Raiffeisen Switzerland

Annual Report

2012

RAIFFEISEN

Raiffeisen Switzerland

Contents

Annual 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

ORGANISATIONAL CHART OF RAIFFEISEN SWITZERLAND

Board of Directors
Prof. Dr Johannes Rüegg-Stürm (Chairman), Philippe Moeschinger (Vice Chairman), Rita Fuhrer, Angelo Jelmini, Anne-Claude Luisier, Daniel Lüscher[1], Urs Schneider, Christian Spring[1], Prof. Dr Franco Taisch, Lic. iur. Edgar Wohlhauser, Werner Zollinger

Chairman of the Executive Board Dr Pierin Vincenz[2]

Market
Dr Patrik Gisel[2]

- **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[2]

- **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[2]

- **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[2]

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

[1] Dependent in the sense of FINMA Circular 2008/24 paragraphs 20 – 24
[2] Member of the Executive Board
[3] Member of the Extended Executive Board

General Secretariat Pius Horner

IT & Operations
Damir Bogdan[2]

Business Systems
Beat Monstein

IT Operations
Christian Lampert

Front Services
Adrian Töngi

Finance
Marcel Zoller[2]

Accounting
Paolo Arnoffi

Controlling
Dr Christian Poerschke

Group Risk Management
Dr Beat Hodel[3]

Credit Risk Management
Daniel Tönz

Projects
Marcel Zuberbühler

DIALBA Program
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

Business trend

High liquidity surplus thanks to satisfactory inflow of client deposits into the Group

Raiffeisen banks' strong surplus in liquidity, the respectable growth in branches, the very low rate of interest, the contribution to strengthen the pension fund, and a large volume of projects have left their mark on the balance sheet and income statement.

Raiffeisen Switzerland posted a net profit of CHF 35.1 million for the financial year 2012. Total assets grew by CHF 1.6 billion, to CHF 32.3 billion. There were again substantial shifts within the balance sheet.

No post-balance-sheet events occurred that would have a significant impact on the operating result.

INCOME STATEMENT

Operating income came in slightly lower year-on-year at CHF 528.4 million (-1.5%). In a challenging market environment, net interest income fell by CHF 16.3 million (-12.5%). Commission income (+8.0%) and trading profits (+21.3%) performed well. Operating expenditure increased by 8.3% or CHF 38.2 million. Of this amount, CHF 23.2 million was allocated as a contribution to strengthen the pension fund.

Income from ordinary banking activity

Net interest income (note 20) fell by CHF 16.3 million, to CHF 114.5 million. While Treasury income was lower, primarily due to the subordinated bond issued at the end of 2011, successful asset and liability management as well as higher business volume boosted branch contributions by CHF 3.5 million compared to the year before.

Net income from commission business and service transactions (note 21) was up by 8% on the previous year to CHF 88 million. Commission income from the lending business rose significantly by CHF 2.1 million, to CHF 7.9 million. Income from the securities and investment business fell by 7.9% to CHF 44.6 million due to declining volume. Other service transactions stayed at prior-year levels of CHF 66 million. Commission expenditure declined to CHF 30.5 million due to lower transaction volume in the securities business and fewer custody accounts.

Raiffeisen Switzerland again recorded a solid trading result of CHF 57.9 million for 2012 (note 22), comprised mostly of foreign exchange, notes and coins and precious metals trading. Fixed income trading results were also encouraging. The troubled market environment was responsible for negative income from share trading.

The other ordinary profit came in lower by CHF 8.5 million, at CHF 268.1 million. Dividend income from the strategic participations was down by approximately CHF 2 million this year, causing income from participating interests to fall by 8.2% to CHF 22.4 million. In addition to income from individually-billed services, other ordinary income (note 23) also includes the contributions from the Raiffeisen banks for collective and strategic services provided by Raiffeisen Switzerland. Income from IT services for Group companies came to CHF 56.6 million in 2012, 24.8% lower year-on-year. Income for collective and strategic services to the Raiffeisen banks was also down by 5.8% or CHF 3 million. Other individual services provided to Group companies remained at 2011 levels, namely CHF 88.9 million. The third-party services charged for Group projects are now shown gross in other ordinary income and in operating expenditure. Together with internal services, these amounted to CHF 69.8 million in the year under review, roughly the same as the figure for the previous year. Other ordinary expenditure now also includes expenditure on purchasing IT infrastructure for the Raiffeisen banks, in addition to value adjustments made to financial assets in response to market developments. In the past, this expense was reported under operating expenditure. Other ordinary expenditure was CHF 18.3 million, with CHF 13.4 million spent on IT items for the Raiffeisen banks.

Operating expenditure
Personnel expenditure (note 24) totalled CHF 326.3 million, increasing by 8.6% or CHF 25.9 million, due partly to the one-off employer contribution of CHF 23.2 million to finance the technical conversion of the pension fund, and partly to the larger workforce, up 22.7 full-time equivalents or 1.3%. Pay increases averaged 1.4%.

Operating expenditure (note 25) rose by CHF 12.4 million (+7.7%) to CHF 173.9 million. Sponsoring and advertising expenditure saw a CHF 5.4 million increase (+34.6%) over 2011. The purchasing of IT hardware for Raiffeisen banks is now reported under other ordinary expenditure. As a consequence, the operating expenditure for IT infrastructure fell by 59.9% to CHF 46.5 million. In contrast, costs and earnings for projects that are charged on to the Raiffeisen banks are also now booked gross. The related expenditure on consulting costs and external project staff resulted in an increase of CHF 28.7 million in the 'other operating expenditure' line-item.

Depreciation on assets
Depreciation of CHF 3 million (2011: CHF 57.9 million) was applied to investments. Depreciation on tangible assets (note 4) rose slightly by CHF 2.5 million year-on-year to CHF 43.6 million (+6%). At CHF 2.5 million, extraordinary writedowns with reserve characteristics stayed at 2011 levels.

Value adjustments, provisions and losses
Value adjustments, provisions and losses fell by CHF 11.8 million to CHF 1.8 million. These expenses were basically due to card losses.

Extraordinary income and taxes
The extraordinary income (note 26) of CHF 57.1 million includes revaluation of the strategic investments, up to the acquisition value, in Vontobel Holding AG and Helvetia Holding AG totalling CHF 56.5 million. Tax expenditure in 2012 amounted to CHF 1.7 million.

Net profit
A net profit of CHF 35.1 million was recorded.

BALANCE SHEET

Raiffeisen Switzerland's balance sheet reflects the diverse demands placed on the organisation as a result of its central position within the Raiffeisen Group. Raiffeisen Switzerland has bank branches in larger Swiss cities with similar service arrays to Raiffeisen banks. It also performs Central Bank functions for the entire Group, and as central intermediary holds responsibility for liquidity management, funding and hedging of interest rate exposure on a consolidated basis, among other things.

As a result, the short-term liquidity situation of the Raiffeisen banks, which is a function of the difference in the growth of client deposits and loans respectively, is directly reflected in Raiffeisen Switzerland's balance sheet and total assets. There were some considerable shifts within the balance sheet in the year under review, with Raiffeisen Switzerland's total assets increasing by CHF 1.6 billion, to CHF 32.3 billion.

The statutory liquidity requirements, which have to be met on a consolidated basis, were satisfied at all times.

Receivables/liabilities vis-à-vis Raiffeisen banks

At the end of 2012, Raiffeisen Switzerland's net liabilities to Raiffeisen banks amounted to CHF 3.4 billion (2011: CHF 1 billion), which resulted from Raiffeisen banks enjoying high client asset inflows. To comply with statutory liquidity requirements, the Raiffeisen banks hold assets of CHF 7.2 billion in blocked escrow accounts.

Receivables/liabilities vis-à-vis other banks

Interbank business volume increased in 2012. At the end of 2012, receivables in particular were up 26% on the previous year. The net obligation went down by CHF 1.5 billion to roughly CHF 1.4 billion. The unsecured interbank loans were mostly for terms of one month or less. The current low market rates have brought the repo market to a virtual standstill.

Loans to clients

Loans to clients rose by a total of CHF 663.9 million, or 9% to CHF 8 billion in 2012. The branches increased lending volume by CHF 540.1 million (8.5%) to CHF 6.9 billion. These loans also include short-term Central Bank loans to institutional clients, loans to larger corporate clients, as well as the equipment leasing business.

Trading portfolios in securities and precious metals

Trading portfolios rose by CHF 197.4 million or 12.4% 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 by CHF 260.2 million, to CHF 891.1 million. Precious metals portfolios were down CHF 39.6 million, to CHF 877.6 million. The capital adequacy requirements for market risks in the trading book are detailed on page 23.

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. Book value declined by CHF 1.3 billion, to CHF 3.6 billion.

