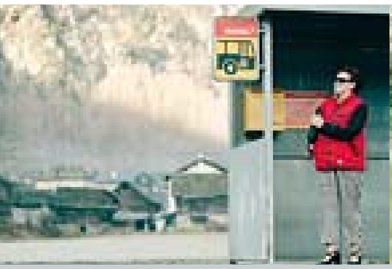
Annual Report 2006 Raiffeisen Group

RAIFFEISEN

Key Figures

	2006 Amounts in CHF million	Change in %	2005 Amounts in CHF million	Change in %	2004 Amounts in CHF million
Key balance sheet figures					
Balance sheet total	113,998	5.4	108,187	2.0	106,098
Loans to clients	95,110	4.8	90,782	4.9	86,565
Client monies	88,025	5.6	83,367	3.1	80,838
Client monies in % of loans to clients	92.6%		91.8%		93.4%
Key P + L figures					
Net interest income	1,802	5.0	1,716	5.0	1,634
Income from commission business and service transactions	250	15.2	217	26.2	172
Operating income	2,183	6.1	2,058	8.7	1,894
Total operating expenditure	1,202	3.9	1,157	8.3	1,069
Gross profit	981	9.0	900	9.1	825
Group profit before tax	824	6.0	777	17.8	660
Group profit	655	7.6	608	20.2	506
Gross profit per personnel unit (in 1000 CHF)	147.4	5.2	140.0	4.9	133.5
Cost/income ratio	55.1%		56.2%		56.4%
Capital resources					
Total equity capital	6,686	11.9	5,976	12.0	5,335
Return on equity (ROE)	10.3%		10.8%		10.0%
Capital resource/balance sheet total (equity ratio)	5.9%		5.5%		5.0%
Tier 1 ratio	11.5%		10.8%		10.0%
Tier 2 ratio	16.5%		15.5%		14.3%
Market data					
Market share in mortgage business (2006: estimated)	13.8%		13.6%		13.5%
Market share in savings (2006: estimated)	18.6%		17.7%		17.6%
Number of members	1,371,107	4.7	1,309,537	4.6	1,251,730
Rating given to Raiffeisen Switzerland					
Moody’s	Aa2		Aa2		–
Resources					
Number of employees (per capita)	8,101	2.7	7,888	2.8	7,676
of which trainees	660	-1.2	668	2.8	650
Number of personnel units	6,764	3.3	6,549	3.9	6,304
Number of Raiffeisen locations	1,149	-2.2	1,175	-3.4	1,216
Number of ATMs	1,275	2.3	1,246	3.9	1,199
Custody account/fund business					
Number of portfolios	321,972	6.5	302,180	5.2	287,114
Total portfolio volume	31,981	15.9	27,598	17.7	23,455
Volume of Raiffeisen funds	8,451	3.4	8,171	3.9	7,865
Lending business					
Losses on lending business	38	-21.9	48	-30.4	69
in % of loans	0.040%		0.053%		0.080%
Non-performing loans	375	6.1	353	-8.8	387
in % of loans	0.394%		0.389%		0.447%




“Only he who knows his goal finds the way.”

Laozi, Chinese philosopher

The journey to work is more than the “distance between where you live and where you work”. It gives you time to gather your thoughts in preparation for the day ahead, affords you space to wind down in the evening, brings you into contact with others, and is a daily ritual of working life. Each and every day of the week around 8,000 employees make their way to work at Raiffeisen banks all over Switzerland.

Raiffeisen employees mostly have short commutes since they live and work within the locality of their own bank. This means that they are close to their clients and have an intrinsic understanding of their needs and concerns. The illustrations accompanying the Annual Report 2006 show Raiffeisen employees on their way to work: on foot, on the postbus, on their Vespas, in cars, on the bus, on bicycles, on the tram, on scooters and on ferries. The different methods they use to get to work are just as varied and unique as the employees themselves.

The variety of these commutes symbolizes the variety of paths that Raiffeisen employees open up for their clients. It also highlights the different paths that lead to Raiffeisen, both in a literal sense and – above all – in a figurative one: our employees bring with them to Raiffeisen their unique background, qualifications, knowledge and personality. Each and every day they are there for their clients. They understand their requirements, listen to their wishes and go in search of solutions – opening up countless new paths on the way.

Our employees are therefore the focus of this Annual Report – not least in recognition of their hard work and commitment that have paved the way for Raiffeisen’s success.

Denise Bieri, Logistics employee, Raiffeisenbank Basel. Commute from Riehen to Basel, around 30 minutes by tram (one change). Same journey for six years. “I really value the quiet solitude of the journey and the time it gives me to enjoy the view or read the paper.”

The big events of 2006 at Raiffeisen

In 2006, the Raiffeisen Group laid a lot of groundwork for the future, for instance outsourcing its securities administration to the Vontobel Group and choosing Avaloq for its banking software. From the outside, the most obvious development was the introduction of the new logo.

New corporate design

Raiffeisen unveiled its new corporate design on 1 March 2006. The new logo is stripped down to basics, simply consisting of the word RAIFFEISEN in red. It was rolled out to all 1,500 locations (banks, branches and ATMs) in just three months.

As part of the extensive facelift to Raiffeisen's image, the name of the Swiss Union of Raiffeisen Banks was changed to "Raiffeisen Switzerland"; this was entered in the Commercial Register in mid-September.

An Aa2 rating from Moody's

The Raiffeisen Group has for the first time been rated by leading agency, Moody's. It was awarded an Aa2 rating, which will make it easier to tap the capital markets and obtain finance at better rates. The rating has also helped to establish the Raiffeisen Group more prominently in the national and international money and capital markets.

New product launches

Raiffeisen brought various new products to market during 2006:

- The Pension Invest Futura 50 investment fund combines retirement provision and sustainability. It is the first fund of its kind in Switzerland and is aimed at investors concerned about ethical, social and environmental issues.
- The Capital Protection Maturity 2013 is Raiffeisen's first investment fund with a capital guarantee. The advantage of the new fund is that investors can be assured of getting their capital back on maturity. At the same time, they can profit from the performance of the Swiss equity market, and price gains are locked in at various points during the fund's seven-year term.
- Since mid-September, homeowners have been able to take out Raiffeisen mortgage insurance to protect against unemployment, and can also shield themselves from the financial consequences of a death.
- Raiffeisen also brought out a special new credit card – the PrePaid MasterCard – at the start of October. Unlike with a conventional credit card, the holder can load it with any amount in Swiss francs, euros or US dollars in advance. Here, Raiffeisen is targeting young and price-conscious customers who only use their credit card rarely.

Insourcing of IT services

As part of the reorganization of Raiffeisen Switzerland, the subsidiary Raiffeisen Informatik AG was integrated into Raiffeisen Switzerland with effect from 1 January 2006.

Decisions of the Delegate Meeting

The delegates of the Raiffeisen Group passed the following major decisions at their June meeting in Martigny: The Board of Directors is to be reduced by two to eleven members. Dr Marie-Françoise Perruchoud-Massy, from Vercorin in the canton of Valais, becomes the first woman to hold the post of Vice-Chair of the Board of Directors of Raiffeisen Switzerland.

Due to the revision of the Swiss Code of Obligations and the creation of a new Audit Supervision Act, the Delegate Meeting resolved to appoint PricewaterhouseCoopers as auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group with effect from financial year 2007. The supervisory boards of the Raiffeisen banks, which have to date performed this role for their institutions, are to be dissolved.

Raiffeisen has also adopted a new mission statement, replacing the visions formulated in 1991. In it, Raiffeisen undertakes to deal fairly and according to cooperative principles with its cooperative members, clients, employees and society at large.

Diversity and gender management

Raiffeisen is finding new ways to support families and has made it a priority in its HR policy. It wants to act as an example to others and promote work-life balance. With this in mind, April 2006 saw the launch of the "Profile" specialist unit, which seeks to promote equal opportunities for men and women, people with disabilities, older employees and people of different nationalities. The objectives of this unit will be implemented in a three-stage process due for completion in 2015. The programme began with the Raiffeisen family holiday weeks in the summer in conjunction with the Pädagogische Fachhochschule Rorschach.

Five years of Futura funds

Back in 2001, Raiffeisen launched its first Futura Fund in conjunction with the Vontobel Group and the sustainability rating agency INrate. These funds not only abide by strict sustainability criteria but are also outstanding performers in their own right. Some of the four funds have received excellent ratings; for instance the Raiffeisen Futura Swiss Stock was awarded five stars by the highly respected research agency Morningstar in July 2006 and received the Lipper Fund Award Switzerland 2006 shortly afterwards. It has recorded the best consistent performance of any Swiss equity fund over the last three years. Morningstar also gave the Futura Swiss Franc Bond four stars in July 2006.

Outsourcing of securities administration

In October 2006, the Vontobel Group took over securities administration of all the Raiffeisen banks' 320,000 client custody accounts and Raiffeisen Central Bank's custody accounts. The data migration and operational switchover took place seamlessly and on time, marking another milestone in the cooperation with this partner.

New banking platform to use Avaloq

The Raiffeisen Group decided in December 2006 to replace the current proprietary IT structures with standard banking software, opting for the widely used Swiss product, Avaloq. The changeover will be implemented over a period of several years.

Corporate client business

The strategically important Corporate Clients business area is to be expanded and thoroughly overhauled over the next few years. Raiffeisen therefore launched a project in 2006 to make the necessary products and processes available to the banks and develop the requisite expertise to enable successful implementation of the strategy.

Christophe Estoppey, Member of the Executive Board, Raiffeisenbank Lavaux, Lutry.
Commute from Jongny to Lutry, around 20 minutes by car. Same journey for six years.
"I love the 'Route de la Corniche', with its wonderful views of the Lavaux vineyards and the broad, shimmering lake below."

A new beginning Unveiling the new visual identity was one of the high points of 2006 for Raiffeisen. In an interview with Martin Spieler*, Franz Marty and Pierin Vincenz talk about the year's other highlights as well as the Raiffeisen Group's hopes for its partnerships and its expansion plans.

"For Raiffeisen, it's not all about profits – there are principles at stake too."

What were the highlights of 2006 for you?

Franz Marty: Our new corporate design would be one. The rebranding has given us a modern face. Another was the expansion of the Raiffeisen Group's partnership with the Vontobel Group. We can be seen to have enjoyed a good year thanks to lots of hard work behind the scenes. All in all, 2006 was a big success for us.

What exactly has the rebranding achieved?

Pierin Vincenz: The new logo is an expression of our capacity for innovation. Within the Group, the single brand brings an increased sense of unity.

How much did the new logo and all that goes with it cost?

Vincenz: The new brand cost about 20 million Swiss francs. This includes the design work together with all other measures, right up to refitting branches throughout Switzerland in our new look.

You said stepping up the partnership with the Vontobel Group was also a highlight. Vontobel took charge of administering Raiffeisen clients' custody accounts in October 2006. How are things progressing so far?

Pierin Vincenz
Chairman of the Executive Board
of the Raiffeisen Group

Marty: Working with the Vontobel Group has given Raiffeisen a whole new lease of life. The partnership has allowed us to grow our investment business, which is a key element of our strategy. We're already seeing some benefits here. Handing over securities administration to the Vontobel Group is also something of a test to see how we can further enhance efficiency going forward by outsourcing certain tasks.

Do you expect to see such cooperations becoming more common in the Swiss banking industry?

Vincenz: Yes, definitely. Working together is the way forward. Joining forces with a partner is a good way to safeguard our independence. The unfortunate example of Bank Linth illustrates this point all too clearly. We'll be seeing not only more mergers, but also more strategic alliances in future. Standardization in IT is further fuelling this trend. The more banks move over to standard software systems, the easier it gets for them to link up.

The Raiffeisen Group decided in December 2006 to adopt a new banking platform, Avaloq. What benefits do you hope this will bring?

Vincenz: By rolling out a new, standard banking platform, Raiffeisen wants to replace its complex infrastructure, which is made up of a variety of different software architectures, with a single platform for the entire Group. This will lead to efficient internal processes and cost-effective back-office functions.

Will the standard banking software also be rolled out to the 405 Raiffeisen banks?

Vincenz: That hasn't been decided yet.

Raiffeisen currently owns 12.5% of the Vontobel Group. Will this stake be increased?

Marty: We'd be prepared to increase our stake at any time if that were what the Vontobel family wanted. At the moment, though, no change in the shareholder structure is on the cards. We're happy with the way things are.

Helvetia is another Raiffeisen partner. How do you hope to profit from this alliance?

Marty: It constitutes a useful addition to the services we offer our clients. We talk to clients a lot about their homes and mortgages, and insurance products are a logical step from this topic.

But the failure of Credit Suisse's "bancassurance" model with Winterthur showed that clients aren't really looking for a combined banking and insurance solution. Why should it work for Raiffeisen?

Vincenz: This bad example has made bancassurance a dirty word in Switzerland. If we look at our European neighbours, however, we see many examples where bancassurance works. Our experience to date has been positive, so we're sticking to our bancassurance business model with Helvetia. The partnership is going well and shows that insurance can be a successful addition to banking services.

What strategic targets have you set for 2007?

Marty: We want to grow further in our core business areas. To this end, we aim to intensify our existing client relationships and build up our investment business, among other things. We're also going to focus more on cultivating relationships with corporate clients, especially small and medium-sized enterprises (SMEs).

What can you offer these corporate clients?

Vincenz: We're already a strong partner for small businesses, with a great range of products geared to their needs. We now want to extend this role to slightly larger companies with 50–100 employees.

Mortgages are part of the Raiffeisen banks' core business. What are your targets in this area?

Marty: Our ambition is for our mortgage business to grow faster than the market. We've been doing a good job in this respect so far.

Could you explain what exactly you mean by "faster than the market"?

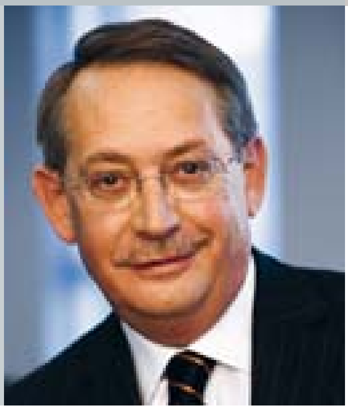
Vincenz: We want our growth rate to be at least a half to one percentage point above the market's.

Won't this mean compromising on margins?

Vincenz: No. We aren't pursuing growth through price cuts, we're capitalizing on intensive advice and client proximity instead. This gives us a clear competitive edge over rival providers, allowing us to set terms that don't necessarily undercut the aggressive discounters. We're therefore not expecting any erosion of our interest margin.

Are you taking on higher levels of credit risk?

Marty: No, we're not compromising on this point either. We take great care to ensure that our clients are creditworthy. Our advantage here is that we're close enough to



Franz Marty
Chairman of the Board of Directors
of the Raiffeisen Group

our clients to have a good idea of what their credit ratings might be.

"Growth does not mean compromising on credit risk. We take great care to ensure that our clients are creditworthy."

To what extent are the Raiffeisen banks free to set their own mortgage rates?

Marty: This is a decision our member banks can make at their own discretion. When the Raiffeisen Switzerland recommendation was issued at the end of 2006, for example, we suggested that they put their mortgage rates up by a quarter of a percentage point. It was up to them whether they acted on this suggestion or not.

What are your plans in the lucrative private banking business, where most Swiss banks see the biggest growth potential?

Vincenz: We don't draw such a clear distinction between retail and private banking as some other banks. I'm sure we can continue to post very strong growth in our traditional retail banking business over the coming years.

Is expansion outside Switzerland on the agenda at all?

Marty: No, our Articles of Association essentially rule this out. We're expressly committed to Switzerland, the market we know best.

Where will you be expanding within Switzerland?

Vincenz: We'll see growth first and foremost in the canton of Zurich and the western part of the country. Our market shares in these populous regions are still small, whereas we're already well represented in Valais with a market share of 45 %. In the Lake Geneva region, we've just opened a branch in Nyon, and further branches in Lausanne, Vevey and Montreux are set to follow by next year. In the canton of Zurich, we opened a branch in Meilen in 2006 and will be following this up with branches in Horgen, Zurich-Wollishofen, Thalwil and Stäfa this year. We'll also be moving into Riehen in 2007 and Sissach in 2008. All these projects are already in the pipeline despite the trend towards consolidation in the Swiss banking industry.

How is this consolidation affecting the Raiffeisen banks' business model?

Marty: It's precisely in phases of upheaval such as this that our cooperative business model has proven its worth. Our banks have a great deal of operational freedom. They're a lot like SMEs in their own right. Not least thanks to their autonomy, our member banks are well placed to emerge as winners from the current consolidation phase.

In what respects is the cooperative structure a drawback?

Marty: The decentralized structure means that our communication channels aren't so direct, so reaching decisions can be a time-consuming process. We spend more time discussing our strategy. The upside is that our decisions are often all the more sustainable for it.

Is it conceivable that Raiffeisen might one day abandon its cooperative structure like Swiss Life, which is now a listed company?

Marty: Absolutely not. Our cooperative character gives us close ties to our clients and an exceptionally strong profile, and these are assets we want to hold onto.

Isn't the cooperative structure overly restrictive – not allowing you to expand internationally, for instance?

Vincenz: No, we consciously accept these structural restrictions because they're a product of our core values.

And what would those core values be?

Marty: Everything we do revolves around our clients and cooperative members. We want to offer banking services they can trust without hesitation. That's why we'll remain heavily decentralized in order to preserve our firm local roots.

Vincenz: We want our clients all over the country to get the best possible advice from a single source. At a time when other banking groups are closing branches, we're opening new ones. For us, it's not all about profits – there are principles at stake as well.

Where do you see the Raiffeisen banks in ten years' time?

Marty: We'll have grown a lot by then to become the leading retail bank, but we'll still be defending our cooperative ideology. Our members and clients will still reign supreme. In fact, we want to forge even closer links with them. Our staff at Raiffeisen banks throughout Switzerland will be able to handle the full range of banking and insurance services locally.

What quantifiable targets do you have?

Vincenz: Ten years from now, we'll be the leading retail bank in Switzerland with a market share of 20%. We may even get there sooner. We're also aiming to have more than two million cooperative members.

* Martin Spieler is Editor-in-Chief of Handelszeitung.

Daniel Schmid, Director, Raiffeisenbank Berne. Commute from his home in the city to Berne's old town, around 15 minutes by bike. Same journey for four years. "My ride to work lets me enjoy the many different aspects of our capital city and helps keep me fit at the same time."

Market activities Confidence in Raiffeisen continues unabated. This is reflected in its successful market activities in 2006, with the Raiffeisen Group gaining market shares in practically all sectors. Both the economic and the client environment give reason for optimism in 2007 as well.

At a glance:

- *Raiffeisen records above-average growth.*
- *One in four inhabitants in Switzerland has a Raiffeisen savings account.*
- *Raiffeisen is positioning itself more strongly as an investment bank.*
- *New products have been launched to meet clients' needs.*
- *The Aa2 rating from Moody's is starting to bear its first fruits.*

Raiffeisen made further progress on the road to becoming Switzerland's leading retail bank during the year under review. The Raiffeisen Group has been outgrowing the market for years in spite of strong competition and high price sensitivity. With 2.99 million clients as at the end of 2006, Raiffeisen almost reached the three million mark.

Client requirement: Financing

Even though building activity had already reached a high level in the previous year, the market continued to grow in 2006, albeit at a slower rate. The mortgage market was characterized by low interest rates, much to the advantage of mortgage clients, resulting in fierce competition among banks in this client segment. Shorter-term mortgages were the only ones to become somewhat more expensive, but rates are still at a low level by historical standards.

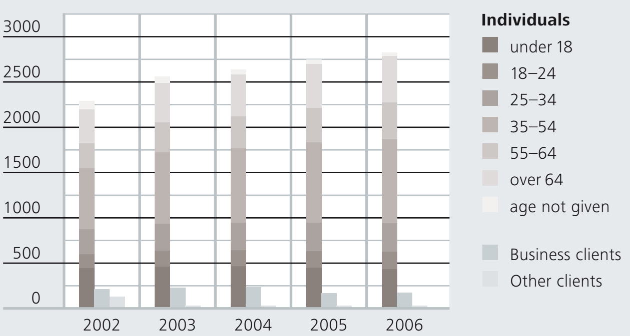
In spite of heavy competition, the Raiffeisen banks slightly outgrew the mortgage market in 2006, showing that the mortgage solutions and advisory services they provide continue to meet clients' needs.

Raiffeisen expects demand for home financing to increase sharply in 2007 despite higher interest rate levels. This forecast is based on the number of home building permits that have been granted in recent months, which is significantly higher year-on-year. The anticipated strong economic upturn should also continue to underpin demand.

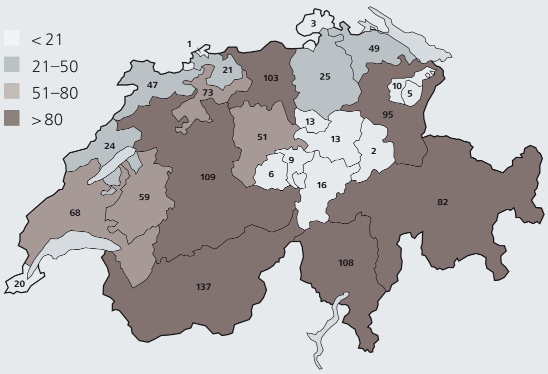
Raiffeisen has developed a new loan agreement system in response to the strong competition that persists on the mortgage market. The new loan agreements, to be used

Client structure and trends

(in 1000)

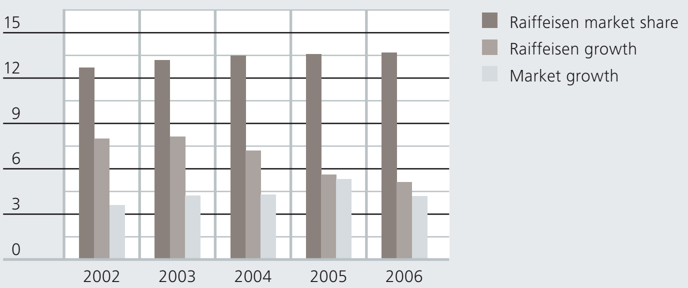


Number of bank branches per canton



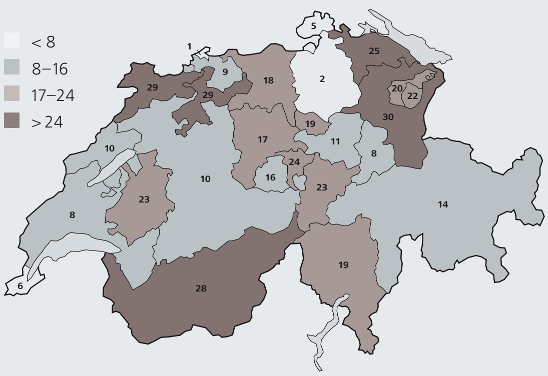
Raiffeisen further increases share of Swiss mortgage market

(in %)

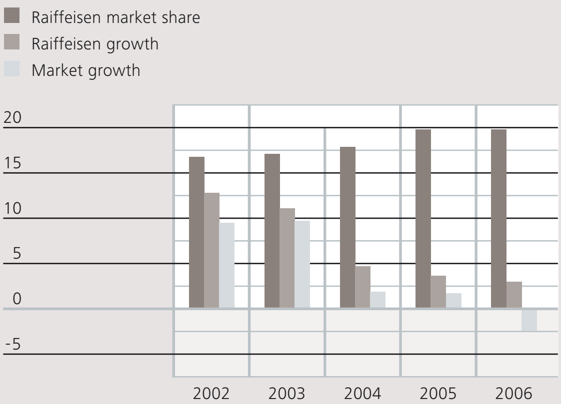


Share of mortgages per canton

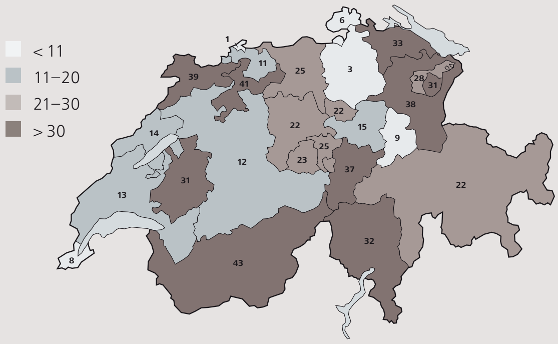
(in %)



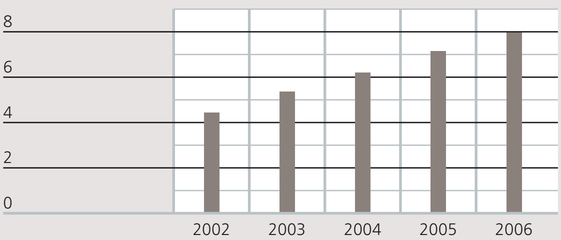
Raiffeisen further increases share of savings market
(in %)



Share of savings and investments per canton
(in %)



Pension and vested assets 2002–2006
(in CHF billion)



starting this year, are more clearly formulated and offer clients greater flexibility when it comes to renewing their loans.

Raiffeisen Finanzierungs AG ▪ The personal loans business recorded continued pleasing growth for the Raiffeisen Group during the year under review. In its second year of business, Raiffeisen Finanzierungs AG almost doubled its volume of new loan commitments compared with the previous year, putting it well above the level of growth seen on the market. 2006 saw it strengthen not only active referrals by the Raiffeisen banks, but also direct sales via the Internet and cooperation with commercial loan brokers. The prudent lending practices defined in the bank's stringent internal guidelines have proven a success, and default risks were kept well below expectations. Market activity will be bolstered further in 2007. Raiffeisen Finanzierungs AG wants to achieve a greater impact in this area with the launch of a new personal loan product for used cars.

Raiffeisen Leasing ▪ The leasing market did not see substantial growth compared with 2005 during the year under review. New car sales increased by only 3.9% and have been languishing below 270,000 vehicles for many years. Raiffeisen Leasing nevertheless managed to significantly outgrow the car leasing market again thanks to successful marketing activities. Equipment leasing was consolidated at the previous year's level, while new business volumes as a whole were up 14% on 2005. A wide range of new initiatives are planned for 2007 with a view to increasing market share in car and equipment leasing. For example, Raiffeisen intends to employ additional leasing advisors in

2007 whose job it will be to better represent Raiffeisen Leasing in the various locations throughout Switzerland. In concrete terms, this will involve working together with dealers and manufacturers and supporting the local Raiffeisen banks in the leasing business.

