

- 
- Raiffeisen Group
  - Annual Report
  - Annual Report 2011

**RAIFFEISEN**



## HIGHLIGHTS

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**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 mortgage financing, its core business and increased its market share to 16.1 percent. Growth was particularly strong in urban regions.

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**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.

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**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.

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**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.

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## Key figures 2011

The Raiffeisen Group consistently and successfully executed its growth strategy. The credit volume rose 7 % to CHF 136.2 billion. Refinancing was provided by a strong increase in client deposits (CHF +5.7 billion) to CHF 122.2 billion. Thanks to this positive development, operating income broke through the CHF 2.5 billion mark for the first time.

	2011 Amounts in millions CHF	2010 Amounts in millions CHF	Change in %
<b>Key balance sheet figures</b>			
Total assets	155,889	147,239	5.9
Loans to clients	136,205	127,261	7.0
of which mortgage receivables	128,527	119,595	7.5
Client monies	122,173	116,443	4.9
Client monies in % of loans to clients	89.7%	91.5%	
<b>Key P + L figures</b>			
Operating income	2,513	2,418	4.0
Total operating expenditure	1,521	1,465	3.8
Gross profit	992	953	4.2
Group profit	595	627	-5.1
Cost/income ratio	60.5%	60.6%	
<b>Capital resources</b>			
Total equity capital	9,875	9,281	6.4
Return on equity (ROE)	6.2%	7.0%	
Equity ratio	6.3%	6.3%	
Core capital ratio	12.9%	12.7%	
<b>Market data</b>			
Share of mortgage market	16.1%	15.7%	
Share of savings market	19.7%	19.8%	
Number of cooperative members	1,747,352	1,678,792	4.1
<b>Client assets</b>			
Client assets under management	145,967	141,742	3.0
<b>Lending business</b>			
Losses on lending business	21	20	7.1
as % of loans to clients	0.016%	0.016%	
<b>Resources</b>			
Number of employees	9,770	9,656	1.2
Number of full-time positions	8,167	8,068	1.2
Number of Raiffeisen locations	1,098	1,122	-2.1





## — Preface

### — Working for Switzerland



Raiffeisen has been operating on a sustainable cooperative business model in Switzerland for over 110 years, which is held in high regard by our employees and clients. Raiffeisen has never deviated from this model, and as a result contributed to the country's stability. The model proved its worth again last year, which was eventful and challenging in many ways.

The euro crisis and strong franc, the EU's debt problems, stricter Swiss regulations and negotiations with neighbouring countries over the withholding tax kept us occupied throughout the entire year. The National Bank did a great job tackling the problem of the rising franc, but the flood of regulation affecting several areas of the financial industry was an unfortunate consequence of the financial crisis. These attempts to instil discipline affect not only the big banks they were intended for, but all other banks as well, including Raiffeisen.

In 2011 Raiffeisen was "working hard for Switzerland" in a major way, helping many of our clients realise the dream of owning their own home. This is reflected in the 7.5% increase in mortgage lending. Our lending policies remain conservative however. In our view the kind of serious real estate bubble talked about so much in 2011 is not occurring. Market growth is fuelled by real demand, particularly for owner-occupied housing. Moody's downgraded Raiffeisen for this above-average lending increase to its third-highest rating, Aa2. This rating change did not result in any major disadvantages for us, as at the same time we were able to successfully float a bond offering. This emphatically demonstrated the confidence the market has in Raiffeisen.

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

Right: Dr Pierin Vincenz,  
Chairman of the Raiffeisen Group  
Executive Board

What the above-average growth in mortgage lending at Raiffeisen in fact shows is the strength of our banking group, which is our closeness to our clients in terms of both physical proximity and of confidence. Growth in the real estate market will definitely be slowing somewhat in the years ahead. The Raiffeisen Group however will be holding steady to its growth strategy, being most active in the metropolitan areas where we are underrepresented.

Our exclusive offers for members were another way in which we were “working hard for Switzerland”. These meet our members’ needs for emotional connectedness, shared experiences and a feeling of belonging. Last year these offerings ranged from the Bernese Oberland to ski slopes and concert/event halls across Switzerland. We have been working systematically to make excitement part of the Raiffeisen brand, while at the same time rendering the brand even more trusted. The nearly 70,000 new members welcomed show that our efforts have been successful.

The foundation KMU/PME/PMI Next was established to offer innovative solutions for one of the most urgent problems facing businesses, that of succession for SMEs. Increasing regulation and the strong Swiss franc pose great challenges for the pillars of our economy, alongside which the issue of succession poses another threat for many small to mid-sized enterprises. “Working hard for Switzerland” is what we are doing in this area as well.

The UN has declared 2012 the Year of the Cooperative. We reacted promptly to the increasing popularity of the cooperative model in the wake of the 2008 financial crisis by establishing the Interessengemeinschaft (IG) Genossenschaftsunternehmen, a cooperative association whose members include Switzerland’s largest and most influential cooperatives.

Raiffeisen has always acted out of a sense of responsibility for the Swiss economy and society, and will continue to do so in future. Our sustainable business model, uncomplicated and easy-to-understand products and a focus on the needs of our clients will ensure that we are the number one bank for them again in 2012.



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



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

— **Management Discussion**

— **“The cooperative is still a modern organisational form”**

The cooperative legal form set up by Friedrich Wilhelm Raiffeisen in founding the first cooperative bank nearly 150 years ago remains as relevant as it ever was. Marc Kowalsky, Assistant Chief Editor of BILANZ, talked with Pierin Vincenz, Franco Taisch and Gabriele Burn\* about the values that characterise the cooperative.



\* Pierin Vincenz has been CEO of the Raiffeisen Group since 1999. Franco Taisch is Professor of Commercial Law and Chief Director of the Institute for Company Law at the University of Lucerne and Member of the Board of Directors of the Raiffeisen Group. Gabriele Burn is an Executive Board member at Raiffeisen Switzerland and Head of Marketing & Communication.

The UN has declared 2012 the year of the cooperative. What does this mean for the Raiffeisen Group?

Pierin Vincenz: We are gratified that even the UN has taken notice of the cooperative model. This model is popular around the world, even in emerging markets, where quite a number of cooperatives are now being formed. It is thus of global significance.

Last year the Raiffeisen Group attracted nearly 70,000 new members. Does this indicate that cooperative banking is seen as a safe harbour?

Franco Taisch: Not due to its legal form per se. Yet there are two key elements that distinguish cooperatives. One is that it benefits its members. The business model is not primarily designed for maximising profits. The second element is a democratic decision-making process. Clients today are interested in playing



a significant long-term role in determining the direction their Raiffeisen Bank takes, and what its products and services should look like. This process can take more time, but leads to better results over the long term.

Gabriele Burn: We are a reliable partner operating on a sustainable business model. We never get involved in international ventures, focusing squarely on Switzerland instead. And we are local – our clients still know who their bank advisor is, and our bank advisors know who their clients are. This is the safe harbour people are looking for in turbulent times.

Franco Taisch: And these are the things that became much more important to people over the last crisis-wracked years. You talk about client needs.

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Do clients really have a need to be involved in governance?

Pierin Vincenz: Our General Meetings are attended by 350,000 cooperative members every year. Yes, clients want to play an active role.

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The Raiffeisen Group is not a public company. Is growth still important?

Pierin Vincenz: From the business management standpoint we are in the same “game” as publicly traded companies, against whom our performance is measured. We have to be that much more disciplined however because the stock market is not there to tell us when we need to improve. Therefore the business must be properly run! Just because we are a cooperative we may not ignore the importance of growth – as many cooperatives have, to their ruin. Growth is thus an explicit part of the Raiffeisen Group strategy. And in recent years we have achieved growth, probably better than most publicly traded Swiss banks.



Gabriele Burn: For us growth means opportunity to innovate, or to become better established in regions where we are not yet firmly anchored. Growth drives us forward!

Franco Taisch: Some people mistakenly think that a cooperative group somehow exists outside the market. This is never the case. One difference versus publicly traded companies however is that we are able to make investments that may only payoff in five years’ time. This is because we are not pressured to show rising profits every quarter to keep our share price moving higher.

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What happens to any profits you make? After all, you’re not allowed to pay dividends.

Franco Taisch: A portion is appropriated even before being shown as profit – for the benefit of members and clients. Putting an ATM in some remote valley doesn’t really make money. But we’ll put one there anyway to directly benefit clients living there.

Gabriele Burn: A portion is used for member benefits such as discounted concert tickets, tourism offers and the museum pass. We also pay interest on member deposits at quite attractive rates of up to 6%.

Pierin Vincenz: The Group retains the rest to strengthen our equity which is a big advantage.

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“The cooperative structure is what makes us different.”

Pierin Vincenz



“Putting an ATM in some remote valley doesn’t really make money. But we’ll put one there anyway.”

Franco Taisch



“Growth drives us forward!”

Gabriele Burn

You said deposits received attractive interest rates. However, cooperative members are required to contribute additional funding in the event the bank falls on hard times. Has that ever happened to one of your 328 member banks?

Gabriele Burn: No it hasn’t. And to ensure that it never will happen we have created a solidarity fund as a means of self-assistance to provide security in troubled times.

Pierin Vincenz: Cooperative members agree to contribute up to a maximum CHF 8,000 in the event of a shortfall in the cooperative’s capital. However, this additional funding obligation is not necessary anymore. If we got rid of it tomorrow it would be no problem. But we don’t intend to, because the additional funding obligation expresses the responsibility members have as owners of the bank.

Franco Taisch: It is a control instrument to some extent. As a co-owner of the bank, if you’re obligated to contribute additional funding, you will likely pay a bit more attention to whether things are being done the way they should.



The year 2014 will mark the 150th anniversary of the founding of Germany’s first cooperative bank by Friedrich Wilhelm Raiffeisen. Can a model that old still be effective today?

Franco Taisch: It’s more effective than ever. We uphold values like staying close to our clients, self-financing on a basis of trust, benefiting society, the client as owner, democratic decision-making processes, sustainability and solidity to withstand crisis that equip us in ideal fashion for the economic challenges the future holds.

Will Raiffeisen still be organised as a cooperative 150 years from now?

Pierin Vincenz: Absolutely. Our banking products are innovative and there’s a lot of innovation in the cooperative business model as well. Our organisation is always evolving. It is not an option at all for Raiffeisen to abandon the cooperative model, as it is the very thing that differentiates us.

Gabriele Burn: It would be a mistake to give up this unique characteristic. On the contrary, we need to play to its strengths. The cooperative is still modern!

## — UN Year of the Cooperative

### — The whole is greater than the sum of its parts

Companies like Raiffeisen have demonstrated that the cooperative model is more relevant than ever today as an organisational form. Cooperatives still play a very important role in Switzerland and the rest of the world, and deserve to be promoted – as indicated by the UN in declaring 2012 the Year of the Cooperative.

In the mid-19th century, Wilhelm Raiffeisen introduced his cooperative model in Germany, with the motto “One for all, and all for one”. The model was predicated upon the ideas of self-sufficiency, solidarity and taking responsibility. Today – 110 years after the founding of the Swiss Raiffeisen Association – the cooperative model remains a successful organisational form. Originally created out of necessity, today cooperatives still uphold the values like dependability, accessibility, trust, business ethics and security.

The UN is aware of the very special qualities that cooperatives exhibit. The United Nations General Assembly resolved to declare 2012 the International Year of the Cooperative, thereby acknowledging that importance of cooperatives worldwide for economic, societal and social development. Cooperatives serve to stabilise regional economies and create jobs locally, proving that the whole is more than the sum of its parts.

According to the UN over 800 million people are members of cooperatives in more than 100 different countries. In Switzerland alone there are roughly 9'600 cooperatives having an extremely broad purpose spectrum in every part of our society: farming, the housing market, insurance, retail, the arts, traffic and transportation, energy production, social services, recreation – and the financial sector of course. In this year's annual report we want to reflect the importance of the many different kinds of cooperatives to our society.

As one of Switzerland's largest cooperatives (only Migros and Coop have more employees), the Raiffeisen Group has a responsibility to spread awareness of how successful the cooperative model is. In late 2010 Raiffeisen spearheaded the founding of a cooperative association called Interessengemeinschaft (IG) Genossenschaftsunternehmen. Its members include fenaco (Landi, Volg etc.), Die Mobiliar, Mobility, Coop and other firms representing the country's most important cooperatives. The IG association has opened a Centre of Excellence at the University of Lucerne dedicated to research on current issues affecting cooperatives, (financing, compliance, etc.), issues concerning political framework conditions (co-operative law) and communication.

It sometimes takes a behind-the-scenes look to become aware of the successful work done by cooperatives. We visited five companies and organisations to write about in this annual report that are organised as cooperatives. These five profile pieces illustrate how the cooperative philosophy can be utilised as a vehicle for realising radically different ideas and visions ranging from a chain of convenience stores to a sailboat “potluck”.

# THE MOST LIKEABLE BANK IN SWITZERLAND

Superlatives are not really our style. But the GfK BusinessReflector study shows that Switzerland's population not only considers Raiffeisen to be the most likeable bank, but also the most sustainable bank with the best corporate reputation. That's reason enough to highlight a typical cross-section of Raiffeisen's top achievements.

# RAIFFEISEN



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## THE MOST INFORMATIVE EXCURSION

Raiffeisen members visited museums 647,000 times for free last year. With an average admission fee amounting to CHF 12, the savings are over CHF 7.8 million.



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## THE SHORTEST DISTANCE

The Raiffeisen Group has 328 legally independent banks and 1,098 bank branches – the densest branch network in the country. Every third bank branch in Switzerland is a Raiffeisen bank.

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## THE MOST PASSIONATE SUPPORT

Raiffeisen gave over CHF 30 million to various projects – more than half of them at the local level – ranging from skiing to cultural events to fostering young talent.



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## THE BEST LEISURE-TIME FUN

In 2011, more than 150,000 members took advantage of the “Bernese Oberland at half price” special. They saved a total of around CHF 7 million while visiting this attractive holiday region.

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## THE BIGGEST MEETING

Up to 400,000 members attend the General Meetings of the Raiffeisen banks every year. As a result, the meetings have turned into social events that connect people.



# EISEN



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## THE CHEAPEST SKI-RUN

Last year, Raiffeisen members secured 153,000 one-day ski passes at half price. Since each discount is worth around CHF 30, this translates into over CHF 4.5 million in savings.

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## THE HAPPIEST CLIENTS

85% of people who rely on Raiffeisen for most of their banking needs would recommend Raiffeisen to a good friend – a record unsurpassed by any other bank in Switzerland.





Do cooperative members live differently? Can the cooperative philosophy be applied to a housing development? And when does genuine living emerge from simply occupying a house? A search for evidence in Wolfswinkel in Zurich-Affoltern, a housing development built by the General Building Association of Zurich (Allgemeine Baugenossenschaft Zürich – ABZ).



# LIVING WITHOUT LIMITATIONS

In the beginning there was the fear of people no longer having a roof over their heads, and steps had to be taken when Switzerland was hit by a housing emergency in 1916. An increasing number of cooperatives were set up to take the place of profit-oriented investors to realise affordable living space for all classes of the population. Today, 20 percent of all flats in the city of Zurich belong to a cooperative. Despite their huge importance, certain ideas about housing cooperatives still persist: small, mainly poor flats, simple furnishings, and more a case of subsisting rather than actually living. How have these conceptions stood the test of time?

## **L**iving with eye contact

Zurich-Affoltern, the Wolfswinkel housing development. Amid greenery and directly adjoining farmland, seven buildings with around 190 flats line this quiet urban street. A group of children runs noisily and happily towards the development. It's lunchtime. The caretaker does his rounds on a small cleaning vehicle. From the street, a moped approaches and then descends into the underground garage on the broad ramp. The driver can soon be seen in the entrance to the building, taking the lift to his top-floor flat at Wolfswinkel 18. The view from the roof terrace stretches into the far distance.



Room to live, work and play: A cooperative housing development has many functions – all of which Wolfswinkel fulfils in exemplary fashion.

**Transparency as a philosophy:**  
**The entire development promotes openness,**  
**farsightedness, open spaces and common**  
**meeting areas.**

“It is a very open construction, which means you can’t hide from others,” says Beat Müller. “It could put some people off, but I see it as a benefit.” Müller and his family were among the first tenants in Wolfswinkel. The self-employed fiduciary has been co-president of the development commission since moving in. Together with just under 20 other involved members, he ensures that people don’t simply occupy a flat, but actually live here. In the meantime he has even moved his office to one of the studios in the development. So is he a dyed-in-the-wool cooperative guy? Someone who couldn’t live any other way?

Life here is different from other housing developments, says Beat Müller. But he doubts if that is necessarily because of the organisational form. “After all, you don’t decide on a cooperative to begin with, but for a certain flat, for the location or for the rent.” It becomes clear during our talk that everything is related. The rents here are cer-

tainly low compared to other areas of the city, mainly because the development was built by a cooperative and not simply by a real estate firm. In the case of the Wolfswinkel development it was the General Building Association of Zurich (Allgemeine Baugenossenschaft Zürich – ABZ), the largest cooperative of its kind in Switzerland.

