Raiffeisen Group

Annual Report

2012 Annual and Financial Report

RAIFFEISEN

KEY FIGURES 2012

The Raiffeisen Group consistently and successfully executed its growth strategy. Credit volume rose by 5.6% to CHF 143.8 billion. Refinancing was provided by a strong increase in customer deposits (CHF +10.9 billion) to CHF 133.1 billion. Thanks to this positive development, operating income broke through the CHF 2.7 billion mark for the first time.

	2012 Amounts in CHF millions	**2011 Amounts in CHF millions**	**Change in %**
Key balance sheet figures			
Total assets	168,124	155,889	7.8
Loans to clients	143,765	136,205	5.6
of which mortgage receivables	135,943	128,527	5.8
Client de posits	133,055	122,173	8.9
Client de posits in % of loans to clients	92.6%	89.7%	
Key income statement figures			
Operating income	2,712	2,513	7.9
Total operating expenditure	1,786 [1]	1,521	17.4
Gross profit	927 [2]	992	-6.6
Group profit	635	595	6.6
Cost/Income Ratio	65.8% [3]	60.5%	
Capital resources			
Total equity capital	10,496	9,875	6.3
Return on equity (ROE)	6.2%	6.2%	
Equity ratio	6.2%	6.3%	
Core capital ratio	12.6%	12.9%	
Market data			
Share of mortgage market	16.1%	16.1%	
Share of savings market	20.0%	19.7%	
Number of cooperative members	1,794,855	1,747,352	2.7
Client assets			
Client assets under management	173,149	145,967	18.6
Lending business			
Losses on lending business	27	21	27.0
as % of loans to clients	0.019%	0.016%	
Resources			
Number of employees	10,540	9,770	7.9
Number of full-time positions	8,797	8,167	7.7
Number of Raiffeisen locations	1,084	1,098	-1.3

1) Operating expenditure without the one-time employer contribution to the pension fund: CHF 1,706 million
2) Gross profit without the one-time employer contribution to the pension fund: CHF 1,006 million
3) Cost/income ratio without the one-time employer contribution to the pension fund: 62.9%

Raiffeisen Group

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Annual and Financial Report 2012

Preface

Healthy. Sustainable. Dedicated.

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

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

Switzerland's third-largest banking group, Raiffeisen, enjoyed a successful year in 2012. The continuous inflow of customer deposits speaks volumes as to clients' profound trust in the Raiffeisen Group. This should be a source of pride for everyone who contributed to our success in 2012.

The banking sector today is in upheaval, with growing pressures on margins, stricter regulations, new client requirements, and technological progress – all of which are changing the face of the financial industry. Client relationships and sales channels are being redefined. Now more than ever before, banks must be transparent and sustainable. Social media has amplified the voice of public opinion and is becoming a force to be reckoned with. This has changed the playing field for the financial industry and forced companies to re-align their business models and integrate them into society.

Raiffeisen regularly earns accolades; it is a well-liked bank, known for its strong security and closeness with clients. With an Aa2 Moody's rating, it is also one of the world's best-rated banks, attesting to the fact that Raiffeisen's strategic thrusts are working. The bank consistently demonstrates economic excellence through high-quality growth, rising productivity and a unique corporate culture.

One of the highlights of 2012 was Raiffeisen Switzerland's acquisition of Notenstein Private Bank Ltd as a wholly-owned subsidiary, thereby expanding our capabilities and diversifying our business base alongside our strong mortgage, savings and investment operations.

The strength of our market position in Switzerland is outlined in the "Dedicated to Switzerland" supplement to the annual report. Raiffeisen now has a relationship with nearly one-half of all the adults and one-third of all the companies in Switzerland. 1.8 million members represent a strong base. Raiffeisen banks have issued one-fourth of all the mortgages and manage one-fifth of all the savings and investment deposits in Switzerland. We are also a major employer in rural and urban areas.

Being a cooperative, Raiffeisen has always given high priority to social responsibility. In 2012, we continued to focus on an issue of relevance to the Swiss economy: many small and medium-sized enterprises (SME) are looking for successors over the next several years. By establishing the KMU Next foundation, we have set up a neutral partner who can help predecessors and successors develop intelligent succession solutions. Raiffeisen is thus protecting the diversity of Swiss companies and strengthening a business segment with enormous potential.

In 2012, while moving diligently forward, Raiffeisen remained faithful to its principles. We are evolving resourcefully and carefully, constantly strengthening our reputation and market positioning, and look forward to continuing down this path with you.

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

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

Strategy

Develop a strong market position, build on opportunities

Raiffeisen is expanding its position, establishing itself as the leading Swiss retail bank. In a challenging market environment, it proactively addresses the challenges ahead and rigorously pursues proven strategic targets.

REVIEW AND ACHIEVEMENT OF TARGETS IN 2012

Once again, 2012 was a very demanding and eventful financial year. Dealing with the European debt crisis in particular occupied politics, business, and society in the Eurozone. A series of wide-ranging measures enabled governments and the European Central Bank to defuse the strained situation to some extent. That being said, there is still no sign of a sustainable "silver bullet" for restructuring EU national budgets.

The Swiss economy was also unable to escape the resulting uncertainty. Although the country avoided a drift into recession, its economic growth slowed significantly in 2012. In addition to these economic challenges, banks in Switzerland are faced, above all, with further regulatory pressures and increased competition.

Despite this difficult environment, Raiffeisen can still look back on a successful financial year: Raiffeisen grew its core business and captured further market share. The bank benefited especially from its outstanding positioning and reputation in the market. The income diversification strategy was also propelled forward, chiefly by growing the corporate client and investment businesses. Last but not least, the successful integration of Notenstein Private Bank Ltd highlights how wealthy clients have boosted the business.

A look back at the past proves the worth of Raiffeisen's business model, which is based on security and client proximity. Systematic implementation of the strategic objectives also forms an excellent basis on which to overcome the challenges that the future holds.

TRENDS AND CHALLENGES

What does the future hold for Switzerland's banking market? The following developments indicate far-reaching changes:

The business environment remains demanding

A robust domestic economy has meant that the Swiss economy as a whole has remained stable. There is nonetheless the danger that any deterioration in the European debt crisis could have a negative impact on Switzerland's economic trend. The domestic real estate market would be particularly affected by any downturn. Currently, however, Raiffeisen sees the market as stable. Despite this, low interest rate levels give rise to macroeconomic risks; banks are, however, responding to these with a cautious lending policy.

Competition is becoming fiercer

Cut-throat competition among retail banks is in full swing; this in turn is compounded by non-banking competitors adding pressure of their own. Raiffeisen expects that pressure on earnings and costs – together with additional regulatory pressures – will be the main drivers behind progressive consolidation. For this reason, the banks are seeking to adopt clear strategic positioning in the tough market environment and to boost competitiveness in a stable way.

Raising client expectations

Technological change has led to a further rise in client expectations in relation to banking service quality. Electronic media and channels are becoming increasingly important, offering new forms of client information and interaction. In addition to security and transparency, client priorities include easy-to-understand products and services. Banks are required to meet these needs, especially by investing in IT and communication and by training their employees.

Increasing regulation

Banks in Switzerland are confronted with a significant increase in regulatory requirements, with a particular focus on improving financial stability (e.g., Basel III). The banks must also deal with an increasing number of requirements from foreign tax authorities. Implementing the new regulations continues to require financial institutions allocating significant financial and human resources to these areas.

STRATEGIC OBJECTIVES AND MEASURES

Raiffeisen's strategic targets have proven their worth in the troubled market environment of the past few years. Continued systematic implementation of the Group strategy will ensure success going forward.

High-quality growth in core business

Raiffeisen continues to aim at strengthening the savings and mortgage market position – although not at any price. Special attention is being paid to sustainable, profitable growth and responsible lending. The keys to success in the core business are the marked proximity to clients and the broad client base. In its more than 1,000 bank branches, Raiffeisen advisors provide services to meet the very wide range of client needs. This comprehensive, personalised support promotes client loyalty and product penetration. The acquisition of new clients is being pursued particularly in growth regions (cities and metropolitan areas).

Diversification of business areas

Interest-based business remains Raiffeisen's main source of income. In order to broaden its earnings base, various strategic growth initiatives are being implemented in complementary areas of business, particularly focused on corporate clients and on investment businesses:

- The corporate clients business is expanding steadily, with about 132,000 corporate clients maintaining a business relationship with Raiffeisen as at the end of 2012. In addition to the banks' local roots, Raiffeisen's reputation as a reliable and competent partner is a major competitive advantage. Active market development programmes ensure that Raiffeisen is increasingly perceived as the preferred partner for SME clients.
- Unsettled financial markets and increased security needs by clients pose special challenges for banks offering investment services. In this respect, Raiffeisen benefits from its high level of trustworthiness and is aiming to expand its business with wealthy clients. Raiffeisen is investing long-term in the further education and training of its client advisors so that they can individually and competently advise clients with complex investment needs.

As well as organic growth, Raiffeisen is also exploring options for pursuing its diversification strategy by acquiring other companies. The acquisition of Notenstein Private Bank Ltd was one such opportunity that helps Raiffeisen strengthen its market position in business with wealthy clients.

Increasing productivity

Sustainable increases in productivity are essential as far as Raiffeisen is concerned. It is a fundamental requirement for maintaining

Raiffeisen Group capital investment 2008–2012, by category

(net investment, in CHF million)

	2008	2009	2010	2011	2012
Bank buildings	119	156	161	121	176
Other real estate	38	11	25	21	20
Alterations and fixtures in third-party premises	48	32	36	28	11
IT hardware	50	30	27	15	17
IT software	30	22	18	17	20
ATMs	15	21	17	7	6
Furniture	9	8	8	7	9
Fixtures	15	9	12	12	7
Office machines, vehicles, security installations	21	11	12	9	6
Total net investment	**344**	**300**	**316**	**236**	**272**

Raiffeisen Group capital investment 2008–2012, by region

(net investment, in CHF million)

	2008	2009	2010	2011	2012
Région lémanique	47	37	37	30	15
Espace Mittelland	39	43	53	57	43
Northwestern Switzerland and Zurich	44	42	37	20	30
Eastern Switzerland*	170	121	136	101	153
Central Switzerland	25	29	28	18	19
Ticino	19	27	24	10	12
Total	**344**	**300**	**316**	**236**	**272**

* incl. central investment by Raiffeisen Switzerland

competitiveness in the years ahead. Reaching these ambitious productivity targets requires rigorous cost discipline at all levels of the Raiffeisen business. For example, several optimisation projects are mandated with standardising and streamlining processes. Raiffeisen is seeking even greater efficiency by focusing on its core competencies and making use of economies of scale.

Strengthening the corporate culture

Cooperative values are a key factor differentiating Raiffeisen from the competition. Attributes such as credibility, sustainability and proximity constitute a major competitive advantage. The unique management culture is also expressed through internal interaction with employees. In the course of "Raiffeisen Dialogue 2012", for example, around 1,500 managers from Raiffeisen banks and Raiffeisen Switzerland discussed strategic issues, entirely within a culture of open dialogue. This makes Raiffeisen unique and helps the company to continue attracting qualified staff. With a view to averting the imminent shortage of experts and managers, special attention is also paid to the topics diversity, work-life balance, and family-friendliness.

INVESTING IN THE FUTURE

Switzerland's banking market is undergoing change. Raiffeisen is playing an active role in these change processes that require investing in future-oriented projects. To secure the bank's sustainable success, Raiffeisen is targeting its investments at expanding its core business and diversifying the areas in which it operates. These measures are accompanied by rigorous cost discipline. The focus for operating expenditure is on optimising the IT and processing systems and expanding the distribution network.

The allocation of Raiffeisen's net investment confirms this emphasis. The major portion of expenditure flows into expanding the bank branches and upgrading IT infrastructure. In this respect, Raiffeisen is a major investment partner in all the regions of Switzerland.

STRATEGIC MANAGEMENT PROCESS

At Raiffeisen, the Group strategy is adapted to the current circumstances as part of the strategic management process. Every year, the Executive Board and Board of Directors of Raiffeisen Switzerland conduct a comprehensive analysis of the internal and external situation. The bank's strategic goals are defined on that basis. Lastly, strategic and financial target parameters provide support for the systematic implementation of Raiffeisen's strategy. They are verified by the governance boards each year and form the framework for business operations.

Raiffeisen uses the balanced scorecard (BSC) as a tool to measure and manage its strategic objectives. This approach provides a balanced view since, besides key financial figures, it also takes into account client-, process-, and staff-related factors.

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

The selected targets below operationalise the strategic objectives of the Raiffeisen Group:

Target value	BSC dimension	Actual value 2010	Actual value 2011	Actual value 2012	Target achievement 2012	Target value 2013
Loans to clients	Clients	+ 8.18%	+ 7.03%	+ 5.55%	■	+ 4.00%
Client deposits	Clients	+ 5.15%	+ 4.92%	+ 8.91%	■	+ 4.00%
Gross new provisions Value adjustments	Finance	0.06%	0.05%	0.05%	■	< 0.20%
Cost/income ratio	Processes	60.60%	60.53%	62.90%*	■	< 62.30%
Fluctuation rate for key persons	Employees	2.48%	2.32%	3.13%	■	< 7.00%

■ Target achieved ▲ Target partially achieved ● Target not achieved

* Figure excluding employer contribution to strengthen the pension fund
  (for details of exceptional item, see chapter Sustainability, Taking responsibility for employee welfare)

Notenstein Private Bank Ltd in brief

Forward-looking asset management

Notenstein Private Bank has been a Raiffeisen Switzerland subsidiary since January 2012 and is part of the Raiffeisen Group as a private bank. The St.Gallen bank specialises in asset management for private and institutional clients.

Notenstein Private Bank has a wealth of experience and tradition. Its roots can be traced back to the 15th century, when St.Gallen businesspeople established the "Notenstein" company. The site of their former company building is now the headquarters of Notenstein Private Bank. The St.Gallen bank has been a wholly-owned subsidiary of Raiffeisen Switzerland since January 2012 and is one of the leading asset management banks in Switzerland.

Notenstein Private Bank attaches great importance to a long-term relationship with its clients, based on mutual respect and trust. Notenstein seeks an appropriate strategy for the different phases in the lives of its clients. This involves identifying the needs and unique situation of each client and providing tailored solutions accordingly.

Scenarios for an unpredictable world
Notenstein Private Bank focuses on forward-looking asset management. Against a background of widespread political and economic uncertainty, Notenstein uses scenarios to prepare its clients for possible positive and negative economic developments, enabling it to invest its clients' assets accordingly. Today especially, when capital preservation is paramount, carefully crafted and sometimes risky scenarios must be included in the analysis. This "scenario mindset" is based on a culture of debate and scientifically sound analyses. Many years of close collaboration with leading universities and colleges in Switzerland have shaped the structured systematic methods used in Notenstein's asset management.
In its publications such as the "Notenstein

Gespräch” (Notenstein Discussion), the private bank also regularly takes time to study the future, in conjunction with business and science personalities.

Transparent investment method

Forward-looking asset management also means that the investment method always takes account of both the return and the individual attitude to risk and willingness to accept risk.

A high degree of transparency is important when implementing any asset management solutions. Simple but efficient solutions are preferred in this context. It is a matter of utmost importance at Notenstein that the client can be presented with an explanation of the risk categories in which the assets are invested, based on the needs analysis. In addition to professional execution of the selected form of investment, Notenstein places great emphasis on documentation that is easy to understand and comprehensive. Market or counterparty risks are monitored on an ongoing basis and presented in a transparent way. This indicates how much risk resulting from exposure to equities, interest rates, loans or commodities currently exists at the level not only of the particular investment instrument, but also at portfolio level. Such transparency is a significant added value for clients; it is a unique feature vis-à-vis Raiffeisen’s competitors.

Rooted in Switzerland

As a St.Gallen banking house in the vicinity of the Alpstein massif, Notenstein is committed to honest and solid asset management. The 700-some employees are dedicated every day to the unique needs of their clients, many of whom are long-standing Notenstein employees. This strong bond of loyalty is central to asset management, as top priority is given to the personal, continuous and high-quality care by Notenstein client advisors. Notenstein has a presence at thirteen locations in Switzerland to serve its clients. With a concentrated number of branches in Switzerland, Notenstein’s stability speaks for itself; as an independent company, it belongs to the third-largest banking group in Switzerland.

More information on Notenstein Private Bank is available at www.notenstein.ch.

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Business trend

Market position expanded

The Raiffeisen Group succeeded in expanding its market position in key business segments in a highly competitive environment. The entire Group's development was positively affected by growth in existing core markets and the acquisition of Notenstein Private Bank Ltd. The Group profit of CHF 635 million exceeded the previous year's result.

Raiffeisen Switzerland's acquisition of Notenstein Private Bank Ltd – effective as of 27 January – set tone for 2012. Notenstein contributes extensive expertise in asset management and in traditional private banking for private investors and institutional clients. The acquisition optimally advanced Raiffeisen's plans to diversify its business segments. In addition to the intended organic growth in its core business and complementary segments, Raiffeisen also strengthened its position in asset and investment advisory services.

Client deposits grew faster than the credit volume for the first time since 2008. Client deposits rose by CHF 10.9 billion to CHF 133.1 billion, exceeding the increase in loans by more than CHF 3.3 billion. This strong growth is partly, but not exclusively, due to the acquisition of Notenstein's client deposit holdings. The established traditional retail business also generated a client deposit surplus of more than CHF 0.5 billion.

The corporate clients business performed strongly. The total number of corporate clients increased by 2.4% to 132,000. Financing (+7.5%) and investment volume (over 11%) saw healthy growth. Other service transactions once again showed impressive increases in volume, too. The issue rate of Maestro cards increased 8%, while the number of credit cards rose by 5%, approximately. The number of cashless payment transactions increased by seven million (+12%). There were 841,000 e-banking users at year-end (+11%), while the number of e-banking payments climbed over 12% to 65 million.

Gross profit was CHF 927 million, which is CHF 65 million less than in 2011. After adjusting for the one-time employer contribution of CHF 80 million to the Raiffeisen Pension Fund, gross profit was a good CHF 1 billion (+1.4%). This increase, and the significant increase in Group profit of 6.6% (or CHF 40 million) to CHF 635 million, was affected by several extraordinary items such as the acquisition of Notenstein Private Bank Ltd. The acquisition gave a considerable boost to the commission and service business (+51.3%), as well as the trading business (+38.6%) in particular. The Group's operating income increased CHF 199 million overall, to CHF 2.7 billion (+7.9%). Without Notenstein, operating income would have barely exceeded the 2011 level, primarily because of a decline in the interest margin. The annual accounts, on the other hand, also include the first-time recognition of CHF 150 million in operating expenditure for Notenstein. The Raiffeisen Group benefited from the equity market rally in the second half of the year. In 2011, the decline in share prices required the recognition of an impairment loss of nearly CHF 57 million in strategic investments in the financial sector. As share prices recovered, this impairment loss was completely reversed to extraordinary income in 2012.

The market environment for Swiss banks is not expected to recover in 2013. Raiffeisen is optimistic about cyclical economic trends, but setbacks may occur at any time, given the underlying doubts about whether the euro crisis is truly over. Raiffeisen expects home prices to remain stable overall in 2013, so there is little risk of further value adjustments. For this reason, Raiffeisen will continue to drive qualitative growth in this segment. It plans to vigorously execute on its complementary diversification strategy involving an expansion of the investment and corporate clients business. Rigorous cost management and process streamlining will remain top priorities. The Raiffeisen Group is still in an excellent position to tackle challenges and aggressively pursue available market opportunities.

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

INCOME STATEMENT

Income from ordinary banking activity

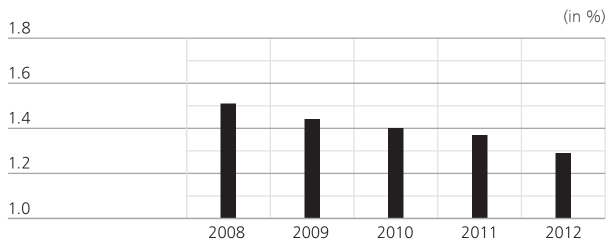
Historically low market interest rates, hesitant investors and fierce competition in retail banking contributed to modest results on the income side. Almost all of the CHF 199 million increase in operating income to CHF 2.7 billion can be attributed to new income from the commission and trading business of Notenstein Private Bank Ltd.

The difficult interest rate situation pulled the interest rate margin down even more. Through an increase in the mortgage portfolio and careful management of interest owed, the Raiffeisen Group was able to compensate for the lower margin. Income from interest business stood at CHF 2.1 billion, slightly exceeding 2011’s level.

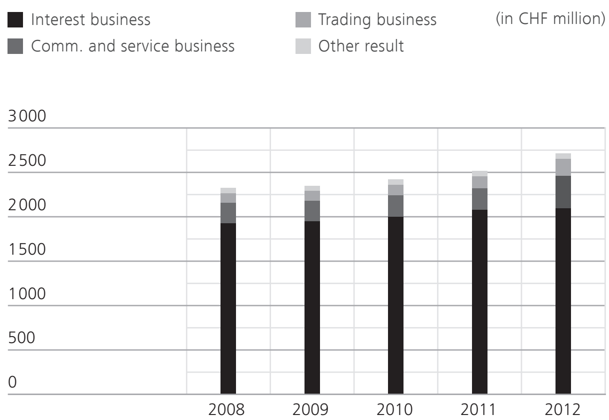
Net income from commission business and service transactions (note 19) increased by CHF 125 million or 51.3% to CHF 368 million. Without Notenstein, the increase would have been CHF 9 million, or 3.7%, which is quite respectable, given client reluctance to invest. Income from securities and investment business (without Notenstein) suffered from another decline in transaction-related commissions. Income from other service transactions went up by over CHF 13 million as volumes rose further. Commission income from the lending business climbed CHF 3 million. Commission expenditure (excluding Notenstein) has fallen slightly due to the decline in investment business.

The trading business (note 20) benefited heavily from the Notenstein acquisition, with income rising CHF 53 million, or 38.6% to

Interest margin



Performance of income items



CHF 190 million. Notenstein's earnings contribution produced steep increases in foreign exchange trading and particularly securities trading. Even without Notenstein, growth in the trading business would still be an impressive 9.6%. While foreign exchange and securities trading in retail banking also increased considerably, trading in precious metals and foreign coins and notes could not replicate 2011's excellent results.

Other ordinary profit increased by 7.3% to CHF 61 million. A slight increase in income from participating interests and income from Notenstein Private Bank Ltd's insourcing services had a positive impact. Other ordinary expenditure increased more than in 2011, due to valuation adjustments of financial assets.

Operating expenditure

Operating expenditure increased by a significant CHF 264 million, to CHF 1.8 billion (+17.4%), due to the acquisition of Notenstein Private Bank Ltd (+ CHF 150 million) and the one-time employer contribution of CHF 80 million to the Raiffeisen Pension Fund. In 2012, the Pension Fund changed its actuarial assumptions for calculating the actuarial reserve. Future pensions were calculated based on a higher life expectancy. Raiffeisen decided to close the resulting cover shortfall with a one-time contribution. Without these two items, operating expenditure would be CHF 1,556 million, an increase of CHF 34 million or 2.3% (2011: +3.8%). The cost income ratio (without the Pension Fund contribution) rose from 60.5% to 62.9% due to the stagnant rate of increase in retail business income and the higher, industry-standard value at Notenstein Private Bank Ltd. The cost income ratio for retail banking is 61.9% for retail banking alone.

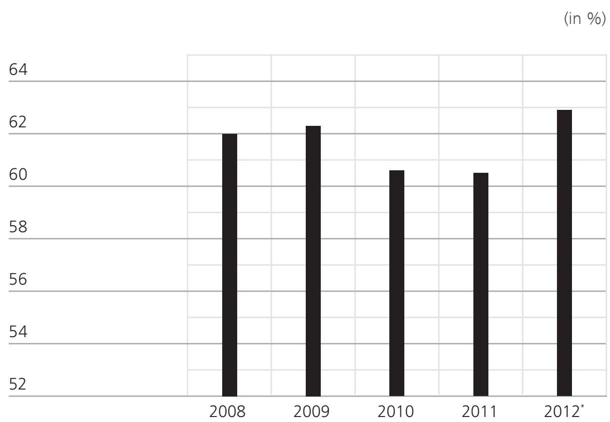
Personnel expenditure

The 19.9% increase in personnel expenditure (note 22) was heavily affected by the acquisition of Notenstein Private Bank Ltd and the one-time employer contribution to the Raiffeisen Pension Fund. Without these extraordinary items, personnel expenditure would have risen by 2.7% (versus 3.8% in 2011). The CHF 29 million increase from the retail business was fuelled by wage adjustments and the expansion of advisory centres in the investment and corporate clients business. To achieve qualitative growth, Raiffeisen is recruiting more staff with specialised skills. This is shifting jobs from processing to advisory services; pay levels have increased accordingly. The Group's headcount rose to 8,797 full-time equivalents due to the takeover of Notenstein Private Bank Ltd (2011: 8,167 full-time equivalents). The headcount in the retail business remained essentially unchanged year-to-year.

