RAIFFEISEN

Press release

Interim financial statements for the Raiffeisen Group for the period ending 30 June 2019

Strong client business, lower profit

St.Gallen, 21 August 2019. Net income from operating activity is essentially on par with the previous year (excluding Notenstein La Roche). The Raiffeisen Group's realignment is reflected in the Group's half-year result. Its profit is CHF 355 million, or 14.7% lower.

Key results (previous year income excludes Notenstein La Roche)

- **Significant year-on-year increase in customer deposits of CHF 4.6 billion to CHF 170.3 billion.**
- **Net new money inflow of CHF 4.9 billion.**
- **1.5 percent growth of mortgage receivables to total CHF 182.2 billion in mortgage loans.**
- **Main source of income, interest operations, grew CHF 13 million despite tense margin situation.**
- **Solid commission and service business with CHF 208 million in net income despite the challenging environment.**
- **Cost/income ratio back at expected level of 61.5% after one-time effects in 2018 (64.9% as of 31 December 2018).**
- **Capitalisation remains excellent. The TLAC ratio is 17.7%.**

Raiffeisen has closed the first half of 2019 with a Group profit that, while down year-on-year, is respectable nonetheless. The operational banking business continued to perform well. One particularly noteworthy highlight is the high inflow of net new money of CHF 4.9 billion and the large increase of 2.7% in customer deposits. "Our performance validates our clients' tremendous trust in us", stressed Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland. "2019 is a transitional year for Raiffeisen. The Raiffeisen Group achieved major milestones in the first half by simplifying the Group structure, rolling out the new core banking system and launching the efficiency program at Raiffeisen Switzerland. Amid all this, Raiffeisen earned a good operating profit despite the necessary realignment and challenging environment."

Profitability of operations remains stable

To improve year-on-year comparability, the next section shows the income and expense items from the previous year's period without Notenstein La Roche Private Bank Ltd, which was sold on 2 July 2018.

Net income from the core business is largely unchanged from the previous year overall. The net result from interest operations, Raiffeisen's main income source, increased CHF 12.6 million to CHF 1.1 billion (+1.1%) despite the strained margin situation. The result from commission and service business rose a slight CHF 0.8 million, or 0.4%. The Raiffeisen Group's operating income for the first half of the year is CHF 1.5 billion (-3%). The decline is largely attributable to lower income from participations and a decrease in other ordinary income (integration of ARIZON Sourcing Ltd into Raiffeisen Switzerland). Operating expenses increased marginally (+0.6%) despite lower general and administrative expenses. The increase was caused by higher personnel expenses due to restructuring provisions related to the efficiency program at Raiffeisen Switzerland.

The first amortisation charge for the new core banking system, amounting to CHF 26 million, was recognised in the first half of 2019. A value adjustment on participations of CHF 38 million had to be recognised as well. As a result, the Raiffeisen Group's half-year profit of CHF 355 million was lower compared to the previous year (-14.7%). The cost/income ratio is 61.5% (64.9% as of 31 December 2018).

Steady growth in balance sheet business and strong capitalisation

The business volume continued to grow in the first half of 2019. Mortgage growth may have slackened compared to previous years but still gained 1.5% to reach CHF 182.2 billion (+CHF 2.6 billion) in the first half of 2019. Other major highlights include the high inflow of CHF 4.9 billion in net new money to assets under management and the considerable increase of CHF 4.6 billion in customer deposits (+2.7%).

The new capital adequacy requirements have applied to domestic systemically important banks since 1 January 2019. These financial institutions have to fully comply with the new requirements by 1 January 2026 at the latest. The stricter total loss-absorbing capacity (TLAC) requirements are intended to ensure that systemically important banks can be wound up without the use of public funds.

The Raiffeisen Group's risk-weighted TLAC ratio of 17.7% is already very close to the TLAC ratio of 17.9% required by 1 January 2026. Raiffeisen is convinced that it can readily meet the new requirement within the seven-year period thanks to its high earnings retention rate. The current TLAC leverage ratio of 7.6% already exceeds the future unweighted TLAC requirement of 5.9%.

Outlook

Raiffeisen expects economic growth to soften in the second half of 2019, largely due to the slowing global economy but also as a result of ongoing geopolitical uncertainty. Raiffeisen assumes that the Swiss National Bank will not change the key interest rates in the next twelve months. Interest rates will likely remain negative in Switzerland in upcoming quarters. Interest margins will thus continue to be under pressure.

The Raiffeisen Group has made its realignment a top priority in the second half of the year as well: "My focus in the coming months is making Raiffeisen Switzerland even more efficient and effective", Huber said of the future.

The Raiffeisen Group at a glance

	1.1. – 30.6.2019 (in million CHF)	1.1. – 30.6.2018 (in million CHF)	Change in %
Key figures (including Notenstein La Roche)			
Operating income	1,518	1,636	-7.2
Operating expenses	934	1,000	-6.6
Operating result	446	517	-13.7
Group profit	355	416	-14.7
Cost/Income Ratio	61.5%	61.1%	

	30.6.2019 (in million CHF)	31.12.2018 (in million CHF)	Change in %
Key balance sheet figures			
Total assets	234,974	225,333	4.3
Loans to clients	190,773	187,694	1.6
Mortgage loans	182,194	179,558	1.5
Liabilities in respect of client deposits	170,255	165,701	2.7
Customer deposits in % of loans to clients	89.2%	88.3%	
Client assets			
Assets under management (AuM)	203,712	196,070	3.9
Resources			
Number of employees	10,920	10,947	-0.2
Number of full-time positions	9,190	9,215	-0.3
Number of locations	861	880	-2.2

Conference call

Heinz Huber, Chairman of the Executive Board of Raiffeisen Switzerland, will comment the half-year results in a conference call at 10 a.m. and will answer questions from members of the media. The conference call will be conducted in standard German. Please register by sending an e-mail to medien@raiffeisen.ch.

The presentation will be available in PDF form at www.raiffeisen.ch/medien starting at 10 a.m.

Contact: Raiffeisen Switzerland Press Office
+41 (0)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 Swiss bank has roughly 1.9 million cooperative members and 3.5 million clients. The Raiffeisen Group is present at 861 locations throughout Switzerland. The 229 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 equity holdings, Raiffeisen offers private individuals and corporate clients the full range of products and services. The Raiffeisen Group had CHF 204 billion in client assets under management and around CHF 191 billion in loans to clients as of 30 June 2019. The mortgage market share is 17.6% (31.12.2018). Its total assets are CHF 235 billion.