Pillar 3 and regulatory disclosures as of 31st December 2019

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.

Material changes
In the past, Raiffeisen used the international standardised approach (SA-BIS) for calculating capital requirements for credit risks. Effective as of 30 September 2019, it now calculates its capital requirements using the internal ratings-based model approach (foundation IRB approach, "F-IRB"). The internal rating models used by Raiffeisen underwent a thorough FINMA audit as part of the IRB approval process. FINMA gave Raiffeisen permission to use the F-IRB approach to calculate its capital requirements for credit risks as of 30 September 2019. As it often happens with these kinds of roll-outs, the changeover has to meet certain transitional floor requirements. Essentially, the risk-weighted assets calculated using the IRB model approach must not fall below a specified floor (calculated relative to the standardised approach, or SA-BIS). The floor is 95% in the first year, 90% in the second and 85% in the third. After that, the floor is equal to the IRB floor calculated in accordance with national laws.

Another change related to the IRB adoption is the first-time deduction of certain amounts from eligible capital as of 30 September 2019, as required by Art. 32 (e) of the Capital Adequacy Regulation (CAR). Banks that use the IRB model approach have to deduct from CET1 expected losses that have been conservatively calculated using stress factors and not yet addressed by value adjustments. This deduction has been fully applied for the first time as of 30 September 2019 without using any transitional arrangements.

KM1: Key metrics

	in CHF million	a	b	c	d	e
		31.12.2019	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**
	Available capital (amounts)[1]					
1	Common Equity Tier 1 (CET1)	16,868	16,063	16,548	16,479	16,408
2	Tier 1	17,836	17,019	17,513	17,447	17,381
3	Total capital	17,983	17,225	17,721	17,658	17,650
	Risk-weighted assets (amounts)[2]					
4	Total risk-weighted assets (RWA)	98,295	97,333	102,032	102,003	99,307
4a	Minimum capital requirement	7,864	7,787	8,163	8,160	7,945
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.2%	16.5%	16.2%	16.2%	16.5%
6	Tier 1 ratio (%)	18.1%	17.5%	17.2%	17.1%	17.5%
7	Total capital ratio (%)	18.3%	17.7%	17.4%	17.3%	17.8%
	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 (%)[3]	1.1%	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 (%)	8.1%	8.2%	8.2%	8.2%	8.2%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.8%	13.6%	13.2%	13.1%	13.4%
	Target capital ratios in accordance with note 8 of the CAO[4]					
12b	Countercyclical buffer (Art. 44 and 44a of the CAO)	1.1%	1.2%	1.2%	1.2%	1.2%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure	252,263	239,054	237,223	239,641	228,582
14	Basel III leverage ratio (%)	7.1%	7.1%	7.4%	7.3%	7.6%
	Liquidity Coverage Ratio					
15	Total HQLA	27,805	23,323	21,355	20,971	21,691
16	Total net cash outflow	20,367	18,361	17,681	17,459	17,608
17	LCR ratio (%)	136.5%	127.0%	120.8%	120.1%	123.2%

1 The deduction required by Art. 32 (e) of the Capital Adequacy Regulation was applied for the first time as of 30 September 2019 and reduced eligible capital by around CHF 0.5 billion.

2 The adoption of the IRB approach as of 30 September 2019 reduced the risk-weighted assets (RWAs). An IRB floor of 95% was used in the first year in accordance with the transitional provisions.

3 Includes national countercyclical buffer (Art. 44 of the CAO).

4 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 following careful consideration.
- Risks are managed systematically.
- Risks are only taken if they can be borne, offset by reasonable returns, and the ability to manage the risks has 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 adequately monitored and limited.
- The credit policy is prudent.
- Financing at Raiffeisen banks that meets defined criteria requires prior approval of Raiffeisen Switzerland.
- The focus is on financing owner-occupied residential property.
- The focus in investment properties is on qualitative and sustainable growth.
- Corporate clients are evaluated based on the following aspects: regional ties, sufficient diversification, risk/return ratio and minimal exposure to high-risk industries.

Market risk

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

Liquidity risk

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

Operational risk

- Risks are evaluated through regular top-down and bottom-up risk assessments.
- Risks are monitored using risk indicators and an early warning system.
- The appropriateness and effectiveness of key controls in all risk-related processes is periodically reviewed and confirmed.
- Internal and external events are analysed on an ongoing basis; the findings from these analyses are implemented in the operational business processes.

Legal and compliance risk

- Internal policies and processes are promptly adapted to reflect changes in laws, regulations and professional rules and then implemented.
- Contracts are followed and enforced.

Risk control

Risk assessment

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

The Board of Directors of Raiffeisen Switzerland regularly examines the risks affecting the Raiffeisen Group. This is based on comprehensive reporting on credit, market and liquidity risks, operational risks, and legal and compliance risks. It also takes into account reputational risks that can result from all risk categories.

Risk reports are drawn up by Raiffeisen Switzerland's Risk & Compliance department. Reports focus on the risk situation, capital adequacy, compliance with overall limits and any measures taken. Furthermore, Risk & Compliance uses an early warning system to identify potentially unfavourable developments at individual Raiffeisen banks and branches.

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

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

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

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

The Raiffeisen Group puts particular emphasis on supplementing its model-based assessments with forward-looking risk analyses and risk estimates. Scenario-based analyses backed by macroeconomically plausible scenarios, together with assessments drawing on specialist areas and front office units, therefore play an important role in overall risk comprehension.

Risk policy principles

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

- **Clear business and risk policies**: Risk taking is directly linked to the core business in Switzerland.
- **Effective risk limitation**: The Raiffeisen Group's risk tolerance is clearly defined and enforced with a tried-and-tested limit system.
- **Centralised control**: Raiffeisen Switzerland monitors its individual business units, subsidiaries and participations.
- **Decentralised individual responsibility in line with clearly defined guidelines**: The Raiffeisen banks are responsible for managing their risks themselves. Their risk management is based on guidelines relating to business activities, limits and processes.

The central controlling units monitor compliance with the guidelines.
- **Risk control based on transparency**: Independent reports are regularly issued on the risk situation as well as on the risk profile of the individual Raiffeisen banks and the Raiffeisen Group.
- **Independent risk monitoring and effective controls**: Overall risk and limits are monitored independently of the risk-managing business units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- **Comprehensive risk management process**: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, monitoring and reporting.
- **Avoidance of risk concentration**: The Raiffeisen Group has effective tools at its disposal for identifying unwanted risk concentration and taking proactive measures to avoid it.
- **Protection of reputation**: The Raiffeisen Group attaches great importance to protecting its reputation. It also seeks to comply with high ethical standards in all of its business activities.

Independent risk control and compliance function

Risk management is organised based on the three-lines-of-defence model. Raiffeisen Switzerland maintains an independent risk control function and an independent compliance function for the Raiffeisen Group within its Risk & Compliance department (system responsibility). Operational responsibility rests with the Raiffeisen banks and with all the organisational units of Raiffeisen Switzerland. Business policy is geared to driving risk-conscious growth and active risk management based on Raiffeisen's risk culture. The subsidiaries of Raiffeisen Switzerland generally operate as independent entities. Risk monitoring is risk-based. The individual entities are assessed and assigned to a risk control level using formal, material and strategic criteria. Raiffeisen Switzerland monitors the risk control and risk situation of its subsidiaries and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Subsidiaries control risks based on guidelines and minimum requirements that are derived from the Group risk policy and implemented by the subsidiaries. These minimum requirements ensure the quality of local risk control and the Group's consolidated reporting.

Risk profile control

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

Risk categories

Credit risk

Credit risk management at the Raiffeisen Group is geared specifically 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. Property financing is part of Raiffeisen's core business. The main component comprises financing of residential properties.

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

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

Financial viability, loan-to-loan value ratios and the repayment schedule for the borrowers' obligations play a crucial role. Loans are generally granted on a secured basis.

Property financing is part of Raiffeisen's core business. The main component comprises financing of residential properties.

Credit policy in the corporate client business

The Raiffeisen Group generally only offers financing to clients with good to moderate credit ratings.

The Group’s 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.

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

Active country risk management

As stipulated in the Articles of Association, Raiffeisen Switzerland's commitments abroad are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. Raiffeisen Switzerland's Treasury & Markets department, including Raiffeisen Switzerland B.V. Amsterdam, and its Corporate Clients & Branches department can enter into commitments abroad. These commitments are limited and monitored on an ongoing basis. The highest country limits exist for countries with very good ratings.

Credit portfolio analysis and assessment

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

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 element of credit risk measurement is the rating system, which is developed and monitored by Raiffeisen Switzerland's Risk & Compliance department. The clients' creditworthiness is assessed on the basis of the rating system. 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 has employed the Internal Rating Based (IRB) model approach approved by FINMA since the fourth quarter of 2019. Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes.

Assessment of the risk situation – credit risk

Credit growth is consistent with the strategy and characterised by low risk intensity overall. Lending is conservative overall and normally collateralised. Top priority is given to ensuring the borrower's ability to keep up with payments.

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

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

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

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

Market risk

Risks in the banking book

The banking book is primarily exposed to interest rate risks and foreign currency risks. Risks associated with fluctuating interest rates arise due to the Raiffeisen Group's significant positioning in interest operations and represent a major risk category. They are actively managed and monitored within authorised risk limits.

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

The Risk & Compliance department monitors compliance with interest rate risk limits and the overall development of interest rate risks. It focuses on monitoring the interest rate sensitivity of equity capital and running simulations to analyse the impact of changes in market interest rates on interest income. Interest-driven value-at-risk is also calculated in order to monitor the overall risk situation at various levels within the Group.

The disclosure of interest rate risks pursuant to FINMA Circular 2016/01 "Disclosure – banks" contains further details on interest rate risk management and interest rate risk exposure.