Participations

The primary participations/investments are detailed under notes 3 and 4. In 2012, Raiffeisen Switzerland invested roughly CHF 595 million in participations. The purchase price for acquiring Notenstein Private Bank Ltd was CHF 577 million. Acquired goodwill amounted to CHF 155 million, corresponding 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 18 million was invested in other participations.

A 60% stake in Investnet AG was acquired by means of stock swap and the disposal of 40% in KMU Capital AG. The book value of the two strategic participations, Vontobel Holding AG and Helvetia Holding AG, rose by CHF 56.5 million to the acquisition value following sharp share-price rallies in the second half of the year.

Tangible assets

Investment volume in properties (note 4) for 2012 was CHF 3.4 million, of which CHF 2.4 million was invested in the bank branches, and CHF 1 million in various bank buildings at Raiffeisenplatz in St.Gallen. An amount of CHF 12.1 million was invested in other tangible assets, of which roughly CHF 2.3 million went to conversions of non-owned properties or installations at branches and new branch satellite offices. Another approximately CHF 9.7 million was invested in new hardware. "Other" items concern investments of CHF 18.8 million for software and licences.

Client deposits
Client deposits increased by 6.5% or CHF 480.1 million, to CHF 7.8 billion in the year under review. Client deposits held by the branches increased by CHF 302.2 million, or 6.0% to CHF 5.4 billion.

Bonds and Pfandbriefdarlehen
In October, one CHF 250 million bond issue matured, decreasing the total holding to CHF 3.6 billion (note 9). Liabilities owed to Pfandbriefbank increased by a net CHF 337.3 million to CHF 2.07 billion. Redemptions of CHF 467.5 million were offset by new issues of CHF 804.8 million.

Value adjustments and provisions
The value adjustments for default risks (note 10) decreased by CHF 9 million, to CHF 30.7 million. New provisions totalling CHF 9.3 million were allocated, with reversals of CHF 9.5 million, while the sum of CHF 10 million was written off for confirmed losses. Restructuring provisions of CHF 1.5 million were recognised under personnel expenditure in the financial year under review. To determine the value adjustments for default risks, expected loss risks were factored in based on internal ratings and the calculated value of collateral. Provisions for other business risks were reduced by CHF 0.5 million in net terms.

Reserves for general banking risks
At CHF 289.7 million, reserves for general banking risks remain unchanged year-on-year; CHF 139.0 million of the total reserves of CHF 289.7 million has been taxed (note 10).

Equity capital
At the end of March 2012, cooperative capital was increased by CHF 400 million, to CHF 850 million. Equity capital totalled CHF 1.3 billion at the end of the current year.

Off-balance-sheet business
Total contingent liabilities (note 17) declined by CHF 35.8 million, to CHF 367 million. In the short maturities segment, 2012 was dominated by an expected and actual negative interest rate environment. The contract volume of derivative financial instruments (note 18) consequently increased markedly by CHF 36 billion to CHF 124.3 billion. Hedging transactions for the bank book rose by 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 billion (2011: CHF 1.1 billion), while the negative replacement values amounted to CHF 1.7 billion (2011: CHF 1.8 billion).

Fiduciary transactions fell by CHF 52.8 million, to CHF 5.8 million.

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

Raiffeisen's remuneration system conforms to the relevant requirements stipulated by legislation, rules and regulations, in particular the provisions laid down in Circular 10/1 "Remuneration Systems" issued by the Swiss Financial Market Supervisory Authority (FINMA), which apply to Raiffeisen Switzerland. The Circular regulates the creation, introduction and disclosure of remuneration systems at financial services companies.

Review by independent experts

In order to develop and refine the remuneration system in place at Raiffeisen since 2010, Raiffeisen engaged PricewaterhouseCoopers AG (PwC) to assess all aspects of the remuneration system from an external and objective viewpoint. Since the 2007 financial year, PwC has been the auditor for the purposes of the Swiss Code of Obligations for the Raiffeisen Group as a whole. To avoid conflicts of interest, the assessment was carried out by independent experts from the consulting section who otherwise do not hold any auditing-related mandates of any kind. The PwC report was discussed in depth by the Executive Board in the second half of the period under review and forwarded to the Strategy and Compensation Committee and the Board of Directors for further treatment and decision-making.

Major changes that were introduced as a result of the PwC report include even closer involvement, starting in 2013, of the full Board of Directors in the compensation process and greater transparency in the existing remuneration report. At the same time, additional findings are applied to the remuneration process and to further development of Raiffeisen Switzerland's remuneration system.

Independent remuneration system

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

The low risk profile, stable earnings and cooperative tradition are the reasons why an independent remuneration system was established. In particular, this scheme involves remuneration caps for all groups of risk-takers, limits on variable remuneration components and all remuneration in cash rather than in the form of deferred benefits. Raiffeisen considers the definition of caps to be more effective in its specific situation than deferring variable remuneration components. The low risk profile and stable earnings resulting from the Raiffeisen business model are two of the crucial factors in this decision. Caps defined in terms of amount are also clear, easy to use and transparent. This reflects in particular a key principle of FINMA Circular 10/1.

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

Special treatment of risk-takers

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 the very moderate trading activities and the comprehensive system of limits (compliance with which is monitored continuously by independent controlling functions), a special treatment of the variable remuneration of these risk-takers is indicated. The risk-takers at Central Bank are designated anew each year and reported by the Head of Central Bank to the Head of Human Resources Management before the remuneration process begins, and are approved by the Executive Board of Raiffeisen Switzerland with the objective of determining the total variable remuneration pool. In 2012, this group consisted of 41 people (not counting Executive Board members).

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 contractual salary 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: Variable remuneration is 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 a maximum of CHF 1,200,000.

Determining the total variable remuneration pool

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

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

Role of controlling functions

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

By approving the risk and compliance report, the Board of Directors is informed regularly and comprehensively about risk development in line with Raiffeisen's risk profile, making risk awareness of all parties involved much more acute. The risk categories that are not expressly mentioned (legal and compliance risks as well as reputation risk) are handled as part of the operational risk assessment and analysed – in some instances – on a qualitative basis in separate reports (e.g. compliance reporting). Reputation risk in particular is treated as a consequential risk, which is always an effect of the possible occurrence of another risk. As a result, management of reputation risk must concentrate on the original risk and its consequences. Damage to reputation and/or violation of compliance or the law is a parameter that is included in the assessment of the extent of damage due to the original risk. As part of mitigation, appropriate management strategies are defined that primarily affect the original risk and – to some extent – also affect the resulting damage.

Allocation of variable remuneration

The Board of Directors does not receive variable remuneration. The 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 (the so-called risk-takers). This allocation is based on the performance achieved by the Central Bank while taking into account the risks that were taken. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees.

Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-term success by taking excessive risks. Serious rule violations can lead to a reduction in, or loss of, variable remuneration.

Raiffeisen positions itself as an attractive employer by allowing personnel to accrue pension credits in the Raiffeisen Pension Fund on variable remuneration paid out in excess of CHF 3,000.

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

Governance

Raiffeisen Switzerland's Board of Directors is responsible for:

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

The Strategy and Compensation Committee is responsible for implementing regulations issued by the Board of Directors; in particular, it determines the amount of the total variable remuneration pool, and also defines the fixed and variable remuneration components for Executive Board members and the Head of Internal Auditing. In the scope of further development of the remuneration regulations, these duties will pass from the Strategy and Compensation Committee to the Board of Directors in 2013.

The Strategy and Compensation Committee deals with remuneration topics in four meetings each year. The chapter "Governance bodies of Raiffeisen Switzerland" describes the composition and main responsibilities of the Strategy and Compensation thereof.

Compensation 2012

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 2012 have been 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. At Raiffeisen Switzerland, 1,788 employees benefited from the total pool of variable remuneration (2011: 1,782).

Board of Directors

The members of Raiffeisen Switzerland's Board of Directors in office in 2012 received remuneration totalling CHF 1,157,600 in 2012, 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. Board of Directors members receive no variable remuneration in the form of a profit-sharing arrangement. In addition, total social insurance contributions for Board of Directors members totalled CHF 246,953. Neither joining nor termination payments were made to members of the Board of Directors in 2012.

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

In 2012, total remuneration paid to members of Raiffeisen Switzerland's Executive Board (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,868,513; of this, CHF 1,913,259 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland – the highest sum paid to an individual member of the Executive Board. Employee and employer contributions to pension plans and social insurance for Executive Board members totalled an additional CHF 3,233,830, of which CHF 568,532 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland. Fixed compensation includes business-related Board of Directors fees for members of the Executive Board.

At year-end 2012, loans granted to members of the Executive Board totalled CHF 22,345,836. Loans to members of the Executive Board and the Head of Internal Auditing are approved by the Strategy and Compensation Committee. The bank's Executive Board enjoys preferential terms that are standard for the industry, as do other personnel. In 2012, no joining or severance payments were made to Executive Board members or any other risk-takers.

