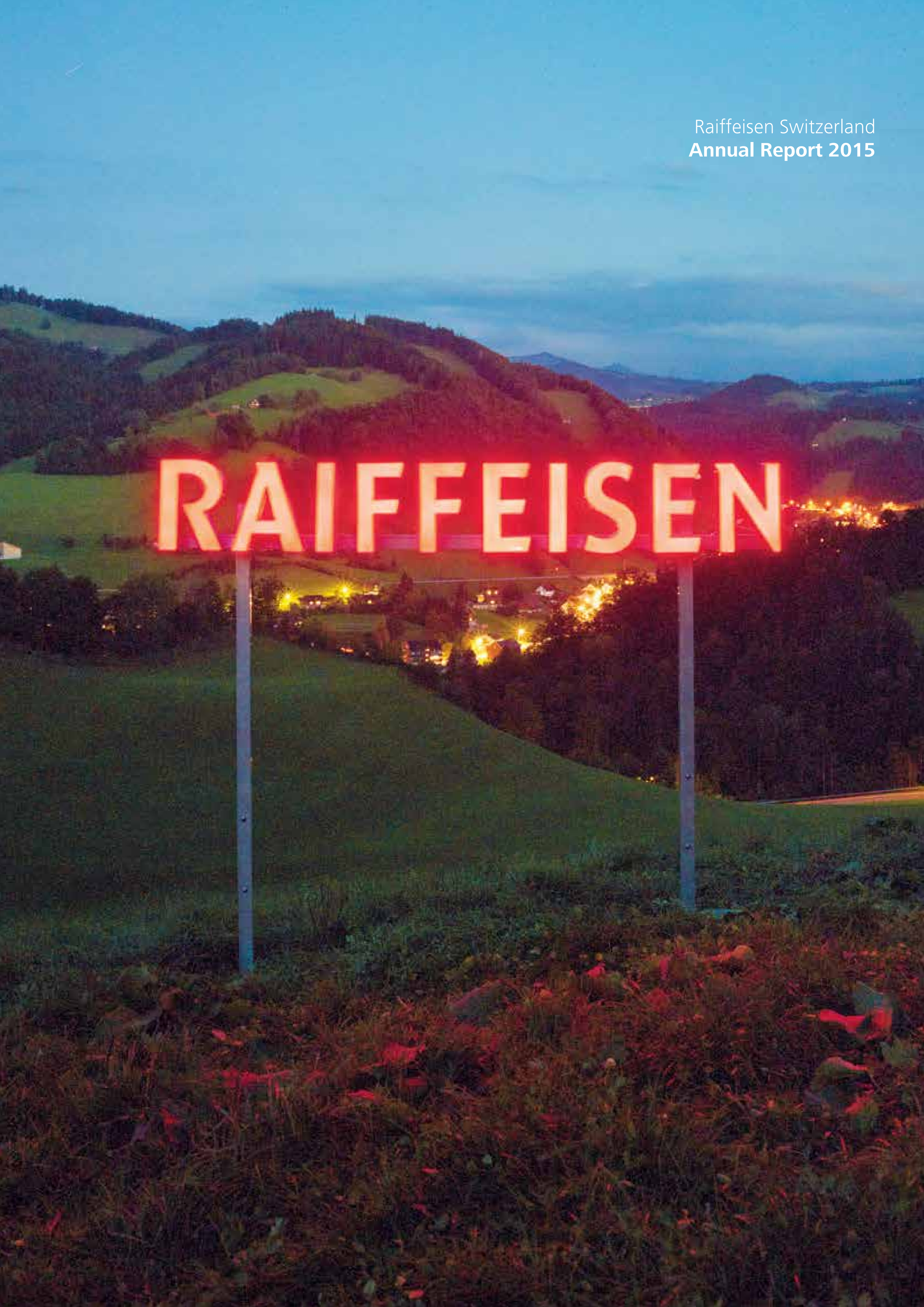
Raiffeisen Switzerland
Annual Report 2015



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Improvements in all income items

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

Right: Dr Patrik Gisel, Chairman of the Executive Board of Raiffeisen Switzerland

2015 was an eventful year for the Swiss economy in general and Raiffeisen in particular. Raiffeisen was busy with the election of a new Chairman of the Executive Board, the adoption of the revised basic strategy and the new core banking system. Chairman of the Board of Directors, Johannes Rüegg-Stürm, talked with Patrik Gisel, Chairman of the Executive Board since 1 October 2015.

Prof. Dr Johannes Rüegg-Stürm: Last financial year, we ushered in a new era by making a major change in leadership. I am delighted that Patrik Gisel has become the Chairman of our Executive Board after many years as a board member. What were the biggest challenges in the financial year?

Dr Patrik Gisel: This has been an intense year. It started out early, in January, as the unpegging of the Swiss franc confronted Switzerland with major challenges. However, the Swiss economy was not alone in its struggles. The entire global economy was beset with difficulties in 2015: negative interest rates, plummeting commodity prices, the Greek crisis, recession in the emerging countries as well as geopolitical uncertainty had an impact on the economic environment. Nevertheless, Raiffeisen still achieved an excellent net income. We increased all our income items and grew faster than the market at a profit.

Rüegg-Stürm: I believe this success is a testament to our cooperative model. Client proximity, local decision-making authority, member codetermination and fair, sustainable business policies are the key to our success – especially in today's digitised world.

Gisel: I am convinced that the cooperative model is the perfect fit for our current times. Today's world is incredibly cooperative: people collaborate on the internet to carpool, brainstorm or donate their money or time to a good cause. These models require trust and codetermination. Raiffeisen started several digital initiatives of its own in the current year in order to steer the cooperative model into the future.

Rüegg-Stürm: Joint decision-making about the future is part of our DNA at Raiffeisen. That is why all our employees were involved in the revision of our basic strategy. For example, we met with 10,000 employees in Basel on 26 September 2015 in order to discuss and adopt the basic strategy together. This event was unprecedented in our cooperative's history.

Gisel: We jointly developed a long-range future strategy that all our employees can stand behind. But we achieved other milestones during the year, too. For example, we successfully launched RAINBOW in the middle of the year. This four-year Raiffeisen-led programme will develop and launch a new, state-of-the-art core banking system in cooperation with ARIZON. The system will enable the digital transformation of our business.

We also want to expand our core business – especially with investment and corporate clients – in order to grow profitably. Our network is a vital competitive advantage, and we want to make it even stronger. We have tightened our business focus by consolidating all our asset management activities in Vescore Ltd and specialising Notenstein La Roche Private Bank Ltd in private banking.

Rüegg-Stürm: On behalf of the Board of Directors and the Executive Board of Raiffeisen Switzerland, I would like to give our heartfelt thanks to our clients for their trust in us. I also want to thank our employees for their commitment and loyalty. By working together, we were able to master 2015 and strengthened our position for the future.

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

Organisational chart of Raiffeisen Switzerland

Board of Directors Prof. Dr Johannes Rüegg-Stürm (Chairman), Philippe Moeschinger (Deputy Chairman), Rita Fuhrer, Angelo Jelmini, Daniel Lüscher [1],

Chairman of the Executive Board Dr Patrik Gisel [2]

RAI Lab Rudolf J. Kurtz

General Secretariat Roland Schaub [3]

Finance
Marcel Zoller [2]

- **Accounting** Paolo Arnoffi
- **Corporate Development & Controlling** Daniel Cohen
- **Group Risk Controlling** Dr Beat Hodel [3]
- **Credit Risk Management** Daniel Tönz

Private & Affluent Clients
Michael Auer [2]

- **Bank Relationship Management** Robin W. Marke
- **Sales & Distribution Channels** Felix Wenger
- **Analytics** Marco Wüst
- **Products & Cooperation** Roland Altwegg
- **Marketing** Oliver Niedermann

Corporate Clients
Urs Gauch [2]

- **Segment Development CC** Maurizio Scarpelli
- **Market & Distribution** Andreas Rupp
- **Capital Goods Leasing** Olivier Oettinger
- **Corporate Finance** Alexander Cassani

Central Bank
Paulo Brügger [2]

- **Trading** Werner Leuthard
- **Treasury** Philipp Ackermann
- **Products & Sales CB** Claudio Topatigh
- **Business Engineering & Support** Marco Tagliaferro

[1] Dependent in the sense of FINMA Circular 2008/24 paragraphs 20–24
[2] Member of the Executive Board
[3] Member of the Extended Executive Board

This representation depicts the organisation at the time of editing (2 March 2016).

