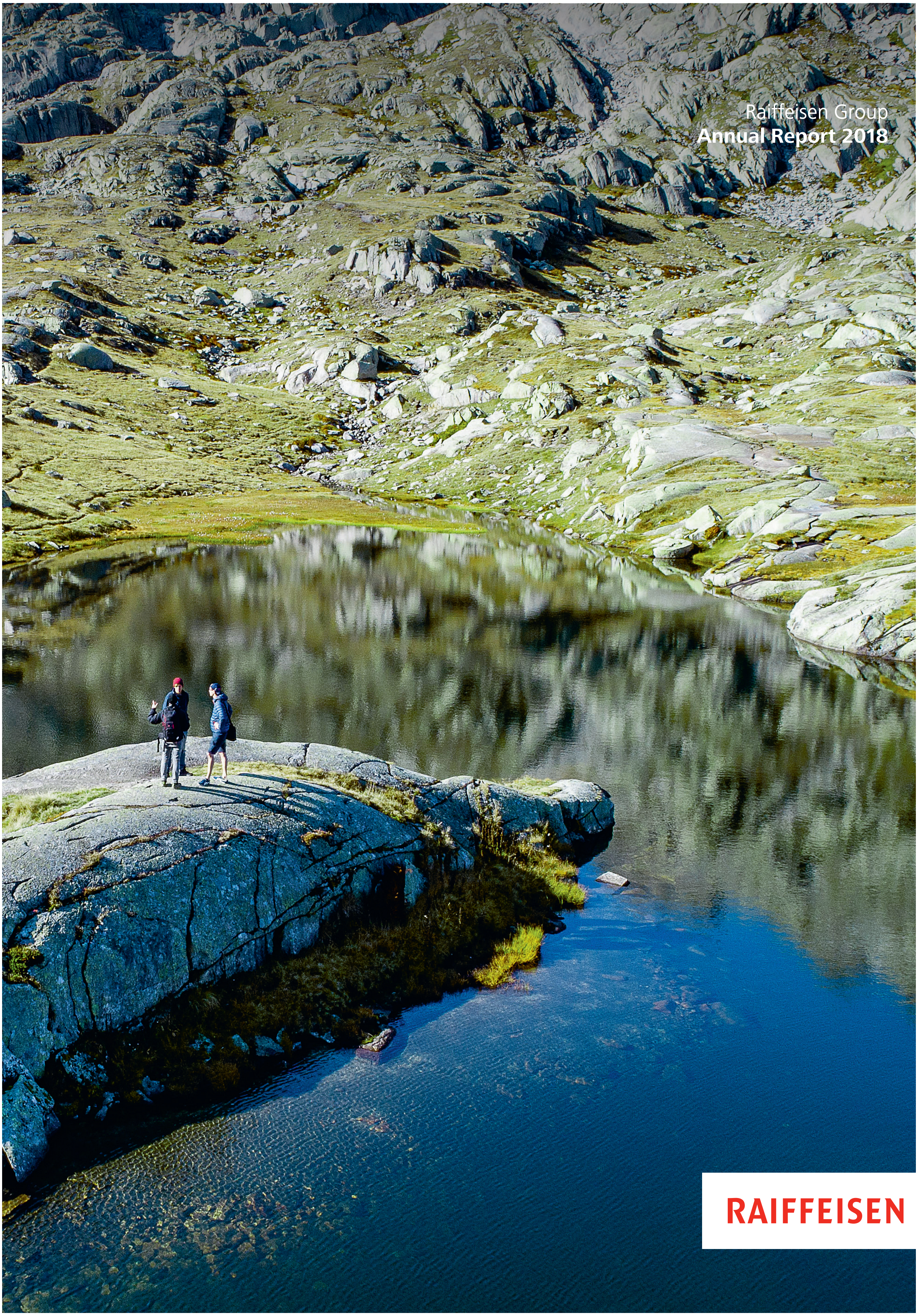
Raiffeisen Group

Annual Report 2018



RAIFFEISEN

Management report

Management report
Regarding the financial year

Preface

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

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland

Last year was challenging for the Raiffeisen Group in a number of ways. The criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board, and the FINMA enforcement procedure against Raiffeisen Switzerland drew a lot of attention. Both proceedings adversely affected the entire Group's reputation – and set off a process of renewal. We look back on an intense but operationally highly successful year.

However, 2018 was also a year of new beginnings. Raiffeisen Switzerland laid a solid foundation for its future trajectory by conducting an independent investigation, unbundling ownership structures and overhauling the Executive Board.

Dealing with the past: An independent investigation led by Prof. Dr Bruno Gehrig was launched and completed in 2018. The investigation uncovered deficiencies in the acquisition and management of shareholdings as part of the diversification strategy, particularly from 2012 to 2015. To correct past mistakes and address the increasingly complex challenges of the banking business at the same time, the Board of Directors of Raiffeisen Switzerland launched a comprehensive set of measures, including the promotion of a strong culture of responsibility, improved management and control, and optimised governance. Raiffeisen Switzerland also devoted tremendous effort to implementing various initiatives that will correct the corporate governance deficiencies identified by FINMA.

Extensive unbundling: By rigorously pursuing this strategy, Raiffeisen aims to simplify ownership structures and reduce potential conflicts of interest.

Growth in Raiffeisen's investment activities has accelerated significantly in recent years. The Raiffeisen Group has proven that it can effectively expand investment activities on its own, which is why Raiffeisen decided to realign the Investment Clients business segment and sell Notenstein La Roche Private Bank Ltd to Bank Vontobel Ltd. The sale was completed on 2 July 2018.

Board overhauls: Raiffeisen Switzerland overhauled the Board of Directors and initiated the overhaul process in the Executive Board. At their meeting on 16 June 2018, the delegates of Raiffeisen Switzerland initiated the overhaul of the Board of Directors by electing two new members. At the extraordinary Delegate Meeting on 10 November 2018, four new members were elected, as was Guy Lachappelle as the new Chairman of the Board of Directors of Raiffeisen Switzerland. The new Board of Directors appointed Heinz Huber as the new Chairman of the Executive Board. He assumed his post on 7 January 2019.

In the fourth quarter, an analysis of the current situation was conducted with the owners – paving the way for better teamwork within the Group. The Group's reform efforts were combined into the joint "Reform 21" programme, which is being developed in a participatory process between the Raiffeisen banks and Raiffeisen Switzerland.

Raiffeisen's cooperative culture has always been characterised by intensive dialogue – both within the Group and with our clients and other stakeholders.

Reaching out to clients in the community has more benefits than just allowing us to provide financial advice in every situation in life – it also creates trust. The numbers speak volumes: Clients remained loyal to the Raiffeisen banks in the past year. Customer deposits continued to grow in 2018.

The mortgage business is also performing strongly and proving to be highly successful and solid. The Raiffeisen banks' very good operating profit is overshadowed solely by one-time effects at Raiffeisen Switzerland. The sustained profitability and above-average equity ratio of the Raiffeisen Group have been maintained. Raiffeisen remains a very well-capitalised bank. Additional security for our clients is provided by the Raiffeisen business model, business policy and the cooperative members' ability to participate in the decision-making process.

Another milestone in ensuring the Group's future viability was attained in 2018: Since early January 2019, all 246 Raiffeisen banks have been perating on a modern IT platform. The new core banking system has laid the foundation for an agile and client-friendly banking experience at the Raiffeisen Group.

We have a strong desire to change. Indeed, our Group must constantly evolve and adapt to fluid market conditions if we want to successfully manage our Group and enrich Switzerland's banking industry with our cooperative model in future.

Let us broaden dialogue, making it binding. Dialogue, conducted on equal terms with a valued partner, is what turns a good bank into a preferred bank.

Local entrepreneurship, comprehensive services and, above all, client intimacy – these traits are what have made Raiffeisen great. Our past shows us the way to the future.

Guy Lachappelle
Chairman of the Board of Directors of Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board of Raiffeisen Switzerland

Important events in 2018

9 February 2018

Raiffeisen wins Lipper Fund Award
The sustainable Raiffeisen Pension lnvest Futura Balanced Fund wins the Lipper Fund Award in recognition of its consistently strong track record over ten years.

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28 February 2018

Criminal proceedings against Dr Pierin Vincenz
On 27 February 2018, the Zurich III Public Prosecutor's Office notifies Raiffeisen Switzerland that it has initiated criminal proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland. He is charged with acting in bad faith in connection with Aduno and Investnet. Since 28 February 2018, Raiffeisen has taken part as a criminal and civil law plaintiff in the criminal proceedings against Dr Pierin Vincenz and other involved parties.

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8 March 2018

Raiffeisen Switzerland announces changes in the Board of Directors
There is 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, decides to resign his position effective immediately. Prof. Dr Pascal Gantenbein steps up to serve as the interim Chairman of the Board of Directors of Raiffeisen Switzerland.

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3 April 2018

Raiffeisen launches SME economic indicator
The Raiffeisen KMU PMI, an economic index published by the Raiffeisen Group, shows that Swiss SMEs rate their current business situation as positive. The index will measure the economic pulse of SMEs in the manufacturing sector on a monthly basis from now on.

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11 April 2018

Prof. Dr Bruno Gehrig and Homburger conduct independent investigation at Raiffeisen Switzerland
To come to terms with the Vincenz era, Raiffeisen Switzerland launches an independent investigation and appoints Prof. Dr Bruno Gehrig as the lead investigator. He is aided by teams from Homburger and Tethong Blattner, corporate law firms. The purpose of the independent investigation is to check for irregularities in the equity purchases that Raiffeisen Switzerland and its subsidiaries have made since 2005.

Prof. Dr Bruno Gehrig publishes his report in January 2019. The Board of Directors of Raiffeisen Switzerland takes the steps proposed by the report and decides on a comprehensive set of measures.

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24 May 2018

Raiffeisen continues to expand its investment activities and sells Notenstein La Roche Private Bank Ltd to Bank Vontobel Ltd
Due to the favourable performance of the Raiffeisen banks' investment activities, the Board of Directors of Raiffeisen Switzerland decides to realign the Investment Clients business segment and sell Notenstein La Roche Private Bank Ltd to Bank Vontobel Ltd. The sale is completed on 2 July.

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14 June 2018

Raiffeisen acknowledges FINMA's findings and initiates improvements
Following an eight-month investigation, FINMA, the Swiss Financial Market Supervisory Authority, concludes its enforcement proceedings against Raiffeisen and orders measures that are already largely in the process of being implemented.

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16 June 2018

Delegates send out a clear signal by replacing members of the Board of Directors ahead of schedule
The 115th Delegate Meeting of Raiffeisen Switzerland is dominated by two topics: Dealing with the past and future viability. At the meeting in Lugano, the delegates of Raiffeisen Switzerland set the course for the organisation's continued evolution and demand the early resignation of three members of the Board of Directors. In addition, they elect two new members of the Board of Directors, Rolf Walker and Thomas Rauber, based on previous proposals as part of the regular agenda.

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19 June 2018

New Moody's rating for Raiffeisen Switzerland
Moody's announces that it has changed Raiffeisen Switzerland's long-term credit rating from "Aa2" to "Aa3" and its senior debt rating from "A2" to "A3". This rating is still in the highest quality category, and so Raiffeisen continues to number among the most creditworthy banks.

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18 July 2018

Raiffeisen Switzerland announces change in Executive Board at year-end
Dr Patrik Gisel decides to step down from his position as Chairman of the Executive Board at the end of the year. The Board of Directors of Raiffeisen Switzerland immediately initiates the selection process for a new Chairman of the Executive Board.

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6 September 2018

Raiffeisen and ZHAW launch a national pension barometer
It has been empirically proven time and again that the Swiss are worried about their pensions. So why does the Swiss population act so slowly or not at all? For an explanation, one merely needs to look at the national pension barometer that Raiffeisen has compiled for the first time in cooperation with the Zurich University of Applied Sciences (ZHAW).

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11 October 2018

CHF 5 million for charitable projects
Total donations to the national crowdfunding platform lokalhelden.ch break through the CHF 5 million barrier this summer – just two years after its launch. The money raised by the locally focused platform goes to over 300 regional projects throughout Switzerland.

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9 November 2018

Dr Patrik Gisel steps down effective immediately
The Board of Directors of Raiffeisen Switzerland and Dr Patrik Gisel, Chairman of the Executive Board, agree that his resignation planned for the end of the year can take place earlier. They do so in order to close the public debate about him and enable the Raiffeisen Group to focus on future challenges. Dr Patrik Gisel resigns all his functions with immediate effect. Michael Auer takes over operational management of Raiffeisen Switzerland until further notice.

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10 November 2018

Raiffeisen delegates elect four new members to the Board of Directors and Guy Lachappelle as the new Chairman
At the extraordinary Delegate Meeting of Raiffeisen Switzerland, the delegates of the Raiffeisen banks elect Guy Lachappelle as the Chairman of the Board of Directors of Raiffeisen Switzerland with an overwhelming majority. The new members of the Board of Directors of Raiffeisen Switzerland are Karin Valenzano Rossi, Andrej Golob, Thomas A. Müller and Dr Beat Schwab. The delegates' vote is a clear mandate for change.

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20 November 2018

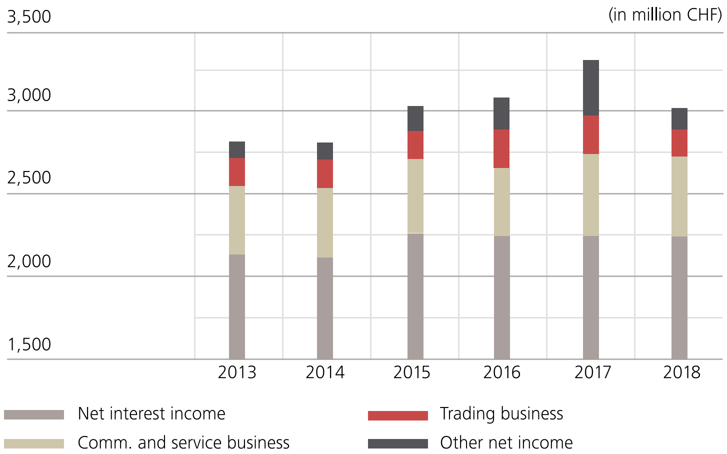
Heinz Huber is announced as the new Chairman of the Executive Board of Raiffeisen Switzerland
Heinz Huber is slated to become Chairman of the Executive Board of Raiffeisen Switzerland on 7 January 2019. The 54-year-old previously held the same position at Thurgauer Kantonalbank.

Management report
Business trend

Business performance

It was a year of contrasts for the Raiffeisen Group, which is reflected in its financial results. The Group succeeded in boosting income in its core operating business. At the same time, extraordinary items lowered the operating result and Group profit by around CHF 270 million. The Raiffeisen Group remained on a solid path despite these one-time corrections, as demonstrated by the outstanding operating business performance of the Raiffeisen banks and branches in the 2018 financial year. The sale of Notenstein La Roche Private Bank Ltd affected the balance sheet and income statement, making it difficult to compare 2017 and 2018. To improve comparability in this management report, the items materially affected by the sale of Notenstein La Roche Private Bank Ltd have been adjusted for the effect of the sale. The core business is thriving and Raiffeisen has effectively preserved its long-term earnings strength thanks in no small part to early investments in its future.

Performance of income items



Raiffeisen conducted many successful projects in 2018. For example, the last approximately 50 Raiffeisen banks and Raiffeisen Switzerland migrated to the new Avaloq-based core banking software on schedule at the end of the year. That means the entire Raiffeisen Group will start out the new financial year running the new core banking system and will thus be poised to continue driving the digitalisation of its core processes.

In 2018, the Investment Clients business segment was realigned and Notenstein La Roche Private Bank Ltd was sold to Vontobel. In recent years, Raiffeisen has demonstrated – with Notenstein La Roche Private Bank Ltd serving as a catalyst – that it can successfully develop the investment business on its own. Moreover, the sale of Notenstein La Roche Private Banking Ltd frees up regulatory capital that Raiffeisen can employ to continue growing its core business. The sale represents a further step towards the unbundling and simplification of the Group's structure.

Raiffeisen's operating earnings power is reflected in the significant increase in gross interest income (+1.8% or +CHF 40 million). Margins in interest operations remained tight due to the stubbornly low interest rate level and negative interest rates. That made the strong growth in gross interest income all the more gratifying. It was offset by CHF 63 million in value adjustments from interest operations, mostly attributable to valuation adjustments for companies held in KMU Capital AG's portfolio. The valuation of the portfolio companies was changed from a future-oriented valuation-based approach (DCF valuation) to a present-based approach (multiple approach), which was a significantly cause of the valuation adjustments. The result from commission business and services

(-8.8% or -CHF 44 million) and from trading activities (-8.7% or -CHF 20 million) was lower due to the loss of income from Notenstein La Roche Private Bank Ltd after it was sold. After adjusting for this effect (values as at 31 December 2017 and 31 December 2018 without Notenstein La Roche Private Bank Ltd), the result from commission business and services increased CHF 21 million, or +5.4%, while the result from trading activities declined by a low CHF -4 million, or 1.8%. The decrease in other results from ordinary activities (-43.8% or -CHF 148 million) was primarily caused by a decline in the capitalisation of expenses related to the new core banking system compared to the previous year. The one-time income reductions exceeded the positive effects from the operating business in a year-on-year comparison. This reduced CHF 231 million, or 7%, from operating income. When viewed over several years, the income items were on a par with previous years despite the extraordinary items.

Expenses declined slightly year-on-year. Operating expenses, for example, decreased CHF 17 million, or 0.8%, due to the sale of Notenstein La Roche Private Bank Ltd. After adjusting for the Notenstein effect, operating expenses rose around CHF 60 million, or 3.2%. This increase is primarily attributable to higher expenses related to the roll-out of the core banking system and the addition of 136 full-time positions (without the Notenstein La Roche Private Bank Ltd effect).

The extraordinary items mentioned above amounted to around CHF 270 million. Two significant factors should be mentioned in this context. First, Raiffeisen Switzerland's participations were retested for impairment. Second, provisions were set aside in connection with the purchase of ARIZON Sourcing Ltd.

In connection with investments, value adjustments, depreciations and provisions totalled CHF 201 million, of which around CHF 125 million are attributable to KMU Capital. The book value of the participation position in Leonteq Ltd was adjusted by around CHF 57 million because the market value had decreased year-on-year as of the valuation cut-off date. Other value adjustments of around CHF 19 million related to adjustments to the valuations of other participations. All the other participations that did not already use the net asset value method for their valuations switched over to the net asset value method. Provisions recognised in connection with the purchase of a participation in ARIZON Sourcing Ltd amounted to around CHF 69 million in total.

These extraordinary items had the general effect of reducing the operating result – which declined CHF 409 million, or 36.9%, year-on-year – as well as the Group profit – which decreased CHF 376 million, or 41%, year-on-year. It should be noted that the previous year was an absolute record year as a result of gains on the sale of investments and high capitalisations related to the core banking system. Despite the lower result overall, an additional CHF 120 million were allocated to reserves for general banking risks.

No post-balance sheet date events occurred that would have a significant impact on the operating result.

Income statement

Income from operating activities

Income items moved in disparate directions in 2018, reflecting the multifaceted nature of the financial year: The operational business did well, but its strong performance was somewhat overshadowed by the negative effects of the extraordinary items.

In its core business, the Group achieved further relevant growth in the mortgage portfolio, which raised the gross result from interest operations by CHF 40 million. Declines in individual income items were attributable, at least in part, to the retesting of participations for impairment and to the disentangling and simplification of the shareholding structure. The high value adjustments on positions at KMU Capital Group led to a CHF 20 million decline in net interest income compared with the previous year. However, this decline does not reflect the strong performance of the core operating business.

The sale of Notenstein La Roche Private Bank Ltd significantly decreased the result from commission business and services as well as the result from trading activities. The mid-year sale of the private bank caused a year-on-year decline of CHF 64 million in net income from commission business and services, with most of the drop concentrated in securities trading and investment activity. This also meant on the other hand that the operating business of the Raiffeisen banks and branches reported an increase of nearly CHF 21 million in net income from commission business and services. Trading activities performed similarly well. On balance, there was a year-on-year decline of CHF 20 million, which included CHF 16 million in income lost after the sale of the private bank. Without this effect, however, the result from trading activities would still have been down somewhat, but closer to the previous year's result.

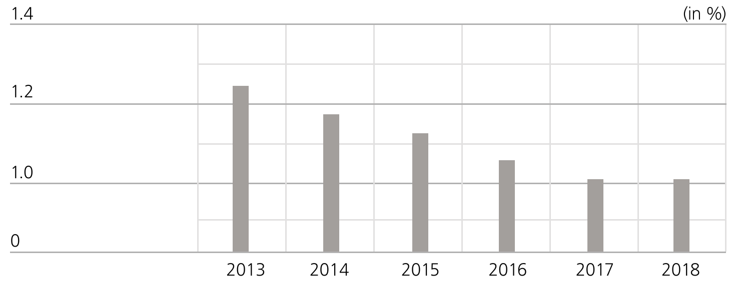
The other result from ordinary activities fell in the year under review as well, posting a drop of CHF 148 million. This decrease was largely due to steep declines in the capitalisation of expenses incurred in the project to launch the new core banking system. The biggest expenses for implementing the new banking software were capitalised in 2017. However, capitalisable costs have decreased steadily since the first Raiffeisen banks migrated to the new system on 1 January 2018. CHF 199 million in project expenses were capitalised in 2017, but capitalisable project expenses dropped to CHF 108 million in 2018, which corresponds to a CHF 91 million reduction in income. This income item also contained CHF 36 million in write-downs on financial investments at KMU Capital AG (KMU Capital AG’s participations are reported as financial investments in the consolidated financial statements). In terms of this item, this means that the total decrease of CHF 148 million is largely attributable to extraordinary items (CHF 127 million).

All told, the Group's total operating income of CHF 3.1 billion was CHF 231 million below the previous year's figure of CHF 3.3 billion. This decline is due in particular to the following factors: The reassessment of the recoverability of investments and financial assets at KMU Capital Group (-CHF 84 million), the lack of income from commission and trading activities as a result of the sale of Notenstein La Roche Privatbank AG as at mid-year (-CHF 80 million) and the sharp fall in capitalisation in connection with the new core banking system (-CHF 91 million) totalling CHF 252 million.

The operating business of the Raiffeisen banks and branches is doing well, it even generated more income in 2018 than the year before. Income from interest, commission and service fee activities was higher than in the previous year.

Interest operations achieved a good performance despite the persistently difficult circumstances. The gross result from interest operations rose CHF 40 million (+1.8%), which was much more than in 2017 (+CHF 21 million). This is a positive result given the ongoing low-interest phase. The shrinking of the interest margin began to slow in the current year. In fact, it had returned to the previous year's level of 1.02% by the end of the year. Competitive pressure remained high as new financial service providers emerged. The Raiffeisen banks and branches could nonetheless expand their market position.

Interest margin



Changes in value adjustments for default risks and losses from interest operations increased CHF 60 million to CHF 63 million. In addition to the aforementioned value adjustments on positions of KMU Capital Group in the amount of CHF 48 million, this increase was due in particular to a larger need for value adjustments on a credit position of Raiffeisen Switzerland. The Raiffeisen banks continued to have a reasonable risk profile. The Raiffeisen banks and branches successfully absorbed the risk posed by mortgage growth and posted more releases than newly created adjustments overall. Losses recognised directly in income amounted to CHF 0.8 million (previous year: CHF 6.6 million). At Group level, the net result from interest operations decreased CHF 20 million to CHF 2.2 billion as a result of value adjustments affected by the extraordinary items.

The result from commission business and services (note 22) was highly affected by the mid-year sale of Notenstein La Roche Private Bank Ltd. The result declined CHF 44 million to CHF 451 million. The absence of Notenstein La Roche Private Bank Ltd translated into an earnings shortfall of CHF 64 million in the year under review. By the same token, this also meant that the core business of the Raiffeisen banks and branches posted a year-on-year gain of CHF 21 million. The CHF 14 million in additional income from securities trading and investment activity is particularly noteworthy. Income from other services continued to grow due to an increase in volume, particularly in the payments business.

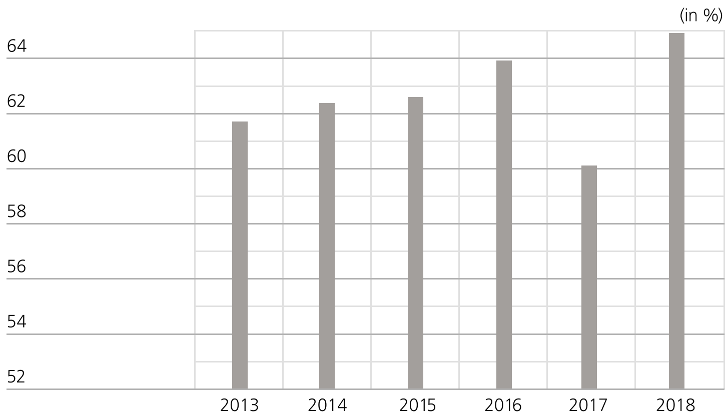
The result from trading activities decreased CHF 20 million to CHF 210 million (note 23.1/23.2). The decrease was largely due to the loss of income from Notenstein La Roche Privatbank AG (-CHF 16 million). There was a slight decline of CHF 4 million overall. This decline was caused by trading in interest products, which was adversely affected by difficult market conditions in the current year. Equities trading recorded an increase, albeit at a modest level overall. The result from foreign exchange and notes trading was similar to that achieved in the previous year.

While many factors came together in the previous year to produce a very high other result from ordinary activities of CHF 337 million, the underlying situation changed completely in 2018. Most of the sub-items showed significant income decreases or expense increases that totalled CHF 148 million and produced a result of CHF 189 million, which represented a large year-on-year decline. The disposal of financial investments generated a result of CHF 5 million (-CHF 23 million). This is attributable to the fact that the previous year included the sale of a fairly large portfolio of financial investments in a favourable market environment. Income from participations reached CHF 76 million (-CHF 13 million). The decline came about partly because valuations of equity-method participations did not increase as much as in the previous year. Also, the CHF 8 million in income from participations for Helvetia Holding Ltd was not included in 2018 since this participation was already sold in 2017 to simplify the shareholding structure. Other ordinary income shrank, chiefly because the capitalisation of development costs for the new core banking system dropped CHF 80 million to CHF 129 million. Other ordinary expenses rose a considerable CHF 32 million to CHF 42 million, almost entirely as a result of a more cautious valuation of financial assets held by KMU Capital AG (CHF 36 million). Participations held by KMU Capital AG are reported as financial investments in the consolidated financial statements, since they are intended to be resold and not held for an extended period.

Operating expenses

Operating expenses dropped slightly by CHF 17 million and fell back below the CHF 2 billion mark in the current year, as they were expected to do. The sale of Notenstein La Roche Private Bank Ltd had a positive impact on operating expenses. However, the roll-out of the new core banking system fell behind the original project schedule, which resulted in continued high project, supervision and training expenses in 2018. The cost/income ratio rose significantly from 60.8% to 64.9% as operating income fell precipitously while operating expenses only dropped slightly year-on-year.

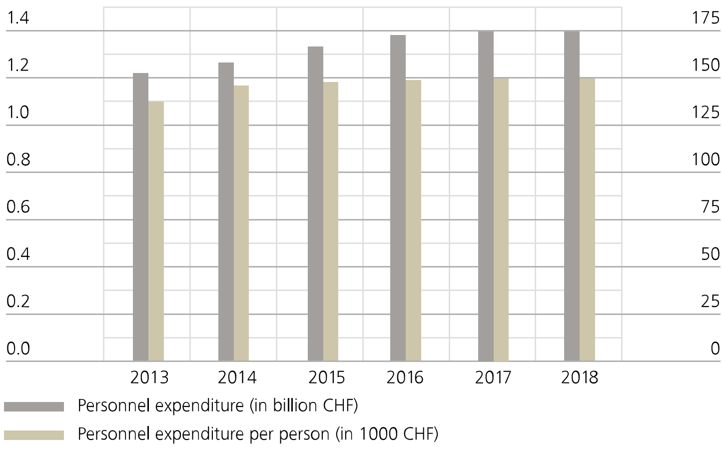
Cost/income ratio trend



Personnel expenses

Personnel expenses (note 26) decreased a slight CHF 5 million to CHF 1.4 billion. The mid-year sale of Notenstein La Roche Private Bank Ltd reduced the headcount by more than 330, lowering costs accordingly. At the same time, 136 employees were added to the Raiffeisen Group's core business, including 107 new employees at the Raiffeisen banks. The number of full-time positions at the Group amounted to 9,215 (previous year: 9,411 full-time positions). Expenses for salaries and social insurance contributions remained unchanged overall while ancillary personnel expenses declined. Expenses for temporary staff to support the project for the new core banking system decreased significantly for the first time in the year under review. Per capita personnel expenses remained essentially unchanged from the previous year at CHF 149,300.

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



General and administrative expenses

General and administrative expenses (note 27) followed a similar trajectory to personnel expenses. They shrank slightly by CHF 12 million to CHF 606 million and benefited from the elimination of Notenstein La Roche Private Bank Ltd's costs as of mid-year. At the same time, approximately CHF 14 million in additional costs were incurred for extensive investigation and preparation work related to corporate governance issues in the current year. The new core banking system was rolled out in several tranches over the financial year. The last group of Raiffeisen banks migrated to the new system as of 1 January 2019. Due to the one-year timeframe of the roll-out, considerable costs were incurred to operate the core banking systems side-by-side during this period.

Raiffeisen Group capital investment 2014–2018, by category

Net investment, in CHF million	2014	2015	2016	2017	2018
Bank buildings	56	92	83	76	109
Other real estate	2	2	8	10	53
Alterations and fixtures in third-party premises	18	17	15	11	9
IT hardware	13	22	17	15	14
IT software	34	65	129	208	157
ATMs	8	4	7	9	12
Furniture	3	5	5	4	6
Fixtures	4	3	5	8	10
Office machines, vehicles, security installations	5	7	7	3	13
Total net investment	**143**	**217**	**276**	**344**	**383**

Raiffeisen Group capital investment 2014–2018, by region

Net investment, in CHF million	2014	2015	2016	2017	2018
Lake Geneva region	18	21	15	16	35
Espace Mittelland	17	29	32	35	43
Northwestern Switzerland and Zurich	24	21	35	29	59
Eastern Switzerland*	65	124	168	227	217
Central Switzerland	12	7	16	21	21
Ticino	7	15	10	16	8
Total	**143**	**217**	**276**	**344**	**383**

* incl. central investment by Raiffeisen Switzerland

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

This item increased sharply in the current year due to higher amortisation of intangible assets, rising CHF 70 million, or 37.3%. The goodwill for Group companies KMU Capital Holding AG and Business Broker Ltd was written down completely on prudential grounds. In addition, the goodwill for the equity investment Leonteq AG was valued CHF 69 million lower due to an additional value adjustment. In 2018, the goodwill write-down was CHF 108 million, CHF 66 million higher than in the previous year. Write-downs of participations were slightly lower than those of the previous year. Write-downs of the new core banking system will only be performed in 2019.

Changes to provisions and other value adjustments, and losses

This item was particularly affected by extraordinary items. After reporting a CHF 0.5 million reduction in expenses in the previous year, net new provisions, other value adjustments and losses totalled CHF 124 million in 2018. Three factors are responsible for this increase. First, provisions exceeding CHF 19 million were recognised to cover reorganisation costs associated with the sale of Notenstein La Roche Private Bank Ltd. With regard to other provisions, the imponderables in the legal disputes with "Investnet" in particular resulted in an increase of CHF 25 million in the income statement. In addition, provisions of CHF 69 million were recognised for other business risks due to the purchase of the Avaloq stake in ARIZON Sourcing AG by Raiffeisen Switzerland agreed in 2018. The purchase was completed in January 2019.

Extraordinary income and expenses

Raiffeisen benefited from sales of participations, albeit less than in the previous year. It received CHF 104 million in net income from selling the participations in Helvetia Holding Ltd and Avaloq Group AG in 2017. In the current year, the sale of Notenstein La Roche Private Bank Ltd generated net income of CHF 68 million. This transaction raised extraordinary income (note 28) to CHF 82 million (previous year: CHF 119 million). Extraordinary expenses rose CHF 5 million to nearly CHF 9 million because of greater losses on sales of tangible fixed assets.

Taxes

Taxes (note 29) decreased CHF 77 million to CHF 156 million. Current taxes incurred by the individual companies amounted to CHF 170 million, slightly below the previous year's level (CHF 177 million). Provisions for deferred taxes were also released, however, mainly as a consequence of the sale of Notenstein La Roche Private Bank Ltd.

