



Management report

Management report

Go to financial year

Raiffeisen grows faster than the market



Prof. Dr Johannes Rüegg-Stürm and Dr Patrik Gisel

The Raiffeisen Group had another successful year in 2016. The 270 Raiffeisen banks located across Switzerland did excellent work. We generated growth in all income items and even expanded faster than the market. Fuelled by healthy growth in our core mortgage and savings business, we strengthened our position as leading Swiss retail bank. Our investment business outperformed the market. Tremendous progress was also made in our corporate clients business in 2016: The newly opened third Raiffeisen Business Owner Centre (RUZ) in Aarau-West puts us in even closer touch with Swiss companies.

We have spent the past five years building a network that represents an important cornerstone of our growth and prepared ourselves for changing conditions in the rates business. After the end of this development phase, 2016 focused on optimally positioning our Group companies and business relationships. We realigned our cooperation in asset

management by selling Vescore Ltd to Vontobel. That way, Raiffeisen can systematically focus on supporting and advising clients in the investment business, as this is where we are strong.

Another important step was the reorganisation of Notenstein La Roche Private Bank Ltd. We are in the process of refining the private bank's business model and optimising collaboration within the Group. Between our banks, our network and a strong private banking centre of competence, we can offer clients the full range of banking services.

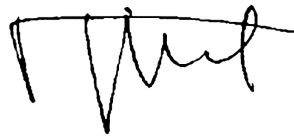
The year 2016 was all about digitisation. Clients can now use more banking services over digital channels. They can take out online mortgages, open accounts via video chat and corporate clients can apply for credit lines online. Moreover, by developing our core banking system, we are laying the foundation for further digitisation initiatives. The RAI Lab strengthens our Group's innovativeness. This is important as we want to play an active part in shaping the rapidly progressing digitisation of our industry.

One huge success for us was the resolution of the US tax dispute. In 2013, we participated in the US programme as a Category 3 bank because we believed that Raiffeisen had not violated any US tax laws. In late 2016, we came to an agreement with the US Department of Justice (DoJ) and resolved the tax dispute without having to pay a fine. We are delighted that the DoJ has confirmed our assessment.

On behalf of the Board of Directors and the Executive Board of Raiffeisen Switzerland, we want to thank all of our members and clients for the trust they have placed in us. We would also like to express our deep appreciation to all our employees for their loyalty and commitment.



Prof. Dr Johannes Rüegg-Stürm
Chairman of the Board of Directors
of Raiffeisen Switzerland



Dr Patrik Gisel
Chairman of the Executive Board of
Raiffeisen Switzerland

Important events in 2016

2 February 2016

Another "Lipper Fund Award" for Raiffeisen

For the fifth time in a row, the Raiffeisen Futura Swiss Stock receives the renowned "Lipper Fund Award" as the best Swiss equity fund over ten years.

30 May 2016

Launch of online mortgage and RaiffeisenCasa.ch

Raiffeisen broadens its advisory range by adding online mortgage lending. It also launches RaiffeisenCasa.ch, a new real estate platform.

30 June 2016

Raiffeisen and Vontobel realign their asset management cooperation

Raiffeisen focuses on supporting and advising clients in the investment business and expands these activities even further. Vontobel, for its part, concentrates on product development and management and acquires Vescore Ltd, a former Raiffeisen subsidiary.

16 August 2016

Online account openings

Raiffeisen's new RaiffeisenIdent services allow clients to open accounts online with video identification.

17 August 2016

Third Raiffeisen Business Owner Centre (RUZ) opens its doors

The third RUZ centre opens in Aarau-West, joining the RUZ locations in Gossau (SG) and Baar.

20 September 2016

Raiffeisen launches Lokalhelden.ch crowdfunding platform

The free charity portal "lokalhelden.ch" gives clubs, institutions and private individuals throughout Switzerland a conduit for collecting donations for charitable projects.

3 October 2016

Benefits programme for corporate clients

Raiffeisen continues to strategically develop its corporate clients business and now offers member benefits to entrepreneurs through "Business MemberPlus".

16 November 2016

Raiffeisen now issues structured products

Raiffeisen banks have been marketing structured products to clients for over ten years. Now, Raiffeisen issues structured products directly.

23 December 2016

Raiffeisen resolves US tax dispute

Raiffeisen comes to an agreement with the US Department of Justice (DoJ) as part of the tax dispute resolution programme. The US banking programme is closed without a fine being imposed.

Management report

Business trend

Business performance

The positive result is primarily attributable to the excellent performance achieved in banking operations. Thanks to growth in all income items, operating income increased CHF 93 million to CHF 3,108 million. The increases were particularly significant in loans (+ CHF 7.0 billion) and customer deposits (+ CHF 8.0 billion).

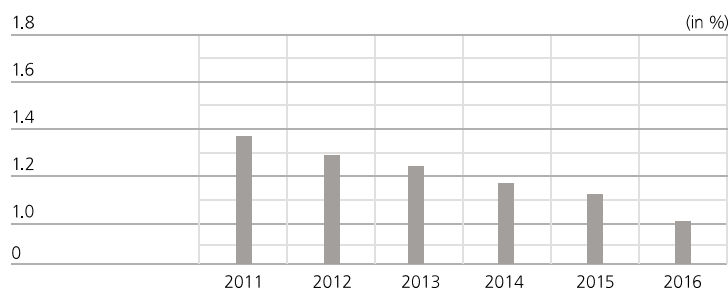
In spite of the challenging political and economic environment, Raiffeisen once again held up well in the market.

Operating expenses rose CHF 100 million (+5.3%) to CHF 1,988 million. In the current year, Raiffeisen invested in infrastructure and IT projects, laying the foundations for the retail business of the future. This includes the implementation of the new core banking system for the Raiffeisen banks and for Notenstein La Roche Private Bank Ltd. We also pressed ahead with the expansion of the corporate clients business, among other things by opening another Raiffeisen Business Owner Centre (RUZ) in Aarau-West. Our classification as a systemically important bank led to specific requirements that are expensive to implement. Furthermore, the ultimately successful resolution of the US tax dispute resulted in high costs that added up to over CHF 30 million over a four-year period.

As explained in the preceding section, operating expenses were driven up particularly by the projects to upgrade the core banking systems. Project expenses were capitalised in "Other ordinary income". This resulted in a significant increase in this item, which rose by CHF 60 million or 100.9%. On balance, the upgrade of the core banking systems has no effect on income. Once the systems go live, the project expenses will impact Group profit in the form of higher depreciation and amortisation over a period of ten years.

High-quality growth in the domestic savings and mortgage lending business led to significant growth in the relevant balance sheet item and helped to offset the erosion of margins in interest operations. The diversification of the business areas was advanced further through growth initiatives, but this did involve financial expenses. The Asset Management business area was realigned by selling Vescore Ltd to Vontobel at the end of the third quarter. In the short term, this decision resulted in an outflow of CHF 14 billion in assets under management, but also generated CHF 64 million in income from the sale, which is included in the item "Extraordinary income".

Interest margin

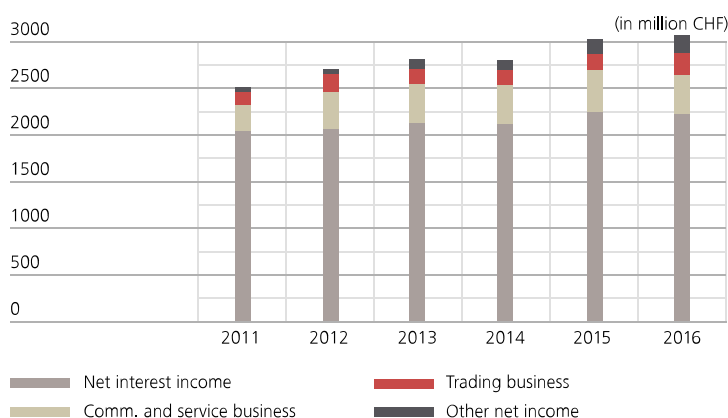


In addition to the upgrade of the core banking systems and the sale of Vescore Ltd, another significant factor impacting the income statement of the Raiffeisen Group was the value adjustment for the participation in Leonteq Ltd. The price of the Leonteq Ltd share declined significantly on the stock market. Due to the periodic impairment test, Raiffeisen posted value adjustments totalling CHF 69 million for this long-term investment. The valuation was based on analyst opinions and our own assessment. This resulted in a high

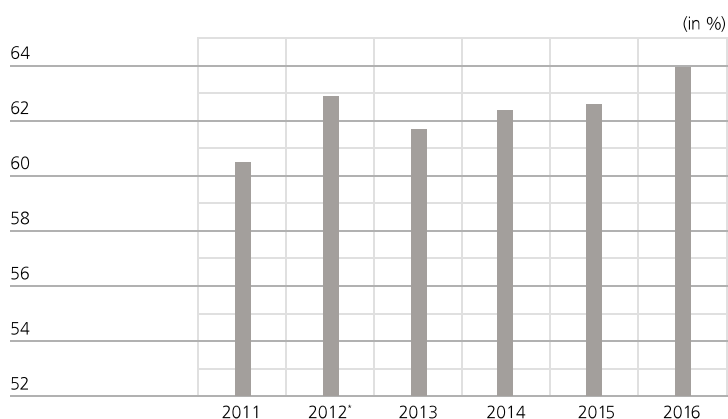
increase of CHF 79 million in the item "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". Despite this unpleasant development, our very successful cooperation with Leonteq in the sphere of structured products has been very encouraging. Among other things, the structured product volume increased to nearly CHF 3.5 billion by the end of 2016.

Overall, the Raiffeisen Group generated the third-highest net profit in its history. All income items increased. However, the value adjustment on the Leonteq participation, combined with the higher increase in operating expenses, brought down the operating result by CHF 89 million year-on-year to CHF 855 million. On the other hand, the Group benefited from the sale of Vescore Ltd, a one-time effect that resulted in high extraordinary income. In the end, the Group profit is CHF 754 million, which is CHF 54 million below the previous year's record result.

Performance of income items



Cost/income ratio trend



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

No events occurred after the balance sheet date that would have a significant impact on operating profit. Information on the consolidated companies and the consolidation principles can be found in the chapters "Corporate governance" and "Notes to the consolidated annual financial statements".

Income statement

Income from operating activities

All income items increased year-on-year. Results from interest operations and trading activities increased particularly due to the continuing growth in operating activities. Operating income increased CHF 93 million overall 3.1% to reach CHF 3,108 million, the highest figure in Raiffeisen's history.

In a challenging interest environment, the gross result from interest operations rose by CHF 42 million (+1.9%) to CHF 2,230 million. The increase is due to strong growth in customer transactions, because the interest margin is 1.06%, or 6 basis points lower than in the previous year. The interest margin on interest payable products came under particularly strong pressure due to the term structure of interest rates. Hedging costs were brought down slightly but remained high. The SNB's negative interest continued to be an issue for Raiffeisen in the current year. While negative interest had to be passed on to major customers in some cases, private clients were still not charged negative interest.

The changes in value adjustments for credit risks and losses from interest operations remained stable year-on-year at CHF 10 million. The net result from interest operations was CHF 2,219 million.

It was possible to boost the result from commission business and services (note 22) somewhat by CHF 467 million (+0.9 %). Income from securities trading and investment activities declined slightly to CHF 356 million. Clients were clearly holding back, particularly in the fourth quarter. Both portfolio-based commissions and income from brokerage went down. This decline was not fully offset by higher income from issuing operations and advisory services. Commission expenditure increased CHF 5 million to CHF 121 million. The persistent growth in volume, particularly in payment transactions, increased income from other services by CHF 11 million to CHF 214 million. Thanks to this development, commission income increased as a whole despite the slump in the securities and investment activity.

The result from trading activities (note 23.1/23.2) increased CHF 19 million (+8.9%) to CHF 228 million. The increases were significant for trading in precious metals and foreign notes and were particularly large for trading with interest products. Equities trading, however, declined somewhat due to market developments.

Other results from ordinary activities also grew strongly, increasing CHF 27 million (+16.3%) to CHF 194 million. The increase is primarily attributable to the capitalisation of expenses related to the implementation of the future core banking systems. The capitalised amount (note 8) was CHF 111 million in the current year (previous year: CHF 54 million) and resulted in a CHF 60 million increase in the item "Other ordinary income". By contrast, the two income items "Income from the sale of financial investments" and "Income from participations" declined significantly, by CHF 15 million and CHF 13 million respectively, as both items still contained special items in the previous year. Financial investments were affected positively by the change in the valuation method in the previous year. The previous year's income from participations included a special dividend from SIX Group Ltd. Due to value adjustments made to financial investments in response to market developments, other ordinary expenses increased CHF 7 million.

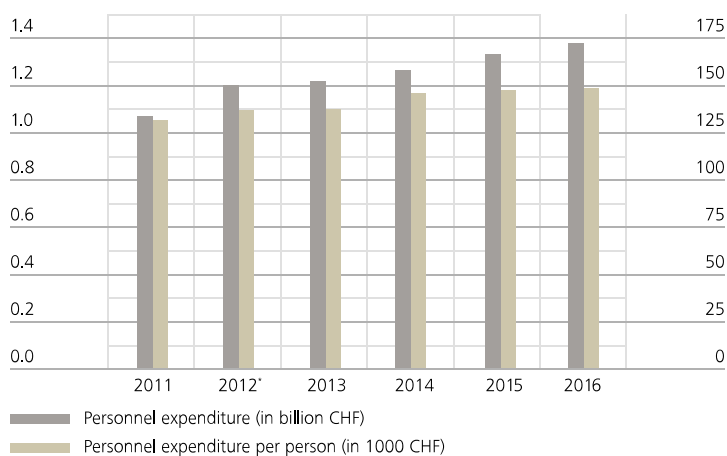
Operating expenses

Expenses grew somewhat faster than income in the year under review. As explained above, the increase of CHF 100 million (+5.3%) to CHF 1,988 million is attributable to the development costs of the new core banking systems, the digitisation initiatives and other major regulatory projects. High costs in these areas led to an increase in the cost/income ratio from 62.6% to 63.9%. Raiffeisen does not expect any lasting improvement to this ratio until the core banking system has gone live.

Personnel expenses

Personnel expenses (note 26) increased CHF 51 million 3.9% to CHF 1,381 million. This increase was caused by general pay adjustments and the projects mentioned before. Some units employed temporary staff to handle day-to-day operations while skilled personnel were heavily involved in the project activities. We should also note that the personnel expenses for the staff transferred from Bank La Roche & Co were only included in the last quarter of the previous year. The Group's headcount in the current year, with 9,276 full-time positions, is slightly below the previous year's headcount due to the sale of Vescore Ltd in the third quarter (previous year: 9,286 full-time positions). In the retail business, 114 full-time positions were added (Raiffeisen banks and Raiffeisen Switzerland branches).

Change in personnel expenses and personnel expenses per full-time position



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

General and administrative expenses

The sharp increase in general and administrative expenses (note 27) by CHF 49 million or 8.8% to CHF 606 million is also largely attributable to the additional activities mentioned above. Office space expenses increased CHF 3 million as a result of optimising the bricks-and-mortar distribution channels, which continue to play an important role despite digitisation. IT expenses increased CHF 18 million due to the extensive project activities. Apart from the core banking system, other digitisation projects also drove up expenses. Other operating expenses increased CHF 26 million mainly due to higher consultancy fees. This item was impacted by support services for the core banking systems and particularly by considerable consultancy fees incurred in connection with the resolution of the US tax dispute. Costs were also strongly driven by the extensive work involved in preparing contingency plans for systemically important banks such as Raiffeisen.

Raiffeisen Group capital investment 2012-2016, by category

(net investment, in CHF million)	2012	2013	2014	2015	2016
Bank buildings	176	89	56	92	83
Other real estate	20	2	2	2	8
Alterations and fixtures in third-party premises	11	19	18	17	15
IT hardware	17	19	13	22	17
IT software	20	11	34	65	129
ATMs	6	9	8	4	7
Furniture	9	5	3	5	5
Fixtures	7	11	4	3	5
Office machines, vehicles, security installations	6	9	5	7	7
Total net investment	272	174	143	217	276

Raiffeisen Group capital investment 2012-2016, by region

(net investment, in CHF million)	2012	2013	2014	2015	2016
Lake Geneva region	15	15	18	21	15
Espace Mittelland	43	28	17	29	32
Northwestern Switzerland and Zurich	30	26	24	21	35
Eastern Switzerland*	153	82	65	124	168
Central Switzerland	19	11	12	7	16
Ticino	12	12	7	15	10
Total	272	174	143	217	276

* incl. central investment by Raiffeisen Switzerland

Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets

The value adjustments on the Leonteq participation and greater depreciation of tangible fixed assets caused a significant increase in this item (notes 8 and 9) of CHF 79 million (+43.5%) to CHF 260 million. As a result of the steep decline in the share price in recent months and the sharp drop in net profit for 2016, Raiffeisen recognised value adjustments on the Leonteq participation totalling CHF 69 million. Amortisation of goodwill amounted to CHF 42 million. Unlike previous years, depreciation of tangible fixed assets went up again. Depreciation increased CHF 11 million to CHF 152 million.

Changes to provisions and other value adjustments, and losses

This item (note 15) is CHF 6 million, slightly above the previous year's value of CHF 4 million. Losses not related to lending activity were CHF 1.5 million. Net new provisions, which are included in this item, were CHF 4.5 million.

Extraordinary income and expenditure

The extraordinary income of CHF 75 million (note 28) includes gains from the sale of tangible fixed assets and participations as well as a gain of CHF 64 million from the sale of Vescore Ltd. The extraordinary expenses of CHF 4 million mainly consist of losses from the sale of tangible fixed assets.

Balance sheet

Total assets went up CHF 12.8 billion to CHF 218.6 billion. This growth was driven by the marked increase in client positions in the retail business and the expansion of interbank positions as part of tactical liquidity management. Growth is lower than in the year before since the Treasury had made extensive reclassifications in 2015 in response to tighter liquidity requirements.

Amounts due from/to banks

As mentioned above, both items were significantly expanded as part of tactical liquidity management. Amounts due from banks increased CHF 3.3 billion to CHF 7.1 billion. Amounts due to banks went up almost as much, increasing CHF 3.0 billion to CHF 10.9 billion.

Amounts due/liabilities from securities financing transactions

Amounts due from securities financing transactions are at a very low level at CHF 338 million. Liabilities from securities financing transactions decreased CHF 1.5 billion to CHF 2.6 billion. They have very short maturities.

Loans to clients

Raiffeisen's mortgage lending business performed well. Mortgage loans increased CHF 6.8 billion to CHF 165 billion (+4.3%, previous year: +5.2%). As expected, growth in the real estate market lost some of its momentum and was more moderate than in the previous years. The Group is continuing to grow faster than the market in general. Its share of the domestic mortgage market increased to 17.2% (previous year: 16.9%).

Raiffeisen achieved above-average growth in mortgage loans for residential properties within the scope of an extremely cautious lending policy. Raiffeisen's mortgage portfolio consists of roughly 500,000 loans that are spread all over Switzerland, making it highly diversified. The average loan-to-value ratio for existing mortgages is unchanged at 60%. It is only slightly higher for new clients at 65%. Average Raiffeisen customers generally only have one first mortgage loan. Value adjustments for default risks were CHF 224 million, remaining at the previous year's level (CHF 223 million). The proportion of value adjustments in relation to lending fell to 0.129% (previous year: 0.134%).

Trading portfolio assets

Trading portfolio assets (note 3.1) amounted to CHF 2.9 billion, a small increase of CHF 797 million over the previous year's figure. Holdings of debt securities were significantly expanded. This category includes large holdings in bonds used to hedge against the interest rate risk of the structured products' bond components. All other categories were reduced slightly. The capital adequacy requirements for market risks in the trading book are detailed in the chapter on risk categories.

Financial investments

Securities holdings classified as financial investments (notes 5.1 and 5.2) mainly consist of highly rated bonds. They are managed in accordance with statutory liquidity requirements and internal liquidity targets. Holdings increased CHF 1.1 billion to CHF 8.0 billion.

Non-consolidated participations

The book value of non-consolidated participations (note 6) increased CHF 56 million to CHF 788 million. As a result of the Pfandbriefbank capital increase approved in May, the Group's participation increased by CHF 27 million. Furthermore, Raiffeisen invested CHF 5 million in Twint Ltd. The participations, which are valued using the equity method, increased by CHF 21 million in value. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights.

Tangible fixed assets

The book value of tangible fixed assets (note 8) increased CHF 124 million to CHF 2.6 billion. This increase results primarily from the capitalisation of CHF 111 million in project expenses for future core banking systems. Furthermore, a high building volume led to a considerable increase in the book value of the bank buildings (+CHF 30 million).

Intangible assets

Intangible assets moved in the opposite direction, decreasing CHF 93 million to CHF 419 million. This is primarily a consequence of the value adjustment on goodwill from the participation in Leonteq Ltd. With the sale of Vescore Ltd, the remaining goodwill for the asset management companies was removed from the balance sheet in 2016. Goodwill for Investnet Holding AG increased on account of contractual agreements. This group consolidates activities relating to investor participations in small and mid-sized enterprises.

Amounts due in respect of customer deposits

Customer deposits surged nearly CHF 8 billion or 5.3% to CHF 158.3 billion. This was a very good result compared to the previous year. In 2015, CHF 1.1 billion of the total increase of CHF 8.7 billion were attributable to the purchase of Bank La Roche & Co. The Group also gained market share in customer deposits. While the increase was seen throughout Switzerland, urban areas reported the greatest gains. The ratio of customer deposits (including cash bonds) to loans to clients increased to 91.9%, which represents a comfortable refinancing ratio.

Liabilities from other financial instruments at fair value

This item comprises the issued structured products of Notenstein subsidiary Notenstein Finance (Guernsey) Ltd and Raiffeisen Switzerland's newly formed subsidiary Raiffeisen Switzerland B.V. Amsterdam (note 13). The issuance of structured investment solutions, initiated in March 2013, has proven to be a success. Holdings went up again strongly, increasing CHF 764 million to CHF 1,634 million.

Bond issues and central mortgage institution loans

Bond issues and central mortgage institution loans increased CHF 2.2 billion to CHF 25.6 billion (note 14). The volume of central mortgage institution loans, which are an important tool for managing liability maturities and an additional source of funding to cover growth in loans to clients, increased CHF 1.6 billion to CHF 20.1 billion. Raiffeisen Switzerland bonds increased CHF 120 million to CHF 3.9 billion. A large maturing bond from 2006 was replaced by new issues in 2016 without a problem. The bonds issued by Notenstein La Roche Private Bank Ltd in connection with the issue of structured products increased CHF 408 million to CHF 1.7 billion.

Provisions

Provisions (note 15) increased CHF 26 million to CHF 903 million. The increase is largely attributable to new provisions for deferred taxes of CHF 851 million, which represent the biggest category of provisions by far. New provisions for restructuring of CHF 12 million were recognised in the year under review, including provisions recognised in connection with the sale of Vescore Ltd. The other categories of provisions were essentially unchanged. Following the successful resolution of the US tax dispute in December 2016, there are no longer any provisions for ongoing legal costs and other consultancy fees in this context. Provisions for possible fines were not recognised in prior years, either.

Capital adequacy/equity capital

The Raiffeisen Group clearly exceeds the current capital adequacy requirements associated with being classified as systemically important. The total capital ratio is 17%, the specific requirements for the Group are 14.4%. We can meet the current requirements completely with CET1 capital (Common Equity Tier 1 capital), which is the highest-quality capital. To date, however, we only know the going concern requirements. The Federal Council will not announce the additional restructuring and liquidation requirements (gone concern) until later on this year. With a leverage ratio of 6.84%, the Group also clearly exceeds the unweighted leverage ratio requirements of 4.625%.

Equity capital with minority interests (statement of changes in equity and note 16) went up CHF 1.1 billion to CHF 14.4 billion. In addition to the retention of earnings, the subscription of additional cooperative share certificates also contributed to this increase. The additionally subscribed cooperative capital increased CHF 343 million.

Off-balance sheet transactions

Off-balance sheet items have seen little change. Contingent liabilities decreased CHF 44 million to CHF 392 million. Irrevocable commitments increased CHF 458 million to CHF 8.0 billion due to an increase in loans for which a firm commitment has been given.

Assets under management

Assets under management dropped CHF 6.1 billion to CHF 202.8 billion. This is primarily due to the sale of Vescore Ltd, which resulted in an outflow of assets under management of CHF 14 billion. Fortunately, this decrease was largely offset by robust growth in the retail business. Custody account volumes and particularly customer deposits increased significantly.

Financial outlook for 2017

The 2017 financial year will be challenging for the Raiffeisen Group. The Swiss banking market will continue to be characterised by pressure on margins and fierce competition. Currently, Raiffeisen expects Switzerland's gross domestic product to grow 1.3% in 2017. The economy should continue its measured recovery. Interest rates will likely remain negative. Property prices should consolidate at a high level as brisk construction activity in recent years has narrowed the gap between supply and demand. Demand has also been stifled by the current price level and regulatory measures.

Raiffeisen expects income to grow slightly in 2017 despite the ongoing challenges presented by the business environment. In the rates business, loans to clients and customer deposits are expected to post slightly lower growth in 2017 than 2016. Due to the erosion of margins, however, higher volumes will only translate into marginally higher net income. In the neutral business, income is expected to increase in the commission and services business and in trading. On the cost side, Raiffeisen expects growth initiatives and the launch of the new core banking system to drive up operating expenses slightly. Overall, we expect the operating profit in 2017 to be slightly higher than in the previous year.

Management report

Strategy

Strategic review

The market environment posed many challenges in 2016. Negative interest rates had a particularly strong impact the previous year and squeezed interest rate margins even more. Strong market turbulence followed the Brexit vote, but was short-lived in retrospect. The new US president, Donald Trump, was considered an unpredictable factor prior to the elections. Now, though, initial fears about negative repercussions have given way to hopes for growth in the US.

Raiffeisen solidified its market position as a leading Swiss retail bank in 2016. Its core business once again performed well last year. Raiffeisen gained market share in the mortgage and savings business while interest margins narrowed only slightly.

By selling the asset management company Vescore Ltd. to Vontobel in 2016, Raiffeisen repositioned and strengthened its asset management cooperation with Vontobel for the long term. Raiffeisen will focus on supporting and advising clients while Vontobel will devote its energy to developing and managing products. The Vontobel partnership thus covers a significant portion of the Raiffeisen Group's diversification efforts.

The corporate clients business was built up by adding new services and products as part of the diversification strategy. As a result of these efforts, Raiffeisen further expanded its market share in the corporate clients business in the current year.

Great strides were made in 2016 in developing the new core banking system for the Raiffeisen banks and Raiffeisen Switzerland. Regulatory compliance remained a challenge last year and necessitated considerable investments in human resources and infrastructure. As in the past, Raiffeisen's focus in 2016 was on implementing growth initiatives, boosting efficiency and applying cost discipline. All of these factors contributed to good operating profits overall.

Raiffeisen's cooperative structure and resolute implementation of strategic objectives proved effective last year and continue to power Raiffeisen's performance.

Trends and challenges

The Swiss banking market continues to be in flux. In addition to macroeconomic challenges, banks such as the Raiffeisen Group face rising client expectations, progressive digitisation and constant regulatory pressure. At the same time, fierce competition and consolidation still characterise the banking market.

Moderate upturn of the economic environment

Globally, economic indicators are pointing to robust growth. The Swiss economy, for its part, is also expected to continue its moderately paced recovery following the Swiss franc shock of 2015. Investment and employment momentum, however, have been restrained by the stubbornly strong Swiss franc. Low interest rates are keeping property prices high and driving them up in areas where they are still low. The real estate market's oft-predicted soft landing has already materialised in a few regions and will likely continue in 2017.

Prudent lending practices are essential for the sustainable development of the Group. Raiffeisen optimises its offerings continuously, taking changing business conditions into account, and continues to adhere to proven, conservative lending policies.

Ongoing consolidation in the banking market

The Swiss banking market is unlikely to become less competitive in the future. Traditional banks have been joined by a growing number of fintech providers and non-banking competitors in the battle for market share. The heightened competition is squeezing margins even more. To stand out in this dynamic market environment now and in the future, it takes a strong profile and a clear position. That, in turn, requires efficient processes, consistent responsiveness to changing client requirements, and an innovative product and service range.

With a clear commitment to its core business, targeted cooperation and equity holdings, and a consistent focus on the digital future, Raiffeisen has continually invested in the bank-client interface and successfully defended its market position as leading Swiss retail bank.

Rising client expectations

Clients are well-informed and have high expectations for the banking products and services and their availability. More and more clients expect anytime, anywhere services and quick response times on various channels. This drives demand for mobile banking functions. Innovative advisory approaches and sales strategies are essential in order to respond to evolving client requirements. Digitisation requires greater investment in IT systems, sales networks and human resources.

For Raiffeisen, everything revolves around the client. Raiffeisen's products and services are strictly focused on the client's unique needs in every situation and stage of life.

Progressing digitisation

Digitisation is permanently changing the banking business and opening up new opportunities. Raiffeisen is continuously searching for ways to simplify and automate processes. It increasingly uses digital channels to stay in touch with clients. A combination of digital and bricks-and-mortar sales channels reflects clients' different expectations. Tomorrow's bank branch will address the needs of all generations.

The Raiffeisen Group is investing in fully aligning its business model with the digital future. However, Raiffeisen is confident that face-to-face contacts and local presence will retain their importance.

Constant regulatory pressure

Swiss banks are faced with constant regulatory pressure that aims to ensure the stability of the financial industry (systemic importance, Basel IV) and improve client protections (e.g. Federal Financial Services Act (FFSA)). The harmonisation of Swiss laws with international regulatory standards is still a key issue. Regulatory compliance will continue to require large investments in infrastructure and human resources. Raiffeisen proactively contributes to the shaping of regulatory conditions.

Regulatory developments are given the attention they deserve and Raiffeisen actively participates in the corresponding debates.

Strategic objectives and measures

Overarching goal: Rigorous alignment with the digital future

Objective

In order to further strengthen its position as leading Swiss retail bank, Raiffeisen strives to rigorously align its business activities with the digital future without neglecting the importance of its bricks-and-mortar local presence.

Implementation

The digitisation strategy involves digitising processes to improve operating efficiency. It also requires the merger of bricks-and-mortar and digital channels and the creation of new offerings in order to supply clients with modern, flexible and personalized services. Raiffeisen is laying the groundwork for new digitisation opportunities through its new core banking system, which is currently under development.

Strategic approach: High-quality growth in the core business

Objective

To enhance the quality of its core business, Raiffeisen intends to increase market penetration and develop main banking relationships in the domestic savings and mortgage business.

Implementation

Raiffeisen's broad client base and marked client proximity will continue to serve as a platform for future growth. We want to increase the number of clients who use Raiffeisen as their main bank by pursuing a segment-specific service and advisory approach. Our focus is on providing proactive support and comprehensive advisory services. Cities and metropolitan areas in particular continue to hold significant potential for winning new clients.

Strategic approach: Diversification of business areas

Objective

We want to leverage additional opportunities in the business areas served by the Raiffeisen Group in order to further diversify our income streams and reduce our dependence on the rates business.

Implementation

The investment and corporate clients business will be strengthened. At the same time, we will step up our private banking activities through Notenstein La Roche Private Bank Ltd and improve profitability based on clear cost and income objectives. Raiffeisen decided to renew its asset management partnership with Vontobel within the scope of a cooperation agreement. This relationship will enable us to continue to optimally meet client needs in the future. It will also allow us to focus on sustainability and high-quality growth – not only in our core business, but in adjoining business areas as well.

Strategic approach: Improvements in productivity

Objective

To remain competitive in the years to come, we must apply rigorous cost discipline at all levels of the company to sustainably raise productivity.

Implementation

The new core banking system will upgrade and streamline Raiffeisen's IT infrastructure and application environment. Once the new core banking system exits the development phase and is rolled out to all Raiffeisen banks in 2017, we will have reached a key milestone in this hugely important project for the Raiffeisen Group. Standardised services must be provided as efficiently as possible, especially in retail banking. For this reason, Raiffeisen tirelessly seeks new ways to further standardise and automate its internal processes. We concentrate our efforts on leveraging synergies and economies of scale across the Raiffeisen Group.

Strategic approach: Strengthening the corporate culture

Objective

Raiffeisen aims to position itself as an attractive employer with a unique leadership culture.

