

RAIFFEISEN

06/22

Interim financial statements 30 June 2022
Raiffeisen Group

We open up
new horizons

Key figures

in CHF million, percent, number	01.01. – 30.06.2021	01.01. – 30.06.2022	Change in %
Key figures income statement			
Gross result from interest operations	1,193	1,220	2.3
Result from commission business and services	256	300	17.2
Operating income	1,645	1,691	2.8
Operating expenses	926	967	4.5
Operating result	614	623	1.4
Group profit	505	556	10.1
Cost income ratio	56.3%	57.2%	
in CHF million	31.12.2021	30.06.2022	Change in %
Key balance sheet figures			
Total assets	284,489	301,490	6.0
Loans to clients	206,355	210,717	2.1
of which mortgage receivables	196,360	199,971	1.8
Amounts due in respect of customer deposits	201,729	207,900	3.1
Customer deposits in % of loans to clients	97.8%	98.7%	
Total equity capital (without minority interest)	19,179	19,947	4.0
Capital resources/liquidity¹			
CET1 ratio	20.3%	19.6%	
Tier 1 ratio (going concern)	21.7%	20.8%	
TLAC ratio	23.4%	23.0%	
TLAC leverage ratio	7.4%	7.0%	
Liquidity Coverage Ratio (LCR) ²	185.4%	173.0%	
Net Stable Funding Ratio (NSFR) ³	144.9%	142.3%	
Market data			
Share of mortgage market ⁴	17.6%	17.6%	
Market share of client deposits ⁴	14.0%	14.1%	
Number of clients	3,606,540	3,616,384	0.3
Number of cooperative members	1,963,593	1,991,007	1.4
Client assets			
Client assets under management ⁵	241,226	238,867	-1.0
Net new money client assets under management (* value as of 30.06.)	9,806	4,351	-55.6
Risk ratio lending business			
Value adjustments for default risks	243	240	-1.4
as % of loans to clients	0.118%	0.114%	
Value adjustments for expected losses (risk provisions)	482	471	-2.3
Resources			
Number of full-time positions	9,729	9,678	-0.5
Number of locations	820	806	-1.7

1 According to the systemic importance regime, as at 30 June 2022 without result of the period.

2 The liquidity coverage ratio (LCR) measures whether a bank has sufficient liquid funds to cover its liquidity needs from its own funds over a 30-day period in the event of an emergency. The LCR puts the available liquid funds in relation to the expected net outflow.

3 The net stable funding ratio (NSFR) serves to ensure sustainable and stable funding of a bank's lending and off-balance-sheet activities. In particular, it limits the risk of a bank financing its lending activities with deposits that are deemed too unstable and short-term.

4 Expected market share as at 30 June 2022.

5 The client assets shown include custody account assets plus liabilities arising from client deposits and cash bonds. "Liabilities arising from client deposits" includes client deposits that are not similar to an investment. The following are not included: fiduciary deposits, custody-only relationships (third-party banks and institutional clients where Raiffeisen acts solely as custodian) and assets of institutional investors where the business activity consists of liquidity and repo investments. Reclassifications between assets under management and unreported assets (such as custody-only) are shown as a change in net new money.

Successful and stable – very good half-year result for Raiffeisen

The Raiffeisen Group produced a very good result in the first half of 2022. The steady growth in the core business continued. Mortgage loans rose to just under CHF 200 billion. Operating profitability remains strong; the commission business in particular saw another substantial rise. The increase in the commission business and services was a hefty 17.2%. Group profit in the first half was CHF 556 million.

The Raiffeisen Group posted a very good business performance in the first half. Operating income rose once again. Mortgage loans increased by CHF 3.6 billion (+1.8%), in line with the market. Client deposits grew by CHF 6.2 billion (+3.1%); new money in custody accounts came to CHF 2.2 billion in the first half. This reflects the high level of trust in the investment expertise of the Raiffeisen Group. Along with the success in the operating business, the network of cooperative banks also grew. Four of the six branches of Raiffeisen Switzerland successfully became independent Raiffeisen banks in the first half of 2022, marking a key milestone. The branches in Zurich and Basel are expected to become independent in early 2023.

