RAIFFEISEN

2021

Annual Report Raiffeisen Switzerland

We open up new horizons

This PDF is interactive

Annual Report

Raiffeisen is the third-largest banking group in Switzerland, has strong local roots, and is a leader in the retail business. The Group consists of 219 legally independent Raiffeisen banks with a cooperative structure. Raiffeisen serves 3.61 million clients at 820 locations all over Switzerland.

Raiffeisen Switzerland is responsible for the Raiffeisen Group's business policy and strategy, acts as a centre of competence for the entire Group and represents its national and international interests. Raiffeisen Switzerland creates the conditions for the operating activities of local Raiffeisen banks (such as IT, infrastructure and refinancing), as well as advising and supporting them on all issues. Additionally, it is responsible for risk management, holding liquidity and capital, and refinancing for the entire Group, as well as performing treasury, trading and transaction activities.

Preface

Thomas A. Müller
Chairman of the Board of Directors,
Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board,
Raiffeisen Switzerland

Dear Reader,

2021 will go down in history as the second year of the coronavirus: lockdowns, measures and restrictions on our private lives – a challenge for us all. Some people may also remember 2021 as a year in which we became even more aware that people need each other. Values such as liberality, democracy and solidarity are not just ends in themselves. We aspire to incorporate them into our daily lives. And we remembered to do so, even in the difficult times that 2021 brought for the Group. The pleasing results of the Raiffeisen banks and Raiffeisen Switzerland in 2021 once again demonstrated that our cooperative creates lasting added value – for all. This is in line with our long-standing maxim: we open up new horizons.

New horizons for the cooperative
In 2020, following an extensive and participatory process, the Raiffeisen Group approved the "Raiffeisen 2025" strategy. 2021 marked the start of its implementation. And it is already starting to bear fruit: we have continued to develop digitally, further diversified our business model and proved to be a reliable partner to our customers thanks to our physical proximity with 820 branches. Together, we are moving away from being a provider of products towards becoming a provider of solutions. The great trust placed in us as a banking group shows we are on the right track. In 2021, Raiffeisen gained more than 53,000 new customers and 28,000 new cooperative members.

The unplanned change at the helm of the Board of Directors created quite a stir. But the sustained trust placed in our cooperative bank shows that the Group is more than its individual representatives and officers.

New horizons for the digital future
Time waits for no one. That is why we are actively helping to shape the future. Digitalisation is not just a challenge, it is also a promise. Those offering solutions will continue to be in demand in the future. We expanded our digital offerings and solutions in the year under review: the Liiva residential property platform was added to the housing ecosystem. With the modernisation planner, Raiffeisen also offers an analysis tool to calculate the potential investment needed for planned renovations, including the subsidies available and possible tax and energy savings.

We have continued to develop digitally and further diversified our business model.

In 2021, we launched a digital Pillar 3a in the area of investing and saving for retirement, and for companies we now have the Raiffeisen “SME eServices” solution for multibanking. This platform allows corporate customers to see all their accounts and cash movements at the touch of a button. These solutions reflect our ambition to shift our technical expertise and physical customer proximity into the digital world.

New horizons for more sustainability
Right now, we are laying the foundations for a world that remains a place worth living in for future generations. Sustainability is a central objective of the Raiffeisen 2025 strategy. In 2021, we launched Switzerland's first sustainable exchange-traded gold fund. Moreover, 94% of our fund volume is invested in sustainable funds. Our focus is on stability and quality, not just volume-driven growth. Once again in 2021, our cooperative members benefited from special member offers, amongst other things, and an attractive rate of interest on their share certificates. 94% of profit was retained in 2021. Most of the amount was added to the reserves to strengthen the capital base. This makes us an exceptionally safe bank. Social, economic and ecological sustainability – that is the path we are taking as a cooperative banking group.

Our focus is on stability and quality, not just volume-driven growth.

Heading for success together
The Group's annual result shows that the diversification of our business model is making good progress. Raiffeisen recorded an excellent performance in 2021 and achieved a profit of CHF 1.07 billion. The Group made strong gains in the customer business in particular and significantly expanded its market share in customer deposits. This was thanks to our proximity to customers and the tireless dedication of our staff. Net income from interest operations grew despite the difficult situation as regards margins. The performance of the investing and saving for retirement business was also very pleasing. Raiffeisen again saw substantial growth in asset management mandates and collective investments. In mortgage loans, we grew in line with our ambition at market level. Such a pleasing result strengthens the Raiffeisen Group as an independent force in banking, the third-largest in Switzerland.

New horizons keep opening up
We want to build on these achievements in 2022. But financial success is only one side of the coin. The other side is the great responsibility we bear as the third-largest bank in Switzerland: the responsibility for enabling and encouraging business activities that are sustainable and benefit our society. We accept this responsibility. We would like to thank you for the trust you have placed in us and look forward to continuing to support you in future.

Thomas A. Müller
Chairman of the Board of Directors,
Raiffeisen Switzerland

Heinz Huber
Chairman of the Executive Board,
Raiffeisen Switzerland

Management report

Raiffeisen Switzerland can look back on a very successful financial year and posted a net profit of CHF 47.5 million, up from CHF 42.5 million in the previous year. Implementation of the Raiffeisen 2025 Group strategy started. The first milestones have already been reached. In the investing and saving for retirement business, Raiffeisen launched a digital pillar 3a. This allows clients to manage their own pension assets independently using their e-banking. And since autumn 2021, corporate clients have been able to benefit from the new SME eServices multibanking solution. This is a complete solution that allows companies to settle payments and manage liquidity across different banks. Raiffeisen Switzerland launched the residential property platform Liiva in conjunction with Mobiliar.

Business performance of Raiffeisen Switzerland

Raiffeisen Switzerland can look back on a very successful year and posted a net profit of CHF 47.5 million for the financial year 2021. The year under review saw the first allocations made to the value adjustments and provisions for non-impaired loans/receivables now required by the regulator. These amounted to CHF 65.2 million and were fully implemented in the form of a transfer in equity from the reserves for general banking risks. In addition, CHF 27.2 million of reserves for general banking risks were recognised. Total assets increased by CHF 19.3 billion to CHF 86.9 billion. This high growth was mainly a result of the strong inflows in the client deposit business at Raiffeisen Switzerland and the Raiffeisen banks. As part of central liquidity management, the Raiffeisen banks invest any excess liquidity from their client business with Raiffeisen Switzerland. This money is invested at the Swiss National Bank in the form of liquid assets to meet liquidity requirements. There was also a sharp rise in deposits by third-party banks and securities financing transactions as part of liquidity management.

Because of stricter capital requirements imposed by the Swiss Financial Market Supervisory Authority (FINMA) at the level of Raiffeisen Switzerland in connection with its systemic importance, the Board of Directors of Raiffeisen Switzerland decided in September 2021 to conduct a capital increase. The Raiffeisen banks subscribed to a total of CHF 743.8 million of Raiffeisen Switzerland share certificates.

Implementation of the Raiffeisen 2025 Group strategy commenced in the previous financial year. The first milestones have already been reached. Together with cooperation partner Mobiliar, Raiffeisen Switzerland launched the joint residential property platform Liiva. This means the Group is able to cover additional customer needs related to buying and modernising private residential property. Raiffeisen also became the first Swiss bank to integrate a modernisation planner into the advisory process. In doing so, Raiffeisen further expanded its property expertise beyond the traditional mortgage business. Raiffeisen also launched a digital pillar 3a in the investing and saving for retirement business. This allows clients to manage their own pension assets independently using their e-banking and invest in pension funds. Since autumn 2021, corporate clients have been able to benefit from the new SME eServices multibanking solution. This is a complete solution that allows companies to settle payments and manage liquidity across different banks.

Income statement

Interest income

Gross interest income increased by CHF 73.1 million (+32.4%) to CHF 299.2 million. The higher interest income in comparison to the previous year is primarily attributable to active liquidity and balance sheet management. Interest and discount income fell by CHF 42.6 million to CHF 192.3 million (–18.1%), while interest and dividend income from financial investments declined by CHF 8.0 million to CHF 24.1 million (-24.8%). However, interest expenses were reduced by a further CHF 123.7 million as a result of the negative interest rate environment, leading to income of CHF 82.8 million from this item. Once again, Raiffeisen only selectively passed on negative interest rates to clients in the year under review.

The value adjustments for default risks and the losses from interest operations increased by CHF 1.0 million to CHF 16.3 million (see Note 13). Of this, CHF 16.1 million is attributable to individual value adjustments and CHF 0.2 million to value adjustments for non-impaired loans/receivables.

Net interest income increased overall by CHF 72.1 million to CHF 282.9 million.

Net fee and commission income
Net fee and commission income increased by CHF 13.4 million year on year to CHF 122.6 million (see Note 22).

Commission income from securities trading and investment activity rose by CHF 4.0 million to CHF 79.9 million. The additional income largely stemmed from asset management commissions and custody fees.

Commission income from lending activity rose by CHF 1.9 million year on year to CHF 20.5 million. This was mainly a result of higher income from brokerage and guarantee commissions.

Commission income from other services fell slightly, by CHF 1.1 million to CHF 56.2 million. The decline can be explained by the shift from cash transactions to digital means of payment such as Twint, which also led to a decline in the number of cash withdrawals from ATMs.

Commission expenditure fell by CHF 8.5 million to CHF 34.0 million. The reduction was primarily attributable to a change in provider in the Custodian and Global Brokerage business.

Net trading income

Trading activities in 2021 were shaped by the Covid-19 pandemic and the persistent low interest rate policy pursued by the central banks. Reduced travel and the slump in tourism had an impact on the foreign currency banknote business, albeit not as drastic as in the previous year. Increased issuance by institutional clients had a positive effect on trading.

Expected trends in inflation and interest rates likewise had an impact. This led to increased volatility on the markets, especially in late summer. Despite the challenging environment, trading activities generated a pleasing CHF 86.6 million. Net trading income went up by CHF 9.2 million (+11.8%) (see Note 23).

Other result from ordinary activities

The other result from ordinary activities remained steady year on year at CHF 363.1 million (+0.6%).

Income from participations rose by CHF 3.0 million to CHF 30.3 million as a result of slightly higher dividends from participations and subsidiaries.

Other ordinary income increased by CHF 17.0 million (+4.7%) to CHF 377.6 million. This income comes mainly from services to the Raiffeisen banks. A smaller portion is from Group companies and third parties. Contribution-relevant services, which cover collective and strategic services, management of finances and project services, went up by CHF 3.9 million year on year to CHF 142.0 million (+2.9%). The remaining items in other ordinary income posted a rise of CHF 13.1 million to CHF 235.6 million. Among other things, this includes income for IT and marketing services provided and income in connection with e-banking and individual consultations with banks.

The other income in the item “Other ordinary income” rose by CHF 16.5 million, largely because of the adjustment to the flow of value for marketing services. Up to 2020, marketing services to the Raiffeisen banks were charged through settlement accounts in the balance sheet of Raiffeisen Switzerland. Since 2021, they have been charged through income, with a corresponding effect on income and expenditure.

Other ordinary expenses increased by CHF 17.2 million to CHF 48.9 million (+54.3%). The main reasons were the aforementioned adjustments to the flow of value for marketing services. This item includes the costs of producing printed matter for the Raiffeisen banks, as well as expenditure on purchasing IT infrastructure for the Raiffeisen banks.

Operating expenses

Personnel expenses (Note 25) increased by CHF 34.2 million (+8.9%) to CHF 420.1 million. The rise was mainly attributable to the additional resources needed to implement the Group strategy, but also for IT security and regulatory requirements.

The headcount at Raiffeisen Switzerland at the end of the year was 2,477 full-time positions (+159 positions).

General and administrative expenses (Note 26) rose by CHF 29.9 million year on year (+13.1%) to CHF 257.8 million.

Office space expenses decreased by CHF 3.3 million to CHF 21.6 million in the year under review. Working from home and optimising the use of workstations made it possible to rent out the premises at Raiffeisenplatz 8.

Expenses for information and communications technology went up by CHF 7.2 million to CHF 73.6 million. The two prime causes were the launch of the customer experience portal (CEP) and further investment in IT security.

Other operating expenses increased by CHF 26.7 million to CHF 158.2 million, for the following reasons:

Forwarding expenses rose by CHF 2.5 million to CHF 17.7 million owing to higher handling costs and the increased expense for the international transport of cash and precious metals. Travel expenses amounted to CHF 9.8 million, in line with the previous year but less than in other years because of the pandemic.

Consulting costs, fees and levies increased by CHF 17.3 million to CHF 99.0 million. Of this, CHF 7.4 million relates to the issue duty paid in connection with the Raiffeisen Switzerland capital increase. The figure also includes expenses incurred for implementing the Group strategy.

Advertising expenses increased by CHF 5.7 million to CHF 25.4 million. Segment and product-specific marketing activities, for example to launch the Raiffeisen Rio asset management app, were stepped up in connection with the implementation of the Group strategy. The aforementioned adjustments to the flow of value also led to increased marketing expenditure.

Value adjustments on participations and depreciation of tangible fixed assets

Ordinary depreciation of tangible fixed assets increased by CHF 4.2 million to CHF 45.2 million, mainly on account of the renovation of bank buildings and the large-scale IT systems. Extraordinary depreciation of tangible fixed assets amounted to CHF 0.3 million in the year under review.

Value adjustments on participations rose by CHF 7.5 million year on year to reach CHF 16.0 million. They relate to adjustments to the net asset values of subsidiaries. In particular, the reorganisation of the Raiffeisen Business Owner Centre (RUZ) and the decision to liquidate Valyo AG were sources of additional value adjustments during the year under review.

