1]	
		Unweighted values in 1,000 CHF	Weighted values in 1,000 CHF	Unweighted values in 1,000 CHF	Weighted values in 1,000 CHF
High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)		22,109,158		23,123,703
Cash outflows					
2	Retail deposits	88,925,946	8,778,358	90,786,630	8,945,706
3	of which stable deposits	6,000,000	300,000	6,000,000	300,000
4	of which less stable deposits	82,925,946	8,478,358	84,786,630	8,645,706
5	Unsecured business-client or wholesale funding	12,084,816	7,121,039	12,585,452	7,291,558
6	of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	14,042	3,510	25,612	6,403
7	of which non-operational deposits (all counterparties)	11,912,609	6,959,364	12,337,602	7,062,917
8	of which unsecured debt securities	158,165	158,165	222,238	222,238
9	Secured business client or wholesale funding and collateral swaps		32,597		13,192
10	Other cash outflows	7,216,606	2,025,822	7,354,620	2,065,435
11	of which cash outflows related to derivative exposures and other transactions	849,712	849,712	783,454	783,454
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	32,644	32,644	113,430	113,430
13	of which cash outflows from committed credit and liquidity facilities	6,334,250	1,143,466	6,457,736	1,168,551
14	Other contractual funding obligations	3,109,877	1,989,786	3,523,323	2,137,870
15	Other contingent funding obligations	1,966,145	98,307	2,013,093	100,655
16	**Total cash outflows**		**20,045,910**		**20,554,416**
Cash inflows					
17	Secured funding transactions (e.g. reverse repo transactions)	163,808	2,111	91,026	2,679
18	Inflows from fully performing exposures	3,544,228	2,366,895	4,130,454	2,614,900
19	Other cash inflows	238,237	238,237	217,535	217,535
20	**Total cash inflows**	**3,946,274**	**2,607,243**	**4,439,015**	**2,835,114**

			Adjusted value		Adjusted value
21	**Total high-quality liquid assets (HQLA)**		**22,109,158**		**23,123,703**
22	**Total net cash outflows**		**17,438,666**		**17,719,302**
23	**Liquidity coverage ratio (LCR) (%)**		**126.78%**		**130.50%**

1 Average daily closing averages of all business days in the reporting quarters (64 data points taken into account in the third quarter, 63 data points taken into account in the fourth quarter)

Notes on 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 the daily closing averages of all business days in 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.

Of the portfolio of high-quality liquid assets (HQLA), 80% consist of category 1 assets, 90% of which are held as liquid funds. The remaining category 1 assets are mainly public sector bonds with a minimum rating of AA-. Of the category 2 assets, which account for 20% of the HQLA portfolio, 86% consist of Swiss mortgage bonds. The remaining 14% are primarily public sector bonds and covered bonds rated at least A-.

Net cash outflows (no. 22) remained constant over the last reporting period. The HQLA portfolio (no. 1) was slightly increased, resulting in an increase in the short-term liquidity coverage ratio (no. 23). Cash outflows relating to the derivatives portfolio (no. 11) have declined because of lower market fluctuations in the last two years. The remaining positions have continuously developed 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.

Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
in million CHF	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**	**Current year**	**Prior year**
Income statement										
Net interest income	2,098	2,086	124	109	20	35	6	-11	2,248	2,219
Result from commission business and services	274	229	103	82	132	159	-15	-3	494	467
Result from trading activities	130	119	80	84	15	8	5	17	230	228
Other result from ordinary activities	76	50	446	400	231	173	-415	-429	338	194
Operating income	**2,578**	**2,484**	**753**	**675**	**398**	**375**	**-419**	**-426**	**3,310**	**3,108**
Personnel expenses	-875	-849	-381	-355	-149	-180	10	3	-1,395	-1,381
General and administrative expenses	-579	-559	-255	-256	-206	-194	422	403	-618	-606
Operating expenses	**-1,454**	**-1,408**	**-636**	**-611**	**-355**	**-374**	**432**	**406**	**-2,013**	**-1,987**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-118	-119	-75	-133	-21	-12	26	4	-188	-260
Value adjustments, provisions and losses	1	-2	-4	-5	0	-3	3	4	0	-6
Operating profit (interim result)	**1,007**	**955**	**38**	**-74**	**22**	**-14**	**42**	**-12**	**1,109**	**855**
Extraordinary income	18	19	116	9	8	1	-23	46	119	75
Extraordinary expenses	-608	-581	-1	-26	-	0	605	603	-4	-4
Changes in reserves for general banking risks	-14	-17	-101	140	-	-	35	-123	-80	-
Taxes	-167	-153	-5	-3	-5	3	-56	-21	-233	-174
Group profit (including minority interests)	**236**	**223**	**47**	**46**	**25**	**-10**	**603**	**493**	**911**	**752**
Minority interests in Group profit	-	-	-	-	-	-	-6	-2	-6	-2
Group profit	**236**	**223**	**47**	**46**	**25**	**-10**	**609**	**495**	**917**	**754**
Key balance sheet figures										
Total assets	195,657	187,375	53,595	51,912	7,762	9,391	-29,285	-30,088	227,729	218,590
Amounts due from clients	5,560	5,588	2,441	2,275	417	527	-502	-371	7,916	8,019
Mortgage loans	162,202	155,771	9,871	9,121	554	540	-5	-6	172,622	165,426
Amounts due in respect of customer deposits	149,976	143,360	11,045	10,714	3,435	4,549	-371	-368	164,085	158,255

Five-year overview

Balance sheet – five-year overview

in million CHF	2017	2016	2015	2014	2013
Assets					
Liquid assets	20,523	20,390	18,907	9,219	7,019
Amounts due from banks	8,332	7,084	3,811	5,251	6,146
Amounts due from securities financing transactions	232	338	391	690	954
Amounts due from clients	7,916	8,019	7,885	7,815	7,664
Mortgage loans	172,622	165,426	158,594	150,731	143,497
Trading portfolio assets	3,879	2,912	2,115	2,194	1,366
Positive replacement values of derivative financial instruments	1,677	1,743	1,795	1,810	931
Financial assets	7,593	7,952	6,878	6,032	4,603
Accrued income and prepaid expenses	278	247	225	217	210
Non-consolidated participations	650	788	732	614	719
Tangible fixed assets	2,803	2,599	2,476	2,399	2,403
Intangible assets	372	419	513	289	215
Other assets	852	673	1,426	1,143	597
Total assets	**227,729**	**218,590**	**205,748**	**188,404**	**176,324**
Liabilities					
Liabilities to banks	12,603	10,853	7,803	5,450	4,892
Liabilities from securities financing transactions	2,201	2,599	4,085	1,289	1,118
Amounts due in respect of customer deposits	164,085	158,255	150,272	141,545	135,001
Trading portfolio liabilities	134	138	105	121	104
Negative replacement values of derivative financial instruments	1,692	2,017	2,398	2,296	1,406
Liabilities from other financial instruments at fair value	2,580	1,634	870	217	-
Cash bonds	836	1,178	1,647	2,262	3,056
Bond issues and central mortgage institution loans	25,939	25,623	23,470	21,519	17,933
Accrued expenses and deferred income	851	829	711	634	599
Other liabilities	160	170	183	160	176
Provisions	949	904	878	850	831
Reserves for general banking risks	80	0	0	0	0
Cooperative capital	1,957	1,595	1,248	748	637
Retained earnings reserve	12,746	12,036	11,262	10,533	9,848
Group profit	917	754	808	759	717
Total equity capital (without minority interests)	**15,700**	**14,385**	**13,318**	**12,040**	**11,202**
Minority interests in equity	-1	5	8	21	6
– of which Minority interests in group profit	-6	-2	-1	1	-1
Total equity capital (with minority interests)	**15,699**	**14,390**	**13,326**	**12,061**	**11,208**
Total liabilities	**227,729**	**218,590**	**205,748**	**188,404**	**176,324**

Income statement – five-year overview

in million CHF	2017	2016	2015	2014	2013
Interest and discount income	2,943	3,052	3,130	3,218	3,295
Interest and dividend income from financial assets	54	58	60	60	61
Interest expenditure	-747	-880	-1,002	-1,145	-1,225
Gross result from interest operations	**2,250**	**2,230**	**2,188**	**2,133**	**2,131**
Changes in value adjustments for default risks and losses from interest operations	-2	-11	-11	2	5
Subtotal net result from interest operations	**2,248**	**2,219**	**2,177**	**2,135**	**2,136**
Commission income from securities trading and investment activities	422	355	357	325	313
Commission income from lending activities	20	18	18	16	14
Commission income from other services	235	214	204	197	173
Commission expense	-183	-121	-116	-109	-105
Result from commission business and services	**494**	**466**	**463**	**429**	**395**
Net trading income	**230**	**228**	**209**	**158**	**185**
Income from sale of financial assets	29	5	20	5	3
Income from participations	89	67	80	64	57
Income from real estate	21	21	19	20	19
Other ordinary income	210	120	60	22	14
Other ordinary expenses	-11	-18	-12	-5	-13
Other result from ordinary activities	**338**	**195**	**167**	**106**	**80**
Operating income	**3,310**	**3,108**	**3,016**	**2,828**	**2,796**
Personnel expenses	-1,395	-1,381	-1,330	-1,265	-1,210
General and administrative expenses	-618	-606	-558	-500	-513
Operating expenses	**-2,013**	**-1,987**	**-1,888**	**-1,765**	**-1,723**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-188	-260	-181	-164	-178
Changes to provisions and other value adjustments, and losses	0	-6	-4	-9	-23
Operating result	**1,109**	**855**	**943**	**890**	**872**
Extraordinary income	119	75	67	51	21
Extraordinary expenses	-4	-4	-3	-4	-4
Changes in reserves for general banking risks	-80	0	0	0	0
Taxes	-233	-174	-200	-177	-173
Group profit (including minority interests)	**911**	**752**	**807**	**760**	**716**
Minority interests in Group profit	-6	-2	-1	1	-1
Group profit	**917**	**754**	**808**	**759**	**717**

Appropriation of profit in the five-year overview

in million CHF	2017	2016	2015	2014	2013
Retained earnings reserve	866	710	774	730	685
Distribution to cooperative members	51	44	34	29	32
Distribution ratio in %[1]	6%	6%	4%	4%	4%

1 This year, the proposal for appropriation of profit is provisional

Financial report
Raiffeisen Switzerland 2017

Business performance of Raiffeisen Switzerland

Raiffeisen Switzerland posted a net profit of CHF 46.8 million for the financial year under review. Total assets grew by CHF 1.7 billion to CHF 53.6 billion. There were again substantial shifts within the balance sheet, largely due to changes in liquidity.

