RAIFFEISEN

Annual Report 2020

Raiffeisen Switzerland

Raiffeisen Switzerland –
centre of competence for the Raiffeisen Group

Raiffeisen is the third largest banking group in Switzerland, has strong local roots, and is a leader in the retail business. The groups consists of 225 legally independent Raiffeisen banks with a cooperative structure. Raiffeisen is present all over Switzerland for 3.6 million clients at 824 locations.

Raiffeisen Switzerland is responsible for the Raiffeisen Group's business policy and strategy, and acts as a centre of competence for the entire Group. Raiffeisen Switzerland creates the conditions for operating activities of local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all issues. Additionally, it is responsible for Group-wide risk management, ensuring liquidity and capital adequacy and operates the central treasury, trade and processing functions for the entire Group. Raiffeisen Switzerland directly manages six branches which are involved in client business.

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

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland

Dear Reader,

The Raiffeisen banks and Raiffeisen Switzerland together set the course for a successful future in 2020. Raiffeisen came together even more as a group and a team. We demonstrated that we are not just stable, but also actively embracing change. It has been an intens and successful year that was coloured by our vision – "Raiffeisen connects people".

The goal is clear: We want to deepen personal relationships with our clients.

Connected with the bank. Last year, our 225 banks and six local branches provided personal support, including online or on the phone, to our 3.6 million customers. The Raiffeisen Group processed and disbursed 24,000 loans worth CHF 2 billion for Swiss companies under the Covid-19 loan programme. In March, until the start of the loan programme, Raiffeisen also launched an emergency aid of CHF 100 million for companies in Switzerland and opened up lokalhelden.ch, its donation platform, to small and medium-sized companies as well. Our goal was to give Swiss companies quick, straightforward assistance.

In touch with the future. In June 2020, the Board of Directors of Raiffeisen Switzerland adopted the "Raiffeisen 2025" strategy. It defines the Raiffeisen Group's vision of where it will go in the next five years, how Raiffeisen plans to position itself in the Swiss banking market and how this path can be successfully taken together. The strategy is the result of successful participation, having been developed as a joint effort within the Group and in dialogue. It is being executed in a similar fashion. The goal is clear: We want to deepen personal relationships with our clients and inspire them with unique solutions. We therefore intend to enhance, we intend to enhance the private residential property ecosystem and expand the investing and retirement businesses. We want to evolve even more clearly from a product supplier to a solutions provider.

In touch with the cooperative. June also saw Raiffeisen Switzerland's first general meeting held under the Group governance structure adopted in 2019, making it the first meeting to apply the "one bank, one vote" principle. The institutionalized exchange of views and opinions between the Raiffeisen banks and Raiffeisen Switzerland also picked up speed in 2020: The owners' committees were established and will serve as future sparring partners for Raiffeisen Switzerland. The institutionalised exchange of views between the owners and Raiffeisen Switzerland will strengthen teamwork and knowledge transfers within the Group. This will make us more effective and put us in closer touch with our clients.

As the Swiss bank that is closest to its clients, we have always striven to make a difference, to connect people and thereby generate value. These efforts were also in the spotlight last year. In April, we became the first national Swiss retail bank to roll out a SARON mortgage and a SARON loan for corporate clients. “Raiffeisen Rio”, our digital asset management service, also successfully launched in 2020. Clients can invest sums as low as CHF 5,000 in actively managed financial investments in an app on their smartphones. We also entered into a partnership with Mobiliar. Mobiliar's general agencies have been working with Raiffeisen banks since 1 January 2021 to assist clients with all their insurance, pension and finance needs. In addition, “LIIVA”, our joint platform for homeowners, will launch in summer 2021.

861 million

Group profit. This represents a 3.1% increase year on year.

Raiffeisen's successes in 2020 are reflected in annual result. Raiffeisen managed its business successfully and prudently in the past year and generated a profit CHF 861 million (+3.1%). The individual business areas developed pleasingly in line with strategic priorities, and significant progress was achieved in particular in the pension and investment business. The result from commission business and services increased by 8.4% to CHF 451 million, and the net result from interest operations also increased by CHF 43 million despite the difficult margin situation. In mortgage loans, we grew in line with our ambition at market level. The stability and security of the cooperative Group have once again proven themselves to be attractive. In addition, we welcomed 37,000 new clients and 27,000 new cooperative members.

This trust tells us exactly where we need to go. In 2021, we will focus on developing our business model further, strengthening ecosystems and expanding our investment and pension business. We will do so following a hybrid approach in which personal service and advice are augmented by digital solutions. This is where we can truly add value. As a banking group that belongs to its members, connecting people is both a mission and a guiding principle for us. We will continue to build on that foundation in the future.

Guy Lachappelle
Chairman of the Board of Directors,
Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board,
Raiffeisen Switzerland

MANAGEMENT REPORT

Raiffeisen Switzerland posted a net profit of CHF 42.5 million in the financial year under review. This is on par with the previous year's net profit and allowed reserves for general banking risks of CHF 41.7 million to be formed. Total assets increased by CHF 3.5 billion to CHF 67.6 billion.

Business performance of Raiffeisen Switzerland

Raiffeisen Switzerland posted a net profit of CHF 42.5 million in the financial year under review. This is on par with the previous year's net profit and allowed reserves for general banking risks of CHF 41.7 million to be created in the current year. Total assets increased by CHF 3.5 billion to CHF 67.6 billion.

The completion of the efficiency programme at the start of 2020 and the resulting optimised structures enabled a significant reduction in operating expenses. In the midst of the transformation process and the development of a new Group strategy, Raiffeisen Switzerland was forced to adapt to the rapidly changing framework conditions brought about by the Covid-19 pandemic. The focus was on providing streamlined support for clients and introducing the Covid-19 loans. Additionally, precautions had to be taken to protect the health of clients and employees as a matter of absolute priority. Another focus area was the expansion and security of the IT infrastructure to make working from home possible on a broad scale, while also meeting client requirements in this extraordinary situation.

At the start of the year, ARIZON Sourcing Ltd's operations were integrated into Raiffeisen Switzerland, which allowed Raiffeisen Switzerland to operate the new ACS banking software for the entire Group. In autumn, Raiffeisen Switzerland repaid the former AT1 and Tier-2 bonds and successfully issued new AT1 and bail-in bonds.

Income statement

Result from interest operations

The gross result from interest operations increased by CHF 65.2 million (+40.5%) to CHF 226.1 million. The higher interest income in relation to the previous year is primarily due to the active liquidity and balance sheet management in connection with the SNB exemption threshold. In fact, interest and discount income fell by CHF 54.9 million to CHF 234.9 million (–19.0%) and interest and dividend income from financial investments declined by CHF 8.8 million to CHF 32.1 million (–21.6%). But this was more than offset by the significant reduction in interest expense of CHF 128.9 million to CHF 40.9 million (–75.9%). The lower interest income and expenses are a consequence of the current low interest rate environment.

The value adjustments for default risks and losses from interest operations decreased by CHF 5.3 million to CHF 15.3 million (note 14). This drop is attributable to the necessary value adjustment of loans to the KMU Capital Group in the previous year. On the other hand, there was an increased need for value adjustments in individual loan commitments in the current year, which was at least partially due to the Covid-19 pandemic.

The net result from interest operations increased by CHF 70.4 million to CHF 210.8 million.

Result from commission business and services

The result from commission business and services (note 23) fell by CHF 12.2 million year on year to CHF 109.2 million. While commission income from lending activity increased by CHF 1.7 million (+10.3%), other commission income fell year on year.

Commission income from securities trading and investment activities declined by CHF 7.5 million to CHF 75.9 million. The reasons for this include reduced income from deposit fees in relation to Raiffeisen banks due to a tariff reduction as well as the decline in the structured products issued by Raiffeisen Switzerland. Conversely, brokerage fees increased as a result of the high level of trading activities by clients.

The commission income from other services fell by CHF 5.2 million to CHF 57.3 million. The reasons for this include the lower income from the ATM business as well as the decline in physical cash transfers within the Group. Both are the result of the Covid-19 pandemic, which led to a significant decrease in cash transactions.

Commission expense increased by CHF 1.2 million to CHF 42.5 million, due to the larger client trading volume.

Result from trading activities

The result from trading activities fell slightly by CHF 1.9 million (–2.4%) to CHF 77.5 million (note 24).

In 2020, trading portfolio assets were largely shaped by the Covid-19 situation as well as the persistent low-interest-rate policy pursued by the central banks. The effects of the Covid-19 pandemic were felt directly in the foreign currency banknote business due to the slump in travel activities and the fall in tourism. By contrast, the demand for precious metals was significantly higher. At the same time, institutional borrowers were much more active in their refinancing activities on the capital market, which had a positive impact on the issuing business.

While the Swiss National Bank and the European Central Bank left base rates unchanged in 2020, the Bank of England and the US Fed lowered rates twice in March in response to considerable market turbulence. Together with the additional stabilisation measures implemented by governments and central banks, the loose monetary policy was a key factor behind the surge in share prices in the second half of the year. The longer-term CHF interest rates effectively tracked sideways after a volatile first half. From the end of July, the longer-term US interest rates were boosted by the economic development and the renewed inflation expectations, which intensified especially in the USA after President Trump was voted out of office.

The combination of massive market volatility, uncertainty in the macroeconomic environment and operational challenges as a consequence of the Covid-19 pandemic made 2020 a very challenging year in the trading portfolio assets.

Other result from ordinary activities

The other result from ordinary activities decreased significantly by CHF 24.1 million (–6.3%) to CHF 360.8 million.

Income from participations fell by CHF 13.5 million and the result from the disposal of financial investments declined CHF 9.8 million. While the demerger strategy with the sale of participations led to a general reduction in the dividend yield, Raiffeisen Switzerland benefited from a special dividend issued by SIX Group AG in the previous year.

Other ordinary income remained steady year on year at CHF 360.6 million. Income from IT within the Group, income from services to Group companies as well as other income from Raiffeisen banks all made considerable contributions to this item.

Income for contribution-relevant services provided by Raiffeisen Switzerland to the Raiffeisen banks (collective/strategic services, management of finances and projects) increased by CHF 39.9 million year on year to CHF 138.0 million (+40.7%). This rise was primarily due to the increase in project services provided by Raiffeisen Switzerland. Among other things, the development costs for the ACS banking software were billed in the current year for the first time via project services. Apart from this, several new projects were launched. The change is also due to the one-off transfer of savings from the efficiency programme, which resulted in a reduction in income in the 2019 financial year.