Changes to provisions and other value adjustments, and losses

CHF 6.8 million of provisions and other value adjustments were recognised in the year under review, up by CHF 1.6 million on the previous year. This was mainly because of provisions for expected losses.

Changes in provisions for off-balance-sheet transactions, other business risks and litigation expenses are shown in Note 13.

Extraordinary income, changes in reserves for general banking risks and taxes

Extraordinary income came to CHF 34.2 million (see Note 27). CHF 32.6 million came from the revaluation of real estate and CHF 1.4 million from the disposal of participations. The pleasing result made it possible to set aside reserves for general banking risks in the amount of CHF 92.4 million in total. Tax expenses in the year under review amounted to CHF 2.9 million. They relate primarily to capital tax.

Net profit

The net profit was CHF 47.5 million.

Balance sheet

Total assets increased by CHF 19.3 billion to CHF 86.9 billion. This rise was mainly attributable to an increase in amounts due to other banks and clients, as well as deposits made by Raiffeisen banks with Raiffeisen Switzerland.

Amounts due to/from Raiffeisen banks

At the end of 2021, Raiffeisen Switzerland had a net amount due to Raiffeisen banks of CHF 31.0 billion, compared with CHF 25.6 billion in the previous year. The Raiffeisen banks hold assets at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Amounts due to/from other banks

Amounts due from other banks decreased by CHF 0.7 billion year on year to CHF 3.3 billion. Amounts due to other banks increased by CHF 5.6 billion to CHF 14.6 billion. The rise resulted from liquidity management.

Amounts due/liabilities from securities financing transactions

Liabilities from securities financing transactions rose by CHF 3.3 billion to CHF 7.5 billion. These are solely repo transactions in which money is borrowed against securities collateral. Among other things, these transactions serve to manage sight deposits held with the SNB, and they can fluctuate sharply depending on liquidity management needs on the balance sheet cut-off date.

There are no amounts due from securities financing transactions as at the cut-off date.

Amounts due from clients and mortgage loans

Loans to clients remained virtually unchanged year on year and amount to CHF 14.1 billion. Mortgage loans rose by 1.2% to CHF 11.0 billion, while other amounts due from clients were practically unchanged at CHF 3.1 billion.

Amounts due from clients include short-term loans to institutional clients, loans to larger corporate clients and the capital goods leasing business. These items are more volatile depending on business and are subject to greater changes.

Trading portfolio assets

Trading portfolio assets fell by CHF 84.2 million to CHF 895.4 million (see Note 3). The short-term nature of this business generally means that the trading volume is subject to fairly significant fluctuations, resulting in considerable changes in relation to a specific cut-off date.

Financial investments

Securities holdings in financial investments (Note 5), mainly investment-grade bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The carrying amount went down by CHF 286.4 million to CHF 8.5 billion (-3.3%).

Participations

The carrying amount of participations (Note 6) decreased by CHF 7.6 million to CHF 415.9 million (-1.8%) in the year under review. Among participations in Group companies, value adjustments were made in particular to Raiffeisen Unternehmerzentrum AG (CHF 3.1 million) as part of its reorganisation and Valyo AG (CHF 3.7 million) in connection with the decision to liquidate. The other participations saw only minor changes on individual items in the year under review.

Tangible fixed assets

The changes in tangible fixed assets are shown in Note 7.1. The carrying amount increased by CHF 16.5 million to CHF 344.5 million (+5.0%), which, allowing for ordinary depreciation, was largely attributable to the revaluation of property (see the footnote to the note on tangible fixed assets).

Client deposits

Client deposits increased by CHF 1.4 billion to CHF 17.3 billion. Client deposits at the branches of Raiffeisen Switzerland were almost unchanged at CHF 9.4 billion. Deposits by institutional clients rose by CHF 1.9 billion to CHF 5.7 billion; among corporate clients, they fell by CHF 0.5 billion to CHF 2.2 billion.

Bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans (Note 12) rose by CHF 3.5 billion in the year under review to CHF 10.4 billion. The carrying amount of the bonds of Raiffeisen Switzerland is CHF 3.8 billion. Money market securities issued by Raiffeisen Switzerland came to CHF 3.2 billion. The carrying amount of central mortgage institution loans remains unchanged at CHF 2.1 billion. Bond components of structured products issued by Raiffeisen Switzerland amounted to CHF 1.4 billion.

In 2021, Raiffeisen Switzerland issued a new additional Tier 1 bond worth CHF 300 million. This further strengthened the capital base. As in the previous year, Raiffeisen also placed various tranches of further bail-in bonds to build up additional loss-absorbing capital under the systemic importance regime. In total, a volume of CHF 500 million was issued in 2021.

Provisions

Provisions (Note 13) increased slightly, by CHF 5.9 million to CHF 106.6 million. Particularly worthy of note here were the new provisions for expected losses of CHF 19.0 million, recognised under the new regulatory requirements.

Reserves for general banking risks

CHF 27.2 million was allocated to the reserves for general banking risks in the year under review (see Note 13). In total, reserves for general banking risks of CHF 92.4 million were set aside. Of this, CHF 65.2 million was used in connection with the initial allocation to value adjustments and provisions for expected losses, and reclassified in equity.

Equity capital

Cooperative capital stood at CHF 2.4 billion at the end of December 2021. Equity capital increased by CHF 776.0 million to CHF 2.7 billion. This rise was primarily the result of the increase in share certificate capital and the newly recognised reserves for general banking risks.

Off-balance-sheet transactions

Total contingent liabilities (Note 19) were largely unchanged on the previous year at CHF 3.1 billion. The contract volume for derivative financial instruments (Note 4) rose by CHF 82.3 billion to CHF 209.9 billion. This increase is mostly related to the replacement of LIBOR. In line with clearing house protocols on introducing new benchmark interest rates, additional derivative transactions were recognised at the start of the last LIBOR interest rate period. This temporary effect will unwind after the end of the last LIBOR interest rate period. The positive replacement values shown in the balance sheet amounted to CHF 1.3 billion (compared with CHF 1.5 billion in the previous year), while the negative replacement values amounted to CHF 1.5 billion (compared with CHF 1.9 billion in the previous year).

Remuneration report

The remuneration report is included in the Raiffeisen Group Annual Report at

report.raiffeisen.ch/en-remuneration

Annual Report

Raiffeisen Switzerland can look back on a very successful financial year and posted a net profit of CHF 47.5 million, up from CHF 42.5 million in the previous year. Total assets increased by CHF 19.3 billion to CHF 86.9 billion. This high growth was mainly a result of the strong inflows in the client deposit business at Raiffeisen Switzerland and the Raiffeisen banks.

Raiffeisen Switzerland balance sheet

Balance sheet

in 1,000 CHF	Note	31.12.2020	31.12.2021	Change	Change in %
Assets					
Liquid assets	16	35,390,664	56,056,494	20,665,830	58.4
Amounts due from Raiffeisen banks	9, 16	1,095,917	780,676	−315,241	−28.8
Amounts due from other banks	9, 16	3,947,870	3,258,494	−689,376	−17.5
Amounts due from clients	2, 16	3,013,758	3,089,847	76,089	2.5
Mortgage loans	2, 9, 16	10,910,652	11,040,049	129,397	1.2
Trading portfolio assets	3, 16	979,556	895,404	−84,152	−8.6
Positive replacement values of derivative financial instruments	4, 16	1,536,638	1,252,644	−283,994	−18.5
Financial investments	5, 9, 16	8,785,329	8,498,979	−286,350	−3.3
Accrued income and prepaid expenses		234,967	232,032	−2,935	−1.2
Participations	6	423,550	415,944	−7,606	−1.8
Tangible fixed assets	7	327,972	344,507	16,535	5.0
Other assets	8	983,396	1,016,134	32,738	3.3
Total assets		**67,630,269**	**86,881,204**	**19,250,935**	**28.5**
Total subordinated receivables		7,500	2,000	−5,500	−73.3
of which subject to mandatory conversion and/or debt waiver		–	–	–	–
Liabilities					
Amounts due to Raiffeisen banks	16	26,703,345	31,818,871	5,115,526	19.2
Amounts due to other banks	16	9,054,065	14,623,796	5,569,731	61.5
Liabilities from securities financing transactions	1, 16	4,180,827	7,450,837	3,270,010	78.2
Amounts due in respect of customer deposits	16	15,849,091	17,277,182	1,428,091	9.0
Trading portfolio liabilities	3, 16	147,893	156,043	8,150	5.5
Negative replacement values of derivative financial instruments	4, 16	1,891,769	1,482,533	−409,236	−21.6
Cash Bonds	16	19,080	17,724	−1,356	−7.1
Bond issues and central mortgage institution loans	11, 12, 16	6,987,157	10,448,395	3,461,238	49.5
Accrued expenses and deferred income		301,827	276,924	−24,903	−8.3
Other liabilities	8	426,481	478,265	51,784	12.1
Provisions	13	100,722	106,631	5,909	5.9
Reserves for general banking risks	13	47,988	75,179	27,191	56.7
Cooperative capital	14	1,700,000	2,443,800	743,800	43.8
Statutory retained earnings reserve		177,523	177,523	–	–
Profit		42,500	47,500	5,000	11.8
Total equity capital		**1,968,012**	**2,744,002**	**775,990**	**39.4**
Total liabilities		**67,630,269**	**86,881,204**	**19,250,935**	**28.5**
Total subordinated cash bonds		1,399,493	2,210,161	810,668	57.9
of which subject to mandatory conversion and/or debt waiver		899,567	2,210,161	1,310,594	145.7
Off-balance-sheet transactions					
Contingent liabilities	2, 19	3,125,131	3,137,885	12,754	0.4
Irrevocable commitments	2	2,386,422	2,304,954	−81,468	−3.4
Obligations to pay up shares and make further contributions	2	16,747	16,747	–	–

Raiffeisen Switzerland income statement

Income statement

in 1,000 CHF	Note	2020	2021	Change	Change in %
Interest and discount income	21	234,867	192,278	−42,589	−18.1
Interest and dividend income from financial investments	21	32,072	24,105	−7,967	−24.8
Interest expense	21	−40,886	82,799	123,685	−302.5
Gross result from interest operations		**226,053**	**299,182**	**73,129**	**32.4**
Changes in value adjustments for default risks and losses from interest operations	13	−15,280	−16,310	−1,030	6.7
Subtotal net result from interest operations		**210,773**	**282,872**	**72,099**	**34.2**
Commission income securities trading and investment business	22	75,863	79,886	4,023	5.3
Commission income from lending business	22	18,558	20,504	1,946	10.5
Commission income other services	22	57,292	56,214	−1,078	−1.9
Commission expense	22	−42,542	−34,019	8,523	−20.0
Net income from commission business and service transactions	22	**109,171**	**122,586**	**13,415**	**12.3**
Net trading income	23	**77,457**	**86,634**	**9,177**	**11.8**
Result from the disposal of financial investments		989	385	−604	−61.1
Income from participations		27,327	30,298	2,971	10.9
Result from real estate		3,595	3,747	152	4.2
Other ordinary income	24	360,594	377,586	16,992	4.7
Other ordinary expenses		−31,675	−48,888	−17,213	54.3
Other ordinary profit		**360,830**	**363,127**	**2,297**	**0.6**
Operating income		**758,231**	**855,219**	**96,988**	**12.8**
Personnel expenses	25	−385,847	−420,058	−34,211	8.9
General and administrative expenses	26	−227,944	−257,837	−29,893	13.1
Operating expenses		**−613,792**	**−677,895**	**−64,103**	**10.4**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	6, 7	−55,684	−61,437	−5,753	10.3
Changes to provisions and other value adjustments, and losses	13	−5,745	−7,261	−1,516	26.4
Operating result		**83,010**	**108,626**	**25,616**	**30.9**
Extraordinary income	27	2,307	34,173	31,866	1,381.3
Extraordinary expenses	27	−25	–	25	−100.0
Changes in reserves for general banking risks	13	−41,652	−92,399	−50,747	121.8
Taxes	29	−1,140	−2,900	−1,760	154.4
Profit		**42,500**	**47,500**	**5,000**	**11.8**

Proposed distribution of profit

Proposal addressed to the General assembly of 18 June 2022

in 1,000 CHF	2020	2021	Change	Change in %
Profit	42,500	47,500	5,000	11.8
Profit brought forward	–	–	–	–
Available profit	**42,500**	**47,500**	**5,000**	**11.8**
Appropriation of profit				
Allocation to statutory retained earnings reserve	–	5,000	5,000	–
Interest on cooperative capital	42,500	42,500	–	–
Total appropriation of profit	**42,500**	**47,500**	**5,000**	**11.8**

Statement of changes in equity

Statement of changes in equity

in 1,000 CHF	Cooperative capital	Statutory retained earnings reserve [1]	Reserves for general banking risks	Profit	Total
Equity capital at 1.1.2021	**1,700,000**	**177,523**	**47,988**	**42,500**	**1,968,012**
Capital increase	743,800	–	–	–	743,800
Allocations to statutory retained earnings reserve	–	–	–	–	–
Allocations to reserves for general banking risks	–	–	92,399	–	92,399
Transfers from reserves for general banking risks [2]	–	–	−65,209	–	−65,209
Interest on the cooperative capital	–	–	–	−42,500	−42,500
Profit	–	–	–	47,500	47,500
Equity capital at 31.12.2021	**2,443,800**	**177,523**	**75,179**	**47,500**	**2,744,002**

1 Statutory retained earnings are not distributable.
2 In accordance with the transitional provisions in Article 98(1) AO, Raiffeisen Switzerland allocated CHF 48.2 million of value adjustments for expected losses and CHF 17.0 million of provisions for expected losses directly in equity through the reserves for general banking risks.