Balance sheet

Total assets decreased a slight CHF 2.4 billion to CHF 225.3 billion. While client positions in the retail business rose by an amount comparable to the previous year, interbank positions on both the asset and the liability side declined significantly. In previous periods, these balance sheet categories contained large volumes of unsettled interbank transactions that were due to be settled on the settlement date (generally two days later). This effect occurs wherever transactions are accounted for using the trade date principle, not the settlement date principle. Unsettled transactions were kept low at year-end in anticipation of the migration to the new core banking system. This reduced total assets.

Amounts due and liabilities with regard to banks

Amounts due from banks decreased CHF 6.1 billion year-on-year to CHF 2.2 billion. Amounts due to banks also shrank CHF 6.1 billion to CHF 6.5 billion. The decrease is partly due to the effect of migrating to the new core banking system and to the application of the book balance principle. On a current balance basis, receivables from other banks changed very little year-on-year.

Amounts due and liabilities from securities financing transactions

Liabilities from securities financing transactions increased CHF 725 million to CHF 2.9 billion. These are repo transactions in which money is borrowed against collateral. The purpose of these transactions is to manage sight deposits held with the SNB. Amounts due from securities financing transactions were CHF 5 million.

Loans to clients

Loans to clients have been growing for years, and 2018 was no exception. This item rose CHF 7.2 billion (previous year: CHF 7.1 billion), or 4%, to CHF 187.7 billion. Mortgage loans (+CHF 6.9 billion) and other amounts due from customers (+CHF 219 million) increased. Raiffeisen grew its mortgage holdings somewhat faster than the Swiss mortgage market and so expanded its share of the domestic mortgage market from 17.5% to 17.6%. The corporate client business developed encouragingly in terms of loans to customers, rising by 928 million or 67.3% to CHF 2.3 billion.

Raiffeisen's growth in loans to clients was spread across a broad geographical range with no discernible concentrations in individual regions. Residential property made up around 88% of the mortgage loans while the second-largest category, commercial property, accounted for 8%. The remainder was distributed among agricultural and other property.

Value adjustments on default risks increased CHF 51 million to CHF 259 million in 2018 due to the conservative valuation of positions held by KMU Capital AG. KMU Capital was responsible for CHF 45 million of this increase. In contrast, value adjustments declined at the Raiffeisen banks, which had a total credit volume of CHF 174.3 billion. At Group level, the ratio of value adjustments to loans to clients stood at 0.138% (previous year: 0.115%). This figure drops to 0.111% if only the Raiffeisen banks and branches are considered.

Trading portfolio assets

Trading portfolio assets (note 3.1) decreased CHF 424 million to CHF 3.5 billion. While the trading portfolio of precious metals grew, the portfolio of debt and equity securities shrank. The reduction in debt securities is attributable to tactical considerations and a slight decrease in structured products. The bonds in the trading portfolio 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 holdings classified as financial investments (notes 5.1 and 5.2), which mainly consist of investment-grade bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value dropped, falling CHF 981 million to CHF 6.6 billion, as a result of the sale of Notenstein La Roche Private Bank Ltd.

Non-consolidated participations

Despite the fundamental demerger strategy, the book value of non-consolidated participations (note 6) increased by CHF 33 million to CHF 683 million. The sale of Notenstein La Roche Private Bank Ltd resulted in a decrease in participations of CHF 24 million. However, this disposal was more than offset by other effects. The capital increase at Leonteq AG increased Raiffeisen's stake by CHF 36 million. In addition, in 2018 the investments accounted for using the equity method were revalued by CHF 15 million.

Tangible fixed assets

The book value of tangible fixed assets (note 8) went up less in 2018 than in 2017, increasing CHF 131 million (previous year: CHF 203 million). The slower rate of growth was caused by a drop in capitalisable project expenses. Overall, project costs of CHF 108 million (previous year: CHF 199 million) were capitalised in the current year. Year-on-year increases were recorded in the other asset categories, particularly in other real estate.

Intangible assets

Intangible assets (note 9) shrank considerably due to the demerger strategy. They decreased CHF 318 million, or 85.5%, to CHF 54 million. The sale of Notenstein La Roche Private Bank Ltd lowered goodwill by CHF 174 million. Owing to the fact that Investnet AG does not belong to the Raiffeisen Group and as a result of a conservative valuation of the KMU Capital Group, a further sum of CHF 55 million was obtained from lowered goodwill, disposals and goodwill depreciation. Mark-to-market accounting for the goodwill on Leonteq Ltd resulted in an extraordinary write-down of CHF 57 million. The remaining depreciation was mainly the result of regular goodwill amortisation.

Liabilities from customer deposits

Customer deposits increased CHF 1.6 billion, or 1.%, to CHF 165.7 billion compared with the previous year. However, the mid-year sale of Notenstein La Roche Private Bank Ltd resulted in a decrease of CHF 2.8 billion. A like-for-like comparison without the private bank's holdings would show that customer deposits increased CHF 4.7 billion, or 2.9%. This increase is still down year-on-year but can be explained by the continued increase in transfers from bank accounts to securities holdings in the current year. It should be noted that growth in customer deposits slowed down in Switzerland as a whole. Nevertheless, Raiffeisen did well compared to the broader market.

Liabilities from other financial instruments at fair value

Structured products are issued by Raiffeisen Switzerland and Raiffeisen Switzerland B.V. Amsterdam. Structured products issued in Amsterdam are marked to market and reported in this balance sheet item. Holdings of these structured investment solutions decreased CHF 280 million year-on-year to CHF 2.3 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 the position "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

The portfolio of bond issues and central mortgage institution loans (note 14) increased by CHF 925 million to CHF 26.9 billion. Central mortgage institution loans rose CHF 784 million to CHF 21.8 billion. They are an excellent supplemental source of funding for loans and a flexible tool for managing liability-side maturities, particularly for the Raiffeisen banks. Bonds issued by Raiffeisen Switzerland increased by a minimal CHF 63 million to CHF 3.4 billion. Three bonds totalling over CHF 900 million were repaid in 2018. They were easily replaced by four bonds totalling just over CHF 1 billion. Structured products issued by Raiffeisen Switzerland, which are reported under bonds, declined slightly, falling CHF 78 million to CHF 1.7 billion.

Provisions

The demerger strategy and the extraordinary items associated with it had a large impact on provisions (note 15). Deferred taxes were reversed by CHF 14 million, mainly due to the sale of Notenstein La Roche Private Bank Ltd. Reorganisation provisions increased sharply due to the sale of Notenstein La Roche Private Bank Ltd. In the case of provisions for legal risks, the uncertainties in the legal disputes in the context of "Investnet" in particular resulted in a marked increase. The agreed repurchase of ARIZON Sourcing Ltd led to an increase in the provisions for other business risks.

An additional CHF 120 million in reserves for general banking risks (previous year: CHF 80 million) were recognised in the current year.

Capital adequacy/equity capital

On 21 November 2018, the Federal Council passed an amendment to the Capital Adequacy Ordinance for domestically focused systemically important banks. These banks now have to meet gone concern requirements for restructuring or liquidation contingencies in addition to the established going concern requirements. The Group's total requirement under the amended ordinance is 17.9%. However, this requirement will be phased in over a seven-year period. Consequently, Raiffeisen will have to meet the new requirements in full for the first time as of 1 January 2026. Raiffeisen is convinced that it can achieve this target on its own due to its high retention of earnings. The Group had already achieved a ratio of 17.5% as at 31 December 2018.

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 17.8% (previous year: 17.4%) clearly exceeds these going concern requirements. Its CET1 ratio stood at 16.5% at year-end (previous year: 15.9%). With a leverage ratio of 7.6% (previous year: 7.1%), Raiffeisen exceeds both the current going concern requirements and the future TLAC leverage ratio. The large increase is attributable to the rise in core capital and the reduction in total assets.

Equity capital with minority interests (statement of changes in equity and note 16) went up CHF 780 million to CHF 16.5 billion. The high retention of earnings as a cooperative and the CHF 215 million increase in cooperative capital helped to strengthen the equity base.

Financial outlook for 2019

Market environment and general conditions

The Swiss economy was on a satisfying trajectory in 2018. Gross domestic product grew around 2.5%, driven by a broadly stable Swiss economy (consumption, investment, export) and a global economy that was particularly strong during the first half of the year. As a result, 2018 was the best year for growth in Switzerland since 2010, which had a positive impact on employment, among other things. Raiffeisen expects growth to slow down to around 1.2% in 2019 as the international economy loses steam. Geopolitical uncertainty also weighs on the outlook for this year.

Raiffeisen expects negative interest rates to continue in 2019 as the European Central Bank (ECB) and the Swiss National Bank (SNB) are unlikely to make any interest rate moves in the absence of inflationary pressure. However, interest rates are anticipated to normalise through extremely moderate increases over the medium term. The tailwind from constantly falling interest rates is weakening in the real estate market. However, despite high real estate prices, property ownership remains attractive thanks to the expectation of low interest rates and high rents. In addition, supply and demand for ownership have not diverged – unlike in the investment property segment where the vacancy rate has risen to 1.6%. All in all, Raiffeisen expects slower price growth for real estate and consolidation at a high level.

Development of the Raiffeisen Group's business

The Swiss banking market will continue to be influenced by margin pressure. Raiffeisen expects volume and income in the core business to grow moderately in 2019, despite the significant challenges presented by the market environment. Raiffeisen expects loans to clients to grow at a similar pace to 2018, while client deposits are expected to once again grow faster. Income in interest operations and commission and services business should therefore increase slightly for the Raiffeisen banks and Raiffeisen Switzerland.

Management report
Strategy

Strategic background

The Swiss banking market is going through a structural change characterised by digital transformation, tougher competition and financial service providers from outside the industry. At the same time, banks are confronted with their clients' high expectations and strict regulatory requirements.

Clients: High expectations and digital affinity

Developments
Clients expect all-in-one solutions. This has fuelled demand for solutions provided jointly by several service providers. The type of sales channel is secondary, and scepticism about direct banks (online banks without branches, known as "smartphone banks") is declining.

Raiffeisen activities
Raiffeisen continues to rely on a strong physical presence through local Raiffeisen banks. At the same time, Raiffeisen is investing in digital channels and in specific, comprehensive customer care. It recognises the need to address clients' home, wealth and entrepreneurship needs more comprehensively, drawing on the Group's own expertise as well as that of industry outsiders. Raiffeisen's goal is to provide single-source solutions across all its sales channels.

Technology: Increased pace of innovation

Developments
Digital maturity has increased in the banking sector. However, Swiss banks still appear to have some catching up to do compared to other European countries. New technologies relating to blockchain, big data and analytics, biometrics and artificial intelligence are also developing great momentum and affecting banking more and more.

Raiffeisen activities
Raiffeisen has taken an active role in the ongoing digital transformation. It is seizing the opportunities presented by this trend. It not only tests and uses new technologies for efficient process design, it also harnesses them to develop innovative solutions that benefit clients.

Banking market: Tougher competition

Developments
Competition is becoming increasingly cut-throat in the banking market: Innovative outsiders are entering the industry and gaining more and more market share in different business lines. In the mortgage business, insurance companies and pension funds are particularly fond of competitive pricing. The constantly changing offerings, processes and partnerships also influence the value chains of financial service providers and blur the boundaries between industries.

Raiffeisen activities

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Economy: Positive performance with sustained low interest rates

Developments

The Swiss economy performed well in 2018. Employment in the labour market has continued to improve. Amid stubbornly low interest rates, the real estate market and mortgage business remained solid, whereby a consolidation of price levels is expected. The investment property market, however, is presenting challenges in some regions. Vacancies have been going up.

Raiffeisen activities

In today's environment, prudent lending practices are essential for a sustainable business trajectory. Raiffeisen has therefore chosen to adhere to its proven, conservative lending policies and cautious market assessments. At the same time, it seeks out and develops new sources of growth and income to offset falling margins in its core business.

Politics: Dynamic changes in regulatory framework

Developments

The adoption of the Paris Agreement and the UN's Sustainable Development Goals have resulted in international sustainability targets that are increasingly being adopted at a national level. For example, one of the Federal Council's reports from 2018 refers specifically to the implementation of the international sustainability agenda. The most striking development at a national level is the amendment of the Swiss Federal Act on Banks and Savings Banks (Banking Act), which in future will allow cooperative banks to raise equity capital.

Raiffeisen activities

Regulatory compliance is a central requirement for Raiffeisen. The amendment of the Banking Act gives Raiffeisen better access to the capital market. In addition, sustainability will attract ever more attention in the future. Raiffeisen acknowledges its responsibility to society and is involved in a wide range of projects in this regard.

Raiffeisen Switzerland: Dealing with the past and renewal

The Raiffeisen Group has gone through an eventful phase since FINMA opened enforcement proceedings and filed criminal charges against Dr Pierin Vincenz, the former Chairman of the Executive Board. Raiffeisen is actively and resolutely dealing with this part of its past.

Proceedings and investigation in the year 2018

The FINMA enforcement proceedings were closed in June 2018. In its investigation, FINMA concluded that Raiffeisen Switzerland severely violated oversight provisions and handled conflicts of interest inadequately. Many of the personnel, organisational and other measures that were ordered have already been implemented or are in the process of being implemented.

The purpose of the independent investigation, which was commissioned by Raiffeisen and opened in April 2018, was to check for irregularities in the equity purchases that Raiffeisen Switzerland and its subsidiaries had made since 2005. The independence of the investigation was assured by making Prof. Dr Bruno Gehrig the lead investigator. Raiffeisen Switzerland published the report in January 2019 and communicated the results transparently.

Future alignment of the Raiffeisen Group

In September 2018, the representatives of the Raiffeisen banks and regional unions decided to reform the Raiffeisen Group within the framework of the "Reform 21" programme. Among other topics, the programme looks at governance, the owner strategy and values. The owners, Raiffeisen banks and the Board of Directors of Raiffeisen Switzerland were participants in the process. The decision to implement the programme laid an important milestone in the modernisation process and sent out a clear signal of the Raiffeisen Group's commitment to reform.

In addition, the delegates of the Raiffeisen banks elected Guy Lachappelle as the Chairman of the Board of Directors of Raiffeisen Switzerland with a clear majority at the Extraordinary Delegate Meeting on 10 November 2018. Karin Valenzano Rossi, Andrej Golob, Thomas A. Müller and Dr Beat Schwab also joined the Board. At the start of 2019, Heinz Huber succeeded Dr Patrik Gisel, who had stepped down as Chairman of the Executive Board in November 2018. In short, these important staffing decisions have set the course for Raiffeisen Switzerland's future trajectory.

Strategic approaches

Overview

Raiffeisen has established itself as a leading Swiss retail bank and intends to continue its qualitative growth in the core business guided by adequate risk considerations. Furthermore, Raiffeisen believes it has additional leverage potential, especially in terms of productivity and in the commission and services business. Fiercer competition from other banks, industry outsiders and FinTech companies, and shrinking margins are putting considerable pressure on costs and earnings.

Raiffeisen has always stood out from the competition because of its client intimacy, local roots and cooperative values. These values must be cultivated and strengthened even as we proceed with our digital transformation.

Priorities and goals

To master the strategic challenges and rigorously leverage opportunities, Raiffeisen Switzerland's Executive Board and Board of Directors regularly define the substance of the strategic approach for the next three years. The systematic implementation of the strategic goals drives Raiffeisen Group's continued growth and success. We are pursuing the following goals and priorities at the Raiffeisen Group level from 2019 to 2021.

High-quality growth in the core business
Raiffeisen's core business is the domestic savings and mortgage market. It is also where Raiffeisen plans to leverage its expertise and client intimacy in order to continue growing profitably and further strengthen its market leadership.

Diversification of business areas
We want to seize opportunities in the business areas served by Raiffeisen in order to diversify our income streams and thus reduce our dependence on interest operations. Our focus is on strengthening our investment and corporate client business by further broadening our product and service portfolio, investing in advisory services and channels, and aggressively harnessing expertise within the Group.

Increasing productivity
Efficient, cost-effective service delivery is crucial to the Raiffeisen Group's competitiveness and therefore its long-term success. Raiffeisen Switzerland, its subsidiaries and the Raiffeisen banks have equally pursued rigorous cost discipline and targeted productivity increases through standardisation and process optimisation.

Strengthening the corporate culture
Raiffeisen's reputation suffered in 2018. Therefore, we want to sustainably cultivate and enhance the Raiffeisen brand and the values it stands for: Credibility, sustainability, client intimacy and entrepreneurship. In particular, Raiffeisen wants to better highlight its primary unique selling propositions, such as the Group's cooperative business model and corporate responsibility.

Strategy implementation

Strategic review – main activities in 2018

Launch of new core banking system
The new core banking system was successfully launched in 2018 for all Raiffeisen banks and Raiffeisen Switzerland's six branches and Central Bank department. This move significantly simplified Raiffeisen's IT environment and laid the cornerstone for efficiency gains and future digitalisation projects.

Focus on investment activity
Growth in investment activity has accelerated significantly in recent years. Raiffeisen's strategy for the future is to focus on private clients with small to medium-sized portfolios; thus, Notenstein La Roche Private Bank Ltd was sold. In return, Raiffeisen will be investing substantially in serving private clients with small to medium-sized portfolios in the years to come and is expanding its capabilities in this segment. It is perfectly poised to serve these clients with the excellent client intimacy and advisory capabilities of the local Raiffeisen banks and branches.

Comprehensive solutions for clients
Raiffeisen focuses on providing a comprehensive theme-driven range of products and services with and without the involvement of other service providers. The expansion of home, wealth and entrepreneurship activities is aimed at driving Raiffeisen's continued success in the marketplace. RaiffeisenCasa, the home and real estate portal, offers a complete, seamless service package for residential properties, which now also includes legal counselling and information for home-owners about home energy retrofits. Raiffeisen Immo AG convinces with sound market knowledge and end-to-end advisory services on property purchases and sales.

The opening of the first Raiffeisen Business Owner Centre (RUZ) in the French-speaking part of Switzerland (Yverdon) has expanded the bank's footprint and brought it closer to companies. Raiffeisen's competence as a bank for business owners was strengthened through numerous trade events, its partnership with Swissmem and its awarding of entrepreneurship prizes.

Strengthening the culture of dialogue and innovation at Raiffeisen
RAI Lab, Raiffeisen's internal innovation laboratory, researches future trends, technologies and business models and introduces promising new developments to the Raiffeisen Group. Ideas, experiments and innovations were developed and pursued in various formats, including the second instalment of the two-day Innovation Challenge.

Furthermore, the previous performance review process for Raiffeisen Switzerland employees was replaced by an ongoing performance dialogue. These moves have better positioned Raiffeisen as a cutting-edge employer in Switzerland and substantially enhanced its culture of dialogue.

Goal outlook and planned measures in 2019

2019 is a year of transition for the Raiffeisen Group. Raiffeisen will largely have completed the renewal measures in order to be able to concentrate more on strategic banking issues. The focus is on greater agility, digitalisation of the customer interface and diversification of the earnings mix.

Further expansion of the topics of "Home", "Wealth" and "Entrepreneurship"
As part of our further expansion of the topic "Home", in addition to other activities, we intend to optimise our lending operations in order to pursue additional growth and efficiencies. To extend our "Wealth" footprint outside of developing new investment products, we have begun to launch internal activities for automatic asset management and have trialled Robo Advisory. With regard to our "Entrepreneurship" activities, we plan to expand our integrated client-centric solutions and step up process digitalisation. Strategic product launches and enhancements in this area will continuously broaden the product range. All the while, Raiffeisen Business Owner Centres (RUZ) will remain key network partners for the service portfolio. The ultimate goal of these efforts is to be a one-stop shop for current and future clients.

Specific and comprehensive customer care
In 2018, the advisory approach for private and corporate clients was optimised and aligned even more with client needs. In future, greater technical support for the advisory process will add even more value for clients and advisors. This includes the targeted, needs-driven use of data to ensure a comprehensive advisory experience for clients.

Boosting innovativeness
Digital transformation is permanently and significantly changing job profiles. Raiffeisen is therefore making targeted investments in the training and continuous development of its employees. The investments also aim to sharpen Raiffeisen's innovative edge. While the Raiffeisen innovation incubator will continue to provide inspiration, the bank will make greater use of the diversity of its workforce for innovation.

Strengthening sustainability performance
Public awareness of sustainability issues is growing. With its range of sustainable financial products (for instance, investment funds), Raiffeisen plans to seize the opportunities presented by the growing demand for such products while living up to its responsibility to society and the environment. The following are concrete examples of this:

- Real estate contributes significantly to global warming. Properties will have to undergo energy retrofits and modernisation over the medium term. In lending, closer attention must be paid in future as to whether sustainability aspects must be taken into account due to risk and return considerations.
- In addition to the banking business, Raiffeisen continues to make substantial contributions to athletic, cultural and social life in Switzerland.

Strategic review

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 and issues for the next three years. The strategic approaches are broken down into measurable targets and monitored on an ongoing basis. The focus is on financial targets as well as client and employee metrics, which provide a comprehensive view of the strategic objectives we have achieved. As a cooperative, Raiffeisen's primary commitment is to its members. Its overarching strategic focus is not profit maximisation.

Extract from the strategic targets for the Raiffeisen Group

Target value	2016 actual value	2017 actual value	2018 actual value
Loans to clients (change in %)	4,2	4,1	4,0
Client deposits (change in %)	5,3	3,7	1,0
Total portfolio value, excluding own cash bonds (change in %) [1]	4,0	0,7 [2]	-3,7 [3]
Gross new provisions for value adjustments, loan losses and loan loss provisions as a percentage of loans (in %)	0,04	0,04	0,06
Cost-income ratio (in %)	63,9	60,8	64,9
Turnover of key persons (in %) [4]	2,0	1,0	1,0

1 Will be replaced by target "Net new money for securities in Group (change in %)" beginning in 2019

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

3 Without effects of sale of Notenstein La Roche Private Bank Ltd

4 Will be replaced by target "Turnover of key persons in the Group (in %)" beginning in 2019

Management report
Risk policy

Risks and principles

General

- Risks are only taken within risk tolerance limits following 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 relating to clients, industries or geographic regions.
- 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

- Risks in the trading and banking books are managed based on clearly defined guidelines.
- Clear strategic lines are drawn using limits and proven tools.
- Raiffeisen Switzerland trains and advises the Raiffeisen banks regarding their market risk in the banking book.
- Foreign currency assets are generally refinanced in the same currency (matched book approach).

Liquidity risk

- Refinancing sources are reasonably diversified.
- Liquidity in the Raiffeisen Group is managed at operational/tactical and strategic levels.
- The Raiffeisen banks 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 risk indicators and an early warning system.
- The appropriateness and effectiveness of key controls in all risk-related processes is periodically reviewed and confirmed.
- Internal and external events are analysed on an ongoing basis; the findings from these analyses are implemented in the operational business processes.

Legal and compliance risk

- Internal policies and processes are promptly adapted to reflect changes in laws, regulations and professional rules and then implemented.
- 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. Reports are drawn up by Raiffeisen Switzerland's Risk & Compliance department. Reports focus on the risk situation, capital adequacy, compliance with overall limits and any measures taken. Furthermore, Risk & Compliance uses an early warning system to identify potentially unfavourable developments at individual Raiffeisen banks and branches.

The risk report and any measures are discussed in detail at the meetings of the Executive Board and in the Audit and Risk Committees of the Board of Directors

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 conservative 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 (realistic, pessimistic and stress) 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 risk analyses and risk 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 – in certain cases – are 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 stable guidelines:

- Clear business and risk policies: Risk taking is directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and enforced with a tried-and-tested limit system.
- Centralised control: Raiffeisen Switzerland monitors its individual business units, subsidiaries and participations.
- Decentralised individual responsibility in line with clearly defined guidelines: The Raiffeisen banks are responsible for managing their risks themselves. 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 are regularly issued on the risk situation as well as on the risk profile of the individual Raiffeisen banks and the Raiffeisen Group.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently of the risk-managing business 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, monitoring and reporting.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying unwanted 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 of its business activities.

Independent risk control and compliance function

Risk management is organised based on the three-lines-of-defence model. Raiffeisen Switzerland maintains an independent risk control function and an independent compliance function for the Raiffeisen Group at its Risk & Compliance department (system responsibility). Operational responsibility rests with the Raiffeisen banks and with all the organisational units of Raiffeisen Switzerland. Independent risk control and the independent compliance function are organised throughout the Group and possess effective tools for identifying and preventing unwanted risk. Business policy is geared to driving risk-conscious growth and active risk management based on Raiffeisen's risk culture. 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 its subsidiaries 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

The Raiffeisen Group only enters into risks that relate to an approved business transaction and fall within its risk tolerance limits. The Board of Directors of Raiffeisen Switzerland sets the risk tolerance limits each year as part of the risk budgeting process. Risks are controlled using process requirements and overall limits. Risks that are difficult to quantify are limited by qualitative stipulations.

Risk categories

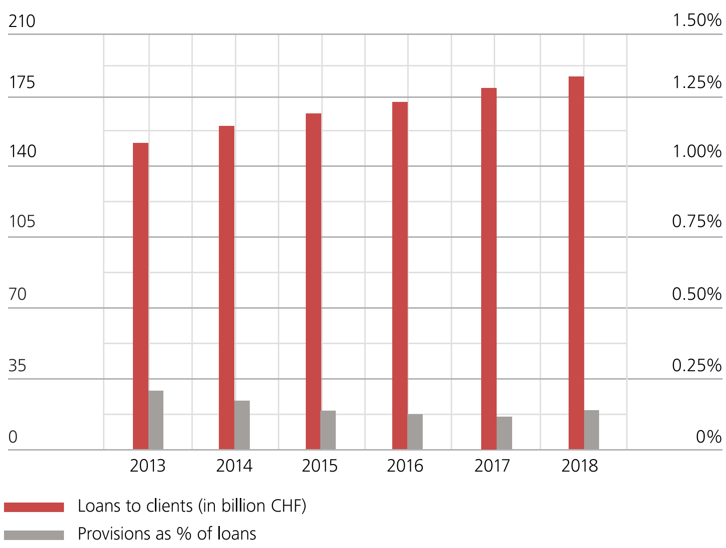
Credit risk

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.

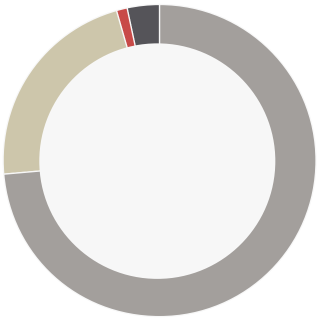
Credit risks are reviewed and assessed in nominal and risk-weighted terms. Management decisions are also based on statistical loss metrics (i.e. value at risk) and scenario analyses. Risks are monitored using credit quality metrics (such as financial viability, loan-to-value ratios, counterparty ratings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

Development of loans and provisions



Raiffeisen Group lending by client segment



73.8% Private clients
21.9% Corporate clients incl. public bodies
1.1% Other clients
3.2% Interbank

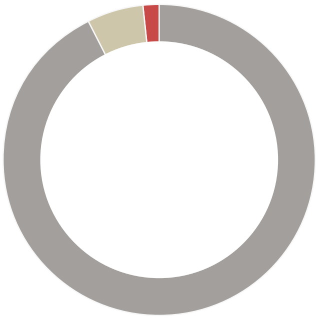
This evaluation reflects the risk view and therefore cannot be directly compared with the view of the balance sheet due to the different perspective.

Raiffeisen's main credit risks arise from transactions with collateralised loans to private individuals, commercial banks, and corporate and public-sector clients. Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for groups of affiliated counterparties and sectors.

Generally prudent credit policy

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

Mortgage loans by rank



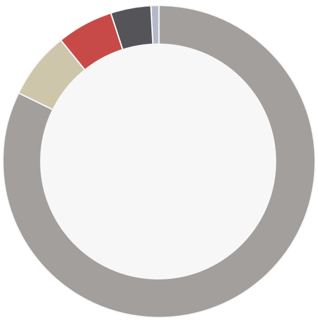
Mortgage ranking in % – disclosure as per SNB statistics

92.6% 1st place
5.8% 2nd place
1.6% 3rd place

Not including extra collateral

Loan decisions are largely based on financial viability, loan-to-value ratios and the repayment schedule for the borrower's obligations. Loans are generally granted on a secured basis.

Loans by collateral and property type



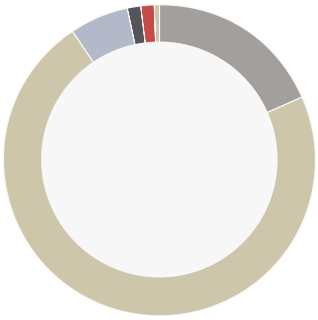
82.3% Purely residential construction
7.1% Mixed residential/commercial construction
5.8% Fully commercial construction/industry
4.0% Agriculture
0.8% Other security interests in land

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

Raiffeisen's core business includes the financing of real estate, particularly residential property.

Credit policy in the corporate client business
The Raiffeisen Group seeks to serve corporate clients with low- to moderate-risk credit ratings.

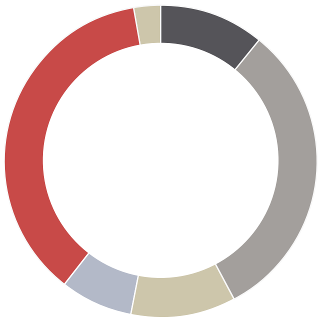
Corporate client lending by rating category



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 sectors (corporate clients and other clients)

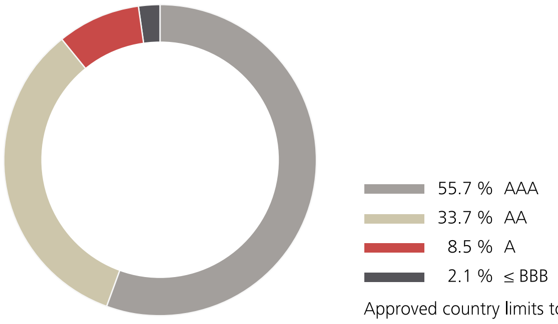


This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

The real estate sector accounts for the largest share of lending to corporate clients and other clients. Most of these loans are secured by mortgages. The loans in the other sectors are broadly diversified.

Active country risk management
As stipulated in the Articles of Association, Raiffeisen Switzerland's 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. Raiffeisen Switzerland's Central Bank department, including Raiffeisen Switzerland B.V. Amsterdam, and its Corporate Client department can enter into commitments abroad. These commitments are limited and monitored on an ongoing basis. The highest country limits apply to countries with very good ratings.

Breakdown by country limit



Approved country limits total CHF 30.295 billion.

Credit portfolio analysis and assessment

The Board of Directors of Raiffeisen Switzerland is periodically apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio. The analyses focus on information about changes in the risk situation, limit compliance, measures taken, and the structural and qualitative features of the credit portfolio. The impacts of extreme macroeconomic difficulties on the credit portfolio are also monitored.

Measuring credit risk

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

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

The core element of credit risk measurement is the rating system, which is developed and monitored by Raiffeisen Switzerland's Risk & Compliance department. The rating system is used to assess clients' creditworthiness. 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.

Assessment of the risk situation – credit risk

Credit growth is consistent with the strategy and characterised by low risk intensity overall. Lending is conservative overall and normally 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 flats 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 overall 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 primarily exposed to interest rate risks and foreign currency risks. Risks associated with fluctuating interest rates arise due to the Raiffeisen Group's significant positioning in interest operations and represent a major risk category. They are actively managed and monitored within authorised risk limits.

Clear guidelines and limits apply to the management of interest rate risks within the Raiffeisen Group – both for the Group as a whole and for individual legal entities. Risks are managed autonomously within this corridor by the individual legal entities, i.e. the Raiffeisen banks and Raiffeisen Switzerland. Risk managers have a proven set of risk management tools, including tools to simulate interest rate developments and assess their impact. Raiffeisen Switzerland's Central Bank department provides advice on asset and liability management within the Raiffeisen Group. None of the other Group companies assume any material risks associated with fluctuating interest rates.

The Risk & Compliance department 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 of changes in market interest rates on interest income. Interest-driven value-at-risk is also calculated in order to monitor the overall risk situation at various levels within the Group.

A greatly expanded interest rate risk disclosure, as set out in FINMA Circular 2016/01 "Disclosure – banks", will be provided for the first time as of 30 June 2019.

Raiffeisen Group: Interest rate risks in the banking book

(in CHF million)	31.12.2018	31.12.2017
Sensitivity (+100bp-Shift)	1,740	1,644

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 remaining foreign currency risk in the banking book is managed by Raiffeisen Switzerland's Central Bank department within the limits that the Board of Directors has allocated to it.

Risks in the trading book
Of the entities within the Raiffeisen Group, only Raiffeisen Switzerland's Central Bank department runs a trading book. Raiffeisen Switzerland B.V. Amsterdam's structured products business is also allocated to the trading book.