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* (excluding employee and employer contributions to pension plans and social insurance)	9,038,185 (7,868,513)	6,011,246 (5,194,246)	3,026,939 (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

Balance sheet as of 31 December 2012

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	5,444,339	3,612,044	1,832,295	50.7	12
Receivables from money market securities	3	29	-26	-89.7	12
Receivables from Raiffeisen banks	5,621,429	6,802,231	-1,180,802	-17.4	6, 12
Receivables from other banks	4,621,307	3,666,811	954,496	26.0	6, 12
Receivables from clients	1,686,184	1,554,566	131,618	8.5	1, 12
Mortgage receivables	6,332,422	5,800,145	532,277	9.2	1, 6, 12
Loans to clients	**8,018,607**	**7,354,711**	**663,895**	**9.0**	
Trading portfolios in securities and precious metals	1,785,081	1,587,665	197,416	12.4	2, 12
Financial assets	3,550,553	4,853,121	-1,302,568	-26.8	2, 6, 12
Participations	1,041,887	395,843	646,044	163.2	2, 3, 4
Tangible assets	269,253	279,610	-10,357	-3.7	4
Accrued income and deferred charges	268,117	334,523	-66,406	-19.9	
Other assets	1,662,846	1,813,649	-150,803	-8.3	5
Total assets	**32,283,422**	**30,700,239**	**1,583,183**	**5.2**	**14, 16**
Total subordinated receivables	13,448	2,689	10,759	400.1	
Total receivables from Group companies	21,036	–	21,036	100.0	
Liabilities					
Liabilities to Raiffeisen banks	9,013,091	7,775,602	1,237,489	15.9	12
Liabilities to other banks	6,064,572	6,601,702	-537,130	-8.1	12
Liabilities to clients in the form of savings and investment deposits	4,322,039	3,419,676	902,363	26.4	12
Other liabilities to clients	3,029,588	3,377,660	-348,072	-10.3	12
Medium-term notes	469,247	543,451	-74,204	-13.7	12
Client deposits	**7,820,873**	**7,340,787**	**480,087**	**6.5**	
Bonds and Pfandbriefdarlehen	5,659,430	5,572,160	87,270	1.6	9, 12
Accrued expenses and deferred income	261,004	251,074	9,930	4.0	
Other liabilities	2,106,838	2,212,958	-106,120	-4.8	5
Value adjustments and provisions	30,700	39,709	-9,009	-22.7	10
Reserves for general banking risks	289,700	289,700	–	0.0	10
Cooperative capital	850,000	450,000	400,000	88.9	
General statutory reserves	152,147	146,000	6,147	4.2	
Annual profit	35,067	20,547	14,520	70.7	
Total equity capital	**1,326,914**	**906,247**	**420,667**	**46.4**	**11**
Total liabilities	**32,283,422**	**30,700,239**	**1,583,183**	**5.2**	**14, 16**
Total subordinated commitments	535,518	535,518	–	–	
Total commitments towards Group companies	413,876	3,849	410,027	10,652.8	
Off-balance-sheet business					
Contingent liabilities	367,031	402,825	-35,794	-8.9	1, 17
Irrevocable commitments	842,772	730,004	112,768	15.4	1
Commitments relating to calls on shares and other equity securities	27,490	17,218	10,272	59.7	1
Derivative financial instruments					
Positive replacement values	1,048,054	1,134,993	-86,939	-7.7	18
Negative replacement values	1,698,313	1,811,509	-113,196	-6.2	18
Contract volume	124,280,794	88,249,635	36,031,159	40.8	18
Fiduciary business	5,843	58,642	-52,799	-90.0	19

Income Statement 2012

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	581,677	604,103	-22,426	-3.7	20
Interest and dividend income from financial assets	71,410	83,865	-12,455	-14.9	20
Interest expenditure	-538,548	-557,092	18,544	-3.3	20
Net interest income	**114,539**	**130,875**	**-16,336**	**-12.5**	
Commission income lending business	7,876	5,751	2,125	37.0	21
Commission income securities and investment business	44,573	48,381	-3,808	-7.9	21
Commission income other service transactions	66,027	65,304	723	1.1	21
Commission expenditure	-30,514	-37,968	7,454	-19.6	21
Net income from commission business and service transactions	**87,963**	**81,469**	**6,494**	**8.0**	
Net trading income	**57,880**	**47,720**	**10,160**	**21.3**	**22**
Income from sale of financial assets	-1,823	-973	-850	87.4	
Income from participating interests	22,367	24,366	-1,999	-8.2	
Income from real estate	3,241	2,945	296	10.1	
Other ordinary income[1]	262,614	257,644	4,970	1.9	23
Other ordinary expenditure[1]	-18,346	-7,434	-10,912	146.8	
Other ordinary profit	**268,053**	**276,548**	**-8,495**	**-3.1**	
Operating income	**528,435**	**536,612**	**-8,177**	**-1.5**	
Personnel expenditure	-326,297	-300,447	-25,850	8.6	24
Operating expenditure[1]	-173,880	-161,500	-12,380	7.7	25
Total operating expenditure	**-500,177**	**-461,947**	**-38,230**	**8.3**	
Gross profit	**28,258**	**74,665**	**-46,407**	**-62.2**	
Depreciation on fixed assets	-46,619	-99,031	52,412	-52.9	4
Value adjustments, provisions and losses	-1,785	-13,592	11,807	-86.9	
Operating profit (interim result)	**-20,146**	**-37,958**	**17,812**	**-46.9**	
Extraordinary income	57,093	59,635	-2,542	-4.3	26
Extraordinary expenditure	-165	-193	28	-14.5	26
Taxes	-1,715	-938	-777	82.8	
Annual profit	**35,067**	**20,547**	**14,520**	**70.7**	

1 As of 2012, third-party services charged for Group projects and expenditure on purchasing IT infrastructure for the Raiffeisen banks are shown on an after-tax basis.

Proposed distribution of available net earnings addressed to the Ordinary Delegate Meeting of 15 June 2013 in Aarau

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Appropriation of profit				
Annual profit	35,067	20,547	14,520	70.7
Profit brought forward	–	–	–	–
Available profit	**35,067**	**20,547**	**14,520**	**70.7**
Appropriation of profit				
– Allocation to general statutory reserves	5,067	6,147	-1,080	-17.6
– Interest on cooperative capital	30,000	14,400	15,600	108
Total appropriation of profit	**35,067**	**20,547**	**14,520**	**70.7**

Cash flow statement 2012

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Annual profit	35,067		20,547	
Depreciation on fixed assets	43,588		41,132	
Depreciation/appreciation on participations	3,031	56,548	57,898	
Value adjustments and provisions	1,644	10,652	11,199	10,565
Reserves for general banking risks				57,600
Prepaid expenses	66,406			360
Deferred income	9,930			3,012
Interest paid on share certificates for prior year		14,400		14,400
Balance	**78,065**	**–**	**44,839**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	400,000		90,000	
Balance	**400,000**	**–**	**90,000**	**–**
Cash flow from fixed-asset activities				
Participations	2,345	594,871	716	4,762
Real estate	11	3,425		6,479
Other tangible assets	1,022	12,074	49	18,821
Other		18,764	212	16,671
Balance	**–**	**625,757**	**–**	**45,756**

Continued on page 17

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from banking business of the Central Bank with Raiffeisen Banks				
Liabilities to Raiffeisen banks	5,655,000		4,057,562	
Receivables from Raiffeisen banks		3,397,493		2,481,194
Balance	**2,257,506**	**–**	**1,576,368**	**–**
Cash flow from ordinary banking business of the Central Bank				
Liabilities to banks		570,133		1,686,537
Liabilities to clients in the form of savings and investment deposits	177,908			2,058,267
Bonds		250,000	1,685,000	600,000
Pfandbriefdarlehen	804,800	467,530	767,910	260,450
Other liabilities		107,435	389,166	
Receivables from money market securities			100,439	
Receivables from banks		981,051	2,954,571	
Receivables from clients		119,794		121,725
Mortgage receivables		4,000		
Trading portfolios in securities and precious metals		197,653		266,801
Financial assets	1,303,384		828,535	
Other receivables	150,682			147,590
Liquid funds		1,834,047		3,194,901
Balance	**–**	**2,094,869**	**–**	**1,610,650**
Cash flow from banking business of the branches of Raiffeisen Switzerland				
Net positions at the Central Bank	220,283		120,767	
Savings and investment funds	711,944		282,431	
Other liabilities to clients		335,562	364,006	
Medium-term notes	65,713	139,918	213,399	192,175
Other liabilities	1,374		1,450	
Receivables from clients		11,824		25,731
Mortgage receivables		528,277		817,022
Financial assets		815		
Other receivables	384		329	
Liquid funds	1,753			2,256
Balance	**–**	**14,945**	**54,802**	**–**
Total origin of funds	**9,656,267**		**11,987,318**	
Total use of funds		**9,656,267**		**11,987,318**

Notes to the annual accounts

OPERATING ACTIVITY

The most important duties of Raiffeisen Switzerland include ensuring loan and capital settlement, and guaranteeing that statutory liquidity requirements are met for the entire organisation. Settling the regularly recurring, seasonal liquidity fluctuations of the entire Raiffeisen Group, which has total assets of around CHF 168 billion, represents a particular challenge.

