Annual Report 2010 Raiffeisen Group

RAIFFEISEN

KEY FIGURES

Key figures

	2010 Amounts in CHF millions	Changes in %	2009 Amounts in CHF millions	Changes in %	2008 Amounts in CHF millions
Key balance sheet figures					
Total assets	147,239	5.5	139,520	6.0	131,575
Loans to clients	127,261	8.2	117,636	8.3	108,595
of which mortgage receivables	119,595	8.1	110,678	9.1	101,435
Client monies	116,443	5.2	110,739	6.4	104,098
Client monies in % of loans to clients	91.5%		94.1%		95.9%
Key P + L figures					
Net interest income	2,002	2.6	1,950	1.3	1,926
Income from commission business and service transactions	242	6.3	227	-1.1	230
Operating income	2,418	2.9	2,350	1.0	2,327
Total operating expenditure	1,465	0.2	1,463	1.4	1,443
Gross profit	953	7.4	887	0.4	883
Group profit before tax	772	-2.4	791	16.1	682
Group profit	627	-2.8	645	14.4	564
Gross profit per personnel unit (in 1000 CHF)	118.6	4.7	113.3	-4.6	118.8
Cost/Income Ratio	60.6%		62.3%		62.0%
Capital resources					
Total equity capital	9,281	7.6	8,628	8.1	7,979
Return on equity (ROE)	7.0%		7.8%		7.3%
Equity ratio	6.3%		6.2%		6.1%
Core capital ratio	12.7%		12.7%		12.7%
Total capital ratio	18.7%		18.9%		18.8%
Market data					
Market Share Mortages	15.7%		15.2%		14.7%
Market Share Savings	19.8%		19.6%		19.7%
Number of cooperative members	1,678,792	3.7	1,618,941	4.5	1,549,190
Client assets					
Client assets under management	140,765	4.3	134,904	8.1	124,817
Custody account business					
Number of custody accounts	336,657	-8.4	367,389	-4.1	383,125
Total custody account volumes	31,105	-7.5	33,639	3.0	32,672
Lending business					
Losses on lending business	20	-22.1	25	-41.5	43
as % of loans to clients	0.016%		0.022%		0.040%
Non-performing loans	364	-2.4	373	-5.1	393
as % of loans to clients	0.286%		0.317%		0.362%
Rating given to the Raiffeisen Switzerland					
Moody's	Aa1		Aa1		Aa1
Resources					
Number of employees	9,656	1.1	9,553	4.6	9,133
of which trainees	787	1.4	776	5.1	738
Number of personnel units	8,068	0.9	7,999	4.4	7,665
Number of Raiffeisen locations	1,122	-2.1	1,146	-0.4	1,151
Number of ATMs	1,492	2.1	1,461	3.3	1,414

Management summary

Ongoing vitality at Raiffeisen
The Raiffeisen Group grew strongly in 2010, particularly in its core business. Client deposits rose at an above-average rate to CHF 116.4 billion (+ 5.2%). The main growth driver was the core business of savings and deposits, which grew CHF 6.9 billion (+ 8.7%). Loans to clients rose by 8.2% to CHF 127.3 billion. With additional mortgage loans of almost CHF 9 billion (+ 8.1%), Raiffeisen further expanded its leading position in the financing of private residential property in 2010 and achieved a market share of 15.7%.

Secure growth
Due to conservative lending practices with strict requirements for the ability of borrowers to keep up payments, the risk exposure of Raiffeisen's credit portfolio continues to be low. Thus losses from the lending business are amounting to a mere CHF 19.8 million or 0.016% of the credit volume. Raiffeisen continues to enjoy an outstanding reputation. 63,000 new clients – many in the cities – started to bank with Raiffeisen in 2010. The number of clients climbed to 3.4 million. With 60,000 new members, the total number of members reached 1.7 million.

Higher gross profit
Net interest income in 2010 was CHF 51.4 million higher than the previous year (+ 2.6%). Commission and service income also developed well, increasing by 6.3% after declining in previous years. The substantial volume growth took place almost without any increase in costs. Although the banking group continued to invest in personnel, the total operating expenditure merely underwent a marginal increase. Gross profit surged by 7.4% to CHF 952.5 million last year. Group profit amounted to CHF 627.2 million.

Outlook: Expanding diversification
Growth in the core business – especially in mortgages – continues to be one of Raiffeisen's main objectives for 2011. At the same time, the Group is also pushing ahead with the diversification of its business and will be focusing on expanding its investment and corporate clients business in 2011. Moreover, Raiffeisen will be increasing the attractiveness of membership starting in spring 2011.

“My greatest accomplishment is to blaze the trail for my boys to enjoy a successful future as athletes.”

Roland Barmettler, wrestling coach

You know Raiffeisen's trailblazers personally: they are the employees in your community. Our trailblazers clear paths for you and support you in the direction that is right for you.

Raiffeisen isn't the only place for dedicated trailblazers. They are hard at work everywhere – on the job, at home and as volunteers. The images in this year's annual report show trailblazers who are making the world a better place. They are motivated by the satisfaction of those around them. It is what drives them to embrace, share and pass on their values, day after day.

Roland Barmettler is one of the trailblazers showcased by photographer Phil Müller. He coaches young wrestlers in the Swiss town of Stans, strengthens their fighting spirit and teaches them fairness and tradition. Looking at their coach and role model, the boys see that they must embrace all of these values if they want a chance of becoming a real contender one day.

Discover the world of trailblazers who are clearing paths for others throughout Switzerland: such as the engineer who builds concrete paths in the form of bridges and a professor who shows her students the way to a successful future.

Significant events at Raiffeisen in 2010. In our 110th financial year, we were able to attract 63,000 new clients on the strength of the Raiffeisen Group's reputation.

Raiffeisen client deposits increased 5.2%, and savings deposits rose by 8.7% to CHF 87 billion. Loans to clients were up even further, increasing 8.2% to meet the record level recorded in 2009.

Interest in residential property ownership
Demand for residential property has been steadily increasing for years. Low interest rates made it quite inexpensive to finance purchasing a home. Raiffeisen mortgage lending increased by 8.1%, keeping us ahead of the market in our core business. The banking group achieved most of this growth in the owner-occupied residential property segment. The mortgage portfolio was correspondingly low-risk, with effective lending losses at a very low level of 0.02%, equal to CHF 19.8 million.

Members benefit
Members were able to travel in the cantons Vaud and Geneva for half-price in 2010. Raiffeisen additionally surprised members with a 50% discount on the daily passes at six ski resorts throughout Switzerland.

Positioned for success
Raiffeisen enjoys an outstanding reputation among Swiss consumers. In 2010, a number of studies confirmed that Raiffeisen is the most popular bank in Switzerland. A survey conducted by the market research firm GfK revealed for example that Raiffeisen not only has the best reputation of any bank, but also is one of the most popular Swiss firms in any industry.

Sustainability at all levels
Raiffeisen observes its responsibilities as a business on all levels, as reflected for example in expansion of the partnership with Ethos. A joint study revealed that 39 of Switzerland's 100 largest publicly-traded firms either have concrete plans to reduce CO_2 emissions or soon will. Climate change was also the topic of this year's Raiffeisen Kids Contest, in which nearly 50,000 kids provided their thoughts on the subject in picture form. The regularly-awarded Raiffeisen Centenary Foundation prize went to the Theodora Foundation, which cheers up sick children with its clowns.

Royal entertainment
The Swiss Alpine Wrestling and Herdsman Festival in Frauenfeld was an extraordinary event, crowned by the brilliance of 'Schwinger King' Kilian Wenger. The largest non-permanent stadium in Switzerland, an enthusiastic audience and Raiffeisen as royal partner were the recipe that made the festival a highlight among our many sponsorships.

Mission statement

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

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

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

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

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

Opener After the turmoil unleashed by the financial crisis, 2010 was a year of normalisation, change and improvement. In such an environment, where nothing remained the same as it had been before, Raiffeisen held fast to its vision of being a trailblazer, helping members and clients to attain their goals and dreams.

"Bankers must return to being what they once were: someone you give your money to, who looks after it, "Renato Kaiser, a poetry slammer from eastern Switzerland, says of the profession. He fortunately qualified this by adding: "… and maybe they will do a bit more than that". In this 144-page annual report, we invite you to discover how we are genuinely capable of doing more. We will be introducing a number of "trailblazers" – people who help other people make their way, in the spirit of our own mission as an organisation.

Mortgages in demand
In 2010, many people moved toward owning their own home. Raiffeisen acted as a trailblazer, providing much sought financing for residential property. We capitalised heavily on our strengths: our presence and client relationships in local markets, and our localised decision-making structures. Recording growth of CHF 9 billion, we nearly reached the record level of 2009. Yet there are increasing concerns about a potential real estate bubble in Switzerland.
We at Raiffeisen can only speak for ourselves, reporting that our loan portfolio is of very high quality, and has further improved in parallel to our growth.

Light at the end of the economic tunnel
The year 2010 offered only meagre returns for savers. Low interest rates made fixed income investments scarcely attractive. Equity markets, however, did not show signs of a stable recovery. Capital preservation-oriented investors remained on the sidelines. But there is some optimism, as an economic recovery appears to be in the making, heralded by rising stock markets. We have taken advantage of this "pause that refreshes" to optimise our product range to be even more closely aligned with investors' goals and preferences.

Strong identity as SME lender
Raiffeisen is blazing trails for a host of new corporate clients. We increased total volume by 7.2% and expanded the number of clients by 2.4% to no less than 126,000. This means that one out of three businesses in Switzerland is now a Raiffeisen client. Our service range has developed tremendously, and we have invested in new products.
We accompany businesses every step of the way, from business plan to succession plan.

Costs under control
The path to growth over the last several years has been steep and difficult at times. We are pleased to report, however, that the substantial growth seen in 2010 was achieved practically without any cost increases – even as we invested in additional personnel, particularly client advisory. Costs were kept under control by simplifying processes, raising efficiency and trimming operating expenditure – with no impact on advice quality.

Safety is built into our business model
The normalisation process in the wake of the financial crisis proceeded rapidly in 2010, and the relative speed with which the international community reached an appropriate compromise on Basel III was beneficial. Raiffeisen is very well-capitalised, as we already meet the Basel III requirements, compliance with which is mandatory by the

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

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

year 2019. Our solid business model and capitalisation have served Raiffeisen well, both before and during the crisis. It is thus no surprise that Moody's gives Raiffeisen a rating of Aa1 – one of the highest ratings for any bank in the world.

Outlook: Year of change ahead
New departures are in store for us in 2011. While we will remain extremely active in our core business of mortgages, Raiffeisen will be concentrating on other lines of business, partly in view of the interest rate reversal becoming evident. The Raiffeisen business model will become even more diversified, as we focus on growing our investment and corporate client businesses by investing in training and new products in 2011. At the same time, we will be working to expand our unique membership. Raiffeisen members will again be receiving exclusive recreation and entertainment offers in 2011, including tickets to concerts and events plus a variety of advantages starting this March, for which a dedicated member website is being set up.

In 2011 Raiffeisen will continue blazing trails for the fulfilment of the dreams and goals of both our clients and our employees, ranging from home ownership to entrepreneurship, the arts and travel.

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Gerd Ipen and Nicolas Fattinger, guides for the blind

Gerd Ipen and Nicolas Fattinger accompany Christoph Wynistorf and Virgil Desax on their runs. The two men, who serve as guides in addition to their regular jobs, are members of Lauftreff.ch in Basel. Gabor Szirt is the association's president and head coach. He coordinates around 16 training sessions per week for blind and sight-impaired people. It took some courage for Ipen and Fattinger to engage in this form of community service. Now the runs are a permanent part of their schedules. They enjoy accompanying Christoph and Virgil on their journey towards greater physical fitness.

Market activities

Raiffeisen was able to further enlarge its share of the Swiss mortgage market in 2010. In company financing, Raiffeisen has a reputation as a strategic, long-term partner. And in the investment sector, Raiffeisen was able to acquire new clients, thus showing a net cash inflow, despite ongoing investor uncertainty.

- *Over 1.7 million members value Raiffeisen's member benefits.*
- *Raiffeisen expands presence in urban areas*
- *Studies find high client satisfaction among Raiffeisen clients*
- *The Raiffeisen brand enjoys enormous trust*
- *Sustainable products are in strong demand*

Market environment

In 2010, the global economy returned to vigorous growth, led by the emerging markets. The debt crisis forced several European countries to enact drastic austerity programmes that weighed heavily on their economy. The economy of our most important trading partner, Germany, on the other hand, is booming due to its intact competitiveness. Switzerland's economy fared very well in 2010, reaching pre-crisis production levels as early as mid-year. Although unemployment barely declined in many places, the Swiss labour market was clearly on the road to recovery. Consumer confidence returned.

Market development

Above-average growth in cities and conurbations

The private clients segment grew 2.0% in 2010. At the end of 2010, 3.2 million private individuals were Raiffeisen clients. In urban areas, new client relationships expanded more rapidly than average. Raiffeisen reinforced its local presence in these areas with several new branches and additional advisory resources.

Raiffeisen cultivates these client relationships over the long term through personal relationships and professional advisory service. Membership provides codetermination rights, special prices and interest rates as well as attractive travel and leisure opportunities. All these benefits help to expand Raiffeisen's client relationships.

Brand leadership and client satisfaction

Raiffeisen's positive image was reaffirmed just like in previous years. The GfK BusinessReflector survey, for example,

Raiffeisen by canton as at 31 December 2010[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans [2] in CHF million	Client monies [3] in CHF million	Total assets in CHF million
Aargau	29	101	178,692	13,861	12,093	15,283
Appenzell Ausserrhoden	3	11	16,881	1,036	1,090	1,211
Appenzell Innerrhoden	1	5	7,553	403	495	533
Berne	26	109	168,862	10,189	8,970	11,419
Basel-Land	10	21	46,277	3,491	3,086	3,885
Basel-Stadt	1	2	–	626	524	711
Fribourg	18	61	82,017	6,619	4,940	7,182
Geneva	6	18	37,519	2,956	3,682	3,945
Glarus	1	2	6,199	359	355	397
Grisons	11	66	55,034	3,901	3,602	4,429
Jura	7	43	25,394	2,192	1,609	2,413
Lucerne	23	52	115,859	6,816	5,968	7,589
Neuchâtel	5	21	23,864	1,427	1,179	1,557
Nidwalden	2	8	19,441	1,239	1,161	1,465
Obwalden	2	6	11,826	685	605	783
St. Gallen	43	90	185,714	16,225	13,759	18,212
Schaffhausen	1	3	6,781	401	416	469
Solothurn	27	68	116,240	8,230	7,562	9,165
Schwyz	8	15	36,863	2,319	2,263	2,655
Thurgau	19	48	96,074	8,003	6,449	8,798
Ticino	30	101	103,088	9,132	7,638	10,485
Uri	3	16	15,599	870	789	950
Vaud	20	72	97,351	6,558	5,791	7,409
Valais	30	133	122,921	9,062	9,042	10,702
Zug	8	14	38,117	3,327	2,943	3,707
Zurich	11	36	64,626	6,390	6,120	7,342
Total 2010	**345**	**1,122**	**1,678,792**	**126,317**	**112,131**	**142,696**
Total 2009	**356**	**1,146**	**1,618,941**	**117,359**	**107,090**	**134,027**
Increase/decrease	**-11**	**-24**	**59,851**	**8,958**	**5,041**	**8,669**
Increase/decrease in %	**-3.1**	**-2.1**	**3.7**	**7.6**	**4.7**	**6.5**

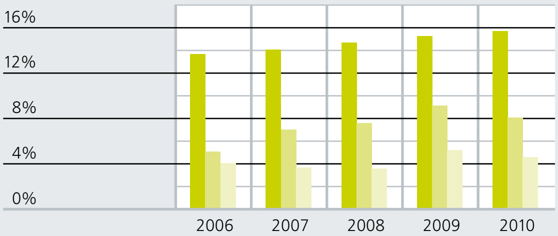
1) Raiffeisen banks and branches of Raiffeisen Switzerland

2) Receivables from clients and mortgage receivables

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

Share of Swiss mortgage market

- Raiffeisen market share
- Raiffeisen growth
- Market growth



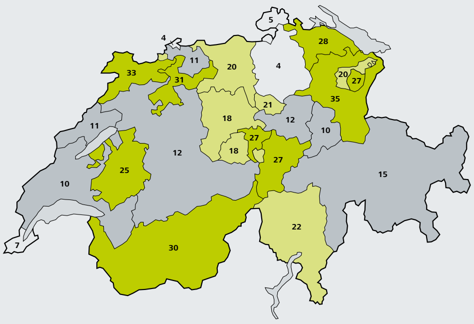
Share of mortgage market by canton 2009

in %:

- 0–8
- 8–16
- 16–24
- 24–35

Number of cantons:

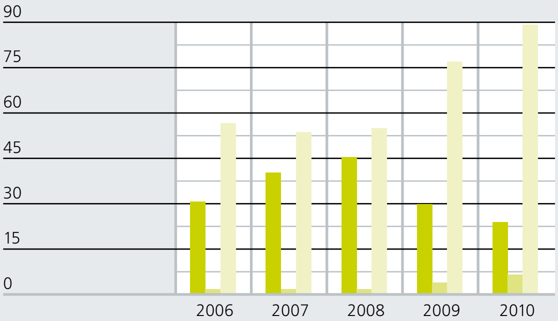
- 4
- 7
- 6
- 9



Volume trends for various mortgage models 2006–2010

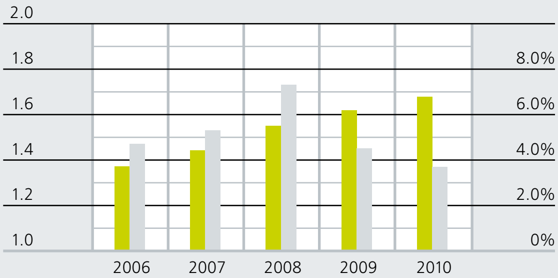
(in CHF billion)

- Variable
- Libor
- Fixed



Membership growth

- Number of members (in millions)
- Membership growth in %



rated Raiffeisen's reputation the highest among all Swiss banks. This study also found that Raiffeisen was most strongly associated with sustainability. The results of another study were equally positive: a survey by the Swiss Bankers Association and the Lausanne-based institute, MIS-Trend, of the opinions and attitudes of Swiss citizens on current banking issues. This study gave Raiffeisen top marks in trustworthiness, solidity and reliability. The brand tracking survey, which has been conducted exclusively since 2006, found that the Raiffeisen brand maintained or slightly improved its top scores from the year before. Its strong increase in reputation scores is particularly noteworthy.

Finally, Raiffeisen maintained the high 85% referral rate of main bank clients that it had established in the previous year. These encouraging results were confirmed by other independent surveys.

Membership

300,000 new members in five years

Members co-own their Raiffeisen bank, determine business policy at the annual general meeting and elect people they trust to their bank's Board of Directors. In 2010, approx. 60,000 people opted to become Raiffeisen members. As such, Raiffeisen gained over 300,000 members from 1 January 2007 to 31 December 2010. Entertaining new offers are continuously being added for Raiffeisen members to maintain annual growth at around 5% in the years to come.

Winter sports special with day passes at half price

Raiffeisen sponsors SwissSki and eleven regional skiing associations; winter sports hold a special place for the Group. In the 2010/2011 winter season, Raiffeisen members now pay half price for day passes to six skiing areas across Switzerland.

Free museum pass

As of 2000, Raiffeisen members with up to five children can enter over 400 museums throughout Switzerland free of charge. The Raiffeisen Maestro and credit cards serve as museum passes. Some 550,000 Raiffeisen members obtained free admission during the reporting year.

2011 member highlights

Raiffeisen members will receive concert and event tickets with exclusive benefits beginning in March 2011. The tickets will be distributed through a web-based member portal with recreational offerings.

Raiffeisen members can still book hotel rooms at half price in the Vaud-Geneva region and take discounted public transit to the region until the end of April 2011. Between March and November 2011, visitors can take in the Bernese Oberland against the unique backdrop of the Eiger, Mönch and Jungfrau mountains.

Client requirement: Financing

Mortgage financing

Swiss residential construction was as strong in 2010 as in 2009, although the latest quarterly data signalled a decline in construction activity. Construction derived its strength from Switzerland's healthy economic outlook compared to other countries, political stability, high immigration, low home ownership rate and historically low interest rates.

Much of existing real estate in Switzerland is in need of modernisation, which has fuelled an increasing number of conversion, expansion and demolition projects in recent years. Swiss government policies increased the incentives to use energy-efficient replacements.

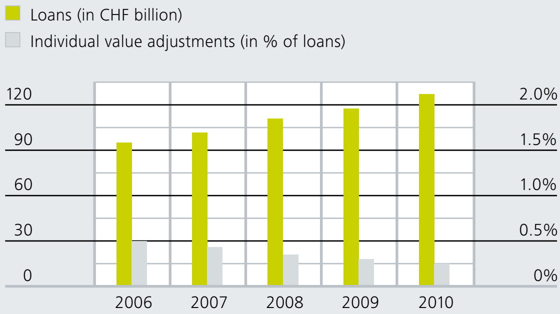
The Swiss mortgage market saw a slight drop in growth although interest rates remain very low. The drop was most likely caused by uncertainty in the wake of the financial crisis. More and more people are becoming homeowners, as indicated by a decline in the number of vacant flats for sale and an increase in vacant rental flats.

As the Swiss mortgage market slowed, so did Raiffeisen Group's mortgage growth, dropping slightly to 8.1%. The Raiffeisen Group nonetheless further increased its market share. Most of this increase was in LiborFlex and fixed-rate mortgages, due to the current low interest rates. Demand for Minergie mortgages was also stronger, partly due to the political incentives mentioned above.

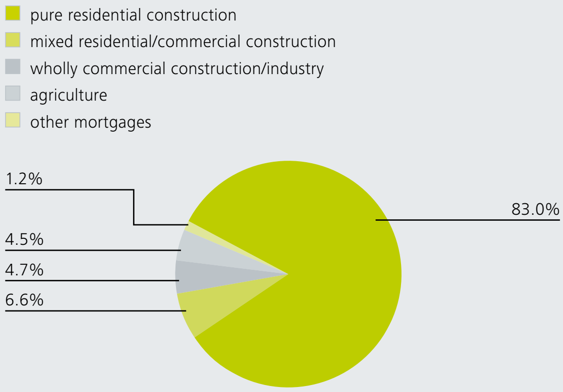
Company financing

Small and medium-sized enterprises reaffirmed their confidence in Raiffeisen in 2010. The total number of corporate clients increased by 3% to 126,000 companies. The lending volume grew by 9% during the reporting year, but

Volumes and individual value adjustments

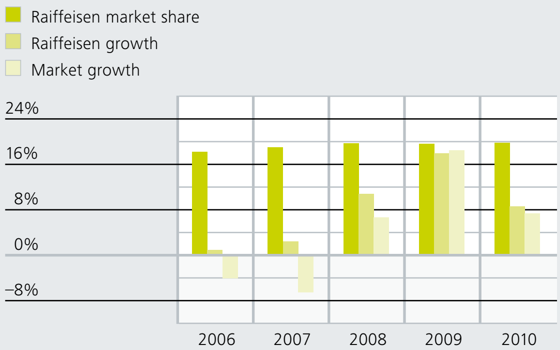


Loans by collateral and property type

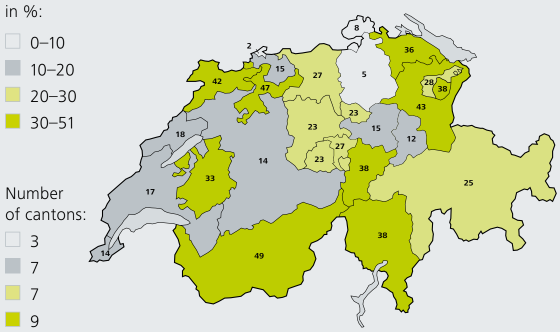


This evaluation reflects the risk view.

