



# Key Figures

	2007 Amounts in CHF million	Change in %	2006 Amounts in CHF million	Change in %	2005 Amounts in CHF million
<b>Key balance sheet figures</b>					
Balance sheet total	123,076	8.0	113,998	5.4	108,187
Loans to clients	101,527	6.7	95,110	4.8	90,782
Client monies	94,155	7.0	88,025	5.6	83,367
Client monies in % of loans to clients	92.7%		92.6%		91.8%
<b>Key P + L figures</b>					
Net interest income	1,881	4.4	1,802	5.0	1,716
Net income from commission business and service transactions	243	-2.7	250	15.2	217
Operating income	2,297	5.2	2,183	6.1	2,058
Total operating expenditure	1,333	10.8	1,202	3.9	1,157
Gross profit	965	-1.7	981	9.0	900
Group profit before tax	839	1.9	824	6.0	777
Group profit	701	7.1	655	7.6	608
Gross profit per personnel unit (in 1000 CHF)	138.1	-6.3	147.4	5.2	140.0
Cost/income ratio	58.0%		55.1%		56.2%
<b>Capital resources</b>					
Total equity capital	7,402	10.7	6,686	11.9	5,976
Return on equity (ROE)	10.0%		10.3%		10.8%
Capital resource/balance sheet total (equity ratio)	6.0%		5.9%		5.5%
Core capital ratio (from 2007 according to Basel II)	12.6%		11.5%		10.8%
Total capital ratio (from 2007 according to Basel II)	18.7%		16.5%		15.5%
<b>Market data</b>					
Market share in mortgage business (2007: estimated)	14.1%		13.7%		13.6%
Market share in savings (2007: estimated)	19.0%		18.2%		17.4%
Number of members	1,443,841	5.3	1,371,107	4.7	1,309,537
<b>Rating given to Raiffeisen Switzerland</b>					
Moody's	Aa1		Aa2		Aa2
<b>Resources</b>					
Number of employees	8,606	6.2	8,101	2.7	7,888
of which trainees	690	4.5	660	-1.2	668
Number of personnel units	7,208	6.6	6,764	3.3	6,549
Number of Raiffeisen locations	1,155	0.5	1,149	-2.2	1,175
Number of ATMs	1,333	4.5	1,275	2.3	1,246
<b>Custody account/fund business</b>					
Number of portfolios	359,466	11.6	321,972	6.5	302,180
Total portfolio volume	35,841	12.1	31,981	15.9	27,598
Volume of Raiffeisen funds	8,425	-0.3	8,451	3.4	8,171
<b>Lending business</b>					
Losses on lending business	46	22.8	38	-21.9	48
in % of loans	0.045%		0.040%		0.053%
Non-performing loans	391	4.4	375	6.1	353
in % of loans	0.385%		0.394%		0.389%

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## **“We open the way to new horizons”**

### **Raiffeisen**

The Swiss Raiffeisen banks promise a lot to their clients and members: to achieve a particular goal, to fulfil a lifelong desire, or even to turn a dream into reality. And we are always dreaming of exotic shores we want to escape to, of new things we want to do in our lives, of objectives we still want to achieve.

The images and accompanying texts in the 2007 Raiffeisen Annual Report depict people. These people are all on the way to their goal – helped along by Raiffeisen. The stories are living proof of our promise “We open the way to new horizons” and showcase the wide variety of situations in which the Raiffeisen banks are on hand to offer advice and support – when building a home for you and your family, when financing your medical studies, when planning for your retirement, when founding a company, when sponsoring a sporting event, or even when renovating a cabin in the mountains.

The portraits depict people and the individual paths they take to reach their goals. They are just a few examples of the many things Raiffeisen makes possible for hundreds of thousands of people across the whole of Switzerland: we open the way to new horizons – towards your personal goal.

This annual report puts Raiffeisen clients and members in the spotlight. Because they are the focus of all of our activities and the reason why the Raiffeisen idea has become the success story it is today.

**The big events of 2007 at Raiffeisen** In 2007 the Raiffeisen Group recorded a sparkling result on all key measures for the sixth year in succession. The above-average growth over many years and the Group's development towards becoming Switzerland's leading retail bank is the result of a consistent strategic focus.

### Growth thanks to new market areas

The Raiffeisen Group expanded its branch network by a net total of six locations in 2007, with the number of openings (18) exceeding the number of closures (12) for the first time since 2000. The number of bank branches has fallen only slightly over the past seven years from 1,299 to the current figure of 1,155. Around half of the openings in the year under review were in the Zurich region, with new locations including Horgen, Zurich-Wollishofen, Thalwil and Stäfa. Raiffeisen opened a branch in Riehen in the Basel region, and one in Gland in the Lake Geneva region. Tapping into new market regions is a key factor for the successful growth of the Raiffeisen Group.

Banking activities at the Raiffeisen Switzerland branch in Grabs-Werdenberg were merged with those of the Raiffeisen bank in Wartau-Sevelen retroactively as of 1 January 2007, generating a number of synergies and cost savings.

### Expansion of corporate clients business

Raiffeisen further expanded its market share in the corporate clients business in the year under review, with as many as 31% of small and medium-sized enterprises (SMEs) in Switzerland now having a banking relationship with the Group. Raiffeisen is highly sought-after by SMEs as a source for investment loans and is the second most popular bank in this area. With the Callgeld [call money] instrument and Firmen Anlagekonto [business investment account] launched in the year under review, Raiffeisen has developed attractive products offering flexible liquidity management options for corporate clients.

### New product launches

Raiffeisen brought a number of new products to the market in the year under review, many of which have a long-term focus.

- With the Klimaschutz I and II [climate protection] income notes investors benefit from the success of companies that are involved in the production of sustainable energy or products or that develop sustainable infrastructure.
- The Wasser I and II [water] income notes allow investors to play their part in the sustainable management of the future's most important resource.
- With the Pension Portfolio product clients make a capital contribution that is placed in investment funds and seeks to achieve the optimal balance between risk and return through a fluctuation reserve. Offering total flexibility with regard to both the term and the frequency of payments, the Pension Portfolio is the perfect complement to a pension fund annuity.
- With the Alternative Anlagen [alternative investments] certificates, which are invested in funds of hedge funds, commodities and real estate, the Raiffeisen banks now offer their clients the opportunity to cover the alternative investments asset class with just a single product in their portfolio.
- The Convert Bond Global fund, a convertible bond fund, combines the advantages of equities and bonds. It offers a regular interest coupon and a fixed capital repayment like conventional bonds, but also includes a conversion right.

### Consumer financing business goes to Aduno

In a joint move with the shareholder banks of cashgate Ltd and Banque Cantonale Vaudoise, the Raiffeisen Group

is transferring its consumer financing business to cashless payments specialist the Aduno Group on 28 February 2008, with the sale backdated to 1 January 2008. The resulting company will be Switzerland's third-largest car leasing and consumer financing provider.

#### **First woman on the Executive Board**

In December 2007 the Board of Directors appointed Gabriele Burn-Schulz the first-ever female member of the Executive Board of Raiffeisen Switzerland. She will take over from the retiring Robert Signer as Head of the Branches department from July 2008. The Board of Directors has also agreed an improvement in the organizational structure. As of 2008 Michael Auer is Chief Operating Officer (COO) responsible for all production and service tasks in the new Services department. Marcel Zoller is now Chief Financial Officer (CFO), and Damir Bogdan is Chief Information Officer (CIO).

#### **Aa1 rating from Moody's**

Leading rating agency Moody's upgraded Raiffeisen Switzerland to Aa1 in April 2007. According to Moody's the move from Aa2 to Aa1 is down to the strong cohesion within the Raiffeisen Group, the close links of the individual Raiffeisen banks with their local communities and the high level of trust in the Raiffeisen brand among the Swiss population. Raiffeisen Switzerland was rated by Moody's for the second time following the initial rating in 2006.

#### **No involvement in the US credit crisis**

2007 was a successful year for the stock markets, even though the US credit crisis generated considerable uncer-

tainty towards the end of the year and resulted in losses for investors. The Raiffeisen Group was not affected at all by the subprime crisis in the US, as it has no securitized US mortgages in its portfolio. When granting mortgages Raiffeisen follows clear financing principles to ensure that interest payments are manageable for clients over the long term.

#### **Good progress with the new banking platform**

In December 2006 the Raiffeisen Group decided to replace the current applications for central bank functions and payment services with the widely used Swiss end-to-end solution Avaloq. This major project is to be implemented over a period of several years. The entire infrastructure is also being renewed at the same time and updated to more modern technological standards. 2007 was characterized by the operational implementation of the project and a feasibility study on the possible replacement of the current front-office software. Corresponding progress was also made with the development of the technical infrastructure.

#### **Diversity and gender management**

The still relatively new specialist unit "Profile", which seeks to promote equal opportunities for men and women, people with disabilities, older employees and people of different nationalities, worked on a number of projects in 2007 including regular networking events on the subject of equal opportunities, the launch of a mentoring programme and Raiffeisen's participation in National Daughter's Day.

**A new beginning** In an interview with Claudia Gabriel\*, Franz Marty, Chair of the Board of Directors, and Pierin Vincenz, Chair of the Executive Board, talk about the events that shaped 2007, such as how the Raiffeisen Group was affected by the financial crisis and what objectives the bank has set itself for the future.

*“Raiffeisen emerged from the credit crisis unscathed. Indeed, the fact that we were not affected meant that we experienced increased client loyalty.”*

*2007 was a turbulent year for the banking sector. What were the defining events for you?*

**Franz Marty:** On the one hand, I was proud that the Raiffeisen Group fought off heavy competition to gain further market share, while on the other I was amazed at the extent to which a credit crisis in the US could engulf countries as far away as Switzerland.

**Pierin Vincenz:** The highlight of 2007 for me was the fact that Raiffeisen opened another 18 new bank branches. Secondly, cashgate Ltd, Banque Cantonale Vaudoise and Raiffeisen merged their consumer financing business (that is, leasing and personal loans) into the Aduno Group. And thirdly, we welcomed our first woman, Gabriele Burn-Schulz, to the Executive Board of Raiffeisen Switzerland.

*How did the US credit crisis affect the Raiffeisen Group?*

**Marty:** Raiffeisen emerged from the crisis unscathed. Indeed, the fact that we were not affected meant that we experienced increased client loyalty.

**Vincenz:** We also reaped the rewards in the money market. Funds kept flowing in to Raiffeisen, while many other banks, including those in Switzerland, virtually stopped lending each other money and treated each other with mistrust.

*The crisis in the US was triggered by banks not taking enough care when granting mortgages. What measures do you have in place to prevent something like that*





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

*happening at Raiffeisen? After all, you are increasing your market share in this segment.*

**Marty:** The Raiffeisen Group has binding and very prudent regulations governing how it grants loans. What is more, our banks know their local markets and their clients extremely well. So our lending and mortgage portfolio is managed with the utmost care and attention.

**Vincenz:** There is a system of central credit risk control within our organization. The profitability of the member banks is also monitored centrally. This means that each individual bank does face competition – but only up to a certain point.

*The turbulence on the stock markets has bought some structured investment products into disrepute. Raiffeisen sells structured products through its cooperation with Bank Vontobel. What is the situation there?*

**Marty:** Our clients have only been affected to a small extent. The main culprits were structured products with limited capital protection, which we sell very few of. The majority of our products offer full capital protection – something that is especially advantageous when the stock markets are shaky.

**Vincenz:** Raiffeisen has not received any negative feedback from clients. They are largely aware of the opportunities and risks that such products entail. We also provide customized information and advice in one-on-one consultations.

*What is your advice to clients when faced with such a harsh market environment?*

**Marty:** The key thing is to be able to assess your own risk capacity and risk tolerance, to pick a long-term strategy and to stick to it.

**Vincenz:** In spite of the upheaval there are also some attractive new markets starting to emerge, such as commodities or renewable energies. The universe for investors is constantly expanding.

*What personal conclusion have you drawn from the credit crisis thus far?*

**Marty:** That exaggerated return expectations harbour equally high risks. This statement is nothing new, but it is surprising how easily it is forgotten.

**Vincenz:** Our guiding principle at Raiffeisen is as follows: stick to the business that you know best.

*Raiffeisen is the largest and oldest banking union in Switzerland. How do you overcome the tests to your structure that are affecting so many other banks?*

**Marty:** Raiffeisen embraces the cooperative philosophy and the values that go with it – and has done so successfully for 107 years. Success creates trust. And out of this trust has emerged a culture with many shared values and ideas.

**Vincenz:** We have our own culture of maintaining and developing a network. Textbooks and universities usually base their teachings on hierarchical companies. However, a network culture like ours needs time to grow; it cannot be implemented at the drop of a hat.

*Your network works closely with the private bank Vontobel, the insurer Helvetia, the credit card organization Viseca and the Aduno Group, which specializes in cashless payment services. Are there any other partnerships on the cards?*

**Vincenz:** We have nothing on the same scale planned at the moment. But the process of IT standardization among Swiss banks is giving rise to new potential for cooperation. It is therefore entirely possible that new cooperation platforms could emerge between institutions with similar cultures.

*You are in the process of introducing a new banking platform. This is an extremely complex task. How is the project coming along?*

**Marty:** The Board of Directors decided in principle in 2006 to introduce the new software. The entire infrastructure is being renewed at the same time and updated to meet more modern technological standards. 2007 was the first year that work truly got underway for central bank and payment services functions. It progressed according to plan. The next step is to decide whether to introduce the new system in our front offices.

*How much will the project cost?*

**Vincenz:** The total spend cannot be broken down in terms of this single project since – in addition to introducing the new banking platform – the bank’s infrastructure will also be centralized and updated. The costs of all this will be several hundred million Swiss francs. However, the projects will be rolled out on a stage-by-stage basis, not all at once.

*Since your banking group’s latest round of expansions there are no “Raiffeisen-free” areas in Switzerland anymore. What are your growth plans for the future?*

**Marty:** One of our main aims is to further exploit our potential by acquiring new clients in those areas where we still only have a low market share. City conurbations will be a key focus of our efforts in this regard.

*Competition is also fierce in the cities. What are you doing to improve your position here?*

**Vincenz:** In the country, too, competition is strong depending on the region. Our strength lies in our proximity to clients and the fact that every third bank branch in Switzerland is a Raiffeisen one. Our people on site can very quickly assess what it is that clients want. Our growth is due to our local knowledge, not lower prices.

*Which fields of activity do you most want to develop?*



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

**Marty:** On the one hand, our corporate clients business. We already serve approximately 30,000 small and medium-sized companies, and we now want to offer these a broader range of services. On the other hand, we also want to strengthen our investment portfolio.

*Raiffeisen is proud never to have forced any of its bank branches to close. But there are areas of Switzerland which are experiencing a gradual decline in their local population. What are you doing in these regions?*

**Vincenz:** Of course there is always room for optimization – with 1,155 bank branches, that is taken as given. A bank branch must generate enough business to cover its costs and make a profit. The Raiffeisen bank concerned generally takes the decision to shut down operations together with Raiffeisen Switzerland, but only after having given the matter considerable thought.

*What, for you, are the new trends as far as services are concerned? Some banks have now started to offer mobile advisory services.*

**Vincenz:** In terms of sales we will continue our physical presence via bank branches and we will also develop our e-banking channel, which is now used by over 400,000 clients.

*Raiffeisen is getting more and more involved in the consumer credit business – with small loans, leasing agreements and credit cards. This business is often criticized for ethical reasons. What is your standpoint on this?*

*“Raiffeisen wants to manage as many of its clients as possible through the various stages of their lives.”*

**Vincenz:** The demand for consumer financing continues to grow. It is therefore important that responsible and reliable partners such as ourselves (as part of the Aduno Group) are active in this business. Raiffeisen is aiming to expand its currently small market share.

**Marty:** We examine all applications we receive extremely carefully so as to ensure that clients are not led into situations which might cause them financial difficulties later on.

*Raiffeisen wants to start making more investments on behalf of its clients. Are you planning a concerted move into private banking?*

**Marty:** We have a 12.5% stake in the Vontobel Group. The partnership is going very well and is opening up a wide range of new opportunities for us.

**Vincenz:** Raiffeisen wants to manage as many of its clients as possible through the various stages of their lives. Where this is not possible we can call on support from the Vontobel Group, for example in areas such as tax planning or family offices. This arrangement means we can take good care of our Switzerland-based clientele, while business with foreign clients is mandated to Vontobel.

*As an employer, Raiffeisen has taken up the cause of promoting professional equality for women and creating family-friendly working conditions. Where do you see room for potential here?*

**Vincenz:** It is assumed that – due to demographic changes – qualified workers will become more and more scarce from 2015 onwards. We therefore want to start promoting our attractiveness as an employer for women now. The same applies to older employees. Our aim is to create a culture of flexibility in the minds of managers and team colleagues with regard to new working models (for example, part-time work and coverage for absences), as well as to make crèches available for our employees. Women are also to be encouraged to take part in the management development programmes, but to be allowed to take a break from the training if they need to.

*Have these initiatives already shown signs of success?*

**Vincenz:** We do not have any fixed quotas, but women should always be represented on the lists of candidates for new positions. Half of our employees are women. In addition, the pilot mentoring programme carried out in 2007 with 16 women proved such a success that we have now made it a regular process, with the number of female mentees in 2008 increased to 30.

*What are the Raiffeisen Group's aims for 2008 and beyond?*

**Marty:** Our priority is to further increase our market share, especially in those areas where we still see potential (such as city conurbations, for example). Our new IT platform is also a strategic project that will enable us not only to make further progress on the road to expansion but also provide us with a solid basis for sustainable growth.

**Vincenz:** Raiffeisen has set itself some ambitious targets for the future: we want to strengthen our position as an attractive employer; we want to secure a market share of 20% as the third-largest bank in Switzerland; 15% of our business is to be non-interest business; the cost/income ratio is to be maintained at around 54–56%; and – last but not least – we want to maintain our good credit rating. If margins fall, it is important to be able to procure capital favourably.

\* Claudia Gabriel is editor-in-chief of Schweizer Bank.

**Market activities** The Raiffeisen Group can look back on an extremely successful year in terms of business performance in 2007. In spite of fierce competition it made further market share gains and fared better than the overall market, with high growth rates in key sectors.

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- *Raiffeisen clearly outgrew the market in the hard-fought mortgage business.*
  - *Raiffeisen is gaining market shares with corporate clients.*
  - *Raiffeisen is the overall Swiss market leader in savings.*
  - *Thanks to 114,000 new members the number of members grew to 1.44 million.*
  - *Raiffeisen is selling its consumer loans and car leasing business to the Aduno Group.*
- 

The Raiffeisen Group clearly outgrew the market and made market share gains once again in almost all sectors. The number of client relationships topped the three million mark, keeping Raiffeisen on track to position itself as Switzerland's leading retail bank.

**Client requirement: Financing**

**Mortgage financing**

Following weaker growth in construction activity in 2006, investment in new buildings (especially renovations) picked up again in 2007. Market interest rates rose sharply depending on maturity after a protracted phase of low rates by historical standards. Rising interest rates had an impact on fixed-rate mortgages in particular, since these follow market rates without a time lag, leading to an increase in demand for variable-rate mortgages. The Swiss mortgage market grew less strongly than in the previous year, which created intensified competition between mortgage providers. The Raiffeisen Group held up well against this backdrop and posted much stronger growth than the market in 2007.

While Raiffeisen continues to expect strong demand for home financing in 2008, indicators such as the number of building permits applied for and granted point to weaker growth.

**Popular corporate clients business**

Raiffeisen further expanded its market share in the corporate clients business in the year under review. As many as 31% of small and medium-sized enterprises (SMEs) in Switzerland now bank with Raiffeisen. Raiffeisen is highly

### Raiffeisen by canton as at 31 December 2007<sup>1</sup>

Canton	Number of banks	Number of bank branches	Number of members	Loans <sup>2</sup> in CHF million	Client monies <sup>3</sup> in CHF million	Bal. sheet total in CHF million
Aargau	35	101	158,143	11,632	10,201	12,914
Appenzell Ausserrhoden	3	10	14,347	813	852	944
Appenzell Innerrhoden	2	5	6,842	330	403	438
Basel-Land	10	21	37,023	2,630	2,379	2,958
Basel-Stadt	1	2	–	393	333	464
Berne	28	110	144,864	7,978	7,150	8,943
Fribourg	22	59	69,101	5,099	3,937	5,579
Geneva	6	20	27,453	2,075	2,220	2,457
Glarus	1	2	5,000	284	254	307
Grisons	14	76	49,645	3,279	2,893	3,666
Jura	10	47	23,575	1,812	1,327	1,993
Lucerne	25	52	101,177	5,636	4,747	6,329
Neuchâtel	6	24	18,873	1,062	920	1,183
Nidwalden	2	9	16,609	1,033	954	1,218
Obwalden	2	6	10,392	589	512	676
St. Gallen	48	97	164,355	14,009	11,521	15,771
Schaffhausen	1	3	5,640	340	319	378
Schwyz	8	14	30,952	1,838	1,770	2,083
Solothurn	33	73	108,711	7,294	6,614	8,191
Ticino	40	107	90,147	7,123	6,339	8,247
Thurgau	21	49	84,590	6,389	5,281	7,108
Uri	4	16	14,258	730	693	825
Vaud	23	70	76,655	4,660	4,071	5,241
Valais	33	138	105,432	7,078	7,236	8,454
Zug	8	14	33,586	2,710	2,309	3,058
Zurich	10	30	46,471	3,666	3,849	4,368
<b>Total 2007</b>	<b>396</b>	<b>1,155</b>	<b>1,443,841</b>	<b>100,480</b>	<b>89,083</b>	<b>113,792</b>
<b>Total 2006</b>	<b>411</b>	<b>1,149</b>	<b>1,371,107</b>	<b>93,692</b>	<b>84,156</b>	<b>107,028</b>
<b>Increase/decrease</b>	<b>-15</b>	<b>6</b>	<b>72,734</b>	<b>6,788</b>	<b>4,927</b>	<b>6,764</b>
<b>Increase/decrease in %</b>	<b>-3.6</b>	<b>0.5</b>	<b>5.3</b>	<b>7.2</b>	<b>5.9</b>	<b>6.3</b>

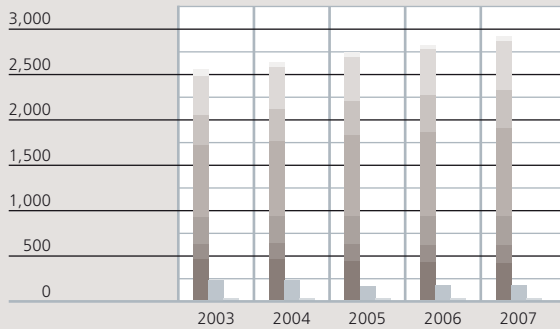
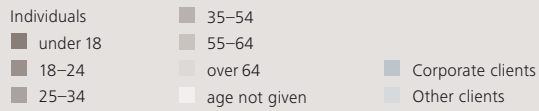
1) Raiffeisen banks and branches of Raiffeisen Switzerland

2) Receivables from clients and mortgage receivables

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

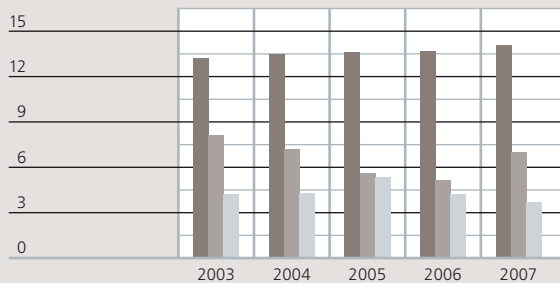
### Client structure and trends

(in 1000)



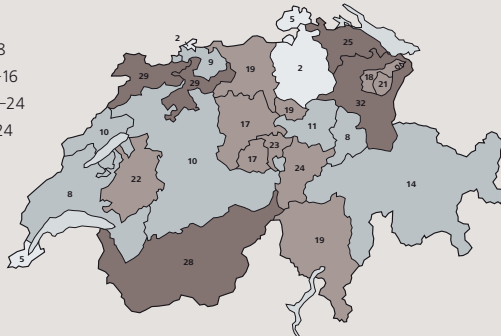
### Raiffeisen further increases share of Swiss mortgage market

(in %)



### Share of mortgages per canton 2007

(in %)



sought-after by SMEs as a source for investment loans and is the second most popular bank in this area. With the call money instrument and company investment account launched in the year under review, Raiffeisen has developed attractive products offering flexible liquidity management options for corporate clients.

Further new products, simplified processes and efforts to increase the level of know-how across the country are planned for 2008. In addition, equipment leasing was integrated into the corporate clients business on 1 January 2008, representing another milestone in the strategic orientation of this business area. The goal for 2008 is to outgrow the market once again.

### Raiffeisen Finanzierungs AG

New business in consumer loans grew by a healthy 23% year-on-year to 96 million Swiss francs. All sales channels registered increased volumes.

The Raiffeisen Group sold its consumer loans and car leasing business to the Aduno Group, which specializes in cashless payments, on 28 February 2008, with the sale backdated to 1 January 2008. The new company Swiss One Finance AG brings together the services of Raiffeisen Finanzierungs AG, cashgate Ltd and Banque Cantonale Vaudoise's personal loans business. The resulting company will be Switzerland's third-largest car leasing and consumer financing provider.





*Dr Patrik Gisel,  
Head of Market department*

### **Raiffeisen Leasing**

Volumes in car and equipment leasing remained flat in 2007. Raiffeisen concluded new lease agreements worth 195 million Swiss francs. One reason for this stagnation is the good health of the economy, which has a negative effect on leasing, since companies and private individuals tend to finance purchases using their own funds when they have more money at their disposal.

### **Client requirement: Savings**

As the financial markets recovered, market interest rates rose steadily in the first half of 2007. Raiffeisen therefore raised its savings interest rates twice during the year. A new form of savings for Raiffeisen clients, time deposits with terms greater than a year, offer an alternative to medium-term notes. Bank savings volumes (liabilities to clients in the form of savings and investment deposits and medium-term notes) remained stable at the year-back level. This is a good result compared with the market as a whole, which showed a decline of 4%. Raiffeisen is the overall Swiss market leader in savings with a market share of more than 20%.

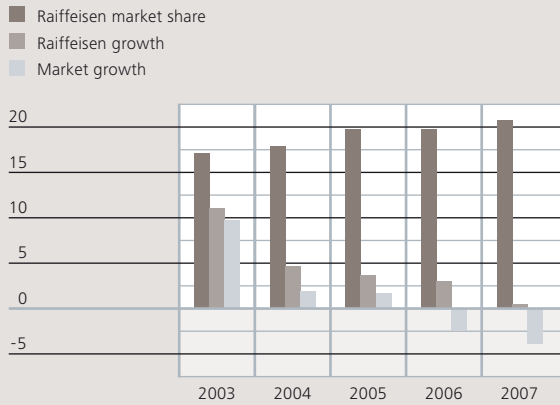
### **Client requirement: Pensions**

Falling conversion rates (which form the basis for calculating pension annuities) and demographic trends are causing concern among a large section of the population about how they are going to finance their personal retirement. Voluntary savings in pillar 3a continue to be a cornerstone of private pensions and are gaining more and more importance, not least due to the tax breaks they bring. This is reflected in the growing volume of pension assets held by

*"The Raiffeisen Group gained further market shares in 2007 – and intends to gain even more in 2008."*

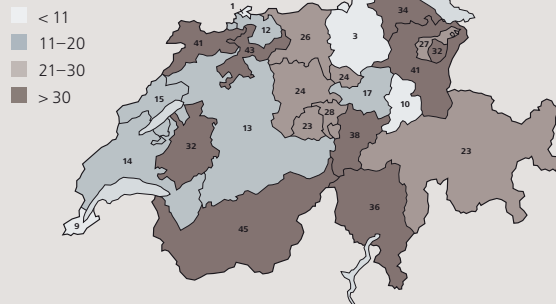
**Raiffeisen further increases share of savings market**

(in %)



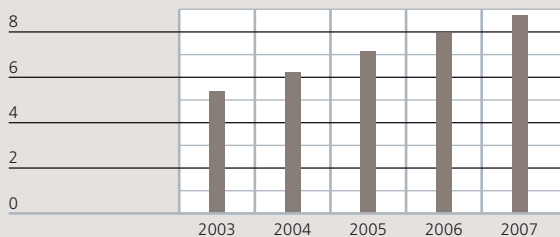
**Share of savings and investments per canton 2007**

(in %)



**Pension and vested assets 2003–2007**

(in CHF billion)



the Raiffeisen Group, a trend that is set to persist. Easing tensions on the job market led to slightly weaker growth in vested assets, which is also likely to continue in 2008.

