

An aerial photograph of a wide river with several forested islands and peninsulas. The water is a clear, light blue color. The surrounding land is covered in dense green and yellow-green trees. In the upper right corner, there is a small area that appears to be a golf course or a park with some circular features.

Raiffeisen Group
Interim financial statement
30 June 2020

RAIFFEISEN

Key figures

as at 30 June 2020

in million CHF	1.1. – 30.6.2020	1.1. – 30.6.2019	Change in %
Key figures			
Gross result from interest operations	1,165	1,133	2.9
Operating income	1,552	1,518	2.2
Operating expenses	902	934	-3.4
Operating result	513	446	15.0
Group profit	346	355	-2.5
Cost income ratio	58.1%	61.5%	

in million CHF	30.6.2020	31.12.2019	Change in %
Key balance sheet figures			
Total assets	266,135	248,345	7.2
Loans to clients	198,557	193,450	2.6
of which mortgage receivables	187,443	185,291	1.2
Amounts due in respect of customer deposits	186,277	176,179	5.7
Customer deposits in % of loans to clients	93.8%	91.1%	
Total equity capital (without minority interest)	17,909	17,478	2.5

Capital resources ¹			
Common Equity Tier 1 (CET1)	16,959	16,868	0.5
CET1 ratio	17.0%	17.2%	
Total capital ratio	18.1%	18.3%	
TLAC ratio	18.1%	18.4%	
Leverage ratio ²	6.6%	7.1%	
TLAC leverage ratio ²	6.7%	7.2%	

Market data			
Share of mortgage market ³	17.6%	17.6%	
Number of cooperative members	1,922,691	1,909,233	0.7

Client assets			
Client assets under management ⁴	220,712	211,046	4.6

Lending business			
Value adjustments for default risks	225	236	-4.7
as % of loans to clients	0.113%	0.122%	

Resources			
Number of employees	10,947	11,045	-0.9
Number of full-time positions	9,212	9,295	-0.9
Number of locations	834	847	-1.5

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

2 Calculations were made without the application of the exemptions pursuant to the FINMA guidance of March 25, 2020 relating to the COVID-19 crisis.

3 expected market share as at 30 June 2020

4 Account balances and securities accounts without own medium-term notes

Good half-year results – rising income, decreasing costs

In the first half of 2020, the Raiffeisen Group effectively increased its operating result by 15% to CHF 513 million thanks to healthy income and sustainable cost savings. The client business showed strong growth both in terms of client deposits and – due to COVID-19-loans – in terms of client loans. At CHF 346 million, Group profit as at 30 June 2020 was at the previous year's level.

The Raiffeisen Group resolutely and successfully stayed the course in a challenging environment and generated good half-year results. The operational business continued to perform very positively, while the cost-cutting measures initiated in the previous year began to pay dividends. In addition, the adoption of the "Raiffeisen 2025" strategy set the strategic parameters for the next five years.

Income items perform well

Income items fared well in the first half of the year. The net result from interest operations (+CHF 25 million) and commission fee income (+CHF 24 million) increased significantly over the first half of 2019. Income from securities trading and investment activities in particular increased markedly from CHF 163 million to CHF 197 million. This increase was largely due to financial market volatility and the high transaction volumes associated with that kind of volatility. Income from trading portfolio assets and income from participations decreased slightly year-on-year. Operating income was CHF 1,552 million, or CHF 34 million (+2.2%) above the previous year's level.

On the expenses side, the efficiency programme completed in January 2020 generated significant cost savings for Raiffeisen Switzerland. At the Group level, personnel expenses were cut by CHF 13 million and general and administrative expenses by CHF 19 million. The Group's workforce declined slightly in the first six months to 9,212 full-time equivalents (down 83 full-time equivalents). Due to positive developments on both the income and the cost side, the operating result gained CHF 67 million (+15.0%) to CHF 513 million. The cost/income ratio improved from 61.5% in the same period last year to 58.1%. Raiffeisen has thus laid a sound foundation for future challenges and investments.

Strong increase of business volume in client deposits

Many clients appear to have cut spending on consumer goods due to uncertainty about the future trajectory of the COVID-19 pandemic. As a result of their decreased spending and cautious attitudes about future stock market performance, clients have mostly deposited their funds in bank accounts. Raiffeisen saw a significant inflow of net new money in the first six months. Customer deposits rose CHF 10.1 billion, or 5.7%, to CHF 186.3 billion.

Mortgage growth softened slightly, as projected, increasing CHF 2.2 billion, or 1.2%, to CHF 187.4 billion (previous year: +1.5%). As intended, growth has thus kept pace with the market. Amounts due from customers increased a significant CHF 3.0 billion (+36.2%) to CHF 11.1 billion. This includes roughly CHF 1.9 billion in disbursed COVID-19 loans.

