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“We open the way to new horizons”

Raiffeisen

The Swiss Raiffeisen banks promise a lot to their clients and members: to achieve a particular goal, to fulfil a lifelong desire, or even to turn a dream into reality. And we are always dreaming of exotic shores we want to escape to, of new things we want to do in our lives, of objectives we still want to achieve.

The images and accompanying texts in the 2007 Raiffeisen Annual Report depict people. These people are all on the way to their goal – helped along by Raiffeisen. The stories are living proof of our promise “We open the way to new horizons” and showcase the wide variety of situations in which the Raiffeisen banks are on hand to offer advice and support – when building a home for you and your family, when financing your medical studies, or even when renovating a cabin in the mountains.

The portraits depict people and the individual paths they take to reach their goals. They are just a few examples of the many things Raiffeisen makes possible for hundreds of thousands of people across the whole of Switzerland: we open the way to new horizons – towards your personal goal.

This annual report puts Raiffeisen clients and members in the spotlight. Because they are the focus of all of our activities and the reason why the Raiffeisen idea has become the success story it is today.

Editorial Raiffeisen Switzerland can look back on an extremely successful year. That success is due to positive collaboration between all parts of the Raiffeisen Group: the Raiffeisen banks, the Group companies, Raiffeisen Switzerland – and their employees.

“Stable growth over a number of years underscores Raiffeisen’s strong market position.”

The 2007 financial year once again gives us cause for satisfaction: all our key performance indicators continued to grow faster than the market as a whole. Stable growth over a number of years underscores Raiffeisen’s strong market position. I would like to highlight a few areas on which the Raiffeisen Group focussed during 2007:

Growth thanks to new market areas

The Raiffeisen Group expanded its branch network by a net total of six locations in 2007, with the number of openings (18) exceeding the number of closures (12) for the first time since 2000. The number of bank branches has fallen only slightly over the past seven years from 1,299 to the current figure of 1,155. Around half of the openings in the year under review were in the Zurich region, with new locations including Horgen, Zurich-Wollishofen, Thalwil and Stäfa. Raiffeisen opened a branch in Riehen in the Basel region, and one in Gland in the Lake Geneva region. Tapping into new market regions is a key factor for the successful growth of the Raiffeisen Group. The decision to establish a presence in city areas and conurbations comes in response to the wishes of many clients, and Raiffeisen intends to further expand its branch network.

The six branches of Raiffeisen Switzerland again posted a very encouraging performance in the year under review (balance sheet total +14.3%, loans +13.9%, client monies +13.9%). Banking activities at the Raiffeisen Switzerland branch in Grabs-Werdenberg were merged with those of the Raiffeisen bank in Wartau-Sevelen (new name: Raiffeisen bank Werdenberg) retroactively as of 1 January 2007, gen-



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

erating a number of synergies and cost savings and further enhancing our marketing operations in the Werdenberg market area.

Corporate clients business popular

Raiffeisen further expanded its market share in the corporate clients business in the year under review, with as many as 31% of small and medium-sized enterprises (SMEs) in Switzerland now having a banking relationship with the Group. Raiffeisen is highly sought-after by SMEs as a source for investment loans and is the second most popular bank in this area. With the Callgeld [call money] instrument and Firmen Anlagekonto [business investment account] launched in the year under review, Raiffeisen has developed attractive products offering flexible liquidity management options for corporate clients.

Consumer financing business goes to Aduno

The Raiffeisen Group sold its consumer loans and car leasing business to the Aduno Group, which specializes in cashless payments, on 28 February 2008, with the sale backdated to 1 January 2008. The new company Swiss One Finance AG brings together the services of Raiffeisen Finanzierungs AG, cashgate Ltd and Banque Cantonale Vaudoise's personal loans business. The resulting company will be Switzerland's third-largest car leasing and consumer financing provider.

Moody's rating raised to Aa1 thanks to strong cohesion

Leading rating agency Moody's upgraded Raiffeisen Switzerland from Aa2 to Aa1 in April 2007, citing the strong

cohesion within the Raiffeisen Group. Of central importance are the statutory guarantee Raiffeisen Switzerland grants in favour of the Raiffeisen banks affiliated to it, and the banks' legal obligation to provide financial assistance to Raiffeisen Switzerland, should this ever be necessary. This sharing of liability, Moody's noted, means that the entire Group's financial strength could be made available to every Raiffeisen bank at short notice. The rating agency also praised the individual Raiffeisen banks' close links with their local communities and the high level of trust in the Raiffeisen brand among the Swiss population. Raiffeisen Switzerland was rated by Moody's for the second time following the initial rating in 2006.

No involvement in the US credit crisis

2007 was a successful year for the stock markets, even though the US credit crisis generated considerable worldwide uncertainty towards the end of the year and resulted in losses for investors. The Raiffeisen Group was not affected at all by the subprime crisis in the US, as it has no securitized US mortgages in its portfolio. When granting mortgages Raiffeisen follows clear financing principles to ensure that interest payments are manageable for clients over the long term.

Structured products increasingly popular

Raiffeisen has strategically expanded its investment offering in recent years, and can now provide a balanced range of investment products to clients.

2007 saw the launch of several more highly promising products in conjunction with Bank Vontobel. In investment

funds alone, Raiffeisen added four products to its range (Kapitalschutzfonds [capital protection fund] 2014 in euros, Raiffeisen Convert Bond Global, the relaunched Global Invest fund and Raiffeisen Pension Portfolio). The quality of these products resulted in an award at the end of January 2007, with the prestigious rating agency Lipper singling out the Futura Swiss Stock as the best fund for Swiss equities over three and five years.

As well as investment funds, our clients are also showing an increasing interest in structured products. Raiffeisen launched a total of eight such products in the year under review.

Good progress with new banking platform

In December 2006 the Raiffeisen Group decided to replace the current applications for central bank functions and payment services with the widely used Swiss end-to-end solution Avaloq. This major project is to be implemented over a period of several years. The entire infrastructure is also being renewed at the same time and updated to more modern technological standards. 2007 was characterized by the operational implementation of the project and a feasibility study on the possible replacement of the current front-office software. Corresponding progress was also made with the development of the technical infrastructure. We are currently investing heavily in training our staff to use the new banking platform.

First woman on the Executive Board

In December 2007 the Board of Directors appointed Gabriele Burn-Schulz the first-ever female member of the

Executive Board of Raiffeisen Switzerland. She will take over from the retiring Robert Signer as Head of the Branches department from July 2008. The Board of Directors has also agreed an improvement in the organizational structure. As of 2008 Michael Auer is Chief Operating Officer (COO) responsible for all production and service tasks in the new Services department. Marcel Zoller is now Chief Financial Officer (CFO), and Damir Bogdan is Chief Information Officer (CIO).

Outlook for 2008

So what are the issues we will be dealing with in 2008? In the corporate clients business, further new products, simplified processes and efforts to increase the level of know-how across the country are planned. In addition, the equipment leasing department has been integrated into the corporate clients business as of 1 January 2008, representing another milestone in the latter's strategic orientation. The goal for 2008 is to outgrow the market once again.

As part of the implementation of the new banking platform, the New Payments project will be going live with initial functionalities such as the scanning centre, card authorization and the new signature solution during 2008. With the existing BOSS system set to be replaced by Avaloq at the Central Bank at the start of 2009, preparations for the switchover are already underway. We are also moving ahead with infrastructure renewal through the establishment of a second operational computer centre in Gossau SG.

The focus in investments in 2006 and 2007 was on positioning Raiffeisen as a professional investment bank and

acquiring new clients. Sustainability will remain a key area in 2008. As a socially responsible banking group, Raiffeisen will increasingly offer its investors sustainability products in conjunction with Bank Vontobel, which was among the first institutions to launch investment products that take sustainability criteria into account.

Thanks

I should like at this point to thank both the board members and the staff of the Raiffeisen Group at all levels. Everyone has played their part in the successful growth of recent years.

We view this as confirmation that our philosophy, our cooperative model and our corporate strategy are on the right track, and we aim to continue along the path of success together in the years ahead.



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

Organizational chart of Raiffeisen Switzerland



Branches
Robert Signer*
Gabriele Burn* (from 1 July 2008)

