

Key figures

as at 30 June 2019

in million CHF	1.1.-30.6.2019	1.1.-30.6.2018	Change in %
Key figures			
Gross result from interest operations	1,133	1,148	-1.4
Operating income	1,518	1,636	-7.2
Operating expenses	934	1,000	-6.6
Operating result	446	517	-13.7
Group profit	355	416	-14.7
Cost income ratio	61.5%	61.1%	

in million CHF	30.06.2019	31.12.2018	Change in %
Key balance sheet figures			
Total assets	234,974	225,333	4.3
Loans to clients	190,773	187,694	1.6
of which mortgage receivables	182,194	179,558	1.5
Amounts due in respect of customer deposits	170,255	165,701	2.7
Customer deposits in % of loans to clients	89.2%	88.3%	
Total equity capital	16,866	16,480	2.3

Capital resources¹

Common Equity Tier 1 (CET1)	16,548	16,408	
CET1 ratio	16.2%	16.5%	
Total capital ratio	17.4%	17.8%	
TLAC ratio	17.7%	18.0%	
Leverage ratio	7.4%	7.6%	
TLAC leverage ratio	7.6%	7.7%	

Market data

Share of mortgage market ²	17.5%	17.6%	
Number of cooperative members	1,903,237	1,897,369	0.3

Client assets

Client assets under management	203,712	196,070	3.9
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Lending business

Value adjustments for default risks	254	259	-1.9
as % of loans to clients	0.133%	0.138%	

Resources

Number of employees	10,920	10,947	-0.2
Number of full-time positions	9,190	9,215	-0.3
Number of locations	861	880	-2.2

¹ according to FINMA Circular 2016/1, as at 30 June 2019 without result of the period

² expected market share as at 30 June 2019

Strong customer business, lower profit

The realignment of the Raiffeisen Group is reflected in the half-year results for 2019. As of 30 June 2019, Group profit was down by 14.7% year-on-year at CHF 355 million. Customer confidence remains high: In the first half of the year, customer deposits increased considerably compared to the previous year. The performance of mortgage loans has been encouraging as well.

Raiffeisen closed the first half of 2019 with a Group profit that is respectable, albeit lower than the previous year. Banking operations continued to perform positively. Major milestones were achieved in 2019 with respect to the Group's realignment.

Realignment results in lower expenses and income

Raiffeisen simplified its Group structure by selling Notenstein La Roche Private Bank Ltd and integrating ARIZON Sourcing Ltd. The rollout of the new core banking system (ACS) marked a fundamental investment in the future. The efficiency programme launched in April 2019 will improve Raiffeisen Switzerland's performance capabilities. These factors are reflected in both expenses and income. Operating income was CHF 1,518 million (-CHF 118 million), down year-on-year due to the 2 July 2018 sale of Notenstein La Roche Private Bank Ltd, the drop in income from participations and a decrease in other ordinary income (integration of ARIZON Sourcing Ltd into Raiffeisen Switzerland).

On the expenses side, the divestment of Notenstein La Roche Private Bank Ltd and the completed rollout of ACS reduced operating expenses significantly by CHF 66 million to CHF 934 million. A precautionary restructuring provision of CHF 15 million was recognised in connection with the efficiency programme at Raiffeisen Switzerland. The goal is to realise savings of up to CHF 100 million by 2020. These recurring savings will have a particular impact from 2020 financial year onwards.

Due to the negative share price performance of Leonteq AG, the participation was marked down CHF 38 million to market value. An initial depreciation of CHF 26 million for the new core banking system was recognised as well. The ACS rollout provided the foundation for simplifying Raiffeisen's IT landscape, improving efficiency and driving future digitalisation projects. ARIZON Sourcing Ltd, originally a joint venture between Raiffeisen and Avaloq, was completely taken over by Raiffeisen and integrated into Raiffeisen Switzerland, thus taking the Group one step closer towards a simplified corporate structure. The financial impact of this unbundling was recognised in the 2018 net profit and therefore does not affect the 2019 interim financial statements.

Growth in the indifferent business – growth in assets under management in particular

In order to simplify the comparison of figures with the previous year, comments for income and expense items in this section do not include Notenstein La Roche Private Bank Ltd, which has been sold.

The business volume continued to grow in the first half of 2019. The result from interest operations was nearly maintained at CHF 1,133 million (-CHF 4 million) despite pressure on margins. The result from commissions and services was CHF 208 million, slightly above the previous year's result (+CHF 1 million). Trading portfolio assets declined slightly (-CHF 5 million) to CHF 109 million.

