Annual Report 2009 Raiffeisen Group

RAIFFEISEN

KEY FIGURES

Key figures

	2009 Amounts in CHF million	Change in %	2008 Amounts in CHF million	Change in %	2007 Amounts in CHF million
Key balance sheet figures					
Total assets	139,520	6.0	131,575	6.9	123,076
Loans to clients	117,636	8.3	108,595	7.0	101,527
of which mortgage receivables	110,678	9.1	101,435	7.6	94,299
Client monies	110,739	6.4	104,098	10.6	94,155
Client monies as % of loans to clients	94.1%		95.9%		92.7%
Key P + L figures					
Net interest income	1,950	1.3	1,926	2.4	1,881
Net income from commission business and service transactions	227	-1.1	230	-5.6	243
Operating income	2,350	1.0	2,327	1.3	2,297
Total operating expenditure	1,463	1.4	1,443	8.3	1,333
Gross profit	887	0.4	883	-8.4	965
Group profit before tax	791	16.1	682	-18.8	839
Group profit	645	14.4	564	-19.5	701
Gross profit per personnel unit (in 1000 CHF)	113.3	-4.6	118.8	-14.0	138.1
Cost/income ratio	62.3%		62.0%		58.0%
Capital resources					
Total equity capital	8,628	8.1	7,979	7.8	7,402
Return on equity (ROE)	7.8%		7.3%		10.0%
Equity ratio	6.2%		6.1%		6.0%
Core capital ratio	12.7%		12.7%		12.6%
Total capital ratio	18.9%		18.8%		18.7%
Market data					
Share of mortgage market (2009: estimated)	15.2%		14.7%		14.2%
Share of savings market (2009: estimated)	19.6%		19.7%		19.0%
Number of cooperative members	1,618,941	4.5	1,549,190	7.3	1,443,841
Client assets					
Client assets under management	134,904	8.1	124,817	5.9	117,859
Custody account business					
Number of custody accounts	367,389	-4.1	383,125	6.6	359,466
Total custody account volumes	33,639	3.0	32,672	-8.8	35,841
Lending business					
Losses on lending business	25	-41.5	43	-5.8	46
as % of loans to clients	0.022%		0.040%		0.045%
Non-performing loans	373	-5.1	393	0.4	391
as % of loans to clients	0.317%		0.362%		0.385%
Rating given to Raiffeisen Switzerland					
Moody's	Aa1		Aa1		Aa1
Resources					
Number of employees	9,553	4.6	9,133	6.1	8,606
of which trainees	776	5.1	738	7.0	690
Number of personnel units	7,999	4.4	7,665	6.3	7,208
Number of Raiffeisen locations	1,146	-0.4	1,151	-0.3	1,155
Number of ATMs	1,461	3.3	1,414	6.1	1,333

Management summary

The year of mortgages

Raiffeisen recorded record growth in mortgage lending in 2009, with mortgage volumes up 9.1% to 110.7 billion Swiss francs, bringing its market share in this segment to 15.2%. This growth was not achieved at the expense of security, however: actual losses on lending business decreased to 0.02% of overall lending, while provisions for impaired receivables fell to 355.8 million Swiss francs.

During the same period, client monies increased by a substantial 6.4% to 110.7 billion Swiss francs. There was a marked shift from fixed-income investments to variable-rate savings in anticipation of rising interest rates. Overall, Raiffeisen benefited from its excellent positioning coupled with a sustainable business model. In spite of the challenging environment, Raiffeisen boosted Group profit by 14.4% to 645.4 million Swiss francs.

Attractive membership

The Raiffeisen brand also benefited from enhanced confidence and trust, achieving very good results in several independent surveys and taking the top spot in terms of trustworthiness, professionalism, reliability, innovation & dynamism and transparency.

70,000 individuals chose to become new members of Raiffeisen in 2009, breaching the threshold of 1.6 million members.

Outlook: further growth

This record growth was accompanied by a service offensive. Raiffeisen invested in new staff – above all in additional client advisors to maintain and build on the high standard of service and the bank's proximity to clients. This also had an impact on personnel expenditure. In a dynamic environment, the Raiffeisen brand remains well positioned for the future. The Raiffeisen Group therefore expects to grow faster than the market again in 2010.

A path is made by walking it.

Zhuang Zi, Chinese philosopher and poet

The paths in this year's annual report – some well travelled, some less so – reflect the diversity of character within Switzerland. Raiffeisen, too, is shaped by this diversity, as represented by its broad geographical reach, committed local roots and proximity to its clients and members. Just as diverse and individual as our clients are the wide range of opportunities we offer them, tailored specifically to their differing goals and needs.

In the same way that paths are made by walking them, values only develop when they are lived out in practice. Each and every day, Raiffeisen upholds values such as stability and tradition by drawing on proven concepts while at the same time nurturing characteristics such as vision and progress by taking a long-term view of the future and encouraging a positive attitude towards change.

These values are also expressed in the paths depicted by photographer Sally Montana in this report. The road over the Gotthard pass, which was carved into the Alps hundreds of years ago, is the epitome of stability and security. Just looking at its miles of twists and turns sparks associations with values such as durability, continuity, sustainability and – last but not least – trust. In this annual report, we invite you to discover how these values are implemented at Raiffeisen and join us on a journey of discovery along some of Switzerland's well-known and lesser-known paths.

The big events of 2009 at Raiffeisen

The Raiffeisen Group's 109th financial year was also heavily impacted by the global financial and economic crisis. Switzerland did not emerge unscathed from the worldwide economic downturn.

Raiffeisen posted record growth in mortgage lending, which rose by 9.1% to 110.7 billion Swiss francs, giving it a market share of 15.2%. Total client monies increased to 110.7 billion Swiss francs (+6.4%). 101,000 new clients and 70,000 new members started a banking relationship with Raiffeisen in 2009.

Low interest rates are helpful to business

During the global recession, which peaked in the first quarter of 2009, Switzerland experienced a comparatively minor downturn. This is thanks in no small part to the country's diversified banking sector. Low mortgage interest rates are a positive side effect of the financial market crisis. In this way, Raiffeisen helped to stimulate the construction industry and thus economic activity as a whole.

Political environment

There was growing political pressure on bank-client confidentiality in Switzerland during the year under review.
By signing the double taxation treaty in 2009, Switzerland agreed that it would in future grant administrative assistance in cases of tax evasion and tax fraud (OECD, Art. 26). The Swiss Federal Council has defined a new financial centre strategy; the position of the domestic banks within this strategy is of key significance for Raiffeisen.

Raiffeisen and Vontobel extend their cooperation

The Vontobel Group and the Raiffeisen Group extended their cooperation agreement, which has been in force since 2004, until 2017. Within the scope of this partnership, Raiffeisen obtains products and services from Vontobel with a view to strengthening its position as an investment bank. Vontobel will continue to conduct securities processing and management for the Raiffeisen Group.

Raiffeisen and Helvetia continue their success

The successful partnership between Raiffeisen and Helvetia, which had already been running for ten years, was extended for a further five years in 2009. The cooperation has undergone continuous development in the past decade and has created substantial added value for clients.

Raiffeisen and Ethos launch cooperation

In future, the Raiffeisen Group and the Ethos Foundation will work together with regard to selected investment products. In this context, shareholder voting rights will be exercised in line with the Ethos recommendations for Swiss shares.

Member offers supporting tourism

In keeping with the "Erlebnis Schweiz" (Swiss experience) motto, Raiffeisen provides regular offers to its members at highly attractive rates. In 2009, there was an exclusive offer of half-price accommodation for two at one of 180 hotels specially selected by the Swiss tourist authority.

New Avaloq IT platform

As part of the programme to replace the current core banking applications with the Avaloq standard banking software, which is scheduled to take several years, the main focus during the year under review was on successfully launching the new payment services system at around 200 banks.

Mission statement

Our vision
Raiffeisen is the leading Swiss retail banking group. The Raiffeisen banks, which are organized as cooperatives, tailor their offering to clients' needs in liaison with their cooperation partners. Raiffeisen is guided by fair and cooperative values in its dealings with cooperative members, clients, staff and society.

Our principles
Fair partner to our clients
- We assume our responsibility towards our clients by providing personal service in clients' local areas and streamlined decision-making processes.
- We engage with others in a friendly and approachable manner and deal with our clients' concerns professionally.
- We aim to be a reliable partner by offering support to our clients on financial issues throughout their lives.

Cooperative as a matter of principle
- Through the membership option, we offer our clients the chance to become owners of their Raiffeisen bank.
- We combine business management principles with cooperative values by passing benefits on to our members.
- At a local level, the autonomous Raiffeisen banks benefit from the synergy potential of the national banking group.

Team-focused and entrepreneurial working attitude among staff
- We aim to achieve a partnership between our staff that is characterized by dialogue, fairness and social responsibility.
- We create the conditions and the environment in which our staff can flourish and develop responsibly.
- Their skills, commitment and ability to identify with Raiffeisen are prerequisites for the Group's long-term performance.

Active part of life in society
- We are committed to fair competition and our actions are guided by strong ethical principles.
- Through the dedication we show and the products we offer, we demonstrate our commitment to the sustainable development of society and the environment.
- By acting in a transparent and responsible manner, we create a relationship with our clients and with society that is built on trust.
- Committed staff and a membership that includes official bodies help to strengthen our Group's regional roots.

A new beginning Raiffeisen was Switzerland's most popular bank in 2009. At the same time, the reputation of the financial sector sank to an all-time low – in spite of the fact that the traditional functions performed by banks are more important now than ever. For Raiffeisen, this represents both an opportunity and a challenge.

"Raiffeisen is doing well." This is a sentence we will never get tired of hearing. The philosophy and business model of Raiffeisen have proven their worth in the current difficult environment, which in turn has convinced many people in Switzerland to become clients of Raiffeisen or even to sign up as members of the Raiffeisen movement. But can we really be happy with how 2009 turned out? Stagnant economic growth and rising unemployment have taken a heavy toll – not only financially, but also emotionally. The Swiss banking industry suffered in particular. Nevertheless, banks have an extremely important role to play during the current phase, as the following examples from our 2009 financial year show.

Interest rates: Security in an uncertain environment
Faced with a looming recession, the Swiss National Bank cut interest rates at an unprecedented pace and scope. This was undoubtedly the right reaction at the right time. But it has not come without its consequences, namely a loss of trust in interest rate stability. The fear of upside interest rate pressure is palpable. At Raiffeisen, 73% of mortgages are now fixed-rate mortgages, compared with 55% in 2008. The trend for client monies was just the opposite, with the task of reconciling the interest rate term structure – one of the traditional roles of a bank – becoming increasingly important in an uncertain interest rate environment and representing a real challenge.

Companies: Partner in difficult times
Raiffeisen did not hesitate when confronted with the difficult environment for companies, continuing on the growth path it has been pursuing in the corporate clients business for several years. We issued over 8% more loans and acquired over 4% more new clients, hardly indications of a credit crunch. Even in complicated cases, we continually strove to find acceptable solutions for all parties involved.

Mortgages: Creating space to live
The Raiffeisen banks issued more new mortgages in 2009 than ever before. This development is not necessarily astounding in itself; indeed, Raiffeisen has been growing much faster than the market for a number of years. But the size of this expansion is significant, propelled by the enormous client growth seen over the last two years. In the area of owner-occupied property – which, with a share of 69%, is the largest segment in our lending portfolio – many clients fulfilled their dream of buying a home. It is almost as if the uncertain environment awoke a desire in many to have the security of owning their own four walls.

Responsibility: Looking outside the boundaries of our own company
We take our social responsibility seriously. This is why we have invested in additional personnel, which creates jobs in the regions and forms the long-term basis for our busi-

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

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

ness success by enhancing our ability to advise our clients locally in the area where they live. We think beyond the boundaries of our own company by creating incentives for our clients to focus on sustainability in their operations and projects. We are in the middle of a process aimed at promoting our corporate social responsibility and making this visible to the outside world.

Raiffeisen: Positioned for success
In this difficult environment, it is vital that the Swiss financial sector emphasize those qualities which have given it its strength: probity, stability and professionalism. We are living up to this responsibility by contributing to the stability of the Swiss financial sector while at the same time representing the interests of the domestic banking market. And we are on the right path, as the results of numerous surveys attest: Raiffeisen is Switzerland's most popular bank.

Outlook: A year full of challenges
We will continue to be exposed to a series of changes in 2010, both in the financial sector and within Raiffeisen itself. We expect the economic recovery to be sluggish. In this environment, interest rates will remain low for the foreseeable future, meaning that pressure on interest margins will persist. One of Raiffeisen's key missions is to foster proximity to its clients and to take care of their needs. We will continue to make this a focus of our business in 2010, with the aim of retaining new Raiffeisen clients for the long term. To do this, we will further strengthen our client advisory offering and raise our profile in Switzerland, for example by opening additional branches in cities and conurbations.

With this solid structure as a base, we will tackle the challenges facing us and make the most of any opportunities that arise. By focusing on core values, as Raiffeisen has always done, the financial sector will soon be able to regain the prestige it has lost.

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

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CHINA SHIPPING
MOL

Continuity

The historic waterway Via Rhenana between Constance and Basel weaves its way through a beautiful natural landscape while at the same time linking cultural centres such as Constance, Schaffhausen, Basel and the island of Reichenau. The element water embodies both continuity and constant movement. Raiffeisen unites these two poles with its business activities by building on proven concepts and continually developing them in line with changing times.

Market activity

The Raiffeisen Group continued on its strong growth path in 2009. Raiffeisen posted a record result in lending volumes, particularly in mortgage loans. No concessions were made with regard to risk-taking. The inflow of client monies was maintained in 2009.

- *Over 1.6 million members*
- *Expansion of leading position in savings*
- *Record growth in mortgages*
- *Sustainable products in high demand*

Market environment

The global recession reached its peak in the first quarter. Thanks to swift and robust monetary and fiscal policy countermeasures, the economy settled down in the second quarter and began to grow again from the middle of the year onwards. Switzerland experienced a relatively minor slump. The stock exchanges started a substantial recovery in March once the conviction had taken hold that fears of a Great Depression were unfounded. At the same time, risk premiums narrowed on the money and capital markets. Yields on government bonds rose considerably during the course of the year in the US and the eurozone, but remained almost unchanged in Switzerland. This was due in part to Switzerland's relatively low national debt and small budget deficits. The Swiss National Bank stabilized the exchange rate versus the euro in March to put the brakes on deflationary pressure. The dollar and the yen, which had become safe haven currencies during the crisis, began to soften again.

Market development

Expansion & maintenance

Growth in the private clients segment was around 2.9% in 2009; as at end-2009, 3.1 million private individuals had a client relationship with Raiffeisen. There was above-average growth in urban areas, with Raiffeisen increasing its client base in Switzerland's largest cities by more than 50% since 2005.

Raiffeisen by canton as at 31 December 2009[1]

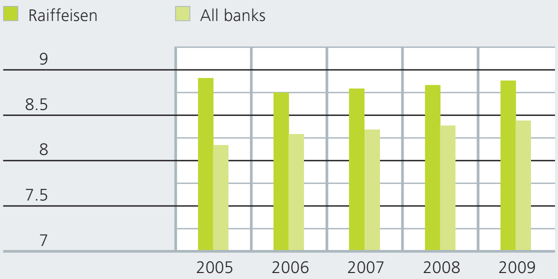
Canton	Number of banks	Number of bank branches	Number of members	Loans[2] in CHF million	Client monies[3] in CHF million	Total assets in CHF million
Aargau	30	104	176,493	13,283	11,855	14,750
Appenzell Ausserrhoden	3	11	16,257	938	1,053	1,149
Appenzell Innerrhoden	2	5	7,513	379	474	511
Basel-Land	26	109	163,328	9,444	8,533	10,631
Basel-Stadt	10	23	44,642	3,235	2,963	3,661
Berne	1	2	0	560	491	642
Fribourg	20	61	78,203	6,105	4,654	6,616
Geneva	6	19	35,784	2,690	3,525	3,767
Glarus	1	2	5,889	334	324	375
Grisons	12	70	53,381	3,687	3,399	4,149
Jura	8	46	24,733	2,039	1,536	2,272
Lucerne	24	53	112,136	6,424	5,645	7,227
Neuchâtel	6	23	22,593	1,282	1,136	1,415
Nidwalden	2	8	18,636	1,158	1,099	1,381
Obwalden	2	6	11,470	654	584	751
St. Gallen	44	91	179,953	15,385	13,197	17,347
Schaffhausen	1	3	6,468	382	388	441
Schwyz	27	71	114,285	7,859	7,336	8,785
Solothurn	8	14	35,369	2,155	2,116	2,482
Ticino	19	49	93,042	7,468	6,158	8,208
Thurgau	33	107	99,950	8,457	7,460	9,843
Uri	3	16	15,332	832	757	904
Vaud	20	72	92,010	5,924	5,477	6,893
Valais	30	136	117,457	8,300	8,620	9,978
Zug	8	14	37,028	3,105	2,767	3,503
Zurich	10	31	56,989	5,282	5,542	6,344
Total 2009	**356**	**1,146**	**1,618,941**	**117,359**	**107,090**	**134,027**
Total 2008	**373**	**1,151**	**1,549,190**	**108,057**	**100,387**	**125,407**
Increase/decrease	**-17**	**-5**	**69,751**	**9,302**	**6,703**	**8,620**
Increase/decrease in %	**-4.6**	**-0.4**	**4.5**	**8.6**	**6.7**	**6.9**

1) Raiffeisen banks and branches of Raiffeisen Switzerland

2) Receivables from clients and mortgage receivables

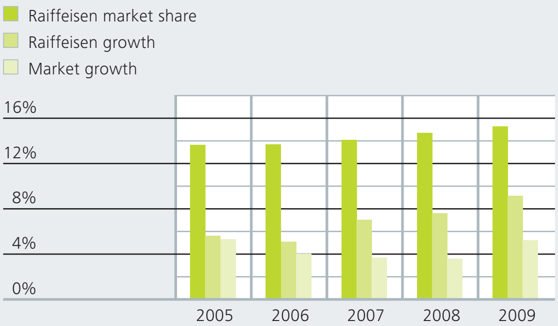
3) Liabilities to clients in the form of savings and investment deposits, other liabilities to clients and medium-term notes

Client satisfaction 2005 – 2009



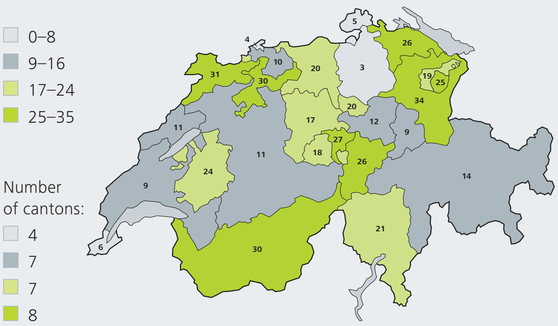
Question: How satisfied are you overall with the services of your main bank? Please give your opinion on a scale of 10 to 0. 10 means "entirely satisfied". 0 means "not at all satisfied".

Share of Swiss mortgage market



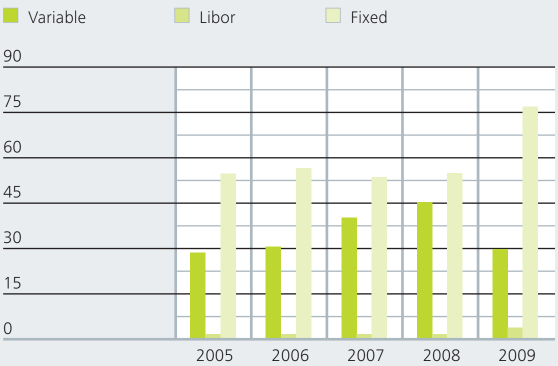
Share of mortgage market by canton 2009

in %:



Volume trends for various mortgage models 2005 – 2009

(in CHF billion)



Raiffeisen aims to secure these client relationships over the long term through professional advisory services and personal relationship management. The youth segment was a key area in 2009 and was supplied with specially devised products and services. Raiffeisen also focused on retirement and pension advisory services, which are designed to assist clients in the transition from working life to retirement.

Brand leadership: first place successfully consolidated

Raiffeisen achieved very good results in a number of independent surveys during the year under review. In the survey conducted by MIS-Trend for the Swiss Bankers Association into the opinions and attitudes of Swiss citizens on current banking issues, Raiffeisen was placed first in all of the image aspects surveyed – trustworthiness, professionalism, reliability, interest in all clients, innovation & dynamism and transparency. Furthermore, Raiffeisen again extended its brand leadership in the 2009 brand tracking survey. Raiffeisen is regarded as a bank with strong regional roots that will become more and more important as time goes on. This is due to the bank's good reputation, its proximity to clients and its high level of trustworthiness. In terms of friendliness and approachability, personal and individual advice, and the client focus shown by client advisors, Raiffeisen leads the field among the Swiss banks.

Client satisfaction further increased

For years now, Raiffeisen has set the benchmark in national client satisfaction surveys with regard to client satisfaction and willingness on the part of clients to recommend the bank. Compared with the last survey in 2007, Raiffeisen again succeeded in raising the satisfaction levels of its main bank clients. An even stronger indicator of the strong ties between the bank and its clients is the willingness to recommend Raiffeisen. When asked which bank an acquaintance without a bank account should choose, 86% of main bank clients said they would recommend Raiffeisen.

