

RAIFFEISEN

Raiffeisen Group
Interim financial statements
30 June 2021

Group profit

CHF **505** million

Raiffeisen's operating performance in the first six months was excellent.

Client deposits

CHF **200.6** billion

In the first half of the year, client deposits once again increased by more than CHF 10 billion.

Mortgage volume

CHF **192.9** billion

Growth of 1.4% is in line with projected performance.

Net result from commission business and services

CHF **256** million

The implementation of the diversification strategy resulted in a rise in income by CHF 24 million.

Net income from interest operations

CHF **1,205** million

Income from interest operations grew by CHF 40 million compared to the previous year.

Cost-income ratio

56.3 %

This figure once again improved significantly in the first half of the year.

Cooperative members

1,952,686

More than 16,800 people became co-owners of a Raiffeisen bank.

Clients

3.6 million

In the first half of the year, Raiffeisen gained more than 22,800 new clients.

Employees

9,565

In the first six months of 2021, Raiffeisen created more than 70 new full-time positions.



Key figures

Key figures			
in CHF million, percent, number	1.1. – 30.6.2020	1.1. – 30.06.2021	Change in %
Key figures income statement			
Gross result from interest operations	1,165	1,193	2.3
Result from commission business and services	232	256	10.4
Operating income	1,552	1,645	6.0
Operating expenses	902	926	2.6
Operating result	513	614	19.6
Group profit	346	505	45.9
Cost income ratio	58.1%	56.3%	
Key balance sheet figures			
in million CHF	31.12.2020	30.06.2021	Change in %
Total assets	259,653	281,166	8.3
Loans to clients	200,358	203,357	1.5
of which mortgage receivables	190,317	192,890	1.4
Amounts due in respect of customer deposits	190,425	200,562	5.3
Customer deposits in % of loans to clients	95.0%	98.6%	
Total equity capital (without minority interest)	18,444	18,551	0.6
Capital resources/liquidity¹			
CET1 ratio	18.6%	18.0%	
Tier 1 ratio (going concern)	19.6%	19.2%	
TLAC ratio	20.6%	20.7%	
TLAC leverage ratio	7.3%	7.0%	
Liquidity Coverage Ratio (LCR) ²	159.4%	173.3%	
Net Stable Funding Ratio (NSFR) ³	141.5%	146.0%	
Market data			
Share of mortgage market ⁴	17.6%	17.5%	
Market share of client deposits ⁴	13.8%	13.9%	
Number of clients	3,553,190	3,576,056	0.6
Number of cooperative members	1,935,790	1,952,686	0.9
Client assets			
Client assets under management ⁵	223,843	236,330	5.6
Net new money client assets under management (* Value as of 30.06.)	8,538	9,806	14.9
Risk ratio lending business			
Value adjustments for default risks	261	256	-1.8
as % of loans to clients	0.130%	0.126%	
Value adjustments for expected losses (risk provisions)	n/a	484	n/a
Resources			
Number of full-time positions	9,492	9,565	0.8
Number of locations	824	823	-0.1

1 According to FINMA Circular 2016/1, as at 30 June 2021 without result of the period.

2 The liquidity coverage ratio (LCR) measures whether a bank has sufficient liquid funds to cover its liquidity needs from its own funds over a 30-day period in the event of an emergency. The LCR puts the available liquid funds in relation to the expected net outflow.

3 The net stable funding ratio (NSFR) serves to ensure sustainable and stable funding of a bank's lending and off-balance-sheet activities. In particular, it limits the risk of a bank financing its lending activities with deposits that are deemed too unstable and short term.

4 Expected market share as at 30 June 2021.

5 The reported client assets include the custody account assets as well as amounts due in respect of customer deposits and cash bonds. The category "Amounts due in respect of customer deposits" also includes customer deposits that are not of an investment nature. Fiduciary transactions and custody-only client relationships are not included.

