



Key figures

as at 30 June 2018

	1.1.-30.6.2018 Amounts in million CHF	1.1.-30.6.2017 Amounts in million CHF	Change in %
Key figures			
Operating income	1,636	1,629	0.5
Operating expenses	1,000	1,007	-0.7
Operating result	517	532	-2.7
Group profit	416	434	-4.1
Cost income ratio	61.1%	61.8%	

	30.6.2018 Amounts in CHF million	31.12.2017 Amounts in CHF million	Change in %
Key balance sheet figures			
Total assets	229,450	227,728	0.8
Loans to clients	184,867	180,538	2.4
of which mortgage receivables	176,262	172,622	2.1
Amounts due in respect of customer deposits	165,563	164,085	0.9
Customer deposits in % of loans to clients	89.6%	90.9%	
Capital resources			
Total equity capital	16,159	15,700	2.9
Return on equity (ROE)	5.2%	6.1%	
Leverage ratio (unweighted capital ratio)*	7.0%	7.1%	
Total capital ratio (equity capital)*	16.9%	17.4%	
Market data			
Share of mortgage market	17.6%	17.5%	
Number of clients	3,771,371	3,767,230	0.1
Number of cooperative members	1,895,276	1,890,126	0.3
Client assets			
Client assets under management	210,539	209,592	0.5
Lending business			
Losses on lending business (annualized)	14	22	-37.5
as % of loans to clients	0.007%	0.012%	
Resources			
Number of employees	11,096	11,158	-0.6
Number of full-time positions	9,387	9,411	-0.3
Number of locations	896	912	-1.8

* as at 30 June without result of the period

Raiffeisen records a good operational half-year result

The first six months of the financial year 2018 were a period of contrast for the Raiffeisen Group: Consistently successful operational banking business saw ongoing positive development in the core business; while themes of corporate governance at Raiffeisen Switzerland remained a matter of public debate. The strong result in the core business and the slight reduction in costs led to a good operating result of CHF 517 million. With a half-year profit of CHF 416 million, the 400-million range was again exceeded substantially, as in the previous year. At the same time, the first half-year of 2018 was characterized by the media coverage of the criminal proceedings against the former Chairman of the Executive Board of Raiffeisen Switzerland, as well as personnel developments at the top level of the company.

The Raiffeisen Group once again recorded a pleasing result in the first half-year of 2018. This in particular due to consistently strong profitability, which rose significantly both in the rates business (+1.6% or +CHF 17 million) and in commissions and services (+3.9% or +CHF 10 million). Due to a one-off high dividend distribution from Aduno Holding AG, income from participations also rose sharply (+156.3% or +CHF 33 million), while a fall was recorded in "other ordinary income". This, due to notably higher project costs for the new core banking system, which were activated, in the previous year. Thanks to the encouraging operational business development, the operating result nevertheless rose by CHF 8 million to CHF 1,636 million.

Half-year profit again exceeds the 400-million range

Operating expenses fell slightly as a result of reduced investments in the new core banking software. Greater expenditure was incurred in value adjustments on participations at the same time. This was primarily the result of the aforementioned uniquely high dividend distribution of Aduno Holding AG which meant, the level of participations in the company valued according to the equity method, also had to be marked down in profit or loss. Due to the yet unresolved incident of the 24-hour client safe at the Basel branch, provisions have been made precautionary. Thanks to the positive development in the core business, the operating result reached a very high level, at CHF 517 million. With a half-year profit of CHF 416 million, the 400-million range was exceeded once again.

The business volume continued to grow in the first six months of the financial year 2018, whereby developments in the mortgage business were particularly encouraging. With an increase of 2.1% (+CHF 3.6 billion), mortgage loans outperformed the market, while in client deposits, a rise of 0.9% (+CHF 1.5 billion) was recorded. In an increasingly evident trend, clients are shifting parts of their account balances due to the low interest rates into securities. The net new money inflows in the reporting period amounts to +CHF 2.2 billion.