Notes to the Annual Financial Statements

Trading name, legal form, registered office

Under the name

- Raiffeisen Schweiz Genossenschaft
- Raiffeisen Suisse société coopérative
- Raiffeisen Svizzera società cooperativa
- Raiffeisen Svizra associaziun
- Raiffeisen Switzerland Cooperative

there exists an association of cooperative banks with a limited duty to pay in further capital pursuant to Art. 921 et seq. of the Swiss Code of Obligations. Raiffeisen Switzerland Cooperative (hereinafter “Raiffeisen Switzerland”) is the association of Raiffeisen banks in Switzerland. Raiffeisen Switzerland is domiciled in St.Gallen.

Risk management

The Raiffeisen banks and Raiffeisen Switzerland pool their risks.

Risk policy

Risk management systems are based on regulatory provisions and regulations governing risk policy for the Raiffeisen Group (“risk policy” for short), as well as the framework and framework concepts for institution-wide risk management. The risk policy, the framework and the framework concepts are reviewed and updated annually. Raiffeisen Switzerland views entering into risks as one of its core competencies. It only does so if it is in full knowledge of their extent and dynamics, and when the requirements in terms of systems and staff resources are met. The objectives of the risk policy are to limit the negative impact of risks on earnings and protect Raiffeisen Switzerland against high, exceptional losses, as well as to preserve and enhance its reputation. Raiffeisen Switzerland's risk management is based on the three-lines-of-defence principle: risks are managed by the line units responsible (first line). The Risk & Compliance department ensures that the risk policy and regulatory provisions are complied with and enforced (second line). Internal Auditing ensures the independent review of the risk management framework (third line).

Risk control

Raiffeisen Switzerland limits and monitors the main risk categories via risk guidelines. Appropriate limits are used for quantifiable risks. Risks that are difficult to quantify are limited by qualitative stipulations.

The Risk & Compliance department is responsible for the independent monitoring of risk. This primarily involves monitoring compliance with the limits stipulated by the Board of Directors and the Executive Board. The Risk & Compliance department also assesses the risk situation on a regular basis as part of the reporting process.

Raiffeisen conducts various regular stress tests to analyse the impact of adverse scenarios on the resilience of the Bank. This involves examining the effect on important target values, such as profit, capital requirements and liquidity. The stress test analyses are carried out at the overall Bank level or at the level of certain sub-portfolios or risk categories. Moreover, as a systemically important Bank, Raiffeisen carries out reverse stress tests for the Raiffeisen Group as part of its stabilisation and emergency planning.

Conducting stress tests is an integral part of risk monitoring at Raiffeisen. The Board of Directors of Raiffeisen Switzerland determines the risk appetite on the basis of the stress tests.

Risk management process

The risk management process applies to all risk categories, i.e. credit, market, liquidity and operational risks. It includes the following elements:

- Risk identification
- Risk measurement and assessment
- Risk management
- Risk monitoring and reporting

The aim of risk management is to

- ensure that effective controls are in place at all levels and to ensure that any entering into risks is in line with the risk appetite and tolerance;
- create the conditions for entering into and systematically managing risks in a deliberate, targeted and controlled manner;
- make the best possible use of risk appetite, i.e. ensure that risks are only entered into if they offer suitable return potential.

Credit risks

Credit risks are defined in the risk policy as the risk of losses that arise if clients or other counterparties fail to make contractually agreed payments to the extent expected. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivative contracts. Risks also arise from taking on long-term equity exposures.

Raiffeisen Switzerland identifies, assesses, manages and monitors the following risk types in its lending activities:

- Counterparty risk
- Collateral risk
- Concentration risk
- Country risk

Counterparty risks result when a debtor or counterparty defaults. A debtor or counterparty is considered to be in default when receivables are overdue or at risk.

Collateral refer to impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables originating from individual borrowers, sectors, regions, rating classes and collateral.

Country risk is the risk of losses resulting from country-specific events.

The main component of the lending activity of Raiffeisen Switzerland is the financing of mortgage-secured loans.

The Corporate Clients, Treasury & Markets department primarily incurs counterparty, collateral and concentration risks. The branches of Raiffeisen Switzerland extend credit to private and corporate clients and to public-sector entities.

Larger loans to corporate clients and public-sector entities are primarily managed by the Corporate Clients, Treasury & Markets department. Unsecured loans exceeding a defined amount are additionally checked by the Raiffeisen Switzerland Credit Office. Concentration risks are reviewed and acknowledged as part of the credit process.

The Group-wide responsibilities of the Corporate Clients, Treasury & Markets department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets, as well as the hedging of currency, fluctuating interest rate and proprietary trading risks. In principle, international transactions may only be conducted when country-specific limits have been approved and established.

Pursuant to the Articles of Association, commitments abroad may not exceed 5% of the consolidated Raiffeisen Group balance sheet total on a risk-weighted basis.

Internal and external ratings are used as a basis for approving and monitoring business with commercial banks. Off-balance-sheet transactions and derivative financial instruments are converted to their respective credit equivalent. In the case of derivative financial instruments, the standard approach for the credit equivalents of SA-CCR derivatives is applied. Raiffeisen Switzerland has entered into framework agreements for OTC derivative transactions (the Swiss or ISDA master agreement) with the counterparties of the Corporate Clients, Treasury & Markets department with whom OTC derivative transactions are executed and, depending on the counterparty, a credit support annex for variation margin. Collateral is exchanged by transferring the margin requirement, which is calculated daily. These OTC exposures are monitored, taking into account the collateral exchanged.

Raiffeisen Switzerland has invested in other companies as part of strategic cooperation partnerships.

Creditworthiness and solvency are assessed on the basis of binding standards at Raiffeisen Switzerland. Sufficient creditworthiness and the ability to maintain payments must be proved before any loan is approved. Loans to private individuals, corporate clients and investment property financing are classified according to internally developed rating models and subject to risk monitoring based on the resulting classification. Clients' creditworthiness is split into 11 risk categories and two default categories.

This system has proved its worth as a means of dealing with the main elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and recognition of individual value adjustments. Specialist teams are available at Raiffeisen Switzerland for more complex financing arrangements and the management of recovery positions.

Comprehensive internal sets of rules exist for valuing collateral for loans, especially for determining the loan-to-value ratios; they prescribe the corresponding methods, procedure and competencies. The sets of rules are constantly reviewed and adjusted to regulatory requirements and market changes. The Bank employs recognised estimation methods, tailored to the type of property, to value property loans secured by security interests in land. Hedonic models, the gross rental method and expert estimates are used, among other things. Both the models used and the individual valuations are reviewed regularly. The maximum lending amount for any property loan secured by security interests in land varies depending on the realisability of the collateral and is affected by the type of use.

Raiffeisen analyses loan positions for default risk at regular intervals and/or in response to certain events and recognises value adjustments and/or loan loss provisions as needed. The Bank considers loans to be impaired when it becomes unlikely that debtors will be able to meet their future obligations or the intrinsic value of the collateral no longer exists, but at the very latest when the contractual principal, interest or commission payments are more than 90 days overdue. Provisions are recognised for the full amount of the interest and commission payments.

The Risk & Compliance department monitors, controls and manages risk concentrations within Raiffeisen Switzerland, in particular for individual counterparties and for groups of affiliated counterparties, as well as for sectors and collateral. The process of identifying and consolidating affiliated counterparties is largely automated within Raiffeisen Switzerland. The Risk & Compliance department monitors the credit portfolio on a Group-wide basis and evaluates the portfolio structure. A periodic credit portfolio report provides the decision-makers responsible with information on the economic environment, the structure of the credit portfolio, the risk situation and developments in the period under review.

Monitoring the portfolio structure involves analysing the distribution of the portfolio according to a wide range of structural characteristics, including, without limitation, category of borrower, type of loan, size of loan, rating, sector, collateral, geographical features and value adjustments. The Executive Board and the Board of Directors of Raiffeisen Switzerland receive a quarterly risk report detailing the risk situation, risk exposure, limit utilisation and changes in exception-to-policy loans. In addition to standard credit portfolio reporting, ad hoc risk analyses are carried out where required. Monitoring and reporting form the basis of the measures taken to manage the portfolio, with the main focus being on managing new business via lending policy.

Cluster risks are monitored centrally by the Risk & Compliance department. As at 31 December 2021, Raiffeisen Switzerland had five cluster risks with accumulated total exposures (after risk mitigation and risk weighting) of CHF 59.7 billion. The majority relate to the Swiss National Bank (CHF 55.9 billion), which is exempt from the regulatory limit. As at 31 December 2021, the total of the regulatory reporting of the 20 biggest overall exposures (after risk mitigation and risk weighting) of Raiffeisen Switzerland amounted to CHF 3.3 billion.

Market risk

Banking book
Risk associated with fluctuating interest rates: since interest rates for assets and liabilities are locked in for different periods, fluctuations in market interest rates can have a considerable impact on the interest income and annual results of Raiffeisen Switzerland. Value at risk is calculated along with interest rate sensitivity in various interest rate shock scenarios in order to assess the assumed interest rate risk to the net present value of the equity capital. To measure mark-to-market risk, a gap analysis is performed using all on-balance-sheet and off-balance-sheet items along with their maturities. Loans and deposits with non-fixed maturities and capital commitment periods are modelled on the basis of historical data and forward-looking scenarios. These models are backtested at least once a year and undergo regular independent validation. No specific assumptions are made for early loan repayments because early repayment penalties are normally levied. Risk associated with fluctuating interest rates is managed on a decentralised basis in the business units responsible, with the persons responsible in each case being required to strictly adhere to the limits set by the Board of Directors and the Executive Board. Interest rate risks are hedged using established instruments. The Corporate Clients, Treasury & Markets department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group. The Risk & Compliance department monitors compliance with interest risk limits and prepares the associated reports on at least a quarterly basis, while also assessing the risk situation of Raiffeisen Switzerland. Monitoring and reporting is conducted more frequently for individual units.

Other market risks: since assets in a foreign currency are generally refinanced in the same currency, foreign currency risks can largely be avoided.

The financial investment portfolio is managed by the Corporate Clients, Treasury & Markets department. Financial investments are part of the liquidity reserve of the Raiffeisen Group and contain largely high-grade fixed-income securities that meet statutory liquidity requirements for high-quality liquid assets (HQLA). The Risk & Compliance department monitors the market risk of financial investments.

Trading book
Trading activities at the Corporate Clients, Treasury & Markets department comprise interest rates, foreign currencies, equities and banknotes / precious metals. Trading must strictly adhere to the value-at-risk, scenario and loss limits set by the Board of Directors and the Executive Board, which the Risk & Compliance department monitors on a daily basis. In addition, Risk & Compliance conducts daily plausibility checks of the valuation parameters used to produce profit and loss figures for trading.

Reporting on compliance with value-at-risk, scenario, position and loss limits and the assessment of the risk situation by the Risk & Compliance department is conducted at a frequency ranging from daily to quarterly and sent to the members of the Executive Board responsible, the Executive Board and the Board of Directors of Raiffeisen Switzerland.

The Risk & Compliance department communicates breaches of market risk limits set by the Board of Directors and the Executive Board on an ad hoc basis within the scope of the respective risk reports.

Liquidity risks

Liquidity risks are managed by the Corporate Clients, Treasury & Markets department in accordance with applicable laws, regulations and commercial criteria and are monitored by Risk & Compliance. Risk management involves, in particular, simulating liquidity inflows and outflows over different time horizons using various Group-wide scenarios. These scenarios cover the impact of liquidity shocks that are specific to Raiffeisen or affect the market as a whole.

Monitoring is based on statutory minimum requirements, as well as the limits and internal stress scenarios stipulated by the Board of Directors.

Operational risks

Raiffeisen takes operational risks to mean the danger of losses arising as a result of the unsuitability or failure of internal procedures, people or systems, or as a result of external events. They also include risks relating to cyber attacks and information security in general. Consequences for compliance and Raiffeisen's reputation are also considered in addition to the financial impact.

Operational risk appetite and tolerance is defined using value-at-risk limits or stop-loss limits and frequencies of occurrence. Risk appetite and tolerance are approved annually by the Board of Directors of Raiffeisen Switzerland. The Risk & Compliance department monitors compliance with risk tolerance. If one of the defined limits or a threshold is exceeded, measures are defined and implemented.

Each role within Raiffeisen Switzerland includes identifying, assessing, managing and monitoring operational risk arising from its own activities. The Risk & Compliance department is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. Risk identification is supported by capturing and analysing operational events. Risk & Compliance is also in charge of the concepts, methods and instruments used to manage operational risks, and monitors the risk situation. In specific risk assessments, operational risks are identified, categorised by cause and impact, and assessed according to the frequency of occurrence and extent of losses. The risk register is updated dynamically. Risk reduction measures are defined and their implementation is monitored by the line units. Emergency and catastrophe planning precautions are taken for business-critical processes.

The results of the risk assessments, key risk indicators, significant internal operational risk events and relevant external events are reported quarterly to Raiffeisen Switzerland's Executive Board and Board of Directors. Value-at-risk limit violations are escalated to the Board of Directors.

In addition to the standard risk management process, Risk & Compliance conducts ad hoc risk analyses where required, analyses any loss events that arise and maintains close links with other organisational units that, as a result of their function, come into contact with information on operational risks within the Raiffeisen Group.

The Risk & Compliance department also reports the main compliance risks quarterly and the legal risks and activity plan semi-annually to Raiffeisen Switzerland's Executive Board and the Risk Committee of the Board of Directors.