The Central Bank department's trading risks are strategically limited by using global limits. Risks are operationally limited by sensitivity, position and loss limits, and value-at-risk limits. Netherlands-domiciled Raiffeisen Switzerland B.V. Amsterdam 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 bond portfolio, which consists entirely of investment-grade debt securities, entails credit spread risks.

All traded products are depicted and assessed in a risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled. The Risk & Compliance department monitors positions and market risks on a daily basis using market data and risk parameters that are independently checked for accuracy. Before new products are rolled out, the Risk & Compliance department performs an independent evaluation of the risks.

Raiffeisen Switzerland: Limits in the Central Bank trading book

(Sensitivity in 1,000 CHF)	2018	2017
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 Central Bank trading book

(Sensitivity in 1,000 CHF)	ø 2018	31.12.2018	ø 2017	31.12.2017
Risk type				
Equities	419	52	348	727
Interest products	10,585	7,486	11,775	12,146
Foreign currencies	1,432	2,389	1,182	1,132
Precious metals	390	574	269	138

Assessment of the risk situation – market risk
Market risks mainly result from the risks associated with fluctuating interest rates in the banking book. The potential declines in value and loss of earnings are acceptable even in adverse scenarios involving interest rate shocks and stresses.

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.

Liquidity risk

Raiffeisen Switzerland's Central Bank department centrally manages liquidity risk for Raiffeisen Switzerland and the Raiffeisen Group based on regulatory requirements and internal targets.

The regulatory liquidity requirements apply on a consolidated basis at Raiffeisen Group level, and at an individual institution level to Raiffeisen Switzerland. The individual Raiffeisen banks are exempted from compliance with regulatory liquidity requirements but still meet internal liquidity requirements.

Raiffeisen Switzerland's Central Bank 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 Central Bank department manages Raiffeisen Switzerland's cash reserves, facilitates the Group's access to money and capital markets, and ensures these refinancing sources are adequately diversified. It performs regular stress tests and assesses liquidity trends in the Raiffeisen Group on an ongoing basis, taking regulatory and economic requirements into consideration. The Risk & Compliance department independently monitors liquidity risk.

Assessment of the risk situation – liquidity risk
The Raiffeisen Group's liquidity situation is sound thanks to its focus on the domestic savings and mortgage business. 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 (88.6%) 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.

Operational risk

Operational and business risks arise in two ways: as a consequence 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 analysis of the operational risks is supplemented by an assessment of the qualitative impact of a given risk event.

The Raiffeisen Group carried out extensive operational risk assessments, as it does every 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.

Information security
Information security – a discipline focused on data confidentiality, integrity and availability – is becoming increasingly important. Cybercriminals pose the biggest threat in this regard. Other players, including states, politically motivated hacktivists and employees intent on committing fraud, play a comparatively minor role. 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 and personal data.

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, regulatory and internal 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 and the Raiffeisen banks.

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 risks are well within the risk budget defined by the BoD overall. The 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.

Migrating to the new core banking solution has eliminated the risk associated with the developmental inflexibility of the previous solution.

Last year, individual client were affected by the misdelivery of bank documents. The measures needed to avoid a recurrence have been identified and taken. Otherwise, no serious violations of client privacy or data protection were identified.

Legal and compliance risk

The Risk & Compliance department reports to the Executive Board and the Audit and Risk Committees of the Board of Directors of Raiffeisen Switzerland on major compliance risks quarterly and on legal risks semi-annually. This reporting also includes an overview of the legal and compliance risks of 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 Risk & 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. Risk & Compliance 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 regulations 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 put them in concrete form.
- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a passive service provision approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen banks and branches are prohibited from carrying out any activities outside of Switzerland, especially client-related trips abroad.
- Raiffeisen pursues a rigorous tax compliance strategy.
- Market conduct rules are adhered to, as are the resulting due diligence and advisory obligations.
- Data is protected and bank-client confidentiality ensured.
- Raiffeisen is committed to fair competition and its actions are guided by strong ethical principles.

In the current year, the Raiffeisen Group invested heavily in implementing the provisions of the Financial Market Infrastructure Act (FMIA) and the Financial Services Act (FinSA), conforming to modified anti-money laundering regulations and the Data Protection Act (DPA), complying with the US Foreign Account Tax Compliance Act (FATCA) and Qualified Intermediary (QI) requirements, and executing the automated exchange of information (AEOI).

As a member of Coordination Domestic Banks, an interest group, Raiffeisen Switzerland is particularly involved in the Federal Financial Services Act (FinSA) and withholding tax optimisation (adoption of paying agent system). The governance structure was also reviewed and optimised.

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 2018 was accentuated by high regulatory pressure and increased public perceptions of violations and/or misconduct. The Raiffeisen Group counters these risks by proactively monitoring legal developments, complying with stricter requirements, regularly training employees, and providing management and control.

Management report
Added value

Segments

Private and investment clients

Demand for suitable investment solutions has continued to rise
Raiffeisen's investment business has continued to grow in 2018, despite the negative market environment. Net new money for securities rose 29% year-on-year. The increase was driven by the optimised product offering of the Raiffeisen banks and strong demand for asset management, sustainable investments and fund savings plans. The broadened product and service range and greater sales activities enabled Raiffeisen to respond promptly to client needs.

Specifically, new asset management mandates were launched in 2018. They are designed for individuals who would like to have an investment expert devote his or her time and energy to managing their assets. Raiffeisen asset management mandates make it possible to consider clients' various investment focuses in terms of geography, themes and currency. Given the good performance, Raiffeisen plans to expand its asset management activities even further in 2019.

Another investment issue in the current year was sustainability. The volume of investment products bearing the "Raiffeisen Futura" label went up 13% in 2018. This satisfying increase was a result of greater sales efforts and growth in investment advisory services. It was also driven by the new asset management mandates because sustainability is also an important element of the "Futura in Swiss Francs" asset management mandate.

Another key pillar of investment activity consists of clients who wish to build wealth through a fund savings plan or retirement custody account. Raiffeisen has been able to position itself as a competent provider in this domain. In 2018, the number of fund savings plans went up 23%; the number of retirement custody accounts rose 32%.

By constantly improving its expertise and expanding its sales activities, Raiffeisen intends to continue growing at a steady pace and to drive revenue diversification in the years ahead.

In addition to the principal activities described in the investment business, the pool of experts for pension and succession planning was continuously extended in order to meet the growing demand due to demographic changes.

Apart from investment activity, Raiffeisen expanded other services in 2018 as well. Raiffeisen Immo AG, which is responsible for the marketing of property, successfully commenced operations in 2018. Furthermore, Raiffeisen will combine its overall expertise in housing and home ownership under one uniform brand: "RaiffeisenCasa".

Last year, RaiffeisenCasa grew by adding the element of legal counselling. This new service was established in cooperation with "Beobachter", a magazine, and Guider.ch, a digital legal advisory platform. This move has positioned Raiffeisen as an all-in-one partner for all things related to the home.

Raiffeisen members enjoy benefits over a million times
Raiffeisen rewards client loyalty with membership benefits. Its 1.9 million members used their membership benefits over one million times in 2018, enjoying perks such as the museum pass, one-day ski passes and event tickets discounted up to 50%. The "Swiss brands" membership programme gave members an opportunity to visit more than 60 storied companies throughout Switzerland and see for themselves what the firms do.

Crowdfunding opportunities and services more attractive for clubs
Raiffeisen supports club volunteer efforts even better through its new club package. Specifically, Raiffeisen is offers the following:

- Banking products tailored to clubs such as club accounts, savings accounts, account cards and e-banking.
- Access to the donation portal lokalhelden.ch, a portal where clubs can collect funds, materials and volunteer hours.
- A 25% discount on ClubDesk software.

In particular, Lokalhelden.ch, the free crowdfunding platform, was involved in countless success stories in 2018. To put it in figures:

- 4,925,382: Amount in Swiss francs donated through the platform last year.
- 12,856: Number of supporters who made at least one donation in 2018.
- 202: Number of projects successfully financed in 2018.

Corporate clients

200,000 corporate clients – one-third of companies trust Raiffeisen
The Swiss economy had a strong year in 2018, with GDP growth of around 2.5%. Particularly noteworthy was the performance of small and medium-sized enterprises (SMEs), which have helped to drive this growth with their vision and innovativeness. With our close relationships and deep familiarity with corporate clients, we have succeeded in providing needs-oriented advisory services to business owners. As a result, the Corporate Client segment has grown further, expanding the Raiffeisen Group's client base. At the end of 2018, corporate customer number 200,000 was welcomed to Raiffeisen. According to the Federal Statistical Office (BFS), this equates to about every third company in Switzerland.

The Raiffeisen Group's capabilities are in greater demand than ever. SMEs in particular want to reduce their risk exposure in international transactions. They need a banking partner who can pair an understanding of companies' local circumstances with knowledge of target markets. Demand is also strong for services such as export financing, guarantees, interest rate and currency hedging, international payments and market information. The Raiffeisen network – coupled with the local knowledge represented by the 246 Raiffeisen banks – can assemble custom solutions to counter the complexity presented by hedging and liquidity management.

The Raiffeisen Group has also expanded its service range for business owners. Companies can now access additional hedging and financing options for cross-border transactions. We are continuously expanding our service portfolio so that corporate clients can make quick, easy use of the fundamental services they need.

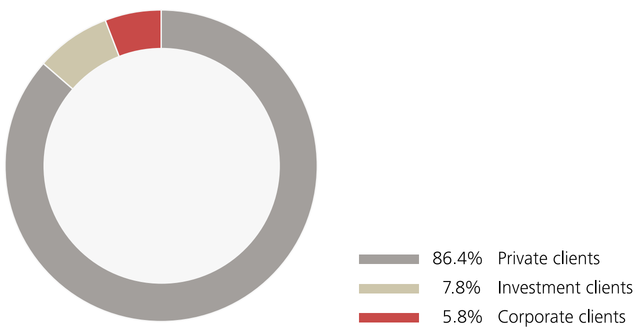
When it comes to implementing new technologies or other digital transformation projects, we provide comprehensive advisory services that often go beyond the traditional conception of a client/bank relationship. Thanks to specialist teams in all language regions, the Raiffeisen Group offers business owners access to Switzerland's largest corporate client network. Together with network partners, clients receive support in all issues that a company faces over its lifecycle.

The network comprises the Raiffeisen banks, Business Broker AG (succession planning), Vorsorge Partner AG and the Raiffeisen Business Owner Centre (Raiffeisen Unternehmerzentrum, RUZ). Western Switzerland's first location of the Raiffeisen Business Owner Centre (RUZ) opened its doors in Yverdon-les-Bains in autumn 2018. By appointing a new CEO of Business Broker AG, we effectively strengthened the Raiffeisen network in succession planning and corporate transactions.

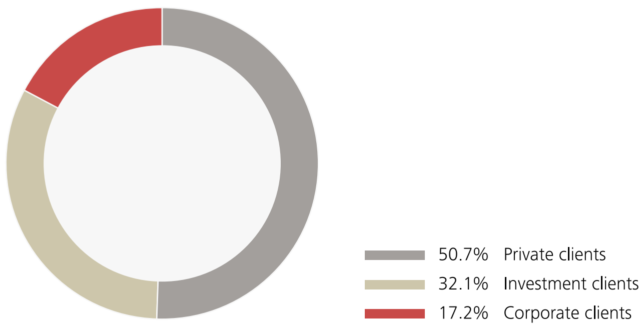
Promoting local entrepreneurship remains a core concern for the Raiffeisen Group. Raiffeisen honours the valuable contributions that innovative SMEs make to their region and Switzerland as a whole by awarding the "Golden David" prize for entrepreneurship. In 2018, the prize was awarded in Central Switzerland. In 2019, companies in the french speaking part of Switzerland and in Eastern Switzerland will be the focus of two prizes.

Raiffeisen will resolutely pursue its strategy in the corporate client business in 2019. It will expand its range of services as well as the Raiffeisen network in order to better meet clients' needs. For example, the new Raiffeisen Business Owner Centre (RUZ) in Bern-Burgdorf strengthens Raiffeisen's presence in the Mittelland region. Strategic partnerships are being expanded, as is the Industry 4.0 collaboration between RUZ and Swissmem, an industry association.

Proportion of clients



Proportion of client volumes



Services

Payments

Raiffeisen e-Banking
It was another highly successful year for the Raiffeisen banks' digital client channels, with as many as 402,000 e-banking logins recorded on a single day. Raiffeisen e-banking was again the most frequently used interaction channel between Raiffeisen banks and Raiffeisen clients.

- Contracts 1,302,000 (+7%)
- Logins 77,900,000 (+17%)
- Payment orders 119,300,000 (+8%)

The previous e-invoice function was replaced with a new portal solution in autumn 2018. The change in platform also brought a new name for the electronic invoice, which went from being called "E-Rechnung" to "eBill". The number of eBill users and eBill volumes are growing constantly. In 2018, Raiffeisen e-banking users paid over six million invoices by eBill.

Additional e-banking improvements and expansions are planned for 2019. In particular, a digital safe is intended to simplify bank-client communication. Raiffeisen banks can store documents for a client and receive documents from the client directly in the client's personal e-safe. Raiffeisen clients can also use the e-safe to store important personal documents.

Cards
The number of debit card-based payments (V PAY and Maestro) rose substantially once again, reaching 137 million transactions in 2018. That is an increase of 15%. Only two years after launch, the percentage of contactless payments made with the V PAY card has already climbed to 45%. This success confirms clients' acceptance of this payment method based on its convenience (no PIN code required for CHF 40 or less). In the second half of 2019, the Maestro card will also support contactless payments.

In 2019, our clients will be able to manage their cards themselves with the new Card Self Service. Functions like card blocking, limit modifications or PIN code substitutes will be made available in the new online service. It is accessed via e-banking login.

Mobile payments
Raiffeisen launched TWINT, a payment app, in May 2017. The new mobile payment app in the Raiffeisen portfolio is gaining in popularity. There are already over 200,000 active TWINT accounts. Sending money to friends and family (person-to-person transfers) is currently the most popular feature (57% of all transactions). In addition, TWINT's quick and easy payment process makes a compelling case for using it both in e-commerce and in niche applications previously served only by cash. These include paying at parking meters (already available in some Swiss cities) and at farm shops, which are common throughout Switzerland.

Payments
Corporate clients benefit from innovations relating to commercial payment transactions. Launched in 2017, the new E-Connect platform is highly popular among Raiffeisen's corporate clients. Hundreds of companies already use E-Connect for modern data communications based on EBICS (Electronic Banking Internet Communication Standard) and to automate their debtor processes using the new ISO-20022 formats.

Raiffeisen sets great store by anticipating changes early on in corporate client businesses and developing corresponding solutions. Raiffeisen was the first bank to fully implement the ISO-20022 standard, responding promptly to market trends in a way that favoured clients. Moreover, Raiffeisen is one of the few banks in Switzerland to offer corporate clients a solution that takes electronic payment security to a considerably higher level: EBICS Mobile.

Raiffeisen recognises the growing importance of e-commerce. It has been helping corporate clients accept and process electronic payments in their online shops since early June 2018.

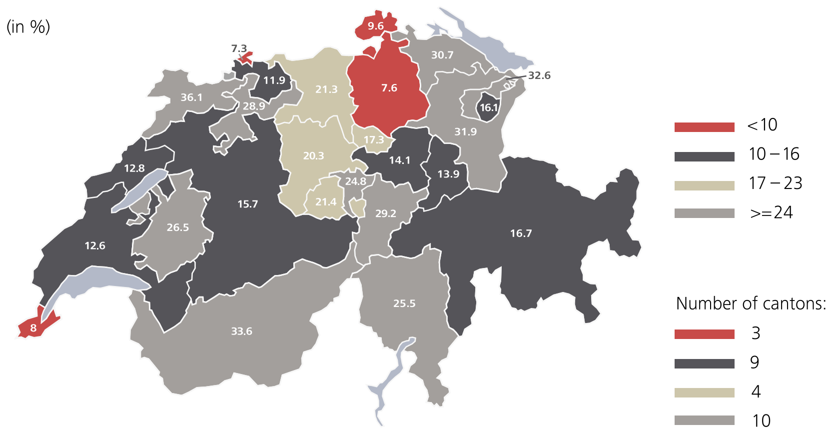
Another target of the corporate client business was the simplification of administration processes for SME corporate clients in payroll administration, quote preparation and invoicing based on digital services in conjunction with Raiffeisen e-banking.

Financing

Mortgage volume growth slowed slightly at Raiffeisen in 2018, dipping to 4.% (previous year: 4.3%). However, since Swiss mortgage volumes also grew more slowly at 3.6%, Raiffeisen ended up with a slight increase in market share. Continued low interest rates were responsible for strong demand for LiborFlex and particularly fixed-rate mortgages.

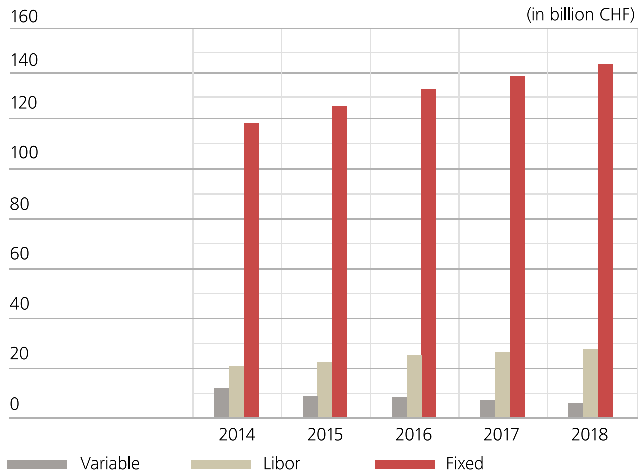
Energy efficiency evaluations have become more established as part of home ownership consultations in 2018. As a result of this evaluation, clients receive energy assessments of their property on request, along with an energy efficiency classification based on the GEAK energy performance certificate. Assessments also include estimates of the costs of reasonable home energy retrofits, the potential energy savings, and possible incentives from federal and cantonal governments .

Market share of mortgage volumes by Canton*



* The SNB’s evaluations for 2018 will only be available after the editorial deadline. Therefore, the market share as at the end of 2017 is reported.

Trend in volume of various mortgage models 2014-2018



Export financing
Raiffeisen has been providing export finance solutions since the start of 2018. These products support Swiss companies in financing foreign trade by either advancing funds to the exporter to pay for production or offering the buyer abroad a finance package. Both Raiffeisen and the client are perfectly protected through tie-ins with Swiss Export Risk Insurance (SERV) and other export credit agencies (ECAs). Nonetheless, the entire handling and processing takes place in Switzerland, while all the companies' contacts are located in Switzerland. Raiffeisen banks, Raiffeisen Switzerland and the Raiffeisen Business Owner Centres (RUZ) thereby provided corporate customers with multi-faceted support for developing new markets.

Savings

The account volume for Raiffeisen grew slightly more strongly than the market by a total of 4.7% (+CHF 6 billion) in 2018, leading once again to an increase in the market share in this product segment. In the current year, the number of customer accounts increased by 3.2% to 5,487,598 accounts. While the number of traditional savings accounts hardly changed because of the low savings interest rates, growth was primarily in the area of transaction accounts (private and current accounts). Thus, the deposit volume rose in this segment by CHF 5.597 billion (+9.9%). At the same time, 178,890 new transaction accounts were opened (+7.1%). In the case of fixed-rate savings deposits (time and fixed-term deposits), a shift towards sight deposits (transaction accounts) was observed due to the low market interest rates. The fixed-rate savings deposit volume therefore decreased by CHF 870 million (-7.2%).

Investments

Raiffeisen reported an increase of CHF 1.8 billion in net new money in the current year. Raiffeisen investment funds did especially well, achieving a gain of CHF 1.1 billion. Net new money in the other investment funds went up CHF 0.3 billion.

Direct investments also performed strongly, increasing CHF 0.3 billion. Structured products reported only a slight increase of CHF 80 million in net new money, partly due to maturities.

Financial market turmoil left its mark on custody account volumes and could not be fully offset by the positive inflows. At the end of 2018, custody account volumes at the Raiffeisen banks and branches were CHF 30 billion, representing a decline of 4.6%. Sustainable products accounted for an encouraging 15% of custody account volumes.

Another success was recorded in early 2018 with the successive rollout of the new Raiffeisen asset management mandates at the Raiffeisen banks. These mandate solutions are fully managed and serviced by Raiffeisen experts. They feature several customisation options that allow clients to select a focus and strategy. They can choose from:

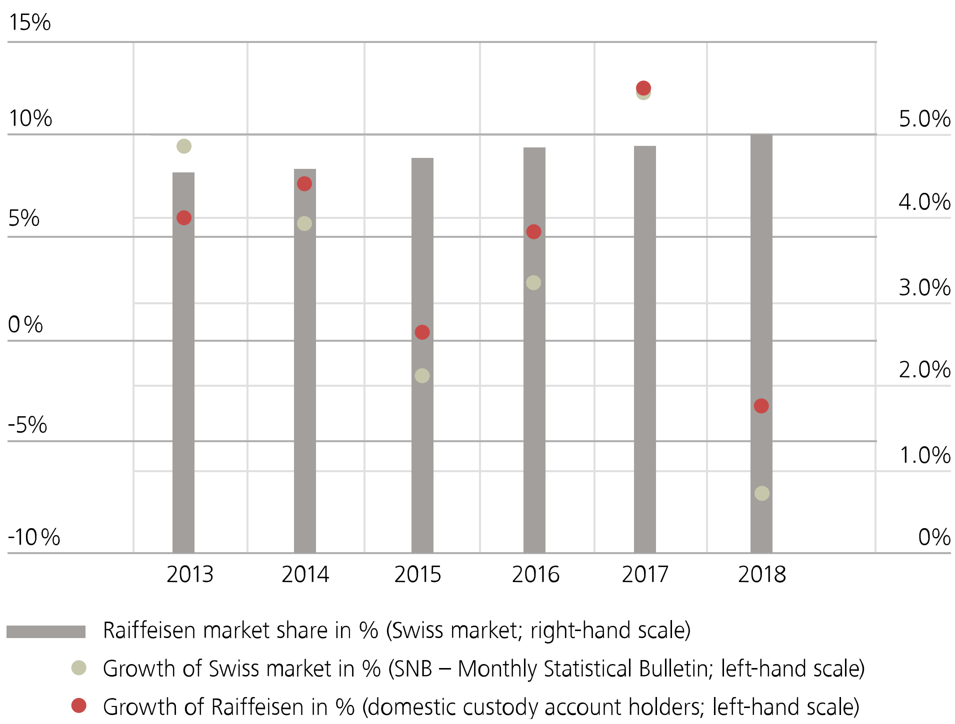
- Swissness, with a focus on the Swiss domestic market
- Futura, with a focus on sustainable investments
- Global in Swiss francs or euros, with a focus on global financial markets

Through regular disbursements and the option to invest directly in Swiss equities as a separate asset class, the mandate can be even more closely tailored to clients' personal needs. The new mandates have aroused considerable interest among clients.

Raiffeisen launched the Raiffeisen Focus Interest & Dividend fund as a product that aims to regularly distribute income from bond coupons and stock dividends to investors while preserving the invested capital as long as possible. Equities are selected for their quality and attractive dividend yields. The fund hedges most of its currency risk. The annual distribution target is an attractive 2.5%. The fund had already grown to CHF 290 million in size by the end of 2018.

Fund savings plans remain highly popular. In 2018, fund savings plans increased 23% in number and recorded CHF 170 million in net new money inflows. Fund savings plans make it possible to easily and systematically build wealth, starting at just CHF 100. However, clients retain full flexibility over their assets at all times.

Trend in volume of securities



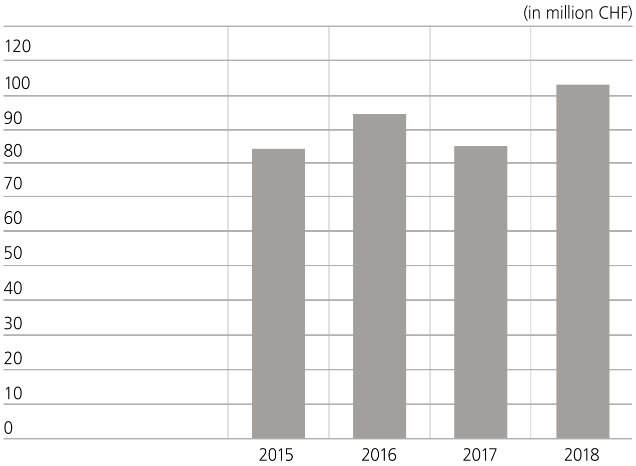
Pensions

The number of pillar 3a accounts grew by 19,035 to 579,301 (+3.4%). Deposits (in account and fund savings plans) swelled 6.6% (+CHF 1 billion) to reach CHF 16.5 billion. Deposits in vested asset accounts, including fund savings plans, are now running at CHF 5.7 billion. The use of pension products was once again significantly affected by the generally low interest rates in 2018. The number of retirement custody accounts, for example, increased around 29.4% (pillar 3a pension accounts) and 28.4% (vested asset accounts). Raiffeisen developed another innovative pension fund in the current year. The new fund has been open for subscription since 15 January 2019 and allocates up to 100% of its portfolio to equities. The new product reflects a growing tendency to provide fund savings plans in the long-term pension business, largely in response to record-low interest rates.

Insurance

Total individual life premiums went up 21%, contributing to the fourth-best result in Raiffeisen's partnership with Helvetia. The strong increase is attributable to the single-premium business, in which Helvetia launched attractive tranche products. The market environment remains difficult for life insurance policies with regular premiums. Nevertheless, they also increased 6% on the back of comprehensive advisory services provided in connection with home loans.

Total individual life premiums



Additional corporate client service

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 in the current year, including the sale of subsidiary Notenstein La Roche Private Bank Ltd and the selection of a new investment manager for KMU Capital AG's investments.

Management report
Personnel policy

Employees

Raiffeisen: An attractive employer

Raiffeisen offers its 10,838 (previous year: 11,158) staff members at every level outstanding employment conditions, engaging tasks and modern workplaces. It also stresses the importance of providing equal opportunities and invests in its employees and in recruiting new talent in the labour market.

The banking group's corporate culture plays a critical role in this respect. Raiffeisen encourages intrapreneurship, solidarity within the cooperative and sustainable engagement with all stakeholders. Its efforts have resulted in an extended track record of top scores on kununu, an employer rating platform. Raiffeisen remains the best-liked employer in the Swiss banking industry.

Attractive employment conditions

The Raiffeisen brand has a strong position in the labour market. Thanks to outstanding working conditions, Raiffeisen has succeeded in building long-term relationships with its employees. These relationships are one of the core drivers of the organisation's success. By specifically delegating responsibility, Raiffeisen encourages intrapreneurship among employees and gives them considerable freedom to make their ideas a reality – in both their professional and personal lives. Flexible work hours are provided at all tiers in the hierarchy wherever possible. All told, 33.42% (previous year: 33.15%) of Raiffeisen employees work part-time.

Raiffeisen grants more holiday leave than average for Swiss companies and provides alternative holiday models. Employees receive between 25 and 30 days of paid holiday leave, depending on their age and pay grade, and can now buy additional days of paid holiday leave. In addition to service anniversaries, there is now a holiday savings model with employer participation that allows all employees to take a sabbatical.

Family policy

Raiffeisen also has generous family policies. It offers mothers 16 to 24 weeks of 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. In addition, women have a guarantee of continued employment at 0.6 full-time equivalents (FTEs) 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

Young Raiffeisen employees are a key factor in the company's success. Raiffeisen offers a wide range of training programmes to give young people with different educational backgrounds a solid career start:

Apprenticeships:

- Federal VET diploma in business administration (banking; service and administration)
- Federal VET diploma in computing (systems engineering; application development)
- Federal VET diploma in ICT
- Federal VET diploma in mediamatics
- Federal VET diploma in interactive media design
- Federal VET diploma in child, adult and elder care
- Federal VET diploma in facility maintenance

Secondary school students:

- Commercial secondary school internship
- Business secondary school internship
- Computing secondary school internship
- Bank entry for secondary school graduates

University graduates:

- Trainee programmes for university graduates
- University internships

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 2018, 764 (previous year: 770) individuals were participating in one of the above training programmes; 45% (previous year: 49%) of them were women. It is a sound investment: many young people stay with the company after completing their training in order to continue their personal and professional development at Raiffeisen.

Staff and leadership development
Digitalisation, regulatory tightening, changing client needs and a fast-moving environment have raised the standards for employees' hard, soft and technological skills at Raiffeisen. It has become ever more important for employees to continuously improve their skills and thus remain employable. To meet this challenge, Raiffeisen specifically invests in training and education and supports its employees at all levels.

Managers and non-managerial employees can tap into a broad array of technical and sales training courses, as well as personal development opportunities. The training modules are tailored to the needs of the various target groups. For example, there are specific programmes for career starters, C-suite executives, board members, sales units, advisors and specialists. Employees can also enrol in various CAS, DAS or MAS degree programmes, all developed specifically for Raiffeisen in cooperation with the Lucerne University of Applied Sciences and Arts. In addition, seasoned managers support talented staff in their individual development as part of a long-term mentoring relationship across different levels of experience and hierarchical tiers. Raiffeisen also promotes lifelong development and offers seminars on prospects, health, relationship building and pensions for employees approaching retirement age.

Training programmes are constantly being developed with specific goals, assessed by attendees and continuously improved. Raiffeisen puts a premium on cooperation and collaborative learning – whether done on digital discussion platforms, among seminar attendees or between specialist areas. Anywhere Anytime Learning has grown in importance due to the rising need for continuing education and development opportunities that are not restricted to particular workplaces, places of residence or other life circumstances. This need is increasingly being met by digital self-learning programmes.

Raiffeisen believes strongly in the importance of its leadership culture. Accordingly, it puts a very high priority on developing its managers and cultivating an appreciation of shared values. Strategic training requirements are determined through a carefully specified process in close consultation with the people working in the relevant environment. In addition, Raiffeisen encourages its managers to develop themselves and their employees both personally and professionally and bring their teams forward.

All told, Raiffeisen invested CHF 16 million (2017: CHF 17 million) in employee development in 2018. 532 (2017: 430) internal training courses were held during the year. In the years ahead, a substantial number of Raiffeisen employees will receive more intensive training in empowerment, media literacy and methodological skills in order to be better prepared for the challenges and opportunities presented by digitalisation. Another goal consists of refining the ISO-17024 advisor certification, which is accepted throughout the industry. Raiffeisen also makes sure that it takes on a reasonable number of trainees each year given its total headcount.

Diversity and equal opportunity

Studies show that providing equal opportunities and thus increasing diversity have a positive impact on a company's bottom line. Switzerland lags behind other European countries when it comes to gender equality at work. Raiffeisen views diversity and equal opportunity as key drivers of economic success.

At Raiffeisen Switzerland, diversity and equal opportunity are the responsibility of the Finance & Human Resources department, particularly the Human Resources division. The company takes a holistic approach to ensuring diversity and equal opportunities for all employees, treating these issues as important leadership skills and integral parts of the corporate culture. Through these efforts, Raiffeisen Switzerland aims to rigorously strengthen equal opportunity at all levels of the Raiffeisen Group. Raiffeisen Switzerland's HR specialists are trained diversity and equal opportunity experts who share their expertise with our managers to support employee recruitment and development. 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. Raiffeisen Switzerland was also a development partner of the Competence Centre for Diversity and Inclusion (CCDI) at the Research Institute for International Management at the University of St.Gallen and to this day remains in regular contact with the institute.

Raiffeisen Switzerland has made it a strategic priority to raise the percentage of women in management positions. The Group wants to have women in 30% of management positions (currently: 27%). 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.

Finally, regular analyses and a dashboard keep the focus on the right levers for promoting diversity and equal opportunity.