Business volume growth was highly encouraging. In particular, Raiffeisen recorded an above-average increase in customer assets in the first six months. Customer deposits grew to CHF 170.3 billion (+2.7% or +CHF 4.6 billion). Custody account volumes expanded strongly as well, increasing to CHF 32.9 billion (+10.6% or CHF +3.2 billion). Raiffeisen benefited from the general market recovery but recorded healthy net inflows as well. Thanks to these inflows, assets under management now stand at CHF 203.7 billion (+3.9% or +CHF 7.6 billion). As expected, mortgages grew more slowly than in previous years, resulting in a total portfolio of CHF 182.2 billion (+1.5% or +CHF 2.6 billion). The loan-to-deposit ratio rose to 89.2% owing to the significant increase in customer deposits.

Prudent credit policy

Value adjustments for default risks on the entire credit volume stood at CHF 254 million, or only 0.133%. Value adjustments from lending activities at the Raiffeisen banks continued to fall thanks to cautious lending policies.

Comfortable starting point for the new TLAC requirements

New capital adequacy requirements came into effect on 1 January 2019 for non-global systemically important banks such as the Raiffeisen Group. These financial institutions must be in full compliance with the requirements by no later than 1 January 2026. The stricter TLAC (total loss absorbing capacity) requirements aim to ensure that systemically important banks can be liquidated without the use of public funds.

At a TLAC ratio of 17.7%, the Group is already very close to the TLAC ratio of 17.9% required by 1 January 2026. The TLAC ratio for 2019, which stands at 15.3% after taking into account the transition rules, is well met by the Group's 17.7% ratio. Raiffeisen is convinced that its high earnings retention rate will enable it to achieve the target set for 1 January 2026 within the seven-year transition period. The current TLAC leverage ratio of 7.6% already exceeds the unweighted TLAC requirement of 5.9% that will be imposed in future.

Rapid reform of the Raiffeisen Group – consensus found regarding key points

"Reform 21", a working group consisting of representatives of the Raiffeisen banks and Raiffeisen Switzerland, has been addressing key issues for the Raiffeisen Group such as corporate governance and our values since the start of the year. The group also drew up a draft of the owners' strategy. All the Raiffeisen banks worked out a shared understanding of these issues at the owners' workshop on 14 June 2019, thus laying the foundation to integrate them in the articles of association at the extraordinary Delegate Meeting on 16 November 2019.

Outlook

From a macroeconomic perspective, we expect the economic environment to remain challenging. In addition to ongoing geopolitical uncertainty, Raiffeisen expects economic growth to weaken in the second half of 2019, largely due to the global economy that is continuing to lose momentum. The US Fed's turnaround has made the normalisation of interest rates a distant prospect. This means Switzerland will likely face negative interest rates in upcoming quarters as well. Pressure on interest rate margins will continue.

Consolidated balance sheet

as at 30 June 2019

in 1,000 CHF	30.06.2019	31.12.2018	Change	Change in %
Assets				
Liquid assets	19,144,301	19,188,528	-44,227	-0.2
Amounts due from banks	7,289,314	2,224,730	5,064,584	227.6
Amounts due from securities financing transactions	293,269	4,920	288,349	5,860.8
Amounts due from clients	8,579,055	8,135,116	443,939	5.5
Mortgage loans	182,193,857	179,558,432	2,635,425	1.5
Trading portfolio assets	3,517,745	3,454,705	63,040	1.8
Positive replacement values of derivative financial instruments	1,878,987	1,336,726	542,261	40.6
Financial investments	6,835,418	6,612,833	222,585	3.4
Accrued income and prepaid expenses	347,065	259,248	87,817	33.9
Non-consolidated participations	689,543	682,877	6,666	1.0
Tangible fixed assets	2,977,647	2,933,400	44,247	1.5
Intangible assets	11,081	53,811	-42,730	-79.4
Other assets	1,216,602	887,633	328,969	37.1
Total assets	234,973,884	225,332,959	9,640,925	4.3
Total subordinated claims	95,277	76,108	19,169	25.2
of which subject to mandatory conversion and/or debt waiver	-	-	-	-
Liabilities				
Liabilities to banks	10,595,882	6,463,282	4,132,600	63.9
Liabilities from securities financing transactions	2,000,244	2,925,136	-924,892	-31.6
Amounts due in respect of customer deposits	170,255,459	165,701,376	4,554,083	2.7
Trading portfolio liabilities	203,486	69,530	133,956	192.7
Negative replacement values of derivative financial instruments	2,579,814	1,927,991	651,823	33.8
Liabilities from other financial instruments at fair value	2,588,943	2,299,953	288,990	12.6
Cash bonds	520,873	590,741	-69,868	-11.8
Bond issues and central mortgage institution loans	27,160,746	26,864,051	296,695	1.1
Accrued expenses and deferred income	944,190	854,782	89,408	10.5
Other liabilities	205,022	120,859	84,163	69.6
Provisions	1,053,181	1,035,435	17,746	1.7
Reserves for general banking risks	200,000	200,000	-	-
Cooperative capital	2,270,924	2,172,270	98,654	4.5
Retained earnings reserve	14,091,755	13,610,967	480,788	3.5
Currency translation reserve	6	5	1	20.0
Group profit	354,921	540,820	-185,899	-34.4
Total equity capital (without minority interests)	16,917,606	16,524,062	393,544	2.4
Minority interests in equity	-51,562	-44,239	-7,323	16.6
of which minority interests in Group profit	-484	-43,882	43,398	-98.9
Total equity capital (with minority interests)	16,866,044	16,479,823	386,221	2.3
Total liabilities	234,973,884	225,332,959	9,640,925	4.3
Total subordinated liabilities	1,601,678	1,594,672	7,006	0.4
of which subject to mandatory conversion and/or debt waiver	1,055,794	1,059,154	-3,360	-0.3
Off-balance-sheet transactions				
Contingent liabilities	494,274	530,776	-36,502	-6.9
Irrevocable commitments	9,920,088	9,510,885	409,203	4.3
Call commitments and additional funding obligations	109,213	109,234	-21	-0.0