Raiffeisen Switzerland optimises liquidity management on behalf of the entire Group by ensuring the broadest possible access to the interbank market. Repo transactions represent one of the most important tools for short-term liquidity management. Due to the present very low interest environment, however, a relatively large portion of the cash reserves was kept in an SNB current account in 2012. The most significant sources of refinancing include not only a broad network of counterparties in the money market, but bond issues in the CHF capital market as well.

The amalgamation into the Raiffeisen Group has given the individual member banks access to wide-ranging services in management, marketing, communication, business, information technology, building systems (including security), training, and legal services. In addition to interbank business, Raiffeisen Switzerland also has its own client business with the Central Bank and the branches in Basel, Berne, St.Gallen, Thalwil, Winterthur, and Zurich. The Central Bank 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.

Pursuant to its Articles of Association (Art. 5, para. 4), Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks. In return, the Raiffeisen banks guarantee the liabilities of Raiffeisen Switzerland with their capital.

Staff

At year-end 2012, the number of employees on a full-time equivalent basis was 1,810 (compared to 1,787 in 2011).

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 Director's monitors both the risk situation and changes in risk-bearing capital on a quarterly basis based on the Board of Directors risk report. The latter 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, as well as solidarity risks within the Raiffeisen Group (i.e. the risk of any possible issue at individual Raiffeisen banks).

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

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

The risk reports for the Board of Directors are prepared by Group Risk Controlling as an independent entity. The risk reports and 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 at Raiffeisen Switzerland is based on a combination of quantitative and qualitative factors. The key risks are thoroughly assessed both in terms of regulatory requirements and using economic models. Raiffeisen's risk models are based on 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 probability of occurrence and the corresponding loss potential (financial loss, compliance violation, or bad publicity). The appropriateness and effectiveness of control measures are incorporated into the assessment. The analysis of the operational risks is supplemented by an assessment of the qualitative impact of a given risk event.

The Raiffeisen Group puts particular emphasis on supplementing its model-based assessments with forward-looking practical analyses and estimates. Scenario-based analyses 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 – in certain cases – are also presented as a special report.

RISK MANAGEMENT

Risk policy

Risk management systems are based on statutory and supervisory provisions and the "Risk Policy for the Raiffeisen Group" ("risk policy" for short). Raiffeisen views taking on risks as one of its core competences and sees it as a vital prerequisite for achieving returns. Risks are exclusively accepted with full knowledge of their scope and potential impact. In addition, all requirements must be met in terms of systems, personnel, and knowledge.

The risk policy aims to limit the negative impact of risks on earnings and protect Raiffeisen Switzerland against high exceptional losses, while safeguarding and strengthening its good reputation. The risk policy forms the basis for managing risks at the operational level and is implemented by the Board of Directors of Raiffeisen Switzerland. It is reviewed and updated annually.

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

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

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

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.

The aim of risk management is 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 an active, targeted and controlled manner, and;
- make the best possible use of risk tolerance, i.e., to ensure that risks are only entered into if they offer suitable return potential.

Credit risks

The risk policy defines credit risks 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.

Raiffeisen Switzerland identifies, assesses, manages and monitors the following risk types in the 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.

The branches primarily incur 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. Here, risks are limited by collateralising the underlying claims.

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 risks. These risks occur mainly in wholesale funding in the money and capital markets and in hedging currency, interest rate and proprietary trading risks. The Central Bank department mainly incurs credit risks in connection with interbank business. With the exception of the repo business, these commitments are unsecured.

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.

Pursuant to the Articles of Association, international commitments at Raiffeisen Switzerland may not exceed 5% of the consolidated Raiffeisen Group balance sheet total. Country risks are constantly and actively managed, and are principally concentrated in Europe.

External ratings are used as a basis for approving and monitoring business with other banks. Off-balance-sheet items such as derivative financial instruments are converted to their respective credit equivalent. Raiffeisen Switzerland 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 32.

Creditworthiness and solvency are assessed at Raiffeisen Switzerland on the basis of the Group-wide standards that are laid down in the lending policy. 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.

Proven tools are available for the key elements of credit risk management, i.e. risk-adjusted pricing, portfolio management, identification and provisions. Specialist teams are available for more complex financing and the management of recovery positions.

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. A carefully-determined actual value is used for owner-occupied residential property and for rented single-family homes and apartments, 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. Other features of the credit approval 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.

The standardised guidelines concerning the creation and reversal of provisions for default risks are set out in an internal directive. These outline procedures for calculating the liquidation value of any collateral held and subsequent provisions for potentially impaired loans and non-performing or low-rated positions. Value adjustments and provisions are reviewed on a quarterly basis.

Raiffeisen Switzerland monitors, controls, and manages risk concentrations within the Group, especially exposures to individual counterparties or groups or exposures in specific sectors. The process for identifying and consolidating affiliated counterparties is automated across the entire Raiffeisen Group.

Raiffeisen Switzerland monitors the credit portfolio on a Group-wide basis, evaluating the portfolio structure and ensuring proper credit portfolio reporting. Evaluating 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 the Group.

Monitoring and reporting form the basis for portfolio-controlling measures, with the main focus being on controlling new business via the lending policy.

In addition to the qualitative monitoring of the portfolio structure, the risk contributions of individual client segments and sectors are also monitored. These risk contributions are calculated and reported as value-at-risk.

Cluster risks are monitored centrally by Credit Risk Controlling.

On 31 December 2012, Raiffeisen Switzerland had 11 reportable cluster risks with cumulative risk-weighted commitments of CHF 1.7 billion. These amounted to 167% of eligible capital resources (2011: ten reportable positions for CHF 1.6 billion or 161% of capital resources).

The credit volume of Raiffeisen Switzerland's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2012 was CHF 1.2 billion, or 15% of loans to clients (2011: CHF 0.9 billion, or 13%).

Market risks

As Raiffeisen Switzerland is heavily involved in balance sheet business, interest rate fluctuations can have a considerable 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 optimally replicates historical interest rate fluctuations with money and capital market rates. Decisions regarding the assignment of funds are taken on a decentralised basis within Raiffeisen Switzerland via the respective line functions. The Treasury of the Central Bank department of Raiffeisen Switzerland is the binding counterparty for the entire Group – except for Notenstein Private Bank Ltd, which accesses the market directly – concerning wholesale funding and hedging transactions that are implemented through deposits and loans. The responsible members of staff in the branches and in the Central Bank 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. It also evaluates the risk situation and measures the potential impact of the interest rate risk entered into on the market value of the equity capital and on profitability with the aid of scenario analyses and stress tests. These are included in monthly and quarterly risk reporting.

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

Trading & Sales, part of the Central Bank department, is responsible for managing the Central Bank trading book, as the branches do not keep a trading book of their own. 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; these are monitored by Group Risk Controlling on a daily basis. In addition, Group Risk Controlling conducts daily plausibility checks on the profits achieved in trading and conducts 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 traders. They work with both standardised and over-the-counter (OTC) derivatives for the Central Bank's own account and for clients.

Reporting on compliance with sensitivity and position limits and the assessment of the risk situation by Group Risk Controlling is primarily conducted via three reports:
- Weekly interest rate risk report to responsible Executive Board members in line with FINMA Circular 2008/6;
- Monthly risk report to the Executive Board;
- Quarterly risk report to the Board of Directors.

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 following table "Capital adequacy requirements for market risks relating to the trading book".

Liquidity and financing risks
Under the FINMA ruling of 3 September 2010, Raiffeisen Switzerland is exempted from complying on an individual basis with the rules regarding liquidity. The relevant legal provisions must instead be observed on a consolidated basis. Liquidity and refinancing management at Group level is carried out by the Treasury department of Raiffeisen Switzerland and monitored by Group Risk Controlling.

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, building infrastructure and equipment, as a result of external events or through the interference of third parties. In addition to financial impact, Raiffeisen Switzerland also takes into account the consequences of operational risks in terms of reputation, compliance and financial reporting.

Operational risks accrue in connection with operating activities with clients.

Each functional department within Raiffeisen is responsible for identifying, evaluating, managing and monitoring the operational risk arising as a result of its own activities. Group Risk Controlling is responsible for maintaining the Group-wide inventory of operational risks and for analysing and evaluating operational risk data. It is also in charge of the concepts, methods and instruments used to manage operational risks, and also 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 personnel. Emergency and disaster planning measures are in place for mission-critical processes.

