

RAIFFEISEN GROUP ANNUAL REPORT 2004



KEY FIGURES

	2004 Amounts in CHF millions	Change in %	2003 Amounts in CHF millions	Change in %	2002 Amounts in CHF millions
Key balance sheet figures					
Balance sheet total	106,098	3.9	102,140	10.2	92,684
Loans to clients	86,565	5.7	81,877	7.9	75,901
Client monies	80,838	7.5	75,218	10.0	68,393
Client monies as % of loans	93.4%		91.9%		90.1%
Key P + L figures					
Net interest income	1,634	3.4	1,579	8.8	1,451
Net income from commission business	148	15.4	128	7.7	119
Operating income	1,982	3.9	1,908	9.0	1,750
Total operating expenditure	1,157	10.0	1,052	3.1	1,020
Gross profit	825	– 3.6	856	17.3	730
Group profit before tax	660	11.3	593	13.3	523
Group profit	506	11.6	453	5.6	429
Gross profit per personnel unit (in 1000 CHF)	133.5	- 7.5	144.3	11.4	129.5
Operating expenditure/operating income	58.4%		55.1%		58.3%
Capital resources					
Total equity capital	5,335	11.0	4,805	10.9	4,334
Return on equity (ROE)	10.0%		9.9%		10.5%
Capital resources/balance sheet total (equity ratio)	5.0%		4.7%		4.7%
Tier 1 ratio	10.0%		9.5%		9.0%
Tier 2 ratio	14.3%		14.0%		13.3%
Market data					
Market share in mortgage business (2004: estimated)	13.4%		13.2%		12.7%
Market share in savings (2004: estimated)	17.5%		17.1%		16.8%
No. of inhabitants in business area (in millions)	6.7	2.6	6.6	3.6	6.3
Number of members	1,251,730	6.0	1,180,700	6.6	1,107,354
Resources					
Number of employees (per capita)	7,676	4.4	7,353	3.6	7,098
of which trainees	638	- 0.6	642	0.9	636
Number of personnel units	6,304	4.1	6,058	4.3	5,806
Number of Raiffeisen locations	1,216	- 2.6	1,249	- 2.3	1,278
Number of ATMs	1,199	3.6	1,157	5.3	1,099
Custody account/fund business	20=44		275.004		265.000
Number of portfolios	287,114	3.9	276,391	3.9	265,929
Total portfolio volume	24,788	11.6	22,202	12.1	19,809
Volume of Raiffeisen funds	7,865	4.9	7,499	6.6	7,034
Lending business					
Losses on lending business	69	- 2.8	71	9.2	65
as % of loans	0.080%		0.087%		0.086%
Non-performing loans	387	3.8	373	30.9	285
as % of loans	0.447%		0.456%		0.375%

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Impressum



"Birds fly, fish swim, man runs." Emil Zatopek, running legend

Forward motion, especially long-distance running, holds great fascination. The sense of well-being after a few kilometres, the relaxed state of mind which unleashes new and creative thoughts, the solitude of running across country or through mountains, the awareness of one's own body, the satisfaction on reaching one's destination, the joy of personal achievement.

Marathon runners have to rely on their own efforts. Trainers, partners and friends can help them prepare, create the right conditions and cheer them on at the race. But ultimately, it all hinges on the individual's performance on the day. Running a marathon can be compared with the way we have to lead our lives. While we may receive support and help from others, in the end we are personally responsible for our actions and achievements. Other people can smooth the way for us, but we have to tread the path alone.

The marathon is also an excellent metaphor for the special qualities that make the Raiffeisen banks stand out in Switzerland. Helping people to help themselves, one of the most important maxims behind the original Raiffeisen movement, is still our guiding principle to this day. This symbolism is fittingly expressed in our support for top marathon runner Viktor Röthlin, whose high-altitude training in Engadine (in preparation for the 2004 Olympic Games) was the inspiration for the images in this year's Annual Report. The Raiffeisen banks invite you to set your own course and choose your own distance, with our support. We can smooth the way for you.



Getting ready. People who push their bodies to the limit must first complete a thorough warm-up. Stretching increases the supply of blood to the muscles, releasing energy. The slow movements instil a sense of harmony and warmth in the runner: "I am ready."





Raiffeisen continues to expand its market share year after year despite increasing competition from its peers and greater price sensitivity on the part of clients. How does it achieve this? And how are the cooperations with Bank Vontobel and Helvetia Patria Insurance progressing? These were some of the issues that Arno Schmocker* discussed with Franz Marty and Pierin Vincenz.

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

"We are aware that clients have become significantly more price-sensitive. In addition to price, however, Raiffeisen also places particular emphasis on its advisory services and its long-term relationship with clients."

Arno Schmocker: The most significant event of 2004 was the expansion of the cooperation with the Zurich-based Bank Vontobel. Yet the market has seen little of substance thus far. Are you behind schedule?

Vincenz: No, everything is going according to plan. At the level of individual products and services, a number of structured products have already been launched and have generated high volumes. For example, the Raiffeisen Bonus Income Notes CHF has already generated an investment volume in excess of 200 million Swiss francs. We are also on track as regards asset management with the Fund Portfolio and Classic Portfolio products, although things are taking a little longer in this area. At the second level of the cooperation, namely processing and securities administration, all derivative and international transactions are already processed by Vontobel.

What happens now?

Vincenz: From the end of September 2005, all securities orders will be processed by Vontobel. Our cooperation partner will also be taking over responsibility for storing securities – known as global custody. Finally, we will be handing over responsibility for maintaining client custody accounts to Vontobel towards the end of 2006.

Staying on the subject of cooperations, Raiffeisen is working together with Helvetia Patria in the area of life insurance. Are there any plans to extend the cooperation to include occupational pension provision?

Vincenz: For the time being we are focusing on traditional individual life products, and there are no plans to extend the portfolio to include group insurance. However, one new area of focus for the future is property insurance, primarily in connection with our core mortgage lending business. We will be launching a household insurance product this year.

Are any cooperations with foreign Raiffeisen banks on the cards?

Vincenz: We are involved in a number of joint projects with other cooperative banks, for example through the European Unico Banking Group. Subjects under discussion include training concepts and the issue of how cooperative banks can manage their balance sheets on a decentralized basis. The will is there to extend the cooperation to an operational



level, but the differences between the regulatory environments and retail banking processes in the various countries are simply too great.

Have you never considered extending your reach to the border areas of neighbouring countries? **Vincenz:** This would be possible from a legal point of view, but there is a gentleman's agreement between Europe's cooperative banks to respect national borders in the retail banking business.

The Raiffeisen banks are hugely dependent on interest business. To what extent do you plan to expand other business areas over the next few years?

Vincenz: Our aim is to be earning 15 to 20 percent of our total income from fee and commission business – primarily pension planning and asset management – within five years. We also want to expand our business with small and medium-sized corporate clients (SMEs).

Competition has increased considerably in the retail banking sector, and clients have become much more price-sensitive. What steps is Raiffeisen taking in view of this?

Marty: Price competition has become extremely fierce. Raiffeisen endeavours to act as a counterbalance in this respect. While price is important, we also set great store by our advisory services and our long-term relationship with clients. We are remaining true to our conservative principles, and do not want to get involved in potentially risky experiments.

How is it, then, that for years now the Group has managed to keep increasing its market share? **Vincenz:** Price is obviously a key factor in the battle for clients, but it is not the only one. The product and the service as a whole have to be right too. Our great strength is our proximity to our clients. Client contact and advice costs money, however, which is why our expenditure also rises during periods of growth.

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

"The key challenge facing the Raiffeisen Group will be its responsibility to safeguard jobs from region to region." Raiffeisen has been granting consumer loans since last November. This business has a somewhat dubious image – how does that square with your mission statement?

Marty: It is not an area of business that we are particularly looking to expand, but it does round off our portfolio. There is now a demand among our clients for consumer loans, which have come to play a key role in optimizing household and consumer spending. The new Consumer Credit Act means that borrowers now receive better protection, and we are also extremely cautious when it comes to assessing the ability of clients to repay any loans granted.

Raiffeisen has enjoyed strong growth in recent years – does this not contradict your stated desire for self-discipline?

Vincenz: Growth enables us to spread the special philosophy behind Raiffeisen as widely as possible throughout Switzerland. In our case, self-discipline means first and foremost that we concentrate on a small number of activities in which we have particular expertise, and that individual banks conclude business in their local and hence familiar environment.

Any review of 2004 has to include the "Balerna" affair. The losses of this Raiffeisen bank in Ticino and the costs of the subsequent clean-up operation together totalled more than 100 million Swiss francs. Was the whole thing a consequence of the Group's decentralized structure?

Marty: The real issue is what we are doing to ensure that such an incident is never repeated. Balerna heightened our awareness of the importance of control, from the individual banks right up to Group level. We are striving to implement the most stringent risk management process possible across the entire Group. However, this should not affect our principle of decentralized organization and local responsibility.

Did all 450 Raiffeisen banks end up paying for Balerna?

Marty: The losses from the failed currency speculation and the restructuring costs were borne jointly by all the member banks on a proportional basis. The Union also paid its share, which was booked back in 2003.

Raiffeisen has no shareholders to exercise a control function. Is there not a lack of control over the Union and the Board of Directors?

Marty: The Delegate Meeting of the 450 cooperatives is not only responsible for the Articles of Association and fundamental strategic decisions, but also acts as the control body for the Board of Directors. The Board of Directors, for its part, supervises the Executive Board. In 2004 we took several steps to cut down the Board of Directors and increase the number of external Board members. Going forward, the committees are to have a much stronger institutional basis. Furthermore, a Supervisory Board operates independently of the Board of Directors and monitors the Group's accounting and corporate governance activities.

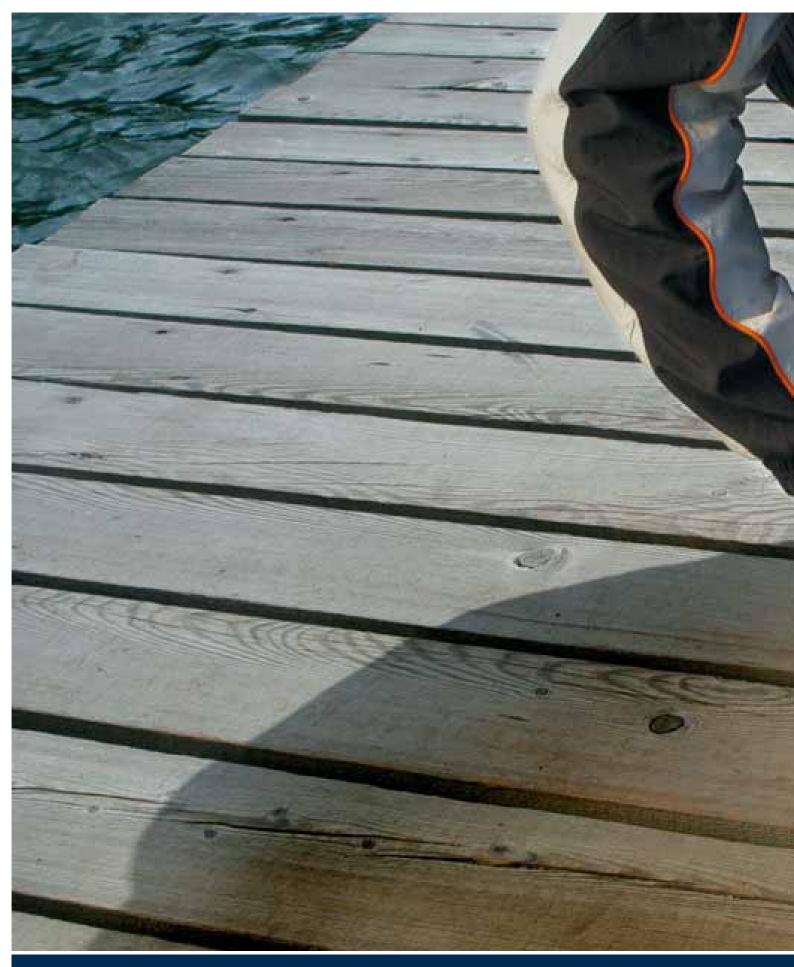
Looking further down the line, is there any prospect of Raiffeisen becoming a public limited company and being floated on the stock exchange in the way that Rentenanstalt was?

Marty: No, because it is precisely our cooperative form and the client loyalty that goes with it that gives us our extraordinarily strong profile. We will do everything possible to preserve this huge advantage. Unlike the former Rentenanstalt, Raiffeisen has an exclusively domestic focus and has no plans for international expansion. The continual rise in the number of members over recent years is proof that we are in tune with the needs of Swiss people.

Finally, what is the outlook for 2005?

Vincenz: We remain fairly optimistic after last year's record performance. We should be able to maintain the level of interest income, our main source of revenue. The key challenge facing us will be to safeguard jobs from region to region as part of our longer-term responsibilities.

*Arno Schmocker has been head of the Finance section at "Finanz und Wirtschaft" since 1 January 2005.



Feeling confident. A runner's feet are his tools. Foot and trainer need to be a perfect fit and form a single unit. Provided the shoe is correctly, but not too tightly, laced the runner can feel confident (psychologically as well as physically) about the run ahead: "I am well-equipped."



The Raiffeisen Group has earned a solid reputation for its advisory expertise and fair and consistent business policy. Now, in addition to consolidating its core competence of retail banking, the Bank also aims to boost its off-balance-sheet business. This will be achieved through closer cooperation with Bank Vontobel.

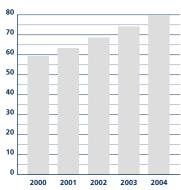
Political instability in the Middle East, hikes in the oil price and the decline of the US dollar against the euro and Swiss franc curbed the euphoria of economic recovery in western Europe and Switzerland. For the same reasons, the rise in interest rates widely anticipated across the markets failed to materialize in 2004. Only money market rates increased as the Swiss National Bank twice raised its rate band by around 50 basis points. The combined effect of these factors was that interest rate levels in balance sheet business persisted at the record low attained in 2003. Considering the operating environment, the Raiffeisen Group performed well in the year under review.

Financing

With external conditions remaining favourable, building activity in terms of both new construction and renovation continued in 2004. The Swiss mortgage market was a beneficiary of this trend, with above-average growth of 5 percent. The market's appeal was reflected in a further intensification of the price war between the established market operators, which squeezed the interest margin. However, the Raiffeisen Group held its own even amid such fierce competition, and posted a sizeable increase of over 7 percent in total mortgage volume. It thereby outperformed the market average once again.

The Raiffeisen Group believes that the mortgage market will continue to grow steadily. This expectation is based on changing residential requirements, in particular the demand for larger living areas and better fit-out standards, as well as the tentative rise in interest rates. Thanks to its extensive advisory expertise, client-driven approach, fast-track decision-making and fair conditions, Raiffeisen is confident that it is ideally equipped to offer clients the consultation-intensive mortgage service based on mutual trust that they need.

Mortgages 2000–2004 (in CHF billion)



New: Raiffeisen Finanzierungs AG • In June 2004, Raiffeisen Finanzierungs AG was founded with share capital of 5 million Swiss francs. The introduction of the Consumer Credit Act with effect from 1 January 2003 substantially increased the administrative work involved in providing this service, meaning that centralization – consumer loans had previously been processed directly by the Raiffeisen banks – represented an obvious and cost-effective solution. The first ordinary accounting year-end will take place at end-2005.



Savings

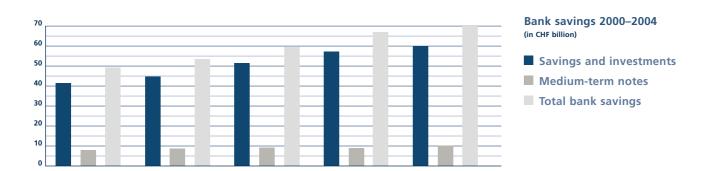
The trend towards traditional bank savings continued in the year under review. With growth of 4.7 percent, the Raiffeisen Group clearly outperformed the market average of around 2 percent. The considerable amount of faith shown in Raiffeisen was also evident in the marked 8 percent rise in the volume of medium-term notes.

With a share of around 17 percent, the Raiffeisen Group is one of the largest providers in the Swiss savings market. Thanks to its attractive and transparent range of savings products and close client relationships, Raiffeisen will be able to consolidate its leading role in this market over the years ahead.



Robert Signer, Head of the Branches & Credits Department

"In the consumer credit business our aim is not to be market leader but to achieve good value for money for our clients."



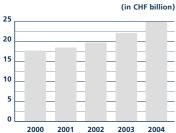
Investments

The Raiffeisen Group has set itself ambitious goals for developing its investment business over the years ahead. As part of its strategic focus on its core competences in retail banking, it is entirely logical that Raiffeisen should seek to build on its successes in the mortgage business. The aim is to increase the interest portion of investment business from the current 8 percent to 15 to 20 percent over the next few years. At the same time, processing in the Group's securities business is to be made more efficient through intelligent outsourcing solutions.

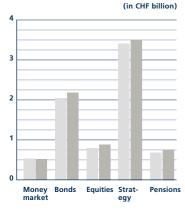
Raiffeisen-Vontobel cooperation - The partnership between the Raiffeisen Group and Bank Vontobel has existed for over ten years: Vontobel creates and manages Raiffeisen's range of investment funds. A great deal of mutual trust has built up over this period, and now forms the basis for even closer cooperation between the two companies. In December 2004, Raiffeisen and Vontobel signed cooperation agreements, thereby creating the legal foundation for a pioneering partnership which is probably the only one of its kind in Switzerland. In expanding its investment business, the Raiffeisen Group will henceforth work exclusively with the Vontobel Group and offer only Vontobel's investment services at all locations in Switzerland. To increase efficiency, the Raiffeisen Group will also outsource the processing and management of its entire securities business to Vontobel. This strategic cooperation will enable Vontobel and Raiffeisen to achieve substantial corporate goals: the Raiffeisen Group will be able to drive forward the dynamic growth of its investment business, while Vontobel will acquire exclusive access to Raiffeisen's extensive network of banks. To cement the partnership, which is intended to be a long-term undertaking, the Raiffeisen Group acquired a 12.5 percent stake in Vontobel Holding AG in December 2004.

Our clients will continue to enjoy close ties with their local Raiffeisen bank, personalized discussions with their client advisor and the customary fast-track decision-making. It is Raiffeisen's mission to provide tailored, all-round client care through all phases of life. In practice, this means clients can obtain all the financial services they require from a single source.

Custody account volumes 2000–2004



Fund volume by investment category 2003/04





to follow, providing the perfect complement to the existing product range.

Pensions

The controversy surrounding pension funds is causing unease in Switzerland. Around three-quarters of the population does not expect to be able to live on the income provided by their Swiss state pension (AHV) and occupational pensions alone. Albeit to some extent unfounded, the long-term financing of the state and occupational pension systems is increasingly being called into question. This uncertainty has contributed to growing interest in personal pension provision, and the consistently high growth of pillar 3a pension assets confirms this trend. Vested assets again achieved above-average growth, which was largely a result of the continued high level of unemployment. Detailed figures can be found in the separate Annual Reports of the Pension and Vested Assets Foundations.

Insurance

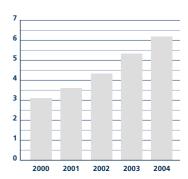
Continued low interest rates and subdued equity markets are squeezing the profitability of single-premium insurance policies. This is reflected in the modest performance of our insurance business. There was growth in risk insurance policies, used mainly for securing loans. In Helvetia Patria Insurance, the Raiffeisen Group has a solid and well-established partner for its insurance business. A reliable partner is key to providing a range of attractive life insurance products as part of a needs-oriented advisory service.



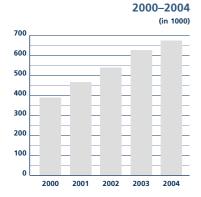
Dr Patrik Gisel, Head of the Market & Sales Department

"We are convinced that this cooperation – the first of its kind for Switzerland as a financial centre – will enable us to become a force to be reckoned with in the investment field."

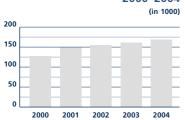
Pension and vested assets 2000–2004 (in CHF billion)



Raiffeisen Maestro Cards



Raiffeisen credit cards 2000–2004



Payments

Maestro Card ¹ Take-up of the Maestro Card was again encouraging in 2004. The Raiffeisen Group succeeded in issuing the card for daily use to a wide range of clients who hitherto had been unaccustomed to using plastic money.

The last cards to bear the "ec" logo were replaced as part of the card renewal project in autumn 2004. The new cards only show the Maestro logo, and their period of validity has been increased from two to three years. In Switzerland, the Maestro Card has established itself as the number one way to make cashless payments. With the network of accepting outlets expanding constantly, the Maestro Card is also becoming increasingly popular in other countries and thus gaining in importance as an international method of payment.

Credit cards ^a The virtual saturation of the credit card market in Switzerland is leading to fierce competition among the various card providers. They are offering an ever greater selection of additional extras to increase their products' appeal and strengthen client retention. Holders of Raiffeisen credit cards were recently offered the chance to link their credit card with the Coop's "Supercard" bonus point scheme. Each time they pay for Coop goods using their credit card they can collect extra Superpoints.

Refinancing

The volume of long-term loans to clients grew significantly once again in the year under review. In order to maintain a balance between long-term assets and sources of refinancing with long-term character, the Central Bank further increased its borrowing on the capital markets compared with the previous year. In total, the Treasury took up around 1.1 billion Swiss francs via borrower's note loans, comprising 870 million from foreign banks and 260 million from institutional investors. The Swiss Union of Raiffeisen Banks also issued bonds worth 470 million Swiss francs, 70 million of which took the form of private placements.

Trading

Given the extremely difficult market environment, trading put in a commendable result on the whole. In particular, fears of a hike in interest rates and the rise in crude oil prices dominated the scene. Once again the Central Bank devoted special attention to the expansion of its banknote trading activities. Targeted efforts to improve interest business led to a welcome rise in the number of institutional clients. Raiffeisen also acquired a substantial share of the equities market.

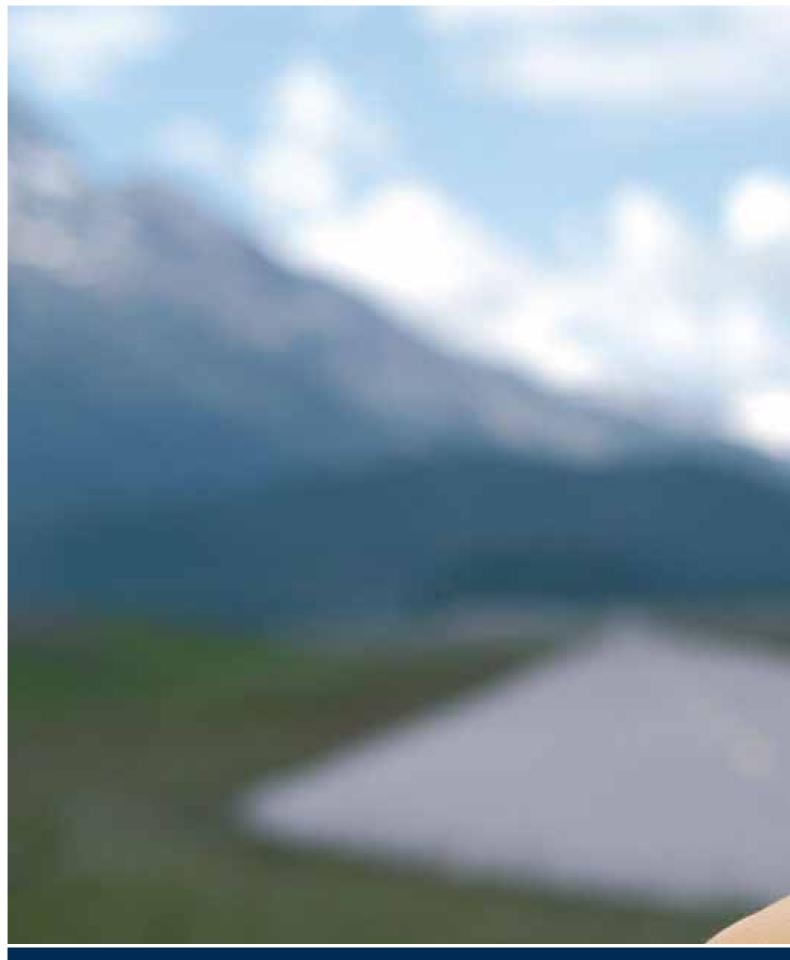
Credit risk management

2004 saw a further marked rise in the number of loan facilities granted. As in the previous year, the greatest expansion was in the financing of residential property. Despite the growth of market share, credit loss expenses remained at an extremely low level. This is due to a number of reasons.

