RAIFFEISEN GROUP ANNUAL REPORT 2003

RAIFFEISEN

KEY FIGURES

	2003 in CHF millions	Change in %	2002 in CHF millions	Change in %	2001 in CHF millions
Key balance sheet figures					
Balance sheet total	102,140	10.2	92,684	12.5	82,409
Loans to clients	81,377	7.2	75,901	7.2	70,821
Client monies	74,718	9.2	68,393	10.3	62,025
Client monies as % of loans	91.8%		90.1%		87.6%
Key P + L figures					
Net interest income	1,579	8.8	1,451	9.4	1,326
Net income from commission business	128	7.7	119	– 5.0	126
Operating income	1,908	9.0	1,750	8.5	1,613
Total operating expenditure	1,052	3.1	1,020	9.3	934
Gross profit	856	17.3	730	7.5	679
Group profit before tax	593	13.3	523	44.4	362
Group profit	453	5.6	429	28.1	335
Gross profit per personnel unit (in CHF thousands)	144.3	11.4	129.5	– 0.2	129.8
Operating expenditure/operating income	55.1%		58.3%		57.9%
Capital resources					
Total equity capital	4,805	10.9	4,334	11.7	3,881
Return on equity (ROE)	9.9%		10.5%		9.0%
Capital resources/Balance sheet total (equity ratio)	4.7%		4.7%		4.7%
Tier 1 ratio	9.5%		9.0%		8.6%
Tier 2 ratio	14.0%		13.3%		12.6%
Market data					
Market share in mortgage business (estimated)	13.0%		12.7%		12.2%
Market share in savings (estimated)	16.8%		16.8%		16.3%
No. of inhabitants in business area (in millions)	6.6	3.6	6.3	15.4	5.5
Number of members	1,180,700	6.6	1,107,354	9.9	1,007,589
Resources					
Number of employees (per capita)	7,353	3.6	7,098	5.7	6,715
of which trainees	642	0.9	636	8.2	588
Number of personnel units	6,058	4.3	5,806	6.2	5,466
Number of Raiffeisen locations	1,249	– 2.3	1,278	– 0.9	1,290
Number of ATMs	1,157	5.3	1,099	10.0	999
Asset management business					
Number of portfolios	250,803	4.3	240,369	1.3	237,378
Total portfolio volume	22,202	12.1	19,809	– 1.5	20,109
Volume of Raiffeisen funds	7,499	6.6	7,034	– 7.8	7,627
Lending business					
Effective losses	168	134.8	72	24.3	58
as % of loans	0.206%		0.094%		0.081%
Non-performing loans	373	30.9	285	– 12.9	327
as % of loans	0.458%		0.375%		0.462%

CONTENTS

"Water is the origin of all things;
all things are of water and all things come from water."
Thales of Miletus

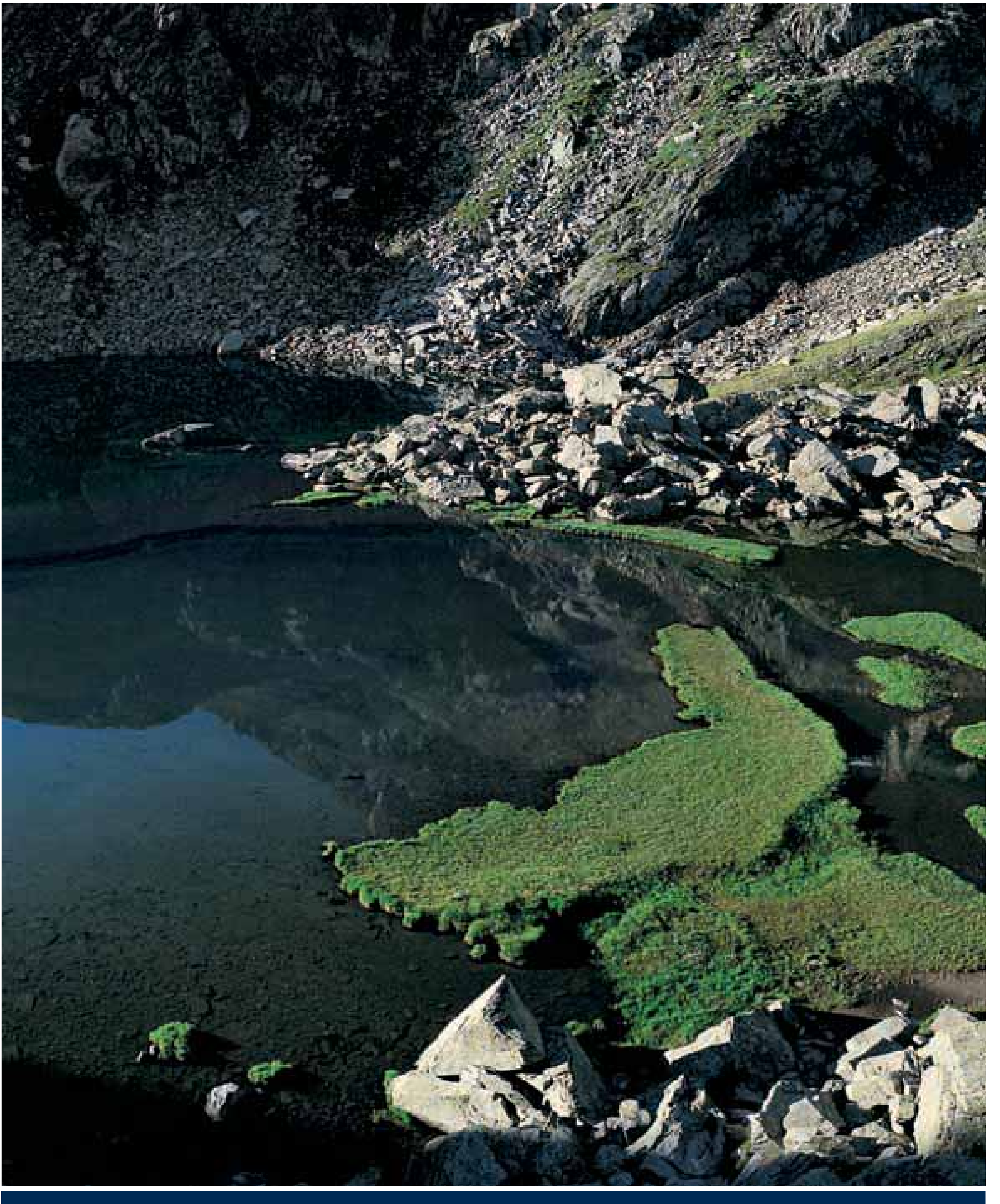
Characterized by a comprehensive and inter-connected network of lakes, streams and rivers, Switzerland truly represents the water hub of Europe, though only few of its waterways are still actually used for transport purposes. Flowing from its sources and meandering as far as Switzerland's frontier regions and beyond, water is for us both a natural element and a valuable commodity. It is the elixir of life.

Not unlike Switzerland's rivers, the Raiffeisen banks form a nationwide network of their own, offering an all-inclusive range of modern banking services to cover your needs. As such, the images you will see on the following pages – those of the River Rhine, to be precise – provide a vivid illustration of what we stand for.

A river such as the Rhine – visually documented in this Annual Report on the journey from its point of origin, through a variety of landscapes and onwards – is a metaphor for life itself. We therefore invite you to view these photos from your own personal perspective. It is our mission at the Raiffeisen Group to help you, whenever and wherever possible, as you make your way downstream. We'll help you master the current.

Calm. Before we enter a state of flux, everything is calm. Hidden among a cluster of hills, the water lies serene and still. Soon it will flow out and away into an unknown world.

Lake Toma, the source of the Rhine



A personal approach and attractive services combined with professional and motivated staff are just some of the elements that contribute to the success of the Raiffeisen Group. Dr. h.c. Franz Marty and Dr. Pierin Vincenz both explain here what other factors can be included in this equation and discuss the nature of the challenges that lie ahead for Raiffeisen.

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

"The Raiffeisen cooperative model is still very much alive and kicking."

The Raiffeisen Group can once again look back on a successful year. Performance has been on an upward curve for some years now. What is the secret of this success?

Dr. Pierin Vincenz: To be successful, a number of different things must come together. Firstly, our personal approach makes a difference, because it lets our clients know that we take their needs seriously. They look at Raiffeisen as being a reliable partner with a clear strategy. Yet all this would be for nothing if we as a company were unable to offer competitive products at fair prices. Here at Raiffeisen, clients can be sure that they are receiving expert advice and support from our client advisors.

Dr. h.c. Franz Marty: I would say that Raiffeisen's excellent brand image is an additional factor, and I would put this down to the tremendous work we have done over the last few years. The Raiffeisen cooperative model is still very much alive and kicking.

If you cast an eye forward now, do you think the extensive growth that the Raiffeisen Group has been enjoying is now coming to an end, or do you see this positive trend continuing unabated?

Vincenz: More than once before, we have had forecasts hinting at a slowdown in growth, yet these have so far proved to be red herrings. We do notice, however, that competition has become more intense. In spite of this, we continue to believe that – to varying degrees from region to region – potential for growth still exists. It might just be that we'll have to get used to growth at a somewhat more modest rate in comparison to what we have seen in the last few years.

Marty: I am convinced that we still have the capacity to grow. The essentials are already in place at the individual Raiffeisen banks, where there is entrepreneurial spirit in abundance to make it happen.

What has preoccupied you the most over the past 12 months?

Marty: Among its various activities, the Board of Directors has been looking inwardly to itself and laying down an effective strategy for the future. Our main priority in this respect is to align the aims, size, composition and organizational structure of the Group more closely with the principles of Corporate Governance.

Vincenz: Wide-ranging talks with the Raiffeisen banks, regarding our strategic orientation for the coming years ahead, stood at the top of our agenda. Using the results of these discussions as a point of reference, we aim to build on our strengths – a strong client focus and attractive services – and, where appropriate, take action to enhance other areas of our business.

Franz Marty, what are your thoughts when you look back at your first year as Chairman of the Board of Directors?

Marty: Being able to take over this role, in such a professionally run company as this one, was an exciting prospect. As is also the case in politics, for instance, I knew from the outset that the task of reconciling the strategies advocated at leadership level with the interests of the "rank and file" is not always an easy one. The level of commitment shown at all levels of the business impressed me greatly and gave me confidence for the future.

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

"More than once before, we have had forecasts hinting at a slowdown in growth, yet these have so far proved to be red herrings."

In the area of mortgages – the core business – Raiffeisen is facing increased competition from its peers. How have you been reacting to this?

Vincenz: Pressure from our competitors has been intensifying for some time now. Nevertheless, we have still been able to increase our market share. This shows that pricing issues do not constitute the sole denominator within this business. Providing sound advice for the long-term benefit of our clients is just as decisive. It is this attention to the needs of our clients that will continue to be of great importance to us.

Marty: The advisory expertise of our professionals on site, combined with centralized product development processes, will also enable us in future to react quickly to market requirements.

Raiffeisen relies heavily on its interest business. Are there any measures in place to reduce this level of dependency?

Vincenz: Interest activities will still continue to be our most important earnings mainstay. We are therefore committed to continuing our prudent lending policy and applying our know-how to hedge against balance sheet risks. In addition, we are in the process of expanding our financial consultancy and pension planning services – these, too, are areas in which Raiffeisen can be relied upon.

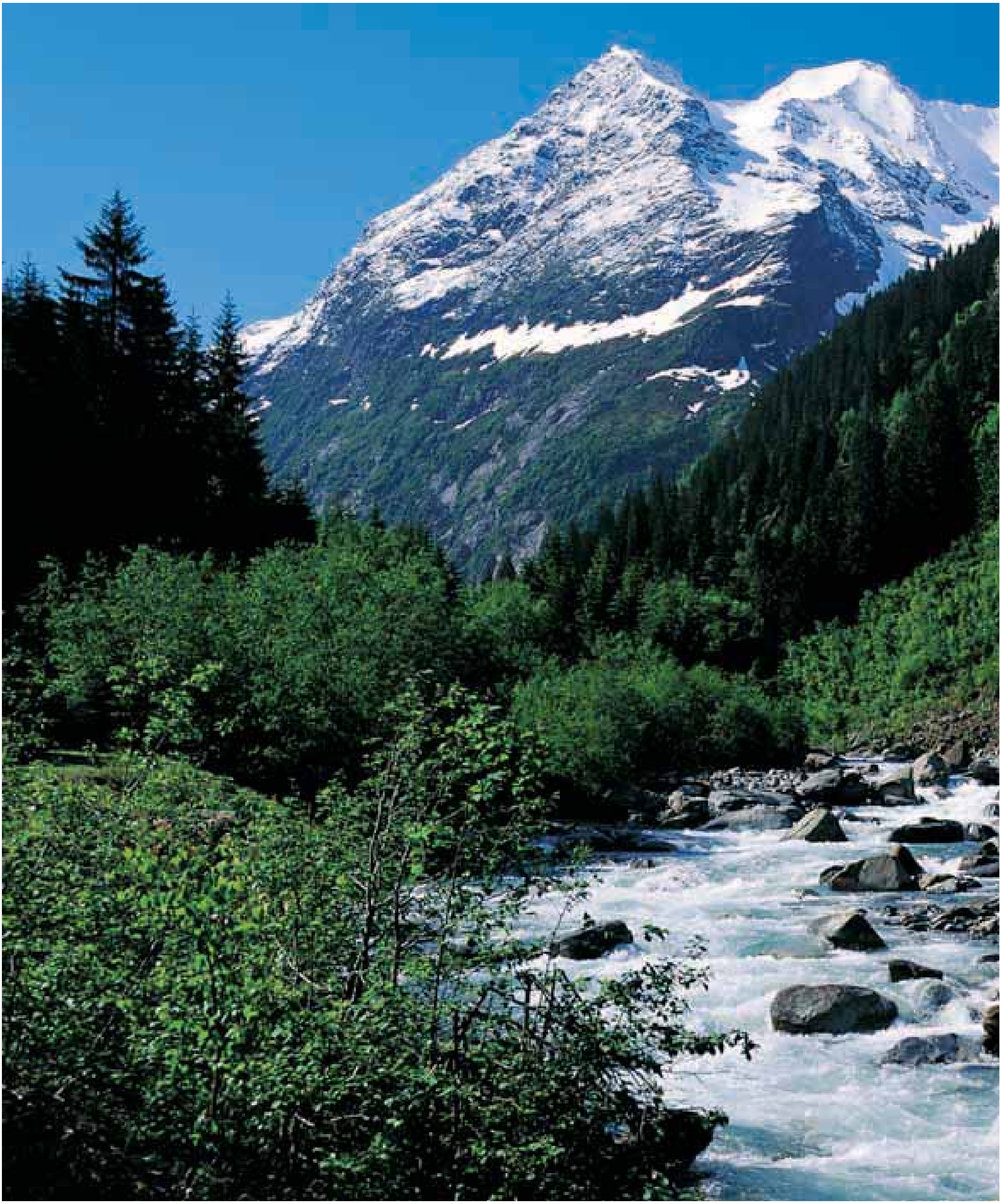
Raiffeisen is viewed as an attractive employer. What makes it a popular company to work for?

Marty: We utilize our entrepreneurial scope in situations where it has direct impact. Our employees appreciate the room for manoeuvre afforded to them, which makes their work stimulating, while new members of staff are often pleasantly surprised by our performance-driven yet friendly working environment.

What challenges lie ahead in the coming year?

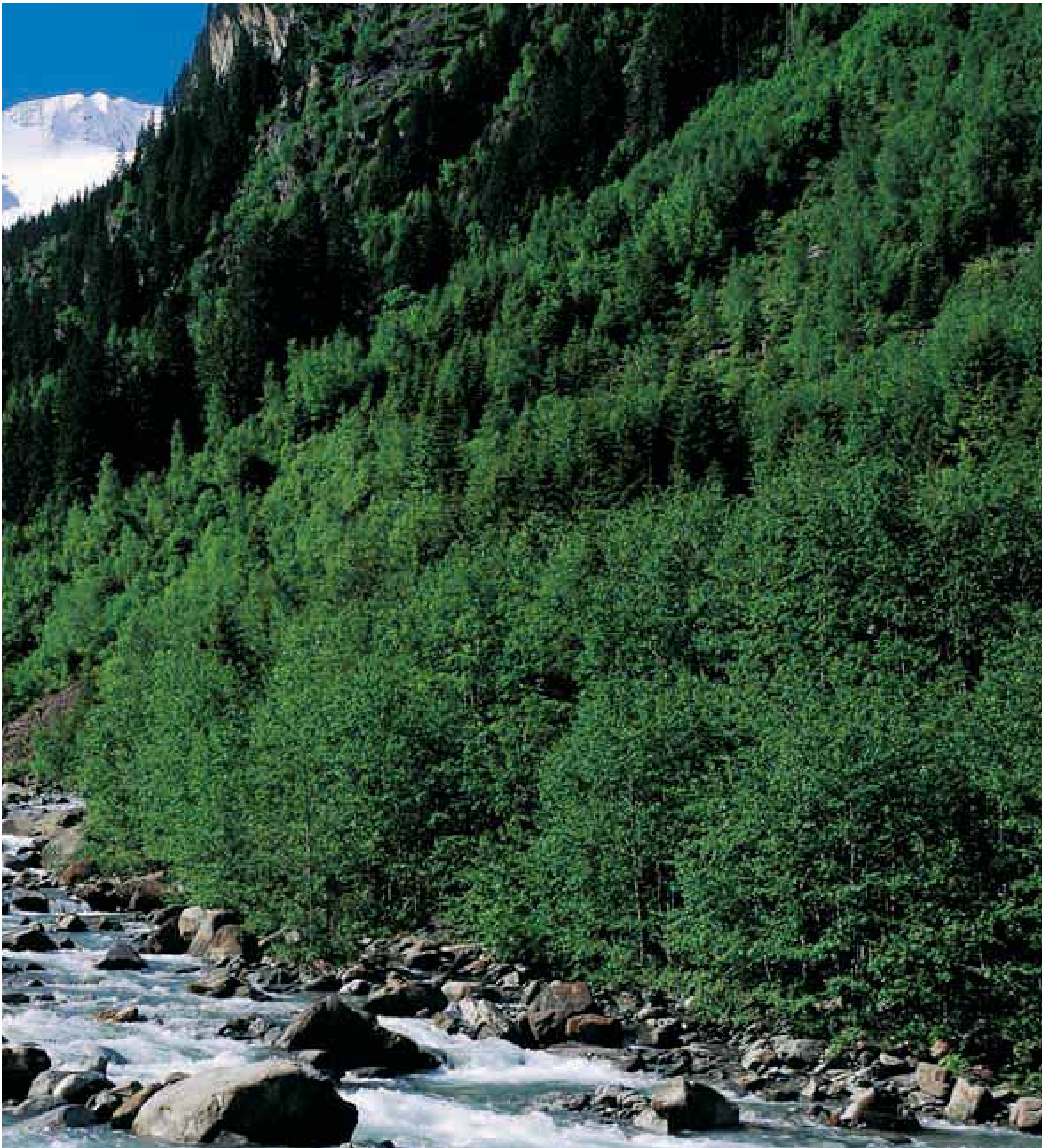
Vincenz: We are looking to expand further within our market and exploit the opportunities open to us as a homogeneous group. Part of this effort involves the continual reviewing of processes. Against the backdrop of what are already saturated markets, rigorous cost management will be of critical importance.

Marty: We want to continue to focus on the strengths of the Raiffeisen brand and position ourselves as an expert provider of financial services. Our onsite presence must reflect the demands of today's clientele, and in order to meet the challenge we will be placing increased emphasis on the valuable role played by our employees. It is their professionalism and commitment that represents one of the key elements in Raiffeisen's success.

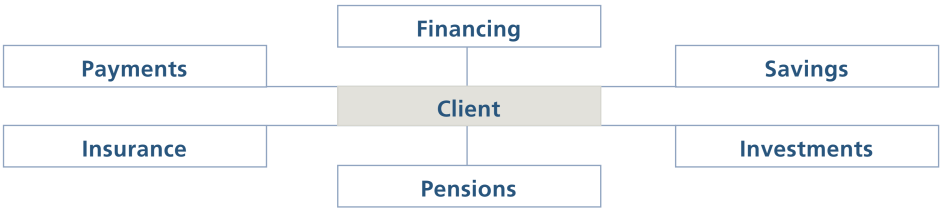


Starting out. From our first vantage point the view is promising: snow-covered peaks conjuring visions and possibilities as various and vivid as the nature that surrounds us.

Piz Vial



The Raiffeisen banks offer their clients optimum solutions in all important financial matters, ranging from traditional savings, pensions and stock market trading right through to financial consultancy and the financing of residential property. We at Raiffeisen are also the right people to talk to regarding pension planning and insurance matters.



