Capital adequacy and liquidity disclosure of the Raiffeisen Group as of 31 December 2018

RAIFFEISEN

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Key abbreviations

AT1	Additional Tier 1 capital
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CET1	Common Equity Tier 1 capital
CRM	Credit risk mitigation
CVA	Credit valuation adjustments
D-SIB	Domestic systemically important bank
EAD	Exposure at default
CAO	Capital adequacy ordinance
FINMA	Swiss financial market supervisory authority
G-SIB	Global systemically important bank
HQLA	High-quality liquid assets
IKS	Internal control system
IRB	Internal ratings-based approach
LCR	Liquidity coverage ratio
QCCP	Qualifying central counterparty
RWA	Risk-weighted assets
SA-BIZ	International standardised approach for credit risk
SA-CCR	Standardised approach for measuring counterparty credit risk exposures
SFT	Securities financing transactions
T1	Tier 1 capital
T2	Tier 2 capital
VaR	Value at risk

Introduction

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus required by supervisory law to make risk, capital adequacy and liquidity disclosures.

This disclosure is based on FINMA Circular 2016/1 'Disclosure – banks'.

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy 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. The key Group companies that are fully consolidated or consolidated according to the equity method can be found in the Raiffeisen Group's Annual Report (Notes to the consolidated annual accounts: Section "Information on the balance sheet", Table 7 "Companies in which the bank holds a permanent direct or indirect significant participation").

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. The provisions covering systemic importance require an additional capital adequacy disclosure. The corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available at the end of this disclosure.

The disclosure concerning Corporate Governance can be found in the annual report.

KM1: Key metrics

	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. 44 of the CAO).

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

KM2: Key metrics - TLAC requirements

This table is mandatory only for international systemically relevant banks.

OVA: Bank risk management approach

Risks and principles

General

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

Credit risk

- Loans are only extended to clients who meet minimum creditworthiness and solvency criteria.
- Concentration risks are avoided.
- The credit policy is prudent.
- The focus is on financing owner-occupied residential property.
- Corporate clients are evaluated based on the following aspects: regional ties, sufficient diversification, risk/return ratio and minimal exposure to high-risk industries.

Market risk

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

Liquidity risk

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

Operational risk

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

Legal and compliance risk

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

Risk control

Risk assessment

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

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

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

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

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

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

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

Risk policy principles

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

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

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

Independent risk control

Risk management is organised based on the three-lines-of-defence model. Independent risk and compliance control is organised throughout the Group and relies on effective tools for identifying and preventing unwanted risk. The Raiffeisen Group has achieved continuous growth and executed its diversification strategy without excessive increases in risk thanks to its clearly focused business policy, steady and cautious risk culture as well as active and targeted management. The subsidiaries of Raiffeisen Switzerland generally operate as independent entities. Risk monitoring is risk-based. The individual entities are assessed and assigned to a risk control level using formal, material and strategic criteria. Raiffeisen Switzerland monitors the risk control and risk situation of the subsidiaries from a Group viewpoint and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Subsidiaries control risks based on guidelines and minimum requirements that are derived from the Group risk policy and implemented by the subsidiaries. These minimum requirements ensure the quality of local risk control and the Group's consolidated reporting.

Risk profile control

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

Stresstesting

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

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

Risk categories

Credit risk

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

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

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

Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking. Loan decisions are largely based on financial viability, loan-to-value ratios and the repayment schedule for the borrower's obligations. Most loans are granted on a secured basis. Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks and with corporate and public sector clients. The branches also extend secured loans to private individuals.

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

Credit policy in the corporate client business

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

Country risk management

As stipulated in the Articles of Association, foreign exposure is limited to a risk-weighted 5 % of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. The Central Bank and Raiffeisen Switzerland B.V. can enter into commitments abroad. These commitments are limited and monitored on an ongoing basis.

Credit portfolio analysis and assessment

The Board of Directors is periodically apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio. The analyses focus on sector concentrations and monitoring large individual exposures. In particular, they investigate the impact of severe macroeconomic difficulties on individual sectors and the overall credit portfolio.

Measuring credit risk

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

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

The core of credit risk measurement is the rating system, which is developed and monitored by Group Risk Controlling. The rating system is used to assess the clients' creditworthiness and to determine the economic capital for the individual credit risk positions. The Raiffeisen Group has implemented comprehensive rating system governance in connection with the internal rating systems. Rating system governance aims to organise internal rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes. Particular attention is paid to potential concentration risks.

Assessment of the risk situation – credit risk

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

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

The individual client segments of the Raiffeisen Group's credit portfolio have been stable for years. Private clients represent over 70% of the volume. In the corporate client business, Raiffeisen remains sufficiently diversified and focuses on sectors with long-term growth potential. High-risk industries are handled with great caution. Risk intensity remains low, largely due to the broad diversification of the credit portfolio and the long-term, conservative credit policy in terms of rating, valuation, loan-to-value ratios and affordability.

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

Market risk

Risks in the banking book

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

Clear guidelines and limits apply to the management of interest rate risks within the Group – both on a consolidated basis and for individual legal entities. Risks are managed autonomously within this corridor by the individual legal entities, i.e. the Raiffeisen banks, the branches of Raiffeisen Switzerland and Raiffeisen Switzerland B.V. Risk managers have a well-developed set of risk management tools, including tools to simulate interest rate developments and assess their impact. The Central Bank department provides advice on asset and liability management within the Raiffeisen Group. Netherlands-domiciled Raiffeisen Switzerland B.V., by contrast, manages its interest rate risks with the help of a bond portfolio that replicates the interest rate risk profile of the issued structured products. The other subsidiaries of Raiffeisen Switzerland have no material risks associated with fluctuating interest rates in their balance sheet structure.

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 on interest income. It calculates the value at risk for interest rates at various Group levels in addition to the interest rate sensitivity in order to monitor the overall risk situation.

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

Risk in the trading book

Of the entities within the Raiffeisen Group, the Central Bank of Raiffeisen Switzerland runs a trading book. Trading risks are strategically limited by using global limits. Risks are operationally limited by sensitivity and loss limits and by value-at-risk limits.

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

Liquidity and financing risks

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

Assessment of the risk situation - market risks

Market risk mainly consists of the risks associated with fluctuating interest rates in the banking book. Risk associated with fluctuating interest rates increased slightly in 2018 due to growth in the core business. The duration of assets changed very little compared to the previous year. Simulations have shown that interest rate risks are acceptable even in adverse interest rate scenarios.

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

Operational risk

Operational and business risks arise in two ways: as the consequences of the banking transactions carried out by the Raiffeisen Group and by virtue of its function as an employer and owner/occupier of real estate. Viability and cost-benefit analyses determine whether a business risk should be avoided, reduced, transferred or borne. These risks are assessed in terms of the expected probability of occurrence and the severity of their impacts. This includes not only the financial impacts, but also the reputational and compliance consequences. The appropriateness and effectiveness of control measures are incorporated into the assessment. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a given risk event.

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

Information security

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

Internal control system (ICS)

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

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

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

The Raiffeisen Group carries out an assessment of the ICS's appropriateness and effectiveness at least once a year. The implementation of improvements derived from the assessment is tracked and monitored. Consolidated ICS reporting is included in the standard risk report prepared for the Executive Board and the Board of Directors of Raiffeisen Switzerland.

Early warning system of the Raiffeisen banks

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

Business Continuity Management

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

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

Assessment of the risk situation – operational risk

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

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

The completed rollout of the new core banking solution (ACS) eliminates the risk associated with the developmental inflexibility of the previous solution (DIALBA). No serious violations of client privacy or data protection were identified last year.

Legal and compliance risk

Legal & Compliance reports to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on major compliance risks quarterly and on legal risks semi-annually.

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

Legal risks

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

Compliance Risks

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

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

- Raiffeisen monitors and analyses all relevant legal developments (regulatory monitoring) and participates in institutional commissions and working groups that cover the Swiss financial sector.
- Raiffeisen has traditionally attached great importance to the "know your customer" principle on account of its cooperative business model and the customer proximity that the model entails. Regulations to combat money laundering and the financing of terrorism reinforce these principles and make them concrete.
- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a "passive provision of services" approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen is prohibited from carrying out any activities outside of Switzerland, especially client-related trips abroad.
- Raiffeisen advocates rigorous tax compliance strategies.
- Raiffeisen adheres to market conduct rules and the resulting due diligence and advisory obligations.
- Raiffeisen protects data and ensures bank-client confidentiality.
- Raiffeisen is committed to fair competition and its actions are guided by strong ethical principles.

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. Raiffeisen counters these risks by proactively monitoring legal developments, complying with requirements through projects and providing regular employee training.

OV1: Overview of risk-weighted assets

	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**	**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.