Operating expenditure

If the retail business is considered on its own (without Notenstein Private Bank Ltd), operating expenditure went up by only 1.3%, not 11.4% (note 23). Rigorous cost management produced savings in many areas.

Cost/income ratio trend



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

Depreciation on fixed assets

Depreciation on assets (note 4) was CHF 198 million (-17.1% compared to 2011). The stock market's decline in the first half of the year required a CHF 22 million adjustment in the book values of the strategic investments; however, this adjustment was fully reversed in the second half of the year. Tangible assets were depreciated by CHF 164 million. Goodwill amortisation stood at CHF 12 million. Of this amount, CHF 9.4 million is attributable to the annual amortisation of goodwill from the acquisition of Notenstein Private Bank Ltd.

Value adjustments, provisions and losses

This item increased by CHF 8 million to CHF 31 million. CHF 4.3 million in losses were recognised directly in income (2011: CHF 5.5 million); only CHF 1 million was from the lending business. Net new provisions for other business risks amounted to CHF 20.7 million. This includes, without limitation, provisions for one case of fraud and for repayments of retrocession fees to clients. Credit risk remained unproblematic relative to the steep rise in credit volumes. Effective losses from the lending business were CHF 26.9 million, or less than 0.02% of all loans to clients.

Extraordinary income and expenditure

Extraordinary income (note 24) increased a significant CHF 73 million, to CHF 89 million. As equity markets rallied in the second half of the year, strategic investments were written up to their initial value of CHF 78.4 million. Extraordinary income also includes CHF 5.1 million in income from the sale of tangible assets, and CHF 4.2 million for dissolutions of value adjustments and releases of provisions for default risks. The extraordinary expenditure of CHF 2.3 million (2011: CHF 4.3 million) mainly comprises losses from the sale of tangible assets (CHF 1.3 million).

Taxes

Tax expenditure (note 25) amounted to CHF 149 million, which represents a year-on-year increase of 2.4% or CHF 4 million.

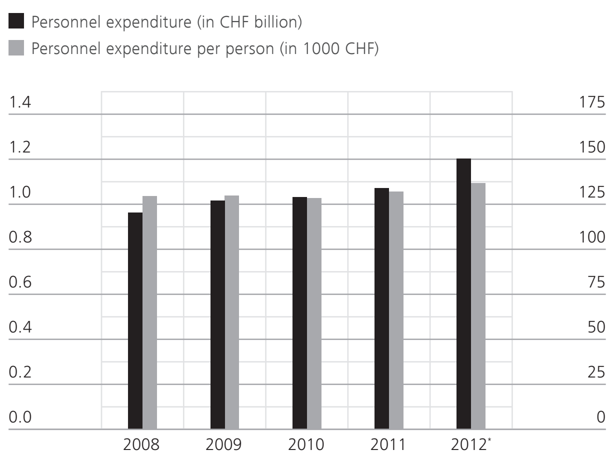
BALANCE SHEET

Total assets rose CHF 12.2 billion to CHF 168.1 billion, driven mainly by the acquisition of Notenstein Private Bank Ltd and a significant increase in retail client volumes.

Receivables from and liabilities to other banks

These items have changed considerably following an increase in interbank business volumes and the first-time recognition of the portfolio of Notenstein Private Bank Ltd. At the end of 2012, receivables were up 70.4% compared to the year before. Net liabilities fell CHF 1.5 billion to around CHF 1.4 billion in connection with Raiffeisen Switzerland's interbank business. Unsecured interbank loans were mostly for terms of one month or less. Low market rates have brought the repo market to a virtual standstill.

Change in personnel expenditure and personnel expenditure per FTE



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

Loans to clients

Loans to clients rose by CHF 7.6 billion, to CHF 143.8 billion – a much less dramatic increase than in 2011 (CHF +8.9 billion). The more moderate growth rate was attributable to an increase of 5.8%, or CHF 7.4 billion in mortgage loans (2011: CHF +8.9 billion), reflecting the qualitative growth strategy. New construction business grew, as did lending for renovation projects. Low interest rates still favour fixed-rate and Libor mortgages, which account for 88.4% of all mortgages (2011: 84.5%). Libor mortgages have risen the most (+21.9%), while fixed-rate mortgages represent 78.9%. Funding provided by client deposits rose from 89.7% to 92.6% thanks to strong growth in client deposits during the year.

Trading portfolios in securities and precious metals

Trading portfolios rose CHF 289 million or 18.6% to CHF 1.8 billion in 2012 (see note 2 for a breakdown of the trading portfolios). Holdings of stock-exchange-listed debt instruments grew CHF 300 million, to CHF 889 million. Precious metals portfolios fell CHF 30 million, to CHF 890 million. The capital adequacy requirements for market risks in the trading book are detailed on page 80.

Financial assets

Securities holdings in financial assets (note 2), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value fell CHF 742 million, to CHF 4 billion.

Non-consolidated participations

As per notes 3.2 and 3.3, major participations are reported on the balance sheet under non-consolidated participations. This item increased CHF 115 million, or 22.1% to CHF 633 million. Adverse financial market performance in 2012 had a significant impact on the book values of the strategic participations in Vontobel Holding AG and Helvetia Holding AG. The ongoing slump produced book losses of CHF 21.8 million in the first six months, while a rapid market rally in the second half-year caused the recovery of CHF 78.4 million until the holdings returned to their initial value. Pfandbriefbank schweizerischer Hypothekarinstitute AG conducted an ordinary capital increase in the current year. To maintain its percentage holding, Raiffeisen Group exercised its subscription rights in full. This transaction increased the participation volume by CHF 28.4 million. The value of the participations in Aduno Holding AG and Pfandbriefbank schweizerischer Hypothekarinstitute AG increased CHF 19.7 million according to the equity method. The Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights for operational and business policy reasons.

Tangible and intangible assets

The book value (note 4) of tangible assets rose CHF 108 million, or 4.7% to CHF 2.4 billion – a somewhat higher increase than in 2011 (CHF +55 million). The increase was largely driven by the initial consolidation of the tangible assets of Notenstein Private Bank Ltd. Most of the investments went toward expanding and modernising the branch network. The goodwill acquired in the Notenstein Private Bank Ltd acquisition – which had a purchase price of CHF 577 million – amounted to CHF 155 million, which corresponds to 0.75% of the assets, plus CHF 33 million in provisions for deferred taxes. The remaining amount of CHF 389 million corresponds to the net asset value, comprising equity capital and hidden reserves. CHF 2.3 million in goodwill was paid to acquire Investnet AG. After writing off CHF 12 million in goodwill, CHF 179 million remains on the balance sheet.

Client deposits

Client deposits saw a significant increase of

CHF 10.9 billion, or 8.9% to CHF 133.1 billion. This is partly due to the first-time recognition of the client deposits of Notenstein Private Bank Ltd, which amounted to nearly CHF 3.3 billion at year-end. However, the established retail business also rose an impressive CHF 7.6 billion. The current interest rate situation pushed the individual items in very different directions. Savings deposits climbed by CHF 10.5 billion (+11.4%), including considerable increases in retirement and vested assets accounts (+10.9%). Holdings of other liabilities to clients went up by CHF 1.1 billion. Fixed-interest client deposits, by contrast, fell by CHF 0.7 billion during the year.

Bonds and Pfandbriefdarlehen
Holdings of bonds and Pfandbriefdarlehen increased less dramatically than in 2011, rising CHF 1.5 billion to CHF 15.2 billion (note 8). Net liabilities to Pfandbriefbank went up CHF 1.9 billion. In October, one CHF 250 million bond matured, reducing the total holdings to CHF 3.4 billion.

Value adjustments and provisions
Value adjustments for default risks did very well relative to the increase in lending (note 9); they fell by CHF 17.7 million, to CHF 282.5 million, representing 0.20% of total loans (2011: 0.22%). CHF 26 million of the provisions were used in conformity with the designated purpose, while net new provisions amounted to CHF 1.8 million. Provisions for other business risks increased by CHF 18.7 million to CHF 33.9 million. CHF 5.5 million were set aside for reorganisation measures; CHF 0.3 million were already used in conformity with the designated purpose in 2012. Provisions for deferred taxes amounted to CHF 730 million as of year-end.

Equity capital
Equity capital with minority interests went up CHF 623 million, to CHF 10.5 billion; minority interests accounted for CHF 1.9 million.

Off-balance-sheet business
Total contingent liabilities (note 16) increased CHF 84.9 million to CHF 451 million due to the first-time recognition of the contingent liabilities of Notenstein Private Bank Ltd.

There was an additional rise in mortgage and loan volumes already agreed in 2012. The Raiffeisen Group's obligation to pay into the client deposit protection scheme amounted to CHF 1,190 million (2011: CHF 1,148 million). Overall, irrevocable commitments rose 7.9% to CHF 6.1 billion.

2012 was characterised by a negative expected and effective interest rate environment for short maturities. As such, the contract volume for derivative financial instruments (note 17) increased a significant CHF 37.0 billion, to CHF 125.2 billion. Hedging transactions for the bank book increased CHF 4.2 billion to CHF 38.3 billion, due mainly to an increase in interest and foreign exchange positions. The positive replacement values amounted to CHF 1.1 billion (2011: CHF 1.1 billion), while the negative replacement values amounted to CHF 1.7 billion (previous year: CHF 1.8 billion).

The large increase in fiduciary transactions from CHF 227.9 million to CHF 286.6 million is due to the first-time recognition of the fiduciary transactions of Notenstein Private Bank Ltd.

Custody account volumes
Although most equity markets performed positively in the second half of 2012, the majority of investors remained cautious about making new investments, which in turn negatively impacted transaction volumes. Custody account volumes in the retail business stayed encouragingly stable thanks to positive financial market performance and healthy levels of net new money. The initial outflow at Notenstein Private Bank Ltd was offset by an increase in the number of new clients.

Market activities

The most likeable bank in Switzerland

The Raiffeisen brand stands for likeability and competence. In 2012, market share grew further in key business areas and more than 100,000 individuals chose to become new Raiffeisen members. This reflects the high level of client confidence in Raiffeisen.

MARKET ACTIVITIES

Market environment

In 2012, overall, global growth weakened. In Europe, this resulted from the austerity policies adopted by governments, while in emerging markets it was due to restrictive monetary policies. In contrast, the US economy benefited from an expansionary boost resulting from both fiscal and monetary policy. Although Switzerland continued to feel the repercussions of the strong franc, it posted moderate growth thanks to the robust domestic economy. Record-low interest rates and the low rate of unemployment benefited the construction industry and consumer spending.

The turbulent elections in Greece and tensions in the Spanish banking system in the spring fuelled doubts about the Eurozone's stability. In the summer, the European Central Bank (ECB) announced that it would buy up exposed countries' government bonds without limit, if necessary, thereby eliminating the extreme risk of a Eurozone break-up, and thus enabling investors to once again take on more risk. Together with the US' hyper-expansive monetary policy and the increasing signs of growth recovery in emerging markets, this triggered a vigorous rally on stock markets at the year-end.

Brand management

Raiffeisen has again been voted as the most likeable bank in Switzerland in 2012, in a study by the University of Applied Sciences in Business Administration (HWZ), Zurich, as well as a brand-tracking survey that Raiffeisen has been conducting since 2006. Raiffeisen is regarded as a bank with strong regional roots that will become increasingly important as time goes on. This is due to the bank's good reputation, its nearness to clients, and its high level of trustworthiness.

The topics "member benefits", "home financing" and "retirement planning" kept Raiffeisen very much in the national media in 2012. The Raiffeisen brand was further reinforced through campaigns, sponsorships and public relations.

Raiffeisen is actively involved in supporting society, be this at local, regional, or at national level. It also sponsors clubs and associations at over 1,000 locations, that aim to promote cultural, sporting, musical and social diversity. Raiffeisen has also been the main sponsor of the Football Super League since the summer of 2012. Raiffeisen members enjoy discounted tickets to matches, benefiting directly from the sponsorship commitment. Together with its high-profile and proven sponsorship of winter sports, involvement in concerts and shows as well as its wide range of local commitments, Raiffeisen is present in a number of different ways, year-round.

Client satisfaction

In the past financial year, Raiffeisen has again set the benchmark in national client satisfaction surveys with regard to client satisfaction and client willingness to recommend the bank. As had been the case in the most recent survey in 2011, satisfaction among Raiffeisen's main bank clients remains constantly high. The willingness on the part of clients to recommend the bank is also very important: Among clients who use Raiffeisen as their main bank, 84% would recommend Raiffeisen to someone without an existing banking relationship.

Membership

Members co-own a Raiffeisen bank, determine business policy at the annual general meeting and elect people they trust to their bank's Board of Directors. In 2012, over 100,000 people opted to become Raiffeisen members. Raiffeisen banks now have some 1.8 million members.

Raiffeisen offers its members attractive leisure activities while committing, at the same time, to diversity in Swiss culture and to local tourism. The range of perks is very popular. Last year, members benefited well over a million times from discounted entrance to over 450 museums throughout Switzerland, half-price day-trip offers in the Valais region, day ski passes at half-price, discounted tickets for concerts, musicals and shows, as well as tickets for the Sunday matches of the Raiffeisen Super League at half-price.

The new summer membership offer starts in May 2013 and invites Raiffeisen members to get to know Swiss parks. The landscape in these parks is impressive, the food is good, and the local people strive hard to maintain their natural and cultural heritage and to sustainably develop their regional economy.

SEGMENTS

At Raiffeisen, the focus is always on clients. With the aim of aligning itself better with client needs, Raiffeisen re-organised itself systematically at the end of 2011 on the basis of the major client groups. The segment organisation was developed further in 2012.

Private clients

Raiffeisen again gained the trust of many new clients in 2012. All in all, Raiffeisen has 3.7 million clients, of which 92% is attributable to the Private Clients segment and thus the retail business. Due to the already high market share in rural areas, growth in urban areas was again disproportionately high. In order to offer the best possible service and advice to its growing client base, Raiffeisen is continuing to invest substantially in its branch network and advisory capabilities in 2013.

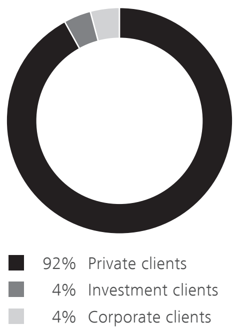
The overall concept for young people was completely revised and will be relaunched in 2013. This will involve redesigning banking services and extending benefits provided by third parties.

Investment clients

Diversifying the sources of income has been one of Raiffeisen's key strategic elements for several years now. This strategy is reflected in the "Investment Clients" segment, newly created at the end of 2011. Over the next few years, Raiffeisen intends to become one of the most sought-after investment advisors for private individuals in Switzerland, with high standards in terms of providing comprehensive advice.

The development of customised solutions that are understandable, meet every client's unique personal needs, and that serve to sustainably build up client wealth are all at

Proportion of clients



the centre of investment advisory services. In doing so, Raiffeisen bank advisors can rely on support from decentralised specialists in the regional centres for investment clients (RZA).

Well-trained, competent investment advisors form the basis for success in the investment client segment. In conjunction with the Institute for Financial Services Zug (IFZ) at the Lucerne University of Applied Sciences and Arts, Raiffeisen Switzerland offers a training programme called "CAS investment advisory services" that is specifically geared towards Raiffeisen's needs. This course leads to a recognised certificate (CAS) awarded by Lucerne University and is based on the requirements profile for Raiffeisen investment advisors.

Corporate clients

The steady growth in client numbers indicates the increasing importance of Raiffeisen as an SME bank. Raiffeisen now has 132,000 corporate clients (+2.4% over the previous year). Raiffeisen advises SMEs on the same level. Every local Raiffeisen bank is legally independent and therefore an SME, making it ideally-placed to completely understand the challenges that SMEs face.

The "succession planning" offering launched in 2010 was systematically expanded. Raiffeisen also established the KMU Next foundation as a structure to support both sides involved during the succession process. This will remain an important issue in 2013, as each year an above-average number of businesses have to make arrangements for succession. Raiffeisen can rely on a broadly-based network of experts to develop viable solutions together with the business owner involved.

Company financing

Raiffeisen loans to corporate clients in 2012 totalled CHF 22.9 billion. At the same time, increasing numbers of corporate clients are entrusting their assets to us, leading to an impressive 11% increase in investment volume. The credit volume rose 7.5% in 2012, without an increase in risk exposure. The focus in 2013 will remain on providing solid financing and acquiring new client deposits that are required for refinancing.

Capital goods leasing

Despite market uncertainty, Raiffeisen was able to sustain 2011's positive performance into 2012 as regards capital goods, and increase revenue by some 5%. Stronger client relationships and active liaison with existing and potential vendor partners were an integral part of our business' success.

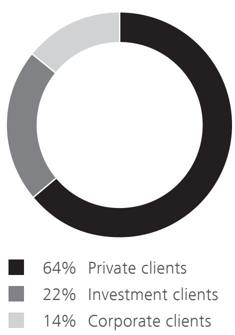
In 2013, Raiffeisen will be offering an attractive range of leasing products for its clients and partners. Profitability will increase further thanks to rapid, high-quality transaction processing capabilities, and the reinforcement of corporate client advisory activities in Western Switzerland.

CLIENT NEEDS

Financing

The Swiss housing market's growth rate was similar in 2012 to what it had been the year prior, mainly due to the steady increase in population to the present level of more than 8 million, and to low housing vacancy rates.

Share of client volume



Raiffeisen by canton as at 31 December 2012[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans [2] in CHF million	Client deposits[3] in CHF million	Total assets in CHF million
Aargau	28	93	189,493	15,131	13,642	17,116
Appenzell Ausserrhoden	1	6	15,053	980	982	1,106
Appenzell Innerrhoden	2	6	8,171	481	559	608
Berne	25	109	179,161	11,325	10,149	12,833
Baselland	9	22	51,944	4,315	3,834	4,825
Basel-Stadt	1	2	–	757	662	886
Fribourg	18	59	91,011	7,670	5,730	8,412
Geneva	6	18	41,811	3,344	4,097	4,389
Glarus	1	2	6,894	407	394	460
Grisons	11	57	58,192	4,246	4,010	4,891
Jura	7	36	26,796	2,453	1,808	2,702
Lucerne	22	53	124,100	7,573	6,915	8,636
Neuchâtel	4	19	26,318	1,607	1,358	1,785
Nidwalden	2	8	20,794	1,343	1,324	1,590
Obwalden	2	6	12,767	725	718	894
St.Gallen	41	90	193,858	17,837	15,405	20,271
Schaffhausen	1	3	7,430	502	476	574
Solothurn	24	60	118,447	8,544	7,947	9,612
Schwyz	8	16	39,534	2,655	2,599	3,097
Thurgau	18	48	98,348	8,726	7,153	9,733
Ticino	26	91	109,519	10,247	8,637	11,742
Uri	3	16	16,312	963	894	1,093
Vaud	19	68	106,784	7,668	6,743	8,698
Valais	28	129	134,575	10,332	10,142	12,212
Zug	8	14	40,133	3,674	3,396	4,321
Zurich	12	40	77,410	8,577	7,743	9,554
Total 2012	**327**	**1,071**	**1,794,855**	**142,082**	**127,317**	**162,040**
Total 2011	**334**	**1,098**	**1,747,352**	**135,179**	**119,932**	**153,494**
Increase/decrease	**-7**	**-27**	**47,503**	**6,903**	**7,385**	**8,546**
Increase/decrease in %	**-2.1**	**-2.5**	**2.7**	**5.1**	**6.2**	**5.6**

1) Raiffeisen banks and branches of Raiffeisen Switzerland

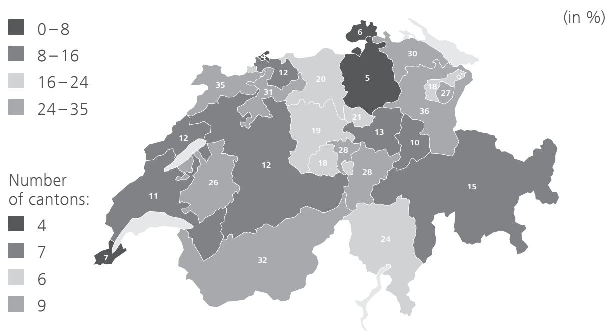
2) Receivables from clients and mortgage receivables

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

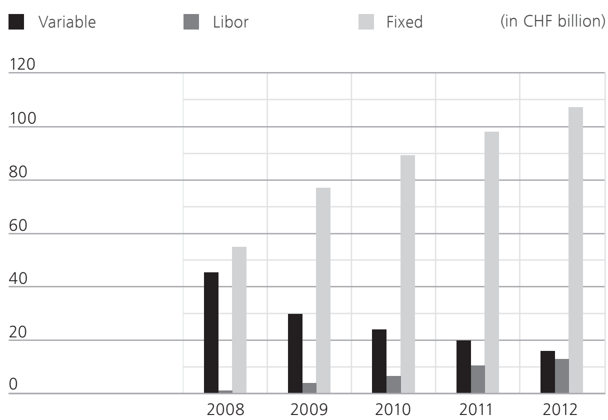
Investment in renovation projects increased, as did growth in the new-build sector, due mainly to the government's incentives to boost energy efficiency as well as consideration of future energy supplies and CO_2 neutrality.

The historically low interest rates that we have seen for several years now continued in 2012 and are likely to persist, according to Swiss National Bank forecasts. The trend towards higher prices for the residential properties on offer did not change in 2012, although this does appear to be weakening – albeit slowly.

Share of mortgage market by canton 2011



Volume trends for various mortgage models 2008–2012



The market growth of Swiss banks in mortgage lending came in slightly lower in 2012, at 4.4% year-on-year. The Raiffeisen Group was unable to escape this trend, posting slightly lower growth in 2012 – at 5.8% – than it did the year before. Raiffeisen was, however, able to further increase its market share. Continuing low interest rates meant that fixed-rate mortgages and LiborFlex mortgages were increasingly in demand. The trend towards investment in renovation projects is reflected in the rise in "Eco" mortgages and renovation mortgages.

Payments

The high issue rate for the Maestro card (+8%) confirms that clients still very much require cashless payments; the latter increased by seven million transactions (+12%) in 2012. For the protection of clients and as an effective measure against "skimming" (card cloning), the withdrawal limits for Maestro cards used in high-risk countries were reduced last year.

The number of credit cards saw a +4.6% increase last year. This type of card is increasingly used for everyday transactions, in addition to its popularity in an international context. Credit card use has been facilitated by the option of now entering a PIN code instead of signing the payment slip. All the recently issued cards have this facility. The roll-out of a new card administration platform will be completed in the second half of 2013. It is planned to have the credit card provide access to the MemberPlus portal for Raiffeisen members from that point on.

In light of the above, efficient and automated processing of client payments is one of Raiffeisen's top priorities. Starting in 2013, new invoicing software called "FacturaPlus" will be available free of charge to enable small firms in particular, as well as associations, to print orange payment slips without using book-keeping software. This will allow the processing of credits by the client and by the bank to be fully automated.

Savings

At first glance, savers are only getting modest interest on their capital. Since deflation is running at 0.7%, however, interest rates in real terms in 2012 kept pace with even historical periods of high interest rates. The continuing expectation of low inflation by the Swiss National Bank is reason enough to assume that interest rates will remain low for the time being. As a result, returns can only be optimised by investing in fixed-rate savings products (medium-term notes, time deposits and fixed-term deposits) with long maturities. In 2012, Raiffeisen nevertheless recorded encouraging growth in conventional bank savings. The transaction and savings account volume saw growth of CHF 7 billion (+7.8%) with some 120,000 new accounts. The fixed-rate savings volume fell by CHF 900 million due to the uncertain outlook and record-low interest rates.