**C**ommon activities

Besides hard facts like location and the cost of rent, Beat Müller and his family were attracted by the prospects of a vibrant development offering a wide range of activities. There were around 25 events in 2011, ranging from concerts to a summer camp night and a visit from Santa. Between the buildings are green, lovingly laid-out courtyards each devoted to one theme. There is a play zone with various playground elements, another courtyard has hammocks strung out, and one is designed like an amphitheatre. Everywhere you go there are women in deep conversa-

tion while their children lark about without a care in the world.

The original philosophy behind these cooperative housing projects was that individuals need less space when there is enough room around them. In Wolfswinkel, this realisation even extends as far as the laundry rooms. Caretaker Beat Scherer, responsible for the entire development, presents one of them. The way does not lead to a cellar, though: the laundry room is on the ground floor, its large windows facing the inner courtyard and the entrances to the buildings. All are open 24 hours a day, so there are never any fights about who gets to use the washing machines. In fact, the laundry rooms are meeting places for people with children in tow.

It is now late afternoon. A group of mothers turns up because today there is something special on the agenda: a kids’ jumble sale in the common room. Children set the





Children enjoy  
the type of living  
that cooperatives  
offer.

pace in Wolfswinkel. But what happens once they've grown up and moved out – will that also signal the end of the line for the parents in Wolfswinkel? No, says Martina Ulmann, responsible for "Members and Living" at the ABZ. Housing cooperatives think across generations.

Although situations in life change, no one should be forced to move away as a result. This explains the wide range of flat sizes.

Once upon a time, the housing cooperatives sought to relieve the housing shortage. Today, they not only do that, but also offer a special form of living for people from a variety of backgrounds. The result is colourfully diverse developments with one thing in common: Life does not take place behind closed doors, but also in generously dimensioned spaces shared by all – and where people meet and come together. For example here, in Wolfswinkel.

### **About the ABZ**

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The General Building Association of Zurich (Allgemeine Baugenossenschaft Zürich – ABZ) was founded in 1916. With more than 4,700 flats in 61 developments and more than 142 single family houses in the city and region of Zurich, it is the largest housing cooperative in Switzerland. In addition to some 60 employees, 90 part-timers and 31 development commissions, around 200 volunteers are active in the ABZ. Once founded to relieve the then serious lack of housing, the cooperative's purpose is still to build, maintain and rent out affordable accommodations. For more information on the Internet, visit [www.abz.ch](http://www.abz.ch) and [www.wolfswinkel.ch](http://www.wolfswinkel.ch).

- Review and target attainment 2020/11
- Trends and challenges
- Strategic objectives and measures

## — Strategy

### — Strengthen the core business, expand new business areas

Raiffeisen is establishing itself as a major force in Swiss retail banking. Raiffeisen is proactively addressing the challenges of consolidating and further improving its

### — position by pursuing a consistent strategy.



## + 68,560

**Now over 1.7 million members** – Nearly 70,000 individuals became new Raiffeisen members in 2011. This means that more than one in five people living in Switzerland are Raiffeisen members. All members have a say in the management of their Raiffeisen bank, and benefit from attractive interest rates and a range of perks including discounted concert tickets, the museum pass and half-price tourism offers.

## REVIEW AND TARGET ATTAINMENT IN 2011

The financial year 2011 was extremely eventful and turbulent. The European debt crisis, which worsened considerably, spreading to impact Europe's core nations, has clearly been the chief concern. This had a noticeable braking effect on global economic recovery. The Swiss economy was not immune to the general trend, cooling down considerably in the second half of the year.

Despite the difficult macroeconomic conditions, Raiffeisen remained on its growth trajectory, and thus looks back on another highly successful financial year. Raiffeisen picked up additional market share in its core business, reinforcing its position as a leading Swiss retail banking group. At the same time, the income diversification pursued is being propelled forward, chiefly by growing the corporate client and investment businesses.

The Raiffeisen strategy, business model and values proved their worth even more so in the market environment at hand. Clients demonstrated a high level of confidence in several ways, including another sharp rise in membership during the year under review. It is key in going forward to systematically implement the existing strategy and proactively address the challenges ahead. Raiffeisen is excellently positioned for this endeavour.

## TRENDS AND CHALLENGES

### Persisting economic uncertainty

The outlook for the Swiss economy is quite uncertain at the moment. The European debt crisis, the slowing of the global economy and a strong Swiss franc present tough business conditions affecting the financial industry, and thus Raiffeisen as well. Currently (as of early 2012) Raiffeisen forecasts slower growth for the Swiss economy, in line with the prevailing economic view. Raiffeisen considers the real estate market to be stable, expecting construction activity to remain vibrant and prices to move up slightly.

### Increasing competition

The level of competition in Swiss retail banking has risen considerably, and will likely continue doing so in the years ahead. Internationally oriented banks are focusing more on retail banking in Switzerland, while there is simultaneously an acceleration in online and non-bank competitors entering and influencing the market. The struggle to push competitors out of this largely saturated market is putting even more pressure on margins, thus flattening earnings growth in the interest business.

### Increasing regulation

Regulation has increased in recent years in Switzerland, Europe and the rest of the world as a result of the financial crisis and policy changes regarding the handling of foreign assets. While the regulations are mainly designed for the big international banks, Raiffeisen too has had to implement the corresponding requirements and monitor compliance, generating major expenses.

## STRATEGIC OBJECTIVES AND MEASURES

Raiffeisen is excellently positioned and well prepared to meet the challenges ahead. The strategies have proven sound, and we will continue systematically pursuing them.

### Qualitative growth in the core business

Raiffeisen's core business is the savings and mortgage business, in which the goal is further growth and gains in market share. The more than 1,000 branches keep them close to their clients, where they provide high-quality individual advice and an easy-to-understand product array capable of meeting a range of needs. The aim is not simply to increase volume, but rather to achieve sustainable, profitable growth. To accomplish this Raiffeisen is investing in expanding its distribution network in growing regions (primarily cities and metropolitan areas). Further developing the existing client base is another objective.

### Diversifying of business areas

Raiffeisen now derives over 80% of its income from interest thanks to handsome growth in the

savings and mortgage business. While improving the market position in their core business, Raiffeisen is working to selectively diversify into related businesses. This is intended to better meet clients' varied needs while expanding the earnings base.

The two principal focuses of diversification are the corporate client and high net worth private client investment businesses.

- The growth seen in the corporate client business in recent years continued unabated, especially in the SME segment. At the end of 2011 Raiffeisen had roughly 129,000 corporate clients, so that now one in every three Swiss firms is a Raiffeisen client. Plans are to continuously expand the product and advice offering to capitalise on the major growth and earnings opportunities still out there. The goal is to become the second-largest provider in the SME segment over the medium term.
- Raiffeisen has excellent growth prospects in the investment business as well, due to the level of trust enjoyed and the broad client base. Private individuals having a medium to high income requiring integrated advice and service are targeted as clients. Successfully moving forward in the investment business will involve further enhancing the professional advising process, and offering products and services that meet client needs.

#### Raiffeisen Group capital investment 2007–2011, by category

(net investment, in CHF million)

	2007	2008	2009	2010	2011
Bank buildings	98	119	156	161	121
Other real estate	3	38	11	25	21
Alterations and fixtures in third-party premises	32	48	32	36	28
IT hardware	39	50	30	27	15
IT software	22	30	22	18	17
ATMs	16	15	21	17	7
Furniture	8	9	8	8	7
Fixtures	10	15	9	12	12
Office machines, vehicles, security installations	15	21	11	12	8
<b>Total net investment</b>	<b>242</b>	<b>344</b>	<b>300</b>	<b>316</b>	<b>236</b>

#### Raiffeisen Group capital investment 2007–2011, by region

(net investment, in CHF million)

	2007	2008	2009	2010	2011
Région lémanique	32	47	37	37	30
Espace Mittelland	31	39	43	53	57
Northwestern Switzerland and Zurich	18	44	42	37	20
Eastern Switzerland*	108	170	121	136	101
Central Switzerland	32	25	29	28	18
Ticino	20	19	27	24	10
<b>Total</b>	<b>242</b>	<b>344</b>	<b>300</b>	<b>316</b>	<b>236</b>

\* incl. central investment by Raiffeisen Switzerland

#### Increasing productivity

Flattening earnings and rising cost pressure are forcing Raiffeisen to constantly raise productivity. In retail banking particularly, it is key to offer basic services at low cost, as this is critical for remaining competitive and successful in the market over the long term. Raiffeisen started implementing measures to optimise its cost structure early on. At the same time as developing new sources of income, efficiency-enhancing measures have been introduced that have substantially slowed the rise in operating costs. Identifying efficiency-enhancing opportunities is an ongoing management focus for Raiffeisen, in an effort to anchor the desired cost discipline within the firm.

#### Strengthening the corporate culture

Raiffeisen's success is predicated as much on its unique corporate culture as it is on the high-quality products and services offered. The commitment to putting this culture into action is credible and evident – not simply verbal. The cooperative model and the values that are a part

of it help the employees identifying themselves with the organisation and further their self-initiative in a manner that clients recognise and appreciate. To maintain these strengths Raiffeisen will have to continue attracting outstanding personnel and developing their skills. For they are the foundation to build on to increase competitive edge, implement growth and diversification strategy. Work-life balance and staffing diversity play a large role in Raiffeisen human resources policies.

### INVESTMENT IN FUTURE-ORIENTED PROJECTS

Raiffeisen has set the right strategic priorities in recent years for meeting the upcoming challenges, including regular investment in future-oriented projects.

Investments to uncover and realise additional growth and earnings potential are being made in both core business (e.g. expanding the branch network and electronic channels) and in the diversification business areas (particularly the corporate client and investment businesses). Investment to reduce operating costs is directed chiefly towards IT and processing. There is constant effort in these areas to standardise processes and applications. Raiffeisen banks' core

banking system is also set for an overhaul within the next few years.

The major portion of investment volume flows into expanding the branch network and upgrading IT infrastructure. Raiffeisen is thus an important customer for regional businesses providing the relevant services.

### STRATEGIC MANAGEMENT PROCESS

Raiffeisen is reviewing and updating its strategy within the framework of a strategic planning process. The Executive Board and Board of Directors of Raiffeisen Switzerland establish the strategic goals and initiatives on an annual basis for the next planning period (generally three years). Based on assessment of the internal and external environment, the governance boards set financial targets and outline the initiatives that represent parameters for business operations.

In the interest of transparent measurement and management of strategic targets, the Raiffeisen Group has successfully utilised the balanced scorecard (BSC) approach for a number of years. Alongside financial factors the scorecard also takes account of client, process and staff-related factors to arrive at a 360° perspective.

#### 1. Initial analysis

#### 2. Determination of strategic targets (EB and BD away-days)

#### 3. Definition of strategic metrics (BSC) and multi-year financial planning

#### 4. Budgeting of day-to-day business and projects

The selected targets below pertain to the strategic objectives of the Raiffeisen Group:

Target value	BSC dimension	2009 current value	2010 current value	2011 current value	2011 target achievement	2012 target value
Loans to clients	Clients	+ 8.33%	+ 8.18%	+ 7.03%	■	+ 5.00%
Client monies	Clients	+ 6.38%	+ 5.15%	+ 4.92%	■	+ 5.00%
New value adjustments, gross	Finance	0.08%	0.06%	0.05%	■	< 0.20%
Cost/income ratio	Processes	62.30%	60.60%	60.53%	■	< 59.90%
Fluctuation rate of key personnel	Employees	2.20%	2.48%	2.32%	■	< 7.00%

■ target attained ▲ target not attained

# WAITING FOR THE WIND

Sail without your own boat or dock? The SailCom cooperative has been making this dream come true in Switzerland for the last 20 years. Over 2,200 members regularly take advantage of the offer, many of them lending a hand to ensure that the boat-sharing idea works smoothly. Even in sporting competitions.



It's a fabulous day: The sun is out, no clouds in sight, and it's hot, but not overly so. There's only one problem: There's not a puff of wind to be felt. An anxious glance turns to the water, where Lake Zurich lies as smooth as glass, without a wave in sight. Two days later, the following announcement is published as a direct result: "Yngling-SM 2011 has been called off due to lack of wind."

### **N**orwegian youngster

But no one knows it at this point in time, so they still have hope. The Swiss championships in the Yngling class in Rapperswil are the climax of the year for many sailors. Packed together in a tight huddle in the Rapperswil marina, the sailing yachts with the exotic brand-name that means "youngster" in Norwegian and, according to the description, are unsinkable. But for all their technical sophistication, even an Yngling (pronounced

"Ingling") needs wind. And that is what the competitors, a total of 31 sailing crews, are waiting for, both inside and outside the marquee at the marina. So too is the group sitting at one of the tables.

### **R**espected in sailing circles

Laura Wilhelmi, along with her husband Sebastian and brother Heiri Knüsli, as well as Dirk Schröder, Jan Wild and Christian Abegg are all members of the SailCom Race Group, the "sporting arm" of the SailCom cooperative. It has been 20 years since sailboat-sharing was organised to complement the car-sharing cooperative ShareCom. Mobility emerged in 1997 from ShareCom and rival ATG. There the sailing operation was increasingly considered alien to its concept. The upshot was the founding of a cooperative called SailCom in 1998. Members pay an annual subscription, reserve a sailboat when needed and pay a fee for its use.



Up sails:  
A SailCom team competing  
on Lake Zurich.

## SailCom has transformed an elite sport into a leisure pursuit for all.

SailCom quickly became a success story. But some “normal” sailors with their own boats may find the idea of boat-sharing strange, and initially there was a subconscious restraint between conventional sailors and SailCom members. Those days are over, observes Heiri Knüsli, one of the Race Group initiators. Now mutual respect reigns – and not without reason. “We provide traditional sailing clubs with many new members, because it’s easy and fast for newcomers to get started with us.” The group has made a mass sport of the once elite pursuit – for example with open training courses.

### **S**ocial network

This is not only true of the Race Group, but for SailCom in general.

Once someone becomes a member, neither boat nor dock is needed, and there is no maintenance to worry about. Reserve a boat on the Internet and sail away; that’s all there is to it. And members can do this on lakes throughout Switzerland, without the stress of transporting a boat. The social contacts are another SailCom benefit. People who don’t know any sailors are always forced to look for others to sail with – but in the cooperative, there’s always an abundant supply.

Peter Auf der Maur is managing director of SailCom and is visiting the regatta today to see for himself how “his” people do. It was in 2003 that SailCom first entered sporting competitions after more and more SailCom members expressed a wish to take part in

official regattas. All that’s needed is a corresponding licence, which itself requires membership in a club. This led to the creation of the SailCom Race Group as an offshoot of the cooperative. On this day alone, four crews want to sail under the SailCom colours; there are also other members distributed among other teams. Successful participation in regattas is also proof that a cooperative does not have to operate solely on a broad basis; it can also be competitive and aim for the top.

### **U**nder sail for 500 hours

SailCom also notches up superlatives outside of competitions. The average sailboat owner in Switzerland spends around 35 hours per year on the water. “SailCom boats are in use for 500 hours





per year on average,” counters Peter Auf der Maur. Certain types, for example its holiday boats in Ticino, are actually on the water for 1,500 hours and more. Vessels that are almost permanently in use must be kept in shape. General maintenance, small repairs, cleaning, and taking them out of the water and relaunching them are all part of it. Since SailCom could never pay for the workforce it would need to keep all 80 or so boats in permanent working order, the only solution is volunteer work. A team to ensure that this is done is assigned to every SailCom boat – for purely symbolic compensation.

The sailors are spending less time on the water this weekend. In the end, only two valid runs will be recorded in Rapperswil – not enough to rate it as a championship. The Race Group members bear it all with fortitude. After all, there will be other regattas, and there’s no question that they’ll be there again.

### **About SailCom**

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Boat-sharing has been offered in Switzerland since 1991. Originally part of the Mobility Cooperative, SailCom, which was founded as an independent cooperative in 1998, offers its members the opportunity to sail the lakes of Switzerland at an affordable price, even if they don’t have their own boat. The fleet is now almost 80 boats strong. Membership is open to all sailors with an official sailing licence. Visit [www.sailcom.ch](http://www.sailcom.ch) for more information.

## — Market activities

### — Steady growth in key business areas

Raiffeisen recorded another substantial rise in both client deposits and loans. Growth in urban areas was above the average. The corporate client and investment customer businesses grew as well.




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**16.1%** **Raiffeisen as leader in mortgage lending** – An increasing number of people want to own their own home and property. The Raiffeisen Group is the right partner to turn to for these goals. Our mortgage lending has been growing steadily for years, so that now we are the leader in the market for financing private housing – and increasing our lead.

