



Raiffeisen Group interim financial statement
as of 30 June 2006

RAIFFEISEN



Raiffeisen's success story continues Raiffeisen can look back on a successful first half of 2006, with operating income and gross profit all surpassing the record results of 2005. Gross profit stands at 487 million Swiss francs – an increase of 34 million Swiss francs (+7.5 percent) on the prior-year period.

Earnings remain strong across the board ■ Thanks to the continual rise in credit volume, the Raiffeisen Group achieved interest income of 887 million Swiss francs (up 4.3 percent on the prior-year period), despite a decline in interest margins.

The very satisfying results from commission business, service transactions and commercial business contributed to the desired broad-based earnings power. Income from commission business and service transactions rose by 16 million Swiss francs (+15.6 percent). The increase in earnings from securities and investment business (+28.7 percent) was particularly pleasing. Trading activities generated 51 million Swiss francs (+41.1 percent) in the first six months of the year – the highest ever half-year result.

Moderate cost growth ■ Expenses rose by 5.7 percent or 32 million Swiss francs, significantly below the prior-year figure (+8.9 percent). Personnel expenditure rose by 5.6 percent to 384 million Swiss francs. The number of people employed by Raiffeisen as of 30 June 2006 – on a FTE basis – was 6,571, an increase of 180 on mid-2005. Operating expenditure rose by 5.7 percent to 207 million Swiss francs. With expenditure on the renewal and expan-

sion of the IT infrastructure remaining constant, additional spending on marketing activities and investment in bank premises and security equipment played the largest part in the rise.

The cost/income ratio fell slightly and now stands at 54.8 percent (previous year: 55.2 percent).

Profits scale new heights ■ The pleasing earnings trend in interest business, commission business, service transactions and trading activities, coupled with the moderate rise in costs, resulted in a gross profit of 487 million Swiss francs (+7.5 percent). Since depreciation and provisions continue to fall, operating profit rose by 12.8 percent to 403 million Swiss francs (previous year: 357 million francs).

The extraordinary result was significantly lower than in the prior-year period, as the one-time special effects of the previous period (revaluation gains and sale of holdings) were not repeated. Group profit rose by just under 14 million Swiss francs to more than 320 million Swiss francs, making it the highest half-year result ever published.

Consolidated Balance Sheet at 30 June 2006

	30.6.2006 in 1000 CHF	31.12.2005 in 1000 CHF	Change in 1000 CHF	Change in %
Assets				
Liquid funds	1,248,055	1,139,567	108,488	9.5
Receivables from money market securities	12,270	10,846	1,424	13.1
Receivables from banks	16,161,190	10,129,717	6,031,473	59.5
Receivables from clients	6,661,660	6,888,421	- 226,761	- 3.3
Mortgage receivables	85,928,376	83,893,269	2,035,107	2.4
Loans to clients	92,590,036	90,781,690	1,808,346	2.0
Trading portfolios in securities and precious metals	97,184	56,197	40,987	72.9
Financial assets	2,619,340	2,854,680	- 235,340	- 8.2
Non-consolidated participations	360,459	358,131	2,328	0.7
Tangible fixed assets	1,630,205	1,631,071	- 866	- 0.1
Intangibles	10,592	11,565	- 973	- 8.4
Accrued income and prepaid expenses	315,022	207,983	107,039	51.5
Other assets	974,199	1,005,153	- 30,954	- 3.1
Total assets	116,018,552	108,186,600	7,831,952	7.2
Total subordinated receivables	-	-	-	-
Total receivables from non-consolidated participations	2,683,171	503,551	2,179,620	432.8
Liabilities				
Liabilities to banks	14,107,531	9,740,624	4,366,907	44.8
Liabilities to clients in the form of savings and investment deposits	61,549,517	61,984,063	- 434,546	- 0.7
Other liabilities to clients	13,157,920	10,625,246	2,532,674	23.8
Medium-term notes	11,504,046	10,757,501	746,545	6.9
Client monies	86,211,483	83,366,810	2,844,673	3.4
Bonds and mortgage bond loans	7,202,050	7,074,350	127,700	1.8
Accrued expenses and deferred income	708,887	494,420	214,467	43.4
Other liabilities	385,901	437,385	- 51,484	- 11.8
Value adjustments and provisions	1,107,891	1,097,369	10,522	1.0
Cooperative capital	414,664	395,662	19,002	4.8
Retained earnings	5,558,502	4,971,729	586,773	11.8
Group profit	321,643	608,251	- 286,608	- 47.1
Total equity capital	6,294,809	5,975,642	319,167	5.3
Total liabilities	116,018,552	108,186,600	7,831,952	7.2
Total subordinated commitments	-	-	-	-
Total commitments towards non-consolidated participations	5,410,286	4,967,302	442,984	8.9
- of which mortgage bond loans	4,932,050	4,304,350	627,700	14.6
Off-balance-sheet business				
Contingent liabilities	319,322	316,348	2,974	0.9
Irrevocable undertakings	1,033,379	719,576	313,803	43.6
Obligations to make payments and additional contributions	41,399	39,345	2,054	5.2
Derivative financial instruments				
Positive replacement values	161,010	113,291	47,719	42.1
Negative replacement values	88,556	135,597	- 47,041	- 34.7
Contract volume	27,987,131	23,863,768	4,123,363	17.3
Fiduciary business	212,053	163,470	48,583	29.7