Client requirement: Savings

Although the financial markets have overcome their 2005 lows, market interest rates and the associated interest rates for savings and medium-term notes continue to stagnate at a low level. The sharp rise in interest rates that has been vaunted on and off for the past four years has failed to materialize. Nevertheless, market rates recovered slightly, and clients benefited from initial interest rate hikes. This resulted in an interest rate rise on the liabilities side, and the member savings account earned an attractive 1.125% rate of interest (recommendation from Raiffeisen Switzerland).

Raiffeisen savings products are firmly established in Switzerland, with one in four citizens having a savings account at a Raiffeisen bank. The demand for secure savings products with low fees and attractive rates of interest remained strong in 2006, helping the Raiffeisen banks to increase bank savings volumes (liabilities to clients in the form of savings and investment deposits and medium-term notes) by 3%. This is a much better result than for the Swiss market as a whole, where bank savings declined by 2% during the same period. This fall can primarily be attributed to the fact that clients have been moving their money from savings accounts and medium-term notes into the booming equity markets. Raiffeisen's strong performance was not restricted solely to the savings market; it recorded significant growth in the investment business as well. With a 20% share, Raiffeisen is the clear leader in the Swiss savings market. Taking an isolated view, it also heads up the medium-term note market with a 40% share.

Client requirement: Pensions

Sinking conversion rates for retirement pensions and demographic changes have caused many people to worry about how they are going to finance their personal retirement. Private pensions – encouraged by tax breaks – are thus gaining more and more importance, as reflected in the growing volume of pension assets held by the Raiffeisen Group in 2006. No end to this trend appears in sight. Vested asset growth rates remained high, fuelled by the situation on the labour market.

Client requirement: Investments

In 2006 the Raiffeisen Group also came one step closer to its goal of becoming its clients' partner of choice for investments, increasing the assets entrusted to it by around 15.9% compared with 2005 to 32 billion Swiss francs.

2006 was another excellent year for equities, especially in Europe. Corporate earnings were the main driver behind the strong performance of equities, coming in significantly above expectations. Bonds, by contrast, generated markedly lower returns. Raiffeisen expects the global economy to perform well again in 2007, although things will start on a quiet note due to the slowdown in the US real estate market. This could prompt the US Federal Reserve to reduce its key rates, which would give the economy a renewed boost. Inflationary pressures are starting to emerge in Europe due to the rude health of the economy, but this will not be apparent as a result of significantly lower energy costs. Central banks in the eurozone and Switzerland will therefore hike key rates even further. Capital market interest rates in Europe will thus trend upwards slightly, while in the US they will remain largely stable. The equity markets will nevertheless be able to continue their good run, since the corporate earnings outlook remains upbeat, and valuations are still attractive.

Partnership between Raiffeisen and Vontobel Group ▪
The partnership between Raiffeisen and the Vontobel Group in the investment business went from strength to strength in 2006. Raiffeisen positioned itself as an investment bank more firmly than ever before, underlining its investment expertise. With the help of innovative investment products, Raiffeisen client advisors find optimal investment solutions for their clients.

Raiffeisen systematically expanded its product portfolio in 2006, and is now able to cover a wide variety of client needs in the areas of funds, structured products and portfolio management mandates.

One of the new products launched in 2006 was the first Raiffeisen capital protection fund. On the heels of the success of the Raiffeisen Capital-Protected Income Notes product line, products offering a capital guarantee remained at the top of clients' wish lists in 2006. The Raiffeisen Capital Protection Maturity 2013 fund combines the seemingly uncombinable: capital protection with attractive potential returns. The weighting of equities and bonds in the fund portfolio is adjusted in line with market developments. The capital the investor puts into the fund during the first two years is protected by a 100% guarantee at maturity. The returns generated during the fund's term to maturity are also secured. During the period of issue alone, Raiffeisen clients subscribed units to the value of 184 million Swiss francs, and at the end of December 2006 the volume invested in Raiffeisen Capital Protection Maturity 2013 stood at approximately 254 million Swiss francs.

The Raiffeisen Fund of Funds Multi Asset Class, which is managed according to the successful multi-asset-class principle, was complemented by two new Raiffeisen funds in autumn 2006 – Multi Asset Class Moderate and Multi Asset Class Dynamic. Both funds invest 20% of their assets in alternative investments, giving private investors access to asset classes, such as funds of hedge funds, which were previously reserved for institutional investors.

The Raiffeisen Fund Portfolio and Raiffeisen Classic Portfolio mandates performed well.

The combined volume of all Raiffeisen structured products stood at around 3.2 billion Swiss francs at the end of 2006. By December 2006, over 470 million francs of new money had flowed into the structured products launched by Raiffeisen in 2006. In addition to the popular Raiffeisen income notes, clients showed increasing interest in Raiffeisen's new and innovative structured products. 2006 saw the launch of a certificate in Swiss francs in the form of the

Raiffeisen Unit Dow Jones Euro Stoxx 50, which allows investors to participate in the European equity index while at the same time offering a high level of capital protection. With the Raiffeisen Multi Index Certificate, meanwhile, clients can invest in the leading equity indices and benefit from both flat and rising markets – again with top-level capital protection. The Raiffeisen Commodities Certificate takes into account the increased demand for commodities investment options.

In October 2006 the Vontobel Group successfully took over securities administration for the 320,000 client custody accounts of the 405 Raiffeisen banks and the Raiffeisen Central Bank (Client Custody). All the data required for processing transactions and all securities holdings have been transferred from Raiffeisen to the Vontobel Group. In addition to execution and global custody, for which the Vontobel Group assumed responsibility in autumn 2005, all securities transactions on Raiffeisen bank custody accounts are now handled by the Vontobel Group. This includes, in particular, settling stock exchange orders, processing interest and dividend payments and other corporate actions and booking incoming and outgoing securities deliveries.

Client requirement: Insurance

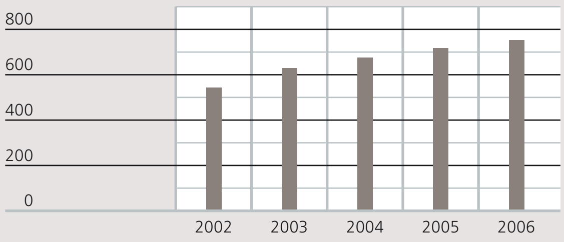
The long-standing partnership between Raiffeisen and Helvetia was built on further in 2006 and remains one of a kind on the Swiss market. Raiffeisen clients benefit from insurance products offered as a targeted complement to their banking services. Following the launch of Raiffeisen construction and buildings insurance in 2005, since autumn 2006 Raiffeisen mortgage insurance has been providing homeowners with an innovative new insurance concept. The product was developed together with the cooperation partner especially for Raiffeisen clients.

Client requirement: Payments

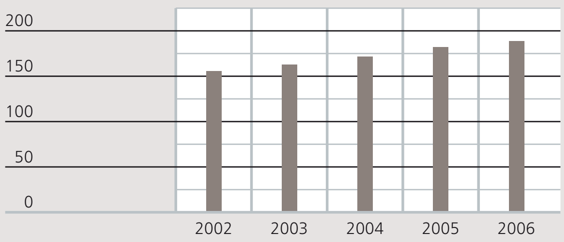
Maestro card ▪ Withdrawals at Raiffeisen ATMs increased by 17% in 2006 to 15.1 million, while withdrawals at ATMs operated by other banks fell by 14% to 8.2 million. This shift can be attributed to the fee introduced in 2006 for withdrawing cash at other banks' ATMs. The fee covers the cost the cardholder's bank has to pay to the bank at which the withdrawal is made. Raiffeisen members can make 24 withdrawals from third-party banks free of charge per year and per account (recommendation from Raiffeisen Switzerland). With a dense network of 1,300 ATMs at their disposal located all over Switzerland, Raiffeisen clients have the opportunity to withdraw cash quickly and conveniently wherever they may be.

Raiffeisen will continue to expand its Maestro card base over the coming years. The growing importance of these cards as a means of cashless payment should be promoted, which in turn will help significantly reduce the amount of cash used. Raiffeisen also intends to invest around 5 million Swiss francs in developing its own card authorization system over the next two years, which will enable all electronic amount requests for card transactions (cash withdrawals and cashless payments in Switzerland and abroad) to be compared with the balance available on the card account.

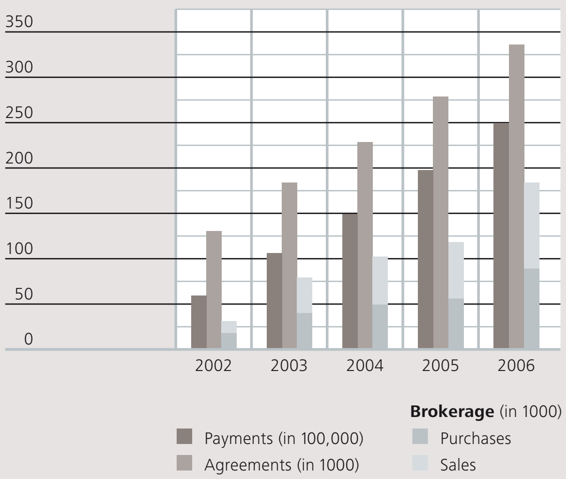
Raiffeisen Maestro cards 2002–2006
(in 1000)



Raiffeisen credit cards 2002–2006
(in 1000)



Developments in Raiffeisen e-banking



Credit cards ▪ The emergence of new credit card issuers has given the Swiss credit card market fresh impetus. New card products without an annual fee have put pressure on established credit card providers. Together with its cooperation partner Viseca, Raiffeisen responded to this development by introducing a credit card with a prepaid function and no annual fee in autumn 2006. This new product, which has a one-time issuing fee, is primarily suited to younger clients, those who only use their card on an occasional basis and those who use it mainly for Internet purchases. Raiffeisen has also added a credit card with a reduced annual fee to its offering: the BASIC credit card. This card includes only basic services and does not offer additional services such as different payment options or bonus programmes. Raiffeisen's broad range of cards means that it now has products to meet the differing needs of its clientele. Supported by competent advisory services, Raiffeisen wants not only to maintain its current credit card portfolio, but also to expand it.

IT platform for processing payments ▪ The Raiffeisen Group will invest around 100 million Swiss francs over the next four years in developing a new IT platform for quicker and more efficient processing of credit card orders, card transactions and payment orders.

E-billing ▪ As part of the Raiffeisen e-banking solution, e-billing will be introduced for payers in 2007. This electronic invoicing service will enable e-banking clients to receive and approve invoices for payment electronically. The payment details will no longer need to be entered online, saving e-banking clients valuable time. E-banking clients can only

Dr Patrik Gisel,
Head of Market & Sales
department

receive electronic invoices from companies and service providers that have already prepared their systems for e-billing.

"The cooperation with the Vontobel Group has enabled Raiffeisen to position itself more strongly as an investment bank and thus underscore its expertise in the investment business."

Market: Refinancing

The Raiffeisen Group borrowed around 2.8 billion Swiss francs of medium and long-term money on the capital markets in 2006. This was used to finance the growing volume of loans and ensure a balanced maturity structure. Of this amount, around 1.2 billion Swiss francs related to mortgage bond loans, while the Raiffeisen Switzerland Treasury invested approximately 950 million Swiss francs in borrower's note loans of foreign banks (580 million Swiss francs) and Swiss institutional investors (370 million Swiss francs). Raiffeisen Switzerland also issued a ten-year bond of its own in the amount of 550 million Swiss francs.

Rating agency Moody's awarded Raiffeisen its first rating during the year under review. As expected, the very good credit rating of Aa2 meant that Raiffeisen was able to expand its investor base for both short-term and long-term refinancing. Raiffeisen Switzerland has a broad spectrum of refinancing mechanisms at its disposal on the money and capital markets. Coupled with the further optimization and automation of its mortgage bond refinancing systems, this gives the Raiffeisen Group a solid refinancing basis to support its growth targets.

Market: Trading

For the fourth year in succession, stock market investors can look back on a very successful year. Bond holders, however, are likely to have mixed memories of 2006. Commodity indices trended upwards, with industrial and precious metals, in particular, recording massive gains. Energy prices, by contrast, were down on 2005. The CHF and USD lost ground against the major currencies EUR and GBP, and exchange rates proved extremely stable during the year under review, especially in the second half of the year. Against this backdrop, Raiffeisen Central Bank once again posted a pleasing trading result with a very good risk/return ratio.

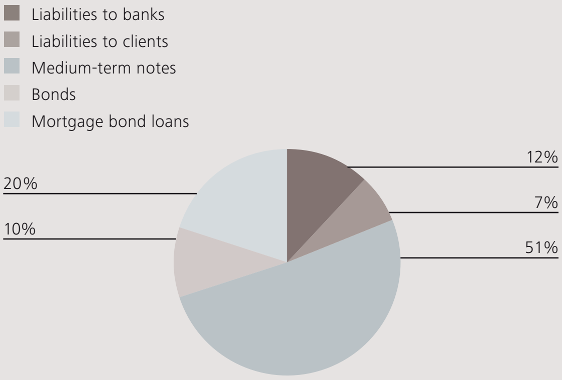
As part of the expansion of its capital market activities, Raiffeisen Switzerland was actively involved in new issues with an equivalent value of over 1.2 billion Swiss francs for third parties in addition to its own new issues.

Market: Credit risk management

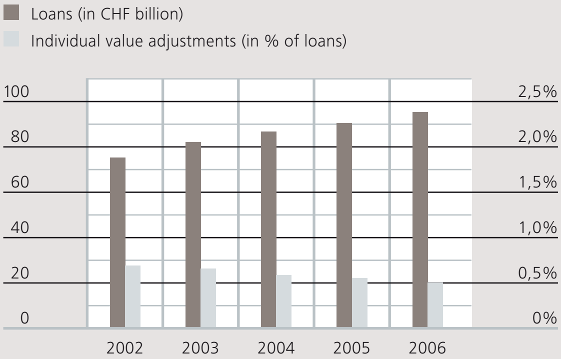
Loans and credit risks performed well in 2006 in a fiercely competitive mortgage market. Individual value adjustments fell from 0.55% to 0.50% of the lending volume. Many years' experience tells us that the individual value adjustments will be sufficient to cover the effective losses.

Responsibility for the credit risks assumed is decentralized and lies with the individual Raiffeisen banks. Effective,

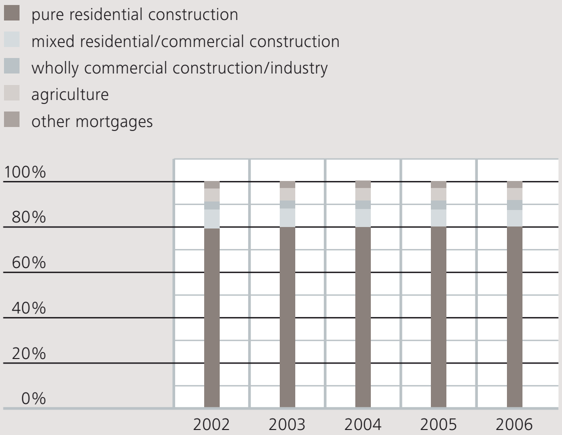
Long-term refinancing



Volumes and individual value adjustments 2002–2006



Loans by property type 2002–2006



standardized credit checks and monitoring processes have been developed to support healthy market growth and limit credit risks. Raiffeisen's proven lending policy, prudent appraisal guidelines, industry-standard loan-to-value ratios, client rating system and risk-oriented loan approval authorities provide the framework for credit risk management within the Group. In order to provide borrowers with sustainable solutions, affordability calculations are performed on the basis of carefully designed parameters. Deviations from the rules and regulations are recorded and monitored separately. A modern loan processing application supports the Raiffeisen banks.

The Raiffeisen Group's credit portfolio has long enjoyed broad diversification in terms of borrowers, regions and sectors. The proportion of own-use, low-risk home construction loans increased further in 2006. The credit portfolio of the Raiffeisen Group is monitored centrally. Measures to control new business are introduced on an ongoing basis in order to avoid strategic errors, while special processes are in place to identify and manage higher default risks relating to specialist properties in risky sectors. The high proportion of private residential construction loans means that ecological risk is low.

The Raiffeisen banks can draw on the knowledge of Raiffeisen Switzerland credit specialists in order to assess more complex credit transactions. The Raiffeisen banks can transfer risks they do not want to bear themselves to Raiffeisen Switzerland or to the Raiffeisen Guarantee Cooperative. The Raiffeisen banks also have access to Raiffeisen Switzerland's experienced recovery team for the

Paulo Brügger,
Head of the Central Bank department

management of non-performing positions. In the case of increased loss risks, these specialists are called in to define a strategy and – if required – to oversee operative implementation in order to minimize the loss.

Within the context of implementing the new Capital Adequacy and Risk Diversification Ordinance (Basel II), a new IT-based process has been introduced to identify similar clients across the entire Raiffeisen Group. Beginning in spring 2007, the counterparties involved will also be recognized immediately. These changes will make manual processes obsolete and will enable credit risks to be identified even more rapidly and managed more effectively at Group level.

"The very good credit rating of Aa2 from Moody's meant that Raiffeisen was able to expand its investor base for refinancing."

Mina Patocchi, Head of the Peccia Branch, Raiffeisenbank Maggia e Valli. Commute from Piano di Peccia to Peccia, 15 minutes by postbus. Same journey for over 20 years. "The changing colours and matchless mountain scenery mean that the short journey is a unique experience each and every time."


LA POSTA
Centrale Elettrica

Risk policy and risk control Risk capacity is critical for success. It includes the ability to bear risk and deal with it in an optimum manner. The overriding objective of risk management is to ensure that the Raiffeisen Group has the required risk capacity.

At a glance:

- *Raiffeisen takes a cautious approach to risk.*
- *Credit risk is the most important risk category at Raiffeisen.*
- *Raiffeisen operates an early warning system.*
- *The Basel II project is being completed on schedule.*
- *The revised risk policy will come into force on 1 January 2007.*

During the year under review, the Raiffeisen Group revised its risk policy and defined explicit regulations governing operational risks. The group-wide risk policy principles have now also been anchored in the regulations of the individual Raiffeisen banks. The revised risk policy will come into force on 1 January 2007. Raiffeisen's basic approach to risk remains as it did before the revision.

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 in line with the following principles:

- Decentralized individual responsibility within a framework of clearly defined guidelines and limits: The Raiffeisen banks and line units of Raiffeisen Switzerland are responsible for managing risk. The central controlling units monitor adherence to the guidelines and limits, trends in overall risk and compliance with procedures.

- Risk control based on transparency: Risk control is performed by the Executive Board and the Board of Directors on the basis of thorough, objective and transparent information on the risk situation and risk profile.

- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently of the risk-managing units. Effective risk control ensures that the predefined processes and limits 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 avoids risk concentration. It 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 prefers to steer clear of positions in transactions that are deemed critical from a fiscal, legal, supervisory or accounting perspective, and also seeks to comply with the highest ethical principles in all its business dealings.

Organization and responsibilities

The Board of Directors assumes overall responsibility for risk management and risk control within the Raiffeisen Group. It defines and monitors risk policy, sets the level of risk tolerance and approves the overall limits.

The Executive Board implements risk policy and ensures compliance with the guidelines set. It monitors overall risk, adherence to limits and the appropriateness of the organization and infrastructure of risk management. It employs a risk committee for this purpose, which is comprised of members of the extended Executive Board and whose job it is to assess the Raiffeisen Group's risks on a monthly basis and draft any measures where necessary. It also approves the tools and processes required in risk management.

Group Risk Controlling drafts principles for the risk committee and the Board of Directors and oversees the independent monitoring and risk reporting. It is also responsible for the risk management methods applied across the Group.

The Raiffeisen banks and the responsible line units manage risks on an individual basis within the framework of the risk policy guidelines and authority levels. This system of decentralized individual responsibility is balanced by group-wide monitoring of overall risk. This allows for the fact that the Raiffeisen Group's risks are tied closely together.

Risk categories and risk control within the Raiffeisen Group

The Raiffeisen Group's risk management and control processes distinguish between the risk categories shown on page 32.

Banking system risks arise in particular due to the failure of major market participants or the breakdown of fundamental elements underpinning the infrastructure of the financial centre. Legislators and supervisory authorities are responsible for controlling these risks. In the case of business-critical processes, the Raiffeisen Group takes precautions to manage scenarios of this kind as part of its crisis preparation system.

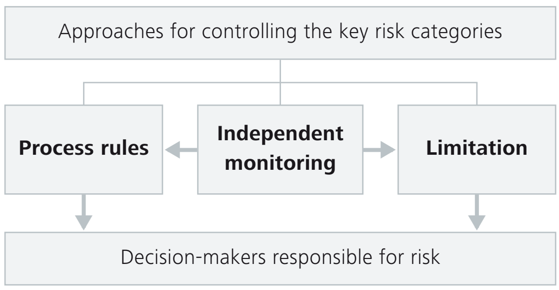
Strategic risks arise from overall banking strategy and from changes in the market environment. Responsibility for these risks at Raiffeisen Group level falls to the Board of Directors and the Executive Board of Raiffeisen Switzerland. At the individual Raiffeisen banks, the Board of Directors and bank management are responsible for strategic management.

Reputational risks result from activities and events that damage the reputation of the Raiffeisen Group. They are consequential risks of the risks associated with business activities.

The following risks are of pivotal importance in connection with the business activities of the Raiffeisen Group: credit risks (especially resulting from client loans), market risks (in the case of the Raiffeisen banks mostly in the form of interest rate risks), liquidity risks and operational risks.

Risk categories and risk control in the Raiffeisen Group

Control of the key risk categories within the Raiffeisen Group



*Barend Fruithof,
Head of the Finance & Corporate
Center department and of the
Processing & IT department on a pro
tem basis until 4 February 2007*

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that are difficult to quantify are limited by qualitative stipulations. Risk control is completed by independent monitoring of the risk profile.

"Raiffeisen takes a cautious and selective approach to risk within a framework of clearly defined guidelines."

Credit risks

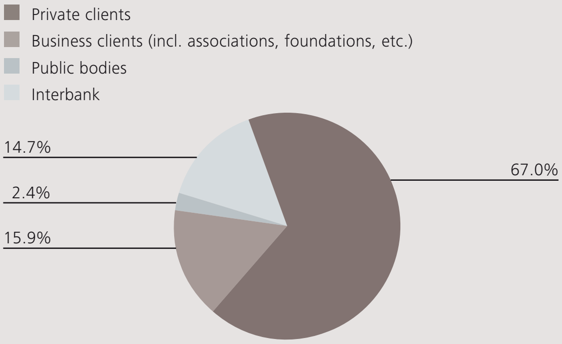
Credit risks are the most important risk category due to the Raiffeisen Group's extremely strong position in lending. The Raiffeisen Group generates a large part of its income through the controlled taking on of credit risks and the comprehensive and systematic management of these risks. Credit risk management at the Raiffeisen Group is geared explicitly to Raiffeisen-specific clients and business structures. Responsibility for taking on and managing credit risks lies with the unit that carries out the transaction concerned.

Credit transactions are predominantly carried out by the Raiffeisen banks and the branches of Raiffeisen Switzerland. Credit risks are also entered into by the Raiffeisen Guarantee Cooperative, Raiffeisen Leasing and Raiffeisen Finanzierungs AG.

Borrowers are predominantly individuals, but also public bodies and corporate clients. The majority of corporate clients are small companies that operate within the locality of the Raiffeisen banks.

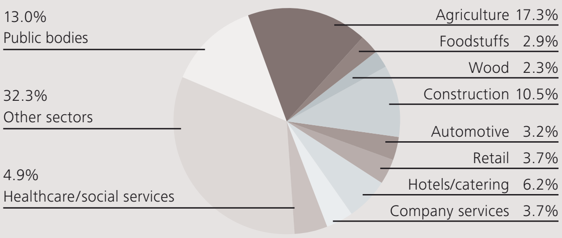
Raiffeisen Switzerland's main credit risks arise from its dealings with commercial banks, corporate and public sector clients. Only Raiffeisen Switzerland may enter into

Raiffeisen Group lending by client segment

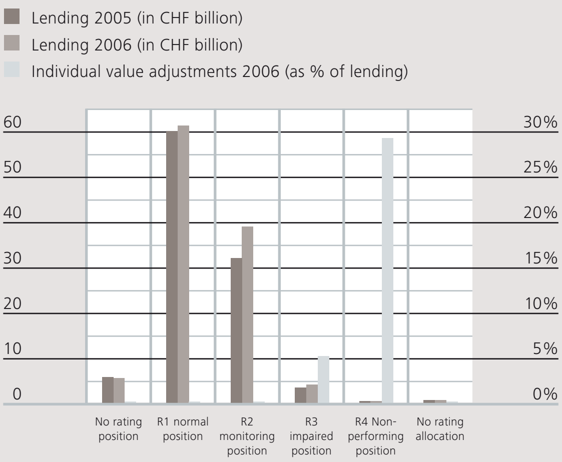


This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

Raiffeisen Group lending by sector



Lending and individual value adjustments



commitments abroad. As stipulated in the Articles of Association, these are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets.

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

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

Credit risks are assessed and monitored with the aid of an internal process that calculates expected and unexpected losses based on borrowers' credit ratings and collateral values. The underlying models obey recognized practice. Models and parameters are examined on a regular basis, adjusted in line with developments and calibrated by means of backtesting.

The Raiffeisen Group's credit portfolio is analysed and assessed every six months. Concentrations are monitored as part of portfolio analyses and effective tools are implemented to proactively avoid concentrations within the entire Raiffeisen Group.

A receivable is considered to be impaired if it is unlikely that the debtor will fulfil their future obligations. A special process is used to check whether individual value adjustments are required for impaired receivables and receivables whose book value exceeds the debtor's debt capacity. Group-wide guidelines ensure that impaired receivables are valued consistently, uniformly and appropriately. A receivable is considered to be non-performing if the debtor fails to pay interest, capital, commission or fees within 90 days.

Market risks

Balance sheet interest rate risks ▪ Interest rate risks are a major risk category due to the Raiffeisen Group's strong positioning in interest operations. The Raiffeisen Group generates a substantial portion of its income through the controlled taking on of interest rate risks and therefore attaches great importance to the management of these risks.

Within the Raiffeisen Group, each Raiffeisen bank is individually responsible for managing the interest rate risks in its balance sheet in line with clearly defined guidelines and sensitivity limits. The branches of the Raiffeisen Group, Raiffeisen Leasing and Raiffeisen Finanzierungs AG are individually responsible, like the Raiffeisen banks, for managing the interest rate risks in their balance sheets. Risks are limited using global limits.

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

Group Risk Controlling monitors compliance with interest rate risk limits and draws up a risk report. For the purposes of monitoring the overall risk situation, it also calculates the value-at-risk for interest rates at various Group levels.

