

**Capital adequacy and liquidity  
disclosure of the Raiffeisen Group  
as of 30 June 2019**

**RAIFFEISEN**

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The FINMA Circular 2016/1 «Disclosure - banks» stipulates the extent of the capital adequacy and liquidity disclosure. While at the end of the year, all relevant tables have to be disclosed, the number of tables to be disclosed is reduced for the quarterly disclosure. This disclosure corresponds with the semi-annual disclosure obligation of the Raiffeisen Group according to the FINMA Circular 2016/1.

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## Key abbreviations

AT1	Additional Tier 1 capital
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CET1	Common Equity Tier 1 capital
CRM	Credit risk mitigation
CVA	Credit valuation adjustments
D-SIB	Domestic systemically important bank
EAD	Exposure at default
CAO	Capital adequacy ordinance
FINMA	Swiss financial market supervisory authority
G-SIB	Global systemically important bank
HQLA	High-quality liquid assets
IKS	Internal control system
IRB	Internal ratings-based approach
LCR	Liquidity coverage ratio
QCCP	Qualifying central counterparty
RWA	Risk-weighted assets
SA-BIZ	International standardised approach for credit risk
SA-CCR	Standardised approach for measuring counterparty credit risk exposures
SFT	Securities financing transactions
T1	Tier 1 capital
T2	Tier 2 capital
VaR	Value at risk

# Introduction

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus required by supervisory law to make risk, capital adequacy and liquidity disclosures.

This disclosure is based on FINMA Circular 2016/1 «Disclosure – banks».

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2015/1.

Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts. The key Group companies that are fully consolidated or consolidated according to the equity method can be found in the Raiffeisen Group's Annual Report (Notes to the consolidated annual accounts: Section «Information on the balance sheet», Table 7 «Companies in which the bank holds a permanent direct or indirect significant participation»).

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. The provisions covering systemic importance require an additional capital adequacy disclosure. The corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available at the end of this disclosure.

## KM1: Key metrics

in CHF million		a	b	c	d	e
		30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	16,548	16,479	16,408	15,614	15,391
2	Tier 1	17,513	17,447	17,381	16,593	16,376
3	Total capital	17,721	17,658	17,650	16,866	16,651
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	102,032	102,003	99,307	97,986	98,436
4a	Minimum capital requirement	8,163	8,160	7,945	7,839	7,875
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	16.2%	16.2%	16.5%	15.9%	15.6%
6	Tier 1 ratio (%)	17.2%	17.1%	17.5%	16.9%	16.6%
7	Total capital ratio (%)	17.4%	17.3%	17.8%	17.2%	16.9%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%) <sup>1</sup>	1.2%	1.2%	1.2%	1.2%	1.2%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	8.2%	8.2%	8.2%	8.2%	8.2%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.2%	13.1%	13.4%	12.8%	12.5%
<b>Target capital ratios in accordance with note 8 of the CAO<sup>2</sup></b>						
12b	Countercyclical buffer (Art. 44 and 44a of the CAO)	1.2%	1.2%	1.2%	1.2%	1.2%
<b>Basel III Leverage Ratio</b>						
13	Total Basel III leverage ratio exposure measure	237,223	239,641	228,582	236,225	233,522
14	Basel III leverage ratio (%)	7.4%	7.3%	7.6%	7.0%	7.0%
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	21,355	20,971	21,691	21,562	21,413
16	Total net cash outflow	17,681	17,459	17,608	17,217	18,564
17	LCR ratio (%)	120.8%	120.1%	123.2%	125.2%	115.4%

1 Includes national countercyclical buffer (Art. 44 of the CAO)

2 Systemically important banks can refrain from publishing rows 12a, 12c, 12d, 12e (note 8 of the CAO not applicable)

## OV1: Overview of risk-weighted assets

in CHF million	a	b	c
	30.06.2019	31.12.2018	30.06.2019
	RWA	RWA	Minimum Capital Requirement <sup>1</sup>
<b>1 Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>89,917</b>	<b>89,147</b>	<b>7,193</b>
2 of which: standardised approach (SA)	89,917	89,147	7,193
3 of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4 of which: supervisory slotting approach	-	-	-
5 of which: advanced internal ratings-based (A-IRB) approach	-	-	-
<b>6 Counterparty credit risk (CCR)</b>	<b>438</b>	<b>611</b>	<b>35</b>
7 of which: standardised approach for counterparty credit risk <sup>2</sup>	438	611	35
8 of which: Internal Model Method (IMM)	-	-	-
9 of which: other CCR	-	-	-
<b>10 Credit valuation adjustment (CVA)</b>	<b>423</b>	-	<b>34</b>
<b>11 Equity positions under the simple risk weight approach</b>	-	-	-
<b>12 Equity investments in funds – look-through approach</b>	-	-	-
<b>13 Equity investments in funds – mandate-based approach</b>	-	-	-
<b>14 Equity investments in funds – fall-back approach</b>	-	-	-
<b>15 Settlement risk</b>	-	-	-
<b>16 Securitisation exposures in banking book</b>	-	-	-
17 of which: securitisation internal ratings-based approach (SEC-RBA)	-	-	-
18 of which: securitisation external ratings-based approach (SEC-ERBA, including internal assessment approach (IAA))	-	-	-
19 of which: securitisation standardises approach (SEC-SA)	-	-	-
<b>20 Market risk</b>	<b>4,031</b>	<b>2,343</b>	<b>322</b>
21 of which: standardised approach (SA)	4,031	2,343	322
22 of which: internal model approaches (IMA)	-	-	-
<b>23 Capital charge for switch between trading book and banking book</b>	-	-	-
<b>24 Operational risk</b>	<b>5,721</b>	<b>5,721</b>	<b>458</b>
<b>25 Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>1,500</b>	<b>1,484</b>	<b>120</b>
<b>26 Floor adjustment</b>	-	-	-
<b>27 Total</b>	<b>102,032</b>	<b>99,307</b>	<b>8,163</b>

1 The required capital for all items amounts to 8% of the risk-weighted assets (RWA)

2 The current exposure method is used to measure the counterparty credit risk of derivative transactions for the purposes of determining capital adequacy requirements

