RAIFFEISEN

06/23

Interim financial statements 30 June 2023
Raiffeisen Group

Key figures

in CHF million, percent, number	01.01. – 30.06.2022	01.01. – 30.06.2023	Change in %
Key figures income statement			
Gross result from interest operations	1,220	1,547	26.8
Result from commission business and services	300	311	3.7
Operating income	1,691	2,044	20.9
Operating expenses	967	1,034	6.9
Operating result	623	894	43.5
Half-year profit	556	701	26.0
Cost income ratio	57.2%	50.6%	

in CHF million	31.12.2022	30.06.2023	Change in %
Key balance sheet figures			
Total assets	280,635	287,603	2.5
Loans to clients	214,565	218,863	2.0
of which mortgage receivables	203,656	207,081	1.7
Amounts due in respect of customer deposits	204,785	205,635	0.4
Customer deposits in % of loans to clients	95.4%	94.0%	
Total equity (without minority interest)	20,673	21,572	4.3
Capital resources/liquidity[1]			
Going-concern CET1 ratio	18.8%	19.2%	
Going-concern Tier 1 ratio	18.8%	19.2%	
TLAC ratio	24.9%	25.5%	
Going-concern leverage ratio	6.2%	6.3%	
TLAC leverage ratio	8.2%	8.4%	
Liquidity Coverage Ratio (LCR)[2]	168.4%	167.2%	
Net Stable Funding Ratio (NSFR)[3]	140.9%	141.0%	
Market data			
Share of mortgage market[4]	17.6%	17.6%	
Market share of client deposits[4]	14.5%	14.7%	
Number of clients	3,637,706	3,664,468	0.7
Number of cooperative members	2,001,499	2,036,484	1.7
Client assets			
Client assets under management[5]	242,239	246,568	1.8
Net new money client assets under management (* value as of 30.06.)	4,351 *	2,593	–40.4
Risk ratio lending business			
Value adjustments for default risks	248	265	6.8
as % of loans to clients	0.115%	0.121%	
Value adjustments for expected losses (risk provisions)	484	478	–1.2
Resources			
Number of full-time positions	9,901	9,975	0.7
Number of locations	803	788	–1.9

1 According to the systemic importance regime, as at 30 June 2023 with 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 2023.
5 The client assets shown include custody account assets plus liabilities arising from client deposits and cash bonds. "Liabilities arising from client deposits" includes client deposits that are not similar to an investment. The following are not included: fiduciary deposits, custody-only relationships (third-party banks and institutional clients where Raiffeisen acts solely as custodian) and assets of institutional investors where the business activity consists of liquidity and repo investments.
Reclassifications between assets under management and unreported assets (such as custody-only) are shown as a change in net new money.

Successful first half of the year for the Raiffeisen Group

The Raiffeisen Group generated a very good half-year result in 2023, with the operational business again performing very strongly. There was an increase in both mortgage loans and client deposits, and all income items were up. At CHF 701 million, the half-year profit was up by 26.0% on the previous year. Capital resources are exceptional and capital was strengthened. The Group has welcomed more than 26,700 new clients in the first half of the year.

Raiffeisen achieved a strong operating result in the first half of the year, driven by all the income items. As a result of the turnaround in interest rates, interest operations saw a significant increase of 25.0%. Mortgage loans increased by CHF 3.4 billion (+1.7%). Client deposits rose by CHF 850.3 million (+0.4%). The performance of the commission business and service transactions was once again encouraging, up by 3.7% on the already very strong result in the previous year. The net inflow of new money into the pension and investment business was CHF 1.8 billion in the first six months of the year. Of this amount, a high proportion flowed in turn into discretionary management mandates. Along with the success in the operating business, the cooperative banking group continued to grow. When the Basel and Zurich branches were made into independent cooperative banks at the start of the year, the transfer of the six branches of Raiffeisen Switzerland was successfully completed.

All income items up – profitability improved

Interest operations expanded due to the turnaround in interest rates and the favourable growth in loans to clients.