Provisions

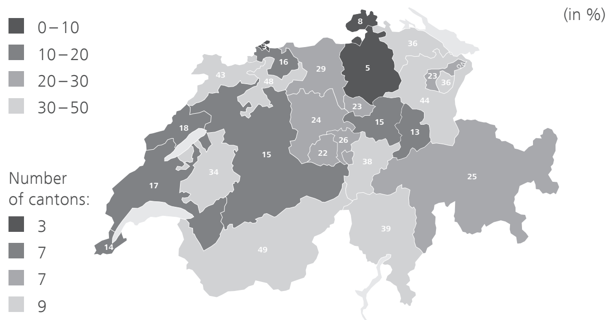
Pension deposits and vested assets grew by CHF 1.5 billion (+10.9%) due to conditions that are attractive even from a long-term perspective, and thanks to the high level of client trust. Voluntary pension savings is more than ever a priority for clients. The client may choose between account-linked or securities-linked investments. The range of fund-linked investment options was expanded further.

The launch of the Raiffeisen Pension Growth index fund represents an innovation for retirement planning. This passively-managed fund invests up to 70% in equities, making it the first pension fund in Switzerland to invest over half of its assets in equities. In combination with the Vorsorgeplan 3 (retirement plan 3) account, this innovative investment fund enables pension deposits to be managed efficiently and actively.

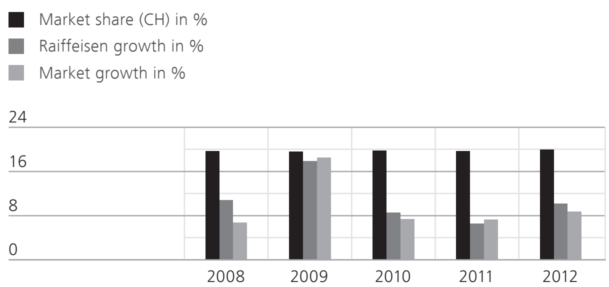
Assurance

In 2012, the premium volume brokered by our cooperation partner Helvetia amounted to CHF 134.9 million. Raiffeisen once again posted a record result, boosting 2011's result by 32%. Individual life contracts are the driving force behind this; sales stayed up for both single-premium (+38%) and regular-premium products (+14%). Besides the rising need for security, innovations in sales and support are key reasons behind this result. In 2013, savings target protection will be added to the retirement savings account.

Share of savings and investments market by canton 2011



Share of savings market

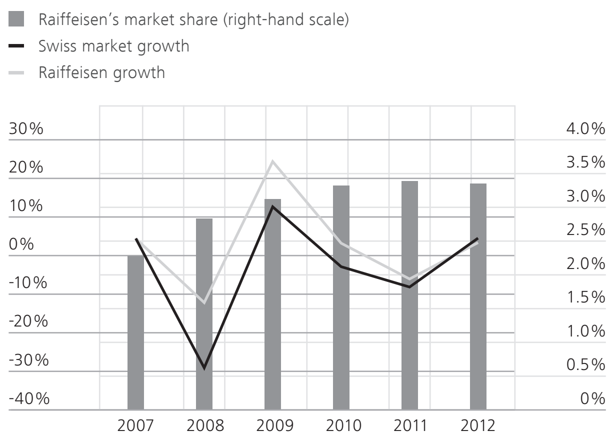


Investments

The Eurozone debt crisis, low interest rates, and the Swiss franc's strength dominated the 2012 investment year. Although most equity markets put in a positive performance, investors still remained cautious about new investments, as seen in particular by lower transaction volume compared to 2011. As a result of positive financial market performance, and the continuing satisfactory level of net cash inflow, the total portfolio value (excluding the bank's own medium-term notes) nevertheless saw a slight increase (+2.6%).

Raiffeisen is committed to providing clients with efficient, low-cost investment opportunities for any market environment. The bank will continue to pursue its existing strategy of simple and easy-to-understand basic products and a focus on sustainability and security.

Securities volume (domestic custody account holders)



CHANNELS

Branch network

Raiffeisen's 1,084 locations comprise Switzerland's most extensive bank branch network; every third bank branch in Switzerland is Raiffeisen-operated.

E-banking

The number of e-banking users rose 11% in 2012 to 841,000, with 65 million payments (+12.6%) setting a new record. The launch of Mobile Banking reflected the trend towards increasing use of mobile devices. Raiffeisen set new standards for security by introducing the innovative PhotoTAN technology for identification and for even more secure payments. Starting in mid-2013, e-banking clients can use the Scan & Pay feature to scan payment slips with their smartphone and process them directly in Mobile Banking.

Internet: MemberPlus portal

The MemberPlus portal was redesigned in 2012 to offer attractive and easy access to all the non-banking benefits of Raiffeisen membership. The offers can be located quickly and can be booked directly online. The portal also provides detailed information on more than 450 museums and exhibitions, in which Raiffeisen members benefit from discounted or free entrance.

Social media

Raiffeisen reinforced its presence on social media networks in 2012 and has developed a professional monitoring system. These channels are actively used by members and others for service enquiries and communication with Raiffeisen.

ATMs

Raiffeisen's 1,574 ATMs comprise Switzerland's largest network of such machines. The bank operates almost one in every four ATMs in Switzerland. ATM functionality is constantly being extended, in addition to investment in security. More and more locations are equipped with combined terminals to allow deposits.

REFINANCING

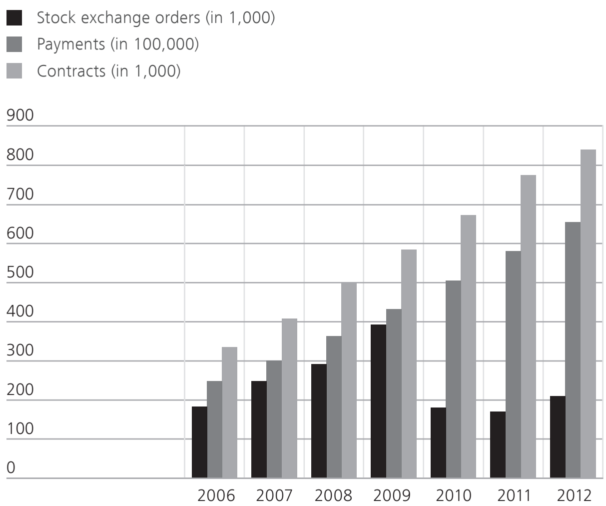
Customer deposit inflows from the core business of Raiffeisen banks exceeded growth in client loans. At the same time, the Raiffeisen Group recorded higher volume in Pfandbriefdarlehen (Pfandbriefdarlehen). The money and bond markets are now much less agitated, which is why Raiffeisen Switzerland Treasury's funding activities remain focused on ensuring a balanced maturity structure for the Group's balance sheet in the long term. The coverage ratio for stable funding sources versus illiquid assets is 108%.

"Dedicated to Switzerland" supplement to the annual report 2012

The new publication shows the strong market position and the macroeconomic significance of Raiffeisen in Switzerland clearly based on facts and surprising stories about Raiffeisen.

The publication is available in German, French and Italian online at www.raiffeisen.ch/web/finanzberichte or as printed copy at your Raiffeisen branch.

Development of Raiffeisen e-banking



Risk policy and risk control

Active risk management, effective risk control

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

The Raiffeisen Group has achieved continuous growth without excessive increases in risk and survived the ongoing Eurozone crisis unscathed in 2012, thanks to its clearly focused business policy, steady and cautious risk culture, as well as active and targeted risk management. Its solid capitalisation, focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffeisen's business model. As a result, the Raiffeisen Group has enjoyed a high level of liquidity and an excellent reputation throughout the market.

The acquisition of Notenstein Private Bank Ltd also saw the start of integration into the Group-wide risk control system, with completion at the end of 2012. The Group-wide requirements, processes and methods for risk management, risk control and risk reporting were amended to reflect the specific risks associated with private banking. At the same time, the Group-wide requirements, processes and methods for risk management and risk control also apply to Notenstein Private Bank Ltd, thus providing a consolidated view of the risks and integrated risk management for the Raiffeisen Group.

Key elements of the Group-wide risk control and management are the Group-wide risk policy, risk budgeting to determine the Group-wide risk tolerance, and its operationalisation through overall limits set by the Board of Directors. This includes a standard method throughout the Group to identify, measure, assess, manage and monitor risks and a consolidated risk reporting system that is also standardised throughout the Group.

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

The Raiffeisen Group takes a cautious and selective approach to risk within a framework of clearly defined guidelines. In so doing, it ensures that the correct balance between risk and return is struck, controlling any risks it enters into, following several solid principles, namely:

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

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

CONTROL OF THE KEY RISK CATEGORIES AT RAIFFEISEN

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

CREDIT RISKS

Credit risk is the most important risk category, due to the Raiffeisen Group's extremely strong position in lending. The Raiffeisen Group generates a large part of its income through taking on credit risks in a controlled manner, and systematically managing these.

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 due to the size or complexity thereof.

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

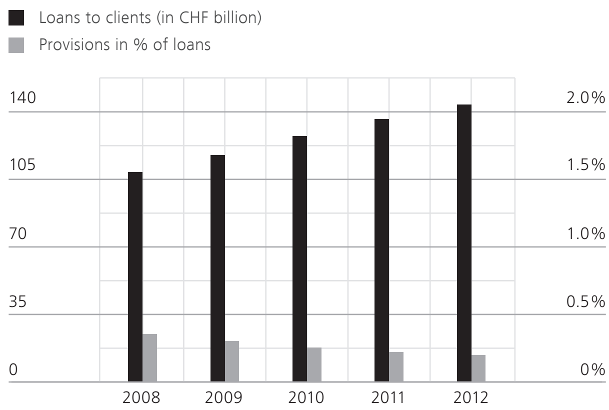
Borrowers are predominantly individuals, but also public bodies and corporate clients. The majority of corporate clients are small companies that operate within the locality of Raiffeisen banks.

Prudent credit policy

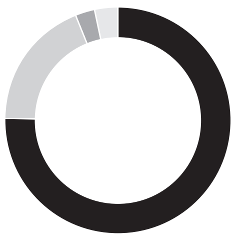
Raiffeisen Switzerland's main credit risks result from its business with commercial banks, as well as corporate and public sector clients.

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

Performance of loans and provisions



Raiffeisen Group lending by client segment



■	75.5%	Private clients
■	18.6%	Corporate clients including public bodies
■	2.7%	Other clients
■	3.2%	Interbank

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

Mortgage loans by rank

Mortgages by rank in %
Disclosure as per SNB statistics

■	92.2%	1st rank
■	6.3%	2nd rank
■	1.5%	3rd rank

Not including extra collateral

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 over Raiffeisen Group as a whole.

Active country risk management
As stipulated in the Articles of Association of Raiffeisen Switzerland, commitments abroad 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, however, grant exceptional permission if compliance with foreign legislation (especially foreign regulatory provisions) can be ensured. Commitments abroad may not be entered into by either the Central Bank or Notenstein Private Bank Ltd. Commitments abroad are entered into cautiously and monitored closely.

Credit policy in the corporate clients business

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

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

Credit portfolio analysis and assessment

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

MARKET RISKS

Risks in the bank book

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

Interest rate risks are a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen therefore attaches great importance to managing these risks. Within the Raiffeisen Group, each Raiffeisen bank and Notenstein Private Bank Ltd is individually responsible for managing the interest rate risks on its balance sheet in line with clearly defined guidelines and sensitivity limits. Both Raiffeisen banks and Notenstein Private Bank Ltd have a well-developed set of risk management tools, including tools to simulate interest rate developments and assess their impact.

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

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

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

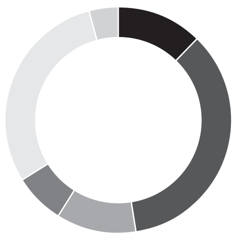
The Treasury is responsible for managing foreign currency risks in the bank book. Group Risk Controlling monitors adherence to the applicable sensitivity limit on a daily basis.

Risks in the trading book

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

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

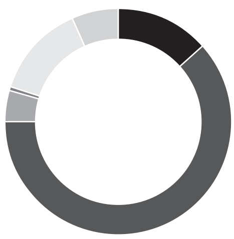
Raiffeisen Group lending by sector (corporate clients and other clients)



12.3%	Public bodies	7.1%	Construction
35.4%	Other sectors	29.9%	Real estate
11.4%	Agriculture	3.9%	Hotels/catering

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

Corporate client lending by rating category



13.4%	1–3	0.4%	11–13
61.8%	4–8	13.4%	Without rating
4.4%	9–10	6.6%	No rating

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

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

Liquidity and financing risks

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

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

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

The Raiffeisen Group's liquidity situation has proven to be robust. The figure on page 33 shows how the overall liquidity situation developed over the 2012 financial year.

OPERATIONAL RISKS

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

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

The Raiffeisen Group carried out comprehensive operational risk assessments over the course of 2012; 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 an indispensable requirement for providing banking services. For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing related threats and risks.

Information security

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

Internal control system (ICS)

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

The Raiffeisen Group's ICS model has three levels:

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

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

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

The major risks inherent in each business process are identified and assessed, and the key risks and controls defined from there. All

Loans by collateral and property type

■	82.5%	pure residential construction
■	6.8%	mixed residential/commercial properties
■	5.3%	full commercial properties/industry
■	4.3%	Agriculture
■	1.1%	Other security interest in land

This evaluation reflects the risk view.

Breakdown by country limits

Country limits by rating (Central Bank) as at 31.12.2012
Total all country limits: CHF 4.23 billion

■	86.8%	AAA	■	1.4%	A
■	11.0%	AA	■	0.8%	BBB

key controls are documented and incorporated in the processes. The goal is to reduce the key risks inherent in the processes by means of appropriate key controls. There are many other risk reduction controls in addition to the key controls.

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

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

Reporting on the ICS's appropriateness and effectiveness for the Raiffeisen banks, Raiffeisen Switzerland and Notenstein Private Bank Ltd 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 on a quarterly basis in the framework of the risk report.

Raiffeisen banks' early warning system

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

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

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

LEGAL AND COMPLIANCE RISKS

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

Compliance risks
Compliance is understood to mean adherence to all applicable 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 areas of compliance, with special focus on the following activities and 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.

Although a domestic bank, the Raiffeisen Group is greatly affected by standards governing cross-border financial services ("cross-border business") in conjunction with developments relating to international and national tax issues ("tax compliance"). For example, the Raiffeisen Group is investing substantial resources in implementing the US requirements in the Foreign Account Tax Compliance Act ("FATCA") and the treaties with Austria and the United Kingdom on the flat rate withholding tax ("Taxation and Financial Market Cooperation Agreement"). This includes the law required to implement the withholding tax, i.e. the Swiss Federal Act on International Withholding Tax (IWTA). The Raiffeisen Group is also involved (including as a member of the newly-formed "domestic banks" interest group) in developing principles to prevent the acceptance of untaxed assets ("white money strategy") and the new duties of care that this imposes on the banks. It is furthermore engaged in examining the notion of defining serious tax crimes as predicate offences to money laundering.

In order to make full use of existing synergies in all these matters, Legal & Compliance merged the two departments Compliance and Tax into the Compliance & Tax department and restructured it, effective January 1st, 2012.

The Swiss Federal Supreme Court decision on retrocessions issued on 30 October 2012 and the related publication, FINMA Notice 41 (2012), are being analysed in a mixed internal workgroup with the objective of developing an unbureaucratic solution for eligible clients.

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 to support relevant measures. In addition, the Compliance & Tax department and the Money Laundering unit – via a "blended learning" approach – invest substantial amounts in training and raising staff and management awareness at all levels.

Raiffeisen Group: Interest rate risks in the bank book

(in CHF million)

	31.12.2012	31.12.2011
Sensitivity	1,070	1,036

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in CHF)

	2012	2011
Risk type		
Equities	3,000,000	2,000,000
Interest products	43,000,000	43,000,000
Foreign currencies	5,000,000	5,000,000
Precious metals	4,000,000	4,000,000
Total	55,000,000	54,000,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

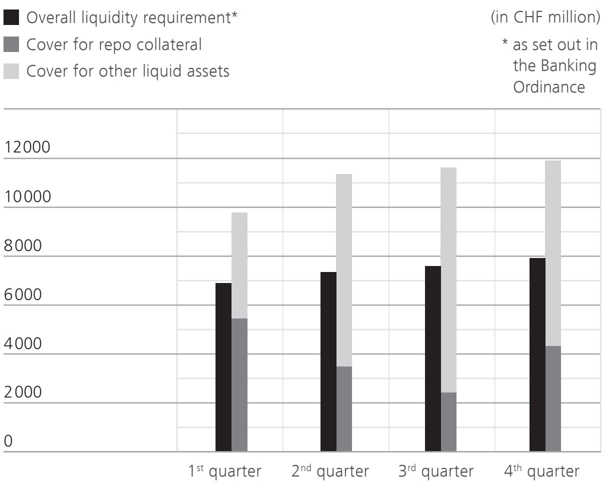
Legal & Compliance reports any major compliance risks to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on a quarterly basis. This reporting now also includes an overview of the legal and compliance risks of Notenstein Private Bank Ltd. These risks, together with an updated compliance risk profile and the plan of action on risk derived from it in accordance with FINMA Circular 2008/24, are submitted to the Board of Directors once a year. Revised in 2011, the method used to prepare the compliance risk profile along the defined main processes and its presentation in a "4x4 matrix" have proven their worth.

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in CHF)

Risk type	ø 2012	31.12.2012	ø 2011	31.12.2011
Equities	1,239,821	699,537	1,193,305	1,083,661
Interest products	18,429,268	27,907,316	15,427,792	18,487,704
Foreign currencies	1,791,652	1,317,992	1,387,324	854,270
Precious metals	405,733	992,800	139,203	193,913

Overall liquidity of the Raiffeisen Group 2012



Sustainability

A tall building needs a sound foundation

Sustainability is part of Raiffeisen's business model. Raiffeisen embraces responsibility and transparency – not just in its products and services, but also in its relationships with people and the environment.

MANAGING SUSTAINABILITY

Embracing sustainability as a cooperative

Sustainability has always been integral to Raiffeisen, which has acted sustainably for decades thanks to its strong cooperative philosophy and practices. Its business model is built on a long-term focus on its members, relatively low earnings expectations, and risk-conscious management. Raiffeisen also relies on local decision-making through a decentralised organisation and close regional ties; this enables business practices that deliver long-term added value.

Yet the standards for sustainable management are rising. To meet them, Raiffeisen has integrated sustainability even more deeply into its business processes in the current year, defined key issues and goals and specified guidelines for implementation and performance measurement. In turn, this has provided a solid foundation for a systematic sustainability management process that will be pushed ahead in 2013. This report transparently shows Raiffeisen's progress on its journey towards sustainability.

Management by the Executive Board

For Raiffeisen, sustainability means maintaining the economic longevity of its business model. As a responsible bank and reliable partner, Raiffeisen is committed to reconciling economic success with environmental and social responsibility. Its sustainability strategy is based on ongoing assessments and evaluations of relevant sustainability issues and the management of risks and opportunities.

The Executive Board is responsible for the sustainability strategy and concrete goals. An Executive Board member oversees the implementation of the sustainability strategy, supported by the Corporate Social Responsibility Board (CSR Board), which consists of the CEO and representatives of eight Raiffeisen specialist areas.

Corporate Social Responsibility Management (CSR Management) is responsible for establishing the fundamental strategic and operational parameters needed to drive sustainability. In addition, it helps the specialist areas to implement sustainability initiatives and continuously improve performance. CSR Management also represents Raiffeisen in various associations and external initiatives.

Raiffeisen's sustainability performance is reviewed biannually by the CSR Board and reported to the Executive Board. Sustainability is part of the Group balanced scorecard (BSC) and included in the annual strategic risk assessment.

Clear priorities, targets and measures are essential in order to drive sustainability on a day-to-day basis and evaluate performance. Key Raiffeisen issues – sustainability management, product and service sustainability, diversity, environment, climate protection, responsibility and transparency – have been drawn up in consultation with internal stakeholders. The perspective of the Raiffeisen specialist areas and functions was balanced against that of external stakeholders. The sustainability vision summarises the priorities, objectives, roles, responsibilities and guidelines for the Group-wide implementation. Through these efforts, Raiffeisen has stepped up its activities to drive sustainability at every level in the company – from strategy, to operations, to performance measurement and reporting.

Part of basic strategy
A tall building needs a sound foundation. This is the idea behind Raiffeisen's intensive examination of its values and management culture. Value awareness provides support in a dynamic world. Raiffeisen's culture is well-established and embraced by its employees and the company as a whole. It has been cultivated over decades and is recognised and appreciated by clients, members and partners alike.

In 2012, the bank hosted "Dialogue 2012", an event attended by around 1,500 leaders from the Raiffeisen banks and Raiffeisen Switzerland. Its purpose was to jointly advance strategic objectives and discuss Raiffeisen's values. During the event, sustainability was identified as one of Raiffeisen's four key values, and is one of the reasons behind sustainability being deeply integrated into the company's basic strategy.

Open lines of communication
Communication and dialogue have always been important to Raiffeisen, which is why it has firmly included sustainability at every hierarchical level. This is specifically demonstrated by four to five annual employee events where key sustainability issues are addressed and discussed with the Executive Board. The Executive Board thus not only highlights the significance of sustainability for Raiffeisen, it also helps to build shared understanding and employee awareness of sustainability. In keeping with the defined priorities, the following issues were addressed over the course of the year: the banking crisis and responsible banking; challenges in connection with the clean energy revolution; management and teamwork, and the pros and cons of a gender quota. Sustainability issues that affect Raiffeisen are discussed in courses and communicated to employees through various channels.

Transparency in sustainability
Since it had prioritised sustainability and included it in its business processes, Raiffeisen documented not only its financial and market performance, but also its environmental and social performance for the first time in the 2011 reporting period. It did this by tracking performance indicators that reflected Raiffeisen's responsibility as a sustainable financial service provider and its position as a domestic cooperative bank. Each Raiffeisen bank reports on its sustainability initiatives in its own annual report. Group sustainability reporting (without Notenstein Private Bank Ltd) is based on the standards laid down by the Global Reporting Initiative (GRI).

The performance indicator set was adapted to the new sustainability strategy and will track Raiffeisen's development and progress in the years to come. This report describes the Group's performance in 2012 and forms an integral part of the annual report. Reported performance figures apply to the entire Raiffeisen Group in 2012 wherever possible. The report explicitly identifies data that only applies to Raiffeisen Switzerland.

The report, when combined with the GRI Content Index published on the internet, meets the requirements of GRI G3 Guidelines, Application Level C. The GRI Content Index provides detailed information about the individual performance indicators and relates them to information contained in the annual report on the corporate profile, management approach and GRI performance indicators. The GRI Content Index is available on the internet at www.raiffeisen.ch/csr.

SUSTAINABILITY IN PRODUCTS AND SERVICES

Sustainability in the core business

As a cooperative bank, Raiffeisen enjoys considerable credibility with regard to sustainability in its core business. It offers transparent products and cultivates long-term client relationships as an equal partner. Raiffeisen aims to build up its assets under management over the long term through comprehensive, personalised asset planning. The bank also drives sustainability by considering the risks of environmental and social trends affecting its asset and credit portfolio. At the same time, Raiffeisen provides products that capitalise on business opportunities arising from these trends, such as financing for renewable energy.

Sustainability in the lending business

Decisions regarding land use and spatial development have long-term, often irreversible impacts. Once something is built, it stands for generations. Raiffeisen therefore feels responsible for creating incentives for green construction and sensitising clients and partners to the need for sustainability during construction, restoration and renovation. Raiffeisen has set a strategic goal of identifying risks and capitalising on business opportunities related to sustainability in the years to come. The sustainability strategy's medium- to long-term goals include the measurable development of a sustainable credit portfolio. In that vein, Raiffeisen is investing in strategic partnerships with Greenbuilding, a platform for sustainable construction, and the Chair of Management of Renewable Energies of the University of St.Gallen. The bank also aims to develop a deeper understanding of how the Swiss credit portfolio is affected by the upcoming clean energy revolution. Its goals also include extending loans in a way that supports companies in the renewable energy and clean technology sectors.

