RAIFFEISEN

Press Release

Raiffeisen records strong operating income – profits down due to exceptional items

St.Gallen, 1 March 2019. Raiffeisen can look back on an intense and operationally successful year. Mortgage loans and client deposits performed well. Raiffeisen was entrusted with net new money of CHF 6.3 billion. The bank also recorded growth in its gross interest operations, which are its main income stream. However, the Group's profit of CHF 541 million was lower this year than the previous year due to exceptional items from Raiffeisen Switzerland.

Balance sheet activities at the Raiffeisen Group have been developing positively. Mortgage loans rose to CHF 179.6 billion with an increase of 4.0%. The Group has thus been able to continue to reinforce its strong position in its core business. Raiffeisen is well-positioned in an intensely competitive market environment, as is underlined by the slight growth of its market share in the Swiss mortgage market to 17.6%. Thanks to the Group's conservative, safety-oriented lending policy, its credit portfolio has maintained a consistently high level of quality.

The increase in client deposits of 2.8% to CHF 165.7 billion and the inflow of net new money amounting to CHF 6.3 billion show that client trust is still high. Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland, expressed satisfaction with the good operating profit: "Raiffeisen Banks have operated very economically in a difficult environment. At the same time, the number of clients and cooperative members even grew last year. We want to build on this trust and continue to expand and strengthen our client relationships."

Encouraging growth in the income items

The income items in 2017 and 2018 are shown in the following to give a clearer idea of the actual financial picture of the Raiffeisen Group in its existing structure excluding Notenstein La Roche Privatbank AG that was sold. Interest operations remain Raiffeisen's main income stream, providing 70% of income. In spite of the strained margin situation, Raiffeisen was able to record growth of 1.7%, or CHF 39 million, to achieve a total of CHF 2.3 billion in gross interest operations. Due to value adjustments on participations, net interest income from interest operations fell compared to the previous year by CHF 21 million or 0.9%. Income from the commission and service business increased by CHF 20.8 million, or 5.4 per cent, to CHF 403 million compared to the previous year. The welcome results of the income items clearly show that our strong operative Group earnings remain unchanged.

Exceptional items diminish Group profits

In spite of the good operating performance, exceptional items at Raiffeisen Switzerland caused Group profits to fall. As part of the process of re-examining the past, the fair value of all Raiffeisen Switzerland participations was reviewed. Furthermore, provisions of CHF 69 million were made for the transaction relating to the acquisition of Arizon Sourcing AG. This led to a total of CHF 270 million in exceptional items being reflected in the operating result and in Group profits. Taking the special factors into account, as well as the allocation of an additional CHF 120 million to the reserves for general banking risks, Group profits stood at CHF 541 million. This represents a fall of 41% or CHF 376 million compared to the recordbreaking year of 2017. The special factors are also reflected in productivity respectively the cost-income ratio, which rose in comparison to the previous period from 60.8% to 64.9%.

Secure and financially sound

The Raiffeisen Group is very well capitalised. The risk-weighted core capital ratio increased in the current year from 17.0% to 17.5%. The unweighted capital ratio, known as the leverage ratio, also increased by 0.5 percentage points to 7.6%. Thus, Raiffeisen comfortably exceeds the currently valid regulatory capital requirements.

The Federal Council adopted a change to the Capital Adequacy Ordinance for domestic, system-relevant banks on 21 November 2018, and the new changes must be completely fulfilled by 1 January 2026. Although Raiffeisen does not yet entirely fulfil the future 17.9% total loss absorbing capacity (TLAC) requirements of the risk-weighted core capital ratio (currently at 17.5%), the bank's own resources will easily meet the requirements within the transition period of seven years thanks to the current retention of earnings. Raiffeisen already exceeds the future TLAC leverage ratio requirements of 5.9%, insofar no additional corporate action is necessary.

Focus on clients

The year 2018 was one of realignment and a fresh start. An independent investigation and a change of personnel at the top of Raiffeisen Switzerland laid a solid foundation for the future enhancement. With the sale of Notenstein La Roche to Vontobel, Raiffeisen Switzerland has almost completed the unbundling of corporate structures. The introduction of the new core banking system has also enabled Raiffeisen to increase efficiency in its core business and forms the basis for further digitisation projects.

The year 2019 will be one of transition for the Raiffeisen Group. Most regeneration measures will come to an end, so that the focus can turn to strategic bank matters. Priorities will include greater agility, digitisation of the client interface and diversifying sources of income, whereby the Group aims to consistently develop its core business of "housing" and to continue to expand its two business areas of "assets" and "entrepreneurship". "When we design our range of products, we focus closely on the needs of our clients, which is why we are concentrating on continuing to expand our advisory services and expertise. In doing so, we set great store by offering a balanced mix of digital and physical points of contact", says Heinz Huber, outlining the objectives of the Raiffeisen Group.

The Raiffeisen Group at a glance*

	2018 (in million CHF)	2017 (in million CHF)	Change (in million CHF)	Change (in percent)
Total Assets	225’333.0	227,725.0	-2’395.0	-1.1
Loans to clients	187’693.6	180,537.7	+7’155.9	+4.0
thereof mortgages	179’558.4	172,621.5	+6’937.0	+4.0
Client deposits	165’701.4	164,084.8	+1’616.6	+1.0
Assets under management (AuM)	196’070.1	209,591.6	-13’611.0	-6.5
Operating income	3’078.5	3,309.9	-231.4	-7.0
Net profit from rates business	2'228.0	2,248.2	-20.2	-0.9
Profit from commission business and services	450.8	494.3	-43.6	-8.8
Profit from markets activities	210.4	230.4	-20.0	-8.7
Other profit from ordinary activities	189.4	337.0	-147.6	-43.8
Operating expenses	1’997.0	2,013.5	-16.5	-0.8
Operating profit	699.1	1,108.4	-409.4	-36.9
Group profit	540.8	917.1	-376.2	-41.0

	2018 (in percent)	2017 (in percent)
Total capital	17.8	17.4
Capital ratio (going concern)	17.5	17.0
CET1 ratio	16.5	15.9
Leverage ratio	7.6	7.1

	2018 (number of)	2017 (number of)	Change (number of)	Change (in percent)
Employees (full-time)	9’215	9’411	-196	-2.1
Total employees	10’947	11'158	-211	-1.9
Members	1’897’369	1’890’126	+7’243	+0.4

* Raiffeisen Group including Notenstein La Roche

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 +41 71 225 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 services roughly half of the Swiss population. 1.9 million Cooperative members are co-owner of their Raiffeisen bank. The Raiffeisen Group is present at 880 locations throughout Switzerland. The 246 legally autonomous cooperative Raiffeisen 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 31.12.2018, the Raiffeisen Group had CHF 196 billion in assets under management and CHF 188 billion in loans to clients. The market share in the mortgage business amounts to 17.6 percent. Total assets are CHF 225 billion.