St. Gallen Branch
Dieter Leopold

Winterthur Branch
René Bentele

Basel Branch
Bruno Stiegeler

Zurich Branch
Andreas Breitenmoser

Berne Branch
Daniel Schmid

Thalwil Branch
Daniel Duca

IT
Damir Bogdan*

Business Systems
Enrico Lardelli

IT Operations
Christian Lampert

IT Governance & Services
Thomas Hilgendorff

Services
Michael Auer*

HR Management
pro tem Daniel Borner

Legal & Compliance
Roland Schaub

Organization & Purchasing
Robin Marke

Processing
Olivier A. Oettinger

Facility Management
Roland Hagen

Internal Auditing (IA)
Kurt Zobrist

IA RB St. Gallen
Roland Meier

IA RB Dietikon
Räto Willi

IA RB Lausanne
Jean-Daniel Rossier

IA RB Bellinzona
Katia Carobbio

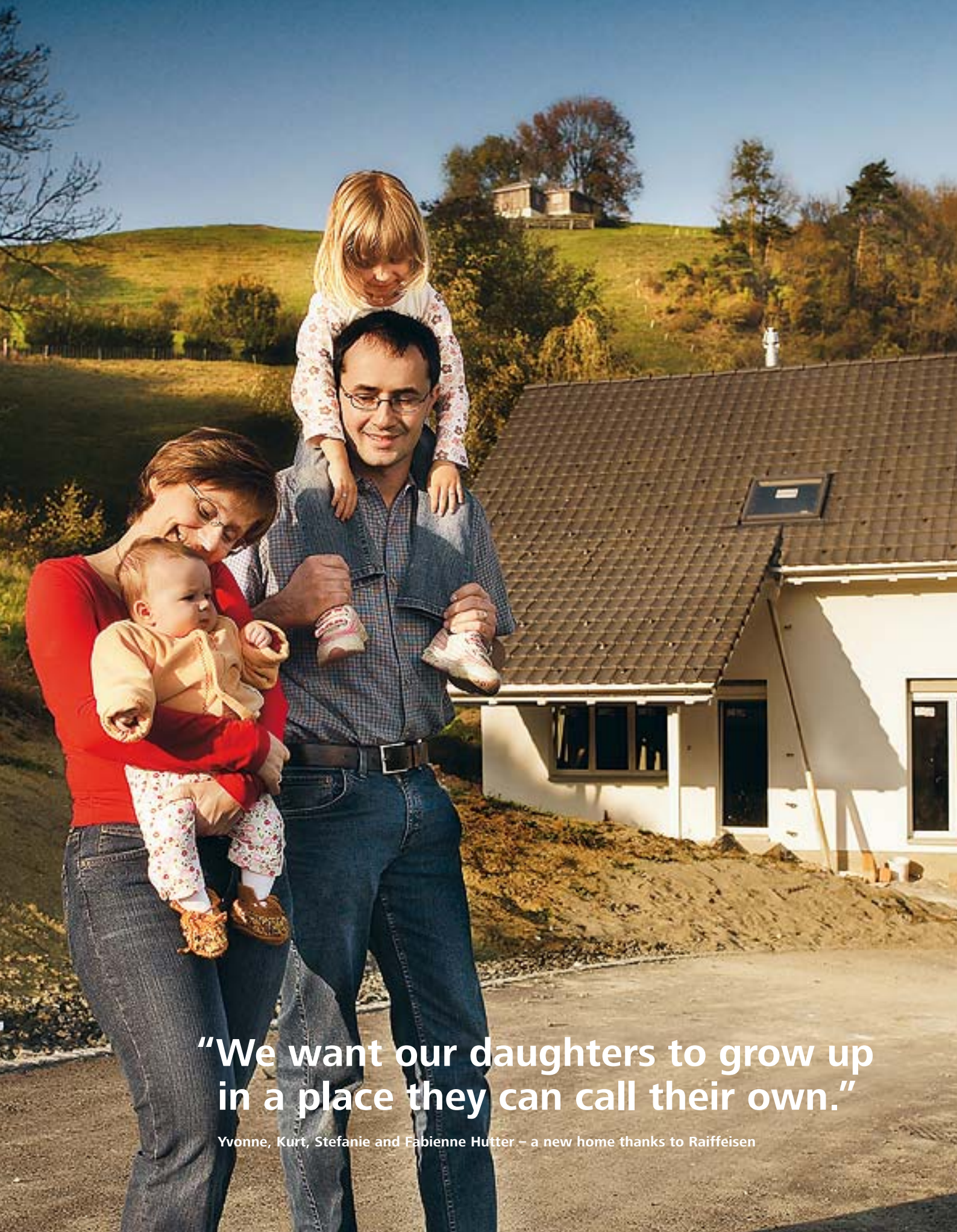
IA Raiffeisen Switzerland
Sergio Pesenti

Internal Auditing ICT
Oscar Albin

* Member of the Executive Board

** Member of the extended Executive Board

As at 1 March 2008



**“We want our daughters to grow up
in a place they can call their own.”**

Yvonne, Kurt, Stefanie and Fabienne Hutter – a new home thanks to Raiffeisen



They turned their dream of owning their own

home into reality. Kurt Hutter will soon move back to the area where he was brought up, along with his wife and two daughters. "I grew up in a house with my parents and brothers and sisters," he reminisces. The feeling of owning the space the family lived in was always very important to his parents – and one that is shared by Kurt and his wife Yvonne.

The desire to own their own home became all the more pronounced when Stefanie, now almost five years old, came along. "We had to sit down and work out whether we could afford our own house." Their first port of call was the bank where they were already clients. They met with a Raiffeisen advisor, who explained their financing options to them in depth and was able to offer them a suitable product.

When their second daughter, Fabienne, was born, the future home of the Hutter family in Eichberg SG had already started to take shape. They all looked forward to the special moment when they would be able to pack up their furniture, belongings and the children's toys and move from their apartment to start a new life in their own four walls.

Business trend 2007 saw the opening of the Thalwil branch and the transfer of the Grabs-Werdenberg branch to Raiffeisenbank Werdenberg. These changes, along with the major project volume for the launch of the new banking platform, impacted on the balance sheet and profit and loss account.

-
- *Opening of the Thalwil branch in November 2007*
 - *Transfer of the Grabs-Werdenberg branch to Raiffeisenbank Werdenberg*
 - *Marked rise in net trading income to 49.3 million Swiss francs*
 - *Costs of 26.5 million Swiss francs for Raiffeisenbank projects absorbed*
-

In June of the financial year under review Raiffeisen Switzerland transferred the Grabs-Werdenberg branch to Raiffeisenbank Werdenberg retroactively as of 1 January 2007. Raiffeisen opened the Thalwil branch in November 2007. These two important steps significantly influenced Raiffeisen Switzerland's balance sheet and profit and loss account, meaning that the figures can only be compared with the previous year to a limited degree.

Raiffeisen Switzerland posted net profit of 18.4 million Swiss francs in the year under review, while the balance sheet total increased by 12.9% to 28.6 billion Swiss francs.

Profit and loss account

Both income and expenditure developed as planned and were in line with expectations. Income from ordinary banking activities increased considerably on the back of high volumes, primarily in terms of business transactions with the Raiffeisen banks. The Raiffeisen Switzerland branches are also making an increasingly large contribution to earnings growth. Taking into account the special effects resulting from project activities in connection with the introduction of the new banking platform, there was only a moderate rise in operating expenditure.

Income from ordinary banking activities

Net interest income (note 20) was 106 million Swiss francs, which constitutes a slight year-on-year fall of around 4.7% or 5.3 million Swiss francs. The decline is primarily due to the transfer of the Grabs-Werdenberg branch to Raiffeisenbank Werdenberg.

Net income from commission business and service transactions (note 21) rose by 11.2% or 6.0 million Swiss francs compared with the previous year. While commission income from other service transactions also recorded a strong increase of 9.5%, commission income from lending business was down slightly, falling by 0.1 million Swiss francs. In addition, the outsourcing of client custody accounts to the Vontobel Group was fully included in commission expenditure for the first time, leading to an increase of 33.2 million Swiss francs in expenditure.

Net trading income (note 22) increased by a massive 74.5% or 21.1 million Swiss francs on the previous year to 49.4 million Swiss francs. This excellent result was down to additional income of 11.0 million Swiss francs from equities trading and 9.9 million Swiss francs from fixed income trading.

The other ordinary result was also up 8.0% to 257.8 million Swiss francs. This growth is first and foremost due to the rise of 8.3 million Swiss francs or 41.2% in income from participating interests, attributable not least to the increase in the equity interest in Helvetia Holding AG in 2006.

Other ordinary income also includes the contributions of the Raiffeisen banks for collective and strategic services provided by Raiffeisen Switzerland and for projects concerning the entire Group. 26.5 million Swiss francs were allocated to the Raiffeisen banks for projects in the year under review.

Total operating expenditure

Personnel expenditure (note 24) rose by 36.3 million Swiss francs year-on-year to 267.1 million Swiss francs (+ 15.7%), primarily as a result of the increased headcount. As at the end of 2007, the number of people employed by Raiffeisen Switzerland – on a full-time equivalent basis – was 1,549, 106 or 7.3% more than at the end of 2006. This need for additional resources is a direct consequence of the increased level of project activity. Other factors include the external personnel resources required for project activities, individual salary increases of 2.5% on average, and the higher bonuses paid out in view of the favourable business performance.

Operating expenditure (note 25) amounted to 157.2 million Swiss francs in the year under review. The increase of 12.6% or 17.6 million Swiss francs is related to the infrastructure projects referred to above.

Depreciation on fixed assets

Depreciation on fixed assets fell by 31.3% to 37.9 million Swiss francs (note 4). Extraordinary writedowns with reserve characteristics were once again carried out on the IT infrastructure in the year under review.

Value adjustments, provisions and losses

“Value adjustments, provisions and losses” fell from 4.6 million Swiss francs to 0.4 million Swiss francs in the year under review, due primarily to the low-risk portfolio.

Extraordinary income and taxes

Extraordinary income (note 26) of 19.8 million Swiss francs includes both 3.9 million Swiss francs from the reversal of value adjustments that are no longer required and 10.1 million Swiss francs from the release of reserves for general banking risks. Income of 3.0 million Swiss francs was generated through the sale of participations and tangible fixed assets.

Net profit

Net profit was up 0.5% year-on-year at 18.4 million Swiss francs.

Balance sheet

Raiffeisen Switzerland's balance sheet reflects the diverse demands placed on it as a result of its central position within the Raiffeisen Group. In addition to maintaining bank branches in various major cities in Switzerland that offer a similar range of services to the Raiffeisen banks, Raiffeisen Switzerland also provides the services of a central bank for the entire Group, and as intermediary is responsible for a range of tasks including liquidity management, refinancing and the hedging of interest rate exposure on a consolidated basis. As a result, the short-term liquidity situation of the Raiffeisen banks, which is dictated by the difference between the growth of client assets and that of loans, is directly reflected in Raiffeisen Switzerland's balance sheet and balance sheet total, which increased by 3.3 billion Swiss francs or 12.9% in 2007.

Raiffeisen Switzerland complied with its statutory liquidity requirements, which have to be met on a consolidated basis, at all times. The statutory capital adequacy requirements were also fulfilled.

Receivables from or liabilities to Raiffeisen banks

As at the end of 2007, net receivables from the Raiffeisen banks had risen from 556 million Swiss francs in 2006 to 1.4 billion Swiss francs. The increase of 806 million Swiss francs shows that the Raiffeisen banks received significantly less client monies than they were able to use for lending operations. A significant proportion of the Raiffeisen banks' assets are invested in blocked accounts to comply with statutory liquidity requirements. These investments are worth 4.1 billion Swiss francs.

Receivables from or liabilities to other banks

As at the end of 2007, the net position for business with banks resulted in net receivables of 911 million Swiss francs, a drop of 852 million Swiss francs on the year-back figure. Interbank business volumes rose by 845 million Swiss francs on the assets side, while the liabilities side recorded an increase of 1.7 billion Swiss francs. In repo transactions, Raiffeisen Switzerland continues to occupy a leading position on the Swiss franc market. In addition to offering more favourable refinancing terms, this also permits investment in third-party banks on a covered basis, therefore putting less pressure on capital resources. Securities from financial assets, reverse repurchase trans-

actions or the securities borrowing business are used as collateral. Funds are also borrowed in foreign currencies.

Loans to clients

Loans to clients fell by a total of 0.9% to 4.3 billion Swiss francs in the year under review. 455 million Swiss francs were transferred to Raiffeisenbank Werdenberg, while the Raiffeisen banks also took back net loans to clients totalling 179 million Swiss francs from Raiffeisen Switzerland, reducing the so-called undisclosed assignments at Raiffeisen Switzerland to 354 million Swiss francs.