LI1: Differences between accounting and regulatory scopes of consolidation

	12.31.2018					
in CHF million	**a/b** [1]	**c**	**d**	**e**	**f**	**g**
	Carrying values as reported in published financial statements and under scope of regulatory consolidation	**Carrying values**				
		Subject to credit risk framework	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework** [2]	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Liquid assets	19,189	19,189	-	-	-	-
Amounts due from banks	2,225	1,063	1,162	-	-	-
Amounts due from securities financing transactions	5	-	5	-	-	-
Amounts due from customers	8,135	8,135	-	-	-	-
Amounts due secured by mortgage	179,558	179,558	-	-	-	-
Trading portfolio assets	3,455	-	-	-	3,455	-
Positive replacement values of derivative financial instruments	1,337	-	1,337	-	-	-
	-	-	-	-	-	-
Financial investments	6,613	6,613	-	-	-	-
Accrued income and prepaid expenses	259	259	-	-	-	-
Non-consolidated participations	683	683	-	-	-	-
Tangible fixed assets	2,933	2,933	-	-	-	-
Intangible assets	54	-	-	-	-	54
Other assets	888	888	-	-	-	-
	-	-	-	-	-	-
TOTAL ASSETS	**225,333**	**219,321**	**2,503**	**-**	**3,455**	**54**
LIABILITIES						
Amounts due to banks	6,463	-	-	-	-	6,463
Liabilities from securities financing transactions	2,925	-	-	-	-	2,925
Amounts due in respect of customer deposits	165,701	-	-	-	-	165,701
Trading portfolio liabilities	70	-	-	-	70	-
Negative replacement values of derivative financial instruments	1,928	-	1,928	-	-	-
Liabilities from other financial instruments at fair value	2,300	-	-	-	-	2,300
Cash bonds	591	-	-	-	-	591
Bond issues and central mortgage institution loans	26,864	-	-	-	-	26,864
Accrued expenses and deferred income	855	-	-	-	-	855
Other liabilities	121	-	-	-	-	121
Provisions	1,035	-	-	-	-	1,035
TOTAL LIABILITIES	**208,854**	**-**	**1,928**	**-**	**70**	**206,856**

1 The Raiffeisen Group’s scope of consolidation for accounting purposes is identical to that for regulatory purposes.

2 Raiffeisen has not listed foreign currency and precious metal exposures in the “market risk” column in order to make the presentation easier to understand. Table LI2 lists the capital adequacy requirements for these items.

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	in CHF million	12.31.2018				
		a	b	c	d	e
		Total	Positions under:			
			Credit risk regulation	Securitisation regulation	Counterparty credit risk regulation	Market risk regulation
1	Asset carrying value amount under scope of regulatory consolidation (as per table LI1)	225,333	219,321	-	2,503	3,455
2	Liabilities carrying value amount under regulatory scope of consolidation (as per table LI1)	1,998	-	-	1,928	70
3	Total net amount under regulatory scope of consolidation	223,335	219,321	-	575	3,385
4	Off-balance sheet amounts [1]	10,151	3,681	-	469	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-314	-	-	-314	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Other differences	-427	615	-	-	-1,042
10	Exposure amounts considered for regulatory purposes	226,691	223,618	-	730	2,343

1 Off-balance-sheet original exposure in column (a) and the amounts after application of the credit conversion factors in columns (b) to (e).

LIA: Explanation of differences between accounting and regulatory exposure amounts

– Credit risk regulation: Different treatment of value adjustments and provisions as well as different treatments within the capital adequacy rules
– Counterparty credit risks: Different treatment of netting rules for derivatives, repo transactions and repo-like transactions
– Market risk regulation: Different treatment within the standard approach for market risks due to different requirement factors

PV1: Prudential value adjustments

Raiffeisen refrains from disclosing this table as the prudential value adjustments are below materiality threshold.

CC1: Composition of regulatory capital

	in CHF million	31.12.2018	Reference[1]	30.06.2018
	Common equity (CET1)			
1	Issued and paid-in capital, fully eligible	2,172	(III)	2,051
2	Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	14,292		13,691
	of which retained earnings reserves	13,611		13,691
	of which foreign currency translation reserve			
	of which profit (loss) for the period[2]	481		-
5	Minority interests	-	(IV)	-
6	**Total "hard" core capital (CET1) before adjustments**	**16,464**		**15,743**
	= Common Equity Tier 1 capital before regulatory adjustments			
7	Prudential value adjustments	-3		-
8	Goodwill	-50	(I)	-347
9	Other intangibles	-4	(II)	-5
28	**= Total regulatory adjustments to CET1**	**-57**		**-352**
29	**= Common Equity Tier 1 capital (net CET1)**	**16,408**		**15,391**
	Additional Tier 1 capital (AT1)			
30	Issued and paid in instruments, fully eligible	973		985
31	of which: classified as equity under applicable accounting standards	-		-
32	of which: classified as liabilities under applicable accounting standards	973		985
36	**= Additional Tier 1 capital before regulatory adjustments**	**973**		**985**
43	= Total regulatory adjustments to AT1	-		-
44	**= Additional Tier 1 capital (net AT1)**	**973**		**985**
45	**= Tier 1 capital (net Tier 1)**	**17,381**		**16,376**
	Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	76		61
47	Issued and paid in instruments, subject to phase-out	193		214
51	**= Tier 2 capital before regulatory adjustments**	**269**		**275**
57	= Total regulatory adjustments to T2	-		-
58	**= Tier 2 capital (net T2)**	**269**		**275**
59	**= Regulatory capital (net T1 & T2)**	**17,650**		**16,651**
60	**Total risk-weighted assets**	**99,307**		**98,436**
	Capital ratios			
61	**CET1 ratio (item 29, as a percentage of risk-weighted assets)**	**16.5%**		**15.6%**
62	**T1 ratio (item 45, as a percentage of risk-weighted assets)**	**17.5%**		**16.6%**
63	**Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)**	**17.8%**		**16.9%**
64	CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets)[3]	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)[4]	13.4%		13.0%
	Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participation in the financial sector	96		137
73	Other qualified participations in the financial sector (CET1)	593		524

1 The references refer to table CC2 «Reconciliation of regulatory capital to balance sheet».

2 Excluding interest on cooperative capital

3 With considering the national countercyclical buffer

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

CC2: Reconciliation of regulatory capital to balance sheet

	31.12.2018 in CHF million	Reference[1]	31.12.2017 in CHF million
Assets			
Liquid assets	19,189		20,523
Amounts due from banks	2,225		8,332
Amounts due from securities financing transactions	5		232
Amounts due from customers	8,135		7,916
Mortgage loans	179,558		172,622
Trading portfolio assets	3,455		3,879
Positive replacement values of derivative financial instruments	1,337		1,677
Financial investments	6,613		7,593
Accrued income and prepaid expenses	259		278
Non-consolidated participations	683		650
Tangible fixed assets	2,933		2,803
Intangible assets	54		372
of which goodwill	-	(I)	365
of which goodwill	-	(II)	7
Other assets	888		852
Total assets	**225,333**		**227,728**
Liabilities	**-**		
Amounts due to banks	6,463		12,603
Liabilities from securities financing transactions	2,925		2,201
Amounts due in respect of customer deposits	165,701		164,085
Trading portfolio liabilities	70		134
Negative replacement values of derivative financial instruments	1,928		1,692
Liabilities from other financial instruments at fair value	2,300		2,580
Cash bonds	591		836
Bond issues and central mortgage institution loans	26,864		25,939
Accrued expenses and deferred income	855		851
Other liabilities	121		160
Provisions	1,035		949
of which deferred taxes for untaxed reserves			907
Total liabilities	208,853		212,028
of which subordinated liabilities, eligible as additional core capital (T2)	269		336
of which subordinated liabilities, eligible as supplementary capital (AT1)	973		1,134
of which with high trigger	973		1,134
Shareholder's Equity			
Reserves for general banking risks	200		80
Cooperative capital	2,172		1,957
of which eligible as CET1	2,172	(III)	1,957
of which eligible as AT1	-		
Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	14,152		13,663
of which retained earnings reserves	13,611		12,746
of which foreign currency translation reserve	-5		
of which profit (loss) for the period	541		917
Minority interests in equity	-44		-0
of which eligible as CET1	-	(IV)	-
of which eligible as AT1	-		
Total shareholder's equity	**16,480**		**15,700**