Implementation

To successfully position ourselves as an attractive place to work, we must encourage staff development and continue to cultivate the Raiffeisen brand and cooperative business model. Reaching this objective requires credibility, sustainability, closeness and intrapreneurship.

Strategic management process

The Raiffeisen Group's strategy is reviewed constantly and adapted as needed. Raiffeisen Switzerland's Executive Board and Board of Directors regularly analyse the internal and external situation and identify any changes in the assumptions underlying the strategy. They use the findings from these analyses to determine the strategic priorities for the next three years. The strategic approaches are broken down into measurable targets and monitored on an ongoing basis. Raiffeisen has long used a balanced scorecard (BSC) to manage target achievement. This tool tracks financial targets as well as client, employee and process parameters, providing a comprehensive view of strategic target achievement.

Extract from the balanced scorecard for the Raiffeisen Group

Target value	BSC dimension	2014 actual value	2015 actual value	2016 actual value	2017 target value
Loans to clients	Clients	+4,9%	+5,0%	+4,2%	+4,0%
Customer deposits	Clients	+4,9%	+6,1%	+5,3%	+4,5%
Total portfolio value (excluding own medium-term notes)	Clients	+5,6%	+10,2%	+4,0%	+10,0%
Gross new provisions Value adjustments	Finance	0,05%	0,04%	0,042%	< 0,15%
Cost/income ratio	Processes	62,4%	62,6%	63,9%	< 62,0%
Turnover of key persons	Employees	3,4%	5,4%	2,0%	< 7,0%

Strategic outlook for 2017

Raiffeisen will continue to pursue its strategic objectives in 2017. This year will be dominated by the introduction of a new core banking system at the Raiffeisen banks and at Raiffeisen Switzerland. The migration to the new system forms the basis for taking advantage of the opportunities presented by digitisation.

Bricks-and-mortar sales channels remain vital for Raiffeisen. It operates Switzerland's densest branch network. However, digitisation is beginning to affect the structure of the sales network and will lead to a reduction in the number of bank branches over the medium term. The Executive Board and the Board of Directors of Raiffeisen Switzerland will continue to discuss the business model of the future and possible action to achieve the bank's long-term business objectives.

The development and optimisation of the Raiffeisen network will be vigorously pursued in 2017 as well. Notenstein La Roche Private Bank is set to grow further and reduce costs at the same time. It will upgrade its entire IT platform in the third quarter of 2017, taking a large step toward automation and digitisation. Then, in 2018, Notenstein La Roche will assume responsibility for managing all of Raiffeisen's asset management mandates. In addition, possible acquisitions and growth opportunities for Notenstein La Roche Private Bank Ltd are being examined on an ongoing basis. Another of the Raiffeisen Group's declared goals is to strengthen the corporate clients business. In this context, Raiffeisen plans to add products tailored for corporate clients to its product and service range and to expand its commitment towards entrepreneurs in Switzerland.

Raiffeisen's basic strategy was revised in a Group-wide process and implemented in its organisational structure in 2015. Next, other key documents will be revised such as the vision, mission statement and Articles of Association. Raiffeisen will keep its cooperative structure now and in future.

The agenda for 2017 consists of not only strategic projects but regulatory ones as well. They include satisfying all the requirements that come from being classified as a systemically important bank by the Swiss National Bank or complying with the requirements for risk data aggregation and reporting imposed by the Basel Committee on Banking Supervision. Furthermore, Raiffeisen is driving investor protection through revisions to data protection and the implementation of the Federal Financial Services Act (FFSA), the Financial Market Infrastructure Act (FMIA) and the Financial Institutions Act (FinIA).

Both the strategic and regulatory projects will continue to tie up significant resources, but this must be done if Raiffeisen intends to successfully overcome future challenges.

Management report

Risk policy

Risks and principles

General

- Risks are only taken within risk tolerance limits after careful consideration
- Risks are managed systematically
- Risks are only taken if they can be borne, offset by reasonable returns, and the capabilities for managing the risks have been confirmed
- Risks are effectively contained, controlled and independently managed at all levels

Credit risk

- Loans are only extended to clients who meet minimum creditworthiness and solvency criteria
- Concentration risks are avoided
- The credit policy is prudent
- The focus is on financing owner-occupied residential property
- Corporate clients are evaluated based on the following aspects: regional ties, sufficient diversification, risk/return ratio and minimal exposure to high-risk industries

Market risk

- Interest rate risks are managed using proven tools and clearly defined guidelines and limits
- Raiffeisen Switzerland trains and advises the Raiffeisen banks
- Foreign currency assets are generally refinanced in the same currency (matched book approach)
- Trading risks are strategically clearly limited

Liquidity risk

- Liquidity sources are properly diversified
- Liquidity trends in the Raiffeisen Group are assessed at the operational, tactical and strategic level
- The Raiffeisen banks and Notenstein La Roche Private Bank Ltd manage liquidity risks at their own discretion based on instructions provided by Raiffeisen Switzerland
- Access to money and capital markets is provided centrally through Raiffeisen Switzerland

Operational risk

- Risks are evaluated through regular top-down and bottom-up risk assessments
- Risks are monitored using key risk indicators and an early warning system
- The appropriateness and effectiveness of key controls in all risk-related processes is periodically reviewed and confirmed at the Group level
- Internal and external events are analysed on an ongoing basis

Legal and compliance risk

- Statutory, regulatory and professional provisions are promptly translated into internal rules and workflows and complied with
- Contracts are followed and enforced

Risk control

Risk assessment

The Board of Directors of Raiffeisen Switzerland assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines the risk policy and determines the risk tolerance of the Raiffeisen Group each year.

The Board of Directors of Raiffeisen Switzerland regularly examines the risks affecting the Raiffeisen Group. Its examination is based on comprehensive reporting on credit, market and liquidity risks, as well as operational risks, which include compliance risks. It also takes into account reputational risks that can result from all risk categories. The risk reports are prepared by Group Risk Controlling and by Raiffeisen Switzerland's Legal & Compliance department as independent entities. Reports focus on the risk situation, capital adequacy, compliance with overall limits and any measures taken. Furthermore, Group Risk Controlling uses an early warning system to identify unfavourable developments at individual Raiffeisen banks and branches.

The risk report and any measures are discussed in detail at the meetings of the Extended Executive Board and the Board of Directors' Audit and Risk Committee.

Assessment of the risks affecting the Raiffeisen Group is based on quantitative and qualitative factors. The key risks are thoroughly assessed both on the basis of regulatory requirements and using economic models. Raiffeisen's risk models are based on prudent assumptions about distribution, confidence intervals, holding intervals and risk diversification. The budgeting of risk capital and liquidity is based on stress scenarios.

Key elements of Group-wide risk control and management are the risk policy, the risk strategy, forward-looking risk budgeting and scenario planning to determine the Group-wide risk tolerance, and its operationalisation through overall limits set by the Board of Directors.

Risk planning and control are based on a standard method for risk identification, measurement, assessment, management and monitoring. Consolidated risk reporting provides plan versus actual analyses and thus closes the feedback loop.

The Raiffeisen Group puts particular emphasis on supplementing its model-based assessments with forward-looking practical analyses and estimates. Scenario-based analyses backed by macroeconomically plausible scenarios together with assessments drawing on specialist areas and front-office units therefore play an important role in overall risk comprehension. The results from these analyses appear as a commentary in the risk report and are – in certain cases – also presented as a special report.

Risk policy principles

The Raiffeisen Group takes a cautious and selective approach to risk within a framework of clearly defined guidelines. In so doing, it takes care to strike the correct balance between risk and return, actively controlling the risks it enters into. It acts based on several solid principles:

- Clear business and risk policies: Risk taking and risk management are directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and effectively enforced with a tried-and-tested limit system.
- Decentralised individual responsibility in line with clearly defined guidelines: Raiffeisen banks, Notenstein La Roche Private Bank Ltd, ARIZON Sourcing AG and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines relating to business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports on the risk situation as well as the risk profile of the individual Raiffeisen banks and the Raiffeisen Group are regularly issued.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation, monitoring and reporting.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.
- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. It also seeks to comply with high ethical principles in all its business activities.

Independent risk control

Risk management is organised based on the three-lines-of-defence model. Independent risk and compliance control is organised throughout the Group and relies on effective tools for identifying and preventing unwanted risk. The Raiffeisen Group has achieved continuous growth and executed its diversification strategy without excessive increases in risk thanks to its clearly focused business policy, steady and cautious risk culture as well as active and targeted management. The Group companies of Raiffeisen Switzerland generally operate as independent entities. Raiffeisen monitors the risk control and risk situation of the Group companies from a Group viewpoint and provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting. Group companies control risks based on guidelines and minimum requirements that are derived from Group risk policy and implemented by the Group companies. These minimum requirements ensure the quality of local risk control and the Group's consolidated reporting.

Risk profile control

Raiffeisen only enters into risks that relate to an approved business transaction and fall within its risk tolerance limits. The Board of Directors sets the risk tolerance limits as part of the risk budgeting process. Risks are controlled using process requirements and overall limits. The process requirements for taking and managing risks are monitored in line with requirements. Risks that are difficult to quantify are limited by qualitative stipulations.

Risk categories

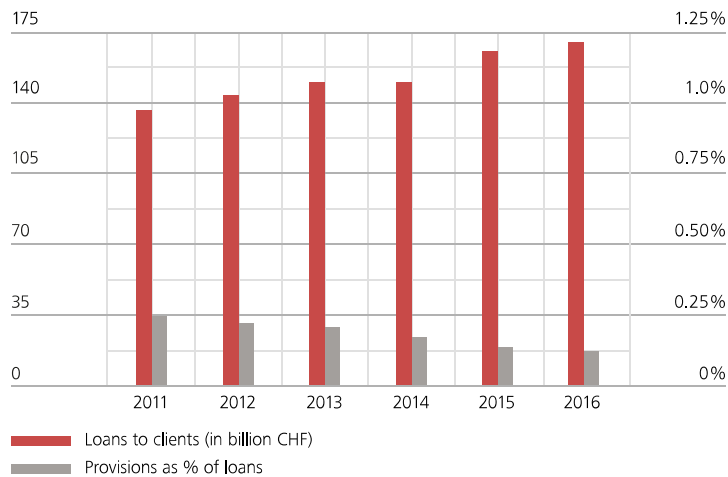
Credit risk

Credit risk management at the Raiffeisen Group is geared explicitly to Raiffeisen-specific client and business structures. The Raiffeisen banks' client knowledge and decentralised individual responsibility play a key role in lending decisions and credit management. This is also true in cases where loans require the approval of Raiffeisen Switzerland because of their size or complexity.

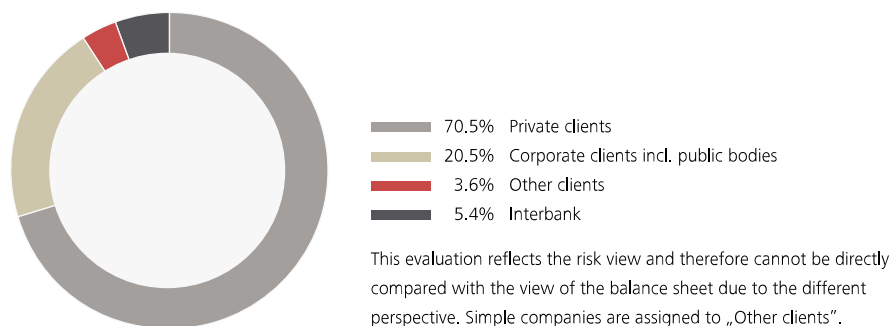
Credit risks are reviewed and assessed in nominal and risk-weighted terms. Management decisions are also based on statistical loss metrics (i.e. value at risk) and scenario analyses. Risks are monitored using credit quality metrics (such as financial viability, loan-to-value ratios, counterparty ratings and rating changes) as well as portfolio characteristics (such as diversification across borrowers, industries and collateral types).

Credit risk is the most important risk category, due to the Raiffeisen Group's strong position in lending. The Raiffeisen Group generates a large part of its income by taking on credit risks in a controlled manner, and through the comprehensive and systematic management of these risks.

Development of loans and provisions



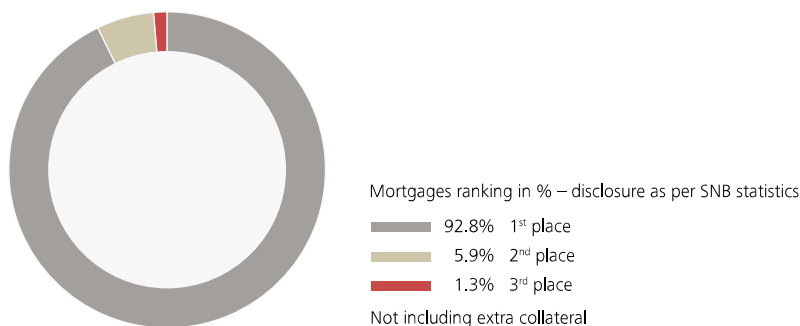
Raiffeisen Group lending by client segment



Generally prudent credit policy

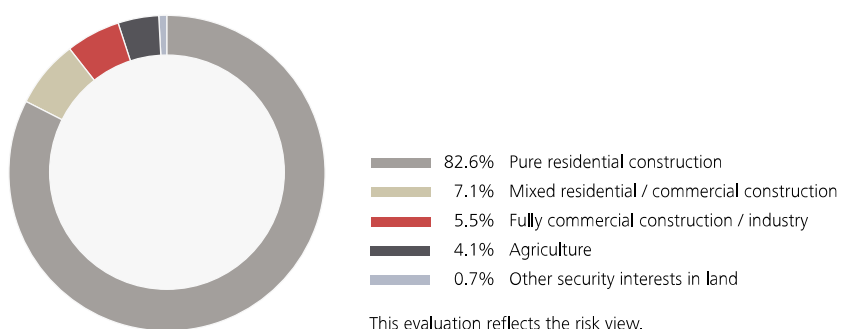
Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking.

Mortgage loans by rank



Loan decisions are largely based on financial viability, loan-to-value ratios and the repayment schedule for the borrower's obligations. Most loans are granted on a secured basis.

Loans by collateral and property type



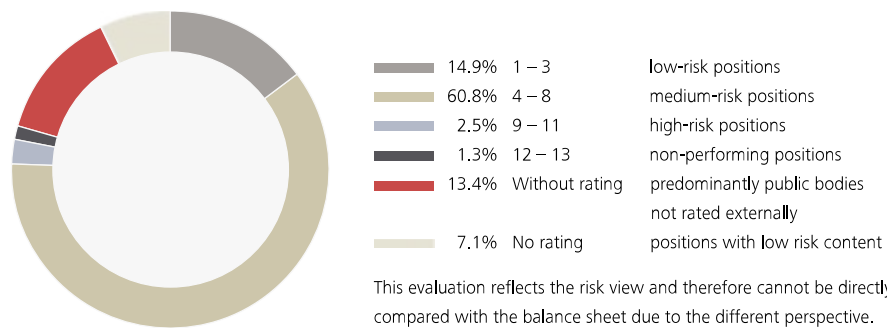
Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks and with corporate and public sector clients. The branches also extend secured loans to private individuals.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process of identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

Credit policy in the corporate clients business

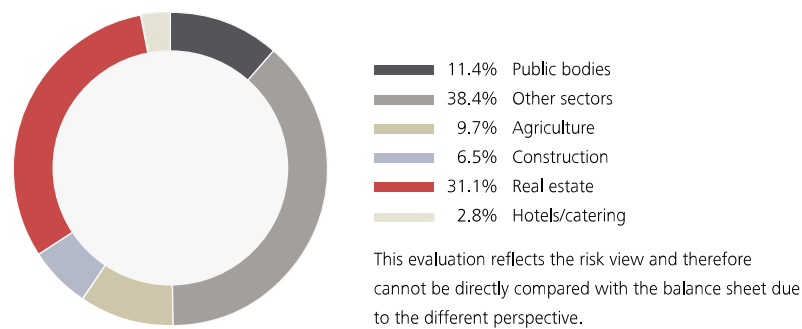
The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings.

Corporate client lending by rating category



Its risk tolerance in the corporate lending business is clearly defined and implemented with corresponding limits for the entire Group. The Raiffeisen Group's priority is to place the expansion of its corporate clients business on a solid foundation. Its commitment is underscored by the substantial investments it has made in its staff, systems and organisation.

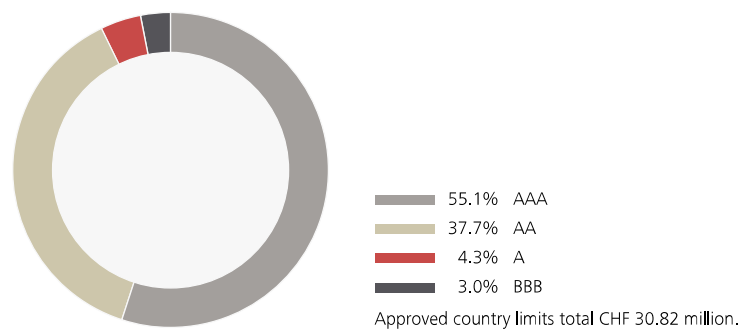
Raiffeisen Group lending by sector (corporate clients and other clients)



Active country risk management

As stipulated in the Articles of Association, foreign exposure is limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. The Central Bank, Raiffeisen Switzerland B.V., Notenstein La Roche Private Bank Ltd and its subsidiaries can enter into commitments abroad. These commitments are limited and monitored closely.

Breakdown by country limits



Credit portfolio analysis and assessment

The Board of Directors is periodically apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio. The analyses focus on sector concentrations and monitoring large individual exposures. In particular, they investigate the impact of severe macroeconomic difficulties on individual sectors and the overall credit portfolio. The Raiffeisen Group's credit portfolio has proven to be extremely robust and well-diversified, even under sharply deteriorating conditions.

Measuring credit risk

The credit risk of each individual counterparty is measured using three parameters:

- Probability of default
- Credit exposure at the time of default
- Value of the collateral

The core of credit risk measurement is the rating system, which is developed and monitored by Group Risk Controlling. The rating system is used to assess the clients' creditworthiness and to determine the economic capital for limiting the individual credit risk positions. The Raiffeisen Group has implemented comprehensive rating system governance in connection with the internal rating systems. Rating system governance aims to organise internal rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

Raiffeisen uses a conservative value-at-risk method and a portfolio model based on this method in order to measure credit portfolio risks for internal purposes. Particular attention is paid to potential concentration risks.

Market risk

Risks in the bank book

The bank book is exposed to interest rate risks and foreign currency risks. Risk associated with fluctuating interest rates is a major risk category owing to the Raiffeisen Group's strong positioning in interest operations.

Clear guidelines and limits apply to the management of interest rate risks within the Group – both on a consolidated basis and for individual legal entities. Risks are managed autonomously within this corridor by the individual legal entities, i.e. the Raiffeisen banks, Notenstein La Roche Private Bank Ltd, Notenstein Finance (Guernsey) Ltd and Raiffeisen Switzerland B.V. Risk managers have a well-developed set of risk management tools, including tools to simulate interest rate developments and assess their impact. The Central Bank department provides advice on asset and liability management within the Raiffeisen

Group. Netherlands-domiciled Raiffeisen Switzerland B.V., by contrast, manages its interest rate risks on the basis of a bond portfolio that replicates the interest rate risk profile of the issued structured products. ARIZON Sourcing Ltd and the other Raiffeisen Switzerland Group companies have no material risks associated with fluctuating interest rates in their balance sheet structure.

Group Risk Controlling monitors compliance with interest rate risk limits and the overall development of interest rate risks. It focuses on monitoring the interest rate sensitivity of equity capital and running simulations to analyse the impact on interest income. It calculates the value at risk for interest rates at various Group levels in addition to the interest rate sensitivity in order to monitor the overall risk situation.

Raiffeisen Group: Interest rate risks in the bank book

(in CHF million)	31.12.2016	31.12.2015
Sensitivity (+100bp-Shift)	1,561	1,673

With respect to foreign currency risk, assets in a foreign currency are in principle refinanced in the same currency (matched book approach). This means foreign currency risk is largely avoided. The Treasury is responsible for managing the remaining foreign currency risk in the bank book.

Risks in the trading book

Of the entities within the Raiffeisen Group, the Central Bank of Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd run a trading book. Trading risks are strategically limited by using global limits. Risks are operationally limited by sensitivity and loss limits and by value-at-risk limits.

All traded products are depicted and assessed in a standardised trading and risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled, and provides the ratios for monitoring all positions and market risks. Group Risk Controlling monitors trading risks on a daily basis, using market data and risk parameters that are independent of the trading area. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in 1,000 CHF)	2016	2015
Risk type		
Equities	4,000	4,000
Interest products	43,000	43,000
Foreign currencies	6,000	6,000
Precious metals	5,000	5,000
Total	58,000	58,000
Loss limits		
Day	2,000	2,000
Calendar month	5,000	5,000
Calendar year	10,000	10,000

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in 1,000 CHF)	ø 2016	31.12.2016	ø 2015	31.12.2015
Risk type				
Equities	578	241	451	417
Interest products	11,450	10,813	12,253	12,645
Foreign currencies	1,900	1,782	1,114	1,658
Precious metals	306	186	740	409

Liquidity and financing risks

The liquidity requirements apply on a consolidated basis at Raiffeisen Group level, at individual institution level to Raiffeisen Switzerland and to Notenstein La Roche Private Bank Ltd, and at the level of financial sub-groups, which includes both of these individual institutions. According to a 24 July 2015 ruling, the liquidity requirements also apply to Raiffeisen Switzerland both as an individual institution and a financial sub-group starting on 1 July 2016. In accordance with a FINMA ruling of 3 September 2010, the individual Raiffeisen banks are exempted from complying with liquidity rules.

Raiffeisen Switzerland's Treasury department handles liquidity and refinancing management for Raiffeisen Switzerland and the Raiffeisen Group. The individual banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland and to ensure balanced refinancing. The Treasury department facilitates the Group's access to money and capital markets and ensures that refinancing sources and instruments are properly diversified. The refinancing strategy takes business and regulatory requirements into account. It ensures that the necessary liquidity is available and that the maturity structure is appropriate and diversified. Raiffeisen Switzerland's Treasury also assesses liquidity trends in the Raiffeisen Group at the operational, tactical and strategic level on an ongoing basis and performs regular stress tests. Group Risk Controlling ensures that monitoring is conducted independently.

Notenstein La Roche Private Bank Ltd has its own Treasury and its own access to money and capital markets so that it can comply with liquidity requirements at individual institution level. Independent monitoring is conducted by the Financial Risk Controlling department, which is organisationally part of Notenstein La Roche Private Bank Ltd, but reports to Group Risk Controlling.

The Raiffeisen Group's liquidity situation is robust.

Operational risk

Operational and business risks arise in two ways: as the consequences of the banking transactions carried out by the Raiffeisen Group and by virtue of its function as an employer and owner/occupier of real estate. Viability and cost-benefit analyses determine whether a business risk should be avoided, reduced, transferred or borne. These risks are assessed in terms of the expected probability of occurrence and the severity of their impacts. This includes not only the financial impacts, but also the reputational and compliance consequences. The appropriateness and effectiveness of control measures are incorporated into the assessment. The Board of Directors monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Directors risk report.

The Raiffeisen Group carried out comprehensive operational risk assessments over the course of the current year. The information gleaned from these assessments is documented in a Group-wide risk register that forms the basis for monitoring and controlling the overall operational risk profile. These assessments are conducted annually

Information security

Information security is becoming more and more important, especially with respect to the reputation of banks and the Swiss banking industry. For this reason, information security risks must be comprehensively managed. A regular assessment of the threat situation constitutes the basis for the risk management strategy. Appropriate and effective measures for safeguarding information and infrastructure with respect to confidentiality, integrity, availability and audit trails are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process. Considerable importance is attached to protecting financial privacy. Stringent data protection standards are also gaining importance given the growing significance of digital channels.

No serious violations of client privacy or data protections have been identified in previous periods.

Internal control system (ICS)

Raiffeisen's ICS comprises all the activities, methods and controls intended to ensure the proper conduct of operations, compliance with statutory and supervisory regulations and complete, reliable financial reporting.

The ICS model establishes general organisational conditions at the enterprise level designed to ensure the Group ICS functions properly. This includes defining the Group-wide ICS framework and the associated roles along with their tasks and responsibilities, in particular.

Processes, risks and controls are closely interconnected at the process level. The Raiffeisen Group's documented processes form the basis for the ICS.

The major risks inherent in each business process are identified and assessed, and the key risks and controls defined from there. All key controls are documented and incorporated in the processes. The goal is to reduce the key risks inherent in the processes by means of appropriate key controls. There are many other risk reduction controls in addition to the key controls.

The ICS for IT processes and information security is modelled on the standard global General Computer Controls (GCC) and ISO/IEC 27002 frameworks, and based on the attainment of control objectives that have been set using standardised criteria.

The Raiffeisen Group periodically carries out an assessment of the ICS's appropriateness and effectiveness.

Reporting on the ICS's appropriateness and effectiveness is included in the standard risk report for the Executive Board and the Board of Directors of Raiffeisen Switzerland.

Early warning system of the Raiffeisen banks

Raiffeisen Switzerland operates an early warning system designed to identify unfavourable developments early at Raiffeisen banks and branches, and avert potential damage. The early warning system comprises quantitative risk indicators for the individual Raiffeisen banks and branches as well as an ad-hoc reporting process for integrating qualitative information. Early warning events are analysed and, if the situation requires it, resolved with the active involvement of Raiffeisen Switzerland.

Business continuity management

Within the scope of business continuity management (BCM), Raiffeisen has adopted extensive measures to maintain operations even if critical resources become unavailable (staff, IT, buildings, suppliers). The specialist departments have various strategy options for keeping critical business processes functioning. Redundancy for all important IT components has been established and/or expanded at various sites.

To minimise potential losses and enable management to respond in an effective, coordinated fashion, Raiffeisen has put together crisis response teams and developed emergency plans in all important company units. It performs regular tests and drills to ensure the plans and organisational structures work properly and do not need to be updated. The crisis management team and organisation are regularly trained and tested using various scenarios to maintain BCM capabilities.

Legal and compliance risk

Legal & Compliance reports to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on major compliance risks quarterly and on legal risks semi-annually. Its reports contain overviews of the legal and compliance risks at Notenstein La Roche Private Bank Ltd and ARIZON Sourcing Ltd.

These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2008/24, are submitted to the Board of Directors once a year.

Legal risks

Raiffeisen Switzerland's Legal & Compliance department supports all units of the Raiffeisen Group in legal matters, ensures adequate regulatory competence at all levels and actively manages legal risks. This also includes contractual risks. The department coordinates interactions with external lawyers where necessary.

Compliance risks

Compliance is understood to mean adherence to all applicable statutory, regulatory and professional provisions and internal requirements with a view to identifying legal and reputational risks at an early stage, preventing such risks and ensuring that business is conducted properly.

Raiffeisen takes a comprehensive approach to compliance. Although Raiffeisen operates almost exclusively within Switzerland, it must comply with standards governing cross-border financial services (cross-border business) and international and national tax matters (tax compliance). It specifically focuses on the following activities and issues:

- Raiffeisen monitors and analyses all relevant legal developments (regulatory monitoring) and participates in institutional commissions and working groups that cover the Swiss financial sector.
- Raiffeisen has traditionally attached great importance to the "know your customer" principle on account of its cooperative business model and the customer proximity that the model entails. Regulations to combat money laundering and the financing of terrorism reinforce these principles and make them concrete.
- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a "passive provision of services" approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen is prohibited from carrying out any activities outside of Switzerland, especially client-related trips abroad.
- Raiffeisen advocates rigorous tax compliance strategies.
- Raiffeisen adheres to market conduct rules and the resulting due diligence and advisory obligations.
- Raiffeisen protects data and bank client confidentiality.
- Raiffeisen is committed to fair competition and its actions are guided by strong ethical principles.

In the current year, Raiffeisen invested heavily in complying with the US Foreign Account Tax Compliance Act (FATCA) and the Qualified Intermediary (QI) requirements, resolving the US tax dispute, preparing for the automatic exchange of information (AEOI), complying with the changed anti-money laundering regulations, and complying with the Swiss Financial Market Infrastructure Act (FMIA) requirements.

Raiffeisen is participating in the programme to resolve the US tax dispute in Category 3. In December 2016, Raiffeisen came to an agreement with the US Department of Justice. It covers all Raiffeisen banks and branches and ensured that the US banking programme was settled without having to pay a fine.

Raiffeisen Group company La Roche Private Bank Ltd decided not to participate in the US programme. The US division of the bank Wegelin was split off in January 2012 and not transferred to Notenstein.

As a member of the Coordination Domestic Banks (CDB), Raiffeisen is particularly involved in the Federal Financial Services Act (FinSA) and tax compliance strategies in and outside Switzerland.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and adapting internal policies and processes to new requirements as promptly as possible. Where necessary, modern IT tools are used in support of relevant measures. In addition, the various Compliance teams – via a "blended learning" approach – invest substantially in training and raising the awareness of staff and management at all levels.

Management report

Added value

Segments

Private and investment clients

The retail business is Raiffeisen's core business. The rates or balance sheet business was the main income stream in 2016, accounting for 71% of revenue. Growth in the investment business and low interest rates increased the volume of securities by 5% and attracted a large number of new investment clients (+6%).

Raiffeisen's clients receive advice tailored to all their needs. They benefit not only from personal attention and a dense branch network, but especially from the creation and expansion of various digital channels. The real estate marketplace (RaiffeisenCasa.ch), online mortgages, the analysis tool for home energy retrofits (eVALO) and new e-banking functions are very popular and give Raiffeisen clients anytime, anyplace access to a full range of services.

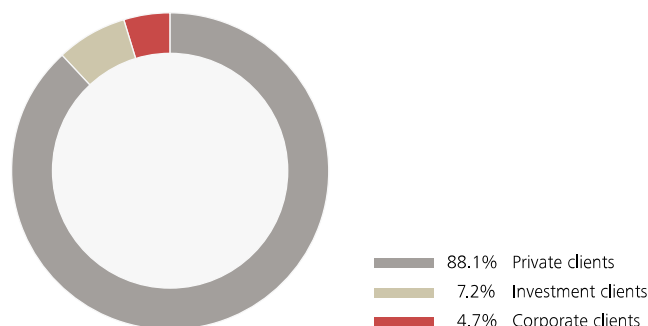
Corporate clients

Raiffeisen serves more than 157,000 corporate clients in Switzerland. High-quality growth continued in 2016, with over 4,000 new corporate clients and an increase in volume. Following the launch of Business MemberPlus, corporate clients can now also receive special benefits and discounts through their membership.

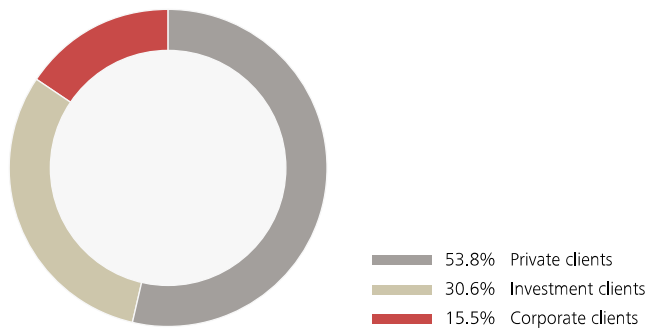
The volume of investment financing extended to Swiss corporate clients increased 5% (excluding mortgage and leasing). This growth was spread across not only the core segment of small- and medium-sized enterprises and skilled trades, but also major multinationals based in Switzerland.

The opening of the third Raiffeisen Business Owner Centre (RUZ) in Aarau-West has strengthened the existing RUZ centres in Gossau (SG) and Baar. Digital channel sales grew further based on online lending and E-Salary, the payroll accounting software integrated in e-banking.

Proportion of clients



Proportion of client volumes



Services

Payments

Card use by Raiffeisen clients continued to grow rapidly in 2016, with the number of transactions increasing 12% to 106 million. ATM withdrawals, by contrast, were stagnant. This was due to more widespread use of cashless payment methods such as debit/credit cards and new digital payment solutions. By the end of 2016, around 17,000 users had registered for the Raiffeisen mobile payment solution (Raiffeisen Paymit) since the first version was launched in spring 2016. TWINT, the new Raiffeisen mobile payment solution created by merging Paymit and TWINT, is scheduled to launch in spring 2017. It can be directly linked to a bank account and used for cashless payment transactions between individuals, in brick-and-mortar stores and in e-commerce.