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## MARKET ENVIRONMENT

The fundamentally positive trend in the global economy underwent a major correction starting in mid-2011, with the outbreak of the debt crisis affecting a variety of countries. The economic stage was dominated by accelerating government cost-cutting and increased borrowing costs, which in combination with increasing consumer cautiousness negatively impacted growth. Switzerland also felt the effects of the debt miasma. The United States' tremendous debt problems and those of several EU nations propelled the US dollar and euro to record lows. Many fled to the safe haven of the Swiss franc, which in turn appreciated dramatically. Swiss exporters suffered heavily under the unfavourable exchange rate. The Swiss National Bank thus set a target price floor of CHF 1.20 for the euro in early September, which improved things for Swiss businesses somewhat, although the overall economic situation is still strained and forecasts point towards further weakness.

## MARKET DEVELOPMENT

Raiffeisen has now expanded its client base to roughly 3.6 million individuals. The biggest increases came in urban and metropolitan areas, where new branches were opened and advisory resources beefed up.

Last year Raiffeisen conducted campaigns for member perks, and on the topics of investing, saving, financing a home purchase and corporate client-specific issues. Our long-standing sponsorship of winter sports was successfully continued.

## CLIENT SATISFACTION

Raiffeisen has for years set the national standard for client satisfaction. No other bank's customers were more satisfied. Customer satisfaction among main bank clients increased again relative to the level measured in 2009. Willingness to recommend the bank to others is a strong indicator of the level of

client loyalty. Among clients who utilise Raiffeisen as their main bank, 85% would recommend Raiffeisen to someone without an existing banking relationship.

## BRAND MANAGEMENT

Brand tracking indicates that Raiffeisen increased its brand leadership in the marketplace for the third year in a row. Raiffeisen is perceived as a regionally anchored bank that will become increasingly important going forward and has very good prospects. This is due to the bank's good reputation, its nearness to clients and its high level of trustworthiness. And these in turn rest largely upon the hard work of our employees. Raiffeisen takes the top spot among Swiss banks in the areas of friendliness and likeability, personalised individual advice and focus on the customer. The overall impression Raiffeisen makes is 'very good' for 83% of the population.

## MEMBERSHIP

Members co-own their Raiffeisen bank, co-determine business policy at the Annual General Meeting and elect people they trust to the Board of Directors. In the year 2011, 68,560 individuals decided to become Raiffeisen members, taking total membership up to roughly 1.75 million individuals currently.

The membership benefits are very popular, as last year well over a million

- free passes were issued for visits to over 400 museums throughout Switzerland; along with
- daytrip offers and half-price accommodation in the Bernese Oberland region;
- half-price day passes at six ski resorts all over Switzerland;
- tickets discounted by up to 50% for a variety of national concerts, musicals, shows and circuses.



HIGHLIGHT

# 1 million

Last year, Raiffeisen offered members over a million great experiences as a way of sharing cooperative profits, in the form of discounted concert tickets, half-price day trips and the museum pass.

The new summer member offering starts in April 2012, taking Raiffeisen members to the Valais area to enjoy imposing mountain scenery and splendid sun terraces, a range of cultural activities and culinary delights – all at half-price.

CLIENT NEEDS AND SEGMENTS

Financing

The Swiss housing construction market grew unabated, reaching the previous year's level. The reasons for this development are that interest rates are still extremely low, Switzerland is attractive for immigrants and that the housing vacancy rate is low.

In addition to incentives launched by the government, the Fukushima disaster may have provided grounds for greater investment in upgrading energy infrastructure. This can be seen in an increasing number of conversion, renovation and expansion projects.

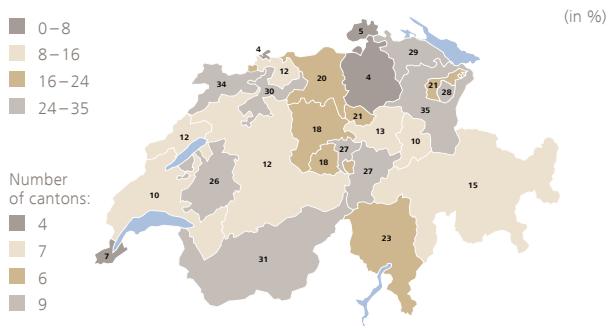
Mortgage interest rates remain at historically low levels, which were reinforced by the Swiss National Bank's lowering of the key rate in the second half of the year. Prices for newly constructed housing rose nonetheless.

In 2010 the Swiss mortgage market slowed somewhat compared to the previous year, but last year it rose again. The Raiffeisen Group's mortgage lending increased by 7.5%, representing a slight market share gain. The increase in mortgage lending was principally attributable to the preferred-rate fixed and LiborFlex mortgage products, along with renovation and 'Eco' mortgages.

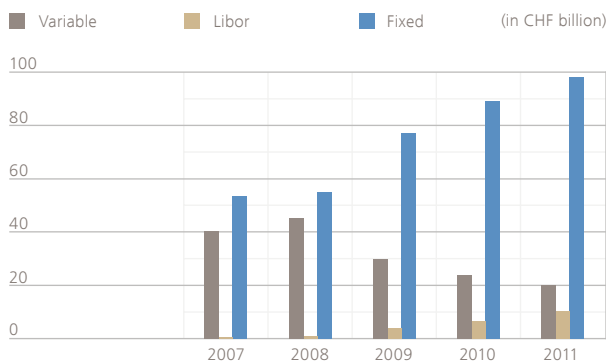
Client requirement: Savings

The savings business was affected by the extremely low interest rate environment. Savings interest rates fell to a historic low. Fixed-rate savings products (medium-term notes and time deposits) were particularly attractive options for clients looking to opti-

Share of mortgage market by canton 2010



Volume trends for various mortgage models 2007 – 2011



## Raiffeisen by canton as at 31 December 2011<sup>1</sup>

Canton	Number of banks	Number of bank branches	Number of members	Loans <sup>2</sup> in CHF million	Client monies <sup>3</sup> in CHF million	Total assets in CHF million
Aargau	28	99	185'645	14'641	12'947	16'359
Appenzell Ausserrhoden	2	6	14'498	893	928	1'034
Appenzell Innerrhoden	1	5	7'860	442	506	550
Bern	25	109	175'217	10'861	9'682	12'272
Basel-Land	10	20	47'872	3'740	3'311	4'194
Basel-Stadt	1	2	–	691	594	798
Fribourg	18	60	86'986	7'154	5'301	7'832
Geneva	6	19	39'777	3'178	3'917	4'199
Glarus	1	2	6'595	383	373	428
Grisons	11	61	57'084	4'079	3'789	4'681
Jura	7	38	26'141	2'345	1'699	2'578
Lucerne	23	53	120'419	7'228	6'426	8'128
Neuchâtel	4	19	25'153	1'531	1'280	1'698
Nidwalden	2	8	20'211	1'308	1'260	1'530
Obwalden	2	6	12'365	695	643	822
St.Gallen	42	92	194'581	17'316	14'901	19'587
Schaffhausen	1	3	7'112	449	442	516
Solothurn	26	64	119'502	8'605	7'899	9'613
Schwyz	8	16	38'447	2'517	2'424	2'879
Thurgau	19	49	99'485	8'572	6'876	9'487
Ticino	27	99	106'759	9'771	8'119	11'217
Uri	3	16	16'005	915	840	1'016
Vaud	19	74	103'107	7'161	6'247	8'124
Valais	29	128	129'093	9'777	9'641	11'588
Zug	8	14	39'341	3'546	3'163	4'064
Zurich	11	36	68'097	7'381	6'724	8'300
<b>Total 2011</b>	<b>334</b>	<b>1'098</b>	<b>1'747'352</b>	<b>135'179</b>	<b>119'932</b>	<b>153'494</b>
<b>Total 2010</b>	<b>345</b>	<b>1'122</b>	<b>1'678'792</b>	<b>126'317</b>	<b>112'131</b>	<b>142'696</b>
<b>Increase/decrease</b>	<b>-11</b>	<b>-24</b>	<b>68'560</b>	<b>8'862</b>	<b>7'801</b>	<b>10'798</b>
<b>Increase/decrease in %</b>	<b>-3.2</b>	<b>-2.1</b>	<b>4.1</b>	<b>7.0</b>	<b>7.0</b>	<b>7.6</b>

1) Raiffeisen banks and branches of Raiffeisen Switzerland

2) Receivables from clients and mortgage receivables

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

mise their interest income. The fixed-rate savings volume thus rose by CHF 918 million (+ 6%). The transaction and savings account volume still went up by CHF 5.5 billion (+ 6.5%), however, with approximately 170,000 new accounts.

**Client requirement: Pensions**

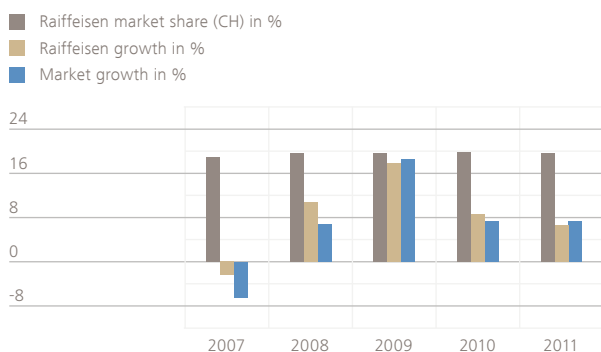
Not least because of the highly attractive rates on Raiffeisen 3a accounts compared to the rest of the market, the volume for the tax-advantaged pension savings product rose by CHF 1.04 billion (+ 13%). This voluntary pension savings vehicle helps people meet their personal pension goals, and accords with many savers' need for safety. The volume of

vested assets accounts for 'pillar 2' pension deposits increased by CHF 378 million (+ 9%). Raiffeisen opened more than 38,000 new pension and vested assets accounts (+ 9%).

**Client requirement: Payments**

The continuing increase in Maestro card issuance, up by 95,000 (+ 9%), underscores the great importance of this card product. In addition to frequent usage of "Conto Services" at Raiffeisen ATMs (for cash withdrawals in CHF and EUR, checking balances and activity), cashless payment options keep getting more and more popular. Last year 7 million more transactions were processed than in the previous year (+ 14%).

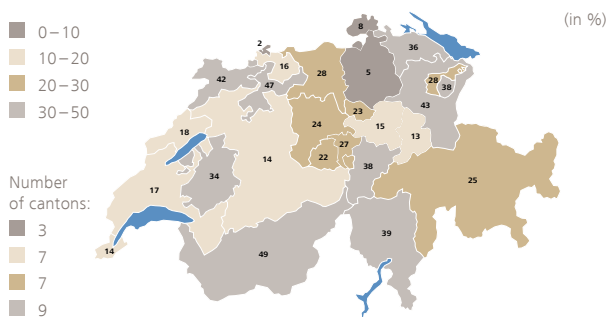
**Share of savings market**



The number of credit cards increased by another 7,900 (+ 3.6%), representing an acceleration in growth. The range of credit card services expanded. Over 80% of Raiffeisen MasterCard are equipped for the new PayPass function (no-contact payment). PayPass allows clients to make smaller payments in a rapid, uncomplicated fashion. Also, since autumn 2011, all Raiffeisen credit cards include travel cancellation insurance.

A new image was developed for Raiffeisen cards, and is used for all card products in a range of different colours. Newly produced cards have been issued with this new design since last autumn.

**Share of savings and investments market by canton 2010**



Efficient and rapid processing of client payments is a key success factor for Raiffeisen. In autumn 2011 the multi-year project to introduce a new payment transaction platform was successfully concluded.

**Client requirement: Insurance**

Clients have a heightened need for security. For the first time, the premium volume brokered by our cooperation partner Helvetia broke the magic 100 million mark, coming in at 102.2 million francs. This tremendous

increase of nearly 30% stemmed mainly from new individual life contracts, sales of which were up handsomely both for single-premium (+ 36.1%) and regular-premium (+ 32%) products. Sales support was restructured in 2012 in order to provide clients with the full spectrum of advice.

### Investment Customers / Portfolio Advice

The euro debt crisis, low interest rates and the strong franc mentioned above remained the dominant factors affecting investment in 2011, as they were in the troubled year of 2010. Raiffeisen clients' securities holdings declined overall as a result of price declines, leading investors to sell securities and build up account balances in a crisis of confidence. Despite market conditions, the number of investment clients further increased, as well as net new money in this segment.

Raiffeisen is committed to providing clients with efficient, low-cost investment opportunities and concrete solutions for any market environment. Three new investment funds were successfully launched to cover clients' core needs: index funds for the Swiss (SPI) and European stock markets (Euro STOXX 50) respectively, plus a Gold ETF. These passively managed vehicles represent a new product line complementing our existing array, which previously only consisted of actively managed funds. New product pension and real estate solutions are being designed to be launched in 2012.

#### Greater focus on customer needs

Achieving broader-based usage of products and services has been a key strategic element for several years. The Investment Customers / Portfolio Advice department was created as part of the reorganisation of the Front Office section concluded on 1 October 2011. This framework will allow a greater and sharper focus on clients with investment assets.

The Investment Customers / Portfolio Advice department develops solutions for private individuals with medium to high incomes. Networked consultation is provided, factoring in client income, assets, investment preferences, wealth accumulation and tax considerations, including pension planning and consulting on more involved housing construction financing cases. Raiffeisen's top priority is to bring our expertise closer to our clients. Processes have thus been established for ensuring this quality consultation at all Raiffeisen banks.

### Corporate clients

Raiffeisen now has 129,000 corporate clients, a 2% gain over the previous year. A broad national image campaign was conducted for the first time in 2011 and is being continued in 2012.

Every local Raiffeisen bank is legally independent, and therefore an SME. This is why we are so well aware of the challenges facing SMEs. Raiffeisen's over 200 corporate client advisers and an extensive advice network are deployed to help corporate clients meet their long-term goals. The role of the network is to ensure that the necessary know-how is in place to provide expert advice and planning.

The succession planning and business security offering launched in 2010 was systematically expanded, and these will remain important issues in 2012, as each year 15,000 businesses have to plan succession. Raiffeisen works with business owners to jointly develop solutions, referring consultants from our network as needed.

#### Company financing

Loans to corporate clients in 2011 totalled CHF 21.3 in volume. At the same time, increasing numbers of corporate clients are entrusting their assets to us, which led to an over 9% increase in investment volume to



HIGHLIGHT

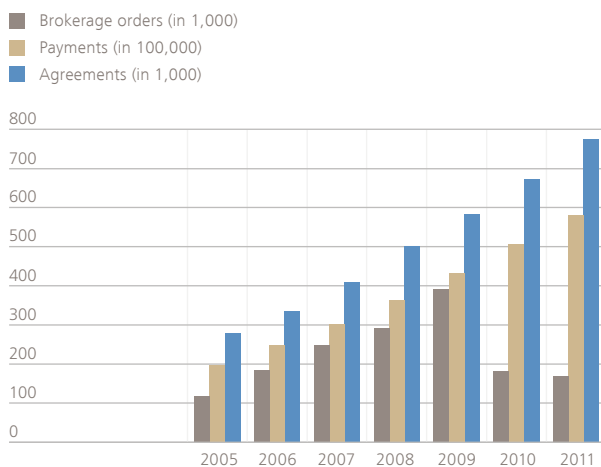
**1,098** Raiffeisen has Switzerland's most extensive branch network, comprised of 1,098 bank branches. After all, cooperatives are known for strong regional anchoring and staying close to the customer. Raiffeisen has the most ATMs as well: 1,545.

CHF 15.7 billion. Credit volume rose 7% in the reporting year, but without an increase in risk exposure. The focus in 2012 will remain on providing solid financing.

**Capital goods leasing**  
SME capital goods investing needs rose despite the euro crisis, so that Raiffeisen's revenue in this area increased by roughly 20% year-on-year. This gratifying development came as the result of intensive sales activity in the Eastern and Central Switzerland regions, as well as expanded corporate client advising activity in the Mittelland and Western Switzerland regions.

Introduction of an online portal for vendor leasing and proactive marketing to dealers and manufacturers have been effective in promoting this form of leasing. Raiffeisen Leasing continues to pursue growth in 2012, expanding its corporate client advisory offering in Zurich as part of these efforts.

Raiffeisen e-banking figures



CHANNELS

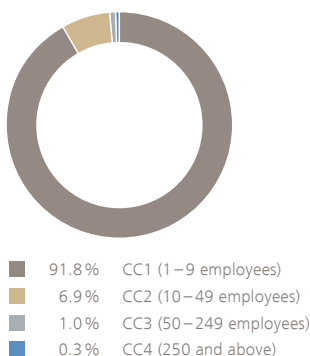
**Branch network**

Raiffeisen's 1,098 locations comprise Switzerland's most extensive bank branch network. Optimisation efforts have made it possible for some 100,000 additional local residents to now visit a Raiffeisen branch.