As of 1 January 2008, anyone who remains in work beyond the statutory retirement age can defer withdrawal of their pillar 3a assets by five years.

**Client requirement: Investments**

Despite turbulence on the financial markets towards the end of the year under review, Raiffeisen posted a sharp increase in invested assets. This was helped by the continual development of its investment strategy and the expansion of its product range in close collaboration with cooperation partner Vontobel, among other factors.

Raiffeisen added alternative investments to its product strategy, including hedge funds, funds of hedge funds, private equity, commodities and real estate.

Fund volumes were stagnant in the year under review as the trend towards new investment instruments such as structured products continued unabated. Volume growth was very strong for the Futura funds (up 46%), which invest according to sustainability criteria, and the Multi Asset Class funds (up 98%), whereas the classic strategy fund Global Invest registered outflows of 16%.

Raiffeisen launched two new funds in 2007: Capital Protection Maturity 2014 (in euros), which complements the capital protection fund in Swiss francs launched with great success in 2006, and Convert Bond Global, a con-

vertible bond fund that combines the defensive characteristics of bonds with the performance potential of equities.

The new structured products launched by Raiffeisen generated new money in excess of 930 million Swiss francs, with the total volume of Raiffeisen and Bank Vontobel structured products reaching 4.1 billion Swiss francs. The range of proven interest notes was further expanded in 2007 with products covering the investment themes climate protection and water. The certificates on alternative investments give investors access to the hedge funds, commodities and real estate asset classes for just a small capital outlay.

The Raiffeisen Fund Portfolio and Raiffeisen Classic Portfolio mandates also continued to perform well in 2007. The Raiffeisen Pension Portfolio was added to the range. This product is geared specifically to the needs of people over 50, combining the advantages of fund-based portfolio management with regular payouts in accordance with clients' personal preferences.

The focus in investments in 2006 and 2007 was on positioning Raiffeisen as a professional investment bank and acquiring new clients. Sustainability will be an ongoing priority in 2008. As a socially responsible banking group, Raiffeisen will increasingly offer its investors sustainability products in conjunction with Bank Vontobel, which was among the first institutions to launch investment products that take sustainability criteria into account.

#### **Client requirement: Insurance**

The cooperation between Raiffeisen and Helvetia is unique on the Swiss market and allows Raiffeisen clients to benefit from insurance products carefully aligned with its banking services. For instance, Raiffeisen construction and buildings insurance, which was introduced two years ago, enables mortgage clients to insure the financing of their own home. Sales of risk products such as full-life and incapacity insurance continue to grow. In spite of the increasingly competitive market environment, various sales activities concerning pension insurance have had a positive impact on sales volumes.

#### **Client requirement: Payments**

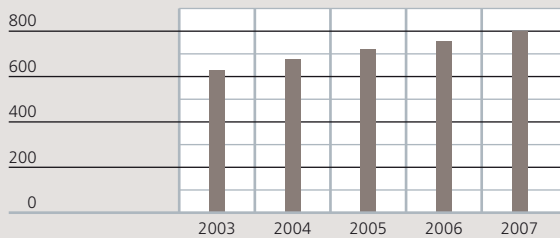
##### **Maestro card**

Demand for what is surely the most important card in people's wallets remains buoyant at Raiffeisen. The popularity of Maestro cards as a means of cashless payment increased further in 2007. Cashless payments accounted for 55% of Maestro transactions, cash withdrawals 45%. The share of cash withdrawals from non-Raiffeisen ATMs fell by a further 1.5%, while withdrawals from Raiffeisen ATMs were up 9%.

Raiffeisen will continue to promote Maestro use going forward, and the focus in the next few years will be on technical enhancements. All new and replacement cards issued from autumn 2008 onwards will be fitted with a next-generation chip developed jointly by the Swiss banks that gives scope for additional functions such as authentication for online services.

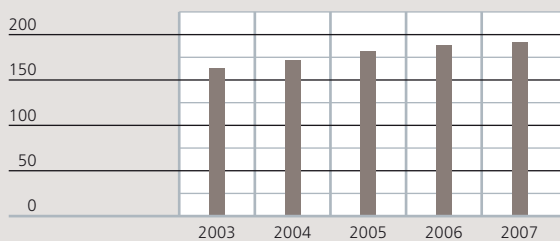
**Raiffeisen Maestro cards 2003–2007**

(in 1000)

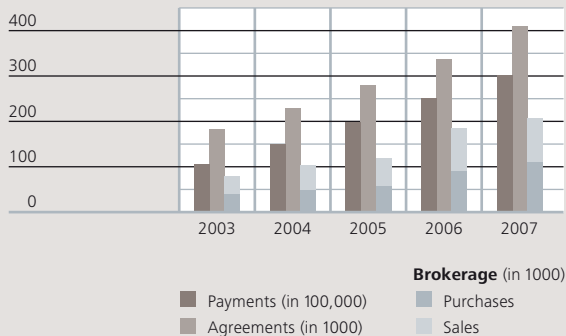


**Raiffeisen credit cards 2003–2007**

(in 1000)



**Developments in Raiffeisen e-banking**



**Credit cards**

While competition has become more intensive due to new credit card providers offering cut-price cards, the Raiffeisen Group achieved a further increase in its number of credit card clients in 2007. This is a clear sign that clients do not choose their card solely on the basis of the annual fee. Their trust in card providers and the quality of service and advice they provide are decisive factors. Card spending rose by 67 million Swiss francs or 8.5%. This increase is mainly attributable to the large supermarket chains now accepting credit cards for grocery shopping.

Raiffeisen intends to continue expanding its credit cards business with new and innovative products. Plans for the next two years include a credit card with a contact-free payment function, which gives clients a quick and easy way to pay for smaller purchases.

**Prepaid cards**

Raiffeisen's prepaid cards are attracting a great deal of interest, especially among young people. Prepaid cards are accepted in the same way as credit cards, the difference being that the available limit is equal to the amount paid to the card account in advance. Users thus benefit from a low-cost credit card with no financial risk that is widely accepted outside Switzerland and by Internet retailers.

**E-banking**

With up to 90,000 logins a day, e-banking was the Raiffeisen Group's most frequently used interaction channel in the year under review. More than 400,000 Raiffeisen



Paulo Brügger,  
Head of the Central Bank  
department

clients used e-banking, managing around a million accounts and making 30 million payments.

There are good indications that more Raiffeisen clients will turn to electronic media as their preferred banking channel in 2008. Raiffeisen is therefore prioritizing security, which is essential to keep the system up and running smoothly. In particular, the system must be safe, stable, fast, up to date and error-free.

#### **Client requirement: Co-ownership and codetermination**

Some 114,000 people decided to become Raiffeisen members in 2007. This brought the number of members to 1.44 million – a clear sign that many bank clients prize both the material and the ideological advantages of the cooperative structure.

As part of the exclusive offer “Experience central Switzerland for half price”, Raiffeisen members went on more than 67,000 excursions and notched up 33,000 overnight hotel stays between April and December 2007. Once again, a Swiss tourism region benefited from Raiffeisen’s cooperation and commitment. Raiffeisen has another special offer in store for members in 2008: they can book excursions and hotels in the canton of Grisons for half price.

#### **Market: Refinancing**

The Raiffeisen Group borrowed around 1.9 billion Swiss francs of medium and long-term money on the capital markets in 2007. This was used to finance its growing lending

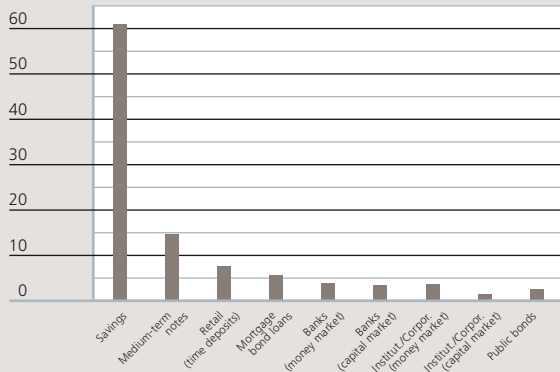
*“Raiffeisen enjoys a high level of trust on the interbank market. During the periods of financial market uncertainty we received significantly higher inflows of funds in the interbank sector.”*

volumes and to ensure a balanced mix of maturities. Of the amount borrowed on the capital markets, around 1.1 billion Swiss francs related to mortgage bond loans, while the Raiffeisen Switzerland Treasury invested approximately 510 million Swiss francs in borrower’s note loans of foreign banks (180 million Swiss francs) and Swiss institutional investors (330 million Swiss francs). Raiffeisen Switzerland also issued a five-year bond of its own in the amount of 250 million Swiss francs.

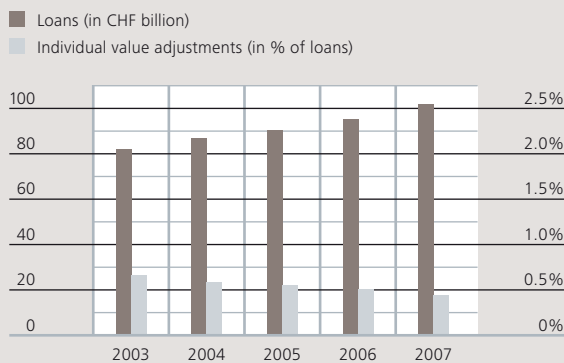
Due to a change in its analysis methodology, rating agency Moody’s upgraded Raiffeisen Switzerland’s credit rating in April 2007 to an excellent Aa1. Furthermore, Raiffeisen Switzerland proved to be a safe partner even during turbulent and uncertain times on the financial markets. The Raiffeisen Group was able to rely on the existing, broadly diversified refinancing channels on the money and capital markets in the year under review. Mortgage bond pooling additionally created a basis for the targeted use of mortgage bond refinancing: since 2007, Raiffeisen Switzerland has been able to employ part of the Raiffeisen banks’ unused coverage reserve to take out mortgage bond loans.

**Raiffeisen Group's sources of refinancing as at 31 December 2007**

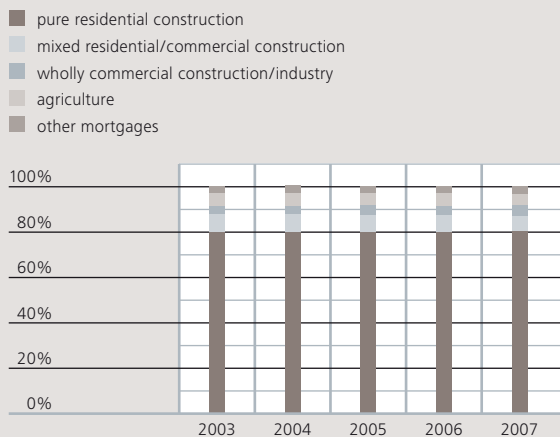
(in CHF billion)



**Volumes and individual value adjustments 2003–2007**



**Loans by property type 2003–2007**



This provides a firm foundation for achieving the stated growth targets.

**Market: Trading**

Investors had a turbulent year in 2007. High returns in past years had massively influenced their willingness to take risks. Implied volatilities on equity markets and risk premiums on credit markets fell to new lows in spring 2007. The considerable uncertainty surrounding the subprime crisis in the US then spread throughout the world and triggered hefty price swings. The US Federal Reserve responded by putting an end to its tightening cycle and cutting interest rates three times in an attempt to prevent an economic downturn. The US dollar slid further to an all-time low of CHF 1.0890 as a result of these rate cuts.

Commodities were the best-performing asset class in 2007. Prices rose sharply for precious metals, agricultural produce and energy on the back of rising demand from emerging markets, inflation fears and the ever weaker dollar.

The Raiffeisen Group achieved a very pleasing trading result in spite of this environment thanks to its healthy risk appetite and sound risk management. It was able to further step up its activity on the Swiss capital market. Aside from proprietary issues, Raiffeisen Switzerland played an active role in third-party issues worth a total of 2.7 billion Swiss francs.

**Market: Credit risk management**

Lending to private clients and in particular to corporate clients continued to grow faster than the market in

2007. Nevertheless, individual value adjustments fell as a percentage of lending volume from 0.5% to 0.43%.

The Raiffeisen Group's credit portfolio has long enjoyed broad diversification in terms of borrowers, regions and sectors. The proportion of own-use, low-risk home construction loans increased further in 2007. The credit portfolio of the Raiffeisen Group is monitored centrally. Measures to control new business are introduced on an ongoing basis in order to avoid strategic errors.

Raiffeisen has implemented effective, standardized credit checks and monitoring processes to support healthy market growth and limit credit risks, while special processes are in place to identify and manage higher default risks relating to specialist properties in risky sectors. Raiffeisen's proven lending policy, stringent appraisal guidelines, industry-standard loan-to-value ratios and client rating system provide the framework for credit risk management. Cautious parameters are applied in calculating affordability in the interests of borrowers.

Responsibility for the credit risks assumed is decentralized and lies with the individual Raiffeisen banks, which grant loans mainly within their narrowly defined area of business and thus benefit from detailed knowledge of their market and clients. The Raiffeisen banks can draw on the knowledge of Raiffeisen Switzerland credit specialists in order to assess more complex credit transactions. They can transfer risks they do not want to bear themselves to Raiffeisen Switzerland. The Raiffeisen banks also have access to Raiffeisen Switzerland's experienced recov-

ery team for the management of positions with increased loss risks.

Raiffeisen developed a new client rating model for corporate clients in the year under review that makes it possible to precisely identify and quantify default risks in this client segment and implement exact pricing on the market.



**“We want our daughters to grow up  
in a place they can call their own.”**

Yvonne, Kurt, Stefanie and Fabienne Hutter – a new home thanks to Raiffeisen





**They turned their dream of owning their own home into reality.** Kurt Hutter will soon move back to the area where he was brought up, along with his wife and two daughters. “I grew up in a house with my parents and brothers and sisters,” he reminisces. The feeling of owning the space the family lived in was always very important to his parents – and one that is shared by Kurt and his wife Yvonne.

The desire to own their own home became all the more pronounced when Stefanie, now almost five years old, came along. “We had to sit down and work out whether we could afford our own house.” Their first port of call was the bank where they were already clients. They met with a Raiffeisen advisor, who explained their financing options to them in depth and was able to offer them a suitable product.

When their second daughter, Fabienne, was born, the future home of the Hutter family in Eichberg SG had already started to take shape. They all looked forward to the special moment when they would be able to pack up their furniture, belongings and the children’s toys and move from their apartment to start a new life in their own four walls.

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

- 
- *Raiffeisen aims to strike an appropriate balance between risk and return.*
  - *Credit risk management at Raiffeisen is geared explicitly to Raiffeisen client and business structures.*
  - *As stipulated in the Articles of Association, foreign commitments are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets.*
  - *The trading risks are limited by sensitivity and loss limits.*
  - *Raiffeisen successfully changed over to the new capital adequacy and risk diversification rules.*
- 

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

- Decentralized individual responsibility in line with these clearly defined guidelines: The Raiffeisen banks and line units of Raiffeisen Switzerland are responsible for managing risk, while the central controlling units monitor adherence to the guidelines and thresholds, trends in overall risk and compliance with procedures.
- Risk control based on transparency: Risk control is performed by the Executive Board and the Board of Directors on the basis of thorough, objective and transparent information on the risk situation and risk profile.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently of the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation and monitoring. This risk management process covers all risk categories.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.

- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. For this reason, it takes a generally cautious approach to risk and sets great store by effective control. It prefers to steer clear of positions in transactions that are deemed critical from a fiscal, legal, supervisory or accounting perspective, and also seeks to comply with the highest ethical principles in all its business dealings.

### Organization and responsibilities

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

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

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

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

### Risk categories and risk control

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



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

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

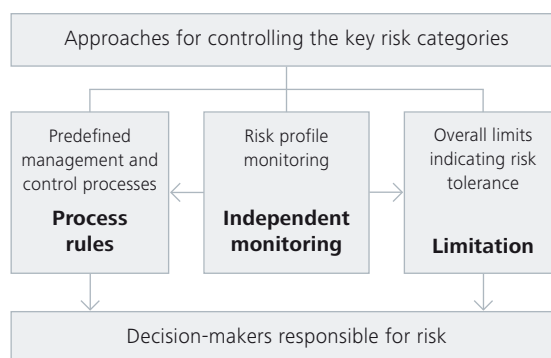
Strategic risks arise from overall banking strategy and from changes in the market environment. Responsibility for these risks at Raiffeisen Group level falls to the Board of Directors and the Executive Board of Raiffeisen Switzerland. At the individual Raiffeisen banks, the Board of Directors and bank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

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

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

The Raiffeisen Group controls the key risk categories using special processes and overall limits. As part of the risk budgeting process the Board of Directors sets the level of risk tolerance and then uses this to define the overall limits.

### Control of the key risk categories within the Raiffeisen Group



Risks that are difficult to quantify are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

### Credit risks

Credit risks are the most important risk category due to the Raiffeisen Group's extremely strong position in lending. The Raiffeisen Group generates a large part of its income through the controlled taking on of credit risks and the comprehensive and systematic management of these risks. Credit risk management at the Raiffeisen Group is geared explicitly to Raiffeisen-specific client and business structures.

Responsibility for taking on and managing credit risks lies with the unit that carries out the transaction concerned.



Dr Beat Hodel,  
Head of Group Risk Controlling

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

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

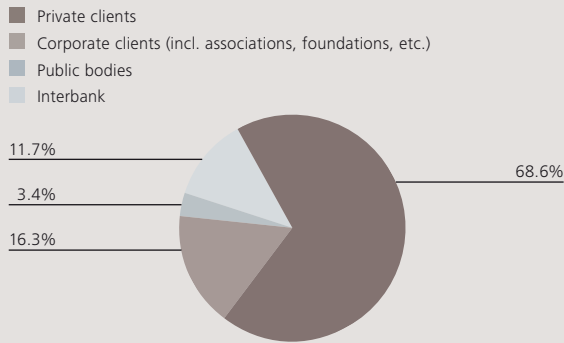
#### **Prudent credit policy**

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

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

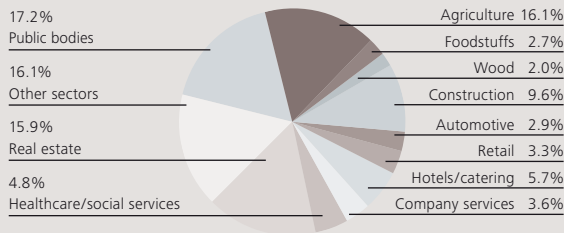
*"We assume credit risks on behalf of our clients, who we know. It is not part of our strategy, however, to assume credit risks for anonymous vehicles via the capital markets."*

**Raiffeisen Group lending by client segment**

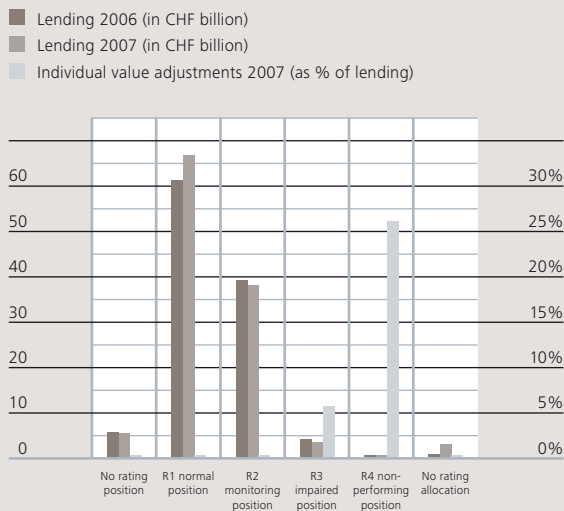


This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

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



**Lending and individual value adjustments**



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

Credit risks are assessed and monitored with the aid of an internal process that calculates expected and unexpected losses based on borrowers' credit ratings and collateral values. The underlying models obey recognized practice. Models and parameters are examined on a regular basis, adjusted in line with developments and calibrated by means of backtesting.

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process for identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

**Half-yearly analysis and assessment**

The Raiffeisen Group's credit portfolio is analysed and assessed every six months. Concentrations are monitored as part of portfolio analyses and effective tools are implemented to proactively avoid concentrations within the entire Raiffeisen Group. This involves measuring and evaluating the risk contributions of the individual client segments and sectors, which are calculated and reported as unexpected loss. The change in unexpected loss is analysed as part of a sensitivity analysis. One element of this analysis involves simulating a scenario in which the recovery rate in respect of the realization of mortgage

collateral is 40% lower than that assumed for loan approvals in the model. Even in this scenario, which (without taking other correlations and economic dependencies into account) is comparable to a marked reduction in prices the unexpected loss calculated in the scenario model would still be covered by the Raiffeisen Group's core capital.

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

## **Market risks**

### **Interest rate risks**

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

Within the Raiffeisen Group, each Raiffeisen bank is individually responsible for managing the interest rate risks in its balance sheet in line with clearly defined guidelines and sensitivity limits. The branches of Raiffeisen Switzerland, Raiffeisen Leasing and Raiffeisen Finanzierungs AG

are individually responsible, like the Raiffeisen banks, for managing the interest rate risks in their balance sheets. Risks are limited using global limits.

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

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

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

### **Trading risks**

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

**Raiffeisen Group: Interest rate risks in the bank book**

(in CHF million)

	31.12.2007	31.12.2006
Sensitivity	332	369
Value-at-risk (99.9%)	378	420

**Raiffeisen Switzerland: Limits in the trading book**

(Sensitivity in CHF)

	2007	2006
<b>Risk type</b>		
Equities	330,000	300,000
Interest products	125,000	100,000
Foreign currencies	840,000	800,000
Precious metals	150,000	150,000
<b>Loss limits</b>		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

**Raiffeisen Switzerland: Holdings in the trading book**

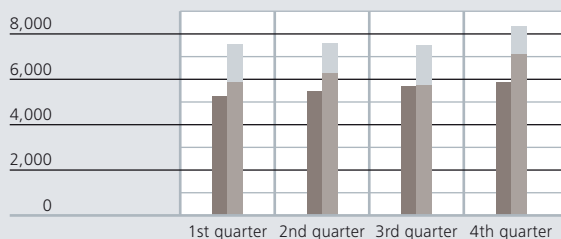
(Sensitivity in CHF)

	Ø 2007	31.12.07	Ø 2006	31.12.06
<b>Risk type</b>				
Equities	179,019	77,348	190,485	122,723
Interest products	54,459	74,402	47,916	91,722
Foreign currencies	354,639	589,126	550,900	244,977
Precious metals	33,170	50,649	104,057	67,952

**Overall liquidity of the Raiffeisen Group 2007**

(in CHF million)

- Overall liquidity requirement
- Cover, repo collateral
- Cover, other liquid assets



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

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

**Liquidity and financing risk**

According to a ruling by the Swiss Federal Banking Commission (SFBC) of 24 September 1997, the Raiffeisen banks are excused from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity; the relevant legal provisions must instead be observed on a consolidated basis. The Treasury department of Raiffeisen Switzerland takes care of liquidity and refinancing management at Group level, facilitating the Group's access to the money and capital markets and ensuring appropriate diversification of liabilities. The refinancing strategy takes account of legal and regulatory requirements. It ensures that the necessary liquidity is available and provides an appropriate and diversified maturity structure. Treasury plans medium to long-term financing activities by creating a financing profile that factors in the actual duration of assets and the sum of liabilities that are coming due and are to be replaced.

Treasury monitors liquidity trends at the operational, tactical and strategic level on an ongoing basis, and performs regular



stress tests. This has proven the Raiffeisen Group's liquidity to be robust. The diagram opposite shows how the overall liquidity situation developed during the 2007 financial year.

### **Operational risks**

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

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

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

### **IT risks**

A reliable IT infrastructure is indispensable in order to provide services in the banking business. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT dangers and risks.

IT Risk Controlling at the Raiffeisen Group is organizationally independent of IT management. IT Risk Controlling

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

### **Business continuity management**

Contingency plans for maintaining business operations in the event of failure of critical resources (staff, IT, buildings, suppliers, etc.) complement the risk hedging measures described above.

### **Early warning system of the Raiffeisen banks**

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

### **Legal risks**

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

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

#### Compliance risks

Compliance means adherence to legal, regulatory and internal guidelines as well as observance of market standards and codes of conduct. With this in mind, the Raiffeisen Group has opted for a broad-based approach that covers all areas of compliance with special focus on combatting money laundering and the financing of terrorism. The Raiffeisen Group has therefore traditionally attached great importance to “know your customer” principles. Accordingly, it has defined and implemented internal standards that have subsequently been integrated into many areas of the business. Regulations to combat money laundering reinforce and add an extra dimension to these principles.

The Raiffeisen Group invests substantial amounts in staff training and technology in order to keep track of developments concerning the identification of transactions or persons with a suspected link to money laundering. Processes for identifying clients and monitoring transactions are continually optimized and updated with regard to risk assessment, industry practices, regulatory requirements and technical developments.

Another major undertaking during the year under review was the implementation of the SFBC circular on supervision

and internal control. The Raiffeisen Group completed the project on schedule and in line with its decentralized business model. One of the key aspects of the project is that, from 1 January 2008, each Raiffeisen Bank has its own Compliance Officer.

#### Project controlling

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

#### Key projects and outlook

The Raiffeisen Group completed the Basel II project during the year under review. It changed over to the new capital adequacy and risk diversification rules – including implementation of both the quantitative and qualitative guidelines – with effect from 1 July 2007.

The Raiffeisen Group also concluded the introduction of its new asset and liability management system, which provides the Raiffeisen banks with an optimized and expanded analysis tool for the efficient management of their balance sheet structures. For the first time the Board of Directors used risk budgeting to define overall limits and align risk tolerance and risk capacity in a quantitative overview. This quantitative overview is designed to complement the qualitative or “risk-specific” process used until now, which Raiffeisen continues to regard as an indispensable component of an effective risk control strategy.

The unrelenting squeeze on margins continues to place increased demands on the quality and efficiency of risk measurement and control. The Raiffeisen Group therefore instigated a number of projects to optimize and automate the risk analysis and control process in 2007.

- A new project has been launched to optimize the way trading risks are controlled through a comprehensive system of automated value-at-risk measurements.
- As part of the initiative to expand the corporate clients business as a strategic business area, a system environment is being installed based on the risk strategy for corporate clients that satisfies the requirements of both process management and risk control.



**“I’ve always wanted  
to help people.”**

Carmen Venetz, medical student in her first semester –  
Raiffeisen student accountholder



**Carmen Venetz has stamina.** “When I feel like it”, she adds. She needs it as well, given that the young medical student from Susten in Valais has only just begun her medical degree in Berne. Six years of study, six years as a junior doctor – she has a long road ahead of her. “But then my dream job will become a reality,” she says.

Her parents knew a long time ago that Carmen was going to study for a degree. The idea of saving a significant amount of money for her education over a number of years in a special Raiffeisenbank account was therefore never far from their minds.