In November 2016, Raiffeisen rolled out expanded digital access for corporate clients to smoothly process payment transactions. Data is exchanged electronically using the international Electronic Banking Internet Communication Standard (EBICS).

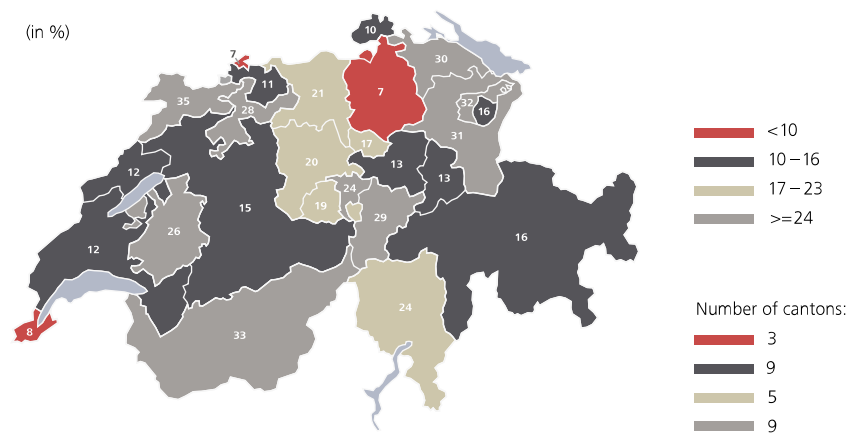
Financing

While mortgage volumes did not grow as rapidly as in previous years, growth still exceeded the market average at 4.3%, resulting in another slight increase in market share to 17.2%. Demand was strongest for fixed-rate and LiborFlex mortgages due to persistently low interest rates.

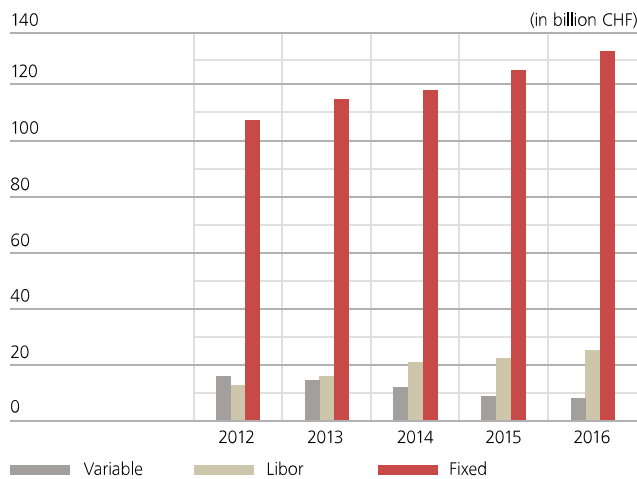
Mortgage volumes for commercial financing purposes (business and investment properties) increased roughly 10.5%. Here, too, Raiffeisen maintained its leading market position.

In 2016, Raiffeisen became the first bank in Switzerland to systematically integrate energy efficiency evaluations in home ownership consultations. Clients receive energy assessments of their property on request, along with an energy efficiency classification based on the GEAK energy performance certificate. Also included in the evaluation are potential savings, the cost of reasonable home energy retrofits and available incentives from the federal and cantonal governments.

Share of mortgage market by canton 2015



Volume trends for various mortgage models 2012–2016



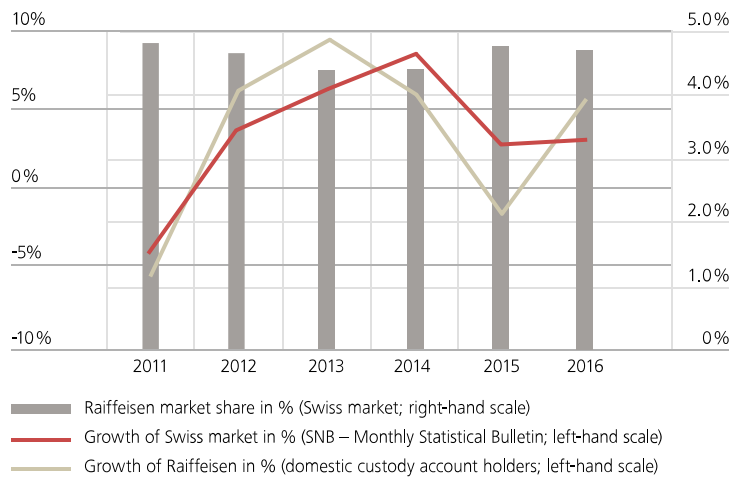
Savings

Raiffeisen slightly expanded its healthy share of 13.2% of the savings market despite the low interest rates. The number of accounts increased by 97,786 to 6,074,143 (+1.6%), while volumes went up CHF 144,337 million to CHF 152,288 million (+5.5%). Growth was concentrated among transaction accounts. Much of this volume growth came from transfers from savings accounts. Also, many funds held in time and fixed-term deposits were not renewed upon maturity, but were instead transferred to transaction accounts due to the low interest rates. Nevertheless, time and fixed-term deposit volumes increased from CHF 12,704 million to CHF 12,795 million (+0.7%).

Investments

Raiffeisen recorded an increase of around CHF 800 million in net new money in the current year. Investment funds rose CHF 931 million, with over half going into Raiffeisen funds. Direct investments also performed strongly, increasing CHF 461 million. Structured products, by contrast, experienced an outflow of roughly CHF 131 million that was driven by product maturities.

Trend in volume of securities



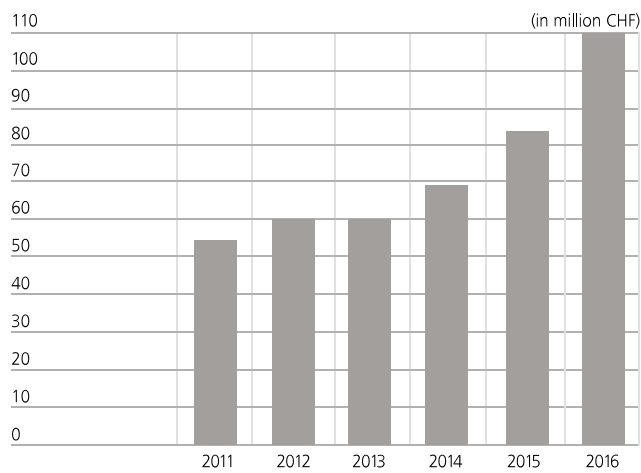
Pensions

Pension accounts grew by 5.5% in 2016. Investments in pillar 3a pension products (account and fund savings plans) swelled by 6% (CHF 819 million) to reach CHF 14.6 billion. Vested assets, by contrast, grew more slowly due to the influence of various external factors, such as the labour market, pension funds and interest rates. Investments in vested asset accounts – including fund savings plans – grew by 1% (CHF 71 million) to reach CHF 5.6 billion. The use of pension products was once again significantly affected by generally low interest rates in the current year. The number of retirement custody accounts, for example, increased around 18% (pillar 3a) and 6% (pillar 2).

Insurance

Volumes of life insurance policies with regular premiums increased over 50%. The bestselling products are still Raiffeisen term life insurance and endowment life insurance, which is used in connection with the indirect amortisation of home loans. Raiffeisen also recorded growth among single-premium policies again and saw volumes exceed CHF 64 million with Raiffeisen pension insurance and the tranche products issued by Helvetia.

Total individual life premiums (regular premiums)



Corporate Finance

The Corporate Finance unit specialises in advising companies and business owners on the evaluation of strategic options, mergers and acquisitions (M&A), company valuations and financing. In 2016, the unit also became a partner of the MidCap Alliance, an international M&A network that primarily focuses on Europe and the US.

Management report

Personnel policy

Employees

Raiffeisen as an employer

Raiffeisen updated its personnel policy in 2016 on the basis of its revised basic strategy. Its new employer branding strategy stresses intrapreneurship and promotes different life plans, a sense of community, and wide-ranging responsibilities for employees. Raiffeisen employed 11,026 people in the current year, or the equivalent of 9,276 full-time positions on average over the year.

Attractive employment conditions

Raiffeisen attracts skilled workers and retains current employees by providing outstanding employment conditions. By specifically delegating responsibility, it encourages intrapreneurship among employees and gives them considerable freedom to make their ideas reality. All employees at every hierarchical level have the freedom to set their own work hours. All told, 32% of Raiffeisen employees and 26% of senior staff members work part-time. Employees receive between 25 and 30 days paid vacation depending on their age and pay grade.

Family policy

Mothers receive at least 16 weeks of maternity leave at Raiffeisen. Fathers are given 15 additional paid days off, which they can take up to one month before or six months after their child is born. Mothers have a guarantee of continued employment at 0.6 full-time equivalent (FTE) or more in an appropriate function after maternity leave. If a child is sick, the parents will receive up to five additional days paid time off.

Training tomorrow's workforce

The Group offers a wide range of training programmes to give young people with different educational backgrounds a solid career start:

- Apprenticeship in business administration
- IT specialist
- Mediamatics technician
- Interactive media designer
- Facility maintenance and management
- Internships for vocational high school students
- Bank entry for high school graduates
- Trainee programmes for university graduates

Through its clear commitment to training young talent, Raiffeisen assumes responsibility socially for many young people throughout Switzerland. At the end of 2016, roughly 800 individuals were participating in one of the above training programmes – 54% of them were women. Many young people stay with the company after completing training.

Staff and leadership development

It is crucial for employees to develop new skills and remain employable. Raiffeisen believes that continuing education enables employees to develop personally and do their jobs more effectively, and so supports their efforts to acquire more training. Employees can avail themselves of various internal and external continuing education opportunities.

All told, 504 internal training courses were held in 2016. Raiffeisen invested CHF 20,124,735 in internal and external training and continuing education programmes during

this period. The programmes focus on developing soft and leadership skills within the Group and cultivating an appreciation of shared values. By establishing a new and shared understanding of leadership, Raiffeisen wishes to strengthen and maintain the Group's fundamental culture and adaptability.

Raiffeisen has a one-of-a-kind mentoring programme. Managers and the entire Executive Board of Raiffeisen Switzerland mentor numerous employees, helping them along in their development. Roughly twenty two-person-teams participate in the programme at any given time. About 60% of participants are women.

Equal opportunity

The company takes a holistic approach to ensuring equal opportunities for all employees. Raiffeisen views diversity and inclusion management as a leadership skill and supports managers with targeted analyses and regular reports. Raiffeisen has made it a strategic priority to raise the percentage of women in senior staff positions. The Group wants to have women in 30% of senior staff positions. A series of programmes entitled "Women 3.0 by Raiffeisen" was launched as an addition to existing platforms. The series is supplemented by a partnership with "Advance – Women in Swiss Business", an intercompany network. Both programmes give women an opportunity to seek further development and build networks across companies. In addition, promising, talented women are invited to participate in a cross-company mentoring programme. Employees aged 50 and up have the option of attending self-evaluation seminars and pre-retirement seminars.

Counselling for personal challenges

Raiffeisen employees have had access to a social counselling service through an external partner, Reha Suisse, for over two years. The service offers anonymous assistance with challenges at work or home and with health issues. Last year, it was expanded to include Western Switzerland and Ticino.

Raiffeisen Group key figures

	2016	2015
Total number of employees	11,026	11,046
Total number of women	5,561	5,587
in %	50,4	50,6
of which in management	1,259	1,231
in %	26,5	26,4
Total number of men	5,465	5,459
in %	49,6	49,4
of which in management	3,496	3,440
in %	73,5	73,6
Number of part-time positions	3,575	3,360
in %	32,4	32
Total number of apprentices	732	765
in %	6,6	6,9
of which women	399	401
in %	54,5	52,4
of which men	333	364
in %	45,5	47,6
Number of BoD members	1,387	1,612
of which women	284	344
in %	20,5	21,3
Average length of service in years	7,7	8,2
Average age of employees in years	40,5	39,3
Employee turnover (including changes within the Group) in %*	11,2	10,7
Amount spent on training in CHF	20,124,735	18,145,062
Amount spent on child care in CHF	335,437	442,500
Return to the workplace after maternity leave in %**	75	89

* Total number of employees leaving the company during the year compared to the average number of employees

** Number of employees returning to the workplace after maternity leave in 2016

Management report

Sustainability

Sustainability management at Raiffeisen

Raiffeisen proactively addresses challenges and opportunities in business, society and the environment. They are summarised in a materiality matrix prepared on the basis of the Global Reporting Initiative (GRI) standard. The materiality matrix serves as the bedrock of Raiffeisen's sustainability strategy.

The Executive Board of Raiffeisen Switzerland is responsible for the sustainability strategy of the Raiffeisen Group. The execution of the sustainability strategy is the responsibility of the Head of the Services department. All sustainability activities pass through Raiffeisen Switzerland's Corporate Social Responsibility (CSR) Management team. CSR Management is tasked with refining the sustainability strategy and entrenching processes and activities derived from the strategy in the operating units.

Sustainability was further entrenched in the Raiffeisen Group in the period under review. Measurable goals were defined, the respective performance was measured and improvements were initiated across the entire company and at the individual department level. CSR Management provides progress reports on the sustainability measures at management meetings in individual departments.

Raiffeisen's sustainability strategy is concentrated in four key areas:

- Responsibility as an employer
- Responsibility for products and services
- Responsibility for banking infrastructure
- Responsibility to society

Overview of relevant sustainability figures

Category	Unit	Raiffeisen Switzerland and group companies	Raiffeisen banks (included banks)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change in %	Raiffeisen Group (total) per FTE
Building energy (total)	kWh	17,235,000	23,236,000	31,761,000	72,231,000	4	7,481
Electricity	kWh	13,854,000	12,235,000	11,907,000	37,995,000	-3	3,935
of which share of electricity from renewable sources	kWh	13,854,000	12,235,000	11,907,000	37,995,000	-3	3,935
Heating energy	kWh	3,381,000	11,001,000	19,854,000	34,236,000	12	3,546
of which share of heating energy from renewable sources	kWh	-	646,000	-	646,000	12	67
of which fossil fuels	kWh	2,945,000	9,057,000	19,854,000	31,856,000	10	3,299
of which district heating	kWh	435,865	1,298,000	-	1,734,000	98	180
Business travel (total)	km	13,072,000	2,055,000	2,531,000	20,166,000	2	2,088
of which public transportation (rail, bus, tram)	km	3,529,000	998,000	1,739,000	7,262,000	52	752
of which road transport by car (personal vehicles)	km	2,046,000	1,057,000	792,000	3,949,000	12	409
of which road transport by car (company vehicles)	km	4,204,000	-	-	4,204,000	-37	435
of which road transport for courier deliveries	km	2,991,000	-	-	2,991,000	-27	310
of which passenger transport by air	km	246,000	-	-	430,000	367	45
of which air freight	tkm	746,000	-	-	746,000	16	77
Greenhouse gas emissions from energy and travel*	tonnes CO₂ eq	8,092	3,273	5,672	17,036	18	1.76
of which Scope 1	tonnes CO ₂ eq	1,424	2,100	4,030	7,554	-3	0.78
of which Scope 2	tonnes CO ₂ eq	36	107	0	143	99	0.02
of which Scope 3	tonnes CO ₂ eq	6,632	1,066	1,641	9,339	42	0.97

* This covers relevant emission sources from Raiffeisen's energy consumption and business travel. The three system boundary categories are: – Scope 1: direct greenhouse gas emissions from stationary sources right at the company, e.g. heating or vehicles – Scope 2: indirect greenhouse gas emissions from energy generation outside the company, e.g. electricity and district heating – Scope 3: other indirect greenhouse gas emissions outside the company from upstream and downstream processes, e.g. business travel by rail or upstream processes involved in supplying energy. Greenhouse gas emissions are calculated based on the emission factors for the 2010 VfU indicators and/or Eco-Invent database V 2.1.

Materiality matrix

Group-wide sustainability reporting complies with the GRI standard. Using these guidelines, the Executive Board of Raiffeisen Switzerland conducted a materiality analysis and thereby identified the issues that matter to Raiffeisen's stakeholders and its bottom line. The matrix is a snapshot, but also forecasts the future relevance of the individual issues (trend). Raiffeisen's materiality matrix classifies each issue by its relevance to the Group and its stakeholders.

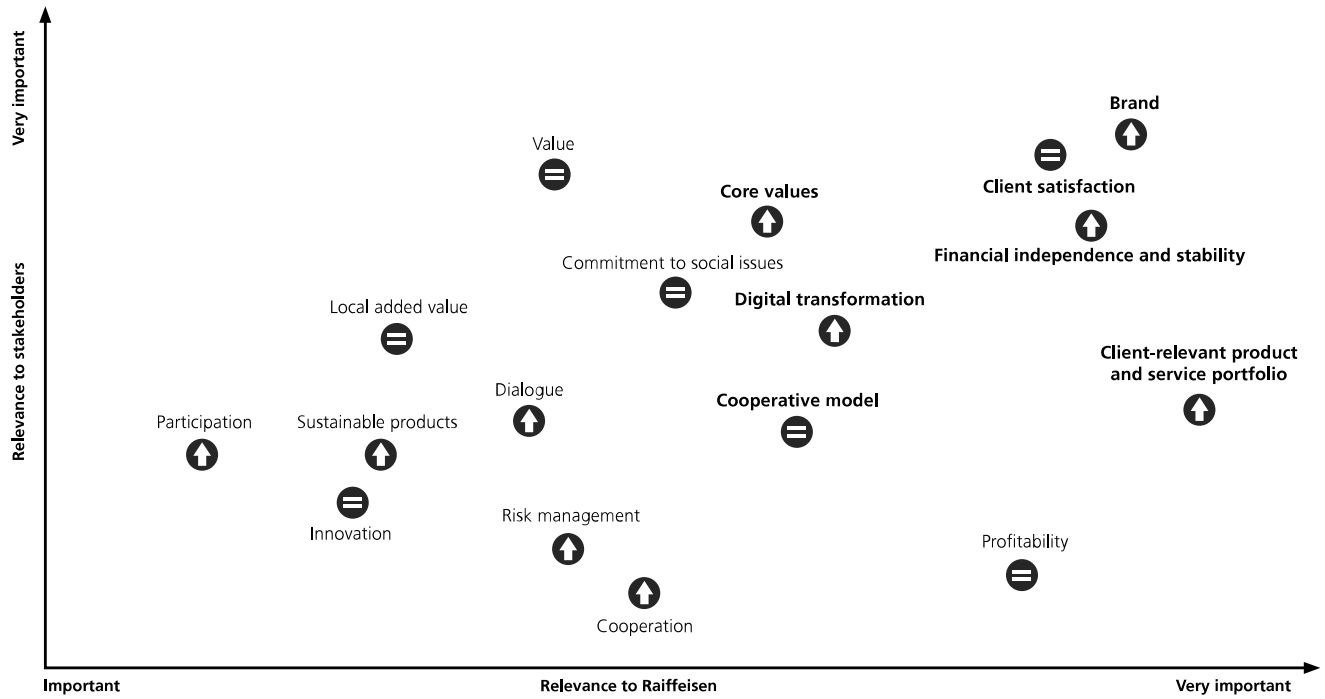
Raiffeisen considers its main stakeholders to be cooperative members, employees, cooperation partners, customers, society and policy makers. Key personnel at Raiffeisen and independent external specialists identify the issues and make the current classification.

The materiality matrix shows that the following issues are considered particularly relevant to Raiffeisen:

- Brand
- Client satisfaction
- Financial independence and stability
- Core values
- Commitment to social issues
- Digital transformation

The materiality matrix and GRI Content Index describe all material issues of relevance to Raiffeisen. The GRI Content Index is available on the internet at raiffeisen.ch/csr.

Raiffeisen materiality matrix



Trend indicator of future significance:

- ↑ increases
- remains unchanged
- ↓ decreases

Brand

Raiffeisen is Switzerland's most likeable bank. It upholds cooperative values and always acts in the interest of its members. Thanks to its responsible and long-term approach and philosophy as an employer and economic operator, it avoids reputational risks and protects its brand.

In 2016, most people in Switzerland once again called Raiffeisen Switzerland's strongest and most likeable bank brand, according to a brand tracking study that Raiffeisen has been conducting since 2006. The company also scored high on client proximity and sustainability compared to the competition. Raiffeisen banks earned high marks for reputation, regional ties and credibility.

Raiffeisen was also perceived as an industry leader for its contribution to the common good in Switzerland in 2016, according to the Public Value Atlas for Switzerland, a study conducted by the University of St.Gallen that looks at the public value contributions made by companies in Switzerland.

Digital transformation

Raiffeisen strengthens its competitiveness by anticipating new client needs and market trends in the industry. This involves adapting products and services to burgeoning client needs and identifying long-term trends early on. Raiffeisen believes digital transformation holds opportunities, not only for its banking business, but for the evolution of the cooperative model as well.

Raiffeisen is systematically driving digitisation and steadily broadening its range of digital services. The renewed core banking system provides the necessary foundation for this endeavour. In addition to e-banking and smartphone payment options, clients have been able to open accounts via video chat since 2016. The current year also saw the launch of the online mortgage; RaiffeisenCasa, a real estate marketplace; and lokalhelden.ch, a crowd-funding platform.

Read more about digitisation in the section entitled "Strategy: Strategic objectives and measures"

Cooperation

Cooperation is a key element of Raiffeisen's strategy. By carefully selecting partners and equity participations, the Group can build up a portfolio that addresses all of a client's needs holistically.

Raiffeisen cooperates with sustainable financial service providers to drive the industry's evolution. As a founding member of Swiss Sustainable Finance (SSF), Raiffeisen promotes sustainable financial services in Switzerland. SSF's goal is to establish Switzerland as leading centre for sustainable finance and to encourage the inclusion of social, environmental and governance issues in investment and financial services.

Raiffeisen owns equity in responsAbility Investments AG and has a seat on the Board of Directors. Raiffeisen is also involved in the Swiss Climate Foundation and serves as a lender for the Federal Office for the Environment's Technology Fund.

Client-relevant product and service portfolio / sustainable products

A client-relevant product and service portfolio is crucial for long-term success in the market. Being a cooperative bank, we put our members' needs first. Stronger demand for sustainable products is indicative of a clear need and also reflects one of Raiffeisen's core values.

Raiffeisen offers several sustainable investment funds under the Futura label. They invest exclusively in companies that are consistently successful over the long term, largely because they meet high standards of integrity, social responsibility and environmental protection. Inrate, an independent rating agency, verifies the sustainability performance of all companies – and in the case of bonds, all countries – prior to any investment.

The Raiffeisen Pension Invest Futura and Raiffeisen Futura Swiss Stock funds follow the recommendations made by Ethos – a Swiss foundation for socially responsible investment and active share ownership – when actively exercising their voting rights for all the Swiss equities in their portfolios.

Since the launch of its first products in mid-2001, the Futura family has steadily expanded into seven different funds that currently hold around CHF 4.6 billion in assets. Net inflows to the funds exceeded CHF 645 million in 2016. It is especially pleasing that the funds have time and again performed exceptionally in comparison to the competition. The Futura Swiss Stock received the "Lipper Fund Award" for the fifth year running in 2016, recognising it as the best Swiss equity fund over ten years.

Sustainability is also an important element of advisory services and reporting: Raiffeisen works with clients to determine whether and how much they want to invest in sustainable investment products and securities, and incorporates this information into the investment proposal and implementation. The schedule of assets identifies all sustainable products and securities with the Futura label. It also shows the proportion of custody account assets that are invested sustainably.

Risk management

Raiffeisen considers the controlled assumption of risks – within the scope of clearly defined business activities – and the management of these risks as one of its core competencies. Risks are only assumed if they are part of an approved strategy, if they do not exceed Raiffeisen's risk capacity and if the associated return is worth the risk.

More on risk management in the section entitled "Risk policy and risk reporting"

More information about the structure in the section entitled "Corporate governance"

Core values

Raiffeisen's approach and philosophy is based on four values: credibility, sustainability, client proximity and entrepreneurship. These values serve as benchmarks for assessing current developments. Every one of these values is grounded in the cooperative's legal form.

One of Raiffeisen's strategic approaches is the strengthening of its corporate culture and, by extension, its core values. For more details, see the section entitled "Strategy".

Raiffeisen's core values also shape its relationship with employees. For more details, see the section entitled "Employees".

Cooperative model

Each Raiffeisen bank adapts its strategy to local conditions and acts as an independent company on its own authority. The ability of cooperative members to exercise voting rights keeps decision-making democratic and maintains the bank's long-term orientation. The bank focuses on its members' long-term well-being, not on short-term profit maximisation.

For more information, see "Corporate governance: Raiffeisen Group structure"

Innovation

Innovation is an essential driver of long-term success in the market. Products, services and processes must be improved constantly and adjusted as new trends emerge.

Raiffeisen monitors current trends and anticipates changing client needs. Raiffeisen Switzerland's Analytics unit prepares data-driven recommendations for various organisational units, ranging from market surveys and tracking studies to performance and client satisfaction measurements.

Raiffeisen Switzerland's Investment Office regularly conducts economic and financial market analyses and publishes forecasts of economic and financial market trends on an ongoing basis.

The RAI Lab, which was set up in 2015, is responsible for developing innovation ideas and new business models that are then verified and tested using prototypes and pilot projects. The RAI Lab also promotes a vibrant culture of innovation at Raiffeisen.

Read more about digitisation in the section entitled "Strategy: Strategic objectives and measures"

Client satisfaction and value

Clients are satisfied if they receive advisory services that meet their needs and offer good value. The willingness of clients to recommend Raiffeisen over the years proves that they are highly satisfied.

Raiffeisen regularly scores well in national client satisfaction surveys and its main bank clients are extremely satisfied. Raiffeisen has maintained a leading position compared to other banks. Satisfaction with the quality of its advisory services is the highest in the industry. Clients' willingness to recommend is also very important: 80% of main bank clients would recommend Raiffeisen to an acquaintance.

Dialogue and participation

Dialogue and participation are essential features of the cooperative business model.

As co-owners, members help determine business policy at the Annual General Meeting of their Raiffeisen bank. Roughly 400,000 people attended a general meeting in 2016. The cooperative business model promotes dialogue and participation within the Group.

For more information about the structure of the Raiffeisen Group, see the section entitled "Corporate governance".

Profitability

Profitability is important for long-term success in the market. True to its motto of "security comes before profitability comes before growth", Raiffeisen aims for a low cost/income ratio with maximum security.

One of Raiffeisen's strategic approaches is the continuous improvement of productivity and thus profitability.

More on improvements in productivity in the section entitled "Strategy: Strategic objectives and measures"

Raiffeisen also aims to improve profitability by using resources efficiently.

Energy and resource efficiency in IT

Data centres tend to be a bank's biggest power consumers. Raiffeisen, however, once again reduced its power consumption despite increasing its computing capacity. The St.Gallen and Gossau data centres are paragons of energy efficiency and operational excellence for the entire industry. Heat losses in the hot water supply system were greatly reduced with the help of building automation.

Raiffeisen employed new technology and rigorously virtualised and consolidated its systems in order to reduce the heat given off by servers and thus lower cooling demand. In addition, waste heat from a Raiffeisen data centre heats water all year round at the St.Gallen site and at homes, shops and a restaurant located on Raiffeisen properties. Raiffeisen Switzerland's Facility Management is in charge of energy management and shares its insights with other financial service providers through the Zurich Energy Model organised by the Energy Agency for Industry (EnAW).

The printing and shipping centre, which Trendcommerce (Switzerland) Ltd has been successfully operating for four years, further optimised its energy and resource consumption and reduced waste throughout the production process for the Raiffeisen Group's centralised printed products. These print products make up roughly two-thirds of all the Raiffeisen Group's print products.

Raiffeisen Switzerland disposes of most of the Raiffeisen banks' obsolete IT hardware and waste packaging in an eco-friendly but low-cost manner. It plans to extend this service to the entire Group by 2020.

Financial independence and stability

The consistently high Moody's rating shows that Raiffeisen is one of Switzerland's most financially secure banking institutions. It has no majority shareholders: every cooperative member has only one vote. Working together in a cooperative union is a strong expression of solidarity, as the fates of the Raiffeisen banks are closely linked as a risk-sharing group.

Commitment to social issues

Raiffeisen views itself as a responsible member of society and so champions cultural, athletic and social causes. As a cooperative, it is important for the Group to contribute to society and give back to its members, who have extended their trust to Raiffeisen.

The Raiffeisen MemberPlus programme gives members access to attractive leisure activities while promoting local tourism and Switzerland's rich cultural scene. In 2016, members used discount programmes more than a million times. The museum pass alone, which provides free admission to over 500 Swiss museums, was used around 700,000 times.

The "Swiss wine regions" summer membership offer generated 100,000 new experiences in the form of discounted trips, hotel accommodations or excursions. The new summer membership programme starts in the spring of 2017 and invites Raiffeisen members to explore Ticino.

The Group supports associations that promote cultural, athletic, musical and social diversity in all Swiss regions. At a national level, Raiffeisen has been the main sponsor of the Raiffeisen Super League since 2012 and has partnered with Swiss Ski since 2005. The Raiffeisen Group's sponsorships amount to roughly CHF 30 million per year.

Raiffeisen also sponsors countless ski clubs and associations that sponsor young athletes themselves. In the current year, Raiffeisen awarded over CHF 1 million in sponsorships to more than 20,000 young winter sports athletes.

Raiffeisen's football programmes across Switzerland include over 80 Raiffeisen Football Camps, the Super League Family Days and an official football partnership with the Special Olympics Switzerland.

As in previous years, Raiffeisen made a financial contribution to supporting the political system in the current year and donated a total of CHF 246,000 to the parties represented in the Swiss Federal Assembly. This amount is split equally between the two chambers. The parties receive CHF 615 for each seat in the National Council and CHF 2,674 for each seat in the Council of States. They may use the donations as they see fit and do not need to give any accounting of their spending to Raiffeisen.

Local added value

When purchasing goods and services, Raiffeisen assesses their social and environmental sustainability along the entire value chain.

Raiffeisen contributes to the financing of Swiss communities. As illustrated in the statement of net added value, it contributes directly through taxes and levies as well as indirectly through interest on members' share certificates and – on a much larger scale – through the creation of jobs in the community.

Statement of net added value

	Current year in CHF million	Prior year in CHF million	Current year in %	Prior year in %
Creation of added value				
Corporate performance (= operating result)	3,108	3,016	100.0	100.0
General and administrative expenses	-606	-558	19.5	18.5
Extraordinary income	75	67	2.4	2.2
Extraordinary expenses	-4	-3	-0.1	-0.1
Gross added value	2,573	2,522	82.8	83.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-260	-181	8.4	6.0
Changes to provisions and other value adjustments and losses	-6	-4	0.2	0.1
Net added value	2,307	2,337	74.2	77.5
Distribution of added value				
Personnel (salaries and employee benefits)	1,380	1,329	59.8	56.9
Cooperative members (paym. of interest on certif.: proposal to AGM)	44	34	1.9	1.5
Government	174	201	7.5	8.6
of which income tax paid	153	164	6.6	7.0
of which formation/release of provisions for deferred taxes	21	37	0.9	1.6
Bolstering of reserves (self-financing)	709	773	30.7	33.1
Total	2,307	2,337	100.0	100.0
Key added value figures				
Gross added value per personnel unit in 1000 CHF*	277	275		
Net added value per personnel unit in 1000 CHF*	249	255		
Number of personnel units (average)	9,281	9,157		

* Calculated on the average number of personnel

Acquisti e riciclaggio Procurement and recycling

Raiffeisen aims to source its products and services locally. Most of its purchasing volume is awarded to suppliers in Switzerland.

It is constantly expanding its sustainability audits of the supply chain. For this purpose, special purchasing policies with corresponding criteria are formulated for the 40-plus product categories. Potential outsourcing partners are evaluated against roughly a dozen sustainability criteria. Likewise, suppliers must also meet ecological and social criteria in addition to economic standards. Raiffeisen aims to incorporate its purchasing policies in 50% of all centrally managed supplier contracts by 2020. This will happen during the regular renewal of supplier contracts.

The anti-corruption guidelines apply to the entire Raiffeisen Group and are particularly important in construction and procurement. The bidding procedures are standardised.

The Raiffeisen Group uses roughly 1,010 tonnes of paper each year and has included this paper in its carbon footprint for the first time this year. By 2018, Raiffeisen wants all its paper to be sustainably sourced and all its printing processes to be carbon-neutral. An external partner recycles paper centrally for all Raiffeisen Switzerland units, most Group company locations and around two-thirds of the Raiffeisen banks.