Using the above model, which highlights the client needs "Financing", "Savings", "Investments", "Pensions", "Insurance" and "Payments", this section deals in greater depth with the market activities of the Raiffeisen Group in the year under review. Raiffeisen client advisors employ this model when providing their clients with comprehensive advice.

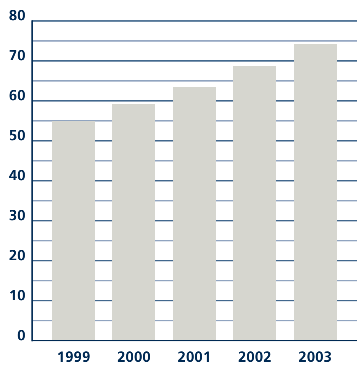
Financing

In mid-June 2003, the Raiffeisen Group became the first banking group in Switzerland to cut the reference interest rate for variable first mortgages down to a new all-time low of 3 percent.

Mortgage business in Switzerland is currently extremely attractive, and therefore competition has continued to intensify within this market. With various new pricing models being launched, signs of a price war have been in evidence. A number of new players with new marketing strategies have also emerged on the market (e.g. Postfinance in collaboration with UBS). In spite of this, the Raiffeisen Group has been able to record another considerable increase of 8.1 percent in total mortgage volume, clearly outperforming the market average of 5 percent.

Historically low interest rates, a fairly valued real estate market as well as increasing demands with regard to building space and fit-out standards for residential property are factors which lead Raiffeisen to believe that the mortgage business will continue to growth steadily.

Mortgages 1999-2003
(in CHF billion)



Mortgages are and will remain a consultation-intensive business. Qualities displayed by the Raiffeisen banks – such as “extensive advisory expertise”, “client-driven approach”, “fast-track decision-making” and “fair conditions” – will therefore continue to play a decisive role in our future success.

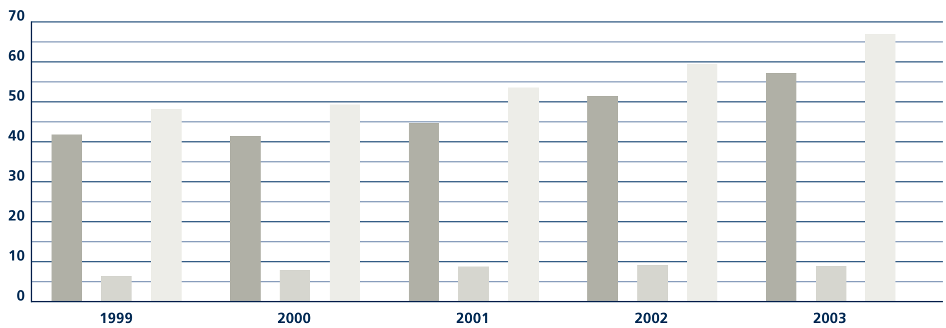
Robert Signer, Head of the Branches & Credits Department

“Mortgages are and will remain a consultation-intensive business.”

Savings

Obeying the laws of the market, interest rates also fell to a record low. Nevertheless, thanks to the extremely low level of inflation, the result in real terms can be viewed favourably when compared to the long-term average. Consequently, the trend towards traditional bank savings continued, with the Raiffeisen Group posting an increase in savings capital volume of over 11 percent.

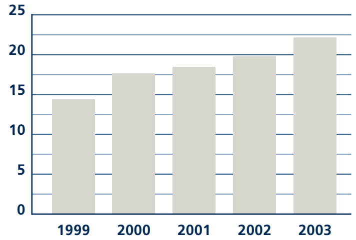
Not least as a result of the financial collapse of a number of large companies the need for safe havens has increased among investors over the last few years. This should place even further emphasis on the importance of savings and investment capital at banks and insurance companies, and contribute to a slowdown in the trend – observed during bull runs – of clients switching over to securities investments. Legal modifications in connection with the possible introduction of building savings schemes are likely to offer a further boost. Thanks to their attractive preferential conditions for members, Raiffeisen banks will continue to play an important role in this market.



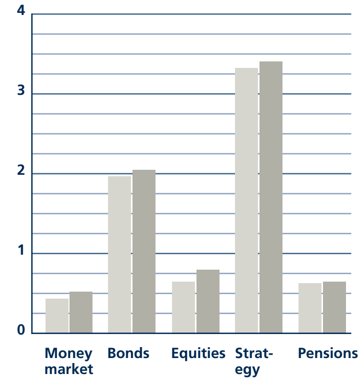
Bank savings 1999-2003
(in CHF billion)

Savings and investments
Medium-term notes
Total bank savings

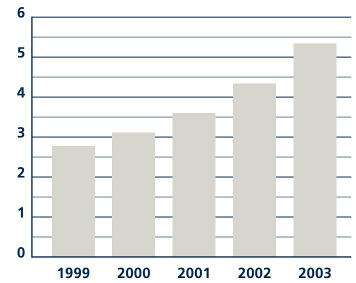
Custody account volumes 1999-2003 (in CHF billion)



Fund volume by investment category 2002/03 (in CHF billion)



Pension and vested assets 1999-2003 (in CHF billion)



Investments

The depression on the stock market bottomed out in March 2003. Since then, securities transactions along with fund and custody account volumes have risen strongly. Should the economic upturn materialize as forecast, this positive trend is set to continue.

A number of changes are to be introduced in 2004, with the aim of increasing the competitiveness of the Raiffeisen Group's securities business and making our range of services more attractive to clients. The popular Raiffeisen investment fund savings plan will be given a new look in terms of functionality and flexibility, and the financial consultancy tool, "FIT", will be expanded significantly. In addition, fund and custody account charges will be revised and made more transparent.

Pensions

Negative headlines regarding certain individual pension funds and the uncertain future of Swiss state pension provision (AHV) dominated media coverage of this sector in 2003. This uncertainty has contributed to a growing trend towards deposits made into linked 3a pension savings. Vested assets again achieved above-average growth, which was largely a result of the continued high level of unemployment.

Detailed figures can be found in the separate Annual Reports of the Pension and Vested Assets Foundations.

Dr. Patrik Gisel, Head of the Market & Sales Department

Insurance

In Helvetia Patria Insurance, the Raiffeisen Group has a solid and well-established partner for the insurance business. In a difficult market climate, a reliable partner is especially key to successfully providing a range of supplementary services. As such, the insurance business grew steadily during the year under review and the general standard of insurance knowledge at the various Raiffeisen banks also improved.

Raiffeisen's insurance range will in future also include products connected to home ownership.

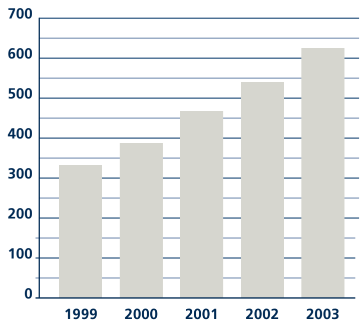
"The success of Raiffeisen is based on the client experience we deliver on a day-to-day basis – an experience which is uniquely reinforced by membership of our cooperative."

Payments

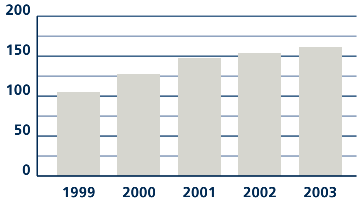
Maestro Card ▪ This card has a new name, with the "ec" logo having been deleted from the title. The Maestro function means that this classic Swiss debit card can now be used worldwide as a method of payment. On account of this important development, the annual charge for this card has been increased to 30 Swiss francs from 2004 onwards.

With the network of accepting outlets expanding constantly, the Maestro Card is set to become an ever more popular means of payment worldwide during the next few years. Without any extra charge, clients will also be able to use their Raiffeisen Maestro Card as a museum pass – an element which further increases the attractiveness of this product.

Raiffeisen Maestro Cards 1999-2003
(in 1000)



Raiffeisen credit cards
1999-2003
(in 1000)



Credit cards ▪ The increasing saturation of the credit card market is leading to tougher competition. The various credit card providers are offering an ever greater selection of additional extras, such as bonus point schemes, online services etc., in order to make their products more attractive. Viseca Card Services AG – Raiffeisen's credit card partner – is now offering the following new services to cardholders: "MyAccount" (online credit card account) and "MyWine" (attractive wine offers).

Refinancing

2003 saw the Swiss National Bank continuing with its relaxed monetary policy and clients maintaining high levels of liquidity. Although the volume of loans to clients increased, this was financed by the inflow of new money through client deposits. The Central Bank of the Swiss Union of Raiffeisen Banks posted a total inflow of capital at the various Raiffeisen banks and their individual branches of 172 million Swiss francs. Thanks to this large inflow of funds, the Raiffeisen Group took the decision not to renew mortgage bond loans worth 350 million Swiss francs which came due in 2003. Funding requirements on the capital market were therefore restricted to covering maturing items in the Central Bank balance sheet. In total, the Treasury refinanced a total of 233 million Swiss francs during the year under review via the use of private placements on the capital market.

Trading

We were unable to improve upon last year's net trading income total. The Central Bank devoted special attention to the expansion of its banknote trading activities, while bid/ask spreads and delivery charges were considerably reduced to increase the competitiveness of the Raiffeisen banks. In addition, the strategic partnership with MSE (Mat Securities Express AG) enabled us to enhance overall quality and allowed for a more secure distribution of banknotes within the organization via the cash centre. An increasing number of third-party banks are benefiting from our expanded range of services in this sector.

Credit risk management

In spite of the continued expansion of our market share in 2003, credit loss expenses remained at an extremely low level. This is due to a number of reasons. In line with standardized credit risk policy, the Raiffeisen banks maintained their tried and tested, risk-conscious approach to granting loans, while improving the quality of credit rating appraisals and loan processing. In addition to uniform methods and procedures, the Swiss Union of Raiffeisen Banks again supplied the Raiffeisen banks in 2003 with staff resources to assist in credit assessments and manage non-performing positions in the case of particularly complex credit requests. Comprehensive analyses of trends in the economy and in this sector were of help in enabling the Raiffeisen banks to evaluate risks in the commercial credit business. The Central Bank played a part in reducing risk from its own point of view by defining country and product risk limits, while group credit portfolio management processes helped to facilitate an overview of credit risks and introduce various measures for the management of portfolios.

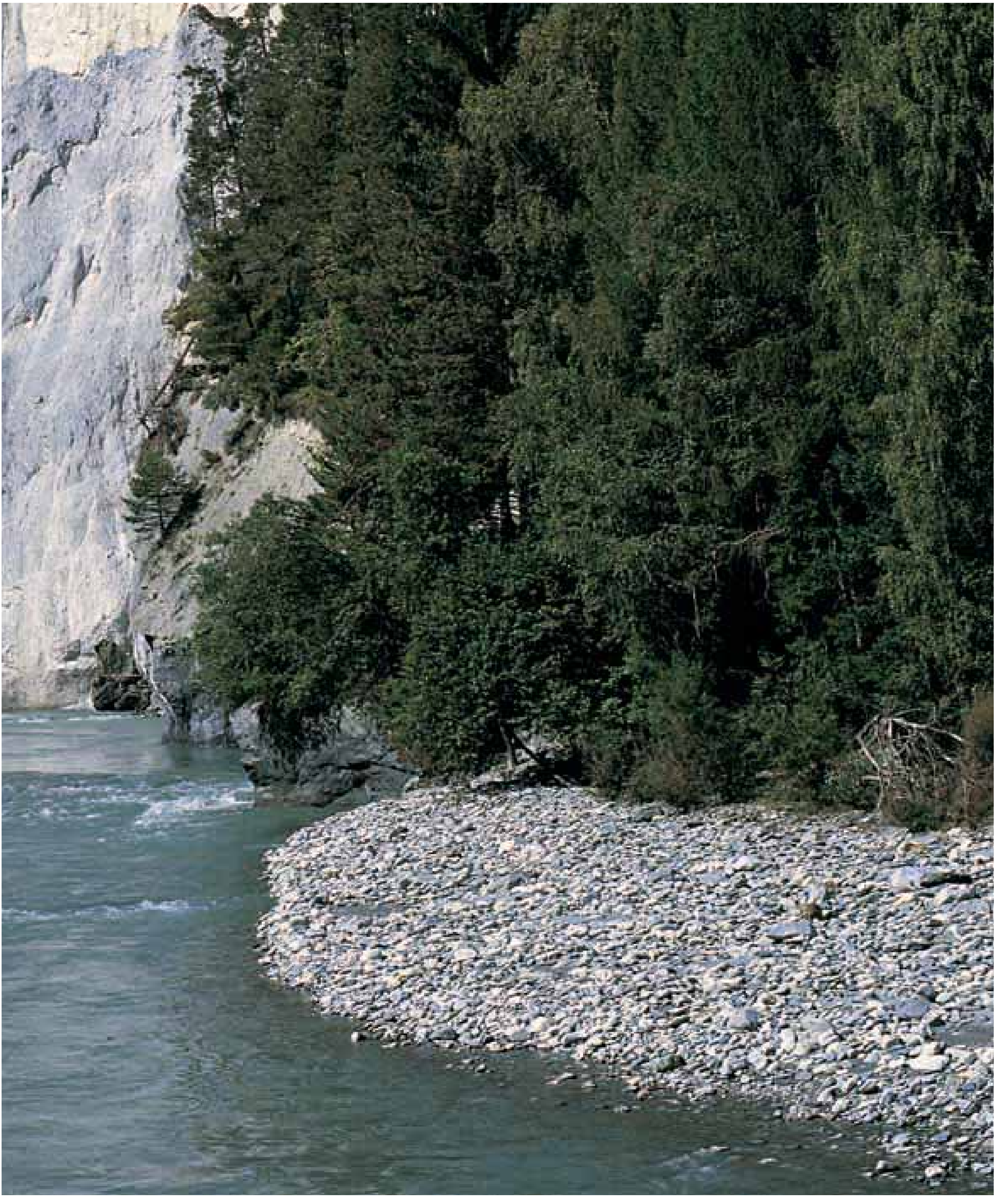
With a view to fulfilling the requirements of the new Basle II accords, we pressed ahead with further measures to improve credit risk management. In order to meet the ever more rapidly increasing demands of this sector, the credit risk management process for the systematic identification, measurement, evaluation, management and limitation of payment default risks has been fine-tuned further.

The Raiffeisen Group systematically records default risks in accordance with standardized rules. Due to changes in accounting standards, guidelines for the establishment and release of individual value adjustments for default risks have been adapted.

The reorganization of the Swiss Union of Raiffeisen Banks as of 1 October 2003 also had consequences with regard to credit risk management, with a new risk committee being formed to coordinate market and operational risks and, in particular, credit risks on behalf of the Raiffeisen Group.

Finding the way. We have found a path and are moving forward. The banks to our right and left provide comfort and reassurance. All around, a jagged landscape reveals itself, yet few real obstacles bar our way.

The Rhine gorge



The risk policy followed by the Swiss Union of Raiffeisen Banks and the Raiffeisen Group governs how risk is to be managed and controlled within the Group. It is geared towards limiting negative impacts on earnings and protecting the Raiffeisen Group from high exceptional losses.

Within the overall risk context of the Raiffeisen Group, it is important to create a risk organization that focuses on the respective needs of the Raiffeisen banks and the Group's companies. The group-wide risk management approaches are applied uniformly, as and where relevant. A responsible risk and monitoring culture contributes to stability and continuity and supports earnings growth.

Risks are multilayered, complex, intertwined and influenced by organizational factors within the Group. A robust risk culture and integrated, comprehensive risk management depend heavily on general business management and corporate governance, especially within financial institutions.

In order to take account of this dynamic environment, risk policy was fully revised again in 2003 and adapted in line with current circumstances.

Main authorities

The *Board of Directors* is responsible for the risk policy of the Raiffeisen Group. It defines the basic principles for managing and controlling risk and for determining the Raiffeisen Group's risk capacity and risk tolerance levels, and thus its most significant risk limits.

The *Audit Committee* supports the Board of Directors in its monitoring of the Executive Board as regards the effectiveness of internal control systems in both the financial and accounting spheres. It ensures the quality of Internal and External Auditing and their cooperation.

The *Executive Board* is responsible for implementing risk policy and informs the risk-managing units of the risk limits, in accordance with the wishes of the Board of Directors.

The *Central Bank Departmental Head* and the *Branches & Credits Departmental Head* are responsible for credit and market risk positions in their respective departments and must take corrective measures if necessary – depending on the aggregated risk profile of their respective portfolio or the risk of specific positions. The Departmental Heads are responsible for operational risks within the respective divisions. It is their responsibility to identify risks and take appropriate measures to minimize them.

Risk Controlling is subordinated to the Chairman of the Executive Board and is responsible for establishing the Raiffeisen Group's risk positions and issuing guidelines and standards. It is responsible for implementing independent control processes within the business units.

The *Compliance Office,* which is also subordinated to the Chairman of the Executive Board, supports management in performing its duties in accordance with all the relevant legal and regulatory requirements, in a manner that is ethically acceptable and avoids conflicts of interest. In this respect, its attention is devoted primarily towards avoiding legal, regulatory and reputational risks, including those which arise when new products are launched.

Internal Auditing supports the Board of Directors, the Audit Committee and the Executive Board in the performance of their tasks by providing objective and independent assessments of the effectiveness of control and risk management processes.

The knowledge, competence, experience and integrity, and also the conduct of management and individual employees, are elements crucial to the company's reputation. The Raiffeisen Group is aware that trust is slow to develop, but can be quickly lost.

Risk management process

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

Risk identification ▪ Particularly relevant to new products and business areas, but also for external events and in portfolio monitoring.

Risk measurement and assessment ▪ The use of approved methods and models, reviewed by the independent Risk Controlling department.

Risk management ▪ The organization of responsibilities associated with client relationship, the assumption and control of risks, and processing in accordance with the principle of separation of powers, are regulated within the trading portfolio and bank ledger. Risk management is the responsibility of designated risk managers who, within the allocated limits, are themselves responsible for the risks entered into.

Risk limitation ▪ Market and credit risks are subject to overall limits approved annually by the Board of Directors. Operational risks are limited by qualitative stipulations and operational requirements.

Risk monitoring ▪ Whilst Risk Controlling primarily ensures the observance and implementation of risk policy, risk principles and limits, the Compliance Office ensures adherence to the regulatory provisions and due diligence. A thorough report on all risk categories to be monitored is prepared for managers at all levels.

Risk categories

The Raiffeisen Group distinguishes between and manages three risk categories:

Credit risk is defined as the possibility of default of a counterparty during the life of a loan, or the distribution of defaults within a particular credit quality category around a long-term average. Credit risks are incurred by the Raiffeisen Group vis-à-vis individual counterparties and group counterparties.

Market risk is defined as losses on balance-sheet and off-balance-sheet positions which are incurred by the bank on account of market variables, such as interest rates, foreign exchange rates and share prices.

Operational risks are risks that the Raiffeisen Group does not actively enter into, but which arise from the operation of the business units. They are a result of the failure of internal processes, human error or system malfunctions. The Raiffeisen Group also uses this risk category as an umbrella designation for legal risks and risks which stem from external events (e.g. natural disasters).

If these risks are not adequately recognized, managed and controlled, not only can financial losses be sustained, but the good reputation of the business may also suffer.

Credit risks

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

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

The business units of the Raiffeisen Group – Raiffeisen banks, Guarantee Cooperative, Raiffeisen Leasing and Swiss Union of Raiffeisen Banks – adopt an all-encompassing approach to managing their credit risks, the core elements of which are the credit-granting process, credit monitoring and a readmission process. An appropriate method for setting up provisions for credit risks rounds off the concept. The Raiffeisen Group denotes a receivable as being "impaired" if the book value of this claim is higher than the cash value of the actual expected sum of interest and capital repayments, including, where applicable, the available collateral that is realized. Loans within this category are classified as "non-performing" for external reporting purposes if a delay in repayment of over 90 days exists in the case of interest, capital or fees. The term "non-performing" cannot be equated with "impaired", although a payment delay can, in certain circumstances, be the first indication of risk. Group-wide guidelines have been drawn up to ensure that impaired loans are evaluated consistently and fairly.

Both commitments to a specific counterparty and aggregate credit risks are limited by means of a limit system. The uniform counterparty rating system applied by the Raiffeisen Group is intended for monitoring credit risks and calculating risk-adjusted profitability ratios. A counterparty rating is allocated to all counterparties that show an actual or potential counterparty risk. This rating is used along with transaction-specific, anticipated default rates in order to determine the expected losses on a credit position or in a credit portfolio.

An internal management tool is used to measure credit risks, which calculates anticipated and unanticipated losses on the basis of default probabilities determined by the credit rating. The specially developed credit risk exposure model, designed for calculating the default probabilities of credit risks, has been expanded and validated. The resultant enhancement reflects our high expectations, particularly with regard to the retail portfolio. Any calculations performed are done solely for the information needs of management. By regularly comparing the calculated estimates with the actual loss figures, adjustments can be made to the calculation methodology if necessary.

