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“Only he who knows his goal finds the way.”

Laozi, Chinese philosopher

The journey to work is more than the “distance between where you live and where you work”. It gives you time to gather your thoughts in preparation for the day ahead, affords you space to wind down in the evening, brings you into contact with others, and is a daily ritual of working life. Each and every day of the week around 8,000 employees make their way to work at Raiffeisen banks all over Switzerland.

Raiffeisen employees mostly have short commutes since they live and work within the locality of their own bank. This means that they are close to their clients and have an intrinsic understanding of their needs and concerns. The illustrations accompanying the Annual Report 2006 show Raiffeisen employees on their way to work: on foot, on the postbus, on their Vespas, in cars, on the bus, on bicycles, on the tram, on scooters and on ferries. The different methods they use to get to work are just as varied and unique as the employees themselves.

The variety of these commutes symbolizes the variety of paths that Raiffeisen employees open up for their clients. It also highlights the different paths that lead to Raiffeisen, both in a literal sense and – above all – in a figurative one: our employees bring with them to Raiffeisen their unique background, qualifications, knowledge and personality. Each and every day they are there for their clients. They understand their requirements, listen to their wishes and go in search of solutions – opening up countless new paths on the way.

Our employees are therefore the focus of this Annual Report – not least in recognition of their hard work and commitment that have paved the way for Raiffeisen’s success.



Denise Bieri, Logistics employee, Raiffeisenbank Basel. Commute from Riehen to Basel, around 30 minutes by tram (one change). Same journey for six years. "I really value the quiet solitude of the journey and the time it gives me to enjoy the view or read the paper."



Business activities The Raiffeisen Group has made a name for itself on the market and enjoys an excellent reputation. This success would not have been possible without the some 8,000 employees who pull together as a team for their bank and the Group and give Raiffeisen a friendly face that people can trust – day in, day out.

The main task of Raiffeisen Switzerland is to fulfil the strategic management function for the entire Raiffeisen Group and support the 405 independent Raiffeisen banks. This relieves the burden on the individual Raiffeisen banks so they can focus their efforts entirely on what they do best: their core competencies of providing personalized advice to clients and selling Raiffeisen banking products.

Booming markets in 2006

2006 was one of the best years on record for the stock markets. Many indices reached all-time highs, resulting in big gains for securities investors. But it was not only the stock exchanges that gave cause for celebration. Unlike at the end of the 1990s, when the high was restricted solely to share prices, this time the trend was reflected by the real economy, which performed well across geographical areas and economic sectors and enjoyed extremely broad-based support.

Mortgage business

The Raiffeisen banks achieved further growth in the mortgage business last year in spite of heavy competition, and the mortgage business continues to be the Raiffeisen banks' main source of income. Clients have a wide range of mortgages to choose from to suit their various needs. In 2006 Raiffeisen launched mortgage insurance. This niche product allows mortgage clients to insure themselves against the financial repercussions of unemployment and also to protect themselves financially against the risk of death.

The Raiffeisen banks have many assets at their disposal which give them that all-important edge over the competition in

the mortgage business. Qualities such as their local orientation, their proximity to clients and client relationships that focus on the long term are decisive for sustainable success. At the same time, Raiffeisen is constantly seeking to expand its portfolio of products and advisory services and thus play an active role in shaping the market.

Investment business

Raiffeisen continued to build on its strategic partnership with the Vontobel Group in 2006, and since the beginning of October 2006 the Vontobel Group has been responsible for managing the some 320,000 client custody accounts held at all Raiffeisen banks. This level of partnership is unprecedented on the Swiss banking market in the securities business, particularly in terms of the number of client custody accounts, transactions and staff involved.

Raiffeisen rigorously pursued the path it had set for itself in the investment business in 2006. The Raiffeisen banks greeted their investment clients with the slogan "Welcome to your investment bank", while four new products were launched in cooperation with the Vontobel Group in the area of investment funds alone. These are suitable as a core investment or may be used as a starting point for broadly diversified portfolios or private retirement solutions.

The Raiffeisen Futura funds celebrated their five-year anniversary in 2006. They posted pleasing volume growth and promising performance thanks to prudent investment strategies. The Raiffeisen Futura Swiss Stock received the top five-star rating from fund rating agency Morningstar at the end of July 2006 and was singled out by the Lipper Fund



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

Awards Switzerland 2006. The Raiffeisen Swiss Stock has recorded the best consistent performance over the last three years of any Swiss equity fund. The Futura Swiss Franc Bond was given four stars by Morningstar at the end of July 2006.

Corporate client business

Raiffeisen intends to expand its range of products and services in the corporate client business and establish itself as a competitive bank on the market. The banks can intensify existing client relationships by means of streamlined processes and acquire new clients in this segment. The corporate client segment is to be seen against this backdrop, with Raiffeisen furthering its expansion in 2006.

New banking platform

In December 2006 the decision was made to replace the current core banking applications with a new standard product. The Raiffeisen Group opted for the well-known end-to-end solution from Avaloq, which is to be rolled out in two phases. In phase one, scheduled for completion by 2010, central bank functions and payment services will be transferred. In a second phase, the Board of Directors will decide whether to replace the DIALBA technology.

New market areas

The sales network was also expanded further, and in 2006 Raiffeisen continued to tap into new market areas where it traditionally had little or no presence. A total of six new locations opened their doors. The existing branches of Raiffeisen Switzerland also recorded pleasing growth in 2006 (balance sheet total +4.5%, loans to clients +2.5%,

“Cooperation helps us generate additional know-how – enabling us to concentrate more fully on our core competencies of providing client care and support and selling financial services.”

client monies +8.4%). Raiffeisen harbours enormous potential in urban centres, which it aims to exploit further by strengthening its market presence and projecting a more client-focussed image.

Strong brand

A comprehensive product portfolio and nationwide sales structures alone are not the only ingredients for success. Success can only be achieved if clients have confidence in their bank and banks cultivate long-term business relationships with their clients. The way a bank is perceived by the public – its image – has a crucial role to play in this. Raiffeisen is a strong brand and has a very positive image. Following the introduction of the new look including a modern, dynamic logo on 1 March 2006, the revamped brand has successfully anchored itself in the minds of both clients and the general public.

In addition to Raiffeisen's new corporate design, its sponsorship of Swiss winter sports is also helping to boost the bank's image. Winter sports are engrained in Swiss culture and are well loved and respected across the generations.

In the same way that the Raiffeisen banks are the “bank for everybody”, winter sports have a variety of disciplines to suit every ability and taste. Raiffeisen supports not only the country’s top athletes, but also up-and-coming stars.

Specialist banking conference in Martigny

The top echelons of the Raiffeisen Group came together for the specialist banking conference in Martigny on 9 June 2006. The aim of the conference, held once every three years, is to develop common visions and discuss the challenges facing us in the future. Like in previous years, in 2006 Raiffeisen was able to attract reputed and renowned speakers such as Prof. Beat Bernet from the University of St. Gallen and Dr. Eugen Haltiner, President of the Swiss Federal Banking Commission, who shared their impressions on how the banking environment will evolve in the years to come.

Banking is becoming more and more diversified; long gone are the days of a homogeneous clientele with similar needs. In future the banking industry will be confronted with client groups that are increasingly heterogeneous, and products and services will need to adapt themselves to these changing requirements. Partnerships such as the ones Raiffeisen has entered into with the Vontobel Group and Helvetia will become even more important, and the Raiffeisen banks will have to strengthen their focus on their core competency – client advice and support.

Delegate Meeting in Martigny

The Delegate Meeting was also held at the specialist banking conference in Martigny on 10 June 2006. The delegates approved the new mission statement of the Raiffeisen

Group, which was developed as part of an intense process together with the Raiffeisen banks. They also passed the change of name from Swiss Union of Raiffeisen Banks to Raiffeisen Switzerland.

One of the items approved by the Delegate Meeting was the amendment to the model Articles of Association of the Raiffeisen banks; the purpose of this is to incorporate the changes made to the Swiss Code of Obligations. The Swiss Code of Obligations places more stringent requirements on auditors in terms of operational processes and independence, and so the Delegate Meeting decided to give the task of carrying out the Raiffeisen bank audit required by the Swiss Code of Obligations to an auditing firm for the entire Raiffeisen Group. PricewaterhouseCoopers was awarded the mandate for a period of three years; in the case of Raiffeisen Switzerland, this will include the 2006 consolidated accounts, while for the Raiffeisen banks, work will begin in 2007. The supervisory boards of Raiffeisen Switzerland and of the Raiffeisen banks, which used to act as auditing bodies for their institutions, were therefore dissolved on 31 December 2006.