Financial assets

Securities holdings in financial assets (note 2), consisting primarily of first-class bonds, are managed in accordance with the statutory liquidity requirements for the Raiffeisen Group. The book value shrank by 346 million Swiss francs to 2.2 billion Swiss francs in the 2007 financial year. Precious metals fell to 26.5 million Swiss francs, while real estate from non-performing positions designated for resale also fell slightly by 0.2 million Swiss francs to 1.4 million Swiss francs.

Participations

Participations (note 3) includes the holdings in the Group companies, the 12.5% stake in Vontobel Holding Ltd and holdings in Telekurs Holding Ltd, the Mortgage Bond Bank, Aduno Holding Ltd and Helvetia Holding Ltd. Raiffeisen reduced its holding in the Mortgage Bond Bank from 7.8%

to 7.2% in the year under review; the stocks were sold to various Raiffeisen banks. Raiffeisen Switzerland also took over all shares in Raiffeisen Leasing from the Raiffeisen banks for a price of 35.5 million Swiss francs.

Tangible fixed assets

The investment volume in respect of real estate (note 4) amounted to 5.2 million Swiss francs in 2007. The lease agreement for the premises of the former Raiffeisen Informatik AG in Dietikon was terminated early, and ownership of the building transferred to Raiffeisen. 43.8 million Swiss francs were invested in other tangible fixed assets and 21.4 million Swiss francs under "Other" (now for software).

Client monies

Savings deposits fell by 433.6 million Swiss francs or 21.7% in the year under review, due primarily to the transfer of the Grabs-Werdenberg branch to Raiffeisenbank Werdenberg. Medium-term notes were up 15.4% to 490 million Swiss francs, while other liabilities to clients rose to 5.8 billion Swiss francs. Overall, client monies grew by 1.2 billion Swiss francs.

Bonds and mortgage bond loans

A number of bonds and mortgage bond loans (note 9) fell due in the year under review. Two new bonds worth 70 million Swiss francs and 250 million Swiss francs respectively were issued in October 2007. The liabilities incurred under this item rose by 231.6 million Swiss francs or 7.5% in net terms.

Value adjustments and provisions

The value adjustments for loans (note 10) decreased by 3.3 million Swiss francs to 39.7 million Swiss francs in net terms.

In order to determine the value adjustments for default risks, the expected risks were identified based on internal ratings and by calculating the value of collateral.

Provisions for other business risks amounted to 0.8 million Swiss francs, down 3 million Swiss francs on the year-back figure. 0.2 million Swiss francs are recorded in the balance sheet under "Restructuring provisions". "Value adjustments and provisions" fell by 6.3 million Swiss francs overall to 40.7 million Swiss francs.

Reserves for general banking risks

10.1 million Swiss francs were taken from the reserves for general banking risks in the year under review to co-finance infrastructure projects.

Equity capital

Reported equity capital fell by 4.5 million Swiss francs to 882 million Swiss francs due to the release of reserves for general banking risks. The statutory capital adequacy situation is set out on page 60.

Off-balance-sheet business

The contract volume for derivative financial instruments (note 18) fell sharply by 16.2% from 43.5 billion Swiss francs to 36.4 billion Swiss francs. This significant decrease

can be attributed to the Raiffeisen Group's asset and liability management activities. The positive replacement values amounted to 219 million Swiss francs (2006: 161 million Swiss francs), while the negative replacement values amounted to 105 million Swiss francs (2006: 77.5 million Swiss francs).

Balance Sheet as at 31 December 2007

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Assets					
Liquid funds	101,930	117,454	-15,524	-13.2	12
Receivables from money market securities	5,572	5,047	525	10.4	12
Receivables from Raiffeisen banks	5,334,042	4,509,773	824,269	18.3	6, 12
Receivables from other banks	12,340,266	11,495,444	844,822	7.3	12
Receivables from clients	919,453	827,699	91,754	11.1	1, 12
Mortgage receivables	3,386,545	3,517,049	-130,504	-3.7	1, 6, 12
Loans to clients	4,305,998	4,344,747	-38,749	-0.9	
Trading portfolios in securities and precious metals	718,432	137,982	580,450	420.7	2, 12
Financial assets	2,168,814	2,514,386	-345,572	-13.7	2, 6, 12
Participations	398,227	363,284	34,943	9.6	2, 3, 4
Tangible fixed assets	235,339	206,010	29,329	14.2	4
Accrued income and prepaid expenses	352,413	294,291	58,122	19.7	
Other assets	2,605,440	1,308,082	1,297,358	99.2	5
Total assets	28,566,473	25,296,501	3,269,972	12.9	14, 16
Total subordinated receivables	–	–	–	–	
Total receivables from Group companies	443,758	76,914	366,844	477.0	
Liabilities					
Liabilities to Raiffeisen banks	3,972,433	3,953,784	18,649	0.5	12
Liabilities to other banks	11,429,331	9,732,898	1,696,433	17.4	12
Liabilities to clients in the form of savings and investment deposits	1,568,805	2,002,357	-433,552	-21.7	12
Other liabilities to clients	5,828,725	4,279,321	1,549,404	36.2	12
Medium-term notes	489,915	424,449	65,466	15.4	12
Client monies	7,887,444	6,706,127	1,181,317	17.6	
Bonds and mortgage bond loans	3,339,100	3,107,550	231,550	7.5	9, 12
Accrued expenses and deferred income	362,780	266,105	96,675	36.3	
Other liabilities	652,748	596,620	56,128	9.4	5
Value adjustments and provisions	40,664	46,937	-6,273	-13.4	10
Reserve for general banking risks	424,500	434,600	-10,100	-2.3	10
Cooperative capital	320,000	320,000	–	–	
General statutory reserve	119,080	113,582	5,498	4.8	
Annual profit	18,392	18,298	94	0.5	
Total equity capital	881,972	886,480	-4,508	-0.5	11
Total liabilities	28,566,473	25,296,501	3,269,972	12.9	14, 16
Total subordinated commitments	–	–	–	–	
Total commitments towards Group companies	21,840	9,761	12,079	123.7	
Off-balance-sheet business					
Contingent liabilities	237,701	372,393	-134,692	-36.2	1, 17
Irrevocable undertakings	296,646	134,454	162,192	120.6	1
Obligations to make payments and additional contributions	19,640	21,098	-1,458	-6.9	1
Derivative financial instruments					
Positive replacement values	219,454	161,041	58,413	36.3	18
Negative replacement values	105,114	77,527	27,587	35.6	18
Contract volume	36,438,019	43,480,690	-7,042,671	-16.2	18
Fiduciary business	336,829	230,339	106,490	46.2	19

Profit and Loss Account 2007

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %	Note
Interest and discount income	1,040,294	736,788	303,506	41.2	20
Interest and dividend income from financial assets	60,060	69,009	-8,949	-13.0	20
Interest expenditure	-994,396	-694,583	-299,813	43.2	20
Net interest income	105,958	111,215	-5,257	-4.7	
Commission income from lending business	823	919	-96	-10.4	21
Commission income from securities and investment business	60,098	54,058	6,040	11.2	21
Commission income from other service transactions	50,947	46,526	4,421	9.5	21
Commission expenditure	-58,031	-24,819	-33,212	133.8	21
Net income from commission business and service transactions	53,837	76,684	-22,847	-29.8	
Net trading income	49,354	28,291	21,063	74.5	22
Income from sale of financial assets	122	-32	154	481.3	
Income from participating interests	28,551	20,220	8,331	41.2	
Income from real estate	3,813	3,309	504	15.2	
Other ordinary income	225,318	215,837	9,481	4.4	23
Other ordinary expenditure	-27	-629	602	-95.7	
Other ordinary result	257,776	238,706	19,070	8.0	
Operating income	466,926	454,896	12,030	2.6	
Personnel expenditure	-267,106	-230,808	-36,298	15.7	24
Operating expenditure	-157,164	-139,528	-17,636	12.6	25
Total operating expenditure	-424,270	-370,336	-53,934	14.6	
Gross profit	42,656	84,560	-41,904	-49.6	
Depreciation on fixed assets	-37,932	-55,229	17,297	-31.3	4
Value adjustments, provisions and losses	-432	-4,647	4,215	-90.7	
Operating profit (interim result)	4,291	24,683	-20,392	-82.6	
Extraordinary income	19,786	7,191	12,595	175.1	26
Extraordinary expenditure	-313	-8,277	7,964	-96.2	26
Taxes	-5,373	-5,300	-73	1.4	
Annual profit	18,392	18,298	94	0.5	

The amounts shown in the annual report have been rounded. Consequently, a minimal difference may arise in the total amount.

Proposed Distribution of the Available Profit to the Ordinary Delegate Meeting of 7 June 2008 in Flims

	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Appropriation of profit				
Annual profit	18,392	18,298	94	0.5
Profit brought forward	–	–	–	–
Available profit	18,392	18,298	94	0.5
Appropriation of profit				
– Allocation to general statutory reserve	5,592	5,498	94	1.7
– Interest on cooperative capital	12,800	12,800	–	–
Total appropriation of profit	18,392	18,298	94	0.5

Cash Flow Statement 2007

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from operating results (internal financing)				
Annual profit	18,392		18,298	
Depreciation on fixed assets	37,932		55,229	
Value adjustments and provisions	6,931	13,204	9,664	14,316
Reserves for general banking risks		10,100	6,600	
Prepaid expenses		58,122		61,505
Deferred income	96,675		53,575	
Interest paid on share certificates for prior year		12,800		12,800
Balance	65,704	–	54,745	–
Cash flow from equity capital transactions				
Net change in equity capital				
Balance	–	–	–	–
Cash flow from investment activities				
Participations	554	35,597	10,800	47,535
Real estate	918	5,177		6,215
Other tangible fixed assets	2,284	43,806	34	30,955
Other		21,381		32,231
Objects in finance leasing		–		20,628
Balance	–	102,205	–	126,730
Cash flow from banking business of the Central Bank with Raiffeisen banks				
Liabilities to Raiffeisen banks	1,319,952		2,226,304	
Receivables from Raiffeisen banks		2,095,424		1,301,914
Receivables from clients undisclosed assignments	48,779		58,027	
Mortgage receivables undisclosed assignments	129,151		152,666	
Balance	–	597,541	1,135,083	–