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

Market risks

The following techniques are used to measure market risk:

The *value-at-risk method* estimates the potential loss on a given portfolio for a specific time horizon and a defined probability on the basis of historical market data. This method is used in the trading portfolio in order to estimate risk. Because the value-at-risk model is based on past events and depends on the quality of the available market data, Risk Controlling performs quarterly "back tests" at portfolio level and reviews the causes of all back-testing exceptions, in order to take correction measures where necessary.

Other measures are applied to limit potential loss, with trading risks kept in check by limits on risk, volume, positions and loss. Risk indicators, processes, independent controls and proactive remedial measures to avoid limits being exceeded are additionally employed as a means of reducing undue risk. Regular re-evaluations of positions entered into as well as independent risk analyses are prerequisite to taking such measures.

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

Operational risks

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

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

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

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

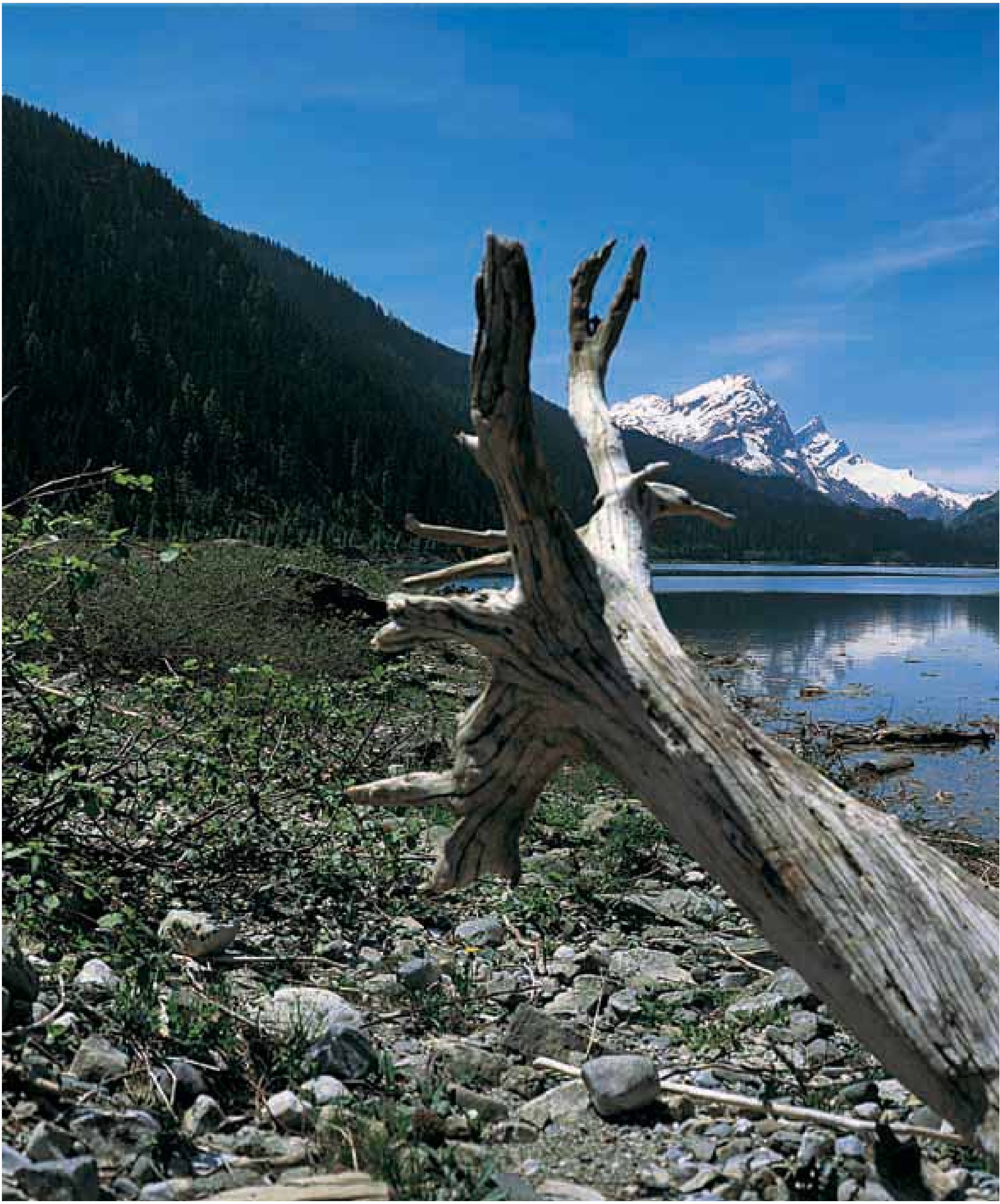
Because of the large number and complexity of projects within the Raiffeisen Group, the project management process has been completely redeveloped. This measure has also had an impact on project controlling, with the systematic monitoring of projects – in particular the analysis of risks that endanger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

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

Outlook

The Raiffeisen Group devotes considerable human and technological resources to risk management. To this end, it has built up an integrated risk management system with a clearly defined risk policy, appropriate risk measurement methods and an adequate structure and infrastructure.

Working closely with the specialists in the business units, the Raiffeisen Group is following developments with regard to the revision of the Basle capital adequacy rules and making preparations to implement the requisite modifications. During an initial conceptual phase, the effects of the new rules have been analysed from a financial and organizational perspective. Based on these findings, the decision-making principles regarding the desired regulatory approach and the necessary IT architecture have been developed. As a result of these considerations and in view of the heterogeneous nature of the Raiffeisen Group, the Executive Board has, for the time being, decided to adopt group-wide the regulatory standard approach to credit risks and the basic approach to operational risks. With this decision, individual categories of business activity, including inherent risks, are taken into account. The Executive Board is however aware that fulfilling minimum regulatory requirements does not create added value for risk management. Internal projects are therefore in progress with the aim of introducing an even more professional approach to risk. The conceptual framework for these projects is defined by requirements based on the internal ratings system. Further modifications to the credit risk exposure model are part of a wider plan to develop a ratings system on the basis of default probabilities which is suitable for the Raiffeisen retail portfolio and corresponds to regulatory stipulations.



Time to pause. With the first stretch completed, the waters tarry a while, rippling gently towards a welcoming shore. Some milestones have been passed already, and these initial successes give us confidence to continue along our intended course.

Lake Sufers

It is when times are bad that the importance of responsibility comes to the fore. Durable values and genuine quality of life are only possible if we meet our responsibilities. Yet to avoid all this appearing little more than lip service, there is a concrete need to seek out new approaches and build awareness.

The term "responsibility" has a profound meaning based on the notion of cause and effect. In simple language, it means accepting the consequences of your actions. It also means not passing the buck when things go wrong. Molière, the French playwright, had a saying for this in the 17th century: "It is not only for what we do that we are held responsible, but also for what we do not do." This *bon mot* can in turn be applied to business activities of each and every company, because corporate bodies have a duty towards their stakeholders – i.e. clients, employees, investors and the general public – to act in a manner that is ethically, socially and environmentally acceptable. By doing this, they will receive trust in return, which ultimately is the basic prerequisite to any business success.

The cooperative of Raiffeisen banks enjoys an exceptional level of trust among the Swiss population. Proof of this are our membership numbers which are continually on the rise, and the fact that Raiffeisen is regarded for the third time in a row as the most trustworthy banking institution in Switzerland – according to the findings of a consumer survey performed by Reader's Digest. Applying the principles of a cooperative to administering a business is fundamental to the philosophy of the Raiffeisen banks in Switzerland, and the cooperative model has proven to be an ideal medium in this respect.

Within the Raiffeisen Group, a distinction is made between the 470 legally autonomous Raiffeisen banks and the Swiss Union of Raiffeisen Banks. Aside from financial data, the individual banks are not duty bound to supply the Swiss Union of Raiffeisen Banks with information concerning their environmental record. The final section of this chapter, "Environment", will therefore only cover issues connected to the Swiss Union of Raiffeisen Banks.

Kurt Zobrist, Head of the Inspectorate Department

Corporate Governance

How a cooperative banking group such as Raiffeisen views the notion of corporate governance differs in many ways from the approach that a company listed on the stock exchange would take. The democratic values which the Raiffeisen cooperative espouses are not concerned with satisfying the isolated interests of individual parties. Instead, we prefer profit optimization to profit maximization, we favour self-discipline and we acknowledge both the economic and social debt we owe to our members and the localities in which we operate. Decentralization of authority is a decisive element in the success of the Raiffeisen Group. Decision-making is not restricted to the Swiss Union of Raiffeisen Banks in St.Gallen, but is performed at local level by various Raiffeisen banks. Management responsibilities are therefore structured along federal lines.

"The philosophy of thinking globally but acting locally is of particular importance to the Raiffeisen banks."

Raiffeisen focuses its activities on four specific stakeholder groups (depicted in the diagram opposite). It is our aim to serve the interests of all these parties as equitably as possible.

- Firstly, we show gratitude to our members for their contribution as capital providers by granting them rights of codetermination as well as loans with preferential conditions and contact opportunities within the wider community of members.

- The Raiffeisen banks are especially concerned with building long-term relationships with their clients, over 1.2 million of whom are members of the cooperative. This relationship is of a durable nature, it is conducted at a personal level and is characterized by trust and fairness.

- Our 7,300 employees represent another important stakeholder group. Not only has our staff increased in numbers over the last few years, but the actual quality of the people we employ has also improved. In terms of further training and career perspectives, Raiffeisen offers an extremely competitive package in comparison to its peers.

- The general public makes up the fourth element. No other banking group offers support to such a wide variety of local associations, clubs and events as the Raiffeisen banks. What is more, our banks pay their due in tax to the municipalities within which they are located.

Our four stakeholder groups

Members	**Clients**
Employees	**General public**

Whenever the question of corporate governance crops up, most of attention of the general public tends to be directed at the issue of executive pay. Due to their local roots and the relatively close-knit environments in which they operate, neither the Raiffeisen banks nor the Swiss Union of Raiffeisen Banks publish details of such payments. According to the findings of an independent, external survey, management salaries within the Swiss Union of Raiffeisen Banks occupy a healthy mid-range position when compared to similar domestic-oriented banks, and are thus by no means excessive when viewed within the specific Raiffeisen context.

Over the course of the last two years, the Raiffeisen Group has developed a level of compliance that is line with today's criteria. In 2003, efforts were concentrated on implementing new money laundering regulations. Each Raiffeisen bank consequently now has its own officer entrusted with handling money laundering matters.

Board of Directors of the Raiffeisen Group ▪ The Board of Directors of the Raiffeisen Group is responsible for the overall guidance of the Swiss Union of Raiffeisen Banks and for supervising and monitoring the Executive Board and the Inspectorate Department and general operational management processes. It consists of 15 members, the majority of whom carry out their principal remunerated activity outside the Raiffeisen Group. This ensures that the Board is represented by a broad mix of people from the world of business and politics who reflect various interest groups.

The Board of Directors designates the Audit Committee from among its members – consisting of the Chairman, the Vice-Chairman and an additional member. The Audit Committee supports the Board of Directors in matters regarding risk policy (more details on page 20).

The first measure taken as result of in-depth discussions concerning corporate governance was to increase the frequency of meetings during the calendar year. This ensures that decisions are taken rapidly and that the latest questions and issues are discussed. The Board of Directors meets once a year for a closed planning session to assess its own activities. It is kept up to date by the Executive Board via a monthly report containing key performance data.

Supervisory Board of the Raiffeisen Group ▪ The Supervisory Board is tasked with monitoring the activity of the Board of Directors and the management of the business by the Executive Board and the Inspectorate and with exercising control functions.

Board of Directors and Supervisory Board of the Raiffeisen banks ▪ The Raiffeisen banks continue to be broadly based, with candidates for the Board of Directors and Supervisory Board being voted in at respective local general meetings. This guarantees a fair balance between the interests of the bank in question and those of the members of the cooperative.

Executive Board of the Raiffeisen Group ▪ The Executive Board is responsible for the strategic management of the Raiffeisen Group. In particular, this involves identifying influences and changes that have a bearing on the Raiffeisen environment, developing relevant strategies and ensuring that subsequent implementation measures are taken. With the aim of pooling and focusing the business processes of the Swiss Union of Raiffeisen Banks, responsibilities were reshuffled as at 1 October 2003 and shared among six departments (see Organizational Chart on pages 94/95). This measure will ensure a forward-looking form of management.

Disclosure of significant directorships (as at 1 April 2004)

Dr. Pierin Vincenz, Chairman of the Executive Board
- Chairman of the Board of Directors at VISECA Card Services AG
- Vice-Chairman of the Board of Directors at cosba private banking ag
- Member of the Committee of the Board of Directors of the Swiss Bankers Association
- Member of the Board of Directors at Helvetia Patria
- Member of the Board of Directors of the Mortgage Bond Bank of the Swiss Mortgage Institutions
- Member of the Board of Directors at Plozza AG
- Member of the Board of Directors at Telekurs Holding AG

René Bentele, Head of the Corporate Development Department
- Foundation board member of the AHV Administration Office for Banking

Barend Fruithof, Head of the Finance & Logistics Department
- Member of the Board of Directors at MasterCard Europe
- Member of the Advisory Board of the Back Office Academy

Dr. Patrik Gisel, Head of the Market & Sales Department
- Member of the Board of Directors at cosba private banking ag
- Member of the Advisory Board of the Swiss Finance Forum
- Member of the Management Board of the Swiss IT Leadership Forum

Robert Signer, Head of the Branches & Credits Department
- Member of the Board of Directors at realis ag
- Member of the Advisory Board of Olma Messen St.Gallen

Kurt Zobrist, Head of the Inspectorate Department

No significant directorships

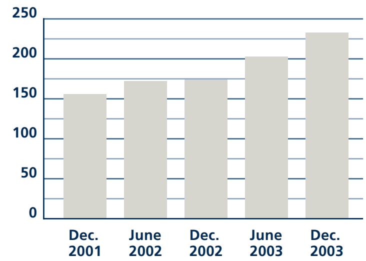
Business

Philosophy ▪ The foundations for the worldwide success of the Raiffeisen system of cooperatives were laid in Germany in the 19th century. Mayor and social reformer, Friedrich Wilhelm Raiffeisen, believed that capital should be put to work where it was generated. Born from this entrepreneurial "self-help" spirit, Switzerland's first ever Raiffeisen bank was created in 1899 in the municipality of Bichelsee in Canton Thurgau. Today – as has always been the case – the cooperative members remain at the focal point of everything Raiffeisen does. As co-owners of the Raiffeisen banks, they help shape the affairs of the Group. They also benefit from numerous preferential conditions, such as charge-fee membership accounts, higher interest, free admission to around 350 museums in Switzerland and special promotions, to give but a few examples.

When it comes to sustainable asset management, we at Raiffeisen do not lack in experience. Rational utilization of the resources at our disposal is something we have always practised. A decentralized structure with short decision-making paths, a dense network of banks at 1,200 locations around Switzerland, a prudent lending policy, sensible remuneration packages for our employees and long-term relationships with our clients are part and parcel of this philosophy. Another key factor is our culture of solidarity which we value greatly within the Group. The system of mutual liability offers our clients a high degree of security, thanks to the cover afforded by equity resources totalling 7.0 billion Swiss francs (more details on page 90).

Products ▪ *Sustainable funds:* Entirely in keeping with this philosophy, Raiffeisen has been offering clients a new range of investment funds entitled "Futura funds" since June 2001. These funds meet the exacting standards of a sustainable asset allocation strategy and represent a positive means of investing in the future, as they enable our clients to invest in companies that show consideration for the wider environment. INrate, an agency specializing in sustainability ratings, is responsible for screening to ensure that the strict criteria of these funds are met. The increasing popularity of Futura among investors is reflected in the growth figures shown here, with a rise of 33.7 percent being posted in 2003 in comparison to the previous year. There is plenty of potential for further growth, since Futura investment funds only account for 3.1 percent of the entire fund volume at Raiffeisen.

Growth of Futura Funds
2001-2003
(in CHF million)



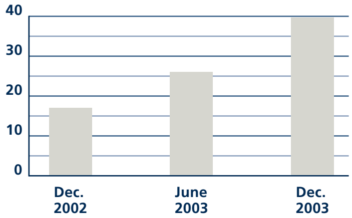
A study carried by the Zurich firm FourA, published in September and based on Futura fund data, concluded that sustainable investments more than hold their own when compared to traditional investment instruments. Its results show that the ecological, social and ethical criteria on which Futura investment funds are based do not pose any stumbling block for investors. Contrary to the popular belief, sustainability within a portfolio should not be seen as an Achilles heel.

Achieving sustainable performance has always been and will always remain a central concern of the Raiffeisen Group. In view of this, we will be expanding our range of sustainable fund products in 2004 to include a microfinance investment fund. The social investment platform, responsAbility AG, was launched in mid-November 2003 – a project which sees the Raiffeisen Group team up with the Credit Suisse Group, Baumann & Cie Banquiers, Alternative Bank ABS and the Andromeda Fund. The first main issue it is looking at is the question of how microfinance can be utilized as an efficient and effective instrument for reducing third-world poverty.

Minergie mortgage: Reduced heating energy consumption, a higher quality of living and preservation of value are the criteria on which buildings constructed to Minergie standards are based. The Raiffeisen banks became the first Swiss banking group to launch a Minergie mortgage product in June 2002. The mortgage's interest rate is half a percent below the rate for first and second mortgages. By the end of 2003, up to 200 home owners had already experienced the benefits of a Raiffeisen Minergie mortgage for themselves.

Growth of Minergie mortgages 2002-2003

(in CHF million)



René Bentele, Head of the Corporate Development Department

"Raiffeisen makes a very conscious effort to build a mutually rewarding long-term relationship with its employees."

Social responsibility

Raiffeisen as an employer ▪ Raiffeisen has had relatively little difficulty finding the right people, even during periods of job market tightness. The growing impression of Raiffeisen on the job market is one of a dynamic, people-oriented company that gives its employees entrepreneurial freedom. A meaningful job, sufficient scope and allowing employees to use their own initiative while making them feel safe and secure – for Raiffeisen, these are the fundamental elements of a socially responsible corporate policy. When choosing an employer, potential recruits increasingly view such factors as important, and in turn Raiffeisen values the role of its employees. As our mission statement says: "The aim of management is to create the right conditions for our employees to perform productively to the best of their abilities, to gain job satisfaction and to identify with the company."

The positive reaction to Raiffeisen's social policy is reflected in the findings of a survey carried out by the Swiss Bank Employees Association which was published in February 2004. In comparison with staff at other banks, employees at Raiffeisen identify the most with their company and have the most confidence in company management. More of them feel that they are integrated in work processes, have a healthy degree of trust in the person who acts as their supervisor, and fewer of them are inclined to change their employer.

Internal communication plays an important role in helping employees identify with the company. For example, the electronic platform RAIweb was created in 1998, its purpose being that of an intranet site. It is accessible to approximately 7,300 employees within the Group and offers an overview of information essential for day-to-day business, as well as Group media releases, details of talks and lectures concerning banking issues, and much more besides. In addition to this interface, employees also receive the Annual Report and the client magazine "Panorama".

The employee committee – which has been in existence since 1995 – acts as a link between the Executive Board of the Swiss Union of Raiffeisen Banks and employees. Consisting of seven members, the committee meets regularly with a member of the Executive Board to discuss current topics and outstanding issues and negotiate salary adjustments. According to its charter, the employee committee has a right to information and, in various situations, to be consulted (in an advisory capacity) with regard to decisions or results which affect staff on a working, social or corporate level. Furthermore, the committee is also concerned with bringing the needs and views of employees to the attention of the Executive Board.

One of the greatest challenges currently facing the employee committee is realizing its vision of substantially increasing the presence of women within the upper echelons of management. Although over half of the Raiffeisen Group's employees are women, the picture is somewhat different if one looks at the figures at the various hierarchical levels. The higher the hierarchical level, the lower the proportion of women represented. A working group formed during the year under review is currently drawing up a request to the Executive Board with suggestions for further possible measures to be taken in this area. In view of the fact that current studies are predicting a lack of qualified workers on the job market by 2015, the consequences of which can only be alleviated by the systematic advancement of professional women, the employee committee's project work has a pioneering role to play.

With the number of junior staff continually on the rise, Raiffeisen is looking to train up the talent of tomorrow as a further investment in the future. From a figure of 547 trainees in 2000, the year under review saw 642 trainees registered on Raiffeisen's books. Raiffeisen is therefore making an active contribution towards producing a new generation of well-qualified banking professionals.

Statement of net added value ▪ Raiffeisen Group managed to increase its operating income during the year under review, without drawing any more intermediate services or products from external sources. The company's added value grew by 8.9 percent – or 101 million Swiss francs – to 1.23 billion Swiss francs. It was employees who benefited most from this increase (+ 31 million Swiss francs), followed by the company (+ 22 million Swiss francs) and then the state (+ 46 million Swiss francs).