Share of savings market



Share of savings and investments market by canton 2009



without assuming undue risk. Products, services and processes such as “Raiffeisen Business Navigator”, a new business plan solution, were expanded or adapted. As a result, Raiffeisen can retain its position as a strategic, long-term partner in future.

Capital goods leasing

The leasing business volume in Switzerland grew slightly over the previous year. This was no doubt largely due to pent-up investment demand and a rise in companies' capacity utilisation. The leasing business grew at an encouraging rate of 5%. The East and Central Switzerland sales regions, however, reported growth of 12% and 17%, respectively.

The Raiffeisen capital goods leasing segment intends to grow further in 2011 and expand corporate client advisory services for capital goods leasing in Mittelland, French-speaking Switzerland and Zurich. The vendor leasing web portal greatly simplifies and speeds up the processes.

Client requirement: Savings

Low market interest rates have eroded holdings in medium-term notes/time deposits since 2008. Many maturing medium-term notes were initially not renewed. These losses, however, are in line with market trends. Repayments were often left in the accounts, with dramatic increases mainly seen in member savings accounts with attractive interest rates. In 2010, Raiffeisen saw the volume held in conventional bank savings accounts increase by CHF 4.1 billion (4.3%) and 43,500 new accounts.

Client requirement: Pensions

Voluntary pillar 3a saving offers substantial tax benefits, and alleviates the growing need for security among many savers concerned about the financing and future benefits of public pensions. In 2010, holdings in pension accounts grew by 12.2% (CHF 8.25 billion in holdings), while holdings in vested asset accounts only grew by 4.9% to CHF 4.08 billion due to the labour market situation. The prices of Raiffeisen pension funds went up as well.

Client requirement: Investments

The 2010 investment year was marked by a euro zone debt crisis, low interest rates and a rallying Swiss franc amid currency volatility. Despite great investor uncertainty, Raiffeisen once again acquired new investment clients and showed a net increase in cash inflow.

Credible and sustainable investment products – such as those marketed under Raiffeisen's longstanding "Futura" label – once again proved to be very popular among clients. The volume in these products grew by an impressive 68%. Growth was also driven by the fact that the Pension Invest funds' investment policies were switched to sustainability and/or the "Futura" label.

Investment product range constantly adapted to client requirements

The regular review of the product range with respect to lifecycle considerations, possible portfolio gaps and current market developments is the Raiffeisen way to fully satisfy the investment clients' needs. The strategy funds were revised in 2010: Alternative investments were added to the investment policy of the proven Raiffeisen Global Invest funds. The Raiffeisen Pension Invest funds, another group of pension vehicles, were in addition entirely aligned on sustainability – including voting rights based on Ethos recommendations.

The success story continues for structured products. Last year's subscription volume exceeded CHF 800 million. In order to further diversify the issuers of Raiffeisen products, these products are now being drawn from a wider range of issuers, chosen based on strict criteria. To provide the security the clients demand, products not issued by the cooperation partner Bank Vontobel are collateralised through the exchange ("COSI segment").

Raiffeisen strengthened as an investment bank

Raiffeisen's 2011 goal is to boost growth in the investment business. To accomplish this, Raiffeisen and its cooperation partner Bank Vontobel, will invest even further in processes and infrastructure and selectively expand the product range. Addressing the need for low-cost, transparent passive investment solutions, Raiffeisen launched index funds in cooperation with Pictet, a private bank.

Client requirement: Insurance

Clients' need for security is undiminished. This has kept the volume of new insurance business at the previous year's level. Nearly CHF 80 million in premium volume for

Helvetia, another cooperation partner, have been obtained, also by increasing the number of contracts even further. Most of this increase was in unemployment, disability and term life insurance. The Group posted a decline in single premiums because the technical interest rate was reduced at the start of 2010.

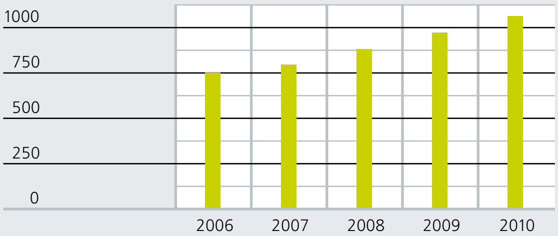
Client requirement: Payment

Raiffeisen sold its millionth Maestro card in the spring of the reporting year. This popular card product again showed strong growth, with an increase of 90,000 units. Clients are increasingly using the Maestro card for cashless payments. This trend has only been confirmed by the increase of 8 million transactions (+17.9%).

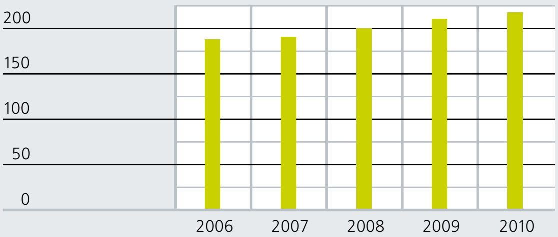
Despite stiff competition in the credit card business, Raiffeisen added another 7,000 credit card clients to its roster. Revenues even rose by CHF 57 million year-on-year. Since mid-2009, all Raiffeisen credit cards have been equipped with ”Pay Pass” (contactless payment). Pay Pass provides a convenient payment function that simplifies and expedites the payment process, especially for small amounts.

Prepaid cards are becoming a popular supplementary product for traditional debit and credit cards at Raiffeisen. During the reporting year, the number of cards grew by a healthy 12,000. Revenues increased CHF 7 million (+41%) for prepaid MasterCards and Visa cards. The volume of funds loaded onto Travel Cash cards, the traditional means of payment for travellers instead of travellers' cheques, also increased by CHF 11 million.

Raiffeisen Maestro cards
(in 1000)



Raiffeisen credit cards
(in 1000)



Client requirement: Advisory services
Comprehensive, customised advisory service is an integral part of Raiffeisen's philosophy. This is why insurance was integrated into the central advisory application. A direct interface with Helvetia Insurance integrated this cooperation partner even more deeply. The integration of retirement and pension advisory functions is under plan in the advisory application in 2011.

Channels

E-banking continues to gain importance
The number of users increased 15% to 670,000. 50 million payments (+17%) were processed, accounting for two-thirds of all Raiffeisen payment transactions. Electronic invoices and banking documents are becoming increasingly popular. Starting in the summer of 2011, payments made by 2 p.m. will enjoy same-day processing through the express function. Other functions that give users convenient mobile access to banking data will also be added.

Largest ATM network in Switzerland
Raiffeisen again had the densest ATM network in Switzerland in 2010. The number of ATMs increased to 1,492 terminals, which translates into a market share of 27%. Many Raiffeisen banks have begun equipping new ATMs with touchscreen technology. All Raiffeisen ATMs now offer the ATM Mobile Voucher loading service (mobile phone top-ups). Clients are actively using this service.

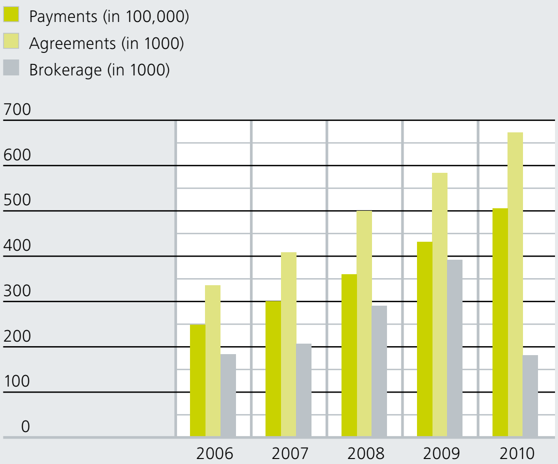
Branch network
With 1,122 locations, Raiffeisen has the broades bank branch network in Switzerland. Six additional branches were opened in 2010, giving residents in towns such as Volketswil and Adliswil their own Raiffeisen branch. 16 new branches are scheduled to open in 2011.

Corporate clients segment
One-third of all Swiss companies bank with Raiffeisen. This places a large responsibility on Raiffeisen's shoulders. In 2010, Raiffeisen began offering pragmatic solutions for the economically significant issue of corporate succession, and plans to expand this program aggressively in the years to come. Raiffeisen has the right retirement and financing solutions for corporate successions. It supports successors in cooperation with regional competence centres and networked experts.

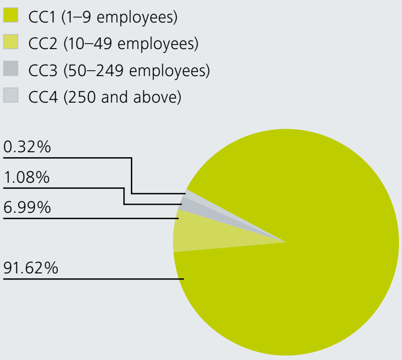
Every SME depends on well-functioning payment services for their survival. To render these even easier and smoother, Raiffeisen is investing in SME payment services and adapting the strategic e-banking channel to their needs.

Trading
The Raiffeisen Group's trading result was good. The bank again demonstrated a compellingly healthy approach to risk tolerance and risk management.

Development of Raiffeisen e-banking

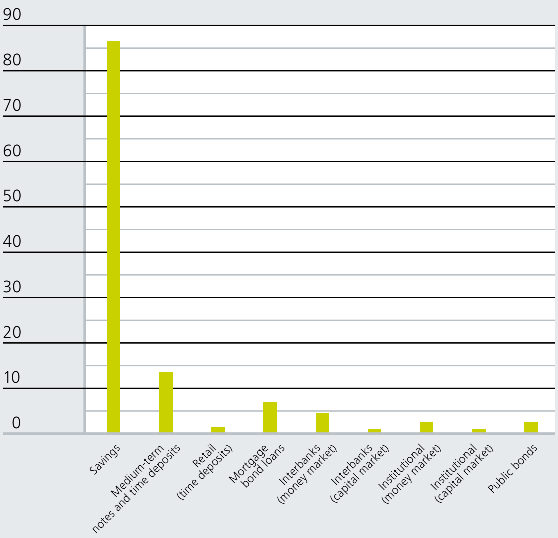


Corporate clients by segment



Raiffeisen Group's sources of refinancing as at 31 December 2010

(in CHF billion)



Refinancing

2010 saw continuous inflows of new money and even stronger growth in the lending business. There was a reduction in the large liquidity surplus that had accumulated during high market volatility in 2008. In refinancing, Raiffeisen Switzerland's Treasury focused on maintaining the balanced maturity structure of the Group's balance sheet over the long term.
The coverage ratio, which should always be above 100%, went down from 106% to 104% in the reporting year.

Barbara Huguenin-Landl, meteorologist

Barbara Huguenin-Landl studied meteorology because she has always been fascinated by the weather and spends a lot of time in the mountains and outdoors. Today she works for SwissMetNet as a deputy project manager in Payerne. This national project by Meteo-Schweiz aims to develop and modernise a single ground-based meteorological network that includes the Moléson meteorological station. The new weather stations will collect precise data for weather forecasts and climate analysis. The data will help athletes, travellers and tourists with their planning and decision-making.

Risk policy and risk control The Raiffeisen Group has effective tools for identifying and avoiding risk concentration. The Raiffeisen Group pursues extremely conservative policies, especially with respect to credit risks, its most important risk category.

- *Raiffeisen pursues a steady and cautious risk policy*
- *The risk profile has remained stable despite considerable business growth*
- *Proper balance between risk and return*
- *Losses were avoided in the Eurozone crisis thanks to active credit risk management*

The Raiffeisen Group has achieved considerable growth without excessive increases in risk, and has survived the euro zone crisis unscathed, thanks to its clearly focused business policy, steady and cautious risk culture, and active and targeted risk management. Solid capitalisation, a focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffeisen's business model. As a result, the Raiffeisen Group has enjoyed a high level of liquidity throughout.

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

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

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

Control of the key risk categories within the Raiffeisen Group

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

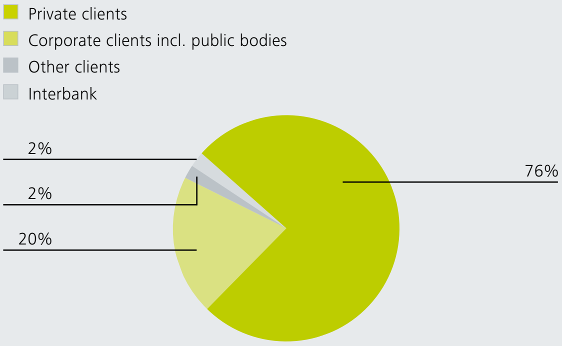
Approaches to control key risk categories

Guidelines Regarding risk tolerance, risk profiles and processes
Management By decision-makers who are responsible for the risk
Monitoring Of risk tolerance, risk profiles and processes
Risk reporting Risk reports, portfolio reports, limit reports, ICS appropriateness and effectiveness

Credit risks

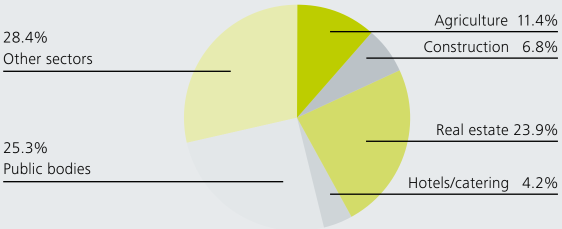
Credit risks are the most important risk category, due to the Raiffeisen Group's extremely strong position in lending. The Raiffeisen Group generates a large part of its income through the controlled taking on of credit risks and the comprehensive and systematic management of these risks. Credit risk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

Raiffeisen Group lending by client segment



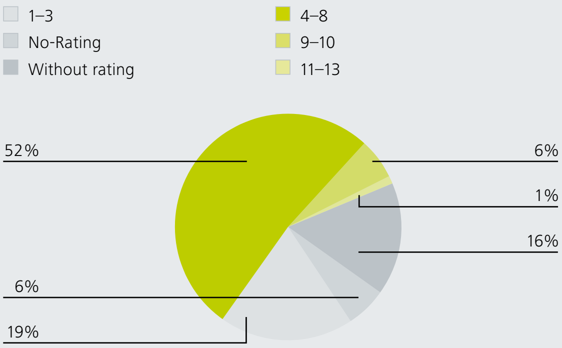
This evaluation reflects the risk view and therefore cannot be directly compared with the balance sheet due to the different perspective.

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



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

Corporate client lending by rating category



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

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

Credit risks are only entered into once a thorough check of the counterparty has been conducted. Client knowledge plays an important role in this. It is not the strategy of the Raiffeisen Group to assume credit risks of anonymous third parties via capital markets.

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

Prudent credit policy

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

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

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

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

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

Credit policy in the corporate clients business

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

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

Analysis and assessment of the credit portfolio

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

Market risks

Risks in the bank book

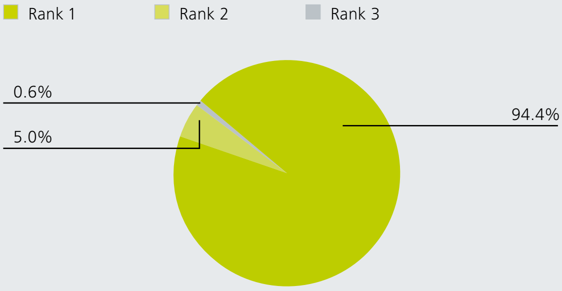
The bank book is exposed to foreign currency risks and risks associated with fluctuating interest rates.

Risks associated with fluctuating interest rates are a major risk category, due to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen therefore attaches great importance to the management of these risks.

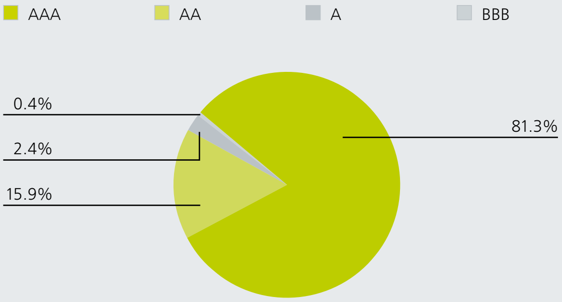
Within the Raiffeisen Group, each Raiffeisen bank is individually responsible for managing the interest rate risks in its balance sheet in line with clearly defined guidelines and sensitivity limits. Raiffeisen banks have a well-developed set of risk-management tools, including tools to simulate interest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

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

Mortgage loans by rank
Mortgages by rank in %
Disclosure as per SNB statistics



Break-down by country limits
Country limits by rating (central bank) as of 31/12/10
Total all country limits: CHF 5.53 billion



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

	31.12.2010	31.12.2009
Sensitivity	1,149	855

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

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

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

Risks in the trading book

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

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

Liquidity and financing risks

In accordance with a FINMA ruling of 3 September 2010, the individual Raiffeisen banks are exempted from complying with liquidity, capital adequacy and risk diversification rules. Instead, these legal requirements have to be met by the Group as a whole. The Treasury department of Raiffeisen Switzerland handles liquidity and refinancing management for the Group. It facilitates the Group's access to money and capital markets and ensures that liabilities are properly diversified. The refinancing strategy takes into account legal and regulatory requirements. It ensures that the necessary liquidity is available and provides an appropriate and diversified maturity structure.

Treasury, in collaboration with Group Risk Controlling, monitors liquidity trends at the operational, tactical and strategic level on an ongoing basis and performs regular stress tests. This has proven the Raiffeisen Group's liquidity to be robust. The figure on page 28 shows how the overall liquidity situation developed during the 2010 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 eliminated entirely. Business risk management focuses instead on establishing the type, quantity and causes of the risks, taking effective risk minimisation measures and ensuring the measures are implemented correctly. Internal control systems and processes play a key role here.

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

IT risks

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

Internal control system (ICS)

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

The Raiffeisen Group's ICS model has three levels:

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

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in 1000 CHF)

	2010	2009 1)	2009 2)
Risk type			
Equities	1,500	660	330
Interest products	43,000	35,200	220
Foreign currencies	4,500	3,600	1,200
Precious metals	1,500	750	150
	50,500	40,210	1,900
Loss limits			
Day	2,000	2,000	2,000
Calendar month	5,000	5,000	5,000
Calendar year	10,000	10,000	10,000

1) 2009 limits using the new system
2) 2009 limits using the old system

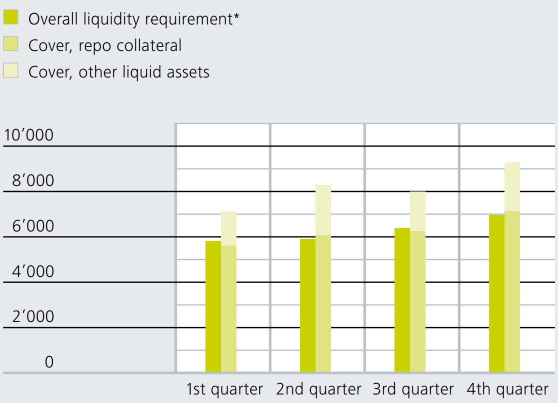
Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in CHF)

	ø 2010	31.12.2010	ø 2009	31.12.2009
Risk type				
Equities	903,879	705,765	194,972	166,784
Interest products	11,099,569	16,030,254	119,983	126,158
Foreign currencies	1,953,030	1,749,711	419,342	309,185
Precious metals	138,628	220,334	22,329	3,470

Overall liquidity of the Raiffeisen Group 2010

(in CHF million)



* as set out in the Banking Ordinance

At the enterprise level, the ICS model lays out general organisational conditions designed to ensure the Group ICS works properly. This includes defining the Group-wide ICS framework and the associated roles, along with their tasks and responsibilities.

Processes, risks and controls are closely interconnected at the process level. The Raiffeisen Group's documented processes form the basis for the ICS. The major risks inherent in each process are identified and assessed, and then the key risks are identified on that basis.

Each identified risk is assessed based on its impact and frequency. The impact assessment includes the damage or loss incurred upon occurrence and the impact on compliance and financial reporting. It may optionally also address the reputational impact and the impact on credit risks.

Risks are assigned to risk classes based on their assessment. The risk class is used to identify key risks. Adequate control objectives and key controls must be defined for key risks. A standardised set of control objectives (General Computer Controls) is also used as part of the IT processes.

Raiffeisen distinguishes between manual, automatic and semi-automatic key controls. All key controls are documented and incorporated in the processes. There are many other risk reduction controls in addition to the key controls.

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

A key control is considered appropriate if it is able to reduce risks to a manageable level and/or to achieve the defined control objectives. A key control is effective if it has been demonstrably performed in accordance with the control description and the risk has actually been reduced as intended.

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

Business continuity management

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

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

Legal risks

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

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

Compliance risks

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

- Monitoring and analysing legal developments and participating in institutional commissions and working groups that cover the Swiss financial sector.
- Combating money laundering and terrorism financing. The Raiffeisen Group has traditionally attached great importance to "know your customer" principles. Regulations to combat money laundering and the financing of terrorism reinforce and substantiate these principles.
- Adherence to market conduct rules and the resulting due diligence and advisory obligations.
- Protection of data and bank client confidentiality.

New issues have recently appeared on the compliance agenda: requirements for cross-border business and developments in national and international tax compliance. As a domestic bank, Raiffeisen is also affected by issues such as the new US regulations on the Foreign Account Tax Compliance Act ("FATCA"), the debate about the institution of a withholding tax or the new administrative assistance policy for double taxation treaties.

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

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

Valerio Jelmini, ranger

Valerio Jelmini works in Ambri as a ranger for the canton. The steep slopes of Leventina are densely forested, thus protecting the villages and roads along the valley floor. The forest will only remain strong, stable and healthy if young trees have ideal growing conditions. Valerio Jelmini ensures the sustainability of the forest by preserving and promoting natural regeneration, and in extreme cases, reforesting the land. He is thus thinking about future generations while working in the forest.

Sustainability report

As a cooperative, the Raiffeisen Group is inherently sustainably positioned. Raiffeisen also offers a variety of effective products, programmes and innovative solutions for social, economic and environmental sustainability.

- *Sports sponsorship programme focuses on young athletes*
- *Raiffeisen supports culture and the arts as a responsible corporate citizen*
- *Employees are Raiffeisen's most important asset*
- *Reducing energy consumption has a high priority*

As a cooperative, Raiffeisen has a long tradition of resource conservation. This is why Raiffeisen views corporate social responsibility (CSR) as the foundation for every activity in society, economy and the environment.

Raiffeisen plays an active role in social life, and regards this commitment as part of its broad-based corporate philosophy, which gives consideration to all stakeholders. All sustainability issues are now aggregated and strategically focused in its CSR management system.

Politics & Society

The Raiffeisen Group's Politics & Society unit is involved in many different political issues. It positioned domestic banks as a separate force within the Bankers Association's new financial centre strategy. It advocated voluntary restrictions in the debate on taxing bonuses. And it supports the withholding tax under one condition: that the negotiation results do not set a precedent for domestic tax practices. Our information activities contributed to the Federal Assembly's decision not to create a state postal bank (PostFinance).

The “IG Genossenschaftsunternehmen” interest group was formed in November to support scientific research into issues of interest to cooperatives. It also examines the need to change the political environment for cooperatives. Since 2012 will be the United Nations International Year of Cooperatives, it is looking into activities with the Swiss Federal Department of Foreign Affairs (EDA).

Active memberships in and outside Switzerland

Although a domestic bank, Raiffeisen collaborates with international organisations. It is represented on the Board of the European Association of Cooperative Banks (EACB) and on the Presidium of the International Raiffeisen Union (IRU). The bank is a member of the International Confederation for Agricultural Credit (CICA) and responsAbility Social Investments AG. In Switzerland, Raiffeisen chairs the Swiss depositor protection association and the Swiss Climate Foundation, sits on the advisory board of the Swiss Climate Foundation and is a member of the Swiss Association for Environmentally Conscious Management (ÖBU), the Swiss Bankers Association and economiesuisse.

