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“Paths are made by walking...”

Franz Kafka, writer

The history of civilization is one of paths: over time, footpaths have evolved into streets, motorways, bridges, rails, airports, tunnels, escalators, lifts, embankments and cableways. It has thus become possible to cover long distances and scale great heights ever more quickly, easily and directly. While the ways and means have changed at a breakneck pace, the ends have remained the same, namely to exchange information and goods and to meet people. The images used in the Annual Report 2005 show the wide variety of routes in Switzerland today. It is these routes that keep our successful economy and our society going; but they are nothing without the people who create and use them to reach their goals.

Technically speaking, it has never been so easy to communicate and get around. From a human perspective, however, it has never been so difficult to build personal relationships. Raiffeisen bank staff deal with this challenge on a daily basis, employing cutting-edge technology and up-to-the-minute information to help them. Their core values, though, concern personal relationships with their clients that are founded on proximity. This is how they blaze a trail to new horizons and undiscovered destinations.



The road to discovery Take a last look back, leave the past behind, accelerate calmly and discover a whole new world.



Business Activities Raiffeisen is well on track to establishing itself as Switzerland's leading retail bank – at a time when intensive competition and pressure on margins are forcing companies to take measures to optimize costs.

"Thanks to our successful collaboration with Vontobel, Raiffeisen is increasingly enjoying a reputation as a solid partner for demanding clients as well."

The strategic focus and overall management of the Raiffeisen Group are two of the key activities performed by the Swiss Union of Raiffeisen Banks (SURB). This division of tasks enables the individual Raiffeisen banks to concentrate on their core competencies – providing advice and selling financial services.

Market

2005 showed that Raiffeisen is in a strong position to make a mark for itself even in today's competitive environment. But that is no reason for us to rest on our laurels, and we will continue to give top priority to the quality of advice given to clients and to develop innovative, high-performing products and services.

The main source of income for the Raiffeisen banks continues to be the mortgage business, which has seen an intensive rise in competition over recent years. In spite of this, Raiffeisen achieved gratifying growth in this segment, too, due primarily to the close and stable relationships it fosters with its clients, which means that price alone is not allowed to dictate the decision to buy. Our needs-oriented mortgage models, whose offering we expanded in 2005 with the Libor Flex mortgage, have also proved a great success and enjoy tremendous popularity among clients.

The investment business recorded an excellent result, proving that Raiffeisen's strategic decision to cooperate with established market player Bank Vontobel was a sound one. Together with Vontobel we have launched a wide variety of innovative investment products on the market that have



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

been extremely well received by clients. Taking these eight new structured products as a whole, last year we placed a total of more than 1.7 billion Swiss francs. Raiffeisen is also starting to build a reputation for itself as an investment bank with competitive products and a team of highly skilled client advisors.

Competitive and client-oriented financial advice calls for comprehensive solutions; solutions that also take account of insurance considerations. Our cooperation with Helvetia Patria Insurance has proved a great asset in this regard, and helped us not only to develop our first non-life Raiffeisen product – Raiffeisen construction and buildings insurance – in the core mortgage business in March 2006, but also to integrate it into the loan advisory process. This, in turn, has provided our client advisors with a significantly enhanced range of products that addresses our clients' needs for end-to-end advice.

Due to the highly confidential and sensitive nature of the data involved, the trust clients have in the skills of their advisors is a crucial factor for success in the banking business. So that client advisors can focus 100% on their clients during consultations, SURB is continually developing advisory tools to provide client advisors with the best possible support. These include the financial advisory tool (FiT) for retirement analysis, asset accumulation and simple pension advice, and the impulse programme for active client relationship management (AKB).

Close relationships with clients and a solid presence in regional markets are vital to Raiffeisen's success in the market. However, local roots alone will not be enough to sustain this success over the long term; the level of trust clients have in their bank and the stability of the relationships a bank builds up with its clients are also critical. Image plays a decisive role, too: Raiffeisen has a strong brand and an extremely positive image. The bank's corporate design has been revamped to bring the Raiffeisen brand up to date. The new look – which puts the focus solely on the Raiffeisen trademark – puts Raiffeisen firmly in the spotlight and symbolizes competency, confidence and dynamism. Dynamism is also a quality synonymous with winter sports, and our sponsorship of Swiss Ski is the perfect vehicle for this image.

Following intensive discussions, the strategy of the Department Central Bank has been approved and implemented. The Central Bank's core areas of competency are Treasury & Trade and Counterparty & Country Risk Management. This comprises the following services:

- Product and advisory services for asset and liability management in the areas of investments, refinancing and balance sheet protection
- Ensuring the supply of cash
- Providing access to the foreign exchange and capital markets

This is connected with the following Group-wide activities:

- Refinancing on the money and capital markets
- Acquiring additional capital providers
- Optimal liquidity management

- Structure management of the SURB balance sheet
- Counterparty and country risk management within the context of third-party banking activities
- Hedging against foreign exchange and interest rate risks

Our six branches also performed very well in 2005 in spite of heightened competition and achieved rates of growth well above the market average (balance sheet total +20%, lending +27%, client monies +10%). This proves that Raiffeisen harbours extremely high potential in urban centres, which it will be able to exploit further by strengthening its market presence and raising its profile among target clients in major cities.

Infrastructure

Encouraging the development and upkeep of structures that promote a positive brand image remains one of the core tasks of SURB. The decision to enter into exclusive contract negotiations with Avaloq with regard to updating our information structure for certain central functions – in particular those connected with payment services, the Central Bank and other applications that now run on BOSS infrastructure – is of major strategic importance in this respect. Raiffeisen intends to migrate its current heterogeneous infrastructure that is based on various software architectures towards a standardized, multi-function platform.

We crossed an important threshold in securities processing at the end of September 2005 when the Vontobel Group incorporated all of the Raiffeisen Group's securities holdings into its global custody business, resulting in

approximately 20,000 position transfers at each institution. The Raiffeisen Group had earlier handed over the execution of derivatives and securities trading in the Italian, French, German, US and Canadian markets to its cooperation partner back in the first quarter of 2005. The transfer of Raiffeisen's entire global custody business also brings with it access to all exchanges, in particular virt-x and SWX Swiss Exchange.

In an attempt to relieve some of the pressure being placed on margins in the retail business, SURB has launched a project to analyse the efficiency and quality of services and processes and to highlight any potential for improvement. The aim of this project is to generate savings of 27.5 million Swiss francs for SURB and Raiffeisen Informatik AG compared to budget and thus to improve the cost/income ratio by 0.6 percentage points.

Risk

One of the major strengths of the Raiffeisen Group is its very low level of value adjustments and provisions in comparison with the competition. This is due to the appropriate regulatory guidelines laid down in the Articles of Association and the regulations and the consistent and systematic manner in which they are applied within the Raiffeisen banks. Raiffeisen wants to continue to keep these risks to a bare minimum in the future. This will require additional efforts at all levels. A decisive step has been made in this direction by equipping Group Risk Controlling with a comprehensive early warning and internal controlling system. The adjustments that this will entail to the Raiffeisen Banks' Terms and Conditions of Business and to

its directive authority have already been discussed and are pending a decision.

As part of the comprehensive revision of the reporting principles used by banks, the Swiss Federal Banking Commission has redefined the requirements governing the independence of auditors in the financial sector. In response to this revision, external auditing has been outsourced to an independent auditor, PricewaterhouseCoopers AG, while the company's internal auditing division has also been strengthened. The new auditing model has been in place since mid-2005.

The Swiss Federal Assembly approved the revision to the Swiss Code of Obligations and the new law on audit supervision at its final parliamentary vote on 16 December 2005, increasing the requirements made on auditors and bringing greater clarity regarding their independence. Beginning 2007, the statutory auditor that is already representing Raiffeisen will therefore assume the audit tasks required by the Swiss Code of Obligations. This will ensure that a standard audit is performed for all Raiffeisen banks.