Sustainability in real estate appraisal and mortgage lending

Many lending products incorporate aspects of sustainability, even if they do not specifically address them. This goes for home financing, SME financing or the awarding of mini-mortgages, among other things. Raiffeisen provides all market players with access to capital and helps preserve the value of their properties.

In the mortgage business, potential land and building contamination is a key issue when reviewing loan applications. Appraisal methods for owner-occupied homes already consider energy-supply technologies obsolete. Raiffeisen plans to increase its market share for building weatherisation. Two tools will help it achieve this goal: the Eco mortgage and the eValo calculator.

Raiffeisen provides Eco mortgages for restorations and new construction. They offer lower interest rates if the homeowner can present a Minergie certificate or a cantonal GEAK building energy certificate. These certifications are indicators of sustainability in the lending business because they provide evidence of value preservation and energy efficiency. Renovation mortgages also encourage the preservation of valuable building fabric.

Builders who consider energy efficiency during building restoration protect the environment and the value of their real estate. As an eValo partner, Raiffeisen provides an online calculator that allows clients to transparently evaluate the potential and weaknesses of their real estate. In addition, eValo lists the anticipated construction costs and identifies likely federal, cantonal and local subsidies. The calculator helps to model and plan the costs and benefits of "greening" buildings.

Performance indicators for the main sustainability dimensions (without Notenstein)

Sustainability dimension	Category	Indicator	Unit	Raiffeisen Switzerland	Raiffeisen banks	Raiffeisen Group
Management of sustainability	External ratings	Value reporting of the University of Zurich	Points	–	–	152
		Application level from the Global Reporting Initiative	GRI Level	–	–	C (G3.0)
		Carbon Disclosure Project Rating	Points	–	–	73 D
Sustainability in products and services	Lending business	Mortgages with extra sustainability benefits:				
		Mortgages with extra social benefits[1]	CHF million	–	–	2,069
		Mortgages with extra environmental benefits[2]	CHF million	–	–	440
		Percentage of the annual growth in all mortgage receivables that is attributable to loans with extra benefits	%	–	–	< 0.01
		Loans to public bodies	CHF million	–	–	2,823
	Investment business	Sustainable investments[3]	CHF billion	–	–	2.5
		Sustainable investments as a percentage of custody account assets	%	–	–	8.93
Environment and climate protection (in operations)	Building energy	Electricity consumption	kWh	11,823,000	26,531,000	38,354,000
		Share of electricity from renewable energy	%	42	42	42
		Heating energy	kWh	3,044,000	41,041,000	44,085,000
		Share of heating energy from renewable energy	%	–	–	–
	Business travel	Public transportation	km	1,061,000	691,000	1,752,000
		Car	km	3,614,000	1,446,000	5,060,000
	Climate	Greenhouse gases (Scope 1-3)	tonnes CO_2 eq	2,600	11,500	14,100
Diversity	Training	Amount spent on training	CHF	1,928,959	12,385,758	14,314,717
		Apprentices	Number	62	745	807
	Diversity	Share of women in management	%	22.49	27.53	25.75
		Return to the workplace after maternity leave	%	78.60	–	–
		Part-time positions in management	%	17.25	16.58	16.82
Responsibility and transparency	Regional responsibility	Jobs	Number of employees	2,006	7,801	9,807
		Cooperative members	Number	–	1,794,855	1,794,855
		Volunteering by Raiffeisen Volunteers	Hours	–	–	43,290
	Value creation	Distribution to stakeholders	CHF million	–	–	1,939
	Transparency	Amount spent on sponsorships	CHF million	9.2	10.3	19.5
		Share of revenue for Swiss- and EU-made promotional items	%	69	–	–

1) Total of micro-mortgages worth less than CHF 50,000 and renovation mortgages

2) Eco mortgages

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

Pioneer in sustainable investing

Raiffeisen has been providing a broad, well-established range of sustainable investment products for years. It plans to further increase its share of sustainable investments. Also, the "Raiffeisen Futura" label provides transparency and supports the positioning of sustainable investments. Sustainability is covered in the in-house "Financial advisor" class and incorporated into the standard advisory process for investment clients.

Sustainability in the investment business means choosing investments based on not only financial, but also environmental, ethical and social criteria. Sustainable investments can thus contribute meaningfully to the economy and society and still be financially attractive. They align investor expectations of returns with ethical, environmental and social values.

Raiffeisen launched the first sustainable Futura investment funds over 10 years ago. The Futura family has steadily expanded into six different funds currently holding CHF 2.3 billion in assets. They account for nearly one-third of all Raiffeisen fund assets. Fund savings plans enable any investor to easily and systematically invest as little as CHF 50 a month in sustainable investments over several years.

Raiffeisen also offers other thematic funds that target recent trends and challenges. They include the Raiffeisen "Clean Technology" and "Future Resources" funds and structured products focusing on alternative energy, climate change, water resources and sustainable mobility, for example.

Established partnerships

The Futura fund universe is reviewed in cooperation with Inrate, an independent rating agency, using a best-in-service approach. This method assesses a company's sustainability not within its industry, but based on its performance. This is done within defined service sectors. Securities with an above-average sustainability performance are included in the sustainability universe. The criteria are defined based on the approach recommended by the Forum for Sustainable Investment (Forum Nachhaltige Geldanlagen, FNG) and in the declaration on the European SRI Transparency Code.

Raiffeisen is a member of FNG, which is committed to increasing transparency in sustainable investment funds. It aims to enable investors, among other things, to easily determine whether an investment consistently negatively screens for activities such as nuclear energy or armaments. Raiffeisen uses the FNG matrix for its sustainable Futura funds and was one of the first fund providers to publish these profiles. Also, as a cosignatory of the Eurosif transparency guidelines for sustainability funds, Raiffeisen informs investors about the investment criteria and processes used for the Futura funds as new details become available. This transparency provides guidance for investors in the investment segment.

Responsible, sustainable investing also means exercising voting rights. That is why voting rights for shares in all Swiss firms held by Raiffeisen Futura funds are actively exercised in accordance with the recommendations of the Ethos Foundation. The Raiffeisen Pension Fund has also transferred its voting rights to Ethos.

Pension clients are required to complete an investor profile. This ensures that the investments always match the clients' personal risk appetite and risk tolerance.

Extensive involvement in sustainable investing

Raiffeisen is a co-founder and co-owner of responsAbility Social Investments AG with a seat on the Board of Directors. One of the world's leading asset managers for social investments, responsAbility holds over CHF 1 billion in sustainable investments under management. The company's investment products provide individuals at the base of the global income pyramid with access to markets, information and services that are important for their development. They focus on microfinance, fair trade, independent media, health and education. At the end of 2011, responsAbility launched the world's first "Fair Trade Fund", a fund that assists smallholders in developing countries, opening up new perspectives for them. Investors, in turn, benefit from the opportunity to invest in the growing fair trade market.

DIVERSITY

Raiffeisen embraces a corporate culture that values the diversity of its employees, leverages their potential and makes the best possible use of their talents. It puts a high priority on gender equality and the establishment of a work environment where employees of all generations can grow.

Equal opportunity

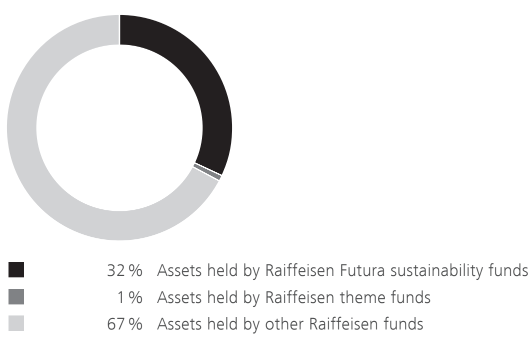
Corporations face the challenge of raising the percentage of women in management positions. The bank has set measurable goals that reflect the success of its initiatives: By 2015, Raiffeisen wants to have women in 30 % of senior staff and executive management positions.

A woman has been on the Executive Board of Raiffeisen Switzerland since 2008. In 2012, women held 22 % of the management positions. Flextime models were extended to managers several years ago; indeed, 17 % of senior staff work part-time at Raiffeisen Switzerland, allowing them to pursue their careers and maintain a healthy work-life balance. People typically choose to reduce their working hours for family, continuing education or competitive sports. Part-time employees working 0.6 FTE or more have the same continuing education opportunities as full-time employees. This also benefits the bank, which gains a reputation as an attractive employer, ensures a greater ability to innovate and compete, low absenteeism and the retention of highly skilled employees. Employee retention can be measured, among other things, by the average length of service: 8.5 years. Employee turnover is still low.

Raiffeisen prides itself on enabling employees to achieve a healthy work-life balance. This is reflected in the expenses in its social report. It funds several programmes, including "Family Holiday Weeks" that help working parents to care for their children; 15 days paternity leave in addition to the statutory entitlement; the option of taking up to five days paid time off when a child is sick; the guarantee of continued employment at 0.6 FTE or more in an adequate function after maternity leave.

Raiffeisen Switzerland's business partnership with the Global Business and Professional Women association encourages female employees to network. The partnership provides targeted assistance with professional, career and personal development. Raiffeisen also supports the return of highly-skilled women to the workplace. It co-finances the "Women Back to Business" certificate programme at

Breakdown of Raiffeisen investment fund assets



the University of St.Gallen – yet another way it enables a healthy work-life balance.

Further development of all employees and generations

The advancement of all employees and their further development is a core element of Raiffeisen's corporate culture. Raiffeisen employees can benefit directly from management's experience through a structured mentoring programme. Raiffeisen will pair employees with a mentor upon request. The entire Executive Board, along with its Chairman, Dr Pierin Vincenz, have been part of the mentoring programme for six years. These individuals and many other mentors take the time to share their vast professional experience with tomorrow's managers.

Raiffeisen's personnel policy is designed for a long-term relationship with employees.

Social report of the Raiffeisen Group (without Notenstein)

	2012	2011
Total number of employees	9,807	9,770
Number of full-time positions	6,693	6,733
Number of part-time positions	3,114	3,037
Total BoD members	2,057	2,157
of which women	388	399
Total number of women	5,248	5,234
of which in management	960	940
Total number of men	4,559	4,536
of which in management	2,768	2,731
Total number of apprentices	807	768
of which women	455	416
of which men	352	352
Average length of service in years	8.5	7.9
Average age of employees in years	39.8	38.4
Employee turnover (including changes within the Group) in %	10.0	10.1
Amount spent on child care in CHF (only Raiffeisen Switzerland)	423,500	458,000
Return to the workplace after maternity leave in %	78.6	–
Amount spent on training in CHF	14,314,717	–

Raiffeisen has a transparent, broad-based performance appraisal system. It includes regular performance appraisals of all employees based on up-to-date targets. It covers goal attainment and the acquisition of capabilities such as leadership or team-player skills. Periodic performance review meetings are required for employees of all management levels and functions. The annual performance appraisal plays a big role in setting variable pay, which is why management training and the quality of goal agreements are so important. Raiffeisen trains all its managers on goal agreements, performance appraisals and feedback meetings. High-potentials are identified and included in succession plans. Senior staff and executive management development consists of training courses that build on one another.

Training is a key issue for Raiffeisen: It takes its responsibility as a major employer of young people in Switzerland very seriously. And it has changed its development programmes in response to the changing environment (demographics, educational landscape and fragmentation). Conventional vocational training has been bolstered by other programmes (vocational school internships, trainees, career-changers) that prepare people for future careers.

An external counselling centre has been set up for all Raiffeisen Group employees as part of the corporate health management programme. This free service is open to employees who need advice and support with personal problems. Other initiatives such as a health protection programme are being developed.

To benefit from a wide range of employee age groups, Raiffeisen supports long-term employee health and motivation. It has set up a generation management programme in order to integrate support for employees of all ages into its corporate culture and leadership processes. Besides raising awareness through workshops and classes and training managers to lead different generations, this programme also aims to build platforms to drive inter-generational knowledge transfer. Implementing these initiatives is a key priority for sustainability management today and in the future.

ENVIRONMENT AND CLIMATE PROTECTION

Climate change is one of the biggest challenges of modern times. As a company with more than 10,000 employees and a network of 1,084 branches, Raiffeisen has a responsibility to reduce its environmental footprint. Raiffeisen is aware of this responsibility and acts accordingly.

The bank laid the foundation for the automated Group-wide entry of key environmental data during the year under review. CSR Management has been setting up the energy controlling programme since mid-2012. It focuses on key sources of CO_2 emissions in operations: electricity, heating, air-conditioning and business travel. By 2016, Raiffeisen plans to lower its CO_2 emissions by at least 30 % (base year = 2012). Over the long term, it wants each of its banking sites to achieve zero net greenhouse gas emissions.

Raiffeisen has been tracking the environmental footprint of Raiffeisen Switzerland and a pilot group of 28 Raiffeisen banks since 2007. Its medium-term goal is to detail and reduce the impact that all Raiffeisen bank buildings have on climate change. To achieve this goal, Raiffeisen needs to introduce both an energy controlling system and a building information system. They represent the foundation for implementing a Group climate strategy that builds on the following pillars: operational optimisation, investments in energy-efficient infrastructure, substitution with renewable energy and carbon offsets.

Raiffeisen Group environmental data

Regarding operational environmental data, Raiffeisen focuses on managing building energy consumption (electricity, heating and air-conditioning) and business travel (cars, public transportation). These areas compose some 80 % of Raiffeisen's environmental footprint.

The bank also emphasises simplifying and expanding data entry to the entire Raiffeisen Group. An external partner gathers energy consumption data right from the utility companies and analyses it for Raiffeisen. In 2012, the number of sites covered by data collection efforts increased from 35 to 173 and will rise even more in 2013 and beyond. The next step is to expand Group-wide environmental data collection to other resources such as water, waste, and paper.

Raiffeisen's energy consumption in 2012 was 82.4 million kWh, of which 38.4 million kWh represented electricity consumption and 44.1 million kWh represented other energy sources. Energy consumption was 9,570 and electricity consumption 4,450 kWh per employee and year. Business travel amounted to 6.81 million km, with 26 % of travel on public transportation and 74 % by car. The total distance travelled per employee was 790 km.

The greenhouse gas emissions for the entire Raiffeisen Group from energy consumption and business travel amounted to 14,100 tons of CO_2 eq, or around 1,640 kilograms of CO_2 eq per employee.

Raiffeisen environmental data for 2012 (without Notenstein)

Category	Unit	Raiffeisen Switzerland	Raiffeisen banks (Pilot group)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group (total) per FTE
Building energy (total)	**kWh**	**14,867,000**	**6,149,000**	**61,424,000**	**82,440,000**	**9,570**
of which electricity	kWh	11,823,000	4,124,000	22,407,000	**38,354,000**	**4,450**
of which fossil fuels	kWh	2,888,000	1,825,000	28,861,000	**33,574,000**	**3,900**
of which district heating	kWh	156,000	200,000	10,155,000	**10,511,000**	**1,220**
Business travel (total)	**km**	**4,676,000**	**1,496,000**	**641,000**	**6,813,000**	**780**
of which public transportation (rail, bus, tram)	km	1,061,000	484,000	207,000	**1,752,000**	**200**
of which Raiffeisen vehicles	km	1,490,000	–	–	**1,490,000**	**170**
of which expenses-paid travel (car)	km	2,124,000	1,012,000	434,000	**3,570,000**	**410**
Greenhouse gas emissions from energy and travel*	**tonnes CO_2 eq**	**2,600**	**1,100**	**10,400**	**14,100**	**1.64**
of which Scope 1	tonnes CO_2 eq	–	–	–	**7,700**	**–**
of which Scope 2	tonnes CO_2 eq	–	–	–	**2,400**	**–**
of which Scope 3	tonnes CO_2 eq	–	–	–	**4,000**	**–**

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

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

Moving toward the clean energy revolution

In many regions of Switzerland, Raiffeisen banks are looked upon as a role model for environmental sustainability. They model countless ways to use energy efficiently and reduce fossil fuel consumption. In Châteaux d'Oex, for example, the local Raiffeisen bank launched an environmental project that raised the bar for buildings everywhere. Through highly effective insulation and intelligent equipment, the building produces more energy than it consumes during the year. The extra investment will have paid for itself in ten years. Fixed purchase agreements with Raiffeisen banks enable the operation of small, environmentally-friendly power stations in Turbenthal and Illanz. Without these agreements, the station owner would not have had sufficient certainty to act on its plans. In Visp, heat is extracted from the groundwater and the excess is sold to building neighbours. Burgdorf region's Raiffeisen bank, for its part, was awarded the Swiss Climate Gold Label for its efforts to combat climate change. Among other things, it lowered its energy and paper consumption, reduced kilometres driven, built a solar power array and set up a Green Team. This kind of approach cuts costs and emissions. It has even paid off at the Interlaken

Train Station, where two unusual partners have joined forces under one roof: the Jungfrau Raiffeisen bank and a youth hostel. The new building is a Minergie P-ECO-certified passive house constructed using green building methods. It adds considerable value to this tourist resort. Substitute clean energy is to be brought in and used wherever it can be generated. Raiffeisen Switzerland has been consuming 100% hydroelectricity at its Brandschenke site in Zurich.

Raiffeisen is keenly interested in having Swiss companies combat climate change. That is why it joined the Ethos Foundation in sponsoring the Carbon Disclosure Project, the world's largest investor association, in Switzerland in 2012. Raiffeisen is also a co-founder and member of the Swiss Climate Foundation, which financially supports the contributions of Swiss SMEs to climate protection.

Smart IT for Service Centre in St.Gallen

Data centres tend to be a bank's biggest power consumers. However, the St.Gallen Service Centre's efforts to make its IT infrastructure energy-efficient are paying off. While various studies show a worldwide increase in energy consumption by data centres, Raiffeisen has reduced its power requirements. The St.Gallen and Gossau (SG) data centres are paradigms of efficiency for the entire industry.

Two basic factors account for the energy needed by data centres: around 50 % is consumed by the server infrastructure and 50 % by the data centre infrastructure (air-conditioning, uninterruptible power supplies, etc.). Raiffeisen rigorously virtualised and consolidated its systems in order to significantly lower server heat production and demand for cooled air.

Optimising IT infrastructure frees up space which is leased out to other users. In addition, waste heat from the Raiffeisen data centre heats service water for use at the St.Gallen site and around 50 local homes, shops and restaurants around the year. The energy is used for room heating in the winter months. Two additional buildings were connected to the waste heat network in 2012 via the subterranean car parks located underneath the St.Gallen headquarters.

Raiffeisen outsourced its printing and shipping centre to Trendcommerce (Switzerland) Ltd to further optimise its energy and resource consumption and reduce waste throughout the Group's print production process. It is one of the most advanced centres in Switzerland.

RESPONSIBILITY AND TRANSPARENCY

An integral part of the Swiss economy and community

Raiffeisen has been taking responsibility for the needs of the Swiss economy and community for over a century. The Raiffeisen Group understands and supports regional markets through local Raiffeisen banks. It pays special attention to succession planning for micro-enterprises and small and medium-sized enterprises (SME). By establishing the KMU Next foundation, Raiffeisen has made an important contribution to strengthening the Swiss economy. Between KMU Next, KMU Capital AG, Investnet AG and local experts, Raiffeisen has built a one-of-a-kind network for succession services in Switzerland. Raiffeisen believes that, ideally, successful succession planning enables client relationships to be initiated or maintained at minimal risk. Switzerland, for its part, benefits from strong businesses with deep regional ties.

Taking responsibility for employee welfare

Raiffeisen has also taken steps to protect its employees' financial futures. The Raiffeisen Pension Fund has changed its actuarial assumptions in response to current trends such as lower expected returns on investment and higher life expectancies. To maintain the coverage ratio and protect pensions during this phase, Raiffeisen Switzerland has paid one-third and the Raiffeisen banks two-thirds of a one-time CHF 80 million contribution to the pension fund. This action benefits the economy and highlights Raiffeisen's sense of responsibility for its employees' welfare.

Keeping value generation in Switzerland

Over half of the promotional items purchased by Raiffeisen Switzerland are produced in Switzerland (42 %) or the EU (9 %). The best-selling products are made in Switzerland (55 %) or the EU (14 %). Asian manufacturers are mainly used for low-cost, high-volume giveaways, as European suppliers no longer carry these items. The company's buyers evaluate the entire production process: from product materials, energy consumption and transportation to packaging, service life and disposal. Raiffeisen Switzerland's Swiss suppliers are also required to comply with standards such as those promulgated by the International Labour Organisation (ILO). In addition, the Raiffeisen banks invest around CHF 150 million in their buildings each year. Over 80 % of this amount generally stays in the region – a major contribution to strengthening local businesses and local value chains.

Purchasing/sales revenues by production site as a percentage

55 % CH
14 % EU
31 % Asia
0 % Rest of world

Art in public spaces

Responsibility, integration and tradition are important values in the Raiffeisen corporate culture. They manifest themselves in the bank's art and culture programmes. By supporting art in public spaces, Raiffeisen sends out a strong signal and brings art to the people. The city lounge created by Pipilotti Rist and Carlos Martinez in St.Gallen is the best-known "art in public spaces" project within the Raiffeisen Group. The first phase of this masterpiece began in 2005 in close cooperation with the City of St.Gallen. It has since been renovated and expanded to 6,282 m^2.

Many Raiffeisen banks allow Swiss artists to add an artistic touch to their buildings. Client areas, forecourts and conference rooms are transformed into unique spaces and imbue the banks with a distinctive character. An initiative to inventory all of the Raiffeisen banks' "art in public spaces" projects was launched in 2012. It aims to make the art accessible to a wider audience and present its programmes as a collective whole.

Commitment to art and culture

Art needs the right environment to flourish. This is why Raiffeisen supports various outreach projects on Swiss culture. For example, it funds Kunst Halle St.Gallen's outreach programme and "Kunstbulletin", the official magazine of the Swiss Art Society, founded in about 1839. The support is not earmarked for specific projects, but instead goes toward the institutions' basic activities.

Raiffeisen also supports young Swiss artists by selecting ten to fifteen works of art with the assistance of a jury of experts and purchasing them for the Raiffeisen Charity Art Auction. The artworks are then sold to the highest bidder, with all the proceeds going to a cultural institution. In 2012, they went to "kkj", the Swiss Art Association for Youth and Children. In 2012, Raiffeisen held the Charity Art

Auction in Zurich at Kunstraum Walcheturm, attended by 180 people.

Raiffeisen members can visit over 450 of Switzerland's most important and beautiful museums for free by presenting their personal Raiffeisen Maestro card, Raiffeisen MasterCard or Raiffeisen Visa card. Up to five children can join them on their voyages of discovery through the museums. Members use this service over 645,000 times in total each year. This programme has supported cultural education and significantly raised museum visitor numbers.

Deeply committed to Switzerland

"Raiffeisen Volunteers – Committed to Switzerland" is unique in the financial services sector. This online Group-wide platform for volunteering was launched in 2011. It highlights Raiffeisen employees' dedication and capabilities, enables them to share knowledge and motivates them to keep track of their volunteering. In 2012, volunteers logged over 43,000 hours during and outside work hours. Raiffeisen Volunteers was presented at the triennial International Sustainability Conference in Basel in 2012 as an innovative good practice example.

Raiffeisen supports associations that promote cultural, athletic and social diversity in over 1,000 towns. For example, its assistance has enabled the FC Lugano Juniors or the Ski Valais development team to hone their talents. The Raiffeisen Group also supports SwissSkills. This foundation, which counts all major vocational training institutions as members, strengthens the cooperative education system by acting as a communication hub and carrying out activities such as Swiss vocational skills championships. It motivates young people to excel.

The Raiffeisen Centenary Foundation, established in 2000 to mark the bank's 100th anniversary, supports charitable projects in Switzerland. It focuses on promoting high ethical standards in business, personal empowerment and cultural works of regional or national importance. In 2012, the foundation provided CHF 250,000 in support.

Transparent involvement in politics

Raiffeisen was the first Swiss bank to introduce a transparent party financing scheme. All told, it provided CHF 246,000 for the 246 members of the National Council and the Council of States. Half of this amount is distributed among the National Council, and half among the Council of States. In other words, the parties receive CHF 615 for each National Councillor and CHF 2,674 for each Councillor in the Council of States. The funding is given to all the parties represented in the national parliament.