Urs Schneider, Olivier Roussy, Prof. Dr Franco Taisch, Lic. iur. Edgar Wohlhauser, Werner Zollinger

Internal Auditing Dr Daniel Dal Santo

Communication & Politics Dr Hilmar Gernet

Branches & Regions
Gabriele Burn [2]

French-speaking Switzerland office
Gabriele Burn

Italian-speaking Switzerland office
Romano Massera

St.Gallen branch
Dieter Leopold

Winterthur branch
Gregor Knoblauch

Basel branch
Daniel Schmid, interim

Zurich branch
Matthias Läubli

Berne branch
Daniel Schmid

Thalwil branch
Daniel Duca

IT
Rolf Olmesdahl [2]

IT-Staff Unit
Robert Schleich

Programme Manager RAINBOW
Hansbeat Loacker

IT Architecture & Overall Conception
Urs Halter

IT Business Systems & Supplier Management
Franco Renda

IT Operations
Christian Lampert

IT Notenstein
Christoph Schwalm

Services
Dr Christian Poerschke [2]

Legal & Compliance
Nadja Ceregato [2]

Projects
Erwin Keller

Human Resources Management
Michael Federer [3]

Training & Development
Daniel Morf

Services
Roger Hellmüller, interim

Service & Support Centre
Frank Langer

Business trend of Raiffeisen Switzerland

Raiffeisen Switzerland posted a net profit of CHF 30 million in the year under review. Total assets grew by CHF 9.3 billion to CHF 46.8 billion. There were again substantial shifts within the balance sheet, largely due to positive changes in liquidity.

INCOME STATEMENT

Income from ordinary banking activity

While net interest income in the corporate clients and leasing business increased, Treasury generated much less net income from liquidity maintenance and hedging due to the very low interest rates. Net interest income decreased CHF 3.6 million, or 3.1%, to CHF 111 million. The difference between net and gross interest income consists primarily of net new value adjustments of CHF 5.8 million (note 13). In addition, unneeded value adjustments of CHF 2.8 million were reversed in the previous year.

Commission income from the securities and investment business went up as the branches intensified their efforts in investment advisory. Commission income from the lending business rose CHF 1.9 million. Income fell for the remaining service transactions, largely due to lower transaction prices for the Raiffeisen banks. Overall, net income from commission business and service transactions (note 22) went down CHF 7.7 million from the previous year to CHF 73.7 million.

Net trading income increased a significant CHF 33.6 million (+79.4%) to CHF 76 million (note 23.1/23.2). Net trading income improved in almost all product categories compared to the previous year. The increases were particularly significant for trading in interest products and trading in precious metals and notes.

Other ordinary profit also grew strongly, increasing CHF 80.1 million, or 27.3%, to CHF 373.4 million. Income from participating interests went up CHF 18.5 million to CHF 62.8 million, primarily because of the special dividend paid by SIX Group Ltd. Other ordinary income (note 24) rose significantly (+24.2%) year-on-year to CHF 339.8 million. It includes income from individually billed services and the contributions from the Raiffeisen banks and Group companies for collective and strategic services provided by Raiffeisen Switzerland. The increase came about because Group companies Notenstein La Roche Private Bank Ltd, Vescore Ltd, ARIZON Sourcing Ltd and Raiffeisen Unternehmerzentrum AG have outsourced some services and IT to Raiffeisen Switzerland. As a result, intercompany income from Group companies increased CHF 54.3 million to CHF 150.9 million. Income from collective and strategic services provided to the Raiffeisen banks was CHF 14.8 million higher than in the previous year, mainly because of the higher costs for central capital procurement. Other ordinary expenditure of CHF 39.3 million mainly includes costs for producing printed matter for the Raiffeisen banks, in addition to expenditure on purchasing IT infrastructure for the Raiffeisen banks.

Operating expenditure

Personnel expenditure (note 25) totalled CHF 322.7 million, up by CHF 2.1 million or 0.7%. After adjusting for a one-time contribution of CHF 5 million to the employer contribution reserve at the Raiffeisen Employer Foundation, personnel expenditure remained stable year-to-year. The number of persons employed increased by eight full-time equivalents to 1,900 full-time equivalents.

Other operating expenditure (note 26) amounted to CHF 246.8 million. This represents an increase of CHF 82.8 million or 50.5%. Occupancy costs increased CHF 11.3 million to CHF 28.4 million as a result of the transfer of the leases for the facilities of Notenstein La Roche Private Bank Ltd and ARIZON Sourcing Ltd. IT costs increased to CHF 89.7 million (previous year: CHF 41.1 million) due to the integration of Notenstein La Roche Private Bank Ltd's IT. The costs from these shared services are passed through to the two Group companies (other ordinary income). The increase in other operating expenditure to CHF 123.3 million is primarily attributable to CHF 12.5 million in additional expenses for external advisory services and CHF 8.5 million in issue tax for the cooperative capital increase.

Value adjustments on fixed assets
Value adjustments of CHF 5.5 million (previous year: CHF 4.0 million) were applied to participations. Depreciation on tangible assets (note 7.1) declined by CHF 1.4 million year-on-year to CHF 35.8 million. Raiffeisen Switzerland amortised CHF 2 million of intangible assets for the first time. At CHF 2.3 million, extraordinary write-downs with reserve characteristics stayed at prior-year levels.

Provisions and other depreciation, and losses
The change in value adjustments for loans recognised in the balance sheet is now listed as a new item right below gross interest income. As a result, the change in provisions for off-balance sheet transactions, other business risks and litigation expenses (note 13) is shown separately. Net new provisions for other business risks amounted to CHF 2.1 million in the current year, while the provisions for default risks were reduced by CHF 3.6 million.

Extraordinary income, changes in reserves for general banking risks and taxes
The extraordinary income of CHF 24 million (note 27) includes income from the sale of shares in Pfandbriefbank schweizerischer Hypothekarinstitute AG to Raiffeisen banks as well as shares in various smaller companies. The reserves for general banking risks were increased by CHF 15.2 million.

Net profit
A net profit of CHF 30 million was recorded.

BALANCE SHEET
The short-term liquidity situation of the Raiffeisen banks, which is a function of the difference in the growth of customer deposits and the growth of loans, is directly reflected in Raiffeisen Switzerland's balance sheet and total assets. In the year under review, the massive influx of CHF 9.5 billion in liquidity was largely responsible for total assets increasing to CHF 46.8 billion.

Receivables and liabilities to Raiffeisen banks
At the end of 2015, Raiffeisen Switzerland's net liabilities to Raiffeisen banks amounted to CHF 7.7 billion (previous year: CHF 7.2 billion). The Raiffeisen banks hold assets of CHF 7.9 billion at Raiffeisen Switzerland in order to comply with statutory liquidity requirements.

Receivables and liabilities to other banks
Unsecured current receivables from banks decreased 33.7% year-on-year to CHF 3.1 billion. Liabilities to other banks increased CHF 3.2 billion to CHF 10.4 billion as part of tactical liquidity management.

Receivables and liabilities from security financing transactions
Liabilities from security financing transactions amounted to CHF 4.1 billion and have very short maturities. Receivables from securities financing transactions were only CHF 51.8 million.

Loans to clients
Loans to clients rose by a total of CHF 1,039.9 million or 10.7% to CHF 10.7 billion in the cur-

rent year. The branches increased lending volume by CHF 795.1 million (9.7%) to CHF 9 billion. These loans also include short-term Central Bank loans to institutional clients, loans to larger corporate clients, as well as the equipment leasing business.

Trading business
The trading portfolio decreased CHF 424.6 million to CHF 1.3 billion in the current year (note 3). Holdings in all asset classes were reduced due to the current market situation.

Financial assets
Securities holdings in financial assets (note 5), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value rose CHF 621.8 million to CHF 5.6 billion.

Participations
The value of participations (note 6) increased CHF 461.6 million to CHF 1.4 billion in the current year. Investments were made in Leonteq Ltd, Vescore Ltd, Avaloq AG, KMU Capital AG, Notenstein La Roche Private Bank Ltd (participation capital) and Investnet Holding AG and in various smaller participations. Divestments included the sales of shares in Pfandbriefbank schweizerischer Hypothekarinstitute AG to Raiffeisen banks, in KMU Capital AG, Investnet AG and 40% of the shares in Investnet Holding AG.

Tangible fixed assets
The changes in tangible fixed assets are shown in note 7.1.

Customer deposits (Client deposits and medium-term notes)
Raiffeisen Switzerland saw a strong increase in customer deposits, which increased CHF 1.7 billion to CHF 10.1 billion. The increase is partly due to short-term investments that Treasury made with institutional clients. Customer deposits held by the branches increased CHF 764.3 million or 11.9% to CHF 7.2 billion.

Bonds and central mortgage institution loans
After redeeming a large bond from 2010 in the first quarter, Raiffeisen Switzerland issued another perpetual subordinated bond in April 2015 for CHF 550 million (AT1 capital). Due to popular demand, the bond was easily increased to CHF 600 million in October.

Provisions
Provisions (note 13) decreased CHF 8 million to CHF 16.7 million.