Rating

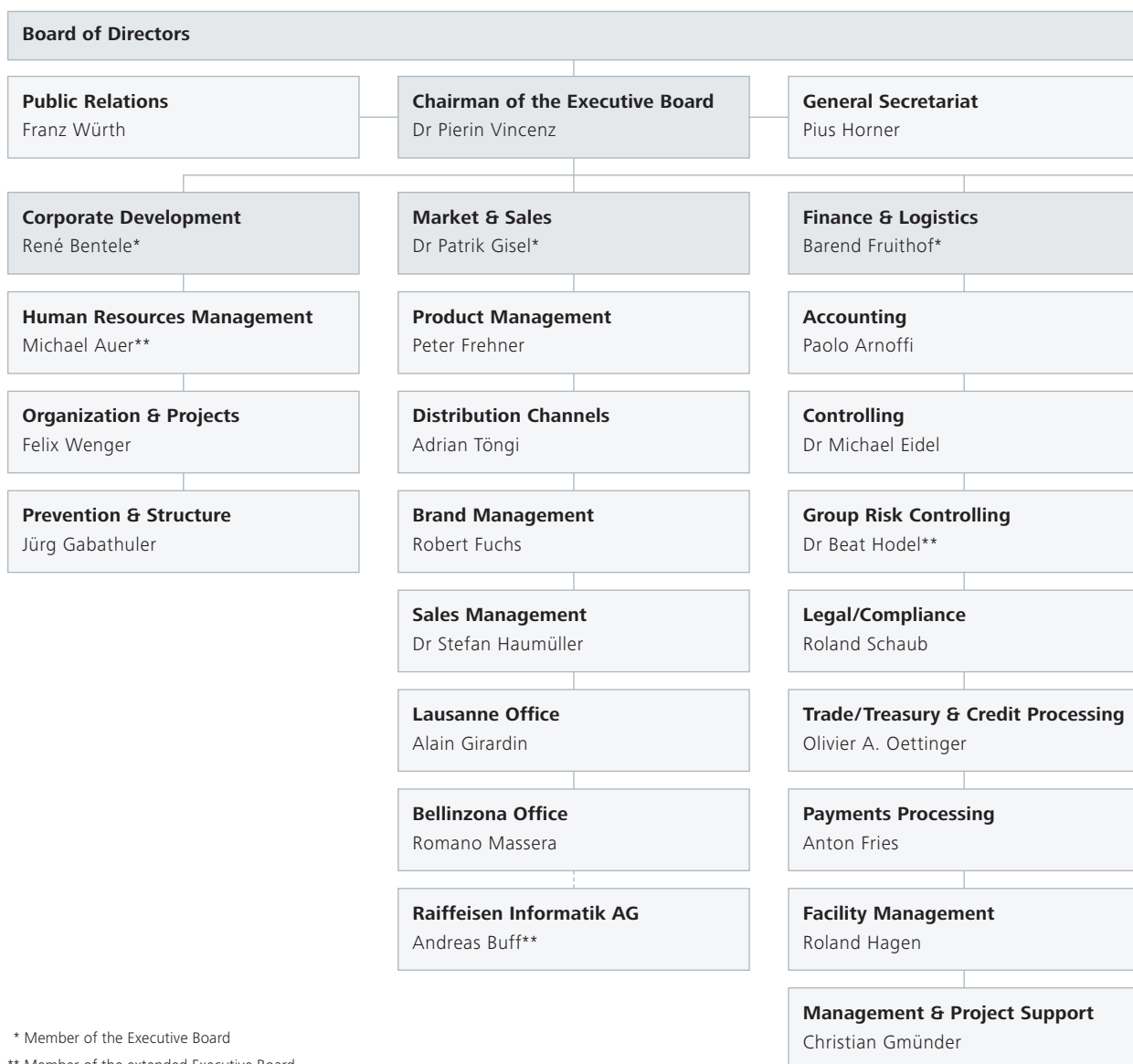
Economical refinancing is one of the major factors governing market success. In addition to the above-average share of client monies, the Group's capital market tradability is also critically important. For this reason, an external rating was carried out for the first time in 2005.

We are particularly proud of our performance. Moody's rating of Aa2 shows that independent third parties have become aware of Raiffeisen's remarkable solidity. The good rating is based on our excellent capital provision, which affords sound cover for creditors, as well as on our positive earnings and fine prospects. Moody's, too, appreciates our cooperative structure, which provides a model for lasting success by encouraging a high level of self-sufficiency and local entrepreneurial spirit in the various Raiffeisen banks.

Success gives us the boost we need to take on the challenges ahead of us. Raiffeisen wants to continue to grow, to explore previously untapped markets, to strengthen cooperation and to improve productivity and efficiency. This will require a special effort from each and every one of us. I would like to take this opportunity to thank the 7,900 employees and 5,000 members serving on boards of directors and supervisory boards at all levels of the Raiffeisen organization. You all have a vital role to play in the success of the Group and help to enhance confidence and trust in our bank.

Dr Pierin Vincenz
Chairman of the Executive Board

Organizational Chart of the Swiss Union of Raiffeisen Banks



Central Bank
Paulo Brügger**

Trading & Sales
Christoph Rutz

Treasury
Thomas Brunhart

Business Engineering & Support
Marco Tagliaferro

Branches & Credits
Robert Signer*

St.Gallen Branch
Hansruedi Laich

Grabs-Werdenberg Branch
Daniel Meier

Winterthur Branch
Markus Thoma

Basle Branch
Bruno Stiegeler

Zurich Branch
Andreas Breitenmoser

Berne Branch
Daniel Schmid

Credits & Guarantee Cooperative
Bruno Brugger

Raiffeisen Leasing & Finanzierungs AG
Theodor Näscher

Internal Auditing
Kurt Zobrist

Internal Auditing RB St.Gallen
Roland Meier

Internal Auditing RB Lausanne
Jean-Daniel Rossier

Internal Auditing RB Olten
Räto Willi

Internal Auditing RB Bellinzona
Katia Carobbio

Internal Auditing ICT
Oscar Albin

Internal Auditing SURB
Sergio Pesenti

A new organizational structure will be implemented as of 1 May 2006.

The corresponding organizational chart is available at www.raiffeisen.ch, under Raiffeisen Gruppe, Portrait, Geschichte, Leitung Raiffeisen Gruppe, Organigramm SVRB.

As at 31 December 2005



The road to confidence Trust as you enter that you will emerge safely on the other side, without even noticing the weight bearing down on you.



Business Trend The SURB, as the service and competence centre for the Raiffeisen Group, reported net profit of 17.7 million Swiss francs in the year under review. The balance sheet total fell by 7.5 percent to 24.4 billion Swiss francs.

Profit and loss account

The SURB can again look back on a successful 2005 financial year. The result from interest business (+2.3 percent) and the income from commission business and service transactions (+3.6 percent) rose slightly as compared to the previous year. The result from commercial business rose sharply (+40.0 percent), as did other ordinary result (+21.1 percent). The increase in operating income by 12.7 percent to 371.7 million Swiss francs has thus clearly exceeded expectations. Total operating expenditure in the year under review did not increase as strongly (+5.8 percent) as in the previous year (+12.4 percent). Due to the extensive project activities that were managed centrally and to an expansion of services for the entire Group, the increase is also in line with expectations. The overall result is a net profit which, at 17.7 million Swiss francs, is 29.4 percent higher than the previous year.

Income from ordinary banking business ■ The result from interest business (note 20) was 102.6 million Swiss francs and thus rose, compared to the previous year, by around 2.3 percent, or 2.3 million Swiss francs. The interest income achieved is in line with expectations.

Income from commission business and service transactions (note 21) rose by 3.6 percent, or 2.5 million Swiss francs, on the previous year. While income from securities business rose significantly, commission from service transactions fell slightly due to decreased Bancomat location charges.

Net trading income (note 22) was up 40 percent or 7.0 million Swiss francs on the previous year, to 24.5 million

Swiss francs. Foreign exchange and banknotes made the greatest contribution to this result, posting growth of 6.6 million Swiss francs. By contrast, there was a loss of 6.5 million Swiss francs on interest trading due to incorrect predictions of market trends. The position "Other ordinary result" increased significantly with growth of 21.1 percent or 30.2 million Swiss francs to 173.3 million Swiss francs. The substantial increase by 13.2 million Swiss francs in income from participating interests is attributable to dividend income from the participation in Vontobel Holding AG, booked for the first time in the year under review. Other ordinary result (note 23) includes essentially income from clearing transactions to Group companies and Raiffeisen banks. The increase by 15.4 million Swiss francs was achieved as a result of the significant rise in the use of the service.

Operating expenditure ■ In the year under review, personnel expenditure (note 24) increased to 147.0 million Swiss francs (+8.5 percent). Included in the increase of 11.5 million Swiss francs is the creation of provisions of 1.3 million Swiss francs for restructuring costs in connection with the realignment of Internal Auditing. The sound financial situation allowed us to adjust salaries by 1.75 percent and pay out higher bonuses. Additional costs were also generated by one-off payments to finance a change in the pension fund from a defined benefit to a defined contribution scheme, primarily to cover the costs of pensions for insured persons.

With an increase of 3.2 percent to 141.0 million Swiss francs, non-personnel expenditure (note 25) rose signifi-

cantly less than in the previous year. Higher costs were caused primarily by the IT infrastructure (+3.8 million Swiss francs). Occupancy costs and other operating expenditure remained at the level of the previous year.

Depreciation on fixed assets ■ Depreciation on fixed assets rose slightly by 0.6 percent to 34.9 million Swiss francs (note 4). In the previous year, this position included participation value adjustments in the amount of 13.5 million Swiss francs. By contrast, there was extensive direct depreciation of the IT infrastructure in the year under review.

Value adjustments, provisions and losses ■ The position "Value adjustments, provisions and losses" rose by 0.5 million Swiss francs to 9.7 million Swiss francs versus the previous year. This increase is essentially attributable to provisions of 7.6 million Swiss francs set aside for default risks and 1.1 million Swiss francs set aside for business risks.

Extraordinary income and taxes ■ Price gains on participations in the amount of 35.6 million Swiss francs are included in the extraordinary income (note 26) of 37.5 million Swiss francs. The deposit to reserves in the amount of 54.5 million Swiss francs for general banking risks was charged to extraordinary expenditure. Taxes, at 4.4 million Swiss francs, remained stable in relation to reported net profit.

Annual profit ■ At 17.7 million Swiss francs, net profit was up by 29.4 percent on the previous year.

Balance sheet

The SURB's balance sheet reflects the diverse demands the organization has to deal with in its central position within the Raiffeisen Group. It not only maintains bank branches in various major cities in Switzerland offering a similar range of services as the Raiffeisen banks, but it also provides the services of a central bank for the entire Group, and as intermediary, is responsible for liquidity management, refinancing and hedging interest rate exposure, among other things, on a consolidated basis. Thus, any short-term liquidity situation of the Raiffeisen banks, caused by the difference between the growth of client assets and that of loans, is directly reflected in the SURB balance sheet and balance sheet total. In the year under review, the SURB balance sheet total fell by 2 billion Swiss francs or 7.5 percent.

On a consolidated basis, the SURB was at all times in compliance with statutory liquidity requirements. The statutory requirements in respect of capital were always observed.