Raiffeisen reorganises its shareholdings

Thanks to the pleasing development of the investment business at the Raiffeisen banks, the Board of Directors of Raiffeisen Switzerland decided in May 2018, to reorient its business with investment clients and to sell Notenstein La Roche Privatbank Ltd. to Vontobel. Although part of the costs incurred by this transaction were posted in the first half-year of 2018, the proceeds from the sale of the participation will only appear in the Group accounts for the second half of this year.

In addition, Raiffeisen has also contested the contracts set up in the context of "Investnet" between Raiffeisen Switzerland and the former "minority shareholders". On this basis, Investnet AG will be replaced as the asset manager of KMU Capital AG. KMU Capital AG is working hard on transferring the portfolio to a new asset manager, with particular attention to preserving the value of the companies in its portfolio.

For a good two years, Raiffeisen has consistently been pursuing the divestiture strategy it adopted, with the aim of simplifying its shareholding structure and reducing potential conflicts of interest. While participations are being sold on the one hand, Raiffeisen is on the other hand placing greater emphasis on collaborations in certain fields of business.

Strategy-compliant risk situation

The value adjustments for default risks rose during the first six months to CHF 217 million, which corresponds to a share of 0.12% in relation to the overall credit volumes. The increase is down to the value adjustment of an individual item, while the value adjustment level in the lending activity of Raiffeisen banks fell even further. After the announcement of the FINMA process concerning the deficiencies in corporate governance at Raiffeisen Switzerland, Moody's adjusted the long-term deposit rating of Raiffeisen from Aa2 to Aa3 and the senior unsecured debt ratings to A3 from A2 irrespective of consistently solid risk data. The rating agency is thus giving more weight to the possible medium-term effects of reputational damage than to the Group's by Moody's attested consistently good fundamental data, including solid capital and liquidity provisions.

Definitive TLAC requirements in the consultation process

The consultation process for the changes to the Capital Adequacy Ordinance in relation to the gone-concern requirements for domestic, systemically important banks has been ongoing since 23 February 2018. Domestic, systemically important banks like Raiffeisen are to maintain additional loss-absorbing capital for any restructuring or processing (gone-concern) amounting to 40% of the going-concern requirements. The changes should come into force as of 1 January 2019.

The Group's risk-weighted capital ratio stood at 16.9% and the risk-weighted going-concern capital ratio at 16.6% as of 30 June 2018. For the set-up of the additional gone-concern requirement, a transitional deadline of seven years has been granted in accordance with the consultation submission. Raiffeisen expects to be able to meet the additional requirements on its own, without extraordinary financing. At 7.0%, the leverage ratio already exceeds the future unweighted TLAC requirements.

IT focused on new core banking system

Since the start of the year, the first 22 Raiffeisen banks have been working with the new Arizon Core banking System (ACS). The remaining Raiffeisen banks were planned to migrate to the new platform by the middle of the year, but due to the size and complexity of this project the initial focus was subsequently placed on optimisation of the system operation. In addition, numerous bank mergers took place in the first half of the year, which have been carried out successfully and the optimisation phase has been further pursued in the meantime. In a second pilot tranche, additional Raiffeisen banks will be transferred to the new system before the remaining banks are going to be migrated.

Corporate governance stays in focus in the second half-year

Since the opening of the FINMA investigation and the criminal proceedings against the former Chairman of the Executive Board of Raiffeisen Switzerland, Raiffeisen has seen an eventful phase. With the conclusion of FINMA's enforcement process on 14 June 2018, Raiffeisen Switzerland has acknowledged the improvement measures contained within the ordinance and will rapidly implement the corresponding improvements in its corporate governance. The premature renewal process of the Board of Directors represents a sign of a new beginning at the Board's personnel level, too. At the Delegate Meeting of 16 June 2018, Rolf Walker and Thomas Rauber, two new members of the Board of Directors were elected. It is the intention to elect four to five new members of the Board of Directors as well as the new Chairman of the Board of Directors, at the next Delegate Meeting of 10 November 2018. Furthermore, on 18 July 2018 Dr Patrik Gisel decided to resign from his role as Chairman of the Executive Board at Raiffeisen Switzerland, leaving the banking group at the end of the year. The search for a new Chairman of the Executive Board is already underway.