Sensitivity is a measure of the loss of value the Raiffeisen Group would incur if the interest rate level were increased by one percentage point across all terms. The value-at-risk (99.9%) specifies the "maximum" potential loss as a result of unfavourable market movements with a probability of 99.9% and a holding period of three months. Statistically speaking, there is a 0.1% probability that the actual loss will exceed the value-at-risk.

Trading risks ▪ Of the entities within the Raiffeisen Group, only the Central Bank runs a trading book. The trading risks are limited by sensitivity and loss limits.

Sensitivity is a measure of the loss of value in the event of a 1% change in the underlying risk factor.

All traded products are depicted and assessed in a standardized trading and risk management system. This ensures risk management and control in the trading area and delivers the ratios for monitoring all positions and market risks.

Group Risk Controlling monitors trading risk on a daily basis, using market data and risk parameters that are independent of the trading area. Before new products are rolled out, Group Risk Controlling performs an independent evaluation of the risks.

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

	31.12.2006	31.12.2005
Sensitivity	369	366
Value-at-risk (99.9%)	420	419

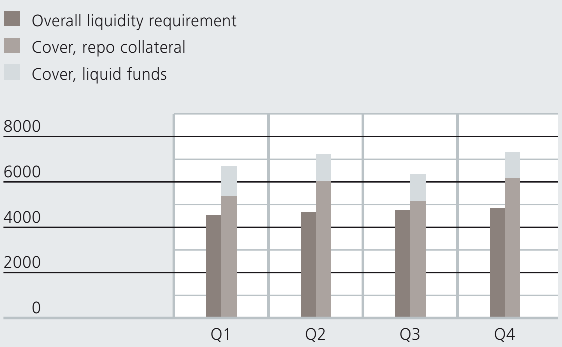
Raiffeisen Switzerland: Limits in the trading book
(Sensitivity in CHF)

	2006	2005
Risk type		
Equities	300,000	200,000
Interest products	100,000	100,000
Foreign currencies	800,000	700,000
Precious metals	150,000	100,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

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

	Ø 2006	31.12.2006
Risk type		
Equities	190,485	122,723
Interest products	47,916	91,722
Foreign currencies	550,900	244,977
Precious metals	104,057	67,952

Overall liquidity of the Raiffeisen Group 2006
(in CHF million)



Liquidity and financing risks ▪ According to a ruling by the Swiss Federal Banking Commission of 24 September 1997, the Raiffeisen banks are excused from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity; the relevant legal provisions must instead be observed on a consolidated basis. The Treasury department of Raiffeisen Switzerland takes care of liquidity and refinancing management at Group level, facilitating the Group's access to the money and capital markets and ensuring appropriate diversification of liabilities.

The refinancing strategy takes account of legal and regulatory requirements. It ensures that the necessary liquidity is available and provides an appropriate and diversified maturity structure. Treasury plans medium to long-term financing activities by creating a financing profile that factors in the actual duration of assets and the sum of liabilities that are coming due and are to be replaced.

Treasury monitors liquidity trends at the operational, tactical and strategic level on an ongoing basis, and performs regular stress tests. This has proven the Raiffeisen Group's liquidity to be robust. The diagram opposite shows how the overall liquidity situation developed during the 2006 financial year.

Operational risks

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

Business risks can never be entirely eliminated, which is why their management focuses on establishing the type, quantity and causes of these risks, instigating effective measures to minimize risk and ensuring that they are implemented correctly. Internal control systems and processes play a key role here.

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

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

IT Risk Controlling at the Raiffeisen Group is organizationally independent of IT Management. IT Risk Controlling conducts annual assessments with IT Management that cover all aspects of IT. The knowledge gained in this way forms an important basis for targeted measures to be adopted by line management. The risk committee of Raiffeisen Switzerland monitors the development of IT risks and implementation by IT Management of the portfolio of measures aimed at minimizing risk.

In addition to these specific measures, the IT security guidelines, standards and procedures are updated on an ongoing basis.

Business continuity management ▪ Contingency plans for maintaining business operations complement the risk hedging measures described above.

Early warning system of the Raiffeisen banks ▪ Raiffeisen Switzerland operates an early warning system designed to identify unfavourable developments at Raiffeisen banks at an early stage and avert potential damage. The early warning system works with indicators for the banks' operational and business risks. Early warning events are analysed and reported to the Executive Board of Raiffeisen Switzerland. If necessary, Raiffeisen Switzerland acts to resolve the situation.

Legal risks ▪ Raiffeisen Switzerland's Legal & Compliance department supports all units of the Raiffeisen Group in legal matters and actively manages legal risks, coordinating cooperation with external lawyers where necessary.

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

Compliance risks ▪ Compliance means adherence to legal, regulatory and internal guidelines as well as observance of market standards and codes of conduct. With this in mind, the Raiffeisen Group has opted for a broad-based approach that covers all areas of compliance but continues to focus in particular on combating money laundering and the financing of terrorism. The Raiffeisen Group has therefore traditionally attached great importance to "know your customer" principles. Accordingly, it has defined and implemented internal standards that have subsequently been integrated into many areas of the business. Regulations to combat money laundering reinforce and add an extra dimension to these principles.

The Raiffeisen Group invests substantial amounts in staff training and technology in order to keep track of developments concerning the identification of transactions or persons with a suspected link to money laundering. Processes for identifying clients and monitoring transactions are continually optimized and updated with regard to risk assessment, industry practices, regulatory requirements and technical developments.

Project controlling ▪ As a result of the large number of complex projects within the Raiffeisen Group, the project management process is constantly being optimized and updated, and projects are monitored by independent project controllers according to systematic and standardized procedures.

Outlook

The Raiffeisen Group plans to bring its capital adequacy report in line with the newly defined capital adequacy rules by mid-2007. The qualitative requirements outlined in these rules, especially those in the area of operational risks, will be implemented on schedule, meaning that the Raiffeisen Group will conclude the Basel II project according to plan.

As part of the revised risk policy that came into force on 1 January 2007, the system of overall limits will be firmly

Dr Beat Hodel,
Head of Group Risk Controlling

anchored in the risk tolerance guidelines to be defined by the Board of Directors.

"The system of decentralized individual responsibility is balanced by group-wide monitoring of overall risk."

The unrelenting squeeze on margins continues to place increased demands on the quality and efficiency of risk measurement and control. The Raiffeisen Group has therefore instigated a number of projects to optimize and automate the risk analysis and control process:

- In order to meet the stricter requirements for the analysis, measurement and control of risks in the corporate clients segment, the Group will continue to refine its models and processes for credit risk management. The process for identifying and consolidating associated counterparties will be automated across the entire Raiffeisen Group in 2007 so that credit risks can be identified and managed even more rapidly.

- The introduction of the new asset and liability management system by mid-2007 will provide the Raiffeisen banks with an optimized and expanded analysis tool for the efficient management of their balance sheet structures.

- A project has been launched in Trading & Sales to optimize the way in which trading risks are controlled through a comprehensive system of automated value-at-risk measurements.

- From 2007 the operational risk assessments carried out for the first time in 2006 will be extended via a standardized procedure encompassing the entire Group.

Benjamin Thurnherr, 2nd-year trainee, Raiffeisenbank Regio Altnau. Commute from Langrickenbach to Altnau, around 10 minutes by scooter. Same journey for two years. "When the weather's good Lake Constance offers a totally unmissable panoramic view."

Sustainability report The Raiffeisen Group has always been diligent about abiding by its fundamental values, which make it the Group's raison d'être to combine economic success with its social and environmental commitments.

At a glance:

- *The public regards Raiffeisen as very conscious of its responsibilities.*
- *Success is grounded in a personal approach and the Group's cooperative values.*
- *Raiffeisen takes account of the interests of all stakeholder groups.*
- *Raiffeisen is an extremely attractive employer.*
- *Raiffeisen is greatly committed to social and cultural activities in the regions.*

The "Swiss Corporate Social Responsibility Monitor" 2006 (see page 48) found that the Swiss have high expectations of banks as far as their role in society is concerned: they are expected to combat money laundering, treat their employees fairly, place a high priority on environmental protection and provide employment. Three-quarters of respondents gave the Raiffeisen banks top ratings for awareness of their responsibilities. These and many other positive assessments, together with our ongoing success, are all signs that Raiffeisen is on the right track.

Sustainable management

The pillars on which the Raiffeisen Group's success is based are its local emphasis, the fact that it acts according to "know your customer" principles, the cooperative structure and the combination of cooperative values with commercial spirit. The values that were promoted right from the very start of the Raiffeisen movement still hold today: a cooperative philosophy, self-assistance, solidarity, entrepreneurship and a cautious approach to risk. The founder, Friedrich Wilhelm Raiffeisen, gives Raiffeisen a strong figure with which to identify.

Philosophy ▪ Rational utilization of the resources at our disposal is something Raiffeisen has always practised. Decentralized structures with fast-track local decision-making and the dense bank network of 1,150 Swiss locations play their part in this, as do a cautious lending policy, sensible wages and remuneration, and a long-term perspective on client relationships. Another key factor is our culture of solidarity, which occupies a very elevated position within the Group and is expressed in our balanced system of security measures based on the principle of mutual liability (see page 72).

The cooperative members remain at the heart of all that the Raiffeisen banks do; as co-owners, they help shape the affairs of the Group. The raison d'être of the Raiffeisen Group includes the promise to help its cooperative members and clients fulfil their goals in life and provide them with client-oriented financial services tailored to their needs. In this way, they benefit from simple, easy-to-understand products and financial advice from a single source and for every situation in life.

New mission statement ▪ In June 2006, the Raiffeisen Group's Delegate Meeting adopted a new mission statement, replacing the visions formulated in 1991. In it, Raiffeisen undertakes to deal fairly and according to cooperative principles with its cooperative members, clients, employees and society at large.
The mission statement can be found at www.raiffeisen.ch, Raiffeisen Gruppe/Leitbild (only in German)

Maintaining balance ▪ Raiffeisen has succeeded in striking a balance between its cooperative ethos and commercial spirit. If it is to keep doing so in future, Raiffeisen needs to constantly overcome challenges such as the individual Raiffeisen banks' desire for self-determination versus the efficiency and uniform quality of the Raiffeisen Group as a whole; each Raiffeisen bank's theoretical say versus the way in which the Group actually works in practice; transparency versus the protection of privacy; and a focus on earnings versus ethical considerations and expectations regarding the appropriation of profits.

Stakeholder groups ▪ Raiffeisen focuses its activities on four specific stakeholder groups: its cooperative members, clients, employees and the general public. The interests of all these groups are taken into account as fairly as possible.

- Cooperative members are granted rights of codetermination for their contribution as capital providers, receive access to preferential services and rates, benefit from special member promotions and enjoy contact opportunities within the wider community of members. There is regular dialogue, for instance through the Annual General Meeting, the stakeholder magazine "Panorama" and information releases on new offers.

- Raiffeisen fosters long-term personal relationships with their clients built on a tradition of fairness and trust. Alongside private, business and individual clients in retail banking – the banks' core business – they also offer complementary services in the private banking and interbank sectors and to corporate and institutional clients. Dialogue with this group takes place regularly, e.g. through the stakeholder magazine "Panorama".

- Another important stakeholder group is our employees. Their number has risen continually over recent years and now stands at 8,101. Raiffeisen is regarded as an attractive employer, offering good development opportunities and career prospects. Dialogue takes place daily through channels such as the intranet and events.

Statement of net added value

	Current year in CHF million	Prior year in CHF million	Current year in %	Prior year in %
Creation of added value				
Corporate performance (= operating income)	**2,183**	**2,058**	**100.0**	**100.0**
Non-personnel expenditure	-406	-383[1]	18.6	18.6
Extraordinary income	1	47	–	-2.3
Gross added value	**1,778**	**1,722**	**81.4**	**83.7**
Depreciation	-147	-128	6.7	6.2
Value adjustments/provisions/losses	-11	-42	0.5	2.0
Net added value	**1,620**	**1,552**	**74.2**	**75.4**
Distribution of added value				
Personnel (salaries and employee benefits)	796	775[1]	49.1	49.9
Cooperative members (paym. of interest on certif.: proposal to AGM)	23	21	1.4	1.4
Government	169	169	10.4	10.9
of which income tax paid	145	129	9.0	8.3
of which formation of provisions for deferred taxes	24	40	1.5	2.6
Bolstering of reserves (self-financing)	632	587	39.0	37.8
Total	**1,620**	**1,552**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF[2]	267	268		
Net added value per personnel unit in 1000 CHF[2]	243	242		
Number of personnel units (average)	6,657	6,427		

1) The personnel costs for external employees in the operational IT business, which last year were included under “Non-personnel expenditure”, are now reported under “Personnel expenditure”.

2) Calculated on the average number of personnel

- Our fourth stakeholder group is the general public. Few other banking groups do as much as the Raiffeisen banks to support local associations and events, while the local taxes they pay make a significant contribution to the municipalities in which they are located. Dialogue takes place on an ad-hoc basis via various channels such as public events.

Statement of net added value: The Raiffeisen Group managed to significantly increase its gross added value by 56 million Swiss francs or 3.3% year-on-year in 2006. The big jump in income from ordinary banking activities and the marked decrease in provisions for credit risk more than made up for the non-recurrence of the particularly high extraordinary income in 2005 (revaluation gains from participations and proceeds from the sale of holdings in other companies). Disposable assets increased by a further 68 million Swiss francs.

The percentage attribution of added value between the stakeholder groups was unchanged. The rate of interest earned on cooperative shares consumed an extra 9.5%, while the state benefited from an 11.4% rise in tax expenditure. The fall in deferred tax expenditure was attributable to the reduction in the tax rate for legal entities and the increased formation of taxable reserves. Payments to employees in the form of salaries, social security contributions and fringe benefits increased by 2.7% (taking into account the first-time application of the revised Swiss GAAP FER 16; see note 22 "Personnel expenditure", page 137).

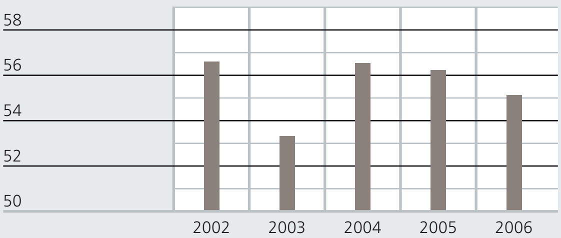
Raiffeisen's cooperative structure places restrictions on how profits can be appropriated. This is highlighted by the fact that 39% (632 million Swiss francs) of the total value created is to be retained within the company itself. Employees get the largest share, at 49.1% or 796 million Swiss francs. 10.4%, or 169 million Swiss francs, is destined for the state, and 1.4% (23 million Swiss francs) will be paid out to cooperative members. It must be borne in mind, however, that members also receive other benefits in the form of discounts such as free banking, higher rates of interest on savings and direct member benefits. This amounts to a total sum of 167 million Swiss francs, which is not listed as a credit to cooperative members in the statement of net added value. Money spent on donations and sponsorship (a total of 14 million Swiss francs) is also not taken into account for the distribution of net added value.

Sales network ▪ With 1,150 branches, the Raiffeisen Group has the densest banking network in Switzerland. Although 218 small bank branches have been closed – mainly due to low volumes of client visits – since 2002, 50 new ones have been opened over the same period. Furthermore, the closures did not lead to any loss of jobs or reduction in service offering. Quite the opposite in fact, by freeing up staff, the Raiffeisen banks were able to build on their services and advisory provision. 12 openings are planned for 2007.

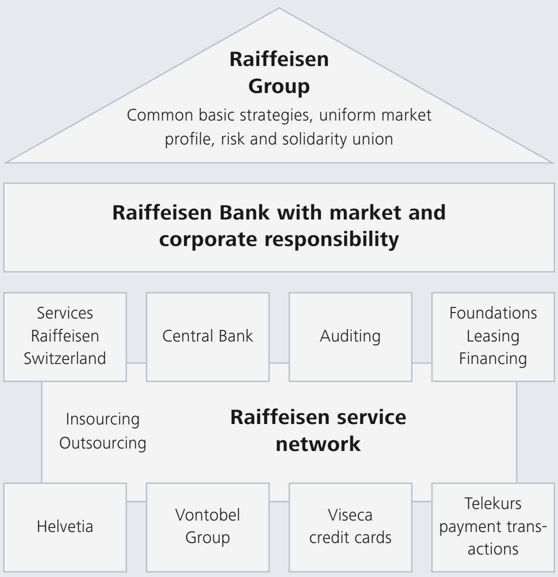
Raiffeisen has the densest network of branches and ATMs in Switzerland, making it accessible to members and clients virtually anywhere in the country. E-banking and 24-hour zones at various Raiffeisen banks enable clients to carry out their banking round the clock. Another big advantage is that the Raiffeisen banks offer a counter service on Saturday mornings.

Cost/income ratio trend 2002–2006

(in %)



Business model



Relations with suppliers ▪ Raiffeisen Switzerland works with numerous suppliers in Switzerland and internationally. Its basic preference is to work with those that abide by the same principles of sustainable business as it does. Raiffeisen pays strict attention to compliance with the standards of the International Labour Organization, which in particular outlaws child labour, forced labour and discrimination and demands the right to form unions and to collective bargaining. Raiffeisen Switzerland demands as part of its framework agreements that all its business partners pay decent wages, operate reasonable working hours and offer humane working conditions.

Cost/income ratio ▪ The cost/income ratio, i.e. how much it costs to run the business as a proportion of operating income, has changed very little in the last few years. It remains Raiffeisen's objective to cut this measure to below 55% in the medium term. Raiffeisen's management is conscious that costs are likely to keep growing over the medium term in light of scheduled investment and the tapping of new market areas. However, these efforts will pay off and prove to the benefit of Raiffeisen and its clients in future.

Network ▪ The Raiffeisen Group has an extensive service network in which it cooperates with numerous partners (see company model on page 46). For instance, Raiffeisen with its cooperation partners Helvetia and the Vontobel Group guarantees clients one-stop comprehensive, expert advice and support.

Membership ▪ The Raiffeisen idea has spread across the globe: more than 900,000 cooperatives with more than

500 million members in over 100 countries work according to the principles laid down by Friedrich Wilhelm Raiffeisen. It is the job of the International Raiffeisen Union (IRU) to foster these groups. This worldwide amalgamation of national cooperative organizations now includes the Swiss Raiffeisen Group alongside a further 72 members from 40 countries. The Raiffeisen Group is a founding member of the Intercooperation Foundation (a Swiss foundation for development and international cooperation) and a member of Unico (a union of six European, cooperative central banks), the CICA (International Federation for Agricultural Credit) and the EACB (European Association of Cooperative Banks). Raiffeisen is also one of the founding members of responsAbility (see also page 54). On the domestic front, the Raiffeisen Group is a member of the Swiss Bankers Association, among other organizations.

Controls ▪ The Raiffeisen banks' existing supervisory boards are not wholly able to meet the new requirements of the Swiss Code of Obligations regarding the technical qualifications and independence of auditors. For this reason, the audit firm PricewaterhouseCoopers takes over as auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group from 1 January 2007.

Process management ▪ Raiffeisen is currently revising its process organization. The processes between the Raiffeisen banks and Raiffeisen Switzerland are to be simplified and given a uniform new structure. One major element in this is mapping all relationships between the processes, operating risks, internal control system, rules and IT in the company model. The processes already devised will be systematically fleshed out on an ongoing basis.

Banking at a personal level

During the year under review, Raiffeisen again attracted very good results in a number of independent surveys:

- In the "Swiss CSR Monitor 2006", a representative survey conducted by the Zürcher Hochschule Winterthur and the Center for Corporate Responsibility and Sustainability at the University of Zurich, the Raiffeisen banks received good marks for their attitude to social responsibility. 74% of Swiss people said the Raiffeisen banks acted more responsibly than average or gave them top rating for awareness of their responsibilities.
- *The study "Swiss CSR Monitor 2006" can be found at www.raiffeisen.ch/medien, Archiv Mediencommuniqués (only in German)*

- In March 2006 the research and consulting company Reputation Institute (RI) conducted a survey to find out which company had the best reputation in Switzerland. Over 1,000 people in Switzerland took part, and Raiffeisen came in in an impressive second position, behind Migros. Raiffeisen garnered 77 out of a possible 100 points on answers to the four key questions, on general esteem, positive emotion, trust and admiration.

- In its annual survey on Swiss attitudes to banking, the Swiss Bankers Association quizzed Swiss residents as to the image of their main bank and the services it offers. Raiffeisen ranked top on virtually all the questions asked.

- Raiffeisen also emerged very well from the "BUS Study", which investigates where the typical Swiss person banks and what products they use. In the case of Raiffeisen, the proportion of customers who said they would recommend the Group was unchanged at 78%.

- The Markentracking (brand tracking) 2006 study found that 95% of Raiffeisen clients and 50% of all bank clients had a positive overall impression of Raiffeisen.

- The same study also found that 61% of Raiffeisen clients and 62% of all bank clients were familiar with the slogan "Wir machen den Weg frei".

- Raiffeisen can also be proud of the fact that Reader's Digest named it the most trusted banking brand 2006 in Switzerland.

- Interbrand Zintzmeyer & Lux, which specializes in valuing brands, published its third list of the 50 most valuable brands in Switzerland. The Raiffeisen brand increased in value by 8 million Swiss francs in 2006 and is positioned at no. 39 (2005: no. 36).

- The brand strategy consultant brand:trust brought out its "Brand Performance Monitor 2006" in conjunction with the market research institution amPuls. This study, which measures the popularity and recognition of Swiss banks, found Raiffeisen to be the top bank brand in the country.

Members and clients ▪ The Raiffeisen Group's continuing success over a number of years is also reflected in the growth in members and clients. In the last five years, the number of members has gone up from 1.11 to 1.37 million, while the number of clients has gone up from 2.6 to 2.99 million.

Client retention: Raiffeisen's cooperative membership structure gives it a unique client retention tool. Unlike at a listed company, earnings are distributed to the cooperative members in the form of interest on share certificates and financial incentives in the form of special member benefits. In 2006, these advantages and benefits amounted to an average of around 122 Swiss francs per cooperative member (see also the statement of net added value on page 49). This approach is very popular with members: market research conducted in 2005 showed that 63% of members said Raiffeisen was their main bank, compared with 42% of clients. The loss rate of members – including changes of residence and death – has held steady at 2.5% per year.
More information on membership, its benefits and current offers can be found at www.raiffeisen.ch/mitglieder (only in German)

Client satisfaction: The cooperative structure means that the Raiffeisen banks survey client satisfaction only at local level. However, the survey findings shown on page 48 indicate that client satisfaction with the Raiffeisen Group as a whole can be regarded as very high.

Feedback management: Given the Raiffeisen banks' close ties to their localities, most clients go directly to their own Raiffeisen bank with questions and suggestions. The Raiffeisen banks deal with such client matters personally themselves, so only a small proportion – generally legal or complex issues – are passed to Raiffeisen Switzerland, where they are recorded and handled centrally. Raiffeisen Switzerland investigates them in depth and responds directly in consultation with the local Raiffeisen banks.

Employees ▪ A company's social responsibility also extends to investing in its employees. This investment is reflected in the large number of tools available to staff. Some of these tools have been used successfully at Raiffeisen Switzerland for many years and are constantly being expanded and improved. Others, such as the Diversity Management (an initiative to ensure equal opportunities for all) and Management Development programmes, are still in the development phase and are being driven forward with great enthusiasm.

Employer of Choice: Our employees have known for a long time now that the Raiffeisen Group is an extremely attractive employer. It offers a broad range of professional challenges and interesting career paths in technical and management roles. The progressive employment conditions easily stand comparison with the competition. This is demonstrated in the annual "Employer of Choice" award; Raiffeisen climbed six places up the rankings in 2006 and is now among the top 30 employers in Switzerland. Raiffeisen intends to have an even more active presence on the labour market going forward and is planning a special programme to attract university graduates.

Diversity and gender management: Raiffeisen strives to be a family-friendly and social bank. Accordingly, it gives its employees the opportunity to find a good work-life balance. With this in mind, April 2006 saw the launch of the "Profile" specialist unit, which seeks to promote equal opportunities for men and women, people with disabilities, older employees and people of different nationalities. The "Profile" objectives will be implemented by 2015 via a three-level programme.

Employees of Raiffeisen Switzerland and the individual Raiffeisen banks have already benefited from the level-one activities: the first Raiffeisen family holiday weeks took place in summer 2006. While their parents worked as normal, around eighty children enjoyed a wide range of fun holiday activities. The family holiday weeks will be repeated in 2007.

Raiffeisen Switzerland opened a crèche in St. Gallen back in 1996. A total of 37 children aged between three months and six years currently share twelve crèche places. The parents of around three-quarters of the children work for Raiffeisen.

Mothers at Raiffeisen Switzerland are entitled to 24 weeks' maternity leave if they have been with the company for six years or more, or 16 weeks up to the end of their fifth year. Fathers are also entitled to an additional five days' paternity leave.

On the national "Bring your daughter to work day" in November 2006, Raiffeisen Switzerland gave employees' children the chance to find out about the St. Gallen Raiffeisen bank. Some 25 girls took this opportunity to visit their father or mother's place of work and have a look at the client vault and the security zone.

As part of its Diversity Management programme, Raiffeisen Switzerland is launching a new mentoring initiative for existing and prospective female managers in 2007. Over a period of one year, mentees will be supported by experienced leaders from the highest levels of management.

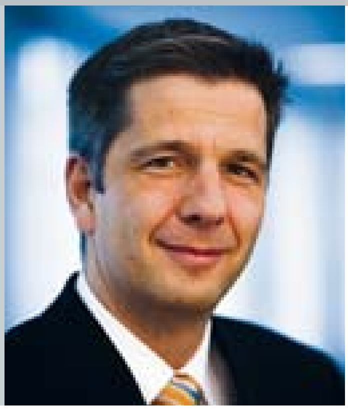
Management culture: Managers play a key role in shaping corporate culture and employee motivation through the way they conduct themselves. Raiffeisen Switzerland actively addresses this issue. In summer 2006 the Executive Board of the Raiffeisen Group started a process to develop a uniform management culture. This process will be extended to other management levels in 2007 via a number of workshops.

Talented young people: Raiffeisen attaches great importance to bringing on talented young people. Through the three-year commercial apprenticeship in banking and the two-year banking and finance training for high school graduates (BFM) programme, Raiffeisen provides on-the-job training for its own junior staff. The academic element of the training takes place at the Center for Young Professionals in Banking, which has a number of locations throughout Switzerland. As in previous years, Raiffeisen offered traineeships to some 200 young people from all over Switzerland in summer 2006. Over 600 trainees and about 30 BFM trainees are currently with Raiffeisen. 86% of the trainees who graduated in summer 2006 were offered a permanent position or a fixed-term employment contract within the Raiffeisen Group.