Raiffeisen's income situation is extremely positive. The Group posted a strong increase, especially in interest operations. This is due partly to growth in loans to clients, and partly because the bank benefited from the end of the negative interest rate environment. The interest margin has improved since the end of 2022, from 0.92% to 1.10%. Compared with the previous year, the net result from interest operations increased by CHF 307.5 million (+25.0%) to CHF 1.5 billion. The result from interest operations reported for the first six months is not, however, an indicator for the whole financial year. Due to the hikes in key interest rates by the Swiss National Bank (SNB), Raiffeisen Switzerland has continuously adjusted its recommendations for interest paid on deposits, with the aim of providing better conditions for clients. As a result, the interest margin is likely to fall back again in the second half of the year. Income from the commission business again delivered encouraging performance. It increased once again compared to the already very strong period in the previous year. The result from commission business and service transactions rose by CHF 11.0 million (+3.7%) to CHF 310.9 million. The result from trading activities increased by CHF 17.0 million (+14.6%) to CHF 133.0 million. The other result from ordinary activities is significantly above the same period in the previous year, up by CHF 17.2 million (+38.3%). Due to the strong performance of the operating business, operating income in the first half-year rose by a total of CHF 352.7 million (+20.9%).

The Raiffeisen Group continued to expand its staff levels.

As expected, the Raiffeisen Group recorded an increase in operating expenses of CHF 66.4 million (+6.9%) to CHF 1.0 billion. An increase in personnel expenses by CHF 48.1 million (+6.8%) to CHF 753.1 million was primarily due to the higher staffing levels required and the Pension Fund's new benefits strategy introduced on 1 January 2023, which provides insured employees with improved pension benefits. The number of persons employed by the Raiffeisen Group increased by 73.5 full-time equivalents in the first half-year. General and administrative expenses increased by CHF 18.4 million (+7.0%) to CHF 280.6 million. Holding client events, general meetings and members' events accounted for a large part of these expenses. Overall, the higher income compared to 30 June 2022, combined with the lesser rise in costs, led to a significant improvement in profitability. The cost-income ratio fell accordingly from 57.2% to 50.6%.

Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets rose by CHF 18.9 million (+19.9%) to CHF 114.0 million. The main reason for this is a write-down on the investment in Leonteq AG, which is measured using the equity method, due to the lower equity of Leonteq AG as of 30 June 2023. Changes to provisions and other value adjustments, and losses fell significantly by CHF 3.9 million (–67.2%) to CHF 1.9 million. Raiffeisen generated an operating result of CHF 894.0 million in the first half of the year, representing an increase of CHF 271.2 million (+43.5%) compared to the same period in the previous year. Tax expenses increased by CHF 56.0 million (+66.1%) to CHF 140.6 million compared to the first half of 2022, in particular due to the very good result. Driven by operating profitability, the half-year profit reached CHF 700.5 million, up by CHF 144.7 million (+26.0%), which was significantly higher than the previous year's result.

Growth in the core business

In the mortgage business, Raiffeisen focuses on high-quality growth at market level.

The steady growth in the balance sheet business continued. Mortgage loans rose by CHF 3.4 billion (+1.7%) to CHF 207.1 billion in the first half of the year. Raiffeisen's focus is on high-quality growth at market level. The share of mortgage loans in the market as a whole is constant at 17.6%. Amounts due from clients increased by CHF 872.1 million (+8.0%) to CHF 11.8 billion. Despite a decline in the overall market, client deposits increased in the first half of the year by CHF 850.3 million (+0.4%) to CHF 205.6 billion. The market share increased slightly in the first six months, from 14.5% to 14.7%. Compared to the end of the previous year, custody account volumes increased by CHF 3.3 billion (+8.0%) to stand at CHF 44.4 billion. The net inflow of new money into the pension and investment business is at a pleasing level. The first half of the year saw CHF 1.8 billion flow into securities accounts, of which around CHF 900 million went into discretionary accounts. During this period, more than 4,700 new discretionary mandates and around 7,600 pension fund accounts were opened. Due to the increases in client deposits and custody account volumes, total client assets under management increased to CHF 246.6 billion. Raiffeisen has also welcomed more than 26,700 new clients in the first half of the year.