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	9,411	15,572	11,400	14,095
Interest rate instruments	103,118	81,076	67,070	59,365
Equities/indices	4,382	8,233	8,977	7,327
Total	**116'910**	**104'881**	**87,447**	**80,788**

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

In addition to the standard risk management process, Group Risk Controlling also conducts ad-hoc risk analyses where required, analyses any loss events that may arise and communicates frequently 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 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 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, and the adaptation and assessment of the threat situation in terms of its impact on the Raiffeisen Group as a whole. Appropriate, effective information security measures are instituted on the basis of the strategy to protect information and infrastructure in terms of integrity, confidentiality, availability and audit trails. During this process, Raiffeisen complies with recognised standards and established practices.

Outsourcing

Operation of the data communication network has been outsourced to Swisscom (Switzerland) Ltd. Furthermore, all the Raiffeisen Group's 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

Raiffeisen Switzerland Cooperative is exempt from regulatory liquidity requirements at the individual bank level. The disclosure requirements in respect of capital adequacy on a consolidated basis as outlined in FINMA Circular 2008/22 can be viewed on the Raiffeisen website (www.raiffeisen.ch) or in Raiffeisen Group's annual report.

Raiffeisen Switzerland 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 and 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 assets.

Market risks: Standard approach
The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table on page 23.

Operational risks: Basic indicator approach
As the capital adequacy requirements for operational risks exceed CHF 100 million at Raiffeisen Group level, the same qualitative requirements apply to Raiffeisen Switzerland for operational risks as to banks that have opted for the standard approach.

ACCOUNTING AND VALUATION PRINCIPLES

General principles

Accounting, valuation and reporting conform to the requirements of the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks (plus related ordinance), and the guidelines and directives of FINMA.

The detailed positions shown for a balance sheet item are valued individually. Unlike Raiffeisen Group’s financial statements, which must be prepared in accordance with the “true and fair view” principle, separate financial statements may be affected by hidden reserves.

Raiffeisen Switzerland publishes the consolidated annual accounts of the Raiffeisen Group in a separate annual report. The consolidated accounts comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, Notenstein Private Bank Ltd, KMU Capital AG, Investnet AG and RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd. Raiffeisen Switzerland has therefore chosen not to prepare consolidated subgroup accounts that include the annual accounts of Raiffeisen Switzerland, Notenstein Private Bank Ltd, KMU Capital AG, Investnet AG and RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd.

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 reported as per the trade date.

Foreign currencies

Assets, liabilities and cash positions in foreign currencies are converted at the exchange rate prevailing on the balance sheet date.

Exchange rate gains and losses arising from this valuation are reported under “Net trading income”. Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

Liquid funds, amounts due from money market securities and borrowed funds
These are reported at nominal value or initial value. Discounts not yet earned on money market securities and discounts and premiums on the Group’s own bonds and Pfandbriefdarlehen are accrued over the period to maturity.

Receivables from banks and clients, mortgage receivables
These are reported at nominal value. Interest income is reported on an accruals basis. Receivables are deemed to be impaired where the bank believes it improbable that the borrower will be able to completely fulfil his/her contractual obligations. Impaired loans and any collateral are carried at liquidation value.

Impaired loans are subject to provisions based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net realisable sale value of the collateral. If recovery of the amount receivable depends solely on the collateral being realised, full provision is made for the unsecured portion.

Unpaid interest and related commissions due for more than 90 days are classified as 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 commissions 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 written back up in full, i.e. the value adjustment reversed, if payments of outstanding principal and interest are resumed on schedule in accordance with contractual provisions and additional creditworthiness criteria are fulfilled.

All value adjustments are reported under “Value adjustments and provisions”.

Securities lending and borrowing
Securities lending transactions are reported at the value of the cash collateral received or issued, including accrued interest.

Securities which are borrowed or received as collateral are only reported in the balance sheet if Raiffeisen Switzerland demands control of the contractual rights associated with them. Securities which are loaned or are provided as collateral are only removed from the balance sheet if Raiffeisen Switzerland forfeits the contractual rights associated with them. The market values of the borrowed and loaned securities are monitored daily so that any additional collateral can be provided or requested as necessary.

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

Repurchase and reverse repurchase transactions
Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as

secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest.

Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights associated with them is transferred. The market values of the received or delivered securities are monitored daily so that any additional collateral can be provided or requested as necessary.

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

Trading portfolios in securities and precious metals
Trading portfolios are measured at fair value. Positions for which there is no representative market are valued at the lower of cost or market. Both measured and realised gains and losses during the period in question are reported under "Net trading income"; this also applies to interest and dividend income 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 equity securities acquired through the lending 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
Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under "Participations", irrespective of the proportion of voting shares held. All participations in communal facilities are also reported here. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required depreciation. Participations may contain hidden reserves.

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 the operating expenditure.

Large-scale, value-enhancing renovations are capitalised, while repairs and maintenance are expensed. Tangible assets may contain hidden reserves.

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.

Value adjustments and provisions
Individual value adjustments are taken and provisions recognised on a prudential basis for all risks identified as of the balance sheet date. Miscellaneous provisions may contain hidden reserves.

Reserves for general banking risks
Reserves may be allocated for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank. These reserves are counted as capital in accordance with Art. 18b of the Capital Adequacy Ordinance, and are partially taxable (see "Value adjustments and provisions" table in the notes).

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
Reporting under "Off-balance-sheet business" and in the notes
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 bank's own account are reported, regardless of their income statement treatment. The replacement values of exchange-traded contracts concluded on a commission basis are reported only to the extent to which they are not covered by margin deposits. The replacement values of over-the-counter contracts concluded on a commission basis are always reported.

All Treasury hedging transactions are concluded via the trading book; the Treasury does not participate in the market itself. Only the replacement values of contracts with external counterparties are reported. Note 18 (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 for balance sheet structural management to hedge against interest rate risk are valued in accordance with the accrual method.

Interest-related gains and losses arising from early realisation of contracts are accrued over their remaining lives.

Taxes
Taxes are calculated and booked on the basis of the profit for the financial year.

Changes as against previous year
None

Events after the balance sheet date
No material events occurred between the balance sheet date (31 December 2012) and the drawing up of the annual accounts 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	342,385	141,649	1,202,151	1,686,184
Mortgage loans				
Residential property	5,698,976	–	3,640	5,702,616
Office and business premises	190,873	–	570	191,443
Trade and industry	286,404	–	712	287,116
Other	151,136	–	112	151,248
Total loans				
Current year	**6,669,774**	**141,649**	**1,207,184**	**8,018,607**
Prior year	5,922,687	102,520	1,329,504	7,354,711
Off-balance-sheet business				
Contingent liabilities	16,839	6,603	343,590	367,031
Irrevocable commitments	302,709	5,516	534,547	842,772
Call commitments and additional funding obligations	–	–	27,490	27,490
Total off-balance-sheet business				
Current year	**319,548**	**12,119**	**905,627**	**1,237,294**
Prior year	373,188	12,214	764,645	1,150,047

* incl. value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realisation of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	**57,320**	**26,670**	**30,650**	**28,055**
Prior year	56,803	17,084	39,719	37,678

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

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	891,050	630,827
non-stock exchange listed	–	–
of which own bonds and medium-term notes	138,737	41,738
Shares	16,451	39,683
Precious metals	877,580	917,154
Total trading portfolios in securities and precious metals	**1,785,081**	**1,587,665**
of which securities for repo transactions in line with liquidity requirements	522,861	440,580

* Stock exchange listed = traded on a recognised stock exchange

	Book value current year in 1000 CHF	Book value prior year in 1000 CHF	Fair value current year in 1000 CHF	Fair value prior year in 1000 CHF
Financial assets				
Debt instruments	3,383,247	4,744,987	3,469,556	4,842,590
of which own bonds and medium-term notes	77,896	104,827	78,764	104,950
of which intended to be held until maturity	3,378,984	4,728,622	3,465,294	4,826,226
of which valued at the lower of cost or market	4,262	16,364	4,262	16,364
Shares	166,491	108,135	169,040	108,266
of which qualified participations*	5,010	733	5,010	733
Precious metals	–	–	–	–
Real estate	815	–	815	–
Total financial assets	**3,550,553**	**4,853,121**	**3,639,411**	**4,950,856**
of which securities for repo transactions in line with liquidity requirements	3,010,987	4,201,227		

* At least 10 % of the capital or the votes

	Current year in 1000 CHF	Prior year in 1000 CHF
Participations		
with a market value	336,781	272,734
without a market value	705,105	123,110
Total participations	**1,041,887**	**395,843**

3 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
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 Other participations*					
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5
responsAbility Participations Ltd	Zurich	Financial services	18,905	19.6	–
Swiss Bankers Prepaid Services Ltd	Grosshöchstetten	Financial services	10,000	16.5	16.5
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Pfandbriefbank schweizerische Hypothekarinstitute AG	Zurich	Pfandbriefbank	800,000	6.1	6.1
of which not paid up			448,000		
Helvetia Holding Ltd	St.Gallen	Financial services	865	4.0	4.0
SIX Group Ltd	Zurich	Financial services	19,522	3.2	3.2