Reserves for general banking risks
CHF 15.2 million was allocated to reserves for general banking risks in the current year. CHF 204.5 million of the total amount of CHF 298.9 million has been taxed (note 13).

Equity capital
Cooperative capital was increased CHF 850 million at the end of December 2015. Equity capital totalled CHF 2.2 billion at the end of the current year.

Off-balance sheet business
Total contingent liabilities (note 19) increased CHF 807 million to CHF 2.5 billion due to persistently high demand for structured products from Notenstein La Roche Private Bank Ltd, for which Raiffeisen Switzerland furnishes collateral security. The contract volume for derivative financial instruments (note 4.1) decreased CHF 6.3 billion to CHF 135 billion. 2015 was characterised by a negative expected and effective interest rate environment for short maturities. This increased transaction volumes in short-term interest rate contracts. Hedging transactions for the bank book, on the other hand, increased CHF 6.1 billion to CHF 47.3 billion. This increase was principally due to an increase in forward contracts. The positive replacement values amounted to CHF 1.6 billion (previous year: CHF 1.7 billion), while the negative replacement values amounted to CHF 2.1 billion (previous year: CHF 2.1 billion).

EXEMPTIONS IN PREPARING CONSOLIDATED ACCOUNTS

According to the accounting rules for banks (RVB) RZ 327-341, Raiffeisen Switzerland is exempted from the management report, cash flow statement and various parts of the notes in the individual results. The remuneration report and an extensive Group management report are included in the annual report for the Raiffeisen Group.

Balance sheet as at 31 December 2015

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid funds	17,271,940	7,771,842	9,500,098	122.2	16
Receivables from Raiffeisen banks	3,758,642	3,953,353	-194,711	-4.9	10, 16
Receivables from other banks	3,095,492	4,672,095	-1,576,603	-33.7	10, 16
Amounts due from securities financing transactions	51,801	474,223	-422,422	-89.1	1, 16
Receivables from clients	2,237,698	2,051,802	185,896	9.1	2, 13, 16
Mortgage receivables	8,505,627	7,651,603	854,024	11.2	2, 10, 13, 16
Trading portfolio assets	1,311,118	1,735,756	-424,638	-24.5	3, 16
Positive replacement values of derivative financial instruments	1,633,087	1,682,705	-49,618	-2.9	4, 16
Financial assets	5,592,891	4,971,082	621,809	12.5	5, 10, 16
Accrued income and prepaid expenses	267,760	243,034	24,726	10.2	
Participations	1,417,390	955,750	461,640	48.3	6
Tangible assets	260,309	263,319	-3,010	-1.1	7
Intangible assets	22,984	–	22,984	–	8
Other assets	1,363,850	1,021,923	341,927	33.5	9
Total assets	**46,790,589**	**37,448,485**	**9,342,104**	**24.9**	**17, 18**
Total subordinated receivables	146,577	103,578	42,999	42	
of which subject to mandatory conversion and/or debt waiver	101,578	101,578	–	0.0	
Liabilities					
Liabilities to Raiffeisen banks	11,473,545	11,157,296	316,249	2.8	16
Liabilities to other banks	10,448,545	7,221,460	3,227,085	44.7	16
Liabilities from securities financing transactions	4,052,523	1,043,602	3,008,921	288.3	1, 16
Amounts due in respect of customer deposits	10,002,847	8,297,193	1,705,654	20.6	16
Trading portfolio liabilities	105,139	121,490	-16,351	-13.5	3, 16
Negative replacement values of derivative financial instruments	2,134,730	2,148,635	-13,905	-0.6	4, 16
Medium-term notes	104,476	141,573	-37,097	-26.2	16
Bonds and central mortgage institution loans	5,562,865	5,306,195	256,670	4.8	12, 16
Accrued expenses and deferred income	251,615	245,490	6,125	2.5	
Other liabilities	445,930	410,363	35,567	8.7	9
Provisions	16,656	24,697	-8,041	-32.6	13
Reserves for general banking risks	298,900	283,700	15,200	5.4	13
Cooperative capital	1,700,000	850,000	850,000	100.0	14
Statutory retained earnings reserve	162,790	159,796	2,994	1.9	
Profit	30,028	36,994	-6,966	-18.8	
Total equity capital	**2,191,718**	**1,330,490**	**861,228**	**64.7**	
Total liabilities	**46,790,589**	**37,448,485**	**9,342,104**	**24.9**	**18**
Total subordinated commitments	1,694,302	1,096,427	597,875	54.5	
of which subject to mandatory conversion and/or debt waiver	1,165,308	560,908	604,400	107.8	
Off-balance-sheet business					
Contingent liabilities	2,534,180	1,726,858	807,322	46.8	2, 19
Irrevocable commitments	1,565,510	1,272,864	292,646	23.0	2
Call commitments and additional funding obligations	22,926	26,869	-3,943	-14.7	2

Income statement 2015

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	439,900	499,590	-59,690	-11.9	21
Interest and dividend income from financial assets	55,661	52,794	2,867	5.4	21
Interest expenditure	-378,582	-440,310	61,728	-14.0	21
Gross result from interest operations	**116,979**	**112,074**	**4,905**	**4.4**	
Changes in value adjustments for default risks and losses from interest operations	-5,760	2,753	-8,513	-309.2	13
Subtotal net result from interest operations	**111,219**	**114,828**	**-3,609**	**-3.1**	
Commission income securities and investment business	51,472	50,334	1,138	2.3	22
Commission income lending business	8,686	6,827	1,859	27.2	22
Commission income other service transactions	58,082	64,599	-6,517	-10.1	22
Commission expenditure	-44,581	-40,377	-4,204	10.4	22
Net income from commission business and service transactions	**73,659**	**81,383**	**-7,724**	**-9.5**	
Net trading income	**75,960**	**42,340**	**33,620**	**79.4**	**23**
Income from sale of financial assets	6,187	7,237	-1,050	-14.5	
Income from participating interests	62,799	44,249	18,550	41.9	
Income from real estate	3,888	3,188	700	22.0	
Other ordinary income	339,810	273,657	66,153	24.2	24
Other ordinary expenditure	-39,262	-35,003	-4,259	12.2	
Other ordinary profit	**373,423**	**293,328**	**80,095**	**27.3**	
Personnel expenditure	-322,707	-320,583	-2,124	0.7	25
Other operating expenditure	-246,816	-164,015	-82,801	50.5	26
Operating expenditure	**-569,523**	**-484,598**	**-84,925**	**17.5**	
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-43,321	-41,189	-2,132	5.2	
Changes to provisions and other value adjustments, and losses	866	-11,796	12,662	-107.3	13
Operating result	**22,283**	**-5,705**	**27,988**	**-490.6**	
Extraordinary income	24,013	45,758	-21,745	-47.5	27
Extraordinary expenditure	-4	–	-4	–-	27
Changes in reserves for general banking risks	-15,200	-2,000	-13,200	660.0	13
Taxes	-1,064	-1,059	-5	0.5	28
Profit	**30,028**	**36,994**	**-6,966**	**-18.8**	

Proposed distribution of available profit addressed to the Ordinary Delegate Meeting of 18 June 2016 in Geneva

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %
Appropriation of profit				
Profit	30,028	36,994	-6,966	-18.8
Profit brought forward	–	–	–	0.0
Available profit	**30,028**	**36,994**	**-6,966**	**-18.8**
Appropriation of profit				
– Allocation to statutory retained earnings reserve	6,653	2,994	3,659	122.2
– Interest on cooperative capital	23,375	34,000	-10,625	-31.3
Total appropriation of profit	**30,028**	**36,994**	**-6,966**	**-18.8**

Statement of changes in equity 2015

	Cooperative capital in 1,000 CHF	Statutory retained earnings reserve* in 1,000 CHF	Reserves for general banking risks in 1,000 CHF	Profit in 1,000 CHF	Total in 1,000 CHF
Equity capital at the beginning of the current year	**850,000**	**159,796**	**283,700**	**36,994**	**1,330,490**
Capital increase	850,000				850,000
Creation of statutory retained earnings reserve		2,994		-2,994	–
Creation of reserves for general banking risks			15,200		15,200
Interest on the cooperative capital				-34,000	-34,000
Profit				30,028	30,028
Equity capital at the end of the current year	**1,700,000**	**162,790**	**298,900**	**30,028**	**2,191,718**

* Statutory retained earnings are not distributable.

Notes to the annual accounts

NAME, LEGAL STRUCTURE AND DOMICILE OF THE BANK

Under the name

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

there exists an association of cooperative banks with a limited additional funding obligation pursuant to Art. 921 et seq. of the Swiss Code of Obligations ("OR"). Raiffeisen Switzerland Cooperative (hereinafter "Raiffeisen Switzerland") is the association of Raiffeisen banks in Switzerland. Raiffeisen Switzerland is domiciled in St.Gallen.

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 the guidelines and directives of the Swiss Financial Market Supervisory Authority (FINMA).