More equity participations were sold during the current year in connection with the new cooperation strategy. This included the sale of all shares in Helvetia Holding Ltd. The sale did not, however, affect Helvetia and Raiffeisen's long-standing successful business relationship. They continue to cooperate in selling Helvetia insurance at the Raiffeisen banks.

Raiffeisen Switzerland and Avaloq have put their relationship on a new footing and turned their partnership into a pure customer-supplier relationship. As a corollary, Avaloq Group AG will acquire the remaining 51% of joint venture ARIZON Sourcing Ltd from Raiffeisen Switzerland as of 1 January 2019, prompting Raiffeisen Switzerland to sell its equity participation in Avaloq Group AG.

The sale of the participations generated CHF 104 million in profit all told.

On 27 February 2018, the Zurich III Public Prosecutor's Office notified Raiffeisen Switzerland that it had instituted criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He has been charged with acting in bad faith in connection with Aduno and Investnet. Raiffeisen Switzerland has joined the proceedings as a private complainant and has additionally filed a criminal complaint against Dr Pierin Vincenz and other potentially involved individuals. However, these actions have no effect on the current annual financial statements.

Income statement

Income from ordinary banking activity
Gross results from interest operations increased CHF 2.5 million (+2.1%) to CHF 126.1 million. While net interest income in the corporate clients, leasing and retail business increased, the Treasury generated less net income from liquidity maintenance and hedging than in the previous year due to the very low interest rates. Changes in value adjustments for default risks and losses from interest operations decreased CHF 12.9 million to CHF 1.8 million (note 14). The net result from interest operations was CHF 124.3 million, or CHF 15.4 million more than the previous year.

The result from commission business and services (note 23) rose CHF 20.6 million year-on-year to CHF 102.5 million. All commission income items increased compared to the previous year. Much of the increase was attributable to improvements in income from securities trading and investment activities (+47.5%) and commission income from lending activities (+64.3%). The primary drivers were a higher transaction volume, as well as net new money in collective investments, particularly in Raiffeisen funds. Commission expense increased CHF 11 million to CHF 44.3 million.

The result from trading activities decreased CHF 4.7 million (-5.6%) to CHF 79.5 million (note 24). Trading activities continued to be dominated by low-interest policies at European central banks (ECB, BoE, SNB) in 2017 as interest rates remained largely stagnant. Capital market rates did not rise despite strong global growth and the healthy development of the global economy. Persistently low interest rates support the stock markets, which performed very well in 2017.

The other result from ordinary activities increased significantly once again, gaining CHF 45.5 million (+11.4%) to reach CHF 445.8 million. Other ordinary income went up 4% while other ordinary expenses declined 24.8%. Sales of financial investments increased income CHF 17.9 million to CHF 20.5 million. Income increased another CHF 21.4 million to CHF 72.7 million with ARIZON Sourcing Ltd in connection with the development of the new core banking system.

The collective and strategic services that Raiffeisen Switzerland provided to the Raiffeisen banks remained essentially unchanged from the previous year. These services are defined in accordance with internal regulations on the financing of services (financing concept). The Board of Directors provides a comprehensive report on this issue at the Delegate Meeting of Raiffeisen Switzerland.

Other ordinary expenses of CHF 34.2 million mainly include costs for producing printed material for the Raiffeisen banks, in addition to expenditure on purchasing IT infrastructure for the Raiffeisen banks.

Operating expenses

Personnel expenses (note 26) rose CHF 26.4 million (+7.4%) to CHF 381.1 million. CHF 5 million were paid into the Raiffeisen Employer Foundation in the year under review (previous year: CHF 2.5 million). The number of people employed by Raiffeisen Switzerland stood at 2,112 full-time positions at the end of the current year. The increase of 83 full-time positions is primarily attributable to the expansion of the corporate client business.

General and administrative expenses (note 27) remained roughly unchanged compared to the previous year at CHF 254.7 million (-0.5%). IT costs fell CHF 6.4 million to CHF 87.3 million while advertising expenses went up CHF 2.4 million, as did legal costs and consulting fees. Advertising expenses for the current year totalled CHF 20.6 million while legal costs and consulting fees added up to CHF 51.7 million. The costs from these shared services are passed through to the Group companies (other ordinary income). Other operating expenses (legal costs and consultancy fees, advertising expenses, third-party services, transmission costs, out-of-pocket expenses etc.) came in 4% higher compared to the previous year at CHF 129.2 million.

Value adjustments on fixed assets

Depreciation of tangible fixed assets declined CHF 4.4 million to CHF 27.5 million. As a result of its healthy EBITDA in the current year, Raiffeisen Switzerland was able to recognise extraordinary write-downs of CHF 35.7 million on tangible fixed assets.

Changes to provisions and other value adjustments, and losses

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

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

The extraordinary income of CHF 116.3 million (note 28) is partly the result of the sale of participations in Helvetia Holding Ltd and Avaloq Group AG. It also includes liquidation gains from the sale of tangible fixed assets amounting to EUR 11.2 million. An appreciation gain of CHF 1 million was recognised for the participation in Raiffeisen Unternehmerzentrum AG. CHF 101 million was allocated to the reserves for general banking risks. Tax expenses in the current year amounted to CHF 5 million.

Net profit

The reported net profit is CHF 46.8 million.

Balance sheet

The liquidity situation of the Raiffeisen banks, which is a function of the difference in the growth of customer deposits and the growth of loans, is directly reflected in Raiffeisen Switzerland's balance sheet and total assets. In the year under review, total assets increased CHF 1.7 billion to CHF 53.6 billion.

Receivables/liabilities to Raiffeisen banks
At the end of 2017, Raiffeisen Switzerland's net liabilities to Raiffeisen banks amounted to CHF 12.9 billion (previous year: CHF 11.1 billion). The Raiffeisen banks hold assets of CHF 12.6 billion at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Receivables/liabilities vis-à-vis other banks
Receivables from banks decreased CHF 1.3 billion compared to the previous year to CHF 8.2 billion. Amounts due to other banks decreased CHF 0.4 billion to CHF 13.7 billion.

Amounts due/liabilities from securities financing transactions
Liabilities from securities financing transactions decreased CHF 0.8 billion to CHF 1.8 billion. These are exclusively repo transactions in which money is borrowed against collateral. The purpose of these transactions is to manage sight deposits held with the SNB. Only the paid interest is recognised in profit or loss. Changes in the value of the exchanged securities are not recognised in profit or loss. Amounts due from securities financing transactions were CHF 51.4 million.

Loans to clients
Loans to clients rose a total of CHF 916.2 million (+8.0%) to CHF 12.3 billion in the current year. Raiffeisen Switzerland's branches increased lending volume CHF 591.7 million (+6.1%) to CHF 10.3 billion. These loans also include short-term Central Bank loans to institutional clients, loans to larger corporate clients, as well as the capital goods leasing business.

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

Financial investments
Securities holdings in financial investments (note 5), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value fell CHF 288 million to CHF 6.3 billion.

Participations
The value of participations (note 6) decreased CHF 187.3 million to CHF 1.1 billion in the current year. The primary reason for this development was the sale of participations in Helvetia Holding Ltd and Avaloq Group AG. Raiffeisen Switzerland made a new CHF 5 million investment in Raiffeisen Immo AG, a wholly owned subsidiary. There were also changes in various smaller participations.

Tangible fixed assets
The changes in tangible fixed assets are shown in note 7.1. The book value declined CHF 53.8 million to CHF 195.3 million, mainly due to large extraordinary write-downs.

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

Client deposits
Client deposits rose CHF 330 million to CHF 11 billion. Branches reported an increase of CHF 348 million. At the same time, deposits from corporate clients declined CHF 123 million. The decrease is largely attributable to the negative interest rates, which began to be passed on to corporate clients.

Bond issues and central mortgage institution loans
Bond issues and central mortgage institution loans (note 13) increased another CHF 1.1 billion in the current year. Raiffeisen Switzerland bonds decreased CHF 528 million to CHF 3.3 billion due to the repayment of two bonds in 2017. Bond components of structured products issued by Raiffeisen Switzerland amount to CHF 1.6 billion. The stock of subordinated Raiffeisen Switzerland bonds remains virtually unchanged at CHF 1.7 billion.

