Raiffeisen Group

Annual Report

Financial Report 2011

RAIFFEISEN

HIGHLIGHTS

16.1 Mortgage volumes rose an impressive 7.5 percent and stood at CHF 128.5 billion at the end of the year. The Raiffeisen Group has thus achieved another year of growth in morgage financing, its core business and increased its market share to 16.1 percent. Growth was particularly strong in urban regions.

2.5 Operating income broke through the CHF 2.5 billion mark for the very first time. The CHF 96 million increase in operating income represents the steepest rise in the last four years and was broadly based: All income items went up, except for other ordinary income.

740,000 The number of Raiffeisen members has risen 740,000, or 73.4 percent, in the past 10 years. Raiffeisen now has 1.747 million members – more than one-fifth of Switzerland's total population. All members have a say in their Raiffeisen bank and benefit from a range of perks including discounted concert tickets, the museum pass and half-price tourism offers.

0.016 The default risk for loans has always been extremely low within the Raiffeisen Group. Last year, only 0.016 percent of the loans had to be written off. Total loans amounted to CHF 136 billion. The risk profile has remained stable despite considerable business growth.

Raiffeisen Group

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Preface

Core business continues to perform well

Left: Marcel Zoller, Head of Finance department (CFO)

Middle: Prof. Dr. Johannes Rüegg-Stürm, Chairman of the Board of Directors of the Raiffeisen Group

Right: Dr. Pierin Vincenz, Chairman of the Executive Board of the Raiffeisen Group (CEO)

The Raiffeisen Group’s 2011 financial year can be financially summarized in four main trends: sustained high volume growth in the core business, strong earnings growth, moderate cost development, and historically low value adjustments in the lending business. Raiffeisen’s business model has done very well in an environment that has been unstable and challenging – both politically and economically. The qualitative growth strategy, rigorous process and cost optimisation in the core business, and diversification efforts are paying off and ensuring the Group's success in the short and long term.

Strategy and risk policy need to mesh together perfectly, especially in an economically turbulent environment. Raiffeisen’s cooperative structure ensures that risks are reviewed multiple times – first at the Raiffeisen banks, and then at Raiffeisen Switzerland. This has kept the non-performing loan ratio down. The loan portfolio is extremely solid and low-risk thanks to a consistent focus on financing owner-occupied residential property with an average mortgage of around CHF 350,000. The Raiffeisen banks expanded lending significantly in 2011, while provisions for default risks have continued to decline.

With its deliberate decentralised approach, the cooperative tends to have slightly higher structural costs. This is, however, offset by very high levels of retained earnings. Raiffeisen can thus expect its capital base to grow steadily and strengthen even further. Every year, it allocates around 95 percent of its net profit to reserves. This continually reinforces our Group’s solidity and raised our Tier 1 ratio in 2011.

With Moody's new Aa2 rating, Raiffeisen remains one of the world's best rated banks. The new rating had no adverse effect on our borrowing ability or wholesale funding costs. Raiffeisen Switzerland put on an impressive demonstration of its placement power by successfully issuing a junior bond in late 2011.

Various factors are signalling a certain growth slowdown in 2012. Home prices are expected to be stable overall in 2012. Our risk situation will not change much, and our loan portfolio remains distinctly robust. The Swiss financial sector will have several issues to face this year, including the management of US clients, the flat rate withholding tax and the development of solutions with neighbouring countries.

Each bank is responsible for its own lending policies within its own risk tolerance limits. In recent years, Raiffeisen has shown that this business can be very successful despite achieving above-industry growth, maintaining close customer and market intimacy, and exercising moderation in the assumption of risk. There is no need for more government regulation.

Raiffeisen will continue to execute its chosen strategy: qualitative growth in its core business, diversification in the corporate clients and investment business, and rigorous process and cost management.

Prof. Dr. Johannes Rüegg-Stürm
Chair of the Board of Directors
of the Raiffeisen Group

Dr. Pierin Vincenz
Chair of the Executive Board
of the Raiffeisen Group (CEO)

Marcel Zoller
Head of Finance
department (CFO)

Corporate Governance

Cooperative democracy for a strong Raiffeisen

Corporate governance encompasses all principles of corporate organisation, management instruments and controlling structures. This system creates clarity, reliability and stability. Corporate governance is the framework for fulfilling responsibilities vis-à-vis clients and the company.

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 organisational 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, products and amendments to existing ones can be processed centrally and made available directly to all staff. This makes it possible to provide clients with more rapid, targeted and comprehensive service.

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 (RLCG). Although the code is not binding for Raiffeisen, it is helpful even for an unlisted company to apply these best practices in certain areas. The report addresses in particular the special cooperative organisational 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 pertain to the reporting date 31 December 2011.

RAIFFEISEN GROUP STRUCTURE

The subsidiaries KMU Capital AG and RAInetworks are wholly owned by Raiffeisen Switzerland. The Raiffeisen Group also owns 21.58% of Pfandbriefbank schweizerischer Hypothekarinstitute AG, and Raiffeisen Switzerland owns 25.53% of Aduno Holding AG. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions. Small shareholdings are not listed separately in the table on page 6.

Changes versus the previous year

There were no significant changes versus the previous year.

Mergers of Raiffeisen banks

Due to mergers, the number of legally and organisationally independent Raiffeisen banks fell from 339 to 328 in the year under review. The mergers were motivated by operational and market considerations. The on-going structuring process enables the individual Raiffeisen banks to optimally align their activities with 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. Raiffeisen banks opened thirteen new branches in 2011.

RAIFFEISEN GROUP ORGANISATIONAL STRUCTURE

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

The 328 Raiffeisen banks, with a total of 1,084 branches (excluding Raiffeisen Switzerland branches), are legally and organisationally independent cooperatives which elect their own boards of directors and have an independent auditor. The Raiffeisen banks are owned by the cooperative members. Candidates for the board of directors are elected at local general or delegate meetings. This ensures a fair balance between the interests of the individual bank and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

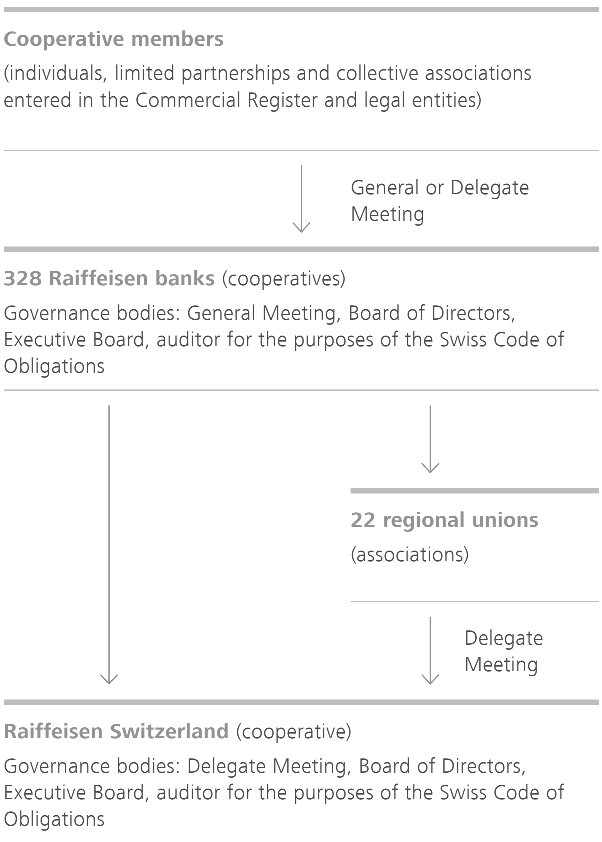
The Raiffeisen banks are grouped into 22 regional unions (see page 10) which are organised as associations. The federations act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional federations include, in particular, organising delegate elections for the Raiffeisen Switzerland Delegate Assembly, coordinating regional advertising activities, conducting training events for Raiffeisen banks and safeguarding and representing the interests of the Raiffeisen banks in dealings with cantonal business associations and authorities.

Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the 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 competence centre for the entire Group. It represents their national and international interests. Raiffeisen Switzerland directly manages six retail branches.

The Raiffeisen banks Expert Committee (not shown in the chart) is another management body. Each regional union has one seat, while Raiffeisen Switzerland is represented with one seat per department in this committee. The Committee reviews strategic matters, objectives and plans, out of the Raiffeisen banks viewpoint, prioritising them according to the specifications established by the Raiffeisen Switzerland Executive Board. It also appoints representatives who sit on the individual steering committees of Raiffeisen Switzerland, ensuring that Raiffeisen banks have a sufficient say in group wide plans and projects.

Major participations

Note 3 (Details of major participations, see page 60) lists all major participations of the Raiffeisen Group, including company name, domicile, capital and share of voting rights.



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, securities and consumer goods leasing	Cooperative members
Raiffeisen Switzerland	▪ Business policy/strategy and centre of competence for the Raiffeisen Group ▪ Risk controlling ▪ Ensuring central bank functions (monetary settlement, liquidity and refinancing) ▪ Banking business (mainly interbank business and securities trading) ▪ Running of branches ▪ Informs, advises and supports the Raiffeisen banks especially in the areas of marketing, business, information technology, building systems, training, human resources and legal services	Raiffeisen banks
KMU Capital Ltd	Financing business, mezzanine financing and investments in SMEs	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Trading in goods and services for the Raiffeisen Group	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivised pension savings (pillar 3)	

Major cooperative members
Under the Swiss Code of Obligations, the voting right of any cooperative member is limited to one vote, irrespective of the number of shares held. Furthermore, the Articles of Association stipulate that no cooperative member may own more than CHF 20,000 of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative shareholder, holding more than 5% of capital or voting rights.

Cross-shareholdings
Raiffeisen Group companies have no cross-shareholdings.

CAPITAL STRUCTURE AND CONTINGENT LIABILITY
Capital structure
The Raiffeisen Group's cooperative capital totals CHF 598.9 million. The precise composition thereof and changes in the year under review can be found in note 10 (Evidence of equity capital, see page 66).

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 can never be sold or transferred. Resigning cooperative members have the right to redeem their share certificates at intrinsic value, up to a maximum of their par value. They may only be redeemed once the annual accounts of the fourth year following the termination of membership have been approved, unless they are replaced with new share certificates in the same amount.

Share certificates bear a maximum 6% interest.

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

Security model
The Raiffeisen business model, business policies, a high level of equity and the ability to

help shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen system provides a reliable and sustainable basis for all areas ob banking business, benefiting clients.

Liability

The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on a principle of mutual liability, anchored in its Articles of Association. Working together in a tight-knit cooperative union is also a form of solidarity, as the fates of the Raiffeisen banks are closely linked as a risk-sharing group. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what individual organisation members could afford (see chart below).

1 Liability of Raiffeisen Switzerland towards the Raiffeisen banks

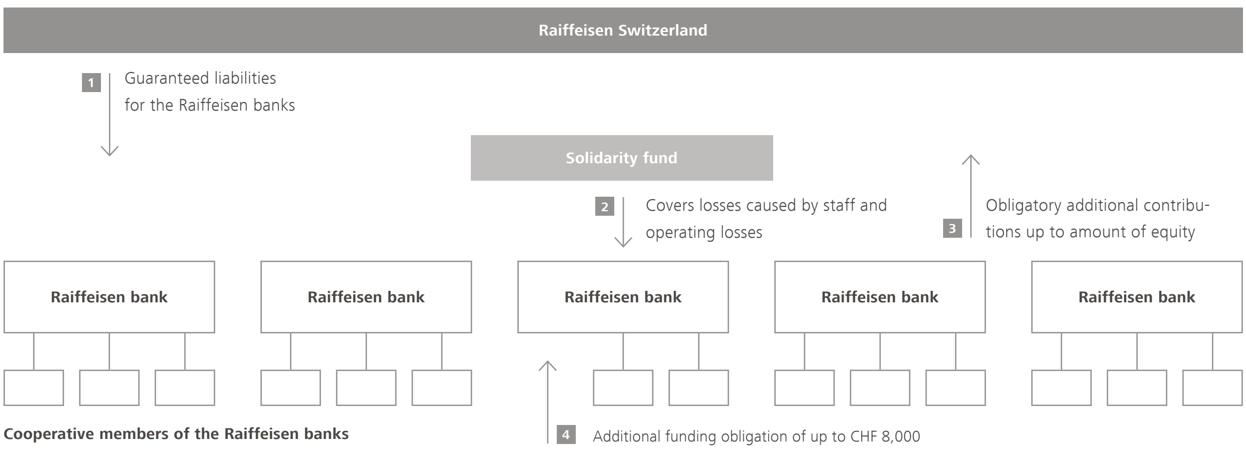
In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and thus of the Raiffeisen Group as a whole. A total of CHF 906.2 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.5 billion, of which CHF 450 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 1,013.6 million from the Raiffeisen banks at any time.

2 Solidarity fund

The solidarity fund is an organisation-wide reserve to cover risks, in the classical sense of solidarity as understood by Raiffeisen. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets amount to CHF 338.9 million.

3 Additional funding obligation of 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 Raiffeisen banks towards Raiffeisen Switzerland amounts to CHF 9.3 billion.



4 Additional funding obligation of cooperative members towards Raiffeisen banks

Should the annual balance sheet of a Raiffeisen bank indicate that cooperative capital is no longer covered, the cooperative members are bound under an additional funding obligation to contribute up to CHF 8,000 in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals CHF 14 billion (see note 10 "Evidence of equity capital", page 66). 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 upon, 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 3 September 2010, the Raiffeisen Group must 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 individual bank level. However, to enjoy this dispensation, the Raiffeisen banks must have a central organisation that guarantees all Raiffeisen bank obligations and must also keep the regulation in place giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks.

Changes in equity capital of Raiffeisen Group

(in million CHF)

	2011	2010	2009	2008
Cooperative capital	599	570	536	505
Retained earnings	8,681	8,084	7,447	6,910
Group profit	595	627	645	564
Total	**9,875**	**9,281**	**8,628**	**7,979**

Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an on-going basis, especially as regards capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organisational, operational and HR-related steps.

GOVERNANCE BODIES OF RAIFFEISEN SWITZERLAND

Raiffeisen Switzerland Delegate Assembly

The Delegate Assembly is the highest body of Raiffeisen Switzerland. Each regional union appoints two delegates. In addition, further delegates are allocated depending on the number of Raiffeisen banks in each regional union, the number of cooperative members and the balance sheet total of all the Raiffeisen banks in each regional union. There are currently 167 Delegate Assembly members.

The Delegate Assembly is responsible in particular for:

- Change in Raiffeisen Switzerland Articles of Association
- 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 elected for the purposes of the Swiss Code of Obligations for the Raiffeisen banks.

Raiffeisen Switzerland Board of Directors

The Board of Directors is mainly responsible for the Group's strategic development, financial management and for overseeing Raiffeisen Switzerland and the Executive Board.

The Board of Directors consists currently of eleven members. Some members of the Board of Directors sit on the boards of individual Raiffeisen banks, while others are not involved within the Group. This ensures that the widest possible range of main professional qualifications and experience (from politics, business and society) is represented on this executive body.

No Board of Directors members have been active employees of Raiffeisen Switzerland in the last three years. In addition, no member of the Board of Directors has a significant business relationship with Raiffeisen Switzerland with 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 for the Raiffeisen banks. Half of the members of the Board of Directors must be representatives of Raiffeisen banks.

Members of the Board of Directors are elected for a term of two years (current term of office: 2010 - 2012) and can serve a maximum of twelve years. Members of the Board of Directors must step down at the end of the term of office in which they turn age 65.

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. The Board met six times in 2011. 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 chairman's vote counts twice. Resolution voting is minuted. The Board of Directors meets once a year to review its own activities and positions.

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

Duties of the Board of Directors

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

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, risk policy and the regulations and authorities required for managing Raiffeisen Switzerland
- To appoint and dismiss the Chairman, 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 Assembly 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 standing committees are set forth in regulations which are summarised on page 17.