1 The references refer to table «CC1 Composition of regulatory capital».

2 Previous year including transition rules

CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

Cooperative share certificates

1	Issuer	All Raiffeisen banks
2	Identification	-
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel lll transitional arrangements	CET1 capital
5	Taken into account after the Basel lll transitional phase	CET1 capital
6	Level of eligibility	Eligible at the level of individual Raiffeisen banks and at the level of the Raiffeisen Group
7	Product	Share certificate
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 2,172,270,400
9	Par value	CHF 2,172,270,400
10	Balance sheet item according to financial statement	Cooperative capital
11	Original issue date	Various
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The share certificates do not have a fixed maturity period.
15	Selectable redemption date / repayment amount	Exiting cooperative members or their heirs are entitled to repayment of the intrinsic value or nominal value of the share certificate, whichever is lower. The repayment may only be made after the approval of the annual report covering the fourth financial year after the membership is dissolved, unless the member pays in the same amount for new share certificates.
16	Subsequent redemption dates	-
17	Interest calculation type	Coupon according to the resolution of the general meeting
18	Nominal coupon	Interest rates may not exceed 6% gross; however, there is no right to receive the maximum interest rate.
19	Suspension of interest payment	If the general meeting decides not to pay interest in any given financial year, the right to receive interest will lapse and not be carried over to the next financial year. This applies accordingly to a reduction in the interest rate in any given financial year.
20	Interest calculation	Interest payments are defined each year by the supreme governing body of the Raiffeisen bank, which is the general meeting as a rule.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	-
31	Trigger for the write-down	-
32	Scope of the write-down	-
34	Entitlement to write-up if financial situation improves	-
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinated to the Additional Tier-1 Bond 2015 and 2018
36	Attributes that prevent full recognition under Basel lll	The cooperative share certificates qualify as common equity Tier 1 under CAO Art. 21 - 26.

Perpetual subordinated AT1-bond 2018

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0411559377
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel lll transitional arrangements	Additional Tier 1 capital
5	Taken into account after the Basel lll transitional phase	Additional Tier 1 capital
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Perpetual subordinated bond
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 399,220,000
9	Par value	CHF 400'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	2 May 2018
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The bond has no fixed maturity and is not redeemable by the Bondholders under any circumstances. With the exception of the following, repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	With the approval of the Swiss Financial Market Supervisory Authority (FINMA), Raiffeisen Switzerland is entitled to redeem the bond on 2 May 2023 or the same date in each of the subsequent years. The bond may also be redeemed if it no longer qualifies as additional core capital.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon for periods of 5 years in each case
18	Nominal coupon	2.00% p.a. for the first 5 years up to maturity on 2 May 2023. The interest rate for the next 5 years is thereafter calculated as the total of the then valid swap rate (at least zero percent) plus the margin of 1.9575%.
19	Suspension of interest payment	Interest payments are only made if distributable reserves are available to Raiffeisen Switzerland. If required by the financial situation of Raiffeisen Switzerland, all or some of the interest payment may not be made. If no interest is paid in a specific year, the issuer shall not pay any interest on either the cooperative shares or any other distributions of the income to its cooperative members.
20	Interest calculation	The interest is fixed for 5-year periods in each case.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	A write-down is possible in the following situations:
31	Trigger for the write-down	The Raiffeisen Group falls below a "hard" core capital ratio of 7.0% Raiffeisen Switzerland requires assistance from the public sector, either for itself or for the Raiffeisen Group The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if Raiffeisen Switzerland is faced with insolvency.
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of Raiffeisen Switzerland improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to subordinated Tier2 bonds
36	Attributes that prevent full recognition under Basel lll	This bond qualifies as additional core capital (additional Tier 1 capital) under CAO Art. 27 - 29.

Perpetual subordinated AT1-bond 2015

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0272748754
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel lll transitional arrangements	Additional Tier 1 capital
5	Taken into account after the Basel lll transitional phase	Additional Tier 1 capital
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Perpetual subordinated bond
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 574,210,000
9	Par value	CHF 600'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	2 April 2015
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The bond has no fixed maturity and is not redeemable by the Bondholders under any circumstances. With the exception of the following, repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	With the approval of the Swiss Financial Market Supervisory Authority (FINMA), Raiffeisen Switzerland is entitled to redeem the bond on 2 Octobre 2020 or the same date in each of the subsequent years. The bond may also be redeemed if it no longer qualifies as additional core capital.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon for periods of 5 years in each case
18	Nominal coupon	3.00% p.a. for the first 5 years until maturity as of 2 October 2020. The interest rate for the next 5 years is thereafter calculated as the total of the then valid swap rate (at least zero percent) plus the margin of 3.00%.
19	Suspension of interest payment	Interest payments are only made if distributable reserves are available to Raiffeisen Switzerland. If required by the financial situation of Raiffeisen Switzerland, all or some of the interest payment may not be made. If no interest is paid in a specific year, the issuer shall not pay any interest on either the cooperative shares or any other distributions of the income to its cooperative members.
20	Interest calculation	The interest is fixed for 5-year periods in each case.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	A write-down is possible in the following situations:
31	Trigger for the write-down	The Raiffeisen Group falls below a "hard" core capital ratio of 7.0% Raiffeisen Switzerland requires assistance from the public sector, either for itself or for the Raiffeisen Group The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if Raiffeisen Switzerland is faced with insolvency
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of Raiffeisen Switzerland improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to subordinated Tier2 bonds
36	Attributes that prevent full recognition under Basel lll	This bond qualifies as additional core capital (additional Tier 1 capital) under CAO Art. 27 - 29.

Fixed-term subordinated bond 2011 - 2021

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0143708870
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel lll transitional arrangements	Tier 2 capital
5	Taken into account after the Basel lll transitional phase	Eligible as gone concern funds under the new regulation on capital adequacy rules
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Subordinated bond with a fixed term
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 214,000,000
9	Par value	CHF 535'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	21 December 2011
12	Repayment date	21 December 2021
13	Original maturity date	21 December 2021
14	Premature repayment	Repayment is made as at 21 December 2021 at the par value. With the exception of the following, premature repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	Premature repayment is only possible for tax reasons and if this bond no longer qualifies as capital within the meaning of the regulations governing the financial markets, at the par value at all times. Bonds may only be called with the consent of FINMA.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon
18	Nominal coupon	3.875% p.a.
19	Suspension of interest payment	-
20	Interest calculation	Fixed interest for the whole period of investment
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	-
31	Trigger for the write-down	-
32	Scope of the write-down	-
34	Entitlement to write-up if financial situation improves	-
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to all other obligations, Pari-passu to equal-ranking tier2 instruments such as subordinated time deposits.
36	Attributes that prevent full recognition under Basel lll	This bond is treated in accordance with Capital Adequacy Ordinance (CAO) Art. 140 Para. 3. In comparison with a subordinated bond issued under the full Basel III stipulations, only the contractual provisions in the event that the Issuer is faced with insolvency (CAO Art. 29) are not included.

Subordinated time deposits

1	Issuer	Individual Raiffeisen banks
2	Identification	--
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel lll transitional arrangements	Tier 2 capital
5	Taken into account after the Basel lll transitional phase	Eligible until december 31, 2018
6	Level of eligibility	Eligible at the level of individual Raiffeisen banks and at the level of the Raiffeisen Group
7	Product	Subordinated time deposits
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 55,074,400
9	Par value	CHF 75,945,000
10	Balance sheet item according to financial statement	Medium-term notes
11	Original issue date	Various
12	Repayment date	Maturities between 8 and 15 years
13	Original maturity date	Various
14	Premature repayment	There is no provision for premature repayment
15	Selectable redemption date / repayment amount	--
16	Subsequent redemption dates	--
17	Interest calculation type	Fixed coupon
18	Nominal coupon	Various
19	Suspension of interest payment	--
20	Interest calculation	Fixed interest for the whole period of investment
21	Repayment incentive for the issuer	--
22	Accumulation coupons	Not convertible
23	Convertibility	Not cumulative
30	Write-down	A write-down is possible in the following situation:
31	Trigger for the write-down	The Raiffeisen Group requires assistance from the public sector The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if the Raiffeisen Group is faced with insolvency
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of the Raiffeisen Group improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to all other obligations, Pari-passu to equal-ranking tier2 instruments such as fixed-term subordinated bonds. time deposits 2011-2021.
36	Attributes that prevent full recognition under Basel lll	These subordinated time deposits qualify as supplementary capital (Tier 2 capital) under CAO Art. 30.

TLAC1: TLAC composition for G-SIBS (at resolution group level)

This table is mandatory only for international systemically important banks.

TLAC2: Material subgroup entity - creditor ranking at legal entity level

This table is mandatory only for international systemically important banks.

TLAC3: Resolution entity - credit ranking at legal entity level

This table is mandatory only for international systemically important banks.

GSIB1: Disclosure of G-SIB indicators

This table is mandatory only for international systemically important banks..

CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

This table is mandatory for banks which meet the criterias defined in Art. 44a of the Swiss Capital Adequacy Ordinance (CAO).

