Raiffeisen Group

Annual Report

2013 Annual and Financial Report

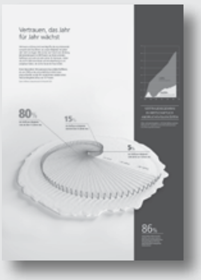
RAIFFEISEN

KEY FIGURES 2013

The Raiffeisen Group continued to consistently and successfully implement its growth strategy. Credit volume rose by 5.3% to CHF 151.4 billion. Refinancing was provided by a strong increase in customer deposits (CHF +5 billion) to CHF 138.1 billion. Operating income rose to CHF 2.8 billion, while gross profit increased to over CHF 1 billion.

	2013 Amounts in CHF millions	2012 Amounts in CHF millions	Change in %
Key balance sheet figures			
Total assets	176,575	168,124	5.0
Loans to clients	151,409	143,765	5.3
of which mortgage receivables	143,659	135,943	5.7
Client deposits	138,059	133,055	3.8
Client deposits in % of loans to clients	91.2%	92.6%	
Key income statement figures			
Operating income	2,791	2,712	2.9
Total operating expenditure	1,723	1,786 [1]	-3.5
Gross profit	1,068	927 [2]	15.2
Group profit	717	635	12.9
Cost/Income Ratio	61.7%	65.8% [3]	
Capital resources			
Total equity capital	11,201	10,496	6.7
Return on equity (ROE)	6.6%	6.2%	
Equity ratio	6.3%	6.2%	
Core capital ratio	13.6%	12.6%	
Market data			
Share of mortgage market	16.3%	16.1%	
Share of savings market	18.9% [4]	20.0%	
Number of cooperative members	1,828,202	1,794,855	1.9
Client assets			
Client assets under management	187,297	173,149	8.2
Lending business			
Losses on lending business	18	27	-34.1
as % of loans to clients	0.012%	0.019%	
Resources			
Number of employees	10,593	10,540	0.5
Number of full-time positions	8,887	8,797	1.0
Number of Raiffeisen locations	1,032	1,084	-4.8

1) Operating expenditure without the one-time employer contribution to the pension fund: CHF 1,706 million
2) Gross profit without the one-time employer contribution to the pension fund: CHF 1,006 million
3) Cost/income ratio without the one-time employer contribution to the pension fund: 62.9%
4) Postfinance AG was added to the market figures on 30 June 2013



Raiffeisen – adding value for Switzerland

316 Raiffeisen banks are trusted, reliable partners for 3.7 million clients. Find out why Raiffeisen, Switzerland's third-largest banking group, is also a macroeconomic player, at www.raiffeisen.ch/geschaeftsbericht (only available in German, French and Italian).

You can obtain a printed supplement to the Annual Report from your Raiffeisen bank (only available in German, French and Italian).

Imprint

Raiffeisen Switzerland Cooperative
Corporate Communications
Raiffeisenplatz
CH-9001 St.Gallen
Phone: +41 71 225 88 88
Fax: +41 71 225 88 87

Internet: www.raiffeisen.ch/annualreports
E-mail: medien@raiffeisen.ch

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Raiffeisen Group

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Preface

Raiffeisen – adding value for Switzerland

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

The global economy stabilised in 2013. The United States and the Eurozone produced positive growth signals. Inflation remained low, as global capacity in many sectors remained underutilised and unemployment in most countries remained high. As a result, central banks in industrialised countries kept interest rates low.

Switzerland's export-oriented manufacturing sector recovered further, thanks to the stability of the CHF/EUR exchange rate. To maintain this solid growth momentum, the Swiss National Bank (SNB) refrained from hiking interest rates.

Shrinking interest rate spreads – the bread and butter of the banking business – are forcing financial institutions to branch out into new operating activities. If they want to stay competitive, they will have to realign their business models and invest in skills and innovations. Efficiency is key in a business that involves interchangeable services. Stricter regulatory requirements will have to be integrated into business models as well. Moreover, shifting customer requirements and technological progress raise important questions about data security and handling.

In this environment, Raiffeisen succeeded in further strengthening its market position as Switzerland's leading retail bank and the third-largest player in the Swiss banking sector. Since the financial crisis began in 2008, our new money inflows have been significant at 33 percent. This is a reflection of our bank's excellent reputation and clear strategic focus on the Swiss market.

We increased our share of the mortgage and savings market. At present, we hold one fifth of all savings in Swiss francs and finance one fourth of all mortgages in Switzerland. In 2013, we drove qualitative growth in the core business by putting security before profitability.

We broadened our earnings base in 2013: Not only did we diversify by strengthening our investment and corporate clients business, but we also built up our private banking and asset management operations. We have already enjoyed significant success with the acquisition of Notenstein Private Bank Ltd in January 2012. Improved productivity and strict budgetary discipline at all company levels helped us achieve an excellent operating result.

We will continue strategy discussions with some 1,500 Raiffeisen managers in 2014. In addition, we will invest further in our skills and forward-looking projects to keep our fingers on our clients' pulses. Our efforts are supported by an extensive branch network, competent advisory services, high-quality products, 24/7 availability of banking services and a deep commitment to the local economy and society.

We thank our members and clients for their trust and loyalty. We are confident that we will reach the goals we have set for 2014 and that, together with our employees and partners, we will add value for Switzerland.

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

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

Global economic environment

Global economy on the road to recovery

Switzerland benefited from the improvement in the global economic environment in the course of 2013. The financial sector had to battle with a difficult situation in relation to margins. Mortgage loans and prices for residential property nevertheless continued to rise more rapidly than the overall economy.

The slow-down in the global economy ran its course last year. Although growth of global GDP should probably again fall to just under 3% as an average for the year, the momentum has shifted following a still weak start to the year. The impetus increasingly came from industrial countries, while the pace in emerging markets remained relatively subdued.

The US economy has digested the automatic budget cuts (sequester) very well. These cuts were high, due to the inability to reach a political compromise. Consumer sentiment has improved steadily, not least due to the gradual speed-up in employment growth and the orderly recovery on the housing market.

The picture has also changed for the better in the Eurozone. Driven by Europe's engine of growth, Germany, the one-and-a-half-year recession came to an end in the spring. With a short delay, the economy stabilised in the major countries hit by the debt crisis, namely Spain and Italy, in the second half of the year. Factors favouring this positive trend included the encouraging outlook for the global economy and the much lower budget consolidation that was additionally required. The sentiment indicators continued to point to a slow but continuous recovery in the Eurozone at the end of the year 2013.

Switzerland benefited from the improvement in the global economic environment. In addition to the ongoing solid position with regard to consumer spending and in the construction industry, the situation in the highly important export industry brightened up considerably by the end of the year. Although the margin situation in some sectors remains challenging and there is still a need for further cost savings, Swiss industry has digested the preceding massive appreciation of the Swiss franc astonishingly well overall.

Despite the economic upturn, worldwide capacity remains underutilised in many areas and unemployment is at a high level in most countries. This kept inflationary pressure low throughout the world in 2013. Accordingly, the central banks in industrial countries maintained their policy of low interest rates. In November 2013, the European Central Bank (ECB) even cut its key interest rate yet again by 25 basis points, to 0.25%, in order to provide a safety margin against deflation. The Federal Reserve (Fed) also gave no signs of an interest rate hike in the near future. US central bankers, however, having looked at the increasingly positive economic data and after some delay, have begun to reduce the massive bond purchases with effect from year-end. This would imply that the turnaround in interest rates was heralded last year on the capital market.

While money-market interest rates remain stuck at a low level, interest rates at the long end have risen significantly. The interest-rate increase was greater in the economically more solid currency regions. In the USA and in Switzerland, yields on 10-year government bonds doubled to more than 3% and 1% respectively from the cyclical low to the end of 2013. In the Eurozone the steepening of the yield curve was more modest. In the major countries hit by the debt crisis, namely Spain and Italy, yields increased to only a relatively low extent, due to decreasing risk aversion and thus falling risk premiums.

In 2013 the Swiss National Bank (SNB) retained the exchange rate floor for the Swiss franc against the euro at a level of 1.20, which had been introduced in September 2011. According to members of the SNB Governing Board, it has no longer been necessary to intervene on the currency markets since the summer of 2012. Despite the easing of the EMU debt crisis, the Swiss currency had not weakened significantly against the euro by the end of 2013. The SNB continues to regard the possibility of renewed pressure on the franc, thus jeopardising the recovery in the Swiss economy, as a risk. As a result, it has not given any indications that it intends to change its zero-interest-rate policy and the exchange rate floor in the short term. In this environment the upward trend on Swiss real estate prices remains intact, driven by record low interest rates and the dynamic growth in the population. As a result, the SNB requested activation of the anticyclical capital buffer to 1% of the risk-weighted mortgage loans in February of last year. At year-end, the SNB confirmed the need for further restraining measures. Growth in mortgage loans and price increases for residential property fell more sharply than expansion of the overall economy in the second half of 2013. The momentum in transaction prices nevertheless clearly weakened quite recently.

Strategy

Growth initiatives and diversification pay off

Raiffeisen has expanded its market position as the leading Swiss retail bank. The Group's clear positioning has powerfully reinforced its ability to successfully master future challenges.

REVIEW AND ACHIEVEMENT OF TARGETS IN 2013

The market environment faced a number of challenges in 2013. The global economy remains in a low-interest phase, while the banks have had to deal with a range of regulatory requirements. New market players and intensified competition have also amplified dynamics in the whole industry.

Raiffeisen again closed out a very successful financial year in 2013 in spite of this extremely adverse environment. Market shares saw a further increase both in the mortgage business and in savings. This consolidated Raiffeisen's status as the third force in the Swiss banking market. The bank also succeeded in propelling forward the income diversification strategy. The acquisition of Notenstein Private Bank Ltd in January 2012 is particularly noteworthy in this respect. The growth initiatives were also accompanied by a focus on efficiency and costs. All these factors contributed to very good operating results.

This is impressive testimony to the worth of Raiffeisen's cooperative business model, which is based on security and client proximity. The clear strategic positioning also provides a stable basis for the successful development of Raiffeisen.

TRENDS AND CHALLENGES

Switzerland's banking market will continue to be dominated by a number of change-related processes going forward. The market situation is being affected by the increasing competitive pressure and by changes in client expectations and regulatory requirements, in addition to economic factors.

More stable economic environment

The improvement in general global economic conditions has led to expectations of strong growth for Switzerland in the year ahead. The positive business environment is nevertheless very much dominated by the expansive monetary policy being pursued by central banks. Very low levels of interest rates continue to prevail and will rise only slowly. With interest rates so low, banks focus on security and a cautious lending policy.

Fierce competitive pressure and consolidation

It can be expected that competition in the banking landscape will continue to increase. The situation is exacerbated even further by non-banking competitors entering the market. The battle for market share is becoming noticeably fiercer, putting margins under more pressure. Banks are also facing rising costs due to greater regulatory requirements. The increasing pressure on earnings and costs will drive consolidation in the banking sector. In this challenging environment, clear positioning, efficient processes and a critical examination of the value chain are crucial factors in success.

Changes in client expectations

Client expectations with regard to a banking relationship will be transformed due to progressive technological changes. Electronic media and channels will become increasingly important. In addition, clients of the future will be much better informed as a result of the widespread availability of financial knowledge. This requires very highly trained employees but also new approaches to providing advice and new sales models. The various channels must be coordinated closely with one another in order to maximise client benefit. Banks need to meet these expectations by investing, especially in IT and by training their employees.

Increasing regulation

Swiss banks are expected to face further regulatory requirements going forward. The requirements are targeted especially at the stability of the financial industry (e.g. Basel III, systemic relevance) and at improving client protection (e.g. Financial Services Act, FIDLEG). These demands impact equally on clients and employees, as well as processes and IT systems. From the banks' standpoint, these requirements involve major costs to implement them, both financially and in terms of human resources. Ensuring that these general conditions are efficiently complied with will be the crucial factor.

STRATEGIC OBJECTIVES AND MEASURES

The strategic objectives of Raiffeisen and the associated measures have proved their worth in recent years. As a result, systematic implementation of the strategy will continue to be pursued in the coming financial year in order to overcome the challenges that the future holds and to secure long-term success for Raiffeisen.

High-quality growth in core business

Raiffeisen's core business is the domestic savings and mortgage market. Raiffeisen continues to focus on strengthening this position, although without aiming at growth at any price. Instead, the motto is: "Safety comes before profitability comes before growth". It is intended to grow the core business primarily by increasing the number of main bank clients. Expansion has as its basis the marked proximity to clients and the broad client base. The approx. 3.7 million clients have access to a network of more than 1,000 bank branches and an innovative electronic sales network. Raiffeisen also benefits from an outstanding reputation. Thanks to these underlying conditions, there is still major potential for growth, especially in the metropolitan areas.

Diversifying of business areas

Interest-based business is and remains Raiffeisen's main source of income. Opening up new areas of business, however, is expected to broaden its earnings base and diversify risks. Raiffeisen's plans to diversify also reflect clients' need for a comprehensive range of products and services. Two parallel approaches are being used to advance diversification:

- The first approach involves diversification with existing clients. Raiffeisen has a broad client base and knows its clients and their needs very well. Strengthening the investment and corporate client business is intended to make full use of this potential. Wealthy clients will be offered comprehensive support, while SMEs will find Raiffeisen as a competent advisor for their specific requirements. In order to implement this strategy, regional centres for investment and corporate clients are available, for example. This approach is also underpinned by the recruitment of a chief economist and the setting up of an Economic Research team.
- The second approach extends beyond the existing client base and represents a selective addition to the core business. This step involves Private Banking and Asset Management, implemented through independent subsidiaries to a very large extent. In this case the focus is clearly on opportunities within Switzerland that are low risk and suit Raiffeisen. Although the significance of these growth initiatives is

still relatively low at present, their development is making good progress. The acquisition of Notenstein Private Bank in 2012 was a notable success in this respect. The objective is to continue pressing ahead with this expansion on the road ahead.

Raiffeisen Group capital investment 2009–2013, by category

(net investment, in CHF million)

	2009	2010	2011	2012	2013
Bank buildings	156	161	121	176	89
Other real estate	11	25	21	20	2
Alterations and fixtures in third-party premises	32	36	28	11	19
IT hardware	30	27	15	17	19
IT software	22	18	17	20	11
ATMs	21	17	7	6	9
Furniture	8	8	7	9	5
Fixtures	9	12	12	7	11
Office machines, vehicles, security installations	11	12	9	6	9
Total net investment	**300**	**316**	**236**	**272**	**174**

Raiffeisen Group capital investment 2009–2013, by region

(net investment, in CHF million)

	2009	2010	2011	2012	2013
Lake Geneva region	37	37	30	15	15
Espace Mittelland	43	53	57	43	28
Northwestern Switzerland and Zurich	42	37	20	30	26
Eastern Switzerland*	121	136	101	153	82
Central Switzerland	29	28	18	19	11
Ticino	27	24	10	12	12
Total	**300**	**316**	**236**	**272**	**174**

* incl. central investment by Raiffeisen Switzerland

Increasing productivity

The strategic growth initiatives require significant investment. Raiffeisen is also faced with additional costs due to the regulatory requirements. These framework conditions require rigorous cost discipline at all levels of the Raiffeisen business. In retail banking particularly, offering basic services at low cost is a key factor in success. For this reason, Raiffeisen's expenditure is critically reviewed on an ongoing basis. Particular focus is on costs with high potential for boosting productivity. Examples include initiatives to standardise processes or to increase the capacity utilisation of the IT infrastructure. These measures will enable Raiffeisen to improve its competitiveness further.

Strengthening the corporate culture

Crucial factors in Raiffeisen's success are the unique culture and the cooperative business model. Values that are put into practice, such as credibility, sustainability, proximity and entrepreneurship, form the basis for a clear profile and constitute a major competitive advantage. These principles also impact on the employees and the internal collaboration. Raiffeisen consequently features a unique management culture and comprehensive staff development. Raiffeisen is also a pioneer with regard to diversity, work-life balance and family friendliness. By doing so, Raiffeisen is strengthening its market position while also positioning itself as an attractive employer (see also the chapter entitled "Sustainability" in this report).

INVESTING IN THE FUTURE

Active involvement in the impending change processes requires investment in future-oriented projects. In this respect, Raiffeisen is targeting its investments at expanding its core business and diversifying the areas in which it operates. Key topics at present include further modernisation of the sales network and expansion of electronic channels, as well as ongoing upgrading of the IT infrastructure.

The allocation of Raiffeisen's net investment reflects these principles. Most of its expenditure is used to establish and expand a modern bank branch and sales network and to optimise the IT systems. Raiffeisen is a major investment partner in all the regions of Switzerland in this respect.

STRATEGIC MANAGEMENT PROCESS

In the strategic management process, the strategy of the Raiffeisen Group is reviewed each year and adapted to new circumstances. In the course of an away-day, the Executive Board and the Board of Directors of Raiffeisen Switzerland analyse the internal and external situation. On that basis the strategic approaches for the next three years will be established. These are ultimately broken down into strategic and financial target parameters. This puts the strategic targets into an operational context and ensures that the Group strategy will be implemented systematically.

Raiffeisen has measured and managed its strategic objectives using a balanced scorecard (BSC) approach for a number of years. Alongside financial targets, this model also takes account of client, staff-related and process factors to arrive at a 360° perspective of the status with regard to objectives.

1. Initial analysis

2. Determination of strategic targets (closed EB and BD conferences)

3. Definition of strategic metrics (BSC) and multi-year financial planning

4. Budgeting of day-to-day business and projects

The selected targets below puts the strategic objectives of the Raiffeisen Group into an operational context:

Target value	BSC dimension	2011 current value	2012 current value	2013 current value	Achievement of targets in 2013	2014 target value
Loans to clients	Clients	+ 7.0 %	+ 5.6 %	+ 5.3 %	■	+ 4.0 %
Client deposits	Clients	+ 4.9 %	+ 8.9 %[1]	+ 3.8 %	▲	+ 4.0 %
Gross new provisions Value adjustments	Finance	0.05 %	0.05 %	0.05 %	■	< 0.15 %
Cost/income ratio	Processes	60.5 %	62.9 %[2]	61.8 %	■	< 62.6 %
Fluctuation rate for key persons	Employees	2.3 %	3.1 %	2.9 %	■	< 5.0 %

■ Target achieved ▲ Target partially achieved ● Target not achieved

[1] Figure including customer deposits held at Notenstein Private Bank Ltd
[2] Figure excluding employer contribution to strengthen the pension fund (exceptional item)

Business trend

Healthy earnings

The Raiffeisen Group brought the 2013 financial year to a successful close in every respect. It saw volumes rise significantly in all business segments. The significant increase in operating income, combined with stable costs, resulted in a gross profit of more than CHF 1 billion. The Group profit of CHF 717 million is the highest in Raiffeisen's history.

Raiffeisen performed very well in a complex environment characterised by squeezed margins, financial market uncertainty and regulatory tightening. Its core business achieved significant gains. The mortgage and corporate clients business performed particularly strongly. The investment client business grew as well. The strong growth of the mortgage portfolio was based on a risk policy that remained conservative. The high quality of the mortgage portfolio remained unimpaired, and the Group's risk situation continues to be very solid. The Group-wide focus on costs and efficiency is clearly paying off. The additional volumes raised income without broadening the cost base.

While the credit volume grew at the same pace as in the previous year, the increase in client deposits (+CHF 5.0 billion in the year under review) remained well below the previous year's figures (+CHF 10.9 billion). The decline in growth, though dramatic at first sight, is primarily attributable to the fact that the previous year was the first year to include CHF 3.3 billion in client deposits at Notenstein Private Bank Ltd. Furthermore, the Central Bank repaid short-term deposits of more than CHF 700 million to institutional investors during the current year. The increase in client deposits from the retail business (Raiffeisen banks and Raiffeisen Switzerland branches) amounted to CHF 5.8 billion in the current year, compared to CHF 7.6 billion in the previous year.

The Group increased business volumes significantly across its segments, not just in the mortgage and savings business. The corporate clients business in particular grew very dynamically. The number of clients grew 3%, investments 4.5% and financing 5.6%. To supplement the core business, the private banking and asset management operations were expanded further through additional acquisitions made by Notenstein Private Bank Ltd.

Revenue from insurance products sold as part of the Helvetia partnership set a new record with a premium volume of CHF 175 million (+29%). The number of Raiffeisen e-banking users has already grown to 908,000, which corresponds to a 8% increase. Clients transacted more than 73 million payment orders (+12%) via e-banking. Cashless payments are becoming increasingly popular. The number of Maestro cards grew 6%, the number of credit cards 4.7%. In line with this increase, the number of transactions for Maestro cards rose 12%, and for credit cards 15%. Bucking the general trend, Raiffeisen increased the number of ATMs to 1,588 machines spread out across Switzerland.

Raiffeisen's gross profit broke through the one billion Swiss francs barrier for the first time to reach CHF 1,068 billion (+15.2%). This strong performance is the result of significant income growth accompanied by rigorous cost management. Operating income grew 2.9% to CHF 2.8 billion, largely due to good results in the rates and service business. Operating expenditure fell 3.5 percent to CHF 1.7 billion year on year. The prior year's operating expenditure, however, does include an employer contribution of CHF 80 million to the Raiffeisen Pension Fund. Without this extraordinary item, there would have been a moderate increase in operating expenditure of 1%, or CHF 17 million. Group profit including minority interests reached a new record: CHF 716 million (+12.8% or +CHF 81 million).

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

INCOME STATEMENT

Income from ordinary banking activity

As mentioned previously, the CHF 78 million increase in operating income (+2.9%) to CHF 2.8 billion was mainly attributable to the favourable performance of the rates and service business.

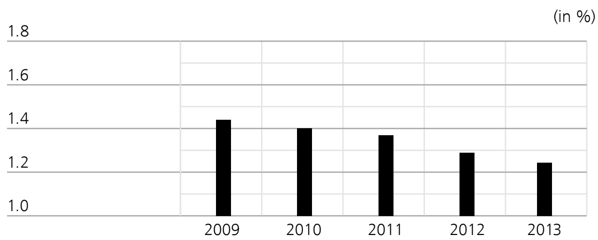
Net interest income went up CHF 38 million, or 1.8%, to CHF 2.1 billion despite persistently low interest rates. Terms on the liabilities side and qualitative growth on the assets side had a positive impact. High mortgage growth was not achieved through narrower margins. This also compensated for the negative effect of higher hedging costs in the rates business. Without hedging transactions, fixed interest rate imbalances between the lending and deposit-taking business would have increased interest rate risks.

The commission and service business gained more momentum than in the previous year (note 19). It increased by CHF 28 million, or 7.6%, to CHF 396 million. This increase was driven equally by the securities and investment business and by the remaining service business. The securities and investment business saw an increase of CHF 14 million, while income from brokerage and the fund business grew particularly strongly. Thanks to rising volumes, income from other service areas also went up CHF 14 million. Despite higher revenue, commission expenditure dropped slightly thanks to numerous cost-cutting measures.

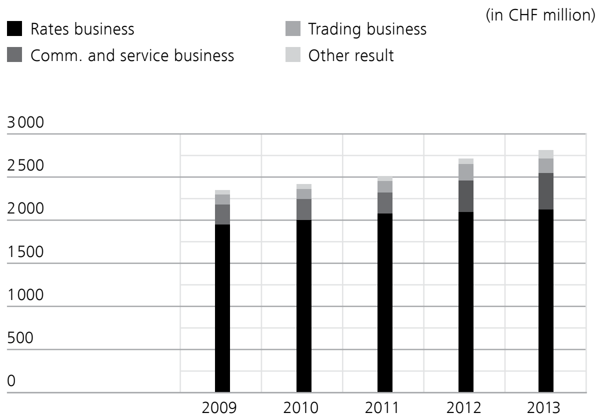
The trading business did not perform as well as in the previous year (note 20). Income declined slightly by CHF 5 million, or 2.7%, to CHF 185 million due to declining profits in precious metals and equities trading.

The other ordinary result grew very strongly, increasing CHF 18 million, or 28.8%, to CHF 79 million. Raiffeisen benefited from increasing its participating interest in Leonteq AG in Zurich in the sense that it earned more income from participating interests and from measuring the participating interest using the equity method for the first time. Income from the sale of financial assets rose CHF 3 million compared to the previous year.