Talented young managers: Raiffeisen has run a management development programme for middle managers every year since 2003. Some 100 employees from Raiffeisen Switzerland and the Raiffeisen banks throughout the country embark on the three-year programme each year. The aim of the programme is to offer development prospects for talented young managers and fill more management positions at the Raiffeisen banks and Raiffeisen Switzerland with candidates from within the organization. Participants now also have access to an electronic learning platform for the targeted exchange of knowledge and experience.

Employee satisfaction: Raiffeisen is interested in what its employees are thinking and feeling: it helps to move the organization forward. Raiffeisen Switzerland plans to conduct a satisfaction survey in 2007 to gauge the mood of its employees, particularly given that 2006 was such a turbulent year with countless challenges and a major reorganization. Managers and employees will evaluate the survey results in workshops, and these will then be used to develop measures to further boost employee satisfaction.

Assessment system for the Raiffeisen banks: For the last two years Raiffeisen Switzerland has used an electronic performance management system for its annual objective agreement and performance assessment process. An adapted solution was presented to the Raiffeisen banks in 2006, and a number of them agreed to take part in the pilot phase, which will begin in spring 2007. The tool is intended to support the long-term development of expertise among Raiffeisen's employees.



Michael Auer,
Head of Human Resources
Management

Training and development: Raiffeisen Switzerland's Human Resources Management unit organized some 300 internal seminars and training courses throughout Switzerland for Raiffeisen Group employees in the year under review. There were a total of 15,910 participant days, with 5,262 employees benefiting from the wide range of training opportunities on offer. Employees also had access to around 35 internally developed online electronic learning programmes covering various topics relating to technical issues, sales and banking applications.

As a complement to the training seminars, Raiffeisen Switzerland organizes local roadshows for the Raiffeisen banks on complex issues and all new product and service launches. Local information and discussion forums are also staged twice a year for the chairs of the Boards of Directors and the heads of bank management.

The Raiffeisen Group invested a total of 13.6 million Swiss francs in employee training and development in 2006.

Communication: The intranet plays an important role in communicating with employees. Since its launch in 1998 it has evolved from a simple information platform to a communication and application platform for the entire Raiffeisen Group. It supports employees in their daily work and gives them information that is essential for day-to-day operations. It also provides access to Raiffeisen Group press releases, announcements on banking topics and lots more besides. The intranet has grown continuously: it now comprises more than 15,000 pages of information and

"Raiffeisen wants to offer its employees duties and functions in which they can make use of their talents and passions."

receives over 150,000 hits per day. Employees also receive the Annual Report, the stakeholder magazine "Panorama" and, from early 2007, a staff magazine.

High-performing retirement provision: The Raiffeisen Group's pension fund converted its defined benefit scheme to a defined contribution scheme in January 2005. The coverage ratio of the pension fund was 110.9% as at the end of 2006 (previous year: 106.6%).

Employee committee: The employee committee – which has been in existence since 1995 – acts as a link between the Executive Board of Raiffeisen Switzerland and its employees. It is made up of seven members and meets regularly with a member of the Executive Board to discuss topical issues and salary adjustments. According to its charter the employee committee has a right to information and, in various situations, to be consulted (in an advisory capacity) with regard to decisions or results which affect employees on a professional, social or corporate level. The committee is also responsible for bringing the needs and views of employees to the attention of the Executive Board.

Outlook: Alongside a number of other important projects, Human Resources Management will focus on the "Mothers at Raiffeisen" concept in 2007 with a view to making Raiffeisen even more family-friendly. In autumn 2006, employees who have become mothers since joining Raiffeisen were invited to a workshop to share their views and opinions. The findings from this workshop have been used to develop a concept designed to improve the support offered to female employees both during and after preg-

Social report 2006
(Raiffeisen Switzerland, St. Gallen)

Number of employees	1,632
Number of full-time positions	1,356
Number of part-time positions	276
New positions	50
Total number of women	540
of which in management	152
Total number of men	1,092
of which in management	670
Average length of service	7.19 years
Average age of employees	38 years
Employee turnover	15.6%
Number of days of illness per employee	3.94 days

nancy and to facilitate their long-term integration within Raiffeisen.

Environment and society
By creating and safeguarding local jobs, Raiffeisen makes an important contribution towards supporting local and regional economies. The shorter travelling distances for both employees and clients also help to protect the environment.

Social responsibility ▪ *Sponsorship/donations/foundations/taxes:* Few banking groups do as much as the local Raiffeisen banks to support local clubs, social organizations and cultural events. At a national level, Raiffeisen has been heavily involved with winter sports since 2004. Talented young people in the regions and well-known professional sportspeople alike benefit from this support. Raiffeisen also sponsors cultural and economic activities and other sporting stars and causes such as the Swiss marathon runner Viktor Röthlin, Olympic wrestler Reto Bucher and the "Swisscompetence" corporate competition. Raiffeisen also supports 400 Swiss museums with the Museum Pass. In the area of employment integration Raiffeisen has donated half a million Swiss francs to the "Zurich-Jobs" foundation, which was established jointly by the state and the business community in December 2006. The Raiffeisen Group is also one of a number of companies to support the "Schwab Foundation for Social Entrepreneurship", which bestows the annual "Social Entrepreneur of the Year" award.

Raiffeisen spent a total of 14 million Swiss francs on sponsorship and donations during the year under review, including funds pledged by the Raiffeisen Centenary Foundation, which supports projects in the areas of business ethics, culture and charitable activities.

The state also received a total of 144.7 million Swiss francs in direct taxes (previous year: 129.2 million Swiss francs).

Products ▪ Sustainability fund: By the end of 2006, 569.9 million Swiss francs had been invested in this fund, which was launched in 2001 (2005: 420.9 million), with the fund volume increasing by some 35% during the year under review alone (2005: 28%). This growth can also be attributed to the excellent performance of the Raiffeisen Futura Swiss Stock fund, which put on 35.5% in 2006. In January 2007 the fund received the Lipper Fund Award 2007 as the best fund over three and five years in the Swiss equity funds category.

The Futura Fund only deals in stocks that receive a positive rating from independent rating agency INrate for ethical, environmental and social criteria. INrate has a specialized, interdisciplinary research team; a specially appointed external board checks each rating and takes a final decision on whether or not it should be allowed to stand. As a cosignatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen informs investors about the criteria and processes governing the Futura Fund as and when new details become available.
Additional information is available at www.eurosif.org

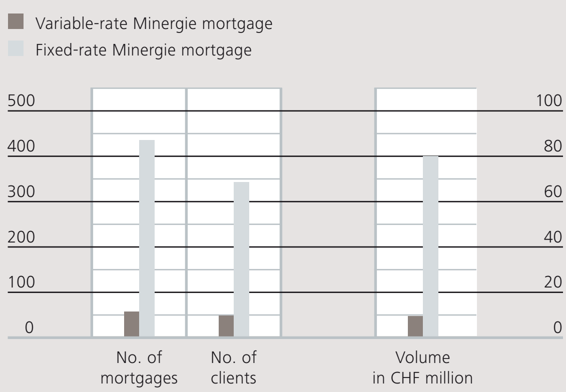
responsAbility: The responsAbility Global Microfinance Fund was authorized for public distribution in Switzerland

in March 2005. It is the first microfinance fund to have received this approval from the Swiss Federal Banking Commission. The micro credit business harbours enormous potential, which is why the Raiffeisen Group decided to get involved in responsAbility and become one of its founding organizations. Acquainting clients with the topic of microfinance was the main purpose of the 11-day microfinance exhibition held in the client foyer of Raiffeisenbank St. Gallen at the beginning of January 2006.
Additional information is available at www.responsability.ch

Sustainable retirement provision: In February 2006 Raiffeisen launched the Raiffeisen-Vontobel Pension Invest Futura 50 fund, which combines retirement provision with sustainability. Until then, the sustainable investment of pension capital had largely been the exclusive domain of investment foundations. With the Raiffeisen-Vontobel Pension Invest Futura 50 fund, investors can now strike a happy balance between their financial retirement goals and their personal values and beliefs.

Minergie mortgage: By the end of 2006, 388 homeowners had taken out a Raiffeisen Minergie mortgage (compared to 368 people in the previous year). This amounted to a total volume of 89 million Swiss francs (2005: 86.5 million). A home built to the Minergie standard promises reduced heating energy consumption, a higher quality of life and stable value preservation. The Raiffeisen banks became the first Swiss banking group to launch a Minergie mortgage product in June 2002. The mortgage's interest rate is half a percentage point below the rate for first and second mortgages.

Minergie mortgages



Environment ▪ Raiffeisen Switzerland has committed itself to conserving natural resources wherever possible and optimizing its energy consumption. As a rule, it seeks to avoid or reduce environmental pollution to a greater extent than the minimum required by law. Raiffeisen Switzerland provides an annual update of its environmental efforts in the form of the environment brochure, the third edition of which will be published in 2007. The environment team, made up of four employees from Facility Management, is responsible for the environmental and energy concept, which focuses on three main areas:

- Procurement of environmentally friendly office infrastructure, cleaning, maintenance and energy products (great emphasis is placed on ensuring environmentally acceptable and healthy practices, with the daily activities of the cleaning contractor monitored on a permanent basis).
- Environmentally friendly waste disposal (separation of waste and disposal by a special company).
- Measures for saving energy through direct intervention at the point of use or indirect technical methods (greywater reuse, water-saving bathroom fittings, low-energy lamps, cellulose paper towels, etc.).

Raiffeisen Switzerland's buildings comply with the Minergie standard in some if not all respects. Building services measures include the use of combined heat and power plants, heat recovery and the system of thermo-active slabs.

Over the last 15 years Raiffeisen Switzerland has invested several million Swiss francs in optimizing its environmental policy and energy consumption.

Energy consumption at the Raiffeisen Centre: The increased consumption (see table on page 56) can be attributed to various factors. The IT systems, for example, have undergone a massive equipment upgrade in recent years. The expansion of the office infrastructure, the extension of the staff canteen and the parking garages and art installations in new buildings have also played their part in this increase. The area that needs to be heated and cooled has grown constantly in recent years with the construction of new buildings. Heating costs were previously included in the ancillary costs for the rented offices and were therefore not taken into account for energy billing; this was also the case for water consumption.

Since April 2006 Raiffeisen Switzerland has drawn 8% of the energy required for its buildings from certified Aquapower hydropower.

Proven sustainability of the Raiffeisen Centre: Carbotech AG, a specialist in environmental consulting and analysis, assessed the sustainability of the four buildings that make up the Raiffeisen Centre. The study revealed that Raiffeisen Switzerland has reduced its heating consumption threefold by partially implementing the Minergie standard. Technical measures also mean that Raiffeisen Switzerland can cover its remaining energy requirements with a very low level of emissions. Thanks to the central location – which means shorter commutes – good public transport connections and restrictions on the number of parking spaces, only 12% of employees come to work by car, helping to halve Raiffeisen Switzerland's environmental impact. Carbotech AG concluded that "the measures implemented have drastically reduced the environmental impact and the burden placed on society."

Detailed report in the brochure "Vom weissen Tuch zum roten Teppich" (From white cloth to red carpet, published only in German) at www.raiffeisen.ch, Raiffeisen Gruppe/stadtlounge/ Events-Presse

Measures to raise awareness: Two information events are held each year at which interested employees can learn more about building technology. The topic in the year under review was "Ventilation systems". This year's topic will be "Heating systems".

Launch of the new corporate design: The environment was not forgotten with the launch of Raiffeisen's new corporate design on 1 March 2006. The lighting in the letters of the new logo at all 1,500 locations uses LEDs, which consume only half the energy of conventional neon tubes. LED lights also last three times as long and contain no harmful substances such as mercury. The old installations were disposed of separately: the acrylic components were turned into pellets, glass was melted down and mercury reclaimed. There were 28 tonnes of aluminium, over eight tonnes of acrylic glass, over 13,000 fluorescent lamps and some 12,000 neon systems. The new logo was installed by local tradespeople wherever possible.

The Raiffeisen Group collected around 660 items of clothing in 2006 that the Red Cross then distributed to people in need in Romania. Various materials such as stationery, forms, table coverings, etc. were disposed of in an environmentally friendly manner. Raiffeisen Switzerland is selling

Energy consumption at the Raiffeisen Centre

	2006	2005	2004
Electricity (kWh)	5,639,152	4,304,509	3,204,597
Gas (kWh)	3,392,806	2,963,353	2,633,899
Oil (kWh)	276,560	357,590	70,473
Water (m^3)	9,190	10,846	9,900
Glass (kg)	6,000	5,000	4,500
Waste (kg)	130,000	114,000	99,700
Paper and cardboard (kg)	234,000	253,000	242,000
PET recyclable plastic (kg)	2,240	1,700	2,226
Batteries (kg)	195	240	225
Fluorescent lighting (kg)	550	730	600

items that simply bear the logo at special rates and will only replace them once it receives the new models. Only then will the old items be donated to charitable institutions.

Green electricity in the regions: Since the end of 2006 the electricity power station at Tamins in the canton of Grisons has been offering environmentally friendly electricity from certified Bündner hydropower. The Raiffeisenbank Imboden based in Domat/Ems is the first company in the region to use green electricity: 10% "Premium Solar" power and 90% from Bündner hydropower.

Sustainable construction: Raiffeisen Switzerland's construction consulting team advises and supports the Raiffeisen banks on sustainable construction projects. In addition to adopting sound architectural solutions, Raiffeisen also places particular emphasis on the use of environmentally friendly materials, on premises free of electrosmog and air pollution, and on ergonomics in the workplace.

The Raiffeisen Group drew up a new architectural concept in the year under review, including guidelines to clarify Raiffeisen's attitude to architectural design. This chiefly involves being sympathetic to regional construction styles and avoiding standardization and uniformity of design. The architectural concept also addresses environmental and social issues, however, for instance with regard to the choice of materials, which should preferably be sourced locally. It also offers recommendations for ergonomic construction. Every study that is commissioned also includes the condition that the Minergie standard is a realistic goal which in a best-case scenario should even be exceeded (Minergie-P).

Further information is available at raiffeisen.ch, Raiffeisen Gruppe/ Studienaufträge Raiffeisen (only in German)

Gregor Rominger, Head of Client Relationship Management Samedan, Banca Raiffeisen Engiadina Val Müstair. Commute from Via Funtanella 25 to Via San Bastiaun 19 in Samedan, around 10 min on foot. Same journey for 4 years. “Although the temperature sometimes drops to 25 below in winter, I love the view of the Engadin mountains across to the Biancograt climbing route on Piz Bernina.”

Strategy Raiffeisen wants to be Switzerland's leading retail bank. At the same time, it is looking to tap new business areas and sustainably diversify its income sources. It regards renewing the IT infrastructure, boosting efficiency and raising its attractiveness as an employer as the key success factors in this mission.

At a glance:

- *The cooperation with the Vontobel Group is forward-thinking.*
- *Raiffeisen wants to grow by 1–2 percentage points more than the market in future.*
- *Raiffeisen is striving to maintain the balance between local and centralized processing.*
- *Raiffeisen plans to tap new business areas.*
- *Raiffeisen also faces the challenge of devising optimal IT solutions.*

The micro and macroeconomic signs that Raiffeisen will be able to continue growing in its core business are good. Swiss economic indicators such as employment figures and growth forecasts suggest that the economic upturn should remain intact for the next few years. The trends of recent years are set to continue in the banking market, with the continuing price war intensifying owing to greater transparency for clients and price sensitivity in retail banking. The way that the banking sector is going, price seems to be increasingly becoming the deciding factor in clients' choice of bank.

Raiffeisen is actively involved in the consolidation in Swiss private banking via its cooperation with the Vontobel Group. Outsourcing securities processing and the management of its own funds to the Vontobel Group has given Raiffeisen a new, forward-looking direction. The move ensures that Raiffeisen's investment clients can access a needs-driven, first-rate product offering, and that the rising quality demands can be met.

The increase in regulation will push up processing costs again in the years ahead, and within its cooperative model Raiffeisen needs to strike a suitable balance between local and centralized processing so that it makes the most of its strengths in terms of proximity to local markets, fast-track decision-making and expertise at local banks. The growing regulatory and organizational burden also poses the problem of the professionalization of employees and a war for talents among Swiss banks: it will become harder to attract, develop and retain staff with the expertise to satisfy these quality requirements. Finally, exchanges with clients and the cooperative members will also change, as new communication technologies mean they have relationships with multiple banks. Their service and advisory needs will change radically as a result. Client interfaces will become more important, and it will only be possible to maintain and develop client relationships long-term if the products and instruments on offer meet these changed requirements, particularly given the implications of an ageing population.

The position of Raiffeisen

Over the last five years, Raiffeisen has succeeded in growing Group profit by 53% and has accumulated a lot of capital through its continual improvements to the bottom line. The strengths of the Raiffeisen brand and the trust placed in Raiffeisen are guarantors of success, as demonstrated in a number of independent studies. Raiffeisen continues to occupy a leading position and has generated an average of 25% more value per year. At the same time, the weighted cost of capital has come down slightly, courtesy of low risk-taking and risk exposure. The Raiffeisen Group has therefore steadily built up its capital base, which now exceeds the minimum requirements by more than 106%. The flipside of the solid value creation is that the scope for capital management is limited, as the cooperative has little influence over the distribution of profits, and also that there is a danger of over-capitalization, which could hurt the Group's returns. All the same, the Raiffeisen Group has great potential to invest using its future liqui-dity generated from business activities. The strategic allocation of capital and investments in new and existing business areas should be used firstly to secure market share in Raiffeisen's core business, secondly to better diversify sources of income and so optimize risk, and thirdly to improve returns long-term. Group net profit in the years ahead must therefore be carefully targeted at maintaining Raiffeisen's market position in retail banking, and also spent on existing cooperations and developing new business areas, so as to continue generating healthy returns and diversify income sources over the long term.

Requirements for sustainable growth

Sustainable growth requires existing business areas to be expanded and new ones to be opened up:

Core business ▪ Over recent years, Raiffeisen has concentrated heavily on the retail segment, posting average growth in excess of 7%. Despite the mounting pressure of competition and on margins, Raiffeisen intends to remain on a growth trajectory in its core business and is targeting growth of 1–2 percentage points above the market average. In so doing, it is concentrating on the following strategic initiatives and objectives:

- To exploit the potential of the existing client base, boost client loyalty and win main bank status
- To tap towns and cities in areas where market share is relatively low, including the Lake Zurich, Lake Geneva and Basel regions, and to optimize the existing bank and branch network
- To position Raiffeisen as an investment bank by stepping up cooperation with the Vontobel Group
- To exploit the potential of and make operational improvements to bancassurance, in terms of product offering, client support and the cooperation model

- To move into retirement business in a second phase, so as to be able to tap the potential inherent in demographic trends

The Raiffeisen Group has laid the foundations to successfully continue down its chosen route towards becoming Switzerland's leading retail bank. It remains one of the dominant providers in the market and will continue to launch products and services that meet the needs of its members and clients. The Raiffeisen Group intends to build up its corporate client business with small and medium-sized enterprises (SMEs) via existing client relationships with individuals. It has earmarked this business area for expansion and plans to gain significant market share in the coming years.

Business portfolio diversification ▪ In addition to improving Raiffeisen's market position in the retail business, the Group is also actively developing the investment business and stepping up the cooperation with the Vontobel Group. In the medium term, investment products tailored to Raiffeisen's needs will be launched that will not only establish and enhance the profile of financial advice but will also boost income from commission and service transactions by some 15–20% per year, reducing the reliance on interest income long-term. Raiffeisen is also planning a targeted assault on the highly promising growth segments of credit card, retirement and financing business, which the market expects to enjoy double-digit growth in the years ahead. The push in financing (leasing products and consumer loans) in particular is to be driven by increased marketing on the part of individual Group companies.

Raiffeisen also intends to look into opportunities in its central bank role that go beyond its current activities, including more in the way of banknote and cash supply business. Mining these additional sources of income will also diversify the Raiffeisen Group's revenue streams and ultimately help improve the Raiffeisen banks' funding opportunities on the money and capital markets by exploiting benefits of scale and market power.

Improving process efficiency ▪ By outsourcing its securities administration, Raiffeisen has reached a major milestone in its cooperation with the Vontobel Group. Optimizing its core processes, which include payment services and lending processes as well as securities processing, is essential to Raiffeisen being able to grow in the market and deliver the quality that clients want.

The Raiffeisen Group has recognized that its current IT infrastructure is not adequate to cope with the growing regulatory burden on Swiss banks. It aims to completely decommission the IT infrastructure and replace it with a standardized, modern version. That process began in 2006 and is being implemented in three stages. In the first, the existing central bank payment services solution is being adapted to a high-performance, flexible new version. The second stage will involve further updating the current central bank solution, and in the final stage the front-office application used by the branches of Raiffeisen Switzerland and Raiffeisen banks will be replaced. This migration will involve the core applications, peripheral systems and applications being reviewed for their compatibility, performance and integrity in the context of the target architecture,

Dr Patrick Fürer
Head of the Processing & IT
department from 5 February 2007

and if necessary decommissioned. Their lifecycles will also be evaluated.

This strategic plan very much supports the Raiffeisen Group's strategic objective of stabilizing or ideally cutting its upkeep and processing costs and maintaining the cost/income ratio at the current level. This depends on investment in new local and regional markets in the core business, investment in new business areas and in particular investment in IT infrastructure.

Over the next few years, Raiffeisen plans to invest an average of CHF 100 million in implementing its strategic initiatives, diversifying its business portfolio and renewing its IT infrastructure.

An attractive employer ▪ The strategic initiatives and directions require human resources to be built up, in order to meet the growing demands and ensure the expertise is in place to implement the core business growth strategy and business portfolio diversification. Fostering these abilities requires employees to be consciously promoted and developed, and prospective employees with the right knowledge and skills to be attracted from the labour market.

"We have to further optimize our core processes if Raiffeisen is to be able to grow in the market and ensure that clients receive a high-quality service."

Peter Gattlen, Head of Client Relationship Management/Finance, Raiffeisenbank Würenlos. Commute from Wohlen to Würenlos, around 30 minutes by car. Same journey for seven years. "I use the half hour on the main A1 transport artery to get myself ready for the day."

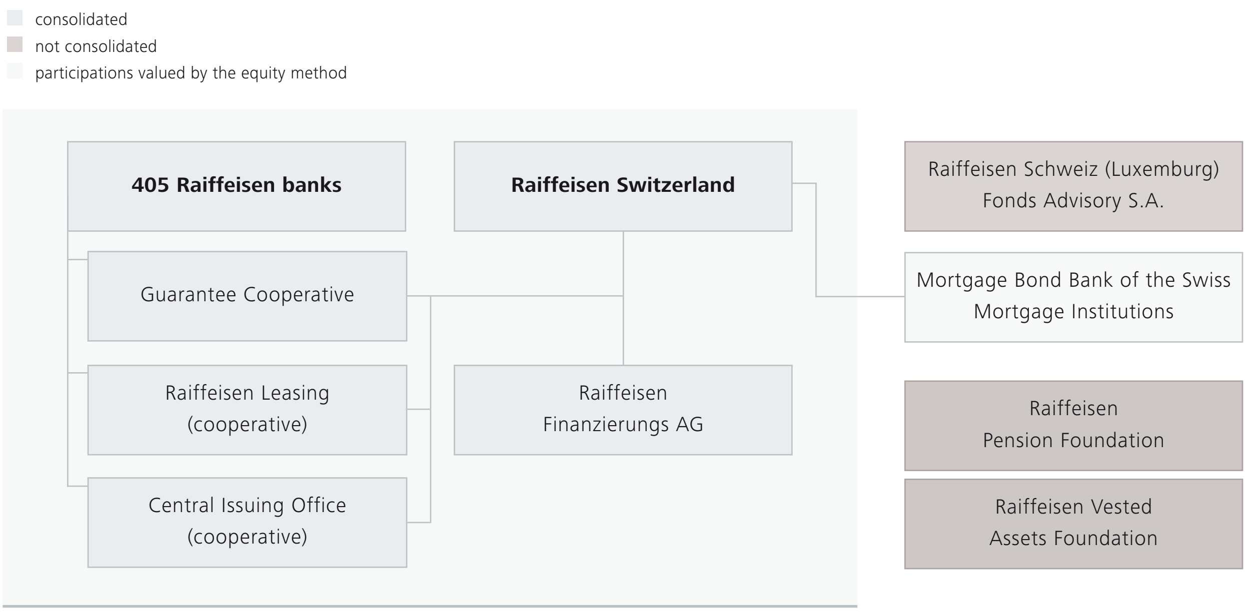
Corporate Governance For Raiffeisen, the term ”corporate governance“ encompasses all the principles of corporate organization and the principles behind management systems and controls. The separation between strategy and operations and the balance between management and control should be transparent for stakeholders.

At a glance:

- *At Raiffeisen, the separate interests of individual parties have no impact on corporate management.*
- *There are four levels of decision-making authority and responsibility at Raiffeisen.*
- *Raiffeisen clients benefit from a high level of security thanks to mutual liability within the Raiffeisen Group.*
- *The Delegate Meeting is the supreme executive body of Raiffeisen Switzerland.*
- *The Raiffeisen banks are owned by the cooperative members.*

The most important Corporate Governance rules of the Raiffeisen Group are stipulated in binding documents such as the Articles of Association, the Terms and Conditions of Business, the organizational regulations and other special ordinances. The Terms and Conditions of Business, the risk policy and the authority levels were revised in 2006 and came into force on 1 January 2007.

The following report has been largely drawn up according to the SWX Swiss Exchange Corporate Governance Directive (DCG) – which is not binding on Raiffeisen – to the extent that it is applicable or relevant. Particular emphasis is paid to the special cooperative organizational structure of the Raiffeisen Group, and the various levels of decision-making authority and responsibility. Except where stated otherwise, all data are accurate as at 31 December 2006.