LR1: Leverage Ratio - Summary comparison of accounting assets versus leverage ratio exposure measure

Line item		31.12.2018 in CHF milion	31.12.2017 in CHF milion
1	Total assets according to published financial reports	225,333	227,728
2	Adjustments for investments in banking, financial, insurance and commerce companies that are subject to accounting consolidation but not regulatory consolidation, and adjustments for assets that are deducted from core capital [1]	-57	-372
3	Adjustments for fiduciary assets that are recognized in the financial statements but are excluded from the leverage ratio calculation	-	-
4	Adjustments for derivatives [2]	-853	-543
5	Adjustments for securities financing transactions (SFT)	502	795
6	Adjustments for off-balance-sheet transactions (conversion of off-balance-sheet transactions into credit equivalents)	3,657	4,106
7	Other adjustments	-	-
8	**Overall exposure for the leverage ratio**	**228,582**	**231,715**

1 This item takes account of intangible assets (goodwill) that are deducted from core capital.

2 This item takes account of counterparty netting of OTC derivatives based on the existing netting agreements

LR2: Leverage Ratio - detailed presentation

Line item		31.12.2018 in CHF milion	31.12.2017 in CHF milion
	On-Balance sheet exposures		
1	On-Balance sheet items (excluding derivatives and SFT but including collateral)[1]	223,991	225,819
2	Assets that must be deducted from eligible core capital[2]	-57	-372
3	**= Total on-balance sheet exposures (excluding derivatives and SFTs)**	**223,934**	**225,448**
	Derivate		
4	Positive replacement values for all derivatives transactions including those vis-à-vis CCPs, including margin payments received and netting agreements	367	367
5	Add-ons for all derivatives	618	834
6	Re-inclusion of collateral provided in connection with derivatives, provided their accounting treatment leads to a reduction in assets	-	-
7	Deduction of receivables resulting from margin payments provided	-722	-282
8	Deduction for exposure to qualified central counterparties (QCCPs) if there is no responsibility to the client if the QCCP defaults	-	-
9	Actual nominal values of issued credit derivatives, after deducting negative replacement values	484	528
10	Netting against actual nominal values of offsetting credit derivatives and deduction of add-ons for issued credit derivatives	-263	-313
11	**= Total exposure from derivatives[3]**	**484**	**1,134**
	Securities financing transactions (SFT)		
12	Gross assets related to securities financing transactions ex netting (except for novations with a QCCP) including those booked as a sale, less any items stated in FINMA Circular 15/3 par. 58	5	232
13	Netting of cash liabilities and receivables with respect to SFT counterparties	-	-
14	Exposure to SFT counterparties	502	795
15	SFT exposure with the bank acting as a commission agent	-	-
16	**= Total exposure from securities financing transactions**	**507**	**1,027**
	Other off-balance-sheet items		
17	Off-balance-sheet items as gross nominal values before the application of any credit conversion factors	15,660	16,823
18	Adjustments for the conversion into credit equivalents	-12,004	-12,717
19	**= Total off-balance-sheet items**	**3,657**	**4,106**
	Eligible equity capital and overall exposure		
20	Core capital (Tier 1)[4]	17,381	16,409
21	Overall exposure	228,582	231,715
	Leverage ratio		
22	Leverage ratio	7.60%	7.08%

1 The difference between the reported figure and total assets as shown in the published financial statements amounts to CHF 1'342 million, relating to positive replacement values of derivative financial instruments and amounts due from securities financing transactions.

2 This item takes account of intangible assets (goodwill) that are deducted from core capital.

3 This item takes account of counterparty netting of OTC derivatives based on the existing netting agreements

Notes on the leverage ratio

The decrease in overall exposure (line 21), combined with an increase in eligible capital (line 20), led to a significant increase in the leverage ratio from 7.08% to 7.60%. The decrease in overall exposure (- CHF 3.1 billion or -1.4%) can be explained by a decrease in volumes in all positions. There was a decrease in total assets as well as off-balance-sheet items. There was also a decrease in exposures from derivatives and from securities financing transactions. Eligible capital increased nearly CHF 1 billion or 5.9%. This increase is attributable to an increase in paid-in capital and in the retention of earnings. In addition, the Raiffeisen Group's goodwill dropped CHF 316 million to CHF 57 million in 2018, as did the deductions from core capital.

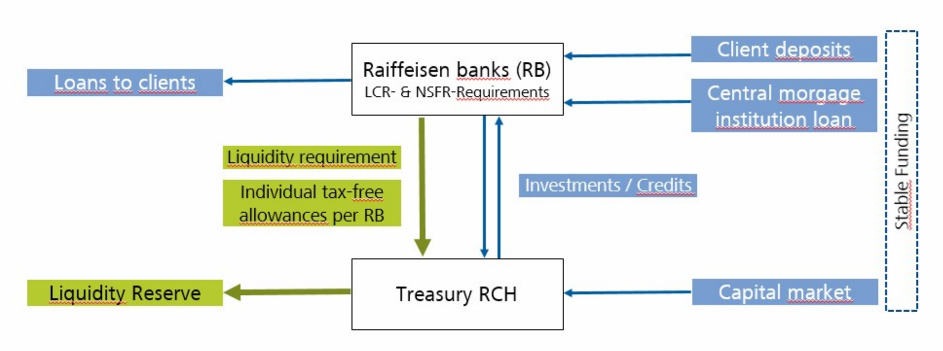
LIQA: Liquidity risk management

Overview
The Raiffeisen Group is one of the leading retail banks in Switzerland and it pursues a decentralised business model. The individual Raiffeisen banks are legally independent and operate the classic savings and mortgage business autonomously. An internal set of rules ensures that legal guidelines and internal standards are complied with.

The Raiffeisen Group has centralised liquidity risk management, which is performed by Raiffeisen Switzerland's Treasury department. The Treasury department controls the liquidity of the Raiffeisen Group and manages the liquidity reserve.

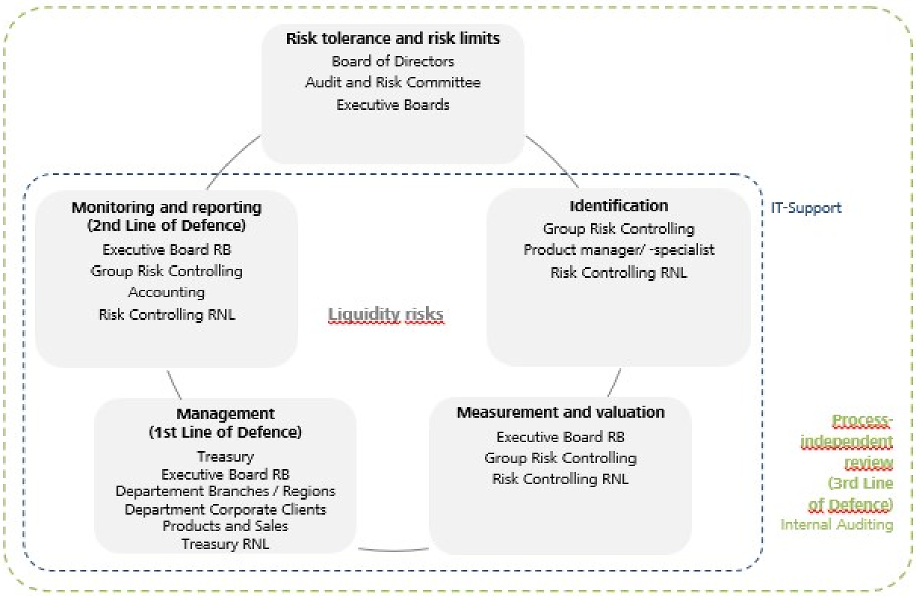
Raiffeisen is obliged at Group level and at the Raiffeisen Switzerland level to observe qualitative and quantitative liquidity regulations. According to Finma, the Raiffeisen banks are exempted from observance at the individual bank level. The Raiffeisen banks and other Group companies are obliged by internal requirements to invest their liquidity requirements pro rata in the form of liquid assets or at Raiffeisen Switzerland.

Refinancing of the lending activity of the Raiffeisen Group occurs chiefly through client deposits, central mortgage institution loans and issues of its own bonds by Raiffeisen Switzerland. Raiffeisen Switzerland's Treasury department organises the liquidity transfer within the Group. The Raiffeisen banks are obliged to invest excess liquidity, which cannot be lent out within the framework of the business regulations, solely at Raiffeisen Switzerland. In return, the Raiffeisen banks can procure refinancing funds from Raiffeisen Switzerland. Thanks to the central liquidity pooling, the refinancing gaps of the individual units can be compensated efficiently and cost effectively within the Group.



Raiffeisen Group liquidity transfer

Organisation
The following executive bodies, committees and units are responsible for the liquidity risk management of the Raiffeisen Group:



Organisation of the liquidity risk management Raiffeisen Group

The Treasury department of Raiffeisen Switzerland is responsible for managing the liquidity of the Raiffeisen Group and Raiffeisen Switzerland as well as for compliance with the regulatory requirements. The Treasury is responsible for the liquidity regulations within the Group and organises intra-Group liquidity transfers. The Treasury of Raiffeisen Switzerland guarantees access to the money, capital and derivatives market for the Group.