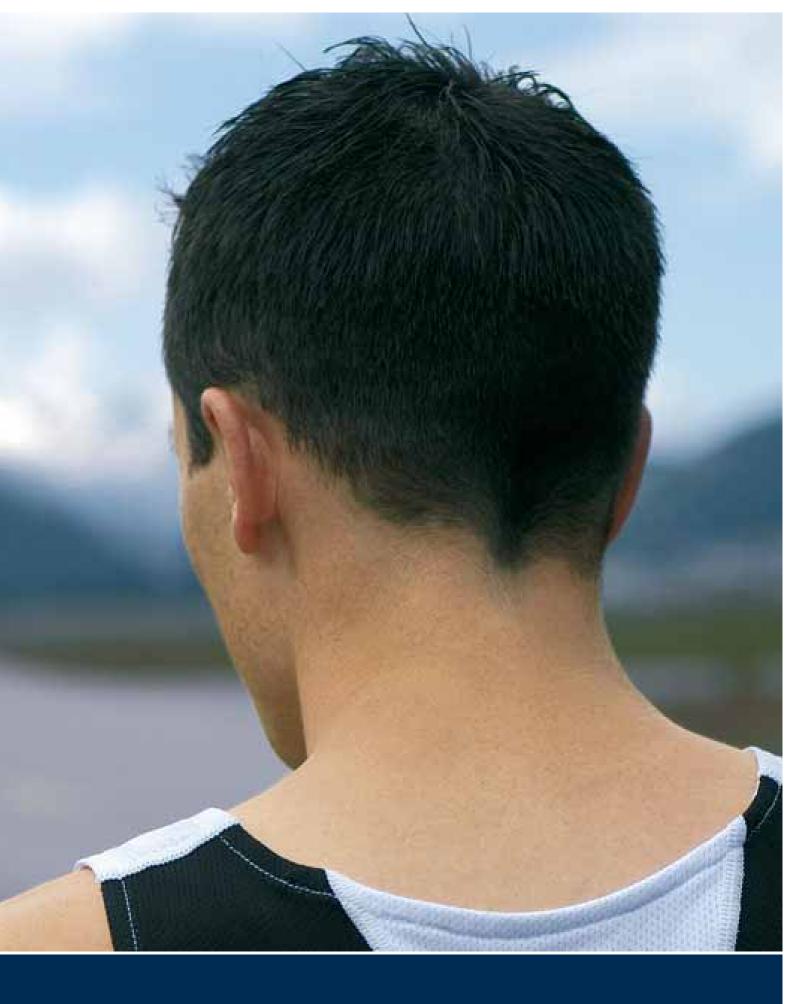
The Raiffeisen Group's credit portfolio is dominated by loans for investment in residential property, a sector characterized by low risk for some years now. The proportion of loans granted for commercial real estate is modest by comparison. In addition, the entire credit portfolio has strong regional diversity and covers several hundred thousand borrowers. The Raiffeisen banks issue the majority of loans within a clearly defined locality. Exceptions must be processed in line with guidelines valid throughout the Group. A prudent and risk-conscious credit policy and traditionally cautious LTV ratios for mortgage business were maintained in the year under review. Credit rating appraisals and assessment of collateral are performed in line with standardized methods and procedures. Comprehensive analyses of trends in the economy and in this sector were of help in enabling the Raiffeisen banks to evaluate risks in the commercial credit business.

When it comes to higher-risk credit positions, the Raiffeisen banks can draw on the support of credit specialists from the Swiss Union of Raiffeisen Banks in quantifying and limiting risk, or else transfer the risk to them. When there are indications that certain positions are impaired, the Raiffeisen Group systematically performs individual value adjustments in accordance with standardized rules.

With a view to fulfilling the new capital adequacy requirements under Basle II, the Raiffeisen Group has opted for the standard approach. In order to meet the ever-increasing demands of this sector, greater emphasis will in future be placed on Group-wide credit risk management. Our active risk management policy is largely based on the results of the credit portfolio analysis.



Staying focused. Running a marathon is first and foremost a mental challenge. Concentrating on one's own strengths and the task ahead is therefore an integral part of any training schedule. Mentally the runner is already on his way, dividing up the route and focusing on the finishing line in his mind's eye: "I can do it."



RISK POLICY



The Raiffeisen Group is aware that its field of business is, by its very nature, inherent with risks, and therefore attaches great importance to efficient Groupwide risk management and risk control. If these risks are not adequately managed and monitored, financial losses can be sustained, though the resultant damage to the business's good reputation along with the subsequent negative effect that this would have on client confidence would potentially be worse.

Barend Fruithof, Head of the Finance & Logistics Department The risk policy followed by the Swiss Union of Raiffeisen Banks and the Raiffeisen Group governs how risk is to be managed and controlled. It is geared towards limiting negative impacts on earnings and protecting the Raiffeisen Group from high exceptional losses.

"The Raiffeisen Group has traditionally attached a great deal of importance to 'know your customer' principles." Within the overall risk context of the Raiffeisen Group, it is important to create a risk organization that focuses on the respective needs of the Raiffeisen banks and the Group's companies. The Group-wide risk management approaches are applied uniformly, as and where relevant. A responsible risk and monitoring culture also contributes to stability and continuity and supports earnings growth.

Risks are multilayered, complex, intertwined and influenced by organizational factors within the Group. Within Raiffeisen especially, a robust risk culture and integrated, comprehensive risk management depend heavily on general management and corporate governance. In order to take account of this dynamic environment, risk policy was revised again in 2004 and adapted in line with current circumstances.

Risk is managed and controlled within Raiffeisen according to the following basic structure:

- The *Executive Board* is responsible for risks entered into and the continual and active management thereof.
- ^a *Group Risk Controlling* is responsible for objective and independent assessments of risk-inherent activities in order to safeguard the integrity of risk management and control. The key purpose of risk control is to provide the Executive Board and Board of Directors with comprehensive, transparent and objective information regarding risk.

The Raiffeisen Group protects its good reputation by managing and controlling the risks it enters into in the course of its business activities. It prefers to steer clear of extreme positions in the case of transactions that are deemed critical from a fiscal, legal, supervisory or accounting perspective, and adopts a cautious approach to risks that cannot be reliably assessed or quantified.

Risk management process • The risk management process covers all risk categories. It comprises five elements:

- *Risk identification:* Particularly relevant to new products and business areas, but also for external events and in portfolio monitoring.
- Risk measurement and assessment: The use of approved methods and models, reviewed by the independent Group Risk Controlling department.
- Risk management: The organization of responsibilities associated with client relationships, the assumption and control of risks, and processing in accordance with the principle of separation of powers, are regulated within the trading portfolio and bank ledger. Risk management is the responsibility of designated risk managers who, within the allocated limits, are themselves responsible for the risks entered into.
- Risk limitation: Market and credit risks are subject to overall limits approved annually by the Board of Directors. Operational risks are limited by qualitative stipulations and operational requirements.
- Risk monitoring: Whilst Group Risk Controlling primarily ensures the observance and implementation of risk policy, risk principles and limits, the Compliance Office ensures adherence to regulatory provisions and due diligence. A thorough report on all risk categories to be monitored is prepared for managers at all levels.

Risk categories • The Raiffeisen Group distinguishes between and manages three risk categories:

- ^a Credit risk is defined as the possibility of default of a counterparty during the life of a loan, or the distribution of defaults within a particular credit quality category around a long-term average. Credit risks are incurred by the Raiffeisen Group vis-à-vis individual counterparties and group counterparties.
- Market risk is defined as losses on balance-sheet and off-balance-sheet positions which are incurred by the bank on account of market variables, such as interest rates, foreign exchange rates and share prices.
- Operational risks are risks that the Raiffeisen Group does not actively enter into, but which arise from the operation of the business units. They are a result of the failure of internal processes, human error or system malfunctions. The Raiffeisen Group also uses this risk category as an umbrella designation for legal risks and risks which stem from external events (e.g. natural disasters).

Concerning credit risk • Credit risk refers to the potential loss which can be incurred by the Raiffeisen Group when a client or counterparty does not fulfil the relevant contractual obligations. Credit risks apply to both trading products and traditional bank products.

Credit risks are incurred chiefly at the Raiffeisen banks. The majority of these risks derive from lendings to clients and contingent liabilities granted to one or more natural persons or business clients. The term "business clients" refers to small companies that are managed by entrepreneurs and operate within the scope of the Raiffeisen banks. The majority of these credit risks are secured.

Credit risks arise at the Swiss Union of Raiffeisen Banks from counterparty risks – in connection with dealings with commercial banks as well as corporate, institutional and public sector clients – and from credit-equivalent lending. These include off-balance-sheet business such as derivative financial instruments, which are converted by means of internal factors to their respective credit equivalent.

In the case of tradable products (securities and other liabilities that are held at the Swiss Union of Raiffeisen Banks for trading purposes), the risk of a reduction in market value due to a downgrading in the creditworthiness of the borrower represents a market risk. Credit risk management and control is governed by credit policy as well as detailed credit directives and processes.

The business units of the Raiffeisen Group – Raiffeisen banks, the Guarantee Cooperative, Raiffeisen Leasing, Raiffeisen Finanzierungs AG and the Swiss Union of Raiffeisen Banks – adopt an all-encompassing approach to managing their credit risks, the core elements of which are the credit-granting process, credit monitoring and a readmission process.

The level of credit authority held by individual employees of the Swiss Union of Raiffeisen Banks depends on the creditworthiness of the counterparty, the amount of collateral and the technical qualifications and experience of the employee concerned. Absolute values and the type of collateral used are defining factors in determining credit authority at the Raiffeisen banks.

Commitments to counterparties: Both commitments to a specific counterparty and aggregate credit risks are limited by means of a limit system. These factors, in turn, limit the potential risks that can be entered into and represent a key element in effective credit management. The extent of the limits applied reflects the risk tolerance of the Group, taking into account market conditions, business strategy and the amount of capital provision.

The risk limits applied within the Swiss Union of Raiffeisen Banks are additionally tightened by specific limits, while a system of individual counterparty limits helps to limit concentration risks.

Anticipated loss: The uniform counterparty rating system applied by the Raiffeisen Group is intended for monitoring credit risks and calculating risk-adjusted profitability ratios. A counterparty rating is allocated to all counterparties that show an actual or potential counterparty risk. This rating is used along with transaction-specific, anticipated non-payment rates in order to determine the expected losses on a credit position or in a credit portfolio.

An internal management tool is used to measure credit risks, which calculates anticipated and unanticipated losses on the basis of default probabilities determined by the credit rating. Further modifications to the credit risk exposure model are part of a wider plan to develop a ratings system on the basis of default probabilities which is suitable for the Raiffeisen retail portfolio and corresponds with regulatory stipulations. The resultant enhancement reflects our high expectations, particularly with regard to the retail portfolio. The scope of a loan commitment when a default occurs is defined on the basis of what the outstanding amount is expected to be.

The recovery rate is calculated on the basis of assumptions that take into account the category of claim, the collateral and other risk-minimizing factors. Any calculations performed are done solely for the information needs of management. By regularly comparing the calculated estimates with the actual loss figures, adjustments can be made to the calculation methodology if necessary.

Country risk: Country ratings and country limits are the main tools used in country risk management. As is the case with counterparty ratings, country ratings take into account the probability of a crisis situation occurring in a given country which could endanger the interests of the Raiffeisen Group. Raiffeisen's international regulations permit unsecured involvement in countries with a Standard & Poor's rating of at least BBB. Comparable recognized ratings by other agencies are also permitted. Our presence is carefully monitored in all countries and is subject to a country risk ceiling specified by the Executive Board of the Swiss Union of Raiffeisen Banks. The maximum foreign exposure is limited, as stipulated in the Articles of Association, to a risk-weighted 5 percent of the Raiffeisen Group's consolidated balance sheet total.

Provisions policy: An appropriate method for setting up provisions for credit risks rounds off the concept. The Raiffeisen Group denotes a receivable as being "impaired" if the book value of this claim is higher than the available collateral and the unsecured loan capacity that has been calculated for the borrower. Loans within this category are classified as "non-performing" for external reporting purposes if a delay in repayment of over 90 days exists in the case of interest, capital or fees. The term "non-performing" cannot be equated with "impaired", although a payment delay can, in certain circumstances, be the first indication of risk. Group-wide guidelines have been drawn up to ensure that impaired loans are evaluated consistently and fairly.

Concerning market risk • Market risk refers to the risk of losses incurred by the Raiffeisen Group on account of market variables, such as interest rates, foreign exchange rates and volatility on the stock markets. The price fluctuation risk associated with general credit and country-specific risk factors as well as individual securities issuers is also regarded as market risk.

On the one hand, the Raiffeisen Group enters into market risks through the trading activities of the Swiss Union of Raiffeisen Banks. Major market risk positions are created by trade in interest rate instruments, forex products, derivatives and, to a lesser extent, equities and precious metals. On the other hand, the Treasury of the Swiss Union of Raiffeisen Banks enters into market risks in its management of the Raiffeisen Group balance sheet. The Raiffeisen banks and the Group companies are able to hedge against the inherent long-term interest rate risk that this poses. The Treasury generally uses interest rate sensitivity as a method for quantifying interest rate risk. This benchmark is defined as the impact that a parallel increase in interest rates of one basis point has on the net present value of all interest rate risk positions. In turn, the subsequent effect on earnings for the Swiss Union of Raiffeisen Banks and the Raiffeisen Group is calculated.

Risk measurement: The following techniques are used to measure market risk:

- The value-at-risk method estimates the potential loss on a given portfolio for a specific time horizon and a defined probability on the basis of historical market data. This method is used in the trading portfolio in order to estimate risk. Because the value-at-risk model is based on past events and depends on the quality of the available market data, Group Risk Controlling performs quarterly "back tests" at portfolio level and reviews the causes of all back-testing exceptions, in order to take correction measures where necessary.
- ^a Other measures are applied to limit potential loss, with trading risks kept in check by limits on risk, volume, positions and loss. Risk indicators, processes, independent controls and proactive remedial measures to avoid limits being exceeded are additionally employed as a means of reducing undue risk. Regular re-evaluations of positions entered into as well as independent risk analyses are prerequisite to taking such measures.

Liquidity and financing risk: The Group's refinancing strategy is based on legal and regulatory requirements and, in particular, guarantees that the necessary liquidity and appropriate capital base is available.

The Treasury of the Raiffeisen Group is responsible for managing liquidity, facilitating the Group's access to the money and capital markets and ensuring appropriate diversification of liabilities. The Raiffeisen Group's strong retail business is an extremely valuable, cost-effective and reliable source of financing in this respect.

The Treasury plans the Group's medium to long-term financing activities by creating a financing profile that takes into account the actual duration of assets and the sum of liabilities that are coming due and are to be replaced.

Operational risks All functional entities, regardless of whether they are entrusted with front-office, controlling or logistical duties, are responsible for managing the operational risks they enter into, relying, in turn, on the other units to fulfil their own responsibilities. This system of mutual dependency forms the cornerstone of operational risk management.

Every area defines its own duties and responsibilities. Functions are delineated appropriately across the various divisions, responsibilities are clearly defined and measures are put in place centrally to ensure that mutual dependencies are identified.

The chief focus within the field of operational risk control is the early recognition of internal operational risks as well as punctual and appropriate management reporting. Operational risks are managed via the respective line functions and are monitored in four categories: operational risk in the narrower sense of the term, compliance, project controlling and IT security.

In accordance with the directive authority of the Swiss Union of Raiffeisen Banks vis-à-vis the Raiffeisen banks, the Operational Risk Control Department is entrusted with the task of collating and analysing information that points to "unfavourable developments" within individual Raiffeisen banks. This information is prepared to reflect the context in question and then submitted to the respective decision-making authorities within the Swiss Union of Raiffeisen Banks.

In addition, the Operational Risk Control Department monitors to ensure that Internal and External Auditing pending items are processed for the Executive Board by the Swiss Union of Raiffeisen Banks and the Raiffeisen Group companies.

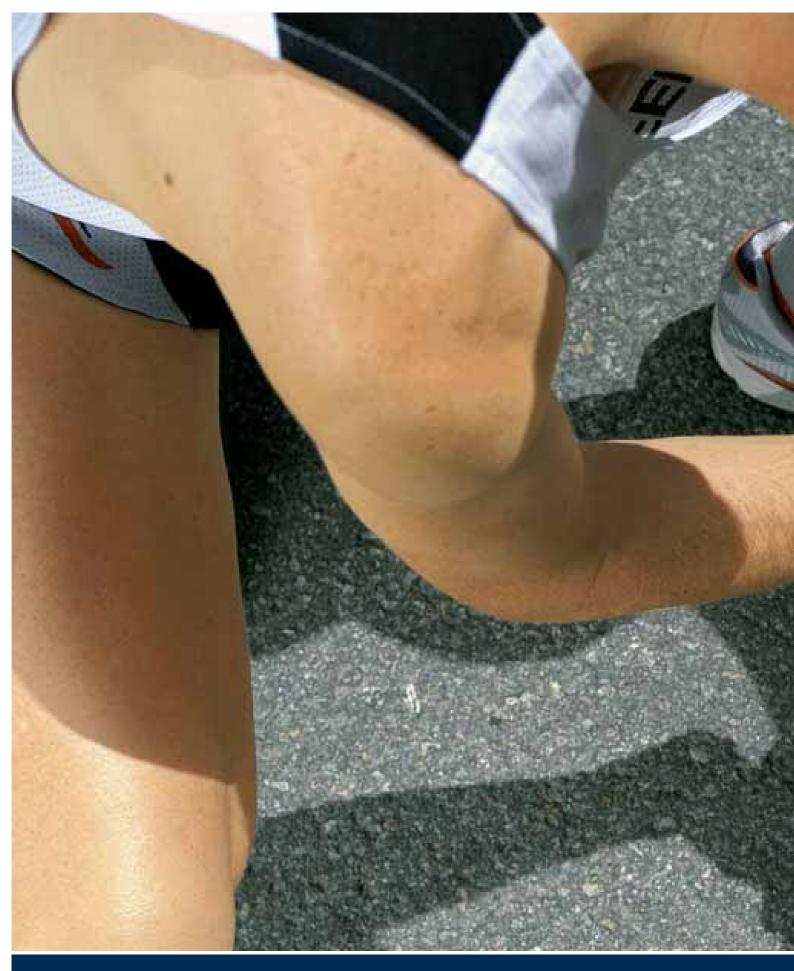
The Raiffeisen Group has traditionally placed great importance on "know your customer" principles. Accordingly, it has defined and implemented internal standards that have been subsequently integrated into numerous areas of the business. Regulations to combat money laundering reinforce and add an extra dimension to these principles. In order to keep track of developments concerning the identification of transactions or persons with a suspected link to money laundering, the Raiffeisen Group is investing substantially in staff training and technology. Processes for identifying clients and monitoring transactions are being continually optimized in the areas of risk assessment, industry practices, regulatory requirements and technical developments.

Because of the large number and complexity of projects within the Raiffeisen Group, the project management process has been completely redeveloped. This measure has also had an impact on project controlling, with the systematic monitoring of projects – in particular the analysis of risks that endanger the success of these projects – now carried out in an expanded form.

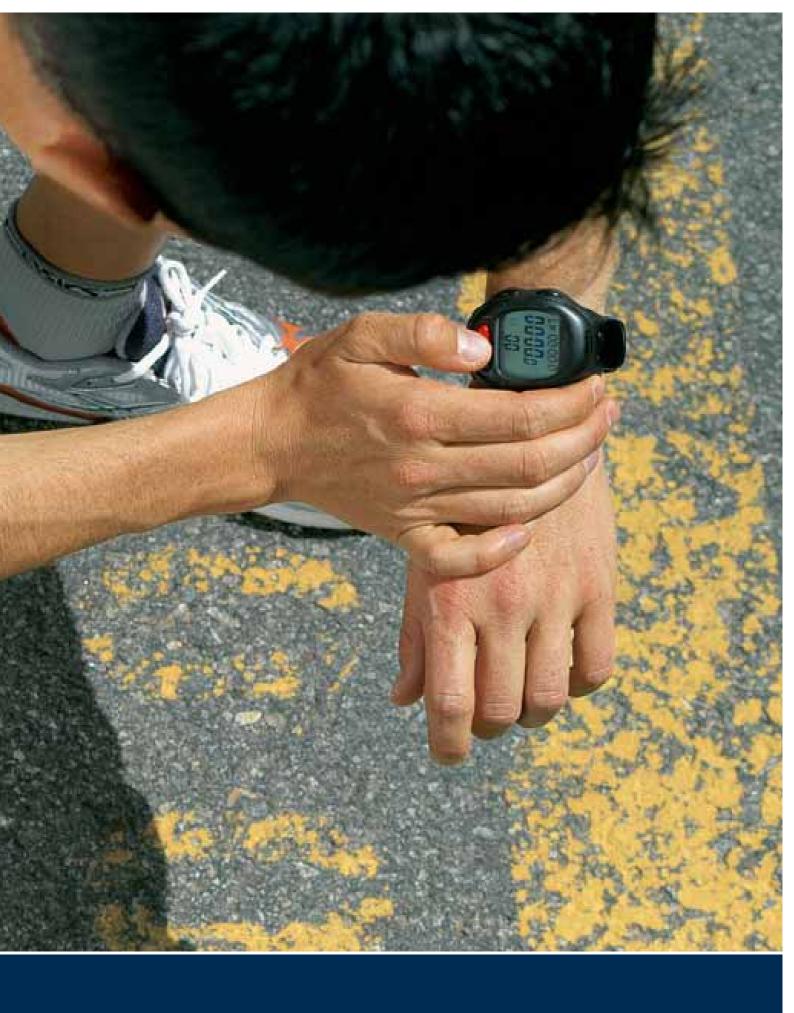
Due to the nature of their industry, financial institutions are heavily dependent on IT. What is more, as a consequence of the Raiffeisen Group's decentralized organizational structure throughout Switzerland, effective IT security and appropriate contingency plans for maintaining business operations are of vital importance in enabling us to protect our interests in dealings with clients and to fulfil our legal and regulatory obligations. In view of this, guidelines, standards and procedures within IT security are continuously updated. Regular reports are issued, informing the Executive Board of risk areas that require attention.

Outlook The dynamic nature of the environment Raiffeisen operates in and an increasing number of regulatory requirements mean that continual refinement of Group-wide risk management processes is necessary if the Group is to integrate suitable best practice guidelines for dealing with risk. The Raiffeisen Group devotes considerable human and technological resources to this area. Internal projects are in progress with the aim, in particular, of introducing an even more professional approach to risk across the entire Group. The conceptual framework for these projects is defined by requirements based on the internal ratings system.