Continued on page 21

	Current year origin of funds in 1000 CHF	Current year use of funds in 1000 CHF	Prior year origin of funds in 1000 CHF	Prior year use of funds in 1000 CHF
Cash flow from ordinary banking business with the Central Bank				
Liabilities to banks	1,696,437			6,580
Liabilities to clients	1,201,110		597,740	
Medium-term notes	174,800			320,800
Bonds	283,250	225,500	246,600	384,500
Other liabilities	54,512		128,760	
Receivables from money market securities		544	199	
Receivables from banks		844,863		1,366,521
Receivables from clients		187,713	52,632	
Mortgage receivables				
Trading portfolio in securities and precious metals		580,328		84,791
Financial assets	345,472		303,387	
Other receivables		1,297,503		312,293
Liquid funds	16,343		105,603	
Balance	635,473	–	–	1,040,564
Cash flow from banking business of the branches of Raiffeisen Switzerland				
Net positions at the Central Bank		30,148		166,829
Savings and investment funds		433,025	30,058	
Other liabilities to clients	347,766		129,745	
Medium-term notes	209,578	144,112	138,472	68,258
Bonds/mortgage bond loans		1,000		
Other liabilities	1,613			160
Receivables from clients	47,180		79,271	
Mortgage receivables	1,353			162,559
Other receivables	183			224
Liquid funds		819		2,049
Balance	–	1,431	–	22,533
Total origin of funds	6,041,165		4,403,664	
Total use of funds		6,041,165		4,403,664



**“I’ve always wanted
to help people.”**

Carmen Venetz, medical student in her first semester –
Raiffeisen student accountholder



Carmen Venetz has stamina. “When I feel like it”, she adds. She needs it as well, given that the young medical student from Susten in Valais has only just begun her medical degree in Berne. Six years of study, six years as a junior doctor – she has a long road ahead of her. “But then my dream job will become a reality,” she says.

Her parents knew a long time ago that Carmen was going to study for a degree. The idea of saving a significant amount of money for her education over a number of years in a special Raiffeisenbank account was therefore never far from their minds.

Having attended the Spiritus Sanctus college in Brig, Carmen passed the university entrance tests, leaving the way clear for her to follow her chosen career path. “For as long as I can remember, people and their wellbeing have been close to my heart,” she remembers. Having only just started her studies, Carmen’s options are still open as to which area of medicine she would one day like to work in.

For now the important thing is that she feels settled in her new surroundings in Berne. This has been helped along by living with some fellow students from Valais in her halls of residence and having a swimming pool nearby where she goes to keep fit.

Notes

Business activities

The most important duties of Raiffeisen Switzerland include ensuring loan and capital settlement and guaranteeing that statutory liquidity requirements are met for the entire organization. Settling the regularly recurring, seasonal liquidity fluctuations of the entire Raiffeisen Group, which has a balance sheet total of around 123 billion Swiss francs, represents a particular challenge.

The difference between the growth of client assets and that of loans at the Raiffeisen banks is directly reflected in the Raiffeisen Switzerland balance sheet and balance sheet total. As the giro centre for the Raiffeisen Group, Raiffeisen Switzerland has expanded interbank transactions in the last few years by significantly increasing the focus on repo business in Switzerland and medium to long-term borrowing abroad. The Raiffeisen Switzerland Central Bank is one of the biggest repo trading institutions in Switzerland. It was able to dramatically improve the credit risk profile in interbank business thanks to the repo business, which reduces the pressure on capital resources. There was also an improvement in liquidity management coupled with a substantial drop in refinancing costs for the Raiffeisen Group.

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

St. Gallen, Thalwil, Winterthur and Zurich. The Central Bank can enter into commitments abroad up to a risk-weighted maximum of 5% of the Raiffeisen Group's consolidated net assets, according to the risk-weighting factors stipulated by banking law.

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

Staff

As at the end of 2007, the number of employees – on a full-time equivalent basis – was 1,549 (previous year: 1,443).

Risk management

Risk policy

The risk management systems are based on statutory provisions and the regulations governing risk policy for Raiffeisen Switzerland ("risk policy" for short). Raiffeisen views taking on risks as one of its core competences and sees it as a vital prerequisite for achieving returns. Risks are only entered into in full knowledge of their extent and dynamics, and only when the requirements in terms of systems, staff resources and expertise are met.

The aim of the risk policy is to limit the negative impact of risks on earnings and protect Raiffeisen Switzerland against high exceptional losses while safeguarding and strengthening its good reputation. The risk policy forms the basis for managing risks at the operational level and is imple-

mented by the Board of Directors of Raiffeisen Switzerland. It is reviewed and updated annually.

Group Risk Controlling is responsible for ensuring that the risk policy is observed and enforced. The Compliance unit ensures that regulatory provisions are adhered to.

Risk control

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

Risk management process

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

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

The aim of risk management is to

- ensure that effective controls are in place at all levels;
- ensure that any risks entered into are in line with accepted levels of risk tolerance;
- create the conditions for entering into and systematically managing risks in an active, targeted and controlled manner;

- make the best possible use of risk tolerance, in other words to ensure that risks are only entered into if they offer suitable return potential.

Credit risks

The Raiffeisen Switzerland branches and the Central Bank department are exposed to credit risks. They arise in the form of counterparty risks from dealings with commercial banks as well as institutional, corporate and private clients. At branch level, credit risks predominantly derive from loans granted to one or more individuals or corporate clients. They are limited primarily by securing the underlying claims. The Central Bank department mainly incurs credit risks in connection with interbank business. With the exception of the repo business, these commitments are unsecured.

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

Creditworthiness and solvency are assessed on the basis of Group-wide standards that are laid down in the lending policy. Sufficient creditworthiness and the ability to keep up payments must be proven before approval for any loan is granted. Loans to private individuals and legal entities are classified according to internal rating procedures and monitored from a risk-oriented perspective. Creditworthiness is defined according to four risk categories, which are further refined using a points system. This system has proved its worth as a means of dealing with the key elements of credit

risk management, i.e. risk-adjusted pricing, portfolio management, identification and individual value adjustments. Specialist teams are available for more complex financing and the management of recovery positions.

Collateral is valued according to uniform criteria. In the case of mortgages and building loans in particular, a comprehensive set of guidelines specifies how collateral is to be calculated, depending on the type of property in question. For owner-occupied residential property, rented single-family homes and owner-occupied apartments, a carefully determined actual value is used, while calculations for multi-family 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. With commercial property for own use, this is based on the borrower's earnings power, taking into account any third-party utility value that could be obtained on the market. Different repayment obligations apply to second mortgages. A prudent lending limit policy and an approval procedure geared to levels of responsibility complete our credit management process.

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

The standardized guidelines concerning the establishment and release of individual value adjustments for default risks are set out in an internal directive. This stipulates how the liquidation value and individual value adjustments for any collateral that may exist should be calculated if 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.

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

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

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

Cluster risks are monitored centrally by Credit Risk Controlling.

As at 31 December 2007 Raiffeisen Switzerland had nine cluster risks subject to a reporting obligation. These had a combined risk-weighted exposure of 1,389 million Swiss francs, constituting 145.7% of allowable capital resources (previous year: 10 positions subject to a reporting obligation amounting to 1,617 million Swiss francs or 166.6% of capital resources).

At Raiffeisen Group level there are no cluster risks that have to be reported under Swiss Federal Banking Commission (SFBC) regulations.

The credit volume of Raiffeisen Switzerland's ten largest borrowers (excluding interbank business and public bodies) as at 31 December 2007 was 359.4 million Swiss francs or 8.77% of loans to clients (previous year: 355.5 million Swiss francs or 8.55%).

Market risks

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

As Raiffeisen Switzerland is heavily involved in balance sheet business, interest rate fluctuations in the bank book

Capital adequacy requirements for market risks relating to the trading book

in 1000 CHF	31.12.2007	Ø 2007	31.12.2006	Ø 2006
Foreign exchange/ precious metals	7,252	14,860	4,011	9,939
Interest rate instrum.	44,396	41,579	29,845	25,336
Equities/indices	2,538	2,548	2,171	2,586
Total	54,186	58,986	36,027	37,861

From 1 July 2007 capital adequacy requirements have been calculated in accordance with Basel II

can have a considerable influence on interest income. As a result, up-to-date procedures are in place to measure the risk associated with fluctuating interest rates. In particular, these display variable positions based on a model that optimally replicates historical interest rate fluctuations with money and capital market rates. Decisions regarding the assignment of funds are taken on a decentralized basis within Raiffeisen Switzerland via the respective line functions, and a distinction is made between the bank books of the branches and the bank book of Raiffeisen Switzerland. Assignment decisions are implemented through deposits and loans, with those responsible in the branches or in the Central Bank required to adhere strictly to the sensitivity limits set by the Board of Directors, which relate to the change in the present value of the equity capital. Group Risk Controlling monitors compliance with the limits and prepares weekly reports. It also evaluates the risk situation and measures the potential impact of the interest rate risk entered into on the market value of the equity capital and on profitability with the aid of scenario analyses and stress tests. These are included in monthly and quarterly risk reporting.

Trading & Sales, part of the Central Bank department, is responsible for managing the Central Bank trading book. The branches do not keep a trading book. The Central Bank trades in interest rates, equities, currencies and banknotes/precious metals. It must adhere strictly to the sensitivity, concentration and loss limits set by the Board of Directors; these are monitored by Group Risk Controlling on a daily basis. Group Risk Controlling also carries out periodic plausibility checks on the valuation parameters

used to produce the profit and loss figures for Trading & Sales. Derivative financial instruments are traded only by experienced dealers. Trading & Sales works with both standardized and over-the-counter (OTC) derivatives for its own and its clients' account.

Liquidity risks are controlled using commercial criteria and monitored by Treasury in accordance with banking law.

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

- Weekly interest rate risk report to the CEO in line with SFBC Circular 99/1
- Monthly risk report to the Executive Board
- Quarterly risk report to the Board of Directors

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

Operational risks

At Raiffeisen, operational risk means the danger of losses arising due to the unsuitability or failure of internal procedures, employees, IT systems, buildings and equipment or as a result of external events. In addition to the financial impact, the Raiffeisen Group also takes into account the

consequences of operational risks for reputation and compliance.

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

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

Group Risk Controlling carries out a systematic risk management process to identify, evaluate, manage and monitor operational risks via an annual cycle. As part of the annual risk assessment, operational risks are categorized by cause and impact and evaluated according to the probability of occurrence and the extent of damage. Risk management measures are defined, with the implementation of these measures monitored periodically by Group Risk Controlling.