Raiffeisen is also involved in IG Genossenschaftsunternehmen (Cooperative Association), IG Inlandbanken (Domestic Banks Association) and conventional lobbying. To celebrate the UN Year of Cooperatives, IG Genossenschaftsunternehmen held its first conference in 2012. Some 700 attendees discussed the sustainability of the cooperative business model against the backdrop of economic change. IG Genossenschaftsunternehmen promotes education and research on cooperatives, engages in political lobbying and promotes communication. Raiffeisen is a founding member, along with Allgemeine Baugenossenschaft Zürich, Fenaco, Mobiliar, and Mobility.

Corporate governance

Cooperative democracy for a strong Raiffeisen

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

Raiffeisen Group's most important corporate governance rules 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 support, new issues, processes, products and amendments to existing ones can be processed centrally and made directly available to all staff, making it possible to provide clients with more rapid, targeted and comprehensive services.

The following report has been drawn up primarily 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 non-binding for Raiffeisen, it is helpful even for an unlisted company to apply these best practices in certain areas. In particular, the report addresses Raiffeisen Group's special cooperative organisational structure. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date 31 December 2012.

RAIFFEISEN GROUP STRUCTURE

The subsidiaries Notenstein Private Bank Ltd and RAInetworks Pte. Ltd are wholly owned by Raiffeisen Switzerland, which also owns 60% of KMU Capital AG and Investnet AG. The Raiffeisen Group also owns 21.58% of Pfandbriefbank schweizerischer Hypothekarinstitute AG, and Raiffeisen Switzerland owns 25.53% of Aduno Holding AG. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions. Small investments are not listed separately in the table on page 48.

Changes from prior year

On 27 January 2012, Raiffeisen Switzerland acquired Notenstein Private Bank Ltd, into which the non-US business of Bank Wegelin & Co. had been transferred.

Mergers of Raiffeisen banks

Due to mergers prompted by operational and market considerations, the number of legally and organisationally independent Raiffeisen banks fell in 2012 from 328 to 321. The ongoing structuring process enables the individual Raiffeisen banks to optimise their focus on 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 seven new branches in 2012.

RAIFFEISEN GROUP ORGANISATIONAL STRUCTURE

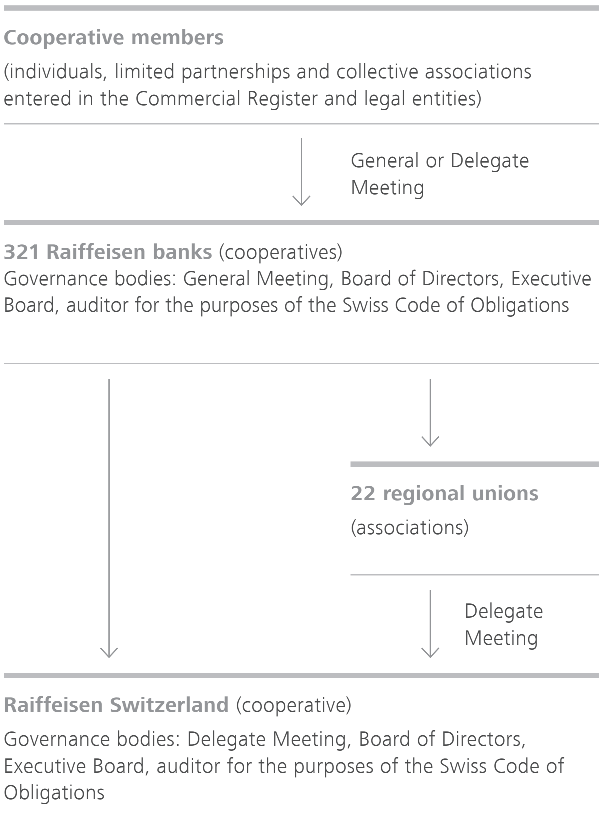
There are four levels of decision-making authority and responsibility:

The 321 Raiffeisen banks with a total of 1,057 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own Boards of Directors and have an independent auditor. Raiffeisen banks are owned by the cooperative members. The candidates for the Boards of Directors are voted in at the local General or Delegate Meetings, thus guaranteeing 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 unions (see page 52) organised as associations. The unions act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. In particular, the duties of the regional unions include organising delegate elections for the Raiffeisen Switzerland Delegate Meeting, coordinating regional advertising activities, conducting training events for Raiffeisen banks, and safeguarding and representing the interests of Raiffeisen banks in dealings with cantonal business associations and authorities.

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

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



Group companies

Company	Activity	Owner(s)
Raiffeisen banks	▪ Banking business ▪ Mainly retail business ▪ Traditional savings and mortgage business ▪ Corporate clients business ▪ Payment services ▪ Investment funds and securities trading, and consumer goods leasing	Cooperative members
Raiffeisen Switzerland	▪ Business policy/strategy and centre of competence for the Raiffeisen Group ▪ Risk Controlling ▪ Ensuring central bank functions (monetary settlement, liquidity and refinancing) ▪ Banking business (mainly interbank business and securities trading) ▪ Running of branches ▪ Informs, advises and supports the Raiffeisen banks particularly in the areas of management, marketing, business, information technology, building systems, training, human resources and legal services.	Raiffeisen banks
Notenstein Private Bank Ltd	Private bank	Raiffeisen Switzerland
KMU Capital AG	Financing business, mezzanine financing and investments in SMEs	Raiffeisen Switzerland
Investnet AG	Management consulting, brokering investments	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchase of office supplies, software licences	Raiffeisen Switzerland
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivised pension savings (pillar 3)	

Major participations

Note 3 (on page 90) lists all major participations of the Raiffeisen Group, including company name, domicile, capital and share of voting rights.

Major cooperative members

Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, irrespective of the number of share certificates acquired. 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, meaning 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 616.1 million. The precise composition thereof and changes in the current year can be found in note 10 (Evidence of equity capital, see page 96).

Changes in equity capital

Membership of a Raiffeisen bank and the associated rights and obligations are tied closely to the purchaser's identity. This is why individual shares normally cannot be sold or transferred. Resigning cooperative members have the right to redeem their share certificates at their intrinsic value, up to a maximum of their par value. They may only be redeemed once the annual accounts of the fourth year following the termination of membership have been approved, unless they are replaced with new share certificates in the same amount. Share certificates bear a maximum 6% interest.

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

Security model

The Raiffeisen business model, its business policy, its high amount 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 areas of banking business, thus benefitting clients.

Liability

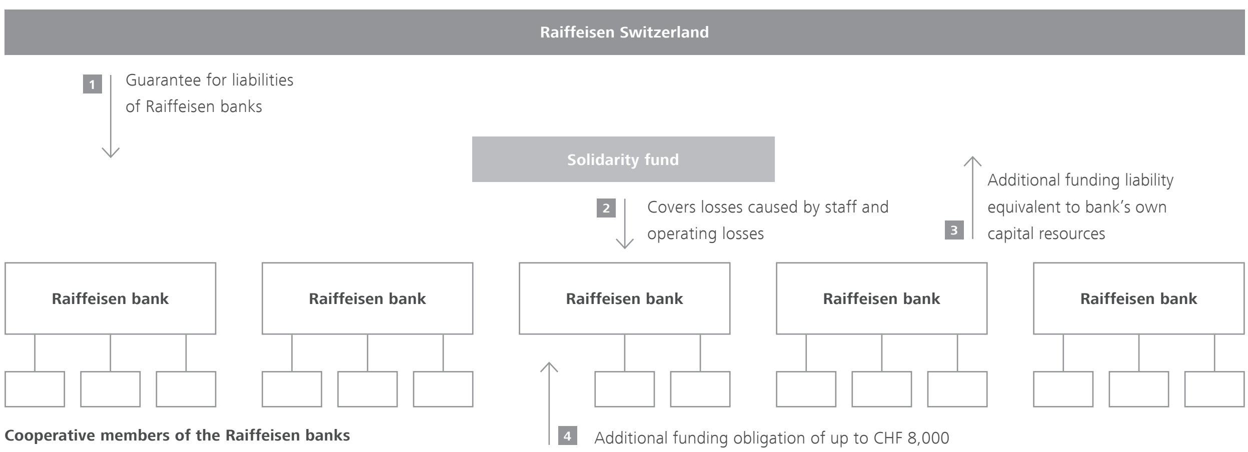
The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on the principle of mutual liability, which it has anchored in its Articles of Association. Working together in a tight-knit cooperative union is also a form of solidarity, as the fates of the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

1 Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and therefore of the Raiffeisen Group as a whole. A total of CHF 1326.9 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets, which results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.5 billion, of which CHF 850 million have been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 694.4 million from the Raiffeisen banks at any time.

2 Solidarity fund

The solidarity fund is – in line with the classic notion of solidarity that Raiffeisen espouses – an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and the branches of Raiffeisen Switzerland. The disposable fund assets amount to CHF 344.8 million.



3 Additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland

The Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland is CHF 9.9 billion.

4 Additional funding obligation of the cooperative members towards the Raiffeisen banks

Should it emerge from the annual balance sheet of a Raiffeisen bank that the cooperative capital is no longer covered, the cooperative members are bound by an additional funding obligation of up to CHF 8,000 each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals CHF 14 billion (see note 10 "Evidence of equity capital", page 96). The additional funding obligation of the cooperative members of the Raiffeisen banks has never been made use of in all Raiffeisen's long history. It is the last resource to be called upon after all the measures described above, or all the funds of the entire Raiffeisen Group have been exhausted.

Changes in equity capital

(in CHF million)

	2012	2011	2010	2009
Cooperative capital	616	599	570	536
Retained earnings	9,245	8,681	8,084	7,447
Group profit	635	595	627	645
Total	**10,496**	**9,875**	**9,281**	**8,628**

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

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

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

The Delegate Meeting is responsible in particular for:

- Changes to the Raiffeisen Switzerland Articles of Association

- Drawing up model articles of association for Raiffeisen banks
- Defining the Raiffeisen Group's mission statement and long-term policy principles
- Issuing the financing principles and regulations governing the contributions made by 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 Chairman and the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Switzerland, and designating the auditor to be elected for the purposes of the Swiss Code of Obligations for Raiffeisen banks.

Raiffeisen Switzerland Board of Directors

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

The Board of Directors currently consists of eleven members. Some members of the Board of Directors sit on the boards of individual Raiffeisen banks, while others do not perform any duties 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 employed by Raiffeisen Switzerland in the last three years. Furthermore, no members of the Board of Directors have had significant business relationships with Raiffeisen Switzerland as contractual agents.

Composition, election and term of office

The Board of Directors consists of between nine and 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 must be representatives of Raiffeisen banks.

Members of the Board of Directors are elected for a two-year term (current term: 2012 – 2014), and can serve a maximum of twelve years. Members of the Board of Directors must step down at the end of the term of office in which they attain the age of 65.

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. In 2012, the Board of Directors met seven times and held various telephone conferences. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the Chairman's vote counts twice. 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 meetings of the Board of Directors, the Strategy and Compensation Committee and the Audit and Risk Committee. They can advise and have the right to put forward motions.

Duties of the Board of Directors

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

- To resolve whether to accept or exclude Raiffeisen banks
- To establish the business policy of the Raiffeisen Group, the risk policy, and regulations and authorities required for running Raiffeisen Switzerland
- To appoint and dismiss members of the Executive Board, the head of Internal Auditing and their deputies

The regional unions

Regional unions	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	26
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	23
Bündner Verband der Raiffeisenbanken	Hans Sprecher, Fanas	10
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	7
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	22
Oberwalliser Verband der Raiffeisenbanken	Hugo Berchtold, Stalden	9
Raiffeisenverband Nordwestschweiz	Peter Thüring, Aesch	14
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	12
Schwyzer Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	8
Solothurner Verband der Raiffeisenbanken	Roland Fürst, Gunzgen	22
St.Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	46
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	18
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Michael Iten, Oberägeri	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	11
Fédération genevoise des Banques Raiffeisen	Philippe Moeschinger, Thônex	6
Fédération jurassienne des Banques Raiffeisen	Philippe Plumey, Fahy	9
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	19
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	19
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	27

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

Client confidence in Raiffeisen

Business model	Business policy	Capital	Membership
As a cooperative, Raiffeisen is committed to its members and only distributes a limited portion of its profits.	Our local presence and proximity to clients mean Raiffeisen is very familiar with any potential risks.	At CHF 10.2 billion, Raiffeisen has significantly more capital than what is required under statutory capital adequacy provisions.	1.8 million members have a say in determining the course of business and take on responsibility.
Raiffeisen banks share liability for debts mutually, thus eliminating the possibility of individual Raiffeisen banks going bankrupt.	Raiffeisen pursues a very conservative risk policy.	With a debt-to-equity ratio (leverage ratio) of 6.2%, Raiffeisen is very well capitalised.	As a cooperative, there is no risk of Raiffeisen being taken over.
	Raiffeisen focuses on sustainable business rather than short-term returns.		

- To appoint and dismiss the statutory auditor for Raiffeisen Switzerland and Raiffeisen banks
- To pass the regulations necessary for the running of the Raiffeisen banks
- To prepare for the Delegate Meeting and execute this body's resolutions.

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the standing committees are set forth in regulations which are summarised on page 59.

Delimitation of powers

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

Information and controlling tools

The Board of Directors is kept informed of the activities of the Executive Board of Raiffeisen Switzerland in a number of ways. The Chairman of the Board of Directors and the Head of Internal Audit can attend meetings of the Executive Board 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, any 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 24 – 33.

Internal Auditing

Internal Auditing supports the Board of Directors and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It reviews compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT. Kurt Zobrist has headed Internal Auditing since

1989, and reports directly to the Audit and Risk Committee.

Executive Board of Raiffeisen Switzerland

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

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

The extended Executive Board consists of the Executive Board and 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 application architecture, and project management.

The business processes of Raiffeisen Switzerland are spread across six departments (see organisational chart on pages 64 – 65).

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 2012 financial year.

Management contracts

There are no management contracts with third parties at Raiffeisen.

Auditor for the purposes of the Swiss Code of Obligations

Since the 2007 financial year, PricewaterhouseCoopers AG has been the auditor for the purposes of the Swiss Code of Obligations for Raiffeisen Group as a whole. 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 competitive remuneration model plays a key role in successfully positioning Raiffeisen as an attractive employer. The remuneration system is designed to attract skilled workers and retain talented employees. Outstanding achievements are acknowledged, and every individual's performance is rewarded. This is essential in order to achieve long-term strategic targets.

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

Evaluation by independent experts

To enhance and refine the remuneration scheme instituted at Raiffeisen in 2010, Raiffeisen engaged PricewaterhouseCoopers AG (PwC) to conduct a thorough, objective outside evaluation of the remuneration scheme. PwC has been the auditor for the purposes of the Swiss Code of Obligations for the whole Raiffeisen Group since the 2007 financial year. To avoid conflicts of interest, the evaluation was conducted by independent experts from the consulting business who have no other involvement in the auditing business. The PwC report was discussed in great detail by the Executive Board in the second half of the reporting period and submitted to the Strategy and Compensation Committee and the Board of Directors for further discussion and decision-making.

Significant changes were made in response to the PwC report, such as making this remuneration report even more transparent and further increasing the involvement of the entire Board of Directors in the compensation process starting in 2013. Further insights were used to enhance the remuneration process and Raiffeisen Switzerland's remuneration scheme.

Independent remuneration system

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

The low risk profile, stable earnings and cooperative tradition are the reasons why an independent remuneration system was established. This scheme involves, among other things, remuneration caps for all groups of risk-takers, limits on variable remuneration components and all remuneration in non-deferred cash. Raiffeisen believes that, in its specific situation, it makes more sense to institute caps than to defer part of the variable remuneration. This decision was largely based on the low risk profile and consistently stable earnings generated with Raiffeisen's business model. Moreover, absolute caps are clear, transparent and easy to manage. This satisfies one of the key principles of FINMA Circular 10/1.

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

Handling risk-takers separately

The Board of Directors has identified another group of risk-takers other than the seven members of the Executive Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Despite quite modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk takers at the Central Bank department are identified every year before the remuneration process begins, are reported by the Head of Central Bank to the Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland with the object of determining the total variable remuneration pool. In 2012, this group consisted of 41 people (not counting Executive Board members).

Members of the Board of Directors

			
Prof. Dr Johannes Rüegg-Stürm	**Philippe Moeschinger**	**Rita Fuhrer**	**Anne-Claude Luisier**
Function Chairman of the Board of Directors and of the Strategy and Compensation Committee	**Function** Vice Chairman of the Board of Directors and member of the Strategy and Compensation Committee	**Function** Member of the Board of Directors	**Function** Member of the Board of Directors
Year of birth 1961	**Year of birth** 1960	**Year of birth** 1953	**Year of birth** 1967
Place of residence St.Gallen	**Place of residence** Thônex GE	**Place of residence** Auslikon ZH	**Place of residence** Ayent VS
Accession 2008	**Accession** 2008	**Accession** 2010	**Accession** 2010
Elected until 2014	**Elected until** 2014	**Elected until** 2014	**Elected until** 2014
Occupation Professor of Organization Studies at the University of St.Gallen (HSG), Director of the Institute for Systemic Management and Public Governance (IMP-HSG)	**Occupation** Director General of Comptoir Immobilier SA	**Occupation** Former cantonal government representative	**Occupation** Founder and Director SensoCreativ Sàrl
Significant positions held ▪ Chairman of the Raiffeisen Centenary Foundation	**Significant positions held** ▪ Chairman of the BoD of Banque Raiffeisen d'Arve et Lac ▪ Chairman of the Fédération genevoise des Banques Raiffeisen	**Significant positions held** ▪ Chairwoman of Trägerverein Uniklinik Balgrist ▪ Board member Jucker Farmart, Seegräben	**Significant positions held** ▪ Coordinator of Fondation Senso5 ▪ Member of the Committee of the Fédération Banques Raiffeisen du Valais romand

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

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

Daniel Lüscher*

Function Member of the Board of Directors

Year of birth 1961

Place of residence
Herznach AG

Accession 2008

Elected until 2014

Occupation
Chairman of the Executive Board of Raiffeisenbank Kölliken-Entfelden

Significant positions held
- Member of the Foundation Board of ESPRIX

Urs Schneider

Function Member of the Board of Directors and of the Strategy and Compensation Committee

Year of birth 1958

Place of residence
Amlikon-Bissegg TG

Accession 2008

Elected until 2014

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

Significant positions held
- Chairman of the Thurgauer Verband der Raiffeisenbanken
- Member of the BoD of Raiffeisenbank Regio Weinfelden
- Secretary of the Agricultural Club of the Federal Assembly and the Conf. of Agricultural Parliamentary Delegates
- Member of the BoD of Schweiz. Agrarmedien and "Agri" (agricult. publication in French-speaking Switzerland), Berne and Lausanne
- Chairman of Agro-Marketing Suisse, Berne
- Member of the Management Board of the Swiss Farmers' Guarantee Cooperative, Brugg
- Member of the Foundation Board of the Foundation for Sustainable Nutrition by the Swiss Agricultural Industry, Brugg
- Member of the BoD of Grünes Zentrum AG, Weinfelden

Christian Spring*

Function Member of the Board of Directors

Year of birth 1960

Place of residence
Vicques JU

Accession 2002

Elected until 2014

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

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

Prof. Dr Franco Taisch

Function Member of the Board of Directors and Audit and Risk Committee

Year of birth 1959

Place of residence
Neuheim ZG

Accession 2008

Elected until 2014

Occupation
Chairman of the Directorate at the Institute for Company Law and Professor at the University of Lucerne, owner of taischconsulting, unternehmensführung und recht, Zug

Significant positions held
- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Member of the Board of Directors of Clinica Alpina SA, Scuol
- Management Board delegate of the interest group "IG Genossenschaftsunternehmen", Lucerne
- Adjunct Faculty Member Executive School of Management, Technology and Law, University of St.Gallen
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug

Angelo Jelmini

Function Member of the Board of Directors

Year of birth 1955

Place of residence
Lugano-Pregassona TI

Accession 2011

Elected until 2014

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

Significant positions held
- Member of the Board and Secretary, Raiffeisen Bank in Lugano
- Board Member, Schweizerische Vereinigung für Landesplanung, Ticino Section (VLP-ASPAN-TI)
- Various Board of Directors memberships

Lic. iur. Edgar Wohlhauser

Function Member of the Board of Directors and Chairman of the Audit and Risk Committee

Year of birth 1961

Place of residence
Arth SZ

Accession 2006

Elected until 2014

Occupation
Partner at BDO AG, Zurich

Significant positions held
No significant mandates

Werner Zollinger

Function Member of the Board of Directors and Audit and Risk Committee

Year of birth 1958

Place of residence
Männedorf ZH

Accession 2006

Elected until 2014

Occupation
Owner and CEO of ProjectGo AG, Zug

Significant positions held
- Chairman of the Board of Directors of Raiffeisenbank rechter Zürichsee, Männedorf

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

Board of Directors committees

Committee	Members	Composition, duties and competencies
Strategy and Compensation Committee	▪ Prof. Dr Johannes Rüegg-Stürm (Chairman) ▪ Philippe Moeschinger (Vice chairman) ▪ Urs Schneider	The Board of Directors appoints the Strategy and Compensation Committee, which consists of the Chairman, Vice chairman and at least one other member of the Board of Directors. ▪ Dealing with tasks assigned by the Board of Directors and general support for the the Board of Directors in performing its duties and responsibilities ▪ Monitoring strategically relevant developments, opportunities and challenges for the Raiffeisen Group ▪ Preparing strategic initiatives in the Board of Directors and supervising their realisation (responsible for content) ▪ Arranging and supervising the strategy work of the Raiffeisen Group (responsible for processes) ▪ 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 ▪ Approving and monitoring the granting of loans to members of executive bodies within the scope of the regulations governing authority levels ▪ Approval of positions taken on by members of the Executive Board and the Head of Internal Auditing ▪ Passing resolutions on participations, investments, contractual obligations, expenditure and loans, to the extent that authority over these matters is assigned to the Committee
Audit and Risk Committee	▪ Lic. iur. Edgar Wohlhauser (Chairman) ▪ Prof. Dr Franco Taisch ▪ Werner Zollinger	The Audit and Risk Committee consists of three members of the Board of Directors with extensive experience and expertise in finance and accounting, and who are familiar with the work of the internal and external auditors, internal control, compliance and risk assessment. ▪ Analysis of the annual accounts, specifically amendment of accounting principles and valuation of balance sheet items ▪ Supporting and monitoring the work of the auditor and Internal Auditing as well as cooperation between the two ▪ Monitoring and assessing the effectiveness and appropriateness of the internal control system ▪ Evaluating compliance with statutory, regulatory and internal rules, as well as market standards and codes of practice (Compliance) ▪ Analysis of the risk situation of Raiffeisen Switzerland and the Group, and monitoring and assessing measures to record, manage and control risks ▪ Monitoring compliance with the financing plan

Total remuneration and total variable remuneration

The Raiffeisen Group paid CHF 962,730,520 in total remuneration (including the Raiffeisen banks and Notenstein Private Bank Ltd) in 2012. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 108,154,303. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	2012	Prior year*
Total Raiffeisen Group remuneration	962,730,520	839,758,086
of which total Raiffeisen Group variable remuneration pool	108,154,303	80,767,710

* Excluding Notenstein Private Bank Ltd

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration

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

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

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

The members of Raiffeisen Switzerland's 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 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

Role of controlling functions

In the course of the remuneration process, the Head of Group Risk Controlling assesses the risk situation and the Head of Legal & Compliance assesses compliance performance based on risk and compliance reports from the past twelve months. These assessments, which explicitly cover credit, market, liquidity and operational risk, are then consulted when determining the total variable remuneration pool. Risk measures used in the assessments include value-at-risk, limit utilisation metrics and outstanding audit recommendations (changes over time and degree of completion). The risk measures are supplemented by a qualitative evaluation conducted by responsible controlling functions. As a consequence, the remuneration process is based on an evaluation of all significant risk classes.

By approving the risk and compliance report, the Board of Directors acknowledges that it has been completely and regularly updated on the risk situation in line with Raiffeisen's risk profile, thus significantly raising stakeholder awareness. Risk classes that are not explicitly mentioned (legal, compliance and reputational risk) are covered in evaluations of operational risks and, in some instances, addressed qualitatively through separate reports (e.g. compliance reporting). Reputational risk, in particular, is viewed as a consequential risk that always results from the possible occurrence of another risk. Thus, the management of reputational risk should always focus on the original risk and its consequences.