Social sustainability

As a responsible corporate citizen, Raiffeisen aims for its employees to contribute to society. Through their involvement, they help protect the environment and keep our society culturally diverse and solidarity-oriented. Raiffeisen maintains a strong presence throughout Switzerland. Employees at local Raiffeisen banks volunteer in clubs, institutions and other groups. As part of Raiffeisen's national programme, Pierin Vincenz, Chair of the Executive Board of the Raiffeisen Group, sits on the patronage committee of the "2011 Year of Volunteers" (www.freiwilligenjahr2011.ch).

Sponsoring and charitable donations

Raiffeisen facilitates local, regional and national projects in sport, culture, society and countless other fields. In keeping with the Raiffeisen philosophy, most sponsorship commitments are local: Raiffeisen banks agree to sponsor local and regional clubs, associations and events. These commitments contribute to the diversity and distinctiveness of Switzerland's communities and regions. This report focuses on the bank's national commitments and only touches briefly upon the wide range of local and regional initiatives. Raiffeisen spent approximately CHF 18.5 million on sponsorships and donations in the reporting year.

Comprehensive winter sports commitment

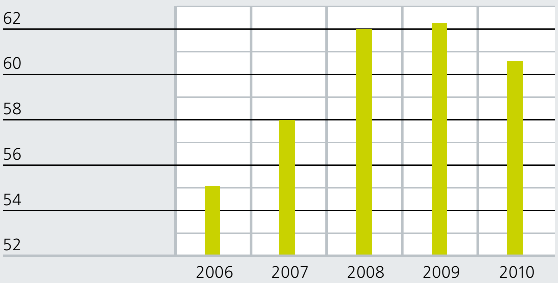
Raiffeisen's winter sports sponsorship programme has been the cornerstone of the Group's sports sponsorship activities since 2005. Most activities build on the bank's Swiss Ski partnership, which was extended until 2014. Raiffeisen not only sponsors all 250 elite Swiss Ski athletes in the eight winter sports disciplines: Alpine skiing, ski jumping, snowboarding, cross-country, Nordic combined, freestyle, biathlon and telemark, but also many rising stars. As the main sponsor of tomorrow's athletes, it supports over 16,000 talented young winter sports stars through eleven regional skiing associations and three national high performance centres. In 2010, the bank launched a promotional campaign featuring official team gloves and hats to generate extra funds for young athletes. Raiffeisen's commitment to winter sports benefits members as well, thanks to the "Half-price snow fun" special.

Other sports commitments

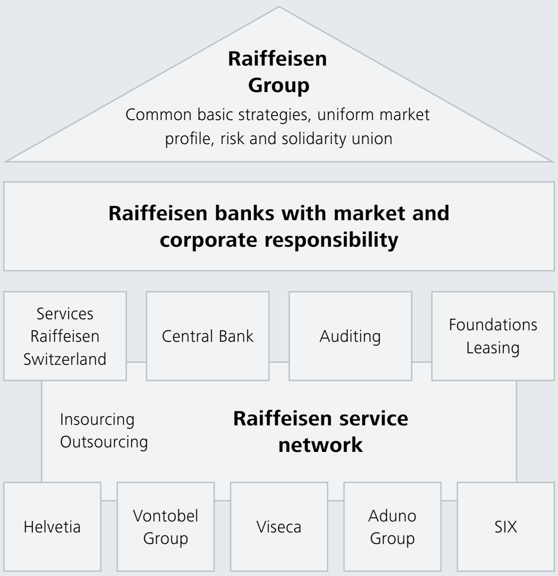
Wrestling

Raiffeisen was a primary sponsor and "royal partner" of one of last year's sports and social highlights: the Swiss Wrestling Festival in Frauenfeld. This congenial, traditional festival attracted over 240,000 spectators and Swiss wrestling

Cost/income ratio trend
(in %)



Business model



fans in 2010. Many Raiffeisen banks support local and regional wrestling clubs, festivals and wrestlers.

Track and field
Raiffeisen is a long-time sponsor of Switzerland's premier marathon runner, Viktor Röthlin, who celebrated a comeback in 2010 by winning the European Championships. Raiffeisen banks are involved in the Lucerne Marathon and many other long-distance races. The bank also supports two elite triathletes: Nicola Spirig and Reto Hug.

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

Contributions to the economy, innovation and social issues

SwissSkills
Raiffeisen sponsors SwissSkills, a skills competition, in order to help the SwissSkills foundation raise awareness of the importance of vocational training, particularly cooperative education.

Taxes
The government received a total of CHF 116.6 million in direct taxes (previous year: CHF 117.7 million).

Centenary Foundation
Besides supporting members and serving clients, the Raiffeisen Group has another calling: to give back to the community. In the summer of 2000, on the 100th anniversary of the Swiss Raiffeisen banks, the Raiffeisen Group established the Raiffeisen Centenary Foundation as a token of its gratitude to the people of Switzerland. The Foundation's mission is to support charitable projects that offer concrete benefits for the local population. To narrow its remit, the Group defined three areas of Foundation funding: the promotion of business ethics, charitable empowerment projects and cultural works of national or regional significance. In 2010, the Raiffeisen Centenary Foundation provided around CHF 200,000 in funding for relevant projects. The Raiffeisen Centenary Foundation Prize, which is awarded regularly, went in 2010 to the Theodora Foundation in recognition of its efforts to brighten the lives of sick children with clown doctors.

Raiffeisen museum pass
Since 2000, Raiffeisen has offered free museum admission for members as part of its support for the wide range of museums found in Switzerland. Over 400 museums participate in the program. They registered 550,000 visits by Raiffeisen members in 2010.

Arts and culture

Raiffeisen promotes contemporary Swiss art, art in public places, building art, and recurring projects and platforms. Alongside local and regional art sponsorship by the individual Raiffeisen banks, the bank supports projects of national significance as well. Raiffeisen hosts its own events and collaborates with art institutions, artists, groups or associations on nationwide events. The funding is proactive and focuses on two key goals: supporting art education and helping young artists.

Raiffeisen Benefit Art Auction
Raiffeisen has auctioned off works by young Swiss artists since 2008, in cooperation with cultural and art institutions and partners throughout Switzerland. The 2010 auction brought in CHF 40,000. This marked the second time that all the proceeds were donated to "kkj", the Swiss Art Association for Youth and Children.

Building art
Local Raiffeisen banks commission countless studies for sophisticated architectural projects throughout Switzerland. They aim for modern, eloquent architecture that supports the bank's high-quality services and translates the essence of abstract financial products into physical substance. Raiffeisen's architecture is highly individual. Each building is made from local materials by local craftsmen. This produces authentic, artistically sophisticated buildings with specific, typical styles throughout Switzerland. Building projects worth CHF 140 million were approved in 2010.

Diversity

Given the ageing population, growing number of retirees, and shrinking number of school graduates, Raiffeisen is keen to continue attracting and retaining high-quality talent. Several diversity projects advance this goal. Raiffeisen constantly supports working mothers and fathers with a raft of work-life balance initiatives. It also promotes equal

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)	**2,418**	**2,350**	**100.0**	**100.0**
Non-personnel expenditure	-434	-447	-17.9	-19.0
Extraordinary income	24	91	1.0	3.9
Gross added value	**2,008**	**1,994**	**83.0**	**84.9**
Depreciation	-200	-179	-8.3	-7.6
Value adjustments / provisions / losses	-4	-8	-0.2	-0.3
Net added value	**1,804**	**1,807**	**74.6**	**76.9**
Distribution of added value				
Personnel (salaries and employee benefits)	1,031	1,016	57.2	56.2
Cooperative members (paym. of interest on certif.: proposal to AGM)	30	28	1.8	1.5
Government	145	146	8.0	8.1
of which income tax paid	117	118	6.5	6.5
of which creation / release of provisions for deferred taxes	28	28	1.6	1.5
Bolstering of reserves (self-financing)	597	617	33.1	34.1
Total	**1,804**	**1,807**	**100.0**	**100.0**
Key added value figures				
Gross added value per personnel unit in 1000 CHF*	250	255		
Net added value per personnel unit in 1000 CHF*	225	231		
Number of personnel units (average)	8,033	7,832		

* Calculated on the average number of personnel

opportunities for men and women at work. In 2010, the Raiffeisen Group increased the percentage of women in management to 25.3%. Bringing more women into management is a strategic goal. One woman has been on the Executive Board since mid-2008.

Family-friendliness

Employees make active use of programmes that have been modified to be more family-friendly. For example, the bank has instituted 15 days of paternity leave and up to five days' paid vacation to look after a sick child. Around 230 children in total attended two "family holiday weeks". Daughters and Sons Day was renamed "National Future Day" in 2010. Eighty-five children participated in Future Day in St. Gallen, and 21 in Dietikon.

Junior talent development

273 new vocational trainees

In the summer of 2010, 273 young people all over Switzerland started Raiffeisen vocational training programmes – a 4% increase. Around 740 are in commercial programmes and 27 in IT. In summer 2010, 82% of the programme graduates were offered a permanent position or a fixed-term employment contract within the Raiffeisen Group. Twenty-seven high-school graduates embarked on a banking career by completing a banking internship structured according to recognised criteria.

University trainee program

In 2009, Raiffeisen launched an 18-month pilot trainee program with three university graduates. Its goal is to maintain a talent pipeline of skilled workers. The trainees were successfully placed in positions throughout the bank. Three new trainees will be entering the programme in October 2010. The university trainee programme enables the Raiffeisen Group to recruit skilled staff, while enabling college graduates with technical and management potential to launch a successful career at Raiffeisen. Over the course of 18 to 21 months, the trainees gain experience at no fewer than five departments at the Raiffeisen Group. These trainees have an outstanding reputation and were placed in challenging, desirable jobs.

Skills development and professionalisation

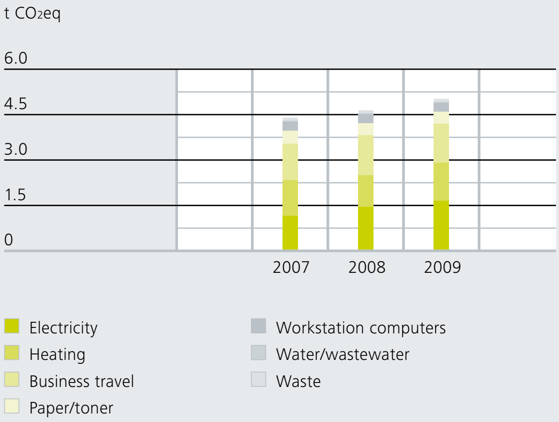
Hands-on, full-person development

Central skills development programmes were created for specific functions based on clear job profiles and career pathways. This provides transparent guidance and helps focus development planning. Local supervisors are consulted to ensure the complete development and practical application of social, technical and methodological skills. Thanks to a rigorous blended learning approach, learners capitalise on the unique advantages of e-learning, self-study and classroom teaching in seminars, coursework and independent learning.

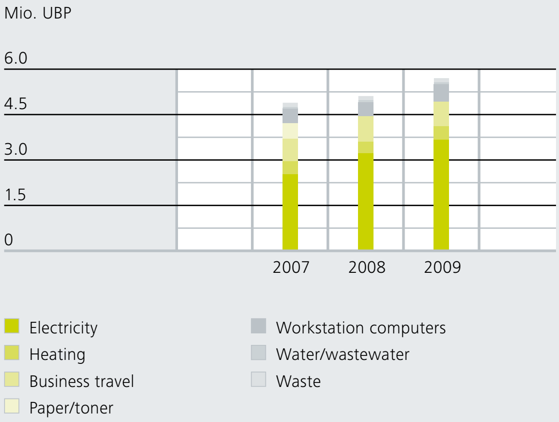
Support through central and local information channels

Raiffeisen bank employees acquire key job skills at central and local seminars. Twice a year, the chairs of the executive boards and boards of directors of the Raiffeisen banks meet with the Executive Board of Raiffeisen Switzerland to share ideas, views and insights.

Sources of greenhouse gases at Raiffeisen Switzerland



Sources of environmental pollution at Raiffeisen Switzerland



Ecological sustainability:
The charts show the absolute change in the assessed environmental impact, broken down into greenhouse gases and environmental pollution. The commuting impact was calculated but not included in the charts as data was only compiled for the branches. CO_2 equivalents[1] are calculated in accordance with IPCC 2007[2], environmental impact points[3] in accordance with EIP 2006[4].

Management development

Revamped management development process
Future managers can apply for admission to the 2 1/2-year management development process. Once accepted, middle managers work on developing leadership skills (as a line, project or functional manager), while senior managers focus on personality development. This is an all-encompassing process spanning several learning and development channels such as the workplace, seminars, feedback and personal experience ensuring the impact will last. In 2010, 49 middle managers and 54 senior managers completed the 2007-2010 management development process. No new process was launched this year. Instead, the entire process was thoroughly reviewed and relaunched for 2011.

Leadership skills and tools
New managers acquire basic leadership skills in multi-day seminars. Other courses give experienced managers the opportunity to improve their managerial abilities.

[1] CO_2 equivalent: index of the greenhouse gas potential of substances in the earth's atmosphere, such as methane (CH4), nitrous oxide (N2O), HFCs, CFCs or sulphur hexafluoride (SF6). The greenhouse effect caused by carbon dioxide is used as the reference.
[2] IPCC 2007: CO_2 equivalents were calculated using the 2007 factors from the Intergovernmental Panel for Climate Change.
[3] In the environmental scarcity method, environmental impact points (EIPs) are calculated on the basis of compliance with environmental quality targets for air, water, land and resources in Switzerland.
[4] EIP 2006: Environmental impact points are calculated using the 2006 environmental factors from the environmental scarcity method. Swiss Association for Environmentally Conscious Management (Öbu) SR 28/2008.

Improving management skills
Thorough director training (10 courses, 780 participants)
New and current members of the boards of directors of Raiffeisen banks can acquire the skills needed to strategically manage a bank at seminars specifically geared towards their needs. Seminars tailored for special board functions – chairperson or member of the audit committee – ensure that Raiffeisen banks are managed professionally.

Effective, goal-focused management
Executive board members and chairpersons attend focused development programs to acquire the management skills needed to play an entrepreneurial role at their Raiffeisen bank. In 2010, 18 people graduated from the one-year Bank Board College programme.

Improving the quality of client advisory services
Development of advisory skills
Raiffeisen Switzerland provides tools to maintain the high quality of advisory services. Special seminars show client advisors how to use the tools to help their clients. All the seminars aim to develop an advisory culture that puts the client's needs first.

Development of advisory services at Raiffeisen banks
The 339 Raiffeisen banks regularly give classes on locally relevant issues. The training hones client advisors' skills and abilities and prepares them for real-life situations. Since local managers are closely involved in the training, the skills development process is highly effective and has a lasting impact.

Career development
Welcoming new employees
We welcome new employees with a multi-day orientation programme on Raiffeisen's culture, tools and practices. Senior managers' deep involvement makes these encounters quite special, and lays the groundwork for further internal networking.

Personalised further education
The employees of the Raiffeisen Group are generously supported in planning their personal, individual training goals. The Group helps pay for external training and allows employees to take classes during work hours. This enables employees to acquire recognised qualifications to further their professional development and enhance their employability.

Mentoring – a key development tool
Mentoring refers to a coaching relationship between a more experienced senior employee (mentor) and a less experienced junior employee (mentee) outside of regular reporting channels. The mentors in Raiffeisen's programme are senior managers and Executive Board members. Mentees enter into personal development contracts laying out the steps they will be making. On that basis, mentees can build new networks, learn about different business activities and initiate a development process outside their department. There were 27 mentor-mentee teams in 2010.

Mid-life initiative – personal status evaluation
Raiffeisen has decided to tackle the issue of demographic change by implementing a carefully designed generation

policy. It actively promotes appreciation and equal opportunities for younger and older employees and encourages them to take responsibility for their professional development. Top managers actively seek new career prospects and work that provides meaning and fulfilment once they reach their prime. Knowing this, Raiffeisen offered a number of managers a two-day course on actively shaping their future career path in 2010. The executives were encouraged to reflect on their values, strengths and experience in order to find ways to leverage them. The “Mid-life initiative“ seminar has been attended by exactly 100 employees since its beginning in 2009. Specific programmes encourage experienced mid-life employees to carefully examine their professional situation and plans for the future. They then develop new goals and expectations for the next stage in their career. Twenty-seven employees participated in the initiative in 2010.

"Week 53" seminar

This program was piloted in 2010 for longstanding, dedicated outperformers in senior management. It is geared toward participants who have spent several years in upper management and want to step back, take stock and then tackle new, extraordinary challenges with new-found energy.

"Retirement as an opportunity" seminar

This seminar helps employees prepare for retirement. It addresses the unique challenges of withdrawing into private life. Employees can retire in stages, or remain employed after retirement age, depending on their needs.

Values and leadership culture

Values and culture have always been important for the Raiffeisen Group. Clear values and a solid culture have provided support and direction for clients, employees and cooperative members during this recent, turbulent period. However, people must be reminded of these key issues time and again. This is why Raiffeisen works to integrate them at every level in its hierarchy in order to encourage value-based behaviour and solid leadership practices within the Group.

Employee survey

Employees are Raiffeisen's most important asset and the foundation of any successful company. To cultivate its workforce, Raiffeisen has an independent survey institute conduct an employee survey every two years. The results are communicated throughout the organisation – from departments, units and teams to individual employees. Raiffeisen uses the findings to analyze opportunities for improvement and develop concrete measures for various hierarchical levels. Raiffeisen Switzerland conducted its most recent employee survey in summer 2010. The satisfying response rate of 71% illustrated how keenly employees are interested in their company. The survey is tailored to capture the specific work conditions at Raiffeisen Switzerland. It covers the organisational work conditions (organisational structure/processes, corporate culture, leadership, pay/development) that influence employees' commitment (identification, dedication and loyalty to Raiffeisen Switzerland) and job satisfaction. High employee commitment generally translates into lasting productivity gains. It

is particularly pleasing, that Raiffeisen employees remain very committed. Particularly high marks were given to teams, direct supervisors and actual duties. By contrast, strategy
and goal coordination across all units was identified as an opportunity for improvement. Appropriate measures were defined and will be put into action in 2011.

Employee committee
Raiffeisen Switzerland's seven-person employee committee has actively championed employees' concerns and needs since 1995. As the link between the Executive Board and employees, it is consulted on issues relating to personnel, employment law and the development of the company as a whole. Thanks to a right to information enshrined in the charter, the employee committee often plays an advisory role in the decision-making process. The employee committee meets regularly with the members of the Executive Board to discuss current issues. Their goal is to jointly find appropriate and viable solutions to employees' legitimate concerns.

Improving governance by changing pension management
2010 was a year of change for the pension fund. Michael Auer, Head of the Services department, was made Chairman of the Board of Directors, while Nils Ohlhorst was appointed as the new pension fund manager. The pension fund's management was strengthened with new governance structures. Despite an adverse environment, the coverage ratio increased to 97% by the end of 2010 (previous year: 93%).

Social report of the Raiffeisen Group

	2010	2009
Number of employees	9,656	9,553
Number of full-time positions	6,360	6,879
Number of part-time positions	3,296	2,674
New positions	103	420
Total number of women	5,225	5,171
of which in management	891	863
Total number of men	4,431	4,382
of which in management	2,635	2,560
Total number of apprentices	787	776
Average length of service (years)	7.5	7.1
Average age of employees (years)	38.1	36.7
Employee turnover (%)	8.3	7.7

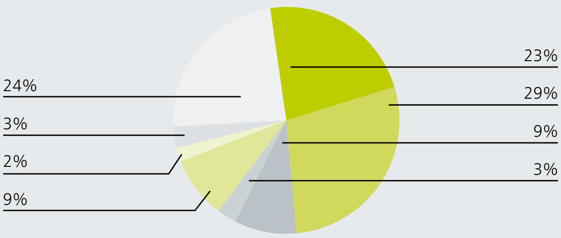
Economic sustainability

Process management made even more professional

Raiffeisen is supported by a comprehensive, group-wide process model and in 2010 made further strides toward professionalising its process management system. Raiffeisen Switzerland focused on strengthening and anchoring process roles in the line organisation, establishing continuous process improvement in day-to-day operations and expanding process controlling to include process performance indicators and process maturity. When maintaining the process and ICS reference model for Raiffeisen banks, it focused on optimising and enhancing the substance of the model and expanding functions that support the adaptation of the model to each Raiffeisen bank's practices.

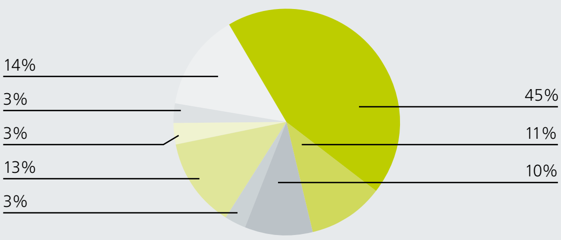
Raiffeisen Switzerland 2007 – 2009:
Greenhouse gases and environmental pollution

Electricity
Heating
Paper
Office consumables
Workstation computers
Waste disposal
Business travel
Commuting



Raiffeisen banks reference group 2007 – 2009:
Greenhouse gases and environmental pollution

Electricity
Heating
Paper
Office consumables
Workstation computers
Waste disposal
Business travel
Commuting



The charts show the impact per full-time equivalent (FTE). The average values from the reference group are based on the mean values for the median[1] in 2007 – 2009.

[1] The value m is considered to be the median of a sample if no more than half the data points in the sample have a value < m and no more than half have a value > m.

Cost/income ratio

To ensure economic sustainability, income and expenses must maintain a healthy equilibrium over time. At the same time, every enterprise – Raiffeisen included – must continually adapt to new trends and challenges. Over the medium term, Raiffeisen expects fierce competition to keep income growth moderate in interest operations (i.e. borrowing funds at a low rate and lending them out at a higher rate). Raiffeisen is therefore pursuing further qualitative growth and entering adjoining businesses to diversify its income streams. At the same time, it is taking steps to offset the costs of diversification by streamlining service processes. The change in the cost/income ratio clearly reflects this trend. It was reduced from 62.3% to 60.6% percent, above all due to stable operating expenditure.

Information on the statement of net added value

Thanks to strong volume growth and successful asset and liability management, Raiffeisen boosted corporate performance – also known as “operating income” – considerably to CHF 2.4 billion in 2010. After deducting third-party services, depreciation, amortisation, value adjustments and losses from this total, Raiffeisen's net added value was CHF 1.8 billion.

There were minor changes in the distribution of available funds to stakeholders. The personnel share went up one percentage point to 57.2%. There was also an increase, although much smaller, in the profit distribution to cooperative members in the form of interest payments on share certificates. These higher allocations reduced self-financing.

The amount allocated to reinforcement of reserves (retention of earnings) declined slightly to 33.1%.

Personnel received over CHF 1 billion, which was by far the largest share of added value. The allocation to reserves was slightly more than CHF 600 million. The government received CHF 145 million, including CHF 117 million for taxes paid and the remainder for future taxes from reversing temporary measurement differences. CHF 30 million was paid directly to the cooperative members. Cooperative members also enjoy other direct benefits (e.g. free banking), higher interest on savings and other benefits (e.g. discounted travel). These member benefits added up to more than CHF 160 million in the course of the year.

Value-based management

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

Ecological sustainability

As Switzerland's third-largest banking services provider, Raiffeisen has a responsibility to protect the environment. It devotes most of its efforts to reducing greenhouse gas emissions and energy consumption, mainly by minimising the environmental impact of its operations. Other important existing projects include server virtualisation (green IT) to lower electricity consumption and the expansion of the bank's local heating network to conserve heating energy. Outside its own organisation, Raiffeisen also participates in nationwide projects to achieve goals such as lowering greenhouse gas emissions and energy use.

Ecobalance

In order to measure and minimise the impact of its business on the environment on an ongoing basis, Raiffeisen institutionalised the lifecycle assessment process in 2006 with assistance from sinum AG. This pilot project captures central data, data on Raiffeisen Switzerland and data on a reference group of nine regional Raiffeisen banks. Since the system boundaries have not changed in recent years, it is now possible to track the greenhouse gas emissions and environmental impact of Raiffeisen Switzerland and the reference group over time. Over the years, Raiffeisen collected enough meaningful data to develop a sound sustainability strategy and expand the system boundaries to include key indicators. Not only will data be collected on more locations, but the lifecycle assessment process will also be broadened to include sustainability performance, including a separate GRI-compliant sustainability report.