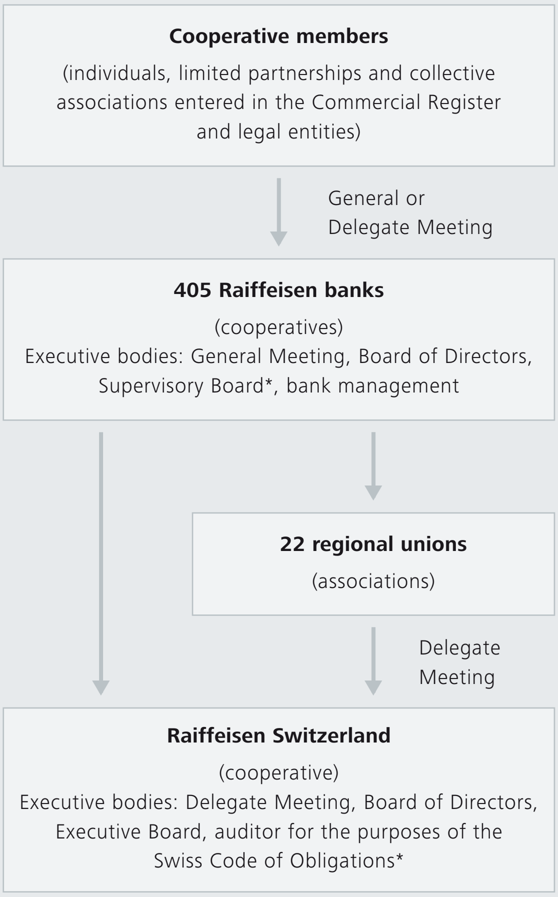


Raiffeisen Group structure

The Raiffeisen banks and Raiffeisen Switzerland together hold the cooperative shares in the Guarantee Cooperative, Raiffeisen Leasing and the Central Issuing Office. Raiffeisen Finanzierungs AG and Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A. are subsidiaries wholly owned by Raiffeisen Switzerland. Raiffeisen Switzerland also has a 20.81% stake in the Mortgage Bond Bank of the Swiss Mortgage Institutions. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions.

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	Banking business	Cooperative members
Raiffeisen Switzerland	■ Business policy and strategy as well as a centre of competence for the Raiffeisen Group ■ Central bank function (monetary settlement, liquidity maintenance and refinancing) ■ Banking business (mainly interbank transactions and securities trading) ■ Running branches	Raiffeisen banks
Guarantee Cooperative	Acceptance of guarantees to facilitate the Raiffeisen banks' credit and lending activities	Raiffeisen Switzerland and the Raiffeisen banks
Raiffeisen Leasing (cooperative)	Leasing finance	Raiffeisen Switzerland and the Raiffeisen banks
Central Issuing Office of the Swiss Raiffeisen Banks (cooperative)	Issuing bonds on commission and for the account of the Raiffeisen banks	Raiffeisen Switzerland and the Raiffeisen banks
Raiffeisen Finanzierungs AG	Cash advance financing	Raiffeisen Switzerland
Raiffeisen Schweiz (Luxemburg) Fonds Advisory S.A.	Holds stake in Raiffeisen Schweiz (Luxemburg) Fonds SICAV and acts as their investment advisor. Raiffeisen Schweiz (Luxemburg) Fonds SICAV issues a variety of subfunds (money market funds, bond funds, equity funds, strategy funds, capital protection funds).	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivized pension savings (pillar 3)	



* As part of the revision of the Swiss Code of Obligations and the creation of a new Audit Supervision Act, the Delegate Meeting of Raiffeisen Switzerland resolved in June 2006 to appoint PricewaterhouseCoopers as auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group in place of the Supervisory Board with effect from financial year 2007. For Raiffeisen Switzerland, the mandate was applied retroactively for the 2006 accounting period. The Raiffeisen banks will apply the changeover retroactively to 1 January 2007 after it has been approved by the 2007 General Meetings.

Changes from prior year ▪ On 9 March 2006 the Board of Directors of Raiffeisen Switzerland approved a new organizational structure with a view to strengthening the focus of the organization more firmly on market and Group needs. An integral component of this structure is an integrated, high-performance IT platform that is to be linked closely to operating business. As part of this development, Raiffeisen Informatik AG was fully integrated into Raiffeisen Switzerland retroactively to 1 January 2006 and no longer exists as an independent subsidiary company.

Raiffeisen Group organizational structure

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

The 405 Raiffeisen banks, with a total of 1,141 branches, are legally and organizationally independent cooperatives with boards of directors and supervisory boards that they elect themselves. The Raiffeisen banks are owned by the cooperative members, with candidates for the board of directors and supervisory board being voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. The Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions (see page 71), which take the form of associations. These act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include coordinating regional advertising activities, holding training events for the Raiffeisen banks, and safeguarding

Robert Signer,
Head of the Branches department

and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities.

"The branches of Raiffeisen Switzerland are contributing more and more to earnings growth."

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

Additional committee (not shown in chart): Each regional union and Raiffeisen Switzerland has one seat per department on the Raiffeisen Banks Steering Committee. The Steering Committee reviews strategic matters, objectives and plans from the Raiffeisen banks' viewpoint and prioritizes them according to the terms of reference laid down by the Executive Board of Raiffeisen Switzerland. It also appoints the representatives who sit on the individual steering committees of Raiffeisen Switzerland and ensures the Raiffeisen banks have a sufficient say in group-wide plans and projects.

Major participations ▪ Note 3 "Details of major participations" (see page 118) lists all major participations of the Raiffeisen Group, including name, domicile, capital and share of voting rights.

Major cooperative members ▪ Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates acquired. Furthermore, the Articles of Association stipulate that no cooperative member may own more than 20,000 Swiss francs of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative shareholders with more than 5% of the capital or voting rights.

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

The Raiffeisen banks by canton[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans[2] in CHF million	Client monies[3] in CHF million	Bal. sheet total in CHF million
Aargau	36	103	150,718	11,032	9,737	12,331
Appenzell Ausserrhoden	3	10	13,909	773	805	896
Appenzell Innerrhoden	2	5	6,515	312	383	414
Basel	10	21	34,655	2,432	2,207	2,754
Berne	27	108	136,974	7,267	6,598	8,182
Fribourg	22	59	65,617	4,737	3,677	5,191
Geneva	6	20	25,438	1,813	2,070	2,204
Glarus	1	2	4,668	257	230	281
Grisons	15	82	47,927	3,152	2,745	3,533
Jura	13	47	23,063	1,701	1,283	1,882
Lucerne	25	51	95,622	5,327	4,449	5,979
Neuchâtel	6	24	17,922	997	877	1,107
Nidwalden	2	9	15,799	986	981	1,219
Obwalden	2	6	9,894	573	493	651
St. Gallen	48	92	153,958	11,371	9,583	12,870
Schaffhausen	1	3	5,270	318	300	357
Schwyz	8	13	28,834	1,698	1,662	1,947
Solothurn	34	73	105,630	7,041	6,347	7,922
Ticino	42	108	86,775	6,542	6,087	7,658
Thurgau	21	49	80,902	6,060	4,961	6,762
Uri	4	16	13,724	694	671	795
Vaud	23	68	72,324	4,188	3,854	4,808
Valais	38	137	101,190	6,587	6,844	7,953
Zug	9	13	32,076	2,530	2,122	2,846
Zurich	7	22	41,703	2,216	2,374	2,629
Total 2006	**405**	**1,141**	**1,371,107**	**90,604**	**81,340**	**103,171**
Total 2005	**421**	**1,166**	**1,309,537**	**86,198**	**77,482**	**97,973**
Increase/decrease	**-16**	**-25**	**61,570**	**4,406**	**3,858**	**5,198**
Increase/decrease in %	**-3.8**	**-2.1**	**4.7**	**5.1**	**5.0**	**5.3**

1) Excluding Raiffeisen Switzerland and its branches

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

The regional unions

Regional union	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Daniel M. Lüscher, Herznach	35
Berner Verband der Raiffeisenbanken	Walter Studer, Biglen	24
Bündner Verband der Raiffeisenbanken	Tino Zanetti, Igis	14
Deutschfreiburger Verband der Raiffeisenbanken	Pius Lehmann, Freiburg	10
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	25
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	16
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	16
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	8
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	8
Solothurner Verband der Raiffeisenbanken	André Bourquin, Aetigkofen	29
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	54
Thurgauer Verband der Raiffeisenbanken	Richard Peter, Balterswil	21
Urner Verband der Raiffeisenbanken	Hans Zgraggen, Erstfeld	4
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	9
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	12
Fédération genevoise des Banques Raiffeisen	Pierre Guignard, Cartigny	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	16
Fédération neuchâteloise des Banques Raiffeisen	Claude Ribaux, Bevaix	6
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	22
Fédération vaudoise des Banques Raiffeisen	Alexandre Bula, Thierrens	23
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	43

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

Changes in equity capital

(in CHF million)

	2006	2005	2004	2003
Cooperative capital	428	396	362	320
Retained earnings	5,603	4,972	4,468	4,032
Group profit	655	608	506	453
Total	**6,686**	**5,976**	**5,336**	**4,805**

Capital structure and liability

Capital structure ▪ The Raiffeisen Group's cooperative capital is 428 million Swiss francs. The precise composition and changes in the year under review can be found in note 10 "Evidence of equity capital" (see page 125).

Changes in equity capital ▪ Each cooperative member is entitled to interest on their share certificates, capped at 6% gross (see table on the left).

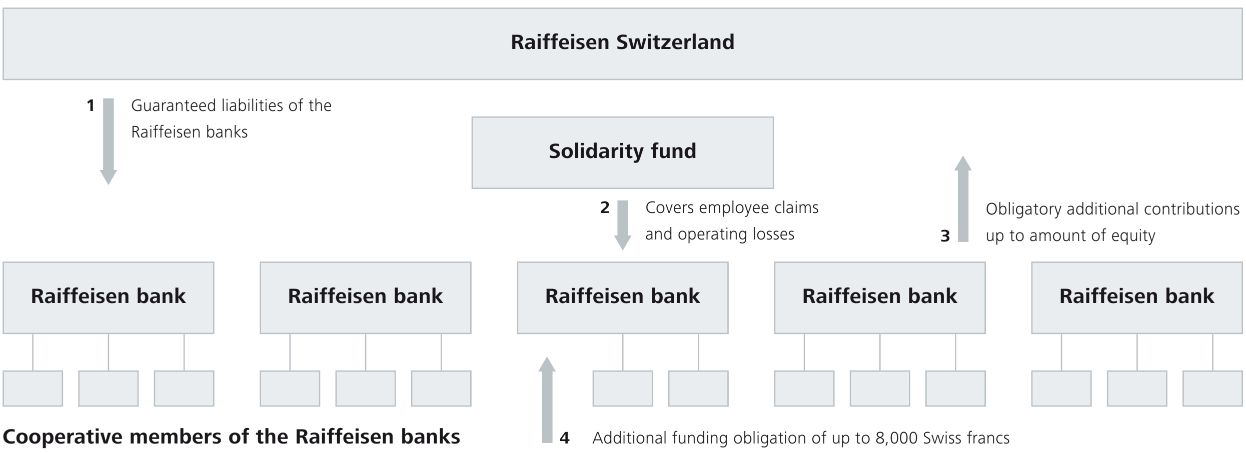
Membership of a Raiffeisen bank and the associated rights and obligations are tied closely to the individual/entity in question. This means that individual shares cannot normally be sold on or transferred. Departing cooperative members have the right to redeem their share certificates at their intrinsic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

Liability ▪ The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on the principle of mutual liability, which it has anchored in its Articles of Association. Raiffeisen clients benefit from a high level of security as a result of the mutual liability accepted throughout the Group. Working together in a tight-knit cooperative union is also a form of solidarity, as the Raiffeisen banks' fates and risks are tied closely together. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford.

1) Liability of Raiffeisen Switzerland towards the Raiffeisen banks: In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and therefore of the Raiffeisen Group as a whole. A total of 873.7 million Swiss francs in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their balance sheet totals. This results in a call-in obligation towards Raiffeisen Switzerland of over one billion Swiss francs, of which 320 million Swiss francs have been paid in. Raiffeisen Switzerland has the right to call in the outstanding 711.7 million Swiss francs from the Raiffeisen banks at any time.

2) Solidarity fund: The solidarity fund is – in the classical sense of solidarity as perceived by Raiffeisen – an organization-wide reserve to cover risks. It covers employee claims and operating losses of the Raiffeisen banks and is fed through annual contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets are 285.5 million Swiss francs.

3) Additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland: The Raiffeisen banks are bound by an additional funding obligation in accordance with Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional



funding obligations of their cooperative members. The additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland is six billion Swiss francs.

4) Additional funding obligation of the cooperative members towards the Raiffeisen banks: Should it emerge from the annual balance sheet of a Raiffeisen bank that the cooperative capital is no longer covered, the cooperative members are bound by an additional funding obligation of up to 8,000 Swiss francs each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals 11 billion Swiss francs (see note 10 "Evidence of equity capital", page 125).

Directive authority of Raiffeisen Switzerland vis-à-vis the Raiffeisen banks ▪ According to a ruling by the Swiss Federal Banking Commission (SFBC) of 24 September 1997, the Raiffeisen Group need only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. However, to enjoy this dispensation, the Raiffeisen banks have to have a central organization that guarantees all the Raiffeisen banks' obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis the Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, especially as regards capital, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases Raiffeisen Switzerland has a right of application and directive authority in respect of organizational, operational and HR-related steps.

Executive bodies of Raiffeisen Switzerland

Delegate Meeting ▪ The Delegate Meeting is the supreme executive 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 163 members of the Delegate Meeting.

The Delegate Meeting is responsible in particular for:

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

Members of the Board of Directors

Name, year of birth, place of residence, occupation	Function	On Board of Directors since	Elected until
Dr h.c. rer. pol., lic. iur. Franz Marty, 1947, Goldau SZ, Former member of cantonal government and financial director	Chair	2002	2008
Dr Marie-Françoise Perruchoud-Massy, 1955, Vercorin VS, Director Institut Economie & Tourisme de la Haute Ecole Valaisanne	Vice-Chair	1998	2008
Gabriele Burn, 1966, Krattigen BE, CEO Raiffeisenbank Thunersee-Süd	Member	2000	2008
Pierre Guignard, 1946, Cartigny GE, Director Cercle des Agriculteurs de Genève	Member	1996	2008
Prof. Dr René Kästli, 1942, Rapperswil-Jona SG, Independent consultant, proprietor Kästli Consulting Jona	Member	2000	2008
Urs W. Keller, 1953, Döttingen AG, Head of HR Verkehrsbetriebe Zürich	Member	1996	2008
Marcel Sandoz, 1943, Morges VD, Ing. agr. E.P.F.L. - ETH ZH, administrator	Member	1996	2008
Christian Spring, 1960, Vicques JU, CEO Banque Raiffeisen du Val-Terbi	Member	2002	2008
Mario Verga, 1949, Vacallo TI, Lawyer/notary Vassalli-Verga	Member	2000	2008
Lic.iur. Edgar Wohlhauser, 1961, Schmitten FR, Partner Ernst & Young AG	Member	2006	2008
Werner Zollinger, 1958, Männedorf ZH, Dipl. El. Ing. HTL, CEO Projectgo AG	Member	2006	2008

Board of Directors of Raiffeisen Switzerland ▪ The Board of Directors has overall responsibility, determines the strategic focus and supervises and monitors the management and the Executive Board. It currently consists of 11 members, the majority of whom carry out their principal remunerated activity outside the Raiffeisen Group. This ensures that the Board is represented by a broad mix of people from the world of business and politics who reflect various interest groups.

Other Group directorships: The following members of the Board of Directors of Raiffeisen Switzerland also serve on another Board of Directors within the Raiffeisen Group:

Pierre Guignard	Member of the Board of Directors of Banque Raiffeisen Genève Ouest	Term of office: 2006–2009
Urs W. Keller	Member of the Board of Directors of Raiffeisenbank Böttstein	Term of office: 2004–2008
Mario Verga	Member of the Board of Directors of Banca Raiffeisen Morbio Inferiore	Term of office: 2005–2009
Werner Zollinger	Chair of the Board of Directors of Raiffeisenbank rechter Zürichsee	Term of office: 2005–2009

The chairs of the regional unions are listed on page 71.

Composition, election and term of office: The Board of Directors consists of nine to twelve members. The language regions and the banking authorities of the Raiffeisen banks are adequately represented, and in principle about half the members should be representatives of the Raiffeisen banks.

Members of the Board of Directors are elected for a term of two years and can serve a maximum of twelve years. Members of the Board of Directors must stand down at the end of the term of office in which they reach their 65th birthday.

Internal organization: The Board of Directors meets as often as business dictates, but at least four times a year. It met seven times in 2006. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the chair's vote counts twice. Resolutions are minuted. The Board of Directors meets once a year for a closed planning session to assess its own activities.

The members of the Executive Board generally attend the meetings of the Board of Directors and the Committee of the Board of Directors. 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 the regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss members of the Executive Board, the Head of Internal Auditing and their deputies
- To appoint and dismiss the statutory auditor for Raiffeisen Switzerland and the Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute its resolutions

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies.

Board of Directors committees

Committee	Members	Composition, duties and competencies
Committee of the Board of Directors	▪ Dr h.c. Franz Marty (Chair) ▪ Dr Marie-Françoise Perruchoud-Massy (Vice-Chair) ▪ Gabriele Burn	The Board of Directors appoints the Committee of the Board of Directors, which consists of the chair, vice-chair and at least one other member of the Board of Directors. ▪ To prepare the business of the Board of Directors ▪ To establish the general conditions of employment, employee benefits and expenses regulations and to pass directives regarding the qualities required of members of the Executive Board and employees of Raiffeisen Switzerland ▪ To set the remuneration of the members of the Executive Board ▪ To determine whether to accept mandates on behalf of Raiffeisen Switzerland and approve the acceptance of such mandates by executive bodies and employees ▪ To pass resolutions on major investments and the corresponding contractual obligations
Audit Committee	▪ Lic. iur. Edgar Wohlhauser (Chair) ▪ Dr h.c. Franz Marty ▪ Prof. René Kästli	The Audit Committee consists of three members of the Board of Directors who have the necessary experience and expertise in finance and accounting. The Audit Committee supports the Board of Directors on risk policy, in its monitoring of the Executive Board as regards the effectiveness of internal control systems and on finance and accounting. It makes sure that legal, regulatory and internal guidelines are adhered to, and that market standards and codes of conduct are observed. It also ensures the quality of internal and external auditing and cooperation between the two.

The Board of Directors can appoint further committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the permanent committees are laid down in a directive.

Delimitation of powers: The powers exercised by the Board of Directors, its committees, the Chair of the Executive Board and the Executive Board are laid down in detail in the Articles of Association, Terms and Conditions of Business and authority levels of Raiffeisen Switzerland.

Information and controlling tools: The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chair of the Board of Directors and the Head of Internal Auditing generally attend Executive Board meetings in an advisory capacity. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events within the Raiffeisen Group.

Risk Management and Compliance: Risk Management and the Compliance Office are described in detail in the risk policy section on pages 30 to 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 verifies compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed up Internal Auditing since 1989. He reports directly to the Audit Committee.

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

The Executive Board comprises the chair and four other members (from 1 February 2007: five). Meetings are normally held once a week, led by the chair. The Executive Board has the power to pass resolutions if a majority of its members are present. It generally reaches decisions by consensus, but if no agreement can be reached, resolutions are passed by a simple majority, with the chair having the casting vote. Resolutions are minuted.

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

Members of the Executive Board (as at 1 February 2007)

Name, year of birth, place of residence	Function	Began function
Dr Pierin Vincenz, 1956, St. Gallen SG	Chair of the Executive Board (CEO)	1999
Dr Patrik Gisel, 1962, Erlenbach ZH	Head of Market & Sales and Deputy Chair	2000
Barend Fruithof, 1967, Küsnacht ZH	Head of Finance & Corporate Center department (CFO) Head (pro tem) of Processing & IT department (until 4 February 2007)	2004
Paulo Brügger, 1966, Forch ZH	Head of Central Bank department	2005
Dr Patrick Fürer, 1965, Steckborn TG	Head of Processing & IT department (from 5 February 2007)	2007
Robert Signer, 1948, Wil SG	Head of Branches department	1999
Michael Auer*, 1964, Speicher AR	Head of Human Resources Management	2005
Dr Beat Hodel*, 1959, Bäch SZ	Head of Group Risk Controlling	2005

* Member of the extended Executive Board

The business processes of Raiffeisen Switzerland are spread across five departments (see organizational chart on pages 84/85).

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.

Qualifications, occupational background and significant directorships: We have not listed internal mandates.

Dr Pierin Vincenz
Dr Pierin Vincenz has worked at the Raiffeisen Group since 1996. On joining, he held the posts of Member of the Executive Board and Head of Finance, before being appointed Chair of the Executive Board of the Raiffeisen Group in 1999. He was previously employed at Hunter Douglas in Lucerne as Vice President and Treasurer between 1991 and 1996. In 1989, he published his PhD on the use and development of expert systems in bank operations. From 1986 to 1990 he worked at Swiss Bank Corporation, first in the general management of Global Treasury in Zurich and then as a Director in Chicago. Dr Vincenz graduated from the business department of the University of St. Gallen in 1986. Prior to that, he worked for Schweizerische Treuhandgesellschaft in St. Gallen between 1979 and 1982.

Significant directorships
- Chair of the Board of Directors of Aduno SA
- Chair of the Board of Directors at Viseca Card Services SA
- Member of the Committee of the Board of Directors of the Swiss Bankers Association
- Member of the Board of Directors of Vontobel Holding AG
- Member of the Board of Directors of Helvetia Insurance
- Member of the Board of Directors of the Mortgage Bond Bank of the Swiss Mortgage Institutions
- Member of the Board of Directors of Telekurs Holding AG
- Chair of the Board of Directors of Plozza Vini SA
- Member of the Foundation Board of the Swiss Finance Institute
- Member of the Steering Committee of the UNICO Banking Group Brussels
- Member of the Board of Management of Pflegekinder-Aktion Schweiz
- Member of the Foundation Board of the Ostschweizerische Stiftung für Klinische Krebsforschung

Dr Patrik Gisel
Dr Patrik Gisel has been a Member of the Executive Board of the Raiffeisen Group and Head of Market & Sales since 2000. From 1994 to 1999 he was an IT department and section head at Union Bank of Switzerland/UBS. Between 1993 and 1994 he worked as a banking and insurance consultant for Boston Consulting Group in Zurich. He obtained a degree in business in 1988 and then a doctorate (Dr. oec.) in 1992, both from the University of St. Gallen.

Significant directorships
- Chair of the Advisory Board of Swiss ICT
- Member of the Advisory Board of the Swiss Finance Forum

Kurt Zobrist,
Head of Internal Auditing

- Member of the Advisory Board of the Swiss IT Leadership Forum
- Member of the Advisory Board of Schweizerisches Bankenseminar

Barend Fruithof
Barend Fruithof has been a Member of the Executive Board of the Raiffeisen Group and Head of Finance & Corporate Center since 2004. From 15 March 2006 to 4 February 2007 he also acted as interim head of the Processing & IT department. He started out in agriculture, before retraining and graduating in business from the Kaufmännisches Lehrinstitut Zürich. Barend Fruithof is also a certified marketing manager and holds an executive MBA from the University of St. Gallen. After performing various management functions in agricultural organizations, he took over various retail banking roles at Zürcher Kantonalbank, latterly as the head of product and distribution channel management, with the rank of director. From 2001 to 2003 he was Chairman of the Executive Board (CEO) of VISECA Card Services SA, where he had overall responsibility for managing sales of some 4 billion Swiss francs and a workforce of 200.

Significant directorships
- Member of the Board of Directors of MasterCard Europe

Paulo Brügger
Paulo Brügger became Head of Central Bank and a Member of the extended Executive Board in January 2005. He was previously (from 2003) Head of Trading at Raiffeisen

"Internal Auditing supports the Board of Directors and the Executive Board in the fulfilment of their duties by conducting an objective and independent assessment of the effectiveness of control and risk management processes."

Switzerland. Paulo Brügger has a banking degree and also qualified as a business administrator at the Kaderschule Zurich. He gathered his professional experience in various treasury roles at UBS and Bank Julius Baer.

Significant directorships
- No significant directorships

Dr Patrick Fürer
Dr Patrick Fürer took over as Head of Processing & IT at the Raiffeisen Group and became a Member of the Executive Board at the beginning of February 2007. Before joining the Raiffeisen Group he spent eight years in various functions at Westdeutsche Landesbank (WestLB) in Düsseldorf and London as COO and CEO of Investment Banking and Global Head Operations. Prior to this he worked for three years as Head of Management Office Trading & Sales in Risk Management at Union Bank of Switzerland, and for one year as Head of Financial Accounting & Controlling at Société General Bank & Trust in Zurich. After obtaining a doctorate (Dr. oec) from the University of St. Gallen, Dr Fürer began his career at Union Bank of Switzerland in Zurich and London, where over a two-year period he held various functions as project manager, project controller and Head of Controlling.

Significant directorships
- No significant directorships

Robert Signer
Robert Signer has worked for the Raiffeisen Group since 1965, apart from a two-year interlude with Neuenburger Kantonalbank. In 1970 he returned to Eastern Switzerland where he performed a variety of roles for Raiffeisen Switzerland. From 1976 until 1999 he was in charge of Raiffeisenbank Wil und Umgebung and from 1990 to 1999 he chaired the St. Galler Verband der Raiffeisenbanks. In 1995 he was elected to the Board of Directors of the Raiffeisen Group. He has been a Member of the Executive Board of the Raiffeisen Group and Head of Branches since 1999.

Significant directorships
- Member of the Board of Directors of realis ag
- Member of the Advisory Board of Olma Messen St. Gallen
- Member of the Management Board of the Landwirtschaftliche Kreditkasse und Bürgschaftsgenossenschaft of the canton of St. Gallen

Michael Auer
Michael Auer has headed up Human Resources Management since September 2001 and was appointed to the extended Executive Board of the Raiffeisen Group effective 1 January 2005. He graduated from the St. Gallen School of Economics and Business Administration and then became a regional head of training at the former Swiss Bank Corporation, moving on to take charge of the Logistics business area at the old St. Gallen location. Following the merger between Swiss Bank Corporation and UBS, he was made responsible for HR within the Corporate Clients business area. He set up on his own in 1999, developing an internet portal for human resources management issues with a group of other experts.

Significant directorships

- Member of the University Board of the Canton of St. Gallen
- Teaching mandates at the Universities of Applied Sciences of Zurich-Winterthur und St. Gallen
- Chair of the Swiss Bankers Association's Commission on human resources issues

Dr Beat Hodel

Dr Beat Hodel took over as Head of Group Risk Controlling at the Raiffeisen Group in June 2005 and was elected to the extended Executive Board at the same time. Before joining the Raiffeisen Group he was a partner in and Member of the extended Executive Board of COMIT Group. He integrated ABOVO Consulting, a company founded by him, into the COMIT Group at the start of 2004. He was previously a senior partner at Ernst & Young, initially as Head of Banking Advisory Switzerland and a Member of the Management Committee of ATAG Ernst & Young Consulting AG, then from 1999 as Head of Special Assurance & Advisory Services for financial services providers. After obtaining his doctorate in economics at the University of Fribourg, Dr Hodel began his career at Schweizerische Volksbank, where he performed various roles as a line manager in commercial banking.