The delegates also approved decreasing the size of the Raiffeisen Switzerland Board of Directors by two people from 13 to 11. Dr Marie-Françoise Perruchoud-Massy, from Vercorin in the Canton of Valais, became the first woman to hold the post of Vice-Chair.

Excellent rating

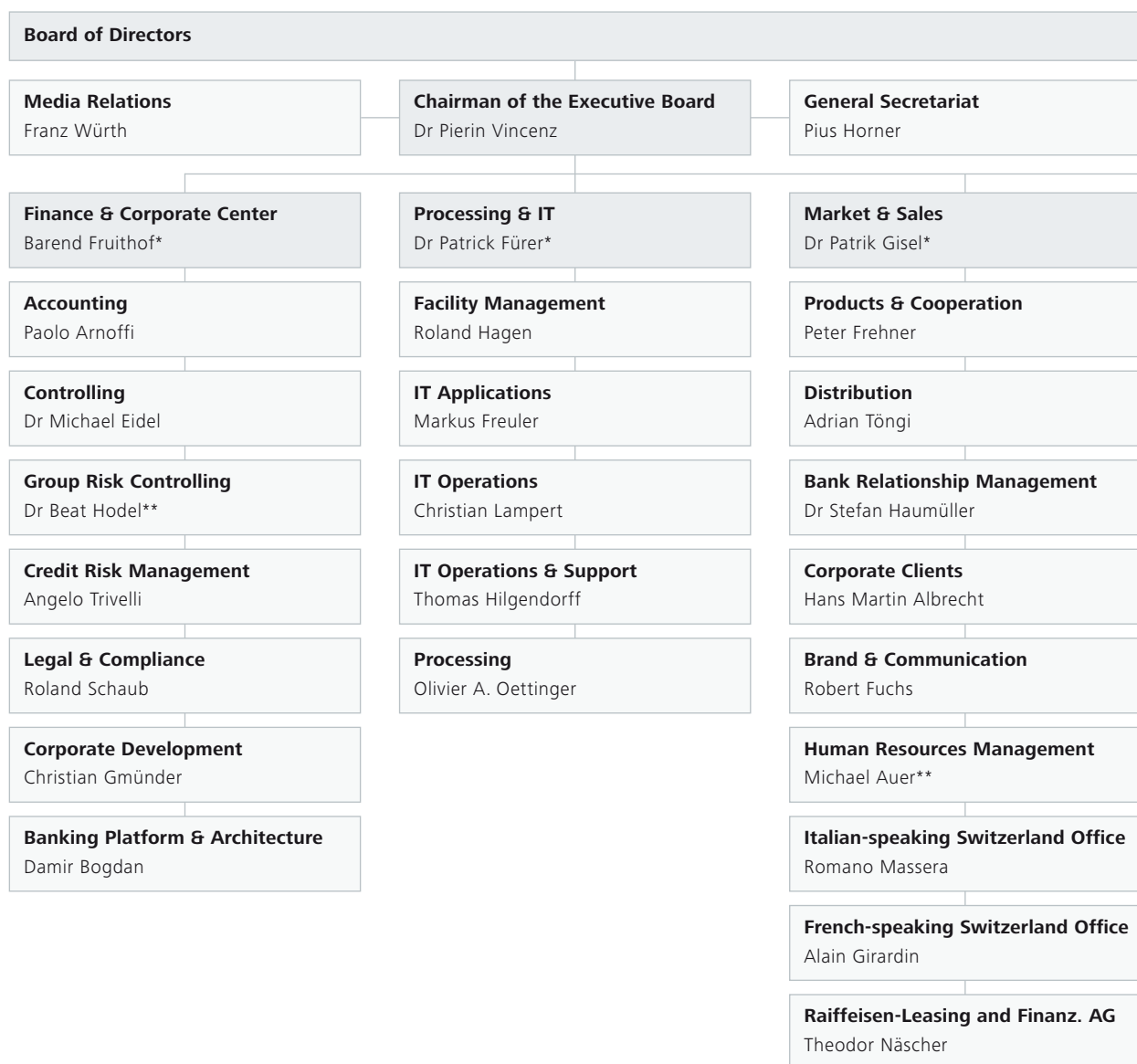
Cost-effective refinancing is vital if the Raiffeisen Group is to be successful on the market. This, in turn, requires capi-

tal market tradability, and so Raiffeisen Switzerland gave rating agency Moody's the task of allocating the Raiffeisen Group a rating. Moody's gave Raiffeisen the excellent rating of Aa2. This will make it easier for Raiffeisen to raise capital on the money market. One of the major reasons given by Moody's for the rating is the strong legal and operational cohesion within the Raiffeisen Group, thanks largely to the statutory guarantee Raiffeisen Switzerland grants to the Raiffeisen banks. The rating agency also pointed to Raiffeisen's shared strategic objectives, its standard risk management guidelines and practices, and the close cooperation that exists with regard to bank management, financial support, liquidity maintenance and commercial activities. The market success of the Raiffeisen Group under a diverse range of market conditions also made a strong impression, all the more so because it was achieved without having a negative impact on its risk profile.

The Moody's rating underscores the culture of tradition and fruitful, high-quality cooperation within the Raiffeisen Group. This would not be possible without our approximately 8,000 employees, who achieve success for the whole banking group and give Raiffeisen the friendly face and good reputation it enjoys today. I would like to take this opportunity to thank all staff and board members for their invaluable work and look forward to tackling the challenges that lie ahead together. We open the way to new horizons as we travel down the path to becoming Switzerland's leading retail bank.

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

Organizational chart of Raiffeisen Switzerland





* Member of the Executive Board

** Member of the extended Executive Board

As at 1 March 2007



Samuele Malaguti, Financial Advisor, Raiffeisenbank Lugano. Commute from Pregassona to Lugano, around seven minutes by motorcycle. Same journey for five years. "Every day I notice something new on my way to work. I carry the strength I gain during the journey with me into the day."



Business trend The integration of Raiffeisen Informatik AG into Raiffeisen Switzerland and the outsourcing of securities administration to the Vontobel Group had a major impact on the profit and loss account. Raiffeisen Switzerland closed the year on a high note, with net profit up 3.1%.

In May last year Raiffeisen Switzerland took over the business activities of Raiffeisen Informatik AG (RIAG) retroactively to 1 January 2006, while on 1 October 2006 all 320,000 client custody accounts of the 400-plus Raiffeisen banks – with a total volume of 30 billion Swiss francs – were successfully transferred to the management of the Vontobel Group. These two important milestones for the Raiffeisen Group had a major impact on Raiffeisen Switzerland's profit and loss account, meaning that the figures cannot be meaningfully compared with those of the previous year. The balance sheet was only marginally affected by the transfer of RIAG's assets and liabilities.

Raiffeisen Switzerland posted net profit of 18.3 million Swiss francs in the year under review, while the balance sheet total increased by 3.7% to 25.3 billion Swiss francs.

Profit and loss account

Both income and expenditure developed as expected. Income from ordinary banking activities rose significantly on the back of high volumes, especially in terms of business transactions with the Raiffeisen banks. The Raiffeisen Switzerland branches are also making an increasingly large contribution to earnings growth. Taking into account the special effects resulting from the integration of RIAG, operating expenditure grew only moderately overall.

Income from ordinary banking activities ■ Net interest income (note 20) was 111.2 million Swiss francs, which constitutes a year-on-year increase of around 8.4% or 8.6 million Swiss francs. The expected sharp rise can be attrib-

uted primarily to the strong increase in volumes seen by certain branches.

Income from commission business and service transactions (note 21) rose by 7.5% or 5.3 million Swiss francs on the previous year. While income from securities business increased considerably once again (+16%), commission from service transactions grew only slightly by 4.7%.

Net trading income (note 22) was up 15.7% or 3.8 million Swiss francs year-on-year to 28.3 million Swiss francs. Thanks to the introduction of a new booking system for the trading platform, a clear separation was made between the trading book and the bank ledger in the year under review, enabling refinancing expenditure to be offset in line with market standards. This changeover means that no direct comparison is made with the previous year.

The "Other ordinary result" increased significantly, rising by 37.7% or 65.4 million Swiss francs to 238.7 million Swiss francs. The marked increase in other operating income is due primarily to the integration of RIAG (IT services charged to group companies: 73.3 million Swiss francs).

Operating income ■ Personnel expenditure (note 24) increased to 230.8 million Swiss francs in the year under review. The integration of RIAG resulted in personnel cost savings, with the overall headcount at Raiffeisen Switzerland dropping by 1.3% to 1,443 personnel units. In view of its healthy financial state, Raiffeisen increased salaries by 2% and paid out higher bonuses.

