

## Press release

*Interim financial statement of the Raiffeisen Group as at 30 June 2016*

### **Raiffeisen grows and invests**

**St.Gallen, 10 August 2016. The Raiffeisen Group's core business performed well despite the challenging environment. Especially in cities and metropolitan areas, Raiffeisen exceeded its growth targets. Total asset growth remains on a high level, and the rates business has improved compared to the previous year. Despite these favourable developments, the Group's half-year profit declined CHF 28 million to CHF 367 million due to investments in Raiffeisen's future and the effects of the volatile market situation on the trading business.**

Volatile markets continued to pose huge challenges to the banking industry in the last half-year, while the Brexit vote further eroded interest rates that were already low. Raiffeisen's core business performed favourably nevertheless. The Group grew the rates business 1.5% in the first half-year. The growth easily absorbed hedging costs, which were significantly higher than the previous year. The commission and service business built on the previous year's success and rose 3.1%. The trading business (-12.5%) and the valuation of financial assets sustained losses due to the unfavourable market situation.

The implementation of Raiffeisen's strategic initiatives caused operating expenditure to rise considerably (+5.4%). As a result, the half-year profit fell CHF 28 million overall to CHF 367 million. Strong growth in the core business was unable to completely offset the effects of these extraordinary items in the first half of 2016.

### **Stable growth rates in the core business**

The 270 cooperative banks and 6 branches of Raiffeisen Switzerland proved to be exceedingly robust. Compared to the rest of the market, they achieved high growth rates in the mortgage business (+2.2%) and in client deposits (+2.6%). Raiffeisen exceeded the growth targets in the rates business, especially in the cities and metropolitan areas where Raiffeisen is not traditionally as well established. "Raiffeisen will maintain its strong position in the rates business. Going forward, this will remain our most important revenue stream by far", said Patrik Gisel, Chairman of the Executive Board of Raiffeisen Switzerland. He welcomes the fact that Raiffeisen has steadily reduced its dependence on the rates business in recent years, though. "Our diversification efforts have yielded a broader portfolio of services for our clients."

### **Raiffeisen continues to pursue strategic initiatives**

Operating expenditure rose due to extensive development work on the future core banking system and investments in the expansion of digital channels. Raiffeisen reached its first major milestones in these areas in the first half of 2016 as it rolled out the online mortgage and a mobile payment solution.

The development of the new core banking system and last year's acquisition of Bank La Roche & Co Ltd caused the workforce to increase to 9,315 full-time positions (+0.3% year-on-year). The implementation of the strategic initiatives temporarily increased the cost/income ratio to 63.2%. Raiffeisen views these expenses as a long-term investment in its future.

### **Repositioning in asset management**

On 29 June 2016, Raiffeisen and Vontobel agreed to cooperate even more closely in asset management. In the future, Raiffeisen will focus on supporting and advising clients in the investment business. Vontobel will take over Vescore Ltd and its asset management capabilities from Raiffeisen and focus on developing and managing products. The transaction has no impact on the present half-year results as it is expected to be completed in the third quarter.

### **Raiffeisen meets capital adequacy requirements**

The new too-big-to-fail (TBTF) provisions of the Swiss Federal Banking Act and the Capital Adequacy Ordinance went into force on 1 July 2016. This change involved a redefinition of the risk-weighted and unweighted capital ratio (leverage ratio) that Raiffeisen is required to have as a systemically important bank. Raiffeisen already meets the new requirements, having a risk-weighted capital ratio of 16.1% (requirement: 14.4%) and a leverage ratio of 6.7% (requirement: 4.625%) as at 30 June 2016.

### **Outlook**

The dynamic economic environment – exacerbated by the Brexit vote and the resulting uncertainty – makes it difficult to give an outlook. Raiffeisen expects long-term interest rates to drop again, further increasing pressure on interest margins. Likewise, financial market volatility is expected to continue, which could have negative effects on the commission and trading business. No relief can be expected on the cost side due to the ongoing development of the new core banking system. Due to this scenario, Raiffeisen does not expect to be able to repeat the previous year's record results. The core business is expected to continue its favourable volume trends and positive earnings trajectory.

## The Raiffeisen Group at a glance (as at 30 June 2016)

	1 Jan. – 30 June 2016 (in million CHF)	1 Jan. – 30 June 2015 (in million CHF)	Change in %
<b>Key income statement figures</b>			
Operating income	1,522	1,507	1.0
Operating expenditure	962	913	5.4
Operating result	464	503	-7.7
Group profit	367	395	-7.1
Cost/income ratio	63.2%	60.6%	

	30 June 2016 (in million CHF)	31 Dec. 2015 (in million CHF)	Change in %
<b>Key balance sheet figures</b>			
Total assets	213,539	205,748	3.8%
Loans to clients	169,981	166,479	2.1%
Mortgage receivables	162,007	158,594	2.2%
Liabilities from customer deposits	154,244	150,272	2.6%
Customer deposits in % of loans to clients	90.7%	90.3%	

<b>Client assets</b>			
Client assets under management	211,708	208,856	1.4

<b>Resources</b>			
Number of employees	11,053	11,046	0.1
Number of full-time positions	9,315	9,286	0.3
Number of locations	977	994	-1.7

### Conference call:

Dr. Patrik Gisel, Chairman of the Executive Board of Raiffeisen Switzerland, will comment on the half-year results at 10:00 a.m. during a conference call and will be available to answer questions from representatives of the media. The conference call will be conducted in standard German. Please register in advance by sending an e-mail to [medien@raiffeisen.ch](mailto:medien@raiffeisen.ch).

The presentation will be available on our website as a PDF file after 10:00 a.m.: [www.raiffeisen.ch/medien](http://www.raiffeisen.ch/medien)

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### **Raiffeisen: third largest banking group in Switzerland**

The Raiffeisen Group is the leading Swiss retail bank. The third largest bank in the Swiss banking sector has 1.9 million cooperative members and 3.7 million clients. The Raiffeisen Group is represented at 977 locations throughout Switzerland. The 270 legally autonomous Raiffeisen cooperative banks are amalgamated into the Raiffeisen Switzerland Cooperative, which is the strategic leader of the entire Raiffeisen Group. Raiffeisen offers private individuals and companies a wide range of products and services through Group companies, joint ventures and enterprises in which it holds an equity investment. As at 30 June 2016, the Raiffeisen Group had CHF 212 billion in assets under management and CHF 170 billion in loans to clients. The market share is 17.1% in the mortgage business. Total assets amount to CHF 214 billion.

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