Other income declined by CHF 33.7 million, which is primarily due to the fall in capitalised own services in connection with the completed introduction of the ACS core banking software.

Other ordinary expenses decreased by CHF 0.8 million to CHF 31.7 million. This item includes the costs of producing printed matter for the Raiffeisen banks as well as expenditure on purchasing IT infrastructure for the Raiffeisen banks.

Operating expenses

Personnel expenses (note 26) fell by CHF 21.9 million (–5.4%) to CHF 385.9 million. This reduction is, in particular, attributable to the efficiency programme, which was completed in 2020. The number of people employed by Raiffeisen Switzerland stood at 2,318 full-time positions at the end of the current year. This represents an increase of 51 positions, which were created primarily for projects associated with the implementation of the Raiffeisen 2025 strategy towards the end of the year.

General and administrative expenses (note 27) fell by CHF 19.6 million year on year (–7.9%) to CHF 227.9 million.

Office space expenses increased by CHF 1.8 million to CHF 24.8 million as a result of various modifications and extensions that do not qualify for capitalisation, including at the newly leased offices at Zurich Airport in which a number of former locations in and around Zurich were merged. The IT expense of CHF 66.4 million changed only marginally (+0.6%) year on year. The forwarding expense was reduced by CHF 3.2 million to CHF 15.2 million as a result of the lower transport costs for cash and precious metals. The CHF 2.8 million fall in travel expenses to CHF 9.5 million was particularly due to the reduction in travel activities. Consulting costs were relatively high in the previous year given the FINMA enforcement procedure as well as the renewal of the Raiffeisen Group's corporate governance. Other general and administrative expenses remained at previous year's level.

Value adjustments on participations and depreciation and amortisation

Ordinary depreciation of tangible fixed assets increased by CHF 3.4 million to CHF 41.0 million, mainly due to the large-scale IT systems that were capitalised in the previous year. Extraordinary depreciation of tangible fixed assets amounted to CHF 4.4 million in the current year.

Value adjustments on participations rose by CHF 3.1 million year on year to reach CHF 8.5 million. These relate to value adjustments to the net asset values of subsidiaries.

Changes in provisions and other value adjustments, and losses

The newly created provisions and other value adjustments continued to fall year on year to CHF 5.2 million. Changes in provisions for off-balance-sheet transactions, other business risks and litigation expenses are shown in note 14.

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

The extraordinary income of CHF 2.3 million (note 28) is the result of the sale of tangible fixed assets. Thanks to the good result, CHF 41.7 million were transferred to the reserves for general banking risks. Tax expenses in the current year amounted to CHF 1.1 million. These relate primarily to taxes on capital.

Net profit

As in the previous year, the reported net profit is CHF 42.5 million.

Balance sheet

Total assets increased by CHF 3.5 billion to CHF 67.6 billion. This increase is primarily due to an increase in the liquidity deposits of the Raiffeisen banks in Raiffeisen Switzerland.

Amounts due to/from Raiffeisen banks

At the end of 2020, Raiffeisen Switzerland had a net amount due to Raiffeisen banks of CHF 25.6 billion (previous year: CHF 16.5 billion). The Raiffeisen banks hold assets at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Amounts due to/from other banks

Amounts due from other banks decreased by CHF 3.6 billion year on year to CHF 3.9 billion. Amounts due to other banks fell by CHF 3.2 billion to CHF 9.1 billion. This drop was primarily due to the application of book balance accounting. On a current balance basis, amounts due to/from other banks changed very little year on year.

Amounts due/liabilities from securities financing transactions

Liabilities from securities financing transactions declined by CHF 2.1 billion to CHF 4.2 billion. These are exclusively repo transactions in which money is borrowed against collateral. Among other things, the purpose of these transactions is to manage sight deposits held with the SNB. Changes in the value of the exchanged securities are not recognised in profit or loss.

No amounts due from securities financing transactions exist at the cut-off date.

Amounts due from customers and mortgage loans

Loans to clients remained virtually unchanged year on year and amount to CHF 13.9 billion. Mortgage loans fell by 1.7% to CHF 10.9 billion, while other amounts due from customers rose by CHF 0.2 billion to CHF 3.0 billion (+6.7%).

Amounts due from customers include short-term loans to institutional clients, loans to larger corporate clients and the capital goods leasing business. These items are more volatile depending on business and are subject to greater changes.

Trading portfolio assets

Trading portfolio assets increased by CHF 221.7 million to CHF 979.6 million (note 3). The short-term nature of this business generally means that the trading volume is subject to fairly significant fluctuations, resulting in considerable changes in relation to a specific cut-off date.

Financial investments

Securities holdings in financial investments (note 5), mainly investment-grade bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value increased by CHF 1.7 billion to CHF 8.8 billion, as part of the liquidity reserve is held in financial investments.

Participations

The book value of participations (note 6) decreased by CHF 11.9 million to CHF 423.6 million (–2.7%) in the current year. The decline is primarily due to the write-off of the investment in ARIZON Sourcing Ltd (CHF 12.1 million). ARIZON Sourcing Ltd was removed from the commercial register at the end of 2020. Otherwise, only small changes in various minor participations were recorded. In addition, there was no material need for value adjustments in the current year.

Tangible fixed assets

The changes in tangible fixed assets are shown in note 7.1. The book value fell by CHF 25.1 million to CHF 328.0 million (–7.1%), primarily due to ordinary depreciation.

Intangible assets

The changes in intangible assets are shown in note 8. In the current year, the remaining value of CHF 1.8 million was fully amortised using the straight-line method.

Customer deposits

Customer deposits grew by CHF 1.9 billion to CHF 15.8 billion. Branches of Raiffeisen Switzerland reported an increase of CHF 461.0 million. Deposits from corporate clients rose by CHF 1.4 billion. These deposits predominantly consisted of short-term fixed deposit and term deposit investments, which reported noticeable gains and contributed significantly to the increase.

Bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans (note 13) declined by CHF 0.5 billion to CHF 7.0 billion in the current year. Raiffeisen Switzerland's bond portfolio totals CHF 3.1 billion. Bond components of structured products issued by Raiffeisen Switzerland amounted to CHF 1.8 billion. Central mortgage institution loans remain unchanged at CHF 2.1 billion.

Provisions

Provisions (note 14) fell by CHF 23.9 million to CHF 100.7 million. The use of the provisions was primarily associated with the efficiency programme and the integration of Arizon.

Reserves for general banking risks

Thanks to the good operating performance, CHF 41.7 million was allocated to reserves for general banking risks in the current year (note 14).

Equity capital

Cooperative capital stood unchanged at CHF 1.7 billion at the end of December 2020. Equity capital increased by CHF 41.7 million. This corresponds to the allocation to reserves for general banking risks.

Off-balance-sheet transactions

Total contingent liabilities (note 20) declined by CHF 105.2 million to CHF 3.1 billion year on year. The contract volume for derivative financial instruments (note 4) decreased by CHF 43.7 billion to CHF 127.6 billion. This reduction stems from foreign currency derivative transactions. The positive replacement values shown in the balance sheet amount to CHF 1.5 billion (previous year: CHF 1.8 billion), while the negative replacement values amounted to CHF 1.9 billion (previous year: CHF 2.2 billion). This is directly associated with the lower derivative contract volume.

Remuneration report

The remuneration report is included in the Raiffeisen Group Annual Report
(report.raiffeisen.ch/en-remuneration).

ANNUAL REPORT

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Raiffeisen Switzerland balance sheet

Balance sheet				Change	
in 1,000 CHF	Note	31.12.2019	31.12.2020	absolut	in %
Assets					
Liquid assets	17	28,377,439	35,390,664	7,013,225	24.7
Amounts due from Raiffeisen banks	10, 17	2,381,568	1,095,917	−1,285,651	−54.0
Amounts due from other banks	10, 17	7,562,069	3,947,870	−3,614,199	−47.8
Amounts due from securities financing transactions	1, 17	249,941	–	−249,941	−100.0
Amounts due from clients	2, 17	2,824,270	3,013,758	189,488	6.7
Mortgage loans	2, 10, 17	11,104,948	10,910,652	−194,296	−1.7
Trading portfolio assets	3, 17	757,875	979,556	221,681	29.3
Positive replacement values of derivative financial instruments	4, 17	1,823,769	1,536,638	−287,131	−15.7
Financial investments	5, 10, 17	7,129,847	8,785,329	1,655,482	23.2
Accrued income and prepaid expenses		247,005	234,967	−12,038	−4.9
Participations	6	435,474	423,550	−11,924	−2.7
Tangible fixed assets	7	353,088	327,972	−25,116	−7.1
Intangible assets	8	1,815	–	−1,815	−100.0
Other assets	9	920,495	983,396	62,901	6.8
Total assets		**64,169,604**	**67,630,269**	**3,460,665**	**5.4**
Total subordinated receivables		2,000	7,500	5,500	275.0
of which subject to mandatory conversion and/or debt waiver		–	–	–	–
Liabilities					
Amounts due to Raiffeisen banks	17	18,906,019	26,703,345	7,797,326	41.2
Amounts due to other banks	17	12,263,833	9,054,065	−3,209,768	−26.2
Liabilities from securities financing transactions	1, 17	6,326,901	4,180,827	−2,146,074	−33.9
Amounts due in respect of customer deposits	17	13,943,409	15,849,091	1,905,682	13.7
Trading portfolio liabilities	3, 17	197,542	147,893	−49,649	−25.1
Negative replacement values of derivative financial instruments	4, 17	2,179,800	1,891,769	−288,031	−13.2
Cash Bonds	17	22,569	19,080	−3,489	−15.5
Bond issues and central mortgage institution loans	12, 13, 17	7,527,074	6,987,157	−539,917	−7.2
Accrued expenses and deferred income		300,217	301,827	1,610	0.5
Other liabilities	9	451,263	426,481	−24,782	−5.5
Provisions	14	124,617	100,722	−23,895	−19.2
Reserves for general banking risks	14	6,336	47,988	41,652	657.4
Cooperative capital	15	1,700,000	1,700,000	–	–
Statutory retained earnings reserve		177,523	177,523	–	–
Profit		42,500	42,500	–	–
Total equity capital		**1,926,360**	**1,968,012**	**41,652**	**2.2**
Total liabilities		**64,169,604**	**67,630,269**	**3,460,665**	**5.4**
Total subordinated cash bonds		1,513,617	1,399,493	−114,124	−7.5
of which subject to mandatory conversion and/or debt waiver		978,099	899,567	−78,532	−8.0
Off-balance-sheet transactions					
Contingent liabilities	2, 20	3,230,282	3,125,131	−105,151	−3.3
Irrevocable commitments	2	2,447,488	2,386,422	−61,066	−2.5
Obligations to pay up shares and make further contributions	2	15,073	16,747	1,674	11.1