Having attended the Spiritus Sanctus college in Brig, Carmen passed the university entrance tests, leaving the way clear for her to follow her chosen career path. “For as long as I can remember, people and their wellbeing have been close to my heart,” she remembers. Having only just started her studies, Carmen’s options are still open as to which area of medicine she would one day like to work in.

For now the important thing is that she feels settled in her new surroundings in Berne. This has been helped along by living with some fellow students from Valais in her halls of residence and having a swimming pool nearby where she goes to keep fit.

**Sustainability report** The Raiffeisen Group conducts its business in a socially and economically responsible manner. Raiffeisen's corporate philosophy ensures sustainability in its day-to-day activities for the benefit of all stakeholder groups.

- 
- *Raiffeisen stands for approachability, stability and trust.*
  - *Raiffeisen is committed to equal opportunities.*
  - *Raiffeisen attaches importance to cooperative values and sustainable business practices.*
  - *Raiffeisen is a highly attractive employer.*
  - *Raiffeisen maintains social, environmental and cultural commitments at local and regional level.*
- 

Raiffeisen adheres systematically to its fundamental cooperative principles and successfully promotes participation, self-determination, the use of free space, independence, helping others to help themselves and solidarity. It takes the social responsibility attached to the remit to promote these values very seriously. In this respect, Raiffeisen adapts to the changes that occur over time and optimizes its processes without losing sight of its fundamental cooperative principles. The brand owes its success to this balance.

#### **Economic sustainability**

The figures published in recent years vindicate the Raiffeisen Group's efforts in terms of economic sustainability. Raiffeisen once again enjoyed a successful year in 2007. This was helped by a variety of decisive measures that were implemented systematically and will continue to be pursued with great dedication.

#### **Sustainable management**

The Raiffeisen Group's success is firmly rooted in its local presence, its adherence to the "know your customer" principle, its cooperative structure and its ability to reconcile cooperative values with commercial spirit. A mix of established traditions and contemporary know-how gives the Raiffeisen brand both the stability it needs and the dynamism that is indispensable in today's world. The Group's success is testament to the fact that these two factors make a difference and help it to stand out.

#### **Philosophy**

Raiffeisen aligns itself with local and regional identities, traditions and resources and empowers individuals to take

on responsibility. The decentralized ownership structure is also reflected in the Raiffeisen Group's social commitments. National, regional and even local projects and initiatives complement and enrich each other.

#### **Adding value by respecting values**

The Raiffeisen Group has for many years made a substantial contribution to overall economic development and to the Swiss economy in particular. At Raiffeisen, ethical considerations and expectations regarding the appropriation of profits go hand in hand with the responsible pursuit of those profits.

#### **Stakeholder groups**

Raiffeisen's business activities are geared to four groups of stakeholders: cooperative members, clients, employees and the general public. It takes the interests of all of these groups into account in equal measure:

- Raiffeisen grants its cooperative members rights of co-determination as well as special services and rates in return for their contribution as capital providers. It also enables them to benefit from exclusive member offers and, last but not least, useful contacts within the member community. Raiffeisen engages in direct dialogue with the cooperative members at the Annual General Meeting and through its client magazine Panorama, which keeps them regularly informed about the latest offers.
- Raiffeisen fosters long-term personal relationships with its clients built on a tradition of fairness and trust.

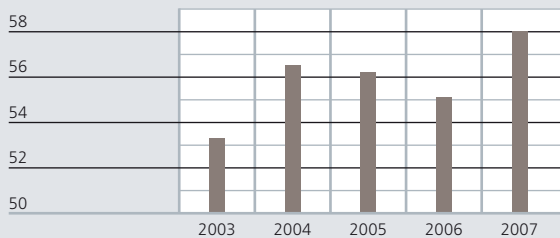
Alongside private, corporate and individual clients in retail banking it also offers complementary services in the private banking and interbank sectors and to institutional clients. Regular dialogue is maintained with this stakeholder group, for example through the client magazine Panorama.

- Raiffeisen takes great care of its employees. It is seen as an attractive employer on the job market as regards training, welfare and career opportunities. The number of employees has risen continually over recent years and now stands at 8,606. Information is exchanged on a daily basis via a wide variety of channels, including the intranet, events and, since May 2007, the staff magazine inside.
- The Raiffeisen banks have a greater commitment than almost any other banking group to the general public. They support local clubs and events and contribute in no small measure to the communities in which they are based in their role as local taxpayers. Here, too, dialogue takes various forms, including public events, sponsorship and general day-to-day contact with people in the community.

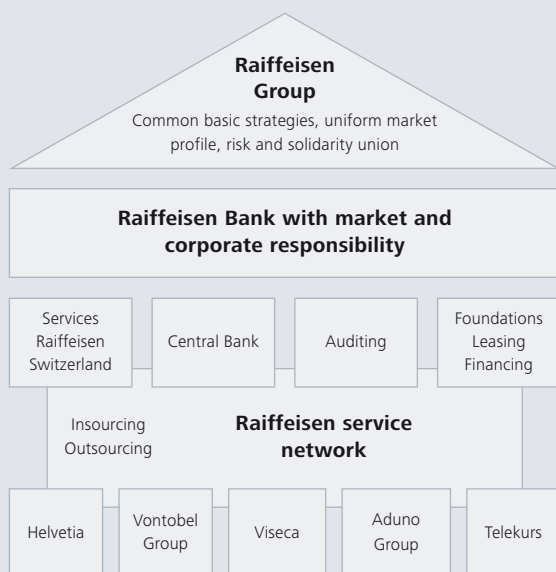
#### **Sales network**

With 1,155 locations in Switzerland, Raiffeisen has the densest branch network of any Swiss bank. Although 226 small bank branches have been closed – mainly due to low volumes of client visits – since 2000, 71 new ones have been opened over the same period. The Raiffeisen Group has been steadily expanding its network and enlarging its

**Cost/income ratio trend 2003–2007**  
(in %)



**Business model**



branches in recent years. Around 10 new branches are scheduled to open in 2008.

This dense network of branches and ATMs means that members and clients have access to Raiffeisen almost anywhere and at any time. E-banking and 24-hour zones at various Raiffeisen banks enable clients to carry out their banking round the clock. The fact that the majority of Raiffeisen banks are also open on Saturdays underpins Raiffeisen’s client-oriented service approach.

**Selected suppliers**

Raiffeisen Switzerland works with numerous suppliers in Switzerland and internationally. It favours partners that uphold the same sustainable business principles. Raiffeisen makes a considerable effort to ensure compliance with International Labour Organization (ILO) standards. In particular, it actively discourages child labour, forced labour and discrimination and encourages the freedom to form unions and the right to collective bargaining. Raiffeisen Switzerland demands that all its business partners offer fair wages, reasonable working hours and humane working conditions. These demands are an integral part of all cooperation agreements.

**Network**

The Raiffeisen Group has an extensive service network in which it cooperates with numerous partners (see “Company model” on page 38). Together with its cooperation partners Helvetia and the Vontobel Group, Raiffeisen guarantees all its clients comprehensive, expert advice and support from a single source. A further key partnership came into



effect in January 2008. The Raiffeisen Group has outsourced its consumer loans and car leasing business to the Aduno Group, a specialist in cashless payments.

#### **Memberships**

The Raiffeisen idea has spread across the globe: more than 900,000 cooperatives with more than 500 million members in over 100 countries work according to the principles laid down by Friedrich Wilhelm Raiffeisen. It is the job of the International Raiffeisen Union (IRU) to foster these groups. The Swiss Raiffeisen Group also belongs to this global union comprising more than 70 national cooperatives from 40 countries.

The Raiffeisen Group is a founding member of the Inter-cooperation Foundation (a Swiss foundation for development and international cooperation) and a member of Unico (a union of six European cooperative central banks), the CICA (International Federation for Agricultural Credit) and the EACB (European Association of Cooperative Banks). Raiffeisen is also one of the founding members of responsAbility (see also page 51). On the domestic front, the Raiffeisen Group is a member of the Swiss Bankers Association, among other organizations.

Raiffeisen has been a member of the sustainable development network ÖBU (the Swiss Association for Environmentally Aware Business Management) since 2007. This network, which unites some 300 companies, aims to further the development of the Swiss economy in accordance with the principles of sustainability.

#### **Process management**

Raiffeisen continually optimizes working processes within the Group. The processes between the Raiffeisen banks and Raiffeisen Switzerland have been further simplified and given a new uniform structure. One major element in this is mapping all relationships between the processes, operating risks, internal control system, rules and IT in the company model. The processes already devised will be systematically fleshed out on an ongoing basis.

#### **Cost/income ratio**

The cost/income ratio, i.e. how much it costs to run the business as a proportion of operating income, has changed very little in the last few years. Raiffeisen's continued objective in 2007 was to cut this measure to below 55% in the medium term. Raiffeisen's management is conscious that costs are likely to keep growing over the medium term in light of scheduled investment and the tapping of new market areas. However, these efforts will pay off over the long term and prove to the benefit of Raiffeisen and its clients in future.

#### **Statement of net added value**

The Raiffeisen Group achieved net added value of 1.7 billion Swiss francs in 2007, a year-on-year increase of 100 million Swiss francs or 6.2%. This result is attributable to the marked rise in income from ordinary banking activities coupled with the decrease in operationally required provisions and value adjustments. Net provisions and value adjustments totalling 13.3 million Swiss francs were released in extraordinary income.

**Statement of net added value**

	Current year in CHF million	Prior year in CHF million	Current year in %	Prior year in %
<b>Creation of added value</b>				
<b>Corporate performance (= operating income)</b>	<b>2,297</b>	<b>2,183</b>	<b>100.0</b>	<b>100.0</b>
Non-personnel expenditure	-452	-406	-19.7	-18.6
Extraordinary income	18	1	0.8	–
<b>Gross added value</b>	<b>1,863</b>	<b>1,778</b>	<b>81.1</b>	<b>81.4</b>
Depreciation	-140	-147	-6.1	-6.7
Value adjustments/provisions/losses	-3	-11	-0.1	-0.5
<b>Net added value</b>	<b>1,720</b>	<b>1,620</b>	<b>74.9</b>	<b>74.2</b>
<b>Distribution of added value</b>				
Personnel (salaries and employee benefits)	880	796	51.2	49.1
Cooperative members (paym. of interest on certif.: proposal to AGM)	26	23	1.5	1.4
Government	138	169	8.0	10.4
of which income tax paid	160	145	9.3	9.0
of which formation/release of provisions for deferred taxes	-22	24	-1.3	1.5
Bolstering of reserves (self-financing)	676	632	39.3	39.0
<b>Total</b>	<b>1,720</b>	<b>1,620</b>	<b>100.0</b>	<b>100.0</b>
<b>Key added value figures</b>				
Gross added value per personnel unit in 1000 CHF*	267	267		
Net added value per personnel unit in 1000 CHF*	246	243		
Number of personnel units (average)	6,986	6,657		

\* Calculated on the average number of personnel

All stakeholder groups benefited equally from this increase: the portion paid out to employees rose by 10.6%, an additional 13% in share certificate interest was paid out to members, and company reserves were strengthened by 7%. The amount of income tax paid directly to the public authorities also rose to the same extent (up 10.3%). However, the provisions required for deferred taxes were reduced by 22 million Swiss francs compared with the prior year, thanks largely to the decrease in various cantonal tax rates for legal entities.

Raiffeisen's cooperative structure places clear restrictions on how profits can be appropriated. This is highlighted by the fact that 39.3% (676 million Swiss francs) of the total value created is to be retained within the company itself. Employees get the largest share, at 51.2% or 880 million Swiss francs. 8% (138 million Swiss francs) is destined for the state, and 1.5% (26 million Swiss francs) will be paid out to members. It must be borne in mind, however, that members also receive other benefits in the form of discounts such as free banking and credit cards, higher rates of interest on savings and direct member benefits (special member promotions, free Museum Pass). This amounts to a total sum of 147 million Swiss francs, which is not listed as a credit to members in the statement of net added value. Money spent on donations and sponsorship (a total of 17.3 million Swiss francs) is also not taken into account for the distribution of net added value.

### **Social sustainability**

At Raiffeisen, the focus is always on people. Proximity to employees and clients permits excellent communication

and genuine dialogue and helps foster long-term relationships. Raiffeisen's social and cultural commitments are worthwhile because they allow it to fulfil its promotion remit and collect positive feedback, which builds trust. Raiffeisen capitalizes on this trust when it comes to giving its capabilities a personal dimension and a human face.

### **Studies**

Raiffeisen once again fared very well in the year under review in various independent surveys among both clients and the general public.

- The image survey conducted by Lausanne-based MIS-Trend confirmed that banks generally enjoy a high level of acceptance and showed that the Raiffeisen banks have the best image of all.
- A retail banking study by consulting firm Booz Allen Hamilton showed that Swiss banks in general and the Raiffeisen Group in particular are exceptionally well placed at the global level. Switzerland came second out of 17 countries, and Raiffeisen also came second out of more than 100 retail banks.
- In its annual survey on Swiss attitudes to banking, the Swiss Bankers Association quizzed Swiss residents as to the image of their main bank and the services it offers. The Raiffeisen Group was clearly rated best by its clients.
- The market and social research organization LINK conducted its "Investment 2007" survey for the newspaper Tages-Anzeiger to find the best banks in terms of invest-

ment products. The Raiffeisen Group achieved top placings in several categories. The Raiffeisen brand clearly performs well in terms of the positive emotional response it elicits, with Raiffeisen the undisputed leader of this particular league table, but it is also way out in front as regards the congruence between brand image and emotional response. When it came to rating the bank with regard to tradition and solidity, Raiffeisen scored an average of 8.36 points out of a possible 10 and thus topped the list here as well. Respondents gave the Raiffeisen Group similarly good scores for the appeal of its products and services, its role as a partner for life, its good reputation and its solid performance.

- In the seventh Reader's Digest survey of 15 European countries, the Raiffeisen Group was once again awarded the title of "Most Trusted Brand 2007". It emerged that, in Switzerland, quality, personal experience of a brand and a company's ability to identify its customers' needs guarantee that a brand will be trusted.
- Raiffeisen fared extremely well in the "SME Market Research 2007" study conducted every two years on behalf of the Swiss Association of Cantonal Banks. In this study on banking relationships and the use of banking products and services by SMEs, a great many positive statements were given regarding trust, expertise, value for money and general client satisfaction. For instance, 96% of clients who use Raiffeisen as their main bank said that they were satisfied enough to continue banking with Raiffeisen at least to the same extent as they do now. Some 18% of SMEs have a Raiffeisen bank

as their main bank (compared with 16% of private individuals).

- In the "Brand Tracking 2007" survey, Raiffeisen made gains in all categories – significant gains in some – rising to third place in the Swiss "Top of Mind" ranking. When asked to name a Swiss bank, 19% of the Swiss population (up from 15% in 2006) thought of Raiffeisen first. Asked about brand loyalty, 45% of Swiss said they would recommend Raiffeisen to others. Raiffeisen is ahead of the cantonal banks and UBS in this respect.
- A cost efficiency study conducted by management consulting firm Arthur D. Little showed that, by international standards, Swiss banks' costs are too high relative to their income. Raiffeisen is the most efficient of the five Swiss banks included in the study and was placed 18th overall. The study looked at the cost efficiency of 51 banks in 15 countries.
- The outstanding showing of Human Resources Management in the Swiss HR-Award 2007 confirms the Raiffeisen Group's expertise in this area. The second-place result reflects the efforts that have been made over a number of years to give the Group a modern corporate structure. The Raiffeisen Group had been awarded the internal title of "Newcomer of the Year" back in 2006, when it was ranked seventh.

#### Growing numbers of members and clients

The Raiffeisen Group's continuing success over a number of years is also reflected in the growth in members and

clients. In the space of five years, the number of members has risen from 1.11 to 1.44 million, while the number of clients has risen to more than three million.

#### *Client retention*

Raiffeisen's cooperative membership structure gives it a unique client retention tool. Unlike at a listed company, earnings are distributed to the cooperative members as interest on share certificates and through financial incentives in the form of special member benefits. In 2007, these payments and benefits amounted to an average of around 122 Swiss francs per cooperative member (see also the statement of net added value on page 40). The loss rate of members – including changes of residence and deaths – remains stable at a low level of 2.5% per year.

*More information on membership, its benefits and current offers can be found at [www.raiffeisen.ch/mitglieder](http://www.raiffeisen.ch/mitglieder) [only in German, French and Italian].*

#### *Client satisfaction*

The cooperative structure means that the individual Raiffeisen banks exclusively survey client satisfaction at their own local level. However, the survey findings on pages 41/42 indicate that client satisfaction with the Raiffeisen Group as a whole can be regarded as very high.

The Mischabel-Matterhorn Raiffeisen bank deserves a special mention here for its high standards. It is the first Raiffeisen bank and only the second bank in Switzerland to be awarded the European Foundation for Quality Management's "Recognised for Excellence" label. This award

confirms its dedication to business excellence, which has a direct impact on client satisfaction.

#### *Feedback management*

Given the Raiffeisen banks' close ties to their localities, most clients go directly to their own Raiffeisen bank with questions and suggestions. The Raiffeisen banks deal with such client matters personally themselves, so only a small proportion – generally legal or complex issues – are passed to Raiffeisen Switzerland, where they are recorded and handled centrally. Raiffeisen Switzerland investigates them in depth and responds directly in consultation with the local Raiffeisen banks.

#### **Employees**

Raiffeisen is not only aware of the value and importance of its employees; it also encourages their development. Employees benefit from a number of fringe benefits as well as investments that can be seen in the wide range of measures in place. Some of these have been established within the Raiffeisen Group for years and are continually optimized and adapted in line with current circumstances. Other measures, such as those that have arisen from the Diversity Management initiative, are now beginning to take effect.

#### *Diversity and gender management*

To ensure that it can continue to be an attractive employer and retain its competitive edge, in 2006 Raiffeisen Switzerland created a specialist unit called Profile to deal with all diversity issues. The unit is committed to ensuring equal opportunities for all employees regardless of age, gender,

race or disability. Numerous campaigns and events were held during the year under review to make the unit and its services accessible and transparent for everyone. The five internal events aimed at sparking debate about diversity issues among employees were very well attended. The topics discussed ranged from "Managing diversity" to "Male and female success strategies" and even "A divinely different career".

Equal opportunities for all is also a key topic for junior managers and was adopted as an integral part of Raiffeisen's internal management development programme in 2007.

Promoting family-friendliness: Two family holiday weeks were held again in summer 2007 to take the load off parents during the summer holidays, with 133 children of Raiffeisen employees taking part.

As part of National Daughter's Day in November 2007 – referred to at Raiffeisen as Children's Day – over 110 girls and boys in St. Gallen and Dietikon took the opportunity to visit the workplace of their parents or relatives and learn a little more about what a career at Raiffeisen involves. Prof. Franz Jaeger of the University of St. Gallen gave a lecture to a group of junior students in which he explained all about how money is produced and distributed.

The Raiffeisen crèche Sumsihuus was open throughout the summer holidays for the first time. Raiffeisen made further changes to its opening times to take account of parents' needs.



*Michael Auer,  
Head of Service department*

In order to expand the range of services it offers to families, Raiffeisen Switzerland joined the Eastern Switzerland Family Platform in 2007. The Family Platform provides comprehensive information and practical support regarding child care outside the family. Employees can use its services anonymously and free of charge.

Management culture: Managers play a key role in shaping corporate culture and employee motivation through the way they conduct themselves. Raiffeisen Switzerland actively addresses this issue. In 2007 it joined the process started by the Executive Board of the Raiffeisen Group in summer 2006 to develop a uniform management culture. Managers and employees together drew up five management principles in this process:

1. We foster an atmosphere of mutual trust.
2. We respect and value our employees.
3. We allow our employees to express their individuality.
4. We deal with conflicts.
5. We encourage commitment and performance.

These principles form the basis for developing a typically Raiffeisen management culture and contribute substantially to the Raiffeisen Group's long-term success. All managers, from the Chair of the Executive Board down to team leaders, are holding a workshop with their staff to discuss the management principles, collect feedback on how they are being observed and work out personal development goals. This cascade process will be completed with an employee survey and a workshop involving the Executive Board and employees in mid-2008. To ensure that

*"Employees from different backgrounds bring different approaches and solutions. This has a positive impact on our corporate culture."*

**Social report (Raiffeisen Switzerland, St. Gallen)**

	2007	2006
Number of employees	1,724	1,632
Number of full-time positions	1,423	1,356
Number of part-time positions	301	276
New positions	92	50
Total number of women	544	540
of which in management	170	152
Total number of men	1,180	1,092
of which in management	747	670
Average length of service	7.15 years	7.19 years
Average age of employees	39 years	38 years
Employee turnover	18.87% <sup>1</sup>	15.6%
	13.38% <sup>2</sup>	
Number of days of illness per employee	3.66 days	3.94 days
Training costs (in CHF million)	3.04	2.67

1) incl. outsourcing of consumer goods leasing and Raiffeisen Finanzierungs AG incl. Grabs-Werdenberg branch

2) excl. outsourcing of consumer goods leasing and Raiffeisen Finanzierungs AG excl. Grabs-Werdenberg branch

the management culture is even more firmly rooted in the Raiffeisen organization, various existing management instruments will be aligned with it during 2008.

**Mentoring programme:** The mentoring programme conducted with 16 tandems as a pilot in the year under review was an ideal way to gather experience. As a result, the mentoring programme is to become a regular process from 2008. In addition to upper management, the entire Executive Board is once again making itself available for mentoring. The programme will involve 37 tandems, and 25% of the mentees will now be promising male employees.

**Talented young people:** Raiffeisen attaches great importance to bringing on talented young people. Through the three-year commercial apprenticeship in banking and the two-year banking and finance training for high school graduates (BFM) programme, Raiffeisen provides on-the-job training for its own junior staff. The academic element of the banking sector training takes place at the Center for Young Professionals in Banking (CYP), which has a number of locations throughout Switzerland. As in previous years, Raiffeisen offered traineeships to more than 230 young people from all over Switzerland in summer 2007. Some 670 trainees and about 20 BFM trainees are currently with Raiffeisen. Of the trainees who graduated in summer 2007, 81% were offered a permanent position or a fixed-term employment contract within the Raiffeisen Group. A total of 22 new heads of bank management took up office in 2007, 17 of whom (77%) were recruited internally. This represents an increase of 15% year-on-year.



**Silberfuchs:** The Raiffeisen Group has a wide range of diversity measures aimed at older employees. For example, it is a member of the Silberfuchs (Silver Fox) network, in which around 15 companies and local authorities have joined forces to develop strategies for older employees.

#### *Communication*

The intranet (RAIweb) is the Raiffeisen Group's information, communication and applications platform, providing first-rate support for employees in their everyday work. Since it went online in 1998, the system has been continually adapted in line with employees' needs. It provides access to Raiffeisen Group press releases, announcements of talks on banking topics and lots more besides. In addition to Group-wide information and news, it now includes individual content and key dates for each of the banks. The Raiffeisen banks also publish their internal minutes, processes, etc., which can be linked to Group-wide content as required. This mix of bank-specific content and general themes enhances communication throughout the Group. The intranet has grown steadily and now comprises over 20,000 pages of information. Employees also receive the Annual Report, the client magazine Panorama and, since spring 2007, the staff magazine inside.

#### *High-performing retirement provision*

The Raiffeisen Group's pension fund converted its defined benefit scheme to a defined contribution scheme in January 2005. The coverage ratio of the pension fund was 107.5% as at the end of 2007 (previous year: 110.9%).

#### *Employee committee*

The employee committee – which has been in existence since 1995 – acts as a link between the Executive Board of Raiffeisen Switzerland and its employees. It is made up of seven members and meets regularly with a member of the Executive Board to discuss topical issues and salary adjustments. According to its charter the employee committee has a right to information and, in various situations, to be consulted (in an advisory capacity) with regard to decisions or results which affect employees on a professional, social or corporate level. The committee is also responsible for bringing the needs and views of employees to the attention of the Executive Board.

#### *Sponsorship/donations/foundation/taxes*

Few banking groups do as much as the local Raiffeisen banks to support local clubs, social organizations and cultural events. At national level, Raiffeisen has been heavily involved with winter sports since 2004, helping both elite performers and the stars of tomorrow. Raiffeisen also sponsors other sports and supports selected sporting stars such as Swiss marathon runner Viktor Röthlin and Olympic wrestler Reto Bucher.

In addition, Raiffeisen has cultural and economic commitments and is involved in the Swiss professional competition Swisscompetence. It also supports over 400 Swiss museums with the Museum Pass. Together with other companies, the Raiffeisen Group made a significant contribution in 2007 to the Schwab Foundation for Social Entrepreneurship, which bestows the annual "Social Entrepreneur of the Year" award.

Raiffeisen spent a total of 17.3 million Swiss francs on sponsorship and donations during the year under review, including funds pledged by the Raiffeisen Centenary Foundation, which supports projects in the areas of business ethics, culture and charitable activities. The state also received a total of 159.8 million Swiss francs in direct taxes (previous year: 144.7 million Swiss francs).

### Environmental sustainability

Environmental sustainability means not exploiting natural resources to the extent that they are no longer renewable. By creating and safeguarding local jobs, Raiffeisen makes an important contribution towards supporting local and regional economies. The shorter travelling distances for both employees and clients also help to protect the environment.

#### Environment

Raiffeisen Switzerland has committed itself to conserving natural resources wherever possible and optimizing its energy consumption. As a rule, it seeks to avoid or reduce environmental pollution to a greater extent than the minimum required by law. In 2006, those responsible set out their environmental and energy concept, which focuses on three main points:

- Procurement of environmentally friendly office infrastructure, cleaning, maintenance and energy products. Great emphasis is placed on ensuring environmentally acceptable and healthy practices. Day-to-day cleaning by external specialists is monitored on an ongoing basis.

- Environmentally friendly disposal of all waste. Waste is sorted and disposed of by qualified specialists.
- Raiffeisen Switzerland reduces its energy consumption both through direct action at the point of use and through indirect technical measures (greywater reuse, water-saving bathroom fittings, low-energy bulbs, cellulose paper towels, etc.).

Since July 2007, Raiffeisen Switzerland has been using only Forest Stewardship Council (FSC)-certified paper for all its copiers and printers. The client magazine Panorama, which appears eight times a year, will be printed on an environmentally friendly FSC mix paper from 2008. Around 800 tonnes of paper are used for the magazine every year. The staff magazine inside has also been printed on FSC-certified paper since the first issue in May 2007.

#### Sustainable construction

Raiffeisen Switzerland's construction consulting team advises the Raiffeisen banks on sustainable construction projects. In addition to adopting sound architectural solutions, Raiffeisen also places particular emphasis on the use of high-quality natural materials, on premises with reduced levels of pollution, and on ergonomics in the workplace. These measures ensure that buildings have a long life and thus contribute to sustainability.

The new architectural concept drawn up in 2006 makes Raiffeisen's attitude to architectural design very clear: the main aim is to be sympathetic to regional identities and avoid standardization and uniformity of design. However,

the guidelines also address environmental and social issues, for example in relation to the choice of materials, which should ideally be sourced regionally. They also offer recommendations for ergonomic construction. Raiffeisen aims to build to the Minergie standard where circumstances allow and may even achieve the higher Minergie-P standard in the best-case scenario.

*Further information is available at [raiffeisen.ch](http://raiffeisen.ch), Raiffeisen Gruppe/ Studienaufträge Raiffeisen [only in German and French].*

### **Sustainability at the Raiffeisen Centre**

Raiffeisen Switzerland mandated Carbotech AG in Basel to conduct an independent review of its sustainability practices. The company, which specializes in environmental consulting and analysis, confirmed Raiffeisen Switzerland's environmental successes. Its study revealed that, in partially implementing the Minergie standard, Raiffeisen Switzerland has reduced its heating energy requirement by about a factor of three. Technical improvements mean that Raiffeisen Switzerland can meet its remaining energy requirements with a very low level of emissions. Carbotech AG concluded that "the measures implemented have drastically reduced the environmental impact and the burden placed on society".