Further progress in diversifying income

Income saw a positive performance. Net interest income rose due to close and prudent management of the balance sheet and the growth in mortgage volumes. However, the interest margin declined once again, falling from 0.89% at the end of the previous year to 0.84% at 30 June 2022. The net result from interest operations increased by CHF 25.2 million (+2.1%) to CHF 1,230.1 million. The performance of the commission business was again especially pleasing. The net income from commission business and services was up strongly by CHF 43.9 million (+17.2%) to CHF 299.9 million. Income diversification is making further progress. The result from trading activities saw a negligible decline of CHF 0.8 million to CHF 116.0 million due to the difficult market environment, putting it on a par with last year. Total commission business as a share of business income rose again to 24.6% (30 June 2021: 22.7%). The other result from ordinary activities was down a considerable CHF 22.3 million (–33.1%) on the previous year. This was caused by a one-time effect the previous year, as a consequence of sales of financial investments. Thanks to the strong operating business, operating income rose CHF 46.1 million (+2.8%) to CHF 1,691.0 million.

The result from the **commission business and services** was again up strongly at **17.2%**.

Costs increased year on year in the first half, as expected. Investments in implementing the Group strategy and resourcing the advisory teams in the local Raiffeisen banks caused operating expenses to increase by CHF 41.7 million (+4.5%) to CHF 967.3 million. Personnel expenses rose by CHF 18.1 million (+2.6%). The headcount rose by 113 full-time positions compared to 30 June 2021. General and administrative expenses increased by CHF 23.6 million (+9.9%) to CHF 262.2 million. This was partly caused by higher expenditure on sponsorship, client events, general meetings and anniversaries, along with the issue duty on multiple subscriptions to cooperative share certificates, particularly in relation to capitalising the newly independent branches of Raiffeisen Switzerland so they could become separate Raiffeisen banks. There was also more need for external services and consultancy in connection with projects, especially implementing the Group strategy. The increase in costs meant that the cost/income ratio was up slightly year on year from 56.3% to 57.2% – which remains an outstanding figure for a retail bank. Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets fell by CHF 8.1 million (–7.8%) to a total of CHF 95.1. Changes in provisions and other value adjustments and losses were up, but at the low level of CHF 5.8 million. Despite higher costs overall, the operating result increased CHF 8.8 million (+1.4%) to CHF 622.8 million in the first half, thanks to the strong income performance. The sale of a participation also generated additional income. Tax expenses fell due to lower tax rates in connection with the reform to corporation tax. The very pleasing half-year result of CHF 555.9 million marked an increase of CHF 51.0 million (+10.1%) year on year.

Steady growth in the balance sheet business

The business volumes of the Raiffeisen Group are growing steadily. Client deposits rose a further CHF 6.2 billion (+3.1%) to CHF 207.9 billion. Managed assets (custody account assets plus liabilities arising from client deposits) saw net new money of CHF 4.4 billion in the first half (30 June 2021: CHF 9.8 billion). The Raiffeisen Group has welcomed some 9,800 new clients since the end of last year.

New money amounting to CHF 2.2 billion flowed into custody accounts in the first half of 2022. Custody account volumes fell to CHF 40.1 billion, down CHF 5.0 billion in total however, owing to the negative performance of the market, and stood at CHF 40.1 billion as at 30 June 2022. The performance of asset management mandates was again especially pleasing. More than 5,600 new mandates were opened in the first six months. This is equivalent to a rise of around 25%.

Mortgage volumes likewise continued to grow, increasing CHF 3.6 billion (+1.8%) to CHF 200.0 billion. As a result, the core business grew in line with the overall market.

Mortgage volumes rose to CHF 200 billion.

Low value adjustments reflect prudent risk policy

The Group's risk position remains extremely solid. Value adjustments for default risks in interest operations in the net amount of CHF 9.7 million were reversed in the first half of 2022 (30 June 2021: net reversal of CHF 12.3 million). Value adjustments on impaired receivables remain low at CHF 239.6 million or 0.114% of total lending (31 December 2021: CHF 243.0 million or 0.118%).

Capital resources further strengthened

The Raiffeisen Group's capital position is extremely stable. At 30 June 2022 the risk-weighted TLAC ratio was 23.0%, already well above the final regulatory requirements of 18.8% that the Raiffeisen Group as a systemically important banking group will have to meet by 1 January 2026. The TLAC leverage ratio of 7.0% also meets the future regulatory requirements of 6.0% already.

In line with the cooperative principle, in the first half of 2022 four of the six branches of Raiffeisen Switzerland converted into independent Raiffeisen banks. The key element in capitalising the new Raiffeisen banks was clients subscribing to cooperative share certificates and becoming co-owners of their Raiffeisen bank. As a result, CHF 155.7 million of subscribed capital had flowed into the Group as at 30 June 2022, making a considerable contribution to further strengthening the capital base of Raiffeisen in the first half of 2022. In the first half of the year Raiffeisen welcomed roughly 27,000 new cooperative members. This trend in the number of members confirms the high degree of trust clients place in the Raiffeisen cooperative model.