Provisions
Provisions (note 14) decreased CHF 0.2 million to CHF 16.7 million.

Reserves for general banking risks
CHF 101 million was allocated to reserves for general banking risks in the current year. CHF 188.5 million of the total amount of CHF 259.5 million is subject to tax (note 14).

Equity capital
Cooperative capital stood unchanged at CHF 1.7 billion at the end of December 2017. Equity capital increased to CHF 2.2 billion.

Off-balance-sheet transactions

The migration of structured products from Notenstein La Roche Private Bank Ltd to Raiffeisen Switzerland B.V., the new subsidiary in Amsterdam, was completed in the course of the current year. Total contingent liabilities (note 20) declined CHF 561 million to CHF 3.2 billion in the current year. The contract volume for derivative financial instruments (note 4), in contrast, increased CHF 15.3 billion to CHF 148.3 billion. Hedging transactions for the banking book decreased CHF 4.6 billion to CHF 39.1 billion. The positive replacement values amounted to CHF 1.6 billion (previous year: CHF 1.6 billion), while the negative replacement values amounted to CHF 1.6 billion (previous year: CHF 1.8 billion).

Remuneration report

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

Raiffeisen Switzerland balance sheet

as at 31 December 2017

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid assets	18,819,203	18,779,805	39,398	0.2	17
Amounts due from Raiffeisen banks	2,655,902	2,923,285	-267,383	-9.1	10, 17
Amounts due from other banks	8,214,912	6,948,718	1,266,194	18.2	10, 17
Amounts due from securities financing transactions	51,371	13,204	38,167	289.1	1, 17
Amounts due from clients	2,441,407	2,274,938	166,469	7.3	2, 17
Mortgage loans	9,870,963	9,121,212	749,751	8.2	2, 10, 17
Trading portfolio assets	1,325,870	1,282,433	43,437	3.4	3, 17
Positive replacement values of derivative financial instruments	1,632,217	1,604,991	27,226	1.7	4, 17
Financial investments	6,308,591	6,596,490	-287,899	-4.4	5, 10, 17
Accrued income and prepaid expenses	228,036	239,406	-11,370	-4.7	
Participations	1,055,938	1,243,250	-187,312	-15.1	6
Tangible fixed assets	195,321	249,126	-53,805	-21.6	7
Intangible assets	6,653	18,145	-11,492	-63.3	8
Other assets	788,398	616,755	171,643	27.8	9
Total assets	**53,594,781**	**51,911,757**	**1,683,024**	**3.2**	
Total subordinated receivables	-	3,552	-3,552	-100.0	
of which subject to mandatory conversion and / or debt waiver	-	-	-	-	
Liabilities					
Amounts due to Raiffeisen banks	15,528,573	14,063,534	1,465,039	10.4	17
Amounts due to other banks	13,676,261	14,047,052	-370,791	-2.6	17
Liabilities from securities financing transactions	1,757,968	2,514,988	-757,020	-30.1	1, 17
Amounts due in respect of customer deposits	11,044,803	10,714,330	330,473	3.1	17
Trading portfolio liabilities	133,799	138,207	-4,408	-3.2	3, 17
Negative replacement values of derivative financial instruments	1,610,794	1,825,313	-214,519	-11.8	4, 17
Cash Bonds	61,758	73,681	-11,923	-16.2	17
Bond issues and central mortgage institution loans	6,836,274	5,743,882	1,092,392	19.0	12, 13, 17
Accrued expenses and deferred income	289,993	266,380	23,613	8.9	
Other liabilities	458,400	433,423	24,977	5.8	9
Provisions	16,685	16,834	-149	-0.9	14
Reserves for general banking risks	259,450	158,450	101,000	63.7	14
Cooperative capital	1,700,000	1,700,000	-	-	15
Statutory retained earnings reserve	173,183	169,443	3,740	2.2	
Profit	46,840	46,240	600	1.3	
Total equity capital	**2,179,473**	**2,074,133**	**105,340**	**5.1**	
Total liabilities	**53,594,781**	**51,911,757**	**1,683,024**	**3.2**	
Total subordinated cash bonds	1,684,697	1,699,942	-15,245	-0.9	
of which subject to mandatory conversion and/or debt waiver	1,149,178	1,164,423	-15,245	-1.3	
Off-balance-sheet transactions					
Contingent liabilities	3,206,955	3,768,296	-561,341	-14.9	2, 20
Irrevocable commitments	2,207,045	1,779,694	427,351	24.0	2
Obligations to pay up shares and make further contributions	19,985	24,625	-4,640	-18.8	2

Raiffeisen Switzerland income statement

2017

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	320,123	372,806	-52,683	-14.1	22
Interest and dividend income from financial investments	48,337	52,852	-4,515	-8.5	22
Interest expense	-242,372	-302,113	59,741	-19.8	22
Gross result from interest operations	**126,088**	**123,546**	**2,542**	**2.1**	
Changes in value adjustments for default risks and losses from interest operations	-1,782	-14,665	12,883	-87.8	14
Subtotal net result from interest operations	**124,306**	**108,881**	**15,425**	**14.2**	
Commission income securities trading and investment business	73,690	49,973	23,717	47.5	23
Commission income from lending business	13,395	8,151	5,244	64.3	23
Commission income other services	59,711	57,069	2,642	4.6	23
Commission expense	-44,286	-33,308	-10,978	33.0	23
Net income from commission business and service transactions	**102,510**	**81,885**	**20,625**	**25.2**	
Net trading income	**79,522**	**84,222**	**-4,700**	**-5.6**	**24**
Result from the disposal of financial investments	20,525	2,632	17,893	679.8	
Income from participations	52,322	51,311	1,011	2.0	
Result from real estate	3,668	3,938	-270	-6.9	
Other ordinary income	403,513	387,971	15,542	4.0	25
Other ordinary expenses	-34,243	-45,550	11,307	-24.8	
Other ordinary profit	**445,785**	**400,302**	**45,483**	**11.4**	
Operating income	**752,123**	**675,290**	**76,833**	**11.4**	
Personnel expenses	-381,111	-354,690	-26,421	7.4	26
General and administrative expenses	-254,653	-255,880	1,227	-0.5	27
Operating expenses	**-635,764**	**-610,571**	**-25,193**	**4.1**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-74,775	-133,589	58,814	-44.0	6, 7, 8
Changes to provisions and other value adjustments, and losses	-4,352	-5,650	1,298	-23.0	14
Operating result	**37,232**	**-74,520**	**111,752**	**-150.0**	
Extraordinary income	116,316	9,196	107,120	1,164.9	28
Extraordinary expenses	-673	-26,119	25,446	-97.4	28
Changes in reserves for general banking risks	-101,000	140,450	-241,450	-171.9	14
Taxes	-5,035	-2,767	-2,268	82.0	29
Profit	**46,840**	**46,240**	**600**	**1.3**	

Proposed distribution of available profit addressed to the Ordinary Delegate Meeting of 16 June 2018 in Lugano

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %
Appropriation of profit				
Profit	46,840	46,240	600	1.3
Profit brought forward	-	-	-	-
Available profit	**46,840**	**46,240**	**600**	**1.3**
Appropriation of profit				
– Allocation to statutory retained earnings reserve	4,340	3,740	600	16.0
– Interest on cooperative capital	42,500	42,500	-	-
Total appropriation of profit	**46,840**	**46,240**	**600**	**1.3**

Statement of changes in equity

2017

	Cooperative capital in 1,000 CHF	Statutory retained earnings reserve[1] in 1,000 CHF	Reserves for general banking risks in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at the beginning of the current year	**1,700,000**	**169,443**	**158,450**	**46,240**	**2,074,133**
Capital increase	-	-	-	-	-
Allocations to statutory retained earnings reserve	-	3,740	-	-3,740	-
Allocations to reserves for general banking risks	-	-	101,000	-	101,000
Interest on the cooperative capital	-	-	-	-42,500	-42,500
Profit	-	-	-	46,840	46,840
Equity capital at the end of the current year	**1,700,000**	**173,183**	**259,450**	**46,840**	**2,179,473**

1 Statutory retained earnings are not distributable.

Notes to the annual financial statements

Trading name, legal form, registered office

Under the name

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

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

Risk management

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

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

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

Group Risk Controlling is responsible for the independent monitoring of risk. This primarily involves monitoring compliance with the limits stipulated by the Board of Directors and the Executive Board. Group Risk Controlling also regularly evaluates the risk situation as part of the reporting process.

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

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

The aim of risk management is to

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

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

Raiffeisen Switzerland identifies, assesses, manages and monitors the following risk types in the lending activities:

- Counterparty risk
- Collateral risk
- Concentration risk
- Country risk

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

Collateral risks accrue from impairments in the value of collateral.

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

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

Retail banking in Switzerland is Raiffeisen Switzerland's core business. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, Raiffeisen Switzerland aims to diversify its business areas based on its core business. In particular, it plans to cultivate the investment and corporate client business more intensively.

The branches primarily incur counterparty, collateral and concentration risks. The Raiffeisen Switzerland 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 75 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment. The

CRO's 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, as well as the hedging of currency, fluctuating interest rate and proprietary trading risks. The Central Bank department may only conduct international transactions when country-specific limits have been approved and established.