The detailed positions shown for a balance sheet item are valued individually. Individual financial statements are prepared subject to the above regulations and present a reliable view. Unlike financial statements prepared in accordance with the true and fair view principle, individual financial statements may include hidden reserves.

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

Accounting and valuation principles

Recording of business events

All business transactions that have been concluded by the balance sheet 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 of 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 "Net trading income". Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

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 are carried at 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.

Provision for credit items is 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.

Receivables and liabilities from security financing transactions

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

Securities that are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland demands control of the contractual rights associated with them. Securities that are loaned or are provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland 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 "Net trading income". 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 equity securities 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, they are valued at the lower of cost or market.

Non-consolidated participations

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

All participations in communal facilities are also reported here. Minor participations are not listed individually if the holding represents less than 10% of the voting shares and equity capital and is either worth less than CHF 1 million of the equity capital or has a book value of less than CHF 10 million. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required value adjustments. They are tested for impairment as of each balance sheet date. Participations may contain hidden reserves.

Tangible assets

Tangible assets are reported at acquisition cost plus value-enhancing investments and depreciated on a straight-line basis over their estimated useful life. Their useful life is generally 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 expenditure.

Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are booked directly to the income statement. Tangible assets may contain hidden reserves. 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

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

Impairment testing: The value of intangible assets is reviewed 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 amortisations 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 depreciated 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 are reserves created 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 and are partially taxable (see "Value adjustments, provisions and reserves for general banking risks" table in the notes).

Taxes

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

Contingent liabilities, irrevocable commitments, call commitments and additional funding obligations

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

Derivative financial instruments

Reporting: The replacement values of all contracts concluded on the bank's own account are recognised in the balance sheet regardless of their income statement treatment. The replacement values of exchange-traded contracts concluded on a commission basis are recognised in the balance sheet only to the extent 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 are concluded via the trading book; Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported. The "Open derivative financial instruments" note shows the replacement values and contract volume with external counterparties. The volume of internal Treasury hedging transactions is reported under hedging instruments.

Treatment in the income statement: The derivative financial instruments recorded in the trading book are valued on a fair-value basis. Derivative financial instruments used for balance sheet structural management to hedge against interest rate risk 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.

Changes as against previous year: The Federal Council completely changed the basis of financial reporting for banks by changing the Banking Ordinance as at 30 April 2014. FINMA detailed the new financial reporting requirements in Circular 2015/1 "Accounting – banks ('ARB')". Raiffeisen Switzerland's annual accounts as at 31 December 2015 are the first accounts to be drawn up under the new financial reporting rules. As a result, the accounting and valuation rules have changed since the previous year as described below.

Change in the balance sheet: Value adjustments for default risks are deducted directly from loans to clients and are no longer shown on the liabilities side under value adjustments and provisions. Repurchase and reverse repurchase transactions (securities financing transactions) are shown under a separate balance sheet item. Before, they were included under receivables from or liabilities to banks or clients. "Receivables from money market securities" was eliminated as an item. Corresponding transactions will now be recognised instead under "Receivables from banks", "Receivables from clients" or "Financial assets". The replacement values of derivative financial instruments are shown as a separate balance sheet item. Before, they were included under "Other assets" or "Other liabilities". "Liabilities to clients in the form of savings and investment deposits" and "Other liabilities to clients" are grouped into the new "Liabilities from client deposits" item. This item will now be used to recognise time deposits as well (previously recognised under "Medium-term notes"). Another new item, "Liabilities from the trading business", contains short positions from the trading business (previously, "Liabilities to banks"). Receivables and obligations from social security and staff pension plan contributions are now recognised under "Accrued expenses and deferred income" or "Accrued income and deferred charges" (previously, "Other assets" or "Other liabilities").

Changes in the income statement: Interest income is shown as a gross amount and a net amount. Net interest income includes changes in value adjustments for default risks and losses from interest operations. The recognition and reversal of reserves for general banking risks is shown in a separate item. The previous subtotals – "Operating income" and "Gross profit" – have been eliminated. The new subtotal is simply called "Operating result".

The previous year's numbers in the balance sheet and income statement were restated to conform to the new accounting standards.

Changes were also made to the accounting and valuation principles for intangible assets.

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. Raiffeisen views taking on risks as one of its core competences and sees it as a vital prerequisite for achieving returns. 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 and Raiffeisen Switzerland 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

Raiffeisen Switzerland controls the key risk categories using special processes and overall limits. Risks that cannot be reliably quantified 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.

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

The aim of risk management is 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 risks

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.

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

- Counterparty risks
- Collateral risks
- Concentration risks
- Country risks

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.

The branches primarily incur counterparty, collateral and concentration risks. Raiffeisen Switzerland's branches are part of the Branches & Regions department and extend credit to private and corporate clients, the latter being mostly SMEs. Risks in this connection are limited by collateralising the underlying claims.

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 50 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, interest rate and proprietary trading risks. The Central Bank department mainly incurs credit risks in connection with interbank business. With the exception of the repo business, these commitments are unsecured.

The Central Bank department may only conduct international transactions when country-specific limits have been approved and established. In exceptional cases in proprietary trading, positions may be taken in countries with prior approval from the Finance department. Country risks are constantly and actively managed and are principally concentrated in Europe.

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

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

Creditworthiness and solvency are assessed on the basis of compulsory standards at Raiffeisen Switzerland. Sufficient creditworthiness and the ability to maintain payments must be proven before approval for any loan is granted. 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 according to a range of 13 risk categories.

This system has proved its worth as a means of dealing with the key elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams are available for more complex financing 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 for 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 for portfolio-controlling measures, with the main focus being on controlling new business via 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, a process that 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 2015, Raiffeisen Switzerland had two reportable cluster risks with cumulative risk-weighted commitments of CHF 0.7 billion. These amounted to 34.8% of eligible capital resources (previous year: four reportable positions of CHF 1.1 billion). In addition, the risk-weighted commitment to all Group companies is CHF 4.3 billion.

The credit volume of Raiffeisen Switzerland's 10 largest borrowers (excluding interbank business and public bodies) as at 31 December 2015 was CHF 1.3 billion or 11.9% of loans to clients (previous year: CHF 1.5 billion or 15%).

Market risks

Risk associated with fluctuating interest rates: As Raiffeisen Switzerland is heavily involved in balance sheet business, interest rate fluctuations can have a considerable 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 area of the 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. 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 risks: Since assets in a foreign currency are generally refinanced in the same currency, foreign currency risks are largely avoided.

The financial assets portfolio is managed by the Treasury area of the Central Bank department. Financial assets 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 the financial assets.

The trading desk, which is part of the Central Bank department, is responsible for managing the Central Bank trading book, as the branches do not maintain their own trading books. 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 profits achieved in trading and conducts daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is carried out exclusively by experienced traders. They work with both standardised and over-the-counter (OTC) derivatives for Central Bank's own account and for clients.

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 to responsible Executive Board members in line with FINMA Circular 2008/6
- Monthly risk report 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 to the Board of Directors

Liquidity

Liquidity risks are controlled using commercial criteria and monitored by Treasury and Group Risk Controlling at the Group level 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 as well as additional limits that are set by Raiffeisen Switzerland's Board of Directors and based on the above scenario analyses.

Operational risks

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 the capture and analysis of 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 for which the implementation is monitored by line units. Emergency and catastrophe planning measures are in place for mission-critical processes.

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 limit violations are escalated to Raiffeisen Switzerland's Executive Board.

Capital adequacy requirements for market risks relating to the trading book

in 1,000 CHF	31.12.2015	Ø 2015	31.12.2014	Ø 2014
Foreign exchange/ precious metals	17,215	17,074	22,301	16,562
Interest rate instrum.	108,849	108,815	97,774	102,305
Equities/indices	17,280	19,733	17,442	5,247
Total	**143,344**	**145,623**	**137,516**	**124,114**

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.

IT risks
A reliable IT infrastructure is an indispensable requirement for providing banking services. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing 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 bases its policies on recognised standards and established practice.

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 the 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.

Regulatory provisions
On 24 June 2015, FINMA, the Swiss Financial Market Supervisory Authority, issued a decision defining special requirements relating to the systemic importance of the Raiffeisen Group and Raiffeisen Switzerland. As an individual bank, Raiffeisen Switzerland remains exempt from the disclosure requirements. The consolidated information that must be disclosed pursuant to FINMA Circular 2008/22 can be viewed on the Raiffeisen website (raiffeisen.ch) or in the Raiffeisen Group's annual report.

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:

	Issuer/issue rating		
Client category	**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:
- Receivables from banks
- Receivables from clients and mortgage receivables
- Financial assets
- Positive replacement values

Market risks: standard approach
The capital adequacy requirements for market risks 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 table on page 22.