Consolidated Profit and Loss Account at 30 June 2006

	1.1.–30.6.2006 in 1000 CHF	1.1.–30.6.2005 in 1000 CHF	Change in 1000 CHF	Change in %
Interest and discount income	1,511,471	1,422,120	89,351	6.3
Interest and dividend income from financial assets	36,173	41,703	- 5,530	- 13.3
Interest expenditure	- 661,123	- 614,096	- 47,027	7.7
Net interest income	886,521	849,727	36,794	4.3
Commission income lending business	2,762	2,727	35	1.3
Commission income securities and investment business	94,083	73,104	20,979	28.7
Commission income other service transactions	59,300	59,103*	197	0.3
Commission expenditure	- 37,364	- 32,156	- 5,208	16.2
Net income from commission business and service transactions	118,781	102,778	16,003	15.6
Net trading income	50,810	36,020	14,790	41.1
Income from sale of financial assets	176	1,279	- 1,103	- 86.2
Income from participating interests	10,324	10,747	- 423	- 3.9
Income from real estate	9,046	9,643	- 597	- 6.2
Other ordinary income	2,534	2,362	172	7.3
Other ordinary expenditure	- 502	- 313	- 189	60.4
Other ordinary result	21,578	23,718	- 2,140	- 9.0
Operating income	1,077,690	1,012,243	65,447	6.5
Personnel expenditure	- 383,931	- 363,449	- 20,482	5.6
Operating expenditure	- 206,606	- 195,448*	- 11,158	5.7
Total operating expenditure	- 590,537	- 558,897	- 31,640	5.7
Gross profit	487,153	453,346	33,807	7.5
Depreciation on fixed assets	- 63,419	- 66,727	3,308	- 5.0
Value adjustments, provisions and losses	- 20,904	- 29,432	8,528	- 29.0
Operating profit (interim result)	402,830	357,187	45,643	12.8
Extraordinary income	4,682	33,057	- 28,375	- 85.8
Extraordinary expenditure	- 2,848	- 3,824	976	- 25.5
Taxes	- 83,021	- 78,750	- 4,271	5.4
Group profit	321,643	307,670	13,973	4.5

* The adjustment made in the last financial year to the rules for recording reimbursed expenses and fees for payment services has resulted in a restatement of the prior-year figures.

Ongoing expansion of the core business ■ As of 30 June 2006, loans to clients by the Raiffeisen Group amounted to 92.6 billion Swiss francs, with mortgage receivables accounting for 85.9 billion Swiss francs or 92.8 percent (+2.4 percent since 31 December 2005). Despite continued pressure from competitors, the growth rate of the previous year was maintained along with the high quality of the credit portfolio.

The proportion of fixed-rate mortgages reached a new record level of 67.2 percent (previous year: 66.4 percent). However, the changed interest rate environment of slightly increasing rates, particularly at the long end, has led to a significant decline in the shift to fixed-rate assets.

Growth in client assets outpaces the market ■ Although the bank savings market saw negative growth overall, Raiffeisen recorded an increase of 0.4 percent in the first half of the year. While liabilities to clients in the form of savings and investment deposits fell by 0.7 percent, there was an increase of 6.9 percent in medium-term notes.

Custody assets administered by Raiffeisen rose by 3.1 percent or 856 million Swiss francs to reach 28.5 billion Swiss francs. This increase was driven primarily by new money inflows into medium-term notes and structured products. Fund and equity volumes saw a slight fall due to the downturn in the second quarter.

Client assets under management reached 105.4 billion Swiss francs as of mid-2006.

The Raiffeisen Group's total assets stood at 116 billion Swiss francs as of 30 June 2006. The large increase (+7.2 percent) can mainly be attributed to the major expansion of interbank repo transactions and short-term investments by institutional clients.

Membership numbers rose by 33,149 or 2.5 percent during the first six months to reach a total of 1.34 million cooperative members.

Positive outlook ■ The Raiffeisen Group is optimistic about the future and expects the result for the full year to be slightly higher than the previous year's profit of 608 million Swiss francs. We are confident that our strategy of healthy growth and broad-based earnings strength will ensure the continued success of the Group.



*Every path, however demanding,
starts with the first step.
Raiffeisen accompanies its members
throughout their journey.*

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