New financing transactions of KMU Capital AG are reviewed by KMU Capital AG's Investment Committee. The Investment Committee consists of six members, with Raiffeisen Switzerland providing two representatives.

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

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions, such as derivative financial instruments, are converted to their respective credit equivalent. Raiffeisen Switzerland concluded a Swiss master agreement for OTC derivative instruments with most of the Central Bank counterparties whose OTC transactions are not cleared centrally, as well as a credit support appendix for variation margins. Credit support is exchanged by transferring the margin requirement, which is calculated daily. These OTC commitments are managed and monitored on a net basis.

Creditworthiness and solvency are assessed on the basis of compulsory standards at Raiffeisen Switzerland. Sufficient creditworthiness and the ability to maintain payments must be proven before any loan is approved. Loans to private individuals, legal entities and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is defined based on eleven risk categories and two default categories.

This system has proven its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams 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, sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and ensuring proper credit portfolio reporting. An annual credit portfolio report provides responsible decision-makers with information on the economic environment, the structure of the credit portfolio and developments during the period under review. The report contains an assessment of credit portfolio risk and identifies any need for action. Evaluating the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics, including, without limitation, category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The Executive Board and the Board of Directors of Raiffeisen Switzerland receive a quarterly risk report detailing the risk situation, risk exposure, limit utilisation and changes in exception-to-policy loans. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad hoc risk analyses where required. Monitoring and reporting form the basis for portfolio-controlling measures, with the main focus being on controlling new business via lending policy.

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific limits have been established. Measures are defined and taken if these limits are reached or exceeded.

Cluster risks are monitored centrally by Financial Risk Control & Methods. As at 31 December 2017, Raiffeisen Switzerland had four reportable cluster risks (including Group companies) with cumulative risk-weighted commitments (net) of CHF 1.8 billion. These amounted to 75.9% of eligible capital resources.

The credit volume of Raiffeisen Switzerland's ten largest borrowers (excluding interbank business and public-sector entities) as at 31 December 2017 was CHF 1.0 billion.

Market risk

Risk associated with fluctuating interest rates: Since assets and liabilities are subject to different interest rates, fluctuations in market interest rates can have a considerable impact on Raiffeisen Switzerland's interest income and shareholder value. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the net present value of the equity capital. The impact on profitability is assessed using dynamic income simulations. To measure mark-to-market risk, a gap analysis is performed using all balance-sheet and off-balance-sheet items along with their contractually fixed interest rates. Loans and deposits with non-fixed interest rates and capital commitment periods are replicated on the basis of historical experience. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. Interest rate risks are hedged using established instruments. The Treasury of Raiffeisen Switzerland's Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group. 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 interest risk limits and prepares associated quarterly reports, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

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

The financial investment portfolio is managed by the Treasury of the Central Bank department. Financial investments are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities that meet statutory liquidity requirements. Group Risk Controlling monitors the interest rate and foreign currency risks of financial investments.

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

Compliance with value-at-risk, sensitivity, position and loss limits and the assessment of the risk situation by Group Risk Controlling are primarily communicated via four reports:

- Daily trading limit report to the responsible Executive Board members
- 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

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

Capital adequacy requirements for market risk relating to the trading book

in 1,000 CHF	31.12.2017	Ø 2017	31.12.2016	Ø 2016
Foreign exchange/ precious metals	47,891	36,326	20,873	19,124
Interest rate instruments	121,663	114,792	109,390	112,072
Equities/indices	40,521	30,509	21,018	21,402
Total	**210,075**	**181,627**	**151,281**	**152,598**

Liquidity

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

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

Operational risk

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

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

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

The results of the risk assessments, key risk indicators (KRIs), 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.

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.

Outsourcing

Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen Switzerland securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions AG handles the scanning processes in the paper-based payment system, while the printing and shipping of bank vouchers have 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. The platform for the online identification of new and current clients via Videostream is operated by Inventx AG.

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

Regulatory provisions

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

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

Raiffeisen uses the international standardised approach (SA-BIS) to calculate the capital adequacy requirements for credit risks.

External issuer/issue ratings from three FINMA-recognised rating agencies are used for central governments and central banks, public-sector entities, banks and securities dealers, as well as companies.

Issuer/issue ratings from an export insurance agency are used for central governments; however, rating agency ratings take precedence over ratings issued by the export insurance agency.

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

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

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

Raiffeisen started the FINMA approval process for calculating capital adequacy requirements and measuring and managing credit risk in accordance with the F-IRB approach in 2015 and was awarded "broadly compliant" status in 2016. The approval process is expected to be completed in 2019. The capital adequacy requirements for market risk are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments, and the delta-plus approach is used for capital adequacy requirements for options. An overview is provided in the "Capital adequacy requirements for market risk relating to the trading book" table.

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

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

Mortgage loans

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

The property value of multi-family units, commercial real estate and special properties is determined using the income capitalisation method, which is based on long-term cash flows. This 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 financial statements and any interim financial statements are requested regularly. This information is evaluated and any increased risks are identified. If the risks are higher, the bank will conduct a detailed assessment and work with the client to define appropriate measures. If the loan commitment is determined to be at risk in this phase, a value adjustment will be recognised.

Steps involved in determining value adjustments and provisions

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

Value of collateral

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

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

Loans against securities
The bank primarily accepts transferable, liquid and actively traded financial instruments (such as bonds and equities) as collateral for Lombard loans and other loans against securities. The bank also accepts transferable structured products for which there is regular share price information and a market maker.

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

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

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

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

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

Use of hedge accounting
Types of hedged items and hedging instruments
The bank uses hedge accounting predominantly for the following types of transactions:

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

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

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

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

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

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

Accounting and valuation principles

General principles
Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus the related ordinance) and FINMA Circular 2015/1 Accounting – Banks (ARB).

The detailed positions shown for a balance sheet item are valued individually.

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

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

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

Foreign currencies

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

Liquid assets, borrowed funds

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

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

Amounts due from banks and customers, mortgage loans

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

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

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

Value adjustments are not recognised for latent risks.

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

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

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

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

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

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

Receivables and liabilities from securities financing transactions

Securities lending and borrowing

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

Securities that are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland takes control of the contractual rights associated with them. Securities that are loaned or provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the contractual rights associated with them. The market values of the borrowed and loaned securities are monitored daily so that any additional collateral can be provided or requested as necessary.

Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenses on an accruals basis.

Repurchase and reverse repurchase transactions

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

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

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

Trading portfolio assets and trading portfolio liabilities

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

Financial investments

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

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

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

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

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

Participations

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

All participations in communal facilities are also reported here. Minor participations are not listed individually if the Group holds less than 10% of the voting shares and equity capital and its holding is either worth less than CHF 1 million of the equity capital or the book value is less than CHF 10 million. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required value adjustments. Participations may contain hidden reserves.

Tangible fixed assets

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

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

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

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

Intangible assets

Other intangible assets

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

Impairment testing

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

Provisions

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

Reserves for general banking risks
Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank. These reserves are counted as capital in accordance with Art. 21 para. 1 letter c of the Capital Adequacy Ordinance and are partially taxable (see "Value adjustments, provisions and reserves for general banking risks" table in the notes).

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

Contingent liabilities, irrevocable commitments, obligations to make payments and additional contributions
These are reported at their nominal value under "Off-balance-sheet transactions". Provisions are created for foreseeable risks.

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

All Treasury hedging transactions are concluded via the trading book; the Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported. The "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume of internal 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 "Bond issues and central mortgage institution loans". Discounts and premiums are reported under the item "Accrued expenses and deferred income" or "Accrued income and prepaid expenses", as the case may be, and realised against the interest income over the remaining life. Issued structured products that do not include a debt security and the derivative portions of the structured products that include a debt security are recognised at fair value under "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

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

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

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

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

Events after the balance sheet date

On 27 February 2018, the Zurich III Public Prosecutor's Office notified Raiffeisen Switzerland that it had instituted criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He has been charged with acting in bad faith in connection with Aduno and Investnet. Raiffeisen Switzerland has joined the proceedings as a private complainant and has additionally filed a criminal complaint against Dr Pierin Vincenz and other potentially involved individuals. However, these actions have no effect on the current annual financial statements.