Energy and resource efficiency in buildings and transport

Raiffeisen sources 100% of its electricity from renewable sources in Switzerland. Building heat and electricity consumption totalled 70 GWh in the previous year and is now 72 GWh. Building energy consumption per year and employee amounted to 7,480 kWh.

The Raiffeisen Group generates greenhouse gas emissions mainly through building energy (electricity and heating) and business travel (cars, public transit and air travel). This energy and resource consumption constitutes roughly two-thirds of the Group's environmental footprint. By 2020, Raiffeisen wants emissions to be 30% lower than the 2012 baseline. It intends to reach this goal mainly by consuming green electricity, making its IT more energy-efficient and using more district heating.

The greenhouse gas balance improved in 2016 despite the fact that reported emissions increased 2,607 tonnes to 17,036 tonnes of CO₂ equivalents. This increase is attributable to newly recorded consumption. Adjusted for the newly added categories, emissions decreased 1.3% to 14,206 tonnes.

Raiffeisen uses the standard for sustainable construction in Switzerland (SNBS) when building new bank buildings. Upcoming SNBS-compliant projects include the renovation of Vadianstrasse 17 at the St.Gallen headquarters, which is scheduled to start in 2017, and the move into the Forum in Berne.

Energy consumption and CO₂ emissions for business travel are already lower compared to building energy, but Raiffeisen wants to lower them further. Raising awareness about public transit options is of central importance here. The Employment Regulations already prioritise public transit over private transport. The reference vehicles for Raiffeisen Switzerland's vehicle fleet have been defined as cars with emission classes of less than 130 g CO₂/km in order to lower the fleet average over the long term.

Corporate governance

Corporate governance Principles

Corporate governance principles

The Raiffeisen Group's most important corporate governance rules are established in binding documents such as the Articles of Association, the Terms and Conditions of Business, the organisational regulations, and a series of other instructions and directives. All the statutes and documents relevant to the business (such as the Articles of Association, regulations, instructions, product catalogues, forms and descriptions of processes) are contained in an electronic system of rules. The binding nature of the regulations and regulatory documentation is clearly defined. New issues, processes, products and amendments to existing ones can be handled centrally and made available directly to all staff thanks to this electronic aid. The following report is largely based on the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although the code and directives are not binding on Raiffeisen, it is helpful even for an unlisted company like the cooperative to apply these best practices in certain areas. The report deals in particular with the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date of 31 December 2016.

Information policy

An open, active and transparent information policy is one of the guiding principles of the Raiffeisen Group's corporate philosophy. Communication with stakeholders – cooperative members, clients, employees and the general public – extends beyond the legal requirements and adheres to the principles of truthfulness, consistency and matching words with deeds. The most important sources of information in this regard are the website, annual reports, half-yearly reports and Raiffeisen Group press conferences. The latest changes, developments and special events are published through a range of communication channels, in good time, and in a manner that suits the target groups in question. The publications and press releases are available online. Cooperative members are also kept informed by their Raiffeisen banks in person, directly and comprehensively at the Annual General Meeting.

Corporate governance

Raiffeisen Group structure

Raiffeisen Group structure

Cooperative members

(individuals, limited partnerships and collective associations entered in the Commercial Register and legal entities)



270 Raiffeisen banks (cooperatives)

Governance bodies: General Meeting, Board of Directors,
Executive Board, auditor for the purposes of the Swiss Code of Obligations



Raiffeisen Switzerland (cooperative)

Governance bodies: Delegate Meeting, Board of Directors,
Executive Board, auditor for the purposes of the Swiss Code of Obligations

Raiffeisen banks

The 270 Raiffeisen banks with a total of 926 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own Boards of Directors and have an independent auditor. The banks' strategic management is adapted to regional conditions. The Raiffeisen banks are owned by the cooperative members, which may be natural persons or legal entities. They elect the Members of the Board of Directors of their bank at local General Meetings. If the bank has more than 500 members, the General Meeting may decide by three-quarters majority of the votes cast to transfer its powers to a Delegate Meeting or to move to paper voting (secret ballot).

Resolutions and elections require an absolute majority of the votes, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote held. If this too is tied, the motion will be rejected. The Raiffeisen bank Board of Directors, or – if necessary – the auditor for the purposes of the Swiss Code of Obligations, calls the General Meeting a minimum of five days in advance. The invitation must be personally addressed in writing to the members and include the agenda. The annual financial statements and balance sheet must be made available in client areas at the same time.

The number of Raiffeisen banks fell from 292 to 270 in the current year as a result of various mergers. The ongoing structuring process enables the individual Raiffeisen banks to optimally align their activities with changes in their regional markets. The number of Raiffeisen banks will continue to decline over the next few years. At the same time, Raiffeisen's presence in urban centres was expanded further. Raiffeisen opened a total of four new locations in 2016.

Raiffeisen by canton as at 31 December 2016¹

Canton	Number of banks	Number of bank branches	Number of members	Loans ² in CHF million	Client monies ³ in CHF million	Total assets in CHF million	Custody account volumes in CHF million
Aargau	27	81	196,749	17,386	16,242	20,451	2,931
Appenzell Ausserrhoden	2	7	17,887	1,398	1,275	1,578	255
Appenzell Innerrhoden	1	5	8,796	640	647	734	132
Berne	20	94	186,793	13,492	12,323	15,617	1,521
Basel-Land	8	19	55,083	5,132	4,492	5,889	1,020
Basel-Stadt	1	2	0	1,029	932	1,257	292
Fribourg	14	50	97,463	9,370	6,974	10,439	781
Geneva	6	19	44,611	4,183	4,727	5,237	829
Glarus	1	2	7,522	511	476	586	135
Grisons	10	42	60,187	5,056	4,711	5,856	719
Jura	5	27	27,907	2,907	2,109	3,249	234
Lucerne	19	48	130,247	9,209	8,584	10,811	1,266
Neuchâtel	4	17	28,005	1,968	1,589	2,202	290
Nidwalden	2	8	21,753	1,526	1,519	1,912	347
Obwalden	1	6	13,298	852	890	1,065	228
St.Gallen	35	81	197,545	20,441	17,645	23,662	3,952
Schaffhausen	1	3	8,247	771	722	950	115
Solothurn	19	55	116,776	9,746	9,156	11,260	1,178
Schwyz	7	18	42,869	3,217	3,241	3,934	838
Thurgau	17	43	103,849	10,863	8,657	12,306	1,706
Ticino	20	69	113,469	12,242	9,998	14,207	1,915
Uri	3	11	16,472	1,190	1,083	1,357	176
Vaud	16	61	111,625	9,407	7,758	10,635	1,761
Valais	20	119	142,923	12,711	12,021	14,986	1,631
Zug	6	14	41,513	4,238	3,987	5,014	991
Zurich	11	41	85,098	11,544	10,595	13,736	2,897
Total 2016	276	942	1,876,687	171,029	152,353	198,930	28,140
Total 2015	298	981	1,862,032	164,094	144,696	187,420	27,306
Increase/decrease	-22	-39	14,655	6,935	7,657	11,510	834
Increase/decrease in %	-7.4	-4.0	0.8	4.2	5.3	6.1	3.1

1 Raiffeisen banks and branches of Raiffeisen Switzerland

2 Receivables from clients and mortgage receivables (from 2015: net values after deducting value adjustments)

3 Amounts due in respect of customer deposits and medium-term notes

Raiffeisen Switzerland

Raiffeisen banks own 100% of Raiffeisen Switzerland. Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the Articles of Association of Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join.

Raiffeisen Switzerland bears responsibility for the Raiffeisen Group's business policy and strategy, and acts as a centre of competence for the entire Group. Its responsibilities include risk controlling, central bank functions (monetary settlement, liquidity maintenance and refinancing), interbank business and securities trading. Raiffeisen Switzerland also informs, advises and supports the Raiffeisen banks in management, marketing, business, information technology, training, human resources and legal services. In addition, it represents Raiffeisen's national and international interests. Raiffeisen Switzerland directly manages six branches with ten retail offices, which are involved in client business.

Regional unions

The Raiffeisen banks are grouped into 21 regional unions organised as associations. The unions act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include coordinating regional advertising activities, holding training events for the Raiffeisen banks, safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities, and organising delegate elections for the Raiffeisen Switzerland Delegate Meeting.

The regional unions

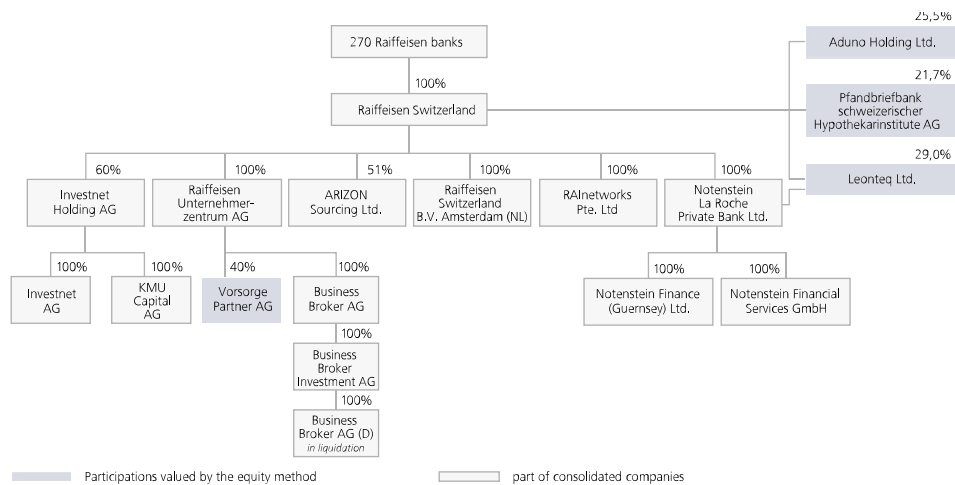
Regional unions	Chair	Number of member banks
14 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Lehner, Köllikon	25
Berner Verband der Raiffeisenbanken	Heinz Egli, Faulensee	18
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	9
Deutschfreiburger Verband der Raiffeisenbanken	Thomas Rauber, Tafers	5
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler, Ebikon	22
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	7
Raiffeisenverband Nordwestschweiz	Reto Forrer, Basel	12
Raiffeisenverband Zürich und Schaffhausen	Werner Zollinger, Männedorf	8
Schwyzner Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	7
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	17
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	38
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	18
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Dr Michael Iten, Oberägeri	6
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	9
Fédération genevoise des Banques Raiffeisen	Thomas Foehn, Meyrin	6
Fédération jurassienne des Banques Raiffeisen	Christian Spring, Vicques	6
Fédération neuchâtelaise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Emmanuel Troillet, Martigny	13
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	16
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	21

Group companies

Group companies are defined as all majority interests with more than 50% of the voting capital held by Raiffeisen Switzerland or its Group companies. The key fully consolidated Group companies and the shareholdings valued according to the equity method are listed in note 7 (companies in which the bank holds a permanent direct or indirect significant participation). Raiffeisen Group companies have no cross-shareholdings. The following diagram shows the consolidated companies.

Company	Activity	Owner(s)
Raiffeisen banks	<ul style="list-style-type: none"> – Banking business – Mainly retail business – Traditional savings and mortgage business – Corporate clients business – Payment services – Investment fund business – Securities trading – Consumer goods leasing 	Cooperative members
Raiffeisen Switzerland	<ul style="list-style-type: none"> – Business policy/strategy and centre of competence for the Raiffeisen Group – Risk controlling – Ensuring central bank functions (monetary settlement, liquidity and refinancing) – Banking business (mainly interbank business and securities trading) – Running of branches – Informs, advises and supports the Raiffeisen banks especially in the areas of management, marketing, business, investment activity, information technology, training, human resources and legal services 	Raiffeisen banks
Notenstein La Roche Private Bank Ltd	Asset management for private clients	Raiffeisen Switzerland
Raiffeisen Switzerland B.V. Amsterdam	Securities, issue of structured products	Raiffeisen Switzerland
ARIZON Sourcing Ltd	Advisory and operational services for banks	Raiffeisen Switzerland (51 %)
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
Investnet Holding AG	Holding company	Raiffeisen Switzerland (60 %)
RAInetworks Pte. Ltd	Purchasing of office supplies, software licences	Raiffeisen Switzerland

Consolidated companies



Management contracts

There are no management contracts with third parties at Raiffeisen.

Corporate governance

Capital structure and liability

Capital structure and liability

Capital structure

Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the Raiffeisen banks' reserves in order to strengthen the capital base. The Raiffeisen Group's cooperative capital is CHF 1,594.8 million. A precise breakdown and accounting of changes in the current year are provided in note 16.

Changes in equity capital

Resigning cooperative members have the right to redeem their share certificates at their intrinsic value up to a maximum of their par value. The Board of Directors may refuse to redeem share certificates at any time without giving reasons. Share certificates bear a maximum 6% interest.

Changes in equity capital (Raiffeisen Group)

(in CHF million)	2016	2015	2014	2013
Cooperative capital	1,595	1,248	748	637
Retained earnings	12,036	11,262	10,533	9,848
Group profit	754	808	759	717
Total	14,385	13,318	12,040	11,202

Liability

The Raiffeisen Group guarantees its financial obligations through a balanced security network based on the principle of mutual liability, which it has anchored in its Articles of Association. Working together in a cooperative union is also a strong expression of solidarity, as the fates of the Raiffeisen banks are closely linked as a risk-sharing group. Through the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford.

Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. A total of CHF 1.7 billion in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate worth CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.9 billion, of which CHF 894 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 980 million from the Raiffeisen banks at any time.

Solidarity fund

The solidarity fund, in line with the cooperative notion of solidarity that Raiffeisen espouses, is an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets are CHF 331 million.

Duty of the Raiffeisen banks to pay in further capital towards Raiffeisen Switzerland

Raiffeisen banks are bound by the duty to pay in further capital under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves. The duty of Raiffeisen banks to pay in further capital towards Raiffeisen Switzerland is CHF 14.2 billion.

The Raiffeisen business model, business policies, strong capital base and the ability to help shape policy as a cooperative member give Raiffeisen clients comprehensive security.

Directive authority of Raiffeisen Switzerland vis-a-vis Raiffeisen banks

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. The Raiffeisen banks are exempt from compliance with these provisions at the individual bank level. The conditions for this exemption are that the Raiffeisen banks must join together in Raiffeisen Switzerland, which guarantees all the Raiffeisen banks' obligations, and must grant Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, specifically with regard to capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organisational, operational and HR-related steps.

Major cooperative members

Cooperative members must hold at least one share certificate. If so resolved by the Board of Directors of the respective Raiffeisen bank, cooperative members can also subscribe for more than one share certificate, but only up to 10% of the cooperative capital or CHF 20,000 per cooperative member. Under the Swiss Code of Obligations (OR), the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates held. This means that the Raiffeisen Group has no major cooperative members holding more than 5% of capital or voting rights. Membership of a Raiffeisen bank and the associated rights and obligations are closely tied to the individual/entity in question. This is why individual shares normally cannot be sold or transferred. A member can nominate another member, their spouse or a descendant to represent them. No proxy may represent more than one member; every proxy requires written authorisation. Representatives of limited partnerships, collective associations or legal entities also require written authorisation.

Corporate governance

Organisation of Raiffeisen Switzerland

Delegate Meeting

The Delegate Meeting is the highest body of Raiffeisen Switzerland. Each regional union appoints two delegates. In addition, further delegate places are allocated depending on the number of Raiffeisen banks in each regional union as well as the number of cooperative members and the balance sheet total of all the Raiffeisen banks in each regional union. There are currently 164 delegates in the Delegate Meeting. Each delegate can cast one vote at the Delegate Meeting. Delegates may only be represented by an elected substitute delegate. The Delegate Meeting passes its resolutions and conducts its elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter will be debated further and a second vote held. If not enough candidates receive an absolute majority in an election, there is then a second round of voting in which a relative majority is sufficient. A resolution to amend the Articles of Association requires a two-thirds majority of the votes cast. To call an Ordinary Delegate Meeting, the date, location and time of the meeting and the dates of all stages in the procedure must be announced five months before the meeting. Applications to add items to the agenda must be submitted twelve weeks before the meeting. The agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out four weeks before the meeting. Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

In particular, the Delegate Meeting is responsible for the following:

- Changes to the Raiffeisen Switzerland Articles of Association
- Drawing up model articles of association for Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles
- Approving the annual financial statements of Raiffeisen Switzerland, the appropriation of net earnings of Raiffeisen Switzerland, approving the consolidated financial statements of the Raiffeisen Group, approving the management report of the Raiffeisen Group, and ratifying the actions of the Board of Directors and the Executive Board
- Appointing and dismissing the members of the Board of Directors, its Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks

Raiffeisen Switzerland Board of Directors

The Board of Directors is mainly responsible for the Group's strategic development, for financial management and for overseeing Raiffeisen Switzerland and the Executive Board. The Board of Directors consists of ten members currently. Every effort is made to ensure that the widest possible range of main professional qualifications and experience (from politics, business and society) are represented in this executive body. No Board of Directors members have been employed by Raiffeisen Switzerland in the last three years. In addition, no member of the Board of Directors has had significant business relationships as a contractual agent with Raiffeisen Switzerland.

Composition, election and term of office

The Board of Directors consists of nine to twelve members. In filling these positions, attention is paid to ensuring an appropriate representation of the linguistic regions and banking authorities for the Raiffeisen banks. Half of the Members of the Board of Directors should be representatives of the Raiffeisen banks. Members of the Board of Directors are elected for a two-year term (current term: 2016 to 2018) and can serve a maximum of twelve years. Members of the Board of Directors must step down at the end of the term of office in which they attain the age of 65.

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. The Board of Directors met seven times in 2016. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. The Chairman breaks tied votes. Resolutions are minuted. The Board of Directors meets once a year to review its own activities and positions. The Members of the Executive Board generally attend meetings of the Board of Directors and also attend certain meetings of the Board of Directors committees depending on their function on the Executive Board. They can advise and have the right to put forward motions. The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chairman of the Board of Directors and the Head of Internal Auditing attend selected meetings of the Executive Board. The Executive Board is also required to update the Board of Directors regularly on the financial position, earnings and risk situation, as well as on the latest developments and any unusual events at the Raiffeisen Group.

Under the Swiss Code of Obligations, the Articles of Association, and the Terms and Conditions of Business of Raiffeisen Switzerland, the main duties of the Board of Directors are as follows:

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, the risk policy, and the regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss Members of the Executive Board, the Extended Executive Board, the Head of Internal Auditing and their deputies
- To define the overall sum of variable remuneration and decide on the fixed and variable annual remuneration components for Executive Board members

- To appoint and dismiss the regulatory audit company for Raiffeisen Switzerland and Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute the resolutions of this body

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the standing committees are set forth in regulations and summarised below.

The powers exercised by the Board of Directors, its committees, the Chairman of the Executive Board and the Executive Board are specified in detail in the Articles of Association, the Terms and Conditions of Business and the authority levels of Raiffeisen Switzerland.

Members of the Board of Directors



Prof. Dr. Johannes Rüegg-Stürm

Chairman of the Board of Directors

Chairman of the Strategy and Finance Committee

Member of the Nomination and Remuneration Committee

Born in
1961

Place of residence
St.Gallen

Joined
2008

Elected until
2018

Occupation

Professor of Organisation Studies at the University of St.Gallen (HSG), Director of the Institute for Systemic Management and Public Governance (IMP-HSG)

Significant directorships

- Member of the Executive Board of the Institute for Legal Studies and Legal Practice at the University of St.Gallen (IRP-HSG)
- Member of the Executive Board of the Institute for Technology Management at the University of St.Gallen (ITEM-HSG)
- Member of the Executive Board of the Institute of Business Education and Educational Management at the University of St.Gallen (IWP-HSG)
- Chairman of the Raiffeisen Centenary Foundation



Philippe Moeschinger

Deputy Chairman of the Board of Directors

Chairman of the Nomination and Remuneration Committee

Born in

1960

Place of residence

Thônex GE

Joined

2008

Elected until

2018

Occupation

Director General of
Comptoir Immobilier SA

Significant directorships

- Member of the BoD of Comptoir Immobilier SA
- Member of the BoD of Gendre & Emonet Gérance immobilière SA
- Member of the BoD of Gestion Capital Immobilier Suisse SA
- Member of the BoD of Capital Immobilier Suisse AG
- Member of the BoD of Société coopérative L'HABRIK, Les Rambossons, Geneva
- Member of the BoD of Société coopérative pour l'habitat social, Tunnel
- Committee Member of SVIT Romandie
- Member of Fédération genevoise des Banques Raiffeisen
- Chairman of the BoD of Banque Raiffeisen d'Arve et Lac



Rita Fuhrer

Member of the Board of Directors

Member of the Nomination and Remuneration Committee

Born in

1953

Place of residence

Auslikon ZH

Joined

2010

Elected until

2018

Occupation

Former government
representative

Significant directorships

- Member of the BoD of Jucker Farmart, Seegräben
- Member of the BoD of Balgrist Campus Ltd
- Chairwoman of Trägerverein Uniklinik Balgrist
- Chairwoman of the Foundation Council of the Museum and Historical Material of the Air Force
- Chairwoman of the Foundation Council of the Foundation to Preserve and Promote Traditional Crafts
- Chairwoman of the Züri Oberland Local Crafts Cooperative
- Member of the Foundation Council of the Viventis Foundation



Angelo Jelmini

Member of the Board of Directors

Member of the Nomination and Remuneration Committee

Born in
1955

Place of residence
Lugano-Pregassona TI

Joined
2011

Elected until
2018

Occupation

City Council Member of the City of Lugano; Head of the Spatial Development Department; co-owner of notary and law office Sulser Jelmini Padlina e Partner in Lugano and Mendrisio

Significant directorships

- Board Member, Schweizerische Vereinigung für Landesplanung, Ticino Section (VLP-ASPAN-TI)
- Various board of directors memberships
- Chairman of the BoD, Banca Raiffeisen Lugano



Daniel Lüscher*

Member of the Board of Directors

Member of the Strategy and Finance Committee

Born in

1961

Place of residence

Herznach AG

Joined

2008

Elected until

2018

Occupation

Chairman of the
Executive Board of
Raiffeisenbank Aarau-
Lenzburg

Significant directorships

– Chairman of the Swiss Excellence Forum, Sursee

*Dependent in the sense of FINMA
Circular 2008/24 paragraphs 20-24



Olivier Roussy

Member of the Board of Directors

Member of the Audit and Risk Committee

Born in

1964

Place of residence

Yverdon-les-Bains VD

Joined

2014

Elected until

2018

Occupation

Founder and manager of Major Invest SA, wealth management / financial consulting, Yverdon-les-Bains

Significant directorships

– Chairman of the BoD of Major Invest SA, Yverdon-les-Bains



Urs Schneider

Member of the Board of Directors

Member of the Strategy and Finance Committee

Born in

1958

Place of residence

Amlikon-Bissegg TG

Joined

2008

Elected until

2018

Occupation

Deputy Director and
Member of the
Management Board of
the Swiss Farmers' Union

Significant directorships

- Member of the BoD of Agrimmo AG, Berne
- Member of the BoD of Schweiz. Agrarmedien and "Agri" (agricult. publication in French-speaking Switzerland), Berne and Lausanne
- Member of the BoD of Grünes Zentrum AG, Weinfelden
- Member of the BoD of landwirtschaftliches Bau- und Architekturbüro LBA, Brugg
- Chairman of Agro-Marketing Suisse, Berne
- Member of the Foundation Board of the Foundation for Sustainable Nutrition by the Swiss Agricultural Industry, Brugg
- Member of the Foundation Board of the Employee Benefits Foundation of the Swiss Farmers' Association, Brugg
- Member of the Executive Board of the Association to Promote the Quality Strategy of the Swiss Agriculture and Food Industry, Berne
- Member of the BoD of Raiffeisenbank Mittelthurgau, Weinfelden
- Chairman of the Thurgauer Verband der Raiffeisenbanken



Prof. Dr Franco Taisch

Member of the Board of Directors
Member of the Audit and Risk Committee

Born in
1959

Place of residence
Neuheim ZG

Joined
2008

Elected until
2018

Occupation

Business owner and part-time professor of commercial law at the University of Lucerne

Significant directorships

- Founding partner and Chairman of the BoD of the healthbank Group, Geneva and Baar
- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Co-owner and Member of the BoD of Clinica Alpina SA, Scuol and Samedan
- Chairman and founding partner of kreisquadrat gmbh, the decision network, Lucerne
- Owner of taischconsulting, leadership and law, Zug
- Executive Board Delegate of the interest group IG Genossenschaftsunternehmen, Lucerne
- Chairman of the Directorate at the IFU | BLI Business Law Institute at the University of Lucerne
- Partner at the International Centre for Corporate Governance/Swiss Board School, St.Gallen
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug



Lic. iur. Edgar Wohlhauser

Member of the Board of Directors

Chairman of the Audit and Risk Committee

Born in

1961

Occupation

Partner at BDO Ltd,
Zurich

Significant directorships

- Member of the BoD of Wertim AG, Altdorf
- Member of the Executive Pensions Commission at Gemini

Place of residence

Arth SZ

Joined

2006

Elected until

2018



Werner Zollinger

Member of the Board of Directors

Member of the Audit and Risk Committee

Born in

1958

Place of residence

Männedorf ZH

Joined

2006

Elected until

2018

Occupation

Chairman of the Board of Directors and owner of ProjectGo AG, Zug

Significant directorships

- Chairman of the Board of Directors of Raiffeisenbank rechter Zürichsee, Männedorf
- Chairman of Raiffeisen Regionalverband Zürich/Schaffhausen

Committees of the Board of Directors

Strategy and Finance Committee

Members

- Prof. Dr Johannes Rüegg-Stürm
(Chairman)
- Daniel Lüscher
- Urs Schneider

Duties

- Dealing with tasks assigned by the Board of Directors and general support for the Board of Directors in performing its duties and responsibilities
- Monitoring strategically relevant developments, opportunities and challenges in the environment and for the Raiffeisen Group
- Preparing strategic initiatives within the Board of Directors and supervising their realisation (responsible for content)
- Arranging and supervising the strategy work of the Raiffeisen Group (responsible for processes)
- Providing the Board of Directors with strategic risk assessments
- Ensuring good corporate governance at the Raiffeisen Group
- Passing resolutions on participations, investments, contractual obligations, expenditure and loans, to the extent that authority over these matters is assigned to the Committee

Audit and Risk Committee

Members

- Lic. iur. Edgar Wohlhauser (Chairman)
- Olivier Roussy
- Prof. Dr Franco Taisch
- Werner Zollinger

Duties

- Analysis of the annual accounts, specifically amendment of accounting principles and valuation of balance sheet items
- Deciding on measures to approve or withdraw a temporary exemption if a value-at-risk limit has been exceeded
- Supporting and monitoring the work of the auditor and Internal Auditing, as well as cooperation between the two
- Approving the annually budgeted auditor's fee
- Monitoring and assessing the effectiveness and appropriateness of the internal control system
- Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice (compliance)
- Analysis of the risk situation of Raiffeisen Switzerland and the Group, as well as monitoring and assessing measures to record, manage and control risks
- Monitoring compliance with the financing plan
- Preparing for the election of the regulatory audit company and the auditor for the purposes of the Swiss Code of Obligations and presenting the results to the Board of Directors
- Preparing for the appointment of the Head of Internal Auditing and presenting the results to the Board of Directors

Nomination and Remuneration Committee

Members

- Philippe Moeschinger (Chairman)
- Rita Fuhrer
- Angelo Jelmini
- Prof. Dr Johannes Rüegg-Stürm

Duties

- Preparing for elections and presenting the results to the Board of Directors
- Analysing trends and developments in the labour market
- Developing a strategically sound staff development and succession plan
- Preparing all activities relating to employment conditions for executive managers and staff, including, without limitation, remuneration and retirement plans
- Preparing the remuneration report
- Setting up rules for employees trading for their own accounts
- Granting and monitoring loans to members of executive bodies

Executive Board of Raiffeisen Switzerland

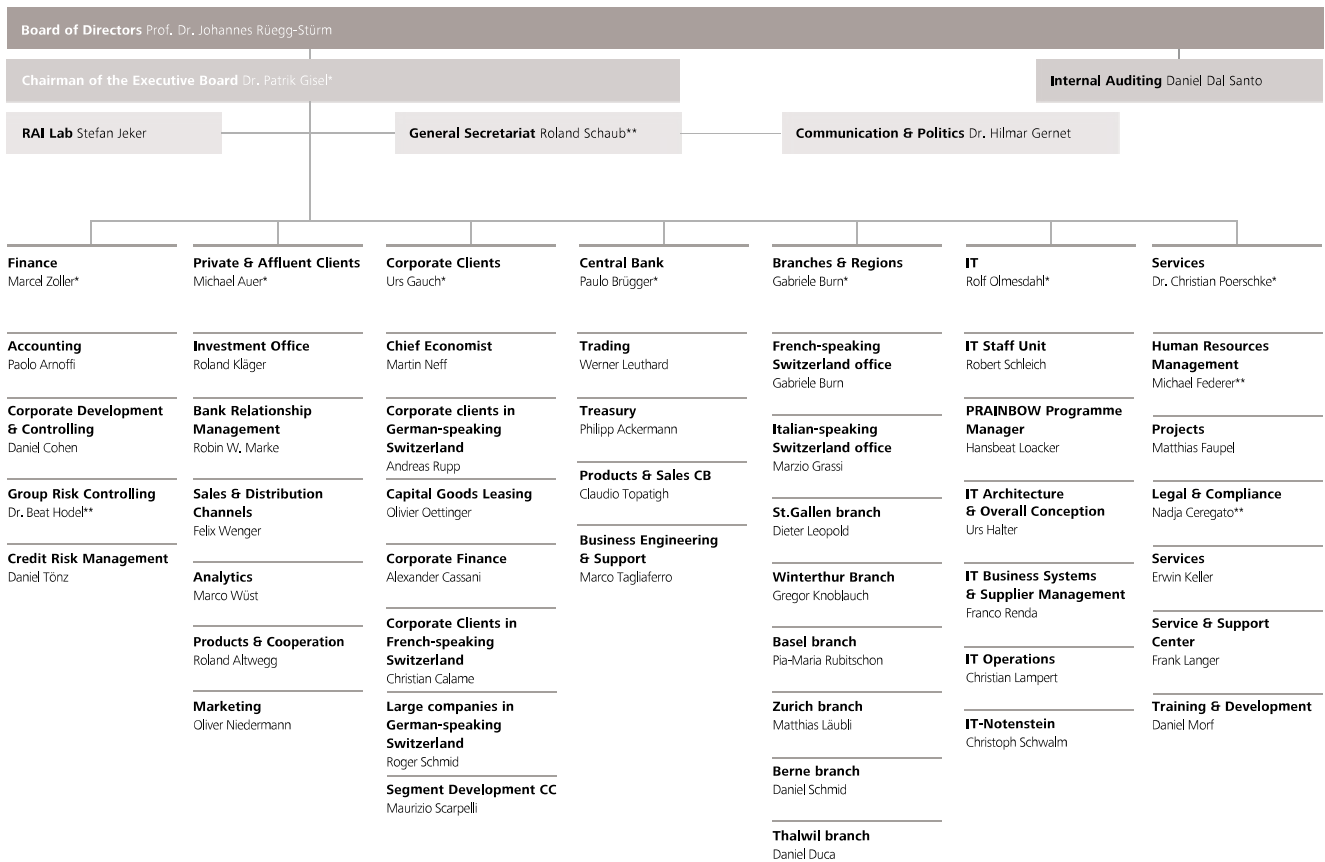
The Executive Board manages the operational business of the Raiffeisen Group. This involves in particular identifying influences and changes that have a bearing on the Raiffeisen Group's environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, the Executive Board is charged with the execution of the resolutions passed by higher bodies, with the competent, secure, forward-looking and profit-oriented management of the Group, with financial and human resources organisation, and with the implementation of risk policy.

The Executive Board consists of the Chairman and seven other members. Meetings are normally held once every two weeks, led by the Chairman. The Executive Board has the power to pass resolutions if a majority of its members or their deputies are present. The Board passes most resolutions by consensus. If agreement cannot be reached, resolutions are passed by a simple majority, with the Chairman having the tie-breaking vote. Resolutions are minuted. The Extended Executive Board consists of the Executive Board plus four more members. It meets roughly every two months, and is responsible in particular for implementing strategy, acting as a risk committee, budgeting and budget control, defining application architecture, project management and making key personnel decisions. Raiffeisen Switzerland business processes are handled by seven different departments (see organisational chart). The Members of the Executive Board and of the Extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland.