Excellent half-year result – substantial growth in client business

The operating performance of the Raiffeisen Group in the first half of 2021 was excellent. Client deposits increased by more than CHF 10 billion to CHF 200.6 billion. Since the beginning of the year, asset management mandates have increased by two thirds, and the number of fund savings plan and retirement custody accounts has increased by 13% and 17% respectively. The Raiffeisen Group was able to step up all its income items, recording a half-year profit of CHF 505 million as of 30 June 2021.

Raiffeisen reported increases across all income items and recorded a **half-year profit of CHF 505 million**.

The Raiffeisen Group recorded an excellent result in the first half of 2021. The operative performance in particular developed very well in the first six months. All income items recorded gains, while costs only increased moderately. Following the second lockdown, the Swiss economy rebounded faster than anticipated. This resulted in a relaxation of the risk situation in the first half of the year, enabling the net reversal of value adjustments and provisions for credit risks.

Gains across all income items

All income items developed positively in the first half of the year and improved year-on-year. Interest operations remain under intense pressure. The interest margin decreased by four basis points from 0.93% to 0.89%. However, thanks to its prudent asset and liability management and the growth in the lending volume, the Raiffeisen Group managed to generate CHF 1,193 million from interest operations, a level higher than that of the previous year.

The rapid economic recovery in Switzerland had a positive effect on the Group's risk situation and led to a net reversal of value adjustments for credit risks and latent default risks in the amount of CHF 12 million. The net result from interest operations was CHF 1,205 million, CHF 40 million more than in the previous year. The development of the net result from commission business and services was also pleasing. In the first half of the year, this item increased from CHF 232 million to CHF 256 million. The increasing optimism with regard to the economic recovery resulted in much higher transaction volumes on the part of investors. In the trading portfolio assets (+CHF 14 million) and other result from ordinary activities (+CHF 15 million), the Raiffeisen Group also reported additional income thanks to the high income from the sale of financial investments. The operating income for the first half of 2021 amounted to CHF 1,645 million compared to CHF 1,552 million reported in the previous year (+6.0%).

In the reporting period, costs increased by CHF 24 million or 2.6% to CHF 926 million. While general and administrative expenses amounted to CHF 239 million, a level similar to that of the previous year, personnel expenses increased by CHF 25 million. Nevertheless, the cost/income ratio improved significantly year-on-year, from 58.1% to 56.3%, a figure last achieved more than 10 years ago. Depreciation and amortisation of tangible fixed assets went down slightly. Unlike the previous year, the profit as of the end of the first six months was not encumbered by any unscheduled depreciation and amortisation of investments. Accordingly, the half-year profit rose by CHF 159 million to CHF 505 million (+45.9%).

+CHF 10.1 billion

Client deposits went up from CHF 190 billion to more than CHF 200 billion.

High client trust – business volume continues to grow

In the field of managed client assets in particular, the business volume of the Raiffeisen Group went up significantly in the first half of the year. Client deposits increased from CHF 190.4 billion to more than CHF 200 billion (+5.3% or +CHF 10.1 billion). Client deposits therefore once again increased significantly, even compared to the already very strong period in the previous year. The refinancing of loans through client deposits reached a new high of 98.6%. The assets held by Raiffeisen clients in custody accounts also rose considerably. As of 30 June 2021, the custody account balance amounted to CHF 42.7 billion (+CHF 5.7 billion or +15.3%). In addition, since the start of the year, Raiffeisen has been able to conclude 36 new asset management mandates (+65.8%) and open 49 fund savings plan and 83 retirement custody

accounts (+13% and +17% respectively) every single day. In the first six months of the current financial year, Raiffeisen saw an inflow of net new money in the amount of CHF 9.8 billion, thus exceeding the inflow of CHF 8.5 billion that had been recorded in the previous year.

The trust is reflected in the number of new clients. In the first half of the year, Raiffeisen gained 22,866 new clients, about 5,000 of whom are business clients.

Mortgage growth of 1.4% was similar to the performance in the previous year. As of the end of the first six months, the mortgage portfolio had increased by CHF 2.6 billion to CHF 192.9 billion. The reported growth was thus slightly below the market average. Other amounts due from customers only increased slightly, by CHF 426 million to CHF 10.5 billion. In the corresponding period in 2020, this item had increased by CHF 3.0 billion due to the rapid disbursement of Covid-19 loans. As of 30 June 2021, the portfolio of Covid-19 loans amounted to CHF 1.7 billion.