Interest margin



Performance of income items



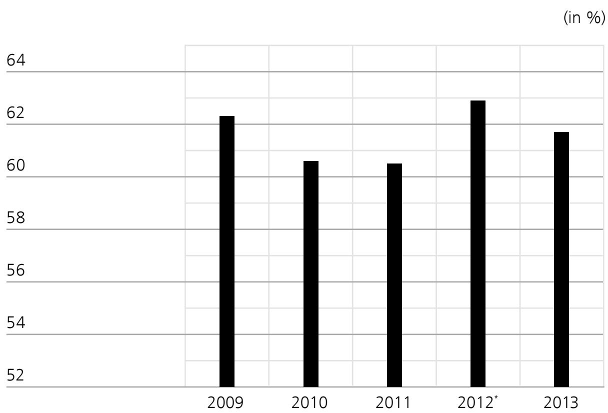
Operating expenditure

Operating expenditure was CHF 1.7 billion, or CHF 63 million (-3.5%) lower than in the previous year. It must be borne in mind, however, that Raiffeisen made an employer contribution of CHF 80 million to its own pension fund in 2012. Without this extraordinary item, operating expenditure for the financial year under review would have been CHF 17 million, or 1.0%, higher than in 2012. This is an excellent result given the strong volume growth and the strategic growth initiatives that resulted in considerable investments in the current financial year. The ongoing top-to-bottom cost review produced results. The cost income ratio improved 1.1%, from 62.9% (without the pension fund contribution) to 61.7%.

Personnel expenditure

The CHF 74 million decrease in personnel expenditure to CHF 1.2 billion (note 22) can be attributed to the aforementioned employer contribution to the pension fund in the previous year. A comparison of personnel expenditure without this contribution would show a slight increase of CHF 6 million, or 0.5%. A large part of this increase was caused by the diversification of business segments. The expansion of the Swiss private clients and institutional clients businesses in private banking and the acquisition of TCMG Asset Management AG increased personnel expenditure, especially in asset management. These growth initiatives also raised the headcount by 90 full-time equivalents, from 8,797 to 8,887 full-time equivalents. As in the previous year, the headcount in the retail business remained essentially unchanged year-to-year.

Cost/income ratio trend



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

Other operating expenses

The cost increase of CHF 11 million, or 2.2%, in other operating expenses (note 23) was also moderate. The Group accounts include the costs from asset management for the first time. Costs also went up slightly for printed materials, advertising and consulting.

Depreciation on fixed assets

Depreciation on fixed assets (note 4) decreased CHF 20 million, or 10.1%, to CHF 178 million compared to the previous year. Depreciation on tangible assets amounted to CHF 153 million (previous year: CHF 164 million). In the previous year, the book values of strategic investments had to be adjusted by CHF 22 million. Due to further acquisitions by Notenstein Private Bank Ltd in the asset management sector, goodwill write-downs increased CHF 14 million to CHF 25 million.

Value adjustments, provisions and losses

Expenditure went down CHF 6 million, or 20.4%, to CHF 25 million. This figure includes CHF 5.3 million of losses (previous year: CHF 4.3 million) that were recognised directly in income. CHF 1.1 million are from the lending business (previous year: CHF 1.0 million). Net new provisions for other business risks amounted to CHF 19.6 million (previous year: CHF 20.7 million). This figure includes, in particular, provisions for possible third party costs in connection with the US tax dispute and withholding tax in the UK. Effective losses from the lending business (including appropriate application of value adjustments) were only CHF 18 million (previous year: CHF 27 million) and came to 0.01% of all loans to clients.

Extraordinary income and expenditure

The extraordinary income of CHF 28 million (note 24) includes CHF 6.6 million from reversals of value adjustments and releases of provisions for default risks as well as CHF 7.0 million in income from the sale of tangible assets. This item also includes CHF 12.4 million from warranty repayments. The extraordinary expenditure of CHF 4 million mainly comprises losses from the sale of tangible assets (CHF 2.0 million).

Taxes

The steep increase in Group profit had an impact on tax expenditure (note 25). It came to CHF 173 million, or 15.6% higher than the previous year.

BALANCE SHEET

Growth in total assets of CHF 8.5 billion, to CHF 176.6 billion, was driven by the increase in the credit volume. The liability side shows corresponding increases in client deposits and Pfandbriefdarlehen.

Receivables from money market securities

Holdings of money market securities surged by CHF 251 million to CHF 320 million due to short-term purchases and sales. The money was invested in short-term vehicles at favourable terms.

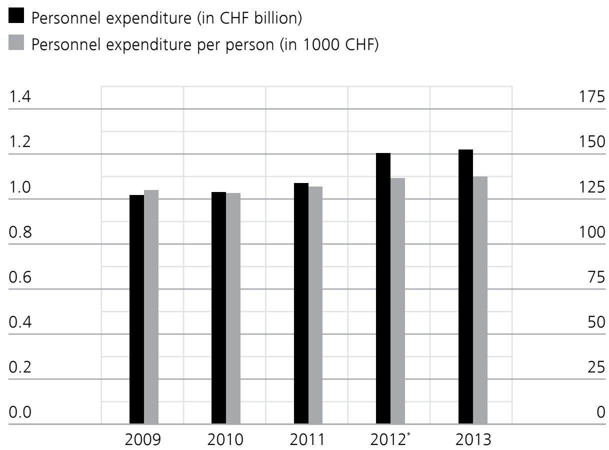
Receivables from and liabilities to other banks

Interbank business volume increased in 2013. Receivables in particular were up CHF 853 million, or 13.6%, compared to the previous year. Net liabilities fell CHF 0.6 billion to around CHF 0.9 billion in connection with Raiffeisen Switzerland's interbank business. The unsecured interbank loans are mostly carried out with short maturities. The current low market rates have brought the repo market to a virtual standstill.

Loans to customers

As in the previous year, the Raiffeisen Group's loans to clients grew at a high rate, increasing CHF 7.6 billion, or 5.3%, to CHF 151.4 billion, which is entirely due to the increase in mortgage loans. Demand was highest for fixed-rate and Libor mortgages due to their low interest rates. Raiffeisen's above-market-average growth did not come at the cost of tighter margins or less security. Thanks to a stable and conservative credit policy, the Group's risk situation remains encouragingly stable. Value adjustments for default risks went down once again and, at CHF 265 million, account for 0.18% of loans (previous year: 0.2%). The quality of the credit portfolio remains high and is broadly diversified in terms of regions and sectors. Over three-quarters of the credit volume is held by private clients who are also cooperative members of a Raiffeisen bank. As such, the client structure helps maintain a largely low-risk portfolio.

Change in personnel expenditure and personnel expenditure per FTE



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

Trading portfolios in securities and precious metals

Trading portfolios decreased significantly by CHF 471 million, or 25.6%, to CHF 1.4 billion in the current year (see note 2 for a breakdown of the trading portfolios). Precious metals portfolios went down CHF 271 million to CHF 619 million. Holdings of stock-exchange-listed debt instruments also declined, they went down CHF 197 million to CHF 693 million. The capital adequacy requirements for market risks in the trading book are detailed on page 82.

Financial assets

Securities holdings in financial assets (note 2), mainly top-quality bonds, are managed in accordance with statutory liquidity requirements and internal liquidity targets. The book value increased CHF 252 million to CHF 4.3 billion.

Non-consolidated participations

The book value of participations rose CHF 86 million, or 13.5%, to CHF 719 million. Major participations are reported in this balance sheet item as per notes 3.2 and 3.3. Participation acquisitions raised the book value by CHF 65 million. They include increases in participating interests in Leonteq AG and SIX Group AG. The value of the participations in Aduno Holding AG, Pfandbriefbank schweizerischer Hypothekarinstitute AG and Leonteq AG increased CHF 21 million according to the equity method. The Raiffeisen Group owns additional holdings with a small share of equity capital and voting rights for operational and business policy reasons.

Tangible and intangible assets

The book value of tangible assets (note 4) rose CHF 21 million, or 0.9%, to CHF 2.4 billion. Investments continue to focus on expanding and modernising the sales network. Intangible assets went up CHF 36 million, or 20.3%, to CHF 215 million. The acquisition of additional participating interests in Leonteq AG increased goodwill by CHF 47 million. Notenstein Private Bank Ltd made additional acquisitions in the asset management sector. The goodwill from these transactions – amounting to CHF 14 million – was fully written down by the end of the year.

Client deposits

Raiffeisen recorded healthy growth in conventional bank savings. Client deposits rose CHF 5.0 billion, or 3.8%, to CHF 138.1 billion. If the retail business is examined separately, the result is even better – the increase is CHF 5.8 billion. Due to the low interest rates in the current market, savings deposits remain the most attractive option for clients. This fuelled an increase of CHF 6.5 billion. Fixed-income investment accounts, by contrast, were in much lower demand. Total holdings in medium-term notes and time deposits decreased CHF 1.2 billion.

Bonds and Pfandbriefdarlehen

Bonds and Pfandbriefdarlehen grew more rapidly (+CHF 1.5 billion) than in the previous year. Total holdings increased CHF 2.7 billion, or 17.5%, to CHF 17.8 billion (note 8). Net liabilities to Pfandbriefbank went up CHF 2.3 billion. Consequently, new client deposits and Pfandbriefdarlehen completely met the additional demand for stable funding resulting from the strong growth in loans to clients. Two Raiffeisen Switzerland bonds amounting to CHF 600 million matured in February. A subordinated Tier 1 bond amounting to CHF 550 million, which can be counted towards additional core capital, was issued in April in order to further increase capital in response to regulatory tightening under Basel III and to cover the countercyclical buffer that was capitalised for the first time. In addition, Notenstein Private Bank Ltd began issuing its own structured products in 2013, with Raiffeisen Switzerland as the guarantor and Leonteq AG as the service provider. By the end of the year, more than 500 products with a volume in excess of CHF 400 million had been launched. Underlying instruments with terms exceeding one year (CHF 339 million) are recognised under "Bonds and Pfandbriefdarlehen". Underlying instruments with terms of less than one year

(CHF 84 million) are recognised under "Liabilities from money market securities".

Value adjustments and provisions
Value adjustments and provisions (note 9) rose CHF 30 million, or 2.9%, to CHF 1,082 million. Other than the provisions for deferred taxes (+CHF 35 million), provisions for other business risks rose CHF 16 million in net terms. This is particularly attributable to new provisions of CHF 12 million for third-party services in connection with the US tax dispute and withholding tax from the UK (CHF 6 million). The provision for reorganisation measures amounts to slightly more than CHF 1 million; CHF 4 million was used in conformity with the designated purpose in the year under review. Despite the strong increase in credit volume, value adjustments for default risks declined heavily again, by CHF 17 million, to CHF 265 million.

Equity capital/capital
Equity capital with minority interests went up CHF 710 million, to CHF 11.2 billion; minority interests accounted for CHF 6.5 million. Thanks to the high retention of earnings and the subordinated Tier 1 bond issue, the total capital ratio stands at 14.9%. The Raiffeisen Group thus exceeds the target value required by the regulator as of 31 December 2013, including the countercyclical buffer of 14.2%.

Off-balance-sheet business
Contingent liabilities (note 16) declined CHF 72 million to CHF 380 million.

There was an additional rise in mortgage and loan volumes already agreed in 2012. The Raiffeisen Group's obligation to pay into the client deposit protection scheme amounted to CHF 1,036 million (previous year: CHF 1,190 million). Overall, irrevocable commitments rose 13.4% to CHF 7.0 billion.

2013 was characterised by a negative expected and effective interest rate environment for short maturities. The contract volume of derivative financial instruments (note 17) consequently increased markedly by CHF 31.6 billion to CHF 156.8 billion. Hedging transactions for the bank book rose CHF 2.5 billion to CHF 40.7 billion. This increase was principally due to an increase in interest positions. The positive replacement values amounted to CHF 0.9 billion (previous year: CHF 1.1 billion), while the negative replacement values amounted to CHF 1.4 billion (previous year: CHF 1.7 billion).

Fiduciary transactions (note 18) increased CHF 33 million to CHF 319 million. This increase is primarily attributable to transactions at Notenstein Private Bank Ltd.

Assets under management
Assets under management increased CHF 14.1 billion to CHF 187.3 billion. This is the result of the overall encouraging inflow of client deposits from the retail business. Assets under the management of Notenstein Private Bank Ltd increased slightly compared to the previous year. Although holdings were impacted by portfolio adjustments among European clients, the decrease was offset by continued growth in other client segments. Acquisitions, new money inflows and market performance have caused assets under the management of Notenstein Private Bank Ltd subsidiaries to increase sharply. The integration of asset management boutiques in TCMG Asset Management AG added CHF 6 billion in assets under management. In addition, the assets under the management of 1741 Asset Management AG, a subsidiary, increased 30% to CHF 2.5 billion.

Market activity

Large increase in membership

Market shares saw a further increase both in the mortgage business and in savings. Raiffeisen successfully expanded its sales channels, invested in its advisory capabilities and rolled out new products. The Raiffeisen banks gained a further 100,000 members through the new and established membership offers.

MARKET ACTIVITY

Brand management

Raiffeisen has again been ranked as the most likeable bank in Switzerland by most Swiss people in 2013. These are the findings of GfK BusinessReflektor 2013, as well as a brand-tracking survey that Raiffeisen has been conducting since 2006. The GfK study also reveals Raiffeisen as the most sustainable Swiss bank, in all relevant categories (social, ecological and economic sustainability). The close regional ties of Raiffeisen banks are regarded as a particularly positive aspect. This is due to the bank's good reputation, its nearness to clients, and its high level of trustworthiness.

The high number of client contacts and the advisory services provided personally at local level ensured that the brand was experienced positively to a very large extent in 2013. Raiffeisen's brand management was supported by its presence in the national media with topics such as "member benefits" and "retirement planning". These measures were accompanied by campaigns, sponsorships and public relations.

Raiffeisen is actively involved in supporting society, be this at local, regional, or at national level. It also sponsors clubs and associations at over 1,000 locations, aiming to promote cultural, sporting, musical and social diversity. Raiffeisen has been the main sponsor of the Raiffeisen Super League since 2012. Together with its proven sponsorship of winter sports, Raiffeisen is present in a number of different ways, year-round. This involvement is supplemented by numerous activities at concerts, events and shows, as well as the local commitments of Raiffeisen banks throughout Switzerland.

Client satisfaction

In the past financial year, Raiffeisen has again set the benchmark in national private client satisfaction surveys with regard to client satisfaction and client willingness to recommend the bank. As had been the case in the most recent survey in 2012, satisfaction among Raiffeisen's main bank clients remains constantly high. The willingness on the part of clients to recommend the bank is also very important: 84% of private clients who have Raiffeisen as their main bank would recommend Raiffeisen to an acquaintance.

In the corporate client survey conducted for the first time in 2013, Raiffeisen scored top marks for client loyalty. This applies both to the client satisfaction of the main bank clients and the willingness to recommend the bank to others, in which Raiffeisen takes top spot.

Membership

Members co-own their Raiffeisen bank, codetermine business policy at the Annual General Meeting and elect people they trust to the Board of Directors. Each year a total of some 400,000 persons attend one of the Annual General Meetings. In 2013, more than 100,000 people opted to become Raiffeisen members. Raiffeisen banks now have more than 1.8 million members.

Through its MemberPlus programme, Raiffeisen offers its members attractive leisure activities while committing, at the same time, to diversity in Swiss culture and to local tourism. Last year, members benefited well over a million times from discounted offers. These include entrance to over 470 museums, tickets for concerts, musicals and shows, day-trip offers to Swiss parks, day ski passes and tickets for the Sunday matches of the Raiffeisen Super League at half-price.

The summer membership offer, "Swiss parks", alone generated 95,000 experiences in the form of discounted travel, hotel accommodation or an excursion.

The new summer membership offer starts in April 2014 and invites Raiffeisen members to get to know Eastern Switzerland. Raiffeisen members can benefit from reductions for travel, hotel accommodation and excursions by boat and mountain railway. This offer will draw many Raiffeisen members to Eastern Switzerland, providing an additional impetus to local tourism.

SEGMENTS

Private clients

Raiffeisen again gained the trust of many new clients in 2013. Overall, Raiffeisen has 3.7 million clients, of which 92% is attributable to the Private clients segment and thus the retail business. This remains the core business.

Raiffeisen's strong points include proximity to customers and expert advice. In order to offer the best possible service and advice to its client base going into the future, Raiffeisen is continuing to invest in the training and skills of its advisors and the tools and applications to support their work.

For many clients, securities and especially funds are a suitable means of achieving their medium to long-term financial goals and building up assets. Raiffeisen will therefore promote securities saving in the retail business in 2014 through a broadly based campaign under the motto "Fitgeld".

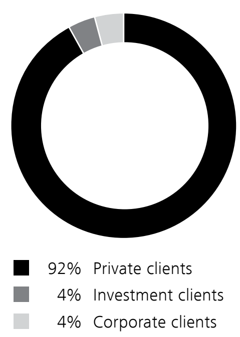
The product range for young people and students was completely revised in 2013. The new young client product, "YoungMemberPlus", will be offered to all clients from 1 January 2014 until their 26th birthday. It includes an attractive service portfolio comprising banking products and additional services. For example, it includes non-banking services such as football or concert tickets, or one-day ski passes at reduced prices, in addition to preferential terms on banking products.

Investment clients

The development of customised solutions that are understandable, meet every client's unique personal needs, and that serve to sustainably build up client wealth are all at the centre of investment advisory services at Raiffeisen. In doing so, Raiffeisen bank advisors can rely on support from specialists in the Affluent Clients/Wealth Advisory department at Raiffeisen Switzerland and on the expertise of the Economic Research Team set up in 2013.

Well-trained, competent investment advisors form the basis for the tailor-made comprehensive advice provided to clients. For this reason, Raiffeisen places special emphasis on training and, in partnership with Lucerne University of

Proportion of clients



Applied Sciences and Arts, it has been offering the course leading to certification as "CAS Raiffeisen Investment Advisor" for its own investment advisors since 2013.

The range of established Raiffeisen investment products has also contributed to the positive performance of the investment client segment. Third-party products are added as appropriate, in line with the best-in-class approach. The launch of the bank's own sustainable Raiffeisen real estate fund in 2014 is expected to reinforce the business. The chosen sustainability approach is unique and forward-looking: selection of the properties not only takes into account building criteria, but also aspects such as urban sprawl, links to public transport and the viability of financing the residential space.

Corporate clients

Corporate client business also continued to grow in 2013. Both the number of clients (+3%) and the volumes (+4.5% for investments, +5.6% for financing) saw sharp rises. This success is attributable to systematic market development. Raiffeisen corporate client advisors maintain a personal relationship with the client. They can also access the expertise in the eight regional centres for corporate clients when clients' needs are challenging.

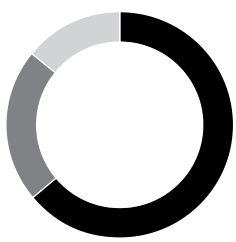
Despite the steep rise in the credit volume, the bank has succeeded in reducing value adjustments. This is a reflection of the prudent lending practices. By building up an e-banking support team, Raiffeisen is able to offer SMEs efficient solutions and support for their payment systems.

The Raiffeisen succession model was fully rolled out in all Raiffeisen banks in German-speaking Switzerland in 2013. This will be expanded to French-speaking and Italian-speaking Switzerland in 2014. This will enable Raiffeisen to extend its advisory capabilities for supporting SMEs in the succession process. Cooperation with the KMU Next foundation, which was established by Raiffeisen, together with partners such as the University of St.Gallen (HSG), KMU Capital AG and Investnet AG has been intensified in order to develop viable solutions together with the business owner involved.

In March 2014 the Raiffeisen Business Owner Centre (RUZ) was formed as a point of contact for business-related issues.

The capital goods leasing market experienced a distinct reluctance to invest in 2013. Raiffeisen nevertheless managed to increase revenue by around 3%. By intensifying cooperation with dealers and manufacturers, vendor leasing was expanded and some new partners were acquired.

Proportion of client volumes



63% Private clients
23% Investment clients
14% Corporate clients

Raiffeisen by canton as at 31 December 2013[1]

Canton	Number of banks	Number of bank branches	Number of members	Loans [2] in CHF million	Client monies [3] in CHF million	Total assets in CHF million
Aargau	28	91	192,792	15,626	14,304	17,816
Appenzell Ausserrhoden	2	6	15,519	1,060	1,008	1,176
Appenzell Innerrhoden	1	6	8,508	537	577	638
Berne	25	99	182,573	11,867	10,651	13,436
Basel-Land	9	22	52,882	4,554	3,975	5,039
Basel-Stadt	1	2	–	826	759	991
Fribourg	18	52	93,631	8,113	6,030	8,844
Geneva	6	18	42,727	3,607	4,206	4,520
Glarus	1	2	7,043	434	411	488
Grisons	11	52	58,795	4,456	4,206	5,128
Jura	7	31	27,220	2,570	1,863	2,806
Lucerne	22	52	126,672	8,019	7,307	9,111
Neuchâtel	4	18	26,990	1,688	1,415	1,868
Nidwalden	2	8	21,059	1,373	1,367	1,656
Obwalden	2	7	12,940	760	762	927
St.Gallen	40	89	196,359	18,495	16,045	20,890
Schaffhausen	1	3	7,792	568	513	654
Solothurn	22	59	119,597	8,889	8,221	9,950
Schwyz	8	17	40,603	2,825	2,742	3,255
Thurgau	18	46	100,093	9,241	7,557	10,298
Ticino	24	83	111,165	10,797	8,951	12,262
Uri	3	14	16,461	1,024	933	1,148
Vaud	19	64	108,422	8,136	7,034	9,123
Valais	28	127	137,806	10,947	10,612	12,866
Zug	8	13	40,721	3,841	3,574	4,509
Zurich	12	39	79,832	9,382	8,344	10,475
Total 2013	**322**	**1,020**	**1,828,202**	**149,635**	**133,366**	**169,874**
Total 2012	**327**	**1,071**	**1,794,855**	**142,082**	**127,317**	**162,040**
Increase/decrease	**-5**	**-51**	**33,347**	**7,553**	**6,049**	**7,834**
Increase/decrease in %	**-1.5**	**-4.8**	**1.9**	**5.3**	**4.8**	**4.8**

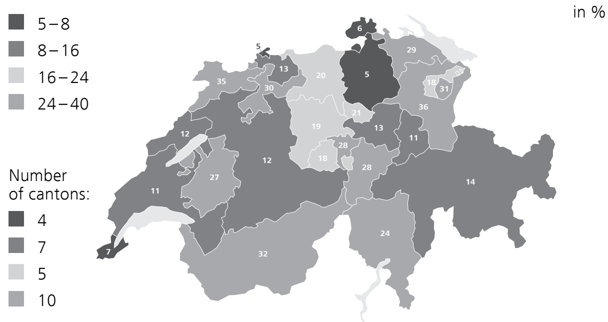
1) Raiffeisen banks and branches of Raiffeisen Switzerland
2) Receivables from clients and mortgage receivables
3) Liabilities to clients in the form of savings and investment deposits, other liabilities to clients and medium-term notes

CLIENT NEEDS

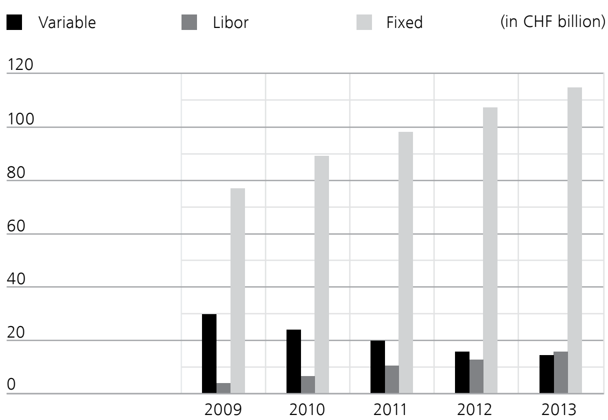
Financing

The Swiss housing market proved to be just as robust in 2013 as in prior years. On the basis of the construction permits that have been issued, it can be expected that this trend will continue in the subsequent two years. The reasons for this trend are as in prior years: the continuous population growth and housing vacancy rates that remain low. Although these rates have increased marginally in comparison with the previous year, they do remain at a low level in the Basel, Geneva and Zurich regions.

Share of mortgage market by canton 2012



Volume trends for various mortgage models 2009 – 2013



The low interest rates that we have seen for several years persisted in 2013 with some small fluctuation. Mortgage interest rates remained at a low level. Prices for residential property that is up for sale are still seeing a slight rise.

Growth in the Swiss mortgage market continued to weaken slightly in 2013 and is 4.2%. The mortgages granted by Raiffeisen also followed this general market trend. Although their growth came in slightly lower year-on-year at 5.7%, the Raiffeisen Group nonetheless further increased its market share. As in the previous year, fixed-rate mortgages and especially Libor-Flex mortgages were increasingly in demand among Raiffeisen clients in 2013. This trend will probably continue for as long as low interest rates remain in place.