Significant directorships

- No significant directorships

Organizational chart of Raiffeisen Switzerland

Board of Directors

- **Media Relations**
  Franz Würth
- **Chairman of the Executive Board**
  Dr Pierin Vincenz
- **General Secretariat**
  Pius Horner

Finance & Corporate Center
Barend Fruithof*

- **Accounting**
  Paolo Arnoffi
- **Controlling**
  Dr Michael Eidel
- **Group Risk Controlling**
  Dr Beat Hodel**
- **Credit Risk Management**
  Angelo Trivelli
- **Legal & Compliance**
  Roland Schaub
- **Corporate Development**
  Christian Gmünder
- **Banking Platform & Architecture**
  Damir Bogdan

Processing & IT
Dr Patrick Fürer*

- **Facility Management**
  Roland Hagen
- **IT Applications**
  Markus Freuler
- **IT Operations**
  Christian Lampert
- **IT Operations & Support**
  Thomas Hilgendorff
- **Processing**
  Olivier A. Oettinger

Market & Sales
Dr Patrik Gisel*

- **Products & Cooperation**
  Peter Frehner
- **Distribution**
  Adrian Töngi
- **Bank Relationship Management**
  Dr Stefan Haumüller
- **Corporate Clients**
  Hans Martin Albrecht
- **Brand & Communication**
  Robert Fuchs
- **Human Resources Management**
  Michael Auer**
- **Italian-speaking Switzerland Office**
  Romano Massera
- **French-speaking Switzerland Office**
  Alain Girardin
- **Raiffeisen-Leasing and Finanz. AG**
  Theodor Näscher

Central Bank
Paulo Brügger*

Trading & Sales
Werner Leuthard

Treasury
Thomas Brunhart

Business Engineering & Support
Marco Tagliaferro

Branches
Robert Signer*

St. Gallen Branch
Dieter Leopold

Grabs-Werdenberg Branch
Daniel Meier

Winterthur Branch
René Bentele

Basel Branch
Bruno Stiegeler

Zurich Branch
Andreas Breitenmoser

Berne Branch
Daniel Schmid

Thalwil Branch
Daniel Duca (autumn 2007)

Internal Auditing
Kurt Zobrist

Internal Auditing RB St. Gallen
Roland Meier

Internal Auditing RB Olten
Räto Willi

Internal Auditing RB Lausanne
Jean-Daniel Rossier

Internal Auditing RB Bellinzona
Katia Carobbio

Int. Auditing Raiffeisen Switzerland
Sergio Pesenti

Internal Auditing ICT
Oscar Albin

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

As at 1 March 2007

Auditor for the purposes of the Swiss Code of Obligations ▪ As part of the revision of the Swiss Code of Obligations and the creation of a new Audit Supervision Act, the Delegate Meeting of Raiffeisen Switzerland resolved in June 2006 to appoint PricewaterhouseCoopers as auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group in place of the Supervisory Boards with effect from financial year 2007. For Raiffeisen Switzerland, the mandate was applied retroactively for the 2006 accounting period. The auditor for the purposes of the Swiss code of obligations is appointed for a term of three years. The rights and obligations are governed by the provisions of the Swiss Code of Obligations.

Rights of codetermination

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

Raiffeisen banks ▪ Article 7 of the Articles of Association 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, and they require written authorization. Representatives from limited partnerships, collective associations or legal entities also require written authorization.

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

Calls for General Meetings, agenda: The Raiffeisen bank Board of Directors, or if necessary the Supervisory Board, calls the General Meeting a minimum of five days in advance. The invitation must be personally addressed in writing to members and include the agenda. The annual accounts and balance sheet must be made available in client areas at the same time.

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

Raiffeisen Switzerland ▪ The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the highest executive body of Raiffeisen Switzerland (for its composition, see ”Delegate Meeting” on page 74.)

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 appointed 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 will be debated further and a second vote held. If not enough candidates gain an absolute majority in an election, posts will be decided in a second round of voting, in which a relative majority will suffice. A resolution to amend the Articles of Association requires a two-thirds majority of the votes cast.

Calls for Delegate Meetings, agenda: The following must be observed when calling an Ordinary Delegate Meeting:

a) Five months in advance of the meeting: the date, location and time of the meeting and the dates of all stages in the procedure must be announced
b) 12 weeks before the meeting: applications to add items to the agenda must be submitted
c) Four weeks before the meeting: the agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

Change of control and defensive measures

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

Auditors

Raiffeisen banks ▪ PricewaterhouseCoopers AG has been the external auditor of the individual Raiffeisen banks since June 2005. It receives assistance from the Raiffeisen Group's Internal Auditing department for the audits of the Raiffeisen banks required by the Swiss Federal Banking Commission under Swiss banking law.

Raiffeisen Switzerland and Group companies ▪ PricewaterhouseCoopers AG in St. Gallen is the external auditor of Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Finanzierungs AG and Raiffeisen Leasing.

Raiffeisen Group ▪ PricewaterhouseCoopers AG, St. Gallen, is also responsible for auditing the consolidated annual accounts. Peter Ochsner has been the lead auditor since 2005 and is responsible for the mandate.

Audit fees ▪ The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling 15.5 million Swiss francs for audits under Swiss banking law and internal audits in the year under review.

In financial year 2006, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of 12.0 million Swiss francs for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law.

PricewaterhouseCoopers AG, Ernst & Young AG and KPMG Fides also invoiced the Raiffeisen Group 0.3 million Swiss francs for other advisory services.

Supervision and control of the external auditor ▪
The auditor PricewaterhouseCoopers AG fulfils the requirements of the Swiss Federal Banking Act and is licensed by the Swiss Federal Banking Commission to audit banking institutions. Each year, the Audit Committee assesses the performance, remuneration and independence of the external auditor and oversees their relationship with the Internal Auditing department.

Information policy

An open, active and transparent information policy is one of the guidelines within 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 website, annual reports, half-yearly reports and press conferences of the Raiffeisen Group. Employees also have the intranet and – from spring 2007 – the employee magazine as additional sources of information.

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

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

Publications

Fondsguide	Raiffeisen fund performance reports	monthly
Perspektiven	Economic and financial information for investors	monthly
Panorama	Stakeholder magazine	eight times a year
Raiffeisen Aktuell	Newsletter highlighting Raiffeisen products and services	three times a year
Annual Report	Business performance/ financial report/ corporate governance/ sustainability report	annually
Press releases	Latest information	as required

Press releases in 2006

10 Jan	Competition for young people: Discover the world
18 Jan	Hans Martin Albrecht moves to Raiffeisen
09 Feb	Raiffeisen and Vontobel launch innovative pension fund
01 Mar	Business performance 2005: Raiffeisen posts record results and sports new image
26 Apr	Raiffeisen launches the Capital Protection Maturity 2013
09 May	Raiffeisen Switzerland acts as its own lead manager for public bond issue
16 Jun	Raiffeisen Switzerland scales down its Board of Directors
17 Aug	Half-yearly report 2006: Raiffeisen beats prior-year results once again
01 Sep	Raiffeisen Futura Fonds – five years of success with sustainable equity and bond funds
08 Sep	Raiffeisen to launch credit card with no annual fee on 1 October
14 Sep	Raiffeisen adds mortgage insurance to its insurance offering
20 Sep	Raiffeisen Switzerland: a new name to go with the new image
02 Oct	Raiffeisen Switzerland recommends higher interest rates
25 Oct	Dr Patrick Fürer to join the Raiffeisen Executive Board from 1 February 2007
12 Dec	The Raiffeisen Group launches a new banking platform with Avaloq

Timetable for 2007

Annual results presented at balance sheet press conference	28 February
Annual Report 2006 published	Mid-April
Delegate Meeting in Solothurn	16 June
Half-yearly report presented	August

Contact

Raiffeisen Switzerland
Corporate Communications
Raiffeisenplatz
CH-9001 St. Gallen
Phone +41 71 225 94 41
Fax +41 71 225 86 50
E-mail: pr@raiffeisen.ch

Website www.raiffeisen.ch ■ The Raiffeisen website includes the following information and reports:

- Annual and half-yearly reports
- Press releases
- Information on the structure, executive bodies and business policy
- Details of Group companies and cooperations
- Information on products and services
- Links to the individual Raiffeisen banks
- Raiffeisen membership information

Samuele Malaguti, Financial Advisor, Raiffeisenbank Lugano. Commute from Pregassona to Lugano, around seven minutes by motorcycle. Same journey for five years. “Every day I notice something new on my way to work. I carry the strength I gain during the journey with me into the day.”


Kawasaki

Business trend The Raiffeisen Group presented recorded results for the sixth year in succession in 2006. A substantial rise in earnings across all areas of ordinary banking business as well as moderate cost trends led to a 9% increase in gross profit. Raiffeisen again significantly outperformed the market in its core business.

At a glance:

- *Raiffeisen recorded a sparkling result on all key measures.*
- *Since 2002, Raiffeisen has boosted group profit by a total of 53%.*
- *Interest business remains the main pillar of income.*
- *While continuing to pursue its expansion strategy, Raiffeisen slowed the rate of increase in operating expenditure.*
- *The Group's credit portfolio is on a solid footing thanks to a low level of risk, good diversification and a high risk capacity.*

Group profit was 654.7 million Swiss francs, a further solid increase of 7.6% on the previous year. Operating profit improved by 12.7% or 92.8 million Swiss francs thanks to the excellent result from banking operations and a very low level of value adjustments, provisions and losses. This also compensated for the absence of the extraordinary income earned in the previous year.

Raiffeisen Group increased its balance sheet total by 5.4% year-on-year to 114 billion Swiss francs. With mortgage lending up 5.1% to 88.2 billion Swiss francs, Raiffeisen significantly outstripped market growth. The Group outperformed the market even more strongly with regard to savings deposits, which grew by 0.5% to 62.3 billion Swiss francs in the face of a severely shrinking overall market (down around 4%). Favourable growth in the traditional savings business as well as in the dynamic securities and investment business resulted in the largest ever increase in client assets under management, which rose by 7.1 billion Swiss francs (+6.9%) to 109.6 billion Swiss francs.

The number of cooperative members rose by 4.7%, or 61,570 people, to reach a total of 1.37 million, further evidence of the considerable attractiveness of Raiffeisen's business model, which is geared towards fostering long-lasting client relationships.

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

Profit and loss account

Income from ordinary banking activities ▪ One of the main reasons for the Raiffeisen Group's continued excellent performance is the marked rise in income from its core business. Competition in the mortgage business has intensified further, and the pressure on interest margins remains high. Thanks to continuing growth in volumes – which outstripped the market in terms of loans to clients and, to an even greater extent, client monies – income from interest business repeated the growth of the previous year, rising by 5% to 1.8 billion Swiss francs. With a share of 82.5%, interest business remains Raiffeisen's most important source of income. The reinforced strategic initiatives to improve income diversification are beginning to pay off, however, as earnings from non-interest business are rising steadily.

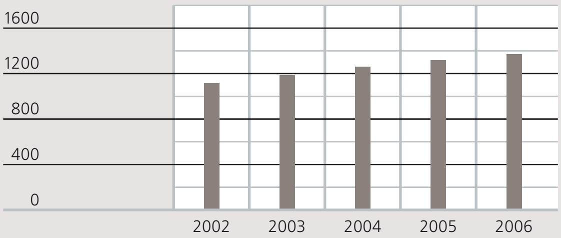
Income from commission business and service transactions (note 19) rose to 250.1 million Swiss francs, an increase of 15.2% or 33.1 million Swiss francs year-on-year. The increase was generated almost entirely in the securities and investment business. Favourable stock market sentiment, particularly in the second half of the year, led to higher transaction volumes and commensurately higher brokerage income. The successful launch of new investment products in cooperation with the Vontobel Group, as well as generally higher volumes in custody account and asset management business, triggered a sharp rise in portfolio-based commission income. Volumes jumped markedly once again in the other areas of service transactions business, especially in payment services. However, due to the additional costs resulting from the higher volumes, the overall result edged up only marginally compared with the previous year's figure.

The trend in Raiffeisen's trading activities (note 20) was generally favourable, with trading income rising by 11.6% year-on-year to 84.3 million Swiss francs. In particular, higher earnings from foreign currency trading (+6.7 million Swiss francs) and the positive result in fixed income trading contributed to this increase. Equities and fixed income trading activities also generated positive results. Trading in precious metals and foreign notes and coins was unable to wholly repeat the outstanding result achieved in the previous year.

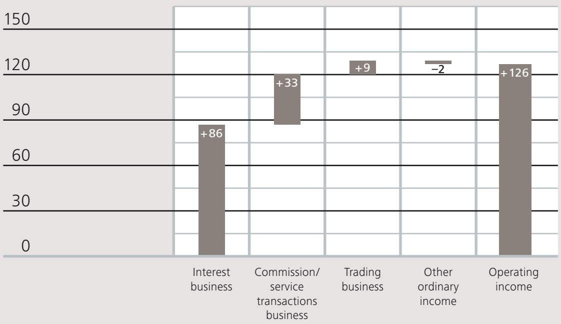
Raiffeisen reported a slight drop of 3.9% in its "Other ordinary result" to 47.5 million Swiss francs. On the one hand, the number of real estate holdings being taken over and subsequently resold due to non-performing loan positions has steadily declined due to the stable economic situation. On the other hand, rising expenditures for renovations led to a moderate decrease in income from real estate.

Operating income ▪ The Raiffeisen Group pursues a long-term-oriented growth strategy. In line with this strategic focus, for example, the Group outsourced securities administration to the Vontobel Group and began restructuring its IT infrastructure in the year under review. In particular, the changeover to a new banking platform (Avaloq) will have an impact over the next three years. Nevertheless, total operating expenditure (up 3.9% or 44.7 million Swiss francs) grew much more slowly in the year under review than in the two previous years (+8.3% in 2005 and

Growth in cooperative members
(in 1000)

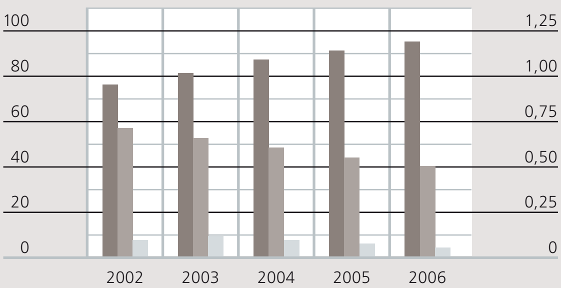


Change in 2006 operating income
(in CHF million)



Provisions for default risks 2002–2006

Loans to clients in CHF billion
Provisions for default risks in % of loans
Actual losses in % of loans



+10.0% in 2004). Personnel expenditure and operating expenditure both continued to grow, but at a slower rate.

Personnel expenditure: Personnel expenditure (note 22) rose 2.7% year-on-year (previous year: +7.4%) to 796 million Swiss francs. The higher personnel costs were attributable primarily to three factors. First, Raiffeisen Group created a total of 215 new full-time jobs in 2006. Second, there were individual salary adjustments of 2.5%. And third, total bonuses paid also increased due to the favourable business performance. With the initial application of the revised accounting and reporting recommendation Swiss GAAP FER 16, contributions to staff pension funds of 13.5 million Swiss francs were capitalized in the year under review and not charged to the profit and loss account.

Operating expenditure: Operating expenditure (note 23) increased by 6.1% (2005: +10.1%) or 23.5 million to 406.1 million Swiss francs. In addition to the large infrastructure projects mentioned above, other cost blocks were incurred that had a significant impact on operating expenditure. These related to general expenses in the area of marketing, particularly for client events and sports and cultural events sponsorship. One-time expenses in the "Occupancy costs" item also rose; this includes the cost of renovating client zones, updating security equipment and restructuring work in connection with the new Raiffeisen logo.

Depreciation on fixed assets: Depreciation on fixed assets increased by 14.9% from 127.8 million to 146.9 million

Swiss francs (note 4). Depreciation charges also rose in this position due to the substantially higher investment volumes for intangible assets. Other tangible fixed assets also contributed to the increase in depreciation expense.

Value adjustments, provisions and losses: As a result of the cautious lending policy pursued by Raiffeisen banks and the associated very low level of risk in the credit portfolio, the charges against the profit and loss account stemming from provisions and losses from lending business have for many years been very modest. In 2006, the very robust economic situation additionally helped to keep the requirement for new value adjustments down. The volume of value adjustments, provisions and losses declined massively versus the previous year, falling 73.1% to 11.4 million Swiss francs. Despite the renewed strong rise in the credit portfolio, value adjustments for default risks amounted to just 5.8 million Swiss francs (previous year: 31.4 million Swiss francs). The effective losses fell from 50.1 to 39.8 million Swiss francs, which corresponds to a 0.042% share of the total lending volume. While the credit portfolio has grown from 76 billion to more than 95 billion Swiss francs over the last five years, the proportion of provisions as a percentage of total loans has fallen continuously over the same period from 0.71% to the current level of 0.50%.

Extraordinary income: Extraordinary income benefited strongly from special factors in 2005. The higher valuation of the participations in cooperation partners Helvetia Holding AG and Vontobel Holding AG, as well as the proceeds from the sale of shares in cosba private banking AG, had a marked impact on extraordinary income, delivering additional earnings of 47.3 million Swiss francs. With the non-recurrence of this extraordinary income in 2006, the "Extraordinary income" item decreased by 86.9% to 7.1 million Swiss francs. This figure includes in particular price gains from participations amounting to 2 million Swiss francs.

Taxes: Tax expenditure (note 25) remained close to the year-back level at 168.8 million Swiss francs. As the tax rates for calculating deferred taxes declined, there was a drop relative to the reported net profit. Expenditure for effective levies in the form of direct taxes rose from 129.2 million to 144.7 million Swiss francs.

Balance sheet

The increase of 5.8 billion Swiss francs in the Raiffeisen Group's balance sheet total to 114 billion Swiss francs was due almost exclusively to the robust growth in client business. The other balance sheet items showed only marginal changes versus 2005.

Receivables from banks/liabilities to banks ▪ Raiffeisen succeeded in expanding its investor base for both short-term and long-term refinancing thanks to the favourable Aa2 rating assigned by Moody's. Volumes in interbank business increased compared with the previous year, rising by 1.2 billion Swiss francs on the assets side and 45.3 billion Swiss francs on the liabilities side as at 31 December 2006.

Loans to clients ▪ In expanding the mortgage business by 4.3 billion Swiss francs (previous year: 4.4 billion Swiss francs), the Raiffeisen Group delivered a very successful performance in its main business. The rate of growth once again significantly outstripped the sector average of around 4.2% and underscores Raiffeisen's competitiveness. Rising interest rates led to a renewed boost in demand for variable-term mortgages for the first time in years. The share of fixed-term mortgages dropped by nearly 1 percentage point to 65% in 2006. Receivables from clients recorded a modest increase of 1%.

Trading portfolios in securities and precious metals ▪ In order to benefit from the upswing on the financial markets, Raiffeisen built up its trading portfolio from 56.2 million to 140.6 million Swiss francs (note 2).

Financial assets ▪ Holdings of financial assets declined by 307.6 million to 2.5 billion Swiss francs in the year under review (note 2). Investments in first-class bonds, which are held for the purpose of maintaining the liquidity of the Raiffeisen Group as required by law, were intentionally reduced in order to shift into more advantageous short-dated bond investments due to the ongoing low level of interest rates.

Non-consolidated participations ▪ Major participations are reported on the balance sheet under non-consolidated participations in line with notes 3.2 and 3.3. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights. In the year under review, the Group raised its share of the equity capital of Helvetia Holding AG from 2.7% to 4%. The value of the participation in the Mortgage Bond Bank of the Swiss Mortgage Institutions was increased by 2.9 million Swiss francs in line with the equity method.

Tangible fixed assets/intangibles ▪ The Raiffeisen Group invested 191.5 million Swiss francs in tangible fixed assets in the year under review (previous year: 203.6 million Swiss francs). At the same time, investment volumes in bank buildings decreased. The book value of intangibles rose by 124.5% due to software investments amounting to 27.8 million Swiss francs.

Client monies ▪ The 5.6% increase in client monies (2005: 3.1%) to 88 million Swiss francs represents a dazzling result courtesy of the healthy state of the stock markets. Other liabilities to clients rose by 23% to 13.1 billion Swiss francs. The growth here is primarily attributable to the inflow of short-term investments, especially from larger institutional investors and public-sector institutions. Medium-term notes also registered another extremely strong rise of 17.6%. At first glance, the 0.5% rise in savings and investment deposits to 62.3 billion Swiss francs appears modest, but compared with the general market trend, which was characterized by more significant outflows, this figure can also be regarded as a very good result.

Bonds and mortgage bond loans ▪ The growth in client monies largely covered the increase in mortgage receivables. As a result, the amount of refinancing through bonds and mortgage bond loans rose by just 241 million Swiss francs.

Value adjustments and provisions ▪ "Value adjustments and provisions" (note 9) rose by 1.1% or 12.1 million Swiss francs. The ongoing reduction in value adjustments and provisions for default risks over recent years continued, with a further fall of 4.6% to 475.3 million Swiss francs. Provisions for deferred taxes were increased by 37 million Swiss francs to their current level of 610.4 million Swiss francs. This figure also includes deferred taxes for the first-time capitalization of employer contribution reserves of 13 million Swiss francs in line with Swiss GAAP FER 16.

Equity capital ■ Raiffeisen's success is anchored in a solid capital base. In addition to the increase of 32.7 million Swiss francs in paid-in cooperative capital, equity capital grew by 11.9% year-on-year to 6.7 billion Swiss francs as at the end of 2006 (note 10) thanks to the continuing strong formation of reserves and Group profit. As a result, the Group clearly exceeded the capital adequacy requirement under banking law by 106.4% (previous year: 94.3%) (note 26). Overall, equity capital has grown by 54% since 2002.

Off-balance-sheet business ■ Contingent liabilities rose by 30 million to 346.2 million Swiss francs. Raiffeisen Switzerland took on higher contingent liabilities as part of its central bank function.

The first-time reporting of the liability for deposit guarantees for client monies in line with the Swiss Federal Banking Act, amounting to 450 million Swiss francs, as well as the rise in unused limits and new mortgage and lending business already secured, led to an increase of 1.5 billion Swiss francs in irrevocable undertakings.

Following a 29.8% decline in contract volumes in 2005, more efficient asset and liability management in the interest rate hedging business in 2006 resulted in a strong rise in contract volumes for derivative financial instruments (note 17) of 82.2% to 43.5 billion Swiss francs.

Demand for fiduciary transactions improved by 40.9% or 66.9 million Swiss francs in 2006. Some two-thirds of the capital was invested in euro-denominated investments.

Custody account volumes ■ Raiffeisen sustainably and successfully expanded its range of investment products in the year under review. As in 2005, the structured products created in cooperation with the Vontobel Group enjoyed particularly robust demand. Overall, safe custody volumes managed by Raiffeisen grew by 15.9% (2005: 17.7%) to 32 billion Swiss francs. 20,000 new custody accounts were opened in 2006, increasing the total number of custody accounts to 322,000 (+6.5%).

Marianne Rechsteiner, Assistant to bank management, Raiffeisenbank Appenzeller Hinterland. Commute from 'Ufem Berg' (Herisau) to Herisau, around 10 to 15 minutes by bicycle. Same journey for four years. "I enjoy the fresh morning feeling, the unimpeded view of the mountains and the sunset in the evening."

Consolidated Balance Sheet as at 31 December 2006

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	1,137,871	1,139,567	-1,696	-0.1	11
Receivables from money market securities	10,633	10,846	-213	-2.0	11
Receivables from banks	11,371,840	10,129,717	1,242,123	12.3	6, 11
Receivables from clients	6,957,291	6,888,421	68,870	1.0	1, 11
Mortgage receivables	88,153,019	83,893,269	4,259,750	5.1	1, 6, 11
Loans to clients	**95,110,310**	**90,781,690**	**4,328,620**	**4.8**	
Trading portfolios in securities and precious metals	140,569	56,197	84,372	150.1	2, 11
Financial assets	2,547,072	2,854,680	-307,608	-10.8	2, 6, 11
Non-consolidated participations	399,787	358,131	41,656	11.6	2, 3, 4
Tangible fixed assets	1,662,445	1,631,071	31,374	1.9	4, 6
Intangibles	25,962	11,565	14,397	124.5	4
Accrued income and prepaid expenses	241,806	207,983	33,823	16.3	
Other assets	1,349,819	1,005,153	344,666	34.3	5
Total assets	**113,998,114**	**108,186,600**	**5,811,514**	**5.4**	**13, 14, 15**
Total subordinated receivables	–	–	–	–	
Total receivables from non-consolidated participations	907,954	503,551	404,403	80.3	
Liabilities					
Liabilities to banks	9,785,963	9,740,624	45,339	0.5	6, 11
Liabilities to clients in the form of savings and investment deposits	62,303,872	61,984,063	319,809	0.5	7, 11
Other liabilities to clients	13,066,734	10,625,246	2,441,488	23.0	7, 11
Medium-term notes	12,654,199	10,757,501	1,896,698	17.6	11
Client monies	**88,024,805**	**83,366,810**	**4,657,995**	**5.6**	
Bonds and mortgage bond loans	7,315,570	7,074,350	241,220	3.4	8, 11
Accrued expenses and deferred income	557,560	494,420	63,140	12.8	
Other liabilities	518,644	437,385	81,259	18.6	5
Value adjustments and provisions	1,109,486	1,097,369	12,117	1.1	9
Cooperative capital	428,394	395,662	32,732	8.3	
Retained earnings	5,602,949	4,971,729	631,220	12.7	
Group profit	654,743	608,251	46,492	7.6	
Total equity capital	**6,686,086**	**5,975,642**	**710,444**	**11.9**	**10**
Total liabilities	**113,998,114**	**108,186,600**	**5,811,514**	**5.4**	**13, 15**
Total subordinated commitments	–	–	–	–	
Total commitments towards non-consolidated participations	5,658,123	4,967,302	690,821	13.9	
– of which mortgage bond loans	4,945,750	4,304,350	641,400	14.9	
Off-balance-sheet business					
Contingent liabilities	346,170	316,348	29,822	9.4	1, 16
Irrevocable undertakings	2,172,219	719,576	1,452,643	201.9	1
Obligations to make payments and additional contributions	39,270	39,345	-75	-0.2	1
Derivative financial instruments					
Positive replacement values	161,041	113,291	47,750	42.1	17
Negative replacement values	77,527	135,597	-58,070	-42.8	17
Contract volume	43,480,690	23,863,768	19,616,922	82.2	17
Fiduciary business	230,339	163,470	66,869	40.9	18

Consolidated Profit and Loss Account 2006

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,117,898	2,860,629	257,269	9.0	
Interest and dividend income from financial assets	69,031	82,078	-13,047	-15.9	
Interest expenditure	-1,385,426	-1,226,843	-158,583	12.9	
Net interest income	**1,801,503**	**1,715,864**	**85,639**	**5.0**	
Commission income lending business	5,461	5,643	-182	-3.2	
Commission income securities and investment business	187,448	157,548	29,900	19.0	
Commission income other service transactions	128,482	121,640	6,842	5.6	
Commission expenditure	-71,333	-67,825	-3,508	5.2	
Net income from commission business and service transactions	**250,058**	**217,006**	**33,052**	**15.2**	**19**
Net trading income	**84,264**	**75,509**	**8,755**	**11.6**	**20**
Income from sale of financial assets	602	1,727	-1,125	-65.1	
Income from participating interests	23,905	24,100	-195	-0.8	21
Income from real estate	16,643	17,365	-722	-4.2	
Other ordinary income	7,390	7,051	339	4.8	
Other ordinary expenditure	-1,073	-858	-215	25.1	
Other ordinary result	**47,467**	**49,385**	**-1,918**	**-3.9**	
Operating income	**2,183,292**	**2,057,764**	**125,528**	**6.1**	
Personnel expenditure	-796,029	-774,809*	-21,220	2.7	22
Operating expenditure	-406,096	-382,592*	-23,504	6.1	23
Total operating expenditure	**-1,202,125**	**-1,157,401**	**-44,724**	**3.9**	
Gross profit	**981,167**	**900,363**	**80,804**	**9.0**	
Depreciation on fixed assets	-146,869	-127,770	-19,099	14.9	4
Value adjustments, provisions and losses	-11,407	-42,467	31,060	-73.1	
Operating profit (interim result)	**822,891**	**730,126**	**92,765**	**12.7**	
Extraordinary income	7,063	53,852	-46,789	-86.9	24
Extraordinary expenditure	-6,445	-6,693	248	-3.7	24
Taxes	-168,766	-169,034	268	-0.2	25
Group profit	**654,743**	**608,251**	**46,492**	**7.6**	

* The personnel costs for external employees in the operational IT business, which last year were included under "Operating expenditure", are now reported under "Personnel expenditure".