Introduction of value adjustments and provisions for latent default risks

The rapid recovery of the economic environment, particularly in the second quarter, had a positive effect on the reassessment of the risk situation. This reassessment enabled the net reversal of value adjustments and provisions for credit risks. Since the beginning of the year, the value adjustments for credit risks have dropped to CHF 256 million or 0.126% (as of 31 December 2020: 0.130%) of the lending volume.

In order to make the banks more resilient to sudden economic slumps, FINMA circular 2020/1 introduced new regulations for the recognition of value adjustments and provisions for expected losses. According to these regulations, all banks must recognise additional risk provisions for unimpaired receivables, even before a potential default occurs. The amount of this additional risk provision is based on the potential default risk of unimpaired credit items. Raiffeisen has decided not to apply any transitional periods for the recognition. The value adjustments and provisions to be newly recognised were fully funded via reposting from the retained earnings reserves outside profit or loss as of 1 January 2021 in the amount of CHF 524 million.

Strong, reliable capital base

In July 2021, Moody's announced that it had improved the outlook for Raiffeisen Switzerland from "stable" to "positive". The rating agency explained that this was due to the persistently positive financial indicators. It also drew attention to the launch of the Group's "Raiffeisen 2025" strategy, which is particularly focussed on diversifying the business areas. With this step, Moody's also expressed its approval of the successful reform measures taken in recent years.

Moody's positive assessment is backed by the excellent capital base of the Raiffeisen Group, which is evident from the fulfilment of the capital adequacy requirements for systemically important domestic banks, which includes Raiffeisen. With a current TLAC ratio of 20.7%, the Group is well above the applicable TLAC requirements of 15.3% and has even surpassed the ratio of 17.0% that will be required from 1 January 2026. March 2021 saw the placement of another additional tier 1 bond for a nominal value of CHF 200 million, which was subsequently increased to a nominal value of CHF 300 million due to the great demand. This allows the Raiffeisen Group to achieve the targeted greater diversification of various capital instruments and qualities.

The Raiffeisen Group expects the **positive trend** in its core business to continue in the second half of 2021.

Outlook for the second half of the year

After the second lockdown earlier this year, the Swiss economy gradually returned to normal. Following the easing measures implemented by the federal government, even the severely impacted service sectors rebounded. The recovery in industry is continuing despite supply bottlenecks and high commodity prices. As a result, the employment outlook has improved considerably, alleviating fears of a delayed rise in unemployment. The economic recovery and the global supply bottlenecks has led to a temporary increase in price pressure. In the medium term, however, central banks expect inflation rates to remain moderate. They are therefore keeping interest rates low. The Swiss National Bank still considers the policy of negative interest rates to be necessary, as it believes that the value of the Swiss franc is still quite high.

As the pandemic is not yet over, there is still a lot of uncertainty with regards to forecasts. As a result, it is possible that the operating result for the first six months might not provide a reliable benchmark for the Raiffeisen Group's performance for the entire financial year. However, the good performance in the core business is likely to continue in the second half of 2021. The roll-out of the "Raiffeisen 2025" strategy remains a key objective. This strategy defines the framework for continued development and – together with the tried-and-tested cooperative model and the local roots – ensures that Raiffeisen is well-positioned to tackle the challenges of the future.