Raiffeisen Switzerland development

In 2009, Raiffeisen Switzerland's greenhouse gas emissions were equivalent to approx. 7,300t of CO_2 (including extrapolated commuter traffic, which accounted for over 2,300 t of the CO_2 equivalents), or the amount of CO_2 emitted by circling the earth 700 times with a car. Its environmental impact was nearly 11,000 million environmental impact points (including 2,500 million EIPs for commuter traffic), or roughly equal to the impact of a car circling the earth 1,200 times. CO_2 equivalents are calculated in accordance with IPCC2007, environmental impact points in accordance with EIP2006. Electricity consumption dominated Raiffeisen Switzerland's environmental impact, while fuel took the lead in terms of greenhouse gases. Commuter traffic is the main emitter (over 30 percent) of greenhouse gases and accounts for nearly a quarter of the environmental impact. Greenhouse gas emissions and the environmental impact have largely risen due to higher power consumption as a result of the bank's growth. Diesel consumption is also trending upwards.

Trend for reference group of Raiffeisen banks

The reference group emitted greenhouse gases equivalent to 3.2 t of CO_2 per full-time equivalent (FTE). This is roughly the same amount of CO_2 emitted by driving a car over 12,000 kilometres or the amount of CO_2 absorbed each year by an approx. 3,200 m2 forest. The environmental impact of nearly 5 million EIPs per FTE is equal to driving nearly 22,000 km with a car. The main sources of greenhouse gas emissions and environmental impact are electricity consumption, heating energy and commuting, although electricity plays a much larger role in the environmental impact.

Raiffeisen's other environmental sustainability projects

Besides reducing its environmental impact, Raiffeisen has long been involved in various environmental sustainability projects. It supports smaller-scale activities and nationwide projects on sustainable building or the reduction of greenhouse gas emissions.

Carbon Disclosure Project (CDP)

In 2010, Raiffeisen Switzerland and the Ethos Foundation asked Switzerland's 100 largest exchange-listed companies about their efforts to lower CO_2 emissions. The survey formed part of the Carbon Disclosure Project (CDP), the world's largest investor association on climate change. The company data helps investors make investment decisions since climate change strategies can significantly affect the risks and opportunities of business activities. Raiffeisen plans to continue working with CDP in the years ahead to support the transparency of corporate climate change reporting (www.cdproject.net).

Swiss Climate Foundation

The Swiss Climate Foundation, which is chaired by Raiffeisen, helps fund SMEs and champions climate protection. The Foundation is funded by the CO_2 tax rebates collected by its partner companies. It has supported several projects since being established in 2008 by twelve major service providers – including the Raiffeisen Group with a contribution of CHF 660,000. By mid-2010, it had supported 11 projects in total (www.klimastiftung.ch).

Energieallianz
Raiffeisen Switzerland pays an annual contribution to support the Energieallianz, an association that initiates projects to reduce energy use and/or CO_2 emissions. Its "Door opener" project, for example, is currently raising homeowner awareness of home weatherisation in the Canton of Lucerne, while the "Power 40+" project is training well-qualified, unemployed people above the age of 40 to become building energy consultants in the Canton of St. Gallen (www.energieallianz.ch).

Swiss Green Building Association
In 2010, Raiffeisen and several other organisations formed the Swiss Green Building Association. This sustainable building platform advocates the construction of solid, well-insulated buildings and the demolition and replacement of non-energy-efficient ones. The association's main tools are research, education and information. However, it also intends to partner with government agencies and set up a centre of competency for demolition and replacement (www.greenbuilding.ch).

Sustainable investment products
Minergie mortgage is renamed Eco-mortgage and keeps growing
Raiffeisen pioneered the Minergie mortgage in Switzerland in 2002, and has now broadened its scope. Besides renaming it the "Eco-mortgage", it has raised the maximum interest discount and broadened the eligibility criteria. The mortgage is available not only for Minergie-certified buildings (www.minergie.ch), but also for buildings that receive a Class A (new buildings) or Class C (old buildings) cantonal energy performance certificate ("GEAK"). Demand rose by over one-third in 2010. The average mortgage amount is also higher.

Futura sustainability funds
The Raiffeisen Futura funds only invest in securities issued by companies that treat human and natural resources with due care and respect and use the latest technologies and techniques to ensure that their business model is sustainable. Investments are evaluated using the ethical and environmental criteria formulated by Inrate, a rating agency (www.inrate.com). Inrate utilises an innovative approach and a rigorous methodology to develop its criteria. To pursue a forward-looking path with the Futura products, Raiffeisen made its Pension Invest funds completely sustainable by switching their investment policies to Futura in 2010. The Raiffeisen Pension Invest funds are BBV2-compliant, thus can be used for pensions.

The Raiffeisen Futura Swiss Stock fund won the Lipper Fund Award for best Swiss equity fund over five years in 2010 for the fourth year running.

As a cosignatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen systematically informs investors about the investment criteria and processes governing the Futura funds (www.eurosif.org).

Partnership with Ethos
Responsibly investing also means exercising voting rights. After all, shareholders have the final say in important business decisions. As a major provider of sustainable investment products, Raiffeisen has therefore decided to partner with the Ethos Foundation. The partnership already covers some Futura funds, but will be extended to all Futura products in 2011. The foundation's primary aim is to protect the interests of investors on a long-term and forward-looking basis by promoting sustainable development principles and corporate governance best practices. Its voting positions are available on the Ethos homepage (www.ethosfund.ch).

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

ResponsAbility microfinance funds
Investments in microfinance have proved that social benefits and financial performance are not mutually exclusive. This has heightened investor interest in microfinance, as it delivers a double return: social and financial. Microlending allows people in developing countries to earn a living by running their own business, while giving fund investors a return on their capital.

Raiffeisen is a founding member of responsAbility Social Investments AG, established in 2003 (www.responsAbility.com).

Fabrice Roth, engineer

Fabrice Roth never wanted to build sandcastles, just solid, permanent structures. As a young engineer, he decided to specialise in bridges. In his eyes, the most perfect challenges are bridges that are technologically and aesthetically groundbreaking, like the Hardbrücke Bridge in Zurich. For Fabrice Roth, they simultaneously represent a symbol, a mission in life and an artefact of our current culture for tomorrow's generations.

Strategy Raiffeisen is a success story. To stay successful, Raiffeisen must tackle current challenges such as fiercer competition, high customer expectations and stricter regulation.

- *The strategic targets have proven their worth and will continue to be pursued*
- *Processes are examined for efficiency enhancement opportunities on an on-going basis*
- *Raiffeisen's compelling cooperative culture is strengthened further*
- *By investing in future projects, Raiffeisen is in an ideal position to develop future business opportunities*

Review and achievement of targets in 2010

Switzerland recovered more rapidly from the financial crisis than many experts had predicted a year ago. The worst-case scenarios – unstable financial markets and a lacklustre real economy – failed to materialise, despite the uncertainty. However, future economic trends remain hard to predict. The solvency of some European countries is still in question, and Swiss exporters are concerned about exchange rates.

In these turbulent times, Raiffeisen's values, strategy and business model have proven highly effective. Raiffeisen closed out another successful financial year in 2010 in spite of the extremely adverse environment. Once again, it captured further market share by rapidly growing its core business. It also pressed ahead with its planned income diversification (investment business, corporate clients). Raiffeisen champions values (e.g., security, trust, transparency and client intimacy) that have gained importance in many clients' eyes as a result of the crisis. Raiffeisen owes its success to these strengths which will remain unchanged, to best tackle the challenges ahead. Raiffeisen has spent recent years making large strategic investments and positioning itself to capitalise on future business opportunities as they arise.

Trends and challenges

The banking market in Switzerland is still experiencing upheaval. The financial crisis has permanently transformed the competitive environment, client requirements and the regulatory environment:

Competition

Shifts in the bank income landscape during and after the crisis significantly heightened appreciation for retail banking and particularly interest business. Major banks are once again paying more attention to domestic private clients, partly for political reasons. As the traditional interest business has become more appealing, it has not only attracted major banks, but also new players such as online banks, direct banks and non-banks such as life insurance providers. This has fuelled cut-throat competition, squeezing margins and flattening earnings growth in the interest business. The downward pressure on profits forces banks to aggressively manage costs and broaden their earnings base by entering new business segments.

Client requirements

The financial crisis and related uncertainty has definitively shifted client requirements. Security and trust are now paramount, making personal advisory services more important than ever.

Clients expect not only higher-quality products tailored to their needs, but also higher-quality advisory services. At the same time, they are more price-sensitive due to greater Internet use and more product transparency.

These changes will have to be addressed with skilled employees, personalised advisory services and needs-oriented products and services.

Regulations

Governments responded to the financial crisis by tightening financial sector regulations. Voters also demanded tougher rules in light of the need for government intervention, and the Swiss Federal Council thus sought to address this issue through several expert committees. The findings on Basel III and the "too big to fail" problem were published in late 2010.

Raiffeisen is directly affected by the stricter capital adequacy requirements of the Swiss Financial Market Supervisory Authority (FINMA). They are intended to ensure financial market stability and provide stronger client protection. As a cooperative, Raiffeisen retains around 95% of its net profit (retention of earnings) and so will meet the stricter requirements, too.

Strategic objectives and measures

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

Qualitative growth and diversification

Raiffeisen aims to win a greater market share in the lending and deposit-taking businesses. In under-tapped markets, particularly cities and conurbations, Raiffeisen's objective is to attract and retain new clients. To achieve this, it will expand its sales network (30 new branches by 2013) and

aggressively develop its markets. Its client base also harbours growth potential that should be leveraged into main bank client relationships.
Volume is not Raiffeisen's only goal, however. It is pursuing sustainability as well. Sustainable, profitable growth requires a simple and clear strategy for the local market, a regional sales network and fair pricing.
While Raiffeisen develops its market position in the core business, it is also selectively diversifying into adjacent business segments. This is intended to reflect the varied needs of Raiffeisen clients while expanding the earnings base.

- Raiffeisen intends to advance its positioning in the investment business. It had a good starting position after the financial crisis and has a good reputation that it can leverage. It is focusing on simple and clear pension, insurance and investment products and professional advisory services to accompany the products. The benefits for clients include good value and high transparency, security and sustainability. However, clients also have preferential access to more sophisticated investment products through Raiffeisen's relationship with Vontobel.
- Corporate clients represent an enormous potential. Many entrepreneurs have personal bank accounts with Raiffeisen, but have not yet tapped the wide service portfolio for their companies. This is why Raiffeisen is continuing to pursue its corporate clients strategy, with particular emphasis on small and medium-sized enterprises. It aims to capitalise on Raiffeisen's well-known strengths to become the second-largest provider of corporate loans in this segment over the medium term. Clients can choose solutions from the full range of banking and insurance services (collaboration with Helvetia). The partnership with eight regional competence centres and the Raiffeisen capital goods leasing segment gives Raiffeisen a strong, comprehensive market presence.

Increase in productivity

Besides achieving its growth targets, Raiffeisen also aims to deliver services more efficiently and cost-effectively. Answers to the market-driven flattening of earnings growth have to be found. Raiffeisen acted early to optimise cost structures and boost efficiency. This lowered the growth of total operating expenditure in 2009 and 2010 compared to previous years, among other things. The search for greater efficiency is not, however, a one-time, temporary effort, but rather an ongoing management responsibility to ingrain cost discipline throughout the organisation.
Thus processes to enhance efficiency opportunities are being examined on an on-going basis. Automation and self-service, for example, can lower costs and free-up staff to advise clients. They are mainly used for payment transactions, securities processing and loan handling. These measures are supported by efficiency and productivity improvements in IT as well as extensive investments in new software and hardware.
Raiffeisen is pressing ahead with the homogenisation of its IT environment. Via consolidation, standardisation and new technologies, IT is working to reduce complexity and enhance cost-effectiveness.

Strengthening the corporate culture

Raiffeisen has a cooperative culture that is embraced throughout the Group. It ensures that employees show initiative and identify strongly with the bank – and our clients notice. Trust in the Raiffeisen brand is firmly entrenched in the market and constitutes a competitive edge. The Raiffeisen Group's regional roots are strengthened by dedicated employees and government members who actively participate in social events.

To keep this trust, improvement of these capabilities have to be continued. This means attracting top professional and managerial talent. Raiffeisen is thus positioning itself as an attractive, responsible employer with a unique management culture. It also actively promotes diversity and a healthy work-life balance.

Raiffeisen Group capital investment 2006 – 2010, by category

(net investment, in CHF million)

	2006	2007	2008	2009	2010
Bank buildings	67	98	119	156	161
Other real estate	15	3	38	11	25
Alterations and fixtures in third-party premises	15	32	48	32	36
IT hardware	16	39	50	30	27
IT software	28	22	30	22	18
ATMs	12	16	15	21	17
Furniture	7	8	9	8	8
Fixtures	16	10	15	9	12
Office machines, vehicles, security installations	17	15	21	11	12
Total net investment	**192**	**242**	**344**	**300**	**316**

Raiffeisen Group capital investment 2006 – 2010, by region

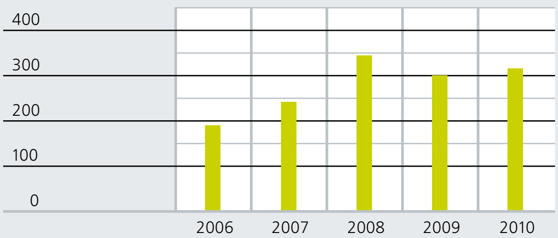
(net investment, in CHF million)

	2006	2007	2008	2009	2010
Région lémanique	27	32	47	37	37
Espace Mittelland	45	31	39	43	53
Northwestern Switzerland and Zurich	14	18	44	42	37
Eastern Switzerland*	70	108	170	121	136
Central Switzerland	25	32	25	29	28
Ticino	12	20	19	27	24
Total	**192**	**242**	**344**	**300**	**316**

* incl. central investment by Raiffeisen Switzerland

Raiffeisen Group capital investment 2006 – 2010

(net investment, in CHF million)



Investments in future projects

Current strengths have to be maintained and constant investments in future opportunities have to be, for Raiffeisen to attain its strategic targets. Raiffeisen has substantially increased its spending in this area throughout Switzerland in the past few years with a view to improving its market position, being an important investment partner for the regional economy.

Most of its investments are used to establish and expand a modern bank branch and sales network. Not only does this strengthen our local roots and corporate client involvement, but it also opens up areas (especially cities and conurbations) where Raiffeisen is underrepresented.

Strategic planning process

Raiffeisen reviews and updates its strategy in a strategic planning process. Raiffeisen's strategic alignment for the next three-year planning period is discussed and adopted at the annual away-day of the Executive Board and the Board of Directors of Raiffeisen Switzerland. The strategy discussions and updates take into account trends and recent market developments.

The Raiffeisen Group has measured and managed its strategic objectives using a balanced scorecard (BSC) for several years. The BSC is firmly anchored in the overall controlling process. It allows the Group to operationalise the strategic targets and consider all relevant aspects. The BSC measures not only financial performance indicators, but also other dimensions such as clients, employees and processes. This instrument has proven its worth and is systematically updated.

1. **Initial analysis**
2. **Determination of strategic targets** (EB and BD away-days)
3. **Definition of strategic metrics (BSC) and multi-year financial planning**
4. **Budgeting of day-to-day business and projects**

The following selection of key performance indicators (KPIs) operationalises Raiffeisen's strategic targets.

Target value	BSC dimension	2008 actual value	2009 actual value	2010 actual value	2010 target achievement	2011 target value
Loans to clients	Clients	+ 6.96%	+ 8.33%	+ 8.18%	■	+ 3.00%
Lending volume to corporate clients	Clients	+ 4.00%	+ 11.06%	+ 9.15%	■	+ 6.00%
Gross additions to value adjustment component	Finance	0.08%	0.08%	0.06%	■	< 0.20%
Cost/income ratio	Processes	62.00%	62.30%	60.60%	▲	< 61.00%
Active e-banking agreements	Processes	+ 20.44%	+ 15.68%	+ 14.72%	■	+ 10.00%
Turnover rate Key people	Employees	4.40%	2.20%	2.48%	■	< 7.00%

■ Target achieved
▲ Target not achieved

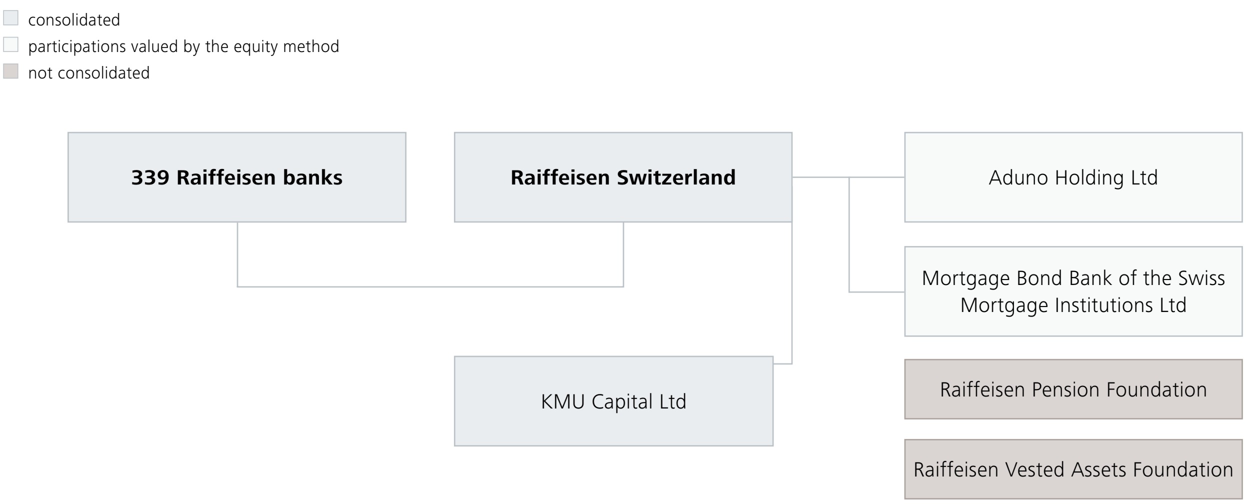
Rémy Wirz, ferryman

Rémy Wirz is the ferryman for the Ueli Ferry between St. Johanns Park and Kleinbasel. Nothing is more important than safety in his daily work. He is meticulous about checking his equipment and materials. To keep the ferry stable on the water, he has to manoeuvre it into the right position. The Rhine current provides the propulsion, thus freeing up Rémy Wirz so that he can personally attend to his passengers and ensure they cross the Rhine safe and sound.

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

- *Trustworthy and fair business policies are pursued*
- *Strategic management, operational management and controlling are kept separate for transparency*
- *Security is upheld by pillars of confidence*
- *Cooperative members elect the Board of Directors*

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



The following report has been primarily drawn up according to the Swiss Code of Best Practice for Corporate Governance published by economiesuisse and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although the code is not binding for Raiffeisen, it is helpful even for an unlisted company to apply these best practices in certain areas. The report addresses in particular the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data are accurate as at 31 December 2010.

Raiffeisen Group structure

The subsidiary KMU Capital AG is wholly owned by Raiffeisen Switzerland. The Raiffeisen Group also owns 21.58% of Pfandbriefbank schweizerischer Hypothekarinstitute AG, and Raiffeisen Switzerland owns 24.68% of Aduno Holding AG. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions. Small shareholdings are not listed separately.

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	▪ Banking business ▪ Mainly retail business ▪ Traditional savings and mortgage business ▪ Corporate clients business ▪ Payment services ▪ Investment fund and securities, and consumer goods leasing	Cooperative members
Raiffeisen Switzerland	▪ Business policy and strategy as well as a centre of competence for the Raiffeisen Group ▪ Risk controlling ▪ Central bank function (monetary settlement, liquidity maintenance and refinancing) ▪ Banking business (mainly interbank transactions and securities trading) ▪ Staff development ▪ Running of branches	Raiffeisen banks
KMU Capital Ltd	Financing business, mezzanine financing and investments in SMEs	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivised pension savings (pillar 3)	

Changes versus the previous year

The operations of Raiffeisen Leasing AG were integrated into Raiffeisen Switzerland effective 1 January 2010. The former company was renamed KMU Capital AG and its business purpose changed.

Raiffeisen Switzerland (Luxemburg) Fonds Advisory S.A. was folded in 2010.

After purchasing shares, Raiffeisen Switzerland's investment holding in Aduno Holding AG rose to over 20%. As a result, the investment holding in Aduno Holding AG is now measured using the equity method.

Mergers of Raiffeisen banks

Due to mergers, the number of legally and organisationally independent Raiffeisen banks fell from 350 to 339 in the year under review. The mergers were motivated by operational and market considerations. The ongoing structuring process enables the individual Raiffeisen banks to optimally align their activities with the needs of their regional markets. The number of independent Raiffeisen banks will continue to decline slightly over the next few years, though there will be little change in the number of bank branches.

Expansion of Raiffeisen locations

The presence in urban centres was further expanded. Raiffeisen banks opened six new branches in 2010.

Raiffeisen Group organisational structure

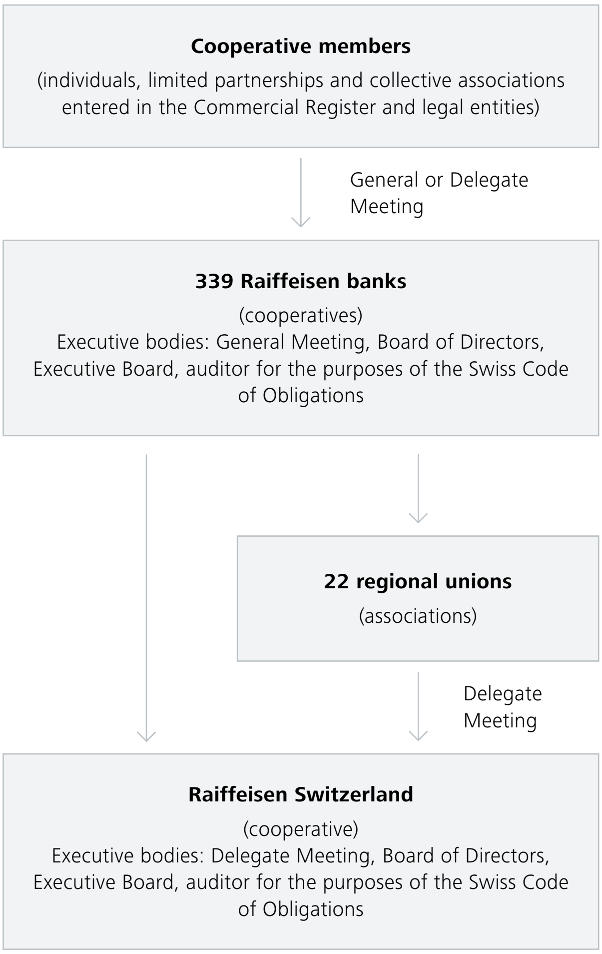
Raiffeisen has four levels of decision-making authority and responsibility:

The 339 Raiffeisen banks, with a total of 1109 branches (excluding Raiffeisen Switzerland branches), are legally and organisationally independent cooperatives that elect their own boards of directors and have an independent auditor. Raiffeisen banks are owned by the cooperative members. The candidates for the board of directors are voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. Raiffeisen banks own 100% of Raiffeisen Switzerland.

Raiffeisen banks are grouped into 22 regional federations (see page 63) organised as associations. The federations act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional federations include in particular organising delegate elections for the Raiffeisen Switzerland Delegate Assembly, coordinating regional advertising activities, conducting training events for Raiffeisen banks, and safeguarding and representing the interests of Raiffeisen banks in dealings with cantonal business associations and authorities.