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 [1]	51,372	13,205
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions [1]	1,758,179	2,514,987
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	1,865,788	2,580,400
with unrestricted right to resell or pledge	1,865,788	2,580,400
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	185,189	151,456
of which, repledged securities	-	-
of which, resold securities	133,799	138,207

1 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)				
Amounts due to customers	396,066	106,348	1,948,151	2,450,565
Mortgage loans	9,870,963	-	3,423	9,874,386
Residential property	8,542,786	-	1,905	8,544,691
Office and business premises	283,992	-	24	284,016
Trade and industry	667,280	-	-	667,280
Other	376,906	-	1,494	378,400
Total loans (before netting with value adjustments)				
Current year	**10,267,029**	**106,348**	**1,951,574**	**12,324,951**
Previous year	9,515,624	230,821	1,667,774	11,414,219
Total loans (after netting with value adjustments)				
Current year	**10,267,029**	**106,348**	**1,938,993**	**12,312,370**
Previous year	9,515,624	230,821	1,649,704	11,396,149
Off-balance-sheet transactions				
Contingent liabilities	1,763	20,202	3,184,990	3,206,955
Irrevocable commitments	962,509	31,917	1,212,618	2,207,045
Obligations to pay up shares and make further contributions	-	-	19,985	19,985
Total off-balance-sheet transactions				
Current year	**964,272**	**52,120**	**4,417,594**	**5,433,985**
Previous year	710,506	3,031,584	1,830,526	5,572,616

	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	**24,460**	**11,716**	**12,743**	**12,581**
Previous year	73,227	52,693	20,533	18,070

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

3. Trading portfolio assets

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Assets		
Debt securities, money market securities / transactions	621,728	701,104
stock exchange listed [1]	621,728	701,104
Equity securities	237,586	141,102
Precious metals	443,095	415,321
Other trading portfolio assets	23,461	24,906
Total assets	**1,325,870**	**1,282,433**
of which determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	432,247	308,443

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Liabilities		
Debt securities, money market securities / transactions [2]	131,456	137,332
stock exchange listed [1]	131,456	137,332
Equity securities [2]	1,209	863
Precious metals [2]	-	-
Other trading portfolio liabilities [2]	1,133	13
Total liabilities	**133,799**	**138,207**
of which, determined using a valuation model	-	-

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

4. Derivative financial instruments (assets and liabilities)

4.1 Derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	215	171	4,400,000	-	-	-
Swaps	321,719	350,111	40,138,113	574,308	646,444	34,825,200
Futures contracts	-	-	1,464,385	-	-	-
Options (OTC)	1,336	1,336	66,095	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	**323,271**	**351,619**	**46,068,593**	**574,308**	**646,444**	**34,825,200**
Foreign currencies						
Forward contracts	403,226	389,422	53,498,573	130,815	18,848	4,187,874
Comb. interest rate/currency swaps	263	-	10,063	-	-	-
Futures contracts	-	-	-	-	-	-
Options (OTC)	9,418	8,091	1,156,980	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign currencies	**412,908**	**397,513**	**54,665,616**	**130,815**	**18,848**	**4,187,874**
Precious metals						
Forward contracts	12,390	24,641	1,431,639	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	33,266	-	-	-
Options (OTC)	25,746	19,148	2,490,518	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	**38,135**	**43,789**	**3,955,424**	**-**	**-**	**-**
Equities and indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	248,795	-	-	-
Options (OTC)	106,962	106,962	3,210,407	-	188	92,581
Options (exchange traded)	558	170	12,525	-	-	-
Total equities and indices	**107,519**	**107,132**	**3,471,727**	**-**	**188**	**92,581**
Credit derivatives						
Credit default swaps	17,377	17,377	625,219	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	**17,377**	**17,377**	**625,219**	**-**	**-**	**-**
Other						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures contracts	-	-	-	-	-	-
Options (OTC)	27,884	27,884	414,216	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	**27,884**	**27,884**	**414,216**	**-**	**-**	**-**

Total						
Current year	**927,094**	**945,314**	**109,200,794**	**705,122**	**665,480**	**39,105,655**
of which determined using a valuation model	926,537	945,144	-	705,122	665,480	-
Previous year	847,620	811,208	89,223,107	757,371	1,014,105	43,748,454
of which determined using a valuation model	844,724	811,107	-	757,371	1,014,105	-

4.2 Derivative financial instruments by counterparty and time remaining to maturity

	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Central clearing houses	114,603	45,785	7,522,500	8,620,300	8,649,550	24,792,350
Raiffeisen banks [1]	103	196	25,499	406	-	25,905
Banks and securities dealers	1,404,178	1,466,871	76,327,316	27,331,211	13,001,725	116,660,252
Stock exchanges	558	170	1,758,971	-	-	1,758,971
Other customers	112,774	97,771	3,436,732	1,154,085	478,154	5,068,971
Total						
Current year	**1,632,217**	**1,610,794**	**89,071,018**	**37,106,002**	**22,129,429**	**148,306,449**
Previous year	1,604,991	1,825,313	71,752,589	38,766,494	22,452,478	132,971,561

1 Primarily for clients' needs

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted primarily with counterparties with a very good credit rating; 83.8% of the positive replacement values are open with counterparties with an upper-medium grade or better rating (Moody’s) or with a comparable rating.

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

5. Financial investments

5.1 Breakdown of financial investments

	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	6,237,724	6,277,256	6,450,762	6,534,259
of which intended to be held until maturity	6,237,724	6,277,256	6,450,762	6,534,259
of which, not intended to be held to maturity (available for sale)	-	-	-	-
Equities	70,867	319,234	72,976	332,097
of which qualified participations [1]	-	-	-	-
Precious metals	-	-	-	-
Real estate	-	-	-	-
Total financial assets	**6,308,591**	**6,596,490**	**6,523,739**	**6,866,356**
of which securities for repo transactions in line with liquidity requirements	6,187,537	6,244,732	-	-

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

	Book value Very safe investment in 1,000 CHF	Book value Safe investment in 1,000 CHF	Book value Average to good investment in 1,000 CHF	Book value Speculative to highly speculative investment in 1,000 CHF	Book value Highest-risk investment/default in 1,000 CHF	Book value Unrated investment in 1,000 CHF
Debt securities	**6,187,537**	**50,187**	**-**	**-**	**-**	**-**

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

6. Participations

	Purchase price in 1,000 CHF	Accumulated value adjustments in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year value adjustments in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF	Market value at end of current year in 1,000 CHF
Participations Group companies	**639,613**	**-996**	**638,617**	**-**	**5,000**	**-**	**-1,238**	**996**	**643,374**	**-**
- with market value	-	-	-	-	-	-	-	-	-	-
- without market value	639,613	-996	638,617	-	5,000	-	-1,238	996	643,374	-
Other participations	**694,441**	**-89,807**	**604,633**	**-**	**5,390**	**-191,521**	**-5,954**	**15**	**412,564**	**281,322**
- with market value	446,424	-85,005	361,419	-	-	-127,574	-	-	233,845	281,322
- without market value	248,017	-4,802	243,214	-	5,390	-63,946	-5,954	15	178,719	-
Total participations	**1,334,053**	**-90,803**	**1,243,250**	**-**	**10,390**	**-191,521**	**-7,192**	**1,011**	**1,055,938**	**281,322**

7. Tangible fixed assets

7.1 Tangible fixed assets

	Purchase price in 1,000 CHF	Cumulative depreci-ation/amorti-sation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year 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/amortisation in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF
Bank buildings	280,755	-116,632	164,123	-	8,769	-22,250	-5,440	-	145,202
Other real estate	14,077	-4,777	9,300	-	-	-	-255	-	9,045
Proprietary or separately acquired software	158,565	-120,514	38,051	-	8,359	-	-37,628	-	8,782
Other tangible fixed assets	199,611	-161,959	37,652	-	14,586	-35	-19,911	-	32,292
Total tangible assets	**653,008**	**-403,882**	**249,126**	**-**	**31,714**	**-22,285**	**-63,234**	**-**	**195,321**

7.2 Operating leases

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-recognised lease commitments		
Due within 12 months	2,378	2,342
Due within 1 to 5 years	3,150	3,279
Due after 5 years	-	-
Total non-recognised lease commitments	**5,528**	**5,621**
of which obligations that can be terminated within one year	5,528	5,621

8. Intangible assets

	Purchase price in 1,000 CHF	Cumulative depreci-ation/amorti-sation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year invest-ment in 1,000 CHF	Current-year disinvest-ment in 1,000 CHF	Current-year depreci-ation/amortisation in 1,000 CHF	Book value at end of current year in 1,000 CHF
Other intangible assets	25,000	-6,855	18,145	-	-7,143	-4,349	6,653
Total intangible assets	**25,000**	**-6,855**	**18,145**	**-**	**-7,143**	**-4,349**	**6,653**

9. Other assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Equalisation account	15,735	187,163
Settlement accounts for indirect taxes	643,414	299,318
Other settlement accounts	126,310	125,826
Commodities	2,938	4,448
Miscellaneous other assets	0	0
Total other assets	**788,398**	**616,755**
Other liabilities		
Due, unredeemed coupons and debt instruments	25	32
Levies, indirect taxes	27,517	24,822
Solidarity fund	332,389	328,581
of which open guarantees to Raiffeisen banks	259	259
Other settlement accounts	98,203	79,795
Miscellaneous other liabilities	265	192
Total other liabilities	**458,400**	**433,423**

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

	Current-year book values in 1,000 CHF	Current year Effective commitments in 1,000 CHF	Previous-year book values in 1,000 CHF	Previous year Effective commitments in 1,000 CHF
Pledged/assigned assets				
Amounts due from Raiffeisen banks	-	-	-	-
Amounts due from other banks	376,039	376,039	445,845	445,845
Mortgage loans	2,977,236	1,974,335	2,879,905	1,909,960
Financial investments	1,233,075	477,515	984,418	233,705
Total pledged assets	**4,586,350**	**2,827,889**	**4,310,168**	**2,589,509**
Total assets under reservation of ownership	**-**	**-**	**-**	**-**

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

11. Pension schemes

All employees of Raiffeisen Switzerland are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law. The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

11.1 Liabilities relating to own pension schemes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Amounts due in respect of customer deposits	51,242	120,704
Negative replacement values of derivative financial instruments	4,345	3,527
Bonds	40,000	40,000
Accrued expenses and deferred income	543	543
Total liabilities to own social insurance institutions	**96,130**	**164,775**

11.2 Employer contribution reserves in the Raiffeisen Employer Foundation

	Current year in 1,000 CHF	Previous year in 1,000 CHF
As at 1 January	8,274	7,449
+ Deposits [1]	5,000	2,506
– Withdrawals [1]	1,727	1,700
+ Interest paid [2]	16	20
As at 31 December	**11,563**	**8,274**

1 Contributions and payments are included in personnel expenditure.

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

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. They are not reported.