Damage assessments of the original risk cover any compliance and legal violations or damage to Raiffeisen's reputation. In the course of mitigation, Raiffeisen establishes management strategies that mainly target the original risk, but also address the resulting damage.

Allocation of variable remuneration

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

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

The following criteria apply to the individual allocation of variable remuneration to Executive Board members and the Head of Internal Auditing:

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

The Executive Board allocates variable remuneration individually for named Central Bank employees with access to the market and trading opportunities (so-called risk-takers). The variable remuneration is based on Central Bank's actual performance and assumed risk. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees.

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

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

Members of the Executive Board

Dr Pierin Vincenz

Function Chairman of the Executive Board (CEO)

Year of birth 1956

Place of residence Niederteufen AR

Accession 1999

Significant positions held
- Chairman of the BoD: Notenstein Private Bank Ltd, Aduno Holding AG, Pfandbriefbank schweizerische Hypothekarinstitute AG, Plozza SA
- Member of the Com. of the BoD of the Swiss Bankers Association
- Member of the BoD: Helvetia Insurance, SIX Group AG
- Member of the Steering Committee UNICO Banking Group Brussels
- President of the Association for the Promotion of the Swiss Institute of Banking and Finances of the University of St.Gallen
- Chairman of the MEDAS FoundationEastern Switzerland
- Vice Chairman of the Raiffeisen Centenary Foundation
- Member of the Foundation Board: Swiss Finance Institute, Ostschweizerische Stiftung für Klinische Krebsforschung, Pro Kloster Disentis, Bleu Ciel, Stiftung Speranza
- Chairman of the Plan B Association for promotion of social responsibility in relation to money and consumption
- Member of the BoM of Pflegekinder-Aktion Schweiz

Dr Patrik Gisel

Function Head of Market department and Deputy Chairman

Year of birth 1962

Place of residence Erlenbach ZH

Accession 2000

Significant positions held
- Chairman of the BoD: Investnet AG, KMU Capital AG, 1741 Asset Management AG
- Member of the BoD: Notenstein Private Bank Ltd
- Chairman of the Swiss Banks' and Securities Dealers' Depositor Protection Association
- Chairman of the Commission for Client Business, Swiss Bankers Association
- Chairman of the Board of Directors of Raiffeisen Schweiz (Luxemburg) Fonds SICAV
- Member of the Executive Committee, UNICO Banking Group Brussels
- Chairman of the Foundation Board of the Raiffeisen Pension Foundation
- Chairman of the Foundation Board of the Raiffeisen Vested Assets Foundation
- Member of the Advisory Board of Schweizerisches Bankenseminar
- Member of the Management Board of the Zurich Banking Association, Betula Association

Michael Auer

Function Head of Bank Relationship Management department (COO)

Year of birth 1964

Place of residence Speicher AR

Accession 2008

Significant positions held
- Chair of the BoD of the Raiffeisen Pension Fund and the Raiffeisen Employer Foundation
- Vice Chairman of the Council of the University of Applied Sciences, St.Gallen
- Chairman of the Advisory Board, Department of Business of the University of Applied Sciences, St.Gallen
- Member of the Business Advisory Board of the University of Applied Sciences of Eastern Switzerland
- Member of the Foundation Board of the Foundation for Swiss Naive Art and Art Brut, St.Gallen

Damir Bogdan

Function Head of IT & Operations department (CIO)

Year of birth 1969

Place of residence Speicher AR

Accession 2008

Significant positions held
- Member of the Research Council of the Institute of Information Management at the University of St.Gallen
- Member of the Swiss Oracle CIO Advisory Board
- Member of the Advisory Board CIO Forum
- Member of the Management Board & Management Board Committee of ICT Switzerland
- Advisor for Master's degrees in Information Management at the University of Applied Sciences St.Gallen, Lucerne, Berne and the Zurich University of Applied Sciences (ZHAW)

Paulo Brügger

Function Head of Central Bank department

Year of birth 1966

Place of residence
Zumikon ZH

Accession 2005

Significant positions held
- Member of the Board of Directors of Dynapartners AG, Zollikon
- Member of the Board of Directors of responsAbility Participations AG, Zurich
- Member of the Investment Committee, Raiffeisen Pension Fund

Gabriele Burn

Function Head of Marketing & Communications department

Year of birth 1966

Place of residence
Krattigen BE

Accession 2008

Significant positions held
- Chairwoman of the Swiss Climate Foundation
- Member of the Swiss Mountain Aid Board
- Member of the KMU Next foundation
- Board member of the Green Building Association

Marcel Zoller

Function Head of Finance department (CFO)

Year of birth 1957

Place of residence
Goldach SG

Accession 2008

Significant positions held
- Member of the BoD of Vontobel Holding AG
- Member of the Management Board and member of the Finance Committee of the Valida Foundation, St.Gallen

Dr Beat Hodel*

Function Head of Group Risk Controlling (CRO)

Year of birth 1959

Place of residence
Bäch SZ

Accession 2005

Significant positions held
No significant mandates

* 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

Chairman of the Executive Board Dr Pierin Vincenz*

Market
Dr Patrik Gisel*

Private Clients
Roland Altwegg

Affluent Clients/Wealth Advisory
Ernst Näf

Corporate Clients
Hans Martin Albrecht

St.Gallen branch
Dieter Leopold

Winterthur branch
Gregor Knoblauch

Basel branch
Bruno Stiegeler

Zurich branch
Matthias Läubli

Berne branch
Daniel Schmid

Thalwil branch
Daniel Duca

Marketing & Communication
Gabriele Burn*

Electronic channels
Pascal Dürr

Corporate Communications
Dagmar Laub-Gall

Brand Management
Robert Fuchs

Sponsoring & Events
Oliver Niedermann

Siège Suisse romande
Alain Girardin

Sede Svizzera italiana
Romano Massera

Bank Relationship Management
Michael Auer*

Human Resources Management
Michael Federer

Legal & Compliance
Roland Schaub

FM & Logistics
Robin W. Marke

Training
Urs von Däniken

RB Consulting
Jon Armon Famos

Central Bank
Paulo Brügger*

Trading & Sales
Werner Leuthard

Treasury
Thomas Brunhart

Business Engineering & Support
Marco Tagliaferro

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

General Secretariat Pius Horner

IT & Operations
Damir Bogdan*

Business Systems
Beat Monstein

IT Operations
Christian Lampert

Front Services
Adrian Töngi

Finance
Marcel Zoller*

Accounting
Paolo Arnoffi

Controlling
Dr Christian Poerschke

Group Risk Management
Dr Beat Hodel**

Credit Risk Management
Daniel Tönz

Projects
Marcel Zuberbühler

DIALBA Programme
Rudolf J. Kurtz

Internal Auditing
Kurt Zobrist

Internal Auditing RB St.Gallen
Sabine Bucher

Internal Auditing RB Dietikon
Räto Willi

Internal Auditing RB Lausanne
Jean-Daniel Rossier

Internal Auditing RB Bellinzona
Katia Carobbio

Internal Auditing Raiffeisen Switzerland
Roland Meier

Internal Auditing ICT
Markus Hug

Governance

The Raiffeisen Switzerland Board of Directors is responsible for:

- Outlining the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for the Raiffeisen banks;
- Approving the annual remuneration report submitted to the Board by the Strategy and Compensation 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 Strategy and Compensation Committee is responsible for implementing Board of Directors-issued regulations. The Strategy and Compensation Committee determines the amount of the total variable remuneration pool, among other things, and defines the fixed and variable remuneration components for Executive Board members and the Head of Internal Auditing. These powers will pass from the Strategy and Compensation Committee to the Board of Directors in 2013 as part of further development of the compensation scheme.

The Strategy and Compensation Committee discusses remuneration at four meetings every year. The chapter “Governance bodies of Raiffeisen Switzerland” describes the composition and main responsibilities of the Strategy and Compensation Committee.

2012 remuneration

Total remuneration

In 2012, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 239,041,471. Remuneration expenses accrued (both fixed and variable) for the year under review were recorded in full as personnel costs. There are no remuneration expenses from earlier reporting years affecting profit and loss.

In 2012, the Strategy and Compensation Committee approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 35,800,957 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form.

The total variable remuneration pool benefited 1,788 individuals (2011: 1,782 individuals) at Raiffeisen Switzerland.

Board of Directors

In 2012, serving members of Raiffeisen Switzerland’s Board of Directors received remuneration totalling CHF 1,157,600, including all allowances and attendance fees. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 300,800. Members of the Board of Directors receive no variable remuneration in the form of a profit-sharing arrangement. Total social insurance contributions for Board of Directors members totalled CHF 246,953. In 2012, neither joining nor termination payments were made to members of the Board of Directors.

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

Total remuneration paid to members of the Raiffeisen Switzerland’s Executive Board in 2012 (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,868,513. Of this amount, CHF 1,913,259 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 3,233,830, of which CHF 568,532 was paid to Dr Pierin Vincenz, CEO Raiffeisen Switzerland. Fixed remuneration includes business-related Board of Directors fees for Executive Board members.

As of the end of the financial year, loans granted to Executive Board members totalled CHF 28,928,336. The Strategy and Compensation Committee is the approving body for company loans to Executive Board members. The bank's management enjoys preferential terms standard for the industry, as do other personnel. No joining or termination payments were made to Executive Board members or any other risk takers in the current year.

Raiffeisen banks

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

Raiffeisen Switzerland advises Raiffeisen banks

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

- Remuneration for all employees of 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 allow all remuneration (both fixed and variable) to be provided in the form of non-deferred cash payments.
- Variable remuneration in excess of CHF 3,000 accrues pension credits in the Raiffeisen Pension Fund.
- The Board of Directors – usually persons within the militia system with roots in local business – decides on the overall sum of the variable remuneration, as well as on the individual allocation of the variable remuneration to members and the chairmen of bank management.
- The recommended allocation mechanism does not give employees an incentive to take excessively high risks, as doing so does not significantly increase remuneration.

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	239,041,471	203,240,514	35,800,957
Income statement-related debits and credits in the current year for earlier reporting years	0	0	0
Total remuneration paid to Executive Board members*	9,038,185	6,011,246	3,026,939
(excluding employee and employer contributions to pension plans and social insurance)	(7,868,513)	(5,194,246)	(2,674,267)
Total remuneration paid to other risk-takers (excluding Executive Board members)*	9,262,384	6,562,384	2,700,000

* excluding employer pension plan and social insurance contributions

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

Notenstein Private Bank Ltd

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

RIGHTS OF CODETERMINATION

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

Raiffeisen banks

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

Limit on voting rights and powers of representation

Each cooperative member has one vote, irrespective of the number of share certificates they hold. A member can nominate another member, a descendant or their spouse 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.

Voting regulations

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

Calling of a General Meeting & Agenda

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

Delegate Meeting and secret ballot

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

Raiffeisen Switzerland
The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They select the delegates who form the supreme executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting of Raiffeisen Switzerland" on pages 50/51).

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

Voting regulations
The Delegate Meeting passes its resolutions and conducts its elections on the basis of the absolute majority of the votes cast, except where the law or Articles of Association provide otherwise. In the event of a tied vote, the matter is debated further and a second vote held. If not enough candidates 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 Meeting & Agenda
The following points must be observed when calling an Ordinary Delegate Meeting:
- Five months prior to the meeting: the date, location and time of the meeting and the dates of all stages in the procedure must be announced;
- Twelve weeks prior to the meeting: applications to add items to the agenda must be submitted;
- Four weeks prior to the meeting: the agenda agreed by the Board of Directors, the documents supporting resolutions and any nominations must be sent out.

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES
Through their share certificates, the cooperative members are also the co-owners in equal shares of their Raiffeisen bank. Members can subscribe for more than one share certificate, but only up to a maximum of 10% of the cooperative capital or 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, Notenstein Private Bank Ltd, KMU Capital AG, Investnet AG and RAInetworks Pte. Ltd is PricewaterhouseCoopers AG.

The Raiffeisen Group
PricewaterhouseCoopers AG, St.Gallen, is responsible for auditing the consolidated accounts. Beat Rütsche has been the lead auditor since 2012 and is responsible for the mandate.

Audit fee
The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling CHF 15.2 million for audits under Swiss banking law and internal audits in the current year. In financial year 2012, Pricewaterhouse-

Coopers AG charged the Raiffeisen Group a total of CHF 12.1 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 1.2 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 and Risk 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 and Risk Committee assesses the performance, remuneration and independence of the external auditor and ensures cooperation with the Internal Auditing department.

INFORMATION POLICY

An open, active and transparent information policy is one of the guiding principles of the Raiffeisen Group's corporate philosophy. Communication with stakeholders – cooperative members, clients, employees and the general public alike – 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 Raiffeisen Group press conferences. Further sources of information for staff include the intranet and the staff magazine.

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

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 2012

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

Capital adequacy disclosure requirements

The Raiffeisen Group, in its capacity as the central organisation, is obligated by the FINMA to comply with capital adequacy rules and is thus subject to disclosure requirements under supervisory law. Information is published in line with the regulations laid down in the Capital Adequacy Ordinance (CAO) of 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.

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 2012 published	mid-April 2013
Delegate Meeting in Aarau	15 June 2013
Publication of half-year results	14 August 2013
2013 annual results presented at balance sheet press conference	28 February 2014

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Consolidated Balance Sheet as of 31 December 2012

	Current year in 1000 CHF	Previous year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	6,943,410	4,698,295	2,245,115	47.8	11
Receivables from money market securities	69,436	1,480	67,956	4,591.6	6, 11
Receivables from banks	6,249,689	3,668,198	2,581,491	70.4	6, 11
Receivables from clients	7,822,399	7,678,074	144,325	1.9	1, 11
Mortgage receivables	135,942,683	128,526,759	7,415,924	5.8	1, 6, 11
Loans to clients	**143,765,082**	**136,204,833**	**7,560,249**	**5.6**	
Trading portfolios in securities and precious metals	1,836,986	1,548,321	288,665	18.6	2, 11
Financial assets	4,032,179	4,774,510	-742,331	-15.5	2, 6, 11
Non-consolidated participations	633,206	518,703	114,503	22.1	2, 3, 4
Tangible assets	2,382,268	2,274,749	107,519	4.7	4, 6
Intangible assets	178,673	–	178,673	–	4
Accrued income and deferred charges	209,940	259,391	-49,451	-19.1	
Other assets	1,823,372	1,940,123	-116,751	-6.0	5
Total assets	**168,124,241**	**155,888,603**	**12,235,638**	**7.8**	**13, 14, 15**
Total subordinated receivables	24,095	2,575	21,520	835.7	
Total receivables from non-consolidated participations	3,167,685	2,494,531	673,154	27.0	
Liabilities					
Liabilities to banks	5,843,438	6,631,550	-788,112	-11.9	6, 11
Liabilities to clients in the form of savings and investment deposits	103,065,142	92,549,077	10,516,065	11.4	7, 11
Other liabilities to clients	17,113,162	16,008,076	1,105,086	6.9	7, 11
Medium-term notes	12,876,811	13,615,958	-739,147	-5.4	11
Client deposits	**133,055,115**	**122,173,111**	**10,882,004**	**8.9**	
Bonds and Pfandbriefdarlehen	15,186,280	13,636,510	1,549,770	11.4	8, 11
Accrued expenses and deferred income	561,467	557,704	3,763	0.7	
Other liabilities	1,927,966	2,029,069	-101,103	-5.0	5
Value adjustments and provisions	1,052,045	985,299	66,746	6.8	9
Cooperative capital	616,139	598,896	17,243	2.9	
Retained earnings	9,245,000	8,681,199	563,801	6.5	
Group profit	634,845	595,265	39,580	6.6	
Total equity capital (without minority interests)	**10,495,984**	**9,875,360**	**620,624**	**6.3**	**10**
Minority interests in equity capital	1,946	–	1,946	–	
– of which Minority interests in group profit	-393	–	-393	–	
Total equity capital (with minority interests)	**10,497,930**	**9,875,360**	**622,570**	**6.3**	
Total liabilities	**168,124,241**	**155,888,603**	**12,235,638**	**7.8**	**13, 15**
Total subordinated commitments	535,518	535,413	105	0.0	
Total commitments towards non-consolidated participations	12,725,066	11,107,881	1,617,185	14.6	
– of which Pfandbriefdarlehen	11,816,200	9,941,000	1,875,200	18.9	
Off-balance-sheet business					
Contingent liabilities	451,210	366,294	84,916	23.2	1, 16
Irrevocable commitments	6,149,389	5,701,411	447,978	7.9	1
Call commitments and additional funding obligations	96,647	60,443	36,204	59.9	1
Derivative financial instruments					
Positive replacement values	1,056,985	1,134,993	-78,008	-6.9	17
Negative replacement values	1,707,180	1,811,509	-104,329	-5.8	17
Contract volume	125,216,985	88,249,635	36,967,350	41.9	17
Fiduciary business	286,558	58,642	227,916	388.7	18

Consolidated Income Statement 2012

	Current year in 1000 CHF	Previous year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	3,403,505	3,422,606	-19,101	-0.6	
Interest and dividend income from financial assets	81,776	83,865	-2,089	-2.5	
Interest expenditure	-1,392,636	-1,430,698	38,062	-2.7	
Net interest income	**2,092,645**	**2,075,773**	**16,872**	**0.8**	
Commission income lending business	15,128	12,140	2,988	24.6	
Commission income securities and investment business	299,301	178,795	120,506	67.4	
Commission income other service transactions	159,131	146,223	12,908	8.8	
Commission expenditure	-105,862	-94,115	-11,747	12.5	
Net income from commission business and service transactions	**367,698**	**243,043**	**124,655**	**51.3**	**19**
Net trading income	**190,485**	**137,390**	**53,095**	**38.6**	**20**
Income from sale of financial assets	-472	-128	-344	268.8	
Income from participating interests	44,019	41,285	2,734	6.6	21
Income from real estate	18,018	18,088	-70	-0.4	
Other ordinary income	12,976	6,065	6,911	113.9	
Other ordinary expenditure	-13,127	-8,100	-5,027	62.1	
Other ordinary profit	**61,414**	**57,210**	**4,204**	**7.3**	
Operating income	**2,712,242**	**2,513,416**	**198,826**	**7.9**	
Personnel expenditure	-1,283,255	-1,070,550	-212,705	19.9	22
Operating expenditure	-502,332	-450,750	-51,582	11.4	23
Total operating expenditure	**-1,785,587**	**-1,521,300**	**-264,287**	**17.4**	
Gross profit	**926,655**	**992,116**	**-65,461**	**-6.6**	
Depreciation on fixed assets	-198,436	-239,419	40,983	-17.1	4
Value adjustments, provisions and losses	-31,265	-23,048	-8,217	35.7	
Operating profit (interim result)	**696,954**	**729,649**	**-32,695**	**-4.5**	
Extraordinary income	89,243	15,849	73,394	463.1	24
Extraordinary expenditure	-2,321	-4,315	1,994	-46.2	24
Taxes	-149,424	-145,918	-3,506	2.4	25
Group profit (including minority interests)	**634,452**	**595,265**	**39,187**	**6.6**	
Minority interests in group profit	-393	–	-393	–	
Group profit	**634,845**	**595,265**	**39,580**	**6.6**	

Cash Flow Statement 2012

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Previous year origin of funds in 1000 CHF	Previous year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Group profit	634,845	–	595,265	–
Depreciation on fixed assets	198,436	–	239,419	–
Appreciation on participations	–	78,351	–	–
Value adjustments and provisions	130,876	98,386	116,524	107,443
Accrued income and deferred charges	49,451	–	–	27,443
Accrued expense and deferred income	3,763	–	7,606	–
Interest paid on share certificates for previous year	–	31,463	–	30,063
Balance	**809,171**	**–**	**793,865**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	17,243	–	28,854	–
Minority interests in equity capital	1,946	–	–	–
Balance	**19,189**	**–**	**28,854**	**–**
Cash flow from fixed-asset activities				
Participations	5	58,419	–	18,776
Real estate	39,177	235,321	22,765	164,704
Other tangible assets/objects in finance leasing/other	2,577	78,445	7,115	101,189
Intangible assets	–	190,355	–	1,426
Changes to the consolidated group	34,256	–	–	–
Balance	**–**	**486,525**	**–**	**256,215**
Cash flow from banking activities				
Liabilities to banks	–	788,112	–	1,949,971
Liabilities to clients in the form of savings and investment deposits	10,516,065	–	5,958,322	–
Other liabilities to clients	1,105,086	–	–	175,483
Medium-term notes	–	739,147	–	52,449
Bonds	72,705	398,135	1,648,120	678,200
Pfandbriefdarlehen	2,879,000	1,003,800	3,606,900	687,800
Other liabilities	–	101,103	369,391	–
Receivables from money market securities	–	67,956	100,013	–
Receivables from banks	–	2,581,491	2,950,512	–
Receivables from clients	–	144,325	–	11,715
Mortgage receivables	–	7,415,924	–	8,931,683
Trading portfolios in securities and precious metals	–	288,665	–	248,832
Financial assets	742,331	–	928,879	–
Other receivables	116,751	–	–	157,402
Liquid funds	–	2,245,115	–	3,235,107
Balance	**–**	**341,835**	**–**	**566,504**
Total origin of funds	**828,360**	**–**	**822,719**	**–**
Total use of funds	**–**	**828,360**	**–**	**822,719**

Notes to the consolidated annual accounts

OPERATING ACTIVITY

The 321 Raiffeisen banks in Switzerland, organised as cooperatives, are primarily 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 client 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 manageable, precisely-defined business areas. Loans are predominantly made to cooperative members against collateral, as well as to public bodies. The vast majority of money loaned out is invested in residential buildings. Raiffeisen banks are prohibited by their Articles of Association from operating abroad.

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

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

With its 13 locations, Notenstein Private Bank Ltd is one of the leading asset management banks in Switzerland. More than two thirds of its clients are domiciled in Switzerland. The services provided to foreign clients focus on selected target markets.

As at 31 December 2012, the number of people employed by the Raiffeisen Group on a full-time equivalent basis was 8,797 (2011: 8,167).

RISK ASSESSMENT

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

The Board of Directors monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Director's 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 or subsidiaries), as well as reputational risks.

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

The Board of Directors conducts an annual assessment of the appropriateness and effectiveness of the internal control system (ICS) based on Group Risk 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 any measures are discussed in detail in the preparatory meetings of the expanded Executive Board, which acts as the Risk Committee.

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

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

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

RISK MANAGEMENT

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

Risk policy

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

Risk control

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

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

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

Risk management process

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

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

Raiffeisen Group's risk management systems aim to:

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

Credit risks

The business units of the Raiffeisen Group – Raiffeisen banks and Raiffeisen Switzerland – manage their credit risk autonomously, though still in accordance with Group-wide standards. The credit risks may vary for Notenstein Private Bank Ltd, which enters into commitments that are immaterial to the Group's risk situation, may diverge from these standards.

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

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

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

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

Collateral risks accrue from impairments in the value of collateral.

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

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

Raiffeisen banks are chiefly exposed to counterparty and collateral risks. The majority of these risks result from loans granted to one or more individuals or corporate clients. Corporate clients are mainly small companies that operate within the business areas of Raiffeisen banks.

Credit risks are limited primarily by securing the underlying claims. This notwithstanding, creditworthiness and solvency are key prerequisites for the granting of loans.

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

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

In general, the Market department is the one to grant larger loans to corporate clients. When the credit being newly extended exceeds CHF 40 million on a risk-weighted basis, the Chief Risk Officer (CRO) issues a recommendation as to whether the concentration risk involved should be accepted.

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

Notenstein Private Bank Ltd has its own access to the market and manages its banking and country risks in conformity with Group policies and in consultation with relevant units at Raiffeisen Switzerland. Limit management for banking and country exposures will be centralised in 2013.

Pursuant to the Articles of Association, international positions may not exceed 5% of the consolidated Raiffeisen Group balance sheet total. This limit also applies to international positions held by Notenstein Private Bank Ltd.

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

Raiffeisen Switzerland invests in other companies as part of strategic cooperation partnerships. Detailed information is provided under note 3 on page 90.