Membership remains highly popular

70,000 individuals chose to become new members of Raiffeisen in 2009, breaching the threshold of 1.6 million members. The special "Erlebnis Schweiz" (Swiss experience) offer saw 24,000 members benefit from a half-price rail excursion and 42,000 members enjoy a half-price stay at one of 180 hotels. The 647,000 free visits by Raiffeisen members to museums in 2009 set a new record.

Financing client requirements

Market-beating growth in mortgage financing

Despite the prevailing uncertainty over the trend in the Swiss property market at the end of 2008, the market remained at the previous year's level during 2009, with the number of residential properties under construction actually increasing slightly versus the prior year. However, the leading indicator for 2010 in relation to residential building approvals is not pointing as sharply upwards as it was in 2009.

In comparison with the average multi-year interest rate, the rate in the year under review was still low. However, interest rates for the various mortgage models changed such that a real trend emerged in favour of fixed-rate and Libor-based mortgages. The significance of the traditional variable-rate option declined accordingly.

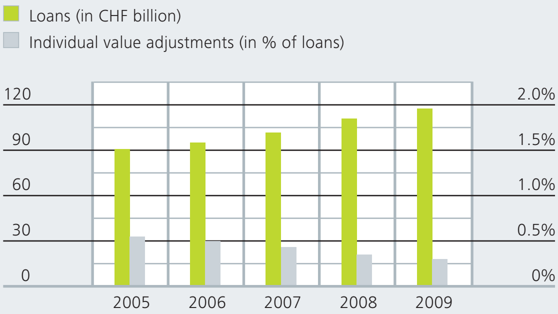
The Raiffeisen Group posted mortgage growth of 9.1% well in excess of the market level.

The basic credit contracts and product agreements introduced around two years ago had a positive impact on flexibility in product selection and on contract preparation costs. This paves the way for a more comprehensive advisory service for mortgage clients and makes it easier for both clients and the bank to switch mortgage models.

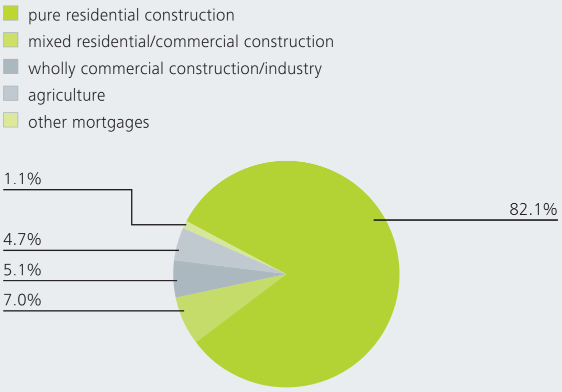
Company financing

Rising lending volumes and the fact that not all limits for business loans have been drawn down clearly show that

Volumes and individual value adjustments

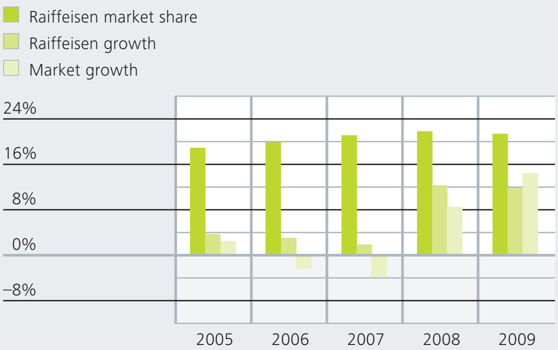


Loans by collateral and property type

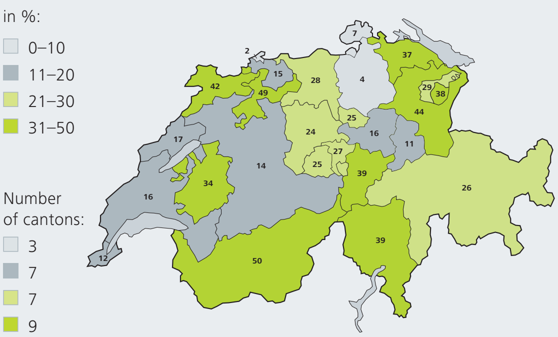


This evaluation reflects the risk view.

Share of savings market



Share of savings and investments market by canton 2009



Raiffeisen clients are not affected by a credit squeeze. By financing export-oriented companies, the Raiffeisen Group made a major contribution to filling the gap left by the withdrawal of foreign banks in 2009. Raiffeisen has implemented modern, proven rating systems and processes since 2009, which ensure more transparent financing for clients and stability for the Raiffeisen Group.

Capital goods leasing

Even though the capital goods leasing market remains fiercely contested, Raiffeisen Leasing Ltd increased volumes by some 10%. A further positive was that the margin targets were also met. These results were made possible thanks to intensive market development work – particularly in the East and Central Switzerland regions. Raiffeisen Leasing Ltd is holding firm to its growth strategy, involving the appointment of additional field staff for the Mittelland and French-speaking Switzerland regions and the addition of vendor leasing to the portfolio of services.

Client requirement: Savings

Investors remained highly cautious in 2009, preferring to leave their funds in savings accounts. This trend was also apparent at Raiffeisen, which posted growth in conventional bank savings (for example, in savings and transaction accounts) of 12.2 billion Swiss francs. More than 50,000 new savings accounts were also opened – an especially pleasing development.

Because of the low interest rates on offer, medium-term note portfolios fell by 12.4% on average across all Swiss banks. Raiffeisen was not immune to this decline either, though the decrease in fixed-interest products was limited to 10%. As soon as market interest rates recover, fixed-interest products will begin to find favour with investors once again.

Client requirement: Pensions

Due to the record deficits in disability pension schemes (IV) and the foreseeable difficulties in old-age and survivors' pension schemes (AHV), individual pension provision is becoming more and more important. Well over 20,000 new Vorsorgeplan 3 (retirement plan 3) accounts were opened with Raiffeisen in 2009. Retirement savings were increased by almost 900 million Swiss francs. Many Raiffeisen pension clients took advantage of attractive valuations and purchased additional fund units in 2009.

Since May 2009, clients have had the option of making automatic periodic investments in their chosen pension funds via the Vorsorge 3 (retirement provision 3) fund savings plan.

Client requirement: Investments

The first quarter of the year was marked by great uncertainty, losses on the capital markets and very low levels of activity on the part of clients. As the economic situation brightened, market participants' confidence returned, giving investors a very positive year on the whole. Raiffeisen gained new investment clients in all quarters. Custody account assets rose by some 4 billion Swiss francs (excluding medium-term notes), and some asset classes such as equities or investment funds recorded year-on-year growth of over 28% and 20% respectively.

Sustainable investment funds are in demand

The Raiffeisen investment funds proved themselves during the crisis. A consistent focus was maintained on sustainability, and various initiatives were entered into including a collaboration with Ethos with regard to the exercise of voting rights for selected Raiffeisen funds. The two investment products launched in March – Raiffeisen Fonds - Clean Technology and Raiffeisen Fonds - Future Resources – added further forward-looking themes to the range.

Structured products with capital protection

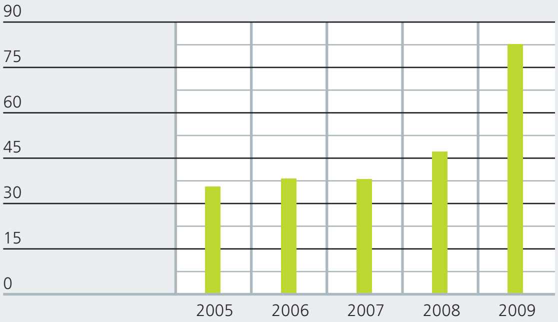
The structured products offering capital protection that Raiffeisen launched in close liaison with its cooperation partner Vontobel continued to be extremely popular. Subscription volumes in these products totalled over 350 million Swiss francs, and total holdings of structured products rose by around 2%.

Client requirement: Insurance

With a premium volume of around 80 million Swiss francs, 2009 was the most successful year of the insurance coop-

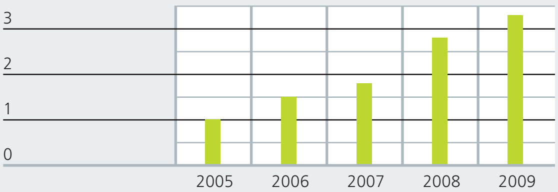
Life insurance policies

(premium volumes in CHF million)



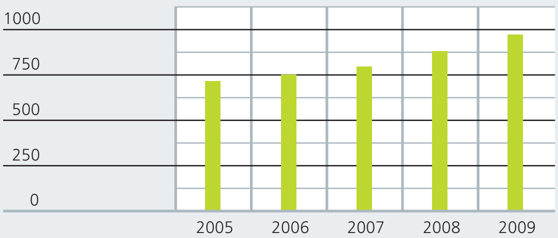
Property and pecuniary insurance

(premium volumes in CHF million)



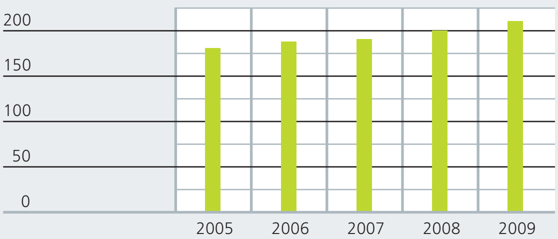
Raiffeisen Maestro cards

(in 1000)



Raiffeisen credit cards

(in 1000)



eration, thanks in part to last year's Helvetia Garantie Plus tranche product. The market environment and the financial crisis have increased the need for security on the part of clients, prompting greater demand for insurance products. Raiffeisen has been working with Helvetia for ten years – an arrangement that offers clients attractive insurance products and which is unique on the Swiss market.

Client requirement: Payments

Card products

With growth of 97,000 Maestro cards, Raiffeisen recorded the largest increase in card numbers in the past ten years. The successful introduction of the new authorization system for Maestro transactions in spring 2009 played a major part in this trend. The latest account balance and the available card limit are now verified for each transaction. This reduces the risks associated with issuing Maestro cards, leading to a massive increase in sales potential.

The number of credit cards rose by 10,000 in the year under review. Sales volumes rose by 40 million Swiss francs, or 4%, in spite of the challenging economic situation. Raiffeisen launched "PayPass" (contact-free payment) in mid-2009. All Raiffeisen MasterCards that have been replaced since this time have been equipped with the new function, which makes it easier and quicker for cardholders to pay for small-ticket purchases.

The Travel Cash card was launched as a prepaid card in spring 2009. This popular means of payment when travelling is the modern alternative to conventional travellers' cheques.

Payment services

Raiffeisen has participated in the SEPA transfer system since November 2009. More than 75% of all foreign currency payments by Raiffeisen clients are made in euros. SEPA transfers are the lowest-cost and most efficient transfer method, and have the advantage that the full amount of the transfer is credited to the beneficiary's bank. The maximum processing time is still three business days.

Client requirement: Advisory services

A comprehensive advisory service tailored to clients' needs is a key part of Raiffeisen's philosophy. In support of this approach, a new type of advisory concept was introduced in 2009 which gives advisory discussions a clear and precise structure. To ensure that this advisory process is lived out in practice, client advisors have access to an extensive package of tools which enable them to demonstrate key concepts to clients in a logical and easily understandable manner and to conduct targeted and focused consultations.

The integration of the "residential property" theme into the central advisory application marked a first key step towards a pan-organizational and integrated advisory platform.

Channels

e-banking: continues to grow in importance

83,000 new e-banking agreements were concluded during the year under review (+ 17%), with the 600,000th e-banking client expected in early 2010. With 43 million payments (+ 19%), 57% of all Raiffeisen payment transactions were processed using e-banking. In addition, 35% more stock market orders were submitted than in 2008.

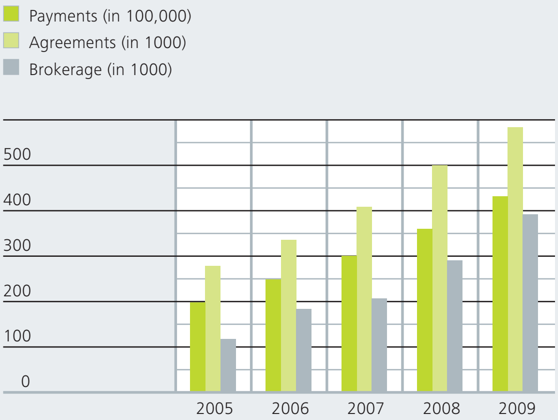
ATM network expanded

The Raiffeisen ATM network grew to a total of 1,461 machines in 2009. This confirmed Raiffeisen's position as the largest operator of ATMs in Switzerland, with a market share of 23%. There is a growing trend towards installing machines that offer combined payment and withdrawal functions in CHF/EUR using Raiffeisen cards in the client area of Raiffeisen banks. Since autumn 2009, all ATMs have offered the mobile phone top-up function.

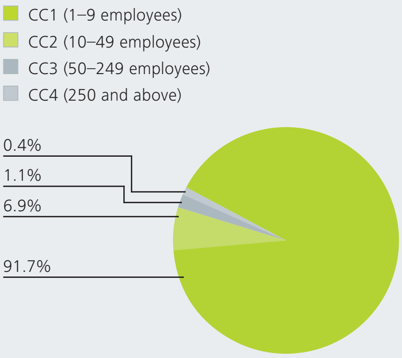
Branch network

With 1,146 locations in Switzerland, Raiffeisen has the densest branch network in the country. Seven new branches were opened in 2009, with a further 12 scheduled to open in 2010.

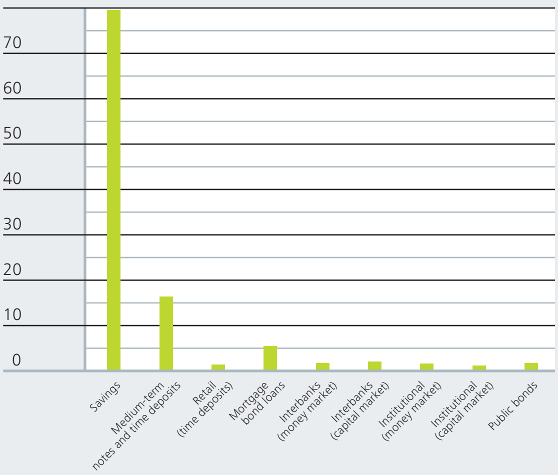
Development of Raiffeisen e-banking



Corporate clients by segment



Raiffeisen Group's sources of refinancing as at 31 December 2009
(in CHF billion)



Corporate clients segment

Further expansion of the corporate clients business

In 2009, the Raiffeisen Group recorded an increase of over 4% to 123,000 corporate clients. Companies with between one and nine employees remain the largest segment. Raiffeisen is continuing with its "local advice – regional support" programme. Clients are advised at their local Raiffeisen bank, with the support of specialists from regional competence centres where required. Raiffeisen is investing in nationwide staff training as well as in local marketing measures. Corporate clients can now visit www.raiffeisen.ch/firmen for information on the entire portfolio of products and services, which is being continually expanded in line with business requirements (information available only in German, French and Italian).

Trading

The Raiffeisen Group has overcome the financial crisis successfully and can look back on a good trading result. The bank again demonstrated a compellingly healthy approach to risk tolerance and risk management.

Refinancing

2009 was a year characterized by continued high client money inflows coupled with even stronger growth in lending. Over the course of the year, this trend led to a gradual reduction in the large liquidity overhang resulting from the severe financial market turmoil towards the end of the previous year. Thus, in the past financial year, the refinancing activities of Raiffeisen Switzerland's Treasury were again focused on maintaining the balanced maturity structure of the Group's balance sheet over the long term. The coverage ratio for non-liquid assets with stable long-term refinancing fell marginally in the year under review, from 108% to 106%. This figure should always be above the 100% mark.

Security

The Andermatt nature trail winds through the so-called avalanche forest, which offers the best possible natural protection against forces of nature such as avalanches, rock slides and flooding. The best way to create security is to put in place the right protection measures. Within Raiffeisen, a well-balanced system ensures optimum security for both clients and the bank.

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.

- *Losses in the financial market crisis prevented through active risk management*
- *Prudent risk policy*
- *Appropriate balance between risk and return*
- *Foreign exposures limited by the Articles of Association*
- *Trading risks limited*

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

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

Control of the key risk categories within the Raiffeisen Group

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

Credit risks

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

Credit risks are only entered into once a thorough check of the counterparty has been carried out. Client knowledge plays an important role in this. 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

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

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

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

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

Credit policy in the corporate clients business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings.

Half-yearly analysis and assessment

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

Market risks

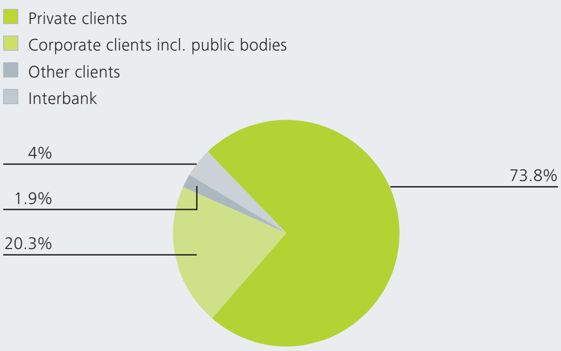
Risks in the bank book

The bank book is exposed to interest rate risks and foreign currency risks.

Interest rate risks are a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen 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 on its balance sheet in line with clearly defined guidelines and sensitivity limits. Risks are limited using global limits.

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.

The Treasury of the Central Bank department of Raiffeisen Switzerland is the Group-wide binding counterparty for refinancing and hedging transactions. It 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. For the purposes of monitoring the overall risk situation, it also calculates the value-at-risk for interest rates at various Group levels.

With respect to foreign currency risks, assets in a foreign currency are in principle refinanced in the same currency (a matched book approach). This means that foreign currency risks are largely avoided.

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

Risks in the trading book

Of the entities within the Raiffeisen Group, only the Central Bank runs a trading book. The trading risks are limited by sensitivity and loss limits. Sensitivity is a measure of the loss of value in the event of a percentage change in the underlying risk factor; the applicable percentage change is determined in line with the risk factor in question.

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.

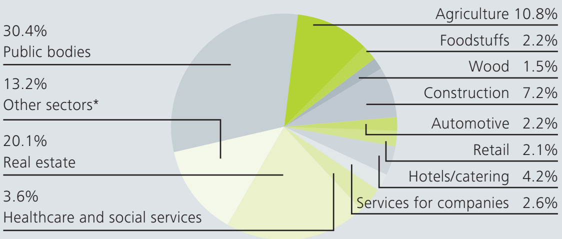
Liquidity and financing risks

According to the FINMA ruling of 24 September 1997, the Raiffeisen banks are exempted from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity; the relevant legal provisions must 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

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

	31.12.2009	31.12.2008
Sensitivity	855	415
Value-at-risk (99.9%)	932	407

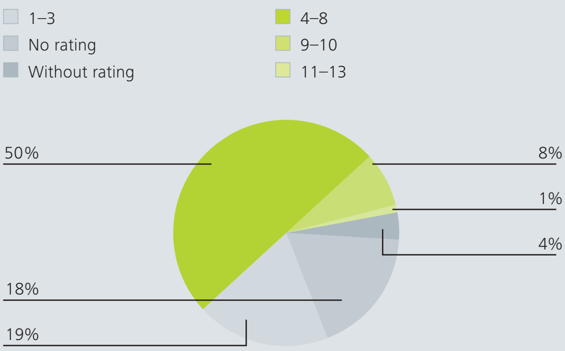
Raiffeisen Group lending by sector (corporate clients and other clients)



* incl. architecture, transport, wholesale, metal and machine industries

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

Corporate client lending by rating category



Corporate clients incl. public bodies:
Without rating = predominantly public bodies not rated externally
No rating = positions with low risk content

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

is available and provides an appropriate and diversified maturity structure.

Treasury, in collaboration with Group Risk Controlling, monitors liquidity trends at the operational, tactical and strategic level on an ongoing basis, and performs regular stress tests. This has shown the Raiffeisen Group's liquidity to be robust. The diagram "Overall liquidity of the Raiffeisen Group" on page 28 shows how the overall liquidity situation developed during the 2009 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 an indispensable requirement for providing banking services. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT dangers and risks.

Business continuity management

Contingency plans for maintaining business operations in the event of failure of critical resources (staff, IT, buildings, suppliers, etc.) complement extensive IT measures for hedging risk such as redundancy and the organization of applications and data across locations. Tests and exercises are carried out according to a timetable drawn up annually and ensure that contingency planning is reviewed and improved on an ongoing basis.

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, where the situation requires it, resolved with the active involvement of Raiffeisen Switzerland.

Legal risks

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

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

Compliance risks

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

- Monitoring and analysing legal developments.