With respect to foreign currency risk, assets in a foreign currency are in principle refinanced in the same currency ("matched book" approach). This means foreign currency risk is largely avoided. The remaining foreign currency risk in the banking book is managed by Raiffeisen Switzerland's Treasury & Markets department within the limits that the Board of Directors has allocated.

Risk in the trading book

Of the entities within the Raiffeisen Group, the department Treasury & Markets of Raiffeisen Switzerland runs a trading book. In addition, the structured products business of Raiffeisen Switzerland B.V. Amsterdam is allocated to the trading book.

The Treasury & Markets department's trading risks are strategically limited using global limits. Risks are operationally limited by sensitivity, position and loss limits, and value-at-risk imits. Domiciled in the Netherlands, Raiffeisen Switzerland B.V. manages its interest rate risks with the help of a bond portfolio that replicates the interest rate risk profile of the issued structured products. Interest rate swaps are occasionally used for hedging. The bond portfolio, which consists entirely of investment-grade debt securities, entails credit spread risks. These are closely monitored and managed using limits.

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

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

Market risks in the trading book are diversified across equities, bonds, interest rates, foreign currencies and precious metals. The expected potential for losses amid serious market turmoil is considered low relative to total income. Possible losses in such a scenario would be largely attributable to credit spread risks in the bonds asset class.

Liquidity and financing risks

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

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

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

Assessment of the risk situation - liquidity and financing risks

The Raiffeisen Group's liquidity situation is sound thanks to its focus on the domestic savings and mortgage business. Due to its low degree of dependence on major clients and broad diversification across private clients, its funding sources are minimally concentrated. Loans to clients are funded largely by customer deposits (91.1%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Operational risk

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

Every year, the Raiffeisen Group carries out extensive operational risk assessments. The information gleaned from these assessments is documented in a Group-wide risk register that forms the basis for monitoring and controlling for the overall operational risk profile.

Information security

Information security – a discipline focused on data confidentiality, integrity and availability is becoming increasingly important. Cybercriminals pose the biggest threat in this regard. For this reason, information security risks must be comprehensively managed based on a regular assessment of the threat situation. Appropriate and effective measures for safeguarding information and infrastructure are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process. Considerable importance is attached to protecting financial privacy and personal data.

Internal control system (ICS)

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

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

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

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

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

Early warning system of the Raiffeisen banks

Raiffeisen Switzerland operates an early warning system 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 Early Warning System Coordination Committee.

Business Continuity Management

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

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

Assessment of the risk situation – operational risk

The operational risks are well within the risk budget defined by the Board of Directors overall. The comprehensive ICS keeps losses attributable to operational errors low.

The threat of cybercrime has generally increased. The Raiffeisen Group has reacted to the threats by expanding the Cyber Security and Defence Centre, among other things.

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

Legal and compliance risk

The Risk & Compliance department reports to the Raiffeisen Switzerland Executive Board and the 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 "Corporate Governance", 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 has to comply with regulations governing cross-border financial services (cross-border business) and international and national tax matters (tax compliance). It specifically focuses on the following activities and issues:

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

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

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

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and adapting internal policies and processes to new requirements as promptly as possible. Where necessary, modern electronic tools are used in support of the 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 2019 was accentuated by high regulatory pressure and increased public perceptions of violations and/or misconduct. The Raiffeisen Group counters these risks by proactively monitoring legal developments, complying with stricter requirements, regularly training employees, and providing management and control.

OV1: Overview of risk-weighted assets

The main changes in RWA are the consequence of the introduction of the IRB approach as of 30th September 2019. The IRB approach is being introduced within the scope of the transitional provisions in the first year with an IRB floor of 95% and will reduce the RWA. Overall, the RWA in the area of credit risks are decreasing.

	in CHF million	a	b	c
		31.12.2019	31.12.2018	31.12.2019
		RWA	RWA	Minimum Capital Requirement [1]
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**75,707**	**89,147**	**6,056**
2	of which: standardised approach (SA)	10,687	89,147	854
3	of which: foundation internal ratings-based (F-IRB) approach [2]	24,142	-	1,931
4	of which: supervisory slotting approach	-	-	-
5	of which: advanced internal ratings-based (A-IRB) approach [3]	40,878	-	3,270
6	**Counterparty credit risk (CCR)**	**324**	**611**	**26**
7	of which: standardised approach for counterparty credit risk [4]	324	611	26
8	of which: Internal Model Method (IMM)	-	-	-
9	of which: other CCR	-	-	-
10	**Credit valuation adjustment (CVA)**	**306**	**-**	**24**
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**	**9**	**-**	**1**
14	**Equity investments in funds – fall-back approach**	**111**	**-**	**9**
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 [5]**	**3,895**	**2,343**	**312**
21	of which: standardised approach (SA)	3,895	2,343	312
22	of which: internal model approaches (IMA)	-	-	-
23	**Capital charge for switch between trading book and banking book**	**-**	**-**	**-**
24	**Operational risk**	**5,707**	**5,721**	**457**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,547**	**1,484**	**124**
26	**Floor adjustment [6]**	**10,689**	**-**	**855**
27	**Total**	**98,295**	**99,307**	**7,863**

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

2 Implemented as of 30.09.2019.

3 Raiffeisen uses the foundation IRB approach (F-IRB). As for the IRB segment retail only the advanced IRB approach (A-IRB) exists, the RWA and minimum capital requirements for the IRB segment retails are disclosed here.

4 As of 31.12.2019 the standardised approach for counterparty credit risk is used to measure the counterparty credit risk of derivative transactions for the purposes of determining capital adequacy requirements.

5 In the reporting period the assets in the trading portfolio increased, resulting in a growth of market risk.

6 An IRB floor of 95% is used for the first year (as of 30.09.2019) under the IRB transitional provisions.

LI1: Differences between accounting and regulatory scopes of consolidation

in CHF million	a/b[1]	c	d	e	f	g
			31.12.2019			
	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	29,643	29,643	-	-	-	-
Amounts due from banks	7,677	6,867	810	-	-	-
Amounts due from securities financing transactions	250	-	250	-	-	-
Amounts due from customers	8,160	8,160	-	-	-	-
Amounts due secured by mortgage	185,291	185,291	-	-	-	-
Trading portfolio assets	3,201	-	-	-	3,201	-
Positive replacement values of derivative financial instruments	1,898	-	1,898	-	-	-
	-	-	-	-	-	-
Financial investments	7,194	7,194	-	-	-	-
Accrued income and prepaid expenses	263	263	-	-	-	-
Non-consolidated participations	708	708	-	-	-	-
Tangible fixed assets	2,998	2,998	-	-	-	-
Intangible assets	10	-	-	-	-	10
Other assets	1,053	1,053	-	-	-	-
	-	-	-	-	-	-
TOTAL ASSETS	**248,345**	**242,176**	**2,958**	**-**	**3,201**	**10**
LIABILITIES						
Amounts due to banks	12,280	-	183	-	-	12,097
Liabilities from securities financing transactions	6,327	-	6,327	-	-	-
Amounts due in respect of customer deposits	176,179	-	-	-	-	176,179
Trading portfolio liabilities	198	-	-	-	198	-
Negative replacement values of derivative financial instruments	2,318	-	2,318	-	-	-
Liabilities from other financial instruments at fair value	2,497	-	-	-	-	2,497
Cash bonds	459	-	-	-	-	459
Bond issues and central mortgage institution loans	28,725	-	-	-	-	28,725
Accrued expenses and deferred income	840	-	-	-	-	840
Other liabilities	107	-	-	-	-	107
Provisions	998	-	-	-	-	998
TOTAL LIABILITIES	**230,928**	**-**	**8,829**	**-**	**198**	**221,903**

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	a	b	c	d	e
				31.12.2019		
		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)	248,345	242,176	-	2,958	3,201
2	Liabilities carrying value amount under regulatory scope of consolidation (as per table LI1)	9,027	-	-	8,829	198
3	Total net amount under regulatory scope of consolidation	239,318	242,176	-	-5,871	3,003
4	Off-balance sheet amounts [1]	12,353	4,924	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	7,309	-	-	7,309	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Other differences	4,616	3,724	-	-	892
10	Exposure amounts considered for regulatory purposes	256,157	250,824	-	1,438	3,895

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 credit conversion factors 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	31.12.2019	References[1]	30.06.2019
	Common equity (CET1)			
1	Issued and paid-in capital, fully eligible	2,351	(III)	2,271
2	Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	15,063		14,292
	of which retained earnings reserves	14,292		14,292
	of which retained earnings reserves	-		-
	of which profit (loss) for the period[2]	772		-
5	Minority interests	-	(IV)	-
6	**Total "hard" core capital (CET1) before adjustments**	**17,414**		**16,563**
	= Common Equity Tier 1 capital before regulatory adjustments			
7	Prudential value adjustments	-4		-4
8	Goodwill	-8	(I)	-8
9	Other intangibles	-2	(II)	-3
12	Shortfall of provisions to expected losses[3]	-533		n.a.
28	**= Total regulatory adjustments to CET1**	**-14**		**-15**
29	**= Common Equity Tier 1 capital (net CET1)**	**16,868**		**16,548**
	Additional Tier 1 capital (AT1)			
30	Issued and paid in instruments, fully eligible	968		965
31	of which: classified as equity under applicable accounting standards	-		-
32	of which: classified as liabilities under applicable accounting standards	968		965
36	**= Additional Tier 1 capital before regulatory adjustments**	**968**		**965**
43	= Total regulatory adjustments to AT1	-		-
44	**= Additional Tier 1 capital (net AT1)**	**968**		**965**
45	**= Tier 1 capital (net Tier 1)**	**17,836**		**17,513**
	Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	76		76
47	Issued and paid in instruments, subject to phase-out	71		132
51	**= Tier 2 capital before regulatory adjustments**	**147**		**208**
57	= Total regulatory adjustments to T2	-		-
58	**= Tier 2 capital (net T2)**	**147**		**208**
59	**= Regulatory capital (net T1 & T2)**	**17,983**		**17,721**
60	**Total risk-weighted assets**	**98,295**		**102,032**
	Capital ratios			
61	**CET1 ratio (item 29, as a percentage of risk-weighted assets)**	**17.2%**		**16.2%**
62	**T1 ratio (item 45, as a percentage of risk-weighted assets)**	**18.1%**		**17.2%**
63	**Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)**	**18.3%**		**17.4%**
64	CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets)[4]	8.1%		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)	1.1%		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)[5]	13.8%		13.2%
	Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participation in the financial sector	87		99
73	Other qualified participations in the financial sector (CET1)	619		600

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

2 Excluding interest on cooperative capital

3 The deduction required by Art. 32 (e) of the Capital Adequacy Regulation was applied for the first time as of 30 September 2019 due to the adoption of the IRB approach and reduced eligible capital by around CHF 0.5 billion.