Receivables from or liabilities to Raiffeisen banks ■

By the end of 2005, net receivables from Raiffeisen banks rose to 1,314 million Swiss francs from 909 million Swiss francs in the previous year. This increase shows that the Raiffeisen banks were able to grant around 405 million Swiss francs more in loans than client monies deposited during the same period. The additional requirement for refinancing was made available to the Raiffeisen banks primarily in the form of fixed loans. A major portion of the Raiffeisen banks' assets are invested in blocked accounts to comply with statutory liquidity requirements. These investments represent 3.9 billion Swiss francs.

Receivables from or liabilities to other banks ■ At year-end, the net position of business with banks resulted in net receivables in the amount of 389 million Swiss francs, and thus a decrease on the previous year (1.2 billion Swiss francs). The volume of interbank business was down on the previous year on both the assets and liabilities side by 2.1 billion Swiss francs and 1.3 billion Swiss francs respectively. In repo transactions, the SURB continues to occupy a leading position on the Swiss franc market. As well as offering more economical refinancing, this also permits investment in third-party banks on a covered basis, therefore putting less pressure on capital resources. Securities from financial assets, reverse repurchase transactions or the securities borrowing business are used as collateral. Funds are also borrowed in foreign currencies. Currency exchange risks are fully hedged through the trading portfolio.

Loans to clients ■ In the year under review, loans to clients decreased by 3.2 percent to 4.5 billion Swiss francs. The reason for the drop is that the Raiffeisen banks, in the year under review, took back net client loans from the SURB in the amount of 208 million Swiss francs. As a result, the so-called undisclosed assignments at the SURB decreased to 743 million Swiss francs. Other loans made by the Central Bank and the SURB branches rose slightly by 1.6 percent to 3.8 billion Swiss francs.

Financial assets ■ Securities holdings in financial assets (note 2), consisting primarily of first-class bonds, are managed in accordance with the statutory liquidity requirements for the Raiffeisen Group. The book value fell in the

year under review by 47.0 million Swiss francs to 2.7 billion Swiss francs. Precious metals rose to 43.2 million Swiss francs, real estate from non-performing positions designated for resale fell by 1.0 million Swiss francs to 1.4 million Swiss francs.

Participations ■ Shares in the Group companies, the 12.5 percent interest in Vontobel Holding AG, as well as holdings in Telekurs Holding AG, the Mortgage Bond Bank of the Swiss Mortgage Institutions, Viseca Card Services SA and Helvetia Patria Holding AG are included under participations (note 3). The 25 percent share in cosba private banking ag was sold in the year under review. Due to favourable market performance in the year under review, we were able to book positive value adjustments in the amount of 35.6 million Swiss francs.

Tangible fixed assets ■ Construction on the last stage of expansion of the management offices in St.Gallen was completed at the beginning of 2005. In the year under review, investment (note 4) in real estate was 9.5 million Swiss francs. The sum of 23.3 million Swiss francs was invested in other fixed assets, with 12.7 million Swiss francs being in connection with the collaboration with Vontobel.

Client monies ■ In the year under review, there was a growth in savings deposits of 155 million Swiss francs, bringing the total to 2.0 billion Swiss francs. The increase in the area of pension savings also contributed to this result. There was a strong increase in monies from both the second (+17.4 percent) and third (+25.3 percent)

pillars. Medium-term notes were up by 9.9 percent to 354 million Swiss francs. Other liabilities to clients dropped to 3.6 billion Swiss francs. The reduction is basically attributable to the drop in repo transactions with Postfinance. Overall, client monies fell by 566 million Swiss francs.

Loans and mortgage credit loans ■ In 2005, bond issues remained unchanged at 2.4 billion Swiss francs. In contrast, commitments to the Mortgage Bond Bank of Swiss Mortgage Institutions fell by 8.0 percent to 1.2 billion Swiss francs.

Value adjustments and provisions ■ The value adjustments for loans (note 10) resulted in a net increase of 5.4 million Swiss francs, to 45.3 million Swiss francs.

For the determination of value adjustments for default risks, the risks were identified based on internal ratings and by calculating the value of collateral. The Central Bank portfolio also contains loans that were taken over from the Raiffeisen banks under special conditions. Provisions for other business risks were 6.3 million Swiss francs. Overall, the position "Value adjustments and provisions" increased by 5.3 million Swiss francs to 51.6 million Swiss francs.

Off-balance-sheet business ■ The contract volume in derivative financial instruments (note 18) decreased dramatically by 29.6 percent to 23.9 billion Swiss francs. This considerable drop is attributable to the balance sheet structure management of the Raiffeisen Group in the current market environment. Contract replacement values were 113 (positive) and 136 million Swiss francs (negative),

respectively. While the contract volume in interest rate instruments showed a decrease of 30.5 percent to 23.0 million Swiss francs, the contract volume in the area of foreign exchange and precious metals remained at the previous-year level of 0.8 billion Swiss francs.



The route to new opportunities Feeling at home in a complex network, making connections quickly and reliably in all directions and being able to choose from numerous possibilities.



Balance Sheet at 31 December 2005

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	221,008	306,822	- 85,814	- 28.0	12
Receivables from money market securities	5,272	5,546	- 274	- 4.9	12
Receivables from Raiffeisen banks	4,927,012	4,595,587	331,425	7.2	6, 12
Receivables from other banks	10,128,920	12,250,092	- 2,121,172	- 17.3	12
Receivables from clients	1,017,628	1,235,014	- 217,386	- 17.6	1, 12
Mortgage receivables	3,507,156	3,437,923	69,233	2.0	1, 6, 12
Loans to clients	4,524,785	4,672,937	- 148,152	- 3.2	
Trading portfolios in securities and precious metals	53,210	17,472	35,738	204.5	2, 12
Financial assets	2,817,674	2,843,201	- 25,527	- 0.9	2, 6, 12
Participations	326,618	355,043	- 28,425	- 8.0	2, 3, 4
Intangibles	171,176	172,991	- 1,815	- 1.0	4
Accrued income and prepaid expenses	232,786	227,196	5,590	2.5	
Other assets	995,619	925,877	69,742	7.5	5
Total assets	24,404,078	26,372,763	- 1,968,685	- 7.5	14, 16
Total subordinated receivables	-	-	-	-	
Total receivables from group companies	64,408	11,816	52,592	445.1	
Liabilities					
Liabilities to Raiffeisen banks	3,613,462	3,686,175	- 72,713	- 2.0	12
Liabilities to other banks	9,739,474	11,000,254	- 1,260,780	- 11.5	12
Liabilities to clients in the form of savings and investment deposits	1,970,065	1,815,113	154,952	8.5	12
Other liabilities to clients	3,554,071	4,306,809	- 752,738	- 17.5	12
Medium-term notes	354,235	322,455	31,780	9.9	12
Client monies	5,878,371	6,444,378	- 566,007	- 8.8	
Bonds and mortgage bond loans	3,566,250	3,668,800	- 102,550	- 2.8	9, 12
Accrued expenses and deferred income	212,530	205,041	7,489	3.7	
Other liabilities	468,020	510,906	- 42,886	- 8.4	5
Value adjustments and provisions	51,589	46,276	5,313	11.5	10
Reserve for general banking risks	428,000	373,500	54,500	14.6	10
Cooperative capital	320,000	320,000	-	-	
General statutory reserve	108,634	103,714	4,920	4.7	
Annual profit	17,749	13,720	4,029	29.4	
Total equity capital	874,382	810,934	63,448	7.8	11
Total liabilities	24,404,078	26,372,763	- 1,968,685	- 7.5	14, 16
Total subordinated commitments	-	-	-	-	
Total commitments towards group companies	18,675	10,778	7,897	73.3	
Off-balance-sheet business					
Contingent liabilities	478,891	468,280	10,611	2.3	1, 17
Irrevocable undertakings	25,969	36,634	- 10,665	- 29.1	1
Obligations to make payments and additional contributions	26,119	26,119	-	-	1
Derivative financial instruments					
Positive replacement values	113,291	96,986	16,305	16.8	18
Negative replacement values	135,597	187,532	- 51,935	- 27.7	18
Contract volume	23,863,768	33,913,227	- 10,049,459	- 29.6	18
Fiduciary business	163,470	146,550	16,920	11.5	19

Profit and Loss Account 2005

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	534,590	479,321	55,269	11.5	20
Interest and dividend income from financial assets	82,089	88,039	- 5,950	- 6.8	20
Interest expenditure	- 514,058	- 467,020	- 47,038	10.1	20
Net interest income	102,620	100,339	2,281	2.3	
Commission income from lending business	1,140	892	248	27.8	21
Commission income from securities and investment business	46,590	39,087	7,503	19.2	21
Commission income from other service transactions	44,440	46,898 ¹	- 2,458	- 5.2	21
Commission expenditure	- 20,827	- 17,997 ²	- 2,830	15.7	21
Net income from commission business and service transactions	71,343	68,881	2,462	3.6	
Net trading income	24,456	17,467	6,989	40.0	22
Income from sale of financial assets	27	83	- 56	- 67.5	
Income from participating interests	20,436	7,218	13,218	183.1	
Income from real estate	6,471	4,846	1,625	33.5	
Other ordinary income	147,840	132,431 ¹	15,409	11.6	23
Other ordinary expenditure	- 1,458	- 1,501	43	- 2.9	
Other ordinary result	173,316	143,079	30,237	21.1	
Operating income	371,736	329,766	41,970	12.7	
Personnel expenditure	- 146,977	- 135,474	- 11,503	8.5	24
Operating expenditure	- 140,986	- 136,677 ²	- 4,309	3.2	25
Total operating expenditure	- 287,963	- 272,151	- 15,812	5.8	
Gross profit	83,773	57,616	26,157	45.4	
Depreciation on fixed assets	- 34,866	- 34,674	- 192	0.6	4
Value adjustments, provisions and losses	- 9,716	- 459	- 9,257	2016.8	
Operating profit (interim result)	39,191	22,484	16,707	74.3	
Extraordinary income	37,454	10,426	27,028	259.2	26
Extraordinary expenditure	- 54,500	- 15,632	- 38,868	248.6	26
Taxes	- 4,397	- 3,558	- 839	23.6	
Annual profit	17,749	13,720	4,029	29.4	

The amounts shown in the annual report have been rounded. Consequently, a minimal difference can arise in the total amount.