Counselling for personal challenges

In addition to the counselling services provided by Human Resources, 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 professionally and efficiently 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 figures

	2018[1]	2017[2]
Number of permanent employees[3]	**10,838**	**11,158**
Total number of women	5,404	5,526
Total number of men	5,434	5,632
Number of full-time positions[3]	**7,216**	**not surveyed**
Total number of women	2,501	not surveyed
Total number of men	4,715	not surveyed
Number of part-time positions[3]	**3,622**	**3,658**
Total number of women	2,903	not surveyed
Total number of men	719	not surveyed
Number of temporary staff (temporary workers/interns)	**1,015**	**not surveyed**
External employees (Raiffeisen Switzerland)	**736**	**not surveyed**
Employees abroad	**0**	**not surveyed**
Number of BoD members[4]	**1,529**	**not surveyed**
of which women	351 (23%)	not surveyed
Total number of managers	**4,585**	**4,817**
of which women	1'225 (27%)	1288 (27%)
Number of board members (senior management)	**1,354**	**not surveyed**
of which women	157 (12%)	not surveyed
Number of mid-level and lower management	**3,231**	**not surveyed**
of which women	1'068 (33%)	not surveyed
Number of other employees	**5,542**	**not surveyed**
of which women	3'843 (69%)	not surveyed
Number of trainees	**711**	**698**
of which women	336 (47%)	354 (51%)

Average length of service in years	9,3	7,7
Average age of employees in years	40,7	40,6
Employee turnover (including changes within the Group) in %[5]	12,1	12,5
Amount spent on training in CHF	15,937,120	16,631,827
Amount spent on child care in CHF	392,000	364,760
Return to the workplace after maternity leave in %[6]	85,7	76

1 Due to a different calculation methodology, the number of people in the table with the key figures of the Raiffeisen Group diverges slightly from the key figures.
2 The 2017 figures included employees of Notenstein La Roche Private Bank Ltd.
3 Number of employees excluding temporary employees/interns/cleaning staff, including apprentices.
4 Number of board of directors members, including members with audit committee tasks.
5 Number of resignations and transfers of the entire year compared to average number of employee.
6 Number of employees working again after maternity leave (excluding Raiffeisen banks).

Management report
Sustainability

Sustainability

"Sustainability is part of Raiffeisen's self-image, an embedded core value and an indispensable guiding principle for successful corporate governance. As a cooperative bank, Raiffeisen aims to have long-term and fair relations with its clients and partners and wants to contribute to sustainable development with its products and services. Raiffeisen discloses its sustainability performance and strengthens it continuously."

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland

Introduction

Sustainability: Core value and strategic objective
Sustainability – along with credibility, client intimacy and entrepreneurship – is one of four Raiffeisen values. It is on this basis that the Raiffeisen Group's mission statement sets out the principles of being (1) a fair partner to our clients, (2) cooperative as a matter of principle, (3) of fostering a team-focused and entrepreneurial working attitude among staff and (4) of taking an active part in society. Amongst other things, special attention is paid in this regard to the use of products that promote the sustainable development of society and the environment. Moreover, being a cooperative enterprise focused on the Swiss market, Raiffeisen respects the legal system in Switzerland, human rights, fundamental environmental standards and the principles of the market economy as a matter of course. Raiffeisen is particularly committed to the following specific standards and transparency guidelines relating to sustainability: the Access for All foundation's AA+ quality label for e-banking, the Global Reporting Initiative’s standards for sustainability reporting and Eurosif's Transparency Code for sustainable funds. Raiffeisen Switzerland is a member of Swiss Sustainable Finance, the Swiss sustainable business association öbu, the Swiss Climate Foundation, the Platform to Improve Energy Efficiency and Renewable Energy Use in Buildings (EEG), the Swiss Green Building Association and the Sustainability Group of the Swiss Bankers Association. In 2018, the Board of Directors of Raiffeisen Switzerland formulated the strategic objective of improving sustainability performance and transparency.

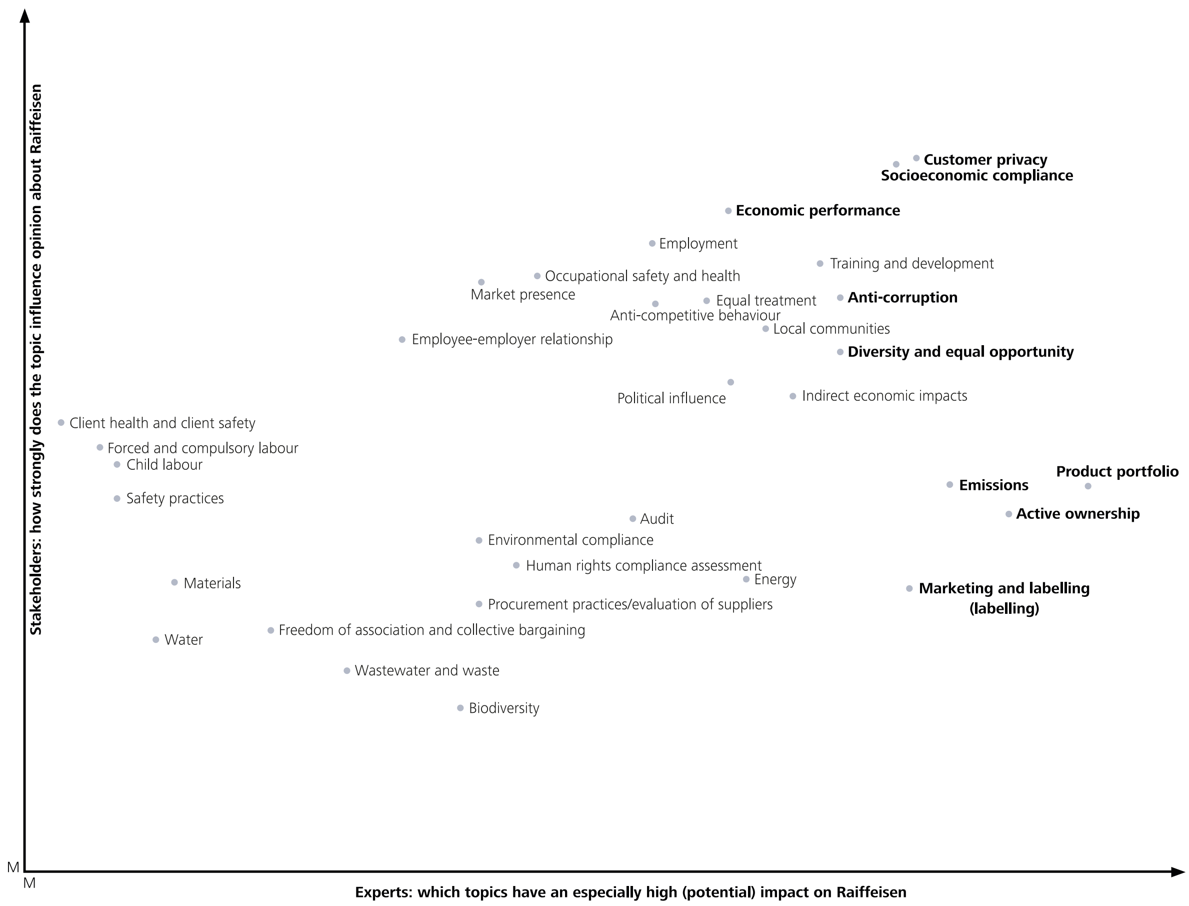
Organisation
At Group level, Raiffeisen Switzerland is responsible for the Group's strategic alignment with respect to sustainability, the inclusion of sustainability factors in risk management, the development and improvement of the Group's range of sustainable financial products, presenting the Group's position on sustainability topics to outside stakeholders, and advising and assisting the Raiffeisen banks with sustainability issues. Sustainability is addressed by the Board of Directors and all the committees of the Board of Directors of Raiffeisen Switzerland. The Executive Board of Raiffeisen Switzerland puts sustainability requirements into practice as part of its management activities, with various departments involved in their implementation. Corporate Responsibility & Sustainability is under the oversight of the Chairman of the Executive Board and is concerned with strategic matters and sustainability management in particular. The unit has reported at least twice a year to the Executive Board since 2018. Reports are then also made to the Board of Directors on a twice-yearly basis. The 246 Raiffeisen banks autonomously adopt sustainable policies and practices recommended by Raiffeisen Switzerland

Focus of sustainability reporting

Internal and external stakeholders and outside experts were surveyed in 2018 in order to identify the material sustainability topics that would be covered in this management report on sustainability in detail. The choice of stakeholders and experts was validated with an external consulting firm. An analysis of the stakeholders' and experts' responses revealed that the following topics are particularly important to Raiffeisen from a sustainability perspective:

- Economic performance
- Product portfolio
- Active ownership
- Socioeconomic compliance (i.e. complying with financial regulations and regulations in the social and economic area
- Anti-corruption
- Protecting client data
- Marketing and labelling
- CO_2 emissions
- Training and education
- Diversity and equal opportunity

Materiality matrix



The matrix illustrates the results of the stakeholder and expert survey. The stakeholder survey axis shows how much a topic affected stakeholders' view of Raiffeisen. The sustainable development impact axis quantifies how much the surveyed experts believe Raiffeisen can or could drive sustainable development with regard to a particular topic.

Based on the Global Reporting Initiative's (GRI) standards, the following sections describe why these topics are material to Raiffeisen, how Raiffeisen handles them and what it focused on in the current year. The "Employees" section of the management report contains the disclosures on diversity, equal opportunity, training, education and staff and leadership development. The GRI Content Index, supplemented with additional information, is available at www.raiffeisen.ch/rch/de/ueber-uns/markets/investor-relations/financial-information on the Raiffeisen Switzerland website.

Economic performance

Value generation and distribution
The Raiffeisen Group, as Switzerland's third-largest banking group, employs over 10,000 people, pays salaries, pension fund contributions and taxes, and supports charitable organisations and initiatives. In addition, through its financial products, financial services and purchasing, the Group helps to generate value locally, regionally and nationally in a way that benefits cooperative members, clients and society. The issues connected to this aspect of Raiffeisen's economic performance are managed by various units within the Raiffeisen Group. Generally speaking, the Raiffeisen Group does not pursue profit and growth at any price but rather seeks sustainable, long-term success. Raiffeisen employees receive fair, competitive wages. The pension fund aims to maintain a funding ratio of at least 100% and has adopted actuarial assumptions that will ensure fair, secure pensions for present and future generations. Raiffeisen cooperative members receive particularly favourable terms for certain banking transactions as well as other exclusive benefits. The Raiffeisen Group – that is, the Raiffeisen banks as well as Raiffeisen Switzerland and its subsidiaries – pay local, cantonal and federal taxes throughout Switzerland. The Raiffeisen Group does not receive any public funding.

The focus on long-term, sustainable success and the fact that economic performance is provided in a decentralised manner by the Raiffeisen banks and Raiffeisen Switzerland are directly related to the Raiffeisen Group's business model, which is based on the autonomy of the Raiffeisen banks. As the statement of net added value (see next page) shows, the Raiffeisen Group's economic performance in the current year should be viewed positively.

Sponsorship details/Sponsorships
When it comes to sponsorships and donations, Raiffeisen Switzerland and the Raiffeisen banks set their own priorities based on local, regional and national needs and conditions. The bulk of these initiatives relate to culture and sports, including supporting around 20,000 young athletes in the world of skiing. Raiffeisen's decentralised approach to sponsorships, donations and community involvement reflects its local roots and strengthens the Raiffeisen brand throughout Switzerland. The Raiffeisen Group's sponsorship programme amounts to around CHF 30 million. Economic, social and cultural contributions and donations make up around CHF 6 million. Through lokalhelden.ch, Raiffeisen provides a free project and donations platform for local projects that has crowdfunded over CHF 7 million in donations for more than 350 projects since 2017. Raiffeisen hands out regional entrepreneurship awards based in part on companies' sustainability performance. As an employer, Raiffeisen explicitly gives its staff time to engage in public service.

Responding to climate change
As a major mortgage lender for Switzerland, Raiffeisen faces the question of how climate change will affect building stock in Switzerland and its financing. In Switzerland, natural hazards are identified on the federal government's hazard map and the surface runoff risk map. These physical risks affect property financing much less than insurance. At the same time, energy renovation, modernisation and replacement construction will likely continue to pick up in response to stricter regulation, government incentives and growing public awareness of the consequences of climate change. The Raiffeisen Group has long aimed to raise client awareness of these issues and draws clients' attention to financing solutions as needed.

Outside of mortgage financing, clarification is required as to how much climate change is positively or negatively affecting companies that bank with Raiffeisen. The risks and opportunities for companies, regulatory or otherwise, tend to be medium- to long-term in nature and could theoretically have an impact on creditworthiness and solvency. Raiffeisen is keeping track of these developments.

Key figures from the 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)	**3,078**	**3,310**	**100.0**	**100.0**
General and administrative expenses	-606	-618	19.7	18.7
Extraordinary income	82	119	2.7	3.6
Extraordinary expenses	-9	-4	-0.3	-0.1
Gross added value	**2,545**	**2,807**	**82.7**	**84.8**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-259	-188	8.4	5.7
Changes to provisions and other value adjustments and losses	-124	1	4.0	-0.0
Net added value	**2,162**	**2,620**	**70.2**	**79.2**
Distribution of added value				
Personnel (salaries and employee benefits)	1,391	1,395	64.3	53.2
Cooperative members (paym. of interest on certif.: proposal to AGM)	52	51	2.4	1.9
Government	156	233	7.2	8.9
of which income tax paid	170	177	7.9	6.8
of which formation/release of provisions for deferred taxes	-14	56	-0.6	2.1
Bolstering of reserves (self-financing)	563	941	26.0	35.9
Total	**2,162**	**2,620**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF [1]	273	300		
Net added value per personnel unit in 1000 CHF [1]	232	280		
Number of personnel units (average)	9,313	9,343		

1 Calculated on the average number of personnel

Sustainable products and services

Product portfolio
Environmental and social factors, such as climate change, affect risks and simultaneously represent business opportunities. The Raiffeisen Group plans to give these factors due consideration when developing financial products and respond to growing client interest in sustainable products.

As a major mortgage lender, Raiffeisen educates clients about opportunities for improving the energy efficiency of properties and reducing their CO_2 emissions. Raiffeisen clients who obtain energy efficiency evaluations during home ownership consultations can learn about their property's energy efficiency, identify potential investment needs and simulate renovation scenarios. In 2018, clients also had access to low-cost thermal imaging and analyses provided by Raiffeisen banks and branches for the purpose of identifying energy conservation opportunities. When clients decide to obtain a cantonal building energy certificate (GEAK Plus), Raiffeisen assists them with a financial contribution of CHF 200. SMEs that are Raiffeisen members can attend myclimate workshops for free and receive an initial analysis from an advisor at the Energy Agency of the Swiss Private Sector (EnAW).

All affluent clients are asked about their sustainability stance and advised accordingly on request. Raiffeisen works closely with independent specialised partner companies in developing and managing sustainable investment products and carrying out sustainable asset management mandates (under the Futura brand in both cases). Inrate, a rating agency, is responsible for rating securities and real estate based on defined sustainability criteria. Vontobel Asset Management manages the Raiffeisen Futura securities funds. VERIT Investment Management is responsible for the Raiffeisen Futura Immo fund. Raiffeisen Switzerland manages the Futura asset management mandates, which were launched in the current year. The steady inflow of customer deposits in sustainable investment products validates Raiffeisen's strategy of offering clients an extensive array of sustainable investment solutions and products.

At the end of 2018, the Board of Directors of Raiffeisen Switzerland explicitly stated in the Raiffeisen Group's risk policy that due consideration must be given to social and environmental factors in risk management. The Raiffeisen Group's risk policy also states that risk management serves to protect the Group's reputation and prevent violations of laws, regulations and professional rules of conduct. Business relationships should only be maintained with clients whose integrity, reputation, trustworthiness and associates are beyond reproach.

Raiffeisen Switzerland is currently working on a more comprehensive regulatory framework designed to further systematise and, in some cases, increase the attention paid to social and environmental factors in risk management across all its business segments.

Active ownership
By reviewing assets for their social and environmental impact, engaging with companies on sustainability topics and systematically exercising voting rights in furtherance of a specific agenda, investors can steer companies' strategies and thus their business activities in a sustainable direction.

Inrate, a specialist in sustainability ratings, determines the investment universe for Futura funds and Futura asset management mandates using a strict selection process and a best-in-service approach based on social, ethical and environmental criteria. With the Futura Immo fund, Inrate assesses properties based on defined sustainability criteria, including location quality, housing quality and resource efficiency. The sustainability-focused structured products launched in the current year were designed on the basis of the expertise of Inrate and index provider Solactive. Raiffeisen Pension Fund investments also undergo sustainability analyses.

When exercising their voting rights for Swiss shares, the Raiffeisen Pension Invest Futura and Raiffeisen Futura Swiss Stock funds generally follow the voting rights recommendations made by Ethos Services SA, as does the Raiffeisen Pension Fund. Ethos publishes its guidelines and specific recommendations for each company on its website. They cover all important corporate governance topics. The Raiffeisen Pension Fund is also a member of the Ethos Engagement Pool Switzerland and is considering joining the International Engagement Pool.

Raiffeisen believes that its relationships with independent external partners for reviewing assets and exercising voting rights are beneficial.

Key figures for sustainable products and services (amounts in millions)

Products with specific social and ecological benefits (GRI FS 7 & FS 8 & FS 11)	31.12.2018	31.12.2017
Investment products		
Sustainability fund (Futura investment fund)		
Volume in CHF	6'565,6	5'862,7
Share of volume of all Raiffeisen funds (in %)	62,8	59,3
Share of custody account volume (in %)	16,5	14,4
Development fund [1]		
Volume in CHF	272,2	305,6
Share of custody account volume (in %)	0,9	0,9
Structured products focusing on sustainability		
Volume in CHF	9,9	0
Asset management		
Volume in CHF	38	0
Shares of all asset management mandates (in %)	13,5	0
Raiffeisen Pension Fund assets		
Value of the pension fund assets verified according to ecological, social and governance factors [2/3]	2'587,7	2'691
Share of verified Raiffeisen Pension Fund assets as a proportion of the total pension fund assets (in %)	80,3	84,1
Leasing business		
Subsidised leasing in the case of replacement investments for Euro 6 emission standard-compliant trucks		
Volume in CHF	14,9	3,1
% total leasing for trucks (volume)	23	9

1 Investment funds of responsAbility Investments AG, in which Raiffeisen Switzerland holds a stake. However, only the volumes in Raiffeisen client custody accounts are listed. This benchmark represents Raiffeisen's performance and responsibility when selling responsAbility funds.

2 Ecological/sustainable aspects are taken into consideration in regard to the Swiss property held directly by the Raiffeisen Pension Fund according to the investment restrictions. Accordingly these investments are included here in the amount of around CHF 0.7 billion (21%) as at 31 December 2018.

3 The decrease in the audited values for 2018 compared with 2017 is connected with the lower market values of the rated asset class Equities as at the balance sheet date 31 December 2018.

Responsible business activity

Socioeconomic compliance (following financial, economic and social regulations)
The banking industry is highly regulated. The Raiffeisen Group bases its regulatory compliance activities on financial sector standards and guidelines. As a rule, all Raiffeisen Group employees are personally responsible for driving compliance and avoiding compliance risks in their line of work within the framework of applicable policies and processes. They communicate any deficiencies to Legal & Compliance, which is in charge of the compliance system for the Raiffeisen Group, or to the compliance officer responsible for their Raiffeisen bank or specialist area. Risks are identified, assessed and documented, and necessary control mechanisms are defined. Legal & Compliance monitors the development of legal risks across the Group and reports any major legal risks to the Executive Board and Risk Committee twice-a-year and to the Board of Directors of Raiffeisen Switzerland once-a-year. The section «Risk categories» contains more information on how Raiffeisen handles legal and compliance risks.

Anti-corruption
Corruption undermines the rule of law, promotes inefficiency and distorts competition. The Raiffeisen Group seeks to prevent corruption before it can happen. Anti-corruption responsibilities are defined at all hierarchical levels, enshrined in internal policies and assumed within the business areas of the individual Raiffeisen banks. Strict internal policies govern business relationships with politically exposed persons (PEPs), the combating of money laundering and terrorism financing and adherence to laws imposing economic and trade sanctions.

It is the duty and responsibility of Raiffeisen Switzerland and the Raiffeisen banks to take action to prevent money laundering. Every Raiffeisen bank has a compliance officer and an anti-money laundering officer, who receive training every year as well as technical support from Raiffeisen Switzerland. The Raiffeisen banks reach out to Raiffeisen Switzerland if they suspect or discover money laundering or terrorism financing. Raiffeisen Switzerland coordinates all further steps and instructs the Raiffeisen banks on how to respond.

All employees of Raiffeisen Switzerland, Raiffeisen Unternehmerzentrum AG and the Raiffeisen Pension Fund are given internal guidelines on conflicts of interest and active and passive bribery as part of their employment regulations. The Raiffeisen banks either adopt Raiffeisen Switzerland's approach or develop an equally effective alternative approach of their own. Anti-corruption strategies and measures are also communicated to some business partners who supply goods and services to Raiffeisen.

The chairs of the executive boards of the Raiffeisen banks periodically conduct analyses of money laundering and terrorism financing risks according to Raiffeisen Switzerland guidelines and ensure the findings are shared with Raiffeisen Switzerland. Legal & Compliance monitors the development of these risks across the entire Group and reports material risks to the Risk Committee and Board of Directors of Raiffeisen Switzerland every quarter. Raiffeisen continues to strengthen its anti-corruption efforts, for example with additional measures regarding even clearer rules on handling conflicts of interest.

Marketing and labelling

Finance is an extremely complex field. This complexity explains Switzerland's tight regulation of product marketing for financial service providers. At the Raiffeisen Group, this issue is mainly handled by the Marketing unit of the Private & Affluent Clients department. Marketing and labelling (or product information) are kept transparent and legally compliant by adhering to all applicable regulations in Switzerland and by engaging in self-regulation (Collective Investment Schemes Act, FINMA circulars, SFAMA guidelines on information and documentation requirements for products and services). Foreign regulations are taken into account as needed. In addition, the Raiffeisen Group's basic strategy generally requires its offerings to be straightforward, understandable and aligned with clients' needs. Each client segment should be assigned a target product portfolio. Any products and services not included in the portfolio will only be offered to segment clients at their express request. Products should offer good value for money, while prices should be communicated transparently. Raiffeisen generally prioritises security over profitability, and profitability over growth. Client advisors are regularly trained to follow these principles. Thanks to all these efforts, Raiffeisen has managed to provide an understandable product range, fair prices and the desired level of transparency. As a result, it has developed a strong client focus, high levels of trust and long-lasting client relationships.

Raiffeisen has developed "Money Mix", a free educational programme with lessons on good money management for schools and young people. The programme contains various modules for teachers on budgeting, bank accounts, shopping, investing and retirement. The client complaint process and the number of regulatory violations may provide indications of potential problems related to marketing. In addition, Raiffeisen Switzerland investigates (through market research, etc.) the economic impacts of its marketing activities.

Protecting client data

Banks hold sensitive client data. That is why Raiffeisen has made this data, and all efforts to protect it, a top priority. Clients trust their bank to obey laws and regulations, handle data responsibly and protect their information as effectively as possible.

Since it has overall responsibility for the compliance system, Raiffeisen Switzerland is tasked with centrally protecting client data within the Raiffeisen Group and operates an information security management system (ISMS) based on the ISO 27001 standard. The purpose of the system is to ensure information integrity, availability and confidentiality at all times. Information security is reviewed constantly and enhanced as needed. Several projects are conducted each year to strengthen the Group's cyber resilience (ability to withstand cyber attacks).

Raiffeisen Switzerland also has a data protection officer who oversees the entire Group. The officer ensures compliance with the criteria set out in the Swiss Data Protection Act. Mandatory rules on data protection and data security are implemented through internal directives. Client data requirements conform to the Data Protection Act and FINMA stipulations.

By taking these measures, the Raiffeisen Group aims to institute strong client data protections that reflect the current threat situation through a continuous improvement process. Nothing occurred during the current year that would have prompted fundamental changes to the Group's approach to client data protection.

Key figures for responsible business activity

Social compliance	
Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area (GRI 419-1)	1[1]
Anti-corruption	
Total number and percentage of Raiffeisen banks and branches that have implemented mechanisms to detect corruption (GRI 205-1)	100%
Significant risks related to corruption identified through the risk assessment (GRI 205-1)	0
Total number and nature of confirmed incidents of corruption (GRI 205-3)	0
Marketing and labelling	
Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling (GRI 417-2)	0
Total number of breaches in connection with marketing (GRI 417-3)	0
Customer privacy	
Complaints from outside parties and regulatory bodies (GRI 418-1)	1[2]
Serious incidents registered through internal data leakage prevention (DLP) (GRI 418-1)	0[3]
Alarms registered by the internal data leakage prevention system (GRI 418-1)	1,021[4]

1 The Canton of Zurich Public Prosecutor's Office III instituted criminal proceedings in the current year against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland, due to suspicion of disloyal business procurement. On 14 June 2018, FINMA closed its enforcement proceedings against Raiffeisen Switzerland. Raiffeisen Switzerland has accepted the improvement measures contained in the order and has already begun implementing many of them.
2 A customer of a Raiffeisen bank complained to Raiffeisen Switzerland because their data had allegedly been passed onto Facebook. The customer had taken part in a Facebook competition organised by Raiffeisen Switzerland and Facebook had collected the participants' data. However, the information had already been known to Facebook prior to their participation, but Raiffeisen Switzerland had omitted to inform the customer about the data processing by Facebook when participating in the competition, which is why the complaint was accepted.
3 Due to an error at a third-party service provider, account statements for Raiffeisen clients were sent to the wrong recipients in the current year. The affected clients and FINMA were notified of the mistake. The DLP system monitors the sending of emails and "web traffic" in relation to customer data. Occurrences of this kind are not covered by the system.
4 DLP alarms are triggered in response to rules based on a scoring system. An alarm does not automatically mean that a regulation has been violated. This is a good average (three alarms per day) for an operation with around 10,000 employees

Responsible management

CO_2 emissions

Unchecked greenhouse gas emissions will lead to climate change with serious, irrevocable consequences for humanity and the environment. The Raiffeisen Group generates CO_2 emissions itself through business travel, cargo shipments and building energy for operating nearly 900 bank branches. The Raiffeisen Group's strategic goal is to reduce its CO_2 emissions (Scope 1 to Scope 3 together; see the footnote to the indicators for definitions of Scope 1 to 3) by 30% compared to 2012 levels by 2020. To achieve this target, it intends to implement standards that regulate energy, transport, resources and procurement. Employees will be trained and relevant banking processes checked for energy and resource efficiency on an ongoing basis.

The entire Group's environmental performance indicators are monitored by Environmental Management, a specialist unit in Raiffeisen Switzerland's IT & Services department. The unit also manages the Pro Futura incentives programme that encourages Raiffeisen banks to take steps to cut their CO_2 emissions. Pro Futura aims to promote emission reductions along the entire banking value chain, collects related best practices throughout the Raiffeisen Group and shares edited versions of the practices with all the Raiffeisen banks. It focuses on building energy consumption (electricity and heating) and business travel (cars, public transit and air travel). In addition, Raiffeisen's internal climate fund subsidises efforts to improve energy efficiency and reduce CO_2 emissions.

These initiatives resulted in energy retrofits for a large number of buildings. Large sites were connected to district heating systems; one head office building received an SNBS certification for sustainable construction. The Raiffeisen Group also had two of its sites classified as "major consumers" under Swiss energy law and so signed agreements with the federal and cantonal governments to reach specific targets at both of these sites and a dozen others. Raiffeisen intends to only use renewable heating energy in its buildings and to avoid or replace electricity generated using nuclear sources or fossil fuels. It makes sure all the vehicles in its fleet meet the legal requirements (no more than 130 g CO_2/km for passenger vehicles). When it constructs or modifies buildings, it encourages eco-friendly commuting by providing good access to public transport or building changing rooms and showers for employees who cycle to work.

CO_2 emissions were reduced 6% year-on-year during the current year. This suggests that Raiffeisen can reach its ambitious CO_2 reduction target for 2020, which it set back in 2012. It continues to improve its data basis and data quality in environmental management.

Procurement

Raiffeisen's supply chain is highly concentrated in Switzerland, both in terms of third-party financial products and procurement for its banking operations.

Raiffeisen sells third-party financial products alongside its own solutions. They include investment funds, structured products, direct investments, consumer loans, credit cards and insurance that serves investment purposes. Raiffeisen also works with external partners when developing its products. For example, all Raiffeisen investment funds are managed by Vontobel Asset Management. Outside partners are also used when physically trading and transporting precious metals such as gold and silver.

The most important procurement items used to operate the branch network are real estate, IT hardware and software, furnishings and vehicles. Raiffeisen ensures sustainability in its supply chain and outsourcing to partner organisations by following and constantly updating specific principles and criteria. As a result, suppliers and partner organisations have to meet social and environmental criteria as well as economic ones.

Performance indicators (responsible management)

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**	**15,491,000**	**25,723,000**	**28,813,000**	**72,027,000**	**-3**	**7,351**
Electricity	kWh	12,719,000	17,445,000	14,789,000	44,952,000	-3	4,719
Heating energy	kWh	2,772,000	8,278,000	14,024,000	25,075,000	-4	2,632
Business travel (total)	**km**	**15,407,000**	**2,042,000**	**2,141,000**	**19,590,000**	**-5**	**2,056**
of which public transport (rail, bus, tram)	km	4,702,000	1,062,000	1,505,000	7,269,000	-3	763
of which road transport by private cars (personal vehicles)	km	2,184,000	979,000	636,000	3,800,000	0	399
of which road transport by company cars (company vehicles)	km	4,167,000	-		4,167,000	-7	437
of which road transport for courier deliveries	km	3,557,000	-	-	3,557,000	-4	373
of which passenger transport by air	km	99,000	-	-	99,000	-73	10
of which air freight	tkm	698,000	-	-	698,000	-9	73
paper consumption	tons				1,090	-28	0.11
water consumption	m^3	13,000	63,000	86,000	162,000	-28	17
Greenhouse gas emissions from energy and travel[1]	**tonnes CO_2 eq**	**5,636**	**2,817**	**5,220**	**13,673**	**-6**	**1.44**
of which Scope 1	tonnes CO_2 eq	1,896	1,761	4,164	7,821	6	0.82
of which Scope 2	tonnes CO_2 eq	74	271	0	345	-11	0.04
of which Scope 3	tonnes CO_2 eq	3,665	785	1,057	5,507	-19	0.58

1 The important emissions sources are recorded. The three system limits are:
Scope 1: direct greenhouse gas emissions from stationary sources in the company itself, such as heating or own vehicles;
Scope 2: indirect greenhouse gas emissions from energy generation outside the company, such as electricity and district heating;
Scope 3: other indirect greenhouse gas emissions outside the company from upstream and downstream processes, such as business travel by rail or upstream processes involved in supplying energy.
Each key figure recorded is annualised based on the last eight quarters and assigned to the recorded organisational units, based on the full-time equivalents. The next step is the extrapolation of the annualised key figures, aggregated by Raiffeisen Bank. They are generated based on the worst qualities such as "standard mix" for electricity or "heating oil" for heat production. Paper is excluded, as its overall use is listed under Raiffeisen Switzerland, according to the printers and suppliers. Currently the following shares of consumption values are recorded (and extrapolated):
- electricity: 53% (47%)
- heating: 33% (67%)
- employee trips by train: 60% (40%)
- public transport: 42% (58%)

A check of the environmental data in the current year has shown that the estimates are conservative. This means that the quantities shown here are higher than the actual quantities. Thus, for example, no private kilometres are deducted for own vehicles and heating oil is assumed to be the fuel for all inconclusive heating systems. The calculation of the greenhouse gas emissions is based on the emissions factors of the 2015 VfU indicators. The Raiffeisen Business Owner Centres (RUZ) and the former Notenstein La Roche Private Bank Ltd have not been taken into account from an energy perspective.

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 the regulatory documentation obligations are 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 for unlisted companies like a cooperative to apply this directive, too. Content that does not apply to the Raiffeisen Group is only mentioned in exceptional cases.

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 2018. Information on the joint reform efforts of the Raiffeisen Group "Reform 21" can be found in the "Strategy" section of the Management Report under "Raiffeisen Switzerland: Dealing with the past and renewal".

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

246 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 246 Raiffeisen banks with a total of 864 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 a 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 255 to 246 in the current year as a result of various mergers. The individual Raiffeisen banks optimally align their activities with changes in their regional markets. Raiffeisen's presence in urban centres was expanded further.