Cash Flow Statement 2006

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Group profit	654,743	–	608,251	–
Depreciation of fixed assets	146,869	–	127,770	–
Value adjustments and provisions	152,627	140,510	198,982	159,068
Prepaid expenses	–	33,823	–	3,757
Deferred income	63,140	–	23,140	–
Interest paid on share certificates for prior year	–	21,463	–	19,306
Balance	**821,583**	**–**	**776,012**	**–**
Cash flow from equity capital transactions				
Net change in equity capital	32,732	–	33,909	–
Participations valued by the equity method	–	–	17,407	–
First-time capitalization of employer contribution reserves in line with Swiss GAAP FER	44,432	–	–	–
Balance	**77,164**	**–**	**51,316**	**–**
Cash flow from investment activities				
Participations	6	42,254	54,166	64,765
Real estate	22,297	103,904	45,446	116,530
Other tangible fixed assets/objects in finance leasing	4,989	87,639	3,998	87,113
Intangibles	11	27,802	13	7,963
Balance	**–**	**234,296**	**–**	**172,748**
Cash flow from banking activities				
Liabilities to banks	45,339	–	–	1,261,743
Liabilities to clients in the form of savings and investment deposits	319,809	–	2,071,540	–
Other liabilities to clients	2,441,488	–	–	186,356
Medium-term notes	1,896,698	–	643,483	–
Bonds	549,820	950,000	–	200,000
Mortgage bond loans	1,199,900	558,500	925,200	542,850
Other liabilities	81,259	–	–	63,527
Receivables from money market securities	213	–	2,389	–
Receivables from banks	–	1,242,123	2,121,303	–
Receivables from clients	–	68,870	205,350	–
Mortgage receivables	–	4,259,750	–	4,421,690
Trading portfolio in securities and precious metals	–	84,372	–	36,546
Financial assets	307,608	–	41,092	–
Other receivables	–	344,666	–	71,336
Liquid funds	1,696	–	119,111	–
Balance	**–**	**664,451**	**–**	**654,580**
Total origin of funds	**898,747**	**–**	**827,328**	**–**
Total use of funds	**–**	**898,747**	**–**	**827,328**

Notes to the Consolidated Annual Accounts

Business activities

The 405 Raiffeisen banks in Switzerland, organized as co-operatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, investment funds and securities trading, leasing and consumer credit. These services are provided by Raiffeisen Switzerland, specialized companies within the Raiffeisen Group or cooperation partners.

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

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

As at 31 December 2006, the number of people employed by the Raiffeisen Group – on a full-time equivalent (FTE) basis – was 6,764 (previous year 6,549).

Risk management

Our risk management systems are based on the regulations entitled "Risk policy for Raiffeisen Switzerland and the Raiffeisen Group" ("Risk policy" for short). The aim of the risk policy is to limit negative impacts on earnings and protect the Raiffeisen Group from high exceptional losses while safeguarding and strengthening its good reputation. 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.

Risk management process ▪ The risk management process, based on the risk categories credit risks, market risks and operational risks, incorporates the following components:

- Risk identification
- Risk measurement and assessment
- Risk management, for which the designated risk managers are themselves responsible within the defined limits
- Risk limitation, through the setting of limits

Group Risk Controlling is responsible for ensuring that the risk policy is observed and implemented. Compliance ensures that regulatory provisions are adhered to.

Credit risks: The business units of the Raiffeisen Group – Raiffeisen banks, Raiffeisen Switzerland, Guarantee Cooperative, Raiffeisen Finanzierungs AG and Raiffeisen Leasing – manage their credit risk autonomously, though still in accordance with group-wide standards.

Credit risks are chiefly incurred at the Raiffeisen banks. The majority of these risks derive from loans granted to one or more individuals or business clients. Business clients are mostly small companies that operate within the locality of the Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans.

Group-wide standards based on the credit risk policy are applied in the assessment of creditworthiness and solvency. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal client rating procedures and monitored from a risk-oriented perspective. Creditworthiness is defined according to four risk categories, which are further refined using a points system. This system is flexible and has proved its worth over a number of years as a means of dealing with the key elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and individual value adjustments.

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, a realistic, carefully determined actual value is specified, while calculations for multi-family units are based on the capitalized value and, where applicable, on the weighted market value. The capitalized value is used as the benchmark for commercial property. With commercial property for own use, this is based on the borrower's earnings power, taking into account any third-party utility value that could be obtained on the market. Different repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also on hand to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

Thanks to our decentralized credit decision-making process and the extensive real estate expertise of the Raiffeisen banks in the context of their specific localities, the approval procedure based on risk-oriented authority levels is short. A prudent lending limit policy and an approval procedure geared to levels of responsibility are additional features of our credit risk management process.

Throughout the entire duration of the credit facility, receivables are monitored continuously and ratings updated on a periodic basis in line with the relevant client type and collateral type. In the case of unsecured receivables, a re-rating is performed within 12 months at the latest; the frequency for re-rating secured receivables depends on the type of collateral. The value of the collateral is reviewed at varying intervals according to its volatility on the market and the overall facility re-approved.

The standardized, group-wide guidelines concerning the recognition and release of individual value adjustments for default risks are set out in an internal directive. This stipulates how the liquidation value and individual value adjustments for any collateral that may exist should be calculated if there are indications that certain positions are impaired, non-performing or display a high number of rating points. Value adjustments and provisions are reviewed on a quarterly basis.

Credit risks arise at the Central Bank and Branches departments of Raiffeisen Switzerland in the form of counterparty risks from dealings with commercial banks as well as institutional, corporate and private clients. External ratings are used as a basis for approving and monitoring business with other banks. Off-balance-sheet items such as derivative financial instruments are converted by means of internal factors to their respective credit equivalent.

Raiffeisen Switzerland employs centralized credit portfolio management processes that enable it to monitor all possible default risks according to a range of criteria – e.g. category of borrower or loan, size of loan, rating points, sector, collateral type, loan products, country, region, value adjustments – and therefore be in a position to manage the various sub-portfolios. The Raiffeisen Group's credit portfolio enjoys broad diversification in terms of borrowers, regions and sectors.

Market risks: As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. Controlling maturity transformation and the resulting interest rate risk is therefore very important. Interest rate risk is managed by the Raiffeisen banks themselves within set guidelines (sensitivity limits) and by Raiffeisen Switzerland. Both have up-to-date tools at their disposal to perform the necessary sensitivity analyses. In addition, the banks can request specialist support from the Treasury of Raiffeisen Switzerland. The potential impact of interest rate risk on the Raiffeisen Group's market value and profitability is regularly assessed by means of sensitivity analyses and is included in risk reporting.

Liquidity risks are controlled using commercial criteria and monitored by Treasury in accordance with banking law.

Only Raiffeisen Switzerland keeps a trading book. Consequently, market risks such as equity price, interest rate and currency risks, as well as precious metals risks in trading portfolios, only arise at Raiffeisen Switzerland. Group Risk Controlling monitors the risks in the trading book on a daily basis.

Derivative financial instruments are traded only by experienced dealers at Raiffeisen Switzerland. The Trading & Sales department works with both standardized and over-the-counter (OTC) derivatives for its own and its clients' account. Its own positions in derivative financial instruments are held mainly for hedging purposes.

The capital adequacy requirements for market risks relating to the trading book are shown in the table opposite.

Capital adequacy requirements for market risks relating to the trading book

	31.12.2006 in 1000 CHF	Ø 2006 in 1000 CHF	31.12.2005 in 1000 CHF
Foreign exch./prec. metals	4,011	9,939	4,633
Interest rate instruments	29,845	25,336	31,544
Equities and indices	2,171	2,586	2,536
Total	**36,027**	**37,861**	**38,713**

Operational risks: At Raiffeisen, operational risk means the danger of financial or reputational loss arising from a deficiency or breakdown in internal processes, people or systems, or due to external events. Operational risks are managed via the respective line functions and monitored by Group Risk Controlling.

The Raiffeisen Group carries out annual assessments to monitor operational risks.

Operational risks are limited by means of internal controls, regulations, directives and work instructions and regularly checked by Internal Auditing. In some cases, external legal advisors are brought in to limit and control legal risks.

Compliance with capital adequacy, risk diversification and liquidity rules: According to a ruling by the Swiss Federal Banking Commission (SFBC) of 24 September 1997, the Raiffeisen banks are excused 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.

Outsourcing: The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). In the year under review the Raiffeisen Group also outsourced all its securities administration activities to the Vontobel Group. All outsourcing services are provided in accordance with the provisions of SFBC Circular 99/2.

The new capital adequacy and risk diversification rules came into force on 1 January 2007 with the implementation of the Basel II measures in Swiss law. The banks have until 31 December 2007 to comply with the new rules.

The Raiffeisen Group plans to carry out the changeover as of 30 June 2007; from this date it will calculate its capital adequacy requirements in line with the new rules and comply with the qualitative requirements.

It has decided to implement the Swiss standard approach for credit risks and the basic indicator approach for operational risks. It will continue to apply the already implemented standard approach for market risks. As the capital adequacy requirements for operational risks exceed 100 million Swiss francs, the same qualitative requirements applicable to banks that have opted for the standard approach also apply to the Raiffeisen Group with regard to operational risks.

Consolidation, accounting and valuation principles

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

Principles of consolidation ▪ *General:* The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland and the most significant Group companies, function as the parent company. Although it has a group-wide coordinating and controlling function and is responsible for both cash pooling and providing a safety net, from a legal point of view Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on them.

Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 405 Raiffeisen banks and the joint participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidation scope and method: The consolidated accounts of the Raiffeisen Group comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Finanzierungs AG and Raiffeisen Leasing.

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

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

Consolidation date: All fully consolidated companies close their annual accounts on 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 profit and loss account in accordance with the relevant valuation principles. Spot transactions that have been concluded but not yet settled are posted to the balance sheet on the trade date.

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

Liquid funds, amounts due from money market securities and borrowed funds: These are reported at the nominal value or acquisition cost. Discounts not yet earned on money market securities and discounts and premiums on the Group's own bond and mortgage bond issues are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables: These are reported at the nominal value. Interest income is reported on an accruals basis.

Receivables are deemed to be impaired where the Group believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired receivables – and any collateral that may exist – are valued on the basis of the liquidation value. Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realizable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realized, full provision is made for the unsecured portion.

Interest and related commission that have been due for more than 90 days and have still not been paid are deemed to be non-performing. Interest and commission relating to current account overdrafts are deemed to be non-performing if the specified overdraft limit is exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commission are no longer recognized as income but reported directly under "Value adjustments and provisions". A receivable is written off at the latest when completion of the realization process has been confirmed by legal title. However, impaired receivables are reinstated as fully performing (i.e. the value adjustment is reversed) if the outstanding principal amounts and interest are paid in time in accordance with the contractual obligations and additional creditworthiness criteria are fulfilled.

All value adjustments are reported under "Value adjustments and provisions".

All leased properties are reported under "Receivables from clients" in the balance sheet at their net present value. Amortization contained in leasing fees is set off directly against the book value of the leased property concerned.

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

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

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

Interest income from reverse repurchase transactions and interest expenditure from repurchase transactions are accrued over the term of the underlying transaction.

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

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

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

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

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

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

Real estate	maximum 66 years
Alterations and fixtures in rented premises	maximum 15 years
IT hardware	maximum 3 years
Furniture and fixtures	maximum 8 years
Other tangible fixed assets	maximum 5 years

Immaterial investments are booked directly to the profit and loss account.

Large-scale, value-enhancing renovations are capitalized, while repairs and maintenance are booked directly to the profit and loss account.

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

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

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

Software	maximum 3 years
Other intangible assets	maximum 3 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 amortized 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 22.6% (previous year 23%) was calculated on untaxed reserves and reported as a provision for deferred taxation.

Contingent liabilities, irrevocable undertakings, obligations to make payments and additional contributions: These are reported at their nominal value under "Off-balance-sheet business". Provisions are created for identifiable risks.

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

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

All Treasury hedging transactions are concluded via the trading book; as such, Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments by external counterparty" table in the notes under "Open derivative financial instruments" on pages 132/133).

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

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

Changes from prior year: There have been no material changes to the accounting and valuation principles.

Events after the balance sheet date: No material events occurred between the balance sheet date (31 December 2006) 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.

Franziska Lang, Head of Client Advisory Services, Raiffeisenbank Lucerne. Commute from Buochs in the canton of Nidwalden to Lucerne, around 30 minutes by car. Same journey for seven years. “The last few metres of my commute take me past the Lucerne Culture and Convention Center (KKL), and this opens up horizons for the whole day.”

Information on the Balance Sheet

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

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	2,194,393	671,756	4,091,142	6,957,291
Mortgage loans				
Residential property	81,099,860	–	152,037	81,251,897
Office and business premises	1,993,242	–	62,017	2,055,259
Trade and industry	1,933,668	–	55,624	1,989,292
Other	2,755,543	–	101,028	2,856,571
Total loans				
Current year	**89,976,706**	**671,756**	**4,461,848**	**95,110,310**
Prior year	85,596,554	487,120	4,698,016	90,781,690
Off-balance-sheet business				
Contingent liabilities	60,485	79,312	206,373	346,170
Irrevocable commitments	1,519,913	131,974	520,332	2,172,219
Call commitments and additional funding obligations	–	–	39,270	39,270
Total off-balance-sheet business				
Current year	**1,580,398**	**211,286**	**765,975**	**2,557,659**
Prior year	674,501	116,448	284,320	1,075,269

* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realization of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	**1,528,405**	**1,040,550**	**487,855**	**475,280**
Prior year	1,554,681	1,048,688	505,993	497,959

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolio in securities and precious metals		
Debt instruments		
stock exchange listed*	80,188	19,877
non-stock exchange listed	–	–
Shares	16,388	12,241
Precious metals	43,993	24,079
Total trading portfolio in securities and precious metals	**140,569**	**56,197**
of which securities for repo transactions in line with liquidity requirements (prior year: securities eligible for refinancing with central banks)	62,987	1,544

* stock exchange listed = traded on a recognized stock exchange

	Book value current year in 1000 CHF	Book value prior year in 1000 CHF	Fair value current year in 1000 CHF	Fair value prior year in 1000 CHF
Financial assets				
Debt instruments	2,441,547	2,741,634	2,447,045	2,800,629
of which intended to be held until maturity	2,441,547	2,741,634	2,447,045	2,800,629
of which valued at the lower of cost or market	–	–	–	–
Shares	31,557	31,537	35,279	32,883
Precious metals (positions to cover commitments from precious metal accounts)	39,797	43,195	39,797	43,305
Real estate	34,171	38,314	36,665	40,407
Total financial assets	**2,547,072**	**2,854,680**	**2,558,786**	**2,917,224**
of which securities for repo transactions in line with liquidity requirements (prior year: securities eligible for refinancing with central banks)	2,275,188	2,671,343	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	329,367	290,435
without a market value	70,420	67,696
Total non-consolidated participations	**399,787**	**358,131**

3 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Switzerland Cooperative	St. Gallen	Central bank, association services	320,000	100	100
Raiffeisen Guarantee Cooperative	St. Gallen	Guarantee Cooperative	37,696	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St. Gallen	Issuer	20,096	100	100
of which not paid up			20,096		
Raiffeisen Finanzierungs AG	St. Gallen	Finance company	5,000	100	100
Raiffeisen Leasing	St. Gallen	Leasing company	2,566	100	100
Raiffeisen Informatik AG	Dietikon	IT services	–	–	100
3.2 Holdings valued according to the equity method					
Mortgage Bond Bank of the Swiss Mortgage Institutions	Zurich	Mortgage bond bank	300,000	20.8	20.8
of which not paid up			189,000		
3.3 Other non-consolidated participations					
Viseca Card Services SA	Zurich	Financial services	20,000	19.0	19.0
Vontobel Holding AG	Zurich	Financial services	65,000	12.5	12.5
Telekurs Holding AG	Zurich	Financial services	45,000	4.0	4.0
Helvetia Holding AG	St. Gallen	Financial services	86,529	4.0	2.7

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative depreci- ation/amor- tization in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/ reclassifi- cations in 1000 CHF	Current year investment in 1000 CHF	Current year disinvestment in 1000 CHF	Current year depreci- ation/amor- tization in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations								
Holdings valued according to the equity method	25,849	25,537	51,386	–	2,853[1]	–	–	54,239
Other holdings	320,386	-13,641	306,745	–	39,401[2]	-6	-592	345,548
Total non-consolidated participations	**346,235**	**11,896**	**358,131**	**–**	**42,254**	**-6**	**-592**	**399,787**
Tangible fixed assets								
Real estate								
Bank buildings	1,406,158	-267,608	1,138,550	-15,729	81,476	-14,866	-29,758	1,159,673
Other real estate	291,301	-67,940	223,361	5,384	22,428	-7,431	-7,680	236,062
Other tangible fixed assets	754,691	-506,560	248,131	10,378	87,639	-4,989	-95,162	245,997
Objects in finance leasing	23,055	-2,026	21,029	-33	–	–	-283	20,713
Total tangibles	**2,475,205**	**-844,134**	**1,631,071**	**–**	**191,543**	**-27,286**	**-132,883**	**1,662,445**
Intangibles								
Other intangibles	48,787	-37,222	11,565	–	27,802	-11	-13,394	25,962
Total intangibles	**48,787**	**-37,222**	**11,565**	**–**	**27,802**	**-11**	**-13,394**	**25,962**

1) Revaluation of participations valued according to the equity method

2) Price gains from participations of 2 million Swiss francs are included in the investments; these have been booked as extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	1,715,546
Value of other tangible fixed assets for fire insurance purposes	711,684
Liabilities: future leasing instalments from operational leasing	25

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	161,041	113,291
Coupons and debt instruments	–	734
Clearing accounts for social security and staff pension fund contributions	42,693	40,755
Clearing accounts for indirect taxes	1,052,334	834,203
Other clearing accounts	14,142	4,257
Employer contribution reserves with pension schemes	71,793	–
Miscellaneous other assets	7,816	11,913
Total other assets	**1,349,819**	**1,005,153**
Other liabilities		
Total replacement value	77,527	135,597
Equalization account	132,576	34,494
Due, unredeemed coupons and debt instruments	32,347	32,763
Levies, indirect taxes	182,872	167,360
Clearing accounts for social security and staff pension fund contributions	60,182	54,035
Other clearing accounts	25,316	5,813
Miscellaneous other liabilities	7,824	7,323
Total other liabilities	**518,644**	**437,385**

* first-time recognition in accordance with Swiss GAAP FER 16

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

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Mortgage receivables	6,683,749	5,094,123	5,904,406	4,433,481
Financial assets	1,139,010	510,860	1,298,024	903,498
Tangible fixed assets	22,713	10,864	24,856	13,141
Total pledged assets	**7,845,472**	**5,615,847**	**7,227,286**	**5,350,120**

6.2 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	7,205,255	6,737,225
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	3,416,768	4,373,523
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	513,988	903,498
for which the right to resell or pledge without restriction was granted	513,988	903,498
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repo transactions and which can be repledged or resold without restriction	7,358,645	6,833,076
of which repledged or resold securities	2,963,697	3,472,003

7 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Liabilities to clients in the form of savings and investment deposits	71,229	55,271
Other liabilities to clients	38,041	66,680
Total liabilities to own social insurance institutions	**109,270**	**121,951**

The retirement benefit schemes of the Raiffeisen Group

Practically all employees of the Raiffeisen Group are covered by the pension fund and pension plan of the Swiss Union of Raiffeisen Banks (SURB). The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 60 with a corresponding reduction in benefits. The pension fund of the SURB covers at least the mandatory benefits under Swiss occupational pension law. The pension plan of the SURB exclusively covers supplementary benefits.

The financing foundation for SURB employee benefits manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

16 Raiffeisen banks (prior year: 16) are insured outside the retirement benefit schemes of Raiffeisen Switzerland (other collective foundations, collective insurance contracts etc.)

Employer contribution reserves

Employer contribution reserves exist with the pension plan of the SURB (PP), the financing foundation for SURB employee benefits (FF) and with pension schemes outside the Raiffeisen Group (other).

	Current year PP in 1000 CHF	FF in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF	Prior year PP in 1000 CHF	FF in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF
As at 1 January	1,500	55,454	437	57,391	1,500	66,906	393	68,799
+ Deposits	–	18,462	131	18,593	–	17,148	42	17,190
– Withdrawals	–	-5,073	-12	-5,085	–	-29,249	-2	-29,251
Transfers/reclassifications[1]	-1,500	1,500	–	–	–	–	–	–
+ Interest paid[2]	–	886	8	894	–	649	4	653
As at 31 December	**–**	**71,229**	**564**	**71,793**	**1,500**	**55,454**	**437**	**57,391**

1) The employer contribution reserve of Raiffeisen Switzerland with the pension plan of the SURB was transferred to the financing foundation for SURB employee benefits.

2) Interest paid on the employer contribution reserve is recorded as interest income under "Other ordinary income".

The employer contribution reserves correspond to the nominal value as calculated by the pension scheme. The individual employer contribution reserves of the affiliated companies cannot be offset against each other.

The balance of the employer contribution reserves is recorded in the balance sheet under "Other assets". The employer contribution reserves are subject neither to waiver of use (conditional or unconditional) nor to other necessary value adjustments. Any discounting effect is not considered.

Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual accounts (in accordance with Swiss GAAP FER 26) of the pension schemes of Raiffeisen Switzerland, the coverage ratio is:

	on 31.12.2006 in %	on 31.12.2005 in %
Pension fund of the SURB	110.9	106.6
Pension plan of the SURB	111.7	111.0

The fluctuation reserves of the pension schemes of Raiffeisen Switzerland reached the level laid down by the regulator in the year under review, resulting in moderate surplus cover as defined by Swiss GAAP FER 16. The Board of Directors of Raiffeisen Switzerland anticipates that even with the moderate surplus cover as defined by Swiss GAAP FER 16 there will be no economic benefit for the affiliated companies for the time being. None of the pension schemes has insufficient cover. Accordingly, neither an economic benefit nor an economic obligation arises for the affiliated employers for which allowance would have to be made in the balance sheet and the profit and loss account.

Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year[3] in 1000 CHF
Pension expenditure according to separate financial statements	65,263	66,022
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-13,508	12,061
Employer contributions reported on an accruals basis	**51,755**	**78,083**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension schemes	–	–
Pension expenditure of the Raiffeisen Group (see note 22 "Personnel expenditure")	**51,755**	**78,083**

3) Prior-year expenditure includes a one-off employer's contribution of 31,772,944 Swiss francs to protect vested rights in connection with the change in the pension fund of the SURB from a defined benefit to a defined contribution scheme. Of this amount, the financing foundation for SURB employee benefits paid 21,912,040 Swiss francs.

As there are no shortfalls in cover and no further measures to restructure the pension schemes are planned, no exceptional contributions need to be made for such cases. As part of the initial application of Swiss GAAP FER 16 as revised, the initial position as at 1 January 2006 of 57,391,043 Swiss francs of the employer contribution reserves recognized as assets, minus provisions for deferred taxes of 12,959,185, was recorded openly above the equity capital.

