Annual Report 2008 Raiffeisen Group

RAIFFEISEN

KEY FIGURES

Key Figures

	2008 Amounts in CHF million	Change in %	2007 Amounts in CHF million	Change in %	2006 Amounts in CHF million
Key balance sheet figures					
Total assets	131,575	6.9	123,076	8.0	113,998
Loans to clients	108,595	7.0	101,527	6.7	95,110
of which mortgage receivables	101,435	7.6	94,299	7.0	88,153
Client monies	104,098	10.6	94,155	7.0	88,025
Client monies as % of loans to clients	95.9%		92.7%		92.6%
Key P + L figures					
Net interest income	1,926	2.4	1,881	4.4	1,802
Net income from commission business and service transactions	230	-5.6	243	-2.7	250
Operating income	2,327	1.3	2,297	5.2	2,183
Total operating expenditure	1,443	8.3	1,333	10.8	1,202
Gross profit	883	-8.4	965	-1.7	981
Group profit before tax	682	-18.8	839	1.9	824
Group profit	564	-19.5	701	7.1	655
Gross profit per personnel unit (in 1000 CHF)	118.8	-14.0	138.1	-6.3	147.4
Cost/Income ratio	62.0%		58.0%		55.1%
Capital resources					
Total equity capital	7,979	7.8	7,402	10.7	6,686
Return on equity (ROE)	7.3%		10.0%		10.3%
Equity ratio	6.1%		6.0%		5.9%
Core capital ratio (from 2007 according to Basel II)	12.7%		12.6%		11.5%
Total capital ratio (from 2007 according to Basel II)	18.8%		18.7%		16.5%
Market data					
Market share in mortgage business (2008: estimated)	14.7%		14.2%		13.7%
Market share in savings (2008: estimated)	19.7%		19.0%		18.2%
Number of members	1,549,190	7.3	1,443,841	5.3	1,371,107
Client assets					
Client assets under management	124,817	5.9	117,859	7.5	109,594
Custody account/fund business					
Number of portfolios	383,125	6.6	359,466	11.6	321,972
Total portfolio volume	32,672	-8.8	35,841	12.1	31,981
Lending business					
Losses on lending business	43	-5.8	46	22.8	38
as % of loans	0.040%		0.045%		0.040%
Non-performing loans	393	0.4	391	4.4	375
as % of loans	0.362%		0.385%		0.394%
Rating given to Raiffeisen Switzerland					
Moody's	Aa1		Aa1		Aa2
Resources					
Number of employees	9,133	6.1	8,606	6.2	8,101
of which trainees	738	7.0	690	4.5	660
Number of personnel units	7,665	6.3	7,208	6.6	6,764
Number of Raiffeisen locations	1,151	-0.3	1,155	0.5	1,149
Number of ATMs	1,414	6.1	1,333	4.5	1,275

Raiffeisen's unique strength is its local presence. The 367 Raiffeisen banks are structured as cooperatives. Their 1,151 branches give Raiffeisen the densest branch network in Switzerland. The Swiss population directly feels the impact of this proximity. The Raiffeisen banks operate within a clearly defined and comprehensible business area and thus support the local economy. Savings from the region are invested back into the region in the form of mortgages and other lending. Raiffeisen banks are attractive employers. As taxpayers, they allow the region to have a part in their economic success. And as sponsors, they enable various cultural and sporting activities in the regions to take place.

The strong Swiss bank As Switzerland's third-largest banking group, Raiffeisen is a national brand of major importance in the banking market. About 3.2 million people use a Raiffeisen bank for their financial affairs. These include 1.5 million cooperative members, co-owners of their Raiffeisen bank.

The legally autonomous Raiffeisen banks are amalgamated into Raiffeisen Switzerland, which has its head office in St. Gallen. Raiffeisen Switzerland is responsible for the entire Raiffeisen Group strategy and for Group-wide risk management, liquidity and capital ratios and refinancing. It also coordinates the Group's operations, creates the conditions for business activities of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all issues. In addition, Raiffeisen Switzerland is responsible for treasury, trading and transaction activities. It has an Aa1 rating from Moody's.

The Raiffeisen Group puts the greatest emphasis on security. A balanced security system exists within the Group, based on mutual liability. This guarantees high security for customers and investors. The coming together of Raiffeisen banks in the cooperative association creates a risk community based on solidarity in which all members take responsibility for one another.

There are many paths,
but only one goal.

Rumi, mystic

The goal is not far away. It comes into view with the first step you take. A red carpet leads you there – along paths and roads, up stairways and down again – safely, easily and reliably to the nearest Raiffeisen bank. From wherever you're starting out.

Raiffeisen has a strong presence in Switzerland. With 1,151 locations, the bank is always nearby to serve the financial needs of its clients and members. It is this proximity that sets Raiffeisen apart from the competition. It is the personal connection that Raiffeisen creates with every client and member in every region of the country.

The images in this annual report show what proximity and respecting values mean at Raiffeisen. Each day, our employees roll out the red carpet for their clients and members to help them move towards their goal with ease.

In this annual report you can explore the path to Raiffeisen – on a red carpet, starting from anywhere in Switzerland.

The big events of 2008 at Raiffeisen

The 108th financial year of the Raiffeisen Group was characterized by a turbulent market environment. The US subprime mortgage crisis blossomed into a global financial market crisis. Raiffeisen managed to overcome these adverse circumstances, achieving a good result and unparalleled growth.

Security strengthens the brand
In common with all other European banks, Raiffeisen did not totally escape the global effects of the crisis on the financial markets. The poor state of the financial markets had a particularly significant impact on client portfolios. Now, however, Raiffeisen is emerging from the crisis with new strength. Switzerland's third-largest banking group was not involved in any business with US subprime securities. The security-oriented business model and high level of equity won over clients in Switzerland, leading to further image gains for the brand. In surveys, Raiffeisen regularly ranks first as a reliable and competent bank.

150,000 new clients
While Raiffeisen had already outgrown the rest of the market in previous years, never before in its history has the Group seen growth to match 2008. Around 150,000 new clients joined Raiffeisen. In all, the bank recorded inflows of some 12 billion Swiss francs of new money in the retail business. This took total client monies above 100 billion Swiss francs.

Low mortgage rates
There were also some positives from the financial market crisis. For example, homeowners with variable mortgage rates benefited. In November 2008, Raiffeisen Switzerland advised its associated banks to implement a two-stage interest rate cut to 2.875%. This was in response to the interest rate policy of the Swiss National Bank, which had slashed interest rates at a record pace in autumn 2008. The rate reduction is Raiffeisen's contribution towards reviving the construction industry, and with it the economy.

Corporate clients business
Over 118,000 Swiss companies already have a banking relationship with Raiffeisen. Despite the turmoil on the financial markets, Raiffeisen is maintaining its strategy of strong commitment to SMEs. However, the crisis has clearly demonstrated the importance of individual, risk-adjusted lending rates.

Five new members elected to the Board of Directors
At Raiffeisen Switzerland's 105th Delegate Meeting in Flims in the canton of Grisons, the most important item on the agenda was the election of new members to the Board of Directors. The new appointments were required first and foremost because of the limits on terms of office and ages contained in the Articles of Association. The delegates approved the proposals of the Board of Directors and elected five new members to the eleven-member Board. The new members of the Board of Directors are: Daniel Lüscher, Chair of the Executive Board of Raiffeisenbank Kölliken-Entfelden; Philippe Moeschinger, Manager of the Foundation for Industrial Land in Geneva; Johannes Rüegg-Stürm, Director of the Institute of Management at the University of St. Gallen; Urs Schneider, Deputy Director of the Swiss Farmers' Union; and Franco Taisch, Professor of Financial Markets Law and Legal Management at the University of Lucerne.

e-banking: 500,000 users and security through SMS
Raiffeisen's e-banking service is extremely popular, with the bank's 500,000th e-banking client registering at the end of 2008. Over 10,000 new users sign up each month. The e-banking service handles some two million accesses

and over three million payments every month. Raiffeisen clients place over 50% of their payment orders and 35% of their stock exchange orders via e-banking. Raiffeisen is also a leader in the field of security, and was the first Swiss bank to use the mobile phone as an additional security channel. As a result, Raiffeisen clients can now choose to receive their e-banking security codes via SMS.

New Avaloq IT platform

The Raiffeisen Group is introducing a new banking platform in the shape of Avaloq. The first sub-project, covering securities and trading activities, was successfully implemented at the end of 2008. The Raiffeisen Group decided in 2006 to replace the current core banking applications with the standard banking software Avaloq in a project that will last several years. The next stage will be to transfer payments applications to the Avaloq software by 2011 and decide on whether to replace the current front office application software.

Winter sports sponsorship expanded

Raiffeisen has extended its contract with Swiss Ski by a further three years. At the same time, it is also expanding its involvement. The banking group now supports ten regional associations, making it the largest sponsor of up-and-coming winter sports stars. As regards individual sponsorship, it was also able to attract a well-known face in the shape of Lara Gut, probably the best-known of the new generation of Swiss skiing hopefuls.

Raiffeisen chairs climate foundation

Raiffeisen founded the Swiss Climate Foundation (Klimastiftung Schweiz) together with ten other companies from the financial sector. It is chaired by Gabriele Burn, a member of the Raiffeisen Group's Executive Board. The foundation supports measures to improve energy efficiency and protect the climate, primarily among SMEs in Switzerland. It is financed from rebates that the founding members receive on their CO_2 fossil fuels levy.

Members flock to the Steinbock

Over a period of six months, the 1.5 million or so Raiffeisen members took advantage of the exclusive half-price offer covering travel to Grisons, hotels and numerous activities. The 200 or so hotels participating in the offer reported 106,000 additional overnight stays by 68,000 Raiffeisen members between 15 May and 30 November 2008. By the end of November visitors had taken 58,000 trips on the mountain railways and 11,000 trips with the Rhätische Bahn railway and PostAuto Graubünden buses. These figures make the "Experience Grisons for half price" offer the Raiffeisen Group's most successful membership campaign to date.

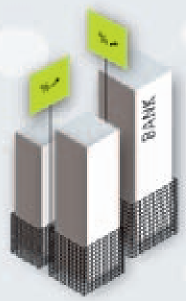
The financial system roundabout Given the complexity of the events surrounding the financial market crisis, we are far from knowing all the details. However, at least the broad outlines are now identifiable.

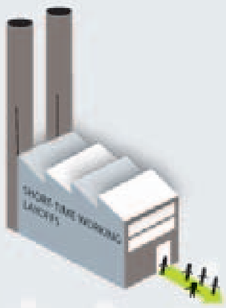
1. After a long real estate boom in the United States, mortgage defaults start to rise there in 2007, particularly in the subprime segment. This market involves people who received bank mortgages even though they have low income and not much collateral. Many borrowers are unable to meet the mortgage payments, which rise faster than they expected. The rise in interest rates and efforts by many home owners to sell their houses leads to a decline in house prices on a scale unknown since the Second World War.

2. Many mortgages from the subprime segment were packaged as securities in several tranches. Rating agencies give some of these securities an AAA rating, which attests to a high level of security. As these securities offered a higher yield than government bonds, many investors all over the world bought them. The problems in the US mortgage market lead to a sharp decline in the price of these securities.

3. Many investment banks parked these securities off their balance sheet, where neither the regulators nor the public could see them. These holdings lead to growing losses. The crisis starts to spread outside the United States in autumn 2007 as European and Swiss banks are also affected. Also in autumn 2007, UBS starts to announce losses and write-downs on such holdings.

4. Nobody knows how large the banks' holdings in this sector are. Uncertainty is rife. In this environment banks worldwide demand higher interest rates from each other, to protect themselves against higher counterparty risk.





8. As interest rates on many loans are based on the interbank lending rate, capital costs of companies rise sharply. Interest rates on corporate bonds also soar. Faced by higher costs of borrowing, companies worldwide cut their investment spending. This leads to short-time working and layoffs. Consumers reduce their spending, which drives down investment further. In an effort to breach this second vicious circle, central banks throughout the world cut interest rates sharply, and governments cut taxes and increase public spending.

7. Many clients lose all confidence in the banks affected by the crisis on the financial markets. In Europe, various governments support the banks with guarantees for their debts and for deposits. They also inject equity into the banks to make up for the losses. In Switzerland, the federal government raises the guarantee on deposits to 100,000 Swiss francs. At the same time, it injects 6 billion Swiss francs into a big bank and takes over illiquid securities for another 54 billion Swiss francs.

6. The US government decides to buy illiquid securities from the banks for a total of USD 700 billion, to put an end to the vicious circle. This plan is subsequently modified several times.

5. Banks with heavy losses receive government support or are forced to sell to other banks. In England, Northern Rock is taken over by the government following a run on the bank by savers wanting to withdraw their deposits. In Germany, the Landesbanken, Bank IKB, and Hypo Real Estate need large government bailouts. In autumn 2008 the number of takeovers and bailouts rises. The giant mortgage institutions Fannie Mae and Freddie Mac are nationalized. When the investment bank Lehman Brothers files for bankruptcy in mid-September, banks lose all trust in each other. The interbank market grinds to a halt.

Interview with Franz Marty and Pierin Vincenz

In an interview with with Rüdi Steiner*, Franz Marty, Chair of the Board of Directors, and Pierin Vincenz, Chair of the Executive Board, discuss the impact of the financial market crisis on the Raiffeisen Group, where they believe the potential is going forward, and what the challenges are for the future.

"The clients understand our business model and realize that we have very low risks."

The financial crisis has caused major upheaval within the banking industry. Raiffeisen is among the winners. There have been inflows of around one billion Swiss francs per month in new money. What are the reasons for this?

Franz Marty: Evidently we enjoy a level of trust which many other banks do not. The clients understand our business model and realise that we have very low risks. A Raiffeisen bank cannot go under, because the banks are part of a cooperative union with CHF 10 billion in equity. This is our protective umbrella. We do not need a government guarantee.

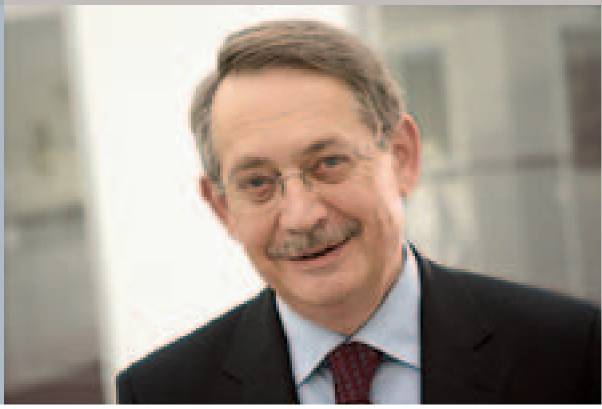
Is there such a thing as a typical new client?

Pierin Vincenz: They run the full range – from students right through to high net worth individuals.

Marty: Their motives also vary greatly. Some come to us because they identify with our business model, while others simply want nothing to do with Switzerland's two big banks any more. Then there are others who switch to us purely for diversification reasons.

How much of a help is your sponsorship of Swiss skiing? Our alpine sportsmen and women are doing well again, as demonstrated by the recent world championships in Val d'Isère.

Vincenz: This sponsorship has been extremely positive for us. We came on board on the last day of the disastrous



*Dr h.c. Franz Marty,
Chair of the Board of Directors
of the Raiffeisen Group*

ski world championships in Bormio, at a time when almost everyone had lost faith in the Swiss national ski team. We believed in them at the time. Now they are back on top again. There is an enormous attachment to skiing throughout the country. Naturally some of that rubs off on us.

How much do you spend on the sponsorship?

Vincenz: Around 4.5 million Swiss francs annually. The money does not just go to the national ski team. It also goes towards supporting grass roots youth coaching and development.

How has the financial market crisis affected you personally? Do you have sleepless nights?

Marty: Not exactly sleepless nights. But certainly worries. For example, I'm concerned when I see a small businessman struggling with falling orders. At some point he begins to ask himself whether he will be able to keep up with his loans. Or I see a couple who have managed to buy a nice house. What happens if one of them loses their job? That is something that very much concerns me.

Vincenz: Everyone knew that there would be some sort of a correction in the banking sector, but I am worried by the speed and severity with which it hit. Particularly when I see everything that is being torn down with it. What also concerns me is that 80% of the institutions in our sector in Europe have received government support. If that is not reversed in the medium term it will seriously distort competition.

What kind of distortions do you mean?

Vincenz: It has become more expensive for Raiffeisen to obtain refinancing on the financial markets. A successful bank without a government guarantee pays up to 100 basis points more than an unsuccessful one with a government guarantee.

How long will the crisis last? Can you foresee an end?

Marty: If only we knew! Let's be honest: we always know too little about the future. If we had known more last year, we would have perhaps been even more cautious in some of our activities. I just hope that the crisis does not last too long.

Vincenz: The uncertainty has added to people's sense of insecurity. We are no longer living by what we know, but by our hopes. It is important that companies continue projects they have begun in spite of the crisis. They need to continue to invest if at all possible and not just stop everything. A positive attitude remains important.

You have been receiving around one billion francs in new deposits each month. What do you do with this money?

Vincenz: Two thirds of our money goes into the mortgage market and the corporate lending business. Part of the money is deposited on the interbank market. A small portion remains in a holding position, for example until we issue new mortgages. However, we have not changed our lending policies just because we now have a bit more money.

Many politicians, even some Federal Councillors, have accused the Raiffeisen and cantonal banks of sitting on their money instead of passing it on to companies in the form of loans, and so taking active steps to combat the recession. Are you hoarding your money?

Vincenz: In the last quarter of 2008, which was a critical period, we increased lending to companies by 2.8%. That is equivalent to 440 million Swiss francs. Over the year as a whole we did business with 5,000 companies for the first time. We have 4.4% more corporate clients than one year ago.

Marty: Raiffeisen has not caused any credit crunch for companies. However, we are still applying the same standards in our lending. We cannot and would not want to water these standards down, as they are what our success has been built on. The lending business also requires considerable expertise. We are in the process of building up this know-how across the country.

Are the accusations therefore unfounded?

Marty: You have to differentiate a little here. Larger companies which have been working with foreign banks are certainly experiencing difficulties in covering their borrowing requirements in full at the moment.

Vincenz: We focus mainly on SMEs whose business is in Switzerland. Of the approximately 300,000 SMEs in Switzerland over a third are already clients of Raiffeisen. And we want to increase this number further.

You want to expand the corporate clients business and open regional advisory centres across the country. Three centres are already open. Where are you planning to open your next centres?

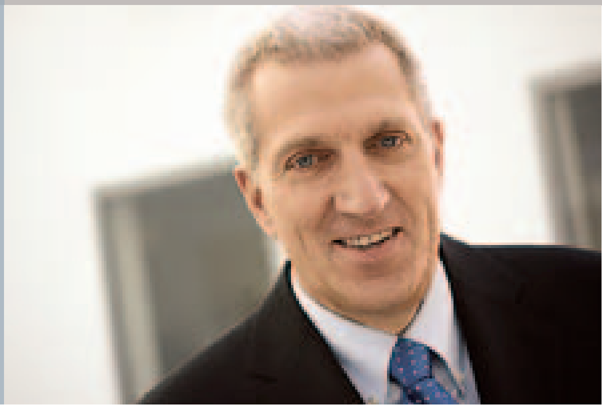
Marty: We will open three new centres in Zurich, Berne and Bellinzona in 2009.

Vincenz: As a result of the crisis we are now considering moving forward to this year the opening of new centres in Aarau and Basel. The original plan had been to open them in 2010. Our goal remains to become the second-biggest provider of corporate lending after UBS.

Where else does Raiffeisen see potential for growth?

Marty: In investment advisory services. In recent years we have hired investment advisers for the branches as a result of the cooperation with Vontobel.

Vincenz: Our biggest challenge in 2009 will be to look after our many new clients well and to retain them.



*Dr Pierin Vincenz,
Chair of the Executive Board
of the Raiffeisen Group*

What is Raiffeisen doing to combat the crisis?

Marty: We are investing more than ever before.

Where are you investing?

Vincenz: In the branch network. We are renovating existing branches and continuing to open new ones. This year we will add around ten new branches. Then we are investing in our staff. We are hiring new people. The majority of new hires are employed in IT.

How much are you investing?

Marty: Over 200 million Swiss francs. We are investing 50 million Swiss francs in IT alone. In addition, a large part of the project budget of the Group as a whole goes to IT – around 100 million Swiss francs.

You have just rolled out a new core banking system in Avaloq. And now you are already spending millions on IT again?

Vincenz: Avaloq is a major part of the upgrading of our entire IT infrastructure. This upgrade will cost us between 500 and 600 million Swiss francs. We cannot spend this amount in one go. As a result we are rolling out the upgrade in stages. As a first step we successfully transferred the securities and trading business of Raiffeisen Switzerland to the new software at the end of last year. The next step will be the payments system and after that the front-office applications.

"Our biggest challenge in 2009 will be to advise our many new clients well and to retain them."

What is the transfer expected to achieve?

Vincenz: We will become more flexible, we will be able to launch new products and new applications more quickly and the cost of doing so will fall. We have bought standard solutions, so we do not need to develop everything ourselves. However, our IT costs will not be dramatically lower as a result. They were always very low at Raiffeisen compared to other banks.

Your members have been wondering for several months how much the senior executives at Raiffeisen earn.

Marty: I would like to begin by pointing out that we are not a listed company, so we have neither a legal nor a regulatory obligation to disclose our salaries. So far we have decided not to do so out of consideration for our independent local Raiffeisen banks. The local bank managers are the executive bodies of these banks. If we decide to introduce full transparency for executive bodies of the bank, the local boards of directors and bank managers will have to disclose their salaries. We do not want the salaries of our staff to become the village gossip. As a result we have not disclosed any salary details at all to date.

However, in this annual report the salaries of the Board of Directors and Executive Board of Raiffeisen Switzerland – in other words, the senior management of the cooperative association – are being disclosed for the first time. Why the change of heart?

Marty: It is partly a reaction to the criticism. I understand that people have high expectations of a cooperative. Our clients have a completely different relationship with us. Clients are switching to us at the moment for this very reason. The importance of transparency is growing, as is reflected not least in the initiative of Thomas Minder.

And what does your salary system look like in detail?

Marty: The Chair of the Executive Board can earn a maximum of two million Swiss francs. Three-fifths of this amount is fixed salary and two-fifths is variable, meaning it is performance-related.

What performance criteria are the variable elements of the salary based on?

Marty: We have defined three criteria. The first is the personal objective which we agree individually with the members of the Executive Board. The second criterion is the success of the Raiffeisen Group on the market. Here we compare our performance with that of 60 other retail banks. The third and most important criterion is the long-term development of the Raiffeisen Group in terms of strategic initiatives and projects. We have an upper limit on salary, we have a higher weighting of the fixed salary component, and the variable compensation component is based primarily on long-term criteria. This means that we avoid any skewed short-term incentives.

Have you just introduced this system or are you simply disclosing it now?

Marty: We have revised it. In the old system the performance-related pay component was heavily based on the personal targets and not on the group's performance.

*Rüdi Steiner is editor-in-chief of cash.

The length of the path
determines the size of our steps.

A community develops from travelling the road together, from lending a hand when needed. It makes the way forward easier. We can achieve more together than alone. With its cooperative model, community is a way of life for Raiffeisen. All Raiffeisen banks in Switzerland stand together; each member feels a bond with their Raiffeisen bank. This sense of solidarity and cooperative roots give Raiffeisen security and stability, and have done for over one hundred years.

Market activities

The sense of security provided by the Raiffeisen brand proved beneficial for market activities in view of the difficult conditions in 2008. Raiffeisen saw the number of clients and members increase substantially, while growth in the mortgage and savings areas exceeded the market average. The investment business was hit by losses.

- *Around 150,000 new clients joined Raiffeisen*
- *The number of members surpassed the 1.5 million mark*
- *Raiffeisen gained more ground in the highly competitive Swiss mortgage market*
- *Raiffeisen consolidated its leading position in the Swiss savings market*
- *The financial crisis had an adverse impact on investments*

2008 was a tumultuous year for the financial industry. The financial crisis became more acute as the year progressed, resulting in an unparalleled loss of confidence. Thanks to its solid and clear business model, the Raiffeisen Group was able to strengthen its image as a secure bank and win the confidence of many new clients in spite of the turbulent environment. For the stock markets, 2008 was the toughest and most volatile year since the 1930s.

Client requirement: Financing

Mortgage financing

Following a continued rise in construction activity in 2007, investment in new buildings and renovations stagnated in 2008 and remained at the same level as the previous year. Interest rates went up and down in 2008. The first six months of the year were marked by rising market interest rates, prompting many clients to opt for attractive variable-rate mortgages, whereas in the second half rate cuts by the Swiss National Bank (SNB) triggered a sharp fall in interest rates. Declining market interest rates pushed up demand for fixed-rate and Libor mortgages. Low interest rate levels kept demand for home financing high.

Since its Articles of Association prohibit it from financing property anywhere other than in Switzerland, the Raiffeisen Group was one of several market players to benefit from shifts in market share in the year under review (see chart “Share of Swiss mortgage market” on page 18).

The outlook for the Swiss real estate market is hard to predict at present. Although approved construction projects

Raiffeisen by canton as at 31 December 2008[1]

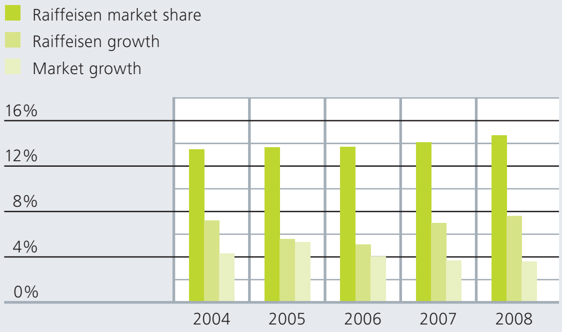
Canton	Number of banks	Number of bank branches	Number of members	Loans[2] in CHF million	Client monies[3] in CHF million	Bal. sheet total in CHF million
Aargau	31	103	169,089	12,426	11,175	13,931
Appenzell Ausserrhoden	3	11	15,367	853	952	1,045
Appenzell Innerrhoden	2	5	7,190	346	456	494
Basel-Land	10	23	42,469	2,967	2,801	3,428
Basel-Stadt	1	2	0	474	456	592
Berne	28	108	156,367	8,652	7,998	9,787
Fribourg	22	60	74,497	5,586	4,323	6,107
Geneva	6	21	33,036	2,330	3,189	3,418
Glarus	1	2	5,541	310	294	353
Grisons	13	74	51,886	3,446	3,168	3,914
Jura	10	43	24,093	1,899	1,413	2,122
Lucerne	24	53	107,997	5,995	5,207	6,783
Neuchâtel	6	24	21,096	1,162	1,048	1,297
Nidwalden	2	8	17,715	1,117	1,077	1,343
Obwalden	2	6	11,051	622	556	707
St. Gallen	44	95	173,275	14,575	12,500	16,625
Schaffhausen	1	3	6,172	366	364	423
Schwyz	27	71	111,164	7,470	7,033	8,479
Solothurn	8	14	33,569	1,996	2,015	2,355
Ticino	39	108	95,692	7,667	7,009	9,006
Thurgau	19	48	90,057	6,935	5,826	7,688
Uri	4	16	14,940	765	722	868
Vaud	21	72	85,798	5,247	4,977	6,285
Valais	31	136	112,011	7,675	8,068	9,334
Zug	8	14	35,709	2,881	2,636	3,360
Zurich	10	31	53,409	4,291	5,122	5,663
Total 2008	**373**	**1,151**	**1,549,190**	**108,057**	**100,387**	**125,407**
Total 2007	**396**	**1,155**	**1,443,841**	**100,480**	**89,083**	**113,792**
Increase/decrease	**-23**	**-4**	**105,349**	**7,577**	**11,304**	**11,615**
Increase/decrease in %	**-5.8**	**-0.3**	**7.3**	**7.5**	**12.7**	**10.2**

1) Raiffeisen banks and branches of Raiffeisen Switzerland

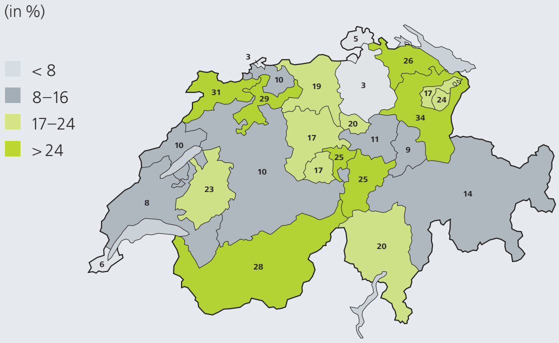
2) Receivables from clients and mortgage receivables

3) Liabilities to clients in the form of savings and investment deposits, other liabilities to clients and medium-term notes

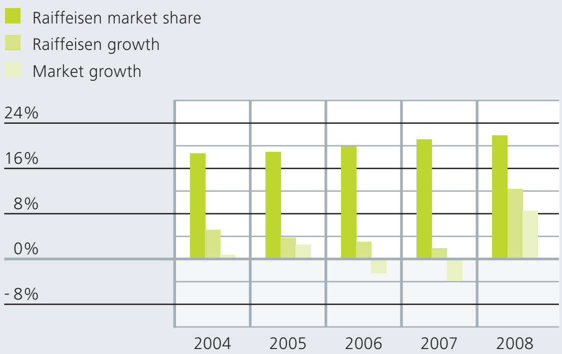
Share of savings market



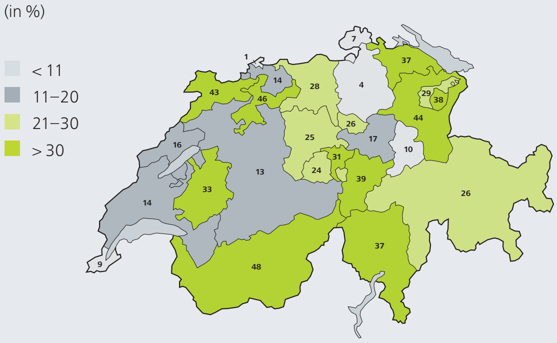
Share of mortgages per canton 2008
(in %)



Share of Swiss mortgage market



Share of savings and investments per canton 2008
(in %)



indicate that construction activity may match 2008 levels, it is not clear whether all of these projects will actually be realized in 2009. Property prices in Switzerland have not risen significantly in recent years so there is no reason to fear a real estate bubble similar to that experienced in the US. However, caution is advised in certain regions.