The prior-year figures for the following items were reclassified in the profit and loss account:

- 1) The reimbursement of expenses, income from ATM fees, Maestro and account card production costs as well as fee income from the delivery of money and coins of 17.6 million Swiss francs previously shown under "Other ordinary income" are now shown under "Commission income from other service transactions".
- 2) The charges for payment transactions as well as expenses for ATM fees of 4.8 million Swiss francs previously shown under "Other ordinary expenditure" is now shown under "Commission expenditure".

Proposed Distribution of the Available Profit

to the Ordinary Delegate Meeting of 10 June 2006 in Martigny

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Appropriation of profit				
Annual profit	17,749	13,720	4,029	29.4
Profit brought forward	–	–	–	–
Available profit	17,749	13,720	4,029	29.4
Appropriation of profit				
– Allocation to general statutory reserve	4,949	4,920	29	0.6
– Interest on cooperative capital	12,800	8,800	4,000	45.5
Total appropriation of profit	17,749	13,720	4,029	29.4

Cash Flow Statement 2005

	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)				
Annual profit	17,749		13,720	
Depreciation of fixed assets	34,866		34,674	
Value adjustments and provisions	19,140	13,826	11,741	59,641
Reserves for general banking risks	54,500		15,500	
Prepaid expenses		5,590	44,417	
Deferred income	7,489			103,054
Interest paid on share certificates for prior year		8,800		7,600
Balance	105,528	–	–	50,244
Cash flow from equity capital transactions				
Net change in equity capital			100,000	
Balance	–	–	100,000	–
Cash flow from investment activities				
Participations	64,000	35,821		245,295
Real estate		9,474	241	21,481
Other tangible fixed assets		23,331	247	7,588
Balance	–	4,626	–	273,876
Cash flow from banking business of the Central Bank with Raiffeisen banks				
Liabilities to Raiffeisen banks	2,332,387		1,118,618	
Receivables from Raiffeisen banks		3,127,525		2,652,184
Receivables from clients undisclosed assignments	77,479		76,143	
Mortgage receivables undisclosed assignments	136,429		116,471	
Balance	–	581,231	–	1,340,951

Continued page 23

Cash Flow Statement 2005

	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 ordinary banking business w. the Central Bank				
Liabilities to banks		1,260,780		1,293,065
Liabilities to clients		793,222	1,633,666	
Medium-term notes			470,000	246,900
Bonds	134,950	233,100	95,600	381,800
Other liabilities		42,962		42,816
Receivables from money market securities	256			280
Receivables from banks	2,121,146		1,537,225	
Receivables from clients	371,893		433,249	
Mortgage receivables	260,228		37,407	
Trading portfolio in securities and precious metals		35,712	4,535	
Financial assets	24,757		142,581	
Other receivables		69,987		733,948
Liquid funds	84,338			59,438
Balance	561,804	-	1,596,015	-
Cash flow from banking business of the branches of the SURB				
Net positions at the Central Bank	391,000			36,986
Savings and investment funds	155,957		233,800	
Other liabilities to clients	39,479		43,459	
Medium-term notes	101,578	69,798	124,528	89,339
Bonds/Mortgage bond loans		4,400		8,500
Other liabilities	77			432
Receivables from clients		231,987	4,041	
Mortgage receivables		465,890		302,594
Other receivables	1,033			819
Liquid funds	1,476		1,898	
Balance	-	81,475	-	30,944



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Notes to the Annual Accounts

Business activities

The most important duties of the Swiss Union of Raiffeisen Banks (SURB) include ensuring loan and capital settlement and guaranteeing that statutory liquidity requirements are met for the entire organization. Settling the regularly recurring, seasonal liquidity fluctuations of the entire Raiffeisen Group, which has a balance sheet total of around 108 billion Swiss francs, represents a particular challenge.

The difference between the growth of client assets and that of loans at the Raiffeisen banks is directly reflected in the SURB balance sheet and balance sheet total. In fulfilling its mandate as giro centre for the Raiffeisen Group, the SURB has expanded interbank transactions in the last few years by significantly increasing the focus on repo business in Switzerland and medium to long-term borrowing abroad. The SURB Central Bank is one of the biggest repo trading institutions in Switzerland. It was able to dramatically improve the credit risk profile in interbank business thanks to the repo business, which reduces the pressure on capital resources. There was also an improvement in liquidity management coupled with a substantial drop in refinancing costs for the Group.

The amalgamation into the SURB has given the individual member banks access to wide-ranging services in the areas of management, marketing, business, information technology, building systems (incl. insurance), training and legal services. In addition to interbank business, the SURB also has its own client business with the Central Bank and the branches in St.Gallen, Grabs, Winterthur, Basle, Zurich and Berne. The Central Bank can enter into foreign expo-

sure, which is limited to a risk-weighted 5 percent of the Raiffeisen Group's consolidated balance sheet total, according to the risk-weighting factors stipulated under banking law.

Pursuant to its Articles of Association (Art. 5, para. 4), the SURB guarantees the liabilities of the Raiffeisen banks. In return, the Raiffeisen banks guarantee the liabilities of the SURB to the extent of their capital.

Staff ■ As at the end of 2005, the number of employees – on an FTE basis – was 1,034 (previous year 1,011).

Information about risk management

Our risk management systems are based on the regulations entitled "Risk policy for the Swiss Union of Raiffeisen Banks" (short name: "Risk policy"). The goal of the risk policy is to limit negative impacts on earnings and protect the SURB from high exceptional losses while safeguarding and strengthening its good reputation. The SURB views entering into risks as one of its core competencies, 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.

Risk management process ■ The risk management process, based on the risk categories of credit risks, market risks and operational risks, 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
- Limitation of risk, by setting adequate upper limits

Group Risk Controlling is responsible for ensuring that the risk policy is observed and implemented; Compliance ensures that regulatory provisions are observed.

Credit risks: The SURB branches and the Central Bank department are exposed to credit risks. At branch level, this mostly involves client loans granted to one or more individuals or business clients, for which the credit risks are limited primarily by securing the underlying claims. The Central Bank department mainly incurs credit risks in connection with interbank business. With the exception of the repo business, these commitments are unsecured.

Group-wide standards in connection with credit risk policy are applied to assess creditworthiness and credit capacity. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals or legal entities are classified according to internal client rating procedures and monitored from a risk-oriented perspective. Creditworthiness is defined according to four risk categories, which are further refined using a points system. This system is flexible and has proved its worth over a number of years 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.

**Capital resources for market risks
of the trading book**

	31.12.2005 in 1000 CHF	Ø 2005 in 1000 CHF	31.12.2004 in 1000 CHF
Foreign exch./prec. metals	4,633	6,447	3,798
Interest rate instruments	31,544	38,968	40,215
Equities and indices	2,536	1,638	543
Total	38,713	47,053	44,556

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specify how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, a realistic, carefully determined actual value is specified, 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. Differentiated amortization obligations apply to second mortgages. Specialist teams are available for more complex financing and the management of recovery positions. A prudent lending limit policy and an approval procedure geared to levels of responsibility are additional features of our credit risk management process.

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

The standardized guidelines concerning the establishment and release of individual value adjustments for default risks are set out in an internal directive. This stipulates how,

whenever there are indications that certain positions are impaired, non-performing or display a high number of rating points, the liquidity value and individual value adjustments for any collateral that may exist should be calculated. Value adjustments and provisions are reviewed on a quarterly basis.

Credit risks arise at the Central Bank and Branches & Credits departments of the SURB from counterparty risk, through dealings with commercial banks, institutional clients, and 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 by means of internal factors to their respective credit equivalent.

The SURB employs centralized credit portfolio management processes that enable it to monitor all possible default risks according to a range of criteria – e.g. category of borrower or loan, size of loan, ratings points, sector, collateral type, loan products, country, region, value adjustments – and therefore be in a position to manage the various sub-portfolios.

Market risks: Since the SURB is heavily involved in balance sheet business, interest income is a significant proportion of its income. The control of maturity transformation and the resulting interest rate risk is therefore very important. Up-to-date tools are available to perform the sensitivity analyses required for the management of interest rate risk. The SURB Risk Committee monitors and oversees the interest rate risk. The potential impact of interest rate risk on

the market value and on income is regularly assessed by means of sensitivity analyses and is included in risk reporting.

Liquidity risks are controlled using commercial criteria and monitored by Treasury, on the basis of banking law.

The market risks administered in the trading portfolio, such as share price, interest rate, exchange rate and precious metal risks, are monitored by Group Risk Controlling on a daily basis.

Derivative financial instruments are traded only by experienced dealers. Trade works with both standardized and OTC derivatives for its own and its clients account. Its own positions in derivative financial instruments are held mainly for hedging purposes.

The capital resources for market risks of the trading portfolio are shown in the table on page 26.

Operational risks: At Raiffeisen, operational risk means the danger of financial or reputational loss arising from a deficiency or breakdown in internal processes, people or systems, or due to external events. Operational risks are managed via the respective line functions and monitored by Group Risk Controlling. Operational risks are limited by means of internal controls, internal regulations, directives and work instructions. Their appropriateness and compliance with them are reviewed regularly by Internal Auditing. In some cases, external legal advisors are brought in to limit and manage legal risks.