*Detailed report in the brochure "Vom weissen Tuch zum roten Teppich" (From white cloth to red carpet, published only in German) at [www.raiffeisen.ch](http://www.raiffeisen.ch), Raiffeisen-Gruppe, stadtlounge, Events-Presse.*

Some Raiffeisen Switzerland buildings meet the Minergie standard. Building systems used include the cogeneration or combined heat and power plant, heat recovery and the

thermoactive component system. Raiffeisen Switzerland has invested several million Swiss francs over the past 15 years in optimizing its energy consumption and other environmental measures.

To ensure that the Raiffeisen Centre can continue to be environmentally sustainable in the future, Sinum AG, a company specializing in environmental performance and sustainability, carried out the first-ever analysis of its total carbon dioxide emissions in 2007. The figures recorded are broken down into a CO<sub>2</sub> equivalent factor per employee. This value is currently 2.4 tonnes of CO<sub>2</sub> equivalent, which equates to the CO<sub>2</sub> emissions generated by an average Swiss car driven for almost 10,000 kilometres (including fuel production).

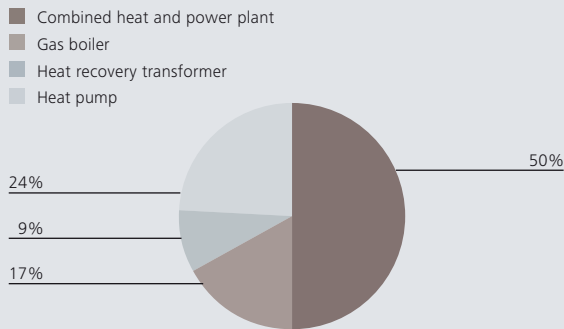
### *Energy consumption at the Raiffeisen Centre*

In the interests of the environment, Raiffeisen has taken a number of steps in recent years to counteract its increasing energy consumption, which is mainly due to the growth in its headcount. For instance, it has steadily extended and improved its heat recovery infrastructure. The use of rain-water for sanitation in the offices and residential units of the Raiffeisen Centre has also proven beneficial.

Electricity consumption rose by a further 25% year-on-year in 2007. The main reason for this is the massive increase in IT hardware, which accounts for 60% of total consumption. Thanks to mild weather, oil was not needed for heat-

\* The CO<sub>2</sub> equivalent is an index of the greenhouse gas potential of substances in the Earth's atmosphere. The greenhouse effect caused by carbon dioxide serves as the reference.

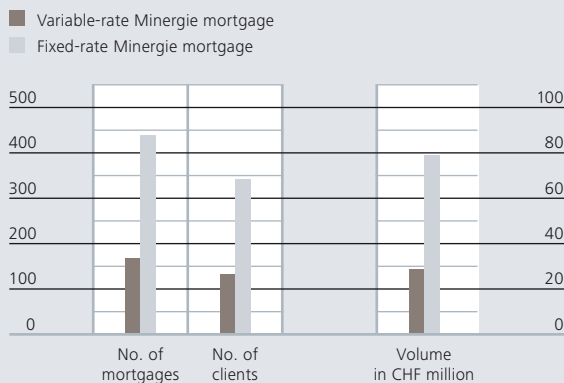
**Heat production**



**Energy consumption at the Raiffeisen Centre**

	2007	2006	2005
Electricity (kWh)	5,883,167	4,727,986	4,304,509
Gas (in kWh)	2,722,970	3,392,806	2,963,353
Oil (kWh)	422	275,572	357,590
Water (m <sup>3</sup> )	11,775	11,978	10,846
Glass (kg)	4,000	6,000	5,000
Waste (kg)	140,000	130,000	114,000
Paper and cardboard (kg)	240,000	234,000	253,000
PET recyclable plastic (kg)	2,310	2,240	1,700
Batteries (kg)	195	195	240
Fluorescent lighting (kg)	140	550	730

**Minergie mortgages as at 31 December 2007**



ing purposes at any time during the entire year under review. An extra air-conditioning unit was installed to cool the IT system rooms in summer 2007. It can be used as a heat pump during the cold part of the year. In the short period it has been in operation, it has already generated 450,000 kWh of clean heating energy from the waste heat given off by IT equipment. This is equivalent to about 40 tonnes of heating oil.

Raiffeisen Switzerland is increasingly breaking new ground in IT with regard to electricity consumption and cooling, systematically employing energy-efficient solutions and consolidation to improve its use of resources. The new Raiffeisen UNIX environment is among the most energy-efficient in the whole of Europe according to IBM.

*Measures to raise awareness*

Interested Raiffeisen Switzerland employees learned more about building systems at the two annual information events held in 2007. The topic in the year under review was ventilation systems. This year's topic will be air-conditioning.

**Products**

*Sustainability funds*

The total fund volume of the Futura sustainability funds is 895 million Swiss francs (previous year: 604 million Swiss francs). The Futura line comprises two equity funds, two bond funds and one retirement fund. The fund volume increased by 48% during the year under review alone. This growth can also be attributed to the excellent performance of the Raiffeisen Futura Swiss Stock fund, which put

on 11.2% in 2007. In January 2007 the fund received the Lipper Fund Award 2007 as the best fund over three and five years in the Swiss equity funds category. The Futura funds invest exclusively in securities that receive a positive rating from independent rating agency INrate for ethical, environmental and social criteria. INrate has a specialized, interdisciplinary research team; a specially appointed external board checks each rating and takes a final decision on whether or not it should be allowed to stand. As a cosignatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen informs investors about the criteria and processes governing the Futura funds as and when new details become available.

*Additional information is available at [www.eurosif.org](http://www.eurosif.org)*

#### *Raiffeisen renewable energies interest-bearing securities 02/2010 and 02/2013*

These new products offer safety-oriented investors attractive return opportunities in a promising growth market. The underlying shares are all from companies involved in the renewable energy value chain.

#### *responsAbility*

The responsAbility Global Microfinance Fund was authorized for public distribution in Switzerland in March 2005. It is the first microfinance fund to have received this approval from the Swiss Federal Banking Commission. The micro loans business harbours enormous potential, which is why the Raiffeisen Group decided to get involved in responsAbility and become one of its founding organizations.

*Additional information is available at [www.responsability.ch](http://www.responsability.ch)*

#### *Minergie mortgage*

By the end of 2007, 465 homeowners had taken out a Raiffeisen Minergie mortgage (compared with 388 people in the previous year). This amounted to a total volume of 107 million Swiss francs (previous year: 89 million Swiss francs). A home built to the Minergie standard promises reduced heating energy consumption, a higher quality of life and stable value preservation. The Raiffeisen banks became the first Swiss banking group to launch a Minergie mortgage product in June 2002. The mortgage's interest rate is half a percentage point below the rate for first and second mortgages.

**Strategy** Raiffeisen is continuing to pursue its growth strategy with the aim of becoming Switzerland's leading retail bank. In order to do this it will focus on diversifying its business and updating its IT infrastructure – both of which will prove important drivers for growth. Raiffeisen is also seeking to strengthen its position as an attractive employer.

- 
- *Raiffeisen wants to grow by 1-2 percentage points more than the market in its core business.*
  - *Market activities in the corporate clients business will be stepped up.*
  - *The IT application environment will be further homogenized and standardized.*
  - *Raiffeisen aims to reinforce its position as an attractive employer by establishing an unmistakable management culture.*
- 

The Raiffeisen Group successfully continued along the strategic course it had set itself during the year under review. It acquired additional market shares and once again posted a record result. Growth in the bank's core business (mortgages/savings) was above the market in spite of a declining savings market overall. The number of employees increased by over 444 full-time positions to 7,208. Raiffeisen's co-operation with Bank Vontobel proved to be a success, as did its positioning as a professional investment bank, with over one billion Swiss francs in new money flowing into the bank and safe custody volumes up by more than 12%. The new banking platform IT programme (which will pave the way for a state-of-the-art IT infrastructure) was successfully launched in the year under review and is proceeding according to plan.

Growth in Raiffeisen's traditional core business is steadily slowing, and it is becoming increasingly difficult to exploit market potential. Shrinking margins and a stagnating – even declining – deposit business are presenting Raiffeisen with some major challenges in its core business. In order to secure further growth, Raiffeisen will continue to follow and implement the growth strategy it has embarked on, with especially strong volume growth expected in the corporate clients and consumer credit business. The integration of Raiffeisen Finanzierungs AG into the Aduno Group retroactively as of 1 January 2008 represented an important first step in this new direction and helped underpin Raiffeisen's position in the fiercely competitive consumer finance market. In addition to strengthening its existing position in retail banking, the Raiffeisen Group also wants to focus on bringing more diversification to its business portfolio.

## Raiffeisen faces up to the challenges ahead

### Trends in the Swiss banking market

- Growing volume in the lending business
- Eroding margins in the mortgage business
- Declining deposit business
- Expanding consumer credit market
- Trend towards breaking up the value chain
- Heightened regulatory requirements
- Tough competition in the market for specialist staff



### Strategic direction of the Raiffeisen Group

- Growth in the core business
- Improved process efficiency
- Business portfolio diversification
- Active risk controlling
- Greater emphasis on Raiffeisen as an attractive employer

With this objective in mind, in 2007 Raiffeisen Switzerland decided to set aside a project portfolio of 100 billion Swiss francs for 2008.

### Growth in the core business

In order to strengthen growth in its core business, Raiffeisen is stepping up its efforts to tap and develop new and existing markets, with measures such as expanding its network of branches and launching targeted market campaigns. It is also gearing its innovative range of products more closely towards client needs and making the benefits of membership more attractive. Raiffeisen aims to continue focussing on advisory activities and further expand its client-oriented solutions such as e-banking.

### Improved process efficiency

As part of its ongoing efforts to optimize costs, Raiffeisen is making existing processes more cost-effective, for example by optimizing sales management, increasing process

automation, standardizing settlement processes and striking an optimal balance between centralized and decentralized process units.

In order to support the bank's current and future business strategy, in 2006 an IT strategy was drawn up focussing on the key elements of consolidation, standardization and the use of state-of-the-art technologies. These requirements formed the basis for the new banking platform programme, which was launched in 2007. Due for completion in 2013, it is the largest infrastructure project of the Raiffeisen Group.

### Business portfolio diversification

Another of the Raiffeisen Group's key objectives for the future is to actively develop its corporate clients business. In order to do this Raiffeisen aims to build on the market penetration it has already achieved among corporate clients and use individual products and an enhanced advi-

sory offering to drive further expansion in this area. Efforts will also be made to exploit the full potential of existing cooperation agreements and make operational improvements.

#### Active risk controlling

Legal provisions and the regulations laid down in the Risk Policy provide the basis for risk management at the bank. Raiffeisen takes a very cautious and selective approach to risk according to clearly defined regulations. The key risk categories within the risk management process are controlled using a dual system of process requirements and overall limits. Risk control also ensures that the bank's strategy is adhered to and its general business activities are on course. Raiffeisen uses methods, models and instruments that are well established in the financial industry, optimizing them on an ongoing basis and adapting them in response to new market trends and changing business requirements.

#### Greater emphasis on Raiffeisen as an attractive employer

The Raiffeisen Group sets great store by its cultural identity. It uses targeted measures to foster the professional and personal development of its employees so they can meet the growing specialist requirements demanded by the bank's growth strategy. It has developed a human resources roadmap for this purpose that comprises the following core activities:

- Establishing an unmistakable management culture by means of a specifically named project
- Ensuring that the bank has a talent pool of well-qualified junior staff
- Optimizing human resources processes with a view to acquiring and retaining key people
- Building up a system of competence management across the entire company
- Launching a diversity working group to promote the equal treatment of employees regardless of age or gender

#### Target values of the Raiffeisen Group

Target value	2007 current value	2007 target value
Market penetration	16%	17%
Number of women in key positions	5.9%	5%
Value adjustment component	< 0.01%	< 0.1%
Employee turnover in key positions	2.68%	< 5%
Straight-through processing rate for core products	100%	98%
Rating	Aa1	Aa1





Damir Bogdan,  
Head of the IT department

*“Raiffeisen is investing heavily in modern IT systems to create attractive conditions for activities in the IT field.”*



### Measurement

Raiffeisen has been using a balanced scorecard (BSC) to monitor and control its strategic objectives and major priorities for four years. This is firmly anchored in the overall controlling process.

In order to successfully tackle the challenges that lie ahead, we need to systematically allocate the key activities necessary to implement the strategic objectives outlined in the BSC and periodically measure the target parameters. The BSC is broken down into four dimensions: market/client, finances, employees and processes.

### Extract from the balanced scorecard

#### Market/client target parameters

- Market penetration
- Custody account and credit volumes
- Number of active e-banking agreements

#### Financial target parameters

- Value adjustment component
- Cost/income ratio
- Cooperation advantage Bank Vontobel, Helvetia, Aduno

#### Employee target parameters

- Number of women in key positions
- Employee turnover in key positions

#### Process target parameters

- Rating
- Straight-through processing rate for core products

**The mobile home the Schelberts bought two years ago has already got a good few miles on the clock.** This is hardly a surprise, as whenever time allows Eligius and Marlene Schelbert take off on a Friday afternoon for a “footloose and fancy free” weekend away. They like travelling to Lake Constance or in autumn perhaps to Ticino.

53-year-old Eligius is thinking ahead and is planning to ease into retirement gradually after his sixtieth birthday. However, he still has to plan a successor for the small family business, which has been a permanent fixture on the main road through the village of Muotathal for almost 150 years. Around 60% of his income comes from making a variety of bells, which he then sells throughout Switzerland and Europe. Among bell aficionados, a Schelbert Eligius bell commands respect.

However, before he hands over his business he is feathering his nest with a good retirement savings solution from Raiffeisen. This nest egg will mean the Schelberts can enjoy more time together on the road. To be properly comfortable, according to Eligius, they will need a new mobile home in a few years so they can hit the road even more often in future.



**“We are always looking to  
discover something new.”**

Marlene and Eligius Schelbert, bell maker and farrier – retirement savings  
solution with Raiffeisen



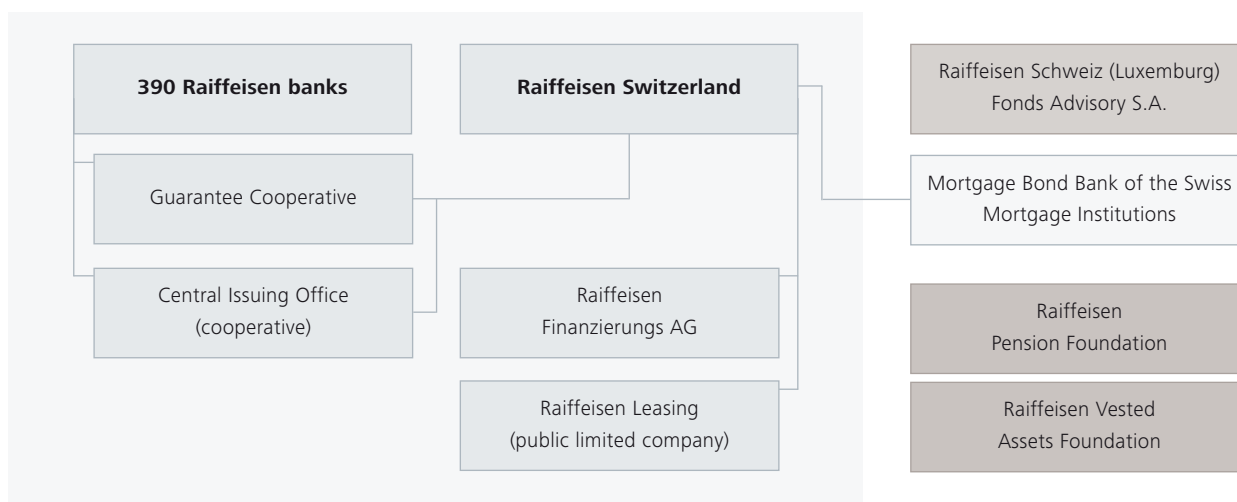
**Corporate Governance** For Raiffeisen, the term “Corporate Governance” encompasses all the principles of corporate organization and the principles behind management systems and controls. The separation between strategy and operations and the balance between management and control should be transparent for stakeholders.

- *At Raiffeisen, the separate interests of individual parties have no impact on corporate management.*
- *There are four levels of decision-making authority and responsibility at Raiffeisen.*
- *Raiffeisen clients benefit from a high level of security thanks to mutual liability within the Raiffeisen Group.*
- *The Delegate Meeting is the supreme executive body of Raiffeisen Switzerland.*
- *The Raiffeisen banks are owned by the cooperative members.*

The most important Corporate Governance rules of the Raiffeisen Group are stipulated in binding documents such as the Articles of Association, the Terms and Conditions of Business, the organizational regulations and a series of other instructions and directives. One particular event in 2007 was the revision of the management principles (see page 45 of the sustainability report)

The following report has been largely drawn up according to the SWX Swiss Exchange Corporate Governance Directive (DCG). Although this is not binding on Raiffeisen, it is expedient to adapt aspects of the directive for use in certain areas. Particular emphasis is paid to the special cooperative organizational structure of the Raiffeisen Group, and the various levels of decision-making authority and responsibility. Except where stated otherwise, all data are accurate as at 31 December 2007.

- consolidated
- participations valued by the equity method
- not consolidated



## Raiffeisen Group structure

The Raiffeisen banks and Raiffeisen Switzerland together hold the cooperative shares in the Guarantee Cooperative and the Central Issuing Office. Raiffeisen Leasing, Raiffeisen Finanzierungs AG and Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are subsidiaries wholly owned by Raiffeisen Switzerland. Raiffeisen Group also has a 21.3% stake in the Mortgage Bond Bank of the Swiss Mortgage Institutions. The Group has access to two independent

foundations for the investment of pillar 2 and 3 pension contributions.

## Changes from prior year

### Consumer financing business

On 13 September 2007, the members of Raiffeisen Leasing decided to convert the cooperative into a public limited company. This will enable the consumer financing business to be transferred to the Aduno Group. The Aduno Group,

## Group companies

Company	Activity	Owner(s)
Raiffeisen banks	Banking business	Cooperative members
Raiffeisen Switzerland	<ul style="list-style-type: none"> <li>■ Business policy and strategy as well as a centre of competence for the Raiffeisen Group</li> <li>■ Risk controlling</li> <li>■ Central bank function (monetary settlement, liquidity maintenance and refinancing)</li> <li>■ Payment services</li> <li>■ Banking business (mainly interbank transactions and securities trading)</li> <li>■ Staff development</li> <li>■ Running of branches</li> </ul>	Raiffeisen banks
Guarantee Cooperative	Acceptance of guarantees to facilitate the Raiffeisen banks' credit and lending activities	Raiffeisen Switzerland and the Raiffeisen banks
Raiffeisen Leasing (public limited company)	Equipment leasing	Raiffeisen Switzerland
Central Issuing Office of the Swiss Raiffeisen Banks (cooperative)	Issuing of bonds on commission and for the account of the Raiffeisen banks	Raiffeisen Switzerland and the Raiffeisen banks
Raiffeisen Finanzierungs AG	Consumer goods leasing and consumer loan finance	Raiffeisen Switzerland
Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A.	Holds stake in Raiffeisen Schweiz (Luxemburg) Fonds SICAV and acts as its investment advisor. Raiffeisen Schweiz (Luxemburg) Fonds SICAV issues a variety of subfunds (money market funds, bond funds, equity funds, strategy funds, capital protection funds).	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivized pension savings (pillar 3)	

in which Raiffeisen Switzerland holds a stake, specializes in the credit card and consumer credit business. Outsourcing to a specialist provider will mean that the consumer goods financing business can be developed more strongly and the product offering for the Raiffeisen banks can be further optimized. The changeover took place in three stages:

- 30 June 2007: Retroactive conversion of the Raiffeisen Leasing cooperative into a public limited company.
- 17 December 2007: Consumer goods leasing business spun off from Raiffeisen Leasing to Raiffeisen Finanzierungs AG (retroactively as of 30 June 2007).
- 28 February 2008: All shares of Raiffeisen Finanzierungs AG sold to the Aduno Group, retroactively as of 1 January 2008.

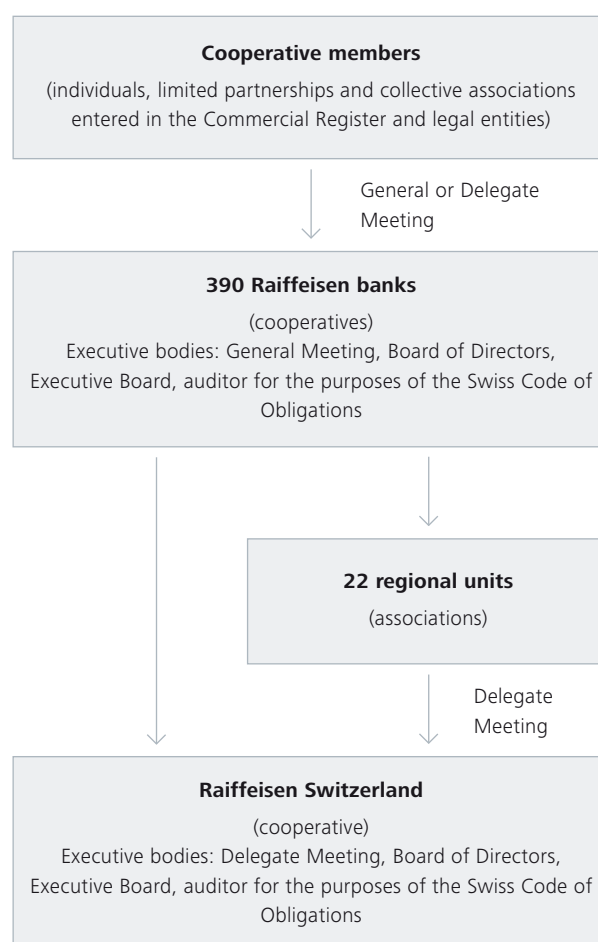
Thanks to the Aduno Group's growth strategy, the transfer was completed without any job cuts. Raiffeisen Leasing, which remains with Raiffeisen Switzerland, will focus on equipment leasing products and services.

#### *Mergers of Raiffeisen banks*

Due to mergers, the number of legally and organizationally independent Raiffeisen banks fell from 405 to 390 in the year under review. The mergers were motivated by market considerations. The ongoing structuring process enables the individual cooperatives to optimize the alignment of their activities with the needs of their regional markets. The number of independent cooperatives will continue to decline slightly over the next few years in response to market requirements, though there will be little change in the number of branches.

#### **Raiffeisen Group organizational structure**

There are four levels of decision-making authority and responsibility:





Robert Signer,  
Head of the Branches department

*“The above-average growth recorded by our branches in Basel, Berne, St. Gallen, Thalwil, Winterthur and Zurich shows that Raiffeisen enjoys widespread trust in urban areas as well.”*

The 390 Raiffeisen banks with a total of 1,146 branches (excluding branches of Raiffeisen Switzerland) are legally and organizationally independent cooperatives which elect their own boards of directors and have an independent auditor. The Raiffeisen banks are owned by the cooperative members. The candidates for the board of directors are voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions (see page 62), which take the form of associations. These act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include coordinating regional advertising activities, holding training events for the Raiffeisen banks, and safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities.

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

There is also a Raiffeisen Banks Steering Committee (not shown in the chart). Each regional union has one seat,

while Raiffeisen Switzerland has one seat per department. The Steering Committee reviews strategic matters, objectives and plans from the Raiffeisen banks’ viewpoint and prioritizes them according to the terms of reference laid down by the Executive Board of Raiffeisen Switzerland. It also appoints the representatives who sit on the individual steering committees of Raiffeisen Switzerland and ensures the Raiffeisen banks have a sufficient say in Group-wide plans and projects.

#### **Major participations**

Note 3 (Details of major participations, see page 108) lists all major participations of the Raiffeisen Group, including name, domicile, capital and share of voting rights.

#### **Major cooperative members**

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

#### **Cross-shareholdings**

The Raiffeisen Group companies have no cross-shareholdings.

## The regional unions

Regional union	Chair	Number of member banks
<b>15 in German-speaking Switzerland</b>		
Aargauer Verband der Raiffeisenbanken	Daniel M. Lüscher, Herznach	34
Berner Verband der Raiffeisenbanken	Walter Studer, Biglen	25
Bündner Verband der Raiffeisenbanken	Tino Zanetti, Igis	13
Deutschfreiburger Verband der Raiffeisenbanken	Pius Lehmann, Fribourg	10
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	25
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	13
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	17
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	11
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	8
Solothurner Verband der Raiffeisenbanken	André Bourquin, Aetigkofen	28
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	54
Thurgauer Verband der Raiffeisenbanken	Richard Peter, Balterswil	21
Urner Verband der Raiffeisenbanken	Rolf Infanger, Erstfeld	4
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	8
<b>6 in French-speaking Switzerland</b>		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	12
Fédération genevoise des Banques Raiffeisen	Pierre Guignard, Cartigny	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	13
Fédération neuchâteloise des Banques Raiffeisen	Claude Ribaux, Bevaix	6
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	20
Fédération vaudoise des Banques Raiffeisen	Alexandre Bula, Thierrens	23
<b>1 in Italian-speaking Switzerland</b>		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	41

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



## Capital structure and liability

### Capital structure

The Raiffeisen Group's cooperative capital is 467 million Swiss francs. The precise composition and changes in the year under review can be found in note 10 (Evidence of equity capital, see page 115).

### Changes in equity capital

Each cooperative member is entitled to interest on their share certificates, capped at 6% gross.

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

### Changes in equity capital

(in CHF million)

	2007	2006	2005	2004
Cooperative capital	467	428	396	362
Retained earnings	6,234	5,603	4,972	4,468
Group profit	701	655	608	506
<b>Total</b>	<b>7,402</b>	<b>6,686</b>	<b>5,976</b>	<b>5,336</b>

### Liability

The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on the principle of mutual liability, which it has anchored in its Articles of Association. Raiffeisen clients benefit from a high level of security as a result of the mutual liability accepted throughout the Group. Working together in a tight-knit cooperative union is also a form of solidarity, as the fate and risks of the Raiffeisen banks are tied closely together. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford (see page 64).

#### 1) Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and therefore of the Raiffeisen Group as a whole. A total of 869.2 million Swiss francs in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of over one billion Swiss francs, of which 320 million Swiss francs have been paid in. Raiffeisen Switzerland has the right to call in the outstanding 779.8 million Swiss francs from the Raiffeisen banks at any time.

#### 2) Solidarity fund

The solidarity fund is – in the classical sense of solidarity as perceived by Raiffeisen – an organization-wide reserve

to cover risks. It covers employee claims and operating losses of the Raiffeisen banks and is fed through annual contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets are 299.2 million Swiss francs.