Raiffeisen Switzerland is a cooperative. Any bank with a cooperative structure that recognises the model Articles of Association of Raiffeisen banks and the Articles of Association and regulations of Raiffeisen Switzerland can join. Raiffeisen Switzerland bears responsibility for the Raiffeisen Group's business policy and strategy, acting as a centre of competence for the entire Group and representing its interests nationally and internationally. Raiffeisen Switzerland directly manages six retail branches.

The Raiffeisen Banks Steering Committee (not shown in the chart) is another management body. Each regional union



has one seat, while Raiffeisen Switzerland is represented with one seat per department in this committee. The Committee reviews strategic matters, objectives and plans of Raiffeisen banks; viewpoint, prioritising them according to the specifications established by the Raiffeisen Switzerland Executive Board. It also appoints representatives who sit on the individual steering committees of Raiffeisen Switzerland, ensuring that Raiffeisen banks have a sufficient say in Group-wide plans and projects.

Major participations

Note 3 (on page 118) lists all major participations of the Raiffeisen Group, including company name, domicile, capital and share of voting rights.

Major cooperative members

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

Cross-shareholdings

Raiffeisen Group companies have no cross-shareholdings.

Capital structure and liability

Capital structure

The Raiffeisen Group’s cooperative capital totals CHF 570 million. A precise breakdown and accounting of changes in the year under review are provided in note 10, “Evidence of equity capital” (see page 124).

The regional federations

Regional federations	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	27
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	24
Bündner Verband der Raiffeisenbanken	Hans Sprecher, Grüsch	10
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	7
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	23
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	11
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	17
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	12
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	8
Solothurner Verband der Raiffeisenbanken	André Bourquin, Aetigkofen	23
St.Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	48
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Bissegg	19
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Michel Pauchard, Domdidier	11
Fédération genevoise des Banques Raiffeisen	Philippe Moeschinger, Thônex	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	9
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	5
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	19
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	20
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	31

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

Changes in equity capital

Membership in a Raiffeisen bank and the associated rights and obligations are tied closely to the individual/entity in question. This is why individual shares normally cannot be sold or transferred. 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.

Share certificates bear a maximum 6% interest.

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

Security model

The Raiffeisen business model, its business policy, its high level of equity and the possibility of helping shape policy as a cooperative member give Raiffeisen clients comprehensive security. The Raiffeisen system provides a reliable and sustainable basis for all banking transactions for the benefit of clients (see chart page 67).

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. Working together in a tightly knit cooperative union is also a form of solidarity, as the fate and risks of the Raiffeisen banks are tied closely together. With the solidarity fund, Raiffeisen Switzerland is also able to cover claims and operating losses beyond what the individual members could afford (see chart page 66).

1) Raiffeisen Switzerland liability towards 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 CHF 867.7 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.4 billion, of which CHF 360 million have been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 1,004.9 million from the Raiffeisen banks at any time.

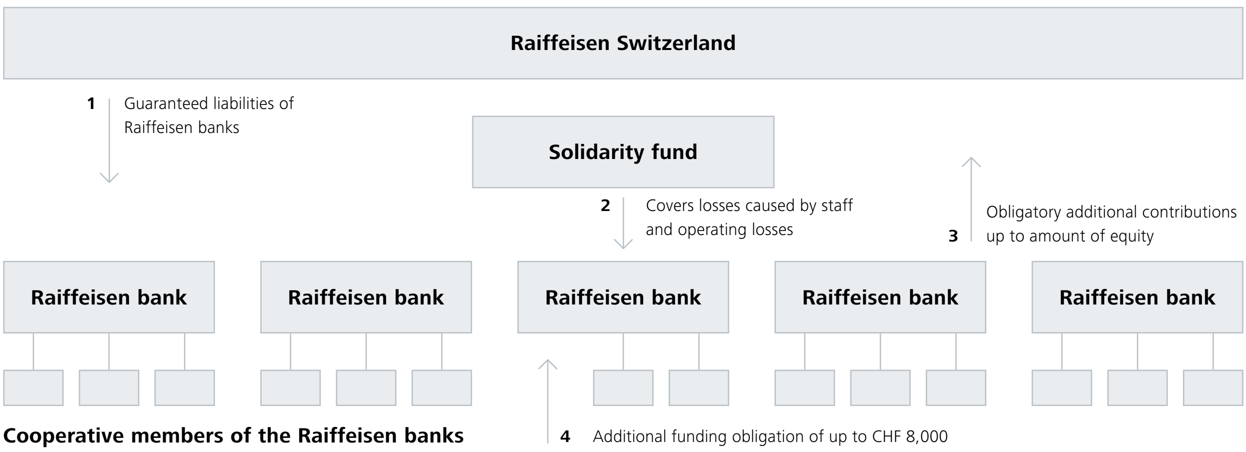
Changes in equity capital
(in CHF million)

	2010	2009	2008	2007
Cooperative capital	570	536	505	467
Retained earnings	8,084	7,447	6,910	6,234
Group profit	627	645	564	701
Total	**9,281**	**8,628**	**7,979**	**7,402**

2) Solidarity fund
The solidarity fund is an organisation-wide reserve to cover risks, in the classical sense of solidarity as understood by Raiffeisen. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets amount to CHF 329.9 million.

3) Additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland
Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland is CHF 8.5 billion.

4) Additional funding obligation of the cooperative members towards Raiffeisen banks
Should the annual balance sheet of a Raiffeisen bank indicate that cooperative capital is no longer covered, the cooperative members are bound under an additional funding obligation of up to CHF 8,000 each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals CHF 13.4 billion (see note 10 "Evidence of equity capital", page 124). The additional funding obligation of the cooperative members of Raiffeisen banks has never been enforced in Raiffeisen's long history. It is the last resource to be called on, after all the measures described above or all the funds of the entire Raiffeisen Group have been exhausted.



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

According to a FINMA ruling of 3 September 2010, the Raiffeisen Group must only comply with the statutory provisions on capital adequacy, risk diversification and liquidity on a consolidated basis. Raiffeisen banks are exempted from compliance with these provisions at the individual bank level. However, to enjoy this dispensation, Raiffeisen banks must have a central organisation that guarantees all Raiffeisen bank obligations and must also maintain the regulation giving Raiffeisen Switzerland power to exercise directive authority vis-à-vis Raiffeisen banks. Raiffeisen Switzerland monitors the Raiffeisen banks' overall position on an ongoing basis, especially as regards capital adequacy, earnings, liquidity and risk diversification. If an unfavourable development occurs or is expected at a Raiffeisen bank, Raiffeisen Switzerland assists in drawing up and implementing appropriate measures. In serious cases, Raiffeisen Switzerland has a right of application and directive authority in respect of organisational, operational and HR-related steps.

Executive bodies of Raiffeisen Switzerland

Raiffeisen Switzerland Delegate Assembly

The Delegate Assembly 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 Assembly.

Client confidence in Raiffeisen

Business model

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

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

Business policy

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

Raiffeisen pursues a very conservative risk policy.

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

Capital adequacy

At CHF 13.2 billion, Raiffeisen has more than double the capital required under statutory capital adequacy provisions.

With a debt-to-equity ratio (leverage ratio) of 6.3%, Raiffeisen is very well capitalised.

Membership

The 1.7 million members help set the course and take responsibility for it.

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

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

Board of Directors of Raiffeisen Switzerland

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

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

No members of the Board of Directors have been active employees of Raiffeisen Switzerland in the last three years. Furthermore, no Board of Directors members have had significant business relationships with Raiffeisen Switzerland similar to a hiring relationship.

Composition, election and term of office

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

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

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. The Board met six times in 2010. 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 to review its own activities and positions.

The members of the Executive Board generally attend the meetings of the Board of Directors, those of the Committee

Members of the Board of Directors

				
Name	**Dr h.c. rer. pol., lic. iur. Franz Marty**	**Philippe Moeschinger**	**Rita Fuhrer**	**Anne-Claude Luisier**
Function	Chair of the BoD and BoD Committee	Vice-Chair of the BoD and BoD Committee	Member of the BoD	Member of the BoD
Year of birth	1947	1960	1953	1967
Residence	Goldau SZ	Thônex GE	Auslikon ZH	Ayent VS
On the BoD since	2002	2008	2010	2010
Elected until	2012	2012	2012	2012
Occupation	Former member of cantonal government and financial director	Manager of the Foundation for Industrial Land in Geneva	Former cantonal government representative	Founder and director Senso Creativ Sàrl
Significant positions held	▪ Member of the Senate of the University of Fribourg ▪ Chair of the Constitutional Commission of the Canton of Schwyz ▪ Chair of the Foundation Board of Schweizer Berghilfe ▪ Chair of the Foundation Board of the Raiffeisen Centenary Foundation	▪ Chair of the BoD of Banque Raiffeisen d'Arve et Lac ▪ Member of the Management Board of the Fédération genevoise des Banques Raiffeisen	▪ Board member Trägerverein Uniklinik Balgrist ▪ Board member Jucker Farmart, Seegräben	▪ Senso 5 project manager, Canton of Valais Council mandate

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

Continued on page 70

Members of the Board of Directors

				
Name	**Daniel Lüscher***	**Prof. Dr Johannes Rüegg-Stürm**	**Urs Schneider**	**Christian Spring***
Function	Member of the BoD	Member of the BoD and BoD Committee	Member of the BoD	Member of the BoD
Year of birth	1961	1961	1958	1960
Residence	Herznach AG	St.Gallen	Amlikon-Bissegg TG	Vicques JU
On the BoD since	2008	2008	2008	2002
Elected until	2012	2012	2012	2012
Occupation	Chair of the Executive Board of Raiffeisenbank Kölliken-Entfelden	Full professor of Organizational Behaviour at the University of St. Gallen (HSG) Director of the Institute for Systemic Management and Public Governance (IMP-HSG)	Deputy Director and Member of the Management Board of the Swiss Farmers' Union	Chair of the Executive Board of Banque Raiffeisen du Val-Terbi
Significant positions held	No significant positions held	No significant positions held	▪ Chair of the Management Board of Thurgauer Verband der Raiffeisenbanken ▪ Member of the BoD of Raiffeisenbank Regio-Weinfelden ▪ Member of the Grand Council of the Canton of Thurgau ▪ Secretary of the Agricultural Club of the Federal Assembly and the Conference of Agricultural Parliamentary Delegates ▪ Member of the BoD of Schweizer Agrarmedien and "Agri" (an agricultural publication in French-speaking Switzerland) ▪ Chairman, Agromarketing Suisse ▪ Board member, Swiss Farmers' Guarantee Cooperative, Brugg ▪ Board member of the Foundation for Sustainable Nutrition through Swiss Agricultural Products	▪ Vice-Chair of the Fédération jurassienne des Banques Raiffeisen

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

				
Name	**Prof. Dr Franco Taisch**	**Mario Verga**	**Lic. iur. Edgar Wohlhauser**	**Werner Zollinger**
Function	Member of the BoD and the Audit Committee	Member of the BoD	Member of the BoD and Chair of the Audit Committee	Member of the BoD and the Audit Committee
Year of birth	1959	1949	1961	1958
Residence	Neuheim ZG	Vacallo TI	Schmitten FR	Männedorf ZH
On the BoD since	2008	2000	2006	2006
Elected until	2012	2012	2012	2012
Professional activity	Professor of commercial law and Chief Director of the Institute for Company Law at the University of Lucerne; owner of taischconsulting, unternehmensführung und recht, Zug	Lawyer/notary, co-owner of Vassalli-Verga, a firm of lawyers and notaries in Chiasso and Lugano	Partner at BDO AG, Zurich	BoD Chairman and CEO of ProjectGo AG, Zug
Significant positions held	▪ Chair of the BoD of Swiss Rock Asset Management AG, Zurich ▪ BoD member and Audit Committee Chairman, Banque Louis SA, Zurich ▪ Adjunct Faculty Member Executive School of Management, Technology and Law, University of St. Gallen ▪ Senior lecturer at the Swiss Finance Institute, Zurich/Geneva/Lugano ▪ Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug	▪ Chair of the Federazione Raiffeisen del Ticino e Moesano ▪ Member of the BoD of Banca Raiffeisen Morbio-Vacallo	No significant positions held	▪ Chair of the BoD of Raiffeisenbank rechter Zürichsee, Männedorf

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

Board of Directors committees

Committee	Members	Composition, duties and competencies
Board of Directors committee	▪ Dr h.c. Franz Marty (Chair) ▪ Philippe Moeschinger (Vice-Chair) ▪ Prof. Dr Johannes Rüegg-Stürm	The Board of Directors appoints the Committee of the Board of Directors, which consists of the chair, vice-chair and at least one other member of the Board of Directors. ▪ Preparation of the business of the Board of Directors ▪ Establishment of the general conditions of employment, the remuneration and the employee benefits of the members of the Executive Board , the Head of Internal Auditing and staff; preparation of the remuneration report for the Board of Directors ▪ Regulating own-account transactions for members of the Executive Board and staff ▪ Approval of positions held taken on by members of the Executive Board and the Head of Internal Auditing ▪ Passing resolutions on major investments, contractual obligations and expenditure, to the extent that authority over these matters is assigned to the Committee
Audit Committee	▪ Lic. iur. Edgar Wohlhauser (Chair) ▪ Prof. Dr Franco Taisch ▪ Werner Zollinger	The Audit Committee consists of three members of the Board of Directors who have the necessary experience and expertise in finance and accounting, auditing and compliance. ▪ Assisting the Board of Directors with monitoring the Executive Board with regard to the effectiveness of the internal control systems and on financial and accounting issues ▪ Evaluating compliance with statutory, regulatory and internal rules and normal market standards and codes of practice ▪ Ensuring the quality of internal and external auditing and cooperation between the two

of the Board of Directors and those of the Audit Committee. They can advise and have the right to put forward motions.

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

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, 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 Raiffeisen banks
- To pass the regulations necessary for the running of Raiffeisen banks
- To prepare for the Delegate Assembly and execute the resolutions of this body.

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

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

Information and controlling tools
The Board of Directors is kept informed of the activities of the Raiffeisen Switzerland Executive Board in a number of ways. The Chair of the Board of Directors and the Head of Internal Audit may also attend Executive Board meetings in order to share information. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

Risk management and compliance
Risk management and compliance are described in detail in the “Risk policy and risk control” section on pages 22-31.

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, with the competent, secure, forward-looking and successful management of the Group, with the financial and human resources organisation and with the implementation of risk policy.

The Executive Board consists of the chair and six other members. Meetings are normally held once a week, led by the chair. The Executive Board has the power to pass resolutions if a majority of its members are present. It generally reaches 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 and the Head of Group Risk Controlling. It meets monthly and is responsible in particular for implementing strategy, acting as a risk committee, budgeting and budget control, defining the application architecture and project management.

The business processes of Raiffeisen Switzerland are spread across six departments (see organisational chart on pages 82-83).

The members of the Executive Board and of the extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland.
There were no changes to the Executive Board in the 2010 financial year.

Management contracts

There are no management contracts with third parties at Raiffeisen.

Auditor for the purposes of the Swiss Code of Obligations

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

Remuneration report

Raiffeisen Group

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

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

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

Effective remuneration system examined and further developed

Since 1 January 2010, Raiffeisen Switzerland has been subject to the rules outlined in the FINMA 10/1 "Remuneration Systems" circular. In order to implement the provisions of the FINMA 10/1 "Remuneration Systems" circular, the Board of Directors has examined and enhanced the system currently in place, which has been well-received and has functioned well in the past. Specific attention was paid to ensuring that the remuneration scheme does not incentivise taking unnecessary or excessive risks.

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

In line with its profile of low risk and stable earnings, as well as the cooperative tradition, there is a unique remuneration system in place. This scheme involves remuneration caps for risk-takers, limits on variable remuneration components and all remuneration in cash rather than in the form of deferred benefits. The remuneration policy strives for consistency; stable returns and sustained success are rewarded more under the new remuneration system than has been the case in the past.

In line with the Raiffeisen Group business model, on 1 January 2011 the Board of Directors introduced rules regulating in detail remuneration paid to members of the Board of Directors and the Executive Board, and the principles concerning total remuneration paid to all Raiffeisen Switzerland employees. Raiffeisen Switzerland also issues recommendations to Raiffeisen banks.

Total remuneration and total variable remuneration

In the year under review, total remuneration paid by the Raiffeisen Group came to CHF 812,775,746. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 74,393,843. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

(in CHF	2010	Prior year
Total Raiffeisen Group remuneration (cash only)	812,775,746	794,343,618
of which total Raiffeisen Group variable remuneration pool (cash only)	74,393,843	73,541,134

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration

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

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

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

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

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

Determining the total variable remuneration pool

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

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

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

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

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

Governance
The Raiffeisen Switzerland Board of Directors is responsible for:

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

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

2010 Remuneration
Total remuneration
In the year under review, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 221,048,772. Remuneration expenses accrued (both fixed and variable) for the year under review, have been recorded in full as personnel costs. There are no remuneration expenses from earlier reporting years affecting profit and loss.

in CHF	2010	Prior year
Total Raiffeisen Switzerland remuneration	221,048,772	219,172,989
Charges/credits from earlier reporting years affecting current profit and loss	0	0

Total variable remuneration pool
In the year under review, the Board of Directors Committee approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 31,687,901 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form.

in CHF	2010	Prior year
Total Raiffeisen Switzerland variable remuneration pool (cash only)	31,687,901	32,029,513
Number of individuals receiving variable remuneration	1'692	1'759

Board of Directors
The twelve active members of the Raiffeisen Switzerland Board of Directors received remuneration totalling CHF 1,039,753 for the year under review. This remuneration includes all allowances, attendance fees and expense reimbursements. The largest individual remuneration amount paid was to the Chair of the Board of Directors, Dr h.c. Franz Marty, totalling CHF 273,170. Members of the Board of Directors receive no variable remuneration in the form of a profit-sharing arrangement. In addition, total social insurance contributions for Board of Directors members totalled CHF 140,977. No joining or severance payments were remitted to members of the Board of Directors.

Members of the Executive Board (incl. the Head of Internal Auditing)
Total remuneration paid to members of the Raiffeisen Switzerland Executive Board for the reporting year (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,612,255. Of this amount, CHF 1,840,432 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland; this was the highest sum paid to an individual Executive Board member. Employee and employer contributions to pension plans and social insurance for Executive Board members totalled an additional CHF 3,005,496, of which CHF 530,110 was paid to Dr Pierin Vincenz, CEO Raiffeisen Switzerland. Fixed remuneration includes business-related board-of-directors fees for Executive Board members.

At the end of the financial year, loans granted to Executive Board members totalled CHF 20,310,817. The Board of Directors Committee is the approving body for company loans to Executive Board members. The bank's Executive Board enjoys preferential terms standard for the industry, as do other personnel. No joining or severance payments were made to Executive Board members in the year under review.

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

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

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

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

Rights of codetermination

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

Raiffeisen banks

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

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

Members of the Executive Board

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

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

* Member of the extended Executive Board

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

Organisational chart of Raiffeisen Switzerland

Board of Directors

- **Chair of the Executive Board** – Dr Pierin Vincenz*
  - **General Secretariat** – Pius Horner

- **Finance** – Marcel Zoller*
  - **Accounting** – Paolo Arnoffi
  - **Controlling** – Dr Christian Poerschke
  - **Group Risk Controlling** – Dr Beat Hodel**
  - **Credit Risk Management** – Daniel Tönz
  - **Projects** – Marcel Zuberbühler

- **Market** – Dr Patrik Gisel*
  - **Products & Cooperation** – Adrian Töngi
  - **Distribution** – Pascal Dürr
  - **Bank Relationship Management** – Karl Hofstetter a.i.
  - **Corporate Clients** – Hans Martin Albrecht
  - **Marketing Communication** – Robert Fuchs
  - **Corporate Communications** – Dagmar Laub-Gall
  - **Italian-speaking Switzerland office** – Romano Massera
  - **French-speaking Switzerland office** – Alain Girardin

- **Central Bank** – Paulo Brügger*
  - **Trading & Sales** – Werner Leuthard
  - **Treasury** – Thomas Brunhart
  - **Business Engineering & Support** – Marco Tagliaferro

Branches
Gabriele Burn*

St. Gallen Branch
Dieter Leopold

Winterthur Branch
René Bentele

Basel Branch
Bruno Stiegeler

Zurich Branch
Matthias Läubli

Berne Branch
Daniel Schmid

Thalwil Branch
Daniel Duca

IT
Damir Bogdan*

IT Governance & Services
Markus Beck

Business Systems
Beat Monstein

IT Testing & Tools
Martin Sutter

IT Operations
Christian Lampert

Services
Michael Auer*

HR Management
Michael Federer

Legal & Compliance
Roland Schaub

Organization & Purchasing
Robin Marke

Processing
Olivier A. Oettinger

Facility Management
Roland Hagen

Training
Urs von Däniken

Internal Auditing (IA)
Kurt Zobrist

IA RB St. Gallen
Roland Meier

IA RB Dietikon
Räto Willi

IA RB Lausanne
Jean-Daniel Rossier

IA RB Bellinzona
Katia Carobbio

IA Raiffeisen Switzerland
Sergio Pesenti

Internal Auditing ICT
Markus Hug

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

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

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

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

Raiffeisen Switzerland
The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the supreme executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting of Raiffeisen Switzerland" on page 67-68).

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

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

Calls for Delegate Assemblies agenda
The following points must be observed when calling an Ordinary Delegate Assembly:
a) five months in advance of the meeting, the date, location and time of the meeting and dates for the entire procedure must be announced;
b) twelve weeks before the meeting: applications to add items to the agenda must be submitted;
c) four weeks before the meeting: the agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out.
Shorter deadlines are permissible when calling an Extraordinary Delegate Assembly.

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 cooperative capital or CHF 20,000 per Raiffeisen bank. This limit means that statutory regulations on obligatory offers for sale and change of control clauses are not relevant to the Raiffeisen Group.

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

Raiffeisen Switzerland and Group companies
The external auditor for Raiffeisen Switzerland and KMU Capital AG is PricewaterhouseCoopers AG in St. Gallen.

Raiffeisen Group
PricewaterhouseCoopers AG, St. Gallen, is also responsible for auditing the consolidated accounts. Bruno Gmür has been the lead auditor since 2010 and is responsible for the mandate.

Audit fees
Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling CHF 15.5 million for audits under Swiss banking law and internal audits in the year under review. In financial year 2010, PricewaterhouseCoopers

AG charged the Raiffeisen Group a total of CHF 11.6 million for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law. PricewaterhouseCoopers AG also invoiced the Raiffeisen Group CHF 0.5 million for other audit and advisory services.

Information tools available to the external auditor

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

Supervision and control of the external auditor

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

Information policy

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

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

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

Press releases in 2010

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

Capital adequacy disclosure requirements

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

The half-yearly capital adequacy disclosure, containing comprehensive qualitative and quantitative information regarding eligible and required capital as well as credit, market and operational risks, is available on the Raiffeisen website, www.raiffeisen.ch. The year-end publication also appears in the Raiffeisen Group annual report (see page 134 ff.).

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

Timetable

Annual Report 2010 published	mid-April 2011
Delegate Assembly in Lucerne	18 June 2011
Publication of half-yearly results	17 August 2011
Results for 2011 announced at financial press conference	2 March 2012

Contact

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E-mail: medien@raiffeisen.ch

Rajna Gibson-Brandon, finance professor

Rajna Gibson-Brandon is a finance professor at the University of Geneva and the head of the Geneva Finance Research Institute (GFRI). The successful academic shares her knowledge and experience with students. For her, the university is a forum for dialogue. She is keen to learn about young people's interests and enjoys nurturing talent and having the vision to aim for new horizons. She knows that she can give young men and women valuable tools for their future.

Business trend The Raiffeisen Group maintained its momentum, despite fierce competition. The 2010 financial year saw further volume and income growth. Gross profit rose significantly thanks to strong earnings and nearly flat expenses.