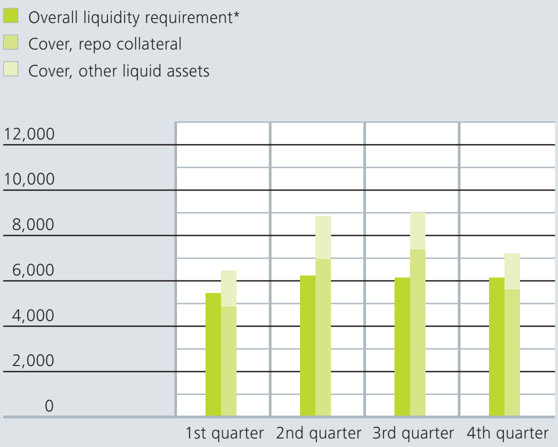
Raiffeisen Switzerland: Limits in the trading book
(Sensitivity in CHF)

	2009	2008
Risk type		
Equities	330,000	330,000
Interest products	220,000	150,000
Foreign currencies	1,200,000	1,200,000
Precious metals	150,000	150,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

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

	Ø 2009	31.12.09	Ø 2008	31.12.08
Risk type				
Equities	194,972	166,784	141,838	–
Interest products	119,983	126,158	79,328	93,906
Foreign currencies	419,342	309,185	387,420	45,351
Precious metals	22,329	3,470	27,653	3,695

Overall liquidity of the Raiffeisen Group 2009
(in CHF million)



* as set out in the Banking Ordinance

- Combating money laundering and the financing of terrorism. The Raiffeisen Group has traditionally attached great importance to “know your customer” principles. Regulations to combat money laundering and the financing of terrorism reinforce and substantiate these principles. The Raiffeisen Group has defined and implemented corresponding internal standards.
- Adherence to market conduct rules and the resulting due diligence and advisory obligations.
- Protection of data and bank client confidentiality.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and implementing changes as promptly as possible. Where necessary and useful, modern IT tools are used in support of relevant measures. In addition, the Compliance department – via a “blended learning” approach – invests substantial amounts in training and raising the awareness of staff and management with a view to avoiding compliance risks.

Legal & Compliance reports any major compliance risks to the Raiffeisen Switzerland Executive Board and Audit Committee on a quarterly basis. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 08/24, are submitted to the Board of Directors once a year.

Sustainability
Salt can be found along the Via Salina that stretches all the way from the French Jura to Berne. The extraction of this valuable commodity – which depends on the sustainable use of resources – is as important today as it was when this route was first used in the Middle Ages. Raiffeisen's philosophy of sustainability is expressed through its cooperative structure and its long-term business model geared towards economic, ecological and social sustainability.

Sustainability report Raiffeisen is living proof that sustainability and economic enterprise are not mutually exclusive, but instead complement one another perfectly within the cooperative framework. With this in mind, Raiffeisen operates according to the principles of economic, social and ecological sustainability.

- *Focus on end-to-end sustainability*
- *Innovative range of products to meet all client needs*
- *Three-stage planning for implementing diversity*
- *High priority given to reducing energy consumption*
- *Broad-based commitment in terms of both themes and geographical implementation*

The cooperative model, which Raiffeisen has practised for 110 years, is one of the success stories to come out of the financial and economic crisis. The UN has heralded 2012 as the International Year of Cooperatives. On the initiative of Raiffeisen, all large cooperatives in Switzerland came together for the first time to discuss the “Future of Cooperatives”.

Politics & Society involved in wide range of activities

The specialist unit Politics & Society was engaged in a wide range of activities in the area of political positioning and information in 2009. On a federal level, information activities surrounding revisions to Swiss company law and the postal act took centre stage. While the former addressed the independence of cooperatives as a company form, within the context of the liberalization of the postal market Raiffeisen campaigned against the issuing of a (special) banking licence for PostFinance.

Raiffeisen took a leading, coordinating role among the banks in the consultation process for the draft Federal Council bill on securing bank deposits. The legislation, which came into effect in December 2008, is due to be continued on the basis of the banks’ joint self-regulatory organization. Lastly, Raiffeisen worked hard to ensure that the domestic banking market was given due consideration when the Swiss Bankers Association developed its new financial market strategy.

An active member

Raiffeisen took a very active role in various national associations (chair of the Swiss depositor protection association, chair of the Swiss Climate Foundation, member of the advisory board of the Swiss Climate Foundation, member of the Swiss Association for Environmentally Conscious Management (Öbu), member of various Swiss Bankers Association committees). Raiffeisen is also a member of numerous international associations (International Raiffeisen Union/IRU, European Association of Cooperative Banks (EACB), International Confederation for Agricultural Credit (CICA), responsAbility Social Investment AG).

Economic sustainability becoming more important

The world and its economy continued to find itself on shaky ground in 2009. Faced with this adverse economic environment, clients increasingly began to call for a sustainable business model with commensurately solid products and services. The Raiffeisen Group made great progress towards improving sustainability throughout the entire length of the value chain.

Process management made even more professional

Raiffeisen is supported by a comprehensive, Group-wide process model and in 2009 made further strides toward professionalizing its process management system. The systematic integration of checks within the internal control system (ICS) in order to reduce process-inherent risks constitutes a significant milestone in this regard. The structures in various process groups were also optimized and the role played by process managers strengthened. A process and ICS reference model was established for the Raiffeisen banks which sets out all regulatory provisions. The individual banks then customize their internal bank models by adjusting reference processes and controls and defining their own regulations.

Cost/income ratio

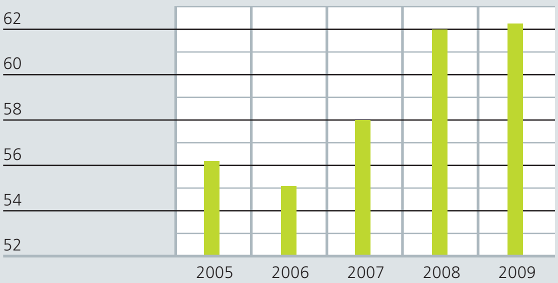
The cost/income ratio, i.e. how much it costs to run the business as a proportion of operating income, was virtually unchanged at 62.3% compared with 62% in the previous year. A rapid reduction in this ratio is not expected over the medium term due to the uncertainty regarding the overall economic trend and the additional spending on the branch network and IT platform in line with the bank’s strategy. Raiffeisen is focusing on investing in the bank’s long-term development on the basis of the Group-wide strategy. The aim is to further strengthen the banking group’s business performance in keeping with the cooperative philosophy and thus for the benefit of our members. This strategy should help Raiffeisen reduce the cost/income ratio to below 55% over the long term.

Information on statement of net added value

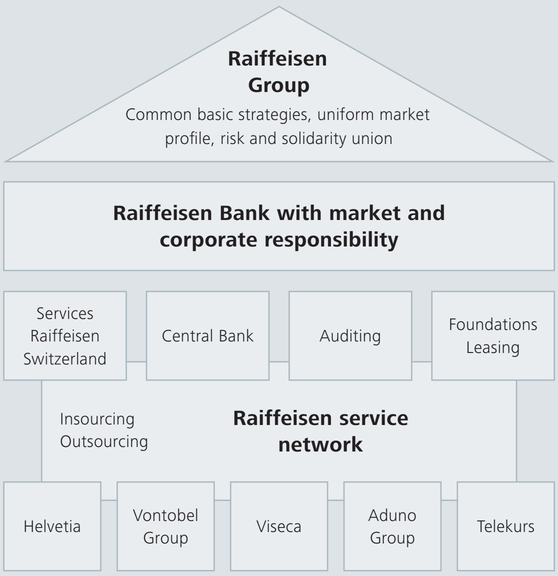
Statement of net added value: The Raiffeisen Group’s gross added value was much higher in 2009 than in the previous year. The increase was due to the recovery in the valuation of strategic participations and the lower proportion of services provided by third parties. Depreciation on tangible fixed assets increased again, but the write-downs were much lower because this item did not include any value adjustments on participations in the year under review. As a result, Raiffeisen was able to create added value of almost 2 billion Swiss francs in 2009, an increase of 164 million Swiss francs year-on-year.

The increase in available funds led to changes in the percentage distribution among the various stakeholders. Although the employees’ share of the value created fell

Cost/income ratio trend
(in %)



Business model



slightly, payments to employees rose by 5.6% (with an increase of 4.4% in the number of employees) or 54 million Swiss francs. The interest on cooperative shares rose by 4.7% due to a further sharp increase in the number of co-operative members. The state received somewhat less in direct taxes due to the ongoing reduction in the tax rates for legal entities. Reserves were strengthened by more than 15% to 616 million Swiss francs.

The state received 8.1% or 146 million Swiss francs. The largest share of the value created, 56.3% or more than 1 billion Swiss francs, went to employees. Payments of 29 million Swiss francs to cooperative members accounted for 1.6% of the funds for distribution. This figure does not include other benefits for cooperative members, which are not shown in the statement of net added value and totalled over 250 million Swiss francs in 2009. These other benefits include free banking and credit cards, higher interest on savings and other direct benefits such as a free museum pass. Money spent on donations and sponsorships amounted to 17.5 million Swiss francs (previous year: 18 million Swiss francs) and is also not taken into account for the distribution of net added value.

Sustainable investment products in vogue

As a sustainable investment bank, Raiffeisen offers its clients a suitably innovative range of products.

High returns for Futura sustainability funds

The Raiffeisen Futura funds only invest in securities from companies that treat resources with due care and respect and use the latest technologies and techniques to ensure that their business model is sustainable. Companies are evaluated according to criteria defined by rating agency INrate.

The sustainable Futura funds have been delivering investors above-average returns for several years. The two equity funds – Futura Swiss Stock and Futura Global Stock – posted pleasing performances of 31% and 28% respectively in 2009.

The Raiffeisen Futura Swiss Stock fund won the Lipper Fund Award for best Swiss equity fund over five years in 2009 for the third year running.

As a co-signatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen keeps investors informed about the investment criteria and processes governing Futura funds. Additional information is available at www.eurosif.org.

New partnership with Ethos

Responsible investing also means exercising voting rights. As a major provider of sustainable investment products, Raiffeisen has therefore decided to enter into a partnership with the Ethos foundation that extends to selected Raiffeisen Futura funds. The foundation's primary aim is to protect the interests of investors on a long-term and forward-looking basis by promoting sustainable development principles and corporate governance best practice. Its voting positions are available on the Ethos homepage: www.ethosfund.ch.

Raiffeisen Fonds – Clean Technology and Raiffeisen Fonds – Future Resources

Global population growth coupled with rising income are accelerating the consumption of commodities, food, water and energy. While demand is increasing, supply is limited. These challenges are creating openings for innovative companies that make more efficient use of scarce resources or develop alternative fuels, in turn generating new opportunities for investors. To take advantage of this trend, Raiffeisen has launched two future-oriented thematic funds: Raiffeisen Fonds – Clean Technology and Raiffeisen Fonds – Future Resources. With performances of 31% and 36% respectively, the funds have got off to a roaring start.

Structured products for forward-looking investors

Structured products offer clients the opportunity to base their investment decisions on future-oriented criteria. The Raiffeisen product range includes various different capital-protected products relating to climate protection, water, renewable energies and sustainable mobility.

ResponsAbility microfinance fund offers a two-fold return

Investments in microfinance have proved that social benefits and financial performance are not mutually exclusive. The granting of microcredits allows people in developing countries to earn a living by running their own business, while at the same time giving investors in the fund a return on their capital.

Raiffeisen is a founding member of ResponsAbility Social Investments AG, founded in 2003. For more information see www.responsAbility.com.

Statement of net added value

	Current year in CHF million	Prior year in CHF million	Current year in %	Prior year in %
Creation of added value				
Corporate performance (= operating income)	**2,350**	**2,327**	**100.0**	**100.0**
Non-personnel expenditure	-447	-481	-19.0	-20.7
Extraordinary income	91	40	3.9	1.7
Gross added value	**1,994**	**1,886**	**84.9**	**81.0**
Depreciation	-179	-231	-7.6	-9.9
Value adjustments/provisions/losses	-8	-11	-0.3	-0.5
Net added value	**1,807**	**1,644**	**76.9**	**70.6**
Distribution of added value				
Personnel (salaries and employee benefits)	1,016	963	56.2	58.6
Cooperative members (paym. of interest on certif.: proposal to AGM)	28	27	1.6	1.6
Government	146	117	8.1	7.1
of which income tax paid	118	123	6.5	7.5
of which creation/release of provisions for deferred taxes	28	-6	1.5	-0.4
Bolstering of reserves (self-financing)	617	537	34.1	32.7
Total	**1,807**	**1,644**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF*	255	254		
Net added value per personnel unit in 1000 CHF*	231	221		
Number of personnel units (average)	7,832	7,437		

* Calculated on the average number of personnel

Increased volume of Minergie mortgages
In 2002, Raiffeisen became the first Swiss banking group to promote new-build homes and building renovations that meet the Minergie standard by offering a 0.5% reduction on mortgage interest rates. This trend towards sustainable construction practices continued in 2009, with the volume of Minergie mortgages managed by Raiffeisen up approximately 50% on 2008.

Integration of ecological sustainability
Raiffeisen is continuing its efforts to integrate ecological sustainability into its business processes while at the same time making step-by-step improvements to its sustainability strategy. In order to measure and minimize the impact of business on the environment on an ongoing basis, the environmental balance sheets compiled together with sinum AG since 2006 have now been institutionalized.

Summary of environmental and CO_2 balance sheet
The combined balance sheet for the Raiffeisen Group drawn up for the first time in 2007 was updated for the 2008 financial year. A representative reference group of nine regional Raiffeisen banks was used in addition to Raiffeisen Switzerland and central data for the Raiffeisen Group analysis to make an assessment of its one thousand-plus locations.

No relevant differences are discernable in the summary of CO_2 emissions and environmental impact compared with the previous year. The priority importance of the categories of electricity, paper, heating and commuting was reaffirmed.

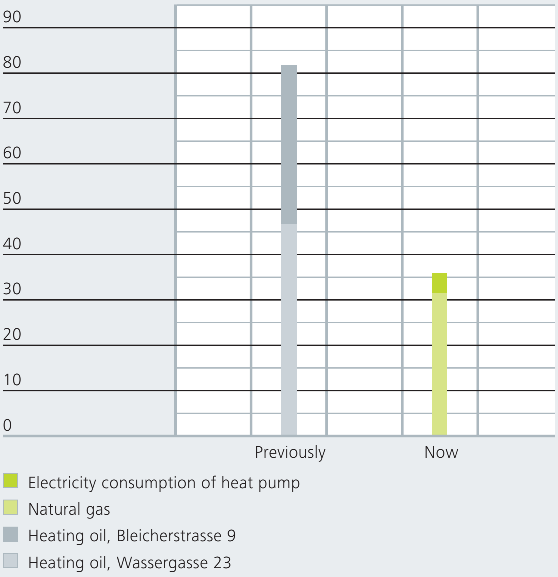
Focus on energy
At least 2% of global electricity consumption is attributable to computing centres – and the figure is rising rapidly. Raiffeisen has witnessed enormous growth over recent years, which has placed huge demands on its IT systems.

"Green IT" live – server virtualization
At the end of 2006 a decision was taken to make systematic use of visualization[1] technology. Implemented correctly, it can help reduce both space and energy requirements; the area required to house the server is almost ten times smaller, while electricity consumption can be cut by more than 80%. The volume of electricity saved by Raiffeisen compared with a conventional solution amounts to 3.5 million kilowatt hours, equivalent to almost one-tenth of the electricity consumption of the Raiffeisen Group or the electricity consumption of nearly 800 average Swiss households. This in turn translates into more than 400 tonnes of CO_2 saved – the same amount generated in emissions by 110 mid-range cars with an average annual mileage of 15,000 km. This ecologically and economically sustainable project was nominated for the Orbit 2009 Green IT Innovation Award. New climate control concepts and cool corridors have also been introduced for suitable server systems in order to further improve efficiency in the area of IT cooling.

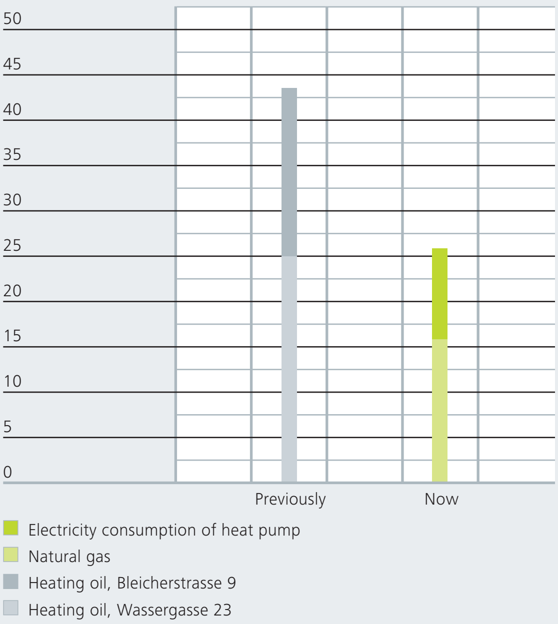
[1] Visualization involves using a software application to divide one physical server into multiple virtual server environments. Raiffeisen currently operates 200 virtual servers on two IBM systems.

Expansion of local heating network at Raiffeisen Switzerland St. Gallen

CO_2 saved: 50 tonnes of CO_2eq, reduction of 60%



Environmental impact reduced by 30%



Expansion of local heating network at the St. Gallen location

Raiffeisen Switzerland is continuing to optimize the heating energy systems installed at its own premises in St. Gallen. The newly integrated buildings at Bleichestrasse 9 and Wassergasse 23 are prime examples of the environmental advantage that can be achieved by switching from heating oil to a connection to a local heating network.

This creates energy savings of approximately 100,000 kWh per year, roughly equivalent to the heating requirements of five single-family homes. In addition, greenhouse gas emissions were cut by 60% or around 50 tonnes of CO_2eq[2]. The environmental[3] impact has "only" been reduced by 30% due to the higher environmental impact of electricity (operation of heating pumps) compared with CO_2 pollution.

[2] CO_2 equivalent: index of the greenhouse gas potential of substances in the earth's atmosphere, such as methane (CH4), nitrous oxide (N2O), HFCs, CFCs or sulphur hexafluoride (SF6). The greenhouse effect caused by carbon dioxide is used as the reference.

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

[4] AquaClic limits water flow to a steady six litres per minute, helping to reduce water and energy consumption by 40 – 60%.

Raiffeisen is making ongoing efforts to improve the efficiency of its heat provisioning systems and is continually expanding its heating network. The systems comprises various facilities such as combined heat and power plants, gas-fired boilers, cooling units that can be used as heat pumps (computer centres) and a facility that recovers energy from a transformer (electricity plants of St. Galler Stadtwerke, the St. Gallen municipal utilities company). This is helping to further reduce direct air pollution and thus emissions within St. Gallen city centre.

AquaClic – water conservation

Raiffeisen Switzerland has equipped the St. Gallen location with 200 taps featuring AquaClic water-saving nozzles[4]. The volume of water saved is estimated at approximately 750m^3 per year, which represents around 10% of water consumption at the St. Gallen location, while energy consumption is reduced by some 30,000 kWh per year, equivalent to the electricity consumption of a small Raiffeisen bank.

Social sustainability

Wide-ranging diversity activities

The Raiffeisen Group's commitment to social and sociopolitical issues is manifested, among other things, by the wide range of initiatives introduced for the benefit of employees. Raiffeisen has set up a three-stage plan running until 2015 to monitor the implementation of its diversity goals and has created an independent unit that develops and proposes initiatives on diversity issues.

Raiffeisen has set itself the target of increasing the proportion of women in senior management. During the year under review, the percentage of women in senior management rose slightly to 11.7% (previous year: 11.4%). The percentage of female managers (Raiffeisen Group) was 25.2%.

Increased focus on family-friendly initiatives

Active use has been made of the changes implemented in recent years to foster a culture of family-friendliness within the Raiffeisen Group. These measures have now been complemented by paternity leave of 15 days as well as the provision that the company will award up to five days' paid vacation to look after a sick child. The family holiday weeks, which were held for the fourth time, were attended by 280 children. On Take Our Daughters and Sons to Work Day, around 80 children of staff members took part in banking games and office tours in St. Gallen and Dietikon.

Attractive mentoring programme

The mentoring programme is made all the more attractive by the fact that the entire Executive Board offer their services as mentors. There were 26 tandems in 2009. The mentoring programme is a relationship of encouragement and support between two people at different experience and hierarchical levels, whereby an experienced member of staff assists one of their colleagues in achieving their personal and professional goals.

New programme: mid-life initiative

Raiffeisen has decided to tackle the issue of demographic change by implementing a carefully designed generation policy. Based on the finding that when top managers reach their prime they need new career perspectives and want to undertake work that gives them a sense of meaning and fulfilment, in 2009 Raiffeisen offered a section of senior management a two-day course on how to actively shape their future career path. Over 50 people took advantage of the offer.

A new pension regulation allows experienced employees to reduce their working hours on a gradual basis or make use of flexible retirement options.

Focus on further education and training

Systematic and targeted staff development is key to the future success of the Raiffeisen Group on the market and the creation of significant added value. A specialized "Training" unit was established during the year under review in order to better support this process with tailored further education and training measures.

Development of talented staff for senior positions
Three-year development programmes have been set up to prepare talented staff for senior management positions. This process seeks to reinforce succession planning by developing the key personal skills required to perform senior management functions – all under the watchful eye of a line manager. As in previous years, around 100 key people completed the process in 2009, and were replaced by an equal number of new participants.

Targeted further education and training
A comprehensive seminar programme has been developed to help staff acquire the skills and competencies they need for a specific function. The Training unit at Raiffeisen Switzerland offered employees of the Switzerland Group around 350 internal seminars and further education courses throughout Switzerland during the year under review. 6,178 members of staff took advantage of these various training opportunities, amounting to 18,598 participant days. Employees also had access to approximately 80 internally developed online training programmes on a range of specialist, sales, bank application and management topics.