3 In the reporting period the assets in the trading portfolio increased, resulting in a growth of market risk

## CC1: Composition of regulatory capital

in CHF million	30.06.2019	References <sup>1</sup>	31.12.2018
<b>Common equity (CET1)</b>			
1 Issued and paid-in capital, fully eligible	2,271	(III)	2,172
2 Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	14,292		14,292
of which retained earnings reserves	14,292		13,611
of which foreign currency translation reserve	-		-
of which profit (loss) for the period <sup>2</sup>	-		481
5 Minority interests	-	(IV)	-
<b>6 Total "hard" core capital (CET1) before adjustments</b>	<b>16,563</b>		<b>16,464</b>
<b>= Common Equity Tier 1 capital before regulatory adjustments</b>			
7 Prudential value adjustments	-4		-3
8 Goodwill	-8	(I)	-50
9 Other intangibles	-3	(II)	-4
<b>28 = Total regulatory adjustments to CET1</b>	<b>-15</b>		<b>-57</b>
<b>29 = Common Equity Tier 1 capital (net CET1)</b>	<b>16,548</b>		<b>16,408</b>
<b>Additional Tier 1 capital (AT1)</b>			
30 Issued and paid in instruments, fully eligible	965		973
31 of which: classified as equity under applicable accounting standards	-		-
32 of which: classified as liabilities under applicable accounting standards	965		973
<b>36 = Additional Tier 1 capital before regulatory adjustments</b>	<b>965</b>		<b>973</b>
43 = Total regulatory adjustments to AT1	-		-
<b>44 = Additional Tier 1 capital (net AT1)</b>	<b>965</b>		<b>973</b>
<b>45 = Tier 1 capital (net Tier 1)</b>	<b>17,513</b>		<b>17,381</b>
<b>Tier 2 capital (T2)</b>			
46 Issued and paid in instruments, fully eligible	76		76
47 Issued and paid in instruments, subject to phase-out	132		193
<b>51 = Tier 2 capital before regulatory adjustments</b>	<b>208</b>		<b>269</b>
57 = Total regulatory adjustments to T2	-		-
<b>58 = Tier 2 capital (net T2)</b>	<b>208</b>		<b>269</b>
<b>59 = Regulatory capital (net T1 &amp; T2)</b>	<b>17,721</b>		<b>17,650</b>
<b>60 Total risk-weighted assets</b>	<b>102,032</b>		<b>99,307</b>
<b>Capital ratios</b>			
<b>61 CET1 ratio (item 29, as a percentage of risk-weighted assets)</b>	<b>16.2%</b>		<b>16.5%</b>
<b>62 T1 ratio (item 45, as a percentage of risk-weighted assets)</b>	<b>17.2%</b>		<b>17.5%</b>
<b>63 Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)</b>	<b>17.4%</b>		<b>17.8%</b>
64 CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets) <sup>3</sup>	8.2%		8.2%
65 of which, capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	2.5%		2.5%
66 of which, countercyclical buffer in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	1.2%		1.2%
67 of which, capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	0.0%		0.0%
68 CET1 available to meet minimum and buffer requirements as per the Basel minimum standards, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets) <sup>4</sup>	13.2%		13.4%
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>			
72 Non-qualified participation in the financial sector	99		96
73 Other qualified participations in the financial sector (CET1)	600		593

1 The references refer to table CC2 «Reconciliation of regulatory capital to balance sheets».

2 Excluding interest on cooperative capital

3 With considering the national countercyclical buffer

4 The CET1 capital available according to this presentation (line 68) and the requirements (lines 64-67) are presented without consideration of transitional provisions

## CC2: Reconciliation of regulatory capital to balance sheet

Balance sheet in CHF million	30.06.2019	References <sup>1</sup>	31.12.2018
<b>Assets</b>			
Liquid assets	19,144		19,189
Amounts due from banks	7,289		2,225
Amounts due from securities financing transactions	293		5
Amounts due from customers	8,579		8,135
Mortgage loans	182,194		179,558
Trading portfolio assets	3,518		3,455
Positive replacement values of derivative financial instruments	1,879		1,337
Financial investments	6,835		6,613
Accrued income and prepaid expenses	347		259
Non-consolidated participations	690		683
Tangible fixed assets	2,978		2,933
Intangible assets	11		54
of which goodwill	8	(I)	50
of which goodwill	3	(II)	4
Other assets	1,217		888
<b>Total assets</b>	<b>234,974</b>		<b>225,333</b>
<b>Liabilities</b>			
Amounts due to banks	10,596		6,463
Liabilities from securities financing transactions	2,000		2,925
Amounts due in respect of customer deposits	170,255		165,701
Trading portfolio liabilities	203		70
Negative replacement values of derivative financial instruments	2,580		1,928
Liabilities from other financial instruments at fair value	2,589		2,300
Cash bonds	521		591
Bond issues and central mortgage institution loans	27,161		26,864
Accrued expenses and deferred income	944		855
Other liabilities	205		121
Provisions	1,053		1,035
of which deferred taxes for untaxed reserves	909		893
Total liabilities	218,108		208,853
of which subordinated liabilities, eligible as additional core capital (T2)	208		269
of which subordinated liabilities, eligible as supplementary capital (AT1)	965		973
of which with high trigger	965		973
<b>Shareholder's Equity</b>			
Reserves for general banking risks	200		200
Cooperative capital	2,271		2,172
of which eligible as CET1	2,271	(III)	2,172
of which eligible as AT1	-		-
Statutory reserves / retained earnings reserves / retained earnings (losses) / profit (loss) for the period	14,447		14,152
of which retained earnings reserves	14,092		13,611
of which foreign currency translation reserve	-		-
of which profit (loss) for the period	355		541
Minority interests in equity	-52		-44
of which eligible as CET1	-	(IV)	-
of which eligible as AT1	-		-
<b>Total shareholder's equity</b>	<b>16,866</b>		<b>16,480</b>

1 The references refer to table «CC1 Composition of regulatory capital»

2 Previous year including transition rules

# CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

## Cooperative share certificates

1	Issuer	All Raiffeisen banks
2	Identification	-
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel III transitional arrangements	CET1 capital
5	Taken into account after the Basel III transitional phase	CET1 capital
6	Level of eligibility	Eligible at the level of individual Raiffeisen banks and at the level of the Raiffeisen Group
7	Product	Share certificate
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 2,270,923,800
9	Par value	CHF 2,270,923,800
10	Balance sheet item according to financial statement	Cooperative capital
11	Original issue date	Various
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The share certificates do not have a fixed maturity period.
15	Selectable redemption date / repayment amount	Exiting cooperative members or their heirs are entitled to repayment of the intrinsic value or nominal value of the share certificate, whichever is lower. The repayment may only be made after the approval of the annual report covering the fourth financial year after the membership is dissolved, unless the member pays in the same amount for new share certificates.
16	Subsequent redemption dates	-
17	Interest calculation type	Coupon according to the resolution of the general meeting
18	Nominal coupon	Interest rates may not exceed 6% gross; however, there is no right to receive the maximum interest rate.
19	Suspension of interest payment	If the general meeting decides not to pay interest in any given financial year, the right to receive interest will lapse and not be carried over to the next financial year. This applies accordingly to a reduction in the interest rate in any given financial year.
20	Interest calculation	Interest payments are defined each year by the supreme governing body of the Raiffeisen bank, which is the general meeting as a rule.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	-
31	Trigger for the write-down	-
32	Scope of the write-down	-
34	Entitlement to write-up if financial situation improves	-
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinated to the Additional Tier-1 Bond 2015 and 2018
36	Attributes that prevent full recognition under Basel III	The cooperative share certificates qualify as common equity Tier 1 under CAO Art. 21 - 26.

# Perpetual subordinated AT1-bond 2018

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0411559377
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel III transitional arrangements	Additional Tier 1 capital
5	Taken into account after the Basel III transitional phase	Additional Tier 1 capital
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Perpetual subordinated bond
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 399,770,000
9	Par value	CHF 400'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	2 May 2018
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The bond has no fixed maturity and is not redeemable by the Bondholders under any circumstances. With the exception of the following, repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	With the approval of the Swiss Financial Market Supervisory Authority (FINMA), Raiffeisen Switzerland is entitled to redeem the bond on 2 May 2023 or the same date in each of the subsequent years. The bond may also be redeemed if it no longer qualifies as additional core capital.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon for periods of 5 years in each case
18	Nominal coupon	2.00% p.a. for the first 5 years up to maturity on 2 May 2023. The interest rate for the next 5 years is thereafter calculated as the total of the then valid swap rate (at least zero percent) plus the margin of 1.9575%.
19	Suspension of interest payment	Interest payments are only made if distributable reserves are available to Raiffeisen Switzerland. If required by the financial situation of Raiffeisen Switzerland, all or some of the interest payment may not be made. If no interest is paid in a specific year, the issuer shall not pay any interest on either the cooperative shares or any other distributions of the income to its cooperative members.
20	Interest calculation	The interest is fixed for 5-year periods in each case.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	A write-down is possible in the following situations:
31	Trigger for the write-down	The Raiffeisen Group falls below a "hard" core capital ratio of 7.0% Raiffeisen Switzerland requires assistance from the public sector, either for itself or for the Raiffeisen Group The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if Raiffeisen Switzerland is faced with insolvency.
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of Raiffeisen Switzerland improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to subordinated Tier2 bonds
36	Attributes that prevent full recognition under Basel III	This bond qualifies as additional core capital (additional Tier 1 capital) under CAO Art. 27 - 29.