The Raiffeisen Group's dependence on IT applications, IT processes and IT infrastructure is growing in tandem with the increasing automation of its business processes and networks. With this in mind, a systematic and comprehensive self-assessment of threats and risks was conducted in IT in the year under review.

Compliance with capital resources, risk spread and liquidity directives: According to a ruling by the Swiss Federal Banking Commission of 25 October 2001, the SURB is released from maintaining the ceiling of 25 percent for cluster risks in respect of its claims against Raiffeisen Leasing. The SURB monitors the business activities of Raiffeisen Leasing, and includes their commitments in the cluster risk calculations.

Outsourcing: As a 100% subsidiary of the SURB, Raiffeisen Informatik AG performs all IT services for the SURB. This includes data storage, the operation and maintenance of databases and the operation of information technology systems. The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). This service is provided in accordance with the provisions of Swiss Federal Banking Commission Circular 99/2.

Reporting and valuation principles

General principles ■ Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations (OR), the Swiss Federal Law on Banks and Savings Banks (plus related ordinance), and the guidelines and directives of the Swiss Federal Banking Commission.

The detailed positions shown for a balance sheet item are valued individually.

Unlike the annual result of the Raiffeisen Group, which must be prepared in accordance with the "true and fair view" principle, individual results may be affected by hidden reserves.

The SURB publishes the consolidated annual accounts of the Raiffeisen Group in a separate annual report. This annual report includes the annual accounts of the individual Raiffeisen banks, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen banks, Raiffeisen Finanzierungs AG, Raiffeisen Leasing and Raiffeisen Informatik AG. The SURB has therefore chosen not to prepare partially consolidated accounts including the annual accounts of the SURB, Raiffeisen Finanzierungs AG and Raiffeisen Informatik AG.

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

Foreign currencies ■ Assets and liabilities in foreign currency, as well as cash positions in foreign currency, are converted at the exchange rate prevailing on the balance sheet date. Price gains and price losses arising from the valuation appear in the table entitled "Profit from trading

activities". 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 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, for which the bank regards it as improbable that the borrower will be able to completely fulfil his/her contractual obligations, are deemed to be impaired. 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 sales value of collateral that can be realized. If repayment of the claim 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 and have still not been paid are deemed to be non-performing. Interest and commission

relating to current account loans are deemed to be non-performing if the specified credit 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 claim 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), provided the outstanding principal amounts and interest are paid in time in accordance with the contractual obligations, and additional creditworthiness criteria are fulfilled.

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

Loan operations with securities (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 received as collateral are only reported in the balance sheet when the SURB demands control of the contractual rights contained in these securities. Securities which are loaned or issued as collateral are only removed from the balance sheet when the SURB forfeits the contractual rights associated with these securities. The market values of the borrowed and loaned securities are monitored daily so that any additional securities can be provided or requested as necessary. Fees received or paid under

loan and pensions operations with securities are booked to commission income or commission expenditure on an accruals basis.

Pension operations with securities (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 issued, including accrued interest.

Securities received and delivered are only recorded in/ removed from the balance sheet if control of the contractual rights contained in the securities is relinquished. The market values of the received or delivered securities are monitored daily so that any additional securities can be provided or requested as necessary.

The interest income from reverse repurchase transactions and the 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 "Profit from trading activities". This also applies to interest and dividend income on trading portfolios. The funding

costs for holding trading positions are charged to trading profits and credited to interest income.

Financial assets ■ Fixed-interest securities and bonds with warrants are valued at the lower of cost or market, if there is no intention to hold them to maturity.

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.

Holdings 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. The value that is the lowest (out of the acquisition value and the liquidation value) is deemed to be the lower of cost and market.

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

Participations ■ Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under Participations, irrespective of the proportion of voting shares held. All participations in communal facilities are also reported here. These are valued in accordance with the principle of acquisition cost,

i.e. acquisition cost less depreciation required by operations. The participations may contain hidden reserves.

Tangible fixed assets ■ Tangible fixed assets are reported at acquisition cost plus value-enhancing investments and depreciated on a linear basis over their estimated useful life, as follows:

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

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. Tangible fixed assets may contain hidden reserves.

The value of tangible fixed assets is reviewed whenever events or circumstances give reason to suspect that book value is impaired. Any reduction in the value 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.

Value adjustments and provisions ■ Individual value adjustments and provisions are created for all loss risks identified at the balance sheet date. Miscellaneous provisions may contain hidden reserves.

Reserves for general banking risks ■ It is possible to create reserves for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank. These reserves are counted as capital in accordance with Art. 11a, para. 1b of the Banking Ordinance and are partially taxable (see "Adjustments and Provisions" table in the notes).

Contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equities ■ These are reported at their nominal value under the item "Off-balance-sheet business". Provisions are created for identifiable risks.

Derivative financial instruments ■ *Reporting of off-balance-sheet business:* The replacement value of individual contracts for derivative financial instruments is reported gross, together with the contract volume, under the item "Off-balance-sheet business" and in the notes.

Reporting: The replacement costs of all contracts concluded on the Group's own account are reported, regardless of their profit and loss account treatment. Replacement costs of quoted contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. Replacement costs of unquoted con-

tracts concluded on a commission basis are always reported. All Treasury hedging transactions are concluded via the trading portfolio; 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").

Treatment in the profit and loss account: The derivative financial instruments recorded in the trading portfolio are valued at market value if they are quoted or 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 provisions governing the valuation of precious metal assets under financial assets have now been incorporated in the reporting and valuation principles.

Events after the balance sheet date ■ Between the balance sheet date at 31 December 2005 and the drawing up of the annual accounts, no events have arisen that require disclosure in the balance sheet and/or in the notes.



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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	37,048	83,487	897,094	1,017,628
Mortgage loans				
Residential property	3,112,108	–	11,572	3,123,680
Office and business premises	337,804	–	30,465	368,269
Trade and industry	9,524	–	–	9,524
Other	5,343	–	340	5,683
Total loans				
Current year	3,501,827	83,487	939,471	4,524,785
Prior year	3,442,159	79,789	1,150,989	4,672,937
Off-balance-sheet business				
Contingent liabilities	444	6,385	472,062	478,891
Irrevocable commitments	25,969	–	–	25,969
Call commitments and additional funding obligations	–	–	26,119	26,119
Total off-balance-sheet business				
Current year	26,413	6,385	498,181	530,979
Prior year	37,293	103,959	389,780	531,033

* including 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	94,074	48,621	45,454	45,329
Prior year	90,957	50,928	40,030	39,953

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 portfolio in securities and precious metals		
Debt instruments		
stock exchange listed*	19,877	9,134
non-stock exchange listed	–	–
of which own bonds and medium-term notes	–	–
Shares	12,241	6,438
Precious metals	21,092	1,899
Total trading portfolio in securities and precious metals	53,210	17,472
of which securities eligible for refinancing with central banks	1,544	3,007

* 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	2,741,531	2,788,569	2,800,527	2,889,284
of which own bonds and medium-term notes	–	2,363	–	2,380
of which intended to be held until maturity	2,741,531	2,788,569	2,800,527	2,889,284
of which valued at the lower of cost or market	–	–	–	–
Shares	31,527	16,735	32,873	16,735
Precious metals	43,195	35,510	43,305	35,517
Real estate	1,420	2,386	1,420	2,386
Total financial assets	2,817,674	2,843,201	2,878,125	2,943,922
of which securities eligible for refinancing with central banks	2,671,343	2,738,475	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Participations		
with a market value	290,376	254,800
without a market value	36,243	100,243
Total participations	326,618	355,043

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 Information AG	Dietikon	IT services	8,300	100	100
Raiffeisen Finanzierungs AG	St.Gallen	Finance company	5,000	100	100
Raiffeisen (Schweiz) Luxemburg Fonds Management SA	Luxemburg	Funds business	220	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St.Gallen	Issuer	20,434	9.8	9.5
of which not paid up			20,434		
Raiffeisen Guarantee Cooperative	St.Gallen	Cooperative	37,696	5.3	5.3
Raiffeisen Leasing	St.Gallen	Leasing company	2,526	1.2	1.2
3.2 Other participations					
cosba private banking ag	Zurich	Bank	100,000	–	25.0
Viseca Card Services AG	Zurich	Financial services	20,000	19.0	19.0
Vontobel Holding AG	Zurich	Financial services	65,000	12.5	12.5
Mortgage Bond Bank for Swiss mortgage institutions	Zurich	Mortgage bond bank	300,000	10.5	10.5
of which not paid up			189,000		
Telekurs Holding AG	Zurich	Financial services	45,000	4.0	4.0
Helvetia Patria Holding	St.Gallen	Financial services	86,529	2.7	2.7

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative depreciation/amortization in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/reclassifications in 1000 CHF	Current year investment in 1000 CHF	Current year disinvestment in 1000 CHF	Current year depreciation/amortization in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations								
Holdings group companies	16,351	- 801	15,550	-	-	-	-	15,550
Other holdings	381,634	- 42,141	339,493	-	35,821	- 64,000	- 245	311,068
Total participations	397,985	- 42,942	355,043	-	35,821	- 64,000	- 245	326,618
Tangible fixed assets								
Real estate								
Bank buildings	194,687	- 41,396	153,291	- 7,531	9,474	-	- 5,311	149,923
Other real estate	2,449	- 599	1,850	-	-	-	- 250	1,600
Other tangible fixed assets	85,440	- 67,590	17,850	7,531	23,331	-	- 29,059	19,653
Total tangibles	282,575	- 109,584	172,991	-	32,805	-	- 34,620	171,176