These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2017/1 “Corporate governance – banks”, are submitted to the Board of Directors of Raiffeisen Switzerland once a year.

Regulatory provisions

On 11 November 2020, FINMA, the Swiss Financial Market Supervisory Authority, issued a decision defining special requirements relating to the systemic importance of the Raiffeisen Group and Raiffeisen Switzerland. The consolidated information that must be disclosed pursuant to FINMA Circular 2016/1 “Disclosure – banks” can be viewed on the Raiffeisen website (www.raiffeisen.ch) or in the Raiffeisen Group Annual Report.

Raiffeisen Switzerland has opted for the following approaches when calculating capital requirements:

Credit risks
Raiffeisen Switzerland applies the international standardised approach (SA-BIS) to calculate the capital requirements for credit risks.

External issuer/issue ratings from three FINMA-recognised rating agencies are used for the following client categories: sovereigns and central banks, public-sector entities, banks and securities traders, as well as corporates.

Issuer/issue ratings from an export insurance agency are also taken into consideration for central governments; however, rating agency ratings take precedence over ratings issued by the export insurance agency.

No changes were made to the rating or export insurance agencies used in the year under review.

Positions for which external ratings are used are found chiefly under the following balance sheet items:

- Amounts due from banks
- Amounts due from clients
- Financial investments
- Positive replacement value

Market risk
The capital requirements for market risk are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments, while the delta-plus approach is applied for capital requirements for options.

Operational risks
Raiffeisen applies the basic indicator approach to calculate capital requirements for operational risks.

Methods applied to identify default risks and to establish the required value adjustment

Mortgage-secured loans

Default risks and the probabilities of default of loan positions are reviewed regularly based on the collateral (see also the section "Value of collateral"). In addition to the value of the collateral, the Bank also constantly reviews the debtor's creditworthiness by monitoring outstanding payments in the case of interest and repayments. This allows the Bank to identify mortgage-secured loans associated with higher risks. These loans are subsequently reviewed in detail by credit specialists. Raiffeisen Switzerland's Recovery department is involved in certain cases. Additional collateral may be requested or a value adjustment recognised based on the missing collateral (see also the section entitled "Steps involved in determining value adjustments and provisions").

Loans against securities

The Bank monitors the commitments and value of the pledged securities on a daily basis. If the collateral value of the pledged securities falls below the loan commitment amount, the Bank will consider reducing the loan amount or request additional collateral. If the shortfall widens or if market conditions are unusual, the collateral will be realised and the loan settled. If the realisation proceeds are not sufficient to meet the amount outstanding, value adjustments are recognised accordingly.

Unsecured loans

Unsecured loans are generally business loans to corporate clients, loans to public-sector entities or unsecured account overdrafts of private clients amounting to a maximum of one month's income. For corporate clients and loans to public-sector entities, the volume of unsecured financing is limited by corresponding requirements and limits.

For unsecured commercial operating loans, the Bank asks the client to provide information that can be used to assess the state of the company's finances. This information is requested annually or more frequently if necessary. This information is assessed and any increased risks are identified. If the risks are higher, the Bank will conduct a detailed assessment and work with the client to define appropriate measures. If the loan commitment is determined to be at risk in this phase, a value adjustment will be recognised accordingly.

Steps involved in determining value adjustments and provisions

The steps described under "Mortgage loans", "Loans against securities" and "Unsecured loans" are used to identify the need to recognise a value adjustment and/or provision on impaired positions. Furthermore, positions previously identified as being at risk are reassessed quarterly. The value adjustment is updated if needed.

Value adjustments and provisions for expected losses on unimpaired positions are also recognised in accordance with the FINMA Accounting Ordinance.

Expected losses are calculated based on the probabilities of default and loss estimates from the internal risk models used. For methods, data and more information, please refer to the regulatory disclosures under FINMA Circular 2016/1 (in particular Table CRE Raiffeisen Group, page 45–47). When determining expected losses under the FINMA Accounting Ordinance, the following differences apply in comparison to the regulatory calculations (IRB approach) apply:

- no regulatory floors (e.g. on PD or LGD) are used;
- instead of the one-year probability of default (including conservatism and stress allowances), a residual term approach and hence a lifetime probability of default is taken into consideration. For fixed-term products, the residual term in the individual product agreements is used. For products without a fixed term, a minimum term of one year is used.

– Not all stress premiums are taken into consideration when determining the lifetime probability of default.
– For positions not measured with internal risk models, provisioning is determined by means of expert estimates.

The Board of Directors of Raiffeisen Switzerland has set the parameters for using value adjustments and provisions for expected losses without immediately replenishing them in the event of a crisis. Any use of existing value adjustments and provisions for expected losses is reviewed and submitted to the relevant bodies for approval if new individual value adjustments for impaired positions recognised in a reporting period exceed half of the balance of value adjustments and provisions for expected losses as at 31 December of the previous year. Impairments and provisions for expected losses used should be replenished as soon as possible and no more than five years after the end of the crisis.

In the period under review, no value adjustments or provisions for expected losses were applied without replenishing them immediately. Value adjustments and provisions for expected losses are not underfunded.

Value of collateral

Mortgage-secured loans

An up-to-date valuation of the underlying collateral is available for every mortgage-secured loan. The valuation method varies depending on property type and use.

The Bank values single-family homes, two-family homes, three-family homes, flats and holiday apartments using the real value method and a hedonic pricing model. The Bank updates valuations periodically or as required by events.

The hedonic regression model compares the price with similar property transactions based on detailed characteristics of the property in question. The Bank relies on region-specific property price information supplied by an external provider.

For multi-family units, public/private properties, commercial/industrial properties and special-purpose properties, the value of the property is calculated based on the income capitalisation method, which is based on long-term rental income. This model also takes into account market data, location information and vacancy rates. Rental income is reviewed periodically and on an ad hoc basis when there are indications of significant changes in the level of rental income or vacancies. The Bank updates valuations periodically or as required by events.

For agricultural properties, the maximum loan/value ratio under the Swiss Rural Land Rights Act applies.

In addition, Raiffeisen Switzerland's appraisal unit or external accredited assessors must be involved if a property's collateral value exceeds a certain amount or if a property has specific risk features. The liquidation value is also calculated in the event of impaired loans/receivables.

When financing property purchases or financing properties following a change of ownership, the lower of cost or market value principle generally applies. The lower of collateral value or purchase price is taken as the collateral value. This principle applies to all types of property for at least 24 months from the change of ownership. It does not apply to increases in loans where the amount of the increase to invest in adding to the value of the collateral property is taken into account. Derogation from the lower of cost or market value principle is possible in instances where ownership changes hands at preferential prices between economically and/or legally related individuals or legal entities.

Loans against securities

The Bank primarily accepts transferable, liquid and actively traded financial instruments (such as bonds and equities) as collateral for Lombard loans and other loans against securities. The Bank also accepts transferable structured products for which there is regular share price information and a market maker.

The Bank discounts market values to account for the market risk associated with marketable securities and to determine the collateral value. The settlement period for structured products and products with a long remaining term may be considerably longer, so they are discounted more heavily than liquid instruments.

Business policy on the use of derivative financial instruments and hedge accounting

Business policy on the use of derivative financial instruments

Derivative financial instruments are used for trading and hedging purposes.

Derivative financial instruments are only traded by specially authenticated traders. The Bank does not make markets. It trades standardised and OTC instruments for its own and clients' accounts, particularly interest and currency instruments, equity/index securities and commodities.

Hedges in the banking book are created by means of internal deposits and loans with the trading book; the Treasury and Structured Products & FX Advisory units do not take out hedges directly in the market. Hedges in the trading book are largely executed through offsetting trades with external counterparties.

Use of hedge accounting

Types of hedged items and hedging instruments
Raiffeisen Switzerland uses hedge accounting predominantly for the following types of transactions:

Underlying transaction	Hedged using
Risks associated with fluctuating interest rates from interest rate-sensitive receivables and liabilities in the banking book	Interest rate and currency swaps
Price risk of foreign currency positions	Currency future contracts

Composition of the groups of financial instruments
Interest rate-sensitive positions in the banking book are grouped into various time bands by currency and hedged accordingly using macro hedges. Macro hedges are risk-minimising hedging transactions across the entire portfolio. The Bank also uses micro hedges.

Economic connection between hedged items and hedging instruments
At the time a financial instrument is classified as an item, the Bank documents the relationship between the hedging instrument and the hedged item. The documentation covers things such as the risk management goals and strategy for the hedging instrument and the methods used to assess the effectiveness of the hedge. Effectiveness testing constantly and prospectively assesses the economic relationship between the hedged item and the hedging instrument by actions such as measuring offsetting changes in the value of the hedged item and the hedging instrument and determining the correlation between these changes.

Effectiveness testing
A hedge is deemed to be highly effective if the following criteria are essentially met:

- The hedge is determined to be highly effective both at inception and on an ongoing basis (micro hedges).
- There is a close economic connection between the hedged item and the hedging instrument.
- The changes in the value of the hedged item offset changes in the value of the hedging instrument with respect to the hedged risk.

Ineffectiveness
When entered into, hedging transactions are effective over the entire term. If a hedge no longer meets the effectiveness criteria over time, it is treated as a trading portfolio asset and any gain or loss from the ineffective part is recognised in the income statement.

Accounting and valuation principles

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus the related ordinance) and the FINMA Accounting Ordinance (FINMA AO) as well as FINMA Circular 2020/1 "Accounting – banks".

The detailed positions shown for a balance sheet item are valued individually.

Single-entity financial statements are prepared subject to the regulations above and present a reliable view. Unlike financial statements prepared in accordance with the true and fair view principle, single-entity financial statements may include hidden reserves.

Raiffeisen Switzerland publishes the consolidated annual financial statements of the Raiffeisen Group in a separate annual report. This includes the annual financial statements of all the individual Raiffeisen banks, Raiffeisen Switzerland and major subsidiaries in which the Group directly or indirectly holds more than 50% of the voting shares. Raiffeisen Switzerland has therefore chosen not to prepare consolidated subgroup accounts that include the annual financial statements of Raiffeisen Switzerland and its majority interests.

Accounting and valuation principles

Recording of business events
All business transactions that have been concluded by the balance sheet cut-off date are recorded on a same-day basis in the balance sheet and the income statement in accordance with the relevant valuation principles. Spot transactions that have been concluded but not yet settled are posted to the balance sheet on the trade date.

Foreign currencies
Assets and liabilities, as well as cash positions in foreign currencies, are converted at the exchange rate prevailing on the balance sheet cut-off date. Exchange rate gains and losses arising from this valuation are reported under "Result from trading activities". Foreign currency transactions during the year are converted at the rate prevailing at the time the transaction was carried out.

Valuation rates for the most important foreign currencies on the reporting date are listed in Note 18.

Liquid assets and borrowed funds
These are reported at nominal value. Precious metal liabilities on metal accounts are valued at fair value if the relevant metal is traded on a price-efficient and liquid market.

Discounts and premiums on the Group's own bond issues and central mortgage institution loans are accrued over the period to maturity.

Amounts due from banks and customers, mortgage loans and value adjustments
These are reported at nominal value less any value adjustment required. Precious metal assets on metal accounts are valued at fair value if the relevant metal is traded on a price-efficient and liquid market. Interest income is reported on an accruals basis.

Receivables are deemed to be impaired where the Bank believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired loans – and any collateral that may exist – are valued on the basis of the liquidation value.

All leased objects are reported in the balance sheet as “Amounts due from customers” in line with the present-value method.

Individual value adjustments for impaired loans
Impaired loans are subject to provisions based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realisable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

If a loan is impaired, it may be possible to maintain an available credit limit as part of a continuation strategy. If necessary, provisions for off-balance-sheet transactions are recognised for these kinds of unused credit limits. For current account overdrafts, which typically show high, frequent volatility over time, initial and subsequent provisions are recognised for the total amount (i.e. individual value adjustments for effective drawdowns and provisions for available limits) under “Changes in value adjustments for default risks and losses from interest operations”. If drawdowns change, a corresponding amount is transferred between individual value adjustments and provisions in equity. Reversals of individual value adjustments or provisions are also recognised under “Changes in value adjustments for default risks and losses from interest operations”.

Interest and related commissions that have been due for more than 90 days but have not been paid are deemed to be non-performing. In the case of current account overdrafts, interest and commissions are deemed to be non-performing if the specified overdraft limit has been exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commissions are no longer recognised as income but reported directly under value adjustments for default risks.

A receivable is written off at the latest when completion of the realisation process has been confirmed by legal title.

However, impaired loans are written back up in full, i.e. the value adjustment is reversed, if payments of outstanding principal and interest are resumed on schedule in accordance with contractual provisions and additional creditworthiness criteria are fulfilled.

Individual value adjustments for credit items are calculated per item on a prudential basis and deducted from the appropriate receivable.

Value adjustments for expected losses on unimpaired loans
Value adjustments for expected losses are recognised using a risk-based method and applying historical default parameters, bearing in mind the residual term (see “Steps involved in determining value adjustments and provisions” on page 24 of the Annual Report).

Receivables and liabilities from securities financing transactions

Securities lending and borrowing

Securities lending and borrowing transactions are reported at the value of the cash collateral received or issued, including accrued interest.

Securities that are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland takes control of the rights associated with them. Securities that are loaned and provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the rights associated with them. The market values of the borrowed and loaned out securities are monitored daily to enable any additional collateral to be provided or requested as necessary.

Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis.

Repurchase and reverse repurchase transactions

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest.

Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights associated with them is transferred. The market values of the securities received or delivered are monitored daily so that any additional collateral can be provided or requested as necessary.

Interest income from reverse repurchase transactions and interest expense from repurchase transactions are accrued over the term of the underlying transaction.

Trading portfolio assets and trading portfolio liabilities

The trading portfolio assets and trading portfolio liabilities are valued and recognised at fair value. Positions for which there is no representative market are valued according to the lower of cost or market value principle. Both the gains and losses arising from this valuation and the gains and losses realised during the period in question are reported under “Result from trading activities”. This also applies to interest and dividend income on trading positions. The funding costs for holding trading positions are charged to trading profits and credited to interest income. Income from firm commitments to securities issues are also reported under trading profits.

Positive and negative replacement values of derivative financial instruments

Reporting

The replacement values of all contracts concluded on the Bank's own account are recognised in the balance sheet regardless of their income statement treatment. The replacement values of exchange-traded contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. The replacement values of over-the-counter contracts concluded on a commission basis are always reported.

All hedging transactions of the Treasury and Structured Products & FX Advisory units are executed via the trading book, i.e. the Treasury and Structured Products & FX Advisory units do not participate in the market themselves. Only the replacement values of contracts with external counterparties are reported. The “Derivative financial instruments” note shows the replacement values and contract volume with external counterparties under “Hedging instruments”, calculated using the replacement values and contract volumes of the internal hedging transactions by Treasury and Structured Products & FX Advisory.

In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued separately. The debt securities (underlying contracts) are reported at nominal value under "Bond issues and central mortgage institution loans". Discounts and premiums are reported under the item "Accrued expenses and deferred income" or "Accrued income and prepaid expenses", as the case may be, and realised against the interest income over the remaining life. Issued structured products that do not include a debt security and the derivative portions of the structured products that include a debt security are recognised at fair value under "Positive replacement values of derivative financial instruments" and "Negative replacement values of derivative financial instruments".

Treatment in the income statement

The derivative financial instruments recorded in the trading book are valued on a fair-value basis.

Derivative financial instruments used to hedge risk associated with fluctuating interest rates as part of managing balance sheet structure are valued in accordance with the accrual method. Interest-related gains and losses arising from the early realisation of contracts are accrued over their remaining lives.

The net income from self-issued structured products and the net income from the commission-based issue of structured products by other issuers are booked under "Commission income from securities trading and investment activity".

Financial investments

Fixed-income debt instruments and warrant bonds are valued according to the lower of cost or market value principle if there is no intention to hold them to maturity.

Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method with the discount or premium accrued over the remaining life.

Equity securities are valued according to the lower of cost or market value principle.

Properties and equity securities acquired through lending activities and other properties and equities intended for disposal are reported under "Financial investments" and valued at the lower of cost or market value. The lower of cost or market value principle refers to the lower of the acquisition cost or the liquidation value.

Precious metals held to cover liabilities from precious metals accounts are carried at market value as at the balance sheet cut-off date. In cases where fair value cannot be determined, they are valued according to the lower of cost or market value principle.

Where reclassifications take place between financial investments and equity interests, the financial instruments reclassified are transferred at book value in accordance with Article 17 FINMA AO.

Value adjustments for expected losses

FINMA AO requires value adjustments for expected losses to be recognised on the item "Financial investments (debt securities held to maturity)". These value adjustments for expected losses are recognised using a risk-based method and applying historical default parameters, bearing in mind the residual term (see "Steps involved in determining value adjustments and provisions" on page 24 of the Annual Report).

Participations
Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under "Participations", irrespective of the proportion of voting shares held.

All participations in communal facilities are also reported here. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required value adjustments. Participations may contain hidden reserves.

Tangible fixed assets
Tangible fixed assets are reported at their purchase cost plus value-enhancing investments and depreciated on a straight-line basis over their estimated useful life, as follows:

Tangible fixed assets	Years
Properties	66 years
Alterations and fixtures in rented premises	full rental term, maximum 15 years
Furniture and fixtures	8 years
Other tangible fixed assets	5 years
Internally developed or purchased core banking software	10 years
IT systems and other software	3 years

Immaterial investments are booked directly to operating expenses. Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are recorded as expenses. Tangible fixed assets may contain hidden reserves. Expenditure incurred in connection with the implementation and continued development of the core banking systems is recognised as an asset through "Other ordinary income". Properties, buildings under construction and core banking systems are not depreciated until they come into use. Undeveloped building land is not depreciated.

The value of tangible fixed assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is recognised in profit or loss under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the useful life of a tangible fixed asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

Other intangible assets
Acquired intangible assets are recognised where they provide the Bank with a measurable benefit over several years. Intangible assets created by the Bank itself are not capitalised. Intangible assets are recognised at acquisition cost and amortised on a straight-line basis over their estimated useful life within a maximum of five years.

Impairment testing
The value of intangible assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is recognised in profit or loss under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the useful life of an intangible asset changes as a result of the review, the residual book value is amortised over the new duration.

Provisions
Provisions are recognised on a prudential basis for all risks identified at the balance sheet cut-off date that are based on a past event and will probably result in an obligation. With regard to provisions for available overdraft limits, we refer to the chapter "Amounts due from banks and clients, mortgage loans, value adjustments".

Reserves for general banking risks
Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the Bank.

Taxes
Taxes are calculated and booked on the basis of the profit for the year under review.

Contingent liabilities, irrevocable commitments, and obligations to make payments and additional contributions
These are reported at their nominal value under "Off-balance-sheet transactions". Provisions are created for foreseeable risks.

Value adjustments for expected losses on contingent liabilities and irrevocable commitments are recognised using a risk-based method and applying historical default parameters, bearing in mind the residual term (see "Steps involved in determining value adjustments and provisions" on page 24 of the Annual Report).

Changes as against previous year

Since the FINMA Accounting Ordinance came into effect on 1 January 2020, subject to a one-year transitional period value adjustments and provisions for default risks on unimpaired positions now have to be recognised. This is in addition to the value adjustments and provisions recognised on impaired positions. Raiffeisen Switzerland Cooperative made use of the transitional period. The resultant need to recognise value adjustments and provisions for expected losses for the first time as of 1 January 2021 was met in the period under review by making a reclassification from the reserves for general banking risks in equity. Details can be found in the footnote to the consolidated statement of changes in equity on → page 17 of the Annual Report. The changes resulting after 1 January 2021 were recognised in the income statement under "Changes in value adjustments for default risks and losses from interest operations".

Events after the balance sheet cut-off date

Because its business model is mainly focused on the Swiss retail market, Raiffeisen is not directly exposed in Russia or Ukraine. The longer-term impact on Switzerland's economic performance will depend on how the war unfolds from here. It is not possible to form a definitive view at the moment. However, at present Raiffeisen does not expect any major impact on the course of its business.

Information on the balance sheet

1 – Securities financing transactions (assets and liabilities)

Securities financing transactions (assets and liabilities)

in 1,000 CHF	31.12.2020	31.12.2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions [1]	–	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions [1]	4,179,487	7,450,837
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing, as well as securities in own portfolio transferred in connection with repurchase agreements	4,226,722	7,512,176
with unrestricted right to resell or pledge	4,226,722	7,512,176
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing, as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	147,893	165,629
of which, repledged securities	–	–
of which, resold securities	147,893	156,043

1 Before netting agreements.

2 – Collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

in 1,000 CHF		Mortgage cover	Other cover	Without cover	Total
Loans (before netting with value adjustments)					
Amounts due to customers		388,472	415,564	2,472,988	3,277,024
Mortgage loans		11,066,056	115	14,004	11,080,174
Residential property		9,422,353	115	3,036	9,425,504
Office and business premises		223,561	–	1	223,562
Trade and industry		764,326	–	–	764,326
Other		655,815	–	10,967	666,782
Total loans (before netting with value adjustments)	**31.12.2021**	**11,454,528**	**415,678**	**2,486,991**	**14,357,198**
	31.12.2020	**11,459,076**	**367,102**	**2,264,699**	**14,090,877**
Total loans (after netting with value adjustments)	**31.12.2021**	**11,427,718**	**414,499**	**2,287,678**	**14,129,896**
	31.12.2020	**11,459,076**	**367,102**	**2,098,232**	**13,924,410**
Off-balance-sheet transactions					
Contingent liabilities		51,184	20,011	3,066,691	3,137,885
Irrevocable commitments		916,181	97,227	1,291,545	2,304,954
Obligations to pay up shares and make further contributions		–	–	16,747	16,747
Total off-balance-sheet transactions	**31.12.2021**	**967,365**	**117,238**	**4,374,983**	**5,459,586**
	31.12.2020	**965,348**	**155,691**	**4,407,260**	**5,528,300**

Impaired loans

in 1,000 CHF		Gross amount borrowed	Estimated proceeds from realisation of collateral	Net amount borrowed	Individual provisions
Impaired loans	**31.12.2021**	**230,188**	**20,102**	**210,086**	**180,285**
	31.12.2020	**309,690**	**17,154**	**292,536**	**166,467**

The difference between the net amount borrowed and the individual value adjustments is attributable to the fact that prudent estimates have been made of the amounts Raiffeisen expects to receive based on the creditworthiness of individual borrowers.

The reduction in impaired loans/receivables is mainly a result of the repayment of loans granted to a Group company.

3 – Trading portfolio

3.1 – Assets

Trading portfolio (assets)

in 1,000 CHF	31.12.2020	31.12.2021
Trading portfolio assets		
Debt securities, money market securities/transactions	361,660	329,579
stock exchange listed [1]	361,660	282,544
Equity securities	12,351	40,340
Precious metals	571,384	443,396
Other trading portfolio assets	34,161	82,089
Total assets	**979,556**	**895,404**
of which determined using a valuation model	–	–
of which, securities eligible for repo transactions in accordance with liquidity requirements	172,933	137,490

1 Stock exchange listed = traded on a recognised stock exchange.

3.2 – Liabilities

Trading portfolio (liabilities)

in 1,000 CHF	31.12.2020	31.12.2021
Trading portfolio assets		
Debt securities, money market securities/transactions [2]	147,373	154,395
stock exchange listed [1]	147,373	154,395
Equity securities [2]	182	1,648
Precious metals [2]	–	–
Other trading portfolio liabilities [2]	338	–
Total liabilities	**147,893**	**156,043**
of which, determined using a valuation model	–	–

1 Stock exchange listed = traded on a recognised stock exchange.
2 For short positions (booked using the trade date accounting principle).

4 – Derivative financial instruments (assets and liabilities)

Derivative financial instruments	Trading instruments			Hedging instruments		
	Replacement values			Replacement values		
in 1,000 CHF	Positive	Negative	Contract volume	Positive	Negative	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	–	–	–	–	–	–
Swaps	365,213	350,160	111,582,496	537,487	545,499	46,704,300
Futures contracts	–	–	8,349,839	–	–	–
Options (OTC)	3,159	3,159	1,586,957	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total interest rate instruments	**368,373**	**353,319**	**121,519,292**	**537,487**	**545,499**	**46,704,300**
Foreign currencies						
Forward contracts	156,003	180,628	17,517,199	11,423	224,963	18,219,275
Comb. interest rate/currency swaps	2	5	1,047	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	16,082	13,616	1,059,365	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total foreign currencies	**172,086**	**194,248**	**18,577,611**	**11,423**	**224,963**	**18,219,275**
Precious metals						
Forward contracts	10,611	13,829	985,229	–	–	–
Swaps	–	1	151	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	6,100	4,559	524,982	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total precious metals	**16,711**	**18,390**	**1,510,362**	**–**	**–**	**–**
Equities and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	25,751	–	–	–
Options (OTC)	106,547	106,547	2,868,388	–	32	94,314
Options (exchange traded)	1,149	668	27,348	–	–	–
Total equities and indices	**107,696**	**107,215**	**2,921,487**	**–**	**32**	**94,314**
Credit derivatives						
Credit default swaps	1,699	1,699	84,993	–	–	–
Total return swaps	–	–	–	–	–	–
First-to-default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	**1,699**	**1,699**	**84,993**	**–**	**–**	**–**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	37,169	37,169	241,128	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total other	**37,169**	**37,169**	**241,128**	**–**	**–**	**–**
Total 31.12.2021	**703,734**	**712,040**	**144,854,872**	**548,910**	**770,494**	**65,017,889**
of which determined using a valuation model	702,584	711,372	–	548,910	770,494	–
Total 31.12.2020	**984,650**	**971,730**	**79,320,008**	**551,988**	**920,039**	**48,280,619**
of which determined using a valuation model	983,768	971,326	–	551,988	920,039	–

Derivative financial instruments by counterparty and time remaining to maturity

	Replacement value		Contract volume			
in 1,000 CHF	Positive	Negative	up to 1 year	1 to 5 years	over 5 years	Total
Central clearing houses	579,249	533,182	82,296,589	29,264,075	25,949,530	137,510,194
Raiffeisen banks [1]	422	319	26,940	1,526	–	28,466
Banks and securities firms	593,176	793,193	38,490,846	13,088,736	4,161,793	55,741,375
Stock exchanges	1,149	668	6,421,743	1,981,195	–	8,402,938
Other customers	78,648	155,172	5,816,594	2,230,614	142,581	8,189,788
Total 31.12.2021	**1,252,644**	**1,482,533**	**133,052,712**	**46,566,145**	**30,253,904**	**209,872,761**
Total 31.12.2020	**1,536,638**	**1,891,769**	**60,667,072**	**37,230,225**	**29,703,330**	**127,600,627**

1 Primarily for clients' needs.

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: the derivative transactions were conducted primarily with counterparties with a very good credit rating. 78.0% of the positive replacement values are with counterparties with an upper-medium grade rating or better (Moody's) or comparable.