Group management coordination

Group-wide meetings are held every two months in order to drive strategic coordination and consultation within the Group. They are attended by the Chairman of the Executive Board, the Deputy Chairman of the Executive Board and the Head of the Finance department of Raiffeisen Switzerland, as well as the CEOs of Notenstein La Roche Private Bank Ltd and ARIZON Sourcing Ltd.

Organizational chart



* Member of the Executive Board
 ** Member of the Extended Executive Board

Members of the Executive Board



Dr Patrik Gisel

Chairman of the Executive Board (CEO)

Born in
1962

Place of residence
Erlenbach ZH

Joined Executive Board
2000

Significant directorships

- Vice-Chair of the BoD of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich
- Member of the BoD and the Investment and Risk Committee of Helvetia Swiss Insurance Company Ltd, St.Gallen
- Member of the BoD and the Committee of the Swiss Bankers Association, Basel
- Member of the BoD and the Risk Committee of SIX Group Ltd, Zurich
- Member of the BoD of Ergis AG, Wald (AR)
- Member of the Board Committee, UNICO Banking Group Brussels
- Member of the BoD of Schweizerische Management Gesellschaft, Zurich
- Member of the Foundation Board of Ostschweizerische Stiftung für klinische Krebsforschung (OSKK), St.Gallen
- Member of the Management Board of the Betula Association, Romanshorn
- Lecturer at the University of Zurich
- Chairman of the BoD of Notenstein La Roche Private Bank Ltd, St.Gallen
- Member of the BoD of ARIZON Sourcing Ltd, St.Gallen
- Member of the BoD and the Risk Committee of Leonteq Ltd, Zurich



Michael Auer

Head of Private & Affluent Clients department and
Deputy Chairman of the Executive Board

Born in

1964

Place of residence

Speicher AR

Joined Executive Board

2008

Significant directorships

- Member of the BoD of Säntis Schwebbahn AG
- Member of the Retail Banking Steering Committee
- Member of the Executive Committee of UNICO Banking Group, Brussels
- Member of the Coordination Domestic Banks
- Member of the Foundation Board of Swiss Museum Pass
- Chairman of the BoD of the Raiffeisen Pension Fund and Raiffeisen Employer Foundation
- Member of the BoD of Notenstein La Roche Private Bank Ltd
- Member of the BoD of Twint Ltd



Paulo Brügger

Head of Central Bank department

Born in
1966

Place of residence
Zumikon ZH

Joined Executive Board
2007

Significant directorships

- Member of the BoD of responsAbility Participations AG, Zurich
- Member of the Investment Committee, Raiffeisen Pension Fund



Gabriele Burn

Head of Branches & Regions department

Born in
1966

Place of residence
Krattigen BE

Joined Executive Board
2008

Significant directorships

- Chairwoman of the Swiss Climate Foundation
- Member of the Advisory Board of Schweizer Berghilfe
- Member of the Foundation Board of KMU Next
- Member of the Management Board of the Zurich Banking Association
- Vice-Chairwoman of the Banking Association of the City of St.Gallen
- Board member of the Green Building Association



Urs P. Gauch

Head of Corporate Clients department

Born in
1960

Place of residence
Pfäffikon SZ

Joined Executive Board
2015

Significant directorships

- Member of the BoD of FL Metalltechnik AG, Grünen-Sumiswald
- Chairman of the BoD of Raiffeisen Unternehmerzentrum AG
- Chairman of the BoD of Business Broker AG, Zurich
- Chairman of the BoD of Business Broker Investment AG, Zurich
- Member of the BoD of Investnet AG
- Member of the BoD of Investnet Holding AG
- Member of the BoD of KMU Capital AG
- Member of the BoD of Vorsorge Partner AG



Rolf Olmesdahl

Head of IT department (CIO)

Born in
1963

Significant directorships

– Chairman of the BoD of ARIZON Sourcing Ltd, St.Gallen

Place of residence
Cham ZG

Joined Executive Board
2015



Dr Christian Poerschke

Head of Services department

Born in
1974

Significant directorships

– Member of the Foundation Board of the Swiss Finance Institute

Place of residence
Speicher AR

Joined Executive Board
2015



Marcel Zoller

Head of Finance department (CFO)

Born in
1957

Place of residence
Goldach SG

Joined Executive Board
2008

Significant directorships

- Chairman of the BoD of Jagd & Natur Medien AG
- Member of the Management Board, the Finance and Audit Committee and the Strategy Committee of the Valida Foundation, St.Gallen
- Member of the BoD of Investnet Holding AG
- Member of the BoD of Investnet AG
- Member of the BoD of KMU Capital AG

Members of the Extended Executive Board



Nadja Ceregato

Head of Legal & Compliance

Born in
1969

Significant directorships

- Member of the Legal and Compliance Commission of the Swiss Bankers Association
- Member of the Swiss Committee for UNICEF

Place of residence
Teufen AR

Joined Extended Executive Board
2015



Michael Federer

Head of Human Resources Management

Born in
1972

Significant directorships

Place of residence
Speicher AR

- Member of the BoD of the Employers Association of Banks in Switzerland
- Member of the HR Committee of UNICO Banking Group, Brussels

Joined Extended Executive Board
2015

- Advisory Board Member of the Raiffeisen Pension Fund



Dr Beat Hodel

Head of Group Risk Controlling (CRO)

Born in
1959

Significant directorships

Place of residence
Bäch SZ

- Member of the Board of Directors of esisuisse, the Swiss banks' and securities dealers' depositor protection association

Joined Extended Executive Board
2005



Roland Schaub

General Secretary

Born in
1966

Significant directorships

– Member of the Investment Committee of KMU Capital Ltd

Place of residence
Teufen AR

**Joined Extended Executive
Board**
2015

Internal Auditing

Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It reviews compliance with requirements set out in laws, regulations and the Articles of Association, as well as the proper functioning of the operational structure, the information flow, accounting and IT. Dr Daniel Dal Santo has been the Head of Internal Auditing since 2015. He reports directly to the Audit and Risk Committee of the Board of Directors.

Auditor for the purposes of the Swiss Code of Obligations

Raiffeisen banks

PricewaterhouseCoopers Ltd has been the regulatory audit company of the individual Raiffeisen banks since June 2005. It is supported by Raiffeisen Group's Internal Auditing department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies

Since the financial year 2007, PricewaterhouseCoopers AG has been the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Group as a whole. That includes the Raiffeisen banks, Raiffeisen Switzerland Cooperative, Notenstein La Roche Private Bank Ltd, KMU Capital Ltd, Investnet AG, Investnet Holding AG, Raiffeisen Unternehmerzentrum AG, ARIZON Sourcing Ltd and RAInetworks Pte. Ltd. The auditor is appointed by the delegates for a term of three years. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Raiffeisen Group

PricewaterhouseCoopers Ltd, St.Gallen, is also responsible for auditing the consolidated annual financial statements. Beat Rüttsche has been the lead auditor since 2012 and is responsible for the mandate.

Audit fees

The fees of the auditing firms amount to CHF 13.1 million for services relating to the full audit of the individual annual financial statements, the Group accounts and the audits under Swiss banking law, and CHF 0.2 million for other consulting services.

Information tools available to the regulatory audit company

The risk assessment, the audit plan derived from it, and the auditors' reports are examined by the Audit and Risk Committee and discussed with the lead auditor.

Supervision and control of the external auditor

The auditor PricewaterhouseCoopers Ltd fulfils the requirements of the Swiss Federal Banking Act and is licensed by FINMA to audit banking institutions. Each year, the Audit and Risk Committee assesses the performance, remuneration and independence of the external auditor and ensures cooperation with the Internal Auditing department.

Corporate governance Remuneration report

Raiffeisen Group remuneration report

A competitive compensation system plays a key role in successfully positioning Raiffeisen as an attractive employer. The remuneration system is designed to attract skilled workers on the job market and to retain them. Outstanding and extraordinary achievements are recognised and rewarded.

Raiffeisen's remuneration system is based on criteria provided in laws, rules and regulations, including, without limitation, the regulations from Circular 10/1 "Remuneration schemes" of the Swiss Financial Market Supervisory Authority (FINMA).

The Raiffeisen Group (Raiffeisen Switzerland including the Raiffeisen banks and consolidated companies) paid CHF 1,081,713,355 in total remuneration in the current year. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 123,068,099. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	2016	Prior year
Total Raiffeisen Group remuneration	1'081'713'355	1'056'807'953
of which total Raiffeisen Group variable remuneration pool	123'068'099	122'742'851

Raiffeisen Switzerland remuneration report

Remuneration system features

Raiffeisen Switzerland has an independent remuneration system. The remuneration system regulates the remuneration paid to members of the Board of Directors, the Executive Board and the Extended Executive Board in detail and lays out basic principles for the total remuneration paid to all employees. Raiffeisen Switzerland also issues recommendations to Raiffeisen banks. Remuneration caps are defined for all groups of risk-takers. There are limits on variable components. All remuneration is paid in the form of non-deferred cash. Raiffeisen believes that it makes more sense to institute caps than to defer part of the variable remuneration. Being a cooperative, Raiffeisen has a low risk profile and aims for stable returns and sustained success, which significantly affects the remuneration system. The remuneration policy aims for constancy.

Furthermore, Raiffeisen places considerable emphasis on social responsibility and is committed to providing equal pay for equal work. An initial study on wage equality in 2014 clearly shows that Raiffeisen pays equal wages. The next study is currently in planning and will take place in spring 2017.

Handling risk-takers separately

The Board of Directors has identified another group of risk-takers other than the eight members of the Executive Board, the Head of Internal Auditing and the four members of the Extended Executive Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Despite quite modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk-takers at the Central Bank department are identified every year before the remuneration process begins, are reported by the Head of Central Bank to the Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland with the object of determining the total variable remuneration pool. In 2016, this group consisted of 57 people (not counting members of the Executive Board, the Head of Internal Auditing or members of the Extended Executive Board).

Remuneration policy governance

Raiffeisen Switzerland's Board of Directors is responsible for the following:

- Outlining the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for Raiffeisen banks
- Approving the annual remuneration report submitted to the Board by the Nomination and Remuneration Committee
- Reviewing remuneration policy on a regular basis and whenever there are indications that reviews or revisions may be necessary
- Having the structure and implementation of its remuneration policy checked annually by external auditors or Internal Auditing
- Determining the amount of the total variable remuneration pool each year
- Defining fixed and variable remuneration components for Executive Board members, Extended Executive Board members and the Head of Internal Auditing, including pension plan contributions

The Nomination and Remuneration Committee is responsible for implementing regulations

issued by the Board of Directors; it deals with remuneration topics in four meetings each year. The chapter "Governance bodies of Raiffeisen Switzerland" describes the composition and main responsibilities of the Nomination and Remuneration Committee.

Composition of remuneration

For all employees (including Executive Board members, Extended Executive Board members and the Head of Internal Auditing), remuneration comprises the following components:

- Fixed remuneration in line with the market: Every employee has an individual contract establishing the fixed remuneration. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.
- Moderate variable remuneration: Variable remuneration is paid based on the Group's sustained success and individual employee performance reviews. These may be granted for all functions, including controlling functions. The Board of Directors does not receive variable remuneration. All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits: Fringe benefits are granted within the framework of applicable regulations, directives and industry standards.

Determining fixed remuneration for the Board of Directors and the Executive Board (including the Extended Executive Board)

The members of the Raiffeisen Switzerland Board of Directors receive remuneration commensurate with their respective responsibilities and time commitment. Additionally, members belonging to a committee, heading a committee or presiding over the Board of Directors receive higher pay.

Fixed remuneration for Executive Board members, Extended Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority. Fixed remuneration (excluding employee and employer contributions to pension plans and social insurance) is capped at a maximum of CHF 1,200,000.

Determining the total variable remuneration pool

The determination of the total variable remuneration pool is based in equal measure on the long-term development of the following criteria:

- Relative profitability over time compared to the market
- Change in equity capital
- Performance of strategic initiatives and projects
- Changes in economic capital required relative to core capital

Role of controlling functions over variable compensation

The Heads of Group Risk Controlling and Legal & Compliance comment on the risk situation and compliance performance and provide their assessment of the current situation based on risk and compliance reports from 2016. These assessments, which expressly include the risk categories credit, market, liquidity and operational risks, are then consulted when determining the total variable remuneration pool. The measures of risk that are used include value at risk, limit utilisation parameters and audit findings (development and degree of completion). All the measures of risk that are used are supplemented by a qualitative assessment of the responsible controlling functions. As a result, an evaluation of all major risk categories is included in the remuneration process. By approving the risk and compliance report, the Board of Directors is regularly and comprehensively informed about risk development in accordance with Raiffeisen's risk profile.

Allocation of variable remuneration to the Executive Board (including members of the Extended Executive Board and the Head of Internal Auditing) and risk-takers

The Board of Directors does not receive variable remuneration. The Board of Directors decides on the allocation of variable remuneration to Executive Board members, Extended Executive Board members and the Head of Internal Auditing. It must not exceed two-thirds of the individual member's fixed remuneration (excluding employee and employer contributions to pension plans and social insurance). The following criteria apply to the individual allocation:

- Achievement of individual targets
- Relative profitability of the Raiffeisen Group over time compared to the market
- Progress in strategic initiatives and projects
- Changes in risk assumed

The allocation of the variable remuneration for risk-takers is individually determined by the Executive Board. This allocation is based on the performance achieved by the Central Bank while taking into account the risks that were taken. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-term success by taking excessive risks.

The remuneration structure is designed so that the variable remuneration paid to controlling functions in no way depends on the risks they monitor. In terms of their amount, variable remunerations should largely be qualified as bonuses (under civil law).

Compensation 2016

Total remuneration

In the current year, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 279,773,428. Accrued remuneration expenses (both fixed and variable) for the year under review have been recorded in full as personnel expenses. There are no remuneration expenses from earlier reporting years affecting profit and loss. In the current year, the Board of Directors approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 47,883,964 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form. The total variable remuneration pool benefited 2,011 individuals at Raiffeisen Switzerland (previous year: 1,870).

Board of Directors

The members of the Raiffeisen Switzerland Board of Directors in office in 2016 received remuneration totalling CHF 1,678,400 for the current year, including all allowances and attendance fees. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 478,800. Board of Directors members receive no variable remuneration in the form of a profit-sharing element. In addition, total social insurance contributions for Board of Directors members totalled CHF 374,599.

Members of the Executive Board (including members of the Extended Executive Board and the Head of Internal Auditing)

Total remuneration paid to Executive Board members, Extended Executive Board members and the Head of Internal Auditing of Raiffeisen Switzerland for the current year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 11,221,887. Of this, CHF 1,773,811 was paid to Dr Patrik Gisel, Chairman of the Executive Board of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. Employee and employer contributions to pension plans and social insurance totalled an additional CHF 5,266,074. CHF 568,926 of this amount was paid for Dr Patrik Gisel. Fixed remuneration includes business-related Board of Directors fees for Executive Board members.

Loans granted to members of the Executive Board and the Extended Executive Board are disclosed in note 17 in the annual report. Loans to members of the Executive Board are approved by the Nomination and Remuneration Committee. The bank's Executive Board enjoys preferential terms standard for the industry, as do other personnel.

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	279,773,428	231,889,463	47,883,964
Income statement-related debits and credits in the current year for earlier reporting years	0	0	0
Total remuneration paid to Executive Board members and Extended Executive Board members* (excluding employee and employer contributions to pension plans and social insurance)	13,110,941 (11'221'887)	8,588,341 (6'984'319)	4,522,600 (4'273'568)
Total remuneration paid to other risk-takers* (excluding Executive Board and Extended Executive Board members)	15,017,241	8,587,241	6,430,000

* Excluding employer pension plan and social insurance contributions

Remuneration report Raiffeisen banks

The Raiffeisen Switzerland Board of Directors recommends that the Raiffeisen banks orient their respective local remuneration systems to the recommendations made by Raiffeisen Switzerland.

Raiffeisen Switzerland advises the Raiffeisen banks and supports them in structuring and implementing their local remuneration systems while retaining their autonomy. The most important features of these recommendations are:

- Remuneration for all employees of the Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, as in the Raiffeisen Switzerland model.
- According to the risk profile of Raiffeisen banks and their balanced business model, all remuneration (both fixed and variable) is provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the Swiss "militia system" with roots in local business – decides on the overall sum of the variable remuneration, as well as on the individual allocation of the variable remuneration to members and the chairpersons of bank management.
- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so does not significantly increase remuneration.

Raiffeisen Switzerland monitors this process by regularly reviewing local remuneration systems in terms of conception and implementation, and addressing irregularities with the Raiffeisen banks in the context of a structured process.

Remuneration report of other Group companies

The Group companies have their own remuneration systems that are aligned with their needs.

Remuneration report – outlook

On 1 January 2011, Raiffeisen issued remuneration regulations that comply with FINMA's requirements for remuneration schemes of financial institutions (FINMA Circular 10/1). Pursuant to FINMA Circular 2010/1 "Remuneration schemes" from September 2016, the scope of application for the implementation of the circular will be modified effective 1 July 2017. As a result, Raiffeisen will no longer be officially subject to the FINMA requirements for remuneration schemes. However, Raiffeisen will continue to be guided by FINMA requirements in the creation and modification of its remuneration regulations.

Corporate governance

Disclosure obligations

Disclosure obligations (capital adequacy)

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 1 June 2012 and FINMA Circular 2008/22 entitled "Disclosure obligations regarding capital adequacy within the banking sector". Information on the capital adequacy situation is contained in the "Capital adequacy disclosure" chapter. The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital, as well as credit, market and operational risks, is available on the Raiffeisen website. On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. Under FINMA Circular 2008/22, systemically important banks have special quarterly disclosure obligations. The corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available on Raiffeisen's website. As part of its capital adequacy reporting under supervisory law, the Raiffeisen Group submits half-yearly reports on its capital adequacy situation to the Swiss National Bank.

You can look up the capital adequacy situation on the [Raiffeisen website](#).

Financial report

Raiffeisen Group 2016

Key figures

2016

	31.12.2016 Amounts in million CHF	31.12.2015 Amounts in million CHF	Change in %
Key figures			
Operating income	3,108	3,016	3.1
Operating expenses	1,988	1,887	5.3
Operating result	855	943	-9.4
Group profit	754	808	-6.6
Cost income ratio	63.9%	62.6%	
Key balance sheet figures			
Total assets	218,590	205,748	6.2
Loans to clients	173,445	166,479	4.2
of which mortgage receivables	165,426	158,594	4.3
Customer deposits	158,254	150,272	5.3
Customer deposits in % of loans to clients	91.2%	90.3%	
Capital resources			
Total equity capital	14,385	13,318	8.0
Return on equity (ROE)	5.4%	6.4%	
Leverage ratio (unweighted capital ratio)*	6.8%	6.7%	
Total capital ratio (equity capital)*	16.9%	16.4%	
Market data			
Share of mortgage market	17.2%	16.9%	
Number of clients	3,745,135	3,717,987	0.7
Number of cooperative members	1,876,687	1,862,032	0.8
Client assets			
Client assets under management	202,795	208,856	-2.9
Lending business			
Losses on lending business	16	29	-44.3
as % of loans to clients	0.009%	0.017%	
Resources			
Number of employees	11,026	11,046	-0.2
Number of full-time positions	9,276	9,286	-0.1
Number of locations	955	994	-3.9

* based on definition for systemically important banks

Consolidated balance sheet

as at 31 December 2016

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid assets	20,389,822	18,907,231	1,482,591	7.8	18
Amounts due from banks	7,083,612	3,811,404	3,272,208	85.9	11, 18
Amounts due from securities financing transactions	338,260	391,404	-53,144	-13.6	1, 18
Amounts due from clients	8,018,804	7,885,116	133,688	1.7	2, 18
Mortgage loans	165,426,200	158,593,585	6,832,615	4.3	2, 11, 18
Trading portfolio assets	2,911,801	2,115,027	796,774	37.7	3, 18
Positive replacement values of derivative financial instruments	1,743,165	1,795,296	-52,131	-2.9	4, 18
Financial investments	7,951,965	6,877,419	1,074,546	15.6	5, 11, 18
Accrued income and prepaid expenses	246,797	225,196	21,601	9.6	
Non-consolidated participations	787,634	731,891	55,743	7.6	6, 7
Tangible fixed assets	2,599,512	2,475,780	123,732	5.0	8, 11
Intangible assets	419,433	512,757	-93,324	-18.2	9
Other assets	672,706	1,426,065	-753,359	-52.8	10
Total assets	218,589,711	205,748,171	12,841,540	6.2	
Total subordinated claims	123,674	65,381	58,293	89.2	
of which subject to mandatory conversion and/or debt waiver	1,106	1,815	-709	-39.1	
Liabilities					
Liabilities to banks	10,852,715	7,803,302	3,049,413	39.1	11, 18
Liabilities from securities financing transactions	2,599,332	4,084,475	-1,485,143	-36.4	1, 18
Amounts due in respect of customer deposits	158,254,449	150,272,350	7,982,099	5.3	12, 18
Trading portfolio liabilities	138,207	105,139	33,068	31.5	3, 18
Negative replacement values of derivative financial instruments	2,017,470	2,397,684	-380,214	-15.9	12, 4, 18
Liabilities from other financial instruments at fair value	1,633,944	870,029	763,915	87.8	3, 13, 18
Cash bonds	1,177,775	1,647,436	-469,661	-28.5	18
Bond issues and central mortgage institution loans	25,623,178	23,470,245	2,152,933	9.2	13, 14, 18
Accrued expenses and deferred income	828,695	711,202	117,493	16.5	12
Other liabilities	170,104	183,016	-12,912	-7.1	10
Provisions	903,476	877,574	25,902	3.0	15
Cooperative capital	1,594,753	1,248,277	346,476	27.8	16
Retained earnings reserve	12,036,214	11,262,202	774,012	6.9	
Currency translation reserve	-4	11	-15	-136.4	
Group profit	754,069	807,662	-53,593	-6.6	
Total equity capital (without minority interests)	14,385,032	13,318,152	1,066,880	8.0	
Minority interests in equity	5,334	7,567	-2,233	-29.5	
of which minority interests in Group profit	-2,233	-1,330	-903	67.9	
Total equity capital (with minority interests)	14,390,366	13,325,719	1,064,647	8.0	
Total liabilities	218,589,711	205,748,171	12,841,540	6.2	
Total subordinated liabilities	1,777,462	1,771,822	5,640	0.3	
of which subject to mandatory conversion and/or debt waiver	1,241,943	1,242,828	-885	-0.1	
Off-balance-sheet transactions					
Contingent liabilities	391,640	435,499	-43,859	-10.1	2, 20
Irrevocable commitments	8,016,607	7,558,790	457,817	6.1	2
Call commitments and additional funding obligations	118,541	105,959	12,582	11.9	2

Consolidated income statement

2016

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	3,051,591	3,130,499	-78,908	-2.5	25
Interest and dividend income from financial assets	58,287	59,707	-1,420	-2.4	
Interest expenditure	-880,050	-1,002,334	122,284	-12.2	25
Gross result from interest operations	2,229,828	2,187,872	41,956	1.9	
Changes in value adjustments for default risks and losses from interest operations	-10,418	-11,121	703	-6.3	15
Net result from interest operations	2,219,410	2,176,751	42,659	2.0	
Commission income from securities trading and investment activities	355,564	357,014	-1,450	-0.4	
Commission income from lending activities	17,643	18,012	-369	-2.0	
Commission income from other services	214,418	203,829	10,589	5.2	
Commission expense	-120,873	-116,170	-4,703	4.0	
Result from commission business and services	466,752	462,685	4,067	0.9	22
Result from trading activities and the fair value option	227,939	209,334	18,605	8.9	23
Result from disposal of financial investments	4,712	20,175	-15,463	-76.6	
Income from participations	67,137	80,367	-13,230	-16.5	24
Result from real estate	20,989	18,655	2,334	12.5	
Other ordinary income	119,790	59,637	60,153	100.9	
Other ordinary expenses	-18,308	-11,726	-6,582	56.1	
Other result from ordinary activities	194,320	167,108	27,212	16.3	
Operating income	3,108,421	3,015,878	92,543	3.1	
Personnel expenses	-1,381,132	-1,329,796	-51,336	3.9	26
General and administrative expenses	-606,460	-557,649	-48,811	8.8	27
Operating expenses	-1,987,592	-1,887,445	-100,147	5.3	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-260,081	-181,256	-78,825	43.5	6, 8, 9
Changes to provisions and other value adjustments, and losses	-6,034	-3,806	-2,228	58.5	15
Operating result	854,714	943,371	-88,657	-9.4	
Extraordinary income	75,062	66,947	8,115	12.1	28
Extraordinary expenses	-4,172	-3,294	-878	26.7	28
Taxes	-173,768	-200,692	26,924	-13.4	29
Group profit (including minority interests)	751,836	806,332	-54,496	-6.8	
Minority interests in group profit	-2,233	-1,330	-903	67.9	
Group profit	754,069	807,662	-53,593	-6.6	

Cash flow statement

2016

	Origin of funds for current year in 1,000 CHF	Use of funds for current year in 1,000 CHF	Cash inflow for previous year in 1,000 CHF	Cash outflow for previous year in 1,000 CHF
Cash flow from operating results (internal financing)				
Group profit	754,069	-	807,662	-
Value adjustments on participations	310	-	2,958	-
Depreciation and amortisation of tangible fixed assets and intangible assets	250,788	-	178,298	-
Provisions and other value adjustments	38,303	12,401	44,548	17,609
Change in value adjustments for default risks and losses	71,101	70,360	67,402	80,398
Appreciation on participations	-	21,949	-	25,600
Accrued income and deferred charges	-	21,601	-	7,888
Accrued expenses and deferred income	117,493	-	77,509	-
Interest paid on share certificates for previous year	-	33,650	-	29,477
Balance	1,072,103	-	1,017,405	-
Cash flow from shareholder's equity transactions				
Change in cooperative capital	383,674	37,198	526,494	25,959
Currency translation differences	-	15	-	13
Minority interests in equity	-	2,233	-	13,214
Balance	344,228	-	487,308	-
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	3	34,388	15,008	110,674
Real estate	35,235	125,877	20,157	113,916
Software/other tangible fixed assets/objects in finance leasing	2,615	187,535	1,845	125,412
Intangible assets	524	33,452	11,607	272,977
Changes to the consolidated Group	27,575	-	-	161
Balance	-	315,300	-	574,523
Cash flow from banking operations				
Liabilities to banks	3,049,413	-	2,352,934	-
Liabilities from securities financing transactions	-	1,485,143	2,795,938	-
Amounts due in respect of customer deposits	7,982,099	-	8,727,251	-
Trading portfolio liabilities	33,068	-	-	16,351
Negative replacement values of derivative financial instruments	-	380,214	101,375	-
Liabilities from other financial instruments at fair value	763,915	-	653,465	-
Cash bonds	-	469,661	-	614,894
Bonds	1,551,136	1,022,703	1,134,118	841,626
Central mortgage institution loans	2,740,400	1,115,900	2,609,900	950,900
Other liabilities	-	12,912	23,391	-
Amounts due from banks	-	3,271,958	1,439,787	-
Amounts due from securities financing transactions	53,144	-	298,220	-
Amounts due from clients	-	146,875	-	66,675
Mortgage loans	-	6,820,411	-	7,853,908
Trading portfolio assets	-	796,774	79,545	-
Positive replacement values of derivative financial instruments	52,123	-	14,310	-
Financial investments	-	1,074,546	-	845,122
Other assets	753,359	-	-	282,568
Liquid assets	-	1,482,591	-	9,688,380
Balance	-	1,101,031	-	930,190
Total origin of funds	1,416,331	-	1,504,713	-
Total use of funds	-	1,416,331	-	1,504,713

Statement of changes in equity

2016

	Cooperative capital in 1,000 CHF	Retained earnings reserve in 1,000 CHF	Currency translation differences in 1,000 CHF	Minority interests in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at the beginning of the current year	1,248,277	11,262,202	11	7,567	807,662	13,325,719
Capital increase	386,081	-	-	-	-	386,081
Capital decrease	-39,605	-	-	-	-	-39,605
Currency translation differences	-	-	-15	-	-	-15
Interest on the cooperative capital	-	-	-	-	-33,650	-33,650
Allocation to voluntary retained earnings reserves	-	774,012	-	-	-774,012	-
Profit	-	-	-	-2,233	754,069	751,836
Equity capital at the end of the current year	1,594,753	12,036,214	-4	5,334	754,069	14,390,366

Notes to the consolidated annual financial statements

Trading name, legal form, registered office

The Raiffeisen Group is a bank group without legal personality. It comprises 270 independent Raiffeisen banks, Raiffeisen Switzerland and the associated subsidiaries.

Risk management

The risks of the Raiffeisen banks and Raiffeisen Switzerland are closely tied together.

Risk policy

Risk management systems are based on statutory provisions and the regulations governing risk policy for the Raiffeisen Group ("risk policy" for short). The risk policy is reviewed and updated annually. The Raiffeisen Group views entering into risks as one of its core competences. Risks are only entered into with full knowledge of their extent and dynamics, and only when the requirements in terms of systems, staff resources and expertise are met. The risk policy aims to limit the negative impact of risks on earnings and protect the Raiffeisen Group against high exceptional losses while safeguarding and strengthening its good reputation. Group Risk Controlling is responsible for ensuring that the risk policy is observed and enforced. The Compliance unit ensures that regulatory provisions are adhered to.

Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that are difficult to quantify are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

Group Risk Controlling, which reports to the Head of the Finance 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. Group Risk Controlling also regularly evaluates the risk situation as part of the reporting process.

Notenstein La Roche Private Bank Ltd conducts risk control activities of its own within defined overall limits that are separate from the risk control activities of the risk-taking units. Raiffeisen Switzerland monitors the risk controls and risk exposure of its subsidiaries and ensures that Raiffeisen Switzerland's Board of Directors receives integrated risk reports that include Notenstein La Roche Private Bank Ltd. Raiffeisen Switzerland is under contract to control risks for ARIZON Sourcing Ltd.

Risk management process

The risk management process is valid for all risk categories, namely for credit, market and operational risks. It incorporates the following elements:

- Risk identification
- Risk measurement and assessment
- Risk management

- Risk limitation, through the setting of appropriate limits
- Risk monitoring

Raiffeisen Group's risk management systems aim to

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

Credit risk

The business units of the Raiffeisen banks and Raiffeisen Switzerland manage their credit risk autonomously, though still in accordance with Group-wide standards. The standards may be different for Notenstein La Roche Private Bank Ltd, which enters into commitments that are immaterial to the Group's risk situation.

Credit risks are defined in risk policy as the risk of losses caused by clients or other counterparties failing to fulfil or render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivatives. Risks also accrue from taking on long-term equity exposures that may involve losses when the issuer defaults.

The Raiffeisen Group identifies, assesses, manages and monitors the following risks in its lending activities:

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

Counterparty risks accrue from the potential default of a debtor or counterparty. A debtor or counterparty is considered to be in default when receivables are overdue or at risk.

Collateral risks accrue from impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables from individual borrowers or in individual coverage categories, industries or geographic areas.

Country risk is the risk of losses caused by country-specific events.

Raiffeisen banks are chiefly exposed to counterparty, collateral and concentration risks. The majority of these risks result from loans granted to individuals or corporate clients. Corporate clients are mainly small companies that operate within the business areas of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Articles of Association of Raiffeisen banks stipulate limits for the acceptance of credit risks arising from uncovered transactions; loans over CHF 250,000 must be hedged with Raiffeisen Switzerland.

Like the Raiffeisen banks, the Raiffeisen Switzerland branches primarily incur counterparty, collateral and concentration risks. These branches are part of the Branches & Regions department and extend credit to private and corporate clients.

In general, the Corporate Clients department is the instance that grants larger loans to

corporate clients. When the credit being increased or newly extended exceeds CHF 75 million on a risk-weighted basis, the CRO (Chief Risk Officer) issues an assessment. The assessment focuses on the concentration risk and any change in the value at risk. The Group-wide responsibilities of the Central Bank department involve managing both domestic and international counterparty risks. These risks occur in transactions such as wholesale funding in the money and capital markets and the hedging of currency, fluctuating interest rate and proprietary trading risks. The Central Bank department may only conduct international transactions when country-specific limits have been approved and established.