The Raiffeisen Group is working intensively and investing considerable funds in order to comprehensively implement the new Basle capital adequacy rules. In view of the heterogeneous nature of the Raiffeisen Group, this is proving to be an extremely complex process. For the time being, the focus is on adopting Group-wide the regulatory standard approach to credit risks and the basic approach to operational risks.



Measuring performance. Top athletes measure their performance even in training sessions; unlike casual runners or joggers they do not just rely on how they feel. When it comes to setting goals, all the emphasis is on a specific time. A marathon in under 2 hours and 10 minutes – now that is something only the best can manage: "I am ready for action."



The Raiffeisen Group endeavours to serve the interests of its stakeholders – cooperative members, clients, employees and public – as equitably as possible. It is committed to combining this approach with measures that are future-oriented and forward-looking in nature.

Professional athletes monitor their performances continuously, not only in competition but in training as well. Such a rigorous approach is also normal practice within the corporate environment – the difference being, however, that no distinction is made between "competition" and "training". Companies are judged solely on their performances on the market. Yet numbers and figures do not tell the whole story. What good are record figures if a company is unable to see eye-to-eye with its clients and employees?

Dismissed in the past as being merely a rural bank, the Raiffeisen Group has worked its way up over the past few years to become the third largest banking group in Switzerland. And it can be more than a little proud that in all this time it has never lost sight of the fact that it is people who are the focus of everything it does.

Sustainable management

Preparing for the future Raiffeisen aims to consolidate and continue this success. As such, the approval of a new basic strategy in 2004 was an important milestone. Nothing drastically different can be expected as a result, but it does represent a logical step up from the previous basic strategy. The three key objectives are for Raiffeisen to position itself as Switzerland's leading retail bank, the full realization of client potential and the implementation of efficient processes and structures. The focus, in particular, will be on expanding the fee and commission business so that it becomes more of an earnings mainstay than has so far been the case. Raiffeisen's decision, for example, to intensify its cooperation with Bank Vontobel underlines this approach.

Collaborations such as this one are an indication of what the future holds. According to a joint study published by the University of St.Gallen and accenture in June 2004 entitled "The Swiss Banking Industry in the Year 2010", there is a clear trend towards value chains being increasingly broken up, with banks delegating specific elements of their businesses to external providers. For example, Raiffeisen has also been working together with Helvetia Patria Insurance during the past four years. Thanks to this and the cooperation with Vontobel, Raiffeisen clients are able to enjoy comprehensive and professional advice and service all from a single source.

A Genetic Code ^a A complete, all-inclusive range of products and services – in addition to personalized advice, proximity and attractive membership terms – forms one of the twelve pillars that make up the "Genetic Code", a term describing the detailed profile that was drawn up last year for the Raiffeisen brand by the Geneva-based *Institut für Markentechnik*. The Genetic Code indicates the strengths and weaknesses of the brand, as well as the aspects that set it apart from its peers. By identifying these, Raiffeisen can apply its strengths more systematically within the competitive environment and tackle existing weaknesses in a targeted manner. This, in turn, strengthens the Raiffeisen brand and enables it to evolve further. Since the Interbrand Zintzmeyer & Lux ranking was published in the magazine Bilanz in January 2005, we now also know that the (theoretical) brand value of Raiffeisen is 132 million Swiss francs, putting it in 34th place on the list of the 50 most valuable Swiss brands.

An extended Executive Board The management of the Raiffeisen Group decided in October 2004 to complement the existing Executive Board of the Swiss Union of Raiffeisen Banks with an extended executive team. The team is represented by the Head of the Central Bank Department, the Head of Human Resources Management and the CEO of Raiffeisen Informatik AG. This new management structure, which came into effect on 1 January 2005, affords the Executive Board greater proximity to the three core areas Central Bank, Human Resources Management and IT.

Banking at a personal level

Clients ^a Big finance meets microfinance: Lize Nhaca of Mozambique, a fisherwoman by trade and a winner at the Global Microentrepreneur Awards, launched the UN International Year of Microcredit in November 2004 together with the Raiffeisen Group, representatives of the Swiss government and figures from the Swiss financial sector. In order to promote microfinance as an innovative investment concept, Raiffeisen has founded the responsAbility investment platform in collaboration with Credit Suisse, Baumann & Cie and Alternative Bank ABS Switzerland. The responsAbility Global Microfinance Fund was launched in April 2005.

Social commitment: Another example of Raiffeisen's solidarity extending beyond Switzerland's borders came at the end of December 2004, when it donated 1.3 million francs – the equivalent of 1 franc per cooperative member – to the charitable organization Swiss Solidarity in support of the victims of the tsunami in South Asia.

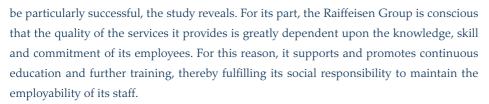
Raiffeisen is actively committed to helping the community. Few banking groups do as much as Raiffeisen to support cultural, social and sporting activities. A total of 12.3 million Swiss francs was injected into the Swiss public domain in the year under review in the form of sponsorship and donations. Local associations, organizations and events are not the only beneficiaries of this money. Well-known Swiss sportsmen and women, such as marathon runner Viktor Röthlin and skiers Silvan Zurbriggen, Tobias Grünenfelder and Eliane Volken, also enjoy Raiffeisen's financial support.

The Raiffeisen Centenary Foundation donated 170,000 Swiss francs in the year under review to help finance ten specific projects. Founded in 2000 to mark the 100th anniversary of the Raiffeisen banks, the Centenary Foundation was created as an expression of gratitude to the Swiss population. In addition to projects relating to "ethics in business", it provides assistance to charitable activities and supports cultural interests.

Taxes: As local taxpayers, the Raiffeisen banks make an important contribution to the municipalities in which they are located. A total of 109.2 million Swiss francs in taxes was paid out to the fiscal authorities in the year under review.

Positive attitude: 95 percent of clients who regard Raiffeisen as their main bank have a positive or very positive view of us. What is more, according to the bank survey conducted by the Swiss Bankers Association in 2004, the actual proportion of clients who see Raiffeisen as their main bank has increased by 2 percent to 15 percent.

Employees • The results of a study published by *forum,* the Mainz-based market research think-tank, in September 2004 show that employees play a much more decisive role in the success of a company than has so far been acknowledged. Businesses that invest more in further training and interact with their employees in an open and trusting manner tend to



A three-year management training programme that offers systematic training to selected employees within the organization, so as to enable them to ultimately take up positions of greater responsibility, is one specific development measure being applied at Raiffeisen. During the course of the programme, participants are offered an insight into their future roles as employees within the Group. Emphasis is also placed on promoting and maintaining Raiffeisen's corporate culture. The participants include employees at the Raiffeisen banks, the Swiss Union of Raiffeisen Banks and Raiffeisen Informatik AG. This broad mix is a positive factor that helps to nurture an atmosphere of mutual understanding within the Group. The involvement of Raiffeisen Group Executive Board members in the programme also has a bolstering effect. Around 80 employees are selected annually for the programme, which was set up three years ago.

New terms of employment: New terms of employment were introduced within the Raiffeisen Group from the beginning of April 2003. They form the basis of a modern, future-oriented relationship between employer and employee. Key innovative elements include a drive towards encouraging loyalty to the company and the introduction of a sabbatical for senior management.

Employee satisfaction: According to a survey conducted by the Swiss Bank Employees Association and published in February 2004, the level of employee satisfaction at Raiffeisen is high. In comparison with staff at other banks, Raiffeisen employees identify most strongly with their company and have the most confidence in company management. More of them feel that they are integrated in work processes and have a good level of trust in the person who acts as their supervisor, while fewer of them are planning to change their employer. The last internal survey of employee satisfaction within the Group dates back some years, however. Starting in 2005, a survey is to be carried out annually – initially



the Corporate Development
Department

"We need to cement

"We need to cement Raiffeisen's reputation as an exceptionally attractive employer. Areas such as career planning and staff development will therefore become increasingly important to us in the future." among the 1000 employees of the Swiss Union of Raiffeisen Banks – to enable comparable information to be collated in future.

Statement of net added value ^a The Raiffeisen Group's added value grew by 10 percent – 124 million Swiss francs – to just under 1.4 billion Swiss francs in 2004. One special factor, i.e. extraordinary damages, had a significantly negative impact on added value during the previous year, and thus largely accounts for this increase. All stakeholders benefited in similar measure from this positive result, with the portion paid out to employees increasing by 9 percent, 10 percent going to the government in the form of additional tax, and the amount left over for cooperative members and the company up 11 percent on the previous year.

Statement of net added value

	Current year in CHF million	Current year in %	Prior year in CHF million	Prior year in %	
Creation of added value	iii ciii iiiiiioii	111 /0	iii ciii iiiiiioii	111 /0	
Corporate performance (= operating income)	1,982	100.0	1,908	100.0	
Non-personnel expenditure	- 460	23.2	- 413	21.6	
Extraordinary income	7	- 0.4	24	- 1.3	
Gross added value	1,529	77.1	1,519	79.6	
Depreciation	- 129	6.5	- 134	7.0	
Value adjustments/provisions and losses	- 44	2.2	- 153	8.0	
Net added value	1,356	68.4	1,232	64.6	
Distribution of added value					
Personnel (salaries and employee benefits)	697	51.4	639	51.9	
Cooperative members (paym. of interest on certif.: proposa	al to AGM) 19	1.4	16	1.3	
Government (direct taxes)	154	11.4	140	11.4	
Bolstering of reserves (self-financing)	486	35.8	437	35.5	
Total	1,356	100.0	1,232	100.0	
Key added value figures					
Gross added value per personnel unit in 1000 CHF*	247		256		
Net added value per personnel unit in 1000 CHF*	219		208		
Number of personnel units (average)	6,181		5,932		

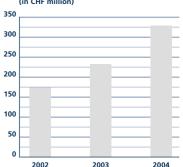
Our cooperative spirit is highlighted by the fact that 35.8 percent – 486 million Swiss francs – of the total added value achieved is to be retained within the company. In line with the cooperative model, there are no plans to distribute large portions of profits to cooperative members, nor indeed would such a practice be permitted. At first glance, the portion of added value allotted to this stakeholder group (1.4 percent or 19 million Swiss francs) seems somewhat modest. However, the cooperative members already benefit from numerous preferential conditions which have a direct dampening effect on operating income and do not appear in the breakdown of added value. Our employees were allocated a 51.4 percent portion (697 million Swiss francs) of the total added value, while 11.4 percent (154 million Swiss francs) was paid to the public authorities.

A family-friendly corporate policy: There is growing acknowledgment that reconciling family and career is important for both social and economic reasons. The worlds of politics and business both see eye to eye on this key social and political issue, as was demonstrated at the presentation given in November 2004 for a project that aims to draw up a cost/benefit analysis of family-friendly measures. The project is backed by Swiss President Joseph Deiss' own Federal Department of Economic Affairs, together with the Raiffeisen Group, Migros, the Swiss post office and Novartis. All of these parties firmly believe that a family-friendly approach should no longer be regarded merely as some sort of "charitable" act, but rather as a central element of a company's personnel policy. The results of the project will be published in June 2005.

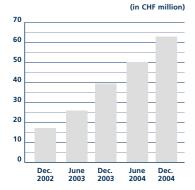
Environment

Products • Futura funds: Sustainable investment instruments are becoming increasingly popular. Estimates currently place the amount invested in this segment within Switzerland in the region of 8 billion Swiss francs. The prospect of achieving good returns, and doing so with a clear conscience, is boosting the performance of most sustainability funds. This is certainly true in the case of the Futura investment funds offered by Raiffeisen: these four funds grew by approximately 41 percent in 2004, with the Raiffeisen Futura Swiss Stock fund in particular recording an increase in value of 13.2 percent. By way of comparison, at the year-end the Swiss Performance Index posted an equivalent performance of

Performance of Futura Funds 2002–2004 (in CHF million)



Performance of Minergie mortgages 2002-2004

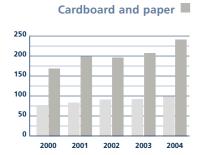


6.9 percent. Sustainability funds account for 4.2 percent of Raiffeisen's total business volume; this figure was 3.1 percent in 2003.

Minergie mortgage: In addition to ethical and environmentally responsible investment funds, the Raiffeisen Group is also committed to promoting sustainable economic development through its Minergie mortgage, which has complemented its core mortgage lending business since 2002. Sustainable building fulfils the required standards in terms of quality while also making sense from both an economic and ecological perspective. Properties constructed according to this principle preserve their value and often even increase in value over time. In the year under review, over 120 new home owners experienced the benefits of a Minergie mortgage for themselves. This was consequently reflected in a 58 percent rise in sales volume to 62.8 million Swiss francs.

Disposal of cardboard, paper and other waste at SURB (in 1000 kg)

Other waste



Ecology * Construction consulting at the Raiffeisen banks: The Raiffeisen Group not only recommends Minergie standards to its clients but also adopts the sustainable principle for its own premises. For example, the Raiffeisen buildings in Bitsch and Gampel have both been certified with the official "Minergie" label. When constructing new premises or renovating existing buildings according to the sustainable method, the Raiffeisen banks are able to rely on the advice and support of the Swiss Union of Raiffeisen Banks. In addition to adopting sound architectural solutions, Raiffeisen also places particular emphasis on the use of environmentally-friendly materials, on premises free of electrosmog and air pollution, and on ergonomics in the workplace. A total of 60 Raiffeisen banks received construction consultation during the year under review.

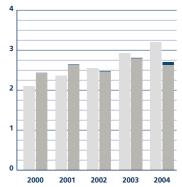
Energy consumption at the Union's central premises: At the St.Gallen headquarters of the Swiss Union of Raiffeisen Banks, consumption figures for both energy (electricity, gas, oil, water) and waste have been rising since 1998. It is difficult to make a fair comparison with the previous period, however, due to the ongoing building work that has been carried out during the last few years. After years of construction, the project at the headquarters on "Schreinerstrasse 6" was finally completed at the end of 2004, with the entire staff of 840 now housed in a complex consisting of four adjacent buildings that cover a total area of approximately 32,000 square metres.

The four buildings are linked to each other below ground level via their respective car parks. Consequently, both the new buildings "Schreinerstrasse 4" and "Schreinerstrasse 6" can be connected to the existing power centres – a solution which is both economical and safe. An advanced system of thermo-active slabs means these buildings also offer a comfortable indoor climate in which to work. Thanks to this innovation, "Schreinerstrasse 4" received the Minergie label in 2002.

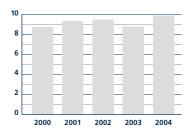
Due to the organizational structure of Raiffeisen, it is not currently possible to publish any detailed figures as regards energy consumption for the entire Group.

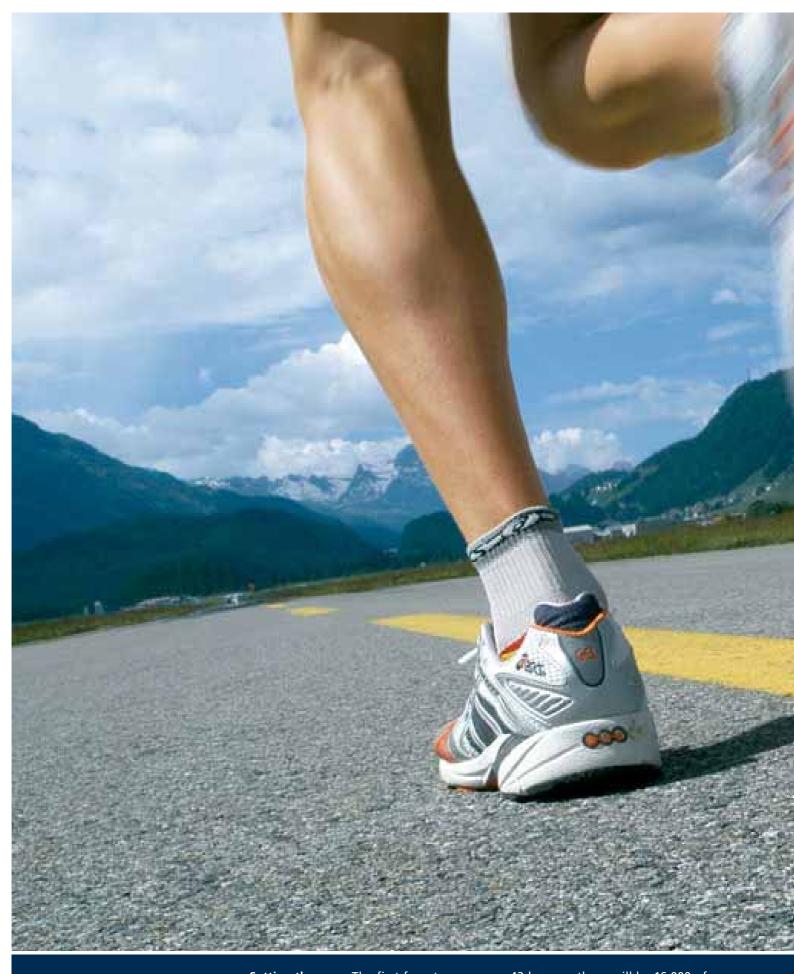
Energy consumption 2000–2004 (in kW/h million)

- Electricity consumption
- Gas consumption
- Oil consumption

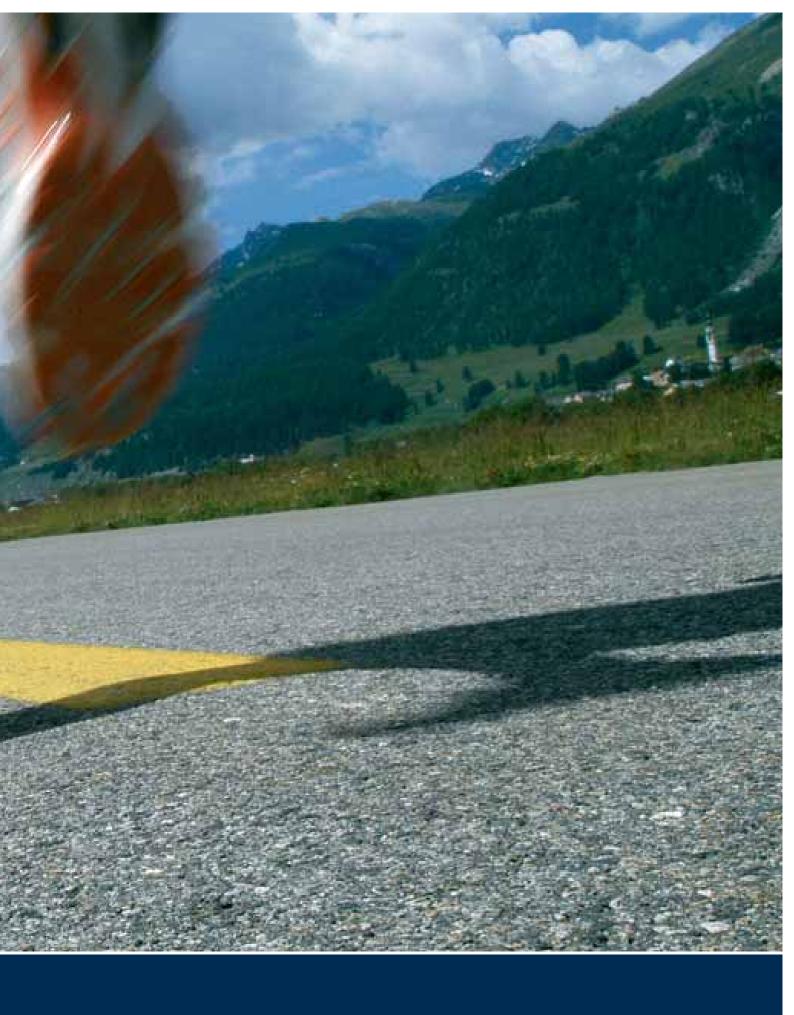


Water consumption 2000-2004 (in 1000 cubic metres)





Setting the pace. The first few steps – over a 42-km race there will be 16,000 of them – are very important. It is vital for the runner to set off at the right pace, as this determines whether his performance will deteriorate towards the end or whether he will have sufficient reserves. Marathon running is 99 percent training and 1 percent competition, with the former determining the outcome of the latter: "I am going at the right pace."



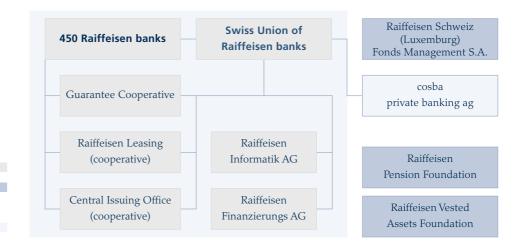


These days, corporate reporting is not restricted to a company's finances, but also covers its management and organizational structures. The term "corporate governance" encompasses all of the principles that ensure the greatest possible transparency towards stakeholders and a good balance between management and controlling, while allowing for ease of decision-making and efficiency.

Kurt Zobrist, Head of the Inspectorate Department

"Every cooperative member has one vote, irrespective of the number of share certificates acquired. This means that the Raiffeisen Group has no major cooperative shareholders with more than five percent of the capital or voting rights." In response to the growing interest among the public and investors in the Raiffeisen Group and in order to report in a transparent, comprehensible way that enables comparison with other institutions, this chapter has been largely drawn up according to the SWX Swiss Exchange Corporate Governance Directive (DCG), to the extent that this is applicable or relevant to Raiffeisen as a cooperative banking group. Particular emphasis is paid to the special cooperative organizational structure of the Raiffeisen Group, and the various levels of decision-making authority and responsibility are highlighted and explained. Except where stated otherwise, all data are accurate as at 31 December 2004.

Raiffeisen Group structure ^aThe Raiffeisen banks and the Swiss Union of Raiffeisen Banks together hold the cooperative shares in the Guarantee Cooperative, Raiffeisen Leasing and the Central Issuing Office. Raiffeisen Finanzierungs AG, Raiffeisen Informatik AG and Raiffeisen Schweiz (Luxemburg) Fonds Management S.A. are subsidiaries wholly owned by the Swiss Union of Raiffeisen Banks, which also has a 25 percent holding in cosba private banking ag. The Group has access to two independent foundations for the investment of pillar 2 and 3 pension contributions.



Consolidated companies

Non-consolidated companies

Participations valued according to the equity method

Group companies		
Company	Activity	Owner(s)
Raiffeisen banks	Banking business	Cooperative members
Swiss Union of Raiffeisen Banks (SURB)	 Business policy and strategy as well as a centre of competence for the Raiffeisen Group Central bank function (monetary settlement, liquidity maintenance and refinancing) Banking business (mainly interbank transactions and securities trading) Running branches Acting as statutory auditor for the Raiffeisen 	Raiffeisen banks
	banks	
Guarantee Cooperative	Acceptance of guarantees to facilitate the Raiffeisen banks' credit and lending activities	SURB and Raiffeisen banks
Definition of the formation (Landau Carra	CLIDD and Delfferen hards
Raiffeisen Leasing (cooperative)	Leasing finance	SURB and Raiffeisen banks
Central Issuing Office of the Swiss Raiffeisen Banks (cooperative)	Issuing bonds on commission and for the account of the Raiffeisen banks	SURB and Raiffeisen banks
Raiffeisen Finanzierungs AG	Cash advance financing	SURB
nameisch i manzielungs Ad	cash davance infancing	30110
Raiffeisen Informatik AG	IT services for the Raiffeisen Group	SURB
Raiffeisen Schweiz (Luxemburg) Fonds Management S.A.	Offering different money market, bond and equity funds	SURB
Raiffeisen Vested Assets Foundation	Vested assets accounts to safeguard occupational pension assets (pillar 2)	
Raiffeisen Pension Foundation	Personal tax-incentivized pension savings (pillar 3)	

Raiffeisen Group organizational structure

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



The 450 Raiffeisen banks, with a total of 1,207 branches, are legally and organizationally independent cooperatives with boards of directors and supervisory boards that they elect themselves. The Raiffeisen banks are owned by the cooperative members, with candidates for the Board of Directors and Supervisory Board being voted in at the local general or delegate meetings. This guarantees a fair balance between the interests of the bank in question and those of the cooperative members. The Raiffeisen banks own 100 percent of the Swiss Union of Raiffeisen Banks.

