

Annual Report

2006



Raiffeisen
BANK

Czech Republic

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Survey of Key Data

in accordance with the IFRS/IAS

Monetary values are in TCZK	2006	2005	Change
Income Statement			
Net interest income after provisioning	1,728,417	1,374,869	25.7%
Net commission income	1,036,559	892,810	16.1%
Trading profit	218,624	137,803	58.6%
General administrative expenses	(2,267,051)	(1,932,328)	17.3%
Profit before tax	764,321	495,844	54.1%
Profit after tax	562,212	371,500	51.3%
Earnings per share	2,241	1,486	50.8%
Balance Sheet			
Loans and advances to banks	18,322,192	24,046,675	23.8%
Loans and advances to customers	68,252,234	47,341,093	44.2%
Deposits from banks	13,319,772	12,290,423	8.4%
Deposits from customers	56,474,642	48,306,224	16.9%
Equity	5,173,615	3,533,310	46.4%
Balance-sheet total	89,677,115	75,946,721	18.1%
Regulatory information			
Risk-weighted assets, incl. market risk	61,222,988	49,823,675	22.9%
Total own funds	6,056,463	4,406,810	37.4%
Total own funds requirement	4,897,839	3,985,894	22.9%
Excess cover ratio	23.7%	10.6%	13.1 PP
Core capital ratio (Tier 1), banking book	5.4%	6.2%	(0.8) PP
Core capital ratio (Tier 1), incl. market risk	5.3%	5.8%	(0.5) PP
Own funds ratio	9.9%	8.8%	1.1 PP
Performance			
Return on equity (ROE) before tax*	18.8%	15.6%	3.2 PP
Return on equity (ROE) after tax*	13.8%	11.7%	2.1 PP
Cost/income ratio without provisions	65.1%	69.6%	(4.5) PP
Return on assets (ROA) before tax*	0.9%	0.7%	0.2 PP
Net provisioning ratio	2.4%	2.3%	0.1 PP
Risk/earnings ratio	28.8%	26.9%	1.9 PP
Resources			
Average number of staff	1,336	1,114	20%
Business outlets	53	49	8.2%

*new methodics, average values used

Introducing Raiffeisenbank a.s.

Raiffeisenbank a.s. operates on the Czech market since 1993 and is an important banking institution that provides a wide range of banking services to private and corporate clientele in the Czech Republic. Raiffeisenbank is a member of the Austrian Raiffeisen Financial Group that also offers products and services in the Czech Republic in the area of building savings (Raiffeisen stavební spořitelna a.s.), insurance (UNIQA pojišťovna a.s.) and leasing (Raiffeisen-Leasing, Raiffeisen-Leasing Real Estate, and MB Leasing). In 2006, Czech eBanka, a.s. also became the member of the Raiffeisen Group.

At year-end 2006, Raiffeisenbank had 53 business locations throughout the Czech Republic and employed 1,252 persons. As of the end of 2006, the bank managed assets reaching CZK 90 billion.

Last year, Raiffeisenbank was awarded as "Most Dynamic Bank in the Czech Republic" in the prestigious "Bank of the Year" award. Also, the bank received an award for the "Best Internet Bank in the Czech Republic" from Global Finance magazine.

RBCZ's majority shareholder with 51 % is the Austrian financial institution, Raiffeisen International Bank Holding AG, whose parent company is Raiffeisen Zentralbank AG (RZB). Additional shareholders include Raiffeisenlandesbank Niederösterreich – Wien AG with 24% and RB Prag-Beteiligungs GmbH with 25%.

The Austrian banking group Raiffeisen has been providing financial services for more than 140 years and is one of the strongest financial institutions for commercial and investment banking in all of Central and Eastern Europe. The group operates on 15 markets in the region, it had expanded last year mainly with the purchase of the Russian Impexbank and Czech eBanka. At year-end 2006, the group had 2848 business sites and served over 12 million clients in the region.

From the very beginning, Raiffeisenbank has offered its services with emphasis on the particular needs of clients in the various regions. Besides its business activities, Raiffeisenbank is also involved in a number of community service activities related to culture, education and charity, reflecting Raiffeisen's 140-year tradition.

Important Events in 2006

January

Raiffeisenbank is the first bank on the Czech market to announce that it will adopt the Code of Conduct, which should in particular protect clients' interests and provide clients with better access to information.

March

Raiffeisenbank and its partner Raiffeisenbank Polska prepare the first synthetic securitisation of bank loans in Central and Eastern Europe. This transaction enables the bank to expand further in the area of lending. The total portfolio volume reaches EUR 450 million.

April

Igor Helekal becomes a new member of the Board of Directors of Raiffeisenbank a.s. responsible for risk management and information technology.

July

Raiffeisenbank's majority shareholder, Raiffeisen International, announces the purchase of 100% of the shares in eBanka. The purchase price of the bank, with share capital of CZK 1.18 billion, was set at EUR 130 million.

September

Mario Drosc becomes a new member of the Board of Directors. As a part of the bank's management, he is responsible for trading with small clients and small and medium-size enterprises.

Raiffeisenbank is one of the first domestic banks to cancel charges for incoming payments starting on 1 September.

October

Raiffeisen International obtains all necessary approvals and completes the acquisition of eBanka. The number of clients associated with the bank increases to around 300,000. Completion of the integration of both banks is planned for 2008.

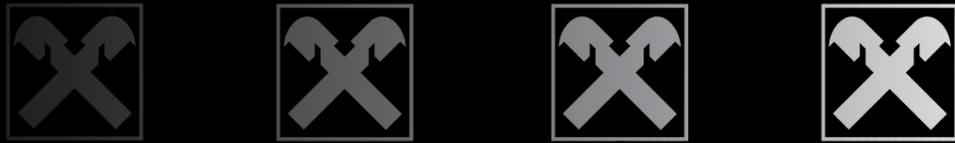
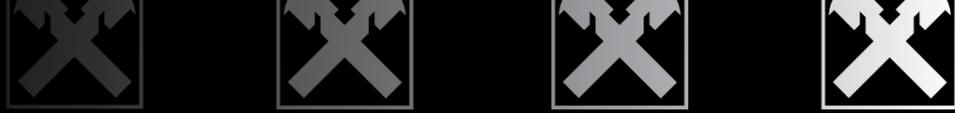
Raiffeisenbank is announced as the "Most Dynamic Bank of the Year 2006" in the prestigious Bank of the Year Awards. This expert panel award is conferred on the bank that has made the most improvements in its products and services in a specific year. The bank is also successful in other surveys. Global Finance awards Raiffeisenbank as the bank with the best Internet banking services in the Czech Republic. It also receives second place in the fincentrum.cz server test.

Raiffeisenbank is the first to introduce investment certificates to the Prague Stock Exchange. In 2006, the bank gradually introduced seven certificates to the stock exchange, consisting mainly of shares tradable in Central and Eastern Europe and commodities such as oil and gold.

December

The extraordinary general meeting decides on an increase in the registered capital of the bank. The registered capital is increased from the former CZK 2.5 billion to CZK 3.614 billion.

Record year for mortgages: for all of 2006, the bank provides more than 7600 mortgages amounting to more than CZK 10.3 billion. This is a rise of more than 130% over the previous year. The bank introduces a wide range of innovations in 2006. It also begins to provide loans for real estate abroad or mortgages without specifying the real estate in advance.



CEO's Statement



CEO's Statement

2006 was quite an extraordinary year for Raiffeisenbank. We achieved record results, and interest in loans registered a sharp increase. We also managed to strengthen the market share in our key segments and products. The bank's profit for 2006 increased by 51 per cent reaching CZK 562,2 million. Total assets rose by 18 per cent year-on-year to CZK 90 billion. We recorded an exceptional year for mortgages in particular.

Awards in 2006

Raiffeisenbank was named the "Most Dynamic Bank of the Year 2006" in the prestigious Bank of the Year competition for its strong growth, innovative approach to new products and dynamic development last year. This title is granted each year to the bank that has made the most improvements in its services. In addition, Raiffeisenbank has received a wide range of additional awards, especially for its Internet banking services. Among others, Global Finance awarded Raiffeisenbank as the bank with the best Internet banking services. This award has committed us to excellence, and we will make every effort to excel even more this year in all public and professional opinion polls.

eBanka

There is, however, another reason why last year was particularly exceptional for Raiffeisenbank. Our majority shareholder, Raiffeisen International, completed the acquisition of eBanka in October. As early as in the autumn of 2006, we took the first steps towards integrating the two banks. For



New board members appointed as of 1 January 2007 (from left):

Rudolf Rabiňák – Executive Director and Member of the Board of Directors
 Igor Helekal – Executive Director and Member of the Board of Directors
 Alexandr Borecký – Executive Director and Member of the Board of Directors
 Lubor Žalman – CEO and Chairman of the Board of Directors
 Martin Bláha – Executive Director and Member of the Board of Directors
 Mário Drosc – Executive Director and Member of the Board of Directors
 Martin Kolouch – Executive Director and Member of the Board of Directors

all the employees of Raiffeisenbank, this means coordinating new goals, new experiences and new challenges. Only in the upcoming years will we be able to assess the progress made with these new challenges. We firmly believe that clients, first and foremost, will benefit from the integration of both banks.

Corporate Banking

The bank's corporate banking segment last year had achieved impressive results in the commercial, retail and financial areas. Corporate banking attained record volumes. Loans increased year-on-year by one third, and the volume of deposits rose by more than 28 per cent. We had achieved excellent sales results through strengthening our relations with existing clients and taking on new clients – the number of large corporate clients had increased by 15 per cent year-on-year.

Strong position in real estate construction financing

Last year, Raiffeisenbank succeeded in maintaining its strong growth from past years, especially in real estate construction financing. The bank contributed to a wide range of important projects, strengthening its position as one of the three strongest institutions in project financing. Assets in this area rose by almost 50 per cent against last year, while revenues increased by 35 per cent year-on-year.

As is customary, the bank attained favourable results in trade and export financing. In comparison with the previous year, we registered trade growth of more than 26 per cent, while revenues rose by one fifth year-on-year.

These achievements contributed greatly to the record year for the whole corporate banking segment. Revenues increased year-on-year by one fourth. Another positive aspect is that the bank increased its revenues while sustaining costs and maintaining a healthy credit portfolio.

We have attained these results thanks to our strong relationships with clients. The satisfaction and confidence of our clients has remained very high, with a satisfaction rate of 94 per cent for corporate clients. Nevertheless, the main reasons for the bank's success have not changed: credibility, superior level of service, flexibility and innovativeness.

Private Individuals

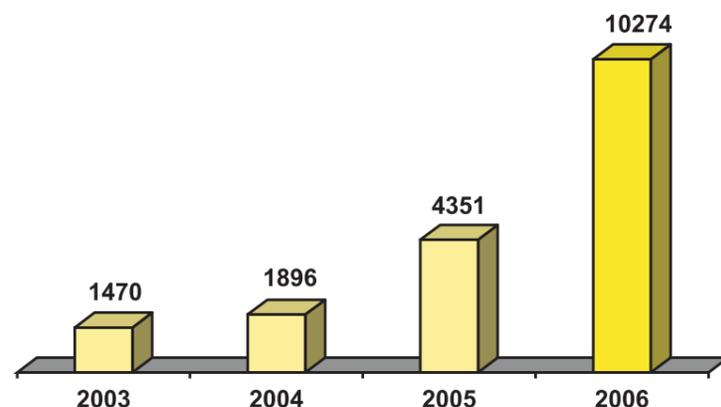
Raiffeisenbank continued to show dynamic growth last year. The number of private clients rose by almost 20 per cent. Outstanding achievements were recorded for the provision of loans in particular. Nevertheless, we have also prepared a number of new investment and savings products.

Mortgages exceed expectations

Mortgages confirmed their position as a key product last year. The bank strengthened its position as one of the top market innovators last year as well. We have prepared a number of new and unique products. Among others, we began offering loans on real estate abroad or prearranged mortgage financing before actually deciding on specific real estate. We have also introduced several improvements geared to speeding up the mortgage application process and to simplifying the actual provision of loans.

These new products and services, along with favourable interest rates, a rise in residential construction, and interest from the strong 70s generation, were reflected in the unprecedented rise in demand for mortgages. The bank had provided more than 7,600 mortgages in 2006 for an overall value of CZK 10.3 billion. This is an annual increase of more than 130%, which is the highest rate of growth among domestic banks. The bank will also introduce many other improvements this year, and we anticipate another rise in the number of granted loans.

Volume of mortgages granted to private individuals (CZK million):



Interest in other loan types

The bank has also focused on improving other credit products. As for Quick Loan, the bank's consumer loan, we have increased the credit limit from CZK 200,000 to CZK 500,000. This change has led to an increase in the average financed amount from almost CZK 70,000 to more than 80,000. As a result, the volume of newly granted consumer loans rose last year by more than four per cent. In addition, the number of issued credit cards increased by 30 per cent.

Development of savings and investment services

In addition to strong development in the credit sphere, the bank has also recorded increased interest in savings and investment products. Last year, we offered clients the opportunity to invest in mortgage certificates, new premium bonds, and secured funds. The interest in premium bonds, in particular, has exceeded our expectations. Last year, we launched four issues of the Garantinvest security.

As for current accounts and packages, the bank has focused, in particular, on further development of direct banking services. For example, we have introduced online payments with the largest domestic Internet shop, mall.cz, or the opportunity to make express payments over the Internet. Changes have also been made to the bank's fees. We were one of the first domestic banks to do away with the criticised incoming payment charge.