Value adjustments and provisions for credit risks remain low

Raiffeisen has always pursued a prudent risk policy. In the current climate, Raiffeisen is tracking changes in value adjustments and provisions for default risks particularly closely. While the prior-year period value adjustments from the lending business saw a net release of CHF 7 million, newly created adjustments and releases were evenly balanced in the first half of 2020. Overall, value adjustments have declined further to CHF 225 million, or 0.113% of the credit volume. Since value adjustments and provisions will likely rise amid the COVID-19 pandemic but cannot be reliably estimated just yet, Raiffeisen has taken the precaution of setting aside additional reserves for general banking risks of CHF 75 million. The half-year profit of CHF 346 million is consistent with the previous year's level (CHF 355 million).

Raiffeisen 2025 strategy adopted

In June 2020, the Board of Directors of Raiffeisen Switzerland adopted the Raiffeisen 2025 strategy for 2021 to 2025. Raiffeisen will invest an additional CHF 550 million in the next five years to further expand its market position in a challenging environment. This investment is intended to generate efficiency gains and additional income of roughly CHF 500 million a year starting in 2025, both of which will increase Group profit. By expanding its private residential property, entrepreneurship, investing and retirement businesses, Raiffeisen is evolving from a product supplier to a solutions provider and differentiating itself as a forward-looking cooperative.

Outlook for the second half of 2020

The COVID-19 pandemic heavily affected the Swiss economy in the first half-year. While consumption recovered quickly overall as the lockdown was relaxed, continuing restrictions and consumers' voluntary restraint have slowed the return to normalcy in many sectors of the economy. Exporters have suffered severely by the collapse of global demand and the stronger Swiss franc. The economic setback has significantly postponed the potential normalisation of interest rates all over the world, including Switzerland.

It is not yet possible to assess the social and economic impact the COVID-19 pandemic will have in the second half of 2020. Operating profit from the first six months therefore might not serve as a reliable yardstick for the Raiffeisen Group's performance for the entire financial year. However, Raiffeisen is in an excellent position to meet the challenges ahead thanks to its local roots, cooperative model and the Raiffeisen 2025 strategy.

Consolidated balance sheet

as at 30 June 2020

	30.6.2020	31.12.2019	Change	Change in %
Assets				
Liquid assets	40,170,643	29,643,304	10,527,339	35.5
Amounts due from banks	7,731,344	7,676,569	54,775	0.7
Amounts due from securities financing transactions	504,889	249,941	254,948	102.0
Amounts due from clients	11,114,123	8,159,886	2,954,237	36.2
Mortgage loans	187,443,063	185,290,514	2,152,549	1.2
Trading portfolio assets	3,238,693	3,201,182	37,511	1.2
Positive replacement values of derivative financial instruments	2,081,956	1,897,986	183,970	9.7
Financial investments	8,723,890	7,194,368	1,529,522	21.3
Accrued income and prepaid expenses	349,967	262,726	87,241	33.2
Non-consolidated participations	698,891	708,160	-9,269	-1.3
Tangible fixed assets	2,996,512	2,997,533	-1,021	-0.0
Intangible assets	8,051	9,996	-1,945	-19.5
Other assets	1,073,115	1,052,960	20,155	1.9
Total assets	266,135,137	248,345,125	17,790,012	7.2
Total subordinated claims	79,736	77,442	2,294	3.0
of which subject to mandatory conversion and/or debt waiver	-	-	-	-
Liabilities				
Liabilities to banks	16,600,000	12,280,041	4,319,959	35.2
Liabilities from securities financing transactions	8,375,377	6,326,901	2,048,476	32.4
Amounts due in respect of customer deposits	186,276,730	176,179,481	10,097,249	5.7
Trading portfolio liabilities	252,147	197,542	54,605	27.6
Negative replacement values of derivative financial instruments	2,777,902	2,318,347	459,555	19.8
Liabilities from other financial instruments at fair value	2,141,270	2,497,397	-356,127	-14.3
Cash bonds	379,173	459,027	-79,854	-17.4
Bond issues and central mortgage institution loans	29,442,796	28,724,944	717,852	2.5
Accrued expenses and deferred income	920,400	840,052	80,348	9.6
Other liabilities	117,124	106,591	10,533	9.9
Provisions	1,005,719	998,369	7,350	0.7
Reserves for general banking risks	275,000	200,000	75,000	37.5
Cooperative capital	2,423,818	2,351,045	72,773	3.1
Retained earnings reserve	14,863,846	14,091,755	772,091	5.5
Currency translation reserve	10	6	4	66.7
Group profit	346,133	835,159	-489,026	-58.6
Total equity capital (without minority interests)	17,908,807	17,477,965	430,842	2.5
Minority interests in equity	-62,308	-61,532	-776	1.3
of which minority interests in Group profit	-557	-10,738	10,181	-94.8
Total equity capital (with minority interests)	17,846,499	17,416,433	430,066	2.5
Total liabilities	266,135,137	248,345,125	17,790,012	7.2
Total subordinated liabilities	1,611,278	1,589,522	21,756	1.4
of which subject to mandatory conversion and/or debt waiver	1,065,394	1,054,004	11,390	1.1
Off-balance-sheet transactions				
Contingent liabilities	681,280	496,081	185,199	37.3
Irrevocable commitments	10,717,500	10,499,152	218,348	2.1
Call commitments and additional funding obligations	121,789	109,214	12,575	11.5