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

Collateral is valued according to uniform criteria. For mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments, Raiffeisen uses a carefully-determined actual value, 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 available to provide assistance to all business units with questions related to complex financing arrangements and the management of recovery positions.

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

Throughout the entire duration of the credit facility, receivables are continuously monitored, and ratings periodically updated in line with the relevant client and collateral type, respectively. The value of the collateral is reviewed at varying intervals according to its volatility on the market, and the overall facility re-approved accordingly.

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

Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) in 2012 were CHF 27 million (2011: CHF 21 million) or 0.02% (2011: 0.02%) of the average lending volume, which amounts to 0.26% of average core capital.

Raiffeisen Switzerland monitors, controls, and manages risk concentrations 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. The responsible executive bodies receive quarterly updates on the development of exceptions to policy. In addition to standard credit portfolio reporting, Group Risk Controlling also conducts ad-hoc risk analyses where required. Monitoring and reporting form the basis for portfolio-controlling measures, with the main focus being on controlling new business via the lending policy.

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

Cluster risks are centrally monitored by Credit Risk Controlling. As of 31 December 2012, the Raiffeisen Group had no reportable concentration risks.

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2012 was CHF 1.2 billion, or 0.8% of loans to clients (2011: CHF 1.0 billion, or 0.7%).

Market risks

Given that 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 binding counterparty for the entire Group – except Notenstein Private Bank Ltd, which accesses the market directly – for hedging transactions and transactions to finance bank operations. The relevant members of staff are required to strictly adhere to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with limits and prepares associated reports, while also assessing the risk situation. The potential impact of the assumed interest rate risk on the market value of the equity capital and on profitability is also measured with the aid of scenario analyses and stress tests and included in risk reporting.

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

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

Products & Trading manages the trading book of Notenstein Private Bank Ltd. The independ-

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2012	Ø 2012	31.12.2011	Ø 2011
Foreign exchange/ precious metals	10,918	19,701	11,400	14,095
Interest rate instruments	114,863	93,905	67,070	59,365
Equities/indices	8,202	11,045	8,977	7,327
Total	**133,982**	**124,651**	**87,447**	**80,788**

ent Financial Risk Controlling department of Notenstein Private Bank Ltd monitors compliance with the value-at-risk and stress limits allocated from the overall limit by the Board of Directors of Notenstein Private Bank Ltd.

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

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

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

- Weekly interest rate risk report (excluding interest rate risks for Notenstein Private Bank Ltd) to responsible Executive Board members in line with FINMA Circular 2008/6
- Monthly risk report to the Executive Board
- Quarterly risk report to the Board of Directors.

Operational risks

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

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

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

The results of the risk assessment are reported to both Raiffeisen Switzerland's Executive Board and Board of Directors using an aggregated risk profile. The Executive Board and the Board of Directors of Raiffeisen Switzerland also receive quarterly updates on the extent to which measures have been implemented regarding the largest operational risks.

In addition to the standard risk management process Group Risk Controlling also conducts ad-hoc risk analyses where required, analyses any loss events 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.

IT risks

A reliable IT infrastructure is indispensable for providing services in the banking business.

For this reason, Raiffeisen attaches a great deal of importance to monitoring and controlling IT and managing related threats and risks.

Information security

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

Outsourcing

Operation of the data communication network has been outsourced to Swisscom (Switzerland) Ltd. Furthermore, all Raiffeisen securities administration activities are carried out by the Vontobel Group. Swiss Post Solutions AG handles the scanning processes in the paper-based payment system while printing and shipping of the bank vouchers has been outsourced to Trendcommerce (Switzerland) Ltd. All outsourcing services are provided in accordance with the provisions of FINMA Circular 2008/7.

Regulatory provisions

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

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

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

	Issuer/issue rating		
Client category	**S&P**	**Fitch**	**Moody's**
Central governments/ central banks	X	X	X
Public bodies	X	X	X
Banks/ securities dealers	X	X	X
Companies (as of 2012)	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 receivables

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 80.

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, AND GENERAL PRINCIPLES

General principles

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

Consolidation principles

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view, Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on the latter. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 321 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, Notenstein Private Bank Ltd, KMU Capital Ltd, Investnet Ltd and RAInetworks Pte. Ltd.

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

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

Consolidation date

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

Accounting and valuation principles

Recording of business events

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

Foreign currencies

Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses arising from this valuation are reported under "Net trading income". Foreign currency transactions over the course of the year are converted at the 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 nominal value or initial value. Discounts not yet earned on money market securities and discounts and premiums on the Group's own bond issues and Pfandbriefdarlehen (mortgage backed bonds) are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables

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

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

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

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

Securities lending and borrowing

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

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

Repurchase and reverse repurchase transactions

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

Trading portfolios in securities and precious metals

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

Financial assets

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

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

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

Non-consolidated participations

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

Tangible assets

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

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

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

Buildings under construction are not depreciated until they come into use. Undeveloped building land is not depreciated. The value of tangible assets is reviewed whenever events or circumstances give reason to suspect that the book value is impaired. Any impairment is booked under "Depreciation on 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 reported. Intangible assets are reported at acquisition cost and amortised on a straight-line basis over their estimated useful life within a maximum of three years.

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

Value adjustments and provisions

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

Taxes

Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 19% (previous year: 19.3%) was calculated on untaxed reserves and reported as a provision for deferred taxes.

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

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

Derivative financial instruments

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

Reporting: The replacement values of all contracts concluded on the Group’s own account are reported, regardless of their profit and loss account treatment. The replacement values of exchange-traded contracts concluded on a commission basis are reported only to the extent 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 of Raiffeisen Switzerland are concluded via the trading book; the Treasury does not participate in the market itself. Only the replacement values of contracts with external counterparties are reported. Note 17 “Open derivative financial instruments” shows the replacement values and contract volume with external counterparties. The positions listed under hedging instruments correspond to the volume of the internal Treasury hedging transactions.

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

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

Changes from prior year

There were no material changes to the accounting and valuation principles.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2012) 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	2,743,945	794,036	4,284,418	7,822,399
Mortgage loans				
Residential property	125,293,097	–	82,840	125,375,937
Office and business premises	2,668,264	–	14,883	2,683,147
Trade and industry	3,420,373	–	11,268	3,431,641
Other	4,379,535	–	72,423	4,451,958
Total loans				
Current year	**138,505,214**	**794,036**	**4,465,832**	**143,765,082**
Previous year	130,956,939	640,574	4,607,320	136,204,833
Off-balance-sheet business				
Contingent liabilities	83,581	188,029	179,600	451,210
Irrevocable commitments	4,276,669	171,288	1,701,432	6,149,389
Call commitments and additional funding obligations	–	–	96,647	96,647
Total off-balance-sheet business				
Current year	**4,360,250**	**359,317**	**1,977,679**	**6,697,246**
Previous year	4,155,225	223,363	1,749,560	6,128,148

* 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	Individual provisions in 1000 CHF
Impaired loans				
Current year	**990,773**	**697,687**	**293,086**	**282,544**
Previous year	1,008,947	698,858	310,089	299,542

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

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

	Current year in 1000 CHF	Previous year in 1000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	889,474	589,089
non-stock exchange listed	8,995	–
Shares	48,696	39,683
Precious metals	889,821	919,549
Total trading portfolios in securities and precious metals	**1,836,986**	**1,548,321**
of which securities for repo transactions in line with liquidity requirements	546,671	440,580

* stock exchange listed = traded on a recognised stock exchange

	Book value current year in 1000 CHF	Book value previous year in 1000 CHF	Fair value current year in 1000 CHF	Fair value previous year in 1000 CHF
Financial assets				
Debt instruments	3,830,212	4,640,160	3,916,554	4,737,640
of which intended to be held until maturity	3,301,088	4,623,796	3,386,530	4,721,276
of which valued at the lower of cost or market	529,123	16,364	530,024	16,364
Shares	177,388	108,189	179,938	108,320
of which qualified participations*	5,128	787	5,128	787
Precious metals	584	–	609	–
Real estate	23,995	26,161	25,362	31,526
Total financial assets	**4,032,179**	**4,774,510**	**4,122,463**	**4,877,486**
of which securities for repo transactions in line with liquidity requirements	3,445,981	4,201,227	–	–

* At least 10% of the capital or the votes

	Current year in 1000 CHF	Previous year in 1000 CHF
Non-consolidated participations		
with a market value	336,921	272,869
without a market value	296,285	245,834
Total non-consolidated participations	**633,206**	**518,703**

3 Details of major participations

Company name/holding	Registered office	Operating 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	850,000	100.0	100.0
Notenstein Private Bank Ltd	St.Gallen	Private Bank	20,000	100.0	–
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0
KMU Capital Ltd	Herisau	Financial services	2,566	60.0	100.0
Investnet Ltd	Herisau	Financial services	150	60.0	–
3.2 Holdings valued according to the equity method					
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG	Zurich	Pfandbriefbank	800,000	21.6	21.6
of which not paid up			448,000		
3.3 Other non-consolidated participations[1]					
responsAbility Participations Ltd	Zurich	Financial services	18,905	19.6	–
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	16.5	16.5
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organisation of fairs	23,227	11.2	10.8
Helvetia Holding Ltd	St.Gallen	Financial services	865	4.0	4.0
SIX Group Ltd	Zurich	Financial services	19,522	3.3	3.2

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

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative deprec./ amort. & value adjustments (equity method) in 1000 CHF	Book value at end of previous 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 depreciation/ amortisation 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	102,847	93,330	196,177	–	28,439	–	–	19,723	244,339
Other holdings	387,738	-65,212	322,526	–	88,608 [1]	-5	-22,262	–	388,867
Total non-consolidated participations	**490,585**	**28,118**	**518,703**	**–**	**117,047**	**-5**	**-22,262**	**19,723**	**633,206**
Tangible assets									
Real estate									
Bank buildings	2,003,574	-414,086	1,589,488	-28,224	205,253	-28,782	-37,444	–	1,700,291
Other real estate	409,936	-90,132	319,804	5,748	30,068	-10,395	-7,928	–	337,297
Other tangible assets	1,117,262	-777,079	340,183	22,360	58,925 [2]	-2,569	-101,378	–	317,521
Objects in finance leasing	384	-77	307	–	97	–	-88	–	316
Other	150,723	-125,756	24,967	116	19,422	-8	-17,654	–	26,843
Total tangible assets	**3,681,879**	**-1,407,130**	**2,274,749**	**–**	**313,765**	**-41,754**	**-164,492**	**–**	**2,382,268**
Goodwill	1,426	-1,426	–	–	190,355	–	-11,682	–	178,673
Total intangible assets	**1,426**	**-1,426**	**–**	**–**	**190,355**	**–**	**-11,682**	**–**	**178,673**

1) Investment includes gains of CHF 78.4 million from appreciation on participations; these were booked under extraordinary income.
2) Of which CHF 8.2 million from changes to the consolidated group.

	in 1000 CHF
Value of real estate for fire insurance purposes	2,358,465
Value of other tangible assets for fire insurance purposes	1,069,555
Liabilities: future leasing instalments from operational leasing	14

5 Other assets and liabilities

	Current year in 1000 CHF	Previous year in 1000 CHF
Other assets		
Total replacement value	1,056,985	1,134,993
Equalisation account	507,867	562,000
Coupons und debt instruments	17	–
Clearing accounts for social security and staff pension plan contributions	10	–
Clearing accounts for indirect taxes	102,782	113,522
Other clearing accounts	39,138	6,105
Employer contribution reserves with pension plans	91,382	113,107
Miscellaneous other assets	25,191	10,396
Total other assets	**1,823,372**	**1,940,123**
Other liabilities		
Total replacement value	1,707,180	1,811,509
Due, unredeemed coupons and debt instruments	29,852	26,972
Levies, indirect taxes	148,066	145,488
Clearing accounts for social security and staff pension plan contributions	7,904	8,798
Other clearing accounts	27,710	30,358
Miscellaneous other liabilities	7,254	5,944
Total other liabilities	**1,927,966**	**2,029,069**

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	Previous year amount due or book value in 1000 CHF	Previous year of which made use of in 1000 CHF
Receivables from money market securities	10,000	–	–	–
Receivables from other banks	676,598	676,598	648,868	648,868
Mortgage receivables	17,491,642	12,170,686	15,391,637	10,239,230
Financial assets	954,679	277,308	1,153,313	804,301
Tangible assets	3,602	3,186	3,385	3,385
Total pledged assets	**19,136,521**	**13,127,778**	**17,197,203**	**11,695,784**

6.2 Securities lending and repurchase operations

	Current year in 1000 CHF	Previous year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	1,354,620	806,546
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	607,971	814,787
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	292,058	804,301
for which the right to resell or pledge without restriction was granted	292,058	804,301
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	1,446,337	964,716
of which repledged or resold securities	918,417	778,853

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law. The employees of Notenstein Private Bank Ltd are insured with Katharinen Pensionskasse I and II, which are both defined contribution plans. All employees are insured and thus vested starting at the minimum annual BVG salary defined by law. The employer has no additional obligations to provide further benefits. Katharinen Pensionskasse II is a voluntary pension plan for employees of Notenstein Private Bank Ltd that enables the use of personalised investment strategies.
The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. 7 Raiffeisen banks (prior year: 7), as well as Investnet Ltd, 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	124,358	112,030
Other liabilities to clients	179,214	112,518
Other liabilities (negative replacement values)	26	209
Total liabilities to own social insurance institutions	**303,598**	**224,757**

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). Notenstein Private Bank Ltd has no employer contribution reserves as of 31. December 2012.

	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	111,772	1,335	113,107	107,361	1,332	108,693
+ Deposits	11,727	195	11,923	11,788	176	11,964
– Withdrawals	-35,134[1]	-	-35,134	-9,072	-187	-9,259
+ Interest paid[2]	1,472	14	1,486	1,695	14	1,709
As at 31 December	**89,837**	**1,544**	**91,382**	**111,772**	**1,335**	**113,107**

1) The employer made a one-time contribution in connection with the change in actuarial assumptions at Raiffeisen Pension Fund Cooperative. Of this contribution, CHF 26,461,493 was financed by a withdrawal from the employer contribution reserves.
2) 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 reports (in accordance with Swiss GAAP FER 26) of the pension plans of the Raiffeisen Group, the coverage ratio is:

	on 31.12.2012 in %	on 31.12.2011 in %
Raiffeisen Pension Fund Cooperative	103.0	98.5
Katharinen Pension Fund I	107.5	102.3
Katharinen Pension Fund II	115.2 (Unaudited value)	107.5

By resolution of the Board of Directors of Raiffeisen Switzerland Cooperative, all the employers affiliated with Raiffeisen Pension Fund Cooperative were assessed a one-time contribution in order to pay for the change in actuarial assumptions for existing pensioners.

The fluctuation reserves of the pension schemes of the Raiffeisen Group did not reach the level laid down by the regulator in the year under review, as a result of which there is no surplus cover as defined by Swiss GAAP FER 16.

The pension plans of the Raiffeisen Group are not underfunded. Consequently, the affiliated employers have no economic benefits or economic obligations for which allowance would have to be made in the balance sheet and income statement.

Pension expenditure with significant influencing factors

	Current year in 1000 CHF	Prior year in 1000 CHF
Pension expenditure according to separate financial statements	154,554	94,082
Deposits/withdrawals employer contribution reserves (excl. interest paid)	23,211	-2,705
Employer contributions reported on an accruals basis	**177,765**	**91,377**
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”)	**177,765**	**91,377**

The pension expenditure of the Raiffeisen Group in the current year includes a one-time contribution of CHF 79,652,532 in connection with the change in the actuarial assumptions of Raiffeisen Pension Fund Cooperative.

8 Outstanding bonds and Pfandbriefdarlehen

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of Raiffeisen Switzerland					
Non-subordinated own bonds	2004	3.000	05.05.2014		374,810
	2006	3.125	30.05.2016		505,780
	2010	1.625	31.03.2015		427,115
	2010	1.375	21.09.2017		190,010
	2010	2.000	21.09.2023		247,930
	2011	2.125	04.02.2019		228,400
	2011	2.625	04.02.2026		146,260
	2011	2.375	10.05.2018		130,025
	2011	0.625	18.02.2013		484,750
	2011	0.550	22.02.2013		100,000
Subordinated own bonds	2011	3.875	21.12.2021		535,000
Total bonds of Raiffeisen Switzerland					**3,370,080**
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					
	div.	1.899	div.		11,816,200
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG					**11,816,200**
Total outstanding bonds and Pfandbriefdarlehen					**15,186,280**

9 Value adjustments and provisions

	End of previous year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against income statement in 1000 CHF	Dissolution of provisions against income statement in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	704,134[1]	–	–	33,430	-7,098	730,466
Value adjustments and provisions for default risks (del credere and country risk)	300,242[2]	-25,975	6,516	63,319	-61,558	282,544
Value adjustments and provisions for other business risks	15,179	-2,028	–	22,085	-1,386	33,850
Provisions for restructuring[3]	–	-341	–	5,526	–	5,185
Total value adjustments and provisions	**1,019,555**	**-28,344**	**6,516**	**124,360**	**-70,042**	**1,052,045**

1) of which CHF 33.6 million from changes to the consolidated group
2) of which CHF 0.7 million from changes to the consolidated group
3) made in respect of personnel expenditure

10 Evidence of equity capital (without minority interests)

	Number of members	Nominal amount per share	in 1000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,747,352		364,871
Cooperative capital without additional funding obligation*			234,025
Total cooperative capital	**1,747,352**		**598,896**
Retained earnings			9,276,464
Total equity capital at the beginning of the current year (before approp. of profits)	**1,747,352**		**9,875,360**
+ Payments from new cooperative members with additional funding obligation	100,354	200	20,071
	261	300	78
	268	400	107
	2,238	500	1,119
+ Payments of cooperative shares without additional funding obligation			14,529
Total payments from new cooperative members	**103,121**		**35,904**
– Repayments to departing cooperative members (with additional funding obligation)	-53,996	200	-10,799
	-152	300	-46
	-108	400	-43
	-1,362	500	-681
– Repayments of cooperative shares without additional funding obligation			-7,093
Total repayments to departing cooperative members	**-55,618**		**-18,662**
– Interest paid on the cooperative capital of the Raiffeisen banks in the previous year			-31,463
+ Group profit in the current year			634,845
Total equity capital at the end of the current year (before approp. of profits)	**1,794,855**		**10,495,984**
of which cooperative capital with additional funding obligation	1,736,716	200	347,343
	5,932	300	1,780
	5,487	400	2,195
	46,720	500	23,360
of which cooperative capital without additional funding obligation			241,461
Total cooperative capital at the end of the current year	**1,794,855**		**616,139**
of which retained earnings			9,245,000
of which Group profit			634,845
Additional funding obligation of the cooperative members			**14,358,840**

* 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 2012: CHF 2,935,357,000 (previous year: CHF 2,772,780,000).

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	6,943,410	–	–	–	–	–	6,943,410
Receivables from money market sec.	1,136	–	–	68,300	–	–	69,436
Receivables from banks	201,366	220,272	5,539,147	238,904	50,000	–	6,249,689
Receivables from clients	1,653	3,028,161	1,360,875	740,432	1,986,322	704,956	7,822,399
Mortgage receivables	45,619	15,791,305	5,857,224	13,930,171	75,214,690	25,103,674	135,942,683
Trading portfolios in securities and precious metals	1,836,986	–	–	–	–	–	1,836,986
Financial assets*	177,881	–	533,585	304,633	1,718,708	1,297,372	4,032,179
Total current assets							
Current year	**9,208,051**	**19,039,738**	**13,290,831**	**15,282,440**	**78,969,720**	**27,106,002**	**162,896,782**
Previous year	6,752,375	23,127,395	10,028,736	13,295,737	76,156,076	21,535,318	150,895,637
Outside debt							
Liabilities to banks	538,737	16,791	3,686,194	1,465,716	131,000	5,000	5,843,438
Liabilities to clients in the form of savings and investment deposits	–	103,065,142	–	–	–	–	103,065,142
Other liabilities to clients	12,233,929	722,875	1,634,875	1,627,255	706,748	187,480	17,113,162
Medium-term notes	–	–	930,498	2,468,816	8,229,692	1,247,805	12,876,811
Bonds and Pfandbriefdarlehen	–	–	720,350	505,400	5,478,415	8,482,115	15,186,280
Total outside debt							
Current year	**12,772,666**	**103,804,808**	**6,971,917**	**6,067,187**	**14,545,855**	**9,922,400**	**154,084,833**
Previous year	11,820,138	92,576,219	6,328,066	7,864,670	15,486,745	8,365,333	142,441,171

* Financial assets include CHF 23,995,000 of real estate (previous year: 26,161,000 Swiss francs).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Previous year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	15,012	13,213
Members of the Executive Board of Raiffeisen Switzerland and associated persons and companies	28,929	29,531
Total loans to executive bodies and employees	**43,941**	**42,744**

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	Previous year domestic in 1000 CHF	Previous year foreign in 1000 CHF
Assets				
Liquid funds	6,913,913	29,497	4,693,294	5,001
Receivables from money market securities	1,136	68,300	1,480	–
Receivables from banks	1,372,382	4,877,307	500,990	3,167,208
Receivables from clients	7,695,401	126,998	7,640,289	37,785
Mortgage receivables	135,942,683	–	128,526,759	–
Trading portfolios in securities and precious metals	1,606,722	230,264	1,441,918	106,403
Financial assets	3,339,198	692,981	4,165,904	608,606
Non-consolidated participations	629,290	3,916	514,795	3,908
Tangible assets	2,382,268	–	2,274,749	–
Intangible assets	178,673	–	–	–
Accrued income and deferred charges	205,703	4,237	246,777	12,614
Other assets	1,039,814	783,558	1,184,056	756,067
Total assets	**161,307,183**	**6,817,058**	**151,191,011**	**4,697,592**
Liabilities				
Liabilities to banks	3,206,357	2,637,081	4,008,332	2,623,218
Liabilities to clients in the form of savings and investment deposits	99,352,522	3,712,620	90,124,476	2,424,601
Other liabilities to clients	16,086,921	1,026,241	15,574,392	433,684
Medium-term notes	12,772,123	104,688	13,527,002	88,956
Bonds and Pfandbriefdarlehen	15,186,280	–	13,636,510	–
Accrued expenses and deferred income	558,627	2,840	544,926	12,778
Other liabilities	589,174	1,338,792	591,851	1,437,218
Value adjustments and provisions	1,051,199	846	984,285	1,014
Cooperative capital	616,139	–	598,896	–
Retained earnings	9,244,841	159	8,681,199	–
Group profit	634,814	31	595,106	159
Minority interests in equity capital	1,946	–	–	–
– of which Minority interests in group profit	-393	–	–	–
Total liabilities	**159,300,943**	**8,823,298**	**148,866,975**	**7,021,628**

14 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Previous year in 1000 CHF	Previous year in %
Assets				
Switzerland	161,307,183	95.94	151,191,011	96.99
Rest of Europe	6,366,654	3.79	4,439,816	2.85
Rest of world (America, Asia, Oceania, Africa)	450,404	0.27	257,776	0.16
Total assets	**168,124,241**	**100.00**	**155,888,603**	**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	6,460,612	308,598	74,569	99,631	6,943,410
Receivables from money market securities	50,810	28	18,527	71	69,436
Receivables from banks	1,600,982	1,478,992	2,860,003	309,712	6,249,689
Receivables from clients	7,624,402	70,271	93,871	33,855	7,822,399
Mortgage receivables	135,942,683	–	–	–	135,942,683
Trading portfolios in securities and precious metals	845,663	65,961	16,111	909,251	1,836,986
Financial assets	3,836,284	97,758	97,545	592	4,032,179
Non-consolidated participations	629,290	3,909	–	7	633,206
Tangible assets	2,382,268	–	–	–	2,382,268
Intangible assets	178,673	–	–	–	178,673
Accrued income and deferred charges	207,679	551	1,291	419	209,940
Other assets	1,823,328	4	–	40	1,823,372
Total assets reflected in the balance sheet	**161,582,674**	**2,026,072**	**3,161,917**	**1,353,578**	**168,124,241**
Delivery claims under spot exchange, forward exchange and currency option contracts	14,578,570	7,352,827	5,873,847	2,740,304	30,545,548
Total assets	**176,161,244**	**9,378,899**	**9,035,764**	**4,093,882**	**198,669,789**
Liabilities					
Liabilities to banks	2,623,845	1,094,537	1,837,534	287,522	5,843,438
Liabilities to clients in the form of savings and investment deposits	101,040,678	1,493,283	426,364	104,817	103,065,142
Other liabilities to clients	15,326,318	773,389	676,028	337,427	17,113,162
Medium-term notes	12,876,811	–	–	–	12,876,811
Bonds and Pfandbriefdarlehen	15,186,280	–	–	–	15,186,280
Accrued expenses and deferred income	560,448	44	911	64	561,467
Other liabilities	1,927,916	25	6	19	1,927,966
Value adjustments and provisions	1,052,045	–	–	–	1,052,045
Cooperative capital	616,139	–	–	–	616,139
Retained earnings	9,244,841	–	–	159	9,245,000
Group profit	634,814	–	–	31	634,845
Minority interests in equity capital	1,946	–	–	–	1,946
– of which Minority interests in group profit	-393	–	–	–	-393
Total liabilities reflected in the balance sheet	**161,092,081**	**3,361,278**	**2,940,843**	**730,039**	**168,124,241**
Delivery obligations under spot exchange, forward exchange and currency option contracts	15,131,305	5,973,168	6,089,342	3,329,589	30,523,404
Total liabilities	**176,223,386**	**9,334,446**	**9,030,185**	**4,059,628**	**198,647,645**
Net position per currency	**-62,142**	**44,453**	**5,579**	**34,254**	**22,144**