The Raiffeisen banks are grouped into 22 regional unions (see page 45), which take the form of associations. These act as links between the Swiss Union of Raiffeisen Banks and the individual Raiffeisen banks. The duties of the regional unions include coordinating regional advertising activities, holding training events for the Raiffeisen banks, and safeguarding and representing the interests of the Raiffeisen banks in dealings with the cantonal business associations and authorities.

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

Major participations Note 3 "Details of major participations" (see page 96) lists all major participations of the Raiffeisen Group, including name, domicile, capital and share of voting rights.

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

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

The Raiffeisen banks by canton

The name sen banks by canton							
6.40	Number of	Number of	Number of	Loans ¹	Client monies ²	Bal. sheet total	
Canton	banks	bank branches	members	in CHF million	in CHF million	in CHF million	
Aargau	39	104	137,726	10,096	8,921	11,270	
Appenzell Ausserrhoden	3	10	12,893	727	749	834	
Appenzell Innerrhoden	2	5	5,911	283	341	369	
Basle	10	23	30,028	2,110	1,890	2,374	
Berne	29	113	123,899	6,517	5,967	7,261	
Fribourg	23	67	59,376	4,203	3,357	4,621	
Geneva	8	22	22,850	1,527	1,855	1,970	
Glarus	1	2	3,899	216	189	239	
Grisons	17	94	45,313	2,963	2,535	3,276	
Jura	14	54	21,980	1,527	1,224	1,680	
Lucerne	25	50	85,523	4,800	4,013	5,386	
Neuchâtel	7	25	16,327	920	827	1,025	
Nidwalden	3	9	14,213	942	886	1,089	
Obwalden	2	6	8,746	541	453	590	
St.Gallen	52	95	142,140	10,636	8,930	11,867	
Schaffhausen	1	3	4,716	284	266	313	
Schwyz	9	14	26,247	1,523	1,518	1,776	
Solothurn	38	75	99,862	6,666	5,987	7,494	
Ticino	45	118	80,333	5,671	5,747	6,765	
Thurgau	28	54	75,538	5,591	4,476	6,210	
Uri	6	16	12,636	646	608	725	
Vaud	25	76	65,248	3,575	3,555	4,248	
Valais	47	140	93,938	5,946	6,306	7,315	
Zug	9	13	28,775	2,217	1,874	2,461	
Zurich	7	19	33,613	1,725	1,919	2,122	
Total 2004	450	1,207	1,251,730	81,856	74,391	93,277	
Total 2003	470	1,239	1,180,700	76,558	70,706	87,592	
Increase/decrease	-20	-32	71,030	5,298	3,685	5,685	
Increase/decrease in %	-4.3	-2.6	6.0	6.9	5.2	6.5	

¹⁾ Receivables from clients and mortgage receivables

²⁾ Liabilities to clients in the form of savings and investment deposits, other liabilities to clients and medium-term notes.

The regional unions

Regional union	Chair	Member banks
15 in German-speaking Switzerland		
Aargauer Verband der Raiffeisenbanken	Daniel M. Lüscher, Herznach	39
Baselbieter Verband der Raiffeisenbanken	Peter Thüring, Aesch	9
Berner Verband der Raiffeisenbanken	Walter Studer, Biglen	26
Deutschfreiburger Verband der Raiffeisenbanken	Pius Lehmann, Freiburg	10
Bündner Verband der Raiffeisenbanken	Tino Zanetti, Igis	16
Luzerner Verband der Raiffeisenbanken	Hubert Fähndrich, Littau	25
St.Galler Verband der Raiffeisenbanken	Peter Zürcher, Goldach	58
Raiffeisenverband Zürich und Schaffhausen	Elisabeth Pflugshaupt, Bertschikon	8
Raiffeisenverband Ob- und Nidwalden	Theddy Frener, Sachseln	5
Schwyzer Verband der Raiffeisenbanken	Christian Schnetzler, Schwyz	9
Solothurner Verband der Raiffeisenbanken	André Bourquin, Aetigkofen	39
Thurgauer Verband der Raiffeisenbanken	Richard Peter, Balterswil	28
Urner Verband der Raiffeisenbanken	Hans Zgraggen, Erstfeld	6
Oberwalliser Verband der Raiffeisenbanken	Claudio Cina, Salgesch	21
Zuger Verband der Raiffeisenbanken	Cuno Senn, Cham	9
6 in French-speaking Switzerland		
Fédération des Banques Raiffeisen du Fribourg romand	Michel Pauchard, Domdidier	13
Fédération genevoise des Banques Raiffeisen	Pierre Guignard, Cartigny	8
Fédération jurassienne des Banques Raiffeisen	Ernest Guélat, Courrendlin	17
Fédération neuchâteloise des Banques Raiffeisen	Claude Ribaux, Bevaix	7
Fédération des Banques Raiffeisen du Valais romand	Jean-Michel Revaz, St-Léonard	26
Fédération vaudoise des Banques Raiffeisen	Alexandre Bula, Thierrens	25
1 in Italian-speaking Switzerland		
Federazione Raiffeisen del Ticino e Moesano	Mario Verga, Vacallo	46

Capital structure and liability

Capital structure ^a The Raiffeisen Group's cooperative capital is 362 million francs. The precise composition and changes in the year under review can be found in note 10 "Evidence of equity capital" (see page 102).

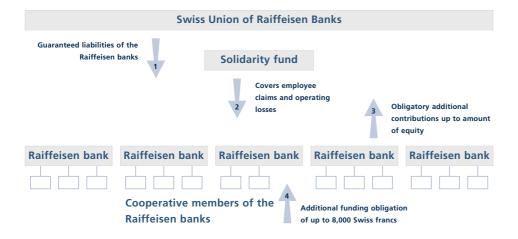
Changes in equity capital

	2004 in CHF million	2003 in CHF million	2002 in CHF million	2001 in CHF million
Cooperative capital	362	320	287	249
Retained earnings	4,468	4,032	3,618	3,297
Group profit	506	453	429	335
Total	5,336	4,805	4,334	3,881

Each cooperative member is entitled to interest on their share certificates, capped at 6 percent gross.

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

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



1) Liability of the Swiss Union of Raiffeisen Banks towards the Raiffeisen banks • In its capacity as principal party, the Swiss Union of Raiffeisen Banks guarantees the liabilities of all Raiffeisen banks and therefore of the Raiffeisen Group as a whole. A total of 802.1 million Swiss francs in equity capital is available for this purpose. Under the Articles of Association of the Swiss Union of Raiffeisen Banks, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their balance sheet totals. This results in a call-in obligation towards the Swiss Union of Raiffeisen Banks of 932.8 million Swiss francs, of which 320 million Swiss francs have been paid in. The Swiss Union of Raiffeisen Banks has the right to call in the outstanding 612.8 million Swiss francs from the Raiffeisen banks at any time.

- **2) Solidarity fund** In order to safeguard the interests of the Raiffeisen Group and the principle of solidarity which underlines it, an organization-wide reserve has been created to cover risk: the solidarity fund. It covers employee claims and operating losses of the Raiffeisen banks. It is fed through annual contributions from the Raiffeisen banks and the branches of the Swiss Union of Raiffeisen Banks. The disposable fund assets are 218.5 million Swiss francs.
- **3)** Additional funding obligation of the Raiffeisen banks towards the Swiss Union of Raiffeisen Banks. The Raiffeisen banks are bound by an additional funding obligation in accordance with Art. 871 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 Raiffeisen banks' additional funding obligation towards the Swiss Union of Raiffeisen Banks is 4.9 billion Swiss francs.
- **4)** Additional funding obligation of the cooperative members towards the Raiffeisen banks Should it emerge from the annual balance sheet that the cooperative capital is no longer covered, the cooperative members are bound by an additional funding obligation of up to 8,000 Swiss francs each in accordance with Art. 871 Swiss Code of Obligations. The additional funding obligation of the cooperative members is 10 billion Swiss francs (see note 10 "Evidence of equity capital", page 102).

Board of Directors of the Swiss Union of Raiffeisen Banks

The Board of Directors is in overall charge of the Swiss Union of Raiffeisen Banks and supervises and monitors the management, Executive Board and Inspectorate. It has the highest level of decision-making powers and establishes the strategy and organization. It currently consists of 13 members, the majority of whom carry out their principal remunerated activity outside the Raiffeisen Group. This ensures that the Board is represented by a broad mix of people from the world of business and politics who reflect various interest groups.

Members of the Board of Directors

Name, year of birth, place of residence, occupation	Function	On Board of Directors since	Elected until
Dr h.c. Franz Marty, 1947, Goldau SZ*,	Chairman	2003	2006
Dr h.c. rer. pol., lic. iur., former member of			
cantonal government and financial director			
Josef Ingold, 1946, Subigen SO*,	Vice-Chairman	1988	2006
certified auditor, BDO Visura			
Gabriele Burn, 1966, Krattigen BE*,	Member	2000	2006
CEO Raiffeisenbank Thunersee-Süd			
Hubert Fähndrich, 1945, Littau LU,	Member	1990	2006
bank officer			
Pierre Guignard, 1946, Cartigny GE,	Member	1996	2006
Director Cercle des Agriculteurs de Genève			
Prof. René Kästli, 1942, Jona SG,	Member	2000	2006
indep. consultant, proprietor Kästli Consulting Jona			
Urs W. Keller, 1953, Döttingen AG,	Member	1996	2006
Head of HR Verkehrsbetriebe Zürich			
Joos Mathis, 1945, Schiers GR,	Member	1992	2006
mayor			
Marie-Françoise Perruchoud-Massy, 1955, Vercorin VS,	Member	1998	2006
Director Institut Economie & Tourisme de la			
Haute Ecole Valaisanne			
Richard Peter, 1943, Balterswil TG,	Member	1992	2006
mayor			
Marcel Sandoz, 1943, Morges VD,	Member	1996	2006
Ing. agr. E.P.F.L./ETH ZH, administrator			
Christian Spring, 1960, Vicques JU,	Member	2002	2006
CEO Banque Raiffeisen du Val-Terbi			
Mario Verga, 1949, Vacallo TI,	Member	2000	2006
lawyer/notary Vassalli-Verga			
* Member of the Committee			

Other Group directorships • The following members of the Board of Directors of the Swiss Union of Raiffeisen Banks also serve on another Board of Directors within the Raiffeisen Group:

Pierre Guignard	Member of the Board of Directors	Term of office: 2002–2006
	of Banque Raiffeisen Genève Ouest	
Josef Ingold	Chairman of the Board of Directors	Term of office: 2004–2006
	of the Raiffeisen Guarantee Cooperative	
Urs W. Keller	Member of the Board of Directors of	Term of office: 2004–2008
	Raiffeisenbank Böttstein	

The chairs of the regional unions are listed on page 45.

Composition, election and term of office The Delegate Meeting of 12 June 2004 resolved to reduce the size of the Board of Directors of the Swiss Union of Raiffeisen Banks to between nine and twelve members. It should be ensured that the language regions and the banking authorities of the Raiffeisen banks are adequately represented. In principle, about half of the members should be representatives of the Raiffeisen banks. The Delegate Meeting elects the Board of Directors for a two-year term of office. No member of the Board of Directors may serve for more than twelve years. Members of the Board of Directors must stand down at the end of the term of office in which they reach their 65th birthday.

Transitional arrangements: The Board of Directors was elected for a two-year term for the first time at the 2004 Ordinary Delegate Meeting. The twelve-year limit on term of office applies from the 2006 Ordinary Delegate Meeting onwards, and the Board may consist of no more than twelve members.

Internal organization ^a The Board of Directors meets as often as business dictates, but at least four times a year. It met six times in 2004. 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. The resolutions are minuted.

The Board of Directors meets once a year for a closed planning session to assess its own activities. The members of the Executive Board generally attend the meetings of the Board of Directors and the Committee of the Board of Directors. They can advise and have the right to put forward motions.

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

- ^a To resolve whether to accept or exclude Raiffeisen banks
- ^a To establish the union and business policy, the risk policy and the regulations and authorities required for the running of the Swiss Union of Raiffeisen Banks
- ^a To appoint and dismiss members of the Executive Board, the Head of Inspectorate and the Head of Internal Auditing, and to appoint full signatories
- ^a To appoint and dismiss the statutory auditor
- ^a To pass the regulations necessary for the running of the Raiffeisen banks
- ^a To prepare for the Delegate Meeting and execute its resolutions

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

Board of Directors committees *- Committee of the Board of Directors:* The Board of Directors appoints the Committee of the Board of Directors, which consists of the chairman, vice-chairman and at least one other member of the Board of Directors. Its duties are as follows:

- ^a To prepare the business of the Board of Directors
- ^a To establish the general conditions of employment, employee benefits and expenses regulations and to pass directives regarding the qualities required of members of the Executive Board and employees of the Swiss Union of Raiffeisen Banks
- ^a To determine whether to accept mandates on behalf of the Swiss Union of Raiffeisen Banks and approve the acceptance of such mandates by executive bodies and employees
- $\mbox{\,}^{\scriptscriptstyle \rm L}$ To pass resolutions on major investments and the corresponding contractual obligations

Audit Committee: The Board of Directors also forms the Audit Committee. The Committee supports the Board of Directors on risk policy, in its monitoring of the Executive Board as regards the effectiveness of internal control systems and on finance and accounting. It ensures the quality of Internal and External Auditing and the cooperation between the two.

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

Delimitation of powers ^a The powers exercised by the Board of Directors, its committees, the Chairman of the Executive Board and the Executive Board are laid down in detail in the Articles of Association of the Swiss Union of Raiffeisen Banks.

Information and controlling tools ^a The Board of Directors is kept abreast of the activities of the Executive Board of Swiss Union of Raiffeisen Banks in a number of ways. The Chairman of the Board of Directors and Head of the Inspectorate generally attend Executive Board meetings in an advisory capacity. The Executive Board is also required to regularly update the Board of Directors on the financial, earnings and risk situation and on the latest developments and any unusual events at the Raiffeisen Group.

Risk Management and Compliance: Risk Management and the Compliance Office are described in detail in the risk policy discussion on pages 20 to 27.

Internal Auditing: Internal Auditing reports to the Board of Directors and supports it, the Audit Committee and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes. It verifies compliance with legal, statutory and regulatory requirements and the proper functioning of the operational structure, the information flow, accounting and IT.

Supervisory Board of the Swiss Union of Raiffeisen Banks

The role of the Raiffeisen Group Supervisory Board is to monitor the activities of the Board of Directors, the Executive Board and the Inspectorate, and to provide controls.

Members of the Supervisory Board

Name, year of birth, place of residence, occupation	Function	On Supervisory Board since	Elected until
Erhard Büchi, 1951, Embrach ZH,	Chairman	1984	2006
Management Consulting SG, Büchi & Schild GmbH			
Charles Tissier, 1956, Riehen BS,	Vice-Chairman	1998	2006
certified auditor, CEO/co-proprietor			
Streicher & Brotschin Treuhand AG			
Josef Fux, 1948, St Niklaus VS,	Member	1996	2006
CEO Raiffeisenbank Mischabel-Matterhorn			
Gabriel Musy, 1952, Marly FR,	Member	1996	2006
CEO/proprietor Fiduciaire Musy SA			
Willi Ulrich, 1943, Taverne TI,	Member	2000	2006
CEO/proprietor Studio Fiduciario Ulrich			
Edgar Wohlhauser, 1961, Schmitten FR,	Member	2002	2006
lawyer, Acting Director Ernst & Young AG			

Executive Board of the Swiss Union of Raiffeisen Banks

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 environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. In accordance with the legal and regulatory framework, it is also responsible for the competent, secure, forward-looking and successful management of the Group, the financial and human resources organization and the implementation of the risk policy.

Executive Board meetings are normally held once a week, led by the chairman. The Executive Board has the power to pass resolutions if a majority of its members are present. It generally reaches decisions by consensus, but if no agreement can be reached, resolutions are passed by a simple majority, with the chairman having the casting vote. Resolutions are minuted.

The business processes of the Swiss Union of Raiffeisen Banks are spread across six departments (see organizational chart on pages 60/61).

The members of the Executive Board of the Swiss Union of Raiffeisen Banks are elected by the Board of Directors of the Swiss Union of Raiffeisen Banks. The Executive Board comprises the chairman and four further members. The extended Executive Board has included three further members in an advisory capacity since 1 January 2005.

Members of the Executive Board

Name, year of birth, place of residence	Function	Began function
Dr Pierin Vincenz, 1956, St.Gallen SG	Chairman of the Executive Board (CEO)	1999
René Bentele, 1953, St.Gallen SG	Head of Corporate Development	1997
Barend Fruithof, 1967, Zollikon ZH	Head of Finance & Logistics (CFO)	2004
Dr Patrik Gisel, 1962, Erlenbach ZH	Head of Market & Sales	2000
Robert Signer, 1948, Wil SG	Head of Branches & Credits	1999
Michael Auer, 1964, Speicher AR*	Head of Human Resources Management	2005
Paulo C. Brügger, 1966, Forch ZH*	Head of Central Bank	2005
Andreas Buff, 1960, Winterthur ZH*	CEO of Raiffeisen Informatik AG	2005
* Member of the extended Executive B	oard	

Qualifications, occupational background and significant directorships $\,^\circ$ We have not listed internal mandates.

Dr Pierin Vincenz

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

Significant directorships:

- ^a Chairman of the Board of Directors at VISECA Card Services AG
- ^a Vice-Chairman of the Board of Directors at cosba private banking ag
- ^a Member of the Committee of the Board of Directors of the Swiss Bankers Association

- ^a Member of the Board of Directors at Helvetia Patria
- ^a Member of the Board of Directors of the Mortgage Bond Bank of the Swiss Mortgage Institutions
- ^a Member of the Board of Directors at Plozza AG
- Member of the Board of Directors at Telekurs Holding AG
- ^a Member of the Board of Management at Pflegekinder-Aktion Schweiz

René Bentele

René Bentele has been a Member of the Executive Board and Head of Corporate Development since 1997. In the preceding two years, he headed up the Raiffeisen Group's Legal Services department and was a Vice-Director. Before joining Raiffeisen, René Bentele was a court clerk at the St.Gallen Cantonal Court between 1985 and 1987, and a secretary at the Canton of St.Gallen Administrative Appeals Commission between 1983 and 1985. He received his patent to practice law in St.Gallen in 1983, and had previously studied at the University of St.Gallen (1974–1978) and at the law faculty of the University of Berne (1978–1979).

Significant directorships:

^a Member of the Foundation Board of the AHV Administration Office for Banking

Barend Fruithof

Barend Fruithof joined the Executive Board of the Raiffeisen Group in 2004. He started out in agriculture, before retraining and graduating in business from the Kaufmännisches Lehrinstitut Zürich. Fruithof is also a certified marketing manager and holds an executive MBA from the University of St.Gallen. After performing a number of management functions in agricultural organizations, he took over various operational and e-banking roles at Zürcher Kantonalbank, most recently as the head of product and distribution channel management. From 2001 to 2003 he was Chairman of the Executive Board of VISECA Card Services SA, where he had overall responsibility for managing sales of about 4 billion Swiss francs and a workforce of 200.

Significant directorships:

^a Member of the Board of Directors at MasterCard Europe

Dr Patrik Gisel

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

Significant directorships:

- ¹ Member of the Board of Directors at cosba private banking ag
- ^a Member of the Advisory Board of the Swiss Finance Forum
- ^a Member of the Management Board of the Swiss IT Leadership Forum
- $\mbox{\tiny --}$ Member of the Advisory Board at Swiss ICT
- ^a Member of the Advisory Board at Schweizerisches Bankenseminar

Robert Signer

Robert Signer has worked at Raiffeisen since 1965, apart from a two-year interlude with Neuenburger Kantonalbank. He was appointed to the Executive Board of the Raiffeisen Group in 1999. Prior to that he worked for Raiffeisenbank Wil und Umgebung from 1976 to 1999, taking over as Director in 1988. He spent six years, from 1970 to 1976, as head of General Ledger Accounting and Private Accounting at the Swiss Union of Raiffeisen Banks.

Significant directorships:

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

Michael Auer

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

Significant directorships:

- ^a Member of the University Board of the Canton of St.Gallen
- ^a Teaching mandates at the Universities of Applied Sciences of Zurich-Winterthur and St.Gallen

Paulo C. Brügger

Paulo C. Brügger became a Member of the extended Executive Board and Head of Central Bank in 2005. He was previously (from 2003) Head of Trading at the Swiss Union of Raiffeisen Banks. Paulo Brügger has a banking degree and is working towards becoming a qualified business administrator at the Kaderschule Zurich. He gathered his professional experience in various treasury roles at UBS and Bank Julius Baer.

Directorships:

^a Member of the Board of Directors at Société de Bourse Lémanique, Lausanne

Andreas Buff

Andreas Buff joined the extended Executive Board of the Raiffeisen Group on 1 January 2005. He took charge of the Raiffeisen subsidiary Raiffeisen Informatik AG in February 2003. He studied at the University of St.Gallen before going on to accumulate experience as a consultant with Winter Partners AG, then as a project manager and finally head of decentralized systems with Bank Julius Baer. Andreas Buff became a Member of the Executive Board of Systor AG in 1994, with responsibility for the realignment and development of the technology, infrastructure and service areas.

Directorships:

- No significant directorships

Management contracts

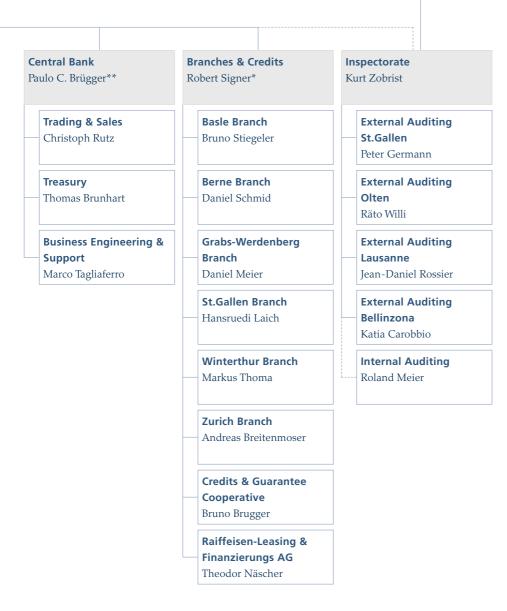
The Raiffeisen Group has not entered into any management contracts.

Organizational chart of the Swiss Union of Raiffeisen Banks



^{*} Member of the Executive Board

^{**} Member of the extended Executive Board



Rights of codetermination

Cooperative members have rights of codetermination at both Raiffeisen bank and Swiss Union of Raiffeisen Banks level.

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

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

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

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

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

Swiss Union of Raiffeisen Banks - The cooperative members of the Swiss Union of Raiffeisen Banks are the legally independent Raiffeisen banks. They choose the delegates who form the highest executive body of the Swiss Union of Raiffeisen Banks.

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

Regulations on participation at Delegate Meetings: 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 balance sheet total of all the Raiffeisen banks in each regional union. There are currently 163 members of the Delegate Meeting.

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

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

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

Shorter deadlines are permissible when calling an Extraordinary General 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 percent 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 organization.