Consolidated balance sheet

Consolidated balance sheet		Change		
		absolute	in %	
in 1,000 CHF	31.12.2020	30.06.2021		
Assets				
Liquid assets	36,661,205	55,809,921	19,148,716	52.2
Amounts due from banks	4,036,753	3,758,535	-278,218	-6.9
Amounts due from securities financing transactions	–	215,000	215,000	–
Amounts due from customers	10,041,107	10,467,173	426,066	4.2
Mortgage loans	190,317,358	192,889,755	2,572,397	1.4
Trading portfolio assets	3,044,292	2,906,716	-137,576	-4.5
Positive replacement values of derivative financial instruments	1,645,302	1,420,850	-224,452	-13.6
Financial investments	8,828,902	8,694,753	-134,149	-1.5
Accrued income and prepaid expenses	280,615	399,102	118,487	42.2
Non-consolidated participations	683,264	679,736	-3,528	-0.5
Tangible fixed assets	2,981,147	2,955,762	-25,385	-0.9
Intangible assets	6,703	5,964	-739	-11.0
Other assets	1,126,604	962,348	-164,256	-14.6
Total assets	259,653,252	281,165,615	21,512,363	8.3
Total subordinated claims	59,188	44,787	-14,401	-24.3
of which subject to mandatory conversion and/or debt waiver	–	–	–	–
Liabilities				
Amounts due to banks	10,558,683	16,964,313	6,405,630	60.7
Liabilities from securities financing transactions	4,180,827	8,037,878	3,857,051	92.3
Amounts due in respect of customer deposits	190,424,588	200,561,505	10,136,917	5.3
Trading portfolio liabilities	147,893	263,767	115,874	78.3
Negative replacement values of derivative financial instruments	2,098,527	1,512,837	-585,690	-27.9
Liabilities from other financial instruments at fair value	2,191,856	2,343,498	151,642	6.9
Cash bonds	353,571	311,870	-41,701	-11.8
Bond issues and central mortgage institution loans	29,391,327	30,750,796	1,359,469	4.6
Accrued expenses and deferred income	864,698	893,376	28,678	3.3
Other liabilities	100,335	106,219	5,884	5.9
Provisions	967,497	928,999	-38,498	-4.0
Reserves for general banking risks	200,000	200,000	–	–
Cooperative capital	2,519,475	2,627,623	108,148	4.3
Retained earnings reserve	14,863,859	15,218,568	354,709	2.4
Currency translation reserve	12	9	-3	-25.0
Group profit	860,647	504,841	-355,806	-41.3
Total equity (without minority interests)	18,443,993	18,551,041	107,048	0.6
Minority interests in equity	-70,543	-60,484	10,059	-14.3
of which minority interests in Group profit	-8,792	10,244	19,036	-216.5
Total equity (with minority interests)	18,373,450	18,490,557	117,107	0.6
Total liabilities				
Total subordinated liabilities	1,475,293	2,061,752	586,459	39.8
of which subject to mandatory conversion and/or debt waiver	975,367	2,061,752	1,086,385	111.4
Off-balance-sheet transactions				
Contingent liabilities	678,649	662,644	-16,005	-2.4
Irrevocable commitments	11,105,551	12,558,137	1,452,586	13.1
Obligations to pay up shares and make further contributions	121,789	121,789	–	–

Consolidated income statement

Consolidated income statement		Change		
in 1,000 CHF	01.01.–30.06.2020	01.01.–30.06.2021	absolute	in %
Interest and discount income	1,378,366	1,325,097	-53,269	-3.9
Interest and dividend income from financial investments	19,088	13,818	-5,270	-27.6
Interest expense	-231,962	-146,255	85,707	-36.9
Gross result from interest operations	1,165,492	1,192,660	27,168	2.3
Changes in value adjustments for default risks and losses from interest operations	-435	12,268	12,703	-2,920.2
Net result from interest operations	1,165,057	1,204,928	39,871	3.4
Commission income from securities trading and investment activities	197,073	198,713	1,640	0.8
Commission income from lending activities	12,069	13,688	1,619	13.4
Commission income from other services	109,629	108,953	-676	-0.6
Commission expense	-86,873	-65,371	21,502	-24.8
Result from commission business and services	231,898	255,983	24,085	10.4
Result from trading activities and the fair value option	102,459	116,814	14,355	14.0
Result from disposal of financial investments	755	33,937	33,182	4,395.0
Income from participations	23,121	11,374	-11,747	-50.8
Result from real estate	11,235	10,051	-1,184	-10.5
Other ordinary income	18,050	13,334	-4,716	-26.1
Other ordinary expenses	-618	-1,486	-868	140.5
Other result from ordinary activities	52,543	67,210	14,667	27.9
Operating income	1,551,957	1,644,935	92,978	6.0
Personnel expenses	-661,967	-686,983	-25,016	3.8
General and administrative expenses	-239,901	-238,630	1,271	-0.5
Operating expenses	-901,868	-925,613	-23,745	2.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-135,889	-103,235	32,654	-24.0
Changes to provisions and other value adjustments, and losses	-783	-2,096	-1,313	167.7
Operating result	513,417	613,991	100,574	19.6
Extraordinary income	7,181	4,828	-2,353	-32.8
Extraordinary expenses	-2,154	-621	1,533	-71.2
Changes in reserves for general banking risks	-75,000	-	75,000	-100.0
Taxes	-97,868	-103,113	-5,245	5.4
Group profit (including minority interests)	345,576	515,085	169,509	49.1
Minority interests in group profit	-557	10,244	10,801	-1,939.1
Group profit	346,133	504,841	158,708	45.9

