

Always there where numbers count.

RAIFFEISEN

We open up new horizons

Key figures 2014

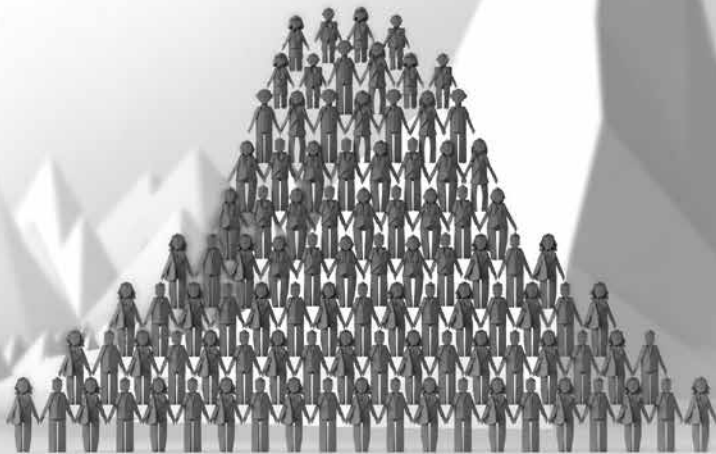
The Raiffeisen Group continued to consistently and successfully implement its growth strategy. The credit volume rose 4.9% to CHF 158.8 billion. Refinancing was provided by a strong increase in customer deposits (CHF +5.8 billion) to CHF 143.8 billion. Operating income rose to over CHF 2.8 billion, while gross profit exceeded CHF 1 billion once again.

	2014 Amounts in millions CHF	2013 Amounts in millions CHF	Change in %
Key balance sheet figures			
Total assets	188,640	176,575	6.8
Loans to clients	158,778	151,409	4.9
of which mortgage receivables	150,880	143,659	5.0
Client deposits	143,810	138,059	4.2
Client deposits in % of loans to clients	90.6%	91.2%	
Key income statement figures			
Operating income	2,827	2,791	1.3
Total operating expenditure	1,765	1,723	2.5
Gross profit	1,062	1,068	-0.6
Group profit	759	717	6.0
Cost/income ratio	62.4%	61.7%	
Capital resources			
Total equity capital	12,060	11,208	7.6
Return on equity (ROE)	6.5%	6.6%	
Equity ratio	6.4%	6.3%	
Total capital ratio	15.3%	14.9%	
Market data			
Share of mortgage market	16.6%	16.3%	
Share of savings market	18.7%	18.9%	
Number of cooperative members	1,846,747	1,828,202	1.0
Client assets			
Client assets under management	197,089	187,297	5.2
Lending business			
Losses on lending business	19	18	7.7
as % of loans to clients	0.012%	0.012%	
Resources			
Number of employees	10,755	10,593	1.5
Number of full-time positions	9,028	8,887	1.6
Number of Raiffeisen locations	1,015	1,032	-1.6

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3.7 million clients put their trust in Raiffeisen – that is almost half the Swiss population. If they formed a human pyramid, it would be as high as the Matterhorn. This makes Raiffeisen the third-largest bank in Switzerland.



Important events in 2014

28 FEBRUARY

Profit exceeds 1 billion francs for the first time

Raiffeisen announces the highest profit in the Raiffeisen Group's history at the Annual Media Conference: gross profit surpassed the one billion mark for the first time to reach CHF 1.068 billion. This represents a 15.2% increase compared to the previous year.

20 MARCH

Inauguration of the Raiffeisen Business Owner Centre (RUZ)

Switzerland's first Raiffeisen Business Owner Centre (RUZ) opens in Gossau SG on 20 March. The Raiffeisen Group's RUZ is an innovative platform for business owners. It is intended to become Switzerland's first networking hub for business owners.

13 AUGUST

Swiss National Bank classifies Raiffeisen as systemically important institution

The Swiss National Bank (SNB) establishes the systemic importance of Raiffeisen as a financial group. SNB holds the view that Raiffeisen offers services that are indispensable for the Swiss economy and that cannot be replaced in the short term. The crucial factor in the SNB's decision is Raiffeisen's strong market position in Switzerland's deposit and lending business.

27 OCTOBER

Notenstein Asset Management Ltd. is in development

By establishing Notenstein Asset Management AG as a new subsidiary, Raiffeisen has strengthened its asset management and investment capabilities within the Group and taken a logical step forward in its diversification strategy. The new organisation consolidates the business areas previously occupied by various asset management companies in the Raiffeisen Group. Notenstein Asset Management Ltd. is likely to begin its operating activities in mid-2015.

6 NOVEMBER

Raiffeisen and Avaloq form ARIZON Sourcing AG

Raiffeisen and Avaloq form ARIZON Sourcing AG under the helm of CEO Mathias Schütz. The company implements and runs Raiffeisen's retail banking platform. In 2017, Raiffeisen will replace its current front-office system and migrate securities processing to new Avaloq-based banking software. The cooperation agreement with Vontobel was terminated as of mid-2017.

Strong cooperative – outstanding results



The market did not perform as expected in 2014. Long-overdue structural reforms in many of Europe's economies have yet to materialise. In addition, ultra-low or even negative interest rates and heavy-handed interventions by national banks are spreading uncertainty in the capital market. Swiss exporters – and thus most SMEs – are suffering under the strong franc.

Despite the difficult market environment, Raiffeisen still performed exceptionally well in 2014. Group profit went up further, while gross profit once again exceeded one billion francs. We increased loans to clients to CHF 159 billion by originating CHF 7 billion of new mortgages. This enabled us to outperform the market slightly and to continue to successfully grow our core business without compromising the high quality of our loan portfolio. In addition, our capital base is excellent. Our sustainable business model puts continuity ahead of yield. While Raiffeisen's classification as a systemically important institution underscores the importance of our banking group to the Swiss market, it also highlights our responsibility to Switzerland and the domestic economy.

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

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

Consistently low interest rates and narrow margins in the lending business impel us to broadly diversify our earnings base. The strategic expansion of the investment client segment is making good progress. Assets under management have gone up significantly. Also, the establishment of Notenstein Asset Management AG strengthened our asset management capabilities for institutional clients.

The corporate clients business reported favourable growth as well. In recent years, we have succeeded in positioning Raiffeisen as an SME bank that also offers non-financing services, such as preferential access to a broad network of experts in succession planning. The Raiffeisen Business Owner Centre (RUZ), which opened in Gossau in March 2014, offers local SMEs an innovative cross-industry networking platform. Two more RUZ centres will open over the course of 2015.

As the world becomes more digital and client requirements change, an efficient, innovative IT infrastructure has become crucial for competing in the banking industry. Together with Avaloq, we set up ARIZON Sourcing AG in order to replace our current front-office system and migrate securities processing to new Avaloq-based banking software.

Raiffeisen's culture and sustainable cooperative model enable open, honest discussions about the bank's future. The basic Raiffeisen Group strategy was developed in talks with more than 1,500 managers and began to be implemented and entrenched in the organisation in the current year as part of "Raiffeisen Dialogue 2014". In 2015, we will present and discuss the basic strategy with the entire staff so that every employee can understand and embrace it.

Our cooperative is appreciated by the community, as evidenced by steady growth in membership: 1.8 million people are now Raiffeisen members. That is nearly one-quarter of the Swiss population. We would like to express our gratitude for the trust placed in us. We also want to thank the 10,000-plus employees throughout Switzerland who worked hard to bring another year to a successful close for Raiffeisen.



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



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

Global economic environment

Little momentum in the global economy

Switzerland achieved strong growth again in 2014 despite a lack of support from the global economy. However, it still faces considerable challenges, given the slow recovery in the Eurozone and the unexpected unpegging of the Swiss franc. Nonetheless, it should be possible to avoid a recession in 2015. Moreover, there are no indications of a crash of the real estate market, which has recovered somewhat.

The hopes for a broad-based acceleration of global economic growth did not materialise last year. The global economy was bogged down by geopolitical conflicts and the persistent slackening of high growth in emerging markets. In addition, economic momentum in industrialised nations picked up less than expected. Japan slipped into a technical recession and recovery in the Eurozone remained agonisingly slow.

The US economy was one of the main bright spots on the economic horizon. Solid domestic demand in the US fuelled strong employment growth. As a result, the employment market is much closer to normalisation, which brightened consumer sentiment and stimulated private consumption. Investment also recovered. The business outlook in the Eurozone has become grimmer over the previous year due to weaker foreign demand and geopolitical uncertainty. Once again, the member states advanced at widely varying rates overall. While growth in the assistance-receiving countries – Greece, Ireland, Portugal and Spain – improved slightly, France seems locked into place and Italy has slipped back into a recession. Germany returned to a moderate growth track following stagnation in the summer half-year.

Despite economic headwind from the Eurozone, Switzerland achieved robust growth once again. Foreign trade proved solid in spite of the weakness of its key trading partners. Another important growth pillar is private consumption with persistent population growth and low unemployment. Also, Swiss manufacturing played a reliable part in the growth of 2014 once again. In the construction sector, momentum has slowed down somewhat while activity remains high.

The diverging economic trends of the US and the Eurozone have also widened the gulf between geopolitical paths. While the US Fed has ended its bond purchases and has thus moved closer to an interest rate hike, monetary policy was eased even more in the Eurozone, primarily with unconventional instruments such as negative interest rates and securities purchases. Long-term interest rates dropped surprisingly as investors realised that monetary policy outside the US will be even more expansive and that global growth will fall short of expectations in 2014. Inflation expectations declined considerably during the year, particularly after oil prices began to deteriorate in the middle of the year. Long-term interest rates were on a downward trend even in the US, which is somewhat ahead of the global economy. The movement there was less pronounced than in the Eurozone or in Switzerland, where interest rates fell to new

historic lows. Yields on 10-year government bonds in Germany went down from 2% to 0.5% at the end of 2014, and in Switzerland they even went down from 1% to 0.2%. This downward trend continued at the start of 2015.

Financial market volatility heightened in the second half-year, and demand intensified for safe-haven currencies such as the Swiss franc toward the end of the year. This was triggered by financial market turmoil in Russia and discussions about Greece's possible exit from the Eurozone. The exchange rate of the euro against the Swiss franc edged dangerously close to the 1.20 floor. For the first time since summer 2012, the Swiss National Bank (SNB) had to pump billions into the currency market. The introduction of negative interest rates, as modelled by the ECB, did not ease the upward pressure, so the SNB in a surprise move abandoned the Swiss franc floor in January 2015, causing massive turmoil in the Swiss equity market and for the franc.

This year will probably reveal how the Swiss economy can handle the new currency reality. The strong franc is a tough test for the export and tourism sector. From a macroeconomic view, however, relatively resilient industries such as the pharmaceutical and clock- and watch-making industries should be able to partially offset the drop in segments that are more sensitive to exchange rate fluctuations. Furthermore, aside from the exchange rate, GDP

growth in importing countries is another key driver of the export momentum. Here the signs are positive. In the Eurozone, the weak euro and the low oil prices raise hopes that the economy's momentum will improve. Growth in Switzerland is broadly based and the outlook for consumption is not as grim. All in all, this indicates that growth will slacken but that it will be possible to avoid a recession. Nor are there any indications of a crash in the real estate market. Mortgage growth has moderated, and the soft landing in property prices is beginning to take shape.

Strategy

Purposefully pursuing a proven success story

Raiffeisen strengthens its market position as Switzerland's leading retail bank. The banking group is building a successful future on its focused market position and the determined execution of its strategy.

REVIEW AND ACHIEVEMENT OF TARGETS IN 2014

The market environment posed a host of challenges in 2014. The macroeconomic climate had still not fully recovered from the crisis. Shrinking margins and persistent consolidation pressure put additional strain on banks. In addition, a multitude of new regulatory requirements had to be satisfied.

However, Raiffeisen had an extremely successful financial year despite the adverse environment. We gained further market share in the savings and mortgage businesses. In fact, our strong market position in these segments prompted the Swiss National Bank in August to classify the Raiffeisen Group as systemically important for the domestic market. We continued to execute our income diversification strategy by establishing Notenstein Asset Management AG. We kept our focus on efficiency increases and rigorous cost discipline in addition to the growth initiatives. All these factors contributed to very good operating results.

The cooperative business model proved its worth once again this financial year. The rigorous execution of the Group strategy will put us in a prime position to tackle tomorrow's challenges.

TRENDS AND CHALLENGES

The Swiss banking market will continue to change in the years to come. The market situation will be affected not only by macroeconomic challenges but also by rising client expectations, fierce competition and persistent

regulatory pressure.

Fragile economic environment

The Swiss economy faces a host of challenges thanks to muted growth expectations for the Eurozone and the unpegging of the Swiss franc. Economic development remains dominated by the central banks' low interest rate policy as well. Price growth in the real estate market is slowing, and the predicted "soft landing" is drawing closer. In this environment, banks are focusing on long-term stability and maintaining cautious lending policies.

Fierce competition

Banking will become even more competitive, especially as non-banking competitors enter the market. This will squeeze margins even more. At the same time, stricter regulation and new technology are pushing up costs. Rising cost and earnings pressure will accelerate consolidation in the banking sector. In this intense market environment, banks will need to stake out clear positions, streamline processes and critically examine their value chains in order to compete successfully.

High client expectations

Client expectations will change as new technologies emerge. Social media and electronic sales channels will become increasingly important. More and more customers expect anytime, anywhere access to banking services. Today's clients are globally networked and financially well-educated. Banks need innovative advisory approaches and sales concepts in order to offer added value to clients. The various channels

must be closely coordinated in order to ensure a seamless advisory experience across channels. Banks must meet these challenges by investing in IT, their sales network and employee training.

Persistent regulatory pressure

Few industries are more regulated than banking, and this appears unlikely to change. In Switzerland, the regulations mainly target the stability of the financial industry (e.g. systemic importance) and improved client protection (e.g. Financial Services Act, FIDLEG). The international harmonisation of regulations will continue as well. All of these various requirements impact not only clients and employees, but also internal processes and IT systems. Compliance with these requirements involves significant expense and administrative effort. As such, compliance activities need to be as efficient as possible.

STRATEGIC OBJECTIVES AND MEASURES

The strategic approaches of the last several years have proven successful and significantly contributed to Raiffeisen's long-term success. We will continue to implement them rigorously.

High-quality growth in the core business

Raiffeisen's core business is the domestic savings and mortgage market. While we plan to further expand our strong market position in this area, our focus is not on growth at any cost. In particular, we aim to achieve sustainable and profitable growth by putting security before profitability, and profitability before growth. Our future success will continue to be based on our broad client base and close client intimacy. Our approx. 3.7 million clients have access to a network of roughly 1,000 bank branches and an innovative electronic sales network. On this basis, we want to expand the number of main bank clients by pursuing a client support and advisory approach tailored to each segment. The cities and metropolitan areas in particular hold potential for winning new clients.

Diversification of business areas

The rates business remains Raiffeisen's strongest pillar of income. Expanding into new business segments, however, is expected to broaden the earnings base and diversify risks. At the same time, clients are looking for a one-stop shop to supply the full range of products and services. Two complementary approaches are being used to achieve diversification.

- The first approach focuses on existing clients. Raiffeisen has a broad client base and understands its clients' needs very well. We will tap into this potential by expanding our investment and corporate clients business. Regional centres for investment and corporate clients are available to offer high-quality services to demanding clients. To support the advisors, we are currently expanding our range of research and advisory services. In addition, corporate clients can access a broad business network through our Raiffeisen Business Owner Centre.
- The second approach widens the range of private banking and asset management services. The market is cultivated by independent subsidiaries. In private banking, Notenstein Private Bank Ltd concentrates on providing investment advisory and asset management services to private individuals in Switzerland and selected target markets. Notenstein Asset Management AG provides services for institutional clients. This clear structure allows us to resolutely pursue our diversification strategy.

Raiffeisen Group capital investment 2010–2014, by category

(net investment, in million CHF)

	2010	2011	2012	2013	2014
Bank buildings	161	121	176	89	56
Other real estate	25	21	20	2	2
Alterations and fixtures in third-party premises	36	28	11	19	18
IT hardware	27	15	17	19	13
IT software	18	17	20	11	34
ATMs	17	7	6	9	8
Furniture	8	7	9	5	3
Fixtures	12	12	7	11	4
Office machines, vehicles, security installations	12	9	6	9	5
Total net investment	316	236	272	174	143

Raiffeisen Group capital investment 2010–2014, by region

(net investment, in million CHF)

	2010	2011	2012	2013	2014
Lake Geneva region	37	30	15	15	18
Espace Mittelland	53	57	43	28	17
Northwestern Switzerland and Zurich	37	20	30	26	24
Eastern Switzerland*	136	101	153	82	65
Central Switzerland	28	18	19	11	12
Ticino	24	10	12	12	7
Total	316	236	272	174	143

* incl. central investment by Raiffeisen Switzerland

Increasing productivity

Persistently low interest rates, planned growth initiatives and compliance with new regulations require rigorous cost discipline throughout the company. A sustained increase in productivity will enable us to remain competitive in the years to come. Competitiveness, however, depends on the efficient provision of standard services, especially in retail banking. That is why Raiffeisen critically analyses its cost pools on an ongoing basis. We are currently focused on the standardisation and modernisation of the IT infrastructure and application environment. We are also constantly standardising processes and leveraging economies of scale.

Strengthening the corporate culture

Raiffeisen has a unique culture and cooperative business model. It embraces and applies its core values – credibility, sustainability, entrepreneurship and client intimacy – within its organisation and in its relationships with clients. The revision of the basic strategy is a prime example of the Raiffeisen culture. It was jointly developed in a participative process by Raiffeisen Switzerland and the Raiffeisen banks over a period of several years. The result of this mutual exchange is a strategy that all employees understand, support and apply in their day-to-day activities.

Raiffeisen carefully cultivates its leadership culture and the training and development of its employees. It has taken a leading role in diversity, work-life balance and family friendliness. By adhering to these values, Raiffeisen has positioned itself in the market while boosting its standing as an attractive employer (also see the "Sustainability" chapter in this report).

INVESTING IN THE FUTURE

Switzerland's banking market is still changing. Raiffeisen wants to play an active part in shaping the change processes. That requires investments in future projects. At present, it is focused on the modernisation of the core banking application by ARIZON, a new technology company. It is also continuing to invest in the targeted expansion of its sales network and digital channels.

These priorities are reflected in the distribution of Raiffeisen's net capital expenditure. Most of its spending goes towards the IT infrastructure and the establishment and expansion of a modern sales network. In this respect, Raiffeisen is a major investment partner in all Swiss regions.

STRATEGIC MANAGEMENT PROCESS

The strategic management process is used to review the Raiffeisen Group's strategy every year and update it as circumstances change. With this goal in mind, Raiffeisen Switzerland's Executive Board and Board of Directors analyse the internal and external situation. Their findings are used to determine the strategic approaches for the next three years. Finally, strategic and financial target parameters are defined to enable the decisive execution and monitoring of the Raiffeisen strategy.

Raiffeisen has long used a balanced scorecard (BSC) to measure and manage target achievement. This instrument tracks financial targets as well as client, process and employee parameters to obtain a 360° assessment.

1. Initial analysis	2. Determination of strategic approaches (EB and BD conferences)	3. Definition of strategic metrics (BSC) and multi-year financial planning	4. Budgeting of day-to-day business and projects
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The following selection of key performance indicators puts Raiffeisen's strategic approaches in an operational context.

Target value	BSC dimension	2012 current value	2013 current value	2014 current value	Achievement of targets in 2014	2015 target value
Loans to clients	Clients	+ 5.6 %	+ 5.3 %	+ 4.9 %	■	+ 4.0 %
Customer deposits	Clients	+ 8.9 % ¹	+ 3.8 %	+ 4.2 %	■	+ 4.0 %
Gross new provisions Value adjustments	Finance	0.05 %	0.05 %	0.05 %	■	< 0.15 %
Cost/income ratio	Processes	62.9 % ²	61.7 %	62.4 %	■	< 62.4 %
Turnover of key persons	Employees	3.1 %	2.9 %	3.4 %	■	< 5.0 %

■ Target achieved ▲ Target partially achieved ● Target not achieved

1) Figure including customer deposits held at Notenstein Private Bank Ltd

2) Figure excluding employer contribution to strengthen the pension fund (exceptional item)

Business trend

Successful strategy in a dynamic environment

The Raiffeisen Group defended its position extremely well in a challenging financial year. It achieved excellent growth and a healthy operating profit in its core business. The Group profit of CHF 759 million exceeded the previous year's already excellent result by CHF 43 million.

In 2014, the banking environment was characterised by economic uncertainty, high financial market volatility, relentless pressure on margins, fierce competition and tightening regulation. The Raiffeisen Group was classified as systemically important in the year under review due to its large market share in the domestic deposit and savings business. As a result, it faced stricter regulatory requirements, including changed expectations with respect to capital and liquidity. The Group continued to strategically expand its investment and corporate clients business. The acquisition of CEAMS Holding AG, an asset management firm, and the formation of Notenstein Asset Management Ltd, a new subsidiary established to consolidate all asset management companies, are important steps towards greater income diversification. To respond better to rapidly changing technologies and processes in advisory services and client communications, Raiffeisen and Avaloq AG founded ARIZON Sourcing Ltd. This technology company will develop new Avaloq-based banking software. The current retail banking platforms are scheduled to start being migrated in 2017.

The Group saw volumes rise considerably in its traditional retail business and its newer investment business and private banking business. While loans to clients grew slightly less than in the year before, they still grew faster than the overall market. The mortgage business in particular is experiencing a moderate slow-down. The inflow of customer deposits was slightly

higher than in the previous year. Raiffeisen succeeded in maintaining market share in this area. Assets under management rose markedly as a result of growth initiatives and acquisitions. As in the previous year, Raiffeisen did very well issuing its own structured investment products.

Despite a difficult market environment and further margin squeezing, Raiffeisen succeeded in boosting operating income slightly. However, the investment business incurred significantly higher personnel expenditure as it is still in the build-up phase. Gross profit was nearly unchanged, reaching CHF 1,062 million (previous year: CHF 1,068 million). The record Group profit of CHF 759 million is partially attributable to an exceptional item. The sale of the shares in Vontobel Holding Ltd generated CHF 44 million in non-recurring income. No post-balance sheet date events occurred that would have a significant impact on operating profit. Information on the consolidation principles and consolidated companies can be found in the notes to the consolidated annual accounts. The merger of Notenstein Private Bank Ltd and the bank La Roche & Co AG took place in the 2015 financial year and thus has no impact on these annual accounts.

INCOME STATEMENT

Income from ordinary banking activity

Operating income went up CHF 36 million (+1.3%) to CHF 2.8 billion thanks to excellent performance from the commission and service business and other ordinary profit. The Group achieved this increase even though the challenging market environment resulted in lower net trading income.

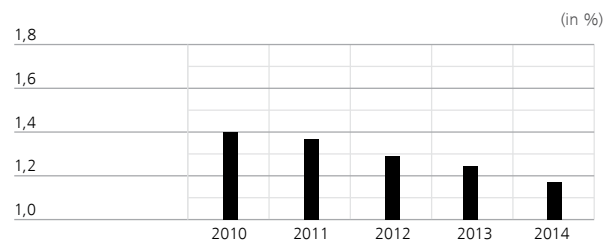
The interest margin dropped seven basis points compared to the previous year and now stands at 1.17%. Low general interest rates and fierce competition prevented margins from improving in the rates business. The interest margin has been declining for some time. Raiffeisen has experienced a loss of 27 basis points in the last five years. Despite the pressure on margins, net interest income remained unchanged year on year thanks to strong volume growth. The situation remained difficult despite interest-rate adjustments, especially in the deposit-taking business. Raiffeisen's latitude to set rates continues to narrow amid very low prevailing interest rates. Hedging costs remained virtually unchanged and had no impact on the change in net interest income.

Income from the commission and service business (note 19) increased by a significant CHF 33 million to reach CHF 429 million. Commission income from the lending business and from other service transactions increased by over 10% respectively. The securities and investment business saw an increase of CHF 12 million. Of this amount, CHF 7 million is attributable to Notenstein Private Bank and its asset management subsidiaries. Income from other service transactions went up CHF 24 million. The growth was partly due to significantly higher volumes in the payment business and new revenue from SME advisory services. Commission expenditure went up CHF 4 million (+4%), but increased more slowly than income growth.

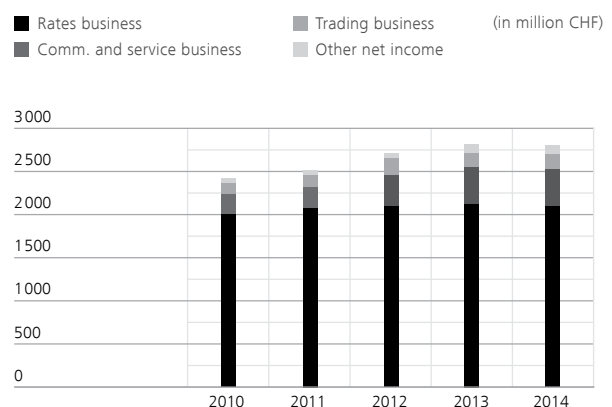
The Group saw net trading income (note 20) fall CHF 28 million to CHF 158 million due to the difficult bond market situation. The gains in foreign exchange trading of CHF 8 million were clearly unable to compensate for the income losses of CHF 33 million from fixed income trading.

Other ordinary profit grew strongly, increasing CHF 28 million, or 34.9%, to CHF 107 million. This increase was largely fuelled by three factors. First, income from participating interests

Interest margin



Performance of income items



increased significantly thanks to excellent year-end results on participations valued according to the equity method (especially Aduno Holding Ltd and Leonteq Ltd) and the increase in the participating interest in Leonteq Ltd. Second, negative value adjustments of financial assets valued at the lower of cost or market were significantly lower in the current financial year than the previous year. Finally, the Group also increased various income items from advisory services.

Operating expenditure

The diversification strategy has had a clear impact on operating expenditure. It increased by CHF 42 million (+2.5%) to nearly CHF 1.8 billion, largely due to the strategic expansion of private banking and asset management. Personnel expenditure was particularly affected by employee recruiting for these business segments. At the same time, the Group succeeded in cutting other operating expenses CHF 13 million. The cost/income ratio increased from 61.7% to 62.4%.

Personnel expenditure

Personnel expenditure (note 22) increased by a significant CHF 55 million (+4.6%) to CHF 1.3 billion, mainly due to the previously mentioned expansion of private banking and considerable investment in the institutional clients and asset management businesses. The relatively large increase was also fuelled by the formation of the Raiffeisen Business Owner Centre (RUZ) in March 2014 and general pay increases. The overall headcount increased by 141 (+1.6%) to 9,028 full-time equivalents (FTE). This included an increase of 50 FTE in the traditional core business.

Other operating expenses

Thanks to rigorous cost discipline, the Group lowered other operating expenses (note 23) by CHF 13 million, or 2.5%, to CHF 500 million. CHF 7 million was cut from the cost of IT and equipment. Other operating expenditure was reduced by CHF 9 million, mainly in advisory services. Occupancy costs, however, went up due to the new locations for asset management and the Raiffeisen Business Owner Centre.

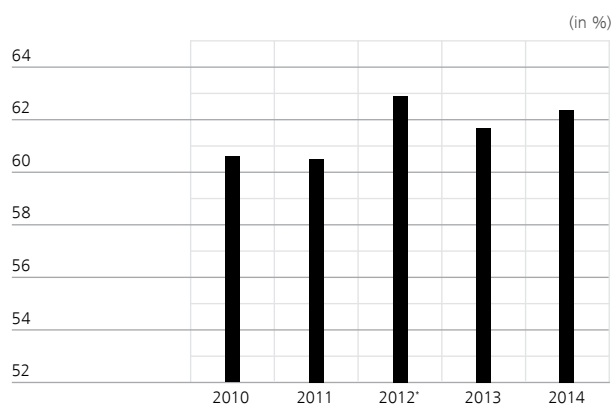
Depreciation on fixed assets

Depreciation on fixed assets (note 4) decreased again, as in the previous year. It fell CHF 15 million, or 8.2%, to reach CHF 164 million. The Group has replaced other tangible assets (e.g. movables) at a slower rate in recent years, and so the need for depreciation in this category declined CHF 5 million. The previous year's goodwill from the acquisitions of Notenstein Private Bank Ltd in the asset management sector was already completely written down. For this reason, goodwill write-downs declined CHF 10 million year-on-year to reach CHF 16 million.

Value adjustments, provisions and losses

Value adjustments, provisions and losses went down CHF 12 million, or 47.8%, to CHF 13 million. Provisions for other business risks rose CHF 8 million as new provisions were recognised to cover possible third-party costs in connection with the US tax dispute. However, this

Cost/income ratio trend



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

is much less than the CHF 20 million in new provisions recognised for the same reason in the previous year. Losses recognised directly in income reached nearly CHF 4 million (previous year: CHF 5 million). Actual losses on lending business posed no problems. They amounted to CHF 19 million (previous year: CHF 18 million), including appropriate application, and make up 0.01% of all loans to clients, as in the previous year.

Extraordinary income and expenditure

The extraordinary income (note 24) of CHF 57 million includes CHF 6 million in reversals of value adjustments and provisions for default risks. In addition, the sale of the shares in Vontobel Holding Ltd generated CHF 44 million in non-recurring income. In the previous year, this item included an extraordinary item of CHF 12 million from a warranty repayment. The extraordinary expenditure of CHF 4 million mainly comprises CHF 2 million in losses from the sale of tangible assets.

BALANCE SHEET

Total assets increased by CHF 12.1 billion to CHF 188.6 billion. Stable growth in the retail business led to high increases in loans to clients and customer deposits. Total assets were also affected by the refinancing of debt by the Treasury department to cover the Group's wholesale funding needs and liquidity requirements, which are set to tighten in the future under the revised Liquidity Ordinance.

Receivables from money market securities

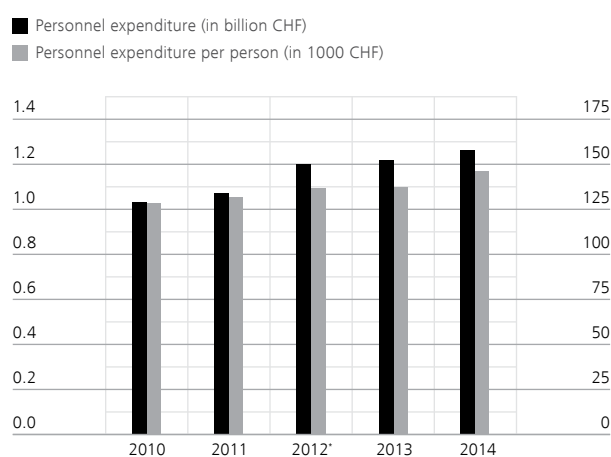
The Group reduced its holdings of money market securities by a significant 47.9% to CHF 167 million and invested a corresponding amount in financial assets in response to the current interest rate situation.

Receivables/liabilities to other banks

Interbank business volume increased considerably in 2014. Most of the unsecured interbank loans have short maturities. The current low

market rates have brought the repo market to a virtual standstill. Receivables from banks are CHF 5.9 billion, a decrease of 16.3% compared to the previous year. Liabilities rose CHF 0.7 billion to CHF 6.9 billion due to high investment demand from other banks.

Change in personnel expenditure and personnel expenditure per FTE



* Does not include any one-time employer contribution to the Raiffeisen Pension Fund

Loans to clients

The increase of CHF 7.4 billion in loans to clients almost matched last year's gain. This rapid volume growth helped significantly to keep net interest income stable despite increased pressure on margins. The increase in the mortgage business was CHF 7.2 billion, which was slightly less than in the previous year (+CHF 7.7 billion), but still better than the market. Continued low interest rates have fundamentally changed demand for various mortgage products. Fixed-rate and, increasingly, Libor mortgages are very popular. Conversely, the proportion of variable-rate mortgages has dropped from over one-quarter of the total mortgage book to less than 8% in the last five years. Other loans went up nearly CHF 147 million solely due to the corporate clients' business. Loans to private homeowners are largely responsible for rapid increases in credit volume in recent years. The rather conservative risk policy was not compromised for the sake of high growth. Average loan-to-value ratios and typical loan amounts have hardly changed over time. Value adjustments for default risks went down again in 2014. It now represents only 0.157% of loans (previous year: 0.175%).

Trading portfolios in securities and precious metals

Trading portfolios (note 2) climbed a considerable CHF 828 million, or 60.6%, to CHF 2.2 billion in the current year. Holdings of stock exchange listed debt instruments increased by CHF 633 million to CHF 1.3 billion, while holdings of shares rose CHF 198 million to CHF 251 million. Precious metals portfolios remained practically unchanged. The capital adequacy requirements for market risks in the trading book are detailed on page 90.