Raiffeisen Switzerland income statement

Income statement				Change	
in 1,000 CHF	Note	2019	2020	absolut	in %
Interest and discount income	22	289,808	234,867	−54,941	−19.0
Interest and dividend income from financial investments	22	40,892	32,072	−8,820	−21.6
Interest expense	22	−169,823	−40,886	128,937	−75.9
Gross result from interest operations		**160,876**	**226,053**	**65,177**	**40.5**
Changes in value adjustments for default risks and losses from interest operations	14	−20,544	−15,280	5,264	−25.6
Subtotal net result from interest operations		**140,332**	**210,773**	**70,441**	**50.2**
Commission income securities trading and investment business	23	83,401	75,863	−7,538	−9.0
Commission income from lending business	23	16,823	18,558	1,735	10.3
Commission income other services	23	62,491	57,292	−5,199	−8.3
Commission expense	23	−41,332	−42,542	−1,210	2.9
Net income from commission business and service transactions		**121,383**	**109,171**	**−12,212**	**−10.1**
Net trading income	24	**79,358**	**77,457**	**−1,901**	**−2.4**
Result from the disposal of financial investments		10,747	989	−9,758	−90.8
Income from participations		40,792	27,327	−13,465	−33.0
Result from real estate		4,344	3,595	−749	−17.2
Other ordinary income	25	361,485	360,594	−891	−0.2
Other ordinary expenses		−32,427	−31,675	752	−2.3
Other ordinary profit		**384,941**	**360,830**	**−24,111**	**−6.3**
Operating income		**726,014**	**758,232**	**32,218**	**4.4**
Personnel expenses	26	−407,790	−385,847	21,943	−5.4
General and administrative expenses	27	−247,493	−227,944	19,549	−7.9
Operating expenses		**−655,283**	**−613,792**	**41,491**	**−6.3**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	6, 7, 8	−45,290	−55,684	−10,394	22.9
Changes to provisions and other value adjustments, and losses	14	−12,633	−5,745	6,888	−54.5
Operating result		**12,808**	**83,011**	**70,203**	**548.1**
Extraordinary income	28	28,534	2,307	−26,227	−91.9
Extraordinary expenses	28	−2	−25	−23	1,150.0
Changes in reserves for general banking risks	14	2,961	−41,652	−44,613	−1,506.7
Taxes	29	−1,800	−1,140	660	−36.7
Profit		**42,500**	**42,500**	**–**	**–**

Proposed distribution of profit

Proposal addressed to the General assembly of June 19, 2021			Change	
in 1,000 CHF	2019	2020	absolut	in %
Profit	42,500	42,500	–	–
Profit brought forward	–	–	–	–
Available profit	**42,500**	**42,500**	**–**	**–**
Appropriation of profit				
Allocation to statutory retained earnings reserve	–	–	–	–
Interest on cooperative capital	42,500	42,500	–	–
Total appropriation of profit	**42,500**	**42,500**	**–**	**–**

Statement of changes in equity

Statement of changes in equity

in 1,000 CHF	Cooperative capital	Statutory retained earnings reserve[1]	Reserves for general banking risks	Profit	Total
Equity capital at 1.1.2020	**1,700,000**	**177,523**	**6,336**	**42,500**	**1,926,360**
Capital increase	–	–	–	–	–
Allocations to statutory retained earnings reserve	–	–	–	–	–
Allocations to reserves for general banking risks	–	–	41,652	–	41,652
Interest on the cooperative capital	–	–	–	−42,500	−42,500
Profit	–	–	–	42,500	42,500
Equity capital at 31.12.2020	**1,700,000**	**177,523**	**47,988**	**42,500**	**1,968,012**

1 Statutory retained earnings are not distributable.

Notes to the annual financial statements

Trading name, legal form, registered office

Under the name

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

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

Risk management

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

Risk policy

Risk management systems are based on statutory provisions, 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 and staff resources are met. The risk policy aims to limit the negative impact of risks on earnings and protect Raiffeisen Switzerland against high exceptional losses while safeguarding and strengthening its good reputation. Raiffeisen Switzerland's risk management is organised using the three-lines-of-defence model: risks are managed by the responsible risk-managing business 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

Raiffeisen Switzerland 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.

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

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

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

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

The aim of risk management is to

– ensure that effective controls are in place at all levels and to guarantee that any risks entered into are in line with accepted levels of risk tolerance;
– create the conditions for entering into and systematically managing risks in a deliberate, targeted and controlled manner;
– 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

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

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

– Counterparty risk
– Collateral risk
– Concentration risk
– Country risk

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

Collateral risks accrue from impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables originating from individual borrowers, sectors, regions, rating classes and collateral.

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

The main component of the lending activity of Raiffeisen Switzerland is the financing of mortgage secured loans.

The Corporate Clients & Branches department of Raiffeisen Switzerland primarily incurs 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. Unsecured loans over a defined amount are additionally checked by the Raiffeisen Switzerland Credit Office. Concentration risks are reviewed and acknowledged as part of the credit process.

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. International transactions may only be conducted when country-specific limits have been approved and established.

Pursuant to the Articles of Association, commitments abroad may not exceed 5% of the consolidated Raiffeisen Group balance sheet total on a risk-weighted basis.

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet 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 derivative transactions (Swiss framework agreement or ISDA) with the counterparties of Treasury & Markets with whom OTC derivative transactions are concluded and, depending on the counterparty, a collateral appendix for variation margin payments. Credit support is exchanged by transferring the margin requirement, which is calculated daily. These OTC exposures are monitored taking into account the collateral exchanged.

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships.

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

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

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 amount for any property loan secured by security interests in land varies depending on the realisability of the collateral and is affected by the type of use.

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

The Risk & Compliance department of Raiffeisen Switzerland monitors, controls and manages risk concentrations within Raiffeisen Switzerland, especially for individual counterparties, groups of affiliated counterparties, sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated within Raiffeisen Switzerland. The Risk & Compliance department of Raiffeisen Switzerland monitors the credit portfolio on a Group-wide basis and evaluates the portfolio structure. A periodic 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.

Monitoring the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics,including, without limitation, category of borrower, type of loan, size of loan, 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, Risk Control 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 2020, Raiffeisen Switzerland had five reportable cluster risks with accumulated total exposures (after risk mitigation and risk weighting) of CHF 38.5 billion. The majority relates to the Swiss National Bank (CHF 35.2 billion), which is exempt from the regulatory limit. As at 31 December 2020, the total of the regulatory reporting of the 20 biggest overall exposures (after risk mitigation and risk weighting) of Raiffeisen Switzerland amounted to CHF 3.1 billion.

Market risk

Banking book

Risk associated with fluctuating interest rates: Since interest rates for assets and liabilities are locked in for different periods, fluctuations in market interest rates can have a considerable impact on Raiffeisen Switzerland's net interest income and profit and loss. Value at risk is calculated along with interest rate sensitivity in various interest rate shock scenarios in order to assess the assumed interest rate risk to the net present value of the equity capital. To measure mark-to-market risk, a gap analysis is performed using all balance-sheet and off-balance-sheet items along with their contractually fixed maturities. Loans and deposits with non-fixed maturities and capital commitment periods are modelled on the basis of historical data and forward-looking scenarios. These models are backtested at least once a year and undergo regular independent validation. No specific assumptions are made for premature loan repayments because early repayment penalties are generally charged. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible business units. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors and the Executive Board.Interest rate risks are hedged using established instruments. The Treasury & Markets department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group. The Risk & Compliance department monitors compliance with interest risk limits and prepares the associated reports on at least a quarterly basis, while also assessing the Raiffeisen Group's risk situation. Monitoring and reporting is conducted more frequently for individual units.

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

The financial investment portfolio is managed by the Treasury & Markets department. Financial investments are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities that meet statutory liquidity requirements for high-quality liquid assets (HQLA). The Risk & Compliance department monitors the interest rate and foreign currency risks of financial investments.

Trading book

Trading activities at the Treasury & Markets department include interest rates, foreign currencies, equities and banknotes/precious metals. Trading must strictly adhere to the value-at-risk, scenario and loss limits set by the Board of Directors and the Executive Board, which the Risk & Compliance department monitors on a daily basis. In addition, Risk & Compliance conducts daily plausibility checks of the valuation parameters used to produce profit and loss figures for trading.

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

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

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

Liquidity risk

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

Monitoring is based on statutory minimum requirements and the limits and internal stress scenarios stipulated by the Board of Directors.

Operational risk

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

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

Each functional department of Raiffeisen Switzerland is responsible for identifying, assessing, managing and monitoring operational risk arising from its own activities. The Risk & Compliance department is responsible for maintaining the group-wide 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.

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.

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 Switzerland on an annual basis together with the updated compliance risk profile and the risk-orientated action plan derived from it in accordance with FINMA Circular 2017/1 “Corporate governance – banks”.

Regulatory provisions

On 11 November 2020, FINMA, the Swiss Financial Market Supervisory Authority, issued a decision defining special requirements relating to the systemic importance of the Raiffeisen Group and Raiffeisen Switzerland. The consolidated information that must be disclosed pursuant to FINMA Circular 2016/1 "Disclosure – banks" can be viewed on the Raiffeisen website (www.raiffeisen.ch) or in the Raiffeisen Group Annual Report.

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

Credit risk

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

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

Issuer/issue ratings from an export insurance agency are also 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
- Financial investments
- Positive replacement value

Market risk

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.

Operational risk

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

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

Mortgage loans

The property value of single-family homes, two-family homes, three-family homes, flats and holiday homes is determined using either the real value method or a hedonic pricing method. In the latter valuation method, the bank uses regional property price information supplied by an external provider. The bank uses the valuations to update the property value periodically or on an ad hoc basis.