Operational risks: basic indicator approach

METHODS APPLIED TO IDENTIFY DEFAULT RISKS AND TO DETERMINE 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. The Recovery department is involved in certain cases. Additional collateral may be requested or a value adjustment recognised based on the missing collateral (also see the section entitled "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 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 accounts 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

Following the steps described in sections "Mortgage loans", "Loans against securities" and "Unsecured loans" identifies 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 properties with a hedonic pricing model together with the real value method. This approach compares the price to property transactions that have similar characteristics as the property 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 property's collateral value exceeds a certain amount or if the property 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 ago).

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' account, particularly interest and currency instruments.

Hedges in the bank book are created with internal deposits and loans with the trading desk; the Treasury department does not take out hedges directly in the market. The trading desk executes offsetting trades with external counterparties for substantially all of these hedges.

Use of hedge accounting

Types of hedged items and hedging instruments

The bank uses 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	Control of foreign exchange dealings

Composition of the groups of financial instruments

Interest rate sensitive positions in the bank 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, the bank documents the relationship between the hedging instrument and the hedged item. The documentation covers things such as the risk management goals and strategy for the hedging instrument and the methods used to assess the effectiveness of the hedge. Effectiveness testing constantly and prospectively assesses the economic relationship between the hedged item and the hedging instrument by actions such as measuring offsetting changes in the value of the hedged item and the hedging instrument and determining the correlation between these changes.

Effectiveness testing

A hedge is deemed to be highly effective if the following criteria are substantially met:

- The hedge is determined to be highly effective at inception and ongoing (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.

EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred between the balance sheet date (31 December 2015) and the drawing up of the annual accounts that would have required disclosure in the balance sheet and/or 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*	51,808	474,317
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	4,052,366	1,043,689
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	3,556,475	1,109,051
with unrestricted right to resell or pledge	3,556,475	1,109,051
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	156,548	607,385
of which, repledged securities	25,627	96,006
of which, resold securities	105,139	121,490

* before netting agreements

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

	Mortgage cover in 1,000 CHF	Other cover in 1,000 CHF	Without cover in 1,000 CHF	Total in 1,000 CHF
Loans (before netting with value adjustments)				
Loans to clients	389,565	222,037	1,635,842	2,247,443
Mortgage loans	8,505,627	–	2,641	8,508,268
Residential property	7,437,571	–	1,673	7,439,244
Office and business premises	260,024	–	12	260,036
Trade and industry	570,109	–	–	570,109
Other	237,924	–	955	238,879
Total loans (before netting with value adjustments)				
Current year	**8,895,192**	**222,037**	**1,638,482**	**10,755,711**
Previous year	7,996,645	159,746	1,554,564	9,710,956
Total loans (after netting with value adjustments)				
Current year	**8,895,192**	**222,037**	**1,626,096**	**10,743,325**
Previous year*	–	–	–	–
Off-balance-sheet business				
Contingent liabilities	1,894	2,094,566	437,720	2,534,180
Irrevocable commitments	564,462	26,344	974,705	1,565,510
Call commitments and additional funding obligations	–	–	22,926	22,926
Total off-balance-sheet business				
Current year	**566,356**	**2,120,910**	**1,435,350**	**4,122,615**
Previous year	518,586	1,275,657	1,232,347	3,026,590

* These values were not captured in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

	Gross amount borrowed in 1,000 CHF	Estimated proceeds from realisation of collateral in 1,000 CHF	Net amount borrowed in 1,000 CHF	Individual provisions in 1,000 CHF
Impaired loans				
Current year	**46,543**	**33,898**	**12,645**	**12,628**
Previous year*	34,723	9,038	25,685	21,662

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.

* Impaired loans were solely comprised of on-balance-sheet transactions in the current year. The previous year may have also included off-balance sheet transactions. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

3 Trading portfolio assets

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Assets		
Debt securities, money market securities/transactions	741,021	964,871
stock exchange listed[1]	741,021	964,871
Equity securities	94,140	125,547
Precious metals	449,101	610,527
Other trading portfolio assets	26,857	34,811
Total assets	**1,311,118**	**1,735,756**
of which determined using a valuation model	–	–
of which, securities eligible for repo transactions in accordance with liquidity requirements	423,676	630,366

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Liabilities		
Debt securities, money market securities/transactions[2]	105,139	121,261
stock exchange listed[1]	105,139	121,261
Equity securities[2]	–	229
Precious metals[2]	–	–
Other trading portfolio liabilities[2]	–	–
Total liabilities	**105,139**	**121,490**
of which, determined using a valuation model	–	–

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

4 Derivative financial instruments (assets and liabilities)

4.1 Derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	2,513	1,888	7,350,000	–	–	–
Swaps	582,023	634,914	54,898,507	743,420	1,233,483	41,625,500
Futures contracts	–	–	3,184,081	–	–	–
Options (OTC)	–	0	5,578	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total interest rate instruments	**584,535**	**636,802**	**65,438,166**	**743,420**	**1,233,483**	**41,625,500**
Foreign currencies						
Forward contracts	193,688	227,745	20,714,586	96,716	8,017	5,535,731
Comb. interest rate/currency swaps	–	1,270	10,881	–	–	–
Futures contracts	–	–	15,517	–	–	–
Options (OTC)	3,687	2,888	291,422	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total foreign currencies	**197,375**	**231,903**	**21,032,407**	**96,716**	**8,017**	**5,535,731**
Precious metals						
Forward contracts	7,201	5,404	910,404	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	16,411	–	–	–
Options (OTC)	866	127	83,166	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total precious metals	**8,068**	**5,531**	**1,009,982**	**–**	**–**	**–**
Equities and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	106,800	–	–	–
Options (OTC)	–	–	–	–	18,653	184,930
Options (exchange traded)	973	341	34,324	–	–	–
Total equities and indices	**973**	**341**	**141,125**	**–**	**18,653**	**184,930**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	460	–	–	–
Options (OTC)	2,000	–	23,700	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total other	**2,000**	**–**	**24,160**	**–**	**–**	**–**
Total						
Current year	**792,951**	**874,577**	**87,645,840**	**840,137**	**1,260,153**	**47,346,161**
of which determined using a valuation model	791,978	874,236		840,137	1,260,153	
Previous year	1,022,915	1,045,442	100,032,584	659,789	1,103,193	41,258,296
of which determined using a valuation model	1,020,621	1,044,098		659,789	1,103,193	

4.2 Derivative financial instruments by counterparty and time remaining to maturity

	Positive contract replacement value in 1,000 CHF	Negative contract replacement value 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
Central clearing houses	13,388	8,063	1,750,000	1,601,100	1,482,200	4,833,300
Raiffeisen banks*	803	1,055	47,361	3,527	–	50,888
Banks and securities dealers	1,588,464	2,092,159	53,140,450	49,692,321	21,516,119	124,348,889
Stock exchanges	973	341	3,156,054	201,540	–	3,357,594
Other customers	29,458	33,111	1,811,275	292,597	297,458	2,401,330
Total						
Current year	**1,633,087**	**2,134,730**	**59,905,139**	**51,791,085**	**23,295,777**	**134,992,001**
Previous year	1,682,705	2,148,635	72,732,481	48,728,327	19,830,071	141,290,880

* Primarily for clients' needs

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties primarily with a very good credit rating; 95.3% 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 assets				
Debt instruments	5,287,957	4,718,169	5,545,054	4,935,682
of which intended to be held until maturity	5,282,026	4,701,021	5,538,903	4,918,400
of which, not intended to be held to maturity (available for sale)	5,931	17,148	6,151	17,282
Equities	304,934	252,913	310,861	261,284
of which qualified participations*	–	–	–	–
Precious metals	–	–	–	–
Real estate	–	–	–	–
Total financial assets	**5,592,891**	**4,971,082**	**5,855,914**	**5,196,966**
of which securities for repo transactions in line with liquidity requirements	5,202,138	4,652,324		

* 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	**5,202,138**	**81,819**	**4,000**	**–**	**–**	**–**

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

6 Participations

	Purchase price in 1,000 CHF	Accumulated value adjustments in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year value adjustments in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF	Market value at end of current year in 1,000 CHF
Participations Group companies										
– with market value	–	–	–	–	–	–	–	–	–	–
– without market value	629,318	-9,234	620,084	–	166,852	-52,498	-1,727	5,902	738,613	–
Other participations										
– with market value	158,391	-5	158,386	–	288,031	–	–	–	446,417	874,487
– without market value	178,840	-1,560	177,280	–	68,095	-9,270	-3,745	–	232,360	–
Total participations	**966,549**	**-10,799**	**955,750**	**–**	**522,979**	**-61,768**	**-5,473**	**5,902**	**1,417,390**	**874,487**