The largest portion of added value – 51.9 percent, or 639 million Swiss francs – was allocated to our employees. In second place, 35.5 percent – or 437 million Swiss francs – was set aside for the company itself. This high proportion is due to two specific factors. Firstly, it is normal practice within the banking sector for a substantial portion of profits to be retained as reserve capital. Such reserves enable banks to hedge against lending risks via their own pocket, without client funds being endangered in any way should damages arise. A further consideration is that the cooperative model does not permit large portions of profits to be distributed to cooperative members, paid out for instance in the form of dividends. In addition to a moderate rate of interest on their cooperative shares, cooperative members, however, already benefit from preferential account conditions which have a direct dampening effect on operating income and therefore do not appear as added value in the statement below. This, in turn, explains why such a minimal portion of added value (1.3 percent) is allotted to our capital providers (i.e. the cooperative members).

Finally, the public authorities also benefit substantially (11.4 percent) from the operating income of the Raiffeisen Group.

Statement of net added value

	Current year in CHF million	Current year in %	Prior year in CHF million	Prior year in %
Creation of added value				
Corporate performance (= operating income)	**1,908**	**100.0**	**1,750**	**100.0**
Non-personnel expenditure	– 413	21.6	– 412	23.5
Extraordinary income	24	– 1.3	5	– 0.3
Gross added value	**1,519**	**79.6**	**1,343**	**76.7**
Depreciation	– 134	7.0	– 142	8.1
Value adjustments/provisions	– 153	8.0	– 70	4.0
Net added value	**1,232**	**64.6**	**1,131**	**64.6**
Distribution of added value				
Personnel (salaries and employee benefits)	639	51.9	608	53.8
Cooperative members (paym. of interest on certif.: proposal to AGM)	16	1.3	14	1.2
Government (direct taxes)	140	11.4	94	8.3
Bolstering of reserves (self-financing)	437	35.5	415	36.7
Total	**1,232**	**100.0**	**1,131**	**100.0**
Key added value figures				
Gross added value per personnel unit in CHF thousand*	256		238	
Net added value per personnel unit in CHF thousand*	208		201	

* calculated on the average number of personnel

Barend Fruithof, Head of the Finance & Logistics Department

"Qualitative growth for Raiffeisen also involves respect for our natural resources."

Sponsorship / donations / foundation ▪ Hardly any other banking group does as much as the Raiffeisen banks do to support cultural, social and sporting activities in their respective localities, with associations, organizations and events benefiting directly. A total of 10.1 million Swiss francs were injected into the Swiss public domain in the year under review, in the form of sponsorship and donations.

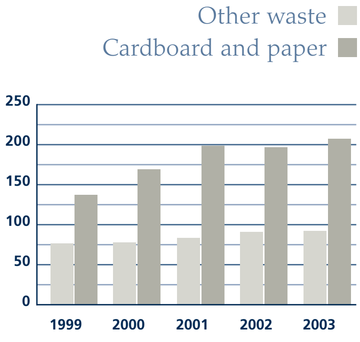
The Raiffeisen Centenary Foundation, founded in 2000 to commemorate the 100th anniversary of the Raiffeisen banks, was created as a gift and expression of gratitude to the Swiss population. In addition to projects relating to "ethics in business", it supports cultural interests, and provides assistance to charitable activities. By way of example, the Foundation made a significant financial contribution to the NSW organization ("Network for a Socially Responsible Economy"), which aims to promote socially and ecologically sound practices within the economic sphere.

Environment

The Swiss Union of Raiffeisen Banks published its first ever environmental report in 2002, based on data obtained at its central premises in St.Gallen. Figures for the individual Raiffeisen banks are not currently available.

Building ecology ▪ The new premises on Schreinerstrasse that were completed in spring 2003 were built according to Minergie standards and awarded the corresponding quality label by the Cantonal Public Works Department. A new construction is currently being built on Gartenstrasse with the aim of achieving this same designation. Ecological considerations were applied in choosing materials for the construction of all new buildings.

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



Energy consumption ▪ The Swiss Union of Raiffeisen Banks focuses on the following key issues with regard to energy consumption:

- Procurement of environmentally friendly products for cleaning, maintenance and energy requirements
- Disposal of waste sorted into categories
- Measures for saving on energy consumption
- Measures for saving energy via the use of technology

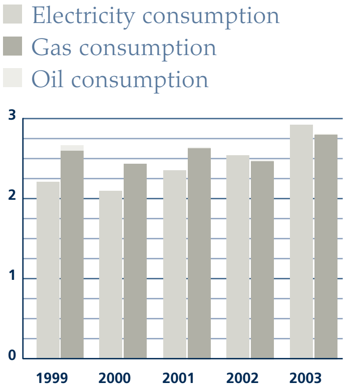
The Swiss Union of Raiffeisen Banks in St. Gallen generated approximately 300 tonnes of waste in the year under review. A suitable waste disposal concept is already in place to ensure that staff separate waste correctly. Our own range of "eco-receptacles" allow paper, cardboard, newspapers, glass, PET, batteries and organic waste to be kept separate from each other. Special waste such as toner modules, ribbons etc. is also collected separately and appropriately disposed of.

Our building automation experts make efforts to ensure that energy is used in a responsible manner. This is complemented, for instance, by the use of a combined heating and power plant and the method of heat recovery, as well as cooling, heating and air circulation systems and automatic lighting controls.

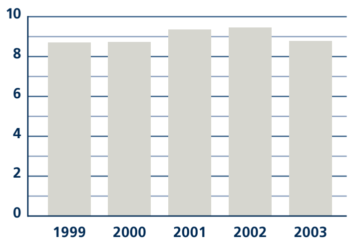
Outlook / vision

The Raiffeisen Group is conscious of the duty is has to the community and takes care that its business activities are not motivated by self-interest. We aim to acknowledge and fulfil the needs of all stakeholders, while taking ethical, social and ecological sensitivities into account. To recoin a well-known quote by Henry Ford, "If there is any one secret of success, it lies in the ability to get the other person's point of view and see things from that person's angle as well as your own." This is the motivation behind our commitment to qualitative growth. Among other things, it means showing respect towards our natural resources and maintaining a decentralized organization structure, so as to act as a truly local partner for both our clients and employees.

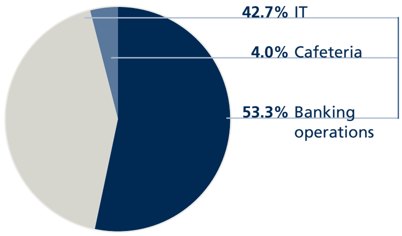
Energy consumption 1999-2003
(in kW/h million)

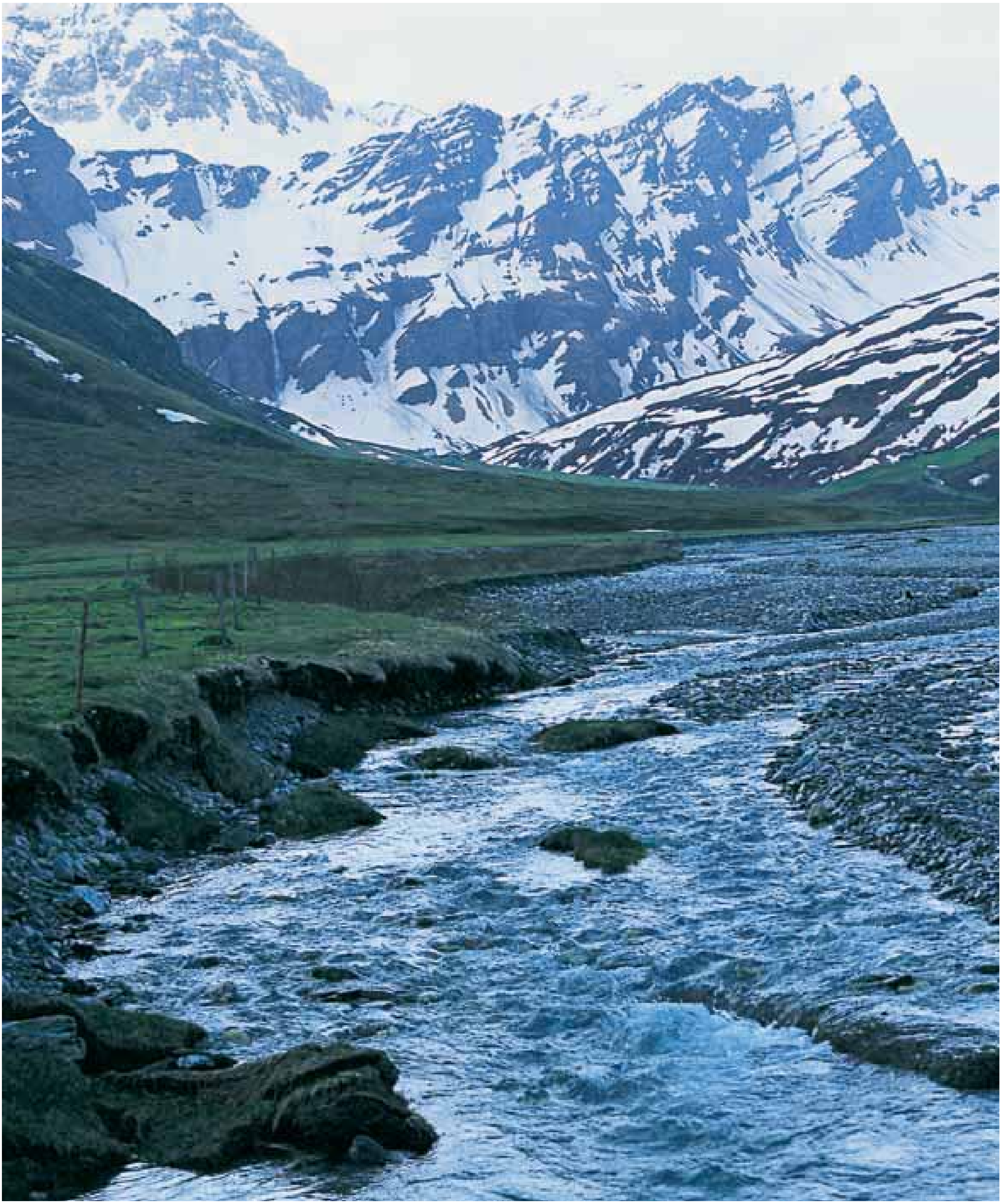


Water consumption 1999-2003
(in cubic metre thousands)



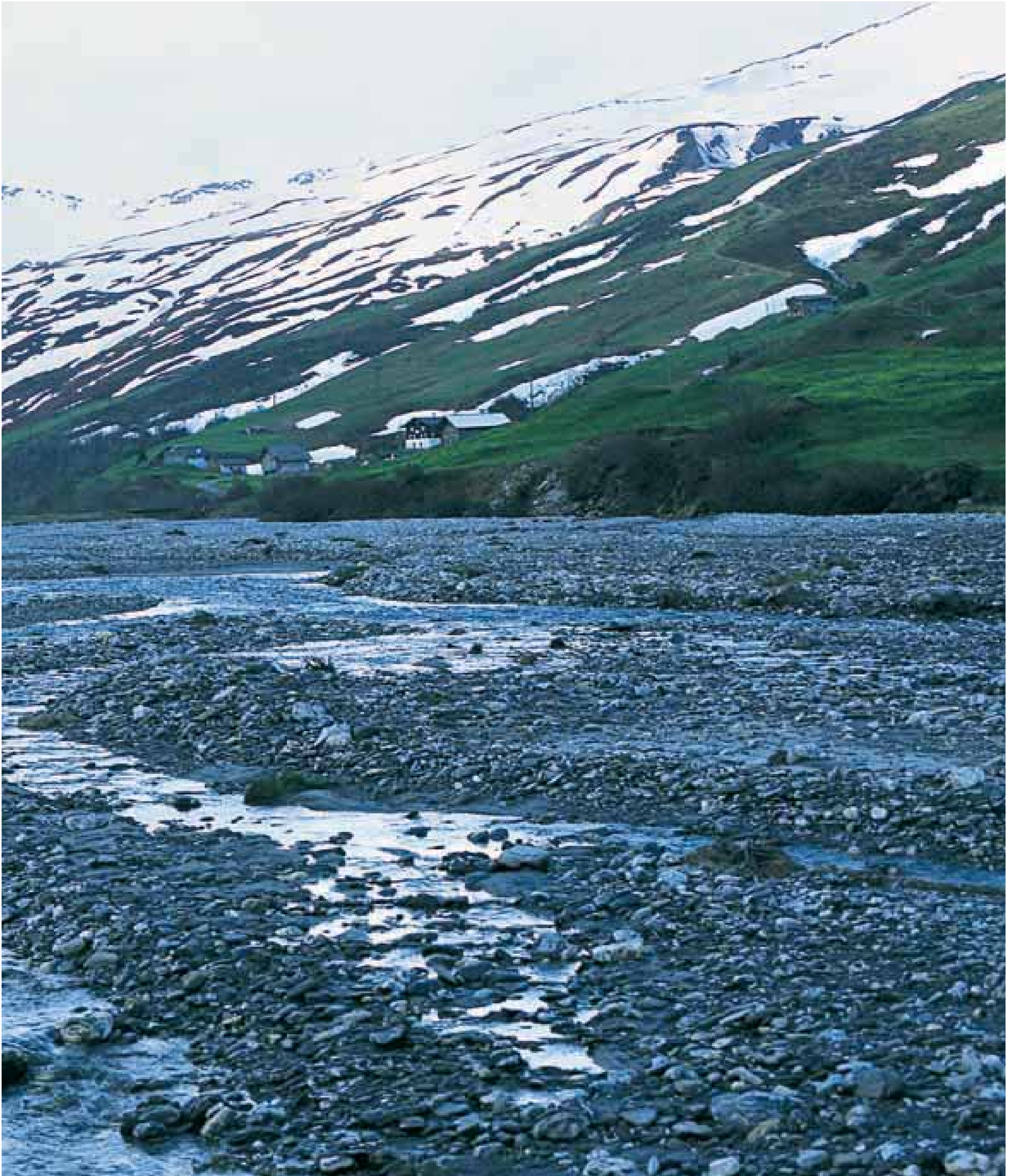
Electricity consumption





Exploring opportunities. Life opens up before us, the horizon revealing as yet undreamt-of possibilities. Different directions present themselves, each asking to be tried. Some streams wander aimlessly until they peter out, others take you back on course. Which one should you take?

The Safien valley



Business for the Raiffeisen Group has continued to develop positively. New market share was acquired in the mortgages segment, despite tough competition. Group profit reached a new record high of 453 million Swiss francs.

The Raiffeisen Group retained a clear focus on its core competencies in retail banking and succeeded in surpassing its outstanding prior-year performance. Undiminished growth in the customer business of the cooperative-based Raiffeisen Group allowed for a well-balanced increase in revenues. After accounting for a moderate rise in business expenditure, gross profit was 856 million Swiss francs, which represents an increase of 17.3 percent. Group profit climbed to 453 million Swiss francs, exceeding last year's record result by 5.6 percent.

An impressive increase of 10.2 percent was achieved in the balance sheet total to 102 billion Swiss francs, preserving the Raiffeisen Group's position as the third major banking entity on the Swiss market. Mortgage lending grew by 8.1 percent to 74.2 billion Swiss francs, further underpinning the group's already strong position in the mortgage business. Customer business continued to expand strongly at 9.2 percent, thus assuring the Group a solid refinancing base.

The Raiffeisen banks in Switzerland have a strong local orientation and commitment to client needs, which has earned them a reputation as a fair, reliable banking partner. The Raiffeisen business model, which is geared towards promoting long-term client relationships, has proven successful and is gaining the appreciation of an ever broader public, as evidenced by the more than 70,000 new members who joined the Raiffeisen banking cooperative in the year under review. Overall, the Raiffeisen Group has nearly 1.2 million members within Switzerland.

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

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

Profit and loss account

Income ▪ The main pillar of income of the Raiffeisen Group in the year under review was net interest income, with a share of 83 percent. This item rose by 8.8 percent to 1,579 million Swiss francs, largely driven by the higher volumes in customer business.

In a pleasing development, net income from commission business and service transactions posted a gain of 7.7 percent to 128 million Swiss francs, after having recorded setbacks in the past two years. The Raiffeisen Group benefited from the upswing experienced in the stock markets. During the second half of the year, income from stock exchange transactions increased significantly against the previous year. Income from payment transaction services also climbed substantially as a direct consequence of the bigger volumes.

Net trading income (note 19) was up by 6.4 percent to 66 million Swiss francs, thanks to higher revenues from trading activities in foreign exchange and banknotes.

Although income from participating interests was down notably by 1 million Swiss francs as compared to 2002, overall the Raiffeisen Group posted a substantial increase of 13.7 percent in the item "Other ordinary result" to 134 million Swiss francs. Higher income from Bancomat fees (cash withdrawals made from Raiffeisen automatic teller machines by customers of other banks) and reimbursement of costs, plus significantly smaller negative value adjustments required on financial assets were the main reasons behind this outcome.

Total operating expenditure ▪ In recent years the Raiffeisen Group has been able to greatly strengthen its presence within Switzerland's urban centres. In 2003, a branch office was opened in Berne, effectively completing Raiffeisen's geographic expansion. Total operating expenditure for the reporting year reflects this development, with a moderate rise to 1,052 million Swiss francs, or 3.1 percent. In earlier years, when the branch office expansion into urban areas was in full swing and large investments were needed in information technology, expenditure growth rates for the Group were significantly higher.

Personnel expenditure: In the year under review, the number of people employed by the Raiffeisen Group rose by 4.3 percent (prior year: 6.2 percent) to the equivalent of 6,058 full-time positions. This growth came about in connection with the new branch offices that were established. It is also the declared policy of the Raiffeisen Group to make additional personnel capacity available for advisory purposes in the areas of investment and pensions. Personnel expenditure (note 22) increased to 639 million Swiss francs, which represents a change of 5.2 percent versus the prior year.

Operating expenditure: Operating expenditure (note 23) remained constant against the previous year, at 413 million Swiss francs. The new branch offices and the ongoing remodelling and renewal of customer zones caused expenditure for premises to climb by 10.4 percent, but this was balanced by slightly lower operating costs and stable expenditures for information technology.

Depreciation on fixed assets: Depreciation declined by a total of 6.1 percent to 134 million Swiss francs. The decrease came about because substantial value adjustments were made on participations in the preceding year, and these were no longer necessary in 2003. Depreciation on tangible fixed assets increased by 6.9 percent to 128 million Swiss francs, commensurate with the continued high investments in infrastructure.

Value adjustments, provisions and losses: Expenditure in connection with value adjustments, provisions and losses during the year under review was largely determined by a major loss at the Raiffeisen bank in Balerna. Criminal activities involving a single employee conducting forward exchange transactions generated a loss of 92 million Swiss francs. Action was immediately taken against the employee in question and measures were implemented to intensify internal group controls. As a result of these damages, this position rose sharply to 153 million Swiss francs at group level (prior year 69.5 million Swiss francs). Value adjustments for default risks declined significantly, however, by 15.4 percent to 51.6 million Swiss francs.

Extraordinary result: The extraordinary result comprises a value gain on participations and income from the dissolution of surplus reserves for projects. Extraordinary expenditure includes losses from the sale of tangible fixed assets in 2002.

Taxes: Concurrent with the very pleasing further rise in the financial performance of the Raiffeisen Group on the prior year, taxes increased a hefty 48.7% to 140 million Swiss francs (note 25). The average value used in calculating deferred taxes was 23.3 percent (23.2 percent in the previous year).

Balance sheet

The Raiffeisen Group's balance sheet total surpassed the 100 billion Swiss franc mark in the year under review. This came about as a consequence of healthy growth in customer business coupled with increased activity in the interbank segment.

Receivables/liabilities vis-à-vis banks ▪ Intensified liquidity management led to a substantial expansion of interbank business. The Central Bank in its capacity as giro centre for the Raiffeisen organization significantly strengthened the focus on repo business in Switzerland and medium-to-long-term borrowing abroad. Today the Central Bank is one of the biggest repo trading institutions within Switzerland. Repo business enables more economical refinancing and lower-risk investments with other banks which do not put pressure on capital resources. The concentration on repo business has been largely responsible for the steady improvement seen in default risks within the interbank segment in recent years.

Receivables from clients ▪ Receivables from clients were down by 1.5 percent to 7.2 billion Swiss francs, mainly as a result of the cyclical decline in current account credits. Almost half of this position is accounted for by loans to municipal authorities and cantons.

Mortgage receivables ▪ Mortgage receivables, which represent 72.6 percent of the balance sheet total, are by far the most important source of revenue for Raiffeisen and therefore figure prominently as an earnings factor. The hefty 8.1 percent increase seen in mortgage receivables to 74.2 billion francs during 2003 was thus particularly pleasing (8.0 percent in the previous year). The Raiffeisen Group thus succeeded in gaining further market share in the domestic mortgages segment, where the overall market growth was just under 6 percent.