In addition to the value of the collateral, the bank also constantly reviews the debtor creditworthiness by monitoring delinquent interest and principal payments. This allows the bank to identify mortgage loans associated with higher risks. These loans are subsequently thoroughly reviewed by credit specialists. Raiffeisen Switzerland's Recovery department is involved in certain cases. Additional collateral may be requested or a value adjustment recognised based on the missing collateral (see also the section entitled “Steps involved in determining value adjustments and provisions”).

If a property qualifies as an investment property (three-family homes, multi-family units, public-private properties used predominantly for commercial purposes, fully commercial properties, large commercial/industrial properties, special-purpose properties with third-party usage > 50%), the value of the property is calculated based on the income capitalisation method, which is based on long-term cash flows from the properties. This model also takes into account market data, location information and vacancy rates.

The capitalized value is also used for properties with rental income, if they cannot be calculated using the actual value or the hedonic regression model.

Rental income from real estate used by third parties is reviewed periodically as well as on an ad hoc basis, particularly when there are indications of significant changes in rental income or vacancies.

Loans against securities

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

Unsecured loans

Unsecured loans are generally business loans to corporate clients or unsecured account overdrafts of private clients of a maximum of one month's income. For corporate clients, the volume of unsecured loans is limited by corresponding requirements and limits

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

Steps involved in determining value adjustments and provisions

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

Value of collateral

Mortgage loans

Every mortgage loan is preceded by a recent valuation of the underlying collateral. The valuation method varies depending on property type and use. The bank values single-family homes, two-family homes, three-family homes, flats and holiday homes using the real value method as well as a hedonic pricing model. The hedonic regression model compares the price of property transactions that have similar characteristics to the real estate being valued.

For investment properties (three-family homes, multi-family units, public-private properties used predominantly for residential purposes, fully commercial properties, large commercial/industrial properties, special-purpose properties with third-party usage > 50%), the value of the property is calculated based on the income capitalisation method, which is based on long-term cash flows from the properties.

This is also used for properties with rental income, if they cannot be calculated using the actual value or the hedonic regression model.

In addition, Raiffeisen Switzerland's Appraisal unit or external accredited assessors must be involved if the real estate's collateral value exceeds a certain amount or if the real estate has special risks. The liquidation value is also calculated in the event of impaired loans/receivables.

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

Loans against securities

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

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

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

Business policy on the use of derivative financial instruments

Derivative financial instruments are used for trading and hedging purposes.

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

Hedges in the banking book are created by means of internal deposits and loans with the trading book; the Treasury and Products & Sales T&M departments do not take out hedges directly in the market. Hedges in the trading book are usually executed through offsetting trades with external counterparties.

Use of hedge accounting

Types of hedged items and hedging instruments

The bank uses hedge accounting predominantly for the following types of transactions:

Underlying transaction	Hedged using
Risks associated with fluctuating interest rates from interest rate sensitive receivables and liabilities in the banking book	Interest rate and currency swap
Price risk of foreign currency positions	Currency future contracts

Composition of the groups of financial instruments

Interest rate sensitive positions in the banking book are grouped into various time bands by currency and hedged accordingly using macro hedges. Macro hedges are risk-minimising hedging transactions across the entire portfolio.The bank also uses micro hedges.

Economic connection between hedged items and hedging instruments

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

Effectiveness testing

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

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

Ineffectiveness

When entered into, hedging transactions are effective over the entire term. If a hedge no longer meets the effectiveness criteria over time, it is treated as a trading portfolio asset and any gain or loss from the ineffective part is recognised in the income statement.

Accounting and valuation principles

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus the related ordinance) and the FINMA Accounting Ordinance (FINMA AO) as well as FINMA Circular 2020/1 "Accounting – banks".

The detailed positions shown for a balance sheet item are valued individually.

Single-entity financial statements are prepared subject to the above regulations and present a reliable view. Unlike financial statements prepared in accordance with the true and fair view principle, single-entity financial statements may include hidden reserves.

Raiffeisen Switzerland publishes the consolidated annual financial statements of the Raiffeisen Group in a separate annual report. This includes the annual financial statements of all the individual Raiffeisen banks, Raiffeisen Switzerland and major subsidiaries in which the Group directly or indirectly holds more than 50% of the voting shares. Raiffeisen Switzerland has therefore chosen not to prepare consolidated subgroup accounts that include the annual financial statement of Raiffeisen Switzerland and its majority interests.

Accounting and valuation principles

Recording of business events

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

Foreign currencies

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

Liquid assets, borrowed funds

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

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

Amounts due from banks and customers, mortgage loans, value adjustment

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

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

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

Impaired loans are subject to provisions based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realisable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

Value adjustments are not recognised for latent risks until 31 December 2020.

If a loan is impaired, it may be possible to maintain an available credit limit as part of a continuation strategy. If necessary, provisions for off-balance-sheet transactions are recognised for these kinds of unused credit limits. For current account overdrafts, which typically show considerable, frequent volatility over time, initial and subsequent provisions are recognised for the total amount (i.e. value adjustments for effective drawdowns and provisions for available limits) under "Changes in value adjustments for default risks and losses from interest operations". If drawdowns change, a corresponding amount is transferred between value adjustments and provisions in equity. Reversals of value adjustments or provisions are also recognised under "Changes in value adjustments for default risks and losses from interest operations".

Interest and related commissions that have been due for more than 90 days, but have not been paid, are deemed to be non-performing. In the case of current account overdrafts, interest and commissions are deemed to be non-performing if the specified overdraft limit is exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commissions are no longer recognised as income but reported directly under value adjustments for default risks.

A receivable is written off at the latest when completion of the realisation process has been confirmed by legal title.

However, impaired loans are written back up in full, i.e. the value adjustment is reversed, if payments of outstanding principal and interest are resumed on schedule in accordance with contractual provisions and additional creditworthiness criteria are fulfilled.

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

Receivables and liabilities from securities financing transactions

Securities lending and borrowing

Securities lending and borrowing transactions are reported at the value of the cash collateral received or issued, including accrued interest.

Securities that are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland takes control of the rights associated with them. Securities that are loaned and provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the rights associated with them. The market values of the borrowed and loaned out securities are monitored daily, to enable any additional collateral to be provided or requested as necessary.

Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis.

Repurchase and reverse repurchase transactions

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

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

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

Trading portfolio assets and trading portfolio liabilities

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

Positive and negative replacement values of derivative financial instruments

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

All hedging transactions of the Treasury and Products & Sales T&M departments are concluded via the trading book; the Treasury and Products & Sales departments do not themselves participate in the market. Only the replacement values of contracts with external counterparties are reported. The "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume and replacement values of internal Treasury hedging transactions are reported under "Hedging instruments".

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

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

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

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

Financial investments
Fixed-income debt instruments and warrant bonds are valued according to the lower of cost or market value principle if there is no intention to hold them to maturity.

Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method with the discount or premium accrued over the remaining life.

Equity securities are valued according to the lower of cost or market value principle.

Real estate and equity securities acquired through lending activities and other real estate and equities intended for disposal are reported under "Financial investments" and valued at the lower of cost or market value. The "lower of cost or market value" principle refers to the lower of the acquisition cost or the liquidation value.

Precious metals held to cover liabilities from precious metals accounts are carried at market value as at the balance sheet date. In cases where fair value cannot be determined, they are valued according to the lower of cost or market value principle.

Participations

Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under "Participations", irrespective of the proportion of voting shares held.

All participations in communal facilities are also reported here. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required value adjustments. Participations may contain hidden reserves.

Tangible fixed assets

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

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

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

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

Intangible assets

Other intangible assets

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

Impairment testing

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

Provisions
Provisions are recognised on a prudential basis for all risks identified at the balance sheet date that are based on a past event and will probably result in an obligation. In regards to provisions for available overdraft limits, we refer to the chapter "Amounts due from banks and clients, mortgage loans, value adjustments".

Reserves for general banking risks
Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank.

Taxes
Taxes are calculated and booked on the basis of the profit for the current year.

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

Changes as against previous year

No significant changes were made to the accounting and valuation principles in the reporting year. The FINMA AO entered into force on 1 January 2020. To recognise value adjustments on non-impaired loans/receivables as well as the provisions for default risks of off-balance-sheet transactions as defined in Art. 25 and Art. 28 of the FINMA AO, Raiffeisen Switzerland applies the transitional provisions in line with Art. 98 of the FINMA AO. This means that these value adjustments and provisions are recognised from the 2021 financial year and are accrued until 2025.

Events after the balance sheet date

No events with a measurable effect on the 2020 operating result occurred after the balance sheet date

Information on the balance sheet

1 – Securities financing transactions (assets and liabilities)

Securities financing transactions (assets and liabilities)

in 1,000 CHF	31.12.2019	31.12.2020
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions[1]	249,931	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions[1]	6,325,135	4,179,487
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing, as well as securities in own portfolio transferred in connection with repurchase agreements	6,019,581	4,226,722
with unrestricted right to resell or pledge	6,019,581	4,226,722
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing, as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	447,066	147,893
of which, repledged securities	249,524	–
of which, resold securities	197,542	147,893

1 Before netting agreements

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

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

in 1,000 CHF		Mortgage cover	Other cover	Without cover	Total
Loans (before netting with value adjustments)					
Amounts due to customers		548,943	367,102	2,258,709	3,174,753
Mortgage loans		10,910,133	–	5,990	10,916,124
Residential property		9,289,381	–	2,473	9,291,854
Office and business premises		236,805	–	–	236,805
Trade and industry		827,134	–	–	827,134
Other		556,813	–	3,517	560,330
Total loans (before netting with value adjustments)	**31.12.2020**	**11,459,076**	**367,102**	**2,264,699**	**14,090,877**
	31.12.2019	**11,520,217**	**361,493**	**2,206,889**	**14,088,598**
Total loans (after netting with value adjustments)	**31.12.2020**	**11,459,076**	**367,102**	**2,098,232**	**13,924,410**
	31.12.2019	**11,520,217**	**361,493**	**2,047,509**	**13,929,219**
Off-balance-sheet transactions					
Contingent liabilities		69,176	45,616	3,010,338	3,125,131
Irrevocable commitments		896,172	110,075	1,380,175	2,386,422
Obligations to pay up shares and make further contributions		–	–	16,747	16,747
Total off-balance-sheet transactions	**31.12.2020**	**965,348**	**155,691**	**4,407,260**	**5,528,300**
	31.12.2019	**1,066,324**	**65,494**	**4,561,025**	**5,692,843**