Risk position solid

Value adjustments on impaired receivables are at a low level.

The Raiffeisen Group's cautious risk policy is reflected in low value adjustment ratios. Default risk-related value adjustments from interest operations for impaired and non-impaired receivables amounting to CHF 9.4 million net were recognised in the first half of the year. However, value adjustments on impaired receivables remain at a low level of CHF 264.8 million or 0.121% of total loans to clients (31 December 2022: CHF 247.8 million or 0.115%).

Equity and loss-absorbing funds further strengthened

The Raiffeisen Group's equity position is exceptional. Equity and loss-absorbing funds were further strengthened. In particular, Raiffeisen successfully placed a EUR 500 million bail-in bond. The good operating result of the first half of the year also enables Raiffeisen to increase the reserves for general banking risks by CHF 50 million.

Raiffeisen significantly exceeds the regulatory capital requirements.

As at 30 June 2023, the risk-weighted TLAC ratio was 25.5%, representing an improvement on the figure of 24.9% as at 31 December 2022. The TLAC leverage ratio, at a very good level of 8.4%, was also higher than at the end of 2022 (as at 31 December 2022: 8.2%). This means that Raiffeisen has already exceeded the final regulatory requirements that, as a systemically important banking group, it has to meet by 1 January 2026.

The excellent capitalisation and the robust quality of loans led the rating agency Standard & Poor's (S&P) to increase its rating for Raiffeisen in the spring of 2023, raising the long-term issuer credit rating from the previous "A+" to the current level "AA-" and the short-term issuer credit rating from "A-1" to "A-1+".

The Basel and Zurich branches were made into independent cooperative banks at the beginning of the year, thus successfully completing the transfer of all six branches of Raiffeisen Switzerland. The key element in capitalising the new Raiffeisen banks was again clients making multiple subscriptions to cooperative share certificates. This further strengthened the capital base of the entire Group. In the first half of the year, the cooperative capital of all Raiffeisen banks increased by a total of

CHF 228.0 million – CHF 98.2 million of which was from the new Raiffeisen banks in Basel and Zurich. Membership numbers have also increased. The Raiffeisen Group welcomed around 35,000 new cooperative members in the first six months of the current year.

Outlook for the second half of the year

The global economic outlook continued to deteriorate until the middle of the year. This is due to the stubbornly high inflation rates and, increasingly, rising interest rates. While Switzerland has been less affected than other countries, its economy is also cooling down, especially with respect to exports and private consumption. As a result, GDP growth is likely to be below average in 2023. Inflation, in contrast, fell significantly in the second quarter. The SNB nevertheless believes that the risk of second-round effects should still not be underestimated.

Overall, the market environment remains challenging due to the rising risk of a recession and the ongoing geopolitical uncertainties. Raiffeisen continues to expect a positive development for its interest operations. The result from commission business and service transactions should also develop steadily despite headwinds. Overall, Raiffeisen expects its business to continue performing well in the second half of the year. The banking group is very well positioned on a stable basis. Due to its clear strategy focused on expanding client proximity, both in terms of personal advice and digital access to its services, Raiffeisen is on track.

Raiffeisen expects positive business development to continue in the second half of the year.