Financial assets

Securities holdings in financial assets (note 2), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value rose CHF 1.6 billion to CHF 5.9 billion.

Non-consolidated participations

Non-consolidated participations (notes 3.2 and 3.3) declined CHF 105 million overall, or 14.6%, to CHF 614 million after selling all the shares in Vontobel Holding Ltd. At the same time, Raiffeisen purchased CHF 84 million in additional participations. This included substantial increases in its holdings of participations in SIX Group Ltd, Helvetia Holding Ltd and Leonteq Ltd. The value of the participations in Aduno Holding Ltd, Pfandbriefbank schweizerischer Hypothekarinstitute AG and Leonteq Ltd increased by CHF 29 million according to the equity method. The Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights for operational and business policy reasons.

Tangible and intangible assets

For the first time in recent history, the book value of tangible assets (note 4) did not increase, but rather decreased slightly by CHF 4 million to CHF 2.4 billion. Investment volume fell CHF 40 million to CHF 170 million. The Group is starting to taper down the expansion of its sales network, including the opening of new bank locations. When investing in other tangible assets, the Group is focusing more on what is strictly necessary. The development of the future retail banking platform, a project recently started in cooperation with Avaloq AG, is beginning to make its presence known in the form of higher software investments. Intangible assets went up considerably by CHF 74 million, or 34.3%, to CHF 289 million. This rise is largely fuelled by an increase in the stake held in Leonteq Ltd and the acquisition of new participations in asset management (CEAMS Holding AG) and SME advisory services (Business Broker AG).

Customer deposits

Customer deposits grew slightly faster than in the previous year. They climbed CHF 5.8 billion (previous year: +CHF 5.0 billion) to CHF 143.8 billion. This increase is in line with the general market trend. The year-on-year increase in the

deposit growth rate was largely due to good performance in the large institutional clients' business. The retail business, by contrast, did not quite match the previous year's growth rate. Raiffeisen saw above-average growth in cities and urban centres in particular. It improved its presence in these market areas in recent years by opening new bank branches. As interest rates remain low, fixed-income investment accounts continued to hold little appeal for clients. Total holdings in medium-term notes and time deposits decreased by CHF 0.8 billion. Savings and transaction accounts, on the other hand, rose a significant CHF 6.5 billion.

Bonds and Pfandbriefdarlehen

Various factors led to a significant increase in bonds and Pfandbriefdarlehen, from CHF 3.8 billion to CHF 21.6 billion (note 8). Liabilities to Pfandbriefbank went up CHF 2.7 billion. Raiffeisen banks rely heavily on Pfandbriefdarlehen along with customer deposits as a source of funding to cover persistently high growth in loans to clients. They are also an important tool for managing liability maturities. After redeeming a large bond at the start of the financial year, Raiffeisen Switzerland issued three new bonds totalling CHF 675 million at very favourable terms in the second half-year. The total volume of structured investment products issued by Notenstein remains satisfactory. These products are recognised as bonds or as liabilities from money market securities, depending on their maturity. Products with maturities of more than one year grew by almost CHF 900 million, largely due to high demand for withholding tax-free investment products. These products have been offered by the newly formed Notenstein Finance (Guernsey) Ltd since September 2014.

Value adjustments and provisions

Value adjustments and provisions (note 9) changed only marginally, increasing CHF 4 million. Provisions for deferred taxes increased by CHF 28 million, while all other value adjustment categories were reduced. Value adjustments for default risks decreased by CHF 16 million

to CHF 249 million. The remaining provisions for restructuring of CHF 1 million were used in conformity with the designated purpose during the current year. Provisions for other business risks also went down CHF 6 million on a net basis to CHF 44 million due to appropriate application. However, another CHF 7 million had to be set aside in the 2014 financial year for third-party services in connection with the US tax dispute.

Equity capital/capital

Equity capital with minority interests (note 10) went up CHF 852 million to CHF 12.1 billion. Being a cooperative, Raiffeisen is under an obligation to retain a large proportion of its earnings. In addition, the cooperative members of the Raiffeisen banks made heavy use of the option to subscribe for stock in their bank in the year under review. The total capital ratio pursuant to Basel III capital adequacy rules increased from 14.9% to 15.3%. The Basel III capital adequacy target that Raiffeisen is required to meet as a Category 2 bank under FINMA rules is 14.8%, after taking into consideration the second countercyclical capital buffer (increased in June 2014); the Group exceeded this target by 0.5 percentage points at the end of the year. The Raiffeisen Group also clearly exceeds the capital adequacy requirements for systemically important banks (see "Systemic importance" chapter).

Off-balance-sheet business

Contingent liabilities (note 16) increased by a moderate CHF 33 million to CHF 413 million, driven by an increase in collateral securities.

Irrevocable commitments were virtually unchanged at CHF 7.0 billion. This item mainly consists of loans for which a firm commitment has been given. It also includes the Raiffeisen Group's payment obligations to the customer deposit protection scheme. They amounted to CHF 1,051 million (previous year: CHF 1,036 million).

2014 was characterised by a negative expected and effective interest rate environment for short maturities. This triggered an increase in transaction volumes in short-term interest rate contracts. The contract volume for derivative financial instruments (note 17) fell CHF 12.2 billion to CHF 144.6 billion. Hedging transactions for the bank book rose CHF 1.6 billion to CHF 42.8 billion. This increase was principally due to an increase in forward contracts. The positive replacement values amounted to CHF 1.8 billion (previous year: CHF 0.9 billion), while the negative replacement values amounted to CHF 2.3 billion (previous year: CHF 1.4 billion).

Fiduciary transactions (note 18) decreased significantly by CHF 183 million to CHF 136 million. The strong decrease is almost entirely attributable to the loss of a mandate for a large client.

Assets under management

Assets under management increased significantly, rising CHF 10.1 billion to CHF 197.1 billion. The increase is attributable to strong performance in the retail business (account growth), expanding investment capabilities at the Raiffeisen banks and the focused continuation of the growth strategy at Notenstein Private Bank Ltd. The Notenstein Group saw healthy organic growth in the assets under its management. The growth was supported by Notenstein's assumption of LBBW (Switzerland) Ltd's private banking portfolio and the acquisition of CEAMS AG by TCMG Asset Management AG, a Notenstein subsidiary.

OUTLOOK

Strategic outlook for 2015

The Board of Directors and Executive Board of Raiffeisen Switzerland review and update the strategy as needed as part of the annual planning process. The four strategic thrusts – qualitative growth in the core business, diversification of business segments, improvements in productivity and strengthening of the corporate culture – have contributed significantly to the Raiffeisen Group's success in recent years and will be pursued further in 2015.

Various projects are planned to attain the strategic targets. In the core business, Raiffeisen continues to prepare for the digital future by expanding its electronic channels. To supplement its core business, it is rigorously executing its diversification strategy through Notenstein Private Bank and Notenstein Asset Management. Productivity improvements and technological advancement are the main focuses of the development of a new core banking application at Arizon, a technology company that Raiffeisen formed with Avaloq. Finally, Raiffeisen continues to cultivate its culture by encouraging all its employees to embrace the basic strategy. While the projects require significant resources to be marshalled, they will prepare the banking group for future challenges.

Financial outlook for 2015

Raiffeisen expects to face demanding economic conditions and continued fierce competition in 2015. It will have to face challenges such as negative interest rates and an adverse economic climate triggered by the Swiss National Bank's decision to abandon the euro exchange rate floor. In this challenging environment, Raiffeisen assumes that all its revenue streams are under pressure. The impact is particularly and directly noticeable in the rates business. Volumes may increase, but income is expected to fall nonetheless amid ongoing margin erosion and rising interest rate hedging costs.

On the cost side, operating expenditure is poised to rise slightly. This increase is largely driven by stricter regulation and investments in technical infrastructure. Raiffeisen will work to minimise the cost increases through active cost management. Nonetheless, a lower operating profit than the previous year is projected for 2015.

Market activities

Strong growth, high likeability

Raiffeisen achieved strong growth in both customer deposits and loans to clients in the current year. The banking group still ranks high in client satisfaction and likeability as well. Raiffeisen is seen as Switzerland's most likeable bank.

MARKET ACTIVITIES**Brand management**

In 2014, Raiffeisen was once again ranked as Switzerland's most likeable bank for most people in Switzerland, according to a brand tracking study that has been performed since 2006. It also scored very high on credibility, client intimacy, sustainability and entrepreneurship compared to the competition. Raiffeisen banks' reputation, credibility and close regional ties are regarded as a major asset, due in large part to hundreds of thousands of client contacts and the local, personal provision of advisory services. Raiffeisen brand management was supported by its strong national media presence through a new advertising campaign and coverage of issues such as member benefits or the asset management business.

Raiffeisen actively supports society locally, regionally and nationally. It sponsors clubs and associations at roughly 1,000 locations in order to promote cultural, athletic, musical and social diversity. Raiffeisen has been the main sponsor of the Raiffeisen Super League since 2012. All these efforts, along with a ten-year track record of sponsoring winter sports, help keep Raiffeisen present nationwide and year-round as a sponsor, with an excellent impact on its image. It is also involved in many concerts, events and shows.

Client satisfaction

In the past financial year, Raiffeisen set the benchmark in national satisfaction surveys of private individuals for client satisfaction and willingness to recommend. Raiffeisen's main bank clients proved highly satisfied, as they

were in the previous survey from 2013. In fact, Raiffeisen consolidated its leading position even further. Clients' willingness to recommend is also very important: 84% of clients who rely on Raiffeisen as their main bank would recommend Raiffeisen to an acquaintance.

Membership

Membership is a unique foundation for the partnership between Raiffeisen clients and Raiffeisen banks. Raiffeisen is the members' first choice for handling their financial affairs. Members can receive banking services at preferential rates and many exclusive benefits. Also, as co-owners of their Raiffeisen bank, members co-determine business policy at the Annual General Meeting and elect people they trust to the Board of Directors.

Roughly 400,000 people attended a Raiffeisen Annual General Meeting in 2014. Around 80,000 people decided to become members in the year under review. That means Raiffeisen banks now have more than 1.8 million members – or, in other words, every second client is also a Raiffeisen bank member.

The Raiffeisen MemberPlus programme gives members access to attractive leisure activities and, at the same time, promotes local tourism and the Swiss cultural scene. In 2014, members used discount programmes roughly 1.4 million times, including admission to over 470 museums, tickets for concerts, musicals and shows, day-trip offers to Eastern Switzerland, one-day ski lift tickets and half-price tickets to Sunday matches in the Raiffeisen Super League.

The "Eastern Switzerland" member programme alone generated 140,000 experiences in the form of excursions, discounted trips or hotel stays.

SEGMENTS

Private clients

The retail business remains Raiffeisen's core business in spite of the diversification strategy. Around 90% of its 3.7 million clients are in the private clients segment.

In the year under review, Raiffeisen promoted the investment business in a broad-based campaign entitled "Fitgeld". Securities and especially funds are an excellent way for many clients to achieve their medium- to long-term financial goals and accumulate assets. The private clients segment in particular has seen a welcome increase in custody account volumes thanks to strong demand for suitable investment solutions. Investments in research and advisory services have strengthened the bank's capabilities in the investment business.

Raiffeisen is positioning itself among adolescents, college students and young career entrants with attractive banking products and additional services as part of "YoungMember-Plus". This programme is open to anyone under the age of 26. Available since 1 January 2014, it features not only preferential rates for banking products, but also non-banking services such as football or concert tickets or discounted one-day ski lift tickets.

Investment clients

Raiffeisen's asset advisory activities focus on long-term asset accumulation. They rely on a holistic advisory approach and systematic wealth analysis. Raiffeisen's mission is to provide solutions that take account of clients' unique situation and personal goals.

To fulfil this mission, Raiffeisen in 2014 formed a separate fund research team to independently select third-party products. The team selects the most suitable active and passive third-party

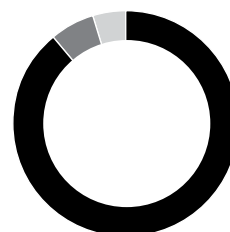
funds from the entire fund universe according to Raiffeisen criteria. These funds are combined with Raiffeisen's core products to form the basis for investment proposals and advisory services.

The investment business will only perform well if it has competent investment advisors, though. Being aware of this fact, Raiffeisen makes training a top priority and has partnered with Lucerne University of Applied Sciences and Arts to offer a new certification: "CAS Investment Advisor". More than 75 people have already graduated from the programme.

Corporate clients

The corporate clients business is gaining importance, and its qualitative growth continued in 2014. Client numbers and credit volumes went up a satisfactory amount, while value adjustments dropped. The improvement was due not only to the corporate client advisors' systematic market development, but also to the rollout of the Raiffeisen succession model in Western Switzerland and Ticino.

Proportion of clients



89% Private clients
6.5% Investment clients
4.5% Corporate clients

The Raiffeisen Business Owner Centre (RUZ) opened its first location in Gossau (SG) in March 2014. The RUZ is geared towards SMEs and offers advisory services from businesses for businesses. This concept, which is unique in Switzerland, will be available to even more SMEs in Switzerland when two more locations open up. On 1 May 2014, the RUZ also acquired Business Broker AG, a company specialising in brokering and selling small- and medium-sized companies. This is the latest move in Raiffeisen's steady expansion of succession planning services for SMEs. RUZ's investment in Vorsorge Partner AG provides access to knowledge and solutions relating to employee retirement planning for SMEs.

Raiffeisen successfully launched new software products in 2014, including "Raiffeisen Soft-Cert", which connects corporate clients' accounting software to Raiffeisen's e-banking system. Clients appreciated the product's ability to significantly streamline their payment processes, which fuelled strong demand for the software. Major changes in payment processes will play a crucial role in the coming years, especially for SMEs, as Switzerland adapts to new payment requirements.

Raiffeisen's capital goods leasing business performed very well last year. Although corporate investment remains timid, Raiffeisen succeeded in generating encouraging results once again. Intensive market development grew the business roughly 26% year-on-year. Raiffeisen drew on its wide-ranging experience with sectors and leased objects in order to offer clients optimal solutions. It partners closely with well-known manufacturers so products and financing can be provided as a single package.

CLIENT NEEDS

Financing

Construction activity in the Swiss real estate market remained persistently high in 2014 and reached prior-year levels as the permanent resident population continued to grow unabated. However, the rise in property prices has weakened and even begun to reverse in some cases. This change has been driven by high prices, two rounds of tightening of mortgage lending criteria, and the introduction and increase of the countercyclical capital buffer. The housing vacancy rate has also risen year-on-year.

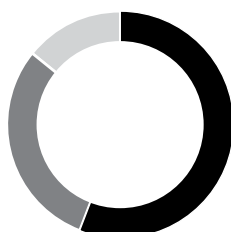
Interest rates did not change significantly in 2014. They remained historically low and dropped even further after the Swiss National Bank introduced negative interest rates at the end of the year. Prices in the construction sector were relatively stable.

The Swiss mortgage market grew 3.6%, putting it below the previous year's level. Although the volume of mortgages originated by Raiffeisen only increased by 5.0%, or less than the previous year (5.7%), Raiffeisen still increased its market share once again. Continuing low interest rates drove demand for fixed-rate mortgages and LiborFlex mortgages in particular.

Savings

The Swiss National Bank's (SNB) decision to impose negative interest rates on commercial bank deposits under certain circumstances pushed interest rates to a new low at the end

Proportion of client volumes



■ 56 % Private clients
■ 30 % Investment clients
■ 14 % Corporate clients

Raiffeisen by canton as at 31 December 2014¹

Canton	Number of banks	Number of bank branches	Number of members	Loans ² in million CHF	Client monies ³ in million CHF	Total assets in million CHF
Aargau	27	91	194,345	16,141	14,905	18,596
Appenzell Ausserrhoden	2	6	15,903	1,136	1,059	1,260
Appenzell Innerrhoden	1	5	8,603	579	599	662
Berne	24	98	184,501	12,375	11,143	14,084
Basel-Land	9	21	53,630	4,728	4,053	5,243
Basel-Stadt	1	2	–	881	783	1,056
Fribourg	17	52	94,895	8,532	6,243	9,298
Geneva	6	18	43,233	3,854	4,265	4,642
Glarus	1	2	7,219	461	432	512
Grisons	10	48	59,217	4,661	4,359	5,323
Jura	7	31	27,508	2,682	1,943	2,954
Lucerne	21	52	128,105	8,389	7,691	9,586
Neuchâtel	4	18	27,414	1,794	1,453	1,968
Nidwalden	2	8	21,326	1,443	1,393	1,723
Obwalden	1	6	12,798	785	793	946
St.Gallen	40	86	197,510	19,115	16,628	21,766
Schaffhausen	1	3	7,704	642	540	714
Solothurn	22	59	119,907	9,148	8,512	10,342
Schwyz	8	17	41,346	2,989	2,918	3,504
Thurgau	17	46	101,190	9,770	7,842	10,843
Ticino	21	82	111,936	11,207	9,193	12,708
Uri	3	14	16,506	1,082	991	1,230
Vaud	19	61	109,618	8,593	7,193	9,535
Valais	27	123	139,612	11,548	10,990	13,458
Zug	8	13	40,901	3,974	3,655	4,641
Zurich	12	41	81,820	10,134	9,001	11,430
Total 2014	311	1,003	1,846,747	156,643	138,577	178,024
Total 2013	322	1,020	1,828,202	149,635	133,366	169,874
Increase/decrease	-11	-17	18,545	7,008	5,211	8,150
Increase/decrease in %	-3.4	-1.7	1.0	4.7	3.9	4.8

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

of 2014. While deposits in transaction and savings accounts generate relatively low interest income, they are, however, competitive with interest rates from high-interest periods on an inflation-adjusted basis. Raiffeisen reported strong account growth during the previous year (+CHF 4.9 billion, +4.7%). Fixed-interest savings deposits (especially time and fixed-term deposits) fell approximately 5.4% due to low interest rates. With a market share of 18.7%, Raiffeisen holds a leading position in savings deposits.

Pensions

Private pensions are an indispensable pillar of retirement planning. They have seen impressive growth, too: 28,500 new 3a pension accounts were opened with Raiffeisen in 2014. The account volume of these products increased by CHF 927 million to CHF 12.2 billion in total. In addition, 2,500 new vested asset accounts (pillar 2) were opened at the same time, with deposits totalling CHF 5.5 billion.

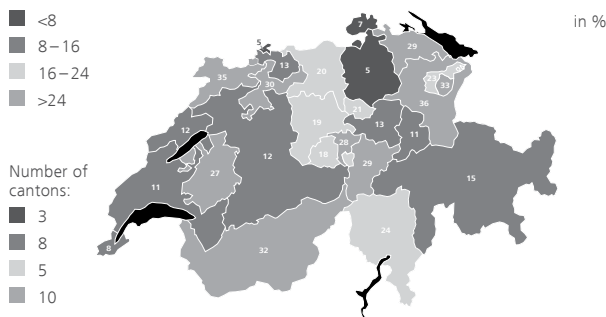
Clients can shift some or all of their deposits to securities-linked investments. These can range from classic pension funds to passively managed funds with equity allocations of up to 70%. Raiffeisen currently manages CHF 940 million in pension funds. The savings target protection for 3a retirement savings accounts, which was introduced in 2013, completes the pension product portfolio and underscores Raiffeisen's positioning as an innovative and competent retirement planning partner.

Payments

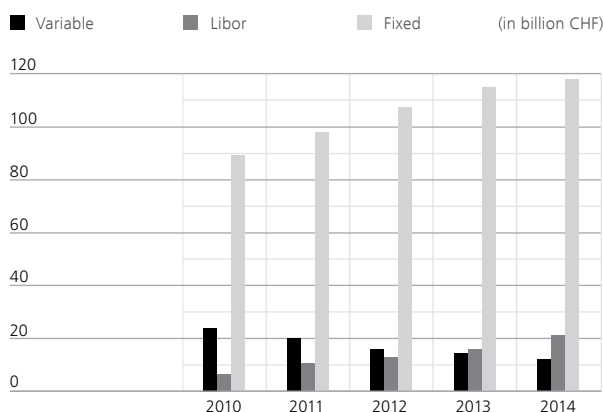
In early 2014, Raiffeisen began offering a V PAY debit card in addition to its established Maestro card. The new card provides superior security since it requires all transactions to be processed using a chip instead of a magnetic stripe. This makes V PAY a secure choice for cashless purchases and ATM withdrawals, whether at home or while travelling through Europe. Around half of the new clients acquired in 2014 decided to get a V PAY card.

Card use is rising steadily among Raiffeisen clients. Cards are increasingly replacing cash, even for smaller amounts. This trend is driven by more widespread acceptance of contactless payments with credit cards. Today, card holders can quickly and conveniently pay up to 40 francs at the point of sale without having to enter a PIN. In 2014, the number of credit card transactions went up 1.6 million (+14%). The average payment amount, however, went down roughly 3%. Debit card transactions increased even more: they went up 9.5 million

Share of mortgage market by canton 2013



Volume trends for various mortgage models 2010–2014



(+13%). The average purchase made with this card product also went down, in this case around 4%.

The Swiss payment system will be overhauled in the coming years. A financial industry initiative will modernise the payment system used by Swiss banks and harmonise it with an international standard (ISO20022). At the same time, e-invoice and direct debit services will continue to be developed and supplemented with useful new services for clients. Another big change will be the replacement of the old red and orange payment slip with a new standardised payment slip.

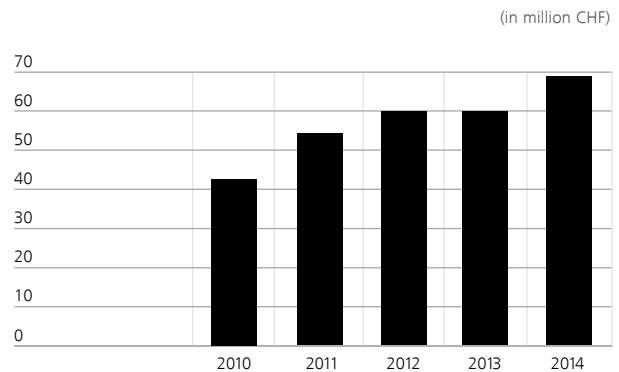
Insurance

The insurance business continues to perform well. Although Raiffeisen's share of Helvetia Value Trend was much lower, it still achieved a total volume of CHF 117.3 million, making it the third-best result since the Helvetia partnership began. Life insurance policies remain the driving force behind these figures. In fact, the number of new insurance policies with regular premiums went up 15%. Clients still appreciate security and personal consultations. Many Raiffeisen banks have hired experts who can actively address clients' retirement and insurance needs as part of a comprehensive consultation.

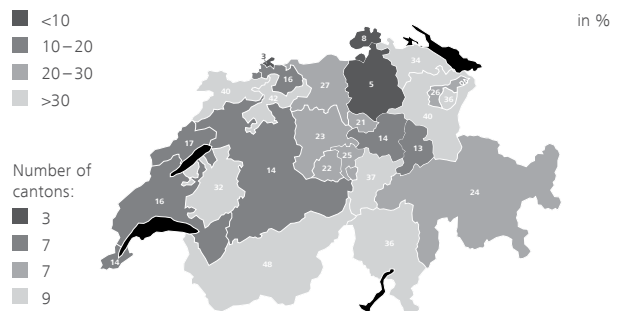
Investments

2014 was an exciting year for equity investments. Most global equity indices made significant gains during the year despite brief periods of turmoil in the summer and autumn. More conservative investors, however, held on to their large cash holdings amid geopolitical tension and were extremely reluctant to invest in equities. The equity exposure of Raiffeisen clients is below the Swiss average, and so volume growth slightly underperformed the rest of the market. Furthermore, the historically low interest rates make it increasingly difficult to offer attractive fixed-interest investment solutions, which has raised the appeal of traditional savings products.

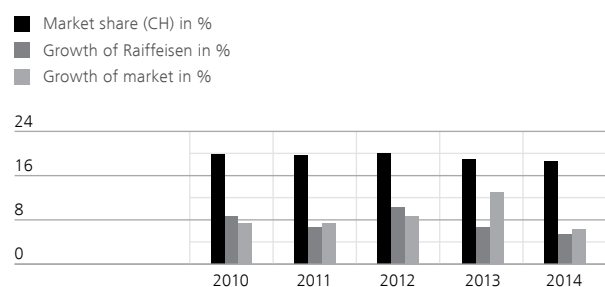
Total individual life premiums (regular premiums)



Share of savings and investments market by canton 2013



Share of savings market



CHANNELS

Branch network

Raiffeisen's 1,003 locations represent one-third of all bank branches in Switzerland. Clients actively use the branches, which indicates that they expect comprehensive advisory services at their local bank. Raiffeisen takes this into account when redesigning branches by giving centre stage to advisory services.

E-banking

Around 980,000 Raiffeisen clients used Raiffeisen's e-banking services at the end of 2014. This represents an 8% increase year-on-year. Nearly 83 million payment orders were issued electronically last year (+14%). Raiffeisen attaches great importance to security in this domain, as demonstrated by the introduction of the user-friendly PhotoTAN technology for identification in e-banking. An independent observer found PhotoTAN to be the most secure login system in the Swiss e-banking industry. The mobile scanning feature that Raiffeisen launched last year allows clients to scan in payment slips with their smartphone and send them to the

e-banking portal for payment without requiring any further input. Raiffeisen was also the first Swiss bank to offer mobile banking on Windows phones.

New standards are being set by the new e-banking system, which will be rolled out to clients in phases in 2015. The pilot version has been online and accessible for 3,000 clients and employees since September 2014. It was completely redesigned with an easy, intuitive user interface. Now, it excels not only in user friendliness, but also in accessibility for people with disabilities. It has the same design and features on PCs, tablets and smartphones.

Internet and MemberPlus portal

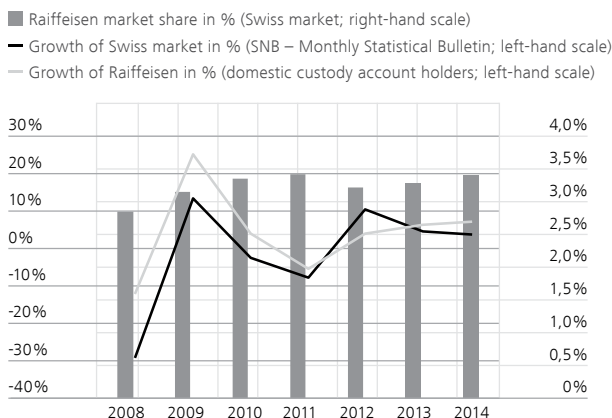
Last year saw the complete visual, technological and content redesign of the real estate website. Personal advisors at local Raiffeisen banks assist users virtually in preparing their personal financing proposals on the internet. State-of-the-art technology painlessly guides users through the application process. Once clients answer several key questions, they receive an online financing proposal that they can discuss personally with their advisor or submit directly to the Raiffeisen bank as an application.

The MemberPlus portal has become established and gained appeal. Clients made considerable use of print@home, a service for purchasing one-day ski lift tickets online and printing them out directly at home. Around 120,000 discounted one-day ski lift tickets were sold through the platform in the current year.

Client Service Centre

Raiffeisen clients highly appreciate client intimacy and one-on-one discussions, whether in person or over the phone. This is reflected in the number of contacts at the Client Service Centre in St.Gallen, which increased by 30% compared to the previous year. The advisors fielded more than 640,000 client enquiries in three national languages relating to e-banking, card blocking and banking services.

Trend in volume of securities



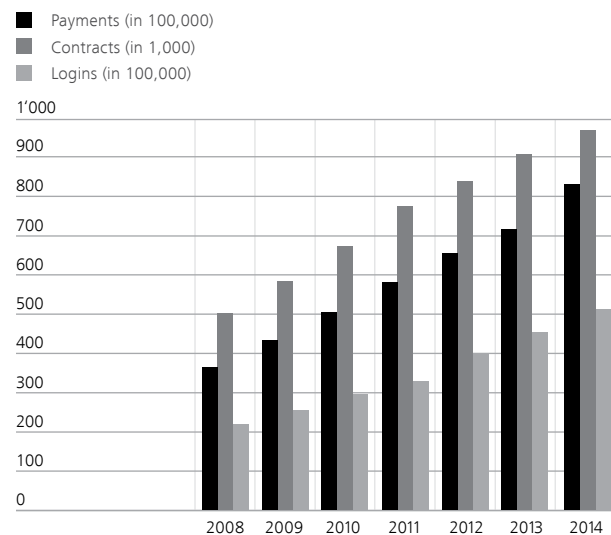
ATMs

Raiffeisen's ATM network expanded to 1,618 machines in 2014, including nearly 500 ATMs at third-party locations. Many of the ATMs provide audio instructions for visually impaired clients in addition to standard account services. Raiffeisen is working with other banks on a common standard to make ATMs readily accessible for mobility-impaired clients.

REFINANCING

The growth in loans to clients was about CHF 2.1 billion higher than the inflow from customer deposits from the core business of the Raiffeisen banks. The Raiffeisen Group obtained the stable wholesale financing needed to cover the shortfall entirely through new Pfandbriefdarlehen. The ratio of stable funding sources to illiquid assets – an important metric used by Raiffeisen Switzerland's Treasury department to control the balance of the maturity structure – is 110%.

Development of Raiffeisen e-banking



Employees

Over 10,000 employees

Raiffeisen lived up to its responsibility as an employer in the current year by training over 800 young people and offering highly focused development programmes for existing employees. The banking group provides employees with progressive employment conditions, challenging work and individual opportunities for self-actualisation.

PERSONNEL POLICY

Raiffeisen strives to build long-term relationships with employees. Its personnel policy is characterised by fairness, dialogue, security, gender equality and social responsibility. It respects every employee as an individual and views diversity as a key to success. The Group promotes equal opportunity at all levels and creates a work environment where employees of all generations can grow. Raiffeisen responds to employees' needs at all levels by providing progressive employment conditions, challenging work and individual opportunities for self-actualisation. Raiffeisen employed 10,755 people in the current year, or the equivalent of 9,028 full-time positions. This represents an increase of 1% year-on-year.

Attractive employment conditions

Raiffeisen reinforces its positioning as an attractive employer by providing outstanding employment conditions that attract new workers and retain current employees for the long term. Each Raiffeisen bank is largely free to set its own employment terms and so can respond flexibly to local market conditions. Employee satisfaction with employment conditions is evidenced by low turnover rates and longer tenures than the industry average. The employment conditions exhibit the following elements:

- Work conditions: Employees can set their own work hours. 32% of Raiffeisen employees work part-time. They also receive between 25 and 30 days of paid vacation depending on

their age and pay grade. Being a family-friendly company, Raiffeisen gives mothers at least 16 weeks of maternity leave. Fathers also receive up to 15 additional paid days off, which they can take up to one month before or six months after the child is born.

- Pay: Raiffeisen pays market-standard wages and salaries. A bonus may be paid out in good financial years if warranted by individual performance. Other significant remuneration elements include attractive fringe benefits such as loyalty bonuses, preferential terms, family allowances and above-average insurance benefits. Raiffeisen's remuneration policy aims to provide equal pay for equal work.
- Pension benefits: Raiffeisen employees have better pension plans than the industry average. The banking group supplies employees with innovative solutions that are tailored to their unique circumstances and constantly updated to reflect changes in society.

Staff development

The advancement and continuous development of all employees is a core element of Raiffeisen's corporate culture. Using an established goal setting and performance appraisal system, employee performance is measured based on the attainment of development goals and the acquisition of team or leadership skills. Training activities are initiated, defined and designed together with specialist area managers in a structured process. An extensive training and development programme addresses every level in the hierarchy: from the Board of Directors to

the management of the Raiffeisen banks to rank-and-file employees. All told, 568 internal training courses were held in 2014. The Raiffeisen Group invested CHF 1,724 per full-time equivalent in internal and external training and continuing education programmes during this period. It focused on developing soft and leadership skills within the Group, cultivating an appreciation of shared values and teaching management fundamentals. Raiffeisen has a one-of-a-kind mentoring programme, where managers and the entire Executive Board serve as mentors to employees. Please see the sustainability report for details.

Promoting highly dedicated employees

Raiffeisen systematically identifies and promotes key personnel and high potentials. Its priority is to develop the next generation of Executive Board members. Raiffeisen has implemented a systematic approach to qualitative personnel planning. It provides managers with targeted, efficient tools for assessing employee potential and for succession and development planning.

Training tomorrow's workforce

Raiffeisen puts a top priority on training young people. The Group offers a wide range of training programmes to give young people with different educational backgrounds a solid career start: vocational training programmes in business administration, IT, mediamatics and facility maintenance, internships for business trade school students, hands-on introductory programmes for high school students and trainee programmes for university graduates. Raiffeisen, in other words, takes its social responsibility as a major employer quite seriously. At the end of 2014, 816 individuals were going through one of the above training programmes.