Auditors

Raiffeisen banks - The Inspectorate is the external auditor of the individual Raiffeisen banks and is independent of the Swiss Union of Raiffeisen Banks pursuant to the Swiss Federal Law on Banks and Savings Banks and the ordinance to this federal law. The Inspectorate is responsible for ensuring accurate, efficient auditing. The Inspectorate is subordinate to the Board of Directors and keeps the Board of Directors informed about its audit activities and the audit results on a regular basis. Kurt Zobrist has headed up the 136-strong Inspectorate since 1989.

Swiss Union of Raiffeisen Banks and Group companies The external auditor of the Swiss Union of Raiffeisen Banks, the Guarantee Cooperative, Raiffeisen Finanzierungs AG, Raiffeisen Leasing and Raiffeisen Informatik AG is PricewaterhouseCoopers AG, St.Gallen.

Raiffeisen Group • PricewaterhouseCoopers AG, St.Gallen, has also been responsible for auditing the consolidated annual accounts since 1996. As of financial year 2004, Beat Rütsche is the project manager and Friedrich W. Seiter is the lead auditor.

Audit fee The Raiffeisen banks paid the Inspectorate of the Swiss Union of Raiffeisen Banks fees totalling 21.9 million Swiss francs for audits under Swiss banking law and internal audits in the year under review.

In financial year 2004, PricewaterhouseCoopers AG charged a total of 1,182,000 Swiss francs for services connected to the full audit of the individual annual accounts, the Group accounts and the audits under Swiss banking law.

The Swiss Union of Raiffeisen Banks also paid PricewaterhouseCoopers AG and Ernst & Young a further 4,117,410 Swiss francs for tax advice, additional services and special audit mandates.

Supervision and control of the external auditor. The Inspectorate of the Swiss Union of Raiffeisen Banks and the auditor PricewaterhouseCoopers AG fulfil the requirements of the Swiss Federal Banking Act and are approved by the Swiss Federal Banking Commission to audit banking institutions. Each year, the Audit Committee assesses the performance, remuneration and independence of the external auditing bodies and oversees their relationship with the internal auditors.

Information policy

The Raiffeisen Group is committed to open, active and transparent communication with cooperative members, clients, employees, the capital markets and the general public. It abides by the principles of truthfulness, consistency and living up to its word. The Raiffeisen Group publishes an annual report and half-yearly report and holds at least one press conference a year. The latest changes, developments and information are published through a range of communication channels, in good time and in a manner that suits the target groups in question.

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

Timetable for 2005

Annual results presented at balance sheet press conference	20 April 2005
Annual Report 2004 published	early May 2005
Delegate Meeting in Montreux, Vaud	18 June 2005
Half-yearly report published	August 2005

Publications

Fondsguide (fund guide*)	monthly
Perspektiven (investor information*)	monthly
PANORAMA (client magazine*)	eight times a year
Raiffeisen Aktuell (brochure highlighting Raiffeisen services*)	three times a year
Annual report	annually
Press releases	as required
Website	ongoing

^{*} not available in English

Contact details

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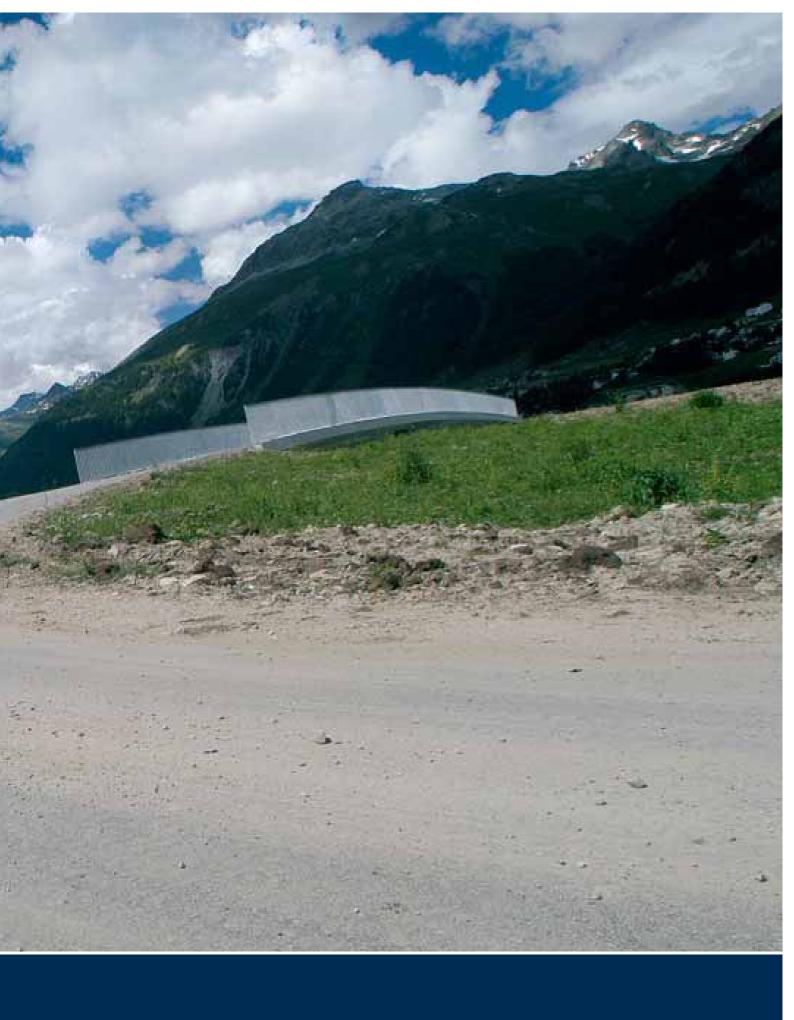
Phone: +41 71 225 84 84 Fax: +41 71 225 86 50 E-mail: pr@raiffeisen.ch

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

- Annual and half-yearly reports
- Press releases
- ¹ Information on the structure, executive bodies and business policy
- ⁿ Details of Group companies and cooperations
- Information on products and services
- ^a Links to the individual Raiffeisen banks
- ^a Raiffeisen membership information



Feeling in harmony. Running is not just a matter of lifting two to three times one's bodyweight off the ground with every step and then putting it down again. The person becomes one with the landscape he is running through. Images and thoughts flit through his mind, he experiences a sense of well-being and is in tune with himself: "I am balanced."



The Raiffeisen Group is again able to present a very solid set of annual results. Group profit climbed to 506 million Swiss francs, surpassing last year's already outstanding performance by a further 11.6 percent. In spite of stiff competition, new market share was acquired within the retail banking segment.

Operating income grew by 3.9 percent (prior year + 9 percent). The drop in earnings growth compared with the previous year can be attributed to interest margin pressure. Nevertheless, the result from interest business can still be regarded as satisfying. Commission business and service transactions also played a large part in the profit improvement. The above-average increase in volume and the extensive range of projects that were conducted during the course of the year were reflected in business expenditure, which rose by 10 percent. Consequently, gross profit fell by 3.6 percent to 825.3 million Swiss francs (prior year 855.9 million Swiss francs). Net profit increased by 52.6 million Swiss francs due to a drop in the number of value adjustments.

With a balance sheet total of 106 billion Swiss francs (+ 3.9 percent), the Raiffeisen Group maintained its position as the third major banking entity on the Swiss market. The volume of lending to clients reached 86.6 billion Swiss francs (+ 5.7 percent) at year-end. This growth rate is significantly higher than the market average and reflects the competitiveness of the Raiffeisen Group.

The cooperative of Raiffeisen banks continues to attract more members, with membership numbers increasing by 71,030 in 2004. This represents an impressive vote of confidence for Raiffeisen. Overall, the Raiffeisen Group now has over 1.25 million members within Switzerland.

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

Information on the principles and scope of consolidation can be found in the notes.

Profit and loss account

Income from ordinary banking business • Driven by ever-increasing volumes in client business, net interest income rose by 3.4 percent to 1.6 billion Swiss francs. With a share of 82 percent (prior year 83 percent), it continued to be the main pillar of income for the Raiffeisen Group in the year under review.

From the beginning of the year, net income from commission business and service transactions increased thanks to a revival on the stock markets. With income from payment transaction services also climbing as a direct consequence of the larger volumes, earnings in this area increased by 15.4 percent or 19.7 million Swiss francs.

Net trading income (note 19) was down 14.8 percent on the previous year to 56.4 million Swiss francs. Equities trading generated profits of 5.6 million Swiss francs. However, a loss of 2.2 million Swiss francs was posted in connection with interest trading. Revenues from trading activities in foreign exchange, banknotes and precious metals remained stable at the prior-year level of 53 million Swiss francs.

A 7.3 percent increase to 143.9 million Swiss francs was posted under "Other ordinary result". This is due to a slight rise in income from participating interests as well as higher income from account maintenance charges and Bancomat fees (cash withdrawals made from Raiffeisen automatic teller machines by clients of other banks). There was also a significant drop in other ordinary expenditure. This is because market factors meant that the number of value adjustments on financial assets was exceptionally low.

Total operating expenditure ^a Total operating expenditure for the reporting year rose by 10 percent. Over 300 additional employees, greater investment in staff training and an increase in payments to the banking authorities were reflected in personnel expenditure figures. Staff pension plan costs increased significantly due to advance financing associated with the decision to switch the pension fund from a defined benefit to a defined contribution scheme. Above-average volume growth (accounts, payment transaction services) on the one hand and greater investment in infrastructure, projects (e.g. the cooperation with Bank Vontobel) and advertising on the other led to a sharp rise in non-personnel expenditure.

Personnel expenditure: Personnel expenditure (note 22) increased by 9 percent (prior year 5.2 percent) to 697 million Swiss francs. The number of people employed by the Raiffeisen Group rose by 4.1 percent to the equivalent of 6,304 full-time positions. First and foremost, additional personnel capacity was required in order to expand advisory services. The

extra numbers were also important for the purpose of conducting a number of strategic projects.

Non-personnel expenditure: After remaining constant over the previous two years at 413 million Swiss francs, non-personnel expenditure (note 23) increased by 11.4 percent in the year under review to 459.7 million Swiss francs. Expenditure on information technology made the biggest mark in the budget, rising by 21.9 million (+19.3 percent). This included expenses relating to new applications as well as maintenance and project services. Other operating expenditure increased by 21.4 million Swiss francs (+ 8.7 percent) due to higher legal and advisory costs, advertising and communication expenses, transport costs relating to the supply of cash to the Raiffeisen banks and Bancomat location charges.

Depreciation on fixed assets Depreciation on tangible fixed assets and intangibles was down 12.1 percent on the previous year to 115.6 million Swiss francs (note 4). Total depreciation, including participation value adjustments of 13.8 million Swiss francs as a result of lower stock exchange prices, amounted to 129.4 million Swiss francs (prior year 133.6 million Swiss francs).

Value adjustments, provisions and losses - Expenditure in connection with value adjustments, provisions and losses declined by 110.2 million Swiss francs versus the previous year. The sharp drop can primarily be attributed to the extraordinary damages that were incurred in 2003. Even if we ignore this special case, the drop in expenditure would still have been around 30 percent, which is a pleasing result. Actual losses totalled 72.3 million Swiss francs (prior year 168 million Swiss francs). Value adjustments for default risks declined significantly once again, falling a further 34.4 percent (prior year 15.4 percent) to 33.9 million Swiss francs.

Extraordinary result • Included in the extraordinary income of 11.8 million Swiss francs and the extraordinary expenditure of 5.1 million Swiss francs are, in particular, gains and losses from the sale of tangible fixed assets.

Taxes ^a Taxes (note 25) increased by 10.2 percent on the previous year to 153.7 million Swiss francs and remained stable in relation to reported net profit.

Balance sheet

The Raiffeisen Group's balance sheet total increased by 3.9 percent in comparison with the previous year. The continuous growth of client positions more than compensated for a drop in activity in the interbank segment.

Receivables from or liabilities to banks At year-end, the volume of interbank business was 1.5 billion Swiss francs down on the previous year on both the assets and liabilities side. We were able to consolidate our leading position on the Swiss franc market through an increased focus on repo business as a means of liquidity management. Apart from more economical refinancing, this concentration on the repo segment allows for lower-risk investments with other banks and therefore less pressure on capital resources.

Receivables from clients • Receivables from clients fell by 628.5 million Swiss francs to 7.1 billion Swiss francs, mainly as a result of the drop in short-term repo business with institutional clients. Almost half of this position is accounted for by loans to municipal authorities and cantons.

Mortgage receivables • With growth of 7.2 percent (prior year 8.1 percent), the Raiffeisen Group achieved an exceptional result in its core mortgage business. This result is again significantly better than the sector average of approximately 5 percent and underlines the competitive strength of Raiffeisen.

With interest rates remaining low, demand for fixed-rate mortgages continued to increase. The proportion of fixed-rate mortgages in the mortgage portfolio climbed from 53.4 percent to 60.4 percent within the space of a year. Mortgage receivables at year-end amounted to 79.5 billion Swiss francs, which represents 74.9 percent of the balance sheet total.

Financial assets • Financial assets (note 2) consist primarily of first-class debentures held for the purpose of maintaining the liquidity of the Raiffeisen Group as required by law. This position decreased by 140.5 million Swiss francs to 2.8 billion Swiss francs during the year under review. Precious metal assets also fell (- 5.6 percent), as did assets from non-performing positions designated for resale (- 16.5 percent).

Non-consolidated participations [•]The major holdings reported in notes 3.2 and 3.3 appear in the balance sheet under "Non-consolidated participations". For operational and business reasons, the Raiffeisen Group owns additional holdings with a low capital component and minimal voting rights. In particular, the Group acquired a 12.5 percent block of shares in Vontobel Holding AG in the year under review.

Tangible fixed assets/intangibles ^a The book value of tangible fixed assets and intangibles rose by 2.9 percent in 2004 (note 4), with the Raiffeisen Group investing a total of 197.3 million Swiss francs (prior year 195.6 million Swiss francs) in these two items. Expenditure relating to bank premises accounted for almost half of this figure. More money was invested in security installations as well as other properties than in the previous year.

Liabilities to clients in the form of savings and investment deposits. As expected, liabilities to clients in the form of savings and investment deposits increased at a slower rate than in the previous year as a result of the generally more favourable economic outlook. The rise of 4.7 percent (prior year 11.1 percent) to 59.9 billion Swiss francs is particularly pleasing, as this result is some way better than the overall market trend.

Other liabilities to clients • Other liabilities to clients also rose at an above-average rate in the year under review, increasing by 24.7 percent or 2.1 billion Swiss francs. Short-term investments by institutional investors account for a portion of this result, however, which is why these figures are characterized by a certain volatility. Refinancing of lending with client monies increased by 1.5 percent to 93.4 percent.

Medium-term notes/bonds and mortgage bond loans ⁶ Following a decline in the previous year (- 2.8 percent), the demand for medium-term notes grew significantly in the year under review (+ 8.5 percent). Most of the increase was concentrated in the middle range of the investment horizon. This represents a particularly positive outcome with respect to the overall market. Bonds and mortgage bond loans (note 8) were down by 8.2 percent to 6.9 billion Swiss francs as a consequence of the Raiffeisen Group's high level of refinancing via client monies.

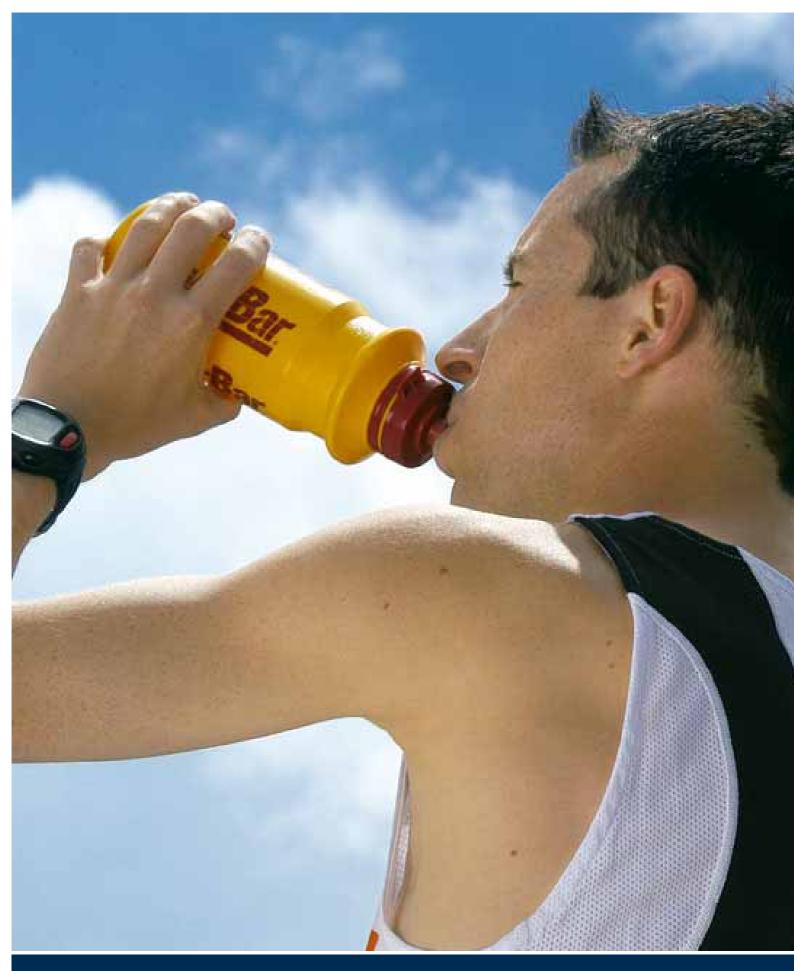
Value adjustments and provisions ⁶ Value adjustments and provisions (note 9) rose by 2.6 percent or 26.8 million Swiss francs. Provisions for deferred taxes were increased by 45.5 million Swiss francs, and these now account for 528.3 million Swiss francs. Value adjustments and provisions for default risks, meanwhile, were reduced by 4.7 percent to 505.4 million Swiss francs. This is equivalent to just 0.58 percent of the loans granted to clients (prior year 0.65 percent). This relatively low figure bears testimony to Raiffeisen's prudent and quality-conscious approach to lending, even amid the current sharp upswing in credit volumes. While loans to clients have increased by 40 percent during the last five years, a mere 4.8 percent increase in value adjustments for default risks was necessary over the same period.

Capital resources • The level of paid-up cooperative capital increased by 13 percent or 41.5 million Swiss francs (prior year 11.7 percent) thanks to the continued strong growth in membership numbers. With retained earnings of 4.5 billion Swiss francs and a Group profit of 505.9 million Swiss francs, the Raiffeisen Group's total equity capital amounts to 5.3 billion Swiss francs (note 10). The regulatory capital adequacy requirement (note 26) was clearly exceeded, with the Raiffeisen Group having surplus cover of 79.1 percent (prior year 74.5 percent).

Off-balance-sheet business • Contingent liabilities rose by nearly one third to 308.2 million Swiss francs. Irrevocable undertakings in connection with new mortgage business remained at the same level as the previous year; this item totalled 601.3 million Swiss francs as at the end of the year under review.

The total contract volume for derivative financial instruments increased even more markedly than in the previous year, rising by 53.4 percent to 34 billion Swiss francs. The positive and negative replacement values amount to 97 million and 188 million Swiss francs respectively. A drop of 25.2 percent to 0.8 billion Swiss francs was reported for foreign exchange, although the contract volume for interest rate instruments grew significantly by 57.7 percent to 33.1 billion Swiss francs. This robust expansion in volume is attributable to hedging transactions in connection with asset and liability management.

Following the sharp downward trend of the previous three years, fiduciary transactions fell only slightly in the year under review, dropping just 4.1 percent to 146.6 million Swiss francs.



Keeping energy levels up. The body consumes all its reserves when pushed to the limit in this way, burning and using up energy. If you do not drink until you are thirsty it is already much too late: liquid and – over longer distances – nourishment are essential. Many runners think eating certain meals before marathon races brings them luck: "I am in good shape."



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004

	Note	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Assets	11016	1000 CIII	1000 CIII	1000 CIII	/0
Liquid funds	11	1,258,678	1,234,066	24,612	2.0
Receivables from money market securities	11	13,235	15,161	- 1,926	- 12.7
Receivables from banks	6, 11	12,251,020	13,787,875		- 11.1
Receivables from clients	1, 11	7,093,771	7,722,3171	- 628,546	- 8.1
Mortgage receivables	1, 6, 11	79,471,579	74,154,267	5,317,312	7.2
Loans to clients	1, 0, 11	86,565,350	81,876,584	4,688,766	5.7
Trading portfolios in securities and precious metals	2, 11	19,651	24,838	- 5,187	- 20.9
Financial assets	2, 6, 11	2,895,772	3,049,466	- 153,694	- 5.0
Non-consolidated participations			119,836	228,269	190.5
	2, 3, 4	348,105			
Tangible fixed assets	4, 6	1,597,893	1,552,610 ²	45,283	2.9
Intangibles	4	9,791	5,516²	4,275	77.5
Accrued income and prepaid expenses	_	204,226	274,826	- 70,600	- 25.7
Other assets	5	933,817	198,911	734,906	369.5
Total assets	13, 14, 15	106,097,538	102,139,689	3,957,849	3.9
Total subordinated receivables		_	_	_	_
Total receivables from non-					
consolidated participations		1,838,907	1,955,305	– 116,398	- 6.0
Liabilities					
Liabilities to banks	6, 11	11,002,367	12,540,0211	- 1,537,654	- 12.3
Liabilities to clients in the form					
of savings and investment deposits	7, 11	59,912,523	57,228,152	2,684,371	4.7
Other liabilities to clients	7, 11	10,811,602	8,667,0721	2,144,530	24.7
Medium-term notes	11	10,114,018	9,322,724	791,294	8.5
Client monies		80,838,143	75,217,948	5,620,195	7.5
Bonds and mortgage bond loans	8, 11	6,892,000	7,505,750	- 613,750	- 8.2
Accrued expenses and deferred income		471,280	556,521	- 85,241	- 15.3
Other liabilities	5	500,912	483,343	17,569	3.6
Value adjustments and provisions	9	1,057,455	1,030,647	26,808	2.6
Cooperative capital		361,753	320,253	41,500	13.0
Retained earnings		4,467,766	4,031,955	435,811	10.8
Group profit		505,862	453,251	52,611	11.6
Total equity capital	10	5,335,381	4,805,459	529,922	11.0
Total liabilities	13, 15	106,097,538	102,139,689	3,957,849	3.9
Total subordinated commitments		_	_	_	_
Total commitments towards non-					
consolidated participations		4,443,265	4,717,474	- 274,209	- 5.8
– of which mortgage bond loans		3,922,000	4,400,750	- 478,750	- 10.9
Off-balance-sheet business					
Contingent liabilities	1, 16	308,217	234,799	73,418	31.3
Irrevocable undertakings	1	601,330	604,872	- 3,542	- 0.6
Obligations to make payments and additional contributions	1	37,104	37,178	- 74	- 0.2
Derivative financial instruments					
	17	96,987	75,903	21,084	27.8
Positive replacement values	17				
Positive replacement values Negative replacement values	17			29,341	18.5
Negative replacement values Contract volume		187,992 33,991,276	158,651 22,152,964	29,341 11,838,312	18.5 53.4

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2004

	Note	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Interest and discount income		2,756,869	2,794,998	- 38,129	- 1.4
Interest and dividend income from financial assets		87,975	98,153	- 10,178	- 10.4
Interest expenditure		- 1,211,255	- 1,313,960	102,705	- 7.8
Net interest income		1,633,589	1,579,191	54,398	3.4
Commission income lending business		5,262	5,313	- 51	- 1.0
Commission income securities and investment business		123,408	105,145	18,263	17.4
Commission income other service transactions		37,114	30,096	7,018	23.3
Commission expenditure		- 17,769	- 12,260	- 5,509	44.9
Net income from commission busin. and serv. transactions		148,015	128,294	19,721	15.4
Net trading income	19	56,358	66,177	- 9,819	- 14.8
Income from sale of financial assets		1,538	1,846	- 308	- 16.7
Income from participating interests	20	8,352	7,282	1,070	14.7
Income from real estate		17,363	19,400	- 2,037	- 10.5
Other ordinary income	21	117,559	110,089	7,470	6.8
Other ordinary expenditure		- 871	- 4,469	3,598	- 80.5
Other ordinary result		143,941	134,148	9,793	7.3
Operating income		1,981,903	1,907,810	74,093	3.9
Personnel expenditure	22	- 696,989	- 639,272	- 57,717	9.0
Operating expenditure	23	- 459,660	- 412,632	- 47,028	11.4
Total operating expenditure		- 1,156,649	- 1,051,904	- 104,745	10.0
Gross profit		825,254	855,906	- 30,652	- 3.6
Depreciation on fixed assets	4	- 129,449	- 133,648	4,199	- 3.1
Value adjustments, provisions and losses		- 42,820	- 153,009	110,189	- 72.0
Operating profit (interim result)		652,985	569,249	83,736	14.7
Extraordinary income	24	11,753	28,757	- 17,004	- 59.1
Extraordinary expenditure	24	- 5,140	- 5,238	98	- 1.9
Taxes	25	- 153,736	- 139,517	- 14,219	10.2
Group profit		505,862	453,251	52,611	11.6

The prior-year figures have been reclassified in the following balance sheet positions:

¹⁾ Receivables and liabilities in respect of repo transactions with a business partner that does not possess SFBC banking status are now shown under "Receivables from or liabilities to clients" instead of "Receivables from or liabilities to banks". An adjustment of 500 million Swiss francs was made to the assets and liabilities in the prior-year figures.