The Raiffeisen banks, branches and business units of Raiffeisen Switzerland as well as Raiffeisen Amsterdam are responsible for the autonomous management of their liquidity risks within the liquidity guidelines of risk policy, instructions or permanent directives. The bank management of the Raiffeisen banks, the management of Raiffeisen Amsterdam and those of the Raiffeisen Switzerland business units guarantee observance of the internal requirements. Moreover, they are responsible for regular reporting on the liquidity situation and observance of limits.

The Group Risk Controlling department of Raiffeisen Switzerland is in charge of the independent measurement and monitoring of the liquidity requirements and limits. It is responsible for the regular risk reporting to the attention of the Executive Board and Board of Directors of Raiffeisen Switzerland. Group Risk Controlling approves new liquidity-relevant products, services or business activities.

The Executive Board of Raiffeisen Switzerland is responsible for ensuring the risk tolerance and liquidity limits of the Raiffeisen Group as well as of Raiffeisen Switzerland. It is in charge of implementing and observing the risk policy principles and requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. Furthermore, it reports to the Board of Directors and its committees.

The Board of Directors of Raiffeisen Switzerland determines the risk tolerance and liquidity limits of the Group as part of risk budgeting. Moreover, it stipulates the requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. The Board of Directors of the Raiffeisen banks determines the internal bank limits as part of the Group-wide requirements.

The Internal Auditing of Raiffeisen Switzerland audits the effectiveness and appropriateness of the requirements process-independently.

Liquidity risk management
Liquidity risk management is oriented to limiting the liquidity risk and is intended to

ensure that the Raiffeisen Group permanently has sufficient liquid assets in order to be able to meet its payment obligations in stress situations at all times.

Operational-tactical liquidity management is intended to cover the daily requirements for liquidity, cash and collateral management as well as ensuring access to the secured and unsecured money market. Strategic liquidity risk management controls the liquidity of the Raiffeisen Group according to regulatory and internal requirements and focuses on the sustainable refinancing of the business activities of the Raiffeisen Group and management of the liquidity reserve while observing the internal diversification requirements. In addition, it includes maintenance of the liquidity transfer price system, which ensures that costs are offset to reduce the liquidity risk according to the originator.

The liquidity reserve serves to bridge liquidity bottlenecks in the event of stress without impairing ongoing business operations. The level of the liquidity reserve corresponds as a minimum to the statutory and internal liquidity to be observed. The investments focus on balances at the Central Bank, direct investments in bonds with high creditworthiness, which meet the requirements for highly liquid assets (HQLA) according to the liquidity regulations and securities from reverse repo transactions.

Unencumbered liquid assets in million CHF Raiffeisen Group:	
- Liquid assets incl. Central Bank reserves	19'217
- Highly liquid securities	4'208
Total liquid assets	23'425

Liquidity reserve Raiffeisen Group (as of value date 31.12.2018)

As of 31.12.2018, the stock of unencumbered high-quality liquid assets was kept to 86% in the form of liquid funds and central bank balances. The remaining 14% of the liquidity reserve consists of highly liquid securities. Of these, 20% belonged to assets of category 1 (HQLA) according to the requirements of the Liquidity Ordinance. 80% consisted of assets of category 2a, especially from Swiss mortgage bonds.

Stress tests

To measure the liquidity risk, the Group Risk Controlling department regularly conducts liquidity stress tests. As a result, one can see how many days Raiffeisen would remain solvent in an internal liquidity stress scenario. This survival horizon is determined by the level of the stress-related payment outflows, the available liquidity reserve and the possible liquidity generating emergency measures. The stress scenario includes a Raiffeisen-specific and market-wide shock, which would in particular result in constantly increasing outflows of otherwise stable private client deposits while, at the same time, no refinancing would be possible on the money and capital market. In calibrating the stress scenario, the business model of Raiffeisen is taken into account. The survival horizon is determined both with as well as without emergency measures for liquidity preservation and generation.

The results serve to evaluate the liquidity situation of Raiffeisen and are periodically communicated as part of the risk reporting to the attention of the Executive Board and the Board of Directors of Raiffeisen Switzerland. The latter is also responsible for determining the liquidity risk tolerance.

The stress tests are reviewed regularly for appropriateness and updated as necessary.

Liquidity emergency planning

The solvency of the Raiffeisen Group is to be guaranteed in the event of bank-specific and market-related liquidity crises with liquidity emergency planning. The liquidity emergency plan assumes a constantly increasing deterioration in the liquidity or refinancing situation of the Raiffeisen Group. Determined escalation levels, which can be initiated depending on the gravity and nature of the crisis, provide for measures for liquidity preservation and generation. In addition, organisational requirements, processes and communicative measures are defined, which are intended to permit a fast, commensurate reaction to a liquidity crisis.

Daily monitoring of the regulatory and internal key figures and limits ensures that a deteriorating liquidity situation is recognised promptly. In the event of an escalation level being exceeded, a determined escalation process is triggered and the corresponding measures are taken quickly. In a liquidity crisis, Raiffeisen Switzerland is the first point of contact for the Raiffeisen banks to bridge any bottlenecks.

The liquidity emergency plan is reviewed in an annual process to ensure it is up-to-date, correct and appropriate and, if necessary, adjusted.

If the Raiffeisen Group is affected by a severe liquidity crisis, the overall emergency plan of the Raiffeisen Group enters into force at a defined escalation level.

Liquidity transfer price system

The internal liquidity transfer price system is an important instrument for the originator-related offsetting of the costs and risks for refinancing of the liquidity buffer, the balance sheet and off-balance-sheet contingent liabilities within the Raiffeisen Group. It ensures that the regulatory requirements are observed and incentives in favour of stable, liquidity-preserving means of financing and their efficient use are put in place properly.

Offsetting the costs for holding liquidity and ensuring a liquidity buffer occurs via quantitative requirements, which oblige the Group companies and business units of Raiffeisen Switzerland to hold and place high-quality assets at the Central Bank of Raiffeisen Switzerland. The requirements are charged to the balance sheet and off-balance-sheet positions, which cause high liquidity holdings and favour those with lower liquidity requirements. The interest rate of the liquidity investments depends on the conditions for high-quality assets.

To ensure illiquid assets are refinanced with stable passive ones, Raiffeisen has already introduced the structural liquidity coverage ratio (NSFR) as a control instrument within the Group, although its observance is not yet a regulatory requirement. The transfer of excess refinancing funds within the Group occurs at market conditions for Raiffeisen on the money and capital market.

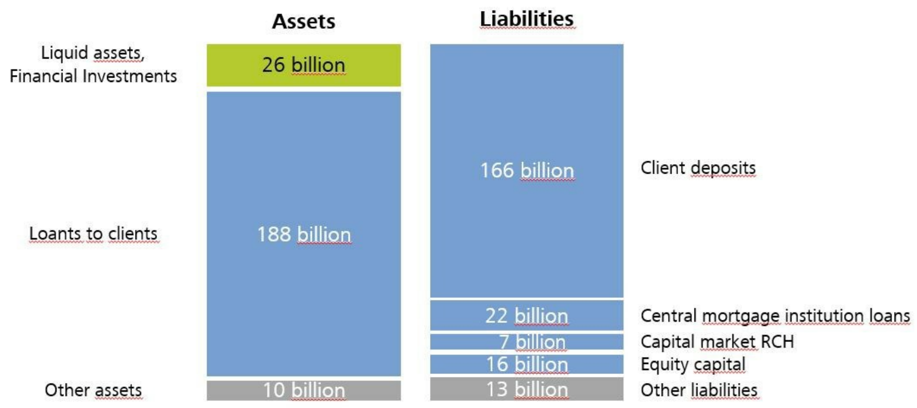
The transfer price system is periodically reviewed by the Group Risk Controlling department.

Refinancing

The Raiffeisen banks and their branches finance their lending business for the most part via their own client deposits. Central mortgage institution loans serve as another stable source of financing. The Raiffeisen banks and branches of Raiffeisen Switzerland cover additional financing requirements via the Treasury of Raiffeisen Switzerland. The Treasury of Raiffeisen Switzerland provides the Group with additional means of financing, which it procures on the capital market via the issue of its own bonds, structured products and other capital market transactions.

Due to wide diversification vis-a-vis private clients and the low dependence vis-a-vis major clients, there is hardly any concentration of financing sources. In addition, the refinancing sources can be described as very robust.