Notenstein La Roche Private Bank Ltd has its own access to the market and manages its banking and country risks as part of the Group's centralised limit management.

Pursuant to the Articles of Association, international commitments at Raiffeisen Switzerland may not exceed 5% of the consolidated Raiffeisen Group balance sheet total.

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions, such as derivative financial instruments, are converted to their respective credit equivalent. The Raiffeisen Group has concluded a netting agreement with various counterparties for off-balance-sheet receivables (for OTC transactions) and monitors exposure on a net basis.

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships. Details are provided in note 7 of the information on the balance sheet.

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. Sufficient creditworthiness and the ability to maintain payments must be proven before any loan is approved. Loans to private individuals and legal entities are classified according to internal rating procedures and, on the basis of this classification, monitored from a risk-oriented perspective. The clients' creditworthiness is defined using a range of 13 risk categories. This system has proven its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams at Raiffeisen Switzerland are available to provide assistance for more complex financing arrangements and the management of recovery positions.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process of identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and ensuring proper credit portfolio reporting. Evaluating the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics, including category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The responsible executive bodies receive quarterly updates on the development of exception-to-policy loans. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad-hoc risk analyses where required. Monitoring and reporting form the basis of portfolio-controlling measures, with the main focus being on controlling new business via the lending policy.

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific threshold limits have been established. Should one of these threshold values be reached, part of the decentralised credit authority is transferred to Raiffeisen Switzerland's Credit Office. This process guarantees a well-diversified local credit portfolio even in a decentralised organisation.

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2016, the Raiffeisen Group had no reportable cluster risks. The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2016 was CHF 1.3 billion, or 0.7% of loans to clients (previous year: CHF 1.3 billion, or 0.8%).

Market risk

Risk associated with fluctuating interest rates: Given that the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a significant influence on interest income. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the market value of the equity capital. The impact on profitability is assessed using dynamic income simulations. Variable-rate positions are displayed based on a model that replicates historical interest rate fluctuations with money and capital market rates. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. The Treasury of Raiffeisen Switzerland's Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group – with the exception of Notenstein La Roche Private Bank Ltd, which accesses the market directly. The responsible members of staff are required to adhere strictly to the limits set by the Board of Directors. Group Risk Controlling monitors compliance with limits and prepares associated reports, while also assessing the risk situation.

Other market risk: Since assets in a foreign currency are generally refinanced in the same currency, foreign currency risks can be largely avoided by the Raiffeisen banks.

The financial investment portfolio is managed by the Treasury of the Central Bank department of Raiffeisen Switzerland. Financial investments are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities that meet statutory liquidity requirements. Group Risk Controlling monitors the interest rate and foreign currency risks of financial investments. In addition, Notenstein La Roche Private Bank Ltd has its own financial investment portfolio, which is managed and monitored by the relevant units within the overall limits.

The Trading unit, which is part of the Central Bank department, is responsible for managing the Central Bank trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. The Central Bank trades in interest rates, currencies, equities and banknotes/ precious metals. It must strictly adhere to the value-at-risk, sensitivity and loss limits set by the Board of Directors and the Executive Board, which Group Risk Controlling monitors on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the income from trading and conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is subject to risk limits and is closely monitored. Both standardised and over-the-counter (OTC) derivatives are traded for the Central Bank's own account and on behalf of clients.

The Board of Directors of Notenstein La Roche Private Bank Ltd defines the limits for the trading and banking book based on the overall limit assigned by the Board of Directors of Raiffeisen Switzerland. Notenstein La Roche Private Bank Ltd's Treasury is responsible for managing the trading and banking book within the defined limits. Notenstein La Roche Private Bank Ltd's Financial Risk Controlling department monitors compliance with these limits in its capacity as an independent supervisory body.

Reporting on compliance with value-at-risk, sensitivity and position limits and the assessment of the risk situation by Group Risk Controlling is primarily conducted via three reports:

- Weekly interest rate risk report, sent to responsible Executive Board members in line with FINMA Circular 2008/6
- Monthly risk report, sent to the Head of the Finance department who then decides whether the monthly risk report should be presented to the entire Executive Board
- Quarterly risk report, sent to the Board of Directors

Capital adequacy requirements for market risk relating to the trading book

in 1,000 CHF	31.12.2016	Ø 2016	31.12.2015	Ø 2015
Foreign exchange/precious metals	22,687	20,683	18,000	18,771
Interest rate instruments	144,161	147,891	125,819	125,202
Equities/indices	21,025	21,411	17,328	20,491
Total	187,873	189,986	161,147	164,464

Liquidity

Liquidity risks are controlled using commercial criteria and monitored by the Treasury and Group Risk Controlling in accordance with banking law. Risk controlling involves, among other things, simulating liquidity inflows and outflows over different time horizons using various scenarios. These scenarios include the impact of bank funding crises and general liquidity crises.

Monitoring is based on statutory limits and risk indicators based on the above scenario analyses.

Operational risk

At Raiffeisen, operational risks 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. This includes not only the financial impacts, but also the reputational and compliance consequences.

Operational risk tolerance and appetite is defined using a value-at-risk limit or using risk indicators and specific limits for relevant types of operational risks. Risk tolerance and appetite are approved annually by the Board of Directors (for the value-at-risk limits) and by Raiffeisen Switzerland's Executive Board (for the indicator limits). Group Risk Controlling monitors compliance with risk tolerance and appetite. If one of the defined limits is exceeded, remedial action is defined and taken.

Each functional department within the Raiffeisen Group is responsible for identifying, assessing, managing and monitoring operational risk arising from its own activities. Group Risk Controlling 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. Group Risk Controlling is also in charge of the concepts, methods and instruments used to manage operational risks, and it monitors the risk situation. In specific risk assessments, operational risks are identified, categorised by cause and impact, and evaluated according to the frequency or probability of occurrence and the 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 measures for mission-critical processes are in place.

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

In addition to the standard risk management process, Group Risk Controlling 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.

Group Risk Controlling monitors the operational risks of ARIZON Sourcing Ltd pursuant to a contract. Notenstein La Roche Private Bank Ltd has its own OpRisk team. The CRO of Notenstein has a dotted line reporting relationship with the CRO of the Raiffeisen Group.

IT risks

A reliable IT infrastructure is an indispensable requirement for the provision of banking services. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing the related threats and risks.

Information security

Potential risks are managed comprehensively. A regular assessment of the threat situation constitutes the basis for the risk management strategy. Appropriate and effective information security measures for safeguarding information and infrastructure with respect to confidentiality, integrity, availability and audit trails are in place for this purpose. Raiffeisen complies with recognised standards and established practices throughout this process.

Outsourcing

Raiffeisen Switzerland has outsourced the operation of the data communication network to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen Switzerland securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions AG handles the scanning processes in the paper-based payment system, while the printing and shipping of bank vouchers has been outsourced to Trendcommerce AG. ARIZON Sourcing Ltd, a joint venture of Raiffeisen Switzerland and Avaloq, provides payment and securities operations services for Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd. The platform for the online identification of new and current customers via videostream is operated by Inventx AG.

In relation to their activities as issuers of structured products, Notenstein La Roche Private Bank Ltd and the Raiffeisen Switzerland Cooperative have concluded an outsourcing agreement with Leonteq Securities Ltd. When Notenstein investment products are issued, Leonteq Securities Ltd performs duties in connection with structuring, processing, documenting and distributing the instruments. Leonteq Securities Ltd also manages the derivative risks and deals with the life-cycle management of the products.

Regulatory provisions

According to the FINMA ruling of 3 September 2010, the Raiffeisen banks are exempt from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

The Swiss Financial Market Supervisory Authority (FINMA) classified the Raiffeisen Group and Raiffeisen Switzerland as systemically important in a ruling issued on 24 June 2015.

The Raiffeisen Group has opted for the following approaches for calculating capital adequacy requirements. Credit risks: International standard approach (SA-BIZ), using the following external ratings.

Client category	Issuer/issue rating		
	S&P	Fitch	Moody's
Central governments and central banks	x	x	x
Public bodies	x	x	x
Banks and securities dealers	x	x	x
Companies	x	x	x

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

- Amounts due from banks
- Amounts due from customers and mortgage loans
- Financial investments
- Positive replacement value

Market risk: Standard approach

The capital adequacy 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 and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the "Capital adequacy requirements for market risk relating to the trading book" table.

Operational risks: Basic indicator approach

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

Mortgage loans

The property value of owner-occupied residential properties is determined using either the real value method or a hedonic pricing method. In the hedonic pricing method, the bank uses regional property price information supplied by an external provider. The model is validated by an external specialist on behalf of the bank. The bank uses these valuations to update the property value periodically. In addition, the bank constantly monitors delinquent interest and principal payments in order to identify higher-risk mortgage loans. These loans are then thoroughly reviewed 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 (also see "Steps involved in determining value adjustments and provisions").

The property value of multi-family units, commercial real estate and special properties is determined using the income capitalisation method, which is based on long-term cash flows. This model also takes into account market data, location information and vacancy rates. Rental income from investment properties is reviewed periodically, particularly when there are indications of significant changes in rental income or vacancy rates.

Loans against securities

The bank monitors the commitments and value of the collateral pledged for loans against securities on a daily basis. If the collateral value of the pledged security 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.

Unsecured loans

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. Audited annual financial statements and any interim financial statements are requested regularly. This information is evaluated 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.

Steps involved in determining value adjustments and provisions

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

Value of collateral

Mortgage loans

Every mortgage loan is preceded by a recent valuation of the underlying collateral. The valuation method varies depending on property type and use. The bank values residential property using a hedonic pricing model together with the real value method. This approach compares the price of property transactions that have similar characteristics to the real estate being valued. The bank uses the income capitalisation method for multi-family units, commercial real estate and special properties. Raiffeisen Switzerland's valuers or external accredited valuers must be involved if the real estate's collateral value exceeds a certain amount or if the real estate has special risks. The liquidation value is calculated if the borrower's creditworthiness is poor.

The bank bases its loan on the lower of an internal or external valuation and the purchase price or capital expenditure (if incurred no more than 24 months previously).

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 liquid, marketable securities and to determine the collateral value. The settlement period for structured products and long-tenor products may be considerably longer, and so they are discounted more heavily than liquid instruments. Discounts on life insurance policies or guarantees are dictated by the product.

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 trained 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, to a limited extent, commodities.

Hedges in the banking book at Raiffeisen Switzerland are created by means of internal deposits and loans with the trading book; the Treasury does not take out hedges directly in the market. Hedges in the trading book are usually executed through offsetting trades with external counterparties.

Notenstein La Roche Private Bank Ltd uses derivative financial instruments in risk management mainly for hedging interest and foreign currency risks, but also for hedging market risk assumed in connection with issuing structured products. All hedges are taken out with external counterparties.

The Raiffeisen banks trade or hedge derivative financial instruments as a commission agent solely to meet clients' needs.

Use of hedge accounting

The Raiffeisen banks do not use hedge accounting for financial reporting purposes.

Types of hedged items and hedging instruments

Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd. use hedge accounting predominantly for the following types of transactions:

Hedged item	Hedged using:
Interest rate risks from interest rate sensitive receivables and liabilities in the bank book	Interest rate swap
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. The bank also uses micro hedges.

Economic connection between hedged items and hedging instruments

At the inception of a hedge relationship between a financial instrument and an item, Raiffeisen Switzerland 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 substantially 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

If a hedge no longer meets the effectiveness criteria, it is treated as a trade and any gain or loss from the ineffective part is recognised in the income statement.

Consolidation, 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 related ordinance), and FINMA Circular 2015/1 Accounting – Banks (ARB). The detailed positions shown for a balance sheet item are valued individually. The consolidated annual accounts represent a true and fair view of the Raiffeisen Group's assets, finances and earnings.

Principles of consolidation

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Raiffeisen Switzerland is legally a subsidiary even though it acts as the central coordinator, liquidity pool and safety net. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on them. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidated companies and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of the individual Raiffeisen banks, Raiffeisen Switzerland and major Group companies in which the Group directly or indirectly holds more than 50% of the voting shares. The fully consolidated Group companies and the shareholdings valued according to the equity method are listed in the note "Companies in which the bank holds a permanent direct or indirect significant participation". Minor participations are not listed individually if the Group holds less than 10% of the voting shares and equity capital and its holding is either worth less than CHF 1 million of the equity capital or the book value is less than CHF 10 million.

Under the full consolidation method, the assets and liabilities, off-balance-sheet transactions, and income and expenses are all recorded in full. Capital is consolidated according to the purchase method. All material amounts receivable and payable, off-balance-sheet transactions, and income and expenses between consolidated companies are offset. Material intercompany profits are not generated and so intercompany profit elimination is ignored in the consolidation.

Minority interests of between 20% and 50% are consolidated according to the equity method. Holdings of less than 20%, those with little materiality in terms of capital or income, and those of a non-strategic nature are not consolidated but are instead accounted for at acquisition cost less any operationally required value adjustments.

Consolidation date

All fully consolidated companies close their annual accounts as at 31 December.

Accounting and valuation principles

Recording of business events

All business transactions that have been concluded by the balance sheet date are recorded on a same-day basis and valued 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 reported as per the trade date.

Foreign currencies

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

The annual reports of the Group companies abroad are drawn up in foreign currencies. Balance sheet and off-balance-sheet business is converted at the rates prevailing on the balance sheet date, while the income statement is converted at the average exchange rate for the year. The conversion difference is recognised directly in equity capital as a currency translation difference with no impact on profit and loss.

Liquid funds, 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 bonds and central mortgage institution loans are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables

These are reported at nominal value less any value adjustments 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.

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. Latent risks are treated as impaired loans. 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 considerable, frequent volatility over time, initial and subsequent provisions are recognised for the total amount (i.e. 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 value adjustments and provisions in equity. Reversals of 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 is 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.

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

All leased objects are reported in the balance sheet as "Receivables from clients" in line with the present-value method.

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

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

Trading business and liabilities from the trading business

The trading business and the liabilities from the trading business are valued and recognised at fair value. Positions for which there is no representative market are valued at the lower of cost or market. 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 and the fair value option". This also applies to interest and dividend income on trading portfolios. 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.

Financial assets

Fixed-income debt securities and warrant bonds are valued at the lower of cost or market if there is no intention to hold them to maturity. Debt instruments 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 is valued at the lower of cost or market. Real estate and equities acquired through the lending business that are intended for disposal are reported under "Financial assets" and valued at the lower of cost or market. The "lower of cost or market" refers to the lower of the initial value or the liquidation value. Precious metals held to cover liabilities under precious metal accounts are valued at their market value on the balance sheet date. In cases where fair value cannot be determined, these are valued at the lower of cost or market.

Non-consolidated participations

Non-consolidated participations include minority holdings of between 20% and 50%, which are valued according to the equity method.

This balance sheet item also includes holdings of less than 20% and all holdings of an infrastructural nature. These are valued in accordance with the principle of initial value, i.e. initial value less operationally required value adjustments. They are tested for impairment as of each balance sheet date.

Tangible assets

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

Real estate	66 years
Alterations and fixtures in rented premises	full rental term, maximum 15 years
Furniture and fixtures	8 years
Other tangible assets	5 years
Internally developed or purchased core banking software	10 years
IT systems and remaining software	3 years

Immaterial investments are booked directly to operating expenses. Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are booked directly to the income statement. Expenditure incurred in connection with the implementation of the future core banking systems is recognised as an asset through "Other ordinary income". Real estate, 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 assets is reviewed as at every balance sheet date 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 asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

Goodwill: If the cost of acquiring a company is higher than the value of the net assets acquired based on standard Group accounting guidelines, the difference is reported as goodwill. Goodwill is amortised on a straight-line basis over its estimated useful life. The amortisation period is usually five years. In justifiable cases, it may be as high as ten years. If goodwill was on the books as of 31 December 2014 and its useful life was originally estimated to be more than ten years, it is still amortised over its original estimated useful life.

Other intangible assets: Acquired intangible assets are recognized where they provide the Group with a measurable benefit over several years. Intangible assets created by the Group itself are not recognised. 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 as of every balance sheet date 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 date that are based on a past event and will probably result in an outflow of resources. Provisions for available overdraft limits are described in the section entitled "Receivables from banks and clients, mortgage receivables".

Reserves for general banking risks

Reserves may be allocated for general banking risks. These reserves are allocated as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank. These reserves are counted as capital in accordance with Art. 21 para. 1 letter c of the Capital Adequacy Ordinance.

Taxes

Taxes are calculated and booked on the basis of the profit for the current year. Deferred tax of 19.1% (previous year: 19.2%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

Contingent liabilities, irrevocable commitments, obligations to make payments and additional contributions

These are reported at their nominal value under "Off-balance sheet business". Provisions are created for identifiable risks.

Derivative financial instruments

Reporting: The replacement values of all contracts concluded on the Group'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 recognised in the balance sheet 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 recognised in the balance sheet.

All Treasury hedging transactions of Raiffeisen Switzerland are concluded via the trading book; the Treasury does not participate in the market itself. Only the replacement values of contracts with external counterparties are reported. The replacement values and contract volume with external counterparties are reported in the note "Open derivative financial instruments". The volume of internal Treasury hedging transactions is reported under hedging instruments.

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 "Bonds and central mortgage institution loans". Discounts and premiums are reported in 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".

The structured products issued in Guernsey and by Raiffeisen Switzerland B.V. Amsterdam are valued at fair value. These products are carried at market value under "Liabilities from other financial instruments at fair value".

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 interest rate risk as part of balance sheet "structural management" are valued in accordance with the accrual method. Interest-related gains and losses arising from 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 securities and investment activities".

Changes as against previous year

There were no material changes to the accounting and valuation principles.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2016) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the balance sheet

1. Securities financing transactions (assets and liabilities)

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	338,261	391,411
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	2,599,331	4,084,259
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	2,591,018	3,515,132
with unrestricted right to resell or pledge	2,580,400	3,515,132
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	477,838	495,469
of which, repledged securities	74,158	108,492
of which, resold securities	138,207	105,139

* before netting agreements

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

	Secured by mortgage in 1,000 CHF	Other collateral in 1,000 CHF	Unsecured in 1,000 CHF	Total in 1,000 CHF
Loans (before netting with value adjustments)				
Amounts due from customers	2,372,466	1,198,623	4,540,041	8,111,130
Mortgage loans	165,426,201	-	128,524	165,554,725
Residential property	152,476,620	-	57,822	152,534,442
Office and business premises	3,427,408	-	8,269	3,435,677
Commercial and industrial premises	4,829,717	-	8,951	4,838,668
Other	4,692,456	-	53,482	4,745,938
Total loans (before netting with value adjustments)				
Current year	167,798,667	1,198,623	4,668,565	173,665,855
Previous year	160,934,967	1,061,833	4,701,768	166,698,568
Total loans (after netting with value adjustments)				
Current year	167,798,667	1,198,623	4,447,714	173,445,004
Previous year	160,934,967	1,061,833	4,481,901	166,478,701
Off-balance-sheet				
Contingent liabilities	46,542	97,365	247,733	391,640
Irrevocable commitments	5,679,820	258,899	2,077,889	8,016,607
Call commitments and additional funding obligations	-	-	118,541	118,541
Total off-balance-sheet				
Current year	5,726,362	356,264	2,444,163	8,526,789
Previous year	5,405,737	331,248	2,363,263	8,100,248
Impaired loans				
Current year	905,101	672,219	232,882	223,590
Previous year	873,329	644,643	228,686	222,849

The difference between the net amount borrowed and the provisions 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.

3. Trading portfolios and other financial instruments at fair value (assets and liabilities)

3.1 Assets

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolio assets		
Debt securities, money market securities/transactions	2,222,124	1,346,350
stock exchange listed [*]	1,099,219	914,984
traded on a representative market	1,122,905	431,366
Equity securities	248,290	291,871
Precious metals	416,479	449,937
Other trading portfolio assets	24,908	26,869
Other financial instruments at fair value		
Debt securities	-	-
Structured products	-	-
Other	-	-
Total assets	2,911,801	2,115,027
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	342,686	434,217

* stock exchange listed = traded on a recognised stock exchange

3.2 Liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolio assets		
Debt securities, money market securities/transactions ¹	137,331	105,139
of which, listed ²	137,331	105,139
Equity securities ¹	863	-
Precious metals ¹	-	-
Other trading portfolio liabilities ¹	13	-
Other financial instruments at fair value		
Debt securities	-	-
Structured products	1,633,944	870,029
Other	-	-
Total liabilities	1,772,151	975,168
of which, determined using a valuation model	1,633,944	870,029

¹ for short positions (booked using the trade date accounting principle)

² stock exchange listed = traded on a recognised stock exchange

4. Derivative financial instruments (assets and liabilities)

4.1 Derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	426	299	2,800,000	-	-	-
Swaps	465,780	509,241	47,905,668	716,136	988,303	39,125,200
Futures	-	-	1,803,895	-	-	-
Options (OTC)	2,128	3,535	67,931	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total interest rate instruments	468,334	513,075	52,577,494	716,136	988,303	39,125,200
Foreign exchange						
Forward contracts	343,264	270,862	34,076,583	41,235	29,154	4,559,017
Comb. interest rate/currency swaps	-	381	13,288	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	8,298	6,463	598,734	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total foreign exchange	351,562	277,706	34,688,605	41,235	29,154	4,559,017
Precious metals						
Forward contracts	15,396	18,514	1,085,503	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	32,481	-	-	-
Options (OTC)	10,847	6,507	570,983	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total precious metals	26,243	25,021	1,688,967	-	-	-
Equity securities/indices						
Forward contracts	-	-	-	-	-	-
Swaps	48,635	80,873	2,521,914	-	-	-
Futures	-	-	142,580	-	-	-
Options (OTC)	75,830	89,911	2,327,100	-	8	184,237
Options (exchange traded)	2,896	101	25,222	-	-	-
Total equity securities/indices	127,361	170,885	5,016,816	-	8	184,237

	Trading instruments			Hedging instruments		
	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume in 1,000 CHF
Credit derivatives						
Credit default swaps	9,100	12,057	527,369	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Total credit derivatives	9,100	12,057	527,369	-	-	-
Other						
Forward contracts	-	-	-	-	-	-
Swaps	-	90	6,330	-	-	-
Futures	-	-	114	-	-	-
Options (OTC)	3,194	1,171	27,493	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total other	3,194	1,261	33,937	-	-	-
Total						
Current year	985,794	1,000,005	94,533,188	757,371	1,017,465	43,868,454
of which determined using a valuation model	974,042	994,239		757,371	1,014,105	
Previous year	955,159	1,137,531	91,683,888	840,137	1,260,153	47,346,161
of which determined using a valuation model	943,946	1,129,685		840,137	1,260,153	

4.2 Derivative financial instruments by counterparty and time remaining to maturity

	Positive replacement values in 1,000 CHF	Negative replacement values in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Banks and securities dealers	1,533,366	1,922,239	60,243,245	36,263,612	17,795,513	114,302,370
Other customers	125,300	59,114	3,910,302	1,001,786	482,547	5,394,635
Stock exchanges	2,896	101	1,988,787	-	-	1,988,787
Central clearing houses	81,603	36,016	7,712,500	4,029,150	4,974,200	16,715,850
Total						
Current year	1,743,165	2,017,470	73,854,834	41,294,548	23,252,260	138,401,642
Previous year	1,795,296	2,397,684	61,613,952	53,529,731	23,886,367	139,030,049

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted with counterparties primarily with a very good credit rating. 86.8 % of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

	Book value current year in 1,000 CHF	Book value previous year in 1,000 CHF	Fair value current year in 1,000 CHF	Fair value previous year in 1,000 CHF
Financial investments				
Debt securities	7,598,777	6,507,580	7,861,851	6,763,615
of which, intended to be held until maturity	7,499,852	6,362,676	7,762,228	6,618,260
of which, not intended to be held to maturity (available for sale)	98,925	144,904	99,623	145,355
Equity securities	318,970	338,538	332,087	344,592
of which qualified participations*	50,508	22,746	50,508	22,746
Precious metals	446	405	446	405
Real estate	33,772	30,896	36,460	34,421
Total financial investments	7,951,965	6,877,419	8,230,844	7,143,033
of which securities for repo transactions in line with liquidity requirements	7,163,693	5,891,951	-	-

* At least 10% of the capital or the votes

5.2 Breakdown of counterparties by rating

	Book value Aaa to Aa3 in 1,000 CHF	Book value A1 to A3 in 1,000 CHF	Book value Baa1 to Baa3 in 1,000 CHF	Book value Ba1 to B3 in 1,000 CHF	Book value Below B3 in 1,000 CHF	Book value Unrated in 1,000 CHF
Debt securities	7,201,627	189,180	49,295	-	-	158,675

Ratings are assigned based on Moody's rating classes. The Raiffeisen Group uses the ratings issued by Moody's, Standard & Poors and Fitch.

6. Non-consolidated participations

	Acquisition cost in 1,000 CHF	Accumulated value adjustments and changes in book values (equity method) in 1,000 CHF	Book value previous year end in 1,000 CHF	Changes to the consolidated Group in 1000 CHF	Current year reclassifications in 1,000 CHF	Current year additions in 1,000 CHF	Current year disposals in 1,000 CHF	Current year value adjustments in 1,000 CHF	Current year changes in book value in the case of participations valued using the equity method in 1,000 CHF	Book value as at end of current year in 1,000 CHF	Market value in 1,000 CHF
Participations valued using the equity method	224,035	189,226	413,261	-31	-	26,747	-	-	21,359	461,336	
- with market value	92,655	27,985	120,640	-	-	-	-	-	-8,924	111,716	157,191
- without market value	131,380	161,241	292,621	-31	-	26,747	-	-	30,283	349,620	-
Other non-consolidated participations	331,813	-13,183	318,630	-250	-	7,641	-3	-310	590	326,298	
- with market value	127,763	-45	127,718	-	-	-	-	-	-	127,718	218,237
- without market value	204,050	-13,138	190,912	-250	-	7,641	-3	-310	590	198,580	-
Total non-consolidated participations	555,848	176,043	731,891	-281	-	34,388	-3	-310	21,949	787,634	375,428

7. Companies in which the bank holds a permanent direct or indirect significant participation

Company name/holding	Registered office	Business activity	Capital in 1,000 CHF	Current ¹ year equity interest in %	Current ¹ year voting share in %	Previous ¹ year equity interest in %	Previous ¹ year voting share in %
7.1 Group companies							
Raiffeisen Switzerland Cooperative ²	St.Gallen	Central bank, association services	1,700,000	100.0	100.0	100.0	100.0
Raiffeisen Unternehmerzentrum AG	Gossau SG	Advisory services for SMEs	5,000	100.0	100.0	100.0	100.0
Business Broker AG ³	Zurich	Management consulting	100	100.0	100.0	100.0	100.0
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0	100.0	100.0
Notenstein Private Bank Ltd	St.Gallen	Private bank	22,200	100.0	100.0	100.0	100.0
Notenstein Finance (Guernsey) Limited ⁴	Guernsey	Financial services	5,000	100.0	100.0	100.0	100.0
Notenstein Financial Services GmbH ⁴	Munich	Investment advisory services and financial asset brokerage	107	100.0	100.0	100.0	100.0
TCMG Asset Management AG ⁵	Zollikon	Affiliated company	-	-	-	100.0	100.0
Vescore AG	St. Gallen	Asset Management	10,000	-	-	100.0	100.0
1741 Fund Solutions Ltd (ex Vescore Fondsleitung Ltd)	St. Gallen	Asset Management/ Fund business	5,000	-	-	100.0	100.0
1741 Fund Management Ltd	Vaduz	Asset Management/ Fund business	2,800	-	-	100.0	100.0
Vescore Deutschland GmbH	Munich	Asset Management/ Fund business	544	-	-	100.0	100.0
CEAMS Holding AG	Meilen	Affiliated company	120	-	-	100.0	100.0
Vescore Indices GmbH	St. Gallen	Advisory services	40	-	-	100.0	100.0
KMU Capital Ltd ⁶	Herisau	Financial services	2,566	100.0	100.0	100.0	100.0
Investnet AG ⁶	Herisau	Financial services	150	100.0	100.0	100.0	100.0
Investnet Holding Ltd ⁷	Herisau	Affiliated company	10,000	60.0	60.0	60.0	60.0
ARIZON Sourcing Ltd ^{9, 10}	St. Gallen	Operational and advisory services for banks	10,000	51.0	51.0	51.0	51.0
Raiffeisen Switzerland B.V. Amsterdam	Amsterdam NL	Financial services	1,000	100.0	100.0	-	-
7.2 Participations valued using the equity method							
Vorsorge Partner AG	St. Gallen	Pension advisory services	100	40.0	40.0	40.0	40.0
Leonteq Ltd ⁸	Zurich	Financial services	15,945	29.0	29.0	29.0	29.0
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG ²	Zurich	Pfandbriefbank	900,000	21.7	21.7	21.6	21.6
of which not paid up			504,000				
7.3 Other non-consolidated participations¹¹							
responsAbility Participations AG	Zurich	Financial services	138,877	14.4	14.4	14.4	14.4
of which not paid up			77,142				
Swiss Bankers Prepaid Services Ltd	Grosshöchstetten	Financial services	10,000	16.5	16.5	16.5	16.5
Cooperative Olma Messen St.Gallen	St. Gallen	Organisation of fairs	23,283	11.5	11.5	11.5	11.5
Avaloq Group AG	Freienbach	Affiliated company	103	10.0	10.0	10.0	10.0
Twint Ltd	Zurich	Financial services	10,200	4.9	4.9	-	-
SIX Group Ltd	Zurich	Financial services	19,522	6.9	6.9	6.9	6.9

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Helvetia Holding Ltd	St. Gallen	Financial services	995	4.0	4.0	4.0	4.0
Coresystems Ltd	Windisch	IT services	323	19.0	19.0	-	-
adRom Digital Media Ltd	Vaduz	IT services	50	33.3	33.3	-	-

1 The level of equity capital and voting shares is always stated from the perspective of the directly controlling company

2 The Raiffeisen banks directly own Raiffeisen Switzerland Cooperative and 18.7% of Pfandbriefbank schweizerischer Hypothekarinstitute AG.

3 Control of Raiffeisen Unternehmerzentrum AG

4 Control of Notenstein La Roche Private Bank Ltd.

5 Control of Notenstein La Roche Private Bank Ltd. The company was liquidated in 2016.

6 Controlled by Investnet Holding AG.

7 Starting on 1 July 2020, all minority shareholders will have a put option to sell their shares in the company to the majority shareholder Raiffeisen Switzerland at any time based on a defined valuation method.

8 Raiffeisen Switzerland Cooperative sold call options on Leonteq founding partners for 5.8% of the share capital in Leonteq AG. The strike price is CHF 210 per share (adjusted for dividend payments) and the term is 10 years (until October 2025).

9 Avaloq Group AG holds 49% of ARIZON Sourcing Ltd.

10 Raiffeisen Switzerland Cooperative and Avaloq have entered into various call and put options for shares in ARIZON Sourcing Ltd. These options are contingent on various future milestones and events. Depending on the event, Raiffeisen Switzerland Cooperative has the right to purchase all the shares in ARIZON Sourcing Ltd that are held by Avaloq. At the same time, Avaloq also has the right to sell its shares to Raiffeisen Switzerland Cooperative. On the other hand, upon the occurrence of certain events, Avaloq has the right to make an initial purchase of 2% and a later additional purchase of up to 29% of the shares held by Raiffeisen Switzerland Cooperative, leaving Raiffeisen Switzerland Cooperative with a stake of only 20% in ARIZON Sourcing Ltd. At the same time, Raiffeisen Switzerland Cooperative has the right to sell a total stake of 31% to Avaloq.

11 All participations in cooperation partners and joint ventures by the banks are listed here. Other participations are listed if (a) the shareholding represents more than 10% of the voting share and equity and (b) the shareholding is worth > CHF 1 million of the equity or the book value is > CHF 10 million.