²⁾ Software is now shown under "Intangibles" instead of "Tangible fixed assets".

CASH FLOW STATEMENT 2004

	Current year	Current year	Prior year	Prior year
	origin of funds in 1000 CHF	use of funds in 1000 CHF	origin of funds in 1000 CHF	use of funds in 1000 CHF
Cash flow from operating results (internal financing)	1000 0	1000 0	1000	1000 0
Group profit	505,862	_	453,251	_
Depreciation of fixed assets	129,449	_	133,648	_
Value adjustments and provisions	215,522	188,714	117,716	72,621
Prepaid expenses	70,600	_	_	4,112
Deferred income	_	85,241	_	5,684
Interest paid on share certificates for prior year	_	17,440	_	15,669
Balance	630,038	_	606,529	_
Cash flow from equity capital transactions				
Net change in equity capital	41,500	_	33,509	_
Balance	41,500	_	33,509	_
Cash flow from investment activities				
Participations	17	242,121	4,451	12,553
Real estate	30,083	110,713	15,404	91,657
Other tangible fixed assets/objects in finance leasing	2,009	77,624	4,890	103,901
Intangibles	57	8,984	_	_
Balance	_	407,276	_	183,366
Cash flow from banking activities				
Liabilities to banks	_	1,537,654	2,711,250*	_
Liabilities to clients in the form of savings				
and investment deposits	2,684,371	_	5,729,265	_
Other liabilities to clients	2,144,530	_	1,682,079*	_
Medium-term notes	791,294	_	_	266,638
Bonds	470,000	605,000	_	230,000
Mortgage bond loans	565,300	1,044,050	384,600	773,250
Other liabilities	17,569	_	_	292,084
Receivables from money market securities	1,926	_	2,976	_
Receivables from banks	1,536,855	_	_	2,973,394*
Receivables from clients	628,546	_	_	391,412*
Mortgage receivables	_	5,317,312	_	5,583,914
Trading portfolio in securities and precious metals	5,187	_	2,127	_
Financial assets	153,694	_	_	278,367
Other receivables	_	734,906	57,093	_
Liquid funds	_	24,612	_	237,003
Balance	_	264,262	_	456,672
Total origin of funds	671,538	_	640,038	-
Total use of funds	_	671,538	_	640,038

^{*} The prior-year figures have been reclassified in the following balance sheet positions:

Receivables and liabilities in respect of repo transactions with a business partner that does not possess SFBC banking status are now shown under "Receivables from or liabilities to clients" instead of "Receivables from or liabilities to banks". This resulted in corresponding adjustments in the above positions.

Business activities

The 450 Raiffeisen banks in Switzerland, organized as cooperatives, are mainly active in the retail business. The services provided to private and commercial clients encompass the classical savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, the investment fund and securities business and leasing. These services are provided via the Swiss Union of Raiffeisen Banks or by specialized companies within the Group.

The Raiffeisen banks are active in precisely defined, manageable business areas. Loans are predominantly made to cooperative members, against collateral, and to public bodies. The major part of loaned funds is invested in residential property. Raiffeisen banks are prohibited by their statutes from operating abroad.

The amalgamation into the Swiss Union of Raiffeisen Banks has given the individual member banks access to wide-ranging services in the areas of management, marketing, business, information technology, building systems, training and legal services. The Swiss Union of Raiffeisen Banks ensures monetary settlement and liquidity maintenance, provides banking services for the affiliated Raiffeisen banks and operates its own banking business. The Swiss Union of Raiffeisen Banks can enter into commitments abroad up to a risk-weighted maximum five percent of the Raiffeisen Group's consolidated net assets, according to the risk-weighting factors stipulated by banking law.

As at 31 December 2004, the number of people employed by the Raiffeisen Group – on an FTE basis – was 6,304 (previous year 6,058).

Concerning risk management

Our risk management systems are based on the regulations entitled "Risk policy for the Swiss Union of Raiffeisen Banks and the Raiffeisen Group" (short name: "Risk policy"). The goal of risk policy is to limit negative impacts on earnings and protect the Raiffeisen Group from high exceptional losses while safeguarding and strengthening its good reputation. The Raiffeisen Group views entering into risks as one of its central competences. However, risks are taken only with full knowledge of their extent and dynamics, and only when the requisite systems, staff resources and expertise are at the Group's disposal.

Risk management process • The risk management process with the risk categories credit risks, market risks and operational risks incorporates the following components:

- Risk identification
- Risk measurement and assessment
- Risk management, for which the designated risk managers are themselves responsible within the defined limits
- Risk limitation, by setting upper limits
- ^a Group Risk Controlling, to ensure that risk policy is observed and implemented; and compliance, to ensure that regulatory provisions are observed.

Risk management • *Credit risks:* The business units of the Raiffeisen Group – the Raiffeisen banks, the Guarantee Cooperative, Raiffeisen Finanzierungs AG, Raiffeisen Leasing and the Swiss Union of Raiffeisen Banks – manage their credit risk autonomously, though still in accordance with Group-wide standards.

Credit risks are incurred chiefly at the Raiffeisen banks. The majority of these risks derive from customer loans granted to one or more individuals or business clients. The term "business clients" refers to small companies that operate within the locality of the Raiffeisen banks. Credit risks are limited primarily by securing the underlying claims, while taking into account the structure of the loans concerned.

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

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

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

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

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

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

The Swiss Union of Raiffeisen Banks employs centralized credit portfolio management processes that enable it to monitor all possible default risks according to a range of criteria – e.g. category of borrower or loan, size of loan, ratings points, sector, collateral type, loan products, country, region, value adjustments – and therefore be in a position to manage the various sub-portfolios.

Market risks: As the Raiffeisen Group is heavily involved in balance sheet business, interest rate fluctuations can have a considerable influence on interest income. The control of maturity transformation and the resulting interest rate risk is therefore very important. The interest rate risk is managed by both the Raiffeisen banks themselves as well as the Swiss Union of Raiffeisen Banks. Both have up-to-date tools at their disposal to perform the necessary sensitivity analyses. In addition, the institutions can request specialist support from the Treasury of the Swiss Union of Raiffeisen Banks. The risk committee of the Swiss Union of Raiffeisen Banks monitors and controls the interest rate risk at Group level. The potential impact of interest rate risks on the market value and the Raiffeisen Group's income is regularly assessed by means of sensitivity analyses.

Liquidity risks are controlled using commercial criteria and monitored by the Treasury, on the basis of banking law.

Only the Swiss Union of Raiffeisen Banks keeps a trading portfolio; the Raiffeisen banks do not. Consequently, market risks such as share and interest rate risks, currency risks and precious metals risks in trading volumes only arise at the Swiss Union of Raiffeisen Banks. The Trade department performs a market maker function within precisely defined areas, while the Group Risk Controlling department monitors the risks in the trading portfolio on a daily basis.

Derivative financial instruments are traded only by experienced dealers at the Swiss Union of Raiffeisen Banks. Trade works with both standardized and OTC derivatives for its own and its clients' account. Its own positions in derivative financial instruments are held mainly for hedging purposes.

	31.12.2004 in 1000 CHF	Average 2004 in 1000 CHF	31.12.2003 in 1000 CHF
Foreign exchange/precious metals	3,798	3,860	2,841
Interest rate instruments	40,215	25,766	13,153
Equities and indices	543	1,940	2,292
Total	44,556	31,566	18,286

Operational risks: Additional risks, such as processing and IT risks, are limited by means of internal regulations, directives and work instructions with regard to the major risk factors, in particular operational processes and the internal control functions they perform. They are audited regularly by the Internal Auditing department. In some cases, external legal advisors are brought in to limit and control legal risks.

Compliance with capital resources, risk spread and liquidity directives: According to a ruling by the Swiss Federal Banking Commission of 24 September 1997, the Raiffeisen banks are excused from complying on an individual basis with directives regarding capital resources, risk spread and liquidity. The relevant legal provisions must be observed on a consolidated basis.

Outsourcing: The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). These services are provided in accordance with the provisions of SFBC Circular 99/2.

Consolidation, balance sheet and valuation principles

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

Principles of consolidation • *General:* The consolidation of the banking institutions that make up the Raiffeisen Group, the Swiss Union of Raiffeisen Banks 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 the Union head-quarters and the most significant Group companies, function as the parent company. Although it has a central coordinating function and is responsible for both the liquidity pool and safety net, the Swiss Union of Raiffeisen Banks is simply a subsidiary from a legal point of view. The management and regulatory powers of the Swiss Union of Raiffeisen

Banks are governed by the Articles of Association of the Union and the regulations based on them.

Consolidation is not based on the Swiss Union of Raiffeisen Banks as a parent company, but represents an aggregation of the annual accounts of the 450 Raiffeisen banks and the joint participations held in the Raiffeisen Group. The cooperative capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

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

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

Minority interests in the range of 20 to 50 percent are consolidated according to the equity method. Holdings of less than 20 percent, 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 commercially required depreciation.

Goodwill: Goodwill payments that are capitalized in the consolidated annual accounts in accordance with the purchase method are written off over three years.

Consolidation date: All fully consolidated companies close their annual accounts on 31 December.

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

Foreign currencies: Assets and liabilities in foreign currency, as well as cash positions in foreign currency, are converted at the exchange rate prevailing on the balance sheet date. Price gains and price losses arising from the valuation appear in the table entitled "Profit from trading activities". Foreign currency transactions during the course of the year are converted at the rate prevailing at the time the transaction was carried out.

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

Receivables from banks and clients, mortgage receivables: These are reported at the nominal value. Interest income is accrued periodically. Receivables for which the bank regards it as improbable that the borrower will be able to completely fulfil his/her contractual obligations are deemed to be impaired. Impaired receivables – and any collateral that may exist – are valued on the basis of the liquidation value.

Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net sales value of collateral that can be realized. If repayment of the claim depends solely on the collateral being realized, full provision is made for the unsecured portion.

Interest and related commissions that have been due for more than 90 days and have still not been paid are deemed to be non-performing. This is also the case with current account loans if the specified credit limit is exceeded for a period of more than 90 days. Non-performing and impaired interest (including accrued interest) and commissions are no longer recognized as income but reported directly under "Value adjustments and provisions". A claim is written off at the latest when completion of the realization process has been confirmed by legal title.

However, impaired receivables are reinstated as fully performing again (i.e. the value adjustment is reversed) provided the outstanding principal amounts and interest are paid in time in accordance with the contractual obligations, and additional creditworthiness criteria are fulfilled.

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

Loan operations with securities (securities lending and borrowing): Loan operations with securities 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 when the Swiss Union of Raiffeisen Banks demands control of the contractual rights contained in these securities. Securities which are loaned or issued as collateral are only removed from the balance sheet when the Swiss Union of Raiffeisen Banks forfeits the contractual rights associated with these securities. The market values of the borrowed and loaned securities are monitored daily so that any additional securities can be provided or requested as necessary.

Fees received or paid from loan and pensions operations with securities are accrued periodically as commission income or commission expenditure.

Pension operations with securities (repurchase and reverse repurchase transactions): Securities purchased by means of a sales agreement (reverse repurchase transactions) and securities sold by means of a repurchase agreement (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or issued including accrued interest.

Securities received and delivered are only recorded in/removed from the balance sheet if control of the contractual rights contained in the securities is relinquished. The market values of the received or delivered securities are monitored daily so that any additional securities can be provided or requested as necessary. The interest income from reverse repurchase transactions and the interest expenditure arising from repurchase transactions are accrued periodically over the term of the underlying transaction.

Trading portfolios in securities and precious metals: Trading portfolios are valued on a fair value basis. Positions for which there is no representative market are valued at the lower of cost or market.

Both the gains and losses arising from this valuation and the gains and losses realized during the period in question are reported under "Profit from trading activities". This also applies to interest and dividends on trading portfolios.

The funding costs for holding trading positions are charged to trading profits and credited to interest income.

Financial assets: Fixed-interest securities and bonds with warrants are valued at the lower of cost or market if there is no intention to hold them to maturity. Securities acquired with the intention of being held to maturity are valued according to the accrual method, with the discount or premium accrued over the remaining life. Holdings are valued at the lower of cost or market.

Real estate and holdings acquired through the loans business that are intended for disposal are reported under financial assets and valued at the lower of cost or market. The value that is the lowest (out of the acquisition value and the liquidation value) is deemed to be the lower of cost and market.

Non-consolidated participations: Non-consolidated participations include minority holdings from 20 to 50 percent, which are valued according to the equity method.

The balance sheet item also includes holdings of less than 20 percent and all holdings of an infrastructural nature. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required depreciation.

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

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

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

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

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

Taxes: Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 22.9 percent (previous year 23.3 percent) was calculated on untaxed reserves and reported as a provision for deferred taxation.

Contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equities: These are reported at the nominal value under the item "Off-balance-sheet transactions". Provisions are created for identifiable risks.

Derivative financial instruments: Reported under "Off-balance-sheet transactions" and in the notes: The replacement value of individual contracts for derivative financial instruments is reported gross, together with the contract volume, under the item "Off-balance-sheet transactions" and in the notes.

Reporting: The replacement costs of all contracts concluded on the bank's own account are reported, regardless of their profit and loss account treatment. Replacement costs of quoted contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. Replacement costs of unquoted contracts concluded on a commission basis are always reported. All Treasury hedging transactions are concluded through the trading portfolio, so that the Treasury does not itself participate in the market. Only the replacement values of contracts with external counterparties are reported (see "Derivative financial instruments by external counterparty" table in the notes under "Open derivative financial instruments").

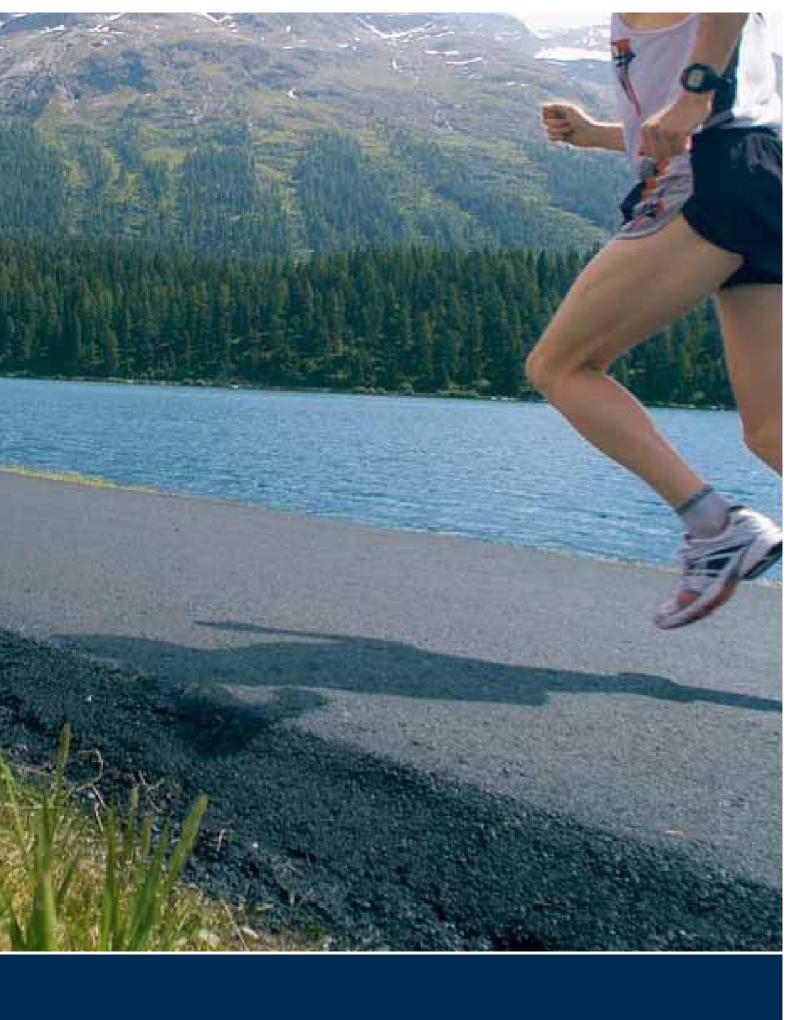
Treatment in the profit and loss account: The derivative financial instruments recorded in the trading portfolio are valued on a fair value basis if they are quoted or a representative market exists. If this requirement is not met, the principle of the lower of cost or market is applied. Derivative financial instruments used for balance sheet structural management to hedge against interest rate risk are valued in accordance with the accrual method. Interest-related gains and losses arising from early realization of contracts are accrued over their remaining lives.

Changes from prior year: The provisions governing the booking and valuation of loan operations with securities (securities lending and borrowing transactions) have now been incorporated in the reporting and valuation principles. Apart from minor textual amendments no further changes were made to the reporting and valuation principles.

Events after the balance sheet date: Between the balance sheet date at 31 December 2004 and the drawing up of the consolidated annual accounts of the Raiffeisen Group, no events have arisen that require disclosure in the balance sheet and/or in the notes.



Keeping it going. The marathon distance seems interminable and a top athlete clocks up some 200 kilometres per week when in training. The body adjusts to such distances early on in the training schedule, but still each session takes its toll. The runner has to grit his teeth and push himself to the limit of his ability: "I will keep going."



Prior year

INFORMATION ON THE BALANCE SHEET

1 Overview of collateral for loans and off-balance-sl	heet business				
	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover in 1000 CHF	Total in 1000 CHF	
Loans					
Loans to clients	2,130,236	473,126	4,490,409	7,093,771	
Mortgage loans					
Residential property	73,235,603	_	174,152	73,409,755	
Office and business premises	5,544,954	_	167,333	5,712,287	
Trade and industry	288,906	_	27,413	316,319	
Other	10,283	_	22,935	33,218	
Total loans					
Current year	81,209,982	473,126	4,882,242	86,565,350	
Prior year	75,678,362	488,018	5,210,204	81,376,584	
Off-balance-sheet business					
Contingent liabilities	51,056	170,814	86,347	308,217	
Irrevocable commitments	521,111	25,056	55,163	601,330	
Call commitments and additional funding obligations	_	_	37,104	37,104	
Total off-balance-sheet business					
Current year	572,167	195,870	178,614	946,651	
Prior year	585,607	144,524	146,718	876,849	
		Estimated proceeds			
	Gross amount	from realization	Net amount	Specific value	
	borrowed in 1000 CHF	of collateral in 1000 CHF	borrowed in 1000 CHF	adjustments in 1000 CHF	
Immaired Issue	III 1000 CHF	III 1000 CHF	III 1000 CHF	III 1000 CHF	
Impaired loans	4 602 407	4 004 403	F22 20F	F0F 207	
Current year	1,603,487	1,081,102	522,385	505,397	

1,678,078 1,104,026 574,052

530,403

2 Breakdown of trading portfolios in securities and precious metals, financial assets and non-consolidated participations **Current year Prior year** in 1000 CHF in 1000 CHF Trading portfolio in securities and precious metals Debt instruments stock exchange listed* 9,155 9,324 non-stock exchange listed 10,880 Shares 6,493 4,003 Precious metals 4,634 Total trading portfolio in securities and precious metals 19,651 24,838 Book value Fair value Fair value **Book value** prior year prior year current year current year in 1000 CHF in 1000 CHF in 1000 CHF in 1000 CHF **Financial assets** Debt instruments 2,787,307 2,926,799 2,888,004 3,045,585 of which intended to be held until maturity 2,787,307 2,926,799 2,888,004 3,045,585 of which valued at the lower of cost or market 17,835 Shares 16,804 16,804 17,835 Precious metals (positions to cover commitments from precious metal accounts) 35,510 35,517 37,627 37,627 Real estate 56,151 67,205 58,812 71,673

	in 1000 CHF	in 1000 CHF
Non-consolidated participations		
with a market value	254,808	27,991
without a market value	93,297	91,845
Total non-consolidated participations	348,105	119,836

2,895,772

3,049,466

2,999,137

Current year

3,172,720

Prior year

Total financial assets

^{*} stock exchange listed = traded on a recognized stock exchange

3 Details of major participations Registered Business Capital Voting share **Equity interest** Company name/holding in 1000 CHF office activity in % in % 3.1 Group companies St.Gallen Swiss Union of Raiffeisen Banks Central bank, association services 320,000 100 100 Raiffeisen Guarantee Cooperative St.Gallen Cooperative 37,696 100 100 Central Issuing Office of the Swiss Raiffeisen Banks St.Gallen Issuer 21,113 100 100 of which not paid up 21,113 Raiffeisen Finanzierungs AG St.Gallen Finance company 5,000 100 100 Raiffeisen Leasing St.Gallen 2,436 100 100 Leasing company Raiffeisen Information AG 8,300 Dietikon IT services 100 100 3.2 Holdings valued according to the equity method cosba private banking ag 100,000 25.0 25.0 Zurich Bank 3.3 Other non-consolidated participations Mortgage Bond Bank for Swiss mortgage institutions Zurich Mortgage bond bank 300,000 19.7 19.7 of which not paid up 189,000 Viseca Card Services AG 19.0 Zurich Financial services 20,000 19.0 Vontobel Holding AG Zurich Financial services 65,000 12.5 12.5 Telekurs Holding AG Zurich Financial services 45,000 4.0 4.0 Helvetia Patria Holding St.Gallen Financial services 86,529 2.7 2.7

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative depreci- ation/amor- tization in 1000 CHF	Book value at end of prior year in 1000 CHF	cations	Current year investment in 1000 CHF	Current year disin- vestment in 1000 CHF	Current year depreci- ation/amor- tization in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations								
Holdings valued according to								
the equity method	58,743	- 4,990	53,753	_	4131	_	_	54,166
Other holdings	102,196	- 36,113	66,083	_	241,708	- 17	- 13,835	293,939
Total non-consolidated								
participations	160,939	- 41,103	119,836	_	242,121	- 17	- 13,835	348,105
Tangible fixed assets								
Bank buildings	1,265,880	- 221,431	1,044,449	- 576	94,617	- 17,879	- 22,460	1,098,151
Other real estate	317,478	- 69,910	247,568	- 4,303	16,096	- 12,204	- 6,373	240,784
Other tangible fixed assets ²	645,279	- 410,720	234,559	5,457	77,624	- 2,009	- 78,278	237,353
Objects in finance leasing	50,759	- 24,725	26,034	- 594	_	-	- 3,835	21,605
Total tangibles	2,279,396	- 726,786	1,552,610	- 16	188,337	- 32,092	- 110,946	1,597,893
Intangibles								
Other intangibles ²	35,409	- 29,893	5,516	16	8,984	- 57	- 4,668	9,791
Total intangibles	35,409	- 29,893	5,516	16	8,984	- 57	- 4,668	9,791
Value of real estate for fire insurance	ce purposes							1,632,315
Value of other tangible fixed assets	for fire insu	rance purpos	es					681,302
Liabilities: future leasing instalment	s from opera	ntional leasing	3					34

¹⁾ Revaluation of holdings valued according to the equity method.