Savings

While interest rates on account products persist at a low level as a consequence of the market situation, returns can only be optimised by investing in fixed-rate savings products (medium-term notes, time deposits and fixed-term deposits) with long maturities. In the current year, Raiffeisen nevertheless recorded encouraging growth in conventional bank savings. The transaction and savings account volume saw growth of CHF 6 billion (+6.2%). In total, some CHF 103 billion is held on around 5 million transaction and savings accounts. The fixed-rate savings volume fell by about 10.2% due to the uncertain outlook and record-low interest rates.

Pensions

27,607 new pension accounts were opened in 2013. The volume of pillar 3 accounts increased by CHF 976 million to a total of CHF 12 billion. In the pillar 2 segment, 5,504 new vested assets accounts were opened, with the volume increase of CHF 370 million to a total of CHF 5.5 billion.

The client may choose between account-linked or securities-linked investments. The range of fund-linked investment options was expanded further. The new Raiffeisen Pension Growth index fund invests up to 70% in equities and is managed passively. This makes it the first pension fund in Switzerland to invest more than half of its assets in equities. In total, CHF 874 million was invested on a fund-linked basis in 2013.

Since 2013 it has been possible to combine Vorsorgeplan 3 (retirement plan 3) – as the first banking product of this type in Switzerland – with 3a savings target protection. By paying minimal premiums, the savings payments are insured against disability due to accident or illness, up to the date of retirement.

Insurance

Clients' need for insurance solutions remains high. Revenue from insurance products has more than doubled over the past four years. In the past year, the premium volume of CHF 174.6 million set a new record within the scope of the partnership with Helvetia. This performance represents a 29% rise compared to the previous year. Life insurance policies remain the driving force behind these figures.

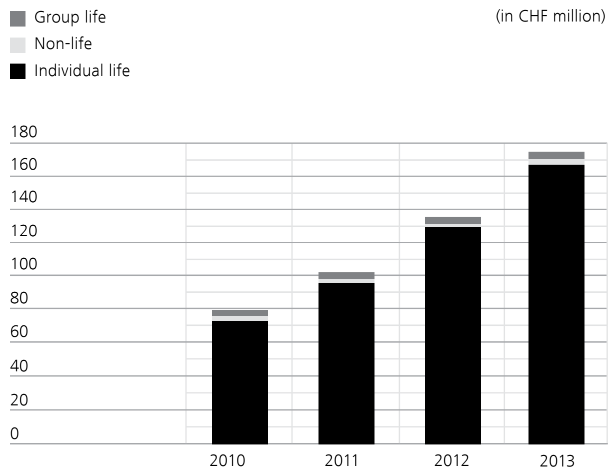
More and more banks attach great importance to providing comprehensive advice to their clients. This is also demonstrated by the fact that around half of Raiffeisen banks are actively engaged in insurance.

In 2014 the risk-based tariff will be revised, which will have a positive effect when compared to the rest of the market. Another tranche product is also planned.

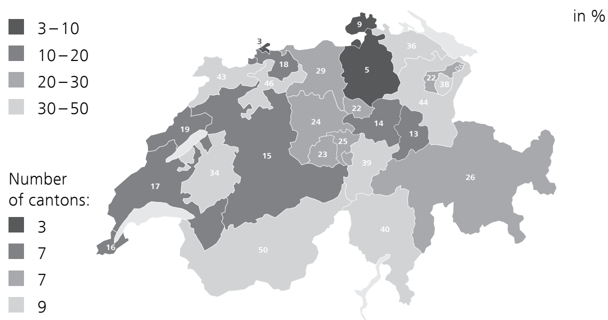
Payments

Raiffeisen clients are increasingly using their cards to pay for goods and services. The number of transactions has increased by 8 million (+12%) for the Maestro card, while credit cards are up 1.5 million (+15%). The issue rate of Maestro cards (+6%) and credit cards (+4.7%) confirms that clients require cashless payments.

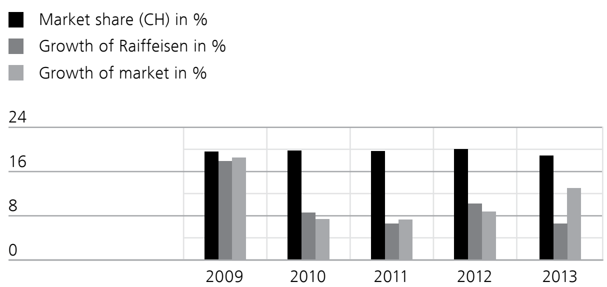
Trend in insurance premiums



Share of savings and investments market by canton 2012



Share of savings market



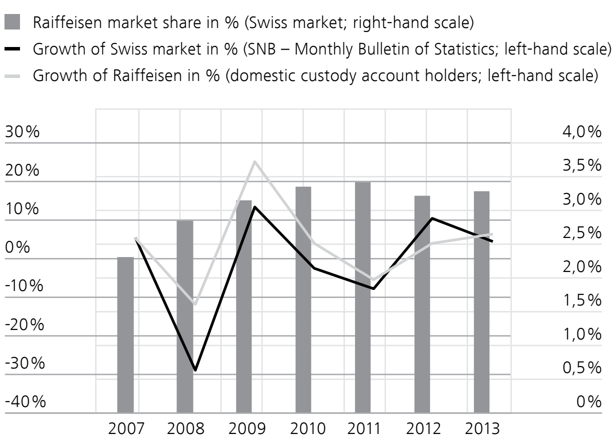
Starting from 2014, Raiffeisen is now offering its clients the V PAY card in addition to the Maestro card. V PAY is a European debit which can be used for cash withdrawals at ATMs and for cashless purchases throughout Switzerland and Europe. V PAY represents the very latest technology. Since only the chip is read during each transaction, the card offers a high degree of security.

Also from 2014 onwards, Raiffeisen clients holding a credit card will benefit from the new bonus programme called "surprize". This offers cardholders personalised special offers and discounts directly at the surprize partner's payment terminal.

Investments

2013 was an exceptional year for equity investments. Most global equity indices made double-digit percentage gains. Many investors used this attractive stock market environment to actively manage their equity investments. However, more conservative investors retained their high cash holdings and were very hesitant about increasing or expanding their equity investments. Structured products with capital protection were an important investment tool in the product mix of Raiffeisen clients. Due to historically low interest rates on offer, however, it became increasingly difficult to offer attractive solutions in this regard. As a result, these investment deposits flowed back to traditional savings products such as savings accounts or time deposits.

Trend in volume of securities



SALES CHANNELS

Branch network

Raiffeisen's 1,032 locations mean that it operates every third bank branch in Switzerland. The use made of the branches indicates that clients continue to expect comprehensive advice in the bank's offices. Raiffeisen takes this into account when redesigning its branches by giving centre stage to advice.

ATMs

Raiffeisen operates the largest ATM network in Switzerland, extended in 2013 to a total of 1,588 machines. Raiffeisen now offers an audio feature, enabling visually impaired clients to use Raiffeisen ATMs. This feature will be implemented at more and more ATM locations in the future.

E-banking

908,000 clients now use Raiffeisen e-banking, an increase of 8% year-on-year. More than 73 million payment orders were made via e-banking last year (+12%).

Raiffeisen set new standards for security by introducing the innovative PhotoTAN technology. In order to enable mobile use on smartphones, Raiffeisen intends to extend PhotoTAN functionality at the end of May 2014 such that clients can use the same device to log in to e-banking via PhotoTAN on the same device. Since mid-2013, e-banking clients have been able to use the Scan&Pay feature to scan payment slips with their smartphone and process them directly in e-banking.

Internet and MemberPlus portal

Internet usage is shifting more and more to mobile devices (smartphones, tablets). Raiffeisen is responding to this change by optimising the entire internet experience for mobile use. Some 34 million visits to the Raiffeisen website were recorded in 2013.

The MemberPlus portal was redesigned. More than 50,000 clients have registered since it was launched, generating over CHF 5 million in revenue last year. Day ski passes purchased on the MemberPlus portal can now be printed directly using the print@home feature.

Social media

Raiffeisen extended its presence on social networks in 2013 and successfully established them as additional service channels. Client enquiries received through Facebook and Twitter are answered seven days a week. Since April 2013 the new Raiffeisen blog (panorama-magazin.ch) has also been facilitating personal dialogue with clients in German-speaking Switzerland.

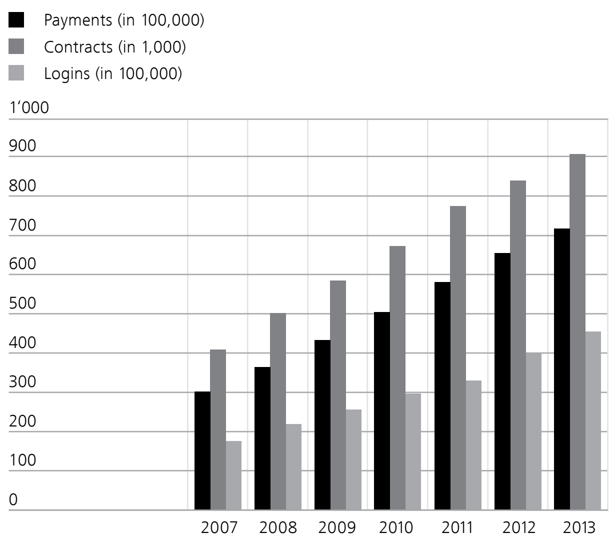
Client Service Centre

Clients have a steadily rising need for telephone assistance and advice. The Client Service Centre dealt with around half a million Raiffeisen client enquiries (e-banking issues, card blocking, service enquiries for banking services) for the Raiffeisen Group in all three national languages in 2013. This represents an increase in volume of approximately 35% compared to the previous year.

REFINANCING

The growth in loans to clients was about CHF 2 billion above the inflow from client deposits from the core business of the Raiffeisen banks. The Raiffeisen Group was able to cover this additional requirement for stable refinancing in full through new Pfandbriefdarlehen. The ratio for stable funding sources versus illiquid assets, an important target of Raiffeisen Switzerland's Treasury department to control the balance of the maturity structure, is 109%.

Development of Raiffeisen e-banking



Risk policy and risk control

Active risk management, effective risk control

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

The Raiffeisen Group has achieved continuous growth without excessive increases in risk and survived the ongoing Eurozone crisis unscathed in 2013, thanks to its clearly focused business policy, steady and cautious risk culture, as well as active and targeted risk management. Its solid capitalisation, focus on long-term performance objectives, considered risk-taking and effective risk control have proven their worth and inspired even more trust in Raiffeisen's business model. As a result, the Raiffeisen Group has enjoyed a high level of liquidity and an excellent reputation throughout the market.

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

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

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

- Clear business and risk policies: Risk taking and risk management are directly linked to the core business in Switzerland.
- Effective risk limitation: The Raiffeisen Group's risk tolerance is clearly defined and effectively enforced with a tried and tested limit system.
- Decentralised individual responsibility in line with clearly defined guidelines: Raiffeisen banks, Notenstein Private Bank Ltd and line units of Raiffeisen Switzerland are responsible for managing risk. Their risk management is based on guidelines on business activities, limits and processes. The central controlling units monitor compliance with the guidelines.
- Risk control based on transparency: Independent reports on the risk situation as well as the risk profile of the individual Raiffeisen banks and the Raiffeisen Group are regularly issued.
- Independent risk monitoring and effective controls: Overall risk and limits are monitored independently by the risk-managing units. Effective risk control ensures that the predefined processes and thresholds are adhered to.
- Comprehensive risk management process: The Raiffeisen Group's risk management is a Group-wide, uniform and binding process comprising identification, measurement, evaluation, management, limitation and monitoring. This risk management process covers all risk categories.
- Avoidance of risk concentration: The Raiffeisen Group has effective tools at its disposal

for identifying risk concentration and taking proactive measures to avoid it.
- Protection of reputation: The Raiffeisen Group attaches great importance to protecting its reputation. For this reason, it takes a generally cautious approach to risk and sets great store by effective control. It also seeks to comply with the highest ethical principles in all its business activities.

CONTROL OF THE KEY RISK CATEGORIES AT RAIFFEISEN

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

CREDIT RISKS

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

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

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

Prudent credit policy

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

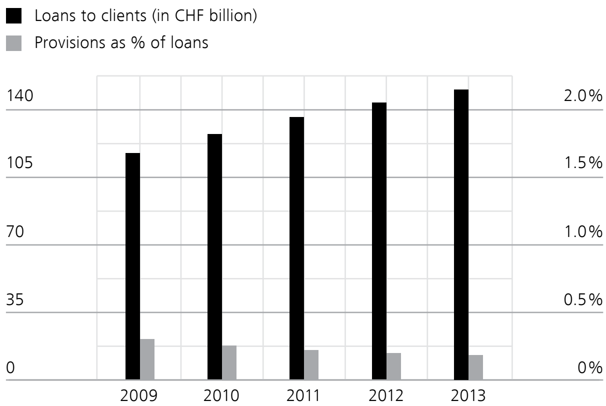
Lending within the Raiffeisen Group is governed by a prudent credit policy and professional credit checking. The borrower's ability to keep up payments on the loan plays a crucial role. Furthermore, most loans are granted on a secured basis.

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

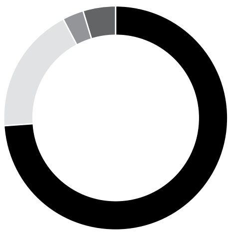
A conservative value-at-risk method is used to assess and monitor credit risks. Particular attention is paid to potential concentration risks. The underlying model is in line with recognised practice and is supplemented by scenario analyses. Models and parameters are examined on a regular basis, adjusted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

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

Volumes and provisions



Raiffeisen Group lending by client segment

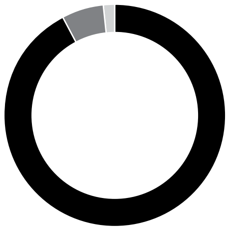


■	74.1 %	Private clients
■	18.3 %	Corporate clients including public bodies
■	3.0 %	Other clients
■	4.6 %	Interbank

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

Mortgage loans by rank

Mortgages by rank in % – Disclosure as per SNB statistics



■	92.4 %	1st Rank
■	6.2 %	2nd Rank
■	1.5 %	3rd Rank

Not including extra collateral

Active country risk management

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

Credit policy in the corporate clients business

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

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

Credit portfolio analysis and assessment

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

Measuring credit risk

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

- the probability of default;
- the credit exposure at the time of default;
- the value of the collateral.

The core of credit risk measurement is the rating system, which is developed and monitored by Group Risk Management. The rating system is used to assess the clients' creditworthiness and to determine the economic capital for limiting the individual credit risk positions.

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

MARKET RISKS

Risks in the bank book

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

Interest rate risks are a major risk category owing to the Raiffeisen Group's strong positioning in interest operations. Raiffeisen therefore attaches great importance to managing these risks.

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

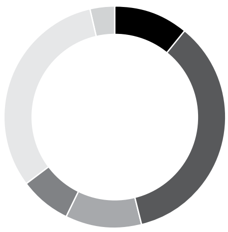
The Treasury of Raiffeisen Switzerland's Central Bank department is the Group-wide binding counterparty for refinancing and hedging transactions, apart from Notenstein Private Bank Ltd, which has its own market access. It manages Central Bank's interest rate risks. The Central Bank department provides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

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

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

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

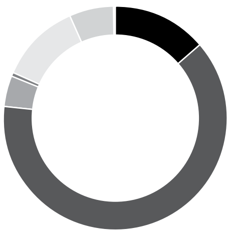
Raiffeisen Group lending by sector (corporate clients and other clients)



■	11.1 %	Public bodies	■	7.4 %	Construction
■	35.1 %	Other sectors	■	31.6 %	Real estate
■	11.2 %	Agriculture	■	3.6 %	Hotels/catering

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

Corporate client lending by rating category



■	13.7 %	1 – 3	■	0.4 %	11 – 13
■	63.2 %	4 – 8	■	11.9 %	Without rating
■	4.4 %	9 – 10	■	6.4 %	No rating

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

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

Risks in the trading book

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

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

Liquidity and financing risks

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

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

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

The Raiffeisen Group's liquidity situation has proven robust. The figure on page 33 shows how the overall liquidity situation developed over the 2013 financial year.

Operational risks

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

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

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

IT risks

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

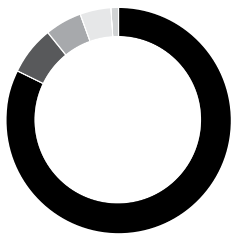
Information security

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

Internal control system (ICS)

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

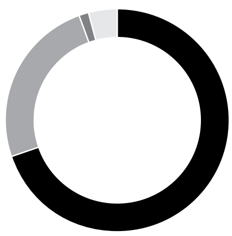
Loans by collateral and property type



■	82.4 %	pure residential construction
■	6.9 %	mixed residential/commercial construction
■	5.3 %	fully commercial construction/industry
■	4.2 %	agriculture
■	1.1 %	other security interests in land

This evaluation reflects the risk view.

Breakdown by country limits



■	69.9 %	AAA	■	1.4 %	A
■	24.9 %	AA	■	3.9 %	BBB

Approved country limits total CHF 21.525 million

Note: The previously approved country limits (total approved country limits as at 31 December 2012: CHF 4.233 million) were converted as of 1 January 2013 using the new risk-weighting factors applicable under Basel III. Since these factors are now 100%, with a few exceptions (previously 20 - 100% depending on term/rating), the de facto unchanged limits have increased by a factor of 4.

The Raiffeisen Group's ICS model has three levels:

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

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

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

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

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

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

Reporting on the ICS's appropriateness and effectiveness for the Raiffeisen banks, Raiffeisen Switzerland and Notenstein Private Bank Ltd is included in the standard risk report for the Executive Board and the Board of Directors of

Raiffeisen Switzerland. When measures are taken to improve the ICS, their implementation is monitored on a quarterly basis in the framework of the risk report.

Raiffeisen banks' early warning system

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

Business continuity management

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

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

LEGAL AND COMPLIANCE RISKS

Legal risks

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

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

Compliance risks

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

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

Although the Raiffeisen Group operates predominantly within Switzerland, it must comply with standards governing cross-border financial services (cross-border business) and with international and national tax matters (tax compliance). Raiffeisen invested in substantial resources in the current year: firstly by implementing the US requirements in the Foreign Account Tax Compliance Act ("FATCA") and secondly the treaties with Austria and the United Kingdom on the flat rate withholding tax ("Taxation and Financial Market Cooperation Agreement"). The applicable Swiss Federal Acts on International Withholding Tax (IWTA) were included when implementing these agreements.

As a member of the interest group for coordinating domestic banks (KIB), Raiffeisen is involved in developing principles to prevent the acceptance of untaxed assets ("white money strategy"). One of the key areas in this respect is the new duties of care imposed on banks to prevent money laundering.

Raiffeisen is participating in the US programme to resolve the tax dispute. Raiffeisen may assume in this regard that Raiffeisen banks have not aided US clients systematically and actively in evading taxes, nor have the relevant investigations yielded any findings to the contrary so far. The Board of Directors is deferring the decision to opt for Category 3 or 4. The definitive decision on the category will be notified to the US Justice Department (DOJ) by the end of October 2014.

Raiffeisen subsidiary Notenstein will take the decision regarding participation or non-participation in the programme in the 2nd quarter of 2014. If Notenstein does participate in the programme, it will opt for category 3. As is well known, the US division of Wegelin was split off in January 2012 and not transferred to Notenstein at all.

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

Raiffeisen Group: Interest rate risks in the bank book

(in CHF million)

	31.12.2013	31.12.2012
Sensitivity	1,538	1,070

Raiffeisen Switzerland: Holdings in the trading book

(Sensitivity in CHF)

	2013	2012
Risk type		
Equities	3,000,000	3,000,000
Interest products	43,000,000	43,000,000
Foreign currencies	6,000,000	5,000,000
Precious metals	4,000,000	4,000,000
Total	56,000,000	55,000,000
Loss limits		
Day	2,000,000	2,000,000
Calendar month	5,000,000	5,000,000
Calendar year	10,000,000	10,000,000

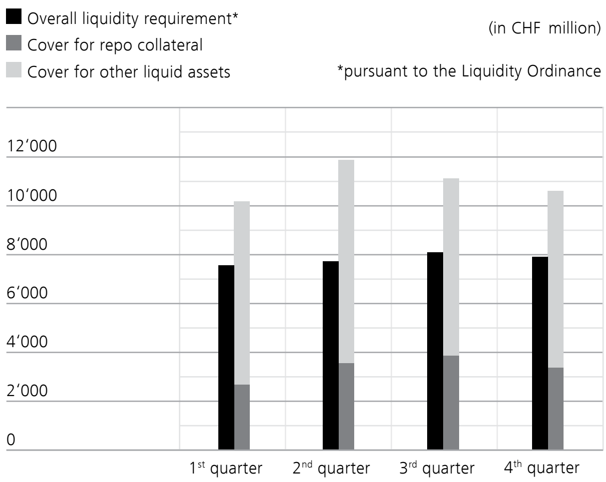
Legal & Compliance reports any major compliance risks to the Raiffeisen Switzerland Executive Board and Audit and Risk Committee on a quarterly basis. This reporting also includes an overview of the legal and compliance risks of Notenstein Private Bank Ltd. These risks, together with an updated compliance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

Raiffeisen Switzerland: Limits in the trading book

(Sensitivity in CHF)

Risk type	ø 2013	31.12.2013	ø 2012	31.12.2012
Equities	987,659	770,618	1,239,821	699,537
Interest products	26,974,002	31,589,149	18,429,268	27,907,316
Foreign currencies	1,196,735	1,197,421	1,791,652	1,317,992
Precious metals	385,809	174,051	405,733	992,800

Overall liquidity of the Raiffeisen Group 2013



Sustainability

Deeply committed to Switzerland

Raiffeisen has always taken its responsibility to society and the local economy seriously. Sustainability is an integral part of its business model – not just in its products, but also in its relationships with people and the environment.

MANAGING SUSTAINABILITY

Sustainable business model

Raiffeisen has pursued a values-driven corporate strategy from the start, as shown by its cooperative philosophy and approach. Its business model is based on a long-term focus on its members, relatively low earnings expectations, and risk-conscious management. Raiffeisen also relies on local decision-making through a decentralised organisation and close regional ties.

As Switzerland's third-largest banking group, Raiffeisen is a major player and important employer in the Swiss market. It is known for its reliability, integrity and commitment to reconciling economic success with environmental and social responsibility. Raiffeisen focuses on those sustainability aspects that promise the greatest impact. Its sustainability strategy relies on effective management of risks and opportunities.

Raiffeisen updated its sustainability strategy during the year under review to ensure the continued sustainability of its operations. It also refined the management and measurability of goal attainment. This report transparently shows Raiffeisen's progress on its journey towards sustainability.

Management by the Executive Board

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

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

Sustainability is part of the Group balanced scorecard (BSC) and included in the annual strategic risk assessment.

Integration in the business

Clear priorities, targets and metrics are essential for evaluating sustainability performance and incorporating sustainability into day-to-day operations. Key Raiffeisen issues were drawn up in consultation with internal stakeholders in 2012: sustainability management, product sustainability, diversity, environment, climate protection, responsibility and transparency.

In 2013, management worked with the specialist areas to translate the key issues into a multi-year strategy. The resulting programmes and areas for action represent a solid platform for entrenching sustainability even more firmly at the company. Operational sustainability targets were defined for the core business in 2013 and will be implemented in 2014.

Part of basic strategy

Raiffeisen relies on its value system and strong leadership culture. Values such as credibility, sustainability, client proximity and entrepreneurship are integral to the strategy.

The Raiffeisen Group's basic strategy was revised and sustainability defined as one of Raiffeisen's key values at the "2012 Raiffeisen Dialogue Event". Seven additional chair and bank manager forums were held in autumn 2013 at which roughly 600 chairs and members of the boards of directors and bank management continued the discussion on the Group's values and basic strategy. The next step is to implement the revised basic strategy throughout the Group.

Increasing staff awareness

Dialogue has always been important to Raiffeisen, which is why it promotes sustainability at every hierarchical level. For example, it holds three to four employee events on key sustainability issues every year. At the events, employees can share ideas and experiences with senior management and external subject matter experts. This builds a shared understanding of sensitive issues.

In keeping with the defined priorities, the following issues were addressed over the course of the year: socially responsible investing, megatrends in a new global economy, Swiss and international climate policy and business ethics.

Transparent reporting

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

Group sustainability reporting (without Notenstein Private Bank Ltd) is based on the standards laid down by the Global Reporting Initiative (GRI). The performance indicator set is aligned with the sustainability strategy and will track Raiffeisen's development and progress in the years to come. This report describes the Group's performance in 2013 and forms an integral part of the annual report. Reported performance figures apply to the entire Raiffeisen Group wherever possible. The report explicitly identifies data that only applies to Raiffeisen Switzerland.