The strong growth in mortgage-secured credits was achieved without compromising Raiffeisen's strict lending principles. The low level of value adjustments and provisions indicates the continued high quality of the loan portfolio.

The recent phase of historically low interest rates led customers to prefer fixed-rate mortgages in 2002, and this tendency became even more pronounced in the course of 2003. The proportion of fixed-rate mortgages in the mortgage portfolio climbed from 33.1 percent to 53.4 percent in 2003.

Financial assets ▪ Financial assets (note 3) consist primarily of debentures held for the purpose of maintaining the liquidity of the Raiffeisen Group as required by law. This position increased by 300 million to 2.9 billion Swiss francs during the year under review. A total of 67.2 million Swiss francs in real estate from non-performing positions designated for resale is also included under financial assets.

Tangible fixed assets ▪ The Raiffeisen Group stepped up its investment in other tangible fixed assets such as operating equipment, self-service facilities and security installations, while investments in bank premises were greatly reduced. Overall the Group's investment volume totalled 195.6 million Swiss francs, down by 6.8 percent from the previous year. The book value of tangible fixed assets (note 2) at year-end was 1.6 billion Swiss francs, with bank premises representing about 67 percent of this figure.

Liabilities to clients in the form of savings and investments ▪ Although stock markets recovered during 2003, investors stayed cautious in view of the uncertain job market. Traditional bank savings remained an attractive investment alternative due to the high degree of security they offer. In 2003, client monies in the form of savings and investments climbed 11.1 percent (12.8 percent in the previous year) to 57.2 billion Swiss francs. Refinancing of lending with client monies thereby increased to just under 92 percent.

Other liabilities to clients ▪ The Raiffeisen Group not only achieved above-average growth in traditional bank savings, but also saw its other liabilities to clients rise an impressive 11.8 percent to 8.2 billion Swiss francs. This growth is almost completely attributable to an increase in demand deposits.

Medium-term notes/bonds and mortgage bond loans ▪ A slight decline of 2.8 percent occurred in medium-term fixed-rate notes to 9.3 billion Swiss francs, with most of the decrease concentrated in the middle range of the investment horizon due to the low level of interest rates. This represents a particularly positive outcome with respect to the overall market, where fall-offs were significantly higher. Bonds and mortgage bond loans (note 7) were down by 7.6 percent to 7.5 billion Swiss francs as a consequence of the Raiffeisen Group's high level of refinancing via customer deposits.

Value adjustments and provisions ▪ Value adjustments and provisions (note 6) rose by 4.6 percent to 1 billion Swiss francs, the increase being related to additional provisions necessary for deferred taxes. Value adjustments and provisions for default risks could be reduced by 1.2 percent to 530 million Swiss francs thanks to the careful lending practices of the Raiffeisen banks within their respective localities. This is equivalent to just 0.65 percent of the loans granted to clients (prior year 0.71 percent), which is a remarkable result given the sharp growth in customer lending.

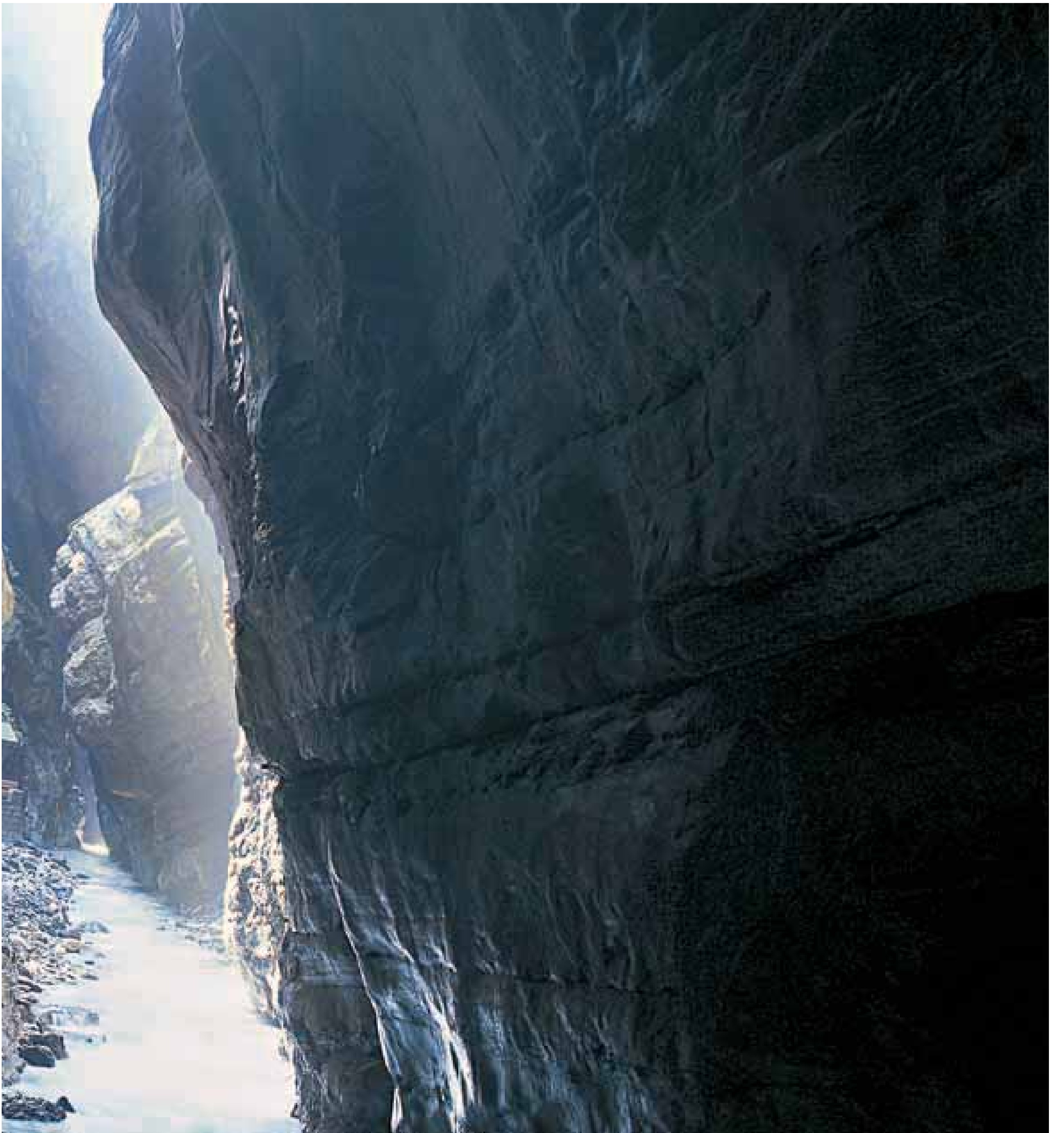
Capital resources ▪ The level of paid-up cooperative capital increased to 320 million Swiss francs during the year under review. Thanks to the Group's outstanding business results, total equity capital (note 8) climbed by 10.9 percent to 4.8 billion Swiss francs. The regulatory capital adequacy requirement was clearly exceeded by 74.5 percent (prior year 66.4 percent (note 26).

Off-balance-sheet business ▪ Contingent liabilities were up by 2.4 percent to 235 million Swiss francs. A pronounced increase was also recorded in irrevocable undertakings in connection with new mortgage business; this item rose by 17.2 percent to 605 million Swiss francs as at the end of the year under review.

More intensive asset and liability management led to a strong increase of 29.6 percent in the total volume of contracts in derivative financial instruments (note 18), bringing this item to 22.2 billion Swiss francs.

Into the light. After being hemmed in and buffeted about by the indomitable cliff face, the water is revitalized and finds its way out of the darkness and back into the light.

The Tamina gorge



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2003

	Note	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Assets					
Liquid funds	9	1,234,066	997,063	237,003	23.8%
Receivables from money market securities	9	15,161	18,137	– 2,976	– 16.4%
Receivables from banks	9, 13	14,287,875	10,814,481	3,473,394	32.1%
Receivables from clients	1, 9	7,222,317	7,330,905	– 108,588	– 1.5%
Mortgage receivables	1, 9, 13	74,154,267	68,570,353	5,583,914	8.1%
Loans to clients		**81,376,584**	**75,901,258**	**5,475,326**	**7.2%**
Trading portfolios in securities and precious metals	3, 9	24,838	26,965	– 2,127	– 7.9%
Financial assets	3, 9, 13	3,049,466	2,771,099	278,367	10.0%
Non-consolidated participations	2, 3, 4	119,836	113,841	5,995	5.3%
Tangible fixed assets	2, 13	1,558,126	1,510,839	47,287	3.1%
Intangibles	2	–	3,564	– 3,564	– 100.0%
Accrued income and prepaid expenses		274,826	270,714	4,112	1.5%
Other assets	5	198,911	256,004	– 57,093	– 22.3%
Total assets	11, 12, 15	**102,139,689**	**92,683,965**	**9,455,724**	**10.2%**
Total subordinated receivables		–	773	– 773	– 100.0%
Total receivables from non-consolidated participations		1,955,305	990,920	964,385	97.3%
Liabilities					
Liabilities to banks	9, 13	13,040,021	9,508,771	3,531,250	37.1%
Liabilities to clients in the form of savings and investment deposits	9	57,228,152	51,498,887	5,729,265	11.1%
Other liabilities to clients	9, 14	8,167,072	7,304,993	862,079	11.8%
Medium-term notes	9	9,322,724	9,589,362	– 266,638	– 2.8%
Client monies		**74,717,948**	**68,393,242**	**6,324,706**	**9.2%**
Bonds and mortgage bond loans	7, 9, 14	7,505,750	8,124,400	– 618,650	– 7.6%
Accrued expenses and deferred income		556,521	562,205	– 5,684	– 1.0%
Other liabilities	5	483,343	775,427	– 292,084	– 37.7%
Value adjustments and provisions	6	1,030,647	985,552	45,095	4.6%
Equity capital		320,253	286,744	33,509	11.7%
Retained earnings		4,031,955	3,618,277	413,678	11.4%
Group profit		453,251	429,347	23,904	5.6%
Total equity capital	8	**4,805,459**	**4,334,368**	**471,091**	**10.9%**
Total liabilities	11, 15	**102,139,689**	**92,683,965**	**9,455,724**	**10.2%**
Total subordinated commitments		–	–	–	–
Total commitments towards non-consolidated participations		4,717,474	4,968,451	– 250,977	– 5.1%
– of which mortgage bond loans		4,400,750	4,789,400	– 388,650	– 8.1%
Off-balance-sheet business					
Contingent liabilities	1, 16	234,799	229,246	5,553	2.4%
Irrevocable undertakings	1	604,872	515,959	88,913	17.2%
Obligations to make payments and additional contributions	1	37,178	41,079	– 3,901	– 9.5%
Derivative financial instruments					
Positive replacement values	18	75,903	177,567	– 101,664	– 57.3%
Negative replacement values	18	158,651	235,456	– 76,805	– 32.6%
Contract volume	18	22,152,964	17,095,726	5,057,238	29.6%
Fiduciary business	17	152,754	169,693	– 16,939	– 10.0%

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2003

	Note	Current year in 1000 CHF	Prior year in 1000 CHF	Change in 1000 CHF	Change in %
Interest and discount income		2,794,998	3,049,418 *	– 254,420	– 8.3%
Interest and dividend income from financial assets		98,153	105,863	– 7,710	– 7.3%
Interest expenditure		– 1,313,960	– 1,704,207	390,247	– 22.9%
Net interest income		**1,579,191**	**1,451,074**	**128,117**	**8.8%**
Commission income lending business		5,313	3,795	1,518	40.0%
Commission income securities and investment business		105,145	104,045	1,100	1.1%
Commission income other service transactions		30,096	22,192	7,904	35.6%
Commission expenditure		– 12,260	– 10,870	– 1,390	12.8%
Net income from commission busin. and serv. transactions		**128,294**	**119,162**	**9,132**	**7.7%**
Net trading income	19	**66,177**	**62,212 ***	**3,965**	**6.4%**
Income from sale of financial assets		1,846	698	1,148	164.5%
Income from participating interests	20	7,282	8,081	– 799	– 9.9%
Income from real estate		19,400	17,426	1,974	11.3%
Other ordinary income	21	110,089	102,437	7,652	7.5%
Other ordinary expenditure		– 4,469	– 10,692	6,223	– 58.2%
Other ordinary result		**134,148**	**117,950**	**16,198**	**13.7%**
Operating income		**1,907,810**	**1,750,398**	**157,412**	**9.0%**
Personnel expenditure	22	– 639,272	– 607,804	– 31,468	5.2%
Operating expenditure	23	– 412,632	– 412,644	12	0.0%
Total operating expenditure		**– 1,051,904**	**– 1,020,448**	**– 31,456**	**3.1%**
Gross profit		**855,906**	**729,950**	**125,956**	**17.3%**
Depreciation on fixed assets	2	– 133,648	– 142,352	8,704	– 6.1%
Value adjustments, provisions and losses		– 153,009	– 69,542	– 83,467	120.0%
Operating profit (interim result)		**569,249**	**518,056**	**51,193**	**9.9%**
Extraordinary income	24	28,757	7,135	21,622	303.0%
Extraordinary expenditure	24	– 5,238	– 2,010	– 3,228	160.6%
Taxes	25	– 139,517	– 93,834	– 45,683	48.7%
Group profit		**453,251**	**429,347**	**23,904**	**5.6%**

* The prior-year figures have been reclassified in the following positions:
Interest and dividend income of 1.2 million Swiss francs from the trading portfolio is newly reported under net trading income instead of net interest income.
Funding costs of 1.4 million Swiss francs were charged to net trading income and credited to interest and discount income.

CASH FLOW STATEMENT 2003

	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)				
Group profit	453,251	–	429,347	–
Depreciation of fixed assets	133,648	–	142,352	–
Value adjustments and provisions	117,716	72,621	103,580	70,552
Prepaid expenses	–	4,112	8,160	–
Deferred income	–	5,684	52,199	–
Interest paid on share certificates for prior year	–	15,669	–	13,894
Balance	**606,529**	**–**	**651,192**	**–**
Cash flow from equity capital transactions				
Net change in equity capital	33,509	–	38,174	–
Balance	**33,509**	**–**	**38,174**	**–**
Cash flow from investment activities				
Participations	4,451	12,553	6	21,448
Real estate	15,404	91,657	43,051	110,739
Other tangible fixed assets/objects in finance leasing	4,890	103,901	2,442	101,877
Balance	**–**	**183,366**	**–**	**188,565**
Cash flow from banking activities				
Liabilities to banks	3,531,250	–	3,381,690	–
Savings and investment deposits	5,729,265	–	5,853,785	–
Other liabilities to clients	862,079	–	57,516	–
Medium-term notes	–	266,638	456,837	–
Bonds	–	230,000	300,000	100,000
Mortgage bond loans	384,600	773,250	258,800	522,300
Other liabilities	–	292,084	49,569	–
Receivables from money market securities	2,976	–	7,111	–
Receivables from banks	–	3,473,394	–	5,351,583
Receivables from clients	108,588	–	–	11,055
Mortgage receivables	–	5,583,914	–	5,068,827
Trading portfolio in securities and precious metals	2,127	–	45,773	–
Financial investments	–	278,367	216,844	–
Other receivables	57,093	–	–	113,522
Liquid funds	–	237,003	38,561	–
Balance	**–**	**456,672**	**–**	**500,801**

Business activities

The 470 Raiffeisen banks in Switzerland, organized as cooperatives, are mainly active in the retail business.

The services provided to private and commercial clients encompass the classical savings and mortgage business. In addition, the product range includes comprehensive payment transaction services, the investment fund and securities business and leasing. These services are provided via the Central Bank or by specialized companies within the Group.

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

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

As of 31 December 2003, the number of people employed by the Raiffeisen Group – on an FTE basis – was 6,058 (previous year 5,806).

Concerning risk management

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

Risk management process ▪ The risk management process incorporates the following components:

- Risk identification within the risk categories of credit risks, market risks and operational risks.
- Risk measurement and assessment.
- Risk management, for which the designated risk managers are themselves responsible within the defined limits.
- Risk limitation, by setting upper limits.
- Risk controlling, to ensure that risk policy is observed and implemented; and compliance, to ensure that regulatory provisions are observed.

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

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

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

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

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

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

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

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

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

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

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

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

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

The capital resources for market risks of the trading portfolio are shown in the following table:

	31.12.2003 in 1000 CHF	Average 2003 in 1000 CHF	31.12.2002 in 1000 CHF
Foreign exchange/precious metals	2,841	4,616	2,498
Interest rate instruments	13,153	15,984	15,279
Equities and indices	2,292	1,480	325
Total	**18,286**	**22,080**	**18,102**

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

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

Consolidation, balance sheet and valuation principles

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

Principles of consolidation ▪ *General:* The consolidation of the banking institutions that make up the Raiffeisen organization, the Swiss Union of Raiffeisen Banks and the Group companies associated with it, differs fundamentally from normal consolidation, based on a holding company structure. The individual Raiffeisen banks, as owners of the Union headquarters and the most significant Group companies, function as the parent company. Although it has a central coordinating function and is responsible for both the liquidity pool and safety net, the Swiss Union of Raiffeisen Banks is simply a subsidiary from a legal point of view. The management and regulatory powers of the Swiss Union of Raiffeisen Banks are governed by the statutes of the Union and the regulations based on them.

Consolidation is not based on the Swiss Union of Raiffeisen Banks as a parent company, but represents an aggregation of the annual accounts of the 470 Raiffeisen banks and the joint participations held in the Raiffeisen organization. The company's capital in the consolidated annual accounts is thus the total of the cooperative capital of the individual Raiffeisen banks.

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

Under the full consolidation method, the assets and liabilities, off-balance-sheet transactions and income and expenses are all recorded in full. Capital is consolidated by the purchase method. All material amounts receivable and payable, off-balance-sheet transactions and income and expenses between consolidated companies are offset. Significant material inter-company profits are not made and are therefore ignored in the consolidation. Minority interests in the range of 20 to 50 percent are consolidated by the equity method. Holdings of less than 20 percent, those with little materiality in terms of capital or income, and those of non-strategic nature are not consolidated and accounted for at acquisition cost, less any commercially required depreciation.

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

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

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

Foreign currencies: Assets and liabilities in foreign currency, as well as cash positions in foreign currency, are converted at the exchange rate prevailing on the balance sheet date. Price gains and price losses arising from the valuation appear in the table entitled “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 accrued periodically. Receivables for which the bank regards it as improbable that the borrower will be able to completely fulfil his/her contractual obligations are deemed to be impaired. Impaired receivables – and any collateral that may exist – are valued on the basis of the liquidation value. Impaired receivables are subject to individual value adjustments based on regular analyses of individual loan commitments, while taking into account the creditworthiness of the borrower, the counterparty risk and the estimated net sales value of collateral that can be realized. If repayment of the claim depends solely on the collateral being realized, full provision is made for the unsecured portion.

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

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

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

Repurchase and reverse repurchase transactions (Repos): Repurchase and reverse repurchase agreements are reported in the balance sheet as advances against securities collateral or as an investment secured by the pledging of the bank’s securities. Depending on the counterparty, they are disclosed as amounts due to or from banks or clients.

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 dividends on trading portfolios. The funding costs for holding trading positions are charged to trading income and credited to interest income.

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

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

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

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

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

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

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

Taxes: Taxes are calculated and booked on the basis of the profit for the financial year. Deferred tax of 23.3 percent (previous year 23.2 percent) was calculated on untaxed reserves and reported as a provision for deferred taxation.

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

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

Reporting: The replacement costs of all contracts concluded on the bank's own account are reported, regardless of their profit and loss account treatment. Replacement costs of quoted contracts concluded on a commission basis are reported only to the extent that they are not covered by margin deposits. Replacement costs of unquoted contracts concluded on a commission basis are always reported.

All hedging transactions in the treasury area are concluded through the trading portfolio, so that the treasury area does not itself participate in the market. Only the replacement value of contracts with external counterparties is reported (see Notes, section 18.3).

Treatment in the profit and loss account: The derivative financial instruments recorded in the trading portfolio are valued on a fair value basis if they are quoted or a representative market exists. If this requirement is not met, the principle of the lower of cost or market is applied.