The regional unions

Regional unions	Chairman	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	26
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	23
Bündner Verband der Raiffeisenbanken	Hans Sprecher, Fanas	10
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	7
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	23
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	10
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	17
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	12
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	8
Solothurner Verband der Raiffeisenbanken	Roland Fürst, Gunzgen	22
St.Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	46
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	19
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Michael Iten, Oberägeri	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	11
Fédération genevoise des Banques Raiffeisen	Philippe Moeschinger, Thônex	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	9
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	19
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	19
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	28

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

Client confidence in Raiffeisen

Business model	Business policy	Capital	Membership
As a cooperative Raiffeisen is committed to its members and only distributes a limited portion of its profits.	Our local presence and proximity to clients mean Raiffeisen is very familiar with the potential risks.	At CHF 12.2 billion, Raiffeisen has more than double the capital required under statutory capital adequacy provisions.	The 1.7 million members help set the course and take responsibility for it.
Raiffeisen banks share liability for debts mutually. This eliminates the possibility of individual Raiffeisen banks going bankrupt.	Raiffeisen pursues a very conservative risk policy.	With a debt-to-equity ratio (leverage ratio) of 6.3%, Raiffeisen is very well capitalised.	As a cooperative, there is no risk of Raiffeisen being taken over.
	Raiffeisen focuses on sustainable business rather than short-term returns.		

Delimitation of powers

The powers exercised by the Board of Directors, its committees, the Chairman 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 Raiffeisen Switzerland's Executive Board in a number of ways. The Chairman of the Board of Directors and the Head of Internal Audit may also attend Executive Board meetings in order to share information. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

Risk management and compliance

Risk management and compliance are described in detail in the "Risk policy and risk control" section on pages 28 – 35.

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 verifies compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed Internal Auditing since 1989. He reports directly to the Audit Committee.

Raiffeisen Switzerland Executive Board

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

HIGHLIGHT

95% of the group profit or CHF 564 million was appropriated last year to strengthen the capital base. A cooperative can, partly due to the robust self-financing structures, operate long-term and sustainable. Its model is based on reinvesting profits instead of paying dividends. Profits go to stocking up reserves. This benefits members and clients on a sustained, long-term basis.

cial and human resources organisation and with the implementation of risk policy.

The Executive Board consists of the chairman and six other members. Meetings are normally held once a week, led by the chairman. The Executive Board has the power to pass resolutions if a majority of its members are present. The Board passes most resolutions by consensus. If agreement cannot be reached, resolutions are passed by a simple majority, with the chairman having the tie-breaking vote. Resolution voting is minuted.

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

Raiffeisen Switzerland business processes are handled by six different departments (see organisational chart on pages 22–23).

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 2011 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. The auditor is appointed by the delegates for a period of three years. The attendant rights and obligations are governed by the Swiss Code of Obligations.

REMUNERATION REPORT

Raiffeisen Group

A clearly formulated HR strategy is a major contributor to the success of the company. Raiffeisen positions itself as an attractive employer for both current and future personnel, attaching great importance to:

- Cultural identity
- Maintaining a unique management culture
- Personal responsibility and entrepreneurship
- Offering attractive employment conditions in line with the market

A competitive remuneration model is a key component for a successful positioning as an attractive employer. The remuneration system is designed to attract skilled workers and retain talented employees. Outstanding achievements are acknowledged, and every individual's performance is rewarded. This is essential in order to achieve long-term strategic targets.

Independent remuneration system

Raiffeisen's cooperative model is geared towards long-term enterprise growth. Profits are not distributed as dividends, but rather retained to strengthen the equity capital base. There are therefore no misguided incentives to take excessive risks in pursuit of above-average profits. Raiffeisen's low risk profile is reflected in the risk policy stipulated by the Board of Directors and in its credit limit system, as well as its limited trading activities and extremely modest value adjustments.

The low risk profile, stable earnings and cooperative tradition are the reasons why an independent remuneration system was established. This scheme involves remuneration caps for risk-takers, limits on variable remuneration components and all remuneration in cash rather than in the form of deferred benefits.

The Board of Directors has identified another group of risk takers other than the seven members of the Executive Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Their names are reported by the Head of Central Bank to the Head of Human Resources Management every year before the salary and bonus process begins and are approved by the Executive Board of Raiffeisen Switzerland in the request to determine the total variable remuneration pool. In 2011, this group consists of 41 people (not counting Executive Board members).

Raiffeisen's remuneration policy aims for constancy; the remuneration system rewards stable returns and sustained success.
The remuneration system regulates the remuneration paid to members of the Board of Directors and Executive Board in detail and lays out basic principles for the total remuneration paid to all Raiffeisen Switzerland employees. Raiffeisen Switzerland also issues recommendations to Raiffeisen banks.

Total remuneration and total variable remuneration

In the year under review, total remuneration paid by the Raiffeisen Group came to CHF 839,758,086. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 80,767,710. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration

For all employees (incl. members of the Executive Board and the Head of Internal Auditing), remuneration comprises the following components:

- Fixed remuneration in line with the market: Every employee has an individual contractual salary. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.
- Moderate variable remuneration: Bonuses are paid based on the sustained success of the Group and performance reviews of individual employees. These may be granted for any, including controlling functions. The Board of Directors does not receive variable remuneration. All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits: Fringe benefits are granted in the framework of applicable regulations, directives and industry standards.

Determining fixed remuneration for the Board of Directors and the Executive Board

The members of the Raiffeisen Switzerland Board of Directors receive remuneration commensurate with their respective responsibilities and time commitment. Additionally, members belonging to a committee, heading a committee or presiding over the Board of Directors receive higher pay.

Fixed remuneration for Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority.

Total Raiffeisen Group remuneration (cash only)

in CHF	2011	Prior year
	839,758,086	812,775,746

of which total Raiffeisen Group variable remuneration pool (cash only)

in CHF	2011	Prior year
	80,767,710	74,393,843

Members of the Board of Directors

Prof. Dr. Johannes Rüegg-Stürm

Function Chair of the BoD and BoD Committee

Year of birth 1961

Place of residence St.Gallen

Accession 2008

Elected until 2012

Occupation Full Professor of Organisational Behaviour at the University of St.Gallen (HSG) Director of the Institute for Systemic Management and Public Governance (IMP-HSG)

Significant positions held
- Chairman, Raiffeisen Centenary Foundation

Philippe Moeschinger

Function Vice-Chair of the BoD and BoD Committee

Year of birth 1960

Place of residence Thônex GE

Accession 2008

Elected until 2012

Occupation Director General, Comptoir Immobilier SA

Significant positions held
- Chair of the BoD of Banque Raiffeisen d'Arve et Lac
- Member of the Management Board of the Fédération genevoise des Banques Raiffeisen

Rita Fuhrer

Function Member of the BoD

Year of birth 1953

Place of residence Auslikon ZH

Accession 2010

Elected until 2012

Occupation Former cantonal government representative

Significant positions held
- Board member Trägerverein Uniklinik Balgrist
- Board member Jucker Farmart, Seegräben

Anne-Claude Luisier

Function Member of the BoD

Year of birth 1967

Place of residence Ayent VS

Accession 2010

Elected until 2012

Occupation Founder and Director, Senso Creativ Sàrl

Significant mandates
No significant mandates

* dependent within the meaning of FINMA Circular 2008/24 section 20-24
Data on education and professional background are posted on the Raiffeisen website, www.raiffeisen.ch.

Daniel Lüscher*

Function Member of the BoD

Year of birth 1961

Place of residence Herznach AG

Accession 2008

Elected until 2012

Occupation Chairman of the Executive Board of Raiffeisenbank Kölliken-Entfelden

Significant mandates
No significant mandates

Urs Schneider

Function Member of the BoD and BoD Committee

Year of birth 1958

Place of residence Amlikon-Bissegg TG

Accession 2008

Elected until 2012

Occupation Deputy Director and Member of the Management Board of the Swiss Farmers' Union

Significant mandates
- Chairman 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 Conference of Agricultural Parliamentary Delegates
- Member of the BoD, Switzerland. Agrarmedien and "Agri" (Westschweizer Bauernzeitung), Bern and Lausanne
- Chairman, Agromarketing Suisse, Bern
- Board member, Swiss Farmers' Guarantee Cooperative, Brugg
- Board member of the Foundation for Sustainable Nutrition through Swiss Agricultural Products, Brugg
- Member of the BoD Grünes Zentrum AG, Weinfelden

Christian Spring*

Function Member of the BoD

Year of birth 1960

Place of residence Vicques JU

Accession 2002

Elected until 2012

Occupation Chairman of the Executive Board of Banque Raiffeisen du Val-Terbi

Significant mandates
- Vice-Chairman of the Fédération jurassienne des Banques Raiffeisen
- Member of the BoD Société coopérative pour le développement de l'économie jurassienne

Prof. Dr. Franco Taisch

Function Member of the BoD and Auditing Committee

Year of birth 1959

Place of residence Neuheim ZG

Accession 2008

Elected until 2012

Occupation Professor of Commercial Law and Director at the Institute for Company Law at the University of Lucerne; owner of taischconsulting, unternehmensführung und recht, Zug

Significant mandates
- BoD Chair, Swiss Rock Asset Management AG, Zurich
- Board of Directors member, Clinica Alpina SA, Scuol
- 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
- Executive Board Delegate, IG Genossenschaftsunternehmen, Lucerne

Angelo Jelmini

Function Member of the BoD

Year of birth 1955

Place of residence Lugano-Pregassona TI

Accession 2011

Elected until 2012

Occupation Co-owner of family enterprise Galvolux SA Glas- und Spiegeltechnik, Bioggio;
Co-owner of notary and lawyer's office Sulser & Jelmini with offices in Lugano and Mendrisio;
City Council Member of the City of Lugano (Head of the Planning, Environment and Mobility and Sport Departments)

Significant mandates
- Member of the Board and Secretary, Raiffeisen Bank in Lugano
- Board Member, Schweizerischen Vereinigung für Landesplanung, Tessin Section (VLP-ASPAN-TI)
- Various Board of Directors memberships

Lic. iur. Edgar Wohlhauser

Function Member of the BoD and Chair of the Audit Committee

Year of birth 1961

Place of residence Arth SZ

Accession 2006

Elected until 2012

Occupation Partner at BDO AG, Zurich

Significant mandates
No significant mandates

Werner Zollinger

Function Member of the BoD and Audit Committee

Year of birth 1958

Place of residence Männedorf ZH

Accession 2006

Elected until 2012

Occupation BoD Chairman and CEO, ProjectGo AG, Zug

Significant mandates
- Chairman of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf

* dependent within the meaning of FINMA Circular 2008/24 section 20-24

Data on education and professional background are posted on the Raiffeisen website, www.raiffeisen.ch.

Board of Directors committees

Committee	Members	Composition, duties and competencies
Board of Directors Committee	▪ Prof. Dr. Johannes Rüegg-Stürm (Chairman) ▪ Philippe Moeschinger (Vice-Chairman) ▪ Urs Schneider	The Board of Directors appoints the Committee of the Board of Directors, which consists of the chairman, vice-chairman and at least one other member of the Board of Directors. ▪ Preparation of the business of the Board of Directors ▪ Establishment of 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; preparation of the remuneration report for the Board of Directors ▪ Regulating own-account transactions for members of the Executive Board and staff ▪ Approval of positions taken on by members of the Executive Board and the Head of Internal Auditing ▪ Passing 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 (Chairman) ▪ 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. ▪ Assisting the Board of Directors with monitoring the Executive Board with regard to the effectiveness of the internal control systems and on financial and accounting issues ▪ Evaluating compliance with statutory, regulatory and internal rules as well as market standards and codes of practice ▪ Ensuring the quality of internal and external auditing and cooperation between the two

Fixed remuneration (excluding employee and employer contributions to pension plans and social insurance) is capped at a maximum CHF 1,200,000.

Determining the total variable remuneration pool

The total variable remuneration pool is determined based on the following criteria, which apply in equal measure with regard to long-term developments:

- Relative profitability over time compared to the market
- Change in equity capital
- Performance of strategic initiatives and projects
- Changes in economic capital required relative to core capital

In the remuneration process, the Head of Group Risk Management assesses the risk situation and the Head of Legal & Compliance assesses compliance performance based on risk and compliance reports from the past twelve months. These assessments are then consulted when determining the total variable remuneration pool.

Allocation of variable remuneration

The Board of Directors does not receive variable remuneration. The Committee of the Board of Directors decides on the allocation of variable remuneration to members of the Executive Board and the Head of Internal Auditing. Variable remuneration paid to Executive Board members and the Head of Internal Auditing (excluding employee and employer contributions to pension plans and social insurance) may in no case exceed two-thirds of the individual member's fixed remuneration. The following criteria apply to the individual allocation of variable remuneration to Executive Board members and the Head of Internal Auditing:

- Achievement of individual targets
- Relative profitability of the Raiffeisen Group over time compared to the market
- Progress in strategic initiatives and projects
- Changes in risk assumed

The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-term success by taking excessive risks. Serious rule violations can lead to a reduction in or loss of variable remuneration. Raiffeisen positions itself as an attractive employer by allowing personnel to accrue pension credits in the Raiffeisen Pension Fund on variable remuneration paid out in excess of CHF 3,000. The Executive Board allocates variable remuneration individually for named Central Bank employees with access to the market and trading opportunities.

The remuneration structure is designed so that the variable remuneration paid to controlling functions in no way depends on the risks they monitor and, given its amount, should largely be qualified as bonuses (under civil law).

Governance

The Raiffeisen Switzerland Board of Directors is responsible for:

- Outlining remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for Raiffeisen banks.
- Approving the annual remuneration report submitted to the Board by the Remuneration Committee.
- Reviewing remuneration policy on a regular basis and whenever there are indications that review or revisions may be necessary.
- Having remuneration policies and their implementation reviewed annually by external or internal auditors.

The Board of Directors Committee is responsible for implementing regulations issued by the Board of Directors. In its role as Remuneration Committee, this body determines the amount of the total variable remuneration pool in particular. Furthermore, it defines the fixed and variable remuneration components for Executive Board members and the Head of Internal Auditing. The Remuneration Committee addresses these remuneration issues in two meetings every year.

The chapter “Governance bodies of Raiffeisen Switzerland” describes the composition and main responsibilities of the Board of Directors Committee.

The next chapter, "2011 remuneration”, summarises the remuneration paid to members of the Board of Directors Committee and to the other members of the Board of Directors.

2011 remuneration

Total remuneration

In the year under review, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 230,752,081. Remuneration expenses accrued (both fixed and variable) for the year under review, have been recorded in full as personnel costs. There are no remuneration expenses from earlier reporting years affecting profit and loss.

Total variable remuneration pool

In the year under review, the Board of Directors Committee approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 34,554,867 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form.

Board of Directors

The members of the Raiffeisen Switzerland Board of Directors in office in 2011 received remuneration totalling CHF 1,001,350 for the year under review. This remuneration includes all allowances, attendance fees and expense reimbursements. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr. Johannes Rüegg-Stürm, totalling CHF 183,650. Members of the Board of Directors receive no variable remuneration in the form of a profit sharing arrangement. In addition, total social insurance contributions for Board of Directors members totalled CHF 173,741. No joining or severance payments were remitted to members of the Board of Directors.

Members of the Executive Board (incl. the Head of Internal Auditing)

Total remuneration paid to members of the Raiffeisen Switzerland Executive Board for the reporting year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,804,031. Of this amount, CHF 1,898,795 was paid to Dr. Pierin Vincenz, CEO Raiffeisen Switzerland; this was the highest sum paid to an individual Executive Board member. Employee and employer contributions to pension plans and social insurance for Executive Board members totalled an additional CHF 3,207,457, of which CHF 570,455 was paid to Dr. Pierin Vincenz, CEO Raiffeisen Switzerland. Fixed remuneration includes business-related board of directors fees for Executive Board members.