- *Lending volume grew at a sustainable rate of CHF 9.6 billion*
- *Conservative risk policies kept value adjustments for credit risk very low*
- *Interest, commission and service fee income was strong*
- *Total operating expenditure was unchanged despite high volume growth*
- *Gross profit climbed CHF 66 million to CHF 953 million*

The Raiffeisen Group's cooperative, sustainability-based business model continues to be successful. The cooperative banks remain strong in financing private residential property and are expanding aggressively and persistently in the investment segment and the corporate clients business. Their investments in new locations are intended to attract additional customers. This fuelled dynamic volume growth in 2010. Loans to clients increased by CHF 9.6 billion or 8.2%, outstripping the previous year's growth of CHF 9.0 billion. Client deposits also grew by a satisfactory CHF 5.7 billion or 5.2%. This put Raiffeisen's performance above the market growth rate.

The operating banking business performed very well. While income had stagnated in the previous year, Raiffeisen raised operating income in the reporting year by CHF 68 million to an all-time record high of CHF 2.4 billion. Encouraging progress was made in all income items except for the trading business. Rigorous cost management kept total operating expenditure steady. The Group's costs remained essentially flat for the first time in over 15 years. The flat costs and healthy income growth drove up gross profit by a considerable 7.4% to CHF 953 million.

Overall, the Group profit of CHF 627 million was 2.8% lower than the previous year's profit of CHF 645 million. This is not due to the operating banking business, but rather due to an exceptional item that increased the previous year's Group profit. An appreciation of strategic participations had added CHF 71.3 million to profit in 2009. After adjusting for this exceptional item, Group profit rose by CHF 53 million or 9.3% from 2009 to 2010. This comparison shows that Raiffeisen has been extremely efficient that its initiatives have had an impact. The Group's active cost management programmes in particular have significantly lowered operating expenditure. In addition, successful asset and liability management and greater exposure to the investment business significantly increased operating income.

Costs and income will remain under pressure in 2011, making active cost management a core Group-wide issue. Asset and liability management will become even more important in light of interest rate trends. To safeguard profitability, the Group will further expand its activities in SME financing and the investment business and make additional investments in its branch network in urban areas. Complementary cost management measures will be implemented at the same time to bring about further improvements in the cost/income ratio.

No post-balance sheet date events occurred that would have had a significant impact on the operating result. Information on the principles of consolidation and the consolidated companies can be found in the notes to the consolidated annual accounts.

Income statement

Income from ordinary banking activities

Pressure on interest margins remained high due to competition and low market rates. Raiffeisen saw a year-on-year drop of four basis points, but stopped the downward trend in the second half of the year. Successful asset and liability management, particularly in the Central Bank department, enabled the Group to position itself favourably in a challenging interest rate environment. High mortgage volume growth had a positive impact and prevented interest income from declining more dramatically. Net interest income barely exceeded the CHF 2 billion threshold after increasing by 2.6% or CHF 51.4 million.

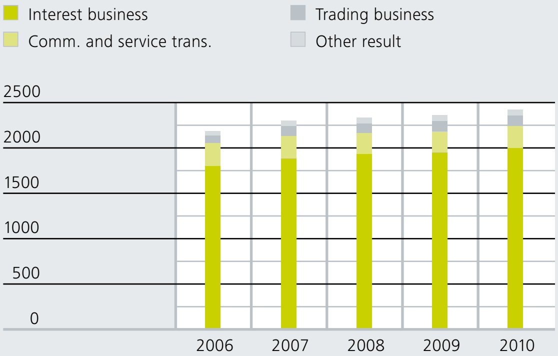
After declining in the last two previous years, net income from commission business and service transactions (note 19) rose by CHF 14.3 million to CHF 241.6 million. The main growth driver was the securities and investment business (CHF +12.9 million). The larger number of stock market orders (slightly over +10%) and higher volume of third-party funds had a positive impact. Optimised service procurement and fewer custody accounts drove down commission expenditure to CHF 101.7 million.

In the trading business (note 20), the Raiffeisen Group came very close to the previous year's result, earning CHF 116.1 million (-0.1%). Foreign exchange and precious metals trading performed strongly, but income from equities and fixed income trading dropped due to the challenging conditions. In addition, the declining exchange rates of key foreign currencies produced book losses for Raiffeisen banks' foreign exchange cash holdings.

Increases in participating interests and in the equity interest in the Mortgage Bond Bank of the Swiss Mortgage Institutions increased other ordinary income (note 21) by 4.3% to CHF 58.3 million.

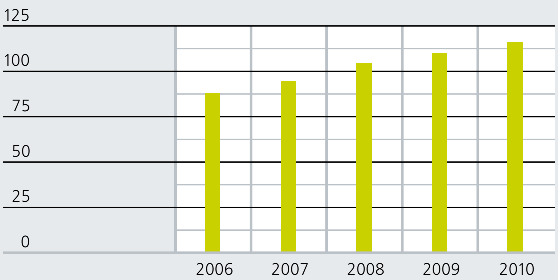
Performance of income items

(in CHF million)



Client monies

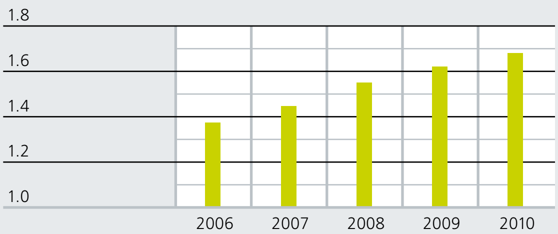
(in CHF billion)



Loans to clients / Provisions for default risks

Cooperative members

(in million)



Total operating expenditure

Total operating expenditure remained essentially unchanged year-to-year at CHF 1,465 million (+0.2 %). While personnel expenditure rose by a marginal 1.5%, the Group trimmed operating expenditure by 2.8 % through rigorous cost management. This improved the cost/income ratio (ratio of total operating expenditure to operating income) from 62.3 % to 60.6 %.

Personnel expenditure

The increase in personnel expenditure (note 22) was far more moderate than in previous years: CHF +15 million to CHF 1,031 million. Slow growth in staff numbers had a particularly positive effect (+0.9 % versus +4.4 % in the previous year). Together with the reduction in temporary contracts in the project business, this meant that wage costs rose by only 1.6 % or CHF 13 million to CHF 825 million. Following the introduction of the new pension solution, employer contributions to staff pension funds increased by CHF 7 million to CHF 86 million.

Operating expenditure

As in the previous year, Raiffeisen trimmed operating expenditure (note 23) (-2.8 % or CHF -13 million). By completing projects, it cut the cost of computer equipment, machinery, furniture and equipment by 5.8 %. The only area to experience higher costs was security installations, due to Raiffeisen's increased efforts to block illegal attacks (reviewing security plans, anti-skimming modules on ATMs). Other operating expenditure fell (-2.8%) as a result of various initiatives, especially with respect to the procurement of third-party services. Occupancy costs, by contrast, rose by a slight 1.5%, mainly due to higher energy and maintenance costs.

Depreciation on fixed assets
Depreciation on fixed assets (note 4) increased 12.0%, or CHF 21.4 million, to CHF 200.1 million. Most of the increase (CHF 16.1 million) can be attributed to a higher investment volume. Raiffeisen banks pushed aggressively ahead with the branch network expansion (bank buildings, alterations and fixtures in third-party plant and property). The remainder of the increase was caused by writing down a participation as of 30 June. The complete appreciation as at year-end was reported under extraordinary income.

Value adjustments, provisions and losses
Despite high volume growth in loans to clients, value adjustments, provisions and losses stayed low at CHF 4.0 million. Losses on lending business recognised in income amount to only CHF 1.2 million of this total (previous year: CHF 1.6 million).

Extraordinary income
This item included CHF 71.3 million for appreciation on participations in the previous year. This caused extraordinary income (note 24) to fall by a steep 67.1% to CHF 31.6 million in 2010. This total includes CHF 18.7 million from reversals of value adjustments and releases of provisions for default risks and other business risks, CHF 6.5 million from appreciation on participations and CHF 3.2 million from the sale of tangible assets and participations. The extraordinary expenditure of CHF 7.3 million includes CHF 5.2 million in losses from the sale of tangible assets.

Taxes
Tax expenditure is virtually unchanged at CHF 145.2 million (note 25). There have been no relevant changes to expenditure for current income tax or the recognition of deferred tax.

Balance sheet
Total assets rose by CHF 7.7 billion to CHF 147.2 billion, largely due to strong growth in loans to clients. Total assets did not, however, increase as much as loans to clients because Raiffeisen simultaneously reduced receivables from banks.

Receivables/liabilities vis-à-vis banks
The volume of interbank business was further reduced in 2010, with net receivables 24.8% lower. Net liabilities, by contrast, rose to around CHF 2 billion. This is a reflection of the growing need for funding in the Raiffeisen Group's retail business. The Interbank loans without collateral,

are all short-term; at the end of 2010, only 2% of the outstanding volume had maturities of over one month. The CHF repo market picked up slightly in the second half of the year as the Swiss National Bank rolled out liquidity absorption measures. In response, Raiffeisen shifted a large portion of the receivables from banks to reverse repo transactions. By the end of 2010, two-thirds of all receivables from banks fell under the reverse repo category.

Loans to clients

Loans to clients rose even more steeply in absolute terms (CHF +9.6 billion to CHF 127.3 billion) than in the previous year (CHF +9 billion). Raiffeisen significantly expanded its share of the domestic mortgage lending market to 15.7%. The proportion of fixed-rate mortgages increased further from 73% to 80% in anticipation of higher interest rates. 91.5% of the loans (previous year: 94.1%) are funded by client deposits.

Trading portfolios in securities and precious metals

Trading portfolios (note 2) climbed sharply by CHF 799.1 million to CHF 1.3 billion in 2010. The rise is largely due to larger precious metals portfolios, which were driven by stronger market demand and price increases. Most of the portfolios are hedged against market risks.

Financial assets

Securities holdings in financial assets (note 2) consist primarily of first-class bonds. They are managed in accordance with internal liquidity targets and the statutory liquidity requirements for the Group. As bonds matured, the book value fell by CHF 923.9 million to CHF 5.7 billion. Real estate from non-performing positions designated for resale was reduced from CHF 30.3 million to CHF 21.7 million.

Non-consolidated participations

Major participations as per notes 3.2 and 3.3 are reported on the balance sheet under non-consolidated participations. The book value of these participations rose by 22.2% or CHF 101.1 million to CHF 557.3 million in the reporting year. Raiffeisen increased its stake in Aduno Holding Ltd from 19% to 24.7%. As a result, Raiffeisen began measuring its participation using the equity method, which added CHF 24.3 million to its value. The increase was directly booked to retained earnings after deducting deferred tax. The value of the participation in the Mortgage Bond Bank of the Swiss Mortgage Institutions was increased by CHF 8.2 million in line with the equity method. In percentage terms, however, the participation in the Mortgage Bond Bank fell from 22.1% to 21.6% due to a sale of stock to a new direct member of the Mortgage Bond Bank. The holding in SIX Group AG was increased from 2% to 3.2%, while the holding in Olma Messen St. Gallen, a cooperative, was increased from 11.6% to 14.3%. For operational and business policy reasons, the Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights.

Tangible assets

The ongoing expansion of the branch infrastructure (new branches, modernisation of client areas) drove up investment in tangible assets (note 4) to CHF 380.3 million (previous year: CHF 346.9 million). The book value at the end of the financial year was CHF 2.2 billion (+5.8%).

Client deposits

Client deposits rose by 5.2% or CHF 5.7 billion to CHF 116.4 billion in the reporting year, which is excellent given the overall market trend. Raiffeisen captured an even larger share of the market, especially in savings funds. In anticipation of rising interest rates, clients continued to move funds out of fixed-rate investments (medium-term notes and fixed-term deposits) and into variable-rate investments (especially savings and investment funds). As a result, holdings of medium-term notes dropped CHF 2.8 billion, while savings and investment funds and demand deposits reported under "other liabilities to clients" rose by CHF 8.5 billion in total.

Bonds and mortgage loans

In 2010, Raiffeisen issued three bonds worth a total of CHF 950 million. A CHF 70 million bond matured in October. Net liabilities to the Mortgage Bond Bank went up by more than CHF 1.4 billion. Due to the growing need for funds to finance the retail business, bonds and mortgage loans (note 8) rose by CHF 2.3 billion to CHF 9.7 billion.

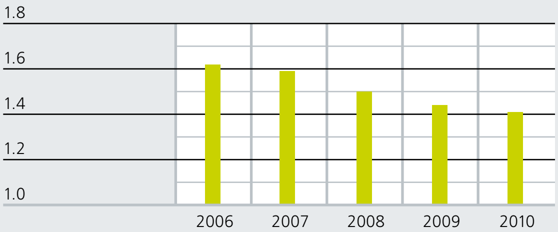
Value adjustments and provisions

Value adjustments for default risks (note 9) shrank by CHF 33.6 million to CHF 322.2 million in the reporting year (equal to 0.25% of loans to clients; previous year: 0.30%). CHF 18.6 million were written off as confirmed losses, while net reversals amounted to CHF 20.4 million. In order to determine the value adjustments for default risks, the expected risks were identified based on internal ratings and by calculating the value of collateral. While provisions for other business risks remain unchanged at CHF 11.1 million, provisions for deferred taxes rose by CHF 32.6 million to CHF 642.9 million.

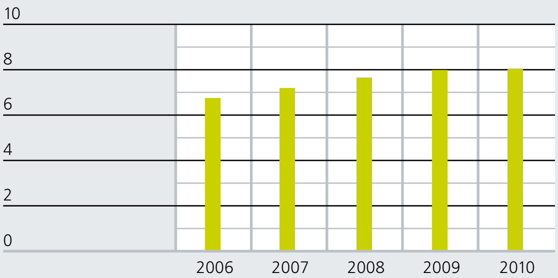
Equity capital

Equity capital (note 10) rose by CHF 653 million to CHF 9.3 billion. The equity ratio went up to 6.3%.

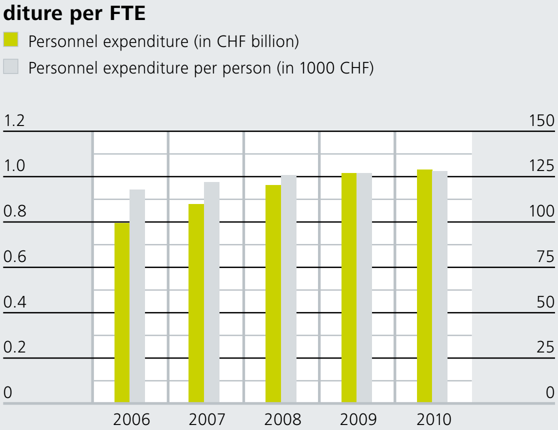
Interest margin
(in %)



Full-time positions
(in 1000)



Change in personnel expenditure and personnel expenditure per FTE



Off-balance-sheet business

Contingent liabilities (note 16) increased by a minimal CHF 9.7 million to CHF 422.0 million. Most of the increase can be attributed to new guarantees for syndicated loans to corporate clients, while the amount of loan security guarantees has remained virtually unchanged.

Irrevocable commitments rose by 15.8% to CHF 5.3 billion. The increase resulted mainly from the rise in mortgages and other loans already agreed. CHF 1.1 billion of this total represents the Raiffeisen Group's payment obligations for the client deposit protection scheme under the Swiss Banking Act.

Call-in obligations fell CHF 1.5 million, mainly due to the sale of stock in the Mortgage Bond Bank.

The contract volume for derivative financial instruments (note 17) increased from CHF 75.3 billion to CHF 77.9 billion. While hedging transactions for the bank book shrank from CHF 43.4 billion to CHF 28.4 billion, there was an increase in fixed income trading positions. The positive replacement values amounted to CHF 700.6 million (previous year: CHF 632.2 million), while the negative replacement values amounted to CHF 1.4 billion (previous year: CHF 1.1 billion).

The decline in fiduciary transactions (note 18) of CHF 13.0 million to CHF 13.9 million was primarily due to the low level of interest rates.

Custody account volumes

Custody account assets under management dropped CHF 2.5 billion to CHF 31.1 billion in the reporting year. The main reason for this sharp decline is that clients decided not to roll over CHF 2.7 billion in maturing medium-term notes, but instead transferred the funds to other account-based investment vehicles. While account volumes were buoyed by strong market performance (slightly more than CHF 600 million), they also lost over CHF 700 million due to the softness of key foreign currencies. Net new money was slightly more than CHF 300 million.

Cooperative members

Raiffeisen Group's strong performance is owed to the clients, especially its cooperative members. By subscribing for stock, they have become owners of their local Raiffeisen banks. This membership is what makes Raiffeisen unique. In 2010, over 1.1 million people took advantage of membership benefits such as museum passes, travel specials, the annual general meeting and many other exclusive perks. Last year, just over 60,000 new people subscribed for Raiffeisen stock. The number of cooperative members rose by 3.7% to slightly more than 1.7 million.

Consolidated Balance Sheet as at 31 December 2010

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	1,463,188	1,338,136	125,052	9.3 %	11
Receivables from money market securities	101,493	3,722	97,771	2,626.8 %	11
Receivables from banks	6,618,710	8,800,273	-2,181,563	-24.8 %	6, 11
Receivables from clients	7,666,359	6,957,547	708,812	10.2 %	1, 11
Mortgage receivables	119,595,076	110,678,088	8,916,988	8.1 %	1, 6, 11
Loans to clients	**127,261,435**	**117,635,635**	**9,625,800**	**8.2 %**	
Trading portfolios in securities and precious metals	1,299,489	500,361	799,128	159.7 %	2, 11
Financial assets	5,703,389	6,627,316	-923,927	-13.9 %	2, 6, 11
Non-consolidated participations	557,264	456,192	101,072	22.2 %	2, 3, 4
Tangible fixed assets	2,219,392	2,098,000	121,392	5.8 %	4, 6
Accrued income and prepaid expenses	231,948	227,066	4,882	2.2 %	
Other assets	1,782,721	1,833,263	-50,542	-2.8 %	5
Total assets	**147,239,029**	**139,519,964**	**7,719,065**	**5.5 %**	**13, 14, 15**
Total subordinated receivables	–	3,279	-3,279	-100.0 %	
Total receivables from non-consolidated participations	3,126,277	2,899,221	227,056	7.8 %	
Liabilities					
Liabilities to banks	8,581,521	9,823,298	-1,241,777	-12.6 %	6, 11
Liabilities to clients in the form of savings and investment deposits	86,590,755	79,687,912	6,902,843	8.7 %	7, 11
Other liabilities to clients	16,183,559	14,579,278	1,604,281	11.0 %	7, 11
Medium-term notes	13,668,407	16,471,837	-2,803,430	-17.0 %	11
Client monies	**116,442,721**	**110,739,027**	**5,703,694**	**5.2 %**	
Bonds and mortgage bond loans	9,747,490	7,416,640	2,330,850	31.4 %	8, 11
Accrued expenses and deferred income	550,098	546,054	4,044	0.7 %	
Other liabilities	1,659,678	1,389,344	270,334	19.5 %	5
Value adjustments and provisions	976,218	977,245	-1,027	-0.1 %	9
Cooperative capital	570,042	536,028	34,014	6.3 %	
Retained earnings	8,084,026	7,446,916	637,110	8.6 %	
Group profit	627,235	645,412	-18,177	-2.8 %	
Total equity capital	**9,281,303**	**8,628,356**	**652,947**	**7.6 %**	**10**
Total liabilities	**147,239,029**	**139,519,964**	**7,719,065**	**5.5 %**	**13, 15**
Total subordinated commitments	–	–	–	–	
Total commitments towards non-consolidated participations	9,115,647	7,330,700	1,784,947	24.3 %	
– of which mortgage bond loans	7,021,900	5,618,800	1,403,100	25.0 %	
Off-balance-sheet business					
Contingent liabilities	422,009	412,330	9,679	2.3 %	1, 16
Irrevocable undertakings	5,272,279	4,554,834	717,445	15.8 %	1
Call commitments and additional funding obligations	60,444	61,967	-1,523	-2.5 %	1
Derivative financial instruments					
Positive replacement values	700,590	632,200	68,390	10.8 %	17
Negative replacement values	1,432,270	1,107,937	324,333	29.3 %	17
Contract volume	77,890,734	75,312,222	2,578,512	3.4 %	17
Fiduciary business	13,852	26,893	-13,041	-48.5 %	18

Consolidated Profit and Loss Account 2010

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,382,763	3,456,988	-74,225	-2.1 %	
Interest and dividend income from financial assets	91,392	97,688	-6,296	-6.4 %	
Interest expenditure	-1,472,241	-1,604,186	131,945	-8.2 %	
Net interest income	**2,001,914**	**1,950,490**	**51,424**	**2.6 %**	
Commission income lending business	9,113	7,339	1,774	24.2 %	
Commission income securities and investment business	195,444	182,552	12,892	7.1 %	
Commission income other service transactions	138,692	143,189	-4,497	-3.1 %	
Commission expenditure	-101,683	-105,800	4,117	-3.9 %	
Net income from commission business and service transactions	**241,566**	**227,280**	**14,286**	**6.3 %**	**19**
Net trading income	**116,070**	**116,210**	**-140**	**-0.1 %**	**20**
Income from sale of financial assets	954	972	-18	-1.9 %	
Income from participating interests	32,427	29,589	2,838	9.6 %	21
Income from real estate	18,453	17,052	1,401	8.2 %	
Other ordinary income	8,319	8,774	-455	-5.2 %	
Other ordinary expenditure	-1,897	-515	-1,382	268.3 %	
Other ordinary result	**58,256**	**55,872**	**2,384**	**4.3 %**	
Operating income	**2,417,806**	**2,349,852**	**67,954**	**2.9 %**	
Personnel expenditure	-1,031,407	-1,016,427	-14,980	1.5 %	22
Operating expenditure	-433,879	-446,436	12,557	-2.8 %	23
Total operating expenditure	**-1,465,286**	**-1,462,863**	**-2,423**	**0.2 %**	
Gross profit	**952,520**	**886,989**	**65,531**	**7.4 %**	
Depreciation on fixed assets	-200,064	-178,634	-21,430	12.0 %	4
Value adjustments, provisions and losses	-4,018	-8,259	4,241	-51.4 %	
Operating profit (interim result)	**748,438**	**700,096**	**48,342**	**6.9 %**	
Extraordinary income	31,578	95,976	-64,398	-67.1 %	24
Extraordinary expenditure	-7,642	-4,940	-2,702	54.7 %	24
Taxes	-145,139	-145,720	581	-0.4 %	25
Group profit	**627,235**	**645,412**	**-18,177**	**-2.8 %**	

Cash Flow Statement 2010

	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	627,235	–	645,412	–
Depreciation on fixed assets	200,064	–	178,634	–
Appreciation on participations	–	6,512	–	71,301
Value adjustments and provisions	119,645	120,672	141,742	143,773
Prepaid expenses	–	4,882	–	7,585
Deferred income	4,044	–	–	148,752
Interest paid on share certificates for prior year	–	28,522	–	27,275
Balance	**790,400**	**–**	**567,102**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	34,014	–	31,453	–
Participations valued by the equity method	20,220	–	–	–
Balance	**54,234**	**–**	**31,453**	**–**
Cash flow from investment activities				
Participations	2,354	102,863	506	46,650
Real estate	59,147	244,950	34,704	202,014
Other tangible fixed assets / objects in finance leasing / other	5,674	135,378	12,263	144,857
Balance	**–**	**416,016**	**–**	**346,048**
Cash flow from banking activities				
Liabilities to banks	–	1,241,777	1,327,746	–
Liabilities to clients in the form of savings and investment deposits	6,902,843	–	12,195,429	–
Other liabilities to clients	1,604,281	–	–	3,746,390
Medium-term notes	–	2,803,430	–	1,807,810
Bonds	934,500	6,750	23,600	320,590
Mortgage bond loans	2,194,200	791,100	263,000	495,850
Other liabilities	270,334	–	7,158	–
Receivables from money market securities	–	97,771	831	–
Receivables from banks	2,181,563	–	3,804,856	–
Receivables from clients	–	708,812	202,140	–
Mortgage receivables	–	8,916,988	–	9,243,096
Trading portfolios in securities and precious metals	–	799,128	–	159,715
Financial assets	923,927	–	–	3,236,293
Other receivables	50,542	–	441,603	–
Liquid funds	–	125,052	490,874	–
Balance	**–**	**428,618**	**–**	**252,507**
Total origin of funds	**844,634**	**–**	**598,555**	**–**
Total use of funds	**–**	**844,634**	**–**	**598,555**

Notes to the Consolidated Annual Accounts

Operating activity
The 339 Raiffeisen banks in Switzerland, organised 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 services, investment funds and securities trading, and consumer goods leasing. The corporate clients business is becoming increasingly important. These services are provided by Raiffeisen Switzerland, specialised companies within the Raiffeisen Group or cooperation partners.