Operating expenditure (note 25) amounted to 139.5 million Swiss francs in the year under review. IT expenditure fell by 11 million Swiss francs due to the integration of RIAG, while other operating expenditure increased by approximately 8 million Swiss francs.

Depreciation on fixed assets ■ Depreciation on fixed assets rose by 58.4% to 55.2 million Swiss francs (note 4). Very generous write-offs were once again made on IT infrastructure in the year under review.

Value adjustments, provisions and losses ■ "Value adjustments, provisions and losses" fell from 9.7 million Swiss francs to 4.6 million Swiss francs in the year under review. The decline was due primarily to the low-risk portfolio.

Extraordinary income and taxes ■ Price gains on participations totalling 5.9 million Swiss francs are included under "Extraordinary income" (note 26) of 7.2 million Swiss francs. The transfer of 6.6 million Swiss francs to the reserves for general banking risks was charged to extraordinary expenditure. At 5.3 million Swiss francs, taxes remained constant in relation to reported net profit.

Net profit ■ Net profit was up by 3.1% year-on-year at 18.3 million Swiss francs.

Balance sheet

Raiffeisen Switzerland's balance sheet reflects the diverse demands placed on the organization due to its central position within the Raiffeisen Group. In addition to main-

taining bank branches in various major cities in Switzerland that offer a similar range of services to the Raiffeisen banks, Raiffeisen Switzerland 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. As a result, the short-term liquidity situation of the Raiffeisen banks, which is dictated by the difference between the growth of client assets and that of loans, is directly reflected in Raiffeisen Switzerland's balance sheet and balance sheet total, which increased by 892 million Swiss francs or 3.7% in 2006.

On a consolidated basis, Raiffeisen Switzerland complied with its statutory liquidity requirements at all times. The statutory capital requirements were always observed.

Receivables from or liabilities to Raiffeisen banks ■

As at the end of 2006, net receivables from the Raiffeisen banks had fallen from 1.31 billion Swiss francs in 2005 to 556 million Swiss francs. The fall of 758 million Swiss francs shows that the Raiffeisen banks received significantly more client monies than they were able to use for lending operations. A significant proportion of the Raiffeisen banks' assets are invested in blocked accounts to comply with statutory liquidity requirements. These investments amount to 4.1 billion Swiss francs.

Receivables from or liabilities to other banks ■

As at the end of 2006, the net position of business with banks resulted in net receivables in the amount of 1.76 billion Swiss francs, a marked increase on the previous year

(389 million Swiss francs). Interbank business volumes rose by 1.4 billion Swiss francs on the assets side, while the liabilities side recorded a slight decrease of 6.6 million Swiss francs. In repo transactions, Raiffeisen Switzerland continues to occupy a leading position on the Swiss franc market. In addition to offering more favourable refinancing terms, 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 via the trading book.

Loans to clients ■ Loans to clients decreased by 4.0% to 4.3 billion Swiss francs in the year under review. This is because the Raiffeisen banks took back net loans to clients totalling 211 million Swiss francs from Raiffeisen Switzerland in the year under review, reducing the so-called undisclosed assignments at Raiffeisen Switzerland to 532 million 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. In the year under review, the book value shrank by 300 million Swiss francs to 2.5 billion Swiss francs. Precious metals fell to 39.8 million Swiss francs, while real estate from non-performing positions designated for resale rose slightly by 0.1 million Swiss francs to 1.5 million Swiss francs.

Participations ■ Shares in the Group companies, the 12.5% holding in the Vontobel Group and holdings in Telekurs Holding AG, the Mortgage Bond Bank, Visa Card Services SA and Helvetia Patria Holding AG are included under "Participations" (note 3). Raiffeisen reduced its holding in the Mortgage Bond Bank from 10.5% to 7.8% in the year under review; the stocks were sold to various Raiffeisen banks. On the back of the favourable market performance, we were able to book positive value adjustments totalling 2 million Swiss francs in the year under review.

Tangible fixed assets ■ The RIAG integration resulted in additional tangible fixed assets with a book value of 57.6 million Swiss francs. The ordinary investment volume amounted to 32.4 million Swiss francs (note 4).

Client monies ■ In the year under review, savings deposits increased by 32.3 million Swiss francs or 1.6%. This is a good result when compared with Switzerland as a whole (-4%). Medium-term notes were up by 19.8% to 424 million Swiss francs, while other liabilities to clients rose to 4.3 billion Swiss francs mainly due to the expansion of the repo business. Overall, client monies grew by 828 million Swiss francs.

Bonds and mortgage bond loans ■ A number of bonds and mortgage bond loans (note 9) fell due in the year under review. A new bond worth 550 million Swiss francs was also issued. The liabilities incurred under this item fell by 458.7 million Swiss francs or 12.9% in net terms.

Value adjustments and provisions ■ The value adjustments for loans (note 10) decreased by 2.3 million Swiss francs to 43.0 million Swiss francs in net terms.

In order to determine the value adjustments for default risks, the expected 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 amounted to 3.9 million Swiss francs. "Value adjustments and provisions" increased by 4.7 million Swiss francs overall to 46.9 million Swiss francs.

Off-balance-sheet business ■ The contract volume for derivative financial instruments (note 18) rose by an impressive 82.2% to 43.5 billion Swiss francs. This increase can be attributed to improved asset and liability management within the Raiffeisen Group. The replacement values amounted to 161 million Swiss francs (positive) and 78 million Swiss francs (negative) respectively.



Anne-Françoise Morel, Vice-Director, Raiffeisenbank Arve et Lac in Chêne-Bourg.

Commute from Jussy to Chêne-Bourg, around 20 minutes by car. Same journey for 19 years.

“Every day, the journey marks the transition from my job as a wife and mother to my job as a vice-director at Raiffeisen.”



Balance Sheet as at 31 December 2006

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	117,454	221,008	-103,554	-46.9	12
Receivables from money market securities	5,047	5,272	-225	-4.3	12
Receivables from Raiffeisen banks	4,509,773	4,927,012	-417,239	-8.5	6, 12
Receivables from other banks	11,495,444	10,128,920	1,366,524	13.5	12
Receivables from clients	827,699	1,017,628	-189,929	-18.7	1, 12
Mortgage receivables	3,517,049	3,507,156	9,893	0.3	1, 6, 12
Loans to clients	4,344,747	4,524,785	-180,038	-4.0	
Trading portfolios in securities and precious metals	137,982	53,210	84,772	159.3	2, 12
Financial assets	2,514,386	2,817,674	-303,288	-10.8	2, 6, 12
Participations	363,284	326,618	36,666	11.2	2, 3, 4
Intangibles	206,010	171,176	34,834	20.3	4
Accrued income and prepaid expenses	294,291	232,786	61,505	26.4	
Other assets	1,308,082	995,619	312,463	31.4	5
Total assets	25,296,501	24,404,078	892,423	3.7	14, 16
Total subordinated receivables	–	–	–	–	
Total receivables from group companies	76,914	64,408	12,506	19.4	
Liabilities					
Liabilities to Raiffeisen banks	3,953,784	3,613,462	340,322	9.4	12
Liabilities to other banks	9,732,898	9,739,474	-6,576	-0.1	12
Liabilities to clients in the form of savings and investment deposits	2,002,357	1,970,065	32,292	1.6	12
Other liabilities to clients	4,279,321	3,554,071	725,250	20.4	12
Medium-term notes	424,449	354,235	70,214	19.8	12
Client monies	6,706,127	5,878,371	827,756	14.1	
Bonds and mortgage bond loans	3,107,550	3,566,250	-458,700	-12.9	9, 12
Accrued expenses and deferred income	266,105	212,530	53,575	25.2	
Other liabilities	596,620	468,020	128,600	27.5	5
Value adjustments and provisions	46,937	51,589	-4,652	-9.0	10
Reserve for general banking risks	434,600	428,000	6,600	1.5	10
Cooperative capital	320,000	320,000	–	–	
General statutory reserve	113,582	108,634	4,948	4.6	
Annual profit	18,298	17,749	549	3.1	
Total equity capital	886,480	874,382	12,098	1.4	11
Total liabilities	25,296,501	24,404,078	892,423	3.7	14, 16
Total subordinated commitments	–	–	–	–	
Total commitments towards group companies	9,761	18,675	-8,914	-47.7	
Off-balance-sheet business					
Contingent liabilities	372,393	478,891	-106,498	-22.2	1, 17
Irrevocable undertakings	134,454	25,969	108,485	417.7	1
Obligations to make payments and additional contributions	21,098	26,119	-5,021	-19.2	1
Derivative financial instruments					
Positive replacement values	161,041	113,291	47,750	42.1	18
Negative replacement values	77,527	135,597	-58,070	-42.8	18
Contract volume	43,480,690	23,863,768	19,616,922	82.2	18
Fiduciary business	230,339	163,470	66,869	40.9	19