Clients: in transactions with clients, the required margins were secured by assets or free credit lines.

5 – Financial investments

5.1 – Breakdown of financial investments

Breakdown of financial investments

	Book value		Fair value	
in 1,000 CHF	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Debt instruments	8,780,798	8,495,191	9,130,621	8,704,326
of which intended to be held until maturity	8,780,798	8,495,191	9,130,621	8,704,326
of which, not intended to be held to maturity (available for sale)	–	–	–	–
Equities	4,532	3,788	4,694	5,443
of which qualified participations [1]	–	–	–	–
Precious metals	–	–	–	–
Real estate	–	–	–	–
Total financial assets	**8,785,329**	**8,498,979**	**9,135,315**	**8,709,770**
of which securities for repo transactions in line with liquidity requirements	8,755,617	8,439,884	–	–

1 At least 10% of the capital or the votes.

5.2 – Breakdown of counterparties by rating

Breakdown of counterparties by rating

in 1,000 CHF	Very safe investment	Safe investment	Average to good investment	Speculative to highly speculative investment	Highest-risk investment/ default	Unrated investment
	Book value 31.12.2021					
Debt securities	8,334,577	19,687	–	–	–	140,928

Ratings are assigned based on Moody's rating classes. The Raiffeisen Group uses the ratings of all three major international rating agencies.

6 – Participations

Participations

in 1,000 CHF	Purchase price	Accumulated value adjustments	Book value 31.12.2020	Transfers/ reclassi-fications	Investment	Disinvest-ment	Value adjustments	Reversals	Book value 31.12.2021	Market value 31.12.2021
			2020							2021
Participations Group companies	**46,492**	**−35,811**	**10,681**	**–**	**5,590**	**−541**	**−8,988**	**–**	**6,742**	**–**
with market value	–	–	–	–	–	–	–	–	–	–
without market value	46,492	−35,811	10,681	–	5,590	−541	−8,988	–	6,742	–
Other participations	**564,630**	**−151,761**	**412,869**	**–**	**3,298**	**−25**	**−6,965**	**25**	**409,202**	**380,609**
with market value	364,236	−139,105	225,131	–	–	–	–	–	225,131	380,609
without market value	200,393	−12,656	187,737	–	3,298	−25	−6,965	25	184,071	–
Total participations	**611,122**	**−187,572**	**423,550**	**–**	**8,888**	**−566**	**−15,953**	**25**	**415,944**	**380,609**

In 2018, Raiffeisen Switzerland Cooperative initially terminated the shareholders' binding agreement in relation to KMU Capital Holding AG (formerly Investnet Holding AG) for good cause and subsequently, where necessary, challenged the agreements in the context of "Investnet". As a result of the voidance, Raiffeisen Switzerland is claiming all the shares in KMU Capital Holding AG, which is entirely controlled by KMU Capital AG. The dispute is still ongoing. In connection with the voidance of agreements, Raiffeisen Switzerland also wrote off liabilities of CHF 30 million and contingent liabilities amounting to CHF 30 million in 2018. Raiffeisen Switzerland assumes that there will be no more payments.

If, contrary to the expectations of Raiffeisen Switzerland, neither the voidance of the agreements nor the validity of the termination are confirmed, minority shareholders might be entitled to tender shares in KMU Capital Holding AG to Raiffeisen Switzerland according to the shareholders' binding agreement of 2015 and based on a contractually agreed valuation method (put option). Similarly, the above-mentioned written-off liabilities and contingent liabilities could become relevant again. Owing to the aforementioned voidance of agreements and the termination of the shareholders' agreement, the put option will not be valued as of 31 December 2021.

7 – Tangible fixed assets

7.1 – Tangible fixed assets

Tangible fixed assets

in 1,000 CHF	Purchase price	Cumulative depreciation/ amortisation	2020 Book value 31.12.2020	Transfers/ reclassi- fications	Investment	Disinvestment	Depreciation/ amortisation	Reversals	2021 Book value 31.12.2021
Bank buildings [1]	249,616	−101,155	148,461	–	3,903	–	−5,271	32,636	179,729
Other real estate	13,057	−5,637	7,420	–	–	–	−135	–	7,285
Proprietary or separately acquired software	263,030	−142,975	120,055	–	14,196	–	−23,359	–	110,892
Other tangible fixed assets	215,868	−163,832	52,036	–	11,285	–	−16,720	–	46,601
Total tangible assets	**741,571**	**−413,599**	**327,972**	**–**	**29,384**	**–**	**−45,485**	**32,636**	**344,507**

1 The CHF 32.6 million of write-ups on bank buildings relate to the revaluation of properties on the St. Gallen campus.

7.2 – Operating leases

Operating leases

in 1,000 CHF	31.12.2020	31.12.2021
Non-recognised lease commitments		
Due within 12 months	1,628	1,279
Due within 1 to 5 years	1,757	688
Due after 5 years	–	–
Total non-recognised lease commitments	**3,385**	**1,967**
of which obligations that can be terminated within one year	3,385	1,967

8 – Other assets and liabilities

Other assets and liabilities

in 1,000 CHF	31.12.2020	31.12.2021
Other assets		
Equalisation account	279,622	–
Settlement accounts for indirect taxes	672,788	983,550
Other settlement accounts	27,138	28,590
Commodities	3,847	3,993
Miscellaneous other assets	1	0
Total other assets	**983,396**	**1,016,134**
Other liabilities		
Equalization account	–	30,624
Levies, indirect taxes	22,797	31,788
Solidarity fund	339,132	338,795
of which open guarantees to Raiffeisen banks	866	766
Other settlement accounts	64,443	77,059
Miscellaneous other liabilities	110	0
Total other liabilities	**426,481**	**478,265**

9 – Assets pledged or assigned to secure own commitments and assets under reservation of ownership

Assets pledged or assigned to secure own commitments and of assets under reservation of ownership[1]

in 1,000 CHF	2020 Book values	2020 Effective commitments	2021 Book values	2021 Effective commitments
Amounts due from Raiffeisen banks	–	–	–	–
Amounts due from other banks	815,818	815,818	545,736	545,736
Amounts due from clients	177,440	147,538	176,112	165,187
Mortgage loans	3,204,968	2,147,993	3,285,509	2,188,729
Financial investments	1,133,953	388,059	1,098,655	365,150
Total pledged assets	**5,332,178**	**3,499,407**	**5,106,012**	**3,264,802**
Total assets under reservation of ownership	**–**	**–**	**–**	**–**

1 Without securities financing transactions (see separate presentation of the securities financing transactions in note 1).

10 – Pension schemes

All employees of Raiffeisen Switzerland are covered by the Raiffeisen Pension Fund Cooperative. The statutory retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law. The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

10.1 – Liabilities to own pension schemes

Liabilities to own social insurance institutions

in 1,000 CHF	31.12.2020	31.12.2021
Amounts due in respect of customer deposits	81,495	89,997
Negative replacement values of derivative financial instruments	24,560	29,714
Bonds	20,000	20,000
Accrued expenses and deferred income	264	264
Total liabilities to own social insurance institutions	**126,319**	**139,976**

10.2 – Employer contribution reserves

Employer contribution reserves in the Raiffeisen Employer Foundation (Employer-funded pension scheme)

in 1,000 CHF	2020	2021
As at 1 January	**4,919**	**2,494**
+ Deposits [1]	–	2,000
– Withdrawals [1]	2,427	1,315
+ Interest paid [2]	2	0
As at 31 December	**2,494**	**3,179**

1 Deposits and payments affect the contributions to staff pension plans (see note 25 “Personnel expenses”).
2 Interest paid on the employer contribution reserves is recorded as interest income.

The employer contribution reserves correspond to the nominal value as calculated by the pension scheme. They are not reported.

10.3 – Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual reports for 2020 and 2021 (in accordance with Swiss GAAP FER 26) of the Raiffeisen Pension Fund Cooperative, the coverage ratio is:

Raiffeisen Pension Fund Cooperative

percent	31.12.2020	31.12.2021
Coverage ratio	117.8	118.5

The value fluctuation reserve of the Raiffeisen Pension Fund Cooperative slightly exceeded the 115% target set out in the regulations as at 31 December 2021 after applying the “Principles on the appropriation of uncommitted funds (profit participation)”. The Assembly of Delegates of the Raiffeisen Pension Fund Cooperative decides how uncommitted funds will be used.

The affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenses with significant influencing factors

in 1,000 CHF	2020	2021
Pension expenditure own pension scheme	38,365	39,379
Deposits/withdrawals employer contribution reserves (excl. interest paid)	−2,427	685
Employer contributions reported on an accruals basis	**35,938**	**40,064**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	–	–
Pension expenses (see note 25 “Personnel expenses”)	**35,938**	**40,064**

11 – Issued structured products

Issued structured products

31.12.2021 in 1,000 CHF	Book value				
	Valued as a whole		Valued separately		
	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	Total
Underlying risk of the embedded derivative					
Interest rate instruments	**–**	**–**	**8,192**	**−3,080**	**5,112**
With own debenture component (oDC)	–	–	8,192	−3,080	5,112
Without oDC	–	–	–	–	–
Equity securities	**–**	**–**	**1,182,740**	**−11,263**	**1,171,478**
With own debenture component (oDC)	–	–	1,182,740	−27,405	1,155,335
Without oDC	–	–	–	16,143	16,143
Foreign currencies	**–**	**–**	**–**	**–**	**–**
With own debenture component (oDC)	–	–	–	–	–
Without oDC	–	–	–	–	–
Commodities/precious metals	**–**	**–**	**121,166**	**35,915**	**157,081**
With own debenture component (oDC)	–	–	121,166	35,915	157,081
Without oDC	–	–	–	–	–
Credit derivatives	**–**	**–**	**42,605**	**826**	**43,432**
With own debenture component (oDC)	–	–	42,605	826	43,432
Without oDC	–	–	–	–	–
Total	**–**	**–**	**1,354,704**	**22,398**	**1,377,102**

In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. Underlying instruments are recognised at their nominal value in “Bonds and central mortgage institution loans”. The derivative components of the products are recognised at market value in “Positive replacement values of derivative financial instruments” and “Negative replacement values of derivative financial instruments”.

12 – Outstanding bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans

31.12.2021 in 1,000 CHF	Year of issue	Interest rate	Maturity	Early termination possibility	Bond principal
Own bonds					
Non-subordinated	2010	2.000	21.09.2023	–	249,275
	2011	2.625	04.02.2026	–	150,000
	2014	1.625	07.02.2022	–	99,490
	2016	0.300	17.09.2020	–	367,340
	2016	0.750	22.04.2025	–	89,100
	2018	0.350	22.04.2031	–	399,180
	2019	0.125	16.02.2024	–	100,000
	2020	0.000	15.07.2022	–	112,000
	2021	0.000	19.12.2031	–	29,550
Subordinated with PONV clause [1]	2018	2.000	Perpetual	02.05.2023	393,975 [2]
	2020	0.1825	11.11.2025	11.11.2024	150,000
	2020	0.500	11.11.2028	11.11.2027	175,000
	2020	1.500	23.11.2034	23.11.2033	175,000
	2020	2.000	Perpetual	16.04.2026	520,640 [2]
	2021	0.1775	15.01.2027	15.01.2026	124,200
	2021	0.405	28.09.2029	28.09.2028	149,000
	2021	0.570	15.01.2031	15.01.2030	202,800
	2021	2.250	Perpetual	31.03.2027	300,000 [2]
Money market securities	2021	0.000 [4]	2022	–	3,182,341
Underlying instruments from issued structured products [3]	diverse	−0.014 [4]	2022		1,041,516
		1.230 [4]	2023		110,727
		0.109 [4]	2024		143,278
		0.237 [4]	2025		16,087
		−0.593 [4]	2026		37,839
		2.027 [4]	after 2026		5,257
Total own bonds					**8,323,415**
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	diverse	1.159 [4]	div.		**2,124,980**
Total outstanding bond issues and central mortgage institution loans					**10,448,395**

1 PONV clause = point of non-viability / time of imminent insolvency.
2 Subordinated perpetual Additional Tier 1 bond with contingent write-down. With FINMA's consent, the bond can be terminated on a unilateral basis by Raiffeisen Switzerland (no earlier than five years following issue).
3 In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. Underlying instruments are recognised at their nominal value in “Bond issues and central mortgage institution loans”. The derivative components of the products are recognised at market value in “Positive replacement values of derivative financial instruments” and “Negative replacement values of derivative financial instruments”.
4 Average weighted interest rate (volume-weighted).