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

PRODUCT SUSTAINABILITY

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

Sustainability and private clients

Once something is built, it stands for generations. Raiffeisen therefore feels responsible for creating incentives for green construction and sensitising clients to the need for sustainability during construction, restoration and renovation. Raiffeisen has set a strategic goal of capitalising on business opportunities and addressing risks related to sustainability.

Many lending products incorporate sustainability aspects even if they do not specifically address them. Examples include home financing, SME financing or the awarding of mini-mortgages. Raiffeisen's products give market players access to capital and help them preserve the value of their properties.

Land and building contamination is a key concern in mortgage loan applications. Obsolete energy technology also drags down appraised home values. To address this, Raiffeisen plans to increase its market share for building energy efficiency renovation.

Two tools will help it achieve this goal: the Eco mortgage and the eVALO calculator. Raiffeisen provides Eco mortgages for renovation and new construction. This special class of mortgage offers a lower interest rate if the homeowner can present a Minergie certificate or a cantonal GEAK building energy certificate. The certifications are indicators of the property's sustainability, as they provide evidence of value preservation and energy efficiency. Renovation mortgages also encourage the preservation of valuable building structure.

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

Raiffeisen also invests in strategic partnerships with Greenbuilding, a platform for sustainable construction, the Swiss Climate Foundation, and the Good Energies Chair of Management of Renewable Energies of the University of St.Gallen.

Sustainability and corporate clients

Raiffeisen actively backs Swiss manufacturers' climate protection efforts. Growing energy consumption and the rise of renewable energy pose enormous challenges for many SMEs as steady increases in energy consumption and electricity costs are major cost drivers for companies. Energy efficiency is thus both an environmental and an economic issue. Raiffeisen chairs the Swiss Climate Foundation, where it makes an important contribution to financially supporting the climate protection and energy efficiency activities of Swiss SMEs.

Performance indicator set for top sustainability priorities (without Notenstein)

Sustainability dimension	Category	Indicator	Unit	Raiffeisen Switzerland	Raiffeisen banks	Raiffeisen Group	Raiffeisen Group change in %
Management of sustainability	External ratings	Value reporting of the University of Zurich	Points	–	–	159	5.0
		Application level from the Global Reporting Initiative	GRI Level	–	–	C	–
Product and service sustainability	Lending business	Mortgages with extra sustainability benefits:					
		Mortgages with extra social benefits[1]	CHF million	–	–	1,959	-5.3
		Mortgages with extra environmental benefits[2]	CHF million	–	–	451	2.5
		Percentage of the annual net gain in all mortgage receivables that is attributable to loans with extra benefits	%	–	–	–	< 0.01
		Loans to public bodies	CHF million	–	–	2,803	-0.7
	Investment business	Sustainable investments[3]	CHF billion	–	–	1.9	12.0
		Sustainable investments as a percentage of custody account assets	%	–	–	6.67	10.0
Environmental and climate protection (in operations)	Building energy	Electricity consumption	kWh	10,808,000	31,827,000	42,636,000	11.0
		Share of electricity from renewable energy	%	–	–	59	40.0
		Heating energy	kWh	3,628,000	3,193,000	26,720,000	-39.0
		Share of heating energy from renewable energy	%	–	–	–	–
	Business travel	Public transportation	km	2,291,000	2,483,000	4,774,000	–
		Road transport	km	8,947,000	2,894,000	11,841,000	–
		Passenger transport by air	km	82,000	–	82,000	–
		Air freight	tkm	1,178,000	–	1,178,000	–
	Greenhouse gases	Emissions scope 1–3	tonnes CO_2 eq	5,957	10,288	16,245	15.0
Diversity	Training	Amount spent on training	1,000 CHF	262	14,287	14,549	2.0
		Trainees	Number	67	703	770	-5.0
	Diversity	Share of women in management	%	23.00	28.00	26.00	1.0
		Return to the workplace after maternity leave	%	79.00	–	–	1.0
		Part-time positions in management	%	17.00	17.00	17.00	1.0
Responsibility and transparency	Regional responsibility	Jobs	Number of employees	2,020	7,771	9,791	0.0
		Cooperative members	Number	–	1,828,202	1,828,202	2.0
		Volunteering by Raiffeisen Volunteers	Hours	–	–	42,570	-2.0
	Value creation	Distribution to stakeholders	CHF million	–	–	1,977	
	Transparency	Amount spent on sponsorships	CHF million	15.0	10.0	25.0	28.0
		Share of revenue for Swiss- and EU-made promotional items	%	65	–	–	-6.0

1) Total of micro-mortgages worth less than CHF 50,000 and renovation mortgages
2) Eco mortgages
3) Covers all Futura funds, responsAbility funds, sustainability funds (broadly defined) and sustainability-themed structured products held in Raiffeisen custody accounts. The entire issue of Futura funds was taken into account in the last reporting period, 2012.

The Swiss Climate Foundation offers discounted energy check-ups for SMEs. The check-ups, which are performed on site by the Energy Agency for Industry (EnAW), aim to identify cost-cutting opportunities and encourage SMEs to voluntarily commit to reduction targets. SMEs can receive financial start-up funding, depending on their circumstances, if a planned energy conservation project receives a clean bill of health from the Swiss Climate Foundation. The foundation also provides funding for product innovations that meet its criteria as significant contributions toward climate protection.

Sustainability in the investment business

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

At Raiffeisen, sustainable investing covers the entire value chain. It requires the use of products closely aligned with the client's goals and the maintenance of a long-term client relationship.

The advisory process begins by establishing clients' needs in detail, including their attitude toward sustainability. If clients wish to invest sustainably, client advisors can turn to Inrate, a highly capable Raiffeisen partner. The clients receive investment proposals that aim to achieve their investment goals using sustainable products (direct and collective investments).

Raiffeisen uses the Raiffeisen Futura label to identify all its sustainable products and support their market position. The Futura label provides transparency from the investment proposal to the annual schedule of assets.

Raiffeisen launched the first sustainable Futura investment funds over 10 years ago. The Futura family has steadily expanded into six different funds currently holding CHF 2.5 billion in assets. In 2012, they only held CHF 2.3 billion. All told, they account for one-third of all Raiffeisen fund assets. Fund savings plans enable any investor to easily and systematically invest as little as CHF 50 a month in sustainable investments over several years.

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

Established partnerships

The Raiffeisen Futura fund universe is reviewed by Inrate, an independent rating agency, using a best-in-service approach. This method assesses a company's sustainability based on its performance within defined service sectors. Securities with an above-average sustainability performance are included in the sustainability universe. The Raiffeisen Futura label is only awarded to investments in this universe. The criteria are defined based on the approach recommended by the Forum for Sustainable Investment (Forum Nachhaltige Geldanlagen, FNG) and in the declaration on the European SRI Transparency Code (Eurosif).

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

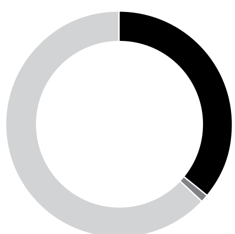
Responsible, sustainable investing also means exercising voting rights. That is why voting rights for shares in all Swiss firms held by Raiffeisen Futura funds are actively exercised in accordance with the recommendations of the Ethos Foundation. The Raiffeisen Pension Fund also consistently exercises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

Social investment record

Raiffeisen is a co-founder of responsAbility Social Investments AG with a seat on the Board of Directors. One of the world's leading asset managers for social investments, responsAbility held over USD 1.8 billion in sustainable investments under management in the year under review. ResponsAbility has investments in over 400 companies in roughly 80 countries. Raiffeisen clients invested more than CHF 130 million in responsAbility products in 2013 – more than ever before in the company's history.

ResponsAbility's investment products provide individuals at the base of the global income pyramid with access to markets, information and services that are important for their development. They focus on microfinance, fair trade, independent media, health and education.

Breakdown of fund volume by form of investment



DIVERSITY

Raiffeisen embraces a corporate culture that values the diversity of its employees, leverages their potential and makes the best possible use of their talents. It focuses on ensuring equal opportunities and establishing a work environment where employees of all generations can grow.

Social report of the Raiffeisen Group (without Notenstein)

	2013	2012
Total number of employees	9,791	9,807
Number of full-time positions	5,874	6,693
Number of part-time positions	3,917	3,114
Total BoD members	1,859	2,057
of which women	366	388
Total number of women	5,189	5,248
of which in management	985	960
Total number of men	4,662	4,559
of which in management	2,833	2,768
Total number of apprentices	770	807
of which women	424	455
of which men	346	352
Average length of service in years	8.1	8.5
Average age of employees in years	39.8	39.8
Employee turnover (including changes within the Group) in %	11.8	10.0
Amount spent on child care in CHF (only Raiffeisen Switzerland)	339,500	423,500
Return to the workplace after maternity leave in %	79.3	78.6
Amount spent on training in CHF	14,549,322	14,314,717

Equal opportunity

Raiffeisen has made it a priority to raise the percentage of women in management positions. The bank has set measurable goals that reflect the success of its initiatives: By 2015, Raiffeisen wants to have women in 30% of senior staff and executive management positions.

A woman has been on the Executive Board of Raiffeisen Switzerland since 2008. In the year under review, women held 23% of the management positions. Flexitime models were extended to managers years ago. Now, 17% of senior staff work part-time at Raiffeisen Switzerland, allowing them to pursue their careers and maintain a healthy work-life balance. People typically choose to reduce their working hours to spend more time with family or pursue education opportunities. Part-time employees working 0.6 FTE or more have the same continuing education opportunities as full-time employees. This benefits the bank in several ways: it is seen as an attractive employer, can innovate and compete better, has lower absenteeism and retains skilled employees. Employee retention can be measured, among other things, by the average length of service: 8.1 years. Employee turnover is low at 11.8%.

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

Raiffeisen Switzerland's business partnership with the Global Business and Professional Women association enables female employees to network. The partnership provides targeted assistance with professional, career and personal development. Raiffeisen also supports the return of qualified women to the workplace. It co-finances the "Women Back to Business" certificate programme at the University of St.Gallen – yet another way it enables a healthy work-life balance.

Long-term employee development

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

Raiffeisen's personnel policy is designed for long-term relationships with employees. Raiffeisen has a transparent, broad-based performance appraisal system with regular appraisals of all employees based on current targets. The system covers goal attainment and the acquisition of leadership, teamwork and other skills. Periodic performance review meetings are required for employees at all management levels and functions. The annual performance appraisal plays a big role in setting variable pay, which is why management training and the quality of goal agreements are so important. Raiffeisen trains all its managers on goal agreements, performance appraisals and feedback meetings. High potentials are identified and included in succession plans. Senior staff and executive management development includes successive modular training courses.

Training activities are initiated, defined and designed together with specialist area managers in a structured process to ensure they support the strategic objectives. An extensive training and development programme addresses every level in the hierarchy: from the board of directors to the management of the Raiffeisen banks to rank-and-file employees. All told, 795 internal training courses were held in 2013. The Raiffeisen Group invested CHF 1,691 per FTE in internal and external training and continuing education programmes. It focused on developing soft and leadership skills within the Group, cultivating an appreciation of shared values and teaching management fundamentals.

Training tomorrow's workforce

Raiffeisen puts a top priority on training young people. It offers a wide range of training programmes to give young people with different educational backgrounds a solid career start: vocational training programmes in business administration, IT, mediamatics and facility maintenance, internships for business trade school students, hands-on introductory programmes for high school students and trainee programmes for university graduates. Raiffeisen, in other words, takes its societal responsibility as a major employer quite seriously.

Counselling for personal problems

In 2013, the Raiffeisen Group began offering a counselling service for all Raiffeisen Group employees. Staff can request to be contacted by specialists from Reha Suisse, an external Raiffeisen partner. Psychologists, physicians, economists and HR consultants provide sound, independent assessments of those affected that focus on concrete ways to assist these persons. An average of 16 people use this anonymous service each month. Of these, 80% work at Raiffeisen banks and 20% at Raiffeisen Switzerland.

ENVIRONMENT AND CLIMATE PROTECTION

Climate change is one of the biggest challenges of modern times. As a company with more than 10,000 employees and a network of 1,000-plus branches, Raiffeisen has a responsibility to reduce its environmental footprint. Raiffeisen is aware of this responsibility and acts accordingly. It plans to lower its CO_2 emissions by 30% by 2022 (base year = 2012). Over the long term, it wants each of its banking sites to achieve zero net greenhouse gas emissions. The four pillars of the Group's climate strategy are carbon offsets, operational optimisation, substitution with renewable energy and investments in energy-efficient infrastructure.

Energy consumption for Raiffeisen buildings

Raiffeisen focuses on two types of reported operational environmental data: building energy consumption (electricity, heating, ventilation and air-conditioning) and business travel (cars, public transportation, air travel). These categories constitute some 80% of Raiffeisen's environmental footprint.

The bank is mainly interested in addressing the main drivers of greenhouse gas emissions and extending its data acquisition activities to the entire Raiffeisen Group. The bank laid the foundation for the automated Group-wide acquisition of important building energy data in 2012. Its medium-term goal is to determine and reduce the climatic impact of the 1,000-plus Raiffeisen bank buildings. An external partner gathers energy consumption data right from the utility companies and analyses it for Raiffeisen. The number of sites covered by data collection efforts increased from 173 to 274 in 2013. This represents around 25% of all Raiffeisen bank buildings.

Including freight traffic in the carbon footprint

CSR Management is responsible for energy controlling. It is constantly improving the data collection process for environmental data. In the year under review, for example, it began to include freight traffic for currency and precious metal trading as a new category to be used in calculating Raiffeisen's carbon footprint. While freight traffic represents indirect emissions (Scope 3), it is a significant line item in carbon footprint calculations.

Raiffeisen environmental data for 2013 (without Notenstein)

Category	Unit	Raiffeisen Switzerland	Raiffeisen banks (Pilot group)	Projection (banks not included)	Raiffeisen Group (total)	Raiffeisen Group change in %	Raiffeisen Group (total) per FTE
Building energy (total)	**kWh**	**14,436,000**	**10,374,000**	**51,366,000**	**76,176,000**	**-8.0**	**8,855**
of which electricity	kWh	10,808,000	7,181,000	24,646,000	**42,636,000**	**–**	**4,956**
of which fossil fuels	kWh	3,438,000	2,721,000	22,775,000	**28,934,000**	**–**	**3,363**
of which district heating	kWh	190,000	472,000	3,945,000	**4,607,000**	**–**	**536**
Business travel (total)	**km**	**12,498,000**	**1,613,000**	**3,764,000**	**17,875,000**	**162.0**	**2,078**
of which public transportation (rail, bus, tram)	km	2,291,000	745,000	1,738,000	**4,774,000**	**–**	**555**
of which road transport by car	km	5,767,000	868,000	2,026,000	**8,661,000**	**–**	**1,007**
of which road transport for courier deliveries	km	3,180,000	–	–	**3,180,000**	**–**	**370**
of which passenger transport by air	km	82,000	–	–	**82,000**	**–**	**10**
of which air freight	tkm	1,178,000	–	–	**1,178,000**	**–**	**137**
Greenhouse gas emissions from energy and travel*	**tonnes CO_2 eq**	**5,957**	**1,503**	**8,785**	**16,245**	**15.0**	**1.89**
of which Scope 1	tonnes CO_2 eq	1,522	606	5,068	**7,196**	**-7.0**	**0.84**
of which Scope 2	tonnes CO_2 eq	430	314	1,271	**2,016**	**-16.0**	**0.23**
of which Scope 3	tonnes CO_2 eq	4,005	583	2,446	**7,033**	**76.0**	**0.82**

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

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

Raiffeisen's energy consumption for buildings was 82.4 million kilowatt-hours in the previous year. It fell to 76.2 million kilowatt-hours in the current year, primarily due to energy efficiency in IT. In the period under review, electricity consumption accounted for 42.6 million kilowatt-hours while other fuels represented 33.5 million kilowatt-hours compared with 44.1 million kilowatt-hours in the previous year.

Energy consumption was 8,855 and electricity consumption 4,956 kilowatt-hours per employee and year. This translates into a year-on-year increase of 11%.

The greenhouse gas emissions for the entire Raiffeisen Group from energy consumption and business travel amounted to 16,245 tonnes of CO_2 eq, or around 1,890 kilograms of CO_2 eq per employee.

Raiffeisen banks set the example

Several projects at Raiffeisen banks underscore the importance of energy efficiency when constructing or renovating bank buildings. Raiffeisenbank Surselva's headquarters, completed in 2013 in downtown Ilanz, perfectly encapsulates the vision of the 2000 watt society. It even has an attached charging station for electric vehicles that draws electricity from a photovoltaic module. Raiffeisenbank Sarine-Ouest/Belfaux (Canton of Fribourg), for its part, moved to the vanguard in energy-efficient bank construction by erecting Western Switzerland's first Minergie Eco bank building in 2013.

Energy efficiency in IT

Data centres tend to be a bank's biggest power consumers. While various studies show a worldwide increase in energy consumption by data centres, Raiffeisen has once again reduced its power requirements. The St.Gallen and Gossau data centres are paragons of efficiency for the entire industry. Two basic factors account for the energy needed by data centres: around 50% is consumed by the server infrastructure and 50% by the data centre infrastructure (air-conditioning, uninterruptible power supplies, etc.). Raiffeisen employed new technology and rigorously virtualised and consolidated its systems in order to significantly reduce the heat given off by servers and thus the cooling demand.

Raiffeisen needs less space now that it has optimised its IT infrastructure. It rents some of the freed-up space to a company with the same security and reliability requirements. In addition, waste heat from the Raiffeisen data centre heats service water for use at the St.Gallen site and around 50 local homes, shops and restaurants around the year. The energy is used for room heating in the winter months.

The printing and shipping centre, which Trendcommerce (Switzerland) Ltd has been successfully operating for a year, further optimised its energy and resource consumption and reduced waste throughout the production process for the Raiffeisen Group's centralised printed products.

RESPONSIBILITY AND TRANSPARENCY

Supporting the local economy

Raiffeisen banks have always taken responsibility for the local economy. They pay special attention to succession planning for micro-enterprises and small and medium-sized enterprises (SME). Raiffeisen helps strengthen the Swiss economy through the KMU Next foundation. Between KMU Next, KMU Capital AG, Investnet AG and local experts, Raiffeisen has built a one-of-a-kind network for succession services in Switzerland. Raiffeisen believes that, ideally, successful succession planning enables client relationships to be initiated or maintained at minimal risk. Switzerland, for its part, benefits from strong businesses with deep regional ties.

Responsible procurement

Nearly half of the promotional items purchased by Raiffeisen Switzerland are produced in Switzerland (30%) or the EU (13%). The bestselling products are made in Switzerland (52%) or the EU (13%). Asian manufacturers are mainly used for low-cost, high-volume giveaways, as European suppliers no longer carry many of these items. Swiss-made items account for a slightly smaller percentage of the total number of items procured, but a higher percentage of the total procurement budget compared to the previous year.

The company's procurement department evaluates the supplier's entire production process: everything from product materials, energy consumption and transportation to packaging, service life and disposal are considered in the analysis. Raiffeisen Switzerland's Swiss suppliers are also required to comply with standards such as those promulgated by the International Labour Organisation (ILO). In addition, most of the suppliers considered by Raiffeisen are members of the Business Social Compliance Initiative (BSCI).

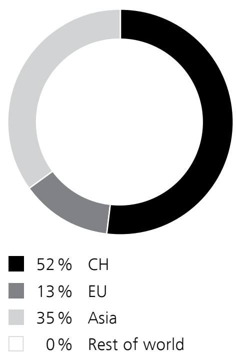
Raiffeisen banks invest CHF 150 to 180 million in construction or renovation each year. Over 80% of this amount generally stays in the region – a major contribution to strengthening local business.

Commitment to art and culture

Raiffeisen champions art and culture. Its support of art in public spaces sends out a strong signal and brings art to the people. Many Raiffeisen banks bring in Swiss artists to beautify their buildings. The artworks displayed in client areas, forecourts and conference rooms give each bank a distinctive character. The Raiffeisen bank in Diessenhofen is a prime example. It converted a historic fin de siècle residential and commercial building. The Raiffeisen bank, architects and artists worked together to preserve the listed property and reuse it for modern purposes.

Raiffeisen supports various outreach projects on Swiss culture. In the year under review, it contributed to Kunst Halle St.Gallen's outreach programme and "Kunstbulletin", the official magazine of the Swiss Art Society, founded in 1839.

Procurement/distribution revenue by place of production in percent



Young Swiss artists benefit from Raiffeisen's support as well. For the fifth time, it purchased ten works of art with the assistance of a jury of experts and sold them to the highest bidder at the Raiffeisen Charity Art Auction. All proceeds from the Raiffeisen Charity Art Auction went to a cultural institution.

Raiffeisen also offers a museum pass programme that enables Raiffeisen members to visit over 470 Swiss museums free of charge. Members use this service around 620,000 times each year. This programme has supported cultural education and significantly raised museum visitor numbers.

Deeply committed to society

The Raiffeisen Group has a long history of social commitment. From volunteering to club sponsorships and sports, Raiffeisen is committed to Switzerland.

"Raiffeisen Volunteers – Committed to Switzerland" is unique in the financial services sector. This Group-wide online volunteering platform has showcased employees' dedication and capabilities since 2011. Volunteers put in more than 42,570 hours in 2013.

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

Raiffeisen supports associations that promote cultural, athletic and social diversity in over 1,000 towns. For example, it provides CHF 1 million of funding to 20,000 young skiers by supporting all the skiing regions and selling sports merchandise.

Launched in 2013, Raiffeisen Football Camps give children and teens aged 6 to 15 the opportunity to be active, work together as a team and develop a love for football with professional coaching. The two Raiffeisen Super League Family Days in Thun and Basel proved to be a special experience for over 1,500 children and parents at a reasonable price.

Raiffeisen also supports SwissSkills. This foundation, to which all major vocational training institutions belong, strengthens the cooperative education system. It motivates young people to excel and prove their mettle at competitions such as the 2013 World Skills Competition in Leipzig.

The Raiffeisen Centenary Foundation, established in 2000 to mark the bank's 100th anniversary, supports charitable projects in Switzerland. It focuses on promoting high ethical standards in business, personal empowerment and cultural works of regional or national importance. In 2013, the foundation provided CHF 250,000 in support.

Switzerland is filled with largely untouched natural and cultural landscapes. In 2013, members were able to visit Swiss parks at special rates. All told, 95,000 discounts were claimed for travel, accommodations and recreational activities. The membership programme played a significant role in raising the profile of Swiss parks. According to the Federal Office for the Environment, the population's awareness of Swiss parks rose from three percent in 2011 to eight percent in 2013. This programme also advanced the federal government's initiative to establish and operate nationally significant parks. The government's goal is to promote regions with exceptional landscapes and natural assets that are pursuing sustainable development. There are currently 16 active parks and four more being established.

Transparent involvement in politics
Raiffeisen is the first Swiss bank to introduce a transparent party financing scheme. It donated CHF 246,000 during the year under review. Half of this amount is distributed among the National Council, and half among the Council of States. In other words, the parties receive CHF 615 for each National Councillor and CHF 2,674 for each Councillor in the Council of States.

Raiffeisen is involved in IG Genossenschaftsunternehmen (Cooperatives Association), Coordination Domestic Banks (CDB) and conventional lobbying. As regulators drafted the new financial services act, "Coordination Domestic Banks" (CDB) pushed for legislation that would differentiate between domestic and multinational banks in order to prevent regulations that would put the future of smaller banks at risk. IG Genossenschaftsunternehmen completed a research project on differentiating factors for cooperatives. The clarifications required to effectively revise cooperative law were initiated in the period under review.

Corporate governance

High level of security due to cooperative structure

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

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

The following report has essentially been drawn up in accordance with the Swiss Code of Best Practice for Corporate Governance published by economiesuisse and the SIX Swiss Exchange Corporate Governance Directive (DCG). Although the code is not binding for Raiffeisen, it is helpful even for an unlisted company to apply these best practices in certain areas. The report deals in particular with the special cooperative organisational structure of the Raiffeisen Group. The various levels of decision-making authority and responsibility are also presented and explained. Except where stated otherwise, all data pertain to the reporting date 31 December 2013.

RAIFFEISEN GROUP STRUCTURE

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

Changes from prior year

Information regarding the reporting of structured products was added to the accounting and valuation principles in the current year.