Profit and Loss Account 2006

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	736,788	534,590	202,198	37.8	20
Interest and dividend income from financial assets	69,009	82,089	-13,080	-15.9	20
Interest expenditure	-694,583	-514,058	-180,525	35.1	20
Net interest income	111,215	102,620	8,595	8.4	
Commission income from lending business	919	1,140	-221	-19.4	21
Commission income from securities and investment business	54,058	46,590	7,468	16.0	21
Commission income from other service transactions	46,526	44,440	2,086	4.7	21
Commission expenditure	-24,819	-20,827	-3,992	19.2	21
Net income from commission business and service transactions	76,684	71,343	5,341	7.5	
Net trading income	28,291	24,456	3,835	15.7	22
Income from sale of financial assets	-32	27	-59	-218.5	
Income from participating interests	20,220	20,436	-216	-1.1	
Income from real estate	3,309	6,471	-3,162	-48.9	
Other ordinary income	215,837	147,840	67,997	46.0	23
Other ordinary expenditure	-629	-1,458	829	-56.9	
Other ordinary result	238,706	173,316	65,390	37.7	
Operating income	454,896	371,736	83,160	22.4	
Personnel expenditure	-230,808	-146,977	-83,831	57.0	24
Operating expenditure	-139,528	-140,986	1,458	-1.0	25
Total operating expenditure	-370,336	-287,963	-82,373	28.6	
Gross profit	84,560	83,773	787	0.9	
Depreciation on fixed assets	-55,229	-34,866	-20,363	58.4	4
Value adjustments, provisions and losses	-4,647	-9,716	5,069	-52.2	
Operating profit (interim result)	24,683	39,191	-14,508	-37.0	
Extraordinary income	7,191	37,454	-30,263	-80.8	26
Extraordinary expenditure	-8,277	-54,500	46,223	-84.8	26
Taxes	-5,300	-4,397	-903	20.5	
Annual profit	18,298	17,749	549	3.1	

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

Proposed Distribution of the Available Profit

to the Ordinary Delegate Meeting of 16 June 2007 in Solothurn

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Appropriation of profit				
Annual profit	18,298	17,749	549	3.1
Profit brought forward	–	–	–	–
Available profit	18,298	17,749	549	3.1
Appropriation of profit				
– Allocation to general statutory reserve	5,498	4,949	549	11.1
– Interest on cooperative capital	12,800	12,800	–	–
Total appropriation of profit	18,298	17,749	549	3.1

Cash Flow Statement 2006

	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	18,298		17,749	
Depreciation of fixed assets	55,229		34,866	
Value adjustments and provisions	9,664	14,316	19,140	13,826
Reserves for general banking risks	6,600		54,500	
Prepaid expenses		61,505		5,590
Deferred income	53,575		7,489	
Interest paid on share certificates for prior year		12,800		8,800
Balance	54,745	–	105,528	–
Cash flow from equity capital transactions				
Net change in equity capital				
Balance	–	–	–	–
Cash flow from investment activities				
Participations	10,800	47,535	64,000	35,821
Real estate		6,215		9,474
Intangibles		32,231		
Other tangible fixed assets	34	30,955		23,331
Objects in finance leasing		20,628		
Balance	–	126,730	–	4,626
Cash flow from banking business of the Central Bank with Raiffeisen banks				
Liabilities to Raiffeisen banks	2,226,304		2,332,387	
Receivables from Raiffeisen banks		1,301,914		3,127,525
Receivables from clients undisclosed assignments	58,027		77,479	
Mortgage receivables undisclosed assignments	152,666		136,429	
Balance	1,135,083	–	–	581,231

Continued page 23

	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		6,580		1,260,780
Liabilities to clients	597,740			793,222
Medium-term notes		320,800		
Bonds	246,600	384,500	134,950	233,100
Other liabilities	128,760			42,962
Receivables from money market securities	199		256	
Receivables from banks		1,366,521	2,121,146	
Receivables from clients	52,632		371,893	
Mortgage receivables			260,228	
Trading portfolio in securities and precious metals		84,791		35,712
Financial assets	303,387		24,757	
Other receivables		312,293		69,987
Liquid funds	105,603		84,338	
Balance	-	1,040,564	561,804	-
Cash flow from banking business of the branches of Raiffeisen Switzerland				
Net positions at the Central Bank		166,829	391,000	
Savings and investment funds	30,058		155,957	
Other liabilities to clients	129,745		39,479	
Medium-term notes	138,472	68,258	101,578	69,798
Bonds/mortgage bond loans				4,400
Other liabilities		160	77	
Receivables from clients	79,271			231,987
Mortgage receivables		162,559		465,890
Other receivables		224	1,033	
Liquid funds		2,049	1,476	
Balance	-	22,533	-	81,475
Total origin of funds	4,403,664		6,432,205	
Total use of funds		4,403,664		6,432,205



Mina Patocchi, Head of the Peccia Branch, Raiffeisenbank Maggia e Valli. Commute from Piano di Peccia to Peccia, 15 minutes by postbus. Same journey for over 20 years. "The changing colours and matchless mountain scenery mean that the short journey is a unique experience each and every time."



Notes to the Annual Accounts

Business activities

The most important duties of Raiffeisen Switzerland 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 114 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 Raiffeisen Switzerland balance sheet and balance sheet total. As the giro centre for the Raiffeisen Group, Raiffeisen Switzerland 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 Raiffeisen Switzerland 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 Raiffeisen Group.

The amalgamation into the Raiffeisen Group has given the individual Raiffeisen banks access to wide-ranging services in the areas of management, marketing, business, information technology, building systems (including security), training and legal services. In addition to interbank business, Raiffeisen Switzerland also has its own client business with the Central Bank and the branches in St. Gallen, Grabs,

Winterthur, Basel, Zurich and Berne. The Central Bank can enter into foreign exposure, which is limited to a risk-weighted 5% 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), Raiffeisen Switzerland guarantees the liabilities of the Raiffeisen banks. In return, the Raiffeisen banks guarantee the liabilities of Raiffeisen Switzerland to the extent of their capital.

Staff ■ As at the end of 2006, the number of employees – on a full-time equivalent (FTE) basis – was 1,443 (previous year: 1,034).

Risk management

Raiffeisen Switzerland's risk policy regulations ("risk policy" for short) form the basis for its risk management systems. The aim of the risk policy is to limit negative impacts on earnings and protect Raiffeisen Switzerland from high exceptional losses while safeguarding and strengthening its good reputation. Raiffeisen Switzerland views entering into risks as one of its core competences, but only with full knowledge of their extent and dynamics and only when the requirements in terms of systems, staff resources and expertise are met.

Risk management process ■ The risk management process, based on the risk categories 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
- Risk limitation, 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 adhered to.

Credit risks: The Raiffeisen Switzerland 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 based on the credit risk policy are applied in the assessment of creditworthiness and solvency. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal 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 adequacy requirements for market risks relating to the trading book

	31.12.2006 in 1000 CHF	Ø 2006 in 1000 CHF	31.12.2005 in 1000 CHF
Foreign exch./prec. metals	4,011	9,939	4,633
Interest rate instruments	29,845	25,336	31,544
Equities and indices	2,171	2,586	2,536
Total	36,027	37,861	38,713

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. Different repayment 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 complete our credit risk management process.

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

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

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

Credit risks arise at the Central Bank and Branches departments of Raiffeisen Switzerland in the form of counterparty risks from dealings with commercial banks as well as institutional, corporate and private clients. External ratings are used as a basis for approving and monitoring business with other banks. Off-balance-sheet items such as derivative financial instruments are converted by means of internal factors to their respective credit equivalent.

Raiffeisen Switzerland 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, rating points, sector, collateral type, loan products, country, region, value adjustments – and therefore be in a position to manage the various sub-portfolios.

Market risks: As Raiffeisen Switzerland is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. Controlling maturity transformation and the resulting interest rate risk is therefore very important. Up-to-date tools are available to manage the risk associated with changing interest rates. The Raiffeisen Switzerland Risk Committee monitors and oversees interest rate risk. The potential im-

pact of interest rate risk on the market value and on profitability is regularly assessed and is included in risk reporting.