Corporate clients business

Over 118,000 Swiss companies already have a banking relationship with Raiffeisen. This represents a market penetration of around 38%. Raiffeisen plans to develop these corporate client relationships and acquire more new clients going forward. The Raiffeisen banks are supported by the regional centres of competence that were opened in St. Gallen, Lucerne and Lausanne in 2007 and 2008. Additional centres will be opened in Berne, Zurich and Bellinzona in 2009. At the same time, advisory expertise will be enhanced by the new corporate client advisor training program.

Despite the financial crisis, Raiffeisen is staying true to its strategy and maintaining its strong commitment to SMEs. However, the crisis has clearly demonstrated the importance of individual, risk-adjusted lending rates.

Consumer financing

On 28 February 2008, Raiffeisen sold its consumer goods business (car leasing and consumer loans) to the Aduno Group, with the sale backdated to 1 January 2008. Originally known as Swiss One Finance AG, the company changed its name on 1 November 2008 to cashgate AG. Raiffeisen places its consumer loans and car leasing business exclusively with cashgate AG and therefore is still able to provide its clients with high-quality personal loans and car leasing services.

Equipment leasing

As part of the sale of the consumer goods business to the Aduno Group, Raiffeisen integrated equipment leasing into its corporate clients segment. The integration paid off, with business volumes up 16% compared with the previous year. In 2009, Raiffeisen plans to further develop its equipment leasing activities as part of its corporate clients strategy.

Client requirement: Savings

The SNB made massive rate cuts in the second half of 2008, which will mean lower interest rates on savings at Raiffeisen in 2009. The depositor protection scheme limit of 30,000 Swiss francs left many clients concerned about their savings and prompted large-scale withdrawals of assets, mainly from the beleaguered big banks. Confidence in Raiffeisen, however, continued to grow, resulting in a 9.4 billion Swiss franc increase in savings volumes and the opening of over 175,000 new accounts and time deposit accounts. Raiffeisen now has a 20% share of the Swiss savings market.

Client requirement: Pensions

Private pensions are very important in the Swiss pension system and will become even more so in light of current demographic developments. The financial crisis has made many clients aware of issues relating to the security of their pension assets, which in turn has prompted massive shifts among the banking groups. This is evident from the changes in pension assets at Raiffeisen. In 2008, the number of clients opening a pension or vested assets account was up around 50% on the previous year. Pillar 3a assets grew by 45%, while vested assets increased by an impressive 85%. Unit-linked volumes were down 8.3% in pillar 3a and 10.8% for vested assets. We anticipate stable growth in 2009, albeit at lower levels.

Client requirement: Investments

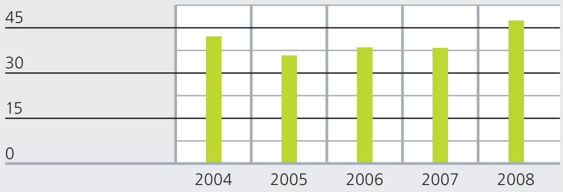
2008 will go down in history as the most difficult and painful year for investors since the 1930s. A massive loss of liquidity and confidence sent the markets into free-fall, which had inevitable consequences for the global economy.

This development was reflected in a 9% drop in invested assets managed by Raiffeisen (restricted and unrestricted custody accounts). Fund volumes also declined, down 19.4%. In mid-2008 Raiffeisen successfully launched the Multi Asset Class Futura fund as an addition to the long-standing and successful Futura sustainability funds range.

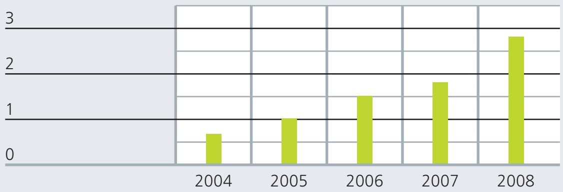
Despite performance-related price falls and the redemption of four Raiffeisen coupons, the volume of structured products rose by around 4.8%, helped along by various new product issues totalling 420 million Swiss francs. In view of the market environment, most of these products fell under the heading of capital protection.

The portfolio mandate business also posted a mixed performance in 2008. The Raiffeisen Pension Portfolio proved

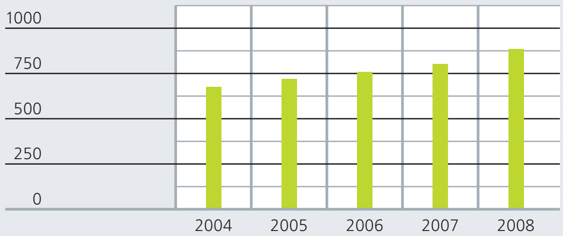
Life insurance policies
(premium volumes in CHF million)



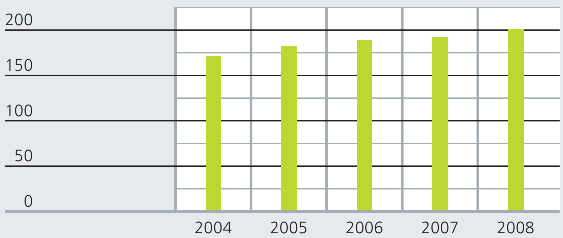
Property and pecuniary insurance
(premium volumes in CHF million)



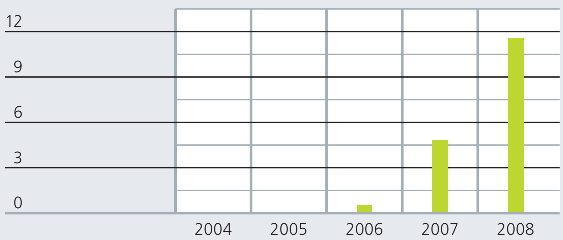
Raiffeisen Maestro cards
(in 1000)



Raiffeisen credit cards
(in 1000)



Prepaid cards*
(in 1000)



* Launched October 2006

very popular, with volumes up 68%, while the Raiffeisen Classic Portfolio also saw volumes grow by 4%. The Raiffeisen Fund Portfolio, however, recorded a 23% decline.

We anticipate that 2009 will be another challenging year for investors. New products will be launched with great caution, primarily in the capital protection segment, where exchange-traded structured funds provide an alternative to traditional structured products offering capital protection. Raiffeisen will also continue to place strong emphasis on sustainability, which will be underlined by the launch of new fund products.

Client requirement: Insurance

Bancassurance is becoming increasingly important. Consequently, Raiffeisen's insurance products are carefully aligned with its banking services, with construction/buildings insurance and risk insurance (full-life, incapacity, unemployment) enabling mortgage clients to insure the financing of their own home. The growing importance of private pensions has had a positive impact on the sale of pension insurance, while current interest rate levels will likely boost sales of traditional single premium insurance products. In 2009, Raiffeisen will focus on further integrating insurance advisory services and processes.

Client requirement: Payments

Maestro card

Demand for the Raiffeisen Maestro card remained high: in 2008, the number of cards increased from 79,000 to 87,600. Transaction trends show that the cards are increasingly being used as a means of cashless payment. A breakdown of all transactions showed that 56% were purchases, compared with 44% for cash withdrawals.

Raiffeisen will continue to promote this positive development. In the first quarter of 2009, a new authorization system will be introduced for Maestro withdrawals whereby the current account balance will be verified for each transaction, helping clients to avoid going unintentionally overdrawn.

Credit cards

In recent years, growth in the credit card business has come under a great deal of pressure due to the proliferation of low-cost card providers. This makes the growth achieved by Raiffeisen credit cards all the more impressive. In 2008, Raiffeisen issued 10,000 new cards, four times more than in the previous year. Card spending also increased, up 8.5% to 76 million Swiss francs.

Raiffeisen plans to support this positive uptrend by issuing a credit card with a contact-free payment function in 2009. This function will allow clients to pay for small purchases quickly and easily and therefore use their credit card more often for day-to-day transactions.

Prepaid cards

Raiffeisen incorporated this niche product into its card range two years ago and it continues to attract a lot of interest, with the number of cards more than doubling in 2008. The prepaid card is particularly attractive for young people and clients who only want to use a credit card from time to time.

Client requirement: Banking anytime, anywhere

E-banking

With up to 120,000 logins every day, the Raiffeisen e-banking service is the most frequently used method of communication. Service use increased by 20% in 2008: 500,000 clients managed 1.3 million accounts and custody accounts and made 36 million payments and 290,000 stock market transactions. In early 2008, Raiffeisen became the first bank in Switzerland to introduce identification by text message (SMS). With its text message login and payment authorization system, Raiffeisen e-banking is the most secure means of conducting day-to-day banking business.

Raiffeisen plans to expand its offering to include new services for corporate and investment clients. Service quality will remain a top priority in order to ensure that the system is safe, stable, fast, up-to-date and error-free.

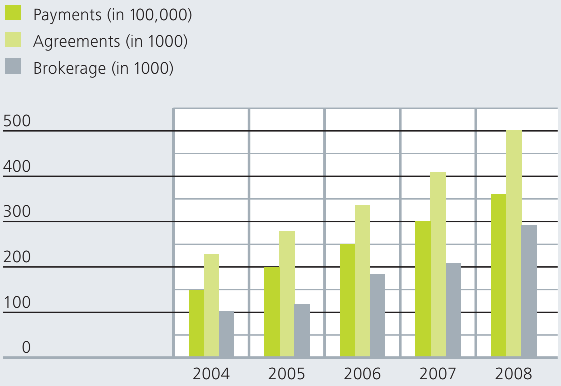
Sales network

With 1,151 locations in Switzerland, Raiffeisen has the densest branch network in the country. Although 243 smaller bank branches have been closed since the year 2000, mainly due to low volumes of client visits, 95 new branches have been opened in the same period. As a result, the Raiffeisen Group has been steadily expanding and enlarging its network in recent years, with around another 6 new branches scheduled to open in 2009.

Client requirement: Professional advisory services and membership

The massive rise in the number of clients in the year under review also constitutes a challenge for Raiffeisen in order

Developments in Raiffeisen e-banking

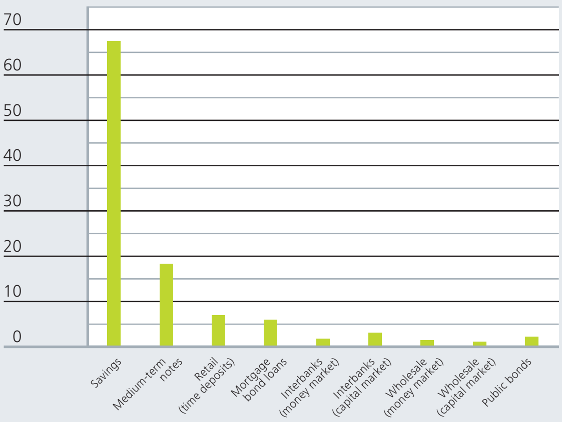


Client structure and trends

(in 1000)

Raiffeisen Group's sources of refinancing as at 31 December 2008

(in CHF billion)



to meet clients' high expectations in terms of security and stability as well as maintain these new relationships over the long term. Raiffeisen is supported here by good client advisory services, personal and professional relationship management, and an attractive range of financial services that are geared towards clients' requirements. In future, Raiffeisen will especially be concentrating on creating specific products and services aimed at young people. The Group will also be targeting elderly people, with an emphasis on retirement and pensions. This broad range of banking products and services will be underpinned by constant training and development for Raiffeisen employees.

Members

In 2008, around 105,349 individuals decided to become new members of Raiffeisen. This brought total membership to over 1.5 million – an increase of 7.3%, the biggest rise in the last five years.

The popular range of services for members, featuring preferential products, rates and member-only offers, will be continued and expanded. After the record-high take-up by around 70,000 members of the "Experience Grisons for half price" offer, the 2009 exclusive offer will focus on Swiss museums.

Market: Brand management

Raiffeisen's positive brand image has been affirmed by several independent surveys. For example, in the annual survey by the Swiss Bankers Association and the Lausanne MIS Trend Institute on Swiss attitudes to banking, Raiffeisen scored top marks for trustworthiness, stability and reliability and was also rated as having the best overall image. In its own "Brand Tracking 2008" survey, Raiffeisen Switzerland made substantial gains, achieving a new top mark for brand value. The strong rise in reputation value and significant improvements in the investment business section are worthy of particular note. The number of clients who would be willing to recommend the brand was very high at 84% – a finding that has been confirmed by other independent studies, not least the pilot survey for the new study of the Swiss banking market set up by a number of Swiss banks. In this survey, 80% of Raiffeisen clients said they would be willing to recommend the bank, putting Raiffeisen head and shoulders above its competitors on the Swiss market.

Interbrand Zintzmeyer & Lux, a company specializing in brand ratings, once again published its list of the 40 most valuable brands in Switzerland. The Raiffeisen brand succeeded in increasing its brand value by 462.1% to 786 million Swiss francs compared with the last survey in 2007, lifting it to 17th in the list (2007: 39th).

Market: Refinancing

During the financial crisis, the Raiffeisen Group posted over 10 billion Swiss francs in new client monies. Although mortgage loans grew considerably, the influx of client funds resulted in a net surplus of 2.9 billion Swiss francs. As a result, the coverage ratio for lending with client monies in the core business increased in the space of one year from just under 93% to around 95%. In light of this change, Raiffeisen Switzerland significantly reduced medium and long-term borrowing on the capital markets, partly in view of the fact that Raiffeisen would also have had to pay higher refinancing costs on the capital markets in the wake of the exaggerated credit risk premiums throughout the industry. Refinancing was used only to ensure a balanced mix of maturities. Financing for the Raiffeisen Group's balance sheet business is built on firm foundations: the coverage ratio for non-liquid (long-term) assets with stable long-term refinancing increased in the year under review from 105% to 108%. This figure should always be above the 100% mark.

Market: Trading

Most of the stock market losses were recorded in the last four months of 2008, when the disruption on the money and credit markets had dramatic knock-on effects in nearly all assets classes and spilled over into the real economy. Following the US Federal Reserve's decision to back the acquisition of Bear Stearns in March and provide a cash injection, the markets appeared to consolidate. However, the subsequent collapse of Lehman Brothers triggered a second, more acute crisis, to which the Fed responded by extending the scope of its securities purchasing and guarantee schemes. As banks sought to reduce risk, credit availability rapidly became more of an issue in the third quarter. With downwards pressure on the financial markets, even the previously successful hedge fund sector was faced with liquidations and leverage problems. This created a vicious circle whereby each successive wave of sales prompted new liquidations of positions. With pressure to sell remaining high and volatility increasing, securities lost liquidity, further adding to the domino effect.

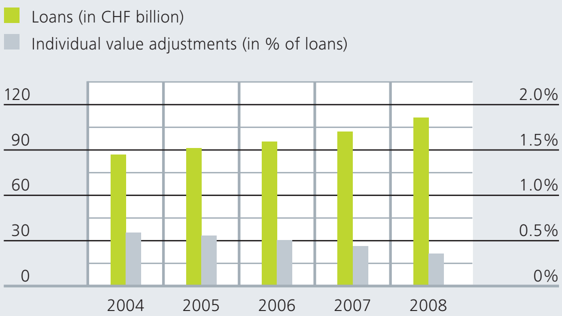
In the real economy, the crisis on the financial markets resulted in a substantial decline in manufacturing in the world's largest economies in the fourth quarter of 2008. This reduced economic activity in turn dented investor confidence and triggered sharp stock market falls in November 2008.

On the currency markets, exchange rates fluctuated wildly. In view of the rate cuts by the US Federal Reserve and the trade deficit, it is hard to explain why the US dollar was so strong between mid-2008 and late November. The US dollar appears to have benefited from cuts in borrowing and closed the year around five percentage points lower against the Swiss franc compared to the start of the year. The Japanese yen also benefited from the flight to quality.

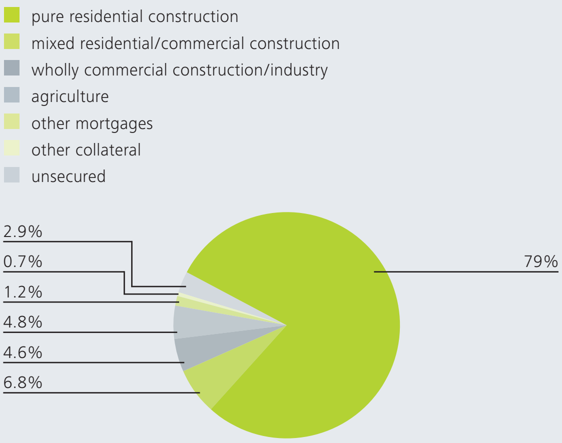
Despite these conditions, the Raiffeisen Group achieved a very pleasing trading result, spurred on by its healthy attitude towards risk and prudent system of risk management.

Market: Credit risk management
Loans and credit risks performed very well in 2008 in the fiercely competitive mortgage market. Although lending grew by 7%, individual value adjustments as a percentage of lending volume declined from 0.43% to 0.35% as a result of the high quality of the credit portfolio.

Volumes and individual value adjustments



Loans by collateral and property type



The Raiffeisen Group's credit portfolio has long enjoyed broad diversification in terms of borrowers, regions and sectors. The proportion of own-use, low-risk home construction loans increased to 79% in 2008. The ratio of lending to corporate vs. private clients remained stable at 22.3% vs. 77.7%. Unsecured loans made up 2.9% of the total lending portfolio, in accordance with Raiffeisen's prudent credit policy.

Each person sets goals to be achieved, on their own path and in their own way. A trustworthy partner can provide advice and practical assistance and point the traveller in the right direction. The focus here is on the individual and their requirements. The advisors at Raiffeisen take their clients, members and their individual goals seriously. They support them with clear and fair financial advice and roll out the red carpet, no matter where the path leads.

He who finds his dream
will find the path easy.

Risk policy and risk control Risk capacity – the ability to take on risks and manage them to the best possible effect – is critical for success. The overriding objective of risk management is to ensure that the Raiffeisen Group has the required risk capacity.

- *Active risk management has helped prevent losses in the financial market crisis.*
- *Raiffeisen aims to strike an appropriate balance between risk and return.*
- *As stipulated in the Articles of Association, foreign exposures are limited to a risk-weighted five per cent of consolidated net assets.*
- *Raiffeisen does not assume credit risks for anonymous vehicles via the capital market.*
- *The lessons learned from the financial market crisis inform the adjustment process on an ongoing basis.*

The Raiffeisen Group has survived the financial market crisis unscathed thanks to its clearly focused business policy, steady and cautious risk culture and active and targeted risk management. Solid capitalization, a focus on long-term performance objectives, considered risk-taking and effective risk control have proved their worth in the recent crisis and engendered trust. As a result, the Raiffeisen Group has enjoyed a high level of liquidity throughout.

The Raiffeisen Group takes a cautious and selective approach to risk within a framework of clearly defined guidelines. In so doing it takes care to strike the correct balance between risk and return, actively controlling the risks it enters into in line with the following principles:

- Clear business and risk policy: Risk-taking and risk management are directly connected to the core business in Switzerland. The Articles of Association stipulate limits for foreign exposures. Trading risks are entered into only to a very limited extent.

- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined, and a proven limits system effectively ensures adherence to this.

- Decentralized individual responsibility in line with clearly defined guidelines: The Raiffeisen banks and line units of Raiffeisen Switzerland are responsible for managing risk. The requirements with regard to business activities, limits and processes provide guidelines for this decentralized risk management. The central controlling units monitor adherence to the guidelines.

- Risk control based on transparency: There is independent regular reporting on the risk situation and the risk profile both at individual banks and at Raiffeisen Group level.

- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently of the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.

- Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation and monitoring. This risk management process covers all risk categories.

- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.

- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. For this reason, it takes a generally cautious approach to risk and sets great store by effective control. It also seeks to comply with the highest ethical principles in all its business dealings.

Organization and responsibilities

The Board of Directors assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines and monitors risk policy, sets the level of risk tolerance and approves the overall limits.

The Executive Board implements risk policy and ensures compliance with the guidelines set. It monitors overall risk, adherence to limits and the appropriateness of the organization and infrastructure of risk management. It employs a risk committee for this purpose, which is comprised of members of the extended Executive Board and whose job it is to assess the Raiffeisen Group's risks on a monthly basis and draft any measures where necessary. It also approves the tools and processes required in risk management.

Group Risk Controlling drafts principles for the risk committee and the Board of Directors and runs the monitoring and reporting systems on an independent basis. It is also responsible for the risk management methods applied across the Group.

The Raiffeisen banks and the responsible line units manage risks on an individual basis within the framework of the risk policy guidelines and authority levels. This system of decentralized individual responsibility is balanced by Group-wide monitoring of overall risk. This allows for the fact that the Raiffeisen Group's risks are tied closely together.

Risk categories and risk control

The Raiffeisen Group's risk management and control processes distinguish between the risk categories shown on page 30.

1) Risks of the banking system in general
2) Risks arising from the business strategy
3) Risks relating to good reputation
4) Risks relating to business activities

Banking system risks arise in particular due to the failure of major market participants or the breakdown of fundamental elements underpinning the infrastructure of the financial centre. Legislators and supervisory authorities are responsible for controlling these risks. For liquidity needs and business-critical processes, the Raiffeisen Group takes precautions to manage scenarios of this kind as part of its crisis preparation system.

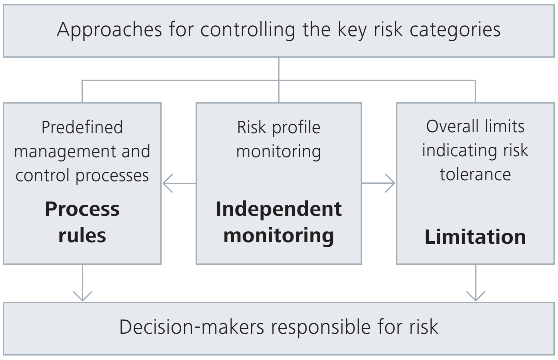
Strategic risks arise from overall banking strategy and from changes in the market environment. Responsibility for these risks at Raiffeisen Group level falls to the Board of Directors and the Executive Board of Raiffeisen Switzerland. At the individual Raiffeisen banks, the Board of Directors and bank management are responsible for strategic management.

Reputational risks result from activities and events that damage the reputation of the Raiffeisen Group. They are consequential risks of the risks associated with business activities.

The following risks are of pivotal importance in connection with the business activities of the Raiffeisen Group: credit risks (especially resulting from client loans), market risks (in the case of the Raiffeisen banks mostly in the form of interest rate risks), liquidity risks and operational risks.

Control of the key risk categories within the Raiffeisen Group

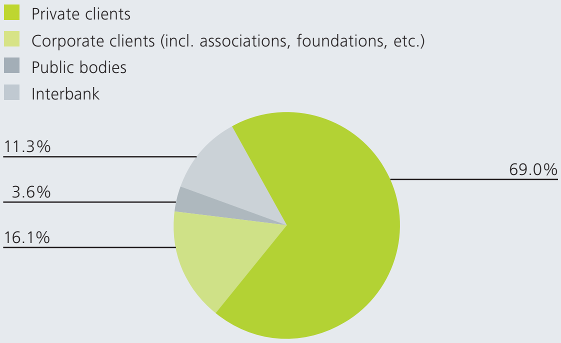
The Raiffeisen Group controls the key risk categories using special processes and overall limits. As part of the risk budgeting process the Board of Directors sets the level of risk tolerance and then uses this to define the overall limits. Risks that are difficult to quantify are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.



Credit risks

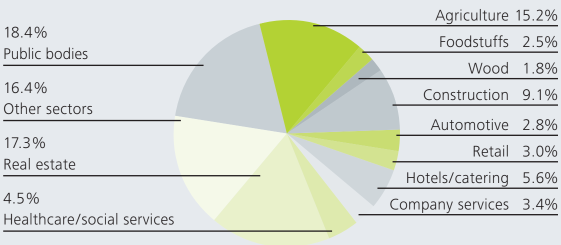
Credit risks are the most important risk category owing to the Raiffeisen Group's extremely strong position in lending. The Raiffeisen Group generates a large part of its income through the controlled taking on of credit risks and the comprehensive and systematic management of these risks. Credit risk management at the Raiffeisen Group is geared explicitly to Raiffeisen-specific clients and business structures. Decentralized individual responsibility plays a key role in lending decisions and credit management. It is retained as a basic principle even in cases where loans require the approval of Raiffeisen Switzerland because of their size or complexity.

Raiffeisen Group lending by client segment

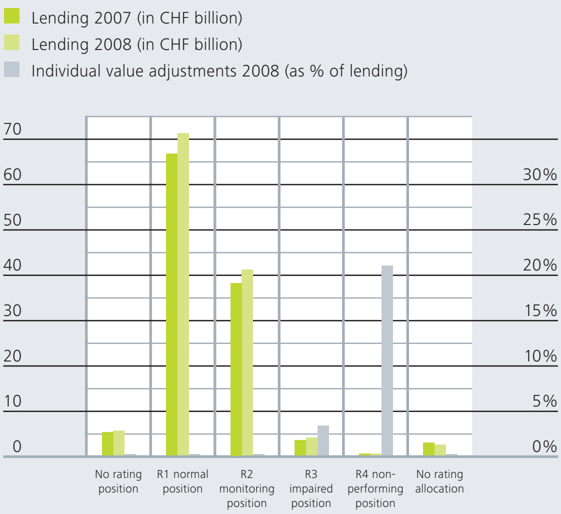


This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

Raiffeisen Group lending by sector (excluding private clients and interbank)



Lending and individual value adjustments



Credit transactions are predominantly carried out by the Raiffeisen banks and the branches of Raiffeisen Switzerland. Raiffeisen Leasing also enters into credit risks. Credit risks are only entered into once a thorough check of the counterparty has been carried out. Client knowledge plays an important role in this. However, it is not the strategy of the Raiffeisen Group to assume credit risks of anonymous third parties via the capital markets.

Borrowers are predominantly individuals, but also public bodies and corporate clients. The majority of corporate clients are small companies that operate within the locality of the Raiffeisen banks.

Prudent credit policy

Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks and with corporate and public sector clients. As stipulated in the Articles of Association, foreign exposures are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. However, Raiffeisen Switzerland may grant exceptional permission if compliance with foreign legislation (especially foreign regulatory provisions) can be ensured.