In addition to the training measures outlined above, Raiffeisen Switzerland holds information events for the Raiffeisen banks when new products are introduced or to address complex issues. Regional information and discussion forums take place twice a year between the chairs of the Board of Directors, the chairs of the Executive Boards and the Executive Board of Raiffeisen Switzerland.

To maintain the ongoing high quality of our advisory and sales services, training courses and coaching sessions are conducted on a regular basis for client advisors at the Raiffeisen banks. Due to our cooperative structure, these are aligned to the needs of the individual banks and implemented in collaboration with local managers.

The employees of the Raiffeisen Group are offered generous support when planning their personal, individual training goals. Participation in external training courses is encouraged through both financial support and the provision of working time, enabling employees to acquire recognized qualifications in order to further their professional development and enhance their employment market potential. The Raiffeisen Group regularly gives students the flexibility they need to prepare their dissertations by reassigning tasks and offering support.

263 new training placements
In summer 2009, Raiffeisen offered traineeships to 263 young people all over Switzerland. There are currently approximately 750 commercial apprentices and 23 IT trainees. Of the trainees who graduated in summer 2009, 81% were offered a permanent position or fixed-term contract within the Raiffeisen Group. Twenty-seven high school graduates embarked on a banking career by completing a banking apprenticeship structured according to recognized criteria.

New training programme
As part of a pilot programme, three university or college graduates started an 18-month trainee programme. This programme is intended to further expand the Raiffeisen Group's access to a pool of highly qualified staff over the long term.

High level of employee satisfaction

Every two years Raiffeisen commissions an independent company to conduct an employee survey to measure employee satisfaction. The findings can then be addressed in a targeted manner through appropriate measures. Past surveys have shown that, compared with their counterparts at other firms, employees at Raiffeisen display an above-average commitment to Raiffeisen. The next employee survey is scheduled for 2010.

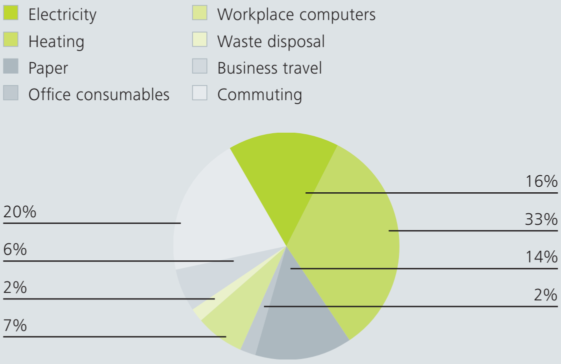
Social report of the Raiffeisen Group

	2009
Number of employees	9,553
Number of full-time positions	6,879
Number of part-time positions	2,674
New positions	420
Total number of women	5,171
of which in management	863
Total number of men	4,382
of which in management	2,560
Total number of apprentices	776
Average length of service (years)	7.1
Average age of employees (years)	36.7
Employee turnover (%)	7.7

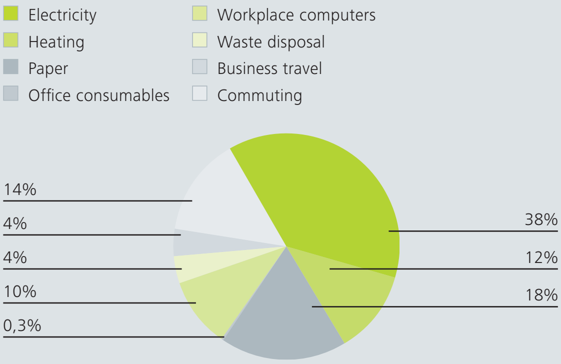
Focus on values in day-to-day business

The aim of value-based management is to implement key values in day-to-day business. At employee level, the focus is on providing a good working environment and suitable training and development processes; clients have the right to expect fair products and reliable relationships. Raiffeisen's Board of Directors and Executive Board understand the importance of this focus on values, recognizing it as a corporate objective and defining it in the form of management principles. Milestones and implementation principles have been laid down within the strategy process. The balanced scorecard, which is now a firmly established tool, is ideal for measuring these values across the entire Raiffeisen organization.

Sources of carbon dioxide emissions



Sources of environmental impact at Raiffeisen



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

Distinction as TOP employer

A total of 22 companies qualified to be included in the "TOP employers in Switzerland 2009" publication and were recognized as TOP employers. Rankings were given for the top three places. Raiffeisen took the top spot in terms of development opportunities, and also achieved very good results in the other categories.

Increase in pension coverage ratio

After getting off to a bad start in the first quarter, the coverage ratio improved to 93% by the end of 2009 on the back of the good stock market performance (previous year: 84.4%). Given the excellent risk capacity of the pension fund due to the expected growth in assets, there was no need to make any fundamental changes to the investment strategy in spite of the currently low coverage ratio. With moderate return expectations of 4-5% per year, the coverage ratio will return to a target level of 110% within a reasonable period of time.

Employee committee since 1995

The employee committee – which first came into being in 1995 – is made up of seven members. As the link between the Executive Board and employees, it liaises on HR-related matters of a social or professional nature and on issues that affect the development of the company as a whole. In accordance with the right to information endowed by its charter, the employee committee is consulted on these issues in an advisory capacity and is generally able to play an active role in the decision-making process. The employee committee and the members of the Executive Board meet on a regular basis to discuss current issues and find appropriate and viable solutions to employee concerns.

Commitment to social issues

Raiffeisen facilitates local, regional and national projects in the areas of sport, culture, society and countless other fields. True to the Raiffeisen philosophy, the lion's share of sponsorship commitments are entered into and managed between the Raiffeisen banks and local and regional clubs, associations and events. Through these commitments, Raiffeisen is able to contribute to the diversity and distinctive features found locally and regionally in Switzerland. This report focuses on the bank's national commitments and only touches briefly upon the wide range of initiatives at local and regional level. Raiffeisen spent approximately 17.5 million Swiss francs on sponsorship and donations in the year under review.

Comprehensive winter sports commitment

Raiffeisen's sponsorship of winter sports has been the cornerstone of the Group's sports sponsorship activities since 2005. Raiffeisen sponsors all elite Swiss Ski athletes in the eight winter sports disciplines of Alpine skiing, ski jumping, snowboarding, cross-country, Nordic combined, freestyle, biathlon and telemark, as well as the rising stars of tomorrow. As the main sponsor of the sportsmen and women of the future, Raiffeisen supports over 16,000 talented young winter sports stars in Switzerland though both direct and indirect sponsorship commitments. Through its sponsorship of all eleven regional skiing associations and the three national high performance centres, Raiffeisen is fostering the next generation of winter sports athletes across the whole of Switzerland.

Its sponsorship also directly benefits the following individual sportsmen and women: Alpine skiers Lara Gut, Silvan Zurbriggen, Marianne Abderhalden, Beat Feuz and Diego Züger, snowboarder Fränzi Mägert-Kohli, freestyle skiers Evelyne Leu and Thomas Lambert, and biathlete Simon Hallenbarter. Olympic gold medallist and world champion Pirmin Zurbriggen also acts as Raiffeisen's winter sports ambassador.

Other sporting commitments

UCI Road Cycling World Championships in Mendrisio

The Road World Championships were held in Ticino from 23-27 September 2009. About 20,000 Raiffeisen clients attended this major sporting event.

Alpine wrestling festivals

The Raiffeisen banks support local and regional Alpine wrestling festivals. After Lucerne 2004, Raiffeisen is once again the main sponsor of the Swiss National Festival of Wrestling and Alpine Sports 2010, to be held in Frauenfeld.

Athletics

Raiffeisen has supported the Swiss marathon runner Viktor Röthlin for several years. The Raiffeisen banks are also involved in the Lucerne Marathon. Within the triathlon discipline, Raiffeisen supports elite athletes Nicola Spirig and Reto Hug.

Events
Raiffeisen is a sponsor of freestyle.ch, the largest freestyle sports event in Europe held at Landiwiese in Zurich. The event pits the world's best snowboarders, freestyle skiers, FMX riders and skateboarders against one another. Raiffeisen is also involved with the largest snowboard and freestyle skiing tour in Switzerland.

Commitment to the economy, innovation and social issues

SwissSkills
Raiffeisen is involved with the Swiss vocational competition SwissSkills. As a sponsor of the SwissSkills Competition, Raiffeisen helps to foster the objective of the foundation, which is to strengthen the value placed on vocational training – especially the dual system – among the general public.

Centenary Foundation
The Raiffeisen Centenary Foundation provided funding totalling 200,000 Swiss francs last year for projects in the areas of business ethics, culture and society as well as for charitable activities.

Taxes
The state also received a total of 117.7 million Swiss francs in direct taxes (previous year: 123.4 million Swiss francs).

Commitment to art and culture

Raiffeisen plays an active role in society, with a particular emphasis on art, and culture. Raiffeisen regards this commitment as part of its broad-based corporate philosophy, which gives consideration to all interest groups.

Commitment to art
Raiffeisen promotes contemporary Swiss art, art in public places, building art, and recurring projects and platforms. Alongside local and regional art sponsorship by the individual Raiffeisen banks, Raiffeisen Switzerland also intends to position itself on the national art market both through its own events and through partnerships with art institutions and artists.

Commitment to culture
For the past ten years, Raiffeisen has provided free museum tickets for its members as part of its support for the wide range of museums found in Switzerland. This com-

mitment benefits over 400 museums, and over 640,000 admission tickets were provided for members in 2009. Raiffeisen also supports Salto Natale, the circus spectacular staged by Gregory and Rolf Knie, whose 2009 programme was dedicated to the theme of nostalgia.

The cooperative has a future

The economic crisis of the past two years has transcended into a crisis of values. The cooperative structure can provide some meaningful answers in these times of changing values. It is in the nature of cooperatives that they stand for multiple business benefits. Profit is an integral part of this, because without a firm financial footing it would be impossible to bestow any other benefits. However, the genetic code of cooperatives is also inscribed with the principle of economic solidarity; this is one of the key features that distinguishes them from public limited companies.

Cooperatives are adept at keeping market forces in check – bolstered by a healthy dose of community spirit and market intelligence. This also makes them exemplary models for sustainable business, as they strive to achieve mutual benefits for all involved. Cooperatives have historically been built on the principle of solidarity, whereby tradesmen, farmers and craftsmen joined together – "all for one, one for all" – to create favourable conditions for purchasing goods and securing the supply of credit. In a cooperative, all members are treated equally: each person receives just one vote, regardless of how many shares they own.

It is hardly surprising that the 2009 Nobel Prize in Economics was awarded to US political scientist Elinor Ostrom for her work in the field of environmental economics on the successful management of common property. One of her theses argues that a self-organized local cooperative may be superior to a privatized company. In her most important work, *Governing the Commons*, Elinor Ostrom also studied Swiss cooperatives that have been in existence since the Middle Ages.

Progress
The Limmat Wasserschloss industrial heritage trail leads hikers past industrial buildings of historic interest in the region between Wettingen and Baden, such as textile factories, power plants, metal and machine workshops, and important railway structures. These solid buildings have stood the test of time. Yet while the structures themselves have remained, the industries inside them have evolved thanks to vision and energy. Raiffeisen also has a solid structure, which provides a strong foundation for progress and innovation going forward.

Strategy The past few years have shown that Raiffeisen is able to grow at an above-average pace and can generate stable income even in a challenging environment. This strategy will continue to be pursued in future. At the same time, the strategic activities will be reviewed on an ongoing basis and adapted in line with new challenges as and when they arise.

- *Raiffeisen's strategy has also proven its worth during the financial crisis*
- *By investing in future projects, Raiffeisen is in an ideal position to build on its potential for future success*
- *Proven strategic targets such as financial stability and risk management will continue to be pursued*
- *The strategic objectives will be measured and managed from an all-round perspective*

2009 was dominated by the consequences of the financial crisis and the economic downturn, both in Switzerland and around the world. The worst-case scenarios regarding the stability of the financial markets and the performance of the real economy fortunately failed to materialize. Nevertheless, the crisis has had a major impact and has fundamentally changed the competitive environment for Swiss banks.

In these challenging conditions in particular, Raiffeisen's strategy, business model and values have proven hugely effective and have helped the banking group to emerge from the financial crisis stronger than before. Despite the exceptionally demanding environment, Raiffeisen can look back on a successful financial year. The banking group again succeeded in substantially growing its core business and gaining additional market share.

The key challenge for the future is to consistently maintain the strategy on which the bank has already embarked and to ensure that Raiffeisen is in the best possible shape for the challenges ahead. Raiffeisen has made large-scale investments in future projects in recent years, ensuring that it not only makes the best use of its existing strengths, but also that it establishes the potential for future success in good time.

Trends and challenges

The banking market in Switzerland is undergoing a period of upheaval. The financial crisis has triggered a transformation process and brought about enduring changes in Raiffeisen's competitive environment.

- Competitive pressure in Swiss retail banking has become more intense and will continue to grow. The financial crisis has raised the appeal of the conventional interest business and is attracting new providers.
- Client requirements have changed as a result of the financial crisis. Values such as security, comprehensibility and transparency have taken a more prominent role.
- The influence of the state and politics continues to increase. To ensure the stability of the financial market and to protect bank clients, regulatory tightening measures have been proposed (such as the deposit protection scheme), some of which have already been implemented (e.g. capital adequacy requirements).
- Earnings are stagnating or in decline. The margins in the interest business have been falling for some time now and have led to a flattening of growth in earnings.
- The labour market for individual specialist functions is still hotly contested. Attracting qualified staff remains a major challenge for banks in Switzerland.

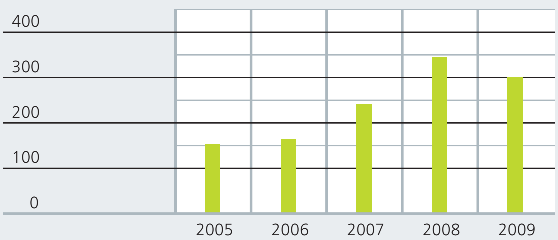
Strategic objectives and measures

Raiffeisen is ideally prepared for the upcoming challenges. The existing strategic targets have proven their worth and will continue to be systematically pursued.

1. Growth in the core business

Raiffeisen intends to continue to grow its market share in both the lending and the deposit-taking business in the coming years. The aim in under-tapped markets – particularly in cities and conurbations – is to acquire and retain new clients for Raiffeisen. This will be achieved by further expanding the branch network and conducting a number of market campaigns. For existing clients, the aim is to increase client retention and benefits to clients by further intensifying and professionalizing the personal advisory service.

Raiffeisen Group capital investment 2005 – 2009
(net investment, in CHF million)



2. Diversification of the business portfolio

As well as a conscious focus on the core business of mortgages and savings, Raiffeisen is aiming to diversify its activities into selected adjacent business areas. This is intended to reflect the varied needs of Raiffeisen clients while expanding the earnings base.

a) Raiffeisen is continuing to pursue its corporate clients strategy, with a particular emphasis on small and medium-sized enterprises. Raiffeisen intends to enhance its market penetration to become No. 2 in the SME segment (1-50 employees) by 2014.
b) Raiffeisen is strengthening its position as an investment bank. The focus here is on professional advisory services and operational enhancements. For example, in 2009 the cooperation with Bank Vontobel in relation to product development, sales support and securities processing was extended until 2017.

3. Increasing efficiency in production and IT

For Raiffeisen, optimizing production and processing is a constant work in progress. The main focus is on the payment transactions, securities processing and loan handling processes. These measures are supported by efficiency and productivity improvements in IT and extensive investments in new software and hardware. As part of a programme stretching over a number of years, Raiffeisen is launching a new standard banking software package aimed at driving the standardization and streamlining process for the existing IT applications landscape. At the same time, the entire infrastructure is undergoing a process of renewal. Via consolidation, standardization and the deployment of new technologies, IT is pursuing the goal of reducing complexity and enhancing cost-effectiveness.

4. Financial stability and risk management

The financial crisis and the regulatory tightening measures have further underlined the importance of financial stability and risk management. Raiffeisen's risk control instruments have proven their worth and are undergoing continuous development. In this context, special attention is being paid to risk control and risk management within the corporate clients business.

5. Positioning as an attractive employer

Competition for the best management and specialist staff continues in spite of the financial crisis. Furthermore, Raiffeisen's ambitious growth strategy requires it to build up qualified personnel resources. In this environment, Raiffeisen is positioning itself as an attractive employer with a unique management culture. The company is placing particular emphasis on fostering young talent, developing key individuals, helping employees to achieve a healthy work-life balance, and promoting the issue of diversity.

Investment in future projects

In recent years, Raiffeisen has set the right strategic priorities. For the banking group to be prepared for the challenges ahead, ongoing investment is required in establishing and expanding the potential for future success. Raiffeisen has substantially increased its spending in this area in the past few years with a view to further improving its position on the market. As well as extending the branch network, investment has also been accelerated in IT and electronic media.

Measuring the achievement of objectives in 2009

To measure and manage its strategic objectives, the Raiffeisen Group has used the balanced scorecard (BSC) for a number of years. The BSC provides a comprehensive overview and, in addition to financial performance indicators, also measures other dimensions such as clients, employees and processes.

The following selection of key performance indicators (KPIs) puts Raiffeisen's strategic targets in an operational context (see table below).

Target values of the Raiffeisen Group

Target value	Dimension	2009 current value	2009 target value
Growth in mortgage volumes	Clients	9.1%	6.0%
Value adjustment component	Financial	0.01%	< 0.2%
Fluctuation rate for key persons	Employees	2.2%	< 5.0%
Number of active e-banking agreements	Processes	456,062	385,000

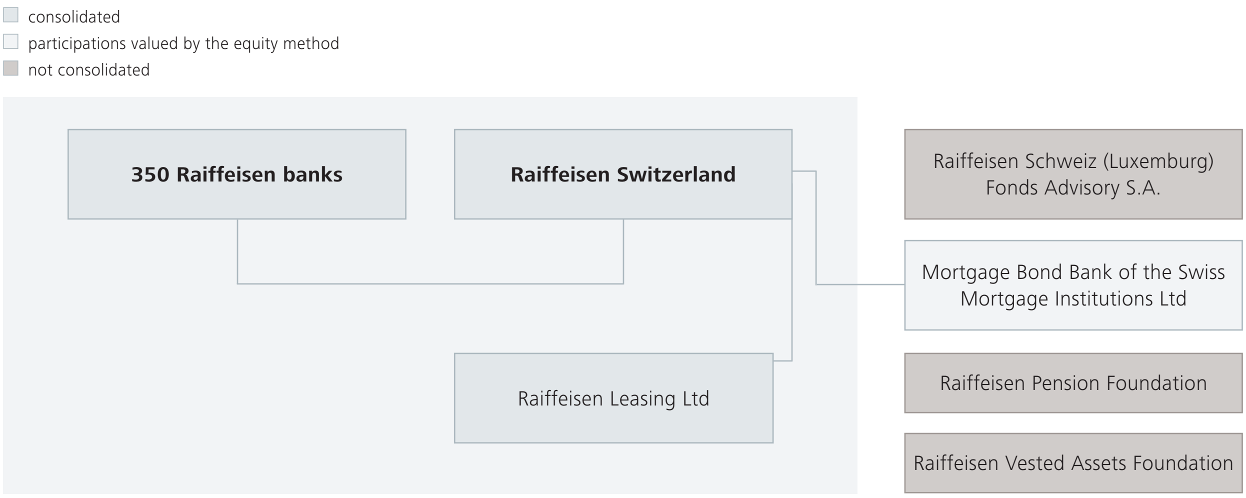
Trust

The Via Spluga mule trail over the Splügen pass was not for the faint-hearted even though it ranked among the most important and best developed transit routes across the Alps for hundreds of years. Even today, the Via Spluga is an impressive reminder that we need to have trust in ourselves and the path beneath us in order to get where we want to go. Our corporate culture – which is also implemented at management level – is the cornerstone for trust. For clients and members of Raiffeisen, trust means knowing they have a reliable partner on their side.

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

- *Trustworthy and fair business policy*
- *Transparent separation between strategic management, operational management and control bodies*
- *Security based on confidence-building pillars*
- *Members of the Board of Directors elected by cooperative members*
- *Delegate Meeting is the supreme executive body of Raiffeisen Switzerland*

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



The following report has been primarily drawn up according to the Swiss Code of Best Practice for Corporate Governance published by economiesuisse and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although these are not binding on Raiffeisen, it is helpful even for an unlisted company to apply its provisions in certain areas. The report deals in particular with the special cooperative organizational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data are accurate as at 31 December 2009.

Raiffeisen Group structure

Raiffeisen Leasing Ltd and Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are wholly owned subsidiaries of Raiffeisen Switzerland. The Raiffeisen Group also has a 22.05% stake in the Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions.

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	■ Banking business ■ Mainly retail business ■ Traditional savings and mortgage business ■ Corporate clients business ■ Payment services ■ Investment fund and securities, and consumer goods leasing	Cooperative members
Raiffeisen Switzerland	■ Business policy and strategy as well as a centre of competence for the Raiffeisen Group ■ Risk controlling ■ Central bank function (monetary settlement, liquidity maintenance and refinancing) ■ Banking business (mainly interbank transactions and securities trading) ■ Staff development ■ Running of branches	Raiffeisen banks
Raiffeisen Leasing Ltd	Equipment leasing	Raiffeisen Switzerland
Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A.	Holds a stake in Raiffeisen Schweiz (Luxemburg) Fonds SICAV and acts as its investment advisor. Raiffeisen Schweiz (Luxemburg) Fonds SICAV issues a variety of subfunds (money market funds, bond funds, equity funds, strategy funds, capital protection funds).	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivized pension savings (pillar 3)	

Changes from prior year

Liquidation of the Central Issuing Office of the Swiss Raiffeisen Banks
The Central Issuing Office of the Swiss Raiffeisen Banks was liquidated with effect from 30 June 2009.