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

The market risks administered in the trading book, 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. The Trading & Sales department works with standardized and over-the-counter (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, regulations, directives and work instructions, and are regularly checked by Internal Auditing. In some cases, external legal advisors are brought in to limit and control 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 adequacy, risk diversification and liquidity rules: According to a ruling by the Swiss Federal Banking Commission (SFBC) of 25 October 2001, Raiffeisen Switzerland is released from maintaining the ceiling of 25% for cluster risks in respect of its claims against Raiffeisen Leasing. Raiffeisen Switzerland monitors the business activities of Raiffeisen Leasing and includes the latter's commitments in the cluster risk calculations.

Outsourcing: The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). In the year under review the Raiffeisen Group also outsourced all its securities administration activities to the Vontobel Group. All outsourcing services are provided in accordance with the provisions of SFBC Circular 99/2.

Accounting and valuation principles

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

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.

Raiffeisen Switzerland publishes the consolidated annual accounts of the Raiffeisen Group in a separate annual report. The consolidated accounts comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Finanzierungs AG and Raiffeisen Leasing. Raiffeisen Switzerland has therefore chosen not to prepare partially consolidated accounts including the annual accounts of Raiffeisen Switzerland and Raiffeisen Finanzierungs 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 profit and loss account in accordance with the relevant valuation principles. Spot transactions that have been concluded but not yet settled are posted to the balance sheet on the trade date.

Foreign currencies ■ Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses arising from this valuation are reported under "Net trading income". Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

Liquid funds, amounts due from money market

securities and borrowed funds ■ These are reported at the nominal value or acquisition cost. Discounts not yet earned on money market securities and discounts and premiums on the Group's own bond and mortgage bond issues are accrued over the period to maturity.

Receivables from banks and clients, mortgage

receivables ■ These are reported at the nominal value. Interest income is reported on an accruals basis.

Receivables are deemed to be impaired where the Group believes it improbable that borrowers will be able to completely fulfil their contractual obligations. Impaired receivables – and any collateral that may exist – are valued on the basis of the liquidation value.

Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realizable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realized, full provision is made for the unsecured portion.

Interest and related commission that have been due for more than 90 days and have still not been paid are deemed to be non-performing. Interest and commission relating to current account overdrafts are deemed to be non-performing if the specified overdraft limit is exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commission are no

longer recognized as income but reported directly under "Value adjustments and provisions".

A receivable is written off at the latest when completion of the realization process has been confirmed by legal title.

However, impaired receivables are reinstated as fully performing (i.e. the value adjustment is reversed) if the outstanding principal amounts and interest are paid on time in accordance with the contractual obligations and additional creditworthiness criteria are fulfilled.

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

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

Securities which are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland demands control of the contractual rights associated with them. Securities which are loaned or provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the contractual rights associated with them. The market values of the borrowed and loaned securities are monitored daily so that any additional collateral can be provided or requested as necessary.

Fees received or paid under securities lending and repurchase transactions are booked to commission income or commission expenditure on an accruals basis.

Repurchase and reverse repurchase transactions ■

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

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

Interest income from reverse repurchase transactions and interest expenditure from repurchase transactions are accrued over the term of the underlying transaction.

Trading portfolios in securities and precious metals ■

Trading portfolios are valued on a fair value basis. Positions for which there is no representative market are valued at the lower of cost or market. Both the gains and losses arising from this valuation and the gains and losses realized during the period in question are reported under "Net trading income". This also applies to interest and 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-income debt securities and warrant bonds are valued at the lower of cost or market if there is no intention to hold them to maturity.

Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method, with the discount or premium accrued over the remaining life.

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 and market, i.e. the lower of the acquisition value and the liquidation value.

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

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 operationally required depreciation. 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 straight-line basis over their estimated useful life, as follows:

Real estate	maximum 66 years
Alterations and fixtures in rented premises	maximum 15 years
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 the book value is impaired. Any impairment is booked under "Depreciation on fixed assets". If the useful life of a tangible asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets ■ Intangible assets are reported where they provide the Group with a measurable benefit over several years. Intangible assets created by the Group itself are not reported. Intangible assets are reported at acquisition cost and depreciated on a straight-line basis over their estimated useful life, as follows:

Software	maximum 3 years
Other intangible assets	maximum 3 years

The value of intangible assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is booked under "Depreciation on fixed assets". If the useful life of an intangible asset changes as a result of the review, the residual book value is depreciated over the new duration.

Value adjustments and provisions ■ Individual value adjustments and provisions are created 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 note 10 "Value adjustments and provisions").

Contingent liabilities, irrevocable undertakings, obligations to make payments and additional contributions ■ These are reported at their nominal value under "Off-balance-sheet business". Provisions are created for identifiable risks.

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

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

All Treasury hedging transactions are concluded via the trading book; as such, Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments by external counterparty" table in note 18 "Open derivative financial instruments").

Treatment in the profit and loss account: The derivative financial instruments recorded in the trading book are valued on a fair value basis if they are traded on an exchange or 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.

Events after the balance sheet date ■ No material events occurred between the balance sheet date (31 December 2006) and the drawing up of the annual accounts that would have required disclosure in the balance sheet and/or in the notes.



Gregor Rominger, Head of Client Relationship Management Samedan, Banca Raiffeisen Engiadina Val Müstair. Commute from Via Funtanella 25 to Via San Bastiaun 19 in Samedan, around 10 min on foot. Same journey for 4 years. "Although the temperature sometimes drops to 25 below in winter, I love the view of the Engadin mountains across to the Biancograt climbing route on Piz Bernina."



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	32,394	78,705	716,600	827,699
Mortgage loans				
Residential property	3,140,991	–	9,609	3,150,600
Office and business premises	134,434	–	7,618	142,052
Trade and industry	102,063	–	5,230	107,293
Other	110,733	–	6,370	117,103
Total loans				
Current year	3,520,616	78,705	745,427	4,344,747
Prior year	3,501,827	83,487	939,471	4,524,785
Off-balance-sheet business				
Contingent liabilities	410	4,920	367,063	372,393
Irrevocable commitments	98,548	–	35,906	134,454
Call commitments and additional funding obligations	–	–	21,098	21,098
Total off-balance-sheet business				
Current year	98,958	4,920	424,067	527,944
Prior year	26,413	6,385	498,181	530,979
* 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	87,341	44,230	43,110	43,010
Prior year	94,074	48,621	45,454	45,329

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*	80,368	19,877
non-stock exchange listed	–	–
of which own bonds and medium-term notes	190	–
Shares	16,388	12,241
Precious metals	41,226	21,092
Total trading portfolio in securities and precious metals	137,982	53,210
of which securities for repo transactions in line with liquidity requirements (prior year: securities eligible for refinancing with central banks)	62,987	1,544

* 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	2,441,547	2,741,531	2,447,045	2,800,527
of which own bonds and medium-term notes	–	–	–	–
of which intended to be held until maturity	2,441,547	2,741,531	2,447,045	2,800,527
of which valued at the lower of cost or market	–	–	–	–
Shares	31,527	31,527	35,249	32,873
Precious metals (portfolios to cover commitments from precious metal accounts)	39,797	43,195	39,797	43,305
Real estate	1,515	1,420	1,515	1,420
Total financial assets	2,514,386	2,817,674	2,523,606	2,878,125
of which securities for repo transactions in line with liquidity requirements (prior year: securities eligible for refinancing with central banks)	2,275,188	2,671,343	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Participations		
with a market value	329,281	290,376
without a market value	34,003	36,243
Total participations	363,284	326,618

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 Informatik AG	Dietikon	IT services	–	–	100
Raiffeisen Finanzierungs AG	St. Gallen	Finance company	5,000	100	100
Raiffeisen (Schweiz) Luxemburg Fonds Advisory S.A.	Luxemburg	Funds business	220	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St. Gallen	Issuer	20,096	10.0	9.8
of which not paid up			20,096		
Raiffeisen Guarantee Cooperative	St. Gallen	Guarantee Cooperative	37,696	5.3	5.3
Raiffeisen Leasing	St. Gallen	Leasing company	2,566	1.2	1.2
3.2 Other participations					
Viseca Card Services SA	Zurich	Financial services	20,000	19.0	19.0
Vontobel Group	Zurich	Financial services	65,000	12.5	12.5
Mortgage Bond Bank of the Swiss Mortgage Institutions	Zurich	Mortgage bond bank	300,000	7.8	10.5
of which not paid up			189,000		
Telekurs Holding AG	Zurich	Financial services	45,000	4.0	4.0
Helvetia Holding AG	St. Gallen	Financial services	86,529	4.0	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	–	8,300	-8,300	–	15,550
Other holdings*	317,902	-6,834	311,068	–	39,235	-2,500	-69	347,734
Total participations	334,253	-7,635	326,618	–	47,535	-10,800	-69	363,284
Tangible fixed assets								
Real estate								
Bank buildings	196,479	-46,556	149,923	–	6,215	–	-5,400	150,738
Other real estate	2,449	-849	1,600	–	–	–	-250	1,350
Intangibles	35,799	-35,751	48	–	32,231	–	-25,635	6,644
Other tangible fixed assets	70,895	-51,290	19,605	33	30,955	-34	-23,594	26,965
Objects in finance leasing	–	–	–	-33	20,628	–	-282	20,313
Total tangibles	305,622	-134,446	171,176	–	90,029	-34	-55,161	206,010