Lending within the Raiffeisen Group is governed by a prudent credit policy. The borrower's ability to keep up payments on the loan plays a crucial role. Furthermore, most loans are granted on a secured basis.

Credit management is a seamless process from the granting of the loan to its ongoing monitoring. The concept is rounded off with an appropriate and proven method for establishing provisions for default risks.

A conservative value-at-risk method is used to assess and monitor credit risks. Particular attention is paid to potential concentration risks. The underlying model is in line with recognized practice and is supplemented by scenario analyses. Models and parameters are examined on a regular basis, adjusted in line with developments and calibrated by means of backtesting.

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.

Credit policy in the corporate clients business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings. Entry into high-risk fields is not part of corporate client strategy.

Particular emphasis has been placed on making sure the development of the corporate clients business into a strategic business area is built on stable foundations. The expansion of this business is linked to ensuring that appropriate organizational structures and infrastructure are in place and that staff have the necessary knowledge and suitable experience in this field. Considerable investment in organizational requirements, staff and systems underline this systematic approach.

Risk tolerance in corporate lending is clearly defined on a Group-wide basis and is subject to appropriate limits.

Half-yearly analysis and assessment

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

A receivable is considered to be impaired if it is unlikely that the debtor will fulfil their future obligations. A special process is used to check whether individual value adjustments are required for impaired receivables and receivables whose book value exceeds the debtor's debt capacity. Group-wide guidelines ensure that impaired receivables are valued consistently, uniformly and appropriately. A receivable is considered to be non-performing if the debtor fails to pay interest, capital, commission or fees within 90 days.

Market risks

Risks in the bank book

The bank book is exposed to interest rate risks and foreign currency risks. Interest rate risks are a major risk category due to the Raiffeisen Group's strong positioning in interest operations. The Raiffeisen Group generates a substantial portion of its income through the controlled taking on of interest rate risks and therefore attaches great importance to the management of these risks.

Raiffeisen Group: Interest rate risks in the bank book
(in CHF million)

	31.12.2008	31.12.2007
Sensitivity	415	332
Value-at-risk (99.9%)	407	378

Raiffeisen Switzerland: Limits in the trading book
(Sensitivity in CHF)

	2008	2007
Risk type		
Equities	330,000	330,000
Interest products	150,000	125,000
Foreign currencies	1,200,000	840,000
Precious metals	150,000	150,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

Raiffeisen Switzerland: Holdings in the trading book
(Sensitivity in CHF)

	Ø 2008	31.12.08	Ø 2007	31.12.07
Risk type				
Equities	141,838	–	179,019	77,348
Interest products	79,328	93,906	54,459	74,402
Foreign currencies	387,420	45,351	354,639	589,126
Precious metals	27,653	3,695	33,170	50,649

Within the Raiffeisen Group, each Raiffeisen bank is individually responsible for managing the interest rate risks on its balance sheet in line with clearly defined guidelines and sensitivity limits. The branches of Raiffeisen Switzerland and Raiffeisen Leasing are individually responsible, like the Raiffeisen banks, for managing the interest rate risks on their balance sheets. Risks are limited using global limits.

The Treasury of the Central Bank department of Raiffeisen Switzerland is the Group-wide binding counterparty for refinancing and hedging transactions and manages the interest rate risks of the Central Bank. The Central Bank department provides advice on asset and liability management within the Raiffeisen Group.

Group Risk Controlling monitors compliance with interest rate risk limits and draws up a risk report. For the purposes of monitoring the overall risk situation, it also calculates the value-at-risk for interest rates at various Group levels.

Sensitivity is a measure of the loss of value the Raiffeisen Group would incur if the interest rate level were increased by one percentage point across all terms. The value-at-risk (99.9%) specifies the maximum potential loss as a result of unfavourable market movements with a probability of 99.9% and a holding period of three months. Statistically speaking, there is a 0.1% probability that the actual loss will exceed the value-at-risk.

With respect to foreign currency risks, assets in a foreign currency are in principle refinanced in the same currency (a matched book approach). This means that foreign currency risks are largely avoided. However, foreign currency positions and the associated risks may arise in the bank book as a result of interest cash flows in foreign currencies which affect the balance sheet amount in the relevant currency.

The Treasury is responsible for managing foreign currency risks in the bank book. Group Risk Controlling monitors adherence to the applicable sensitivity limit on a daily basis.

Risks in the trading book

Of the entities within the Raiffeisen Group, only the Central Bank runs a trading book. The trading risks are limited by sensitivity and loss limits. Sensitivity is a measure of the loss of value in the event of a 1% change in the underlying risk factor.

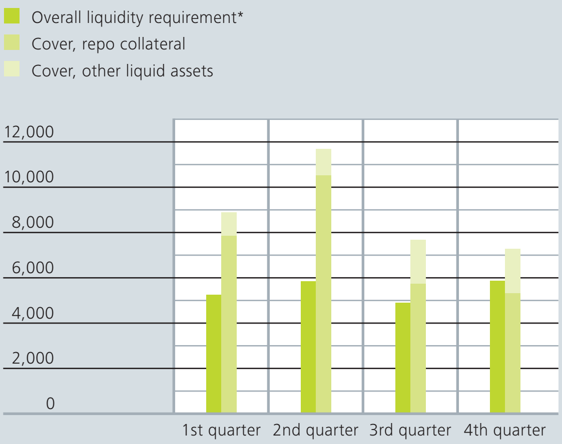
All traded products are depicted and assessed in a standardized trading and risk management system. This ensures risk management and control in the trading area and delivers the ratios for monitoring all positions and market risks.

Group Risk Controlling monitors trading risks on a daily basis, using market data and risk parameters that are independent of the trading area. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

Liquidity and financing risks

According to a ruling issued by FINMA (formerly the Swiss Federal Banking Commission) on 24 September 1997, the Raiffeisen banks are exempted from complying on an

Overall liquidity of the Raiffeisen Group 2008
(in CHF million)



Source: Accounting liquidity statement
* as set out in the Banking Ordinance

individual basis with the rules regarding capital adequacy, risk diversification and liquidity; the relevant legal provisions must instead be observed on a consolidated basis. The Treasury department of Raiffeisen Switzerland takes care of liquidity and refinancing management at Group level, facilitating the Group's access to the money and capital markets and ensuring appropriate diversification of liabilities. The refinancing strategy takes account of legal and regulatory requirements. It ensures that the necessary liquidity is available and provides an appropriate and diversified maturity structure. Treasury plans medium to long-term financing activities by creating a financing profile that factors in the actual duration of assets and the sum of liabilities that are coming due and are to be replaced.

Treasury, in collaboration with Group Risk Controlling, monitors liquidity trends at the operational, tactical and strategic level on an ongoing basis, and performs regular stress tests. This has proven the Raiffeisen Group's liquidity to be robust. The diagram "Overall liquidity of the Raiffeisen Group" opposite shows how the overall liquidity situation developed during the 2008 financial year.

Operational risks

Operational and business risks arise in two ways: directly from the banking transactions carried out by the Raiffeisen Group and by virtue of its function as an employer and owner/occupier of buildings.

Business risks can never be entirely eliminated, which is why their management focuses on establishing the type, quantity and causes of these risks, instigating effective measures to minimize risk and ensuring that they are implemented correctly. Internal control systems and processes play a key role here.

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

IT risks

As the basis for stable operation, 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 dangers and risks.

The IT Risk Controlling unit within Group Risk Controlling is organizationally independent of IT management. It conducts regular assessments with IT management that cover all aspects of IT. The knowledge gained in this way forms an important basis for targeted measures to be adopted by line management. The risk committee of Raiffeisen Switzerland monitors the development of IT risks and implementation by IT management of the portfolio of measures aimed at minimizing risk. In addition to these specific measures, the IT security guidelines, standards and procedures are updated on an ongoing basis.

Business continuity management

Contingency plans for maintaining business operations in the event of failure of critical resources (staff, IT, buildings, suppliers, etc.) complement the risk hedging measures described above. Tests and exercises are carried out according to a timetable drawn up annually and ensure that contingency planning is reviewed and improved on an ongoing basis. The construction of a new computer centre in Gossau in the canton of St. Gallen is part of this strategy.

Early warning system of the Raiffeisen banks

Raiffeisen Switzerland operates an early warning system designed to identify unfavourable developments at the Raiffeisen banks at an early stage and avert potential damage. The early warning system works with indicators for the banks' operational and business risks. Early warning events are analysed and reported to the Executive Board of Raiffeisen Switzerland. If necessary, Raiffeisen Switzerland will act to resolve the situation.

Legal risks

Raiffeisen Switzerland's Legal & Compliance department supports all units of the Raiffeisen Group in legal matters and actively manages legal risks, coordinating cooperation with external lawyers where necessary.

Legal & Compliance monitors the development of legal risks across the Group and reports any major risks to the Raiffeisen Switzerland Executive Board on a quarterly basis.

Compliance risks

Compliance means adherence to all applicable legal, regulatory and professional provisions and internal requirements, with a view to identifying reputational and legal risks at an early stage, preventing such risks if possible, and ensuring correct business conduct. The Raiffeisen Group has opted for a broad-based approach that covers all areas of compliance, with special focus on the following issues:

- Combating money laundering and the financing of terrorism. The Raiffeisen Group has therefore traditionally attached great importance to "know your customer" principles. Accordingly, it has defined and implemented internal standards. Regulations to combat money laundering reinforce and add an extra dimension to these principles.

- Adherence to financial market regulation and the resulting rules of conduct and advisory duties.

- Protection of data and bank client confidentiality.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and implementing changes as promptly as possible. The Compliance department also invests substantial amounts in training and raising the awareness of staff and management with a view to avoiding compliance risks.

In the year under review, Raiffeisen underlined its commitment to combating money laundering by setting up a dedicated money laundering unit within Legal & Compliance to provide focused support to the banks in their day-to-day application of regulatory requirements in this area.

Project controlling

As a result of the large number of complex projects within the Raiffeisen Group, the project management process is constantly being optimized and updated, and projects are monitored by independent project controllers according to systematic and standardized procedures.

Key events and outlook

The Raiffeisen Group responded to the crisis on the financial markets by staying true to its business model – in other words by steering clear of complex, international transactions in favour of concentrating on the immediate needs of its clients and providing transparent products in its own country. The Group's legal structure also enabled it to adhere to its stable and carefully considered risk policy at all times and focus on sustainable return targets. The Raiffeisen Group's risk strategy has proved its worth. In addition to these fundamental factors, active risk management since the onset of the crisis has also helped to prevent losses.

The Raiffeisen Group kept a very close eye on market developments throughout the year, analysing them carefully. It carried out regular analyses of the current situation with regard to market, liquidity and counterparty risks in Raiffeisen Switzerland's trading and bank books and used these analyses to prepare reports for its decision-making bodies.

The situation of other banks with which Raiffeisen Switzerland has business relationships was subjected to particularly intense scrutiny, especially in the context of trading and interbank business. The Raiffeisen Group cancelled or cut a number of limits in order to reduce the risk of losses. Certain market risks in the trading book were also reduced.

Raiffeisen has begun to identify the lessons of the financial market crisis with regard to risk management and implement improvements:

- The main focus is on enhancing model-based risk assessment through the addition of intuitive approaches that draw on the experience of banking practitioners. Another important element is the ability to quickly connect up new risk information and act on an ad hoc basis, in some instances before this information is visible in the bank's risk systems. Well-developed risk systems are an indispensable part of effective risk control. However, they are dangerous if the assessment of risk is limited to what the model says and reaction times are slowed.

- With the expansion of the corporate clients business, a new system for conducting financial analyses and rating corporate clients is being introduced across the board. This finely graduated rating system distinguishes between 13 rating classes, thereby providing more precise credit ratings than the current four-class model.

- To provide uniform assessments of the risks attaching to all trading instruments, an automated value-at-risk measurement system is being introduced in 2009 to complement conventional risk assessment procedures.

Only he who knows his goal finds the way.

Careful consideration is the key to taking the right steps. A knowledge of your own strengths and an awareness of risk will put you on a secure path to your goals. The Raiffeisen Group places great value on security and travels its path using caution and reason. The Raiffeisen core values, a prudent lending policy, strict risk management and the cooperative model provide a solid framework for the Group. This security means that all clients, members and partners can rely on Raiffeisen.

Sustainability report Raiffeisen combines sustainability and added value with the cooperative model of codetermination. This recipe has enabled Raiffeisen to win the trust of its cooperative members, clients and the population at large. The cooperative business model has always been based on the principle of sustainability.

- *Raiffeisen's cooperative structure and business model provide the foundations for its sustainable corporate philosophy.*
- *Economic sustainability is evident in the bank's products, services and processes as well as in its many years of success.*
- *Ecological sustainability continues to take top priority across all Raiffeisen banks in the form of the careful and sparing use of natural resources.*
- *Social sustainability manifests itself in the bank's efforts to address diversity issues.*
- *Good governance at Raiffeisen means a commitment to provide sound, reputable and client-oriented banking services and products.*

The Raiffeisen business model – a cooperative structure based on the principle of helping others to help themselves and promoting solidarity – has proven its worth in the current financial crisis. Moreover, it has been successful over a period of many years. The cooperative's activities are centred around safeguarding the wellbeing of its members (social responsibility) rather than maximizing profits.

In the competitive environment, the cooperative structure provides an attractive alternative. Operating on the principle of "one man, one vote", it is a fundamentally different type of business model. The Raiffeisen Group has always advocated helping others to help themselves and flown the flag of personal responsibility, but has nonetheless survived and thrived in the competitive environment. Raiffeisen is convinced that it offers a sustainable alternative to rival models – an alternative that people can understand and gives them a voice in how it is managed.

Politics and society

Established in 2008, the Politics and Society specialist unit is charged with improving the profile of the Raiffeisen Group in relevant political and social forums. Its activities focus mainly on three issues: politics, sustainability and corporate clients. The specialist unit has devised an integrated approach to sustainability (economic, environmental and social). A key element of this is taking over responsibility for the head office of the Swiss Climate Foundation (Klimaschutz Schweiz) and having a seat on the foundation's advisory board.

Memberships

The Raiffeisen idea has spread across the globe. The Swiss Raiffeisen Group is an integral part of this worldwide network and is represented on the Presidium of the International Raiffeisen Union (IRU), a global association of over 70 national cooperative organizations from more than 40 different countries. The Raiffeisen Group is also a member of the Unico Banking Group, a group of eight leading European cooperative banks which successfully launched an initiative to restore confidence in the European interbank funding market in 2008. Raiffeisen is also an active member of the European Association of Cooperative Banks (EACB) and the International Federation for Agricultural Credit (CICA). In 2003, the Raiffeisen Group became a founding member of responsAbility Social Investments AG, an international organization that provides microcredits. On the domestic front, Raiffeisen is a member of the Swiss Bankers Association, the depositor protection scheme (SBA office), the Swiss Climate Foundation (head office) and the ÖBU sustainable development network (Swiss Association for Environmentally Aware Business Management).

Economic sustainability

In view of the events linked to the financial crisis, growing numbers of clients are seeking a sustainable business model with appropriate products and services. Since at the Raiffesien Group sustainability is more than just a buzz word, further progress has been made towards improving sustainability throughout the entire length of the value chain.

Process management

In 2008, Raiffeisen took additional measures to develop a comprehensive system of process management. Building on its existing experience, Raiffeisen refined its process methods and optimized tools and resources. One major step forward was the integration of all processes used in the internal control system to identify and document key risks and controls; these are now an integrated part of process management.

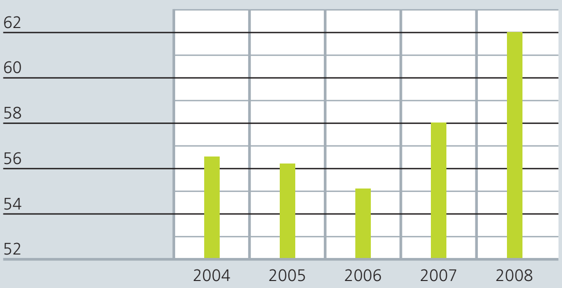
A Group-wide process reference model has been established which sets out all regulatory requirements and provisions. This makes it easy for the Raiffeisen banks to align their own processes and systems with the reference model. Raiffeisen has implemented a uniform structure for process management within the Group, with a particular focus on ongoing optimization.

Cost/income ratio

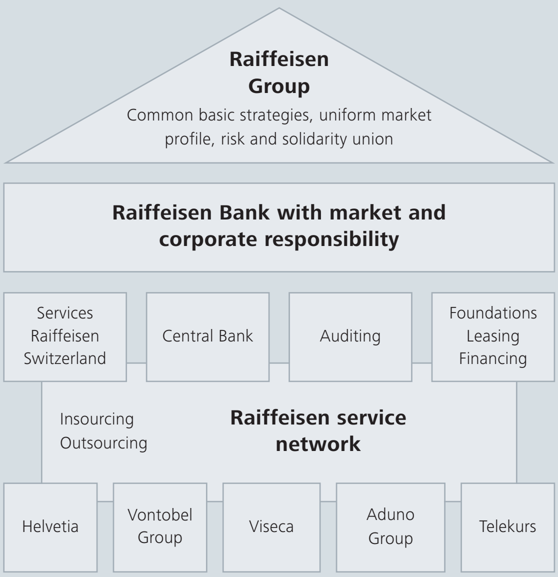
The cost/income ratio, i.e. how much it costs to run the business as a proportion of operating income, was 62% as at 31 December 2008. The Raiffeisen Group wants to reduce this figure to below 55% in the medium term. Given the current high level of investment in infrastructure and the IT migration, coupled with the uncertain market situation, it does not believe the target is achievable in the near future. Raiffeisen is therefore undertaking the preparatory work required to maintain the bank's performance and with it the high level of client satisfaction – two key factors for sustainable, long-term success going forward.

Cost/income ratio trend

(in %)



Business model



Statement of net added value

The Raiffeisen Group managed to maintain its gross added value at the prior-year level in 2008. This pleasing result is primarily attributable to the rise in net interest income, which was achieved despite a fall in the interest margin. Downward revaluations of strategic participations and increasing investment in the IT system upgrade led to a sharp rise in write-downs. As a result, net added value was down 76 million Swiss francs or 4.4% compared with 2007.

The percentage distribution between the various stakeholders changed in line with expectations due both to the high increase in volumes – with the associated increase in headcount – and to the slight drop in available funds. Payments to employees in the form of salaries, social security contributions and fringe benefits rose by 9.3%, while an additional 6.7% was required for interest on cooperative shares. The state received 22.8% less in direct taxes. This reduction – like the reversal of deferred tax provisions worth 6 million Swiss francs – is due to the lower tax rates for legal entities and the fall in profits.

Raiffeisen's cooperative structure and Articles of Association place clear restrictions on how profits can be appropriated. This is highlighted by the fact that 32.7% or 537 million Swiss francs of the total value created is to be retained within the company itself. Employees get the largest share, at 58.6% or 963 million Swiss francs, 7.1% or 117 million Swiss francs is destined for the state, while 1.6% or 27 million Swiss francs will be paid out to members. It must be borne in mind, however, that members also receive other benefits in the form of free banking and credit cards, higher rates of interest on savings and additional direct member benefits (special member offers, free museum pass). This amounts to a total sum of 233 million Swiss francs, which is not listed as a credit to members in the statement of net added value. Money spent on donations and sponsorship (a total of 18.2 million Swiss francs) is also not taken into account for the distribution of net added value.

Sustainable financial products

As an investment bank, Raiffeisen offers its clients a comprehensive and innovative range of sustainable financial products:

Sustainability funds

The Raiffeisen Futura funds only invest in securities from companies that treat human and natural resources with due care and respect and use the latest technologies and techniques to ensure that their business model is sustainable. The independent rating agency INrate gives each company a rating on the basis of environmental and ethical factors.

The sustainable Futura funds have not emerged unscathed from the upheaval on the financial markets. Total fund volumes in the Futura funds fell from 895 million to 855 million Swiss francs (down 4.5%). The funds still proved very popular, however, as demonstrated by the 135.9 million Swiss francs of net new money. In June 2008, Raiffeisen expanded its Futura fund range – initially comprising two equity funds, two bond funds and one retirement fund – with the launch of the Raiffeisen Multi Assets Class Futura fund, which combines the benefits of sustainable investments and the multi asset class strategy.

The Raiffeisen Future Swiss Stock fund won the Lipper Fund Award for best Swiss equity fund over three and five years for the second year running.

As a co-signatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen keeps investors informed about the investment criteria and processes governing Futura funds.

Additional information is available at www.eurosif.org

Structured products

Structured products allow clients to base their investments on future-oriented criteria. The Raiffeisen product range includes various different interest-bearing securities relating to climate protection, water, renewable energies and sustainable mobility.

responsAbility microfinance fund

Social benefits and financial performance are not mutually exclusive, as demonstrated by the increasing number of investors who have opted for microfinance as an attractive investment theme in recent years. Microfinance funds offer two types of return: social and financial. The granting of microcredits allows people in developing countries to earn a living by running their own business, while at the same time giving investors in the fund a return on their capital. In 2008, the responsAbility Global Microfinance fund achieved the following returns: USD 6.44%; CHF 5.11%; EUR 6.88%.

Additional information is available at www.responsAbility.com

Statement of net added value

	Current year in CHF million	Prior year in CHF million	Current year in %	Prior year in %
Creation of added value				
Corporate performance (= operating income)	**2,327**	**2,297**	**100.0**	**100.0**
Non-personnel expenditure	-481	-452	-20.7	-19.7
Extraordinary income	40	18	1.7	0.8
Gross added value	**1,886**	**1,863**	**81.0**	**81.1**
Depreciation	-231	-140	-9.9	-6.1
Value adjustments/provisions/losses	-11	-3	-0.5	-0.1
Net added value	**1,644**	**1,720**	**70.6**	**74.9**
Distribution of added value				
Personnel (salaries and employee benefits)	963	880	58.6	51.2
Cooperative members (paym. of interest on certif.: proposal to AGM)	27	26	1.6	1.5
Government	117	138	7.1	8.0
of which income tax paid	123	160	7.5	9.3
of which formation/release of provisions for deferred taxes	-6	-22	-0.4	-1.3
Bolstering of reserves (self-financing)	537	676	32.7	39.3
Total	**1,644**	**1,720**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF*	254	267		
Net added value per personnel unit in 1000 CHF*	221	246		
Number of personnel units (average)	7,437	6,986		

* Calculated on the average number of personnel

Minergie mortgage
In 2008, the number of Raiffeisen clients who took out a low-interest Minergie mortgage increased by nearly 50%, taking the total volume of Raiffeisen Minergie mortgages to around 171 million Swiss francs. The product's popularity is undoubtedly the result of greater environmental awareness and cost-consciousness on the part of homeowners. A Minergie home offers reduced heating consumption, a better quality of life and a higher resale value. In 2002, Raiffeisen became the first Swiss banking group to promote new-build homes and building renovations that meet the Minergie standard by offering a 0.5% reduction on mortgage interest rates.

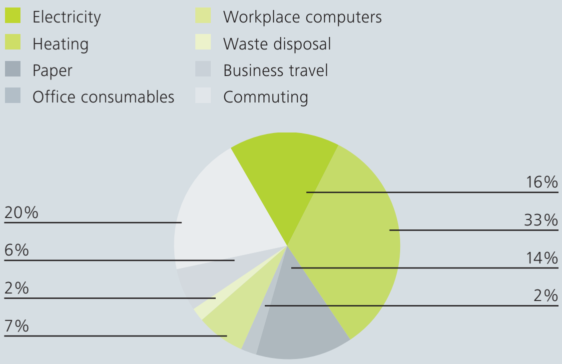
Environmental sustainability
Environmental sustainability is increasingly a priority at Raiffeisen. Existing measures (reducing electricity and water consumption, cutting CO_2 emissions, etc.) are continually being reviewed and improved at all Raiffeisen banks. In future, Raiffeisen will also be supporting external projects intended to improve energy efficiency or reduce CO_2 emissions.

CO_2 emissions
Raiffeisen uses a wide range of resources in order to provide its banking services. Storing bank data uses substantial amounts of electricity, IT equipment and building infrastructure, while maintaining client records entails the use of large quantities of paper. To assess the environmental impact of its business, Raiffeisen commissioned the St. Gallen-based sinum AG to carry out an analysis of its environmental impact and CO_2 emissions for the 2007 financial year. The analysis focused on the energy and materials required for its banking operations; the environmental impact of banking products was not included in the survey.

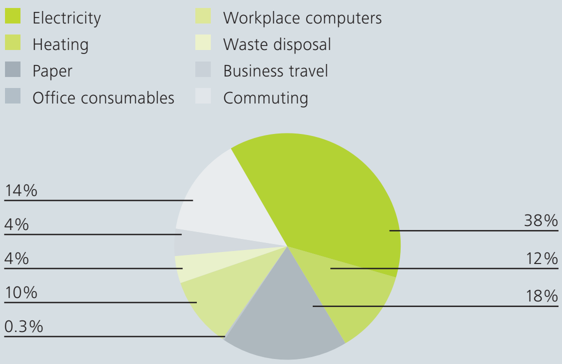
After producing an initial environmental assessment for the St. Gallen branch in 2006, sinum AG extended the analysis to the whole Raiffeisen Group in 2007. Given the large number of independent Raiffeisen banks (367), it would have been an impossible task to survey each and every branch. To simulate the real situation, the company used a pilot group of nine Raiffeisen banks of varying sizes. The survey therefore covered one-quarter of all Raiffeisen Group employees and all possible bank types ranging from small to very large.

The main issues identified in the Raiffeisen Group were energy consumption (electricity and heating), the procurement of paper and workplace computers, and business travel. If employee travel (commuting) is taken into account, it becomes clear that this is another area requiring action to reduce Raiffeisen's impact on the environment and global warming. Overall, the Raiffeisen Group generates around 30,000 tonnes of CO_2 equivalent per annum. (CO_2 equivalent is an index of the greenhouse gas potential of substances in the earth's atmosphere, such as methane [CH_4], nitrous oxide [N_2O], HFCs, CFCs or sulphur hexafluoride [SF_6]. The greenhouse effect caused by carbon dioxide is used as the reference.) If other environmental consequences are included (other air, ground and water pollution, waste, and use of resources such as land consumption), the significance of electricity consumption, in

Sources of carbon dioxide emissions



Sources of environmental impact at Raiffeisen



Environmental pollution is calculated on the basis of compliance with environmental policy quality targets for air, water, land and resources in Switzerland. Swiss Association for Environmentally Aware Business Management (ÖBU) SR 28/2008, Environmental balance sheets: method for determining environmental shortfalls – Environmental factors 2006: method for estimating impact in environmental balance sheets, Zurich 2008

particular, is even more pronounced. This is largely due to the high proportion of nuclear energy (which produces radioactive waste) in the Swiss electricity supply.

In order to demonstrate that Raiffeisen is continually reducing its environmental impact, the evaluation will be repeated annually, using the 2007 figures as a reference point. As before, the focus will not be placed solely on reducing CO_2 emissions, thereby ensuring that the Raiffeisen Group's activities are assessed in terms of their overall environmental impact.

Sustainable construction

Raiffeisen Switzerland's construction consulting team advises the Raiffeisen banks on sustainable construction projects. In addition to adopting sound architectural solutions, Raiffeisen also places particular emphasis on the use of high-quality natural materials, on premises with reduced levels of pollution, and on ergonomics in the workplace. One key factor is flexible floor plans. It is essential to ensure that buildings can be altered to reflect changes in requirements and usage as the years go by. In so doing, buildings are assured of a long life and thus contribute to sustainability.

In 2008, almost all new Raiffeisen buildings complied with the Minergie standard. It is not always possible to build to the Minergie standard when renovating buildings, as there are often other factors that need to be taken into account such as preservation of historical monuments, the implications for adjoining buildings, or structural engineering issues. Nevertheless, in some cases it has been possible to renovate bank property to comply with the Minergie standard, thereby considerably increasing energy efficiency.

Swiss Climate Foundation

The Swiss Climate Foundation was established in July 2008 by twelve major service providers including the Raiffeisen Group. The Foundation's mission is to pool the monies from reimbursed CO_2 levies and invest them in projects to prevent global warming (improving energy efficiency, reducing CO_2 emissions). The main beneficiaries will be SMEs, who tend to be hit harder by the CO_2 levy than larger commercial enterprises. The aim is to allocate the CO_2 rebates using targeted, rapid, unbureaucratic and transparent criteria to projects that are working to reduce global warming. By focusing on SMEs, the Foundation will be able to ensure that the money available is used effectively.