**E-banking**

The number of e-banking users rose 15% last year to 775,000. The number of transactions entered increased 17%. At approximately 58 million payments, over two thirds of Raiffeisen transactions are processed via e-banking. Raiffeisen is responding to the trend towards paper-free services and the use of mobile applications by rolling out e-banking for smartphones in the spring of 2012. And starting in autumn 2012, important personal documents can be deposited in the bank's e-safe via e-banking.

Corporate clients by segment





## ATMs

Raiffeisen's 1,545 ATMs comprise Switzerland's largest network of such machines, many of which allow deposits. All Raiffeisen ATMs are now equipped with the latest security technology in response to the skimming incidents that occurred last year.

## REFINANCING

Client money inflows from the core Raiffeisen business increased versus 2010, nearly in step with asset growth. At the same time, the Raiffeisen Group recorded significantly higher volume in mortgage bond loans. These factors in combination ensure that increased lending rests upon a broad and stable funding base.

The money and bond markets remain agitated, which is why the funding activities conducted by the treasury of Raiffeisen Switzerland are focused on ensuring a balanced maturity structure for the Group's balance sheet. The coverage ratio for stable funding sources versus illiquid assets is 105%.

## TRADING

The year 2011 saw high market volatility and increasing risk aversion. The Raiffeisen Group's sensible approach to taking on risk and risk management achieved a solid trading result, despite phases of market volatility.

## Consolidated balance sheet as of 31 December 2011

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
<b>Assets</b>				
Liquid funds	4,698,295	1,463,188	3,235,107	221.1
Receivables from money market securities	1,480	101,493	-100,013	-98.5
Receivables from banks	3,668,198	6,618,710	-2,950,512	-44.6
Receivables from clients	7,678,074	7,666,359	11,715	0.2
Mortgage receivables	128,526,759	119,595,076	8,931,683	7.5
<b>Loans to clients</b>	<b>136,204,833</b>	<b>127,261,435</b>	<b>8,943,398</b>	<b>7.0</b>
Trading portfolios in securities and precious metals	1,548,321	1,299,489	248,832	19.1
Financial assets	4,774,510	5,703,389	-928,879	-16.3
Non-consolidated participations	518,703	557,264	-38,561	-6.9
Tangible fixed assets	2,274,749	2,219,392	55,357	2.5
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
<b>Total assets</b>	<b>155,888,603</b>	<b>147,239,029</b>	<b>8,649,574</b>	<b>5.9</b>
Total subordinated receivables	2,575	–	2,575	0.0
Total receivables from non-consolidated participations	2,494,531	3,126,277	-631,746	-20.2
<b>Liabilities</b>				
Liabilities to banks	6,631,550	8,581,521	-1,949,971	-22.7
Liabilities to clients in the form of savings and investment deposits	92,549,077	86,590,755	5,958,322	6.9
Other liabilities to clients	16,008,076	16,183,559	-175,483	-1.1
Medium-term notes	13,615,958	13,668,407	-52,449	-0.4
<b>Client monies</b>	<b>122,173,111</b>	<b>116,442,721</b>	<b>5,730,390</b>	<b>4.9</b>
Bonds and mortgage bond loans	13,636,510	9,747,490	3,889,020	39.9
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
Value adjustments and provisions	985,299	976,218	9,081	0.9
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
<b>Total equity capital</b>	<b>9,875,360</b>	<b>9,281,303</b>	<b>594,057</b>	<b>6.4</b>
<b>Total liabilities</b>	<b>155,888,603</b>	<b>147,239,029</b>	<b>8,649,574</b>	<b>5.9</b>
Total subordinated commitments	535,413	–	535,413	0.0
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
<b>Off-balance-sheet business</b>				
Contingent liabilities	366,294	422,009	-55,715	-13.2
Irrevocable undertakings	5,701,411	5,272,279	429,132	8.1
Call commitments and additional funding obligations	60,443	60,444	-1	-0.0
Derivative financial instruments				
Positive replacement values	1,134,993	700,590	434,403	62.0
Negative replacement values	1,811,509	1,432,270	379,239	26.5
Contract volume	88,249,635	77,890,734	10,358,901	13.3
Fiduciary business	58,642	13,852	44,790	323.3

## Consolidated profit and loss account 2011

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
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
<b>Net interest income</b>	<b>2,075,773</b>	<b>2,001,914</b>	<b>73,859</b>	<b>3.7</b>
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
<b>Net income from commission business and service transactions</b>	<b>243,043</b>	<b>241,566</b>	<b>1,477</b>	<b>0.6</b>
<b>Net trading income</b>	<b>137,390</b>	<b>116,070</b>	<b>21,320</b>	<b>18.4</b>
Income from sale of financial assets	-128	954	-1,082	-113.4
Income from participating interests	41,285	32,427	8,858	27.3
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
<b>Other ordinary result</b>	<b>57,210</b>	<b>58,256</b>	<b>-1,046</b>	<b>-1.8</b>
<b>Operating income</b>	<b>2,513,416</b>	<b>2,417,806</b>	<b>95,610</b>	<b>4.0</b>
Personnel expenditure	-1,070,550	-1,031,407	-39,143	3.8
Operating expenditure	-450,750	-433,879	-16,871	3.9
<b>Total operating expenditure</b>	<b>-1,521,300</b>	<b>-1,465,286</b>	<b>-56,014</b>	<b>3.8</b>
<b>Gross profit</b>	<b>992,116</b>	<b>952,520</b>	<b>39,596</b>	<b>4.2</b>
Depreciation on fixed assets	-239,419	-200,064	-39,355	19.7
Value adjustments, provisions and losses	-23,048	-4,018	-19,030	473.6
<b>Operating profit (interim result)</b>	<b>729,649</b>	<b>748,438</b>	<b>-18,789</b>	<b>-2.5</b>
Extraordinary income	15,849	31,578	-15,729	-49.8
Extraordinary expenditure	-4,315	-7,642	3,327	-43.5
Taxes	-145,918	-145,139	-779	0.5
<b>Group profit</b>	<b>595,265</b>	<b>627,235</b>	<b>-31,970</b>	<b>-5.1</b>

## — Risk policy and risk control

### — Conservative lending policies and effective controls

The Raiffeisen Group traditionally operates in low-risk segments and conducts business in a prudent, sustainable manner. Its active risk management and client intimacy has allowed it to maintain a stable risk profile despite further business growth.

The Raiffeisen Group has long had a very low non-performing loan ratio. Last year, only 0.016% 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. Several different factors contributed to this achievement.

#### Focus on domestic business

Raiffeisen pursues a clear, tightly focused business strategy as a domestic bank. The Articles of Association cap the Raiffeisen Group's foreign exposures at five percent of consolidated total assets. These minimal international activities have been managed with considerable foresight. This intense domestic focus has allowed the Raiffeisen Group to avoid losses from the financial market crisis.

#### Low-risk

Strategy and risk policy match perfectly thanks to a strong concentration on the core business and a commitment to client intimacy. Raiffeisen has a proven limit system for effectively controlling risk-taking. It has refrained from relaxing these limits – even in the boom years.

Risks are always reviewed several times in the cooperative system: first by the individual Raiffeisen banks who are directly responsible for the risks, and then by Raiffeisen Switzerland, who centrally and effectively monitors and controls risks. The Group also maintains transparency into the group-wide risk situation and risk profile.

#### Diversified across clients and regions

Raiffeisen believes strongly in having a highly diversified loan portfolio. Its risk is widely spread out across counterparties, industries, regions and types of collateral.

#### Most important segment: private homes

80 percent of the mortgages granted by Raiffeisen are used to fund owner-occupied residential property and, given the relatively low loan amounts, can be classified as low-risk. The average mortgage is around CHF 350,000. Raiffeisen grants loans based on stable, conservative criteria and has a below average exposure to "hot spots", i.e. regions at a high risk for price corrections. 94 percent of all loans are secured by a mortgage; 96 percent of these are senior mortgages.

#### SME-focused corporate client strategy

Like the rest of its business policies, Raiffeisen's corporate client strategy is based on sustainability. The corporate clients business is largely built around solid, medium-sized enterprises and makes use of profound client knowledge acquired through close regional ties. Over 90 percent of loans made to corporate clients are collateralised. Raiffeisen also consistently invests in systems and employees, particularly those involved in valuing corporate clients' real estate.

### Ongoing risk monitoring

The Raiffeisen Group's main risk categories are credit risks and interest rate risks. Risks are managed based on ongoing analyses of cyclical and interest rate trends. Raiffeisen always positions itself in such a way that negative scenarios do not pose an existential threat. This is achieved through deliberate, prudent risk-taking and the maintenance of adequate capital and cash reserves at all times. Raiffeisen is well-capitalised and thus able to absorb adverse scenarios.

The individual Raiffeisen banks and Group Risk Management have a sophisticated toolkit for monitoring and assessing the risk situation. Raiffeisen Switzerland has a group-wide early warning system and directive authority in the event that one Raiffeisen bank breaks out of the defined performance corridor.

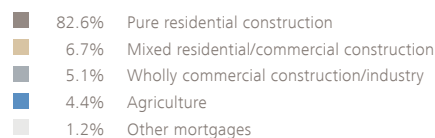
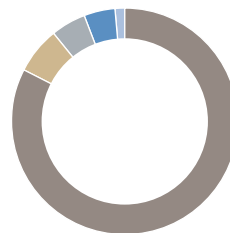
### Low-risk incentive system

Raiffeisen's decentralised structure, consisting of independent Raiffeisen banks with their own governance bodies, plays a major role in moderating risk-taking. The Raiffeisen Group's remuneration systems are designed not to incentivise excessive risk-taking.

### Protection of reputation

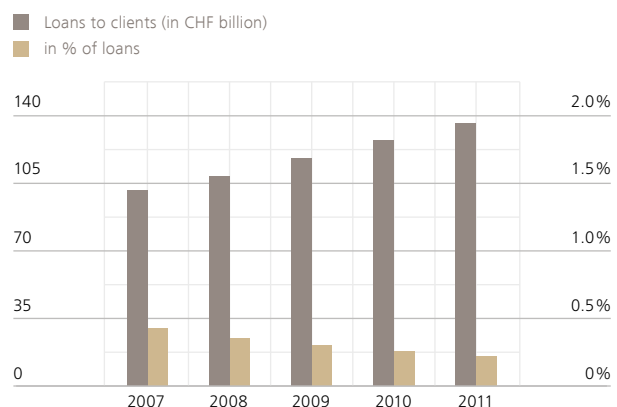
The Raiffeisen Group attaches great importance to protecting its reputation. This is why risks tend to be taken very carefully. Raiffeisen deems effective risk control extremely important and seeks to comply with the highest ethical principles in all its business dealings.

### Loans by collateral and property type



This evaluation reflects the risk view.

### Volumes and individual value adjustments





# WHEN LOOKS HANG ON TO EVERY WORD

The deaf and hearing impaired face very special challenges in everyday life, problems that most people with functioning hearing are unaware of. The Fontana Passugg cooperative has made it its goal to support affected individuals with educational offers – and at the same time facilitate contact between the audible and the silent worlds.

The incident went down in the history books of Fontana Passugg. Neighbours had complained about loud music outside. The police arrived only to find a disco for the deaf. This presented a tough case for the officers, because although the music really was too loud, the deaf require a certain volume so that they can pick up the rhythm through the vibrations. The problem is that the partygoers themselves cannot sense whether they may have overdone it. There is no record of how the matter ended. In any case, Fontana Passugg no longer holds

discos. Nevertheless, the small group of buildings just outside the city gates of Chur is still a place for encounters. Fontana Passugg, an educational and cultural centre, is a place where the deaf, the hearing impaired and people with “normal” hearing regularly come together. It is an attempt to bridge the gap between worlds that are often separate in everyday life. The borders sometimes run along very surprising lines, as discussions with people behind the scenes demonstrate.





Steffen Schenk, Managing Director of Fontana Passugg.

## The deaf, hearing impaired and people with normal hearing have joined forces to make this centre a pillar of strength.

### **A** wide range of courses

Take Gisela Riegert, for example: Her pronunciation is clear and the sound of her voice is perfectly normal. At first you simply wouldn't guess that she has been deaf for over 35 years. You only realise when she asks you to face her and speak slowly so that she can follow your lips. She has been familiar with the aforementioned borders for many years. "The deaf have their own culture and like to keep to themselves. They also like to hide their disability so as not to stand out among the hearing population. As a result, the deaf and the hearing impaired are not nearly as close as you might think."

Gisela Riegert is a training officer at Fontana Passugg. Here, very close to the source of the famous Passugger mineral water, the deaf and hearing impaired can take advantage of a broad range of courses. On the one hand, this aims to help people to help themselves with courses covering all aspects of personal development and rehabilitation. There are also the usual range of courses on offer elsewhere: on photography, making silver jewellery and the study of mycology. "The deaf and hearing impaired have the same need for further education as other people," says Gisela Riegert. "But normal courses with people who can hear make no sense for them." The pace is generally too quick, and hearing teachers are unaware of apparent details that make all the difference. "When someone explains something while pointing to something else, the deaf are lost because they cannot read lips and observe a process at the same time."

### **O**bstacles in everyday life

The centre is naturally also open for the hearing – for holidaymakers, company outings or seminars. There they find out how the deaf and hearing impaired communicate with each other, which increases mutual understanding. Gerd Meier, a member of the board of Fontana Passugg, tells a story to illustrate the sort of everyday difficulties that can occur. He was travelling by train and almost got stranded halfway to his destination. "The train stopped, the car I was in was unhitched at the station, and everyone was supposed to change cars. But I didn't hear the loudspeaker announcement because I always turn off my hearing aid in the train because of the noise." He did manage to get to his destination because other pas-

sengers told him what was happening. But it took some time because one problem is that those affected by hearing difficulties look no different from anyone else.

### **J**oining forces

Ingenuity and modern technology can solve a great deal, as becomes clear while walking through Fontana Passugg. The fire alarm is not acoustic, but gives off a flashing light. People don't knock on the doors of the guest rooms, but ring a doorbell, which also sets off a flashing light in the room. The modern technology, the lovingly renovated rooms and the extension of the building would not have been possible without countless hours of volunteer work. After all, Fontana Passugg, built at the end of the 19th century, was a





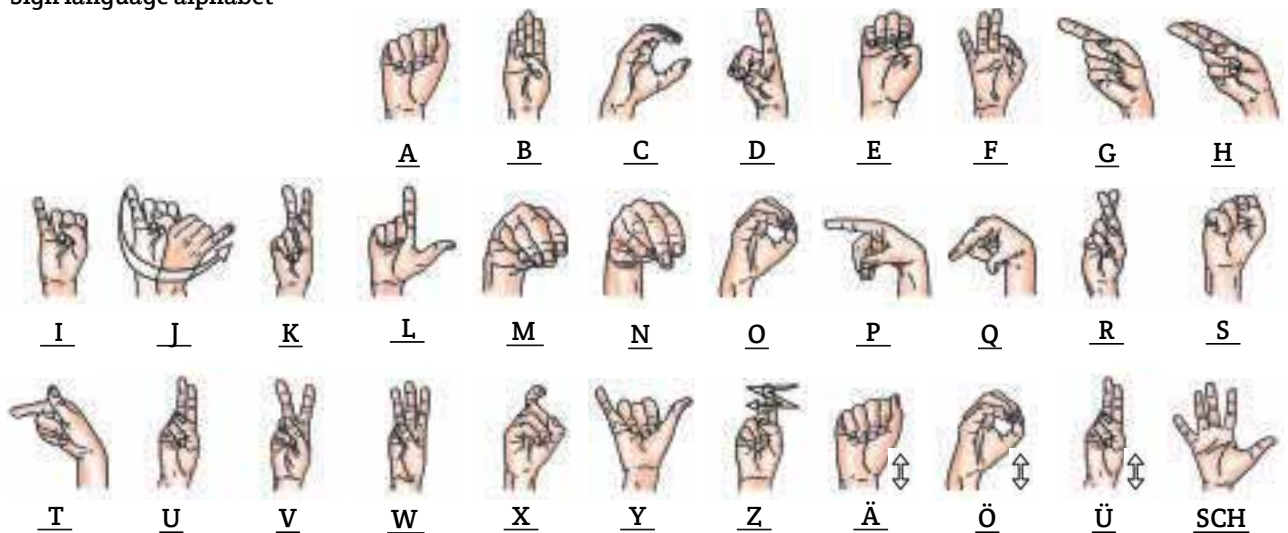
Communication without borders: Sign language in use at Fontana Passugg.

dilapidated hotel when everything started. The last heiress, Dorothea Brüesch, stipulated in a bequest in 1983 that in the future it should be used for the deaf and hearing impaired. The canton's mutual aid association for the deaf took over the building and ran it for a few years before openly contemplating its sale. This desperate situation built a bridge to bring the deaf and the hearing impaired together for the first time. They founded a cooperative, bought the building and began to renovate it. It has since been a shining example of this kind of commitment throughout Switzerland for the last 15-odd years.