7 Tangible fixed assets

7.1 Tangible fixed assets

	Purchase price in 1,000 CHF	Cumulative depreciation/amortisation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year depreciation/amortisation in 1,000 CHF	Current-year Reversals in 1,000 CHF	Book value at end of current year in 1,000 CHF
Bank buildings	277,988	-104,558	173,430	127	400	–	-6,077	–	167,880
Other real estate	14,077	-3,727	10,350	–	–	–	-550	–	9,800
Proprietary or separately acquired software	129,273	-93,189	36,084	–	14,975	–	-10,468	–	40,591
Other tangible fixed assets	196,898	-153,443	43,455	-127	17,459	-11	-18,738	–	42,038
Total tangible assets	**618,236**	**-354,917**	**263,319**	**–**	**32,834**	**-11**	**-35,833**	**–**	**260,309**

7.2 Operating leases

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-recognised lease commitments		
Due within 12 months	2,260	1,750
Due within 1 to 5 years	3,855	2,086
Due after 5 years	–	–
Total non-recognised lease commitments	**6,115**	**3,835**
of which obligations that can be terminated within one year	6,115	3,835

8 Intangible assets

	Purchase price in 1,000 CHF	Cumulative depreci-ation/amorti-sation in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year invest-ment in 1,000 CHF	Current-year disinvest-ment in 1,000 CHF	Current-year depreci-ation/amorti-sation in 1,000 CHF	Book value at end of current year in 1,000 CHF
Other intangible assets	–	–	–	25,000	–	-2,016	22,984
Total intangible assets	**–**	**–**	**–**	**25,000**	**–**	**-2,016**	**22,984**

9 Other assets and other liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Equalisation account	393,587	391,657
Settlement accounts for indirect taxes	872,943	593,273
Other settlement accounts	91,920	31,775
Commodities	5,400	5,219
Miscellaneous other assets	0	0
Total other assets	**1,363,850**	**1,021,923**
Other liabilities		
Due, unredeemed coupons and debt instruments	42	223
Levies, indirect taxes	33,693	31,229
Solidarity fund	360,691	355,258
of which open guarantees to Raiffeisen banks	259	759
Other settlement accounts	51,364	23,468
Miscellaneous other liabilities	141	186
Total other liabilities	**445,930**	**410,363**

10 Assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

	Current-year book values in 1,000 CHF	Current year Effective commitments in 1,000 CHF	Previous-year book values in 1,000 CHF	Previous year Effective commitments in 1,000 CHF
Pledged/assigned assets				
Receivables from Raiffeisen banks	–	–	–	–
Receivables from other banks	620,710	620,710	565,348	565,348
Mortgage receivables	2,732,882	1,847,542	2,498,265	1,727,856
Financial assets	887,283	138,905	847,613	147,757
Total pledged assets	**4,240,875**	**2,607,157**	**3,911,226**	**2,440,961**
Total assets under reservation of ownership	**–**	**–**	**–**	**–**

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

11 Social insurance institutions

All employees of Raiffeisen Switzerland 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 Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

11.1 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	245,005	236,443
Negative replacement values of derivative financial instruments	–	17
Bonds	40,000	20,000
Accrued expenses and deferred income	543	397
Total liabilities to own social insurance institutions	**285,548**	**256,857**

11.2 Employer contribution reserves in the Raiffeisen Employer Foundation

	Current year in 1,000 CHF	Previous year in 1,000 CHF
As at 1 January	2,189	2,775
+ Deposits[1]	7,500	3,735
– Withdrawals[1]	2,253	4,334
+ Interest paid[2]	12	14
As at 31 December	**7,449**	**2,189**

1 Contributions and payments are included in personnel expenditure.

2 Interest paid on the employer contribution reserves is recorded as interest income.

The employer contribution reserves correspond to the nominal value as calculated by the pension plan, and they are not reported.

11.3 Economic benefit/obligation and retirement benefit expenditure

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

	On 31.12.2015 in %	On 31.12.2014 in %
Raiffeisen Pension Fund Cooperative	109,8	112,2

The fluctuation reserves of the Raiffeisen Pension Fund Cooperative 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 is explained under "Contribution to staff pension plans" in note 25 "Personnel expenditure".

12 Outstanding bonds and central mortgage institution loans

	Year of issue	Interest rate	Maturity	Early termination possibility	Bond principal in 1,000 CHF
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG	div.	1.534 [2]			1,793,730
Non-subordinated own bonds	2006	3.125	30.05.2016	–	520,930
	2010	1.375	21.09.2017	–	161,045
	2010	2.000	21.09.2023	–	230,045
	2011	2.125	04.02.2019	–	249,870
	2011	2.625	04.02.2026	–	128,640
	2011	2.375	10.05.2018	–	148,415
	2014	0.000 [3]	07.02.2017	–	347,190
	2014	1.625	07.02.2022	–	99,900
	2014	0.000 [3]	05.06.2018	–	204,625
Subordinated own bonds without PONV clause[1]	2011	3.875	21.12.2021	–	528,475
Subordinated own bonds with PONV clause[1]	2013	3.000	Perpetual	02.05.2018	550,000 [4]
	2015	3.000	Perpetual	02.10.2020	600,000 [4]
Total outstanding bonds and central mortgage institution loans					**5,562,865**

1 PONV clause = point of non-viability
2 Average weighted interest rate (volume-weighted)
3 Variable coupon, basis CHF Libor 3 months and spread
4 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).

13 Value adjustments, provisions and reserves for general banking risks

	End of previous year in 1,000 CHF	Appropriate application in 1,000 CHF	Reclassifica-tions in 1,000 CHF	Write-backs, overdue interest in 1,000 CHF	New provisions against income statement in 1,000 CHF	Dissolution of provisions against income statement in 1,000 CHF	End of current year in 1,000 CHF
Provisions							
Provisions for default risks	14,110	-1,546	402	468	2,421	-6,053	9,802
Provisions for other business risks	6,733	-5,811	130	–	2,078	–	3,130
Other provisions[1]	3,854		-130	–	–	–	3,724
Total provisions	**24,697**	**-7,357**	**402**	**468**	**4,498**	**-6,053**	**16,656**
Reserves for general banking risks	**283,700**	**–**	**–**	**–**	**15,200**	**–**	**298,900**
of which taxed	167,500	–	–	–	–	–	204,500
Value adjustments for default and country risks							
Value adjustments for default risks in respect of impaired loans/receivables	7,551	-368	-402	110	8,255	-2,518	12,628
Value adjustments for latent risks	0	–	–	–	–	–	0
Total value adjustments for default and country risks	**7,551**	**-368**	**-402**	**110**	**8,255**	**-2,518**	**12,628**

1 Miscellaneous provisions include provisions for legal expenses.

14 Bank's capital

	Current year			Previous year		
	Total par value in 1,000 CHF	Number of shares in 1,000	Interest-bearing capital in CHF 1,000	Total par value in 1,000 CHF	Number of shares in 1,000	Capital eligible for interest in 1,000 CHF
Cooperative capital	1,700,000	1,700	850,000	850,000	850	850,000
of which, paid up	1,700,000	1,700	850,000	850,000	850	850,000

The cooperative capital is owned in full by the 292 Raiffeisen banks within Raiffeisen Switzerland. No Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. As at 31 December 2015, this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 1,769.7 million, of which CHF 893.8 million have been paid in. The Raiffeisen banks took over CHF 806.2 million in share certificates without applying this amount toward the call-in obligation.

15 Related parties

	Amounts due from		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
Group companies	386,596	212,220	2,888,956	1,733,535
Transactions with members of governing bodies	32,285	23,987 [1]	3,700	- [2]
Other related parties	82,730	112,447	12,977	27
Total amounts due from / to related parties	**501,610**	**348,654**	**2,905,633**	**1,733,562**

1 In the previous year, receivables included off-balance sheet transactions.

2 Obligations to officers, directors were not recorded in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

Material off-balance sheet transactions with associated persons

Contingent liabilities to associated persons amount to CHF 2.1 billion (previous year: CHF 1.3 billion). Irrevocable commitments to associated persons amount to CHF 403.6 million (previous year: CHF 15 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:the Executive Board, the extended Executive Board and the Head of Internal Auditing of Raiffeisen Switzerland enjoy industry-standard preferential terms, as do other personnel.