Counselling for personal problems

In 2013, the Raiffeisen Group began offering an anonymous counselling service for all Raiffeisen Group employees. Staff can request to be contacted by specialists from Reha Suisse, an external Raiffeisen partner. Psychologists, physicians,

economists and HR consultants provide sound, independent assessments of those affected that focus on concrete ways to assist these persons.

Raiffeisen Group employee figures

	2014	2013
Total number of employees	10,755	10,541
Number of full-time positions	9,028	8,887
Total number of apprentices	784	791
Average length of service in years*	8.3	8.1
Average age of employees in years*	40.1	39.8
Employee turnover (including changes within the Group) in %*	12.3	11.8
Amount spent on training in CHF*	17,316,054	14,549,322

* without Group companies

Risk policy and risk control

Cautious risk-taking, prudent risk management

The Raiffeisen Group has adopted a cautious risk policy that considers long-term impacts. It puts great value on risk diversification and carefully avoids risk concentration, especially in the credit business. Scenario analyses support active forward-looking risk management.

GROUP RISK MANAGEMENT

Independent risk management is organised throughout the Group and relies on effective tools for identifying and preventing unwanted risk. The Raiffeisen Group has achieved continuous growth and executed its diversification strategy without excessive increases in risk thanks to its clearly focused business policy, steady and cautious risk culture, as well as active and targeted risk management. Raiffeisen expanded its risk organisation and risk infrastructure in the current year in order to ensure effective risk control – not just in the context of the diversification strategy, but also in response to persistent uncertainty in the overall environment. All these efforts are intended to make the Raiffeisen Group even more resilient to stress scenarios. Its solid capitalisation, focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffeisen's business model. As a result, the Raiffeisen Group has enjoyed a high level of liquidity and an excellent reputation throughout the market at all times.

Key elements of the Group-wide risk control and management are the risk policy, forward-looking risk budgeting and scenario planning to determine the Group-wide risk tolerance, and its operationalisation through overall limits set by the Board of Directors. This includes a standard method to identify, measure, assess, manage and monitor risks and a

consolidated risk reporting system. From an organisational viewpoint, Notenstein Private Bank Ltd operates its own risk control independently of the risk-taking units. Raiffeisen Switzerland monitors the risk control and risk situation of Notenstein Private Bank Ltd from a Group viewpoint. Notenstein also provides Raiffeisen Switzerland's executive bodies with appropriate consolidated risk reporting.

Risk guidelines

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

- Clear business and risk policies: Risk taking and risk management are directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and effectively enforced with a tried and tested limit system.
- Decentralised individual responsibility in line with clearly defined guidelines: Raiffeisen banks, Notenstein Private Bank Ltd and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines on business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports on the risk situation as well as the risk profile of the individual Raiffeisen banks

- and the Raiffeisen Group are regularly issued.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
 - Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation and monitoring. This risk management process covers all risk categories.
 - Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal for identifying risk concentration and taking proactive measures to avoid it.
 - Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. For this reason, it takes a generally cautious approach to risk and sets great store by effective control. It also seeks to comply with the highest ethical principles in all its business activities.

CONTROL OF THE KEY RISK CATEGORIES AT RAIFFEISEN

The Raiffeisen Group controls the key risk categories using special processes and overall limits. In the scope of the risk budgeting process, the Board of Directors sets the level of risk tolerance and then uses this to define the overall limits. Risks that cannot be reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile by Group Risk Controlling.

CREDIT RISKS

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

Decentralised individual responsibility plays a key role in lending decisions and credit management. It is retained as a basic principle, even in cases where loans require the approval of Raiffeisen Switzerland because of their size or complexity.

Credit risks are only entered into once a thorough check of the counterparty has been conducted. Direct client knowledge plays an important role in this. It is not the strategy of the Raiffeisen Group to assume credit risks of anonymous third parties via capital markets. Borrowers are predominantly individuals, but also public bodies and corporate clients. The majority of corporate clients are small companies that operate in the local communities of Raiffeisen banks.

Prudent credit policy

Raiffeisen Switzerland's main credit risks result from its business with commercial banks, corporate clients and public sector clients.

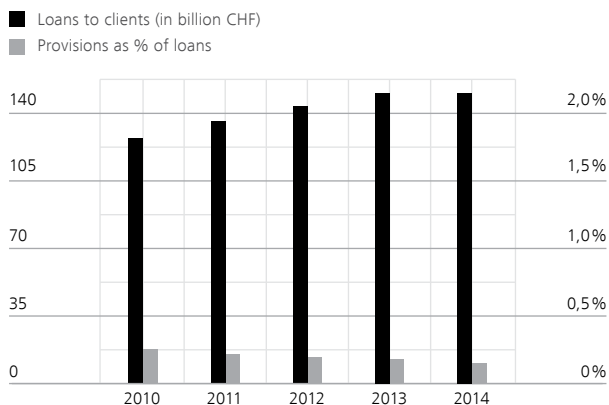
Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking. The borrower's ability to keep up payments on the loan plays a crucial role. Loans are granted on a secured basis.

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

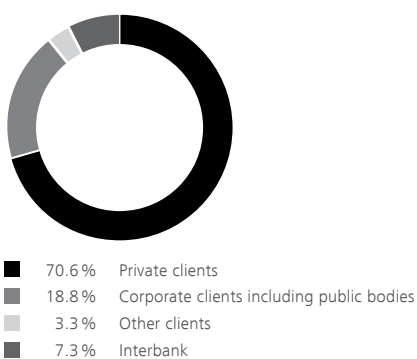
A conservative value-at-risk method is used to assess and monitor credit risks. Particular attention is paid to potential concentration risks. The underlying model is in line with recognised practice and is supplemented by scenario analyses. Models and parameters are examined on a regular basis, adjusted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

Raiffeisen Switzerland monitors, controls and manages risk concentrations within the Group,

Volumes and provisions



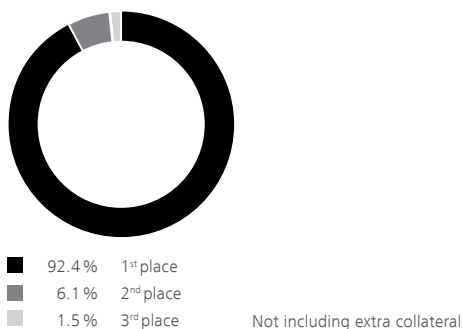
Raiffeisen Group lending by client segment



This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective. Simple companies are assigned to "Other clients".

Mortgage loans by rank

Mortgages ranking in % – disclosure as per SNB statistics



especially for individual counterparties, groups of affiliated counterparties and sectors. The process of identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

Active country risk management

As stipulated in the Articles of Association, foreign exposures are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Raiffeisen banks may not provide any banking or financial services abroad. Raiffeisen Switzerland may grant exceptional permission, however, if compliance with foreign legislation (especially foreign regulatory provisions) can be ensured. Only the Central Bank and Notenstein Private Bank Ltd can enter into commitments abroad. These commitments are entered into cautiously and monitored closely.

Credit policy in the corporate clients' business

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

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

Credit portfolio analysis and assessment

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

Measuring credit risk

The credit risk of each individual counterparty is measured using three parameters:

- The probability of default
- The credit exposure at the time of default
- The value of the collateral

The core of credit risk measurement is the rating system, which is developed and monitored by Group Risk Controlling. The rating system is used to assess the clients' creditworthiness and to determine the economic capital for limiting the individual credit risk positions. The Raiffeisen Group has implemented comprehensive rating system governance in connection with the internal rating systems. Rating system governance uses specified processes, controls and structures to make sure the rating system works properly. It defines and ensures good governance within the Group. It also aims to organise rating system processes and responsibilities within the Group in a way that will consistently ensure the quality and effectiveness of the rating systems and their application. Rating system governance focuses on five tasks: model development, approval, implementation, model application and documentation. To avoid loopholes and conflicts of interest, tasks, powers and responsibilities were defined for stakeholders and key positions, and corresponding key controls were implemented.

The capital adequacy for credit risks is currently calculated using the international standard approach (SA-BIS).

MARKET RISKS

Risks in the bank book

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

Risk associated with fluctuating interest rates is a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen therefore attaches great importance to managing these risks.

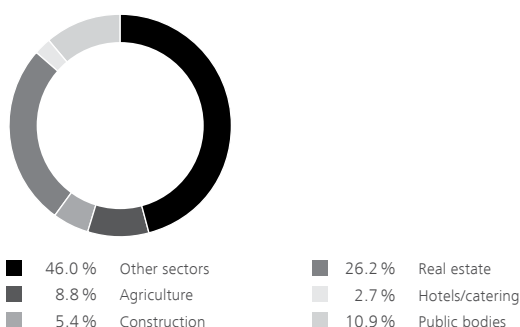
Within the Raiffeisen Group, each Raiffeisen bank and Notenstein Private Bank Ltd is individually responsible for managing the interest rate risks on its balance sheet in line with clearly defined guidelines and sensitivity limits. Both Raiffeisen banks and Notenstein Private Bank Ltd have a well-developed set of risk management tools, including tools to simulate interest rate developments and assess their impact.

The Treasury of Raiffeisen Switzerland's Central Bank department is the Group-wide binding counterparty for refinancing and hedging transactions. It manages Central Bank interest rate risks. The Central Bank department provides advice on asset and liability management within the Raiffeisen Group, with the exception of Notenstein Private Bank Ltd, which has its own market access.

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

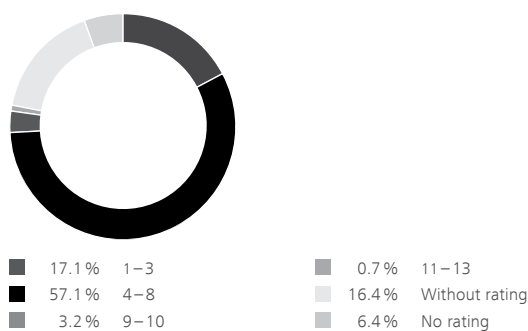
With respect to foreign currency risk, assets in a foreign currency are in principle refinanced in the same currency (matched book approach). This means foreign currency risk is largely avoided.

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



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

Corporate client lending by rating category



1-3 = low-risk positions
 4-8 = medium-risk positions
 9-10 = high-risk positions
 11-13 = non-performing positions
 Without rating = predominantly public bodies not rated externally
 No rating = positions with low risk content

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

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

Risks in the trading book

Of the entities within the Raiffeisen Group, the Central Bank of Raiffeisen Switzerland and Notenstein Private Bank Ltd run a trading book. Trading risks are strategically clearly limited by using global limits. Risks are operationally limited by sensitivity and loss limits at the Central Bank and by value-at-risk and stress limits in the case of Notenstein Private Bank Ltd. Sensitivity is a measure of the loss of value in the event of a percentage change in the underlying risk factor; the applicable percentage change is determined in line with the risk factor in question.

All traded products are depicted and assessed in a standardised trading and risk management system. This enables trading book risks to be efficiently and effectively assessed, managed and controlled, and provides the ratios for monitoring all positions and market risks. Group Risk Controlling and the Financial Risk Controlling of Notenstein Private Bank Ltd monitor trading risk on a daily basis, using market data and risk parameters that are independent of the trading area. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

Liquidity and financing risks

The capital and risk diversification requirements apply on a consolidated basis at Raiffeisen Group level and at individual institution level to Raiffeisen Switzerland and to Notenstein Private Bank Ltd. The liquidity requirements apply on a consolidated basis at the Raiffeisen Group level, and at an individual institution level to Notenstein Private Bank Ltd. In accordance with a FINMA ruling of 3 September 2010, the individual Raiffeisen banks are exempted from complying with capital adequacy, risk diversification and liquidity rules.

Raiffeisen Switzerland's Treasury department handles liquidity and refinancing management for Raiffeisen Switzerland and the Raiffeisen banks. It facilitates the Group's access to money and capital markets and ensures that liabilities are properly diversified. The refinancing strategy takes business and regulatory requirements into account. It ensures that the necessary liquidity is available and that the maturity structure is appropriate and diversified. Raiffeisen Switzerland's Treasury also assesses liquidity trends in the Raiffeisen Group at the operational, tactical and strategic level on an ongoing basis, and performs regular stress tests. Group Risk Controlling ensures that monitoring is conducted independently.

Notenstein Private Bank Ltd has its own Treasury and its own access to money and capital markets so that it can comply with liquidity requirements at individual institution level. Independent monitoring is conducted by the Financial Risk Controlling department of Notenstein Private Bank Ltd.

The Raiffeisen Group's liquidity situation has proven robust. The figure on page 39 shows how the overall liquidity situation developed over the 2014 financial year.

Operational risks

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

Business risks can never be eliminated entirely. Since these are based on cost-benefit considerations, they are to be avoided, reduced, transferred or borne, whenever possible. Internal control systems and processes play a key role here.

The Raiffeisen Group carried out comprehensive operational risk assessments during the reporting year. The information gleaned from these

assessments is documented in a Group-wide risk register that forms the basis for monitoring and controlling the overall operational risk profile. These assessments are conducted annually.

IT risks

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

Information security

Information security is becoming more and more important, especially with respect to bank reputation and the Swiss banking industry. For this reason, information security risks must be comprehensively managed. A regular assessment of the threat situation constitutes the basis for the risk management strategy. Appropriate and effective information security measures for safeguarding information and infrastructure with respect to confidentiality, integrity, availability and audit trails are in place for this purpose. Raiffeisen bases its policies on recognised standards and established practice.

Internal control system (ICS)

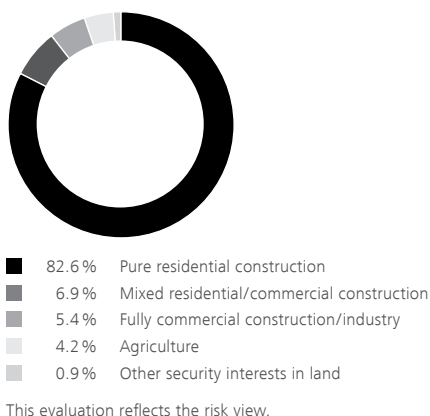
Raiffeisen's ICS comprises all the activities, methods and controls intended to ensure the proper conduct of operations, compliance with statutory and supervisory regulations and complete, reliable financial reporting.

The Raiffeisen Group's ICS model has three levels:

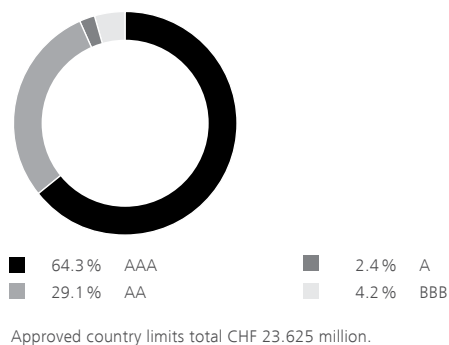
- ICS at enterprise level
- ICS at business and IT process level
- Assessment of the appropriateness and effectiveness of the ICS and ICS reporting

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

Loans by collateral and property type



Breakdown by country limits



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

The major risks inherent in each business process are identified and assessed, and the key risks and controls defined from there. All key controls are documented and incorporated in the processes. The goal is to reduce the key risks inherent in the processes by means of appropriate key controls. There are many other risk reduction controls in addition to the key controls.

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

Raiffeisen Group periodically carries out a comprehensive assessment of the ICS's appropriateness and effectiveness. This assessment is conducted taking both the enterprise level and the key controls into consideration.

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

Raiffeisen banks' early warning system

Raiffeisen Switzerland operates an early warning system designed to identify unfavourable developments early at Raiffeisen banks and branches, and avert potential damage. The early warning system comprises quantitative risk indicators for the individual Raiffeisen banks and branches, as well as an ad-hoc reporting process for integrating qualitative information. Early warning events are analysed, and where the situation requires it, resolved with Raiffeisen Switzerland's active involvement.

Business continuity management

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

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

LEGAL AND COMPLIANCE RISKS

Legal risks

Raiffeisen Switzerland's Legal & Compliance department supports all units of the Raiffeisen Group in legal matters, ensures adequate regulatory competence at all levels and actively manages legal risks. This also includes contractual risks. The department coordinates the cooperation with external lawyers where necessary.

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

Compliance risks

Compliance is understood to mean adherence to all applicable statutory, regulatory and professional provisions, and internal requirements, with a view to identifying legal and reputational risks at an early stage, preventing such risks if possible and ensuring that business is conducted properly.

The Raiffeisen Group takes a comprehensive approach to compliance. Although the Raiffeisen Group operates almost exclusively within Switzerland, it must comply with standards governing cross-border financial services (cross-border business) and international and national tax matters (tax compliance). It specifically focuses on the following activities and issues:

- The Raiffeisen Group monitors and analyses all relevant legal developments (regulatory monitoring) and participates in institutional commissions and working groups that cover the Swiss financial sector.
- The Raiffeisen Group has traditionally attached great importance to "know your customer" principles. Regulations to combat money laundering and the financing of terrorism reinforce and concretise these principles.
- Developments in the cross-border business are constantly monitored and analysed. While doing so, Raiffeisen systematically pursues a

Raiffeisen Group: Interest rate risks in the bank book

(in million CHF)		
	31.12.2014	31.12.2013
Sensitivity (+100bp-Shift)	1,351	1,538

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in 1,000 CHF)		
	2014	2013
Risk type		
Equities	4,000	3,000
Interest products	43,000	43,000
Foreign currencies	6,000	6,000
Precious metals	5,000	4,000
Total	58,000	56,000
Loss limits		
Day	2,000	2,000
Calendar month	5,000	5,000
Calendar year	10,000	10,000

"passive provision of services" approach. This approach requires all activities to be initiated by the client and all legally relevant actions to be performed in Switzerland. Raiffeisen prohibits any and all activities outside of Switzerland, especially client-related trips abroad.

- Raiffeisen pursues a rigorous tax compliance strategy both with respect to clients who reside abroad and with respect to those who reside in Switzerland. Raiffeisen explicitly welcomes and supports any efforts made by governments to establish the automatic exchange of information.
- Raiffeisen adheres to market conduct rules and the resulting due diligence and advisory obligations.
- Raiffeisen protects data and bank client confidentiality.

In the current year, Raiffeisen invested heavily in complying with the US Foreign Account Tax Compliance Act (FATCA) and in resolving the US tax dispute.

Raiffeisen is participating in the programme to resolve the US tax dispute in category 3. The Group assumes that Raiffeisen banks did not systematically and actively aid US clients in evading taxes, nor have the extensive and thorough investigations conducted by external specialists yielded any results to the contrary. Raiffeisen submitted the relevant Letter of Intent to the US Department of Justice in late December 2014.

Raiffeisen subsidiary Notenstein Private Bank Ltd, on the other hand, decided not to participate in the US programme. The US division of Wegelin was split off in January 2012 and not transferred to Notenstein.

As a member of the Coordination Domestic Banks (CDB), Raiffeisen is particularly involved in the Federal Financial Services Act (FFSA) and tax compliance strategies in and outside Switzerland.

The Raiffeisen Group endeavours to avoid compliance risks by actively monitoring legal requirements and adapting internal policies and processes to new requirements as promptly as possible. Where necessary, modern IT tools are used in support of relevant measures. In addition, the various Compliance teams – via a "blended learning" approach – invest substantially in training and raising the awareness of staff and management at all levels.

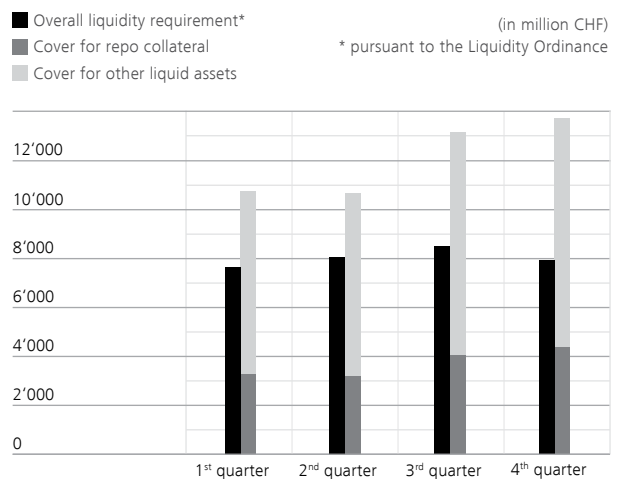
Legal & Compliance reports any major legal and compliance risks to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on a quarterly basis. This reporting also includes an overview of the legal and compliance risks of Notenstein Private Bank Ltd. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2008/24, are submitted to the Board of Directors once a year.

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in 1,000 CHF)

	Ø 2014	31.12.14	Ø 2013	31.12.13
Risk type				
Equities	707	291	988	771
Interest products	13,858	15,176	26,974	31,589
Foreign currencies	1,733	1,983	1,197	1,197
Precious metals	255	119	386	174

Overall liquidity of the Raiffeisen Group 2014



Sustainability

Taking responsibilities seriously

Good strategies are put into practice every day. The "Raiffeisen Dialogue 2014" aims to entrench Raiffeisen's new basic strategy and core values throughout the organisation by engaging with all employees. However, Raiffeisen's commitment to sustainability goes beyond its own organisation. By establishing the Raiffeisen Business Owner Centre (RUZ), the cooperative is making a sustainable contribution to the local economy as well.

MANAGING SUSTAINABILITY

Raiffeisen acknowledges its responsibility to society and its commitment to sustainable business practices. It uses its position as Switzerland's third-largest banking group to promote sustainability in society and to manage risks and opportunities for the long term. The cooperative has always been a driving force in Switzerland's economy and society.

Raiffeisen is convinced that people and business are more successful when they act sustainably. That is why it acts and thinks sustainably in its core business, as an employer, in its banking operations and in its commitment to social issues.

Sustainable business model

The cooperative business model builds on risk-conscious management, relatively low earnings expectations and a long-term focus on its members. These principles characterise Raiffeisen's thoughts and actions. Raiffeisen relies on local decision-making through a decentralised organisation and close regional ties. This allows Raiffeisen to add value for the local economy, society and the environment. Raiffeisen's four core values – sustainability, entrepreneurship, client proximity and credibility – are the yardsticks for measuring its actions and the key drivers of its success.

Corporate Social Responsibility Management (CSR Management) is responsible for estab-

lishing the fundamental strategic and operational parameters needed to drive sustainability at Raiffeisen. It also helps the specialist areas and line managers to implement sustainability programmes and continuously improve performance. CSR Management represents Raiffeisen in various associations and external initiatives. Sustainability is part of the Group balanced scorecard (BSC) and included in the annual strategic risk assessment.

Management by the Executive Board

The Executive Board is responsible for the sustainability strategy. The execution of the sustainability strategy is the responsibility of one member of the Executive Board. Sustainability was further entrenched throughout the Group in the period under review. Long-range goals, annual objectives and implementing measures were defined. CSR Management provides regular progress reports on the sustainability measures at management meetings in individual departments.

Integration in the business

Raiffeisen assumes responsibility along the entire value chain in order to address social and environmental risks and opportunities in products and processes.

Clear priorities, targets and metrics are essential for evaluating sustainability performance and incorporating sustainability into day-to-day

operations. Key Raiffeisen issues have been systematically identified in consultation with internal stakeholders since 2012 and translated into a concrete multi-year strategy. These issues can be grouped into four categories:

- Responsibility in the core business (Private Clients, Corporate Clients and Affluent Clients/Wealth Advisory)
- Responsibility as an employer
- Responsibility in banking operations (e.g. procurement, building portfolio and business travel)
- Responsibility to society

Part of basic strategy

The revision of Raiffeisen's basic strategy, which was successfully completed in 2014, defined sustainability as one of Raiffeisen's four core values alongside credibility, client intimacy and entrepreneurship. These values will guide the Group's strategic development over the next ten years. "Raiffeisen Dialogue 2014" kicked off the execution and establishment of the basic strategy that the Board of Directors of Raiffeisen Switzerland ratified on 26 May 2014.

Good strategies are put into practice every day. That is why Raiffeisen decided in 2014 to initiate the "Raiffeisen Way" – a hike that managers take with their employees. Managers throughout Switzerland use this programme to present key aspects of the basic strategy in an understandable, tangible way. All told, the Raiffeisen Way was followed by 38 of the 305 Raiffeisen banks in 2014. The strategy process will conclude next year with the DialoguePlus. For the first time in history, all of Raiffeisen's employees – over 10,000 people – will converge at one location and learn about Raiffeisen's values and the substance of its basic strategy. The strategy will thus become a living, breathing part of how employees do business instead of a collection of words on paper. This event will mark the culmination of a four-year participatory process and represents an investment in the Raiffeisen Group's future.

Increasing staff awareness

Raiffeisen places significant value on personal communication among employees. It strives for employees at all hierarchical levels to understand what sustainability means for Raiffeisen and to translate this understanding into action. Employees, the Executive Board and external experts discuss key sustainability issues at events held three to four times a year. In the current year, the events focused on sustainable investing, Swiss climate policy and the innovative power of information technology.

Transparent reporting

Raiffeisen specifies key sustainability issues and integrates them into its business processes. This way, it can document not only its financial and market performance, but also its environmental and social performance. Since the 2011 reporting period, Raiffeisen has been tracking performance indicators that reflect its responsibility as a sustainable financial service provider and its position as a domestic bank and cooperative. Each Raiffeisen bank reports on its sustainability initiatives in its own annual report.

Group sustainability reporting (excluding subsidiaries) uses the standards defined by the Global Reporting Initiative (GRI). The performance indicator set is aligned with the sustainability strategy and tracks Raiffeisen's development and progress. This report describes the Group's performance in 2014 and forms an integral part of the annual report. Reported performance figures apply to the entire Raiffeisen Group wherever possible. The report explicitly identifies data that only applies to Raiffeisen Switzerland.

The report, when combined with the GRI Content Index published on the internet, meets the requirements of GRI G3 Guidelines, Application Level C. The GRI Content Index provides detailed information about the individual performance indicators and relates them to information contained in the annual report on the

corporate profile, management approach and GRI performance indicators. The GRI Content Index is available on the internet at: www.raiffeisen.ch/csr.

SUSTAINABILITY IN THE CORE BUSINESS

Raiffeisen has considerable credibility in the banking business: It offers transparent products and services and cultivates long-term client relationships as an equal partner. Raiffeisen aims to build up the assets under its management over the long term through comprehensive, personalised asset planning. It also promotes sustainability by considering the risks of environmental and social trends for its asset and credit portfolio. At the same time, Raiffeisen provides products that capitalise on business opportunities arising from these trends, such as financing for renewable energy. Raiffeisen is also a co-founder and board member of Swiss Sustainable Finance (SSF). This organisation is the first port of call for information on sustainable finance in Switzerland.

Sustainability in Private Clients

Many lending products incorporate sustainability aspects even if they do not specifically address them. Examples include financing construction work to preserve home values or granting mini-mortgages (loan volumes of less than CHF 100,000). Raiffeisen's products provide access to capital to as many market participants as possible and help them preserve the value of their properties (e.g. for home energy retrofits).

Once something is built, it stands for generations. Raiffeisen therefore creates incentives for green construction and sensitises clients to opportunities to make their construction, restoration and renovation projects more sustainable. The Group has set a strategic goal of capitalising on business opportunities and addressing risks related to sustainability.

Land and building contamination is a key concern in mortgage loan applications. Obsolete energy technology also drags down appraised home values. Raiffeisen uses incentives and extensive advisory support to encourage energy-efficient construction and restoration. One such incentive is the Eco mortgage, which Raiffeisen provides for restoration and new construction: Homeowners can obtain lower interest rates by presenting a Minergie certificate or a cantonal GEAK building energy certificate. These certificates document the property's sustainability, as they provide proof of efforts to preserve property value and improve energy efficiency. In 2014, Raiffeisen and GEAK agreed to form an exclusive partnership as of 1 January 2015.

To maximise transparency and deliver the best possible advisory experience, Raiffeisen in partnership with eVALO provides access to an online calculator so clients can evaluate the energy-savings potential and weaknesses of their real estate. In addition, eVALO lists the anticipated construction costs and identifies likely federal subsidies. The calculator helps to model and plan the costs and benefits of "greening" buildings. Renovation mortgages also encourage the preservation of valuable building structures. Builders who consider energy efficiency during building restoration lower their energy costs, maintain the long-term value of their real estate and protect the environment at the same time.

Raiffeisen also invests in strategic partnerships with Greenbuilding, a platform for sustainable construction, and the Good Energies Chair for Management of Renewable Energies of the University of St.Gallen. Raiffeisen and the Chair have already published the 4th Customer Barometer for Renewable Energies. The publication showed that the public at large is aware of energy issues, but has not yet exhausted all energy-efficiency opportunities. To define the object of study for the 5th issue in 2015, a case study was conducted with 50 students from the Institute for Economy and the Environment at the University of St.Gallen.

Performance indicator set for top sustainability priorities (without Group companies)

Sustainability dimension	Category	Indicator	Unit	Raiffeisen Switzerland	Raiffeisen banks	Raiffeisen Group	Raiffeisen Group change in %
Management of sustainability	External ratings	Application level from the Global Reporting Initiative	GRI Level	–	–	C	–
		Value reporting of the University of Zurich	Points	–	–	160	1.0
Responsibility in the core business	Lending business	Mortgages with extra sustainability benefits:					
		Mortgages with extra social benefits ¹	million CHF	–	–	793	-59.5
		Mortgages with extra environmental benefits ²	million CHF	–	–	445	1.3
		Percentage of the annual net gain in all mortgage receivables that is attributable to loans with extra benefits	%	–	–	-0.05	–
		Loans to public bodies	million CHF	–	–	2,839	1.0
	Investment business	Sustainable investments ³	billion CHF	–	–	2.4	26.3
Sustainable investments as a percentage of custody account assets		%	–	–	8.74	31.0	
Responsibility in banking operations	Building energy	Electricity consumption	kWh	10,629,000	34,181,000	44,810,000	5.1
		Share of electricity from renewable energy	%	–	–	73.5	30.3
	Heating energy	Heating energy	kWh	2,849,000	17,618,000	20,467,000	-29.3
		Share of heating energy from renewable energy	%	–	–	–	–
		Energy consumption per energy reference area	kWh/m ²	106	–	–	–
	Business travel	Business travel (total)	km	11,873,000	6,761,000	18,634,000	4.3
		Public transportation	%	22	45	30	–
		Road transport	%	71	55	65	–
		Passenger transport by air	%	1	–	1	–
		Air freight	%	6	–	4	–
Greenhouse gases	Scope 1–3 emissions from energy and travel	tonnes CO ₂ eq	4,685	6,493	11,178	-31.2	
Responsibility as an employer	Training	Amount spent on training	1,000 CHF	3,347	13,968	17,316	19.0
		Trainees	Number	70	691	761	-5.7
	Diversity	Share of women in management	%	23.4	28.0	26.0	1.0
		Return to the workplace after maternity leave	%	–	–	96	21.5
		Part-time positions in management	%	18.6	17.0	17.6	3.5
Responsibility to society	Regional responsibility	Jobs	Number of employees	2,074	7,815	9,889	1.0
		Cooperative members	Number	–	1,846,747	1,846,747	1.0
		Volunteering by Raiffeisen Volunteers	Hours	–	–	29,440	-30.8
		Added value for stakeholders	million CHF	–	–	2,176	–
	Transparency	Amount spent on sponsorships	million CHF	16.0	11.0	27.0	8.0

1) Total of micro-mortgages worth less than CHF 50,000 and renovation mortgages. The product logic was different in the 2013 reporting period.

2) Eco mortgages

3) Covers the Raiffeisen products held in Raiffeisen custody accounts, such as Futura funds sustainability funds (broadly defined), sustainability-themed structured products and the responsAbility funds.

Sustainability in Corporate Clients

Raiffeisen supports corporate clients in their quest for sustainable competitiveness. Raiffeisen actively backs Swiss companies' climate protection efforts. Many SMEs face financial challenges due to growing energy consumption and a higher proportion of more expensive renewable energy in the energy mix. Energy efficiency is thus both an environmental and an economic issue. Raiffeisen's Gabriele Burn chairs the Swiss Climate Foundation, where the Group makes an important contribution to the financial support of the climate protection and energy efficiency efforts of Swiss SMEs. The Swiss Climate Foundation supports SMEs who voluntarily enter into an agreement with the federal government to meet certain energy efficiency targets and provides financial assistance for innovation projects and energy-savings programmes in day-to-day operations.