* Price gains from participations of CHF 35.6 million are included in the investments, these have been booked as extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	161,862
Value of other tangible fixed assets for fire insurance purposes	47,500
Liabilities: future leasing instalments from operational leasing	-

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	113,291	96,986
Equalization account	–	4,664
Coupons and debt instruments	734	3
Clearing accounts for social security and staff pension fund contributions	40,755	36,302
Clearing accounts for indirect taxes	833,566	781,582
Miscellaneous other assets	7,273	6,340
Total other assets	995,619	925,877
Other liabilities		
Total replacement value	135,597	187,532
Equalization account	34,494	–
Due, unredeemed coupons and debt instruments	1,032	923
Levies, indirect taxes	12,596	12,710
Solidarity fund	266,651	232,702
of which open guarantees to Raiffeisen banks	13,675	16,525
Clearing accounts	16,482	74,295
Miscellaneous other liabilities	1,168	2,744
Total other liabilities	468,020	510,906

6 Pledged or assigned assets and assets subject to reservation of title, without loan operations and pension operations with securities

	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
Balance sheet items				
Receivable from Raiffeisen banks	1,029,434	1,029,434	1,117,808	1,117,808
Mortgage receivables	191,300	187,769	317,855	205,022
Financial assets	1,298,024	903,498	1,829,454	1,461,482
Total pledged assets	2,518,758	2,120,701	3,265,116	2,784,311

7 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	6,737,225	8,076,821
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	4,373,523	7,782,953
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	903,498	1,461,482
for which the right to resell or pledge without restriction was granted	903,498	1,461,482
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	6,833,076	8,218,435
of which repledged or resold securities	3,472,003	6,353,975

8 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	8,475	15,834
Other commitments to clients	30,080	29,629
Own bonds on commission	–	–
Total liabilities to own social insurance institutions	38,555	45,463

The retirement benefit schemes of the Swiss Union of Raiffeisen Banks

Employees of the Swiss Union of Raiffeisen Banks are insured through the Pension Fund of the SURB. 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 pension fund of the SURB covers at least the mandatory benefits under the Swiss occupational pension law. The pension plan exclusively covers supplementary benefits. The pension fund of the SURB converted its defined benefit scheme to a defined contribution scheme as of 1 January 2005. The financing of the transfer costs amounting to 6,122,815 Swiss francs which primarily cover the pension rights of older insured persons were covered by the financing foundation for the pension fund of the SURB.

The pension schemes of the SURB are of the defined contribution type as defined by SWISS GAAP FER 16. This means that

- the employer contributions are fixed
- if the pension plan does not have sufficient assets, the principle of fixed contributions by the company is not broken
- the occurrence of special investment or insurance situations within the pension schemes does not result in cost increases/reductions for the company
- surpluses achieved by the pension schemes are always applied in favour of beneficiaries

In 2005 the SURB paid and booked all employer contributions through personnel expenses. As a result of voluntary payments the SURB expense for retirement benefits is higher than the regulatory employer contributions. The relevant details are provided in note 24.

As the pension scheme is contribution-oriented, no actuarial calculations based on a retrospective method for the published annual report are necessary.

As of 31.12.2005 an employer contribution reserve of 6,186,134 Swiss francs (previous year 10,913,142 Swiss francs) exists at the financing foundation of the pension fund of the SURB.

No liabilities resulting from the termination of employment relationships exist for which provisions have not been made.

9 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Central Issuing Office of the Swiss Raiffeisen Banks	div.	3.570	div.	–	314,500
Loan of the Mortgage Bond Bank of the Swiss Mortgage Institutions	div.	3.280	div.	–	1,181,750
Own bonds	1996	4.000	06.02.2006	–	100,000
	1998	3.500	24.08.2006	–	150,000
	1999	3.250	27.05.2009	–	250,000
	2000	4.625	22.06.2006	–	500,000
	2001/02	4.000	02.02.2011	–	600,000
	2004	1.400	19.02.2007	–	70,000
	2004	3.000	05.05.2014	–	400,000
Total outstanding bonds and mortgage bond loans					3,566,250

10 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Change of use (transfers)	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
Value adjustments and provisions for default risks (del credere and country risk)	39,953	– 3,824	372	1,249	14,843	– 7,263	45,329
Value adjustments and provisions for other business risks	6,323	– 2,096	– 372	–	3,048	– 643	6,260
of which provisions for restructuring costs ²	3,400	– 661	–	–	1,300	–	4,039
Total value adjustments and provisions	46,276	– 5,920	–	1,249	17,891	– 7,906	51,589
Reserves for general banking risks	373,500	–	–	–	54,500	–	428,000
of which taxed	41,000	–	–	–	–	–	44,000

* made in respect of personnel expenditure

11 Evidence of equity capital

	in 1000 CHF
Equity capital at the beginning of the current year	
Cooperative capital	320,000
General statutory reserve	103,714
Reserves for general banking risks	373,500
Profit	13,720
Total equity capital at the beginning of the year (before approp. of profits)	810,934
± Capital increase	–
+ Other allocations	54,500
– Interest on the cooperative capital from the annual profit of the previous year	8,800
+ Annual profit for the reporting year	17,749
Total equity capital at the end of the current year (before approp. of profits)	874,382
of which cooperative capital	320,000
of which general legal reserve	108,634
of which reserves for general bank risks	428,000
of which profit	17,749
Additional funding obligation of the Raiffeisen banks	5,414,339

The cooperative capital of over 320 million Swiss francs is divided up into 320,000 cooperative share certificates of 1,000 Swiss francs each, all of which is in the ownership of the 421 Raiffeisen banks within the SURB. No Raiffeisen bank holds share certificates that give more than 5% of the voting rights.

In accordance with the statutes of the SURB the Raiffeisen banks have to hold a share certificate of 1,000 Swiss francs for every 100,000 Swiss francs of total assets. As of 31.12.05 this corresponded to a call-in obligation of the Raiffeisen banks against the SURB of 979.8 million Swiss francs, of which 320 million Swiss francs has been paid in.

The capital entitled to interest amounted to 320 million Swiss francs at the end of 2005 (previous year 220 million Swiss francs).

12 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	221,008	–	–	–	–	–	221,008
Receivables from money market sec.	5,272	–	–	–	–	–	5,272
Receivables from Raiffeisen banks	4,927,012	–	–	–	–	–	4,927,012
Receivables from other banks	732,681	–	7,410,805	1,985,434	–	–	10,128,920
Receivables from clients	84,940	75,828	172,236	181,286	486,376	16,961	1,017,628
Mortgage receivables	2,298	553,784	249,705	490,617	1,943,033	267,720	3,507,156
Trading portfolios in securities and precious metals	53,210	–	–	–	–	–	53,210
Financial assets*	137,256	–	86,954	457,193	1,690,789	445,482	2,817,674
Total current assets							
Current year	6,163,676	629,612	7,919,700	3,114,530	4,120,198	730,164	22,677,880
Prior year	5,892,319	1,128,099	7,714,565	5,318,749	3,942,042	695,882	24,691,657
Outside debt							
Liabilities to Raiffeisen banks	3,613,462	–	–	–	–	–	3,613,462
Liabilities to other banks	1,156,900	–	5,227,963	681,889	2,226,513	446,209	9,739,474
Liabilities to clients in the form of savings and investment deposits	–	1,970,065	–	–	–	–	1,970,065
Other liabilities to clients	534,819	–	1,722,537	297,457	699,758	299,500	3,554,071
Medium-term notes	–	–	12,057	52,770	273,412	15,996	354,235
Bonds and mortgage bond loans	–	–	220,800	870,800	1,097,000	1,377,650	3,566,250
Total outside debt							
Current year	5,305,181	1,970,065	7,183,357	1,902,916	4,296,683	2,139,355	22,797,557
Prior year	4,984,112	1,815,113	9,987,049	1,885,297	4,158,105	1,969,932	24,799,607

* The financial assets include 1,420,377 Swiss francs of real estate (prior year 2,386,391 Swiss francs).

13 Receivables from or liabilities to affiliated companies and loans to executive bodies

	Current year in 1000 CHF	Prior year in 1000 CHF
Receivables from affiliated companies	290,510	274,561
Liabilities to affiliated companies	333,981	344,816
Loans to executive bodies and employees	6,243	5,117

Transactions with associated persons

1 Executive bodies

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 and the Supervisory Board as to other clients.

The Bank's management enjoys the same industry-standard preferential terms as other personnel.

2 Afflicted companies

For receivables from and liabilities to affiliated companies the same conditions apply as for normal clients.