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

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

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

As of 31 December 2010, the number of people employed by the Raiffeisen Group – on a full-time equivalent basis – was 8,063 (previous year: 7,999).

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

The Board of Directors monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Directors risk report. This provides comprehensive information on the risk situation, capital adequacy, compliance with overall limits and any measures required. Monitoring focuses on credit and market risks in the bank and trading books, liquidity risks, operational risks, solidarity risks within the Raiffeisen Group (i.e. the risk of problems at individual Raiffeisen banks) and reputational risks.

The Board of Directors risk report is examined in depth by the Audit Committee of the Board of Directors. The Board of Directors reviews the findings of the Board of Directors risk report and its implications for risk strategy on a quarterly basis based on this preparatory work.

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

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

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

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

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

Risk management

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

Risk policy

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

Risk control

The Raiffeisen Group controls the key risk categories using special processes and overall limits. Risks that cannot be reliably quantified are limited by qualitative stipulations.

Risk control is completed by independent monitoring of the risk profile.

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

Risk management process

The risk management process is valid for all risk categories, in other words for credit risks, market risks and operational risks. It incorporates the following components:

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

The goal of the Raiffeisen Group's risk management systems is to

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

Credit risks

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

The risk policy defines credit risks as the risk that the Group will incur losses when clients or other counterparties fail to make contractual payments as expected. Credit risks are inherent in loans, irrevocable credit commitments, contingent liabilities and trading products such as OTC derivatives. Risks are also inherent in bonds, equity securities and other securities since the Group may sustain a loss in the event of issuer default.

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

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

Counterparty risk is the risk that the borrower or counterparty will default. A borrower or counterparty is deemed to be in default if his debt is more than 90 days past due.

Collateral risk is the risk that the value of collateral will decline.

Concentration risk is the risk that loans in a credit portfolio are unequally distributed among individual borrowers, collateral classes, industries or geographical regions.

Country risk is the risk of loss resulting from events specific to certain countries.

Raiffeisen banks are chiefly exposed to counterparty and collateral risks. The majority of these risks result from loans granted to one or more individuals or corporate clients. Corporate clients are mainly small companies that operate within the business areas of Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans. The Raiffeisen banks' Articles of Association stipulate limits for the acceptance of credit risks arising from uncovered transactions; loans over CHF 250,000 must be hedged with Raiffeisen Switzerland.

Like the Raiffeisen banks, the Branches department of Raiffeisen Switzerland is mainly exposed to counterparty and collateral risks. The branches grant loans to private and corporate clients; the latter group largely consists of SMEs.

The Market department manages most of the larger loans to corporate clients. If a new loan has a risk-weighted value in excess of CHF 40 million, the Chief Risk Officer (CRO) issues a recommendation regarding the acceptability of the associated concentration risk.

The Central Bank department assumes counterparty risks with foreign and domestic counterparties in the course of its Group-wide duties, including wholesale financing, hedging currency risks and risks associated with fluctuating interest rates, or hedging in proprietary trading. As a rule, the Central Bank department may only enter into commitments abroad if a country limit has been authorised in accordance with stipulations. In proprietary trading, however, it may enter into commitments in positions in countries previously approved by the Finance department under certain circumstances.

As stipulated in the Articles of Association, commitments abroad are limited to a risk-weighted 5% of the Raiffeisen Group's consolidated net assets. Country risks are managed actively and dynamically, and are mainly concentrated in Europe.

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

Raiffeisen Switzerland holds equity interests in other entities under strategic partnerships. Note 3 on page 118 provides detailed disclosures.

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

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments, Raiffeisen uses a carefully determined replacement cost, while calculations for multi-family units are based on the capitalised value and, where applicable, on the weighted market value. The capitalised value is used as the benchmark for commercial property. Different repayment obligations apply to second mortgages. Specialist teams at Raiffeisen Switzerland are also on hand to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

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

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

The standardised, Group-wide guidelines concerning the recognition and release of provisions for default risks are set out in an internal directive. This stipulates how the liquidation value and provisions for any collateral that may exist should be calculated if there are indications that certain positions are impaired, non-performing or display a higher number of rating points. Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) last year were CHF 19.8 million or 168% of the average lending volume, which equates to 0.22% of average core capital.

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

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

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

Concentration risks are monitored centrally by Credit Risk Controlling. As at 31 December 2010 the Raiffeisen Group had no reportable concentration risks.

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2010	Ø 2010	31.12.2009	Ø 2009
Foreign exchange/ precious metals	16,114	12,920	8,753	8,532
Interest rate instrum.	50,553	47,390	47,858	52,577
Equities / indices	3,753	4,375	1,966	2,038
Total	**70,420**	**64,685**	**58,577**	**63,146**

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2010 was CHF 814 million or 0.66% of loans to clients (previous year: CHF 658 million or 0.57%).

Market risks

As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have significant influence on interest income. Up-to-date procedures are in place to measure the risk in the bank book associated with fluctuating interest rates. These display variable positions based on a model that replicates historical interest rate fluctuations with money and capital market rates. These positions are managed on a decentralised basis in the responsible units. The Treasury of Raiffeisen Switzerland's Central Bank department is the Group-wide binding counterparty for hedging transactions and transactions to finance bank operations. The relevant members of staff are required to adhere strictly to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with limits and prepares associated reports, while also assessing the risk situation. The potential impact of the assumed interest rate
risk on the market value of the equity capital and on profitability is also measured with the aid of scenario analyses and stress tests and included in risk reporting.

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

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

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

Monitoring is based on statutory limits as well as additional limits that are set by the Board of Directors of Raiffeisen Switzerland and based on the above scenario analyses.
Reporting on compliance with sensitivity and position limits and the assessment of the risk situation by Group Risk Controlling is primarily conducted via three media:

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

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

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

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

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

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

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

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

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

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

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

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

Positions for which external ratings are used are found chiefly under the following balance sheet items:
- Receivables from banks
- Receivables from clients and mortgage receivables
- Financial assets
- Other assets

Market risks: Standard approach
The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table on page 106.

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

Consolidation, accounting and valuation principles

General principles

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

Principles of consolidation

General
The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, Raiffeisen Switzerland is simply a subsidiary from a legal point of view. 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 339 Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated

annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidated companies and consolidation method
The consolidated accounts of the Raiffeisen Group comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland and KMU Capital Ltd.

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

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

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

Accounting and valuation principles

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

Foreign currencies
Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses arising from this valuation are reported under “Net trading income”. Foreign currency transactions 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 initial value. Discounts not yet earned on money market securities and discounts and premiums on the Group's own bonds and mortgage loans 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 provisions based on regular analyses of individual loan commitments, while taking the creditworthiness of the borrower, the counterparty risk and the estimated net realizable sale value of the

collateral into account. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

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

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

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

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

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

Repurchase and reverse repurchase transactions
Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions. They are recorded at the value of the cash collateral received or provided, including accrued interest. Securities received and delivered are only 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 realised during the period in question are reported under "Net trading income". This also applies to interest and dividends on trading portfolios. The funding costs for holding trading positions are charged to trading profits and credited to interest income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxes
Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 19.4% (previous year: 19.7%) was calculated on untaxed reserves and reported as a provision for deferred taxation.

Contingent liabilities, irrevocable commitments, calls on shares and other equities
These are reported at their nominal value under "Off-balance-sheet business". Provisions are created for foreseeable risks.

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

Reporting: The replacement values of all contracts concluded for the Group's own account are reported, regardless of their income statement 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; 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 128/129).

Treatment in the income statement: The derivative financial instruments recorded in the trading book are valued on a fair value basis if they are traded on an exchange or if a representative market exists. If this requirement is not met, the lowest value principle 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 realisation 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 2010) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the balance sheet

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

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	2,629,400	913,690	4,123,269	7,666,359
Mortgage loans				
Residential property	110,231,107	–	103,290	110,334,397
Office and business premises	2,375,211	–	17,193	2,392,404
Trade and industry	2,865,172	–	14,937	2,880,109
Other	3,899,903	–	88,263	3,988,166
Total loans				
Current year	**122,000,793**	**913,690**	**4,346,952**	**127,261,435**
Prior year	112,781,044	654,590	4,200,001	117,635,635
Off-balance-sheet business				
Contingent liabilities	57,539	78,177	286,293	422,009
Irrevocable commitments	3,878,965	131,499	1,261,815	5,272,279
Call commitments and additional funding obligations	–	–	60,444	60,444
Total off-balance-sheet business				
Current year	**3,936,504**	**209,676**	**1,608,552**	**5,754,732**
Prior year	3,267,670	195,747	1,565,714	5,029,131

* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realisation of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	**1,111,722**	**778,340**	**333,382**	**322,185**
Prior year	1,249,864	882,779	367,085	355,785

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

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	423,019	221,377
non-stock exchange listed	–	–
Shares	31,592	3,272
Precious metals	844,878	275,712
Total trading portfolios in securities and precious metals	**1,299,489**	**500,361**
of which securities for repo transactions in line with liquidity requirements	254,255	149,245

* stock exchange listed = traded on a recognised 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	5,654,321	6,569,122	5,705,091	6,640,371
of which intended to be held until maturity	5,654,321	6,569,122	5,705,091	6,640,371
of which valued at the lower of cost or market	–	–	–	–
Shares	27,336	27,847	27,336	27,847
Precious metals	–	–	–	–
Real estate	21,732	30,347	26,687	34,076
Total financial assets	**5,703,389**	**6,627,316**	**5,759,114**	**6,702,294**
of which securities for repo transactions in line with liquidity requirements	4,328,837	4,943,727	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	329,416	329,284
without a market value	227,848	126,908
Total non-consolidated participations	**557,264**	**456,192**

3 Details of major participations

Company name / holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Switzerland Cooperative	St. Gallen	Central bank, association services	360,000	100.0	100.0
Raiffeisen Leasing Ltd*	St. Gallen	Leasing company	–	–	100.0
KMU Capital Ltd*	St. Gallen	Financial services	2,566	100.0	–
3.2 Holdings valued according to the equity method					
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd	Zurich	Mortgage bond bank	500,000	21.6	22.1
of which not paid up			280,000		
Aduno Holding Ltd	Zurich	Financial services	25,000	24.7	19.0
3.3 Other non-consolidated participations					
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	16.5	16.5
Cooperative Olma Messen St. Gallen	St. Gallen	Organisation of fairs	17,517	14.3	11.6
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Helvetia Holding Ltd	St. Gallen	Financial services	865	4.0	4.0
SIX Group Ltd	Zurich	Financial services	19,522	3.2	2.0

* Raiffeisen Leasing Ltd was integrated into Raiffeisen Switzerland as of 1 January 2010. The former company was renamed KMU Capital Ltd.

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative deprec./ amort. & value adjust-ments (equi-ty method) in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/ reclassi-fications in 1000 CHF	Current year invest-ment in 1000 CHF	Current year disinvest-ment in 1000 CHF	Current year depreci-ation / amor-tisation in 1000 CHF	Current year value adjust-ments on holdings val. acc. to equi-ty method in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations									
Holdings valued according to the equity method	48,531	46,911	95,442	3,800	48,541	-2,043	–	32,485	178,225
Other holdings	370,709	-9,959	360,750	-3,800	28,349 *	-311	-5,949	–	379,039
Total non-consolidated participations	**419,240**	**36,952**	**456,192**	**–**	**76,890**	**-2,354**	**-5,949**	**32,485**	**557,264**
Tangible fixed assets									
Real estate									
Bank buildings	1,800,254	-364,055	1,436,199	-51,458	207,459	-46,318	-35,880	–	1,510,002
Other real estate	344,145	-81,645	262,500	27,772	37,491	-12,829	-5,879	–	309,055
Other tangible fixed assets	1,039,677	-677,159	362,518	23,863	116,797	-5,638	-127,057	–	370,483
Objects in finance leasing	329	-94	235	-184	129	-36	-29	–	115
Other	136,324	-99,776	36,548	7	18,452	–	-25,270	–	29,737
Total tangibles	**3,320,729**	**-1,222,729**	**2,098,000**	**–**	**380,328**	**-64,821**	**-194,115**	**–**	**2,219,392**

* Investment includes gains of CHF 6.5 million from appreciation on participations; these were booked under extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	2,094,138
Value of other tangible fixed assets for fire insurance purposes	962,877
Liabilities: future leasing instalments from operational leasing	76

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	700,590	632,200
Equalisation account	347,564	312,113
Clearing accounts for social insurance and staff pension fund contributions	59	80
Clearing accounts for indirect taxes	605,834	775,177
Other clearing accounts	8,132	3,395
Employer contribution reserves with pension schemes	108,693	101,036
Miscellaneous other assets	11,849	9,262
Total other assets	**1,782,721**	**1,833,263**
Other liabilities		
Total replacement value	1,432,270	1,107,937
Due, unredeemed coupons and debt instruments	36,215	39,434
Levies, indirect taxes	148,286	195,303
Clearing accounts for social insurance and staff pension fund contributions	9,230	15,511
Other clearing accounts	27,885	25,400
Miscellaneous other liabilities	5,792	5,759
Total other liabilities	**1,659,678**	**1,389,344**

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	10,368,914	7,232,557	8,478,690	5,787,364
Financial assets	1,962,367	1,931,852	1,703,805	1,624,001
Tangible fixed assets	3,405	3,390	3,500	3,500
Total pledged assets	**12,334,686**	**9,167,799**	**10,185,995**	**7,414,865**

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	4,428,047	3,608,275
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	2,821,856	4,360,403
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	1,931,852	1,649,786
for which the right to resell or pledge without restriction was granted	1,931,852	1,649,786
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repurchase transactions and which can be repledged or resold without restriction	4,550,111	3,640,437
of which repledged or resold securities	1,178,566	2,818,028

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law.
The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.
9 Raiffeisen banks (prior year: 10) are insured outside the retirement benefit schemes of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

7.1 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Liabilities to clients in the form of savings and investment deposits	107,494	100,177
Other liabilities to clients	42,095	37,466
Other liabilities (negative replacement values)	1,570	289
Total liabilities to own social insurance institutions	**151,159**	**137,932**

7.2 Employer contribution reserves

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

	Current year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF	Prior year Raiffeisen in 1000 CHF	Others in 1000 CHF	Total in 1000 CHF
As at 1 January	100,177	859	101,036	98,307	675	98,982
+ Deposits	11,540	467	12,007	11,688	171	11,859
– Withdrawals	-5,966	–	-5,966	-11,539	–	-11,539
+ Interest paid*	1,610	6	1,616	1,721	13	1,734
As at 31 December	**107,361**	**1,332**	**108,693**	**100,177**	**859**	**101,036**

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

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

7.3 Economic benefit / obligation and retirement benefit expenditure

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

	on 31.12.2010 in %	on 31.12.2009 in %
Raiffeisen Pension Fund Cooperative	97.1	93.0
Raiffeisen Pension Plan	–	109.5

Although still insufficient, the cover level of the Raiffeisen Pension Fund Cooperative improved in 2010. The Board of Directors anticipates that, even with insufficient cover as defined under Swiss GAAP FER 16, there is currently no economic obligation for the affiliated employers for which allowance would have to be made in the balance sheet and the profit and loss account.

All assets and liabilities of the Raiffeisen Pension Plan were transferred to the Raiffeisen Pension Fund Cooperative as of 1 January 2010.

Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year in 1000 CHF
Pension expenditure according to separate financial statements	92,104	79,348
Deposits / withdrawals employer contribution reserves (excl. interest paid)	-6,041	-320
Employer contributions reported on an accruals basis	**86,063**	**79,028**
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")	**86,063**	**79,028**

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

8 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of Raiffeisen Switzerland					
	2001/02	4.000	02.02.2011		599,815
	2004	3.000	05.05.2014		397,645
	2006	3.125	30.05.2016		549,705
	2007	3.125	25.10.2012		245,280
	2010	1.625	31.03.2015		500,000
	2010	1.375	21.09.2017		184,745
	2010	2.000	21.09.2023		248,400
Total bonds of Raiffeisen Switzerland					**2,725,590**
Mortgage Bond Bank of the Swiss Mortgage Institutions Ltd					
	var.	2.437	var.		7,021,900
Total mortgage bond loans					**7,021,900**
Total outstanding bonds and mortgage bond loans					**9,747,490**

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	610,331	–	–	43,401 *	-10,784	642,948
Value adjustments and provisions for default risks (del credere and country risk)	355,785	-18,606	5,432	66,851	-87,277	322,185
Value adjustments and provisions for other business risks	11,129	-1,815	–	3,961	-2,190	11,085
Total value adjustments and provisions	**977,245**	**-20,421**	**5,432**	**114,213**	**-100,251**	**976,218**

* Of which CHF 4.1 million from the initial measurement of the stake in Aduno Holding Ltd using the equity method and its recognition in 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	1,618,941	–	336,061
Cooperative capital without additional funding obligation*			199,967
Total equity capital	**1,618,941**	**–**	**536,028**
Retained earnings			8,092,328
Total equity capital at the beginning of the year (before approp. of profits)	**1,618,941**	**–**	**8,628,356**
+ Payments from new cooperative members (with additional funding obligation)	105,123	200	21,024
	306	300	92
	222	400	89
	2,807	500	1,404
+ Payment of cooperative shares without additional funding obligation			25,655
+ Payments through increase in nominal capital			2,041
Total payments from new cooperative members	**108,458**	**–**	**50,305**
– Repayments to departing cooperative members	-47,353	200	-9,471
(with additional funding obligation)	-144	300	-43
	-105	400	-42
	-1,005	500	-503
– Repayment of cooperative shares without additional funding obligation			-6,232
Total repayments to departing cooperative members	**-48,607**	**–**	**-16,291**
+ Revaluation of a participation according to the equity method			20,220
– Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			-28,522
+ Group profit in the current year			627,235
Total equity capital at the end of the current year (before approp. of profits)	**1,678,792**	**–**	**9,281,303**
of which cooperative capital with additional funding obligation	1,623,662	200	324,732
	5,655	300	1,697
	5,150	400	2,060
	44,325	500	22,163
of which cooperative capital without additional funding obligation			219,390
Total cooperative capital at the end of the current year	**1,678,792**	**–**	**570,042**
of which retained earnings			8,084,026
of which Group profit			627,235
Additional funding obligation of the cooperative members			**13,430,336**

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

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2010: CHF 2,616,366,000 (prior year: CHF 2,462,302,000).

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

11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,463,188	–	–	–	–	–	1,463,188
Receivables from money market sec.	1,663	–	–	99,830	–	–	101,493
Receivables from banks	1,885,690	–	4,435,020	298,000	–	–	6,618,710
Receivables from clients	133,306	3,421,188	832,992	675,752	1,889,712	713,409	7,666,359
Mortgage receivables	44,365	23,598,302	5,271,523	11,240,825	62,156,490	17,283,571	119,595,076
Trading portfolios in securities and precious metals	1,299,489	–	–	–	–	–	1,299,489
Financial assets*	27,337	–	625,082	1,616,784	3,107,210	326,976	5,703,389
Total current assets							
Current year	**4,855,038**	**27,019,490**	**11,164,617**	**13,931,191**	**67,153,412**	**18,323,956**	**142,447,704**
Prior year	5,052,333	33,259,198	8,180,344	10,850,916	63,933,329	13,629,323	134,905,443
Outside debt							
Liabilities to banks	545,696	–	6,177,255	1,500,729	282,841	75,000	8,581,521
Liabilities to clients in the form of savings and investment deposits	–	86,590,755	–	–	–	–	86,590,755
Other liabilities to clients	10,582,656	34,895	2,601,995	2,116,437	595,263	252,313	16,183,559
Medium-term notes	–	–	1,321,132	3,057,044	8,451,265	838,966	13,668,407
Bonds and mortgage bond loans	–	–	905,415	382,200	4,103,525	4,356,350	9,747,490
Total outside debt							
Current year	**11,128,352**	**86,625,650**	**11,005,797**	**7,056,410**	**13,432,894**	**5,522,629**	**134,771,732**
Prior year	11,644,293	79,736,657	11,116,159	7,060,346	14,737,159	3,684,351	127,978,965

* Financial assets include CHF 21,732,000 of real estate (prior year: CHF 30,347,000).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors of Raiffeisen Switzerland	8,856	8,475
Members of the Executive Board of Raiffeisen Switzerland	20,311	20,073
Total loans to executive bodies and employees	**29,167**	**28,548**

12.2 Transactions with associated persons

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

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	1,459,426	3,762	1,331,924	6,212
Receivables from money market securities	101,493	–	3,722	–
Receivables from banks	1,908,900	4,709,810	2,935,507	5,864,766
Receivables from clients	7,627,603	38,756	6,910,811	46,736
Mortgage receivables	119,595,076	–	110,678,088	–
Trading portfolios in securities and precious metals	1,167,828	131,661	406,949	93,412
Financial assets	4,865,364	838,025	5,631,681	995,635
Non-consolidated participations	553,363	3,901	452,071	4,121
Tangible fixed assets	2,219,392	–	2,098,000	–
Accrued income and prepaid expenses	215,336	16,612	214,282	12,784
Other assets	1,316,564	466,157	1,418,225	415,038
Total assets	**141,030,345**	**6,208,684**	**132,081,260**	**7,438,704**
Liabilities				
Liabilities to banks	5,341,669	3,239,852	6,118,322	3,704,976
Liabilities to clients in the form of savings and investment deposits	84,538,438	2,052,317	77,849,669	1,838,243
Other liabilities to clients	15,750,360	433,199	14,157,832	421,446
Medium-term notes	13,609,902	58,505	16,419,757	52,080
Bonds and mortgage bond loans	9,747,490	–	7,416,640	–
Accrued expenses and deferred income	539,608	10,490	542,618	3,436
Other liabilities	685,065	974,613	520,781	868,563
Value adjustments and provisions	974,727	1,491	975,484	1,761
Cooperative capital	570,042	–	536,028	–
Retained earnings	8,084,026	–	7,446,916	–
Group profit	627,235	–	645,412	–
Total liabilities	**140,468,562**	**6,770,467**	**132,629,459**	**6,890,505**

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	141,030,345	95.78	132,081,260	94.67
Rest of Europe	6,008,346	4.08	7,287,432	5.22
Rest of world (America, Asia, Oceania, Africa)	200,338	0.14	151,272	0.11
Total assets	**147,239,029**	**100.00**	**139,519,964**	**100.00**