Raiffeisen banks have always taken responsibility for the local economy. Nowhere is this more true than in succession planning. Together with partners – such as KMU Next, Investnet AG, KMU Capital, the Raiffeisen Business Owner Centre (RUZ) and local experts – Raiffeisen has built a one-of-a-kind network for succession services in Switzerland. The Raiffeisen succession model supports SMEs as they pass from one generation to the next. Business owners can count on client advisors to advise and assist them throughout the entire process. These efforts represent Raiffeisen's contribution to developing sensible succession solutions for Swiss SMEs. Raiffeisen believes that successful succession planning can be an excellent low-risk way to initiate or maintain client relationships. Switzerland, for its part, benefits from strong businesses with deep regional ties.

Sustainability was explicitly included in refinements made to Raiffeisen's corporate client strategy, particularly in terms of financing sustainable companies and infrastructure.

Sustainability in Affluent Clients/Wealth Advisory

Sustainable investing means choosing investments based not only on financial, but also on environmental, ethical and social criteria. At Raiffeisen, that goes for the entire value chain. Sustainable investments contribute meaningfully to the economy and society. They are financially attractive, too. Sustainable investments align investor expectations of returns with ethical, environmental and social values.

Sustainability is a core issue in the new "Finfox" advisory application that Raiffeisen launched in November 2014. Advisors and clients jointly define how much of the portfolio to invest sustainably, how consistently this should be done (always or preferably sustainably) and whether to use a model portfolio with sustainable funds or a mixed portfolio with sustainable collective and direct investments.

Raiffeisen uses the Raiffeisen Futura label to identify all its sustainable products and help position them in the market. The Futura label provides transparency from the investment proposal to the annual schedule of assets. Raiffeisen launched the first sustainable Futura investment funds over 10 years ago. The Futura family has steadily expanded into seven different funds currently holding CHF 3.2 billion in assets. In 2013, they only held CHF 2.5 billion. The Futura investment funds represent over 40% of Raiffeisen's total fund volume. Fund savings plans enable any investor to invest as little as CHF 50 a month in sustainable vehicles over several years. Raiffeisen also offers other thematic funds that target recent trends and challenges: the Raiffeisen "Clean Technology" and "Future Resources" funds as well as structured products focusing on alternative energy. Raiffeisen offers an extensive range of sustainable investment solutions and aims to increase the volume of sustainable products held in custody accounts by 12% a year, starting in 2015.

Established partnerships

The Raiffeisen Futura fund universe is reviewed by Inrate, an independent rating agency, using a best-in-service approach. This method assesses a company's sustainability performance. Securities are only included in the sustainability universe if they have an above-average sustainability performance.

Raiffeisen is a member of the Forum for Sustainable Investments (Forum Nachhaltige Geldanlagen – FNG), which works to improve the transparency of sustainable investment funds. Futura fund assessment criteria are disclosed in the FNG sustainability profiles and described in detail in the statement of commitment to the European Sustainable and Responsible Investment Transparency Code (Eurosif). These declarations enable investors to easily determine whether an investment consistently negatively screens for activities such as nuclear energy or armaments. Raiffeisen is one of the first fund providers to publish sustainability profiles. The Group keeps investors systematically informed about the investment criteria and processes used for Futura funds. This transparency provides guidance for investors when making sustainable investments.

Exercising voting rights is an integral part of sustainable and responsible investing. That is why voting rights for shares in all Swiss firms held by Raiffeisen Futura funds are actively exercised in accordance with the recommendations of the Ethos Foundation. The Raiffeisen Pension Fund also consistently exercises its voting obligations for Swiss equity investments and follows Ethos recommendations as well.

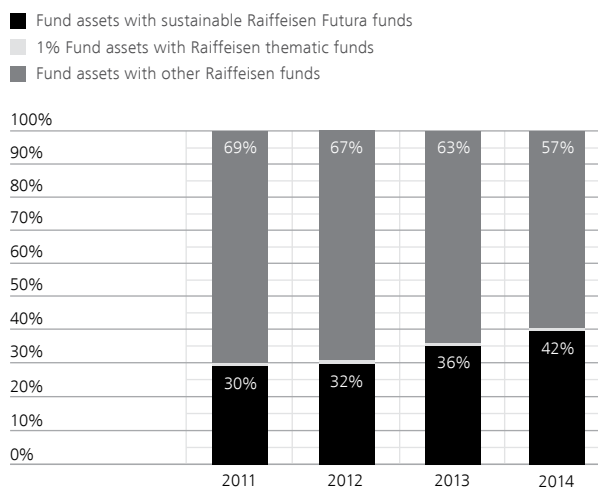
Every year, Raiffeisen and Inrate hold a Futura conference to give Raiffeisen clients and client advisors deeper insight into value chains at sustainable companies. Clients see for themselves how companies are evaluated and how they make their day-to-day operations sustainable. The current year's Futura conference was held at ABB in Baden on 18 September 2014.

Sustainable real estate funds

In early 2014, Raiffeisen launched its first real estate fund that considers sustainable criteria as well as financial performance.

The Raiffeisen Futura Immo fund invests in established properties and new construction projects throughout Switzerland that meet robust sustainability criteria. Properties are included in the fund based on their quality, versatility, energy efficiency and use of recyclable materials. Other selection criteria include the social mix, access to public transportation and the location's emissions. The Futura Immo fund enables investors to participate in building a real estate portfolio and gain exposure to the Swiss real estate market. The fund concentrates on residential property, which makes up at least 60% of the fund assets. Raiffeisen identifies attractive properties with the assistance of VERIT Investment Management AG. However, it also learns of attractive real estate through the local ties of Raiffeisen banks.

Breakdown of fund volume by form of investment



Real estate as an asset class

Real estate is an essential part of a diversified investment portfolio. It has been outperforming fixed-income securities for some time. Demographic change, largely driven by the ageing of the Swiss population, will alter the requirements that the housing market will have to meet in the years to come. Issues such as home size, accessibility and assisted living will gain importance. Population growth and immigration will sustain demand for rental apartments and require sustainable development.

Every property owned by the Raiffeisen Futura Immo fund receives a sustainability rating from Inrate, an independent rating agency. This assessment covers economic and environmental sustainability (energy and resource efficiency, construction materials, etc.) as well as social sustainability (existence of common areas, affordable housing, neighbourhood social mix, etc.). An independent advisory board advises the fund manager (Balfidor Fondsleitung AG) and portfolio manager (VERIT Investment Management AG) and monitors compliance with the investment strategy. The advisory board members have extensive real estate expertise.

Record in impact investing

Raiffeisen is a co-founder of responsAbility Social Investments AG with a seat on the Board of Directors. One of the world's leading asset managers for impact investing, responsAbility held over USD 2.4 billion in sustainable investments under management in the current year. Impact investing refers to making investments in companies, organisations and funds in order not only to earn a profit, but also to have a substantial impact on society and the environment. responsAbility has investments in over 530 companies in roughly 93 countries. Raiffeisen clients invested around CHF 220 million in responsAbility products in 2014. In 2013, this number was around CHF 140 million. responsAbility's investment products provide individuals at the base of the global income pyramid with access to loans, information and services that are

important for their economic development. They focus on microfinance, fair trade, independent media, health and education.

RESPONSIBILITY AS AN EMPLOYER

Raiffeisen values the diversity of its employees. Its corporate culture focuses on ensuring equal opportunities and providing a work environment where employees of all generations can develop and grow.

Equal opportunity

Raiffeisen has made it a strategic priority to raise the percentage of women in senior staff and executive management positions. It has set measurable targets, too: By the end of 2015, the bank wants to have women in 30% of senior staff and executive management positions. In the current year, women held 25.8% of the management positions.

Raiffeisen encourages networking among women. Once again, it joined forces with Helvetia to host an in-house women's networking workshop that was very well visited. This women-only event was initiated four years ago by Gabriele Burn, Member of the Executive Board of Raiffeisen, and Angela Winkelmann, Member of the Executive Board of Helvetia, and continues to be sponsored by them. Raiffeisen Switzerland's corporate partnerships with Advance Empowering Women in Swiss Business as well as Business & Professional Women (BPW) enable employees to network across industry lines. Raiffeisen also supports the return of qualified women to the workplace. It co-finances the "Women Back to Business" certificate programme at the University of St.Gallen – yet another way it promotes gender equality and enables a healthy work-life balance.

An external, independent wage equality study commissioned by Raiffeisen Switzerland in 2014 underscores the bank's equal treatment of men and women. The study shows that Raiffeisen Switzerland pays equal wages. The wage difference is considerably lower than the tolerance

level set by the Swiss Federal Office for Gender Equality.

Flexitime models

Raiffeisen understands the value of flexitime models. It extended flexitime models to managers years ago. 17% of senior staff work part-time at Raiffeisen Switzerland. People typically choose to reduce their working hours to spend more time with family or pursue further education. Raiffeisen prides itself on enabling employees to achieve a healthy work-life balance. It funds the following programmes:

- "Family Holiday Weeks" that help working parents to care for their children
- Fifteen days paternity leave, even though this is not required by law
- Guarantee of continued employment at 0.6 full-time equivalent (FTE) or more in an adequate function after maternity leave
- Option of taking up to five days paid time off when a child is sick

The Raiffeisen model is a success story, as shown by the bank's low absenteeism and strong track record of retaining highly skilled employees for an average of 8.3 years, which is longer than other industry players. Employee turnover is low at 12.3%. The headcount has been stable for the past four years with a slight upward bias.

Long-term employee development

Raiffeisen's personnel policy is designed for long-term relationships with employees. The advancement and development of all employees is a core element of the corporate strategy. Raiffeisen Group employees can benefit from management's experience through a structured mentoring programme. Raiffeisen pairs employees with a mentor upon request. The entire Executive Board, including Chairman Dr Pierin Vincenz, is involved in the mentoring programme. Raiffeisen managers take the time to pass on their professional experience to tomorrow's managers.

Senior staff and executive management development includes successive modular training courses. Training activities are initiated, defined and designed together with specialist area managers in a structured process to ensure they support the strategic approaches. An extensive training and development programme addresses every level in the hierarchy: from the Board of Directors to the management of the Raiffeisen banks to rank-and-file employees. All told, 850 internal training courses were held in 2014. The Raiffeisen Group invested CHF 1724 per FTE in internal and external training and continuing education programmes during the current year.

It focused on developing soft and leadership skills within the Group, cultivating an appreciation of shared values and teaching management fundamentals. Raiffeisen trains all its managers on goal agreements, performance appraisals and feedback meetings, and has a transparent, broad-based performance appraisal system. Employee performance is appraised based on goal attainment and the acquisition of leadership, teamwork and other skills. High potentials are identified and included in succession plans. Periodic performance review meetings are required for employees at all management levels and functions. The appraisal plays a major role in setting variable pay.

Long-term employee development includes assisting with personal problems. The Raiffeisen counselling service helps employees deal with problems outside their day-to-day work. Please see the "Employees" chapter for details.

Social report of the Raiffeisen Group (without Group companies)

	2014	2013
Total number of employees	9,889	9,791
Number of full-time positions	5,951	5,874
Number of part-time positions	3,938	3,917
Total BoD members	1,705	1,859
of which women	352	366
Total number of women	5,198	5,189
of which in management	1,016	985
Total number of men	4,691	4,662
of which in management	2,926	2,833
Total number of apprentices	761	770
of which women	421	424
of which men	340	346
Amount spent on child care in CHF (only Raiffeisen Switzerland)	333,000	339,500
Return to the workplace after maternity leave in %	96.0	79.3
Amount spent on training in CHF	17,316,054	14,549,322

RESPONSIBILITY IN BANKING OPERATIONS

As a company with more than 10,000 employees and a network of around 1,000 branches, Raiffeisen has a responsibility to reduce its environmental footprint. The Raiffeisen Group is well aware of its responsibility and aspires to serve as a role model in procurement and the sustainable management of its bank buildings.

Specifically, it plans to lower its CO₂ emissions by 30% by 2022 (base year = 2012). To achieve that goal, the Group has formulated a climate strategy comprising carbon offsets, operational optimisation, substitution with renewable energy, and investments in energy-efficient infrastructure and renewable energy. These steps represent Raiffeisen's contribution to transforming the Swiss energy system. In procurement, the Group has set a goal of purchasing products and services that meet not only economic criteria, but also environmental and social standards for the next five years.

Capturing and measuring the energy consumption of Raiffeisen buildings

Regarding environmental data, Raiffeisen focuses on capturing information on building energy consumption (electricity and heating) and business travel (cars, public transportation, air travel). These categories constitute some 80% of the Group's environmental footprint. Raiffeisen is currently working to acquire more energy and resource consumption data. The number of sites covered by data collection efforts increased from 274 to 428 in 2014. CSR Management is responsible for energy data acquisition. The figures are currently based on roughly 35% of the Group's building portfolio and are extrapolated for the entire Raiffeisen Group. CSR Management consolidates and analyses locally captured data.

Building energy consumption for heat and electricity reached 76.2 mWh in the previous year. It fell to 64.5 mWh in the current year, primarily due to energy efficiency in IT. Of that amount,

44.0 mWh went toward electricity in the current year, compared to 42.6 mWh in the previous year. Building energy consumption per year and employee amounted to 7400 kWh. This translates into a year-on-year decrease of 15%.

The greenhouse gas emissions for the entire Raiffeisen Group from building energy and business travel amounted to 11,178 tonnes of CO₂, or around 1280 kg of CO₂ per employee. This translates into a year-on-year decrease of 31%. Three programmes were particularly important in improving the carbon footprint: increasing the use of renewable power, improving energy efficiency in IT and reducing the demand for heating.

Helping to transform the Swiss energy system

The Raiffeisen Group is gradually switching from conventional electricity to Swiss-produced renewable electricity. This effort is part of a campaign to strengthen small-scale generating units and reduce emissions. All 1621 Raiffeisen ATMs now exclusively consume certified "Naturemade Star" power comprising 15% photovoltaic electricity and 85% hydroelectricity. All the power plants are located in Switzerland. Likewise, the service centres in St.Gallen, Gossau, Dietikon and Zurich use nothing but Swiss hydroelectricity to meet all 7000 mWh of their power consumption needs.

Raiffeisen Switzerland signed voluntary agreements to meet energy efficiency targets at four service centres in the current year and had them audited by an organisation accredited by the Swiss Federal Office of Energy (SFOE). Other Raiffeisen banks followed suit for their branches.

Raiffeisen expanded its building portfolio very little in the current year. Instead, it focused on optimising existing buildings, which included looking into the possibility of producing renewable energy. Raiffeisen Bank Cadi, for example, invested in renewable energy and now operates three photovoltaic systems. The new infrastructure

generates enough electricity for the bank to meet all the power needs of its six branches and 22 employees. A new construction project in Bischofzell will invest in 2SOL, an innovative product developed by ETH Zurich. 2SOL combines solar thermal energy with a downhole heat exchanger that stores excess thermal energy deep in the earth during the summer (geothermal well). This stored energy can then be used when winter comes. The building no longer needs to be heated with fossil fuels and has stopped producing emissions.

Energy and resource efficiency in IT

Data centres tend to be a bank's biggest power consumers. While various studies show an increase in energy consumption by data centres, Raiffeisen has once again reduced its power requirements. The St.Gallen and Gossau data centres are paragons of energy efficiency and operational excellence for the entire industry. Their energy consumption is evenly split between IT server infrastructure and data centre infrastructure (air-conditioning, uninterruptible power supplies, etc.). Raiffeisen reduced power consumption even further by gradually placing all the systems in housings. Heat losses in the hot water supply system were greatly reduced with the help of building automation. Efficient, state-of-the-art LED light bulbs are used for room illumination. Raiffeisen employed new technology and rigorously virtualised and consolidated its systems in order to significantly reduce the heat given off by servers and thus the cooling demand. Raiffeisen needs less space now that it has optimised its IT infrastructure. It rents some of the freed-up data centre space to outside companies with the same security and reliability requirements. In addition, waste heat from the Raiffeisen data centre heats tap water all year round at the St.Gallen site and at homes, shops and a restaurant located on Raiffeisen properties.

The printing and shipping centre, which Trend-commerce (Switzerland) Ltd has been successfully operating for two years, further

optimised its energy and resource consumption and reduced waste throughout the production process for the Raiffeisen Group's centralised printed products. Emissions are caused by travel within the Raiffeisen Group and the broad distribution of workplaces across Switzerland. In 2014, Raiffeisen piloted the first 360° cameras for video conferences in St.Gallen and Dietikon. This eliminates the need to consume fuel or electricity to travel long distances for short meetings.

Responsible procurement

Raiffeisen Switzerland is responsible for purchasing central goods and services as well as new buildings and construction materials. The Raiffeisen banks are additionally responsible for their own purchases and new buildings. As such, procurement has a major impact on the upstream and downstream processes of the Raiffeisen Group's energy and resource consumption. The Group procures around CHF 660 million in goods and services each year. In the current year, CSR Management helped develop a process for managing sustainability along the supply chain. The process is being rolled out to major product categories in stages.

Specific procurement examples include: Raiffeisen Switzerland sources approx. 95% of its printed materials from Swiss suppliers who manufacture their products in Switzerland and are certified as climate-neutral. Over 90% of the paper used by Raiffeisen comes from sustainably managed forests and is certified by the Forest Stewardship Council (FSC). Raiffeisen has taken steps to ensure the climate neutrality of the nationwide Raiffeisen Youth Competition campaigns and the printing of invitations to most of the annual general meetings for the 305 Raiffeisen banks. When selecting suppliers, Raiffeisen also considers criteria such as fair employment practices, training opportunities and a process-driven work culture.

While requesting proposals for a major event, Raiffeisen, for the first time ever, explicitly

required suppliers to comply with certain ethical principles, work conditions and environmental protection and environmental-management standards. It also evaluated two pilot events for employees and clients using its own sustainability assessment process. The contracted suppliers took action to make the events more sustainable. All carbon emissions data was captured and translated into valuable information for designing future processes.

Raiffeisen contributes heavily to strengthening local industry and Switzerland's position as an industrial centre. It invested CHF 140 million in building and converting Raiffeisen properties in the current year; 80% of this amount generally stays in the region.

Raiffeisen environmental data for 2014 (without Group companies)

Category	Unit	Raiffeisen Switzerland	Raiffeisen banks (included banks)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change in %	Raiffeisen Group (total) per FTE
Building energy (total)	kWh	13,478,000	11,564,000	40,235,000	65,277,000	-14	7,499
Electricity	kWh	10,629,000	8,468,000	25,713,000	44,810,000	5	5,148
of which share of electricity from renewable sources	kWh	7,808,000	6,221,000	18,890,000	32,919,000	30	3,782
Heating energy	kWh	2,849,000	3,096,000	14,522,000	20,467,000	-29	2,351
of which share of heating energy from renewable sources	kWh	–	–	–	–	–	–
of which fossil fuels	kWh	2,692,000	2,734,000	12,824,000	18,250,000	-37	2,097
of which district heating	kWh	157,000	362,000	1,698,000	2,217,000	-52	255
Business travel (total)	km	11,873,000	2,028,000	4,733,000	18,634,000	4	2,141
of which public transport (rail, bus, tram)	km	2,579,000	911,000	2,126,000	5,616,000	18	645
of which road transport by car (personal vehicles)	km	1,858,000	1,117,000	2,607,000	5,582,000	15	641
of which road transport by car (company vehicles)	km	3,583,000	–	–	3,583,000	-6	412
of which road transport for courier deliveries	km	2,961,000	–	–	2,961,000	-7	340
of which passenger transport by air	km	109,000	–	–	109,000	33	13
of which air freight	tkm	784,000	–	–	784,000	-33	90
Greenhouse gas emissions from energy and travel*	tonnes CO₂ eq	4,685	1,328	5,165	11,178	-31	1.28
of which Scope 1	tonnes CO ₂ eq	1,343	660	3,097	5,100	-29	0.59
of which Scope 2	tonnes CO ₂ eq	13	30	140	183	-91	0.02
of which Scope 3	tonnes CO ₂ eq	3,329	638	1,927	5,894	-16	0.68

* This covers relevant emission sources from Raiffeisen's energy consumption and business travel. The three system boundary categories are:
 – Scope 1: direct greenhouse gas emissions from stationary sources right at the company, e.g. heating or vehicles
 – Scope 2: indirect greenhouse gas emissions from energy generation outside the company, e.g. electricity and district heating
 – Scope 3: other indirect greenhouse gas emissions outside the company from upstream and downstream processes, e.g. business travel by rail or upstream processes involved in supplying energy

Greenhouse gas emissions are calculated based on the emission factors for the 2010 VfU indicators and/or Eco-Invent database V 2.1.

RESPONSIBILITY TO SOCIETY

Raiffeisen champions art and culture. Its support of art in public spaces sends out a strong signal and makes art accessible. Many Raiffeisen banks bring in Swiss artists to beautify their buildings. The artworks displayed in client areas, forecourts and conference rooms give each bank a distinctive character. One example is Andrea Heller's creative glass wall design at the Raiffeisen bank in Jona.

Raiffeisen also offers a museum pass programme that enables Raiffeisen members to visit over 470 Swiss museums free of charge. It is used around 600,000 times a year in total. This programme has supported cultural education and significantly raised museum visitor numbers.

Deeply committed to Swiss society

The Raiffeisen Group has a long history of social commitment. From volunteering to club sponsorships and sports, Raiffeisen is committed to Switzerland. "Raiffeisen Volunteers – Committed to Switzerland" is unique in the financial services sector. This Group-wide online volunteering platform has showcased employees' dedication and capabilities since 2011. Volunteers put in 29,440 hours in 2014.

The International Raiffeisen Youth Competition gives children and teens a platform for creatively addressing the latest socially relevant topics. Every year, it attracts over 40,000 young people in Switzerland and one million participants across Europe.

Raiffeisen supports associations that promote cultural, athletic and social diversity in over 1,000 towns. It has been sponsoring Swiss winter sports for ten years, including countless skiing clubs that support young athletes. In addition, it ran a team merchandise campaign that generated over one million Swiss francs. The funds will be used to pay for coaches, infrastructure and training for over 20,000 young athletes.

Launched in 2013, Raiffeisen Football Camps give boys and girls aged 6 to 15 the opportunity to be active, work together as a team and develop a love for football with professional coaching. In addition, over 500 children and parents experienced a very special day at an affordable price as part of the Raiffeisen Super League Family Days.

As the official football partner of Special Olympics Switzerland, Raiffeisen supports mentally disabled people pursue their love of sports.

Raiffeisen supports SwissSkills, a foundation which counts all major vocational training institutions as members. It strengthens the cooperative education system by acting as a communication hub and carrying out activities such as Swiss vocational skills championships. It motivates young people to excel and prove their mettle at competitions such as the 2014 Swiss Skills Competition in Bern.

Furthermore, Raiffeisen sponsored the 2014 UN International Year of Family Farming together with the Swiss Farmers' Union.

Raiffeisen promotes tourism in Switzerland. Members were able to enjoy the natural and cultural wonders of Eastern Switzerland at discounted rates in the current year. The programme was actively used.

Transparent involvement in politics

Raiffeisen takes its sense of social responsibility to the political arena by participating in discussions with various stakeholder groups. At the national level, this function is mainly performed by the CEO and other members of the Executive Board, who address political issues at events and frankly discuss issues with politicians and media representatives.

Raiffeisen is involved in various bodies in the Swiss business and banking sector. In the Swiss Bankers Association (SBA), for example, it has representatives on the Board of Directors as well as various commissions and working groups. In Coordination Domestic Banks (CDB), which Raiffeisen established along with the Association of Swiss Cantonal Banks, it works to protect the interests of domestic banks. To help members of the Federal Assembly understand these interests, Raiffeisen and other CDB members set up the Parliamentary Group for Domestic Banks (PGDB) during the current year. The domestic banks are currently most interested in the proposals to reform financial market regulations (particularly the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA)). Raiffeisen supports nuanced laws that treat clients as responsible, independent citizens, impose low administrative costs on companies, and respect Switzerland's legal autonomy and legal traditions.

Given the growing direct and indirect importance of international requirements, especially for financial market regulation, Raiffeisen considers it important to monitor the debate in Europe through its membership in the European

Association of Cooperative Banks (EACB). Raiffeisen shares the other EACB members' interest in strengthening the cooperative as a form of business organisation and actively participated in the International Summit of Cooperatives (ISC) held in Quebec, Canada in the current year. As a member of the International Raiffeisen Union (IRU), Raiffeisen also engages in dialogue with other financial institutions that embrace the principles propounded by Friedrich Wilhelm Raiffeisen.

Raiffeisen has joined forces with other cooperatives in IG Genossenschaftsunternehmen (Cooperatives Association, IGG) to promote and modernise the cooperative company model in Switzerland. As an IGG member, Raiffeisen made a major contribution to the "Make Cooperatives Experienced" conference, which explored the concept of the "experience economy" at cooperatives in the current year. IGG also commissioned a study on the legal and political action areas open to cooperatives, which was conducted and published by the Business Law Institute at the University of Lucerne. The study builds on the publication about the distinguishing features of cooperatives, which explores the question of what aspects define modern cooperatives today.

As in previous years, Raiffeisen made a financial contribution to supporting the Swiss political system in the current year and donated a total of CHF 246,000 to the parties represented in the Swiss Federal Assembly. This amount is split equally between the two chambers. The parties receive CHF 615 for each seat in the National Council and CHF 2,674 for each seat in the Council of States. They may use the donations as they see fit and do not give an account of their spending to Raiffeisen.

Corporate governance

High level of security due to cooperative structure

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 clients and the company.

The most important corporate governance rules of the Raiffeisen Group are established in binding documents such as the Articles of Association, the Terms and Conditions of Business, the organisational regulations and a series of other instructions and directives. All the statutes and documents relevant to the business – such as the Articles of Association, regulations, instructions, product catalogues, forms and descriptions of processes – are contained in an electronic system of rules. The binding nature of the regulations and regulatory documentation is clearly defined. Thanks to this electronic aid, new issues, processes and products as well as amendments to existing ones can be processed centrally and made available directly to all staff. This makes it possible to provide clients with more rapid, targeted and comprehensive service.

The following report is largely based on the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although the code and directives are not binding for Raiffeisen, it is helpful even for an unlisted company to apply these best practices in certain areas. The report deals in particular with the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date 31 December 2014.

RAIFFEISEN GROUP STRUCTURE

Subsidiaries are defined as all majority interests with more than 50% of the voting capital held by Raiffeisen Switzerland or its Group companies. The key fully consolidated Group companies and the shareholdings valued according to the equity method are listed in Note 3 (Details of major participations).

Changes from prior year

Disclosures regarding the reporting of structured products, the useful life of internally developed or purchased core banking software, the currency translation method and the treatment of exchange rates for financial statements of companies denominated in foreign currency were added to the accounting and valuation principles in the current year.

Mergers of Raiffeisen banks

The number of legally and organisationally independent Raiffeisen banks fell from 316 to 305 in the current year as a result of various mergers. The mergers were motivated by operational and market considerations. The ongoing structuring process enables the individual Raiffeisen banks to optimally align their activities with their regional markets. The number of independent Raiffeisen banks will continue to decline over the next few years.

Expansion of Raiffeisen locations

The presence in urban centres was further expanded. Raiffeisen banks opened five new branches in 2014.

Raiffeisen Group organisational structure

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

The 305 Raiffeisen banks with a total of 987 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own Board of Directors and have an independent auditor. Raiffeisen banks are owned by the cooperative members. The candidates for the Board of Directors are voted in at the local General or Delegate Meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. Raiffeisen banks own 100% of Raiffeisen Switzerland.

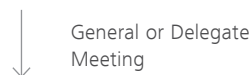
The Raiffeisen banks are grouped into 21 regional unions (see page 60) which are organised as associations. The unions act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include in particular organising delegate elections for the Raiffeisen Switzerland Delegate Meeting, 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.

The Raiffeisen Banks Steering Committee (not shown in the chart) is an advisory body. Each regional union has one seat, while Raiffeisen Switzerland is represented with one seat per department in this committee. The committee reviews strategic matters, objectives and plans, from the Raiffeisen banks' viewpoint, prioritising them according to the preliminary work carried out by Raiffeisen Switzerland's Executive Board. It also nominates the Raiffeisen banks' representatives who sit on the individual steering committees of Raiffeisen Switzerland and ensures that the Raiffeisen banks have a sufficient say in Group-wide plans and projects.

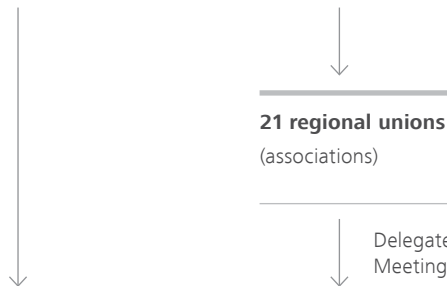
Cooperative members

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



305 Raiffeisen banks (cooperatives)

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



21 regional unions (associations)

Delegate Meeting

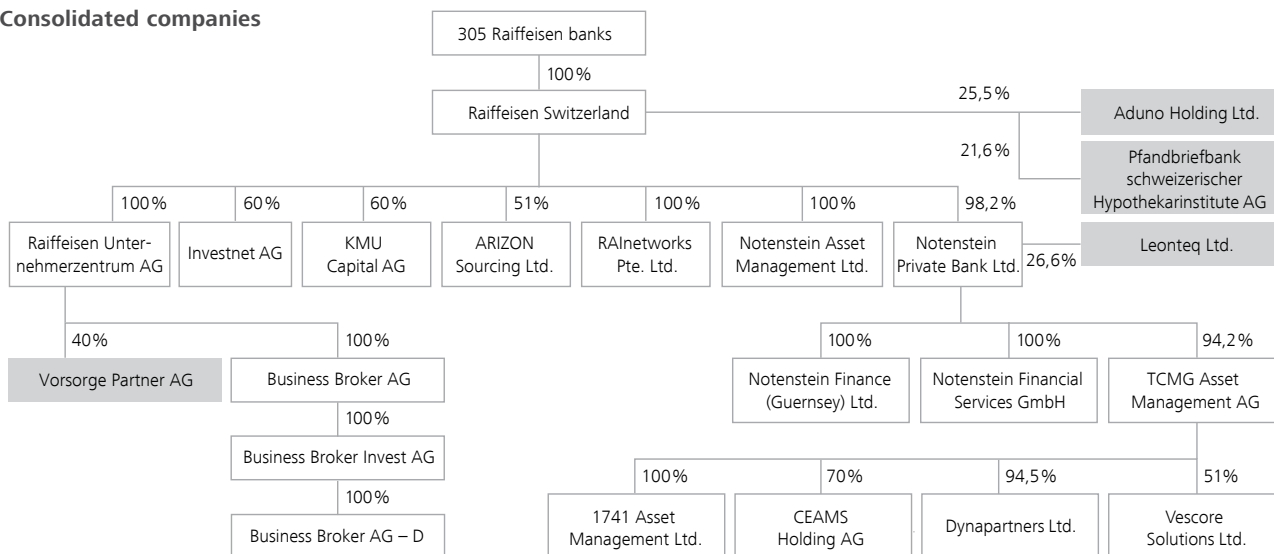
Raiffeisen Switzerland (cooperative)

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

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	<ul style="list-style-type: none"> ▪ Banking business ▪ Mainly retail business ▪ Traditional savings and mortgage business ▪ Corporate clients business ▪ Payment services ▪ Investment fund business ▪ Securities trading ▪ Consumer goods leasing 	Cooperative members
Raiffeisen Switzerland	<ul style="list-style-type: none"> ▪ Business policy/strategy and centre of competence for the Raiffeisen Group ▪ Risk controlling ▪ Ensuring central bank functions (monetary settlement, liquidity and refinancing) ▪ Banking business (mainly interbank business and securities trading) ▪ Running of branches ▪ Informs, advises and supports the Raiffeisen banks especially in the areas of management, marketing, business, information technology, training, human resources and legal services 	Raiffeisen banks
Notenstein Private Bank Ltd	Asset management for private clients	Raiffeisen Switzerland
KMU Capital AG	Financing business, mezzanine financing and investments in SMEs	Raiffeisen Switzerland
Investnet AG	Management consulting, share brokerage	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchasing of office supplies, software licences	Raiffeisen Switzerland
Notenstein Asset Management Ltd	Asset management and fund business	Raiffeisen Switzerland
Raiffeisen Unternehmerzentrum AG	Advisory services for SMEs	Raiffeisen Switzerland
ARIZON Sourcing Ltd	Advisory and operational services for banks	Raiffeisen Switzerland

Consolidated companies



■ Participations valued by the equity method □ part of consolidated companies

Major participations

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

Major cooperative members

Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates 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.

Cross-shareholdings

Raiffeisen Group companies have no cross-shareholdings.

CAPITAL STRUCTURE AND LIABILITY

Capital structure

The Raiffeisen Group's cooperative capital is CHF 747.7 million. A precise breakdown and accounting of changes in the year under review are provided in Note 10 (Evidence of equity capital).