4 With considering the national countercyclical buffer

5 Line 68 is presented without consideration of transitional provisions for Going-Concern

CC2: Reconciliation of regulatory capital to balance sheet

Balance sheet in CHF million	31.12.2019	References[1]	30.06.2019
Assets			
Liquid assets	29,643		19,144
Amounts due from banks	7,677		7,289
Amounts due from securities financing transactions	250		293
Amounts due from customers	8,160		8,579
Mortgage loans	185,291		182,194
Trading portfolio assets	3,201		3,518
Positive replacement values of derivative financial instruments	1,898		1,879
Financial investments	7,194		6,835
Accrued income and prepaid expenses	263		347
Non-consolidated participations	708		690
Tangible fixed assets	2,998		2,978
Intangible assets	10		11
of which goodwill	8	(I)	8
of which goodwill	2	(II)	3
Other assets	1,053		1,217
Total assets	**248,345**		**234,974**
Liabilities			
Amounts due to banks	12,280		10,596
Liabilities from securities financing transactions	6,327		2,000
Amounts due in respect of customer deposits	176,179		170,255
Trading portfolio liabilities	198		203
Negative replacement values of derivative financial instruments	2,318		2,580
Liabilities from other financial instruments at fair value	2,497		2,589
Cash bonds	459		521
Bond issues and central mortgage institution loans	28,725		27,161
Accrued expenses and deferred income	840		944
Other liabilities	107		205
Provisions	998		1,053
of which deferred taxes for untaxed reserves	852		909
Total liabilities	230,929		218,108
of which subordinated liabilities, eligible as additional core capital (T2)	147		208
of which subordinated liabilities, eligible as supplementary capital (AT1)	968		965
of which with high trigger	968		965
Shareholder's Equity			
Reserves for general banking risks	200		200
Cooperative capital	2,351		2,271
of which eligible as CET1	2,351	(III)	2,271
of which eligible as AT1	-		-
Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	14,927		14,447
of which retained earnings reserves	14,092		14,092
of which foreign currency translation reserve	0		-
of which profit (loss) for the period	835		355
Minority interests in equity	-62		-52
of which eligible as CET1	-	(IV)	-
of which eligible as AT1	-		-
Total shareholder's equity	**17,416**		**16,866**

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

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 2,351,044,900
9	Par value	CHF 2,351,044,900
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 395,785,000
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 572,625,000
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	Eligibility according Art. 30 Para 2 CAO
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 107,000,000
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	Eligibility according Art. 30 Para. 2 CAO
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 40,090,000
9	Par value	CHF 75,815,000
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		31.12.2019 in CHF milion	31.12.2018 in CHF milion
1	Total assets according to published financial reports	248,345	225,333
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]	-547	-57
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]	-1,048	-853
5	Adjustments for securities financing transactions (SFT)	952	502
6	Adjustments for off-balance-sheet transactions (conversion of off-balance-sheet transactions into credit equivalents)	4,560	3,657
7	Other adjustments	-	-
8	**Overall exposure for the leverage ratio**	**252,263**	**228,582**

1 This item takes account of intangible assets (goodwill) and prudential value adjustments 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		31.12.2019 in CHF million	31.12.2018 in CHF million
	On-Balance sheet exposures		
1	On-Balance sheet items (excluding derivatives and SFT but including collateral)[1]	246,197	223,991
2	Assets that must be deducted from eligible core capital[2]	-547	-57
3	**= Total on-balance sheet exposures (excluding derivatives and SFTs)**	**245,650**	**223,934**
	Derivate		
4	Positive replacement values for all derivatives transactions including those vis-à-vis CCPs, including margin payments received and netting agreements	9	367
5	Add-ons for all derivatives	816	618
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	-684	-722
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	811	484
10	Netting against actual nominal values of offsetting credit derivatives and deduction of add-ons for issued credit derivatives	-102	-263
11	**= Total exposure from derivatives[3]**	**850**	**484**
	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	250	5
13	Netting of cash liabilities and receivables with respect to SFT counterparties	-	-
14	Exposure to SFT counterparties	952	502
15	SFT exposure with the bank acting as a commission agent	-	-
16	**= Total exposure from securities financing transactions**	**1,202**	**507**
	Other off-balance-sheet items		
17	Off-balance-sheet items as gross nominal values before the application of any credit conversion factors	15,939	15,660
18	Adjustments for the conversion into credit equivalents	-11,379	-12,004
19	**= Total off-balance-sheet items**	**4,560**	**3,657**
	Eligible equity capital and overall exposure		
20	Core capital (Tier 1)	17,836	17,381
21	Overall exposure	252,263	228,582
	Leverage ratio		
22	Leverage ratio	7.07%	7.60%

1 The difference between the reported figure and total assets as shown in the published financial statements amounts to CHF 2'148 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) and prudential value adjustments 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.

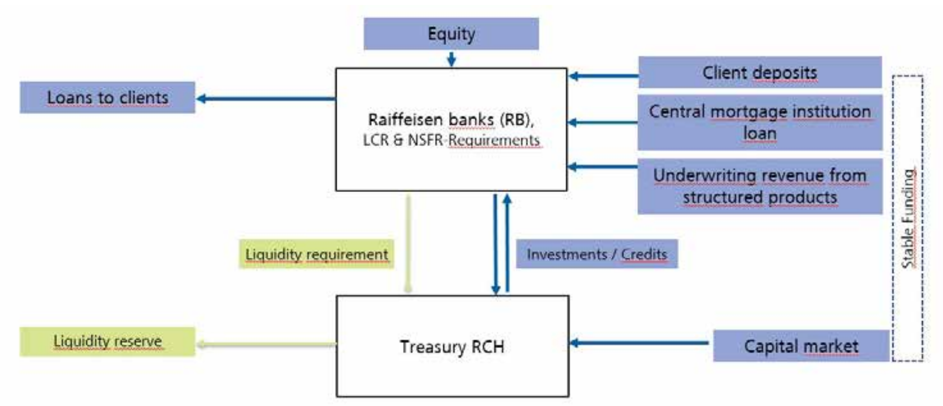
LIQA: Liquidity risk management

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.

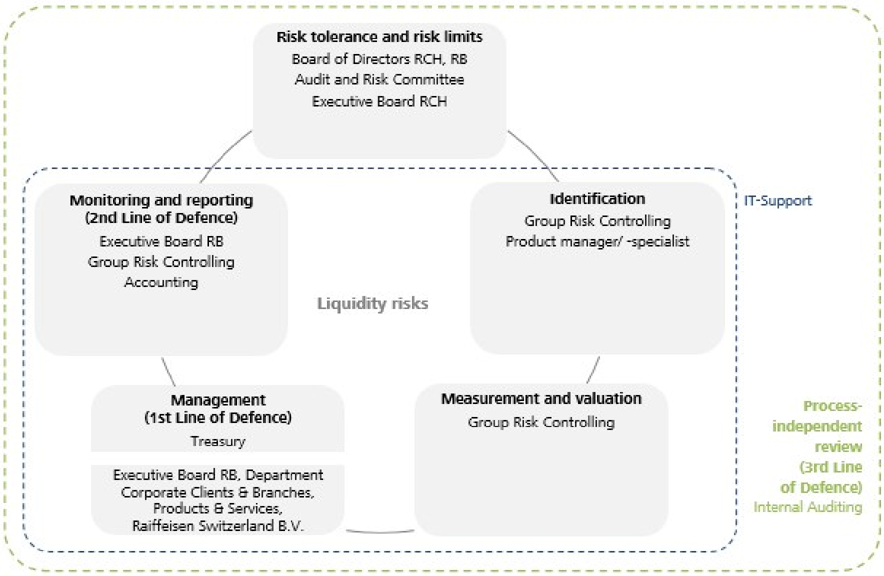
Raiffeisen is obliged at Group level and at the Raiffeisen Switzerland level to observe qualitative and quantitative liquidity regulations. According to Finma, the Raiffeisen banks are exempted from observance at the individual bank level. The Raiffeisen banks and other Group companies are obliged by 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 Switzerland B.V. 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 Switzerland B.V. 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 and 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	29'704
- Highly liquid securities	1'740
Total liquid assets	31'444

Liquidity reserve Raiffeisen Group (as of value date 31.12.2019)

As of 31.12.2019, the stock of unencumbered high-quality liquid assets was kept to 94% in the form of liquid funds and central bank balances. The remaining 6% of the liquidity reserve consists of unencumbered highly liquid securities. Of these, 18% belonged to assets of category 1 (HQLA) according to the requirements of the Liquidity Ordinance. 82% 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 Treasury department 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.