The CO_2 levy applies to fossil fuels such as oil, natural gas and coal as of 2008, but does not cover motor fuels such as petrol and diesel. Rebates on the levy will be available from 2010. Domestic users will receive their rebates via their health insurance scheme, while companies will benefit through reduced AHV contributions. Gabriele Burn, member of the Executive Board of the Raiffeisen Group, is also President of the Swiss Climate Foundation.

Social sustainability

The Raiffeisen Group's commitment to social and socio-political issues is manifested by the wide range of initiatives introduced for the benefit of employees. These initiatives, in turn, make Raiffeisen a more attractive employer and help preserve and cultivate its most important asset – its employees. Low staff turnover and strong identification with the company are a major factor in developing and maintaining the Raiffeisen principles.

Diversity and gender management

The Raiffeisen Group moves with the times. In response to demographic changes and the anticipated shortage of qualified staff, it established the specialist Diversity unit in 2006. The unit is dedicated to ensuring equal opportunities for all employees, regardless of age, gender, race or disability. Individual Raiffeisen banks are already taking their own measures, such as specialist client advisory services provided by experienced senior advisors.

Family-friendliness

For the third year running, family holiday weeks were held during the summer holidays to take the load off parents. While the parents were at work, over 200 children enjoyed a fun-packed programme of activities. Employees' children were also the focus of National Daughter's Day in November 2008, which saw over 100 boys and girls attend the Children's University lecture and then visit their parent's workplace. Raiffeisen opened a crèche back in 1996, and in response to the high demand has now created two additional places. A total of 35 children share the 14 crèche places. From 2009, new fathers will be granted 15 days of paternity leave instead of the current five.

Four standards reinforce Raiffeisen's commitment to helping employees achieve a healthy work-life balance:

- Entitlement to return to work after maternity leave: If a female employee is willing to work part-time at least three days a week on her return from maternity leave, she must be allowed to do so while retaining the same function and function level. If a certain function is incompatible with working part-time, the employee will remain at the same level in the organizational hierarchy.

- Rest and nursing room opened in September 2008: a relaxation room is available for pregnant women to take a break; the room is also suitable for breast-feeding mothers.

- Training for part-time employees: part-time employees who work at least three days a week have the same training entitlements as full-time staff.

- Part-time opportunities for managers and job-sharing: managers are also entitled to reduce their working hours to reflect their parenting commitments. In principle, job shares are also permissible for management positions at Raiffeisen. For the purposes of the organizational chart, two three-day job-share posts are calculated as one full-time position.

Mothers returning to work are an important target group. Raiffeisen supports the "Women back to business" study programme provided by the University of St. Gallen. This is another practical expression of Raiffeisen's commitment to a healthy work-life balance.

Mentoring

The mentoring programme is an integral part of the diversity programme. In 2008, experienced mentors from senior management supervised 37 mentees, both male and female. Mentoring is an important staff development tool.

Diversity management

The strategic focus on diversity requires clear reference figures. Initial measures have been introduced to make diversity and gender management a reality. This is the only way to provide a benchmark. Raiffeisen appreciates the importance of being able to compare its diversity management with other companies so as to be able to maintain its attractiveness as an employer.

Raiffeisen wants to create a distinctive corporate culture. The issue of diversity will necessitate more practical training for managers, and with this in mind the subject was discussed at a forum for department heads and the chairs of the Raiffeisen banks held in spring 2008. Individual banks are already implementing pro-active measures.

The Raiffeisen Group is moving closer to its target of 30% of management positions occupied by women by 2015. In January 2006, 19.6% of managers were women, and by end-2008 that figure had risen to 20.3%. The percentage of women in senior management positions increased from 7.5% to 9.1%.

The next phase of the strategic focus on diversity will involve working models tailored to older employees.

Management culture and principles

The Raiffeisen Group wants to foster the managers of tomorrow through systematic succession planning. Raiffeisen is firmly committed to finding suitable management candidates from within its own ranks, which ensures that managers are familiar with the Raiffeisen values and business philosophy and provides a vital element of continuity and stability. A total of 18 new bank management heads took up positions in 2008, of whom 15 (83%) were recruited internally. This is an increase of 6% year-on-year.

Raiffeisen's values and management culture are a recurring theme in all management committees. In 2008 the management principles were discussed via a cascade process through 310 workshops, an additional feedback workshop between the Executive Board and staff at the lowest management levels, and a feedback event with the workshop moderators. In order to create a sustainable management culture, Raiffeisen Switzerland has introduced a range of management processes and tools (such as integrating the management principles in the process for appointing new managers and in existing management development programmes). Raiffeisen also plans to monitor the sustainability of its management principles through feedback and regular employee surveys. A second phase will see the management discussions extended to include the Raiffeisen banks. All these activities are designed to contribute to the creation of a distinctive management culture.

In 2008, Raiffeisen Switzerland conducted a comprehensive employee survey which achieved a very high response rate of 74%. The responses reinforced Raiffeisen's commitment to promoting its management culture and diversity measures, while at the same time underlining the need to continue its focus on family-friendly initiatives.

These issues are currently being examined and remedial action will be taken.

Training programmes

In summer 2008, Raiffeisen offered traineeships to 230 young people all over Switzerland. There are currently approximately 700 commercial apprentices, 22 high school graduates (BFM & BEM programmes) and 18 IT trainees. Of the trainees who graduated in summer 2008, 86% were offered a permanent position or fixed-term contract within the Raiffeisen Group.

Retirement provision

As at end-2008, the coverage ratio of the Raiffeisen Group pension fund was 84.4% (compared with 107.5% in 2007). The substantial fall year-on-year was the result of the global financial crisis. Added to this, pension assets continued to earn interest at 4%, with a further 1% set aside for provisions. When compared with other financial services providers, Raiffeisen ranks in the bottom third in terms of retirement benefits. Under the auspices of the "Pensions 2010" project, Raiffeisen has increased its pension contributions so as to increase the target benefits. A range of improvements have been introduced to make retirement planning more flexible and to make more allowances for older employees.

Social report of the Raiffeisen Group

	2008
Number of employees	9'133
Number of full-time positions	6'670
Number of part-time positions	2'463
New positions	527
Total number of women	4'944
of which in management	796
Total number of men	4'189
of which in management	2'377
Total number of apprentices	738
Average length of service (years)	6,94
Average age of employees (years)	36,4
Employee turnover (%)	8,66

Employee committee

The employee committee – which first came into being in 1995 – is made up of seven members and acts as a link between the Executive Board and employees. According to its charter, the employee committee has a right to information and has to be consulted (in an advisory capacity) on various matters relating to decisions and results which affect employees on a social, professional or corporate level. The committee meets regularly with a member of the Executive Board to discuss topical issues and salary adjustments and find viable solutions.

Sponsorship, donations, foundations and taxes

The local Raiffeisen banks support a wide range of local and regional sports clubs, social organizations and cultural events. Through these commitments, Raiffeisen is able to contribute to the diversity and distinctive features found locally and regionally in Switzerland.

At national level, Raiffeisen has been heavily involved with winter sports since 2004, helping both elite Swiss skiers as well as the up-and-coming stars of tomorrow. As the main sponsor of the sportsmen and women of the future, Raiffeisen supports over 16,000 talented young winter sports stars in Switzerland through both direct and indirect sponsorship commitments. Raiffeisen has supported the Swiss marathon runner Viktor Röthlin for many years now and is also involved in a variety of major events, such as the Jodlerfest (Swiss yodelling championships) in Lucerne in 2008.

In addition, Raiffeisen is an active player in cultural and economic spheres and is involved in the Swiss corporate competition SwissSkills. For the past ten years, Raiffeisen has also provided free museum tickets for its members as part of its support for the wide range of museums found in Switzerland. This commitment benefits over 400 museums. Currently Raiffeisen provides half a million tickets for its members each year.

In total, Raiffeisen spent 18.2 million Swiss francs on sponsorship and donations in the year under review. Additional funding was provided by the Raiffeisen Centenary Foundation, which provided funding totalling 270,000 Swiss francs for projects in the areas of business ethics, culture and charitable activities. The state also received a total of 123.4 million Swiss francs in direct taxes (2007: 159.8 million Swiss francs).

Outlook

In future sustainability reports, the Raiffeisen Group will be focusing on the Sustainability Reporting Guidelines produced by the Global Reporting Initiative (GRI), which are built around criteria such as comparability, evaluation, ratings and development. In 2009, Raiffeisen will be seeking to improve the links between its internal sustainability activities, projects, products, process and programmes. Future reports will be designed to distinguish between the individual sustainability activities.

Strategy The Raiffeisen Group will maintain its successful growth strategy and diversify its business portfolio with the aim of becoming Switzerland's leading retail bank. In addition, it will continue to focus on updating its IT infrastructure and enhancing its attractiveness as an employer.

- *Raiffeisen wants to continue to outgrow the market by one to two percentage points.*
- *Raiffeisen is actively developing the corporate clients business and stepping up its market activities.*
- *The IT environment is being further homogenized and standardized in order to optimize and boost efficiency.*
- *Raiffeisen is cementing its unmistakeable management culture to reinforce its image as an attractive employer.*

The Raiffeisen Group continued on its growth path in 2008. Client monies and mortgage receivables both grew significantly faster than the overall market, enabling Raiffeisen to further consolidate its core business in the year under review and increase its share of the savings and mortgage markets. The high level of client confidence was further evidenced not only by the rise in volumes but also by the fact that the number of cooperative members surpassed 1.5 million during the year under review.

Safe custody volumes were down slightly due to negative market performance, although new custody accounts ensured that a more serious decline was avoided despite the crisis on the financial markets. Raiffeisen has an established partnership with Vontobel for investment activities, which will allow it to continue the successful development of this business area going forward.

The Raiffeisen Group is introducing a new banking platform in the shape of Avaloq. The systems for the first subproject, Raiffeisen Switzerland's securities and trading activities, were successfully converted and handed over for live operation.

Challenges for 2009

The Raiffeisen Group will be confronted with various challenges in 2009 as the financial market crisis and the recession in the Swiss economy impact on the banking market:

- Competition for traditional retail banking business will become more intense.

- Client confidence in the markets needs to be restored.
- The government's influence will continue to grow and could result in more stringent regulatory requirements.
- Pressure on earnings is increasing due to ongoing margin erosion and the tough investment environment.
- The need for write-downs in the corporate clients business could rise due to the difficult economic situation.

Raiffeisen is well equipped for the future thanks to its strong position in the retail banking market. The bank has major partnerships in other business areas (e.g. with Vontobel Group, Helvetia Insurance, Aduno Group). Raiffeisen also enjoys the confidence of its clients based on the following four pillars: business model, business policy, capital adequacy and membership (see also page 66).

Raiffeisen faces up to the challenges ahead

Growth in the core business

The Raiffeisen Group recorded solid growth in both lending and deposit business in 2008. This was achieved by various means, including by further expanding the branch network and conducting a number of market campaigns. Raiffeisen will continue on its chosen course and implement the following measures:

- Opening up and developing lower-penetration markets, taking due account of the need for active risk controlling
- Expanding the innovative product range
- Focusing on individual and expert advice geared to client needs
- Further developing client-oriented solutions such as e-banking

Trends in the Swiss banking market

- Stronger focus on retail banking and Swiss business
- Clients looking to diversify banking relationships
- Professionalization of the investment process
- Consolidation in the sector (breaking up the value chain)
- Slump in earnings from mortgage and commission business
- Stricter regulatory requirements
- Competition in the market for specialist staff

Strategic direction of the Raiffeisen Group

- Growth in the core business
- Diversification of the business portfolio
- Homogenization and updating of the IT infrastructure and application environment
- Enhancement and consolidation of image as an attractive employer
- Active risk controlling

Diversification of the business portfolio

Raiffeisen aims to make a conscious effort to diversify its business portfolio through targeted expansion in several areas. Alongside its core business, it will focus more strongly on the following objectives:

- Actively developing existing corporate clients and further developing the corporate clients business through the creation of individual products and an enhanced advisory offering.
- Strengthening Raiffeisen's position as an investment bank through targeted marketing activities, greater cooperation with partners and operational improvements.

Homogenization and updating of the IT infrastructure and application environment

The Raiffeisen Group is implementing new standard banking software in a project that will last several years. The new platform will improve processes and increase efficiency. Avaloq has been in operation as the core Central Bank application since the beginning of the year, and 2009 should also see both the migration of certain payment services functions to Avaloq and a decision on whether to replace the current front office application software.

Enhancement of image as an attractive employer

Raiffeisen has established an unmistakeable management culture in an effort to attract the best managers and specialists. Companies must now offer much more than just high salaries if they want to recruit the best people in the labour market and hold on to their staff over the long term. According to the Swiss Federal Statistical Office, low birth rates among recent generations mean there will be a shortage of qualified labour in Switzerland as early as 2015. There is already unrelenting competition for the best managers and specialists, in what has become known as the "war for talents".

Raiffeisen has launched a number of initiatives in this area:

- Ensuring that the bank has a talent pool of well-qualified junior staff
- Optimizing human resources processes, particularly for key people
- Implementing measures to promote diversity and ensure the equal treatment of employees regardless of age or gender

Raiffeisen is committed to a range of initiatives such as promoting family-friendliness and places increasing emphasis on work-life balance. For example, new fathers can now take an additional 15 days of paid holiday following the birth of their child. Raiffeisen is also creating new jobs: the number of positions expressed as full-time equivalents rose from 7,208 to 7,665 in the year under review.

Active risk controlling

The Raiffeisen Group's risk controlling strategy has held up even in the current crisis. The lessons learned from the crisis are being incorporated on an ongoing basis, with the focus on enhancing model-based risk assessment through the addition of intuitive approaches that draw on the experience of banking practitioners. Our aim is to identify emerging risks at an early stage and deal with them in a consistent manner, in some instances before the information is visible in the bank's risk systems. The extent of the financial market crisis and the associated market fluctuations have also prompted us to adjust our macroeconomic stress scenarios.

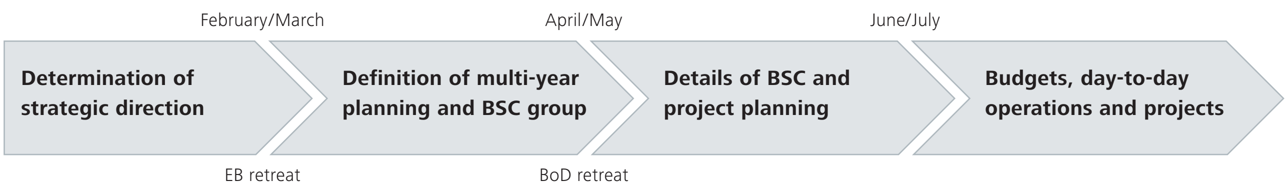
The continuation of our growth strategy in the core business will be accompanied by an expansion of the bank's range of analysis and monitoring tools, not least and above all in the corporate clients business, thereby ensuring that active risk controlling is maintained at all times while still retaining the decentralized business model.

Measurement of achievement of 2008 objectives

The strategy is drawn up using the strategic planning process. It is verified and updated as part of the annual review process, ensuring that trends, current market developments and new framework conditions are incorporated into discussions and hence into the strategy review (see diagram below).

The Raiffeisen Group has for several years used a balanced scorecard (BSC) to measure and control its strategic objectives. The BSC provides a comprehensive overview, as in addition to financial target parameters it also measures other dimensions such as market/client, employees and processes. It is a tried-and-tested tool and will be further developed on a systematic basis.

The following target values (KPIs) place the Raiffeisen Group's strategic direction in an operational context (see table below).



Target values of the Raiffeisen Group

Target value	Dimension	2008 current value	2008 target value
Growth in mortgage lending	Market/client	7.6%	5.5%
Number of women in key positions	Employees	11.5%	10%
Value adjustment component	Financial	-0.01%	<0.1%
Straight-through processing rate for core products	Processes	99.8%	98%
Rating	Processes	Aa1	Aa1

A new path is created
by walking it.

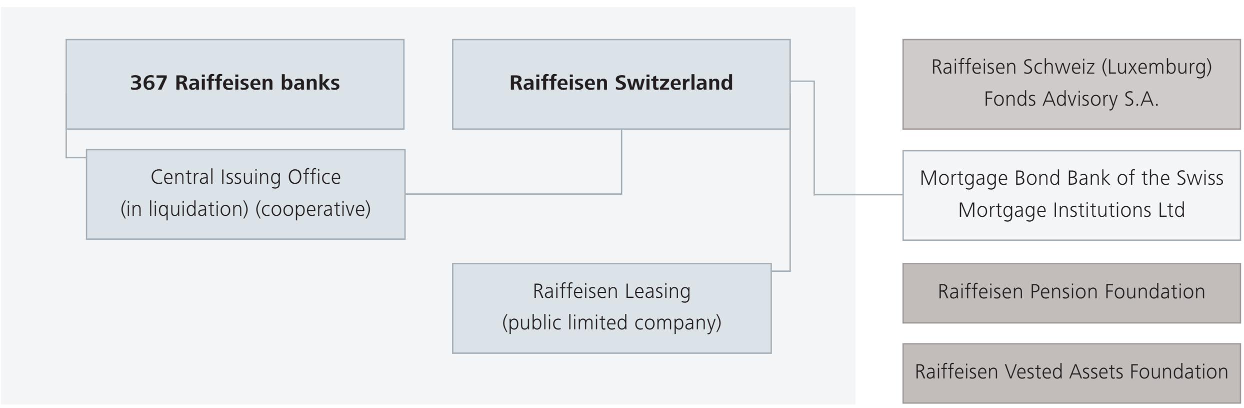
Having a reliable partner at your side makes each step upon the way easier. No path is too hard if we walk it together. As a trusted travelling companion, the Raiffeisen banks roll out the red carpet for their clients and members and clear the way ahead. Whether you are building a home, preparing for retirement, or have questions about investing, life is easier when you have a good and proven partnership that offers reliable expert knowledge.

Corporate governance is an important element in the Raiffeisen Group's activities. It encompasses all the principles of corporate organization and the principles behind management systems and controls. This system creates clarity, reliability and stability, and promotes responsibility in dealing with clients and society in general.

- *Raiffeisen has a tradition of dependable and fair business policies.*
- *The separation between strategic management, operational management and control bodies is transparent.*
- *Security is based on four confidence-building pillars.*
- *The Raiffeisen banks are owned by the co-operative members, who elect their trusted representatives to the Board of Directors.*
- *The Delegate Meeting is the supreme executive body of Raiffeisen Switzerland.*

The most important Corporate Governance rules of the Raiffeisen Group are established in binding documents such as the Articles of Association, the Terms and Conditions of Business, the organizational regulations and a series of other instructions and directives. Most recently, the Raiffeisen Group introduced an electronic system of rules in 2008, containing all the statutes and documents relevant to the business, such as the Articles of Association, regulations, instructions, product catalogues, forms and descriptions of processes. The binding nature of the regulations and the regulatory documentation is clearly defined. Thanks to this electronic aid, new issues, processes and products and amendments to existing ones can be processed centrally and made available directly to all staff. The system thus creates clarity for staff in respect of all bank processes, helping the Raiffeisen banks serve their clients even more rapidly, more comprehensively and in more focused ways.

consolidated
participations valued by the equity method
not consolidated



The following report has been primarily drawn up according to the SIX Swiss Exchange Corporate Governance Directive (DCG). Although this is not binding on Raiffeisen, it is helpful even for an unlisted company to apply its provisions in certain areas. The report deals in particular with the special cooperative organizational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data are accurate as at 31 December 2008.

Raiffeisen Group structure

The Raiffeisen banks and Raiffeisen Switzerland together hold the cooperative shares in the Central Issuing Office. Raiffeisen Leasing and Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are wholly owned subsidiaries of Raiffeisen Switzerland. The Raiffeisen Group also has a 22.5% stake in the Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions.

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	Banking business	Cooperative members
Raiffeisen Switzerland	■ Business policy and strategy as well as a centre of competence for the Raiffeisen Group ■ Risk controlling ■ Central bank function (monetary settlement, liquidity maintenance and refinancing) ■ Payment services ■ Banking business (mainly interbank transactions and securities trading) ■ Staff development ■ Running of branches	Raiffeisen banks
Raiffeisen Leasing (public limited company)	Equipment leasing	Raiffeisen Switzerland
Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation) (cooperative)	Issuing of bonds on commission and for the account of the Raiffeisen banks	Raiffeisen Switzerland and the Raiffeisen banks
Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A.	Holds stake in Raiffeisen Schweiz (Luxemburg) Fonds SICAV and acts as its investment advisor. Raiffeisen Schweiz (Luxemburg) Fonds SICAV issues a variety of subfunds (money market funds, bond funds, equity funds, strategy funds, capital protection funds).	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivized pension savings (pillar 3)	

Changes from prior year

Raiffeisen Finanzierungs AG

Raiffeisen Finanzierungs AG was sold to the Aduno Group as of 1 January 2008 and the consumer goods financing business (consumer goods leasing and consumer loans) successfully transferred. The Aduno Group, in which Raiffeisen Switzerland holds a 19% stake, specializes in the credit card and consumer credit business. The spinoff will enable the company to develop the consumer goods financing business in a more focused way and further optimize the Raiffeisen banks' product range. Raiffeisen Leasing, which remains with Raiffeisen Switzerland, focuses on products and services in the area of equipment goods leasing.

Raiffeisen Guarantee Cooperative

On 28 October 2008 the cooperative members approved the merger of the Guarantee Cooperative and Raiffeisen Switzerland, retroactive to 1 July 2008. The guarantee business, which facilitates the credit and lending activities of the Raiffeisen banks, will in future be directly operated by Raiffeisen Switzerland. The merger centralized risk transfer within the Raiffeisen Group and simplified the corporate structure, creating synergies with regard to the management and monitoring of the risk pool.

Liquidation of the Central Issuing Office of the Swiss Raiffeisen Banks

The last of the bonds issued by the Central Issuing Office was redeemed at the end of March 2008. The members approved the liquidation of the Central Issuing Office of the Swiss Raiffeisen Banks in April 2008. Since 1999, bonds have been placed exclusively by Raiffeisen Switzerland, which is responsible for ensuring refinancing for the Group as a whole. The liquidation of the Central Issuing Office will be completed in mid-2009.

Mergers of Raiffeisen banks

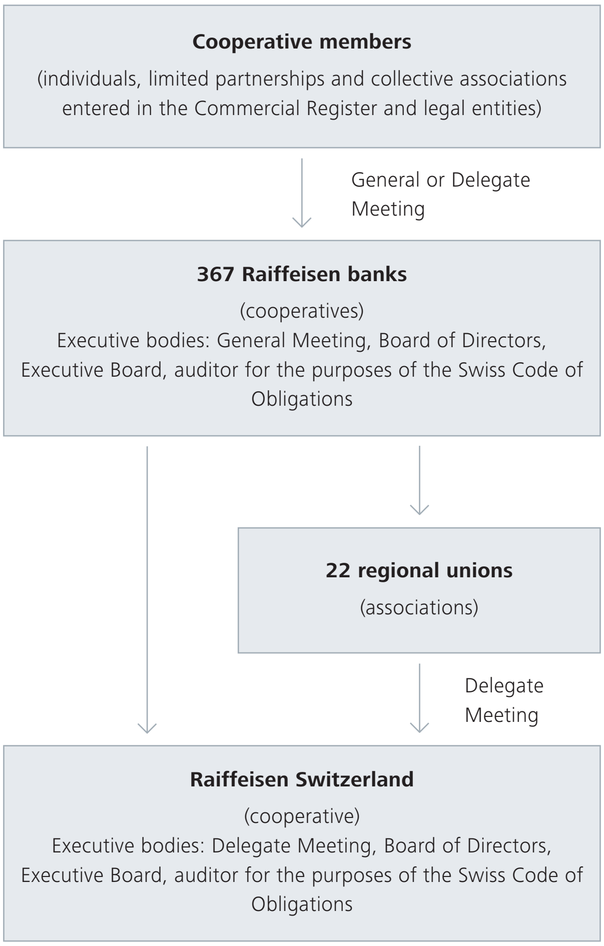
The number of legally and organizationally independent Raiffeisen banks fell from 390 to 367 in the year under review as a result of various mergers. The mergers were motivated by operational and market considerations.
The ongoing structuring process enables the individual Raiffeisen banks to optimize their focus on their regional markets. The number of independent Raiffeisen banks will continue to decline slightly over the next few years, though there will be little change in the number of bank branches.

Expansion of Raiffeisen locations

The presence in urban centres was further expanded. The Raiffeisen Switzerland branch in Winterthur has opened an office in Seuzach. The Raiffeisen banks opened a total of 14 new branches in 2008, including in Biel, Lenzburg and Vevey.

Raiffeisen Group organizational structure

Raiffeisen has four levels of decision-making authority and responsibility:



The 367 Raiffeisen banks with a total of 1,141 branches (excluding branches of Raiffeisen Switzerland) are legally and organizationally independent cooperatives which elect their own boards of directors and have an independent auditor. The Raiffeisen banks are owned by the cooperative members. The candidates for the board of directors are elected at the local general or delegate meetings. This guarantees a fair balance between the interests of the individual bank and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions, which take the form of associations (see page 64). These act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include specifically electing delegates for the delegate meetings of Raiffeisen Switzerland, coordinating regional advertising activities, holding training events for the Raiffeisen banks, and safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities.

Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognizes the model Articles of Association of the Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join. Raiffeisen Switzerland is responsible for the Raiffeisen Group’s business policy and strategy, and acts as a centre of competence for the entire Group. It also represents its national and international interests and directly manages six branches which are involved in client business.

The regional unions

Regional union	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	30
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	25
Bündner Verband der Raiffeisenbanken	Tino Zanetti, Igis	12
Deutschfreiburger Verband der Raiffeisenbanken	Pius Lehmann, Fribourg	10
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	24
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	11
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	16
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	11
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	8
Solothurner Verband der Raiffeisenbanken	André Bourquin, Aetigkofen	23
St.Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	50
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Bissegg	19
Urner Verband der Raiffeisenbanken	Rolf Infanger, Erstfeld	4
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	12
Fédération genevoise des Banques Raiffeisen	Pierre Guignard, Cartigny	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	13
Fédération neuchâteloise des Banques Raiffeisen	Claude Ribaux, Bevaix	6
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	20
Fédération vaudoise des Banques Raiffeisen	Alexandre Bula, Thierrens	21
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	40

The member banks are the Raiffeisen banks and the branches of Raiffeisen Switzerland.

The Raiffeisen Banks Steering Committee (not shown in the chart) is another management body. Each regional association has one seat on the Committee, and Raiffeisen Switzerland has one seat for each department. The Steering Committee reviews strategic issues, objectives and plans from the point of view of the Raiffeisen banks, and prioritizes them based on the instructions of the Executive Board of Raiffeisen Switzerland. It also appoints the representatives who sit on the individual steering committees of Raiffeisen Switzerland and ensures that the Raiffeisen banks have a sufficient say in Group-wide plans and projects.

Major participations

Note 3 (Details of major participations, see page 112) lists all major participations of the Raiffeisen Group, including name, domicile, capital and share of voting rights.

Major cooperative members

Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, regardless of the number of share certificates acquired. Furthermore, the Articles of Association stipulate that no cooperative member may own more than 20,000 Swiss francs of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative shareholders with more than 5% of the capital or voting rights.

Cross-shareholdings

The Raiffeisen Group companies have no cross-shareholdings.

Capital structure and liability

Capital structure

The Raiffeisen Group's cooperative capital is 505 million Swiss francs. The precise composition and changes in the year under review can be found in note 10 (Evidence of equity capital, see page 118).

Changes in equity capital

Membership of a Raiffeisen bank and the associated rights and obligations are tied closely to the identity of the purchaser. This is why individual shares cannot normally be sold on or transferred. Departing cooperative members have the right to redeem their share certificates at their intrinsic value, up to a maximum of their par value. The share certificates may only be redeemed once the annual accounts of the fourth year following the termination of membership have been approved, unless they are replaced with new share certificates in the same amount.

Share certificates bear a maximum 6% interest.