13 – Value adjustments, provisions and reserves for general banking risks

Value adjustments, provisions and reserves for general banking risks

in 1,000 CHF	2020 31.12.2020	Appropriate application	Reclassifications	Currency differences	Past due interest, recoveries	New provisions against income statement	Dissolution of provisions against income statement	2021 31.12.2021
Provisions								
Provisions for default risks	9,456	−1,298	18,749	−6	–	5,943	−4,192	28,653
Of which provisions for expected losses [1, 2]	–	–	16,994	−6	–	1,967	–	18,955
Provisions for other business risks	59,473	−11,334	–	–	–	–	−502	47,636
Provisions for restructuring	8,203	−3,163	–	–	–	8,650	−3,439	10,250
Other provisions [3]	23,591	−3,799	–	–	–	300	–	20,091
Total provisions	**100,722**	**−19,594**	**18,749**	**−6**	**–**	**14,894**	**−8,133**	**106,631**
Reserves for general banking risks	**47,988**	**–**	**−65,209**	**–**	**–**	**92,399**	**–**	**75,179**
of which taxed	40,888	–	−65,209	–	–	92,399	–	68,079
Value adjustments for default and country risks								
Value adjustments for default risks in respect of impaired loans/receivables	166,467	−1,043	−1,755	−11	505	33,319	−17,196	180,285
Value adjustments for expected losses [1, 2]	–	–	48,215	−36	–	162	–	48,340
Total value adjustments for default and country risks	**166,467**	**−1,043**	**46,460**	**−47**	**505**	**33,480**	**−17,196**	**228,625**

1 In accordance with the transitional provisions in Article 98(1) AO, Raiffeisen Switzerland allocated value adjustments and provisions for latent default risks directly in equity with effect from 1 January 2021 through the reserves for general banking risks. The effects of this initial allocation are shown in the table under “Reclassifications”.
2 The changes in provisions and value adjustments for expected losses taken through the income statement are shown as net figures. As product rollovers during the year and rating changes during the year can have a material impact on releases and new allocations if shown gross, the decision was made to report them net.
3 Other provisions include provisions for legal expenses.

14 – Cooperative capital

Cooperative capital

	2020			2021		
in 1,000 CHF	Total par value	Number of shares in 1,000	Interest-bearing capital	Total par value	Number of shares in 1,000	Interest-bearing capital
Cooperative capital	1,700,000	1,700.0	1,700,000	2,443,800	2,443.8	1,700,000
of which, paid up	1,700,000	1,700.0	1,700,000	2,443,800	2,443.8	1,700,000

The cooperative capital is owned in full by the 219 Raiffeisen banks within Raiffeisen Switzerland (compared with 225 Raiffeisen banks in the previous year). As in the previous year, no Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. As at 31 December 2021, this corresponded to a call-in obligation to Raiffeisen Switzerland of CHF 2,386.1 million, of which CHF 1,637.6 million has been paid in. The Raiffeisen banks took over CHF 806.2 million in share certificates without applying this amount toward the call-in obligation.

15 – Related parties

Amounts due from/to related parties

in 1,000 CHF	Amounts due from 2020	Amounts due from 2021	Amounts due to 2020	Amounts due to 2021
Group companies	218,077	62,062	356,959	680,204
Transactions with members of governing bodies	7,042	10,692	5,802	6,785
Other related parties	144,319	119,014	267,555	245,778
Total amounts due from/to related parties	**369,437**	**191,768**	**630,316**	**932,767**

Material off-balance-sheet transactions with related parties

Contingent liabilities to related parties amount to CHF 2.4 billion (unchanged from the previous year). There were no irrevocable commitments to related parties as at 31 December 2021 (compared with CHF 227.8 million in the previous year).

Transactions with related parties

On and off-balance-sheet transactions with related parties are allowed under market conditions, with the following exceptions:

- The Executive Board and the Head of Internal Auditing of Raiffeisen Switzerland enjoy industry-standard preferential terms, as do all other personnel.
- Amounts due from Group companies of CHF 62.1 million include unsecured loans of CHF 31.8 million (last maturity on 31 December 2025) that have an average interest rate of 1.4%.
- Amounts due to Group companies of CHF 680.2 million include positions in the amount of CHF 209 million that have an average interest rate of –0.4%.
- Liabilities to other related parties include CHF current account balances in the amount of CHF 52.9 million for which the credit balance exceeding the allowance is subject to a negative interest rate of –0.4%. Furthermore, a credit balance in the amount of CHF 7.7 million is included, which bears 2.75% interest.

Special provisions apply to the processing and monitoring of loans to executive bodies to ensure that staff remain independent at all times.

16 – Maturity structure of financial instruments

Maturity structure of financial instruments (Assets/financial instruments)

in 1,000 CHF	On demand	Redeemable by notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Liquid assets	56,056,494	–	–	–	–	–	56,056,494
Amounts due from Raiffeisen banks	780,676	–	–	–	–	–	780,676
Amounts due from other banks	198,644	–	3,059,850	–	–	–	3,258,494
Amounts due from clients	1,208	191,498	1,490,733	470,300	688,359	247,750	3,089,847
Mortgage loans	627	119,299	728,267	1,281,589	5,541,541	3,368,725	11,040,049
Trading portfolio assets	895,404	–	–	–	–	–	895,404
Positive replacement values of derivative financial instruments	1,252,644	–	–	–	–	–	1,252,644
Financial investments [1]	3,788	–	111,035	343,371	3,067,512	4,973,273	8,498,979
Total 31.12.2021	**59,189,484**	**310,797**	**5,389,885**	**2,095,261**	**9,297,412**	**8,589,747**	**84,872,587**
Total 31.12.2020	**39,127,491**	**333,551**	**5,982,137**	**2,366,787**	**8,957,204**	**8,893,214**	**65,660,384**

1 No real estate figures are included in the financial assets (previous year: none).

Maturity structure of financial instruments (Debt capital/financial investments)

in 1,000 CHF	On demand	Redeemable by notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Amounts due to Raiffeisen banks	31,818,871	–	–	–	–	–	31,818,871
Amounts due to other banks	451,089	132,792	11,705,028	2,195,962	128,925	10,000	14,623,796
Liabilities from securities financing transactions	–	–	7,450,837	–	–	–	7,450,837
Amounts due in respect of customer deposits	5,695,604	5,062,573	4,436,956	676,862	678,474	726,713	17,277,182
Trading portfolio liabilities	156,043	–	–	–	–	–	156,043
Negative replacement values of derivative financial instruments	1,482,533	–	–	–	–	–	1,482,533
Cash Bonds	–	–	218	646	16,860	–	17,724
Bond issues and central mortgage institution loans	–	–	2,907,742	1,642,605	3,194,241	2,703,807	10,448,395
Total 31.12.2021	**39,604,140**	**5,195,366**	**26,500,780**	**4,516,075**	**4,018,500**	**3,440,520**	**83,275,382**
Total 31.12.2020	**34,457,009**	**5,519,822**	**14,779,591**	**2,750,389**	**4,050,282**	**3,276,134**	**64,833,227**

17 – Total assets by credit rating of country groups (foreign assets)

Total assets by credit rating of country groups

	Net foreign exposure			
in 1,000 CHF	31.12.2020	in %	31.12.2021	in %
Rating class				
Very safe investment	4,115,444	99.2	3,138,190	88.3
Safe investment	20,278	0.5	8,477	0.2
Average to good investment	9,154	0.2	13,991	0.4
Speculative to highly speculative investment [1]	1,007	0.0	390,637	11.0
Highest-risk investment/default	–	–	–	–
Unrated investment	1,807	0.0	1,573	0.0
Total assets	**4,147,689**	**100.0**	**3,552,868**	**100.0**

1 Almost the entire amount as at 31 December 2021 relates to deposit-taking transactions recorded after the reporting date that had not yet been settled. As a result, a receivable is recognised until settlement/value date.

Ratings are assigned based on Moody's rating classes. The Raiffeisen Group uses the ratings of all three major international rating agencies.

18 – Balance sheet by currency

Balance sheet by currency

31.12.2021 in 1,000 CHF	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	55,851,059	131,023	4,665	69,747	56,056,494
Amounts due from Raiffeisen banks	779,204	–	702	770	780,676
Amounts due from other banks	1,155,726	771,265	1,021,058	310,444	3,258,494
Amounts due from clients	2,668,811	331,709	68,901	20,426	3,089,847
Mortgage loans	11,040,049	–	–	–	11,040,049
Trading portfolio assets	388,367	997	62,444	443,595	895,404
Positive replacement values of derivative financial instruments	1,252,644	–	–	–	1,252,644
Financial investments	8,495,210	6	3,757	6	8,498,979
Accrued income and prepaid expenses	229,319	2,107	473	133	232,032
Participations	415,937	–	–	7	415,944
Tangible fixed assets	344,507	–	–	–	344,507
Other assets	1,016,134	–	–	–	1,016,134
Total assets reflected in the balance sheet	**83,636,969**	**1,237,107**	**1,161,999**	**845,128**	**86,881,204**
Delivery claims under spot exchange, forward exchange and currency option contracts	7,056,610	14,758,956	12,188,742	3,413,497	37,417,805
Total assets	**90,693,579**	**15,996,063**	**13,350,741**	**4,258,626**	**124,299,009**
Liabilities					
Amounts due to Raiffeisen banks	28,314,466	2,689,845	438,627	375,932	31,818,871
Amounts due to other banks	5,553,948	2,318,753	5,298,484	1,452,611	14,623,796
Liabilities from securities financing transactions	6,427,000	861,747	114,862	47,228	7,450,837
Amounts due in respect of customer deposits	13,369,810	3,086,303	716,864	104,206	17,277,182
Trading portfolio liabilities	156,043	–	–	–	156,043
Negative replacement values of derivative financial instruments	1,482,533	–	–	–	1,482,533
Cash Bonds	17,724	–	–	–	17,724
Bond issues and central mortgage institution loans	7,699,953	2,221,798	47,251	479,393	10,448,395
Accrued expenses and deferred income	272,445	2,191	1,877	411	276,924
Other liabilities	478,252	–	14	–	478,265
Provisions	106,467	163	0	–	106,631
Reserves for general banking risks	75,179	–	–	–	75,179
Cooperative capital	2,443,800	–	–	–	2,443,800
Statutory retained earnings reserve	177,523	–	–	–	177,523
Profit	47,500	–	–	–	47,500
Total liabilities reflected in the balance sheet	**66,622,644**	**11,180,801**	**6,617,978**	**2,459,781**	**86,881,204**
Delivery obligations under spot exchange, forward exchange and currency option contracts	24,295,273	4,827,873	6,563,550	1,930,452	37,617,148
Total liabilities	**90,917,917**	**16,008,674**	**13,181,529**	**4,390,233**	**124,498,352**
Net position per currency	**−224,338**	**−12,610**	**169,212**	**−131,607**	**−199,343**

Foreign currency conversion rates	31.12.2020	31.12.2021
EUR	1.082	1.037
USD	0.884	0.912

Information on off-balance-sheet transactions

19 – Contingent assets and liabilities

Contingent assets and liabilities

in 1,000 CHF	31.12.2020	31.12.2021
Contingent liabilities		
Guarantees to secure credits and similar	2,783,851	2,823,197
Performance guarantees and similar [1]	201,033	160,165
Other contingent liabilities	140,246	154,523
Total contingent liabilities	**3,125,131**	**3,137,885**
Contingent assets		
Contingent assets arising from tax losses carried forward	39,500	10,040
Other contingent assets	–	–
Total contingent assets	**39,500**	**10,040**

1 The performance guarantees include a guaranteed open amount vis-a-vis third parties that applies to derivative transactions, whose underlying replacement values vary according to market conditions. The guarantee is evaluated with a scenario-based risk model and at 31 December 2020 amounted to CHF 137.6 million.

20 – Fiduciary transactions

Fiduciary transactions

in 1,000 CHF	31.12.2020	31.12.2021
Fiduciary investments with third-party banks	4,219	62
Total fiduciary transactions	**4,219**	**62**

Information on the income statement

21 – Interest income

Result from interest operations

in 1,000 CHF	2020	2021
Interest and dividend income		
Interest income from amounts due from Raiffeisen banks	34,827	4,246
Interest income from amounts due from other banks	−4,722	−1,984
Interest income from securities financing transactions	−56	−16
Interest income from amounts due from clients	40,424	38,415
Interest income from mortgage loans	137,200	129,999
Interest and dividend income from financial investments	32,072	24,105
Other interest income	27,194	21,617
Total interest and dividend income	**266,939**	**216,383**
of which negative interest on the lending business	−86,755	−106,954
Interest expenditure		
Interest expenditure from amounts due to Raiffeisen banks	63,386	83,682
Interest expenditure from amounts due to other banks	31,307	50,144
Interest expenditure from securities financing transactions	38,414	51,616
Interest expenditure from amounts due to clients	1,465	20,706
Interest expenditure from cash bonds	−111	−91
Interest expenditure from bond issues and central mortgage institution loans	−92,875	−69,977
Other interest expenses	−82,470	−53,280
Total interest expenditure	**−40,886**	**82,799**
of which negative interest on the borrowing business	159,828	232,525
Gross result from interest operations	**226,053**	**299,182**

22 – Net fee and commission income

Net income from commission business and service transactions

in 1,000 CHF	2020	2021
Commission income		
Commission income from securities trading and investment activities		
Custody account business	24,402	24,022
Brokerage	14,282	11,166
Fund business and asset management business	17,740	24,084
Other securities trading and investment activities	19,440	20,614
Commission income from lending business	18,558	20,504
Commission income from other service transactions		
Payments	51,200	50,221
Account maintenance	2,498	2,722
Other service transactions	3,594	3,271
Total commission income	**151,714**	**156,605**
Commission expenditure		
Securities business	−39,844	−31,344
Payments	−1,994	−1,859
Other commission expenditure	−704	−816
Total commission expenditure	**−42,542**	**−34,019**
Total net income from commission business and service transactions	**109,171**	**122,586**

23 – Net trading income

23.1 – Breakdown by business area

Result from trading activities
Breakdown by business area

in 1,000 CHF	2020	2021
Branches of Raiffeisen Switzerland	7,065	7,899
Banking book	301	1,359
Equities trading desk	6,012	8,110
Foreign currency trading desk	9,032	9,155
Fixed income trading desk	17,155	13,083
Macro hedge trading desk	−12	−26
Banknotes/precious metals trading desk	29,237	30,304
Options trading desk	2,281	1,707
Rates trading desk	6,386	15,044
Total net trading income	**77,457**	**86,634**

23.2 – Breakdown by underlying risk

Result from trading activities
Breakdown by underlying risk

in 1,000 CHF	2020	2021
Foreign exchange trading	15,149	20,931
Precious metals and foreign notes and coins trading	31,092	32,082
Equities trading	7,641	5,524
Fixed income trading	23,575	28,097
Total net trading income	**77,457**	**86,634**

24 – Other ordinary income

Other ordinary income

in 1,000 CHF	2020	2021
IT services for Group companies	66,533	62,810
Other individual services provided for Group companies	153,395	170,325
Raiffeisen bank contributions for collective/strategic services and management of finances	79,956	81,377
Charges for internal services relating to Group projects	58,054	60,582
Other	2,657	2,492
Total other ordinary income	**360,594**	**377,586**

25 – Personnel expenses

Personnel expenses

in 1,000 CHF	2020	2021
Meeting attendance fees and fixed compensation to members of the banking authorities	2,148	2,050
Salaries and bonuses for staff	316,458	337,718
AHV, IV, ALV and other social benefits	24,440	32,217
Contributions to staff pension plans	35,938	40,064
Other personnel expenses	6,863	8,009
Total personnel expenses	**385,847**	**420,058**

26 – General and administrative expenses

General and administrative expenses

in 1,000 CHF	2020	2021
Office space expenses	24,836	21,579
Expenses for information and communications technology	66,395	73,596
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,262	2,524
Auditor fees	2,052	1,950
of which, for financial and regulatory audits	1,801	1,790
of which, for other services	251	160
Other operating expenses	131,400	158,188
Total general and administrative expenses	**227,944**	**257,837**

27 – Extraordinary income and expenses, changes to hidden reserves

Year under review

Of the extraordinary income of CHF 34.2 million, CHF 32.6 million came from the revaluation of real estate (release of hidden reserves) and CHF 1.4 million from the disposal of participations.