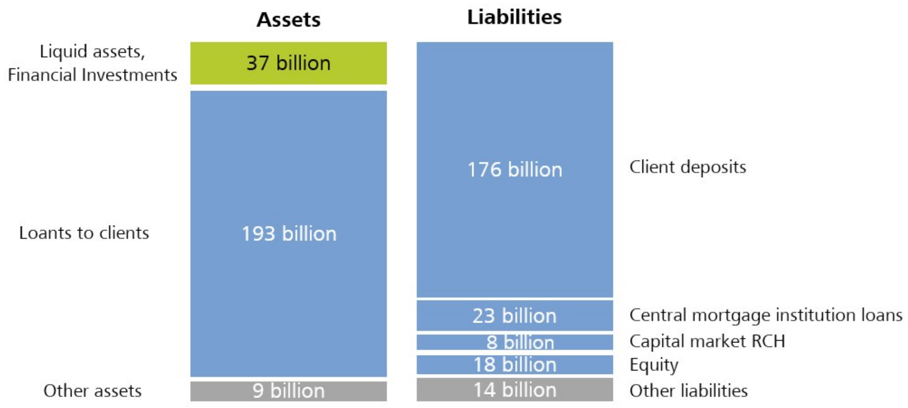
The transfer price system is periodically reviewed by the Group Risk Controlling department.

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 31.12.2019)

The values presented in this chapter are based on the value date balance as of 31 December 2019 and may differ from the values shown in the balance sheet, as these are based on the closing-date principle.

The loans to clients of CHF 193 billion consist to 96% of mortgage loans and to approx. 4% of other client loans. The large part of the loans to clients must be termed illiquid. CHF 157 billion of the loans to clients have a maturity of over one year, of these, CHF 55 billion of over five years. Refinancing of the lending business occurs to 91% mainly via the client deposits of CHF 176 billion. These consist to 88% of deposits of private clients and small companies and can be described as very stable. The remaining 12% of the client deposits are deposits of wholesale clients (without banks). CHF 23 billion are endowed with stable refinancing via the Pfandbriefbank. The capital market transactions of Raiffeisen Switzerland serve as another stable source of financing. 82% of the stock of central mortgage institution loans and capital market transactions of Raiffeisen Switzerland have a term of over one year; 54% 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.

Raiffeisen focuses on the domestic savings and mortgage market. Due to its low degree of dependence on major clients and broad diversification among private clients, its funding sources are minimally concentrated.

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

		Q3 2019 [1]		Q4 2019 [1]	
		Unweighted values in CHF million	Weighted values in CHF million	Unweighted values in CHF million	Weighted values in CHF million
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)		23,323		27,805
B. Cash outflows					
2	Retail deposits	96,925	9,545	99,125	9,770
3	of which stable deposits	6,000	300	6,000	300
4	of which less stable deposits	90,925	9,245	93,125	9,470
5	Unsecured business-client or wholesale funding	13,156	7,665	14,149	8,520
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)	12,431	6,940	13,500	7,871
8	of which unsecured debt securities	725	725	650	650
9	Secured business client or wholesale funding and collateral swaps		8		43
10	Other cash outflows	10,235	2,077	10,645	2,191
11	of which cash outflows related to derivative exposures and other transactions	693	693	843	753
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	68	68	120	120
13	of which cash outflows from committed credit and liquidity facilities	9,475	1,316	9,682	1,317
14	Other contractual funding obligations	3,151	1,365	3,757	1,978
15	Other contingent funding obligations	2,136	107	2,309	115
16	**Total cash outflows**		**20,766**		**22,618**
C. Cash inflows					
17	Secured funding transactions (e.g. reverse repo transactions)	56	1	229	2
18	Inflows from fully performing exposures	4,348	2,334	4,196	2,190
19	Other cash inflows	71	71	59	59
20	**Total cash inflows**	**4,475**	**2,406**	**4,484**	**2,251**

		Adjusted value	Adjusted value
21	**Total high-quality liquid assets (HQLA)**	**23,323**	**27,805**
22	**Total net cash outflows**	**18,361**	**20,367**
23	**Liquidity coverage ratio (LCR) (%)**	**127.03%**	**136.52%**

1 Average daily closing averages of all business days in the reporting quarters (65 data points taken into account in the first quarter, 63 data points taken into account in the second quarter).

Notes on the liquidity coverage ratio
Of the portfolio of high-quality liquid assets (HQLA), 83% consist of category 1 assets, 94% 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 17% of the HQLA portfolio, 89% consist of Swiss mortgage bonds. The remaining 11% are primarily public sector bonds and covered bonds rated at least A-.

Net cash outflows (no. 22) increased slightly compared to the previous quarter and the last reporting period. The HQLA portfolio (no. 21) has increased significantly since the last reporting period. This produced a quarter-on-quarter increase in the short-term liquidity coverage ratio (no. 23) from 127% to 136%. Cash outflows relating to the derivatives portfolio (no. 11) have declined because of lower market fluctuations in recent years and stayed at a low level throughout 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.

The Raiffeisen Group has centralised liquidity risk management, which is performed by Raiffeisen Switzerland's Treasury department. It manages the liquidity of the Raiffeisen Group based on regulatory requirements and internal target parameters. The individual Raiffeisen banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland. Raiffeisen Switzerland's Treasury department manages the liquidity reserve centrally and organises the liquidity transfer within the Group.

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) as well as the framework and framework concepts for institute-wide risk management. The risk policy, the framework and the framework concepts are 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 and the fmemework concepts aim 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 limits and monitors the main risk categories via risk guidelines. Appropriate limits are used for quantifiable risks. Risks that are difficult to quantify are limited by qualitative stipulations.

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.

Monitoring of subsidiaries is aligned to the corresponding risk profiles. 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, liquidity 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, as well as long-term equity exposures.

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. The branches of Raiffeisen Switzerland extend credit to private and corporate clients.

In general, the department Corporate Clients & Branches is the instance that grants larger loans to corporate clients. Blank loans over CHF 250,000 are additionally checked by the Raiffeisen Switzerland Credit Office. When the credit being increased or newly extended exceeds CHF 75 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment.

The Group-wide responsibilities of the Treasury & Markets department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets, as well as the hedging of currency, fluctuating interest rate and proprietary trading risks. The Treasury & Markets 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 four members, whereof three members are employees from Raiffeisen Switzerland and delegated by

Raiffeisen Schweiz. The fourth member is mandated by Raiffeisen Schweiz and an independent member of the board of directors 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 from Raiffeisen Switzerland 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. In the case of derivative financial instruments, the standard approach for the credit equivalents of SA-CCR derivatives is applied. Raiffeisen Switzerland has concluded a framework agreement for OTC derivatives (Swiss framework agreement or ISDA) with the counterparties of Treasury & Markets, with whom OTC transactions are concluded, and, depending on the counterparty, a collateral appendix for variation margin payments.

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 in the annual report of the Raiffeisen Group.

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 and controls 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 semiannual credit portfolio report provides responsible decision-makers with information on the economic environment, the structure of the credit portfolio, the risk situation and developments during the period under review. The report contains an assessment of credit portfolio risk and identifies any need for action.

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

Cluster risks are monitored centrally by the Risk & Compliance department. As at 31 December 2019, Raiffeisen Switzerland had one reportable cluster risk with accumulated total exposures (after risk mitigation and risk weighting) of CHF 29.2 billion. This relates to the Swiss National Bank, which is exempt from the requirement to comply with the statutory limit. For the regulatory reporting of the 20 biggest overall exposures of the Raiffeisen Group, due to the prescribed threshold (2% of the capital valuation basis), only one counterparty with an overall exposure (after risk mitigation and risk weighting) of CHF 0.8 billion was reportable.

As of 30 September 2019, Raiffeisen switched from the International Standardised Approach (SA-BIS) to the simple IRB approach (F-IRB) for calculating capital requirements for credit risk. In the case of positions for which a model-based approach is not possible, the calculation of the required capital for credit risks continues to be carried out according to the standardised approach (SA-BIS).

CR1: Credit risk - credit quality of assets

	in CHF million	a	b	c	d
	30.06.2019	Gross carrying values		Allowances / impairments	Net values
		Defaulted exposures[1]	Non-defaulted exposures		
1	Loans (excluding debt securities)	881	230,662	191	231,352
2	Debt securities	-	7,119	-	7,119
3	Off-balance sheet exposures	7	12,346	-	12,353
4	**TOTAL**	**888**	**250,127**	**191**	**250,824**

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	1,000
2	Loans and debt securities that have defaulted since the last reporting period	244
3	Returned to non-defaulted status	-308
4	Amounts written off	-49
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period	888

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)	225,998	3,302	723	1,520	231,543
2	Debt securities	7,049	-	5	65	7,119
3	Off-balance sheet exposures	12,344	1	1	7	12,353
4	**TOTAL Reporting Period**	**245,391**	**3,303**	**729**	**1,592**	**251,015**
	Defaulted exposures	**887**	**0**	**0**	**1**	**888**
	thereof impaired exposures	814	0	0	1	815
	thereof not impaired exposures	73	0	0	0	73
	Value adjustments for defaulted exposures	190	0	0	1	191

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)	28,429	3,361	6,986	3,485	187,200	73	2,010	231,543
2	Debt securities	420	956	55	5,688	-	-	-	7,119
3	Off-balance sheet exposures	0	1,436	1,101	1,436	8,380	-	-	12,353
4	**TOTAL Reporting Period**	**28,848**	**5,752**	**8,142**	**10,610**	**195,580**	**73**	**2,010**	**251,015**
	Defaulted exposures	**-**	**2**	**1**	**9**	**877**	**-**	**-**	**888**
	thereof impaired exposures	-	2	1	7	805	-	-	815
	thereof not impaired exposures	-	0	-	1	72	-	-	73
	Value adjustments for defaulted exposures	-	1	0	1	188	-	-	191

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)	31,688	6,478	16,009	23,220	101,308	52,841	-	231,543
2	Debt securities	7	-	65	546	2,487	4,014	-	7,119
3	Off-balance sheet exposures	6,150	69	236	486	2,192	3,219	-	12,353
4	**TOTAL Reporting Period**	**37,845**	**6,547**	**16,310**	**24,253**	**105,987**	**60,074**	**-**	**251,015**
	Receivables past due	**96**	**-**	**7**	**24**	**61**	**41**	**-**	**229**
	thereof past due not impaired receivables	19	-	5	11	24	14	-	73
	thereof past due and impaired receivables	77	-	3	13	37	26	-	156

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

Raiffeisen uses the comprehensive approach to risk mitigation defined in Art. 62 (1) (b) 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.