Outlook

From a macroeconomic perspective, the economic environment is expected to remain stable. Due to moderate inflation, the central banks do not see themselves compelled in moving towards a normalisation of the interest rates. Switzerland's challenging low-interest environment therefore can't be expected to change any time soon while interest margins will remain under pressure.

Consolidated balance sheet

as at 30 June 2018

	30.6.2018 in 1,000 CHF	31.12.2017 in 1,000 CHF	Change in 1,000 CHF	Change in %
Assets				
Liquid assets	19,602,758	20,523,022	-920,264	-4.5
Amounts due from banks	6,464,212	8,331,689	-1,867,477	-22.4
Amounts due from securities financing transactions	239,548	231,672	7,876	3.4
Amounts due from clients	8,604,641	7,916,175	688,466	8.7
Mortgage loans	176,262,028	172,621,503	3,640,525	2.1
Trading portfolio assets	3,974,962	3,879,083	95,879	2.5
Positive replacement values of derivative financial instruments	1,573,698	1,676,852	-103,154	-6.2
Financial investments	7,499,363	7,593,388	-94,025	-1.2
Accrued income and prepaid expenses	326,376	277,805	48,571	17.5
Non-consolidated participations	639,911	650,117	-10,206	-1.6
Tangible fixed assets	2,896,754	2,802,620	94,134	3.4
Intangible assets	352,123	371,884	-19,761	-5.3
Other assets	1,013,913	852,136	161,777	19.0
Total assets	229,450,287	227,727,946	1,722,341	0.8
Total subordinated claims	129,131	154,819	-25,688	-16.6
of which subject to mandatory conversion and/or debt waiver	-	794	-794	-100.0
Liabilities				
Liabilities to banks	11,044,910	12,602,955	-1,558,045	-12.4
Liabilities from securities financing transactions	2,760,025	2,200,519	559,506	25.4
Amounts due in respect of customer deposits	165,562,572	164,084,825	1,477,747	0.9
Trading portfolio liabilities	116,374	133,799	-17,425	-13.0
Negative replacement values of derivative financial instruments	1,627,601	1,691,646	-64,045	-3.8
Liabilities from other financial instruments at fair value	2,924,052	2,580,306	343,746	13.3
Cash bonds	697,676	835,965	-138,289	-16.5
Bond issues and central mortgage institution loans	26,558,133	25,938,644	619,489	2.4
Accrued expenses and deferred income	880,262	850,574	29,688	3.5
Other liabilities	150,410	160,026	-9,616	-6.0
Provisions	964,672	948,633	16,039	1.7
Reserves for general banking risks	80,000	80,000	-	0.0
Cooperative capital	2,051,493	1,957,396	94,097	4.8
Retained earnings reserve	13,611,241	12,745,940	865,301	6.8
Currency translation reserve	11	7	4	57.1
Group profit	416,294	917,068	-500,774	-54.6
Total equity capital (without minority interests)	16,159,039	15,700,411	458,628	2.9
Minority interests in equity	4,561	-357	4,918	-1,377.6
of which minority interests in Group profit	-2,061	-6,317	4,256	-67.4
Total equity capital (with minority interests)	16,163,600	15,700,054	463,546	3.0
Total liabilities	229,450,287	227,727,946	1,722,341	0.8
Total subordinated liabilities	1,621,048	1,761,917	-140,869	-8.0
of which subject to mandatory conversion and/or debt waiver	1,076,309	1,226,398	-150,089	-12.2
Off-balance-sheet transactions				
Contingent liabilities	434,233	468,486	-34,253	-7.3
Irrevocable commitments	8,893,607	8,790,318	103,289	1.2
Call commitments and additional funding obligations	109,257	113,897	-4,640	-4.1