Mergers of Raiffeisen banks
The number of legally and organizationally independent Raiffeisen banks fell from 367 to 350 in the year under review as a result of various mergers. The mergers were motivated by operational and market considerations. The ongoing structuring process enables the individual Raiffeisen banks to optimize their focus on their regional markets. The number of independent Raiffeisen banks will continue to decline slightly over the next few years, though there will be little change in the number of bank branches.

Expansion of Raiffeisen locations
The presence in urban centres was further expanded. The Raiffeisen banks opened a total of 7 new branches in 2009.

Raiffeisen Group organizational structure

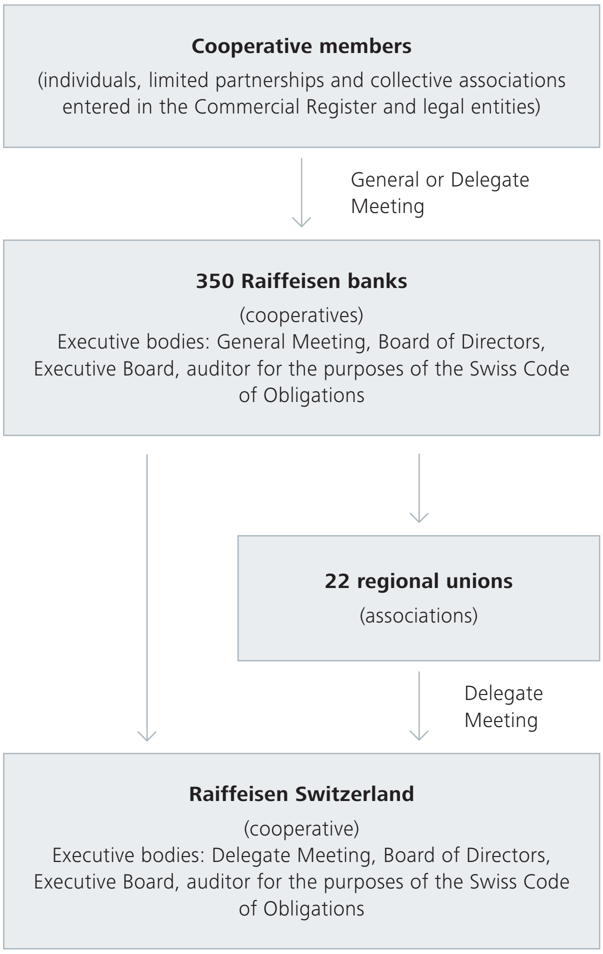
Raiffeisen has four levels of decision-making authority and responsibility:

The 350 Raiffeisen banks with a total of 1,135 branches (excluding branches of Raiffeisen Switzerland) are legally and organizationally independent cooperatives which elect their own boards of directors and have an independent auditor. The Raiffeisen banks are owned by the cooperative members. The candidates for the board of directors are elected at the local general or delegate meetings. This guarantees a fair balance between the interests of the individual bank and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions, which take the form of associations (see page 58). These act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include, specifically, organizing the election of delegates for the delegate meetings of Raiffeisen Switzerland, coordinating regional advertising activities, holding training events for the Raiffeisen banks, and safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities.

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

The Raiffeisen Banks Steering Committee (not shown in the chart) is another management body. Each regional association has one seat on the Committee, and Raiffeisen Switzer-



land has one seat for each department. The Steering Committee reviews strategic issues, objectives and plans from the point of view of the Raiffeisen banks, and prioritizes them based on the instructions of the Executive Board of Raiffeisen Switzerland. It also appoints the representatives who sit on the individual steering committees of Raiffeisen Switzerland and ensures that the Raiffeisen banks have a sufficient say in Group-wide plans and projects.

Major participations

Note 3 (Details of major participations, see page 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, regardless of the number of share certificates acquired. Furthermore, the Articles of Association stipulate that no cooperative member may own more than 20,000 Swiss francs of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative shareholders with more than 5% of the capital or voting rights.

Cross-shareholdings

The Raiffeisen Group companies have no cross-shareholdings.

Capital structure and liability

Capital structure

The Raiffeisen Group's cooperative capital is 536 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 114).

The regional unions

Regional union	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	28
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	24
Bündner Verband der Raiffeisenbanken	Hans Sprecher, Grüsch	11
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	8
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	24
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	11
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	23
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	50
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Bissegg	19
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	12
Fédération genevoise des Banques Raiffeisen	Pierre Guignard, Cartigny	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	10
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	6
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	19
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	20
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	34

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

Changes in equity capital

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

Share certificates bear a maximum 6% interest.

Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the Group's reserves in order to strengthen its capital base.

Security model

The Raiffeisen business model, its business policy, its high level of equity and the possibility of helping shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen system provides a reliable and sustainable basis for all banking transactions for the benefit of clients (see chart on page 61).

Liability

The Raiffeisen Group guarantees its financial obligations through a balanced security network based on the principle of mutual liability, which it has anchored in its Articles of Association. Working together in a tight-knit cooperative union is also a form of solidarity, as the fate and risks of the Raiffeisen banks are tied closely together. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford (see chart on page 60).

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 838.9 million Swiss francs in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of 1.3 billion Swiss francs, of which 360 million Swiss francs have been paid in. Raiffeisen Switzerland has the right to call in the outstanding 924.9 million Swiss francs from the Raiffeisen banks at any time.

Changes in equity capital
(in CHF million)

	2009	2008	2007	2006
Cooperative capital	536	505	467	428
Retained earnings	7,447	6,910	6,234	5,603
Group profit	645	564	701	655
Total	**8,628**	**7,979**	**7,402**	**6,686**

2) Solidarity fund

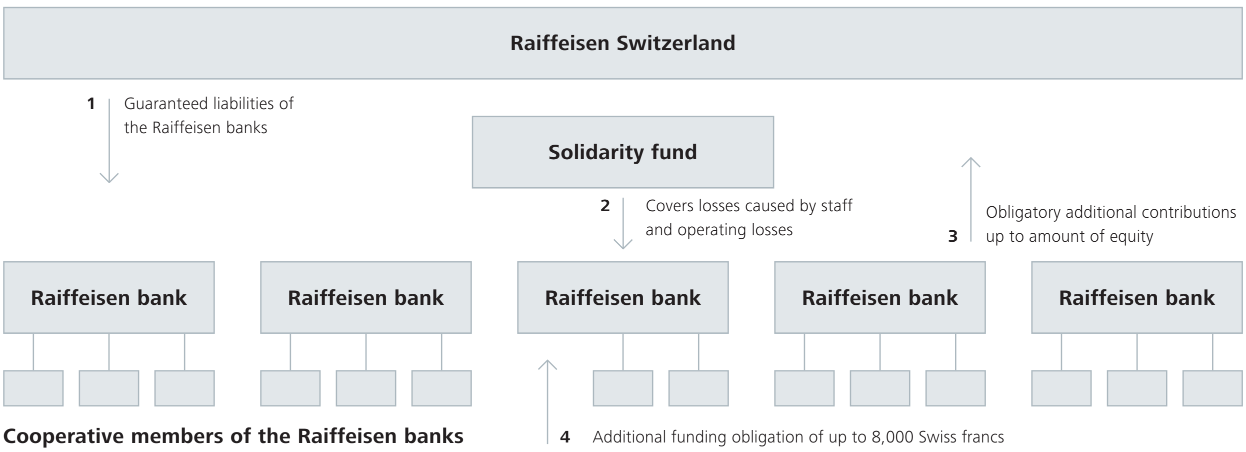
The solidarity fund is – in line with the classic notion of solidarity espoused by Raiffeisen – an organization-wide reserve to cover risks. The fund mainly covers operating losses at the Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets are 321.2 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 7.9 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 12.9 billion Swiss francs (see note 10 "Evidence of equity capital", page 114). The additional funding obligation of the cooperative members of the Raiffeisen banks has never been enforced in Raiffeisen's long history. It is the last resource to be called on, after all the measures described above or all the funds of the entire Raiffeisen Group have been exhausted.



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

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

Executive bodies of Raiffeisen Switzerland

Delegate Meeting of Raiffeisen Switzerland

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

Client confidence in Raiffeisen

Business model

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

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

Business policy

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

Raiffeisen pursues a very conservative risk policy.

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

Capital adequacy

At 12.4 billion Swiss francs, Raiffeisen has more than double the capital required under statutory capital adequacy provisions.

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

Membership

The 1.6 million members help set the course and take responsibility for it.

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

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

Board of Directors of Raiffeisen Switzerland

The Board of Directors is chiefly responsible for the Group's strategic development, for financial management and for overseeing Raiffeisen Switzerland and the Executive Board. It currently has 11 members, the majority of whom work outside the Raiffeisen Group. This ensures that the widest possible range of main professional qualifications and experience (from politics, business and society) are represented on this executive body.

No member of the Board of Directors has been in an employment relationship with Raiffeisen Switzerland during the last three years. In addition, no member of the Board of Directors has a significant business relationship with Raiffeisen Switzerland that has the nature of a directorship.

Composition, election and term of office

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

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

Internal organization

The Board of Directors meets as often as business dictates, but at least four times a year. It met six times in 2009. 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. Once a year the Board of Directors reviews its own activities and assesses its current position.

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.

Members of the Board of Directors

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

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

Continued on page 64

Members of the Board of Directors

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

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

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

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

Board of Directors committees

Committee	Members	Composition, duties and competencies
Committee of the Board of Directors	■ Dr h.c. Franz Marty (Chair) ■ Dr Marie-Françoise Perruchoud-Massy (Vice-Chair) ■ Prof. Dr Johannes Rüegg-Stürm	The Board of Directors appoints the Committee of the Board of Directors, which consists of the chair, vice-chair and at least one other member of the Board of Directors. Duties and competencies: ■ To prepare the business of the Board of Directors ■ To establish the general conditions of employment, the remuneration and the employee benefits of the members of the Executive Board , the Head of Internal Auditing and staff; to prepare the remuneration report for the Board of Directors ■ To lay down rules governing own-account transactions for members of the Executive Board and staff ■ To approve the acceptance of directorships by the members of the Executive Board and the Head of Internal Auditing ■ To pass resolutions on major investments, contractual obligations and expenditure, to the extent that authority over these matters is assigned to the Committee
Audit Committee	■ Lic. iur. Edgar Wohlhauser (Chair) ■ Prof. Dr Franco Taisch ■ Werner Zollinger	The Audit Committee consists of three members of the Board of Directors who have the necessary experience and expertise in finance and accounting, auditing and compliance. Duties and competencies: ■ To assist the Board of Directors in monitoring the Executive Board with regard to the effectiveness of the internal control systems and on financial and accounting issues ■ To evaluate compliance with statutory, regulatory and internal rules and normal market standards and codes of practice ■ To ensure the quality of internal and external auditing and cooperation between the two

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 the resolutions of this body

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

Delimitation of powers

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

Information and controlling tools

The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chair of the Board of Directors and the Head of Internal Auditing can attend meetings of the Executive Board in order to share information. The Executive Board is also required to update the Board of Directors regularly 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 compliance are described in detail in the "Risk policy and risk control" section on pages 22-29.

Internal Auditing

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

Executive Board of Raiffeisen Switzerland

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

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

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

The business processes of Raiffeisen Switzerland are spread across six departments (see organizational chart on pages 72-73).

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.

There were no changes to the Executive Board in the 2009 financial year.

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 been the auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group. It is appointed by the delegates for a term of three years. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Remuneration report

The compensation system at Raiffeisen Switzerland is geared to the cooperative goals of ensuring good-quality growth for the Raiffeisen Group and securing its long-term existence. The system was adopted by the Board of Directors, which reviews it at regular intervals. The Committee of the Board of Directors is responsible for implementing the compensation system. The Board of Directors has accepted and approved the remuneration report.

Board of Directors

The 11 members of the Board of Directors of Raiffeisen Switzerland are compensated in line with their responsibilities and their time. Within this framework, members receive more if they are a member of a committee, chair a committee or chair the Board of Directors. The eleven current members of the Board of Directors of Raiffeisen Switzerland received compensation totalling 919,712 Swiss francs in the year under review. This compensation includes all allowances, attendance fees and expenses. The chair of the Board of Directors, Dr h.c. Franz Marty, received the highest total compensation, amounting to 276,650 Swiss francs. The members of the Board of Directors do not receive a profit-sharing element. In addition, the total employee benefits for the members of the Board of Directors amounted to 123,778 Swiss francs.

Members of the Executive Board (including Head of Internal Auditing)

The compensation paid to the eight members of the Executive Board is comprised of a fixed and a variable component. The fixed component is agreed on the basis of the labour market value, the demands of the assigned department, management responsibilities and seniority. The maximum amount of this fixed component is 1,200,000 Swiss francs. The variable component depends on annual performance and profits. In individual cases it may be at most two-thirds of the fixed component. The criteria for evaluating performance and profits are the three-year goals set for the individual members of the Executive Board in their department, the progress of Raiffeisen Group strategic initiatives and projects, and the Group profit of the Raiffeisen Group compared with the rest of the market.

The total compensation paid to the members of the Executive Board of Raiffeisen Switzerland for the year under review was 7,472,759 Swiss francs. Of this, 1,844,556 Swiss francs was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. In addition, the total employee benefits for the members of the Executive Board amounted to 2,791,678 Swiss francs. Fixed compensation includes business-related Board of Directors fees for members of the Executive Board.

As at the end of the financial year, loans granted to members of the Executive Board totalled 20,072,827 Swiss francs. Loans to members of the Executive Board are approved by the Committee of the Board of Directors. In common with other staff, the members of the Executive Board benefit from the standard preferential terms for the sector. No joining or termination payments were made to members of the Executive Board in the year under review.

Rights of codetermination

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

Raiffeisen banks

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

Members of the Executive Board

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

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

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

* Member of the extended Executive Board

Organizational chart of Raiffeisen Switzerland

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

Branches
Gabriele Burn*

St. Gallen Branch
Dieter Leopold

Winterthur Branch
René Bentele

Basel Branch
Bruno Stiegeler

Zurich Branch
Matthias Läubli

Berne Branch
Daniel Schmid

Thalwil Branch
Daniel Duca

IT
Damir Bogdan*

IT Governance & Services
Markus Beck

Business Systems
Beat Monstein

IT Testing & Tools
Martin Sutter

IT Operations
Christian Lampert

Services
Michael Auer*

HR Management
Michael Federer

Legal & Compliance
Roland Schaub

Organization & Purchasing
Robin Marke

Processing
Olivier A. Oettinger

Facility Management
Roland Hagen

Training
Urs von Däniken

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
Markus Hug

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

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

Voting regulations
The General Meetings pass their resolutions and conduct their elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote held. If this too is tied, the motion is 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 supreme executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting of Raiffeisen Switzerland" on page 61).

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 is debated further and a second vote held. If not enough

candidates gain an absolute majority in an election, posts are decided in a second round of voting, in which a relative majority is sufficient. A resolution to amend the Articles of Association requires a two-thirds majority of the votes cast.

Calls for Delegate Meetings, agenda

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

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

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

Change of control and defensive measures

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

Auditors

Raiffeisen banks

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

Raiffeisen Switzerland and Group companies

The external auditor for Raiffeisen Switzerland and Raiffeisen Leasing Ltd is PricewaterhouseCoopers AG in St. Gallen.

Raiffeisen Group

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

Audit fee

The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling 17.5 million Swiss francs for audits under Swiss banking law and internal audits in the year under review. In financial year 2009, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of 11.9 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 also invoiced the Raiffeisen Group 0.8 million Swiss francs for other audit and advisory services.

Information tools available to the external auditor

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

Supervision and control of the external auditor

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

Information policy

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

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

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

Press releases in 2009

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

Disclosure requirements in respect of capital adequacy

The Raiffeisen Group, in its capacity as the central organization, is obliged by FINMA to comply with capital adequacy rules and, as such, is subject to the disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 29 September 2006 and FINMA Circular 2008/22 entitled "Disclosure obligations regarding capital adequacy within the banking sector".

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital as well as credit, market and operational risks, is available on the Raiffeisen website (www.raiffeisen.ch). The year-end publication also appears in the Raiffeisen Group annual report (see page 124ff).

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

Annual Report published	Mid-April
Delegate Meeting in Neuchâtel	12 June 2010
Publication of half-yearly results	18 August 2010
2010 annual results presented at balance sheet press conference	4 March 2011

Contact

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Stability

The Via Gottardo for the most part follows the route laid down at the beginning of the thirteenth century from Basel or Schaffhausen over the Gotthard pass to Chiasso and Milan. This transit route, so rich in history and tradition, has major economic significance for Switzerland as a lifeline between north and south. Stability is the foundation for long-term security. This also applies to Raiffeisen, whose stable business results strengthen the company's base and ensure a secure future for the bank and, in turn, for its clients.

Business trend In a challenging market environment, Raiffeisen achieved a strong result, posting a Group profit of 645.4 million Swiss francs. The solid growth recorded over recent years was maintained, with mortgage business recording a rise of 9.1% or 9.2 billion Swiss francs – a record figure.

- *Strongest growth ever in lending to home buyers*
- *A credit portfolio of very good quality thanks to tried-and-tested conservative financing principles*
- *Inflow of client monies remained at a very high level*
- *Gross profit maintained year-on-year, at 887 million Swiss francs, thanks to stable earnings and a moderate increase in costs*

The steady and sustainable expansion into additional business areas is having an increasingly beneficial impact on earnings. In the corporate clients business, Raiffeisen recorded a rise in lending of 8.3%; the volume of premiums generated through the collaboration with Helvetia reached a new record high of 80 million Swiss francs; while the prior-year result in the investment business was matched thanks to new money and market performance. Overall, the Raiffeisen Group achieved operating income of 2.35 billion Swiss francs, which represents growth of 23 million Swiss francs or 1%. The ongoing growth in business volumes at all levels led to more staff being appointed, especially in the front office units. On the cost side, the rise in staffing (up 4.4%) meant a corresponding increase in personnel expenditure by 5.6% to just over 1 billion Swiss francs. Bolstered by significant savings in operating expenditure as a result of the partial completion of several major IT projects (-7.2%), the increase in total operating expenditure remained at a low level, up by just 19.6 million Swiss francs, or 1.4%, to 1.5 billion Swiss francs.

In the previous year, Raiffeisen achieved impressive growth of 7.1 billion Swiss francs in the mortgage business. In 2009, the Group easily beat this figure, with another record increase of 9.2 billion Swiss francs, taking mortgage volumes past the 110 billion Swiss franc mark. Client monies also saw a considerable rise, growing 6.6 billion Swiss francs, or 6.4%, to 110.7 billion Swiss francs. Total custody account volumes under management were up 3% on the previous year at 33.6 billion Swiss francs, owing largely though not exclusively to the recovery in prices on the financial markets. The Raiffeisen Group's total assets rose by 6% year-on-year to 139.5 billion Swiss francs.

Raiffeisen membership remains highly sought after. Special terms on accounts and payment products, attractive members' offers, codetermination through general meetings, and, in general, the lasting trust which Raiffeisen enjoys among broad sections of the population continued to attract new members even in 2009. Total membership rose by approximately 70,000 people, passing the 1.6 million mark.

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

Profit and loss account

Income from ordinary banking activities

Net interest income saw an increase of 1.3%, or 24.2 million Swiss francs, fuelled by strong volume growth. This was achieved in spite of a narrowing interest margin, which was squeezed due to several constraining factors. As a result of the collapse in earnings in other areas of business in the financial sector, traditional interest-related operations have seen a renaissance, leading to sharper competition. In order to avoid a rise in interest rate risks, the Group also engaged in more hedging transactions, with a resulting increase in costs. Furthermore, the general low level of interest rates still allows little room for manoeuvre when it comes to setting rates in the marketplace.

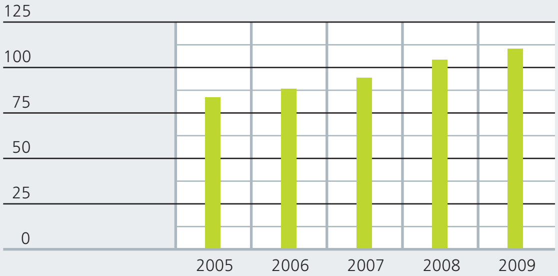
After falling in the previous year, net income from commission business and service transactions (note 19) saw increasing growth over the course of the year. A rise of 3.6% was recorded in transaction-related income (brokerage, securities issues), while income from other service transactions climbed by 3.8% as a result of higher volumes. Income dependent on portfolio volumes (custody account income, fund fees, asset management commissions) has not yet fully recovered, dropping by 5.1%. Overall, net income from commission business and service transactions was stable at 227.3 million Swiss francs (-1.1%).

In trading business (note 20), the Raiffeisen Group recorded an increase of 7.3% to 116.2 million Swiss francs on the back of sharp growth in foreign exchange, notes and coins, and precious metals trading. The good performance achieved in these areas more than made up for falling income from equities and fixed income trading.