* 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 depreciation/ amortisation in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/ reclassi- fications in 1000 CHF	Current year invest- ment in 1000 CHF	Current year disinvest- ment in 1000 CHF	Current year depreciation/ amorti sation in 1000 CHF	Book value at end of current year in 1000 CHF
Participations								
Holdings Group companies	10,307	-4,014	6,293	–	579,265	-2,314	-3,031	580,213
Other holdings*	447,658	-58,107	389,551	–	72,154	-31	–	461,674
Total participations	**457,965**	**-62,121**	**395,843**	**–**	**651,419**	**-2,345**	**-3,031**	**1,041,887**
Tangible assets								
Real estate								
Bank buildings	266,139	-85,689	180,450	–	3,425	-11	-6,166	177,698
Other real estate	13,816	-2,366	11,450	–	–	–	-450	11,000
Other tangible assets	243,268	-179,837	63,431	–	12,075	-1,022	-19,910	54,574
Other	139,577	-115,298	24,279	–	18,764	–	-17,062	25,981
Total tangibles	**662,800**	**-383,190**	**279,610**	**–**	**34,264**	**-1,033**	**-43,588**	**269,253**

* Investment includes gains of CHF 56.5 million Swiss francs from appreciation on participations; these were booked under extraordinary income.

	in 1000 CHF
Value of real estate for fire insurance purposes	219,650
Value of other tangible assets for fire insurance purposes	216,964

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	1,048,054	1,134,993
Equalisation account	495,366	555,595
Clearing accounts for social security and staff pension fund contributions	10	–
Clearing accounts for indirect taxes	101,077	112,517
Other clearing accounts	13,095	5,133
Commodities	5,244	5,412
Miscellaneous other assets	0	–
Total other assets	**1,662,846**	**1,813,649**
Other liabilities		
Total replacement value	1,698,313	1,811,509
Due, unredeemed coupons and debt instruments	399	267
Levies, indirect taxes	35,969	28,510
Solidarity fund	341,479	334,938
of which open guarantees to Raiffeisen banks	759	959
Clearing accounts for social security and staff pension fund contributions	3,576	5,349
Other clearing accounts	26,835	32,045
Miscellaneous other liabilities	266	341
Total other liabilities	**2,106,838**	**2,212,958**

6 Pledged or assigned assets and assets subject to reservation of title, excluding securities lending and repurchase operations

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Balance sheet items				
Receivables from Raiffeisen banks	826,781	826,781	784,994	784,994
Receivables from other banks	676,598	676,598	648,868	648,868
Mortgage receivables	2,008,929	1,309,882	1,634,789	1,004,281
Financial assets	678,730	273,735	1,153,313	804,301
Total pledged assets	**4,191,038**	**3,086,995**	**4,221,963**	**3,242,443**

7 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	851,592	806,546
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	589,671	814,787
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	273,735	804,301
for which the right to resell or pledge without restriction was granted	273,735	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	943,084	964,716
of which repledged or resold securities	900,094	778,853

8 Social insurance institutions

All employees of Raiffeisen Switzerland are covered by the Raiffeisen Pension Fund cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund cooperative covers at least the mandatory benefits under Swiss occupational pension law. The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

8.1 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	8,413	10,864
Other liabilities to clients	174,824	112,518
Other liabilities (negative replacement values)	26	209
Total liabilities to own social insurance institutions	**183,263**	**123,591**

8.2 Economic benefit/obligation and retirement benefit expenditure

According to the latest audited annual report (in accordance with Swiss GAAP FER 26) of the Raiffeisen Pension Fund Cooperative, the coverage ratio is:

	on 31.12.2012 in %	on 31.12.2011 in %
Raiffeisen Pension Fund Cooperative	103.0	98.5

By resolution of the Board of Directors of Raiffeisen Switzerland Cooperative, all 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.

Raiffeisen Pension Fund Cooperative is 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.

8.3 Employer contribution reserves in the Raiffeisen Employer Foundation

	Current year in 1000 CHF	Prior year in 1000 CHF
As at 1 January	10,606	11,438
+ Deposits	–	–
– Withdrawals	2,400	1,005
+ Interest paid	130	174
As at 31 December	**8,336**	**10,606**

The employer contribution reserves correspond to the nominal value as calculated by the pension plan. They are not reported.

9 Outstanding bonds and Pfandbriefdarlehen

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Loans from the Pfandbriefbank schweizerischer Hypothekarinstitue AG	div.	1.752	div.	–	2,074,430
Not subordinated own bonds	2004	3.000	05.05.2014	–	400,000
	2006	3.125	30.05.2016	–	550,000
	2010	1.625	31.03.2015	–	500,000
	2010	1.375	21.09.2017	–	200,000
	2010	2.000	21.09.2023	–	250,000
	2011	2.125	04.02.2019	–	250,000
	2011	2.625	04.02.2026	–	150,000
	2011	2.375	10.05.2018	–	150,000
	2011	0.625	18.02.2013	–	500,000
	2011	0.550	22.02.2013	–	100,000
Subordinated own bonds	2011	3.875	21.12.2021	–	535,000
Total outstanding bonds and Pfandbriefdarlehen					**5,659,430**

10 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Change of use (transfers) in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against income statemen in 1000 CHF	Reversal of provisions against income statement in 1000 CHF	End of current year in 1000 CHF
Value adjustments and provisions for default risks (del credere and country risk)	37,678	-9,971	–	564	9,257	-9,473	28,055
Value adjustments and provisions for other business risks	2,031	-340	–	–	343	-573	1,460
Provisions for restructuring*	–	-341	–	–	1,526	–	1,185
Total value adjustments and provisions	**39,709**	**-10,652**	**–**	**564**	**11,125**	**-10,046**	**30,700**
Reserves for general banking risks	**289,700**	**–**	**–**	**–**	**–**	**–**	**289,700**
of which taxed	152,000						139,000

* made in respect of personnel expenditure

11 Evidence of equity capital

	in 1000 CHF
Equity capital at the beginning of the current year	
Cooperative capital	450,000
General statutory reserves	146,000
Reserves for general banking risks	289,700
Profit	20,547
Total equity capital at the beginning of the year (before approp. of profits)	**906,247**
+ Capital increase	400,000
– Creation of reserves for general banking risks	0
– Interest on the cooperative capital from the annual profit of the previous year	14,400
+ Annual profit for the current year	35,067
Total equity capital at the end of the current year (before approp. of profits)	**1,326,914**
of which cooperative capital	850,000
of which general statutory reserves	152,147
of which reserves for general banking risks	289,700
of which profit	35,067
Total additional funding obligation of the Raiffeisen Banks	**9,904,529**

The cooperative capital totalling CHF 850 million is divided up into 850,000 cooperative share certificates of CHF 1,000 each and is owned in full by the 321 Raiffeisen banks within Raiffeisen Switzerland. No Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

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. As at 31 December 2012 this corresponded to a call-in obligation towards Raiffeisen Switzerland of CHF 1,544.4 million, of which CHF 850 million have been paid in.

The capital entitled to interest amounted to CHF 850 million at the end of 2012 (prior year: CHF 360 million).
The capital increase of CHF 400 million qualifies for interest on a pro rata basis.

12 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	5,444,339	–	–	–	–	–	5,444,339
Receivables from money market sec.	3	–	–	–	–	–	3
Receivables from Raiffeisen banks	5,621,429	–	–	–	–	–	5,621,429
Receivables from other banks	143,895	–	4,427,412	–	50,000	–	4,621,307
Receivables from clients	158	80,780	961,284	166,274	346,991	130,698	1,686,184
Mortgage receivables	2,567	287,710	204,050	650,229	3,524,740	1,663,128	6,332,422
Trading portfolios in securities and precious metals	1,785,081	–	–	–	–	–	1,785,081
Financial assets*	166,491	–	445,142	194,446	1,482,366	1,262,107	3,550,553
Total current assets							
Current year	**13,163,963**	**368,490**	**6,037,887**	**1,010,949**	**5,404,096**	**3,055,934**	**29,041,318**
Prior year	12,460,323	442,832	4,545,350	2,072,549	6,156,753	2,198,805	27,876,613
Outside debt							
Liabilities to Raiffeisen banks	9,013,091	–	–	–	–	–	9,013,091
Liabilities to other banks	409,222	–	3,818,634	1,615,716	216,000	5,000	6,064,572
Liabilities to clients in the form of savings and investment deposits	–	4,322,039	–	–	–	–	4,322,039
Other liabilities to clients	1,310,957	2,580	718,690	382,139	472,945	142,277	3,029,588
Medium-term notes	–	–	50,834	82,293	278,034	58,086	469,247
Bonds and Pfandbriefdarlehen	–	–	613,750	32,300	2,245,550	2,767,830	5,659,430
Total outside debt							
Current year	**10,733,270**	**4,324,619**	**5,201,907**	**2,112,448**	**3,212,529**	**2,973,193**	**28,557,966**
Prior year	9,303,770	3,423,556	4,447,487	3,186,820	4,151,585	2,777,032	27,290,251

* The financial assets include CHF 815,000 of real estate (prior year: CHF 0).