15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	1,203,338	165,970	26,729	67,151	1,463,188
Receivables from money market securities	101,163	22	293	15	101,493
Receivables from banks	5,479,403	505,054	365,288	268,965	6,618,710
Receivables from clients	7,628,049	16,452	21,798	60	7,666,359
Mortgage receivables	119,595,076	–	–	–	119,595,076
Trading portfolios in securities and precious metals	439,244	12,019	3,025	845,201	1,299,489
Financial assets	5,102,717	599,734	938	–	5,703,389
Participations	553,363	3,901	–	–	557,264
Tangible fixed assets	2,219,392	–	–	–	2,219,392
Accrued income and prepaid expenses	219,857	12,047	21	23	231,948
Other assets	1,782,719	2	–	–	1,782,721
Total assets reflected in the balance sheet	**144,324,321**	**1,315,201**	**418,092**	**1,181,415**	**147,239,029**
Delivery claims under spot exchange, forward exchange and currency option contracts	3,417,032	3,056,345	3,654,370	500,637	10,628,384
Total assets	**147,741,353**	**4,371,546**	**4,072,462**	**1,682,052**	**157,867,413**
Liabilities					
Liabilities to banks	5,628,033	1,549,453	1,152,042	251,993	8,581,521
Liabilities to clients in the form of savings and investment deposits	85,627,554	963,201	–	–	86,590,755
Other liabilities to clients	14,982,026	635,217	229,638	336,678	16,183,559
Medium-term notes	13,668,407	–	–	–	13,668,407
Bonds and mortgage bond loans	9,747,490	–	–	–	9,747,490
Accrued expenses and deferred income	541,459	7,485	1,002	152	550,098
Other liabilities	1,659,678	–	–	–	1,659,678
Value adjustments and provisions	976,218	–	–	–	976,218
Cooperative capital	570,042	–	–	–	570,042
Retained earnings	8,084,026	–	–	–	8,084,026
Group profit	627,235	–	–	–	627,235
Total liabilities reflected in the balance sheet	**142,112,168**	**3,155,356**	**1,382,682**	**588,823**	**147,239,029**
Delivery obligations under spot exchange, forward exchange and currency option contracts	5,982,493	1,157,778	2,642,196	1,093,481	10,875,948
Total liabilities	**148,094,661**	**4,313,134**	**4,024,878**	**1,682,304**	**158,114,977**
Net position per currency	**-353,308**	**58,412**	**47,584**	**-252**	**-247,564**

	31.12.2010	31.12.2009
Foreign currency conversion rates		
EUR	1.253	1.486
USD	0.938	1.031

Information on off-balance-sheet business

16. Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	175,047	174,711
Warranty bonds	66,389	63,529
Other contingent liabilities	180,573	174,090
Total contingent liabilities	**422,009**	**412,330**

17 Open derivative financial instruments

17.1 Trading instruments with internal and external counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	1,241	1,537	11,050,000	–	–	11,050,000
Swaps	1,169,330	1,183,733	30,546,620	30,819,600	15,592,150	76,958,370
Futures contracts	–	–	3,129,994	1,845,243	–	4,975,238
Options (OTC)	–	66	20,455	12,713	2,404	35,572
Foreign currencies						
Forward contracts	373,172	364,561	11,570,805	9,395	–	11,580,199
Comb. interest rate/currency swaps	66,621	66,603	229,604	317,855	–	547,458
Precious metals						
Forward contracts	19,894	23,170	1,249,509	–	–	1,249,509
Equity securities and indices						
Futures contracts	–	–	13,831	–	–	13,831
Options (traded)	3,490	876	110,514	127	–	110,640
Other						
Options (OTC)	2,000	–	–	–	23,700	23,700
Total						
Current year	**1,635,747**	**1,640,546**	**57,921,331**	**33,004,932**	**15,618,254**	**106,544,518**
Prior year	1,297,634	1,302,761	81,138,007	25,030,443	12,542,222	118,710,672

17.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	208,275	681,649	8,530,000	11,335,000	6,040,000	25,905,000
Foreign currencies						
Forward contracts	–	186,887	2,249,301	–	–	2,249,301
Comb. interest rate / currency swaps	–	66,621	101,169	137,841	–	239,010
Total						
Current year	**208,275**	**935,157**	**10,880,470**	**11,472,841**	**6,040,000**	**28,393,311**
Prior year	194,824	665,434	29,490,000	9,008,375	4,875,000	43,373,375

17.3 Derivative financial instruments with external counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	691,763	1,427,927	43,327,230	19,631,691	9,552,150	72,511,071
Clients	5,337	3,467	240,992	12,858	26,104	279,954
Stock exchanges	3,490	876	3,254,339	1,845,370	–	5,099,709
Total						
Current year	**700,590**	**1,432,270**	**46,822,561**	**21,489,919**	**9,578,254**	**77,890,734**
Prior year	632,200	1,107,937	51,648,005	15,996,995	7,667,222	75,312,222

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 92.4% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

18 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	–	6,576	2,346	4,930	13,852
Total fiduciary transactions	**–**	**6,576**	**2,346**	**4,930**	**13,852**
Prior year	240	19,434	3,272	3,947	26,893

Information on the income statement

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	9,113	7,339
Commission income from securities and investment business		
Fund business	69,070	64,986
Custody account business	43,834	42,921
Brokerage	65,942	61,563
Other securities and investment business	16,598	13,082
Commission income from other service transactions		
Payments*	100,458	96,723
Account maintenance	25,884	26,480
Other service transactions*	12,350	19,986
Total commission income	**343,249**	**333,080**
Commission expenditure		
Securities business	-44,228	-46,795
Payments	-51,678	-53,109
Other commission expenditure	-5,777	-5,896
Total commission expenditure	**-101,683**	**-105,800**
Total net income from commission business and service transactions	**241,566**	**227,280**

* Commission income from international card transactions is now reported under payments.

20 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	76,449	52,976
Precious metals and foreign notes and coins trading	36,071	53,103
Equities trading	-601	5,099
Fixed income trading	4,151	5,032
Total net trading income	**116,070**	**116,210**

21 Income from participating interests

	Current year in 1000 CHF	Prior year in 1000 CHF
Holdings valued according to the equity method	12,487	10,343
Other non-consolidated holdings	19,940	19,246
Total income from participating interests	**32,427**	**29,589**

22 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	23,708	23,479
Salaries and bonuses for staff	825,397	812,782
AHV, IV, ALV and other statutory contributions	72,524	75,563
Contributions to staff pension funds	86,063	79,028
Ancillary staff expenses	23,715	25,575
Total personnel expenditure	**1,031,407**	**1,016,427**

23 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	74,413	73,296
Cost of computer equipment, machinery, furniture, vehicles and other equipment	103,411	109,729
Other operating expenditure	256,055	263,411
Total operating expenditure	**433,879**	**446,436**

24. Extraordinary income and expenditure

Current year

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

The extraordinary expenditure of CHF 7.6 million includes losses of CHF 5.2 million from the sale of tangible fixed assets.

Prior year

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

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

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Creation of provisions for deferred taxes	28,511	28,015
Expenditure for current income tax	116,628	117,705
Total tax expenditure	**145,139**	**145,720**

Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 98 to 131), for the year ending 31 December 2010.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ending 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Bruno Gmür	Stefan Keller Wyss
Audit expert	Audit expert
Auditor in charge	

St. Gallen, 1 April 2011

Information on capital adequacy situation

Quantitative information has been disclosed in accordance with the requirements laid down in the Capital Adequacy and Risk Diversification Ordinance. Some of this information cannot be directly compared with that provided in the consolidated accounts, which is reported in line with the accounting requirements for banks laid down in FINMA Circular 2008/2. Capital adequacy calculations are based on the same group of consolidated companies as the consolidated accounts (see chart on page 60).

Mandatory and eligible capital

	Current year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Prior year Required capital in 1000 CHF
Mandatory capital				
Credit risk (Swiss standard approach)				
Receivables from banks	365,800	29,264	784,678	62,774
Receivables from clients	4,092,302	327,384	3,691,526	295,322
Mortgage receivables	49,168,255	3,933,460	45,631,646	3,650,532
Accrued income and prepaid expenses	135,448	10,836	134,072	10,726
Other assets, total replacement value of derivatives	266,968	21,357	237,526	19,002
Other assets, miscellaneous	117,858	9,429	37,037	2,963
Net interest positions outside trading book	806,661	64,533	830,747	66,460
Net equity positions outside trading book	82,458	6,597	82,100	6,568
Contingent liabilities	269,931	21,594	266,467	21,317
Irrevocable commitments	1,761,814	140,945	1,516,376	121,310
Call commitments and additional funding obligations	377,708	30,217	386,458	30,917
Add-ons for forward contracts and options purchased	56,412	4,513	46,367	3,709
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		**4,600,129**		**4,291,600**
Non-counterparty-related risks				
Tangible fixed assets and software	7,436,056	594,884	7,070,501	565,640
Real estate in financial assets	81,496	6,520	113,803	9,104
Mandatory capital for non-counterparty-related risks		**601,404**		**574,744**
Market risks (standard approach)				
Interest rate instruments – general market risk		45,074		45,283
Interest rate instruments – specific risk		5,477		2,575
Equity instruments		3,751		1,965
Foreign currencies and gold		13,025		12,666
Other precious metals		8,768		3,800
Options		4		1
Mandatory capital for market risks		**76,099**		**66,290**
Mandatory capital for operational risks (basic indicator approach)		**353,465**		**347,431**
Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)		**–**		**-115**
Total mandatory capital		**5,631,097**		**5,279,950**

	Current year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	Prior year Required capital in 1000 CHF
Available capital				
Total core capital		9,251,358		8,599,799
of which innovative core capital instruments		–		–
– proportional deduction for participations in the financial area*		-277,220		-227,831
Eligible adjusted core capital		**8,974,138**		**8,371,968**
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		4,485,732		4,299,899
– proportional deduction for participations in the financial area*		-277,220		-227,831
Eligible supplementary capital		**4,208,512**		**4,072,068**
Total eligible capital		**13,182,650**		**12,444,036**
Equity surplus		7,551,553		7,164,086
Equity cover		234.1 %		235.7 %
Core capital ratio		12.7 %		12.7 %
Total capital ratio		18.7 %		18.9 %

* The major participations pursuant to note 3.2 “Holdings valued according to the equity method” and note 3.3 “Other non-consolidated participations” of the Raiffeisen Group’s annual report (with the exception of participation in the Olma Messen St.Gallen cooperative) are deducted fifty-fifty from the adjusted core capital and supplementary capital in order to calculate the mandatory capital.

Credit risk by counterparty

Loan commitments (in 1000 CHF)[1]	Central gov-ernments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit-ments	Total
Balance sheet items								
Receivables from banks	800,225	5,818,485	–	–	–	–	–	6,618,710
Receivables from clients	6,571	143,359	3,065,284	1,021,709	3,429,436	–	–	7,666,359
Mortgage receivables	70,113	94,875	24,895	709,316	118,695,877	–	–	119,595,076
Interest and equity positions outside trading book	2,875,464	366,181	101,770	2,410,736	–	30,160	1,663	5,785,974
Replacement values of derivatives[2]	–	695,253	–	2,094	3,243	–	–	700,590
Other assets	665,023	54,808	1,453	108,704	130,323	–	–	960,311
Total current year	**4,417,396**	**7,172,961**	**3,193,402**	**4,252,559**	**122,258,879**	**30,160**	**1,663**	**141,327,020**
Total prior year	5,159,272	9,535,085	3,279,399	3,422,700	113,352,213	28,377	9,650	134,786,696
Off-balance-sheet items[3]								
Contingent liabilities	643	9,793	2,641	207,395	151,745	–	–	372,217
Irrevocable commitments	84	15,965	562,530	25,022	1,785,787	–	–	2,389,388
Call commitments and additional funding obligations	–	–	–	377,708	–	–	–	377,708
Add-ons for forward contracts and options purchased[2]	–	146,528	–	251	601	–	–	147,380
Total current year	**727**	**172,286**	**565,171**	**610,376**	**1,938,133**	**–**	**–**	**3,286,693**
Total prior year	666	141,894	556,185	587,729	1,665,368	–	–	2,951,842

Credit risk / minimisation of credit risk

Loan commitments (in 1000 CHF)[1]	Covered by recognised financial securities[4]	Covered by guarantees and credit derivatives	Other loan commitments	Total
Balance sheet items				
Receivables from banks	4,256,868	–	2,361,842	6,618,710
Receivables from clients	514,753	168,158	6,983,448	7,666,359
Mortgage receivables	245,997	99,307	119,249,772	119,595,076
Interest and equity positions outside trading book	–	–	5,785,974	5,785,974
Replacement values of derivatives[2]	–	–	700,590	700,590
Other assets	–	–	960,311	960,311
Total current year	**5,017,618**	**267,465**	**136,041,937**	**141,327,020**
Total prior year	4,073,008	226,931	130,486,757	134,786,696
Off-balance-sheet items[3]				
Contingent liabilities	67,433	3,516	301,268	372,217
Irrevocable commitments	50,131	14,070	2,325,187	2,389,388
Call commitments and additional funding obligations	–	–	377,708	377,708
Add-ons for forward contracts and options purchased[2]	–	–	147,380	147,380
Total current year	**117,564**	**17,586**	**3,151,543**	**3,286,693**
Total prior year	95,317	2,067	2,854,458	2,951,842

Segmentation of credit risks

Loan commitments (in CHF million)[1]	Risk weightings under supervisory law										
	0 %	25 %	35 %	50 %	75 %	100 %	125 %	150 %	250 %	500 %	Total
Balance sheet items											
Receivables from banks	5,156	1,463	–	–	–	–	–	–	–	–	6,619
Receivables from clients	480	112	1,888	2,954	1,028	1,149	0	55	–	–	7,666
Mortgage receivables	193	90	99,986	4,539	11,486	2,801	0	500	–	–	119,595
Interest and equity positions outside trading book	2,875	2,577	–	273	19	12	–	–	27	3	5,786
Replacement values of derivatives[2]	–	375	–	290	31	5	–	–	–	–	701
Other assets	665	55	–	1	–	239	–	–	–	–	960
Total current year	**9,369**	**4,672**	**101,874**	**8,057**	**12,564**	**4,206**	**0**	**555**	**27**	**3**	**141,327**
Total prior year	10,666	6,202	93,947	8,082	11,593	3,644	0	624	24	4	134,786
Off-balance-sheet items[3]											
Contingent liabilities	56	12	30	6	57	211	–	0	–	–	372
Irrevocable commitments	48	578	218	3	12	1,531	–	–	–	–	2,390
Call commitments and additional funding obligations	–	–	–	–	–	378	–	–	–	–	378
Add-ons for forward contracts and options purchased[2]	–	77	–	62	7	1	–	–	–	–	147
Total current year	**104**	**667**	**248**	**71**	**76**	**2,121**	**–**	**0**	**–**	**–**	**3,287**
Total prior year	87	643	189	51	71	1,911	–	0	–	–	2,952

1) Before deduction of individual value adjustments.
2) Derivative counterparty risk is calculated using the mark-to-market method.
3) Non-derivative off-balance-sheet items are shown after conversion into credit equivalents.
4) Securities are recognised using the simple method.

Group companies compared

(in CHF million)	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Profit and loss account										
Net interest income	1,867	1,839	125	97	–	5	10	10	2,002	1,951
Net income from commission business and service transactions	184	179	72	63	–	–	-14	-15	242	227
Net trading income	74	66	42	50	–	–	–	–	116	116
Other ordinary result	36	34	300	296	–	–	-278	-274	58	56
Operating income	**2,161**	**2,118**	**539**	**506**	**–**	**5**	**-282**	**-279**	**2,418**	**2,350**
Personnel expenditure	-755	-732	-288	-293	–	–	12	9	-1,031	-1,016
Operating expenditure	-567	-562	-149	-155	–	-3	282	273	-434	-447
Total operating expenditure	**-1,322**	**-1,294**	**-437**	**-448**	**–**	**-3**	**294**	**282**	**-1,465**	**-1,463**
Gross profit	**839**	**824**	**102**	**58**	**–**	**2**	**12**	**3**	**953**	**887**
Depreciation on fixed assets	-138	-127	-70	-92	–	–	8	40	-200	-179
Value adjustments, provisions and losses	-450	-454	-4	-2	–	-1	450	449	-4	-8
Operating profit (interim result)	**251**	**243**	**28**	**-36**	**–**	**1**	**470**	**492**	**749**	**700**
Key balance sheet figures										
Total assets	136,469	128,472	30,929	30,505	12	195	-20,171	-19,652	147,239	139,520
Loans to clients	120,876	112,572	6,390	5,038	1	188	-6	-162	127,261	117,636
Client monies	107,734	102,884	8,731	7,875	–	13	-22	-33	116,443	110,739

Balance Sheet – five-year overview

(in CHF million)	2010	2009	2008	2007	2006
Assets					
Liquid funds	1,463	1,338	1,829	1,203	1,138
Receivables from money market securities	102	4	5	10	11
Receivables from banks	6,619	8,800	12,605	12,340	11,372
Receivables from clients	7,666	6,958	7,160	7,228	6,957
Mortgage receivables	119,595	110,678	101,435	94,299	88,153
Loans to clients	**127,261**	**117,636**	**108,595**	**101,527**	**95,110**
Trading portfolios in securities and precious metals	1,300	500	341	690	140
Financial assets	5,703	6,627	3,391	2,204	2,547
Non-consolidated participations	557	456	339	406	400
Tangible fixed assets	2,219	2,098	1,976	1,791	1,688
Accrued income and prepaid expenses	232	227	219	260	242
Other assets	1,783	1,833	2,275	2,644	1,350
Total assets	**147,239**	**139,520**	**131,575**	**123,076**	**113,998**
Liabilities					
Liabilities to banks	8,582	9,823	8,496	11,431	9,786
Liabilities to clients in the form of savings and investment deposits	86,591	79,688	67,492	60,880	62,304
Other liabilities to clients	16,184	14,579	18,326	17,765	12,884
Medium-term notes	13,668	16,472	18,280	15,510	12,837
Client monies	**116,443**	**110,739**	**104,098**	**94,155**	**88,025**
Bonds and mortgage bond loans	9,747	7,417	7,946	7,757	7,316
Accrued expenses and deferred income	550	546	695	696	557
Other liabilities	1,660	1,389	1,382	597	519
Value adjustments and provisions	976	977	979	1,038	1,109
Cooperative capital	570	536	505	467	428
Retained earnings	8,084	7,447	6,910	6,234	5,603
Group profit	627	645	564	701	655
Total equity capital	**9,281**	**8,628**	**7,979**	**7,402**	**6,686**
Total liabilities	**147,239**	**139,520**	**131,575**	**123,076**	**113,998**

Profit and Loss Account – five-year overview

(in CHF million)	2010	2009	2008	2007	2006
Interest and discount income	3,383	3,457	3,945	3,611	3,118
Interest and dividend income from financial assets	91	98	52	60	69
Interest expenditure	-1,472	-1,604	-2,071	-1,790	-1,385
Net interest income	**2,002**	**1,951**	**1,926**	**1,881**	**1,802**
Commission income lending business	9	7	7	5	5
Commission income securities and investment business	195	183	186	215	187
Commission income other service transactions	139	143	138	131	129
Commission expenditure	-102	-106	-101	-108	-71
Net income from commission business and service transactions	**242**	**227**	**230**	**243**	**250**
Net trading income	**116**	**116**	**108**	**112**	**84**
Income from sale of financial assets	1	1	1	1	1
Income from participating interests	32	30	36	34	24
Income from real estate	19	17	18	18	16
Other ordinary income	8	9	14	9	7
Other ordinary expenditure	-2	-1	-7	-1	-1
Other ordinary result	**58**	**56**	**62**	**61**	**47**
Operating income	**2,418**	**2,350**	**2,326**	**2,297**	**2,183**
Personnel expenditure	-1,031	-1,016	-962	-880	-796
Operating expenditure	-434	-447	-481	-452	-406
Total operating expenditure	**-1,465**	**-1,463**	**-1,443**	**-1,332**	**-1,202**
Gross profit	**953**	**887**	**883**	**965**	**981**
Depreciation on fixed assets	-200	-179	-231	-140	-147
Value adjustments, provisions and losses	-4	-8	-11	-3	-11
Operating profit (interim result)	**749**	**700**	**641**	**822**	**823**
Extraordinary income	31	96	43	22	7
Extraordinary expenditure	-8	-5	-3	-4	-6
Taxes	-145	-146	-117	-138	-169
Group profit	**627**	**645**	**564**	**701**	**655**

Cash Flow Statement – five-year overview

(in CHF million)	2010	2009	2008	2007	2006
Group profit	**627**	**645**	**564**	**700**	**655**
+ Depreciation on fixed assets	200	179	231	140	147
– Appreciation on participations	-7	-71	–	–	-2
+ Value adjustments and provisions	-1	-2	-59	-71	12
– Increase / + decrease in money market securities	-98	1	6	–	–
± Net change in receivables from / liabilities to banks	940	5,132	-3,200	676	-1,197
– Increase / + decrease in receivables from clients	-708	202	68	-271	-69
– Increase / + decrease in mortgage receivables	-8,917	-9,243	-7,136	-6,146	-4,260
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	6,903	12,196	6,613	-1,424	320
+ Increase / – decrease in other liabilities to clients	1,604	-3,747	560	4,881	2,323
+ Increase / – decrease in medium-term notes	-2,803	-1,808	2,770	2,673	2,015
± Net change in receivables from / liabilities to clients	-3,921	-2,400	2,875	-287	330
– Increase / + decrease in trading portfolios in securities and precious metals	-799	-159	350	-550	-84
– Increase / + decrease in financial assets (debt securities, etc.)	924	-3,236	-1,187	343	308
± Net change in accruals and deferrals as well as other assets and liabilities	320	292	1,194	-1,095	-234
Net cash flow from operating activities	**-1,815**	**381**	**774**	**-144**	**-66**
– Increase in participations	-83	-47	-9	-6	-40
+ Decrease in participations	2	–	4	–	–
– Increase in real estate	-245	-202	-185	-126	-104
+ Decrease in real estate	59	35	28	26	22
– Increase in other tangible fixed assets / objects in finance leasing	-135	-145	-192	-155	-115
+ Decrease in other tangible fixed assets / objects in finance leasing	6	12	5	13	5
Net cash flow from investment activities	**-396**	**-347**	**-350**	**-248**	**-232**
+ Increase in bonds and mortgage bond loans	3,129	287	891	1,420	1,750
– Decrease in bonds and mortgage bond loans	-798	-816	-701	-979	-1,509
+ Increase in cooperative capital	50	45	51	50	45
– Decrease in cooperative capital	-16	-14	-13	-12	-13
– Interest paid on share certificates for prior year	-28	-27	-26	-23	-21
+ Increase in capitalisation of employer contribution reserves	–	–	–	–	44
Net cash flow from financing activities	**2,337**	**-525**	**202**	**456**	**296**
Total cash flow (net change in liquid funds)	**125**	**-491**	**626**	**64**	**-2**
Liquid funds at start of year	1,338	1,829	1,203	1,138	1,140
Liquid funds at end of year	**1,463**	**1,338**	**1,829**	**1,203**	**1,138**

Jessica Schmitz, nurse

Jessica Schmitz is happy in her dream job. A qualified nurse, she works in the newborn unit of Hirslanden Hospital in Aarau. It is deeply fulfilling for her to welcome babies into this world. Providing loving care also means making fast and correct decisions. Schmitz has to be attentive, sensitive and calm under stress. Infants who begin their lives under her care are truly lucky.

Raiffeisen's unique strength is its local presence. The 339 Raiffeisen banks are structured as cooperatives, and their 1,122 branches give Raiffeisen the densest branch network in Switzerland. The Swiss population feels the direct benefits of this proximity. Raiffeisen banks operate within a clearly defined and comprehensible business area and thus support the local economy. Savings emanating from the region are invested back into the region in the form of mortgages and other lending. Raiffeisen banks are also attractive employers. Through their tax contributions, they allow the region to participate in their economic success. Furthermore, as sponsors, they pave the way for various cultural and sporting activities in the regions.

The strong Swiss bank As Switzerland's third-largest banking group, Raiffeisen is a national brand of major importance in the domestic banking market. Over 3.4 million people use a Raiffeisen bank for their financial affairs. These include 1.7 million cooperative members, who are co-owners of their Raiffeisen bank.

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

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Layout: freicom ag, St. Gallen
Printing: dfmedia, Flawil
Translation: 24translate, Speicherschwendi
Photos: Phil Müller, Zurich (trailblazer pictures) / Marco Blessano, Uster (pictures of Executive Board and Board of Directors of Raiffeisen Group)

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, Investor Relations and Banks, Financial Reports.

Printed on Superset Snow, matt, wood-free.