11.3 Economic benefit/obligation and retirement benefit expenditure

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

	As at 31.12.2017 in %	As at 31.12.2016 in %
Raiffeisen Pension Fund Cooperative	116.1	110.8

The fluctuation reserve of Raiffeisen Pension Fund Cooperative's pension scheme slightly exceeded the level set out in the regulations as at 31 December 2017. The Delegate Meeting of Raiffeisen Pension Fund Cooperative decides how the resulting uncommitted funds will be used. The Board of Directors of Raiffeisen Switzerland assumes that, despite this surplus cover, no economic benefits will accrue to the employer until further notice; instead, the benefits are to be used to benefit pension plan members.

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

12. Issued structured products

	Book value				
	Valued as a whole		Valued separately		
	Booked in trading portfolio in 1,000 CHF	Booked in other financial instruments at fair value in 1,000 CHF	Value of the host instrument in 1,000 CHF	Value of the derivative in 1,000 CHF	Total in 1,000 CHF
Underlying risk of the embedded derivative					
Interest rate instruments	**-**	**-**	**2,189**	**54**	**2,243**
With own debenture component (oDC)	-	-	2,189	54	2,243
Without oDC	-	-	-	-	-
Equity securities	**-**	**-**	**1,316,006**	**2,137**	**1,318,143**
With own debenture component (oDC)	-	-	1,316,006	-12,165	1,303,841
Without oDC	-	-	-	14,302	14,302
Foreign currencies	**-**	**-**	**1**	**-1**	**0**
With own debenture component (oDC)	-	-	1	-1	0
Without oDC	-	-	-	-	-
Commodities/precious metals	**-**	**-**	**97,689**	**15,724**	**113,413**
With own debenture component (oDC)	-	-	97,689	15,724	113,413
Without oDC	-	-	-	-	-
Credit derivatives	**-**	**-**	**204,794**	**-1,314**	**203,480**
With own debenture component (oDC)	-	-	204,794	-1,314	203,480
Without oDC	-	-	-	-	-
Total	**-**	**-**	**1,620,679**	**16,599**	**1,637,279**

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 loan". The derivative components of the products are recognised at market value in "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

13. Bond issues and central mortgage institution loans

	Year of issue	Interest rate	Maturity	Early termination possibility	Bond principal in 1,000 CHF
Non-subordinated own bonds	2010	2.000	21.09.2023	-	250,000
	2011	2.125	04.02.2019	-	249,580
	2011	2.625	04.02.2026	-	150,000
	2011	2.375	10.05.2018	-	150,000
	2014	1.625	07.02.2022	-	100,000
	2014	0.000 [1]	05.06.2018	-	225,000
	2016	0.000	17.09.2020	-	50,000
	2016	0.300	22.04.2025	-	375,000
	2016	0.750	22.04.2031	-	79,815
Subordinated own bonds without PONV clause[2]	2011	3.875	21.12.2021	-	535,000
Subordinated own bonds with PONV clause[2]	2013	3.000	Perpetual	02.05.2018	543,945 [3]
	2015	3.000	Perpetual	02.10.2020	589,925 [3]
Underlying instruments from issued structured products[4]	div.	0.619 [5]	2018		566,056
		-0.215 [5]	2019		416,597
		-0.316 [5]	2020		191,778
		-0.111 [5]	2021		96,035
		-0.506 [5]	2022		154,334
		0.035 [5]	after 2022		195,878
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	div.	1.409 [5]	div.		1,917,330
Total outstanding bond issues and central mortgage institution loans					**6,836,274**

1 Variable coupon, basis CHF Libor 3 months and spread.

2 PONV clause = point of non-viability

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

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

5 Average weighted interest rate (volume-weighted).

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

	End of previous year in 1,000 CHF	Appropriate application in 1,000 CHF	Reclassifications in 1,000 CHF	Past due interest, recoveries in 1,000 CHF	New provisions against income statement in 1,000 CHF	Dissolution of provisions against income statement in 1,000 CHF	End of current year in 1,000 CHF
Provisions							
Provisions for default risks	10,111	-755	-121	73	2,996	-2,704	9,600
Provisions for other business risks	130						130
Provisions for restructuring	3,343	-2,575				-268	500
Other provisions [1]	3,250	-406			6,205	-2,594	6,455
Total provisions	**16,834**	**-3,736**	**-121**	**73**	**9,201**	**-5,566**	**16,685**
Reserves for general banking risks	**158,450**	**-**	**-**	**-**	**101,000**		**259,450**
of which taxed	158,450	-	-	-	30,000	-	188,450
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	18,070	-7,145	121	82	15,288	-13,835	12,581
Value adjustments for latent risks	-	-	-	-	-	-	-
Total value adjustments for default and country risks	**18,070**	**-7,145**	**121**	**82**	**15,288**	**-13,835**	**12,581**

1 Other provisions include provisions for legal expenses.

15. Cooperative capital

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

The cooperative capital is owned in full by the 255 Raiffeisen banks within Raiffeisen Switzerland (previous year: 270 Raiffeisen banks). As in the previous year, no Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. As at 31 December 2017, this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 1’956,7 million, of which CHF 893,8 million have been paid in. The Raiffeisen banks took over CHF 806.2 million in share certificates without applying this amount toward the call-in obligation.

16. Related parties

	Amounts due from		Amounts due to	
	Current year in 1,000 CHF	Previous year in 1,000 CHF	Current year in 1,000 CHF	Previous year in 1,000 CHF
Group companies	718,331	802,119	1,268,491	3,287,531
Transactions with members of governing bodies	31,070	32,423	5,484	4,466
Other related parties	324,268	265,999	284,981	76,125
Total amounts due from / to related parties	**1,073,670**	**1,100,541**	**1,558,955**	**3,368,122**

Material off-balance-sheet transactions with related parties

Contingent liabilities to related parties amounted to CHF 2.6 billion (previous year: CHF 3.3 billion). Irrevocable commitments to related parties amounted to CHF 336.7 million (previous year: CHF 311.3 million).

Transactions with related parties

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

- The Executive Board, the Extended Executive Board and the Head of Internal Auditing of Raiffeisen Switzerland enjoy industry-standard preferential terms, as do other personnel.
- Amounts due from Group companies of CHF 718.3 million include unsecured loans of CHF 318.3 million (last maturity on 31 December 2025) with an average interest rate of 1.0%.
- Liabilities to other related parties include CHF current account balances in the amount of CHF 36.5 million for which the credit balance exceeding the allowance is subject to a negative interest rate of 0.4 %. Furthermore, a credit balance in the amount of CHF 7.3 million is included, which bears 2.75 % interest.

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

17. Maturity structure of financial instruments

	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 assets	18,819,203	-	-	-	-	-	18,819,203
Amounts due from Raiffeisen banks	2,655,902	-	-	-	-	-	2,655,902
Amounts due from other banks	234,095	-	7,860,816	70,000	50,000	-	8,214,912
Amounts due from securities financing transactions	-	-	51,371	-	-	-	51,371
Amounts due from clients	3,007	114,701	1,053,827	564,628	624,510	80,734	2,441,407
Mortgage loans	1,578	110,198	506,964	846,309	5,315,971	3,089,943	9,870,963
Trading portfolio assets	1,325,870	-	-	-	-	-	1,325,870
Positive replacement values of derivative financial instruments	1,632,217	-	-	-	-	-	1,632,217
Financial investements [1]	70,867	-	98,011	210,161	2,107,788	3,821,765	6,308,591
Total							
Current year	**24,742,739**	**224,899**	**9,570,989**	**1,691,098**	**8,098,269**	**6,992,441**	**51,320,435**
Previous year	25,042,268	228,898	8,164,787	1,559,022	7,673,156	6,876,944	49,545,075
Debt capital/financial instruments							
Amounts due to Raiffeisen banks	15,528,573	-	-	-	-	-	15,528,573
Amounts due to other banks	755,130	-	10,335,815	1,750,316	835,000	-	13,676,261
Liabilities from securities financing transactions	-	-	1,757,968	-	-	-	1,757,968
Amounts due in respect of customer deposits	3,423,203	4,453,004	1,683,069	292,844	767,704	424,979	11,044,803
Trading portfolio liabilities	133,799	-	-	-	-	-	133,799
Negative replacement values of derivative financial instruments	1,610,794	-	-	-	-	-	1,610,794
Cash Bonds	-	-	22,529	9,156	13,178	16,895	61,758
Bond issues and central mortgage institution loans	-	-	124,016	1,440,585	2,770,300	2,501,373	6,836,274
Total							
Current year	**21,451,499**	**4,453,004**	**13,923,396**	**3,492,902**	**4,386,182**	**2,943,247**	**50,650,230**
Previous year	19,739,337	4,513,883	13,683,313	3,210,844	4,999,609	2,974,001	49,120,987