CR3: Credit risk - Overview of mitigation techniques

Raiffeisen uses the standardised approach to present the overview of credit risk mitigation techniques in order to ensure a consistent point of view. Regarding IRB disclosures, we refer to the IRB tables in this disclosure report.

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]	48,350	187,790	187,610	180	-
Debt securities	7,004	115	115	-	-
TOTAL	**55,355**	**187,905**	**187,724**	**180**	**-**
Of which defaulted	439	720	720	0	-

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

Credit risk positions under the standardised approach fell significantly compared to the previous period as Raiffeisen switched from the standardised approach (SA-BIS) to the IRB approach for calculating capital adequacy requirements for credit risk with effect from 30 september 2019.

	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	28,849	0	28,848	0	0	0.0%
2	Banks and securities traders	7,282	298	7,276	157	326	4.4%
3	Public-sector entities and multilateral developments banks	3,573	1,362	3,576	630	1,693	40.3%
4	Corporate	7,616	1,294	7,524	790	3,704	44.6%
5	Retail	2,115	2,438	2,002	523	2,076	82.2%
6	Equity securities	-	-	-	-	-	0.0%
7	Other assets	4,970	-	4,970	-	3,056	61.5%
8	**TOTAL**	**54,405**	**5,393**	**54,196**	**2,100**	**10,856**	**19.3%**

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

Credit risk positions under the standardised approach fell significantly compared to the previous period as Raiffeisen switched from the standardised approach (SA-BIS) to the IRB approach for calculating capital adequacy requirements for credit risk with effect from 30 september 2019.

	in CHF million	a	b	c	d	e
	Asset classes / Risk weight	**0%**	**10%**	**20%**	**35%**	**50%**
1	Sovereigns and their central banks	28,848	-	-	-	-
2	Banks and securities traders	6,149	-	1,052	-	232
3	Public-sector entities and multilateral developments banks	17	-	1,501	109	2,457
4	Corporate	9	-	5,614	20	194
5	Retail	-	-	-	616	0
6	Equity securities	-	-	-	-	-
7	Other assets [1]	1,914	-	-	-	-
8	**TOTAL**	**36,937**	**-**	**8,167**	**744**	**2,883**
9	Thereof receivables secured by real estate [1]	-	-	-	744	-
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	-	-	28,848
2	Banks and securities traders	-	0	-	-	7,433
3	Public-sector entities and multilateral developments banks	-	115	8	-	4,206
4	Corporate	1	2,477	0	-	8,314
5	Retail	199	1,707	3	-	2,525
6	Equity securities	-	-	-	-	-
7	Other assets [1]	-	3,056	-	-	4,970
8	**TOTAL**	**199**	**7,355**	**11**	**-**	**56,296**
9	Thereof receivables secured by real estate	48	1,110	-	-	-
10	Thereof receivables past due	-	4	3	-	-

1 Includes personal pension pillar 3 in combination with mortgage secured loans

CRE: Qualitative disclosures related to IRB models

IRB approach
FINMA has confirmed that Raiffeisen is permitted to apply the IRB model approach to calculate regulatory capital adequacy from 30 September 2019, taking into account the transitional floor provisions.

As of 30 September 2019, Raiffeisen switched from the International Standardised Approach (SA-BIS) to the simple IRB approach (F-IRB) to calculate capital adequacy requirements for credit risk at Group level.

Raiffeisen uses the IRB-compliant internal models to calculate the regulatory capital adequacy requirement for the private client (PC rating), corporate client (SME rating) and investment properties (IP rating) portfolios. The international standardised approach (SA-BIS) is still used to determine the capital adequacy of the remaining items.

The calculation models applied are based on a combination of probability of default (PD), loss given default (LGD) and exposure at default (EAD) factors.

The probability of default is calculated through the cycle (TTC) and represents the historical average value of one year of probability of default. This takes into account the defaults over a longer period of time. It reduces susceptibility to economic changes. In addition, conservatism and stress allowances are taken into account for the calibration of the models.

Model name	Application
Rating for private clients (PC rating)	The PC rating is used for financing private individuals, mainly for mortgages. Depending on the type of financing coverage, two sub models are used. The model is based on a data series of the last seven years and takes 10 factors into account, such as loan-to-value, ability to keep up payments, additional collateral and the payment behaviour of the client over a specific time period. The PC rating estimates the probability that a client with specific characteristics will default within the next year, i.e. is not able to meet his loan obligations.
Corporate clients rating (SME rating)	The SME rating is used for commercial financing of small and medium-sized companies. It consists of six sub models as the size and sector of the company result in different risk drivers. It is based on the last seven years and uses different quantitative information – nine factors in total – from the balance sheet and income statement including key figures for debt, profitability and liquidity of the companies. These parameters are used to calculate a forecast of the one-year probability of default.
Rating for investment properties (IP rating)	The IP rating is used for clients with financing of investment properties. It consists of two sub models which are used depending on the type of financed property. Taking into account the loan-to-value, the debt service coverage ratio (DSCR), the real estate specification and the various types of properties, it carries out a calculation of the one-year probability of default. The model covers five factors based on a data series from the last nine years.
"Loss given default" for retail items (Retail LGD model)	Raiffeisen uses the LGD Retail model to determine the regulatory loss given defaults of the IRB Retail item class, which consists of all private clients and corporate clients with an exposure of less than CHF 1.5 million. The loss given default includes the ratio of the receivable which is not covered after realisation of all collateral, i.e. which leads to a loss. The loss given default is determined over a total economic cycle and represents the historic average value of the loss given default. It also includes regulatory required conservatism and stress allowances. The model takes account of five factors with an eight-year data history.
"Exposure at default model" (EAD methodology)	In the IRB retail item class, the presumed exposure at the time of defaulting is determined with the aid of the EAD model for all types of exposure. For balance sheet items, the "Exposure at default" corresponds to the gross debt amount of a credit at the time of defaulting. Off-balance sheet items, credit approvals and contingent liabilities are converted into credit equivalents using the credit conversion factors (CCF).

IRB model governance

The IRB model governance ensures that the models for calculating the regulatory capital adequacy requirement are used in accordance with the IRB and are properly developed, documented, implemented, operated and monitored. The processes, frequency and accountabilities are regulated in the "model risk management" process. This is to recognise and limit the risks that come with the use of models.

Element	Content
1. Development of models	- Model development
	- Quantitative und qualitative impact analysis
	- Initial independent validation
	- Approval of the initial validation
2 Approval of models	- Approval by the authorised persons within the bank
3 Implementation of models	- Technical implementation in the systems
	- Adapting the internal regulations, processes and controls
	- Training the users
4 Use of models	- Transition from the development phase into the operational phase
5 Monitoring and maintaining the models	- Regular backtesting
	- Regular independent validation

Development of models

Expert responsibility for devising and ongoing development of the models is held by the model owner. The model owner is Quantitative Research and is part of Group Risk Controlling of the Risk & Compliance department. Creation and updating of model documentation which contains the relevant aspects of the models and highlights the relevant aspects of the models for third-party experts is carried out by the model owner.

For internally developed models, key figure selection, parameter estimates and calibration are based on internal defaulting time series which are expanded with additional external data on a case-by-case basis. The finished model is assessed by the various internal stakeholders. These include representatives from front and backoffice departments, product management and from departments which are responsible for processes, regulations and the implementation of rating models. A quantitative and qualitative analysis of the expected impact of the new model (impact analysis) is then created.

Approval for initial validation is requested from the Chief Risk Officer. The initial validation as well as recurrent validations for internally developed models are carried out by an independent third party. For models by third-party providers, Quantitative Research carries out the validation in the quantitative area and Corporate Risk Control carries it out in the qualitative area.

Approval of models

Once the validation has taken place, which confirms the suitability of a model, the Executive Board and the risk committee of the Board of Directors of Raiffeisen Switzerland are asked to approve the model. Approved models are adopted into the model inventory.

The model owner ensures that the corresponding approval steps are followed, also for later model changes.

Implementing the models
Implementation covers the technical implementation in the systems, adapting the internal regulations, processes and controls as well as training the users. Internal Auditing carries out a check with regard to adherence to the IRB model Governance and the correct implementation of the models. Adherence to backtesting and validations are checked during ongoing operations.

An approval under supervisory law is obtained from FINMA for models which are to be used for determining the regulatory capital adequacy requirement.

Application of the models
Successful implementation is represented by the transition from the development phase into the operational phase. This covers the application of models which represent a significant element of risk management by the Raiffeisen Group, both at the individual transaction level and at the level of portfolio controlling measures.

The standardised application of the rating models is ensured through regulations and process. The rating model to be applied in each case is automatically provided by the system in the lending process.

Monitoring and maintaining the models
The monitoring and maintenance of the models covers regular backtesting and a regular independent validation which checks the capability and suitability of the models.

The result of the regular check and the validation of the models is recorded in a detailed report. If the capability and suitability of the models is confirmed by an authorised person, they remain in operation for another year. The Executive Board, the risk committee and the Board of Directors of Raiffeisen Switzerland will be kept informed of the result of the check and the confirmation of capability as part of a periodic IRB report.

Models and methods monitoring coordinates and monitors the whole life cycle of the models and ensures risk monitoring and reporting to the Executive Board, the Board of Directors and FINMA.

EAD allocation in accordance with various approaches
The following table shows which share of the volume is treated under each approach (SA-BIZ, IRB).