²⁾ Software is now shown under "Other intangibles" instead of "Tangible fixed assets".

5 Other assets and liabilities

5 Other assets and liabilities			
	Current year in 1000 CHF	Prior year in 1000 CHF	
Other assets			
Total replacement value	96,987	75,903	
Equalization account	5,123	33,921	
Due, unredeemed coupons and debt instruments	3	23,859	
Clearing accounts for social security and staff pension fund contributions	36,302	36,302	
Clearing accounts for indirect taxes	782,930	15,035	
Miscellaneous other assets	12,472	13,891	
Total other assets	933,817	198,911	
Other liabilities			
Total replacement value	187,992	158,651	
Due, unredeemed coupons and debt instruments	40,875	40,021	
Levies, indirect taxes	169,111	200,178	
Clearing accounts for social security and staff pension fund contributions	50,330	47,769	
Clearing accounts	44,835	26,824	
Miscellaneous other liabilities	7,769	9,900	
Total other liabilities	500,912	483,343	

6.1 Assets pledged or assigned as security for own commitments and assets subject to reservation of title **Current year** Prior year **Current year Prior year** amount due of which amount due of which or book value made use of or book value made use of in 1000 CHF in 1000 CHF in 1000 CHF in 1000 CHF Mortgage receivables 5,896,708 4,039,660 6,303,450 4,543,948 299,330 Financial assets 1,829,454 1,461,482 725,537 Tangible fixed assets 31,275 19,625 26,009 20,981 Total pledged assets 4,864,259 5,520,767 7,054,996 7,757,437

6.2 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse		
repurchase operations	8,076,821	9,912,658
Liabilities resulting from cash collateral in connection with securities lending and repurchase		
operations	7,782,953	6,906,639
Securities owned by the bank lent under securities lending agreements, delivered as collateral		
for securities borrowing or transferred from repurchase transactions	1,461,482	272,497
for which the right to resell or pledge without restriction		
was granted	1,461,482	272,497
Securities received as collateral under securities lending agreements, borrowed under securities		
borrowing agreements or received from reverse repo transactions and which can be repledged		
or resold without restriction	8,218,435	10,014,346
of which repledged or resold securities	6,353,975	6,678,804

7 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF	
Liabilities to clients in the form of savings and investment deposits	66,919*	_	
Other commitments to clients	83,729	188,027	
Total liabilities to own social insurance institutions	150,648	188,027	

The retirement benefit schemes of the Raiffeisen Group

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

The pension schemes of the SURB are of the defined contribution type as defined by SWISS GAAP FER 16. This means that

- the employer contributions are fixed
- if the pension plan does not have sufficient assets, the principle of fixed contributions by the company is not broken
- the occurrence of special investment or insurance situations within the pension schemes does not result in cost increases/reductions for the company
- surpluses achieved by the pension schemes are always applied in favour of beneficiaries

In 2004, the Raiffeisen Group paid and accounted for all employer contributions via personnel expenditure. Expenditure by the Raiffeisen Group on retirement benefits is higher than the statutory employer contributions due to voluntary payments. Details can be found in note 22 "expenditure".

As the pension schemes are of the defined contribution type, no actuarial calculations based on a retrospective method are required for the Annual Report to be published.

At 31.12.2004, an employer contribution reserve of CHF 67,467,883 (prior year CHF 52,350,958) existed with the financing foundation for SURB employee benefits and with other pension schemes.

No liabilities resulting from the termination of employment relationships exist for which provisions have not been made.

^{*} Liabilities to the financing foundation for SURB employee benefits are now reported under "Liabilities to clients in the form of savings and investment deposits" (prior year "Other commitments to clients").

8 Outstanding bonds and mortgage bond loans

Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds of the Swiss Union of Raiffeisen Banks				
1996	4.000	06.02.2006		100,000
1998	3.500	24.08.2006		150,000
1999	3.250	27.05.2009		250,000
2000	4.625	22.06.2006		500,000
2001/2002	4.000	02.02.2011		600,000
2004	1.400	19.02.2007		70,000
2004	3.000	05.05.2014		400,000
Total bonds of the Swiss Union of Raiffeisen Banks				2,070,000
Bonds of the Central Issuing Office of the Swiss Raiffeisen Banks				
1995	5.125	20.06.2005		100,000
1995	4.750	20.09.2005		100,000
1997	4.250	05.02.2007		100,000
1997	4.000	30.05.2007		100,000
1997	4.125	20.11.2007		100,000
1998	3.500	30.01.2006		200,000
1998	3.250	31.03.2008		200,000
Total bonds of the Central Issuing Office of the Swiss Raiffeisen Ban	ks			900,000
Mortgage bond loans				
var.	3.493	var.		3,922,000
Total mortgage bond loans				3,922,000
Total outstanding bonds and mortgage bond loans				6,892,000

9 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against P & L in 1000 CHF	Reversal of provisions against P & L in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	482,800	_	_	45,524	-	528,324
Value adjustments and provisions						
for default risks (del credere and						
country risk)	530,403	- 66,557	7,654	149,372	- 115,475	505,397
Value adjustments and provisions						
for other business risks	17,444	- 2,082	_	12,972	- 4,600	23,734
of which provisions for						
restructuring costs*	_	_	_	3,400	_	3,400
Total value adjustments						
and provisions	1,030,647	- 68,639	7,654	207,868	- 120,075	1,057,455

^{*} made in respect of personnel expenditure

10 Evidence of equity capital

Equity capital at the beginning of the current year

+ Payments through increase in nominal capital

Total payments from new cooperative members

Cooperative capital with additional funding obligation	1,180,700	_	241,979	
Cooperative capital without additional funding obligation*			78,274	
Total equity capital	1,180,700	_	320,253	
Retained earnings			4,485,206	
Total equity capital at the beginning of the year (before approp. of profits)	1,180,700	_	4,805,459	
+ Payments from new cooperative members (with additional funding obligation)	103,638	200	20,728	
	254	300	76	
	287	400	115	
	1,640	500	820	
+ Payment of cooperative shares without additional funding obligation			27,624	

Number of members Nom. amount/share

105,819

1,251,730

in 1000 CHF

1,397

50,760

103,806

361,753

505,862

4,467,766

- Repayments to departing cooperative members	- 33,994	200	- 6,799
(with additional funding obligation)	- 105	300	- 32
	- 83	400	- 33
	- 607	500	- 304
 Repayment of cooperative shares without additional funding obligation 			- 2,092
Total repayments for departing cooperative members	- 34,789	_	- 9,260
- Interest paid on the cooperative capital of the Raiffeisen banks in the prior year			- 17,440
+ Group profit in current year			505,862
Total equity capital at the end of the current year (before approp. of profits)	1,251,730	_	5,335,381
of which cooperative capital with additional funding obligation	1,221,815	200	244,363
	4,819	300	1,446
	4,101	400	1,640
	20,995	500	10,498

Additional funding obligation of the cooperative members 10,013,840

Non-distributable statutory or legal reserves (in accordance with Swiss GAAP 24 section 11) based on separate financial statements at 31.12.2004: 1,757,945,000 Swiss francs (prior year 1,648,662,000 Swiss francs).

No cooperative member holds more than 5% of voting rights

of which cooperative capital without additional funding obligation

Total cooperative capital at the end of the current year

of which retained earnings

of which group profit

^{*} 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".

11 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,258,678	_	_	_	_	_	1,258,678
Receivables from money market sec.	13,235	_	_	_	-	_	13,235
Receivables from banks	823,973	_	7,322,749	4,099,298	5,000	_	12,251,020
Receivables from clients	45,467	3,693,323	480,606	863,908	1,771,588	238,879	7,093,771
Mortgage receivables	48,974	31,409,300	1,774,201	8,164,286	36,167,003	1,907,815	79,471,579
Trading portfolios in securities							
and precious metals	19,651	-	-	-	-	-	19,651
Financial assets*	95,976	-	48,603	389,153	1,822,179	539,861	2,895,772
Total current assets							
Current year	2,305,954	35,102,623	9,626,159	13,516,645	39,765,770	2,686,555	103,003,706
Prior year	3,527,553	38,620,585	10,013,037	11,592,573	33,823,251	2,410,991	99,987,990
Outside debt							
Liabilities to banks	880,441	-	7,062,026	1,187,978	1,504,353	367,569	11,002,367
Liabilities to clients in the form of							
savings and investment deposits	-	59,912,523	-	-	-	-	59,912,523
Other liabilities to clients	5,451,924	67,566	3,302,545	1,026,279	717,345	245,943	10,811,602
Medium-term notes	-	-	691,063	1,653,152	7,130,043	639,760	10,114,018
Bonds and mortgage bond loans	-	-	25,250	649,150	3,953,450	2,264,150	6,892,000
Total outside debt							
Current year	6,332,365	59,980,089	11,080,884	4,516,559	13,305,191	3,517,422	98,732,510
Prior year	8,015,162	57,279,460	10,951,611	4,015,525	11,868,901	3,133,060	95,263,719

12 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
12.1 Loans to executive bodies and employees		
Members of the Board of Directors and Supervisory Board of the Swiss Union of Raiffeisen Banks	16,006	15,766
Members of the Executive Board of the Swiss Union of Raiffeisen Banks	6,716	10,207
Total loans to executive bodies and employees	22,722	25,973

12.2 Transactions with associated persons

The same procedures regarding processing and supervision apply to loans to executive bodies as to other loans.

The same conditions apply to members of the Board of Directors and the Supervisory Board as to other clients.

The Bank's management enjoys the same industry-standard preferential terms as other personnel.

^{*} The financial assets include 56,151,000 Swiss francs of real estate (prior year 67,205,000 Swiss francs).

13 Breakdown of foreign and domestic assets and liabilities

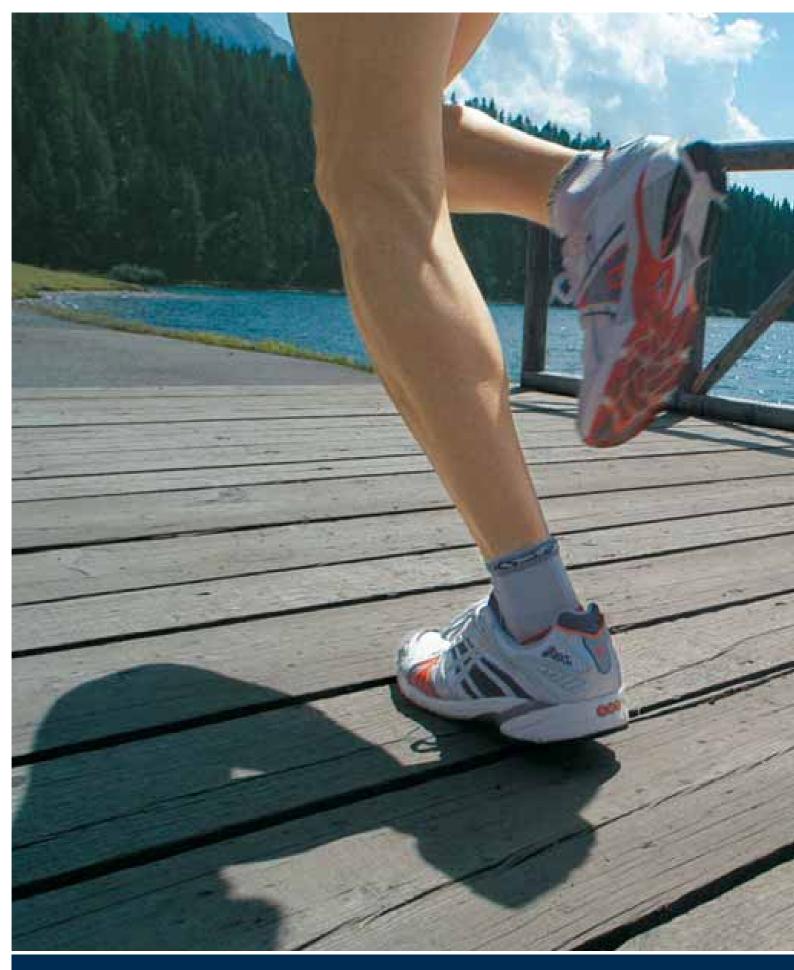
	Current year domestic	Current year foreign	Prior year domestic	Prior year foreign	
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	
Assets					
Liquid funds	1,251,277	7,401	1,231,643	2,423	
Receivables from money market securities	13,235	_	15,161	_	
Receivables from banks	3,633,000	8,618,020	4,474,3931	9,313,482	
Receivables from clients	7,062,156	31,615	7,641,112¹	81,205	
Mortgage receivables	79,471,579	_	74,154,267	_	
Trading portfolio in securities and precious metals	10,832	8,819	8,877	15,961	
Financial assets	2,874,382	21,390	3,039,061	10,405	
Non-consolidated participations	344,443	3,662	116,174	3,662	
Tangible fixed assets	1,597,893	_	1,552,610 2	_	
Intangibles	9,791	_	5,516 ²	_	
Accrued income and prepaid expenses	204,226	_	274,826	_	
Other assets	933,817	_	198,911	_	
Total assets	97,406,631	8,690,907	92,712,551	9,427,138	
Liabilities					
Liabilities to banks	7,712,114	3,290,253	9,638,0961	2,901,925	
Liabilities to clients in the form of					
savings and investment deposits	58,792,413	1,120,110	56,250,062	978,090	
Other liabilities to clients	10,561,447	250,155	8,385,4431	281,629	
Medium-term notes	10,114,018	_	9,322,724	_	
Bonds and mortgage bond loans	6,892,000	_	7,505,750	_	
Accrued expenses and deferred income	471,280	_	556,521	_	
Other liabilities	500,912	_	483,343	_	
Value adjustments and provisions	1,057,455	_	1,030,647	_	
Cooperative capital	361,753	_	320,253	_	
Retained earnings	4,467,766	_	4,031,955	_	
Group profit	505,862	-	453,251	_	
Total liabilities	101,437,020	4,660,518	97,978,045	4,161,644	

14 Total assets by country or country group

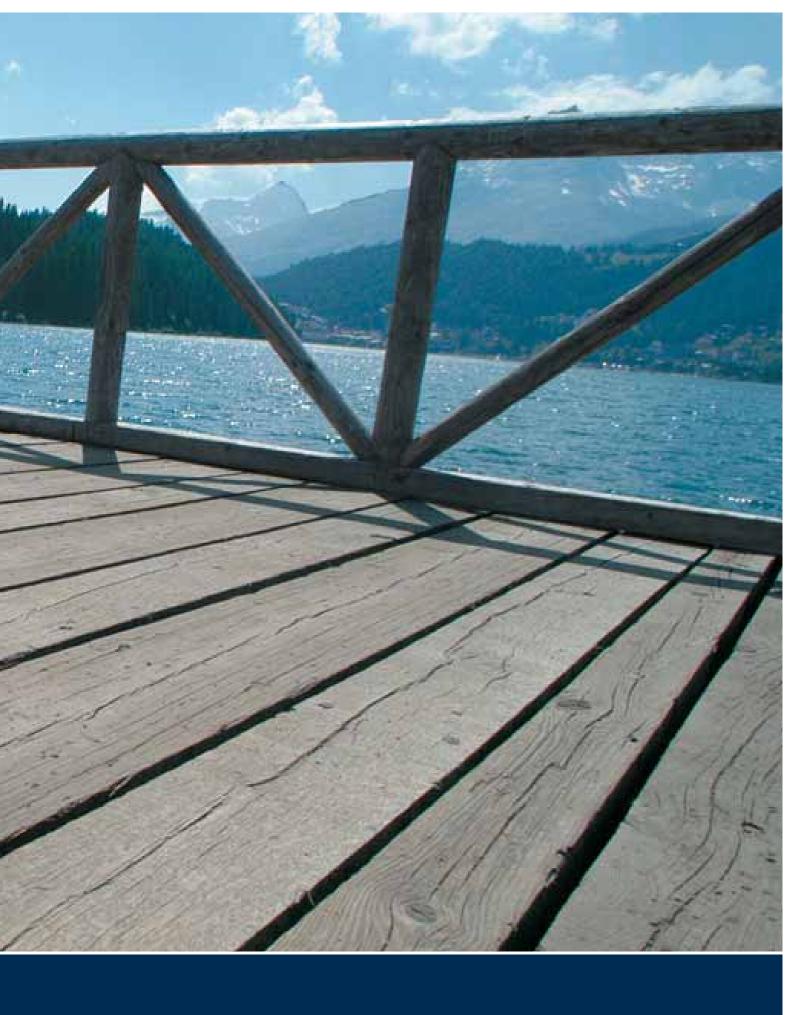
	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %	
Assets					
Switzerland	97,406,631	91.81	92,712,551	90.77	
Rest of Europe	8,509,036	8.02	9,269,994	9.08	
Rest of world (America, Asia, Oceania, Africa)	181,871	0.17	157,144	0.15	
Total assets	106,097,538	100.00	102,139,689	100.00	

- 1) Receivables and liabilities in respect of repo transactions with a business partner that does not possess SFBC banking status are now shown under "Receivables from or liabilities to clients" instead of "Receivables from or liabilities to banks". An adjustment of 500 million Swiss francs was made to the assets and liabilities in the prior-year figures.
- 2) Software is now shown under "Intangibles" instead of "Tangible fixed assets".

15 Balance sheet by currency					
	CHF	EUR	USD	Various	Total
	in 1000 CHF				
Assets					
Liquid funds	1,104,516	126,280	8,805	19,077	1,258,678
Receivables from money market securities	12,857	255	97	26	13,235
Receivables from banks	11,318,377	641,366	252,027	39,250	12,251,020
Receivables from clients	7,078,551	13,138	2,001	81	7,093,771
Mortgage receivables	79,471,579	-	-	_	79,471,579
Trading portfolio in securities and precious metals	12,897	356	1,667	4,731	19,651
Financial assets	2,852,711	773	6,778	35,510	2,895,772
Participations	344,663	3,442	-	_	348,105
Tangible fixed assets	1,597,893	_	_	_	1,597,893
Intangibles	9,791	_	_	_	9,791
Accrued income and prepaid expenses	204,226	_	_	_	204,226
Other assets	933,814	_	_	3	933,817
Total assets reflected in the balance sheet	104,941,875	785,610	271,375	98,678	106,097,538
Delivery claims under spot exchange, forward					
exchange and currency option contracts	116,141	461,668	156,086	22,632	756,527
Total assets	105,058,016	1,247,278	427,461	121,310	106,854,065
Liabilities					
Liabilities to banks	10,268,683	556,267	170,589	6,828	11,002,367
Liabilities to clients in the form of					
savings and investment deposits	59,741,826	170,697	_	_	59,912,523
Other liabilities to clients	10,202,990	399,575	143,195	65,842	10,811,602
Medium-term notes	10,114,018	_	_	_	10,114,018
Bonds and mortgage bond loans	6,892,000	_	_	_	6,892,000
Accrued expenses and deferred income	471,280	_	_	_	471,280
Other liabilities	500,912	_	_	_	500,912
Value adjustments and provisions	1,057,455	_	_	_	1,057,455
Cooperative capital	361,753	_	_	_	361,753
Retained earnings	4,467,766	_	_	_	4,467,766
Group profit	505,862	_	_	_	505,862
Total liabilities reflected in the balance sheet	104,584,545	1,126,539	313,784	72,670	106,097,538
Delivery obligations under spot exchange, forward					
exchange and currency option contracts	610,750	22,034	100,714	23,029	756,527
Total liabilities	105,195,295	1,148,573	414,498	95,699	106,854,065
Net position per currency	- 137,279	98,705	12,963	25,611	_
	•				
	31.12.2004	31.12.2003			
Foreign currency conversion rates					
EUR	1.543	1.560			



Feeling good. Running through wonderful countryside, well-prepared and fully motivated. Suddenly the runner enters a state in which he feels as though he is floating rather than running. When training at altitude the body compensates for the prevailing lack of oxygen by making adjustments to breathing activity, the cardiocirculatory system and the blood, and becomes even more efficient for around six weeks: "I feel good."



16 Contingent liabilities

Prior year

INFORMATION ON OFF-BALANCE-SHEET BUSINESS

					Current year in 1000 CHF	Prior year in 1000 CHF	
Loan security guarantees					121,205	127,521	
Warranty bonds					64,773	65,594	
Other contingent liabilities					122,239	41,684	
Total contingent liabilities					308,217	234,799	
					•	•	
17 Open derivative financial instr							
	Positive contract replace-	Negative contract replace-	Contract volume	Contract volume	Contract volume	Contract volume	
	ment value	ment value	up to 1 year	1 to 5 years	over 5 years	total	
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	
17.1 Trading instruments with int	ernal and exte	rnal counterpart	ies				
Interest rate instruments							
Futures contracts incl. FRAs	625	2,048	1,407,419	250,000	_	1,657,419	
Swaps	190,920	203,999	20,135,000	13,836,500	3,401,000	37,372,500	
Futures	-	_	6,156,000	349,000	_	6,505,000	
Options (OTC)	-	1,301	214,084	160,616	14,370	389,070	
Foreign currency							
Futures contracts	10,876	10,670	369,403	226	_	369,629	
Comb. interest rate/currency swaps	18,480	18,474	216,710	547,936	146,200	910,846	
Options (OTC)	258	258	19,479	_		19,479	
Precious metals							
Futures contracts	1,924	1,927	2,756	_	_	2,756	
Total							
Current year	223,083	238,677	28,520,851	15,144,278	3,561,570	47,226,699	
Prior year	180,191	193,768	29,134,857	9,183,478	1,584,780	39,903,115	
17.2 Hedging instruments with in	ternal counter	parties					
Interest rate instruments							
Swaps	44,599	113,709	5,550,000	5,705,000	1,525,000	12,780,000	
Currencies							
Comb. int. rate/currency swaps	6,086	12,387	108,355	273,968	73,100	455,423	
Total							
Current year	50,685	126,096	5,658,355	5,978,968	1,598,100	13,235,423	

35,117 104,288 13,234,728 4,008,495 506,928 17,750,151

17.3 Derivative financial instruments by external counterparty

	Positive contract replace- ment value in 1000 CHF	Negative contract replace- ment value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	87,548	184,284	16,185,100	8,655,581	1,948,100	26,788,781
Clients	9,439	3,708	521,395	160,730	15,370	697,495
Stock exchanges	_	-	6,156,000	349,000	_	6,505,000
Total						
Current year	96,987	187,992	22,862,495	9,165,311	1,963,470	33,991,276
Prior year	75,903	158,651	15,900,128	5,174,984	1,077,852	22,152,964

No netting contracts were used.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating.

99 percent of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

18 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	500	107,353	29,075	9,622	146,550
Total fiduciary transactions	500	107,353	29,075	9,622	146,550
Prior year	_	112,472	25,401	14,881	152,754



Feeling happy. Even during the run, but especially on reaching the finish, the runner starts to feel good. He is on a mental "high" after this oxygen rush, although his body is exhausted. After giving so much and overcoming his own weaknesses the runner has every reason to be proud of himself: "I did it."