Changes in equity capital
(in CHF million)

	2008	2007	2006	2005
Cooperative capital	505	467	428	396
Retained earnings	6,910	6,234	5,603	4,972
Group profit	564	701	655	608
Total	**7,979**	**7,402**	**6,686**	**5,976**

Security model

The Raiffeisen business model, business policy, high level of equity and the possibility of helping shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen system provides a reliable and sustainable basis for all banking transactions for the benefit of the clients (see chart).

Liability

The Raiffeisen Group guarantees its financial obligations through a balanced security network based on the principle of mutual liability, which it has anchored in its Articles of Association. Working together in a tight-knit cooperative union is also a form of solidarity, as the fate and risks of the Raiffeisen banks are tied closely together. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford (see chart on page 67).

1) Liability of Raiffeisen Switzerland to the Raiffeisen banks
In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and therefore of the Raiffeisen Group as a whole. A total of 822.3 million Swiss francs in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of 1.2 billion Swiss francs, of which 360 million Swiss francs have been paid in. Raiffeisen Switzerland has the right to call in the outstanding 845.1 million Swiss francs from the Raiffeisen banks at any time.

Client confidence in Raiffeisen

Business model

As a cooperative Raiffeisen is committed to its members and only distributes a limited portion of its profits.

Raiffeisen banks are mutually liable for each other's obligations, making it impossible for an individual Raiffeisen bank to collapse.

Business policy

The local presence and proximity to clients mean Raiffeisen is very familiar with the potential risks.

Raiffeisen pursues a very conservative risk policy.

Raiffeisen focuses on sustainable business rather than short-term returns.

Capital adequacy

At 11.6 billion Swiss francs, Raiffeisen has more than double the capital required under statutory capital adequacy provisions.

This amount is equivalent to one-fifth of Switzerland's national budget.

Membership

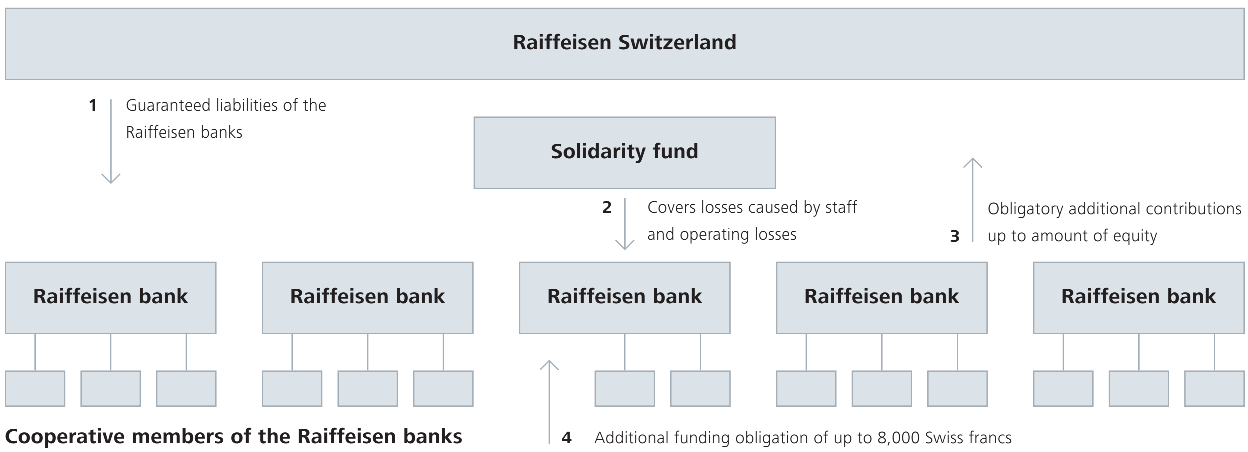
The 1.5 million members help set the course and take responsibility for it.

As a cooperative there is no risk of Raiffeisen being taken over.

2) Solidarity fund
The solidarity fund is – in line with the classic notion of solidarity espoused by Raiffeisen – an organization-wide reserve to cover risks. The fund covers losses caused by staff and operating losses of the Raiffeisen banks. The fund is financed by contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets are 307.3 million Swiss francs.

3) Additional funding obligation of the Raiffeisen banks to Raiffeisen Switzerland
The Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland is 7.3 billion Swiss francs.

4) Additional funding obligation of cooperative members to the Raiffeisen bank
Should it emerge from the annual balance sheet of a Raiffeisen bank that the cooperative capital is no longer covered, the cooperative members are bound by an additional funding obligation of up to 8,000 Swiss francs each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals 12.4 billion Swiss francs (see note 10 “Evidence of equity capital”, page 118). The additional funding obligation of the cooperative members of the Raiffeisen banks has never been called in Raiffeisen’s long history. The additional funding obligation of the cooperative members is the last resource to be called on, after all the measures described above or all the funds of the entire Raiffeisen Group are exhausted.



Directive authority of Raiffeisen Switzerland vis-à-vis the Raiffeisen banks

According to a ruling by FINMA (formerly the Swiss Federal Banking Commission or SFBC) of 24 September 1997, the Raiffeisen Group need only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. The Raiffeisen banks are exempted from compliance with these provisions at the level of the individual banks. The conditions for this exemption are that the Raiffeisen banks must have a central organization that guarantees all the Raiffeisen banks' obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, specifically with regard to capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organizational, operational and HR-related steps.

Executive bodies of Raiffeisen Switzerland

Delegate Meeting

The Delegate Meeting is the supreme executive body of Raiffeisen Switzerland. Each regional union appoints two delegates. Further delegate places are allocated depending on the number of Raiffeisen banks in each regional union, and the number of cooperative members and total assets of all the Raiffeisen banks in each regional union. There are currently 163 members of the Delegate Meeting.

The Delegate Meeting is responsible in particular for:

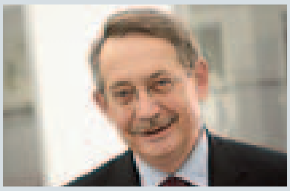
- Amending the Articles of Association of Raiffeisen Switzerland and drawing up model Articles of Association for the Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles
- Issuing the financing principles and regulations governing the contributions made by the Raiffeisen banks to Raiffeisen Switzerland
- Approving the annual report, profit and loss account, balance sheet and the appropriation of net profit
- Appointing and dismissing the members of the Board of Directors, its chair and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be appointed for the purposes of the Swiss Code of Obligations for the Raiffeisen banks.

Board of Directors of Raiffeisen Switzerland

The Board of Directors has overall responsibility, determines the strategic focus, and supervises and monitors management and the Executive Board. It currently has 11 members, the majority of whom work outside the Raiffeisen Group. This ensures that the widest possible range of interest groups (from politics, business and society) are represented on this executive body.

No member of the Board of Directors has been active in the operational bodies of Raiffeisen Switzerland during the last three years. No member of the Board of Directors has a significant business relationship with Raiffeisen Switzerland that has the nature of a directorship.

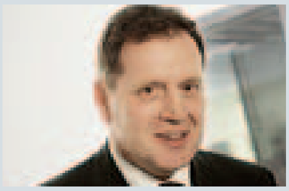
Members of the Board of Directors

				
Name	**Dr h.c. rer. pol., lic. iur. Franz Marty**	**Dr Marie-Françoise Perruchoud-Massy**	**Daniel Lüscher***	**Philippe Moeschinger**
Function	Chair of the BoD and the BoD Committee	Vice-Chair of the BoD and of the BoD Committee	Member of the BoD	Member of the BoD
Year of birth	1947	1955	1961	1960
Residence	Goldau SZ	Vercorin VS	Herznach AG	Thônex GE
On BoD since	2002	1998	2008	2008
Elected until	2010	2010	2010	2010
Occupation	Former member of cantonal government and financial director	Director of the Institut Economie & Tourisme de la Haute Ecole Valaisanne	Chair of the Executive Board of Raiffeisenbank Kölliken-Entfelden	Manager of the Foundation for Industrial Land in Geneva
Significant directorships	▪ Member of the Bank Council, Swiss National Bank ▪ Member of the Senate of the University of Fribourg ▪ Chair of the Constitutional Commission of the Canton of Schwyz ▪ Chair of the Board of Trustees of Schweizer Berghilfe	▪ Chair of Swiss Occidental Leonardo, the Swiss arm of the EU's Leonardo da Vinci educational programme ▪ Member of the Board of Trustees of the Institut Universitaire Kurt Bösch (IUKB), Brämis/Sitten ▪ Chair of the Association des Métiers d'Art et d'Artisanat du Valais ▪ Member of the Management Board of the Fédération des Banques Raiffeisen du Valais romand	No significant directorships	▪ Chair of the BoD of Banque Raiffeisen d'Arve et Lac ▪ Member of the Management Board of the Fédération genevoise des Banques Raiffeisen

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

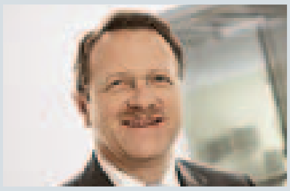
Continued on page 70

Members of the Board of Directors

				
Name	**Prof. Dr Johannes Rüegg-Stürm**	**Urs Schneider**	**Christian Spring***	**Prof. Dr Franco Taisch**
Function	Member of the BoD and the BoD Committee	Member of the BoD	Member of the BoD	Member of the BoD and the Audit Committee
Year of birth	1961	1958	1960	1959
Residence	St. Gallen	Bissegg TG	Vicques JU	Neuheim ZG
On BoD since	2008	2008	2002	2008
Elected until	2010	2010	2010	2010
Occupation	Director of the Institute of Management at the University of St. Gallen	Deputy Director, Head of Communications and Member of the Management Board of the Swiss Farmers' Union	Chair of the Executive Board of Banque Raiffeisen du Val-Terbi	Adjunct Faculty Member of the Executive School of Management, Technology and Law at the University of St. Gallen and Titular Professor of Financial Markets Law and Legal Management at the University of Lucerne; owner of taischconsulting, Zug
Significant directorships	▪ Member of the BoD of Hoffmann Neopac AG, Thun	▪ Chair of the Management Board of the Thurgauer Verband der Raiffeisenbanken ▪ Member of the BoD of Raiffeisenbank Regio-Weinfelden ▪ Member of the Grand Council of the Canton of Thurgau ▪ Secretary of the Agricultural Club of the Federal Assembly and the Conf. of Agricultural Parliamentary Delegates ▪ Member of the BoD of Schweiz. Agrarmedien and «Agri» (agricult. publication in French-speaking Switzerland) ▪ Member of the Management Board of Agromarketing Suisse	▪ Vice-Chair of the Fédération jurassienne des Banques Raiffeisen	▪ Chair of the BoD of Swiss Rock Asset Management AG, Zurich ▪ Senior lecturer at the Swiss Finance Institute, Zurich/Geneva/Lugano ▪ Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug

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





Name	**Mario Verga**	**Lic. iur. Edgar Wohlhauser**	**Werner Zollinger**
Function	Member of the BoD	Member of the BoD and Chair of the Audit Committee	Member of the BoD and the Audit Committee
Year of birth	1949	1961	1958
Residence	Vacallo TI	Schmitten FR	Männedorf ZH
On BoD since	2000	2006	2006
Elected until	2010	2010	2010
Occupation	Lawyer/notary, co-owner of Vassali-Verga, a firm of lawyers and notaries in Chiasso and Lugano	Partner at Ernst & Young AG	CEO of ProjectGo AG
Significant directorships	▪ Chair of the Federazione Raiffeisen del Ticino e Moesano ▪ Member of the BoD of Banca Raiffeisen Morbio-Vacallo	No significant directorships	▪ Chair of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf ▪ Vice-Chair of the municipal council, Männedorf ▪ Member of the Management Board of the Pfannenstiel area planning group

Information on qualifications and occupational background is given on the Raiffeisen website (www.raiffeisen.ch).

Composition, election and term of office

The Board of Directors consists of nine to twelve members. In filling these positions, attention is paid to ensuring an appropriate representation of the linguistic regions and banking authorities of the Raiffeisen banks. Half the members of the Board of Directors should be representatives of the Raiffeisen banks.

Members of the Board of Directors are elected for a term of two years (current term: 2008–2010) and can serve a maximum of twelve years. Members of the Board of Directors must stand down at the end of the term of office in which they turn 65.

Internal organization

The Board of Directors meets as often as business dictates, but at least four times a year. It met seven times in 2008. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the chair's vote counts twice. Resolutions are minuted. The Board of Directors meets once a year for a closed planning session to review its own activities.

The members of the Executive Board generally attend the meetings of the Board of Directors, those of the Committee of the Board of Directors and those of the Audit Committee. They can advise and have the right to put forward motions.

Duties of the Board of Directors

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

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, the risk policy, and the regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss members of the Executive Board, the Head of Internal Auditing and their deputies
- To appoint and dismiss the statutory auditor for Raiffeisen Switzerland and the Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute its resolutions

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint further committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the permanent committees are laid down in a directive.

Board of Directors committees

Committee	Members	Composition, duties and competencies
Committee of the Board of Directors	■ Dr h.c. Franz Marty (Chair) ■ Dr Marie-Françoise Perruchoud-Massy (Vice-Chair) ■ Prof. Dr Johannes Rüegg-Stürm	The Board of Directors appoints the Committee of the Board of Directors, which consists of the chair, vice-chair and at least one other member of the Board of Directors. Duties and competencies: ■ To prepare the business of the Board of Directors ■ To establish the general conditions of employment, employee benefits and expenses regulations and to pass directives regarding the qualities required of members of the Executive Board and employees of Raiffeisen Switzerland ■ To set the remuneration of the members of the Executive Board ■ To determine whether to accept mandates on behalf of Raiffeisen Switzerland and approve the acceptance of such mandates by executive bodies and employees ■ To pass resolutions on major investments and the corresponding contractual obligations
Audit Committee	■ Lic. iur. Edgar Wohlhauser (Chair) ■ Prof. Dr Franco Taisch ■ Werner Zollinger	The Audit Committee consists of three members of the Board of Directors who have the necessary experience and expertise in finance and accounting. Duties and competencies: ■ To assist the Board of Directors on risk policy ■ To assist the Board of Directors in monitoring the Executive Board with regard to the effectiveness of the internal control systems and on financial and accounting issues ■ To evaluate compliance with statutory, regulatory and internal rules and normal market standards and codes of practice ■ To ensure the quality of internal and external auditing and cooperation between the two

Delimitation of powers
The powers exercised by the Board of Directors, its committees, the Chair of the Executive Board and the Executive Board are laid down in detail in the Articles of Association (which are available on the Internet at www.raiffeisen.ch), the Terms and Conditions of Business and the authority levels of Raiffeisen Switzerland.

Information and controlling tools
The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chair of the Board of Directors and the Head of Internal Auditing can attend meetings of the Executive Board in order to share information. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

Risk management and compliance
Risk management and the Compliance Office are described in detail in the "Risk policy and risk control" section on pages 28 to 39.

Internal Auditing
Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It reviews compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed Internal Auditing since 1989. He reports directly to the Audit Committee.

Executive Board of Raiffeisen Switzerland

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

The Executive Board consists of the chair and six other members. Meetings are normally held once a week, led by the chair. The Executive Board has the power to pass resolutions if a majority of its members are present. It generally reaches its decisions through consensus, but if no agreement can be reached, resolutions are passed by a simple majority, with the chair having the casting vote. Resolutions are minuted.

The extended Executive Board consists of the Executive Board and the Head of Group Risk Controlling. It meets monthly and is responsible in particular for implementing strategy, acting as a risk committee, budgeting and budget control, defining the application architecture and project management.

The business processes of Raiffeisen Switzerland are spread across six departments (see organizational chart on pages 78–79).

The members of the Executive Board and of the extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland. The following members took office in the year under review: Michael Auer, Head of Services (COO); Damir Bogdan, Head of IT (CIO); Gabriele Burn, Head of Branches; and Marcel Zoller, Head of Finance (CFO). Robert Signer, who had headed the Branches department since 1999, retired in July 2008.

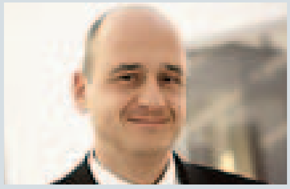
Management contracts

There are no management contracts with third parties at Raiffeisen.

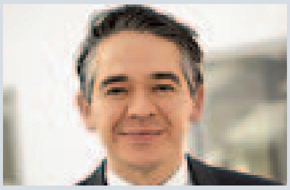
Auditor for the purposes of the Swiss Code of Obligations

Since the 2007 financial year, PricewaterhouseCoopers AG has replaced the Supervisory Boards as auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group. It has been appointed by the delegates for a term of three years. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Members of the Executive Board

				
Name	**Dr Pierin Vincenz**	**Dr Patrik Gisel**	**Michael Auer**	**Damir Bogdan**
Function, date assumed	Chair of the Executive Board (CEO), 1999	Head of Market department and Deputy Chair, 2000	Head of Services department (COO), 2008	Head of IT department (CIO), 2008
Year of birth	1956	1962	1964	1969
Residence	Niederteufen AR	Erlenbach ZH	Speicher AR	St. Gallen SG
Significant directorships	▪ Chair of the BoD of Aduno Holding AG ▪ Chair of the BoD of Aduno AG ▪ Member of the Com. of the BoD of the Swiss Bankers Assoc. ▪ Member of the BoD of Vontobel Holding Ltd ▪ Member of the BoD of Helvetia Insurance ▪ Member of the BoD of the Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd ▪ Member of the BoD of SIX Group Ltd ▪ Chair of the BoD of Plozza Vini SA ▪ Member of the Found. Board of the Swiss Finance Institute ▪ Member of Steer. Com. of UNICO Banking Grp Brussels ▪ Vice-Chair of the BoD of the Raiffeisen Centenary Found. ▪ Member of the Management Board of Pflegekinder-Aktion Schweiz ▪ Member of the Foundation Board of the Ostschweizerische Stiftung für Klinische Krebsforschung	▪ Chair of the Advisory Board of Swiss ICT ▪ Member of the Advisory Board of the Swiss Finance Forum ▪ Member of the Advisory Board of the Swiss IT Leadership Forum ▪ Member of the Advisory Board of Schweizerisches Bankenseminar ▪ President of the BoD of Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. ▪ Chair of the Foundation Board of the Raiffeisen Pension Foundation ▪ Chair of the Foundation Board of the Raiffeisen Vested Assets Foundation ▪ Vice-Chair of the Swiss Banks' and Securities Dealers' Depositor Protection Association ▪ Vice-Chair of the Commission for Client Business, Swiss Bankers Association	▪ Vice-Chair of the Council of Universities of Applied Sciences, St. Gallen ▪ Chair of Swiss Bankers Assoc. Commission on HR issues ▪ Member of the BoD of the Raiffeisen Pension Fund, the Raiffeisen Pension Plan and the Raiffeisen Employer Foundation ▪ Member of the Advisory Board of the Executive School of the University of St. Gallen	▪ Member of the Research Council of the Institute of Information Management at the University of St. Gallen ▪ Member of the Technical Advisory Board of Oracle Switzerland

Information on qualifications and occupational background is given on the Raiffeisen website (www.raiffeisen.ch).

Name	**Paulo Brügger**	**Gabriele Burn**	**Marcel Zoller**	**Dr Beat Hodel***
Function, date assumed	Head of Central Bank department, 2005	Head of Branches department, 2008	Head of Finance department (CFO), 2008	Head of Group Risk Controlling, 2005
Year of birth	1966	1966	1957	1959
Residence	Zumikon ZH	Krattigen BE	Goldach SG	Bäch SZ
Significant directorships	▪ Chair of the BoD of the Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation)	▪ Chair of the Swiss Climate Foundation ▪ Member of the BoD of SVIT Swiss Real Estate School AG	▪ Member of the Management Board of the Valida Foundation, St. Gallen	No significant directorships

* Member of the extended Executive Board

Organizational chart of Raiffeisen Switzerland

Board of Directors

- **Chair of the Executive Board** – Dr Pierin Vincenz*
  - **General Secretariat** – Pius Horner
  - **Finance** – Marcel Zoller*
    - **Accounting** – Paolo Arnoffi
    - **Controlling** – Christian Poerschke
    - **Group Risk Controlling** – Dr Beat Hodel**
    - **Credit Risk Management** – Daniel Tönz
    - **Projects** – Marcel Zuberbühler
  - **Market** – Dr Patrik Gisel*
    - **Products & Cooperation** – Adrian Töngi
    - **Distribution** – Pascal Dürr
    - **Bank Relationship Management** – Dr Stefan Haumüller
    - **Corporate Clients** – Hans Martin Albrecht
    - **Marketing Communication** – Robert Fuchs
    - **Corporate Communications** – Dagmar Laub
    - **Italian-speaking Switzerland office** – Romano Massera
    - **French-speaking Switzerland office** – Alain Girardin
  - **Central Bank** – Paulo Brügger*
    - **Trading & Sales** – Werner Leuthard
    - **Treasury** – Thomas Brunhart
    - **Business Engineering & Support** – Marco Tagliaferro

Branches
Gabriele Burn*

- **St. Gallen Branch** – Dieter Leopold
- **Winterthur Branch** – René Bentele
- **Basel Branch** – Bruno Stiegeler
- **Zurich Branch** – Matthias Läubli
- **Berne Branch** – Daniel Schmid
- **Thalwil Branch** – Daniel Duca

IT
Damir Bogdan*

- **IT Governance & Services** – Markus Beck
- **Business Systems** – Beat Monstein
- **IT Testing & Tools** – Martin Sutter
- **IT Operations** – Christian Lampert

Services
Michael Auer*

- **HR Management** – Claudia Beutter
- **Legal & Compliance** – Roland Schaub
- **Organization & Purchasing** – Robin Marke
- **Processing** – Olivier A. Oettinger
- **Facility Management** – Roland Hagen

Internal Auditing (IA)
Kurt Zobrist

- **IA RB St. Gallen** – Roland Meier
- **IA RB Dietikon** – Räto Willi
- **IA RB Lausanne** – Jean-Daniel Rossier
- **IA RB Bellinzona** – Katia Carobbio
- **IA Raiffeisen Switzerland** – Sergio Pesenti
- **Internal Auditing ICT** – pro tem Giuseppe Parisi

* Member of the Executive Board
** Member of the extended Executive Board

As at 3 March 2009

Compensation system
Since the Raiffeisen Group's rapid growth has raised the level of interest in the Group's compensation system, the Board of Directors has decided to systematize the compensation model and publish it in 2009. The compensation system is geared to the cooperative goal of ensuring good-quality growth for the Raiffeisen Group and securing its long-term existence.

The members of the Board of Directors of Raiffeisen Switzerland are compensated in line with their responsibilities and their time. The annual remuneration of the individual members is at least 55,000 Swiss francs and not more than 260,000 Swiss francs, and does not include any profit-sharing element. Within this framework, members receive more than the basic amount if they are a member of a committee, chair a committee or chair the Board of Directors. The Chair of the Board of Directors receives the highest compensation.

Members of the Executive Board receive an annual salary consisting of a fixed and a variable component. The fixed component is agreed on the basis of the labour market value, the demands of the assigned department, management responsibilities and seniority. The range for this fixed component is from at least 300,000 Swiss francs to at most 1,200,000 Swiss francs. The variable component depends on annual performance and profits. In individual cases it may be at most two-thirds of the fixed component. This gives an upper limit for total compensation of 2,000,000 Swiss francs, which can be achieved by the Chair of the Executive Board. The criteria for evaluating performance and profits are the three-year goals set for the individual members of the Executive Board in their department, the progress of Raiffeisen Group strategic initiatives and projects and the net profit of the Raiffeisen Group compared with rest of the market.

The Board of Directors has adopted the compensation system and will periodically review the band ranges. The Committee of the Board of Directors serves as a compensation committee.

Rights of codetermination
Cooperative members have rights of codetermination at both Raiffeisen bank and Raiffeisen Switzerland level.

Raiffeisen banks
Article 7 of the Articles of Association of the Raiffeisen banks provides that cooperative members may be individuals or legal entities.

Limit on voting rights and powers of representation
Each cooperative member has one vote, irrespective of the number of share certificates they hold. A member can nominate another member, their spouse or a descendant to represent them. No proxy may represent more than one member, and they require written authorization. Representatives of limited partnerships, collective associations or legal entities also require written authorization.

Voting regulations
The General Meetings pass their resolutions and conduct their elections on the basis of the absolute majority of the

votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter will be debated further and a second vote held. If this too is tied, the motion will be rejected.

Calls for General Meetings, agenda
The Raiffeisen bank Board of Directors, or if necessary the auditor for the purposes of the Swiss Code of Obligations, calls the General Meeting a minimum of five days in advance. The invitation must be personally addressed in writing to members and include the agenda. The annual accounts and balance sheet must be made available in client areas at the same time.

Delegate Meeting and secret ballot
If the bank has more than 500 members, the General Meeting may decide by three-quarters majority to transfer its powers to a Delegate Meeting or to move to paper voting (secret ballot).

Raiffeisen Switzerland
The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the highest executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting" on page 68).

Limit on voting rights and powers of representation
Under Article 26 of the Articles of Association of Raiffeisen Switzerland, each delegate to the Delegate Meeting has one vote. Delegates may only be represented by an elected substitute delegate.

Voting regulations
The Delegate Meeting passes its resolutions and conducts its elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter will be debated further and a second vote held. If not enough candidates gain an absolute majority in an election, posts will be decided in a second round of voting, in which a relative majority will suffice. A resolution to amend the Articles of Association requires a two-thirds majority of the votes cast.

Calls for Delegate Meeting, agenda
The following points must be observed when calling an Ordinary Delegate Meeting:

a) Five months in advance of the meeting: The date, location and time of the meeting and the dates of all stages in the procedure must be announced.
b) Twelve weeks before the meeting: Applications to add items to the agenda must be submitted.
c) Four weeks before the meeting: The agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out.

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

Change of control and defensive measures
Through their share certificates, the cooperative members are also the co-owners in equal shares of their Raiffeisen bank. Members can subscribe for more than one share certificate, but only up to a maximum of 10% of the cooperative capital or 20,000 Swiss francs per Raiffeisen bank. This

limit means that statutory regulations on obligatory offers for sale and change of control clauses are not relevant to the Raiffeisen Group.

Auditors

Raiffeisen banks

PricewaterhouseCoopers AG has been the external auditor of the individual Raiffeisen banks since June 2005. In undertaking the audits of the Raiffeisen banks required by FINMA under Swiss banking law it is supported by Raiffeisen Switzerland's Internal Auditing department.

Raiffeisen Switzerland and Group companies

The external auditor for Raiffeisen Switzerland, the Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation) and Raiffeisen Leasing is PricewaterhouseCoopers AG in St. Gallen.

Raiffeisen Group

PricewaterhouseCoopers AG, St. Gallen, is also responsible for auditing the consolidated accounts. Beat Rütsche has been the lead auditor since 2008 and is responsible for the mandate.

Audit fee

The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling 15.5 million Swiss francs for audits under Swiss banking law and internal audits in the year under review.

In financial year 2008, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of 15.4 million Swiss francs for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law.

PricewaterhouseCoopers AG and KPMG AG also invoiced the Raiffeisen Group 1.6 million Swiss francs for other advisory services.

Information tools available to the external auditor

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

Supervision and control of the external auditor

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

Information policy

An open, active and transparent information policy is one of the guiding principles of the Raiffeisen Group's corporate philosophy. Communication with stakeholders – cooperative members, clients, employees and the general public – extends beyond the legal requirements and adheres to the principles of truthfulness, consistency and matching words with deeds. The most important sources of information in this regard are the Internet platform, annual reports, half-yearly reports and press conferences of the Raiffeisen Group. Further sources of information for staff include the intranet and the staff magazine.

The latest changes, developments and special events are published through a range of communication channels, in good time and in a manner that suits the target groups in question. The publications and press releases are available online.

Cooperative members also receive appropriate, direct and comprehensive information from the Raiffeisen banks at the General Meeting, at client events and through the client magazine "Panorama", which is published at regular intervals throughout the year.

Press releases in 2008

All press releases published during the reporting year are archived in the Mediacorner at www.raiffeisen.ch/medien.

Disclosure requirements in respect of capital adequacy

The Raiffeisen Group, in its capacity as the central organization, is obliged by FINMA to comply with capital adequacy rules and, as such, is subject to the disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 29 September 2006 and the FINMA Circular entitled "Disclosure requirements in respect of capital adequacy" dated 29 October 2006.