The results of the risk assessment are reported to the Executive Board and the Board of Directors of Raiffeisen Switzerland via an aggregated risk profile. The Executive Board and the Board of Directors of Raiffeisen Switzerland

also receive quarterly updates on the extent to which measures have been implemented.

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

Outsourcing

The operation of the data communication network has been outsourced to TDC Switzerland AG (sunrise). Furthermore, all the Raiffeisen Group's securities administration activities are carried out by the Vontobel Group. All outsourcing services are provided in accordance with the provisions of SFBC Circular 99/2.

Regulatory provisions

According to a ruling by the SFBC of 24 September 1997, the Raiffeisen banks are excused from complying on an individual basis with the rules regarding capital adequacy, risk diversification and liquidity. The relevant legal provisions must instead be observed on a consolidated basis. The disclosure requirements in respect of capital adequacy on a consolidated basis as outlined in SFBC Circular 06/4 can be viewed on the Raiffeisen website (www.raiffeisen.ch) or in the Raiffeisen Group annual report.

The new capital adequacy and risk diversification rules came into force on 1 January 2007 with the implementation of the Basel II measures in Swiss law. The banks

had until 31 December 2007 to comply with the new rules.

Raiffeisen Switzerland carried out the changeover as of 1 July 2007 and from this date has calculated its capital adequacy requirements in line with the new rules. It has decided to implement the following approaches:

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

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

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

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

According to a ruling by the SFBC of 25 October 2001, Raiffeisen Switzerland is released from maintaining the ceiling of 25% for cluster risks in respect of its claims against Raiffeisen Leasing. Raiffeisen Switzerland monitors the business activities of Raiffeisen Leasing and includes the latter's commitments in the cluster risk calculations.

Market risks: Standard approach as before

Operational risks: Basic indicator approach

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

Accounting and valuation principles

General principles

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

The detailed positions shown for a balance sheet item are valued individually. Unlike the annual result of the Raiffeisen Group, which must be prepared in accordance with the "true and fair view" principle, individual results may be affected by hidden reserves.

Raiffeisen Switzerland publishes the consolidated annual accounts of the Raiffeisen Group in a separate annual report. The consolidated accounts comprise the annual accounts of all the individual Raiffeisen banks, Raiffeisen Switzerland, the Raiffeisen Guarantee Cooperative, the Central Issuing Office of the Swiss Raiffeisen Banks, Raiffeisen Finanzierungs AG and Raiffeisen Leasing. Raiffeisen Switzerland has therefore chosen not to prepare partially consolidated accounts including the annual

accounts of Raiffeisen Switzerland, Raiffeisen Finanzierungs AG and Raiffeisen Leasing.

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 valuation principles. Spot transactions that have been concluded but not yet settled are posted to the balance sheet on the trade date.

Foreign currencies

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

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

These are reported at the nominal value or acquisition cost. Discounts not yet earned on money market securities and discounts and premiums on the Group's own bond and mortgage bond 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 reported on an accruals basis. Receivables are deemed

to be impaired where the Group believes it improbable that the borrower will be able to completely fulfil their contractual obligations. 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 realizable sales value of the collateral. If recovery of the amount receivable depends solely on the collateral being realized, full provision is made for the unsecured portion.

Interest and related commission that have been due for more than 90 days and have still not been paid are deemed to be non-performing. Interest and commission relating to current account overdrafts are deemed to be non-performing if the specified overdraft limit is exceeded for more than 90 days. Non-performing and impaired interest (including accrued interest) and commission are no longer recognized as income but reported directly under “Value adjustments and provisions”.

A receivable 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 (i.e. the value adjustment is reversed) if the outstanding principal amounts and interest are paid on time in accordance with the contractual obligations and additional creditworthiness criteria are fulfilled.

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

Securities lending and borrowing

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

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

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

Repurchase and reverse repurchase transactions

Securities purchased with an agreement to resell (reverse repurchase transactions) and securities sold with an agreement to buy back (repurchase transactions) are regarded as secured financing transactions and are recorded at the value of the cash collateral received or provided, including accrued interest.

Securities received and delivered are only recorded in/ removed from the balance sheet if control of the contrac-

tual rights associated with them is transferred. The market values of the received or delivered securities are monitored daily so that any additional collateral can be provided or requested as necessary.

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

Trading portfolios in securities and precious metals

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

Financial assets

Fixed income debt securities and warrant bonds are valued at the lower of cost or market if there is no intention to hold them to maturity.

Debt securities acquired with the intention of holding them to maturity are valued according to the accrual method, with the discount or premium accrued over the remaining life.

Equity securities 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, i.e. the lower of the acquisition value and the liquidation value.

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

Participations

Shares and other equity securities in companies that are held for the purpose of a long-term investment are shown under "Participations", irrespective of the proportion of voting shares held. All participations in communal facilities are also reported here. These are valued in accordance with the principle of acquisition cost, i.e. acquisition cost less operationally required depreciation. The participations may contain hidden reserves.

Tangible fixed assets

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

Real estate	maximum 66 years
Alterations and fixtures in rented premises	maximum 15 years
IT equipment, software	maximum 3 years
Furniture and fixtures	maximum 8 years
Other tangible 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. Tangible fixed assets may contain hidden reserves.

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

Intangible assets

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

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

Value adjustments and provisions

Individual value adjustments and provisions are created for all loss risks identified at the balance sheet date. Miscellaneous provisions may contain hidden reserves.

Reserves for general banking risks

It is possible to create reserves for general banking risks. These are reserves created as a precautionary measure in accordance with accounting standards to hedge against latent risks in the business activities of the bank. These reserves are counted as capital in accordance with Art. 11a, para. 1b of the Banking Ordinance and are partially taxable (see "Value adjustments and provisions" table in the notes).

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

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

Derivative financial instruments

Reporting under "Off-balance-sheet business" and in the notes

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

Reporting

The replacement values of all contracts concluded on the Group's own account are reported, regardless of their

profit and loss account treatment. The replacement values of exchange-traded contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. The replacement values of over-the-counter contracts concluded on a commission basis are always reported.

All Treasury hedging transactions are concluded via the trading book; as such, 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 book are valued on a fair value basis if they are traded on an exchange 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 risks 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.

Events after the balance sheet date

No material events occurred between the balance sheet date (31 December 2007) and the drawing up of the annual accounts that would have required disclosure in the balance sheet and/or in the notes.

Information on the Balance Sheet

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

	Mortgage cover in 1000 CHF	Other cover in 1000 CHF	Without cover* in 1000 CHF	Total in 1000 CHF
Loans				
Loans to clients	28,739	75,557	815,157	919,453
Mortgage loans				
Residential property	3,043,672	–	7,791	3,051,463
Office and business premises	125,099	–	11,926	137,025
Trade and industry	79,225	–	2,541	81,766
Other	113,547	–	2,743	116,291
Total loans				
Current year	3,390,282	75,557	840,158	4,305,998
Prior year	3,520,616	78,705	745,427	4,344,747
Off-balance-sheet business				
Contingent liabilities	133	1,985	235,584	237,701
Irrevocable commitments	276,904	–	19,742	296,646
Call commitments and additional funding obligations	–	–	19,640	19,640
Total off-balance-sheet business				
Current year	277,037	1,985	274,966	553,987
Prior year	98,958	4,920	424,067	527,944

* including value-adjusted loans

	Gross amount borrowed in 1000 CHF	Estimated proceeds from realization of collateral in 1000 CHF	Net amount borrowed in 1000 CHF	Specific value adjustments in 1000 CHF
Impaired loans				
Current year	73,072	33,044	40,028	39,712
Prior year	87,341	44,230	43,110	43,010

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

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Trading portfolio in securities and precious metals		
Debt instruments		
stock exchange listed*	609,414	80,368
non-stock exchange listed	–	–
of which own bonds and medium-term notes	31,779	190
Shares	6,598	16,388
Precious metals	102,420	41,226
Total trading portfolio in securities and precious metals	718,432	137,982
of which securities for repo transactions in line with liquidity requirements	372,521	62,987

* stock exchange listed = traded on a recognized stock exchange

	Book value current year in 1000 CHF	Book value prior year in 1000 CHF	Fair value current year in 1000 CHF	Fair value prior year in 1000 CHF
Financial assets				
Debt instruments	2,109,418	2,441,547	2,099,911	2,447,045
of which own bonds and medium-term notes	–	–	–	–
of which intended to be held until maturity	2,109,418	2,441,547	2,099,911	2,447,045
of which valued at the lower of cost or market	–	–	–	–
Shares	31,527	31,527	37,601	35,249
Precious metals (portfolios to cover commitments from precious metal accounts)	26,519	39,797	26,519	39,797
Real estate	1,350	1,515	1,350	1,515
Total financial assets	2,168,814	2,514,386	2,165,381	2,523,606
of which securities for repo transactions in line with liquidity requirements	2,038,916	2,275,188	–	–

	Current year in 1000 CHF	Prior year in 1000 CHF
Participations		
with a market value	329,281	329,281
without a market value	68,946	34,003
Total participations	398,227	363,284

3 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Current year voting share and equity interest in %	Prior year voting share and equity interest in %
3.1 Group companies					
Raiffeisen Leasing*	St. Gallen	Leasing company	2,566	100	1.2
Raiffeisen Finanzierungs AG	St. Gallen	Finance company	5,000	100	100
Raiffeisen (Schweiz) Luxemburg Fonds Advisory S.A.	Luxembourg	Funds business	220	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St. Gallen	Issuer	19,753	10.1	10.0
of which not paid up			19,753		
Raiffeisen Guarantee Cooperative	St. Gallen	Guarantee cooperative	37,696	5.3	5.3
3.2 Other participations					
Aduno Holding Ltd	Opfikon	Financial services	20,000	19.0	19.0
Vontobel Group	Zurich	Financial services	65,000	12.5	12.5
Mortgage Bond Bank of the Swiss Mortgage Institutions	Zurich	Mortgage bond bank	300,000	7.2	7.8
of which not paid up			189,000		
Telekurs Holding Ltd	Zurich	Financial services	45,000	4.0	4.0
Helvetia Holding Ltd	St. Gallen	Financial services	86,529	4.0	4.0

* Raiffeisen Leasing was converted from a cooperative into a public limited company as of 1 October 2007.