Raiffeisen by canton as at 31 December 2018[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	199,037	18,593	17,418	21,847	3,094
Appenzell Ausserrhoden	2	6	17,842	1,505	1,356	1,726	271
Appenzell Innerrhoden	1	5	8,901	676	691	779	142
Berne	20	88	189,096	14,787	13,387	16,965	1,626
Basel-Land	8	20	58,958	5,909	5,019	6,740	1,089
Basel-Stadt	1	2	0	1,088	953	1,280	324
Fribourg	9	49	96,040	9,793	7,291	10,847	804
Geneva	6	19	45,577	4,540	4,976	5,703	901
Glarus	1	2	7,492	564	520	650	131
Grisons	8	38	60,344	5,398	5,053	6,318	738
Jura	5	26	28,590	3,161	2,279	3,539	240
Lucerne	16	48	132,059	9,989	9,278	11,662	1,358
Neuchâtel	4	15	28,496	2,132	1,709	2,417	298
Nidwalden	1	9	21,272	1,648	1,659	2,021	380
Obwalden	1	6	13,494	916	958	1,143	258
St.Gallen	34	76	200,629	22,208	18,653	25,546	4,195
Schaffhausen	1	3	8,724	899	783	1,030	125
Solothurn	15	49	112,504	9,966	9,395	11,563	1,210
Schwyz	5	17	43,686	3,573	3,526	4,261	930
Thurgau	14	42	105,159	11,828	9,313	13,458	1,726
Ticino	20	63	115,353	13,065	10,796	15,400	2,108
Uri	3	5	16,491	1,292	1,194	1,498	177
Vaud	16	60	112,306	10,199	8,316	11,672	1,815
Valais	18	98	146,298	13,994	13,129	16,393	1,724
Zug	6	14	41,815	4,374	4,318	5,365	1,116
Zurich	11	40	87,206	13,009	11,352	15,192	3,139
Total 2018	**252**	**880**	**1,897,369**	**185,106**	**163,322**	**215,015**	**29,919**
Total 2017	**261**	**899**	**1,890,126**	**178,023**	**158,975**	**207,908**	**31,394**
Increase/decrease	**-9**	**-19**	**7,243**	**7,083**	**4,347**	**7,107**	**-1,475**
Increase/decrease in %	**-3.4**	**-2.1**	**0.4**	**4.0**	**2.7**	**3.4**	**-4.7**

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

The Raiffeisen banks own 100% of Raiffeisen Switzerland. Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the model 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. The six branches (St.Gallen, Berne, Basel, Winterthur, Zurich and Thalwil) have a total of 16 locations. They are managed directly by Raiffeisen Switzerland and 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	Rolf Mani, Därstetten	17
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	7
Deutschfreiburger Verband der Raiffeisenbanken	Aldo Greca, Giffers	5
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler-Stalder, Ebikon	18
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	7
Raiffeisenverband Nordwestschweiz	Fredi Zwahlen, Rickenbach	11
Raiffeisenverband Zürich und Schaffhausen	René Hollenstein a. i., Dietikon	8
Schwyzer Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	5
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	14
St. Galler Verband der Raiffeisenbanken	Marcel Helfenberger, Lömmenschwil	37
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	15
Urner Verband der Raiffeisenbanken	Rolf Infanger, Erstfeld	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 / Hervé Broch, Ursy	5
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	11
Fédération vaudoise des Banques Raiffeisen	Philippe Widmer, Yverdon-les-Bains	16
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mauro Cavadini, Riva San Vitale	21

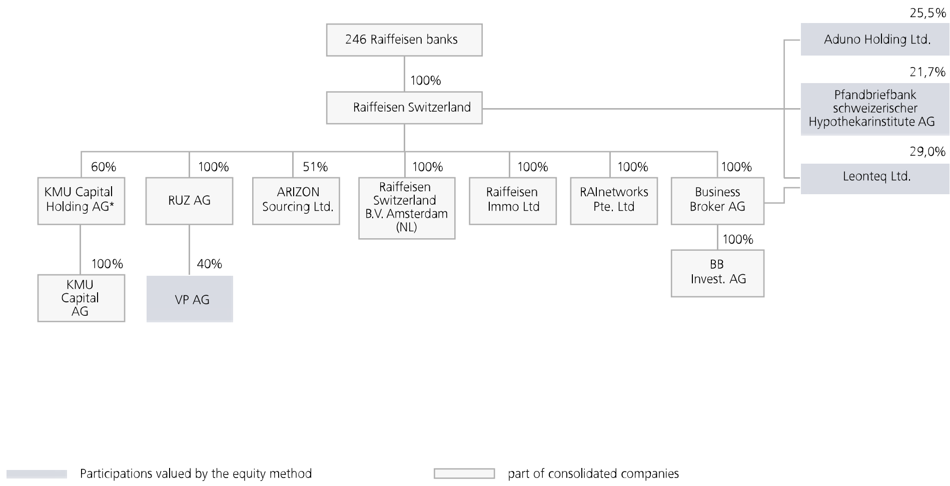
Group companies

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.

Group 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	
KMU Capital Holding AG	Holding company	Raiffeisen Switzerland (60%) *
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
ARIZON Sourcing Ltd	Advisory and operational services for banks	Raiffeisen Switzerland (51%)
Raiffeisen Switzerland B.V. Amsterdam	Financial services	Raiffeisen Switzerland
Raiffeisen Immo Ltd	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
Business Brokers Ltd	Management consulting	Raiffeisen Switzerland

Consolidated companies



* Raiffeisen Switzerland lays claim to 100% of the shares in KMU Capital Holding AG (see footnote 7 in Annex 7)

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 2,172.3 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 interest at a maximum rate of 6%.

Changes in equity capital of the Raiffeisen Group

in CHF million	2018	2017	2016	2015
Cooperative capital	2,172	1,957	1,595	1,248
Retained earnings	13,611	12,746	12,036	11,262
Reserves for general banking risks	200	80	-	-
Group profit	541	917	754	808
Total	**16,524**	**15,700**	**14,385**	**13,318**

Liability

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

Liability of Raiffeisen Switzerland towards the Raiffeisen banks
In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. A total of CHF 1.9 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 every CHF 100,000 of total assets that they hold. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 2.03 billion, of which CHF 894 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 1.13 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 the branches of Raiffeisen Switzerland. The disposable fund assets are CHF 337 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 16.4 billion.

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

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must 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 with 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. 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 means that individual shares cannot normally be sold on 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, the number of cooperative members and the total assets 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. The Delegate Meeting elects the Board of Directors and its Chairman. The members of the committees of the Board of Directors and the Vice Chairman are elected by the Board of Directors. 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

In the reference year, an Ordinary Delegate Meeting was held on 16 June 2018, and an Extraordinary Delegate Meeting was held on 10 November 2018. The ratification of the actions of the Board of Directors and the Executive Board for the financial year 2017 was not put on the agenda due to unresolved matters relating to the past.

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 of Raiffeisen Switzerland. The Board of Directors consists of nine members as at the balance sheet date. Only members of an affiliated Raiffeisen bank can become a member of the Board of Directors.

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 a business relationship with Raiffeisen Switzerland that would pose a conflict of interest due to its nature or scope.

Prompted by the accusation of poor corporate governance from 2012 to 2015, a decision was made in 2018 to completely overhaul the Board of Directors of Raiffeisen Switzerland. The professionalisation also reflects FINMA's requirements with regard to Raiffeisen. The new BoD members possess in-depth knowledge of law, banking, finance, IT, real estate, risk management, compliance, auditing and assurance. In short, the members complement each other perfectly and have what it takes to drive the kind of efficient, effective teamwork that serves the entire banking group. All members of the Board of Directors are considered independent within the meaning of FINMA Circular 201 7/1, paragraphs 18-22.

With the specific skills of the Board of Directors members, Raiffeisen Switzerland is responding to the constantly rising demands on banking groups like Raiffeisen. Their wide-ranging profiles enable the Board of Directors to selectively manage and monitor the Raiffeisen Group's strategic challenges and forthcoming transformation process.

Members of the Board of Directors

Guy Lachappelle

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

Born in
1961

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Chairman of the Board of Directors of Raiffeisen Switzerland (since 2018)

* Resigned as of 4 June 2019

Professional background

Basler Kantonalbank, Basel (2010–2018)
- Chief Executive Officer and Chairman of the Management Board (2013–2018)
- Head of Corporate Clients/Member of the Management Board (2010–2013))

Bank Coop, Basel (2006–2010)
- Head of Lending and Production/Member of the Executive Board (2008–2010)
- Head of Lending Northwestern Switzerland (2006–2008)

Bank Cial, Basel (1999–2006)
- Head of Risk Management/Member of the Executive Board (2005–2006)
- Head of Credit Management (1999–2005)

Credit Suisse Group, Basel und Aarau (1994–1999)
- Various staff and management functions

A & U Kaderberatung, Basel (1990–1994)
- Management consultant and partner

Education

- Executive MBA HSG, University of St.Gallen (2002–2004)
- Postgraduate degree in Human Resources, HWV Olten (1991–1993)
- Law degree, degree awarded: lic. iur., University of Basel (1982–1988)

Significant directorships and vested interests

- Member of the Board of Directors of WGN Wohnbau-Genossenschaftsverbandes Nordwest, Basel*
- Member of the Board of Directors of the Swiss Bankers Association
- Partner of Menschen im Alter GmbH

Memberships

- SwissVR (Association for Board Members)

Prof. Dr Pascal Gantenbein

Vice Chairman of the Board of Directors
Chairman of the Strategy and Finance Committee
Member of the Risk Committee

Born in
1970

Nationality
Swiss

On BoD since
2017

Elected until
2020

Occupation
Full Professor of Financial Management at the Department of Economics at the University of Basel and Dean of Studies at the Department of Economic Sciences (since 2007); Lecturer in Corporate Finance at the University of St.Gallen (HSG) (since 2008)

Professional background

- Visiting professorships at HEC Paris (FR), the University of Geneva (CH), 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) (1990–1999)

Significant directorships and vested interests

- none

Memberships

- The Royal Institution of Chartered Surveyors (RICS)
- Urban Land Institute (ULI)

Andrej Golob

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

Born in
1965

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Founder/Chairman of the Board of Directors/Chief Executive Officer of karldigital AG, Olten (since 2018)

Professional background

Equatex AG, Zurich (2015–2017)
- Chief Executive Officer

Swisscom AG, Zurich (2014–2015)
- Executive Vice President and Member of the Executive Board Swisscom Enterprise Customers

Swisscom IT Services Workplace AG, Zurich (2011–2013)
- Chief Executive Officer

Various senior management positions at Hewlett-Packard (1992–2011); including:
- Director Distribution Sales and Development Europe, Middle East & Africa (EMEA), Hewlett-Packard International, Dübendorf (2008–2011)
- Sales Director Corporate, Enterprise & Public Segment, Middle East, Mediterranean & Africa, Hewlett-Packard International, Dübendorf (2007–2008)
- Country General Manager of Division, HP Services, Hewlett-Packard Switzerland, Dübendorf (2006–2007)
- Country General Manager of Division Personal Systems Group, Hewlett-Packard Switzerland, Dübendorf (2002–2006)

Education

- Breakthrough Program for Senior Executives, IMD Lausanne (2007)
- Master in Business Administration (lic. oec. HSG), University of St.Gallen (1991)

Significant directorships and vested interests

- BoD Chairman of Raiffeisenbank Olten

Memberships

- Industrie- und Handelsverein Olten
- Swiss Institute of Directors

Thomas A. Müller

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

Born in
1965

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Independent Member of the Board of Directors and Chairman of the Swiss Takeover Board

* Resigned on 12 November 2018
** Resigned as of 31 March 2019

Professional background

EFG International, Zurich und Lugano* (2018)
- Group Chief Risk Officer/Member of the Executive Board

BSI Bank (within EFG Group), Lugano (2016–2017)
- Chief Executive Officer

Bank J. Safra Sarasin Ltd, Basel (2010–2016)
- Group Chief Financial Officer/Member of the Executive Board

Swiss Life Group, Zurich (2006–2009)
- Group Chief Financial Officer & Chief Risk Officer/Member of the Management Board

Banca del Gottardo/Swiss Life Group (2002–2005)
- Chief Financial & Risk Officer/Member of the Executive Board

Marc Rich Holding Ltd., Zug (1997–2000)
- Head of Trading Fixed Income

Credit Suisse/Schweizerische Volksbank, Zürich (1991–1997):
- Department Head of Treasury, Member of Senior Management
- Head of Asset & Liability Management, Member of Management

Education

- High Performance Boards, IMD Lausanne (2016)
- Master of Business Administration (MBA), IMD Lausanne (2001)
- Master of Economics (lic. rer. pol), University of Berne (1986–1991)

Significant directorships and vested interests

- President of the Swiss Takeover Board, Zurich
- Chairman of the Board of Directors of Credit Exchange AG, Zurich
- Directorships on behalf of the EFG Group**: Member of the Board of Directors of BSI AG, Lugano/Member of the Board of Directors and Head of the Audit Committee, Banque Oudart, Paris/Member of the foundation boards of the EFG and BSI pension funds

Memberships

- SwissVR (Association for Board Members)

Thomas Rauber

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

Born in
1966

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Manager/owner of TR Management GmbH (management consultancy), Tafers; Manager/owner of TR Invest AG (private SME investment company), Tafers (since 2010)

Professional background

Meggitt Gruppe (Meggitt PLC, Christchurch, UK) (1997–2010)
- CFO and Deputy General Manager, Meggitt SA, Villars-sur-Glâne, Fribourg (2008–2010)
- General Manager, Vibro-Meter France SAS (2005–2007)
- Finance Director, Vibro-Meter SA, Villars-sur-Glâne, Fribourg (1997–2005)

DANZAS (now DHL), Basel headquarters (1992–1997)
- Head of Controlling Eurocargo Division (1996–1997)
- Head Corporate Finance IT Coordination (1994–1996)
- Regional Controller (Europe) (1992–1994)

Swiss Bank Corporation, Basel (1990–1992)

Education

- Executive General Management, IMD Lausanne (2005)
- Lic. rer. pol. Business Administration, University of Fribourg (1986–1990)

Significant directorships and vested interests

- Member of the Chamber of Employers in the Canton of Fribourg
- Member of the Fribourg Cantonal Parliament
- Member of the Board of Directors of Fastlog AG, Emmen and Thun
- Chairman of the Board of Directors of Raiffeisenbank Freiburg Ost Genossenschaft

Memberships

- none

Olivier Roussy

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

Born in
1964

Nationality
Swiss

On BoD since
2014

Elected until
2020

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

Professional background

MAJOR INVEST SA
- Independent financial consultant (since 2017)
- Independent asset manager (2012–2017)

Freiburger Kantonalbank (2010–2011)
- Team leader of Private Banking

Deutsche Bank (Suisse) SA (2005–2010)
- Investment Manager

CS and UBS, Zurich, Geneva and Lausanne (1987–2000)
- Portfolio Manager/Investment Advisor/Relationship Manager

Education

- Swiss Board Institute Certificate (2017)
- 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)

Significant directorships and vested interests

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

Memberships

- Swiss Institute of Directors

Dr Beat Schwab

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

Born in
1966

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Self-employed entrepreneur and Board of Directors member (since 2017)

* Resigned as of 31 December 2018

Professional background

Credit Suisse AG, Zurich (2012–2017)
– Head Real Estate Investment Management/Managing Director
Wincasa AG, Winterthur (2006–2012)
– Chief Executive Officer
ISS Schweiz AG/Sevis AG, Facility Management, Zurich/Basel (1999–2006)
– Member of the Executive Board/Director of Business Development
Credit Suisse First Boston, Zurich (1998–1999)
– Head of Fixed Income/Forex Research Switzerland, Director
UBS Economic Research, Zurich (1992–1997)
– Head of Economic Research & Sector Analyses, Vice President

Education

– Master of Business Administration, Columbia University, New York (1996–1997)
– Doctorate (Dr. rer. pol.) (1993–1995)
– Degree in Economics (lic. rer. pol), University of Berne (1987–1992)

Significant directorships and vested interests

– Chairman of the Board of Directors of Zug Estates Holding AG, Zug
– Vice Chairman of the Board of Directors of pom+ Group AG & pom+ Consulting AG, Zurich
– Member of the Board of Directors and Member of the Audit, Risk & Compliance Committee of Credit Suisse Asset Management (Switzerland) AG, Zurich*
– Member of the Supervisory Board of Credit Suisse Asset Management Immobilien KAG, mbh, Frankfurt*
– Member of the Board of Directors and Head of the Audit Committee of SBB Swiss Federal Railways, Berne
– Member of the Board of Directors and Head of the Audit & Risk Committee of Varia US Properties AG, Zug
– Foundation Council of SKB 1809, formerly Sparkasse Basel

Memberships
– none

Karin Valenzano Rossi

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

Born in
1972

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Member of the tribunal panel of the Swiss Association of Asset Managers (VSV), Zurich (since 2016); Partner at the law firm of Walder Wyss AG, Zurich; partner at the notary's offices of JerminiValenzano, Lugano (now Jermini Valenzano Fornara) (since 2015); Investigator for FINMA, Berne (with the reference firms) (since 2014); Instructor at AKAD Banking + Finance (Höhere Fachschule für Bank und Finanz, HFBF), Centro di Studi Bancari, Vezia (now Kalaidos Banking + Finance School), The Banking Diploma (Swiss Banking) (since 2007); Instructor at the Centro di Studi Bancari, Vezia (since 2004)

Professional background

Spiess Brunoni Pedrazzini Molino, now Molino Adami Galante, Lugano (2001–2014)
- Attorney and, since 2002, notary
- Partner since 2009

Education

- Admitted to the Ticino Notaries Association (2002)
- Admitted to the Ticino Bar Association (2000)
- Law degree, University of Fribourg (1991–1997)

Significant directorships and vested interests

- Member of the Board of Directors of Banca Raiffeisen Lugano
- Vice President of FDP Ticino
- Member of the Municipal Council of Lugano, parliamentary FDP leader

Memberships

- Swiss Bar Association (SAV)
- Ticino Bar Association (OATi)
- Ticino Notaries Association (OdNti)

Rolf Walker

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

Born in
1962

Nationality
Swiss

On BoD since
2018

Elected until
2020

Occupation
Self-employed management consultant (since 2018)

Professional background

Ernst & Young, Bern/Zurich (1988–2018)
- Management of international, national and regional audit mandates from 2001 as partner
- Auditor in charge and lead auditor accredited by the Swiss Financial Market Supervisory Authority (FINMA)

Schweizerische Volksbank, Biel (1981–1985)
- Various positions

Education

- Kammerschule Bern, Swiss Certified Accountant (1991–1994)
- Höhere Wirtschafts- und Verwaltungsschule Bern, MBA-equivalent degree (Dipl. Kaufmann HWV) (1985–1988)

Significant directorships and vested interests

- none

Memberships

- none

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: 2018 to 2020) 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 four times a year pursuant to the Articles of Association of Raiffeisen Switzerland Art. 39 (1). The following table shows the number of meetings held by the Board of Directors and its committees in 2018. Ordinary meetings of the Board of Directors generally last an entire day while committee meetings last half a day.

Meeting attendance 2018 [1]	Board of Directors [2]	Nomination and Remuneration Committee [3]	Strategy and Finance Committee [4]	Audit and Risk Committee [5]	Audit Committee [6]	Risk Committee [7]
Number of meetings held	31	21 [8]	7	3	4	3
Number of members who missed no meetings	13	9	9	4	5	6
Number of members who missed one meeting	5	1	0	0	0	0
Number of members who missed two or more meetings	1	0	0	1	0	0
Meeting attendance, in %	95	99	100	77	100	100

1 Various members of the Board of Directors also attend other meetings that are not included in the above table: 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 had twelve members from 1 January to 8 March; eleven members from 8 March to 16 June; seven members from 16 June to 10 November, and nine members from 10 November to 31 December. On 8 March a member of the Board of Directors resigned. At the Delegate Meeting on 16 June, six members of the Board of Directors resigned or did not stand for re-election. Two new members joined the Board of Directors. At the Extraordinary Delegate Meeting on 10 November, three members resigned from the Board of Directors and five new members joined the Board of Directors.

3 The Nomination and Remuneration Committee had four members from 1 January to 16 June and from 10 November to 31 December. The Committee had three members from 16 June to 10 November.

4 The Strategy and Finance Committee was composed of four members throughout the year.

5 The Audit and Risk Committee had five members from 1 January to 8 March and four members from 8 March to 16 June. On 16 June, the Committee was divided into a separate Audit Committee and Risk Committee (pursuant to FINMA Circular 2017/1, paras. 31–33).

6 The Audit Committee was created as a result of the division of the Audit and Risk Committee. The Audit Committee had three members from 16 June to 10 November and four members from 10 November to 31 December.

7 The Risk Committee was created as a result of the division of the Audit and Risk Committee. The Risk Committee had three members from 16 June to 10 November and four members from 10 November to 31 December.

8 In addition to the 21 meetings, 11 meetings were held in the course of recruitment for the Board of Directors and revision of the remuneration model for the Board of Directors, each including a delegation from the regional unions.

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 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 the Chairman and members of the Executive Board, the Head of Internal Auditing and their deputies
- To define the overall sum of variable remuneration and decide on the fixed and variable annual remuneration components for Executive Board members
- To appoint and dismiss the auditor for the companies of the Raiffeisen Group
- 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 2018. 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.

Committees of the Board of Directors

Strategy and Finance Committee

Duties

- Addressing strategically relevant developments, opportunities and challenges in the environment and for the Raiffeisen Group on a regular and systematic basis.
- Preparing strategic initiatives in the Board of Directors and supervising their realisation (responsible for content).
- Providing the Board of Directors with strategic risk assessments.
- Arranging and supervising the form of strategy work of the Raiffeisen Group (responsibility for processes).
- 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.
- Dealing with tasks assigned by the Board of Directors and providing general support to the Board of Directors in performing its duties and responsibilities.

Audit Committee

Duties

- Monitoring and assessing the financial reporting and integrity of financial statements.
- Approving the annually budgeted fee of the auditing firm and the audit of the Internal Auditing department and presenting the results to the Board of Directors.
- Monitoring the work of the auditing firm and Internal Auditing, as well as cooperation between the two.
- Analysing Raiffeisen Switzerland and the Group with regard to audit reports and ensuring that the objections contained therein are resolved and the recommendations are implemented.
- Monitoring the resources, competences, independence and objectivity of the auditing firm and the Internal Auditing department and assessing their performance and cooperation and the remuneration of the auditing firm.
- Preparing for the appointment of the Head of Internal Auditing and presenting the results to the Board of Directors.
- Preparing for the election of the regulatory auditing firm and the auditor for the purposes of the Swiss Code of Obligations and presenting the results to the Board of Directors.
- Application to the Board of Directors as to whether the annual accounts can be recommended for presentation to the Delegate Meeting.

Risk Committee

Duties

- Assessing the framework concept for the Group-wide risk management at least once a year and arranging the necessary adjustments.
- Monitoring and assessing the effectiveness and appropriateness of the internal control system.
- Reviewing the annual risk policy and risk limits of Raiffeisen Switzerland and the Group and presenting the results to the Board of Directors.
- Analysing the risk situation of Raiffeisen Switzerland and the Group. Handling in particular the reports issued by the Risk & Compliance department.
- Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice.
- Monitoring the implementation of risk strategies, particularly with regard to their compliance with the predefined risk tolerance and the risk limits according to the framework concept for the Group-wide risk management.
- Should a limit stipulated by the Board of Directors be exceeded, deciding on measures to reduce the risk and/or approve a temporary breach.

Nomination and Remuneration Committee

Duties

- Analysing trends and developments on the labour market.
- Ensuring strategically oriented leadership development and succession planning.
- Review of the planning and measures for the retention and promotion of staff.
- 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 Members of the Board of Directors, the Executive Board and employees trading for their own accounts.
- Granting and monitoring loans to members of executive bodies and to these related parties within the scope of the regulations governing authority levels.
- Preparing for elections and presenting the results to the Board of Directors.

Independent investigation

Raiffeisen Switzerland launched an independent investigation led by Prof. Dr Bruno Gehrig in April 2018. He was assisted by teams from two law firms, Homburger and Tethnong Blattner. The investigation looked at equity investments that Raiffeisen Switzerland and its subsidiaries had made since 2005 under the leadership of Dr Pierin Vincenz. It focused on whether there had been any irregularities during the acquisition of equity investments by Raiffeisen Switzerland or its subsidiaries since 2005.

Raiffeisen published Gehrig's report on 22 January 2019. The report states that Prof. Dr Bruno Gehrig identified no clear and convincing evidence of criminal conduct by Dr Pierin Vincenz from the information available on the investigated equity investments. Nor did Prof. Dr Bruno Gehrig find any proof that other former or current directors or officers had committed any crimes or personally enriched themselves. The independent investigation did not look at matters already being investigated by public prosecutors.

However, the report did identify serious deficiencies in the leadership of the Board of Directors and the Executive Board of Raiffeisen Switzerland during the implementation of the diversification strategy. From 2012 to 2015, Raiffeisen Switzerland set up new business areas worth more than CHF 1 billion through equity investments. While several equity investments were transacted with all due care, the initiation, negotiation and execution of other equity investments proved to be too much for the existing structures, processes and resources. According to the assessment of Prof. Dr Bruno Gehrig, the entire Raiffeisen Group suffered financial and particularly reputational damage as a result of a lack of leadership and oversight, organisational shortcomings and a person-centric culture.

Raiffeisen therefore initiated a comprehensive set of measures, which it announced on 22 January 2019 (raiff.ch/massnahmenpaket)

FINMA enforcement proceedings

On 12 June 2018, FINMA issued an order that concluded the enforcement proceedings against Raiffeisen Switzerland that it had initiated in October 2017. The conditions imposed by the order have been implemented or are in the process of being implemented and will be reviewed by a FINMA auditor. This process is supported by Raiffeisen Switzerland's Board of Directors.

Criminal proceedings against Dr Pierin Vincenz

Raiffeisen Switzerland has joined the proceedings against Dr Pierin Vincenz, the former Chairman of the Executive Board of Raiffeisen Switzerland, and other defendants, as a private complainant. No further information can be disclosed in this respect given that criminal proceedings are ongoing.

Whistleblower office for violations and misconduct

An independent whistleblower office was established at Raiffeisen Switzerland in the current year. The office, which supplements but does not replace the existing reporting channels, gives employees the ability to report violations and misconduct so that Raiffeisen Switzerland can identify and rectify these cases early on. Whistleblower reports are handled by a specialised law firm in order to ensure dialogue while protecting the whistleblower's confidentiality and anonymity.

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 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 inspection. In addition, Executive Board members participate in Board of Directors or committee meetings 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

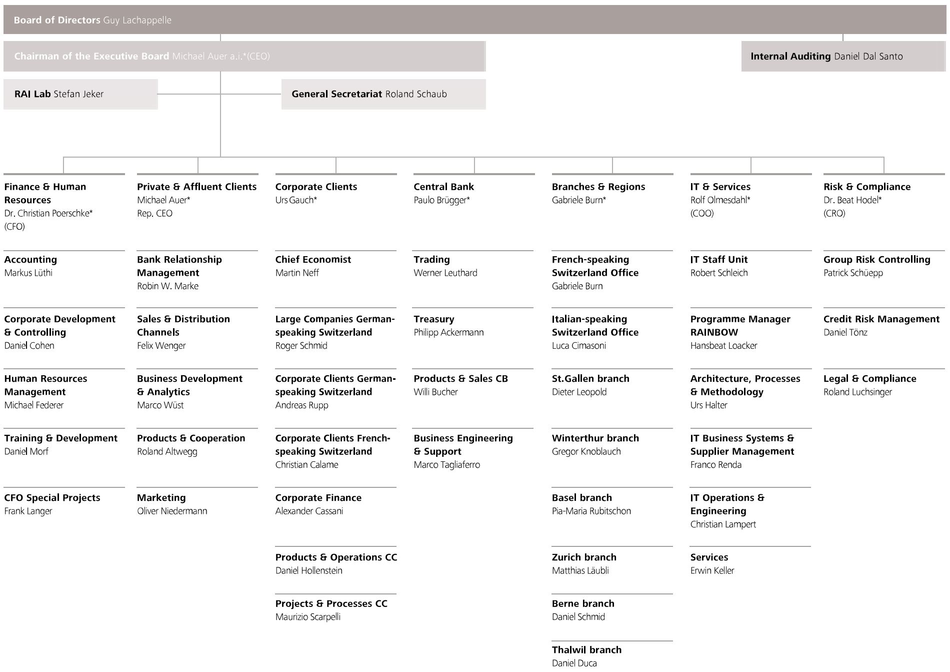
The Raiffeisen Group has an Internal Auditing department which reports to the Board of Directors and is independent of the Executive Board. This department supports the Board of Directors in fulfilling its oversight and control duties and has an unrestricted right to perform audits and obtain information within the bank. Internal Auditing reports to the Audit Committee, the Risk Committee and 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. In addition, within the Raiffeisen Group, the Executive Board is responsible for ensuring financial management, Group risk management and compliance. It also ensures the implementation of the risk policy and the application architecture as well as the monitoring and coordination of the subsidiaries.

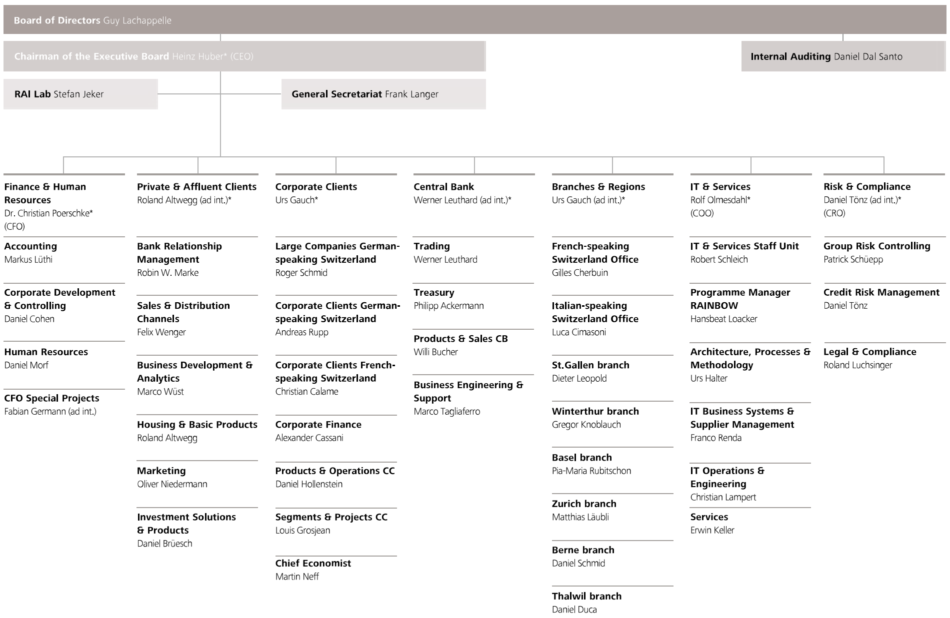
The Executive Board consists of the chairman and six other members. Meetings are normally held once every two weeks, led by the Chairman. The Executive Board has the power to pass resolutions if a majority of its members or their deputies are present. The Board passes most resolutions by consensus. If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

Organisational chart (December 31, 2018)



* Member of the Executive Board

Organisational chart (February 1, 2019)



* Member of the Executive Board

Due to the renewal of the Executive Board after the balance sheet date, the organisational chart is published as of February 1, 2019.

Members of the Executive Board

Michael Auer*

Deputy Chairman of the Executive Board

Born in
1964

Nationality
Swiss

Joined Executive Board
2008

* On 9 November 2018, Michael Auer, as Head of Private & Affluent Clients, became Deputy Chairman of the Executive Board due to Dr Patrik Gisel's resignation. At the same time, Auer announced his intention to leave the organisation of his own volition once a new Chairman of the Executive Board took office. Heinz Huber assumed the position of Chairman of the Executive Board of Raiffeisen Switzerland as of 7 January 2019.