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital as well as credit, market and operational risks, is available on the Raiffeisen website (www.raiffeisen.ch). The year-end publication also appears in the Raiffeisen Group annual report (see page 128ff.).

As part of its capital adequacy reporting under supervisory law, the Raiffeisen Group submits half-yearly reports on its capital adequacy situation to the Swiss National Bank.

Timetable for 2009

Annual results presented at balance sheet press conference	5 March
Annual Report 2008 published	Mid-April
Delegate Meeting in St. Gallen	13 June
Publication of half-yearly results	19 August

Contact

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E-mail: pr@raiffeisen.ch

Every individual relies on the familiar as they travel through life. Usually these are things that are found close to home. With their dense branch network, the Raiffeisen banks are always close to their clients. The nearest Raiffeisen bank is just a few steps away for clients and members throughout Switzerland. This strong presence guarantees a unique local proximity that is built on trust, security and stability.

All journeys begin at home.

Business trend The Raiffeisen Group recorded a gross profit of 883.4 million Swiss francs and a Group profit of 564.4 million Swiss francs in 2008, the fourth-best result in its history. This is especially pleasing given the current economic upheaval – the Raiffeisen business model has proved its worth even in the financial market crisis.

- *Client monies exceeded 100 billion Swiss francs for the first time thanks to the massive inflow of new funds.*
- *The Raiffeisen Group's risk situation is still pleasing: total impaired receivables decreased despite the increase in lending volumes.*
- *The stock market slump and economic downturn have had some impact on operating income.*
- *Special factors affected operating expenditure, depreciation and extraordinary income.*
- *The Group's high level of security and stable situation are reflected in the equity coverage ratio of 236%.*

Despite a more demanding environment, the Raiffeisen Group achieved a solid and sustainable operating performance. The operating income of 2.3 billion Swiss francs represents an increase of 29.7 million Swiss francs or 1.3% on the previous year's record result. The large volume increases and the investment in IT modernization led to a rise of 110.7 million Swiss francs (+8.3%) in operating expenditure.

The Raiffeisen Group's total assets rose by 6.9% year-on-year to 131.6 billion Swiss francs. The growth in mortgage lending – Raiffeisen's core business – was the highest ever in absolute terms at 7.1 billion Swiss francs. Total client monies increased by 9.9 billion Swiss francs (+10.6%) and exceeded 100 billion Swiss francs for the first time. Raiffeisen passed on around two-thirds of new client monies to its members in the form of mortgages. Total custody account volumes under management fell by 8.8% or 3.2 billion Swiss francs to 32.7 billion Swiss francs. This decrease is primarily due to negative price trends for funds and shares. Inflows of new money into the investment business totalled 1.2 billion Swiss francs.

The number of members increased by 105,349 (previous year: 72,734) to 1.55 million. Raiffeisen attributes this growth to the numerous attractive benefits for members and the cooperative business model, with its focus on security and sustainability.

No post-balance-sheet events occurred that would have a significant impact on the operating result. Information on the principles and scope of consolidation can be found in the Notes to the Consolidated Annual Accounts.

Profit and loss account

Income from ordinary banking activities

Net interest income is our most important source of earnings, and was increased by 2.4% or 44.9 million Swiss francs in the year under review. The ongoing fierce competition and short-term liquidity surplus in the retail business meant that the increase in net interest income did not quite match the high growth in volumes. The interest margin narrowed by eight basis points in 2008.

Net income from commission business and service transactions was down 5.6% or 13.7 million Swiss francs on the previous year (note 19). Income from securities and investment business fell by 28.5 million Swiss francs due to the low trading volume. By contrast, income from other service transactions rose by 6.4 million Swiss francs thanks to renewed sharp growth in the volume of payment transactions. Commission expenditure fell by 6.1 million Swiss francs as a result of the lower volume.

In view of the ongoing uncertainty in the foreign exchange and securities markets, the trading business (note 20) remained pleasingly stable. The net trading income of 108.3 million Swiss francs was only 3.5 million Swiss francs or 3.1% down on the previous year.

The other ordinary result increased by 3.3% to 62.4 million Swiss francs. Income from participating interests (note 21) was up slightly on the previous year thanks to the income generated by the reduction in the par value of Helvetia Holding Ltd.

Operating expenditure

In addition to the strong volume growth in client business, the replacement of Raiffeisen Switzerland's core banking software on 31 December 2008 as the first major milestone in the "New Banking Platform" (NBP) IT programme also led to higher operating costs. Operating expenditure thus rose by 8.3% or 110.7 million Swiss francs to 1.4 billion Swiss francs in the year under review.

As a result, the cost/income ratio rose to 62% (previous year: 58%).

Personnel expenditure

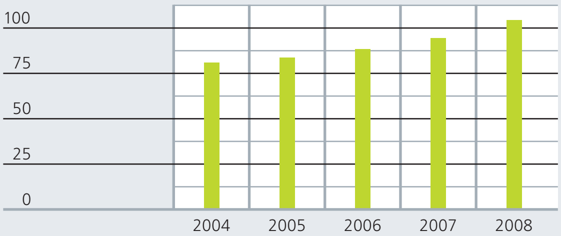
Personnel expenditure (note 22) increased by 82.2 million Swiss francs (+9.3%) year-on-year to 962.4 million Swiss francs. The main reasons for the increase are the rise in the number of front office staff to handle the higher volumes and more intensive project activity. Raiffeisen has increased its headcount by 27% in the last five years. As at the end of 2008, the Group employed 7,665 people on a full-time equivalent basis, an increase of 457 or 6.3% compared with the end of 2007. Salaries rose by 2% on average.

Operating expenditure

Operating expenditure totalled 480.8 million Swiss francs, an increase of 28.5 million Swiss francs or 6.3% (note 23). The replacement of Raiffeisen Switzerland's core banking software with Avaloq involved installing the new infrastructure while the old infrastructure was still in operation, which alongside the associated project expenses also resulted in parallel operating costs. In addition to this for-

Client monies

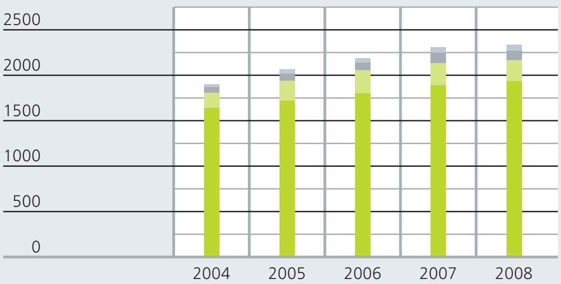
(in CHF billion)



Performance of income items

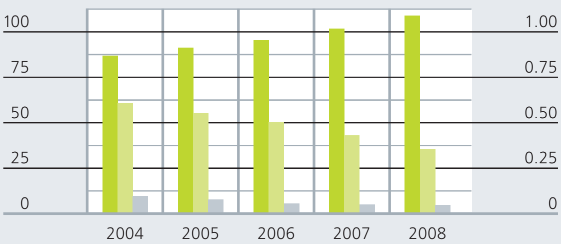
(in CHF million)

interest business
comm. and service trans.
trading business
other result



Provisions for default risks

Loans to clients in CHF billion
Provisions for default risks in % of loans
Actual losses in % of loans



ward-looking investment in IT, advertising and sponsorship spending was also increased.

Depreciation on fixed assets

Depreciation on fixed assets amounted to 231 million Swiss francs, an increase of almost two-thirds compared with 2007 (note 4). The market-driven downward revaluations of the strategic participations in Vontobel Holding Ltd and Helvetia Holding Ltd resulted in a write-down of 71.3 million Swiss francs. At the same time, the cost-intensive IT system upgrade and continuing high investment in new construction, the modernization of existing bank buildings and security installations led to additional depreciation of 20.3 million Swiss francs.

Value adjustments, provisions and losses

Expenditure on value adjustments, provisions and losses rose by 7.5 million Swiss francs in the year under review. The increase is due to a loss event relating to the securities derivatives business. Despite the massive increase in lending, reversals of value adjustments for default risks exceeded new value adjustments by 14.6 million Swiss francs in 2008 (previous year: 5.3 million Swiss francs). The first-class quality of the credit portfolio is reflected in the ratio of value adjustments for default risks to the total lending volume, which once again fell by about one sixth to 0.35%.

Extraordinary income

The extraordinary income figure includes 15.1 million Swiss francs from the reversal of value adjustments for default and other business risks that were no longer needed and 19.8 million Swiss francs from the sale of the consumer goods financing business to Aduno Holding Ltd. Overall, extraordinary income (note 24) rose by 22.2 million Swiss francs compared with 2007.

Taxes

Tax expenditure (note 25) fell by 15.1% to 117.1 million Swiss francs due to the fall in profits and lower corporate tax rates for legal entities.

Balance sheet

The Raiffeisen Group's total assets and liabilities grew as a result of the expansion in client-related items. Raiffeisen achieved growth of 7.6% in the mortgage business, compared with overall market growth of 3.6%. In the retail business, the Raiffeisen Group recorded an inflow of around one billion Swiss francs in new client monies per month during 2008 (+10.6%).

Receivables/liabilities vis-à-vis banks

Net receivables from banks amounted to 4.1 billion Swiss francs at the end of 2008, an increase of 3.2 billion Swiss francs on the previous year. This was primarily attributable to the reduction in liabilities due to the surplus liquidity from client business. Money market limits were intensively monitored and reviewed as a result of the financial market crisis. Some limits with foreign banks were reduced or cut altogether, although new limits were set for first-class counterparties. Existing limits were retained overall in domestic interbank business. In the repo business, Raiffeisen Switzerland maintained its leading position in the Swiss franc market.

Loans to clients

Loans to clients rose by 7% overall in the year under review to 108.6 billion Swiss francs. Mortgage lending grew by 7.1 billion Swiss francs, topping 100 billion Swiss francs for the first time. The proportion of fixed-rate mortgages declined further from 57.5% to 55%, although the trend reversed towards the end of the year. The proportion of lending refinanced with client monies was 95.9%.

Trading portfolios in securities and precious metals

Trading portfolios in securities and precious metals were scaled back by 50.6% to 340.6 million Swiss francs. Volumes were temporarily reduced due to the IT changeover at the turn of the year.

Financial assets

Securities holdings in financial assets consist largely of first-class bonds held for the purpose of maintaining the liquidity of the Raiffeisen Group as required by banking law. The book value increased by 1.2 billion Swiss francs to 3.3 billion Swiss francs in the year under review. Mortgage bonds and Swiss government bonds were bought in particular. Precious metals holdings (previous year: 26.5 million Swiss francs) were transferred to the trading portfolio. Real estate from non-performing positions designated for resale was recorded at 37.5 million Swiss francs.

Non-consolidated participations

Major participations as per notes 3.2 and 3.3 are reported in the balance sheet under non-consolidated participations. For operational and business policy reasons, the

Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights. No significant transactions took place during the year under review. The value of the participation in the Mortgage Bond Bank of the Swiss Mortgage Institutions was increased by 4.9 million Swiss francs in line with the equity method. The book value of the two strategic participations in Vontobel Holding Ltd and Helvetia Holding Ltd declined by 71.3 million Swiss francs due to falls in their share prices.

Tangible fixed assets

Investment in fixed assets (note 4) in the year under review totalled 377.3 million Swiss francs (previous year: 281.2 million Swiss francs). This reflects investment under the growth strategy and the expanded project portfolio in all asset classes.

Client monies

Client monies topped 100 billion Swiss francs at 104.1 billion Swiss francs. Liabilities to clients (in the form of savings and investment deposits) increased by 10.9% in the year under review (+6.6 billion Swiss francs), while medium-term notes (including time deposits) grew by a massive 17.9% (+2.8 billion Swiss francs). Although these items have generally witnessed a decline in recent times, clients are increasingly seeking security in the face of the tense market situation and opting for traditional investments.

Bonds and mortgage bonds

The last bond issued by the Central Issuing Office of the Swiss Raiffeisen Banks matured on 31 March 2008. There was no significant change in the portfolio of bonds and mortgage bonds (+2.4%), as new mortgage financing was covered entirely by the increase in client monies.

Value adjustments and provisions

The item "Value adjustments and provisions" (note 9) decreased by 5.7% or 58.9 million Swiss francs. This is primarily due to the reduction in value adjustments and provisions for default risks (-48.7 million Swiss francs) and provisions for deferred taxes (-6.3 million Swiss francs).

Equity capital

The level of paid-up cooperative capital increased by 8.1% or 37.7 million Swiss francs to 504.6 million Swiss francs due to the strong growth in membership numbers. Together with the Group profit, which in a cooperative is mostly used to augment the cooperative assets, the equity capital was increased by 7.8% year-on-year to 8 billion Swiss francs as at the end of 2008 (note 10). The core capital ratio (tier 1 ratio) was 12.7% as at the end of the year under review, while the total capital ratio rose to 18.9%. These very strong values reflect the high level of security and healthy financial situation of the Raiffeisen Group. The equity coverage ratio under Basel II is 235.5% (see pages 128–131 for information on the equity capital situation), while the leverage ratio is 6.1%.

Off-balance-sheet business

Contingent liabilities (note 16) increased by 60.4 million Swiss francs to 333.5 million Swiss francs. Raiffeisen incurred higher contingent liabilities in connection with the corporate clients business.

The increase of 378.8 million Swiss francs in the depositor protection obligation in respect of client monies under the Swiss Federal Banking Act and the growth in mortgages and loans already agreed led to a rise of 17.5% in irrevocable commitments to 3.9 billion Swiss francs.

The contract volume for derivative financial instruments (note 17) rose sharply from 36.4 billion Swiss francs to 96.2 billion Swiss francs. The positive replacement values amounted to 721.2 million Swiss francs (previous year: 219.5 million Swiss francs), while the negative replacement values amounted to 1 billion Swiss francs (previous year: 105.1 million Swiss francs). This marked rise in contract volumes was primarily due to the brisk trade in interest rate instruments, which benefitted from short-term market fluctuations within the narrowly predefined limits without a substantial increase in risk compared with the previous year (see also the information on risk management beginning on page 96).

Fiduciary transactions (note 18) fell by 116.6 million Swiss francs to 220.2 million Swiss francs. The main reductions were in CHF and USD investments.

Custody account volumes

The custody account volumes managed by Raiffeisen fell by 3.2 billion Swiss francs to 32.7 billion Swiss francs. Negative market performance reduced total volumes by 4.3 billion Swiss francs. The relatively small decrease compared to stock market indices is due to the largely conservative investment strategy of Raiffeisen clients. Bonds and medium-term notes account for around 50% of investments. New clients were also gained in the investment area, however, as evidenced by total inflows of 1.2 billion Swiss francs in new money and the increase of 23,700 in new custody accounts.

Consolidated Balance Sheet as at 31 December 2008

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	1,829,010	1,202,818	626,192	52.1	11
Receivables from money market securities	4,553	10,228	-5,675	-55.5	11
Receivables from banks	12,605,129	12,340,390	264,739	2.1	6, 11
Receivables from clients	7,159,687	7,228,263	-68,576	-0.9	1, 11
Mortgage receivables	101,434,992	94,298,648	7,136,344	7.6	1, 6, 11
Loans to clients	**108,594,679**	**101,526,911**	**7,067,768**	**7.0**	
Trading portfolios in securities and precious metals	340,646	690,156	-349,510	-50.6	2, 11
Financial assets	3,391,023	2,204,446	1,186,577	53.8	2, 6, 11
Non-consolidated participations	339,324	405,504	-66,180	-16.3	2, 3, 4
Tangible fixed assets	1,976,153	1,791,114	185,039	10.3	4, 6
Accrued income and prepaid expenses	219,481	259,664	-40,183	-15.5	
Other assets	2,274,866	2,644,456	-369,590	-14.0	5
Total assets	**131,574,864**	**123,075,687**	**8,499,177**	**6.9**	**13, 14, 15**
Total subordinated receivables	12,394	–	12,394	100.0	
Total receivables from non-consolidated participations	2,375,224	1,311,233	1,063,991	81.1	
Liabilities					
Liabilities to banks	8,495,552	11,430,788	-2,935,236	-25.7	6, 11
Liabilities to clients in the form of savings and investment deposits	67,492,483	60,879,758	6,612,725	10.9	7, 11
Other liabilities to clients	18,325,668	17,765,269*	560,399	3.2	7, 11
Medium-term notes	18,279,647	15,509,841*	2,769,806	17.9	11
Client monies	**104,097,798**	**94,154,868**	**9,942,930**	**10.6**	
Bonds and mortgage bond loans	7,946,480	7,756,725	189,755	2.4	8, 11
Accrued expenses and deferred income	694,806	695,948	-1,142	-0.2	
Other liabilities	1,382,186	596,970	785,216	131.5	5
Value adjustments and provisions	979,277	1,038,166	-58,889	-5.7	9
Cooperative capital	504,575	466,839	37,736	8.1	
Retained earnings	6,909,772	6,234,055	675,717	10.8	
Group profit	564,418	701,328	-136,910	-19.5	
Total equity capital	**7,978,765**	**7,402,222**	**576,543**	**7.8**	**10**
Total liabilities	**131,574,864**	**123,075,687**	**8,499,177**	**6.9**	**13, 15**
Total subordinated commitments	–	–	–	–	
Total commitments towards non-consolidated participations	6,130,075	6,001,762	128,313	2.1	
of which mortgage bond loans	5,851,650	5,468,150	383,500	7.0	
Off-balance-sheet business					
Contingent liabilities	333,472	273,029	60,443	22.1	1, 16
Irrevocable undertakings	3,857,248	3,283,465	573,783	17.5	1
Call commitments and additional funding obligations	37,778	40,121	-2,343	-5.8	1
Derivative financial instruments					
Positive replacement values	721,160	219,454	501,706	228.6	17
Negative replacement values	1,013,737	105,114	908,623	864.4	17
Contract volume	96,188,369	36,436,534	59,751,835	164.0	17
Fiduciary business	220,199	336,829	-116,630	-34.6	18

Consolidated Profit and Loss Account 2008

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,945,102	3,611,314	333,788	9.2	
Interest and dividend income from financial assets	51,941	60,083	-8,142	-13.6	
Interest expenditure	-2,070,790	-1,790,014	-280,776	15.7	
Net interest income	**1,926,253**	**1,881,383**	**44,870**	**2.4**	
Commission income lending business	7,294	4,985	2,309	46.3	
Commission income securities and investment business	186,162	214,614	-28,452	-13.3	
Commission income other service transactions	137,981	131,596	6,385	4.9	
Commission expenditure	-101,717	-107,805	6,088	-5.6	
Net income from commission business and service transactions	**229,720**	**243,390**	**-13,670**	**-5.6**	**19**
Net trading income	**108,311**	**111,807**	**-3,496**	**-3.1**	**20**
Income from sale of financial assets	789	979	-190	-19.4	
Income from participating interests	35,660	34,400	1,260	3.7	21
Income from real estate	18,297	17,786	511	2.9	
Other ordinary income	14,184	8,539	5,645	66.1	
Other ordinary expenditure	-6,514	-1,254	-5,260	419.5	
Other ordinary result	**62,416**	**60,450**	**1,966**	**3.3**	
Operating income	**2,326,700**	**2,297,030**	**29,670**	**1.3**	
Personnel expenditure	-962,434	-880,246	-82,188	9.3	22
Operating expenditure	-480,819	-452,280	-28,539	6.3	23
Total operating expenditure	**-1,443,253**	**-1,332,526**	**-110,727**	**8.3**	
Gross profit	**883,447**	**964,504**	**-81,057**	**-8.4**	
Depreciation on fixed assets	-230,964	-139,539	-91,425	65.5	4
Value adjustments, provisions and losses	-10,853	-3,337	-7,516	225.2	
Operating profit (interim result)	**641,630**	**821,628**	**-179,998**	**-21.9**	
Extraordinary income	43,310	22,079	21,231	96.2	24
Extraordinary expenditure	-3,376	-4,365	989	-22.7	24
Taxes	-117,146	-138,014	20,868	-15.1	25
Group profit	**564,418**	**701,328**	**-136,910**	**-19.5**	

* Time deposits of 1,113,076,000 Swiss francs previously reported under "Other liabilities to clients" are now recorded in the balance sheet under "Medium-term notes".

Cash Flow Statement 2008

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Group profit	564,418	–	701,328	–
Depreciation on fixed assets	230,964	–	139,539	–
Value adjustments and provisions	99,407	158,296	134,920	206,240
Prepaid expenses	40,183	–	–	17,858
Deferred income	–	1,142	138,388	–
Interest paid on share certificates for prior year	–	25,611	–	23,637
Balance	**749,923**	**–**	**866,440**	**–**
Cash flow from equity capital transactions				
Net change in equity capital	37,736	–	38,445	–
Balance	**37,736**	**–**	**38,445**	**–**
Cash flow from investment activities				
Participations	4,116	9,460	211	6,295
Real estate	27,936	184,853	26,151	126,427
Other tangible fixed assets/objects in finance leasing/other	4,864	192,426	13,131	154,734
Balance	**–**	**349,823**	**–**	**247,963**
Cash flow from banking activities				
Liabilities to banks	–	2,935,236	1,644,825	–
Liabilities to clients in the form of savings and investment deposits	6,612,725	–	–	1,424,114
Other liabilities to clients	560,399	–	4,881,469*	–
Medium-term notes	2,769,806	–	2,672,708*	–
Bonds	29,595	223,340	295,070	376,315
Mortgage bond loans	861,700	478,200	1,125,100	602,700
Other liabilities	785,216	–	78,326	–
Receivables from money market securities	5,675	–	405	–
Receivables from banks	–	264,739	–	968,550
Receivables from clients	68,576	–	–	270,972
Mortgage receivables	–	7,136,344	–	6,145,629
Trading portfolios in securities and precious metals	349,510	–	–	549,587
Financial assets	–	1,186,577	342,626	–
Other receivables	369,590	–	–	1,294,637
Liquid funds	–	626,192	–	64,947
Balance	**–**	**437,836**	**–**	**656,922**
Total origin of funds	**787,659**	**–**	**904,885**	**–**
Total use of funds	**–**	**787,659**	**–**	**904,885**

* Time deposits previously reported under "Other liabilities to clients" are now recorded in the balance sheet under "Medium-term notes".

Notes to the Consolidated Annual Accounts

Business activities
The 367 Raiffeisen banks in Switzerland, organized as co-operatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, investment funds and securities trading, leasing and consumer credit. These services are provided by Raiffeisen Switzerland, specialized companies within the Raiffeisen Group or cooperation partners.

The Raiffeisen banks are active in precisely defined, manageable business areas. Loans are predominantly made to members of cooperatives against collateral and to public bodies. The majority of loans are invested in residential properties. The Raiffeisen banks are prohibited by their Articles of Association from operating abroad.

The Raiffeisen banks are amalgamated into Raiffeisen Switzerland, which has its head office in St. Gallen. Raiffeisen Switzerland is responsible for strategic management and risk controlling for the entire Raiffeisen Group, as well as ensuring monetary settlement and liquidity maintenance. It also coordinates the activities of the entire Group and creates the framework conditions for the business operations of the local Raiffeisen banks (e.g. IT, infrastructure, refinancing), giving them advice and support in all issues so that they can focus on their core competence – providing advice and selling banking services. Raiffeisen Switzerland can enter into commitments abroad up to a risk-weighted maximum of 5% of the Raiffeisen Group's consolidated net assets, according to the risk-weighting factors stipulated by banking law.

Raiffeisen Switzerland also has six branches, with business activities and services in line with those of the Raiffeisen banks.

As at 31 December 2008, the number of people employed by the Raiffeisen Group – on a full-time equivalent basis – was 7,665 (previous year: 7,208).

Risk assessment
The Board of Directors has overall responsibility for risk management and risk control within the Raiffeisen Group. It defines risk policy and reviews it on an annual basis. It also defines the level of risk tolerance and overall limits on an annual basis.

The Board of Directors monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Directors risk report. This provides comprehensive information on the risk situation, capital adequacy, compliance with overall limits and any measures required. Monitoring focuses on credit risks in the bank and trading books, market risks in the bank and trading books, liquidity risks, operational risks, solidarity risks within the Raiffeisen Group (i.e. the risk of problems at individual Raiffeisen banks) and reputational risks.

The Board of Directors risk report is examined in depth by the Audit Committee of the Board of Directors. Drawing on this preparatory work, the Board of Directors reviews the findings of the Board of Directors risk report and its implications for risk strategy on a quarterly basis.

The Board of Directors carries out an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk Controlling's ICS appropriateness and effectiveness report and the reports produced by Internal Auditing.

The risk reports for the Board of Directors are prepared by Group Risk Controlling as an independent entity. The risk reports and any measures are discussed in detail in the preparatory meetings of the expanded Executive Board, which has the function of a risk committee.

Assessment of the risks in the Raiffeisen Group is based on a combination of quantitative and qualitative factors.

The key risks are thoroughly assessed both in terms of regulatory requirements and using economic models. Raiffeisen's risk models are based on cautious assumptions about distribution, confidence intervals, holding intervals and risk diversification. Its risk capital budgeting is geared to stress scenarios.

Credit risks are also considered at nominal values. Operational risks are assessed in terms of the probability of occurrence and loss potential. The appropriateness and effectiveness of control measures are incorporated in the assessment. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a risk event.

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

Risk management

The risks of the Raiffeisen Group with the Raiffeisen banks, Raiffeisen Switzerland and the Group companies are tied closely together.

Risk policy

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

Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that cannot be reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

Risk management process

The risk management process is valid for all risk categories, in other words for credit risks, market risks and operational risks. It incorporates the following components:

- Risk identification
- Risk measurement and assessment
- Risk management, for which the designated risk managers are themselves responsible within the defined limits
- Risk limitation, through the setting of appropriate limits
- Risk monitoring

The aim of the Raiffeisen Group's risk management systems is to

- ensure that effective controls are in place at all levels;
- ensure 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 an active, targeted and controlled manner;

- make the best possible use of risk tolerance, in other words to ensure that risks are only entered into if they offer suitable return potential.

Credit risks
The business units of the Raiffeisen Group – Raiffeisen banks, Raiffeisen Switzerland and Raiffeisen Leasing – manage their credit risk autonomously, though still in accordance with Group-wide standards.

Credit risks are chiefly incurred at the Raiffeisen banks. The majority of these risks derive from loans granted to one or more individuals or corporate clients. Corporate clients are mostly small companies that operate within the locality of the Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans.

Creditworthiness and solvency are assessed on the basis of Group-wide standards that are laid down in the lending policy. Sufficient creditworthiness and the ability to keep up 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. Creditworthiness is defined according to four risk categories, which are further refined using a points system. 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 individual value adjustments.

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments, Raiffeisen uses a carefully determined actual value, while calculations for multi-family units are based on the capitalized value and, where applicable, on the weighted market value. The capitalized value is used as the benchmark for commercial property. With commercial property for own use, this is based on the borrower's earnings power, taking into account any third-party utility value that could be obtained on the market. Different repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also on hand to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

The decentralized credit decision-making process and the extensive real estate expertise of the Raiffeisen banks in the context of their specific localities makes for a short approval procedure based on risk-oriented authority levels. Additional features of our credit risk approval process are a prudent lending limit policy and an approval procedure geared to levels of responsibility.

Throughout the entire duration of the credit facility, receivables are monitored continuously and ratings updated on a periodic basis in line with the relevant client type and collateral type. In the case of unsecured receivables, the periodic re-rating is performed within 12 months at the latest; the frequency for re-rating secured receivables depends on the type of collateral. The value of the collateral is reviewed at varying intervals according to its volatility on the market and the overall facility re-approved.

The standardized, Group-wide guidelines concerning the creation and reversal of individual value adjustments for default risks are set out in an internal directive. This stipulates how the liquidation value and individual value adjustments for any collateral that may exist should be calculated if there are indications that certain positions are impaired, non-performing or display a high number of rating points. Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) were 44 million Swiss francs or 0.04% of the average lending volume, which equates to 0.58% of average core capital.