Previous year

In the extraordinary income of CHF 2.3 million, CHF 1.8 million was credited from the final write-off of ARIZON Sourcing Ltd, which was removed from the commercial register as at the end of 2020. In addition, CHF 0.4 million was released from the sale of tangible fixed assets.

28 – Revaluation of participations and tangible fixed assets to a maximum of acquisition cost

Some properties on the St. Gallen Campus were revalued to amortised cost and a write-up recognised in income. For details, please see Note 7 “Tangible fixed assets” and Note 27 “Extraordinary income and expenses, changes to hidden reserves”.

29 – Current taxes

Current taxes

in 1,000 CHF	2020	2021
Expenditure for current income tax	1,140	2,900
Total tax expenditure	**1,140**	**2,900**
Average tax rate weighted on the basis of the operating result	1.4%	2.7%

Loss carry-forwards of CHF 74.3 million were claimed for the tax calculation in 2021. Deferred tax is calculated and reported solely at the Raiffeisen Group level.

EY
Building a better working world

Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basle

Phone: +41 58 286 86 86
Fax: +41 58 286 86 00
www.ey.com/ch

To the General Meeting of
Raiffeisen Switzerland Cooperative, St. Gallen

Basle, 20 April 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Raiffeisen Switzerland Cooperative, which comprise the balance sheet, income statement, statement of changes in equity, and notes (pages 14 to 53) for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the Swiss accounting principles for banks, the requirements of Swiss law, and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with the Swiss accounting principles for banks, Swiss law, and the company's articles of incorporation.

Building a better working world

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the following matter, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibility" section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Impairment of loans to customers and calculation of value adjustments and provisions for default risks

Key audit matter	Raiffeisen Switzerland Cooperative reports customer loans, consisting of amounts due from clients and mortgage loans, at nominal value less any value adjustments required. The determination of a value adjustment or provision on impaired credit items is carried out on an individual basis and is based on the difference between the carrying amount of the receivable or any higher limit and the amount likely to be recoverable, considering the creditworthiness of the borrower and the net realizable sale value of any collateral. In accordance with the accounting requirements for banks (FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – Banks"), Raiffeisen Switzerland Cooperative also recognizes value adjustments and provisions for expected losses on non-impaired credit items since 1 January 2021. When calculating value adjustments and provisions for default risks, estimates must be made, which involve significant judgments and may vary depending on the assessment. Raiffeisen Switzerland Cooperation reports amounts due from clients of CHF 3.1 billion and mortgage loans of CHF 11.0 billion in its annual financial statements as of 31 December 2021. In this context, as of the balance sheet date, there were value adjustments and provisions for impaired credit items of CHF 190.0 million and value adjustments and provisions for expected losses on non-impaired credit items of CHF 66.0 million. Since customer loans represent with 16.3% a significant part of the assets in Raiffeisen Switzerland Cooperative's annual financial statements, we consider the recoverability of customer loans and the calculation of value adjustments and provisions for default risks as a key audit matter.

	Raiffeisen Switzerland Cooperative describes its accounting and valuation principles for customer loans and value adjustments in the notes to the financial statements on the page 28. Further explanations on the identification of default risks, the calculation of the valuation adjustments and the valuation of the collaterals can be found in the notes to the financial statements on the pages 24 to 26.
Our audit procedure	Our audits included an assessment of the design and the effectiveness of processes and controls related to granting and monitoring loans, as well as the identification and calculation of value adjustments and provisions on impaired credit items. In addition, we assessed the concept implemented by Raiffeisen Switzerland Cooperation as of 1 January 2021 for the recognition of value adjustments and provisions for expected losses on non-impaired credit items in accordance with Article 25 of the FINMA Accounting Ordinance in the annual financial statements. In addition, we tested the recoverability of credit exposures based on a sample and assessed the methods and assumptions used in the calculation of individual value adjustments and provisions for default risks. Our sample included both random and risk-oriented selected credit items. The risk-oriented sample included in particular unsecured loans to commercial customers and financing of investment properties. Further audit procedures included the assessment of compliance with and implementation of the accounting and valuation principles of Raiffeisen Switzerland Cooperation as well as the appropriateness of the explanations for the identification of default risks, for the calculation of the value adjustments and for the valuation of the collateral in the annual financial statements. Our audit procedures did not result in any objections regarding the recoverability of customer loans and the calculation of value adjustments and provisions for default risks.

Other Matters
The annual financial statements of Raiffeisen Switzerland Cooperative for the year ended 31 December 2020 were audited by another auditor who issued an unmodified opinion on these financial statements on 14 April 2021.

Building a better working world

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Prof. Dr. Andreas Blumer Licensed audit expert (Auditor in charge)	Yves Uhlmann Licensed audit expert

Five-year overview

Five-year overview

Balance sheet

Balance Sheet

in 1,000 CHF	2017	2018	2019	2020	2021
Assets					
Liquid assets	18,819,203	17,993,258	28,377,439	35,390,664	56,056,494
Amounts due from Raiffeisen banks	2,655,902	3,023,050	2,381,568	1,095,917	780,676
Amounts due from other banks	8,214,912	1,815,732	7,562,069	3,947,870	3,258,494
Amounts due from securities financing transactions	51,371	4,920	249,941	–	–
Amounts due from clients	2,441,407	3,490,328	2,824,270	3,013,758	3,089,847
Mortgage loans	9,870,963	10,719,248	11,104,948	10,910,652	11,040,049
Trading portfolio assets	1,325,870	1,027,521	757,875	979,556	895,404
Positive replacement values of derivative financial instruments	1,632,217	1,310,767	1,823,769	1,536,638	1,252,644
Financial investments	6,308,591	6,560,872	7,129,847	8,785,329	8,498,979
Accrued income and prepaid expenses	228,036	227,896	247,005	234,967	232,032
Participations	1,055,938	423,809	435,474	423,550	415,944
Tangible fixed assets	195,321	232,866	353,088	327,972	344,507
Intangible assets	6,653	4,234	1,815	–	–
Other assets	788,398	754,607	920,495	983,396	1,016,134
Total assets	**53,594,781**	**47,589,108**	**64,169,604**	**67,630,269**	**86,881,204**
Liabilities					
Amounts due to Raiffeisen banks	15,528,573	15,366,151	18,906,019	26,703,345	31,818,871
Amounts due to other banks	13,676,261	6,410,927	12,263,833	9,054,065	14,623,796
Liabilities from securities financing transactions	1,757,968	2,925,136	6,326,901	4,180,827	7,450,837
Amounts due in respect of customer deposits	11,044,803	11,423,677	13,943,409	15,849,091	17,277,182
Trading portfolio liabilities	133,799	69,530	197,542	147,893	156,043
Negative replacement values of derivative financial instruments	1,610,794	1,535,839	2,179,800	1,891,769	1,482,533
Cash Bonds	61,758	30,563	22,569	19,080	17,724
Bond issues and central mortgage institution loans	6,836,274	7,021,981	7,527,074	6,987,157	10,448,395
Accrued expenses and deferred income	289,993	310,936	300,217	301,827	276,924
Other liabilities	458,400	436,675	451,263	426,481	478,265
Provisions	16,685	128,373	124,617	100,722	106,631
Reserves for general banking risks	259,450	9,297	6,336	47,988	75,179
Cooperative capital	1,700,000	1,700,000	1,700,000	1,700,000	2,443,800
Statutory retained earnings reserve	173,183	177,523	177,523	177,523	177,523
Profit	46,840	42,500	42,500	42,500	47,500
Total equity capital	**2,179,473**	**1,929,320**	**1,926,360**	**1,968,012**	**2,744,002**
Total liabilities	**53,594,781**	**47,589,108**	**64,169,604**	**67,630,269**	**86,881,204**

Income statement

Profit and Loss Account

in 1,000 CHF	2017	2018	2019	2020	2021
Interest and discount income	320,123	303,687	289,808	234,867	192,278
Interest and dividend income from financial investments	48,337	43,735	40,892	32,072	24,105
Interest expenses	−242,372	−192,056	−169,823	−40,886	82,799
Gross result from interest operations	**126,088**	**155,366**	**160,876**	**226,053**	**299,182**
Changes in value adjustments for default risks and losses from interest operations	−1,782	−126,465	−20,544	−15,280	−16,310
Subtotal net result from interest operations	**124,306**	**28,901**	**140,332**	**210,773**	**282,872**
Commission income securities trading and investment business	73,690	77,588	83,401	75,863	79,886
Commission income from lending business	13,395	16,267	16,823	18,558	20,504
Commission income other services	59,711	63,010	62,491	57,292	56,214
Commission expenses	−44,286	−46,362	−41,332	−42,542	−34,019
Net income from commission business and service transactions	**102,510**	**110,503**	**121,383**	**109,171**	**122,586**
Net trading income	**79,522**	**78,138**	**79,358**	**77,457**	**86,634**
Results from the disposal of financial investments	20,525	2,607	10,747	989	385
Income from participations	52,322	71,510	40,792	27,327	30,298
Results from real estate	3,668	3,884	4,344	3,595	3,747
Other ordinary income	403,513	401,193	361,485	360,594	377,586
Other ordinary expenses	−34,243	−42,905	−32,427	−31,675	−48,888
Other ordinary profit	**445,785**	**436,289**	**384,941**	**360,830**	**363,127**
Operating income	**752,123**	**653,831**	**726,014**	**758,232**	**855,219**
Personnel expenses	−381,111	−383,815	−407,790	−385,847	−420,058
General and administrative expenses	−254,653	−294,285	−247,493	−227,944	−257,837
Operating expenses	**−635,764**	**−678,100**	**−655,283**	**−613,792**	**−677,895**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	−74,775	−109,154	−45,290	−55,684	−61,437
Changes to provisions and other value adjustments, and losses	−4,352	−117,910	−12,633	−5,745	−7,261
Operating result	**37,232**	**−251,333**	**12,808**	**83,011**	**108,627**
Extraordinary income	116,316	46,180	28,534	2,307	34,173
Extraordinary expenses	−673	−1	−2	−25	–
Changes in reserves for general banking risks	−101,000	250,153	2,961	−41,652	−92,399
Taxes	−5,035	−2,500	−1,800	−1,140	−2,900
Profit	**46,840**	**42,500**	**42,500**	**42,500**	**47,500**

Imprint

Raiffeisen Switzerland Cooperative
Communication
Raiffeisenplatz 4
CH-9001 St. Gallen
Tel.: +41 71 225 84 84
Internet: raiffeisen.ch
Email: medien@raiffeisen.ch

Editorial deadline: 30 March 2022
Date of publication: 22 April 2022

Annual reporting
The annual reporting consists of the yearly report 2021 of the Raiffeisen Group, the Annual Report 2021 of the Raiffeisen Group (consisting of management report, corporate governance, annual financial statements, regulatory disclosure), the regulatory disclosure as of 31 December 2021 of the Raiffeisen Group and the Annual Report 2021 of Raiffeisen Switzerland. All publications are also available online at: report.raiffeisen.ch

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

Conception
Raiffeisen Switzerland Cooperative, St.Gallen
phorbis Communications AG, Basel

Editor in chief
Raiffeisen Switzerland, St. Gallen

Content
Raiffeisen Switzerland, St. Gallen

Layout and typesetting
phorbis Communications AG, Basel

Translation
Apostroph Group, Lucerne
Raiffeisen Suisse société coopérative, Siège Suisse romande , Lausanne
Raiffeisen Svizzera società cooperativa, Siede Svizzera italiana, Bellinzona

Photography
Marc Wetli, Küsnacht
Raiffeisen Switzerland Cooperative, St.Gallen

For more information please see

report.raiffeisen.ch

Thank you for the trust you have placed in us.

We open up new horizons