Professional background

Raiffeisen Switzerland (since 2001)
- Head of Private & Affluent Clients department/Member of the Executive Board (2015 – November 2018)
- Head of Bank Relationship Management department/Member of the Executive Board (2008–2015)
- Head of Human Resources Management unit (2001–2008)

Human Leverage AG und 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

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

Significant directorships

- Member of the Board of Directors of Aduno Holding Ltd, Zurich
- Member of the Executive Committee of UNICO Banking Group, Brussels
- Member of the BoD of Säntis Schwebebahn AG
- Member of the Coordination Domestic Banks

Paulo Brügger*

Head of Central Bank department

Born in
1966

Nationality
Swiss

Joined Executive Board
2007

* Resigned as of 21 January 2019

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 (2002–2003)
- Regional Head Foreign Exchange Trading (1998–2002)
- Global Risk Management Group Proprietary Trading (1995–1998)

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

Schweizerische Bankgesellschaft (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 AG, Zurich

Gabriele Burn*

Head of Branches & Regions department

Born in
1966

Nationality
Swiss

Joined Executive Board
2008

*Left as of 21 January 2019

Professional background

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

Raiffeisenbank Thunersee-Süd (1997–2008)
- Chairwoman of the Executive Board

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, Lucerne University (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
- Vice-Chairwoman of the Banking Association of the City of St.Gallen
- Member of the Management Board of the Zurich Banking Association
- Member of the Foundation Board of Ella & J. Paul Schnorf Foundation
- Member of the Specialist Council (Fachrat) 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

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

- Chair of the BoD of UPG Holding
- 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
- Chairman of the BoD of KMU Capital Holding AG
- Chairman of the BoD of KMU Capital AG
- Member of the BoD of Vorsorge Partner AG
- Member of the Management Board of Epi-Suisse

Dr Beat Hodel*

Head of Risk & Compliance (CRO) department

Born in
1959

Nationality
Swiss

Joined Executive Board
2018

*Left as of 21 January 2019

Professional background

Raiffeisen Switzerland (since 2005)
- Head of Risk & Compliance (CRO) department/Member of the Executive Board
- Chief Risk Office/Member of the Extended Executive Board (2005–2017)

COMIT AG, Zurich (2004–2005)
- Partner/Member of the Extended Executive Board of the COMIT Group

ABOVO Management Consulting & Services AG, Zurich (2002–2004)
- Founder and Managing Partner (integrated into the COMIT Group in 2004)

Adverum AG, Zollikon (2002–2005)
- Chairman of the BoD

Ernst&Young Ltd, Switzerland (1997–2002)
- Senior Partner, Head Special Assurance & Advisory Services/Member of the Executive Board "Assurance & Advisory Business Services" (1999–2002)
- Partner, Head Financial Services Consulting/Member of the Executive Board of Ernst&Young Consulting AG (1997–1999)

HPC, Hodel&Partner Consultants, Galmiz/Fribourg (1993–1997)
- Managing Partner
- Finance consulting and credit restructuring

Institute of Finance and Accounting at the University of Fribourg (1993–1996)
- Instructor in bank and risk management
- Research in structured finance/innovation finance

Schweizerische Volksbank, GD Berne (1990–1993)
- Department manager and member of management team "Domestic Commerce" (1991–1993)
- Head of Strategic Projects, Lending Activity (1992–1993)
- Head of Equity Participations & Equity Banking (1991–1992)
- Credit Workout and Special Financing (1990–1993)

Institute of Finance at the University of Fribourg (1985–1990)
- Undergraduate research assistant with research and teaching responsibilities

Education

- Completed Senior Executive Program, Columbia University, New York (2002)
- Completed dissertation and doctorate (Dr. rer. pol) (1990 and 1991)
- Degree in economics at the University of Fribourg (lic. rer. pol) (1985)

Significant directorships

- Member of the Board of Directors of esisuisse, the Swiss banks' and securities dealers' depositor protection association

Rolf Olmesdahl

Head of IT & Services department (COO)

Born in
1963

Nationality
Swiss

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 (until 27 November 2018)

Dr Christian Poerschke

Head of Finance & Human Resources department (CFO)

Born in
1974

Nationality
Swiss/Germany

Joined Executive Board
2015

Professional background

Raiffeisen Switzerland (since 2005)
- Head of the Finance & Human Resources department (CFO)/Member of the Executive Board
- Head of the Services department (COO)/Member of the Executive Board
- 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 Management Board, the Finance and Audit Committee and the Strategy Committee of the Valida Foundation, St.Gallen
- Chairman of the BoD of the Raiffeisen Pension Fund and Raiffeisen Employer Foundation

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 corresponding 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, information flows, accounting and IT. Internal Auditing has unlimited auditing, information and access rights within the Raiffeisen Group. Internal Auditing conducts its auditing activities on the basis of an annual audit schedule which is approved by the Board of Directors and coordinated with the auditing activities of the regulatory audit firm and the auditor for the purposes of the Swiss Code of Obligations. In addition, the Board of Directors may use Internal Auditing for special tasks such as special audits. Internal Auditing reports to the Audit Committee and the Risk Committee (Audit and Risk Committee until 16 June 2018) and presents an annual activity report to the Board of Directors.

Daniel Dal Santo has been the Head of Internal Auditing since 2015. He reports directly to the Audit Committee (Audit and Risk Committee until 16 June 2018) of the Board of Directors and participates in Board of Directors, Audit Committee and Risk Committee meetings (Audit and Risk Committee until 16 June 2018) (six meetings of the Board of Directors, two meetings of the Audit and Risk Committee and three meetings each of the Audit Committee and Risk Committee in 2018). Internal Auditing had 69.8 full-time equivalents at the end of 2018 and 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 a term of three years each time. PricewaterhouseCoopers Ltd has been the regulatory audit firm 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 Switzerland's Internal Auditing department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies
Since the 2007 financial year, PricewaterhouseCoopers Ltd has been the regulatory audit firm 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 and electable auditor for the Raiffeisen banks at the Delegate Meeting for a period of three years (2018 to 2020) on 16 June 2018. 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. Stefan Keller Wyss has been the lead auditor for coordinating the audits of all Raiffeisen banks since the 2017 financial year. The lead auditors may carry out this mandate for seven years.*

* Due to the rotation requirement stipulated by the Swiss Code of Obligations, Beat Rütsche will resign as lead auditor as of 31 December 2018. Rolf Birrer will take over this position as of 1 January 2019.

Audit fees
The fees of the auditing firms amount to CHF 12.7 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 0.6 million for tax advisory and other consulting services.

Information tools available to the regulatory audit firm
The risk assessment, the audit plan derived from it, and the auditors' reports are examined by the Audit Committee (Audit and Risk Committee until 16 June 2018) and discussed with the lead auditor. In 2018, the auditor in charge attended all five meetings of the Audit Committee (Audit and Risk Committee until 16 June 2018) to discuss the audit firm's reports.

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 Committee (Audit and Risk Committee until 16 June 2018) assesses the performance, remuneration and independence of the external auditor and ensures cooperation with the Internal Auditing department. In this assessment, it also looks for conflicts between auditing activities and consulting mandates.

Communication policy

An active, transparent and dialogue-driven communication policy is an integral part of the Raiffeisen Group's corporate philosophy due to its cooperative structure. The year 2018 was characterised by FINMA enforcement proceedings, the criminal proceedings filed against Dr Pierin Vincenz, former Chairman of the Executive Board, and by various resignations from the Board of Directors and Executive Board of Raiffeisen Switzerland. The culmination of major events and accompanying media interest created a challenging communication environment for the Raiffeisen Group. Information was always provided as needed within the Raiffeisen Group and to the public in compliance with legal requirements.

Communication with various stakeholders – cooperative members, clients, employees and the general public – should always take place according to the principles of truthfulness, precision and consistency with the Raiffeisen Group's actions. 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 on time in an audience-friendly format in full compliance with ad hoc publicity directives. The publications and press releases are available on the Raiffeisen website. Cooperative members also receive extensive information in person directly from their Raiffeisen banks at the Annual General Meeting.

Corporate governance
Remuneration report

Letter from the Chairman of the Nomination and Remuneration Committee

Dear Sir or Madam,

As the new Chairman of the Nomination and Remuneration Committee of the Board of Directors, I am pleased to present to you the remuneration report for 2018. We redesigned the report's structure and presentation this year to be clearer, more reader-friendly and thus more transparent. The report now provides more in-depth explanations on remuneration governance and much more detailed information on the remuneration for the Board of Directors and the Executive Board. We made this change in order to meet our cooperative banks' need for more information and to live up to our responsibility as a systemically important bank. Our new disclosure policy also aligns our report with the market practices of publicly traded companies. Furthermore, the Board of Directors will move to hold a consultative vote on the 2018 remuneration report at the 2019 Delegate Meeting.

The Board of Directors initiated a comprehensive review of the entire remuneration system in 2018. It decided to voluntarily reduce its 2018 remuneration, effective as of 17 June 2018, to a level corresponding to the remuneration regulations in force until the end of 2016.

Based on a motion filed by several regional unions at the Ordinary Delegate Meeting on 16 June 2018 regarding the remuneration of the Board of Directors and the Executive Board, the Board of Directors moved at the Delegate Meeting to institute a working group to prepare a new remuneration system for the Board of Directors starting on 1 January 2019, including processes, disclosure (remuneration report) and amounts. The Board of Directors will carefully review the remaining remuneration models of Raiffeisen Switzerland as part of a regular process.

The main objectives of the new remuneration system for the Board of Directors are to simplify the system and ensure remuneration according to market rates in the context of a cooperative union. The new remuneration system therefore stipulates lump sums for basic and committee remuneration depending on the Board of Directors' member's role and eliminates the old meeting attendance fees and meeting expenses. The new remuneration system is to be reviewed every two years (instead of every four) and aims to increase delegate involvement and transparency with respect to disclosure. The remuneration system took effect on 1 January 2019, with 2018 serving as a transitional year from the old to the new system, which involved numerous personnel changes on the Board of Directors. Remuneration for the entire Board of Directors in 2018 was largely driven by a high frequency of meetings and attendance times due to the need to find five new BoD members and a new CEO, maintain a very strong presence and communicate with the Raiffeisen banks.

The Board of Directors is convinced that these changes will not only increase transparency but that communication with representatives of the Raiffeisen banks will encourage open, candid dialogue about remuneration issues. The Delegate Meeting's consultative vote on the 2018 remuneration report is a great opportunity to share opinions and views on remuneration in 2019.

On behalf of the Nomination and Remuneration Committee, I would like to thank everyone in the committees and working groups who played a part in handling such a large volume of work in 2018. I look forward to working with you in the future.

Thomas Rauber
Chairman of the Nomination and Remuneration
Committee of the Board of Directors
March 2019

Raiffeisen Group remuneration report

A competitive compensation system plays a key role in successfully positioning Raiffeisen Switzerland as an attractive employer. The remuneration system is designed to attract skilled workers on the job market and to retain them, among other things. Outstanding and extraordinary achievements are recognised and rewarded.

Raiffeisen Switzerland's remuneration system is based on criteria provided in laws, rules and regulations, including, without limitation, Circular 10/1 "Remuneration schemes" of the Swiss Financial Market Supervisory Authority (FINMA).

The Raiffeisen Group (Raiffeisen Switzerland including the Raiffeisen banks and consolidated companies) paid CHF 1,086,310,308 in total remuneration in the current year. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 106,017,403. Remuneration was rendered exclusively in the form of cash. None of it was deferred.

in CHF	2018	Prior year
Total Raiffeisen Group remuneration	1,086,310,308	1,096,762,318
of which total Raiffeisen Group variable remuneration pool	106,017,403	120,804,675

Raiffeisen Switzerland remuneration report

Remuneration governance

The Board of Directors regularly reviews remuneration policy and remuneration regulations. In 2018, the Board of Directors thoroughly examined remuneration governance, the remuneration system and the amount of remuneration paid to the Board of Directors. The adjustments took effect on 1 January 2019.

The Nomination and Remuneration Committee is responsible for implementing regulations issued by the Board of Directors. It consists of at least three members of the Board of Directors. The Nomination and Remuneration Committee reviews proposals concerning the remuneration of the Executive Board and Board of Directors and submits recommendations to the Board of Directors for approval. In addition, the Nomination and Remuneration Committee and the Board of Directors jointly evaluate the CEO's performance and sit down with the CEO to jointly review the performance evaluations of the other Executive Board members.

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

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

The Nomination and Remuneration Committee deals with remuneration topics at its meetings. At least four meetings are required each year. In 2018, the Nomination and Remuneration Committee held 21 meetings (including conference calls) with a general attendance rate of 99%. The Nomination and Remuneration Committee focused on the following areas in 2018:

- Searching for seven new BoD members
- Searching for a new CEO
- Reviewing remuneration governance
- Reviewing the remuneration system for the BoD
- Intensive communications with internal and external stakeholders

The Chairman of the Nomination and Remuneration Committee decides whether to invite other members of the Board of Directors, the Executive Board, other experts, remuneration advisors and external legal advisors to attend the committee's meetings as needed. Committee members do not take part in discussions about their own remuneration. The committee also communicated extensively in 2018 with the coordination group of the regional union chairs and other representatives of the Raiffeisen banks who had been delegated to the Remuneration Working Group at the June 2018 Delegate Meeting.

The remuneration approval structure can be summarised as follows:

Topic	Nomination and Remuneration Committee	Board of Directors
Develop or modify remuneration policy	Recommendation	Approval
Remuneration report	Recommendation	Approval
Remuneration for the CEO	Recommendation	Approval
Remuneration for remaining members of the Executive Board	Recommendation[1]	Approval
Remuneration for the Board of Directors	Recommendation	Approval
Total amount of variable remuneration of Raiffeisen Switzerland	Recommendation	Approval

1 Together with CEO

The Board of Directors will move for the delegates to hold a consultative vote on the remuneration report at the 2019 Delegate Meeting.

Internal Auditing regularly evaluates the operational implementation of the remuneration regulations at Raiffeisen Switzerland to ensure compliance with Raiffeisen Switzerland's remuneration system. 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 2018. 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. The Board of Directors receives regular, comprehensive reports on changes in risk in accordance with Raiffeisen Switzerland's risk profile and accepts the risk and compliance reports.

Remuneration policy

Our remuneration policy is designed to align the interests of our employees with those of our clients. Raiffeisen Switzerland has an independent remuneration system. The remuneration system regulates the remuneration paid to members of the Board of Directors and the Executive Board in detail and lays out basic principles for the total remuneration paid to all employees. Raiffeisen Switzerland also issues remuneration 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. The remuneration system provides adequate incentives to drive and differentiate performance.

Being a cooperative, Raiffeisen Switzerland aims for stable returns and sustained success, which significantly affects the remuneration system. The remuneration policy aims for consistency. Incentives are designed to encourage appropriate business conduct and avoid potential conflicts of interest and excessive risk appetite.

The remuneration system is aligned with the business strategy. It gives due consideration to the Group's goals, values, cooperative culture and long-term, sustainable alignment.

Furthermore, Raiffeisen Switzerland places considerable emphasis on social responsibility and on having a remuneration system that is both simple and transparent. At the same time, Raiffeisen Switzerland believes in equal pay for equal work. The second study on wage equality, conducted at Raiffeisen Switzerland by the same independent partner as in 2014 and 2017, once again found that Raiffeisen Switzerland pays equal wages to men and women. The remuneration system must be attractive enough to recruit, motivate and retain talent over the long term.

The following table summarises the principles of our remuneration policy.

Transparency	The structure of the remuneration system of Raiffeisen Switzerland is simple and transparent; the principle of "equal pay for equal work" applies as an absolute matter of course.
Strategic direction	The remuneration system is geared to the business strategy, with the goals, values, cooperative culture and long-term and sustainable orientation of the Group being taken into account appropriately.
Consideration of risk	Incentives are designed to encourage appropriate business conduct and avoid potential conflicts of interest and excessive risk behaviour.
Performance orientation	The remuneration system sets appropriate incentives within the meaning of performance orientation and differentiation.
Market positioning	The remuneration system is attractive enough to recruit talented individuals, motivate them and ensure their long-term loyalty to the company. The appropriateness of the remuneration is reviewed based on regular market comparisons.

Remuneration system

For all employees (including members of the Executive Board, senior management, additional risk takers and other controlling functions), 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. It is also based on the assessment of how much individual employees contribute to the corporate culture. It can be paid for all functions, including controlling functions. Special care is taken to prevent the remuneration system giving controlling functions incentives that could cause conflicts of interests with their duties. Employees generally have no contractual guarantee to be paid variable remuneration. Exceptions are listed in section "Other remuneration". All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits are granted within the framework of applicable regulations, directives and industry standards.

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

Determination of the remuneration for the Board of Directors
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. The members of the Board of Directors do not receive variable remuneration. The Board of Directors has no performance indicators that would encourage unnecessary risk-taking.

The existing remuneration regulations remained generally valid in 2018. Accordingly, the Chairman of the Board of Directors at the time received an annual fixed remuneration of CHF 450,000 and was not entitled to receive committee fees. The full members of the Board of Directors received a fixed remuneration of CHF 100,000. The Chairman of the Board of Directors received an annual lump-sum expense allowance of CHF 9,000 for his representative duties.

Furthermore, the full members of the Board of Directors received:

– CHF 30,000 per committee for being members of a Committee of the Board of Directors,
– an additional CHF 30,000 per committee for chairing a Committee of the Board of Directors.

In addition, the members of the Board of Directors received a meeting attendance fee of CHF 1,500 for each meeting they attended and a lump sum expense allowance of CHF 200 for each meeting day. The remuneration tables below show the total remuneration paid to the individual members of the Board of Directors.

After the Delegate Meeting on 17 June 2018, the BoD decided to voluntarily reduce the remuneration for all members of the Board of Directors from 17 June to 31 December. This is why the basic and committee remuneration and meeting attendance fees actually paid from June to December were lower than the amounts shown in the regulations (cf. section "Remuneration for the BoD in 2018").

Determination of the remuneration for the Executive Board
The total remuneration for the Executive Board comprises four elements: Basic salary, variable remuneration, fringe benefits, and pension plan and social insurance contributions. Loans granted to members of the 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. Furthermore, the Executive Board enjoys industry-standard preferential terms, as do the other employees.

Fixed remuneration
Fixed remuneration for Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority. Each member of the Executive Board receives a fixed basic salary that is reviewed each year by the Nomination and Remuneration Committee. Fixed remuneration (excluding employee and employer contributions to pension plans and social insurance) is capped by the regulations at a maximum of CHF 1,200,000. The members of the Executive Board receive market-standard pension and fringe benefits.

Variable remuneration
The process of determining the performance-based allocation includes determining the total available pool of variable remuneration. Variable remuneration is allocated to individual members of the Executive Board as follows:

Individual variable remuneration is also allocated by the Board of Directors and cannot exceed two-thirds of the fixed remuneration (excluding employee and employer contributions to pension plans and social insurance) in any individual case. Variable remuneration is allocated based on the attainment of Raiffeisen, area, team and employee targets. Both qualitative and quantitative targets are used for this purpose. The targets are assigned varying weights depending on the employee's function and role.

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

Separate handling of risk-takers not on the Executive Board

The Board of Directors has identified another group of risk-takers other than the eight members of the Executive Board and the Head of Internal Auditing: 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 2018, this group consisted of 63 people (not counting Executive Board members or the Head of Internal Auditing).

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, performance reviews and the supervising manager's assessment of the employee's contribution to corporate culture 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 to ensure 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).

Remuneration for the BoD in 2018

Members of the Board of Directors investigated regulatory and market issues in great detail during the current year. Their investigation focused on reviewing the remuneration regulations, appointing seven permanent new members to the Board of Directors to replace outgoing members, and addressing the increasing complexity of regulatory requirements caused by Raiffeisen's systemic importance. Furthermore, regulators required the Board of Directors to split the Audit and Risk Committee into two separate committees. The thoroughness of these investigations was reflected in the increased number of meetings.

The Board of Directors remuneration system was reviewed during the current year and adjusted as of 1 January 2019. The total remuneration of the Board of Directors for the 2018 financial year is based on the system in effect in 2018, which used the following rates for the individual remuneration components: the effective rates specified in the regulations for the remuneration components were applied from 1 January to 16 June 2018. The Board of Directors decided to voluntarily reduce the remuneration from 17 June

to 31 December 2018 and used the remuneration component rates from the remuneration regulations in effect in 2016. As a result, the members of the Board of Directors of Raiffeisen Switzerland received remuneration totalling CHF 2,707,748 for 2018 (previous year: CHF 2,561,270*). This includes CHF 1,449,210 for the period from 1 January to the Delegate Meeting on 16 June and CHF 1,258,538 for the period from 17 June to 31 December. In addition, the employer share of social insurance contributions for the members of the Board of Directors totals CHF 423,882 for 2018 (previous year: CHF 328,286*). The total amount for 2018 is primarily attributable to regulatory requirements and structural changes (one additional Board of Directors committee), new appointments and the high frequency of Board of Directors and committee meetings along with intensive discussions between committees.
* Figures are shown and calculated based on 2018 requirements to ensure year-on-year comparability.

Total amounts are distributed as shown in the following table:

Name		Position	Base remuneration	Committee remuneration	Attendance fees	Credited employee contributions to social insurance[6]	Gross total direct compensation*	Flat-rate expenses	Total in CHF
Lachappelle, Guy	Joined 10.11.2018	Chair of the BoD, Member of the SFC[1] and NRC[4]	60,548	-	14,500	4,738	79,786	2,200	**81,986**
Gantenbein, Pascal	01.01. – 16.06.2018	Chair of the BoD ad int., Chair of the SFC[1] (as of 09.03.2018) and Member of the NRC[4]	160,630	5,507	26,000	12,169	204,305	3,290	207,595
	17.06. – 10.11.2018	Chair of the BoD ad int., Chair of the SFC[1]	181,644	12,575	54,100	15,727	264,046	8,467	272,513
	Since 11.11.2018	Vice Chair of the BoD, Chair of the SFC[1] and Member of the RC[3]							
									480,108
Rüegg-Stürm, Johannes	Resigned 08.03.2018, left 16.06.2018	Chair of the BoD and SFC[1] and Member of the NRC[4]	209,366	-	30,100	14,815	254,280	5,650	**259,930**
De la Serna, Laurence	Left 16.06.2018	Member of the BoD and SFC[1]	45,754	13,726	20,600	5,315	85,395	1,800	**87,195**
Fuhrer, Rita	Left 16.06.2018	Member of the BoD and NRC[4]	45,754	13,726	46,200	5,071	110,751	5,000	**115,751**
Golob, Andrej	Joined 11.11.2018	Member of the BoD and SFC[1]	10,685	2,849	11,600	1,739	26,873	1,800	**28,673**
Jelmini, Angelo	Left 16.06.2018	Member of the BoD and NRC[4]	45,754	13,726	40,200	6,626	106,306	4,200	**110,506**
Moeschinger, Philippe	01.01. – 16.06.2018	Member of the BoD, Chair of NRC 4 and Member of the SFC[1]	45,753	27,452	57,217	8,622	139,044	4,520	143,564
	17.06. – 10.11.2018, left 10.11.2018	Member of the BoD, NRC[4] and SFC[1]	30,205	16,110	28,683	4,958	79,956	4,280	84,236
									227,800
Müller, Thomas A.	Joined 11.11.2018	Member of the BoD and AC[2] and Chair of the RC[3]	10,685	15,671	12,800	2,575	41,731	1,800	**43,531**
Lüscher, Daniel	01.01. – 10.11.2018, left 10.11.2018	Member of the BoD and SFC[1]	80,534	17,205	44,300	9,528	151,567	4,200	**155,767**
Rauber, Thomas	17.06. – 10.11.2018, joined 17.06.2018	Member of the BoD and RC[3] and Chair of the NRC[3]	40,685	43,644	60,800	9,590	154,718	7,200	**161,918**
	Since 11.11.2018	Member of the BoD and Chair of the NRC[4]							
Roussy, Olivier	01.01. – 16.06.2018	Member of the BoD and AC[2]	45,753	13,726	19,527	5,199	84,205	1,813	86,018
	17.06. – 10.11.2018	Member of the BoD and AC[2] and Chair of the RC[3]	40,685	52,713	39,073	8,717	141,188	4,387	145,575

	Since 11.11.2018	Member of the BoD, SFC[1] and AC[2]							
									231,594
Schneider, Urs	01.01. – 16.06.2018	Member of the BoD and AC[2]	45,753	13,726	18,027	5,146	82,652	1,613	84,265
	17.06. – 10.11.2018, left 10.11.2018	Member of the BoD, AC[2] and SFC[1]	30,205	24,246	31,473	5,705	91,630	3,387	95,016
									179,282
Schwab, Beat	Joined 11.11.2018	Member of the BoD, AC[2] and NRC[4]	10,685	8,548	12,400	2,114	33,747	1,600	**35,347**
Taisch, Franco	Left 16.06.2018	Member of the BoD and ARC[5]	45,754	13,726	-	3,948	63,428	-	**63,428**
Valenzano Rossi, Karin	Joined 11.11.2018	Member of the BoD, RC[3] and NRC[4]	10,685	8,548	13,600	2,198	35,031	1,800	**36,831**
Walker, Rolf	17.06. – 10.11.2018, joined 17.06.2018	Member of the BoD and NRC[4], Chair of the AC[2] and Member of the RC[3]	40,685	68,272	69,500	11,731	190,188	9,800	**199,988**
	Since 11.11.2018	Member of the BoD, Chair of the AC[2] and Member of the RC[3]							
Wohlhauser, Edgar	Left 16.06.2018	Member of the BoD and Chair of the ARC[5]	45,754	27,452	36,400	7,110	116,716	2,400	**119,116**
Zollinger, Werner	Left 16.06.2018	Member of the BoD and ARC[5]	45,754	13,726	22,100	5,416	86,996	2,000	**88,996**
Total			**1,329,711**	**426,876**	**709,200**	**158,754**	**2,624,541**	**83,206**	**2,707,748**

* This amount does not include the employer pension fund and social insurance contributions required by law. They amount to CHF 423,882. The mandatory employee contributions to social insurance are included in the amounts shown in the above table where required. Social insurance contributions comprise employer contributions to AHV/IV/EO and ALV including pension plans. Pension plan contributions for the Chairman of the Board of Directors amounted to CHF 208,848 (previous year: CHF 144,249).

1 SFC = Strategy and Finance Committee
2 AC = Audit Committee
3 RC = Risk Committee
4 NRC = Nomination and Remuneration Committee
5 ARC = Audit and Risk Committee (separated into an Audit Committee and Risk Committee as of 1 July 2018)
6 Employee shares of social insurance contributions were offset on a net/gross basis

Remuneration for the BoD in 2017

Name		Position	Base remuneration	Committee remuneration	Attendance fees	Credited employee contributions to social insurance s[4]	Gross total direct compensation*	Flat-rate expenses	Total in CHF
Rüegg-Stürm, Johannes		Chair of the BoD, Member of the NRC[3] and SFC[1]	450,000	-	79,500	33,622	563,122	18,800	581,922
Gantenbein, Pascal	Joined 17.06.2017	Member of the BoD and ARC[2]	53,889	16,167	31,500	6,811	108,367	4,200	112,567
Moeschinger, Philippe		Vice Chair of the BoD and Member of the NRC[3]	100,000	60,000	62,700	14,668	237,368	7,600	244,968
De la Serna, Laurence	Joined 17.06.2017	Member of the BoD and SFC[1]	53,889	16,167	22,500	6,203	98,759	3,000	101,759
Fuhrer, Rita		Member of the BoD and NRC[3]	100,000	30,000	53,700	11,161	194,861	6,600	201,461
Jelmini, Angelo		Member of the BoD and NRC[3]	100,000	30,000	50,700	12,070	192,770	6,000	198,770
Lüscher, Daniel		Member of the BoD and SFC[1]	100,000	30,000	34,200	10,979	175,179	4,200	179,379
Roussy, Olivier		Member of the BoD and ARC[2]	100,000	30,000	35,700	11,080	176,780	4,400	181,180
Schneider, Urs		Member of the BoD and SFC[1]	100,000	30,000	34,200	10,979	175,179	4,200	179,379
Wohlhauser, Edgar		Member of the BoD and Chair of the ARC[2]	100,000	60,000	45,200	13,530	218,730	6,000	224,730
Zollinger, Werner		Member of the BoD and ARC[2]	100,000	30,000	34,200	10,979	175,179	4,200	179,379
Taisch, Franco		Member of the BoD and ARC[2]	100,000	30,000	31,200	10,776	171,976	3,800	175,776
Total			**1,457,778**	**362,334**	**515,300**	**152,858**	**2,488,270**	**73,000**	**2,561,270**

* This amount does not include the employer pension fund and social insurance contributions required by law. They amount to CHF 328,286. The mandatory employee contributions to social insurance are included in the amounts shown in the above table where required. Social insurance contributions comprise employer contributions to AHV/IV/EO and ALV including pension plans. The pension plan contribution for the Chairman of the Board of Directors was CHF 144,249.
1 SFC = Strategy and Finance Committee
2 ARC = Audit and Risk Committee
3 NRC = Nomination and Remuneration Committee
4 Employee shares of social insurance contributions were offset on a net/gross basis.

Remuneration for the Executive Board in 2018

Total remuneration paid to members of the Raiffeisen Switzerland Executive Board (including the Head of Internal Auditing) for the year under review (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,323,647. Of this, CHF 1,537,861 was paid to Rolf Olmesdahl, Member of the Executive Board and Head of the IT & Services department of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. The total amount for Rolf Olmesdahl comprises the basic salary, variable remuneration and a performance-based joining payment of CHF 448,178*. Employee and employer contributions to pension plans and social insurance totalled CHF 4,020,090. CHF 649,496 of this amount was paid for Rolf Olmesdahl. Fixed remuneration includes business-related board of directors fees for Executive Board members.
*Contractually agreed obligation in 2015.

Further compensation 2018

Raiffeisen Switzerland understands further compensation to mean guaranteed bonuses and joining or severance payments. Such payments are only agreed to by Raiffeisen Switzerland within narrow limits and in justified exceptional cases. In this respect, joining payments are understood to mean compensation payments in the sense of compensation for disadvantages suffered. At Raiffeisen Switzerland, joining and severance payments must be approved in compliance with clear and transparent decision-making processes. In the current year, guaranteed bonuses totalling CHF 200,000 were paid to three employees. These were neither members of the Executive Board nor risk-takers. The total sums of the further compensation were paid in cash. With the exception of the joining payment for the Head of the IT & Services department disclosed in 2018 under remuneration for the Executive Board, neither joining nor severance payments were paid in the current year.

Total remuneration by Raiffeisen Switzerland

In the current year, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 304,154,393. Accrued remuneration expenses (both fixed and variable) for the current year have been recorded in full as personnel expenses. There are no remuneration expenses from earlier reporting years affecting profit and loss. In the current year, the Board of Directors approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 45,248,106 for Raiffeisen Switzerland. Of this amount, CHF 6,119,000 was paid to risk-takers outside the Executive Board and CHF 1,150,000 to the Executive Board (including the Head of Internal Auditing).

All shares were paid in cash. No shares of fixed or variable remuneration were deferred. The total variable remuneration pool benefited 2,080 individuals at Raiffeisen Switzerland (previous year: 2,027).

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration [1]	304,154,393	258,906,287	45,248,106
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 the Head of Internal Auditing [1]	8,788,562	7,638,562	1,150,000
(excluding employee and employer contributions to pension plans and social insurance)	(7'323'647)	(6'238'335)	(1'085'312)
Total remuneration paid to other risk-takers [1] (excluding Executive Board)	15,790,035	9,671,035	6,119,000

1 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 as follows:

- Remuneration for 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.
- In accordance with the risk profile of Raiffeisen banks and their balanced business model, all remuneration (both fixed and variable) is to be provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the militia system with roots in local business – decides on the 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.

Outlook

New remuneration regulations came into effect for the Board of Directors on 1 January 2019. These regulations incorporate changes with respect to methodology, governance and disclosure. The remaining Raiffeisen Switzerland remuneration models and the associated regulations will be carefully reviewed as part of a regular process in the 2019 financial year.

In summary, the new remuneration system for the Board of Directors includes the following changes:

Remuneration

- The remuneration of the Board of Directors was determined as of 1 January 2019 using a market comparison. The Board of Directors made this determination while seeking to strike a balance between providing competitive, attractive remuneration and keeping costs reasonable for Raiffeisen Switzerland.
- The new remuneration system stipulates lump sums for basic and committee remuneration depending on the Board of Directors member's role and eliminates the old meeting attendance fees and meeting expenses. The proposed changes aim to strengthen the links between the execution of BoD-approved strategy and our remuneration system. Furthermore, the consistency of this approach reinforces our culture of sustainable performance, personal responsibility and acceptable risk tolerance.
- The new BoD remuneration models reduce overall BoD remuneration significantly from prior-year levels starting in 2019.

Governance

- The Board of Directors will now review and set its remuneration in two-year intervals instead of the four-year intervals used before.
- The role of Vice Chairman of the Board of Directors will be given more responsibility. In the future, the Vice Chairman will work closely with the Chairman of the Board of Directors on all BoD issues (for better familiarity with official portfolio) so that the Vice Chairman can immediately succeed or fill in for the Chairman without entailing a long orientation/loss of knowledge in crisis situations. This is important for a systemically important bank for good governance reasons.
- In future, remuneration paid to Executive Board members will be shown with employee contributions to pension plans and social insurance as total remuneration.
- The Board of Directors will file a motion at the 2019 Delegate Meeting to change the Raiffeisen Switzerland Articles of Association by defining the approval process for the remuneration report and the remuneration of the Board of Directors.

Corporate governance
Material changes

Material changes between the balance sheet date and the editorial deadline (9 March 2019)

Raiffeisen Switzerland publishes Gehrig report and takes appropriate action (22 January 2019)
In his investigation of investment transactions in the years 2005 to 2015, Prof. Dr Bruno Gehrig found no evidence of criminal conduct based on the available information. However, it was confirmed that principally in the years 2012 to 2015 there had been serious deficiencies in the acquisition and management of participations within the scope of the diversification strategy.