* Price gains from participations of 2 million Swiss francs are included in the investments, these have been booked as extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	191,954
Value of other tangible fixed assets for fire insurance purposes	106,868
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	161,041	113,291
Coupons and debt instruments	–	734
Clearing accounts for social security and staff pension fund contributions	42,693	40,755
Clearing accounts for indirect taxes	1,051,426	833,566
Other clearing accounts	47,850	4,257
Commodities	4,983	3,016
Miscellaneous other assets	88	–
Total other assets	1,308,082	995,619
Other liabilities		
Total replacement value	77,527	135,597
Equalization account	132,576	34,494
Due, unredeemed coupons and debt instruments	887	1,032
Levies, indirect taxes	23,955	12,596
Solidarity fund	295,485	266,651
of which open guarantees to Raiffeisen banks	12,737	13,675
Clearing accounts	64,190	16,482
Miscellaneous other liabilities	2,000	1,168
Total other liabilities	596,620	468,020

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				
Receivables from Raiffeisen banks	938,073	938,073	1,029,434	1,029,434
Mortgage receivables	212,588	137,093	191,300	187,769
Financial assets	1,139,010	510,860	1,298,024	903,498
Tangible fixed assets	20,313	9,116	20,628	11,303
Total pledged assets	2,309,983	1,595,142	2,539,386	2,132,004

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	7,205,255	6,737,225
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	3,416,768	4,373,523
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	513,988	903,498
for which the right to resell or pledge without restriction was granted	513,988	903,498
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repo transactions and which can be repledged or resold without restriction	7,358,645	6,833,076
of which repledged or resold securities	2,963,697	3,472,003

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	10,624	8,475
Other commitments to clients	13,841	30,080
Total liabilities to own social insurance institutions	24,464	38,555

Retirement schemes

All employees of Raiffeisen Switzerland are covered by the pension fund and pension plan of the Swiss Union of Raiffeisen Banks (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 Swiss occupational pension law. The pension plan of the SURB exclusively covers supplementary benefits. The financing foundation for SURB employee benefits manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2006 in %	on 31.12.2005 in %
Pension fund of the SURB	110.9	106.6
Pension plan of the SURB	111.7	111.0

The fluctuation reserves of the pension schemes of Raiffeisen Switzerland exceeded the level laid down by the regulator during the year under review, meaning there is marginal surplus cover as defined by Swiss GAAP FER 16. The Board of Directors of Raiffeisen Switzerland believes that even with marginal surplus cover as defined by Swiss GAAP FER 16 there will be no economic benefit for the employer for the time being.

Employer contribution reserves for the financing foundation for SURB employee benefits and for the pension plan of the SURB

	Current year in 1000 CHF	Prior year in 1000 CHF
As of 1 January	7,686	12,413
+ Admission of Raiffeisen Informatik AG	1,774	–
+ Deposits ¹	2,000	2,000
– Withdrawals ²	1,482	6,795
+ Interest paid	123	68
As of 31 December	10,101	7,686

1) Included in the contributions to the employee pension schemes (see note 24 "Personnel Expenditure").

2) The prior-year payments include a one-off employer's contribution of 61,122,815 Swiss francs to protect vested rights in connection with the change in the pension fund of the SURB from a defined benefit to a defined contribution scheme.

The employer contribution reserves correspond to the nominal value as calculated by the pension scheme. They are not reported.

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	var.	3.614	var.	–	193,700
Loans from the Mortgage Bond Bank of the Swiss Mortgage Institutions	var.	3.140	var.	–	1,043,850
Own bonds	1999	3.250	27.05.2009	none	250,000
	2001/02	4.000	02.02.2011	none	600,000
	2004	1.400	19.02.2007	none	70,000
	2004	3.000	05.05.2014	none	400,000
	2006	3.125	30.05.2016	none	550,000
Total outstanding bonds and mortgage bond loans					3,107,550

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)	45,329	-6,159	–	1,159	5,498	-2,817	43,010
Value adjustments and provisions for other business risks	6,260	-3,418	–	–	3,008	-1,923	3,927
of which provisions for restructuring costs	4,039	-1,910	–	–	–	-1,923	206
Total value adjustments and provisions	51,589	-9,577	–	1,159	8,506	-4,740	46,937
Reserves for general banking risks	428,000	–	–	–	6,600	–	434,600
of which taxed	44,000	–	–	–	–	–	59,500

11 Evidence of equity capital

	in 1000 CHF
Equity capital at the beginning of the current year	
Cooperative capital	320,000
General statutory reserve	108,634
Reserves for general banking risks	428,000
Profit	17,749
Total equity capital at the beginning of the year (before approp. of profits)	874,382
+ Capital increase	–
+ Other allocations	6,600
– Interest on the cooperative capital from the annual profit of the previous year	12,800
+ Annual profit for the reporting year	18,298
Total equity capital at the end of the current year (before approp. of profits)	886,480
of which cooperative capital	320,000
of which general legal reserve	113,582
of which reserves for general bank risks	434,600
of which profit	18,298
Total additional funding obligation of the Raiffeisen banks	6,002,482

The cooperative capital totalling 320 million Swiss francs is divided up into 320,000 cooperative share certificates of 1,000 Swiss francs each and is owned in full by the 405 Raiffeisen banks within Raiffeisen Switzerland. No Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their balance sheet totals. As at 31 December 2006 this corresponded to a call-in obligation towards Raiffeisen Switzerland of 1,031.7 million Swiss francs, of which 320 million Swiss francs have been paid in.

The capital entitled to interest amounted to 320 million Swiss francs at the end of 2006 (prior year: 320 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	117,454	–	–	–	–	–	117,454
Receivables from money market sec.	5,047	–	–	–	–	–	5,047
Receivables from Raiffeisen banks	4,509,773	–	–	–	–	–	4,509,773
Receivables from other banks	952,133	–	9,051,938	1,176,373	315,000	–	11,495,444
Receivables from clients	72,467	109,224	30,697	103,737	483,782	27,792	827,699
Mortgage receivables	2,543	622,483	231,137	525,729	1,743,885	391,272	3,517,049
Trading portfolios in securities and precious metals	137,982	–	–	–	–	–	137,982
Financial assets*	94,787	–	170,450	315,970	1,731,294	201,885	2,514,386
Total current assets							
Current year	5,892,187	731,707	9,484,222	2,121,809	4,273,961	620,949	23,124,835
Prior year	6,163,676	629,612	7,919,700	3,114,530	4,120,198	730,164	22,677,880
Outside debt							
Liabilities to Raiffeisen banks	3,953,784	–	–	–	–	–	3,953,784
Liabilities to other banks	1,621,706	–	3,912,153	1,157,790	2,796,249	245,000	9,732,898
Liabilities to clients in the form of savings and investment deposits	–	2,002,357	–	–	–	–	2,002,357
Other liabilities to clients	550,870	–	1,957,452	680,009	787,991	303,000	4,279,321
Medium-term notes	–	–	17,960	75,559	313,062	17,868	424,449
Bonds and mortgage bond loans	–	–	251,750	69,700	1,441,500	1,344,600	3,107,550
Total outside debt							
Current year	6,126,360	2,002,357	6,139,315	1,983,058	5,338,802	1,910,468	23,500,360
Prior year	5,305,181	1,970,065	7,183,357	1,902,916	4,296,683	2,139,355	22,797,557

* The financial assets include 1,515,377 Swiss francs of real estate (prior year: 1,420,377 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	311,253	290,510
Liabilities to affiliated companies	209,307	333,981
Loans to executive bodies and employees	10,327	6,243