13 Receivables from or liabilities to affiliated companies and loans to executive bodies

	Current year in 1000 CHF	Prior year in 1000 CHF
Receivables from affiliated companies	–	–
Liabilities to affiliated companies	–	–
Loans to executive bodies and employees	24,196	24,097

Transactions with associated persons

1 Executive bodies

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.

2 Affiliated companies

For receivables from and liabilities to affiliated companies the same conditions apply as for normal clients.

14 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	5,415,117	29,221	3,607,065	4,979
Receivables from money market securities	3	–	29	–
Receivables from Raiffeisen banks	5,621,429	–	6,802,231	–
Receivables from other banks	758,793	3,862,513	499,603	3,167,208
Receivables from clients	1,643,825	42,359	1,547,967	6,599
Mortgage receivables	6,332,422	–	5,800,145	–
Trading portfolios in securities and precious metals	1,667,733	117,348	1,481,262	106,403
Financial assets	3,181,211	369,342	4,244,516	608,606
Participations	1,037,979	3,908	391,935	3,908
Tangible assets	269,253	–	279,610	–
Accrued income and deferred charges	264,848	3,270	321,910	12,614
Other assets	879,385	783,461	1,057,780	755,869
Total assets	**27,071,999**	**5,211,423**	**26,034,054**	**4,666,185**

Continued on page 41

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Liabilities				
Liabilities to Raiffeisen banks	9,013,091	–	7,775,602	–
Liabilities to other banks	3,437,103	2,627,469	3,978,582	2,623,120
Liabilities to clients in the form of savings and investment deposits	4,138,731	183,308	3,269,229	150,447
Other liabilities to clients	2,997,418	32,170	3,341,077	36,583
Medium-term notes	462,638	6,609	536,927	6,524
Bonds and Pfandbriefdarlehen	5,659,430	–	5,572,160	–
Accrued expenses and deferred income	259,066	1,938	238,349	12,725
Other liabilities	768,220	1,338,618	775,740	1,437,218
Value adjustments and provisions	30,700	–	39,709	–
Reserves for general banking risks	289,700	–	289,700	–
Cooperative capital	850,000	–	450,000	–
General statutory reserves	152,147	–	146,000	–
Annual profit	35,067	–	20,547	–
Total liabilities	**28,093,310**	**4,190,111**	**26,433,622**	**4,266,617**

15 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Europe				
Switzerland	27,071,999	83.86	26,034,054	84.80
Great Britain	1,508,965	4.67	1,071,859	3.49
Germany	686,562	2.13	1,240,187	4.04
Benelux countries	358,789	1.11	565,253	1.84
Austria	787,304	2.44	618,695	2.02
Rest of Europe	1,561,581	4.84	922,530	3.00
Rest of world (America, Asia, Oceania, Africa)	308,222	0.95	247,661	0.81
Total assets	**32,283,422**	**100.00**	**30,700,239**	**100.00**

16 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	5,082,901	198,463	68,422	94,552	5,444,339
Receivables from money market securities	–	–	3	–	3
Receivables from Raiffeisen banks	5,618,664	–	286	2,479	5,621,429
Receivables from other banks	1,413,758	963,655	2,039,609	204,285	4,621,307
Receivables from clients	1,575,557	35,560	66,531	8,537	1,686,184
Mortgage receivables	6,332,422	–	–	–	6,332,422
Trading portfolios in securities and precious metals	851,805	51,451	4,245	877,580	1,785,081
Financial assets	3,392,201	60,799	97,545	8	3,550,553
Participations	1,037,979	3,901	–	7	1,041,887
Tangible assets	269,253	–	–	–	269,253
Accrued income and deferred charges	267,258	89	746	25	268,117
Other assets	1,662,846	–	–	–	1,662,846
Total assets reflected in the balance sheet	**27,504,643**	**1,313,918**	**2,277,387**	**1,187,473**	**32,283,422**
Delivery claims under spot exchange, forward exchange and currency option contracts	14,239,330	7,243,104	5,579,872	2,689,875	29,752,180
Total assets	**41,743,973**	**8,557,022**	**7,857,259**	**3,877,348**	**62,035,602**
Liabilities					
Liabilities to Raiffeisen banks	7,065,880	1,448,811	232,873	265,527	9,013,091
Liabilities to other banks	2,944,424	1,048,957	1,798,646	272,546	6,064,572
Liabilities to clients in the form of savings and investment deposits	4,243,427	78,611	–	–	4,322,039
Other liabilities to clients	2,849,989	111,270	23,520	44,808	3,029,588
Medium-term notes	469,247	–	–	–	469,247
Bonds and Pfandbriefdarlehen	5,659,430	–	–	–	5,659,430
Accrued expenses and deferred income	257,352	2,469	1,070	113	261,004
Other liabilities	2,106,838	–	–	–	2,106,838
Value adjustments and provisions	30,700	–	–	–	30,700
Reserves for general banking risks	289,700	–	–	–	289,700
Cooperative capital	850,000	–	–	–	850,000
General statutory reserves	152,147	–	–	–	152,147
Annual profit	35,067	–	–	–	35,067
Total liabilities reflected in the balance sheet	**26,954,202**	**2,690,118**	**2,056,109**	**582,993**	**32,283,422**
Delivery obligations under spot exchange, forward exchange and currency option contracts	14,792,199	5,863,332	5,795,391	3,279,185	29,730,107
Total liabilities	**41,746,401**	**8,553,449**	**7,851,499**	**3,862,178**	**62,013,529**
Net position per currency	**-2,428**	**3,572**	**5,760**	**15,169**	**22,073**

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

Information on off-balance-sheet business

17 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Collateral securities	258,788	274,238
Warranty bonds	1,363	2,384
Other contingent liabilities	106,880	126,203
Total contingent liabilities	**367,031**	**402,825**

18 Open derivative financial instruments
18.1 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 total in 1000 CHF	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	1,216	1,338	12,000,000	–	–	–
Swaps	428,696	465,022	45,140,335	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**	**57,882,349**	**442,998**	**1,072,351**	**36,505,000**
Foreign currencies						
Forward contracts	147,286	146,861	27,240,011	4,274	8,634	1,749,180
Comb. interest rate/currency swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	359	154	88,836	–	–	–
Options (traded)	–	–	–	–	–	–
Total foreign currencies	**147,645**	**147,016**	**27,328,847**	**4,274**	**8,634**	**1,749,180**
Precious metals						
Forward contracts	19,990	3,728	732,679	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	781	52	37,921	–	–	–
Options (traded)	–	–	–	–	–	–
Total precious metals	**20,770**	**3,780**	**770,600**	**–**	**–**	**–**
Equities / indexes						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	13,001	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (traded)	455	146	8,117	–	–	–
Total equities / indexes	**455**	**146**	**21,118**	**–**	**–**	**–**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	2,000	–	23,700	–	–	–
Options (traded)	–	–	–	–	–	–
Total other	**2,000**	**–**	**23,700**	**–**	**–**	**–**
Total						
Current year	**600,783**	**617,327**	**86,026,614**	**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

18.2 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	1,043,847	1,697,148	65,584,649	42,908,705	14,590,750	123,084,104
Clients	3,552	782	287,177	24,100	100,200	411,477
Raiffeisen banks*	201	236	25,829	10,881	1,465	38,175
Stock exchanges	455	146	629,002	118,035	–	747,037
Total						
Current year	**1,048,054**	**1,698,313**	**66,526,658**	**43,061,721**	**14,692,415**	**124,280,794**
Prior year	1,134,993	1,811,509	41,004,371	33,815,068	13,430,197	88,249,635

* primarily for clients need

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. 99.1% 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.