Small and Medium-Size Enterprises

The bank also experienced strong growth last year in business with small and medium-size enterprises. We focused primarily on further simplifying access to loans and speeding up the loan application process. In deposits, we have, among other things, expanded the product line with services geared to residential cooperatives and associations of flat owners. Expansion of the product line and simplifying access to loans were reflected in a 17 per cent increase in the number of clients. Total client deposits rose by 21 per cent, and the number of loans granted increased year-on-year by 70 per cent.

Interest in small loans continues to rise

As in the previous year, the bank recorded a significant rise last year in interest in small loans up to CZK 1.5 million. The advantage of these loans is that, in a very short period of time, clients are informed of how much money they are able to borrow and that they may choose the type of loan that

is most suited to their needs. This unique approach, in particular, shortens the amount of time needed to obtain a loan. Thus, the number of drawn loans rose year-on-year by 71 per cent and the approved volume by 69 per cent.

Services for residential cooperatives and associations of flat owners

The most significant improvement last year was the expansion of services for cooperatives and associations of flat owners. Clients from various cooperatives and owner associations could benefit from the Dualkonto package, which includes a current account and a high-interest savings account. The money deposited may then be divided into operational funds and savings for future needs. Approximately 300 cooperatives and owner associations have used Dualkonto since April 2006.

With respect to this target group, we also started providing loans last year geared especially to cooperatives and owner associations. With the help of a loan, cooperatives may reconstruct or repair their buildings, or refinance previous reconstruction loans. Loans range from CZK 500,000 to CZK 50 million with maturities of up to 20 years. By the end of the year, we had provided loans for almost CZK 250 million.

We offer businesses, small and medium-size enterprises or residential cooperatives a combination of flexibility, speed and a personal approach to their finances. We will continue to improve services in 2007 as well. The bank will introduce new products and will continue to improve client satisfaction. We are also developing investment real estate financing. This project was launched at the end of last year.

Investment Banking

In 2006, Raiffeisenbank was a leading innovator in investment banking and capital market trading. In the spring, we became the first bank in Central and Eastern Europe to be involved in synthetic securitisation. Along with our affiliate bank, Raiffeisenbank Polska, we entrusted our credit risk for small and medium-size enterprises to an external agency. The total volume of the securitised portfolio was EUR 450 million. This transaction allowed us to continue with dynamic credit expansion.

Investment certificates

In the autumn, Raiffeisenbank became the first securities trader on the Prague Stock Exchange to introduce investment certificates. We have not only focused on eastern European share certificates, but also certificates based on commodities. Thanks to Raiffeisenbank, it has been possible since last year to purchase oil and gold on the Prague Stock Exchange.

We will also continue this year to expand investment banking services for small clients and institutional investors.

Goals for 2007

Our main goal is client satisfaction. Raiffeisenbank and eBanka are among the banks with the most satisfied clients on the market, and we would like to strengthen this position even further. We would like to continue increasing the number of satisfied clients. We anticipate a slower increase in costs than in the number of clients, and we also anticipate a rise in profit.

Merger of Raiffeisenbank and eBanka

As I have already mentioned in the introduction, the biggest challenge for us is the continued merger with eBanka. This year, we would like to gradually integrate the product lines for all client segments,

to sell the products of both banks at each others' branch offices, and to offer clients new services. The principal motto for us is that clients should not notice any changes, and if so, only changes for the better. Thanks to the merger, we will be able to offer clients improved services: we will be closer to clients because we will double the number of branch offices; we will select the best products from both banks and continue to improve the level of client care.

In 2007, we anticipate integrating the banks as much as possible. Completion of this integration process is planned for 2008.

Last year's record results confirm that the bank is headed in the right direction. We firmly believe that the merger with eBanka will supply us with an additional growth impulse and that we are capable of further improving last year's results. We also expect continued growth for the bank in its key segments, such as mortgages or real estate financing projects. We would like to further expand our line of products and to offer our clients products and services that the clients of eBanka are used to. At the same time, the clients of eBanka will have access to Raiffeisenbank's wide range of products and services.

We will continue to address a wide range of clients, from private individuals, small businesses, and small and medium-size enterprises to large corporations or public institutions and non-profit organisations. A priority for small clients is continued growth in the lending segment, especially mortgages and consumer loans. The goal is to continue with simplifying the overall lending process. We expect there to be growing interest in mortgages and consumer loans. We will also focus on new investment products and will follow up on last year's new products on the market and the Prague Stock Exchange. As for products geared to small and medium-size enterprises, we will continue to simplify and improve the lending process. With respect to large corporate clients, we will focus primarily on medium-size firms in this segment and on project or structured financing.

At the end of 2006, we were serving clients at 53 branch offices, and we plan to expand the branch network even more this year, primarily in Prague and larger towns.

Acknowledgement and thanks to our clients, employees and shareholders

We have succeeded in established long-term relationships with our clients and business partners based on mutual trust. I would like to thank all of our clients for their exceptional cooperation, trust and loyalty. We firmly believe that we can strengthen these relationships further even during the demanding period of integration with eBanka. We will make every effort to live up to clients' expectations and to further improve existing services.

I would also like to thank our shareholders for their support. Raiffeisenbank is a member of one of the strongest banking groups in Central and Eastern Europe that has shown dynamic growth not only thanks to its strategic investment, but also to its own organic development. The strength and stability of the Raiffeisen Financial Group promotes growth in the Czech Republic as well. The shareholders' confidence in further development in the Czech Republic can be most easily witnessed by the increase of CZK 1.114 billion in the bank's registered capital approved by the shareholders at the end of last year. All of the shareholders have contributed to this growth. We value this confidence and will make every effort to increase the value of these invested funds.

Without the support of our employees, all of last year's record figures and the successful launch of the integration would not have been achievable. I would like to thank them for their endeavours in 2006, and I am confident that this year will be even more successful. There are certain challenges relating to the integration process. The employees must learn about new products and processes, adapt to having new colleagues, and in many cases, must chose the best of two solutions. In this respect, higher demands are put on employees during the integration process because they must learn new things without interrupting the bank's normal operations. I would like to thank them for devoting their time and effort to making this happen, and I am convinced that only good things will come out of this integration process – new skills, new experiences and new friends.

Public Service Activities

The bank has been involved in a wide range of public service activities, reflecting Raiffeisen's tradition extending back to the 19th century. Although we focus mainly on education and charity, we also support cultural programmes and health projects. In 2006, we supported, among others, the Junior Achievement Programme for basic and secondary schools, the Jedlička Institute Foundation, the project for medical clowns visiting children in Czech hospitals, creative studios and a number of educational institutions ranging from preschools to universities. We will continue to focus on charity and education this year as well.

The traditional emblem and trademark of the Raiffeisen Group is the Giebelkreuz – crossed horse heads. For hundreds of years, the Giebelkreuz has adorned the facades of buildings throughout Europe and is a symbol of protection for families gathered under one roof against evil and life-threatening situations. We will continue to make every effort to ensure that Raiffeisenbank is a symbol of security and stability for our clients. In addition, we would like to continue to grow, strengthen our position and implement products in line with the prestigious title awarded to the bank last year – "Most Dynamic Bank of the Year 2006".

Lubor Žalman
CEO and Chairman of the Board of Directors
Raiffeisenbank a.s.



Statutory and Supervisory Bodies

Board of Directors

Chairman of the Board of Directors

Lubor Žalman

born 22 January 1966

residing at: Pod Šibeničkami 778, 251 64 Mnichovice

Chairman of the Board of Directors and Chief Executive Officer of Raiffeisenbank a.s. since 4 May 2004. From 2003 to 2004 he has worked at Home Credit International as project manager, and since 1999 at McKinsey & Company as Senior Associate, later as Engagement Manager. Between 1991 and 1998, he served in executive positions at Komerční banka.

Chairman of the Assets and Liabilities Committee

Chairman of the Credit Committee

Members of the Board of Directors

Rudolf Rabiňák

born 21 February 1958

residing at: K Tuchoměřicům 146, 164 00 Prague 6

Member of the Board of Directors of Raiffeisenbank a.s. and responsible for corporate banking since April 2001. Prior to this position, Mr. Rabiňák worked nine years at Citibank a.s.

Mário Drosc

born 13 December 1968

residing at: Irská 796/5, 162 00 Prague 6

Member of the Board of Directors of Raiffeisenbank a.s. and responsible for retail banking since September 2006. He came to Raiffeisenbank from Slovakian VÚB where he was a board member responsible for retail banking. Prior to this he also worked in Komerční banka or as a consultant at McKinsey.

Chairman of the Pricing Committee

Chairman of the Investment Committee

Chairman of the Retail Interest Rate Committee

Igor Helekal

born 7 April 1962

residing at: V středu 249/28, 160 00 Prague 6

Member of the Board of Directors of Raiffeisenbank a.s. since April 2006 and responsible for IT and risk management. He joined Raiffeisenbank from the post of General Manager and Board Chairman of Callin. Some of his previous jobs include membership of the Boards of Directors of eBanka and Slovakia's UniBanka, and his work for the McKinsey & Company consultancy.

Pierre H. Brisse

born 27 December 1959

residing at: Vlašská 349, 110 00 Prague 1

Member of the Board of Directors of Raiffeisenbank a.s. since 2000 and responsible for business support areas since 1993. From 1980 to 1991, Mr. Brisse worked at Continental Bank in Brussels, London and Chicago.

Chairman of the Project Steering Committee

Martin Bláha

born 11 March 1970

residing at: Domanovická 1741, 190 16 Prague 9

Member of the Board of Directors of Raiffeisenbank a.s. since 1 April 2003 and responsible for treasury activities and investment banking. Up to 2001, Mr. Bláha worked at HypoVereinsbank CZ, a.s. as the Head of the Treasury Department.