Mergers of Raiffeisen banks

The number of legally and organisationally independent Raiffeisen banks fell from 321 to 316 in the year under review as a result of various mergers. The mergers were motivated by operational and market considerations. The ongoing structuring process enables the individual Raiffeisen banks to optimally align their activities with their regional markets. The number of independent Raiffeisen banks will continue to decline over the next few years.

Expansion of Raiffeisen locations

The presence in urban centres was further expanded. Raiffeisen banks opened five new branches in 2013.

Raiffeisen Group organisational structure

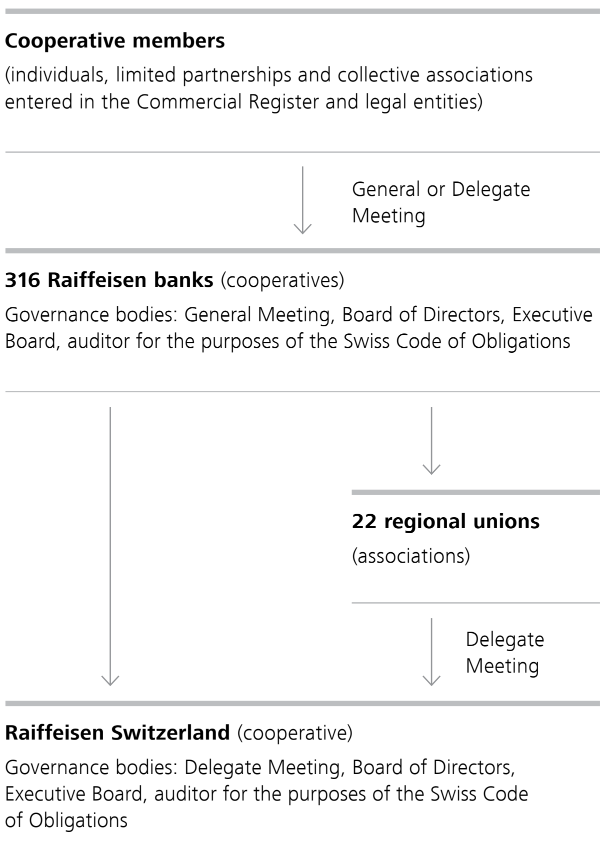
There are four levels of decision-making authority and responsibility:

The 316 Raiffeisen banks with a total of 1,006 branches (excluding branches of Raiffeisen Switzerland) are legally and organisationally independent cooperatives which elect their own boards of directors and have an independent auditor. Raiffeisen banks are owned by the cooperative members. The candidates for the board of directors are voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. Raiffeisen banks own 100% of Raiffeisen Switzerland.

The Raiffeisen banks are grouped into 22 regional unions (see page 54) which are organised as associations. The unions act as links between Raiffeisen Switzerland and the individual Raiffeisen banks. The duties of the regional unions include in particular organising delegate elections for the Raiffeisen Switzerland Delegate Meeting, coordinating regional advertising activities, conducting training events for Raiffeisen banks, and safeguarding and representing the interests of Raiffeisen banks in dealings with cantonal business associations and authorities.

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

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



Major participations

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

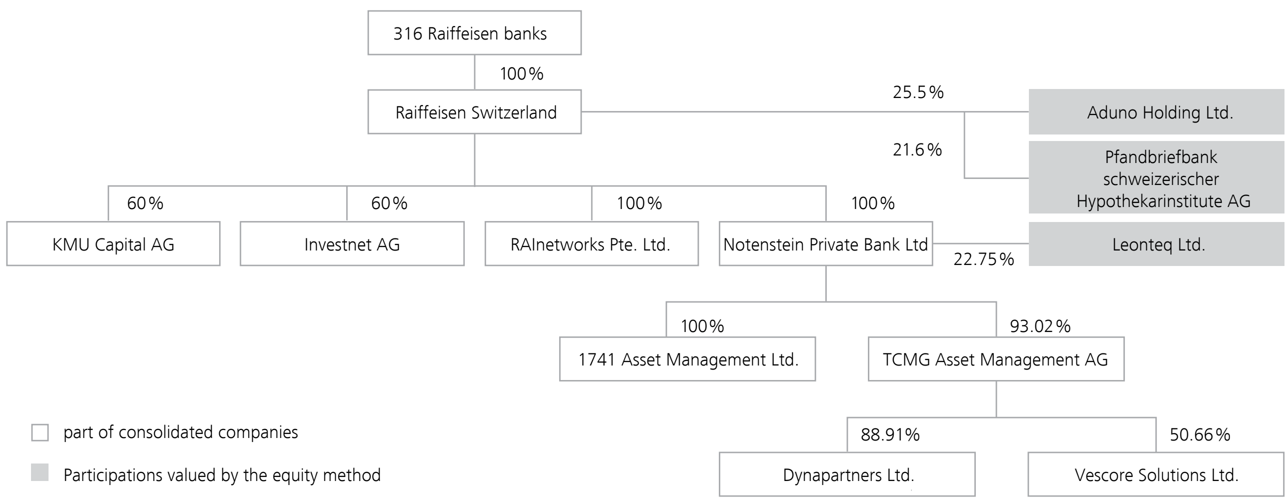
Major cooperative members

Under the Swiss Code of Obligations, the voting rights of any one cooperative member are limited to one vote, irrespective of the number of shares held. Furthermore, the Articles of Association

Group companies

Company	Activity	Owner(s)
Raiffeisen banks	▪ Banking business ▪ Mainly retail business ▪ Traditional savings and mortgage business ▪ Corporate clients business ▪ Payment services ▪ Investment fund and securities trading, and consumer goods leasing	Cooperative members
Raiffeisen Switzerland	▪ Business policy/strategy and centre of competence for the Raiffeisen Group ▪ Risk controlling ▪ Ensuring central bank functions (monetary settlement, liquidity and refinancing) ▪ Banking business (mainly interbank business and securities trading) ▪ Running of branches ▪ Informs, advises and supports the Raiffeisen banks especially in the areas of marketing, business, information technology, building systems, training, human resources and legal services	Raiffeisen banks
Notenstein Private Bank Ltd	Private Bank	Raiffeisen Switzerland
KMU Capital Ltd	Financing business, mezzanine financing and investments in SMEs	Raiffeisen Switzerland
Investnet Ltd	Management consulting, brokering participations	Raiffeisen Switzerland
RAInetworks Pte. Ltd	Purchasing of office supplies, software licences	Raiffeisen Switzerland

Consolidated companies



stipulate that no cooperative member may own more than 20,000 Swiss francs of the cooperative capital of a Raiffeisen bank. This means that the Raiffeisen Group has no major cooperative shareholders holding more than 5% of capital or voting rights.

Cross-shareholdings

Raiffeisen Group companies have no cross-shareholdings.

CAPITAL STRUCTURE AND LIABILITY

Capital structure

The Raiffeisen Group's cooperative capital is CHF 636.6 million. A precise breakdown and accounting of changes in the year under review are provided in Note 10 (Evidence of equity capital).

Changes in equity capital

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

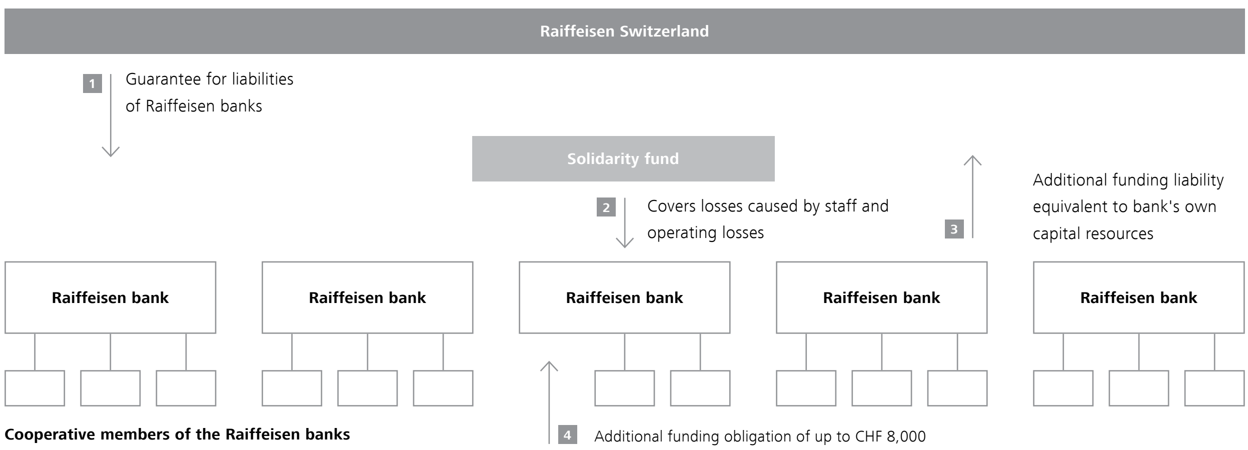
Raiffeisen's cooperative model is geared towards the retention of earnings. This means that – with the exception of interest on cooperative shares – net profit is not paid out in dividends, but is instead channelled into the Group's reserves in order to strengthen its capital base.

Security model

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

Liability

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



1 Liability of Raiffeisen Switzerland towards the Raiffeisen banks

In its capacity as principal party, Raiffeisen Switzerland guarantees the liabilities of all Raiffeisen banks and thus of the Raiffeisen Group as a whole. A total of CHF 1,325.5 million in equity capital of Raiffeisen Switzerland is available for this purpose. Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for CHF 1,000 for each CHF 100,000 of their total assets. This results in a call-in obligation towards Raiffeisen Switzerland of CHF 1.6 billion, of which CHF 850 million has been paid in. Raiffeisen Switzerland has the right to call in the outstanding CHF 765 million from the Raiffeisen banks at any time.

2 Solidarity fund

The solidarity fund is – in line with the classic notion of solidarity espoused by Raiffeisen – an organisation-wide reserve to cover risks. The fund mainly covers operating losses of Raiffeisen banks. It is financed by contributions from the Raiffeisen banks and branches of Raiffeisen Switzerland. The disposable fund assets are CHF 351.8 million.

3 Additional funding obligation of the Raiffeisen banks towards Raiffeisen Switzerland

Raiffeisen banks are bound by an additional funding obligation under Art. 871 of the Swiss Code of Obligations up to the amount of their own funds, defined as the disclosed equity capital plus hidden reserves, not including the additional funding obligations of their cooperative members. The additional funding obligation of Raiffeisen banks towards Raiffeisen Switzerland is CHF 10.9 billion.

4 Additional funding obligation of cooperative members towards Raiffeisen banks

Should the annual balance sheet of a Raiffeisen bank indicate that cooperative capital is no longer covered, the cooperative members are bound under an additional funding obligation of up to CHF 8,000 each in accordance with Art. 871 of the Swiss Code of Obligations. The additional funding obligation of the cooperative members totals CHF 14.6 billion (see Note 10). The additional funding obligation of the cooperative members of Raiffeisen banks has never been enforced in Raiffeisen's long history. In 2013, Raiffeisen banks voted to abolish the additional funding obligation in a secret ballot. This will be implemented in 2014 by amending the Raiffeisen banks' Articles of Association.

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

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

Changes in equity capital

(in CHF million)

	2013	2012	2011	2010
Cooperative capital	637	616	599	570
Retained earnings	9,848	9,245	8,681	8,084
Group profit	717	635	595	627
Total	**11,202**	**10,496**	**9,875**	**9,281**

EXECUTIVE BODIES OF RAIFFEISEN SWITZERLAND

Raiffeisen Switzerland Delegate Meeting

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

The Delegate Assembly is responsible in particular for:

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

Raiffeisen Switzerland Board of Directors

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

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

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

Composition, election and term of office

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

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

Internal organisation

The Board of Directors meets as often as business dictates, but at least four times a year. It met six times in 2013 and several telephone conferences were also held. Resolutions are passed on the basis of the absolute majority of members present, or the absolute majority of all members for circular resolutions. In the event of a tie, the chairman's vote counts twice. Resolution voting is minuted. The Board of Directors meets once a year to review its own activities and positions.

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

The regional unions

Regional unions	Chair	Number of member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Thomas Blunschi, Stetten	26
Berner Verband der Raiffeisenbanken	Peter Hunziker, Utzigen	23
Bündner Verband der Raiffeisenbanken	Hans Sprecher, Fanas	10
Deutschfreiburger Verband der Raiffeisenbanken	Daniel Perler, Wünnewil	7
Luzerner Verband der Raiffeisenbanken	Kurt Sidler, Ebikon	22
Oberwalliser Verband der Raiffeisenbanken	Carmen Zenklusen, Naters	9
Raiffeisenverband Nordwestschweiz	Reto Forrer, Basel	14
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	4
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	12
Schwyzer Verband der Raiffeisenbanken	Reto Purtschert, Küssnacht am Rigi	8
Solothurner Verband der Raiffeisenbanken	Bruno Studer, Stüsslingen	20
St. Galler Verband der Raiffeisenbanken	Stefan Dudli, Waldkirch	45
Thurgauer Verband der Raiffeisenbanken	Urs Schneider, Amlikon-Bissegg	18
Urner Verband der Raiffeisenbanken	Rolf Infanger, Flüelen	3
Zuger Verband der Raiffeisenbanken	Michael Iten, Oberägeri	8
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen de Fribourg romand	Christian Gapany, Morlon	11
Fédération genevoise des Banques Raiffeisen	Philippe Moeschinger, Thônex	6
Fédération jurassienne des Banques Raiffeisen	Christian Spring, Vicques	9
Fédération neuchâteloise des Banques Raiffeisen	Jean-Bernard Wälti, Coffrane	4
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	19
Fédération vaudoise des Banques Raiffeisen	Bertrand Barbezat, Grandson	19
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	25

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

Client confidence in Raiffeisen

Business model	Business policy	Capital	Membership
As a cooperative, Raiffeisen is committed to its members and only distributes a limited portion of its profits.	The local presence and proximity to clients mean Raiffeisen is very familiar with the potential risks.	At 12 billion, Raiffeisen has significantly more capital than what is required under statutory capital adequacy provisions.	The 1.8 million members help set the course and take responsibility for it.
Raiffeisen banks share liability for debts mutually. This eliminates the possibility of individual Raiffeisen banks going bankrupt.	Raiffeisen pursues a very conservative risk policy.	With a debt-to-equity ratio (leverage ratio) of 6.3%, Raiffeisen is very well capitalised.	As a cooperative, there is no risk of Raiffeisen being taken over.
	Raiffeisen focuses on sustainable business rather than short-term returns.		

Duties of the Board of Directors

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

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

The Board of Directors also approves the duties, strategies, budgets and accounting practices of Raiffeisen Switzerland and the Group companies. The Board of Directors can appoint committees with responsibilities conferred for a fixed period or without limit. The duties and powers of the standing committees are set forth in regulations which are summarised on page 61.

Delimitation of powers

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

Information and controlling tools

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

Risk management and compliance

Risk management and compliance are described in detail in the "Risk policy and risk control" section on pages 24 to 33.

Internal Auditing

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

Executive Board of Raiffeisen Switzerland

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

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

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

The business processes of Raiffeisen Switzerland are spread across six departments (see organisational chart on pages 66/67).

The members of the Executive Board and of the extended Executive Board of Raiffeisen Switzerland are elected by the Board of Directors of Raiffeisen Switzerland. There were no changes to the Executive Board in the 2013 financial year.

Management contracts

There are no management contracts with third parties at Raiffeisen.

Auditor for the purposes of the Swiss Code of Obligations

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

REMUNERATION REPORT

Raiffeisen Group

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

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

Independent remuneration system

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

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

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

Members of the Board of Directors

			
Prof. Dr Johannes Rüegg-Stürm	**Philippe Moeschinger**	**Rita Fuhrer**	**Angelo Jelmini**
Function Chairman of the Board of Directors and of the Strategy and Compensation Committee	**Function** Vice Chairman of the Board of Directors and member of the Strategy and Compensation Committee	**Function** Member of the Board of Directors	**Function** Member of the Board of Directors
Born in 1961	**Born in** 1960	**Born in** 1953	**Born in** 1955
Place of residence St.Gallen	**Place of residence** Thônex GE	**Place of residence** Auslikon ZH	**Place of residence** Lugano-Pregassona TI
Accession 2008	**Accession** 2008	**Accession** 2010	**Accession** 2011
Elected until 2014	**Elected until** 2014	**Elected until** 2014	**Elected until** 2014
Occupation Professor of Organisation Studies at the University of St.Gallen (HSG), Director of the Institute for Systemic Management and Public Governance (IMP-HSG)	**Occupation** Director General of Comptoir Immobilier SA	**Occupation** Former cantonal government representative	**Occupation** Co-owner of family enterprise Galvolux SA Glas- and Spiegeltechnik, Bioggio; Co-owner of notary and lawyer's office Sulser & Jelmini in Lugano and Mendrisio; City Council Member of the City of Lugano; Head of the Spatial Development Department
Significant directorships ▪ Chairman of the Raiffeisen Centenary Foundation	**Significant directorships** ▪ Chairman of the BoD of Banque Raiffeisen d'Arve et Lac ▪ Chairman of the Fédération genevoise des Banques Raiffeisen	**Significant directorships** ▪ Chairwoman of Trägerverein Uniklinik Balgrist ▪ Board member Jucker Farmart, Seegräben	**Significant directorships** ▪ Member of the Board and Secretary, Raiffeisen Bank in Lugano ▪ Board Member, Schweizerische Vereinigung für Landesplanung, Ticino Section (VLP-ASPAN-TI) ▪ Various Board of Directors memberships

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

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

Anne-Claude Luisier

Function Member of the Board of Directors

Born in 1967

Place of residence Ayent VS

Accession 2010

Elected until 2014

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

Significant directorships

- Member of the Committee of the Fédération des Banques Raiffeisen du Valais romand

Daniel Lüscher*

Function Member of the Board of Directors

Born in 1961

Place of residence Herznach AG

Accession 2008

Elected until 2014

Occupation Chairman of the Executive Board of Raiffeisenbank Kölliken-Entfelden

Significant directorships

- Chairman of the Swiss Excellence Forum Sursee
- Member of the Foundation Board of ESPRIX

Urs Schneider

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

Born in 1958

Place of residence Amlikon-Bissegg TG

Accession 2008

Elected until 2014

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

Significant directorships

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

Christian Spring*

Function Member of the Board of Directors

Born in 1960

Place of residence Vicques JU

Accession 2002

Elected until 2014

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

Significant directorships

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

Prof. Dr Franco Taisch

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

Born in 1959

Place of residence
Neuheim ZG

Accession 2008

Elected until 2014

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

Significant directorships
- Chairman of the BoD of Swiss Rock Asset Management AG, Zurich
- Member of the Board of Directors of Clinica Alpina SA, Scuol
- Chairman of the BoD of Healthbank, a global health cooperative, Geneva
- Management Board delegate of the interest group "IG Genossenschaftsunternehmen", Lucerne
- Member of the KMU Next foundation, Berne
- Member of the Specialist Council (Fachrat) at Lucerne University of Applied Sciences and Arts, Institute for Financial Services, Zug

Lic. iur. Edgar Wohlhauser

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

Born in 1961

Place of residence
Arth SZ

Accession 2006

Elected until 2014

Occupation
Partner in BDO AG, Zurich

Significant directorships
- Member of the Board of Directors of Wertim AG, Altdorf
- Member of the Vorsorgekommission Kaderkasse Gemini

Werner Zollinger

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

Born in 1958

Place of residence
Männedorf ZH

Accession 2006

Elected until 2014

Occupation
Chairman of the Board of Directors and owner of ProjectGo AG, Zug; Member of the Board of Directors and partner in cITius AG, Wetzikon

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

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

Board of Directors committees

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

Handling risk-takers separately

The Board of Directors has identified another group of risk-takers other than the seven members of the Executive Board of Raiffeisen Switzerland: Central Bank employees with access to the market and trading opportunities. Despite quite modest trading operations and an extensive system of limits that are subject to ongoing monitoring by independent controlling functions, the variable remuneration of these risk-takers is best handled separately. Risk-takers at the Central Bank department are identified every year before the remuneration process begins, are reported by the Head of Central Bank to the Head of Human Resources Management and are approved, by name, by the Executive Board of Raiffeisen Switzerland in the request to determine the total variable remuneration pool. In 2013, this group consisted of 46 people (not counting Executive Board members).

Changes to the remuneration system

PricewatershouseCoopers AG (PwC) conducted a thorough, objective outside evaluation of Raiffeisen's remuneration system in 2012 on behalf of Raiffeisen. One significant change made in response to the PwC report was to further increase the involvement of the entire Board of Directors in the compensation process in 2013. As a result, the Board of Directors assumed the responsibility previously held by the Strategy and Compensation Committee for determining the fixed and variable components of the annual compensation for the individual members of the Executive Board and for determining the total variable remuneration pool at Raiffeisen Switzerland.

The Board of Directors made another change to the remuneration system by introducing new regulations for management pensions starting on 1 January 2013. Management pensions cover senior management staff at Raiffeisen Switzerland and the Raiffeisen banks. Management pensions are to allow senior management staff to retire early at 62, ideally with the same benefits they would have received if they had retired at the normal retirement age of 65. The pensions are funded by employee contributions that are matched 1:1 by the employer.

Total remuneration and total variable remuneration

The Raiffeisen Group paid CHF 973,848,046 in total remuneration (including the Raiffeisen banks and Notenstein Private Bank Ltd) in 2013. This included variable remuneration (excluding employer pension contributions and social insurance) totalling CHF 104,516,482. Remuneration was rendered exclusively in the form of cash, and all variable remuneration was in non-deferred form.

in CHF	**2013**	**Previous year**
Total Raiffeisen Group remuneration	973,848,046	962,730,520
of which total Raiffeisen Group variable remuneration pool	104,516,482	108,154,303

Raiffeisen Switzerland

Remuneration system features

Composition of employee remuneration

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

- Fixed remuneration in line with the market: Every employee has an individual contract establishing the fixed remuneration. This is based on a clearly defined job function and the employee's skills and knowledge. Salaries must also be competitive with regard to the labour market. All fixed remuneration is paid in cash.

- Moderate variable remuneration: Bonuses are paid based on the Group's sustained success and individual employee performance reviews. These may be granted for any functions, including controlling functions. The Board of Directors does not receive variable remuneration. All variable remuneration is paid in cash and in non-deferred form.
- Fringe benefits: Fringe benefits are granted in the framework of applicable regulations, directives and industry standards.

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

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

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

Determining the total variable remuneration pool

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

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

Role of controlling functions

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

By approving the risk and compliance report, the Board of Directors acknowledges that it has been completely and regularly updated on the risk situation in line with Raiffeisen's risk profile, thus significantly raising stakeholder awareness of risk. Risk classes that are not explicitly mentioned (legal, compliance and reputational risk) are covered in evaluations of operational risks and, in some instances, addressed qualitatively through separate reports (e.g. compliance reporting). Reputational risk, in particular, is viewed as a consequential risk that always results from the possible occurrence of another risk. Thus, the management of reputational risk should always focus on the original risk and its consequences. Damage assessments of the original risk cover any compliance and legal violations or damage to Raiffeisen's reputation. In the course of mitigation, Raiffeisen establishes management strategies that mainly target the original risk, but also address the resulting damage.

