



RAIFFEISEN

Key figures as at 30 June 2016

	1.1.–30.6.2016 Amounts in CHF million	1.1.–30.6.2015 Amounts in CHF million	Change in %
Key figures			
Operating income	1,522	1,507	1.0
Operating expenditure	962	913	5.4
Operating result	464	503	-7.7
Group profit	367	395	-7.1
Cost/Income Ratio	63.2%	60.6%	

	30.6.2016 Amounts in CHF million	31.12.2015 Amounts in CHF million	Change in %
Key balance sheet figures			
Total assets	213,539	205,748	3.8
Loans to clients	169,981	166,479	2.1
of which mortgage receivables	162,007	158,594	2.2
Amounts due in respect of customer deposits	154,244	150,272	2.6
Customer deposit in % of loans to clients	90.7%	90.3%	

Capital resources			
Total equity capital	13,797	13,318	3.6
Return on equity (ROE)	5.4%	6.4%	
Leverage ratio (unweighted capital ratio)	6.7%	6.7%	
Total capital ratio (equity capital)	16.5%	16.4%	

Market data			
Share of mortgage market	17.1%	16.9%	
Number of clients	3,723,494	3,717,987	0.1
Number of cooperative members	1,871,424	1,862,032	0.5

Client assets			
Client assets under management	211,708	208,856	1.4

Lending business			
Losses on lending business (annualized)	15	29	-48.7
as % of loans to clients	0.009%	0.017%	

Resources			
Number of employees	11,053	11,046	0.1
Number of full-time positions	9,315	9,286	0.3
Number of locations	977	994	-1.7

Business trend

Raiffeisen grows and invests

The Raiffeisen Group's core business performed well despite the challenging environment. Especially in cities and metropolitan areas, Raiffeisen exceeded its growth targets. Total asset growth remains on a high level, and the rates business has improved compared to the previous year. Despite these favourable developments, the Group's half-year profit declined CHF 28 million to CHF 367 million due to investments in Raiffeisen's future and the effects of the volatile market situation on the trading business.

Volatile markets continued to pose huge challenges to the banking industry in the last half-year, while the Brexit vote further eroded interest rates that were already low. Raiffeisen's core business performed favourably nevertheless. The Group grew the rates business 1.5% in the first half-year. The growth easily absorbed hedging costs, which were significantly higher than the previous year. The commission and service business built on the previous year's success and rose 3.1%. The trading business (-12.5%) and the valuation of financial assets sustained losses due to the unfavourable market situation. The implementation of Raiffeisen's strategic initiatives caused operating expenditure to rise considerably (+5.4%). As a result, the half-year profit fell CHF 28 million overall to CHF 367 million. Strong growth in the core business was unable to completely offset the effects of these extraordinary items in the first half of 2016.

Stable growth rates in the core business

The 270 cooperative banks and 6 branches of Raiffeisen Switzerland proved to be exceedingly robust. Compared to the rest of the market, they achieved high growth rates in the mortgage business (+2.2%) and in client deposits (+2.6%). Raiffeisen exceeded the growth targets in the rates business, especially in the cities and metropolitan areas where Raiffeisen is not traditionally as well established.

Unproblematic risk situation

Value adjustments for default risks remained extremely low at 0.1% of lending. That means that Raiffeisen is one of the safest banking institutions without a government guarantee. Moody's reaffirmed the Aa2 rating with a stable outlook.

Implementation of the strategic initiatives

Operating expenditure rose due to extensive development work on the future core banking system and investments in the expansion of digital channels. Raiffeisen reached its first major milestones in these areas in the first half of 2016 as it rolled out the online mortgage and a mobile payment solution.

The corporate clients business expanded further due to ongoing growth among medium-sized and large companies. The portfolio of products and services was enlarged as well. The third Raiffeisen Business Owner Centre (RUZ) is scheduled to open in mid-August in Oberentfelden, Aargau.

The development of the new core banking system and last year's acquisition of Bank La Roche & Co Ltd caused the workforce to increase to 9,315 full-time positions (+0.3% year-on-year). The implementation of the strategic initiatives temporarily increased the

cost/income ratio to 63.2%. Raiffeisen views these expenses as a long-term investment in its future.