Chairman of the Investment Committee for Asset Management

Supervisory Board



Chairman of the Supervisory Board

Herbert Stepic

born 31 December 1946

residing at: Hertlgasse 1, 1160 Vienna, Austria

Members of the Supervisory Board

Peter Lennkh

born 10 June 1963

residing at: Testarellogasse 14/12, 1130 Vienna, Austria

Robert Gruber

born 19 April 1956

residing at: Promenadenweg 16, A-2522 Oberwaltersdorf, Austria

Kurt Hütter

born 10 January 1949

residing at: Johannes-Kepler-Str. 8, 4210 Gallneukirchen, Austria

Rainer Franz

born 17 March 1943

residing at: Palackého 22, Bratislava, Slovakia

Miroslav Uličný

born 14 September 1955

residing at: Pod Rovnicami 61, Bratislava, Slovakia

Josef Malíř

born 31 August 1952

residing at: Věstary 3

Jan Horáček

born 15 September 1953

residing at: Bazovského 1128, Prague 6

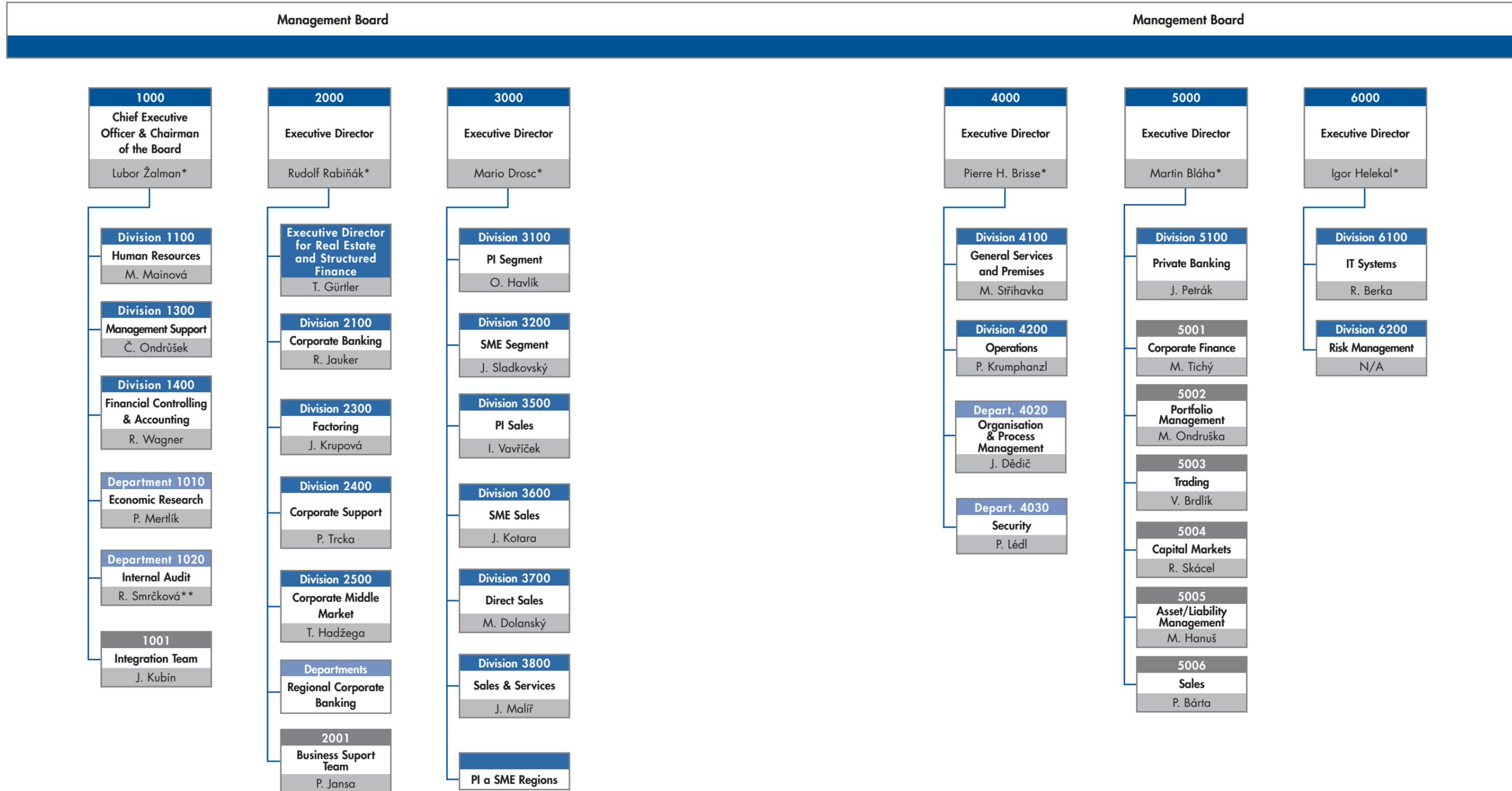
Milena Syrovátková

born 21 March 1956

residing at: Tůmova 40, Brno

Valid as of 31 December 2006

Organisational Chart

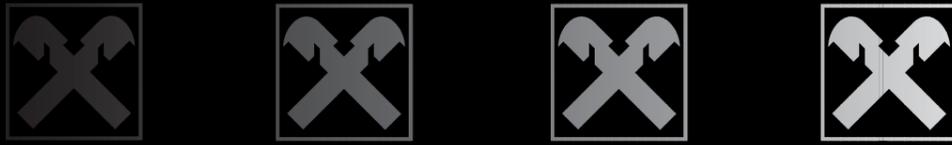
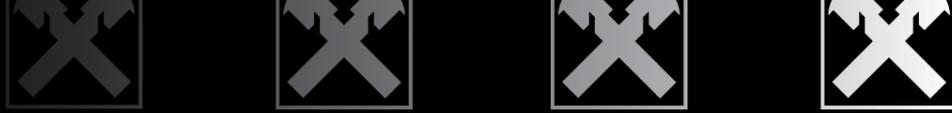


Valid as of 31 December 2006

* Member of the Board
 ** Reports to the Management Board via its Chairman

Valid as of 31 December 2006

* Member of the Board
 ** Reports to the Management Board via its Chairman



Economic Development in the Czech Republic



Economic Development in the Czech Republic

In 2006, the Czech economy had maintained its high economic dynamics from the previous year. However, the economic balance had worsened: the inflation rate slightly increased and the balance of payments and fiscal performance had weakened. A moderate rise in interest rates was the outcome of this development. On the other hand, economic growth led to a decline in the unemployment rate, to wage growth, and to growth of personal consumption, which was a significant component of aggregate demand last year. Investment activity also recovered considerably last year.

Economic growth pulled by investment and household consumption

While in 2005 economic growth was pulled by net export, in 2006 investment and private consumption was a catalyst for growth. Gross fixed capital formation rose year-on-year by more than 7%. Private consumption growth increased in year-on-year terms to more than 4%. Net export was virtually at a standstill year-on-year, so its contribution to GDP creation was negligible; public expenditures for goods and services were growth-neutral, the same as in previous years. Thus, economic policy as a whole was again a mix of moderate fiscal constraint with expansive monetary policy.

Inflation still below the CNB target

The inflation rate in 2006 slightly increased in the Czech economy against 2005, however, it still remained relatively far below the CNB's inflation target of 3%. In terms of Eurostat's harmonised consumer price index, inflation in the Czech Republic was just a mere 2.1% in 2006, one percentage point less than in the Eurozone. By international standards, this allowed the CNB to maintain very low interest rates throughout the year (though higher against 2005) – lower than in the Eurozone, and after Switzerland, the second lowest in Europe. Creeping inflation was caused, in particular, by external factors (the price of oil and natural gas). However, the significance of wage growth, consumer demand growth and closing of the output gap (difference between the potential and actual GDP) as a result of economic growth acceleration cannot be underestimated either.

	2002	2003	2004	2005	2006
GDP, % change	1,9	3,6	4,2	6,1	6,1
Industrial output, % yoy	2,7	5,8	9,9	8,1	9,7
ILO general rate of unemployment, % avg	7,3	7,8	8,3	7,9	7,1
CPI, % change, avg	1,8	0,1	2,8	1,9	2,5
Trade balance, % of GDP	-2,9	-2,7	-1,0	1,3	1,4
Current account balance, % of GDP	-5,5	-6,2	-6,0	-2,6	-4,2
Net foreign direct investment, USD bn	11,0	2,1	3,7	9,4	3,3
Budget balance, % of GDP	-6,8	-6,6	-2,9	-3,5	-3,0
Public debt, % of GDP	28,5	30,1	30,8	30,4	30,4

Deteriorating fiscal performance

Public finances had been substantially adverse in 2006. The fiscal deficit had already returned above the "Maastricht" 3% in 2005 and continued to worsen in 2006. The main reason behind this was the rapid growth of transfer payments and public investments motivated by the political struggle before and after the parliamentary and municipal elections. Loose fiscal discipline of the government will have unfavourable effects even in the future. Certain fiscal measures, especially increasing pensions above the level of the inflation indexation, are irreversible steps with permanent negative consequences for the stability of the pension system. In addition, the approved budget for 2007 is even worse than the performance of the 2006 budget: it is expansive, and in the specific macroeconomic situation procyclical. As a consequence, the Czech Republic had breached the convergence programme (it will need to be amended for 2007). Moreover, the Czech Republic abandoned its goal of joining the Eurozone in 2010 without setting a new entry date.

Unemployment at a record low level

One exception to the negative picture of a generally deteriorating macroeconomic balance in 2006 was the development of the unemployment rate, which had declined year-on-year by more than one percentage point. This development, however, was accompanied with problems on the Czech labour market – with an unemployment rate of 7%, a real labour force shortage began to emerge in the main economic centres of the country (Prague and other larger cities).

Repatriation of profit leads to a current account deficit

A significant effect of economic development in 2006 was the relatively rapid deterioration in the balance of payments. Despite a favourable trade balance and balance of services, the current account deficit increased as a result of a sharp increase in the negative balance of income. The source of this is the huge and still increasing flow of repatriated profits by foreign investors. While in previous years the surplus in the financial account of the balance of payments was significantly higher as a rule than the current account deficit, causing foreign reserves to increase over the long run, in 2006 the financial account surplus barely covered the current account deficit and foreign reserves remained virtually unchanged. Although the inflow of direct and portfolio investment from abroad remained strong in 2006 foreign investment by Czech entities rapidly increased also as a result of economic growth and the increasing wealth of Czech society. The strong appreciation of the Czech koruna during 2006 (by 5.5% vis-à-vis the euro – fourth place among world currencies) was therefore caused more by market sentiment and the short-term impulses of financial markets. Deterioration of the current account deficit and the stagnation of surplus in the financial account of the balance of payments pose a considerable risk for the Czech economy in the future.



Doc. Ing. Pavel Mertlík, CSc.
Chief Economist
Raiffeisenbank a.s.

Raiffeisenbank's Market Position

The economic situation in 2006 has created stable and favourable conditions for the banking sector. Despite the base interest rate being increased from 2% to 2.5%, this level has remained favourable for the development of credit transactions in particular. With respect to stability, concentration and competitiveness in the banking sector, two important events should be mentioned. The Unicredit financial group and HVB were merged during the year, and this resulted in the merger of Živnostenská banka and HVB Czech Republic on the Czech banking market, the fourth largest banking entity. A second, equally important event was the purchase of eBanka by the Austrian financial group, Raiffeisen International Bank, and its merger with the Czech subsidiary Raiffeisenbank. This merger will strengthen the position of the bank on the Czech market not only financially but also with respect to commercial activity and innovation.

In 2006, Raiffeisenbank achieved above-average results that exceeded the development in the banking sector as a whole.

The total volume of assets rose in 2006 by 17.7%, increasing the bank's market share to 2.9%. It is interesting to note that if we were to combine the total assets of Raiffeisenbank and eBanka at the end of 2006, the overall market share would be 3.6%.

In comparison to the previous year, the bank managed to maintain or even increase the rate of growth in all areas of its commercial activity.

Raiffeisenbank's clients expressed their confidence and satisfaction with the bank's products and services, among other things, by increasing their deposits by almost 17%. Thus, the bank now manages 2.8% of all savings in the Czech banking sector. Interest rates reflected positively in the growth rate of time deposits whose volume increased by more than 70%, and the bank acquired 2.3% of the market share. The bank holds the strongest position in deposit products in the corporate segment whose deposits rose last year by about 21%, and Raiffeisenbank's share on the market increased from 3% to 4%. The bank also exceeded the results of the banking sector in the PI segment, and with an increase in deposits of more than 11%, it attained a market share of 1.9%.

Credit transactions are a traditionally strong domain for Raiffeisenbank. The total volume of loans provided by the bank last year rose by more than 44%, which, thanks to a banking sector increase of only 16%, strengthened Raiffeisenbank's market position to 4.8%. Excluding loans provided by building societies, the bank had contributed 5.3% to net bank lending.

Almost 71% of Raiffeisenbank's credit transactions were in the corporate segment. Thanks to a 33% increase in lending, the bank has substantially strengthened its market position and now manages 5.5% of all loans provided to the corporate sphere. The bank has constantly achieved by far the best results in the financing of non-financial corporations, which has contributed around 87% to the total volume of loans granted to corporate clients. The growth rate of this group of clients in 2006 greatly exceeded the market growth, and the bank increased its market share to an excellent 6.6%.

Although lending to private individuals makes up a "mere" 28% of all loans managed by Raiffeisenbank, this was the most dynamically growing area of the bank's credit activity in 2006 as well. The total volume of loans increased by 80.4%, and the bank's market share rose by one percentage point to 3.8%. Traditionally, the most important loan group is mortgages. In 2006, the volume of mortgages rose by more than 97%, and Raiffeisenbank strengthened its market position from 3.5% to 4.8%. In addition, consumer loans continued to be popular with clients. The volume of

these loans rose by 72.6%, and the bank now manages 4.6% of all consumer loans provided in the Czech banking sector.

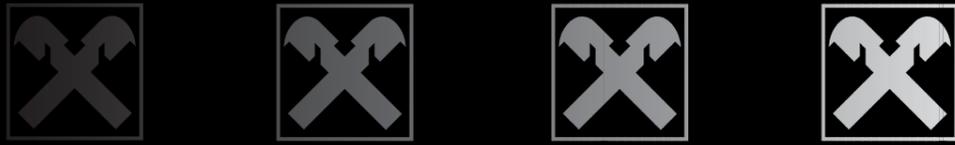
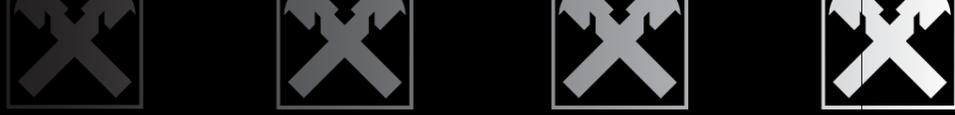
Raiffeisenbank achieved significantly above-average results in the small business segment as well. The total volume of granted loans rose by almost 57%, and with less than 8% market growth, this means a rise in the bank's market share to 2.1%. This segment contributed 1.1% to the bank's total lending.

What will 2007 bring? The bank anticipates a demanding year with respect to the merger, which always involves a number of changes and measures. For the clients of Raiffeisenbank, however, this means only strengthening the existing security. It also means that a strong, stable and dynamic bank will manage their finances and will offer a wide range of modern and flexible products and services geared to their specific needs.