19 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	–	833	916	4,095	5,843
Total fiduciary transactions	**–**	**833**	**916**	**4,095**	**5,843**
Prior year	39,000	13,037	941	5,664	58,642

Information on the income statement

20 Net interest income

	Current year in 1000 CHF	Prior year in 1000 CHF
Interest income from receivables from Raiffeisen banks	401,563	431,398
Interest income from receivables from other banks	13,977	13,713
Interest income from receivables from clients	151,376	141,538
Interest and dividend income from financial investments	71,410	83,865
Other interest income	14,761	17,454
Total interest and dividend income	**653,087**	**687,967**
Interest expenditure from liabilities to Raiffeisen banks	-139,090	-147,557
Interest expenditure from liabilities to other banks	-25,542	-47,240
Interest expenditure from liabilities to clients	-58,071	-66,760
Interest expenditure from bonds and Pfandbriefdarlehen	-129,777	-105,048
Other interest expenditure	-186,069	-190,487
Total interest expenditure	**-538,548**	**-557,092**
Total net interest income	**114,539**	**130,875**

21 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
Commission income		
Commission income from lending business	7,876	5,751
Commission income from securities and investment business		
Fund business	7,618	7,645
Custody account business	20,508	21,367
Brokerage	13,202	15,655
Other securities and investment business	3,245	3,715
Commission income from other service transactions		
Payments	62,688	62,647
Account maintenance	2,568	2,106
Other service transactions	771	552
Total commission income	**118,477**	**119,437**
Commission expenditure		
Securities business	-24,848	-32,652
Payments	-5,073	-4,648
Other commission expenditure	-593	-667
Total commission expenditure	**-30,514**	**-37,968**
Total net income from commission business and service transactions	**87,963**	**81,469**

22 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign exchange trading	16,386	14,697
Precious metals and foreign notes and coins trading	31,536	33,281
Equities trading	-538	-790
Fixed income trading	10,496	531
Total net trading income	**57,880**	**47,720**

23 Other ordinary income

	Current year in 1000 CHF	Prior year in 1000 CHF
IT services for Group companies	56,645	75,357
Other individual services provided for Group companies	88,936	88,372
Contributions from the Raiffeisen banks for collective and strategic services	48,149	51,106
Charges for internal services relating to Group projects*	66,878	41,286
Other	2,006	1,524
Total other ordinary income	**262,614**	**257,644**

* As of 2012, third-party services charged for Group projects are shown on an after-tax basis.

24 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	1,198	1,006
Salaries and bonuses for staff	250,733	248,049
AHV, IV, ALV and other statutory contributions	19,033	18,743
Contributions to staff pension funds	48,430	25,075
Ancillary staff expenses	6,903	7,575
Total personnel expenditure	**326,297**	**300,447**

25 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	17,077	17,344
Cost of computer equipment, machinery, furniture, vehicles and other equipment	50,636	78,264
Other operating expenditure*	106,168	65,893
Total operating expenditure	**173,880**	**161,500**

* As of 2012, third-party services charged for Group projects are shown on an after-tax basis.

26 Extraordinary income and expenditure

Current year

The extraordinary income of CHF 57.1 million contains CHF 56.5 million from appreciation on participations and CHF 0.4 million from the dissolution of value adjustments and provisions that are no longer operationally required.

Prior year

The extraordinary income of CHF 59.6 million includes CHF 57.6 million for the release of reserves for general banking risks. It also includes CHF 2.0 million from the sale of investments and tangible assets. The hidden reserves in tangible assets declined by CHF 18.4 million.

Report of the statutory auditor

Report of the statutory auditor
to the Delegate meeting of
Raiffeisen Switzerland Cooperative
St. Gallen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Raiffeisen Switzerland Cooperative, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 14 to 47), for the year ended on 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the cooperative's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the 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 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 financial statements for the year ended on 31 December 2012 comply with Swiss law and the cooperative's articles of incorporation.

PricewaterhouseCoopers Ltd, Neumarkt 4 / Kornhausstrasse 26, Postfach, 9001 St. Gallen
Telephone: +41 58 792 72 00, Facsimile: +41 58 792 72 10, www.pwc.ch

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 financial statements according to the instructions of the Board of Directors.

We further confirm that the administration of the cooperative register and the proposed appropriation of available earnings comply with Swiss law and the cooperative's articles of incorporation. We recommend that the 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

Balance sheet – five-year overview

	2012 in 1000 CHF	2011 in 1000 CHF	2010 in 1000 CHF	2009 in 1000 CHF	2008 in 1000 CHF
Assets					
Liquid funds	5,444,339	3,612,044	414,887	253,899	703,134
Receivables from money market securities	3	29	100,621	629	621
Receivables from Raiffeisen banks	5,621,429	6,802,231	7,674,235	6,528,587	5,131,848
Receivables from other banks	4,621,307	3,666,811	6,617,399	8,798,963	12,599,787
Receivables from clients	1,686,184	1,554,566	1,407,110	638,953	656,479
Mortgage receivables	6,332,422	5,800,145	4,983,123	4,398,955	3,766,071
Loans to clients	**8,018,607**	**7,354,711**	**6,390,233**	**5,037,907**	**4,422,550**
Trading portfolios in securities and precious metals	1,785,081	1,587,665	1,321,196	500,033	365,585
Financial assets	3,550,553	4,853,121	5,681,657	6,668,188	3,355,089
Participations	1,041,887	395,843	449,696	380,408	287,546
Tangible assets	269,253	279,610	279,032	273,197	300,406
Accrued income and deferred charges	268,117	334,523	334,163	334,852	319,274
Other assets	1,662,846	1,813,649	1,665,903	1,728,051	2,226,160
Total assets	**32,283,422**	**30,700,239**	**30,929,023**	**30,504,714**	**29,712,000**
Liabilities					
Liabilities to Raiffeisen banks	9,013,091	7,775,602	6,675,793	7,509,323	7,948,866
Liabilities to other banks	6,064,572	6,601,702	8,558,934	9,822,687	8,493,858
Liabilities to clients in the form of savings and investment deposits	4,322,039	3,419,676	3,085,362	2,868,569	2,314,526
Other liabilities to clients	3,029,588	3,377,660	5,123,804	4,354,515	4,592,281
Medium-term notes	469,247	543,451	522,227	652,191	695,517
Client deposits	**7,820,873**	**7,340,787**	**8,731,393**	**7,875,275**	**7,602,324**
Bonds and Pfandbriefdarlehen	5,659,430	5,572,160	3,979,700	2,693,000	3,056,650
Accrued expenses and deferred income	261,004	251,074	254,086	222,356	347,745
Other liabilities	2,106,838	2,212,958	1,822,343	1,491,991	1,388,863
Value adjustments and provisions	30,700	39,709	39,075	36,809	37,178
Reserves for general banking risks	289,700	289,700	347,300	339,000	328,100
Cooperative capital	850,000	450,000	360,000	360,000	360,000
General statutory reserves	152,147	146,000	139,873	134,172	128,581
Annual profit	35,067	20,547	20,528	20,100	19,835
Total equity capital	**1,326,914**	**906,247**	**867,700**	**853,273**	**836,515**
Total liabilities	**32,283,422**	**30,700,329**	**30,929,023**	**30,504,714**	**29,712,000**

Income statement – five-year overview

	2012 in 1000 CHF	2011 in 1000 CHF	2010 in 1000 CHF	2009 in 1000 CHF	2008 in 1000 CHF
Interest and discount income	581,677	604,103	605,060	663,529	1,079,271
Interest and dividend income from financial assets	71,410	83,865	91,391	97,687	51,940
Interest expenditure	-538,548	-557,092	-571,114	-663,983	-1,027,772
Net interest income	**114,539**	**130,575**	**125,338**	**97,233**	**103,439**
Commission income lending business	7,876	5,751	4,238	4,236	2,505
Commission income securities and investment business	44,573	48,381	55,035	54,085	55,580
Commission income other service transactions	66,027	65,304	58,016	52,654	52,583
Commission expenditure	-30,514	-37,968	-45,358	-47,824	-48,675
Net income from commission business and service transactions	**87,963**	**81,469**	**71,930**	**63,150**	**61,993**
Net trading income	**57,880**	**47,720**	**41,861**	**50,320**	**59,465**
Income from sale of financial assets	-1,823	-973	50	-365	30
Income from participating interests	22,367	24,366	22,338	20,178	30,204
Income from real estate	3,241	2,945	3,052	3,212	3,473
Other ordinary income	262,614	257,644	275,663	273,026	243,410
Other ordinary expenditure	-18,346	-7,434	-1,439	-220	-5,498
Other ordinary profit	**268,053**	**276,548**	**299,665**	**295,831**	**271,619**
Operating income	**528,435**	**536,612**	**538,794**	**506,534**	**496,516**
Personnel expenditure	-326,297	-300,447	-288,114	-292,892	-298,599
Operating expenditure	-173,880	-161,500	-148,358	-154,770	-171,226
Total operating expenditure	**-500,177**	**-461,947**	**-436,473**	**-447,662**	**-469,825**
Gross profit	**28,258**	**74,665**	**102,321**	**58,871**	**26,691**
Depreciation on fixed assets	-46,619	-99,031	-69,896	-92,395	-119,162
Value adjustments, provisions and losses	-1,785	-13,592	-4,222	-2,243	-470
Operating profit (interim result)	**-20,146**	**-37,958**	**28,203**	**-35,767**	**-92,941**
Extraordinary income	57,093	59,635	3,764	74,107	118,261
Extraordinary expenditure	-165	-193	-6,160	-12,640	-39
Taxes	-1,715	-938	-5,280	-5,600	-5,446
Annual profit	**35,067**	**20,547**	**20,528**	**20,100**	**19,835**

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