As at the end of the financial year, loans granted to Executive Board members and associated persons and companies totalled CHF 29,530,629. The Board of Directors Committee is the approving body for company loans to Executive Board members. The bank’s Executive Board enjoys preferential terms standard for the industry, as do other

Total Raiffeisen Switzerland remuneration

in CHF	2011	Prior year
	230,752,081	221,048,772

Charges/credits from earlier reporting years affecting current profit and loss

in CHF	2011	Prior year
	0	0

Total Raiffeisen Switzerland variable remuneration pool (cash only)

in CHF	2011	Prior year
	34,554,867	31,687,901

Number of individuals receiving variable remuneration

in CHF	2011	Prior year
	1,782	1,692

Members of the Executive Board

Dr. Pierin Vincenz

Function Chair of the Executive Board (CEO)

Year of birth 1956

Place of residence Niederteufen AR

Accession 1999

Significant mandates
- BoD Chairman: Aduno Holding AG, Pfandbriefbank schweizerische Hypothekarinstitute AG, Plozza SA
- Member of the BoD Com. of the Swiss Bankers Assoc.
- Member of the BoD: Vontobel Holding AG, Helvetia Versicherungen, SIX Group AG
- Member of the Steering Committee UNICO Banking Group, Brussels
- President of the Association for the Promotion of the Swiss Institute of Banking and Finances of the University of St.Gallen
- Chairman of the Foundation MEDAS Ostschweiz
- Vice-Chairman of the BoD of the Raiffeisen Centenary Foundation
- Member of the Foundation Boards of: Swiss Finance Institute, Ostschweizerische Stiftung für Klinische Krebsforschung, pro Kloster Disentis, Bleu Ciel, Stiftung Speranza
- Chairman of the association Verein Plan B
- Member of the Management Board of Pflegekinder-Aktion Schweiz

Dr. Patrik Gisel

Function Head of Market department (Vice-Chairman)

Year of birth 1962

Place of residence Erlenbach ZH

Accession 2000

Significant mandates
- Chairman of the Swiss Banks' and Securities Dealers' Depositor Protection Association
- Chairman of the Commission for Client Business, Swiss Bankers Association
- Chairman of the Board of Directors of Raiffeisen Schweiz (Luxemburg) Fonds SICAV
- Member of the Executive Committee UNICO Banking Group, Brussels
- Chairman of the Advisory Board of Swiss ICT
- Chairman of the Foundation Board of the Raiffeisen Pension Foundation
- Chairman of the Foundation Board of the Raiffeisen Vested Benefits Foundation
- Member of the Advisory Board of Schweizerisches Bankenseminar
- Member of the Advisory Board of the Swiss Finance Forum

Michael Auer

Function Head of Bank Relationship Management

Year of birth 1964

Place of residence Speicher AR

Accession 2008

Significant mandates
- Chairman of the BoD of Raiffeisen Pension Fund and Raiffeisen Employer Foundation
- Vice-Chairman of the Council of University of Applied Sciences, St.Gallen
- Advisory Board Chairman, Business & Economics department, University of Applied Sciences, St.Gallen
- Member of the Advisory Board of the Executive School at the University of St.Gallen
- Member of the Foundation Board of the Foundation for Swiss Naive Art and Art Brut, St.Gallen

Damir Bogdan

Function Head of IT & Operations (CIO)

Year of birth 1969

Place of residence Speicher AR

Accession 2008

Significant mandates
- 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
- Member of the Management Board of Förderverein IT Verbände Schweiz
- Advisory Board member, CIO Forum

Paulo Brügger

Function Head of Central Bank department

Year of birth 1966

Place of residence Zumikon ZH

Accession 2005

Significant mandates
No significant mandates

Gabriele Burn

Function Head of Marketing & Communication department

Year of birth 1966

Place of residence Krattigen BE

Accession 2008

Significant mandates
- Chair of the Swiss Climate Foundation
- Council Member, Schweizer Berghilferat

Marcel Zoller

Function Head of Finance department (CFO)

Year of birth 1957

Place of residence Goldach SG

Accession 2008

Significant mandates
- Member of the Management Board and Finance Committee of Foundation Valida, St.Gallen

Dr. Beat Hodel*

Function Head of Group Risk Management (CRO)

Year of birth 1959

Place of residence Bäch SZ

Accession 2005

Significant mandates
No significant mandates

* Member of the extended Executive Board

Information on educational and professional background is posted on the Raiffeisen website (www.raiffeisen.ch.

ORGANISATIONAL CHART OF RAIFFEISEN SWITZERLAND

Board of Directors

Chairman of the Executive Board Dr. Pierin Vincenz*

Market
Dr. Patrik Gisel*

- **Private clients** Roland Altwegg
- **Investment Customers / Portfolio Advice** Ernst Näf
- **Corporate Clients** Hans Martin Albrecht
- **St.Gallen branch** Dieter Leopold
- **Winterthur branch** ad int. Matthias Läubli
- **Basel branch** Bruno Stiegeler
- **Zurich branch** Matthias Läubli
- **Bern branch** Daniel Schmid
- **Thalwil branch** Daniel Duca

Marketing & Communication
Gabriele Burn*

- **Electronic channels** Pascal Dürr
- **Corporate Communications** Dagmar Laub-Gall
- **Brand Management** Robert Fuchs
- **Sponsoring & Events** ad int. Gerold Schneider
- **Siège Suisse romande** Alain Girardin
- **Sede Svizzera italiana** Romano Massera

Bank Relationship Management
Michael Auer* (COO)

- **Human Resources Management** Michael Federer
- **Legal & Compliance** Roland Schaub
- **FM & Logistics** Robin W. Marke
- **Training** Urs von Däniken
- **RB Consulting** Jon Armon Famos

Central Bank Paulo Brügger*

- **Trading & Sales** Werner Leuthard
- **Treasury** Thomas Brunhart
- **Business Engineering & Support** Marco Tagliaferro

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

General Secretariat Pius Horner

IT & Operations
Damir Bogdan*

Business Systems
Beat Monstein

IT Operations
Christian Lampert

Front-Services
Adrian Töngi

Finance
Marcel Zoller* (CFO)

Accounting
Paolo Arnoffi

Controlling
Dr. Christian Poerschke

Group Risk Control
Dr. Beat Hodel**

Credit Risk Management
Daniel Tönz

Projects
Marcel Zuberbühler

DIALBA Programme
Rudolf J. Kurtz

Internal Auditing
Kurt Zobrist

Internal Auditing RB St.Gallen
Roland Meier

Internal Auditing RB Dietikon
Räto Willi

Internal Auditing RB Lausanne
Jean-Daniel Rossier

Internal Auditing RB Bellinzona
Katia Carobbio

Internal Auditing Raiffeisen Switzerland
Sergio Pesenti

Internal Auditing ICT
Markus Hug

personnel. No joining or severance payments were made to Executive Board members or any other risk takers in the reporting year.

Raiffeisen banks

Raiffeisen banks are not subject to the stipulations outlined in the FINMA 10/1 "Remuneration Systems" circular. However, the Raiffeisen Switzerland Board of Directors recommends that Raiffeisen banks orient their respective local remuneration systems around the recommendations made by Raiffeisen Switzerland.

Raiffeisen Switzerland advises Raiffeisen banks

Raiffeisen Switzerland supports Raiffeisen banks in structuring and implementing their respective local remuneration systems while retaining their autonomy. The most important features of these recommendations are:

- Remuneration for all employees of Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, like in the Raiffeisen Switzerland model.
- The risk profile of Raiffeisen banks and their balanced business model allows all remuneration (both fixed and variable) to be provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 are ensured through the Raiffeisen Pension Fund.
- The Board of Directors – who are typically members of the militia system with roots in local business – determines the amount of total variable remuneration as well as individual allocations of variable remuneration to members of the bank management, including chairperson.
- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so cannot significantly increase remuneration.

Raiffeisen Switzerland performs a monitoring function within this process by regularly reviewing local remuneration systems in terms of design and implementation and addressing irregularities with Raiffeisen banks in the context of a structured process.

CONSULTATION RIGHTS

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

Raiffeisen banks

Cooperative members of the individual Raiffeisen banks may be individuals or legal entities in accordence with article 7 of the Articles of Association.

Limit on voting rights and powers of representation

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

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 ends in a tie as well, 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 the members and include the agenda. The annual accounts and balance sheet must be made available in client areas at the same time.

Delegate Assembly 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 Assembly or to move to ballot vote in written form.

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 "Raiffeisen Switzerland Delegate Assembly" on page 8/9).

Limit on voting rights and powers of representation

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

Voting regulations

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

Calls for Delegate Assemblies, agenda

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

- 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;
- twelve weeks before the meeting: applications to add items to the agenda must be submitted;
- 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 member certificates, the cooperative members are also the co-owners of their Raiffeisen bank, in equal shares. Members can subscribe for more than one share certificate, but only up to a maximum of 10% of cooperative capital or CHF 20,000 per Raiffeisen bank. Due to this limitation, 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 for the individual Raiffeisen banks since June 2005. In performing 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, KMU Capital AG an RAInetworks Pte. Ltd. is PricewaterhouseCoopers AG.

Raiffeisen Group

PricewaterhouseCoopers AG, St.Gallen, is responsible for auditing the consolidated accounts. Bruno Gmür has been the lead auditor since 2011 and is responsible for the mandate.

Audit fees

The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling CHF 15.2 million for audits under Swiss banking law and internal audits in the year under review. In financial year 2011, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of CHF 13.7 million for services relating to the full audit of the individual annual accounts, the Group accounts and audits under Swiss law. PricewaterhouseCoopers AG also invoiced the Raiffeisen Group CHF 0.4 million 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 2011

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

Capital adequacy disclosure requirements

The Raiffeisen Group, in its capacity as the central organisation, is obliged by the 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 financial report.

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

AGENDA

Annual Report 2011 published	mid-April 2012
Delegates Meeting in Zurich	16. June 2012
Publication of half-yearly results	15. August 2012
2012 annual results presented at balance sheet press conference	1 March 2013

CONTACT

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E-mail: medien@raiffeisen.ch

Risk policy and risk control

Conservative lending policy and effective controls

The Raiffeisen Group has effective tools at its disposal for identifying and preventing the concentration of risk. Especially with respect to credit risks, its most important risk category, the Raiffeisen Group pursues a conservative policy.

The Raiffeisen Group has achieved considerable growth without excessive increases in risk and has survived the euro zone crisis unscathed, thanks to its clearly focused business policy, steady and cautious risk culture and active and targeted risk management. Solid capitalisation, a focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffeisen's business model. 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. It acts based on several solid principles:

- Clear business and risk policies: Risk taking and risk management are directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and effectively enforced with a tried and tested limit system.
- Decentralized individual responsibility in line with clearly defined guidelines: Raiffeisen banks and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines on business activities, processes and limits. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports are regularly issued on the risk situation and risk profile of the individual Raiffeisen banks and the Raiffeisen Group.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- Comprehensive risk management process: The Raiffeisen Group's risk management is a group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation and monitoring. This risk management process covers all risk categories.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.
- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. For this reason, it takes a generally cautious approach to risk and sets great store by effective control. It also seeks to comply with the highest ethical principles in all its business activities.

CONTROL OF THE KEY RISK CATEGORIES AT RAIFFEISEN

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 cannot be reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

CREDIT RISKS

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

Prudent credit policy

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

Lending within the Raiffeisen Group is governed by a prudent credit policy. The bor-

HIGHLIGHT

0.016 The default risk for loans has always been extremely low for the Raiffeisen Group. Last year, only 0.016 percent of the loans had to be written off. While total loans amounted to CHF 136 billion, losses in the lending business were CHF 21 million. The risk profile has remained stable despite considerable business growth.

APPROACHES TO CONTROL KEY RISK CATEGORIES

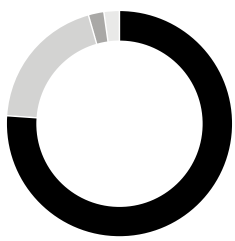
Guidelines
Regarding risk tolerance, risk profiles and processes

Management
By decision-makers who are responsible for the risk

Monitoring
Of risk tolerance, risk profiles and processes

Risk reporting
Risk reports, portfolio reports, limit reports, ICS appropriateness and effectiveness

Raiffeisen Group lending by client segment

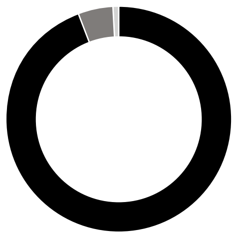


76.2 %	Private clients
19.4 %	Corporate clients incl. public bodies
2.4 %	Other clients
2 %	Interbank

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

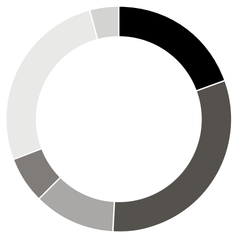
Mortgage loans by rank

Mortgages by rank in %
Disclosure as per SNB statistics



94.4%	Rank 1
5.0%	Rank 2
0.6%	Rank 3

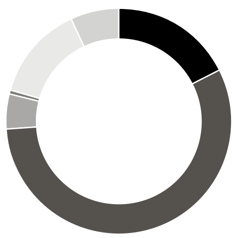
Raiffeisen Group lending by sector (corporate clients and other clients)



19.5 %	Public bodies	6.8 %	Construction
31.6 %	Other sectors	26.6 %	Real estate
11.4 %	Agriculture	4.1 %	Hotels/catering

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

Corporate client lending by rating category



17.5 %	1 – 3	0.6 %	11 – 13
56.6 %	4 – 8	13.6 %	Without rating
5.0 %	9 – 10	6.7 %	No rating

1 – 3 = Low risk positions
4 – 8 = Medium risk positions
9 – 10 = High risk positions
11 – 13 = Non-performing positions
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.

rower'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 on-going 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 recognised 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 back-testing.

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

Credit policy in the corporate clients business

The Raiffeisen Group seeks to serve corporate clients with good or medium credit ratings. The Raiffeisen Group's risk tolerance in the corporate lending business is clearly defined and implemented with corresponding limits for the entire Group.

The Raiffeisen Group priority is to place the expansion of its corporate clients business on a solid foundation. Its commitment is underscored by the large investments made in staff, systems and organisation.

Analysis and assessment of the credit portfolio

The Board of Directors is apprised of the analyses and assessment of the quality of the Raiffeisen Group's credit portfolio each year. 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 proven 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.

Risks associated with fluctuating interest rates are a major risk category, due 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. Raiffeisen banks have a well-developed set of risk-management tools, including tools to simulate interest rate developments and assess their impact.

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

Group Risk Controlling monitors compliance with interest rate risk limits and the overall development of interest rate risks. It focuses on monitoring the interest rate sensitivity of equity capital and interest income. It calculates the value-at-risk for interest rates at various Group levels in addition to the interest rate sensitivity in order to monitor the overall risk situation.

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

The Treasury is responsible for managing foreign currency risks in the bank book. Group Risk Controlling monitors compliance with the relevant sensitivity limits on a daily basis.

Risks in the trading book

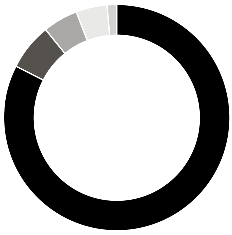
Of the entities within the Raiffeisen Group, only the Central Bank runs a trading book. Trading risks are strategically clearly limited by using global limits. Risks are limited operationally with sensitivity and loss limits. Sensitivity is a measure of the loss of value in the event of a percentage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

All traded products are depicted and assessed in a standardised trading and risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled and provides 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

In accordance with a FINMA ruling of 3 September 2010, the individual Raiffeisen banks are exempted from complying with liquidity,

Loans by collateral and property type

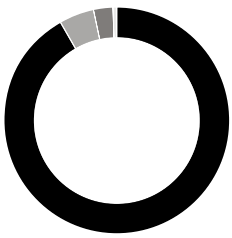


82.6 %	Pure residential construction
6.7 %	Mixed residential/commercial construction
5.1 %	Wholly commercial construction/industry
4.4 %	Agriculture
1.2 %	Other mortgages

This evaluation reflects the risk view.

Break-down by country limits

Country limits by rating (central bank) as of 31 Dec. 11
Total all country limits: CHF 4.25 bn



91.9 %	AAA
4.8 %	AA
2.8 %	A
0.5 %	BBB

Raiffeisen Group: Interest rate risks in the bank book

(in CHF million)

	31.12.2011	31.12.2010
Sensitivity	1,036	1,149

capital adequacy and risk diversification rules. The relevant legal provisions must instead be observed on a consolidated basis. The Treasury department of Raiffeisen Switzerland handles liquidity and refinancing management for the Group. It facilitates the Group's access to money and capital markets and ensures that liabilities are properly diversified. The refinancing strategy takes into account legal and regulatory requirements. It ensures that the necessary liquidity 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 on-going basis and performs regular stress tests. This has proven the Raiffeisen Group's liquidity to be robust. The figure on page 34 shows how the overall liquidity situation developed during the 2011 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 real estate.

Business risks can never be eliminated entirely. Business risk management focuses instead on establishing the type, quantity and causes of the risks, taking effective risk minimisation measures and ensuring the measures are implemented correctly. Internal control systems and processes play a key role here.