Raiffeisenbank's market position:

	Market share 2006	Market share 2005	Growth 2006
Total assets	2,87%	2,61%	17,7%
Total deposits	2,78%	2,37%	16,9%
– non-term	3,26%	3,27%	-2,4%
– term	2,29%	1,35%	70,2%
– Legal entities	4,02%	2,97%	20,6%
– non-financial corporations	4,29%	4,07%	22,2%
– Private Individuals	1,86%	1,80%	11,3%
– Professionals	2,23%	2,54%	14,4%
Total loans	4,82%	3,89%	44,1%
– mortgages	4,11%	3,08%	81,4%
– consumer loans	4,50%	2,77%	72,6%
– Legal entities	5,48%	4,51%	33,4%
– non-financial corporations	6,61%	5,79%	37,8%
– Private Individuals	3,85%	2,78%	80,4%
– mortgages	4,77%	3,36%	97,5%
– consumer loans	4,58%	2,79%	72,6%
– Professionals	2,09%	1,44%	57,0%
– mortgages	1,43%	0,74%	123,1%

Source: ČNB reports and methodology



Overview of Products and Services



Overview of Products and Services

Products for Private Individuals

Kompletkonto – packages for managing personal finances; four types: Student, Start, Klasik, and Optimum, Mortgage Kompletkonto
 Zlaté konto (prestigious personal accounts)
 CZK Current Accounts
 Current Accounts in Foreign Currencies
 Efektkonto – Savings Accounts
 Včelička (Busy Bee) Savings Accounts
 Kompletkonto Savings Accounts
 Time Deposits (single and revolving)
 Certificates of Deposit
 Internet Banking
 GSM Banking
 Phone Banking
 Infoservis – SMS and E-mail Alerts
 Online Payments
 Mortgages without Proof of Income
 Klasik Mortgages
 Stabilita Mortgages
 Stabilita Invest Mortgages
 Profit Mortgages
 Univerzál American Mortgages
 Triga Mortgage Insurance Packages
 Mortgage Bonds
 Quick Loans (consumer loans)
 Current Account Overdrafts
 Debit Cards (VISA and MasterCard)
 Credit Cards (VISA and MasterCard)
 National Geographic Credit Cards
 Domestic and Foreign Payments
 Cheques and Exchange Services
 Cash Transactions
 Raiffeisen Open-End Mutual Funds (Periodic or Single Investment)
 Garantinvest Premium Bonds
 Brokerage, Mediation and Other Services
 Safe Deposit Boxes
 Western Union Services
 ING Pension Fund
 Raiffeisen Life Insurance
 UNIQA Life and Casualty Insurance
 UNIQA Vehicle Liability Insurance
 Raiffeisen stavební spořitelna Building Savings

Products for Corporate and Business Clients

Current Accounts
 Profikonto
 Pluskonto
 Benefitkonto
 Dualkonto
 Electronic Banking – Home Banking
 Internet Banking
 GSM Banking
 Phone Banking
 Online payments
 Infoservis – SMS and E-mail Alerts
 Domestic and Foreign Payments
 Cash Transactions
 Card Products from VISA and MasterCard
 Business Quick Loans
 Business Overdrafts
 Hypokredit
 Financing for Cooperative Housing Units
 Other Credit Transactions – Overdrafts, Operational Loans, Investment Loans, Mortgages, Project Financing, Structured Financing, Public Sector Financing, Syndicates, Instalment Loans for financing operational needs and investments
 Trade and Export Financing – loans for financing production, export loans, export consumer loans, commodity financing of stock
 Factoring
 Forfaiting
 Purchase of Receivables
 Bank Guarantees
 Time Deposits
 Mortgage Bonds
 Overnight Investing
 Deposit Transactions
 Cash Management
 Interest Compensations
 Procurement of Terminals for Accepting Payment Cards
 Documentary Trading
 Treasury Products
 Cheques and Exchange Services
 Market Research
 Safe Deposit Boxes
 Brokerage Services

Investment Banking

Investment Banking Services
 Investment Certificates
 Portfolio Management
 Foreign Mutual Funds
 Investment Advisory Services
 Market Research

Private Banking

Banking Services
 Investment Banking
 Financial Planning

Analysis of the Economic Results

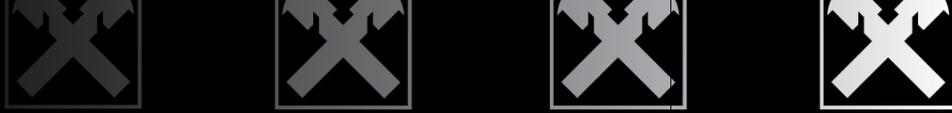
2006

We are pleased to announce that 2006 has confirmed the successful trend indicated in past years and that it has been the most successful year in Raiffeisenbank's 15-year history. The increasing performance in all sales channels was not only reflected in the record number of products and accounts, but also in the financial results for 2006. The bank registered a net profit of CZK 562.2 million, calculated according to the International Financial Reporting Standards, which is a 51% increase over 2005. Net interest income rose by more than 27% to CZK 2.23 billion. The bank's income from fees and commissions exceeded CZK 1 billion; which is an increase by 16%. A rise in general operating costs (up by 17%) goes hand in hand with the bank's growth. These costs exceeded CZK 2.26 billion. This development, in particular, accounts for a rise in the number of employees at year-end 2006 to 1,252, which is 11% more than at the end of 2005.

The bank's total assets rose by more than 18% reaching CZK 90 billion. Strong growth was due, in particular, to an increase in loans to clients. The volume of this lending rose by 44% to CZK 68.3 billion thanks to corporate loans (especially project financing) as well as the growing mortgage loan portfolio. Client deposits increased at a rate of 17% and reached CZK 56.5 billion.

The bank had also expanded its business network, which is now made up of 53 branch offices throughout the Czech Republic. The bank intends to open even more branches in upcoming years.

The financial results confirm that Raiffeisenbank has been heading in the right direction, and the rising revenues and profit confirm the correctness of our strategy. In the forthcoming year, we anticipate not only confirmation of the favourable results from 2006, but also continuation of the bank's expansion, which should increase as a result of the Raiffeisen Group's acquisition of eBanka in the Czech Republic.



Financial Section



Independent Auditor's Report to the Shareholders of Raiffeisenbank, a.s.

Deloitte

Office Address:
Nile House
Karolinská 654/2
186 00 Prague 8
Czech Republic

Tel: +420 246 042 500
Fax: +420 246 042 010
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Deloitte Audit s.r.o.
Registered address:
Týn 641/4
110 00 Prague 1
Czech Republic

Registered at the Municipal Court
in Prague, Section C, File 24349
Id Nr.: 49620592
Tax Id. Nr.: CZ49620592

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Raiffeisenbank, a.s.

Having its registered office at: Praha 4, Olbrachtova 2006/9, PSČ 140 21
Identification number: 492 40 901
Principal activities: Retail, corporate and investment banking services

Report on the Unconsolidated Financial Statements

Based upon our audit, we issued the following audit report dated 2 March 2007 on the unconsolidated financial statements which are included in this annual report on pages 35 to 89:

"We have audited the accompanying financial statements of Raiffeisenbank a.s., which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Consulting • Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Raiffeisenbank a.s. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 31 March 2007 on the Consolidated financial statements which are included in this annual report on pages 90 to 152:

"We have audited the accompanying consolidated financial statements of Raiffeisenbank a.s., which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Raiffeisenbank a.s. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Raiffeisenbank, a.s. for the year ended 31 December 2006 which is included in this annual report on pages 165 to 182. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Raiffeisenbank, a.s. for the year ended 31 December 2006 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on the Annual Report

We have also audited the annual report for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report is consistent, in all material respects, with the financial statements referred to above.

In Prague on 31 March 2007

Audit firm:
Deloitte Audit s.r.o.
Certificate no. 79
Represented by:



Statutory auditor:

Michal Petrman, statutory executive



Michal Petrman, certificate no. 1105



Raiffeisenbank, a.s.

Unconsolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Year Ended 31 December 2006

Components of the Financial Statements:

- Balance Sheet
- Profit and Loss Account
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Financial Statements

These financial statements were prepared by the Bank and approved by the Board of Directors on 2 March 2007.

Statutory body of the reporting entity:



Lubor Žalman
Chairman of the Board of Directors
and Chief Executive Officer



Rudolf Rabiňák
Member of the Board of Directors

Profit and Loss Account

For the Year Ended 31 December 2006

(CZK thousand)	Note	2006	2005
Interest income and similar income	5	3,495,933	2,724,002
Interest expense and similar expense	5	(1,269,638)	(979,779)
Net interest income		2,226,295	1,744,223
Change in provisions for credit risks	6	(497,878)	(369,354)
Net interest income after provisions for credit risks		1,728,417	1,374,869
Fee and commission income	7	1,355,609	1,090,576
Fee and commission expense	7	(319,050)	(197,766)
Net fee and commission income		1,036,559	892,810
Net profit on financial operations	8	218,624	137,803
Dividend income	9	16,821	16,932
Impairment loss on equity investments	19	-	(10,000)
Other operating income	10	30,951	15,758
General administrative expenses	11	(2,267,051)	(1,932,328)
Profit before tax		764,321	495,844
Income tax expense	13	(202,109)	(124,344)
Net profit for the year attributable to the Bank's shareholders		562,212	371,500

The accompanying notes are an integral part of these financial statements.

Balance Sheet

As of 31 December 2006

(CZK thousand)	Note	2006	2005
ASSETS			
Cash and balances with central banks	14	1,683,804	1,916,268
Loans and advances to financial institutions	15	18,322,192	24,046,675
Loans and advances to customers	16	68,252,234	47,341,093
Provisions for loans and advances to customers	17	(1,452,931)	(1,151,173)
Positive fair value of financial derivative transactions	33	672,926	504,064
Securities at fair value through profit or loss	18	1,184,599	2,282,799
Securities available for sale	18	2,734	732
Equity investments in subsidiaries, associates and jointly controlled entities	19	304,160	304,160
Intangible fixed assets	20	161,002	152,025
Property and equipment	21	272,619	324,050
Deferred tax asset	22	34,407	76,875
Other assets	23	239,369	149,153
TOTAL ASSETS		89,677,115	75,946,721
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	24	13,319,772	12,290,423
Amounts owed to customers	25	56,474,642	48,306,224
Negative fair value of financial derivative transactions	33	823,174	668,818
Debt securities issued	26	10,275,779	8,606,672
Income tax liability	13	92,198	73,997
Provisions	27	101,259	33,046
Subordinated loan	28	1,635,578	1,397,269
Other liabilities	29	1,781,098	1,036,962
TOTAL LIABILITIES		84,503,500	72,413,411
EQUITY			
Share capital	30	3,614,000	2,500,000
Other capital funds		117,817	117,817
Statutory reserve fund		110,636	92,061
Gains and losses from revaluation		1,431	188
Retained earnings		767,519	451,744
Profit for the period		562,212	371,500
TOTAL EQUITY		5,173,615	3,533,310
TOTAL LIABILITIES AND EQUITY		89,677,115	75,946,721

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2006

(CZK thousand)	Share capital	Other capital funds	Statutory reserve fund	Gains and losses from revaluation	Retained Earnings	Profit for the period	Total equity
At 1 January 2005	2,500,000	117,817	76,955	(58)	202,340	294,723	3,191,777
Dividends	-	-	-	-	-	(30,213)	(30,213)
Allocation to reserve funds	-	-	15,106	-	-	(15,106)	0
Allocation to retained earnings	-	-	-	-	249,404	(249,404)	0
Gains and losses from fair value remeasurement of AFS portfolio	-	-	-	246	-	-	246
Net profit for the period	-	-	-	-	-	371,500	371,500
At 31 December 2005	2,500,000	117,817	92,061	188	451,744	371,500	3,533,310
Capital increase	1,114,000	-	-	-	-	-	1,114,000
Dividends	-	-	-	-	-	(37,150)	(37,150)
Allocation to reserve funds	-	-	18,575	-	-	(18,575)	0
Allocation to retained earnings	-	-	-	-	315,775	(315,775)	0
Gains and losses from fair value remeasurement of AFS portfolio	-	-	-	1,243	-	-	1,243
Net profit for the period	-	-	-	-	-	562,212	562,212
At 31 December 2006	3,614,000	117,817	110,636	1,431	767,519	562,212	5,173,615

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement

For the Year Ended 31 December 2006

(CZK thousand)	Note	2006	2005
Profit before tax		764,321	495,844
Adjustments for non-cash transactions			
Provisions for loans, advances and other assets		451,249	330,121
Depreciation and amortisation	11	180,555	192,931
Impairment of property, plant, equipment and intangible assets	11	-	1,904
Creation/(release) of other provisions		68,213	(3,438)
Change in fair values of financial derivatives		(14,506)	217,204
Unrealised (gain)/loss on fair value remeasurement of securities		(17,509)	(5,631)
Dividend income	9	(16,821)	(16,932)
Loss on the sale of tangible and intangible fixed assets	11	(1,425)	(1,172)
Other non-cash changes		131,275	(16,393)
Operating profit before changes in operating assets and liabilities		1,545,352	1,194,438
Cash flows from operating activities			
(Increase)/decrease in operating assets			
Mandatory minimum reserve deposits with the CNB		434,980	44,012
Loans and advances to financial institutions		6,742,613	(1,490,215)
Loans and advances to customers		(20,874,047)	(11,392,303)
Securities		278,671	(408,238)
Other assets		(90,216)	(19,663)
Increase/(decrease) in operating liabilities			
Amounts owed to financial institutions		981,538	8,700,305
Amounts owed to customers		8,094,704	3,443,694
Other liabilities		744,133	208,091
Net cash flow from operating activities before income tax		(2,142,272)	280,121
Income taxes paid		(144,808)	(169,698)
Net cash flow from operating activities		(2,287,080)	110,423
Cash flows from investing activities			
Investment in a subsidiary	19	-	(40,884)
Purchase of property and equipment and intangible assets		(144,057)	(151,442)
Income from the sale of fixed assets		4,167	-
Dividends received	9	16,821	16,932
Net cash flow from investing activities		(123,069)	(175,394)
Cash flows from financing activities			
Increase in share capital		1,114,000	-
Dividends paid		(37,150)	(30,213)
Bonds in issue		1,443,408	39,804
Increase in subordinated loan		238,309	114,920
Net cash flow from financing activities		2,758,567	124,511
Net increase in cash and cash equivalents		348,418	59,540
Cash and cash equivalents at the beginning of the year	31	2,460,452	2,400,912
Cash and cash equivalents at the end of the year	31	2,808,870	2,460,452

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

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1. Corporate Details

Raiffeisenbank a.s. (henceforth the "Bank"), having its registered office address at Olbrachtova 2006/9, Prague 4, 140 21, Corporate ID 49240901, was founded as a joint stock company in the Czech Republic. The Bank was registered in the Register of Companies held at the Municipal Court in Prague on 25 June 1993, Volume B, File 2051.