Other ordinary income fell 10.5% to 55.9 million Swiss francs as a result of lower dividend payouts from the Group's strategic holdings.

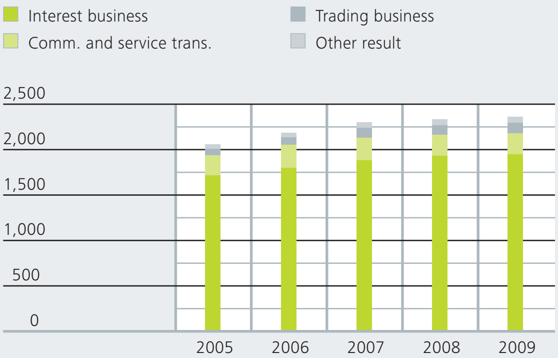
Client monies

(in CHF billion)



Performance of income items

(in CHF million)



Provisions for default risks

Operating expenditure

In the year under review, operating expenditure was subject to two main factors working in opposite directions. On the one hand, the Group dealt with a significantly higher number of client transactions, which meant a further rise in staff numbers and in processing and infrastructure costs. While on the other, the completion of a number of major IT projects, along with stringent cost management, saved the Group considerable overheads. Overall, this combination of factors resulted in a no more than moderate increase in operating expenditure, which rose by 1.4%, or 19.6 million Swiss francs, to 1.5 billion Swiss francs (previous year: +110.7 million Swiss francs).

The favourable cost picture made for a stable cost/income ratio, which, at 62.3%, was more or less in line with the previous year's figure (62.0%).

Personnel expenditure

Personnel expenditure (note 22) rose less than in the previous year. The savings resulting from the completion of major IT projects, and the concomitant reduction in temporary contracts, had a beneficial effect. The rise in staff numbers was also more moderate than in the previous year. As at the end of the year, Raiffeisen employed 7,999 staff on a full-time equivalent basis, which equates to an increase of 4.4%, or 334 people (previous year: +6.3%).

Overall, the rise in personnel expenditure was 5.6%, or 54 million Swiss francs (previous year: +9.3%). Total personnel expenditure was 1,016 million Swiss francs.

Operating expenditure
The Group recorded a reduction of 7.2% in operating expenditure (note 23) in the year under review (previous year: +6.3%), down by 34.4 million Swiss francs to 446.4 million Swiss francs. The conclusion of the several major IT projects mentioned above coupled with the implementation of a range of measures to ensure lasting stability in cost growth contributed to this result, which in turn more than offset the additional costs generated by the ongoing modernization of existing premises and the expansion of the branch network.

Depreciation on fixed assets
Depreciation on fixed assets (note 4), at 178.6 million Swiss francs, was well below the figure recorded for 2008 (a fall of 22.7% or 52.3 million Swiss francs). In the previous year, this item was hit hard by market-driven downward revaluations of strategic holdings, resulting in a write-down of more than 70 million Swiss francs. On the other hand, the strategically driven opening of new branches, focused on urban areas, coupled with the continuing high investments in modernizing banking infrastructure and optimizing security installations led to additional depreciation of 18.6 million Swiss francs.

Value adjustments, provisions and losses
Despite a recessionary economic environment and record growth in lending, the charge for value adjustments, provisions and losses dropped 23.9%, or 2.6 million Swiss francs. Reversals of value adjustments for default risks exceeded new value adjustments by 11.3 million Swiss francs (previous year: 14.6 million Swiss francs) (note 9). The ratio of value adjustments for default risks to the total lending volume fell to 0.30% (previous year: 0.35%), reflecting the high quality credit portfolio maintained by the Group.

Extraordinary income
Net extraordinary income (note 24) was up by 51.1 million Swiss francs versus 2008. The extraordinary income figure of 96 million Swiss francs includes 71.3 million Swiss francs; this is a reflection of the recovery in value of strategic holdings, 15.2 million Swiss francs for the reversal of value adjustments, and 4.4 million Swiss francs in disposal gains on tangible assets. The largest item in total extraordinary expenditure of 4.9 million Swiss francs was 3.6 million Swiss francs in losses from the sale of tangible fixed assets.

Taxes
Because of a lighter tax burden for legal entities, the charge for current taxes on earnings was reduced. However, the positive profit performance meant a higher charge for deferred taxes, and as a result tax expenditure (note 25) rose by 24.4% to 145.7 million Swiss francs.

Balance sheet

The Raiffeisen Group's total assets increased by 7.9 billion Swiss francs to 139.5 billion Swiss francs. The growth in both assets and liabilities was mainly driven by the expansion in client-related items.

Receivables/liabilities vis-à-vis banks

As at the end of 2009, there were net liabilities in interbank business amounting to around 1 billion Swiss francs. This contrasts with net receivables of 4.1 billion Swiss francs in the previous year. The volume of business was reduced by almost one-third, mainly with regard to increasingly unprofitable short-term repo transactions. Only 8% of assets with other banks have a term of over three months up to a maximum of one year. Money market limits with domestic and foreign counterparties remain subject to intensive monitoring and review. Limits with foreign banks were cut altogether or at least reduced, but at the same time new limits were also approved for first-class foreign banks. Existing limits were retained overall in the domestic banking market. In the repo business, Raiffeisen Switzerland continues to occupy a leading position on the Swiss franc market.

Loans to clients

The Group posted record growth in mortgage lending in the year under review. Market share was significantly enhanced, reaching 15.2% in the Swiss market. The proportion of fixed-rate mortgages shot up from 55% to 73% in expectation of rising interest rates. Overall, loans to clients rose by 9 billion Swiss francs to 117.6 billion Swiss francs. The proportion of lending refinanced through client monies, at 94.1%, remained at a very high level.

Trading portfolios in securities and precious metals

Following the sharp reduction in trading portfolios (note 2) over the year-end period of the previous year owing to the IT switchover, the balance sheet amount rose by 46.9% to around 500 million Swiss francs in 2009. Precious metals portfolios saw the lion's share of growth. These are largely matched by delivery obligations to clients.

Financial assets

Securities holdings in financial assets (note 2), consisting primarily of first-class bonds, are managed in accordance with the statutory liquidity requirements for the Raiffeisen Group. The book value rose considerably in the year under review, by 3.2 billion Swiss francs to 6.6 billion Swiss francs. Mortgage bonds and government bonds were purchased in particular. Real estate from non-performing positions designated for resale was scaled back by 7.1 million Swiss francs to 30.3 million Swiss francs.

Non-consolidated participations

Major non-consolidated participations are reported in the balance sheet as per notes 3.2 and 3.3. In the year under review, Raiffeisen took a share of 18.9 million Swiss francs in the capital increase carried out by the Mortgage Bond Bank of the Swiss Mortgage Institutions. In addition, the value of the holding in this institution was increased by 8.8 million Swiss francs in line with the equity method. The holding in SIX Group AG was increased from 1.2% to 2%, while the holding in Swiss Bankers Prepaid Services Ltd was expanded from 6% to 16.5%. The book value of the two strategic holdings in Vontobel Holding Ltd and Helvetia Holding Ltd increased by 71.3 million Swiss francs owing to increases in their share prices. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights.

Tangible fixed assets

With a reduced project portfolio, investments in tangible fixed assets (note 4) were somewhat down on the previous year's figure of 377.3 million Swiss francs, at 346.9 million Swiss francs. Investments in bank buildings and security installations saw a further increase.

Client monies

In the year under review, client monies rose significantly, climbing by 6.4%, or 6.6 billion Swiss francs, to 110.7 billion Swiss francs. The individual items showed very divergent trends owing to the current interest rate situation and clients' continuing aversion to risk. Maturing fixed-term investments were not renewed, with the funds being shifted instead into traditional savings products, leading to a sharp increase of 18.1%, or more than 12 billion Swiss francs, to 79.7 billion Swiss francs. In contrast, other liabilities towards clients (especially fixed-term deposits) were down by 3.7 billion Swiss francs, while medium-term notes fell by 1.8 billion Swiss francs.

Bonds and mortgage bonds

Bonds and mortgage bonds (note 8) fell by 530 million Swiss francs to 7.4 billion Swiss francs. Firstly, a large bond for 250 million Swiss francs was redeemed in the year under review, and secondly, the requirement for refinancing through mortgage bonds was reduced by 233 million Swiss francs because of the large increase in client monies.

Value adjustments and provisions

While value adjustments and provisions for default risks were down 7.5% or 29 million Swiss francs in the year under review, at 355.8 million Swiss francs, provisions for deferred taxes rose by 28 million Swiss francs. Overall, the "Value adjustments and provisions" item (note 9) was practically unchanged over the previous year at 977 million Swiss francs.

Equity capital

Good business performance further bolstered an already comfortable capital base. The level of paid-up cooperative capital rose by 31.5 million Swiss francs to 536 million Swiss francs on account of strong membership growth. Overall, equity capital (note 10) saw the addition of 649.6 million Swiss francs, finishing the year at 8.6 billion Swiss francs. This enabled Raiffeisen to improve its leverage ratio to 6.2% despite strong balance sheet growth. The equity coverage ratio under Basel II was 235.7% as at the end of 2009 (see pages 124-127 for information on the equity capital situation). The core capital ratio (tier 1 ratio) is 12.7%, while the total capital ratio is 18.9%.

Off-balance-sheet business

Contingent liabilities (note 16) increased by 78.9 million Swiss francs to 412.3 million Swiss francs. This rise is due to the increased stake in Swiss Bankers Prepaid Services Ltd and the related provision of a guarantee in connection with the conversion from an ordinary partnership into a stock corporation (+40 million Swiss francs), as well as to new guarantees in the corporate clients business.

Irrevocable commitments (note 1) rose by 18.1% to 4.6 billion Swiss francs. Most of the increase resulted mainly from the rise in mortgages and loans already agreed.

Call-in obligations rose by 24.0 million Swiss francs owing to the capital increase by the Mortgage Bond Bank.

The contract volume for derivative financial instruments (note 17) fell markedly by 21.7% from 96.2 billion Swiss francs to 75.3 billion Swiss francs. While hedging transactions for the bank book rose from 22.6 billion Swiss francs to 43.4 billion Swiss francs, there was a sharp reduction in fixed income trading positions. The positive replacement values amounted to 632.2 million Swiss francs (previous year: 721.2 million Swiss francs), while the negative replacement values totalled 1.1 billion Swiss francs (previous year: 1 billion Swiss francs).

The decline in fiduciary transactions (note 18) by 193.3 million Swiss francs to 26.9 million Swiss francs was primarily due to the low level of interest rates.

Custody account volumes

Thanks to a rise of approximately one billion Swiss francs, custody account assets under management amounted to 33.6 billion Swiss francs as at the end of the year under review (up 3%). This figure, which is relatively modest in view of the recovery in the equity markets, is due to the fact that clients decided not to renew maturing medium-term notes to the tune of over 2.6 billion Swiss francs, instead shifting the funds into other investment vehicles, especially savings accounts. Market performance added 2.8 billion Swiss francs to custody account volumes, while new money amounting to 700 million Swiss francs also provided a welcome boost.

Consolidated Balance Sheet as at 31 December 2009

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	1,338,136	1,829,010	-490,874	-26.8	11
Receivables from money market securities	3,722	4,553	-831	-18.3	11
Receivables from banks	8,800,273	12,605,129	-3,804,856	-30.2	6, 11
Receivables from clients	6,957,547	7,159,687	-202,140	-2.8	1, 11
Mortgage receivables	110,678,088	101,434,992	9,243,096	9.1	1, 6, 11
Loans to clients	**117,635,635**	**108,594,679**	**9,040,956**	**8.3**	
Trading portfolios in securities and precious metals	500,361	340,646	159,715	46.9	2, 11
Financial assets	6,627,316	3,391,023	3,236,293	95.4	2, 6, 11
Non-consolidated participations	456,192	339,324	116,868	34.4	2, 3, 4
Tangible fixed assets	2,098,000	1,976,153	121,847	6.2	4, 6
Accrued income and prepaid expenses	227,066	219,481	7,585	3.5	
Other assets	1,833,263	2,274,866	-441,603	-19.4	5
Total assets	**139,519,964**	**131,574,864**	**7,945,100**	**6.0**	**13, 14, 15**
Total subordinated receivables	3,279	12,394	-9,115	-73.5	
Total receivables from non-consolidated participations	2,899,221	2,375,224	523,997	22.1	
Liabilities					
Liabilities to banks	9,823,298	8,495,552	1,327,746	15.6	6, 11
Liabilities to clients in the form of savings and investment deposits	79,687,912	67,492,483	12,195,429	18.1	7, 11
Other liabilities to clients	14,579,278	18,325,668	-3,746,390	-20.4	7, 11
Medium-term notes	16,471,837	18,279,647	-1,807,810	-9.9	11
Client monies	**110,739,027**	**104,097,798**	**6,641,229**	**6.4**	
Bonds and mortgage bond loans	7,416,640	7,946,480	-529,840	-6.7	8, 11
Accrued expenses and deferred income	546,054	694,806	-148,752	-21.4	
Other liabilities	1,389,344	1,382,186	7,158	0.5	5
Value adjustments and provisions	977,245	979,277	-2,032	-0.2	9
Cooperative capital	536,028	504,575	31,453	6.2	
Retained earnings	7,446,916	6,909,772	537,144	7.8	
Group profit	645,412	564,418	80,994	14.4	
Total equity capital	**8,628,356**	**7,978,765**	**649,591**	**8.1**	**10**
Total liabilities	**139,519,964**	**131,574,864**	**7,945,100**	**6.0**	**13, 15**
Total subordinated commitments	–	–	–	–	
Total commitments towards non-consolidated participations	7,330,700	6,130,075	1,200,625	19.6	
of which mortgage bond loans	5,618,800	5,851,650	-232,850	-4.0	
Off-balance-sheet business					
Contingent liabilities	412,330	333,472	78,858	23.6	1, 16
Irrevocable undertakings	4,554,834	3,857,248	697,586	18.1	1
Call commitments and additional funding obligations	61,967	37,778	24,189	64.0	1
Derivative financial instruments					
Positive replacement values	632,200	721,160	-88,960	-12.3	17
Negative replacement values	1,107,937	1,013,737	94,200	9.3	17
Contract volume	75,312,222	96,188,369	-20,876,147	-21.7	17
Fiduciary business	26,893	220,199	-193,306	-87.8	18

Consolidated Profit and Loss Account 2009

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,456,988	3,945,102	-488,114	-12.4	
Interest and dividend income from financial assets	97,688	51,941	45,747	88.1	
Interest expenditure	-1,604,186	-2,070,790	466,604	-22.5	
Net interest income	**1,950,490**	**1,926,253**	**24,237**	**1.3**	
Commission income lending business	7,339	7,294	45	0.6	
Commission income securities and investment business	182,552	186,162	-3,610	-1.9	
Commission income other service transactions	143,189	137,981	5,208	3.8	
Commission expenditure	-105,800	-101,717	-4,083	4.0	
Net income from commission business and service transactions	**227,280**	**229,720**	**-2,440**	**-1.1**	**19**
Net trading income	**116,210**	**108,311**	**7,899**	**7.3**	**20**
Income from sale of financial assets	972	789	183	23.2	
Income from participating interests	29,589	35,660	-6,071	-17.0	21
Income from real estate	17,052	18,297	-1,245	-6.8	
Other ordinary income	8,774	14,184	-5,410	-38.1	
Other ordinary expenditure	-515	-6,514	5,999	-92.1	
Other ordinary result	**55,872**	**62,416**	**-6,544**	**-10.5**	
Operating income	**2,349,852**	**2,326,700**	**23,152**	**1.0**	
Personnel expenditure	-1,016,427	-962,434	-53,993	5.6	22
Operating expenditure	-446,436	-480,819	34,383	-7.2	23
Total operating expenditure	**-1,462,863**	**-1,443,253**	**-19,610**	**1.4**	
Gross profit	**886,989**	**883,447**	**3,542**	**0.4**	
Depreciation on fixed assets	-178,634	-230,964	52,330	-22.7	4
Value adjustments, provisions and losses	-8,259	-10,853	2,594	-23.9	
Operating profit (interim result)	**700,096**	**641,630**	**58,466**	**9.1**	
Extraordinary income	95,976	43,310	52,666	121.6	24
Extraordinary expenditure	-4,940	-3,376	-1,564	46.3	24
Taxes	-145,720	-117,146	-28,574	24.4	25
Group profit	**645,412**	**564,418**	**80,994**	**14.4**	

Cash Flow Statement 2009

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Group profit	645’412	–	564,418	–
Depreciation on fixed assets	178’634	–	230,964	–
Appreciation on participations	–	71’301	–	–
Value adjustments and provisions	141’742	143’773	99,407	158,296
Prepaid expenses	–	7’585	40,183	–
Deferred income	–	148’752	–	1,142
Interest paid on share certificates for prior year	–	27’275	–	25,611
Balance	**567’102**	–	**749,923**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	31’453	–	37,736	–
Balance	**31’453**	**–**	**37,736**	**–**
Cash flow from investment activities				
Participations	506	46’650	4,116	9,460
Real estate	34’704	202’014	27,936	184,853
Other tangible fixed assets/objects in finance leasing/other	12’263	144’857	4,864	192,426
Balance	**–**	**346’048**	**–**	**349,823**
Cash flow from banking activities				
Liabilities to banks	1’327’746	–	–	2,935,236
Liabilities to clients in the form of savings and investment deposits	12’195’429	–	6,612,725	–
Other liabilities to clients	–	3’746’390	560,399	–
Medium-term notes	–	1’807’810	2,769,806	–
Bonds	23’600	320’590	29,595	223,340
Mortgage bond loans	263’000	495’850	861,700	478,200
Other liabilities	7’158	–	785,216	–
Receivables from money market securities	831	–	5,675	–
Receivables from banks	3’804’856	–	–	264,739
Receivables from clients	202’140	–	68,576	–
Mortgage receivables	–	9’243’096	–	7,136,344
Trading portfolios in securities and precious metals	–	159’715	349,510	–
Financial assets	–	3’236’293	–	1,186,577
Other receivables	441’603	–	369,590	–
Liquid funds	490’874	–	–	626,192
Balance	**–**	**252’507**	**–**	**437,836**
Total origin of funds	**598’555**	**–**	**787,659**	**–**
Total use of funds	**–**	**598’555**	**–**	**787,659**

Notes to the Consolidated Annual Accounts

Business activities
The 350 Raiffeisen banks in Switzerland, organized as co-operatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, investment funds and securities trading, and consumer goods leasing. The corporate clients business is becoming increasingly important. These services are provided by Raiffeisen Switzerland, specialized companies within the Raiffeisen Group or cooperation partners.

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

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

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

As at 31 December 2009, the number of people employed by the Raiffeisen Group – on a full-time equivalent basis – was 7,999 (previous year: 7,665).

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

The Board of Directors monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Directors risk report. This provides comprehensive information on the risk situation, capital adequacy, compliance with overall limits and any measures required. Monitoring focuses on credit and market risks in the bank and trading books, liquidity risks, operational risks, solidarity risks within the Raiffeisen Group (i.e. the risk of problems at individual Raiffeisen banks) and reputational risks. The Board of Directors risk report is examined in depth by the Audit Committee of the Board of Directors. Drawing on this preparatory work, the Board of Directors reviews the findings of the Board of Directors risk report and its implications for risk strategy on a quarterly basis. The Board of Directors carries out an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk Controlling's ICS appropriateness and effectiveness report and the reports produced by Internal Auditing.

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

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

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

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

Risk management

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

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, namely the Raiffeisen banks, Raiffeisen Switzerland and Raiffeisen Leasing Ltd, manage their credit risk autonomously, though still in accordance with Group-wide standards.

Credit risks are chiefly incurred at the Raiffeisen banks. The majority of these risks derive from loans granted to one or more individuals or corporate clients. Corporate clients are mostly small companies that operate within the locality of the Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Raiffeisen banks' Articles of Association stipulate limits for the acceptance of credit risks arising from uncovered transactions; loans over 250,000 Swiss francs must therefore be hedged with Raiffeisen Switzerland.

Creditworthiness and solvency are assessed on the basis of Group-wide standards that are laid down in the lending policy. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal rating procedures and, on the basis of this classification, monitored from a risk-oriented perspective. Creditworthiness is defined according to a range of risk categories – four for private clients and thirteen for corporate clients. A tried-and-tested set of tools is available for 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. 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. Other features of our credit risk approval process are a prudent lending limit policy and an approval procedure geared to levels of responsibility.

Throughout the entire duration of the credit facility, receivables are monitored continuously and ratings updated on a periodic basis in line with the relevant client type and collateral type. The value of the collateral is reviewed at varying intervals according to its volatility on the market and the overall facility re-approved.

The standardized, Group-wide guidelines concerning the creation and reversal of individual value adjustments for default risks are set out in an internal directive. This stipulates how the liquidation value and individual value adjustments for any collateral that may exist should be calculated if there are indications that certain positions are impaired, non-performing or display a high number of rating points. Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) calculated in the last year were 25 million Swiss francs or 0.02% of the average lending volume, which equates to 0.31% of average core capital.

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

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.

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

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

Cluster risks are monitored centrally by Credit Risk Controlling. As at 31 December 2009 the Raiffeisen Group had no cluster risks that have to be reported under FINMA regulations.

The credit volume of the Raiffeisen Group’s ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2009 was 658 million Swiss francs or 0.57% of loans to clients (previous year: 678 million Swiss francs or 0.64%).