4 Fixed assets register

	Purchase price in 1000 CHF	Cumulative depreciation/amortization in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year transfers/reclassifications in 1000 CHF	Current year investment in 1000 CHF	Current year disinvestment in 1000 CHF	Current year depreciation/amortization in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated participations								
Holdings Group companies	16,351	-801	15,550	–	35,497	–	–	51,047
Other holdings	352,279	-4,545	347,734	–	100	-554	-100	347,180
Total participations	368,630	-5,346	363,284	–	35,597	-554	-100	398,227
Tangible fixed assets								
Real estate								
Bank buildings	204,861	-54,123	150,738	19,829	5,177	-918	-5,626	169,200
Other real estate	2,449	-1,099	1,350	–	–	–	-100	1,250
Intangible assets	78,508	-71,864	6,644	-6,644	–	–	–	–
Other tangible fixed assets	150,589	-123,624	26,965	484	43,806	-2,284	-20,331	48,640
Objects in finance leasing	22,734	-2,421	20,313	-20,313	–	–	–	–
Other	–	–	–	6,644	21,381	–	-11,775	16,249
Total tangibles	459,141	-253,131	206,010	–	70,364	-3,202	-37,832	235,339

in 1000 CHF

Value of real estate for fire insurance purposes	197,589
Value of other tangible fixed assets for fire insurance purposes	141,442
Liabilities: future leasing instalments from operational leasing	–

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	219,454	161,041
Clearing accounts for social security and staff pension fund contributions	52,755	42,693
Clearing accounts for indirect taxes	2,319,174	1,051,426
Other clearing accounts	6,915	47,850
Commodities	6,560	4,983
Miscellaneous other assets	581	88
Total other assets	2,605,440	1,308,082
Other liabilities		
Total replacement value	105,114	77,527
Equalization account	178,930	132,576
Due, unredeemed coupons and debt instruments	1,535	887
Levies, indirect taxes	28,693	23,955
Solidarity fund	304,284	295,485
of which open guarantees to Raiffeisen banks	7,470	12,737
Clearing accounts for social security and staff pension fund contributions	3,502	4,796
Other clearing accounts	29,934	59,394
Miscellaneous other liabilities	756	2,000
Total other liabilities	652,748	596,620

6 Pledged or assigned assets and assets subject to reservation of title, without securities lending and repurchase operations

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Balance sheet items				
Receivables from Raiffeisen banks	932,923	932,923	938,073	938,073
Mortgage receivables	262,794	200,696	212,588	137,093
Financial assets	1,393,838	559,395	1,139,010	510,860
Tangible fixed assets	–	–	20,313	9,116
Total pledged assets	2,589,555	1,693,013	2,309,983	1,595,142

7 Securities lending and repurchase operations

	Current year in 1000 CHF	Prior year in 1000 CHF
Claims resulting from cash collateral in connection with securities borrowing and reverse repurchase operations	9,305,074	7,205,255
Liabilities resulting from cash collateral in connection with securities lending and repurchase operations	3,916,090	3,416,768
Securities owned by the bank lent under securities lending agreements, delivered as collateral for securities borrowing or transferred from repurchase transactions	563,893	513,988
for which the right to resell or pledge without restriction was granted	563,893	513,988
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	9,402,058	7,358,645
of which repledged or resold securities	3,441,603	2,963,697

8 Social insurance institutions

All employees of Raiffeisen Switzerland are covered by the Raiffeisen Pension Fund and Raiffeisen Pension Plan. 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 Raiffeisen Pension Fund covers at least the mandatory benefits under Swiss occupational pension law. The Raiffeisen Pension Plan exclusively covers supplementary benefits. The Raiffeisen Employer Foundation manages the individual employer contribution reserves of the Raiffeisen banks and the companies of the Raiffeisen Group.

8.1 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Liabilities to clients in the form of savings and investment deposits	12,068	10,624
Other liabilities to clients	21,539	13,841
Other liabilities (negative replacement values)	2,178	–
Total liabilities to own social insurance institutions	35,785	24,464

8.2 Economic benefit/obligation and retirement benefit expenditure

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

	on 31.12. 2007 in %	on 31.12. 2006 in %
Raiffeisen Pension Fund	107.5	110.9
Raiffeisen Pension Plan	110.7	111.7

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

8.3 Employer contribution reserves

	Current year in 1000 CHF	Prior year in 1000 CHF
Employer contribution reserves for the Raiffeisen Employer Foundation and for the Raiffeisen Pension Plan		
As at 1 January	10,101	7,686
+ Admission of Raiffeisen Informatik AG	–	1,774
+ Deposits*	2,000	2,000
– Withdrawals	748	1,482
+ Interest paid	183	123
As at 31 December	11,535	10,101

* Included in the contributions to the employee pension schemes (see note 24 "Personnel expenditure").

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

9 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Central Issuing Office of the Swiss Raiffeisen Banks	1998	3.250	31.03.2008	–	118,500
Loans from the Mortgage Bond Bank of the Swiss Mortgage Institutions	var.	3.052	var.	–	1,100,600
Own bonds	1999	3.250	27.05.2009	none	250,000
	2001/02	4.000	02.02.2011	none	600,000
	2004	3.000	05.05.2014	none	400,000
	2006	3.125	30.05.2016	none	550,000
	2007	3.125	25.10.2012	none	250,000
	2007	3.140	18.10.2010	none	70,000
Total outstanding bonds and mortgage bond loans					3,339,100

10 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Change of use (transfers)	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
Value adjustments and provisions for default risks (del credere and country risk)	43,010	-3,416	1,000	1,209	5,646	-7,738	39,712
Value adjustments and provisions for other business risks	3,721	-142	-1,000	–	76	-1,901	753
Restructuring provisions	206	-7	–	–	–	–	199
Total value adjustments and provisions	46,937	-3,565	–	1,209	5,722	-9,639	40,664
Reserves for general banking risks	434,600	–	–	–	–	-10,100	424,500
of which taxed	59,500	–	–	–	–	–	86,000

11 Evidence of equity capital

	in 1000 CHF
Equity capital at the beginning of the current year	
Cooperative capital	320,000
General statutory reserve	113,582
Reserves for general banking risks	434,600
Profit	18,298
Total equity capital at the beginning of the year (before approp. of profits)	886,480
± Capital increase	–
– Release of reserves for general banking risks	10,100
– Interest on the cooperative capital from the annual profit of the previous year	12,800
+ Annual profit for the current year	18,392
Total equity capital at the end of the current year (before approp. of profits)	881,972
of which cooperative capital	320,000
of which general legal reserve	119,080
of which reserves for general banking risks	424,500
of which profit	18,392
Total additional funding obligation of the Raiffeisen banks	6,680,710

The cooperative capital totalling 320 million Swiss francs is divided up into 320,000 cooperative share certificates of 1,000 Swiss francs each and is owned in full by the 390 Raiffeisen banks within Raiffeisen Switzerland. No Raiffeisen bank holds share certificates granting more than 5% of the voting rights.

Under the Articles of Association of Raiffeisen Switzerland, the Raiffeisen banks must acquire a share certificate for 1,000 Swiss francs for each 100,000 Swiss francs of their balance sheet totals. As at 31 December 2007 this corresponded to a call-in obligation towards Raiffeisen Switzerland of 1,099.8 million Swiss francs, of which 320 million Swiss francs have been paid in.

The capital entitled to interest amounted to 320 million Swiss francs at the end of 2007 (prior year: 320 million Swiss francs).

12 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	101,930	–	–	–	–	–	101,930
Receivables from money market sec.	5,572	–	–	–	–	–	5,572
Receivables from Raiffeisen banks	5,334,042	–	–	–	–	–	5,334,042
Receivables from other banks	1,545,076	–	9,035,737	1,759,453	–	–	12,340,266
Receivables from clients	69,343	60,140	207,795	87,209	467,265	27,701	919,453
Mortgage receivables	2,208	1,044,053	159,977	411,686	1,282,467	486,154	3,386,545
Trading portfolios in securities and precious metals	718,432	–	–	–	–	–	718,432
Financial assets*	80,769	–	435,620	251,359	1,169,340	231,726	2,168,814
Total current assets							
Current year	7,857,372	1,104,193	9,839,130	2,509,707	2,919,072	745,581	24,975,054
Prior year	5,892,187	731,707	9,484,222	2,121,809	4,273,961	620,949	23,124,835
Outside debt							
Liabilities to Raiffeisen banks	3,972,433	–	–	–	–	–	3,972,433
Liabilities to other banks	881,210	–	6,378,308	1,136,853	2,847,960	185,000	11,429,331
Liabilities to clients in the form of savings and investment deposits	–	1,568,805	–	–	–	–	1,568,805
Other liabilities to clients	950,327	3,450	3,187,829	711,542	675,465	300,111	5,828,725
Medium-term notes	–	–	31,884	85,969	326,868	45,194	489,915
Bonds and mortgage bond loans	–	–	193,650	13,700	1,719,000	1,412,750	3,339,100
Total outside debt							
Current year	5,803,970	1,572,255	9,791,671	1,948,064	5,569,293	1,943,055	26,628,309
Prior year	6,126,360	2,002,357	6,139,315	1,983,058	5,338,802	1,910,468	23,500,360

* The financial assets include 1,350,377 Swiss francs of real estate (prior year: 1,515,377 Swiss francs).