Impaired loans

in 1,000 CHF		Gross amount borrowed	Estimated proceeds from realisation of collateral	Net amount borrowed	Individual provisions
Impaired loans	**31.12.2020**	**309,690**	**17,154**	**292,536**	**166,467**
	31.12.2019	**347,581**	**29,642**	**317,938**	**159,380**

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

3 – Trading portfolio

3.1 – Assets

Trading portfolio – Assets

in 1,000 CHF	31.12.2019	31.12.2020
Trading portfolio		
Debt securities, money market securities/transactions	287,105	361,660
stock exchange listed [1]	287,105	361,660
Equity securities	14,146	12,351
Precious metals	401,108	571,384
Other trading portfolio assets	55,516	34,161
Total assets	**757,875**	**979,556**
of which determined using a valuation model	–	–
of which, securities eligible for repo transactions in accordance with liquidity requirements	153,692	172,933

1 Stock exchange listed = traded on a recognised stock exchange

3.1 – Liabilities

Trading portfolio – Liabilities

in 1,000 CHF	31.12.2019	31.12.2020
Trading portfolio		
Debt securities, money market securities/transactions [2]	189,724	147,373
stock exchange listed [1]	189,724	147,373
Equity securities [2]	5,272	182
Precious metals [2]	–	–
Other trading portfolio liabilities [2]	2,546	338
Total liabilities	**197,542**	**147,893**
of which, determined using a valuation model	–	–

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

4 – Derivative financial instruments (assets and liabilities)

Derivative financial instruments	Trading instruments			Hedging instruments		
	Replacement values			Replacement values		
in 1,000 CHF	Positive	Negative	Contract volume	Positive	Negative	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	–	–	–	–	–	–
Swaps	398,907	395,954	38,423,011	534,343	854,557	40,633,300
Futures contracts	–	–	3,216,908	–	–	–
Options (OTC)	4,144	4,144	1,559,985	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total interest rate instruments	**403,051**	**400,098**	**43,199,904**	**534,343**	**854,557**	**40,633,300**
Foreign currencies						
Forward contracts	381,611	370,454	29,930,547	17,646	65,482	7,552,427
Comb. interest rate/currency swaps	1	1	296	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	10,121	12,954	970,920	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total foreign currencies	**391,733**	**383,410**	**30,901,763**	**17,646**	**65,482**	**7,552,427**
Precious metals						
Forward contracts	18,316	11,890	1,034,207	–	–	–
Swaps	–	27	89	–	–	–
Futures contracts	–	–	168	–	–	–
Options (OTC)	4,085	9,319	623,477	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total precious metals	**22,402**	**21,236**	**1,657,941**	**–**	**–**	**–**
Equities and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	4,324	–	–	–
Options (OTC)	146,710	146,710	3,150,388	–	–	94,892
Options (exchange traded)	882	404	17,954	–	–	–
Total equities and indices	**147,592**	**147,114**	**3,172,666**	**–**	**–**	**94,892**
Credit derivatives						
Credit default swaps	2,798	2,798	146,179	–	–	–
Total return swaps	–	–	–	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	**2,798**	**2,798**	**146,179**	**–**	**–**	**–**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	17,074	17,074	241,556	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total other	**17,074**	**17,074**	**241,556**	**–**	**–**	**–**
Total 31.12.2020	**984,650**	**971,730**	**79,320,008**	**551,988**	**920,039**	**48,280,619**
of which determined using a valuation model	983,768	971,326	–	551,988	920,039	–
Total 31.12.2019	**1,283,275**	**1,215,792**	**126,837,504**	**540,494**	**964,008**	**44,508,957**
of which determined using a valuation model	1,282,907	1,215,547	–	540,494	964,008	–

Derivative financial instruments by counterparty and time remaining to maturity	Replacement value		Contract volume			
in 1,000 CHF	Positive	Negative	up to 1 year	1 to 5 years	over 5 years	Total
Central clearing houses	393,937	570,440	10,403,893	18,755,670	23,171,150	52,330,713
Raiffeisen banks [1]	100	91	13,185	–	–	13,185
Banks and securities firms	998,201	1,192,414	41,094,602	16,456,809	6,077,652	63,629,063
Stock exchanges	882	404	3,239,353	–	–	3,239,353
Other customers	143,518	128,419	5,916,038	2,017,746	454,528	8,388,313
Total 31.12.2020	**1,536,638**	**1,891,769**	**60,667,072**	**37,230,225**	**29,703,330**	**127,600,627**
Total 31.12.2019	**1,823,769**	**2,179,800**	**101,369,534**	**41,086,879**	**28,890,049**	**171,346,462**

1 Primarily for clients' needs

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted primarily with counterparties with a very good credit rating; 83.5% of the positive replacement values are open with counterparties with an “upper-medium” grade or better rating (Moody's) or with a comparable rating.

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

5 – Financial investments

5.1 Breakdown of financial investments

Breakdown of financial investments	Book value		Fair value	
in 1,000 CHF	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Debt instruments	7,112,239	8,780,798	7,443,014	9,130,621
of which intended to be held until maturity	7,112,239	8,780,798	7,443,014	9,130,621
of which, not intended to be held to maturity (available for sale)	–	–	–	–
Equities	17,609	4,532	18,413	4,694
of which qualified participations [1]	–	–	–	–
Precious metals	–	–	–	–
Real estate	–	–	–	–
Total financial assets	**7,129,847**	**8,785,329**	**7,461,427**	**9,135,315**
of which securities for repo transactions in line with liquidity requirements	7,077,034	8,755,617	–	–

1 At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

Breakdown of counterparties by rating						Book value
31.12.2020 in 1,000 CHF	Very safe investment	Safe investment	Average to good investment	Speculative to highly speculative investment	Highest-risk investment/ default	Unrated investment
Debt securities	8,599,662	20,121	–	–	–	161,015

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

6 – Participations

Participations			2019							2020
in 1,000 CHF	Purchase price	Accumu-lated value adjustments	Book value 31.12.2019	Transfers/ reclassi-fications	Investment	Disinvestment	Value adjustments	Reversals	Book value 31.12.2020	Market value 31.12.2020
Participations Group companies	**54,802**	**−28,261**	**26,542**	**–**	**3,800**	**−12,111**	**−7,574**	**24**	**10,681**	**–**
with market value	–	–	–	–	–	–	–	–	–	–
without market value	54,802	−28,261	26,542	–	3,800	−12,111	−7,574	24	10,681	–
Other participations	**559,773**	**−150,840**	**408,933**	**–**	**6,196**	**−1,339**	**−921**	**–**	**412,869**	**192,536**
with market value	364,236	−139,105	225,131	–	–	–	–	–	225,131	192,536
without market value	195,537	−11,735	183,802	–	6,196	−1,339	−921	–	187,737	–
Total participations	**614,576**	**−179,101**	**435,474**	**–**	**9,996**	**−13,450**	**−8,495**	**24**	**423,550**	**192,536**

In 2018, Raiffeisen Switzerland Cooperative initially terminated the shareholders' binding agreement for KMU Capital Holding AG (formerly Investnet Holding AG) for cause and subsequently, where necessary, voided the agreements in the context of “Investnet”. As a result of the voidance, Raiffeisen Switzerland is claiming all the shares in KMU Capital Holding AG, which is entirely controlled by KMU Capital AG. The dispute is still ongoing. In connection with the voidance of agreements, Raiffeisen Switzerland also wrote off liabilities of CHF 30 million and contingent liabilities amounting to CHF 30 million in 2018. Raiffeisen Switzerland assumes that there will be no more payments.

If, contrary to the expectations of Raiffeisen Switzerland, neither the voidance of the agreements nor the validity of the termination are confirmed, minority shareholders might be entitled to tender shares in KMU Capital Holding AG to Raiffeisen Switzerland according to the shareholders' binding agreement of 2015 and based on a contractually agreed valuation method (put option). Similarly, the above-mentioned written-off liabilities and contingent liabilities could become relevant again. Due to the aforementioned contestation of the contract and the termination of the shareholders' agreement, the put option will not be valued as of 31 December 2020.

7 – Tangible fixed assets

7.1 – Tangible fixed assets

Tangible fixed assets in 1,000 CHF	Purchase price	Cumulative depreciation/ amortisation	2019 Book value 31.12.2019	Transfers/ reclassifications	Investment	Disinvestment	Depreciation/ amortisation	Reversals	2020 Book value 31.12.2020
Bank buildings	254,724	−96,642	158,082	–	156	−2,189	−7,588	–	148,461
Other real estate	13,057	−5,502	7,555	–	–	–	−135	–	7,420
Proprietary or separately acquired software	280,751	−130,788	149,963	–	17,933	−24,535	−23,306	–	120,055
Other tangible fixed assets	212,571	−175,083	37,488	–	29,022	−128	−14,346	–	52,036
Total tangible assets	**761,103**	**−408,015**	**353,088**	**–**	**47,111**	**−26,852**	**−45,375**	**–**	**327,972**

7.2 – Operating leases

Operating leases in 1,000 CHF	31.12.2019	31.12.2020
Non-recognised lease commitments		
Due within 12 months	1,798	1,628
Due within 1 to 5 years	2,583	1,757
Due after 5 years	–	–
Total non-recognised lease commitments	**4,381**	**3,385**
of which obligations that can be terminated within one year	4,381	3,385

8 – Intangible assets

Intangible assets in 1,000 CHF	Purchase price	Cumulative depreciation/ amortisation	2019 Book value 31.12.2019	Investment	Disinvestment	Depreciation/ amortisation	2020 Book value 31.12.2020
Other intangible assets	12,500	−10,685	1,815	–	–	−1,815	–
Total intangible assets	**12,500**	**−10,685**	**1,815**	**–**	**–**	**−1,815**	**–**

9 – Other assets and other liabilities

Other assets and liabilities

in 1,000 CHF	31.12.2019	31.12.2020
Other assets		
Equalisation account	259,757	279,622
Settlement accounts for indirect taxes	629,424	672,788
Other settlement accounts	28,505	27,138
Commodities	2,807	3,847
Miscellaneous other assets	3	1
Total other assets	**920,495**	**983,396**
Other liabilities		
Levies, indirect taxes	24,176	22,797
Solidarity fund	337,891	339,132
of which open guarantees to Raiffeisen banks	866	866
Other settlement accounts	89,196	64,443
Miscellaneous other liabilities	–	110
Total other liabilities	**451,263**	**426,481**