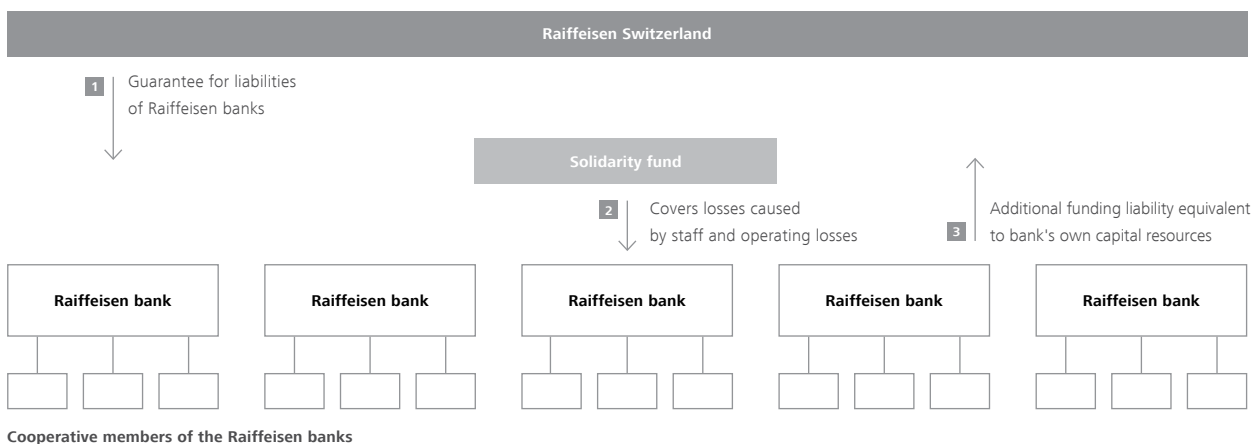
Changes in equity capital

Membership in a Raiffeisen bank and the associated rights and obligations are closely tied to the individual/entity in question. This means that individual shares cannot normally be sold on 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. The Board of Directors may refuse to redeem share certificates at any time without giving reasons. Share certificates bear a maximum 6% interest.

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

Security model

The Raiffeisen business model, business policies, a high level of equity and the ability to help shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen system provides a reliable and sustainable basis for all areas of banking business, thus benefitting clients.



Liability

The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on a principle of mutual liability, anchored in its Articles of Association. Working together in a cooperative union is also a strong expression of solidarity, as the fates of the Raiffeisen banks are closely linked as a risk-sharing group. Through the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford (see chart page 57).

1 Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and thus of the Raiffeisen Group as a whole. A total of CHF 1,330 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate worth CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.7 billion, of which CHF 850 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 838 million from the Raiffeisen banks at any time.

2 Solidarity fund

The solidarity fund is – in line with the classic notion of solidarity espoused by Raiffeisen – an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets are CHF 358.2 million.

3 Additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland

Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland is CHF 11.7 billion.

Abolishment of the additional funding obligation of cooperative members towards Raiffeisen banks

At the General Meeting in 2014, the Raiffeisen banks proposed to its cooperative members that they abolish the additional funding obligation. The abolishment of the additional funding obligation of cooperative members towards Raiffeisen banks was approved.

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

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. Raiffeisen banks are exempted from compliance with these provisions at the individual bank level. The conditions for this exemption are that the Raiffeisen banks must have a central organisation that guarantees all the Raiffeisen banks' obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis the

Changes in equity capital

(in million CHF)

	2014	2013	2012	2011
Cooperative capital	748	637	616	599
Retained earnings	10,533	9,848	9,245	8,681
Group profit	759	717	635	595
Total	12,040	11,202	10,496	9,875

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

EMPLOYEE SHARE OWNERSHIP PROGRAMMES

Notenstein Private Bank Ltd and TCMG Asset Management Ltd launched an employee share ownership programme in 2014. Share ownership programmes incentivise employees to think entrepreneurially and thus encourage the development of a sustainable corporate culture with a long-term focus.

Notenstein Private Bank Ltd

To launch the share ownership programme, the participation capital was increased by CHF 2,200,000 in December 2013 as part of an ordinary capital increase (22,000,000 participation certificates, each with a nominal value of CHF 0.10). The participation capital was fully subscribed by the Raiffeisen Switzerland Cooperative. It agreed to provide the participation certificates needed for the share ownership programme.

Participation in the share ownership programme is mandatory for Members of the Extended Executive Board and other key employees. A proportion of their variable remuneration consists of options for participation certificates. The exact proportion is determined by the Board of Directors. In addition, all employees have the option of buying and/or selling a limited number of participation certificates within a specified subscription period once per year. The participation certificate price (sales and purchase price) is determined from the net asset value pursuant to Notenstein's individual financial statements.

TCMG Asset Management

Under the share ownership programme, qualified employees receive a proportion of their variable remuneration in shares that vest after five years. The exact proportion is determined by the Board of Directors. The share price is determined from the net asset value pursuant to TCMG's financial statements.

EXECUTIVE 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 delegate places are allocated depending on the number of Raiffeisen banks in each regional union and the number of cooperative members and the balance sheet total of all the Raiffeisen banks in each regional union. There are currently 167 members of the Delegate Meeting.

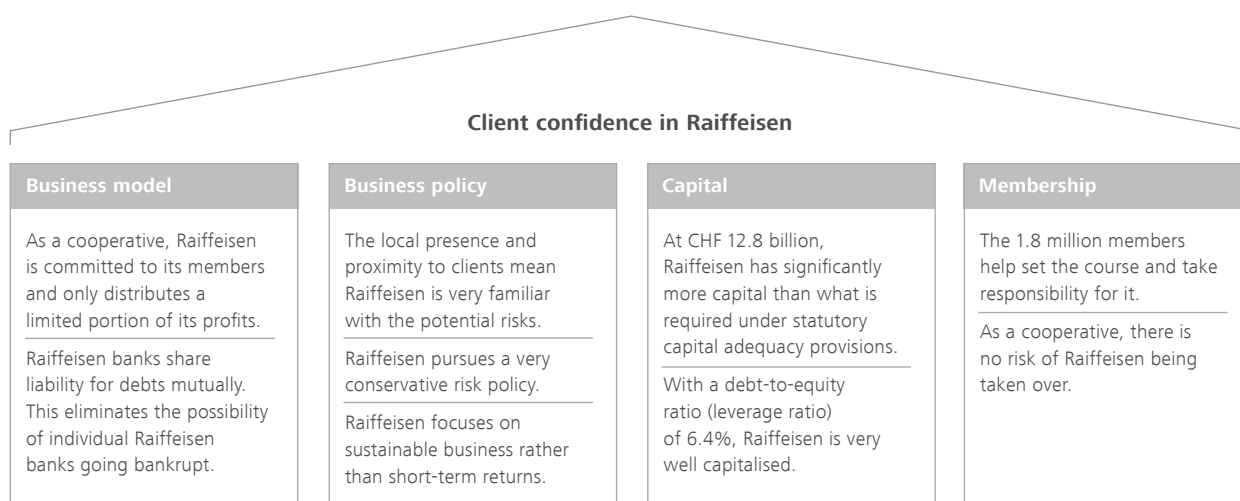
In particular, the Delegate Meeting is responsible for the following:

- Changes to the Raiffeisen Switzerland Articles of Association
- Drawing up model articles of association for Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles
- Issuing the financing principles and regulations governing the contributions made by the Raiffeisen banks to Raiffeisen Switzerland
- Approving the annual report, income statement, balance sheet and the appropriation of net profit of Raiffeisen Switzerland
- Appointing and dismissing the Board of Directors, its Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks

The regional unions

Regional unions	Chair	Number of member banks
14 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Lehner, Kölliken	25
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	22
Bündner Verband der Raiffeisenbanken	Petra Kamer, Igis	9
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	6
Regionalverband Luzern, Ob- und Nidwalden	Kurt Sidler, Ebikon	24
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	9
Raiffeisenverband Nordwestschweiz	Reto Forrer, Basel	13
Raiffeisenverband Zürich und Schaffhausen	Werner Zollinger, Männedorf	9
Schwyzter Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	8
Solothurner Verband der Raiffeisenbanken	Rolf Kissling, Neuendorf	20
St.Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	44
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	17
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Dr Michael Iten, Oberägeri	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	11
Fédération genevoise des Banques Raiffeisen	Bernhard Bucher, Confignon	6
Fédération jurassienne des Banques Raiffeisen	Christian Spring, Vicques	8
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	18
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	19
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	22

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



Raiffeisen Switzerland Board of Directors

The Board of Directors is chiefly responsible for the Group's strategic development, overall leadership and for overseeing Raiffeisen Switzerland and the Executive Board.

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

No Board of Directors members have been employed by Raiffeisen Switzerland in the last three years. In addition, no member of the Board of Directors has had significant business relationships as a contractual agent with Raiffeisen Switzerland.

Composition, election and term of office

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

for the Raiffeisen banks. Half of the members of the Board of Directors must be representatives of Raiffeisen banks.

Members of the Board of Directors are elected for a two-year term (current term: 2014 to 2016) and can serve a maximum of twelve years. Members of the Board of Directors must step down at the end of the term of office in which they attain the age of 65.

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. It met six times in 2014 and one conference call was also held. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the chairman's vote counts twice. Resolution voting is minuted. The Board of Directors meets once a year to review its own activities and positions.

Members of the Executive Board generally attend meetings of the Board of Directors, the Strategy and Compensation Committee and the Audit and Risk Committee. They can advise and have the right to put forward motions.

Duties of the Board of Directors

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

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, the risk policy, and regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss Members of the Executive Board, the Head of Internal Auditing and their deputies
- To define the overall sum of variable remuneration and decide on the fixed and variable annual remuneration components for Members of the Executive Board
- To appoint and dismiss the statutory auditor for Raiffeisen Switzerland and Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute the resolutions of this body

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the standing committees are set forth in regulations which are summarised on page 67.

Delimitation of powers

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

Information and controlling tools

The Board of Directors is kept informed of the

activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chairman of the Board of Directors attends selected meetings of the Executive Board while the Head of Internal Auditing attends all the meetings. The Executive Board is also required to update the Board of Directors regularly on the financial position, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

Risk management and compliance

Risk management and compliance are described in detail in the "Risk policy and risk control" section on pages 30–39.

Internal Auditing

Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It reviews compliance with requirements set out in laws, regulations and the Articles of Association as well as the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed Internal Auditing since 1989 and he reports directly to the Board of Directors' Audit and Risk Committee.

Executive Board of Raiffeisen Switzerland

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

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

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

The business processes of Raiffeisen Switzerland are spread across six departments (see organisational chart on pages 70/71).

The members of the Executive Board and of the extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland. There were no changes to the Executive Board in the 2014 financial year.

Management contracts

There are no management contracts with third parties at Raiffeisen.

Auditor for the purposes of the Swiss Code of Obligations

Since the 2007 financial year, PricewaterhouseCoopers Ltd 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 rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Members of the Board of Directors



**Prof. Dr. Johannes
Rüegg-Stürm**

Function Chairman of the BoD and of the Strategy and Compensation Committee

Born in 1961

Place of residence
St.Gallen

Joined 2008

Elected until 2016

Occupation
Professor of Organisation Studies at the University of St.Gallen (HSG), Director of the Institute for Systemic Management and Public Governance (IMP-HSG)

Significant directorships

- Chairman of the Raiffeisen Centenary Foundation



Philippe Moeschinger

Function Vice Chairman of the BoD and member of the Strategy and Compensation Committee

Born in 1960

Place of residence
Thônex GE

Joined 2008

Elected until 2016

Occupation
Director General of Comptoir Immobilier SA

Significant directorships

- Chairman of the BoD of Banque Raiffeisen d'Arve et Lac
- Member of the Fédération genevoise des Banques Raiffeisen
- Committee Member of SVIT Romandie
- Member of the BoD of Courtiers Partenaires SA
- Member of the BoD of Comptoir Immobilier SA



Rita Fuhrer

Function Member of the BoD

Born in 1953

Place of residence
Auslikon ZH

Joined 2010

Elected until 2016

Occupation
Former cantonal government representative

Significant directorships

- Chairwoman of Trägerverein Uniklinik Balgrist
- Member of the BoD of Jucker Farmart, Seegräben



Angelo Jelmini

Function Member of the BoD

Born in 1955

Place of residence
Lugano-Pregassona TI

Joined 2011

Elected until 2016

Occupation
City Council Member of the City of Lugano; Head of the Spatial Development Department; co-owner of notary and lawyer's office Sulser & Jelmini in Lugano and Mendrisio; co-owner and legal advisor of family enterprise Galvolux SA Glas- and Spiegel-technik, Bioggio

Significant directorships

- Member of the BoD and Secretary, Raiffeisenbank Lugano
- Board Member, Schweizerische Vereinigung für Landesplanung, Ticino Section (VLP-ASPAN-TI)
- Various Board of Director memberships

* Dependent in the sense of FINMA Circular 2008/24 paragraphs 20–24
Information on qualifications and occupational background is given on www.raiffeisen.ch.



Anne-Claude Luisier

Function Member of the BoD

Born in 1967

Place of residence
Ayent VS

Joined 2010

Elected until 2016

Occupation
Founder and Director
Senso Creativ Sàrl, Director of
Fondation Senso5

Significant directorships

- Member of the Fédération Banques Raiffeisen du Valais romand
- Member of the comité ASA Valais



Daniel Lüscher*

Function Member of the BoD

Born in 1961

Place of residence
Herznach AG

Joined 2008

Elected until 2016

Occupation
Chairman of the Executive Board
of Raiffeisenbank Aarau-Lenzburg

Significant directorships

- Chairman of the Swiss Excellence Forum, Sursee



Olivier Roussy

Function Member of the BoD

Born in 1964

Place of residence
Yverdon-les-Bains VD

Joined 2014

Elected until 2016

Occupation
Founder and manager of Major
Invest SA, wealth management/
financial consulting, Yverdon-
les-Bains

Significant directorships

- Member of the BoD of Major Invest SA, Yverdon-les-Bains



Urs Schneider

Function Member of the BoD and
of the Strategy and Compensation
Committee

Born in 1958

Place of residence
Amlikon-Bissegg TG

Joined 2008

Elected until 2016

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

Significant directorships

- Chairman of the Thurgauer Verband der Raiffeisenbanken
- Member of the BoD of Raiffeisenbank Mittelthurgau, Weinfelden
- Member of the BoD of Agrimmo AG, Berne
- Member of the BoD of Schweiz. Agrarmedien and "Agri" (agricult. publication in French-speaking Switzerland), Berne and Lausanne
- Chairman of Agro-Marketing Suisse, Berne
- Member of the Management Board of the Swiss Farmers' Guarantee Cooperative, Brugg
- Member of the Foundation Board of the Foundation for Sustainable Nutrition by the Swiss Agricultural Industry, Brugg
- Member of the BoD of Grünes Zentrum AG, Weinfelden
- Member of the Foundation Board of the Employee Benefits Foundation of the Swiss Farmers' Union, Brugg

**Prof. Dr. Franco Taisch**

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

Born in 1959

Place of residence
Neuheim ZG

Joined 2008

Elected until 2016

Occupation
Chairman and founding partner of kreisquadrat gmbh, the decision network; owner of taischconsulting, leadership and law; Chairman of the Directorate at the IFU|BLI Business Law Institute and Professor of Commercial Law at the University of Lucerne

Significant directorships

- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Co-owner and Member of the BoD of Clinica Alpina SA, Scuol
- Founding partner and Chairman of the BoD of HealthBank SA, a global health cooperative, Geneva
- Executive Board Delegate of the cooperatives association IGG, Lucerne
- Member of the KMU Next foundation board, Berne
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug

**Lic. iur. Edgar Wohlhauser**

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

Born in 1961

Place of residence
Arth SZ

Joined 2006

Elected until 2016

Occupation
Partner in BDO AG, Zurich

Significant directorships

- Member of the BoD of Wertim AG, Altdorf
- Member of the Pension Commission of Kaderkasse Gemini

**Werner Zollinger**

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

Born in 1958

Place of residence
Männedorf ZH

Joined 2006

Elected until 2016

Occupation
Chairman of the BoD and owner of ProjectGo AG, Zug

Significant directorships

- Chairman of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf
- Chairman of the Raiffeisen Regionalverband Zürich/Schaffhausen

Board of Directors committees

Committee	Members	Composition, duties and competencies
Strategy and Compensation Committee	<ul style="list-style-type: none"> ▪ Prof. Dr Johannes Rüegg-Stürm (Chairman) ▪ Philippe Moeschinger (Vice Chairman) ▪ Urs Schneider 	<p>The Board of Directors appoints the Strategy and Compensation Committee, which consists of the Chairman, Vice Chairman and at least one other member of the Board of Directors.</p> <ul style="list-style-type: none"> ▪ Dealing with tasks assigned by the Board of Directors and general support for the Board of Directors in performing its duties and responsibilities ▪ Monitoring strategically relevant developments, opportunities and challenges for the Raiffeisen Group ▪ Preparing strategic initiatives in the Board of Directors and supervising their realisation (responsible for content) ▪ Arranging and supervising the strategy work of the Raiffeisen Group (responsible for processes) ▪ Establishing the terms of employment for Members of the Executive Board and the Head of Internal Auditing using the remuneration regulations ▪ Establishing the general terms of employment for the staff ▪ Regulating own-account transactions for Members of the Executive Board and staff ▪ Approving and monitoring the granting of loans to members of executive bodies within the scope of the regulations governing authority levels ▪ Passing resolutions on participations, investments, contractual obligations, expenditure and loans, to the extent that authority over these matters is assigned to the committee
Audit and Risk Committee	<ul style="list-style-type: none"> ▪ Lic. iur. Edgar Wohlhauser (Chairman) ▪ Prof. Dr Franco Taisch ▪ Werner Zollinger 	<p>The Audit and Risk Committee consists of three members of the Board of Directors with extensive experience and expertise in finance and accounting, and who are familiar with the work of the internal and external auditors, internal control, compliance and risk assessment.</p> <ul style="list-style-type: none"> ▪ Analysing the annual accounts, specifically amendment of accounting principles and valuation of balance sheet items ▪ Deciding on measures to approve or withdraw a temporary exemption if a BoD limit has been exceeded ▪ Supporting and monitoring the work of the auditor and Internal Auditing, as well as cooperation between the two ▪ Approving the annually budgeted auditor's fee ▪ Monitoring and assessing the effectiveness and appropriateness of the internal control system ▪ Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice (Compliance) ▪ Analysing the risk situation of Raiffeisen Switzerland and the Group, as well as monitoring and assessing measures to record, manage and control risks ▪ Monitoring compliance with the financing plan

Members of the Executive Board

**Dr Pierin Vincenz**

Function Chairman of the Executive Board (CEO)

Born in 1956

Place of residence
Niederteufen AR

Joined 1999

Significant directorships

- Chairman of the BoD: Notenstein Private Bank Ltd, Aduno Holding Ltd, Pfandbriefbank schweizerischer Hypothekar-institute AG, Plozza SA
- Member of the Com. of the BoD of the Swiss Bankers Association
- Member of the BoD of Helvetia Insurance
- Member of the Steering Committee UNICO Banking Group Brussels
- President of the Association for the Promotion of the Swiss Institute of Banking and Finances of the University of St.Gallen (HSG)
- Chair of the MEDAS Foundation Eastern Switzerland
- Vice chairman of the Raiffeisen Centenary Foundation
- Member of the Foundation Board: Ostschweizerische Stiftung für Klinische Krebsforschung, pro Kloster Disentis, Stiftung Speranza
- Chairman of the Plan B Association for promotion of social responsibility in relation to money and consumption
- Member of the BoM of Pflegekinder-Aktion Schweiz
- Vice Chair of the BoD of Leonteq Securities Ltd

**Dr Patrik Gisel**

Function Head of Market department and Deputy Chairman of the Executive Board

Born in 1962

Place of residence
Erlenbach ZH

Joined 2000

Significant directorships

- Chairman of the BoD: ARIZON Sourcing Ltd, 1741 Asset Management AG, Investnet AG, KMU Capital AG
- Chairman of the Swiss Banks' and Securities Dealers' Depositor Protection Association
- Chairman of the Commission for Swiss Client Business, Swiss Bankers Association
- Chairman of the Board of Directors of Raiffeisen Schweiz (Luxemburg) Fonds SICAV
- Chairman of the Foundation Board of the Raiffeisen Pension Foundation
- Chairman of the Foundation Board of the Raiffeisen Vested Assets Foundation
- Vice Chairman of the BoD of Notenstein Private Bank Ltd
- Member of the BoD: SIX Group Ltd
- Member of the Executive Committee, UNICO Banking Group Brussels
- Member of the Management Board of the Zurich Banking Association
- Member of the BoD of Ergis AG
- Member of the Management Board of the Betula Association
- Lecturer at the University of Zurich

**Michael Auer**

Function Head of Bank Relationship Management department (COO)

Born in 1964

Place of residence
Speicher AR

Joined 2008

Significant directorships

- Chairman of the BoD: Raiffeisen Pension Fund, Raiffeisen Employer Foundation, Raiffeisen Unternehmerzentrum AG
- Member of the Foundation Board of the Foundation for Swiss Naive Art and Art Brut, St.Gallen
- Member of the BoD: Säntis Schwebebahn AG, Business Broker AG, Zurich, Business Broker Investment AG, Zurich, Vorsorge Partner AG, Zurich
- Member of the Supervisory Board of Business Broker AG, Hohentwiel (DE)
- Member of the Foundation Board of the Swiss Finance Institute

**Damir Bogdan**

Function Head of IT department (CIO)

Born in 1969

Place of residence
Speicher AR

Joined 2008

Significant directorships

- Member of the BoD of ARIZON Sourcing Ltd, St. Gallen
- Member of the Research Council of the Institute of Information Management at the University of St.Gallen (HSG)
- Member of the Management Board and Management Board Committee of ICT Switzerland
- Advisor for Master's degrees in Information Management at the University of Applied Sciences St.Gallen, Lucerne, Berne and the Zurich University of Applied Sciences (ZHAW)



Paulo Brügger

Function Head of Central Bank department

Born in 1966

Place of residence
Zumikon ZH

Joined 2005

Significant directorships

- Member of the BoD: Dynapartners Ltd, Zollikon, responsAbility Participations AG, Zurich
- Member of the Investment Committee, Raiffeisen Pension Fund



Gabriele Burn

Function Head of Marketing & Communications department

Born in 1966

Place of residence
Krattigen BE

Joined 2008

Significant directorships

- Chairwoman of the Swiss Climate Foundation
- Member of the Board of Schweizer Berghilfe (Swiss mountain rescue organisation)
- Member of the KMU Next Foundation Board
- Board member of the Green Building Association
- Member of the Swiss Museum Pass Foundation Board



Marcel Zoller

Function Head of Finance department (CFO)

Born in 1957

Place of residence
Goldach SG

Joined 2008

Significant directorships

- Chairman of the BoD: Notenstein Asset Management Ltd, Dynapartners Ltd
- Member of the Management Board and member of the Finance and Audit Committee and of the Strategy Committee of the Valida Foundation, St.Gallen



Dr Beat Hodel*

Function Head of Group Risk Controlling (CRO)

Born in 1959

Place of residence
Bäch SZ

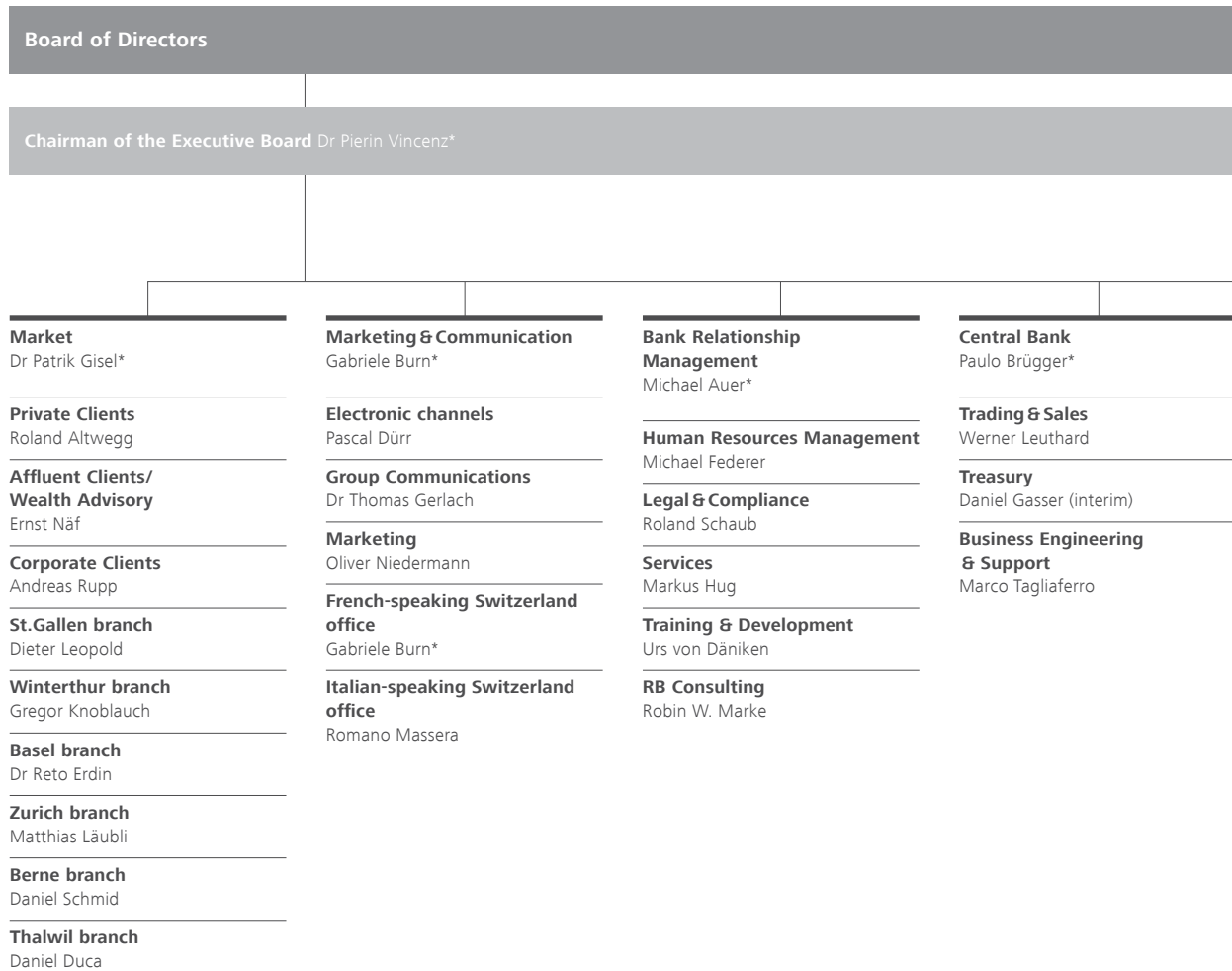
Joined 2005

Significant directorships

No significant directorships

* Member of the Extended Executive Board
Information on qualifications and occupational background is given on www.raiffeisen.ch.

Organisational chart of Raiffeisen Switzerland



* Member of the Executive Board

** Member of the Extended Executive Board

This representation depicts the organisation at the time of editing (27 February 2015). The depiction of the new organisational structure can be found from 1 May 2015 at www.raiffeisen.ch.

General Secretariat Pius Horner

IT
Damir Bogdan*

Business Systems
René Latzer (interim)

IT Operations
Christian Lampert

Finance
Marcel Zoller*

Accounting
Paolo Arnoffi

**Corporate Development
& Controlling**
Dr Christian Poerschke

Group Risk Controlling
Dr Beat Hodel**

Credit Risk Management
Daniel Tönz

Projects
Erwin Keller

Internal Auditing
Kurt Zobrist

Internal Auditing RB St.Gallen
Sabine Bucher

Internal Auditing RB Dietikon
Räto Willi

Internal Auditing RB Lausanne
Daniel Widmer

Internal Auditing RB Bellinzona
Katia Carobbio

**Internal Auditing
Raiffeisen Switzerland and
Group Companies**
Roland Meier

REMUNERATION REPORT

Raiffeisen Group

A competitive compensation system plays a key role in successfully positioning Raiffeisen as an attractive employer. The remuneration system is designed to attract qualified staff and retain talented employees. Outstanding achievements are acknowledged, and every individual's performance is rewarded. This is essential in order to achieve long-term strategic targets.

Raiffeisen's remuneration system satisfies the key criteria from laws, rules and regulations, including, without limitation, the regulations from Circular 10/1 "Remuneration schemes" of the Swiss Financial Market Supervisory Authority (FINMA), which apply for Raiffeisen Switzerland. The circular defines minimum standards for the design, implementation and disclosure of remuneration schemes in financial institutions.

Independent remuneration system

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

The low risk profile, stable earnings and cooperative tradition are the reasons why an independent remuneration system was established. Remuneration caps for all groups of risk-takers, limits on variable remuneration components and the payment of all remuneration in non-deferred cash, among other things, are particular characteristics of this system. Raiffeisen believes that, given its specific situation, it makes more sense to institute caps than to defer part of the variable remuneration. This decision was largely based on the low risk profile and consistently

stable earnings generated with Raiffeisen's business model. Moreover, absolute caps are clear, transparent and easy to manage. This satisfies one of the key principles of FINMA Circular 10/1.

Raiffeisen's remuneration policy aims for consistency; the remuneration system rewards stable returns and sustained success.

Management pensions cover senior management staff at Raiffeisen Switzerland and the Raiffeisen banks. The intention is to allow senior management staff to retire early at 62, ideally with the same benefits they would have received if they had retired at the normal retirement age of 65. The pensions are funded by employee contributions that are matched 1:1 by the employer.

The remuneration system regulates the remuneration paid to members of the Board of Directors and Executive Board in detail and lays out basic principles for the total remuneration paid to all Raiffeisen Switzerland employees. Raiffeisen Switzerland also issues recommendations to the Raiffeisen banks.

Handling risk-takers separately

The Board of Directors has identified another group of risk-takers other than the seven members of the Executive Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Despite very modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk-takers at the Central Bank department are identified every year before the remuneration process begins, are reported by the Head of Central Bank to the Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland with the object of determining the total variable remuneration pool. In 2014, this group

consisted of 45 people (not counting Executive Board members).

Compliance with equal pay

Raiffeisen's remuneration policy aims to provide equal pay for equal work. An analysis conducted at Raiffeisen Switzerland in 2014 by an independent partner found that Raiffeisen Switzerland pays equal wages and that the wage difference is considerably lower than the tolerance level accepted by the Swiss Federal Office for Gender Equality.

Total remuneration and total variable remuneration

The Raiffeisen Group paid CHF 1,003,615,496 in total remuneration (including the Raiffeisen banks and Notenstein Private Bank Ltd) in the current year. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 107,455,667. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	2014	Previous year
Total Raiffeisen Group remuneration	1,003,615,496	973,848,046
of which total Raiffeisen Group variable remuneration pool	107,455,667	104,516,482

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration
For all employees (including members of the Executive Board and the Head of Internal Auditing), remuneration is comprised of the following elements:

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

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

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

Fixed remuneration for Executive Board members and the Head of Internal Auditing is set in accordance with their labour market value, the requirements of the assigned department, management responsibilities and seniority. Fixed remuneration (excluding employee and employer contributions to pension plans and social insurance) is capped at a maximum of CHF 1,200,000.

Determining the total variable remuneration pool

Determining the total variable remuneration pool is based in equal measure on the long-term development of the following criteria:

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

Role of controlling functions

In the course of the remuneration process, the Chief Risk Officer assesses the risk situation and the Head of Legal & Compliance assesses compliance performance based on risk and compliance reports from the past twelve months. These assessments, which expressly include the risk categories credit, market, liquidity and operational risks, are then consulted when determining the total variable remuneration pool. Risk measures used in the assessments include value at risk, limit utilisation metrics and outstanding audit recommendations (development and degree of completion). All the measures of risk that are used are supplemented by a qualitative assessment of the responsible controlling functions. As a result, the remuneration process is based on an evaluation of all significant risk categories.

By approving the risk and compliance report, the Board of Directors is regularly and comprehensively informed about risk development in accordance with Raiffeisen's risk profile, making the risk awareness of all parties involved much more acute. The risk categories that are not expressly mentioned (legal and compliance risks as well as reputation risk) are handled as part of the operational risk assessment and analysed – in some instances – on a qualitative basis in separate reports (e.g. compliance reporting). Reputation risk in particular is treated as a consequential risk, which is always an effect of the possible occurrence of another risk. As a result,

the management of reputation risk must concentrate on the original risk and its consequences. Damage to reputation and/or violation of compliance or the law is a parameter that is included in the assessment of the extent of damage due to the original risk. As part of mitigation, appropriate management strategies are defined that primarily affect the original risk and – to some extent – also affect the resulting damage.