# Perpetual subordinated AT1-bond 2015

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0272748754
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel III transitional arrangements	Additional Tier 1 capital
5	Taken into account after the Basel III transitional phase	Additional Tier 1 capital
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Perpetual subordinated bond
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 565,350,000
9	Par value	CHF 600'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	2 April 2015
12	Repayment date	Perpetual
13	Original maturity date	-
14	Premature repayment	The bond has no fixed maturity and is not redeemable by the Bondholders under any circumstances. With the exception of the following, repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	With the approval of the Swiss Financial Market Supervisory Authority (FINMA), Raiffeisen Switzerland is entitled to redeem the bond on 2 October 2020 or the same date in each of the subsequent years. The bond may also be redeemed if it no longer qualifies as additional core capital.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon for periods of 5 years in each case
18	Nominal coupon	3.00% p.a. for the first 5 years until maturity as of 2 October 2020. The interest rate for the next 5 years is thereafter calculated as the total of the then valid swap rate (at least zero percent) plus the margin of 3.00%.
19	Suspension of interest payment	Interest payments are only made if distributable reserves are available to Raiffeisen Switzerland. If required by the financial situation of Raiffeisen Switzerland, all or some of the interest payment may not be made. If no interest is paid in a specific year, the issuer shall not pay any interest on either the cooperative shares or any other distributions of the income to its cooperative members.
20	Interest calculation	The interest is fixed for 5-year periods in each case.
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	A write-down is possible in the following situations:
31	Trigger for the write-down	The Raiffeisen Group falls below a "hard" core capital ratio of 7.0% Raiffeisen Switzerland requires assistance from the public sector, either for itself or for the Raiffeisen Group The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if Raiffeisen Switzerland is faced with insolvency
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of Raiffeisen Switzerland improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to subordinated Tier2 bonds
36	Attributes that prevent full recognition under Basel III	This bond qualifies as additional core capital (additional Tier 1 capital) under CAO Art. 27 - 29.

## Fixed-term subordinated bond 2011 - 2021

1	Issuer	Raiffeisen Switzerland Cooperative, St. Gallen
2	Identification	CH0143708870
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel III transitional arrangements	Tier 2 capital
5	Taken into account after the Basel III transitional phase	Eligible as gone concern funds under the new regulation on capital adequacy rules
6	Level of eligibility	Eligible at the level of Raiffeisen Switzerland and at the level of the Raiffeisen Group
7	Product	Subordinated bond with a fixed term
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 160,500,000
9	Par value	CHF 535'000'000
10	Balance sheet item according to financial statement	Bonds and Pfandbriefdarlehen
11	Original issue date	21 December 2011
12	Repayment date	21 December 2021
13	Original maturity date	21 December 2021
14	Premature repayment	Repayment is made as at 21 December 2021 at the par value. With the exception of the following, premature repayment of this bond is not possible.
15	Selectable redemption date / repayment amount	Premature repayment is only possible for tax reasons and if this bond no longer qualifies as capital within the meaning of the regulations governing the financial markets, at the par value at all times. Bonds may only be called with the consent of FINMA.
16	Subsequent redemption dates	-
17	Interest calculation type	Fixed coupon
18	Nominal coupon	3.875% p.a.
19	Suspension of interest payment	-
20	Interest calculation	Fixed interest for the whole period of investment
21	Repayment incentive for the issuer	-
22	Accumulation coupons	Not cumulative
23	Convertibility	Not convertible
30	Write-down	-
31	Trigger for the write-down	-
32	Scope of the write-down	-
34	Entitlement to write-up if financial situation improves	-
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to all other obligations, Pari-passu to equal-ranking tier2 instruments such as subordinated time deposits.
36	Attributes that prevent full recognition under Basel III	This bond is treated in accordance with Capital Adequacy Ordinance (CAO) Art. 140 Para. 3. In comparison with a subordinated bond issued under the full Basel III stipulations, only the contractual provisions in the event that the Issuer is faced with insolvency (CAO Art. 29) are not included.

## Subordinated time deposits

1	Issuer	Individual Raiffeisen banks
2	Identification	--
3	Law applicable to the instrument	Swiss law
4	Taken into account under Basel III transitional arrangements	Tier 2 capital
5	Taken into account after the Basel III transitional phase	Eligible until december 31, 2018
6	Level of eligibility	Eligible at the level of individual Raiffeisen banks and at the level of the Raiffeisen Group
7	Product	Subordinated time deposits
8	Amount attributable to regulatory equity capital (according to latest statement of equity capital)	CHF 47,412,000
9	Par value	CHF 75,895,000
10	Balance sheet item according to financial statement	Medium-term notes
11	Original issue date	Various
12	Repayment date	Maturities between 8 and 15 years
13	Original maturity date	Various
14	Premature repayment	There is no provision for premature repayment
15	Selectable redemption date / repayment amount	--
16	Subsequent redemption dates	--
17	Interest calculation type	Fixed coupon
18	Nominal coupon	Various
19	Suspension of interest payment	--
20	Interest calculation	Fixed interest for the whole period of investment
21	Repayment incentive for the issuer	--
22	Accumulation coupons	Not convertible
23	Convertibility	Not cumulative
30	Write-down	A write-down is possible in the following situation:
31	Trigger for the write-down	The Raiffeisen Group requires assistance from the public sector The Swiss Financial Market Supervisory Authority (FINMA) orders a write-down as a protective measure if the Raiffeisen Group is faced with insolvency
32	Scope of the write-down	A full or partial write-down is possible.
34	Entitlement to write-up if financial situation improves	No entitlement if the financial situation of the Raiffeisen Group improves
35	Position in the ranking order in the event of liquidation (higher-ranking instrument)	Subordinate to all other obligations, Pari-passu to equal-ranking tier2 instruments such as fixed-term subordinated bonds. time deposits 2011-2021.
36	Attributes that prevent full recognition under Basel III	These subordinated time deposits qualify as supplementary capital (Tier 2 capital) under CAO Art. 30.

## CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

This table is mandatory for banks which meet the criterias defined in Art. 44a of the Swiss Capital Adequacy Ordinance (CAO).