Principal activities of the Bank according to the bank licence granted by the Czech National Bank:

- Acceptance of deposits from the general public,
- Provision of credit,
- Investing in securities on its own account,
- Finance leasing – at present, the Bank does not carry out this activity directly,
- Payments and clearing,
- Issuance of payment facilities,
- Issuance of guarantees,
- Opening of letters of credit,
- Collection services,
- Provision of investment services:
 - Principal investment services under Section 8 (2) (a) – (e) of Act No. 591/1992 Coll., as amended,
 - Additional investment services under Section 8 (3) (a) – (g),
- Issuance of mortgage bonds,
- Financial brokerage,
- Depositary activities,
- Foreign exchange services (foreign currency purchases),
- Provision of banking information,
- Proprietary or client-oriented trading with foreign currency assets,
- Rental of safe-deposit boxes, and
- Activities directly relating to the activities listed in the bank licence.

In addition to the licence to pursue bank operations, the Bank:

- was granted a securities broker licence,
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider since 30 July 2005.

The performance or provision of the Bank's activities and services were not restricted or suspended by the relevant authorities.

The Bank is subject to the regulatory requirements of the Czech National Bank (henceforth the "CNB"). These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk and foreign currency position.

2. Basis of Preparation

These statutory financial statements have been prepared in full compliance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The financial statements include a balance sheet, a profit and loss statement, a statement of changes in shareholders' equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption.

These financial statements have been prepared under the historical cost convention as modified by the remeasurement to fair value of financial assets and liabilities at fair value through profit or loss, all financial derivatives and available-for-sale securities through equity.

The presentation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, equity and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as of the date of the financial statements and should not markedly differ from actual results. The use of reasonable estimates specifically relates to the following areas: determination of impairment losses on loans and advances, determination of impairment losses on investments in subsidiaries, associates and jointly controlled entities, determination of impairment losses on property and equipment and intangible fixed assets, determination of provisioning levels, and determination of fair values of financial assets and liabilities.

These financial statements and notes thereto are unconsolidated and do not include the accounts and results of those companies over which the Bank has control or significant influence. The policies of accounting for equity investments are disclosed in Note 4(g).

The Bank also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union which present the results of the Bank's financial group.

All figures are in thousands of Czech crowns (CZK thousand), unless stated otherwise. Figures presented in brackets represent negative amounts.

3. Significant accounting policies

(a) Interest Expense and Interest Income

Interest income and expense are recognised in the profit and loss account lines "Interest income and similar income" and "Interest expense and similar expense" when earned or incurred, on an accruals basis. The Bank accounts for the accruals of interest using the effective interest rate method. The effective interest rate method is an approach to calculating the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate is used to discount the nominal value of future cash flows to the present value at the maturity date.

(b) Fees and Commissions

Fees and commissions are recognised in the profit and loss account lines "Fee and commission income" and "Fee and commission expense" on an accruals basis, with the exception of fees that are included in the effective interest rate.

(c) Dividends

Income from dividends on securities is recorded as declared and included as a receivable in the balance sheet line "Other assets" and in "Dividend income" in the profit and loss account. Upon receipt of the dividend, the receivable is offset against the collected cash.

Dividends reduce retained earnings in the period in which they are declared by the Annual General Meeting.

(d) Other Income and Expenses Reported in the Profit and Loss Account

Other income and expenses presented in the profit and loss account are recognised under the accrual basis of accounting in the period to which they relate (and not as cash or its equivalent is received or paid).

(e) Taxation

Tax on the profit or loss for the year comprises the current year tax charge, adjusted for deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rate enacted by the balance sheet date, and any adjustment of the tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of other assets.

The estimated value of tax losses expected to be available for utilisation against future taxable income and tax deductible temporary differences are offset against the deferred tax liability within the same legal tax unit to the extent that the legal unit has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be recovered.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

(f) Financial Assets and Liabilities**Dates of Recognition and Derecognition of Financial Instruments from the Bank's Balance Sheet**

All financial assets with normal delivery terms are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its provision (collection of cash). However, if a portfolio of financial assets remeasured at fair value is involved, the acquired financial asset is revalued reflecting changes in its fair value from the purchase trade date to the sale trade date according to the categorisation into an individual portfolio, accrued interest on debt financial assets is recognised from the purchase settlement date to the sale settlement date.

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when fully repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Bank decided to write off are derecognised at the write-off date.

The Bank remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Bank settles and derecognises financial liabilities at the date on which all related risks and costs attributable to the specific liability are transferred.

Of the categories of financial assets and liabilities defined in IAS 39, the Bank maintains the following types of financial assets and liabilities:

- Loans and receivables;
- Financial assets and liabilities remeasured at fair value through profit or loss;
- Financial assets available for sale; and
- Other financial assets.

Loans and Receivables

Loans originated by the Bank by providing money directly to a borrower are categorised as loans originated by the Bank and are stated at amortised cost. The amortised cost is the cost minus principal repayments, plus accrued interest, plus or minus amortisation of discount or premium. In determining the amortized cost the Bank uses the effective interest rate method. All loans and advances are recognised when cash is advanced to borrowers (or banks). Accrued interest income is included in the carrying amount these loans.

Provisions for losses on loans and receivables are recorded when there are reasonable doubts over the recoverability of the loan balance. Provisions for losses on loans and receivables represent management's assessment of potential losses in relation to the Bank's on and off balance sheet activities. Amounts are set aside to cover losses on loans and receivables that have been specifically identified and for potential losses which may be present based on portfolio performance. The level of provisions is established by comparing the carrying amount of the loan and the present value of future expected cash flows using the original effective interest rate. The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account line "Change in provisions for credit risks" (Note 8). Additional details can be found in Note 37 b.

Uncollectible loans and receivables when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Bank in respect of these loans are written off with the concurrent use of a recorded provision. These write-offs are included in "Change in provisions for credit risks" (Note 8). Subsequent recoveries are also included in this line.

Securities

Securities held by the Bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. In accordance with its intent, the Bank allocates securities into three portfolios – the portfolio of securities at fair value through profit or loss, the portfolio of securities held for trading and the portfolio of securities available for sale.

Securities at Fair Value through Profit or Loss

The portfolio includes debt and equity securities held for trading, that is, securities held by the Bank with the intention of reselling them, thereby generating profits on price fluctuations in the short-term, and debt and equity securities that were designated, upon initial recognition, as at fair value through profit or loss. Securities at fair value through profit or loss are recognised at cost at the acquisition date and subsequently remeasured at fair value.

Changes in the fair values of securities held for trading as well as securities not held for trading are recognised in the profit and loss account as "Net profit or loss on financial operations".

For debt and equity securities traded on a public market, fair values are derived from quoted prices. The fair values of those securities not traded on a public market are estimated by the management of the Bank as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining maturity of the securities.

Transaction costs of at-fair-value-through-profit-or-loss securities are not added to the cost but are recognised through expenses and presented in P/L account as *"Fee and commission expense"*.

Securities Available for Sale

Securities available for sale are securities held by the Bank for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

Securities available for sale are carried at acquisition cost and subsequently remeasured at fair value. Changes in the fair values of available for sale securities are recognised in equity as *"Gains or losses from revaluation"*, with the exception of their impairment and interest income and foreign exchange differences on debt securities. When realised, the relevant revaluation gains or losses are taken to the profit and loss account as *"Net profit or loss on financial operations"*. Interest income on coupons, amortisation of discounts or premiums, and dividends are included in *"Interest income and similar income"*. Foreign exchange differences are reported within *"Net profit or loss on financial operations"*.

Repurchase Agreements

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a pre-determined price, they remain at fair value or amortised cost within the relevant portfolio on the balance sheet and the consideration received is recorded in *"Amounts owed to financial institutions"* (Note 26) or *"Amounts owed to customers"* (Note 27). Conversely, debt or equity securities purchased under a concurrent commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in *"Loans and advances to financial institutions"* (Note 17) or *"Loans and advances to customers"* (Note 18).

Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case ("short sales") the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability and presented in the balance sheet line *"Other liabilities"* (Note 31).

Interest on debt securities transferred under repurchase transactions is accrued while interest on debt securities received under reverse repurchase transactions is not accrued. Income and expenses arising under repurchase or reverse repurchase transactions as the difference between the sale and repurchase price are accrued evenly over the term of the transaction and presented in the profit and loss account as *"Interest income and similar income"* (Note 7) or *"Interest expense or similar expense"* (Note 7) as appropriate.

Debt Securities Issued

Debt securities issued by the Bank are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of the Bank's own debt securities is included in the profit and loss statement line *"Interest expense and similar expense"* (Note 7).

The Bank's own debt securities acquired by the Bank are presented as a reduction of liabilities arising from securities issued. Upon initial recognition, the Bank's own debt securities are stated at cost which includes transaction costs. The difference between the cost of repurchased own debt securities and the accrued amount of issued securities is included in the profit and loss account line *"Net profit or loss on financial operations"* (Note 11) in the period of acquisition. Interest expenses of issued debt securities are decreased to reflect the gradual increase in the value of the Bank's own debt securities.

Financial Derivative Instruments

In the normal course of business, the Bank enters into contracts for derivative financial instruments. Financial derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency and

interest rate options (both purchased and sold), futures and other derivative financial instruments. The Bank uses various types of derivative instruments in both its trading and hedging activities.

Financial derivative instruments entered into for trading or hedging purposes are initially recognised at cost (including transaction costs) on the balance sheet date and are subsequently remeasured and stated at fair value. Unrealised gains and losses are reported as *"Positive fair value of financial derivative transactions"* (Note 35b) and *"Negative fair value of financial derivative transactions"* (Note 35b). Realised and unrealised gains and losses are recognised in the profit and loss account line *"Net profit or loss on financial operations"* (Note 11), the only exception being unrealised gains and losses on cash flow hedges which are recognised in equity. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in the profit and loss account and the embedded instrument does not meet general criteria for recognition as a derivative.

Hedging derivatives are defined as derivatives that comply with the Bank's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 percent to 125 percent.

If the Bank uses a fair value hedge, the hedged item is remeasured at fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

If the Bank uses a cash flow hedge, the gains or losses from changes in fair values of hedging derivatives that are attributable to the hedged risk are retained in equity on the balance sheet and are recognised to expense or income in the periods in which the expense or income associated with the hedged items are recognised.

In circumstances where hedging derivatives do not meet the hedge effectiveness criteria, they are reallocated to the trading portfolio. Changes in fair value of derivatives held for trading are recognised in *"Net profit or loss on financial operations"* (Note 11).

A predominant portion of the Bank's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under the rules of IAS 39 and are therefore treated as derivatives held for trading with the related fair value gains and losses, as it the case with trading derivatives, reported in the profit and loss statement line *"Net profit or loss on financial operations"* (Note 11).

Subordinated Debt

The terms underlying the subordinated debt are as follows:

- (a) In the event that the Bank is forced into bankruptcy (A) the creditor is entitled to obtain performance under this agreement in relation to the loan by way of subordinate claim and this performance is conditional upon the aggregate recoveries from the sale of the Bank's assets being greater than the aggregate amount of claims of all bankrupt's creditors of the Bank (conditional claim), and furthermore subject to the condition set out in (A) being met, the creditor is entitled to obtain performance under this agreement in relation to the loan solely up to the amount that

would be obtained by it if the claims under this agreement in relation to the loan were satisfied proportionately and jointly with all subordinate claims that rank pari passu to the Bank's claims under this agreement in relation to the loan, and solely from that portion of the recoveries from the sale of the Bank's bankruptcy assets that is greater than the aggregate amount of non-subordinate claims of all bankrupt's creditors of the Bank; and

(b) With the Bank being placed into liquidation (once the bankruptcy has been completed or in any other manner), the creditor's entitlement to obtain performance under this agreement in relation to the loan is conditional upon all non-subordinate claims of all the Bank's creditors being fully settled.

(g) Equity Investments

Equity investments in subsidiary, associated undertakings and joint ventures are recorded at acquisition cost including transaction costs less provisions for any temporary diminution in value or write-offs for any permanent diminution in value.

An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50 percent of its share capital or in which the Bank can exercise more than 50 percent of the voting rights based on an agreement with another shareholder/owner, or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members.

An investment in an associate is one in which the Bank holds, directly or indirectly, 20 percent to 50 percent of its share capital or over which the Bank exercises significant influence through representation on the entity's statutory board, participation in the development of the entity's policy, significant transactions between the entity and the Bank, replacement of the entity's management by the Bank, and access to significant technical information of the entity.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Rights and obligations of parties to the joint venture are set out in a joint venture formation agreement. A joint venture has its own legal entity status.

At the financial statement date or interim financial statement date, the Bank assesses equity investments in subsidiary or associated undertakings and joint ventures for impairment. An equity investment is impaired if its carrying amount is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value and its value in use determined as a sum of discounted expected cash flows. Impairment of equity investments in subsidiary or associated undertakings is accounted for through the recognition of provisions.

Investments, in which the Bank has an equity interest less than 20 percent, are reported as "Securities available for sale" (Note 20) and are carried at fair value.