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

18. Total assets by credit rating of country groups

	Net foreign exposure			
	Current year in 1,000 CHF	Current year in %	Previous year in 1,000 CHF	Previous year in %
Rating class				
Very safe investment	6,678,083	99.0	6,145,421	98.7
Safe investment	29,668	0.4	37,367	0.6
Average to good investment	30,485	0.5	37,440	0.6
Speculative to highly speculative investment	5,553	0.1	3,945	0.1
Highest-risk investment/default	-	-	-	-
Unrated investment	2,843	0.0	2,567	0.0
Total assets	**6,746,631**	**100.0**	**6,226,739**	**100.0**

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

19. Balance sheet by currency

	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 assets	17,725,525	910,179	27,874	155,626	18,819,203
Amounts due from Raiffeisen banks	2,655,820	-	-	81	2,655,902
Amounts due from other banks	3,498,710	1,061,278	2,268,886	1,386,038	8,214,912
Amounts due from securities financing transactions	-	-	-	51,371	51,371
Amounts due from clients	2,138,136	140,487	146,731	16,053	2,441,407
Mortgage loans	9,870,963	-	-	-	9,870,963
Trading portfolio assets	876,780	11	5,623	443,456	1,325,870
Positive replacement values of derivative financial instruments	1,632,217	-	-	-	1,632,217
Financial investments	6,255,823	21,586	31,175	7	6,308,591
Accrued income and prepaid expenses	220,722	2,946	4,081	288	228,036
Participations	1,055,931	-	-	7	1,055,938
Tangible fixed assets	195,321	-	-	-	195,321
Intangible assets	6,653	-	-	-	6,653
Other assets	788,398	-	-	-	788,398
Total assets reflected in the balance sheet	**46,920,998**	**2,136,486**	**2,484,370**	**2,052,926**	**53,594,781**
Delivery claims under spot exchange, forward exchange and currency option contracts	22,556,936	10,898,062	21,408,185	5,476,902	60,340,086
Total assets	**69,477,935**	**13,034,549**	**23,892,555**	**7,529,829**	**113,934,867**
Liabilities					
Amounts due to Raiffeisen banks	12,893,109	1,946,934	367,159	321,371	15,528,573
Amounts due to other banks	7,392,084	1,435,124	3,181,838	1,667,215	13,676,261
Liabilities from securities financing transactions	164,000	755,037	757,264	81,666	1,757,968
Amounts due in respect of customer deposits	10,310,965	192,081	503,132	38,626	11,044,803
Trading portfolio liabilities	133,799	-	-	-	133,799
Negative replacement values of derivative financial instruments	1,610,794	-	-	-	1,610,794
Cash Bonds	61,758	-	-	-	61,758
Bond issues and central mortgage institution loans	6,584,132	82,055	160,236	9,852	6,836,274
Accrued expenses and deferred income	284,993	1,291	3,465	244	289,993
Other liabilities	458,400	-0	-	-	458,400
Provisions	16,685	-	-	-	16,685
Reserves for general banking risks	259,450	-	-	-	259,450
Cooperative capital	1,700,000	-	-	-	1,700,000
Statutory retained earnings reserve	173,183	-	-	-	173,183
Profit	46,840	-	-	-	46,840
Total liabilities reflected in the balance sheet	**42,090,191**	**4,412,522**	**4,973,094**	**2,118,974**	**53,594,781**
Delivery obligations under spot exchange, forward exchange and currency option contracts	27,269,719	8,603,937	18,915,071	5,392,535	60,181,263
Total liabilities	**69,359,911**	**13,016,459**	**23,888,165**	**7,511,509**	**113,776,044**
Net position per currency	**118,024**	**18,089**	**4,389**	**18,320**	**158,823**

	31.12.2017	31.12.2016
Foreign currency conversion rates		
EUR	1.171	1.073
USD	0.975	1.016

Information on off-balance sheet-business

20. Contingent assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Contingent liabilities		
Guarantees to secure credits and similar	3,083,924	3,657,442
Performance guarantees and similar	6,937	11,374
Other contingent liabilities	116,094	99,480
Total contingent liabilities	**3,206,955**	**3,768,296**
Contingent assets		
Contingent assets arising from tax losses carried forward	-	-
Other contingent assets	30,000	30,000
Total contingent assets	**30,000**	**30,000**

21. Fiduciary transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Fiduciary investments with third-party banks	12,172	15,422
Total fiduciary transactions	**12,172**	**15,422**

Information on the income statement

22. Result from interest operations

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Interest and dividend income		
Interest income from amounts due from Raiffeisen banks	126,696	188,576
Interest income from amounts due from other banks	-2,170	-5,100
Interest income from securities financing transactions	318	-149
Interest income from amounts due from clients	29,627	27,335
Interest income from mortgage loans	140,640	140,665
Interest and dividend income from financial investments	48,337	52,852
Other interest income	25,012	21,479
Total interest and dividend income	**368,460**	**425,658**
of which negative interest on the lending business	-56,554	-53,327
Interest expenditure		
Interest expenditure from amounts due to Raiffeisen banks	23,985	27,698
Interest expenditure from amounts due to other banks	7,544	10,872
Interest expenditure from securities financing transactions	-2,216	220
Interest expenditure from amounts due to clients	-15,436	-17,204
Interest expenditure from cash bonds	-1,201	-1,520
Interest expenditure from bond issues and central mortgage institution loans	-117,917	-120,316
Other interest expenses	-137,131	-201,863
Total interest expenditure	**-242,372**	**-302,113**
of which negative interest on the borrowing business	61,350	59,300
Gross result from interest operations	**126,088**	**123,546**

23. Result from commission business and services

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from securities and investment business		
Fund business	12,524	10,000
Custody account business	24,414	23,193
Brokerage	17,184	13,810
Other securities and investment business	19,568	2,970
Commission income from lending business	13,395	8,151
Commission income from other service transactions		
Payments	52,913	51,308
Account maintenance	2,553	2,247
Other service transactions	4,245	3,514
Total commission income	**146,796**	**115,193**
Commission expenditure		
Securities business	-40,554	-26,012
Payments	-2,821	-2,831
Other commission expenditure	-911	-4,465
Total commission expenditure	**-44,286**	**-33,308**
Total net income from commission business and service transactions	**102,510**	**81,885**

24. Result from trading activities

24.1 Breakdown by business area

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Branches of Raiffeisen Switzerland	7,763	6,612
Equities trading desk	4,007	2,006
Algorithmic trading desk	-	-862
Foreign currency trading desk	10,878	10,569
Fixed income trading desk	11,228	13,548
Macro hedge trading desk	-564	-1,566
Banknotes/precious metals trading desk	40,767	44,583
Options trading desk	-215	1,093
Rates trading desk	6,785	8,238
Combined trading operations	-1,127	-
Total net trading income	**79,522**	**84,222**

24.2 Breakdown by underlying risk

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Foreign exchange trading	17,382	16,596
Precious metals and foreign notes and coins trading	43,280	45,206
Equities trading	3,414	945
Fixed income trading	17,445	21,475
Other	-2,000	-
Total net trading income	**79,522**	**84,222**

25. Other ordinary income

	Current year in 1,000 CHF	Previous year in 1,000 CHF
IT services for Group companies	61,384	60,719
Other individual services provided for Group companies	205,680	185,481
Contributions from the Raiffeisen banks for collective and strategic services	78,762	77,651
Charges for internal services relating to Group projects	55,406	61,710
Other	2,280	2,411
Total other ordinary income	**403,513**	**387,971**

26. Personnel expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Meeting attendance fees and fixed compensation to members of the banking authorities	2,367	1,994
Salaries and bonuses for staff	308,459	289,775
AHV, IV, ALV and other statutory contributions	23,667	21,979
Contributions to staff pension plans	38,817	33,904
Other personnel expenses	7,801	7,039
Total personnel expenses	**381,111**	**354,690**

27. General and administrative expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Office space expenses	30,904	30,900
Expenses for information and communications technology	87,332	93,758
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,921	3,875
Auditor fees	3,333	2,598
of which, for financial and regulatory audits	3,091	2,525
of which, for other services	242	73
Other operating expenses	129,164	124,749
Total general and administrative expenses	**254,653**	**255,880**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 116.3 million includes CHF 104.1 million from the sale of participations in Helvetia Holding Ltd and Avaloq Group AG. CHF 11.2 million was generated from the sale of real estate. The appreciation gain for Raiffeisen Unternehmerzentrum AG was CHF 1 million.

Extraordinary expenses include losses on the sale of Vescore Ltd of CHF 0.4 million and on the sale of DB Bank AG of CHF 0.3 million.

Prior year
The extraordinary income of CHF 9.2 million consisted primarily of the sale of VISA Europe Limited shares for CHF 4.5 million and an appreciation gain of CHF 4 million for Raiffeisen Unternehmerzentrum AG.

Extraordinary expenses include CHF 26 million in losses on the sale of Vescore Ltd.

29. Current taxes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Expenditure for current income tax	5,035	2,767
Total tax expenditure	**5,035**	**2,767**
Average tax rate weighted on the basis of the operating result	13.5%	-3.7%

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

Report of the statutory auditor

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Raiffeisen Switzerland Cooperative which comprise the balance sheet as at 31 December 2017, income statement, statement of changes in equity and notes for the year then ended, including the accounting and valuation principles.

In our opinion, the accompanying financial statements as at 31 December 2017 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of Raiffeisen Switzerland Cooperative in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 10.6 million

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

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

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

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 10.6 million
How we determined it	0.5 % of net assets (equity)
Rationale for the materiality benchmark applied	We chose net assets (equity) as the benchmark because, in our view, it is the benchmark which represents the solvency and security of Raiffeisen Switzerland Cooperative and it is key for the economic decisions of the cooperative members, customers and the supervisory authority.