10 – Assets pledged or assigned to secure own commitments and assets under reservation of ownership

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

	2019		2020	
in 1,000 CHF	Book values	Effective commitments	Book values	Effective commitments
Amounts due from Raiffeisen banks	–	–	–	–
Amounts due from other banks	769,932	769,932	815,818	815,818
Amounts due from clients	–	–	177,440	147,538
Mortgage loans	3,208,404	2,135,839	3,204,968	2,147,993
Financial investments	1,177,390	432,892	1,133,953	388,059
Total pledged assets	**5,155,726**	**3,338,663**	**5,332,178**	**3,499,407**
Total assets under reservation of ownership	**–**	**–**	**–**	**–**

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

11 – Pension schemes

All employees of Raiffeisen Switzerland are covered by the Raiffeisen Pension Fund Cooperative. The statutory retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law. The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

11.1 Liabilities to own pension schemes

Liabilities to own social insurance institutions

in 1,000 CHF	31.12.2019	31.12.2020
Amounts due in respect of customer deposits	68,721	81,495
Negative replacement values of derivative financial instruments	7,438	24,560
Bonds	40,000	20,000
Accrued expenses and deferred income	411	264
Total liabilities to own social insurance institutions	**116,570**	**126,319**

11.2 Employer contribution reserves in the Raiffeisen Employer Foundation

Employer contribution reserves in the Raiffeisen Employer Foundation

in 1,000 CHF	31.12.2019	31.12.2020
As at 1 January	**8,199**	**4,919**
+ Deposits [1]	67	–
– Withdrawals [1]	3,354	2,427
+ Interest paid [2]	7	2
As at 31 December	**4,919**	**2,494**

1 Deposits and payments affect the contributions to staff pension plans (see note 26 "Personnel expenses")
2 Interest paid on the employer contribution reserves is recorded as interest income.

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. They are not reported.

11.3 Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual report (in accordance with Swiss GAAP FER 26) of the Raiffeisen Pension Fund Cooperative, the coverage ratio is:

Raiffeisen Pension Fund Cooperative

percent	31.12.2019	31.12.2020
Coverage ratio	116.4	117.8

The fluctuation reserve of the Raiffeisen Pension Fund cooperative slightly exceeded the 115% target set out in the regulations as of 31 December 2020. The Assembly of Delegates of Raiffeisen Pension Fund Cooperative decides how any uncommitted funds will be used. In this decision, the Assembly generally follows the "Principles on the appropriation of uncommitted funds (profit participation)" that it has adopted. The Board of Directors of Raiffeisen Switzerland assumes that even if uncommitted funds are available, no economic benefits will accrue to the employer until further notice; uncommitted funds are to be used to benefit pension plan members.

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

Pension expenditure is explained under "Contribution to staff pension plans" in note 26 "Personnel expenses".

12 – Issued structured products

Issued structured products					Book value
	Valued as a whole		Valued separately		
31.12.2020 in 1,000 CHF	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	Total
Underlying risk of the embedded derivative					
Interest rate instruments	**–**	**–**	**8,768**	**−4,144**	**4,624**
With own debenture component (oDC)	–	–	8,768	−4,144	4,624
Without oDC	–	–	–	–	–
Equity securities	**–**	**–**	**1,578,714**	**−63,873**	**1,514,841**
With own debenture component (oDC)	–	–	1,578,714	−77,711	1,501,003
Without oDC	–	–		13,838	13,838
Foreign currencies	**–**	**–**	**–**	**–**	**–**
With own debenture component (oDC)	–	–	–	–	–
Without oDC	–	–	–	–	–
Commodities/precious metals	**–**	**–**	**121,117**	**15,998**	**137,114**
With own debenture component (oDC)	–	–	121,117	15,998	137,114
Without oDC	–	–	–	–	–
Credit derivatives	**–**	**–**	**73,509**	**584**	**74,092**
With own debenture component (oDC)	–	–	73,509	584	74,092
Without oDC	–	–	–	–	–
Total	**–**	**–**	**1,782,107**	**−51,436**	**1,730,671**

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

13 – Outstanding bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans

31.12.2020 in 1,000 CHF	Year of issue	Interest rate	Maturity	Early termination possibility	Bond principal in
Own bonds					
Non-subordinated	2010	2.000	21.09.2023	–	250,000
	2011	2.625	04.02.2026	–	149,155
	2014	1.625	07.02.2022	–	99,235
	2016	0.300	17.09.2020	–	371,560
	2016	0.750	22.04.2025	–	81,915
	2018	0.350	22.04.2031	–	389,145
	2019	0.125	16.02.2024	–	100,000
	2020	0.000	19.06.2020	–	175,000
	2020	0.000	11.09.2020	–	112,000
Subordinated with PONV clause [1]	2018	2.000	Perpetual	02.05.2023	400000 [2]
	2020	2.000	Perpetual	16.04.2026	492110 [2]
	2020	0.1825	07.05.2024	11.11.2024	149,500
	2020	0.500	07.10.2020	11.11.2027	175,000
	2020	1.500	07.10.2020	23.11.2033	175,000
Underlying instruments from issued structured products [3]	div.	0.119 [4]	2021		1,235,869
		−0.077 [4]	2022		277,975
		0.716 [4]	2023		88,657
		0.100 [4]	2024		146,942
		−0.010 [4]	2025		15,095
		0.673 [4]	after 2025		17,568
Total own bonds					**4,901,727**
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	div.	1.212 [4]	div.		**2,085,430**
Total outstanding bond issues and central mortgage institution loans					**6,987,157**

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

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

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

4 Average weighted interest rate (volume-weighted).

14 – Value adjustments, provisions and reserves for general banking risks

Value adjustments, provisions and reserves for general banking risks	2019						2020
in 1,000 CHF	31.12.2019	Appropriate application	Reclassifications	Past due interest, recoveries	New provisions against income statement	Dissolution of provisions against income statement	31.12.2020
Provisions							
Provisions for default risks	5,289	−1,318	63	–	7,282	−1,860	9,456
Provisions for other business risks[1]	70,764	−11,292	–	–	–	–	59,473
Provisions for restructuring	21,385	−13,182	–	–	–	–	8,203
Other provisions[2]	27,179	−3,338	–	–	–	−250	23,591
Total provisions	**124,617**	**−29,130**	**63**	**–**	**7,282**	**−2,110**	**100,722**
Reserves for general banking risks	**6,336**	**–**	**–**	**–**	**41,652**	**–**	**47,988**
of which taxed	6,336	–	–	–	34,552	–	40,888
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	159,380	−7,030	−63	190	22,624	−8,634	166,467
Value adjustments for latent risks	–	–	–	–	–	–	–
Total value adjustments for default and country risks	**159,380**	**−7,030**	**−63**	**190**	**22,624**	**−8,634**	**166,467**

1 The provisions of CHF 59.5 million for other business risks include provisions of CHF 49.2 million, which resulted from the repurchase of ARIZON Sourcing Ltd in Liquidation at the end of 2018.
2 Other provisions include provisions for legal expenses.

15 – Cooperative capital

Cooperative capital			2019			2020
in 1,000 CHF	Total par value	Number of shares in 1,000	Interest-bearing capital	Total par value	Number of shares in 1,000	Interest-bearing capital
Cooperative capital	1,700,000	1,700	1,700,000	1,700,000	1,700	1,700,000
of which, paid up	1,700,000	1,700	1,700,000	1,700,000	1,700	1,700,000

The cooperative capital is owned in full by the 225 Raiffeisen banks within Raiffeisen Switzerland (previous year: 229 Raiffeisen banks). As in the previous year, no Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. As at 31 December 2020, this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 2,273.2 million, of which CHF 893.8 million have been paid in. The Raiffeisen banks took over CHF 806.2 million in share certificates without applying this amount toward the call-in obligation.

16 – Related parties

Amounts due from/to related parties	Amounts due from		Amounts due to	
in 1,000 CHF	2019	2020	2019	2020
Group companies	216,154	218,077	326,610	356,959
Transactions with members of governing bodies	10,445	7,042	2,960	5,802
Other related parties	96,974	144,319	204,303	267,555
Total amounts due from/to related parties	**323,572**	**369,437**	**533,874**	**630,316**

Material off-balance-sheet transactions with related parties

Contingent liabilities to related parties amounted to CHF 2.4 billion (previous year: CHF 2.6 billion). Irrevocable commitments to related parties amounted to CHF 227.8 million (previous year: CHF 372.8 million).

Transactions with related parties

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

- The Executive Board and the Head of Internal Auditing of Raiffeisen Switzerland enjoy industry-standard preferential terms, as do other personnel.
- Amounts due from Group companies of CHF 218.1 million include unsecured loans of CHF 136.3 million (last maturity on 31 December 2025) with an average interest rate of 1.4%.
- Amounts due to Group companies of CHF 357.0 million include positions in the amount of CHF 9 million that have an average interest rate of 0%.
- Liabilities to other related parties include CHF current account balances in the amount of CHF 45.9 million for which the credit balance exceeding the allowance is subject to a negative interest rate of –0.4%. Furthermore, a credit balance in the amount of CHF 7.7 million is included, which bears 2.75% interest.