Allocation of variable remuneration

The Board of Directors does not receive variable remuneration. The Board of Directors decides

Members of the Executive Board

Dr Pierin Vincenz

Function Chairman of the Executive Board (CEO)

Born in 1956

Place of residence Niederteufen AR

Accession 1999

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

Dr Patrik Gisel

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

Born in 1962

Place of residence Erlenbach ZH

Accession 2000

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

Michael Auer

Function Head of Bank Relationship Management department (COO)

Born in 1964

Place of residence Speicher AR

Accession 2008

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

Damir Bogdan

Function Head of IT & Operations department (CIO)

Born in 1969

Place of residence Speicher AR

Accession 2008

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

Paulo Brügger

Function Head of Central Bank department

Born in 1966

Place of residence
Zumikon ZH

Accession 2005

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

Gabriele Burn

Function Head of Marketing & Communications department

Born in 1966

Place of residence
Krattigen BE

Accession 2008

Significant directorships
- Chairwoman of the Swiss Climate Foundation
- Member of the Swiss Mountain Aid Board
- Member of the KMU Next foundation
- Board member of the Green Building Association
- Member of the Swiss Museum Pass foundation

Marcel Zoller

Function Head of Finance department (CFO)

Born in 1957

Place of residence
Goldach SG

Accession 2008

Significant directorships
- Member of the BoD of Vontobel Holding Ltd
- Member of the Management Board and member of the Finance and Audit Committee and of the Strategy Committee of the Valida Foundation, St.Gallen

Dr Beat Hodel*

Function Head of Group Risk Controlling (CRO)

Born in 1959

Place of residence
Bäch SZ

Accession 2005

Significant directorships
No significant mandates

* Member of the Extended Executive Board

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

ORGANISATIONAL CHART OF RAIFFEISEN SWITZERLAND

Board of Directors

Chairman of the Executive Board Dr Pierin Vincenz*

Market
Dr Patrik Gisel*

Private Clients
Roland Altwegg

Affluent Clients/Wealth Advisory
Ernst Näf

Corporate Clients
Andreas Rupp

St.Gallen branch
Dieter Leopold

Winterthur branch
Gregor Knoblauch

Basel branch
Dr Reto Erdin

Zurich branch
Matthias Läubli

Berne branch
Daniel Schmid

Thalwil branch
Daniel Duca

Marketing & Communication
Gabriele Burn*

Electronic Channels
Pascal Dürr

Group Communications
Dagmar Laub-Gall

Marketing
Oliver Niedermann

French-speaking Switzerland office
Alain Girardin

Italian-speaking Switzerland office
Romano Massera

Bank Relationship Management
Michael Auer*

Human Resources Management
Michael Federer

Legal & Compliance
Roland Schaub

FM & Logistics
Markus Hug

Training & Development
Urs von Däniken

RB Consulting
Robin W. Marke

Central Bank
Paulo Brügger*

Trading & Sales
Werner Leuthard

Treasury
Thomas Brunhart

Business Engineering & Support
Marco Tagliaferro

* Member of the Executive Board
** Member of the Extended Executive Board

General Secretariat Pius Horner

IT & Operations
Damir Bogdan*

Business Systems
Beat Monstein

IT Operations
Christian Lampert

Front Services
Adrian Töngi

Finance
Marcel Zoller*

Accounting
Paolo Arnoffi

Corporate Development & Controlling
Dr Christian Poerschke

Group Risk Management
Dr Beat Hodel**

Credit Risk Management
Daniel Tönz

Projects
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 and Group Companies
Roland Meier

on the allocation of variable remuneration to members of the Executive Board and the Head of Internal Auditing.

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

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

The Executive Board allocates variable remuneration individually for named Central Bank employees with access to the market and trading opportunities (so-called risk-takers). The variable remuneration is based on Central Bank's actual performance and assumed risk. The Executive Board or respective supervising managers responsible according to the hierarchy determine the allocation of variable remuneration among other employees. Function and performance reviews by the supervising manager play a major role in determining individual employee bonuses. There are thus no incentives for individuals to strive for short-term success by taking excessive risks. Serious rule violations can lead to a reduction in, or loss of, variable remuneration. Raiffeisen positions itself as an attractive employer by allowing personnel to accrue pension credits in the Raiffeisen Pension Fund on variable remuneration paid out in excess of CHF 3,000.

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

Governance

The Raiffeisen Switzerland Board of Directors is responsible for:

- Outlining the remuneration policy in the form of regulations for Raiffeisen Switzerland and recommendations for the Raiffeisen banks
- Approving the annual remuneration report submitted to the Board by the Strategy and Compensation Committee
- Reviewing remuneration policy on a regular basis and whenever there are indications that review or revisions may be necessary
- Having individual components of the remuneration policies and their implementation checked annually by external or internal auditors
- Determining the amount of the total variable remuneration pool each year
- Defining fixed and variable remuneration components for Executive Board members and the Head of Internal Auditing, including pension plan contributions

The Strategy and Compensation Committee is responsible for implementing regulations issued by the Board of Directors. It discusses remuneration at four meetings every year. The chapter "Governance bodies of Raiffeisen Switzerland" describes the composition and main responsibilities of the Strategy and Compensation Committee.

2013 remuneration

Total remuneration

In 2013, Raiffeisen Switzerland paid out total remuneration (excluding employer pension plan and social insurance contributions) of CHF 246,400,992. Remuneration expenses accrued (both fixed and variable) for the year under review were recorded in full as personnel costs. There are no remuneration expenses from earlier reporting years that are recognised in profit and loss.

In 2013, the Board of Directors approved a total variable remuneration pool (excluding employer pension plan and social insurance contributions) of CHF 38,808,072 for Raiffeisen Switzerland. This amount was paid out in full in cash, in non-deferred form.

The total variable remuneration pool benefited 1,824 individuals (previous year: 1,788 individuals) at Raiffeisen Switzerland.

Board of Directors

In 2013, the serving members of Raiffeisen Switzerland's Board of Directors received remuneration totalling CHF 1,584,600, including all allowances and attendance fees. The largest individual remuneration amount paid was to the Chairman of the Board of Directors, Prof. Dr Johannes Rüegg-Stürm, totalling CHF 462,000. Members of the Board of Directors receive no variable remuneration in the form of a profit-sharing arrangement. Total social insurance contributions for Board of Directors members totalled CHF 343,833. In 2013, neither joining nor termination payments were made to members of the Board of Directors.

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

Total remuneration paid to members of the Raiffeisen Switzerland's Executive Board in 2013 (excluding employee and employer contributions to pension plans and social insurance) came to CHF 7,905,786. Of this amount, CHF 1,891,066 was paid to Dr Pierin Vincenz, CEO of Raiffeisen Switzerland; this was the highest sum paid to an individual Executive Board member. Employee and employer contributions to pension plans and social insurance for Executive Board members totalled an additional CHF 3,996,378, with Dr. Pierin Vincenz, CEO Raiffeisen Switzerland, accounting for CHF 606,072 of this amount. Fixed compensation includes business-related Board of Directors fees for Executive Board members.

At the end of the financial year, loans granted to Executive Board members totalled CHF 30,577,434. The Strategy and Compensation Committee is responsible for approving company loans to Executive Board members. The bank's management enjoys preferential terms that are standard for the industry, as do other personnel. No joining or severance payments were made to Executive Board members or any other risk-takers in 2013.

in CHF	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Total Raiffeisen Switzerland remuneration*	246,400,992	207,592,920	38,808,072
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)	9,209,887 (7,905,786)	6,097,286 (5,155,365)	3,112,601 (2,750,422)
Total remuneration paid to other risk-takers* (excluding Executive Board members)	11,183,125	6,865,125	4,318,000

*excluding employer pension plan and social insurance contributions

Raiffeisen banks

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

Raiffeisen Switzerland advises Raiffeisen banks

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

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

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

Notenstein Private Bank Ltd

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

RIGHTS OF CODETERMINATION

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

Raiffeisen banks

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

Limit on voting rights and powers of representation

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

Voting regulations

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

Calls for General Meetings, agenda

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

Delegate Meeting and secret ballot

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

Raiffeisen Switzerland

The cooperative members of Raiffeisen Switzerland are the legally independent Raiffeisen banks. They choose the delegates who form the supreme executive body of Raiffeisen Switzerland (for its composition, see "Delegate Meeting of Raiffeisen Switzerland" on page 53).

Limit on voting rights and powers of representation

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

Voting regulations

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

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

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

Shorter deadlines are permissible when calling an Extraordinary Delegate Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

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

AUDITORS

Raiffeisen banks

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

Raiffeisen Switzerland and Group companies

The external auditor for Raiffeisen Switzerland, Notenstein Private Bank Ltd, 1741 Asset Management AG, TCMG Asset Management AG, KMU Capital AG, Investnet AG and RAInetworks Pte. Ltd is likewise PricewaterhouseCoopers AG.

The Raiffeisen Group

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

Audit fee

The Raiffeisen banks paid Raiffeisen Switzerland's Internal Auditing department fees totalling CHF 15.8 million for audits under Swiss banking law and internal audits in the current year. In financial year 2013, PricewaterhouseCoopers AG charged the Raiffeisen Group a total of CHF 11.5 million for services relating to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss law. PricewaterhouseCoopers AG also invoiced the Raiffeisen Group CHF 1.1 million for other audit and advisory services.

Information tools available to the external auditor

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

Supervision and control of the external auditor

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

INFORMATION POLICY

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

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

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

Capital adequacy disclosure requirements

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

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

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

Consolidated balance sheet as of 31 December 2013

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Assets					
Liquid funds	7,018,627	6,943,410	75,217	1.1	11
Receivables from money market securities	320,162	69,436	250,726	361.1	6, 11
Receivables from banks	7,102,081	6,249,689	852,392	13.6	6, 11
Receivables from clients	7,750,807	7,822,399	-71,592	-0.9	1, 11
Mortgage receivables	143,658,593	135,942,683	7,715,910	5.7	1, 6, 11
Loans to clients	**151,409,400**	**143,765,082**	**7,644,318**	**5.3**	
Trading portfolios in securities and precious metals	1,366,477	1,836,986	-470,509	-25.6	2, 11
Financial assets	4,283,903	4,032,179	251,724	6.2	2, 6, 11
Non-consolidated participations	718,781	633,206	85,575	13.5	2, 3, 4
Tangible assets	2,403,179	2,382,268	20,911	0.9	4, 6
Intangible assets	214,992	178,673	36,319	20.3	4
Accrued income and deferred charges	209,546	209,940	-394	-0.2	
Other assets	1,528,338	1,823,372	-295,034	-16.2	5
Total assets	**176,575,486**	**168,124,241**	**8,451,245**	**5.0**	**13, 14, 15**
Total subordinated receivables	27,505	24,095	3,410	14.2	
Total receivables from non-consolidated participations	3,724,167	3,167,685	556,482	17.6	
Liabilities					
Liabilities from money market securities	83,662	–	83,662	–	11
Liabilities to banks	6,114,677	5,843,438	271,239	4.6	6, 11
Liabilities to clients in the form of savings and investment deposits	109,576,413	103,065,142	6,511,271	6.3	7, 11
Other liabilities to clients	16,842,434	17,113,162	-270,728	-1.6	7, 11
Medium-term notes	11,640,486	12,876,811	-1,236,325	-9.6	11
Client deposits	**138,059,333**	**133,055,115**	**5,004,218**	**3.8**	
Bonds and Pfandbriefdarlehen	17,849,644	15,186,280	2,663,364	17.5	8, 11
Accrued expenses and deferred income	589,909	561,467	28,442	5.1	
Other liabilities	1,588,126	1,927,966	-339,840	-17.6	5
Value adjustments and provisions	1,082,207	1,052,045	30,162	2.9	9
Cooperative capital	636,614	616,139	20,475	3.3	
Retained earnings	9,848,247	9,245,000	603,247	6.5	
Group profit	716,539	634,845	81,694	12.9	
Total equity capital (without minority interests)	**11,201,400**	**10,495,984**	**705,416**	**6.7**	**10**
Minority interests in equity capital	6,528	1,946	4,582	235.5	
– of which minority interests in Group profit	-588	-393	-195	49.6	
Total equity capital (with minority interests)	**11,207,928**	**10,497,930**	**709,998**	**6.8**	
Total liabilities	**176,575,486**	**168,124,241**	**8,451,245**	**5.0**	**13, 15**
Total subordinated commitments	1,116,020	535,518	580,502	108.4	
Total commitments towards non-consolidated participations	14,938,491	12,725,066	2,213,425	17.4	
– of which Pfandbriefdarlehen	14,096,600	11,816,200	2,280,400	19.3	
Off-balance-sheet business					
Contingent liabilities	379,540	451,210	-71,670	-15.9	1, 16
Irrevocable commitments	6,975,151	6,149,389	825,762	13.4	1
Call commitments and additional funding obligations	96,647	96,647	0	–	1
Derivative financial instruments					
Positive replacement values	930,855	1,056,985	-126,130	-11.9	17
Negative replacement values	1,405,939	1,707,180	-301,241	-17.6	17
Contract volume	156,785,939	125,216,985	31,568,954	25.2	17
Fiduciary transactions	319,256	286,558	32,698	11.4	18

Consolidated income statement 2013

	Current year in 1,000 CHF	Previous year in 1,000 CHF	Change in 1,000 CHF	Change in %	Note
Interest and discount income	3,295,030	3,403,505	-108,475	-3.2	
Interest and dividend income from financial assets	60,461	81,776	-21,315	-26.1	
Interest expenditure	-1,224,984	-1,392,636	167,652	-12.0	
Net interest income	**2,130,507**	**2,092,645**	**37,862**	**1.8**	
Commission income lending business	14,083	15,128	-1,045	-6.9	
Commission income securities and investment business	313,371	299,301	14,070	4.7	
Commission income other service transactions	173,202	159,131	14,071	8.8	
Commission expenditure	-104,925	-105,862	937	-0.9	
Net income from commission business and service transactions	**395,731**	**367,698**	**28,033**	**7.6**	**19**
Net trading income	**185,371**	**190,485**	**-5,114**	**-2.7**	**20**
Income from sale of financial assets	2,774	-472	3,246	-687.7	
Income from participating interests	57,254	44,019	13,235	30.1	21
Income from real estate	18,725	18,018	707	3.9	
Other ordinary income	13,683	12,976	707	5.4	
Other ordinary expenditure	-13,311	-13,127	-184	1.4	
Other ordinary profit	**79,125**	**61,414**	**17,711**	**28.8**	
Operating income	**2,790,734**	**2,712,242**	**78,492**	**2.9**	
Personnel expenditure	-1,209,632	-1,283,255	73,623	-5.7	22
Operating expenditure	-513,177	-502,332	-10,845	2.2	23
Operating expenditure	**-1,722,809**	**-1,785,587**	**62,778**	**-3.5**	
Gross profit	**1,067,925**	**926,655**	**141,270**	**15.2**	
Depreciation on fixed assets	-178,420	-198,436	20,016	-10.1	4
Value adjustments, provisions and losses	-24,879	-31,265	6,386	-20.4	
Operating profit (interim result)	**864,626**	**696,954**	**167,672**	**24.1**	
Extraordinary income	27,823	89,243	-61,420	-68.8	24
Extraordinary expenditure	-3,722	-2,321	-1,401	60.4	24
Taxes	-172,776	-149,424	-23,352	15.6	25
Group profit (including minority interests)	**715,951**	**634,452**	**81,499**	**12.8**	
Minority interests in Group profit	-588	-393	-195	49.6	
Group profit	**716,539**	**634,845**	**81,694**	**12.9**	

Cash flow statement 2013

	Origin of funds for current year in 1,000 CHF	Use of funds for current year in 1,000 CHF	Origin of funds for previous year in 1,000 CHF	Use of funds for previous year in 1,000 CHF
Cash flow from operating results (internal financing)				
Group profit	716,539	–	634,845	–
Depreciation on fixed assets	178,420	–	198,436	–
Appreciation on participations	–	–	–	78,351
Value adjustments and provisions	117,813	87,651	130,876	98,386
Accrued income and deferred charges	394	–	49,451	–
Accrued expenses and deferred income	28,442	–	3,763	–
Interest paid on share certificates for previous year	–	31,598	–	31,463
Balance	**922,359**	**–**	**809,171**	**–**
Cash flow from equity capital transactions				
Net change in cooperative capital	20,475	–	17,243	–
Minority interests in equity capital	4,582	–	1,946	–
Balance	**25,057**	**–**	**19,189**	**–**
Cash flow from investment activities				
Participations	–	86,002	5	58,419
Real estate	35,294	125,695	39,177	235,321
Other tangible assets/objects in finance leasing/other	1,540	84,721	2,577	78,445
Intangible assets	–	61,641	–	190,355
Changes to the consolidated group	–	–	34,256	–
Balance	**–**	**321,225**	**–**	**486,525**
Cash flow from banking activities				
Liabilities from money market securities	83,662	–	–	–
Liabilities to banks	271,239	–	–	788,112
Liabilities to clients in the form of savings and investment deposits	6,511,271	–	10,516,065	–
Other liabilities to clients	–	270,728	1,105,086	–
Medium-term notes	–	1,236,325	–	739,147
Bonds	982,309	599,345	72,705	398,135
Pfandbriefdarlehen	2,921,400	641,000	2,879,000	1,003,800
Other liabilities	–	339,840	–	101,103
Receivables from money market securities	–	250,726	–	67,956
Receivables from banks	–	852,392	–	2,581,491
Receivables from clients	71,592	–	–	144,325
Mortgage receivables	–	7,715,910	–	7,415,924
Trading portfolios in securities and precious metals	470,509	–	–	288,665
Financial assets	–	251,724	742,331	–
Other receivables	295,034	–	116,751	–
Liquid funds	–	75,217	–	2,245,115
Balance	**–**	**626,191**	**–**	**341,835**
Total origin of funds	**947,416**	**–**	**828,360**	**–**
Total use of funds	**–**	**947,416**	**–**	**828,360**

Notes to the consolidated annual accounts

OPERATING ACTIVITY

The 316 Raiffeisen banks in Switzerland, organised as cooperatives, are primarily active in the retail business. The services provided to private and commercial clients encompass the traditional savings and mortgage business. In addition, the product range includes comprehensive payment services, investment funds and securities trading, and consumer goods leasing. The corporate client business is becoming increasingly important. These services are provided by Raiffeisen Switzerland, Raiffeisen banks, specialised companies within the Raiffeisen Group or cooperation partners.

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

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

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

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

As at 31 December 2013, the number of people employed by the Raiffeisen Group on a full-time-equivalent basis was 8,887 (previous year: 8,797).

RISK ASSESSMENT

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT

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

Risk policy

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

Risk control

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

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

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

Risk management process

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

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

Raiffeisen Group's risk management systems aim to:

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

Credit risks

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

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

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

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

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

Collateral risks accrue from impairments in the value of collateral.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value adjustments and provisions are reviewed on a quarterly basis. Thanks to these measures, the average actual losses on lending business (appropriate application of value adjustments and direct losses) in 2013 were CHF 18 million (2012: CHF 27 million) or 0.01% (2012: 0.02%) of the average lending volume, which amounts to 0.17% of average core capital.

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

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

Cluster risks are centrally monitored by Credit Risk Controlling. As at 31 December 2013, the Raiffeisen Group had no reportable concentration risks.

The credit volume of the Raiffeisen Group's ten largest borrowers (excluding interbank business and public bodies) on 31 December 2013 was CHF 1.1 billion, or 0.8% of loans to clients (2012: CHF 1.2 billion, or 0.8%).

Market risks

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

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

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

Products & Trading manages the trading book of Notenstein Private Bank Ltd. The independent Financial Risk Controlling department of Notenstein Private Bank Ltd monitors compliance with the value-at-risk and stress limits allocated from the overall limit by the Board of Directors of Notenstein Private Bank Ltd.

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

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

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

Operational risks
At Raiffeisen, operational risk means the danger of losses arising as a result of the unsuitability or failure of internal procedures, people,

Capital adequacy requirements for market risks relating to the trading book

in 1,000 CHF	31.12.2013	Ø 2013	31.12.2012	Ø 2012
Foreign exchange/precious metals	20,726	20,969	10,918	19,701
Interest rate instruments	98,231	102,712	114,863	93,905
Equities/indices	3,831	7,686	8,202	11,045
Total	**122,788**	**131,367**	**133,983**	**124,651**

IT systems, buildings and equipment, as a result of external events or through the interference of third parties. In addition to the financial impact, the Raiffeisen Group also takes into account the consequences of operational risks for reputation, compliance, and financial reporting.

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

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

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

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

IT risks

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

Information security

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

Outsourcing

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

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

Regulatory provisions

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

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

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

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

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

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

Market risks: Standard approach

The capital adequacy requirements for market risks are calculated using the standard approach under supervisory law. Within this framework, the duration method is applied for general market risk with regard to interest rate instruments and the delta-plus approach in respect of capital adequacy requirements for options. An overview is provided in the table on page 82.

Operational risks: Basic indicator approach

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

CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

General principles

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

Consolidation principles

General

The consolidation of the banking institutions that make up the Raiffeisen Group, Raiffeisen Switzerland and the Group companies associated with it differs fundamentally from normal consolidation based on a holding company structure. The individual Raiffeisen banks, as owners of Raiffeisen Switzerland, function as parent companies. Despite its function as a Group-wide coordinating and controlling unit, liquidity pool and safety net, from a legal point of view, Raiffeisen Switzerland is simply a subsidiary. The management and regulatory powers of Raiffeisen Switzerland are governed by its Articles of Association and the regulations based on the latter. Consolidation is not based on Raiffeisen Switzerland as a parent company, but represents an aggregation of the annual accounts of the 316 Raiffeisen banks and the participations held in the Raiffeisen Group. The equity capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

Consolidated companies and consolidation method

The consolidated accounts of the Raiffeisen Group comprise the annual accounts of the individual Raiffeisen banks, Raiffeisen Switzerland and major subsidiaries in which the Group directly or indirectly holds more than 50 percent of the voting shares. Note 3 "Details of major participations" lists the consolidated group companies and participations valued using the equity method. Minor participations are not listed individually if the Group holds less than 10 percent of the voting shares and equity capital and its holding is either worth less than CHF 1 million of the equity capital or the book value is less than CHF 10 million.

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

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

Consolidation date

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

Accounting and valuation principles

Recording of business events

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

Foreign currencies

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

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

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

Receivables from banks and clients, mortgage receivables

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

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

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

Securities lending and borrowing

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

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

Repurchase and reverse repurchase transactions

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

Trading portfolios in securities and precious metals

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

Financial assets

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

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

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

Non-consolidated participations

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

Tangible assets

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

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

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

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

Intangible assets

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

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

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

Value adjustments and provisions

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

Taxes

Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 19.1% (previous year: 19%) was calculated on untaxed reserves and recognised as a provision for deferred taxes.

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

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

Derivative financial instruments

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

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

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

In the case of self-issued structured products that include a debt security, the derivative is split from the underlying contract and valued separately. This derivative is reported at fair value as a positive or negative replacement value in the item 'Other assets' or 'Other liabilities'. The debt securities (underlying contract) with an original term to maturity of less than one year are reported at nominal value under 'Liabilities from money market securities' and those of more than one year under 'Bonds and Pfandbriefdarlehen'. Discounts and premiums are reported in the item 'Accrued expenses and deferred income' or, as the case may be, 'Accrued income and deferred charges' and realised against the interest income over the remaining life.

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

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

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

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

Changes from prior year

Information regarding the reporting of structured products was added to the accounting and valuation principles in the current year.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2013) and the drawing up of the consolidated annual accounts of the Raiffeisen Group that would have required disclosure in the balance sheet and/or in the notes.