	31.12.2012	31.12.2011
Foreign currency conversion rates		
EUR	1.207	1.217
USD	0.916	0.941

Information on the off-balance-sheet business

16 Contingent liabilities

	Current year in 1000 CHF	Previous year in 1000 CHF
Collateral securities	199,017	176,230
Warranty bonds	58,029	63,587
Other contingent liabilities	194,164	126,477
Total contingent liabilities	**451,210**	**366,294**

17 Open derivative financial instruments

17.1 Open derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume in 1000 CHF	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume in 1000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	1,216	1,338	12,000,000	–	–	–
Swaps	428,696	465,022	45,240,085	442,998	1,072,351	36,505,000
Futures contracts	–	–	655,748	–	–	–
Options (OTC)	–	25	16,095	–	–	–
Options (traded)	–	–	70,172	–	–	–
Total interest rate instruments	**429,913**	**466,385**	**57,982,099**	**442,998**	**1,072,351**	**36,505,000**
Foreign currencies						
Forward contracts	154,605	154,177	27,822,083	4,274	8,634	1,749,180
Comb. interest rate/currency swaps	1,524	1,464	207,382	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	427	222	100,354	–	–	–
Options (traded)	–	–	–	–	–	–
Total foreign currencies	**156,556**	**155,863**	**28,129,819**	**4,274**	**8,634**	**1,749,180**
Precious metals						
Forward contracts	19,990	3,728	732,679	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	10,857	–	–	–
Options (OTC)	787	58	38,566	–	–	–
Options (traded)	–	–	–	–	–	–
Total precious metals	**20,776**	**3,786**	**782,102**	**–**	**–**	**–**
Equity securities and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	35,787	–	–	–
Options (OTC)	14	14	1,181	–	–	–
Options (traded)	455	146	8,117	–	–	–
Total equities/indices	**469**	**160**	**45,085**	**–**	**–**	**–**

17.1 Open derivative financial intruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume in 1000 CHF	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume in 1000 CHF
Credit derivatives						
Credit Default Swaps	–	–	–	–	–	–
Total Return Swaps	–	–	–	–	–	–
First to Default Swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	2,000	–	23,700	–	–	–
Options (traded)	–	–	–	–	–	–
Total other	**2,000**	**–**	**23,700**	**–**	**–**	**–**
Total						
Current year	**609,714**	**626,194**	**86,962,805**	**447,271**	**1,080,986**	**38,254,180**
Prior year	673,085	620,773	54,186,087	461,908	1,190,736	34,063,548

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

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	1,051,953	1,700,348	66,084,294	43,008,514	14,590,750	123,683,558
Clients	4,576	6,686	639,178	35,040	101,665	775,883
Stock exchanges	455	146	639,509	118,035	–	757,544
Total						
Current year	**1,056,985**	**1,707,180**	**67,362,981**	**43,161,589**	**14,692,415**	**125,216,985**
Prior year	1,134,993	1,811,509	41,004,371	33,815,068	13,430,197	88,249,635

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. 98.9% 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	7,090	108,260	70,981	70,400	256,731
Fiduciary loans	–	181	29,646	–	29,827
Total fiduciary transactions	**7,090**	**108,441**	**100,627**	**70,400**	**286,558**
Previous year	39,000	13,037	941	5,664	58,642

Information on the income statement

19 Net income from commission business and service transactions

	Current year in 1000 CHF	Previous year in 1000 CHF
Commission income		
Commission income from lending business	15,128	12,140
Commission income from securities and investment business		
Fund business	76,881	65,088
Custody account business	58,964	42,262
Brokerage	78,824	55,670
Asset management business	60,666	6,176
Other securities and investment business	23,966	9,599
Commission income from other service transactions		
Payments	118,842	108,930
Account maintenance	26,306	24,335
Other service transactions	13,983	12,958
Total commission income	**473,560**	**337,158**
Commission expenditure		
Securities business	-41,922	-36,325
Payments	-58,865	-52,911
Other commission expenditure	-5,075	-4,879
Total commission expenditure	**-105,862**	**-94,115**
Total net income from commission business and service transactions	**367,698**	**243,043**

20 Net trading income

	Current year in 1000 CHF	Previous year in 1000 CHF
Foreign exchange trading	101,601	79,528
Precious metals and foreign notes and coins trading	60,559	58,121
Equities trading	4,501	-790
Fixed income trading	23,824	531
Total net trading income	**190,485**	**137,390**

21 Income from participating interests

	Current year in 1000 CHF	Previous year in 1000 CHF
Holdings valued according to the equity method	25,341	20,621
Other non-consolidated holdings	18,678	20,664
Total income from participating interests	**44,019**	**41,285**

22 Personnel expenditure

	Current year in 1000 CHF	Previous year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	23,217	23,806
Salaries and bonuses for staff	966,983	849,339
AHV, IV, ALV and other statutory contributions	86,004	80,466
Contributions to staff pension plans	177,765	91,377
Ancillary staff expenses	29,286	25,562
Total personnel expenditure	**1,283,255**	**1,070,550**

23 Operating expenditure

	Current year in 1000 CHF	Previous year in 1000 CHF
Occupancy costs	83,756	74,340
Cost of computer equipment, machinery, furniture, vehicles and other equipment	116,521	112,421
Other operating expenditure	302,055	263,989
Total operating expenditure	**502,332**	**450,750**

24 Extraordinary income and expenditure

Current year

The extraordinary income of CHF 89.2 million mainly consists of CHF 4.2 million in dissolutions of value adjustments and provisions for default risks, CHF 5.1 million in income from the sale of tangible assets and participations, and CHF 78.4 million from the appreciation of participations.

The extraordinary expenditure of CHF 2.3 million includes losses from the sale of tangible assets of CHF 1.3 million.

Previous year

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

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

25 Tax expenditure

	Current year in 1000 CHF	Previous year in 1000 CHF
Creation of provisions for deferred taxes	26,332	27,630
Expenditure for current income tax	123,092	118,288
Total tax expenditure	**149,424**	**145,918**

Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 72 to 103), for the year ended 31 December 2012.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

PricewaterhouseCoopers Ltd, Neumarkt 4 / Kornhausstrasse 26, Postfach, 9001 St. Gallen
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pwc

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Beat Rütsche	Dominique Rey
Audit expert Auditor in charge	Audit expert

St. Gallen, 2 April 2013

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.

Mandatory and eligible capital

	Current year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Previous year Risk-weighted positions in 1000 CHF	Previous year Required capital in 1000 CHF
Mandatory capital				
Credit risk (Swiss standard approach)				
Receivables from banks	812,334	64,987	678,965	54,317
Receivables from clients	4,612,675	369,014	4,409,423	352,754
Mortgage receivables	55,756,758	4,460,541	52,763,033	4,221,043
Accruals	155,598	12,448	155,893	12,471
Other assets, miscellaneous	120,785	9,663	126,056	10,084
Other assets, total replacement value of derivatives	461,889	36,951	470,385	37,631
Net interest positions outside trading book	495,641	39,651	692,266	55,381
Net equity positions outside trading book	460,163	36,813	288,023	23,042
Contingent liabilities	206,829	16,546	214,019	17,122
Irrevocable commitments	895,160	71,613	832,518	66,601
Call commitments and additional funding obligations	603,946	48,316	377,693	30,215
Add-ons for forward contracts and options purchased	192,139	15,371	97,730	7,818
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		**5,181,913**		**4,888,480**
Non-counterparty-related risks				
Tangible assets and software	7,669,840	613,587	7,457,089	596,567
Real estate in financial assets	89,982	7,199	98,105	7,848
Mandatory capital for non-counterparty-related risks		**620,786**		**604,416**
Market risks (standard approach)				
Interest rate instruments – general market risk		92,178		60,464
Interest rate instruments – specific risk		22,674		6,600
Equity instruments		7,782		8,969
Foreign currencies and gold		7,555		9,712
Other precious metals		6,351		6,692
Options		495		47
Mandatory capital for market risks		**137,035**		**92,484**
Mandatory capital for operational risks (basic indicator approach)		**402,324**		**363,332**
Value adjustments recorded under liabilities (Art. 62 Capital Adequacy Ordinance)		**–**		**–**
Total mandatory capital		**6,342,058**		**5,948,712**

	Current year Risk-weighted positions in 1000 CHF	Current year Required capital in 1000 CHF	Previous year Risk-weighted positions in 1000 CHF	Previous year Required capital in 1000 CHF
Available capital				
Total core capital		10,464,023		9,843,896
of which innovative core capital instruments		–		–
– intangible assets		-178,673		–
– proportional deduction for participations in the financial area*		-314,930		-257,922
Eligible adjusted core capital		**9,970,420**		**9,585,974**
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		535,000		2,869,462
– proportional deduction for participations in the financial area*		-314,930		-257,922
Eligible supplementary capital		**220,070**		**2,611,540**
Total eligible capital		**10,190,490**		**12,197,514**
Equity surplus		3,848,432		6,248,802
Equity coverage ratio		160.7%		205.0%
Core capital ratio		12.6%		12.9%
Total capital ratio		12.9%		16.4%

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

Credit risk by counterparty as of 31 December 2012

Loan commitments (in 1000 CHF)[1]	Central govern-ments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit-ments	Total
Balance sheet items								
Receivables from banks	17,305	6,232,384	–	–	–	–	–	6,249,689
Receivables from clients	3,039	98,352	2,847,437	1,198,453	3,675,118	–	–	7,822,399
Mortgage receivables	49,199	56,287	124,241	920,834	134,792,122	–	–	135,942,683
Interest and equity positions outside trading book	305,515	426,849	316,558	805,533	–	180,720	5,811	2,040,986
Replacement values of derivatives[2]	–	1,051,954	–	455	4,576	–	–	1,056,985
Other assets	145,611	33,018	1,849	43,576	244,402	–	–	468,456
Total current year	**520,669**	**7,898,844**	**3,290,085**	**2,968,851**	**138,716,218**	**180,720**	**5,811**	**153,581,198**
Total previous year	2,395,447	5,107,739	3,229,167	4,519,563	130,898,789	111,161	1,480	146,263,346
Off-balance-sheet items[3]								
Contingent liabilities	483	6,986	8,695	194,993	196,301	–	–	407,458
Irrevocable commitments	180	16,631	607,237	200,325	1,282,173	–	–	2,106,546
Call commitments and additional funding obligations	11	–	–	603,935	–	–	–	603,946
Add-ons for forward contracts and options purchased[2]	–	463,783	–	4,453	452	–	–	468,688
Total current year	**674**	**487,400**	**615,932**	**1,003,706**	**1,478,926**	**–**	**–**	**3,586,638**
Total previous year	514	263,074	585,196	663,809	1,479,813	–	–	2,992,406

Credit risk/minimisation of credit risk as of 31 December 2012

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	1,375,591	–	4,874,098	6,249,689
Receivables from clients	251,480	137,886	7,433,033	7,822,399
Mortgage receivables	243,845	98,138	135,600,700	135,942,683
Interest and equity positions outside trading book	–	–	2,040,986	2,040,986
Replacement values of derivatives[2]	–	–	1,056,985	1,056,985
Other assets	–	–	468,456	468,456
Total current year	**1,870,916**	**236,024**	**151,474,258**	**153,581,198**
Total previous year	1,236,133	238,817	144,788,396	146,263,346
Off-balance-sheet items[3]				
Contingent liabilities	150,203	3,224	254,031	407,458
Irrevocable commitments	81,090	17,348	2,008,108	2,106,546
Call commitments and additional funding obligations	–	–	603,946	603,946
Add-ons for forward contracts and options purchased[2]	–	–	468,688	468,688
Total current year	**231,293**	**20,572**	**3,334,773**	**3,586,638**
Total previous year	112,575	40,920	2,838,911	2,992,406

Segmentation of credit risks as of 31 December 2012

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	3,295	2,663	–	292	–	–	–	–	–	–	6,250
Receivables from clients	200	77	1,774	2,900	1,184	1,631	0	56	–	–	7,822
Mortgage receivables	219	40	114,020	4,966	13,330	2,921	0	446	–	–	135,943
Interest and equity positions outside trading book	300	1,201	–	327	–	32	10	–	162	8	2,041
Replacement values of derivatives[2]	–	284	–	759	10	4	–	–	–	–	1,057
Other assets	169	30	–	0	–	269	–	–	–	–	468
Total current year	**4,183**	**4,295**	**115,794**	**9,245**	**14,524**	**4,857**	**10**	**502**	**162**	**8**	**153,581**
Total previous year	3,737	5,678	109,511	8,323	13,744	4,641	1	518	107	4	146,263
Off-balance-sheet items[3]											
Contingent liabilities	144	3	35	24	75	126	–	0	–	–	407
Irrevocable commitments	81	616	955	41	110	304	–	–	–	–	2,107
Call commitments and additional funding obligations	–	–	–	–	–	604	–	–	–	–	604
Add-ons for forward contracts and options purchased[2]	–	182	–	278	5	4	–	–	–	–	469
Total current year	**225**	**801**	**990**	**343**	**189**	**1,039**	**–**	**0**	**–**	**–**	**3,587**
Total previous year	110	690	1,084	192	167	750	–	0	–	–	2,992

1) Before deduction of provisions.
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 Current year	Raiffeisen banks Prior year	Raiffeisen Switzerland Current year	Raiffeisen Switzerland Prior year	Other Group companies Current year	Other Group companies Prior year	Consolidation effects Current year	Consolidation effects Prior year	Raiffeisen Group Current year	Raiffeisen Group Prior year
Income Statement										
Net interest income	1,937	1,935	115	131	37	–	4	10	2,093	2,076
Net income from commission business and service transactions	169	168	88	81	116	–	-5	-6	368	243
Net trading income	93	90	58	48	35	–	4	-1	190	137
Other ordinary result	34	35	268	277	13	3	-254	-258	61	57
Operating income	**2,233**	**2,228**	**529**	**537**	**201**	**3**	**-251**	**-255**	**2,712**	**2,513**
Personnel expenditure	-816	-779	-326	-300	-104	–	-37	9	-1,283	-1,070
Operating expenditure	-515	-537	-174	-162	-49	-3	235	251	-503	-451
Total operating expenditure	**-1,331**	**-1,316**	**-500**	**-462**	**-154**	**-3**	**199**	**260**	**-1,786**	**-1,521**
Gross profit	**902**	**912**	**29**	**75**	**47**	**0**	**-52**	**5**	**926**	**992**
Depreciation on fixed assets	-136	-135	-47	-99	-1	–	-14	-5	-198	-239
Value adjustments, provisions and losses	-502	-505	-2	-14	-13	-1	486	497	-31	-23
Operating profit (interim result)	**264**	**272**	**-20**	**-38**	**33**	**-1**	**420**	**497**	**697**	**730**
Extraordinary income	56	50	57	60	–	–	-24	-95	89	15
Extraordinary expenditure	-15	-14	–	–	–	–	13	10	-2	-4
Taxes	-119	-119	-2	-1	-2	–	-26	-26	-149	-146
Group profit (including minority interests)	**186**	**189**	**35**	**21**	**30**	**-1**	**383**	**386**	**635**	**595**
Minority interests in group profit	–	–	–	–	–	–	–	–	–	–
Group profit	**186**	**189**	**35**	**21**	**30**	**-1**	**383**	**386**	**635**	**595**
Key balance sheet figures										
Total assets	154,420	146,347	32,283	30,700	3,919	12	-22,498	-21,170	168,124	155,889
Loans to clients	135,214	128,851	8,019	7,355	507	3	25	-4	143,765	136,205
Client deposits	121,949	114,871	7,821	7,341	3,309	–	-24	-39	133,055	122,173

Balance Sheet – five-year overview

(in CHF million)	2012	2011	2010	2009	2008
Assets					
Liquid funds	6,943	4,698	1,463	1,338	1,829
Receivables from money market securities	70	2	102	4	5
Receivables from banks	6,250	3,668	6,619	8,800	12,605
Receivables from clients	7,822	7,678	7,666	6,958	7,160
Mortgage receivables	135,943	128,527	119,595	110,678	101,435
Loans to clients	**143,765**	**136,205**	**127,261**	**117,636**	**108,595**
Trading portfolios in securities and precious metals	1,837	1,548	1,300	500	341
Financial assets	4,032	4,775	5,703	6,627	3,391
Non-consolidated participations	633	519	557	456	339
Tangible assets	2,382	2,275	2,219	2,098	1,976
Intangible assets	179	–	–	–	–
Accrued income and deferred charges	210	259	232	227	219
Other assets	1,823	1,940	1,783	1,833	2,275
Total assets	**168,124**	**155,889**	**147,239**	**139,520**	**131,575**
Liabilities					
Liabilities to banks	5,843	6,632	8,582	9,823	8,496
Liabilities to clients in the form of savings and investment deposits	103,065	92,549	86,591	79,688	67,492
Other liabilities to clients	17,113	16,008	16,184	14,579	18,326
Medium-term notes	12,877	13,616	13,668	16,472	18,280
Client deposits	**133,055**	**122,173**	**116,443**	**110,739**	**104,098**
Bonds and Pfandbriefdarlehen	15,186	13,637	9,747	7,417	7,946
Accrued expenses and deferred income	562	558	550	546	695
Other liabilities	1,928	2,029	1,660	1,389	1,382
Value adjustments and provisions	1,052	985	976	977	979
Cooperative capital	616	599	570	536	505
Retained earnings	9,245	8,681	8,084	7,447	6,910
Group profit	635	595	627	645	564
Total equity capital (without minority interests)	**10,496**	**9,875**	**9,281**	**8,628**	**7,979**
Minority interests in equity capital	2	–	–	–	–
– of which Minority interests in group profit	-0	–	–	–	–
Total equity capital (with minority interests)	**10,498**	**9,875**	**9,281**	**8,628**	**7,979**
Total liabilities	**168,124**	**155,889**	**147,239**	**139,520**	**131,575**

Income Statement – five-year overview

(in CHF million)	2012	2011	2010	2009	2008
Interest and discount income	3,404	3,423	3,383	3,457	3,945
Interest and dividend income from financial assets	82	84	91	98	52
Interest expenditure	-1,393	-1,431	-1,472	-1,604	-2,071
Net interest income	**2,093**	**2,076**	**2,002**	**1,951**	**1,926**
Commission income lending business	15	12	9	7	7
Commission income securities and investment business	299	179	195	183	186
Commission income other service transactions	159	146	139	143	138
Commission expenditure	-106	-94	-102	-106	-101
Net income from commission business and service transactions	**367**	**243**	**242**	**227**	**230**
Net trading income	**190**	**137**	**116**	**116**	**108**
Income from sale of financial assets	–	–	1	1	1
Income from participating interests	44	41	32	30	36
Income from real estate	18	18	19	17	18
Other ordinary income	13	6	8	9	14
Other ordinary expenditure	-13	-8	-2	-1	-7
Other ordinary profit	**62**	**57**	**58**	**56**	**62**
Operating income	**2,712**	**2,513**	**2,418**	**2,350**	**2,326**
Personnel expenditure	-1,283	-1,070	-1,031	-1,016	-962
Operating expenditure	-502	-451	-434	-447	-481
Total operating expenditure	**-1,785**	**-1,521**	**-1,465**	**-1,463**	**-1,443**
Gross profit	**927**	**992**	**953**	**887**	**883**
Depreciation on fixed assets	-198	-239	-200	-179	-231
Value adjustments, provisions and losses	-31	-23	-4	-8	-11
Operating profit (interim result)	**698**	**730**	**749**	**700**	**641**
Extraordinary income	89	16	31	96	43
Extraordinary expenditure	-2	-5	-8	-5	-3
Taxes	-150	-146	-145	-146	-117
Group profit (including minority interests)	**635**	**595**	**627**	**645**	**564**
Minority interests in group profit	–	–	–	–	–
Group profit	**635**	**595**	**627**	**645**	**564**

Cash Flow Statement – five-year overview

(in CHF million)	2012	2011	2010	2009	2008
Group profit	**635**	**595**	**627**	**645**	**564**
+ Depreciation on fixed assets	198	239	200	179	231
– Appreciation on participations	-78	–	-7	-71	–
+ Value adjustments and provisions	32	9	-1	-2	-59
– Increase / + decrease in money market securities	-68	100	-98	1	6
± Net change in receivables from/liabilities to banks	-3,370	1,001	940	5,132	-3,200
– Increase / + decrease in receivables from clients	-144	-12	-708	202	68
– Increase / + decrease in mortgage receivables	-7,416	-8,932	-8,917	-9,243	-7,136
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	10,516	5,958	6,903	12,196	6,613
+ Increase / – decrease in other liabilities to clients	1,105	-176	1,604	-3,747	560
+ Increase / – decrease in medium-term notes	-739	-52	-2,803	-1,808	2,770
± Net change in receivables from/liabilities to clients	3,322	-3,214	-3,921	-2,400	2,875
– Increase / + decrease in trading portfolios in securities and precious metals	-289	-248	-799	-159	350
– Increase / + decrease in financial assets (debt securities, etc.)	742	928	924	-3,236	-1,187
± Net change in accruals and deferrals as well as other assets and liabilities	69	193	320	292	1,194
Net cash flow from operating activities	**1,193**	**-397**	**-1,815**	**381**	**774**
– Increase in participations	-58	-19	-83	-47	-9
+ Decrease in participations	–	–	2	–	4
– Increase in real estate	-235	-165	-245	-202	-185
+ Decrease in real estate	39	23	59	35	28
– Increase in other tangible assets/objects in finance leasing/intangible assets	-268	-102	-135	-145	-192
+ Decrease in other tangible assets/objects in finance leasing	2	7	6	12	5
+ Changes to the consolidated group	34	–	–	–	–
Net cash flow from fixed-asset activities	**-486**	**-256**	**-396**	**-347**	**-350**
+ Increase in bonds and Pfandbriefdarlehen	2,952	5,255	3,129	287	891
– Decrease in bonds and Pfandbriefdarlehen	-1,402	-1,366	-798	-816	-701
+ Increase in cooperative capital	36	45	50	45	51
– Decrease in cooperative capital	-19	-16	-16	-14	-13
– Interest paid on share certificates for prior year	-31	-30	-28	-27	-26
+ Minority interests in equity capital	2	–	–	–	–
Net cash flow from financing activities	**1,538**	**3,888**	**2,337**	**-525**	**202**
Total cash flow (net change in liquid funds)	**2,245**	**3,235**	**125**	**-491**	**626**
Liquid funds at start of year	4,698	1,463	1,338	1,829	1,203
Liquid funds at end of year	**6,943**	**4,698**	**1,463**	**1,338**	**1,829**

Raiffeisen Group

Agenda

2013/2014

15.06.2013
Delegate Meeting
Raiffeisen Switzerland in Aarau

14.08.2013
Publication of half-year results
Phone conference for analysts and media

28.02.2014
Annual accounts
Balance sheet press conference
Conference for analysts

Imprint

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