Allocation of variable remuneration

The Board of Directors does not receive variable remuneration. The Board of Directors decides on the allocation of variable remuneration to members of the Executive Board and the Head of Internal Auditing.

Variable remuneration paid to Executive Board members and the Head of Internal Auditing (excluding employee and employer contributions to pension plans and social insurance) may in no case exceed two thirds of the individual member's fixed remuneration. The following criteria apply to the individual allocation of variable remuneration to Executive Board members and the Head of Internal Auditing:

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

The Executive Board allocates variable remuneration individually for named Central Bank employees with access to the market and trading opportunities (so-called risk-takers). This allocation is based on the performance achieved by Central Bank, while taking into account the risks that were taken. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-

term success by taking excessive risks. Serious rule violations can lead to a reduction in, or loss of, variable remuneration. Raiffeisen positions itself as an attractive employer by allowing personnel to accrue pension credits in the Raiffeisen Pension Fund on variable remuneration paid out in excess of CHF 3,000.

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

Governance

Raiffeisen Switzerland's Board of Directors is responsible for the following:

- It outlines the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for the Raiffeisen banks.
- It approves the annual remuneration report submitted to the Board by the Strategy and Compensation Committee.
- It reviews remuneration policy on a regular basis and whenever there are indications that reviews or revisions may be necessary.
- It has individual components of the remuneration policies and their implementation checked annually by external auditors or Internal Auditing.
- It determines the amount of the total variable remuneration pool each year.
- It also defines the fixed and variable remuneration components for Executive Board members and the Head of Internal Auditing, including contributions to the occupational pension.

The Strategy and Compensation Committee is responsible for implementing regulations issued by the Board of Directors; it deals with remuneration topics in four meetings each year. The chapter "Governance bodies of Raiffeisen Switzerland" describes the composition and main responsibilities of the Strategy and Compensation Committee.

Compensation 2014

Total remuneration

In the current year, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 252,353,072. Accrued remuneration expenses (both fixed and variable) for the current year have been recorded in full as personnel expenditure. There are no remuneration expenses from earlier reporting years affecting profit and loss.

In the current year, the Board of Directors approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 37,245,278 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form. At Raiffeisen Switzerland, 1,911 employees benefited from the total pool of variable remuneration (previous year: 1,824).

Board of Directors

The members of the Raiffeisen Switzerland Board of Directors in office in 2014 received remuneration totalling CHF 1,640,742 for the current year, including all allowances and attendance fees. The largest individual remuneration amount paid was to the Chairman of the

Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 473,200. Members of the Board of Directors receive no variable remuneration in the form of a profit-sharing element. In addition, the total social insurance contributions for the members of the Board of Directors amounted to CHF 357,553. Neither joining nor termination payments were made to members of the Board of Directors in the current year.

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

Total remuneration paid to members of the Raiffeisen Switzerland Executive Board for the current year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,913,333. Of this, CHF 1,890,316 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland; this was the highest sum paid to an individual member of the Executive Board. Employee and employer contributions to pension plans and social insurance for Executive Board members totalled an additional CHF 4,129,593, of which CHF 687,416 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland. Fixed compensation includes business-related Board of Directors fees for members of the Executive Board.

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	252,353,072	215,107,794	37,245,278
Income statement-related debits and credits in the current year for earlier reporting years	0	0	0
Total remuneration for members of the Executive Board* (excluding employee and employer contributions to pension plans and social insurance)	9,233,740 (7,913,333)	6,113,226 (5,152,431)	3,120,514 (2,760,902)
Total remuneration for other risk-takers* (excluding members of the Executive Board)	9,327,912	6,982,912	2,345,000

* Excluding employer pension plan and social insurance contributions

At the end of the financial year, loans granted to members of the Executive Board totalled CHF 30,149,230. Loans to members of the Executive Board are approved by the Strategy and Compensation Committee. The bank's Executive Board enjoys preferential terms that are standard for the industry, as do other personnel. In the current year, no joining or severance payments were made to Executive Board members or any other risk-takers.

Raiffeisen banks

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

Raiffeisen Switzerland advises the Raiffeisen banks

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

- Remuneration for all employees of the Raiffeisen banks may involve fixed and variable elements. Members of the Board of Directors are ineligible to receive variable remuneration.
- Fixed remuneration is paid based on a clearly defined job function and the employee's skills and knowledge, as in the Raiffeisen Switzerland model.
- The risk profile of the Raiffeisen banks and their balanced business model allow all remuneration (both fixed and variable) to be provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the militia system with roots in local business – decides on the total sum of the variable remuneration, as well as on the

individual allocation of the variable remuneration to the members and Chairman of the Executive Board.

- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so does not significantly increase remuneration.

Raiffeisen Switzerland monitors this process by regularly reviewing local remuneration systems in terms of conception and implementation and addressing irregularities with the Raiffeisen banks in the context of a structured process.

Notenstein Private Bank Ltd

The applicability criteria of FINMA Circular 10/1 "Remuneration schemes" do not apply to Notenstein Private Bank Ltd. For this reason, Notenstein Private Bank Ltd – like the Raiffeisen banks – is not subject to the stipulations outlined in FINMA Circular 10/1 "Remuneration schemes". Notenstein Private Bank Ltd has a separate remuneration scheme that is tailored to its needs as a private bank and thus provides effective support in achieving its strategic goals.

RIGHTS OF CODETERMINATION

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

Raiffeisen banks

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

Limit on voting rights and powers of representation

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

Voting regulations

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

Calls for General Meetings, agenda

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

Delegate Meeting and secret ballot

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

Raiffeisen Switzerland

The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates for the Delegate Meeting, which is the supreme executive body of Raiffeisen Switzerland (for its composition, see "Raiffeisen Switzerland Delegate Meeting" on page 59). This selection is made through the regional unions.

Limit on voting rights and powers of representation

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

Voting regulations

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

Calls for Delegate Meetings, agenda

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

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

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

The cooperative members are also the co-owners of their Raiffeisen bank, in equal shares. They must hold at least one share certificate. If so resolved by the Board of Directors of the respective Raiffeisen bank, members can also subscribe for more than one share certificate, but only up to 10% of the cooperative capital or CHF 20,000 per Raiffeisen bank. Members have only one vote regardless of the number of shares they hold. This limit means that statutory regulations on obligatory offers for sale and change of control clauses are not relevant to the Raiffeisen Group.

AUDITORS

Raiffeisen banks

PricewaterhouseCoopers Ltd has been the external auditor of the individual Raiffeisen banks since June 2005. It is supported by Raiffeisen Switzerland's Internal Auditing department when conducting the audits of the Raiffeisen banks required by FINMA under Swiss banking law.

Raiffeisen Switzerland and Group companies

PricewaterhouseCoopers Ltd is also the external auditor for Raiffeisen Switzerland, Notenstein Private Bank Ltd., 1741 Asset Management Ltd., Raiffeisen Unternehmerzentrum AG, ARIZON Sourcing Ltd., Dynapartners Ltd., Vescore Solutions Ltd., KMU Capital AG, Investnet AG and RAlnetworks Pte. Ltd.

The Raiffeisen Group

PricewaterhouseCoopers Ltd, St.Gallen, is also responsible for auditing the consolidated accounts. Beat Rüttsche has been the lead auditor since 2012 and is responsible for the mandate.

Audit fee

The Raiffeisen Group paid Raiffeisen Switzerland's Internal Auditing department fees totaling CHF 14.1 million for audits under Swiss banking law and internal audits in the current year. In the 2014 financial year, PricewaterhouseCoopers Ltd charged the Raiffeisen Group a total of CHF 9.7 million for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss banking law. PricewaterhouseCoopers Ltd also invoiced the Raiffeisen Group CHF 5.8 million for other audit and advisory services.

Information tools available to the external auditor

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

Supervision and control of the external auditor

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

INFORMATION POLICY

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

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

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

Raiffeisen strengthens client relationships and encourages client dialogue through professional social media communication in response to the market's growing digitisation needs. Financial information and member offers are communicated through the appropriate platforms. Active social media communication also meets the clients' need to communicate with the company through different platforms.

Capital adequacy disclosure requirements

The Raiffeisen Group, in its capacity as the central organisation, is obligated to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 1 June 2012 and FINMA Circular 2008/22 entitled "Disclosure obligations regarding capital adequacy within the banking sector". Information on the capital adequacy situation is contained in the "Capital adequacy disclosure" chapter.

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital, as well as credit, market and operational risks, is available on the Raiffeisen website (www.raiffeisen.ch).

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. Under FINMA Circular 2008/22, systemically important banks have special quarterly disclosure obligations. Corresponding information on risk-weighted capital adequacy and unweighted capital adequacy (leverage ratio) are available on Raiffeisen's website (www.raiffeisen.ch).

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.

Consolidated balance sheet as at 31 December 2014

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid funds	9,218,851	7,018,627	2,200,224	31.3	11
Receivables from money market securities	166,800	320,162	-153,362	-47.9	11
Receivables from banks	5,942,852	7,102,081	-1,159,229	-16.3	6, 11
Receivables from clients	7,897,579	7,750,807	146,772	1.9	1, 11
Mortgage receivables	150,880,406	143,658,593	7,221,813	5.0	1, 6, 11
Loans to clients	158,777,985	151,409,400	7,368,585	4.9	
Trading portfolios in securities and precious metals	2,194,572	1,366,477	828,095	60.6	2, 11
Financial assets	5,866,441	4,283,903	1,582,538	36.9	2, 6, 11
Non-consolidated participations	613,583	718,781	-105,198	-14.6	2, 3, 4
Tangible assets	2,399,505	2,403,179	-3,674	-0.2	4, 6
Intangible assets	288,634	214,992	73,642	34.3	4
Accrued income and deferred charges	216,206	209,546	6,660	3.2	
Other assets	2,954,205	1,528,338	1,425,867	93.3	5
Total assets	188,639,634	176,575,486	12,064,148	6.8	13, 14, 15
Total subordinated receivables	41,387	27,505	13,882	50.5	
Total receivables from non-consolidated participations	3,732,024	3,724,167	7,857	0.2	
Liabilities					
Liabilities from money market securities	94,455	83,662	10,793	12.9	11
Liabilities to banks	6,860,395	6,114,677	745,718	12.2	6, 11
Liabilities to clients in the form of savings and investment deposits	114,937,605	109,576,413	5,361,192	4.9	7, 11
Other liabilities to clients	17,999,696	16,842,434	1,157,262	6.9	7, 11
Medium-term notes	10,872,642	11,640,486	-767,844	-6.6	11
Client deposits	143,809,943	138,059,333	5,750,610	4.2	
Bonds and Pfandbriefdarlehen	21,640,862	17,849,644	3,791,218	21.2	8, 11
Accrued expenses and deferred income	623,897	589,909	33,988	5.8	
Other liabilities	2,463,216	1,588,126	875,090	55.1	5
Value adjustments and provisions	1,086,479	1,082,207	4,272	0.4	9
Cooperative capital	747,742	636,614	111,128	17.5	
Retained earnings	10,532,510	9,848,247	684,263	6.9	
Group profit	759,354	716,539	42,815	6.0	
Total equity capital (without minority interests)	12,039,606	11,201,400	838,206	7.5	10
Minority interests in equity capital	20,781	6,528	14,253	218.3	
– of which minority interests in Group profit	1,372	-588	1,960	-333.3	
Total equity capital (with minority interests)	12,060,387	11,207,928	852,459	7.6	
Total liabilities	188,639,634	176,575,486	12,064,148	6.8	13, 15
Total subordinated commitments	1,159,158	1,116,020	43,138	3.9	
Total commitments towards non-consolidated participations	17,721,900	14,938,491	2,783,409	18.6	
– of which Pfandbriefdarlehen	16,786,400	14,096,600	2,689,800	19.1	
Off-balance-sheet business					
Contingent liabilities	412,900	379,540	33,360	8.8	1, 16
Irrevocable commitments	6,980,481	6,975,151	5,330	0.1	1
Call commitments and additional funding obligations	96,677	96,647	30	0.0	1
Derivative financial instruments					
Positive replacement values	1,809,606	930,855	878,751	94.4	17
Negative replacement values	2,296,309	1,405,939	890,370	63.3	17
Contract volume	144,578,647	156,785,939	-12,207,292	-7.8	17
Fiduciary transactions	136,169	319,256	-183,087	-57.3	18

Consolidated income statement 2014

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	3,217,780	3,295,030	-77,250	-2.3	
Interest and dividend income from financial assets	60,374	60,461	-87	-0.1	
Interest expenditure	-1,144,590	-1,224,984	80,394	-6.6	
Net interest income	2,133,564	2,130,507	3,057	0.1	
Commission income lending business	15,662	14,083	1,579	11.2	
Commission income securities and investment business	325,064	313,371	11,693	3.7	
Commission income other service transactions	197,405	173,202	24,203	14.0	
Commission expenditure	-109,120	-104,925	-4,195	4.0	
Net income from commission business and service transactions	429,011	395,731	33,280	8.4	19
Net trading income	157,767	185,371	-27,604	-14.9	20
Income from sale of financial assets	5,574	2,774	2,800	100.9	
Income from participating interests	63,688	57,254	6,434	11.2	21
Income from real estate	20,360	18,725	1,635	8.7	
Other ordinary income	22,006	13,683	8,323	60.8	
Other ordinary expenditure	-4,910	-13,311	8,401	-63.1	
Other ordinary profit	106,718	79,125	27,593	34.9	
Operating income	2,827,060	2,790,734	36,326	1.3	
Personnel expenditure	-1,265,112	-1,209,632	-55,480	4.6	22
Operating expenditure	-500,140	-513,177	13,037	-2.5	23
Operating expenditure	-1,765,252	-1,722,809	-42,443	2.5	
Gross profit	1,061,808	1,067,925	-6,117	-0.6	
Depreciation on fixed assets	-163,826	-178,420	14,594	-8.2	4
Value adjustments, provisions and losses	-12,994	-24,879	11,885	-47.8	
Operating profit (interim result)	884,988	864,626	20,362	2.4	
Extraordinary income	56,899	27,823	29,076	104.5	24
Extraordinary expenditure	-4,431	-3,722	-709	19.0	24
Taxes	-176,730	-172,776	-3,954	2.3	25
Group profit (including minority interests)	760,726	715,951	44,775	6.3	
Minority interests in Group profit	1,372	-588	1,960	-333.3	
Group profit	759,354	716,539	42,815	6.0	

Cash flow statement 2014

	Origin of funds for current year in 1,000 CHF	Use of funds for current year in 1,000 CHF	Origin of funds for previous year in 1,000 CHF	Use of funds for previous year in 1,000 CHF
Cash flow from operating results (internal financing)				
Group profit	759,354	–	716,539	–
Depreciation on fixed assets	163,826	–	178,420	–
Value adjustments and provisions	112,411	108,244	117,813	87,651
Accrued income and deferred charges	–	6,660	394	–
Accrued expenses and deferred income	33,988	–	28,442	–
Interest paid on share certificates for previous year	–	32,070	–	31,598
Balance	922,605	–	922,359	–
Cash flow from equity capital transactions				
Net change in cooperative capital	111,128	–	20,475	–
Currency translation differences	24	–	–	–
Minority interests in equity capital	14,253	–	4,582	–
Balance	125,405	–	25,057	–
Cash flow from investment activities				
Participations	225,557	113,229	–	86,002
Real estate	24,970	84,046	35,294	125,695
Other tangible assets/objects in finance leasing/other	1,842	86,049	1,540	84,721
Intangible assets	–	89,401	–	61,641
Changes to the consolidated group	105	230	–	–
Balance	–	120,481	–	321,225
Cash flow from banking activities				
Liabilities from money market securities	10,793	–	83,662	–
Liabilities to banks	745,718	–	271,239	–
Liabilities to clients in the form of savings and investment deposits	5,361,192	–	6,511,271	–
Other liabilities to clients	1,157,262	–	–	270,728
Medium-term notes	–	767,844	–	1,236,325
Bonds	1,609,352	507,934	982,309	599,345
Pfandbriefdarlehen	3,607,000	917,200	2,921,400	641,000
Other liabilities	875,090	–	–	339,840
Receivables from money market securities	153,362	–	–	250,726
Receivables from banks	1,159,229	–	–	852,392
Receivables from clients	–	146,772	71,592	–
Mortgage receivables	–	7,221,813	–	7,715,910
Trading portfolios in securities and precious metals	–	828,095	470,509	–
Financial assets	–	1,590,778	–	251,724
Other receivables	–	1,425,867	295,034	–
Liquid funds	–	2,200,224	–	75,217
Balance	–	927,529	–	626,191
Total origin of funds	1,048,010	–	947,416	–
Total use of funds	–	1,048,010	–	947,416

Notes to the consolidated annual accounts

OPERATING ACTIVITY

The 305 Raiffeisen banks in Switzerland, organised as cooperatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment services, investment funds and securities trading, and capital goods leasing. The corporate client business is becoming increasingly important. These services are provided by Raiffeisen Switzerland, specialised companies within the Raiffeisen Group or co-operation partners.

Raiffeisen banks are active in manageable, precisely defined business areas. Loans are predominantly made to cooperative members against collateral, as well as to public bodies. The large majority of money loaned out is invested in residential buildings. Raiffeisen banks are prohibited by their Articles of Association from operating abroad.

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

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

With its 12 locations, Notenstein Private Bank Ltd is one of the leading asset management banks in Switzerland. More than two thirds of its clients are domiciled in Switzerland. The services provided to foreign clients focus on selected target markets.

On 31 December 2014, the number of people employed by the Raiffeisen Group on a full-time equivalent basis was 9,028 (previous year: 8,887).

RISK ASSESSMENT

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

The Board of Directors' risk report provides information on the risk situation, capital adequacy, borrowers' rating changes, compliance with overall limits and any measures required. Monitoring focuses on credit risks, market risks in the bank and trading books, liquidity risks, operational risks and reputational risks. Monitoring also extends to solidarity risks within the Raiffeisen Group in order to counteract potential problems at individual Raiffeisen banks or subsidiaries.

The Board of Directors' risk report is examined in depth by the Audit and Risk Committee of the Board of Directors. Based on this preparatory work, the Board of Directors reviews the findings of the Board of Directors' risk report and its implications for risk strategy on

a quarterly basis. It monitors both the risk situation and changes in risk-bearing capital.

The Board of Directors conducts an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk Controlling's ICS appropriateness and effectiveness report and the reports produced by Internal Auditing.

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

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

The credit risks are reviewed and assessed using the following metrics:

- Value at risk
- Nominal
- Credit equivalent
- Risk weighted on the basis of capital adequacy and risk diversification rules

The risk associated with fluctuating interest rates in the bank book is assessed using income, sensitivity and value-at-risk analyses.

Operational risks are assessed in terms of the expected probability of occurrence and the corresponding loss potential (financial loss, compliance violation or bad publicity). The appropriateness and effectiveness of control measures are incorporated into the assessment. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a given risk event.

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

RISK MANAGEMENT

Raiffeisen Group's risks – together with the Raiffeisen banks, Raiffeisen Switzerland, Notenstein Private Bank Ltd and other Group companies – are closely tied together.

Risk policy

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

Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that cannot be reliably quantified are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

Group Risk Controlling, which reports to the Head of the Finance department, is responsible

for the independent monitoring of risk. This primarily involves monitoring compliance with the limits stipulated by the Board of Directors and the Executive Board. Group Risk Controlling also regularly evaluates the risk situation as part of the reporting process.

Notenstein Private Bank Ltd conducts its own risk control activities within the overall limits imposed on it by law, which are separate from the risk-taking units; Raiffeisen Switzerland monitors the risk controls and risk exposure of its subsidiaries and ensures that Raiffeisen Switzerland's Board of Directors receives integrated risk reports that include Notenstein Private Bank Ltd.

Risk management process

The risk management process is valid for all risk categories, namely for: credit, market and operational risks. It incorporates the following elements:

- Risk identification
- Risk measurement and assessment
- Risk management
- Risk limitation through the setting of appropriate limits
- Risk monitoring

Raiffeisen Group's risk management systems aim to

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

Credit risks

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

these standards for Notenstein Private Bank Ltd, which enters into commitments that are immaterial to the Group's risk situation.

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

The Raiffeisen Group identifies, assesses, manages and monitors the following risks in its lending business:

- Counterparty risks
- Collateral risks
- Concentration risks
- Country risks

Counterparty risks accrue from the potential default of a debtor or counterparty. A debtor or counterparty is considered to be in default when receivables are overdue or at risk.

Collateral risks accrue from impairments in the value of collateral.

Concentration risks in credit portfolios arise from the uneven distribution of credit receivables from individual borrowers or in individual coverage categories, industries or geographic areas.

Country risk is the risk of losses caused by country-specific events.

Raiffeisen banks are chiefly exposed to counterparty and collateral risks. The majority of these risks result from loans granted to individuals or corporate clients. Corporate clients are mainly small companies that operate within the business area of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness

and solvency are key prerequisites for the granting of loans. The Articles of Association for Raiffeisen banks stipulate limits for the acceptance of credit risks arising from uncovered transactions; loans over CHF 250,000 must be hedged with Raiffeisen Switzerland.

Like the Raiffeisen banks, the Raiffeisen Switzerland branches primarily incur counterparty and collateral risks. These branches are part of the Market department and extend credit to private and corporate clients.

In general, the Market department is the instance that grants larger loans to corporate clients. Any credit line increases or new extensions of credit in excess of CHF 50 million on a risk-weighted basis are evaluated by the CRO (Chief Risk Officer). The evaluation focuses on the concentration risk and the change in the value at risk.

The Group-wide responsibilities of the Central Bank department involve managing both domestic and international counterparty risk. These risks occur in transactions such as wholesale funding in the money and capital markets and the hedging of currency, interest rate and proprietary trading risks. As a rule, the Central Bank department may only conduct international transactions when country-specific limits have been approved and established. In exceptional cases in proprietary trading, positions may be taken in countries with prior approval from the Finance department. Country risks are constantly and actively managed, and are principally concentrated in Europe.

Notenstein Private Bank Ltd has its own access to the market and manages its banking and country risks as part of the Group's centralised limit management.

Pursuant to the Articles of Association, international commitments at Raiffeisen Switzerland may not exceed 5% of the consolidated Raiffeisen Group balance sheet total. This lim-

it also applies to international positions held by Notenstein Private Bank Ltd.

Internal and external ratings are used as a basis for approving and monitoring business with other commercial banks. Off-balance-sheet transactions, such as derivative financial instruments, are converted to their respective credit equivalent. The Raiffeisen Group has concluded a netting agreement with various counterparties for off-balance-sheet receivables (for OTC transactions) and monitors exposure on a net basis.

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships. Details are provided in note 3 of the information on the balance sheet.

Creditworthiness and solvency are assessed on the basis of compulsory Group-wide standards. Sufficient creditworthiness and the ability to keep up with payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal rating procedures and, on the basis of this classification, monitored from a risk-oriented perspective. Creditworthiness is defined according to a range of risk categories: four for private clients and thirteen for corporate clients. This system has proven its worth as a means of dealing with the essential elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions.

Collateral is valued according to uniform criteria. For mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments, Raiffeisen uses a carefully-determined actual value as well as a hedonic regression model. Calculations for multi-family units and commercial properties are based on the capitalised value and, if applicable, a lower actual value or market value. Different

repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also available to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

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

Throughout the entire duration of the credit facility, receivables are continuously monitored and ratings periodically updated. The value of the collateral is reviewed at varying intervals according to its volatility on the market and the overall facility reappraised accordingly.

An internal directive sets out standardised guidelines concerning the recognition and dissolution of provisions for default risks for Raiffeisen Switzerland and the Raiffeisen banks. The directive describes how to calculate the liquidation value for pledged collateral and the corresponding provisions for impaired and non-performing positions or positions with poor ratings.

Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) in 2014 were CHF 19 million (2013: CHF 18 million) or 0.01% (2013: 0.01%) of the average lending volume, which amounts to 0.17% of average core capital.

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

ated counterparties is automated across the entire Raiffeisen Group. Raiffeisen Switzerland monitors the credit portfolio across the Group, evaluating the portfolio structure and ensuring credit portfolio reporting. Monitoring the portfolio structure involves analysing the distribution of the portfolio according to a range of structural characteristics including category of borrower, type of loan, size of loan, counterparty rating, sector, collateral, geographical features and value adjustments. The responsible executive bodies receive quarterly updates on the development of exceptions to policy. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad-hoc risk analyses where required. Monitoring and reporting form the basis for portfolio-controlling measures, with the main focus being on controlling new business via the lending policy.

Effective tools have been implemented to proactively avoid concentrations within the entire Raiffeisen Group. Sector-specific threshold limits have been established. Should one of these threshold values be reached, part of the decentralised credit authority is transferred to Raiffeisen Switzerland's Credit Office, a process that guarantees a well-diversified local credit portfolio even in a decentralised organisation.

Cluster risks are centrally monitored by Credit Risk Controlling. As at 31 December 2014, the Raiffeisen Group had no reportable concentration risks. The credit volume of the Raiffeisen Group's ten largest borrowers (excluding inter-bank business and public bodies) on 31 December 2014 was CHF 1.6 billion, or 1.0% of loans to clients (2013: CHF 1.1 billion, or 0.8%).

Market risks

Given that the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a significant influence on interest income. Interest rate sensitivity and value at risk are calculated to assess the assumed interest rate risk on the market value of the equity capital. The impact on profitability is

assessed using dynamic income simulations. The procedures model variable rate positions based on a model that replicates historical interest rate fluctuations with money and capital market rates. Risk associated with fluctuating interest rates is managed on a decentralised basis in the responsible units. The Treasury of Raiffeisen Switzerland's Central Bank department is the binding counterparty concerning wholesale funding and hedging transactions for the entire Group except for Notenstein Private Bank Ltd, which accesses the market directly. The relevant members of staff are required to strictly adhere to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with limits and prepares associated reports while also assessing the risk situation.

As assets in a foreign currency are generally re-financed in the same currency, foreign currency risks can be largely avoided by the Raiffeisen banks.

The financial assets portfolio is managed by the Treasury area of the Central Bank department of Raiffeisen Switzerland. Financial assets are part of the cash reserves of the Raiffeisen Group and are largely high-grade fixed-income securities

that meet statutory liquidity requirements. Group Risk Controlling monitors the interest rate and foreign currency risks of the financial assets.

Trading & Sales, part of the Central Bank department, is responsible for managing the Central Bank trading book. Neither the Raiffeisen banks nor the branches of Raiffeisen Switzerland keep a trading book. The Central Bank trades in interest rates, currencies, equities and banknotes/precious metals. It must strictly adhere to the sensitivity and loss limits set by the Board of Directors, which Group Risk Controlling monitors on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the profits achieved in trading, as well as daily reviews of the valuation parameters used to produce profit and loss figures for trading. Trading in derivative financial instruments is exclusively conducted by experienced dealers. They work with both standardised and over-the-counter (OTC) derivatives for the Central Bank's own account and for clients in this regard.

Liquidity risks are controlled using commercial criteria and monitored by Treasury and Group Risk Controlling in accordance with banking law. Risk controlling involves, among other things, simulating liquidity inflows and outflows over different time horizons using various scenarios. These scenarios include the impact of bank funding crises and general liquidity crises.

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

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

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

Capital adequacy requirements for market risks relating to the trading book

in 1,000 CHF	31.12.14	Ø 2014	31.12.13	Ø 2013
Foreign exchange/precious metals	24,265	19,158	20,726	20,969
Interest rate instruments	109,872	111,684	98,231	102,712
Equities/indices	19,724	8,824	3,831	7,686
Total	153,861	139,666	122,788	131,367

The Board of Directors of Notenstein Private Bank Ltd defines the limits for the trading and bank book based on the overall limit assigned by the Board of Directors of Raiffeisen Switzerland. Notenstein Private Bank Ltd's Products & Trading department is responsible for managing the trading and bank book within the defined limits. Notenstein Private Bank Ltd's Financial Risk Controlling department monitors compliance with these limits in its capacity as an independent supervisory body.

Operational risks

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

Operational risks accrue in connection with operating activities with clients. Each functional department within Raiffeisen is responsible for identifying, assessing, managing and monitoring operational risk arising from its own activities. Group Risk Controlling is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. It is also in charge of the concepts, methods and instruments used to manage operational risks and monitors the risk situation.

In specific risk assessments, operational risks are identified, categorised by cause and impact, and evaluated according to the frequency or probability of occurrence and the extent of losses. The risk register is updated dynamically. Risk reduction measures are defined for which the implementation is monitored by line units. Emergency and catastrophe planning measures are in place for mission-critical processes.

The results of the risk assessment are reported to both Raiffeisen Switzerland's Executive Board and Board of Directors using an aggregated risk

profile. The Executive Board and the Board of Directors of Raiffeisen Switzerland also receive quarterly updates on the extent to which measures have been implemented regarding the largest operational risks.

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

IT risks

A reliable IT infrastructure is indispensable for providing services in the banking business. Correspondingly, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing related threats and risks.

Information security

Information security is gaining importance, especially with respect to the reputation of banks and the Swiss banking industry. This is why the risks require extensive management. The management strategy is based on regular analyses of prevailing threats. Appropriate, effective information security measures are instituted on the basis of the strategy to protect the integrity, confidentiality, availability and audit trails of information and infrastructure. Raiffeisen complies with recognised standards and established practices throughout this process.

Outsourcing

Operation of the data communication network has been outsourced to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen Group securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions Ltd handles the scanning processes in the paper-based payment system, while printing and shipping of the bank vouchers has been outsourced to Trendcommerce AG.

In relation to its activities as issuer of structured products, Notenstein Private Bank Ltd concluded an outsourcing agreement with Leonteq Securities AG. When Notenstein investment products are issued, Leonteq Securities AG performs duties in connection with the structuring, processing, documentation and distribution of the instruments. Leonteq Securities AG also manages the derivative risks and deals with the life-cycle management of the products.

Regulatory provisions

According to the FINMA ruling of 3 September 2010, the Raiffeisen banks are exempted from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must be complied with on a consolidated basis.

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

Credit risks: international standard approach (SA-BIZ) using the following external ratings:

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

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

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

Market risks: standard approach

The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table on page 90.

Operational risks: basic indicator approach

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

CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

General principles

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

Consolidation principles

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal

consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view, Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on the latter. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 305 Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidated companies and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of the individual Raiffeisen banks, Raiffeisen Switzerland and major subsidiaries in which the Group directly or indirectly holds more than 50% of the voting shares (Note 5).

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

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

Consolidation date

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

Accounting and valuation principles

Recording of business events

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

Foreign currencies

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

The annual reports of the Group companies abroad are drawn up in foreign currencies. Balance sheet and off-balance-sheet business is converted at the rates prevailing on the balance sheet date, while the income statement is converted at the average exchange rate for the year. The conversion difference is recognised directly in equity capital as a currency translation difference with no impact on profit and loss.

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

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

Receivables from banks and clients, mortgage receivables

These are reported at nominal value. Interest income is reported on an accruals basis. Receivables are deemed to be impaired where the bank believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired loans and any collateral are carried at liquidation value. Impaired loans are subject to provisions based on regular analyses of individual loan commitments while taking into account the borrower's creditworthiness, the counterparty risk and the estimated net realisable sale value of the collateral. If recovery of the receivable amount depends solely on the seizure of collateral, the unsecured portion is written down in full.

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

adjustments are reported under "Value adjustments and provisions".

All leased objects are reported in the balance sheet as "Receivables from clients" in line with the present-value method.

Securities lending and borrowing

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

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

Repurchase and reverse repurchase transactions

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

Trading portfolios in securities and precious metals

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

Financial assets

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

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

Precious metals held to cover liabilities from precious metal accounts are carried at market value as at the balance sheet date. In cases in which fair value cannot be determined, these are valued at the lower of cost or market.

Non-consolidated participations

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

Tangible assets

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

Real estate	maximum 66 years
Alterations and fixtures in rented premises	maximum 15 years
Furniture and fixtures	maximum 8 years
Other tangible assets	maximum 5 years
Internally developed or purchased core banking software	maximum 10 years
IT systems and remaining software	maximum 3 years

Immaterial investments are booked directly to operating expenditure. Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are booked directly to the income statement.

Real estate, buildings under construction and core banking systems are not depreciated until they come into use. Undeveloped building land is not depreciated. The value of tangible assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is booked under "Depreciation on fixed assets". If the useful life of a tangible asset changes as a result of the review, the residual book value is depreciated over the new duration.

Intangible assets

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

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

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

Value adjustments and provisions

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

Taxes

Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 19.1% (previous year: 19.1%) was calculated on untaxed reserves and recognised as a provision for deferred taxes.

