

Press Release

Outstanding financial year for Raiffeisen

St. Gallen, March 2nd, 2018. The profitability of the Raiffeisen Group endures: the banking group has recorded its highest net profit ever. All divisions contributed to this outstanding result. An important milestone was reached with the completion of the new core banking system and its implementation in the first Raiffeisen banks at the beginning of 2018.

In a market characterised by profound structural changes driven by the changing needs of customers, as well as ongoing digitization and strict regulatory requirements, the Raiffeisen Group has achieved an excellent result. While the operating income rose through an increase in all revenue streams by 6.5 percent to CHF 3.3 billion, the commercial success grew above average by 29.7 percent to CHF 1.1 billion.

Group profit higher than ever

While the operating expenses rose only slightly compared to the previous year to CHF 2.0 billion, the profitability of the Raiffeisen Group improved markedly. As a consequence, the cost/income ratio rose by 3.1 percentage points to 60.8 percent. The record-high group profit of CHF 917.1 million reflects the operating profitability of the Raiffeisen banks on the one hand, while on the other, the profit from the sale of the participations of Helvetia and Avaloq contributed to this to the tune of CHF 119.4 million. Thanks to the outstanding results, Raiffeisen also built up additional reserves for general banking risks amounting to CHF 80 million.

Dr. Patrik Gisel, Chairman of the Executive Board at Raiffeisen Switzerland, was very pleased by the outstanding business result: "The fantastic annual statement of the Raiffeisen Group is the result of a prudent business policy and a clear business model based on three pillars: the consistent advancement of our core business of 'Living', and the continuous expansion of the two business areas 'Assets' and 'Entrepreneurship'."

The main pillar of revenue, contributing almost 70 percent, remains the rates business. The net result from interest income increased by CHF 28.8 million or 1.3 percent. The challenging negative interest rate environment led to the further constriction of the interest margins. Highly pleasing, supported by the market environment, the result from commission business and services increased by CHF 27.6 million or 5.9 percent. The result from market activities also slightly, increased by CHF 2.5 million or by 1.1 percent. The remaining income of CHF 142.6 million or 73.4 percent increased considerably. Through this item expenses in connection with the renewal of the core banking system at Raiffeisen and Notenstein La Roche are activated. This revenue item will be considerably lower in the future.

Mortgage business remains the most important pillar

The balance sheet business has also developed favorably: the mortgage loans have grown well ahead of the market average, with an increase of CHF 7.2 billion. Raiffeisen's market share of domestic mortgages now amounts to 17.5 percent – maintaining the consistently high quality of the mortgage portfolio based on a security-oriented credit policy.

Assets under management of the Raiffeisen Group have also shown a positive development. They rose by CHF 6.8 billion or 3.4 percent to CHF 209.6 billion in 2017 – taking the sale of the Eastern Europe portfolio of Notenstein La Roche to Vontobel totalling CHF 2 billion into account.

TLAC requirements now almost met

In June 2017, the Federal Council published an evaluation report defining the TLAC (total loss absorbing capacity) requirements for systemically important banks in Switzerland. This outlined additional requirements the Raiffeisen Group will most likely need to meet as of 2025. Raiffeisen assumes that these additional requirements will have already been met within the seven-year transition period, thanks to the high retention of earnings in the cooperative model.

Focused Notenstein La Roche Private Bank

At Notenstein La Roche, the last financial year was dedicated to its strategic reorientation, with a positive as well as negative reflection in the figures. Assets under management fell from CHF 20.3 billion to CHF 16.8 billion. CHF 2.14 billion were attributable to the Eastern Europe business, sold in the context of focussing on the Swiss home market and selected target markets. Thanks to consistent cost controls, operating expenses could be reduced by CHF 27 million (- 18 percent). These measures led to a significantly higher net profit of CHF 23.3 million (+ 32.8 percent).

FINMA process

One factor influenced the financial year 2017 in particular: FINMA's ongoing enforcement process against Raiffeisen Switzerland. Procedural and structural issues relating to participations are at the centre of the investigation. As part of the process, Raiffeisen Switzerland is in the midst of optimising processes and procedures as well as creating best practice in governance. To this end, measures have been introduced which are concentrated on the unbundling of the portfolio participation, with the aim of reducing conflicts of interest.

Focus on the new core banking system

In the course of 2018, Raiffeisen has one clear priority: the successful introduction of the new core banking system at all 255 Raiffeisen banks. The migration to the new system will form the basis for efficiency increases in the core business and lay the foundation for further digitization plans.

For the current year, Raiffeisen is expecting the economy to continue its recovery, forecasting a growth of 2.1 percent for Switzerland's gross domestic product in 2018. In line with this, growth in the core business is expected to be on a comparable level to 2017, during the period under review. The challenging market environment with sustained negative interest rates leads us to expect that the outstanding result of 2017 is unlikely to be surpassed. With our unique proximity to customers, the innovative service offering and the modern technology in the background, we are optimally positioned for further growth and a successful future.

The Raiffeisen Group at a glance

	2017 (in million CHF)	2016 (in million CHF)	Change (in million CHF)	Change (in percent)
Total Assets	227,725.0	218,589.7	9,135.3	4.2
Loans to clients	180,507.9	173,445.0	7,062.9	4.1
Of which mortgages	172,621.5	165,426.2	7,195.3	4.3
Client deposits	164,084.8	158,254.4	5,830.4	3.7
Assets under management (AuM)	209,591.6	202,794.9	6,796.7	3.4
Operating income	3,309.9	3,108.4	201.4	6.5
Net profit from rates business	2,248.2	2,219.4	28.8	1.3
Profit from commission business and services	494.3	466.8	27.6	5.9
Profit from markets activities	230.4	227.9	2.5	1.1
Other profit from ordinary activities	337.0	194.3	142.6	73.4
Operating expenses	2,013.5	1,987.6	25.9	1.3
Operating profit	1,108.4	854.7	253.7	29.7
Group profit (without minority interests)	917.1	754.1	163.0	21.6

	2017 (in million CHF)	2016 (in million CHF)	Change (in million CHF)	Change (in percent)
Equity capital	15,700.4	14,385.0	1,315.4	9.1
Total capital ratio (in %)	17.4	16.9		
Capital ratio in percent (going concern)	17.0	16.5		
CET1 ratio in %	15.9	15.2		
Leverage ratio in %	7.1	6.8		
Employees (full-time)	9,411	9,276	136	1.5
Total employees	11,158	11,026	132	1.2
Members	1,890,126	1,876,687	13,439	0.7

Presentation: The presentation for the Annual Media Conference will be available for download at www.raiffeisen.ch/medien from 10:30 a.m.

Photographs: Pictures of the media conference will be available at www.raiffeisen.ch/medien after 2:00 p.m.

General information: Raiffeisen Switzerland Press Office
071 225 84 84, medien@raiffeisen.ch

Raiffeisen: Third-largest banking group in Switzerland

The Raiffeisen Group is the leading Swiss retail bank. The third largest force in the Swiss banking sector has 1.9 million cooperative members and 3.7 million clients. The Raiffeisen Group is present at 912 locations throughout Switzerland. The 255 legally autonomous Raiffeisen cooperative banks are amalgamated into Raiffeisen Switzerland Cooperative, which is the strategic leader of the entire Raiffeisen Group. Through group companies, partnerships and participations, Raiffeisen offers private individuals and corporate clients the full range of products and services. As of 31.12.2017, the Raiffeisen Group had CHF 210 billion in assets under management and CHF 181 billion in loans to clients. The market share in the mortgage business amounts to 17.5 percent. Total assets are CHF 228 billion.