Credit risks arise at the Central Bank and Branches departments of Raiffeisen Switzerland in the form of counterparty risks from dealings with commercial banks as well as institutional, corporate and private clients. External ratings are used as a basis for approving and monitoring business with other banks. Off-balance-sheet items such as derivative financial instruments are converted to their respective credit equivalent. In the year under review, the Raiffeisen Group concluded a netting agreement with various counterparties for off-balance-sheet receivables (for OTC transactions) and introduced a netting procedure.

Raiffeisen Switzerland monitors, controls and manages concentration risks 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 credit portfolio reporting. Monitoring 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. This analysis forms the basis for portfolio controlling measures, with the main focus being on controlling new business via the lending policy.

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific threshold limits have been put in place. Should one of these threshold values be reached, part of the decentralized credit authority is transferred to the Credit Office of Raiffeisen Switzerland. This process guarantees a well-diversified local credit portfolio even in a decentralized organization. No threshold values of this kind were reached in the period under review.

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2008 the Raiffeisen Group had no cluster risks that have to be reported under Swiss Federal Banking Commission (now Swiss Financial Market Supervisory Authority, FINMA) regulations.

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2008 was 678.3 million Swiss francs or 0.64% of loans to clients (previous year: 449.5 million Swiss francs or 0.46%).

Market risks

Group Risk Controlling, which reports to the Head of the Finance department, is responsible for the independent monitoring of market risks. This primarily involves monitoring compliance with statutory capital adequacy requirements and the position and sensitivity limits stipulated by the Board of Directors and the Executive Board. Group Risk Controlling also evaluates the risk situation on a regular basis as part of the reporting process.

As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. As a result, up-to-date procedures are in place to measure the risk in the bank book associated with fluctuating interest rates. In particular, these display variable positions based on a model that optimally replicates historical interest rate fluctuations with money and capital market rates. Decisions regarding the assignment of funds are taken on a decentralized basis; in other words the Central Bank, the branches of Raiffeisen Switzerland and the Raiffeisen banks manage their bank books themselves. The Treasury of the Central Bank department of Raiffeisen Switzerland is the Group-wide binding counterparty for refinancing and hedging transactions, which are implemented through deposits and loans. The relevant members of staff are required to adhere strictly

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2008	Ø 2008	31.12.2007	Ø 2007
Foreign exchange/ precious metals	4,265	6,531	7,252	14,860
Interest rate instrum.	44,890	46,412	44,396	41,579
Equities/indices	–	1,413	2,538	2,548
Total	**49,155**	**54,356**	**54,186**	**58,986**

From 1 July 2007 capital adequacy requirements have been calculated in accordance with Basel II

to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with limits and reports on this daily for Raiffeisen Switzerland and monthly for the Raiffeisen banks, while also assessing the risk situation. In addition, the potential impact of interest rate risk on the market value of equity capital and on profitability is measured with the aid of scenario analyses and stress tests and included in risk reporting.

Because assets in a foreign currency are generally refinanced in the same currency (a matched book approach), foreign currency risks are largely avoided. However, foreign currency positions and the associated risks may arise in the bank book through interest cash flows in foreign currencies, which will affect the balance sheet amount in the relevant currency. This risk is also subject to a sensitivity limit. Group Risk Controlling monitors compliance with this limit on a daily basis.

Trading & Sales, part of the Central Bank department, is responsible for managing the Central Bank trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. The Central Bank trades in interest rates, currencies, equities and banknotes/precious metals. It must adhere strictly to the sensitivity, concentration and loss limits set by the Board of Directors; these are monitored by Group Risk Controlling on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the profits achieved in trading and regularly reviews the valuation parameters used to produce profit and loss figures for trading. Derivative financial instruments are traded only by experienced dealers. Trading & Sales works with both standardized and over-the-counter (OTC) derivatives for its own and its clients' account.

Liquidity risks are controlled using commercial criteria and monitored by Treasury and Group Risk Controlling in accordance with banking law.

Reporting on compliance with sensitivity and position limits and the assessment of the risk situation by Group Risk Controlling are primarily conducted via three media:

- Weekly interest rate risk report to the CEO in line with FINMA Circular 2008/6
- Monthly risk report to the Executive Board
- Quarterly risk report to the Board of Directors

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 100.

Operational risks

At Raiffeisen, operational risk means the danger of losses arising as a result of the unsuitability or failure of internal procedures, people, IT systems, buildings and equipment, as a result of external events or through the interference of third parties. In addition to the financial impact, the Raiffeisen Group also takes into account the consequences of operational risks for reputation and compliance.

The Raiffeisen Group strives to avoid or reduce operational risks at the point where they arise. In the case of business-critical processes, emergency and catastrophe planning measures are in place to manage operational risks.

Each function within Raiffeisen is responsible for identifying and managing the operational risk arising as a result of 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. It is also in charge of the concepts, methods and instruments used to manage operational risks and monitors the risk situation and the implementation of risk reduction measures.

Group Risk Controlling carries out a systematic risk management process to identify, evaluate, manage and monitor operational risks via an annual cycle. As part of the annual risk assessment, operational risks are categorized by cause and impact and evaluated according to the frequency or probability of occurrence and the extent of damage. Risk management measures are defined, with the implementation of these measures monitored periodically by Group Risk Controlling. The results of the risk assessment are reported to the Executive Board and the Board of Directors of Raiffeisen Switzerland via an aggregated risk profile. The Executive Board and the Board of Directors of Raiffeisen Switzerland also receive quarterly updates on the extent to which measures have been implemented.

In addition to the standard risk management process, Group Risk Controlling also conducts ad hoc risk analyses where required, analyses any loss events arising and maintains close links with other organizational units which, as a result of their function, come into contact with information on operational risks within the Raiffeisen Group.

Outsourcing

The operation of the data communication network has been outsourced to Swisscom (Switzerland) Ltd. Furthermore, all of the Raiffeisen Group's securities administration activities as well as support services for asset management mandates are carried out by the Vontobel Group. All outsourc-ing services are provided in accordance with the provisions of FINMA Circular 2008/7.

Regulatory provisions

According to a ruling of 24 September 1997 by FINMA (formerly the Swiss Federal Banking Commission, SFBC), the Raiffeisen banks are exempted from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

The Raiffeisen Group has opted for the following approaches for calculating capital adequacy requirements:

Credit risks: Swiss standard approach using the following external ratings:

		Issuer/issue rating		
Client category	**ERG**	**S&P**	**Fitch**	**Moody's**
Central governments/ central banks	X	X	X	X
Public bodies	–	X	X	X
Banks/securities dealers	–	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
- Other assets

Market risks: Standard approach as before

Operational risks: Basic indicator approach
As the capital adequacy requirements for operational risks exceed 100 million Swiss francs, the same qualitative requirements applicable to banks that have opted for the standard approach also apply to the Raiffeisen Group with regard to operational risks.

Consolidation, accounting and valuation principles

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus related ordinance) and the guidelines and directives of FINMA. The detailed positions shown for a balance sheet item are valued individually. The consolidated annual accounts represent a true and fair view of the Raiffeisen Group's assets, finances and earnings.

Principles of consolidation

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on them. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 367 Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidation scope and method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, the Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation) and Raiffeisen Leasing.

Under the full consolidation method, the assets and liabilities, off-balance-sheet transactions, and income and expenses are all recorded in full. Capital is consolidated according to the purchase method. All material amounts receivable and payable, off-balance-sheet transactions, and income and expenses between consolidated companies are offset. Material intercompany profits are not made and are therefore ignored in the consolidation. Minority interests of between 20% and 50% are consolidated according to the equity method. Holdings of less than 20%, those with little materiality in terms of capital or income and those of a non-strategic nature are not consolidated but are instead accounted for at acquisition cost, less any operationally required depreciation.

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

Accounting and valuation principles

Recording of business events
All business transactions that have been concluded by the balance sheet date are recorded on a same-day basis and valued in the balance sheet and the profit and loss account in accordance with the relevant valuation principles. Spot transactions that have been concluded but not yet settled are reported as per the trade date.

Foreign currencies
Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses arising from this valuation are reported under “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, amounts due from money market securities and borrowed funds
These are reported at the nominal value or acquisition cost. Discounts not yet earned on money market securities and discounts and premiums on the Group’s own bond and mortgage bond issues are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables
These are reported at the nominal value. Interest income is reported on an accruals basis. Receivables are deemed to be impaired where the Group believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired receivables – and any collateral that may exist – are valued on the basis of the liquidation value. Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realizable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realized, full provision is made for the unsecured portion.

Interest and related commission that have been due for more than 90 days are deemed to be non-performing. In the case of current account overdrafts, interest and commission 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 commission are no longer recognized as income but reported directly under “Value adjustments and provisions”. A receivable is written off at the latest when completion of the realization process has been confirmed by legal title. However, impaired receivables are reinstated as fully performing (i.e. the value adjustment is reversed) if the outstanding principal amounts and interest are paid in time in accordance with the contractual obligations and if additional creditworthiness criteria are fulfilled.

All value adjustments are reported under "Value adjustments and provisions".

Securities lending and borrowing
Securities lending transactions are reported at the value of the cash collateral received or issued, including accrued interest. Securities which are borrowed or are received as collateral are only reported in the balance sheet if the Raiffeisen Group takes control of the contractual rights associated with them. Securities which are loaned or are provided as collateral are only removed from the balance sheet if the Raiffeisen Group forfeits the contractual rights associated with them. The market values of the borrowed and loaned securities are monitored daily so that any additional collateral can be provided or requested as necessary. Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis.

Repurchase and reverse repurchase transactions
Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including

accrued interest. Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights associated with them is transferred. The market values of the received or delivered securities are monitored daily so that any additional collateral can be provided or requested as necessary. Interest income from reverse repurchase transactions and interest expenditure from repurchase transactions are accrued over the term of the underlying transaction.

Trading portfolios in securities and precious metals
Trading portfolios are valued on a fair value basis. 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 realized during the period in question are reported under "Net trading income". This also applies to interest and dividends on trading portfolios. The funding costs for holding trading positions are charged to trading profits and credited to interest income.

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 securities 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 securities are valued at the lower of cost or market.

Real estate and holdings acquired through the loans business that are intended for disposal are reported under "Financial assets" and valued at the lower of cost or market, i.e. the lower of the acquisition value and the liquidation value.

Precious metals held to cover liabilities under precious metals accounts are valued at their market value on the balance sheet date. If a fair value is unavailable, they are valued at the lower of cost or market.

Non-consolidated participations
Non-consolidated participations include minority holdings of between 20% and 50%, which are valued according to the equity method. The balance sheet item also includes holdings of less than 20% and all holdings of an infrastructural nature. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required depreciation.

Tangible fixed assets
Tangible fixed assets are reported at acquisition cost plus value-enhancing investments and depreciated on a straight-line basis over their estimated useful life, as follows: immaterial investments are booked directly to the profit and loss account, large-scale, value-enhancing renovations are capitalized, while repairs and maintenance are booked directly to the profit and loss account.

Buildings under construction are not depreciated until they come into use. Undeveloped building land is not depreciated.

The value of tangible fixed assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is booked under "Depreciation on fixed 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.

Real estate	maximum 66 years
Alterations and fixtures in rented premises	maximum 15 years
Software, IT hardware	maximum 3 years
Furniture and fixtures	maximum 8 years
Other tangible fixed assets	maximum 5 years

Intangible assets

Goodwill: If the cost of acquiring a company is higher than the value of the net assets acquired based on standard Group accounting guidelines, the difference is reported as goodwill. Goodwill is amortized on a straight-line basis over its estimated useful life. The amortization period is usually five years. In justifiable cases, it may be as high as 20 years.

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

The value of intangible assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is booked under "Depreciation on fixed 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.

Value adjustments and provisions
Individual value adjustments and provisions are created on a prudential basis for all risks identified at the balance sheet date.

Taxes
Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 20.3% (previous year: 20.8%) was calculated on untaxed reserves and reported as a provision for deferred taxation.

Contingent liabilities, irrevocable undertakings, 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
The replacement values of individual contracts for derivative financial instruments are reported gross, together with the contract volume, under "Off-balance-sheet business" and in the notes.

Reporting: The replacement values of all contracts concluded on the Group's own account are reported, regardless of their profit and loss account treatment. The replacement values of exchange-traded contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. The replacement values of over-the-counter contracts concluded on a commission basis are always reported.

All Treasury hedging transactions are concluded via the trading book; as such, Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments by external counterparty" table in the notes under "Open derivative financial instruments" on pages 122/123).

Treatment in the profit and loss account: The derivative financial instruments recorded in the trading book are valued on a fair value basis if they are traded on an exchange or if a representative market exists. If this requirement is not met, the principle of the lower of cost or market is applied.

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 realization of contracts are accrued over their remaining lives.

Changes from prior year
The depreciation principles that apply to buildings under construction and to undeveloped building land were formally included in the accounting and valuation principles for the first time.

Events after the balance sheet date
No material events occurred between the balance sheet date (31 December 2008) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the Balance Sheet

1 Overview of collateral for loans and off-balance-sheet business

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	2,510,388	699,995	3,949,304	7,159,687
Mortgage loans				
Residential property	93,436,716	–	117,132	93,553,848
Office and business premises	2,210,457	–	27,021	2,237,478
Trade and industry	2,210,284	–	19,790	2,230,074
Other	3,291,879	–	121,713	3,413,592
Total loans				
Current year	**103,659,724**	**699,995**	**4,234,960**	**108,594,679**
Prior year	96,344,026	667,123	4,515,762	101,526,911
Off-balance-sheet business				
Contingent liabilities	51,433	105,047	176,992	333,472
Irrevocable commitments	2,607,147	99,219	1,150,882	3,857,248
Call commitments and additional funding obligations	–	–	37,778	37,778
Total off-balance-sheet business				
Current year	**2,658,580**	**204,266**	**1,365,652**	**4,228,498**
Prior year	2,434,437	160,651	1,001,527	3,596,615

* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realization of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	**1,328,588**	**928,345**	**400,243**	**384,782**
Prior year	1,437,272	990,639	446,633	433,432

The difference between the net amount borrowed and the specific value adjustments 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.

2 Breakdown of trading portfolios in securities and precious metals, financial assets and non-consolidated participations

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	181,354	577,655
non-stock exchange listed	–	–
Shares	–	6,598
Precious metals	159,292	105,903
Total trading portfolios in securities and precious metals	**340,646**	**690,156**
of which securities for repo transactions in line with liquidity requirements	134,631	372,521

* stock exchange listed = traded on a recognized stock exchange

	Book value current year in 1000 CHF	Book value prior year in 1000 CHF	Fair value current year in 1000 CHF	Fair value prior year in 1000 CHF
Financial assets				
Debt instruments	3,327,534	2,109,418	3,396,022	2,099,911
of which intended to be held until maturity	3,327,534	2,109,418	3,396,022	2,099,911
of which valued at the lower of cost or market	–	–	–	–
Shares	26,039	31,537	26,039	37,611
Precious metals	–	26,519	–	26,519
Real estate	37,450	36,972	43,646	40,524
Total financial assets	**3,391,023**	**2,204,446**	**3,465,707**	**2,204,565**
of which securities for repo transactions in line with liquidity requirements	3,241,710	2,038,916	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	257,983	329,284
without a market value	81,341	76,220
Total non-consolidated participations	**339,324**	**405,504**

3 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Switzerland Cooperative	St. Gallen	Central bank, association services	360,000	100.0	100.0
Raiffeisen Guarantee Cooperative[1]	St. Gallen	Guarantee cooperative	–	–	100.0
Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation)	St. Gallen	Issuer	19,086	100.0	100.0
of which not paid up			19,086		
Raiffeisen Finanzierungs AG[2]	St. Gallen	Finance company	–	–	100.0
Raiffeisen Leasing	St. Gallen	Leasing company	2,566	100.0	100.0
3.2 Holdings valued according to the equity method					
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd	Zurich	Mortgage bond bank	300,000	22.5	21.3
of which not paid up			168,000		
3.3 Other non-consolidated participations					
Aduno Holding Ltd	Opfikon	Financial services	20,000	19.0	19.0
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	6.0	–
Helvetia Holding Ltd	St. Gallen	Financial services	865	4.0	4.0
SIX Group Ltd[3]	Zurich	Financial services	19,522	1.2	4.0

1) The Raiffeisen Guarantee Cooperative was merged with Raiffeisen Switzerland as of 1 July 2008.

2) Raiffeisen Finanzierungs AG was sold to Aduno Holding Ltd as of 1 January 2008.

3) The prior year voting share and equity interest relates to the participation in Telekurs Holding Ltd.

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative deprec./amort. & value adjust-ments (equi-ty method) in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/ reclass-ifications in 1000 CHF	Current year investment in 1000 CHF	Current year disinvestment in 1000 CHF	Current year depreci-ation/amor-tization in 1000 CHF	Current year value adjust-ments on holdings val. acc. to equi-ty method in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations									
Holdings valued according to the equity method	26,994	33,242	60,236	–	3,187	–	–	4,900	68,323
Other holdings	356,229	-10,961	345,268	–	1,373[1]	-4,116	-71,524	–	271,001
Total non-consolidated participations	**383,223**	**22,281**	**405,504**	**–**	**4,560**	**-4,116**	**-71,524**	**4,900**	**339,324**
Tangible fixed assets									
Real estate									
Bank buildings	1,555,130	-316,493	1,238,637	-4,606	135,179	-16,246	-28,412	–	1,324,552
Other real estate	315,125	-80,269	234,856	-11,628	49,674	-11,690	-6,423	–	254,789
Other tangible fixed assets	859,832	-573,602	286,230	16,207	162,009	-4,611[2]	-103,123	–	356,712
Objects in finance leasing	43	-23	20	–	119	–	-10	–	129
Other	90,375	-59,004	31,371	27	30,298	-253[3]	-21,472	–	39,971
Total tangibles	**2,820,505**	**-1,029,391**	**1,791,114**	**–**	**377,279**	**-32,800**	**-159,440**	**–**	**1,976,153**

1) The investment figure includes an appreciation gain of 1.1 million Swiss francs relating to a participation, which was booked to extraordinary income.

2) of which -0.5 million Swiss francs from the sale of Raiffeisen Finanzierungs AG

3) of which -0.2 million Swiss francs from the sale of Raiffeisen Finanzierungs AG

	in 1000 CHF
Value of real estate for fire insurance purposes	1,859,808
Value of other tangible fixed assets for fire insurance purposes	854,097
Liabilities: future leasing instalments from operational leasing	94

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	721,160	219,454
Equalization account	271,106	–
Clearing accounts for indirect taxes	1,162,690	2,319,883
Other clearing accounts	10,487	7,966
Employer contribution reserves with pension schemes	98,982	87,976
Miscellaneous other assets	10,441	9,177
Total other assets	**2,274,866**	**2,644,456**
Other liabilities		
Total replacement value	1,013,737	105,114
Equalization account	–	178,576
Due, unredeemed coupons and debt instruments	32,566	32,483
Levies, indirect taxes	284,742	232,665
Clearing accounts for social security and staff pension fund contributions	12,803	5,104
Other clearing accounts	34,017	29,934
Miscellaneous other liabilities	4,321	13,094
Total other liabilities	**1,382,186**	**596,970**

6.1 Assets pledged or assigned as security for own commitments and assets subject to reservation of title

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Mortgage receivables	8,079,075	6,027,200	7,310,483	5,632,195
Financial assets	1,020,429	435,626	1,393,838	559,395
Tangible fixed assets	1,800	1,800	800	800
Total pledged assets	**9,101,304**	**6,464,626**	**8,705,121**	**6,192,390**

6.2 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	7,618,847	9,305,074
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	4,852,250	3,916,090
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	501,349	563,893
for which the right to resell or pledge without restriction was granted	501,349	563,893
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repo transactions and which can be repledged or resold without restriction	7,721,547	9,402,058
of which repledged or resold securities	4,715,989	3,441,603

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund and/or the Raiffeisen Pension Plan. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 60 with a corresponding reduction in benefits. The Raiffeisen Pension Fund covers at least the mandatory benefits under the Swiss occupational pension law. The Raiffeisen Pension Plan exclusively covers supplementary benefits.

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. 11 Raiffeisen banks (prior year: 14) are insured outside the retirement benefit schemes of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

7.1 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Liabilities to clients in the form of savings and investment deposits	98,307	87,323
Other liabilities to clients	55,087	31,639
Accrued expenses and deferred income	70	223
Other liabilities (negative replacement values)	1,142	2,178
Total liabilities to own social insurance institutions	**154,606**	**121,363**

7.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for retirement benefit schemes outside the Raiffeisen Group (Others).

	Current year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF	Prior year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF
As at 1 January	87,323	653	87,976	71,229	564	71,793
+ Deposits	13,890	217	14,107	19,170	92	19,262
– Withdrawals	-4,855	-198	-5,053	-4,412	-8	-4,420
+ Interest paid*	1,949	3	1,952	1,336	5	1,341
As at 31 December	**98,307**	**675**	**98,982**	**87,323**	**653**	**87,976**

* Interest paid on the employer contribution reserves is recorded as interest income under “Other ordinary income”.

The employer contribution reserves correspond to the nominal value as calculated by the pension scheme. The individual employer contribution reserves of the affiliated companies cannot be offset against each other.

The balance of the employer contribution reserves is recorded in the balance sheet under “Other assets”. The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

7.3 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2008 in %	on 31.12.2007 in %
Raiffeisen Pension Fund	84.4	107.5
Raiffeisen Pension Plan	92.8	110.7

As a result of the difficult conditions on the financial markets, the above pension schemes of the Raiffeisen Group had insufficient cover as at 31 December 2008. The Board of Directors anticipates that, even with insufficient cover as defined by Swiss GAAP FER 16, there is currently no economic obligation for the affiliated employers for which allowance would have to be made in the balance sheet and the profit and loss account.

Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year in 1000 CHF
Pension expenditure according to separate financial statements	72,142	71,140
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-9,054	-14,842
Employer contributions reported on an accruals basis	**63,088**	**56,298**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension schemes	–	–
Pension expenditure of the Raiffeisen Group (see note 22 “Personnel expenditure”)	**63,088**	**56,298**

The employer contributions do not include any exceptional contributions to the pension schemes.

8 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of Raiffeisen Switzerland					
	1999	3.250	27.05.2009		250,000
	2001/02	4.000	02.02.2011		577,425
	2004	3.000	05.05.2014		400,000
	2006	3.125	30.05.2016		547,825
	2007	3.125	25.10.2012		249,580
	2007	3.140	18.10.2010		70,000
Total bonds of Raiffeisen Switzerland					**2,094,830**
Mortgage bond loans					
	var.	2.939	var.		5,851,650
Total mortgage bond loans					**5,851,650**
Total outstanding bonds and mortgage bond loans					**7,946,480**

9 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against P & L in 1000 CHF	Reversal of provisions against P & L in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	588,592	–	–	13,633	-19,909	582,316
Value adjustments and provisions for default risks (del credere and country risk)	433,432	-40,688*	6,591	75,302	-89,855	384,782
Value adjustments and provisions for other business risks	15,943	-3,169	–	3,881	-4,476	12,179
Restructuring provisions	199	-102	–	–	-97	–
Total value adjustments and provisions	**1,038,166**	**-43,959**	**6,591**	**92,816**	**-114,337**	**979,277**

* of which -3.3 million Swiss francs from the sale of Raiffeisen Finanzierungs AG

10 Evidence of equity capital

	Number of members	Nom. amount/share	in 1000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,443,841	–	298,615
Cooperative capital without additional funding obligation*			168,224
Total equity capital	**1,443,841**	**–**	**466,839**
Retained earnings			6,935,383
Total equity capital at the beginning of the year (before approp. of profits)	**1,443,841**	**–**	**7,402,222**
+ Payments from new cooperative members (with additional funding obligation)	146,244	200	29,249
	316	300	95
	362	400	145
	3,164	500	1,582
+ Payment of cooperative shares without additional funding obligation			18,869
+ Payments through increase in nominal capital			1,130
Total payments from new cooperative members	**150,086**	**–**	**51,070**
– Repayments to departing cooperative members	-43,728	200	-8,746
(with additional funding obligation)	-139	300	-42
	-123	400	-49
	-747	500	-374
– Repayment of cooperative shares without additional funding obligation			-4,123
Total repayments to departing cooperative members	**-44,737**	**–**	**-13,334**
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-25,611
+ Group profit in the current year			564,418
Total equity capital at the end of the current year (before approp. of profits)	**1,549,190**	**–**	**7,978,765**
of which cooperative capital with additional funding obligation	1,504,793	200	300,959
	5,325	300	1,598
	4,866	400	1,946
	34,206	500	17,103
of which cooperative capital without additional funding obligation			182,969
Total cooperative capital at the end of the current year	**1,549,190**	**–**	**504,575**
of which retained earnings			6,909,772
of which Group profit			564,418
Additional funding obligation of the cooperative members			**12,393,520**

* Only those cooperative members who have a share certificate with additional funding obligation may subscribe to cooperative capital without additional funding obligation. To avoid double counting, the number of members is shown only under the position "Cooperative capital with additional funding obligation".

Non-distributable statutory or legal reserves based on separate financial statements at 31 December 2008: 2,309,780,000 Swiss francs (prior year: 2,152,275,000 Swiss francs).

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

11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,829,010	–	–	–	–	–	1,829,010
Receivables from money market sec.	4,553	–	–	–	–	–	4,553
Receivables from banks	278,169	–	11,534,510	692,450	100,000	–	12,605,129
Receivables from clients	46,866	4,123,241	342,838	635,945	1,570,616	440,181	7,159,687
Mortgage receivables	60,527	45,357,736	3,067,928	7,530,836	35,765,859	9,652,106	101,434,992
Trading portfolios in securities and precious metals	340,646	–	–	–	–	–	340,646
Financial assets*	156,893	–	110,350	577,000	1,748,990	797,790	3,391,023
Total current assets							
Current year	**2,716,664**	**49,480,977**	**15,055,626**	**9,436,231**	**39,185,465**	**10,890,077**	**126,765,040**
Prior year	3,654,462	43,984,829	14,183,222	12,578,330	33,699,516	9,874,590	117,974,949
Outside debt							
Liabilities to banks	3,419,485	–	1,856,662	728,401	2,406,004	85,000	8,495,552
Liabilities to clients in the form of savings and investment deposits	–	67,492,483	–	–	–	–	67,492,483
Other liabilities to clients	8,059,166	105,896	5,983,641	3,113,089	765,433	298,443	18,325,668
Medium-term notes	–	–	1,347,069	3,552,659	12,548,638	831,281	18,279,647
Bonds and mortgage bond loans	–	–	–	745,850	3,549,905	3,650,725	7,946,480
Total outside debt							
Current year	**11,478,651**	**67,598,379**	**9,187,372**	**8,139,999**	**19,269,980**	**4,865,449**	**120,539,830**
Prior year	7,667,952	60,924,039	14,664,537	6,815,519	18,593,147	4,677,187	113,342,381

* The financial assets include 37,450,000 Swiss francs of real estate (prior year: 36,972,000 Swiss francs).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors of Raiffeisen Switzerland	8,889	10,196
Members of the Executive Board of Raiffeisen Switzerland	18,262	20,533
Total loans to executive bodies and employees	**27,151**	**30,729**

12.2 Transactions with associated persons

The same procedures regarding processing and supervision apply to loans to executive bodies as to other loans. The same conditions apply to members of the Board of Directors as to clients. The Executive Board enjoys the same industry-standard preferential terms as other staff.

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	1,811,483	17,527	1,195,081	7,737
Receivables from money market securities	4,553	–	10,228	–
Receivables from banks	1,670,935	10,934,194	3,945,008	8,395,382
Receivables from clients	7,112,875	46,812	7,186,993	41,270
Mortgage receivables	101,434,992	–	94,298,648	–
Trading portfolios in securities and precious metals	229,263	111,383	483,163	206,993
Financial assets	3,121,827	269,196	1,988,344	216,102
Non-consolidated participations	335,413	3,911	401,593	3,911
Tangible fixed assets	1,976,153	–	1,791,114	–
Accrued income and prepaid expenses	219,481	–	259,664	–
Other assets	1,728,155	546,711	2,535,846	108,610
Total assets	**119,645,130**	**11,929,734**	**114,095,682**	**8,980,005**
Liabilities				
Liabilities to banks	4,714,317	3,781,235	5,883,710	5,547,078
Liabilities to clients in the form of savings and investment deposits	66,003,816	1,488,667	59,552,970	1,326,788
Other liabilities to clients	17,781,094	544,574	17,410,410*	354,859*
Medium-term notes	18,236,377	43,270	15,498,046*	11,795*
Bonds and mortgage bond loans	7,946,480	–	7,756,725	–
Accrued expenses and deferred income	694,806	–	695,948	–
Other liabilities	552,410	829,776	572,242	24,728
Value adjustments and provisions	977,835	1,442	1,037,153	1,013
Cooperative capital	504,575	–	466,839	–
Retained earnings	6,909,772	–	6,234,055	–
Group profit	564,418	–	701,328	–
Total liabilities	**124,885,900**	**6,688,964**	**115,809,426**	**7,266,261**

* Time deposits of 1,113,076,000 Swiss francs previously reported under "Other liabilities to clients" are now recorded in the balance sheet under "Medium-term notes".