14 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	218,199	2,809	299,421	7,401
Receivables from money market securities	5,272	–	5,546	–
Receivables from Raiffeisen banks	4,927,012	–	4,595,587	–
Receivables from other banks	2,782,728	7,346,191	3,632,088	8,618,004
Receivables from clients	1,014,584	3,044	1,224,816	10,198
Mortgage receivables	3,507,156	–	3,437,923	–
Trading portfolio in securities and precious metals	31,737	21,473	8,653	8,819
Financial assets	2,748,989	68,684	2,821,811	21,390
Participations	322,956	3,662	351,381	3,662
Tangible fixed assets	171,176	–	172,991	–
Accrued income and prepaid expenses	232,786	–	227,196	–
Other assets	995,619	–	925,877	–
Total assets	16,958,214	7,445,864	17,703,289	8,669,474
Liabilities				
Liabilities to Raiffeisen banks	3,613,462	–	3,686,175	–
Liabilities to other banks	5,863,966	3,875,509	7,710,001	3,290,253
Liabilities to clients in the form of savings and investment deposits	1,915,545	54,519	1,751,322	63,791
Other liabilities to clients	3,546,144	7,927	4,284,459	22,350
Medium-term notes	354,235	–	322,455	–
Bonds and mortgage bond loans	3,566,250	–	3,668,800	–
Accrued expenses and deferred income	212,530	–	205,041	–
Other liabilities	468,020	–	510,906	–
Value adjustments and provisions	51,589	–	46,276	–
Reserves for general banking risks	428,000	–	373,500	–
Cooperative capital	320,000	–	320,000	–
General statutory reserve	108,634	–	103,714	–
Annual profit	17,749	–	13,720	–
Total liabilities	20,466,123	3,937,955	22,996,369	3,376,394

15 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Europe				
Switzerland	16,958,214	69.49	17,703,289	67.13
Germany	872,862	3.58	1,689,341	6.41
Benelux countries	758,618	3.11	1,377,156	5.22
Austria	3,961,068	16.23	3,726,773	14.13
Rest of Europe	1,738,173	7.12	1,694,796	6.43
Rest of world (America, Asia, Oceania, Africa)	115,143	0.47	181,408	0.69
Total assets	24,404,078	100.00	26,372,763	100.00

16 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	116,458	59,769	6,615	38,166	221,008
Receivables from money market securities	5,266	4	2	–	5,272
Receivables from Raiffeisen banks	4,907,944	16,485	2,384	199	4,927,012
Receivables from other banks	9,292,078	589,237	215,059	32,546	10,128,920
Receivables from clients	1,013,798	1,818	1,997	15	1,017,628
Mortgage receivables	3,507,156	–	–	–	3,507,156
Trading portfolio in securities and precious metals	28,979	–	3,140	21,092	53,210
Financial assets	2,765,837	780	7,862	43,195	2,817,674
Participations	323,176	3,442	–	–	326,618
Tangible fixed assets	171,176	–	–	–	171,176
Accrued income and prepaid expenses	232,786	–	–	–	232,786
Other assets	995,619	–	–	–	995,619
Total assets reflected in the balance sheet	23,360,274	671,534	237,059	135,212	24,404,078
Delivery claims under spot exchange, forward exchange and currency option contracts	116,878	362,782	260,745	15,560	755,965
Total assets	23,477,152	1,034,316	497,804	150,772	25,160,043
Liabilities					
Liabilities to Raiffeisen banks	2,879,936	530,348	125,527	77,651	3,613,462
Liabilities to other banks	9,042,336	468,235	228,803	100	9,739,474
Liabilities to clients in the form of savings and investment deposits	1,940,430	29,635	–	–	1,970,065
Other liabilities to clients	3,522,977	12,802	10,636	7,657	3,554,071
Medium-term notes	354,235	–	–	–	354,235
Bonds and mortgage bond loans	3,566,250	–	–	–	3,566,250
Accrued expenses and deferred income	212,530	–	–	–	212,530
Other liabilities	468,020	–	–	–	468,020
Value adjustments and provisions	51,589	–	–	–	51,589
Reserves for general banking risks	428,000	–	–	–	428,000
Cooperative capital	320,000	–	–	–	320,000
General statutory reserve	108,634	–	–	–	108,634
Annual profit	17,749	–	–	–	17,749
Total liabilities reflected in the balance sheet	22,912,685	1,041,019	364,966	85,408	24,404,078
Delivery obligations under spot exchange, forward exchange and currency option contracts	587,611	25,685	127,211	15,458	755,965
Total liabilities	23,500,296	1,066,704	492,177	100,866	25,160,043
Net position per currency	– 23,144	– 32,389	5,627	49,905	–

31.12.2005 31.12.2004

Foreign currency conversion rates

EUR	1.557	1.543
USD	1.312	1.133



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Information on Off-Balance-Sheet Business

17 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	366,474	347,691
Warranty bonds	4,512	4,123
Other contingent liabilities	107,905	116,466
Total contingent liabilities	478,891	468,280

18 Open derivative financial instruments

18.1 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	–	1,186	250,000	–	–	250,000
Swaps	177,711	179,678	10,565,000	17,426,500	4,273,000	32,264,500
Futures	–	–	797,248	75,000	–	872,248
Options (OTC)	–	1,058	86,391	147,849	8,979	243,220
Foreign currency						
Futures contracts	16,747	16,623	565,709	–	–	565,709
Comb. interest rate/currency swaps	10,822	10,818	512,374	27,842	144,309	684,524
Options (OTC)	307	307	25,481	–	–	25,481
Precious metals						
Futures contracts	180	169	11,743	–	–	11,743
Total						
Current year	205,767	209,839	12,813,945	17,677,191	4,426,288	34,917,424
Prior year	223,082	238,217	28,442,802	15,144,279	3,561,570	47,148,650

18.2 Hedging instruments with internal 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						
Swaps	55,227	86,132	1,375,000	7,355,000	1,855,000	10,585,000
Currencies						
Forward contracts	14,540	–	131,200	–	–	131,200
Comb. int. rate/currency swaps	4,475	6,344	252,234	14,013	71,209	337,456
Total						
Current year	74,242	92,476	1,758,434	7,369,013	1,926,209	11,053,656
Prior year	50,685	126,096	5,658,355	5,978,968	1,598,100	13,235,423

18.3 Derivative financial instruments by external counterparty

	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
Banks	111,837	133,448	10,010,608	10,084,329	2,491,100	22,586,036
Raiffeisen banks*	596	69	93,547	10,359	390	104,295
Clients	858	2,080	154,109	138,490	8,589	301,189
Stock exchanges	–	–	797,248	75,000	–	872,248
Total						
Current year	113,291	135,597	11,055,511	10,308,178	2,500,079	23,863,768
Prior year	96,986	187,532	22,784,447	9,165,311	1,963,470	33,913,227

* primarily for client needs

No netting contracts were used.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 99 percent 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.

19 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	6,933	111,047	36,012	9,479	163,470
Total fiduciary transactions	6,933	111,047	36,012	9,479	163,470
Prior year	500	107,353	29,075	9,622	146,550

Information on the Profit and Loss Account

20 Result from interest rate business

	Current year in 1000 CHF	Prior year in 1000 CHF
Interest income from receivables from Raiffeisen banks	291,027	259,213
Interest income from receivables from other banks	80,348	50,631
Interest income from receivables from clients	127,870	130,495
Interest and dividend income from financial investments	82,089	88,039
Other interest income	35,346	38,982
Total interest and dividend income	616,678	567,360
Interest expense from liabilities to Raiffeisen banks	- 134,868	- 120,140
Interest expense from liabilities against other banks	- 88,331	- 65,534
Interest expense from liabilities to clients	- 68,995	- 50,790
Interest expense from bonds and mortgage bond loans	- 133,556	- 143,736
Other interest expenses	- 88,308	- 86,820
Total interest expense	- 514,058	- 467,020
Total result from interest rate business	102,620	100,339

21 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	1,140	892
Commission income from securities and investment business		
Fund business	11,698	9,478
Custody account business	14,338	11,315
Brokerage	16,059	14,034
Other securities and investment business	4,494	4,261
Commission income from other service transactions		
Payments	38,770	41,290 ¹
Account maintenance	4,609	5,001 ¹
Other service transactions	1,062	606
Total commission income	92,171	86,877
Commission expenditure		
Securities business	- 10,978	- 11,440
Payments	- 5,536	- 4,790 ²
Other commission expenditure	- 4,313	- 1,767
Total commission expenditure	- 20,827	- 17,997
Total net income from commission business and service transactions	71,343	68,880

The prior-year figures for the following items were reclassified within the profit and loss account:

- 1) The reimbursement of expenses, income from ATM fees, Maestro and account card production costs as well as fee income from the delivery of money and coins of 17.6 million Swiss francs previously shown under "Other ordinary income" are now shown under "Commission income from other service transactions".
- 2) The charges for payment transactions as well as expenses for ATM fees of 4.8 million Swiss francs previously shown under "Other ordinary expenditure" is now shown under "Commission expenditure".

22 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign currency trading	20,540	13,898
Precious metal trading	2,565	241
Equities trading	7,854	5,573
Fixed income trading	- 6,503	- 2,245
Total net trading income	24,456	17,467

23 Other ordinary income

	Current year in 1000 CHF	Prior year in 1000 CHF
Transactions with group companies	10,110	7,789
Individual transactions for Raiffeisen banks	79,676	68,637
Contributions of the Raiffeisen banks	52,640	54,380
Other	5,414	1,625
Total other ordinary income	147,840	132,431'

The prior-year figures for the following items were reclassified within the profit and loss account:

- 1) The reimbursement of expenses, income from ATM fees, Maestro and account card production costs as well as fee income from the delivery of money and coins of 17.6 million Swiss francs previously shown under "Other ordinary income" are now shown under "Commission income from other service transactions".

24 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	762	486
Salaries and bonuses for staff	121,441	112,691
AHV, IV, ALV and other statutory contributions	10,522	9,789
Contributions to staff pension funds	8,955	6,473
Contribution to financing foundation for SURB employee benefits	2,000	2,000
Ancillary staff expenses	3,297	4,035
Total personnel expenditure	146,977	135,474

25 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	11,790	11,428
Cost of computer equipment, machinery, furniture, vehicles and other equipment	78,416	73,263 ¹
Other operating expenditure	50,779	51,986 ¹
Total operating expenditure	140,986	136,677

The prior-year figures for the following items were reclassified within the profit and loss account:

- 1) The charges for payment transactions as well as expenses for ATM fees of 4.8 million Swiss francs previously shown under "Other ordinary expenditure" are now shown under "Commission expenditure".