### 3) Additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland

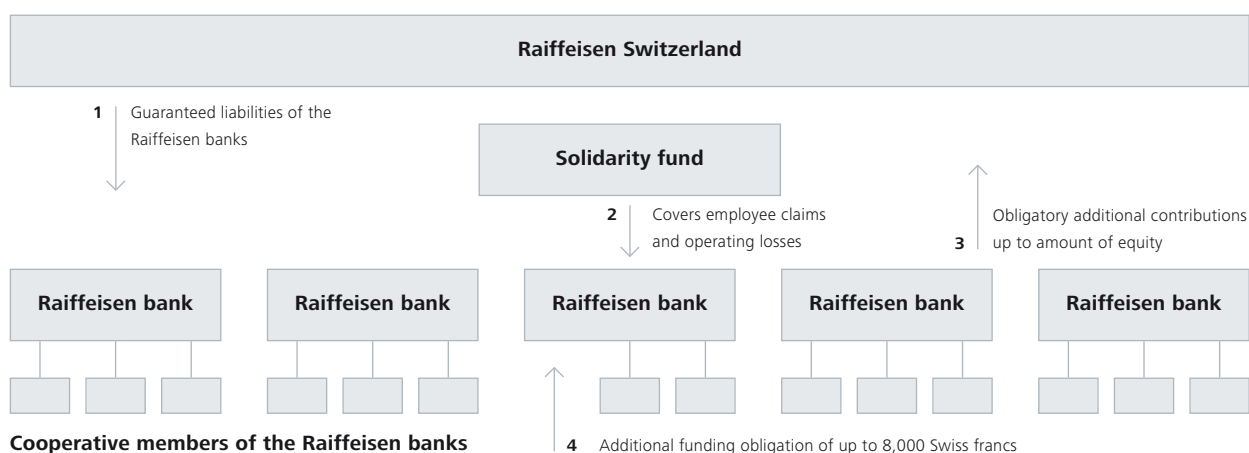
The Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland is 6.7 billion Swiss francs.

### 4) Additional funding obligation of the cooperative members towards the Raiffeisen banks

Should it emerge from the annual balance sheet of a Raiffeisen bank that the cooperative capital is no longer covered, the cooperative members are bound by an additional funding obligation of up to 8,000 Swiss francs each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals 11.6 billion Swiss francs (see Note 10 "Evidence of equity capital", page 115).

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

According to a ruling by the Swiss Federal Banking Commission (SFBC) of 24 September 1997, the Raiffeisen



Group need only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. However, to enjoy this dispensation, the Raiffeisen banks must have a central organization that guarantees all the Raiffeisen banks' obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, especially as regards capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organizational, operational and HR-related steps.

### **Executive bodies of Raiffeisen Switzerland**

#### **Delegate Meeting**

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

The Delegate Meeting is responsible in particular for:

- Making amendments to the Articles of Association of Raiffeisen Switzerland and drawing up model Articles of Association for the Raiffeisen banks

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

#### **Board of Directors of Raiffeisen Switzerland**

The Board of Directors has overall responsibility, determines the strategic focus, and supervises and monitors management and the Executive Board. In 2007 it consisted of 11 members, the majority of whom carry out their principal remunerated activity outside the Raiffeisen Group. This ensures that the Board is represented by a broad mix of people from the world of business and politics who reflect various interest groups.

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

## Members of the Board of Directors

<b>Name</b>	<b>Dr h.c. rer. pol., lic. iur. Franz Marty</b>	<b>Dr Marie-Françoise Perruchoud-Massy</b>
<b>Function</b>	Chair of the BoD and of the BoD Committee; Member of the Audit Committee	Vice-Chair of the BoD and of the BoD Committee
<b>Year of birth</b>	1947	1955
<b>Place of resid.</b>	Goldau SZ	Vercorin VS
<b>On BoD since</b>	2002	1998
<b>Elected until</b>	2008	2008
<b>Occupation</b>	Former member of cantonal government and financial director	Director of the Institut Economie & Tourisme de la Haute Ecole Valaisanne
<b>Qualifications, occupational background</b>	Lic. iur., University of Berne; Dr. h.c. rer. pol., University of Fribourg Member of the cantonal parliament, Schwyz; Member of the cantonal government, Schwyz (Chair of the Finance Department); Chair of the cantonal government, Schwyz; Chair of the Central Switzerland Government Conference; Chair of the Conference of Cantonal Financial Directors	Degree and doctorate in economics, HEC Lausanne Project manager in the Office of Statistics of the Canton of Valais; co-founder of the management consultancy firm CONSULTTEC in Siders; head of new projects at SODEVAL (now CCF) in Sitten; founder and manager of the association Job Renaissance, Techno-pôle, in Siders
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>■ Member of the Bank Council, Swiss National Bank</li> <li>■ Member of the Senate of the University of Fribourg</li> <li>■ Chair of the Constitutional Commission of the Canton of Schwyz</li> <li>■ Chair of the Foundation Board of Schweizer Berghilfe</li> </ul>	<ul style="list-style-type: none"> <li>■ Chair of Swiss Occidental Leonardo, the Swiss arm of the EU's Leonardo da Vinci educational programme</li> <li>■ Member of the Foundation Board of the Institut Universitaire Kurt Bösch (IUKB), Brämis/Sitten</li> <li>■ Chair of the Association des Métiers d'Art et d'Artisanat du Valais</li> <li>■ Member of the Management Board of the Fédération des Banques Raiffeisen du Valais romand</li> </ul>
<b>Name</b>	<b>Gabriele Burn</b>	<b>Pierre Guignard</b>
<b>Function</b>	Member of the BoD and Member of the BoD Committee	Member of the BoD
<b>Year of birth</b>	1966	1946
<b>Place of resid.</b>	Krattigen BE	Cartigny GE
<b>On BoD since</b>	2000	1996
<b>Elected until</b>	2008	2008
<b>Occupation</b>	Head of Bank Management of Raiffeisenbank Thunersee-Süd	Director of the Cercle des Agriculteurs de Genève
<b>Qualifications, occupational background</b>	Banking apprenticeship; federal diploma in banking; postgraduate diploma in bank management Team leader of loan administration at Berner Kantonalbank in Berne; credit officer, sales team member and accounts officer at EvK-Leasing in Grosshöchstetten; team leader and client advisor commercial/SMEs at Berner Kantonalbank in Berne and Burgdorf	Commercial apprenticeship; matriculation certificate in business management (further education) Management secretary at Maag in Dielsdorf; authorized officer at Bucher-Guyer in Niederweningen; head of administration and finance at De Poortere in Vevey
<b>Significant directorships</b>	No significant directorships	<ul style="list-style-type: none"> <li>■ Member of the BoD and Secretary, Grunderco SA</li> <li>■ Member of the BoD and Secretary, Manutention &amp; Chariots SA</li> <li>■ Chair of Ducret-Method SA</li> <li>■ Chair of the Fondation Intercommunale and EMS Mandement and Nant d'Avril, Satigny</li> <li>■ Chair of the Management Board of the Fédération genevoise des Banques Raiffeisen</li> <li>■ Member of the BoD of Banque Raiffeisen Genève Ouest</li> </ul>

<b>Name</b>	<b>Prof. Dr René Kästli</b>	<b>Urs W. Keller</b>
<b>Function</b>	Member of the BoD; Member of the Audit Committee	Member of the BoD
<b>Year of birth</b>	1942	1953
<b>Place of resid.</b>	Rapperswil-Jona SG	Döttingen AG
<b>On BoD since</b>	2000	1996
<b>Elected until</b>	2008	2008
<b>Occupation</b>	Independent consultant, proprietor of Kästli Consulting, Jona	Regional HR Manager Europe North at Sika AG, Zurich
<b>Qualifications, occupational background</b>	Lic. rer. pol., University of Berne; Dr. rer. pol., University of Berne Assistant and Sen. Assistant at the Institute of Economics, Univ. of Berne; Head of the Swiss National Bank Representative Office, St. Gallen; Chair of the Gov. Board and Chair of the BoD of Liechtensteinische Landesbank (Switzerland) AG; Honorary Prof., Univ. of St. Gallen; Member of the BoD of Privat Bank Schweiz AG	Precision mechanic, HTL Biel; Commercial college, Baden; various HR seminars Technical merchant, Brown Boveri AG in Turgj; Head of Human Resources at various national and international business units of the ABB Group; Head of Human Resources Management, Zurich Transport Services
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>▪ Member of the Swiss Federal Banking Commission</li> <li>▪ Member of the BoD of TVT Compliance Ltd</li> <li>▪ Member of the Management Board at the Swiss Association for Quality and Management Systems (SQS)</li> <li>▪ Chair of the InnoPark Switzerland Association</li> <li>▪ Member of the BoD of P &amp; P Privatbank</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member of the BoD of the Raiffeisen Pension Fund</li> <li>▪ Member of the BoD of Raiffeisenbank Böttstein</li> <li>▪ Founding Member of the Swiss Association for Labour Market Competence</li> </ul>

<b>Name</b>	<b>Dipl. Ing. Agr. Marcel Sandoz</b>	<b>Christian Spring</b>
<b>Function</b>	Member of the BoD	Member of the BoD
<b>Year of birth</b>	1943	1960
<b>Place of resid.</b>	Morges VD	Vicques JU
<b>On BoD since</b>	1996	2002
<b>Elected until</b>	2008	2008
<b>Occupation</b>	Administrator	Head of Bank Management of Banque Raiffeisen du Val-Terbi
<b>Qualifications, occupational background</b>	Dipl. Ing. Agr. ETH Zurich Director of Agricultural Advisory Services, Canton of Vaud; practising farmer and teacher at the School of Agriculture, Marcellin; Municipal Councillor, Lavigny; Member of the Committee and Vice-Chair of the Chamber of Agriculture of the Canton of Vaud; Member and Chair of the Federal Advisory Commission of the Federal Research Institutes, Chair of Laiteries Réunies de Genève and the Geneva Milk Producers' Association; Member of the Management Committee and Chair of the Swiss Farmers' Association; FDP National Councillor, Vaud	Higher Commercial College, Delsberg; training as HR manager Employee of Alba Versicherungen in Basel; head of the Delsberg branch of Neuenburger Versicherungen; head of the automobile claims department in Switzerland at Patria Générale
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>▪ Honorary Chair of the Swiss Farmers' Association</li> <li>▪ Member of various boards of directors (Zuckerfabriken Aarberg und Frauenfeld, Geco-Foncia Immobilien Vaud)</li> <li>▪ Chair of the Foundation for Sustainable Nutrition by the Swiss Agricultural Industry</li> <li>▪ Member of the Management Board of the Fédération vaudoise des Banques Raiffeisen</li> <li>▪ Member of the Foundation Board of Schweizer Berghilfe</li> </ul>	Vice-Chair of the Fédération jurassienne des Banques Raiffeisen

### Members of the Board of Directors

<b>Name</b>	<b>Mario Verga</b>	<b>Lic. iur. Edgar Wohlhauser</b>
<b>Function</b>	Member of the BoD	Member of the BoD; Chair of the Audit Committee
<b>Year of birth</b>	1949	1961
<b>Place of resid.</b>	Vacallo TI	Schmitten FR
<b>On BoD since</b>	2000	2006
<b>Elected until</b>	2008	2008
<b>Occupation</b>	Lawyer/notary Vassali-Verga	Partner at Ernst & Young Ltd
<b>Qualifications, occupational background</b>	Commercial college certificate, Bellinzona; licenciate examination, Basel; lawyer's and notary's examinations, Lugano Co-owner of a firm of lawyers and notaries in Chiasso and Lugano	Lic. iur., University of Freiburg i. Ue., Swiss Banking School, Zurich; postgraduate studies for the degree of LL.M., University of Zurich Traineeships with courts and law firms; lawyer, head of the German-speaking section and head of investigative proceedings in the legal department of the Swiss Federal Banking Commission, Berne
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>■ Chair of the Federazione Raiffeisen del Ticino e Moesano</li> <li>■ Member of the BoD of Banca Raiffeisen Morbio-Vacallo</li> </ul>	No significant directorships
<b>Name</b>	<b>Werner Zollinger</b>	
<b>Function</b>	Member of the BoD	
<b>Year of birth</b>	1958	
<b>Place of resid.</b>	Männedorf ZH	
<b>On BoD since</b>	2006	
<b>Elected until</b>	2008	
<b>Occupation</b>	CEO of Projectgo AG	
<b>Qualifications, occupational background</b>	Dipl. El. Ing. HTL, Zurich Head of development at Ascom International; Sector Head Telecoms at Elektro-Sanitär Ltd in St. Gallen (Member of the Executive Board); development and operations manager at SIAG Secure Infostore Ltd in Zug (Member of the Executive Board)	
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>■ Chair of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf</li> <li>■ Vice-Chair of the municipal council, Männedorf</li> <li>■ Member of the board of the Pfannenstiel area planning group</li> </ul>	

### *Composition, election and term of office*

The Board of Directors consists of nine to twelve members. The language regions and the banking authorities of the Raiffeisen banks are adequately represented, and half the members should be representatives of the Raiffeisen banks.

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

### *Internal organization*

The Board of Directors meets as often as business dictates, but at least four times a year. It met seven times in 2007. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the chair's vote counts twice. Resolutions are minuted. The Board of Directors meets once a year for a closed planning session to review its own activities.

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

### *Duties of the Board of Directors*

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

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

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

### Board of Directors committees

Committee	Members	Composition, duties and competencies
Committee of the Board of Directors	<ul style="list-style-type: none"> <li>■ Dr h.c. Franz Marty (Chair)</li> <li>■ Dr Marie-Françoise Perruchoud-Massy (Vice- Chair)</li> <li>■ Gabriele Burn</li> </ul>	<p>The Board of Directors appoints the Committee of the Board of Directors, which consists of the chair, vice-chair and at least one other member of the Board of Directors.</p> <ul style="list-style-type: none"> <li>■ To prepare the business of the Board of Directors</li> <li>■ To establish the general conditions of employment, employee benefits and expenses regulations and to pass directives regarding the qualities required of members of the Executive Board and employees of Raiffeisen Switzerland</li> <li>■ To set the remuneration of the members of the Executive Board</li> <li>■ To determine whether to accept mandates on behalf of Raiffeisen Switzerland and approve the acceptance of such mandates by executive bodies and employees</li> <li>■ To pass resolutions on major investments and the corresponding contractual obligations</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>■ Lic.iur. Edgar Wohlfhauser (Chair)</li> <li>■ Dr h.c. Franz Marty</li> <li>■ Prof. Dr René Kästli</li> </ul>	<p>The Audit Committee consists of three members of the Board of Directors who have the necessary experience and expertise in finance and accounting. The Audit Committee supports the Board of Directors on risk policy, in its monitoring of the Executive Board as regards the effectiveness of internal control systems, and on finance and accounting. It makes sure that legal, regulatory and internal guidelines are adhered to, and that market standards and codes of conduct are observed. It also ensures the quality of internal and external auditing and cooperation between the two.</p>

#### *Delimitation of powers*

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

#### *Information and controlling tools*

The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chair of the Board of Directors and the Head of Internal Audit can attend meetings of the Executive

Board in order to share information. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

#### *Risk management and compliance*

Risk management and the Compliance Office are described in detail in the "Risk policy and risk control" section on pages 24 to 33.

#### *Internal Auditing*

Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by pro-





Kurt Zobrist,  
Head of Internal Auditing

viding objective and independent assessments of the effectiveness of control and risk management processes. It verifies compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed up Internal Auditing since 1989. He reports directly to the Audit Committee.

#### Executive Board of Raiffeisen Switzerland

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

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

The extended Executive Board consists of the Executive Board and the Head of Group Risk Controlling. It meets

*"Internal Auditing provides independent and objective auditing and advisory services geared towards improving business processes and creating added value."*

monthly and is responsible in particular for implementing strategy, acting as a risk committee, budgeting and budget control, defining the application architecture and project management.

The business processes of Raiffeisen Switzerland are spread across six departments (see organizational chart on pages 74–75).

The members of the Executive Board and of the extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland.

**Members of the Executive Board (as at 1 April 2008)**

<b>Name</b>	<b>Dr Pierin Vincenz</b>	<b>Dr Patrik Gisel</b>
<b>Function, date assumed</b>	Chair of the Executive Board (CEO), 1999	Head of Market department and Deputy Chair, 2000
<b>Year of birth</b>	1956	1962
<b>Place of resid.</b>	Niederteufen AR	Erlenbach ZH
<b>Qualifications, occupational background</b>	Graduated from the Department of Business of the University of St. Gallen; thesis on "The use and development of expert systems in banking operations" Many years' practical and management experience in various functions at the Schweiz. Treuhandgesellschaft in St. Gallen, at Swiss Bank Corporation in the general management of Global Treasury in Zurich and subsequently as a Director in Chicago, and as Vice President and Treasurer at Hunter Douglas in Lucerne; 1996 to 1999 Head of Finance in the Exec. Board of the Raiffeisen Group.	Degree in business and doctorate (Dr. oec), University of St. Gallen Practical and management responsibility as a banking and insurance consultant at Boston Consulting Group in Zurich and as an IT department and section head at Union Bank of Switzerland/UBS in Zurich.
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>▪ Chair of the BoD of Aduno Holding SA</li> <li>▪ Chair of the BoD of Viseca Card Services Ltd</li> <li>▪ Member of the Com. of the BoD of the Swiss Bankers Assoc.</li> <li>▪ Member of the BoD of Vontobel Holding Ltd</li> <li>▪ Member of the BoD of Helvetia Insurance</li> <li>▪ Member of the BoD of the Mortgage Bond Bank of the Swiss Mortgage Institutions</li> <li>▪ Member of the BoD of Telekurs Holding Ltd</li> <li>▪ Chair of the BoD of Plozza Vini SA</li> <li>▪ Member of the Foundation Board of the Swiss Finance Institute</li> <li>▪ Member of Steer. Com. of UNICO Banking Grp Brussels</li> <li>▪ Vice-Chair of the BoD of the Raiffeisen Centenary Foundation</li> <li>▪ Member of the BoM of Pflegekinder-Aktion Schweiz</li> <li>▪ Member of the Foundation Board of the Ostschweizerische Stiftung für Klinische Krebsforschung</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chair of the Advisory Board of Swiss ICT</li> <li>▪ Member of the Advisory Board of the Swiss Finance Forum</li> <li>▪ Member of the Advisory Board of the Swiss IT Leadership Forum</li> <li>▪ Member of the Advisory Board of Schweizerisches Bankenseminar</li> <li>▪ Member of the BoD of Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A.</li> <li>▪ Chair of the Foundation Board of the Raiffeisen Pension Foundation</li> <li>▪ Chair of the Foundation Board of the Raiffeisen Vested Assets Foundation</li> </ul>
<b>Name</b>	<b>Michael Auer</b>	<b>Damir Bogdan</b>
<b>Function, date assumed</b>	Head of Services department (COO), 2008	Head of IT department (CIO), 2008
<b>Year of birth</b>	1964	1969
<b>Place of resid.</b>	Speicher AR	St. Gallen
<b>Qualifications, occupational background</b>	Graduated from the St. Gallen School of Economics and Business Administration; Executive MBA from the University of St. Gallen Practical and management responsibility as regional head of training and business area head logistics at Swiss Bank Corporation, as head of HR in the Corporate Clients business area during the merger between SBC and UBS, and as a freelance consultant in the development of an Internet portal for HR management issues; since 2001 Head of HR management at Raiffeisen Switzerland.	Federal Diploma in Information Management; Executive MBA from State University of New York Practical and project responsibility in various management functions at AGI IT Services AG in St. Gallen and at Swisscom IT Services Ltd in St. Gallen and Berne. From 2006 to 2007 Head of IT Architecture and programme manager of the new banking platform project at Raiffeisen Switzerland
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>▪ Vice-Chair of the Council of Universities of Applied Sciences, St. Gallen</li> <li>▪ Chair of Swiss Bankers Assoc. Commission on HR issues</li> </ul>	No significant directorships

<b>Name</b>	<b>Paulo Brügger</b>	<b>Robert Signer</b>
<b>Function, date assumed</b>	Head of Central Bank department, 2005	Head of Branches department, 1999
<b>Year of birth</b>	1966	1948
<b>Place of resid.</b>	Forch ZH	Wil SG
<b>Qualifications, occupational background</b>	Banking apprenticeship at UBS in Zurich; KSZ Economy School Zurich Practical and management experience in various treasury functions at UBS and Bank Julius Baer; from 2003 Head of Trading, from 2005 Head of Central Bank and Member of the extended Executive Board of Raiffeisen Switzerland.	Federal Banking Official Diploma Many years of practical and management experience in various functions at Raiffeisen Switzerland as manager of Raiffeisenbank Wil und Umgebung, as Chair of the St. Galler Verband der Raiffeisenbanken and as a former Member of the Board of Directors of Raiffeisen Switzerland.
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>Chair of the BoD of the Central Issuing Office of the Swiss Raiffeisen Banks</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Advisory Board of Olma Messen St. Gallen</li> <li>Member of the Management Board of the Landwirtschaftliche Kreditkasse und Bürgschaftsgenossenschaft of the Canton of St. Gallen</li> <li>Member of the Board of Directors of the Raiffeisen Guarantee Cooperative</li> </ul>

<b>Name</b>	<b>Marcel Zoller</b>	<b>Dr Beat Hodel*</b>
<b>Function, date assumed</b>	Head of Finance department (CFO), 1 May 2008	Head of Group Risk Controlling, 2005
<b>Year of birth</b>	1957	1959
<b>Place of resid.</b>	Goldach SG	Bäch SZ
<b>Qualifications, occupational background</b>	Federal Banking Diploma; Stanford Executive Program at Stanford University, USA; SKU Advanced Management Program, Switzerland. Courses in corporate management Management and project responsibility in various functions at St. Galler Kantonalbank and Swiss Bank Corporation in Lausanne. Head of Market Area Private/Commercial Clients and the Service Center at St. Galler Kantonalbank in St. Gallen (Member of the Executive Board, Deputy CEO).	Lic. rer. pol. and Dr. rer. pol., University of Fribourg; Senior Executive Program, Columbia University, New York Practical and management responsibility in various functions in commercial banking at Schweizerische Volksbank, as a senior partner and Member of the Executive Board of ATAG Ernst & Young Consulting Ltd (Head of Banking Advisory and Head of Special Assurance & Advisory Services) and as partner and Member of the extended Executive Board of the COMIT Group, into which he integrated ABOVO Consulting (a company founded by him) at the start of 2004.
<b>Significant directorships</b>	<ul style="list-style-type: none"> <li>Member of the Management Board of the Valida Foundation, St. Gallen</li> </ul>	No significant directorships

\* Member of the extended Executive Board

## Organizational chart of Raiffeisen Switzerland



**Branches**  
Robert Signer\*  
Gabriele Burn\* (from 1 July 2008)

**St. Gallen Branch**  
Dieter Leopold

**Winterthur Branch**  
René Bentele

**Basel Branch**  
Bruno Stiegeler

**Zurich Branch**  
Andreas Breitenmoser

**Berne Branch**  
Daniel Schmid

**Thalwil Branch**  
Daniel Duca

**IT**  
Damir Bogdan\*

**Business Systems**  
Enrico Lardelli

**IT Operations**  
Christian Lampert

**IT Governance & Services**  
Thomas Hilgendorff

**Services**  
Michael Auer\*

**HR Management**  
pro tem Daniel Borner

**Legal & Compliance**  
Roland Schaub

**Organization & Purchasing**  
Robin Marke

**Processing**  
Olivier A. Oettinger

**Facility Management**  
Roland Hagen

**Internal Auditing (IA)**  
Kurt Zobrist

**IA RB St. Gallen**  
Roland Meier

**IA RB Dietikon**  
Räto Willi

**IA RB Lausanne**  
Jean-Daniel Rossier

**IA RB Bellinzona**  
Katia Carobbio

**IA Raiffeisen Switzerland**  
Sergio Pesenti

**Internal Auditing ICT**  
Oscar Albin

\* Member of the Executive Board

\*\* Member of the extended Executive Board

As at 1 March 2008

**Management contracts**

There are no management contracts with third parties at Raiffeisen.

**Auditor for the purposes of the Swiss Code of Obligations**

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

**Rights of codetermination**

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

**Raiffeisen banks**

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

*Limit on voting rights and powers of representation*

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

*Voting regulations*

The General Meetings pass their resolutions and conduct their elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter will be debated further and a second vote held. If this too is tied, the motion will be rejected.

*Calls for General Meetings, agenda*

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

*Delegate Meeting and secret ballot*

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

**Raiffeisen Switzerland**

The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the highest executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting" on page 65).

#### *Limit on voting rights and powers of representation*

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

#### *Voting regulations*

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

#### *Calls for Delegate Meeting, agenda*

The following must be observed when calling an Ordinary Delegate Meeting:

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

Shorter deadlines are permissible when calling an extraordinary Delegate Meeting.

#### **Change of control and defensive measures**

Through their share certificates, the cooperative members are also the co-owners in equal shares of their Raiffeisen bank. Members can subscribe for more than one share certificate, but only up to a maximum of 10% of the cooperative capital or 20,000 Swiss francs per Raiffeisen bank. This limit means that statutory regulations on obligatory offers for sale and change of control clauses are not relevant to the Raiffeisen Group.

#### **Auditors**

##### **Raiffeisen banks**

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

##### **Raiffeisen Switzerland and Group companies**

PricewaterhouseCoopers AG in St. Gallen is the external auditor of Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Finanzierungs AG and Raiffeisen Leasing.

##### **Raiffeisen Group**

PricewaterhouseCoopers AG, St. Gallen, is also responsible for auditing the consolidated accounts. Peter Ochsner has been the lead auditor since 2005 and is responsible for the mandate.

### Audit fee

The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling 15.3 million Swiss francs for audits under Swiss banking law and internal audits in the year under review.

In financial year 2007, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of 14.8 million Swiss francs for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law.

PricewaterhouseCoopers AG, Ernst & Young AG and KPMG Fides also invoiced the Raiffeisen Group 0.9 million Swiss francs for other advisory services.

### Information tools available to the external auditor

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

### Supervision and control of the external auditor

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

### Information policy

An open, active and transparent information policy is one of the guiding principles of the Raiffeisen Group's corporate philosophy. Communication with stakeholders – cooperative members, clients, employees and the general public – extends beyond the legal requirements and adheres to the principles of truthfulness, consistency and matching words with deeds. The most important sources of information in this regard are the Internet platform, annual reports, half-yearly reports and press conferences of the Raiffeisen Group. Further sources of information for staff include the intranet and – since spring 2007 – the staff magazine inside.

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

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

### Press releases in 2007

All press releases published during the reporting year are archived in the Mediacorner at [www.raiffeisen.ch/medien](http://www.raiffeisen.ch/medien)



## Publications

Fund guide	Performance reports for Raiffeisen funds	Monthly
DeriNews	Latest economic and financial information for investors	Monthly
Perspectives	Economic and financial information for investors	Monthly
Panorama	Client magazine	8 issues a year
Inside	Staff magazine	4 issues a year
Raiffeisen Aktuell	Newsletter highlighting Raiffeisen products and services	3 issues a year
Annual report	Business report, financial report, corporate governance, sustainability report	Annually
Press releases	Latest information	As required

## Disclosure requirements in respect of capital adequacy

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

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital as well as credit,

market and operational risks, is available on the Raiffeisen website ([www.raiffeisen.ch](http://www.raiffeisen.ch)). The year-end publication also appears in the Raiffeisen Group annual report.

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

## Timetable for 2008

Annual results presented at balance sheet press conference	6 March
Annual Report 2007 published	Mid-April
Delegate Meeting in Flims	7 June
Publication of half-yearly results	20 August

## Contact

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E-mail: [pr@raiffeisen.ch](mailto:pr@raiffeisen.ch)

## Website [www.raiffeisen.ch](http://www.raiffeisen.ch)

The Raiffeisen website also contains further information and reports including:

- Annual and half-yearly reports
- Press releases
- Information on the structure, executive bodies and business policy
- Details of Group companies and cooperations
- Information on products and services
- Links to the individual Raiffeisen banks
- Raiffeisen membership information



**“Being equal partners quickly helped us achieve our goals.”**

Dr Kurt Mühlemann, CEO Microdul AG – succession planning supported by Raiffeisen



**Microdul AG in Zurich is a company with 65 employees specializing in high-quality microelectronics.** The company's three business areas – modules, thick-film technology and semiconductors – involve highly technical work in terms of product engineering and development as well as a high level of expertise at the manufacturing stage.

As complex as the company's products are, Raiffeisen helped Microdul AG draw up a streamlined succession planning arrangement that addressed the company's current needs. Dr Kurt Mühlemann, CEO of Microdul AG, speaks of an "equal" partnership between the company and the bank based on mutual respect and trust. He was especially impressed by how efficiently and expertly the bank provided the finance needed to transfer ownership of Microdul AG to the holding company.