As part of its multi-year planning, the Treasury of Raiffeisen Switzerland plans the refinancing potential within the Group and determines the capital market refinancing requirements. It regularly monitors the financing situation, taking into account the liquidity, the maturity structure of the balance sheet and off-balance-sheet positions. This is intended to ensure a solid balance sheet structure and stable refinancing, even in periods of difficult market conditions.



Raiffeisen Group balance sheet structure (as of value date 31.12.2018)

The loans to clients of CHF 188 billion consist to 95% of mortgage loans and to approx. 5% of other client loans. The large part of the loans to clients must be termed illiquid. CHF 151 billion of the loans to clients have a maturity of over one year, of these, CHF 48 billion of over five years. Refinancing of the lending business occurs to 88% mainly via the client deposits of CHF 166 billion. These consist to 90% of deposits of private clients and small companies and can be described as very stable. The remaining 10% of the client deposits are deposits of wholesale clients (without banks). CHF 22 billion are endowed with stable refinancing via the Pfandbriefbank. The capital market transactions of Raiffeisen Switzerland serve as another stable source of financing. 90% of the stock of central mortgage institution loans and capital market transactions of Raiffeisen Switzerland have a term of over one year; 60% of the stock have a term of over five years. The money market portfolio serves exclusively for tactical liquidity procurement. This achieves the greatest possible immunisation against money market risks. The liquidity reserve consists of the liquidity that must be held according to regulations (liquidity requirement) and excess liquidity.

LIQ1: Liquidity coverage ratio (LCR)

Art. 12 of the Liquidity Ordinance requires the Raiffeisen Group to comply with the liquidity coverage ratio (LCR). The LCR is intended to ensure that banks hold sufficient high-quality liquid assets (HQLA) in order to cover, at all times, the net cash outflow that could be expected in a standard stress scenario for 30 days, as defined by outflow and inflow assumptions. The published LCR metrics are based on the daily closing averages of all business days in the corresponding reporting quarters.

		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).

Notes on the liquidity coverage ratio

Loans to clients are funded largely by customer deposits (91%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Of the portfolio of high-quality liquid assets (HQLA), 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% are primarily public sector bonds and covered bonds rated at least A-.

Net cash outflows (no. 22) declined slightly compared to the previous quarter and the last reporting period. The HQLA portfolio (no. 21) remained largely unchanged over the same period, resulting in an increase in the short-term liquidity coverage ratio (no. 23). Cash outflows relating to the derivatives portfolio (no. 11) have declined because of lower market fluctuations in the last two years and remained constant on a low level during the reporting period. The remaining positions have continuously developed within the scope of the growth in total assets.

The Raiffeisen Group does not have any significant foreign exchange operations resulting from its core business. Due to the low level of lending business in foreign currencies, foreign currency liabilities are transferred to Swiss francs using the matched-period method.

LIQ2: Net stable funding ratio (NSFR)

According to FINMA circular 2016/1, this table needs to be published once the Liquidity Ordinance has brought the NSFR regulation into force.

CRA: Credit risk - general information

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

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

Risk & Compliance 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. Risk & Compliance also regularly evaluates the risk situation as part of the reporting process.

Raiffeisen Switzerland is under contract to control risks for ARIZON Sourcing Ltd. KMU Capital Holding Ltd. is monitored based on its assigned risk control level. Raiffeisen Switzerland monitors the minimum risk management requirements. There is a periodic exchange with the risk control owner.

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

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

Raiffeisen Group's risk management systems aim to:

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

Credit risk
The business units of the Raiffeisen banks and Raiffeisen Switzerland manage their credit risk autonomously, though still in accordance with Group-wide standards.

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

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

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

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

Collateral risks accrue from impairments in the value of collateral.

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

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

Retail banking in Switzerland is the Raiffeisen Group's core business. In order to broaden the earnings base, spread risks more widely and cover client needs more comprehensively, the Raiffeisen Group aims to deepening client relationshipsin the business segments homes, assets and entrepreneurship. In particular, it plans to cultivate the investment and corporate client business more intensively.

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

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

In general, the Corporate Clients department is the instance that grants larger loans to corporate clients. When the credit being increased or newly extended exceeds CHF 75 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment.

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

New financing transactions and disinvestments of KMU Capital AG are reviewed by KMU Capital AG's Investment Committee. The Investment Committee consists of three members, where of two members are employees from Raiffeisen Switzerland and organ of KMU Capital AG. The strategic objective is a value-preserving liquidation of the portfolio over a period of three to six year.

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

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

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

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. Sufficient creditworthiness and the ability to maintain payments must be proven before any loan is approved. Loans to private individuals, legal entities and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is defined based on eleven risk categories and two default categories. This system has proven its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams at Raiffeisen Switzerland are available to provide assistance for more complex financing arrangements and the management of recovery positions.

Comprehensive internal sets of rules exist for valuing collateral for loans, especially for determining the market value and loan-to-value ratios, which prescribe the corresponding methods, procedure and competences. The sets of rules are constantly reviewed and adjusted to regulatory requirements and market changes. The bank employs recognised estimation methods, adjusted to the type of property, to value property loans secured by security interests in land. Among others, hedonic models, the gross rental method and expert estimates are used. Both the models used as well as individual valuations are regularly reviewed. The maximum lending value of property loans secured by security interests in land depends on the marketability of the security or is influenced by the type of use through factors like location or property type.

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

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

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

Monitoring of the cluster risks is performed centrally by the Risk & Compliance department of Raiffeisen Switzerland. As of 31 December 2018, the Raiffeisen Group had no reportable cluster risks.

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

CR1: Credit risk - credit quality of assets

	in CHF million	12.31.2018			
		a	b	c	d
		Gross carrying values		Allowances / impairments	Net values
		Defaulted exposures[1]	Non-defaulted exposures		
1	Loans (excluding debt securities)	1,079	209,547	190	210,436
2	Debt securities	-	6,486	-	6,486
3	Off-balance sheet exposures	3	11,188	0	11,191
4	**TOTAL**	**1,082**	**227,222**	**190**	**228,113**

1 An exposure is considered 'defaulted' when it is classified as either 'impaired' or 'past due' as defined by financial reporting rules.

CR2: Credit risk - changes in stock of defaulted loans and debt securities

	in CHF million	
		a
1	Defaulted loans and debt securities at end of the previous reporting period	962
2	Loans and debt securities that have defaulted since the last reporting period	427
3	Returned to non-defaulted status	-291
4	Amounts written off	-17
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period	1,082

CRB: Credit risk - additional disclosure related to the credit quality of assets

The definitions of impaired and past due receivables are analogous to the definitions provided in the financial reporting rules.

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. Receivables are past due if they have not been paid in full more than 90 days after their due date.

Impairments are identified during the client management process based on client information, financial statement analyses and overrun lists. Clients with outstanding interest or principal payments, overdrawn accounts, credit limit violations or insufficient collateral lasting more than 60 days are additionally monitored by means of an early warning list that is automatically generated every day. The client is deemed to be in default if these issues have not been resolved by the 90th day.

Raiffeisen does not use any definitions of its own for restructured exposures. Internal risk management relies entirely on the default definition.

Breakdown of exposures by geographical area

	in CHF million	**Geographical area**				
		Switzerland	**Great Britan**	**Germany**	**Others**	**Total**
1	Loans (excluding debt securities)	210,274	52	138	162	210,626
2	Debt securities	6,386	-	-	100	6,486
3	Off-balance sheet exposures	11,182	1	4	5	11,192
4	**TOTAL Reporting Period**	**227,841**	**53**	**142**	**267**	**228,304**
	Defaulted exposures	**1,078**	**0**	**0**	**3**	**1,082**
	thereof impaired exposures	858	0	0	0	859
	thereof not impaired exposures	220	0	0	3	223
	Value adjustments for defaulted exposures	177	0	0	1	177

Breakdown of exposures by industry

	in CHF million	**Industry**							
		Central governments and Central banks	**Institutions**	**Banks and Stockbrokers**	**Enterprises**	**Retail**	**Equity**	**Other exposures**	**Total**
1	Loans (excluding debt securities)	17,302	3,531	2,357	4,130	180,680	137	2,488	210,626
2	Debt securities	427	946	55	5,058	-	-	-	6,486
3	Off-balance sheet exposures	0	622	1,482	1,857	7,229	-	-	11,191
4	**TOTAL Reporting Period**	**17,729**	**5,100**	**3,895**	**11,045**	**187,909**	**137**	**2,488**	**228,304**
	Defaulted exposures	**-**	**6**	**0**	**41**	**1,034**	**-**	**-**	**1,082**
	thereof impaired exposures	-	0	-	15	843	-	-	859
	thereof not impaired exposures	-	5	0	26	191	-	-	223
	Value adjustments for defaulted exposures	-	0	0	6	171	-	-	177

Breakdown of exposures by residual maturity

	in CHF million	Residual maturity							
		At sight	Cancellable	Due					Total
				Within 3 months	Within 3 to 12 months	After 12 months and within 5 years	After 5 years	No maturity	
1	Loans (excluding debt securities)	21,975	7,713	10,784	21,500	102,430	46,224	-	210,626
2	Debt securities	46	-	110	305	2,366	3,660	-	6,487
3	Off-balance sheet exposures	11,191	-	-	-	-	-	-	11,191
4	**TOTAL Reporting Period**	**33,212**	**7,713**	**10,894**	**21,805**	**104,796**	**49,884**	**-**	**228,305**
	Receivables past due	**217**	**-**	**21**	**71**	**229**	**60**	**-**	**598**
	thereof past due not impaired receivables	63	-	12	27	85	37	-	223
	thereof past due and impaired receivables	154	-	10	44	145	23	-	375

CRC: Credit risk - qualitative disclosure requirements related to credit risk mitigation techniques

Raiffeisen uses the simple approach to risk mitigation defined in Art. 62 (1) (a) of the Swiss Capital Adequacy Ordinance (CAO); pledged cash collateral makes up the largest share of the capital recognised for regulatory capital adequacy purposes. Contractual netting, as defined in Art. 61 (1) (a) of the CAO, is applied to financial securities from Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich in an amount equal to the nettable central mortgage institution loans.