In the course of the reappraisal, Raiffeisen Switzerland retested all existing participations for impairments. At the time of publication of the press release, Raiffeisen Switzerland assumed that this would result in extraordinary items amounting to a maximum of CHF 300 million. In the preparation of the financial statements, special effects amounting to around CHF 270 million were booked. The sustainable earnings power and above-average equity ratio of the Raiffeisen Group have been preserved and Raiffeisen is still a strongly capitalised bank.

After the renewal process of the Board of Directors had been completed in 2018, a renewal of the Executive Board also started in November 2018 with the resignation of Dr. Patrik Gisel and the resignation announcement of Michael Auer. On 21 January 2019, Gabriele Burn and Dr. Beat Hodel relinquished their posts with immediate effect. Paulo Brügger tendered his resignation as Member of the Executive Board as per 21 January. Therefore, all those people who were already members of the Executive Board prior to 2015 have left the company.

Raiffeisen acquires Avaloq's stake in ARIZON (press release published 31 January 2019)
Following the successful launch of the new Avaloq platform at all Raiffeisen banks, Raiffeisen Switzerland will acquire the 49% stake of Avaloq in the existing joint venture ARIZON Sourcing Ltd. In connection with this transaction, provisions of CHF 69 million were recognised, which are part of the already communicated extraordinary items. ARIZON Sourcing Ltd will be fully integrated in Raiffeisen Switzerland in the first half of 2019.

Financial report
Raiffeisen Group 2018

Key figures

2018

in million CHF	Current year	Previous year	Change in %
Key figures			
Operating income	3,078	3,310	-7.0
Operating expenses	1,997	2,013	-0.8
Operating result	699	1,108	-36.9
Group profit	541	917	-41.0
Cost income ratio	64.9%	60.8%	
Key balance sheet figures			
Total assets	225,333	227,728	-1.1
Loans to clients	187,694	180,538	4.0
of which mortgage receivables	179,558	172,622	4.0
Customer deposits	165,701	164,085	1.0
Customer deposits in % of loans to clients	88.3%	90.9%	
Capital resources			
Total equity	16,524	15,700	5.2
Return on equity (ROE)	3.4%	6.1%	
Leverage ratio (unweighted capital ratio) [1]	7.6%	7.1%	
Total capital ratio (equity capital) [1]	17.8%	17.4%	
Market data			
Share of mortgage market	17.6%	17.5%	
Number of cooperative members	1,897,369	1,890,126	0.4
Client assets			
Assets under management	196,070	209,592	-6.5
Lending business			
Losses on lending business	17	22	-22.9
as % of loans to clients	0.009%	0.012%	
Resources			
Number of employees	10,947	11,158	-1.9
Number of full-time positions	9,215	9,411	-2.1
Number of locations	880	912	-3.5

1 based on definition for systemically important banks

Consolidated balance sheet

as at 31 December 2018

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Assets					
Liquid assets	19,188,528	20,523,022	-1,334,494	-6.5	18
Amounts due from banks	2,224,730	8,331,689	-6,106,959	-73.3	11, 18
Amounts due from securities financing transactions	4,920	231,672	-226,752	-97.9	1, 18
Amounts due from customers	8,135,116	7,916,175	218,941	2.8	2, 18
Mortgage loans	179,558,432	172,621,503	6,936,929	4.0	2, 11, 18
Trading portfolio assets	3,454,705	3,879,083	-424,378	-10.9	3, 18
Positive replacement values of derivative financial instruments	1,336,726	1,676,852	-340,126	-20.3	4, 18
Financial investments	6,612,833	7,593,388	-980,555	-12.9	5, 11, 18
Accrued income and prepaid expenses	259,248	277,805	-18,557	-6.7	
Non-consolidated participations	682,877	650,117	32,760	5.0	6, 7
Tangible fixed assets	2,933,400	2,802,620	130,780	4.7	8, 11
Intangible assets	53,811	371,884	-318,073	-85.5	9
Other assets	887,633	852,136	35,497	4.2	10
Total assets	**225,332,959**	**227,727,946**	**-2,394,987**	**-1.1**	
Total subordinated claims	76,108	154,819	-78,711	-50.8	
of which subject to mandatory conversion and/or debt waiver	-	794	-794	-100.0	
Liabilities					
Amounts due to banks	6,463,282	12,602,955	-6,139,673	-48.7	11, 18
Liabilities from securities financing transactions	2,925,136	2,200,519	724,617	32.9	1, 18
Amounts due in respect of customer deposits	165,701,376	164,084,825	1,616,551	1.0	12, 18
Trading portfolio liabilities	69,530	133,799	-64,269	-48.0	3, 18
Negative replacement values of derivative financial instruments	1,927,991	1,691,646	236,345	14.0	12, 4, 18
Liabilities from other financial instruments at fair value	2,299,953	2,580,306	-280,353	-10.9	3, 13, 18
Cash bonds	590,741	835,965	-245,224	-29.3	18
Bond issues and central mortgage institution loans	26,864,051	25,938,644	925,407	3.6	13, 14, 18
Accrued expenses and deferred income	854,782	850,574	4,208	0.5	12
Other liabilities	120,859	160,026	-39,167	-24.5	10
Provisions	1,035,435	948,633	86,802	9.2	15
Reserves for general banking risks	200,000	80,000	120,000	150.0	15
Cooperative capital	2,172,270	1,957,396	214,874	11.0	16
Retained earnings reserve	13,610,967	12,745,940	865,027	6.8	
Currency translation reserve	5	7	-2	-28.6	
Group profit	540,820	917,068	-376,248	-41.0	
Total equity (without minority interests)	**16,524,062**	**15,700,411**	**823,651**	**5.2**	
Minority interests in equity	-44,239	-357	-43,882	n.a	
of which minority interests in Group profit	-43,882	-6,317	-37,565	594.7	
Total equity (with minority interests)	**16,479,823**	**15,700,054**	**779,769**	**5.0**	
Total liabilities	**225,332,959**	**227,727,946**	**-2,394,987**	**-1.1**	
Total subordinated liabilities	1,594,672	1,761,917	-167,245	-9.5	
of which subject to mandatory conversion and/or debt waiver	1,059,154	1,226,398	-167,244	-13.6	
Off-balance-sheet transactions					
Contingent liabilities	530,776	468,486	62,290	13.3	2, 20
Irrevocable commitments	9,510,885	8,790,318	720,567	8.2	2
Obligations to pay up shares and make further contributions	109,234	113,897	-4,663	-4.1	2

Consolidated income statement

2018

in 1,000 CHF	Current year	Previous year	Change	Change in %	Note
Interest and discount income	2,895,035	2,943,160	-48,125	-1.6	25
Interest and dividend income from financial investments	48,584	54,449	-5,865	-10.8	
Interest expense	-652,937	-747,106	94,169	-12.6	25
Gross result from interest operations	**2,290,682**	**2,250,503**	**40,179**	**1.8**	
Changes in value adjustments for default risks and losses from interest operations	-62,735	-2,341	-60,394	n.a	15
Net result from interest operations	**2,227,947**	**2,248,162**	**-20,215**	**-0.9**	
Commission income from securities trading and investment activities	373,275	422,489	-49,214	-11.6	
Commission income from lending activities	21,377	20,260	1,117	5.5	
Commission income from other services	224,240	234,606	-10,366	-4.4	
Commission expense	-168,113	-183,016	14,903	-8.1	
Result from commission business and services	**450,779**	**494,339**	**-43,560**	**-8.8**	**22**
Result from trading activities and the fair value option	**210,375**	**230,402**	**-20,027**	**-8.7**	**23**
Result from disposal of financial investments	5,269	28,555	-23,286	-81.5	
Income from participations	76,241	88,796	-12,555	-14.1	24
Result from real estate	20,891	20,566	325	1.6	
Other ordinary income	129,252	209,678	-80,426	-38.4	
Other ordinary expenses	-42,286	-10,635	-31,651	297.6	
Other result from ordinary activities	**189,367**	**336,960**	**-147,593**	**-43.8**	
Operating income	**3,078,468**	**3,309,863**	**-231,395**	**-7.0**	
Personnel expenses	-1,390,544	-1,395,392	4,848	-0.3	26
General and administrative expenses	-606,410	-618,087	11,677	-1.9	27
Operating expenses	**-1,996,954**	**-2,013,479**	**16,525**	**-0.8**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-258,648	-188,433	-70,215	37.3	6, 8, 9
Changes to provisions and other value adjustments, and losses	-123,815	478	-124,293	n.a	15
Operating result	**699,051**	**1,108,429**	**-409,378**	**-36.9**	
Extraordinary income	82,439	119,373	-36,934	-30.9	28
Extraordinary expenses	-8,573	-3,628	-4,945	136.3	28
Changes in reserves for general banking risks	-120,000	-80,000	-40,000	50.0	15
Taxes	-155,979	-233,423	77,444	-33.2	29
Group profit (including minority interests)	**496,938**	**910,751**	**-413,813**	**-45.4**	
Minority interests in group profit	-43,882	-6,317	-37,565	594.7	
Group profit	**540,820**	**917,068**	**-376,248**	**-41.0**	

Cash flow statement

2018

in 1,000 CHF	Cash inflow for current year	Cash outflow for current year	Cash inflow for previous year	Cash outflow for previous year
Cash flow from operating results (internal financing)				
Group profit	540,820	-	917,068	-
Change in reserves for general banking risks	120,000	-	80,000	-
Value adjustments on participations	4,846	-	6,088	-
Depreciation and amortisation of tangible fixed assets and intangible assets	245,566	-	182,337	-
Provisions and other value adjustments	130,298	43,497	70,604	25,447
Change in value adjustments for default risks and losses	116,569	65,481	60,457	76,472
Appreciation on participations	-	14,821	-	55,038
Accrued income and prepaid expenses	18,557	-	-	31,008
Accrued expenses and deferred income	4,208	-	21,879	-
Interest paid on share certificates for previous year	-	52,041	-	43,717
Balance	**1,005,024**	**-**	**1,106,751**	**-**
Cash flow from shareholder's equity transactions				
Change in cooperative capital	270,177	55,303	406,840	44,197
Currency translation differences	-	2	11	-
Minority interests in equity	-	43,882	626	6,317
Balance	**170,990**	**-**	**356,963**	**-**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	23,731	46,516	192,898	6,431
Real estate	89,828	194,576	63,618	148,971
Software/other tangible fixed assets/objects in finance leasing	59,548	223,507	1,261	260,012
Intangible assets	210,434	-	7,143	935
Changes to the consolidated Group	-	-	-	626
Balance	**-**	**81,058**	**-**	**152,055**
Cash flow from banking operations				
Amounts due to banks	-	6,139,673	1,750,240	-
Liabilities from securities financing transactions	724,617	-	-	398,813
Amounts due in respect of customer deposits	1,616,551	-	5,830,376	-
Trading portfolio liabilities	-	64,269	-	4,408
Negative replacement values of derivative financial instruments	236,345	-	-	325,824
Liabilities from other financial instruments at fair value	-	280,353	946,362	-
Cash bonds	-	245,224	-	341,810
Bonds	1,374,065	1,232,558	559,129	1,203,463
Central mortgage institution loans	1,985,000	1,201,100	2,069,700	1,109,900
Other liabilities	-	39,167	-	10,078
Amounts due from banks	6,106,959	-	-	1,248,077
Amounts due from securities financing transactions	226,752	-	106,588	-
Amounts due from customers	-	273,909	107,578	-
Mortgage loans	-	6,933,048	-	7,184,237
Trading portfolio assets	424,378	-	-	967,282
Positive replacement values of derivative financial instruments	340,126	-	66,313	-
Financial investments	980,555	-	358,577	-
Other assets	-	35,497	-	179,430
Liquid assets	1,334,494	-	-	133,200
Balance	**-**	**1,094,956**	**-**	**1,311,659**
Total origin of funds	**1,176,014**	**-**	**1,463,714**	**-**
Total use of funds	**-**	**1,176,014**	**-**	**1,463,714**

Statement of changes in equity

2018

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	**1,957,396**	**12,745,940**	**80,000**	**7**	**-357**	**917,068**	**15,700,054**
Capital increase	270,177	-	-	-	-	-	270,177
Capital decrease	-55,303	-	-	-	-	-	-55,303
Currency translation differences	-	-	-	-2	-	-	-2
Interest on the cooperative capital	-	-	-	-	-	-52,041	-52,041
Creation of reserves for general banking risks	-	-	120,000	-	-	-	120,000
Allocation to voluntary retained earnings reserves	-	865,027	-	-	-	-865,027	-
Profit	-	-	-	-	-43,882	540,820	496,938
Equity capital at the end of the current year	**2,172,270**	**13,610,967**	**200,000**	**5**	**-44,239**	**540,820**	**16,479,823**

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 246 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 risk-managing business units (first line). The Risk & Compliance department is responsible for compliance with and enforcement of risk policy and regulatory requirements (second line). Internal Auditing ensures the independent review of the risk management framework (third line).

Risk control
The Raiffeisen Group 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.

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

Raiffeisen Switzerland is under contract to control risks for ARIZON Sourcing Ltd. KMU Capital Holding AG is monitored based on the 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 monitoring and reporting

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, although still in accordance with Group-wide standards.

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

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. The main component of this business is financing for loans secured by security interests in land. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, the Raiffeisen Group aims to deepen its client relationships in the areas of housing, wealth and entrepreneurship based on its broad client base. In particular, it plans to cultivate the investment and corporate client business more intensively.

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. 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 150 million on a risk-weighted basis, the Head of Group Risk Controlling (Head GRC) also issues an assessment.

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.

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

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

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

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties, sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio on a Group-wide basis, evaluating the portfolio structure and ensuring proper credit portfolio reporting. 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.

Monitoring 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 Raiffeisen Switzerland's Risk & Compliance department. As at 31 December 2018, 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 2018 was CHF 1.2 billion (previous year: CHF 1.2 billion).

Market risk

Risk associated with fluctuating interest rates: Since interest rates for assets and liabilities are locked in for different periods, fluctuations in market interest rates can have a considerable impact on the Raiffeisen Group's profit and loss. Value at risk is calculated along with interest rate sensitivity in various interest rate shock scenarios in order to assess the assumed interest rate risk 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 maturities. Loans and deposits with non-fixed maturities and capital commitment periods are modelled on the basis of historical data and forward-looking scenarios. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible business units. Interest rate risks are hedged using established instruments. 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. The Risk & Compliance department monitors compliance with interest risk limits and prepares the associated quarterly reports, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

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

The financial investment portfolio is managed by 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. The Risk & Compliance department of Raiffeisen Switzerland monitors the interest rate and foreign currency risks of financial investments.

The Central Bank department is responsible for managing Raiffeisen Switzerland's trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. Trading activities include interest rates, currencies, equities and banknotes/precious metals. Trading must strictly adhere to the value-at-risk, sensitivity, position and loss limits set by the Board of Directors and the Executive Board, which the Risk & Compliance department monitors on a daily basis. In addition, the Risk & Compliance department 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.

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

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

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

Liquidity risk

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

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

Operational risk

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

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

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

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

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

The 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 the Risk & Compliance department.

The Risk & Compliance department monitors the operational risks of ARIZON Sourcing Ltd pursuant to a contract.

The Risk & Compliance department also reports to the Executive Board and the Audit and Risk Committees of Raiffeisen Switzerland on major compliance risks quarterly and on legal risks semi-annually. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2017/1, are submitted to the Board of Directors of Raiffeisen Switzerland once a year.

Outsourcing
Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Bank Vontobel AG provides global custody and global execution services under a master agreement concerning the provision of securities services. Swiss Post Solutions AG handles the scanning and post-processing of paper-based payments, while the printing and shipping of bank vouchers have been outsourced to Trendcommerce AG. ARIZON Sourcing Ltd provides payment and securities operations services for the Raiffeisen Group. The platform for the online identification of new and current customers via Videostream is operated by Inventx AG.

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

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

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

Regulatory provisions
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:

Credit risk
Raiffeisen uses the international standardised approach (SA-BIS) to calculate the capital adequacy requirements for credit risks. External issuer/issue ratings from three FINMA-recognised rating agencies are used for central governments and central banks, public-sector entities, banks and securities dealers, as well as companies. Issuer/issue ratings from an export insurance agency are 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 foundation internal ratings based approach (FIRB approach) in 2015 and was awarded "broadly compliant" status in 2016. The approval process is expected to be completed in 2019.

Market risk

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

Operational risk

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

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

Mortgage loans

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

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

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

Loans against securities

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

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

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

Value of collateral

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

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

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

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

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

Derivative financial instruments are only traded by specially trained traders. The bank does not make markets. It trades standardised and OTC instruments for its own and clients' accounts, particularly interest and currency instruments, equity/index securities and, 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 and Products & Sales Central Bank departments do not take out hedges directly in the market. Hedges in the trading book are usually executed through offsetting trades 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 in the meaning of the financial reporting regulations.

Types of hedged items and hedging instruments

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

Hedged item	Hedged using:
Interest rate risks from interest rate sensitive receivables and liabilities in the bank book	Interest rate 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 2 million of the equity capital or the book value is less than CHF 15 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.

If the annual financial statements of Group companies are denominated in foreign currencies, the balance sheet and off-balance sheet are converted at the rates prevailing on the balance sheet date, while the income statement is converted at the average 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, value adjustments

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.

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, which these securities include, is acquired or 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 and other real estate and equity securities intended for disposal are reported under "Financial investments" and valued at the lower cost 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

Minor 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 new 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 Raiffeisen Group. 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 19.1% (previous year: 19.%) 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 hedging transactions of Raiffeisen Switzerland of the Treasury and Products & Sales Central Bank departments are concluded via the trading book; the Treasury and Products & Sales Central Bank departments do 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 hedging transactions of the Treasury and Products & Sales Central Bank departments is reported under "Hedging instruments".

In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued separately. The debt securities (underlying contracts) are reported at nominal value under "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
No events with a significant influence on the operating result occurred after the reporting date.

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

in 1,000 CHF	Current year	Previous year
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions [1]	4,925	231,673
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions [1]	2,925,133	2,200,730
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	2,944,113	2,106,069
with unrestricted right to resell or pledge	2,944,113	1,848,151
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	74,493	368,151
of which, repledged securities	-	200,453
of which, resold securities	69,530	133,799

1 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	2,069,365	940,028	5,268,068	8,277,461
Mortgage loans	179,558,296	-	113,714	179,672,010
Residential property	165,061,510	-	57,938	165,119,448
Office and business premises	3,548,357	-	7,502	3,555,859
Commercial and industrial premises	5,509,346	-	10,170	5,519,516
Other	5,439,083	-	38,104	5,477,187
Total loans (before netting with value adjustments)				
Current year	**181,627,661**	**940,028**	**5,381,782**	**187,949,471**
Previous year	174,902,793	960,565	4,879,156	180,742,514
Total loans (after netting with value adjustments)				
Current year	**181,627,661**	**940,028**	**5,125,859**	**187,693,548**
Previous year	174,902,793	960,565	4,674,320	180,537,678
Off-balance-sheet				
Contingent liabilities	49,277	80,810	400,689	530,776
Irrevocable commitments	6,822,967	249,670	2,438,248	9,510,885
Obligations to pay up shares and make further contributions	-	-	109,234	109,234
Total off-balance-sheet				
Current year	**6,872,244**	**330,480**	**2,948,171**	**10,150,895**
Previous year	6,345,205	356,127	2,671,369	9,372,701

in 1,000 CHF	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans				
Current year [1]	**863,884**	**569,271**	**294,613**	**258,663**
Previous year	805,208	592,506	212,702	207,575

1 Individual value adjustments for default risks increased by CHF 51 million to CHF 259 million in 2018, CHF 45 million of which was due to a more conservative valuation of positions held by KMU Capital AG. The increase in impaired loans is also mainly attributable to this fact.

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	2,834,058	3,151,818
stock exchange listed [1]	2,698,336	3,151,653
traded on a representative market	135,722	165
Equity securities	57,214	259,603
Precious metals	543,197	444,184
Other trading portfolio assets	20,236	23,478
Other financial instruments at fair value		
Debt securities	-	-
Structured products	-	-
Other	-	-
Total assets	**3,454,705**	**3,879,083**
of which, determined using a valuation model	135,722	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	586,329	871,020

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]	69,530	131,457
of which, listed [1]	69,530	131,457
Equity securities [2]	-	1,209
Precious metals [2]	-	-
Other trading portfolio liabilities [2]	-	1,133
Other financial instruments at fair value		
Structured products	2,299,953	2,580,306
Other	-	-
Total liabilities	**2,369,483**	**2,714,105**
of which, determined using a valuation model	2,299,953	2,580,306

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	667	1,799	3,500,000	-	-	-
Swaps	339,778	346,264	35,715,031	473,044	644,734	34,729,660
Futures	-	-	2,759,728	-	-	-
Options (OTC)	225	1,963	29,221	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	**340,670**	**350,026**	**42,003,980**	**473,044**	**644,734**	**34,729,660**
Foreign exchange						
Forward contracts	166,741	180,888	24,758,365	18,865	53,371	3,392,731
Comb. interest rate/currency swaps	152	23	10,555	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	17,632	18,461	1,378,246	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign exchange	**184,525**	**199,372**	**26,147,166**	**18,865**	**53,371**	**3,392,731**
Precious metals						
Forward contracts	30,606	24,860	1,688,523	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	31,178	-	-	-
Options (OTC)	14,088	15,657	1,359,549	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	**44,694**	**40,517**	**3,079,250**	**-**	**-**	**-**
Equity securities/indices						
Forward contracts	-	-	-	-	-	-
Swaps	8,226	315,868	1,666,055	-	-	-
Futures	-	-	41,767	-	-	-
Options (OTC)	234,257	265,431	3,522,254	-	5	92,581
Options (exchange traded)				-	-	-
Total equity securities/indices	**242,483**	**581,299**	**5,230,077**	**-**	**5**	**92,581**
Credit derivatives						
Credit default swaps	13,928	33,656	747,287	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	**13,928**	**33,656**	**747,287**	**-**	**-**	**-**
Other						
Forward contracts	-	-	-	-	-	-
Swaps	3	6,129	35,973	-	-	-
Futures	-	-		-	-	-
Options (OTC)	18,514	18,882	466,016	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	**18,517**	**25,011**	**501,989**	**-**	**-**	**-**
Total						
Current year	**844,817**	**1,229,881**	**77,709,749**	**491,908**	**698,110**	**38,214,972**
of which determined using a valuation model	844,817	1,229,881	-	491,908	698,110	-
Previous 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	-

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	908,081	1,705,621	38,320,224	25,121,081	11,016,550	74,457,856
Other customers	238,430	69,745	4,461,009	1,061,742	480,140	6,002,891
Stock exchanges	-	-	2,832,673	-	-	2,832,673
Central clearing houses	190,215	152,625	7,190,900	11,195,100	14,245,300	32,631,301
Total						
Current year	**1,336,726**	**1,927,991**	**52,804,807**	**37,377,924**	**25,741,991**	**115,924,721**
Previous year	1,676,852	1,691,646	90,388,649	38,471,208	22,414,194	151,274,051

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. 82.4% 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	6,473,740	7,409,737	6,653,739	7,629,048
of which, intended to be held until maturity	6,473,740	7,300,873	6,653,739	7,519,279
of which, not intended to be held to maturity (available for sale)	-	108,864	-	109,769
Equity securities	58,387	144,596	96,519	148,956
of which qualified participations [1]	12,618	58,771	50,095	58,771
Precious metals	-	484	-	484
Real estate	80,706	38,571	85,276	41,895
Total financial investments	**6,612,833**	**7,593,388**	**6,835,534**	**7,820,383**
of which securities for repo transactions in line with liquidity requirements	6,443,576	7,048,156	-	-

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

in 1,000 CHF	Book value Very safe investment	Book value Safe investment	Book value Average to good investment	Book value Speculative to highly speculative investment	Book value Highest-risk investment/default	Book value Unrated investment
Debt securities	**6,443,576**	**30,164**	**-**	**-**	**-**	**-**

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 adjustments and changes in book values (equity method)	Book value previous year end	Changes to the consolidated Group	Current year reclassifications	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**	**265,608**	**516,359**	**-**	**-**	**36,008**	**-**	**-**	**14,821**	**567,188**	
- with market value	92,655	28,742	121,397	-	-	36,008	-	-	18,910	176,315	225,127
- without market value	158,096	236,866	394,962	-	-	-	-	-	-4,089	390,873	–
Other non-consolidated participations	**152,422**	**-18,664**	**133,758**	**-23,531**	**-**	**10,508**	**-200**	**-4,846**	**0**	**115,689**	
- with market value	189	-45	144	-	-	-	-3	-	-	141	397
- without market value	152,233	-18,619	133,614	-23,531	-	10,508	-197	-4,846	0	115,548	–
Total non-consolidated participations	**403,173**	**246,944**	**650,117**	**-23,531**	**-**	**46,516**	**-200**	**-4,846**	**14,821**	**682,877**	**225,524**

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	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	-	-	-	100.0	100.0
Notenstein Finance (Guernsey) Limited[4]	Guernsey	Financial services	-	-	-	100.0	100.0
KMU Capital Ltd[5]	St.Gallen	Financial services	2,566	100.0	100.0	100.0	100.0
Investnet AG[6]	Herisau	Financial services	150	-	-	100.0	100.0
KMU Capital 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	18,934	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[10]							
responsAbility Participations AG	Zurich	Financial services	138,877	14.4	14.4	14.4	14.4
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	23,233	11.5	11.5	11.5	11.5
Twint Ltd	Zurich	Financial services	12,750	4.0	4.0	5.0	5.0
SIX Group Ltd	Zurich	Financial services	19,522	5.5	5.5	6.9	6.9

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 Controlled by Raiffeisen Switzerland Cooperative (previous year: controlled by Raiffeisen Unternehmerzentrum AG).
4 Control of Notenstein La Roche Private Bank Ltd. The company was liquidated in 2018.
5 Controlled by KMU Capital Holding AG (change of name in 2018, until the previous year operated as Investnet Holding AG).
6 Investnet AG does not belong to the Raiffeisen Group. It was taken out of the books as of 1 January 2018 and is no longer included in the Raiffeisen Group's scope of consolidation.
7 In 2018, Raiffeisen Switzerland Cooperative initially terminated the shareholders' binding agreement for Investnet Holding AG (now KMU Capital Holding AG) for good cause and subsequently, where necessary, rescinded the agreements in the context of "Investnet". As a result of this rescission, Raiffeisen Switzerland is claiming all the shares in KMU Capital Holding AG, which is controlled totally by KMU Capital AG. The instituted civil proceedings are currently pending. In connection with the rescission of agreements, Raiffeisen Switzerland has also written off liabilities of CHF 30 million and contingent liabilities amounting to CHF 30 million. Raiffeisen Switzerland assumes that there will be no more payments. Should – contrary to the expectations of Raiffeisen Switzerland – neither the rescission of the agreements nor the validity of the termination be confirmed, minority shareholders might, if need be, be entitled to tender shares in KMU Capital Holding AG to Raiffeisen Switzerland Cooperative from 1 July 2020 according to the shareholders' binding agreement of 2015 based on a contractually agreed valuation method (put option). Since the valuation method would be based on the prevailing underlying values and value appraisals, it is not possible to carry out a corresponding valuation at this time. The above-mentioned written-off liabilities and contingent liabilities could become relevant then.
8 The contracting parties Avaloq Group AG and Raiffeisen Switzerland Cooperative have decided to rescind the existing set of agreements with various call and put options for the purchase and sale of ARIZON Sourcing Ltd. Instead, Raiffeisen Switzerland Cooperative will acquire the existing stake of Avaloq in Arizon and therefore become the sole owner of Arizon. The conclusion of the transaction took place at the end of January 2019.
9 Raiffeisen Switzerland Cooperative sold call option on Leonteq founding partner for 2.4% 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 the shareholding represents more than 10% of the voting share and equity and the shareholding is worth either > CHF 2 million of the equity (previous year: > CHF 1 million) or the book value is > CHF 15 million (previous year: > CHF 10 million).

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	2,323,397	-533,497	1,789,900	-57,634	-12,049	130,975	-21,663	-38,896	1,790,633
Other real estate	510,897	-132,202	378,695	-	1,958	63,601	-10,531	-9,896	423,827
Proprietary or separately acquired software	516,005	-113,613	402,392	-55,889	39	156,889	-	-11,386	492,045
thereof self-developed	363,740	-1,048	362,692	-55,829	-	108,253 [1]	-	-3,135	411,981
Other tangible fixed assets	1,137,465	-905,884	231,581	-432	10,069	66,618	-3,223	-77,733	226,880
Objects in finance leasing	95	-43	52	-	-17	-	-4	-16	15
Total tangible assets	**4,487,859**	**-1,685,239**	**2,802,620**	**-113,955**	**-**	**418,083**	**-35,421**	**-137,927**	**2,933,400**

1 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	2,054	2,579
Due within 1 to 5 years	2,838	3,416
Due after 5 years	-	-
Total non-recognised lease commitments	**4,892**	**5,995**
of which obligations that can be terminated within one year	4,808	5,927

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 [1]	554,113	-188,882	365,231	-180,389	-	-30,045	-105,220	49,577
Other intangible assets	12,500	-5,847	6,653	-	-	-	-2,419	4,234
Total intangible assets	**566,613**	**-194,729**	**371,884**	**-180,389**	**0**	**-30,045**	**-107,639**	**53,811**

1 The sale of Notenstein La Roche Private Bank Ltd lowered goodwill by CHF 174 million. Owing to the fact that Investnet AG does not belong to the Raiffeisen Group and as a result of a conservative valuation of the KMU Capital Group, a further sum of CHF 55 million was obtained from lowered goodwill, disposals and goodwill depreciation. Mark-to-market accounting for the goodwill on Leonteq Ltd resulted in an extraordinary write-down of CHF 57 million. The remaining depreciation was mainly the result of regular goodwill amortisation.

10. Other assets and other liabilities

in 1,000 CHF	Current year	Previous year
Other assets		
Compensation account	120,099	9,162
Settlement accounts for indirect taxes	588,824	649,385
Other settlement accounts	41,611	57,030
Employer contribution reserves with pension plans	124,728	125,548
Miscellaneous other assets	12,371	11,011
Total other assets	**887,633**	**852,136**
Other liabilities		
Due, unredeemed coupons and debt instruments	8,352	12,474
Levies, indirect taxes	48,865	55,093
Other settlement accounts	45,248	77,619
Miscellaneous other liabilities	18,394	14,840
Total other liabilities	**120,859**	**160,026**

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
Amounts due from banks	1,028,007	1,028,007	391,805	376,039
Amounts due from customers	570	570	-	-
Mortgage loans	32,236,407	22,468,008	29,535,283	21,660,076
Financial investments	1,249,121	486,213	1,525,745	477,515
Tangible fixed assets/other assets	-	-	-	-
Total pledged or assigned assets	**34,514,105**	**23,982,798**	**31,452,833**	**22,513,630**
Total assets under reservation of ownership[2]	**15**	**15**	**52**	**52**

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

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

12. Social insurance institutions

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

The 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 Quichet 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	136,257	186,678
Negative replacement values of derivative financial instruments	2,421	4,345
Bonds	40,000	40,000
Accrued expenses and deferred income	411	543
Total liabilities to own social insurance institutions	**179,089**	**231,566**

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	123,949	1,599	125,548	118,897	4,336	123,233
+ Deposits	15,506	295	15,801	19,756	100	19,856
– Withdrawals	-16,600	-220	-16,820	-14,937	-2,837	-17,774
+ Interest paid [1]	199	-	199	233	-	233
As at 31 December	**123,054**	**1,674**	**124,728**	**123,949**	**1,599**	**125,548**

1 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:

in %	as at 31.12.2018	as at 31.12.2017
Raiffeisen Pension Fund Cooperative	108.4	116.1
Katharinen Pension Fund I [1]	n.a.	117.6
Katharinen Pension Fund II [1]	n.a.	126.0

1 Sale of Notenstein La Roche Privatbank Ltd. on 2 July 2018

The fluctuation reserve of the Raiffeisen Pension Fund Cooperative fell below the 115% target set out in the regulations as of 31 December 2018. The Assembly of Delegates of the Raiffeisen Pension Fund Cooperative decides how any uncommitted funds will be used. In this decision, the Assembly generally follows the "Principles on the appropriation of uncommitted funds (profit participation)" that it has adopted. The Board of Directors of Raiffeisen Switzerland assumes that, even if uncommitted funds are available, no economic benefits will accrue to the employer until further notice; uncommitted funds are to be used to benefit pension plan members.