**E**xtending the range of courses Nevertheless, the fight for survival is actually not quite over yet. "We are in competition with other institutions, especially where donations are concerned," says Ernst Casty. The architect and cantonal legislator is one of the founding members of Fontana Passugg. Having grown up with a hearing-impaired brother, he became familiar with this world at an early age. He recognised the necessity of a place like this and wants to firmly establish the centre together with the cooperative's management. At the same time, the range of offers must be extended and made known to a

greater audience to safeguard its economic future. as well as bridge the gap between people who don't think twice about hearing and others who inhabit a silent or quiet world.

### Sign language alphabet



### About Fontana Passugg

The Fontana Passugg educational and cultural centre in the canton of Graubünden is a self-help project. The 10,000 deaf, 700,000 hearing impaired and another 3,000 people with acquired deafness in Switzerland are welcome to use it as a meeting place and educational centre. People without hearing disabilities are also welcome to get involved. The Fontana Passugg Cooperative is the sponsor of the offer, which aims to provide continuing education. More information is available at [www.fontana-passugg.ch](http://www.fontana-passugg.ch).

— **Sustainability**

— **Locally embedded sustainable business**

Raiffeisen presents its first-ever sustainability performance indicators. These indicators are employed as the basis for quantitative targets and performance measurement, and ensure continuous improvement in all parts of the business.




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**31%** **Work-life balance is a major priority.** Nearly a third of all Raiffeisen employees work part-time in order to spend more time with their children, for example, and this figure far exceeds that of other companies. Raiffeisen supports part-time employment whenever possible to allow employees to better balance their job, family, educational and other outside commitments.

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## SUSTAINABILITY: WHAT RAIFFEISEN IS ALL ABOUT

Prudent use of resources over the long term is a core element of the cooperative model.

Raiffeisen conducts business in a responsible, sustainable way, aware of its obligations to clients, employees and members – as well as with regard to the environment and society at large. Raiffeisen's social responsibility commitment corresponds to our integrative corporate philosophy, which takes into account the interests of all stakeholders. Raiffeisen has a long history of outstanding performance in many areas of corporate citizenship.

Yet Raiffeisen is also always confronted with new challenges to conducting business in a sustainable way. This is why Raiffeisen has now strategically bundled its corporate social responsibility (CSR) activities in a CSR Management unit. The Raiffeisen CSR report has been redesigned, and is now publishing CSR performance indicators for the first time.

### System boundaries of the report

The CSR report is published once a year as an integral part of the Annual Report. The data in the report is for the entire Raiffeisen Group.

Raiffeisen is unique because of its decentralised cooperative structure, being comprised of 328 autonomous Raiffeisen banks. The performance figures cover the entire Raiffeisen Group for the year 2011 to the extent possible. The report makes explicit note whenever data only applies to Raiffeisen Switzerland or is not derived from the reporting year.

Local CSR initiatives conducted by individual Raiffeisen banks without national relevance are reported on in the respective bank's Annual Report.

### Overview of reporting areas

The CSR report contains information on business, social and environment-related activities. It is aligned to the international standards of the Global Reporting Initiative (GRI), and for the first time meets the C-level requirements.

In the section on sustainable business, the report discusses credit and investment products and services with specific social responsibility aspects. The statement of net added value illuminates financial ties with Raiffeisen stakeholders.

Raiffeisen presents relevant CSR measures in human resources and training in order to remain a preferred employer for skilled personnel. Diversity management is employed to reap the benefits of having a varied workforce, thus enhancing business success.

Raiffeisen is active in many different ways to benefit society, including in politics, the arts and sport.

Our environmental efforts reduce our ecological footprint and greenhouse gas emissions. The environmental performance indicators reflect internal measures taken to reduce energy and resource consumption.

## CSR MANAGEMENT

### Strategy developed

Raiffeisen's CSR activities are derived from the recently developed CSR strategy. Raiffeisen's aims are:

- strengthening our commitment to cooperative values;
- actively contributing to improving society and the environment;
- being an employer of choice for both current and future staff members;
- enhancing our reputation;
- differentiating ourselves through diversification.

### Sustainability highlights in 2011

- Publishing of the Carbon Disclosure Project (CDP) report for Switzerland; Raiffeisen climate change reporting graded at 76 out of 100 points
- Membership in the "Business and Professional Women" network
- Seven workshops for Raiffeisen banks in all regions of Switzerland concerning issues relating to diversity, the environment and social responsibility
- Establishing of the Raiffeisen Volunteers portal
- 560,000 admissions in Switzerland using Raiffeisen Museum Passes
- Networking forum for female employees
- Implementing the redesigned CSR management at Raiffeisen

An Executive Board member (Marketing & Communication department) and the CSR Board are responsible for implementing the CSR strategy. The Board consists of the CEO and representatives of eight Raiffeisen departments.

Responsible business practices are to be extended to as many operational areas and departments 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.

Raiffeisen intends to meet the following specific long-term CSR goals.

### Society

Raiffeisen and its employees are making an extra effort for Switzerland.

### Environment

Raiffeisen will be cutting its CO<sub>2</sub> emissions to zero over the long term.

### Business

Raiffeisen intends to become the leading provider of succession services for SMEs. Raiffeisen is to become the most attractive employer by virtue of its interest in the welfare of its staff members and of capitalising on the benefits of a diverse workforce.

### CSR KEY PERFORMANCE INDICATORS

#### Development of performance indicators

In the past, Raiffeisen has reported 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.

Compiled for the first time, the performance indicators 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.

It was not yet possible to report on all CSR aspects for the year 2011. The key performance indicators are to be extended to cover the entire Raiffeisen Group by linking it to existing data collection methods.

#### The indicators in detail

Energy consumption and business travel are responsible for roughly 70 to 80% of the corporate greenhouse gas emissions, meeting the Scope 1 and 2 requirements under the International Greenhouse Gas Protocol. The performance indicators cover key aspects of social

## Key sustainability performance indicators for Raiffeisen

Sustainability dimension	Category	Sub-indicator	Unit	Raiffeisen Switzerland	Raiffeisen banks	Raiffeisen Group	
<b>Banking products</b>	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
<b>Society and economy</b>	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	
<b>Environment</b>	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 <sub>2</sub> eq	4,320			

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



## HIGHLIGHT

**2 billion** in small loans is a typical example of a Raiffeisen idea, which in 2011 approved a total CHF 2,023,269,243 in mini-mortgages (up to CHF 50,000). This is how Raiffeisen supports clients in need of smaller borrowing amounts.

responsibility. For example, the role of the Raiffeisen Group 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. The indicators 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.

#### ECONOMICAL SUSTAINABILITY

##### Sustainability in the lending business

Lending is Raiffeisen’s core business, as most income is derived by lending to private individuals and corporate clients.

Many lending products incorporate sustainability aspects, even though these may not be explicitly addressed. This concerns home financing or SME financing, for example. Raiffeisen also offers start-up financing products offering special environmental or social benefits.

The “Eco” mortgage is one example. Real estate properties with low energy consumption are eligible for significantly lower investments rates if it can be certified that they have been built or renovated in accordance with the Minergie standard, or if they have a valid class A GEAK building energy certificate from the canton for new buildings, or class C for older ones.

Since the fourth quarter, Raiffeisen has provided clients with even greater assistance with planning

renovations in order to enhance energy efficiency. The eVALO application, which allows users to conduct a virtual renovation of their own home to calculate energy efficiency gains, is available on the Raiffeisen banks’ website. The eVALO application also factors in national and cantonal subsidies.

Lending products offering a special social benefit include renovation mortgages and mini-mortgages of up to CHF 50,000.

Mini-mortgages are an example of a typically “Raiffeisen” idea: helping clients who need smaller loans to obtain financing, thereby supporting the economy. Raiffeisen approved 80,919 of these mini-mortgages, in a total volume of CHF 2.02 billion.

Renovation mortgages serve to maintain property value, and in the case of energy efficiency renovations have an environmental benefit as well. A total of CHF 116.5 million in renovation loans were granted.

##### Sustainability in the investment business

Sustainable investing has become much more popular in recent years. The term “sustainable investment” is generally applied to investment products incorporating ethical, social and/or environmental criteria. These include investments in companies that run successful businesses while meeting the above criteria.

Sustainable investments can thus contribute in a very meaningful way to the economy and society while still being attractive from a financial standpoint. They bring investors’ return objectives into alignment with ethical, environmental and social values.

Just as an increasing number of people are paying attention to the origins and quality of other products they buy, investors are increasingly looking to invest in successful companies that run their business while upholding ethical

values and prudently managing their use of resources over the long term. The volume of sustainable investment products has continually increased since the mid-1990s and amounted to more than CHF 42 billion in Switzerland by the end of 2010.

### Involvement in sustainable investments

Raiffeisen launched its first CSR investment fund a full 10 years ago, the Futura fund. The Futura fund family has continuously grown over the years to now include six different funds with CHF 2.07 billion in assets under management. That represents 30% of all Raiffeisen fund assets. The independent rating agency Inrate has designated the Futura Funds as “Best in Service”.

As a cosignatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen informs investors about investment criteria and processes governing the Futura funds as new details become available. Additional information is available at [www.eurosif.org](http://www.eurosif.org).

Responsible, sustainable investing also means exercising voting rights. That is why voting rights for shares in all Swiss firms owned by the Raiffeisen Futura funds are consistently exercised in accordance with the recommendations of the foundation Ethos. The mission of Ethos is to uphold investor interests over the long term, with a view towards future societal benefit.

Raiffeisen also offers other investment products in addition to the Futura funds that are geared towards the latest trends and sustainability challenges. These include the Raiffeisen Clean Technology and Future Resources funds and a number of structured products focusing on alternative energies, climate protection, and water resources and sustainable mobility, for example.

Raiffeisen is also a founding member of responsAbility Social Investments AG, holding a seat on the board of directors of this organisa-

tion, established in 2003, which manages over CHF 1 billion in assets in the sustainable investment segment.

responsAbility investment products allow individuals at the base of the global income pyramid to access to markets online information and important services in such areas as microfinance, fair trade, independent media, SME financing, health and education.

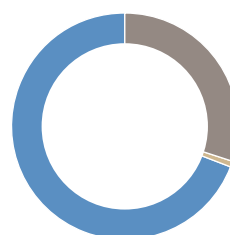
### Statement of net added value

The statement of net added value is prepared based on financial accounting records and the profit and loss account. While the latter are for measuring and presenting financial results and the profitability of the firm, the statement of net added value is broader in scope.

It shows the financial value Raiffeisen adds for its stakeholders in conducting business as well as value received back from the stakeholders.

The starting point is corporate performance, which is analogous to operating income for a production operation. This figure amounted to CHF 2.5 billion. In-kind contributions by third parties are deducted from this amount. Last year, CHF 451 million was passed on to suppliers and partners.

### Breakdown of Raiffeisen mutual fund assets



2,069,449,280	(30%)	Raiffeisen Futura fund assets
54,603,554	(1%)	Raiffeisen thematic fund assets
4,677,821,443	(69%)	Other Raiffeisen fund assets
<b>6,801,874,276</b>	<b>(100%)</b>	<b>Total Raiffeisen fund assets</b>

Adjustment for one-time items yields gross added value, which totalled CHF 2.1 billion. Provisions must be frequently recognised and assets written down in the banking business for risk management reasons or due to declines in value.

Deducting these produces a net added value of CHF 1.8 billion. This represents the sum of all financial value created by our staff members and the capital employed. Only this net added value can be distributed across all of the Raiffeisen Group's stakeholders.

Of this amount, CHF 1.1 billion or approximately 60% went to employee remuneration. The government received approximately CHF 120 million, or just under 7% of the net added value, in the form of taxes.

The bank's owners – its cooperative members – received CHF 595 million. In accordance with the cooperative model, of this amount, only CHF 31 million is to be directly distributed, with reservations to a resolution passed at the General Meeting. Members benefited as well from higher interest rates on savings deposits and discounted trip offers, among other things. Roughly CHF 564 million was appropriated for the reserves to further bolster the bank's capital base and allow equity financing of ongoing operating activity.

### Focus on employees

#### Values and leadership culture

Values and culture have always been important for the Raiffeisen Group. Clear values and a solid culture have provided support and direction for clients, employees and cooperative members, especially in recent years. Raiffeisen is working in a targeted manner to embody these values at all levels of the hierarchy.

#### Employee survey

Employees are Raiffeisen's most important asset – and the foundation of any successful company. We therefore have an independent re-

search firm conduct regular employee surveys. The satisfying response rate of 71% illustrated how keenly employees are interested in their company.

Employees continue to exhibit a very high level of commitment to Raiffeisen. Particularly high marks were given regarding teams, work content and direct supervisors. Potential for improvement was identified in the coordinating of strategy and objectives across all areas.

#### Recruitment

In 2011 Raiffeisen set up a careers portal on the internet aimed at enhancing our attractiveness as an employer. At [www.raiffeisen.ch](http://www.raiffeisen.ch) (About Raiffeisen => Careers/Positions), potential applicants can find extensive information on career opportunities at Raiffeisen, including staff member videos that provide an authentic look at what it's like working for Raiffeisen.

The turnover rate stated in the Social Report also reflects employees who leave one Raiffeisen bank to join another, and those leaving Raiffeisen Switzerland for a Raiffeisen bank and vice versa.

#### Apprenticeship and trainee programmes

##### Basic apprenticeships

Last summer, 236 young adults began a business apprenticeship at a Raiffeisen bank. Raiffeisen Switzerland now has 27 apprentices in IT, two in Business Services & Administration and one in administrative assistant training in addition to one business secondary school intern. There are currently 23 enrollees in the 18-month BEM internship (Introductory Banking for Secondary School Graduates).

A socio-cultural project was conducted for the first time in which third-year apprentices at Raiffeisen Switzerland discussed prejudice, racism and cultural differences with Serbian youths in a weeklong project conducted in cooperation with Kinderdorf Pestalozzi.



## Statement of net added value

	Current year in million CHF	Prior year in million CHF	Current year in %	Prior year in %
<b>Creation of added value</b>				
<b>Corporate performance (= operating income)</b>	<b>2,513</b>	<b>2,418</b>	<b>100.0</b>	<b>100.0</b>
Non-personnel expenditure	-451	-434	-17.9	-17.9
Extraordinary income	12	24	0.5	1.0
<b>Gross added value</b>	<b>2,074</b>	<b>2,008</b>	<b>82.5</b>	<b>83.0</b>
Depreciation	-239	-200	-9.5	-8.3
Value adjustments/provisions/losses	-23	-4	-0.9	-0.2
<b>Net added value</b>	<b>1,812</b>	<b>1,804</b>	<b>72.1</b>	<b>74.6</b>
<b>Distribution of added value</b>				
Personnel (salaries and employee benefits)	1,071	1,031	59.1	57.2
Cooperative members (paym. of interest on certif.: proposal to AGM)	31	30	1.7	1.7
Government	146	145	8.1	8.0
of which income tax paid	118	117	6.5	6.5
of which formation/release of provisions for deferred taxes	28	28	1.5	1.6
Bolstering of reserves (self-financing)	564	597	31.1	33.1
<b>Total</b>	<b>1,812</b>	<b>1,804</b>	<b>100.0</b>	<b>100.0</b>
<b>Key added value figures</b>				
Gross added value per personnel unit in 1000 CHF*	256	250		
Net added value per personnel unit in 1000 CHF*	223	225		
Number of personnel units (average)	8,117	8,033		

\* Calculated on the average number of personnel

### Trainee Programme

The Raiffeisen Trainee Programme is very popular. Several university graduates once again started this 18-month programme, in which they get to know five different areas of the Raiffeisen Group.

#### “Week 53” seminar

This seminar is directed towards long-standing and highly committed managers with a strong performance track record, designed to give them an extra week for personal reflection. Here, they also receive ideas and food for thought on how to develop their own individual strategies for solving new challenges arising in their day-to-day managerial lives, while simultaneously stocking up their energy level.

### Diversity

#### Areas of diversity management

Aware of demographic developments, Raiffeisen aims to retain its personnel by remaining an attractive employer. A range of projects on such topics as work-life balance, gender equality and generational diversity are some of the efforts being made to this end.

It is a specific strategic goal to have more women at the executive management level, and an increase was in fact achieved. One woman has been by one to 26% on the seven-member Executive Board since 2008.

Raiffeisen Switzerland’s business partnership with the global Business and Professional Women association is aimed at promoting networking opportunities for female employees. The benefits of this partnership include targeted assistance with professional, career and personal development.

The mentors in our mentoring programme, which include every Executive Board member, work with employees (currently 25) over a 12-month period to help them realise their career goals.

The “Midlife Directions” (Impuls Lebensmittel) seminar is constructive for employees age 45 and over, promoting active planning of their further careers.

#### Family-friendliness

The policies we have in place promoting work-life balance are quite appreciated. For example, 59 fathers took advantage of their 15-day paternity leave to spend time with their families. Raiffeisen approves up to five days’ off for when an employee’s child falls ill. The day-care centre in St.Gallen branched out, opening a second location.