## LR1: Leverage Ratio - Summary comparison of accounting assets versus leverage ratio exposure measure

Line item	30.06.2019 in CHF million	31.12.2018 in CHF million
1 Total assets according to published financial reports	234,974	225,333
2 Adjustments for investments in banking, financial, insurance and commerce companies that are subject to accounting consolidation but not regulatory consolidation, and adjustments for assets that are deducted from core capital <sup>1</sup>	-15	-57
3 Adjustments for fiduciary assets that are recognized in the financial statements but are excluded from the leverage ratio calculation	-	-
4 Adjustments for derivatives <sup>2</sup>	-1,618	-853
5 Adjustments for securities financing transactions (SFT)	459	502
6 Adjustments for off-balance-sheet transactions (conversion of off-balance-sheet transactions into credit equivalents)	3,422	3,657
7 Other adjustments	-	-
<b>8 Overall exposure for the leverage ratio</b>	<b>237,223</b>	<b>228,582</b>

1 This item takes account of intangible assets (goodwill) and prudential value adjustments that are deducted from core capital

2 This item takes account of counterparty netting of OTC derivatives based on the existing netting agreements

## LR2: Leverage Ratio - detailed presentation

Line item	30.06.2019 in CHF million	31.12.2018 in CHF million
<b>On-Balance sheet exposures</b>		
1 On-Balance sheet items (excluding derivatives and SFT but including collateral) <sup>1</sup>	232,802	223,991
2 Assets that must be deducted from eligible core capital <sup>2</sup>	-15	-57
<b>3 = Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>232,787</b>	<b>223,934</b>
<b>Derivate</b>		
4 Positive replacement values for all derivatives transactions including those vis-à-vis CCPs, including margin payments received and netting agreements	62	367
5 Add-ons for all derivatives	748	618
6 Re-inclusion of collateral provided in connection with derivatives, provided their accounting treatment leads to a reduction in assets	-	-
7 Deduction of receivables resulting from margin payments provided	-768	-722
8 Deduction for exposure to qualified central counterparties (QCCPs) if there is no responsibility to the client if the QCCP defaults	-	-
9 Actual nominal values of issued credit derivatives, after deducting negative replacement values	339	484
10 Netting against actual nominal values of offsetting credit derivatives and deduction of add-ons for issued credit derivatives	-121	-263
<b>11 = Total exposure from derivatives<sup>3</sup></b>	<b>261</b>	<b>484</b>
<b>Securities financing transactions (SFT)</b>		
12 Gross assets related to securities financing transactions ex netting (except for novations with a QCCP) including those booked as a sale, less any items stated in FINMA Circular 15/3 par. 58	293	5
13 Netting of cash liabilities and receivables with respect to SFT counterparties	-200	-
14 Exposure to SFT counterparties	659	502
15 SFT exposure with the bank acting as a commission agent	-	-
<b>16 = Total exposure from securities financing transactions</b>	<b>753</b>	<b>507</b>
<b>Other off-balance-sheet items</b>		
17 Off-balance-sheet items as gross nominal values before the application of any credit conversion factors	15,332	15,660
18 Adjustments for the conversion into credit equivalents	-11,910	-12,004
<b>19 = Total off-balance-sheet items</b>	<b>3,422</b>	<b>3,657</b>
<b>Eligible equity capital and overall exposure</b>		
20 Core capital (Tier 1)	17,513	17,381
21 Overall exposure	237,223	228,582
<b>Leverage ratio</b>		
22 Leverage ratio	7.38%	7.60%

1 The difference between the reported figure and total assets as shown in the published financial statements amounts to CHF 2'172 million, relating to positive replacement values of derivative financial instruments and amounts due from securities financing transactions

2 This item takes account of intangible assets (goodwill) and prudential value adjustments that are deducted from core capital

3 This item takes account of counterparty netting of OTC derivatives based on the existing netting agreements

**Notes on the leverage ratio**

Due to the growth in total assets (+CHF 9.6 billion or +4.3%), the overall exposure (row 21) increased to CHF 237.2 billion (+0.8%). As a result of the subscription of additional share certificates, the cooperative capital underwent considerable growth by a total of CHF 99 million. Without taking account of net profit for the period, the leverage ratio marginally decreased to 7.38%.

## LIQ1: Liquidity coverage ratio (LCR)

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

		Q1 2019 <sup>1</sup>		Q2 2019 <sup>1</sup>	
		Unweighted values in CHF million	Weighted values in CHF million	Unweighted values in CHF million	Weighted values in CHF million
<b>A. High-quality liquid assets (HQLA)</b>					
1	Total high-quality liquid assets (HQLA)		20,971		21,355
<b>B. Cash outflows</b>					
2	Retail deposits	94,437	9,287	95,381	9,418
3	of which stable deposits	6,000	300	6,000	300
4	of which less stable deposits	88,437	8,987	89,381	9,118
5	Unsecured business-client or wholesale funding	12,864	7,870	12,004	6,891
6	of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	0	0	0	0
7	of which non-operational deposits (all counterparties)	11,938	6,943	11,137	6,023
8	of which unsecured debt securities	926	926	867	867
9	Secured business client or wholesale funding and collateral swaps		33		8
10	Other cash outflows	8,240	2,057	10,241	2,197
11	of which cash outflows related to derivative exposures and other transactions	729	729	674	674
12	of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	129	129	118	118
13	of which cash outflows from committed credit and liquidity facilities	7,383	1,199	9,448	1,404
14	Other contractual funding obligations	3,756	1,646	3,572	1,623
15	Other contingent funding obligations	1,920	96	2,019	101
<b>16</b>	<b>Total cash outflows</b>		<b>20,988</b>		<b>20,237</b>
<b>C. Cash inflows</b>					
17	Secured funding transactions (e.g. reverse repo transactions)	74	0	104	0
18	Inflows from fully performing exposures	5,729	3,385	4,653	2,470
19	Other cash inflows	144	144	85	85
<b>20</b>	<b>Total cash inflows</b>	<b>5,946</b>	<b>3,529</b>	<b>4,842</b>	<b>2,556</b>
		Adjusted value		Adjusted value	
<b>21</b>	<b>Total high-quality liquid assets (HQLA)</b>		<b>20,971</b>		<b>21,355</b>
<b>22</b>	<b>Total net cash outflows</b>		<b>17,459</b>		<b>17,681</b>
<b>23</b>	<b>Liquidity coverage ratio (LCR) (%)</b>		<b>120.11%</b>		<b>120.78%</b>

<sup>1</sup> Average daily closing averages of all business days in the reporting quarters (62 data points taken into account in the first quarter, 61 data points taken into account in the second quarter).

### Notes on the liquidity coverage ratio

Loans to clients are funded largely by customer deposits (90%) and additionally through central mortgage institution loans and Raiffeisen bonds. The money market is used solely for tactical management of the liquidity buffer. This maximises the immunisation against risks on the money market.

Of the portfolio of high-quality liquid assets (HQLA), 77% consist of category 1 assets, 92% of which are held as liquid funds. The remaining category 1 assets are mainly public

sector bonds with a minimum rating of AA-. Of the category 2 assets, which account for 23% of the HQLA portfolio, 86% consist of Swiss mortgage bonds. The remaining 14% are primarily public sector bonds and covered bonds rated at least A-.

Net cash outflows (no. 22) increased slightly compared to the previous quarter and remained on the same level during the last reporting period. The HQLA portfolio (no. 21) slightly increased compared to the previous quarter and slightly declined during the last reporting period, resulting in a decrease in the short-term liquidity coverage ratio (no. 23) compared to the last reporting period. Cash outflows relating to the derivatives portfolio (no. 11) have declined because of lower market fluctuations in the last two years and remained constant on a low level during the reporting period. The remaining positions have continuously developed within the scope of the growth in total assets.

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

## LIQ2: Net stable funding ratio (NSFR)

According to FINMA circular 2016/1, this table needs to be published once the Liquidity Ordinance has brought the NSFR regulation into force.

## CR1: Credit risk - credit quality of assets

in CHF million	a	b	c	d
30.06.2019	Gross carrying values		Allowances/ impairments	Net values
	Defaulted exposures <sup>1</sup>	Non- defaulted exposures		
1 Loans (excluding debt securities)	992	196,192	194	196,990
2 Debt securities	-	6,715	-	6,715
3 Off-balance sheet exposures	8	10,997	-	11,006
<b>4 TOTAL</b>	<b>1,000</b>	<b>213,904</b>	<b>194</b>	<b>214,711</b>

<sup>1</sup> An exposure is considered 'defaulted' when it is classified as either 'impaired' or 'past due' as defined by financial reporting rules.