No other on-balance-sheet or off-balance-sheet netting is used.Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes. Particular attention is paid to potential concentration risks.

CR3: Credit risk - Overview of mitigation techniques

in CHF million	a	b1	b2	d	f
	Exposures unsecured: carrying amount	Exposures secured by collateral	Of which secured amount	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans [1]	39,181	171,832	171,496	336	-
Debt securities	5,162	1,324	1,324	-	-
Off-balance sheet	4,136	6,478	6,449	29	-
TOTAL	**48,479**	**179,634**	**179,269**	**364**	**-**
Of which defaulted	189	893	740	16	-

1 Loans according to the regulatory disclosure definitions

2 Mortgages are regarded as exposures secured by collateral according to column b

CRD: Credit risk - Qualitative disclosures of banks' use of external credit ratings under the standardised approach

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

CR4: Credit risk - Exposure and credit risk mitigation (CRM) effects under the standardised approach

	in CHF million	**a**	**b**	**Carrying values**	**d**	**e**	**f**
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**			
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	17,729	0	17,748	1	0	0.0%
2	Banks and securities traders	2,413	1,482	2,521	731	625	19.2%
3	Public-sector entities and multilateral developments banks	4,477	622	4,588	234	2,227	46.2%
4	Corporate	9,182	1,857	9,180	978	5,266	51.8%
5	Retail	180,496	7,229	180,254	1,737	77,799	42.7%
6	Equity securities	137	-	137	-	206	150.0%
7	Other assets	5,503	-	5,509	0	3,024	54.9%
8	**TOTAL**	**219,936**	**11,191**	**219,936**	**3,681**	**89,147**	**39.9%**

CR5: Credit risk - Exposures by exposure category and risk weights under the standardised approach

	in CHF million	a	b	c	d	e
	Asset classes / Risk weight	**0%**	**10%**	**20%**	**35%**	**50%**
1	Sovereigns and their central banks	17,729	-	0	-	-
2	Banks and securities traders	488	-	2,016	0	634
3	Public-sector entities and multilateral developments banks	46	-	1,241	428	2,357
4	Corporate	13	0	5,092	785	15
5	Retail	0	-	-	152,717	3
6	Equity securities	-	-	-	-	-
7	Other assets[1]	2,480	-	-	-	-
8	**TOTAL**	**20,757**	**0**	**8,349**	**153,930**	**3,008**
9	Thereof receivables secured by real estate	-	-	-	150,036	-
10	Thereof receivables past due	-	-	-	-	-

	in CHF million	f	g	h	i	j
	Asset classes / Risk weight	**75%**	**100%**	**150%**	**Other**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	-	0	-	-	17,729
2	Banks and securities traders	-	0	-	-	3,138
3	Public-sector entities and multilateral developments banks	12	621	6	-	4,710
4	Corporate	41	4,187	27	-	10,160
5	Retail	18,134	11,141	246	-	182,241
6	Equity securities	-	-	137	-	137
7	Other assets[1]	-	3,023	-	-	5,503
8	**TOTAL**	**18,186**	**18,972**	**416**	**-**	**223,618**
9	Thereof receivables secured by real estate	6,028	10,281	-	-	166,345
10	Thereof receivables past due	-	190	408	-	598

CRE: IRB - Qualitative disclosures related to IRB models

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CR6: IRB - Credit risk exposure by portfolio and probability of default (PD) range

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CR7: IRB - Effect on RWA of credit derivatives used as CRM techniques

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CR8: IRB - RWA flow statements of credit risk exposures under IRB

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CR9: IRB - Backtesting of PD per portfolio

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CR10: IRB - IRB specialised lending and equities under the simple risk weight method

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CCRA: Counterparty credit risk - Qualitative disclosure

The entire Raiffeisen Group's risk tolerance is set during annual risk budgeting in conjunction with financial and capital planning. Risk tolerance is based on risk utilization levels approved by the independent risk control unit and mapped out in the business plans of the business and legal units as well as on the associated limits. The limits aim to manage risk-taking and keep it to a sustainable level. Risk tolerance is checked against realistic and pessimistic scenarios that have been aligned with the capital planning assumptions, is additionally tested for medium-term sustainability through independent stress tests that assume full limit utilization, and is then adjusted as needed.

Raiffeisen is exposed to counterparty credit risks in derivative, repo and repo-like transactions. Raiffeisen uses the current exposure method to calculate capital adequacy requirements for derivative transactions.

The Raiffeisen Group concluded a Swiss master agreement for OTC derivative instruments with most of the Central Bank counterparties whose OTC transactions are not cleared centrally, as well as a credit support appendix for variation margins. Credit support is exchanged by transferring the margin requirement, which is calculated daily. These OTC commitments are managed and monitored on a net basis.

Raiffeisen uses the simple approach defined in Art. 62 (1) (a) of the CAO in connection with risk mitigation. Guarantees are not treated as risk-mitigating measures for counterparty credit risks. Hedging transactions for interest rate risks are increasingly being cleared through Eurex Clearing AG, a qualifying central counterparty (QCCP). The limits in this context are also established as described above. Capital requirements for repo and repo-like transactions are calculated in accordance with margin nos. 250ff of FINMA Circular 2017/7 (Credit risk - banks).

CCR1: Counterparty credit risk - Analysis by approach

	in CHF million	**12.31.2018**					
		a	**b**	**c**	**d**	**e**	**f**
		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives) [1]	260	469	-	-	730	361
2	Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	0	0
4	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-
6	**TOTAL**	**260**	**469**	**-**	**-**	**730**	**361**

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

CCR2: Counterparty credit risk - Credit valuation adjustment (CVA) capital charge

	in CHF million	31.12.2018	31.12.2018
		a	b
		EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	VaR component (including the 3×multiplier)	-	-
2	Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	586	599
4	**Total subject to the CVA capital charge**	**586**	**599**

CCR3: Counterparty credit risk - Standardised approach to CCR exposures by exposure category and risk weights

	in CHF million	12.31.2018								
		a	b	c	d	e	f	g	h	i
		0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Sovereigns and their central banks	0	-	-	-	-	-	-	-	0
2	Banks and securities traders	113	-	209	176	-	-	-	-	498
3	Public-sector entities and multilateral developments banks	-	-	-	-	-	0	-	-	0
4	Corporates	0	-	-	0	-	30	-	-	30
5	Retail	-	-	-	-	1	201	-	-	202
6	Equity securities	-	-	-	-	-	-	-	-	-
7	Other assets	-	-	-	-	-	-	-	-	-
8	**TOTAL**	**113**	**-**	**209**	**176**	**1**	**231**	**-**	**-**	**730**

CCR4: IRB - CCR exposures by portfolio and PD scale

Raiffeisen currently uses the international standardised approach and not the IRB approach.

CCR5: Counterparty credit risk - composition of collateral for CCR exposure

in CHF million	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated 1	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency (CHF)	77	-	585	-	-	-
Cash – other currencies	28	-	336	-	-	-
Domestic sovereign debt	-	-	-	-	-	348
Other sovereign debt	153	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	256	-	5	2,096
Equity securities	-	-	-	-	-	-
Other collateral	103	-	-	-	-	315
TOTAL	**361**	**-**	**1,177**	**-**	**5**	**2,760**

1 Segregated refers to collateral which is held in a bankruptcy-remote manner.

CCR6: Counterparty credit risk - credit derivatives exposures[1]

in CHF million	12.31.2018	12.31.2018
	a	b
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	-	-
Index credit default swaps	484	263
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
TOTAL NOTIONALS	**484**	**263**
Fair values	**447**	**261**
Positive replacement values (assets)	19	9
Negative replacement values (liabilities)	-56	-11

1 Credit derivatives are used to hedge the structured products issued by Raiffeisen.

CCR7: RWA flow statement of CCR exposures unter the Internal Model Method (IMM)

Raiffeisen currently does not use the Internal Model Method.