Consolidated income statement

1st half 2020

	1.1.-30.6.2020	1.1.-30.6.2019	Change	Change in %
Interest and discount income	1,378,366	1,418,737	-40,371	-2.8
Interest and dividend income from financial assets	19,088	21,550	-2,462	-11.4
Interest expenditure	-231,962	-307,359	75,397	-24.5
Gross result from interest operations	1,165,492	1,132,928	32,564	2.9
Changes in value adjustments for default risks and losses from interest operations	-435	7,061	-7,496	-106.2
Net result from interest operations	1,165,057	1,139,989	25,068	2.2
Commission income from securities trading and investment activities	197,073	163,390	33,683	20.6
Commission income from lending activities	12,069	11,241	828	7.4
Commission income from other services	109,629	112,809	-3,180	-2.8
Commission expense	-86,873	-79,247	-7,626	9.6
Result from commission business and services	231,898	208,193	23,705	11.4
Result from trading activities and the fair value option	102,459	108,807	-6,348	-5.8
Result from disposal of financial investments	755	446	309	69.3
Income from participations	23,121	34,126	-11,005	-32.2
Result from real estate	11,235	11,046	189	1.7
Other ordinary income	18,050	17,167	883	5.1
Other ordinary expenses	-618	-1,734	1,116	-64.4
Other result from ordinary activities	52,543	61,051	-8,508	-13.9
Operating income	1,551,957	1,518,040	33,917	2.2
Personnel expenses	-661,967	-674,816	12,849	-1.9
General and administrative expenses	-239,901	-258,796	18,895	-7.3
Operating expenses	-901,868	-933,612	31,744	-3.4
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-135,889	-130,689	-5,200	4.0
Changes to provisions and other value adjustments, and losses	-783	-7,380	6,597	-89.4
Operating result	513,417	446,359	67,058	15.0
Extraordinary income	7,181	12,832	-5,651	-44.0
Extraordinary expenses	-2,154	-4,389	2,235	-50.9
Changes in reserves for general banking risks	-75,000	-	-75,000	-
Taxes	-97,868	-100,365	2,497	-2.5
Group profit (including minority interests)	345,576	354,437	-8,861	-2.5
Minority interests in group profit	-557	-484	-73	15.1
Group profit	346,133	354,921	-8,788	-2.5

Statement of changes in equity

as at 30 June 2020

	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 1.1.2020	2,351,045	14,091,755	200,000	6	-61,532	835,159	17,416,433
Capital increase	105,668	-	-	-	-	-	105,668
Capital decrease	-32,895	-	-	-	-	-	-32,895
Changes in minority interests	-	-	-	-	-776	-	-776
Currency translation differences	-	-	-	4	-	-	4
Creation of reserves for general banking risks	-	-	75,000	-	-	-	75,000
Interest on the cooperative capital	-	-	-	-	-	-63,068	-63,068
Allocation to voluntary retained earnings reserves	-	772,091	-	-	-	-772,091	-
Group profit	-	-	-	-	-	346,133	346,133
Equity capital at 30.6.2020	2,423,818	14,863,846	275,000	10	-62,308	346,133	17,846,499

Abbreviated notes to the interim financial statement

Changes to the accounting and valuation principles and possible corrections

No significant 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 prior year

The COVID 19 pandemic has had a major impact on the economic environment in Switzerland and worldwide since March. At Raiffeisen, the uncertainty brought by the spread of COVID-19 significantly increased client deposits. At the same time, demand for COVID-19 loans was strong thanks to the loan guarantee programme rolled out by the Confederation to soften the collateral damage inflicted by the pandemic, which resulted in an above-average increase in amounts due from customers. Individual value adjustments had not increased as at the reporting date. However, given the COVID-19 pandemic, there will likely be an increase in value adjustments in the near future, especially for loans to corporate clients. To account for this increased credit risk, Raiffeisen has decided to set aside additional reserves for general banking risks of CHF 75 million in the half-year financial statements.

Extraordinary income and expenses

Extraordinary income stood at CHF 7.2 million, a year-on-year decrease of CHF 5.7 million. It mainly includes profits from the sale of tangible fixed assets. The extraordinary expenses of CHF 2.2 million (-CHF 2.2 million) mainly comprise losses from the sale of tangible fixed assets.

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

No material events occurred that would have an impact on the Raiffeisen Group's financial position, cash flows and earnings.

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