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

IT risks

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

Information security

The longer an information security risk has existed, the more important it is, especially with respect to Raiffeisen's reputation. Information security risks must be effectively managed. This is largely done through binding policies on securing information and infrastructure to assure confidentiality, integrity, availability, audit trails, appropriate policy compliance, effective monitoring of implemented information security systems, and maintenance of an appropriate standard of protection given the prevailing threats.

Internal control system (ICS)

Raiffeisen's internal control system comprises all the activities, methods and controls intended to ensure the proper conduct of operations, compliance with statutory and supervisory regulations and complete, reliable financial reporting.

The Raiffeisen Group's ICS model has three levels:

- ICS at the enterprise level
- ICS at the business and IT process level
- Assessment of the appropriateness and effectiveness of the ICS and ICS reporting

The ICS model establishes general organisational conditions at the enterprise level designed to ensure the Group ICS functions properly. This includes defining the Group-wide ICS framework and the associated roles, along with their tasks and responsibilities.

Processes, risks and controls are closely interconnected at the process level. The Raiffeisen Group's documented processes form the basis for the ICS.

The major risks inherent in each business process are identified and assessed, and then the key risks and key controls are identified on that basis. Adequate control objectives and key controls must be defined for key risks. All key controls are documented and incorporated in the processes. There are many other risk reduction controls in addition to the key controls. A key control is considered appropriate if it is able to reduce risks to a manageable level and/or to achieve the defined control objectives. A key control is effective if it has been demonstrably performed in accordance with the control description and the risk has actually been reduced as intended.

The ICS for IT processes and information security is modelled on the standard global frameworks GCC General Computer Controls and ISO/IEC 27002 and is based on the attainment of control objectives that have been set using standardized criteria.

Every year, the Raiffeisen Group carries out a comprehensive assessment of the appropriateness and effectiveness of the ICS. This assessment takes both the enterprise level and the key controls into consideration.

Reporting on the ICS's appropriateness and effectiveness for the Group and Raiffeisen Switzerland is included in the standard risk report for the Executive Board and the Board of Directors of Raiffeisen Switzerland. When measures are taken to improve the ICS, their implementation is monitored quarterly as part of the risk report.

Early warning system of the Raiffeisen banks

Raiffeisen Switzerland operates an early warning system designed to identify unfavourable developments at Raiffeisen banks at an early

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in CHF)

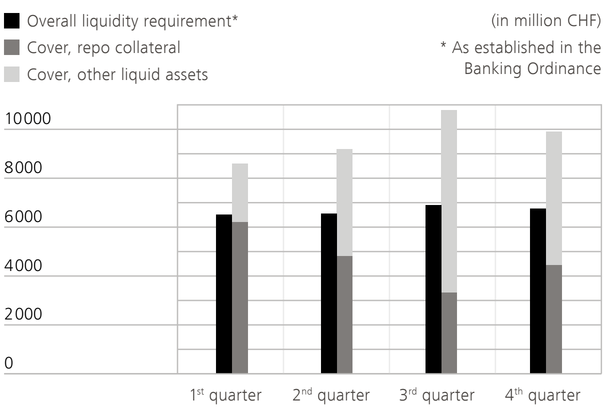
	2011	2010
Risk type		
Equities	2,000,000	1,500,000
Interest products	43,000,000	43,000,000
Foreign currencies	5,000,000	4,500,000
Precios metals	4,000,000	1,500,000
Total	54,000,000	50,500,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in CHF)

	ø 2011	31.12.2011	ø 2010	31.12.2010
Risk type				
Equities	1,193,305	1,083,661	903,879	705,765
Interest products	15,427,792	18,487,704	11,099,569	16,030,254
Foreign currencies	1,387,324	854,270	1,953,030	1,749,711
Precious metals	139,203	193,913	138,628	220,334

Overall liquidity of the Raiffeisen Group 2011



stage and avert potential damage. The early warning system comprises quantitative risk indicators for the individual Raiffeisen banks and an ad-hoc reporting process for integrating qualitative information. Early warning events are analyzed, and where the situation requires it, resolved with the active involvement of Raiffeisen Switzerland.

Business continuity management

Raiffeisen has taken extensive business continuity measures to maintain operations even if critical resources become unavailable (staff, IT, buildings, suppliers). The specialist departments have various strategy options for keeping critical business processes functioning. Redundancy for all important IT components has been established and/or expanded at various sites.

To minimize potential losses and enable management to respond in an effective, coordinated fashion, Raiffeisen has put together crisis response teams and developed emergency plans in all important company units. It performs regular tests and drills to ensure the plans and organizational structures work properly and do not need to be updated. The crisis management team and organization are regularly drilled and tested using various scenarios to maintain business continuity management capabilities.

Legal risks

Raiffeisen Switzerland's Legal & Compliance department supports all units of the Raiffeisen Group in legal matters, ensures adequate regulatory competence at all levels and actively manages legal risks. The legal risks also include contractual risks. The department coordinates the 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 and to the Raiffeisen Switzerland Board of Directors on a yearly basis.

Compliance risks

Compliance is understood to mean 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 that business is conducted properly. The Raiffeisen Group has opted for a broad-based approach that covers all areas of compliance, with special focus on the following activities and issues:

- Monitoring and analysing all relevant legal developments and participating in institutional commissions and working groups that cover the Swiss financial sector.
- Combating money laundering and terrorism financing. 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.
- Adherence to market conduct rules and the resulting due diligence and advisory obligations.
- Protection of data and bank client confidentiality.

Financial institutions will have to pay even more attention to standards governing cross-border financial services ("cross-border business") following the publication of the "FINMA position paper on legal and reputational risks in cross-border financial services". The position paper focuses heavily on national and international tax compliance. The following issues also affect the Raiffeisen Group as a domestic bank:

- The new US Foreign Account Tax Compliance Act ("FATCA"),
- The signing of treaties with Germany and the United Kingdom on the flat rate withholding tax ("Taxation and Financial Market Cooperation Agreement") and the law required to implement them, i.e. the Swiss Federal Act on International Withholding Tax (IWTA),
- The proposal – made as part of the "too big to fail" debate – to require paying agents, not debtors, to withhold anticipatory tax on bonds and money market securities, and
- The notion of defining tax crimes as predicate offenses to money laundering.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and adapting internal policies and processes to new requirements as promptly as possible. Modern IT tools are used in support of relevant measures where necessary and useful. In addition, the Compliance department and the Money Laundering unit – via a "blended learning" approach – invest substantial amounts in training and raising the awareness of staff and management at all levels.

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 2008/24, are submitted to the Board of Directors once a year. The method used to prepare the compliance risk profile was completely revamped in 2011. Compliance risks are now identified along the defined main processes. This provides a different view of the risks and improves the quality of the report. The actual risk profile is presented in a "4x4 matrix", which allows the individual risks to be categorized with greater precision and presented with greater nuance.

Business trend

Another chapter in the Raiffeisen success story

The Raiffeisen Group had an excellent financial year despite an unstable, highly challenging economic and political environment. It achieved its goal of attaining above-average volume growth in the retail business. Income from the core business grew strongly, but costs only rose modestly.

The Raiffeisen Group consistently continued to implement its growth strategy in the financial year under review. The credit volume swelled by a significant 7.0 percent, or CHF 8.9 billion, to reach CHF 136.2 billion; most of the increase was fuelled by private home construction. Refinancing was provided by a strong increase in client deposits (CHF +5.7 billion to CHF 122.2 billion) and a significant increase of CHF 3.9 billion in bond and mortgage loan volumes.

Other service areas saw impressive volume increases, too. The Raiffeisen banks issued 95,000 new Maestro cards during the financial year (+9.0 percent), and this form of payment was used in an additional 7 million transactions (+14 percent). E-banking has also taken off. The number of users rose 15 percent to 775,000, while the number of payments climbed 17 percent to 58 million.

The corporate clients business is continuing to grow successfully. Raiffeisen had 129,000 clients in the SME segment at the end of the year – 2 percent more than the year before. The still-unfavourable environment prevented Raiffeisen from achieving its desired targets in the investment business. While Raiffeisen clients' securities holdings shrank as prices declined and sales of securities went up, the number of investment customers nonetheless continued to increase. Raiffeisen is thus perfectly situated to effectively strengthen its position as an investment bank.

Earnings rose on the back of strong volume growth in the balance sheet and service business. A steep increase of CHF 96 million, or 4.0 percent, pushed operating income past the CHF 2.5 billion mark for the very first time. The rates and trading business posted significant increases in income. Widespread uncertainty about the future direction of financial markets led to a year-on-year drop in earnings from the securities and investment business (-8.5 percent). Costs were also affected by strong growth in the core business and on-going measures to diversify Raiffeisen's business segments. Personnel expenditure rose CHF 39 million (+3.8 percent), and thus faster than in the previous year (+1.5 percent). Non-personnel operating expenditure experienced a rise of CHF 17 million (+3.9 percent). However, a variety of efficiency initiatives kept cost increases below the desired maximums in virtually all business segments despite the significant volume growth; the C/I ratio declined slightly as a result. Overall, operating expenditure rose 3.8 percent to CHF 1,521 million. The core business thus delivered an impressive gross profit of CHF 992 million (CHF +40 million or +4.2 percent).

The turbulent economic environment had only a modest impact on Raiffeisen's core business, with a few exceptions. Nonetheless, the general decline in the share prices of stock-exchange-listed financial companies still required nearly CHF 57 million in book value adjustments for the strategic participations. Higher provisions for litigation risks and a decline in extraordinary income reduced Group profit further: It came in at CHF 595 million – CHF 32 million, or 5.1 percent, less than in the previous year. If the book value adjustments of the strategic participations were factored out, the Group profit would have been CHF 652 million, or 3.9 percent higher than in 2010.

Raiffeisen is cautiously optimistic about the prospects for the current year. Growth in the real estate market could tend to weaken. As far as Switzerland's business cycle and the state of global financial markets are concerned, the general view is more pessimistic than optimistic, at least in the short term. Interest margins remain under pressure; competition in the banking market shows no signs of abating. Raiffeisen is tackling these challenges from several directions. The Group will continue to aim for qualitative growth in the core business by, among other things, further expanding its distribution network in growth regions. It is also diversifying its business in order to sustainably broaden its earnings base. The recent acquisition of Notenstein Private Bank Ltd significantly deepened the Group's capabilities in the investment business. Raiffeisen is responding to growing cost-cutting pressures by taking targeted action to optimise its structural costs and boost productivity.

No post-balance sheet date events occurred that would have a significant impact on the operating result. Information on the principles of consolidation and the consolidated companies can be found in the notes to the consolidated annual accounts. The participation in Notenstein Private Bank Ltd was acquired retroactively as of 1 January 2012 and thus has no impact on the annual accounts.

INCOME STATEMENT

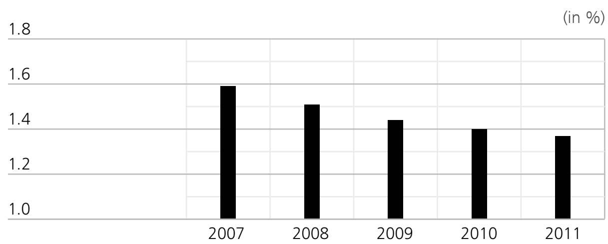
Income from ordinary banking activity

Fierce competition and low market rates drove interest margins down by three basis points. However, the pressure on interest margins was more than offset by various measures taken by Central Bank to manage

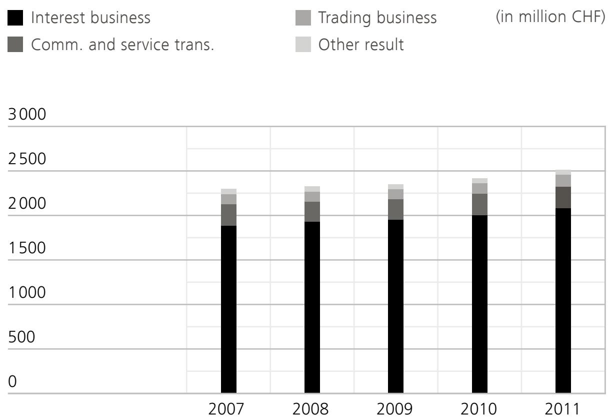
HIGHLIGHT

16.1 Mortgage volumes rose an impressive 7.5 percent and stood at CHF 128.5 billion at the end of the year. The Raiffeisen Group has thus achieved another year of growth in its core mortgage business and increased its market share to 16.1 percent. Growth was particularly strong in urban regions.

Interest margin



Performance of income items



the balance sheet and by strong growth in mortgage volumes. The resulting rise in interest income of 3.7 percent or CHF 73.9 million to CHF 2.1 billion was one of the main reasons for the strong earnings. Operating income gained CHF 95.6 million (+4.0 percent), which pushed it past the CHF 2.5 billion mark for the very first time.

Equally satisfying was net trading income (note 20), which rose 18.4 percent or CHF 21.3 million to reach CHF 137.4 million. This striking increase is largely due to healthy earnings from trading in precious metals and foreign notes and coins.

The adverse market environment provided a strong headwind for the commission and service business (note 19). Earnings from the securities and investment business fell CHF 16.6 million, or 8.5 percent. There was a considerable decline in transaction-related commissions and commissions based on portfolio volumes. Rapid volume growth in the other service areas, by contrast, drove up earnings in these segments by CHF 10.6 million. Commission expenditure fell (CHF -7.6 million), mainly due to lower costs in the securities and investment business. This more than made up for the higher payment expenses. Net income from commission business and service transactions was CHF 243.0 million overall, or slightly higher than in the previous year.

The other ordinary result declined slightly by 1.8 percent to CHF 57.2 million. Income from participating interests was buoyed by higher earnings and by the first-time measurement and recognition of the equity in Aduno Holding AG in profit and loss. Losses on financial assets and a general decline in other ordinary income, however, resulted in a lower other ordinary income result.

Operating expenditure

Raiffeisen's cooperative business model, with its deliberately decentralised approach, tends to produce higher structural costs. The consistent continued implementation of its growth and diversification strategy also tends to add costs. All these factors work together to make cost control a constant challenge.

Operating expenditure rose +3.8 percent, or CHF +56 million, to CHF 1,521 million. The increase was somewhat higher than in the previous year, but remained within the desired range. Personnel expenditure (+3.8 percent) and non-personnel operating expenditure (+3.9 percent) rose more strongly than in 2010. However, since income grew as well, the cost/income ratio fell slightly to 60.5 percent (previous year: 60.6 percent).

Personnel expenditure

Personnel expenditure rose by CHF 39 million to reach CHF 1,071 million (note 22). The increase was fuelled by several factors. First, headcount rose 1.2 percent to 8,167 full-time equivalents (FTEs). Wages also saw reasonable adjustments. The stronger focus on corporate clients and investment business resulted in the recruitment of a larger number of high-skilled employees. Contribution hikes caused social security costs to rise more quickly than in the previous year. The in-house family allowances fund was dissolved as of the end of 2010, and the accumulated reserves were credited to the Raiffeisen banks in the previous year.

Operating expenditure

Various cost-cutting measures were unable to completely offset the business-driven increases in operating expenditure for non-personnel costs (note 23). Increases in project-related costs, especially in IT, as well as moderate increases in postage and transportation costs, fees and duties, consulting costs and advertising drove up operating expenditure CHF 17 million to CHF 451 million.

Depreciation on fixed assets

Opposing trends affected the depreciation on fixed assets (note 4). The stock market's decline made it necessary to adjust the book values of the strategic participations (CHF 56.5 million). Tangible assets presented an entirely different situation. Depreciation on tangible assets fell CHF 13.5 million due to a reduction in investment volumes. Despite the lower depreciation on tangible assets, depreciation rose by a considerable 19.7 percent, or CHF 39.4 million, to CHF 239.4 million.

Value adjustments, provisions and losses

This item remained relatively low at CHF 23.0 million, or CHF 19.0 million higher than in the previous year. The credit risk situation remained unproblematic; net reversals of value adjustments and releases of provisions for default risks equalled CHF 7.7 million. Effective losses from the lending business amounted to CHF 21.2 million, or 0.016 percent of the total loan portfolio. A net new provision of CHF 13.1 million was recognised for other business risks. CHF 5.5 million of losses were recognised directly in income (previous year: CHF 4.0 million); only CHF 0.9 million (previous year: CHF 1.2 million) were from the lending business.

Extraordinary income

Extraordinary income (note 24) fell heavily by 49.8 percent to CHF 15.8 million. This is mainly because this item had included a CHF 6.5 million appreciation on participations in the previous year. Provision reversals were also CHF 7.0 million lower in the year under review. The extraordinary expenditure of CHF 4.3 million (previous year: CHF 7.6 million) includes CHF 3.9 million in losses from the sale of tangible assets.