269 children participated in the “Family Holiday Weeks” held for the sixth time: a two-week

### Social report of the Raiffeisen Group

	2011	2010
Total number of employees	9,770	9,656
Number of full-time positions	6,733	6,360
Number of part-time positions	3,037	3,296
Total BoD members	2,157	–
of which women	399	–
Total number of women	5,234	5,225
of which in management	940	891
Total number of men	4,536	4,431
of which in management	2,731	2,635
New positions	114	103
Total number of apprentices	768	787
of which women	416	432
of which men	352	355
Average length of service in years	7.9	7.5
Average age of employees in years	38.4	38.1
Employee turnover (%)	10.1	8.3
Amount spent on child care	2,065,000	–
Amount spent on diversity management	226,000	–

summer holiday programme designed to help working parents look after their kids.

National Future Day is a great opportunity to introduce Raiffeisen as a company to employees' children. Last year 52 children participated in St.Gallen.

### Employee development

#### Employee Committee

The Raiffeisen Switzerland Employee Committee was organised in 1995 to address employee needs and issues. These issues are discussed at regular meetings with Executive Board members in order to arrive at appropriate and viable solutions to employees' legitimate concerns.

The Employee Committee also functions as an intermediary between staff members and the Executive Board, being consulted regarding human resources matters, labour and employment law issues and the overall policy direction of the firm. The Committee can also play an advisory role in decision making.

#### Staff development

Staff development at the Raiffeisen Group is crucial for ensuring that clients receive high-quality advice, and for the quality of work done on a leadership/management level. It is essential for staff members' ability to perform for the company and maintain their employability for the labour market. Regular career path-based internal seminars in combination with outside continuing education offerings lay the foundation for continuous progress in terms of quality and quantity. Employees acquire knowledge and skills that promote their personal advancement.

Integrating new learning techniques into our learning processes has increased efficiency and effectiveness. The organising of the Training unit represented a consolidation of our offerings to focus on the essentials.

Significant changes were made in the following areas in 2011:

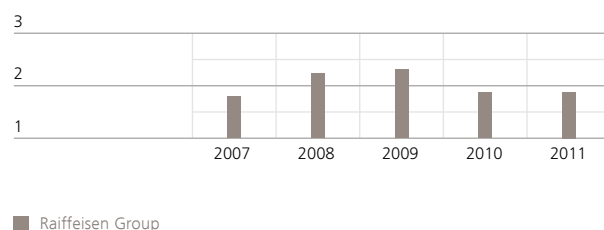
#### Personal effectiveness and leadership training

The three-tiered senior management development process was relaunched following a redesign in 2010. Those completing this development process, conducted in three languages, can assume high-responsibility positions at Raiffeisen.

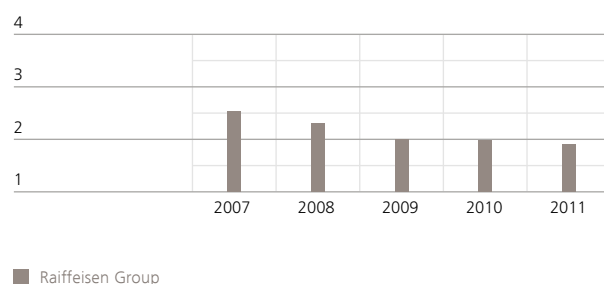
#### Senior and executive management development

Modular continuing education offers are designed for developing up-and-coming managerial talent as well as skills of experienced managers at Raiffeisen banks and Raiffeisen Switzerland. There is also a specific programme for Raiffeisen bank Board of Directors members.

### Training expenditure per employee (in 1000 CHF)



### Training days per employee



The Raiffeisen Group publishes a continuing education report documenting the ways in which we promote employees' skills and abilities in a targeted way.

### SOCIAL SUSTAINABILITY

#### Commitment on local and national level

The greatest impact of Raiffeisen's social involvement derives from our local roots, as the individual banks pursue their own social initiatives within their respective regions. Raiffeisen banks' tailor their particular service array to the needs of the local population, while at the same time client deposits and direct taxes totalling CHF 118.3 million stay within the region, supporting the regional economy. Raiffeisen banks also provide financial and staffing support for local associations, social services organisations and cultural events. These banks make it possible for example to open day-care centres, restore major historical monuments and maintain public walking paths. In many villages, Raiffeisen General Meetings are a major event for the population.

#### Membership benefits:

##### Something for everyone

"Focus on People" is not just a slogan, it is a philosophy that we follow in our planning and actions at Raiffeisen. Our over 1.7 million members benefit directly from the bank's profitability, partly in the form of a host of Member Plus benefits. Instead of only major clients being invited to occasions, all members throughout Switzerland receive invitations year-round, with 50,000 members attending concerts and other events at discounted prices, along with some 154,000 half-price skiing passes. Members also took advantage 124,000 times of a half-price trip to the Bernese Oberland region, resulting in 62,500 accommodation bookings at local hotels by Raiffeisen members.

#### Sport: Recruiting for success

Raiffeisen's commitment extends to all areas, including recruitment sponsorship projects.

The Raiffeisen Group has sponsored the national winter sports teams and top individual athletes in eight disciplines for several years now, but also is involved in cultivating new talent. We help fund three national Junior League centres of excellence and the eleven regional skiing associations, making us the largest sponsor of young athletes, who number over 16,000.

Targeted support for junior athletes is generally initiated by a local Raiffeisen bank, which may then be expanded to the national level in partnership with Raiffeisen Switzerland. National campaigns such as "Hands Up" are conducted to supplement direct sponsorships. Sales of gloves and caps in the winter of 2010/2011 generated proceeds of CHF 320,000, which were additionally donated to promote junior skiing athletes.

#### Social projects

Raiffeisen and our over 9,700 employees are involved in projects throughout Switzerland that contribute substantially to a society characterised by cultural diversity and social solidarity. While many such activities take place spontaneously on a daily basis, Raiffeisen also plans and executes specific projects.

#### Supporting broad career opportunities

Our involvement in the Swiss Skills Championships demonstrates how we value young people who are entering the workforce and completing apprenticeships or training programmes, and our commitment to them. This commitment illustrates the tremendous importance of having broad career opportunities as a benefit to society and the economy.

#### Raiffeisen Volunteers

During Europe's "Year of Volunteering" Raiffeisen Switzerland was the only financial firm to partner with the volunteering organisation forum freiwilligenarbeit, which spearheaded the campaign to establish a nationwide volunteer-



## HIGHLIGHT

ing year in Switzerland. Pierin Vincenz himself, Chair of the Executive Board of the Raiffeisen Group, sat on the Oversight Committee for Switzerland's "Year of Volunteering 2011".

Raiffeisen additionally supports Benevol Schweiz, the umbrella organisation for volunteering advice and referral offices in German-speaking Switzerland. Raiffeisen's contribution underscores the great importance of volunteering for society.

In November Raiffeisen launched a Group-wide employee volunteering portal ([www.raiffeisen.ch/volunteers](http://www.raiffeisen.ch/volunteers)) bearing the motto "Raiffeisen Volunteers – Working Throughout Switzerland", as a way of expressing in our appreciation for our employees' nationwide contributions. It draws attention to the competent work being done, facilitating the sharing of know-how and motivating employees to keep up their volunteering efforts.

### Youth Competition

For the 41st time, Raiffeisen has now held its annual International Youth Competition in which young people address a current topic in creative way. The competition is Raiffeisen's way of stimulating thinking about meaningful use of free time and about how to support schools. There are some 50,000 entrants per year from all over Switzerland in this drawing and quiz competition, with more and more signing up each year.

The Raiffeisen Youth Competition extends beyond Switzerland, as it is held in Germany, Finland, France, Italy, Luxembourg and Austria as well. With over one million entrants from all over Europe, the competition has even made it into the Guinness Book of World Records.

### Centenary Foundation

In the summer of 2000, the Raiffeisen Group established the Raiffeisen Centenary Foundation on the occasion of the 100th anniversary of the

**49,480** In 2011 Raiffeisen held its 41st International Youth Competition, giving young people opportunity to address questions concerning a sustainable future in a creative and thought-provoking way. Nearly 50,000 kids participated, up 6.3% versus last year.

Swiss Raiffeisen banks – as a present and "thank you" to the Swiss people. The Foundation's mission is to support charitable projects that offer concrete benefits to the public. In specific, the Foundation is involved with projects promoting business ethics, charitable empowerment and cultural works of national or regional significance. The Foundation approved CHF 200,000 in grants in 2011.

### Politics and society

Raiffeisen is active in numerous areas of politics. In 2011, for example, Raiffeisen provided funding for the Centre of Excellence for Cooperative Enterprises at the University of Lucerne. The Centre strives to be the international leader on issues of research, teaching and practical knowledge transfer concerning cooperative businesses.

Raiffeisen spoke up regarding the "too-big-to-fail" issue debated by the Federal Assembly. Supported by Raiffeisen, COCOs (mandatory convertible bonds) were approved by majority as a new marketable instrument for stabilising banks. COCOs now contribute to the reliability of Switzerland as a financial centre.

Raiffeisen was one of the first Swiss banks to implement a transparent political party financing concept. A total of CHF 246,000 was provided to the 246 members of the National Council and the Council of States, this amount being divided 50/50 among the two Councils. The parties receive disbursements of CHF 615 per seat on the National Council and 2,674 per seat on the Council of States. This

financing contribution goes to all parties represented in the National Parliament. This transparency in political party financing helps solidify and stabilise Switzerland's proven political model.

The event series "SwissBanking Bi de Lüt" held by the Swiss Bankers Association is intended to promote dialogue and interaction between the public, financial and other business representatives, and the regional media. In October 2011 at the Raiffeisen "Meeting Bank" in Kölliken-Entfelden in Lenzburg an extensive dialogue took place as part of this series about the challenges facing Switzerland in its efforts to remain a top financial and business centre.

#### Experiencing culture and art

Raiffeisen wants to make art accessible and relevant to everyone. Younger artists are a primary focus, and Raiffeisen banks play a key role in promoting them through local and regional art sponsorships.

Raiffeisen Switzerland additionally funds projects of national significance through long-term partnerships, chiefly in the area of the visual arts. Raiffeisen has been an exclusive partner of the Swiss Art Society since 2011, and for years has also funded the St.Gallen Art Museum's educational programme. Last year Raiffeisen again sponsored Plattform11 (Association Kunstwollen), as well as the jungkunst ("young art") exhibition in Winterthur.

Works by Swiss artists form the centrepiece of the Benefiz-Kunst art auction, for which works by specific artists are proposed by prominent galleries and ultimately selected by a panel of experts. All sale proceeds go to the organisation kkj, the Swiss Association for Art for Children and Youths.

Raiffeisen Switzerland and Raiffeisen banks in the Solothurn region are the main sponsors of the Solothurn Literature Days, which is the highest-profile venue for presenting contemporary Swiss Literature. In line with the CSR strategy, cultural

sponsorship activities are to be expanded to include music and the performing arts as well.

#### Raiffeisen Museum Pass

Since 2000, Raiffeisen has offered free museum admission for members as part of its support for the wide range of museums found in Switzerland. Not only members, but the over 450 participating museums which accepted member passes approximately 650,000 times in the course of 2011 benefit from this promotion as well. The Raiffeisen Museum Pass is unique in both its approach to promoting art and its scale. Visiting museums inspire people and heighten their awareness while supporting serious efforts to preserve culture.

#### Building Art

Eight major projects have been launched or completed in Switzerland as part of the "Building Art" initiative. An art contest was held for six of these projects, and in two cases a direct contract was awarded. As part of this initiative, authentically artistic construction is being done all throughout Switzerland that enhances the value of buildings and makes them an attraction within their respective local areas.

The "city lounge" (stadtlounge) in St.Gallen is an excellent example of what Building Art is all about, the "red living room" of Pipilotti Rist and Carlos Martinez, which provides a link between the various buildings at the Raiffeisen Centre while simultaneously integrating them within the cityscape. The completion of the "city lounge" was celebrated in August 2011.

The contracts awarded for the projects totalled roughly CHF 2 million in 2011.

## ECOLOGICAL SUSTAINABILITY

### Environmental management

Also the environmental management reflects the cooperative business model in place.

The Raiffeisen Switzerland CSR Board has primary responsibility for this, including the definition of strategic policies and environmental management parameters for achieving zero greenhouse gas emissions as a long-term goal.

The Environment department of the CSR Management unit is specifically charged with addressing environment-related issues, collecting data, providing internal and external reporting and overseeing the evolution of environmental management practices.

The line and management units have operational responsibility for implementing environment-related measures. Facility Management, for example, is in charge of properties owned by Raiffeisen Switzerland, Purchasing is responsible for overseeing environmental compliance in relation to suppliers and products, and the Construction Consulting Team oversees green building in cooperation with the Raiffeisen banks.

These are responsible for environment related measures, at the Executive Board level. Some Raiffeisen banks are highly active, participating in centralised data recording and implementing environment related measures locally.

### Architectural policies at Raiffeisen Switzerland

Raiffeisen Switzerland's Construction Consulting Team advises Raiffeisen banks on the planning and execution of conversions, renovations and new construction.

Architectural policies are designed around a commitment to sustainability: looking at the entire lifecycle, pursuing best-practice solutions instead of merely legal standards, using domestic materials and working with local partners in equitable business arrangements.

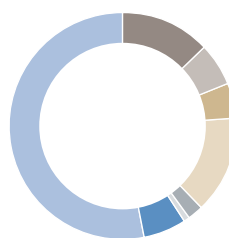
### Purchase of promotional items

The core array encompasses over 250 promotional items. But for a handful of exceptions, suppliers and business partners are all domiciled in Switzerland. Raiffeisen has its promotional items produced in Switzerland or Europe whenever possible. Nonetheless, a considerable amount is produced in Asia, as national and European manufacturers are unable to provide the required volume on time. And in many cases there are no corresponding production facilities in Europe.

Raiffeisen always looks to find balanced solutions from a business, social and economic standpoint that are in strict compliance with the standards outlined by the International Labour Organisation (ILO). In particular, this involves observing rules prohibiting the use of child or forced labour and discrimination, as well as the right to form unions and engage in collective bargaining.

An independent lab is commissioned to certify a range of items with regard to such criteria as poisonous materials, small parts, child-appropriateness and general non-hazardousness.

### Raiffeisen sponsorships and funding (in CHF)



4,000,000	Winter sports
1,900,000	Junior and professional athletes
1,650,000	Concerts and cultural events
4,220,000	Raiffeisen Museum Passes
500,000	Other (business, regional, vocational training etc.)
200,000	Donations & grants
2,000,000	Building Art
16,000,000	Sponsorships and donations by Raiffeisen banks
<b>30,470,000</b>	<b>Total commitments</b>



HIGHLIGHT

**76** Climate change is one of the biggest global challenges we face. The Raiffeisen Group is thus committed to transparent reporting on the management of emissions of CO<sub>2</sub>, as relevant greenhouse gas. In the Carbon Disclosure Project – the largest international investor association concerned with climate change – Raiffeisen’s reporting earned a score of 76 out of 100 points. The average score for all Swiss enterprises was 55 points.

Raiffeisen’s new “Swissness” product line featuring various items “from Switzerland for our clients” is another contribution towards the conservation of resources and our environment. The following requirements apply regarding all new supply sources: purchase products must be of high quality, transport and delivery times must be short, and logistics and production processes must be located within Switzerland.

**Starting in-house**

Raiffeisen has set a long-term goal for reaching net zero greenhouse gas emissions. To achieve this, we first have to significantly reduce our own energy consumption and greenhouse gas emissions.

This is being implemented for buildings in St.Gallen, where most construction projects in recent years have been Minergie-certified. One of the energy requirements is that waste heat be used in large part for heating needs. The waste heat comes from the computing centre, a combined heat and power plant and a transformer station belonging to the St.Gallen municipal utility. Because of this innovative partnership, waste heat from the transformer station is now utilised in the basement level of a Raiffeisen property.

Waste heat generated by computing centres that cannot be used for heating purposes is conducted outside utilising efficient free cooling systems at outside temperatures below 11°C.

Raiffeisen also makes sure that room and office lighting is efficient through the widespread use

of motion detectors. In 2011 operational testing was conducted using modern LED technology.

Energy controlling involves the monitoring of technical building systems using the latest building automation technology. All technical rooms are physically inspected monthly, at which time operating hours and energy consumption data are recorded for centralised controlling.

**Carbon disclosure score 76**

In 2011, the Ethos Foundation and Raiffeisen Switzerland surveyed Switzerland’s 100 largest exchange-listed companies regarding their efforts to lower CO<sub>2</sub> emissions. The survey was conducted as part of the Carbon Disclosure Project (CDP). CDP is the largest emissions-related international investor association. This company data helps investors make investment decisions, as climate change strategies can significantly affect the risks and opportunities connected with business activities. Further information is available at [www.cdproject.net](http://www.cdproject.net).