Succession planning became necessary after the founder of the company and its shareholders reached retirement age and the current management wanted to take over the company. Microdul AG now belongs to a holding company of the same name, which is headed by the company's management. The excellent cooperation during the succession planning process has led to Raiffeisen being appointed as Microdul AG's main bank.

**Business trend** The Raiffeisen Group's success story continued in 2007. Group profit rose to 701.3 million Swiss francs. One of the main reasons for this latest record result was strong growth in the core business: loans to clients surpassed 100 billion Swiss francs for the first time ever.

- 
- *Raiffeisen increased its Group profit by 7.1% year-on-year to 701.3 million Swiss francs.*
  - *Interest business remains the main pillar of income.*
  - *The Group further strengthened its position in its core business, with loans to clients exceeding 100 billion Swiss francs for the first time.*
  - *The Group's credit portfolio is on a solid footing thanks to a cautious lending policy, good diversification and a high risk capacity.*
- 

Group profit was up 46.6 million Swiss francs (7.1%) year-on-year at 701.3 million Swiss francs. This superb figure was made possible mainly by income from interest business and an exceptionally good result from the reversal of value adjustments and the release of provisions, as well as reduced tax expenditure.

The Raiffeisen Group increased its balance sheet total by 8% year-on-year to 123.1 billion Swiss francs. Growth in the mortgage business, at 7%, is well above the market average. The increase of 6.1 billion Swiss francs in mortgage lending to 94.3 billion Swiss francs is the biggest absolute rise ever posted by Raiffeisen. While the total market for savings deposits contracted by just under 7%, Raiffeisen was able to limit outflows to just 2.3%. This reduction in savings deposits was more than offset by the increase in time deposits and medium-term notes. As a result, total client monies rose by 6.1 billion Swiss francs to 94.2 billion Swiss francs. With custody account volumes also rising, client assets under management showed an increase of 8.3 billion Swiss francs or 7.5% to 117.9 billion Swiss francs.

Raiffeisen is pleased to report that a large number of new members were welcomed to the fold once again in 2007. It sees the increase of 72,734 (5.3%) to 1.44 million members as confirmation of the many benefits membership brings.

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

## Income statement

### Income from ordinary banking activities

Competition in the interest business intensified further last year. The average rate of interest on client monies rose faster than the mortgage interest rate, causing the interest margin to fall by three basis points in 2007. Thanks to the sharp increases in mortgage volumes and client monies, Raiffeisen was nevertheless able to increase its net interest income by 79.9 million Swiss francs or 4.4% to almost 1.9 billion Swiss francs. With a share of 81.9%, interest business remains Raiffeisen's most important source of income.

Net income from commission business and service transactions (note 19) amounted to 243.4 million Swiss francs, up 6.7 million Swiss francs or 2.7% on the year-back figure. Two major factors were behind this increase. On the one hand, turmoil on the stock markets caused growth in securities business to slow. Commission income from securities and investment business rose by 14.5%, compared with 19% the previous year. On the other hand, the outsourcing of client custody accounts to the Vontobel Group was fully included in commission expenditure for the first time, leading to an increase in expenditure of 51.1%.

Net trading income (note 20) showed a very pleasing increase, rising by 27.5 million Swiss francs or 32.7% to 111.8 million Swiss francs. This excellent result was attributable to additional income of 20.9 million Swiss francs from equity and fixed income trading and 9.5 million Swiss francs from foreign exchange trading.

The other ordinary result also rose by 27.4% to 60.5 million Swiss francs. The growth is first and foremost due to the increase of 10.5 million Swiss francs in income from participating interests, attributable not least to the increase in the equity interest in Helvetia Holding Ltd in 2006.

### Operating expenditure

As well as pursuing a long-term growth strategy, one of the Raiffeisen Group's key objectives is to optimize costs in its business processes. With a view to providing sustainable support to its business strategy, an IT strategy was drawn up in 2006 based on the following core elements: consolidation, standardization and use of cutting-edge technologies. These are to be put into practice between now and 2013 through the "new banking platform" (NBP) project. The Raiffeisen Group's largest infrastructure project to date is having an obvious impact on operating expenditure, which rose by 130.4 million Swiss francs or 10.8% to 1.3 billion Swiss francs in the year under review. Around 47 million Swiss francs of this relates directly to major projects (including NBP). Without these project costs, the increase in operating expenditure would have been 83 million Swiss francs or 6.9%.

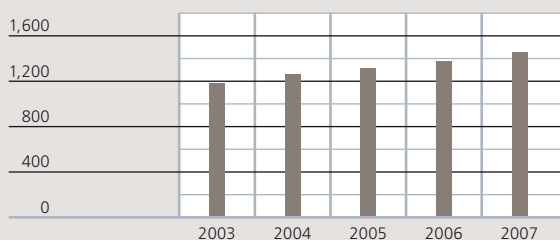
The cost/income ratio thus rose from 55.1% in 2006 to 58% in 2007.

### Personnel expenditure

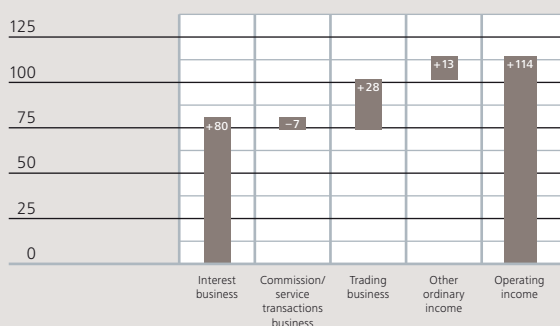
Personnel expenditure (note 22) rose by 84.2 million Swiss francs year-on-year to 880.2 million Swiss francs (an increase of 10.6%). This was primarily caused by the 6.6% increase in headcount. Raiffeisen hired 505 additional

**Number of cooperative members**

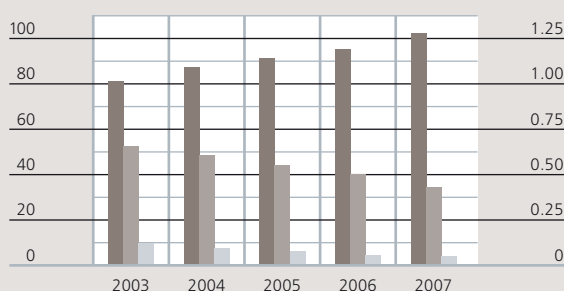
(in 1000)

**Change in operating income 2007**

(in CHF million)

**Provisions for default risks 2003–2007**

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



employees in the year under review (444 full time equivalents). As at the end of 2007, the number of people employed by Raiffeisen – on a full-time equivalent basis – was 7,208. This need for additional resources is a direct consequence of the increased level of client advisory services and intensive project activity. Other factors include individual salary increases of 2.5% on average and the higher bonuses paid out in view of the favourable business performance.

*Operating expenditure*

Operating expenditure (note 23) rose by 46.2 million Swiss francs or 11.4% to 452.3 million Swiss francs. Aside from the expenditure on infrastructure projects mentioned above, additional marketing efforts (in particular client events and sporting and cultural sponsorship activities) and increased spending on general meetings and anniversary events were the main factors behind this increase.

*Depreciation on fixed assets*

Depreciation on fixed assets (note 4) fell by 5% from 146.9 million Swiss francs to 139.5 million Swiss francs.

*Value adjustments, provisions and losses*

Thanks to its cautious lending policy and the upbeat economic situation, Raiffeisen once again reduced its expenditure in terms of value adjustments and losses compared with the previous year. Expenditure fell by a massive 70.7% to 3.3 million Swiss francs. Despite the further growth in lending, reversals of value adjustments for default risks exceeded new value adjustments by 5.3 million Swiss francs in the year under review. The actual loss rose from 37.6 million Swiss francs

to 46.2 million Swiss francs, which corresponds to a 0.045% share of the total lending volume. Provisions as a percentage of loans have fallen from 0.65% to 0.43% since 2003. The Raiffeisen Group maintained the low-risk, first-class quality of its credit portfolio in spite of above-average growth.

#### *Extraordinary income*

The increase of 15 million Swiss francs or 212.6% in extraordinary income to 22.1 million Swiss francs can be explained principally by the reversal of value adjustments for default risks that were no longer needed. Extraordinary expenditure was down 2.1 million Swiss francs or 32.3% year-on-year at 4.4 million Swiss francs.

#### *Taxes*

Tax expenditure (note 25) amounted to 138 million Swiss francs, falling sharply by 18.2% on the previous year. The reduction in deferred taxes is a direct result of the lower tax rates for legal entities in some cantons. Expenditure for effective levies in the form of direct taxes rose from 144.7 million Swiss francs to 159.8 million Swiss francs.

#### **Balance sheet**

The main cause of the increase of 9.1 billion Swiss francs (8%) in the Raiffeisen Group's balance sheet total to 123.1 billion Swiss francs was growth in client business. In addition, other assets showed marked growth of 1.3 billion Swiss francs as a result of the increase in withholding tax receivables. The other balance sheet items showed only marginal changes versus 2006.

#### **Receivables/liabilities vis-à-vis banks**

The volume of interbank business was up 968.6 million Swiss francs at 12.3 billion Swiss francs on the assets side and up 1.6 billion Swiss francs at 11.4 billion Swiss francs on the liabilities side as at 31 December 2007. This growth in interbank business is due in no small measure to the Raiffeisen Group's good rating from Moody's, which was raised from Aa2 to Aa1 in the year under review.

#### **Loans to clients**

At 101.5 billion Swiss francs, the volume of loans to clients topped the 100 billion Swiss francs mark for the first time in Raiffeisen's history. This constitutes a rise of 6.7%, a significantly better result than the previous year's 4.8%. The bulk of this figure, 94.3 billion Swiss francs or 92.9%, relates to mortgage receivables. The mortgage business grew by 7%, well above the sector average of 3.4%, underlining Raiffeisen's strong market position in its core business. Interest rates, particularly for fixed-rate mortgages, rose due to the regular rate increases imposed by the Swiss National Bank (SNB). As a result, the trend for converting from fixed-rate to variable-rate mortgages continued. The proportion of mortgages with a fixed term fell from 65% to 57.5% in the year under review.

#### **Trading portfolios in securities and precious metals**

The increase in trading portfolios in securities and precious metals from 549.6 million Swiss francs to 690.2 million Swiss francs resulted mainly from increased trading in fixed income securities (primarily bonds) on the part of Raiffeisen Switzerland.

### Financial assets

Financial assets (note 2) consist primarily of first-class bonds held for the purpose of maintaining the liquidity of the Raiffeisen Group as required by banking law. The total was deliberately reduced by 342.6 million Swiss francs or 13.5% to 2.2 billion Swiss francs in the year under review due to the shift into more advantageous short-dated papers.

### Non-consolidated participations

Major participations as per notes 3.2 and 3.3 are reported on the balance sheet under non-consolidated participations. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights. No significant transactions took place in the year under review. The value of the participation in the Mortgage Bond Bank of the Swiss Mortgage Institutions was increased by 4.9 million Swiss francs in line with the equity method.

### Tangible fixed assets

The Raiffeisen Group invested 281.2 million Swiss francs in tangible fixed assets in the year under review (previous year: 191.5 million Swiss francs). This includes investments of 22.3 million Swiss francs in software, which are now reported under "Other" and not under "Other intangible assets" due to a change in accounting principles. Investments in bank premises and client-related installations also contributed to the increase. After adjustment for the reclassification of software investments, the book value of tangible fixed assets rose by 102.7 million Swiss francs (6.1%) to 1.8 billion Swiss francs.

### Client monies

Client monies rose by 7% or 6.1 billion Swiss francs in the year under review to 94.2 billion Swiss francs. Savings deposits were down 2.3%. This moderate decline can be seen as a very good result compared with the overall savings market, which showed a fall of almost 7%. Strong growth in medium-term notes and time deposits more than compensated for the outflow of savings deposits: medium-term notes rose by 13.8% or 1.7 billion Swiss francs, other liabilities to clients by 44.5% or 5.8 billion Swiss francs.

### Bonds and mortgage bond loans

The growth in client monies largely offset the increase in mortgage receivables. As a result, the amount of refinancing through bonds and mortgage bond loans rose by just 441.2 million Swiss francs.

### Value adjustments and provisions

The item "Value adjustments and provisions" (note 9) fell by 6.4% or 71.3 million Swiss francs. This was mainly due to the reduction in value adjustments and provisions for default risks (down 41.8 million Swiss francs or 8.8%) and provisions for deferred taxes (down 21.8 million Swiss francs or 3.6%).

### Equity capital

The level of paid-up cooperative capital increased by 9% or 38.4 million Swiss francs to 466.8 million Swiss francs due to the continuing strong growth in membership numbers. Thanks to the additional build-up of reserves and the Group profit, equity capital (note 10) was up 10.7% year-on-year to 7.4 billion Swiss francs as at the end of 2007.



The solid capitalization ensures that Raiffeisen's equity capital is in a healthy state. It has far exceeded the statutory capital adequacy requirement under Basel II with a coverage ratio of 234% (see page 128–131 for detailed information on equity capital).

#### **Off-balance-sheet business**

Contingent liabilities fell sharply, dropping by 73.1 million Swiss francs to 273 million Swiss francs. Raiffeisen Switzerland reduced contingent liabilities within the scope of its central bank function.

The hefty increase of 1.1 billion Swiss francs to 3.3 billion Swiss francs in irrevocable commitments can be attributed first and foremost to the growth in new and replacement mortgages already secured.

The contract volume for derivative financial instruments (note 17) fell by 16.2% to 36.4 billion Swiss francs. The reason for this decrease was balance sheet structure management with regard to interest rate hedging. The replacement values amounted to 219.5 million Swiss francs (positive) and 105.1 million Swiss francs (negative) respectively.

Demand for fiduciary deposits remains unbroken. The total volume rose by 46.2% to 336.8 million Swiss francs. A good 50% of the capital was placed in euro-denominated investments.

#### **Custody account volumes**

The custody account volumes managed by Raiffeisen were up 12.1% at 35.8 billion Swiss francs. This increase was

due primarily to the huge demand for the structured products that Raiffeisen launched in partnership with Bank Vontobel in the year under review. The number of custody accounts rose by 37,494 or 11.6% (previous year: 6.5%) in 2007. Raiffeisen manages 359,000 custody accounts in total.

## Consolidated Balance Sheet as at 31 December 2007

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
<b>Assets</b>					
Liquid funds	1,202,818	1,137,871	64,947	5.7	11
Receivables from money market securities	10,228	10,633	-405	-3.8	11
Receivables from banks	12,340,390	11,371,840	968,550	8.5	6, 11
Receivables from clients	7,228,263	6,957,291	270,972	3.9	1, 11
Mortgage receivables	94,298,648	88,153,019	6,145,629	7.0	1, 6, 11
<b>Loans to clients</b>	<b>101,526,911</b>	<b>95,110,310</b>	<b>6,416,601</b>	<b>6.7</b>	
Trading portfolios in securities and precious metals	690,156	140,569	549,587	391.0	2, 11
Financial assets	2,204,446	2,547,072	-342,626	-13.5	2, 6, 11
Non-consolidated participations	405,504	399,787	5,717	1.4	2, 3, 4
Tangible fixed assets	1,791,114	1,688,407	102,707	6.1	4, 6
Accrued income and prepaid expenses	259,664	241,806	17,858	7.4	
Other assets	2,644,456	1,349,819	1,294,637	95.9	5
<b>Total assets</b>	<b>123,075,687</b>	<b>113,998,114</b>	<b>9,077,573</b>	<b>8.0</b>	<b>13, 14, 15</b>
Total subordinated receivables	–	–	–	–	
Total receivables from non-consolidated participations	1,311,233	907,954	403,279	44.4	
<b>Liabilities</b>					
Liabilities to banks	11,430,788	9,785,963	1,644,825	16.8	6, 11
Liabilities to clients in the form of savings and investment deposits	60,879,758	62,303,872	-1,424,114	-2.3	7, 11
Other liabilities to clients	18,878,345	13,066,734	5,811,611	44.5	7, 11
Medium-term notes	14,396,765	12,654,199	1,742,566	13.8	11
<b>Client monies</b>	<b>94,154,868</b>	<b>88,024,805</b>	<b>6,130,063</b>	<b>7.0</b>	
Bonds and mortgage bond loans	7,756,725	7,315,570	441,155	6.0	8, 11
Accrued expenses and deferred income	695,948	557,560	138,388	24.8	
Other liabilities	596,970	518,644	78,326	15.1	5
Value adjustments and provisions	1,038,166	1,109,486	-71,320	-6.4	9
Cooperative capital	466,839	428,394	38,445	9.0	
Retained earnings	6,234,055	5,602,949	631,106	11.3	
Group profit	701,328	654,743	46,585	7.1	
<b>Total equity capital</b>	<b>7,402,222</b>	<b>6,686,086</b>	<b>716,136</b>	<b>10.7</b>	<b>10</b>
<b>Total liabilities</b>	<b>123,075,687</b>	<b>113,998,114</b>	<b>9,077,573</b>	<b>8.0</b>	<b>13, 15</b>
Total subordinated commitments	–	–	–	–	
Total commitments towards non-consolidated participations	6,001,762	5,658,123	343,639	6.1	
of which mortgage bond loans	5,468,150	4,945,750	522,400	10.6	
<b>Off-balance-sheet business</b>					
Contingent liabilities	273,029	346,170	-73,141	-21.1	1, 16
Irrevocable undertakings	3,283,465	2,172,219	1,111,246	51.2	1
Obligations to make payments and additional contributions	40,121	39,270	851	2.2	1
Derivative financial instruments					
Positive replacement values	219,454	161,041	58,413	36.3	17
Negative replacement values	105,114	77,527	27,587	35.6	17
Contract volume	36,436,534	43,480,690	-7,044,156	-16.2	17
Fiduciary business	336,829	230,339	106,490	46.2	18

## Consolidated Profit and Loss Account 2007

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,611,314	3,117,898	493,416	15.8	
Interest and dividend income from financial assets	60,083	69,031	-8,948	-13.0	
Interest expenditure	-1,790,014	-1,385,426	-404,588	29.2	
<b>Net interest income</b>	<b>1,881,383</b>	<b>1,801,503</b>	<b>79,880</b>	<b>4.4</b>	
Commission income lending business	4,985	5,461	-476	-8.7	
Commission income securities and investment business	214,614	187,448	27,166	14.5	
Commission income other service transactions	131,596	128,482	3,114	2.4	
Commission expenditure	-107,805	-71,333	-36,472	51.1	
<b>Net income from commission business and service transactions</b>	<b>243,390</b>	<b>250,058</b>	<b>-6,668</b>	<b>-2.7</b>	<b>19</b>
<b>Net trading income</b>	<b>111,807</b>	<b>84,264</b>	<b>27,543</b>	<b>32.7</b>	<b>20</b>
Income from sale of financial assets	979	602	377	62.6	
Income from participating interests	34,400	23,905	10,495	43.9	21
Income from real estate	17,786	16,643	1,143	6.9	
Other ordinary income	8,539	7,390	1,149	15.5	
Other ordinary expenditure	-1,254	-1,073	-181	16.9	
<b>Other ordinary result</b>	<b>60,450</b>	<b>47,467</b>	<b>12,983</b>	<b>27.4</b>	
<b>Operating income</b>	<b>2,297,030</b>	<b>2,183,292</b>	<b>113,738</b>	<b>5.2</b>	
Personnel expenditure	-880,246	-796,029	-84,217	10.6	22
Operating expenditure	-452,280	-406,096	-46,184	11.4	23
<b>Total operating expenditure</b>	<b>-1,332,526</b>	<b>-1,202,125</b>	<b>-130,401</b>	<b>10.8</b>	
<b>Gross profit</b>	<b>964,504</b>	<b>981,167</b>	<b>-16,663</b>	<b>-1.7</b>	
Depreciation on fixed assets	-139,539	-146,869	7,330	-5.0	4
Value adjustments, provisions and losses	-3,337	-11,407	8,070	-70.7	
<b>Operating profit (interim result)</b>	<b>821,628</b>	<b>822,891</b>	<b>-1,263</b>	<b>-0.2</b>	
Extraordinary income	22,079	7,063	15,016	212.6	24
Extraordinary expenditure	-4,365	-6,445	2,080	-32.3	24
Taxes	-138,014	-168,766	30,752	-18.2	25
<b>Group profit</b>	<b>701,328</b>	<b>654,743</b>	<b>46,585</b>	<b>7.1</b>	

## Cash Flow Statement 2007

	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
<b>Cash flow from operating results (internal financing)</b>				
Group profit	701,328	–	654,743	–
Depreciation of fixed assets	139,539	–	146,869	–
Value adjustments and provisions	134,920	206,240	152,627	140,510
Prepaid expenses	–	17,858	–	33,823
Deferred income	138,388	–	63,140	–
Interest paid on share certificates for prior year	–	23,637	–	21,463
<b>Balance</b>	<b>866,440</b>	<b>–</b>	<b>821,583</b>	<b>–</b>
<b>Cash flow from equity capital transactions</b>				
Net change in equity capital	38,445	–	32,732	–
First-time capitalization of employer contribution reserves in line with Swiss GAAP FER 16	–	–	44,432	–
<b>Balance</b>	<b>38,445</b>	<b>–</b>	<b>77,164</b>	<b>–</b>
<b>Cash flow from investment activities</b>				
Participations	211	6,295	6	42,254
Real estate	26,151	126,427	22,297	103,904
Other tangible fixed assets/objects in finance leasing/other	13,131	154,734	5,000	115,441
<b>Balance</b>	<b>–</b>	<b>247,963</b>	<b>–</b>	<b>234,296</b>
<b>Cash flow from banking activities</b>				
Liabilities to banks	1,644,825	–	45,339	–
Liabilities to clients in the form of savings and investment deposits	–	1,424,114	319,809	–
Other liabilities to clients	5,811,611	–	2,441,488	–
Medium-term notes	1,742,566	–	1,896,698	–
Bonds	295,070	376,315	549,820	950,000
Mortgage bond loans	1,125,100	602,700	1,199,900	558,500
Other liabilities	78,326	–	81,259	–
Receivables from money market securities	405	–	213	–
Receivables from banks	–	968,550	–	1,242,123
Receivables from clients	–	270,972	–	68,870
Mortgage receivables	–	6,145,629	–	4,259,750
Trading portfolio in securities and precious metals	–	549,587	–	84,372
Financial assets	342,626	–	307,608	–
Other receivables	–	1,294,637	–	344,666
Liquid funds	–	64,947	1,696	–
<b>Balance</b>	<b>–</b>	<b>656,922</b>	<b>–</b>	<b>664,451</b>
<b>Total origin of funds</b>	<b>904,885</b>	<b>–</b>	<b>898,747</b>	<b>–</b>
<b>Total use of funds</b>	<b>–</b>	<b>904,885</b>	<b>–</b>	<b>898,747</b>

## Notes to the Consolidated Annual Accounts

### Business activities

The 390 Raiffeisen banks in Switzerland, organized as cooperatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, investment funds and securities trading, leasing and consumer credit. These services are provided by Raiffeisen Switzerland, specialized companies within the Raiffeisen Group or cooperation partners.

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

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

consolidated net assets, according to the risk-weighting factors stipulated by banking law.

As at 31 December 2007, the number of people employed by the Raiffeisen Group – on a full-time equivalent basis – was 7,208 (previous year: 6,764).

### Risk management

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

### Risk policy

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

### Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that cannot be

reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

#### **Risk management process**

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

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

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

- ensure that effective controls are in place at all levels;
- ensure that any risks entered into are in line with accepted levels of risk tolerance;
- create the conditions for entering into and systematically managing risks in an active, targeted and controlled manner;
- make the best possible use of risk tolerance, in other words to ensure that risks are only entered into if they offer suitable return potential.

#### *Credit risks*

The business units of the Raiffeisen Group – Raiffeisen banks, Raiffeisen Switzerland, Guarantee Cooperative, Raiffeisen Finanzierungs AG and Raiffeisen Leasing – man-

age their credit risk autonomously, though still in accordance with Group-wide standards.

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

Creditworthiness and solvency are assessed on the basis of Group-wide standards that are laid down in the lending policy. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal rating procedures and monitored from a risk-oriented perspective. Creditworthiness is defined according to four risk categories, which are further refined using a points system. This system has proved its worth as a means of dealing with the key elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and individual value adjustments.

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments,

Raiffeisen uses a carefully determined actual value, while calculations for multi-family units are based on the capitalized value and, where applicable, on the weighted market value. The capitalized value is used as the benchmark for commercial property. With commercial property for own use, this is based on the borrower's earnings power, taking into account any third-party utility value that could be obtained on the market. Different repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also on hand to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

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

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

The standardized, Group-wide guidelines concerning the recognition 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. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) calculated over the last three years were 44.0 million Swiss francs or 0.046% of the average lending volume, which equates to 0.67% of core capital.

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

Raiffeisen Switzerland monitors, controls and manages concentration risks within the Group, especially for individual counterparties, groups of affiliated counterparties and sectors. The process for identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and overseeing

credit portfolio reporting. Monitoring the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics including category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. This analysis forms the basis for portfolio controlling measures, with the main focus being on controlling new business via the lending policy.

In addition to the qualitative monitoring of the portfolio structure, the risk contributions of individual client segments and sectors are also monitored. These risk contributions are calculated and reported as unexpected loss. Group-wide threshold values for concentrations are then defined on the basis of this unexpected loss. Should one of these threshold values be reached, part of the decentralized credit authority is transferred to the Credit Office of Raiffeisen Switzerland. No threshold values of this kind were reached in the period under review. The Raiffeisen Group has a broadly diversified portfolio with no significant concentrations of credit risks.

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2007 the Raiffeisen Group had no cluster risks that have to be reported under Swiss Federal Banking Commission (SFBC) regulations.

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2007 was 449.5 million Swiss francs or 0.46% of loans to clients (previous year: 442.5 million Swiss francs or 0.48%).

#### *Market risks*

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

As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. As a result, up-to-date procedures are in place to measure the risk associated with fluctuating interest rates. In particular, these display variable positions based on a model that optimally replicates historical interest rate fluctuations with money and capital market rates. Decisions regarding the assignment of funds are taken on a decentralized basis; in other words the Central Bank, the branches of Raiffeisen Switzerland and the Raiffeisen banks manage their bank books themselves. Assignment decisions are implemented through deposits and loans, with the relevant members of staff required to adhere strictly to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with the limits and evaluates the risk situation, preparing weekly reports for Raiffeisen Switzerland and monthly reports for the Raiffeisen banks. The potential impact of the interest rate risk entered into on the market value of the equity capital and on profitability is also measured with the aid of scenario analyses and



stress tests and included in monthly and quarterly risk reporting.

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

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

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

- Weekly interest rate risk report to the CEO in line with SFBC Circular 99/1
- Monthly risk report to the Executive Board
- Quarterly risk report to the Board of Directors

The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. The table on the following page provides an overview.

#### *Operational risks*

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

The Raiffeisen Group strives to avoid or reduce operational risks at the point where they arise. In the case of business-critical processes, emergency and catastrophe planning measures are in place to manage operational risks. Each function within Raiffeisen is responsible for identifying and managing the operational risk arising as a result of its own activities. Group Risk Controlling is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. It is also in charge of the concepts, methods and instruments used to manage operational risks and monitors the risk situation and the implementation of risk reduction measures.