Taxes

Tax expenditure (note 25) remained virtually unchanged year-on-year at CHF 145.9 million.

BALANCE SHEET

Total assets rose CHF 8.6 billion to CHF 155.9 billion, driven mainly by a marked increase in client positions on the asset side of the balance sheet. On the liability side, the rise in total assets reflects a strong inflow of client deposits and an increase in mortgage loans and bonds issued by Raiffeisen Switzerland.

Receivables/liabilities vis-à-vis banks

Interbank business volumes declined again in 2011. At the end of 2011 receivables were substantially lower versus the previous year, down 44.6 %. Net liabilities, by contrast, rose CHF 1 billion to reach around CHF 3.0 billion. Most of these additional funds were parked in an SNB current account at the end of 2011. The unsecured interbank loans are mostly for terms of 1 month or less. The low market rates have brought the repo market to a virtual standstill.

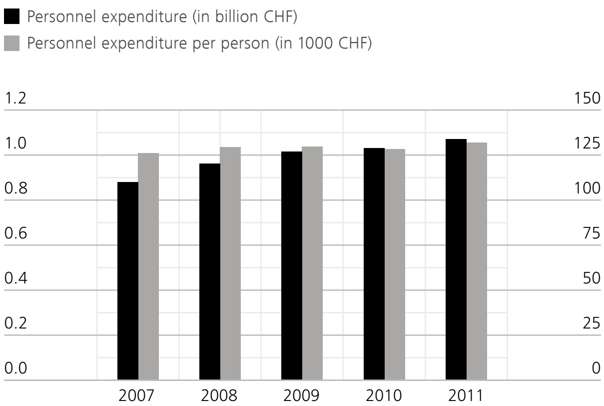
Loans to clients

The increase in loans to clients of CHF 8.9 billion to CHF 136.2 billion was caused by the rise in mortgage loans. The mortgage portfolio expanded by a significant 7.5 percent (previous year: +8.1 percent) or CHF 8.9 billion to reach CHF 128.5 billion by the end of 2011. Raiffeisen increased its share of the domestic market to 16.1 percent. Growth was above average, especially in urban regions. New construction is strong, but conversions, renovations and expansion projects are gaining significance. The low interest rates tend to favour fixed-rate and Libor mortgages. Fixed-rate mortgages account for 76.3 percent of all mortgages, while the share of Libor mortgages grew even faster to 8.2 percent. Client deposits provided the funding for 89.7 percent of the loans (previous year: 91.5 percent).

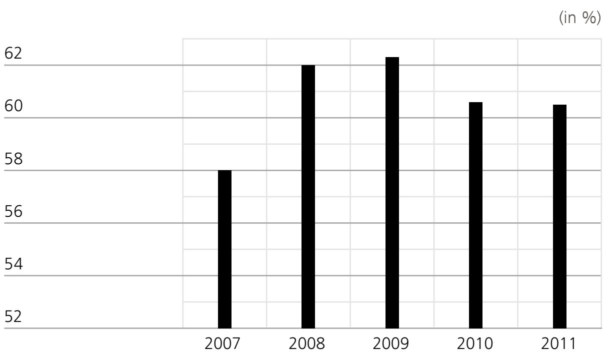
HIGHLIGHT

2.5 The Raiffeisen Group's operating income broke through the CHF 2.5 billion mark for the very first time. The CHF 96 million year-on-year increase in operating income represents the steepest rise in the last four years and was broadly based: All income items went up, except for other ordinary income.

Change in personnel expenditure and personnel expenditure per FTE



Cost/income ratio trend



Trading portfolios in securities and precious metals

Trading portfolios rose CHF 248.8 million or 19.1 percent to CHF 1.5 billion in the reporting year (see note 2 for a breakdown of the trading portfolios). Holdings of stock-exchange-listed debt instruments grew CHF 166.1 million to CHF 589.1 million, while precious metals portfolios rose CHF 74.7 million to CHF 919.5 million. The capital adequacy requirements for market risks in the trading book are detailed on page 52.

Financial assets

Securities holdings in financial assets (note 2), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. Book value declined by CHF 0.9 billion to CHF 4.8 billion as bond holdings matured.

Non-consolidated participations

Major participations as per notes 3.2 and 3.3 are reported on the balance sheet under non-consolidated participations. The stubborn market slump adversely affected the book value of the participations, which shed CHF 38.6 million, or 6.9 percent, and dropped to CHF 518.7 million in the year under review (note 4). Book value adjustments of CHF 56.5 million had to be recognised for the strategic participations in Vontobel Holding AG and Helvetia Holding AG. The stake in Aduno Holding AG increased slightly from 24.7 % to 25.5 %. When measured using the equity method, its book value is CHF 86.7 million (CHF +10.1 million). The value of the participation in the Mortgage Bond Bank of the Swiss Mortgage Institutions was increased by CHF 7.9 million in line with the equity method. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights.

Tangible assets
The growth and diversification strategy drove up investments in tangible assets (note 4) to the respectable level of nearly CHF 266 million in the reporting year. Most of the investments were made to expand the branch network and upgrade the IT infrastructure (lower operating costs, greater capacity). All told, the book value rose 2.5 percent or CHF 55.4 million to CHF 2.3 billion.

Client deposits
Client deposits rose 4.9 percent, or CHF 5.7 billion, to CHF 122.2 billion. However, the current interest rate situation pushed the individual items in different directions. While savings deposits climbed nearly CHF 6 billion to CHF 92.5 billion, other liabilities to clients sank slightly by CHF 0.2 billion. Two subcategories of savings deposits stood out with above average increases: retirement accounts (+13 percent) and vested assets accounts (+9 percent). Holdings of medium-term notes and time deposits remained essentially unchanged despite the low interest rates. Clients appear to be expecting an extended low-interest period and renewed virtually all maturing medium-term notes due to a lack of alternatives, especially in the second half of the year.

Bonds and mortgage loans
To fund its operations, the Raiffeisen Group heavily expanded its use of bonds and mortgage loans by CHF 3.9 billion to CHF 13.6 billion (note 8). Six bonds with a total volume of nearly CHF 1.7 billion were successfully placed in the market in 2011. Among them was a junior bond for CHF 535 million, which Raiffeisen easily managed to place with investors even after Moody's downgraded it to Aa2, the third-highest rating. Net liabilities to the Mortgage Bond Bank went up CHF 2.9 billion.

Value adjustments and provisions
Despite the steep rise in the credit volume, value adjustments for default risks (note 9) fell CHF 22.6 million to CHF 299.5 million. This represents 0.22 percent of total loans (previous year: 0.25 percent). CHF 20.3 million were written off as confirmed losses, while net reversals amounted to CHF 7.7 million. Provisions for other business risks rose CHF 4.1 million to CHF 15.2 million, while provisions for deferred taxes went up CHF 27.6 million to CHF 670.6 million.

Equity capital
Equity capital (note 10) amounts to CHF 9.9 billion, or CHF 594 million higher than in the previous year. The equity ratio remains 6.3 percent.

Off-balance-sheet business
Total contingent liabilities (note 16) declined CHF 55.7 million to CHF 366.3 million, largely due to the elimination of a contingent liability worth CHF 62.4 million.

There was an additional rise in the volume of mortgages and loans already agreed. Irrevocable commitments rose by 8.1% to CHF 5.7 billion. This amount includes the Raiffeisen Group's obligation to pay CHF 1,148 million to the client deposit protection scheme under the Swiss Banking Act.

The contract volume for derivative financial instruments (note 17) increased from CHF 77.9 billion to CHF 88.2 billion. Hedging transactions for the bank book climbed CHF 5.7 billion to CHF 34.1 billion, mainly due to an expansion in interest positions. The positive replacement values amounted to CHF 1.1 billion (previous year: CHF 0.7 billion), while the negative replacement values amounted to CHF 1.8 billion (previous year: CHF 1.4 billion).

Fiduciary transactions (note 18) climbed sharply by CHF 44.8 million to CHF 58.6 million.

Custody account volumes

The investment business underperformed expectations due to widespread client uncertainty. While the number of investment customers went up, the books still showed a net money outflow. The unfavourable market and currency performance adversely affected custody account volumes as well. Nearly half of the decline (CHF 1.4 billion) can be attributed to the fact that maturing medium-term notes were not re-subscribed, but merely rolled over to other account-type investments. This resulted in an overall decline of CHF 2.9 billion to CHF 28.2 billion.

Cooperative members

The public has continued to embrace the Raiffeisen business model. The number of members rose nearly 69,000 to 1,747,000. This is a noteworthy development in uncertain times, since not only do members enjoy benefits, but they also assume limited liability for their local Raiffeisen bank when they purchase a share.

Members used their benefits far more than one million times in the year under review. Among the perks were one-day ski lift tickets and half-price trips to the Berne Oberland region. Last year, Raiffeisen also launched a new member portal offering tickets to many different concerts and shows at discounts of up to 50 %.

Group balance sheet as of 31 December 2011

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	4,698,295	1,463,188	3,235,107	221.1	11
Receivables from money market securities	1,480	101,493	-100,013	-98.5	11
Receivables from banks	3,668,198	6,618,710	-2,950,512	-44.6	6, 11
Receivables from clients	7,678,074	7,666,359	11,715	0.2	1, 11
Mortgage receivables	128,526,759	119,595,076	8,931,683	7.5	1, 6, 11
Loans to clients	**136,204,833**	**127,261,435**	**8,943,398**	**7.0**	
Trading portfolios in securities and precious metals	1,548,321	1,299,489	248,832	19.1	2, 11
Financial assets	4,774,510	5,703,389	-928,879	-16.3	2, 6, 11
Non-consolidated participations	518,703	557,264	-38,561	-6.9	2, 3, 4
Tangible fixed assets	2,274,749	2,219,392	55,357	2.5	4, 6
Accrued income and prepaid expenses	259,391	231,948	27,443	11.8	
Other assets	1,940,123	1,782,721	157,402	8.8	5
Total assets	**155,888,603**	**147,239,029**	**8,649,574**	**5.9**	**13, 14, 15**
Total subordinated receivables	2,575	–	2,575	–	
Total receivables from non-consolidated participations	2,494,531	3,126,277	-631,746	-20.2	
Liabilities					
Liabilities to banks	6,631,550	8,581,521	-1,949,971	-22.7	6, 11
Liabilities to clients in the form of savings and investment deposits	92,549,077	86,590,755	5,958,322	6.9	7, 11
Other liabilities to clients	16,008,076	16,183,559	-175,483	-1.1	7, 11
Medium-term notes	13,615,958	13,668,407	-52,449	-0.4	11
Client monies	**122,173,111**	**116,442,721**	**5,730,390**	**4.9**	
Bonds and mortgage bond loans	13,636,510	9,747,490	3,889,020	39.9	8, 11
Accrued expenses and deferred income	557,704	550,098	7,606	1.4	
Other liabilities	2,029,069	1,659,678	369,391	22.3	5
Value adjustments and provisions	985,299	976,218	9,081	0.9	9
Cooperative capital	598,896	570,042	28,854	5.1	
Retained earnings	8,681,199	8,084,026	597,173	7.4	
Group profit	595,265	627,235	-31,970	-5.1	
Total equity capital	**9,875,360**	**9,281,303**	**594,057**	**6.4**	**10**
Total liabilities	**155,888,603**	**147,239,029**	**8,649,574**	**5.9**	**13, 15**
Total subordinated commitments	535,413	–	535,413	–	
Total commitments towards non-consolidated participations	11,107,881	9,115,647	1,992,234	21.9	
– of which mortgage bond loans	9,941,000	7,021,900	2,919,100	41.6	
Off-balance-sheet business					
Contingent liabilities	366,294	422,009	-55,715	-13.2	1, 16
Irrevocable undertakings	5,701,411	5,272,279	429,132	8.1	1
Call commitments and additional funding obligations	60,443	60,444	-1	-0.0	1
Derivative financial instruments					
Positive replacement values	1,134,993	700,590	434,403	62.0	17
Negative replacement values	1,811,509	1,432,270	379,239	26.5	17
Contract volume	88,249,635	77,890,734	10,358,901	13.3	17
Fiduciary business	58,642	13,852	44,790	323.3	18

Profit and loss account 2011

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,422,606	3,382,763	39,843	1.2	
Interest and dividend income from financial assets	83,865	91,392	-7,527	-8.2	
Interest expenditure	-1,430,698	-1,472,241	41,543	-2.8	
Net interest income	**2,075,773**	**2,001,914**	**73,859**	**3.7**	
Commission income lending business	12,140	9,113	3,027	33.2	
Commission income securities and investment business	178,795	195,444	-16,649	-8.5	
Commission income other service transactions	146,223	138,692	7,531	5.4	
Commission expenditure	-94,115	-101,683	7,568	-7.4	
Net income from commission business and service transactions	**243,043**	**241,566**	**1,477**	**0.6**	**19**
Net trading income	**137,390**	**116,070**	**21,320**	**18.4**	**20**
Income from sale of financial assets	-128	954	-1,082	-113.4	
Income from participating interests	41,285	32,427	8,858	27.3	21
Income from real estate	18,088	18,453	-365	-2.0	
Other ordinary income	6,065	8,319	-2,254	-27.1	
Other ordinary expenditure	-8,100	-1,897	-6,203	327.0	
Other ordinary result	**57,210**	**58,256**	**-1,046**	**-1.8**	
Operating income	**2,513,416**	**2,417,806**	**95,610**	**4.0**	
Personnel expenditure	-1,070,550	-1,031,407	-39,143	3.8	22
Operating expenditure	-450,750	-433,879	-16,871	3.9	23
Total operating expenditure	**-1,521,300**	**-1,465,286**	**-56,014**	**3.8**	
Gross profit	**992,116**	**952,520**	**39,596**	**4.2**	
Depreciation on fixed assets	-239,419	-200,064	-39,355	19.7	4
Value adjustments, provisions and losses	-23,048	-4,018	-19,030	473.6	
Operating profit (interim result)	**729,649**	**748,438**	**-18,789**	**-2.5**	
Extraordinary income	15,849	31,578	-15,729	-49.8	24
Extraordinary expenditure	-4,315	-7,642	3,327	-43.5	24
Taxes	-145,918	-145,139	-779	0.5	25
Group profit	**595,265**	**627,235**	**-31,970**	**-5.1**	

Cash flow statement 2011

	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	595,265	–	627,235	–
Depreciation on fixed assets	239,419	–	200,064	–
Appreciation on participations	–	–	–	6,512
Value adjustments and provisions	116,524	107,443	119,645	120,672
Prepaid expenses	–	27,443	–	4,882
Deferred income	7,606	–	4,044	–
Interest paid on share certificates for prior year	–	30,063	–	28,522
Balance	**793,865**	**–**	**790,400**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	28,854	–	34,014	–
Participations valued by the equity method	–	–	20,220	–
Balance	**28,854**	**–**	**54,234**	**–**
Cash flow from investment activities				
Participations	–	18,776	2,354	102,863
Real estate	22,765	164,704	59,147	244,950
Other tangible fixed assets/objects in finance leasing/other	7,115	101,189	5,674	135,378
Intangible Assets	–	1,426	–	–
Balance	**–**	**256,215**	**–**	**416,016**
Cash flow from banking activities				
Liabilities to banks	–	1,949,971	–	1,241,777
Liabilities to clients in the form of savings and investment deposits	5,958,322	–	6,902,843	–
Other liabilities to clients	–	175,483	1,604,281	–
Medium-term notes	–	52,449	–	2,803,430
Bonds	1,648,120	678,200	934,500	6,750
Mortgage bond loans	3,606,900	687,800	2,194,200	791,100
Other liabilities	369,391	–	270,334	–
Receivables from money market securities	100,013	–	–	97,771
Receivables from banks	2,950,512	–	2,181,563	–
Receivables from clients	–	11,715	–	708,812
Mortgage receivables	–	8,931,683	–	8,916,988
Trading portfolios in securities and precious metals	–	248,832	–	799,128
Financial assets	928,879	–	923,927	–
Other receivables	–	157,402	50,542	–
Liquid funds	–	3,235,107	–	125,052
Balance	**–**	**566,504**	**–**	**428,618**
Total origin of funds	**822,719**	**–**	**844,634**	**–**
Total use of funds	**–**	**822,719**	**–**	**844,634**

Notes to the consolidated annual accounts

BUSINESS ACTIVITIES

The 328 Raiffeisen banks in Switzerland, organized as cooperatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment 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, specialised companies within the Raiffeisen Group or cooperation partners.