Consolidated balance sheet

Consolidated balance sheet

in 1,000 CHF	31.12.2022	30.06.2023	Change absolute	Change in %
Assets				
Liquid assets	35,441,687	41,836,991	6,395,304	18.0
Amounts due from banks	2,196,525	3,443,170	1,246,645	56.8
Amounts due from securities financing transactions	–	100,000	100,000	–
Amounts due from customers	10,909,398	11,781,448	872,050	8.0
Mortgage loans	203,655,910	207,081,161	3,425,251	1.7
Trading portfolio assets	2,889,309	2,986,729	97,420	3.4
Positive replacement values of derivative financial instruments	4,852,463	4,237,197	–615,266	–12.7
Financial investments	15,150,957	11,225,429	–3,925,528	–25.9
Accrued income and prepaid expenses	333,838	495,758	161,920	48.5
Non-consolidated participations	808,198	790,982	–17,216	–2.1
Tangible fixed assets	2,988,773	2,976,652	–12,121	–0.4
Intangible assets	6,531	5,778	–753	–11.5
Other assets	1,401,034	641,965	–759,069	–54.2
Total assets	**280,634,623**	**287,603,260**	**6,968,637**	**2.5**
Total subordinated claims	80	649	569	711.3
of which subject to mandatory conversion and/or debt waiver	–	–	–	–
Liabilities				
Amounts due to banks	13,990,326	13,949,639	–40,687	–0.3
Liabilities from securities financing transactions	35,007	4,735,829	4,700,822	13,428.2
Amounts due in respect of customer deposits	204,784,635	205,634,984	850,349	0.4
Trading portfolio liabilities	289,112	342,854	53,742	18.6
Negative replacement values of derivative financial instruments	3,761,882	3,060,804	–701,078	–18.6
Liabilities from other financial instruments at fair value	1,740,581	1,818,846	78,265	4.5
Cash bonds	209,795	189,070	–20,725	–9.9
Bond issues and central mortgage institution loans	32,002,456	33,004,472	1,002,016	3.1
Accrued expenses and deferred income	916,710	1,178,923	262,213	28.6
Other liabilities	1,330,579	1,202,706	–127,873	–9.6
Provisions	947,142	956,445	9,303	1.0
Reserves for general banking risks	200,000	250,000	50,000	25.0
Cooperative capital	3,069,889	3,297,907	228,018	7.4
Retained earnings reserve	16,221,420	17,323,557	1,102,137	6.8
Half-year profit	1,181,898	700,522	–481,376	–40.7
Total equity (without minority interests)	**20,673,207**	**21,571,986**	**898,779**	**4.3**
Minority interests in equity	–46,809	–43,298	3,511	–7.5
of which minority interests in half-year profit	–118	3,511	3,629	3,075.4
Total equity (with minority interests)	**20,626,398**	**21,528,688**	**902,290**	**4.4**
Total liabilities	**280,634,623**	**287,603,260**	**6,968,637**	**2.5**
Total subordinated liabilities	2,605,250	2,863,130	257,880	9.9
of which subject to mandatory conversion and/or debt waiver	2,605,250	2,863,130	257,880	9.9
Off-balance-sheet transactions				
Contingent liabilities	668,421	717,585	49,164	7.4
Irrevocable commitments	13,436,347	13,709,198	272,851	2.0
Obligations to pay up shares and make further contributions	133,966	133,966	–	–

Consolidated income statement

Consolidated income statement

in 1,000 CHF	30.06.2022	30.06.2023	Change absolute	Change in %
Interest and discount income	1,326,524	2,273,237	946,713	71.4
Interest and dividend income from financial investments	11,181	41,690	30,509	272.9
Interest expense	–117,281	–767,968	–650,687	554.8
Gross result from interest operations	**1,220,424**	**1,546,959**	**326,535**	**26.8**
Changes in value adjustments for default risks and losses from interest operations	9,679	–9,404	–19,083	–197.2
Net result from interest operations	**1,230,103**	**1,537,555**	**307,452**	**25.0**
Commission income from securities trading and investment activities	207,729	205,129	–2,600	–1.3
Commission income from lending activities	16,167	13,988	–2,179	–13.5
Commission income from other services	130,204	193,284	63,080	48.4
Commission expense	–54,195	–101,465	–47,270	87.2
Result from commission business and services	**299,905**	**310,936**	**11,031**	**3.7**
Result from trading activities and the fair value option	**116,033**	**132,999**	**16,966**	**14.6**
Result from disposal of financial investments	564	9,716	9,152	1,622.7
Income from participations	28,948	23,824	–5,124	–17.7
Result from real estate	11,797	13,287	1,490	12.6
Other ordinary income	10,761	16,205	5,444	50.6
Other ordinary expenses	–7,113	–854	6,259	–88.0
Other result from ordinary activities	**44,957**	**62,178**	**17,221**	**38.3**
Operating income	**1,690,998**	**2,043,668**	**352,670**	**20.9**
Personnel expenses	–705,070	–753,126	–48,056	6.8
General and administrative expenses	–262,217	–280,586	–18,369	7.0
Operating expenses	**–967,287**	**–1,033,712**	**–66,425**	**6.9**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–95,140	–114,048	–18,908	19.9
Changes to provisions and other value adjustments, and losses	–5,772	–1,895	3,877	–67.2
Operating result	**622,799**	**894,013**	**271,214**	**43.5**
Extraordinary income	21,544	2,051	–19,493	–90.5
Extraordinary expenses	–2,546	–1,443	1,103	–43.3
Changes in reserves for general banking risks	–	–50,000	–50,000	–
Taxes	–84,622	–140,588	–55,966	66.1
Half-year profit (including minority interests)	**557,175**	**704,033**	**146,858**	**26.4**
Minority interests in half-year profit	1,323	3,511	2,188	165.4
Half-year profit	**555,852**	**700,522**	**144,670**	**26.0**