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

	Current year in 1000 CHF	Prior year in 1000 CHF
Receivables from affiliated companies	–	311,253
Liabilities to affiliated companies	126,074	209,307
Loans to executive bodies and employees	17,932	10,327

Transactions with associated persons**1 Executive bodies**

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

2 Affiliated companies

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

14 Breakdown of foreign and domestic assets and liabilities

	Current year domestic in 1000 CHF	Current year foreign in 1000 CHF	Prior year domestic in 1000 CHF	Prior year foreign in 1000 CHF
Assets				
Liquid funds	94,193	7,737	114,019	3,434
Receivables from money market securities	5,572	–	5,047	–
Receivables from Raiffeisen banks	5,334,042	–	4,509,773	–
Receivables from other banks	3,944,884	8,395,382	2,609,715	8,885,729
Receivables from clients	917,641	1,813	826,090	1,608
Mortgage receivables	3,386,545	–	3,517,049	–
Trading portfolio in securities and precious metals	511,440	206,993	114,051	23,931
Financial assets	1,952,731	216,082	2,333,314	181,072
Participations	394,316	3,911	359,372	3,912
Tangible fixed assets	235,339	–	206,010	–
Accrued income and prepaid expenses	352,413	–	294,291	–
Other assets	2,496,830	108,610	1,308,082	–
Total assets	19,625,945	8,940,528	16,196,813	9,099,687
Liabilities				
Liabilities to Raiffeisen banks	3,972,433	–	3,953,784	–
Liabilities to other banks	5,882,503	5,546,828	4,743,126	4,989,771
Liabilities to clients in the form of savings and investment deposits	1,514,613	54,192	1,936,264	66,093
Other liabilities to clients	5,812,175	16,549	4,262,570	16,751
Medium-term notes	489,915	–	424,449	–
Bonds and mortgage bond loans	3,339,100	–	3,107,550	–
Accrued expenses and deferred income	362,780	–	266,105	–
Other liabilities	628,020	24,728	596,620	–
Value adjustments and provisions	40,664	–	46,937	–
Reserves for general banking risks	424,500	–	434,600	–
Cooperative capital	320,000	–	320,000	–
General statutory reserve	119,080	–	113,582	–
Annual profit	18,392	–	18,298	–
Total liabilities	22,924,175	5,642,297	20,223,886	5,072,615

15 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Europe				
Switzerland	19,625,945	68.70	16,196,813	64.03
Germany	2,826,690	9.90	2,296,104	9.08
Benelux countries	2,766,465	9.68	1,132,113	4.48
Austria	1,417,017	4.96	3,432,745	13.57
Rest of Europe	1,771,121	6.20	2,052,755	8.11
Rest of world (America, Asia, Oceania, Africa)	159,235	0.56	185,969	0.74
Total assets	28,566,473	100.00	25,296,501	100.0

16 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	40,164	38,946	1,558	21,264	101,930
Receivables from money market securities	5,570	–	2	–	5,572
Receivables from Raiffeisen banks	5,283,554	40,984	8,493	1,011	5,334,042
Receivables from other banks	8,236,323	2,660,950	1,343,662	99,330	12,340,266
Receivables from clients	918,515	930	8	–	919,453
Mortgage receivables	3,386,545	–	–	–	3,386,545
Trading portfolio in securities and precious metals	582,354	30,951	1,656	103,471	718,432
Financial assets	2,140,341	829	1,125	26,519	2,168,814
Participations	394,535	3,692	–	–	398,227
Tangible fixed assets	235,339	–	–	–	235,339
Accrued income and prepaid expenses	352,413	–	–	–	352,413
Other assets	2,605,440	–	–	–	2,605,440
Total assets reflected in the balance sheet	24,181,093	2,777,281	1,356,504	251,594	28,566,473
Delivery claims under spot exchange, forward exchange and currency option contracts	152,955	575,130	154,900	31,534	914,519
Total assets	24,334,048	3,352,411	1,511,404	283,128	29,480,992
Liabilities					
Liabilities to Raiffeisen banks	2,845,269	844,562	151,933	130,669	3,972,433
Liabilities to other banks	7,830,062	2,428,587	1,118,077	52,605	11,429,331
Liabilities to clients in the form of savings and investment deposits	1,529,566	39,238	–	–	1,568,805
Other liabilities to clients	5,703,664	25,814	89,633	9,613	5,828,725
Medium-term notes	489,915	–	–	–	489,915
Bonds and mortgage bond loans	3,339,100	–	–	–	3,339,100
Accrued expenses and deferred income	362,780	–	–	–	362,780
Other liabilities	652,748	–	–	–	652,748
Value adjustments and provisions	40,664	–	–	–	40,664
Reserves for general banking risks	424,500	–	–	–	424,500
Cooperative capital	320,000	–	–	–	320,000
General statutory reserve	119,080	–	–	–	119,080
Annual profit	18,392	–	–	–	18,392
Total liabilities reflected in the balance sheet	23,675,741	3,338,202	1,359,643	192,887	28,566,473
Delivery obligations under spot exchange, forward exchange and currency option contracts	682,464	47,740	151,862	32,452	914,519
Total liabilities	24,358,205	3,385,942	1,511,506	225,339	29,480,992
Net position per currency	-24,157	-33,531	-102	57,789	–

31.12.2007 31.12.2006

Foreign currency conversion rates

EUR	1.657	1.608
USD	1.127	1.221

Information on Off-Balance-Sheet Business

17 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	184,220	242,693
Warranty bonds	415	3,058
Other contingent liabilities	53,066	126,643
Total contingent liabilities	237,701	372,393

18 Open derivative financial instruments

18.1 Trading instruments with internal and external counterparties

	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
Interest rate instruments						
Futures contracts incl. FRAs	1,221	245	2,000,000	400,000	–	2,400,000
Swaps	262,934	260,739	22,291,000	15,340,200	10,011,000	47,642,200
Forward	–	–	1,386,526	99,293	–	1,485,819
Options (OTC)	537	751	69,060	88,828	247	158,135
Foreign currencies						
Forward contracts	5,277	5,317	751,278	680	–	751,958
Comb. interest rate/currency swaps	11,033	11,013	–	649,471	–	649,471
Options (OTC)	–	–	–	–	–	–
Precious metals						
Forward contracts	149	219	31,111	–	–	31,111
Futures	–	–	–	–	–	–
Equity securities and indices						
Options (traded)	1,225	–	9,896	–	–	9,896
Other						
	–	–	–	–	–	–
Total						
Current year	282,376	278,284	26,538,871	16,578,471	10,011,247	53,128,589
Prior year	201,611	197,291	31,256,916	18,725,013	6,078,010	56,059,938

18.2 Hedging instruments with internal counterparties

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Interest rate instruments						
Swaps	162,157	62,728	5,215,000	6,570,000	4,385,000	16,170,000
Foreign currencies						
Forward contracts	–	195	198,292	–	–	198,292
Comb. int. rate/currency swaps	11,013	–	–	322,277	–	322,277
Total						
Current year	173,170	62,922	5,413,292	6,892,277	4,385,000	16,690,569
Prior year	119,764	40,570	1,800,000	8,029,249	2,750,000	12,579,249

18.3 Derivative financial instruments by external counterparty

	Positive contract replacement value in 1000 CHF	Negative contract replacement value in 1000 CHF	Contract volume up to 1 year in 1000 CHF	Contract volume 1 to 5 years in 1000 CHF	Contract volume over 5 years in 1000 CHF	Contract volume total in 1000 CHF
Banks	218,803	101,806	19,533,842	9,533,073	5,626,000	34,692,915
Clients	48	2,229	116,519	4,505	–	121,024
Raiffeisen banks*	602	1,079	88,691	49,323	247	138,261
Stock exchanges	–	–	1,386,526	99,293	–	1,485,819
Total						
Current year	219,454	105,114	21,125,579	9,686,194	5,626,247	36,438,019
Prior year	161,041	77,527	29,456,916	10,695,764	3,328,010	43,480,690

* primarily for client needs

No netting contracts were used.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. 99.6% of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

19 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Other in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	101,397	174,325	47,383	13,724	336,829
Total fiduciary transactions	101,397	174,325	47,383	13,724	336,829
Prior year	25,534	153,935	39,326	11,543	230,339

Information on the Profit and Loss Account

20 Net interest income

	Current year in 1000 CHF	Prior year in 1000 CHF
Interest income from receivables from Raiffeisen banks	436,557	351,557
Interest income from receivables from other banks	410,784	225,694
Interest income from receivables from clients	121,684	126,570
Interest and dividend income from financial investments	60,060	69,009
Other interest income	71,268	32,968
Total interest and dividend income	1,100,354	805,797
Interest expenditure from liabilities to Raiffeisen banks	-365,452	-207,968
Interest expenditure from liabilities to other banks	-377,039	-214,420
Interest expenditure from liabilities to clients	-133,043	-93,426
Interest expenditure from bonds and mortgage bond loans	-101,219	-113,539
Other interest expenditure	-17,643	-65,229
Total interest expenditure	-994,396	-694,583
Total net interest income	105,958	111,215

21 Net income from commission business and service transactions

	Current year in 1000 CHF	Prior year in 1000 CHF
Commission income		
Commission income from lending business	823	919
Commission income from securities and investment business		
Fund business	15,735	13,522
Custody account business	17,515	16,079
Brokerage	19,696	18,718
Other securities and investment business	7,152	5,740
Commission income from other service transactions		
Payments	43,206	40,410
Account maintenance	6,445	5,220
Other service transactions	1,296	896
Total commission income	111,868	101,503
Commission expenditure		
Securities business	-34,196	-14,475
Payments	-6,924	-5,634
Other commission expenditure	-16,910	-4,710
Total commission expenditure	-58,031	-24,819
Total net income from commission business and service transactions	53,837	76,684

22 Net trading income

	Current year in 1000 CHF	Prior year in 1000 CHF
Foreign currency trading	7,120	4,406
Precious metal and foreign note and coin trading	11,073	13,609
Equities trading	20,568	9,609
Fixed income trading	10,592	667
Total net trading income	49,354	28,291

23 Other ordinary income

	Current year in 1000 CHF	Prior year in 1000 CHF
IT services charged to Group companies	62,988	73,274
Transactions to Group companies	7,091	9,945
Individual transactions for Raiffeisen banks	75,071	78,783
Contributions of the Raiffeisen banks	77,931	51,024
Other	2,237	2,810
Total other ordinary income	225,318	215,837

24 Personnel expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Corporate bodies, attendance fees and fixed emoluments	752	686
Salaries and bonuses for staff	227,442	193,223
AHV, IV, ALV and other statutory contributions	15,680	14,952
Contributions to staff pension funds	16,381	14,966
Ancillary staff expenses	6,851	6,980
Total personnel expenditure	267,106	230,808

25 Operating expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Occupancy costs	13,141	13,193
Cost of computer equipment, machinery, furniture, vehicles and other equipment	65,502	67,375
Other operating expenditure	78,522	58,961
Total operating expenditure	157,164	139,528

26 Extraordinary income and expenditure**Current year**

Extraordinary income of 19.8 million Swiss francs includes both 10.1 million Swiss francs from the release of reserves for general banking risks and 3.9 million Swiss francs from the reversal of value adjustments and provisions that are no longer required. It also includes proceeds of 3.0 million Swiss francs from the sale of a holding and of tangible fixed assets.

Prior year

The extraordinary income of 7.2 million Swiss francs includes price gains from participations of 2.0 million Swiss francs, as well as proceeds from the sale of a holding of 3.9 million Swiss francs.