Repositioning in asset management

On 29 June 2016, Raiffeisen and Vontobel agreed to cooperate even more closely in asset management. In the future, Raiffeisen will focus on supporting and advising clients in the investment business. Vontobel will take over Vescore Ltd and its asset management capabilities from Raiffeisen and focus on developing and managing products. The transaction has no impact on the present half-year results as it is expected to be completed in the third quarter.

Synergies being realised at Notenstein La Roche Private Bank Ltd

The merger with Bank La Roche & Co had a positive impact on the interim financial statement. Commission income increased 24% year-on-year. Operating expenditure, by contrast, rose only 5 percentage points thanks to the rigorous leveraging of synergies within the Group. Net profit declined to CHF 8.3 million due to ordinary goodwill amortisation. The cost/income ratio is 83%.

Raiffeisen meets capital adequacy requirements

The new too-big-to-fail (TBTF) provisions of the Swiss Federal Banking Act and the Capital Adequacy Ordinance went into force on 1 July 2016. This change involved a redefinition of the risk-weighted and unweighted capital ratio (leverage ratio) that Raiffeisen is required to have as a systemically important bank. Raiffeisen already meets the new requirements, having a risk-weighted capital ratio of 16.1% (requirement: 14.4%) and a leverage ratio of 6.7% (requirement: 4.625%) as at 30 June 2016.

Outlook

The dynamic economic environment – exacerbated by the Brexit vote and the resulting uncertainty – makes it difficult to give an outlook. Raiffeisen expects long-term interest rates to drop again, further increasing pressure on interest margins. Likewise, financial market volatility is expected to continue, which could have negative effects on the commission and trading business. No relief can be expected on the cost side due to the ongoing development of the new core banking system. Due to this scenario, Raiffeisen does not expect to be able to repeat the previous year's record results. The core business is expected to continue its favourable volume trends and positive earnings trajectory.

Consolidated balance sheet as at 30 June 2016

	30.6.2016 in 1,000 CHF	31.12.2015 in 1,000 CHF	Change in 1,000 CHF	Change in %
Assets				
Liquid funds	19,514,094	18,907,231	606,863	3.2
Receivables from banks	6,029,817	3,811,404	2,218,413	58.2
Amounts due from securities financing transactions	368,883	391,404	-22,521	-5.8
Receivables from clients	7,974,348	7,885,116	89,232	1.1
Mortgage receivables	162,006,810	158,593,585	3,413,225	2.2
Trading portfolio assets	3,018,893	2,115,027	903,866	42.7
Positive replacement values of derivative financial instruments	2,197,813	1,795,296	402,517	22.4
Financial assets	7,266,671	6,877,419	389,252	5.7
Accrued income and prepaid expenses	332,733	225,196	107,537	47.8
Non-consolidated participations	768,850	731,891	36,959	5.0
Tangible assets	2,512,600	2,475,780	36,820	1.5
Intangible assets	489,604	512,757	-23,153	-4.5
Other assets	1,058,209	1,426,065	-367,856	-25.8
Total assets	213,539,325	205,748,171	7,791,154	3.8
Total subordinated receivables	85,681	65,381	20,300	31.0
of which subject to mandatory conversion and / or debt waiver	1,715	1,815	-100	-5.5
Liabilities				
Liabilities to banks	10,872,819	7,803,302	3,069,517	39.3
Liabilities from securities financing transactions	2,312,830	4,084,475	-1,771,645	-43.4
Amounts due in respect of customer deposits	154,244,271	150,272,350	3,971,921	2.6
Trading portfolio liabilities	122,749	105,139	17,610	16.7
Negative replacement values of derivative financial instruments	3,054,957	2,397,684	657,273	27.4
Liabilities from other financial instruments at fair value	1,624,313	870,029	754,284	86.7
Medium-term notes	1,385,836	1,647,436	-261,600	-15.9
Bonds and central mortgage institution loans	24,288,926	23,470,245	818,681	3.5
Accrued expenses and deferred income	835,555	711,202	124,353	17.5
Other liabilities	97,727	183,016	-85,289	-46.6
Provisions	894,804	877,574	17,230	2.0
Cooperative capital	1,394,629	1,248,277	146,352	11.7
Retained earnings	12,036,214	11,262,202	774,012	6.9
Currency translation reserve	30	11	19	172.7
Group profit	366,623	807,662	-441,039	-54.6
Total equity capital (without minority interests)	13,797,496	13,318,152	479,344	3.6
Minority interests in equity capital	7,042	7,567	-525	-6.9
– of which minority interests in Group profit	-525	-1,330	805	-60.5
Total equity capital (with minority interests)	13,804,538	13,325,719	478,819	3.6
Total liabilities	213,539,325	205,748,171	7,791,154	3.8
Total subordinated commitments	1,786,612	1,771,822	14,790	0.8
of which subject to mandatory conversion and/or debt waiver	1,242,918	1,242,828	90	0.0
Off-balance-sheet business				
Contingent liabilities	445,933	435,499	10,434	2.4
Irrevocable commitments	7,654,124	7,558,790	95,334	1.3
Call commitments and additional funding obligations	118,543	105,959	12,584	11.9