Asset class	SA-BIS	IRB
Sovereigns and their centralbanks	100%	0%
Banks and securities traders	100%	0%
Public-sector entities and multilateral development banks	100%	0%
Corporate	25%	75%
Retail	3%	97%
Equity securities	0%	100%
Other assets	100%	0%
Total credit risk	**23%**	**77%**

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

In the past, Raiffeisen used the International Standardised Approach (SA-BIS) to calculate capital adequacy requirements for credit risks. The switch to the model approach based on internal ratings (Foundation IRB approach, "F-IRB") took effect on 30 September 2019, which is why this table is now being disclosed.

	in million CHF	a	b	c	d	e	f
	PD scale	**Original on-balance sheet gross exposure**	**Off-balance sheet exposures pre CCF**	**Average CCF in %**	**Exposures post CRM and post-CCF**	**Average PD in %**	**Number of obligors**
7	**Corporate: specialised lending (F-IRB)**						
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	31	6	75.0%	36	0.4%	3
	0.50 to <0.75	520	44	77.4%	555	0.7%	181
	0.75 to <2.50	11,138	1,311	77.1%	12,161	1.6%	4,442
	2.50 to <10.00	4,679	385	77.3%	4,928	3.8%	3,234
	10.00 to <100.00	463	17	75.0%	475	34.2%	258
	100.00 (Default)	174	5	75.0%	178		101
	Subtotal	17,007	1,768	77.1%	18,333	3.0%	8,219
9	**Corporate: other lending (F-IRB)**						
	0.00 to <0.15	75	21	92.5%	92	0.0%	7
	0.15 to <0.25	84	15	91.3%	96	0.2%	29
	0.25 to <0.50	173	73	80.7%	229	0.4%	38
	0.50 to <0.75	482	223	86.6%	661	0.6%	143
	0.75 to <2.50	3,660	923	81.8%	4,369	1.6%	957
	2.50 to <10.00	2,122	452	80.1%	2,446	3.4%	1,155
	10.00 to <100.00	110	4	75.0%	110	30.0%	182
	100.00 (Default)	169	9	87.7%	177		63
	Subtotal	6,876	1,720	82.5%	8,181	2.3%	2,574
11	**Retail: positions secured by real estate**						
	0.00 to <0.15	16,551	171	100.0%	16,721	0.1%	66,747
	0.15 to <0.25	17,852	306	100.0%	18,157	0.2%	48,147
	0.25 to <0.50	32,204	640	100.0%	32,844	0.4%	77,492
	0.50 to <0.75	24,417	579	100.0%	24,996	0.6%	57,491
	0.75 to <2.50	61,689	2,142	100.0%	63,831	1.3%	104,029
	2.50 to <10.00	8,061	719	100.0%	8,780	3.8%	11,568
	10.00 to <100.00	516	49	100.0%	564	31.6%	674
	100.00 (Default)	971	14	100.0%	984		1,837
	Subtotal	162,260	4,619	100.0%	166,878	1.0%	367,985
13	**Retail: other positions**						
	0.00 to <0.15	5	51	100.0%	57	0.1%	155
	0.15 to <0.25	26	53	100.0%	79	0.2%	347
	0.25 to <0.50	135	91	100.0%	225	0.4%	999
	0.50 to <0.75	98	118	100.0%	216	0.6%	1,230
	0.75 to <2.50	344	378	100.0%	722	1.5%	5,543
	2.50 to <10.00	251	116	100.0%	367	3.4%	2,759
	10.00 to <100.00	6	1	100.0%	7	25.4%	74
	100.00 (Default)	29	16	100.0%	36		772
	Subtotal	894	824	100.0%	1,709	1.6%	11,879
	Total (all portfolios)	**187,036**	**8,931**	**95.6%**	**195,100**	**1.3%**	**390,657**

	in million CHF	g	h	i	j	k	l
	PD scale	**Average LGD in %**	**Average maturity in years**	**RWA**	**RWA density in %**	**Expected loss**	**Provisions**
7	**Corporate: specialised lending (F-IRB)**						
	0.00 to <0.15	-	-	-	-	-	
	0.15 to <0.25	-	-	-	-	-	
	0.25 to <0.50	35.6%	3.0	17	47.3%	0	
	0.50 to <0.75	38.1%	2.8	346	62.3%	1	
	0.75 to <2.50	38.8%	3.1	10,784	88.7%	78	
	2.50 to <10.00	39.5%	3.0	5,399	109.6%	74	
	10.00 to <100.00	39.4%	2.7	738	155.3%	65	
	100.00 (Default)	42.2%	2.1	189	106.0%	15	
	Subtotal	39.0%	3.0	17,472	95.3%	234	12
9	**Corporate: other lending (F-IRB)**						
	0.00 to <0.15	41.4%	3.4	16	17.9%	0	
	0.15 to <0.25	38.6%	3.6	43	44.4%	0	
	0.25 to <0.50	36.8%	2.6	106	46.3%	0	
	0.50 to <0.75	37.5%	2.7	387	58.5%	2	
	0.75 to <2.50	36.5%	2.7	3,265	74.7%	27	
	2.50 to <10.00	36.1%	2.4	2,132	87.2%	31	
	10.00 to <100.00	35.9%	2.3	154	139.6%	13	
	100.00 (Default)	36.4%	2.0	187	106.0%	24	
	Subtotal	36.6%	2.6	6,291	76.9%	97	23
11	**Retail: positions secured by real estate**						
	0.00 to <0.15	10.4%		731	4.4%	2	
	0.15 to <0.25	10.9%		1,367	7.5%	4	
	0.25 to <0.50	11.4%		4,039	12.3%	14	
	0.50 to <0.75	11.5%		4,347	17.4%	18	
	0.75 to <2.50	12.4%		22,104	34.6%	107	
	2.50 to <10.00	13.7%		5,725	65.2%	46	
	10.00 to <100.00	14.4%		649	115.0%	28	
	100.00 (Default)	18.7%		1,043	106.0%	86	
	Subtotal	11.8%		40,005	24.0%	305	85
13	**Retail: other positions**						
	0.00 to <0.15	25.4%		4	6.3%	0	
	0.15 to <0.25	33.2%		11	14.4%	0	
	0.25 to <0.50	39.9%		57	25.3%	0	
	0.50 to <0.75	43.6%		81	37.3%	1	
	0.75 to <2.50	48.6%		430	59.5%	5	
	2.50 to <10.00	45.1%		247	67.3%	6	
	10.00 to <100.00	42.6%		7	91.4%	1	
	100.00 (Default)	47.3%		38	106.0%	62	-
	Subtotal	44.6%		873	51.1%	75	57
	Total (all portfolios)	**15.7%**		**64,642**	**33.1%**	**710**	**177**

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

Raiffeisen does not use credit derivates for hedging purposes under the IRB approach and therefore refrains from publishing this table.

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

Under FINMA-Circular 2016/1 «Disclosure - Banks», tables presenting a reconciliation between the figures of the previous reporting period and the current reporting period don't need to be published if the figures of the previous reporting period refer to a time before the Circular was applied. This table will be published for the first time as of 30th June 2020.

CR9: IRB - Backtesting of PD per portfolio

Under FINMA-Circular 2016/1 «Disclosure - Banks», tables presenting a reconciliation between the figures of the previous reporting period and the current reporting period don't need to be published if the figures of the previous reporting period refer to a time before the Circular was applied. This table will be published for the first time as of 31st December 2020.

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

Raiffeisen has no specialised lending according to the definition of table CR10.

For equity securities Raiffeisen applies no modelling and uses the simplified risk weight method.

in CHF million	On-balance sheet amount	Off-balance sheet amount	Risk weight in %	Exposure amount	RWA
Exchange-traded equity exposures	0	0	300%	0	0
Private equity exposures	-	-	400%	-	-
Other equity exposures	89	89	400%	89	357
Total	**89**	**89**		**89**	**357**

CCRA: Counterparty credit risk - Qualitative disclosure

Raiffeisen is exposed to counterparty credit risks in derivative, repo and repo-like transactions. Raiffeisen uses the standardised approach for measuring counterpary credit risk (SA-CCR) to calculate capital adequacy requirements for derivative transactions.

The Raiffeisen Group concluded a Swiss master agreement for OTC derivative instruments with most of the 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 comprehensive approach defined in Art. 62 (1) (b) 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	**a**	**b**	**c**	**d**	**e**	**f**
	31.12.2019	**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives) [1]	130	488	-	0	803	324
2	Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-
6	**TOTAL**	**130**	**488**	**-**	**-**	**803**	**324**

1 As of 31 December 2019 the standardised approach for measuring counterparty credit risk (SA-CCR) 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	a	b
	31.12.2019	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	753	306
4	**Total subject to the CVA capital charge**	**753**	**306**

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

	in million CHF	a	b	c	d	e	f	g	h	i
	31.12.2019	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Sovereigns and their central banks	1	-	-	-	-	-	-	-	1
2	Banks and securities traders	250	-	337	416	-	0	0	386	1,389
3	Public-sector entities and multilateral developments banks	-	-	-	-	-	1	-	-	1
4	Corporates	-	-	-	0	-	40	-	-	40
5	Retail	-	-	-	-	-	8	-	0	8
6	Equity securities	-	-	-	-	-	-	-	-	-
7	Other assets	-	-	-	-	-	-	-	-	-
8	**TOTAL**	**251**	**-**	**337**	**416**	**-**	**48**	**0**	**386**	**1,438**

CCR4: IRB - CCR exposures by portfolio and PD scale

As a result of the low relevance of counterparty credit risk, these positions will remain under the standardised approach (SA-BIS) even after the switch to the IRB approach and therefore this table will not be disclosed.