Information on the balance sheet

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

	Mortgage cover in 1,000 CHF	Other cover in 1,000 CHF	Without cover* in 1,000 CHF	Total in 1,000 CHF
Loans				
Loans to clients	2,584,141	803,582	4,363,084	7,750,807
Mortgage loans				
Residential property	132,485,811	–	71,693	132,557,504
Office and business premises	2,800,157	–	10,080	2,810,237
Trade and industry	3,696,615	–	9,839	3,706,454
Other	4,514,777	–	69,621	4,584,398
Total loans				
Current year	**146,081,501**	**803,582**	**4,524,317**	**151,409,400**
Previous year	138,505,214	794,036	4,465,832	143,765,082
Off-balance-sheet business				
Contingent liabilities	79,152	122,861	177,527	379,540
Irrevocable commitments	4,843,529	197,187	1,934,435	6,975,151
Call commitments and additional funding obligations	–	–	96,647	96,647
Total off-balance-sheet business				
Current year	**4,922,681**	**320,048**	**2,208,609**	**7,451,338**
Previous year	4,360,250	359,317	1,977,679	6,697,246

* incl. value-adjusted loans

	Gross amount borrowed in 1,000 CHF	Estimated proceeds from realisation of collateral in 1,000 CHF	Net amount borrowed in 1,000 CHF	Individual provisions in 1,000 CHF
Impaired loans				
Current year	**918,917**	**645,888**	**273,029**	**265,266**
Previous year	990,773	697,687	293,086	282,544

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

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

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Trading portfolios in securities and precious metals		
Debt instruments		
stock exchange listed*	692,790	889,474
not stock exchange listed	1,685	8,995
Equities	52,934	48,696
Precious metals	619,068	889,821
Total trading portfolios in securities and precious metals	**1,366,477**	**1,836,986**
of which securities for repo transactions in line with liquidity requirements	403,345	546,671

* stock exchange listed = traded on a recognised stock exchange

	Book value current year in 1,000 CHF	Book value previous year in 1,000 CHF	Fair value current year in 1,000 CHF	Fair value previous year in 1,000 CHF
Financial assets				
Debt instruments	3,961,430	3,830,212	3,966,290	3,916,554
of which intended to be held until maturity	3,384,495	3,301,088	3,387,353	3,386,530
of which valued at the lower of cost or market	576,936	529,123	578,937	530,024
Equities	299,849	177,388	307,168	179,938
of which qualified participations*	18,013	5,128	18,013	5,128
Precious metals	409	584	409	609
Real estate	22,215	23,995	23,648	25,362
Total financial assets	**4,283,903**	**4,032,179**	**4,297,515**	**4,122,463**
of which securities for repo transactions in line with liquidity requirements	3,664,135	3,445,981	–	–

* At least 10% of the capital or the votes

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Non-consolidated participations		
with a market value	365,398	336,921
without a market value	353,383	296,285
Total non-consolidated participations	**718,781**	**633,206**

3 Details of major participations

Company name/holding	Registered office	Operating activity	Capital in 1,000 CHF	Current-year voting share and equity interest in %	Previous-year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Switzerland Cooperative	St.Gallen	Central bank, association services	850,000	100.0	100.0
Notenstein Private Bank Ltd	St.Gallen	Private bank	22,200	100.0	100.0
1741 Asset Management Ltd[1]	St.Gallen	Asset management/ fund transactions	5,000	100.0	100.0
RAInetworks (Subsidiary of Raiffeisen Switzerland) Pte. Ltd.	Singapore	Trading in goods and services for the Raiffeisen Group	7	100.0	100.0
TCMG Asset Management AG[1]	Zollikon	Affiliated company	23,202	93.0	–
Dynapartners Ltd[2]	Zollikon	Asset Management	1,200	82.7	31.9
KMU Capital Ltd	Herisau	Financial services	2,566	60.0	60.0
Investnet AG	Herisau	Financial services	150	60.0	60.0
Vescore Solutions Ltd[2,3]	St.Gallen	Asset Management	185	47.1	–
3.2 Holdings valued according to the equity method					
Aduno Holding Ltd	Zurich	Financial services	25,000	25.5	25.5
Leonteq Ltd	Zurich	Financial services	13,333	22.8	2.5
Pfandbriefbank schweizerischer Hypothekarinstitute AG	Zurich	Pfandbriefbank	800,000	21.6	21.6
of which not paid up			448,000		
3.3 Other non-consolidated participations[4]					
responsAbility Participations AG	Zurich	Financial services	42,450	19.8	19.6
Swiss Bankers Prepaid Services Ltd	Grosshöch-stetten	Financial services	10,000	16.5	16.5
Vontobel Holding Ltd	Zurich	Financial services	65,000	12.5	12.5
Cooperative Olma Messen St.Gallen	St.Gallen	Organisation of fairs	23,192	11.4	11.2
SIX Group Ltd	Zurich	Financial services	19,522	5.2	3.3
Helvetia Holding Ltd	St.Gallen	Financial services	865	4.0	4.0

1 Control of Notenstein Private Bank Ltd
2 Control of TCMG Asset Management AG
3 The Group has the option to buy more shares up to a 100 percent stake until 2018
4 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 1,000 CHF	Cumulative deprec./ amort. and value adjustments (equity method) in 1,000 CHF	Book value at end of previous year in 1,000 CHF	Current-year transfers/ reclassi-fications in 1,000 CHF	Current-year investment in 1,000 CHF	Current-year disinvest-ment in 1,000 CHF	Current-year depreciation/ amortisation in 1,000 CHF	Current-year value adjust-ments on participations val. acc. to equity method in 1,000 CHF	Book value at end of current year in 1,000 CHF
Non-consolidated participations									
Holdings valued according to the equity method	131,286	113,053	244,339	7,500	22,900	–	–	21,101	295,840
Other participations	397,865	-8,998	388,867	-7,500	42,001	–	-427	–	422,941
Total non-consolidated participations	**529,151**	**104,055**	**633,206**	**–**	**64,901**	**–**	**-427**	**21,101**	**718,781**
Tangible assets									
Real estate									
Bank buildings	2,140,845	-440,554	1,700,291	-35,690	111,142	-22,566	-33,889	–	1,719,288
Other real estate	434,069	-96,772	337,297	23,716	14,553	-12,728	-8,232	–	354,606
Other tangible assets	1,132,740	-815,219	317,521	11,643	73,635	-1,459	-94,743	–	306,597
Objects in finance leasing	481	-165	316	–	–	-81	-78	–	157
Other	166,071	-139,228	26,843	331	11,086	–	-15,729	–	22,531
Total tangible assets	**3,874,206**	**-1,491,938**	**2,382,268**	**–**	**210,416**	**-36,834**	**-152,671**	**–**	**2,403,179**
Goodwill	191,781	-13,108	178,673	–	61,641	–	-25,322	–	214,992
Total intangible assets	**191,781**	**-13,108**	**178,673**	**–**	**61,641**	**–**	**-25,322**	**–**	**214,992**

	in 1,000 CHF
Value of real estate for fire insurance purposes	2,402,071
Value of other tangible assets for fire insurance purposes	1,100,474
Liabilities: future leasing instalments from operational leasing	81

5 Other assets and liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Other assets		
Replacement value	930,855	1,056,985
Equalisation account	342,255	507,867
Coupons and debt instruments	356	17
Settlement accounts for social security and staff pension plan contributions	–	10
Settlement accounts for indirect taxes	114,183	102,782
Other settlement accounts	34,569	39,138
Employer contribution reserves with pension plans	96,319	91,382
Miscellaneous other assets	9,801	25,191
Total other assets	**1,528,338**	**1,823,372**
Other liabilities		
Replacement value	1,405,939	1,707,180
Due, unredeemed coupons and debt instruments	26,685	29,852
Levies, indirect taxes	113,578	148,066
Settlement accounts for social security and staff pension plan contributions	8,895	7,904
Other settlement accounts	27,249	27,710
Miscellaneous other liabilities	5,780	7,254
Total other liabilities	**1,588,126**	**1,927,966**

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

	Current-year amount due or book value in 1,000 CHF	Current year of which made use of in 1,000 CHF	Previous-year amount due or book value in 1,000 CHF	Previous year of which made use of in 1,000 CHF
Receivables from money market securities	–	–	10,000	–
Receivables from banks	557,102	549,454	676,598	676,598
Mortgage receivables	20,063,660	14,519,498	17,491,642	12,170,686
Financial assets	1,681,219	839,363	954,679	277,308
Tangible assets	3,700	2,817	3,602	3,186
Total pledged assets	**22,305,681**	**15,911,132**	**19,136,521**	**13,127,778**

6.2 Securities lending and repurchase operations

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	945,138	1,354,620
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	995,855	607,971
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	857,472	292,058
for which the right to resell or pledge without restriction was granted	857,472	292,058
Securities received as collateral under securities lending agreements, borrowed under securities borrowing agreements or received from reverse repurchase transactions and which can be repledged or resold without restriction	1,059,103	1,446,337
of which repledged or resold securities	625,354	918,417

7 Social insurance institutions

Most employees of the Raiffeisen Group are covered by the Raiffeisen Pension Fund Cooperative. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 58 with a corresponding reduction in benefits. The Raiffeisen Pension Fund Cooperative covers at least the mandatory benefits under Swiss occupational pension law.
The employees of Notenstein Private Bank Ltd are insured with Katharinen Pension Fund I and II, which are both defined-contribution plans. All employees are insured and thus vested starting at the minimum annual BVG salary defined by law. The employer has no additional obligations to provide further benefits. Katharinen Pension Fund II is a voluntary pension plan for employees of Notenstein Private Bank Ltd that enables the use of personalised investment strategies.
The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group. Eight Raiffeisen banks (prior year: seven), as well as Investnet AG and TCMG Asset Management AG (including other Group companies under its control) are insured outside the pension plans of the Raiffeisen Group (other collective foundations, collective insurance contracts, etc.).

7.1 Liabilities to own social insurance institutions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Liabilities to clients in the form of savings and investment deposits	94,677	124,358
Other liabilities to clients	218,380	179,214
Other liabilities (negative replacement values)	657	26
Total liabilities to own social insurance institutions	**313,714**	**303,598**

7.2 Employer contribution reserves

Employer contribution reserves arise for the Raiffeisen Employer Foundation (Raiffeisen) and for pension plans outside the Raiffeisen Group (Others). Notenstein Private Bank Ltd has no employer contribution reserves as of 31 December 2013.

	Current year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF	Previous year Raiffeisen in 1,000 CHF	Others in 1,000 CHF	Total in 1,000 CHF
As at 1 January	89,837	1,544	91,382	111,772	1,335	113,107
+ Deposits	17,697	151	17,848	11,727	195	11,923
– Withdrawals	-13,844	-19	-13,864	-35,134 [1]	–	-35,134
+ Interest paid[2]	935	18	953	1,472	14	1,486
As at 31 December	**94,625**	**1,694**	**96,319**	**89,837**	**1,544**	**91,382**

1) The employer made a one-off contribution in connection with the change in actuarial assumptions at the Raiffeisen Pension Fund Cooperative. Of this contribution, CHF 26,461,493 was financed by a withdrawal from the employer contribution reserves.
2) Interest paid on the employer contribution reserves is recorded as interest income.

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

7.3 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12.2013 in %	on 31.12.2012 in %
Raiffeisen Pension Fund Cooperative	107.2	103.0
Katharinen Pension Fund I	110.5	107.5
Katharinen Pension Fund II	118.8 (Unaudited value)	115.2

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

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

Pension expenditure with significant influencing factors

	Current year in 1,000 CHF	Prior year in 1,000 CHF
Pension expenditure according to separate financial statements	106,278	154,554
Deposits/withdrawals employer contribution reserves (excl. interest paid)	-7,865*	23,211
Employer contributions reported on an accruals basis	**98,413**	**177,765**
Change in economic benefit/obligation as a result of surplus/insufficient cover in the pension plan	–	–
Pension expenditure of the Raiffeisen Group (see note 22 "Personnel expenditure")	**98,413**	**177,765**

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

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

8 Outstanding bonds and Pfandbriefdarlehen

	Year of issue	Interest rate		Maturity	Early redemption possibility	Bond principal in 1,000 CHF	
Bonds of Raiffeisen Switzerland							
Non-subordinated own bonds	2004	3.000		05.05.2014		399,700	
	2006	3.125		30.05.2016		510,015	
	2010	1.625		31.03.2015		446,415	
	2010	1.375		21.09.2017		195,755	
	2010	2.000		21.09.2023		241,065	
	2011	2.125		04.02.2019		248,085	
	2011	2.625		04.02.2026		138,530	
	2011	2.375		10.05.2018		149,925	
Subordinated own bonds	2011	3.875		21.12.2021		535,000	
	2013	3.000		Perpetual	02.05.2018	550,000	[1]
Total bonds of Raiffeisen Switzerland						**3,414,490**	
Loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG							
	div.	1.758	[3]	div.		14,096,600	
Total loans from Pfandbriefbank schweizerischer Hypothekarinstitute AG						**14,096,600**	
Loans from Notenstein Private Bank Ltd [2]							
Loans from Notenstein Private Bank Ltd – non-subordinated	2013	0.110	[3]	2014		75,424	
	2013	1.030	[3]	2015		98,176	
	2013	0.480	[3]	2016		90,232	
	2013	0.000	[3]	2017		15,326	
	2013	0.350	[3]	2018		41,725	
	2013	0.070	[3]	after 2018		17,671	
Total loans from Notenstein Private Bank Ltd						**338,554**	
Total outstanding bonds and Pfandbriefdarlehen						**17,849,644**	

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

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

[3] Average weighted interest rate (volume-weighted).

9 Value adjustments and provisions

	End of previous year in 1,000 CHF	Appropriate application in 1,000 CHF	Write-backs, overdue interest in 1,000 CHF	New provisions against income statement in 1,000 CHF	Dissolution of provisions against income statement in 1,000 CHF	End of current year in 1,000 CHF
Provisions for deferred taxes	730,466	–	–	35,109	–	765,575
Value adjustments and provisions for default risks (del credere and country risk)	282,544	-16,661	6,271	56,016	-62,904	265,266
Value adjustments and provisions for other business risks	33,850	-3,350	–	20,417	-856	50,061
Provisions for restructuring	5,185	-3,880	–	–	–	1,305
Total value adjustments and provisions	**1,052,045**	**-23,891**	**6,271**	**111,542**	**-63,760**	**1,082,207**

10 Evidence of equity capital (without minority interests)

	Number of members	Nominal amount per share	in 1,000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,794,855		374,678
Cooperative capital without additional funding obligation*			241,461
Total cooperative capital	**1,794,855**		**616,139**
Retained earnings			9,879,845
Total equity capital at the beginning of the current year (before appropriation of profits)	**1,794,855**		**10,495,984**
+ Payments from new cooperative members with additional funding obligation	90,188	200	18,037
	247	300	74
	218	400	87
	2,230	500	1,115
+ Payments of cooperative shares without additional funding obligation			20,757
Total payments from new cooperative members	**92,883**		**40,070**
– Repayments to departing cooperative members (with additional funding obligation)	-57,981	200	-11,596
	-162	300	-49
	-125	400	-50
	-1,268	500	-634
– Repayments of cooperative shares without additional funding obligation			-7,266
Total repayments to departing cooperative members	**-59,536**		**-19,595**
– Interest paid on the cooperative capital of the Raiffeisen banks in the previous year			-31,598
+ Group profit in the current year			716,539
Total equity capital at the end of the current year (before appropriation of profits)	**1,828,202**		**11,201,400**
of which cooperative capital with additional funding obligation	1,768,923	200	353,784
	6,017	300	1,805
	5,580	400	2,232
	47,682	500	23,841
of which cooperative capital without additional funding obligation			254,952
Total cooperative capital at the end of the current year	**1,828,202**		**636,614**
of which retained earnings			9,848,247
of which Group profit			716,539
Additional funding obligation of the cooperative members			**14,625,616**

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

Non-distributable statutory or legal reserves based on individual financial statements as at 31 December 2013: CHF 3,106,410,000 (previous year: CHF 2,935,357,000).

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

11 Maturity structure of current assets and outside debt

	On demand in 1,000 CHF	Redeemable by notice in 1,000 CHF	Due within 3 months in 1,000 CHF	Due within 3 to 12 months in 1,000 CHF	Due within 1 to 5 years in 1,000 CHF	Due after 5 years in 1,000 CHF	Total in 1,000 CHF
Current assets							
Liquid funds	7,018,627	–	–	–	–	–	7,018,627
Receivables from money market sec.	1,230	–	209,044	109,888	–	–	320,162
Receivables from banks	371,028	190,181	5,226,888	1,313,984	–	–	7,102,081
Receivables from clients	1,148	2,714,981	1,427,712	818,696	1,943,052	845,218	7,750,807
Mortgage receivables	44,524	13,284,290	7,658,483	16,210,322	75,505,259	30,955,715	143,658,593
Trading portfolios in securities and precious metals	1,366,477	–	–	–	–	–	1,366,477
Financial assets*	286,262	–	184,807	515,445	1,623,805	1,673,584	4,283,903
Total current assets							
Current year	**9,089,296**	**16,189,452**	**14,706,934**	**18,968,335**	**79,072,116**	**33,474,517**	**171,500,650**
Previous year	9,208,051	19,039,738	13,290,831	15,282,440	78,969,720	27,106,002	162,896,782
Outside debt							
Liabilities from money market securities	–	–	5,102	78,560	–	–	83,662
Liabilities to banks	760,264	8,354	4,586,711	512,348	242,000	5,000	6,114,677
Liabilities to clients in the form of savings and investment deposits	–	109,576,413	–	–	–	–	109,576,413
Other liabilities to clients	13,100,287	567,750	1,096,822	1,332,695	511,141	233,739	16,842,434
Medium-term notes	–	–	824,055	2,611,061	6,966,651	1,238,719	11,640,486
Bonds and Pfandbriefdarlehen	–	550,000	221,078	1,171,245	6,066,869	9,840,452	17,849,644
Total outside debt							
Current year	**13,860,551**	**110,702,517**	**6,733,768**	**5,705,909**	**13,786,661**	**11,317,910**	**162,107,316**
Previous year	12,772,666	103,804,808	6,971,917	6,067,187	14,545,855	9,922,400	154,084,833

* Financial assets include CHF 22,215,000 of real estate (previous year: CHF 23,995,000).

12 Loans to executive bodies and transactions with associated persons

	Current year in 1,000 CHF	Previous year in 1,000 CHF
12.1 Loans to executive bodies		
Members of the Board of Directors of Raiffeisen Switzerland and associated persons and companies	16,513	15,012
Members of the Executive Board of Raiffeisen Switzerland and associated persons and companies	30,577	28,929
Total loans to executive bodies	**47,090**	**43,941**

12.2 Transactions with associated persons

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

13 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1,000 CHF	Current year foreign in 1,000 CHF	Previous year domestic in 1,000 CHF	Previous year foreign in 1,000 CHF
Assets				
Liquid funds	6,992,014	26,613	6,913,913	29,497
Receivables from money market securities	1,230	318,932	1,136	68,300
Receivables from banks	2,229,847	4,872,234	1,372,382	4,877,307
Receivables from clients	7,641,973	108,834	7,695,401	126,998
Mortgage receivables	143,658,593	–	135,942,683	–
Trading portfolios in securities and precious metals	1,139,895	226,582	1,606,722	230,264
Financial assets	3,426,982	856,921	3,339,198	692,981
Non-consolidated participations	714,742	4,039	629,290	3,916
Tangible assets	2,403,179	–	2,382,268	–
Intangible assets	214,992	–	178,673	–
Accrued income and deferred expenses	203,961	5,585	205,703	4,237
Other assets	912,270	616,068	1,039,814	783,558
Total assets	**169,539,678**	**7,035,808**	**161,307,183**	**6,817,058**
Liabilities				
Liabilities from money market securities	83,662	–	–	–
Liabilities to banks	3,470,919	2,643,758	3,206,357	2,637,081
Liabilities to clients in the form of savings and investment deposits	106,036,116	3,540,297	99,352,522	3,712,620
Other liabilities to clients	15,986,163	856,271	16,086,921	1,026,241
Medium-term notes	11,519,030	121,456	12,772,123	104,688
Bonds and Pfandbriefdarlehen	17,849,644	–	15,186,280	–
Accrued expenses and deferred income	589,337	572	558,627	2,840
Other liabilities	546,011	1,042,115	589,174	1,338,792
Value adjustments and provisions	1,081,018	1,189	1,051,199	846
Cooperative capital	636,614	–	616,139	–
Retained earnings	9,848,057	190	9,244,841	159
Group profit	716,533	6	634,814	31
Minority interests in equity capital	6,528	–	1,946	–
– of which minority interests in Group profit	-588	–	-393	–
Total liabilities	**168,369,632**	**8,205,854**	**159,300,943**	**8,823,298**

14 Assets by country or country group

	Current year in 1,000 CHF	Current year in %	Previous year in 1,000 CHF	Previous year in %
Assets				
Switzerland	169,539,678	96.01	161,307,183	95.94
Rest of Europe	6,142,600	3.48	6,366,654	3.79
Rest of world (America, Asia, Oceania, Africa)	893,208	0.51	450,404	0.27
Total assets	**176,575,486**	**100.00**	**168,124,241**	**100.00**

15 Balance sheet by currency

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Assets					
Liquid funds	6,505,564	335,414	74,331	103,318	7,018,627
Receivables from money market securities	50,652	175,827	84,745	8,937	320,162
Receivables from banks	2,624,772	2,222,012	1,767,914	487,383	7,102,081
Receivables from clients	7,592,115	57,744	89,341	11,607	7,750,807
Mortgage receivables	143,658,593	–	–	–	143,658,593
Trading portfolios in securities and precious metals	617,965	67,353	37,526	643,633	1,366,477
Financial assets	3,891,973	272,273	103,386	16,271	4,283,903
Non-consolidated participations	714,749	4,032	–	–	718,781
Tangible assets	2,403,179	–	–	–	2,403,179
Intangible assets	214,992	–	–	–	214,992
Accrued income and deferred expenses	201,921	2,805	4,346	474	209,546
Other assets	1,525,745	866	67	1,660	1,528,338
Total assets reflected in the balance sheet	**170,002,220**	**3,138,328**	**2,161,655**	**1,273,283**	**176,575,486**
Delivery claims under spot exchange, forward exchange and currency option contracts	12,859,474	4,693,653	8,019,083	2,663,664	28,235,874
Total assets	**182,861,694**	**7,831,981**	**10,180,738**	**3,936,947**	**204,811,360**
Liabilities					
Liabilities from money market securities	61,277	4,856	2,784	14,745	83,662
Liabilities to banks	2,374,812	1,826,131	1,285,739	627,994	6,114,677
Liabilities to clients in the form of savings and investment deposits	107,453,861	1,544,994	441,818	135,739	109,576,413
Other liabilities to clients	15,049,089	834,790	636,285	322,270	16,842,434
Medium-term notes	11,640,486	–	–	–	11,640,486
Bonds and Pfandbriefdarlehen	17,741,827	46,295	52,221	9,301	17,849,644
Accrued expenses and deferred income	588,926	502	363	118	589,909
Other liabilities	1,587,058	836	131	101	1,588,126
Value adjustments and provisions	1,082,207	–	–	–	1,082,207
Cooperative capital	636,614	–	–	–	636,614
Retained earnings	9,848,057	–	–	190	9,848,247
Group profit	716,533	–	–	6	716,539
Minority interests in equity capital	6,528	–	–	–	6,528
– of which minority interests in Group profit	-588	–	–	–	-588
Total liabilities reflected in the balance sheet	**168,787,274**	**4,258,405**	**2,419,342**	**1,110,465**	**176,575,486**
Delivery obligations under spot exchange, forward exchange and currency option contracts	14,194,445	3,523,152	7,757,166	2,785,602	28,260,365
Total liabilities	**182,981,719**	**7,781,557**	**10,176,508**	**3,896,067**	**204,835,851**
Net position per currency	**-120,024**	**50,424**	**4,230**	**40,880**	**-24,490**

	31.12.2013	31.12.2012
Foreign currency conversion rates		
EUR	1.226	1.207
USD	0.891	0.916

Information on the off-balance-sheet business

16. Contingent liabilities

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Collateral securities	213,180	199,017
Warranty bonds	51,475	58,029
Other contingent liabilities	114,885	194,164
Total contingent liabilities	**379,540**	**451,210**

17 Open derivative financial instruments

17.1 Open derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Interest rate instruments						
Forward contracts incl. FRAs	1,627	2,712	22,600,000	–	–	–
Swaps	331,498	337,056	64,413,840	321,157	759,941	39,111,000
Futures contracts	–	–	1,320,313	–	–	–
Options (OTC)	250	4,121	26,449	4,110	250	14,401
Options (traded)	–	–	–	–	–	–
Total interest rate instruments	**333,375**	**343,889**	**88,360,602**	**325,267**	**760,191**	**39,125,401**
Foreign currencies						
Forward contracts	220,547	252,115	25,882,625	1,853	8,190	1,617,767
Comb. interest rate/currency swaps	2,423	943	133,699	–	–	–
Futures contracts	–	–	9,680	–	–	–
Options (OTC)	1,731	1,524	102,945	2	78	675
Options (traded)	–	–	–	–	–	–
Total foreign currencies	**224,701**	**254,582**	**26,128,949**	**1,855**	**8,268**	**1,618,442**
Precious metals						
Forward contracts	7,330	3,777	539,347	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	1,714	–	–	–
Options (OTC)	981	116	14,491	–	131	1,905
Options (traded)	–	–	–	–	–	–
Total precious metals	**8,311**	**3,893**	**555,552**	**–**	**131**	**1,905**
Equity and indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	34,437	–	–	–
Options (OTC)	11,369	22,254	424,107	22,254	11,175	439,010
Options (traded)	177	10	8,664	–	–	–
Total equities and indices	**11,546**	**22,264**	**467,208**	**22,254**	**11,175**	**439,010**

Continued on the next page

17.1 Open derivative financial instruments by contract type

	Trading instruments			Hedging instruments		
	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume in 1,000 CHF
Credit derivatives						
Credit default swaps	–	1,538	30,796	1,538	–	30,796
Total return swaps	–	–	–	–	–	–
First to default swaps	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total credit derivatives	**–**	**1,538**	**30,796**	**1,538**	**–**	**30,796**
Other						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures contracts	–	–	–	–	–	–
Options (OTC)	2,008	–	25,499	–	8	1,779
Options (traded)	–	–	–	–	–	–
Total other	**2,008**	**–**	**25,499**	**–**	**8**	**1,779**
Total						
Current year	**579,941**	**626,166**	**115,568,606**	**350,914**	**779,773**	**41,217,333**
Previous year	609,714	626,194	86,962,805	447,271	1,080,986	38,254,180

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

	Positive contract replacement value in 1,000 CHF	Negative contract replacement value in 1,000 CHF	Contract volume up to 1 year in 1,000 CHF	Contract volume 1 to 5 years in 1,000 CHF	Contract volume over 5 years in 1,000 CHF	Contract volume total in 1,000 CHF
Banks/securities dealers	908,639	1,367,874	78,516,928	57,989,191	16,775,089	153,281,208
Clients	22,039	38,055	1,629,579	468,682	59,008	2,157,269
Stock exchanges	177	10	1,347,462	–	–	1,347,462
Total						
Current year	**930,855**	**1,405,939**	**81,493,969**	**58,457,873**	**16,834,097**	**156,785,939**
Previous year	1,056,985	1,707,180	67,362,981	43,161,589	14,692,415	125,216,985

No netting contracts are used to report the replacement values.