Raiffeisen banks are active in precisely defined, manageable business areas. Loans are predominantly made to cooperative members against collateral and to public bodies. The majority of loans are invested in residential properties. 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 operating activity of 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 operating activities and services in line with those of Raiffeisen banks.

As of 31 December 2011, the number of people employed by the Raiffeisen Group – on a full-time equivalent basis – was 8,167 (previous year: 8,068).

RISK ASSESSMENT

The Board of Directors assumes 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. Based 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 conducts an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk Management'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 Management 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.

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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 prudent assumptions about distribution, confidence intervals, holding intervals and risk diversification. Its risk capital budgeting is in line with stress scenarios.

Credit risks are additionally examined 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 puts particular emphasis on supplementing its model-based assessments with forward-looking practical analyses and estimates. Scenario-based analyses based on macro-economically plausible 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 Raiffeisen Group together with the Raiffeisen banks, Raiffeisen Switzerland and the Group companies make up a single risk unit.

Risk policy

The risk management systems are based on statutory provisions and the Raiffeisen Group risk policy ("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 preserving 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.

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

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
- Risk limitation, through the setting of appropriate limits
- Risk monitoring

The goal 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 a deliberate, targeted and controlled manner;
- make the best possible use of risk tolerance, in other words to ensure that risks are only entered into if they offer suitable return potential.

Credit risks

The business units of the Raiffeisen Group – Raiffeisen banks and Raiffeisen Switzerland – manage their credit risk autonomously, although in accordance with Group-wide standards.

Credit risks are defined in risk policy as the risk of losses caused by clients or other counterparties failing to fulfil render contractual payments as anticipated. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivatives. Risks also accrue from debt, equity and other securities that may involve losses when the issuer defaults.

The Raiffeisen Group identifies, assesses, manages and monitors the following risks in its lending business:
- Counterparty risks
- Collateral risks
- Concentration risks
- Country risks

Counterparty risks accrue from the potential default of a debtor or counterparty. A debtor or counterparty is considered to be in default when receivables are more than 90 days overdue.

Collateral risks accrue from impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables from individual borrowers or in individual coverage categories, industries or geographic areas.
Country risk is the risk of losses caused by country-specific events.

Raiffeisen banks are chiefly exposed to counterparty and collateral risks. The majority of these risks result from loans granted to one or more individuals or corporate clients. Corporate clients are mainly small companies that operate within the business areas of 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 CHF 250,000 must be hedged with Raiffeisen Switzerland.

Like the Raiffeisen banks, the Branches department primarily incurs counterparty and collateral risks. The branches of Raiffeisen Switzerland are part of the Market department and extend credit to private and corporate clients, the latter of whom are mostly SMEs.

Larger loans to corporate clients are also generally managed by the Market department. When the credit being newly extended exceeds CHF 40 million on a risk-weighted basis, the Chief Risk Officer (CRO) issues a recommendation as to whether the concentration risk involved should be accepted.

The group-wide responsibilities of the Central Bank department include wholesale funding in the money and capital markets, hedging currency, interest rate and proprietary trading risks, and managing both domestic and international counterparty risk. The Central Bank department may only conduct international transactions when country-specific limits have been approved and established. In exceptional cases in proprietary trading, positions may be taken in countries with prior approval from the Finance department.
Pursuant to the Articles of Association, interna-

tional positions may not exceed 5% of the consolidated Raiffeisen Group balance sheet total. Country risks are actively managed on an ongoing basis and are principally concentrated in Europe.

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 invests in other companies as part of strategic cooperation partnerships. Detailed information is provided under note 3 on page 60.

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. 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. This system has proved its worth as a means of dealing with the key elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and individual value adjustments.

Collateral is valued according to uniform criteria. For 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 capitalised value is used as the benchmark for commercial property. Different repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also available to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

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

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

The standardised, Group-wide guidelines concerning the recognition and release of provisions for default risks are set out in an internal directive. This stipulates how the liquidation value and provisions for any collateral that may exist are to be calculated if there are indications that certain positions are impaired, nonperforming or display a higher 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) last year were CHF 21.2 million or 0.02% of the average lending volume, which amounts to 0.22% of average core capital.

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

Raiffeisen Switzerland monitors the credit portfolio on a Group-wide basis, evaluating the portfolio structure and ensuring proper 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. The responsible executive bodies receive quarterly updates on the development of exceptions to policy. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad hoc risk analyses where required. Monitoring and reporting form 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 established. Should one of these threshold values be reached, part of the decentralised credit authority is transferred to the Credit Office of Raiffeisen Switzerland. This process guarantees a well-diversified local credit portfolio even in a decentralised organisation.

Cluster risks are monitored centrally by Credit Risk Controlling. As of 31 December 2011 the Raiffeisen Group had no reportable concentration risks.

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2011 was CHF 954 million or 0.72% of loans to clients (previous year: CHF 814 million or 0.66%).

Market risks

As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have significant influence on interest income. Up-to-date procedures are in place to measure the risk in the bank book associated with fluctuating interest rates. These display variable positions based on a model that replicates historical interest rate fluctuations with money and capital market rates. These positions are managed on a decentralised basis in the responsible units. The Treasury of Raiffeisen Switzerland's Central Bank department is the Group-wide binding counterparty for hedging transactions and transactions to finance bank operations. 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. The potential impact of the assumed interest rate risk on the market value of the equity capital and on profitability is also measured with the aid of scenario analyses and stress tests and included in risk reporting.

As assets in a foreign currency are generally refinanced in the same currency, foreign currency risks can be 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, concentration 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 as well as daily reviews of the valuation 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 the 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. Risk controlling involves, among other things, simulating liquidity inflows and outflows over different time horizons using various scenarios. These scenarios include the impact of bank funding crises and general liquidity crises.

Monitoring is based on statutory limits as well as additional limits that are set by the Board of Directors of Raiffeisen Switzerland and based on the above scenario analyses.

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

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

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2011	Ø 2011	31.12.2010	Ø 2010
Foreign exchange/ precious metals	11,400	14,095	16,114	12,920
Interest rate instrum.	67,070	59,365	50,553	47,390
Equities/indices	8,977	7,327	3,753	4,375
Total	**87,447**	**80,788**	**70,420**	**64,685**

Operational risks

At Raiffeisen, operational risk means the danger of losses arising as a result of the unsuitability or failure of internal procedures, persons, IT and security 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 Management 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.

In specific risk assessments, operational risks are identified, categorised by cause and impact and evaluated according to the frequency or probability of occurrence and the extent of losses. The risk register is updated dynamically. Risk management measures are defined, implementation of which is periodically monitored by Group Risk Management.

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.

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In addition to the standard risk management process, Group Risk Management also conducts ad hoc risk analyses where required, analyses any loss events arising and maintains close links with other organisational 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 conducted by the Vontobel Group. All outsourcing services are provided in accordance with the provisions of FINMA Circular 2008/7.

Regulatory provisions
Under a ruling by the FINMA of 3 September 2010, Raiffeisen banks are excused from complying with the rules regarding capital adequacy, risk diversification and liquidity on an individual basis. 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	**S&P**	**Fitch**	**Moody's**
Central governments/ central banks	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
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 52.

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 the 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 associ-

ated 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, Raiffeisen Switzerland is legally considered to be 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 328 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, KMU Capital Ltd and RAInetworks Pte. 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 using 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 generated, 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 of 31 December.

Accounting and valuation principles

Recording of business events

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

Foreign currencies

Assets, liabilities and cash positions in foreign 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, receivables from money market securities and borrowed funds

These are reported at the nominal value or acquisition value. 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 considered impaired when the Group believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired receivables and any collateral are carried at liquidation value. Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the credit-worthiness of the borrower, the counterparty risk and the estimated net realizable sale value of the collateral. If recovery of the receivable amount depends solely on the seizure of collateral, the unsecured portion is written down in full.

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

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

Repurchase and reverse repurchase transactions

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions. They are recorded at the value of the cash collateral received or provided, including accrued interest. Securities received and delivered are only recognized/derecognized from the balance sheet if control of the contractual rights associated with them is transferred. The market values of 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 measured at fair value. 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 realised 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 instruments 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 is valued at the lower of cost or market.

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

The "lower of cost or market" refers to the lower of the initial value or the liquidation value.

Precious metals held to cover liabilities from precious metals accounts are carried at market value as of the balance sheet date. In cases where fair value cannot be determined, these 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 assets

Tangible 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 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 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 amortised on a straight-line basis over its estimated useful life. The amortisation 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 capitalised. Intangible assets are reported at acquisition cost and amortisation 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 amortised 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 reporting year. Deferred tax of 19.3% (previous year: 19.4%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

Contingent liabilities, irrevocable commitments, call commitments and additional funding obligations

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" andin the notes.

Reporting: The replacement values of all contracts concluded for 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 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; the Treasury does not participate in the market itself. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments by external counterparty" table in note 17 under "Open derivative financial instruments" on pages 70/71).

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 to hedge interest rate risk as part of balance sheet structural management 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 2011) 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.

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Information on the balance sheet

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

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	2,630,021	640,574	4,407,479	7,678,074
Mortgage loans				
Residential property	118,460,504	–	87,381	118,547,885
Office and business premises	2,502,209	–	15,155	2,517,364
Trade and industry	3,207,569	–	12,130	3,219,699
Other	4,156,636	–	85,175	4,241,811
Total loans				
Current year	**130,956,939**	**640,574**	**4,607,320**	**136,204,833**
Prior year	122,000,793	913,690	4,346,952	127,261,435
Off-balance-sheet business				
Contingent liabilities	67,106	89,772	209,416	366,294
Irrevocable commitments	4,088,119	133,591	1,479,701	5,701,411
Call commitments and additional funding obligations	–	–	60,443	60,443
Total off-balance-sheet business				
Current year	**4,155,225**	**223,363**	**1,749,560**	**6,128,148**
Prior year	3,936,504	209,676	1,608,552	5,754,732

* 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	**1,008,947**	**698,858**	**310,089**	**299,542**
Prior year	1,111,722	778,340	333,382	322,185

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*	589,089	423,019
non-stock exchange listed	–	–
Shares	39,683	31,592
Precious metals	919,549	844,878
Total trading portfolios in securities and precious metals	**1,548,321**	**1,299,489**
of which securities for repo transactions in line with liquidity requirements	440,580	254,255

* 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	4,640,160	5,654,321	4,737,640	5,705,091
of which intended to be held until maturity	4,623,796	5,654,321	4,721,276	5,705,091
of which valued at the lower of cost or market	16,364	–	16,364	–
Shares	108,189	27,336	108,320	27,336
of which qualified participations*	787	–	787	–
Precious metals	–	–	–	–
Real estate	26,161	21,732	31,526	26,687
Total financial assets	**4,774,510**	**5,703,389**	**4,877,486**	**5,759,114**
of which securities for repo transactions in line with liquidity requirements	4,201,227	4,328,837	–	–

* At least 10 percent of the capital or the votes

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	272,869	329,416
without a market value	245,834	227,848
Total non-consolidated participations	**518,703**	**557,264**

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	450,000	100.0	100.0
KMU Capital Ltd	St.Gallen	Financial services	2,566	100.0	100.0
RAInetworks (Subsidary of Raiffeisen Switzerland) Pte. Ltd.	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	–
3.2 Holdings valued according to the equity method					
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	24.7
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd	Zurich	Mortgage bond bank	500,000	21.6	21.6
of which not paid up			280,000		
3.3 Other non-consolidated participations					
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10’000	16.5	16.5
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organization of fairs	23,167	10.8	14.3
Helvetia Holding Ltd	St.Gallen	Financial services	865	4.0	4.0
SIX Group Ltd	Zurich	Financial services	19,522	3.2	3.2

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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/ reclassi-fications 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	100,018	78,207	178,225	–	2,831	–	–	15,121	196,177
Other holdings	388,479	-9,440	379,039	–	824	–	-57,337	–	322,526
Total non-consolidated participations	**488,497**	**68,767**	**557,264**	**–**	**3,655**	**–**	**-57,337**	**15,121**	**518,703**
Tangible fixed assets									
Real estate									
Bank buildings	1,900,389	-390,387	1,510,002	-8,994	129,280	-8,037	-32,763	–	1,589,488
Other real estate	394,373	-85,318	309,055	-1,614	35,424	-14,728	-8,333	–	319,804
Other tangible fixed assets	1,104,834	-734,351	370,483	10,577	83,658	-6,836	-117,699	–	340,183
Objects in finance leasing	205	-90	115	-7	318	-47	-72	–	307
Other	142,737	-113,000	29,737	38	17,213	-232	-21,789	–	24,967
Total tangibles	**3,542,538**	**-1,323,146**	**2,219,392**	**–**	**265,893**	**-29,880**	**-180,656**	**–**	**2,274,749**
Goodwill	–	–	–	–	1,426	–	-1,426	–	–
Total intangible assets	**–**	**–**	**–**	**–**	**1,426**	**–**	**-1,426**	**–**	**–**

	in 1000 CHF
Value of real estate for fire insurance purposes	2,181,069
Value of other tangible fixed assets for fire insurance purposes	997,821
Liabilities: future leasing instalments from operational leasing	5

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	1,134,993	700,590
Equalization account	562,000	347,564
Clearing accounts for social security and staff pension fund contributions	–	59
Clearing accounts for indirect taxes	113,522	605,834
Other clearing accounts	6,105	8,132
Employer contribution reserves with pension schemes	113,107	108,693
Miscellaneous other assets	10,396	11,849
Total other assets	**1,940,123**	**1,782,721**
Other liabilities		
Total replacement value	1,811,509	1,432,270
Due, unredeemed coupons and debt instruments	26,972	36,215
Levies, indirect taxes	145,488	148,286
Clearing accounts for social security and staff pension fund contributions	8,798	9,230
Other clearing accounts	30,358	27,885
Miscellaneous other liabilities	5,944	5,792
Total other liabilities	**2,029,069**	**1,659,678**

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	15,391,637	10,239,230	10,368,914	7,232,557
Financial assets	1,153,313	804,301	1,962,367	1,931,852
Tangible fixed assets	3,385	3,385	3,405	3,390
Total pledged assets	**16,548,335**	**11,046,916**	**12,334,686**	**9,167,799**

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	806,546	4,428,047
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	814,787	2,821,856
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	804,301	1,931,852
for which the right to resell or pledge without restriction was granted	804,301	1,931,852
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	964,716	4,550,111
of which repledged or resold securities	778,853	1,178,566

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law.
The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. 7 Raiffeisen banks (prior year: 9) 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	112,030	107,494
Other liabilities to clients	112,518	42,095
Other liabilities (negative replacement values)	209	1,570
Total liabilities to own social insurance institutions	**224,757**	**151,159**

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	107,361	1,332	108,693	100,177	859	101,036
+ Deposits	11,788	176	11,964	11,540	467	12,007
– Withdrawals	-9,072	-187	-9,259	-5,966	–	-5,966
+ Interest paid*	1,695	14	1,709	1,610	6	1,616
As at 31 December	**111,772**	**1,335**	**113,107**	**107,361**	**1,332**	**108,693**

* 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 report (in accordance with Swiss GAAP FER 26) of the Raiffeisen Pension Fund Cooperative, the coverage ratio is:

	on 31.12.2011 in %	on 31.12.2010 in %
Raiffeisen Pension Fund Cooperative	98.5	97.1

Although still insufficient, the cover level of the Raiffeisen Pension Fund Cooperative improved even more in 2011. 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.

Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year in 1000 CHF
Pension expenditure according to separate financial statements	94,082	92,104
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-2,705	-6,041
Employer contributions reported on an accruals basis	**91,377**	**86,063**
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”)	**91,377**	**86,063**

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					
Non-subordinated own bonds	2004	3.000	05.05.2014		389,600
	2006	3.125	30.05.2016		533,710
	2007	3.125	25.10.2012		249,380
	2010	1.625	31.03.2015		484,620
	2010	1.375	21.09.2017		192,855
	2010	2.000	21.09.2023		209,435
	2011	2.125	04.02.2019		245,275
	2011	2.625	04.02.2026		112,155
	2011	2.375	10.05.2018		143,585
	2011	0.625	18.02.2013		500,000
	2011	0.550	22.02.2013		100,000
Subordinated own bonds	2011	3.875	21.12.2021		534,895
Total bonds of Raiffeisen Switzerland					**3,695,510**
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd					
	div.	2.144	div.		9,941,000
Total mortgage bond loans					**9,941,000**
Total outstanding bonds and mortgage bond loans					**13,636,510**

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	642,948	–	–	31,990	-4,360	670,578
Value adjustments and provisions for default risks (del credere and country risk)	322,185	-20,310	5,357	64,134	-71,824	299,542
Value adjustments and provisions for other business risks	11,085	-9,017	–	15,043	-1,932	15,179
Total value adjustments and provisions	**976,218**	**-29,327**	**5,357**	**111,167**	**-78,116**	**985,299**

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	1,678,792		350,652
Cooperative capital without additional funding obligation*			219,390
Total equity capital	**1,678,792**		**570,042**
Retained earnings			8,711,261
Total equity capital at the beginning of the year (before approp. of profits)	**1,678,792**		**9,281,303**
+ Payments from new cooperative members with additional funding obligation	115,269	200	23,054
	316	300	95
	292	400	117
	2,603	500	1,301
+ Payments of cooperative shares without additional funding obligation			20,607
Total payments from new cooperative members	**118,480**		**45,174**
– Repayments to departing cooperative members	-48,573	200	-9,715
(with additional funding obligation)	-148	300	-44
	-115	400	-46
	-1,084	500	-542
– Repayments of cooperative shares without additional funding obligation			-5,972
Total repayments to departing cooperative members	**-49,920**		**-16,319**
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-30,063
+ Group profit in the current year			595,265
Total equity capital at the end of the current year (before approp. of profits)	**1,747,352**		**9,875,360**
of which cooperative capital with additional funding obligation	1,690,358	200	338,071
	5,823	300	1,747
	5,327	400	2,131
	45,844	500	22,922
of which cooperative capital without additional funding obligation			234,025
Total cooperative capital at the end of the current year	**1,747,352**		**598,896**
of which retained earnings			8,681,199
of which Group profit			595,265
Additional funding obligation of the cooperative members			**13,978,816**

* 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 2011: CHF 2,772,780,000 (prior year: CHF 2,616,366,000).

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	4,698,295	–	–	–	–	–	4,698,295
Receivables from money market sec.	1,480	–	–	–	–	–	1,480
Receivables from banks	332,100	–	3,236,098	100,000	–	–	3,668,198
Receivables from clients	1,903	3,219,728	1,214,553	622,379	1,928,925	690,586	7,678,074
Mortgage receivables	45,777	19,907,667	5,396,386	11,317,190	71,681,617	20,178,122	128,526,759
Trading portfolios in securities and precious metals	1,548,321	–	–	–	–	–	1,548,321
Financial assets*	124,499	–	181,699	1,256,168	2,545,534	666,610	4,774,510
Total current assets							
Current year	**6,752,375**	**23,127,395**	**10,028,736**	**13,295,737**	**76,156,076**	**21,535,318**	**150,895,637**
Prior year	4,855,038	27,019,490	11,164,617	13,931,191	67,153,412	18,323,956	142,447,704
Outside debt							
Liabilities to banks	401,093	–	3,896,208	1,693,389	555,860	85,000	6,631,550
Liabilities to clients in the form of savings and investment deposits	–	92,549,077	–	–	–	–	92,549,077
Other liabilities to clients	11,419,045	27,142	1,208,695	2,392,947	737,673	222,574	16,008,076
Medium-term notes	–	–	982,163	2,766,154	8,736,682	1,130,959	13,615,958
Bonds and mortgage bond loans	–	–	241,000	1,012,180	5,456,530	6,926,800	13,636,510
Total outside debt							
Current year	**11,820,138**	**92,576,219**	**6,328,066**	**7,864,670**	**15,486,745**	**8,365,333**	**142,441,171**
Prior year	11,128,352	86,625,650	11,005,797	7,056,410	13,432,894	5,522,629	134,771,732

* Financial assets include CHF 26,161,000 of real estate (prior year: CHF 21,732,000).

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 and associated persons and companies	13,213	8,856
Members of the Executive Board of Raiffeisen Switzerland and associated persons and companies	29,531	20,311
Total loans to executive bodies and employees	**42,744**	**29,167**

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	4,693,294	5,001	1,459,426	3,762
Receivables from money market securities	1,480	–	101,493	–
Receivables from banks	500,990	3,167,208	1,908,900	4,709,810
Receivables from clients	7,640,289	37,785	7,627,603	38,756
Mortgage receivables	128,526,759	–	119,595,076	–
Trading portfolios in securities and precious metals	1,441,918	106,403	1,167,828	131,661
Financial assets	4,165,904	608,606	4,865,364	838,025
Non-consolidated participations	514,795	3,908	553,363	3,901
Tangible fixed assets	2,274,749	–	2,219,392	–
Accrued income and prepaid expenses	246,777	12,614	215,336	16,612
Other assets	1,184,056	756,067	1,316,564	466,157
Total assets	**151,191,011**	**4,697,592**	**141,030,345**	**6,208,684**
Liabilities				
Liabilities to banks	4,008,332	2,623,218	5,341,669	3,239,852
Liabilities to clients in the form of savings and investment deposits	90,124,476	2,424,601	84,538,438	2,052,317
Other liabilities to clients	15,574,392	433,684	15,750,360	433,199
Medium-term notes	13,527,002	88,956	13,609,902	58,505
Bonds and mortgage bond loans	13,636,510	–	9,747,490	–
Accrued expenses and deferred income	544,926	12,778	539,608	10,490
Other liabilities	591,851	1,437,218	685,065	974,613
Value adjustments and provisions	984,285	1,014	974,727	1,491
Cooperative capital	598,896	–	570,042	–
Retained earnings	8,681,199	–	8,084,026	–
Group profit	595,106	159	627,235	–
Total liabilities	**148,866,975**	**7,021,628**	**140,468,562**	**6,770,467**

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	151,191,011	96.99	141,030,345	95.78
Rest of Europe	4,439,816	2.85	6,008,346	4.08
Rest of world (America, Asia, Oceania, Africa)	257,776	0.16	200,338	0.14
Total assets	**155,888,603**	**100.00**	**147,239,029**	**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	4,401,063	209,143	27,430	60,659	4,698,295
Receivables from money market securities	1,162	54	154	110	1,480
Receivables from banks	2,379,410	744,153	290,741	253,894	3,668,198
Receivables from clients	7,629,984	19,220	24,093	4,777	7,678,074
Mortgage receivables	128,526,759	–	–	–	128,526,759
Trading portfolios in securities and precious metals	603,874	20,725	3,936	919,786	1,548,321
Financial assets	4,308,181	365,157	101,163	9	4,774,510
Participations	514,802	3,901	–	–	518,703
Tangible fixed assets	2,274,749	–	–	–	2,274,749
Accrued income and prepaid expenses	249,077	10,184	84	46	259,391
Other assets	1,939,925	–	–	198	1,940,123
Total assets reflected in the balance sheet	**152,828,986**	**1,372,537**	**447,601**	**1,239,479**	**155,888,603**
Delivery claims under spot exchange, forward exchange and currency option contracts	3,671,125	4,341,491	2,455,163	167,552	10,635,331
Total assets	**156,500,111**	**5,714,028**	**2,902,764**	**1,407,031**	**166,523,934**
Liabilities					
Liabilities to banks	3,807,476	1,400,907	1,176,631	246,536	6,631,550
Liabilities to clients in the form of savings and investment deposits	91,448,516	1,100,561	–	–	92,549,077
Other liabilities to clients	14,700,740	704,419	303,384	299,533	16,008,076
Medium-term notes	13,615,958	–	–	–	13,615,958
Bonds and mortgage bond loans	13,636,510	–	–	–	13,636,510
Accrued expenses and deferred income	544,922	10,677	1,982	123	557,704
Other liabilities	2,029,067	2	–	–	2,029,069
Value adjustments and provisions	985,299	–	–	–	985,299
Cooperative capital	598,896	–	–	–	598,896
Retained earnings	8,681,199	–	–	–	8,681,199
Group profit	595,106	–	–	159	595,265
Total liabilities reflected in the balance sheet	**150,643,689**	**3,216,566**	**1,481,997**	**546,351**	**155,888,603**
Delivery obligations under spot exchange, forward exchange and currency option contracts	5,881,717	2,460,619	1,382,410	854,280	10,579,026
Total liabilities	**156,525,406**	**5,677,185**	**2,864,407**	**1,400,631**	**166,467,629**
Net position per currency	**-25,295**	**36,843**	**38,357**	**6,400**	**56,305**

	31.12.2011	31.12.2010
Foreign currency conversion rates		
EUR	1.217	1.253
USD	0.941	0.938

Information on off-balance-sheet business

16. Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	176,230	175,047
Warranty bonds	63,587	66,389
Other contingent liabilities	126,477	180,573
Total contingent liabilities	**366,294**	**422,009**

17 Open derivative financial instruments

17.1 Trading instruments with internal and 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
Interest rate instruments						
Forward contracts incl. FRAs	12,135	9,775	9,900,000	3,000,000	–	12,900,000
Swaps	1,970,235	2,006,902	21,915,344	47,884,040	22,081,950	91,881,334
Futures contracts	–	–	4,333,968	–	–	4,333,968
Options (OTC)	–	30	6,708	11,648	3,547	21,903
Options (traded)	–	–	33,478	–	–	33,478
Foreign currencies						
Forward contracts	246,030	208,232	11,684,598	69,654	–	11,754,252
Comb. interest rate/currency swaps	45,424	45,424	313,906	–	–	313,906
Options (OTC)	673	384	99,549	–	–	99,549
Precious metals						
Forward contracts	45,557	166	805,556	–	–	805,556
Options (OTC)	840	778	117,220	–	–	117,220
Equity securities and indices						
Futures contracts	–	–	20,887	–	–	20,887
Options (traded)	2,834	1,726	53,309	726	–	54,035
Other						
Options (OTC)	2,000	–	–	–	23,700	23,700
Total						
Current year	**2,325,729**	**2,273,416**	**49,284,522**	**50,966,068**	**22,109,197**	**122,359,786**
Prior year	1,635,747	1,640,546	57,921,331	33,004,932	15,618,254	106,544,518

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	413,891	1,103,429	5,825,000	17,151,000	8,679,000	31,655,000
Foreign currencies						
Forward contracts	48,017	41,883	2,274,656	–	–	2,274,656
Comb. interest rate/currency swaps	–	45,424	133,892	–	–	133,892
Total						
Current year	**461,908**	**1,190,736**	**8,233,548**	**17,151,000**	**8,679,000**	**34,063,548**
Prior year	208,275	935,157	10,880,470	11,472,841	6,040,000	28,393,311

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	1,128,296	1,807,610	36,258,919	33,800,142	13,402,950	83,462,011
Clients	4,140	2,172	308,641	14,200	27,247	350,088
Stock exchanges	2,556	1,726	4,436,810	726	–	4,437,535
Total						
Current year	**1,134,993**	**1,811,509**	**41,004,371**	**33,815,068**	**13,430,197**	**88,249,635**
Prior year	700,590	1,432,270	46,822,561	21,489,919	9,578,254	77,890,734

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. 99.3% 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	39,000	13,037	941	5,664	58,642
Total fiduciary transactions	**39,000**	**13,037**	**941**	**5,664**	**58,642**
Prior year	–	6,576	2,346	4,930	13,852

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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	12,140	9,113
Commission income from securities and investment business		
Fund business	65,088	69,070
Custody account business	42,262	43,834
Brokerage	55,670	65,942
Other securities and investment business	15,775	16,598
Commission income from other service transactions		
Payments	108,930	100,458
Account maintenance	24,335	25,884
Other service transactions	12,958	12,350
Total commission income	**337,158**	**343,249**
Commission expenditure		
Securities business	-36,325	-44,228
Payments	-52,911	-51,678
Other commission expenditure	-4,879	-5,777
Total commission expenditure	**-94,115**	**-101,683**
Total net income from commission business and service transactions	**243,043**	**241,566**

20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	79,528	76,449
Precious metals and foreign notes and coins trading	58,121	36,071
Equities trading	-790	-601
Fixed income trading	531	4,151
Total net trading income	**137,390**	**116,070**

21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	20,621	12,487
Other non-consolidated holdings	20,664	19,940
Total income from participating interests	**41,285**	**32,427**

22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	23,806	23,708
Salaries and bonuses for staff	849,339	825,397
AHV, IV, ALV and other statutory contributions	80,466	72,524
Contributions to staff pension funds	91,377	86,063
Ancillary staff expenses	25,562	23,715
Total personnel expenditure	**1,070,550**	**1,031,407**

23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	74,340	74,413
Cost of computer equipment, machinery, furniture, vehicles and other equipment	112,421	103,411
Other operating expenditure	263,989	256,055
Total operating expenditure	**450,750**	**433,879**

24 Extraordinary income and expenditure

Current year

The extraordinary income of CHF 15.8 million primarily includes reversals of value adjustments and releases of provisions for default risks of CHF 11.6 million as well as income from the sale of tangible assets and investments of CHF 3.2 million.

The extraordinary expenditure of CHF 4.3 million includes losses from the sale of tangible assets of CHF 3.9 million.

Prior year

The extraordinary income of CHF 31.6 million includes CHF 18.7 million from reversals of value adjustments and releases of provisions for default risks and other business risks as well as income of CHF 3.2 million from the sale of tangible fixed assets and participations and CHF 6.5 million from appreciation on participations.

The extraordinary expenditure of CHF 7.6 million includes losses of CHF 5.2 million 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	27,630	28,511
Expenditure for current income tax	118,288	116,628
Total tax expenditure	**145,918**	**145,139**

Report of the statutory auditor

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 the Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 44 to 73), for the year ended 31 December 2011.

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 31 December 2011 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.

PricewaterhouseCoopers Ltd, Neumarkt 4 / Kornhausstrasse 26, Postfach, 9001 St. Gallen
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Report on other legal requirements

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

In accordance with art. 906 CO in connection with art. 728a para. 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

Bruno Gmür	Dominique Rey
Audit expert Auditor in charge	Audit expert

St. Gallen, 2 April 2012

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Information on capital resources

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification 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. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts.