Consolidated income statement

1st half 2019

in 1,000 CHF	1.1.-30.6.2019	1.1.-30.6.2018	Change	Change in %
Interest and discount income	1,418,737	1,456,665	-37,928	-2.6
Interest and dividend income from financial assets	21,550	24,626	-3,076	-12.5
Interest expenditure	-307,359	-332,797	25,438	-7.6
Gross result from interest operations	1,132,928	1,148,494	-15,566	-1.4
Changes in value adjustments for default risks and losses from interest operations	7,061	-9,999	17,060	-170.6
Net result from interest operations	1,139,989	1,138,495	1,494	0.1
Commission income from securities trading and investment activities	163,390	220,427	-57,037	-25.9
Commission income from lending activities	11,241	10,173	1,068	10.5
Commission income from other services	112,809	113,181	-372	-0.3
Commission expense	-79,247	-87,859	8,612	-9.8
Result from commission business and services	208,193	255,922	-47,729	-18.6
Result from trading activities and the fair value option	108,807	118,392	-9,585	-8.1
Result from disposal of financial investments	446	4,324	-3,878	-89.7
Income from participations	34,126	53,361	-19,235	-36.0
Result from real estate	11,046	10,460	586	5.6
Other ordinary income	17,167	57,828	-40,661	-70.3
Other ordinary expenses	-1,734	-2,389	655	-27.4
Other result from ordinary activities	61,051	123,584	-62,533	-50.6
Operating income	1,518,040	1,636,393	-118,353	-7.2
Personnel expenses	-674,816	-707,147	32,331	-4.6
General and administrative expenses	-258,796	-292,849	34,053	-11.6
Operating expenses	-933,612	-999,996	66,384	-6.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-130,689	-112,204	-18,485	16.5
Changes to provisions and other value adjustments, and losses	-7,380	-7,225	-155	2.1
Operating result	446,359	516,968	-70,609	-13.7
Extraordinary income	12,832	7,349	5,483	74.6
Extraordinary expenses	-4,389	-3,025	-1,364	45.1
Taxes	-100,365	-107,059	6,694	-6.3
Group profit (including minority interests)	354,437	414,233	-59,796	-14.4
Minority interests in group profit	-484	-2,061	1,577	-76.5
Group profit	354,921	416,294	-61,373	-14.7

Statement of changes in equity

as at 30 June 2019

	Cooperative capital in 1,000 CHF	Retained earnings reserve in 1,000 CHF	Reserves for general banking risks in 1,000 CHF	Currency translation differences in 1,000 CHF	Minority interests in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at 1.1.2019	2,172,270	13,610,967	200,000	5	-44,239	540,820	16,479,823
Capital increase	129,636	-	-	-	-	-	129,636
Capital decrease	-30,982	-	-	-	-	-	-30,982
Changes in minority interests	-	-	-	-	-7,323	-	-7,323
Currency translation differences	-	-	-	1	-	-	1
Interest on the cooperative capital	-	-	-	-	-	-60,032	-60,032
Allocation to voluntary retained earnings reserves	-	480,788	-	-	-	-480,788	-
Group profit	-	-	-	-	-	354,921	354,921
Equity capital at 30.6.2019	2,270,924	14,091,755	200,000	6	-51,562	354,921	16,866,044

Abbreviated notes to the interim financial statement

Changes to the accounting and valuation principles and possible corrections

There have been no material changes to the accounting and valuation principles or corrections.

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

Notenstein La Roche Private Bank Ltd, which was sold as of 2 July 2018, is no longer included in the result of the period. There is no additional information regarding factors that have materially impacted the economic situation of the Raiffeisen Group.

Extraordinary income and expenses

Extraordinary income stood at CHF 12.8 million, a year-on-year increase of CHF 5.5 million. It mainly includes profits from the sale of tangible fixed assets. The extraordinary expenses of CHF 4.4 million (+CHF 1.4 million) mainly comprise losses from the sale of tangible fixed assets.

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

No events occurred that would have a material impact on the Raiffeisen Group's financial position, cash flows and earnings as of 30 June 2019.

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