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. Up-to-date procedures are in place to measure the risk in the bank book associated with fluctuating interest rates. In particular, these display variable positions based on a model that optimally replicates historical interest rate fluctuations with money and capital market rates. These positions are managed on a decentralized basis in the responsible units. The Treasury of the Central Bank department of Raiffeisen Switzerland is the Group-wide binding counterparty for refinancing and hedging transactions, which are implemented through deposits and loans. The relevant members of staff are required to adhere strictly to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with limits and prepares associated reports, while also assessing the risk situation. In addition, the potential impact of interest rate risk on the market value of equity capital and on profitability is measured with the aid of scenario analyses and stress tests and included in risk reporting.

Since assets in a foreign currency are generally refinanced in the same currency, foreign currency risks are largely avoided.

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 and loss limits set by the Board of Directors; these are monitored by Group Risk Controlling on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the profits achieved in trading and regularly reviews the valuation

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2009	Ø 2009	31.12.2008	Ø 2008
Foreign exchange/ precious metals	8,753	8,532	4,265	6,531
Interest rate instrum.	47,858	52,577	44,890	46,412
Equities/indices	1,966	2,038	–	1,413
Total	**58,577**	**63,146**	**49,155**	**54,356**

parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is carried out exclusively by experienced dealers. They work with both standardized and over-the-counter (OTC) derivatives for Central Bank's own account and for clients.

Liquidity risks are controlled using commercial criteria and monitored by Treasury and Group Risk Controlling in accordance with banking law. Monitoring is based on statutory limits and the additional limits set by the Board of Directors of Raiffeisen Switzerland.

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

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

The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table on page 96.

Operational risks

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

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

Each function within Raiffeisen is responsible for identifying and managing the operational risk arising as a result of its own activities. Group Risk Controlling is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. It is also in charge of the concepts, methods and instruments used to manage operational risks and monitors the risk situation and the implementation of risk reduction measures.

As part of the risk assessment, operational risks are categorized by cause and impact and evaluated according to the frequency or probability of occurrence and the extent of damage. Risk management measures are defined, with the implementation of these measures monitored periodically by Group Risk Controlling.

The results of the risk assessment are reported to the Executive Board and the Board of Directors of Raiffeisen Switzerland via an aggregated risk profile. The Executive Board and the Board of Directors of Raiffeisen Switzerland also receive quarterly updates on the extent to which measures have been implemented.

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

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

Regulatory provisions
According to the FINMA ruling of 24 September 1997, the Raiffeisen banks are exempted from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

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

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

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

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

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

Market risks: Standard approach

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

Consolidation, accounting and valuation principles

General principles

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

Principles of consolidation

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on them. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 350 Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidation scope and method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland and Raiffeisen Leasing Ltd.

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

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

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

Accounting and valuation principles

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

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

Liquid funds, amounts due from money market securities and borrowed funds
These are reported at 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 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 objects are reported in the balance sheet as “Receivables from clients” in line with the present value method.

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

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

Repurchase and reverse repurchase transactions
Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest. Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights associated with them is transferred. The market values of the received or delivered securities are monitored daily so that any additional collateral can be provided or requested as necessary. Interest income from reverse repurchase transactions and interest expenditure from repurchase transactions are accrued over the term of the underlying transaction.

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

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

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

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

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

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

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.

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

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

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

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

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

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

Taxes
Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 19.7% (previous year: 20.3%) was calculated on untaxed reserves and reported as a provision for deferred taxation.

Contingent liabilities, irrevocable undertakings, call commitments and additional funding obligation
These are reported at their nominal value under "Off-balance-sheet business". Provisions are created for foreseeable risks.

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

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

All Treasury hedging transactions are concluded via the trading book; as such, Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments with external counterparties" table in the notes under "Open derivative financial instruments" on pages 118/119).

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 were 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 2009) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the Balance Sheet

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

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	2,358,602	654,590	3,944,355	6,957,547
Mortgage loans				
Residential property	101,906,645	–	110,060	102,016,705
Office and business premises	2,339,670	–	22,462	2,362,132
Trade and industry	2,567,236	–	18,541	2,585,777
Other	3,608,891	–	104,583	3,713,474
Total loans				
Current year	**112,781,044**	**654,590**	**4,200,001**	**117,635,635**
Prior year	103,659,724	699,995	4,234,960	108,594,679
Off-balance-sheet business				
Contingent liabilities	55,342	99,113	257,875	412,330
Irrevocable commitments	3,212,328	96,634	1,245,872	4,554,834
Call commitments and additional funding obligations	–	–	61,967	61,967
Total off-balance-sheet business				
Current year	**3,267,670**	**195,747**	**1,565,714**	**5,029,131**
Prior year	2,658,580	204,266	1,365,652	4,228,498

* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realization of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	**1,249,864**	**882,779**	**367,085**	**355,785**
Prior year	1,328,588	928,345	400,243	384,782

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

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	221,377	181,354
non-stock exchange listed	–	–
Shares	3,272	–
Precious metals	275,712	159,292
Total trading portfolios in securities and precious metals	**500,361**	**340,646**
of which securities for repo transactions in line with liquidity requirements	149,245	134,631

* stock exchange listed = traded on a recognized stock exchange

	Book value current year in 1000 CHF	Book value prior year in 1000 CHF	Fair value current year in 1000 CHF	Fair value prior year in 1000 CHF
Financial assets				
Debt instruments	6,569,122	3,327,534	6,640,371	3,396,022
of which intended to be held until maturity	6,569,122	3,327,534	6,640,371	3,396,022
of which valued at the lower of cost or market	–	–	–	–
Shares	27,847	26,039	27,847	26,039
Precious metals	–	–	–	–
Real estate	30,347	37,450	34,076	43,646
Total financial assets	**6,627,316**	**3,391,023**	**6,702,294**	**3,465,707**
of which securities for repo transactions in line with liquidity requirements	4,943,727	3,241,710	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	329,284	257,983
without a market value	126,908	81,341
Total non-consolidated participations	**456,192**	**339,324**

3 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Switzerland Cooperative	St. Gallen	Central bank, association services	360,000	100.0	100.0
Central Issuing Office of the Swiss Raiffeisen Banks (in liquidation)*	St. Gallen	Issuer	–	–	100.0
Raiffeisen Leasing Ltd	St. Gallen	Leasing company	2,566	100.0	100.0
3.2 Holdings valued according to the equity method					
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd	Zurich	Mortgage bond bank	500,000	22.1	22.5
of which not paid up			280,000		
3.3 Other non-consolidated participations					
Aduno Holding Ltd	Opfikon	Financial services	20,000	19.0	19.0
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	16.5	6.0
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Helvetia Holding Ltd	St. Gallen	Financial services	865	4.0	4.0
SIX Group Ltd	Zurich	Financial services	19,522	2.0	1.2

* The Central Issuing Office of the Swiss Raiffeisen Banks was liquidated with effect from 30 June 2009.

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 invest-ment in 1000 CHF	Current year disinvest-ment in 1000 CHF	Current year depreci-ation/amor-tization in 1000 CHF	Current year value adjust-ments on holdings val. acc. to equi-ty method in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations									
Holdings valued according to the equity method	30,181	38,142	68,323	–	18,854	-504	–	8,769	95,442
Other holdings	351,731	-80,730	271,001	–	90,328*	-2	-577	–	360,750
Total non-consolidated participations	**381,912**	**-42,588**	**339,324**	**–**	**109,182**	**-506**	**-577**	**8,769**	**456,192**
Tangible fixed assets									
Real estate									
Bank buildings	1,669,273	-344,721	1,324,552	-14,396	177,842	-21,943	-29,856	–	1,436,199
Other real estate	334,938	-80,149	254,789	1,941	24,172	-12,761	-5,641	–	262,500
Other tangible fixed assets	982,284	-625,572	356,712	11,876	123,140	-12,263	-116,947	–	362,518
Objects in finance leasing	162	-33	129	–	167	–	-61	–	235
Other	116,087	-76,116	39,971	579	21,550	–	-25,552	–	36,548
Total tangibles	**3,102,744**	**-1,126,591**	**1,976,153**	**–**	**346,871**	**-46,967**	**-178,057**	**–**	**2,098,000**

* Investment includes gains of 71.3 million Swiss francs from appreciation on participations; these were booked under extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	2,025,429
Value of other tangible fixed assets for fire insurance purposes	936,636
Liabilities: future leasing instalments from operational leasing	76

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	632,200	721,160
Equalization account	312,113	271,106
Settlement accounts for social security and employee pension plan contributions	80	–
Clearing accounts for indirect taxes	775,177	1,162,690
Other clearing accounts	3,395	10,487
Employer contribution reserves with pension schemes	101,036	98,982
Miscellaneous other assets	9,262	10,441
Total other assets	**1,833,263**	**2,274,866**
Other liabilities		
Total replacement value	1,107,937	1,013,737
Due, unredeemed coupons and debt instruments	39,434	32,566
Levies, indirect taxes	195,303	284,742
Clearing accounts for social security and staff pension fund contributions	15,511	12,803
Other clearing accounts	25,400	34,017
Miscellaneous other liabilities	5,759	4,321
Total other liabilities	**1,389,344**	**1,382,186**

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

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Mortgage receivables	8,478,690	5,787,364	8,079,075	6,027,200
Financial assets	1,703,805	1,624,001	1,020,429	435,626
Tangible fixed assets	3,500	3,500	1,800	1,800
Total pledged assets	**10,185,995**	**7,414,865**	**9,101,304**	**6,464,626**

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	3,608,275	7,618,847
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	4,360,403	4,852,250
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	1,649,786	501,349
for which the right to resell or pledge without restriction was granted	1,649,786	501,349
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repurchase transactions and which can be repledged or resold without restriction	3,640,437	7,721,547
of which repledged or resold securities	2,818,028	4,715,989

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund and/or the Raiffeisen Pension Plan. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 60 with a corresponding reduction in benefits. The Raiffeisen Pension Fund covers at least the mandatory benefits under 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. 10 Raiffeisen banks (prior year: 11) 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	100,177	98,307
Other liabilities to clients	37,466	55,087
Accrued expenses and deferred income	–	70
Other liabilities (negative replacement values)	289	1,142
Total liabilities to own social insurance institutions	**137,932**	**154,606**

7.2 Employer contribution reserves

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

	Current year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF	Prior year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF
As at 1 January	98,307	675	98,982	87,323	653	87,976
+ Deposits	11,688	171	11,859	13,890	217	14,107
– Withdrawals	-11,539	–	-11,539	-4,855	-198	-5,053
+ Interest paid*	1,721	13	1,734	1,949	3	1,952
As at 31 December	**100,177**	**859**	**101,036**	**98,307**	**675**	**98,982**

* Interest paid on the employer contribution reserves is recorded as interest 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 31.12.2009 in %	on 31.12.2008 in %
Raiffeisen Pension Fund	93.0	84.4
Raiffeisen Pension Plan	109.5	92.8

Although still insufficient, the cover level of the Raiffeisen Pension Fund improved in 2009. The Board of Directors anticipates that, even with insufficient cover as defined under Swiss GAAP FER 16, there is currently no economic obligation for the affiliated employers for which allowance would have to be made in the balance sheet and the profit and loss account.

The fluctuation reserves of the Raiffeisen Pension Plan did not reach the figure stipulated in the rules during the year under review; as a result, there is no excess cover as defined under Swiss GAAP FER 16. Consequently, there is no economic benefit 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	79,348	72,142
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-320	-9,054
Employer contributions reported on an accruals basis	**79,028**	**63,088**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension schemes	–	–
Pension expenditure of the Raiffeisen Group (see note 22 "Personnel expenditure")	**79,028**	**63,088**

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

8 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of Raiffeisen Switzerland					
	2001/02	4.000	02.02.2011		598,460
	2004	3.000	05.05.2014		399,410
	2006	3.125	30.05.2016		549,970
	2007	3.125	25.10.2012		250,000
Total bonds of Raiffeisen Switzerland					**1,797,840**
Mortgage bond loans					
	var.	2.860	var.		5,618,800
Total mortgage bond loans					**5,618,800**
Total outstanding bonds and mortgage bond loans					**7,416,640**

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	582,316	–	–	45,090	-17,075	610,331
Value adjustments and provisions for default risks (del credere and country risk)	384,782	-23,725	6,077	87,744	-99,093	355,785
Value adjustments and provisions for other business risks	12,179	-947	–	2,831	-2,934	11,129
Total value adjustments and provisions	**979,277**	**-24,672**	**6,077**	**135,665**	**-119,102**	**977,245**

10 Evidence of equity capital

	Number of members	Nom. amount/share	in 1000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,549,190	–	321,606
Cooperative capital without additional funding obligation*			182,969
Total equity capital	**1,549,190**	**–**	**504,575**
Retained earnings			7,474,190
Total equity capital at the beginning of the year (before approp. of profits)	**1,549,190**	**–**	**7,978,765**
+ Payments from new cooperative members (with additional funding obligation)	111,577	200	22,315
	285	300	86
	270	400	108
	2,323	500	1,162
+ Payment of cooperative shares without additional funding obligation			21,603
+ Payments through increase in nominal capital			
Total payments from new cooperative members	**114,455**	**–**	**45,274**
– Repayments to departing cooperative members	-43,676	200	-8,735
(with additional funding obligation)	-117	300	-35
	-103	400	-41
	-808	500	-404
– Repayment of cooperative shares without additional funding obligation			-4,605
Total repayments to departing cooperative members	**-44,704**	**–**	**-13,820**
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-27,275
+ Group profit in the current year			645,412
Total equity capital at the end of the current year (before approp. of profits)	**1,618,941**	**–**	**8,628,356**
of which cooperative capital with additional funding obligation	1,572,694	200	314,539
	5,493	300	1,648
	5,033	400	2,013
	35,721	500	17,861
of which cooperative capital without additional funding obligation			199,967
Total cooperative capital at the end of the current year	**1,618,941**	**–**	**536,028**
of which retained earnings			7,446,916
of which Group profit			645,412
Additional funding obligation of the cooperative members			**12,951,528**

* 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 individual financial statements as at 31 December 2009: 2,462,302,000 Swiss francs (prior year: 2,309,780,000 Swiss francs).

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

11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,338,136	–	–	–	–	–	1,338,136
Receivables from money market sec.	3,722	–	–	–	–	–	3,722
Receivables from banks	3,083,154	–	4,990,979	726,140	–	–	8,800,273
Receivables from clients	53,481	3,550,385	373,962	593,807	1,851,760	534,152	6,957,547
Mortgage receivables	45,631	29,708,813	2,418,846	8,674,944	56,813,704	13,016,150	110,678,088
Trading portfolios in securities and precious metals	500,361	–	–	–	–	–	500,361
Financial assets*	27,848	–	396,557	856,025	5,267,865	79,021	6,627,316
Total current assets							
Current year	**5,052,333**	**33,259,198**	**8,180,344**	**10,850,916**	**63,933,329**	**13,629,323**	**134,905,443**
Prior year	2,716,664	49,480,977	15,055,626	9,436,231	39,185,465	10,890,077	126,765,040
Outside debt							
Liabilities to banks	1,946,699	–	5,824,124	1,089,100	888,375	75,000	9,823,298
Liabilities to clients in the form of savings and investment deposits	–	79,687,912	–	–	–	–	79,687,912
Other liabilities to clients	9,697,594	48,745	3,150,855	861,497	615,606	204,981	14,579,278
Medium-term notes	–	–	1,700,880	4,758,949	9,317,508	694,500	16,471,837
Bonds and mortgage bond loans	–	–	440,300	350,800	3,915,670	2,709,870	7,416,640
Total outside debt							
Current year	**11,644,293**	**79,736,657**	**11,116,159**	**7,060,346**	**14,737,159**	**3,684,351**	**127,978,965**
Prior year	11,478,651	67,598,379	9,187,372	8,139,999	19,269,980	4,865,449	120,539,830

* Financial assets include 30,347,000 Swiss francs of real estate (prior year: 37,450,000 Swiss francs).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors of Raiffeisen Switzerland	8,475	8,889
Members of the Executive Board of Raiffeisen Switzerland	20,073	18,262
Total loans to executive bodies and employees	**28,548**	**27,151**

12.2 Transactions with associated persons

Special provisions apply to the processing and monitoring of loans to executive bodies to ensure that staff remain independent at all times.
The same conditions apply to members of the Board of Directors as to clients.
The Executive Board enjoys the same industry-standard preferential terms as other staff.

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	1,331,924	6,212	1,811,483	17,527
Receivables from money market securities	3,722	–	4,553	–
Receivables from banks	2,935,507	5,864,766	1,670,935	10,934,194
Receivables from clients	6,910,811	46,736	7,112,875	46,812
Mortgage receivables	110,678,088	–	101,434,992	–
Trading portfolios in securities and precious metals	406,949	93,412	229,263	111,383
Financial assets	5,631,681	995,635	3,121,827	269,196
Non-consolidated participations	452,071	4,121	335,413	3,911
Tangible fixed assets	2,098,000	–	1,976,153	–
Accrued income and prepaid expenses	214,282	12,784	219,481	–
Other assets	1,418,225	415,038	1,728,155	546,711
Total assets	**132,081,260**	**7,438,704**	**119,645,130**	**11,929,734**
Liabilities				
Liabilities to banks	6,118,322	3,704,976	4,714,317	3,781,235
Liabilities to clients in the form of savings and investment deposits	77,849,669	1,838,243	66,003,816	1,488,667
Other liabilities to clients	14,157,832	421,446	17,781,094	544,574
Medium-term notes	16,419,757	52,080	18,236,377	43,270
Bonds and mortgage bond loans	7,416,640	–	7,946,480	–
Accrued expenses and deferred income	542,618	3,436	694,806	–
Other liabilities	520,781	868,563	552,410	829,776
Value adjustments and provisions	975,484	1,761	977,835	1,442
Cooperative capital	536,028	–	504,575	–
Retained earnings	7,446,916	–	6,909,772	–
Group profit	645,412	–	564,418	–
Total liabilities	**132,629,459**	**6,890,505**	**124,885,900**	**6,688,964**

14 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Switzerland	132,081,260	94.67	119,645,130	90.94
Rest of Europe	7,287,432	5.22	11,740,645	8.92
Rest of world (America, Asia, Oceania, Africa)	151,272	0.11	189,089	0.14
Total assets	**139,519,964**	**100.00**	**131,574,864**	**100.00**

15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	1,142,534	142,220	14,605	38,777	1,338,136
Receivables from money market securities	3,564	69	72	17	3,722
Receivables from banks	5,016,955	2,820,264	797,230	165,824	8,800,273
Receivables from clients	6,943,821	12,284	1,340	102	6,957,547
Mortgage receivables	110,678,088	–	–	–	110,678,088
Trading portfolios in securities and precious metals	169,303	55,176	67	275,815	500,361
Financial assets	6,031,114	596,202	–	–	6,627,316
Participations	452,291	3,901	–	–	456,192
Tangible fixed assets	2,098,000	–	–	–	2,098,000
Accrued income and prepaid expenses	225,205	1,613	242	6	227,066
Other assets	1,833,263	–	–	–	1,833,263
Total assets reflected in the balance sheet	**134,594,138**	**3,631,729**	**813,556**	**480,541**	**139,519,964**
Delivery claims under spot exchange, forward exchange and currency option contracts	4,650,773	2,327,587	3,300,964	166,449	10,445,773
Total assets	**139,244,911**	**5,959,316**	**4,114,520**	**646,990**	**149,965,737**
Liabilities					
Liabilities to banks	6,800,968	2,258,645	693,830	69,855	9,823,298
Liabilities to clients in the form of savings and investment deposits	78,840,518	847,377	–	17	79,687,912
Other liabilities to clients	13,355,094	733,152	236,153	254,879	14,579,278
Medium-term notes	16,471,837	–	–	–	16,471,837
Bonds and mortgage bond loans	7,416,640	–	–	–	7,416,640
Accrued expenses and deferred income	545,081	951	17	5	546,054
Other liabilities	1,389,342	2	–	–	1,389,344
Value adjustments and provisions	977,245	–	–	–	977,245
Cooperative capital	536,028	–	–	–	536,028
Retained earnings	7,446,916	–	–	–	7,446,916
Group profit	645,412	–	–	–	645,412
Total liabilities reflected in the balance sheet	**134,425,081**	**3,840,127**	**930,000**	**324,756**	**139,519,964**
Delivery obligations under spot exchange, forward exchange and currency option contracts	4,953,450	2,053,858	3,150,460	308,138	10,465,906
Total liabilities	**139,378,531**	**5,893,985**	**4,080,460**	**632,894**	**149,985,870**
Net position per currency	**-133,620**	**65,331**	**34,060**	**14,096**	**–20,133**

	31.12.2009	31.12.2008
Foreign currency conversion rates		
EUR	1.486	1.489
USD	1.031	1.056

Information on off-balance-sheet business

16. Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	174,711	161,338
Warranty bonds	63,529	67,383
Other contingent liabilities	174,090	104,751
Total contingent liabilities	**412,330**	**333,472**