26 Extraordinary income and expenditure

Current year

Price gains from participations of 35.6 million Swiss francs are included in extraordinary income of 37.5 million Swiss francs.

Extraordinary expenses of 54.5 million Swiss francs include the creation of provisions for general banking risks to the amount of 54.5 million Swiss francs.

Prior year

Included in extraordinary income of 10.4 million Swiss francs is the release of value adjustments and provisions to the amount of 10.1 million Swiss francs.

Extraordinary expenses of 15.6 million Swiss francs include the creation of provisions for general banking risks to the amount of 15.5 million Swiss francs.

27 Calculation of mandatory capital

	Current year nominal in 1000 CHF	Current year risk-weighted positions in 1000 CHF	Prior year nominal in 1000 CHF	Prior year risk-weighted positions in 1000 CHF
Mandatory capital				
Direct assets requiring equity backing				
Receivables from Raiffeisen banks	4,927,012	1,231,753	4,595,587	1,148,897
Receivables from other banks	10,128,920	849,773	12,250,092	1,046,577
Receivables from clients	1,017,628	686,805	1,235,014	689,084
Mortgage receivables	3,507,156	1,849,721	3,437,923	1,867,061
Real estate in financial assets	1,420	5,327	2,386	8,949
Tangible fixed assets/intangibles	171,176	503,637	172,991	501,726
Accrued income and prepaid expenses	232,786	119,223	227,196	116,333
Other assets, total replacement value	113,292	67,642	96,986	60,436
Other assets, miscellaneous	882,328	18,116	824,227	14,969
Indirect assets requiring equity backing				
Net positions outside trading book	2,778,271	627,829	2,805,304	751,502
Market risk positions		483,916		556,944
Deductible liabilities				
Deductible provisions in the liabilities	- 45,329	- 33,997	- 39,952	- 29,964
Off-balance-sheet business				
Contingent liabilities	478,891	224,657	468,280	163,960
Irrevocable commitments	26,119	89,091	26,119	89,091
Add-ons for forward contracts and options purchased		63,037		60,670
Total risk-weighted positions		6,786,528		7,046,235
Mandatory capital (8% of risk-weighted positions)		542,922		563,699
Available capital				
Eligible core capital		861,582		802,134
Eligible supplementary capital		430,791		401,067
./. Participations in the financial area		- 326,618		- 355,043
Total allowable capital		965,755		848,158
Equity surplus		422,833		284,459
Equity cover		177.9%		150.5%
Tier 1 ratio		12.7%		11.4%
Tier 2 ratio		14.2%		12.0%

Auditing report for the annual financial statements Auditing report for the annual financial statements from the bank law auditor to the Board of Directors of the Swiss Union of Raiffeisen Banks, St.Gallen

As auditors in accordance with article 18 ff. of the Federal Law on Banks and Savings Banks as well as article 17 of the Federal Law on Stock Exchanges and Trading in Securities, we have audited the accounting records and the financial statements as contained on pages 20 to 61 (balance sheet, profit and loss account, statement of cash flows and notes) of the Swiss Union of Raiffeisen Banks, St.Gallen, for the year ended on 31 December 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG
Peter Ochsner Beat Rüttsche

St.Gallen, 31 March 2006

Audit Report of the Supervisory Board

As per the mandate assigned to us, we have examined the financial statements of the Raiffeisen Union for the period ending 31 December 2005 and reviewed the activities of the Board of Directors and the Executive Board of the Swiss Union of Raiffeisen Banks in accordance with the statutory requirements and the provisions of the Articles of Association.

We declare that

- the balance sheet and the profit and loss account are consistent with the accounts,
- the accounts have been maintained in accordance with proper principles of accounting,
- the valuation principles prescribed by law and the guidelines stipulated in the Articles of Association have been adhered to when presenting the financial situation,
- the list of cooperative members has been properly maintained,
- the Board of Directors and the Executive Board have fulfilled the duties incumbent upon them.

Based on our findings and the results of the audit by the statutory auditor, PricewaterhouseCoopers AG, we recommend that

- the financial statements submitted are approved,
- the Board of Directors and the Executive Board are discharged in respect of their work.

We also confirm that the proposal made by the Board of Directors with regard to the appropriation of profits complies with the law and the Articles of Association.

St.Gallen, 31 March 2006

Chairman	Vice-Chairman
Erhard Büchi	Charles Tissier



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Balance Sheet – Five-Year Overview

	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million	2001 in CHF million
Assets					
Liquid funds	221,008	306,822	249,282	120,130	175,820
Receivables from money market securities	5,272	5,546	5,376	4,250	4,713
Receivables from Raiffeisen banks	4,927,012	4,595,587	3,402,515	3,059,332	2,843,788
Receivables from other banks	10,128,920	12,250,092	13,787,351	10,812,047	5,460,161
Receivables from clients	1,017,628	1,235,014	1,748,447	1,336,299	1,554,262
Mortgage receivables	3,507,156	3,437,923	3,289,207	3,295,722	3,171,643
Loans to clients	4,524,785	4,672,937	5,037,654	4,632,021	4,725,905
Trading portfolios in securities and precious metals	53,210	17,472	22,014	23,499	69,206
Financial assets	2,817,674	2,843,201	2,985,011	2,685,811	2,908,129
Participations	326,618	355,043	123,225	115,421	112,521
Tangible fixed assets	171,176	172,991	165,607	162,935	158,447
Accrued income and prepaid expenses	232,786	227,196	271,612	229,337	223,544
Other assets	995,619	925,877	192,229	259,056	144,616
Total assets	24,404,078	26,372,763	26,241,876	22,103,839	16,826,850
Liabilities					
Liabilities to Raiffeisen banks	3,613,462	3,686,175	4,063,655	3,903,342	3,028,400
Liabilities to other banks	9,739,474	11,000,254	12,293,663	9,242,273	5,866,967
Liabilities to clients in the form of savings and investment deposits	1,970,065	1,815,113	1,581,857	1,237,758	799,789
Other liabilities to clients	3,554,071	4,306,809	2,629,141	1,833,854	1,584,527
Medium-term notes	354,235	322,455	287,266	247,209	216,747
Client monies	5,878,371	6,444,378	4,498,264	3,318,821	2,601,063
Bonds and mortgage bond loans	3,566,250	3,668,800	3,740,400	3,949,950	3,852,450
Accrued expenses and deferred income	212,530	205,041	308,095	303,981	247,364
Other liabilities	468,020	510,906	554,309	659,063	514,492
Value adjustments and provisions	51,589	46,276	94,176	95,463	273,442
Reserves for general banking risks	428,000	373,500	358,000	334,200	150,000
Cooperative capital	320,000	320,000	220,000	190,000	190,000
General statutory reserve	108,634	103,714	99,146	95,072	91,404
Annual profit	17,749	13,720	12,168	11,674	11,268
Total equity capital	874,382	810,934	689,314	630,946	442,672
Total liabilities	24,404,078	26,372,763	26,241,876	22,103,839	16,826,850

Profit and Loss Account – Five-Year Overview

	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million	2001 in CHF million
Interest and discount income	534,590	479,321	450,835	526,248	595,724
Interest and dividend income from financial assets	82,089	88,039	98,228	106,185	115,600
Interest expenditure	- 514,058	- 467,020	- 440,403	- 509,979	- 639,928
Net interest income	102,620	100,339	108,660	122,454	71,396
Commission income from lending business	1,140	892	779	594	66
Commission income from securities and investment business	46,590	39,087	32,437	29,759	30,797
Commission income from other service transactions ¹	44,440	46,898	42,960	41,525	32,865
Commission expenditure ²	- 20,827	- 17,997	- 11,385	- 10,725	- 9,513
Net income from commission business and service transactions	71,343	68,881	64,792	61,153	54,215
Net trading income	24,456	17,467	24,200	29,253	21,121
Income from sale of financial assets	27	83	5	182	61
Income from participating interests	20,436	7,218	6,505	7,383	3,729
Income from real estate	6,471	4,846	3,844	4,214	4,028
Other ordinary income ¹	147,840	132,431	123,524	115,596	96,254
Other ordinary expenditure	- 1,458	- 1,501	- 21,861	- 36,372	- 42,232
Other ordinary result	173,316	143,079	112,017	91,005	61,840
Operating income	371,736	329,766	309,669	303,864	208,572
Personnel expenditure	- 146,977	- 135,474	- 122,265	- 119,424	- 100,321
Operating expenditure ²	- 140,986	- 136,677	- 124,624	- 112,761	- 97,745
Total operating expenditure	- 287,963	- 272,151	- 243,889	- 232,185	- 198,066
Gross profit	83,773	57,616	65,780	71,679	10,506
Depreciation on fixed assets	- 34,866	- 34,674	- 24,975	- 44,029	- 37,898
Value adjustments, provisions and losses	- 9,716	- 459	- 9,588	- 6,470	- 18,341
Operating profit (interim result)	39,191	22,484	31,217	21,180	- 45,733
Extraordinary income	37,454	10,426	7,920	1,174	63,790
Extraordinary expenditure	- 54,500	- 15,632	- 23,815	- 8,049	- 3,021
Taxes	- 4,397	- 3,558	- 3,154	- 2,631	- 3,768
Annual profit	17,749	13,720	12,168	11,674	11,268

The amounts shown in the annual report have been rounded. Consequently, a minimal difference can arise in the total amount.

The prior-year figures for the following items were reclassified in the profit and loss account:

- 1) The reimbursement of expenses, income from ATM fees, Maestro and account card production costs as well as fee income from the delivery of money and coins previously shown under "Other ordinary income" are now shown under "Commission income from other service transactions".
- 2) The charges for payment transactions as well as expenses for ATM fees are now shown under "Commission expenditure".

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