CCR8: Counterparty credit risk - Exposures to central counterparties

	in CHF million	Reporting period	Reporting period
		a	b
		EAD post CRM	RWA
1	Exposures to QCCPs[1] (total)	470	12
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	308	6
3	of which OTC derivatives	-	-
4	of which exchange-traded derivatives	-	-
5	of which securities financing transactions	-	-
6	of which netting sets where cross-product netting has been approved	308	6
7	Segregated initial margin	132	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions[2]	10	6
10	Unfunded default fund contributions	20	-
11	Exposures to non-QCCPs (total)[3]	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	-	-
13	of which OTC derivatives	-	-
14	of which Exchange-traded derivatives	-	-
15	of which securities financing transactions	-	-
16	of which netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

1 Raiffeisen clears certain derivative transactions centrally through Eurex Clearing AG and LCH Ltd.

2 Since January 1 2018 the capital adequacy calculation for pre-funded default fund contributions is done in accordance with margin 565 of the FINMA Circular 2017/7.

3 There are no exposures to non-qualifying counterparties.

SECA: Qualitative disclosure requirements related to securitisation exposures

Raiffeisen has currently no securitisation exposures.

SEC1: Securitisation exposures in the banking book

Raiffeisen has currently no securitisation exposures.

SEC2: Securitisation exposures in the trading book

Raiffeisen has currently no securitisation exposures.

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

Raiffeisen has currently no securitisation exposures.

SEC4: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as investor

Raiffeisen has currently no securitisation exposures.

MRA: Market risk - qualitative disclosure requirements

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.

The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation, 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
- make the best possible use of risk tolerance, in other words to ensure that risks are only entered into if they offer suitable return potential

Risk management is organised based on the three-lines-of-defence model. Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.

Of the entities within the Raiffeisen Group, the Central Bank of Raiffeisen Switzerland runs a trading book. Trading risks are strategically limited by using global limits. Risks are operationally limited by sensitivity and loss limits and by value-at-risk limits.

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

The Trading unit, which is part of the Central Bank department, is responsible for managing the Central Bank trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. The Central Bank trades in interest rates, currencies, equities and banknotes/precious metals. It must strictly adhere to the value-at-risk, sensitivity, position and loss limits set by the Board of Directors and the Executive Board, which Department Risk & Compliance monitors on a daily basis. In addition, Risk & Compliance conducts daily plausibility checks on the income achieved from trading and conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is subject to risk limits and is closely monitored.

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

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

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

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

MR1: Market risk under standardised approach

	in CHF million	12.31.2018
		a
		RWA
	Outright products	
1	Interest rate risk (general and specific)	1,484
2	Equity risk (general and specific)	87
3	Foreign exchange risk	330
4	Commodity risk	431
	Options	
5	Simplified approach	-
6	Delta-plus method	12
7	Scenario approach	-
8	**Securitisation**	**-**
9	**TOTAL**	**2,343**

MRB: Qualitative disclosures for banks using the IMA

Raiffeisen does not use the IMA.

MR2: RWA flow statements of market risk exposures under IMA

Raiffeisen does not use the IMA.

MR3: IMA value for trading portfolios

Raiffeisen does not use the IMA.

MR4: Comparison of VaR estimates with gains/losses

Raiffeisen does not use the IMA.

IRRBBA: Interest rate risk management objective and policies

This table will be published for the first time according to the revised FINMA circular 2016/1 as of 30.06.2019

Since assets and liabilities are subject to different interest rates, fluctuations in market interest rates can have a considerable impact on the Raiffeisen Group's interest income and shareholder value. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the net present value of the equity capital. The impact on profitability is assessed using dynamic income simulations. To measure mark-to-market risk, a gap analysis is performed using all balance-sheet and off-balance-sheet items along with their contractually fixed interest rates. Loans and deposits with non-fixed interest rates and capital commitment periods are replicated on the basis of historical experience. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decetralised basis in the responsible units.

Interest rate risks are hedged using established instruments. The Treasury of Raiffeisen Switzerland's Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors.

Department Risk & Compliance monitors compliance with interest risk limits and prepares associated quarterly reports, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

in CHF million	**31.12.2018**	**31.12.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**
Sensitivity (+100bp-Shift)	1,740	1,644	1,561	1,673	1,351
Value at Risk (99,9%)	1,588	1,627	1,458	1,703	1,376

IRRBA1: Quantitative information on position structure and resetting of the interest rate

Raiffeisen refrains from disclosing this table as of 31.12.2018 since an extraordinary release of this table follows as of 30.06.2019.

IRRBB1: Quantitative information on economic value of equity and net interest income

Raiffeisen refrains from disclosing this table as of 31.12.2018 since an extraordinary release of this table follows as of 30.06.2019.

REMA: Remuneration policy

For disclosures on remuneration, please see the remuneration report in our Annual report.

REM1: Remuneration awarded during the financial year

For disclosures on remuneration, please see the remuneration report in our Annual report.

REM2: Special payments

For disclosures on remuneration, please see the remuneration report in our Annual report.

REM3: Deferred remuneration

For disclosures on remuneration, please see the remuneration report in our Annual report.

ORA: Qualitative disclosure requirements related to operational risks

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

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

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

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

In addition to the standard risk management process, Risk & Compliance 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 Risk & Compliance.

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

Department Risk & Compliance reports the substantial compliance risks quarterly and the legal risks semi-annually to Raiffeisen Switzerland's Executive Board and Board of Directors. These risks are reported to the Board of Directors of Raiffeisen Schweiz on an annual basis together with a risk orientated action plan which is derived from the compliance risk profile according to FINMA circular 2017/1.

Appendix 3: Disclosure requirements for systemically important banks

Risk-weighted and unweighted capital requirements of Raiffeisen Group under the rules governing systemically important banks

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	**Ratio (%)**	**Capital in CHF million**	**Ratio (%)**
Risk-weighted positions (RWA)	**99,307**		**99,307**	
Risk-based capital requirements («going-concern») on the basis of capital ratios				
Total	**13,956**	**14.05%**	**14,314**	**14.41%**
of which CET1: Minimum	5,363	5.40%	4,469	4.50%
of which CET1:Capital buffer	4,032	4.06%	4,389	4.42%
of which CET1: Anti-cyclical capital buffer	1,186	1.19%	1,186	1.19%
of which AT1: Minimum	2,582	2.60%	3,476	3.50%
of which AT1: Capital buffer	794	0.80%	794	0.80%
Eligible capital («going-concern»)				
Core capital (Tier1)	**17,381**	**17.50%**	**17,381**	**17.50%**
of which CET1	16,408	16.52%	16,408	16.52%
of which AT1 High-trigger	973	0.98%	973	0.98%
of which AT1 Low-trigger	-	0.00%	-	0.00%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%
Surplus	**3,425**	**3.45%**	**3,067**	**3.09%**

The Raiffeisen Group exceeds the «going-concern» requirements for risk-weighted capital requirements without applying transitional provisions as of 31 December 2018 with the value of 17,5 (requirement: 14.41%) by a total of 3.09 percentage points and a capital amount of CHF 3,067 million.

Until the definitive determination of the TLAC rules governing nationally system-relevant banks, according to FINMA specifications the fulfilment of a total capital ratio (incl. anti-cyclical capital buffer) of 15.56% according to the old TBTF rules is also required in parallel. This requirement was met as of 31 December 2018 with a total capital ratio of 17.82%.

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	**Ratio (%)**	**Capital in CHF million**	**Ratio (%)**
Overall exposure	**228,582**		**228,582**	
Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio				
Total	**9,143**	**4.000%**	**10,572**	**4.625%**
of which CET1: Minimum	4,343	1.900%	3,429	1.500%
of which CET1:Capital buffer	2,286	1.000%	3,714	1.625%
of which AT1: Minimum	2,514	1.100%	3,429	1.500%
Eligible capital («going-concern»)				
Core capital (Tier1)	**17,381**	**7.60%**	**17,381**	**7.60%**
of which CET1	16,408	7.18%	16,408	7.18%
of which AT1 High-trigger	973	0.43%	973	0.43%
of which AT1 Low-trigger	-	0.00%	-	0.00%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%
Surplus	**8,238**	**3.60%**	**6,809**	**2.98%**

The Raiffeisen Group exceeds the «going-concern» requirements for the leverage ratio without applying transitional provisions as of 31 December 2018 with the value of 7.6% (requirement: 4.625%) by a total of 2.98 percentage points.