17 Open derivative financial instruments

17.1 Trading instruments with internal and external counterparties

	Positive contract replace-ment value in 1000 CHF	Negative contract replace-ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	860	566	1,900,000	550,000	–	2,450,000
Swaps	1,135,415	1,147,645	67,909,500	23,856,140	12,518,000	104,283,640
Futures contracts	–	–	1,124,974	–	–	1,124,974
Options (OTC)	2	56	33,033	31,003	522	64,558
Foreign currencies						
Forward contracts	117,286	114,046	9,733,036	1,477	–	9,734,513
Comb. interest rate/currency swaps	36,280	36,242	–	591,823	–	591,823
Precious metals						
Forward contracts	5,591	4,206	422,361	–	–	422,361
Equity securities and indices						
Futures contracts	–	–	8,703	–	–	8,703
Options (traded)	200	–	6,400	–	–	6,400
Other						
Options (OTC)	2,000	–	–	–	23,700	23,700
Total						
Current year	**1,297,634**	**1,302,761**	**81,138,007**	**25,030,443**	**12,542,222**	**118,710,672**
Prior year	1,238,501	1,245,245	71,856,682	34,470,963	12,488,000	118,815,646

17.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	194,824	645,143	29,490,000	8,725,000	4,875,000	43,090,000
Foreign currencies						
Comb. interest rate/currency swaps	–	20,291	–	283,375	–	283,375
Total						
Current year	**194,824**	**665,434**	**29,490,000**	**9,008,375**	**4,875,000**	**43,373,375**
Prior year	231,508	517,341	6,188,424	11,504,481	4,910,000	22,602,904

17.3 Derivative financial instruments with external counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	629,250	1,106,920	50,337,541	15,974,515	7,643,000	73,955,056
Clients	2,950	1,017	176,788	22,480	24,222	223,490
Stock exchanges	–	–	1,133,676	–	–	1,133,676
Total						
Current year	**632,200**	**1,107,937**	**51,648,005**	**15,996,995**	**7,667,222**	**75,312,222**
Prior year	721,160	1,013,737	65,667,854	22,942,515	7,578,000	96,188,369

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 92.6% 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	240	19,434	3,272	3,947	26,893
Total fiduciary transactions	**240**	**19,434**	**3,272**	**3,947**	**26,893**
Prior year	24,888	160,249	21,977	13,085	220,199

Information on the Profit and Loss Account

19 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
Commission income		
Commission income from lending business	7,339	7,294
Commission income from securities and investment business		
Fund business	64,986	71,219
Custody account business	42,921	42,548
Brokerage	61,563	53,047
Other securities and investment business	13,082	19,348
Commission income from other service transactions		
Payments	96,723	88,877
Account maintenance	26,480	30,095
Other service transactions	19,986	19,009
Total commission income	**333,080**	**331,437**
Commission expenditure		
Securities business	-46,795	-48,052
Payments	-53,109	-47,029
Other commission expenditure	-5,896	-6,636
Total commission expenditure	**-105,800**	**-101,717**
Total net income from commission business and service transactions	**227,280**	**229,720**

20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	52,976	46,829
Precious metals and foreign notes and coins trading	53,103	31,431
Equities trading	5,099	17,331
Fixed income trading	5,032	12,720
Total net trading income	**116,210**	**108,311**

21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	10,343	6,141
Other non-consolidated holdings	19,246	29,519
Total income from participating interests	**29,589**	**35,660**

22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	23,479	21,371
Salaries and bonuses for staff	812,782	779,671
AHV, IV, ALV and other statutory contributions	75,563	70,858
Contributions to staff pension funds	79,028	63,088
Ancillary staff expenses	25,575	27,446
Total personnel expenditure	**1,016,427**	**962,434**

23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	73,296	69,936
Cost of computer equipment, machinery, furniture, vehicles and other equipment	109,729	124,869
Other operating expenditure	263,411	286,014
Total operating expenditure	**446,436**	**480,819**

24 Extraordinary income and expenditure

Current year

The extraordinary income of 96 million Swiss francs includes 15.2 million Swiss francs from reversals of value adjustments and releases of provisions for default risks and other business risks as well as income of 4.4 million Swiss francs from the sale of tangible fixed assets and participations and 71.3 million Swiss francs from appreciation on participations.

The extraordinary expenditure of 4.9 million Swiss francs includes losses of 3.6 million Swiss francs from the sale of tangible fixed assets.

Prior year

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

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

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Creation of provisions for deferred taxes	28,015	–
Release of provisions for deferred taxes	–	-6,276
Expenditure for current income tax	117,705	123,422
Total tax expenditure	**145,720**	**117,146**

Report of the statutory auditor

PRICEWATERHOUSECOOPERS

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 88 to 121), for the year ended on 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended on 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

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

St. Gallen, 29 March 2010

Information on capital adequacy situation

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2008/2. The scope of consolidation relevant for capital adequacy calculations is the same as that applied for accounting purposes (see chart on page 54).

Mandatory and eligible capital

	Current year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Mandatory capital				
Credit risks (Swiss standard approach)				
Receivables from banks	784,678	62,774	1,270,455	101,636
Receivables from clients	3,691,526	295,322	3,813,054	305,044
Mortgage receivables	45,631,646	3,650,532	41,922,289	3,353,783
Accrued income and prepaid expenses	134,072	10,726	175,277	14,022
Other assets, total replacement value of derivatives	237,526	19,002	272,175	21,774
Other assets, miscellaneous	37,037	2,963	93,610	7,489
Net interest positions outside trading book	830,747	66,460	465,663	37,253
Net equity positions outside trading book	82,100	6,568	78,055	6,244
Contingent liabilities	266,467	21,317	182,753	14,620
Irrevocable commitments	1,516,376	121,310	1,251,023	100,082
Call commitments and additional funding obligations	386,458	30,917	94,323	7,546
Add-ons for forward contracts and options purchased	46,367	3,709	36,857	2,949
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		**4,291,600**		**3,972,443**
Non-counterparty-related risks				
Tangible fixed assets and software	7,070,501	565,640	6,746,914	539,753
Real estate in financial assets	113,803	9,104	140,437	11,235
Mandatory capital for non-counterparty-related risks		**574,744**		**550,988**
Market risks (standard approach)				
Interest rate instruments – general market risk		45,283		41,332
Interest rate instruments – specific risk		2,575		3,558
Equity instruments		1,965		–
Foreign currencies and gold		12,666		10,724
Other precious metals		3,800		2,625
Options		1		1
Mandatory capital for market risks		**66,290**		**58,240**
Mandatory capital for operational risks (basic indicator approach)		**347,431**		**339,169**
Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)		**-115**		**-129**
Total mandatory capital		**5,279,950**		**4,920,711**

Continued on page 125

	Current year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Available capital				
Total core capital		8,599,799		7,951,477
of which innovative core capital instruments		–		–
– proportional deduction for participations in the financial area*		-227,831		-169,391
Eligible adjusted core capital		**8,371,968**		**7,782,086**
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		4,299,899		3,975,738
– proportional deduction for participations in the financial area*		-227,831		-169,391
Eligible supplementary capital		**4,072,068**		**3,806,347**
Total eligible capital		**12,444,036**		**11,588,433**
Equity surplus		7,164,086		6,667,722
Equity cover		235.7%		235.5%
Core capital ratio		12.7%		12.7%
Total capital ratio		18.9%		18.8%

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

Credit risk by counterparty

Loan commitments (in 1000 CHF)[1]	Central governments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit-ments	Total
Balance sheet items								
Receivables from banks	702,740	8,097,533	–	–	–	–	–	8,800,273
Receivables from clients	9,465	100,876	3,105,810	382,133	3,359,263	–	–	6,957,547
Mortgage receivables	84,124	100,011	37,512	594,413	109,862,028	–	–	110,678,088
Interest and equity positions outside trading book	3,521,351	469,948	133,698	2,444,124	–	28,377	3,722	6,601,220
Replacement values of derivatives[2]	–	629,250	–	2,029	921	–	–	632,200
Other assets	841,592	137,467	2,379	1	130,001	–	5,928	1,117,368
Total current year	**5,159,272**	**9,535,085**	**3,279,399**	**3,422,700**	**113,352,213**	**28,377**	**9,650**	**134,786,696**
Total prior year	3,023,209	14,258,251	3,291,853	1,927,744	104,520,631	26,581	4,553	127,052,822
Off-balance-sheet items[3]								
Contingent liabilities	636	10,331	2,264	198,027	152,341	–	–	363,599
Irrevocable commitments	30	3,802	553,921	2,398	1,512,479	–	–	2,072,630
Call commitments and additional funding obligations	–	–	–	386,459	–	–	–	386,459
Add-ons for forward contracts and options purchased[2]	–	127,761	–	845	548	–	–	129,154
Total current year	**666**	**141,894**	**556,185**	**587,729**	**1,665,368**	**–**	**–**	**2,951,842**
Total prior year	299	113,710	541,249	122,304	1,461,947	–	–	2,239,509

Credit risk/minimization of credit risk

Loan commitments (in 1000 CHF)[1]	Covered by recognized financial securities[4]	Covered by guarantees and credit derivatives	Other loan commitments	Total
Balance sheet items				
Receivables from banks	3,607,531	–	5,192,742	8,800,273
Receivables from clients	276,074	110,198	6,571,275	6,957,547
Mortgage receivables	189,403	116,733	110,371,952	110,678,088
Interest and equity positions outside trading book	–	–	6,601,220	6,601,220
Replacement values of derivatives[2]	–	–	632,200	632,200
Other assets	–	–	1,117,368	1,117,368
Total current year	**4,073,008**	**226,931**	**130,486,757**	**134,786,696**
Total prior year	8,010,990	320,363	118,721,469	127,052,822
Off-balance-sheet items[3]				
Contingent liabilities	62,697	617	300,285	363,599
Irrevocable commitments	32,620	1,450	2,038,560	2,072,630
Call commitments and additional funding obligations	–	–	386,459	386,459
Add-ons for forward contracts and options purchased[2]	–	–	129,154	129,154
Total current year	**95,317**	**2,067**	**2,854,458**	**2,951,842**
Total prior year	80,038	12,494	2,146,977	2,239,509

Segmentation of credit risks

Loan commitments (in CHF million)[1]	0%	25%	35%	50%	75%	100%	125%	150%	250%	500%	Total
	Risk weightings under supervisory law										
Balance sheet items											
Receivables from banks	5,802	2,858	–	140	–	–	–	–	–	–	8,800
Receivables from clients	195	93	1,838	3,073	907	779	0	73	–	–	6,958
Mortgage receivables	236	61	92,109	4,388	10,621	2,712	0	551	–	–	110,678
Interest and equity positions outside trading book	3,592	2,708	–	217	42	14	–	–	24	4	6,601
Replacement values of derivatives[2]	–	343	–	263	23	3	–	–	–	–	632
Other assets	841	139	–	1	–	136	–	–	–	–	1,117
Total current year	**10,666**	**6,202**	**93,947**	**8,082**	**11,593**	**3,644**	**0**	**624**	**24**	**4**	**134,786**
Total prior year	10,917	7,311	86,121	7,862	10,412	3,743	1	659	22	5	127,053
Off-balance-sheet items[3]											
Contingent liabilities	55	8	28	5	59	209	–	0	–	–	364
Irrevocable commitments	32	555	161	3	7	1,315	–	–	–	–	2,073
Call commitments and additional funding obligations	–	–	–	–	–	386	–	–	–	–	386
Add-ons for forward contracts and options purchased[2]	–	80	–	43	5	1	–	–	–	–	129
Total current year	**87**	**643**	**189**	**51**	**71**	**1,911**	**–**	**0**	**–**	**–**	**2,952**
Total prior year	72	597	172	48	64	1,286	–	1	–	–	2,240

1) Before deduction of individual value adjustments.

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

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

4) Securities are recognized using the simple method.

Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m
Profit and loss account										
Net interest income	1,839	1,810	97	103	5	5	10	8	1,951	1,926
Net income from commission business and service transactions	179	172	63	62	0	1	-15	-5	227	230
Net trading income	66	49	50	60	–	–	0	-1	116	108
Other ordinary result	34	33	296	272	–	0	-274	-243	56	62
Operating income	**2,118**	**2,064**	**506**	**497**	**5**	**6**	**-279**	**-241**	**2,350**	**2,326**
Personnel expenditure	-732	-681	-293	-299	–	0	9	18	-1,016	-962
Operating expenditure	-562	-538	-155	-171	-3	-3	273	231	-447	-481
Total operating expenditure	**-1,294**	**-1,219**	**-448**	**-470**	**-3**	**-3**	**282**	**249**	**-1,463**	**-1,443**
Gross profit	**824**	**845**	**58**	**27**	**2**	**3**	**3**	**8**	**887**	**883**
Depreciation on fixed assets	-127	-118	-92	-119	–	0	40	6	-179	-231
Value adjustments, provisions and losses	-454	-477	-2	-1	-1	-1	449	468	-8	-11
Operating profit (interim result)	**243**	**250**	**-36**	**-93**	**1**	**2**	**492**	**482**	**700**	**641**
Key balance sheet figures										
Total assets	128,472	120,493	30,505	29,712	195	195	-19,652	-18,825	139,520	131,575
Loans to clients	112,572	104,140	5,038	4,423	188	187	-162	-155	117,636	108,595
Client monies	102,884	96,483	7,875	7,602	13	15	-33	-2	110,739	104,098

Balance Sheet – five-year overview

	2009 in CHF million	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million
Assets					
Liquid funds	1,338	1,829	1,203	1,138	1,140
Receivables from money market securities	4	5	10	11	11
Receivables from banks	8,800	12,605	12,340	11,372	10,130
Receivables from clients	6,958	7,160	7,228	6,957	6,888
Mortgage receivables	110,678	101,435	94,299	88,153	83,893
Loans to clients	**117,636**	**108,595**	**101,527**	**95,110**	**90,782**
Trading portfolios in securities and precious metals	500	341	690	140	56
Financial assets	6,627	3,391	2,204	2,547	2,855
Non-consolidated participations	456	339	406	400	358
Tangible fixed assets	2,098	1,976	1,791	1,688	1,643
Accrued income and prepaid expenses	227	219	260	242	208
Other assets	1,833	2,275	2,644	1,350	1,005
Total assets	**139,520**	**131,575**	**123,076**	**113,998**	**108,187**
Liabilities					
Liabilities to banks	9,823	8,496	11,431	9,786	9,741
Liabilities to clients in the form of savings and investment deposits	79,688	67,492	60,880	62,304	61,984
Other liabilities to clients	14,579	18,326	17,765	12,884	10,560
Medium-term notes	16,472	18,280	15,510	12,837	10,823
Client monies	**110,739**	**104,098**	**94,155**	**88,025**	**83,367**
Bonds and mortgage bond loans	7,417	7,946	7,757	7,316	7,074
Accrued expenses and deferred income	546	695	696	557	494
Other liabilities	1,389	1,382	597	519	437
Value adjustments and provisions	977	979	1,038	1,109	1,097
Cooperative capital	536	505	467	428	396
Retained earnings	7,447	6,910	6,234	5,603	4,972
Group profit	645	564	701	655	608
Total equity capital	**8,628**	**7,979**	**7,402**	**6,686**	**5,976**
Total liabilities	**139,520**	**131,575**	**123,076**	**113,998**	**108,187**

Profit and Loss Account – five-year overview

	2009 in CHF million	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million
Interest and discount income	3,457	3,945	3,611	3,118	2,861
Interest and dividend income from financial assets	98	52	60	69	82
Interest expenditure	-1,604	-2,071	-1,790	-1,385	-1,227
Net interest income	**1,951**	**1,926**	**1,881**	**1,802**	**1,716**
Commission income from lending business	7	7	5	5	6
Commission income from securities and investment business	183	186	215	187	158
Commission income from other service transactions	143	138	131	129	122
Commission expenditure	-106	-101	-108	-71	-68
Net income from commission business and service transactions	**227**	**230**	**243**	**250**	**217**
Net trading income	**116**	**108**	**112**	**84**	**76**
Income from sale of financial assets	1	1	1	1	2
Income from participating interests	30	36	34	24	24
Income from real estate	17	18	18	16	17
Other ordinary income	9	14	9	7	7
Other ordinary expenditure	-1	-7	-1	-1	-1
Other ordinary result	**56**	**62**	**61**	**47**	**49**
Operating income	**2,350**	**2,326**	**2,297**	**2,183**	**2,058**
Personnel expenditure	-1,016	-962	-880	-796	-775
Operating expenditure	-447	-481	-452	-406	-383
Total operating expenditure	**-1,463**	**-1,443**	**-1,332**	**-1,202**	**-1,157**
Gross profit	**887**	**883**	**965**	**981**	**900**
Depreciation on fixed assets	-179	-231	-140	-147	-128
Value adjustments, provisions and losses	-8	-11	-3	-11	-42
Operating profit (interim result)	**700**	**641**	**822**	**823**	**730**
Extraordinary income	96	43	22	7	54
Extraordinary expenditure	-5	-3	-4	-6	-7
Taxes	-146	-117	-138	-169	-169
Group profit	**645**	**564**	**701**	**655**	**608**

Cash Flow Statement – five-year overview

	2009 in CHF million	2008 in CHF million	2007 in CHF million	2006 in CHF million	2005 in CHF million
Group profit	**645**	**564**	**701**	**655**	**608**
+ Depreciation on fixed assets	179	231	140	147	128
– Appreciation on participations	-71	–	–	-2	-36
+ Value adjustments and provisions	-2	-59	-71	12	40
– Increase / + decrease in money market securities	1	6	–	–	2
± Net change in receivables from/liabilities to banks	5,132	-3,200	676	-1,197	860
– Increase / + decrease in receivables from clients	202	68	-271	-69	205
– Increase / + decrease in mortgage receivables	-9,243	-7,136	-6,146	-4,260	-4,422
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	12,196	6,613	-1,424	320	2,072
+ Increase / – decrease in other liabilities to clients	-3,747	560	4,881	2,323	-222
+ Increase / – decrease in medium-term notes	-1,808	2,770	2,673	2,015	680
± Net change in receivables from/liabilities to clients	-2,400	2,875	-287	330	-1,688
– Increase / + decrease in trading portfolios in securities and precious metals	-159	350	-550	-84	-37
– Increase / + decrease in financial assets (debt securities, etc.)	-3,236	-1,187	343	308	41
± Net change in accruals and deferrals as well as other assets and liabilities	292	1,194	-1,095	-234	-117
Net cash flow from operating activities	**381**	**774**	**-143**	**-66**	**-197**
– Increase / + decrease in participations	-47	-5	-6	-40	43
– Increase / + decrease in real estate	-167	-157	-100	-81	-71
– Increase / + decrease in other tangible fixed assets/objects in finance leasing	-133	-188	-142	-111	-91
Net cash flow from investment activities	**-347**	**-350**	**-248**	**-232**	**-119**
+ Increase / – decrease in bonds and mortgage bond loans	-529	190	441	241	182
+ Increase / – decrease in cooperative capital	31	38	38	33	34
– Interest paid on share certificates for prior year	-27	-26	-23	-21	-19
+ Increase / – decrease in capitalization of employer contribution reserves	–	–	–	44	–
Net cash flow from financing activities	**-525**	**202**	**456**	**297**	**197**
Total cash flow (net change in liquid funds)	**-491**	**626**	**65**	**-2**	**-119**
Liquid funds at start of year	1,829	1,203	1,138	1,140	1,259
Liquid funds at end of year	**1,338**	**1,829**	**1,203**	**1,138**	**1,140**

Tradition

The so-called watchmaking trail consists of 27 stages and retells the epic tale of Swiss watchmaking from its humble origins to the present day, passing through Jura, the birthplace of watchmaking, to the cities of Basel and Geneva, which today house some of the most luxurious watch brands in the world. Tradition means being able to draw strength from proven methods. The tradition of Raiffeisen strengthens us and enables us to be the best that we can at all times.

Raiffeisen's unique strength is its local presence. The 350 Raiffeisen banks are structured as cooperatives, and their 1,146 branches give Raiffeisen the densest branch network in Switzerland. The Swiss population feels the direct benefits of this proximity. The Raiffeisen banks operate within a clearly defined and comprehensible business area and thus support the local economy. Savings emanating from the region are invested back into the region in the form of mortgages and other lending. The Raiffeisen banks are also attractive employers. Through their tax contributions, they allow the region to participate in their economic success. And as sponsors, they pave the way for various cultural and sporting activities in the regions.

The strong Swiss bank As Switzerland's third-largest banking group, Raiffeisen is a national brand of major importance in the domestic banking market. Over 3.3 million people use a Raiffeisen bank for their financial affairs. These include 1.6 million cooperative members, who are co-owners of their Raiffeisen bank.

The legally autonomous Raiffeisen banks are amalgamated into Raiffeisen Switzerland, which has its head office in St.Gallen. Raiffeisen Switzerland is responsible for the entire Raiffeisen Group strategy and for Group-wide risk management, liquidity and capital ratios, and refinancing. It also coordinates the Group's operations, creates the conditions for business activities of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all issues. In addition, Raiffeisen Switzerland is responsible for treasury, trading and transaction activities. The Raiffeisen Group puts the utmost emphasis on security. The Group incorporates a balanced security system based on mutual liability which guarantees a high standard of security for clients and investors. The cooperative union of Raiffeisen banks is a community in which risks are borne on a joint and several basis and in which all members are there for one another.

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Layout: freicom ag, St. Gallen
Printing: dfmedia, Flawil
Translation: CLS Communication AG, Zurich
Photos: Sally Montana, Zurich (path images),
and Klaus Andorfer, Zurich (portraits of Raiffeisen
Group Management)

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Finanzberichte, Annual reports.

Printed on Superset Snow, matt, wood-free.