8 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of Raiffeisen Switzerland					
	1999	3.250	27.05.2009		250,000
	2001/02	4.000	02.02.2011		600,000
	2004	1.400	19.02.2007		70,000
	2004	3.000	05.05.2014		400,000
	2006	3.125	30.05.2016		549,820
Total bonds of Raiffeisen Switzerland					**1,869,820**
Bonds of the Central Issuing Office of the Swiss Raiffeisen Banks					
	1997	4.250	05.02.2007		100,000
	1997	4.000	30.05.2007		100,000
	1997	4.125	20.11.2007		100,000
	1998	3.250	31.03.2008		200,000
Total bonds of the Central Issuing Office of the Swiss Raiffeisen Banks					**500,000**
Mortgage bond loans					
	var.	2.923	var.		4,945,750
Total mortgage bond loans					**4,945,750**
Total outstanding bonds and mortgage bond loans					**7,315,570**

9 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against P & L in 1000 CHF	Reversal of provisions against P & L in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	573,329	–	–	47,767*	-10,719	610,377
Value adjustments and provisions for default risks (del credere and country risk)	497,959	-35,903	7,454	103,577	-97,807	475,280
Value adjustments and provisions for other business risks	26,081	-3,793	–	4,548	-3,007	23,829
of which provisions for restructuring costs[2]	4,039	-1,910	–	–	-1,923	206
Total value adjustments and provisions	**1,097,369**	**-39,696**	**7,454**	**155,892**	**-111,533**	**1,109,486**

* of which 13 million Swiss francs from the first-time capitalization of employer contribution reserves on retained earnings

10 Evidence of equity capital

	Number of members	Nom. amount/share	in 1000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,309,537	–	269,351
Cooperative capital without additional funding obligation*			126,311
Total equity capital	**1,309,537**	**–**	**395,662**
Retained earnings			5,579,980
Total equity capital at the beginning of the year (before approp. of profits)	**1,309,537**	**–**	**5,975,642**
+ Payments from new cooperative members (with additional funding obligation)	98,033	200	19,607
	227	300	68
	305	400	122
	2,114	500	1,057
+ Payment of cooperative shares without additional funding obligation			23,196
+ Payment through increase in nominal capital			1,397
Total payments from new cooperative members	**100,679**	**–**	**45,447**
– Repayments to departing cooperative members	-38,193	200	-7,639
(with additional funding obligation)	-119	300	-36
	-88	400	-35
	-709	500	-354
– Payments through increase in nominal capital			-4,651
Total repayments for departing cooperative members	**-39,109**	**–**	**-12,715**
+ First-time capitalization of employer contribution reserves in line with Swiss GAAP FER 16			44,432
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-21,463
+ Group profit in the current year			654,743
Total equity capital at the end of the current year (before approp. of profits)	**1,371,107**	**–**	**6,686,086**
of which cooperative capital with additional funding obligation	1,335,232	200	267,046
	5,017	300	1,505
	4,433	400	1,773
	26,425	500	13,213
of which cooperative capital without additional funding obligation			144,857
Total cooperative capital at the end of the current year	**1,371,107**	**–**	**428,394**
of which retained earnings			5,602,949
of which Group profit			654,743
Additional funding obligation of the cooperative members			**10,968,856**

* Only those cooperative members who have a share certificate with additional funding obligation may subscribe to cooperative capital without additional funding obligation. To avoid double counting, the number of members is shown only under the position “Cooperative capital with additional funding obligation”.

Non-distributable statutory or legal reserves (in accordance with Swiss GAAP FER 24 section 11) based on separate financial statements at 31 December 2006: 2,007,541,000 Swiss francs (prior year 1,876,533,000 Swiss francs).

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

11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,137,871	–	–	–	–	–	1,137,871
Receivables from money market sec.	10,633	–	–	–	–	–	10,633
Receivables from banks	828,529	–	9,051,938	1,176,373	315,000	–	11,371,840
Receivables from clients	176,125	3,643,965	304,820	675,568	1,768,217	388,596	6,957,291
Mortgage receivables	48,836	30,328,853	3,598,951	9,849,711	37,668,133	6,658,535	88,153,019
Trading portfolios in securities and precious metals	140,569	–	–	–	–	–	140,569
Financial assets*	94,817	–	170,450	315,970	1,731,294	234,541	2,547,072
Total current assets							
Current year	**2,437,380**	**33,972,818**	**13,126,159**	**12,017,622**	**41,482,644**	**7,281,672**	**110,318,295**
Prior year	2,212,199	31,642,048	11,449,201	12,470,654	42,618,336	4,580,259	104,972,697
Outside debt							
Liabilities to banks	1,674,771	–	3,912,153	1,157,790	2,796,249	245,000	9,785,963
Liabilities to clients in the form of savings and investment deposits	–	62,303,872	–	–	–	–	62,303,872
Other liabilities to clients	5,964,171	64,889	3,467,648	1,915,767	1,242,263	411,996	13,066,734
Medium-term notes	–	–	766,399	1,893,736	9,216,669	777,395	12,654,199
Bonds and mortgage bond loans	–	–	653,300	319,400	3,162,450	3,180,420	7,315,570
Total outside debt							
Current year	**7,638,942**	**62,368,761**	**8,799,500**	**5,286,693**	**16,417,631**	**4,614,811**	**105,126,338**
Prior year	6,985,735	62,048,771	8,406,795	4,494,096	14,047,706	4,198,681	100,181,784

* The financial assets include 34,171,000 Swiss francs of real estate (prior year 38,314,000 Swiss francs).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors of Raiffeisen Switzerland*	8,477	15,843
Members of the Executive Board of Raiffeisen Switzerland	13,838	9,975
Total loans to executive bodies and employees	**22,315**	**25,818**

* prior year incl. members of the Supervisory Board of Raiffeisen Switzerland

12.2 Transactions with associated persons

The same procedures regarding processing and supervision apply to loans to executive bodies as to other loans. The same conditions apply to members of the Board of Directors as to clients. The Bank’s management enjoys the same industry-standard preferential terms as other personnel.

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	1,134,437	3,434	1,136,758	2,809
Receivables from money market securities	10,633	–	10,846	–
Receivables from banks	2,486,105	8,885,735	2,783,519	7,346,198
Receivables from clients	6,922,427	34,864	6,857,525	30,896
Mortgage receivables	88,153,019	–	83,893,269	–
Trading portfolio in securities and precious metals	116,638	23,931	34,724	21,473
Financial assets	2,366,000	181,072	2,785,996	68,684
Non-consolidated participations	395,875	3,912	354,469	3,662
Tangible fixed assets	1,662,445	–	1,631,071	–
Intangibles	25,962	–	11,565	–
Accrued income and prepaid expenses	241,806	–	207,983	–
Other assets	1,349,819	–	1,005,153	–
Total assets	**104,865,166**	**9,132,948**	**100,712,878**	**7,473,722**
Liabilities				
Liabilities to banks	4,796,192	4,989,771	5,865,115	3,875,509
Liabilities to clients in the form of savings and investment deposits	61,000,658	1,303,214	60,771,235	1,212,828
Other liabilities to clients	12,784,811	281,923	10,375,698	249,548
Medium-term notes	12,654,199	–	10,757,501	–
Bonds and mortgage bond loans	7,315,570	–	7,074,350	–
Accrued expenses and deferred income	557,560	–	494,420	–
Other liabilities	518,644	–	437,385	–
Value adjustments and provisions	1,109,486	–	1,097,369	–
Cooperative capital	428,394	–	395,662	–
Retained earnings	5,602,949	–	4,971,729	–
Group profit	654,743	–	608,251	–
Total liabilities	**107,423,206**	**6,574,908**	**102,848,715**	**5,337,885**

14 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Switzerland	104,865,166	91.99	100,712,878	93.09
Rest of Europe	8,941,014	7.84	7,358,244	6.80
Rest of world (America, Asia, Oceania, Africa)	191,934	0.17	115,478	0.11
Total assets	**113,998,114**	**100.00**	**108,186,600**	**100.00**

15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	977,924	124,509	10,184	25,254	1,137,871
Receivables from money market securities	9,581	768	142	142	10,633
Receivables from banks	8,301,521	1,927,499	1,078,656	64,164	11,371,840
Receivables from clients	6,922,310	30,807	3,715	459	6,957,291
Mortgage receivables	88,153,019	–	–	–	88,153,019
Trading portfolio in securities and precious metals	94,221	2,355	–	43,993	140,569
Financial assets	2,505,251	805	1,219	39,797	2,547,072
Participations	396,095	3,692	–	–	399,787
Tangible fixed assets	1,662,445	–	–	–	1,662,445
Intangibles	25,962	–	–	–	25,962
Accrued income and prepaid expenses	241,806	–	–	–	241,806
Other assets	1,349,819	–	–	–	1,349,819
Total assets reflected in the balance sheet	**110,639,954**	**2,090,435**	**1,093,916**	**173,809**	**113,998,114**
Delivery claims under spot exchange, forward exchange and currency option contracts	309,353	363,024	158,052	46,395	876,824
Total assets	**110,949,307**	**2,453,459**	**1,251,968**	**220,204**	**114,874,938**
Liabilities					
Liabilities to banks	7,509,863	1,308,831	962,257	5,012	9,785,963
Liabilities to clients in the form of savings and investment deposits	62,046,080	257,792	–	–	62,303,872
Other liabilities to clients	12,266,560	559,802	126,350	114,022	13,066,734
Medium-term notes	12,654,199	–	–	–	12,654,199
Bonds and mortgage bond loans	7,315,570	–	–	–	7,315,570
Accrued expenses and deferred income	557,560	–	–	–	557,560
Other liabilities	518,644	–	–	–	518,644
Value adjustments and provisions	1,109,486	–	–	–	1,109,486
Cooperative capital	428,394	–	–	–	428,394
Retained earnings	5,602,949	–	–	–	5,602,949
Group profit	654,743	–	–	–	654,743
Total liabilities reflected in the balance sheet	**110,664,048**	**2,126,425**	**1,088,607**	**119,034**	**113,998,114**
Delivery obligations under spot exchange, forward exchange and currency option contracts	453,021	220,240	157,646	45,917	876,824
Total liabilities	**111,117,069**	**2,346,665**	**1,246,253**	**164,951**	**114,874,938**
Net position per currency	**-167,762**	**106,794**	**5,715**	**55,253**	**–**

	31.12.2006	31.12.2005
Foreign currency conversion rates		
EUR	1.608	1.557
USD	1.221	1.312

Anne-Françoise Morel, Vice-Director, Raiffeisenbank Arve et Lac in Chêne-Bourg.
Commute from Jussy to Chêne-Bourg, around 20 minutes by car. Same journey for 19 years.
"Every day, the journey marks the transition from my job as a wife and mother to my job as a vice-director at Raiffeisen."

Information on Off-Balance-Sheet Business

16 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	157,238	142,100
Warranty bonds	62,235	63,888
Other contingent liabilities	126,697	110,360
Total contingent liabilities	**346,170**	**316,348**

17 Open derivative financial instruments

17.1 Trading instruments with internal and external counterparties

	Positive contract replace-ment value in 1000 CHF	Negative contract replace-ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Futures contracts incl. FRAs	470	395	10,625,000	–	–	10,625,000
Swaps	179,023	181,543	17,092,000	17,785,500	6,073,000	40,950,500
Futures	–	–	2,507,723	494,538	–	3,002,261
Options (OTC)	605	897	105,606	157,535	5,010	268,151
Foreign currencies						
Futures contracts	8,806	8,799	800,406	–	–	800,406
Comb. interest rate/currency swaps	4,950	4,923	–	287,440	–	287,440
Precious metals						
Futures contracts	804	733	86,938	–	–	86,938
Equity securities and indices						
Options (traded)	6,953	–	39,243	–	–	39,243
Total						
Current year	**201,611**	**197,291**	**31,265,916**	**18,725,013**	**6,078,010**	**56,059,938**
Prior year	205,767	209,839	12,813,945	17,677,191	4,426,288	34,917,424

17.2 Hedging instruments with internal counterparties

	Positive contract replace-ment value in 1000 CHF	Negative contract replace-ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	114,841	40,570	1,800,000	7,885,000	2,750,000	12,435,000
Foreign currencies						
Forward contracts	4,923	–	–	144,249	–	144,249
Total						
Current year	**119,764**	**40,570**	**1,800,000**	**8,029,249**	**2,750,000**	**12,579,249**
Prior year	74,242	92,476	1,758,434	7,369,013	1,926,209	11,053,656

17.3 Derivative financial instruments by external counterparty

	Positive contract replace-ment value in 1000 CHF	Negative contract replace-ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	157,618	68,492	26,460,114	10,095,691	3,323,000	39,878,805
Clients	3,423	9,035	489,078	105,535	5,010	599,624
Stock exchanges	–	–	2,507,723	494,538	–	3,002,261
Total						
Current year	**161,041**	**77,527**	**29,456,916**	**10,695,764**	**3,328,010**	**43,480,690**
Prior year	113,291	135,597	11,055,511	10,308,178	2,500,079	23,863,768

No netting contracts were used.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 99.8% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

18 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	25,534	153,935	39,326	11,544	230,339
Total fiduciary transactions	**25,534**	**153,935**	**39,326**	**11,544**	**230,339**
Prior year	6,933	111,047	36,012	9,479	163,470

Martin P. Rittiner, Director, Raiffeisenbank Simplon. Commute through the small mountain village of Simplon, around 10 minutes on foot. Same journey for 24 years. "I enjoy the closeness, the idyllic rural setting and the opportunity to chat to my clients."

Information on the Profit and Loss Account

19 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
Commission income		
Commission income from lending business	5,461	5,643
Commission income from securities and investment business		
Fund business	72,648	60,110
Custody account business	36,551	32,279
Brokerage	63,123	48,184
Other securities and investment business	15,126	16,975
Commission income from other service transactions		
Payments	81,380	78,929
Account maintenance	28,874	26,618
Other service transactions	18,228	16,093
Total commission income	**321,391**	**284,831**
Commission expenditure		
Securities business	-16,365	-12,974
Payments	-43,741	-46,210
Other commission expenditure	-11,227	-8,641
Total commission expenditure	**-71,333**	**-67,825**
Total net income from commission business and service transactions	**250,058**	**217,006**

20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	37,829	31,134
Precious metal and foreign notes and coins trading	36,164	43,029
Equities trading	9,604	7,849
Fixed income trading	667	-6,503
Total net trading income	**84,264**	**75,509**

21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	3,974	4,016
Other non-consolidated holdings	19,931	20,084
Total income from participating interests	**23,905**	**24,100**

22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	19,763	19,580
Salaries and bonuses for staff	642,822	612,950[1]
AHV, IV, ALV and other statutory contributions	59,769	56,820
Contributions to staff pension funds	51,755[2]	66,022
Ancillary staff expenses	21,920	19,437
Total personnel expenditure	**796,029**	**774,809**

1) Prior year: The personnel costs for external employees in the operational IT business included under "Operating expenditure" are now reported under "Salaries and bonuses for staff".
2) Current year: First-time capitalization of changes in employer contribution reserves in line with Swiss GAAP FER 16 (for detailed information see note 7 and the table entitled "Pension expenditure with significant influencing factors")

23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	67,225	61,487
Cost of computer equipment, machinery, furniture, vehicles and other equipment	102,126	110,554[3]
Other operating expenditure	236,745	210,551
Total operating expenditure	**406,096**	**382,592**

3) The personnel costs for external employees in the operational IT business, which last year were included under "Cost of computer equipment, machinery, furniture, vehicles and other equipment", are now reported under "Personnel expenditure".

24 Extraordinary income and expenditure

Current year

The extraordinary income of 7.1 million Swiss francs includes price gains from non-consolidated participations of 2 million Swiss francs and profits from the sale of tangible fixed assets of 1.7 million Swiss francs.

The extraordinary expenditure of 6.4 million Swiss francs includes losses from the sale of tangible fixed assets of 2.5 million Swiss francs.

Prior year

The extraordinary income of 53.9 million Swiss francs includes price gains from non-consolidated participations of 35.6 million Swiss francs, the proceeds from the sale of a holding of 11.7 million Swiss francs and profits from the sale of tangible fixed assets of 3 million Swiss francs.

The extraordinary expenditure of 6.7 million Swiss francs includes losses from the sale of tangible fixed assets of 4 million Swiss francs.

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Formation of provisions for deferred taxes	24,089	39,805
Expenditure for current income tax	144,677	129,229
Total tax expenditure	**168,766**	**169,034**

26 Calculation of mandatory capital

	Current year nominal in 1000 CHF	Current year risk-weighted positions in 1000 CHF	Prior year nominal in 1000 CHF	Prior year risk-weighted positions in 1000 CHF
Mandatory capital				
Direct assets requiring equity backing				
Receivables from banks	11,371,840	1,129,335	10,129,717	849,972
Receivables from clients	6,957,291	3,551,913	6,888,421	3,355,432
Mortgage receivables	88,153,019	45,967,830	83,893,269	43,899,528
Real estate in financial assets	34,171	128,141	38,314	143,678
Tangible fixed assets/intangibles	1,688,407	5,535,941	1,642,636	5,359,779
Accrued income and prepaid expenses	241,806	195,961	207,983	191,778
Other assets, total replacement value	161,041	99,980	113,292	68,285
Other assets, miscellaneous	1,188,778	103,982	891,862	58,308
Indirect assets requiring equity backing				
Net positions outside trading book	2,488,671	659,456	2,789,313	660,219
Market risk positions	–	626,985	–	620,346
Deductible liabilities				
Deductible provisions in the liabilities	-475,280	-356,460	-497,959	-373,469
Off-balance-sheet transactions				
Contingent liabilities	346,170	299,355	316,348	202,704
Irrevocable commitments	96,096	126,587	39,345	98,362
Add-ons for forward contracts and options purchased	–	77,487	–	63,794
Total risk-weighted positions		**58,146,494**		**55,198,716**
Mandatory capital (8% of risk-weighted positions)		**4,651,720**		**4,415,897**
Available capital				
Eligible core capital		6,662,585		5,954,214
Eligible supplementary capital		3,331,293		2,977,107
./. Participations in the financial area		-394,853		-352,835
Total allowable capital		**9,599,025**		**8,578,486**
Equity surplus		4,947,305		4,162,589
Equity cover		206.4%		194.3%
Tier 1 ratio		11.5%		10.8%
Tier 2 ratio		16.5%		15.5%

Auditing report for the Raiffeisen Group's consolidated annual accounts to the Board of Directors of the Raiffeisen Switzerland Cooperative, St. Gallen

We have audited the consolidated financial statements as contained on pages 100 to 138 (consolidated balance sheet, consolidated profit and loss account, statement of cash flows and notes) for the year ended on 31 December 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting principles applicable to banks and comply with Swiss law.

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

PricewaterhouseCoopers AG
Peter Ochsner   Beat Rütsche
Auditor in charge

St. Gallen, 26 March 2007

Claudio Rossit, Head of the Neuchâtel-La Maladière Branch, Raiffeisenbank du Vignoble. Commute from La Chaux-de-Fonds to Neuchâtel, 40 minutes by train and bus. Same journey since November 2006. "I use the travel time to prepare for the day ahead, familiarizing myself with the wide range of client contacts and their differing needs."


11 Maladière → Piscines

Group companies compared

	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year in CHF m	Prior year in CHF m	Current year[1] in CHF m	Prior year in CHF m	Current year in CHF m	Prior year[2] in CHF m	Current year in CHF m	Prior year in CHF m	Current year in CHF m	Prior year in CHF m
Profit and loss account										
Net interest income	1,668	1,597	111	103	16	12	7	4	1,802	1,716
Net income from commission business and service transactions	175	144	77	71	1	2	-3	–	250	217
Net trading income	56	51	28	25	–	–	–	–	84	76
Other ordinary result	11	-9	239	173	–	184	-203	-299	47	49
Operating income	**1,910**	**1,783**	**455**	**372**	**17**	**198**	**-199**	**-295**	**2,183**	**2,058**
Personnel expenditure	-582	-551	-231	-147	-3	-116[3]	20	39	-796	-775[3]
Operating expenditure	-471	-433	-139	-141	-5	-53[3]	209	244	-406	-383[3]
Total operating expenditure	**-1,053**	**-984**	**-370**	**-288**	**-8**	**-169**	**229**	**283**	**-1,202**	**-1,158**
Gross profit	**857**	**799**	**85**	**84**	**9**	**29**	**30**	**-12**	**981**	**900**
Depreciation on fixed assets	-120	-115	-55	-35	-1	-19	29	41	-147	-128
Value adjustments, provisions and losses	-473	-468	-5	-10	-5	-2	472	438	-11	-42
Operating profit (interim result)	**264**	**216**	**25**	**39**	**3**	**8**	**531**	**467**	**823**	**730**
Key balance sheet figures										
Balance sheet total	103,171	97,973	25,297	24,404	1,061	1,248	-15,531	-15,438	113,998	108,187
Loans to clients	90,604	86,198	4,345	4,525	452	377	-291	-318	95,110	90,782
Client monies	81,340	77,482	6,706	5,878	35	61	-56	-54	88,025	83,367

1) incl. integration of Raiffeisen Informatik AG
2) incl. Raiffeisen Informatik AG
3) The personnel costs for external employees in the operational IT business, which last year were included under "Operating expenditure", are now reported under "Personnel expenditure".

Balance Sheet – five-year overview

	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million
Assets					
Liquid funds	1,138	1,140	1,259	1,234	997
Receivables from money market securities	11	11	13	15	18
Receivables from banks	11,372	10,130	12,251	13,788	10,814
Receivables from clients	6,957	6,888	7,094	7,723	7,331
Mortgage receivables	88,153	83,893	79,471	74,154	68,570
Loans to clients	**95,110**	**90,782**	**86,565**	**81,877**	**75,901**
Trading portfolios in securities and precious metals	140	56	20	25	27
Financial assets	2,547	2,855	2,896	3,049	2,771
Non-consolidated participations	400	358	348	120	114
Tangible fixed assets	1,662	1,631	1,598	1,552	1,511
Intangibles	26	12	10	6	4
Accrued income and prepaid expenses	242	208	204	275	271
Other assets	1,350	1,005	934	199	256
Total assets	**113,998**	**108,187**	**106,098**	**102,140**	**92,684**
Liabilities					
Liabilities to banks	9,786	9,741	11,002	12,540	9,509
Liabilities to clients in the form of savings and investment deposits	62,304	61,984	59,912	57,228	51,499
Other liabilities to clients	13,067	10,625	10,812	8,667	7,305
Medium-term notes	12,654	10,758	10,114	9,323	9,589
Client monies	**88,025**	**83,367**	**80,838**	**75,218**	**68,393**
Bonds and mortgage bond loans	7,316	7,074	6,892	7,506	8,124
Accrued expenses and deferred income	557	494	471	557	562
Other liabilities	519	437	501	483	776
Value adjustments and provisions	1,109	1,097	1,058	1,031	986
Cooperative capital	428	396	362	320	287
Retained earnings	5,603	4,972	4,468	4,032	3,618
Group profit	655	608	506	453	429
Total equity capital	**6,686**	**5,976**	**5,336**	**4,805**	**4,334**
Total liabilities	**113,998**	**108,187**	**106,098**	**102,140**	**92,684**

Profit and Loss Account – five-year overview

	2006 in CHF million	2005 in CHF million	2004 in CHF million	2003 in CHF million	2002 in CHF million
Interest and discount income	3,118	2,861	2,757	2,795	3,049
Interest and dividend income from financial assets	69	82	88	98	106
Interest expenditure	-1,385	-1,227	-1,211	-1,314	-1,704
Net interest income	**1,802**	**1,716**	**1,634**	**1,579**	**1,451**
Commission income from lending business	5	6	5	6	4
Commission income from securities and investment business	187	158	123	105	104
Commission income from other service transactions	129	122	125	111	95
Commission expenditure	-71	-68	-81	-68	-66
Net income from commission business and service transactions	**250**	**217**	**172**	**154**	**137**
Net trading income	**84**	**76**	**56**	**66**	**62**
Income from sale of financial assets	1	2	2	2	1
Income from participating interests	24	24	8	7	8
Income from real estate	16	17	17	19	17
Other ordinary income	7	7	6	8	10
Other ordinary expenditure	-1	-1	-1	-4	-10
Other ordinary result	**47**	**49**	**32**	**32**	**26**
Operating income	**2,183**	**2,058**	**1,894**	**1,831**	**1,676**
Personnel expenditure*	-796	-775	-720	-651	-622
Operating expenditure*	-406	-383	-349	-324	-324
Total operating expenditure	**-1,202**	**-1,157**	**-1,069**	**-975**	**-946**
Gross profit	**981**	**900**	**825**	**856**	**730**
Depreciation on fixed assets	-147	-128	-129	-134	-142
Value adjustments, provisions and losses	-11	-42	-43	-153	-70
Operating profit (interim result)	**823**	**730**	**653**	**569**	**518**
Extraordinary income	7	54	12	29	7
Extraordinary expenditure	-6	-7	-5	-5	-2
Taxes	-169	-169	-154	-140	-94
Group profit	**655**	**608**	**506**	**453**	**429**

* The personnel costs for external employees in the operational IT business, which last year were included under “Operating expenditure”, are now reported under “Personnel expenditure”.

Michael Lutz, Head of Financial Administration, Raiffeisenbank rechter Zürichsee.
Commute from Au (left bank) to Männedorf (right bank), around 40 minutes by car and ferry. Same journey for four years. "For me, the ferry ride across the generally calm water represents a wonderfully smooth transition between leisure time and work time."

Important characteristics of the Raiffeisen Banking Group

The most important special features of the Raiffeisen Banking Group are described with the following keywords.

Cooperative banks ▪ Each of the 405 Raiffeisen banks is an independent cooperative with directly elected banking authorities.

Members/share certificate ▪ The members themselves are responsible for the individual Raiffeisen banks. With the share certificate, they are, as cooperative members, co-owners in equal shares of their Raiffeisen bank.

Integration into Raiffeisen Switzerland ▪ Raiffeisen Switzerland (formerly the Swiss Union of Raiffeisen Banks) fulfils the strategic management function for the entire Raiffeisen Group. In addition, it is responsible for group-wide risk management, ensuring liquidity and capital adequacy and refinancing. It also coordinates the Group's activities, creates the basic conditions for the business operations of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all matters. Furthermore, Raiffeisen Switzerland operates the central treasury, trade and processing functions for the entire Raiffeisen Group.

Security/solidarity ▪ The Raiffeisen banks' fates and risks are tied closely together through their membership of the Group. Raiffeisen clients benefit from a high level of security as a result of the mutual liability accepted throughout the Group.

Manageability ▪ Each Raiffeisen bank has its own business circle. Business is only permitted within the clearly defined geographical area.

Client proximity ▪ Being close to the client is not only ideal business philosophy but also has its business reasons. As a rule, the bank directors and employees know their members and clients personally.

Loans to members ▪ Loans are predominantly made to cooperative members against collateral and to public bodies. The majority of loans are invested in residential properties.

Conditions ▪ The individual Raiffeisen banks have autonomy with regard to the setting of interest rates. The member products of Raiffeisen banks are especially attractive.

Products ▪ Clients of each Raiffeisen bank are able to access all Raiffeisen Group products and services.

Publication data

Raiffeisen Switzerland
Corporate Communications
Raiffeisenplatz
9001 St. Gallen
Phone +41 71 225 85 24
Fax +41 71 225 86 50
Website: www.raiffeisen.ch
E-mail: pr@raiffeisen.ch

Layout: freicom ag, St. Gallen
Printing: Druckerei Flawil AG, Flawil
Translation: CLS Communication AG, Zurich
Photos: Martin Graf, Muttenz (scenic images) and Marc Wetli, Zurich (portraits of Raiffeisen Group Management)

This report is also available in German, French and Italian.
The online version of the annual report can be viewed at www.raiffeisen.ch, under Raiffeisen Gruppe, Finanzberichte, Annual reports.

Printed on Superset Snow, matt, wood-free.