Quality of counterparties

Banks/securities dealers: Derivative transactions were conducted with counterparties primarily with a very good credit rating. 96.0% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

18 Fiduciary transactions

	CHF in 1,000 CHF	EUR in 1,000 CHF	USD in 1,000 CHF	Other in 1,000 CHF	Total in 1,000 CHF
Fiduciary investments with third-party banks	1,770	207,198	66,591	43,697	319,256
Total fiduciary transactions	**1,770**	**207,198**	**66,591**	**43,697**	**319,256**
Previous year	7,090	108,441	100,627	70,400	286,558

Information on the income statement

19 Net income from commission business and service transactions

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Commission income		
Commission income from lending business	14,083	15,128
Commission income from securities and investment business		
Fund business	79,783	76,881
Custody account business	57,872	58,964
Brokerage	82,586	78,824
Asset management business	62,687	60,666
Other securities and investment business	30,443	23,966
Commission income from other service transactions		
Payments	124,376	118,842
Account maintenance	26,299	26,306
Other service transactions	22,527	13,983
Total commission income	**500,656**	**473,560**
Commission expenditure		
Securities business	-40,193	-41,922
Payments	-59,606	-58,865
Other commission expenditure	-5,126	-5,075
Total commission expenditure	**-104,925**	**-105,862**
Total net income from commission business and service transactions	**395,731**	**367,698**

20 Net trading income

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Foreign exchange trading	101,756	101,601
Precious metals and foreign notes and coins trading	56,464	60,559
Equities trading	-1,187	4,501
Fixed income trading	28,338	23,824
Total net trading income	**185,371**	**190,485**

21 Income from participating interests

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Participations valued according to the equity method	29,610	25,341
Other non-consolidated participations	27,644	18,678
Total income from participating interests	**57,254**	**44,019**

22 Personnel expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Banking authorities, attendance fees and fixed emoluments	22,805	23,217
Salaries and bonuses for staff	970,215	966,983
AHV, IV, ALV and other statutory contributions	88,363	86,004
Contributions to staff pension plans	98,413	177,765
Ancillary staff expenses	29,836	29,286
Total personnel expenditure	**1,209,632**	**1,283,255**

23 Operating expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Occupancy costs	84,344	83,756
Cost of computer equipment, machinery, furniture, vehicles and other equipment	111,920	116,521
Other operating expenditure	316,913	302,055
Total operating expenditure	**513,177**	**502,332**

24 Extraordinary income and expenditure

Current year

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

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

Previous year

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

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

25 Tax expenditure

	Current year in 1,000 CHF	Previous year in 1,000 CHF
Creation of provisions for deferred taxes	35,109	26,332
Expenditure for current income tax	137,667	123,092
Total tax expenditure	**172,776**	**149,424**

Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Raiffeisen Group, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 74 to 105), for the year ended 31 December 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

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

pwc

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Beat Rütsche	Dominique Rey
Audit expert Auditor in charge	Audit expert

St. Gallen, 2 April 2014

Information on capital adequacy situation

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

Eligible capital under regulatory rules – transfer to balance sheet values

	Current year in 1,000 CHF	Reference[1]
Balance sheet		
Assets		
Liquid funds	7,018,627	
Receivables from money market securities	320,162	
Receivables from banks	7,102,081	
Receivables from clients	7,750,807	
Mortgage receivables	143,658,593	
Loans to clients	**151,409,400**	
Trading portfolios in securities and precious metals	1,366,477	
Financial assets	4,283,903	
Non-consolidated participations	718,781	
Tangible assets	2,403,179	
Intangible assets	214,992	
of which goodwill	214,992	(I)
Accruals	209,546	
Other assets	1,528,338	
Total assets	**176,575,486**	
Liabilities		
Liabilities from money market securities	83,662	
Liabilities to banks	6,114,677	
Liabilities to clients as savings and investment deposits	109,576,413	
Other liabilities to clients	16,842,434	
Medium-term notes	11,640,486	
of which subordinated time deposits, eligible as supplementary capital (T2)	19,480	(II)
Customer deposits	**138,059,333**	
Bonds and Pfandbriefdarlehen	17,849,644	
of which subordinated bond, eligible as additional core capital (AT1)	549,700	(III)
of which subordinated bond, eligible as supplementary capital (T2) – phase out	481,500	(IV)
Accrued income and deferred charges	589,909	
Other liabilities	1,588,126	
Value adjustments and provisions	1,082,207	
of which deferred taxes for untaxed reserves	765,575	
Cooperative capital	636,614	
of which eligible as "hard" core capital (CET1)	636,614	(V)
Retained earnings	9,848,247	
Group profit	716,539	
Minority interests in equity capital	6,528	
of which eligible as "hard" core capital (CET1)	–	(VI)
Total capital (with minority interests)	**11,207,928**	
Total liabilities	**176,575,486**	

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

Minimum capital requirement and eligible regulatory capital

	Basel III		Basel II	
	Current year Risk-weighted positions in 1,000 CHF	**Current year Required capital in 1,000 CHF**	**Previous year Risk-weighted positions in 1,000 CHF**	**Previous year Required capital in 1,000 CHF**
Minimum capital requirement				
Credit risk (standard approach BIZ)[2]				
Receivables from banks	1,378,416	110,273	812,334	64,987
Receivables from clients	4,765,223	381,218	4,612,675	369,014
Mortgage receivables	60,784,866	4,862,789	55,756,758	4,460,541
Accruals	84,640	6,771	155,598	12,448
Other assets, miscellaneous	139,870	11,190	120,785	9,663
Other assets, total replacement value of derivatives	43,894	3,512	461,889	36,951
Net interest positions outside trading book	778,643	62,290	495,641	39,651
Net equity positions outside trading book[3]	1,853,449	148,276	460,163	36,813
Contingent liabilities	117,449	9,396	206,829	16,546
Irrevocable commitments	1,032,822	82,626	895,160	71,613
Call commitments and additional funding obligations	96,647	7,732	603,946	48,316
Add-ons for forward contracts and options purchased	188,740	15,099	192,139	15,371
Unsettled transactions		332		–
Guarantee obligations to central counterparties (CCPs)		10		–
CVA (standard approach)		10,456		–
Mandatory capital for credit risks and other credit risk positions		**5,711,970**		**5,181,913**
Non-counterparty-related risks				
Real estate (including real estate in financial assets)	2,143,051	171,444	5,605,574	448,446
Other tangible assets/other recognised assets subject to depreciation	282,225	22,578	2,154,248	172,340
Mandatory capital for non-counterparty-related risks		**194,022**		**620,786**
Market risks (standard approach)				
Interest rate instruments – general market risk		83,206		92,178
Interest rate instruments – specific risk		15,025		22,674
Equity instruments		3,489		7,782
Foreign currencies and gold		10,428		7,555
Other precious metals		12,510		6,351
Options		342		495
Mandatory capital for market risks		**125,000**		**137,035**
Mandatory capital for operational risks (basic indicator method)		**410,917**		**402,324**
Total mandatory capital		**6,441,909**		**6,342,058**

	Current year in 1,000 CHF	Reference[1]
Eligible capital		
Capital social	636,614	(V)
Retained earnings	9,848,247	
Group profit[4]	684,779	
Minority interests	–	(VI)
Total "hard" core capital (CET1) before adjustments	**11,169,640**	
Goodwill	-214,992	(I)
Participations to be consolidated	–	
Total CET1 adjustments	**-214,992**	
Total eligible "hard" core capital (net CET1)	**10,954,647**	
Additional core capital (AT1)	549,700	(III)
Deductions from AT1 capital	–	
Total eligible core capital (net Tier 1)	**11,504,347**	
Supplementary capital (Tier 2)	500,980	
of which fully eligible	19,480	(II)
of which temporarily applied (phase out)	481,500	(IV)
Deductions from supplementary capital (Tier 2)		
Total eligible capital (regulatory capital)	**12,005,327**	
Total risk-weighted assets	**80,523,873**	
Capital ratios		
CET1 ratio	**13.6%**	
Tier 1 ratio	**14.3%**	
Total capital ratio	**14.9%**	
CET1 requirement under Capital Adequacy Ordinance (CAO) transitional provisions	**4.1%**	
of which capital buffer under the CAO	0.0%	
of which countercyclical buffer (CCP)	0.6%	
Available CET1 (after deducting AT1 and T2 requirements covered by CET1 capital)	**10.4%**	
CET1 capital target according to FINMA (including CCP)	**9.3%**	
Available CET1	**10.0%**	
Tier 1 capital target according to FINMA (including CCP)	**11.4%**	
Available Tier 1	**12.1%**	
Capital target for regulatory capital according to FINMA (including CCP)	**14.2%**	
Available regulatory capital	**14.9%**	
Contributions below the threshold values for deductions (before risk weighting)[5]		
Participations in the financial area up to 10%	186,107	
Participations in the financial area above 10%	531,331	

1) The references refer to table "Eligible capital under regulatory rules – transfer to balance sheet values".
2) Basel II credit risks are calculated using the standardised approach for Switzerland.
3) Including equity securities, which have received a risk weighting of 250%.
4) Excluding interest on cooperative capital.
5) The major participations pursuant to note 3.2 "Holdings valued according to the equity method" and note 3.3 "Other non-consolidated participations" of the Raiffeisen Group's annual report are risk-weighted for calculating capital adequacy.

Credit risk by counterparty as of 31 December 2013

Loan commitments (in 1,000 CHF)[1]	Central govern-ments/ central banks	Banks and securities dealers	Other institutions	Corporates	Retail	Equity	Other commit-ments	Total
Balance sheet items								
Receivables from banks	60,792	7,041,289	–	–	–	–	–	7,102,081
Receivables from clients	2,350	82,207	2,925,622	1,366,075	3,374,553	–	–	7,750,807
Mortgage receivables	38,802	45,834	142,321	1,010,385	142,421,251	–	–	143,658,593
Interest and equity positions outside trading book[2]	14,536	531,557	488,530	1,416,890	–	476,811	1,230	2,929,554
Replacement values of derivatives[3]	–	125,032	–	2,025	8,049	–	–	135,106
Other assets	116,700	116,764	1,974	157,954	76,507	–	–	469,899
Total current year	**233,180**	**7,942,683**	**3,558,447**	**3,953,329**	**145,880,360**	**476,811**	**1,230**	**162,046,040**
Total previous year[6]	520,669	7,898,844	3,290,085	2,968,851	138,716,218	180,720	5,811	153,581,198
Off-balance-sheet items[4]								
Contingent liabilities	194	4,120	4,549	64,482	116,425	–	–	189,770
Irrevocable commitments	63	134,507	525,826	236,900	1,249,915	–	–	2,147,211
Call commitments and additional funding obligations	4	–	–	96,643	–	–	–	96,647
Add-ons for forward contracts and options purchased[3]	–	422,714	–	20,430	7,767	–	–	450,911
Total current year	**261**	**561,341**	**530,375**	**418,455**	**1,374,107**	**–**	**–**	**2,884,539**
Total previous year[6]	674	487,400	615,932	1,003,706	1,478,926	–	–	3,586,638

Credit risk/minimisation of credit risk as of 31 December 2013

Loan commitments (in 1,000 CHF)[1]	Covered by recognised financial securities[5]	Covered by guarantees and credit derivatives	Other loan commitments	Total
Balance sheet items				
Receivables from banks	985,148	–	6,116,933	7,102,081
Receivables from clients	341,700	118,890	7,290,217	7,750,807
Mortgage receivables	225,121	103,142	143,330,330	143,658,593
Interest and equity positions outside trading book[2]	–	–	2,929,554	2,929,554
Replacement values of derivatives[3]	55,215	–	79,891	135,106
Other assets	–	–	469,899	469,899
Total current year	**1,607,184**	**222,032**	**160,216,824**	**162,046,040**
Total previous year[6]	1,870,916	236,024	151,474,258	153,581,198
Off-balance-sheet items[4]				
Contingent liabilities	49,400	2,519	137,851	189,770
Irrevocable commitments	37,288	24,976	2,084,947	2,147,211
Call commitments and additional funding obligations	–	–	96,647	96,647
Add-ons for forward contracts and options purchased[3]	43,252	3,318	404,341	450,911
Total current year	**129,940**	**30,813**	**2,723,786**	**2,884,539**
Total previous year[6]	231,293	20,572	3,334,773	3,586,638

Segmentation of credit risks as of 31 December 2013

Loan commitments (in CHF million)[1]	0%	20%[7]	35%	50%	75%	100%	125%	150%	250%	>500%	Total
	Risk weightings under supervisory law										
Balance sheet items											
Receivables from banks	3,203	1,904	–	1,995	–	–	–	–	–	–	7,102
Receivables from clients	214	194	1,658	2,548	831	2,286	–	20	–	–	7,751
Mortgage receivables	210	35	120,698	79	16,265	6,282	–	90	–	–	143,659
Interest and equity positions outside trading book[2]	96	1,712	–	415	–	609	–	97	–	–	2,929
Replacement values of derivatives[3]	40	24	–	64	–	7	–	–	–	–	135
Other assets	213	36	–	6	3	212	–	–	–	–	470
Total current year	**3,977**	**3,905**	**122,356**	**5,106**	**17,099**	**9,396**	**–**	**207**	**–**	**–**	**162,046**
Total previous year[6]	4,183	4,295	115,794	9,245	14,524	4,857	10	502	162	8	153,581
Off-balance-sheet items[4]											
Contingent liabilities	45	5	20	3	34	83	–	–	–	–	190
Irrevocable commitments	37	548	862	109	98	493	–	–	–	–	2,147
Call commitments and additional funding obligations	–	–	–	–	–	97	–	–	–	–	97
Add-ons for forward contracts and options purchased[3]	25	111	–	296	0	18	–	–	–	–	451
Total current year	**107**	**664**	**882**	**409**	**132**	**691**	**–**	**–**	**–**	**–**	**2,885**
Total previous year[6]	225	801	990	343	189	1,039	–	–	–	–	3,587

1) Before deduction of individual value adjustments.
2) Receivables from and liabilities to Pfandbriefbank are offset against each other.
3) Derivative counterparty risk is calculated using the mark-to-market method. Netting agreements with counterparties are taken into account when calculating capital adequacy.
4) Non-derivative off-balance-sheet items are shown after conversion into credit equivalents.
5) Securities are recognised using the simple method.
6) Calculation in accordance with Basel II regulations.
7) According to Basel II regulations, the risk weighting was 25% in the previous year.

Group companies compared

(in CHF million)	Raiffeisen banks		Raiffeisen Switzerland		Other Group companies		Consolidation effects		Raiffeisen Group	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Income statement										
Net interest income	1,977	1,937	121	115	29	37	4	4	2,131	2,093
Net income from commission business and service transactions	199	169	78	88	126	116	-7	-5	396	368
Net trading income	96	93	73	58	13	35	3	4	185	190
Other ordinary result	54	34	299	268	10	13	-284	-254	79	61
Operating income	**2,326**	**2,233**	**571**	**529**	**178**	**201**	**-284**	**-251**	**2,791**	**2,712**
Personnel expenditure	-798	-816	-309	-326	-110	-104	7	-37	-1,210	-1,283
Other operating expenditure	-524	-515	-179	-174	-52	-49	242	235	-513	-503
Total operating expenditure	**-1,322**	**-1,331**	**-488**	**-500**	**-162**	**-154**	**249**	**199**	**-1,723**	**-1,786**
Gross profit	**1,004**	**902**	**83**	**29**	**16**	**47**	**-35**	**-52**	**1,068**	**926**
Depreciation on fixed assets	-128	-136	-42	-47	-6	-1	-2	-14	-178	-198
Value adjustments, provisions and losses	-575	-502	-13	-2	-7	-13	570	486	-25	-31
Operating profit (interim result)	**301**	**264**	**28**	**-20**	**3**	**33**	**533**	**420**	**865**	**697**
Extraordinary income	44	56	22	57	17	–	-55	-24	28	89
Extraordinary expenditure	-13	-15	-12	–	–	–	21	13	-4	-2
Taxes	-137	-119	-1	-2	-1	-2	-34	-26	-173	-149
Group profit (including minority interests)	**195**	**186**	**37**	**35**	**19**	**30**	**465**	**383**	**716**	**635**
Minority interests in group profit	–	–	–	–	–	–	-1	–	-1	–
Group profit	**195**	**186**	**37**	**35**	**19**	**30**	**464**	**383**	**717**	**635**
Key balance sheet figures										
Total assets	161,486	154,420	32,750	32,283	4,421	3,919	-22,082	-22,498	176,575	168,124
Loans to clients	142,102	135,214	8,766	8,019	551	507	-10	25	151,409	143,765
Client monies	127,473	121,949	7,392	7,821	3,242	3,309	-48	-24	138,059	133,055

Balance Sheet – five-year overview

(in CHF million)	2013	2012	2011	2010	2009
Assets					
Liquid funds	7,019	6,943	4,698	1,463	1,338
Receivables from money market securities	320	70	2	102	4
Receivables from banks	7,102	6,250	3,668	6,619	8,800
Receivables from clients	7,751	7,822	7,678	7,666	6,958
Mortgage receivables	143,658	135,943	128,527	119,595	110,678
Loans to clients	**151,409**	**143,765**	**136,205**	**127,261**	**117,636**
Trading portfolios in securities and precious metals	1,366	1,837	1,548	1,300	500
Financial assets	4,284	4,032	4,775	5,703	6,627
Non-consolidated participations	719	633	519	557	456
Tangible fixed assets	2,403	2,382	2,275	2,219	2,098
Intangible assets	215	179	–	–	–
Accrued income and prepaid expenses	210	210	259	232	227
Other assets	1,528	1,823	1,940	1,783	1,833
Total assets	**176,575**	**168,124**	**155,889**	**147,239**	**139,520**
Liabilities					
Liabilities from money market securities	84	–	–	–	–
Liabilities to banks	6,115	5,843	6,632	8,582	9,823
Liabilities to clients in the form of savings and investment deposits	109,576	103,065	92,549	86,591	79,688
Other liabilities to clients	16,842	17,113	16,008	16,184	14,579
Medium-term notes	11,640	12,877	13,616	13,668	16,472
Client monies	**138,058**	**133,055**	**122,173**	**116,443**	**110,739**
Bonds and mortgage bond loans	17,850	15,186	13,637	9,747	7,417
Accrued expenses and deferred income	590	562	558	550	546
Other liabilities	1,588	1,928	2,029	1,660	1,389
Value adjustments and provisions	1,082	1,052	985	976	977
Cooperative capital	637	616	599	570	536
Retained earnings	9,848	9,245	8,681	8,084	7,447
Group profit	717	635	595	627	645
Total equity capital (without minority interests)	**11,202**	**10,496**	**9,875**	**9,281**	**8,628**
Minority interests in equity capital	6	2	–	–	–
– of which Minority interests in group profit	-1	-0	–	–	–
Total equity capital (with minority interests)	**11,207**	**10,498**	**9,875**	**9,281**	**8,628**
Total liabilities	**176,575**	**168,124**	**155,889**	**147,239**	**139,520**

Income statement – five-year overview

(in CHF million)	2013	2012	2011	2010	2009
Interest and discount income	3,295	3,404	3,423	3,383	3,457
Interest and dividend income from financial assets	61	82	84	91	98
Interest expenditure	-1,225	-1,393	-1,431	-1,472	-1,604
Net interest income	**2,131**	**2,093**	**2,076**	**2,002**	**1,951**
Commission income lending business	14	15	12	9	7
Commission income securities and investment business	314	299	179	195	183
Commission income other service transactions	173	159	146	139	143
Commission expenditure	-105	-106	-94	-102	-106
Net income from commission business and service transactions	**396**	**367**	**243**	**242**	**227**
Net trading income	**185**	**190**	**137**	**116**	**116**
Income from sale of financial assets	3	–	–	1	1
Income from participating interests	57	44	41	32	30
Income from real estate	19	18	18	19	17
Other ordinary income	13	13	6	8	9
Other ordinary expenditure	-13	-13	-8	-2	-1
Other ordinary result	**79**	**62**	**57**	**58**	**56**
Operating income	**2,791**	**2,712**	**2,513**	**2,418**	**2,350**
Personnel expenditure	-1,210	-1,283	-1,070	-1,031	-1,016
Other operating expenditure	-513	-502	-451	-434	-447
Total operating expenditure	**-1,723**	**-1,785**	**-1,521**	**-1,465**	**-1,463**
Gross profit	**1,068**	**927**	**992**	**953**	**887**
Depreciation on fixed assets	-178	-198	-239	-200	-179
Value adjustments, provisions and losses	-25	-31	-23	-4	-8
Operating profit (interim result)	**865**	**698**	**730**	**749**	**700**
Extraordinary income	28	89	16	31	96
Extraordinary expenditure	-4	-2	-5	-8	-5
Taxes	-173	-150	-146	-145	-146
Group profit (including minority interests)	**716**	**635**	**595**	**627**	**645**
Minority interests in group profit	-1	–	–	–	–
Group profit	**717**	**635**	**595**	**627**	**645**

Cash flow statement – five-year overview

(in CHF million)	2013	2012	2011	2010	2009
Group profit	**716**	**635**	**595**	**627**	**645**
+ Depreciation on fixed assets	178	198	239	200	179
– Appreciation on participations	–	-78	–	-7	-71
+ Value adjustments and provisions	30	32	9	-1	-2
– Increase / + decrease in money market securities	-166	-68	100	-98	1
± Net change in receivables from/liabilities to banks	-580	-3,370	1,001	940	5,132
– Increase / + decrease in receivables from clients	71	-144	-12	-708	202
– Increase / + decrease in mortgage receivables	-7,715	-7,416	-8,932	-8,917	-9,243
+ Increase / – decrease in liabilities to clients in the form of savings and investment deposits	6,511	10,516	5,958	6,903	12,196
+ Increase / – decrease in other liabilities to clients	-271	1,105	-176	1,604	-3,747
+ Increase / – decrease in medium-term notes	-1,237	-739	-52	-2,803	-1,808
± Net change in receivables from/liabilities to clients	-2,641	3,322	-3,214	-3,921	-2,400
– Increase / + decrease in trading portfolios in securities and precious metals	471	-289	-248	-799	-159
– Increase / + decrease in financial assets (debt securities, etc.)	-252	742	928	924	-3,236
± Net change in accruals and deferrals, as well as other assets and liabilities	-17	69	193	320	292
Net cash flow from operating activities	**-2,261**	**1,193**	**-397**	**-1,815**	**381**
– Increase in participations	-86	-58	-19	-83	-47
+ Decrease in participations	–	–	–	2	–
– Increase in real estate	-125	-235	-165	-245	-202
+ Decrease in real estate	35	39	23	59	35
– Increase in other tangible fixed assets/objects in finance leasing/intangible assets	-146	-268	-102	-135	-145
+ Decrease in other tangible fixed assets/objects in finance leasing	2	2	7	6	12
+ Changes to the consolidated group	–	34	–	–	–
Net cash flow from investment activities	**-320**	**-486**	**-256**	**-396**	**-347**
+ Increase in bonds and Pfandbriefdarlehen	3,904	2,952	5,255	3,129	287
– Decrease in bonds and Pfandbriefdarlehen	-1,240	-1,402	-1,366	-798	-816
+ Increase in cooperative capital	40	36	45	50	45
– Decrease in cooperative capital	-20	-19	-16	-16	-14
– Interest paid on share certificates for prior year	-31	-31	-30	-28	-27
+ Minority interests in equity capital	5	2	–	–	–
Net cash flow from financing activities	**2,657**	**1,538**	**3,888**	**2,337**	**-525**
Total cash flow (net change in liquid funds)	**76**	**2,245**	**3,235**	**125**	**-491**
Liquid funds at start of year	6,943	4,698	1,463	1,338	1,829
Liquid funds at end of year	**7,019**	**6,943**	**4,698**	**1,463**	**1,338**

Raiffeisen Group

Agenda

2014/2015

14.06.2014
Delegate Meeting
Raiffeisen Switzerland in Zermatt

13.08.2014
Publication of half-year results
Phone conference for media

27.02.2015
Annual accounts
Balance sheet press conference
followed by analyst conference