Raiffeisen is **well placed** and expects **business to be solid** in the second half of 2022.

Outlook for the second half of the year

By the middle of the year the global economic environment had grown more gloomy; as a consequence, the strong demand from abroad for Swiss goods is likely to weaken. At the same time, consumption in Switzerland is falling because of higher prices. The economy therefore looks set to advance more slowly over the rest of the year. Hence GDP growth in Switzerland in 2022 will only be average and upward pressure on prices will persist. Nor is the inflation rate likely to start falling again in the short term. However, inflation is also unlikely to rise further in the event of another shock in energy prices.

With geopolitical uncertainties, sustained high inflation and a rising risk of recession, the market environment remains challenging. Raiffeisen expects a stable development for its interest operations. Income from the commission and services business should also continue to rise, although uncertainties have increased. Overall, Raiffeisen expects business in the second half to be solid. The Group is well positioned and on track, with a clear strategy focused on expanding client proximity.

Consolidated balance sheet

Consolidated balance sheet

in 1,000 CHF	31.12.2021	30.06.2022	Change	
			absolute	in %
Assets				
Liquid assets	57,274,981	58,505,920	1,230,939	2.1
Amounts due from banks	3,245,470	10,212,304	6,966,834	214.7
Amounts due from securities financing transactions	–	228,850	228,850	–
Amounts due from customers	9,995,698	10,745,970	750,272	7.5
Mortgage loans	196,359,631	199,970,763	3,611,132	1.8
Trading portfolio assets	2,573,578	3,154,424	580,846	22.6
Positive replacement values of derivative financial instruments	1,356,418	4,147,228	2,790,810	205.7
Financial investments	8,548,769	8,840,885	292,116	3.4
Accrued income and prepaid expenses	281,050	354,868	73,818	26.3
Non-consolidated participations	724,113	730,675	6,562	0.9
Tangible fixed assets	2,966,743	2,957,289	–9,454	–0.3
Intangible assets	–	7,286	7,286	–
Other assets	1,162,723	1,633,898	471,175	40.5
Total assets	284,489,174	301,490,360	17,001,186	6.0
Total subordinated claims	20,010	20,000	–10	–0.0
of which subject to mandatory conversion and/or debt waiver	–	–	–	–
Liabilities				
Amounts due to banks	15,912,232	22,997,854	7,085,622	44.5
Liabilities from securities financing transactions	7,450,837	8,403,210	952,373	12.8
Amounts due in respect of customer deposits	201,728,997	207,899,898	6,170,901	3.1
Trading portfolio liabilities	156,043	239,993	83,950	53.8
Negative replacement values of derivative financial instruments	1,616,304	3,758,439	2,142,135	132.5
Liabilities from other financial instruments at fair value	2,229,268	1,875,557	–353,711	–15.9
Cash bonds	284,174	241,383	–42,791	–15.1
Bond issues and central mortgage institution loans	34,061,815	33,279,630	–782,185	–2.3
Accrued expenses and deferred income	831,686	868,686	37,000	4.4
Other liabilities	151,825	1,089,020	937,195	617.3
Provisions	933,064	935,063	1,999	0.2
Reserves for general banking risks	200,000	200,000	–	–
Cooperative capital	2,692,104	2,970,493	278,389	10.3
Retained earnings reserve	15,218,568	16,220,505	1,001,937	6.6
Currency translation reserve	11	–2	–13	–118.2
Group profit	1,068,790	555,852	–512,938	–48.0
Total equity (without minority interests)	19,179,473	19,946,848	767,375	4.0
Minority interests in equity	–46,544	–45,221	1,323	–2.8
of which minority interests in Group profit	24,184	1,323	–22,861	–94.5
Total equity (with minority interests)	19,132,929	19,901,627	768,698	4.0
Total liabilities	284,489,174	301,490,360	17,001,186	6.0
Total subordinated liabilities	2,275,351	2,034,588	–240,763	–10.6
of which subject to mandatory conversion and/or debt waiver	2,275,351	2,034,588	–240,763	–10.6
Off-balance-sheet transactions				
Contingent liabilities	708,793	634,299	–74,494	–10.5
Irrevocable commitments	12,561,717	13,517,721	956,004	7.6
Obligations to pay up shares and make further contributions	121,789	121,789	–	–