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

16 Maturity structure of financial instruments

	On demand in 1,000 CHF	Redeemable by notice 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 funds	17,271,940	–	–	–	–	–	17,271,940
Receivables from Raiffeisen banks	3,758,642	–	–	–	–	–	3,758,642
Receivables from other banks	156,308	–	2,759,185	80,000	100,000	–	3,095,492
Amounts due from securities financing transactions	–	–	51,801	–	–	–	51,801
Receivables from clients	524	68,134	1,309,624	219,467	574,006	65,943	2,237,698
Mortgage receivables	1,151	162,838	324,778	979,557	4,297,186	2,740,118	8,505,627
Trading portfolio assets	1,311,118	–	–	–	–	–	1,311,118
Positive replacement values of derivative financial instruments	1,633,087	–	–	–	–	–	1,633,087
Financial assets[1]	294,637	–	15,078	225,263	1,666,397	3,391,516	5,592,891
Total							
Current year	**24,427,406**	**230,972**	**4,460,466**	**1,504,287**	**6,637,589**	**6,197,577**	**43,458,296**
Previous year[2]	13,998,623	276,901	6,164,658	1,785,961	5,912,857	5,341,259	33,480,258
Debt capital/financial instruments							
Liabilities to Raiffeisen banks	11,473,545	–	–	–	–	–	11,473,545
Liabilities to other banks	455,626	–	4,823,388	3,677,053	1,186,378	306,100	10,448,545
Liabilities from securities financing transactions	–	–	4,000,321	52,203	–	–	4,052,523
Amounts due in respect of customer deposits	1,825,511	5,126,368	1,748,262	501,685	554,458	246,564	10,002,847
Trading portfolio liabilities	105,139	–	–	–	–	–	105,139
Negative replacement values of derivative financial instruments	2,134,730	–	–	–	–	–	2,134,730
Medium-term notes	–	–	11,313	26,236	62,372	4,555	104,476
Bonds and central mortgage institution loans	–	–	–	617,430	2,562,945	2,382,490	5,562,865
Total							
Current year	**15,994,551**	**5,126,368**	**10,583,283**	**4,874,606**	**4,366,153**	**2,939,709**	**43,884,670**
Previous year[3]	13,067,180	5,731,019	5,523,502	2,902,570	3,473,258	2,772,615	33,470,143

[1] No real estate figures are included in the financial assets (prior year: 0,00 Swiss francs).

[2] In the previous year, this item included loans to clients (gross) before deducting value adjustments. The previous year's figure does not include the positive replacement values of derivative financial instruments.

[3] The previous year's figure does not yet include the negative replacement values of derivative financial instruments. We are not presenting the previous year's figures in conformity with the new financial reporting requirements in either case, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

17 Total assets by credit rating of country groups

	Net foreign exposure			
	Current year in 1,000 CHF	Current year in %	Previous year in 1,000 CHF	Previous year in %
Rating class				
Aaa to Aa3	3,638	98.7	5,257	96.2
A1 to A3	26	0.7	75	1.4
Baa1 to Baa3	13	0.4	75	1.4
Ba1 to B3	6	0.2	7	0.1
below B3	–	0.0	45	0.8
unrated	2	0.1	5	0.1
Total assets	**3,685**	**100.0**	**5,464**	**100.0**

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

18 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 funds	16,836,638	281,750	30,724	122,828	17,271,940
Receivables from Raiffeisen banks	3,758,572	–	–	70	3,758,642
Receivables from other banks	1,290,620	301,391	1,321,726	181,756	3,095,492
Amounts due from securities financing transactions	–	21,762	30,039	–	51,801
Receivables from clients	2,073,839	80,727	45,950	37,181	2,237,698
Mortgage receivables	8,505,627	–	–	–	8,505,627
Trading portfolio assets	785,431	65,671	10,814	449,202	1,311,118
Positive replacement values of derivative financial instruments	1,633,087	–	–	–	1,633,087
Financial assets	5,377,442	121,316	94,127	6	5,592,891
Accrued income and prepaid expenses	267,524	88	118	30	267,760
Participations	1,413,482	3,901	–	7	1,417,390
Tangible assets	260,309	–	–	–	260,309
Intangible assets	22,984	–	–	–	22,984
Other assets	1,363,850	–	–	–	1,363,850
Total assets reflected in the balance sheet	**43,589,405**	**876,605**	**1,533,498**	**791,081**	**46,790,589**
Delivery claims under spot exchange, forward exchange and currency option contracts	9,282,494	6,430,122	9,670,815	1,937,902	27,321,333
Total assets	**52,871,899**	**7,306,728**	**11,204,312**	**2,728,983**	**74,111,922**
Liabilities					
Liabilities to Raiffeisen banks	9,066,292	1,787,040	328,878	291,335	11,473,545
Liabilities to other banks	6,178,378	1,905,546	1,589,462	775,159	10,448,545
Liabilities from securities financing transactions	1,845,000	658,301	1,417,841	131,382	4,052,523
Amounts due in respect of customer deposits	9,246,005	173,203	540,784	42,855	10,002,847
Trading portfolio liabilities	101,740	3,399	–	–	105,139
Negative replacement values of derivative financial instruments	2,134,730	–	–	–	2,134,730
Medium-term notes	104,476	–	–	–	104,476
Bonds and central mortgage institution loans	5,562,865	–	–	–	5,562,865
Accrued expenses and deferred income	246,784	2,178	2,538	116	251,615
Other liabilities	445,913	–	17	–	445,930
Provisions	16,656	–	–	–	16,656
Reserves for general banking risks	298,900	–	–	–	298,900
Cooperative capital	1,700,000	–	–	–	1,700,000
Statutory retained earnings reserve	162,790	–	–	–	162,790
Profit	30,028	–	–	–	30,028
Total liabilities reflected in the balance sheet	**37,140,555**	**4,529,667**	**3,879,520**	**1,240,847**	**46,790,589**
Delivery obligations under spot exchange, forward exchange and currency option contracts	15,672,870	2,771,986	7,298,457	1,515,752	27,259,064
Total liabilities	**52,813,425**	**7,301,652**	**11,177,977**	**2,756,599**	**74,049,653**
Net position per currency	**58,474**	**5,075**	**26,335**	**-27,615**	**62,269**

	31.12.2015	31.12.2014
Foreign currency conversion rates		
EUR	1.088	1.202
USD	1.001	0.994

Information on off-balance sheet business

19 Contingent assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Contingent liabilities		
Guarantees to secure credits and similar	2,455,545	1,632,155
Performance guarantees and similar	11,860	9,062
Other contingent liabilities	66,775	85,640
Total contingent liabilities	**2,534,180**	**1,726,858**
Contingent assets		
Contingent assets arising from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets*	**–**	**–**

* We are not presenting the previous year's contingent receivables in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

20 Fiduciary transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Fiduciary investments with third-party banks	1,998	16,333
Total fiduciary transactions	**1,998**	**16,333**

Information on the income statement

21 Result from interest operations

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Interest and dividend income		
Interest income from receivables from Raiffeisen banks	260,722	318,052
Interest income from receivables from other banks	4,185	11,899
Interest income from securities financing transactions	-21	677
Interest income from receivables from clients	21,781	21,178
Interest income from mortage loans	137,253	134,126
Interest and dividend income from financial investments	55,661	52,794
Other interest income	15,981	13,658
Total interest and dividend income	**495,562**	**552,385**
of which negative interest on the lending business	-26,283	-2
Interest expenditure		
Interest expenditure from liabilities to Raiffeisen banks	-12,257	-102,236
Interest expenditure from liabilities to other banks	-6,597	-12,021
Interest expenditure from securities financing transactions	5,769	-1,350
Interest expenditure from liabilities to clients	-26,543	-40,336
Interest expenditure from cash bonds	-2,140	-2,856
Interest expenditure from bonds and central mortgage institution loans	-126,877	-124,263
Other interest expenditure	-209,937	-157,249
Total interest expenditure	**-378,582**	**-440,310**
of which negative interest on the borrowing business	41,441	88
Gross result from interest operations	**116,979**	**112,074**

22 Net income from commission business and service transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from securities and investment business		
Fund business	9,381	8,813
Custody account business	23,377	21,359
Brokerage	16,415	17,303
Other securities and investment business	2,299	2,859
Commission income from lending business	8,686	6,827
Commission income from other service transactions		
Payments	52,203	58,302
Account maintenance	2,147	2,134
Other service transactions	3,732	4,163
Total commission income	**118,240**	**121,760**
Commission expenditure		
Securities business	-29,247	-27,967
Payments	-5,179	-5,233
Other commission expenditure	-10,155	-7,177
Total commission expenditure	**-44,581**	**-40,377**
Total net income from commission business and service transactions	**73,659**	**81,383**

23 Result from trading activities

23.1 Breakdown by business area

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Branches of Raiffeisen Switzerland	6,535	5,890
Equities trading desk	3,163	359
Algorithmic trading desk	1,246	-157
Foreign currency trading desk	8,065	9,242
Fixed income trading desk	3,638	3,117
Macro hedge trading desk	-1,068	-3,974
Banknotes/precious metals trading desk	35,990	33,188
Options trading desk	1,254	202
Rates trading desk	17,136	-5,526
Total net trading income	**75,960**	**42,340**

23.2 Breakdown by underlying risk

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Foreign exchange trading	16,415	15,228
Precious metals and foreign notes and coins trading	37,679	33,821
Equities trading	3,070	-235
Fixed income trading	18,796	-6,473
Total net trading income	**75,960**	**42,340**

24 Other ordinary income

	Current year in 1,000 CHF	Previous year in 1,000 CHF
IT services for Group companies	60,930	58,930
Other individual services provided for Group companies	150,860	96,575
Contributions from the Raiffeisen banks for collective and strategic services	74,968	60,156
Charges for internal services relating to Group projects	51,005	55,267
Other	2,047	2,729
Total other ordinary income	**339,810**	**273,657**

25 Personnel expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Banking authorities, attendance fees and fixed emoluments	1,767	1,619
Salaries and bonuses for staff	260,924	258,212
AHV, IV, ALV and other statutory contributions	19,843	20,182
Contributions to staff pension plans	33,140	32,607
Ancillary staff expenses	7,033	7,964
Total personnel expenditure	**322,707**	**320,583**

26 General and administrative expenses

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Office space expenses	28,414	17,074
Expenses for information and communications technology	89,673	41,051
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	3,528	3,339
Auditor fees*	2,344	–
of which, for financial and regulatory audits	2,193	–
of which, for other services	151	–
Other operating expenses	122,858	102,551
Total operating expenditure	**246,816**	**164,015**

* These values were not captured in the previous year. We are not presenting the previous year's figures in conformity with the new financial reporting requirements, as permitted by the disclosure exemptions in FINMA Circular 2015/1.