INFORMATION ON THE PROFIT AND LOSS ACCOUNT

	Current year in 1000 CHF	Prior year in 1000 CHF
19 Net trading income		
Foreign currency trading	52,576	52,810
Precious metal trading	454	1,296
Equities trading	5,573	1,638
Fixed income trading	- 2,245	10,433
Total net trading income	56,358	66,177
		-
20 Income from participating interests		
Holdings valued according to the equity method	4,163	3,750
Other non-consolidated holdings	4,189	3,532
Total income from participating interests	8,352	7,282
21 Other ordinary income		
Account closing and booking charges, clients	55,797	49,122
Bancomat location charges	56,314	53,431
Miscellaneous	5,448	7,536
Total other ordinary income	117,559	110,089
22 Personnel expenditure		
Corporate bodies, attendance fees and fixed emoluments	18,341	17,056
Salaries and bonuses for staff	551,138	512,036
AHV, IV, ALV and other statutory contributions	53,131	50,049
Contributions to staff pension funds	37,100	27,765
Contribution to financing foundation for SURB employee benefits	18,188	15,125
Ancillary staff expenses	19,091	17,241
	696,989	639,272

24 Extraordinary income and expenditure

Current year

Included in the extraordinary income of 11.8 million Swiss francs and the extraordinary expenditure of 5.1 million Swiss francs are, in particular, gains and losses from the sale of tangible fixed assets.

Prior year

Extraordinary income of 28.8 million Swiss francs includes the reversal of a provision from the year 2002 in connection with an internal charge allocation amounting to 11.5 million Swiss francs and a revaluation gain of 7.8 million Swiss francs from a non-consolidated participation. This item also includes gains from the sale of tangible fixed assets.

Included in the extraordinary expenditure of 5.2 million Swiss francs are, in particular, losses from the sale of tangible fixed assets.

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Formation of provisions for deferred taxes	45,524	47,422
Expenditure for current income tax	108,212	92,095
Total tax expenditure	153,736	139,517

26 Calculation of mandatory capital

	Current year Nominal in 1000 CHF	Current year Risk-weighted positions in 1000 CHF	Prior year Nominal in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF	
Mandatory capital					
Direct assets requiring equity backing					
Receivables from banks	12,251,020	1,046,809	13,787,875*	1,333,719	
Receivables from clients	7,093,771	3,332,965	7,722,317*	3,518,364	
Mortgage receivables	79,471,579	41,733,142	74,154,267	38,923,820	
Real estate in financial assets	56,151	210,566	67,205	252,019	
Tangible fixed assets/intangibles	1,607,684	5,248,210	1,558,126	5,202,684	
Accrued income and prepaid expenses	204,226	185,220	274,826	261,912	
Other assets, total replacement value	96,987	67,341	75,903	47,059	
Other assets, miscellaneous	831,707	49,764	89,087	49,673	
Indirect assets requiring equity backing					
Net positions outside trading book	2,820,452	789,082	2,958,449	902,997	
Market risk positions	_	685,952	_	285,273	
Deductible liabilities					
Deductible provisions in the liabilities	- 505,397	- 379,048	- 530,403	- 397,802	
Off-balance-sheet transactions					
Contingent liabilities	308,217	144,671	236,299	105,001	
Irrevocable commitments	37,104	92,758	37,178	92,946	
Add-ons for forward contracts and options purchased	_	61,652	-	43,010	
Total risk-weighted positions		53,269,083		50,620,672	
Mandatory capital					
(8% of risk-weighted positions)		4,261,527		4,049,654	
Available capital					
Eligible core capital		5,316,081		4,788,003	
Eligible supplementary capital		2,658,041		2,394,002	
./. Participations in the financial area		- 342,691		- 115,460	
Total allowable capital		7,631,431		7,066,545	
Equity surplus		3,369,904		3,016,891	
Equity cover		179.1%		174.5%	
Tier 1 ratio		10.0%		9.5%	
Tier 2 ratio		14.3%		14.0%	

^{*} Receivables in respect of repo transactions with a business partner that does not possess SFBC banking status are now shown under "Receivables from clients" instead of "Receivables from banks". An adjustment of 500 million Swiss francs was made in the prior-year figures.

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Auditing report for the Raiffeisen Group's consolidated annual accounts to the Board of Directors of the Swiss Union of Raiffeisen Banks, St.Gallen

We have audited the consolidated financial statements as contained on pages 76 to 114 (consolidated balance sheet, consolidated profit and loss account, statement of cash flows and notes) for the year ended on 31 December 2004. The annual financial statements of the Raiffeisen banks affiliated with the Swiss Union of Raiffeisen Banks were audited by the Inspectorate of the Swiss Union of Raiffeisen Banks which is recognised as an auditor under banking law. The relevant reports were made available to us.

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

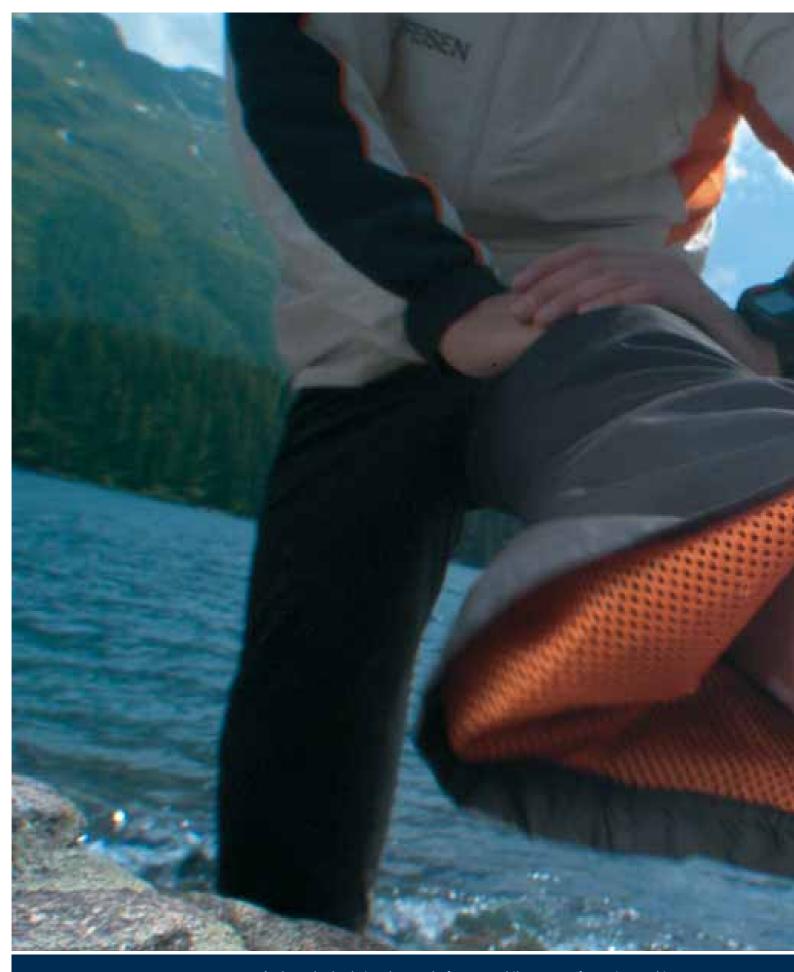
Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis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

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

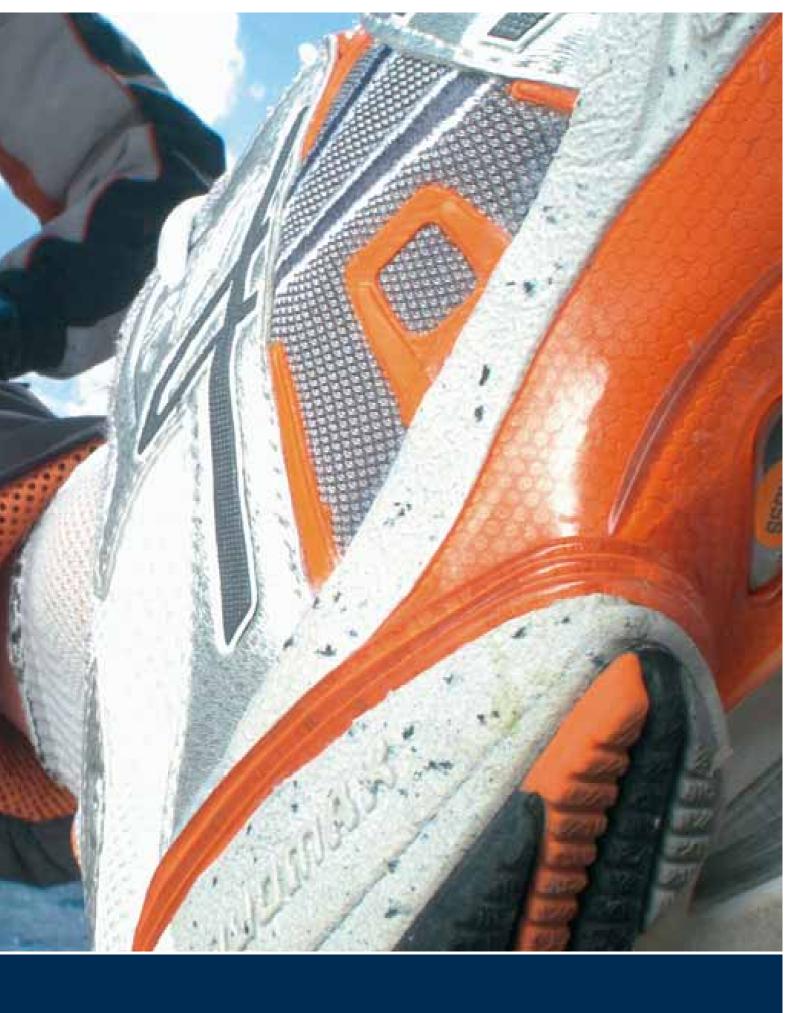
We recommend that the consolidated financial statements submitted to you be approved.

St.Gallen, 8 April 2005 PricewaterhouseCoopers AG

Beat Rütsche Friedrich W. Seiter



Relaxing. The body is exhausted after many kilometres of exertion and is running at maximum "operating temperature". It needs to stretch and wind down slowly to relax. The runner analyses his performance, feels a sense of satisfaction and relaxes: "I am recharging my batteries."





GROUP COMPANIES COMPARED

	Raiffeise	n banks	SU	RB	Other comp	Group anies	Consoli effe		Raiffeise	en Group
	Current year in CHF mill.	Prior year in CHF mill.								
Profit and loss account										
Net interest income	1,518	1,456	100	108	10	8	6	7	1,634	1,579
Net income from commission										
business and service transactions	116	99	56	55	3	3	- 27	- 28	148	129
Net trading income	39	41	18	24	_	_	- 1	1	56	66
Other ordinary result	93	76	161	125	160	142	- 270	- 209	144	134
Operating income	1,766	1,672	335	312	173	153	- 292	- 229	1,982	1,908
Personnel expenditure	- 515	- 476	- 136	- 122	- 81	- 63	35	22	- 697	- 639
Operating expenditure	- 533	- 522	- 141	- 124	- 69	- 62	283	295	- 460	- 413
Total operating expenditure	- 1,048	- 998	- 277	- 246	- 150	- 125	318	317	- 1,157	- 1,052
Gross profit	718	674	58	66	23	28	26	88	825	856
Depreciation										
on fixed assets	- 112	- 119	- 35	- 25	- 15	- 21	33	31	- 129	- 134
Value adjustments,										
provisions and losses	- 432	- 505	- 1	- 10	- 3	- 6	393	368	- 43	- 153
Operating profit (interim result)	174	50	22	31	5	1	452	487	653	569
Key balance sheet figures										
Balance sheet total	93,277	87,593	26,373	26,242	1,349	1,831	– 14,901 -	- 13,526	106,098	102,140
Balance sheet total Loans to clients	93,277 81,856	87,593 76,557	26,373 4,673	26,242 5,038	1,349 298	1,831 261	- 14,901 - - 262	- 13,526 21	106,098 86,565	102,140 81,877

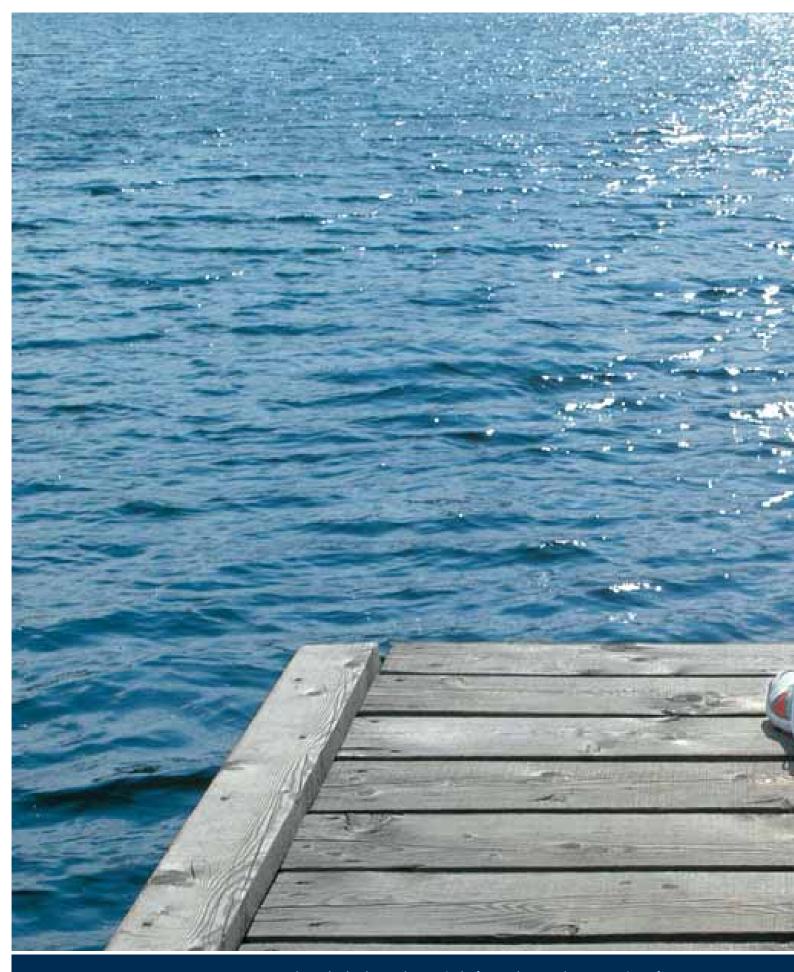
BALANCE SHEET - FIVE-YEAR OVERVIEW

	2004	2003	2002	2001	2000	
	in CHF million					
Assets						
Liquid funds	1,259	1,234	997	1,036	904	
Receivables from money market securities	13	15	18	25	33	
Receivables from banks	12,251	13,788	10,814	5,463	4,544	
Receivables from clients	7,094	7,723	7,331	7,320	7,030	
Mortgage receivables	79,471	74,154	68,570	63,501	59,251	
Loans to clients	86,565	81,877	75,901	70,821	66,281	
Trading portfolios in securities and precious metals	20	25	27	73	74	
Financial assets	2,896	3,049	2,771	2,988	3,192	
Non-consolidated participations	348	120	114	110	79	
Tangible fixed assets	1,598	1,552	1,511	1,464	1,522	
Intangibles	10	6	4	8	13	
Accrued income and prepaid expenses	204	275	271	279	328	
Other assets	934	199	256	142	172	
Total assets	106,098	102,140	92,684	82,409	77,142	
Liabilities						
Liabilities to banks	11,002	12,540	9,509	6,127	6,267	
Liabilities to clients in the form of						
savings and investment deposits	59,912	57,228	51,499	45,645	42,055	
Other liabilities to clients	10,812	8,667	7,305	7,247	7,135	
Medium-term notes	10,114	9,323	9,589	9,133	8,116	
Client monies	80,838	75,218	68,393	62,025	57,306	
Bonds and mortgage bond loans	6,892	7,506	8,124	8,188	7,890	
Accrued expenses and deferred income	471	557	562	510	477	
Other liabilities	501	483	776	726	686	
Value adjustments and provisions	1,058	1,031	986	952	983	
Cooperative capital	362	320	287	249	224	
Retained earnings	4,468	4,032	3,618	3,297	2,960	
Group profit	506	453	429	335	349	
Total equity capital	5,336	4,805	4,334	3,881	3,533	
Total liabilities	106,098	102,140	92,684	82,409	77,142	

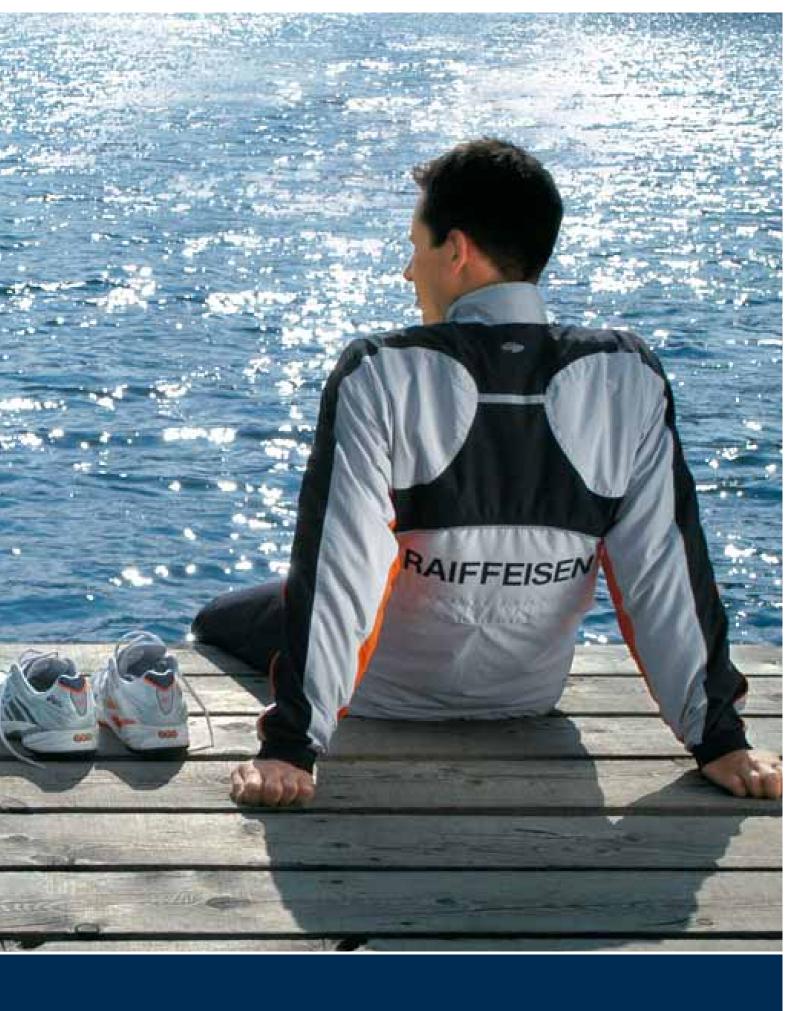
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PROFIT AND LOSS ACCOUNT - FIVE-YEAR OVERVIEW

Commission income from securities and investment business Commission income from other service transactions Commission expenditure -1 Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 0ther ordinary income 11	n in CHF million 7 2,795 8 98 1 -1,314 4 1,579	in CHF million 3,049 3 106 4 - 1,704	2001 in CHF million 3,115 115	in CHF million 2,787
Interest and discount income Interest and dividend income from financial assets Interest expenditure - 1,21 Net interest income Commission income from lending business Commission income from securities and investment business Commission income from other service transactions Commission expenditure - 1 Net income from commission business and service transactions 14 Net trading income Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	7 2,795 8 98 1 – 1,314 4 1,579	3,049 3 106 4 - 1,704	3,115 115	2,787
Interest and dividend income from financial assets Interest expenditure - 1,21 Net interest income 1,63 Commission income from lending business Commission income from securities and investment business 12 Commission income from other service transactions 3 Commission expenditure - 1 Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 111	8 98 1 – 1,314 4 1,579	106 4 – 1,704	115	•
Interest expenditure - 1,21 Net interest income 1,63 Commission income from lending business Commission income from securities and investment business 12 Commission income from other service transactions 3 Commission expenditure - 1 Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	1 – 1,314 4 1,579	1 - 1,704		123
Net interest income1,63Commission income from lending business12Commission income from securities and investment business12Commission income from other service transactions3Commission expenditure- 1Net income from commission businessand service transactions14Net trading income5Income from sale of financial assetsIncome from participating interestsIncome from real estate1Other ordinary income11	4 1,579	•	- 1,904	- 1,699
Commission income from lending business Commission income from securities and investment business Commission income from other service transactions Commission expenditure - 1 Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11		1,451	1,326	1,211
Commission income from securities and investment business Commission income from other service transactions Commission expenditure - 1 Net income from commission business and service transactions 14 Net trading income Income from sale of financial assets Income from participating interests Income from real estate Other ordinary income 11	5 6	5 4	3	2
Commission expenditure -1 Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	4 105	5 104	113	145
Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	7 30) 22	18	16
Net income from commission business and service transactions 14 Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	8 – 12	2 – 11	- 9	- 11
Net trading income 5 Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11				
Income from sale of financial assets Income from participating interests Income from real estate 1 Other ordinary income 11	8 129	119	125	152
Income from participating interests Income from real estate 1 Other ordinary income 11	6 66	62	54	55
Income from real estate 1 Other ordinary income 11	2 2	2 1		_
Other ordinary income 11	8 7	7 8	8	4
•	7 19	9 17	20	19
	8 110	103	91	91
Other ordinary expenditure –	1 – 4	1 – 11	- 12	- 9
Other ordinary result 14	4 134	1 118	107	105
Operating income 1,98	2 1,908	3 1,750	1,612	1,523
Personnel expenditure – 69	7 – 639	9 – 608	- 556	- 494
Operating expenditure – 46	0 – 413	- 412	- 377	- 337
Total operating expenditure – 1,15	7 – 1,052	- 1,020	- 933	- 831
Gross profit 82	5 856	730	679	692
Depreciation on fixed assets – 12	9 – 134	1 – 142	- 228	- 115
Value adjustments, provisions and losses – 4	3 – 153	- 70	- 77	- 84
Operating profit (interim result) 65	3 569	518	374	493
Extraordinary income 1	2 29	7	1	4
Extraordinary expenditure –	5 – 5	5 – 2	- 13	- 6
Taxes – 15	4 – 140	94	- 27	- 142
Group profit 50				



Recovering. The body needs a period of rest, sleep and recuperation after performing to the maximum. Recovery is equally as important as the performance itself. Successes and set-backs promote and demand composure: "I am on the right road."



OF THE RAIFFEISEN BANKING GROUP

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

Cooperative banks • Each of the 450 Raiffeisen banks is an independent cooperative with directly elected banking authorities.

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

Integration in the Swiss Union • The Swiss Union of Raiffeisen Banks fulfils the strategic management function for the entire Raiffeisen Banking Group and is responsible for Group-wide risk management. It also coordinates the Group's activities, creates the basic conditions for the business activity of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all matters. In addition, the Swiss Union of Raiffeisen Banks operates the central treasury, trade and processing functions for the entire Raiffeisen Group.

Security/solidarity ^a The Union is a united solidary group. The Swiss Union represents the last line of defence in the security network of the Raiffeisen banks.

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

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

Loans to members • Loans are predominantly granted to members, against collateral, and to public bodies. The majority of loans are invested in residential properties.

Conditions • The individual Raiffeisen banks are autonomous in setting interest rates. The member products of Raiffeisen banks are especially attractive.

Swiss Union of Raiffeisen Banks

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This report is also available in German, French and Italian.