14 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Switzerland	119,645,130	90.94	114,095,682	92.70
Rest of Europe	11,740,645	8.92	8,812,865	7.16
Rest of world (America, Asia, Oceania, Africa)	189,089	0.14	167,140	0.14
Total assets	**131,574,864**	**100.00**	**123,075,687**	**100.00**

15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	1,655,431	140,834	10,776	21,969	1,829,010
Receivables from money market securities	3,912	435	140	66	4,553
Receivables from banks	10,253,243	1,996,728	259,827	95,331	12,605,129
Receivables from clients	7,139,269	18,863	1,338	217	7,159,687
Mortgage receivables	101,434,992	–	–	–	101,434,992
Trading portfolios in securities and precious metals	173,147	8,208	–	159,291	340,646
Financial assets	3,391,023	–	–	–	3,391,023
Participations	335,633	3,691	–	–	339,324
Tangible fixed assets	1,976,153	–	–	–	1,976,153
Accrued income and prepaid expenses	219,481	–	–	–	219,481
Other assets	2,274,334	–	–	532	2,274,866
Total assets reflected in the balance sheet	**128,856,618**	**2,168,759**	**272,081**	**277,406**	**131,574,864**
Delivery claims under spot exchange, forward exchange and currency option contracts	492,531	453,261	441,181	81,753	1,468,726
Total assets	**129,349,149**	**2,622,020**	**713,262**	**359,159**	**133,043,590**
Liabilities					
Liabilities to banks	7,399,158	983,099	78,782	34,513	8,495,552
Liabilities to clients in the form of savings and investment deposits	67,022,955	469,502	–	26	67,492,483
Other liabilities to clients	16,974,166	943,165	223,922	184,415	18,325,668
Medium-term notes	18,279,647	–	–	–	18,279,647
Bonds and mortgage bond loans	7,946,480	–	–	–	7,946,480
Accrued expenses and deferred income	694,806	–	–	–	694,806
Other liabilities	1,382,186	–	–	–	1,382,186
Value adjustments and provisions	979,277	–	–	–	979,277
Cooperative capital	504,575	–	–	–	504,575
Retained earnings	6,909,772	–	–	–	6,909,772
Group profit	564,418	–	–	–	564,418
Total liabilities reflected in the balance sheet	**128,657,440**	**2,395,766**	**302,704**	**218,954**	**131,574,864**
Delivery obligations under spot exchange, forward exchange and currency option contracts	789,653	154,900	399,719	124,454	1,468,726
Total liabilities	**129,447,093**	**2,550,666**	**702,423**	**343,408**	**133,043,590**
Net position per currency	**-97,944**	**71,354**	**10,839**	**15,751**	**–**

	31.12.2008	31.12.2007
Foreign currency conversion rates		
EUR	1.489	1.657
USD	1.056	1.127

Information on Off-Balance-Sheet Business

16 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	161,338	151,030
Warranty bonds	67,383	64,861
Other contingent liabilities	104,751	57,138
Total contingent liabilities	**333,472**	**273,029**

17 Open derivative financial instruments

17.1 Trading instruments with internal and external counterparties

	Positive contract replace-ment value in 1000 CHF	Negative contract replace-ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Futures contracts incl. FRAs	30,808	33,050	14,350,000	750,000	–	15,100,000
Swaps	1,130,422	1,134,959	56,268,200	33,082,500	12,488,000	101,838,700
Options (OTC)	20	48	48,145	40,491	–	88,635
Foreign currencies						
Futures contracts	54,379	53,677	1,004,175	157	–	1,004,332
Comb. interest rate/currency swaps	19,855	19,840	27,657	597,816	–	625,473
Precious metals						
Futures contracts	3,018	3,670	158,506	–	–	158,506
Total						
Current year	**1,238,501**	**1,245,245**	**71,856,682**	**34,470,963**	**12,488,000**	**118,815,646**
Prior year	282,376	278,284	26,538,871	16,578,471	10,011,247	53,128,589

17.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	231,508	497,486	6,175,000	11,220,000	4,910,000	22,305,000
Foreign currencies						
Comb. interest rate/currency swaps	–	19,855	13,424	284,481	–	297,904
Total						
Current year	**231,508**	**517,341**	**6,188,424**	**11,504,481**	**4,910,000**	**22,602,904**
Prior year	173,170	62,922	5,414,778	6,892,277	4,385,000	16,692,055

17.3 Derivative financial instruments with external counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	717,343	1,010,126	65,398,813	22,910,868	7,578,000	95,887,681
Clients	3,817	3,611	269,041	31,647	–	300,688
Stock exchanges						–
Total						
Current year	**721,160**	**1,013,737**	**65,667,854**	**22,942,515**	**7,578,000**	**96,188,369**
Prior year	219,454	105,114	21,124,093	9,686,194	5,626,247	36,436,534

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 93.8% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor’s) or with a comparable rating.

Clients: In transactions with clients the required margins were secured by assets or free credit lines.

18 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	24,888	160,249	21,977	13,085	220,199
Total fiduciary transactions	**24,888**	**160,249**	**21,977**	**13,085**	**220,199**
Prior year	101,397	174,325	47,383	13,724	336,829

Information on the Profit and Loss Account

19 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
Commission income		
Commission income from lending business	7,294	4,985
Commission income from securities and investment business		
Fund business	71,219	75,502
Custody account business	42,548	42,181
Brokerage	53,047	67,906
Other securities and investment business	19,348	29,025
Commission income from other service transactions		
Payments	88,877	81,965
Account maintenance	30,095	29,832
Other service transactions	19,009	19,799
Total commission income	**331,437**	**351,195**
Commission expenditure		
Securities business	-48,052	-36,040
Payments	-47,029	-47,501
Other commission expenditure	-6,636	-24,264
Total commission expenditure	**-101,717**	**-107,805**
Total net income from commission business and service transactions	**229,720**	**243,390**

20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	46,829	47,296
Precious metals and foreign notes and coins trading	31,431	33,382
Equities trading	17,331	20,537
Fixed income trading	12,720	10,592
Total net trading income	**108,311**	**111,807**

21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	6,141	5,996
Other non-consolidated holdings	29,519	28,404
Total income from participating interests	**35,660**	**34,400**

22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	21,371	18,427
Salaries and bonuses for staff	779,671	720,637
AHV, IV, ALV and other statutory contributions	70,858	62,319
Contributions to staff pension funds	63,088	56,298
Ancillary staff expenses	27,446	22,565
Total personnel expenditure	**962,434**	**880,246**

23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	69,936	63,965
Cost of computer equipment, machinery, furniture, vehicles and other equipment	124,869	107,140
Other operating expenditure	286,014	281,175
Total operating expenditure	**480,819**	**452,280**

24 Extraordinary income and expenditure

Current year

The extraordinary income of 43.3 million Swiss francs includes 15.1 million Swiss francs from reversals of value adjustments and releases of provisions for default risks and other business risks as well as income of 21.6 million Swiss francs from the sale of tangible fixed assets and participations and 1.1 million Swiss francs from appreciation on participations.

The extraordinary expenditure of 3.4 million Swiss francs includes losses of 2.1 million Swiss francs from the sale of tangible fixed assets.

Prior year

The extraordinary income of 22.1 million Swiss francs includes 13.3 million Swiss francs from reversals of value adjustments and releases of provisions for default risks and other business risks as well as income of 3.7 million Swiss francs from the sale of tangible fixed assets.

The extraordinary expenditure of 4.4 million Swiss francs includes losses of 3.1 million Swiss francs from the sale of tangible fixed assets.

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Release of provisions for deferred taxes	-6,276	-21,785
Expenditure for current income tax	123,422	159,799
Total tax expenditure	**117,146**	**138,014**

Report of the statutory auditor

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Report of the statutory auditor
for the Raiffeisen Group's consolidated annual accounts
to the Board of Directors of the
Raiffeisen Switzerland Cooperative, St. Gallen

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 92 to 125), for the year ended on 31 December 2008.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended on 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

Report on other legal requirements

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

In accordance with article 906 CO in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Beat Rütsche	Stefan Keller Wyss
Audit expert	Audit expert
Auditor in charge	

St. Gallen, 25 March 2009

Information on capital adequacy situation as at 31 December 2008

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. This information cannot be directly compared with that provided in the consolidated accounts, which is in line with the accounting requirements for banks laid down in FINMA Circular 2008/2. The scope of consolidation relevant for capital adequacy calculations is the same as that applied for accounting purposes (see chart on page 60).

Mandatory and eligible capital

	Current year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Mandatory capital				
Credit risks (Swiss standard approach)				
Receivables from banks	1,270,455	101,636	854,465	68,357
Receivables from clients	3,813,054	305,044	3,884,489	310,759
Mortgage receivables	41,922,289	3,353,783	39,064,114	3,125,129
Accrued income and prepaid expenses	175,277	14,022	224,080	17,926
Other assets, total replacement value of derivatives	272,175	21,774	59,511	4,761
Other assets, miscellaneous	93,610	7,489	33,466	2,677
Net interest positions outside trading book	465,663	37,253	392,531	31,402
Net equity positions outside trading book	78,055	6,244	105,176	8,414
Contingent liabilities	182,753	14,620	134,930	10,794
Irrevocable commitments	1,251,023	100,082	1,105,469	88,438
Call commitments and additional funding obligations	94,323	7,546	100,303	8,024
Add-ons for forward contracts and options purchased	36,857	2,949	31,224	2,498
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		**3,972,443**		**3,679,181**
Non-counterparty-related risks				
Tangible fixed assets and software	6,746,914	539,753	5,962,435	476,995
Real estate in financial assets	140,437	11,235	138,646	11,092
Mandatory capital for non-counterparty-related risks		**550,988**		**488,086**
Market risks (standard approach)				
Interest rate instruments – general market risk		41,332		36,991
Interest rate instruments – specific risk		3,558		7,394
Equity instruments		–		2,538
Foreign currencies and gold		10,724		17,994
Other precious metals		2,625		1,539
Options		1		11
Mandatory capital for market risks		**58,240**		**66,467**
Mandatory capital for operational risks (basic indicator approach)		**339,169**		**325,749**
Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)		**-129**		**-1,402**
Total mandatory capital		**4,920,711**		**4,558,081**

Continued on page 129

	Current year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Available capital				
Total core capital		7,951,477		7,376,653
of which innovative core capital instruments		–		–
– proportional deduction for participations in the financial area[2]		-169,391		-200,425
Eligible adjusted core capital		**7,782,086**		**7,176,228**
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		3,975,738		3,688,326
– proportional deduction for participations in the financial area[2]		-169,391		-200,425
Eligible supplementary capital		**3,806,347**		**3,487,901**
Total eligible capital		**11,588,433**		**10,664,129**
Equity surplus		6,667,722		6,106,048
Equity cover		235.5%		234.0%
Core capital ratio		12.7%		12.6%
Total capital ratio		18.8%		18.7%

* The major participations pursuant to note 3.2 “Holdings valued according to the equity method” and note 3.3 “Other non-consolidated participations” as well as the holding in Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are deducted fifty-fifty from the adjusted core capital and supplementary capital in order to calculate the mandatory capital.

Credit risk by counterparty

Loan commitments (in 1000 CHF)[1]	Central governments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit-ments	Total
Balance sheet items								
Receivables from banks	82,015	12,523,114	–	–	–	–	–	12,605,129
Receivables from clients	14,489	159,713	3,103,433	191,254	3,690,798	–	–	7,159,687
Mortgage receivables	96,331	112,410	50,669	503,476	100,672,106	–	–	101,434,992
Interest and equity positions outside trading book	1,667,709	290,172	137,738	1,231,915	–	26,581	4,553	3,358,668
Replacement values of derivatives[2]	–	717,343	–	1,099	2,718	–	–	721,160
Other assets	1,162,665	455,499	13	–	155,009	–	–	1,773,186
Total current year	**3,023,209**	**14,260,839**	**3,291,853**	**1,927,744**	**104,518,043**	**26,581**	**4,553**	**127,052,822**
Total prior year	3,472,601	4,258,251	3,514,698	1,278,484	14,520,631	37,438	42,662	118,960,938
Off-balance-sheet items[3]								
Contingent liabilities	291	23,401	1,984	25,146	231,822	–	–	282,644
Irrevocable commitments	8	2,951	539,265	1,551	1,229,261	–	–	1,773,036
Call commitments and additional funding obligations	–	–	–	94,323	–	–	–	94,323
Add-ons for forward contracts and options purchased[2]	–	87,358	–	1,284	864	–	–	89,506
Total current year	**299**	**113,710**	**541,249**	**122,304**	**1,461,947**	**–**	**–**	**2,239,509**
Total prior year	665	138,680	350,618	166,252	1,257,542	–	–	1,913,757

Credit risk/minimization of credit risk

Loan commitments (in 1000 CHF)[1]	Covered by recognized finan-cial securities[4]	Covered by guarantees and credit derivatives	Other loan commitments	Total
Balance sheet items				
Receivables from banks	7,599,240	–	5,005,889	12,605,129
Receivables from clients	227,254	170,730	6,761,703	7,159,687
Mortgage receivables	184,496	149,633	101,100,863	101,434,992
Interest and equity positions outside trading book	–	–	3,358,668	3,358,668
Replacement values of derivatives[2]	–	–	721,160	721,160
Other assets	–	–	1,773,186	1,773,186
Total current year	**8,010,990**	**320,363**	**118,721,469**	**127,052,822**
Total prior year	9,699,162	281,116	108,980,660	118,960,938
Off-balance-sheet items[3]				
Contingent liabilities	62,572	11,332	208,740	282,644
Irrevocable commitments	17,466	1,162	1,754,408	1,773,036
Call commitments and additional funding obligations	–	–	94,323	94,323
Add-ons for forward contracts and options purchased[2]	–	–	89,506	89,506
Total current year	**80,038**	**12,494**	**2,146,977**	**2,239,509**
Total prior year	65,662	14,656	1,833,439	1,913,757

Segmentation of credit risks

Loan commitments (in CHF m)[1]	Risk weightings under supervisory law 0%	25%	35%	50%	75%	100%	125%	150%	250%	500%	Total
Balance sheet items											
Receivables from banks	7,681	4,766	–	158	–	–	–	–	–	–	12,605
Receivables from clients	199	102	1,980	3,083	820	902	1	73	–	–	7,160
Mortgage receivables	206	60	84,141	4,234	9,568	2,640	0	586	–	–	101,435
Interest and equity positions outside trading book	1,668	1,551	–	71	–	42	–	–	22	5	3,359
Replacement values of derivatives[2]	–	377	–	316	24	4	–	–	–	–	721
Other assets	1,163	455	–	–	–	155	–	–	–	–	1,773
Total current year	**10,917**	**7,314**	**86,121**	**7,862**	**10,412**	**3,740**	**1**	**659**	**22**	**5**	**127,053**
Total prior year	7,311	4,151	79,838	7,738	9,714	3,841	3,743	674	33	5	118,961
Off-balance-sheet items[3]											
Contingent liabilities	55	15	25	4	47	136	–	1	–	–	283
Irrevocable commitments	17	541	147	2	12	1,054	–	–	–	–	1,773
Call commitments and additional funding obligations	–	–	–	–	–	94	–	–	–	–	94
Add-ons for forward contracts and options purchased[2]	–	41	–	42	5	2	–	–	–	–	90
Total current year	**72**	**597**	**172**	**48**	**64**	**1,286**	**–**	**1**	**–**	**–**	**2,240**
Total prior year	60	472	161	13	54	1,153	–	1	–	–	1,914

1) Before deduction of individual value adjustments
2) Derivative counterparty risk is calculated using the mark-to-market method.
3) Non-derivative off-balance-sheet items are shown after conversion into credit equivalents.
4) Securities are recognized using the simple method.

Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m
Profit and loss account										
Net interest income	1,810	1,750	103	106	5	17	8	8	1,926	1,881
Net income from commission business and service transactions	172	193	62	54	1	2	-5	-6	230	243
Net trading income	49	63	60	49	–	–	-1	–	108	112
Other ordinary result	33	32	272	258	0	0	-243	-229	62	61
Operating income	**2,064**	**2,038**	**497**	**467**	**6**	**19**	**-241**	**-227**	**2,326**	**2,297**
Personnel expenditure	-681	-631	-299	-267	0	-4	18	22	-962	-880
Operating expenditure	-538	-507	-171	-157	-3	-5	231	217	-481	-452
Total operating expenditure	**-1,219**	**-1,138**	**-470**	**-424**	**-3**	**-9**	**249**	**239**	**-1,443**	**-1,332**
Gross profit	**845**	**900**	**27**	**43**	**3**	**10**	**8**	**12**	**883**	**965**
Depreciation on fixed assets	-118	-120	-119	-38	0	-1	6	19	-231	-140
Value adjustments, provisions and losses	-477	-527	-1	-1	-1	-6	468	531	-11	-3
Operating profit (interim result)	**250**	**253**	**-93**	**4**	**2**	**3**	**482**	**562**	**641**	**822**
Key balance sheet figures										
Total assets	120,493	109,965	28,842	28,566	195	818	-17,955	-16,273	131,575	123,076
Loans to clients	104,140	97,149	4,423	4,306	187	509	-155	-437	108,595	101,527
Client monies	96,483	86,287	7,602	7,887	15	35	-2	-54	104,098	94,155

Balance Sheet – five-year overview

	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million
Assets					
Liquid funds	1,829	1,203	1,138	1,140	1,259
Receivables from money market securities	5	10	11	11	13
Receivables from banks	12,605	12,340	11,372	10,130	12,251
Receivables from clients	7,160	7,228	6,957	6,888	7,094
Mortgage receivables	101,435	94,299	88,153	83,893	79,471
Loans to clients	**108,595**	**101,527**	**95,110**	**90,782**	**86,565**
Trading portfolios in securities and precious metals	341	690	140	56	20
Financial assets	3,391	2,204	2,547	2,855	2,896
Non-consolidated participations	339	406	400	358	348
Tangible fixed assets	1,976	1,791	1,688	1,643	1,608
Accrued income and prepaid expenses	219	260	242	208	204
Other assets	2,275	2,644	1,350	1,005	934
Total assets	**131,575**	**123,076**	**113,998**	**108,187**	**106,098**
Liabilities					
Liabilities to banks	8,496	11,431	9,786	9,741	11,002
Liabilities to clients in the form of savings and investment deposits	67,492	60,880	62,304	61,984	59,912
Other liabilities to clients*	18,326	17,765	12,884	10,560	10,783
Medium-term notes*	18,280	15,510	12,837	10,823	10,143
Client monies	**104,098**	**94,155**	**88,025**	**83,367**	**80,838**
Bonds and mortgage bond loans	7,946	7,757	7,316	7,074	6,892
Accrued expenses and deferred income	695	696	557	494	471
Other liabilities	1,382	597	519	437	501
Value adjustments and provisions	979	1,038	1,109	1,097	1,058
Cooperative capital	505	467	428	396	362
Retained earnings	6,910	6,234	5,603	4,972	4,468
Group profit	564	701	655	608	506
Total equity capital	**7,979**	**7,402**	**6,686**	**5,976**	**5,336**
Total liabilities	**131,575**	**123,076**	**113,998**	**108,187**	**106,098**

* Time deposits previously reported under "Other liabilities to clients" are now recorded in the balance sheet under "Medium-term notes".

Profit and Loss Account – five-year overview

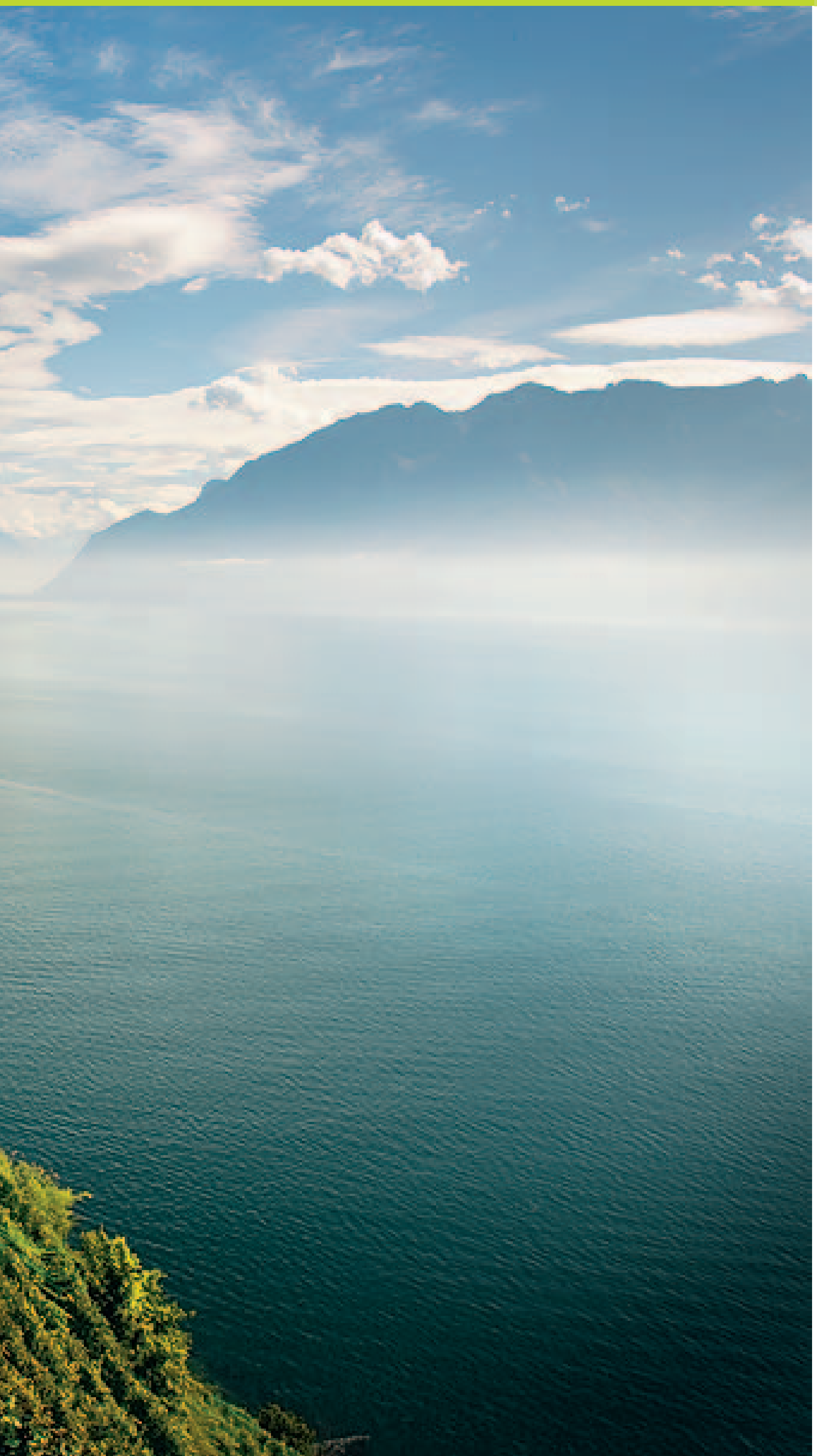
	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million
Interest and discount income	3,945	3,611	3,118	2,861	2,757
Interest and dividend income from financial assets	52	60	69	82	88
Interest expenditure	-2,071	-1,790	-1,385	-1,227	-1,211
Net interest income	**1,926**	**1,881**	**1,802**	**1,716**	**1,634**
Commission income from lending business	7	5	5	6	5
Commission income from securities and investment business	186	215	187	158	123
Commission income from other service transactions	138	131	129	122	125
Commission expenditure	-101	-108	-71	-68	-81
Net income from commission business and service transactions	**230**	**243**	**250**	**217**	**172**
Net trading income	**108**	**112**	**84**	**76**	**56**
Income from sale of financial assets	1	1	1	2	2
Income from participating interests	36	34	24	24	8
Income from real estate	18	18	16	17	17
Other ordinary income	14	9	7	7	6
Other ordinary expenditure	-7	-1	-1	-1	-1
Other ordinary result	**62**	**61**	**47**	**49**	**32**
Operating income	**2,327**	**2,297**	**2,183**	**2,058**	**1,894**
Personnel expenditure	-962	-880	-796	-775	-720
Operating expenditure	-481	-452	-406	-383	-349
Total operating expenditure	**-1,443**	**-1,332**	**-1,202**	**-1,157**	**-1,069**
Gross profit	**883**	**965**	**981**	**900**	**825**
Depreciation on fixed assets	-231	-140	-147	-128	-129
Value adjustments, provisions and losses	-11	-3	-11	-42	-43
Operating profit (interim result)	**641**	**822**	**823**	**730**	**653**
Extraordinary income	43	22	7	54	12
Extraordinary expenditure	-3	-4	-6	-7	-5
Taxes	-117	-138	-169	-169	-154
Group profit	**564**	**701**	**655**	**608**	**506**

Cash Flow Statement – five-year overview

	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million
Group profit	**564**	**701**	**655**	**608**	**506**
+ Depreciation on fixed assets	231	140	147	128	129
+ Value adjustments and provisions	-59	-71	12	40	27
– Increase / + decrease in money market securities	6	–	–	2	2
± Net change in receivables from/liabilities to banks	-3,200	676	-1,197	860	-1
– Increase / + decrease in receivables from clients	68	-271	-69	205	629
– Increase / + decrease in mortgage receivables	-7,136	-6,146	-4,260	-4,422	-5,317
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	6,613	-1,424	320	2,072	2,684
+ Increase / – decrease in other liabilities to clients*	560	4,881	2,323	-222	2,122
+ Increase / – decrease in medium-term notes*	2,770	2,673	2,015	680	814
± Net change in receivables from/liabilities to clients	2,875	-287	330	-1,688	932
– Increase / + decrease in trading portfolios in securities and precious metals	350	-550	-84	-37	5
– Increase / + decrease in financial assets (debt securities, etc.)	-1,187	343	308	41	154
± Net change in accruals and deferrals as well as other assets and liabilities	1,194	-1,095	-234	-117	-732
Net cash flow from operating activities	**774**	**-143**	**-64**	**-162**	**1,022**
– Increase / + decrease in participations	-5	-6	-42	7	-242
– Increase / + decrease in real estate	-157	-100	-81	-71	-81
– Increase / + decrease in other tangible fixed assets/objects in finance leasing	-188	-142	-111	-91	-85
Net cash flow from investment activities	**-350**	**-248**	**-234**	**-155**	**-408**
+ Increase / – decrease in bonds and mortgage bond loans	190	441	241	182	-614
+ Increase / – decrease in cooperative capital	38	38	33	34	42
– Interest paid on share certificates for prior year	-26	-23	-21	-19	-17
+ Increase / – decrease in capitalization of employer contribution reserves	–	–	44	–	–
Net cash flow from financing activities	**202**	**456**	**297**	**197**	**-589**
Total cash flow (net change in liquid funds)	**626**	**65**	**-2**	**-119**	**25**
Liquid funds at start of year	1,203	1,138	1,140	1,259	1,234
Liquid funds at end of year	**1,829**	**1,203**	**1,138**	**1,140**	**1,259**

* Time deposits previously reported under "Other liabilities to clients" are now recorded in the balance sheet under "Medium-term notes".

Each step is a victory.



We start moving towards the goal on the day that we take responsibility for our actions. This is the first and most important step to success. Raiffeisen members also accept responsibility. They discuss decisions to be taken by their bank. They help to shape the bank's business and benefit from its success. They are aware of the bank's performance and know what is happening with their money. The number of people won over and united by this shared idea continues to grow: the Raiffeisen banks currently have over 1.5 million members.

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