## CR2: Credit risk - changes in stock of defaulted loans and debt securities

in CHF million	a
1 Defaulted loans and debt securities at end of the previous reporting period	1,082
2 Loans and debt securities that have defaulted since the last reporting period	330
3 Returned to non-defaulted status	-405
4 Amounts written off	-6
5 Other changes	-
6 Defaulted loans and debt securities at end of the reporting period	1,000

## CR3: Credit risk - Overview of mitigation techniques

in CHF million	a	b1	b2	d	f
	Exposures unsecured: carrying amount	Exposures secured by collateral	of which secured amount	of which secured by financial guarantees	of which secured by credit derivatives
Loans <sup>1</sup>	11,964	185,026	184,703	323	-
Debt securities	4,834	1,881	1,881	-	-
<b>TOTAL</b>	<b>16,798</b>	<b>186,907</b>	<b>186,584</b>	<b>323</b>	-
Of which defaulted	139	854	848	6	-

1 Loans according to the regulatory disclosure definitions

2 Mortgages are regarded as exposures secured by collateral according to column b

## CR4: Credit risk - Exposure and credit risk mitigation (CRM) effects under the standardised approach

in CHF million	a	b	Carrying values		d	e	f
Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA	RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount			
1 Sovereigns and their central banks	17,650	0	17,690	0	0	0.0%	
2 Banks and securities traders	7,587	327	7,498	174	423	5.5%	
3 Public-sector entities and multilateral developments banks	4,724	1,417	4,916	303	2,159	41.4%	
4 Corporate	9,727	1,484	9,876	809	5,442	50.9%	
5 Retail	183,114	7,779	182,816	1,705	78,640	42.6%	
6 Equity securities	120	-	120	-	180	150.0%	
7 Other assets	5,542	-	5,549	0	3,072	55.4%	
<b>8 TOTAL</b>	<b>228,464</b>	<b>11,007</b>	<b>228,464</b>	<b>2,991</b>	<b>89,917</b>	<b>38.8%</b>	

## CR5: Credit risk - Exposures by exposure category and risk weights under the standardised approach

in CHF million	a	b	c	d	e
Asset classes / Risk weight	0%	10%	20%	35%	50%
1 Sovereigns and their central banks	17,688	-	2	-	0
2 Banks and securities traders	5,218	-	2,029	-	407
3 Public-sector entities and multilateral developments banks	250	-	1,335	421	2,935
4 Corporate	1,894	0	3,539	762	34
5 Retail	601	-	47	155,392	4
6 Equity securities	-	-	-	-	-
7 Other assets <sup>1</sup>	2,472	-	7	-	-
<b>8 TOTAL</b>	<b>28,123</b>	<b>0</b>	<b>6,959</b>	<b>156,576</b>	<b>3,379</b>
9 Thereof receivables secured by real estate <sup>1</sup>	-	-	-	156,576	-
10 Thereof receivables past due	0	-	-	-	-

  

in CHF million	f	g	h	i	j
Asset classes / Risk weight	75%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
1 Sovereigns and their central banks	-	0	-	-	17,690
2 Banks and securities traders	-	11	6	-	7,671
3 Public-sector entities and multilateral developments banks	9	265	4	-	5,219
4 Corporate	46	4,397	12	-	10,685
5 Retail	17,464	10,752	261	-	184,521
6 Equity securities	-	-	120	-	120
7 Other assets <sup>1</sup>	-	3,070	-	-	5,549
<b>8 TOTAL</b>	<b>17,520</b>	<b>18,495</b>	<b>403</b>	<b>-</b>	<b>231,456</b>
9 Thereof receivables secured by real estate	6,299	10,756	-	-	-
10 Thereof receivables past due	-	357	283	-	-

<sup>1</sup> Includes personal pension pillar 3 in combination with mortgage secured loans

## CR6: IRB - Credit risk exposure by portfolio and probability of default (PD) range

Raiffeisen currently uses the international standardised approach and not the IRB approach.

## CR7: IRB - Effect on RWA of credit derivatives used as CRM techniques

Raiffeisen currently uses the international standardised approach and not the IRB approach.

## CR8: IRB - RWA flow statements of credit risk exposures under IRB

Raiffeisen currently uses the international standardised approach and not the IRB approach.

## CR10: IRB - IRB specialised lending and equities under the simple risk weight method

Raiffeisen currently uses the international standardised approach and not the IRB approach.

## CCR1: Counterparty credit risk - Analysis by approach

in CHF million	a	b	c	d	e	f
30.06.2019	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives) <sup>1</sup>	221	619	-	-	840	296
2 Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	0	0
4 Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5 VaR for SFTs	-	-	-	-	-	-
<b>6 TOTAL</b>	<b>221</b>	<b>619</b>	<b>-</b>	<b>-</b>	<b>840</b>	<b>296</b>

<sup>1</sup> The current exposure method is used to measure the counterparty credit risk of derivative transactions for the purposes of determining capital adequacy requirements.

## CCR2: Counterparty credit risk - Credit valuation adjustment (CVA) capital charge

in CHF million	a	b
30.06.2019	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 VaR component (including the 3xmultiplier)	-	-
2 Stressed VaR component (including the 3xmultiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	554	423
<b>4 Total subject to the CVA capital charge</b>	<b>554</b>	<b>423</b>

## CCR3: Counterparty credit risk - Standardised approach to CCR exposures by exposure category and risk weights

	a	b	c	d	e	f	g	h	i
					75%	100%	150%	Others	Total credit exposure
1 Sovereigns and their central banks	0	-	-	-	-	-	-	-	0
2 Banks and securities traders	110	-	288	325	-	-	-	-	724
3 Public-sector entities and multilateral developments banks	-	-	-	-	-	0	-	-	0
4 Corporates	-	-	47	-	-	27	-	-	75
5 Retail	-	-	3	0	1	38	1	-	43
6 Equity securities	-	-	-	-	-	-	-	-	-
7 Other assets	-	-	-	-	-	-	-	-	-
<b>8 TOTAL</b>	<b>110</b>	<b>-</b>	<b>339</b>	<b>325</b>	<b>1</b>	<b>66</b>	<b>1</b>	<b>-</b>	<b>842</b>

## CCR4: IRB - CCR exposures by portfolio and PD scale

Raiffeisen currently uses the international standardised approach and not the IRB approach.

## CCR5: Counterparty credit risk - composition of collateral for CCR exposure

in CHF million	a		b		c		d		e		f
	Collateral used in derivative transactions				Collateral used in SFTs						
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral				
	Segregated <sup>1</sup>	Unsegregated	Segregated	Unsegregated							
Cash – domestic currency (CHF)	-	98	-	475	-	-	-	-	-	-	
Cash – other currencies	-	62	-	167	-	-	-	-	-	-	
Domestic sovereign debt	-	0	-	-	15	-	-	-	121	-	
Other sovereign debt	-	40	-	-	107	-	-	-	107	-	
Government agency debt	-	-	-	-	-	-	-	-	-	-	
Corporate bonds	-	172	-	112	47	-	-	-	1,500	-	
Equity securities	-	-	-	-	-	-	-	-	-	-	
Other collateral	-	1	-	144	122	-	-	-	233	-	
<b>TOTAL</b>	-	<b>374</b>	-	<b>897</b>	<b>291</b>	-	-	-	<b>1,961</b>	-	

1 Segregated refers to collateral which is held in a bankruptcy-remote manner.

## CCR6: Counterparty credit risk - credit derivatives exposures<sup>1</sup>

in CHF million	a		b	
30.06.2019	Protection bought		Protection sold	
<b>Notionals</b>				
Single-name credit default swaps	-		-	
Index credit default swaps	339		121	
Total return swaps	-		-	
Credit options	-		-	
Other credit derivatives	-		-	
<b>TOTAL NOTIONALS</b>	<b>339</b>		<b>121</b>	
<b>Fair values</b>	<b>312</b>		<b>118</b>	
Positive replacement values (assets)	18		3	
Negative replacement values (liabilities)	-46		-5	

1 Credit derivatives are used to hedge the structured products issued by Raiffeisen.

## CCR7: RWA flow statement of CCR exposures under the Internal Model Method (IMM)

Raiffeisen currently does not use the Internal Model Method.