The extraordinary expenditure of 8.3 million Swiss francs includes 6.6 million Swiss francs for the creation of provisions for general banking risks.

Auditor's report to the Delegate Meeting of Raiffeisen Switzerland Cooperative, St. Gallen

As auditors, we have audited the accounting records and the financial statements for the year ended on 31 December 2007 (balance sheet, income statement, cash flow statement and notes) located on pages 18 to 56 in the annual report and the management of Raiffeisen Switzerland Cooperative.

The Board of Directors is responsible for the financial statements and the management of the cooperative. Our responsibility is to express an opinion on these financial statements and on the management of the cooperative based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. To audit the management of the cooperative, we examined whether it complies with the cooperative's articles of association and the law; however, we do not audit management's adequacy. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements, the management of the cooperative, the maintenance of an index of cooperative members, as well as the proposed appropriation of available earnings comply with the Swiss law and the cooperative's Articles of Association.

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

PricewaterhouseCoopers AG
Peter Ochsner Beat Rüttsche
Auditor in charge

St. Gallen, 25 March 2008

Anybody wishing to experience the charms of the Capanna Scaletta has to be prepared for a challenging climb. But there's no question about it: every metre is worth the effort. Lying on the Steinbock route on the edge of the Greina area, the hut is located in a spot of unique and unparalleled beauty. "The mountains are very important to us. They represent values such as freedom, contact with nature, peace and quiet", explains Alan Pian-toni, treasurer for the Società Alpinistica Ticinese Sezione Lucomagno.

The nearby Raiffeisen bank in these mountains has always had a connection with the Ticino alpine club which owns the hut. The bank even made a donation to help build it – just as it is doing now to help out with necessary renovations. Work began in September 2007. As the hut is at over 2,200 metres above sea level, work had to be interrupted over the winter. Nevertheless, the foundations have now been laid, meaning that – weather permitting – work can be continued on the upper floor, constructed out of wood, in spring.

All of the work was contracted out to local companies and tradesmen. Members of the renovation committee have contributed a lot of their free time, and the final touches will also be applied by members of the club themselves. At the end of the day, the mountains also represent a source of income for the entire region from hydroelectric power and tourism.



“Our mountains represent the core values of living together in harmony”

Alan Piantoni, treasurer for the Società Alpinistica Ticinese
Sezione Lucomagno – renovation loan from Raiffeisen



Calculation of mandatory capital

	Current year (Basel II requirements)		Prior year (Basel I requirements)	
	Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Mandatory capital				
Credit risks (Swiss standard approach)				
Receivables from Raiffeisen banks	1,333,510	106,681	1,127,443	90,195
Receivables from other banks	854,405	68,352	1,160,236	92,819
Receivables from clients	726,309	58,105	675,778	54,062
Mortgage receivables	1,414,037	113,123	1,844,739	147,579
Accrued income and prepaid expenses	166,448	13,316	128,926	10,314
Other assets, total replacement value of derivatives	59,114	4,729	99,651	7,972
Other assets, miscellaneous	21,856	1,749	44,535	3,563
Net interest positions outside trading book	355,442	28,435	550,277	44,022
Net equity positions outside trading book	78,818	6,305	78,818	6,305
Contingent liabilities	143,236	11,459	208,647	16,692
Irrevocable commitments	141,086	11,287	–	–
Obligations to make payments and additional contributions	71,600	5,728	76,538	6,123
Add-ons for forward contracts and options purchased	30,702	2,456	77,357	6,189
Unsettled transactions	–	–	–	–
Mandatory capital for credit risks		431,725		485,836
Non-counterparty-related risks				
Tangible fixed assets and software	833,245	66,660	638,404	51,072
Real estate in financial assets	5,064	405	5,683	455
Mandatory capital for non-counterparty-related risks		67,065		51,527
Market risks (standard approach)				
Interest rate instruments – general market risk		36,991		27,897
Interest rate instruments – specific risk		7,394		1,939
Equity instruments		2,538		2,171
Foreign currencies and precious metals		7,252		4,011
Options		11		9
Mandatory capital for market risks		54,186		36,027
Mandatory capital for operational risks (basic indicator approach)		64,420		–
Value adjustments recorded under liabilities		–		-2,581
Total mandatory capital		617,396		570,809

Continued on page 61

	Current year (Basel II requirements)		Prior year (Basel I requirements)	
	Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF	Risk-weighted positions in 1000 CHF	Required capital in 1000 CHF
Available capital				
Total core capital		869,172		873,680
of which innovative core capital instruments		–		–
– proportional deduction for participations in the financial area*		-199,114		–
Eligible adjusted core capital		670,058		873,680
Eligible upper supplementary capital		–		–
Eligible lower supplementary capital		434,586		436,840
– proportional deduction for participations in the financial area*		-199,114		-363,284
Eligible supplementary capital		235,472		73,556
Total eligible capital		905,530		947,236
Equity surplus		288,134		376,427
Equity cover		146.7%		165.9%
Core capital ratio		8.7%		12.2%
Total capital ratio		11.7%		13.3%

* Current year: the participations pursuant to note 4 are deducted fifty-fifty from the adjusted core capital and supplementary capital in order to calculate the mandatory capital.

Balance Sheet – five-year overview

	2007 in 1000 CHF	2006 in 1000 CHF	2005 in 1000 CHF	2004 in 1000 CHF	2003 in 1000 CHF
Assets					
Liquid funds	101,930	117,454	221,008	306,822	249,282
Receivables from money market securities	5,572	5,047	5,272	5,546	5,376
Receivables from Raiffeisen banks	5,334,042	4,509,773	4,927,012	4,595,587	3,402,515
Receivables from other banks	12,340,266	11,495,444	10,128,920	12,250,092	13,787,351
Receivables from clients	919,453	827,699	1,017,628	1,235,014	1,748,447
Mortgage receivables	3,386,545	3,517,049	3,507,156	3,437,923	3,289,207
Loans to clients	4,305,998	4,344,747	4,524,785	4,672,937	5,037,654
Trading portfolios in securities and precious metals	718,432	137,982	53,210	17,472	22,014
Financial assets	2,168,814	2,514,386	2,817,674	2,843,201	2,985,011
Participations	398,227	363,284	326,618	355,043	123,225
Tangible fixed assets	235,339	206,010	171,176	172,991	165,607
Accrued income and prepaid expenses	352,413	294,291	232,786	227,196	271,612
Other assets	2,605,440	1,308,082	995,619	925,877	192,229
Total assets	28,566,473	25,296,501	24,404,078	26,372,763	26,241,876
Liabilities					
Liabilities to Raiffeisen banks	3,972,433	3,953,784	3,613,462	3,686,175	4,063,655
Liabilities to other banks	11,429,331	9,732,898	9,739,474	11,000,254	12,293,663
Liabilities to clients in the form of savings and investment deposits	1,568,805	2,002,357	1,970,065	1,815,113	1,581,857
Other liabilities to clients	5,828,725	4,279,321	3,554,071	4,306,809	2,629,141
Medium-term notes	489,915	424,449	354,235	322,455	287,266
Client monies	7,887,444	6,706,127	5,878,371	6,444,378	4,498,264
Bonds and mortgage bond loans	3,339,100	3,107,550	3,566,250	3,668,800	3,740,400
Accrued expenses and deferred income	362,780	266,105	212,530	205,041	308,095
Other liabilities	652,748	596,620	468,020	510,906	554,309
Value adjustments and provisions	40,664	46,937	51,589	46,276	94,176
Reserves for general banking risks	424,500	434,600	428,000	373,500	358,000
Cooperative capital	320,000	320,000	320,000	320,000	220,000
General statutory reserve	119,080	113,582	108,634	103,714	99,146
Annual profit	18,392	18,298	17,749	13,720	12,168
Total equity capital	881,972	886,480	874,382	810,934	689,314
Total liabilities	28,566,473	25,296,501	24,404,078	26,372,763	26,241,876

Profit and Loss Account – five-year overview

	2007 in 1000 CHF	2006 in 1000 CHF	2005 in 1000 CHF	2004 in 1000 CHF	2003 in 1000 CHF
Interest and discount income	1,040,294	736,788	534,590	479,321	450,835
Interest and dividend income from financial assets	60,060	69,009	82,089	88,039	98,228
Interest expenditure	-994,396	-694,583	-514,058	-467,020	-440,403
Net interest income	105,958	111,215	102,620	100,339	108,660
Commission income from lending business	823	919	1,140	892	779
Commission income from securities and investment business	60,098	54,058	46,590	39,087	32,437
Commission income from other service transactions	50,947	46,526	44,440	46,898	42,960
Commission expenditure	-58,031	-24,819	-20,827	-17,997	-11,385
Net income from commission business and service transactions	53,837	76,684	71,343	68,881	64,792
Net trading income	49,354	28,291	24,456	17,467	24,200
Income from sale of financial assets	122	-32	27	83	5
Income from participating interests	28,551	20,220	20,436	7,218	6,505
Income from real estate	3,813	3,309	6,471	4,846	3,844
Other ordinary income	225,318	215,837	147,840	132,431	123,524
Other ordinary expenditure	-27	-629	-1,458	-1,501	-21,861
Other ordinary result	257,776	238,706	173,316	143,079	112,017
Operating income	466,926	454,896	371,736	329,766	309,669
Personnel expenditure	-267,106	-230,808	-146,977	-135,474	-122,265
Operating expenditure	-157,164	-139,528	-140,986	-136,677	-121,624
Total operating expenditure	-424,270	-370,336	-287,963	-272,151	-243,889
Gross profit	42,656	84,560	83,773	57,616	65,780
Depreciation on fixed assets	-37,932	-55,229	-34,866	-34,674	-24,975
Value adjustments, provisions and losses	-432	-4,647	-9,716	-459	-9,588
Operating profit (interim result)	4,291	24,683	39,191	22,484	31,217
Extraordinary income	19,786	7,191	37,454	10,426	7,920
Extraordinary expenditure	-313	-8,277	-54,500	-15,632	-23,815
Taxes	-5,373	-5,300	-4,397	-3,558	-3,154
Annual profit	18,392	18,298	17,749	13,720	12,168

The amounts shown in the annual report have been rounded. Consequently, a minimal difference may arise in the total amount.

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Raiffeisen Switzerland cooperative
Corporate Communications
Raiffeisenplatz
9001 St. Gallen
Phone +41 71 225 85 24
Fax +41 71 225 86 50
Website: www.raiffeisen.ch
E-mail: pr@raiffeisen.ch

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