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

2 Affiliated 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	114,019	3,434	218,199	2,809
Receivables from money market securities	5,047	–	5,272	–
Receivables from Raiffeisen banks	4,509,773	–	4,927,012	–
Receivables from other banks	2,609,715	8,885,729	2,782,728	7,346,191
Receivables from clients	826,090	1,608	1,014,584	3,044
Mortgage receivables	3,517,049	–	3,507,156	–
Trading portfolio in securities and precious metals	114,051	23,931	31,737	21,473
Financial assets	2,333,314	181,072	2,748,989	68,684
Participations	359,372	3,912	322,956	3,662
Tangible fixed assets	206,010	–	171,176	–
Accrued income and prepaid expenses	294,291	–	232,786	–
Other assets	1,308,082	–	995,619	–
Total assets	16,196,813	9,099,687	16,958,214	7,445,864
Liabilities				
Liabilities to Raiffeisen banks	3,953,784	–	3,613,462	–
Liabilities to other banks	4,743,126	4,989,771	5,863,966	3,875,509
Liabilities to clients in the form of savings and investment deposits	1,936,264	66,093	1,915,545	54,519
Other liabilities to clients	4,262,570	16,751	3,546,144	7,927
Medium-term notes	424,449	–	354,235	–
Bonds and mortgage bond loans	3,107,550	–	3,566,250	–
Accrued expenses and deferred income	266,105	–	212,530	–
Other liabilities	596,620	–	468,020	–
Value adjustments and provisions	46,937	–	51,589	–
Reserves for general banking risks	434,600	–	428,000	–
Cooperative capital	320,000	–	320,000	–
General statutory reserve	113,582	–	108,634	–
Annual profit	18,298	–	17,749	–
Total liabilities	20,223,886	5,072,615	20,466,123	3,937,955

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	16,196,813	64.03	16,958,214	69.49
Germany	2,296,104	9.08	872,862	3.58
Benelux countries	1,132,113	4.48	758,618	3.11
Austria	3,432,745	13.57	3,961,068	16.23
Rest of Europe	2,052,755	8.11	1,738,173	7.12
Rest of world (America, Asia, Oceania, Africa)	185,969	0.74	115,143	0.47
Total assets	25,296,501	100.0	24,404,078	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	74,488	19,602	4,061	19,303	117,454
Receivables from money market securities	5,019	1	27	–	5,047
Receivables from Raiffeisen banks	4,473,990	28,828	6,764	191	4,509,773
Receivables from other banks	8,425,130	1,927,493	1,078,656	64,164	11,495,444
Receivables from clients	808,299	19,321	79	–	827,699
Mortgage receivables	3,517,049	–	–	–	3,517,049
Trading portfolio in securities and precious metals	94,401	2,355	–	41,226	137,982
Financial assets	2,472,565	805	1,219	39,797	2,514,386
Participations	359,592	3,692	–	–	363,284
Tangible fixed assets	206,010	–	–	–	206,010
Accrued income and prepaid expenses	294,291	–	–	–	294,291
Other assets	1,308,082	–	–	–	1,308,082
Total assets reflected in the balance sheet	22,038,916	2,002,096	1,090,807	164,682	25,296,501
Delivery claims under spot exchange, forward exchange and currency option contracts	309,353	363,024	158,052	46,395	876,823
Total assets	22,348,270	2,365,120	1,248,859	211,076	26,173,325
Liabilities					
Liabilities to Raiffeisen banks	3,073,530	648,595	120,959	110,699	3,953,784
Liabilities to other banks	7,457,744	1,308,331	961,811	5,012	9,732,898
Liabilities to clients in the form of savings and investment deposits	1,967,407	34,950	–	–	2,002,357
Other liabilities to clients	4,099,611	154,429	16,023	9,259	4,279,321
Medium-term notes	424,449	–	–	–	424,449
Bonds and mortgage bond loans	3,107,550	–	–	–	3,107,550
Accrued expenses and deferred income	266,105	–	–	–	266,105
Other liabilities	596,620	–	–	–	596,620
Value adjustments and provisions	46,937	–	–	–	46,937
Reserves for general banking risks	434,600	–	–	–	434,600
Cooperative capital	320,000	–	–	–	320,000
General statutory reserve	113,582	–	–	–	113,582
Annual profit	18,298	–	–	–	18,298
Total liabilities reflected in the balance sheet	21,926,434	2,146,305	1,098,793	124,970	25,296,501
Delivery obligations under spot exchange, forward exchange and currency option contracts	453,020	220,240	157,646	45,917	876,823
Total liabilities	22,379,454	2,366,545	1,256,439	170,887	26,173,325
Net position per currency	-31,185	-1,425	-7,580	40,189	–

31.12.2006 31.12.2005

Foreign currency conversion rates

EUR	1.608	1.557
USD	1.221	1.312



Marianne Rechsteiner, Assistant to bank management, Raiffeisenbank Appenzeller Hinterland. Commute from 'Ufem Berg' (Herisau) to Herisau, around 10 to 15 minutes by bicycle. Same journey for four years. "I enjoy the fresh morning feeling, the unimpeded view of the mountains and the sunset in the evening."



Information on Off-Balance-Sheet Business

17 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	242,693	366,474
Warranty bonds	3,058	4,512
Other contingent liabilities	126,643	107,905
Total contingent liabilities	372,393	478,891

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	470	395	10,625,000	–	–	10,625,000
Swaps	179,023	181,543	17,092,000	17,785,500	6,073,000	40,950,500
Futures	–	–	2,507,723	494,538	–	3,002,261
Options (OTC)	605	897	105,606	157,535	5,010	268,151
Foreign currency						
Futures contracts	8,806	8,799	800,406	–	–	800,406
Comb. interest rate/currency swaps	4,950	4,923	–	287,440	–	287,440
Options (OTC)	–	–	–	–	–	–
Precious metals						
Futures contracts	804	733	86,938	–	–	86,938
Futures	–	–	–	–	–	–
Equity securities and indices						
Options (traded)	6,953	–	39,243	–	–	39,243
Total						
Current year	201,611	197,291	31,256,916	18,725,013	6,078,010	56,059,938
Prior year	205,767	209,839	12,813,945	17,677,191	4,426,288	34,917,424

18.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	114,841	40,570	1,800,000	7,885,000	2,750,000	12,435,000
Currencies						
Forward contracts	–	–	–	–	–	–
Comb. int. rate/currency swaps	4,923	–	–	144,249	–	144,249
Total						
Current year	119,764	40,570	1,800,000	8,029,249	2,750,000	12,579,249
Prior year	74,242	92,476	1,758,434	7,369,013	1,926,209	11,053,656

18.3 Derivative financial instruments by external counterparty

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	157,618	68,492	26,460,114	10,095,691	3,323,00	39,878,805
Clients	2,984	7,489	400,338	7,588	–	407,926
Raiffeisen banks*	438	1,546	88,741	97,947	5,010	191,698
Stock exchanges	–	–	2,507,723	494,538	–	3,002,261
Total						
Current year	161,041	77,527	29,456,916	10,695,764	3,328,010	43,480,690
Prior year	113,291	135,597	11,055,511	10,308,178	2,500,079	23,863,768

* 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. 99.8 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	25,534	153,935	39,326	11,543	230,339
Total fiduciary transactions	25,534	153,935	39,326	11,543	230,339
Prior year	6,933	111,047	36,012	9,479	163,470

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	351,557	291,027
Interest income from receivables from other banks	225,694	80,348
Interest income from receivables from clients	126,570	127,870
Interest and dividend income from financial investments	69,009	82,089
Other interest income	32,968	35,346
Total interest and dividend income	805,797	616,678
Interest expense from liabilities to Raiffeisen banks	-207,968	-134,868
Interest expense from liabilities against other banks	-214,420	-88,331
Interest expense from liabilities to clients	-93,426	-68,995
Interest expense from bonds and mortgage bond loans	-113,539	-133,556
Other interest expenses	-65,229	-88,308
Total interest expense	-694,583	-514,058
Total result from interest rate business	111,215	102,620

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	919	1,140
Commission income from securities and investment business		
Fund business	13,522	11,698
Custody account business	16,079	14,338
Brokerage	18,718	16,059
Other securities and investment business	5,740	4,494
Commission income from other service transactions		
Payments	40,410	38,770
Account maintenance	5,220	4,609
Other service transactions	896	1,062
Total commission income	101,503	92,171
Commission expenditure		
Securities business	-14,475	-10,978
Payments	-5,634	-5,536
Other commission expenditure	-4,710	-4,313
Total commission expenditure	-24,819	-20,827
Total net income from commission business and service transactions	76,684	71,343

22 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign currency trading	4,406	-1,960
Precious metal and foreign note and coin trading	13,609	21,145
Equities trading	9,609	7,854
Fixed income trading	667	-6,503
Total net trading income	28,291	24,456

23 Other ordinary income

	Current year in 1000 CHF	Prior year in 1000 CHF
IT services charged to group companies	73,274	–
Transactions to group companies	9,945	10,110
Individual transactions for Raiffeisen banks	78,783	79,676
Contributions of the Raiffeisen banks	51,024	52,640
Other	2,810	5,414
Total other ordinary income	215,837	147,840

24 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	686	762
Salaries and bonuses for staff	193,223	121,441
AHV, IV, ALV and other statutory contributions	14,952	10,522
Contributions to staff pension funds	14,966	10,955
Ancillary staff expenses	6,980	3,297
Total personnel expenditure	230,808	146,977

25 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	13,193	11,790
Cost of computer equipment, machinery, furniture, vehicles and other equipment	67,375	78,416
Other operating expenditure	58,961	50,779
Total operating expenditure	139,528	140,986

26 Extraordinary income and expenditure

Current year

The extraordinary income of 7.2 million Swiss francs includes price gains from participations of 2 million Swiss francs, as well as proceeds from the sale of a holding of 3.9 million Swiss francs.