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

Pension expenditure with significant influencing factors

in 1,000 CHF	Current year	Previous year
Pension expenditure according to separate financial statements	120,666	128,056
Deposits/withdrawals employer contribution reserves (excl. interest paid)	1,019	-4,394
Employer contributions reported on an accruals basis	**121,685**	**123,662**
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")	**121,685**	**123,662**

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	**-**	**28,047**	**1,034**	**-18**	**29,063**
With own debenture component (oDC)	-	28,047	1,034	-18	29,063
Without oDC	-	-	-	-	-
Equity securities	**-**	**2,008,729**	**1,452,847**	**-154,334**	**3,307,242**
With own debenture component (oDC)	-	2,008,597	1,452,847	-155,136	3,306,308
Without oDC	-	132		802	934
Foreign currencies	**-**	**4,691**	**1**	**-1**	**4,691**
With own debenture component (oDC)	-	4,691	1	-1	4,691
Without oDC	-	-	-	-	-
Commodities/precious metals	**-**	**63,384**	**101,489**	**-8,957**	**155,916**
With own debenture component (oDC)	-	63,384	101,489	-8,957	155,916
Without oDC	-	-	-	-	-
Credit derivatives	**-**	**195,102**	**143,849**	**-1,258**	**337,693**
With own debenture component (oDC)	-	195,102	143,849	-1,258	337,693
Without oDC	-	-	-	-	-
Total	**-**	**2,299,953**	**1,699,221**	**-164,568**	**3,834,606**

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 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".

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 – non subordinated	2010	2.000		21.09.2023		245,805	
	2011	2.125		04.02.2019		250,000	
	2011	2.625		04.02.2026		145,095	
	2014	1.625		07.02.2022		100,000	
	2016	0.000		17.09.2020		50,000	
	2016	0.300		22.04.2025		364,850	
	2016	0.750		22.04.2031		73,500	
	2018	0.350		16.02.2024		378,550	
	2018	0.000		19.06.2020		175,000	[1]
	2018	0.000		11.09.2020		60,000	[1]
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]	2015	3.000		Perpetual	02.10.2020	574,210	[3]
	2018	2.000		Perpetual	02.05.2023	399,220	[3]
Underlying instruments from issued structured products[4]	div.	-0.179	[5]	2019		1,138,063	
		0.603	[5]	2020		128,291	
		0.745	[5]	2021		80,549	
		-0.511	[5]	2022		148,077	
		-0.075	[5]	2023		28,967	
		0.131	[5]	after 2023		175,275	
Total bonds of Raiffeisen Switzerland						**5,050,451**	
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG							
	div.	1.145	[5]	div.		21,813,600	
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG						**21,813,600**	
Total outstanding bond issues and central mortgage institution loans						**26,864,051**	

1 Variable coupon, basis CHF Libor three months and spread

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

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

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

5 Average weighted interest rate (volume-weighted)

15. Value adjustments and provisions

in 1,000 CHF	Previous year end	Changes to the consolidated Group	Use in conformity with designated purpose	Reclassi-fications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions									
Provisions for deferred taxes	907,398	-	-	-	-	-	-	-14,135	893,263
Provisions for default risks	14,066	-	-30	3,303	-	-	1,396	-2,966	15,769
Provisions for other business risks [1]	19,584	-15,946	-396	-	-	-	77,293	-1,328	79,207
Provisions for restructuring [2]	500	-	-6,638	-	-	-	22,501	-	16,363
Other provisions [3]	7,085	-	-2,051	-	-	-	25,805	-7	30,832
Total provisions	**948,633**	**-15,946**	**-9,115**	**3,303**	**-**	**-**	**126,995**	**-18,436**	**1,035,435**
Reserves for general banking risks	**80,000**	**-**	**-**	**-**	**-**	**-**	**120,000**	**-**	**200,000**
Value adjustments for default and country risks									
Value adjustments for default risks in respect of impaired loans/receivables	207,575	-1,626	-15,924	-3,303	-24	9,950	106,619	-44,604	258,663
Value adjustments for latent risks	-	-	-	-	-	-	-	-	-
Total value adjustments for default and country risks	**207,575**	**-1,626**	**-15,924**	**-3,303**	**-24**	**9,950**	**106,619**	**-44,604**	**258,663**

1 The agreed repurchase of Arizon Sourcing Ltd drove up the provisions for other business risks by CHF 69 million.

2 CHF 8.1 million were formed under personnel expenses. Reorganisation provisions went up CHF 16 million, chiefly due to the sale of Notenstein La Roche Private Bank Ltd. CHF 19 million of new provisions were formed in this connection and were charged to the income statement.

3 In the case of other provisions, in particular the uncertainties in the legal disputes in the context of «Investnet» resulted in an increase of CHF 25 million affecting net income (see also footnote in note 7).

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	1,890,126		401,933
Cooperative capital (additional cooperative shares) [1]			1,555,463
Total cooperative capital at the beginning of the current year	**1,890,126**		**1,957,396**
+ Payments from new cooperative members	64,818	200	12,964
	149	300	45
	138	400	55
	2,794	500	1,397
+ Payments of cooperative shares (additional cooperative shares)			255,716
Total payments from new cooperative members	**67,899**		**270,177**
– Repayments to departing cooperative members	-58,225	200	-11,645
	-126	300	-38
	-136	400	-54
	-2,169	500	-1,085
– Repayments of cooperative shares (additional cooperative shares)			-42,174
– Repayments through decrease in nominal capital			-307
Total repayments to departing cooperative members	**-60,656**		**-55,303**
Total cooperative capital at the end of the current year			
of which cooperative capital	1,814,172	200	362,834
	2,988	300	896
	5,702	400	2,281
	74,507	500	37,253
of which cooperative capital (additional cooperative shares)			1,769,006
Total cooperative capital at the end of the current year	**1,897,369**		**2,172,270**

1 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 10,522,809, previous year 9,519,365

Interest-bearing cooperative capital: Current year CHF 2,172,270,000, previous year CHF 1,957,395,500

Paid-up cooperative capital: Current year CHF 2,172,270,000, previous year CHF 1,957,395,500

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2018: CHF 3,994,596,000 (previous year CHF 3,816,513,000).

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	8,870	20,051	4,483	4,949
Members of the Executive Board and Head of internal Auditing of Raiffeisen Switzerland and associated persons and companies [1]	13,492	41,068	2,924	9,807
Other related parties [2]	5,165,240	4,687,348	22,747,582	21,673,490
Total amounts due from/to related parties	**5,187,602**	**4,748,467**	**22,754,989**	**21,688,246**

1 In the previous year, the members of the Extended Executive Board, which was abolished as of 1 January 2018, were included.

2 Includes particularly 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 99.8 million (previous year CHF 28.5 million), irrevocable commitments amounting to CHF 187.7 million (previous year CHF 269.1 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 4.3 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 7.8 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	19,188,528	-	-	-	-	-	19,188,528
Amounts due from banks	1,169,706	-	1,005,024	50,000	-	-	2,224,730
Amounts due from securities financing transactions	-	-	4,920	-	-	-	4,920
Amounts due from customers	79,754	1,889,569	1,767,628	847,724	2,261,000	1,289,441	8,135,116
Mortgage loans	148,468	5,823,788	8,006,565	20,602,149	100,169,293	44,808,169	179,558,432
Trading portfolio assets	3,454,705	-	-	-	-	-	3,454,705
Positive replacement values of derivative financial instruments	1,336,726	-	-	-	-	-	1,336,726
Financial investments [1]	45,769	-	110,044	305,075	2,365,846	3,786,099	6,612,833
Total							
Current year	**25,423,656**	**7,713,357**	**10,894,181**	**21,804,948**	**104,796,139**	**49,883,709**	**220,515,990**
Previous year	26,655,003	9,212,003	16,458,758	18,564,311	103,160,494	48,722,815	222,773,384
Debt capital/financial instruments							
Amounts due to banks	1,121,058	4,298	3,365,262	1,744,664	228,000	-	6,463,282
Liabilities from securities financing transactions	-	-	2,919,232	5,904	-	-	2,925,136
Amounts due in respect of customer deposits	60,080,976	91,084,752	3,868,650	3,530,054	5,672,778	1,464,166	165,701,376
Trading portfolio liabilities	69,530	-	-	-	-	-	69,530
Negative replacement values of derivative financial instruments	1,927,991	-	-	-	-	-	1,927,991
Liabilities from other financial instruments at fair value	-	-	78,929	1,062,192	992,989	165,843	2,299,953
Cash bonds	-	-	45,344	159,678	337,331	48,388	590,741
Bond issues and central mortgage institution loans	-	-	1,173,291	1,495,872	7,964,818	16,230,070	26,864,051
Total							
Current year	**63,199,555**	**91,089,050**	**11,450,708**	**7,998,364**	**15,195,916**	**17,908,467**	**206,842,060**
Previous year	61,178,877	94,252,432	16,038,667	6,883,303	14,779,289	16,936,091	210,068,659

1 Financial assets include CHF 80,706,000 of real estate (previous year: CHF 38,571,000).

19. Balance sheet by currency

in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	18,089,674	961,290	22,565	114,999	19,188,528
Amounts due from banks	1,088,441	617,268	313,528	205,493	2,224,730
Amounts due from securities financing transactions	-	-	4,920	-	4,920
Amounts due from customers	7,717,864	254,108	136,053	27,091	8,135,116
Mortgage loans	179,558,432	-	-	-	179,558,432
Trading portfolio assets	821,994	806,506	1,086,530	739,675	3,454,705
Positive replacement values of derivative financial instruments	1,336,726	-	-	-	1,336,726
Financial investments	6,593,731	9,050	10,045	7	6,612,833
Accrued income and prepaid expenses	254,190	2,183	2,534	341	259,248
Non-consolidated participations	682,877	-	-	-	682,877
Tangible fixed assets	2,933,400	-	-	-	2,933,400
Intangible assets	53,811	-	-	-	53,811
Other assets	887,580	17	-	36	887,633
Total assets reflected in the balance sheet	**220,018,720**	**2,650,422**	**1,576,175**	**1,087,642**	**225,332,959**
Delivery claims under spot exchange, forward exchange and currency option contracts	11,178,782	5,136,247	10,588,904	3,033,838	29,937,771
Total assets	**231,197,502**	**7,786,669**	**12,165,079**	**4,121,480**	**255,270,730**
Liabilities					
Amounts due to banks	4,726,115	205,130	1,111,280	420,757	6,463,282
Liabilities from securities financing transactions	1,905,001	316,518	662,232	41,385	2,925,136
Amounts due in respect of customer deposits	162,022,869	2,446,196	875,126	357,185	165,701,376
Trading portfolio liabilities	69,530	-	-	-	69,530
Negative replacement values of derivative financial instruments	1,927,991	-	-	-	1,927,991
Liabilities from other financial instruments at fair value	464,169	701,738	942,616	191,430	2,299,953
Cash bonds	590,741	-	-	-	590,741
Bond issues and central mortgage institution loans	26,697,076	58,790	99,108	9,077	26,864,051
Accrued expenses and deferred income	849,396	481	4,742	163	854,782
Other liabilities	120,401	457	-	1	120,859
Provisions	1,035,400	35	-	-	1,035,435
Reserves for general banking risks	200,000	-	-	-	200,000
Cooperative capital	2,172,270	-	-	-	2,172,270
Retained earnings reserve	13,610,949	-	-	18	13,610,967
Currency translation reserve	-	-	-	5	5
Group profit	540,875	-	-	-55	540,820
Minority interests in equity	-44,239	-	-	-	-44,239
– of which minority interests in group profit	-43,882	-	-	-	-43,882
Total liabilities reflected in the balance sheet	**216,888,544**	**3,729,345**	**3,695,104**	**1,019,966**	**225,332,959**
Delivery entitlements from spot exchange, forward exchange and currency option contracts	14,657,036	4,040,142	8,349,846	2,931,440	29,978,464
Total liabilities	**231,545,580**	**7,769,487**	**12,044,950**	**3,951,406**	**255,311,423**
Net position per currency	**-348,078**	**17,182**	**120,129**	**170,074**	**-40,693**

	31.12.2018	31.12.2017
Foreign currency conversion rates		
EUR	1.126	1.171
USD	0.984	0.975

Information on off-balance-sheet business

20. Contingent assets and liabilities

in 1,000 CHF	Current year	Previous year
Contingent liabilities		
Guarantees to secure credits and similar	313,280	303,085
Performance guarantees and similar	117,100	41,970
Other contingent liabilities	100,396	123,431
Total contingent liabilities	**530,776**	**468,486**
Contingent assets		
Contingent assets arising from tax losses carried forward	50,410	2,830
Other contingent assets	-	-
Total contingent assets	**50,410**	**2,830**

21. Fiduciary transactions

in 1,000 CHF	Current year	Previous year
Fiduciary investments with third-party banks	19,663	167,941
Total fiduciary transactions	**19,663**	**167,941**

Information on the income statement

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		
Custody account business	69,391	80,492
Brokerage	76,678	89,668
Fund business and asset management business	122,876	146,298
Other securities trading and investment activities	104,331	106,031
Commission income from lending activities	21,377	20,260
Commission income from other services		
Payments	159,096	157,089
Account maintenance	31,860	33,737
Other services	33,283	43,780
Total commission income	**618,892**	**677,355**
Commission expense		
Securities business	-83,869	-96,955
Payments	-67,876	-70,437
Other commission expense	-16,368	-15,624
Total commission expense	**-168,113**	**-183,016**
Total results from commission business and services	**450,779**	**494,339**

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	78,138	79,522
Raiffeisen banks	127,374	129,457
Group companies	4,863	21,423
Total result from trading activities and the fair value option	**210,375**	**230,402**

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	135,553	131,671
Precious metals and foreign notes and coins trading	54,282	73,431
Equities trading	6,899	3,815
Fixed income trading	13,641	23,485
Other	-	-2,000
Total result from trading activities and the fair value option	**210,375**	**230,402**
of which, from fair value option	12	421
of which, from fair value option on assets	13,380	-
of which, from fair value option on liabilities	-13,368	421

24. Income from participating interests

in 1,000 CHF	Current year	Previous year
Participations valued according to the equity method	65,708	69,543
Other non-consolidated participations	10,533	19,253
Total income from participating interests	**76,241**	**88,796**

25. Negative interest

in 1,000 CHF	Current year[1]	Previous year[1]
Negative interest on lending business (Reduction in interest and discount income)	57,706	56,000
Negative interest on deposit-taking business (Reduction in interest expense)	74,987	61,821

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	24,644	24,000
Salaries and benefits for staff	1,101,899	1,098,718
AHV, IV, ALV and other statutory contributions	101,792	98,183
Contributions to staff pension plans	121,685	123,662
Other personnel expenses	40,524	50,829
Total personnel expenses	**1,390,544**	**1,395,392**

27. General and administrative expenses

in 1,000 CHF	Current year	Previous year
Office space expenses	90,126	92,698
Expenses for information and communications technology	94,892	120,187
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	27,645	29,108
Fees of audit firms	13,263	13,571
of which, for financial and regulatory audits	12,684	13,037
of which, for other services	579	534
Other operating expenses	380,484	362,523
Total general and administrative expenses	**606,410**	**618,087**

28. Extraordinary income and expenses

Current year
The extraordinary income of CHF 82.4 million mainly consists of CHF 76.1 million in income from the sale of tangible fixed assets and participations (of which CHF 68 million came from the sale of Notenstein La Roche Private Bank Ltd).

The extraordinary expenses of CHF 8.6 million include losses from the sale of tangible assets of CHF 7 million.

Previous 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.

29. Current and deferred taxes

in 1,000 CHF	Current year	Previous year
Creation of provisions for deferred taxes	-	55,934
Release of provisions for deferred taxes	-14,135	-
Expenses for current taxes	170,114	177,489
Total tax expenses	**155,979**	**233,423**
Average tax rate weighted on the basis of the operating result	22.3%	21.1%

It was possible to partly set off the previous year's tax-relevant net profit against tax loss carryforwards that had not yet been used. The influence of this set-off on the tax expenditure of the Raiffeisen Group is insignificant.

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 2018, consolidated income statement, cash flow statement, statement of changes in equity, notes for the year then ended, including the consolidation, accounting and valuation principles, information on the balance sheet, information on off-balance sheet business and information on the income statement.

In our opinion, the consolidated financial statements as at 31 December 2018 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 37.1 million, which represents 5 % of profit before tax, changes in reserves for general banking risks and extraordinary income and expense

Audit scope:

- We concluded full scope audit work at Raiffeisen Switzerland Cooperative, Raiffeisen Banks, Raiffeisen Switzerland B.V. and ARIZON Sourcing Ltd.
- The above-mentioned audits cover 70 % of the balance sheet total and 66 % of the gross income of the Raiffeisen Group.

As key audit matter, the following area of focus has been identified:

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

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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 37.1 million
How we determined it	5 % of profit before tax, changes in reserves for general banking risks and extraordinary income and expense
Rationale for the materiality benchmark applied	We chose profit before tax, changes in reserves for general banking risks and extraordinary income and expense 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 Committee of the Board of Directors that we would report to them misstatements above CHF 3.7 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the 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, Raiffeisen Banks, Raiffeisen Switzerland B.V. and ARIZON Sourcing Ltd 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. 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.

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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 83 % (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.

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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
Audit expert Auditor in charge	Audit expert

St. Gallen, April 1, 2019

Capital adequacy and liquidity 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 by Raiffeisen Group. Complete disclosure with the qualitative and quantitative information on risks, equity capital base and liquidity is available on the Raiffeisen homepage (Über uns/Raiffeisen Schweiz Markets/Investor Information/Capital adequacy and liquidity disclosure).

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

Key regulatory figures as of 31 December 2018

	in CHF million	a	b	c	d	e
		31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	16,408	15,614	15,391	15,340	15,275
2	Tier 1	17,381	16,593	16,376	16,465	16,409
3	Total capital	17,650	16,866	16,651	16,742	16,744
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	99,307	97,986	98,436	98,333	96,343
4a	Minimum capital requirement	7,945	7,839	7,875	7,867	7,707
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.5%	15.9%	15.6%	15.6%	15.9%
6	Tier 1 ratio (%)	17.5%	16.9%	16.6%	16.7%	17.0%
7	Total capital ratio (%)	17.8%	17.2%	16.9%	17.0%	17.4%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%) [1]	1.2%	1.2%	1.2%	1.2%	1.2%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	8.2%	8.2%	8.2%	8.2%	8.2%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.4%	12.8%	12.5%	12.6%	13.0%
	Target capital ratios in accordance with note 8 of the CAO [2]					
12b	Countercyclical buffer (Art. 44 and 44a of the CAO)	1.2%	1.2%	1.2%	1.2%	1.2%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure	228,582	236,225	233,522	237,705	231,715
14	Basel III leverage ratio (%)	7.6%	7.0%	7.0%	6.9%	7.1%
	Liquidity Coverage Ratio					
15	Total HQLA	21,691	21,562	21,413	22,537	23,124
16	Total net cash outflow	17,608	17,217	18,564	18,160	17,719
17	LCR ratio (%)	123.2%	125.2%	115.4%	124.1%	130.5%

1 Includes national countercyclical buffer (Art. 45 of the CAO).

2 Systemically important banks can refrain from publishing rows 12a, 12c, 12d, 12e (note 8 of the CAO not applicable).

Overview of risk-weighted positions

	in CHF million	12/31/2018	12/31/2017	12/31/2018
		a	b	c
		RWA	RWA	Minimum Capital Requirement[1]
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**89,147**	**85,701**	**7,132**
2	Of which: standardised approach (SA)	89,147	85,701	7,132
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	**Counterparty credit risk (CCR)**	**611**	**529**	**49**
7	Of which: standardised approach for counterparty credit risk[2]	611	529	49
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	**Credit valuation adjustment (CVA)**	**-**	**-**	**-**
11	**Equity positions under the simple risk weight approach**	**-**	**-**	**-**
12	**Equity investments in funds – look-through approach**	**-**	**-**	**-**
13	**Equity investments in funds – mandate-based approach**	**-**	**-**	**-**
14	**Equity investments in funds – fall-back approach**	**-**	**-**	**-**
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in banking book**	**-**	**-**	**-**
17	Of which: securitisation internal ratings-based approach (SEC-RBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA, including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardises approach (SEC-SA)	-	-	-
20	**Market risk[3]**	**2,343**	**3,110**	**187**
21	Of which: standardised approach (SA)	2,343	3,110	187
22	Of which: internal model approaches (IMA)	-	-	-
23	**Capital charge for switch between trading book and banking book**	**-**	**-**	**-**
24	**Operational risk**	**5,721**	**5,677**	**458**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,484**	**1,325**	**119**
26	**Floor adjustment**	**-**	**-**	**-**
27	**Total**	**99,307**	**96,343**	**7,945**

1 The required capital for all items amounts to 8% of the risk-weighted assets (RWA).

2 The current exposure method is used to measure the counterparty credit risk of derivative transactions for the purposes of determining capital adequacy requirements.

3 In the reporting period the assets in the trading portfolio decreased, resulting in a strong reduction of market risk.

Presentation of regulatory eligible available capital

	in CHF million	31.12.2018	31.12.2017
	Common equity (CET1)		
1	Issued and paid-in capital, fully eligible	2,172	1,957
2	Statutory reserves/retained earnings reserves/retained earnings (losses)/profit (loss) for the period	14,292	13,689
	of which retained earnings reserves	13,611	12,826
	of which foreign currency translation reserve	-	-
	of which profit (loss) for the period [1]	481	864
5	Minority interests	-	-
6	**Total "hard" core capital (CET1) before regulatory adjustments**	**16,464**	**15,647**
	= Common Equity Tier 1 capital before regulatory adjustments		
7	Prudential value adjustments	-3	-
8	Goodwill	-50	-365
9	Other intangibles	-4	-7
28	**= Total regulatory adjustments to CET1**	**-57**	**-372**
29	**= Common Equity Tier 1 capital (net CET1)**	**16,408**	**15,275**
	Additional Tier 1 capital (AT1)		
30	Issued and paid in instruments, fully eligible	973	1,134
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	973	1,134
36	**= Additional Tier 1 capital before regulatory adjustments**	**973**	**1,134**
43	= Total regulatory adjustments to AT1	-	-
44	**= Additional Tier 1 capital (net AT1)**	**973**	**1,134**
45	**= Tier 1 capital (net Tier 1 = net CET1 + net AT1)**	**17,381**	**16,409**
	Tier 2 capital (T2)		
46	Issued and paid in instruments, fully eligible	76	68
47	Issued and paid in instruments, subject to phase-out	193	268
51	**= Tier 2 capital before regulatory adjustments**	**269**	**335**
57	= Total regulatory adjustments to T2	-	-
58	**= Tier 2 capital (net T2)**	**269**	**335**
59	**= Regulatory capital (net T1 & T2)**	**17,650**	**16,744**
60	**Total risk-weighted assets**	**99,307**	**96,343**
	Capital ratios		
61	**CET1 ratio (item 29, as a percentage of risk-weighted assets)**	**16.5%**	**15.9%**
62	**T1 ratio (item 45, as a percentage of risk-weighted assets)**	**17.5%**	**17.0%**
63	**Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)**	**17.8%**	**17.4%**
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) [2]	8.2%	8.2%
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)	1.2%	1.2%
67	of which, capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	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) [3]	13.4%	13.0%
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Non-qualified participation in the financial sector	96	196
73	Other qualified participations in the financial sector (CET1)	593	530

1 Excluding interest on cooperative capital

2 With considering the national countercyclical buffer

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

LIQ1: Qualitative disclosure of the liquidity coverage ratio

Art. 12 of the Liquidity Ordinance requires the Raiffeisen Group and Raiffeisen Switzerland 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.

		Q3 2018 [1]		Q4 2018 [1]	
		Unweighted values in CHF millions	Weighted values in CHF millions	Unweighted values in CHF millions	Weighted values in CHF millions
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)		21,562		21,691
B. Cash outflows					
2	Retail deposits	91,431	8,985	93,016	9,141
3	of which stable deposits	6,000	300	6,000	300
4	of which less stable deposits	85,431	8,685	87,016	8,841
5	Unsecured business-client or wholesale funding	12,522	7,269	12,161	6,830
6	of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	0	0	0	0
7	of which non-operational deposits (all counterparties)	11,518	6,265	11,310	5,979
8	of which unsecured debt securities	1,004	1,004	851	851
9	Secured business client or wholesale funding and collateral swaps		1		1
10	Other cash outflows	7,480	1,882	8,204	1,955
11	of which cash outflows related to derivative exposures and other transactions	675	675	595	595
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	117	117	143	143
13	of which cash outflows from committed credit and liquidity facilities	6,688	1,090	7,466	1,216
14	Other contractual funding obligations	2,904	1,825	3,643	1,991
15	Other contingent funding obligations	2,021	101	2,021	101
16	**Total cash outflows**		**20,063**		**20,018**
C. Cash inflows					
17	Secured funding transactions (e.g. reverse repo transactions)	26	0	8	2
18	Inflows from fully performing exposures	3,103	1,794	4,169	2,278
19	Other cash inflows	105	1,052	130	130
20	**Total cash inflows**	**3,235**	**2,846**	**4,307**	**2,410**

			Adjusted value		Adjusted value
21	**Total high-quality liquid assets (HQLA)**		**21,562**		**21,691**
22	**Total net cash outflows**		**17,217**		**17,608**
23	**Liquidity coverage ratio (LCR) (%)**		**125.24%**		**123.19%**

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).

Of the portfolio of high-quality liquid assets (HQLA), 77% consist of category 1 assets, 92% 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 23% of the HQLA portfolio, 87% consist of Swiss mortgage bonds. The remaining 13% largely consist of public sector bonds as well as covered bonds with a rating of at least A-.

Net cash outflows (no. 22) decreased slightly over the last two reporting periods. The HQLA portfolio (no. 21) has hardly changed, resulting in an increase of 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 carry out 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.

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	2,126	2,098	29	124	-48	20	121	6	2,228	2,248
Result from commission business and services	292	274	111	103	58	132	-10	-15	451	494
Result from trading activities	127	130	78	80	5	15	-	5	210	230
Other result from ordinary activities	74	76	436	446	227	231	-548	-415	189	338
Operating income	**2,619**	**2,578**	**654**	**753**	**242**	**398**	**-437**	**-419**	**3,078**	**3,310**
Personnel expenses	-894	-875	-384	-381	-114	-149	2	10	-1,390	-1,395
General and administrative expenses	-584	-579	-294	-255	-195	-206	467	422	-606	-618
Operating expenses	**-1,478**	**-1,454**	**-678**	**-636**	**-309**	**-355**	**469**	**432**	**-1,996**	**-2,013**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-128	-118	-109	-75	-85	-21	63	26	-259	-188
Value adjustments, provisions and losses	-13	1	-118	-4	-	-	7	3	-124	-
Operating profit	**1,000**	**1,007**	**-251**	**38**	**-152**	**22**	**102**	**42**	**699**	**1,109**
Extraordinary income	22	18	46	116	7	8	7	-23	82	119
Extraordinary expenses	-592	-608	-	-1	-	-	584	605	-8	-4
Changes in reserves for general banking risks	-16	-14	250	-101	-	-	-354	35	-120	-80
Taxes	-167	-167	-3	-5	-	-5	14	-56	-156	-233
Group profit (including minority interests)	**247**	**236**	**42**	**47**	**-145**	**25**	**353**	**603**	**497**	**911**
Minority interests in Group profit	-	-	-	-	-	-	-44	-6	-44	-6
Group profit	**247**	**236**	**42**	**47**	**-145**	**25**	**397**	**609**	**541**	**917**
Key balance sheet figures										
Total assets	202,499	195,657	47,589	53,595	3,752	7,762	-28,507	-29,285	225,333	227,729
Amounts due from customers	5,440	5,560	3,490	2,441	147	417	-942	-502	8,135	7,916
Mortgage loans	168,843	162,202	10,719	9,871	-	554	-4	-5	179,558	172,622
Amounts due in respect of customer deposits	154,531	149,976	11,424	11,045	-	3,435	-254	-371	165,701	164,085

Five-year overview

Balance sheet – five-year overview

in million CHF	2018	2017	2016	2015	2014
Assets					
Liquid assets	19,188	20,523	20,390	18,907	9,219
Amounts due from banks	2,225	8,332	7,084	3,811	5,251
Amounts due from securities financing transactions	5	232	338	391	690
Amounts due from customers	8,135	7,916	8,019	7,885	7,815
Mortgage loans	179,558	172,622	165,426	158,594	150,731
Trading portfolio assets	3,455	3,879	2,912	2,115	2,194
Positive replacement values of derivative financial instruments	1,337	1,677	1,743	1,795	1,810
Financial assets	6,613	7,593	7,952	6,878	6,032
Accrued income and prepaid expenses	259	278	247	225	217
Non-consolidated participations	683	650	788	732	614
Tangible fixed assets	2,933	2,803	2,599	2,476	2,399
Intangible assets	54	372	419	513	289
Other assets	888	852	673	1,426	1,143
Total assets	**225,333**	**227,729**	**218,590**	**205,748**	**188,404**
Liabilities					
Amounts due to banks	6,463	12,603	10,853	7,803	5,450
Liabilities from securities financing transactions	2,925	2,201	2,599	4,085	1,289
Amounts due in respect of customer deposits	165,701	164,085	158,255	150,272	141,545
Trading portfolio liabilities	70	134	138	105	121
Negative replacement values of derivative financial instruments	1,928	1,692	2,017	2,398	2,296
Liabilities from other financial instruments at fair value	2,300	2,580	1,634	870	217
Cash bonds	591	836	1,178	1,647	2,262
Bond issues and central mortgage institution loans	26,864	25,939	25,623	23,470	21,519
Accrued expenses and deferred income	855	851	829	711	634
Other liabilities	121	160	170	183	160
Provisions	1,035	949	904	878	850
Reserves for general banking risks	200	80	-	-	-
Cooperative capital	2,172	1,957	1,595	1,248	748
Retained earnings reserve	13,611	12,746	12,036	11,262	10,533
Group profit	541	917	754	808	759
Total equity capital (without minority interests)	**16,524**	**15,700**	**14,385**	**13,318**	**12,040**
Minority interests in equity	-44	-1	5	8	21
– of which Minority interests in group profit	-44	-6	-2	-1	1
Total equity capital (with minority interests)	**16,480**	**15,699**	**14,390**	**13,326**	**12,061**
Total liabilities	**225,333**	**227,729**	**218,590**	**205,748**	**188,404**

Income statement – five-year overview

in million CHF	2018	2017	2016	2015	2014
Interest and discount income	2,895	2,943	3,052	3,130	3,218
Interest and dividend income from financial investments	49	54	58	60	60
Interest expense	-653	-747	-880	-1,002	-1,145
Gross result from interest operations	**2,291**	**2,250**	**2,230**	**2,188**	**2,133**
Changes in value adjustments for default risks and losses from interest operations	-63	-2	-11	-11	2
Subtotal net result from interest operations	**2,228**	**2,248**	**2,219**	**2,177**	**2,135**
Commission income from securities trading and investment activities	374	422	355	357	325
Commission income from lending activities	21	20	18	18	16
Commission income from other services	224	235	214	204	197
Commission expense	-168	-183	-121	-116	-109
Result from commission business and services	**451**	**494**	**466**	**463**	**429**
Net trading income	**210**	**230**	**228**	**209**	**158**
Income from sale of financial assets	5	29	5	20	5
Income from participations	76	89	67	80	64
Income from real estate	21	21	21	19	20
Other ordinary income	129	210	120	60	22
Other ordinary expenses	-42	-11	-18	-12	-5
Other result from ordinary activities	**189**	**338**	**195**	**167**	**106**
Operating income	**3,078**	**3,310**	**3,108**	**3,016**	**2,828**
Personnel expenses	-1,390	-1,395	-1,381	-1,330	-1,265
General and administrative expenses	-606	-618	-606	-558	-500
Operating expenses	**-1,996**	**-2,013**	**-1,987**	**-1,888**	**-1,765**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-259	-188	-260	-181	-164
Changes to provisions and other value adjustments, and losses	-124	0	-6	-4	-9
Operating result	**699**	**1,109**	**855**	**943**	**890**
Extraordinary income	82	119	75	67	51
Extraordinary expenses	-8	-4	-4	-3	-4
Changes in reserves for general banking risks	-120	-80	-	-	-
Taxes	-156	-233	-174	-200	-177
Group profit (including minority interests)	**497**	**911**	**752**	**807**	**760**
Minority interests in Group profit	-44	-6	-2	-1	1
Group profit	**541**	**917**	**754**	**808**	**759**

Appropriation of profit in the five-year overview

in million CHF	2018	2017	2016	2015	2014
Retained earnings reserve	482	865	710	774	730
Distribution to cooperative members	59	52	44	34	29
Distribution ratio in % [1]	11%	6%	6%	4%	4%

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

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