## CCR8: Counterparty credit risk - Exposures to central counterparties

<b>in CHF million</b>		<b>a</b>	<b>b</b>
<b>30.06.2019</b>		<b>EAD post CRM</b>	<b>RWA</b>
1	Exposures to QCCPs <sup>1</sup> (total)	368	12
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	129	4
3	of which OTC derivatives	-	-
4	of which exchange-traded derivatives	-	-
5	of which securities financing transactions	-	-
6	of which netting sets where cross-product netting has been approved	129	4
7	Segregated initial margin	-	-
8	Non-segregated initial margin	209	3
9	Pre-funded default fund contributions <sup>2</sup>	10	5
10	Unfunded default fund contributions	20	-
11	Exposures to non-QCCPs (total) <sup>3</sup>	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	-	-
13	of which OTC derivatives	-	-
14	of which Exchange-traded derivatives	-	-
15	of which securities financing transactions	-	-
16	of which netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

1 Raiffeisen clears certain derivative transactions centrally through Eurex Clearing AG and LCH Ltd.

2 Since January 1 2018 the capital adequacy calculation for pre-funded default fund contributions is done in accordance with margin 565 of the FINMA Circular 2017/7

3 There are no exposures to non-qualifying counterparties

## SEC1: Securitisation exposures in the banking book

Raiffeisen has currently no securitisation exposures.

## SEC2: Securitisation exposures in the trading book

Raiffeisen has currently no securitisation exposures.

## SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

Raiffeisen has currently no securitisation exposures.

## SEC4: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as investor

Raiffeisen has currently no securitisation exposures.

## MR1: Market risk under standardised approach

<b>in CHF million</b>		<b>a</b>
<b>30.06.2019</b>		<b>RWA</b>
<b>Outright products</b>		
1	Interest rate risk (general and specific)	2,907
2	Equity risk (general and specific)	244
3	Foreign exchange risk	365
4	Commodity risk	494
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	20
7	Scenario approach	-
<b>8 Securitisation</b>		-
<b>9</b>	<b>TOTAL</b>	<b>4,031</b>

## MR2: RWA flow statements of market risk exposures under IMA

Raiffeisen does not use the IMA.

## MR3: IMA value for trading portfolios

Raiffeisen does not use the IMA.

## MR4: Comparison of VaR estimates with gains/losses

Raiffeisen does not use the IMA.

# IRRBB: Interest rate risk management objective and policies

## a) Definition of IRRBB

Raiffeisen is subject to interest rate risk in the banking book (IRRBB) whenever changes in the market interest rate reduce interest income or the economic value of the Group or individual units of the Group. The banking book consists of all on- and off-balance-sheet items not assigned to the trading book.

The Raiffeisen Group distinguishes between the following types of interest rate risk:

- Gap risk results from mismatches between the fixed interest rate periods for receivables and liabilities.
- Basis risk is the result of opposite positions that have similar interest rate reset characteristics but are linked to different market interest rates.
- Option risk is risk arising from options (explicit and embedded in other products) that entitle the counterparty or client to alter the level and/or timing of their cash flows in a way that is detrimental to Raiffeisen. This definition does not include variable products without contractual fixed interest rate or capital commitment periods.

The Raiffeisen Group distinguishes between the net present value and period impacts of IRRBB for risk measurement and management purposes:

- A net present value perspective captures the immediate impacts of changes in the market interest rate on the economic value of the exposures in the banking book (asset effect).
- The earnings perspective captures the short- to medium-term impacts of interest rate changes on interest income (income effect).

## b) Managing IRRBB

The Raiffeisen Group has a strong positioning in interest operations. Raiffeisen is exposed to a significant gap risk resulting from mismatches between the fixed interest rate periods of assets and liabilities. However, the Group's basis risk and option risk exposures are negligible.

The Board of Directors of Raiffeisen Switzerland assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines the risk policy and determines the risk tolerance of the Raiffeisen Group each year. The Board of Directors issues a framework for Group-wide risk management that contains BoD-approved guidelines for identifying, measuring, assessing, managing, monitoring and reporting on interest rate risk in the banking book.

The Board of Directors of Raiffeisen Switzerland sets interest rate risk limits for the Raiffeisen banks and for Raiffeisen Switzerland in its annual risk budget:

- The Board of Directors at every Raiffeisen bank sets the interest rate risk limit for its bank within the parameters defined for the Group as a whole.
- The Executive Board of Raiffeisen Switzerland apportions the limit of the Board of Directors to the individual risk-bearing organisational units of Raiffeisen Switzerland.

The risk limitation is focused on the net present value perspective. This allows all exposures to be captured until the end of their fixed interest rate periods and the loss risk to be limited. In addition, income effects are limited to a three-year horizon at Group level.

Variable products without any contractual fixed interest rate period or capital commitment period can only be included in the net present value risk measurement if the cash flows and interest rate reset dates are modelled. This is done by creating replicating portfolios out of rolling fixed interest rate tranches that best reflect the products' interest rate risk and interest rate resetting behaviour. The modelling uses historical data (market and client interest rates, volume changes). The results are checked for plausibility using forward-looking interest rate scenarios.

The replicating models for variable products are developed by the Risk & Compliance department of Raiffeisen Switzerland and approved by the Risk Committee of Raiffeisen Switzerland's Board of Directors. The models are back-tested annually and independently validated at least every three years or after significant changes to the models.

Interest risks are managed in an autonomous, decentralised fashion, subject to process and limit requirements, by the individual Raiffeisen banks and the risk-bearing organisational units of Raiffeisen Switzerland:

- The Raiffeisen banks and branches of Raiffeisen Switzerland deliberately assume interest rate risks in the course of their business activities in order to generate income from maturity transformation. Hedging transactions are concluded centrally with Raiffeisen Switzerland's Treasury area.
- The Treasury area of the Central Bank department of Raiffeisen Switzerland serves as the central counterparty within the Raiffeisen Group for refinancing, investment and interest hedging transactions and for liquidity investments. It also manages Raiffeisen Switzerland's financial investments and liquid assets. Hedging transactions are conducted using Raiffeisen Switzerland's trading book.
- The Corporate Clients department of Raiffeisen Switzerland develops appropriate investment and financing solutions for its clients' needs and assumes interest rate risks in the course of its operational business activities. Hedging transactions are concluded with Treasury.
- The Products & Sales unit of the Central Bank department is responsible for Raiffeisen Switzerland's business of issuing structured investment products. To accomplish this, it engages in matching investment and refinancing transactions with Treasury. Any hedging transactions are conducted using Raiffeisen Switzerland's trading book.

The responsible units have a proven analytical risk management tool-kit that allows them to simulate adverse interest rate trends and assess their impacts at any time.

The Risk & Compliance department generates and analyses regular and ad-hoc stress scenarios at Group level.

The Risk & Compliance department independently monitors and regularly reports on compliance with the interest rate risk limits set by the Board of Directors and Executive Board of Raiffeisen Switzerland. The Executive Board of every Raiffeisen bank regularly reports to the bank's Board of Directors on the interest rate risk situation and compliance with the bank's risk limits.