The extraordinary expenditure of 8.3 million Swiss francs includes 6.6 million Swiss francs for the creation of provisions for general banking risks.

Prior year

The extraordinary income of 37.5 million Swiss francs includes price gains from participations of 35.6 million Swiss francs.

The extraordinary expenditure of 54.5 million Swiss francs includes 54.5 million Swiss francs for the creation of provisions for general banking risks.

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	4,509,773	1,127,443	4,927,012	1,231,753
Receivables from other banks	11,495,444	1,160,236	10,128,920	849,773
Receivables from clients	827,699	675,778	1,017,628	686,805
Mortgage receivables	3,517,049	1,844,739	3,507,156	1,849,721
Real estate in financial assets	1,515	5,683	1,420	5,327
Tangible fixed assets/intangibles	206,010	638,404	171,176	503,637
Accrued income and prepaid expenses	294,291	128,926	232,786	119,223
Other assets, total replacement value	161,041	99,651	113,292	67,642
Other assets, miscellaneous	1,147,041	44,535	882,328	18,116
Indirect assets requiring equity backing				
Net positions outside trading book	2,478,121	629,094	2,778,271	627,829
Market risk positions		450,335		483,916
Deductible liabilities				
Deductible provisions in the liabilities	-43,010	-32,257	-45,329	-33,997
Off-balance-sheet business				
Contingent liabilities	372,393	208,647	478,891	224,657
Irrevocable commitments	21,098	76,538	26,119	89,091
Add-ons for forward contracts and options purchased		77,357		63,037
Total risk-weighted positions		7,135,107		6,786,528
Mandatory capital (8% of risk-weighted positions)		570,809		542,922
Available capital				
Eligible core capital		873,680		861,582
Eligible supplementary capital		436,840		430,791
./. Participations in the financial area		-363,284		-326,618
Total allowable capital		947,236		965,755
Equity surplus		376,427		422,833
Equity cover		165.9%		177.9%
Tier 1 ratio		12.2%		12.7%
Tier 2 ratio		13.3%		14.2%

Auditor's report to the Delegate Meeting of Raiffeisen Switzerland Cooperative, St. Gallen

As auditors, we have audited the accounting records and the financial statements for the year ended on 31 December 2006 (balance sheet, income statement, cash flow statement and notes) located on pages 20 to 62 in the annual report and the management of Raiffeisen Switzerland Cooperative.

The Board of Directors is responsible for the financial statements and the management of the cooperative. Our responsibility is to express an opinion on these financial statements and on the management of the cooperative 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. To audit the management of the cooperative, we examined whether it complies with the cooperative's articles of association and the law; however, we do not audit management's adequacy. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements, the management of the cooperative, the maintenance of an index of cooperative members, as well as the proposed appropriation of available earnings comply with the Swiss law and the cooperative's Articles of Association.

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

PricewaterhouseCoopers AG
Peter Ochsner Beat Rüttsche
Auditor in charge

St. Gallen, 26 March 2007



Michael Lutz, Head of Financial Administration, Raiffeisenbank rechter Zürichsee.

Commute from Au (left bank) to Männedorf (right bank), around 40 minutes by car and ferry. Same journey for four years. "For me, the ferry ride across the generally calm water represents a wonderfully smooth transition between leisure time and work time."



Balance Sheet – five-year overview

	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million
Assets					
Liquid funds	117,454	221,008	306,822	249,282	120,130
Receivables from money market securities	5,047	5,272	5,546	5,376	4,250
Receivables from Raiffeisen banks	4,509,773	4,927,012	4,595,587	3,402,515	3,059,332
Receivables from other banks	11,495,444	10,128,920	12,250,092	13,787,351	10,812,047
Receivables from clients	827,699	1,017,628	1,235,014	1,748,447	1,336,299
Mortgage receivables	3,517,049	3,507,156	3,437,923	3,289,207	3,295,722
Loans to clients	4,344,747	4,524,785	4,672,937	5,037,654	4,632,021
Trading portfolios in securities and precious metals	137,982	53,210	17,472	22,014	23,499
Financial assets	2,514,386	2,817,674	2,843,201	2,985,011	2,685,811
Participations	363,284	326,618	355,043	123,225	115,421
Tangible fixed assets	206,010	171,176	172,991	165,607	162,935
Accrued income and prepaid expenses	294,291	232,786	227,196	271,612	229,337
Other assets	1,308,082	995,619	925,877	192,229	259,056
Total assets	25,296,501	24,404,078	26,372,763	26,241,876	22,103,839
Liabilities					
Liabilities to Raiffeisen banks	3,953,784	3,613,462	3,686,175	4,063,655	3,903,342
Liabilities to other banks	9,732,898	9,739,474	11,000,254	12,293,663	9,242,273
Liabilities to clients in the form of savings and investment deposits	2,002,357	1,970,065	1,815,113	1,581,857	1,237,758
Other liabilities to clients	4,279,321	3,554,071	4,306,809	2,629,141	1,833,854
Medium-term notes	424,449	354,235	322,455	287,266	247,209
Client monies	6,706,127	5,878,371	6,444,378	4,498,264	3,318,821
Bonds and mortgage bond loans	3,107,550	3,566,250	3,668,800	3,740,400	3,949,950
Accrued expenses and deferred income	266,105	212,530	205,041	308,095	303,981
Other liabilities	596,620	468,020	510,906	554,309	659,063
Value adjustments and provisions	46,937	51,589	46,276	94,176	95,463
Reserves for general banking risks	434,600	428,000	373,500	358,000	334,200
Cooperative capital	320,000	320,000	320,000	220,000	190,000
General statutory reserve	113,582	108,634	103,714	99,146	95,072
Annual profit	18,298	17,749	13,720	12,168	11,674
Total equity capital	886,480	874,382	810,934	689,314	630,946
Total liabilities	25,296,501	24,404,078	26,372,763	26,241,876	22,103,839

Profit and Loss Account – five-year overview

	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million
Interest and discount income	736,788	534,590	479,321	450,835	526,248
Interest and dividend income from financial assets	69,009	82,089	88,039	98,228	106,185
Interest expenditure	-694,583	-514,058	-467,020	-440,403	-509,979
Net interest income	111,215	102,620	100,339	108,660	122,454
Commission income from lending business	919	1,140	892	779	594
Commission income from securities and investment business	54,058	46,590	39,087	32,437	29,759
Commission income from other service transactions	46,526	44,440	46,898	42,960	41,525
Commission expenditure	-24,819	-20,827	-17,997	-11,385	-10,725
Net income from commission business and service transactions	76,684	71,343	68,881	64,792	61,153
Net trading income	28,291	24,456	17,467	24,200	29,253
Income from sale of financial assets	-32	27	83	5	182
Income from participating interests	20,220	20,436	7,218	6,505	7,383
Income from real estate	3,309	6,471	4,846	3,844	4,214
Other ordinary income	215,837	147,840	132,431	123,524	115,596
Other ordinary expenditure	-629	-1,458	-1,501	-21,861	-36,372
Other ordinary result	238,706	173,316	143,079	112,017	91,005
Operating income	454,896	371,736	329,766	309,669	303,864
Personnel expenditure	-230,808	-146,977	-135,474	-122,265	-119,424
Operating expenditure	-139,528	-140,986	-136,677	-121,624	-112,761
Total operating expenditure	-370,336	-287,963	-272,151	-243,889	-232,185
Gross profit	84,560	83,773	57,616	65,780	71,679
Depreciation on fixed assets	-55,229	-34,866	-34,674	-24,975	-44,029
Value adjustments, provisions and losses	-4,647	-9,716	-459	-9,588	-6,470
Operating profit (interim result)	24,683	39,191	22,484	31,217	21,180
Extraordinary income	7,191	37,454	10,426	7,920	1,174
Extraordinary expenditure	-8,277	-54,500	-15,632	-23,815	-8,049
Taxes	-5,300	-4,397	-3,558	-3,154	-2,631
Annual profit	18,298	17,749	13,720	12,168	11,674

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

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