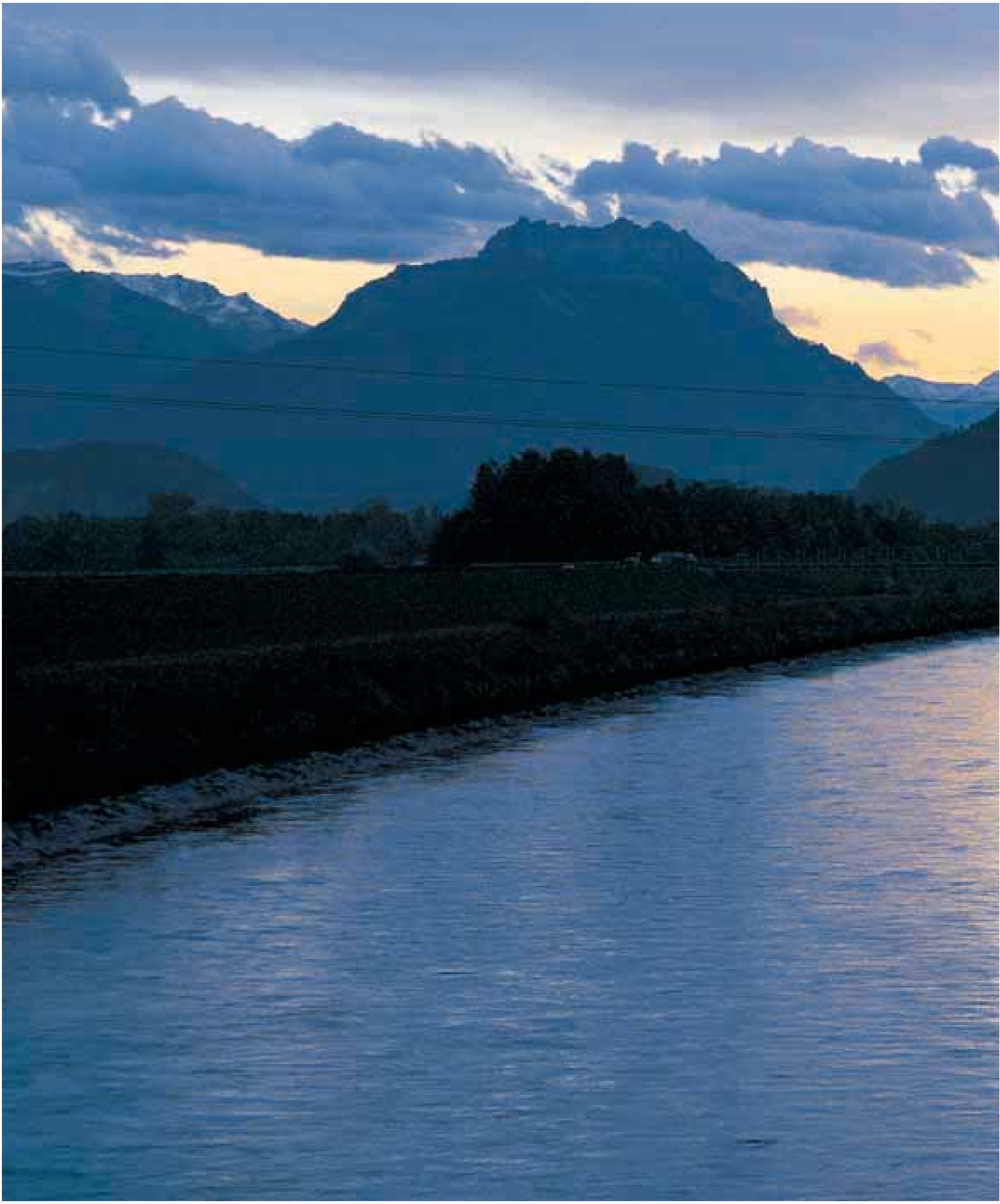
Derivative financial instruments used for balance sheet structural management to hedge against interest rate risk are valued in accordance with the accrual method. Interest-related gains and losses arising from early realization of contracts are accrued over their remaining lives.

Changes from prior year: The reporting and valuation principles have been altered to comply with the revised guidelines of the Swiss Federal Banking Commission concerning accounting standards.

Key adjustments were carried out in the following areas:
- New stipulations have been adopted regarding the standard group-wide treatment of impaired and non-performing loans.
- The "fair value" principle has been adopted for the valuation of trading portfolios.
- Formal guidelines now apply when reviewing the value of tangible assets whenever there are indications of impairment.
- Numerous textual adaptations have also been made.

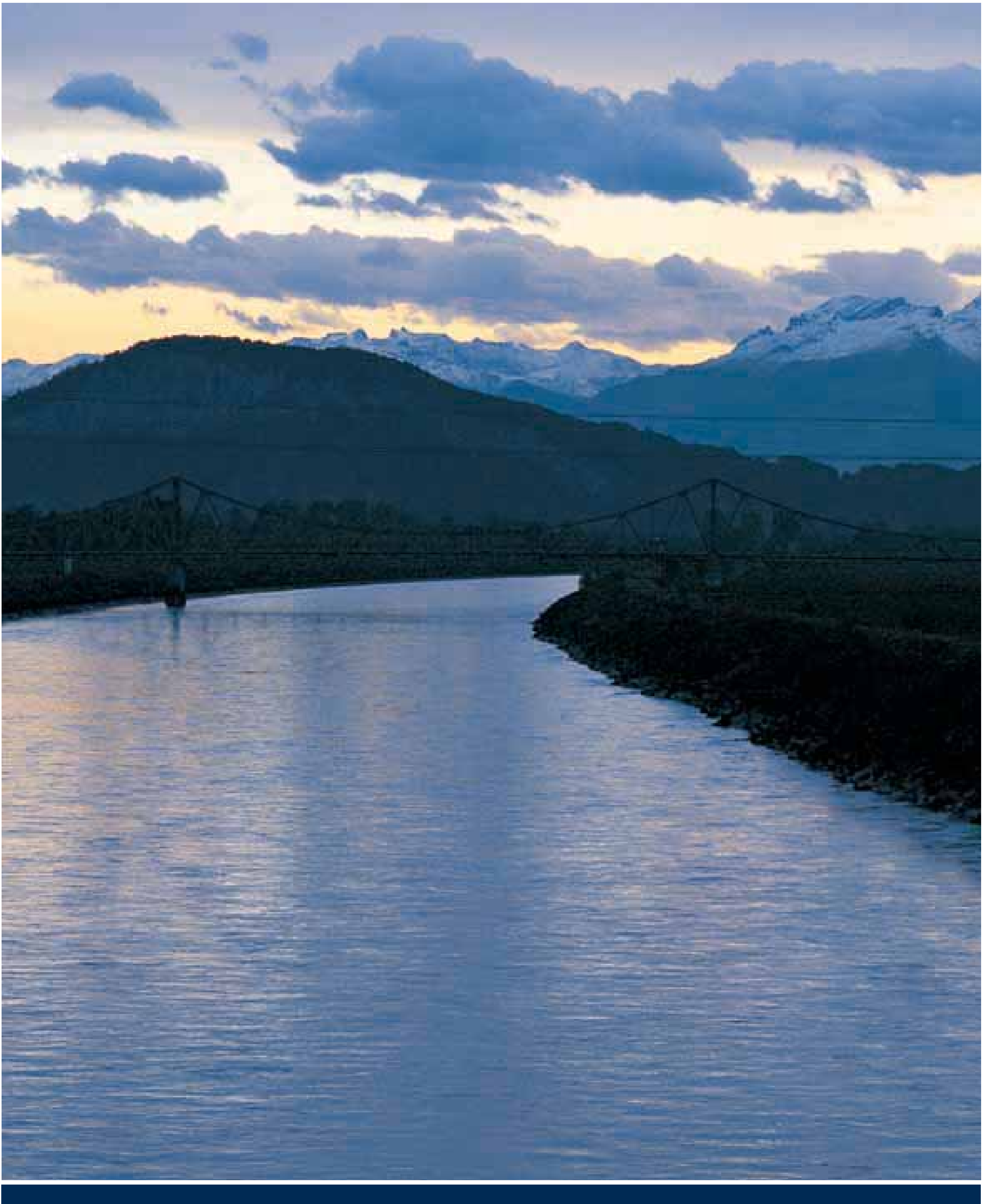
These alterations to comply with the revised guidelines of the Swiss Federal Banking Commission concerning accounting standards have no significant impact on the balance sheet and the profit and loss account.

Events after the balance sheet date: Between the balance sheet date at 31 December 2003 and the drawing up of the consolidated annual accounts of the Raiffeisen Group, there have arisen no events that require disclosure in the balance sheet and/or in the Notes.



Looking back. The winding rivulet is now a fully fledged river that only sturdy embankments can keep in check. Looking back is cause for satisfaction at how far we have come already. Now the current draws us forward irresistibly.

Foehn gusts sweep across the Rhine valley plain



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	1,939,968	488,018	4,794,331	7,222,317
Mortgage loans				
Residential property	68,349,098	–	188,699	68,537,797
Office and business premises	5,104,124	–	153,545	5,257,669
Trade and industry	271,572	–	50,459	322,031
Other	13,600	–	23,170	36,770
Total loans				
Current year	**75,678,362**	**488,018**	**5,210,204**	**81,376,584**
Prior year	70,198,571	466,486	5,236,201	75,901,258
Off-balance-sheet				
Contingent liabilities	51,410	177,077	66,312	234,799
Irrevocable commitments	534,197	27,447	43,228	604,872
Call commitments and additional funding commitments	–	–	37,178	37,178
Total off-balance-sheet				
Current year	**585,607**	**144,524**	**146,718**	**876,849**
Prior year	498,485	126,967	160,832	786,284

	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	**1,678,078**	**1,104,026**	**574,052**	**530,403**

2 Fixed assets register

	Purchase price in 1000 CHF	Cumulative depreci-ation/amor-tisation in 1000 CHF	Book value at end of prior year in 1000 CHF	Current year Transfers/ reclassifi-cations in 1000 CHF	Current year Investment in 1000 CHF	Current year Disin-vestment in 1000 CHF	Current year Depreci-ation/amor-tisation in 1000 CHF	Book value at end of current year in 1000 CHF
Non-consolidated holdings								
Holdings valued by the equity method	58,743	– 3,801	54,942	–	–	–	– 1,189	53,753
Other holdings	104,216	– 45,317	58,899	–	12,553*	– 4,451	– 918	66,083
Total non-consolidated holdings	**162,959**	**– 49,118**	**113,841**	**–**	**12,553**	**– 4,451**	**– 2,107**	**119,836**
Tangible fixed assets								
Bank buildings	1,196,666	– 197,021	999,645	– 4,097	83,781	– 8,434	– 26,446	1,044,449
Other real estate	317,200	– 61,344	255,856	315	7,876	– 6,970	– 9,509	247,568
Other tangible fixed assets	620,419	– 402,105	218,314	4,475	103,570	– 4,523	– 81,761	240,075
Objects in finance leasing	59,205	– 22,181	37,024	– 693	331	– 367	– 10,261	26,034
Total tangibles	**2,193,490**	**– 682,651**	**1,510,839**	**–**	**195,558**	**– 20,294**	**– 127,977**	**1,558,126**
Goodwill	14,256	– 10,692	3,564	–	–	–	– 3,564	–
Total intangibles	**14,256**	**– 10,692**	**3,564**	**–**	**–**	**–**	**– 3,564**	**–**
Value of real estate for fire insurance purposes								1,595,386
Value of other tangible fixed assets for fire insurance purposes								604,403
Liabilities: future leasing instalments from operational leasing								145

* Investments include a revaluation gain of 7.8 million Swiss francs on a non-consolidated participation, which was recognized to the extraordinary result.

3 Breakdown of trading portfolios in securities and precious metals, financial investments 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[1]	9,324	10,269[2]
non-stock exchange listed	–	–
Shares	10,880	12,113
Precious metals	4,634	4,583
Total trading portfolio in securities and precious metals	**24,838**	**26,965**

	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	2,926,799	2,627,627	3,045,585	2,800,822
of which intended to be held until maturity	2,926,799	2,547,627	3,045,585	2,720,822
of which valued at the lower of cost or market	–	80,000	–	80,000
Shares	17,835	14,257	17,835	14,257
Precious metals (positions to cover commitments from precious metal accounts)	37,627	36,373	37,627	36,373
Real estate	67,205	92,842	71,673	99,180
Total financial investments	**3,049,466**	**2,771,099**	**3,172,720**	**2,950,632**

	Current year in 1000 CHF	Prior year in 1000 CHF
Non-consolidated participations		
with a market value	27,991	20,205
without a market value	91,845	93,636
Total non-consolidated participations	**119,836**	**113,841**

1) stock exchange listed = traded at a recognised stock exchange

2) prior-year figure includes 6 million Swiss francs in own bonds and medium-term notes

4 Details of major participations

Company name/holding	Registered office	Business activity	Capital in 1000 CHF	Voting share in %	Equity interest in %
4.1 Group companies					
Swiss Union of Raiffeisen Banks	St.Gallen	Central bank, association services	220,000	100	100
Raiffeisen Guarantee Cooperative	St.Gallen	Cooperative	37,696	100	100
Central Issuing Office of the Swiss Raiffeisen Banks	St.Gallen	Issuer	21,416	100	100
of which not paid up			21,416		
Raiffeisen Leasing	St.Gallen	Leasing company	2,385	100	100
Raiffeisen Information AG	Dietikon	IT services	8,300	100	100
4.2 Holdings valued according to the equity method					
cosba private banking ag	Zurich	Bank	100,000	25.0	25.0
AgriGate AG	Bern	Internet portal	555	28.5	28.5
4.3 Other non-consolidated participations					
Mortgage Bond Bank for Swiss mortgage institutions	Zurich	Mortgage Bond Bank	300,000	19.7	19.7
of which not paid up			189,000		
Viseca Card Services AG	Zurich	Financial services	20,000	19.0	19.0
Telekurs Holding AG	Zurich	Financial services	45,000	4.0	4.0
Helvetia Patria Holding	St.Gallen	Financial services	62,930	2.1	2.1

5 Other assets and liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Other assets		
Total replacement value	75,903	177,567
Equalisation account	33,921	20,312
Due, unredeemed coupons and debt instruments	23,859	3,610
Clearing accounts for social security and staff pension fund contributions	36,302	33,000
Clearing accounts for indirect taxes	15,035	12,869
Miscellaneous other assets	13,891	8,646
Total other assets	**198,911**	**256,004**
Other liabilities		
Total replacement value	158,651	235,456
Due, unredeemed coupons and debt instruments	40,021	43,168
Levies, indirect taxes	200,178	277,674
Clearing accounts for social security and staff pension fund contributions	47,769	46,315
Clearing accounts	26,824	165,585
Miscellaneous other liabilities	9,900	7,229
Total other liabilities	**483,343**	**775,427**

6 Value adjustments and provisions

	End of prior year in 1000 CHF	Appropriate application in 1000 CHF	Write-backs, overdue interest in 1000 CHF	New provisions against P & L in 1000 CHF	Reversal of provisions against P & L in 1000 CHF	End of current year in 1000 CHF
Provision for deferred taxes	431,966	–	–	50,834	–	482,800
Value adjustments and provisions for default risks (del credere and country risk)	536,714	– 68,395	10,451	51,633*	*	530,403
Value adjustments and provisions for other business risks	16,872	– 1,220	–	4,798	– 3,006	17,444
Total value adjustments and provisions	**985,552**	**– 69,615**	**10,451**	**107,265**	**– 3,006**	**1,030,647**

7 Outstanding bonds and mortgage bond loans

	Year of issue	Interest rate	Maturity	Early redemption possibility	Bond principal in 1000 CHF
Bonds	1995	4.750	15.09.2004		100,000
	1995	5.125	20.06.2005		100,000
	1995	4.750	20.09.2005		100,000
	1996	4.000	06.02.2006		100,000
	1996	4.250	29.03.2004		75,000
	1996	4.375	30.09.2004		80,000
	1997	3.500	15.09.2004		150,000
	1997	4.250	05.02.2007		100,000
	1997	4.000	30.05.2007		100,000
	1997	4.125	20.11.2007		100,000
	1998	3.125	15.06.2004		200,000
	1998	3.500	30.01.2006		200,000
	1998	3.250	31.03.2008		200,000
	1998	3.500	24.08.2006		150,000
	1999	3.250	27.05.2009		250,000
	2000	4.630	22.06.2006		500,000
	2001/2002	4.000	02.02.2011		600,000
Mortgage bond loans	div.	3.728	div.		4,400,750
Total outstanding bonds and mortgage bond loans					**7,505,750**

* Due to the systems-related lack of a data base, new provisions and reversals cannot be stated gross as required in the accounting rules. They are therefore reported on a net basis.

8 Evidence of equity capital

	Number of members	Nom. amount/share	in 1000 CHF
Equity capital at the beginning of the current year			
Cooperative capital with additional funding obligation	1,107,354	–	227,428
Cooperative capital without additional funding obligation*			59,316
Total equity capital	**1,107,354**	**–**	**286,744**
Retained earnings			4,047,624
Total equity capital at the beginning of the year (before approp. of profits)	**1,107,354**	**–**	**4,334,368**
+ Payments from new Cooperative members (with additional funding obligation)	105,228	200	21,046
	332	300	100
	248	400	99
	1,428	500	714
+ Payment of Cooperative shares without additional funding obligation			20,681
Total payments from new Cooperative members	**107,236**	**–**	**42,640**
– Repayments to departing Cooperative members	– 32,026	200	– 6,405
(with additional funding obligation)	– 124	300	– 37
	– 1,382	400	– 553
	– 358	500	– 179
– Repayment of cooperative shares without funding obligation			– 1,723
– Capital reduction due to change in nominal amount			– 234
Total repayments for departing cooperative members	**– 33,890**	**–**	**– 9,131**
– Int. paid on the Cooperative capital of the Raiffeisen banks in the prior year			– 15,669
+ Group profit in current year			453,251
Total equity capital at the end of the current year (before approp. of profits)	**1,180,700**	**–**	**4,805,459**
of which Cooperative capital with additional funding obligation	1,156,826	200	231,365
	4,670	300	1,401
	3,897	400	1,559
	15,307	500	7,654
of which Cooperative capital without additional funding obligation			78,274
Total Cooperative capital at the end of the current year	**1,180,700**	**–**	**320,253**
Retained earnings			4,031,955
Group profit			453,251
Total additional funding obligation of the Cooperative members			**9,445,600**

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

9 Maturity structure of current assets and outside debt

	On demand in 1000 CHF	Redeemable by notice in 1000 CHF	Due within 3 months in 1000 CHF	Due within 3 to 12 months in 1000 CHF	Due within 1 to 5 years in 1000 CHF	Due after 5 years in 1000 CHF	Total in 1000 CHF
Current assets							
Liquid funds	1,234,066	–	–	–	–	–	1,234,066
Receivables from money market sec.	15,161	–	–	–	–	–	15,161
Receivables from banks	2,015,825	–	7,885,462	4,379,588	7,000	–	14,287,875
Receivables from clients	13,817	4,144,205	386,346	778,835	1,685,498	213,616	7,222,317
Mortgage receivables	60,870	34,476,380	1,579,457	6,269,527	30,145,398	1,622,635	74,154,267
Trading portfolios in securities and precious metals	24,838	–	–	–	–	–	24,838
Financial assets*	162,976	–	161,772	164,623	1,985,355	574,740	3,049,466
Total current assets							
Current year	**3,527,553**	**38,620,585**	**10,013,037**	**11,592,573**	**33,823,251**	**2,410,991**	**99,987,990**
Prior year	3,348,284	50,298,357	7,753,750	5,733,017	21,714,091	1,681,504	90,529,003
Outside debt							
Liabilities to banks	2,729,113	–	8,201,550	711,084	1,187,915	210,359	13,040,021
Liabilities to clients in the form of savings and investment deposits	–	57,228,152	–	–	–	–	57,228,152
Other liabilities to clients	5,286,049	51,308	1,428,149	522,345	677,450	201,771	8,167,072
Medium-term notes	–	–	756,862	1,912,296	6,140,236	513,330	9,322,724
Bonds and mortgage bond loans	–	–	565,050	869,800	3,863,300	2,207,600	7,505,750
Total outside debt							
Current year	**8,015,162**	**57,279,460**	**10,951,611**	**4,015,525**	**11,868,901**	**3,133,060**	**95,263,719**
Prior year	6,929,956	51,557,746	6,178,738	3,751,714	14,035,333	3,572,926	86,026,413

10 Loans to executive bodies and transactions with associated persons

	Current year in 1000 CHF	Prior year in 1000 CHF
10.1 Loans to executive bodies and employees		
Total loans to executive bodies and employees	**25,973**	**21,875**

10.2. Transactions with associated persons

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

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

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

* The financial assets include 67,205,000 Swiss francs of real estate (prior year 92,842,000 Swiss francs).