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)	-	109	-	375	-	-
Cash – other currencies	-	74	-	94	-	-
Domestic sovereign debt	-	-	-	-	-	225
Other sovereign debt	-	27	-	-	163	163
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	191	-	114	-	3,315
Equity securities	-	-	-	-	-	-
Other collateral	-	62	-	218	88	522
TOTAL	**-**	**463**	**-**	**801**	**250**	**4,226**

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

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

in CHF million	a	b
31.12.2019	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	-	-
Index credit default swaps	811	103
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
TOTAL NOTIONALS	**811**	**103**
Fair values	**800**	**98**
Positive replacement values (assets)	19	2
Negative replacement values (liabilities)	-29	-6

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	a	b
	31.12.2019	**EAD post CRM**	**RWA**
1	Exposures to QCCPs[1] (total)	405	13
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	229	7
3	of which OTC derivatives	229	7
4	of which exchange-traded derivatives	-	-
5	of which securities financing transactions	-	-
6	of which netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	145	-
9	Pre-funded default fund contributions[2]	10	5
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 department Treasury & Markets of Raiffeisen Switzerland runs a trading book. Trading risks are strategically limited by using total limits. Risks are operationally limited by scenario 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 Treasury & Markets department, is responsible for managing the trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. Treasury & Markets trades in interest rates, currencies, equities and banknotes/precious metals. It must strictly adhere to the value-at-risk, scenario, 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, scenario, 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	a
	31.12.2019	**RWA**
	Outright products	
1	Interest rate risk (general and specific)	2,153
2	Equity risk (general and specific)	132
3	Foreign exchange risk	785
4	Commodity risk	776
	Options	
5	Simplified approach	-
6	Delta-plus method	49
7	Scenario approach	-
8	**Securitisation**	**-**
9	**TOTAL**	**3,895**

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

a) Definition of IRRBB

Raiffeisen is subject to interest rate risk in the banking book (IRRBB) whenever changes in the market interest rate reduce interest income or the economic value of the Group or individual units of the Group. The banking book consists of all on- and off-balance-sheet items not assigned to the trading book.

The Raiffeisen Group distinguishes between the following types of interest rate risk:

- Gap risk results from mismatches between the fixed interest rate periods for receivables and liabilities.
- Basis risk is the result of opposite positions that have similar interest rate reset characteristics but are linked to different market interest rates.
- Option risk is risk arising from options (explicit and embedded in other products) that entitle the counterparty or client to alter the level and/or timing of their cash flows in a way that is detrimental to Raiffeisen. This definition does not include variable products without contractual fixed interest rate or capital commitment periods. Products without contractually fixed interest rates or contractual capital commitment periods that include optionality in the form of withdrawal options are not allocated to option risk since they are included in risk measurement via replicating portfolios as interest rate repricing risk.

The Raiffeisen Group distinguishes between the net present value and period impacts of IRRBB for risk measurement and management purposes:

- A net present value perspective captures the immediate impacts of changes in the market interest rate on the economic value of the exposures in the banking book (asset effect).
- The earnings perspective captures the short- to medium-term impacts of interest rate changes on interest income (income effect).

b) Managing IRRBB

The Raiffeisen Group has a strong positioning in interest operations. Raiffeisen is exposed to a significant gap risk resulting from mismatches between the fixed interest rate periods of assets and liabilities. However, the Group's basis risk and option risk exposures are negligible.

The Board of Directors of Raiffeisen Switzerland assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines the risk policy and determines the risk tolerance of the Raiffeisen Group each year. The Board of Directors issues a framework for Group-wide risk management that contains BoD-approved guidelines for identifying, measuring, assessing, managing, monitoring and reporting on interest rate risk in the banking book.

The Board of Directors of Raiffeisen Switzerland sets interest rate risk limits for the Raiffeisen banks and for Raiffeisen Switzerland in its annual risk budget:

- The Board of Directors at every Raiffeisen bank sets the interest rate risk limit for its bank within the parameters defined for the Group as a whole.
- The Executive Board of Raiffeisen Switzerland apportions the limit of the Board of Directors to the individual risk-bearing organisational units of Raiffeisen Switzerland.

The risk limitation is focused on the net present value perspective. This allows all exposures to be captured until the end of their fixed interest rate periods and the loss risk to be limited. In addition, income effects are limited to a three-year horizon at Group level.

Variable products without any contractual fixed interest rate period or capital commitment period can only be included in the net present value risk measurement if the cash flows and interest rate reset dates are modelled. This is done by creating replicating portfolios out of rolling fixed interest rate tranches that best reflect the products' interest rate risk and interest rate resetting behaviour. The modelling uses historical data (market and client interest rates, volume changes). The results are checked for plausibility using forward-looking interest rate scenarios.

The replicating models for variable products are developed by the Risk & Compliance department of Raiffeisen Switzerland and approved by the Risk Committee of Raiffeisen Switzerland's Board of Directors. The models are back-tested annually and independently validated at least every three years or after significant changes to the models.

Interest risks are managed in an autonomous, decentralised fashion, subject to process and limit requirements, by the individual Raiffeisen banks and the risk-bearing organisational units of Raiffeisen Switzerland:

- The Raiffeisen banks and branches of Raiffeisen Switzerland deliberately assume interest rate risks in the course of their business activities in order to generate income from maturity transformation. Hedging transactions are concluded centrally with Raiffeisen Switzerland's Treasury area.
- The Treasury unit of the Treasury & Markets department of Raiffeisen Switzerland serves as the central counterparty within the Raiffeisen Group for refinancing, investment and interest hedging transactions and for liquidity investments. It also manages Raiffeisen Switzerland's financial investments and liquid assets. Hedging transactions are conducted using Raiffeisen Switzerland's trading book.
- The department Corporate Clients & Branches of Raiffeisen Switzerland develops appropriate investment and financing solutions for its clients' needs and assumes interest rate risks in the course of its operational business activities. Hedging transactions are concluded with Treasury.
- The Products & Sales unit of the Treasury & Markets department is responsible for Raiffeisen Switzerland's business of issuing structured investment products. To accomplish this, it engages in matching investment and refinancing transactions with Treasury. Any hedging transactions are conducted using Raiffeisen Switzerland's trading book.

The responsible units have a proven analytical risk management tool-kit that allows them to simulate adverse interest rate trends and assess their impacts at any time.

The Risk & Compliance department generates and analyses regular and ad-hoc stress scenarios at Group level.

The Risk & Compliance department independently monitors and regularly reports on compliance with the interest rate risk limits set by the Board of Directors and Executive Board of Raiffeisen Switzerland. The Executive Board of every Raiffeisen bank regularly reports to the bank's Board of Directors on the interest rate risk situation and compliance with the bank's risk limits.

Internal rules, instructions and directives firmly define the organisational and operational structure used for interest rate risk management. Internal Auditing assesses the effectiveness and appropriateness of the interest rate risk management system independently of the processes.

c) IRRBB metrics

The interest rate risk in the banking book is assessed on an individual and aggregate basis for all Raiffeisen banks and risk-bearing units of Raiffeisen Switzerland.

Absolute and relative sensitivity measures and value-at-risk are used to quantify asset effects in the net present value perspective. Calculations are performed daily, weekly, monthly or quarterly depending on the metric and the level at which the data is collected.

Income effects from an earnings perspective are determined quarterly by means of dynamic simulations. The simulation horizon is three years for the Group and two years for a Raiffeisen bank or branch of Raiffeisen Switzerland.

d) Interest rate scenarios for IRRBB assessment

The following interest rate shock scenarios are used at the Raiffeisen Group to quantify the immediate impacts of instantaneous changes in market interest rates on the economic value of the banking book:

– Standard interest rate shock scenarios per Annex 2 FINMA Circular 2019/2
– Internal interest rate shock scenarios:
– Parallel shift of +/- 100 and +/-200 basis points
– Steepener shock
– Flattener shock or inversion

In addition, the value-at-risk calculation uses an interest rate change derived from the historical market data and resulting from a highly negative trend that statistically has a 1 in 1000 chance of occurring and is thus more severe than the predefined interest rate shock scenarios.

The following interest rate stress scenarios are used to assess the short- to medium-term impacts of ongoing market interest rate changes on interest income:

– Constant interest rates
– Interest rates rise 200 basis points
– Interest rates fall 100 basis points

The defined interest rate scenarios are supplemented on an ad-hoc basis by sensitivity analyses and stress scenarios. The Raiffeisen banks and branches of Raiffeisen Switzerland can generate and analyse individual interest rate shock and stress scenarios at any time.

e) Non-standard model assumptions

To limit asset effects, the Raiffeisen Group primarily uses internal sensitivity measures (e.g. relative change in net present value in +/-100bp scenario) that are long-established and consistent with proven market practices.

Unlike the ΔEVE metrics in Table IRRBB1, all the cash flows, including any margin and spread components, are discounted in the internal calculations. Own AT1 bonds are also included in the cash flow.

– Net present value falls more when interest rates rise if the margin and spread components are included in the Raiffeisen Group's cash flow.
– Net present value falls less when interest rates rise if the AT1 bonds are included in the Raiffeisen Group's cash flow.

In contrast to the internal assumptions, current account balances held at the Swiss National Bank and recognised central savings banks are treated as non-interest-rate-sensitive exposures in ΔEVE calculations that have been standardised based on FINMA guidelines. This is true despite the charging of negative interest above the applicable exemption threshold. The resulting differences are negligible.

f) Hedges

The Treasury unit of the Treasury & Markets department of Raiffeisen Switzerland serves as the Group-wide central counterparty for interest rate hedging transactions in the banking book. Offsetting transactions are concluded with external counterparties using Raiffeisen Switzerland's trading book.

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

g) Key modelling and parametric assumptions

1. Cash flows for ΔEVE calculations

Cash flows are discounted without margin or spread components.

2. Mapping procedure for ΔEVE calculations

The cash flows of products with fixed interest rate and capital commitment periods are determined at the level of individual exposures. Variable products are replicated.

3. Discounting for ΔEVE calculations

Discounting uses zero coupon interest rates derived from currency-specific swap curves.

4. ΔNII calculations

The ΔNII metrics in Table IRRBB1 are determined by means of simulation. The balance sheet is assumed to be constant. All exposures due to mature or be revalued within a one-year period are replaced by exposures of an equal amount that possess comparable interest rate reset characteristics on an average portfolio basis. Any margin or spread components are based on values that were used in new business.