Contingent liabilities, irrevocable commitments, obligations to make payments and additional contributions

These are reported at their nominal value under "Off-balance-sheet business". Provisions are created for foreseeable risks.

Derivative financial instruments

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

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

All Treasury hedging transactions of Raiffeisen Switzerland are concluded via the trading book; the Treasury does not participate in the market itself. Only the replacement values of contracts with external counterparties are reported. The replacement values and contract volume with external counterparties are reported in the note "Open derivative financial instruments". The volume of internal Treasury hedging transactions is reported under hedging instruments.

In the case of self-issued structured products that include a debt security, the derivative is split from the underlying contract and valued separately. This derivative is reported at fair value as a positive or negative replacement value in the item "Other assets" or "Other liabilities". The debt securities (underlying contract) with an original term to maturity of less than one year are reported at nominal value under "Liabilities from money market securities" and those of more than one year under "Bonds and Pfandbriefdarlehen".

Discounts and premiums are reported in the item "Accrued expenses and deferred income" or, as the case may be, "Accrued income and deferred charges" and realised against the interest income over the remaining life.

The derivative elements from the self-issued structured products are hedged through external counterparties. The replacement values and contract volumes of these hedging transactions are reported under hedging instruments.

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

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

The net income from self-issued structured products and the net income from the commission-based issue of structured products by other issuers are booked under "Commission income securities and investment business".

Self-issued structured products – Notenstein Finance (Guernsey) Ltd.: The structured products issued in Guernsey are valued at fair value. Products with an original term to maturity of less than one year are recognised at fair value under "Liabilities from money market securities" and those of more than one year under "Bonds and Pfandbriefdarlehen".

Changes from prior year

Information regarding the useful life of internally developed or purchased core banking software, self-issued structured products – Notenstein Finance (Guernsey) Ltd. – and the currency translation method and treatment of exchange rates for financial statements of companies in foreign currency was added to the accounting and valuation principles in the current year.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2014) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the balance sheet

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

	Mortgage cover in 1,000 CHF	Other cover in 1,000 CHF	Without cover* in 1,000 CHF	Total in 1,000 CHF
Loans				
Loans to clients	2,476,355	930,556	4,490,668	7,897,579
Mortgage loans				
Residential property	139,190,267	–	63,972	139,254,239
Office and business premises	2,918,355	–	10,754	2,929,109
Trade and industry	4,110,260	–	11,679	4,121,939
Other	4,511,988	–	63,131	4,575,119
Total loans				
Current year	153,207,225	930,556	4,640,204	158,777,985
Previous year	146,081,501	803,582	4,524,317	151,409,400
Off-balance-sheet business				
Contingent liabilities	54,509	140,803	217,588	412,900
Irrevocable commitments	5,002,618	207,273	1,770,590	6,980,481
Call commitments and additional funding obligations	–	–	96,677	96,677
Total off-balance-sheet business				
Current year	5,057,127	348,076	2,084,855	7,490,058
Previous year	4,922,681	320,048	2,208,609	7,451,338

* incl. value-adjusted loans

	Gross amount borrowed in 1,000 CHF	Estimated proceeds from realisation of collateral in 1,000 CHF	Net amount borrowed in 1,000 CHF	Individual provisions in 1,000 CHF
Impaired loans				
Current year	915,051	661,007	254,044	249,098
Previous year	918,917	645,888	273,029	265,266

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

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

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	1,326,131	692,790
not stock exchange listed	–	1,685
Equities	251,047	52,934
Precious metals	617,394	619,068
Total trading portfolios in securities and precious metals	2,194,572	1,366,477
of which securities for repo transactions in line with liquidity requirements	664,013	403,345

* stock exchange listed = traded on a recognised stock exchange

	Book value current year in 1,000 CHF	Book value previous year in 1,000 CHF	Fair value current year in 1,000 CHF	Fair value previous year in 1,000 CHF
Financial assets				
Debt instruments	5,511,069	3,961,430	5,735,016	3,966,290
of which intended to be held until maturity	4,701,021	3,384,495	4,918,400	3,387,353
of which valued at the lower of cost or market	810,048	576,936	816,616	578,937
Equities	319,447	299,849	331,057	307,168
of which qualified participations*	17,688	18,013	17,688	18,013
Precious metals	448	409	448	409
Real estate	35,477	22,215	44,487	23,648
Total financial assets	5,866,441	4,283,903	6,111,008	4,297,515
of which securities for repo transactions in line with liquidity requirements	5,165,890	3,664,135	–	–

* At least 10% of the capital or the votes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-consolidated participations		
with a market value	227,703	365,398
without a market value	385,880	353,383
Total non-consolidated participations	613,583	718,781

3 Details of major participations

Company name/holding	Registered office	Operating activity	Capital in 1,000 CHF	Current-year equity interest in %	Current-year voting share in %	Previous-year equity interest in %	Previous-year voting share in %
3.1 Group companies							
Raiffeisen Switzerland Cooperative	St.Gallen	Central bank, association services	850,000	100.0	100.0	100.0	100.0
Raiffeisen Unternehmerzentrum AG	St.Gallen	Advisory services for SMEs	5,000	100.0	100.0	–	–
Business Broker AG ⁴	Zurich	Management consulting	100	100.0	100.0	–	–
Notenstein Asset Management Ltd	St.Gallen	Asset management/fund business	100	100.0	100.0	–	–
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd.	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0	100.0	100.0
Notenstein Private Bank Ltd	St.Gallen	Private bank	22,200	98.2	100.0	100.0	100.0
Notenstein Finance (Guernsey) Ltd. ¹	Guernsey	Financial services	5,000	98.2	100.0	–	–
Notenstein Financial Services GmbH ¹	Munich	Investment advisory services and financial asset brokerage	121	98.2	100.0	–	–
TCMG Asset Management AG ¹	Zollikon	Affiliated company	43,202	92.5	94.2	93.0	93.0
1741 Asset Management Ltd ²	St.Gallen	Asset management/fund transactions	5,000	92.5	94.2	100.0	100.0
Dynapartners Ltd ²	Zollikon	Asset Management	2,421	87.4	89.0	82.7	82.7
CEAMS Holding AG ^{2, 6}	Meilen	Affiliated company	120	64.8	65.9	–	–
KMU Capital Ltd	Herisau	Financial services	2,566	60.0	60.0	60.0	60.0
Investnet AG	Herisau	Financial services	150	60.0	60.0	60.0	60.0
ARIZON Sourcing Ltd	St.Gallen	Operational and advisory services for banks	10,000	51.0	51.0	–	–
Vescore Solutions Ltd ^{2, 3}	St.Gallen	Asset Management	185	47.2	48.0	47.1	47.1
3.2 Holdings valued according to the equity method							
Vorsorge Partner AG	Zurich	Pension advisory services	100	40.0	40.0	–	–
Leonteq Ltd	Zurich	Financial services	15,926	26.6	26.6	22.8	22.8
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG	Zurich	Pfandbriefbank	800,000	21.6	21.6	21.6	21.6
of which not paid up			448,000				
3.3 Other non-consolidated participations⁵							
responsAbility Participations AG	Zurich	Financial services	42,450	19.8	19.8	19.8	19.8
Swiss Bankers Prepaid Services Ltd	Grosshöchstetten	Financial services	10'000	16.5	16.5	16.5	16.5
Vontobel Holding Ltd	Zurich	Financial services	65,000	–	–	12.5	12.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organisation of fairs	23,222	11.4	11.4	11.4	11.4
SIX Group Ltd	Zurich	Financial services	19,522	5.6	5.6	5.2	5.2
Helvetia Holding Ltd	St.Gallen	Financial services	989	4.0	4.0	4.0	4.0

1) Control of Notenstein Private Bank Ltd

2) Control of TCMG Asset Management AG

3) There is an agreement to take over 100% of the shares in 2015.

4) Control of Raiffeisen Unternehmerzentrum AG

5) All participations in cooperation partners and joint ventures by the banks are listed here. Other participations are listed if (a) the shareholding represents more than 10% of the voting share and equity and (b) the shareholding is worth > CHF 1 million of the equity or the book value is > CHF 10 million.

6) There is an agreement to take over 100% of the shares in 2017.

4 Fixed assets register

	Purchase price in 1,000 CHF	Cumulative deprec./ amort. and value adjustments (equity method) in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassifications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvestment in 1,000 CHF	Current-year depreciation/ amortisation in 1,000 CHF	Current-year value adjustments on participations val. acc. to equity method in 1,000 CHF	Book value at end of current year in 1,000 CHF
Non-consolidated participations									
Holdings valued according to the equity method	161,688	134,152	295,840	–	52,794	–	–	29,474	378,108
Other participations	432,232	-9,291	422,941	8,240	30,961	-225,557	-1,110	–	235,475
Total non-consolidated participations	593,920	124,861	718,781	8,240	83,755	-225,557	-1,110	29,474	613,583
Tangible assets									
Real estate									
Bank buildings	2,180,707	-461,419	1,719,288	-23,684	68,700	-12,154	-35,363	–	1,716,787
Other real estate	460,209	-105,603	354,606	11,617	15,346	-12,816	-8,137	–	360,616
Other tangible assets	1,165,192	-858,595	306,597	12,447	52,361	-1,813	-89,012	–	280,580
Objects in finance leasing	331	-174	157	-16	41	-28	-42	–	112
Other	172,749	-150,218	22,531	-364	33,647	-1	-14,403	–	41,410
Total tangible assets	3,979,188	-1,576,009	2,403,179	–	170,095	-26,812	-146,957	–	2,399,505
Goodwill	253,422	-38,430	214,992	–	89,401	–	-15,759	–	288,634
Total intangible assets	253,422	-38,430	214,992	–	89,401	–	-15,759	–	288,634

in 1,000 CHF

Value of real estate for fire insurance purposes	2,423,133
Value of other tangible assets for fire insurance purposes	1,062,384
Liabilities: future leasing instalments from operational leasing	82

5 Other assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Replacement value	1,809,606	930,855
Equalisation account	392,112	342,255
Coupons and debt instruments	–	356
Settlement accounts for social security and staff pension plan contributions	186	–
Settlement accounts for indirect taxes	596,701	114,183
Other settlement accounts	40,284	34,569
Employer contribution reserves with pension plans	104,034	96,319
Miscellaneous other assets	11,282	9,801
Total other assets	2,954,205	1,528,338
Other liabilities		
Replacement value	2,296,309	1,405,939
Due, unredeemed coupons and debt instruments	24,799	26,685
Levies, indirect taxes	99,687	113,578
Settlement accounts for social security and staff pension plan contributions	9,796	8,895
Other settlement accounts	25,536	27,249
Miscellaneous other liabilities	7,089	5,780
Total other liabilities	2,463,216	1,588,126

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

	Current-year amount due or book value in 1,000 CHF	Current year of which made use of in 1,000 CHF	Previous-year amount due or book value in 1,000 CHF	Previous year of which made use of in 1,000 CHF
Receivables from banks	616,145	616,145	557,102	549,454
Mortgage receivables	23,304,057	17,289,992	20,063,660	14,519,498
Financial assets	2,227,023	1,165,144	1,681,219	839,363
Tangible assets	3,446	2,562	3,700	2,817
Total pledged assets	26,150,671	19,073,843	22,305,681	15,911,132

6.2 Securities lending and repurchase operations

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	689,717	945,138
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	1,148,512	995,855
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	1,141,521	857,472
for which the right to resell or pledge without restriction was granted	1,141,521	857,472
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repurchase transactions and which can be repledged or resold without restriction	822,564	1,059,103
of which repledged or resold securities	289,915	625,354

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law.

The employees of Notenstein Private Bank Ltd and 1741 Asset Management AG are insured with Katharinen Pension Fund I and II, which are both defined-contribution plans. All employees are insured and thus vested starting at the minimum annual BVG salary defined by law. The employer has no additional obligations to provide further benefits. Katharinen Pension Fund II is a voluntary pension plan for employees of Notenstein Private Bank Ltd and 1741 Asset Management AG that enables the use of personalised investment strategies.

The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. Eight Raiffeisen banks (prior year: eight) and Investnet AG, Business Broker AG, TCMG Asset Management AG and the subsidiaries under its control (with the exception of 1741 Asset Management AG) are insured outside the pension plans of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

7.1 Liabilities to own social insurance institutions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Liabilities to clients in the form of savings and investment deposits	102,273	94,677
Other liabilities to clients	242,694	218,380
Bonds	20,000	–
Accrued expenses and deferred income	397	–
Other liabilities (negative replacement values)	17	657
Total liabilities to own social insurance institutions	365,381	313,714

7.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for pension plans outside the Raiffeisen Group (Others). Notenstein Private Bank Ltd has no employer contribution reserves as at 31 December 2014.

	Current year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF	Previous year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF
As at 1 January	94,625	1,694	96,319	89,837	1,544	91,381
+ Deposits	19,495	210	19,705	17,697	151	17,848
– Withdrawals	-12,697	–	-12,697	-13,844	-19	-13,863
+ Interest paid*	694	12	706	935	18	953
As at 31 December	102,117	1,916	104,033	94,625	1,694	96,319

* Interest paid on the employer contribution reserves is recorded as interest income.

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. The individual employer contribution reserves of the affiliated companies cannot be offset against each other. The balance of the employer contribution reserves is recorded in the balance sheet under "Other assets". The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

7.3 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2014 in %	on 31.12.2013 in %
Raiffeisen Pension Fund Cooperative	112.2	107.2
Katharinen Pension Fund I	116.8 (Unaudited value)	110.5
Katharinen Pension Fund II	121.7 (Unaudited value)	118.9

The fluctuation reserves of Katharinen Pension Fund I and II did not reach the level stipulated in the pension fund regulations in the current year. The fluctuation reserves of the Raiffeisen Pension Fund Cooperative slightly exceeded the level stipulated in the pension fund regulations.

The affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenditure with significant influencing factors

	Current year in 1,000 CHF	Prior year in 1,000 CHF
Pension expenditure according to separate financial statements	117,472	106,278
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-7,127*	-7,865*
Employer contributions reported on an accruals basis	110,345	98,413
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	–	–
Pension expenditure of the Raiffeisen Group (see note 22 "Personnel expenditure")	110,345	98,413

* Part of a restructuring provision recognised in 2012 was financed using the employer contribution reserves. Because of this use of the employer's contribution reserves, which is in line with its purpose, the deposits/withdrawals from the employer's contribution reserves in this table differ from the deposits and withdrawals shown in Table "7.2. Employer's contribution reserves".

8 Outstanding bonds and Pfandbriefdarlehen

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1,000 CHF
Bonds of Raiffeisen Switzerland					
Non-subordinated own bonds	2006	3.125	30.05.16		502,815
	2010	1.625	31.03.15		449,750
	2010	1.375	21.09.17		187,675
	2010	2.000	21.09.23		231,920
	2011	2.125	04.02.19		249,770
	2011	2.625	04.02.26		132,020
	2011	2.375	10.05.18		148,050
	2014	0.261	07.02.17		334,140 ¹
	2014	1.625	07.02.22		96,265
	2014	0.301	05.06.18		201,260 ¹
Subordinated own bonds	2011	3.875	21.12.21		535,000
	2013	3.000	Perpetual	02.05.18	550,000 ²
Total bonds of Raiffeisen Switzerland					3,618,665
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					
	div.	1.619 ⁵	div.		16,786,400
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					16,786,400
Loans from Notenstein Private Bank Ltd ³					
Loans from Notenstein Private Bank Ltd - non-subordinated		-0.040 ⁵	2015		282,075
		0.026 ⁵	2016		256,419
		0.893 ⁵	2017		117,315
		0.155 ⁵	2018		101,643
		0.456 ⁵	2019		77,603
		0.679 ⁵	after 2019		213,876
Total loans from Notenstein Private Bank Ltd					1,048,932
Loans from Notenstein Finance Guernsey Ltd ⁴					
Loans from Notenstein Finance Guernsey - non-subordinated		0.175 ⁵	2015		34,258
		0.226 ⁵	2016		60,110
		0.337 ⁵	2017		27,218
		0.238 ⁵	2018		18,769
		0.453 ⁵	2019		27,209
		0.434 ⁵	after 2019		19,301
Total loans from Notenstein Finance Guernsey					186,865
Total outstanding bonds and Pfandbriefdarlehen					21,640,862

1) Variable coupon, basis CHF Libor 3 months and spread.

2) Subordinated perpetual Additional Tier 1 bond with contingent write-down. With FINMA's consent, the bond can be terminated on a unilateral basis by Raiffeisen Switzerland (no earlier than five years following issue).

3) In the case of issued structured products that include a debt security, the derivative is split from the underlying contract and valued and presented separately. The underlying instruments are recognised at their nominal value under "Liabilities from money market securities" (original term < 1 year) and "Liabilities from bonds" (original term > 1 year). The derivative component of the products is recognised at fair value in "Other assets" and "Other liabilities" (replacement value).

4) The issued structured products are recognised at fair value under "Liabilities from money market securities" (term < 1 year) CHF 29,699,158 and "Bonds" (term > 1 year) CHF 186,864,696.

5) Average weighted interest rate (volume-weighted).

9 Value adjustments and provisions

	End of previous year in 1,000 CHF	Appropriate application in 1,000 CHF	Write-backs, overdue interest in 1,000 CHF	New provisions against income statement in 1,000 CHF	Dissolution of provisions against income statement in 1,000 CHF	End of current year in 1,000 CHF
Provisions for deferred taxes	765,575			29,063	-1,260	793,378
Value adjustments and provisions for default risks (del credere and country risk)	265,371*	-17,705	6,130	64,993	-69,691	249,098
Value adjustments and provisions for other business risks	50,061	-14,175		12,225	-4,108	44,003
Provisions for restructuring	1,305	-1,305				0
Total value adjustments and provisions	1,082,312	-33,185	6,130	106,281	-75,059	1,086,479

* of which CHF 0,1 million from changes to the consolidated group

10 Evidence of equity capital (without minority interests)

	Number of members	Nominal amount per share	in 1,000 CHF
Equity capital at the beginning of the current year			
Cooperative capital	1,828,202		381,662
Cooperative capital (additional cooperative shares) [†]			254,952
Total cooperative capital	1,828,202		636,614
Retained earnings			10,564,786
Total equity capital at the beginning of the current year (before appropriation of profits)	1,828,202		11,201,400
+ Payments from new cooperative members	76,826	200	15,365
	163	300	49
	169	400	68
	2,512	500	1,256
+ Payments of cooperative shares (additional cooperative shares)			113,551
+ Payments through increase in nominal capital			2,199
Total payments from new cooperative members	79,670		132,488
- Repayments to departing cooperative members	-59,297	200	-11,859
	-182	300	-55
	-145	400	-58
	-1,501	500	-751
- Repayments of cooperative shares (additional cooperative shares)			-8,637
Total repayments to departing cooperative members	-61,125		-21,360
- Changes to the consolidated group			-230
- Interest paid on the cooperative capital of the Raiffeisen banks in the previous year			-32,070
+ Currency translation differences			24
+ Group profit in the current year			759,354
Total equity capital at the end of the current year (before appropriation of profits)	1,846,747		12,039,606
of which cooperative capital	1,779,122	200	355,824
	5,998	300	1,799
	5,604	400	2,242
	56,023	500	28,011
of which cooperative capital (additional cooperative shares)			359,866
Total cooperative capital at the end of the current year	1,846,747		747,742
of which retained earnings (including currency translation differences)			10,532,510
of which Group profit			759,354

[†] To avoid double counting, the number of members is shown only under the position "Cooperative capital".

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2014:
CHF 3,273,026,000 (previous year: CHF 3,106,410,000).

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

11 Maturity structure of current assets and outside debt

	On demand in 1,000 CHF	Redeemable by notice in 1,000 CHF	Due within 3 months in 1,000 CHF	Due within 3 to 12 months in 1,000 CHF	Due within 1 to 5 years in 1,000 CHF	Due after 5 years in 1,000 CHF	Total in 1,000 CHF
Current assets							
Liquid funds	9,218,851	–	–	–	–	–	9,218,851
Receivables from money market sec.	944	–	140,635	25,221	–	–	166,800
Receivables from banks	333,077	75,261	4,844,375	690,139	–	–	5,942,852
Receivables from clients	2,018	2,544,708	1,707,365	751,020	1,987,280	905,188	7,897,579
Mortgage receivables	38,627	11,452,806	6,457,557	16,331,773	82,379,910	34,219,733	150,880,406
Trading portfolios in securities and precious metals	2,194,572	–	–	–	–	–	2,194,572
Financial assets*	246,092	–	206,387	432,428	1,723,547	3,257,987	5,866,441
Total current assets							
Current year	12,034,181	14,072,775	13,356,319	18,230,581	86,090,737	38,382,908	182,167,501
Previous year	9,089,296	16,189,452	14,706,934	18,968,335	79,072,116	33,474,517	171,500,650
Outside debt							
Liabilities from money market securities	–	–	9,514	84,941	–	–	94,455
Liabilities to banks	715,644	4,558	4,117,786	1,629,407	393,000	–	6,860,395
Liabilities to clients in the form of savings and investment deposits	–	114,937,605	–	–	–	–	114,937,605
Other liabilities to clients	13,728,654	475,251	1,624,740	1,367,549	524,791	278,711	17,999,696
Medium-term notes	–	–	779,946	1,870,229	6,867,745	1,354,722	10,872,642
Bonds and Pfandbriefdarlehen	–	550,000	547,908	1,169,075	7,087,098	12,286,781	21,640,862
Total outside debt							
Current year	14,444,298	115,967,414	7,079,894	6,121,201	14,872,634	13,920,214	172,405,655
Previous year	13,860,551	110,702,517	6,733,768	5,705,909	13,786,661	11,317,910	162,107,316

* Financial assets include CHF 35,477,459 of real estate (previous year: CHF 22,215,000).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1,000 CHF	Previous year in 1,000 CHF
12.1 Loans to executive bodies		
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	15,281	16,513
Members of the Executive Board of Raiffeisen Switzerland and associated persons and companies	30,149	30,577
Total loans to executive bodies	45,430	47,090

12.2 Transactions with associated persons

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

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1,000 CHF	Current year foreign in 1,000 CHF	Previous year domestic in 1,000 CHF	Previous year foreign in 1,000 CHF
Assets				
Liquid funds	9,184,030	34,821	6,992,014	26,613
Receivables from money market securities	944	165,856	1,230	318,932
Receivables from banks	1,873,410	4,069,442	2,229,847	4,872,234
Receivables from clients	7,715,387	182,192	7,641,973	108,834
Mortgage receivables	150,880,406	–	143,658,593	–
Trading portfolios in securities and precious metals	1,705,555	489,017	1,139,895	226,582
Financial assets	4,839,719	1,026,722	3,426,982	856,921
Non-consolidated participations	609,673	3,910	714,749	4,032
Tangible assets	2,399,322	183	2,403,179	–
Intangible assets	288,634	–	214,992	–
Accrued income and deferred expenses	207,981	8,225	203,961	5,585
Other assets	1,816,212	1,137,993	912,270	616,068
Total assets	181,521,273	7,118,361	169,539,685	7,035,801
Liabilities				
Liabilities from money market securities	94,455	–	83,662	–
Liabilities to banks	3,259,641	3,600,754	3,470,919	2,643,758
Liabilities to clients in the form of savings and investment deposits	111,565,191	3,372,414	106,036,116	3,540,297
Other liabilities to clients	16,704,983	1,294,713	15,986,163	856,271
Medium-term notes	10,766,134	106,508	11,519,030	121,456
Bonds and Pfandbriefdarlehen	21,640,862	–	17,849,644	–
Accrued expenses and deferred income	622,893	1,004	589,337	572
Other liabilities	880,878	1,582,338	546,011	1,042,115
Value adjustments and provisions	1,085,590	889	1,081,018	1,189
Cooperative capital	747,742	–	636,614	–
Retained earnings	10,532,448	62	9,848,057	190
Group profit	759,348	6	716,533	6
Minority interests in equity capital	20,222	559	6,528	–
– of which minority interests in Group profit	1,340	32	-588	–
Total liabilities	178,680,387	9,959,247	168,369,632	8,205,854

14 Assets by country or country group

	Current year in 1,000 CHF	Current year in %	Previous year in 1,000 CHF	Previous year in %
Assets				
Switzerland	181,521,273	96.23	169,539,678	96.01
Rest of Europe	6,126,460	3.25	6,142,600	3.48
Rest of world (America, Asia, Oceania, Africa)	991,901	0.52	893,208	0.51
Total assets	188,639,634	100.00	176,575,486	100.00

15 Balance sheet by currency

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Assets					
Liquid funds	8,722,800	347,607	41,176	107,268	9,218,851
Receivables from money market securities	693	126,164	39,939	4	166,800
Receivables from banks	2,305,181	1,308,135	1,822,670	506,866	5,942,852
Receivables from clients	7,612,985	104,803	158,236	21,555	7,897,579
Mortgage receivables	150,880,406	–	–	–	150,880,406
Trading portfolios in securities and precious metals	1,224,522	217,588	102,874	649,588	2,194,572
Financial assets	5,207,359	397,129	230,343	31,610	5,866,441
Non-consolidated participations	609,674	3,909	–	–	613,583
Tangible assets	2,399,322	183	–	–	2,399,505
Intangible assets	288,634	–	–	–	288,634
Accrued income and deferred expenses	203,363	4,640	7,144	1,059	216,206
Other assets	2,948,132	5,879	122	72	2,954,205
Total assets reflected in the balance sheet	182,403,071	2,516,037	2,402,504	1,318,022	188,639,634
Delivery claims under spot exchange, forward exchange and currency option contracts	17,267,535	6,234,123	10,760,854	5,981,927	40,244,439
Total assets	199,670,606	8,750,160	13,163,358	7,299,949	228,884,073
Liabilities					
Liabilities from money market securities	41,481	9,158	33,151	10,665	94,455
Liabilities to banks	2,500,359	1,280,583	2,403,896	675,557	6,860,395
Liabilities to clients in the form of savings and investment deposits	112,778,726	1,619,769	420,028	119,082	114,937,605
Other liabilities to clients	15,620,968	955,813	1,056,043	366,872	17,999,696
Medium-term notes	10,872,642	–	–	–	10,872,642
Bonds and Pfandbriefdarlehen	21,209,688	193,636	215,828	21,710	21,640,862
Accrued expenses and deferred income	621,358	1,061	1,322	156	623,897
Other liabilities	2,457,535	4,397	1,219	65	2,463,216
Value adjustments and provisions	1,086,262	217	–	–	1,086,479
Cooperative capital	747,742	–	–	–	747,742
Retained earnings	10,532,448	–	–	62	10,532,510
Group profit	759,834	-795	–	315	759,354
Minority interests in equity capital	20,512	269	–	–	20,781
– of which minority interests in Group profit	1,344	28	–	–	1,372
Total liabilities reflected in the balance sheet	179,249,555	4,064,108	4,131,487	1,194,484	188,639,634
Delivery obligations under spot exchange, forward exchange and currency option contracts	20,482,201	4,581,842	8,983,803	6,120,731	40,168,577
Total liabilities	199,731,756	8,645,949	13,115,290	7,315,215	228,808,211
Net position per currency	-61,150	104,211	48,068	-15,266	75,862

	31.12.2014	31.12.2013
Foreign currency conversion rates		
EUR	1.202	1.226
USD	0.994	0.891

Information on the off-balance-sheet business

16. Contingent liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Collateral securities	237,049	213,180
Warranty bonds	53,595	51,475
Other contingent liabilities	122,256	114,885
Total contingent liabilities	412,900	379,540

17 Open derivative financial instruments

17.1 Open derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	520	1,489	9,500,000	–	–	–
Swaps	477,679	541,217	51,013,735	616,433	1,099,811	38,734,000
Futures contracts	–	–	2,100,693	–	–	–
Options (OTC)	1,876	4,891	35,662	4,891	2,813	35,021
Options (traded)	–	–	–	–	–	–
Total interest rate instruments	480,075	547,597	62,650,090	621,324	1,102,624	38,769,021
Foreign currencies						
Forward contracts	538,592	509,544	36,644,617	43,357	6,312	2,644,296
Comb. interest rate/currency swaps	–	130	12,024	–	–	–
Futures contracts	–	–	6,173	–	–	–
Options (OTC)	3,942	1,944	334,694	–	245	2,873
Options (traded)	–	–	–	–	–	–
Total foreign currencies	542,534	511,618	36,997,508	43,357	6,557	2,647,169
Precious metals						
Forward contracts	10,065	2,314	751,766	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	10,037	–	–	–
Options (OTC)	1,498	678	127,047	–	224	2,153
Options (traded)	–	14	2,474	–	–	–
Total precious metals	11,563	3,006	891,324	–	224	2,153
Equity and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	223	1,287	53,457
Futures contracts	–	–	139,782	–	–	–
Options (OTC)	60,034	39,646	961,748	40,823	76,132	1,201,285
Options (traded)	2,452	1,344	64,620	–	–	–
Total equities and indices	62,486	40,990	1,166,150	41,046	77,419	1,254,742

Continued on the next page

17.1 Open derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Credit derivatives						
Credit default swaps	1,357	2,011	74,211	2,011	2,257	93,069
Total return swaps	–	–	–	–	–	–
First to default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	1,357	2,011	74,211	2,011	2,257	93,069
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	139	–	–	–
Options (OTC)	3,854	–	28,512	–	2,007	4,559
Options (traded)	–	–	–	–	–	–
Total other	3,854	–	28,651	–	2,007	4,559
Total						
Current year	1,101,869	1,105,222	101,807,934	707,737	1,191,087	42,770,713
Previous year	579,941	626,166	115,568,606	350,914	779,773	41,217,333

17.2 Open derivative financial instruments by counterparty and time remaining to maturity

	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Banks/securities dealers	1,703,785	2,238,825	71,285,339	48,469,006	19,959,295	139,713,640
Clients	103,535	56,140	1,435,202	830,590	342,251	2,608,043
Stock exchanges	2,286	1,344	1,508,147	748,817	–	2,256,964
Total						
Current year	1,809,606	2,296,309	74,228,688	50,048,413	20,301,546	144,578,647
Previous year	930,855	1,405,939	81,493,969	58,457,873	16,834,097	156,785,939

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted with counterparties primarily with a very good credit rating. 93.0% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

18 Fiduciary transactions

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Fiduciary investments with third-party banks	1,320	18,230	58,919	57,700	136,169
Total fiduciary transactions	1,320	18,230	58,919	57,700	136,169
Previous year	1,770	207,198	66,591	43,697	319,256

Information on the income statement

19 Net income from commission business and service transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from lending business	15,662	14,083
Commission income from securities and investment business		
Fund business	87,836	79,783
Custody account business	59,283	57,872
Brokerage	82,057	82,586
Asset management business	65,130	62,687
Other securities and investment business	30,758	30,443
Commission income from other service transactions		
Payments	137,758	124,376
Account maintenance	25,483	26,299
Other service transactions	34,164	22,527
Total commission income	538,131	500,656
Commission expenditure		
Securities business	-37,534	-40,193
Payments	-63,155	-59,606
Other commission expenditure	-8,431	-5,126
Total commission expenditure	-109,120	-104,925
Total net income from commission business and service transactions	429,011	395,731

20 Net trading income

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Foreign exchange trading	109,400	101,756
Precious metals and foreign notes and coins trading	55,069	56,464
Equities trading	-1,646	-1,187
Fixed income trading	-5,056	28,338
Total net trading income	157,767	185,371

21 Income from participating interests

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Participations valued according to the equity method	40,870	29,610
Other non-consolidated participations	22,818	27,644
Total income from participating interests	63,688	57,254

22 Personnel expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Banking authorities, attendance fees and fixed emoluments	23,038	22,805
Salaries and bonuses for staff	1,013,018	970,215
AHV, IV, ALV and other statutory contributions	89,346	88,363
Contributions to staff pension plans	110,345	98,413
Ancillary staff expenses	29,365	29,836
Total personnel expenditure	1,265,112	1,209,632

23 Operating expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Occupancy costs	86,570	84,344
Cost of computer equipment, machinery, furniture, vehicles and other equipment	105,294	111,920
Other operating expenditure	308,276	316,913
Total operating expenditure	500,140	513,177

24 Extraordinary income and expenditure

Current year

The extraordinary income of CHF 56.9 million mainly consists of CHF 6.0 million in reversals of value adjustments and provisions for default risks and CHF 48.5 million in income from the sale of tangible assets and participations (of which CHF 44.3 million from the sale of Vontobel Holding Ltd shares). The extraordinary expenditure of CHF 4.4 million includes losses from the sale of tangible assets of CHF 1.6 million.