11 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	1,231,643	2,423	990,933	6,130
Receivables from money market securities	15,161	–	18,137	–
Receivables from banks	4,974,393	9,313,482	5,201,082	5,613,399
Receivables from clients	7,141,112	81,205	7,303,562	27,343
Mortgage receivables	74,154,267	–	68,570,353	–
Trading portfolio in securities and precious metals	8,877	15,961	11,032	15,933
Financial assets	3,039,061	10,405	2,761,656	9,443
Non-consolidated participations	116,174	3,662	110,197	3,644
Tangible fixed assets	1,588,126	–	1,510,839	–
Intangibles	–	–	3,564	–
Accrued income and prepaid expenses	274,826	–	270,714	–
Other assets	198,911	–	256,004	–
Total assets	**92,712,551**	**9,427,138**	**87,008,073**	**5,675,892**
Liabilities				
Liabilities to banks	10,138,096	2,901,925	6,728,551	2,780,220
Liabilities to clients in the form of savings and investment deposits	56,250,062	978,090	50,667,256	831,631
Other liabilities to clients	7,885,443	281,629	7,073,649	231,344
Medium-term notes	9,322,724	–	9,589,362	–
Bonds and mortgage bond loans	7,505,750	–	8,124,400	–
Accrued expenses and deferred income	556,521	–	562,205	–
Other liabilities	483,343	–	775,427	–
Value adjustments and provisions	1,030,647	–	985,552	–
Equity capital	320,253	–	286,744	–
Retained earnings	4,031,955	–	3,618,277	–
Group profit	453,251	–	429,347	–
Total liabilities	**97,978,045**	**4,161,644**	**88,840,770**	**3,843,195**

12 Total assets by country or country group

	Current year in 1000 CHF	Current year in %	Prior year in 1000 CHF	Prior year in %
Assets				
Switzerland	92,718,200	90.78	87,008,073	93.88
Rest of Europe	9,264,345	9.07	5,531,883	5.97
Rest of world (America, Asia, Oceania, Africa)	157,144	0.15	144,009	0.15
Total assets	**102,139,689**	**100.00**	**92,683,965**	**100.00**

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

	Current year amount due or book value in 1000 CHF	Current year of which made use of in 1000 CHF	Prior year amount due or book value in 1000 CHF	Prior year of which made use of in 1000 CHF
Mortgage receivables	6,303,450	4,543,948	6,277,381	4,933,082
Financial assets	725,537	299,330	1,073,580	647,960
Tangible fixed assets	26,009	20,981	36,964	34,478
Total pledged assets	**7,054,996**	**4,864,259**	**7,387,925**	**5,615,520**

13.2 Securities lending and repurchase operations

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

14 Liabilities to own social insurance institutions

	Current year in 1000 CHF	Prior year in 1000 CHF
Other commitments to clients	188,027	141,126
Bonds	–	1,000
Total liabilities to own social insurance institutions	**188,027**	**142,126**

The retirement benefit schemes of the Raiffeisen Group

Practically all employees of the Raiffeisen Group are covered by the pension fund and pension plan of the SURB. The normal retirement age is set at 65. Members have the option of taking early retirement from the age of 60 with a corresponding reduction in benefits. The SURB pension fund covers the obligatory benefits under the Occupational Pensions Act (BVG) while the SURB pension plan covers the supplementary benefits.

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

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

In 2003, the Raiffeisen Group paid and accounted for all employer contributions via personnel expenditure. Expenditure by the Raiffeisen Group on retirement benefits is higher than the statutory employer contributions due to voluntary payments. Details can be found in note 22 “Personnel Expenditure”.

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

At 31.12.2003, an employer contribution reserve of CHF 52,350,958 (prior year CHF 40,034,358) existed with the financing foundation for SURB employee benefits.

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

15 Balance sheet by currency

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Assets					
Liquid funds	1,109,781	104,044	6,135	14,106	1,234,066
Receivables from money market securities	14,549	395	189	28	15,161
Receivables from banks	13,464,128	343,958	449,978	29,811	14,287,875
Receivables from clients	7,152,652	49,624	19,832	209	7,222,317
Mortgage receivables	74,154,267	–	–	–	74,154,267
Trading portfolio in securities and precious metals	9,894	13,676	1,114	154	24,838
Financial assets	3,048,685	781	–	–	3,049,466
Participations	116,221	3,615	–	–	119,836
Tangible fixed assets	1,558,126	–	–	–	1,558,126
Accrued income and prepaid expenses	274,826	–	–	–	274,826
Other assets	198,909	–	2	–	198,911
Total assets reflected in the balance sheet	**101,102,038**	**516,093**	**477,250**	**44,308**	**102,139,689**
Delivery claims under spot exchange, forward exchange and currency option contracts	160,830	564,883	138,045	13,524	877,282
Total assets	**101,262,868**	**1,080,976**	**615,295**	**57,832**	**103,016,971**
Liabilities					
Liabilities to banks	12,188,626	529,556	312,509	9,330	13,040,021
Liabilities to clients in the form of savings and investment deposits	57,174,637	53,515	–	–	57,228,152
Other liabilities to clients	7,561,430	395,971	155,720	53,951	8,167,072
Medium-term notes	9,322,724	–	–	–	9,322,724
Bonds and mortgage bond loans	7,505,750	–	–	–	7,505,750
Accrued expenses and deferred income	556,521	–	–	–	556,521
Other liabilities	483,343	–	–	–	483,343
Value adjustments and provisions	1,030,647	–	–	–	1,030,647
Equity capital	320,253	–	–	–	320,253
Retained earnings	4,031,955	–	–	–	4,031,955
Group profit	453,251	–	–	–	453,251
Total liabilities reflected in the balance sheet	**100,629,137**	**979,042**	**468,229**	**63,281**	**102,139,689**
Delivery obligations under spot exchange, forward exchange and currency option contracts	699,052	25,173	138,694	14,363	877,282
Total liabilities	**101,328,189**	**1,004,215**	**606,923**	**77,644**	**103,016,971**
Net position per currency	**– 65,321**	**76,761**	**8,372**	**– 19,812**	**–**

	31.12.2003	31.12.2002
Foreign currency conversion rates		
EUR	1.560	1.457
USD	1.236	1.392

New perspectives along the way. Water from other sources feeds into the river. Reaching a crossroad, there is always potential afresh. Embracing new ideas is the key to strength.

Bridge over the Rhine near Diepoldsau

16 Contingent liabilities

	Current year in 1000 CHF	Prior year in 1000 CHF
Loan security guarantees	127,521	154,907
Warranty bonds	65,594	65,683
Other contingent liabilities	41,684	8,656
Total contingent liabilities	**234,799**	**229,246**

17 Fiduciary transactions

	CHF in 1000 CHF	EUR in 1000 CHF	USD in 1000 CHF	Various in 1000 CHF	Total in 1000 CHF
Fiduciary investments with third-party banks	–	112,472	25,401	14,881	152,754
Fiduciary loans and other fiduciary financial transactions	–	–	–	–	–
Total fiduciary transactions	**–**	**112,472**	**25,401**	**14,881**	**152,754**
Prior year	6,579	116,933	32,125	14,056	169,693

18 Open derivative financial instruments

	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
18.1 Trading instruments with internal and external counterparties						
Interest rate instruments						
Swaps	113,175	125,475	28,041,000	8,149,000	1,378,500	37,568,500
Futures	–	–	251,000	–	2,500	253,500
Options (OTC)	–	2,468	69,698	296,939	29,924	396,561
Foreign currency						
Futures contracts	13,048	13,150	562,379	549	–	562,928
Comb. interest rate/currency swaps	53,830	52,542	193,456	736,990	173,856	1,104,302
Options (OTC)	111	111	13,989	–	–	13,989
Precious metals						
Futures contracts	27	22	3,335	–	–	3,335
Total						
Current year	**180,191**	**193,768**	**29,134,857**	**9,183,478**	**1,584,780**	**39,903,115**
Prior year	352,829	358,465	15,875,356	7,136,175	3,039,596	26,051,127
18.2. Hedging instruments with internal counterparties						
Interest rate instruments						
Swaps	30,475	55,110	13,138,000	3,640,000	420,000	17,198,000
Currencies						
Comb. int. rate/currency swaps	4,642	49,178	96,728	368,495	86,928	552,151
Total						
Current year	**35,117**	**104,288**	**13,234,728**	**4,008,495**	**506,928**	**17,750,151**
Prior year	123,009	175,262	4,820,000	2,938,473	1,196,928	8,955,401
18.3. Derivative financial instruments by external counterparty						
Banks	72,782	146,645	15,446,994	4,908,171	1,044,428	21,399,593
Clients	3,121	12,006	202,134	266,813	30,924	499,871
Stock exchanges	–	–	251,000	–	2,500	253,500
Total						
Current year	**75,903**	**158,651**	**15,900,128**	**5,174,984**	**1,077,852**	**22,152,964**
Prior year	177,567	235,456	11,055,356	4,197,702	1,842,668	17,095,726

No netting contracts were used.

Quality of counterparties

Banks: Derivative transactions were conducted with counterparties with a good to very good credit rating. More than 95 percent of the positive replacement values are open with counterparties with a rating of A or better (Standard & Poor's) or with a comparable rating.

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

Enjoying the view. A time to pause, even at this stage of the journey. The river empties into a lake, a place where frontiers and cultures flow into one.
A stately residence on the shores of Lake Constance

	Current year in 1000 CHF	Prior year in 1000 CHF
19 Net trading income		
Foreign currency trading	52,810	48,312
Precious metal trading	1,296	866*
Equities trading	1,638	– 5,267*
Fixed income trading	10,433	18,301*
Total net trading income	**66,177**	**62,212**
20 Income from participating interests		
Holdings valued according to the equity method	3,750	3,979
Other non-consolidated holdings	3,532	4,102
Total income from participating interests	**7,282**	**8,081**
21 Other ordinary income		
Account closing and booking charges, clients	49,122	43,477
Bancomat location charges	53,431	48,818
Miscellaneous	7,536	10,142
Total other ordinary income	**110,089**	**102,437**
22 Personnel expenditure		
Corporate bodies, attendance fees and fixed emoluments	17,056	16,118
Salaries and bonuses for staff	512,036	481,380
AHV, IV, ALV and other statutory contributions	50,049	50,955
Contributions to staff pension funds	27,765	33,455
Contribution to financing foundation for SURB employee benefits	15,125	6,159
Ancillary staff expenses	17,241	19,737
Total personnel expenditure	**639,272**	**607,804**
23 Operating expenditure		
Occupancy costs	54,453	49,324
Cost of computer equipment, machinery, furniture, vehicles and other equipment	113,408	113,059
Other operating expenditure	244,771	250,261
Total operating expenditure	**412,632**	**412,644**

* Prior year: Interest and dividend income of 1.2 million Swiss francs from the trading portfolio is newly shown under net trading income instead of net interest income. Funding costs of 1.4 million Swiss francs were charged to trading income and credited to interest and discount income.

24 Extraordinary income and expenditure

Current year

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

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

Prior year

Included in the extraordinary income of 7.1 million Swiss francs are, in particular, gains from the sale of tangible fixed assets.

25 Tax expenditure

	Current year in 1000 CHF	Prior year in 1000 CHF
Formation of provisions for deferred taxes	47,422	18,468
Expenditure for current income tax	92,095	75,366
Total tax expenditure	**139,517**	**93,834**

26 Calculation of mandatory capital

	Current year Nominal in 1000 CHF	Current year Risk-weighted positions in 1000 CHF	Prior year Nominal in 1000 CHF	Prior year Risk-weighted positions in 1000 CHF
Mandatory capital				
Direct assets requiring equity backing				
Receivables from banks	14,287,875	1,333,719	10,814,481	1,378,905
Receivables from clients	7,222,317	3,518,364	7,330,905	3,571,077
Mortgage receivables	74,154,267	38,923,820	68,570,353	36,049,597
Real estate in financial assets	67,205	252,019	92,842	348,156
Tangible fixed assets	1,558,126	5,202,684	1,510,839	4,972,529
Accrued income and prepaid expenses	274,826	261,912	270,714	247,478
Other assets, total replacement value	75,903	47,059	177,567	115,479
Other assets, miscellaneous	89,087	49,673	58,126	28,228
Indirect assets requiring equity backing				
Net positions outside trading book	2,958,449	902,997	2,573,931	916,037
Market risk positions	–	285,273	–	317,559
Deductible liabilities				
Deductible provisions in the liabilities	– 530,403	– 397,802	– 536,714	– 402,536
Off-balance-sheet transactions				
Contingent liabilities	236,299	105,001	229,246	103,528
Irrevocable commitments	37,178	92,946	41,080	102,698
Add-ons for forward contracts and options purchased	–	43,010	–	51,975
Total risk-weighted positions		**50,620,672**		**47,800,710**
Mandatory capital (8% of risk-weighted positions)		**4,049,654**		**3,824,057**
Available capital				
Eligible core capital		4,788,003		4,315,213
Eligible supplementary capital		2,394,002		2,157,607
./. Participations in the financial area		– 115,460		– 109,174
Total allowable capital		**7,066,545**		**6,363,646**
Equity surplus		3,016,891		2,539,589
Equity cover		174.5%		166.4%
Tier 1 ratio		9.5%		9.0%
Tier 2 ratio		14.0%		13.3%

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

We have audited the consolidated financial statements as contained on pages 52 to 86 (consolidated balance sheet, consolidated profit and loss account, statement of cash flows and notes) for the year ended on 31 December 2003. The annual financial statements of the Raiffeisen banks affiliated with the Swiss Union of Raiffeisen Banks were audited by the Inspectorate of the Swiss Union of Raiffeisen Banks which is recognised as an auditor under banking law. The relevant reports were made available to us.

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

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

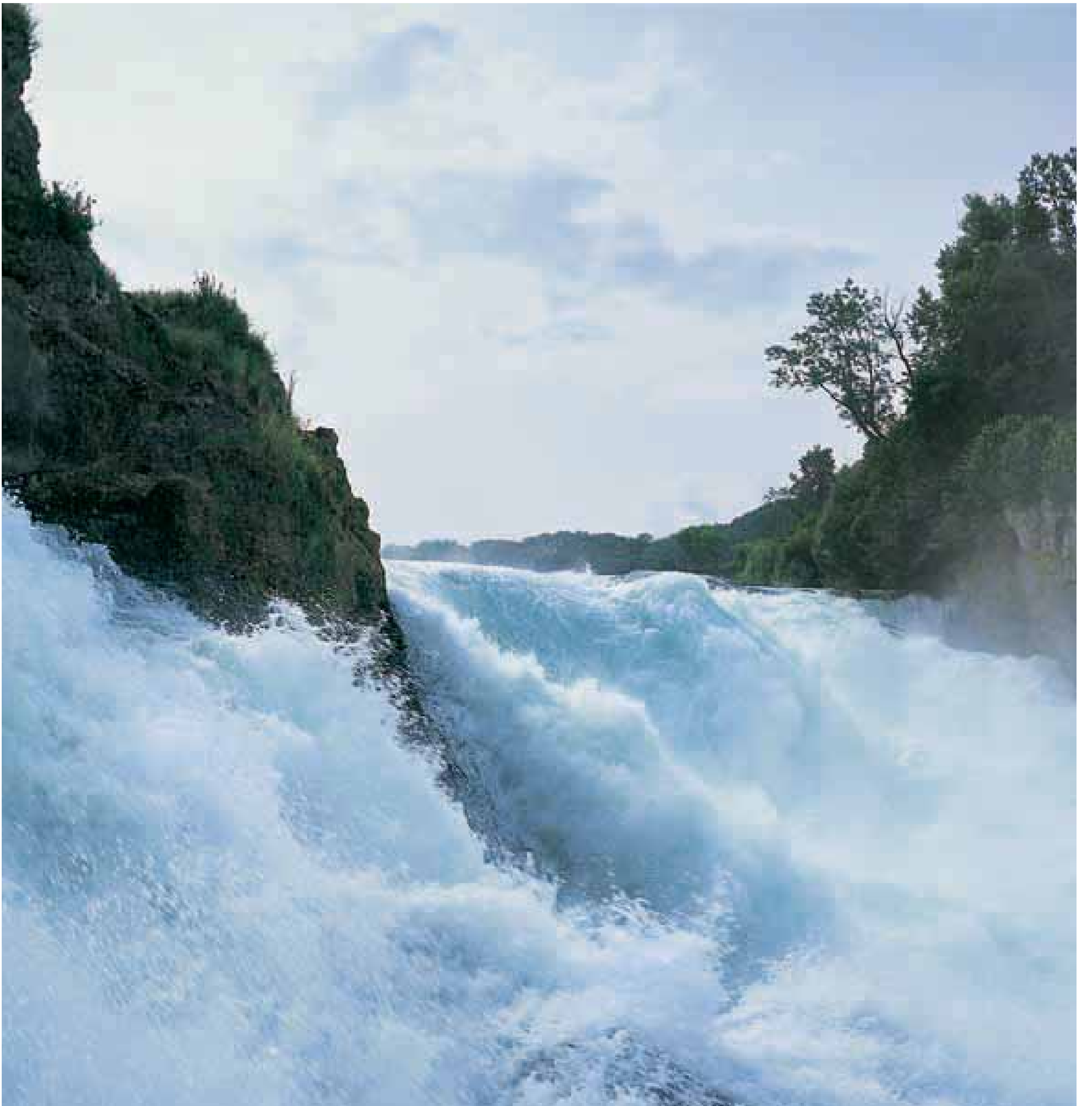
In our opinion the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting principles applicable to banks and are in compliance with the Swiss law.

We recommend that the group accounts submitted be approved.

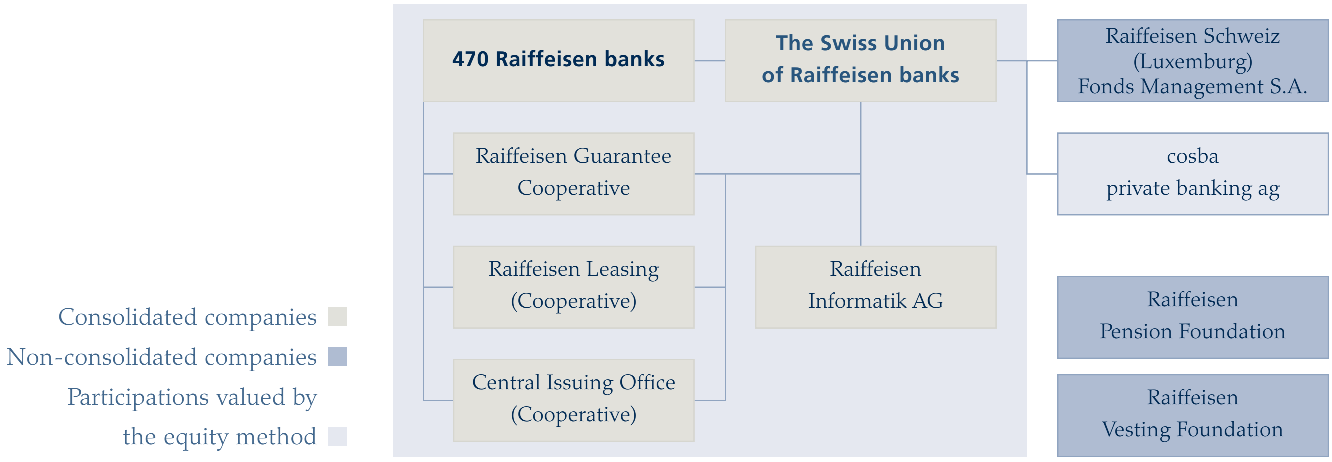
St.Gallen, 1 April 2004
PricewaterhouseCoopers AG

Hans Wey Beat Rütsche

Overcoming hurdles. Barely has the current narrowed again and regained its course, and the greatest hindrance has to be negotiated. Once overcome, we continue our trip, undaunted by what may await around the corner.
The Rhine waterfalls



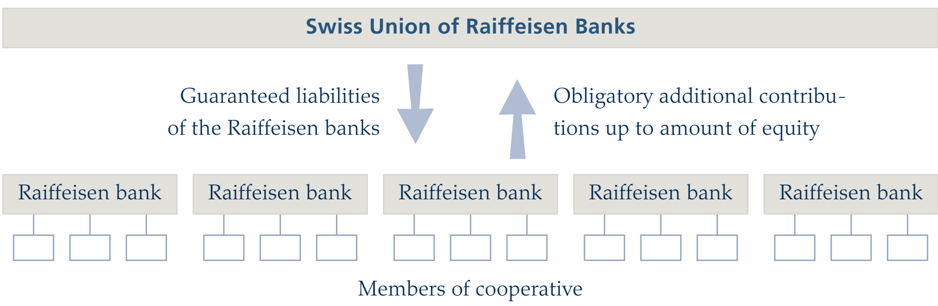
The 470 Raiffeisen banks and the Swiss Union of Raiffeisen Banks together hold the co-operative shares in the Guarantee Cooperative, Raiffeisen Leasing and the Central Issuing Office. Raiffeisen Information AG and Raiffeisen Schweiz (Luxemburg) Fonds Management S.A. are 100 percent holdings of the Swiss Union of Raiffeisen Banks. In addition, the Union has held a 25 percent participating interest in cosba private banking ag. The Group has two independent trusts available to it for the investment of 2nd and 3rd pillar funds.