(h) Property and Equipment and Intangible Fixed Assets

Property and equipment includes identifiable tangible assets with physical substance and with an estimated useful life exceeding one year and a cost greater than CZK 40 thousand.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life exceeding one year and a cost greater than CZK 60 thousand.

Property and equipment and intangible fixed assets are stated at historical cost less accumulated depreciation and provisions and are depreciated when ready for use through the profit and loss account line "General administrative

expenses – depreciation of property and equipment and intangible fixed assets" (Note 13) on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of assets are as follows:

	Depreciation period	Depreciation rate
Software	4 years	25%
Buildings	20 years	5%
Other (cars, furniture and fixtures, office equipment and computers)	4–5 years	20–25%

Technical improvements on leasehold assets are depreciated on a straight line basis over the lease term or for 10 years in respect of lease arrangements for an indefinite period of time.

Land and works of art (irrespective of their cost) and assets under construction are not depreciated.

Intangible assets with a cost lower than CZK 60 thousand and tangible assets with a cost lower than CZK 40 thousand are expensed in the period of acquisition.

The Bank periodically reviews the utilisation of its assets and adjusts guidance on their depreciation treatment, as and when needed, in the internal guideline on asset depreciation. A change in the depreciation period is not considered a change of accounting policies but a change of accounting estimates.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts: the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs, or the estimated future economic benefits arising from the use of the asset. The Bank's assets are periodically tested for impairment and temporary impairments are provisioned through the profit and loss account line "General administrative expenses" (Note 13). Impairment of assets is determined by comparing the carrying amount of an asset with the greater of the following amounts:

– **Selling price** (selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal,

– **Value in use** (the present value of estimated future cash flows expected to arise from the continuing use of an asset).

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount and is presented in "General administrative expenses" (Note 13).

Repairs and maintenance are charged directly to the profit and loss statement line "General administrative expenses" (Note 13) when the expenditure is incurred.

(i) Provisions

Provisions are defined as liabilities of uncertain timing or amount. The Bank recognises a provision when, and only when:

- It has a present obligation (legal or constructive) as a result of a past event,
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

Provisions for Guarantees and Other Off Balance Sheet Credit Related Commitments

In the normal course of business, the Bank enters into credit related commitments which are recorded in off balance sheet accounts and primarily include issued guarantees, loan commitments, undrawn loan facilities and confirmed open letters of credit, etc. Provisions are made for estimated losses on these commitments on a portfolio basis. Movements in these provisions are recognized in "Change in provisions for credit risks".

Other Provisions

The recognition of other provisions (for outstanding vacation days, legal disputes, stabilization, restructuring) is recorded in "General administrative expenses" (Note 13).

(j) Transactions with Securities Undertaken on behalf of Clients

Securities received by the Bank into custody, administration or safe-keeping are typically recorded at market or nominal values if the market value is not available and maintained off balance sheet. "Other liabilities" (Note 31) include the Bank's payables to clients arising from cash received to purchase securities or cash to be refunded to the client.

(k) Segment Reporting

Segment information is based on two segment formats. The primary format represents segmentation by type of customers. The customer segment format is provided in greater detail in Note 35 to the financial statements.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment. Segment assets and liabilities comprise those operating assets and liabilities that can be directly attributable to the segment or can be allocated to the segment on a reasonable basis.

(l) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency at official exchange rates as announced by the CNB on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into the local currency at the CNB exchange rate prevailing at the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the profit and loss account in "Net profit or loss on financial operations" (Note 11), with the exception of foreign exchange rate differences on equity investments denominated in foreign currencies which are reported at the historical exchange rate, foreign exchange rate differences on equity securities included in the available-for-sale portfolio which are reported as a component of a change in the fair value and foreign exchange rate differences on derivatives entered into with a view to hedging currency risk associated with assets or liabilities whose foreign exchange rate differences are not reported in the profit and loss account.

(m) Cash and Cash Equivalents

The Bank considers cash and deposits with the CNB, treasury bills with a residual maturity of three months or less, nostro accounts with financial institutions and loro accounts with financial institutions to be cash equivalents. For the purposes of determining cash and cash equivalents, the minimum reserve deposit with the CNB is not included as a cash equivalent due to restrictions on its availability.

4. Changes in Accounting Policies in 2006

In the year ended 31 December 2006, the Bank made no significant changes in accounting policies, except for the adoption of amendments to IFRSs that came into effect in 2006 as follows:

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' in respect of cash flow hedge accounting (effective 1 January 2006); and
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' for financial guarantee contracts (effective 1 January 2006).

The adoption of new accounting policies had no material impact on the financial statements of the Bank.

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007); and
- Amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures (effective 1 January 2007).

The Bank estimates that the adoption of these amendments in IFRS that will become effective subsequent to 1 January 2007 will not have a material impact on the financial statements for the year ending 31 December 2007, including comparative information.

The following standards or interpretations have been issued by IASB but not yet endorsed by the EU:

- IFRS 8 Operating segments
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11: IFRS 2 on Group and treasury shares transactions
- IFRIC 12 Service concession arrangements
- IAS 39 Financial instruments: Recognition and Measurement in the area of certain hedge accounting requirements

These standards are not yet effective as of the reporting date. Endorsement by the EU is expected by the time the standards and interpretations become effective.

5. Net interest income

CZK thousand	2006	2005
Interest income arising from		
Loans and advances to financial institutions	568,106	596,131
Loans and advances to customers	2,897,051	2,088,166
Derivative financial instruments (non-trading)	1,388	5,667
Fixed income securities	29,388	34,038
Total	3,495,933	2,724,002
Interest expense arising from		
Deposits from financial institutions	(394,382)	(168,181)
Deposits from customers	(586,948)	(535,387)
Securities issued	(224,956)	(215,187)
Subordinated liabilities	(59,623)	(46,100)
Derivative financial instruments (non-trading)	(3,729)	(14,924)
Total	(1,269,638)	(979,779)
Net interest income	2,226,295	1,744,223

6. Change in provisions for credit risks

CZK thousand	2006	2005
Changes in loan loss provisions		
Charge for provisions	(817,450)	(801,624)
Release of provisions	380,870	476,423
Direct charge-off of receivables	(18,538)	(46,307)
Recoveries	1,240	1,154
Provisions for off balance sheet credit risk exposures		
Charge for provisions	(44,000)	0
Release of provisions	0	1,000
Change in provisions for credit risks	(497,878)	(369,354)

7. Net Fee and Commission Income

CZK thousand	2006	2005
Fee and commission income arising from		
Payment transactions	479,485	432,467
Provided loans and guarantees	417,370	310,975
Securities transactions	65,344	38,732
Foreign currency transactions	354,642	274,158
Management, administration, custody and safe-keeping of assets	27,142	27,035
Other services	11,626	7,209
Total	1,355,609	1,090,576
Fee and commission expense arising from		
Payment transactions	(105,747)	(92,995)
Provided loans and guarantees	(19,000)	(24,304)
Securities transactions	(12,410)	(14,390)
Securitisation	(23,059)	(0)
Foreign currency transactions	(2,700)	(2,272)
Management, administration, custody and safe-keeping of assets	(13)	(1,433)
Other services	(156,121)	(62,372)
Total	(319,050)	(197,766)
Net fee and commission income	1,036,559	892,810

8. Net Profit or Loss on Financial Operations

CZK thousand	2006	2005
Net profit on financial operations		
Derivative transactions	(14,291)	(37,122)
Foreign currency transactions	194,332	156,996
Securities transactions	38,583	17,929
Total	218,624	137,803

9. Dividend Income

CZK thousand	2006	2005
Income from participation interests in associates	16,250	16,250
Income from other shares and participation interests	571	682
Total	16,821	16,932

10. Other Operating Income

CZK thousand	2006	2005
Operating income from non-banking activities	16,217	9,168
Other	14,734	6,590
Total	30,951	15,758

11. General Administrative Expenses

CZK thousand	2006	2005
Payroll costs (Note 12)	(1 126,188)	(915,118)
Operating expenses	(949,856)	(785,998)
Rental, repairs and other office management expenses	(206,464)	(211,688)
Office equipment	(13,130)	(15,524)
IT support costs	(109,377)	(93,144)
Costs of legal and advisory services	(226,905)	(139,848)
Advertising costs	(183,497)	(139,797)
Deposit and transaction insurance	(46,735)	(41,505)
Telecommunication, postal and other services	(73,402)	(83,520)
Fuel	(13,567)	(12,441)
Security expenses	(14,015)	(7,291)
Travel expenses	(15,671)	(11,106)
Training expenses	(16,769)	(14,447)
Other administrative expenses	(30,324)	(15,687)
Depreciation and amortisation of fixed assets (Notes 23 and 24)	(180,555)	(192,931)
Gain from the transfer of fixed assets	1,425	1,172
Impairment loss on property and equipment and intangible fixed assets (Notes 23 and 24)	-	(1,904)
Other operating expenses	(11,877)	(37,549)
Total	(2 267,051)	(1 932,328)

12. Payroll costs

CZK thousand	2006	2005
Wages and salaries	(816,447)	(655,814)
Social security and health insurance	(279,959)	(233,170)
Other staff costs	(29,782)	(26,134)
Total	(1,126,188)	(915,118)
Of which wages and salaries paid to:		
Members of the Board of Directors	(22,740)	(20,934)
Members of the Supervisory Board	(5,495)	(4,252)
Other members of management	(81,931)	(80,303)
Total	(110,166)	(105,489)

The average number of the Bank's employees as of 31 December 2006 and 2005 was as follows:

	2006	2005
Employees	1,336	1,114
Members of the Board of Directors	6	5
Members of the Supervisory Board	9	9
Other members of management	41	47

13. Income Tax

(a) Income tax expense

CZK thousand	2006	2005
Current income tax payable	(226,180)	(184,075)
Tax underpayments from the previous period	63,172	(1,709)
Release of the provision from previous periods	0	16,464
Provision for additional tax assessed	2,915	(7,500)
Deferred income tax credit/(charge)	(42,016)	52,476
Total income tax	(202,109)	(124,344)

The tax balance differs from the theoretical tax balance that would have been determined had the basic tax rate been used as follows:

CZK thousand	2006	2005
Pre-tax profit (general tax base)	763,750	495,162
Pre-tax profit (separate tax base)	571	682
Tax calculated at the tax rate for the general tax base (2006: 24 %, 2005: 26 %)	(183,300)	(128,742)
Tax calculated at the tax rate for the separate tax base (rate of 15 %)	(86)	(102)
Non-taxable income	32,960	49,457
Non-tax deductible expenses	(75,904)	(104,820)
Tax relief and credit	150	132
Tax liability for the period	(226,180)	(184,075)
Tax overpayment/underpayment from the previous period, use of tax relief and credit, including tax refunds and additional assessments from previous years	63,172	(1,709)
Release of the provision for prior periods	0	16,464
Provision for additional tax assessed	2,915	(7,500)
Deferred tax	(42,016)	52,476
Total income tax	(202,109)	(124,344)
Effective tax rate	26,44%	25,08%

Deferred income tax (Note 22) is calculated from all temporary differences under the liability method using a principal tax rate of 24 percent (2005: 24 percent) enacted at the balance sheet date for the following period.

(b) Income tax liability

CZK thousand	2006	2005
Tax calculated at the tax rate for the general tax base (2006: 24%, 2005: 26%)	(226,094)	(183,973)
Tax calculated at the tax rate for the separate tax base (rate of 15%)	(86)	(102)
Tax liability for the period	(226,180)	(184,075)
Additional current income tax assessment for previous years	2,915	(7,500)
Advances paid for current income tax	131,067	117,578
Total income tax liability	92,198	73,997

14 . Cash and Balances with Central Banks

CZK thousand	2006	2005
Cash on hand and other cash equivalents	1,317,709	1,133,839
Balances with central banks	35,143	16,497
Statutory minimum reserves maintained with the CNB	330,952	765,932
Total	1,683,804	1,916,268

15. Loans and Advances to Financial Institutions

(a) Types of Loans and Advances to Financial Institutions

As of 31 December 2006 and 2005, the Bank carried no amounts due from securities acquired under initial public offerings which were not designated for trading.

CZK thousand	2006	2005
Placements with financial institutions	1,456,018	472,218
Term deposits with banks	7,424,520	10,231,663
Term deposits with banks	9,441,654	13,342,794
Total	18,322,192	24,046,675

(b) Repurchase and Reverse Repurchase Transactions

As of 31 December 2006 and 2005, the Bank reported no repurchase transactions. The Bank provided loans of CZK 4,451,460 thousand (2005: CZK 8,005,811 thousand) under reverse repurchase transactions.

16. Loans and Advances to Customers

(a) Categories of Loans and Advances to Customers

CZK thousand	2006	2005
Current accounts	5,903,275	3,270,714
Term loans	47,918,105	35,032,125
Mortgage loans	13,244,132	8,193,619
Other	1,186,722	844,635
Total	68,252,234	47,341,093

In 2006, the Bank restructured loans and advances to customers in the aggregate amount of CZK 26,961 thousand (2005: CZK 43,725 thousand).

(b) Repurchase and Reverse Repurchase Transactions

The Bank reported no repurchase transactions as of 31 December 2006 and 2005. Under reverse repurchase transactions the Bank provided loans of CZK 1,500,761 thousand (2005: CZK 1,765,499 thousand).