Internal rules, instructions and directives firmly define the organisational and operational structure used for interest rate risk management. Internal Auditing assesses the effectiveness and appropriateness of the interest rate risk management system independently of the processes.

### **c) IRRBB metrics**

The interest rate risk in the banking book is assessed on an individual and aggregate basis for all Raiffeisen banks and risk-bearing units of Raiffeisen Switzerland.

Absolute and relative sensitivity measures and value-at-risk are used to quantify asset effects in the net present value perspective. Calculations are performed daily, weekly,

monthly or quarterly depending on the metric and the level at which the data is collected.

Income effects from an earnings perspective are determined quarterly by means of dynamic simulations. The simulation horizon is three years for the Group and two years for a Raiffeisen bank or branch of Raiffeisen Switzerland.

#### **d) Interest rate scenarios for IRRBB assessment**

The following interest rate shock scenarios are used at the Raiffeisen Group to quantify the immediate impacts of instantaneous changes in market interest rates on the economic value of the banking book:

- Standard interest rate shock scenarios per Annex 2 FINMA Circular 2019/2
- Internal interest rate shock scenarios:
  - Parallel shift +/-200 basis points
  - Steepener shock
  - Flattener shock or inversion

In addition, the value-at-risk calculation uses an interest rate change derived from the historical market data and resulting from a highly negative trend that statistically has a 1 in 1000 chance of occurring and is thus more severe than the predefined interest rate shock scenarios.

The following interest rate stress scenarios are used to assess the short- to medium-term impacts of ongoing market interest rate changes on interest income:

- Constant interest rates
- Interest rates rise 200 basis points
- Interest rates fall 100 basis points

The defined interest rate scenarios are supplemented on an ad-hoc basis by sensitivity analyses and stress scenarios. The Raiffeisen banks and branches of Raiffeisen Switzerland can generate and analyse individual interest rate shock and stress scenarios at any time.

#### **e) Non-standard model assumptions**

To limit asset effects, the Raiffeisen Group primarily uses internal sensitivity measures (e.g. relative change in net present value in +/-100bp scenario) that are long-established and consistent with proven market practices.

Unlike the  $\Delta$ EVE metrics in Table IRRBB1, all the cash flows, including any margin and spread components, are discounted in the internal calculations. Own AT1 bonds are also included in the cash flow.

- Net present value falls more when interest rates rise if the margin and spread components are included in the Raiffeisen Group's cash flow.
- Net present value falls less when interest rates rise if the AT1 bonds are included in the Raiffeisen Group's cash flow.

In contrast to the internal assumptions, current account balances held at the Swiss National Bank and recognised central savings banks are treated as non-interest-rate-sensitive exposures in  $\Delta$ EVE calculations that have been standardised based on FINMA guidelines. This is true despite the charging of negative interest. The resulting differences are negligible.

#### **f) Hedges**

The Treasury area of the Central Bank department of Raiffeisen Switzerland serves as the

Group-wide central counterparty for interest rate hedging transactions in the banking book. Offsetting transactions are concluded with external counterparties using Raiffeisen Switzerland's trading book.

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

## **g) Key modelling and parametric assumptions**

### **1. Cash flows for $\Delta$ EVE calculations**

Cash flows are discounted without margin or spread components.

### **2. Mapping procedure for $\Delta$ EVE calculations**

The cash flows of products with fixed interest rate and capital commitment periods are determined at the level of individual exposures. Variable products are replicated.

### **3. Discounting for $\Delta$ EVE calculations**

Discounting uses zero coupon interest rates derived from currency-specific LIBOR/swap curves.

### **4. $\Delta$ NII calculations**

The  $\Delta$ NII metrics in Table IRRBB1 are determined by means of simulation. The balance sheet is assumed to be constant. All exposures due to mature or be revalued within a one-year period are replaced by exposures of an equal amount that possess comparable interest rate reset characteristics on an average portfolio basis. Any margin or spread components are based on values that were used in new business.

The base scenario assumes that the market interest rates and the interest rates for the variable products do not change.

In the "*Parallel shift up*" scenario, interest rates in the variable deposit-taking business only go up moderately due to the current interest rate environment, while no interest rate changes are made on the asset side.

In the "*Parallel shift down*" scenario, the deposit-taking business is assumed to be protected from negative interest rates, while moderate interest rate cuts are expected on the asset side.

### **5. Variable exposures**

Replication is used for products with no definite fixed interest rate periods or capital commitment periods where the amounts and timing of the cash flows are not contractually fixed. This is done by creating portfolios out of rolling fixed interest rate tranches that are intended to best reflect the products' interest rate risk and interest rate reset behaviour.

Replicating models based on recognised quantitative procedures are used for all key variable asset and liability products in the client business. The models reflect past experience, while the results are validated using forward-looking interest rate scenarios.

The other variable exposures (e.g. call amounts due to and from banks) are not modelled; instead, a short fixed interest rate period is assumed.

## **6. Exposures with repayment options**

Asset products with embedded behavioural repayment options are only provided in isolated cases and represent a negligible volume for the Group as a whole. Optionalities are therefore not included in the cash flow.

## **7. Automatic interest rate options**

Automatic interest rate options are not relevant for the Raiffeisen Group's banking book.

## **8. Derivative exposures**

No non-linear interest rate derivatives are employed in the Raiffeisen Group's banking book. Linear interest rate derivatives are used to manage interest rate risk.

## **9. Other assumptions**

The EVE metric in Table IRRBB1 is calculated for all exposures in CHF, EUR and USD using the currency-specific interest rate shocks set out in Annex 2 FINMA Circular 2019/2. When exposures are denominated in other currencies, the ETC values set out in Annex 2 FINMA Circular 2019/2 are used.

# IRRBB A1: Quantitative information on position structure and resetting of the interest rate

	Volume in CHF Mio.			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which CHF	Of which other major currencies that make up more than 10% of the total assets or total liabilities and equity	Total	Of which CHF	Total	Of which CHF
<b>Defined interest rate reset date</b>							
Amounts due from banks	720	275	-	0.1	0.1		
Amounts due from customers	6,633	6,220	-	2.6	2.5		
Money-market mortgages	27,984	27,984	-	0.1	0.1		
Fixed-rate mortgages	148,489	148,488	-	4.1	4.1		
Financial investments	6,703	6,703	-	6.9	6.9		
Other receivables	0	0	-				
Receivables from interest rate derivatives	37,008	34,064	-	1.4	1.3		
1							
Liabilities to banks	5,762	3,988	-	0.3	0.2		
Amounts due in respect of customer deposits	14,252	13,364	-	2.5	2.4		
Cash bonds	521	521	-	2.0	2.0		
Bond issues and central mortgage institution loans	27,242	27,095	-	9.1	9.0		
Other liabilities	0	0	-				
Liabilities from interest rate derivatives <sup>1</sup>	37,063	36,985	-	3.7	3.7		
<b>Undefined interest rate reset date</b>							
Amounts due from banks	1,131	746	-	0.0	0.0		
Amounts due from customers	2,069	1,870	-	0.3	0.2		
Floating-rate mortgage loans	5,682	5,682	-	1.2	1.2		
Other receivables on demand	0	0	-				
Liabilities on demand in respect of personal and current accounts	66,223	63,362	-	0.8	0.8		
Other liabilities on demand	307	227	-	0.0	0.0		
Amounts due in respect of customer deposits, callable but not transferable (savings)	90,801	90,481	-	1.8	1.8		
<b>Total</b>	<b>478,589</b>	<b>468,056</b>	<b>-</b>	<b>2.9</b>	<b>2.9</b>	<b>10.0</b>	<b>10.0</b>

1 The exposure contains interest rate and currency instruments in the banking book. The exposures are divided into recipient and payer components and allocated to receivables and liabilities. For this reason, the volume of exposures with recipient and payer components (interest rate swaps, etc.) is shown twice.