As at 1 January 2004

Security and solidarity ▪ The Raiffeisen Group guarantees its financial obligations through a balanced system of security measures based on the principle of mutual liability, which it has anchored in its Articles of Association. In the capacity of a principal party, the Swiss Union of Raiffeisen Banks guarantees the liabilities of all Raiffeisen banks and thus of the Group as a whole. A total of 689 million Swiss francs in equity was available for this purpose as of 31 December 2003. The Raiffeisen banks are required to put further security at the disposal of the Swiss Union of Raiffeisen Banks as may be necessary in accordance with Art. 871 OR, up to an amount equivalent to their published equity. As of 31 December 2003, the collective obligation of all Raiffeisen banks to provide further security amounted to 4.4 billion Swiss francs. Raiffeisen clients benefit from a high level of security as a result of the mutual liability accepted throughout the Group.

The principle of mutual liability



THE RAIFFEISEN BANKS IN THE CANTONS

Canton	Number of banks	Number of banking offices	Number of members	Loans[1] in CHF millions	Client monies[2] in CHF millions	Balance sheet total in CHF millions
Aargau	41	109	130,157	9,580	8,517	10,622
Appenzell Ausserrhoden	3	8	11,052	609	628	696
Appenzell Innerrhoden	2	5	5,498	270	325	354
Baselland	10	23	27,091	1,922	1,717	2,150
Bern	30	115	115,810	6,005	5,651	6,757
Freiburg	27	69	55,609	3,904	3,151	4,326
Geneva	8	21	21,012	1,312	1,660	1,761
Glarus	1	2	3,322	191	164	207
Graubünden	19	101	43,744	2,841	2,442	3,156
Jura	14	54	21,326	1,434	1,204	1,599
Lucerne	27	51	79,750	4,439	3,809	4,961
Neuchâtel	7	27	15,519	858	798	957
Nidwalden	3	9	13,102	874	835	1,013
Obwalden	2	6	8,170	512	436	554
St.Gallen	54	98	136,425	10,171	8,721	11,368
Schaffhausen	2	4	5,134	309	302	348
Schwyz	9	14	24,502	1,435	1,425	1,679
Solothurn	39	75	96,465	6,354	5,796	7,203
Ticino	47	121	76,928	5,267	5,532	6,445
Thurgau	29	56	71,724	5,238	4,252	5,793
Uri	6	16	12,027	620	588	694
Vaud	25	83	60,709	3,272	3,371	3,915
Valais	49	143	89,190	5,642	5,943	6,928
Zug	9	12	27,417	2,057	1,772	2,271
Zurich	7	17	29,017	1,442	1,667	1,835
Total 2003	**470**	**1,239**	**1,180,700**	**76,558**	**70,706**	**87,592**
Total 2002	**492**	**1,269**	**1,107,354**	**70,689**	**64,899**	**80,730**
Increase/decrease	**– 22**	**– 30**	**73,346**	**5,869**	**5,807**	**6,862**
Increase/decrease in %	**– 4.5**	**– 2.4**	**6.6**	**8.3**	**8.9**	**8.5**

1) Receivables from clients and mortgage receivables

2) Liabilities to clients in the form of savings and investments and other liabilities to clients and medium-term bonds

The Raiffeisen banks are joined together in 22 regional associations. These fulfil a cohesive function between the Swiss Union of Raiffeisen Banks and the individual Raiffeisen institutions. This function includes in particular the coordinated development of advertising activities, the implementation of training courses for the executive staff of the Raiffeisen banks, as well as safeguarding and representing the interests of the Raiffeisen banks vis-à-vis commercial associations and cantonal authorities.

Regional Unions	Presidents	Member banks
15 in German-speaking Switzerland		
Aargau Association of Raiffeisen Banks	Daniel M. Lüscher, Herznach	41
Baselbiet Association of Raiffeisen Banks	Peter Thüring, Aesch	9
Berne Association of Raiffeisen Banks	Walter Studer, Biglen	27
Deutschfreiburg Association of Raiffeisen Banks	Pius Lehmann, Freiburg	12
Graubünden Association of Raiffeisen Banks	Tino Zanetti, Igis	18
Lucerne Association of Raiffeisen Banks	Hubert Fähndrich, Littau	27
St.Gallen Association of Raiffeisen Banks	Peter Zürcher, Goldach	60
Zurich and Schaffhausen Raiffeisen Association	Elisabeth Pflugshaupt, Bertschikon	9
Obwalden and Nidwalden Raiffeisen Association	Theddy Frener, Sachseln	5
Schwyz Association of Raiffeisen Banks	Josef Schönbächler, Einsiedeln	9
Solothurn Association of Raiffeisen Banks	André Bourquin, Aetigkofen	40
Thurgau Association of Raiffeisen Banks	Richard Peter, Balterswil	29
Uri Association of Raiffeisen Banks	Hans Zgraggen, Erstfeld	6
Oberwallis Association of Raiffeisen Banks	Claudio Cina, Salgesch	21
Zug Association of Raiffeisen Banks	Cuno Senn, Cham	9
6 in French-speaking Switzerland		
Fribourg Romand Association of Raiffeisen Banks	Michel Pauchard, Domdidier	15
Geneva Association of Raiffeisen Banks	Pierre Guignard, Cartigny	8
Jura Association of Raiffeisen Banks	Ernest Guélat, Courrendlin	17
Neuchâtel Association of Raiffeisen Banks	Claude Ribaux, Bevaix	7
Valais Romand Association of Raiffeisen Banks	Jean-Michel Revaz, St-Léonard	28
Vaud Association of Raiffeisen Banks	Alexandre Bula, Thierrens	25
1 in Italian-speaking Switzerland		
Ticino and Moesano Association of Raiffeisen Banks	Mario Verga, Vacallo	48

As at 1 January 2004

Board of Directors ▪ Dr. h.c. Franz Marty, Goldau SZ, Chairman* · Josef Ingold, Subingen SO, Vice-Chairman* · Gabriele Burn, Krattigen BE* · Niklaus Bleiker, Alpnach Dorf OW · Hubert Fähndrich, Littau LU · Pierre Guignard, Cartigny GE · Peter Hobi, Mels SG · Prof. Dr. René Kästli, Jona SG · Urs W. Keller, Döttingen AG · Joos Mathis, Schiers GR · Marie-Françoise Perruchoud-Massy, Vercorin VS · Richard Peter, Balterswil TG · Marcel Sandoz, Morges VD · Christian Spring, Vicques JU · Mario Verga, Vacallo TI

Supervisory Board ▪ Erhard Büchi, Embrach ZH, Chairman · Charles Tissier, Riehen BS, Vice-Chairman · Josef Fux, St.Niklaus VS · Gabriel Musy, Marly FR · Willi Ulrich, Taverne TI · Edgar Wohlhauser, Schmitten FR

Executive Board ▪ Dr. Pierin Vincenz, Chairman · René Bentele, Head of Corporate Development · Felice De Grandi, Head of Central Bank (until 31.3.2004) · Barend Fruithof, Head of Finance & Logistics · Dr. Patrik Gisel, Head of Market & Sales · Robert Signer, Head of Branches & Credits

Inspectorate ▪ Kurt Zobrist, Head of Inspectorate

Statutory Banking Auditors ▪ PricewaterhouseCoopers AG, St.Gallen

* Committee member

ORGANIZATIONAL CHART OF THE SWISS UNION OF RAIFFEISEN BANKS

Board of Directors

Chairman of the Executive Board
Dr. Pierin Vincenz

CEO Management Office
Dr. Markus Müller

Corporate Development
René Bentele*

- **Strategy & Projects** – Dr. Stefan Haumüller
- **Human Resources Management** – Michael Auer
- **Organization** – Roland Hagen
- **Prevention & Structure** – Josef Dobler (pro tem)

Market & Sales
Dr. Patrik Gisel*

- **Product Management** – Beatrice Zwicky Staub
- **Sales Management** – Adrian Töngi
- **Brand Management** – Robert Fuchs
- **RB Consulting** – Philipp Lenz
- **Lausanne Office** – Guy Chessex
- **Bellinzona Office** – Piergiorgio Ambrosini
- **Raiffeisen Informatik AG** – Andreas Buff

Finance & Logistics
Barend Fruithof*

- **Controlling/Accounting** – Paolo Arnoffi
- **Trade/Treasury & Credit Processing** – Olivier A. Oettinger
- **Payments Processing** – Anton Fries
- **Service Centre** – Pius Hermann
- **Real Estate** – Rolando Morandi

* Member of the Executive Board

Legal/Compliance ▪ Bernhard Reeb

Public Relations ▪ Franz Würth

Risk Controlling ▪ Dr. Markus Müller

Central Bank
Dr. Pierin Vincenz (pro tem)[1]

- **Sales**
  Arnold Davis
- **Risk**
  Angelo Trivelli
- **Business Engineering & Support**
  Marco Tagliaferro

Branches & Credits
Robert Signer*

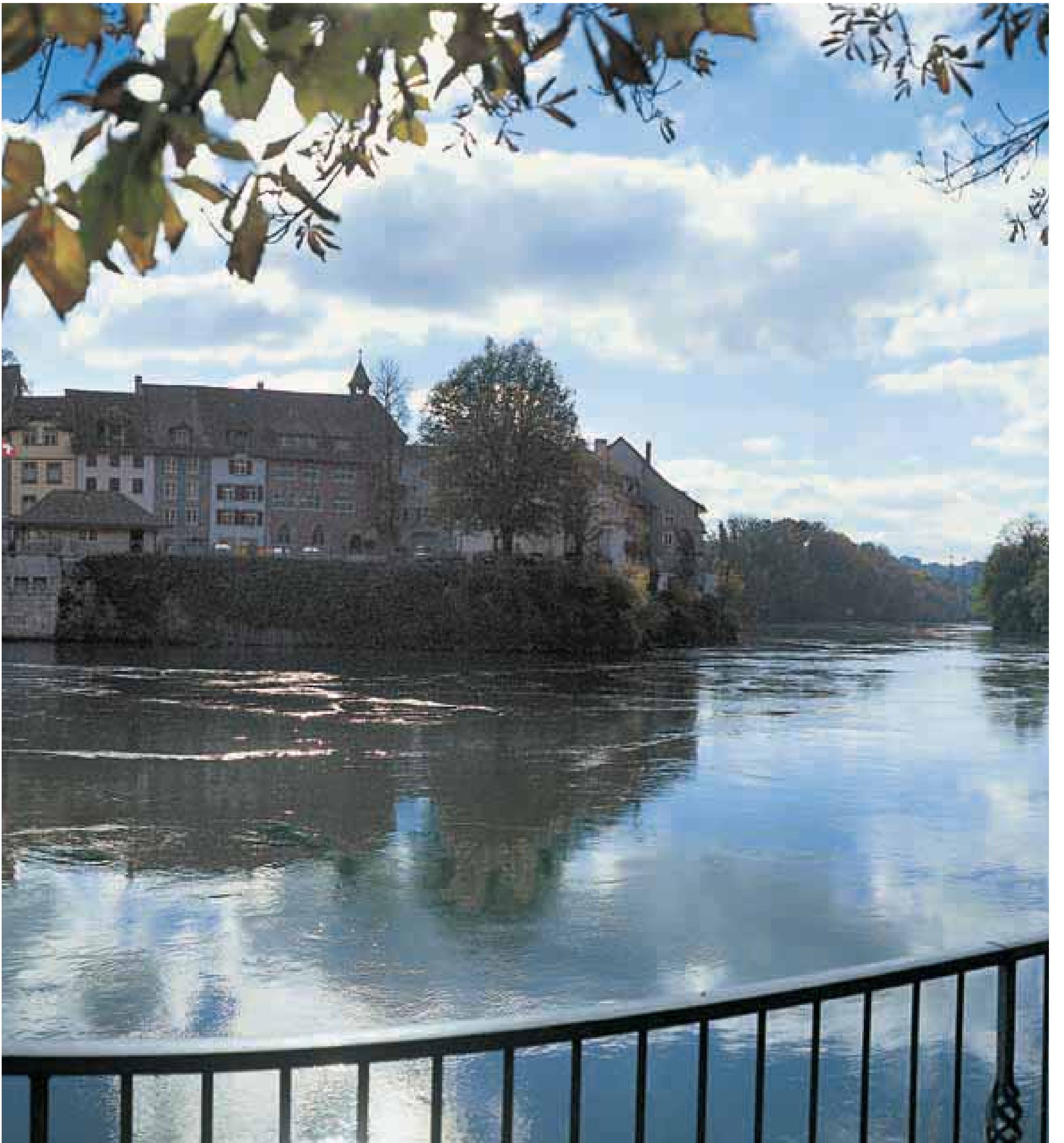
- **St.Gallen Branch**
  Hansruedi Laich
- **Grabs-Werdenberg Branch**
  Daniel Meier
- **Winterthur Branch**
  Markus Thoma
- **Basle Branch**
  Bruno Stiegeler
- **Zurich Branch**
  Urs Häfliger
- **Berne Branch**
  Daniel Schmid
- **Credits & Guarantee Cooperative**
  Bruno Brugger
- **Raiffeisen Leasing**
  Theodor Näscher

Inspectorate
Kurt Zobrist

- **External Auditing St.Gallen**
  Peter Germann
- **External Auditing Olten**
  Räto Willi
- **External Auditing Lausanne**
  Jean-Daniel Rossier
- **External Auditing Bellinzona**
  Kurt Zobrist (pro tem)
- **Internal Auditing**
  Roland Meier

1) until 31.3.2004: Felice De Grandi

Harmonious integration. Now the flow is more sedate. At one with its surroundings and sharing life with the people and places in its vicinity.
Laufenburg



GROUP COMPANIES COMPARED

	Raiffeisen banks		SURB		Other group companies		Consolidation effects		Raiffeisen Group	
	Current year in CHF mill.	Prior year in CHF mill.	Current year in CHF mill.	Prior year in CHF mill.	Current year in CHF mill.	Prior year in CHF mill.	Current year in CHF mill.	Prior year in CHF mill.	Current year in CHF mill.	Prior year in CHF mill.
Profit and loss account										
Net interest income	1,456	1,316	108	121	8	5	7	9	1,579	1,451
Net income from commission business and service transactions	99	94	55	49	3	3	– 28	– 27	129	119
Net trading income	41	33	24	31	0	0	1	– 2	66	62
Other ordinary result	76	98	125	105	142	143	– 209	– 228	134	118
Operating income	**1,672**	**1,541**	**312**	**306**	**153**	**151**	**– 229**	**– 248**	**1,908**	**1,750**
Personnel expenditure	– 476	– 449	– 122	– 119	– 63	– 63	22	23	– 639	– 608
Operating expenditure	– 522	– 504	– 124	– 115	– 62	– 64	295	271	– 413	– 412
Total operating expenditure	**– 998**	**– 953**	**– 246**	**– 234**	**– 125**	**– 127**	**317**	**294**	**– 1,052**	**– 1,020**
Gross profit	**674**	**588**	**66**	**72**	**28**	**24**	**88**	**46**	**856**	**730**
Depreciation on fixed assets	– 119	– 104	– 25	– 44	– 21	– 18	31	24	– 134	– 142
Value adjustments, provisions and losses	– 505	– 352	– 10	– 7	– 6	– 8	368	297	– 153	– 70
Operating profit (interim result)	**50**	**132**	**31**	**21**	**1**	**– 2**	**487**	**367**	**569**	**518**
Key balance sheet figures										
Balance sheet total	87,593	80,730	26,242	22,104	1,831	2,030	– 13,526	– 12,180	102,140	92,684
Loans to clients	76,557	70,689	4,538	4,632	261	232	– 56	348	81,377	75,901
Client monies	70,706	64,899	3,998	3,319	56	58	0	117	74,718	68,393

BALANCE SHEET – FIVE-YEAR OVERVIEW

	2003 in CHF million	2002 in CHF million	2001 in CHF million	2000 in CHF million	1999 in CHF million
Assets					
Liquid funds	1,234	997	1,036	904	1,218
Receivables from money market securities	15	18	25	33	25
Receivables from banks	14,288	10,814	5,463	4,544	3,111
Receivables from clients	7,223	7,331	7,320	7,030	6,710
Mortgage receivables	74,154	68,570	63,501	59,251	55,123
Loans to clients	**81,377**	**75,901**	**70,821**	**66,281**	**61,833**
Trading portfolios in securities and precious metals	25	27	73	74	91
Financial assets	3,049	2,771	2,988	3,192	2,990
Non-consolidated participations	120	114	110	79	27
Tangible fixed assets	1,558	1,511	1,464	1,522	1,458
Intangibles	–	4	8	13	–
Accrued income and prepaid expenses	275	271	279	328	279
Other assets	199	256	142	172	152
Total assets	**102,140**	**92,684**	**82,409**	**77,142**	**71,184**
Liabilities					
Liabilities to banks	13,040	9,509	6,127	6,267	3,937
Liabilities to clients in the form of savings and investment deposits	57,228	51,499	45,645	42,055	42,540
Other liabilities to clients	8,167	7,305	7,247	7,135	5,852
Medium-term notes	9,323	9,589	9,133	8,116	6,731
Client monies	**74,718**	**68,393**	**62,025**	**57,306**	**55,123**
Bonds and mortgage bond loans	7,506	8,124	8,188	7,890	7,201
Accrued expenses and deferred income	557	562	510	477	391
Other liabilities	483	776	726	686	458
Value adjustments and provisions	1,031	986	952	983	903
Equity capital	320	287	249	224	199
Retained earnings	4,032	3,618	3,297	2,960	2,637
Group profit	453	429	335	349	335
Total equity capital	**4,805**	**4,334**	**3,881**	**3,533**	**3,171**
Total liabilities	**102,140**	**92,684**	**82,409**	**77,142**	**71,184**

PROFIT AND LOSS ACCOUNT – FIVE-YEAR OVERVIEW

	2003 in CHF million	2002 in CHF million	2001 in CHF million	2000 in CHF million	1999 in CHF million
Interest and discount income	2,795	3,049	3,115	2,787	2,466
Interest and dividend income from financial assets	98	106	115	123	126
Interest expenditure	– 1,314	– 1,704	– 1,904	– 1,699	– 1,473
Net interest income	**1,579**	**1,451**	**1,326**	**1,211**	**1,119**
Commission income from lending business	6	4	3	2	2
Commission income from securities and invest. business	105	104	113	145	107
Commission income from other service transactions	30	22	18	16	19
Commission expenditure	– 12	– 11	– 9	– 11	– 6
Net income from commission business and service transactions	**129**	**119**	**125**	**152**	**122**
Net trading income	**66**	**62**	**54**	**55**	**44**
Income from sale of financial assets	2	1	–	–	1
Income from participating interests	7	8	8	4	1
Income from real estate	19	17	20	19	17
Other ordinary income	110	103	91	91	98
Other ordinary expenditure	– 4	– 11	– 12	– 9	– 10
Other ordinary result	**134**	**118**	**107**	**105**	**107**
Operating income	**1,908**	**1,750**	**1,612**	**1,523**	**1,392**
Personnel expenditure	– 639	– 608	– 556	– 494	– 434
Operating expenditure	– 413	– 412	– 377	– 337	– 298
Total operating expenditure	**– 1,052**	**– 1,020**	**– 933**	**– 831**	**– 732**
Gross profit	**856**	**730**	**679**	**692**	**660**
Depreciation on fixed assets	– 134	– 142	– 228	– 115	– 88
Value adjustments, provisions and losses	– 153	– 70	– 77	– 84	– 111
Operating profit (interim result)	**569**	**518**	**374**	**493**	**461**
Extraordinary income	29	7	1	4	26
Extraordinary expenditure	– 5	– 2	– 13	– 6	– 5
Taxes	– 140	– 94	– 27	– 142	– 147
Group profit	**453**	**429**	**335**	**349**	**335**

Onwards to distant shores. A frontier post is imminent, but the Rhine flows on regardless. As the most potent natural waterway in Europe, it opens the way to new horizons – to the sea and the wider world beyond.
Basle

IMPORTANT CHARACTERISTICS OF THE RAIFFEISEN BANKING GROUP

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

Cooperative Banks ▪ Each of the 470 Raiffeisen banks is an independent Cooperative with directly elected banking authorities.

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

Integration in the Swiss Union ▪ The integration in the Swiss Union of Raiffeisen Banks enables even smaller banks to offer a wide range of services and to carry out specific business by specialists at the Union headquarters. The Union coordinates the Group's activities, creates the basic conditions for the business activity of the local Raiffeisen banks (such as IT, infrastructure and refinancing) and advises and supports them in all matters.

Treasury, Trade and Processing (Central Bank) ▪ The Swiss Union of Raiffeisen Banks operates the central treasury, trade and processing functions for the entire Raiffeisen Group.

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

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

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

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

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

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