(c) Analysis of Loans Provided to Customers by Sector

CZK thousand	2006	2005
Public sector	527,277	214,980
Loans to corporate entities	47,115,407	35,660,074
Loans to private individuals	19,825,905	11,055,706
Small and medium size enterprises (SME)	665,008	390,003
Other	118,637	20,330
Total	68,252,234	47,341,093

(d) Analysis of Loans Provided to Customers by Geographical Areas

CZK thousand	2006	2005
Czech Republic	64,673,442	43,629,094
Slovakia	608,469	449,780
Netherlands	327,383	9,187
Switzerland	284,785	35,741
Poland	162,392	485
Other – EU countries	1,250,939	1,239,032
Serbia and Montenegro	751,369	1,714,095
Russian Federation	21,431	253,680
Other	172,024	9,999
Total	68,252,234	47,341,093

(e) Remeasurement impact of the hedged loan portfolio (fair value hedge)

The Bank historically used a fair value hedge in respect of a selected portfolio of loans and remeasured the hedged loans at fair value. The aggregate impact of the remeasurement as disclosed within the total balance of “Loans and advances to customers” amounted to CZK 4,063 thousand in 2005. The Bank no longer applied fair value hedging as of 31 December 2006.

(f) Securitisation

In March 2006, the Bank undertook a synthetic securitisation of the Corporate Banking and SME Banking loan portfolios with the original amount of EUR 183 million and maturity in March 2016 (see Note 37).

(g) Syndicated loans

Pursuant to concluded syndicated loan agreements, the Bank acts as the arranger of syndicated loans in the original aggregate amount of CZK 6,001,589 thousand (2005: CZK 8,426,509 thousand), of which the proportion of the Bank and other syndicate members totalled CZK 2,236,102 thousand (2005: CZK 3,604,529 thousand) and CZK 3,765,487 thousand (2005: CZK 4,821,980 thousand), respectively.

As of 31 December 2006, the aggregate outstanding amount under syndicated loan facilities where the Bank acted as the arranger in 2006 was CZK 2,532,234 thousand (2005: CZK 3,853,110 thousand), of which the proportion of the Bank and other syndicate members was CZK 1,079,604 thousand (2005: CZK 1,905,420 thousand) and CZK 1,452,630 thousand (2005: CZK 1,947,690 thousand), respectively.

The risks and interest arising from these syndicated loans are shared by all participating syndicate members in proportion to their aggregate exposure.

(h) Analysis of Loans and Advances to Customers by Sector and Type of Collateral

2006	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantees	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, hunting, forestry and fishing	19,632	263,384	91,872	53,955	57,527	91,998	289,912	103,055	42,880	1,014,215
Mining	0	0	0	780	0	1,293	8,009	0	114	10,196
Manufacturing	7,491	2,406,798	334,703	1,428,685	1,309,893	2,096,707	3,456,960	883,841	937,950	12,863,028
Production and distribution of electricity, gas and water	633,673	86,609	43,357	2,120	2,603	13,913	607,314	71,230	34,922	1,495,741
Construction	2,000	253,883	29,891	140,222	74,336	256,254	348,761	15,809	36,923	1,158,079
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	441,923	543,047	556,639	979,984	788,908	681,845	1,345,537	429,756	932,688	6,700,327
Accommodation and public catering	15,453	57,671	4,887	1,007,770	4,387	503,595	93,072	0	71,966	1,758,801
Transportation, storage and communications	0	16,113	3,739	59,717	277,892	78,149	221,177	36	43,032	699,855
Financial mediation	15,000	173,219	1,118,477	3,894	93,901	8,228	265,620	0	422,315	2,100,654
Real estate and rent activities, other business activities	1,593,286	790,132	3,318,836	6,682,644	1,445,504	1,343,766	1,190,771	355,154	2,591,330	19,311,423
Public administration; mandatory social security	265	0	0	168,168	0	344,342	22,123	0	2,728	537,626
Education	0	0	0	140	0	3,838	1,303	0	13,237	18,518
Health care and social care	0	89,782	125,755	66,739	0	111,909	19,775	124	3,527	417,611
Other public, social and personal services	6,776	20,738	12,002	446,488	44,853	199,986	163,097	5,118	194,023	1,093,081
Household activities	1,925	1,500,761	0	14,168,824	30,786	987	46	6,603	3,363,147	19,073,079
Total	2,737,424	6,202,137	5,640,158	25,210,130	4,130,590	5,736,810	8,033,477	1,870,726	8,690,782	68,252,234

2005	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantees	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, hunting, forestry and fishing	12,167	77,356	120	251,541	12,119	96,558	0	201,570	66,460	717,891
Mining	314,218	0	2,815	831	18,565	9,084	0	0	220,281	565,794
Manufacturing	225,896	278,377	126,373	2,477,312	1,234,225	2,417,435	193,495	2,652,502	1,463,010	11,068,625
Production and distribution of electricity, gas and water	612,311	2,972	1,410	50,941	99,719	27,751	1	609,657	177,259	1,582,021
Construction	1,000	17,095	0	258,444	54,337	148,354	0	85,540	80,244	645,014
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	492,454	164,032	86,722	702,714	1,465,930	731,753	0	463,126	687,398	4,794,129
Accommodation and public catering	141,514	6,960	0	793,288	4,001	37,092	0	0	22,215	1,005,070
Transportation, storage and communications	0	0	3,898	82,386	156,017	81,293	0	140,641	20,205	484,440
Financial mediation	793,135	0	1,232,963	22,806	81,850	3,471	0	613,802	870,774	3,618,801
Real estate and rent activities, other business activities	1,198,741	62,566	452,398	4,662,099	1,062,789	935,848	78,654	901,694	1,777,873	11,132,662
Public administration; mandatory social security	297	0	0	190,088	0	574	0	23,461	6,364	220,784
Education	0	0	0	576	0	8,649	0	2	298	9,525
Health care and social care	0	26,470	0	17,945	10,026	100,500	0	106	57,629	212,677
Other public, social and personal services	8,205	6,320	12,634	446,992	36,667	78,054	10,483	19,626	86,373	705,354
Household activities	2,137	0	0	6,733,695	330	287	37,439	92	3,804,327	10,578,307
Total	3,802,075	642,148	1,919,333	16,691,658	4,236,575	4,676,703	320,072	5,711,819	9,340,710	47,341,093

17. Provisions for Loans and Advances to Customers

CZK thousand	2006	2005
At 1 January 21	(1,151,173)	(831,052)
Creation of provisions	(817,450)	(801,624)
Release of provisions	381,535	430,367
Use for the write-off and transfer of receivables	128,607	46,056
FX differences on provisions denominated in foreign currencies	5,550	5,080
At 31 December	(1,452,931)	(1,151,173)

18. Securities

(a) Portfolio Classification of Securities according to the Bank's Intent

CZK thousand	2006	2005
Securities held for trading	547,759	912,388
out of which:		
- Debt securities	540,631	901,795
- Shares and participation certificates	7,128	10,593
Other securities at fair value through profit or loss	636,840	1,370,411
of which:		
- Debt securities	506,610	1,241,824
- Shares and participation certificates	130,230	128,587
Securities at fair value through profit or loss	1,184,599	2,282,799
Securities available for sale	2,734	732
Total	1,187,333	2,283,531

Securities at fair value through profit or loss include state bonds of CZK 506,298 thousand (2005: CZK 546,758 thousand) which may be used for refinancing with central banks.

(b) Investment Securities – Available for Sale

The Bank owns minority interests in SWIFT, MASTERCARD INTERCORPORATE and VISA with a carrying value of CZK 2,734 thousand (2005: CZK 732 thousand).

(c) Securities Pledged as Security

The Bank carried no securities pledged as collateral as of 31 December 2006 or 2005.

19. Equity investments in subsidiaries, associates and jointly controlled entities

(a) Equity Investments

CZK thousand	2006	2005
At 1 January	304,160	273,276
Acquisition of equity investments	0	40,884
Change in provisions	0	(10,000)
Charge for provisions	0	(20,000)
Release of provisions	0	10,000
At 31 December	304,160	304,160

(b) (a) Subsidiaries (Equity Investments with Controlling Influence)

CZK thousand						
Name	Registered office	Equity capital	Of which share capital	Share of equity capital	Share of voting power	Carrying amount
MB Leasing a.s.	Mladá Boleslav, T.G. Masaryka 1076	12,112	60,000	100%	100%	40,884
Provisions						(20,000)
Total at 31 December 2005						20,884
MB Leasing a.s.	Mladá Boleslav, T.G. Masaryka 1076	22,521	60,000	100%	100%	40,884
Provisions						(20,000)
Total at 31 December 2006						20,884

MB Leasing a.s. – principal activities:

– The purchase of goods for resale and sale, lease of motor vehicles, lease of industrial goods, agency activities related to sale and services, lease and renting of movable assets.

As of 1 March 2006, pursuant to the contract for the sale of business put in place between MB Leasing, a.s. and Raiffeisen – Leasing, s.r.o., the assets and liabilities of MB Leasing, a.s., with the exception of public receivables and payables, were transferred to Raiffeisen – Leasing, s.r.o. The amounts of the transferred assets and liabilities as of 28 February 2006 were CZK 1,132,856 thousand and CZK 1,194,760 thousand, respectively in compliance with accounting rules valid in Czech Republic. As part of the transactions associated with the sale of business, provisions held against receivables and prepayments of CZK 21,434 thousand (decrease in expenses) and a deferred tax asset of CZK 25,314 thousand (increase in expenses) based on statutory accounting records were released to expenses.

Under International Financial Reporting Standards the amounts of the transferred assets and liabilities was CZK 1,013,999 thousand, respectively, as of 28 February 2006. Under these standards the released provisions to expenses were of CZK 44,652 thousand and deferred tax asset of CZK 16,120 thousand.

On the basis of an expert valuation prepared by a court-appointed appraiser, Horwath TPA Notia Consulting, s.r.o., the selling price was determined to be CZK 26,105 thousand as of 28 February 2006.

The transaction involving the sale of the business resulted in compliance with accounting rules valid in Czech Republic in a gain of CZK 84,129 thousand for MB Leasing, a.s. as of 1 March 2006. According to the International Financial Reporting Standards the sale resulted in again of CZK 38,890 thousand for MB Leasing, a. s.

As a result of the sale of its business, MB Leasing, a.s. sold all of its business activities to Raiffeisen – Leasing s.r.o. and following the sale of its assets and liabilities, it discontinued its operations on the leasing market. The entity is likely to be dissolved after statutory time-limits expire.

(c) Associates (Equity Investments with Substantial Influence)

CZK thousand						
Name	Registered office	Equity capital	Of which share capital	Share of equity capital	Share of voting power	Carrying amount
Raiffeisen stavební spořitelna a.s.	Koněvova 2747/99, Praha 3	1,260,948	650,000	25%	25%	258,088
Total at 31 December 2005						258,088
Raiffeisen stavební spořitelna, a.s.	Koněvova 2747/99, Praha 3	1,317,941	650,000	25%	25%	258,088
Total at 31 December 2006						258,088

Raiffeisen stavební spořitelna a.s. – principal activities:

– Provision of construction savings services in terms of Section 1 of the Construction Savings and Construction Savings State Support Act No. 96/1993 Coll., and the performance of activities listed in Section 9 (1) of Act No. 96/1993 Coll.

The second shareholder holding a share of the equity and voting power of Raiffeisen stavební spořitelna a.s. is Raiffeisen Bausparkasse GmbH

(d) Jointly Controlled Entities

CZK thousand						
Name	Registered office	Equity capital	Of which share capital	Share of equity capital	Share of voting power	Carrying amount
Raiffeisen-Leasing, s.r.o.	Olbrachtova 2006/9, Praha 4	182,175	50,000	50%	50%	25,188
Total at 31 December 2005						25,188
Raiffeisen-Leasing, s.r.o.	Olbrachtova 2006/9, Praha 4	175,011	50,000	50%	50%	25,188
Total at 31 December 2004						25,188

Raiffeisen-Leasing, s.r.o. – principal activities:

- lease of movable and immovable assets;
- real estate agent;
- purchase of goods for resale and sale with the exception of goods listed in the Appendix to Act No. 455/91 Coll., and goods eliminated thereunder;
- agency activities related to sale and services;
- book-keeping;
- provision of loans and credits from own resources;
- provision of software.

The second shareholder holding a share of the equity and voting power of Raiffeisen-Leasing, s.r.o. is Raiffeisen-Leasing International Gesellschaft GmbH.