We agreed with the Audit and Risk Committee of the Board of Directors that we would report to them misstatements above CHF 1.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans to customers (amounts due from customers and mortgage loans)

Key audit matter	*How our audit addressed the key audit matter*
We consider the valuation of loans to customers as a key audit matter as they represent a significant portion of total assets at 23.0 % (prior year: 22.0 %). In addition, judgement is required to assess the valuation and the amount of any impairment. In particular, we focussed on the following	We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans: • *Credit analysis* Review of compliance with the guidelines and requirements concerning documentation, amortisation, ability to repay, valuation and collateral

points:

- The approach applied by Raiffeisen Switzerland Cooperative to identify customer loans that are potentially impaired
- The appropriateness and application of the significant judgement permitted by the policies relating to the calculation of the amount of any potential individual value adjustments

The accounting and valuation principles applied to customer loans, the process used to identify the default risk and to determine the need for impairment as well as the evaluation of the collateral cover are taken from the financial statements (notes).

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

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

- We performed an assessment of the impairment of customer loans and tested the application of the *processes to identify* customer loans with a potential need for impairment. Our sample contains a random selection of positions out of the entire loan portfolio as well as a risk-oriented selection of doubtful receivables.
- For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Switzerland Cooperative regarding the value of collateral with no observable market price as well as other available information on market prices and price comparisons.
- In addition, we made an assessment of the *method to estimate impairments*. Our audit focussed on customer loans identified as at risk in the sense of the FINMA Circular ‘Accounting – Banks’. We also checked whether the impairments were made in accordance with the accounting rules and the accounting and valuation principles of Raiffeisen Switzerland Cooperative.

The assumptions used were within the range of our expectations.

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Impairment of equity participations

Key audit matter	*How our audit addressed the key audit matter*
Raiffeisen Switzerland Cooperative has equity participations with a carrying value of CHF 1.1 billion. For its impairment tests, Raiffeisen Switzerland Cooperative uses either a market multiples approach based on customer assets under management or the discounted cash flow method. Under the market multiples approach, the customer assets under management are divided into various categories and valued applying a goodwill multiple – based on the gross margin of each asset category – and added to the net asset value of the company. For the discounted cash flow method, the enterprise value is calculated based on the expected future cash flows to the investor. We consider the assessment of the impairment of participations as a key audit matter because significant judgement is required to determine the assumptions relating to future business results, the discount rate to be applied to the forecasted cash flows and the valuation of customer assets under management using goodwill multiples.	We have re-performed the equity participation impairment tests of Raiffeisen Switzerland Cooperative and assessed their appropriateness. For the valuations made by Raiffeisen Switzerland Cooperative using the market multiples approach, we compared the applied goodwill multiples with the available information on transactions for which a purchase price was publicly available. Further, we reviewed on a sample basis the structure of the customer assets under management by customer type and customer domicile, and considered the goodwill multiples in our assessment of the appropriateness of the goodwill multiples. For the impairment tests of Raiffeisen Switzerland Cooperative performed using the discounted cash flow method, we performed plausibility checks on a sample basis of the business plans and the expected cash flows of significant equity participations against externally available and other information. We re-performed the calculation for the discount rate applied to significant equity participations; for the others, we performed plausibility checks. In addition, we assessed the appropriateness and correct application of the valuation methods used. The assumptions used were within the range of our expectations.

Responsibilities of the Board of Directors for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing Raiffeisen Switzerland Cooperative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends either to liquidate Raiffeisen Switzerland Cooperative or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statement is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers Ltd

Beat Rütsche	Ralph Gees
Audit expert Auditor in charge	Audit expert

St. Gallen, 10 April 2018

Five-year overview

Balance sheet – five-year overview

	2017 in 1,000 CHF	2016 in 1,000 CHF	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF
Assets					
Liquid assets	18,819,203	18,779,805	17,271,940	7,771,842	5,531,017
Amounts due from Raiffeisen banks	2,655,902	2,923,285	3,758,642	3,953,353	4,633,236
Amounts due from other banks	8,214,912	6,948,718	3,095,492	4,672,095	5,294,759
Amounts due from securities financing transactions	51,371	13,204	51,801	474,223	651,028
Amounts due from clients	2,441,407	2,274,938	2,237,698	2,051,802	1,811,849
Mortgage loans	9,870,963	9,121,212	8,505,627	7,651,603	6,943,747
Trading portfolio assets	1,325,870	1,282,433	1,311,118	1,735,756	1,157,926
Positive replacement values of derivative financial instruments	1,632,217	1,604,991	1,633,087	1,682,705	883,905
Financial investments	6,308,591	6,596,490	5,592,891	4,971,082	3,624,093
Accrued income and prepaid expenses	228,036	239,406	267,760	243,034	237,924
Participations	1,055,938	1,243,250	1,417,390	955,750	1,112,266
Tangible fixed assets	195,321	249,126	260,309	263,319	257,274
Intangible assets	6,653	18,145	22,984	-	-
Other assets	788,398	616,755	1,363,850	1,021,923	480,451
Total assets	**53,594,781**	**51,911,757**	**46,790,589**	**37,448,485**	**32,619,475**
Liabilities					
Amounts due to Raiffeisen banks	15,528,573	14,063,534	11,473,545	11,157,296	9,975,138
Amounts due to other banks	13,676,261	14,047,052	10,448,545	7,221,460	5,842,870
Liabilities from securities financing transactions	1,757,968	2,514,988	4,052,523	1,043,602	859,023
Amounts due in respect of customer deposits	11,044,803	10,714,330	10,002,847	8,297,193	7,218,300
Trading portfolio liabilities	133,799	138,207	105,139	121,490	104,277
Negative replacement values of derivative financial instruments	1,610,794	1,825,313	2,134,730	2,148,635	1,359,382
Cash Bonds	61,758	73,681	104,476	141,573	173,444
Bond issues and central mortgage institution loans	6,836,274	5,743,882	5,562,865	5,306,195	5,069,570
Accrued expenses and deferred income	289,993	266,380	251,615	245,490	266,611
Other liabilities	458,400	433,423	445,930	410,363	398,523
Provisions	16,685	16,834	16,656	24,697	26,841
Reserves for general banking risks	259,450	158,450	298,900	283,700	281,700
Cooperative capital	1,700,000	1,700,000	1,700,000	850,000	850,000
Statutory retained earnings reserve	173,183	169,443	162,790	159,796	157,214
Profit	46,840	46,240	30,028	36,994	36,582
Total equity capital	**2,179,473**	**2,074,133**	**2,191,718**	**1,330,490**	**1,325,496**
Total liabilities	**53,594,781**	**51,911,757**	**46,790,589**	**37,448,485**	**32,619,475**

Income statement – five-year overview

	2017 in 1,000 CHF	2016 in 1,000 CHF	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF
Interest and discount income	320,123	372,806	439,900	499,590	526,894
Interest and dividend income from financial investments	48,337	52,852	55,661	52,794	52,877
Interest expenses	-242,372	-302,113	-378,582	-440,310	-459,081
Gross result from interest operations	**126,088**	**123,546**	**116,979**	**112,074**	**120,690**
Changes in value adjustments for default risks and losses from interest operations	-1,782	-14,665	-5,760	2,753	2,832
Subtotal net result from interest operations	**124,306**	**108,881**	**111,219**	**114,828**	**123,522**
Commission income securities trading and investment business	73,690	49,973	51,472	50,334	45,461
Commission income from lending business	13,395	8,151	8,686	6,827	5,837
Commission income other services	59,711	57,069	58,082	64,599	63,392
Commission expenses	-44,286	-33,308	-44,581	-40,377	-36,700
Net income from commission business and service transactions	**102,510**	**81,885**	**73,659**	**81,383**	**77,990**
Net trading income	**79,522**	**84,222**	**75,960**	**42,340**	**72,599**
Results from the disposal of financial investments	20,525	2,632	6,187	7,237	193
Income from participations	52,322	51,311	62,799	44,249	51,477
Results from real estate	3,668	3,938	3,888	3,188	3,375
Other ordinary income	403,513	387,971	339,810	273,657	277,647
Other ordinary expenses	-34,243	-45,550	-39,262	-35,003	-33,389
Other ordinary profit	**445,785**	**400,302**	**373,423**	**293,328**	**299,303**
Operating income	**752,123**	**675,290**	**634,261**	**531,879**	**573,414**
Personnel expenses	-381,111	-354,690	-322,707	-320,583	-308,600
General and administrative expenses	-254,653	-255,880	-246,816	-164,015	-179,136
Operating expenses	**-635,764**	**-610,571**	**-569,523**	**-484,598**	**-487,736**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-74,775	-133,589	-43,321	-41,189	-41,457
Changes to provisions and other value adjustments, and losses	-4,352	-5,650	866	-11,796	-15,761
Operating result	**37,232**	**-74,520**	**22,283**	**-5,705**	**28,460**
Extraordinary income	116,316	9,196	24,013	45,758	13,624
Extraordinary expenses	-673	-26,119	-4	-	-12,417
Changes in reserves for general banking risks	-101,000	140,450	-15,200	-2,000	8,000
Taxes	-5,035	-2,767	-1,064	-1,059	-1,086
Profit	**46,840**	**46,240**	**30,028**	**36,994**	**36,582**

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