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 01.01.2023	**3,069,889**	**16,221,420**	**200,000**	**–**	**–46,809**	**1,181,898**	**20,626,398**
Capital increase	279,308	–	–	–	–	–	279,308
Capital decrease	–51,290	–	–	–	–	–	–51,290
Changes in minority interests	–	–	–	–	–	–	–
Changes to the consolidated Group	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–	–
Interest on the cooperative capital	–	–	–	–	–	–79,761	–79,761
Creation of reserves for general banking risks	–	–	50,000	–	–	–	50,000
Release of reserves for general banking risks	–	–	–	–	–	–	–
Allocation to voluntary retained earnings reserves	–	1,102,137	–	–	–	–1,102,137	–
Profit	–	–	–	–	3,511	700,522	704,033
Equity capital at 30.06.2023	**3,297,907**	**17,323,557**	**250,000**	**–**	**–43,298**	**700,522**	**21,528,688**

Condensed notes to the interim financial statements

Changes to the accounting and valuation principles

No changes were made to the accounting and valuation principles in the reporting year.

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

Overall, the Swiss economy, and the Raiffeisen Group in particular, came through the challenging past few years well. The pandemic has nonetheless left a mark that still has an impact today, first and foremost the high inflation. The energy crisis that was expected after the start of the Ukraine war did not materialise due to the mild winter, while global supply chains largely returned to normal. But price pressure remained high for many goods and services, so central banks continued to raise interest rates. This also applies to the SNB, which remains concerned about second-round effects and consequently intends to remain vigilant in the second half of the year.

The Swiss economy is not unaffected by the deteriorating global situation. For example, the strong export growth has not continued so far this year. However, Swiss inflation remains much lower than elsewhere. This puts much less strain on private consumption than in other countries. The credit market is also stable. At the time of reporting, no material changes compared to the previous year were apparent, either in the mortgage market or the other business areas of the Raiffeisen Group.

Extraordinary income and extraordinary expenses

Extraordinary income of CHF 2.1 million was down by CHF 19.5 million compared to the same period in the previous year. The previous year's extraordinary income included the net income from the sale of an investment. The item mainly includes gains on the sale of tangible fixed assets. Extraordinary expenses of CHF 1.4 million (30 June 2022: CHF 2.5 million) mainly consist of losses on 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.

Legal notice

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Editorial deadline: 4 August 2023
Date of publication: 23 August 2023

Languages
German, French, Italian and English. Only the German version is authoritative.

Content
Raiffeisen Switzerland Cooperative, St.Gallen

Layout and typesetting
phorbis Communications AG, Basel

Translation
24translate Schweiz GmbH, St.Gallen
Raiffeisen Suisse société coopérative, Siège Suisse romande, Lausanne
Raiffeisen Svizzera società cooperativa, Sede Svizzera italiana, Bellinzona

Forward-looking statements
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