8. Tangible fixed assets

8.1 Tangible fixed assets

	Acquisition cost in 1,000 CHF	Accumulated depreciation in 1,000 CHF	Book value previous year end in 1,000 CHF	impact of any changes in the scope of consolidation in 1,000 CHF	Current year reclassi- fications in 1,000 CHF	Current year additions in 1,000 CHF	Current year disposals in 1,000 CHF	Current year depreci- ation in 1,000 CHF	Book value as at end of current year in 1,000 CHF
Bank buildings	2,271,936	-512,895	1,759,041	-	-14,138	108,534	-25,433	-38,651	1,789,353
Other real estate	478,161	-117,136	361,025	-	1,262	17,343	-9,802	-9,285	360,543
Proprietary or separately acquired software	205,973	-110,995	94,978	-	252	128,498	-1	-20,055	203,672
of which, own work capitalised	53,638	-	53,638	-	-	111,161*	-	-	164,799
Other tangible fixed assets	1,147,014	-886,389	260,625	-100	12,630	59,008	-2,614	-83,712	245,837
Objects in finance leasing	142	-31	111	-	-6	29	-	-27	107
Total tangible assets	4,103,226	-1,627,446	2,475,780	-100	-	313,412	-37,850	-151,730	2,599,512

* Recognised in the income statement under "Other ordinary income".

8.2 Operating leases

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-recognised lease commitments		
Due within 12 months	2,533	2,337
Due within 1 to 5 years	3,626	4,268
Due after 5 years	-	-
Total non-recognised lease commitments	6,159	6,605
of which obligations that can be terminated within one year	6,078	6,538

9. Intangible assets

	Cost value in 1,000 CHF	Accumulated depreciation in 1,000 CHF	Book value previous year end in 1,000 CHF	Changes to the consolidated Group in 1000 CHF	Current year additions in 1,000 CHF	Current year disposals in 1,000 CHF	Current year amortisation in 1,000 CHF	Book value as at end of current year in 1,000 CHF
Goodwill	574,185	-84,412	489,773	-27,194	33,452	-524	-94,219*	401,288
Other intangible assets	25,000	-2,016	22,984	-	-	-	-4,839	18,145
Total intangible assets	599,185	-86,428	512,757	-27,194	33,452	-524	-99,058	419,433

* As a result of the share price performance and unsatisfactory net profit for 2016, the goodwill attributable to the Leonteq participation was deemed impaired and written down by CHF 52.3 million as at 31 December 2016.

10. Other assets and other liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Compensation account	180,565	392,818
Settlement accounts for indirect taxes	303,233	876,074
Other settlement accounts	54,585	29,563
Employer contribution reserves with pension plans	123,233	114,983
Miscellaneous other assets	11,090	12,627
Total other assets	672,706	1,426,065
Other liabilities		
Due, unredeemed coupons and debt instruments	15,856	21,134
Levies, indirect taxes	60,877	80,244
Other settlement accounts	87,324	74,151
Miscellaneous other liabilities	6,047	7,487
Total other liabilities	170,104	183,016

11. Assets pledged or assigned to secure own commitments and of assets under reservation of ownership¹

	Current year book value in 1,000 CHF	Current year effective commitments in 1,000 CHF	Previous year book value in 1,000 CHF	Previous year effective commitments in 1,000 CHF
Amounts due from banks	528,792	524,567	769,768	763,593
Mortgage loans	28,229,613	20,671,997	26,420,252	18,998,762
Financial investments	1,354,638	233,705	1,249,757	138,905
Tangible fixed assets/other assets	35	-	880	-
Total pledged or assigned assets	30,113,078	21,430,269	28,440,657	19,901,260
Total assets under reservation of ownership²	107	107	111	111

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

2 These are primarily finance leasing objects that are recognized as assets

12. Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal 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 employees of Notenstein La Roche Private Bank Ltd are insured with Katharinen Pension Fund I and II, which are both defined-contribution plans. All employees are insured and thus vested starting at the minimum annual BVG salary defined by law. The employer has no additional obligations to provide further benefits. Katharinen Pension Fund II is a voluntary pension plan for employees of Notenstein La Roche Private Bank Ltd that enables the use of personalised investment strategies.

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. Eight Raiffeisen banks (prior year: eight) and Investnet AG and Business Broker AG are insured outside the pension plans of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

12.1 Liabilities to own social insurance institutions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Amounts due in respect of customer deposits	274,962	361,563
Negative replacement values of derivative financial instruments	3,527	-
Bonds	40,000	40,000
Accrued expenses and deferrerd income	543	543
Total liabilities to own social insurance institutions	319,032	402,106

12.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for pension plans outside the Raiffeisen Group (Others).

	Current year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF	Previous year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF
As at 1 January	112,912	2,071	114,983	102,117	1,916	104,033
+ Deposits	18,648	4,867	23,515	22,019	144	22,163
- Withdrawals	-12,974	-2,607	-15,581	-11,590	-	-11,590
+ Interest paid*	311	5	316	366	11	377
As at 31 December	118,897	4,336	123,233	112,912	2,071	114,983

* 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 plan. The individual employer contribution reserves of the affiliated companies cannot be offset against each other. The balance of the employer contribution reserves is recorded in the balance sheet under "Other assets". The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

12.3 Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual reports (in accordance with Swiss GAAP FER 26) of the pension plans of the Raiffeisen Group, the coverage ratio is:

	on 31.12.2016 in %	on 31.12.2015 in %
Raiffeisen Pension Fund Cooperative	110.8	109.8
Katharinen Pension Fund I	111.2	111.2
Katharinen Pension Fund II	119.7	118.8

The fluctuation reserves of the Raiffeisen Group's pension plans did not reach the level stipulated in the pension fund regulations in the current year.

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 expenditure with significant influencing factors

	Current year in 1,000 CHF	Prior year in 1,000 CHF
Pension expenditure according to separate financial statements	123,103	122,089
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-3,390	-10,573
Employer contributions reported on an accruals basis	119,713	111,516
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	-	-
Pension expenses of the Raiffeisen Group (see note 26 "Personnel expenses")	119,713	111,516

13. Issued structured products

	Book value				
	Valued as a whole		Valued separately		Total in 1,000 CHF
	Booked in trading portfolio in 1,000 CHF	Booked in other financial instruments at fair value in 1,000 CHF	Value of the host instrument in 1,000 CHF	Value of the derivative in 1,000 CHF	
Underlying risk of the embedded derivative					
Interest rate instruments	-	168,219	162,737	-2,158	328,798
With own debenture component (oDC)	-	168,219	162,737	-2,158	328,798
Without oDC	-	-	-	-	-
Equity securities	-	1,448,475	1,580,306	-37,382	2,991,399
With own debenture component (oDC)	-	1,448,385	1,580,306	-47,844	2,980,847
Without oDC	-	90	-	10,462	10,552
Foreign currencies	-	17,175	1,075	-203	18,047
With own debenture component (oDC)	-	17,175	1,075	-203	18,047
Without oDC	-	-	-	-	-
Commodities/precious metals	-	75	2,570	-1,176	1,469
With own debenture component (oDC)	-	75	2,570	-1,176	1,469
Without oDC	-	-	-	-	-
Total	-	1,633,944	1,746,688	-40,919	3,339,713

Issued structured products of Notenstein La Roche Private Bank Ltd and of Raiffeisen Switzerland Cooperative

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».

Issued structured products of Notenstein Finance Guernsey and of Raiffeisen Switzerland B.V. Amsterdam

Issued structured products are carried at market value and included in «Liabilities from other financial instruments at fair value».

14. Outstanding bonds and central mortgage institution loan

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1,000 CHF
Bonds of Raiffeisen Switzerland					
Bonds of Raiffeisen Switzerland - non subordinated	2010	1.375	21.09.2017		198,790
	2010	2.000	21.09.2023		250,000
	2011	2.125	04.02.2019		248,700
	2011	2.625	04.02.2026		128,215
	2011	2.375	10.05.2018		149,500
	2014	0.000	07.02.2017		336,900 ¹
	2014	1.625	07.02.2022		99,955
	2014	0.312	05.06.2018		209,815 ¹
	2016	0.000	17.09.2020		50,000
	2016	0.300	22.04.2025		363,535
	2016	0.750	22.04.2031		87,065
Bonds of Raiffeisen Switzerland – subordinated without PONV clause ²	2011	3.875	21.12.2021		535,000
Bonds of Raiffeisen Switzerland – subordinated with PONV clause ²	2013	3.000	Perpetual	02.05.2018	549,125 ³
	2015	3.000	Perpetual	02.10.2020	599,990 ³
Underlying instruments from issued structured products ⁴	div.	2.424 ⁵	2017		26,352
		-0.177 ⁵	2018		23,117
		-0.137 ⁵	2019		9,758
		-0.543 ⁵	2020		204
		-0.729 ⁵	2021		1,579
		-0.121 ⁵	after 2021		1,951
Total bonds of Raiffeisen Switzerland					3,869,552
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					
	div.	1.353 ⁵	div.		20,069,900
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					20,069,900
Loans from Notenstein La Roche Private Bank Ltd					
Underlying instruments from issued structured products ⁴		-0.170 ⁵	2017		618,925
		-0.410 ⁵	2018		378,175
		-0.150 ⁵	2019		227,001
		-0.060 ⁵	2020		91,021
		0.180 ⁵	2021		78,589
		0.020 ⁵	after 2021		290,015
Total loans from Notenstein La Roche Private Bank Ltd					1,683,726
Total outstanding bonds and central mortgage institution loan					25,623,178

1 Variable coupon, basis CHF Libor 3 months and spread

2 PONV clause = point of non-viability

3 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).

4 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".

5 Average weighted interest rate (volume-weighted)

15. Value adjustments and provisions

	Previous year end in 1,000 CHF	Use in conformity with designated purpose in 1,000 CHF	Reclassifications in 1,000 CHF	Past due interest, recoveries in 1,000 CHF	New creations charged to income in 1,000 CHF	Releases to income in 1,000 CHF	Balance at current year end in 1,000 CHF
Provisions for deferred taxes	830,813				24,061	-3,410	851,464
Provisions for default risks	15,179	-	564	-	1,817	-4,139	13,421
Provisions for other business risks	22,595	-3,736	-		115	-446	18,528
Provisions for restructuring ¹	-	-	-		11,506	-	11,506
Other provisions ²	8,987	-455	-		240	-215	8,557
Total provisions	877,574	-4,191	564	-	37,739	-8,210	903,476
of which, value adjustments for default risks in respect of impaired loans/receivables	222,849	-15,259	-564	7,226	63,875	-54,537	223,590
of which, value adjustments for latent risks	-	-	-	-	-	-	-
Value adjustments for default and country risks	222,849	-15,259	-564	7,226	63,875	-54,537	223,590

1 Of which, CHF 4.4 million were recognised under personnel expenses.

2 Other provisions include provisions for legal expenses.

16. Cooperative capital

	Number of members	Nominal amount per share	in 1,000 CHF
Cooperative capital at the beginning of the current year			
Cooperative capital	1,862,032		395,082
Cooperative capital (additional cooperative shares)*			853,195
Total cooperative capital at the beginning of the current year	1,862,032		1,248,277
+ Payments from new cooperative members	73,090	200	14,618
	216	300	65
	163	400	65
	3,090	500	1,545
+ Payments of cooperative shares (additional cooperative shares)			366,774
+ Payments through increase in nominal capital			3,014
Total payments from new cooperative members	76,559		386,081
- Repayments to departing cooperative members	-59,642	200	-11,928
	-170	300	-51
	-133	400	-53
	-1,959	500	-980
- Repayments of cooperative shares (additional cooperative shares)			-24,186
- Repayments through decrease in nominal capital			-2,407
Total repayments to departing cooperative members	-61,904		-39,605
Total cooperative capital at the end of the current year			
of which cooperative capital	1,791,994	200	358,399
	6,037	300	1,811
	5,669	400	2,267
	72,987	500	36,493
of which cooperative capital (additional cooperative shares)			1,195,783
Total cooperative capital at the end of the current year	1,876,687		1,594,753

* To avoid double counting, the number of members is shown only under the position "Cooperative capital".
 Number of cooperative shares, number of shares: Current year 7,742,800, previous year 6,017,367

Interest-bearing cooperative capital: Current year CHF 1,594,753,300, previous year CHF 1,248,277,400

Paid-up cooperative capital: Current year CHF 1,594,753,300, previous year 1,248,277,400

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2016: CHF 3,633,647,000 (previous year: 3,455,452,000)

No cooperative member holds more than 5% of voting rights.

17. Related parties

	Amounts due from		Amounts due to	
	Current year in 1,000 CHF	Previous year in 1,000 CHF	Current year in 1,000 CHF	Previous year in 1,000 CHF
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	19,274	18,069	3,655	3,426
Members of the Executive Board, of the Extended Executive Board and Head of internal Auditing of Raiffeisen Switzerland and associated persons and companies	42,986	42,891	8,579	6,974
Other related parties*	4,643,716	3,531,202	20,444,021	18,738,991
Total amounts due from/to related parties	4,705,976	3,592,162	20,456,255	18,749,391

* Includes receivables from and liabilities to non-consolidated participations with a participating interest between 20% and 50%, or a participating interest of less than 20% if significant influence can be exercised otherwise.

Material off-balance-sheet transactions with related parties

Contingent liabilities exist vis-a-vis related parties amounting to CHF 10.4 million (previous year CHF 18.2 million), irrevocable commitments amounting to CHF 252.9 million (previous year CHF 379.8 million) and call-in obligations amounting to CHF 109.2 million (previous year CHF 96.6 million).

Transactions with associated persons

On- and off-balance-sheet transactions with associated persons are allowed at arm's length terms, with the following exceptions:

Standard preferential terms apply to the Executive Board, the Extended Executive Board and to the Head of Internal Auditing of Raiffeisen Switzerland.

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

18. Maturity structure of financial instruments

	At sight in 1,000 CHF	Cancellable in 1,000 CHF	Due within 3 months in 1,000 CHF	Due within 3 to 12 months in 1,000 CHF	Due within 1 to 5 years in 1,000 CHF	Due after 5 years in 1,000 CHF	Total in 1,000 CHF
Assets/financial instruments							
Liquid assets	20,389,822	-	-	-	-	-	20,389,822
Amounts due from banks	251,932	217,640	6,514,040	100,000	-	-	7,083,612
Amounts due from securities financing transactions	-	-	338,260	-	-	-	338,260
Amounts due from clients	73,511	2,075,173	1,621,949	866,608	2,151,878	1,229,685	8,018,804
Mortgage loans	40,647	8,098,507	7,998,259	17,195,118	90,148,049	41,945,620	165,426,200
Trading portfolio assets	2,911,801	-	-	-	-	-	2,911,801
Positive replacement values of derivative financial instruments	1,743,165	-	-	-	-	-	1,743,165
Financial investments*	268,504	2,455	348,021	343,306	2,703,841	4,285,838	7,951,965
Total							
Current year	25,679,382	10,393,775	16,820,529	18,505,032	95,003,768	47,461,143	213,863,629
Previous year	23,650,274	11,692,876	11,809,579	18,632,933	90,985,694	43,605,126	200,376,482
Debt capital/financial instruments							
Liabilities to banks	523,322	332	8,430,705	1,556,356	342,000	-	10,852,715
Liabilities from securities financing transactions	-	-	2,599,332	-	-	-	2,599,332
Amounts due in respect of customer deposits	50,599,164	93,294,780	3,211,428	3,512,008	6,179,607	1,457,462	158,254,449
Trading portfolio liabilities	138,207	-	-	-	-	-	138,207
Negative replacement values of derivative financial instruments	2,017,470	-	-	-	-	-	2,017,470
Liabilities from other financial instruments at fair value	1,633,944	-	-	-	-	-	1,633,944
Cash bonds	-	-	145,316	258,991	681,158	92,310	1,177,775
Bonds and central mortgage institution loan	-	-	1,196,978	1,338,004	8,461,516	14,626,680	25,623,178
Total							
Current year	54,912,107	93,295,112	15,583,759	6,665,359	15,664,281	16,176,452	202,297,070
Previous year	27,789,848	112,484,974	12,064,278	8,181,137	15,272,856	14,857,567	190,650,660

* Financial assets include CHF 33,772,498 of real estate (previous year: CHF 30,895,892).

19. Balance sheet by currency

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Assets					
Liquid assets	19,847,018	355,206	46,361	141,237	20,389,822
Amounts due from banks	2,893,318	1,391,377	2,361,734	437,183	7,083,612
Amounts due from securities financing transactions	-	-	338,260	-	338,260
Amounts due from clients	7,581,296	222,821	144,176	70,511	8,018,804
Mortgage loans	165,426,200	-	-	-	165,426,200
Trading portfolio assets	1,133,654	737,779	571,361	469,007	2,911,801
Positive replacement values of derivative financial instruments	1,743,165	-	-	-	1,743,165
Financial investments	6,882,963	560,695	447,420	60,887	7,951,965
Accrued income and prepaid expenses	230,735	5,071	9,396	1,595	246,797
Non-consolidated participations	783,726	3,908	-	-	787,634
Tangible fixed assets	2,599,511	1	-	-	2,599,512
Intangible assets	419,433	-	-	-	419,433
Other assets	672,164	268	42	232	672,706
Total assets reflected in the balance sheet	210,213,183	3,277,126	3,918,750	1,180,652	218,589,711
Delivery claims under spot exchange, forward exchange and currency option contracts	15,167,975	8,202,488	13,260,545	3,511,006	40,142,013
Total assets	225,381,158	11,479,614	17,179,295	4,691,658	258,731,724
Liabilities					
Liabilities to banks	6,152,900	965,598	2,816,482	917,735	10,852,715
Liabilities from securities financing transactions	315,000	675,669	1,470,734	137,929	2,599,332
Amounts due in respect of customer deposits	153,043,043	2,887,271	1,729,891	594,244	158,254,449
Trading portfolio liabilities	135,299	2,908	-	-	138,207
Negative replacement values of derivative financial instruments	2,017,470	-	-	-	2,017,470
Liabilities from other financial instruments at fair value	495,078	600,628	486,756	51,482	1,633,944
Cash bonds	1,177,775	-	-	-	1,177,775
Bonds and central mortgage institution loan	25,209,463	157,096	221,448	35,171	25,623,178
Accrued expenses and deferred income	821,790	2,092	4,661	152	828,695
Other liabilities	160,735	3,131	4,624	1,614	170,104
Provisions	903,476	-	-	-	903,476
Cooperative capital	1,594,753	-	-	-	1,594,753
Retained earnings reserve	12,036,055	152	-	7	12,036,214
Currency translation reserve	1	-3	-	-2	-4
Group profit	754,323	-338	-	84	754,069
Minority interests in equity	5,334	-	-	-	5,334
– of which minority interests in group profit	-2,233	-	-	-	-2,233
Total liabilities reflected in the balance sheet	204,822,495	5,294,204	6,734,596	1,738,416	218,589,711
Delivery entitlements from spot exchange, forward exchange and currency option contracts	20,537,915	6,128,292	10,415,925	2,952,005	40,034,137
Total liabilities	225,360,410	11,422,496	17,150,521	4,690,421	258,623,848
Net position per currency	20,747	57,118	28,774	1,237	107,877
				31.12.2016	31.12.2015
Foreign currency conversion rates					
EUR				1.073	1.088
USD				1.016	1.001

Information on off-balance sheet business

20. Contingent assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Guarantees to secure credits and similar	233,267	239,811
Performance guarantees and similar	47,183	54,575
Other contingent liabilities	111,190	141,113
Total contingent liabilities	391,640	435,499
Contingent assets arising from tax losses carried forward	1,952	9,464
Other contingent assets	-	-
Total contingent assets	1,952	9,464

21. Fiduciary transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Fiduciary investments with third-party banks	219,799	132,826
Fiduciary loans	-	900
Total fiduciary transactions	219,799	133,726

Information on the income statement

22. Results from commission business and services

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from securities trading and investment activities		
Fund business	91,658	106,353
Custody account business	76,223	75,021
Brokerage	74,967	83,605
Asset management business	74,664	66,179
Other securities trading and investment activities	38,052	25,856
Commission income from lending activities	17,643	18,012
Commission income from other services		
Payments	148,934	142,285
Account maintenance	24,876	25,195
Other services	40,608	36,349
Total commission income	587,625	578,855
Commission expense		
Securities business	-41,942	-38,704
Payments	-67,227	-65,284
Other commission expense	-11,704	-12,182
Total commission expense	-120,873	-116,170
Total results from commission business and services	466,752	462,685

23. Result from trading activities and the fair value option

23.1 Breakdown by business area

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Raiffeisen Switzerland Cooperative	84,222	75,960
Raiffeisen banks	119,061	119,515
Group companies	24,656	13,859
Total result from trading activities	227,939	209,334

23.2 Breakdown by underlying risk and based on the use of the fair value option

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Result from trading activities from		
Foreign exchange trading	129,076	129,482
Precious metals and foreign notes and coins trading	66,475	58,006
Equities trading	994	3,245
Fixed income trading	31,394	18,601
Total result from trading activities	227,939	209,334
of which, from fair value option	10,198	3,281
of which, from fair value option on assets	62	-
of which, from fair value option on liabilities	10,136	3,281

24. Income from participating interests

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Participations valued according to the equity method	47,332	40,869
Other non-consolidated participations	19,805	39,498
Total income from participating interests	67,137	80,367

25. Negative interest

	Current year ¹ in 1,000 CHF	Previous year ² in 1,000 CHF
Negative interest on lending business (Reduction in interest and discount income)	53,681	-
Negative interest on deposit-taking business (Reduction in interest expenditure)	55,882	-

1 Negative interest during the current year relates primarily to hedging transactions and transactions with banks.

2 In the previous year, negative interest on lending business and deposit-taking business was insignificant.

26. Personnel expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Meeting attendance fees and fixed compensation to members of the banking authorities	24,416	24,640
Salaries and benefits for staff	1,094,007	1,066,165
AHV, IV, ALV and other statutory contributions	97,861	94,129
Contributions to staff pension plans	119,713	111,516
Other personnel expenses	45,135	33,346
Total personnel expenses	1,381,132	1,329,796

27. General and administrative expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Office space expenses	96,469	93,521
Expenses for information and communications technology	106,767	88,279
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	28,406	27,220
Fees of audit firms	13,248	13,241
– of which, for financial and regulatory audits	13,074	12,998
– of which, for other services	174	243
Other operating expenses	361,570	335,388
Total general and administrative expenses	606,460	557,649

28. Extraordinary income and expenses

Current year

The extraordinary income of CHF 75.1 million mainly consists of CHF 72.7 million in income from the sale of tangible fixed assets and participations (of which CHF 63.7 million came from the sale of the Vescore Group).

The extraordinary expenses of CHF 4.2 million include losses from the sale of tangible assets of CHF 3.8 million.

Previous year

The extraordinary income of CHF 66.9 million mainly consists of CHF 66.0 million in income from the sale of tangible assets and participations (of which CHF 61.9 million from the sale of Leonteq Ltd shares).

The extraordinary expenses of CHF 3.3 million include losses from the sale of tangible assets of CHF 3.0 million.

29. Current and deferred taxes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Creation of provisions for deferred taxes	20,651	37,435
Expenses for current taxes	153,117	163,257
Total tax expenses	173,768	200,692
Average tax rate weighted on the basis of the operating result	20.3%	21.3%

Tax loss carryforwards exist at several Raiffeisen banks and Group companies. It was possible to set off the previous year's tax-relevant net profit against tax loss carryforwards that had not yet been used. The influence on the tax expenditure of the Raiffeisen Group is insignificant.

***Raiffeisen Switzerland
Cooperative***

St. Gallen

***Report of the statutory
auditor
to the Board of Directors***

***on the consolidated financial
statements 2016 of the
Raiffeisen Group***





Report of the statutory auditor to the Board of Directors of Raiffeisen Switzerland Cooperative, St. Gallen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Raiffeisen Group which comprise the consolidated balance sheet as at 31 December 2016, consolidated income statement, cash flow statement, statement of changes in equity, notes for the year then ended, including the consolidation, accounting and valuation principles, information on the balance sheet, information on off-balance sheet business and information on the income statement.

In our opinion, the consolidated financial statements as at 31 December 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting Rules for Banks (ARB) and comply with Swiss law as well as with the consolidation, accounting and valuation principles described in the notes.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of Raiffeisen Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 46.3 million, which represents 5 % of profit before tax.

Audit scope:

- We concluded full scope audit work at Raiffeisen Switzerland Cooperative, Raiffeisen Banks, Notenstein La Roche Private Bank Ltd and ARIZON Sourcing Ltd.
- The above-mentioned audits cover 72 % of the balance sheet total, 68 % of the gross income and 63 % of the profit of the Raiffeisen Group.

As key audit matters, the following areas of focus have been identified:

- Valuation of loans to customers (amounts due from customers and mortgage loans)
- Impairment of goodwill

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; For example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the Raiffeisen Group operates.

The Raiffeisen Banks conduct their business activities in accordance with the centralised requirements of Raiffeisen Switzerland Cooperative; they are subject to centralised risk monitoring and have to organise their accounting and financial reporting and design the internal controls relating to the preparation of their financial statements in accordance with the guidelines of Raiffeisen Switzerland Cooperative. All Raiffeisen Banks use the same core banking application. The process for preparing the accounts is the same for all Raiffeisen Banks. All financial statements of the Raiffeisen Banks are subject to a banking law and statutory audit. Given the homogeneity of the Raiffeisen Banks and their limited room for manoeuvre with regard to accounting and financial reporting, the reporting packages of about 60 % of the Raiffeisen Banks have been audited as at the date of preparing the consolidated financial statements of the Raiffeisen Group.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Overall materiality</i>	CHF 46.3 million
<i>How we determined it</i>	5 % of profit before tax
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Raiffeisen Group is most commonly measured, and it is a generally accepted benchmark for materiality purposes.

We agreed with the Audit and Risk Committee of the Board of Directors that we would report to them misstatements above CHF 4.6 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the



context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans to customers (amounts due from customers and mortgage loans)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The primary income source of the Raiffeisen Group is its interest rate business. In this respect, it is involved in both the traditional mortgage business and the commercial loans business.</p> <p>We consider the valuation of loans to customers as a key audit matter as such loans represent the largest single asset category by value on the consolidated balance sheet at 79 % (prior year: 81 %). In addition, judgement is required to assess the valuation and the amount of any impairment.</p> <p>In particular, we focussed on the following points:</p> <ul style="list-style-type: none"> • The approach applied by Raiffeisen Group to identify customer loans that are potentially impaired • The appropriateness and application of the significant judgement permitted by the policies relating to the calculation of the amount of any potential individual value adjustments <p>The accounting and valuation principles applied to customer loans, the process used to identify the default risk and to determine the need for impairment as well as the evaluation of the collateral cover are taken from the consolidated financial statements (notes).</p>	<p>We tested on a sample basis the adequacy and effectiveness of the following controls relating to the valuation of customer loans:</p> <ul style="list-style-type: none"> • <i>Credit analysis</i> Review of compliance with the guidelines and requirements concerning documentation, amortisation, ability to repay, valuation and collateral • <i>Loan approval</i> Review of compliance with the requirements of the internal authorisation regulations • <i>Loan disbursement</i> Review of whether the disbursement of loans to customers is executed only after all of the required documents are present • <i>Credit monitoring</i> Review of whether loans that show signs of being at risk are identified in a timely and complete manner, and whether loans that show signs of being at risk and impairments are checked periodically, especially with regard to the realisability of the collateral cover and the amount of the impairment. <p>Further, we performed the following tests of detail on a sample basis:</p> <ul style="list-style-type: none"> • We performed an assessment of the impairment of customer loans and tested the application of the <i>processes to identify</i> customer loans with a potential need for impairment. Our sample focussed on new business/resubmissions in the mortgage business with a repayment ratio greater than 33 1/3 % of sustainable income, ‘exception to policy’ loans, corporates, investment properties, unsecured loans, customer loans with outstanding interest and amortisation payments, customer loans with low ratings, account overdrafts and overdue receivables. For our assessment, we used, among others, the expert opinions obtained by Raiffeisen Group regarding the value of collateral with no observable market price as well as other available information on market prices and price comparisons. • In addition, we made an assessment of the <i>method to estimate impairments</i>. Our audit focussed on customer loans identified as being at risk in the sense of the requirements of the FINMA Circular ‘Accounting – Banks’. We also checked whether the impairments were made in accordance with the accounting rules and the accounting and valuation principles of Raiffeisen Group. <p>The assumptions used were within the range of our expecta-</p>



tions.

Impairment testing of goodwill

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The amount reported under ‘Intangible assets’ comprises goodwill in the amount of CHF 401 million stemming from acquisitions of equity participations and group companies.</p> <p>For its impairment tests on goodwill, the Raiffeisen Group uses either a market multiples approach based on customer assets under management or the discounted cash flow method.</p> <p>Under the market multiples approach, the customer assets under management are divided into various categories and valued applying a goodwill multiple based on the gross margin of each asset category.</p> <p>For the discounted cash flow method, the enterprise value is calculated based on the expected future cash flows to the investor.</p> <p>We consider the assessment of the impairment of goodwill as a key audit matter because significant judgement is required to determine the assumptions relating to future business results, the discount rates to be applied to the forecasted cash flows and the valuation of customer assets under management using goodwill multiples.</p>	<p>We have re-performed the goodwill impairment tests of the Raiffeisen Group and assessed their appropriateness.</p> <p>For the valuations made by the Raiffeisen Group using the market multiples approach, we compared the applied goodwill multiples with the available information on transactions for which a purchase price was publicly available. Further, we reviewed on a sample basis the structure of the customer assets under management by customer type and customer domicile, and considered it in our assessment of the appropriateness of the goodwill multiples.</p> <p>For the impairment tests of the Raiffeisen Group performed using the discounted cash flow method, we performed on a sample basis plausibility checks of the business plans and the expected cash flows of significant equity participations against externally available and other information. We re-performed the calculation of the discount rate applied to significant equity participations; for the others, we performed plausibility checks.</p> <p>In addition, we assessed the appropriateness and correct application of the valuation methods used.</p> <p>The assumptions used were within the range of our expectations.</p>

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting Rules for Banks and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Raiffeisen Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the companies in the Raiffeisen Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered



material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibility for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with art. 906 CO in conjunction with art. 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Beat Rütsche
Audit expert
Auditor in charge

Ralph Gees
Audit expert

St. Gallen, 31 March 2017

Capital adequacy disclosure

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2015/1. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts.