27 Extraordinary income and expenditure

Current year

As in the previous year, the extraordinary income of CHF 24 million includes an extraordinary item in the form of income from the sale of participations. CHF 17.5 million came from the sale of shares in Pfandbriefbank schweizerischer Hypothekarinstitute AG to the Raiffeisen banks. Another CHF 5.9 million came from the sale of various smaller companies.

Prior year

The extraordinary income of CHF 47.2 million largely includes realised gains from the sale of Bank Vontobel shares (CHF 44.3 million), the proceeds from the sale of participation certificates of Notenstein Private Bank Ltd (CHF 0.9 million) and reversals of value adjustments and provisions that are no longer required (CHF 1.3 million).

28 Current taxes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Expenditure for current income tax	1,064	1,059
Total tax expenditure	**1,064**	**1,059**
Average tax rate weighted on the basis of the operating result	4.8%	-18.6%

There are no tax loss carryforwards that affect income tax. Deferred tax is solely calculated and reported at the Raiffeisen Group level.

Report of the statutory auditor

Report of the statutory auditor
to the Delegate Meeting of
Raiffeisen Switzerland Cooperative
St. Gallen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Raiffeisen Switzerland Cooperative, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 10 to 43), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the cooperative's articles of incorporation.

PricewaterhouseCoopers Ltd, Vadianstrasse 25a/Neumarkt 5, Postfach, 9001 St. Gallen
Telephone: +41 58 792 72 00, Facsimile: +41 58 792 72 10, www.pwc.ch

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 906 CO in connection with art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers Ltd

Beat Rütsche	Ralph Gees
Audit expert Auditor in charge	Audit expert

St. Gallen, 31 March 2016

Balance sheet – five-year overview

	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF	2012 in 1,000 CHF	2011 in 1,000 CHF
Assets					
Liquid funds	17,271,940	7,771,842	5,531,017	5,444,339	3,612,044
Receivables from Raiffeisen banks	3,758,642	3,953,353	4,633,236	5,621,429	6,802,231
Receivables from other banks	3,095,492	4,672,095	5,294,759	3,769,832	2,860,710
Amounts due from securities financing transactions	51,801	474,223	651,028	851,475	806,128
Receivables from clients	2,237,698	2,051,802	1,811,849	1,673,973	1,536,823
Mortgage receivables	8,505,627	7,651,603	6,943,747	6,327,389	5,792,534
Trading portfolio assets	1,311,118	1,735,756	1,157,926	1,646,344	1,545,927
Positive replacement values of derivative financial instruments	1,633,087	1,682,705	883,905	1,048,054	1,134,993
Financial assets	5,592,891	4,971,082	3,624,093	3,472,656	4,748,295
Accrued income and prepaid expenses	267,760	243,034	237,924	268,127	334,523
Participations	1,417,390	955,750	1,112,266	1,041,887	395,843
Tangible assets	260,309	263,319	257,274	269,253	279,610
Intangible assets	22,984	–	–	–	–
Other assets	1,363,850	1,021,923	480,451	627,205	685,731
Total assets	**46,790,589**	**37,448,485**	**32,619,475**	**32,061,964**	**30,535,392**
Liabilities					
Liabilities to Raiffeisen banks	11,473,545	11,157,296	9,975,138	9,013,091	7,775,602
Liabilities to other banks	10,448,545	7,221,460	5,842,870	5,385,512	5,637,431
Liabilities from securities financing transactions	4,052,523	1,043,602	859,023	589,680	814,729
Amounts due in respect of customer deposits	10,002,847	8,297,193	7,218,300	7,569,833	7,018,797
Trading portfolio liabilities	105,139	121,490	104,277	89,380	149,542
Negative replacement values of derivative financial instruments	2,134,730	2,148,635	1,359,382	1,698,313	1,811,509
Medium-term notes	104,476	141,573	173,444	251,040	321,991
Bonds and central mortgage institution loans	5,562,865	5,306,195	5,069,570	5,455,220	5,432,670
Accrued expenses and deferred income	251,615	245,490	266,611	264,580	256,423
Other liabilities	445,930	410,363	398,523	404,948	396,100
Provisions	16,656	24,697	26,841	13,452	14,351
Reserves for general banking risks	298,900	283,700	281,700	289,700	289,700
Cooperative capital	1,700,000	850,000	850,000	850,000	450,000
Statutory retained earnings reserve	162,790	159,796	157,214	152,147	146,000
Profit	30,028	36,994	36,582	35,067	20,547
Total equity capital	**2,191,718**	**1,330,490**	**1,325,496**	**1,326,914**	**906,247**
Total liabilities	**46,790,589**	**37,448,485**	**32,619,475**	**32,061,964**	**30,535,392**

Income statement – five-year overview

	2015 in 1,000 CHF	2014 in 1,000 CHF	2013 in 1,000 CHF	2012 in 1,000 CHF	2011 in 1,000 CHF
Interest and discount income	439,900	499,590	526,894	581,677	604,103
Interest and dividend income from financial assets	55,661	52,794	52,877	71,410	83,865
Interest expenditure	-378,582	-440,310	-459,081	-538,548	-557,092
Gross result from interest operations	**116,979**	**112,074**	**120,690**	**114,539**	**130,875**
Changes in value adjustments for default risks and losses from interest operations	-5,760	2,753	2,832	-294	-4,105
Subtotal net result from interest operations	**111,219**	**114,828**	**123,522**	**114,245**	**126,770**
Commission income securities and investment business	51,472	50,334	45,461	44,573	48,381
Commission income lending business	8,686	6,827	5,837	7,876	5,751
Commission income other service transactions	58,082	64,599	63,392	66,027	65,304
Commission expenditure	-44,581	-40,377	-36,700	-30,514	-37,968
Net income from commission business and service transactions	**73,659**	**81,383**	**77,990**	**87,963**	**81,469**
Net trading income	**75,960**	**42,340**	**72,599**	**57,880**	**47,720**
Income from sale of financial assets	6,187	7,237	193	-1,823	-973
Income from participating interests	62,799	44,249	51,477	22,367	24,366
Income from real estate	3,888	3,188	3,375	3,241	2,945
Other ordinary income	339,810	273,657	277,647	262,614	257,644
Other ordinary expenditure	-39,262	-35,003	-33,389	-18,346	-7,434
Other ordinary profit	**373,423**	**293,328**	**299,303**	**268,053**	**276,548**
Personnel expenditure	-322,707	-320,583	-308,600	-326,297	-300,447
Other operating expenditure	-246,816	-164,015	-179,136	-173,880	-161,500
Operating expenditure	**-569,523**	**-484,598**	**-487,736**	**-500,177**	**-461,947**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-43,321	-41,189	-41,457	-46,619	-99,031
Changes to provisions and other value adjustments, and losses	866	-11,796	-15,761	-814	-9,487
Operating result	**22,283**	**-5,705**	**28,460**	**-19,469**	**-37,958**
Extraordinary income	24,013	45,758	13,624	56,416	2,035
Extraordinary expenditure	-4	–	-12,417	-165	-193
Changes in reserves for general banking risks	-15,200	-2,000	8,000	–	57,600
Taxes	-1,064	-1,059	-1,086	-1,715	-938
Profit	**30,028**	**36,994**	**36,582**	**35,067**	**20,547**

Imprint

Raiffeisen Switzerland Cooperative
Communication & Politics
Raiffeisenplatz
CH-9001 St.Gallen
Phone: +41 71 225 88 88
Fax: +41 71 225 88 87
Internet: raiffeisen.ch
E-mail: medien@raiffeisen.ch

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