As a CDP partner, Raiffeisen is interested in transparency for climate protection activities conducted by exchange-listed companies, including transparency with regard to our own activities. Even though, as a cooperative, we are not publicly traded, Raiffeisen voluntarily participates in CDP evaluation.

The average disclosure score for climate reporting transparency for the 59 Swiss firms participating in the CDP survey was 55 out of 100 points.

Raiffeisen’s score was 76 points. According to the CDP criteria, Raiffeisen is thus among the better firms at reporting, having a good understanding of climate change-related business issues on a management level and integrating awareness of attendant risks and opportunities into its core business.



By participating in the survey Raiffeisen identified areas for further improvement. For example, data needs to be gathered from Raiffeisen banks, and the long-term goal of net zero greenhouse gas emissions needs to be concretely implemented by means of operational targets.

### Other initiatives and partnerships

#### Swiss Climate Foundation

The Climate Foundation's goals are climate protection and promoting the interests of SMEs. Chaired by Raiffeisen, the Foundation receives income from CO<sub>2</sub> tax rebates collected by its 21 partner firms. Funds from the incentive tax under the CO<sub>2</sub> Act are rebated to businesses in proportion to their payroll levels. Accordingly, large service providing firms receive larger rebates than they pay in CO<sub>2</sub> tax. Partner firms donate their net rebates to the Foundation. This bundles the funds for greater impact in climate protection projects. Raiffeisen has already donated CHF 1.13 million to date.

Businesses just getting started with environmental efforts receive the most support. The Energy Agency for Industry (EnAW) certifies companies for efficiency projects they are planning and the Foundation pays for the certification review. In 2011, 150 firms benefited from this service. Product development is financed as well, such as the prototype for and a small series of five Vespa scooters with electric motors. Since its establishment in 2008, 75 climate protection projects have been funded in the amount of CHF 4 million. For more information visit [www.klimastiftung.ch](http://www.klimastiftung.ch).

#### Green Building Association

Raiffeisen is a founding member and on the Board of the Green Building Association. The Association represents a platform for sustainable building, advocating the construction of solid, well-insulated buildings and the demolition and replacement of non-energy-efficient ones. The Association's main tools are research, education and information. Partnerships with government

offices and a Centre of Excellence for new replacement buildings are being set up. For more information visit [www.greenbuilding.ch](http://www.greenbuilding.ch).

#### Energy Alliance

Raiffeisen supports the Energy Alliance (Verein Energie-allianz), which initiates projects for reducing energy consumption and/or CO<sub>2</sub> emissions. In 2011 the Alliance launched projects including Power 40+ for re-training unemployed individuals to become energy consultants, "Surental Energy Valley" for self-contained energy supply for that Valley area, and "Energy Retooling Switzerland" for transitioning away from the use of fossil fuels and nuclear energy.

#### Environment-friendly mobility and sustainable tourism in the Alps

Raiffeisen Switzerland, the Haslital-Brienzen region Raiffeisen bank and the ESE Mobility Management cooperative located in Meiringen have entered into a pioneering partnership to promote environment-friendly mobility in the Alps and improve local value creation in these peripheral areas.

These efforts involve electrical vehicles of the resource-efficient "Alpmobile" type that are charged using renewable energy. In summer months, guests and locals can take trips using environmentally friendly e-cars and e-bikes available from a network of lending stations.

During the rest of the year, the cars can be rented for extended periods from Raiffeisen banks located in "Alpmobile" regions. This is Raiffeisen's way of providing clients access to environmentally mobility.

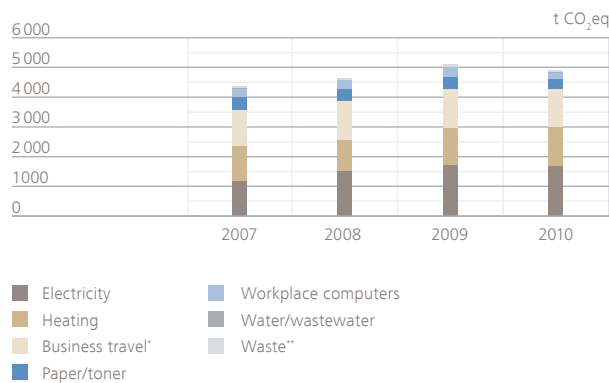
### System boundaries regarding environmental data

Raiffeisen has been systematically compiling operational environmental data since 2007, data recording originally centring on Raiffeisen Switzerland properties. This includes the headquarters and computing centre in St.Gallen and

## Raiffeisen environmental data for 2010

Category	Unit	Raiffeisen Switzerland	Raiffeisen banks (pilot group)	Projection (banks not included)	Total	Per person (total)	Per person (Raiffeisen Switzerland)
<b>Building energy</b>	<b>kWh</b>	<b>18,684,000</b>	<b>1,145,000</b>	<b>55,000,000</b>	<b>74,829,000</b>	<b>9,300</b>	<b>10,000</b>
Electricity	kWh	13,259,000	604,000	30,000,000	43,863,000	5,450	7,100
Fossil fuels	kWh	4,674,000	508,000	25,000,000	30,182,000	3,750	2,500
Other energy sources	kWh	596,000	33,000		629,000	80	320
Diesel backup generator system	kWh	155,000			155,000	20	80
<b>Business travel</b>		<b>7,316,000</b>	<b>65,900</b>	<b>4,000,000</b>	<b>11,381,900</b>	<b>1,410</b>	<b>3,900</b>
Public transportation (rail, bus, tram)	km	1,770,000	56,000	3,000,000	4,826,000	600	950
Own vehicles	km	3,313,000			3,313,000	410	1,750
Expenses-paid travel	km	2,233,000	9,900	1,000,000	3,242,900	400	1,200
<b>Greenhouse gas emissions from energy and travel</b>	<b>tonnes CO<sub>2</sub>eq</b>	<b>4,320</b>	<b>240</b>	<b>12,500</b>	<b>17,060</b>	<b>2.1</b>	<b>2.3</b>

## Sources of greenhouse gas emissions at Raiffeisen Switzerland



\* Petrol, diesel, expensable kilometres – car, expensable kilometres – public transport  
 \*\* Office waste, electronic junk

the branches and satellite offices belonging to Raiffeisen Switzerland.

Of the 328 independent Raiffeisen banks, twelve were involved in the first gathering of environmental data. Data has been compiled on energy and paper consumption, business travel, waste and water, IT hardware and commuting.

Raiffeisen has set a goal of reducing the number of materials and energy flows tracked while increasing the degree of detail and scope of data within the Raiffeisen system. Manual data gathering, which was previously the main procedure, shall be automated whenever possible and integrated into existing data systems. Concentrating on a few environmentally relevant data categories is intended to widen the scope of data for tracking Raiffeisen's overall ecological footprint. Data is to be available more quickly as well.

### Environmental data

Energy consumption at Raiffeisen Switzerland buildings in 2010 was 18.7 million kWh, of

which 13.3 million kWh was electricity and 5.4 million kWh was from other energy sources.

Energy consumption was 10,000 kWh per employee, and electricity consumption at 7,100 kWh per employee.

Business travel amounted to 7.3 million km, 25% of travel being taken on public transportation and 75% by car. The distance driven per employee was 3,900 km.

In net terms, energy consumption and business travel were nearly unchanged as against 2010. The specific consumption was lower by 1 – 2%, however, as staffing levels increased by the same amount.

Raiffeisen Switzerland's greenhouse gas emissions resulting from energy consumption and business travel amounted to 4,320 tonnes or 2,310 kg per employee in 2010.

The data available for 2010 for the entire Raiffeisen system in Switzerland indicate energy consumption of 75 million kWh, 11 million km of business travel and 17,000 tonnes of greenhouse gas emissions.

### Paper consumption and office waste

Environmental management efforts were successful in other areas as well, paper consumption falling nearly 30% between 2007 and 2010, from 265 to 189 tonnes, despite staffing levels increasing 8% in the same period. Accordingly, paper consumption per employee declined from 153 to 101 kg. This is attributed to the use of front-and-back printing.

The volume of office waste declined 11% from 168 to 150 tonnes, down from 97 to 80 kg per employee, as a result of improved data gathering.

### Greenhouse gas emissions

Between 2007 and 2010 greenhouse gas emissions from all materials and energy flows re-

corded initially rose over a three-year period, from 4,386 to 5,097 tonnes, then declined by 4% in 2010 to 4,899 tonnes.

The increase seen in the first three years stemmed from staffing increases and more reliable data tracking.

The chart illustrates why extending data tracking to encompass the entire Raiffeisen system in Switzerland needs to be a priority. Concentrating on energy consumption and buildings (electricity and heat) and on business travel (gas, diesel, expense-paid kilometres) accounts for 80% of our climate change footprint while only employing a few relevant categories.

### GRI index and application level

Raiffeisen's sustainability reporting is based on the international standards outlined as part of the Global Reporting Initiative (GRI).

The GRI Content Index specifies in detail where the content and performance indicators required under the GRI are presented in the Annual Report and CSR Report. The full GRI Content Index is available for download on the Internet at: [www.raiffeisen.ch/csr](http://www.raiffeisen.ch/csr).

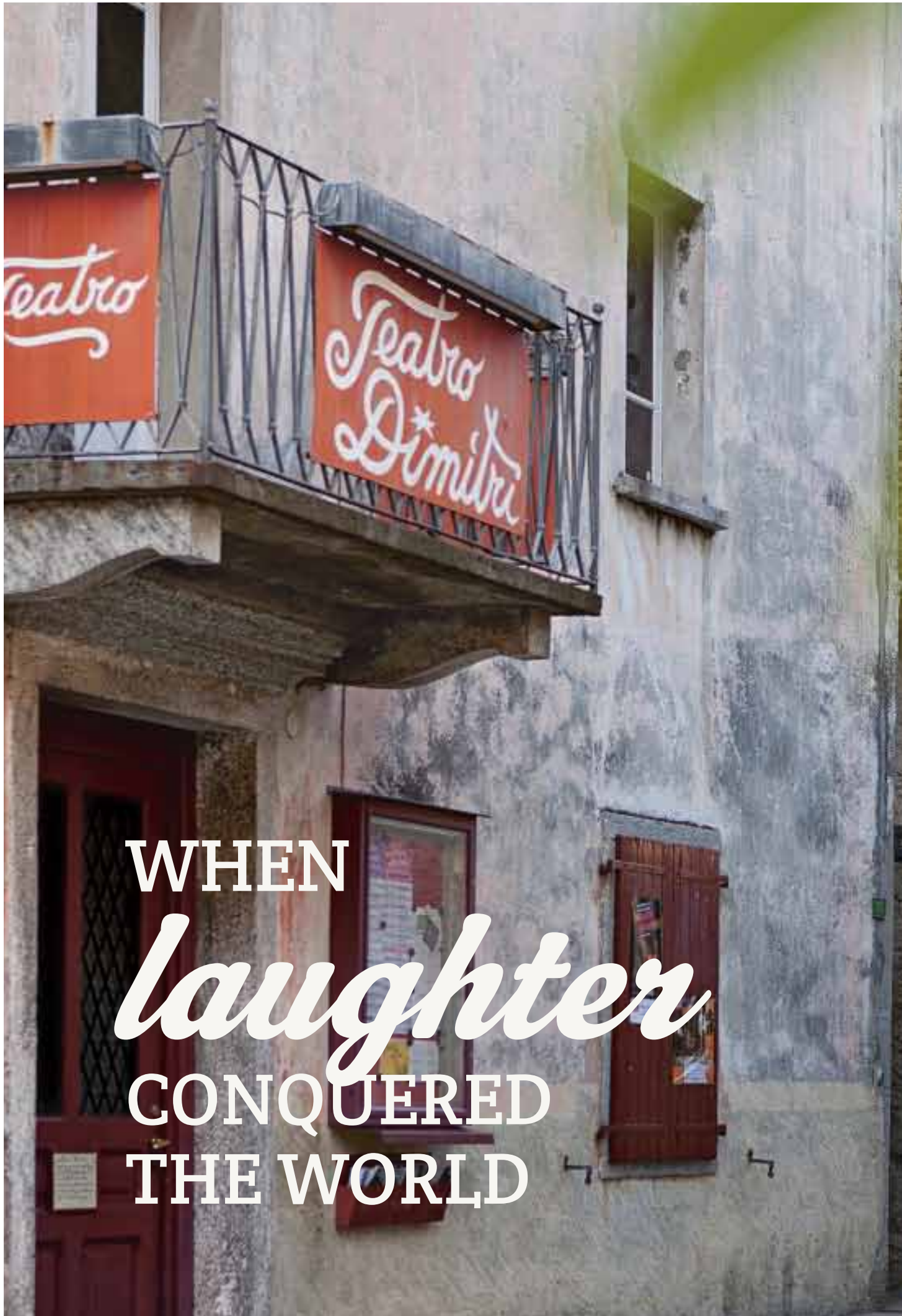
The GRI application levels indicate the extent to which the GRI specifications are being met on a scale from C to A. The Raiffeisen CSR report was graded at application level C by the GRI.

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WHEN

*laughter*

CONQUERED

THE WORLD



The name Dimitri has transcended borders and generations – just like his work. The clown from Switzerland is known throughout the world. But one place where he is omnipresent is in the canton of Ticino, in the village he has chosen to call home. We visit Verscio, which has become a living stage for Dimitri’s endlessly sparkling ideas.

The name says it all. The face is everywhere. Dimitri is Verscio, and Verscio is Dimitri. One of Switzerland’s best-known exports, an artist with international flair and a string of warmly received appearances in every major city around the world – and all this energy is concentrated in a small village in the Locarno region, which now lies sleepily in the sun. Two young women and a man emerge, cross the street, more bounding than walking. At first glance, they don’t appear to go with this picturesque and tranquil world of weathered stone cottages. But they do belong here – figuratively speaking since around 40 years ago.

**A** **fixture for decades**  
On the way to the Scuola Dimitri the trio passes the Teatro Dimitri with the Museum Comico and the adjoining restaurant. The cobblestone street is called Caraa du Teatro Dimitri. Since the Berne native settled here, the village on the road from Locarno to Domodossola has become a Mecca for fans of movement theatre. It is here where Dimitri has constantly reinvented himself over the decades, breathed life into new projects, and ensured that his brand is a global fixture.

His theatre school is now an accredited college funded by the canton. The Compagnia Dimitri has represented his name in the theatre in Verscio and on global tours in the past 35 years.

### **Theatre, school, museum, restaurant: Dimitri’s projects complement and stimulate each other.**

Consuelo Allidi sits in the restaurant between the theatre and the museum. The lawyer from Locarno chairs the Board of Directors of the Cooperativa Teatro Dimitri, which is responsible for the fates of the theatre, museum and restaurant. The school is also subordinate to an overarching foundation, a structure that has proven itself over time. “For me, a cooperative means open doors for all,” says Consuelo Allidi. While the school could be secured as a result of its new status, the theatre still relies on support. It thus relies on the people who endorse the idea – as cooperative members or patrons.



**Open doors to all: This is the spirit of the cooperative that safeguards Dimitri's work.**

**Warm-hearted and disciplined**

You don't have to look far to realise that this vision has truly caught the imagination. Kate Weinrieb is on her way to rehearsal. The American is a member of Compagnia Dimitri, the theatre's resident troupe. "You have to be a very special person to build up something like this, this community of artists, a compagnia that has existed without interruption for over 30 years," the actress says of Dimitri. She de-

scribes him as friendly and warm-hearted in his ways – yet disciplined and precise as soon as work begins.

Dimitri, the clown who imbued the term with a new dimension, is seeing his work grow – and he still rehearses every day. It was never planned that a foundation and a cooperation would be managing his creation today. "It all simply came about little by little," he says. He wanted to establish a theatre and the school emerged from it as

a second pillar – currently the only college of movement theatre in Europe. In the true spirit of Dimitri, it is not a collection of hermetically-sealed single projects, but an interplay between projects that all touch each other in some way. Former pupils re-join the compagnia at regular intervals and the school rents the theatre for rehearsals and performances. Everyone meets up in the restaurant in any case.

## Dimitri's boss

It's 9 o'clock in the school hall. Nine students are concentrating on the lesson. As music plays, the teacher demonstrates the steps he has in mind. At first, many legislators in the cantonal parliament were sceptical about granting the school college status. Consuelo Allidi, then a legislator herself and closely associated with the theatre for many years, helped convince them of its virtues. "Many of them thought that theatre and clowning are not professions and therefore require no college," she recalls. She fought against the prejudices – and achieved her goal.

Roberto Maggini is delighted. The school, a part of Dimitri's legacy, is secured. Maggini's job, as theatre director, is to ensure that this is true for the rest. He and Dimitri have been a team for 40 years. It all began in 1972 with a shared tour, followed by the founding of the school, the theatre troupe and finally the permanent theatre. "Dimitri calls me his boss," the Ticino native says with a grin. As affable as he appears, Maggini is untiring in his work. The theater will host 180 performances between March and October. Despite its popularity, the theatre's financing remains a balancing act. The cooperative is one way of not only generating funds, but also enlarging the network of potential audiences.