Consolidated income statement 1st half 2016

	1.1.-30.6.2016 in 1,000 CHF	1.1.-30.6.2015 in 1,000 CHF	Change in 1,000 CHF	Change in %
Interest and discount income	1,538,794	1,569,003	-30,209	-1.9
Interest and dividend income from financial assets	28,592	30,494	-1,902	-6.2
Interest expenditure	-458,454	-503,684	45,230	-9.0
Gross result from interest operations	1,108,932	1,095,813	13,119	1.2
Changes in value adjustments for default risks and losses from interest operations	498	-3,182	3,680	-115.7
Net result from interest operations	1,109,430	1,092,631	16,799	1.5
Commission income securities and investment business	186,964	183,023	3,941	2.2
Commission income lending business	9,257	9,419	-162	-1.7
Commission income other service transactions	104,019	98,690	5,329	5.4
Commission expenditure	-59,515	-57,585	-1,930	3.4
Net income from commission business and service transactions	240,725	233,547	7,178	3.1
Result from trading activities and the fair value option	93,527	106,879	-13,352	-12.5
Income from sale of financial assets	1,729	16,139	-14,410	-89.3
Income from participating interests	34,770	26,214	8,556	32.6
Income from real estate	9,391	10,366	-975	-9.4
Other ordinary income	46,861	25,040	21,821	87.1
Other ordinary expenditure	-14,019	-4,106	-9,913	241.4
Other ordinary profit	78,732	73,653	5,079	6.9
Operating income	1,522,414	1,506,710	15,704	1.0
Personnel expenditure	-680,501	-653,494	-27,007	4.1
Operating expenditure	-281,689	-259,006	-22,683	8.8
Operating expenditure	-962,190	-912,500	-49,690	5.4
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-97,772	-89,100	-8,672	9.7
Changes to provisions and other value adjustments, and losses	1,635	-2,506	4,141	-165.2
Operating result	464,087	502,604	-38,517	-7.7
Extraordinary income	7,045	1,119	5,926	529.6
Extraordinary expenditure	-1,258	-2,673	1,415	-52.9
Taxes	-103,776	-105,134	1,358	-1.3
Group profit (including minority interests)	366,098	395,916	-29,818	-7.5
Minority interests in Group profit	-525	1,083	-1,608	-148.5
Group profit	366,623	394,833	-28,210	-7.1

Statement of changes in equity as at 30 June 2016

	Cooperative capital in 1,000 CHF	Retained earnings 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 the beginning of the current year	1,248,277	11,262,202	11	7,567	807,662	13,325,719
Capital increase	165,448					165,448
Capital decrease	-19,096					-19,096
Changes in the scope of consolidation				-525		-525
Currency translation differences			19			19
Interest on the cooperative capital					-33,650	-33,650
Allocation to voluntary retained earnings reserves		774,012			-774,012	-
Profit					366,623	366,623
Equity capital at 30.06.2016	1,394,629	12,036,214	30	7,042	366,623	13,804,538

Abbreviated notes to the interim financial statement

All disclosures made in the interim financial statement of the Raiffeisen Group as at 30 June 2016 are based on the new accounting rules set out in FINMA Circular 2015/1.

Changes to the accounting and valuation principles

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

Extraordinary income and expenditure

The extraordinary income of CHF 7 million consists primarily of income from the sale of tangible assets. The extraordinary expenditure of CHF 1.3 million consists primarily of losses from the sale of tangible assets.

Material changes after the balance sheet date

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

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