Consolidated statement of changes in equity

Statement of changes in equity

in 1,000 CHF	Cooperative capital	Retained earnings reserve	Reserves for general banking risks	Currency translation differences	Minority interests	Profit	Total
Equity capital at 01.01.2021	2,519,475	14,863,859	200,000	12	-70,543	860,647	18,373,450
Capital increase	151,198	–	–	–	–	–	151,198
Capital decrease	-43,050	–	–	–	–	–	-43,050
Changes in minority interests	–	–	–	–	-185	–	-185
Changes to the consolidated Group / other changes ¹	–	-440,819	–	–	–	–	-440,819
Currency translation differences	–	–	–	-3	–	–	-3
Interest on the cooperative capital	–	–	–	–	–	-65,119	-65,119
Allocation to voluntary retained earnings reserves	–	795,528	–	–	–	-795,528	0
Profit	–	–	–	–	10,244	504,841	515,085
Equity capital at 30.06.2021	2,627,623	15,218,568	200,000	9	-60,484	504,841	18,490,557

¹ In accordance with the transitional regulations pursuant to AO Art. 98 (1), the Raiffeisen Group funded the value adjustment for expected losses in the amount of CHF 493,2 million as well as provisions for expected losses in the amount of CHF 30,4 million, effective as of 1 January 2021, outside profit and loss via the retained earnings reserve. As a result of this reduction of the retained earnings reserve, the provisions for deferred taxes have gone down by CHF 83,2 million. The reduction was posted in a manner analogous to the funding of the risk provisions for expected losses outside profit or loss via the retained earnings reserve. The effects of this initial funding are listed under "Other changes" in this table.

Abbreviated notes to the interim financial statements

Changes to the accounting and valuation principles and necessary corrections

In accordance with the new regulations in the FINMA circular and in consideration of the one-year transitional provisions, new value adjustments and provisions for expected losses were recognised. No transitional periods were applied for the recognition. The amount of CHF 524 million that is required for the new value adjustments and provisions for expected losses was fully funded via reposting from the retained earnings reserves as of 1 January 2021.

Information regarding factors impacting the economic situation during the reporting period and in comparison to the previous year

Despite initial fears, the Covid-19 pandemic did not have any major negative impact on the income statement of the Raiffeisen Group for the 2020 financial year. The first four months of the current financial year were again overshadowed by uncertainties concerning the economic impact of the pandemic. In particular, the development of the value adjustments in connection with latent default risks was intensively monitored. However, the situation has eased significantly since April 2021. The business world is gradually recovering from the pandemic-related restrictions. In line with this general positive trend, Raiffeisen's financial result clearly shows that the business did not suffer any major negative effects due to the Covid-19 pandemic in the first half of 2021.

Extraordinary income and extraordinary expenses

Extraordinary income stood at CHF 4.8 million, a decrease of CHF 2.4 million year-on-year. This item mainly includes earnings from the sale of tangible fixed assets. The extraordinary expenses of CHF 0.6 million (previous year: CHF 2.2 million) mainly comprise losses from the sale of tangible fixed assets.

Material events after the reporting date for the interim financial statements

No material events occurred that would have a significant impact on the assets, financial position and earnings of the Raiffeisen Group.

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