Basel III disclosure

Eligible capital under regulatory rules – transfer to balance sheet values

	Current year in 1,000 CHF	Reference 1	Previous year in 1,000 CHF	Reference 1
Balance sheet				
Assets				
Liquid assets	20,389,822		18,907,231	
Amounts due from banks	7,083,612		3,811,404	
Amounts due from securities financing transactions	338,260		391,404	
Amounts due from clients	8,018,804		7,885,116	
Mortgage loans	165,426,200		158,593,585	
Trading portfolio assets	2,911,801		2,115,027	
Positive replacement values of derivative financial instruments	1,743,165		1,795,296	
Financial investments	7,951,965		6,877,419	
Accrued income and prepaid expenses	246,797		225,196	
Non-consolidated participations	787,634		731,891	
Tangible fixed assets	2,599,512		2,475,780	
Intangible assets	419,433		512,757	
of which goodwill	419,433	(I)	512,757	(I)
Other assets	672,706		1,426,065	
Total assets	218,589,711		205,748,171	
Liabilities				
Liabilities to banks	10,852,715		7,803,302	
Liabilities from securities financing transactions	2,599,332		4,084,475	
Amounts due in respect of customer deposits	158,254,449		150,272,350	
of which subordinated time deposits, eligible as supplementary capital (T2)	75,349	(II)	77,430	(II)
Trading portfolio liabilities	138,207		105,139	
Negative replacement values of derivative financial instruments	2,017,470		2,397,684	
Liabilities from other financial instruments at fair value	1,633,944		870,029	
Cash bonds	1,177,775		1,647,436	
Bonds and central mortgage institution loan	25,623,178		23,470,245	
of which subordinated bond, eligible as additional core capital (AT1) ²	1,149,115	(III)	1,150,000	(III)
of which subordinated bond, eligible as supplementary capital (T2) – phase out	321,000	(IV)	369,933	(IV)
Accrued expenses and deferred income	828,695		711,202	
Other liabilities	170,104		183,016	
Provisions	903,476		877,574	
of which deferred taxes for untaxed reserves	851,464		830,813	
Cooperative capital	1,594,753		1,248,277	
of which eligible as "hard" core capital (CET1)	1,594,753	(V)	1,248,277	(V)
Retained earnings reserve	12,036,214	(VI)	11,262,202	(VI)
Currency translation reserve	-4		11	
Group profit	754,069	(VII)	807,662	(VII)
Minority interests in equity	5,334		7,567	
of which eligible as "hard" core capital (CET1)	-	(VIII)	-	(VIII)
Total equity capital (with minority interests)	14,390,366		13,325,719	
Total liabilities	218,589,711		205,748,171	

1 The references refer to table «Minimum capital requirement and eligible regulatory capital».

2 Of which conversion capital with a low triggering rate amounting to CHF 549 million.

Minimum capital requirement and eligible regulatory capital

	Current year risk-weighted positions in 1,000 CHF	Current year required capital in 1,000 CHF	Previous year risk-weighted positions in 1,000 CHF	Previous year required capital in 1,000 CHF
Minimum capital requirement				
Credit risk (standard approach BIZ)				
Amounts due from banks	354,962	28,397	364,180	29,134
Amounts due from clients	5,161,375	412,910	5,024,441	401,955
Mortgage loans	69,673,740	5,573,899	66,658,223	5,332,658
Positive replacement values of derivative financial instruments	62,004	4,960	57,537	4,603
Accrued income and prepaid expenses	107,417	8,593	107,612	8,609
Other assets	147,021	11,762	141,568	11,325
Net interest positions outside trading book	1,167,851	93,428	1,223,393	97,871
Net equity positions outside trading book ¹	2,035,625	162,850	1,969,847	157,588
Contingent liabilities	255,296	20,424	157,413	12,593
Irrevocable commitments	1,448,360	115,869	1,311,506	104,920
Call commitments and additional funding obligations	118,542	9,483	105,959	8,477
Add-ons for forward contracts and options purchased	188,647	15,092	191,698	15,336
Unsettled transactions		-		2
Guarantee obligations to central counterparties (CCPs)		1,660		355
CVA (standard approach)		8,764		12,018
Mandatory capital for credit risks and other credit risk positions		6,468,092		6,197,445
Non-counterparty-related risks				
Real estate (including real estate in financial assets)	2,382,250	190,580	2,251,938	180,155
Other tangible fixed assets/other recognized assets subject to depreciation	251,038	20,083	251,888	20,151
Mandatory capital for non-counterparty-related risks		210,663		200,306
Market risks (standard approach)				
Interest rate instruments – general market risk		108,417		100,324
Interest rate instruments – specific risk		35,744		25,495
Equity instruments		20,966		17,143
Foreign currencies and gold		7,524		8,909
Other precious metals		16,583		11,764
Options		59		185
Mandatory capital for market risks		189,293		163,820
Mandatory capital for operational risks (basic indicator method)		442,621		435,109
Total mandatory capital		7,310,669		6,996,680

	Current year in 1,000 CHF	Reference ²	Previous year in 1,000 CHF	Reference ²
Eligible capital				
Cooperative capital	1,594,753	(V)	1,248,277	(V)
Retained earnings reserve	12,036,214	(VI)	11,262,202	(VI)
Group profit ³	710,131	(VII)	773,362	(VII)
Minority interests	-	(VIII)	-	(VIII)
Total "hard" core capital (CET1) before adjustments	14,341,098		13,283,841	
Goodwill	-419,433	(I)	-512,757	(I)
Participations to be consolidated (CET1 instruments)	-		-	
Total CET1 adjustments	-419,433		-512,757	
Total eligible "hard" core capital (net CET1)	13,921,665		12,771,083	
Additional core capital (AT1) ⁴	1,149,115	(III)	1,150,000	(III)
Deductions from AT1 capital	-		-	
Total eligible core capital (net Tier 1)	15,070,780		13,921,083	
Supplementary capital (Tier 2)	396,349		447,363	
of which fully eligible	75,349	(II)	77,430	(II)
of which temporarily applied (phase out)	321,000	(IV)	369,933	(IV)
Deductions from supplementary capital (Tier 2)	-		-	
Total eligible capital (regulatory capital)	15,467,129		14,368,446	
Total risk-weighted assets	91,383,350		87,458,514	
Capital ratios				
CET1 ratio	15.2%		14.6%	
Tier 1 ratio	16.5%		15.9%	
Total capital ratio	16.9%		16.4%	
CET1 minimum requirement under Capital Adequacy Ordinance (CAO) transitional provisions	6.3%		5.7%	
of which capital buffer under the CAO	0.6%		0.0%	
of which anti-cyclical buffer (CCP)	1.2%		1.2%	
Available CET1 (after deducting CET1 to cover minimum requirements for AT1 and T2 ratios)	13.4%		12.9%	
CET1 capital target according to FINMA Circular 2011/2 (including CCP)	10.4%		10.4%	
Available CET1 (after deducting CET1 to cover AT1 and T2 target ratios)	11.7%		11.2%	
Tier 1 capital target according to FINMA Circular 2011/2 (including CCP)	12.6%		12.6%	
Available Tier 1 (after deducting CET1 to cover target ratios)	13.9%		13.4%	
Capital target for regulatory capital according to FINMA Circular 2011/2 (including CCP)	15.6%		15.6%	
Available regulatory capital	16.9%		16.4%	
Contributions below the threshold values for deductions (before risk weighting)⁵				
Equity securities in the financial area up to 10%	317,245		341,442	
Equity securities in the financial area above 10%	478,325		427,456	

1 Including equity securities, which have received a risk weighting of 250%

2 The references refer to table «Eligible capital under regulatory rules – transfer to balance sheet values».

3 Excluding interest on cooperative capital

4 Of which conversion capital with a low triggering rate amounting to CHF 549 million

5 The major participations pursuant to note 7.2 «Holdings valued according to the equity method» and note 7.3 «Other non-consolidated participations» of the Raiffeisen Group's annual report are risk-weighted for calculating capital adequacy.

Minimum disclosure as at 31 December 2016

	Current year in 1,000 CHF
Minimum capital based on risk-based requirements	7,310,669
Eligible capital	15,467,129
of which "hard" core capital (CET1)	13,921,665
of which core capital (T1)	15,070,780
Risk-weighted positions (RWA)	91,383,350
CET1 ratio (Common Equity Tier 1 capital as % of RWA)	15.23
Core capital ratio (core capital as % of RWA)	16.49
Total capital ratio (as % of RWA)	16.93
Countercyclical capital buffer (as % of RWA)	1.1827
CET1 target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer	15.23
T1 target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer	16.49
Total capital target ratio (as %) pursuant to note 8 of the CAO plus countercyclical capital buffer	16.93
Basel III leverage ratio (core capital as % of overall exposure)	6.82
Exposure	220,867,920
Short-term liquidity coverage ratio, LCR (as %) in Q4	131.40
Numerator of LCR: Total high-quality liquid assets	23,999,030
Denominator of LCR: Total net cash outflows	18,263,497
Short-term liquidity coverage ratio, LCR (as %) in Q3	133.57
Numerator of LCR: Total high-quality liquid assets	23,130,646
Denominator of LCR: Total net cash outflows	17,317,830
Short-term liquidity coverage ratio, LCR (as %) in Q2	126.43
Numerator of LCR: Total high-quality liquid assets	21,409,593
Denominator of LCR: Total net cash outflows	16,934,237
Short-term liquidity coverage ratio, LCR (as %) in Q1	128.79
Numerator of LCR: Total high-quality liquid assets	20,421,812
Denominator of LCR: Total net cash outflows	15,856,675

Credit risk by counterparty as at 31 December 2016

Loan commitments (in 1,000 CHF)	Central governments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity securities	Other commitments	Total
Balance sheet items								
Amounts due from banks	70,985	7,012,627	-	-	-	-	-	7,083,612
Amounts due from securities financing transactions	-	338,260	-	-	-	-	-	338,260
Amounts due from clients	2,332	134,719	3,164,462	1,500,083	3,217,208	-	-	8,018,804
Mortgage loans	25,171	54,604	271,105	1,722,618	163,352,702	-	-	165,426,200
Interest and equity positions outside trading book ¹	621,197	482,006	1,163,173	3,589,401	-	579,724	-	6,435,501
Replacement values of derivatives ²	-	127,009	-	34,145	41,798	-	-	202,952
Other assets	308,284	161,256	3,582	174,204	91,569	-	43	738,938
Total current year	1,027,969	8,310,481	4,602,322	7,020,451	166,703,277	579,724	43	188,244,267
Total previous year	1,525,120	5,010,511	4,294,594	6,813,198	160,366,284	621,498	-	178,631,205
Off-balance-sheet items³								
Contingent liabilities	174	15,513	3,146	149,032	200,396	-	-	368,261
Irrevocable commitments	129	158,057	598,936	356,248	1,535,919	-	-	2,649,289
Call commitments and additional funding obligations	4	-	-	118,537	-	-	-	118,541
Add-ons for forward contracts and options purchased ²	9,811	426,960	49,965	28,901	73,322	-	-	588,959
Total current year	10,118	600,530	652,047	652,718	1,809,637	-	-	3,725,050
Total previous year	7,958	665,691	597,139	499,521	1,548,858	-	-	3,319,167

Credit risk/minimisation of credit risk as at 31 December 2016

Loan commitments (in 1,000 CHF)	Covered by recognised financial securities⁴	Covered by guarantees and credit derivatives	Covered by mortgage collateral⁵	Other loan commitments	Total
Balance sheet items					
Amounts due from banks	907,330	143,564	-	6,032,718	7,083,612
Amounts due from securities financing transactions	338,260	-	-	-	338,260
Amounts due from clients	818,658	135,419	2,333,472	4,731,255	8,018,804
Mortgage loans	255,420	70,111	164,980,499	120,170	165,426,200
Interest and equity positions outside trading book ¹	-	-	-	6,435,501	6,435,501
Replacement values of derivatives ²	202,952	-	-	-	202,952
Other assets	-	-	-	738,938	738,938
Total current year	2,522,620	349,094	167,313,971	18,058,582	188,244,267
Total previous year	1,639,202	404,019	160,500,226	16,087,758	178,631,205
Off-balance-sheet items³					
Contingent liabilities	74,465	6,074	33,340	254,382	368,261
Irrevocable commitments	45,244	15,605	1,112,335	1,476,105	2,649,289
Call commitments and additional funding obligations	-	-	-	118,541	118,541
Add-ons for forward contracts and options purchased ²	179,698	4,783	-	404,478	588,959
Total current year	299,407	26,462	1,145,675	2,253,506	3,725,050
Total previous year	188,331	39,843	1,041,319	2,049,674	3,319,167

Segmentation of credit risks as at 31 December 2016

Loan commitments (in CHF million)	Risk weightings under supervisory law									
	0%	2%	20%	35%	50%	75%	100%	125%	150%	Total
Balance sheet items										
Amounts due from banks	5,628	55	1,198	-	201	-	2	-	-	7,084
Amounts due from securities financing transactions	338	-	-	-	-	-	-	-	-	338
Amounts due from clients	250	-	334	1,427	2,491	753	2,747	-	17	8,019
Mortgage loans	215	-	45	140,543	91	16,794	7,597	-	141	165,426
Interest and equity positions outside trading book ¹	766	-	4,737	-	239	-	176	-	517	6,435
Replacement values of derivatives ²	72	-	74	-	21	-	36	-	-	203
Other assets	416	-	77	-	8	12	226	-	-	739
Total current year	7,686	55	6,465	141,970	3,052	17,559	10,783	-	675	188,244
Total previous year	5,008	28	6,122	136,160	3,245	17,261	10,098	-	708	178,631
Off-balance-sheet items³										
Contingent liabilities	71	-	10	21	14	51	201	-	-	368
Irrevocable commitments	39	-	585	865	161	204	795	-	-	2,649
Call commitments and additional funding obligations	-	-	-	-	-	-	119	-	-	119
Add-ons for forward contracts and options purchased ²	99	-	240	-	222	0	28	-	-	589
Total current year	209	-	835	886	396	255	1,143	-	-	3,725
Total previous year	137	19	707	788	521	231	916	-	-	3,319

1 Receivables from and liabilities to Pfandbriefbank are offset against each other.

2 Derivative counterparty risk is calculated using the mark-to-market method. Netting agreements with counterparties are taken into account when calculating capital adequacy.

3 Non-derivative off-balance-sheet items are shown after conversion into credit equivalents.

4 Securities are recognised using the simple method.

5 Collateral is assigned based on capital optimisation aspects. For that reason, the values are not identical to the values in the 'Secured by mortgage cover' column in the table entitled '2. Collateral for loans / receivables and off-balance-sheet transactions'.

Risk weighted positions based on external ratings as at 31 December 2016

Loan commitments (in 1000 CHF) ¹	Rating	Risk weighted positions				
		0%	20%	50%	100%	150%
Counterparty						
Central governments and central banks	With rating	998,295	104	29	4	-
	Without rating	-	-	-	-	-
Public-sector entities ²	With rating	95,888	1,161,694	34,405	-	-
	Without rating	-	621,292	2,444,629	378,515	4,692
Banks and securities dealers	With rating	4,955,053	1,490,958	428,909	347	-
	Without rating	698,223	692,557	418,078	1,123	-
Corporates	With rating	-	5,163,991	85,265	57,107	17
	Without rating	50,509	-	-	3,540,693	15,971
Total	With rating	6,049,236	7,816,747	548,608	57,458	17
	Without rating	748,732	1,313,849	2,862,707	3,920,331	20,663
Grand total		6,797,968	9,130,596	3,411,315	3,977,789	20,680

1 Before risk-mitigating measures

2 Including loan commitments to joint institutions of the banks, BIS, IMF and multilateral development banks.

Disclosure for systemically important banks

Arts. 124 to 133 of the Capital Adequacy and Risk Diversification Ordinance (Eigenmittel- und Risikoverteilungsvorschriften; ERV) require systemically important banks in Switzerland to submit a calculation and disclosure of capital adequacy requirements on a quarterly basis.

The Swiss National Bank declared the Raiffeisen Group to be systemically important by a decision of 16 June 2014. Based on this decision, the Swiss Financial Market Supervisory Authority (FINMA) issued a decision on capital adequacy requirements under the regime of systemic importance. According to the international rules of the Basel Committee, transitional provisions apply to compliance with the requirements for systemically important banks up to 2019. Since the Raiffeisen Group already meets the capital adequacy requirements for systemically important banks in full, FINMA has established the requirements applicable to the Raiffeisen Group without transitional provisions. On 11 May 2016, the Federal Council adopted new too-big-to-fail provisions. The new provisions entered into force on 1 July 2016. For nationally system-relevant banks – such as the Raiffeisen Group – this decision defines the requirements for the bank's going concern. The issue with regard to the requirements for additional loss-absorbing funds (gone concern) is expected to be clarified for nationally system-relevant banks in 2017. Until the determination of gone-concern capital requirements for nationally system-relevant banks, the TBTF capital requirements according to the individual FINMA decision will continue to apply to Raiffeisen, which must be fulfilled in parallel to these new TBTF requirements in accordance with this disclosure report.

Besides risk-weighted capital adequacy requirements, the requirements under the rules governing systemic importance also include requirements for unweighted capital adequacy requirements (leverage ratio), which are as follows:

Risk-weighted and unweighted capital adequacy requirements of the Raiffeisen Group under the rules governing system-relevant banks

Requirement on risk-weighted capital ratios (in %)

Basic requirement	12.86
Market share component ¹	0.36
Overall exposure component ¹	-

Overall requirement (excluding anti-cyclical capital buffer) 13.22

Anti-cyclical capital buffer ²	1.18
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Overall requirement (including anti-cyclical capital buffer) 14.40

of which core capital (CET1)	10.10
of which convertible capital with a high trigger level ³	4.30

Until the definitive determination of the TLAC rules governing nationally system-relevant banks, according to FINMA specifications the fulfilment of a total capital ratio (incl. anti-cyclical capital buffer) of 15.6% according to the old TBTF rules is also required in parallel. This requirement was fulfilled as of 31 December 2016 with a total capital ratio of 16.9%.

Requirement on unweighted capital ratios – leverage ratio (in %)

Basic requirement	4.500
Market share component ¹	0.125
Overall exposure component ¹	-

Overall requirement («going-concern») 4.625

of which core capital (CET1)	3.125
of which convertible capital with a high trigger level ³	1.500

1 The market share and overall exposure components are calculated annually on the basis of the provisions set out in CAO Annex 9.

2 The latest anti-cyclical capital buffer is shown in each case.

3 This requirement can also be met with core capital (CET1).

Table 1: Risk-based capital adequacy requirements on the basis of capital ratios as at 31 December 2016

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	Ratio (%)	Capital in CHF million	Ratio (%)
Risk-weighted positions (RWA)	91,383		91,383	
Risk-based capital requirements («going-concern») on the basis of capital ratios				
Total	10,905	11.93%	13,162	14.40%
of which CET1: Minimum	4,112	4.50%	4,112	4.50%
of which CET1:Capital buffer	3,313	3.63%	4,039	4.42%
of which CET1: Anti-cyclical capital buffer	1,081	1.18%	1,081	1.18%
of which AT1: Minimum	2,399	2.63%	3,198	3.50%
of which AT1: Capital buffer	-	0.00%	731	0.80%
Eligible capital («going-concern»)				
Core capital (Tier1)	15,071	16.49%	15,071	16.49%
of which CET1	13,922	15.23%	13,922	15.23%
of which AT1 High-trigger	600	0.66%	600	0.66%
of which AT1 Low-trigger	549	0.60%	549	0.60%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%
Surplus	4,166	4.56%	1,909	2.09%

The Raiffeisen Group exceeds the «going-concern» requirements for risk-weighted capital requirements without applying transitional provisions as at 31 December 2016 with the value of 16.49% (requirement: 14.40%) by a total of 2.09 percentage points and a capital amount of CHF 1,909 million.

Until the definitive determination of the TLAC rules governing nationally system-relevant banks, according to FINMA specifications the fulfilment of a total capital ratio (incl. anti-cyclical capital buffer) of 15.6% according to the old TBTF rules is also required in parallel. This requirement was fulfilled as of 31 December 2016 with a total capital ratio of 16.9%.

Table 2: Unweighted capital adequacy requirements on the basis of the leverage ratio as at 31 December 2016

	Transition rules		Final rules (without transitional provisions)	
	Capital in CHF million	Ratio (%)	Capital in CHF million	Ratio (%)
Overall exposure	220,868		220,868	
Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio				
Total	6,626	3.000%	10,215	4.625%
of which CET1: Minimum	5,080	2.300%	6,626	3.000%
of which CET1:Capital buffer	-	0.000%	276	0.125%
of which AT1: Minimum	1,546	0.700%	3,313	1.500%
Eligible capital («going-concern»)				
Core capital (Tier1)	15,071	6.82%	15,071	6.82%
of which CET1	13,922	6.30%	13,922	6.30%
of which AT1 High-trigger	600	0.27%	600	0.27%
of which AT1 Low-trigger	549	0.25%	549	0.25%
of which Tier2 High-trigger	-	0.00%	-	0.00%
of which Tier2 Low-trigger	-	0.00%	-	0.00%

The Raiffeisen Group exceeds the «going-concern» requirements for the leverage ratio without applying transitional provisions as at 31 Decemberr 2016 with the value of 6.82% (requirement: 4.625%) by a total of 2.20 percentage points.

Table 3: Capital composition and capital ratios on the basis of risk-weighted positions

	Capital quality	31.12.2015 in CHF million	30.06.2016 in CHF million	31.12.2016 in CHF million
Capital composition based on definition for systemically important banks:				
"Hard" core capital (before deductions and reclassification)		13,284	13,779	14,341
Deductions from "hard" core capital ¹		-513	-490	-419
"Hard" core capital	CET1	12,771	13,290	13,922
Convertible capital with high trigger level (7%):				
Perpetual subordinated bond 2015	AT1	600	600	600
Perpetual subordinated bond 2013 ²	AT1	550	549	549
Total capital for the continued orderly operation of the bank («going-concern»)		13,921	14,439	15,071
Supplementary capital (Tier2)				
Fixed-term subordinated bond 2011-2021	Tier2	370	320	321
Subordinated time deposits	Tier2	77	77	75
Total of total capital		14,368	14,836	15,467
Total risk-weighted positions		87,459	89,942	91,383
Capital ratios based on definition for systemically important banks:				
Ratio of eligible "hard" core capital (CET1 ratio)		14.6%	14.8%	15.2%
Ratio of convertible capital with high trigger level		0.7%	0.7%	0.7%
Ratio of convertible capital with low trigger level		0.6%	0.6%	0.6%
Ratio for the continued orderly operation of the bank («going concern»)		15.9%	16.1%	16.5%
Ratio of supplementary capital (Tier2)		0.5%	0.4%	0.4%
Total capital ratio		16.4%	16.5%	16.9%

Table 4: Composition of leverage ratio on basis of unweighted positions³

	31.12.2015 in CHF million	30.06.2016 in CHF million	31.12.2016 in CHF million
Total assets as stated in consolidated financial statements	205,748	213,539	218,590
Adjustments for consolidated companies and deductions from core capital ⁴	-513	-490	-419
Adjustments for fiduciary assets	-	-	-
Adjustments for derivatives ⁵	-1,569	-2,007	-929
Adjustments for security financing transactions ⁶	-282	-252	-262
Adjustments for off-balance-sheet transactions	3,552	3,834	3,888
Other adjustments	-	-	-
Total exposure for leverage ratio	206,937	214,625	220,868
Average core capital (Tier1)	13,921	14,439	15,071
Leverage ratio	6.73%	6.73%	6.82%

1 The deductions from "hard" core capital include intangible assets (goodwill).

2 Under the transitional provisions (CAO Art. 148b para. 1 letter b), the perpetual subordinated low-trigger bond from 2013 qualifies as high-trigger conversion capital until the first capital call window opens (2 May 2018).

3 The overall exposure is shown on the basis of reporting date values pursuant to FINMA Circular 2015/3.

4 These positions take into account the intangible assets (goodwill) that are deducted from the core capital.

5 This position takes into account the counterparty netting of OTC derivatives based on the existing netting agreements. FINMA Circular 2015/3 allows the deduction of margin payments.

6 This position takes into account the netting resulting from reverse repo transactions that are cleared via SIX SIS AG and there is no risk of default. FINMA Circular 2015/3 allows netting if the regulatory requirements are met.

Information on the liquidity coverage ratio (LCR)

		Q3 2016		Q4 2016	
		Unweighted values (monthly averages) in 1,000 CHF	Weighted values (monthly averages) in 1,000 CHF	Unweighted values (monthly averages) in 1,000 CHF	Weighted values (monthly averages) in 1,000 CHF
High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)		23,130,646		23,999,030
Cash outflows					
2	Retail deposits	71,430,323	7,027,906	81,449,276	8,031,759
3	of which stable deposits	6,000,000	300,000	6,000,000	300,000
4	of which less stable deposits	65,430,323	6,727,906	75,449,276	7,731,759
5	Unsecured business-client or wholesale funding	12,207,281	7,261,638	12,471,926	7,417,980
6	of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	-	-	9,744	2,436
7	of which non-operational deposits (all counterparties)	12,157,873	7,212,231	12,426,656	7,380,018
8	of which unsecured debt securities	49,407	49,407	35,526	35,526
9	Secured business client or wholesale funding and collateral swaps		-		-
10	Other cash outflows	7,852,481	2,844,390	7,893,649	2,903,862
11	of which cash outflows related to derivative exposures and other transactions	1,664,130	1,648,658	1,697,961	1,682,361
12	of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	98,233	98,233	109,200	109,200
13	of which cash outflows from committed credit and liquidity facilities	6,090,117	1,097,499	6,086,488	1,112,302
14	Other contractual funding obligations	2,937,763	2,074,068	3,289,964	2,156,414
15	Other contingent funding obligations	3,756,951	187,848	3,775,177	188,759
16	Total cash outflows		19,395,850		20,698,774
Cash inflows					
17	Secured funding transactions (e.g. reverse repo transactions)	-	-	-	-
18	Inflows from fully performing exposures	2,775,747	1,912,052	3,303,962	2,148,388
19	Other cash inflows	165,968	165,968	286,889	286,889
20	Total cash inflows	2,941,716	2,078,021	3,590,851	2,435,277
			Adjusted value		Adjusted value
21	Total high-quality liquid assets (HQLA)		23,130,646		23,999,030
22	Total net cash outflows		17,317,830		18,263,497
23	Liquidity coverage ratio (LCR) (%)		133.57%		131.40%

Qualitative disclosure of the liquidity coverage ratio (LCR)

Art. 12 of the Liquidity Ordinance requires the Raiffeisen Group to comply with the liquidity coverage ratio (LCR). The LCR is intended to ensure that banks hold sufficient high-quality liquid assets (HQLA) in order to cover, at all times, the net cash outflow that could be expected in a standard stress scenario for 30 days, as defined by outflow and inflow assumptions. The published LCR metrics are based on simple monthly averages of the corresponding reporting quarters.

Raiffeisen focuses on the domestic savings and mortgage market. Due to its low degree of dependence on major clients and broad diversification among private clients, its funding sources are minimally concentrated.

Loans to clients are funded largely by customer deposits (92%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Of the portfolio of high-quality liquid assets (HQLA), 80% consist of category 1 assets, 91% of which are held as liquid funds. The remaining category 1 assets are mainly public sector bonds with a minimum rating of AA-. Of the category 2 assets, which account for 20% of the HQLA portfolio, 94% consist of Swiss mortgage bonds. The remaining 6% largely consist of public sector bonds as well as covered bonds with a rating of at least A-. The increase of the HQLA portfolio (no. 1) was mainly caused by the higher liquidity requirement for private client deposits (no. 2). The liquidity requirement is higher because, as of the end of November 2016, an outflow factor must be applied to a portion of the private client deposits with withdrawal restrictions. Other contingent funding obligations are attributable to the issuance of structured products, though these merely cause a minor liquidity requirement (no. 15). The cash outflows in connection with the derivatives portfolio (no. 11) continually developed like the other positions within the scope of the growth in total assets.

The Raiffeisen Group does not have any significant foreign exchange operations resulting from its core business. Due to the low level of lending business in foreign currencies, foreign currency liabilities are transferred to Swiss francs using the matched-period method.

The Raiffeisen Group has centralised liquidity risk management, which is performed by Raiffeisen Switzerland's Treasury department. It manages the liquidity of the Raiffeisen Group based on regulatory requirements and internal target parameters. The individual Raiffeisen banks are required to deposit their portion of the liquidity requirements with Raiffeisen Switzerland. Raiffeisen Switzerland's Treasury department manages the liquidity reserve centrally and organises the liquidity transfer within the Group.

Group companies compared

(in million CHF)	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Income statement										
Net interest income	2,086	2,030	109	111	35	18	-11	18	2,219	2,177
Result from commission business and services	229	231	82	74	159	170	-3	-12	467	463
Result from trading activities	119	119	84	76	8	12	17	2	228	209
Other result from ordinary activities	50	59	400	373	173	135	-429	-400	194	167
Operating income	2,484	2,439	675	634	375	335	-426	-392	3,108	3,016
Personnel expenses	-849	-830	-355	-323	-180	-176	3	-1	-1,381	-1,330
General and administrative expenses	-559	-539	-256	-247	-194	-153	403	381	-606	-558
Operating expenses	-1,408	-1,369	-611	-570	-374	-329	406	380	-1,987	-1,888
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-119	-120	-133	-43	-12	-18	4	-	-260	-181
Value adjustments, provisions and losses	-2	-7	-5	1	-3	-1	4	3	-6	-4
Operating profit (interim result)	955	943	-74	22	-14	-13	-12	-9	855	943
Extraordinary income	19	29	9	24	1	67	46	-53	75	67
Extraordinary expenses	-581	-597	-26	-	-	-1	603	595	-4	-3
Changes in reserves for general banking risks	-17	-11	140	-15	-	-	-123	26	-	-
Taxes	-153	-151	-3	-1	3	-11	-21	-37	-174	-200
Group profit (including minority interests)	223	213	46	30	-10	42	493	522	752	807
Minority interests in Group profit	-	-	-	-	-	-	-2	-1	-2	-1
Group profit	223	213	46	30	-10	42	495	523	754	808
Key balance sheet figures										
Total assets	187,375	176,955	51,912	46,791	9,391	8,326	-30,088	-26,324	218,590	205,748
Amounts due from clients	5,588	5,500	2,275	2,238	527	395	-371	-248	8,019	7,885
Mortgage loans	155,771	149,619	9,121	8,506	540	473	-6	-4	165,426	158,594
Amounts due in respect of customer deposits	143,360	135,979	10,714	10,003	4,549	4,666	-368	-376	158,255	150,272

Five-year overview

Balance sheet – five-year overview

(in million CHF)	2016	2015	2014	2013	2012
Assets					
Liquid assets	20,390	18,907	9,219	7,019	6,943
Amounts due from banks	7,084	3,811	5,251	6,146	4,881
Amounts due from securities financing transactions	338	391	690	954	1,367
Amounts due from clients	8,019	7,885	7,815	7,664	7,736
Mortgage loans	165,426	158,594	150,731	143,497	135,762
Trading portfolio assets	2,912	2,115	2,194	1,366	1,837
Positive replacement values of derivative financial instruments	1,743	1,795	1,810	931	1,057
Financial assets	7,952	6,878	6,032	4,603	4,100
Accrued income and prepaid expenses	247	225	217	210	211
Non-consolidated participations	788	732	614	719	633
Tangible fixed assets	2,599	2,476	2,399	2,403	2,382
Intangible assets	419	513	289	215	179
Other assets	673	1,426	1,143	597	766
Total assets	218,590	205,748	188,404	176,324	167,854
Liabilities					
Liabilities to banks	10,853	7,803	5,450	4,892	5,134
Liabilities from securities financing transactions	2,599	4,085	1,289	1,118	620
Amounts due in respect of customer deposits	158,255	150,272	141,545	135,001	128,822
Trading portfolio liabilities	138	105	121	104	90
Negative replacement values of derivative financial instruments	2,017	2,398	2,296	1,406	1,707
Liabilities from other financial instruments at fair value	1,634	870	217	-	-
Cash bonds	1,178	1,647	2,262	3,056	4,230
Bond issues and central mortgage institution loans	25,623	23,470	21,519	17,933	15,186
Accrued expenses and deferred income	829	711	634	599	569
Other liabilities	170	183	160	176	216
Provisions	904	878	850	831	782
Cooperative capital	1,595	1,248	748	637	616
Retained earnings reserve	12,036	11,262	10,533	9,848	9,245
Group profit	754	808	759	717	635
Total equity capital (without minority interests)	14,385	13,318	12,040	11,202	10,496
Minority interests in equity	5	8	21	6	2
– of which Minority interests in group profit	-2	-1	1	-1	-0
Total equity capital (with minority interests)	14,390	13,326	12,061	11,208	10,498
Total liabilities	218,590	205,748	188,404	176,324	167,854

Income statement – five-year overview

(in million CHF)	2016	2015	2014	2013	2012
Interest and discount income	3,052	3,130	3,218	3,295	3,404
Interest and dividend income from financial assets	58	60	60	61	82
Interest expenditure	-880	-1,002	-1,145	-1,225	-1,393
Gross result from interest operations	2,230	2,188	2,133	2,131	2,093
Changes in value adjustments for default risks and losses from interest operations	-11	-11	2	5	-3
Subtotal net result from interest operations	2,219	2,177	2,135	2,136	2,090
Commission income from securities trading and investment activities	355	357	325	313	299
Commission income from lending activities	18	18	16	14	15
Commission income from other services	214	204	197	173	159
Commission expense	-121	-116	-109	-105	-106
Result from commission business and services	466	463	429	395	367
Net trading income	228	209	158	185	190
Income from sale of financial assets	5	20	5	3	-
Income from participations	67	80	64	57	44
Income from real estate	21	19	20	19	18
Other ordinary income	120	60	22	14	13
Other ordinary expenses	-18	-12	-5	-13	-13
Other result from ordinary activities	195	167	106	80	62
Operating income	3,108	3,016	2,828	2,796	2,709
Personnel expenses	-1,381	-1,330	-1,265	-1,210	-1,283
General and administrative expenses	-606	-558	-500	-513	-502
Operating expenses	-1,987	-1,888	-1,765	-1,723	-1,785
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-260	-181	-164	-178	-198
Changes to provisions and other value adjustments, and losses	-6	-4	-9	-23	-24
Operating result	855	943	890	872	702
Extraordinary income	75	67	51	21	85
Extraordinary expenses	-4	-3	-4	-4	-2
Taxes	-174	-200	-177	-173	-150
Group profit (including minority interests)	752	807	760	716	635
Minority interests in Group profit	-2	-1	1	-1	-
Group profit	754	808	759	717	635

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