Passion and professionalism among the students: Dimitri's former theatre school is now a department of the University of Applied Sciences and Arts of Southern Switzerland (SUPSI).

Kate Weinrieb returns to the table she just left to greet her husband who also works here. The things on offer here aren't available like this in the States," she says. "It is theatre that crosses linguistic boundaries and generations. I like it when things aren't so strictly regulated. Our pieces bring laughter to the lips of children and adults alike – only in different locations." Perhaps, she muses, she will return to the US one day and take Dimitri's vision of movement theatre with her. It would be another huge triumph for the man who taught so many of us how to laugh.

## About Teatro Dimitri

The Teatro Dimitri cooperative operates an internationally renowned cultural centre in Verscio in the canton of Ticino. The permanent theatre has two auditoriums, its own ensemble and a museum. The theatre school is now a cantonal college. A restaurant is also attached to the cultural centre. Verscio attracts theatre fans, actors and other artists, as well as hikers and tourists from both near and far. More information is available at [www.teatrodimitri.ch](http://www.teatrodimitri.ch).

## — Corporate governance

### — Cooperative democracy for a strong Raiffeisen

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

This corporate governance report is an abbreviated version of the statement included in the Financial Report of the Raiffeisen Group.

#### GROUP STRUCTURE

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

The 328 Raiffeisen banks are legally and organisationally independent cooperatives that elect their own boards of directors and have an independent auditor. The Raiffeisen banks are owned by the cooperative members. The candidates for the boards of directors are voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions organised as associations.

The federations act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions 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 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 Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join.

Raiffeisen Switzerland bears responsibility for the Raiffeisen Group's business policy and strategy, and acts as a centre of competence for the entire group. It represents their national and international interests. Raiffeisen Switzerland directly manages six retail branches.

#### Major cooperative members

Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, irrespective of the number of 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 shareholders holding more than 5% of capital or voting rights.

#### LIABILITY AND BODIES

##### Changes in equity capital

Membership in a Raiffeisen bank and the associated rights and obligations are tied closely to the individual/entity in question. This is why individual shares normally cannot be sold or transferred. Resigning cooperative members have the right to redeem their share certificates at their intrinsic value, up to a maximum of their par value. They may only be redeemed once the annual accounts of the fourth year following the termination of membership have been approved, unless they are replaced with new share certificates in the same amount. 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 channelled into the Group's reserves in order to strengthen its capital base. The Raiffeisen Group's cooperative capital totals CHF 598.9 million.

### Security and liability

The Raiffeisen business model, its business policy, its high level of equity and the possibility of helping shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on the principle of mutual liability, which it has anchored in its Articles of Association:

- In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks, and therefore of the Raiffeisen Group as a whole. A total of CHF 906.2 million in equity capital of Raiffeisen Switzerland is available for this purpose.
- A solidarity fund serves as an organisation-wide reserve to cover risks. It mainly covers operating losses of the Raiffeisen banks and is fed through contributions made by the banks and the branches of Raiffeisen Switzerland. The disposable fund assets amount to CHF 338.9 million.
- 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. The additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland is CHF 9.3 billion.
- Should the annual balance sheet indicate that cooperative capital is no longer covered, the cooperative members are bound under an additional funding obligation of up to CHF 8,000 each in accordance with Art. 871 of the Swiss Code of Obligations.

The additional funding obligation of the cooperative members totals CHF 14 billion. The additional funding obligation for cooperative members has never been enforced in Raiffeisen's long history. It is only used if all the measures described above or all the funds of the entire Raiffeisen Group have been exhausted.

### GOVERNANCE BODIES OF RAIFFEISEN SWITZERLAND Raiffeisen Switzerland Delegate Meeting

The Delegate Meeting 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, the number of cooperative members and the balance sheet total of all the Raiffeisen banks in each regional union. There are currently 167 Delegate Meeting members.

The responsibilities of the Delegate Meeting include: changing the Raiffeisen Switzerland Articles of Association, drawing up model Articles of Association for the Raiffeisen banks, defining the Raiffeisen Group's long-term policy principles, issuing the financing principles governing the contributions made by Raiffeisen banks to Raiffeisen Switzerland, approving the annual report, and appointing and dismissing the members of the Board of Directors.

### Raiffeisen Switzerland Board of Directors

The Board of Directors strategically develops the Group, manages it financially and oversees Raiffeisen Switzerland and the Executive Board. It consists of nine to twelve members. It currently has eleven members. 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



HIGHLIGHT

**328** Raiffeisen is not just any bank. It is a banking group with 328 independent cooperative banks whose owners – the respective members – have a say in their bank’s future. No matter how different the various Raiffeisen banks may be due to their local ties, they all pride themselves on good service, sustainable business policies, security and client intimacy

down at the end of the term of office in which they attain the age of 65.

**Raiffeisen Switzerland Executive Board**

The Executive Board manages the operational business of the Raiffeisen Group. Among other things, it identifies relevant environmental influences and changes, develops necessary strategies and ensures that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, the Executive Board is charged with execution of the resolutions passed by higher bodies, with the competent, secure, forward-looking and successful management of the Group, with the financial and human resources organisation and with the implementation of risk policy.

The Executive Board consists of the Chairman and six other members, each of which is in charge of a department (see organisational chart on page 66). The extended Executive Board consists of the Executive Board and the Head of Group Risk Management.

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

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

Since the 2007 financial year, PricewaterhouseCoopers AG has been the auditor under the Swiss Code of Obligations for the whole Raiffeisen Group. It is appointed by the delegates for a term of three years. The attendant rights and obligations are governed by the Swiss Code of Obligations.

**RIGHTS OF CODETERMINATION**

**Raiffeisen banks**

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

Each cooperative member has one vote, irrespective of the number of share certificates they hold. A member can nominate another member, a descendant or their spouse to represent them. No proxy may represent more than one member, and they require written authorisation.

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 paper voting (secret ballot).

**Raiffeisen Switzerland**

The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the supreme executive body of Raiffeisen Switzerland.

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

## AUDITORS

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

The external auditor for Raiffeisen Switzerland, KMU Capital Ltd and RAINetworks Pte. Ltd. is PricewaterhouseCoopers.

PricewaterhouseCoopers AG, St.Gallen, is responsible for auditing the consolidated accounts of the Raiffeisen Group.

## INFORMATION POLICY

An open, active and transparent information policy is an integral part of the Raiffeisen Group's corporate philosophy. Communication with stakeholders extends beyond the legal requirements and adheres to the principles of truthfulness, continuity and matching words with deeds.

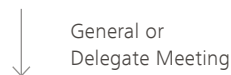
The Raiffeisen Group, in its capacity as the central organisation, is obligated by the FINMA to comply with capital adequacy rules and is thus subject to the disclosure requirements under supervisory law. Information is published in conformity with the regulations laid down in the Capital Adequacy Ordinance (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 is available at [www.raiffeisen.ch](http://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.

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### Cooperative members

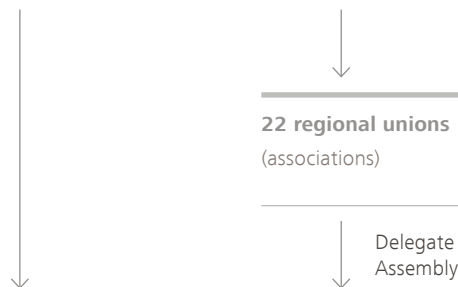
(individuals, limited partnerships and collective associations entered in the Commercial Register and legal entities)




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### 328 Raiffeisen banks (cooperatives)

Governance bodies: General Meeting, Board of Directors, Executive Board, auditor for the purposes of the Swiss Code of Obligations




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### Raiffeisen Switzerland (cooperative)

Governance bodies: Delegate Meeting, Board of Directors, Executive Board, auditor for the purposes of the Swiss Code of Obligations

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## Members of the Board of Directors (elected until 2012)

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



**Prof. Dr Johannes Rüegg-Stürm**

**Function** Chairman of the BoD and BoD Committee

**Accession** 2008

**Year of birth** 1961

**Place of residence** St.Gallen



**Philippe Moeschinger**

**Function** Vice-Chairman of the BoD and BoD Committee

**Accession** 2008

**Year of birth** 1960

**Place of residence** Thônex GE



**Rita Fuhrer**

**Function** Member of the BoD

**Accession** 2010

**Year of birth** 1953

**Place of residence** Auslikon ZH



**Angelo Jelmini**

**Function** Member of the BoD

**Accession** 2011

**Year of birth** 1955

**Place of residence** Lugano-Pregassona TI



**Anne-Claude Luisier**

**Function** Member of the BoD

**Accession** 2010

**Year of birth** 1967

**Place of residence** Ayent VS



**Daniel Lüscher\***

**Function** Member of the BoD

**Accession** 2008

**Year of birth** 1961

**Place of residence** Herznach AG



**Urs Schneider**

**Function** Member of the BoD and BoD Committee

**Accession** 2008

**Year of birth** 1958

**Place of residence** Amlikon-Bissegg TG



**Christian Spring\***

**Function** Member of the BoD

**Accession** 2002

**Year of birth** 1960

**Place of residence** Vicques JU



**Prof. Dr Franco Taisch**

**Function** Member of the BoD and Audit Committee

**Accession** 2008

**Year of birth** 1959

**Place of residence** Neuheim ZG



**Lic. iur. Edgar Wohlhauser**

**Function** Member of the BoD and Chairman of the Audit Committee

**Accession** 2006

**Year of birth** 1961

**Place of residence** Arth SZ



**Werner Zollinger**

**Function** Member of the BoD and Audit Committee

**Accession** 2006

**Year of birth** 1958

**Place of residence** Männedorf ZH

More information on the members of the Board of Directors is available in the Financial Report of the Raiffeisen Group or online at [www.raiffeisen.ch](http://www.raiffeisen.ch).

## Members of the Executive Board

\* Member of the extended Executive Board



**Dr Pierin Vincenz**

**Function** Chair of the Executive Board (CEO)

**Accession** 1999

**Year of birth** 1956

**Place of residence** Niederteufen AR



**Dr Patrik Gisel**

**Function** Head of Market department and Vice-Chairman

**Accession** 2000

**Year of birth** 1962

**Place of residence** Erlenbach ZH



**Michael Auer**

**Function** Head of Bank Relationship Management

**Accession** 2008

**Year of birth** 1964

**Place of residence** Speicher AR



**Damir Bogdan**

**Function** Head of IT & Operations (CIO)

**Accession** 2008

**Year of birth** 1969

**Place of residence** Speicher AR



**Paulo Brügger**

**Function** Head of Central Bank department

**Accession** 2005

**Year of birth** 1966

**Place of residence** Zumikon ZH



**Gabriele Burn**

**Function** Head of Marketing & Communication department

**Accession** 2008

**Year of birth** 1966

**Place of residence** Krattigen BE



**Marcel Zoller**

**Function** Head of Finance department (CFO)

**Accession** 2008

**Year of birth** 1957

**Place of residence** Goldach SG



**Dr Beat Hodel\***

**Function** Head of Group Risk Management (CRO)

**Accession** 2005

**Year of birth** 1959

**Place of residence** Bäch SZ

More information on the members of the Executive Board is available in the Financial Report of the Raiffeisen Group or online at [www.raiffeisen.ch](http://www.raiffeisen.ch).

Organisational chart of Raiffeisen Switzerland

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



## THE BATTLE AGAINST THE “GHOST VILLAGE”



The traditional corner shop of bygone times seems to have reached its last stand in a world in which often only size matters. And yet the typical village store is actually quite popular. In the Jura Arc, more and more shop owners have decided to join a cooperative that supports them in competition: Les Mini-Marchés. The concept is amazing. Amazingly simple.



“We have of course also considered expanding.” Adolf Lussi steers his car through the rich greenery of rural Jura. “But we told ourselves that we already have more than enough on our plates here.” Lussi parks in front of the weathered, romantic house in the small village. It is just after 11 in the morning in Courcelon. He lives here and works in neighbouring Courroux, the headquarters of the Mini-Marchés cooperative. The Swiss German found himself stranded in the Jura region several decades ago and stayed. And he also gave his new home something in return, by founding Mini-Marchés, managing the company for

many years and remaining active in achieving its vision even after handing the main responsibility over to someone else. Mini-Marchés is a well-known brand in the Jura Arc. Around 50 grocery shops, many of them typical corner shops in villages or suburbs, operate under the Mini-Marchés name. They have kept their independence while drawing on the cooperative for various services.





Typical village shop, an up-and-coming shop in the suburbs, a local urban shop, a shop in a shopping mall: the many faces of the Mini-Marchés cooperative.

## Survival through support

A prime example is right here in Courcelon. Monika Flückiger has been working for over four hours. Strolling through the shop, you can't help but notice the generous cheese counter, while an oven in the background works overtime to ensure there is always fresh bread, even in the evenings. Monika Flückiger's shop is one of the smaller Mini-Marchés, which all vary between 100 and 300 square meter in size. It is the only shop in Courcelon. Accounts, administration, insurance, marketing: "I could never get it done alone with only one part-time employee," says the shop owner. In addition, until recently she was unable to finance the shop's much-needed refurbishment.

And this is precisely where Adolf Lussi's idea enters the equation. The Mini-Marchés cooperative relieves its members of these tasks while preserving their independence. "Under our roof, the shops have a great deal more clout," says Lussi. "We can negotiate better

conditions thanks to bulk buying, handle administration for the shop owners, and offer them marketing measures such as a standard flyer." The cooperative is also an important instrument for the shops in terms of manage-

## A professional partner and still plenty of freedom: the shops decide what they sell.

rial accounting, a feature virtually lacking in many family-run businesses. Lussi has seen the outcome often enough: creeping revenue losses right up to bankruptcy.

## Regional specialities

Jack Vecchi followed in Adolf Lussi's footsteps as managing director. The Jurassien enjoys working on the front lines. His expert glance takes in Monika Flückiger's shop as he chats with customers. Vecchi is convinced that the shops' independence is the recipe for success

behind the Mini-Marchés idea. "Look over there – these products, the eggs, for example. They are not supplied by us, but are regional specialities, straight from the farmers. Our shops can sell what they like; we force nothing on them." Each shop stocks around 3,000 items, with some 800 forming the basis that must be available everywhere. The rest varies considerably from shop to shop.

There are three more shops on our route. Everywhere it's the same picture: a standard basic range supplemented with regional specialities. As a result, the shops remain a genuine alternative to the larger competition. After all, the times when communities carried out rescue operations for their village shops have passed. "And that's fine," says Adolf Lussi on the way to the next shop, "it's not up to the public sector to keep shops going. But a village needs a shop, just like a restaurant – not only as an offer, but also as a meeting place." But what happens when both are missing? "Ville de fantôme," (ghost town) says Adolf Lussi with a shrug.

## **T**he shop as a training camp

That is a fate that is not about to befall Delémont. Romain Bürki is hard at work filling the sweet (Guetsli) rack. The former butcher is currently completing a year of training before taking over the downtown shop here in the capital of the canton of Jura. Bürki is an example of how the Mini-Marchés cooperative ensures that its concept lives on. It not only supports existing shops, but also ensures that they are passed on to new hands, for example when the next generation comes along. If it sees potential, it rents the shop, finances its refurbishment and furnishings, and gets talented newcomers to the profession off to a good start by subletting shops to them.



Monika Flückiger, owner of the Mini-Marchés shop in Courcelon.

The novices, however, have to provide something themselves. The fixtures, the product range: all this certainly contributes to success, says Adolf Lussi. "But about 80 percent of a shop's success depends on the owner: is he friendly, motivated, does he get on well with the customers?" If all that falls into place, the prices of the products will no longer be the sole criterion. Large chains rely on standardisation, while the strength of a village shop lies in its individuality. Proximity is crucial for the initiators

of Mini-Marchés – and this would be lost if shops at the other end of Switzerland had to be supplied. "For me this is where the core of cooperative thinking lies," says Adolf Lussi – each step forward is carefully considered. The Jura Arc is large enough and there is still potential for growth, he contends. There are plenty of village shops in the countless villages within the current trading area waiting to be rescued – or resurrected.

## **About Mini-Marchés**

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Les Mini-Marchés cooperative helps people to help themselves, backing independent retail by supporting its members in running their shops. This includes negotiating purchasing and delivery conditions, marketing and administration services, as well as further education and technical support. Around 50 shops in the Jura Arc operate under the Mini-Marchés brand. Visit [www.mini-marches.ch](http://www.mini-marches.ch) for more information.

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— **Raiffeisen Group**

— Agenda

— 2012/2013

**16.06.2012**

Delegate Meeting

Raiffeisen Switzerland in Zurich

**15.08.2012**

Publication of half-year results

Phone conference for analysts and media

**01.03.2013**

Annual accounts

Annual Report press conference

Phone conference for analysts