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

17 – Maturity structure of financial instruments

Maturity structure of financial instruments (Assets/financial instruments)			Due				
in 1,000 CHF	On demand	Redeemable by notice	within 3 months	within 3 to 12 months	within 1 to 5 years	after 5 years	Total
Liquid assets	35,390,664	–	–	–	–	–	35,390,664
Amounts due from Raiffeisen banks	1,095,917	–	–	–	–	–	1,095,917
Amounts due from other banks	119,221	–	3,798,649	30,000	–	–	3,947,870
Amounts due from securities financing transactions	–	–	–	–	–	–	–
Amounts due from clients	95	250,891	1,313,506	514,862	741,520	192,885	3,013,758
Mortgage loans	868	82,661	814,965	1,211,468	5,556,992	3,243,699	10,910,652
Trading portfolio assets	979,556	–	–	–	–	–	979,556
Positive replacement values of derivative financial instruments	1,536,638	–	–	–	–	–	1,536,638
Financial investements [1]	4,532	–	55,017	610,458	2,658,693	5,456,630	8,785,329
Total 31.12.2020	**39,127,491**	**333,551**	**5,982,137**	**2,366,787**	**8,957,204**	**8,893,214**	**65,660,384**
Total 31.12.2019	**33,481,347**	**300,514**	**9,916,269**	**2,259,519**	**8,450,353**	**7,803,725**	**62,211,727**

1 No real estate figures are included in the financial assets (prior year: 0.00 Swiss francs).

Maturity structure of financial instruments (Debt capital/financial instrumentss)			Due				
in 1,000 CHF	On demand	Redeemable by notice	within 3 months	within 3 to 12 months	within 1 to 5 years	after 5 years	Total
Amounts due to Raiffeisen banks	26,703,345	–	–	–	–	–	26,703,345
Amounts due to other banks	472,603	147,878	7,189,611	1,155,974	88,000	–	9,054,065
Liabilities from securities financing transactions	–	–	4,166,680	14,147	–	–	4,180,827
Amounts due in respect of customer deposits	5,241,399	5,371,945	2,535,655	973,263	1,134,543	592,286	15,849,091
Trading portfolio liabilities	147,893	–	–	–	–	–	147,893
Negative replacement values of derivative financial instruments	1,891,769	–	–	–	–	–	1,891,769
Cash Bonds	–	–	325	1,006	17,749	–	19,080
Bond issues and central mortgage institution loans	–	–	887,320	605,999	2,809,990	2,683,848	6,987,157
Total 31.12.2020	**34,457,009**	**5,519,822**	**14,779,591**	**2,750,389**	**4,050,282**	**3,276,134**	**64,833,227**
Total 31.12.2019	**26,194,093**	**4,664,273**	**18,856,489**	**5,035,733**	**3,856,325**	**2,760,233**	**61,367,147**

18 – Total assets by credit rating of country groups (foreign assets)

Total assets by credit rating of country groups	Net foreign exposure			
in 1,000 CHF	31.12.2019	in %	31.12.2020	in %
Rating class				
Very safe investment	7,108,608	98.0	4,115,444	99.2
Safe investment	22,477	0.3	20,278	0.5
Average to good investment	121,261	1.7	9,154	0.2
Speculative to highly speculative investment	1,500	0.0	1,007	0.0
Highest-risk investment/default	–	–	–	–
Unrated investment	2,519	0.0	1,807	0.0
Total assets	**7,256,366**	**100.0**	**4,147,689**	**100.0**

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

19 – Balance sheet by currency

Balance sheet by currency

31.12.2020 in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	35,197,546	132,599	5,943	54,577	35,390,664
Amounts due from Raiffeisen banks	1,094,932	–	–	985	1,095,917
Amounts due from other banks	1,125,098	671,361	1,402,744	748,666	3,947,870
Amounts due from securities financing transactions	–	–	–	–	–
Amounts due from clients	2,579,986	355,953	64,786	13,033	3,013,758
Mortgage loans	10,910,652	–	–	–	10,910,652
Trading portfolio assets	396,011	263	11,886	571,397	979,556
Positive replacement values of derivative financial instruments	1,536,638	–	–	–	1,536,638
Financial investments	8,781,848	7	3,467	7	8,785,329
Accrued income and prepaid expenses	233,233	1,157	473	106	234,967
Participations	423,543	–	–	7	423,550
Tangible fixed assets	327,972	–	–	–	327,972
Intangible assets	–	–	–	–	–
Other assets	983,396	–	–	–	983,396
Total assets reflected in the balance sheet	**63,590,854**	**1,161,341**	**1,489,298**	**1,388,777**	**67,630,269**
Delivery claims under spot exchange, forward exchange and currency option contracts	12,328,840	11,464,544	11,546,871	3,818,985	39,159,241
Total assets	**75,919,694**	**12,625,885**	**13,036,169**	**5,207,762**	**106,789,510**
Liabilities					
Amounts due to Raiffeisen banks	23,391,356	2,482,707	438,914	390,368	26,703,345
Amounts due to other banks	4,033,425	987,428	2,919,704	1,113,508	9,054,065
Liabilities from securities financing transactions	3,813,000	–	367,827	–	4,180,827
Amounts due in respect of customer deposits	14,042,145	1,005,825	695,851	105,269	15,849,091
Trading portfolio liabilities	147,893	–	–	–	147,893
Negative replacement values of derivative financial instruments	1,891,769	–	–	–	1,891,769
Cash Bonds	19,080	–	–	–	19,080
Bond issues and central mortgage institution loans	6,819,514	95,488	54,988	17,167	6,987,157
Accrued expenses and deferred income	297,050	1,954	2,491	333	301,827
Other liabilities	426,480	1	–	–	426,481
Provisions	100,722	–	–	–	100,722
Reserves for general banking risks	47,988	–	–	–	47,988
Cooperative capital	1,700,000	–	–	–	1,700,000
Statutory retained earnings reserve	177,523	–	–	–	177,523
Profit	42,500	–	–	–	42,500
Total liabilities reflected in the balance sheet	**56,950,446**	**4,573,403**	**4,479,776**	**1,626,644**	**67,630,269**
Delivery obligations under spot exchange, forward exchange and currency option contracts	19,011,713	8,084,100	8,486,604	3,607,399	39,189,815
Total liabilities	**75,962,159**	**12,657,503**	**12,966,380**	**5,234,043**	**106,820,085**
Net position per currency	**−42,465**	**−31,618**	**69,789**	**−26,281**	**−30,575**

Foreign currency conversion rates	31.12.2019	31.12.2020
EUR	1.087	1.082
USD	0.968	0.884

Information on off-balance-sheet transactions

20 – Contingent assets and liabilities

Contingent assets and liabilities

in 1,000 CHF	31.12.2019	31.12.2020
Contingent liabilities		
Guarantees to secure credits and similar	2,981,383	2,783,851
Performance guarantees and similar[1]	94,456	201,033
Other contingent liabilities	154,442	140,246
Total contingent liabilities	**3,230,282**	**3,125,131**
Contingent assets		
Contingent assets arising from tax losses carried forward	14,073	39,500
Other contingent assets	–	–
Total contingent assets	**14,073**	**39,500**

1 The performance guarantees include a guaranteed open amount vis-a-vis third parties that applies to derivative transactions, whose underlying replacement values vary according market conditions. The guarantee is evaluated with a scenario-based risk model and at 31 december 2020 amounted to CHF 137.6 million.

21 – Fiduciary transactions

Fiduciary transactions

in 1,000 CHF	31.12.2019	31.12.2020
Fiduciary investments with third-party banks	16,957	4,219
Total fiduciary transactions	**16,957**	**4,219**

Information on the income statement

22 – Result from interest operations

Result from interest operations

in 1,000 CHF	2019	2020
Interest and dividend income		
Interest income from amounts due from Raiffeisen banks	71,425	34,827
Interest income from amounts due from other banks	−4,362	−4,722
Interest income from securities financing transactions	770	−56
Interest income from amounts due from clients	41,172	40,424
Interest income from mortgage loans	146,131	137,200
Interest and dividend income from financial investments	40,892	32,072
Other interest income	34,671	27,194
Total interest and dividend income	**330,699**	**266,939**
of which negative interest on the lending business	−75,519	−86,755
Interest expenditure		
Interest expenditure from amounts due to Raiffeisen banks	53,507	63,386
Interest expenditure from amounts due to other banks	2,059	31,307
Interest expenditure from securities financing transactions	3,654	38,414
Interest expenditure from amounts due to clients	−14,140	1,465
Interest expenditure from cash bonds	−226	−111
Interest expenditure from bond issues and central mortgage institution loans	−95,476	−92,875
Other interest expenses	−119,203	−82,470
Total interest expenditure	**−169,823**	**−40,886**
of which negative interest on the borrowing business	78,905	159,828
Gross result from interest operations	**160,876**	**226,053**

23 – Result from commission business and services

Net income from commission business and service transactions

in 1,000 CHF	2019	2020
Commission income		
Commission income from securities trading and investment activities		
Custody account business	25,795	24,402
Brokerage	11,004	14,282
Fund business and asset management business	17,388	17,740
Other securities trading and investment activities	29,214	19,440
Commission income from lending business	16,823	18,558
Commission income from other service transactions		
Payments	56,342	51,200
Account maintenance	2,222	2,498
Other service transactions	3,927	3,594
Total commission income	**162,715**	**151,714**
Commission expenditure		
Securities business	−38,559	−39,844
Payments	−2,666	−1,994
Other commission expenditure	−107	−704
Total commission expenditure	**−41,332**	**−42,542**
Total net income from commission business and service transactions	**121,383**	**109,171**

24 – Result from trading activities

24.1 – Breakdown by business area

Result from trading activities
Breakdown by business area

in 1,000 CHF	2019	2020
Branches of Raiffeisen Switzerland	7,601	7,366
Equities trading desk	5,990	6,012
Foreign currency trading desk	8,807	9,032
Fixed income trading desk	7,800	17,155
Macro hedge trading desk	−275	−12
Banknotes/precious metals trading desk	38,989	29,237
Options trading desk	1,327	2,281
Rates trading desk	9,117	6,386
Total net trading income	**79,358**	**77,457**

24.2 – Breakdown by underlying risk

Result from trading activities
Breakdown by underlying risk

in 1,000 CHF	2019	2020
Foreign exchange trading	14,638	15,149
Precious metals and foreign notes and coins trading	40,661	31,092
Equities trading	6,698	7,641
Fixed income trading	17,361	23,575
Total net trading income	**79,358**	**77,457**

25 – Other ordinary income

Other ordinary income

in 1,000 CHF	2019	2020
IT services for Group companies	62,575	66,533
Other individual services provided for Group companies	192,668	153,395
Raiffeisen bank contributions for collective/strategic services and management of finances	72,151	79,956
Charges for internal services relating to Group projects	25,939	58,054
Other	8,154	2,657
Total other ordinary income	**361,485**	**360,594**

26 – Personnel expenses

Personnel expenses

in 1,000 CHF	2019	2020
Meeting attendance fees and fixed compensation to members of the banking authorities	1,791	2,148
Salaries and bonuses for staff	337,232	316,458
AHV, IV, ALV and other statutory contributions	26,586	24,440
Contributions to staff pension plans	36,148	35,938
Other personnel expenses	6,033	6,863
Total personnel expenses	**407,790**	**385,847**

27 – General and administrative expenses

General and administrative expenses

in 1,000 CHF	2019	2020
Office space expenses	23,004	24,836
Expenses for information and communications technology	65,967	66,395
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,533	3,262
Auditor fees	2,775	2,052
of which, for financial and regulatory audits	2,426	1,801
of which, for other services	348	251
Other operating expenses	152,214	131,400
Total general and administrative expenses	**247,493**	**227,944**

28 – Extraordinary income and expenses, changes to hidden reserves

Current year

In the extraordinary income of CHF 2.3 million, CHF 1.8 million was credited from the final write-off of ARIZON Sourcing Ltd, which was removed from the commercial register as at the end of 2020. In addition, CHF 0.4 million was released from the sale of tangible fixed assets.