The base scenario assumes that the market interest rates and the interest rates for the variable products do not change.

In the "*Parallel shift up" scenario*, interest rates in the variable deposit-taking business only go up moderately due to the current interest rate environment, while no interest rate changes are made on the asset side.

In the "*Parallel shift down*" scenario, the deposit-taking business is assumed to be protected from negative interest rates, while moderate interest rate cuts are expected on the asset side.

5. Variable exposures

Replication is used for products with no definite fixed interest rate periods or capital commitment periods where the amounts and timing of the cash flows are not contractually fixed. This is done by creating portfolios out of rolling fixed interest rate tranches that are intended to best reflect the products' interest rate risk and interest rate reset behaviour.

Replicating models based on recognised quantitative procedures are used for all key variable asset and liability products in the client business. The models reflect past experience, while the results are validated using forward-looking interest rate scenarios.

The other variable exposures (e.g. call amounts due to and from banks) are not modelled; instead, a short fixed interest rate period is assumed.

6. Exposures with repayment options

Asset products with embedded behavioural repayment options are only provided in isolated cases and represent a negligible volume for the Group as a whole. Optionalities are therefore not included in the cash flow.

7. Automatic interest rate options

Automatic interest rate options are not relevant for the Raiffeisen Group's banking book.

8. Derivative exposures

No non-linear interest rate derivatives are employed in the Raiffeisen Group's banking book. Linear interest rate derivatives are used to manage interest rate risk.

9. Other assumptions

The EVE metric in Table IRRBB1 is calculated for all exposures in CHF, EUR and USD using the currency-specific interest rate shocks set out in Annex 2 FINMA Circular 2019/2. When exposures are denominated in other currencies, the ETC values set out in Annex 2 FINMA Circular 2019/2 are used.

IRRBBA1: Quantitative information on position structure and resetting of the interest rate

	Volume in CHF Mio.			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	**Of which CHF**	**Of which other major currencies that make up more than 10% of the total assets or total liabilities and equity**	**Total**	**Of which CHF**	**Total**	**Of which CHF**
Defined interest rate reset date							
Amounts due from banks	831	247	-	0.1	0.2		
Amounts due from customers	6,354	5,972	-	2.7	2.8		
Money-market mortgages	27,470	27,470	-	0.1	0.1		
Fixed-rate mortgages	152,708	152,707	-	4.1	4.1		
Financial investments	7,112	7,112	-	6.9	6.9		
Other receivables	-	-	-				
Receivables from interest rate derivatives [1]	44,241	35,915	-	1.3	1.6		
Liabilities to banks	10,846	6,850	-	0.2	0.3		
Amounts due in respect of customer deposits	15,974	13,338	-	2.2	2.7		
Cash bonds	459	459	-	2.2	2.2		
Bond issues and central mortgage institution loans	28,781	28,569	-	8.6	8.6		
Other liabilities	-	-	-				
Liabilities from interest rate derivatives [1]	44,371	44,352	-	3.1	3.1		
Undefined interest rate reset date							
Amounts due from banks	853	579	-	0.0	0.0		
Amounts due from customers	1,775	1,675	-	0.3	0.3		
Floating-rate mortgage loans	5,085	5,085	-	1.2	1.2		
Other receivables on demand	-	-	-				
Liabilities on demand in respect of personal and current accounts	68,870	65,979	-	0.8	0.8		
Other liabilities on demand	449	237	-	0.1	0.0		
Amounts due in respect of customer deposits, callable but not transferable (savings)	92,126	91,802	-	1.8	1.8		
Total	**508,305**	**488,347**	**-**	**2.8**	**2.9**	**10.0**	**10.0**

1 The exposure contains interest rate and currency instruments in the banking book. The exposures are divided into recipient and payer components and allocated to receivables and liabilities. For this reason, the volume of exposures with recipient and payer components (interest rate swaps, etc.) is shown twice.

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

	ΔEVE (change in net present value)		ΔNII (change in capitalised value)	
In CHF	**ΔEVE**		**ΔNII**	
Period	**31.12.2019**	**30.06.2019[3]**	**31.12.2019**	**30.06.2019[3]**
Parallel up	-2,081	-1,989	-309	-221
Parallel down	1,841	1,789	-99	-162
Steepener[1]	-207	-131		
Flattener[2]	-273	-319		
Short rate up	-844	-861		
Short rate down	867	884		
Maximum	-2,081	-1,989	-309	-221
Period	**31.12.2019**	**30.06.2019**		
Tier 1 capital before reclassifications to meet the gone-concern requirements	17,836	17,513		
Tier 1 capital after reclassifications to meet the gone-concern requirements	17,595	17,434		

1 Fall in short-term interest rates combined with rise in long-term interest rates.

2 Rise in short-term interest rates combined with fall in long-term interest rates.

3 Due to the first-time reporting of Δ EVE and ΔNII as of 30.6.2019, this date has been entered as a comparative value.

ΔEVE is equal to the change in the net present value of the exposures in the banking book if the yield curve shifts due to the standardised interest rate shock scenarios pursuant to FINMA Circular 2019/2 »Interest rate risks - banks» and FINMA Circular 2016/01 «Disclosure - banks».

ΔNII is equal to the change in net income from interest operations due to an abrupt parallel shift in the yield curve (for CHF +/-150bp) pursuant to FINMA Circular 2019/02 «Interest rate risks - banks» compared to the base scenario set out in FINMA Circular 2016/1 «Disclosure - banks». The base scenario assumes constant interest rates.

According to Annex 1 FINMA Circular 2019/2 «Interest rate risks - banks», the interest rate risks may be unduly high if the net present value of capital changes by an amount equal to or greater than 15% of Tier 1 capital in at least one of the interest rate shock scenarios.

ΔEVE

Parallel shifts in the yield curve change the net present value the most. A parallel shift down would produce a gain in net present value while a parallel shift up would result in a substantial loss in net present value.

These changes are driven by the current balance sheet structure, which contains a large proportion of fixed-rate mortgages with long fixed interest rate periods and a large proportion of customer deposits without fixed interest rates.

ΔNII

With regard to income, an abrupt increase and a further decrease in interest rates (+/-150bp in CHF) would reduce gross interest income compared to the bank's internal scenario.

This is because interest expense would increase relatively quickly following an abrupt rise in interest rates, whereas if interest rates decrease, it would still likely be impossible to impose negative interest rates on a large number of private clients. The cost of existing interest rate hedges would also increase in the latter scenario.

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.

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 1 (without transitional provisions)	
	CHF million	In % Ratio	CHF million	In % Ratio
Risk-weighted positions (RWA)	**98,295**		**98,295**	
Risk-based capital requirements («going-concern») on the basis of capital ratios				
Total	**14,414**	**14.664%**	**14,591**	**14.844%**
of which CET1: Minimum	4,816	4.900%	4,423	4.500%
of which CET1:Capital buffer	4,668	4.749%	4,845	4.929%
of which CET1: Anti-cyclical capital buffer	1,096	1.115%	1,096	1.115%
of which AT1: Minimum	3,047	3.100%	3,440	3.500%
of which AT1: Capital buffer	786	0.800%	786	0.800%
Eligible capital («going-concern»)				
Core capital (Tier1)	**17,595**	**17.900%**	**14,371**	**14.620%**
of which CET1	16,627	16.915%	13,402	13.635%
of which AT1 High-trigger	968	0.985%	968	0.985%
Risk-based capital requirements for loss absorbing capital («gone-concern») on the basis of capital ratios				
Total according size and market share (reflection going-concern-requirement)	629	0.640%	5,198	5.288%
Reduction due to fulfillment with going-concern capital	-121	-0.123%	-1,733	-1.763%
Total (net)	**509**	**0.517%**	**3,465**	**3.525%**
Eligible loss absorbing capital («gone-concern»)				
	509	**0.517%**	**3,465**	**3.525%**
of which CET1, which is used to fulfill gone-concern requirements	241	0.245%	3,465	3.525%
of which Non-Basel III-compliant Tier 2	268	0.272%	-	0.000%
of which Bail-in Bonds	-	0.000%	-	0.000%

1 Going-concern capital requirements after transitional phase as of 1st January 2020 and Gone-concern capital requirements after transitional phase as of 1st January 2026.

	Transition rules		Final rules 1 (without transitional provisions)	
	CHF million	In % LRD	CHF million	In % LRD
Overall exposure	**252,263**		**252,263**	
Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio				
Total	**11,509**	**4.563%**	**11,667**	**4.625%**
of which CET1: Minimum	4,288	1.700%	3,784	1.500%
of which CET1:Capital buffer	3,942	1.563%	4,099	1.625%
of which AT1: Minimum	3,279	1.300%	3,784	1.500%
Eligible capital («going-concern»)				
Core capital (Tier1)	**17,595**	**6.975%**	**14,371**	**5.697%**
of which CET1	16,627	6.591%	13,402	5.313%
of which AT1 High-trigger	968	0.384%	968	0.384%
Unweighted adequacy capital requirements for loss absorbing capital («gone-concern») on the basis of the leverage ratio				
Total according size and market share (reflection going-concern-requirement)	530	0.210%	4,667	1.850%
Reduction due to providing additional capital in terms of conversion capital according to CAO Art. 132	-121	-0.048%	-1,556	-0.617%
Total (net)	**409**	**0.162%**	**3,111**	**1.233%**
Eligible loss absorbing capital («gone-concern»)				
Total	**509**	**0.202%**	**3,465**	**1.374%**
of which CET1, which is used to fulfill gone-concern requirements	241	0.096%	3,465	1.374%
of which Non-Basel III-compliant Tier 2	268	0.106%	-	0.000%
of which Bail-in Bonds	-	0.000%	-	0.000%

1 Going-concern capital requirements after transitional phase as of 1st January 2020 and Gone-concern capital requirements after transitional phase as of 1st January 2026.