# IRRBB1: Quantitative information on economic value of equity and net interest income

In CHF	$\Delta$ EVE (change in net present value)		$\Delta$ NII (change in capitalised value)	
	$\Delta$ EVE		$\Delta$ NII	
Period	30.06.2019	31.12.2018 <sup>3</sup>	30.06.2019	31.12.2018 <sup>3</sup>
Parallel up	-1,989	n.a.	-221	n.a.
Parallel down	1,789	n.a.	-162	n.a.
Steeper <sup>1</sup>	-131	n.a.		
Flattener <sup>2</sup>	-319	n.a.		
Short rate up	-861	n.a.		
Short rate down	884	n.a.		
Maximum	-1,989	n.a.	-221	n.a.
<b>Period</b>	<b>30.06.2019</b>		<b>31.12.2018</b>	
Tier 1 capital	17,513		17,381	

1 Fall in short-term interest rates combined with rise in long-term interest rates.

2 Rise in short-term interest rates combined with fall in long-term interest rates.

3 No comparisons with previous reporting periods are possible since this is the first period for reporting  $\Delta$ EVE and  $\Delta$ NII.

$\Delta$ EVE is equal to the change in the net present value of the exposures in the banking book if the yield curve shifts due to the standardised interest rate shock scenarios pursuant to FINMA Circular 2019/2 «Interest rate risks - banks» and FINMA Circular 2016/01 «Disclosure - banks».

$\Delta$ NII is equal to the change in net income from interest operations due to an abrupt parallel shift in the yield curve (for CHF +/-150bp) pursuant to FINMA Circular 2019/02 «Interest rate risks - banks» compared to the base scenario set out in FINMA Circular 2016/1 «Disclosure - banks». The base scenario assumes constant interest rates.

According to Annex 1 FINMA Circular 2019/2 «Interest rate risks - banks», the interest rate risks may be unduly high if the net present value of capital changes by an amount equal to or greater than 15% of Tier 1 capital in at least one of the interest rate shock scenarios.

## $\Delta$ EVE

Parallel shifts in the yield curve change the net present value the most. A parallel shift down would produce a gain in net present value while a parallel shift up would result in a substantial loss in net present value.

These changes are driven by the current balance sheet structure, which contains a large proportion of fixed-rate mortgages with long fixed interest rate periods and a large proportion of customer deposits without fixed interest rates.

## $\Delta$ NII

With regard to income, an abrupt increase and a further decrease in interest rates (+/-150bp in CHF) would reduce gross interest income compared to the bank's internal scenario.

This is because interest expense would increase relatively quickly following an abrupt rise in interest rates, whereas if interest rates decrease, it would still likely be impossible to impose negative interest rates on a large number of private clients. The cost of existing interest rate hedges would also increase in the latter scenario.

## Appendix 3: Disclosure requirements for systemically important banks

### Risk-weighted and unweighted capital requirements of Raiffeisen Group under the rules governing systemically important banks

**Table 1: Risk-based capital requirements on the basis of capital ratios as of 30.06.2019**

	Transition rules		Final rules <sup>1</sup> (without transitional provisions)	
	CHF million	In % Ratio	CHF million	In % Ratio
<b>Risk-weighted positions (RWA)</b>	<b>102,032</b>		<b>102,032</b>	
<b>Risk-based capital requirements («going-concern») on the basis of capital ratios</b>				
<b>Total</b>	<b>15,015</b>	<b>14.716%</b>	<b>15,199</b>	<b>14.896%</b>
of which CET1: Minimum	5,000	4.900%	4,591	4.500%
of which CET1:Capital buffer	4,826	4.730%	5,010	4.910%
of which CET1: Anti-cyclical capital buffer	1,210	1.186%	1,210	1.186%
of which AT1: Minimum	3,163	3.100%	3,571	3.500%
of which AT1: Capital buffer	816	0.800%	816	0.800%
<b>Eligible capital («going-concern»)</b>				
<b>Core capital (Tier1)</b>	<b>17,434</b>	<b>17.087%</b>	<b>13,916</b>	<b>13.639%</b>
of which CET1	16,469	16.141%	12,951	12.693%
of which AT1 High-trigger	965	0.946%	965	0.946%
<b>Risk-based capital requirements for loss absorbing capital («gone-concern») on the basis of capital ratios</b>				
Total according size and market share (reflection going-concern-requirement)	653	0.640%	5,395	5.288%
Reduction due to fulfillment with going-concern capital	-39	-0.039%	-1,798	-1.763%
<b>Total (net)</b>	<b>614</b>	<b>0.601%</b>	<b>3,597</b>	<b>3.525%</b>
<b>Eligible loss absorbing capital («gone-concern»)</b>				
	<b>614</b>	<b>0.601%</b>	<b>3,597</b>	<b>3.525%</b>
of which CET1, which is used to fulfill gone-concern requirements	79	0.077%	3,597	3.525%
of which Non-Basel III-compliant Tier 2	535	0.524%	-	0.000%
of which Bail-in Bonds	-	0.000%	-	0.000%

<sup>1</sup> Going-concern capital requirements after transitional phase as of 1st January 2020 and Gone-concern capital requirements after transitional phase as of 1st January 2026.

**Table 2: Unweighted adequacy capital requirements on the basis of the leverage ratio as of 30.06.2019**

	Transition rules		Final rules <sup>1</sup> (without transitional provisions)	
	CHF million	In % LRD	CHF million	In % LRD
<b>Overall exposure</b>	<b>237,223</b>		<b>237,223</b>	
<b>Unweighted adequacy capital requirements («going-concern») on the basis of the leverage ratio</b>				
<b>Total</b>	<b>10,823</b>	<b>4.563%</b>	<b>10,972</b>	<b>4.625%</b>
of which CET1: Minimum	4,033	1.700%	3,558	1.500%
of which CET1:Capital buffer	3,707	1.563%	3,855	1.625%
of which AT1: Minimum	3,084	1.300%	3,558	1.500%
<b>Eligible capital («going-concern»)</b>				
<b>Core capital (Tier1)</b>	<b>17,434</b>	<b>7.349%</b>	<b>13,916</b>	<b>5.866%</b>
of which CET1	16,469	6.943%	12,951	5.459%
of which AT1 High-trigger	965	0.407%	965	0.407%
<b>Unweighted adequacy capital requirements for loss absorbing capital («gone-concern») on the basis of the leverage ratio</b>				
Total according size and market share (reflection going-concern-requirement)	498	0.210%	4,389	1.850%
Reduction due to providing additional capital in terms of conversion capital according to CAO Art. 132	-	0.000%	-1,463	-0.617%
<b>Total (net)</b>	<b>498</b>	<b>0.210%</b>	<b>2,926</b>	<b>1.233%</b>
<b>Eligible loss absorbing capital («gone-concern»)</b>				
<b>Total</b>	<b>614</b>	<b>0.259%</b>	<b>3,597</b>	<b>1.516%</b>
of which CET1, which is used to fulfill gone-concern requirements	79	0.033%	3,597	1.516%
of which Non-Basel III-compliant Tier 2	535	0.226%	-	0.000%
of which Bail-in Bonds	-	0.000%	-	0.000%

<sup>1</sup> Going-concern capital requirements after transitional phase as of 1st January 2020 and Gone-concern capital requirements after transitional phase as of 1st January 2026.