Consolidated income statement

Consolidated income statement				
in 1,000 CHF	30.06.2021	30.06.2022	Change	
			absolute	in %
Interest and discount income	1,325,097	1,326,524	1,427	0.1
Interest and dividend income from financial investments	13,818	11,181	-2,637	-19.1
Interest expense	-146,255	-117,281	28,974	-19.8
Gross result from interest operations	1,192,660	1,220,424	27,764	2.3
Changes in value adjustments for default risks and losses from interest operations	12,268	9,679	-2,589	-21.1
Net result from interest operations	1,204,928	1,230,103	25,175	2.1
Commission income from securities trading and investment activities	198,713	207,729	9,016	4.5
Commission income from lending activities	13,688	16,167	2,479	18.1
Commission income from other services	108,953	130,204	21,251	19.5
Commission expense	-65,371	-54,195	11,176	-17.1
Result from commission business and services	255,983	299,905	43,922	17.2
Result from trading activities and the fair value option	116,814	116,033	-781	-0.7
Result from disposal of financial investments	33,937	564	-33,373	-98.3
Income from participations	11,374	28,948	17,574	154.5
Result from real estate	10,051	11,797	1,746	17.4
Other ordinary income	13,334	10,761	-2,573	-19.3
Other ordinary expenses	-1,486	-7,113	-5,627	378.7
Other result from ordinary activities	67,210	44,957	-22,253	-33.1
Operating income	1,644,935	1,690,998	46,063	2.8
Personnel expenses	-686,983	-705,070	-18,087	2.6
General and administrative expenses	-238,630	-262,217	-23,587	9.9
Operating expenses	-925,613	-967,287	-41,674	4.5
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-103,235	-95,140	8,095	-7.8
Changes to provisions and other value adjustments, and losses	-2,096	-5,772	-3,676	175.4
Operating result	613,991	622,799	8,808	1.4
Extraordinary income	4,828	21,544	16,716	346.2
Extraordinary expenses	-621	-2,546	-1,925	310.0
Taxes	-103,113	-84,622	18,491	-17.9
Group profit (including minority interests)	515,085	557,175	42,090	8.2
Minority interests in group profit	10,244	1,323	-8,921	-87.1
Group profit	504,841	555,852	51,011	10.1

Statement of changes in equity

Statement of changes in equity

in 1,000 CHF	Cooperative capital	Retained earnings reserve	Reserves for general banking risks	Currency translation differences	Minority interests	Profit	Total
Equity capital at 01.01.2022	2,692,104	15,218,568	200,000	11	-46,544	1,068,790	19,132,929
Capital increase	326,366	-	-	-	-	-	326,366
Capital decrease	-47,977	-	-	-	-	-	-47,977
Changes in minority interests	-	-	-	-	-	-	-
Changes to the consolidated Group	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-13	-	-	-13
Interest on the cooperative capital	-	-	-	-	-	-66,853	-66,853
Allocation to voluntary retained earnings reserves	-	1,001,937	-	-	-	-1,001,937	-
Profit	-	-	-	-	1,323	555,852	557,175
Equity capital at 30.06.2022	2,970,493	16,220,505	200,000	-2	-45,221	555,852	19,901,627

Abbreviated notes to the interim financial statements

Changes to the accounting and valuation principles and necessary corrections

No significant changes were made to the accounting and valuation principles in the reporting year.

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

Overall, the Swiss economy, and the Raiffeisen Group in particular, came through the Covid-19 pandemic well. The market environment nevertheless remains challenging due to the ongoing war in Ukraine. The shock in commodity prices this has triggered is pushing inflation up and brings the risk of an economic downturn. A total halt of Russian gas deliveries to Europe would push inflation up again. The Swiss National Bank (SNB) has put up interest rates quicker than other central banks and already raised the prospect of further hikes. At the time of reporting no material changes compared to the previous year were apparent, either in the mortgage market or the other business areas.

Extraordinary income and extraordinary expenses

Extraordinary income stood at CHF 21.5 million, an increase of CHF 16.7 million year on year. The rise was related to the sale of a participation. This item also includes gains on the sale of tangible fixed assets. Extraordinary expenses of CHF 2.5 million (30 June 2021: CHF 0.6 million) mainly consist of losses on the sale of tangible fixed assets.

Material events after the reporting date for the interim financial statements

No material events occurred that would have a significant impact on the assets, financial position and earnings of the Raiffeisen Group.

Legal notice

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Forward-looking statements

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