Prior year

The extraordinary income of CHF 28.5 million includes CHF 22.5 million from the sale of licences of the core banking system to the Raiffeisen banks. Furthermore, CHF 5.2 million from the integration of ARIZON Sourcing Ltd, which is currently in liquidation, was credited to extraordinary income. In addition, hidden reserves of CHF 9.2 million were dissolved in fixed assets.

29 – Current taxes

Current taxes

in 1,000 CHF	2019	2020
Expenditure for current income tax	1,800	1,140
Total tax expenditure	**1,800**	**1,140**
Average tax rate weighted on the basis of the operating result	14.1%	1.4%

Loss carryforwards of CHF 78.1 million were claimed for the tax calculation in 2020. Deferred tax is solely calculated and reported at the Raiffeisen Group level.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of Raiffeisen Switzerland Cooperative, St. Gallen

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Raiffeisen Switzerland Cooperative, which comprise the balance sheet as at 31 December 2020, income statement, statement of changes in equity and notes for the year then ended, including a summary of significant accounting policies.

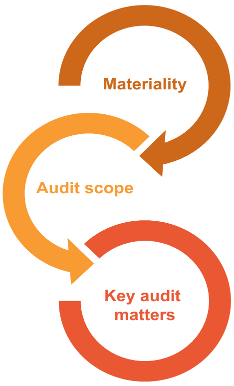
In our opinion, the financial statements as at 31 December 2020 comply with Swiss law and the articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

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

Our audit approach

Overview



Overall materiality: CHF 9.6 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which Raiffeisen Switzerland Cooperative operates.

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

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

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

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

Overall materiality	CHF 9.6 million
How we determined it	0.5 % of net assets (equity)
Rationale for the materiality benchmark applied	We chose net assets (equity) as the benchmark because, in our view, it is the benchmark which represents the solvency and security of Raiffeisen Switzerland Cooperative and it is key for the economic decisions of the cooperative members, customers and the supervisory authority.

We agreed with the Audit Committee of the Board of Directors that we would report to them misstatements above CHF 960'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
We consider the valuation of loans to customers as a key audit matter as they represent a significant portion of total assets at 21 % (prior year: 22 %). In addition, judgement is required to assess the valuation and the amount of any impairment. In particular, we focussed on the following points: • The approach applied by Raiffeisen Switzerland Cooperative to identify customer loans that are potentially impaired • The appropriateness and application of the significant judgement permitted by the policies relating to the calculation of the amount of any potential individual value adjustments The accounting and valuation principles applied to customer loans, the process used to identify the	We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans: • *Credit analysis* Review of compliance with the guidelines and requirements concerning documentation, ability to repay, valuation and collateral • *Loan approval* Review of compliance with the requirements of the internal authorisation regulations • *Loan disbursement* Review of whether the disbursement of loans to customers is executed only after all of the required documents are present • *Credit monitoring* Review of whether the identification of loans that show signs of being at risk is done in a timely and complete manner and whether loans that show signs of being at risk and impairments are checked periodically, especially with regard to the realisability of the collateral cover and the amount of the impairment.

default risk and to determine the need for impairment as well as the evaluation of the collateral cover are taken from the financial statements.	Further, we performed the following tests of detail on a sample basis: • We performed an assessment of the impairment of customer loans and tested the *application of the processes* to identify customer loans with a potential need for impairment. Our sample contains a random selection of positions out of the entire loan portfolio as well as a risk-oriented selection of doubtful receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Switzerland Cooperative regarding the value of collateral with no observable market price as well as other available information on market prices and price comparisons. • In addition, we made an assessment of the *method to estimate impairments*. Our audit focussed on customer loans identified as being at risk in the sense of the accounting rules for banks. We also checked whether the impairments were made in accordance with the accounting rules and the accounting and valuation principles of Raiffeisen Switzerland Cooperative. The assumptions used were within the range of our expectations.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

We further confirm that the administration of the cooperative register and the proposed distribution of profit comply with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Rolf Birrer	Adrian Meier
Audit expert Auditor in charge	Audit expert

St. Gallen, 14 April 2021

KEY FIGURES

Five-year overview

Balance sheet

Balance Sheet

in 1,000 CHF	2016	2017	2018	2019	2020
Assets					
Liquid assets	18,779,805	18,819,203	17,993,258	28,377,439	35,390,664
Amounts due from Raiffeisen banks	2,923,285	2,655,902	3,023,050	2,381,568	1,095,917
Amounts due from other banks	6,948,718	8,214,912	1,815,732	7,562,069	3,947,870
Amounts due from securities financing transactions	13,204	51,371	4,920	249,941	–
Amounts due from clients	2,274,938	2,441,407	3,490,328	2,824,270	3,013,758
Mortgage loans	9,121,212	9,870,963	10,719,248	11,104,948	10,910,652
Trading portfolio assets	1,282,433	1,325,870	1,027,521	757,875	979,556
Positive replacement values of derivative financial instruments	1,604,991	1,632,217	1,310,767	1,823,769	1,536,638
Financial investments	6,596,490	6,308,591	6,560,872	7,129,847	8,785,329
Accrued income and prepaid expenses	239,406	228,036	227,896	247,005	234,967
Participations	1,243,250	1,055,938	423,809	435,474	423,550
Tangible fixed assets	249,126	195,321	232,866	353,088	327,972
Intangible assets	18,145	6,653	4,234	1,815	–
Other assets	616,755	788,398	754,607	920,495	983,396
Total assets	**51,911,758**	**53,594,782**	**47,589,108**	**64,169,604**	**67,630,269**
Liabilities					
Amounts due to Raiffeisen banks	14,063,534	15,528,573	15,366,151	18,906,019	26,703,345
Amounts due to other banks	14,047,052	13,676,261	6,410,927	12,263,833	9,054,065
Liabilities from securities financing transactions	2,514,988	1,757,968	2,925,136	6,326,901	4,180,827
Amounts due in respect of customer deposits	10,714,330	11,044,803	11,423,677	13,943,409	15,849,091
Trading portfolio liabilities	138,207	133,799	69,530	197,542	147,893
Negative replacement values of derivative financial instruments	1,825,313	1,610,794	1,535,839	2,179,800	1,891,769
Cash Bonds	73,681	61,758	30,563	22,569	19,080
Bond issues and central mortgage institution loans	5,743,882	6,836,274	7,021,981	7,527,074	6,987,157
Accrued expenses and deferred income	266,380	289,993	310,936	300,217	301,827
Other liabilities	433,423	458,400	436,675	451,263	426,481
Provisions	16,834	16,685	128,373	124,617	100,722
Reserves for general banking risks	158,450	259,450	9,297	6,336	47,988
Cooperative capital	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Statutory retained earnings reserve	169,443	173,183	177,523	177,523	177,523
Profit	46,240	46,840	42,500	42,500	42,500
Total equity capital	**2,074,133**	**2,179,473**	**1,929,320**	**1,926,360**	**1,968,012**
Total liabilities	**51,911,757**	**53,594,781**	**47,589,108**	**64,169,604**	**67,630,269**

Income statement

Income statement

in 1,000 CHF	2016	2017	2018	2019	2020
Interest and discount income	372,806	320,123	303,687	289,808	234,867
Interest and dividend income from financial investments	52,852	48,337	43,735	40,892	32,072
Interest expenses	−302,113	−242,372	−192,056	−169,823	−40,886
Gross result from interest operations	**123,546**	**126,088**	**155,366**	**160,876**	**226,053**
Changes in value adjustments for default risks and losses from interest operations	−14,665	−1,782	−126,465	−20,544	−15,280
Subtotal net result from interest operations	**108,881**	**124,306**	**28,901**	**140,332**	**210,773**
Commission income securities trading and investment business	49,973	73,690	77,588	83,401	75,863
Commission income from lending business	8,151	13,395	16,267	16,823	18,558
Commission income other services	57,069	59,711	63,010	62,491	57,292
Commission expenses	−33,308	−44,286	−46,362	−41,332	−42,542
Net income from commission business and service transactions	**81,885**	**102,510**	**110,503**	**121,383**	**109,171**
Net trading income	**84,222**	**79,522**	**78,138**	**79,358**	**77,457**
Results from the disposal of financial investments	2,632	20,525	2,607	10,747	989
Income from participations	51,311	52,322	71,510	40,792	27,327
Results from real estate	3,938	3,668	3,884	4,344	3,595
Other ordinary income	387,971	403,513	401,193	361,485	360,594
Other ordinary expenses	−45,550	−34,243	−42,905	−32,427	−31,675
Other ordinary profit	**400,302**	**445,785**	**436,289**	**384,941**	**360,830**
Operating income	**675,290**	**752,123**	**653,831**	**726,014**	**758,232**
Personnel expenses	−354,690	−381,111	−383,815	−407,790	−385,847
General and administrative expenses	−255,880	−254,653	−294,285	−247,493	−227,944
Operating expenses	**−610,571**	**−635,764**	**−678,100**	**−655,283**	**−613,792**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−133,589	−74,775	−109,154	−45,290	−55,684
Changes to provisions and other value adjustments, and losses	−5,650	−4,352	−117,910	−12,633	−5,745
Operating result	**−74,520**	**37,232**	**−251,333**	**12,808**	**83,011**
Extraordinary income	9,196	116,316	46,180	28,534	2,307
Extraordinary expenses	−26,119	−673	−1	−2	−25
Changes in reserves for general banking risks	140,450	−101,000	250,153	2,961	−41,652
Taxes	−2,767	−5,035	−2,500	−1,800	−1,140
Profit	**46,240**	**46,840**	**42,500**	**42,500**	**42,500**

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