Consolidated income statement

1st half 2018

	1.1.-30.6.2018 in 1,000 CHF	1.1.-30.6.2017 in 1,000 CHF	Change in 1,000 CHF	Change in %
Interest and discount income	1,456,665	1,475,457	-18,792	-1.3
Interest and dividend income from financial assets	24,626	27,961	-3,335	-11.9
Interest expenditure	-332,797	-385,145	52,348	-13.6
Gross result from interest operations	1,148,494	1,118,273	30,221	2.7
Changes in value adjustments for default risks and losses from interest operations	-9,999	2,801	-12,800	-457.0
Net result from interest operations	1,138,495	1,121,074	17,421	1.6
Commission income from securities trading and investment activities	220,427	213,664	6,763	3.2
Commission income from lending activities	10,173	9,431	742	7.9
Commission income from other services	113,181	113,024	157	0.1
Commission expense	-87,859	-89,904	2,045	-2.3
Result from commission business and services	255,922	246,215	9,707	3.9
Result from trading activities and the fair value option	118,392	116,091	2,301	2.0
Result from disposal of financial investments	4,324	9,401	-5,077	-54.0
Income from participations	53,361	20,816	32,545	156.3
Result from real estate	10,460	10,326	134	1.3
Other ordinary income	57,828	108,257	-50,429	-46.6
Other ordinary expenses	-2,389	-3,574	1,185	-33.2
Other result from ordinary activities	123,584	145,226	-21,642	-14.9
Operating income	1,636,393	1,628,606	7,787	0.5
Personnel expenses	-707,147	-688,887	-18,260	2.7
General and administrative expenses	-292,849	-317,802	24,953	-7.9
Operating expenses	-999,996	-1,006,689	6,693	-0.7
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-112,204	-92,732	-19,472	21.0
Changes to provisions and other value adjustments, and losses	-7,225	2,344	-9,569	-408.2
Operating result	516,968	531,529	-14,561	-2.7
Extraordinary income	7,349	10,600	-3,251	-30.7
Extraordinary expenses	-3,025	-2,750	-275	10.0
Taxes	-107,059	-108,461	1,402	-1.3
Group profit (including minority interests)	414,233	430,918	-16,685	-3.9
Minority interests in group profit	-2,061	-3,325	1,264	-38.0
Group profit	416,294	434,243	-17,949	-4.1

Statement of changes in equity

as at 30 June 2018

	Cooperative capital in 1,000 CHF	Retained earnings reserve in 1,000 CHF	Reserves for general banking risks in 1,000 CHF	Currency translation differences in 1,000 CHF	Minority interests in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at 1.1.2018	1,957,396	12,745,940	80,000	7	-357	917,068	15,700,054
Capital increase	121,072						121,072
Capital decrease	-26,975						-26,975
Changes in minority interests					6,979		6,979
Currency translation differences				4			4
Interest on the cooperative capital						-51,767	-51,767
Allocation to voluntary retained earnings reserves		865,301				-865,301	-
Profit					-2,061	416,294	414,233
Equity capital at 30.6.2018	2,051,493	13,611,241	80,000	11	4,561	416,294	16,163,600

Abbreviated notes to the interim financial statements

Changes to the accounting and valuation principles and possible corrections

No material changes have been made to the accounting and valuation principles.

No corrections of potential accounting mistake have been made.

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

There is no information regarding factors that have materially impacted the economic situation of the Raiffeisen Group. The corporate governance turmoil at Raiffeisen Switzerland do not show effect in the figures of the Raiffeisen Group.

Extraordinary income and expenses

Extraordinary income stood at CHF 7.3 million, a year-on-year decrease of CHF 3.3 million. It mainly includes income from the sale of tangible fixed assets and income from the sale of Notenstein La Roche Private Bank Ltd's Eastern Europe business. Extraordinary expenses of CHF 3.0 million (+CHF 0.3 million) mainly comprise CHF 2.4 million in losses from the sale of tangible fixed assets.

Material events after the cut-off day of the interim financial statements

Notenstein La Roche Private Bank Ltd was sold to Vontobel as of 2 July 2018. The transaction will mainly be reflected in the Group accounts in the second half of 2018. The known costs are already included in the interim financial statements as operating expenses.

On 18 July 2018, the Chairman of the Executive Board of Raiffeisen Switzerland announced that he will resign and leave the bank as of the end of 2018.

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