Group Risk Controlling carries out a systematic risk management process to identify, evaluate, manage and monitor

**Capital adequacy requirements for market risks relating to the trading book**

in 1000 CHF	31.12.2007	Ø 2007	31.12.2006	Ø 2006
Foreign exchange/ precious metals	7,252	14,860	4,011	9,939
Interest rate instrum.	44,396	41,579	29,845	25,336
Equities/indices	2,538	2,548	2,171	2,586
<b>Total</b>	<b>54,186</b>	<b>58,986</b>	<b>36,027</b>	<b>37,861</b>

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

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

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

*Outsourcing*

The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). Furthermore, all of the Raiffeisen Group's securities administration activities are carried out by the Vontobel Group. All outsourcing services are provided in accordance with the provisions of SFBC Circular 99/2.

*Regulatory provisions*

According to a ruling by the SFBC of 24 September 1997, the Raiffeisen banks are excused from complying on an individual basis with the rules regarding capital adequacy,

risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

The new capital adequacy and risk diversification rules came into force on 1 January 2007 with the implementation of the Basel II measures in Swiss law. The banks had until 31 December 2007 to comply with the new rules.

The Raiffeisen Group successfully carried out the changeover as of 1 July 2007 and from this date has calculated its capital adequacy requirements in line with the new rules. It has decided to implement the following approaches:

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

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

Positions for which external ratings are used are found chiefly under the following balance sheet items:

- Receivables from banks
- Receivables from clients and mortgage receivables
- Financial assets
- Other assets

Market risks: Standard approach as before

Operational risks: Basic indicator approach

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

## Consolidation, accounting and valuation principles

### General principles

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

### Principles of consolidation

#### General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland and the most significant Group companies, function as the parent company. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on

them. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 390 Raiffeisen banks and the joint participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

#### *Consolidation scope and method*

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Leasing and Raiffeisen Finanzierungs AG.

Under the full consolidation method, the assets and liabilities, off-balance-sheet transactions, and income and expenses are all recorded in full. Capital is consolidated according to the purchase method. All material amounts receivable and payable, off-balance-sheet transactions, and income and expenses between consolidated companies are offset. Material intercompany profits are not made and are therefore ignored in the consolidation.

Minority interests of between 20% and 50% are consolidated according to the equity method. Holdings of less than 20%, those with little materiality in terms of capital or income and those of a non-strategic nature are not consolidated but are instead accounted for at acquisition cost, less any operationally required depreciation.

#### *Consolidation date*

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

#### **Accounting and valuation principles**

##### *Recording of business events*

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

##### *Foreign currencies*

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

##### *Liquid funds, amounts due from money market securities and borrowed funds*

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

##### *Receivables from banks and clients, mortgage receivables*

These are reported at the nominal value. Interest income

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

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

All value adjustments are reported under “Value adjustments and provisions”.

All leased properties are reported under "Receivables from clients" in the balance sheet at their net present value. Amortization contained in leasing fees is set off directly against the book value of the leased property concerned.

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

#### *Repurchase and reverse repurchase transactions*

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest. Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights associated with them is transferred. The market values of the received or delivered secu-

rities are monitored daily so that any additional collateral can be provided or requested as necessary. Interest income from reverse repurchase transactions and interest expenditure from repurchase transactions are accrued over the term of the underlying transaction.

#### *Trading portfolios in securities and precious metals*

Trading portfolios are valued on a fair value basis. Positions for which there is no representative market are valued at the lower of cost or market. Both the gains and losses arising from this valuation and the gains and losses realized during the period in question are reported under "Net trading income". This also applies to interest and dividends on trading portfolios. The funding costs for holding trading positions are charged to trading profits and credited to interest income.

#### *Financial assets*

Fixed-income debt securities and warrant bonds are valued at the lower of cost or market if there is no intention to hold them to maturity. Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method, with the discount or premium accrued over the remaining life. Equity securities are valued at the lower of cost or market.

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

Precious metals held to cover liabilities under precious 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.

*Non-consolidated participations*

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

*Tangible fixed assets*

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

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

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.

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*

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

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

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

#### *Value adjustments and provisions*

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

#### *Taxes*

Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 20.8% (previous year: 22.6%) was calculated on untaxed reserves and reported as a provision for deferred taxation.

#### *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



the notes under "Open derivative financial instruments" on pages 120/121).

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

Derivative financial instruments used for balance sheet structural management to hedge against interest rate risk are valued in accordance with the accrual method. Interest-related gains and losses arising from early realization of contracts are accrued over their remaining lives.

*Changes from prior year*

There have been no material changes to the accounting and valuation principles.

*Events after the balance sheet date*

No material events occurred between the balance sheet date (31 December 2007) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

**“We’re overjoyed.”** Pierre-André Besse thinks back with delight to the recent junior championships, where the Rushkids competitors he coaches did so well. He doesn’t mention any of his triathletes, aged between 8 and 17, individually. For the Rushkids, team spirit and shared determination are what matter.

The small club from Ecublens, Lausanne, benefits from a motivated team of coaches and a sponsorship agreement with Raiffeisen. “Raiffeisen’s support has allowed us to buy triathlon suits for our young sportspeople.” Pierre-André is convinced that some of his team can make it all the way to the top.

The Rushkids have also set themselves targets outside the sports arena and are trying to arrange exchange programmes with similar clubs in German-speaking parts of Switzerland. The idea behind this is to learn another language through participating in sport and allow young people from French and German-speaking parts of Switzerland to spend a week together in an area where a different language is spoken – where they can train together, build friendships and break down barriers within Switzerland.



# “Shared determination brings success.”

Pierre-André Besse, Rushkids' coach, supported by Raiffeisen



## 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
<b>Loans</b>				
Loans to clients	2,374,497	667,123	4,186,643	7,228,263
Mortgage loans				
Residential property	86,748,313	–	134,002	86,882,315
Office and business premises	2,069,553	–	41,524	2,111,077
Trade and industry	2,110,507	–	30,175	2,140,682
Other	3,041,156	–	123,418	3,164,574
<b>Total loans</b>				
<b>Current year</b>	<b>96,344,026</b>	<b>667,123</b>	<b>4,515,762</b>	<b>101,526,911</b>
Prior year	89,976,706	671,756	4,461,848	95,110,310
<b>Off-balance-sheet business</b>				
Contingent liabilities	62,351	80,214	130,464	273,029
Irrevocable commitments	2,372,086	80,437	830,942	3,283,465
Call commitments and additional funding obligations	–	–	40,121	40,121
<b>Total off-balance-sheet business</b>				
<b>Current year</b>	<b>2,434,437</b>	<b>160,651</b>	<b>1,001,527</b>	<b>3,596,615</b>
Prior year	1,580,398	211,286	765,975	2,557,659

\* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realization of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
<b>Impaired loans</b>				
<b>Current year</b>	<b>1,437,272</b>	<b>990,639</b>	<b>446,633</b>	<b>433,432</b>
Prior year	1,528,405	1,040,550	487,855	475,280

The difference between the net amount borrowed and the specific value adjustments is attributable to the fact that prudent estimates have been made of the amounts Raiffeisen expects to receive based on the creditworthiness of individual borrowers.

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

	Current year in 1000 CHF	Prior year in 1000 CHF
<b>Trading portfolio in securities and precious metals</b>		
Debt instruments		
stock exchange listed*	577,655	80,188
non-stock exchange listed	–	–
Shares	6,598	16,388
Precious metals	105,903	43,993
<b>Total trading portfolio in securities and precious metals</b>	<b>690,156</b>	<b>140,569</b>
of which securities for repo transactions in line with liquidity requirements	372,521	62,987

\* 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
<b>Financial assets</b>				
Debt instruments	2,109,418	2,441,547	2,099,911	2,447,045
of which intended to be held until maturity	2,109,418	2,441,547	2,099,911	2,447,045
of which valued at the lower of cost or market	–	–	–	–
Shares	31,537	31,557	37,611	35,279
Precious metals (positions to cover commitments from precious metal accounts)	26,519	39,797	26,519	39,797
Real estate	36,972	34,171	40,524	36,665
<b>Total financial assets</b>	<b>2,204,446</b>	<b>2,547,072</b>	<b>2,204,565</b>	<b>2,558,786</b>
of which securities for repo transactions in line with liquidity requirements	2,038,916	2,275,188	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
<b>Non-consolidated participations</b>		
with a market value	329,284	329,367
without a market value	76,220	70,420
<b>Total non-consolidated participations</b>	<b>405,504</b>	<b>399,787</b>

### 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 %
<b>3.1 Group companies</b>					
Raiffeisen Switzerland Cooperative	St. Gallen	Central bank, association services	320,000	100	100
Raiffeisen Guarantee Cooperative	St. Gallen	Guarantee cooperative	37,696	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St. Gallen	Issuer	19,753	100	100
of which not paid up			19,753		
Raiffeisen Finanzierungs AG	St. Gallen	Finance company	5,000	100	100
Raiffeisen Leasing*	St. Gallen	Leasing company	2,566	100	100
<b>3.2 Holdings valued according to the equity method</b>					
Mortgage Bond Bank of the Swiss Mortgage Institutions	Zurich	Mortgage bond bank	300,000	21.3	20.8
of which not paid up			189,000		
<b>3.3 Other non-consolidated participations</b>					
Aduno Holding Ltd	Opfikon	Financial services	20,000	19.0	19.0
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Telekurs Holding Ltd	Zurich	Financial services	45,000	4.0	4.0
Helvetia Holding Ltd	St. Gallen	Financial services	86,529	4.0	4.0

\* Raiffeisen Leasing was converted from a cooperative into a public limited company as of 1 October 2007.

#### 4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative deprec./amort. & value adjust- ments (equi- ty method) in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/ reclass- ifications in 1000 CHF	Current year investment in 1000 CHF	Current year disinvestment in 1000 CHF	Current year depreci- ation/amor- tization in 1000 CHF	Current year value adjust- ments on holdings val. acc. to equi- ty method in 1000 CHF	Book value at end of current year in 1000 CHF
<b>Non-consolidated participations</b>									
Holdings valued according to the equity method	25,849	28,390	54,239	–	1,145	–	–	4,852	60,236
Other holdings	357,354	-11,806	345,548	–	298	-211	-367	–	345,268
<b>Total non-consolidated participations</b>	<b>383,203</b>	<b>16,584</b>	<b>399,787</b>	<b>–</b>	<b>1,443</b>	<b>-211</b>	<b>-367</b>	<b>4,852</b>	<b>405,504</b>
<b>Tangible fixed assets</b>									
Real estate									
Bank buildings	1,452,170	-293,037	1,159,673	9,361	111,163	-13,623	-27,937	–	1,238,637
Other real estate	312,350	-76,288	236,062	1,901	15,264	-12,528	-5,843	–	234,856
Other tangible fixed assets	802,379	-556,382	245,997	9,106	132,402	-13,131	-88,144	–	286,230
Objects in finance leasing	22,819	-2,106	20,713	-20,713	21	–	-1	–	20
Other*	68,653	-42,691	25,962	345	22,311	–	-17,247	–	31,371
<b>Total tangibles</b>	<b>2,658,911</b>	<b>-970,504</b>	<b>1,688,407</b>	<b>–</b>	<b>281,161</b>	<b>-39,282</b>	<b>-139,172</b>	<b>–</b>	<b>1,791,114</b>

\* Following a change in accounting principles, software is now reported under "Other" rather than "Other intangible assets".

	in 1000 CHF
Value of real estate for fire insurance purposes	1,788,505
Value of other tangible fixed assets for fire insurance purposes	778,150
Liabilities: future leasing instalments from operational leasing	13

**5 Other assets and liabilities**

	Current year in 1000 CHF	Prior year in 1000 CHF
<b>Other assets</b>		
Total replacement value	219,454	161,041
Clearing accounts for social security and staff pension fund contributions	–	42,693
Clearing accounts for indirect taxes	2,319,883	1,052,334
Other clearing accounts	7,966	14,142
Employer contribution reserves with pension schemes	87,976	71,793
Miscellaneous other assets	9,177	7,816
<b>Total other assets</b>	<b>2,644,456</b>	<b>1,349,819</b>
<b>Other liabilities</b>		
Total replacement value	105,114	77,527
Equalization account	178,576	132,576
Due, unredeemed coupons and debt instruments	32,483	32,347
Levies, indirect taxes	232,665	182,872
Clearing accounts for social security and staff pension fund contributions	5,104	60,182
Other clearing accounts	29,934	25,316
Miscellaneous other liabilities	13,094	7,824
<b>Total other liabilities</b>	<b>596,970</b>	<b>518,644</b>



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

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Mortgage receivables	7,310,483	5,632,195	6,683,749	5,094,123
Financial assets	1,393,838	559,395	1,139,010	510,860
Tangible fixed assets	800	800	22,713	10,864
<b>Total pledged assets</b>	<b>8,705,121</b>	<b>6,192,390</b>	<b>7,845,472</b>	<b>5,615,847</b>

## 6.2 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	9,305,074	7,205,255
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	3,916,090	3,416,768
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	563,893	513,988
for which the right to resell or pledge without restriction was granted	563,893	513,988
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	9,402,058	7,358,645
of which repledged or resold securities	3,441,603	2,963,697

## 7 Social insurance institutions

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

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. 14 Raiffeisen banks (prior year: 16) are insured outside the retirement benefit schemes of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

### 7.1 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Liabilities to clients in the form of savings and investment deposits	87,323	71,229
Other liabilities to clients	31,639	38,041
Accrued expenses and deferred income	223	496
Other liabilities (negative replacement values)	2,178	–
<b>Total liabilities to own social insurance institutions</b>	<b>121,363</b>	<b>109,766</b>

### 7.2 Employer contribution reserves

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

	Current year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF	Prior year PP <sup>1</sup> in 1000 CHF	Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF
As at 1 January	71,229	564	71,793	1,500	55,454	437	57,391
+ Deposits	19,170	92	19,262	–	18,462	131	18,593
– Withdrawals	-4,412	-8	-4,420	–	-5,073	-12	-5,085
Transfers/reclassifications <sup>1</sup>	–	–	–	-1,500	1,500	–	–
+ Interest paid <sup>2</sup>	1,336	5	1,341	–	886	8	894
<b>As at 31 December</b>	<b>87,323</b>	<b>653</b>	<b>87,976</b>	<b>–</b>	<b>71,229</b>	<b>564</b>	<b>71,793</b>

1) Raiffeisen Switzerland's employer contribution reserves in the Raiffeisen Pension Plan (PP) were transferred to the Raiffeisen Employer Foundation in the previous year.

2) Interest paid on the employer contribution reserve is recorded as interest income under "Other ordinary income".

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

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

### 7.3 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2007 in %	on 31.12.2006 in %
Raiffeisen Pension Fund	107.5	110.9
Raiffeisen Pension Plan	110.7	111.7

The fluctuation reserves of the pension schemes of the Raiffeisen Group did not reach the level laid down by the regulator in the year under review, as a result of which there is no surplus cover as defined by Swiss GAAP FER 16.

None of the pension schemes has insufficient cover. Accordingly, neither an economic benefit nor an economic obligation arises for the affiliated employers for which allowance would have to be made in the balance sheet and the profit and loss account.

### Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year in 1000 CHF
Pension expenditure according to separate financial statements	71,140	65,263
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-14,842	-13,508
<b>Employer contributions reported on an accruals basis</b>	<b>56,298</b>	<b>51,755</b>
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension schemes	-	-
<b>Pension expenditure of the Raiffeisen Group (see note 22 "Personnel expenditure")</b>	<b>56,298</b>	<b>51,755</b>

As there are no shortfalls in cover and no further measures to restructure the pension schemes are planned, no exceptional contributions need to be made for such cases.

## 8 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
<b>Bonds of Raiffeisen Switzerland</b>					
	1999	3.250	27.05.2009		247,405
	2001/02	4.000	02.02.2011		598,610
	2004	3.000	05.05.2014		397,510
	2006	3.125	30.05.2016		550,000
	2007	3.125	25.10.2012		225,070
	2007	3.140	18.10.2010		70,000
<b>Total bonds of Raiffeisen Switzerland</b>					<b>2,088,595</b>
<b>Bonds of the Central Issuing Office of the Swiss Raiffeisen Banks</b>					
	1998	3.250	31.03.2008		199,980
<b>Total bonds of the Central Issuing Office of the Swiss Raiffeisen Banks</b>					<b>199,980</b>
<b>Mortgage bond loans</b>					
	var.	2.850	var.		5,468,150
<b>Total mortgage bond loans</b>					<b>5,468,150</b>
<b>Total outstanding bonds and mortgage bond loans</b>					<b>7,756,725</b>

## 9 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against P & L in 1000 CHF	Reversal of provisions against P & L in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	610,377	–	–	26,478	-48,263	588,592
Value adjustments and provisions for default risks (del credere and country risk)	475,280	-44,210	7,700	96,956*	-102,294	433,432
Value adjustments and provisions for other business risks	23,623	-351	–	3,786	-11,115	15,943
Restructuring provisions	206	-7	–	–	–	199
<b>Total value adjustments and provisions</b>	<b>1,109,486</b>	<b>-44,568</b>	<b>7,700</b>	<b>127,220</b>	<b>-161,672</b>	<b>1,038,166</b>

\* of which 0.9 million Swiss francs in value adjustments taken over from third parties and booked with no impact on profit and loss

## 10 Evidence of equity capital

	Number of members	Nom. amount/share	in 1000 CHF
<b>Equity capital at the beginning of the current year</b>			
Cooperative capital with additional funding obligation	1,371,107	–	283,537
Cooperative capital without additional funding obligation*			144,857
<b>Total equity capital</b>	<b>1,371,107</b>	<b>–</b>	<b>428,394</b>
Retained earnings			6,257,692
<b>Total equity capital at the beginning of the year (before approp. of profits)</b>	<b>1,371,107</b>	<b>–</b>	<b>6,686,086</b>
+ Payments from new cooperative members (with additional funding obligation)	110,970	200	22,194
	275	300	82
	285	400	114
	2,325	500	1,163
+ Payment of cooperative shares without additional funding obligation			26,838
<b>Total payments from new cooperative members</b>	<b>113,855</b>	<b>–</b>	<b>50,391</b>
– Repayments to departing cooperative members	-40,157	200	-8,031
(with additional funding obligation)	-144	300	-43
	-91	400	-36
	-729	500	-365
– Payments through increase in nominal capital			-3,471
<b>Total repayments for departing cooperative members</b>	<b>-41,121</b>	<b>–</b>	<b>-11,946</b>
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-23,637
+ Group profit in the current year			701,328
<b>Total equity capital at the end of the current year (before approp. of profits)</b>	<b>1,443,841</b>	<b>–</b>	<b>7,402,222</b>
of which cooperative capital with additional funding obligation	1,406,045	200	281,209
	5,148	300	1,544
	4,627	400	1,851
	28,021	500	14,011
of which cooperative capital without additional funding obligation			168,224
<b>Total cooperative capital at the end of the current year</b>	<b>1,443,841</b>	<b>–</b>	<b>466,839</b>
of which retained earnings			6,234,055
of which Group profit			701,328
<b>Additional funding obligation of the cooperative members</b>			<b>11,550,728</b>

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

Non-distributable statutory or legal reserves based on separate financial statements at 31 December 2007:  
2,152,275,000 Swiss francs (prior year 2,007,541,000 Swiss francs).

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

## 11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
<b>Current assets</b>							
Liquid funds	1,202,818	–	–	–	–	–	1,202,818
Receivables from money market sec.	10,228	–	–	–	–	–	10,228
Receivables from banks	1,545,200	–	9,035,737	1,759,453	–	–	12,340,390
Receivables from clients	71,848	3,925,784	480,163	634,335	1,636,210	479,923	7,228,263
Mortgage receivables	53,433	40,059,045	4,231,702	9,933,183	30,893,966	9,127,319	94,298,648
Trading portfolios in securities and precious metals	690,156	–	–	–	–	–	690,156
Financial assets*	80,779	–	435,620	251,359	1,169,340	267,348	2,204,446
<b>Total current assets</b>							
<b>Current year</b>	<b>3,654,462</b>	<b>43,984,829</b>	<b>14,183,222</b>	<b>12,578,330</b>	<b>33,699,516</b>	<b>9,874,590</b>	<b>117,974,949</b>
Prior year	2,437,380	33,972,818	13,126,159	12,017,622	41,482,644	7,281,672	110,318,295
<b>Outside debt</b>							
Liabilities to banks	882,667	–	6,378,308	1,136,853	2,847,960	185,000	11,430,788
Liabilities to clients in the form of savings and investment deposits	–	60,879,758	–	–	–	–	60,879,758
Other liabilities to clients	6,785,285	44,281	6,754,181	2,939,404	1,926,502	428,692	18,878,345
Medium-term notes	–	–	932,568	2,660,562	10,087,750	715,885	14,396,765
Bonds and mortgage bond loans	–	–	599,480	78,700	3,730,935	3,347,610	7,756,725
<b>Total outside debt</b>							
<b>Current year</b>	<b>7,667,952</b>	<b>60,924,039</b>	<b>14,664,537</b>	<b>6,815,519</b>	<b>18,593,147</b>	<b>4,677,187</b>	<b>113,342,381</b>
Prior year	7,638,942	62,368,761	8,799,500	5,286,693	16,417,631	4,614,811	105,126,338

\* The financial assets include 36,972,000 Swiss francs of real estate (prior year 34,171,000 Swiss francs).

## 12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
<b>12.1 Loans to executive bodies and employees</b>		
Members of the Board of Directors of Raiffeisen Switzerland	10,196	8,477
Members of the Executive Board of Raiffeisen Switzerland	20,533	13,838
<b>Total loans to executive bodies and employees</b>	<b>30,729</b>	<b>22,315</b>

### 12.2 Transactions with associated persons

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

**13 Breakdown of foreign and domestic assets and liabilities**

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
<b>Assets</b>				
Liquid funds	1,195,081	7,737	1,137,437	3,434
Receivables from money market securities	10,228	–	10,633	–
Receivables from banks	3,945,008	8,395,382	2,486,105	8,885,735
Receivables from clients	7,186,993	41,270	6,922,427	34,864
Mortgage receivables	94,298,648	–	88,153,019	–
Trading portfolio in securities and precious metals	483,163	206,993	116,638	23,931
Financial assets	1,988,344	216,102	2,366,000	181,072
Non-consolidated participations	401,593	3,911	395,875	3,912
Tangible fixed assets	1,791,114	–	1,688,407	–
Accrued income and prepaid expenses	259,664	–	241,806	–
Other assets	2,535,846	108,610	1,349,819	–
<b>Total assets</b>	<b>114,095,682</b>	<b>8,980,005</b>	<b>104,865,166</b>	<b>9,132,948</b>
<b>Liabilities</b>				
Liabilities to banks	5,883,710	5,547,078	4,796,192	4,989,771
Liabilities to clients in the form of savings and investment deposits	59,552,970	1,326,788	61,000,658	1,303,214
Other liabilities to clients	18,511,691	366,654	12,784,811	281,923
Medium-term notes	14,396,765	–	12,654,199	–
Bonds and mortgage bond loans	7,756,725	–	7,315,570	–
Accrued expenses and deferred income	695,948	–	557,560	–
Other liabilities	572,242	24,728	518,644	–
Value adjustments and provisions	1,037,153	1,013	1,109,486	–
Cooperative capital	466,839	–	428,394	–
Retained earnings	6,234,055	–	5,602,949	–
Group profit	701,328	–	654,743	–
<b>Total liabilities</b>	<b>115,809,426</b>	<b>7,266,261</b>	<b>107,423,206</b>	<b>6,574,908</b>

**14 Total assets by country or country group**

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
<b>Assets</b>				
Switzerland	114,095,682	92.70	104,865,166	91.99
Rest of Europe	8,812,865	7.16	8,941,014	7.84
Rest of world (America, Asia, Oceania, Africa)	167,140	0.14	191,934	0.17
<b>Total assets</b>	<b>123,075,687</b>	<b>100.00</b>	<b>113,998,114</b>	<b>100.00</b>



## 15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
<b>Assets</b>					
Liquid funds	1,011,076	156,225	7,688	27,829	1,202,818
Receivables from money market securities	9,856	250	104	18	10,228
Receivables from banks	8,236,448	2,660,950	1,343,662	99,330	12,340,390
Receivables from clients	7,208,768	18,056	983	456	7,228,263
Mortgage receivables	94,298,648	–	–	–	94,298,648
Trading portfolio in securities and precious metals	550,595	30,951	1,656	106,954	690,156
Financial assets	2,175,973	829	1,125	26,519	2,204,446
Participations	401,812	3,692	–	–	405,504
Tangible fixed assets	1,791,114	–	–	–	1,791,114
Accrued income and prepaid expenses	259,664	–	–	–	259,664
Other assets	2,644,448	–	–	8	2,644,456
<b>Total assets reflected in the balance sheet</b>	<b>118,588,402</b>	<b>2,870,953</b>	<b>1,355,218</b>	<b>261,114</b>	<b>123,075,687</b>
Delivery claims under spot exchange, forward exchange and currency option contracts	151,467	575,130	154,900	31,534	913,031
<b>Total assets</b>	<b>118,739,869</b>	<b>3,446,083</b>	<b>1,510,118</b>	<b>292,648</b>	<b>123,988,718</b>
<b>Liabilities</b>					
Liabilities to banks	7,830,785	2,429,170	1,118,220	52,613	11,430,788
Liabilities to clients in the form of savings and investment deposits	60,563,578	316,180	–	–	60,879,758
Other liabilities to clients	17,953,051	566,101	224,816	134,377	18,878,345
Medium-term notes	14,396,765	–	–	–	14,396,765
Bonds and mortgage bond loans	7,756,725	–	–	–	7,756,725
Accrued expenses and deferred income	695,948	–	–	–	695,948
Other liabilities	596,970	–	–	–	596,970
Value adjustments and provisions	1,038,166	–	–	–	1,038,166
Cooperative capital	466,839	–	–	–	466,839
Retained earnings	6,234,055	–	–	–	6,234,055
Group profit	701,328	–	–	–	701,328
<b>Total liabilities reflected in the balance sheet</b>	<b>118,234,210</b>	<b>3,311,451</b>	<b>1,343,036</b>	<b>186,990</b>	<b>123,075,687</b>
Delivery obligations under spot exchange, forward exchange and currency option contracts	682,465	46,252	151,862	32,452	913,031
<b>Total liabilities</b>	<b>118,916,675</b>	<b>3,357,703</b>	<b>1,494,898</b>	<b>219,442</b>	<b>123,988,718</b>
<b>Net position per currency</b>	<b>-176,806</b>	<b>88,380</b>	<b>15,220</b>	<b>73,206</b>	<b>–</b>

31.12.2007      31.12.2006

### Foreign currency conversion rates

EUR	1.657	1.608
USD	1.127	1.221

## Information on Off-Balance-Sheet Business

### 16 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	151,030	157,238
Warranty bonds	64,861	62,235
Other contingent liabilities	57,138	126,697
<b>Total contingent liabilities</b>	<b>273,029</b>	<b>346,170</b>

### 17 Open derivative financial instruments

#### 17.1 Trading instruments with internal and external counterparties

	Positive contract replace- ment value in 1000 CHF	Negative contract replace- ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
<b>Interest rate instruments</b>						
Futures contracts incl. FRAs	1,221	245	2,000,000	400,000	–	2,400,000
Swaps	262,934	260,739	22,291,000	15,340,200	10,011,000	47,642,200
Futures	–	–	1,386,526	99,293	–	1,485,819
Options (OTC)	537	751	69,060	88,828	247	158,135
<b>Foreign currencies</b>						
Futures contracts	5,277	5,317	751,278	680	–	751,958
Comb. interest rate/currency swaps	11,033	11,013	–	649,471	–	649,471
<b>Precious metals</b>						
Futures contracts	149	219	31,111	–	–	31,111
<b>Equity securities and indices</b>						
Options (traded)	1,225	–	9,896	–	–	9,896
<b>Total</b>						
<b>Current year</b>	<b>282,376</b>	<b>278,284</b>	<b>26,538,871</b>	<b>16,578,471</b>	<b>10,011,247</b>	<b>53,128,589</b>
Prior year	201,611	197,291	31,256,916	18,725,013	6,078,010	56,059,938

## 17.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
<b>Interest rate instruments</b>						
Swaps	162,157	62,728	5,215,000	6,570,000	4,385,000	16,170,000
<b>Foreign currencies</b>						
Forward contracts	–	195	199,778	–	–	199,778
Comb. interest rate/currency swaps	11,013	–	–	322,277	–	322,277
<b>Total</b>						
<b>Current year</b>	<b>173,170</b>	<b>62,922</b>	<b>5,414,778</b>	<b>6,892,277</b>	<b>4,385,000</b>	<b>16,692,055</b>
Prior year	119,764	40,570	1,800,000	8,029,249	2,750,000	12,579,249

## 17.3 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	218,803	101,806	19,533,842	9,533,073	5,626,000	34,692,915
Clients	650	3,308	203,725	53,828	247	257,800
Stock exchanges	–	–	1,386,526	99,293	–	1,485,819
<b>Total</b>						
<b>Current year</b>	<b>219,454</b>	<b>105,114</b>	<b>21,124,093</b>	<b>9,686,194</b>	<b>5,626,247</b>	<b>36,436,534</b>
Prior year	161,041	77,527	29,456,916	10,695,764	3,328,010	43,480,690

No netting contracts were used.

## Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 99.6% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

## 18 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	101,397	174,325	47,383	13,724	336,829
<b>Total fiduciary transactions</b>	<b>101,397</b>	<b>174,325</b>	<b>47,383</b>	<b>13,724</b>	<b>336,829</b>
Prior year	25,534	153,935	39,326	11,544	230,339

## Information on the Profit and Loss Account

### 19 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
<b>Commission income</b>		
Commission income from lending business	4,985	5,461
Commission income from securities and investment business		
Fund business	75,502	72,648
Custody account business	42,181	36,551
Brokerage	67,906	63,123
Other securities and investment business	29,025	15,126
Commission income from other service transactions		
Payments	81,965	81,380
Account maintenance	29,832	28,874
Other service transactions	19,799	18,228
<b>Total commission income</b>	<b>351,195</b>	<b>321,391</b>
<b>Commission expenditure</b>		
Securities business	-36,040	-16,365
Payments	-47,501	-43,741
Other commission expenditure	-24,264	-11,227
<b>Total commission expenditure</b>	<b>-107,805</b>	<b>-71,333</b>
<b>Total net income from commission business and service transactions</b>	<b>243,390</b>	<b>250,058</b>

### 20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	47,296	37,829
Precious metal and foreign notes and coins trading	33,382	36,164
Equities trading	20,537	9,604
Fixed income trading	10,592	667
<b>Total net trading income</b>	<b>111,807</b>	<b>84,264</b>

## 21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	5,996	3,974
Other non-consolidated holdings	28,404	19,931
<b>Total income from participating interests</b>	<b>34,400</b>	<b>23,905</b>

## 22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	18,427	19,763
Salaries and bonuses for staff	720,637	642,822
AHV, IV, ALV and other statutory contributions	62,319	59,769
Contributions to staff pension funds	56,298	51,755
Ancillary staff expenses	22,565	21,920
<b>Total personnel expenditure</b>	<b>880,246</b>	<b>796,029</b>

## 23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	63,965	67,225
Cost of computer equipment, machinery, furniture, vehicles and other equipment	107,140	102,126
Other operating expenditure	281,175	236,745
<b>Total operating expenditure</b>	<b>452,280</b>	<b>406,096</b>

## 24 Extraordinary income and expenditure

### Current year

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

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

### Prior year

The extraordinary income of 7.1 million Swiss francs includes price gains from non-consolidated participations of 2.0 million Swiss francs and profits from the sale of tangible fixed assets of 1.7 million Swiss francs.

The extraordinary expenditure of 6.4 million Swiss francs includes losses from the sale of tangible fixed assets of 2.5 million Swiss francs.

## 25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Release/formation of provisions for deferred taxes	-21,785	24,089
Expenditure for current income tax	159,799	144,677
<b>Total tax expenditure</b>	<b>138,014</b>	<b>168,766</b>

## **Auditing report for the Raiffeisen Group's consolidated annual accounts** to the Board of Directors of the Raiffeisen Switzerland Cooperative, St. Gallen

We have audited the consolidated financial statements as contained on pages 88 to 124 (consolidated balance sheet, consolidated profit and loss account, statement of cash flows and notes) for the year ended on 31 December 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting principles applicable to banks and comply with Swiss law.

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

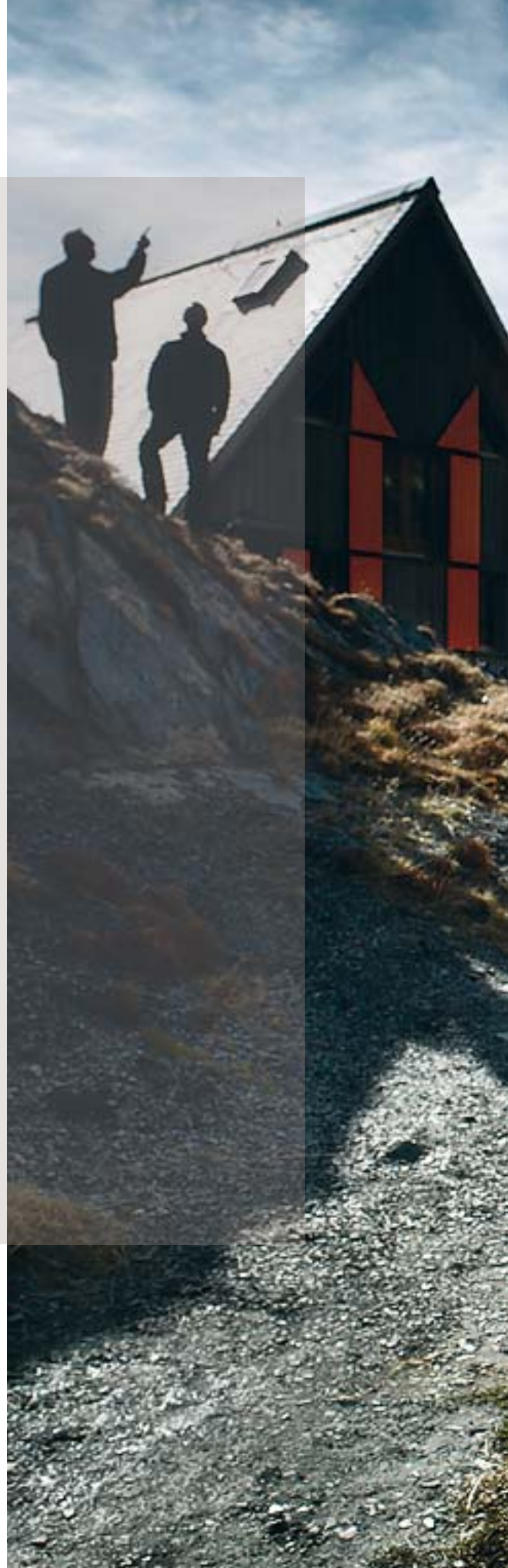
PricewaterhouseCoopers AG  
Peter Ochsner          Beat Rüttsche  
Auditor in charge

St. Gallen, 25 March 2008

**Anybody wishing to experience the charms of the Capanna Scaletta has to be prepared for a challenging climb.** But there's no question about it: every metre is worth the effort. Lying on the Steinbock route on the edge of the Greina area, the hut is located in a spot of unique and unparalleled beauty. "The mountains are very important to us. They represent values such as freedom, contact with nature, peace and quiet", explains Alan Pian-toni, treasurer for the Società Alpinistica Ticinese Sezione Lucomagno.

The nearby Raiffeisen bank in these mountains has always had a connection with the Ticino alpine club which owns the hut. The bank even made a donation to help build it – just as it is doing now to help out with necessary renovations. Work began in September 2007. As the hut is at over 2,200 metres above sea level, work had to be interrupted over the winter. Nevertheless, the foundations have now been laid, meaning that – weather permitting – work can be continued on the upper floor, constructed out of wood, in spring.

All of the work was contracted out to local companies and tradesmen. Members of the renovation committee have contributed a lot of their free time, and the final touches will also be applied by members of the club themselves. At the end of the day, the mountains also represent a source of income for the entire region from hydroelectric power and tourism.





# “Our mountains represent the core values of living together in harmony”

Alan Piantoni, treasurer for the Società Alpinistica Ticinese  
Sezione Lucomagno – renovation loan from Raiffeisen



## Information on capital adequacy situation as at 31 December 2007

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. This information cannot always be directly compared with that provided in the consolidated accounts, which are prepared in line with the SFBC guidelines on accounting standards. The scope of consolidation relevant for capital adequacy calculations is the same as the one applied for accounting purposes (see chart on page 58).

### Mandatory and eligible capital<sup>1</sup>

	Current year risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
<b>Mandatory capital</b>		
Credit risks (Swiss standard approach)		
Receivables from banks	854,465	68,357
Receivables from clients	3,884,489	310,759
Mortgage receivables	39,064,114	3,125,129
Accrued income and prepaid expenses	224,080	17,926
Other assets, total replacement value of derivatives	59,511	4,761
Other assets, miscellaneous	33,466	2,677
Net interest positions outside trading book	392,531	31,402
Net equity positions outside trading book	105,176	8,414
Contingent liabilities	134,930	10,794
Irrevocable commitments	1,105,469	88,438
Obligations to make payments and additional contributions	100,303	8,024
Add-ons for forward contracts and options purchased	31,224	2,498
Unsettled transactions	–	–
<b>Mandatory capital for credit risks</b>		<b>3,679,181</b>
Non-counterparty-related risks		
Tangible fixed assets and software	5,962,435	476,995
Real estate in financial assets	138,646	11,092
<b>Mandatory capital for non-counterparty-related risks</b>		<b>488,086</b>
Market risks (standard approach)		
Interest rate instruments – general market risk		37,002
Interest rate instruments – specific risk		7,394
Equity instruments		2,538
Foreign currencies and gold		17,994
Other precious metals		1,539
<b>Mandatory capital for market risks</b>		<b>66,467</b>
<b>Mandatory capital for operational risks (basic indicator approach)</b>		<b>325,749</b>
<b>Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)</b>		<b>-1,402</b>
<b>Total mandatory capital</b>		<b>4,558,081</b>

Continued on page 129

	Current year risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
<b>Available capital</b>		
Total core capital		7,376,653
of which innovative core capital instruments		–
proportional deduction for participations in the financial area <sup>2</sup>		-200,425
<b>Eligible adjusted core capital</b>		<b>7,176,228</b>
Eligible upper supplementary capital		–
Eligible lower supplementary capital		3,688,326
proportional deduction for participations in the financial area <sup>2</sup>		-200,425
<b>Eligible supplementary capital</b>		<b>3,487,901</b>
<b>Total eligible capital</b>		<b>10,664,129</b>
Equity surplus		6,106,048
Equity cover		234,0%
Core capital ratio		12,6%
Total capital ratio		18,7%

- 1) Pursuant to the SFBC Circular entitled "Disclosure requirements in respect of capital adequacy", the prior-year figures do not need to be provided for first-time disclosure according to Basel II.
- 2) The major participations pursuant to note 3.2 "Holdings valued according to the equity method" and note 3.3 "Other non-consolidated participations" as well as the holding in Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are deducted fifty-fifty from the adjusted core capital and supplementary capital in order to calculate the mandatory capital.

**Credit risk by counterparty**

Loan commitments (in 1000 CHF) <sup>2</sup>	Central governments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit- ments	Total
<b>Balance sheet items</b>								
Receivables from banks	72,811	12,267,579	–	–	–	–	–	12,340,390
Receivables from clients	19,320	127,714	3,173,934	199,856	3,707,439	–	–	7,228,263
Mortgage receivables	106,362	38,340	55,411	461,164	93,637,371	–	–	94,298,648
Interest and equity positions outside trading book	954,214	252,386	285,353	617,464	–	37,438	42,662	2,189,517
Replacement values of derivatives <sup>3</sup>	–	218,804	–	–	650	–	–	219,454
Other assets	2,319,894	142,967	–	–	221,805	–	–	2,684,666
<b>Total current year</b>	<b>3,472,601</b>	<b>13,047,790</b>	<b>3,514,698</b>	<b>1,278,484</b>	<b>97,567,265</b>	<b>37,438</b>	<b>42,662</b>	<b>118,960,938</b>
Total prior year <sup>1</sup>	–	–	–	–	–	–	–	–
<b>Off-balance-sheet items<sup>4</sup></b>								
Contingent liabilities	562	21,435	1,987	65,624	132,739	–	–	222,347
Irrevocable commitments	103	1,255	348,631	325	1,124,061	–	–	1,474,375
Obligations to make payments and additional contributions	–	–	–	100,303	–	–	–	100,303
Add-ons for forward contracts and options purchased <sup>3</sup>	–	115,990	–	–	742	–	–	116,732
<b>Total current year</b>	<b>665</b>	<b>138,680</b>	<b>350,618</b>	<b>166,252</b>	<b>1,257,542</b>	<b>–</b>	<b>–</b>	<b>1,913,757</b>
Total prior year <sup>1</sup>	–	–	–	–	–	–	–	–

**Credit risk/minimization of credit risk**

Loan commitments (in 1000 CHF) <sup>2</sup>	Covered by recognized finan- cial securities <sup>5</sup>	Covered by guarantees and credit derivatives	Other loan commitments	Total
<b>Balance sheet items</b>				
Receivables from banks	9,264,988	–	3,075,402	12,340,390
Receivables from clients	314,407	131,007	6,782,849	7,228,263
Mortgage receivables	119,767	150,109	94,028,772	94,298,648
Interest and equity positions outside trading book	–	–	2,189,517	2,189,517
Replacement values of derivatives <sup>3</sup>	–	–	219,454	219,454
Other assets	–	–	2,684,666	2,684,666
<b>Total current year</b>	<b>9,699,162</b>	<b>281,116</b>	<b>108,980,660</b>	<b>118,960,938</b>
Total prior year <sup>1</sup>	–	–	–	–
<b>Off-balance-sheet items<sup>4</sup></b>				
Contingent liabilities	49,012	12,824	160,511	222,347
Irrevocable commitments	16,650	1,832	1,455,893	1,474,375
Obligations to make payments and additional contributions	–	–	100,303	100,303
Add-ons for forward contracts and options purchased <sup>3</sup>	–	–	116,732	116,732
<b>Total current year</b>	<b>65,662</b>	<b>14,656</b>	<b>1,833,439</b>	<b>1,913,757</b>
Total prior year <sup>1</sup>	–	–	–	–

## Segmentation of credit risks

Loan commitments (in CHF m) <sup>2</sup>	Risk weightings under supervisory law										Total
	0%	25%	35%	50%	75%	100%	125%	150%	250%	500%	
<b>Balance sheet items</b>											
Receivables from banks	9,338	2,587	–	415	–	0	–	–	–	–	12,340
Receivables from clients	186	182	1,911	3,076	789	1,022	0	62	–	–	7,228
Mortgage receivables	169	34	77,927	4,124	8,925	2,508	0	612	–	–	94,299
Interest and equity positions outside trading book	954	1,003	–	106	–	88	–	–	33	5	2,190
Replacement values of derivatives <sup>3</sup>	–	202	–	17	0	1	–	–	–	–	219
Other assets	2,320	143	–	–	–	222	–	–	–	–	2,685
<b>Total current year</b>	<b>12,967</b>	<b>4,151</b>	<b>79,838</b>	<b>7,738</b>	<b>9,714</b>	<b>3,841</b>	<b>0</b>	<b>674</b>	<b>33</b>	<b>5</b>	<b>118,961</b>
Total prior year <sup>1</sup>	–	–	–	–	–	–	–	–	–	–	–
<b>Off-balance-sheet items<sup>4</sup></b>											
Contingent liabilities	43	14	26	4	45	89	–	1	–	–	222
Irrevocable commitments	17	348	135	3	9	963	–	–	–	–	1,474
Obligations to make payments and additional contributions	–	–	–	–	–	100	–	–	–	–	100
Add-ons for forward contracts and options purchased <sup>3</sup>	–	110	–	6	–	1	–	–	–	–	117
<b>Total current year</b>	<b>60</b>	<b>472</b>	<b>161</b>	<b>13</b>	<b>54</b>	<b>1,153</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1,914</b>
Total prior year <sup>1</sup>	–	–	–	–	–	–	–	–	–	–	–

1) Pursuant to the SFBC Circular entitled "Disclosure requirements in respect of capital adequacy", the prior-year figures do not need to be provided for first-time disclosure.

2) Before deduction of individual value adjustments

3) Derivative counterparty risk is calculated using the mark-to-market method.

4) Non-derivative off-balance-sheet items are shown after conversion into credit equivalents.

5) Securities are recognized using the simple method.

## Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m
<b>Profit and loss account</b>										
Net interest income	1,750	1,668	106	111	17	16	8	7	1,881	1,802
Net income from commission business and service transactions	193	175	54	77	2	1	-6	-3	243	250
Net trading income	63	56	49	28	-	-	-	-	112	84
Other ordinary result	32	11	258	239	-	-	-229	-203	61	47
<b>Operating income</b>	<b>2,038</b>	<b>1,910</b>	<b>467</b>	<b>455</b>	<b>19</b>	<b>17</b>	<b>-227</b>	<b>-199</b>	<b>2,297</b>	<b>2,183</b>
Personnel expenditure	-631	-582	-267	-231	-4	-3	22	20	-880	-796
Operating expenditure	-507	-471	-157	-139	-5	-5	217	209	-452	-406
<b>Total operating expenditure</b>	<b>-1,138</b>	<b>-1,053</b>	<b>-424</b>	<b>-370</b>	<b>-9</b>	<b>-8</b>	<b>239</b>	<b>229</b>	<b>-1,332</b>	<b>-1,202</b>
<b>Gross profit</b>	<b>900</b>	<b>857</b>	<b>43</b>	<b>85</b>	<b>10</b>	<b>9</b>	<b>12</b>	<b>30</b>	<b>965</b>	<b>981</b>
Depreciation on fixed assets	-120	-120	-38	-55	-1	-1	19	29	-140	-147
Value adjustments, provisions and losses	-527	-473	-1	-5	-6	-5	531	472	-3	-11
<b>Operating profit (interim result)</b>	<b>253</b>	<b>264</b>	<b>4</b>	<b>25</b>	<b>3</b>	<b>3</b>	<b>562</b>	<b>531</b>	<b>822</b>	<b>823</b>
<b>Key balance sheet figures</b>										
Balance sheet total	109,965	103,171	28,566	25,297	818	1,061	-16,273	-15,531	123,076	113,998
Loans to clients	97,149	90,604	4,306	4,345	509	452	-437	-291	101,527	95,110
Client monies	86,287	81,340	7,887	6,706	35	35	-54	-56	94,155	88,025

## Balance Sheet – five-year overview

	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million
<b>Assets</b>					
Liquid funds	1,203	1,138	1,140	1,259	1,234
Receivables from money market securities	10	11	11	13	15
Receivables from banks	12,340	11,372	10,130	12,251	13,788
Receivables from clients	7,228	6,957	6,888	7,094	7,723
Mortgage receivables	94,299	88,153	83,893	79,471	74,154
<b>Loans to clients</b>	<b>101,527</b>	<b>95,110</b>	<b>90,782</b>	<b>86,565</b>	<b>81,877</b>
Trading portfolios in securities and precious metals	690	140	56	20	25
Financial assets	2,204	2,547	2,855	2,896	3,049
Non-consolidated participations	406	400	358	348	120
Tangible fixed assets	1,791	1,688	1,643	1,608	1,558
Accrued income and prepaid expenses	260	242	208	204	275
Other assets	2,644	1,350	1,005	934	199
<b>Total assets</b>	<b>123,076</b>	<b>113,998</b>	<b>108,187</b>	<b>106,098</b>	<b>102,140</b>
<b>Liabilities</b>					
Liabilities to banks	11,431	9,786	9,741	11,002	12,540
Liabilities to clients in the form of savings and investment deposits	60,880	62,304	61,984	59,912	57,228
Other liabilities to clients	18,878	13,067	10,625	10,812	8,667
Medium-term notes	14,397	12,654	10,758	10,114	9,323
<b>Client monies</b>	<b>94,155</b>	<b>88,025</b>	<b>83,367</b>	<b>80,838</b>	<b>75,218</b>
Bonds and mortgage bond loans	7,757	7,316	7,074	6,892	7,506
Accrued expenses and deferred income	696	557	494	471	557
Other liabilities	597	519	437	501	483
Value adjustments and provisions	1,038	1,109	1,097	1,058	1,031
Cooperative capital	467	428	396	362	320
Retained earnings	6,234	5,603	4,972	4,468	4,032
Group profit	701	655	608	506	453
<b>Total equity capital</b>	<b>7,402</b>	<b>6,686</b>	<b>5,976</b>	<b>5,336</b>	<b>4,805</b>
<b>Total liabilities</b>	<b>123,076</b>	<b>113,998</b>	<b>108,187</b>	<b>106,098</b>	<b>102,140</b>

## Profit and Loss Account – five-year overview

	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million
Interest and discount income	3,611	3,118	2,861	2,757	2,795
Interest and dividend income from financial assets	60	69	82	88	98
Interest expenditure	-1,790	-1,385	-1,227	-1,211	-1,314
<b>Net interest income</b>	<b>1,881</b>	<b>1,802</b>	<b>1,716</b>	<b>1,634</b>	<b>1,579</b>
Commission income from lending business	5	5	6	5	6
Commission income from securities and investment business	215	187	158	123	105
Commission income from other service transactions	131	129	122	125	111
Commission expenditure	-108	-71	-68	-81	-68
<b>Net income from commission business and service transactions</b>	<b>243</b>	<b>250</b>	<b>217</b>	<b>172</b>	<b>154</b>
<b>Net trading income</b>	<b>112</b>	<b>84</b>	<b>76</b>	<b>56</b>	<b>66</b>
Income from sale of financial assets	1	1	2	2	2
Income from participating interests	34	24	24	8	7
Income from real estate	18	16	17	17	19
Other ordinary income	9	7	7	6	8
Other ordinary expenditure	-1	-1	-1	-1	-4
<b>Other ordinary result</b>	<b>61</b>	<b>47</b>	<b>49</b>	<b>32</b>	<b>32</b>
<b>Operating income</b>	<b>2,297</b>	<b>2,183</b>	<b>2,058</b>	<b>1,894</b>	<b>1,831</b>
Personnel expenditure	-880	-796	-775	-720	-651
Operating expenditure	-452	-406	-383	-349	-324
<b>Total operating expenditure</b>	<b>-1,332</b>	<b>-1,202</b>	<b>-1,157</b>	<b>-1,069</b>	<b>-975</b>
<b>Gross profit</b>	<b>965</b>	<b>981</b>	<b>900</b>	<b>825</b>	<b>856</b>
Depreciation on fixed assets	-140	-147	-128	-129	-134
Value adjustments, provisions and losses	-3	-11	-42	-43	-153
<b>Operating profit (interim result)</b>	<b>822</b>	<b>823</b>	<b>730</b>	<b>653</b>	<b>569</b>
Extraordinary income	22	7	54	12	29
Extraordinary expenditure	-4	-6	-7	-5	-5
Taxes	-138	-169	-169	-154	-140
<b>Group profit</b>	<b>701</b>	<b>655</b>	<b>608</b>	<b>506</b>	<b>453</b>



## Cash Flow Statement – five-year overview

	2007 in CHF million	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million
<b>Group profit</b>	<b>701</b>	<b>655</b>	<b>608</b>	<b>506</b>	<b>453</b>
+ Depreciation on fixed assets	140	147	128	129	134
+ Value adjustments and provisions	-71	12	40	27	45
– Increase / + decrease in money market securities	–	–	2	2	3
± Net change in receivables from/liabilities to banks	676	-1,197	860	-1	-262
– Increase / + decrease in receivables from clients	-271	-69	205	629	-391
– Increase / + decrease in mortgage receivables	-6,146	-4,260	-4,422	-5,317	-5,584
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	-1,424	320	2,072	2,684	5,729
+ Increase / – decrease in other liabilities to clients	5,812	2,441	-186	2,145	1,682
+ Increase / – decrease in medium-term notes	1,742	1,897	644	791	-267
± Net change in receivables from/liabilities to clients	-287	330	-1,688	932	1,169
– Increase / + decrease in trading portfolios in securities and precious metals	-550	-84	-37	5	2
– Increase / + decrease in financial assets (debt securities etc.)	343	308	41	154	-278
± Net change in accruals and deferrals as well as other assets and liabilities	-1,095	-234	-117	-732	-245
<b>Net cash flow from operating activities</b>	<b>-143</b>	<b>-64</b>	<b>-162</b>	<b>1,022</b>	<b>1,021</b>
– Increase / + decrease in participations	–	-39	-36	-242	-8
– Increase / + decrease in real estate	-100	-81	-71	-81	-76
– Increase / + decrease in other tangible fixed assets/objects in finance leasing	-142	-111	-91	-85	-99
<b>Net cash flow from investment activities</b>	<b>-242</b>	<b>-231</b>	<b>-198</b>	<b>-408</b>	<b>-183</b>
+ Increase / – decrease in bonds and mortgage bond loans	441	241	182	-614	-619
+ Increase / – decrease in cooperative capital	38	33	34	42	34
– Interest paid on share certificates for prior year	-23	-21	-19	-17	-16
– Increase / + decrease in participations valued by the equity method	-6	-3	43	–	–
+ Increase / – decrease in capitalization of employer contribution reserves	–	44	–	–	–
<b>Net cash flow from financing activities</b>	<b>450</b>	<b>294</b>	<b>240</b>	<b>-589</b>	<b>-601</b>
<b>Total cash flow (net change in liquid funds)</b>	<b>65</b>	<b>-2</b>	<b>-119</b>	<b>25</b>	<b>237</b>
Liquid funds at start of year	1,138	1,140	1,259	1,234	997
<b>Liquid funds at end of year</b>	<b>1,203</b>	<b>1,138</b>	<b>1,140</b>	<b>1,259</b>	<b>1,234</b>

**Special features** The most important characteristics of the Raiffeisen Banking Group are described with the following keywords.

**Cooperative banks**

Each of the 390 Raiffeisen banks is an independent cooperative with directly elected banking authorities.

**Members/share certificate**

The members themselves are responsible for the individual Raiffeisen banks. With the share certificate, they are, as cooperative members, co-owners in equal shares of their Raiffeisen bank.

**Integration into Raiffeisen Switzerland**

Raiffeisen Switzerland fulfils the strategic management function for the entire Raiffeisen Group. In addition, it is responsible for Group-wide risk management, ensuring liquidity and capital adequacy, and refinancing. It also coordinates the Group's activities, creates the basic conditions for the business operations of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all matters. Furthermore, Raiffeisen Switzerland operates the central treasury, trade and processing functions for the entire Raiffeisen Group.

**Security/solidarity**

The Raiffeisen banks' fates and risks are tied closely together through their membership of the Group. Raiffeisen clients benefit from a high level of security as a result of the mutual liability accepted throughout the Group.

**Manageability**

Each Raiffeisen bank has its own business circle. Business is only permitted within the clearly defined geographical area.

**Client proximity**

Being close to clients is not only ideal business philosophy; it also has its business reasons. As a rule, the bank directors and employees know their members and clients personally.

**Loans to members**

Loans are predominantly made to cooperative members against collateral and to public bodies. The majority of loans are invested in residential properties.

**Conditions**

The individual Raiffeisen banks have autonomy with regard to setting interest rates. The member products of Raiffeisen banks are especially attractive.

**Products**

Clients of each Raiffeisen bank are able to access all Raiffeisen Group products and services.

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