Previous year

The extraordinary income of CHF 27.8 million mainly consists of CHF 6.6 million in reversals of value adjustments and provisions for default risks, CHF 7.0 million in income from the sale of tangible assets and participations and CHF 12.4 million from a warranty payment from the former Wegelin & Co.

The extraordinary expenditure of CHF 3.7 million includes losses from the sale of tangible assets of CHF 2.0 million.

25 Tax expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Creation of provisions for deferred taxes	27,803	35,109
Expenditure for current income tax	148,927	137,667
Total tax expenditure	176,730	172,776

Report of the statutory auditor



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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 82 to 113), for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

PricewaterhouseCoopers Ltd, Vadianstrasse 25a/Neumarkt 5, Postfach, 9001 St. Gallen
Telephone: +41 58 792 72 00, Facsimile: +41 58 792 72 10, www.pwc.ch

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Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Beat Rütsche
Audit expert
Auditor in charge

Ralph Gees
Audit expert

St. Gallen, 7 April 2015

Capital adequacy disclosure

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2008/2. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts.

Basel III disclosure

Eligible capital under regulatory rules – transfer to balance sheet values

	Current year in 1,000 CHF	Reference ¹	Previous year in 1,000 CHF	Reference ¹
Balance sheet				
Assets				
Liquid funds	9,218,851		7,018,627	
Receivables from money market securities	166,800		320,162	
Receivables from banks	5,942,852		7,102,081	
Receivables from clients	7,897,579		7,750,807	
Mortgage receivables	150,880,406		143,658,593	
Loans to clients	158,777,985		151,409,400	
Trading portfolios in securities and precious metals	2,194,572		1,366,477	
Financial assets	5,866,441		4,283,903	
Non-consolidated participations	613,583		718,781	
Tangible assets	2,399,505		2,403,179	
Intangible assets	288,634		214,992	
of which goodwill	288,634	(I)	214,992	(I)
Accruals	216,206		209,546	
Other assets	2,954,205		1,528,338	
Total assets	188,639,634		176,575,486	
Liabilities				
Liabilities from money market securities	94,455		83,662	
Liabilities to banks	6,860,395		6,114,677	
Liabilities to clients as savings and investment deposits	114,937,605		109,576,413	
Other liabilities to clients	17,999,696		16,842,434	
Medium-term notes	10,872,642		11,640,486	
of which subordinated time deposits, eligible as supplementary capital (T2)	62,618	(II)	19,480	(II)
Customer deposits	143,809,943		138,059,333	
Bonds and Pfandbriefdarlehen	21,640,862		17,849,644	
of which subordinated bond, eligible as additional core capital (AT1) ²	550,000	(III)	549,700	(III)
of which subordinated bond, eligible as supplementary capital (T2) – phase out	428,000	(IV)	481,500	(IV)
Accrued income and deferred charges	623,897		589,909	
Other liabilities	2,463,216		1,588,126	
Value adjustments and provisions	1,086,479		1,082,207	
of which deferred taxes for untaxed reserves	793,378		765,575	
Cooperative capital	747,742		636,614	
of which eligible as "hard" core capital (CET1)	747,742	(V)	636,614	(V)
Retained earnings	10,532,510	(VI)	9,848,247	(VI)
Group profit	759,354	(VII)	716,539	(VII)
Minority interests in equity capital	20,781		6,528	
of which eligible as "hard" core capital (CET1)	–	(VIII)	–	(VIII)
Total capital (with minority interests)	12,060,387		11,207,928	
Total liabilities	188,639,634		176,575,486	

1) The references refer to table "Minimum capital requirement and eligible regulatory capital"

2) Current year: of which convertible capital with a low trigger level amounting to CHF 550 million

Minimum capital requirement and eligible regulatory capital

	Basel III		Basel III	
	Current year Risk-weighted positions in 1,000 CHF	Current year Required capital in 1,000 CHF	Previous year Risk-weighted positions in 1,000 CHF	Previous year Required capital in 1,000 CHF
Minimum capital requirement				
Credit risk (standard approach BIZ)				
Receivables from banks	976,731	78,138	1,378,416	110,273
Receivables from clients	4,958,101	396,648	4,765,223	381,218
Mortgage receivables	63,543,490	5,083,479	60,784,866	4,862,789
Accruals	74,451	5,956	84,640	6,771
Other assets, miscellaneous	141,822	11,346	139,870	11,190
Other assets, total replacement value of derivatives	44,155	3,532	43,894	3,512
Net interest positions outside trading book	880,541	70,443	778,643	62,290
Net equity positions outside trading book ²	1,743,186	139,455	1,853,449	148,276
Contingent liabilities	121,625	9,730	117,449	9,396
Irrevocable commitments	996,163	79,693	1,032,822	82,626
Call commitments and additional funding obligations	96,676	7,734	96,647	7,732
Add-ons for forward contracts and options purchased	193,572	15,486	188,740	15,099
Unsettled transactions		3		332
Guarantee obligations to central counterparties (CCPs)		11		10
CVA (standard approach)		11,121		10,456
Mandatory capital for credit risks and other credit risk positions		5,912,776		5,711,970
Non-counterparty-related risks				
Real estate (including real estate in financial assets)	2,166,113	173,289	2,143,051	171,444
Other tangible assets/other recognised assets subject to depreciation	268,875	21,510	282,225	22,578
Mandatory capital for non-counterparty-related risks		194,799		194,022
Market risks (standard approach)				
Interest rate instruments – general market risk		78,931		83,206
Interest rate instruments – specific risk		30,941		15,025
Equity instruments		19,443		3,489
Foreign currencies and gold		14,824		10,428
Other precious metals		12,563		12,510
Options		281		342
Mandatory capital for market risks		156,983		125,000
Mandatory capital for operational risks (basic indicator method)		417,073		410,917
Total mandatory capital		6,681,631		6,441,909

Continued on the next page

	Current year in 1,000 CHF	Reference ¹	Previous year in 1,000 CHF	Reference ¹
Eligible capital				
Capital social	747,742	(V)	636,614	(V)
Retained earnings	10,532,510	(VI)	9,848,247	(VI)
Group profit ³	727,458	(VII)	684,779	(VII)
Minority interests	–	(VIII)	–	(VIII)
Total "hard" core capital (CET1) before adjustments	12,007,710		11,169,640	
Goodwill	-288,634	(I)	-214,992	(I)
Participations to be consolidated (CET1 instruments)	–		–	
Total CET1 adjustments	-288,634		-214,992	
Total eligible "hard" core capital (net CET1)	11,719,076		10,954,647	
Additional core capital (AT1) ⁵	550,000	(III)	549,700	(III)
Deductions from AT1 capital	–		–	
Total eligible core capital (net Tier 1)	12,269,076		11,504,347	
Supplementary capital (Tier 2)	490,618		500,980	
of which fully eligible	62,618	(II)	19,480	(II)
of which temporarily applied (phase out)	428,000	(IV)	481,500	(IV)
Deductions from supplementary capital (Tier 2)	–		–	
Total eligible capital (regulatory capital)	12,759,694		12,005,327	
Total risk-weighted assets	83,520,381		80,523,873	
Capital ratios				
CET1 ratio	14.0%		13.6%	
Tier 1 ratio	14.7%		14.3%	
Total capital ratio	15.3%		14.9%	
CET1 minimum requirement under Capital Adequacy Ordinance (CAO) transitional provisions	5.2%		4.1%	
of which capital buffer under the CAO	0.0%		0.0%	
of which countercyclical buffer (CCP)	1.2%		0.6%	
Available CET1 (after deducting CET1 to cover minimum requirements for AT1 and T2 ratios)	11.3%		10.4%	
CET1 capital target according to FINMA (including CCP)	9.9%		9.3%	
Available CET1 (after deducting CET1 to cover AT1 and T2 target ratios)	10.4%		10.0%	
Tier 1 capital target according to FINMA (including CCP)	12.0%		11.4%	
Available Tier 1 (after deducting CET1 to cover target ratios)	12.5%		12.1%	
Capital target for regulatory capital according to FINMA (including CCP)	14.8%		14.2%	
Available regulatory capital	15.3%		14.9%	
Contributions below the threshold values for deductions (before risk weighting)⁴				
Participations in the financial area up to 10%	289,054		186,107	
Participations in the financial area above 10%	393,801		531,331	

1) The references refer to table "Eligible capital under regulatory rules – transfer to balance sheet values"

2) Including equity securities, which have received a risk weighting of 250%

3) Excluding interest on cooperative capital

4) The major participations pursuant to note 3.2 "Holdings valued according to the equity method" and note 3.3 "Other non-consolidated participations" of the Raiffeisen Group's annual report are risk-weighted for calculating capital adequacy.

5) Current year: of which convertible capital with a low trigger level amounting to CHF 550 million

Credit risk by counterparty as at 31 December 2014

Loan commitments (in 1,000 CHF) ¹	Central govern- ments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit- ments	Total
Balance sheet items								
Receivables from banks	36,064	5,906,788	–	–	–	–	–	5,942,852
Receivables from clients	4,514	103,518	2,950,276	1,512,372	3,326,899	–	–	7,897,579
Mortgage receivables	31,175	60,471	197,673	1,456,219	149,134,868	–	–	150,880,406
Interest and equity positions outside trading book ²	701,471	483,500	858,469	1,983,014	–	523,804	944	4,551,202
Replacement values of derivatives ³	–	100,723	–	1,576	56,931	–	–	159,230
Other assets	605,827	131,710	2,887	168,740	59,529	–	–	968,693
Total current year	1,379,051	6,786,710	4,009,305	5,121,921	152,578,227	523,804	944	170,399,962
Total previous year	233,180	7,942,683	3,558,447	3,953,329	145,880,360	476,811	1,230	162,046,040
Off-balance-sheet items⁴								
Contingent liabilities	103	14,963	4,572	68,147	119,257	–	–	207,042
Irrevocable commitments	71	33,808	535,150	267,809	1,219,083	–	–	2,055,921
Call commitments and additional funding obligations	4	–	–	96,672	–	–	–	96,676
Add-ons for forward contracts and options purchased ³	–	450,133	3,811	22,928	31,020	–	–	507,892
Total current year	178	498,904	543,533	455,556	1,369,360	–	–	2,867,531
Total previous year	261	561,341	530,375	418,455	1,374,107	–	–	2,884,539

Credit risk/minimisation of credit risk as at 31 December 2014

Loan commitments (in 1,000 CHF) ¹	Covered by recognised financial securities ⁵	Covered by guarantees and credit derivatives	Covered by mort- gage collateral ⁶	Other loan commitments	Total
Balance sheet items					
Receivables from banks	826,756	1,376	–	5,114,720	5,942,852
Receivables from clients	518,904	107,076	2,417,568	4,854,031	7,897,579
Mortgage receivables	264,241	89,971	150,206,931	319,263	150,880,406
Interest and equity positions outside trading book ²	–	–	–	4,551,202	4,551,202
Replacement values of derivatives ³	103,808	–	–	55,422	159,230
Other assets	–	–	–	968,693	968,693
Total current year	1,713,709	198,423	152,624,499	15,863,331	170,399,962
Total previous year ⁶	1,607,184	222,032	145,421,189	14,795,635	162,046,040
Off-balance-sheet items⁴					
Contingent liabilities	61,766	3,766	29,385	112,125	207,042
Irrevocable commitments	42,060	20,215	1,035,242	958,404	2,055,921
Call commitments and additional funding obligations	–	–	–	96,676	96,676
Add-ons for forward contracts and options purchased ³	84,991	3,734	–	419,167	507,892
Total current year	188,817	27,715	1,064,627	1,586,372	2,867,531
Total previous year ⁶	129,940	30,813	1,040,529	1,683,257	2,884,539

Segmentation of credit risks as at 31 December 2014

Loan commitments (in million CHF) ¹	Risk weightings under supervisory law									Total
	0%	2%	20%	35%	50%	75%	100%	125%	150%	
Balance sheet items										
Receivables from banks	3,054	6	1,551	–	1,331	–	1	–	–	5,943
Receivables from clients	233	–	270	1,559	2,452	807	2,555	–	22	7,898
Mortgage receivables	198	–	38	127,485	128	16,489	6,429	–	113	150,880
Interest and equity positions outside trading book ²	791	–	2,667	–	444	–	179	–	470	4,551
Replacement values of derivatives ³	77	0	34	–	22	–	26	–	–	159
Other assets	714	–	41	–	6	11	197	–	–	969
Total current year	5,067	6	4,601	129,044	4,383	17,307	9,388	–	604	170,400
Total previous year	3,977	–	3,905	122,356	5,106	17,099	9,396	–	207	162,046
Off-balance-sheet items⁴										
Contingent liabilities	55	–	6	15	15	32	84	–	–	207
Irrevocable commitments	40	–	548	848	19	81	520	–	–	2,056
Call commitments and additional funding obligations	–	–	–	–	–	–	97	–	–	97
Add-ons for forward contracts and options purchased ⁵	60	0	124	–	308	0	15	–	–	508
Total current year	156	0	678	863	342	113	715	–	–	2,868
Total previous year	107	–	664	882	409	132	691	–	–	2,885

1) Before deduction of individual value adjustments.

2) Receivables from and liabilities to Pfandbriefbank are offset against each other.

3) Derivative counterparty risk is calculated using the mark-to-market method. Netting agreements with counterparties are taken into account when calculating capital adequacy.

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

5) Securities are recognised using the simple method.

6) Collateral is assigned based on capital optimisation aspects. For that reason, the values are not identical to the values in the 'Mortgage cover' column in the table entitled "1. Overview of collateral for loans and off-balance-sheet business".

Risk weighted positions based on external ratings as at 31 December 2014

Loan commitments (in 1,000 CHF) ¹	Rating	Risk weighted positions				
		0%	20%	50%	100%	150%
Counterparty						
Central governments and central banks	With Rating	1,343,357	5	–	4	–
	Without Rating	–	–	–	–	–
Public-sector entities ²	With Rating	68,942	733,381	57,952	–	–
	Without Rating	–	640,448	2,408,028	303,988	767
Banks and securities traders	With Rating	1,923,750	2,014,070	1,695,007	46	–
	Without Rating	694,985	404,409	363,503	–	–
Corporates	With Rating	–	3,476,533	113,979	31,254	–
	Without Rating	28,637	–	931	3,034,561	4,841
Total	With Rating	3,336,049	6,223,989	1,866,938	31,304	–
	Without Rating	723,622	1,044,857	2,772,462	3,338,549	5,608
Grand total		4,059,671	7,268,846	4,639,400	3,369,853	5,608

1) Before risk-mitigating measures and before deduction of individual value adjustments.

2) Including loan commitments to joint institutions of the banks, BIS, IMF and multilateral development banks.

Disclosure for systemically important banks

On 16 June 2014, the Swiss National Bank (SNB) issued an order classifying the Raiffeisen Group as systemically important. The SNB's decision was motivated by Raiffeisen's strong market position in Switzerland's deposit and lending business.

Being a systemically important bank, Raiffeisen is required under the special rules for systemically important banks (Art. 124–135 of the Capital Adequacy and Risk Diversification Ordinance (Eigenmittel- und Risikoverteilungsvorschriften – ERV)) to present an additional capital adequacy calculation.

Systemically important banks also have more extensive disclosure obligations under FINMA Circular 2008/22 "Capital adequacy disclosure – banks". The following tables present the disclosure, taking into account the applicable transitional provisions. On the basis of the applicable transitional provisions, the capital adequacy requirements for systemically important banks in Switzerland in the short to medium term are below the target figures applicable to the Raiffeisen Group as stipulated in FINMA Circular 2011/2, "Capital buffer and capital planning – banks", as defined for "Category 2 banks". The requirements under the rules governing systemic importance also include requirements for unweighted capital adequacy requirements (leverage ratio) in addition to risk-weighted capital adequacy requirements.

Minimum capital adequacy requirements for risk-weighted and unweighted capital adequacy requirements

	2014	2015	2016	2017	2018	2019
Requirement on risk-weighted capital ratios (in %)						
Basic requirement	4.00	4.50	4.50	4.50	4.50	4.50
Capital buffer	4.50	5.13	6.25	7.13	7.88	8.50
Progressive component ¹	0.46	0.63	0.75	0.85	0.94	1.00
Overall requirement (excluding anti-cyclical capital buffer)	8.96	10.26	11.50	12.48	13.32	14.00
Anti-cyclical capital buffer ²	1.19	1.19	1.19	1.19	1.19	1.19
Overall requirement (including anti-cyclical capital buffer)	10.15	11.44	12.69	13.67	14.51	15.19
of which to be held in "hard" core capital (CET1)	7.94	8.57	9.31	9.94	10.57	11.19
of which in convertible capital with a high trigger level	1.75	2.25	2.63	2.88	3.00	3.00
of which in convertible capital with a low trigger level	0.46	0.63	0.75	0.85	0.94	1.00
Requirement on unweighted capital ratios – leverage ratio (in %) ³						
Basic requirement	0.96	1.08	1.08	1.08	1.08	1.08
Capital buffer	1.08	1.23	1.50	1.71	1.89	2.04
Progressive component ¹	0.11	0.15	0.18	0.20	0.23	0.24
Overall requirement (excluding anti-cyclical capital buffer)	2.15	2.46	2.76	3.00	3.20	3.36
Anti-cyclical capital buffer ²	0.29	0.29	0.29	0.29	0.29	0.29
Overall requirement (including anti-cyclical capital buffer)	2.44	2.75	3.05	3.28	3.48	3.65

1) The progressive component was calculated based on the 12.8% market share communicated by the SNB.

2) The current anti-cyclical capital buffer is shown, effective from 30.06.2014 for the current year and future years.

3) The requirement for the leverage ratio is equivalent to 24% of the requirement for risk-weighted capital ratios (ERV Art. 134).

Capital composition and capital ratios on the basis of risk-weighted positions

in million CHF	Capital quality	31.12.13	30.06.14	30.09.14	31.12.14
Capital composition based on definition for systemically important banks:					
"Hard" core capital		11,170	11,560	11,781	12,008
Deductions from "hard" core capital ¹		-215	-221	-302	-289
Eligible "hard" core capital (net CET1)	CET1	10,955	11,339	11,479	11,719
Convertible capital with high trigger level (7%):					
No convertible capital with high trigger level		-	-	-	-
Convertible capital with low trigger level (5%):					
Perpetual subordinated bond 2013	AT1	201	378	381	383
Eligible core capital (net Tier 1)		11,156	11,717	11,860	12,102
Convertible Tier 2 capital:					
No convertible Tier 2 capital	Tier 2	-	-	-	-
Total eligible capital					
(based on definition for systemically important banks) ²		11,156	11,717	11,860	12,102
Convertible capital with low trigger level (5%):					
Perpetual subordinated bond 2013	AT1	349	172	169	167
Convertible capital without trigger level:					
Subordinated time deposits	Tier 2	19	42	50	63
Capital instruments with expiring eligibility:					
Fixed-term subordinated bond 2011–2021	Tier 2	481	428	428	428
Total eligible capital					
(based on ERV definition for Category 2 banks)		12,005	12,359	12,508	12,760
Total risk-weighted positions		80,524	82,596	83,199	83,520
Capital ratios based on definition for systemically important banks:					
Ratio of eligible "hard" core capital (CET1 ratio)		13.60%	13.73%	13.80%	14.03%
Ratio of convertible capital with low trigger level (5%)		0.25%	0.46%	0.46%	0.46%
Ratio of eligible core capital (Tier 1 ratio)		13.85%	14.19%	14.26%	14.49%
Ratio of convertible Tier 2 capital		0.00%	0.00%	0.00%	0.00%
Total capital ratio based on definition of systemic importance		13.85%	14.19%	14.26%	14.49%
Total capital ratio based on ERV for Category 2 banks		14.91%	14.96%	15.03%	15.28%

Cover for risk-weighted capital adequacy requirement as at 31.12.2014

	Requirements 2014		Available total capital	
	Capital adequacy requirement (in million CHF)	Requirement ratio (in %)	Available capital (in million CHF)	Effective capital ratio (in %)
Basic requirement	3,341	4.00%	3,341	4.00%
Capital buffer	4,752	5.69%	8,378	10.03%
of which anti-cyclical capital buffer ³	994	1.19%	994	1.19%
Progressive components	383	0.46%	383	0.46%
of which covered by "hard" core capital ⁴	-	0.00%	-	0.00%
Total	8,476	10.15%	12,102	14.49%
Total risk-weighted positions as of 31.12.2014				83,520

1) The deductions from "hard" core capital include intangible assets (goodwill).

2) Without convertible capital without trigger level (convertible capital with low trigger level). Convertible capital with a low trigger level (5%) only qualifies as capital for systemic importance purposes within the progressive component.

3) Anti-cyclical capital buffer of 2.0% on home ownership financing within Switzerland, effective from 30.06.2014.

4) If the progressive component is higher than the convertible capital with a low trigger level, requirements are met in the form of "hard" core capital.

The Raiffeisen Group exceeds the current capital adequacy requirements based on the definition for systemically important Swiss banks as at 31.12.2014 with a figure of 14.49% (requirement in 2014: 10.15%) by a total of 4.34 percentage points. According to the current capital planning for the Raiffeisen Group, the future retention of earnings is expected to make a full contribution such that the capital ratio required by 2019 (including current anti-cyclical capital buffer) can be reached without requiring further capital.

Composition of leverage ratio on basis of unweighted positions ¹

(in million CHF)	31.12.13	30.06.14	30.09.14	31.12.14
Total assets as stated in consolidated financial statements	176,575	182,638	186,243	188,640
Adjustments for consolidated companies and deductions from core capital ²	-215	-221	-302	-289
Adjustments for fiduciary assets	-	-	-	-
Adjustments for derivatives ³	-345	-549	-843	-1,724
Adjustments for security financing transactions ⁴	-	-	-	-688
Adjustments for off-balance-sheet transactions	3,201	3,254	3,252	3,134
Other adjustments ⁵	-265	-237	-233	-231
Total exposure for leverage ratio	178,952	184,884	188,117	188,842
Average core capital (Tier1)	11,156	11,717	11,860	12,102
Leverage ratio	6.23%	6.34%	6.30%	6.41%

Cover for unweighted capital adequacy requirement – Leverage ratio as at 31.12.2014

	Requirements 2014		Available core capital	
	Capital adequacy requirement (in million CHF)	Requirement ratio (in %)	Available capital (in million CHF)	Available ratio (in %)
Basic requirement	1,813	0.96%	1,813	0.96%
Capital buffer	2,579	1.37%	9,906	5.25%
of which anti-cyclical capital buffer ⁶	539	0.29%	539	0.29%
Progressive components	208	0.11%	383	0.20%
of which covered by "hard" core capital ⁷	-	0.00%	-	0.00%
Total	4,599	2.44%	12,102	6.41%

1) The overall exposure is now shown on the basis of reporting date values pursuant to FINMA Circular 2015/3.

2) These positions take into account the intangible assets (goodwill) that are deducted from the core capital.

3) This position takes into account the counterparty netting of OTC derivatives based on the existing netting agreements. FINMA Circular 2015/3 allows the deduction of margin payments (initial effect on 31.12.2014).

4) This position takes into account the netting resulting from reverse repo transactions that are cleared via SIX SIS AG and there is no risk of default. FINMA Circular 2015/3 allows netting if the regulatory requirements are met (initial effect on 31.12.2014).

5) This position takes into account the provisions for default risks that are set off against the assets.

6) Current anti-cyclical capital buffer of 2.0% on home ownership financing within Switzerland, effective from 30.06.2014.

7) If the progressive component is higher than the convertible capital with a low trigger level, requirements are met in the form of "hard" core capital.

The Raiffeisen Group exceeds the current requirements for leverage ratio for systemically important Swiss banks as at 31.12.2014 with a figure of 6.41% (requirements under transitional provisions: 2.44%) by a total of 3.97 percentage points. The current figure also exceeds the long-term requirement without transitional provisions (applicable from 2019 onwards) of 3.65% by 2.76 percentage points.

Group companies compared

(in million CHF)	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Income statement										
Net interest income	1,991	1,977	112	121	27	29	3	4	2,133	2,131
Net income from commission business and service transactions	215	199	81	78	141	126	-8	-7	429	396
Net trading income	101	96	42	73	12	13	3	3	158	185
Other ordinary result	58	54	294	299	27	10	-272	-284	107	79
Operating income	2,365	2,326	529	571	207	178	-274	-284	2,827	2,791
Personnel expenditure	-811	-798	-321	-309	-138	-110	5	7	-1,265	-1,210
Other operating expenditure	-513	-524	-164	-179	-69	-52	246	242	-500	-513
Total operating expenditure	-1,324	-1,322	-485	-488	-207	-162	251	249	-1,765	-1,723
Gross profit	1,041	1,004	44	83	-	16	-23	-35	1,062	1,068
Depreciation on fixed assets	-124	-128	-41	-42	-4	-6	5	-2	-164	-178
Value adjustments, provisions and losses	-589	-575	-10	-13	-1	-7	587	570	-13	-25
Operating profit (interim result)	328	301	-7	28	-5	3	569	533	885	865
Extraordinary income	35	44	47	22	44	17	-69	-55	57	28
Extraordinary expenditure	-14	-13	-2	-12	-21	-	33	21	-4	-4
Taxes	-147	-137	-1	-1	-1	-1	-28	-34	-177	-173
Group profit (including minority interests)	202	195	37	37	17	19	505	465	761	716
Minority interests in Group profit	-	-	-	-	-	-	2	-1	2	-1
Group profit	202	195	37	37	17	19	503	466	759	717
Key balance sheet figures										
Total assets	168,768	161,486	37,637	32,750	5,653	4,421	-23,418	-22,082	188,640	176,575
Loans to clients	148,463	142,102	9,711	8,766	697	551	-93	-10	158,778	151,409
Client monies	132,166	127,473	8,439	7,392	3,302	3,242	-97	-48	143,810	138,059

Balance sheet – five-year overview

(in million CHF)	2014	2013	2012	2011	2010
Assets					
Liquid funds	9,219	7,019	6,943	4,698	1,463
Receivables from money market securities	167	320	70	2	102
Receivables from banks	5,943	7,102	6,250	3,668	6,619
Receivables from clients	7,898	7,751	7,822	7,678	7,666
Mortgage receivables	150,880	143,658	135,943	128,527	119,595
Loans to clients	158,778	151,409	143,765	136,205	127,261
Trading portfolios in securities and precious metals	2,195	1,366	1,837	1,548	1,300
Financial assets	5,866	4,284	4,032	4,775	5,703
Non-consolidated participations	613	719	633	519	557
Tangible fixed assets	2,399	2,403	2,382	2,275	2,219
Intangible assets	289	215	179	–	–
Accrued income and prepaid expenses	216	210	210	259	232
Other assets	2,954	1,528	1,823	1,940	1,783
Total assets	188,639	176,575	168,124	155,889	147,239
Liabilities					
Liabilities from money market securities	94	84	–	–	–
Liabilities to banks	6,860	6,115	5,843	6,632	8,582
Liabilities to clients in the form of savings and investment deposits	114,937	109,576	103,065	92,549	86,591
Other liabilities to clients	18,000	16,842	17,113	16,008	16,184
Medium-term notes	10,873	11,640	12,877	13,616	13,668
Client monies	143,810	138,058	133,055	122,173	116,443
Bonds and mortgage bond loans	21,641	17,850	15,186	13,637	9,747
Accrued expenses and deferred income	624	590	562	558	550
Other liabilities	2,463	1,588	1,928	2,029	1,660
Value adjustments and provisions	1,086	1,082	1,052	985	976
Cooperative capital	748	637	616	599	570
Retained earnings	10,533	9,848	9,245	8,681	8,084
Group profit	759	717	635	595	627
Total equity capital (without minority interests)	12,040	11,202	10,496	9,875	9,281
Minority interests in equity capital	21	6	2	–	–
– of which Minority interests in group profit	1	-1	-0	–	–
Total equity capital (with minority interests)	12,061	11,208	10,498	9,875	9,281
Total liabilities	188,639	176,575	168,124	155,889	147,239

Income statement – five-years overview

(in million CHF)	2014	2013	2012	2011	2010
Interest and discount income	3,217	3,295	3,404	3,423	3,383
Interest and dividend income from financial assets	61	61	82	84	91
Interest expenditure	-1,145	-1,225	-1,393	-1,431	-1,472
Net interest income	2,133	2,131	2,093	2,076	2,002
Commission income lending business	16	14	15	12	9
Commission income securities and investment business	325	314	299	179	195
Commission income other service transactions	197	173	159	146	139
Commission expenditure	-109	-105	-106	-94	-102
Net income from commission business and service transactions	429	396	367	243	242
Net trading income	158	185	190	137	116
Income from sale of financial assets	6	3	–	–	1
Income from participating interests	64	57	44	41	32
Income from real estate	20	19	18	18	19
Other ordinary income	22	13	13	6	8
Other ordinary expenditure	-5	-13	-13	-8	-2
Other ordinary result	107	79	62	57	58
Operating income	2,827	2,791	2,712	2,513	2,418
Personnel expenditure	-1,265	-1,210	-1,283	-1,070	-1,031
Other operating expenditure	-500	-513	-502	-451	-434
Total operating expenditure	-1,765	-1,723	-1,785	-1,521	-1,465
Gross profit	1,062	1,068	927	992	953
Depreciation on fixed assets	-164	-178	-198	-239	-200
Value adjustments, provisions and losses	-13	-25	-31	-23	-4
Operating profit (interim result)	885	865	698	730	749
Extraordinary income	57	28	89	16	31
Extraordinary expenditure	-5	-4	-2	-5	-8
Taxes	-177	-173	-150	-146	-145
Group profit (including minority interests)	760	716	635	595	627
Minority interests in Group profit	1	-1	–	–	–
Group profit	759	717	635	595	627

Cash flow statement – five-years overview

(in million CHF)	2014	2013	2012	2011	2010
Group profit	760	716	635	595	627
+ Depreciation on fixed assets	164	178	198	239	200
– Appreciation on participations	–	–	-78	–	-7
+ Value adjustments and provisions	4	30	32	9	-1
– Increase / + decrease in money market securities	163	-166	-68	100	-98
± Net change in receivables from/liabilities to banks	1,904	-580	-3,370	1,001	940
– Increase / + decrease in receivables from clients	-147	71	-144	-12	-708
– Increase / + decrease in mortgage receivables	-7,222	-7,715	-7,416	-8,932	-8,917
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	5,361	6,511	10,516	5,958	6,903
+ Increase / – decrease in other liabilities to clients	1,158	-271	1,105	-176	1,604
+ Increase / – decrease in medium-term notes	-767	-1,237	-739	-52	-2,803
± Net change in receivables from/liabilities to clients	-1,617	-2,641	3,322	-3,214	-3,921
– Increase / + decrease in trading portfolios in securities and precious metals	-829	471	-289	-248	-799
– Increase / + decrease in financial assets (debt securities, etc.)	-1,582	-252	742	928	924
± Net change in accruals and deferrals, as well as other assets and liabilities	-523	-17	69	193	320
Net cash flow from operating activities	-1,556	-2,261	1,193	-397	-1,815
– Increase in participations	-121	-86	-58	-19	-83
+ Decrease in participations	225	–	–	–	2
– Increase in real estate	-84	-125	-235	-165	-245
+ Decrease in real estate	25	35	39	23	59
– Increase in other tangible fixed assets/objects in finance leasing/intangible assets	-176	-146	-268	-102	-135
+ Decrease in other tangible fixed assets/objects in finance leasing	2	2	2	7	6
+ Changes to the consolidated group	–	–	34	–	–
Net cash flow from investment activities	-129	-320	-486	-256	-396
+ Increase in bonds and Pfandbriefdarlehen	5,216	3,904	2,952	5,255	3,129
– Decrease in bonds and Pfandbriefdarlehen	-1,425	-1,240	-1,402	-1,366	-798
+ Increase in cooperative capital	132	40	36	45	50
– Decrease in cooperative capital	-21	-20	-19	-16	-16
– Interest paid on share certificates for prior year	-32	-31	-31	-30	-28
+ Minority interests in equity capital	14	5	2	–	–
Net cash flow from financing activities	3,884	2,657	1,538	3,888	2,337
Total cash flow (net change in liquid funds)	2,199	76	2,245	3,235	125
Liquid funds at start of year	7,019	6,943	4,698	1,463	1,338
Liquid funds at end of year	9,219	7,019	6,943	4,698	1,463

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Raiffeisen Switzerland Cooperative
Corporate Communications
Raiffeisenplatz
CH-9001 St.Gallen
Phone: +41 71 225 88 88
Fax: +41 71 225 88 87
Internet: www.raiffeisen.ch/annualreports
E-mail: medien@raiffeisen.ch

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13.06.2015

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Raiffeisen Switzerland in Unterägeri (ZG)

12.08.2015

Publication of half-year results

Phone conference for media

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