Mandatory and eligible capital

	Current year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Prior year Required capital in 1000 CHF
Mandatory capital				
Credit risk (Swiss standard approach)				
Receivables from banks	678,965	54,317	365,800	29,264
Receivables from clients	4,409,423	352,754	4,092,302	327,384
Mortgage receivables	52,763,033	4,221,043	49,168,255	3,933,460
Accrued income and prepaid expenses	155,893	12,471	135,448	10,836
Other assets, miscellaneous	126,056	10,084	117,858	9,429
Other assets, total replacement value of derivatives	470,385	37,631	266,968	21,357
Net interest positions outside trading book	692,266	55,381	806,661	64,533
Net equity positions outside trading book	288,023	23,042	82,458	6,597
Contingent liabilities	214,019	17,122	269,931	21,594
Irrevocable commitments	832,518	66,601	1,761,814	140,945
Call commitments and additional funding obligations	377,693	30,215	377,708	30,217
Add-ons for forward contracts and options purchased	97,730	7,818	56,412	4,513
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		**4,888,480**		**4,600,129**
Non-counterparty-related risks				
Tangible fixed assets and software	7,457,089	596,567	7,436,056	594,884
Real estate in financial assets	98,105	7,848	81,496	6,520
Mandatory capital for non-counterparty-related risks		**604,416**		**601,404**
Market risks (standard approach)				
Interest rate instruments – general market risk		60,464		45,074
Interest rate instruments – specific risk		6,600		5,477
Equity instruments		8,969		3,751
Foreign currencies and gold		9,712		13,025
Other precious metals		6,692		8,768
Options		47		4
Mandatory capital for market risks		**92,484**		**76,099**
Mandatory capital for operational risks (basic indicator approach)		**363,332**		**353,465**
Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)		**–**		**–**
Total mandatory capital		**5,948,712**		**5,631,097**

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	Currrent year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Prior year Required capital in 1000 CHF
Available capital				
Total core capital		9,843,896		9,251,358
of which innovative core capital instruments		–		–
– proportional deduction for participations in the financial area*		-257,922		-277,220
Eligible adjusted core capital		**9,585,974**		**8,974,138**
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		2,869,462		4,485,732
– proportional deduction for participations in the financial area*		-257,922		-277,220
Eligible supplementary capital		**2,611,540**		**4,208,512**
Total eligible capital		**12,197,514**		**13,182,650**
Equity surplus		6,248,802		7,551,553
Equity cover		205.0%		234.1%
Core capital ratio		12.9%		12.7%
Total capital ratio		16.4%		18.7%

* 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 (with the exception of participation in the Olma Messen St.Gallen cooperative) 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 commitments	Total
Balance sheet items								
Receivables from banks	4,044	3,664,154	–	–	–	–	–	3,668,198
Receivables from clients	4,441	97,265	2,984,292	1,345,590	3,246,486	–	–	7,678,074
Mortgage receivables	58,018	34,451	108,136	839,087	127,487,067	–	–	128,526,759
Interest and equity positions outside trading book	2,159,794	144,697	134,615	2,201,054	–	111,161	1,480	4,752,801
Replacement values of derivatives[2]	–	1,128,297	–	2,556	4,140	–	–	1,134,993
Other assets	169,150	38,875	2,124	131,276	161,096	–	–	502,521
Total current year	**2,395,447**	**5,107,739**	**3,229,167**	**4,519,563**	**130,898,789**	**111,161**	**1,480**	**146,263,346**
Total prior year	4,417,396	7,172,961	3,193,402	4,252,559	122,258,879	30,160	1,663	141,327,020
Off-balance-sheet items[3]								
Contingent liabilities	205	1,473	3,536	154,371	157,044	–	–	316,629
Irrevocable commitments	298	33,648	581,660	129,715	1,322,180	–	–	2,067,501
Call commitments and additional funding obligations	11	–	–	377,683	–	–	–	377,694
Add-ons for forward contracts and options purchased[2]	–	227,953	–	2,040	589	–	–	230,582
Total current year	**514**	**263,074**	**585,196**	**663,809**	**1,479,813**	**–**	**–**	**2,992,406**
Total prior year	727	172,286	565,171	610,376	1,938,133	–	–	3,286,693

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	806,128	–	2,862,070	3,668,198
Receivables from clients	223,274	137,349	7,317,451	7,678,074
Mortgage receivables	206,731	101,468	128,218,560	128,526,759
Interest and equity positions outside trading book	–	–	4,752,801	4,752,801
Replacement values of derivatives[2]	–	–	1,134,993	1,134,993
Other assets	–	–	502,521	502,521
Total current year	**1,236,133**	**238,817**	**144,788,396**	**146,263,346**
Total prior year	5,017,618	267,465	136,041,937	141,327,020
Off-balance-sheet items[3]				
Contingent liabilities	60,347	3,146	253,136	316,629
Irrevocable commitments	52,228	37,774	1,977,499	2,067,501
Call commitments and additional funding obligations	–	–	377,694	377,694
Add-ons for forward contracts and options purchased[2]	–	–	230,582	230,582
Total current year	**112,575**	**40,920**	**2,838,911**	**2,992,406**
Total prior year	117,564	17,586	3,151,543	3,286,693

Segmentation of credit risks

Loan commitments (in CHF million)[1]	Risk weightings under supervisory law 0%	25%	35%	50%	75%	100%	125%	150%	250%	>500%	Total
Balance sheet items											
Receivables from banks	954	2,711	–	3	–	–	–	–	–	–	3,668
Receivables from clients	210	185	1,899	2,787	972	1,557	1	67	–	–	7,678
Mortgage receivables	214	30	107,612	4,773	12,643	2,804	0	451	–	–	128,527
Interest and equity positions outside trading book	2,160	2,303	–	73	105	1	–	–	107	4	4,753
Replacement values of derivatives[2]	–	420	–	687	24	4	–	–	–	–	1,135
Other assets	199	29	–	0	–	275	–	–	–	–	503
Total current year	**3,737**	**5,678**	**109,511**	**8,323**	**13,744**	**4,641**	**1**	**518**	**107**	**4**	**146,263**
Total prior year	9,369	4,672	101,874	8,057	12,564	4,206	0	555	27	3	141,327
Off-balance-sheet items[3]											
Contingent liabilities	58	3	40	3	58	155	–	0	–	–	317
Irrevocable commitments	52	608	1,044	43	106	214	–	–	–	–	2,068
Call commitments and additional funding obligations	–	–	–	–	–	378	–	–	–	–	378
Add-ons for forward contracts and options purchased[2]	–	79	–	146	3	3					231
Total current year	**110**	**690**	**1,084**	**192**	**167**	**750**	**–**	**0**	**–**	**–**	**2,992**
Total prior year	104	667	248	71	76	2,121	–	0	–	–	3,287

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.

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Group companies compared

(in CHF million)	Raiffeisen banks Current year	Raiffeisen banks Prior year	Raiffeisen Switzerland Current year	Raiffeisen Switzerland Prior year	Other Group companies Current year	Other Group companies Prior year	Consolidation effects Current year	Consolidation effects Prior year	Raiffeisen Group Current year	Raiffeisen Group Prior year
Profit and loss account										
Net interest income	1,935	1,867	131	125	–	–	10	10	2,076	2,002
Net income from commission business and service transactions	168	184	81	72	–	–	-6	-14	243	242
Net trading income	90	74	48	42	–	–	-1	–	137	116
Other ordinary result	35	36	277	300	3	–	-258	-278	57	58
Operating income	**2,228**	**2,161**	**537**	**539**	**3**	**–**	**-255**	**-282**	**2,513**	**2,418**
Personnel expenditure	-779	-755	-300	-288	–	–	9	12	-1,070	-1,031
Operating expenditure	-537	-567	-162	-149	-3	–	251	282	-451	-434
Total operating expenditure	**-1,316**	**-1,322**	**-462**	**-437**	**-3**	**–**	**260**	**294**	**-1,521**	**-1,465**
Gross profit	**912**	**839**	**75**	**102**	**0**	**–**	**5**	**12**	**992**	**953**
Depreciation on fixed assets	-135	-138	-99	-70	–	–	-5	8	-239	-200
Value adjustments, provisions and losses	-505	-450	-14	-4	-1	–	497	450	-23	-4
Operating profit (interim result)	**272**	**251**	**-38**	**28**	**-1**	**–**	**497**	**470**	**730**	**749**
Key balance sheet figures										
Total assets	146,347	136,469	30,700	30,929	12	12	-21,170	-20,171	155,889	147,239
Loans to clients	128,851	120,876	7,355	6,390	3	1	-4	-6	136,205	127,261
Client monies	114,871	107,734	7,341	8,731	–	–	-39	-22	122,173	116,443

Balance sheet – five-year overview

(in CHF million)	2011	2010	2009	2008	2007
Assets					
Liquid funds	4,698	1,463	1,338	1,829	1,203
Receivables from money market securities	2	102	4	5	10
Receivables from banks	3,668	6,619	8,800	12,605	12,340
Receivables from clients	7,678	7,666	6,958	7,160	7,228
Mortgage receivables	128,527	119,595	110,678	101,435	94,299
Loans to clients	**136,205**	**127,261**	**117,636**	**108,595**	**101,527**
Trading portfolios in securities and precious metals	1,548	1,300	500	341	690
Financial assets	4,775	5,703	6,627	3,391	2,204
Non-consolidated participations	519	557	456	339	406
Tangible fixed assets	2,275	2,219	2,098	1,976	1,791
Accrued income and prepaid expenses	259	232	227	219	260
Other assets	1,940	1,783	1,833	2,275	2,644
Total assets	**155,889**	**147,239**	**139,520**	**131,575**	**123,076**
Liabilities					
Liabilities to banks	6,632	8,582	9,823	8,496	11,431
Liabilities to clients in the form of savings and investment deposits	92,549	86,591	79,688	67,492	60,880
Other liabilities to clients	16,008	16,184	14,579	18,326	17,765
Medium-term notes	13,616	13,668	16,472	18,280	15,510
Client monies	**122,173**	**116,443**	**110,739**	**104,098**	**94,155**
Bonds and mortgage bond loans	13,637	9,747	7,417	7,946	7,757
Accrued expenses and deferred income	558	550	546	695	696
Other liabilities	2,029	1,660	1,389	1,382	597
Value adjustments and provisions	985	976	977	979	1,038
Cooperative capital	599	570	536	505	467
Retained earnings	8,681	8,084	7,447	6,910	6,234
Group profit	595	627	645	564	701
Total equity capital	**9,875**	**9,281**	**8,628**	**7,979**	**7,402**
Total liabilities	**155,889**	**147,239**	**139,520**	**131,575**	**123,076**

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Profit and loss account – five-year overview

(in CHF million)	2011	2010	2009	2008	2007
Interest and discount income	3,423	3,383	3,457	3,945	3,611
Interest and dividend income from financial assets	84	91	98	52	60
Interest expenditure	-1,431	-1,472	-1,604	-2,071	-1,790
Net interest income	**2,076**	**2,002**	**1,951**	**1,926**	**1,881**
Commission income lending business	12	9	7	7	5
Commission income securities and investment business	179	195	183	186	215
Commission income other service transactions	146	139	143	138	131
Commission expenditure	-94	-102	-106	-101	-108
Net income from commission business and service transactions	**243**	**242**	**227**	**230**	**243**
Net trading income	**137**	**116**	**116**	**108**	**112**
Income from sale of financial assets	–	1	1	1	1
Income from participating interests	41	32	30	36	34
Income from real estate	18	19	17	18	18
Other ordinary income	6	8	9	14	9
Other ordinary expenditure	-8	-2	-1	-7	-1
Other ordinary result	**57**	**58**	**56**	**62**	**61**
Operating income	**2,513**	**2,418**	**2,350**	**2,326**	**2,297**
Personnel expenditure	-1,070	-1,031	-1,016	-962	-880
Operating expenditure	-451	-434	-447	-481	-452
Total operating expenditure	**-1,521**	**-1,465**	**-1,463**	**-1,443**	**-1,332**
Gross profit	**992**	**953**	**887**	**883**	**965**
Depreciation on fixed assets	-239	-200	-179	-231	-140
Value adjustments, provisions and losses	-23	-4	-8	-11	-3
Operating profit (interim result)	**730**	**749**	**700**	**641**	**822**
Extraordinary income	16	31	96	43	22
Extraordinary expenditure	-5	-8	-5	-3	-4
Taxes	-146	-145	-146	-117	-138
Group profit	**595**	**627**	**645**	**564**	**701**

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Cash flow statement – five-year overview

(in CHF million)	2011	2010	2009	2008	2007
Group profit	**595**	**627**	**645**	**564**	**700**
+ Depreciation on fixed assets	239	200	179	231	140
– Appreciation on participations	–	-7	-71	–	–
+ Value adjustments and provisions	9	-1	-2	-59	-71
– Increase / + decrease in money market securities	100	-98	1	6	–
± Net change in receivables from/liabilities to banks	1,001	940	5,132	-3,200	676
– Increase / + decrease in receivables from clients	-12	-708	202	68	-271
– Increase / + decrease in mortgage receivables	-8,932	-8,917	-9,243	-7,136	-6,146
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	5,958	6,903	12,196	6,613	-1,424
+ Increase / – decrease in other liabilities to clients	-176	1,604	-3,747	560	4,881
+ Increase / – decrease in medium-term notes	-52	-2,803	-1,808	2,770	2,673
± Net change in receivables from/liabilities to clients	-3,214	-3,921	-2,400	2,875	-287
– Increase / + decrease in trading portfolios in securities and precious metals	-248	-799	-159	350	-550
– Increase / + decrease in financial assets (debt securities, etc.)	928	924	-3,236	-1,187	343
± Net change in accruals and deferrals as well as other assets and liabilities	193	320	292	1,194	-1,095
Net cash flow from operating activities	**-397**	**-1,815**	**381**	**774**	**-144**
– Increase in participations	-19	-83	-47	-9	-6
+ Decrease in participations	–	2	–	4	–
– Increase in real estate	-165	-245	-202	-185	-126
+ Decrease in real estate	23	59	35	28	26
– Increase in other tangible fixed assets/objects in finance leasing	-102	-135	-145	-192	-155
+ Decrease in other tangible fixed assets/objects in finance leasing	7	6	12	5	13
Net cash flow from investment activities	**-256**	**-396**	**-347**	**-350**	**-248**
+ Increase in bonds and mortgage bond loans	5,255	3,129	287	891	1,420
– Decrease in bonds and mortgage bond loans	-1,366	-798	-816	-701	-979
+ Increase in cooperative capital	45	50	45	51	50
– Decrease in cooperative capital	-16	-16	-14	-13	-12
– Interest paid on share certificates for prior year	-30	-28	-27	-26	-23
Net cash flow from financing activities	**3,888**	**2,337**	**-525**	**202**	**456**
Total cash flow (net change in liquid funds)	**3,235**	**125**	**-491**	**626**	**64**
Liquid funds at start of year	1,463	1,338	1,829	1,203	1,138
Liquid funds at end of year	**4,698**	**1,463**	**1,338**	**1,829**	**1,203**

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Key sustainability performance indicators

Key sustainability performance indicators for Raiffeisen

Sustainability dimension	Category	Sub-indicator	Unit	Raiffeisen Switzerland	Raiffeisen banks	Raiffeisen Group
Banking products	Lending business	Mortgage loans	CHF million	5,800	122,727	128,527
		with specific environmental benefits	%			0.3
		with specific social benefits	%			1.7
		Corporate client loans	CHF million			21,300
		Percentage of public bodies	%			14.0
	Investment business	Custody account volumes	CHF million			28,230
		Share of sustainable investments*	%			7.5
Society and economy	Employment	Numbers of employees	Number	1,977	7,793	9,770
	Training	Apprentices	Number	57	711	768
	Culture	Percentage GA of sponsoring	%			55.7
	Diversity	Percentage of women in management	%	22	27	26
		Length of service	Years	7.4	8.0	7.9
	Value creation	Distribution	CHF million			1,812
Environment	Energy	Power consumption	kWh	13,259,000		
		Share of renewables	%	10		
		Fossil fuels	kWh	4,829,000		
		Other	kWh	596,000		
	Business travel	Train	km	1,770,000		
		Car	km	5,546,000		
	Climate	Greenhouse gases (Scope 1–2)	tonnes CO_2eq	4,320		

* Covers all Futura funds, responsAbility funds, sustainability funds (broadly defined) and sustainability-themed structured products held in Raiffeisen custody accounts.

CSR management at Raiffeisen

Raiffeisen's CSR activities are derived from the recently developed CSR strategy. Responsible business practices are to become a part of as many operational areas and departments at Raiffeisen as possible.

This is why Raiffeisen Switzerland established a CSR Management unit in autumn 2010. This unit is concerned with the full range of CSR management issues, including gender diversity, people with disabilities, age issues, family-friendliness, society and culture, the environment and green building.

The CSR unit is both the internal and external contact for all questions concerning sustainability and corporate social responsibility. It also represents Raiffeisen in a number of associations and external initiatives.

CSR performance indicators developed

In the past, Raiffeisen has reported on its performance in terms of financials and market activity. The role of CSR Management is to document and enhance the performance to environment and society.

The performance indicators, compiled for the first time, reflect both the bank's corporate social responsibilities and particularities specific to Raiffeisen's situation.

The key performance indicators are designed to be utilised for both Raiffeisen Switzerland and the individual Raiffeisen banks, forming the basis for quantitative targets and performance measurement.

This report utilises available data. The performance indicator system is to be extended to cover the entire Raiffeisen Group by linking it to existing data compilation methods.

Over the next few years, Raiffeisen will be progressively expanding its reporting to include all indicators required under the Global Reporting Initiative (GRI) that are relevant to the Raiffeisen system.

The figures in detail

The figures for Bank Products and Services concern primarily CSR issues pertaining to the credit and investment businesses, such as 'Eco' mortgage financing and socially responsible investment products.

The performance indicators cover key aspects of social responsibility, for example, our role as an employer and training provider, and its influence on value creation for its stakeholders. Raiffeisen also reports on its cultural and sporting sponsorships and provides transparency regarding its diversity-related efforts.

Energy consumption and business travel are the biggest sources of environmental pollution, accounting for roughly 70 – 80% of operational greenhouse gas emissions. Emissions reporting meets the requirements for Scope 1 and 2 of the International Greenhouse Gas Protocol.

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The German version is prevailing.
The annual report can be accessed at www.raiffeisen.ch, Corporate Information, Financial Reports.

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