20. INTANGIBLE FIXED ASSETS

CZK thousand	Software	Intangible assets under construction	Total
Cost			
1 January 2005	280,630	12,917	293,547
Additions	42,483	69,810	112,293
Transfers	8,791	(8,723)	68
Disposals	(33,038)	(32,023)	(65,061)
31 December 2005	298,866	41,981	340,847
1 January 2006	298,866	41,981	340,847
Additions	39,109	38,287	77,396
Transfers	38,044	(38,100)	(56)
Disposals	(76,903)	(289)	(77,192)
31 December 2006	299,116	41,879	340,995
Accumulated amortisation			
1 January 2005	(160,864)	0	(160,864)
Additions	(60,870)	0	(60,870)
Disposals	32,912	0	32,912
31 December 2005	(188,822)	0	(188,822)
1 January 2006	(188,821)	0	(188,821)
Additions	(66,460)	0	(66,460)
Disposals	75,288	0	75,288
31 December 2006	(179,993)	0	(179,993)
Net book value			
31 December 2005	110,044	41,981	152,025
31 December 2006	119,123	41,879	161,002

21. PROPERTY AND EQUIPMENT**(a) Movements in Property and Equipment**

CZK thousand	Land, buildings, technical improvements on buildings	Furniture and fixtures	Machinery and equipment	Tangible assets under construction	Total
Cost					
1 January 2005	265,876	121,715	491,540	42,712	921,843
Additions	1,197	4,236	57,953	26,699	90,085
Transfers	124	1,243	24,313	(25,748)	(68)
Disposals	(458)	(1,601)	(16,807)	(13,733)	(32,599)
31 December 2005	266,739	125,593	556,999	29,930	979,261
1 January 2006	266,739	125,593	556,999	29,930	979,261
Additions	809	3,080	47,961	25,551	77,401
Transfers	757	3,308	9,468	(13,478)	55
Disposals	(5,461)	(669)	(33,374)	(10,452)	(49,956)
31 December 2006	262,844	131,312	581,054	31,551	1,006,761
Accumulated depreciation and provisions					
1 January 2005	(93,432)	(88,005)	(351,717)	0	(533,154)
Additions	(23,189)	(15,157)	(93,715)		(132,061)
Disposals	457	1,556	9,895	0	11,908
Impairment	(1,904)	0	0	0	(1,904)
31 December 2005	(118,068)	(101,606)	(435,537)	0	(655,211)
1 January 2006	(118,068)	(101,606)	(435,537)	0	(655,211)
Additions	(20,465)	(12,362)	(81,268)		(114,095)
Disposals	2,802	669	31,693	0	35,164
Impairment	0	0	0	0	0
31 December 2006	(135,731)	(113,299)	(485,112)	0	(734,142)
Net book value					
31 December 2005	148,671	23,987	121,462	29,930	324,050
31 December 2006	127,113	18,013	95,942	31,551	272,619

The line "Impairment" represents the impairment of leasehold improvements on buildings where the Bank has the intention to dispose of them or terminate the leasing arrangements in the following period. Impairment of property and equipment was determined on the basis of the value in use.

(b) Property and Equipment Acquired under Finance Leases

The Bank recorded no property and equipment under finance leases in the years ended 31 December 2006 and 2005.

22. DEFERRED TAX LIABILITY/ASSET

Deferred tax is calculated from all temporary differences under the liability method using the principal income tax rate of 24% (2005: 24 %).

Deferred income tax assets (liabilities) are as follows:

CZK thousand	2006	2005
Unpaid social security and health insurance contributions	13,329	10,893
Outstanding vacation days	5,234	4,105
Other provisions	17,864	2,022
Accelerated tax depreciation of fixed assets	1,643	2,169
Losses on derivatives	0	57,686
Total deferred tax asset	38,070	76,875

Pursuant to the amendment to the Income Tax Act, losses on derivatives are treated as tax deductible expenses and hence the value of the deferred tax asset arising from losses on derivatives is CZK 0 in 2006.

The deferred tax liability is composed of the following items:

CZK thousand	2006	2005
Outstanding default interest	(3,211)	0
Movements for the year against equity (revaluation of securities available for sale)	(452)	0
Total deferred tax liability	(3,663)	0

The calculation of a deferred tax asset/(liability):

CZK thousand	2006	2005
Balance at 1 January	76,875	24,399
Movement for the year – credit/(charge)	(38,805)	52,476
Total deferred tax asset	38,070	76,875
Balance at 1 January	0	0
Movement for the year – credit/(charge)	(3,211)	0
Movements for the year against equity	(452)	0
Total deferred tax liability	(3,663)	0
Net deferred tax asset/(liability)	34,407	76,875

The deferred tax (charge)/credit in the profit and loss account and equity comprises the following temporary differences:

CZK thousand	2006	2005
Basis for deferred tax asset/(liability)	143,362	320,312
Deferred tax asset/(liability)	34,407	76,875
Recognition of a year-on-year difference due to the change of tax rate	0	(1,877)
Recognition of a year-on-year difference due to temporary differences in profit or loss	(42,016)	54,353
Recognition of a year-on-year difference due to temporary differences in equity	(452)	0
Total year-on-year difference for recognition	(42,468)	52,476

23. OTHER ASSETS

CZK thousand	2006	2005
Indirect tax assets	1,826	1,436
Receivables arising from non-banking activities	99,554	96,178
Deferred expenses and accrued income	29,149	4,374
Other	108,840	47,165
Total	239,369	149,153

Receivables arising from non-banking activities for the year ended 31 December 2006 largely comprises operating prepayments made of CZK 86,663 thousand (2005: CZK 77,113 thousand). The 'Other' line item predominantly comprises cash in transit of CZK 78,832 thousand (2005: CZK 10,125 thousand).

24. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

CZK thousand	2006	2005
Repayable on demand	1,107,150	1,640,320
Term deposits at banks	12,212,622	10,650,103
Within 3 months	6,808,143	5,445,191
From 3 months to 1 year	983,310	946,012
From 1 to 5 years	4,421,169	4,258,900
Total	13,319,772	12,290,423

25. AMOUNTS OWED TO CUSTOMERS

(a) Analysis of Amounts Owed to Customers by Type

CZK thousand	2006	2005
Repayable on demand	34,649,588	35,444,433
Term deposits with maturity	21,632,866	12,510,407
Repayable on notice	189,705	242,850
Other	2,483	108,534
Total	56,474,642	48,306,224

(b) ANALYSIS OF AMOUNTS OWED TO CUSTOMERS BY SECTOR

CZK thousand	2006	2005
Deposits from corporate clients	25,605,388	21,435,499
Deposits to private individuals	22,259,311	19,978,675
Small and medium size enterprises (SME)	517,634	441,060
Ostatní	340,592	0
Total	56,474,642	48,306,224

26. DEBT SECURITIES ISSUED

(a) Analysis of Issued Debt Securities by Type

CZK thousand	2006	2005
Deposit certificates and deposit bills of exchange	5,096,016	4,237,610
Bonds in issue	556,692	28,335
Mortgage bonds	4,623,071	4,340,727
Total	10,275,779	8,606,672

(b) Analysis of Mortgage Bonds

Date of issue	Maturity	ISIN	Currency	Nominal value		Net carrying amount		Amount payable within 1 year
				2006	2005	2006	2005	
3. 5. 2001	3. 5. 2006	CZ0002000177	CZK	0	2,000,000	0	2,116,596	0
18. 2. 2004	18. 2. 2009	CZ0002000326	CZK	500,000	500,000	516,465	516,644	0
23. 8. 2004	23. 8. 2009	CZ0002000417	CZK	500,000	500,000	519,116	523,003	0
23. 3. 2005	23. 3. 2010	CZ0002000482	CZK	500,000	500,000	541,369	548,906	0
21. 11. 2005	21. 11. 2010	CZ0002000698	CZK	600,000	599,580	629,103	635,578	0
24. 5. 2006	24. 5. 2011	CZ0002000805	CZK	498,210	0	538,106	0	0
4. 10. 2006	4. 10. 2011	CZ0002000888	CZK	1,800,000	0	1,878,912	0	0
Total				4,398,210	4,099,580	4,623,071	4,340,727	0

27. PROVISIONS

CZK thousand	Provisions for legal disputes	Provisions for off balance sheet credit risk exposures	Provision for outstanding vacation days	Provision for restructuring	Other provisions	Total
1 January 2005	0	1,000	19,000	0	16,484	36,484
Charge for provisions	6,646	0	17,104	0	9,276	33,026
Use of provisions	0	(1,000)	(19,000)	0	0	(20,000)
Release of redundant provisions	0	0	0	0	(16,464)	(16,464)
31 December 2005	6,646	0	17,104	0	9,296	33,046
1 January 2006	6,646	0	17,104	0	9,296	33,046
Charge for provisions	2,295	44,000	21,807	19,000	1,782	88,884
Use of provisions	(1,067)	0	(17,104)	0	0	(18,171)
Release of redundant provisions	0	0	0	0	(2,500)	(2,500)
31 December 2006	7,874	44,000	21,807	19,000	8,578	101,259

28. SUBORDINATED LOAN

CZK thousand	2006	2005
Subordinated loan	1,635,578	1,397,269
Total	1,635,578	1,397,269

The subordinated loan was increased by CZK 302,445 thousand (EUR 11,000 thousand) during 2006. The value of the subordinated loan principal balance as of 31 December 2006 was CZK 1,607,495 thousand (EUR 58,465 thousand).

This loan will mature on 31 January 2014; the interest rate was determined based on six-month EURIBOR plus 0.78 percent p.a. The subordinated loan agreement was approved by the responsible departments of the Czech National Bank and conforms to the requirements for recognition as additional capital.

29. OTHER LIABILITIES

CZK thousand	2006	2005
Liabilities arising from non-banking activities	484,710	404,055
Accrued expenses	7,746	11,570
Deferred income	16,838	10,335
Settlement and suspense clearing account	986,094	505,839
Other	285,710	105,163
Total	1,781,098	1,036,962

"Liabilities arising from non-banking activities" for the year ended 31 December 2006 consist of estimated payables to external suppliers of services in the amount of CZK 157,765 thousand (2005: CZK 113,405 thousand) and estimated payables raised for bonuses of CZK 214,218 thousand (2005: 175,069 thousand). The line "Other" principally reflects foreign payments settlement accounts.

30. SHARE CAPITAL

In December 2006, the extraordinary general meeting of the Bank's shareholders approved the increase in the Bank's share capital from CZK 2,500,000 thousand to CZK 3,614,000 thousand. No changes were made to the shareholder structure during 2006. The nominal value of all shares was fully paid before the 2006 year-end. All the shares take the book-entry form, are not listed and have a nominal value of CZK 10 thousand. The share capital increase to CZK 3,614,000 thousand was registered in the Register of Companies held by the Municipal Court in Prague on the basis of a resolution dated 5 February 2007. This resolution became legally effective on 26 February 2007.

The shareholders of the Bank as of 31 December 2006:

Name	Registered address	Number of ordinary shares	Nominal value (in CZK)	Ownership percentage (in %)
Raiffeisen International Bank-Holding AG	Austria	184,314	1,843,140	51
RB Prag Beteiligungs GmbH	Austria	90,350	903,500	25
Raiffeisenlandesbank Niederösterreich – Wien AG	Austria	86,736	867,360	24
Total		361,400	3,614,000	100

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the statements of cash flows are composed of the following balances:

CZK thousand	2006	2005
Cash and nostro accounts with the CNB (Note 14)	1,683,804	1,916,268
Required minimum reserves at CNB (Note 14)	(330,952)	(765,932)
Treasury bills with maturity of less than three months	0	837,898
Nostro accounts with financial institutions (Note 15)	1,456,018	472,218
Total cash and cash equivalents	2,808,870	2,460,452

32. OFF BALANCE SHEET COMPONENTS – CREDIT EXPOSURE

(a) Legal disputes

The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2006. Pursuant to the review of individual litigation matters in terms of the risk of potential losses and the probability of payment, the Bank recognised provisions (Note 30) for these litigations in the aggregate amount CZK 7,874 thousand (2005: CZK 6,646 thousand).

As of 31 December 2006, the Bank assessed lawsuits filed against other entities. The review of significant litigation matters in respect of third parties indicates that these will not materially affect the Bank's financial position.

The Bank does not disclose the details underlying pending disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Bank's interests.

(b) Irrevocable Commitments from Accepted Bills of Exchange and Endorsements, Other Written Commitments and Pledged Amounts

CZK thousand	2006	2005
Banks		
Provided commitments	288,609	376,179
Guarantee commitments	35,812	24,456
Letters of credit and financial guarantees	15,989	0
Total	340,410	400,635
Customers		
Provided commitments	10,843,065	6,293,481
Guarantee commitments	6,361,626	4,576,263
Letters of credit and financial guarantees	207,089	986,719
Total	17,411,780	11,856,463
Total	17,752,190	12,257,098

(c) Refinancing Agreements

As of 31 December 2006, the Bank is provided with a stand-by credit line facility of CZK 1,429,740 thousand/EUR 52,000 thousand (2005: CZK 1,508,260 thousand/EUR 52,000 thousand) by Raiffeisen Zentralbank Österreich AG.

33. OFF BALANCE SHEET COMPONENTS – FINANCIAL INSTRUMENTS

(a) Analysis of Derivative Financial Instruments – Contractual Amounts

CZK thousand	Contractual amounts	
	2006	2005
Hedging instruments		
Interest rate swaps (IRS)	0	221,100
Total hedging instruments	0	221,100
Trading instruments		
Cross-currency swaps	345,929	526,880
Currency forwards and swaps	16,172,473	14,148,762
Currency forwards and swaps	38,735,169	27,679,015
Interest rate swaps (IRS)	171,045,000	175,269,400
Option contracts (purchase)	9,691,820	4,732,438
Option contracts (sale)	9,679,429	4,745,354
Total trading instruments	245,669,820	227,101,849
Financial derivatives - total contractual amount	245,669,820	227,322,949

(b) Analysis of Derivative Financial Instruments – Fair Value

CZK thousand	Fair value in 2006		Fair value in 2005	
	Positive	Negative	Positive	Negative
Hedging instruments				
Interest rate swaps (IRS)	0	(0)	0	(4,064)
Total hedging instruments	0	(0)	0	(4,064)
Trading instruments				
Cross-currency swaps	9,372	(9260)	24,622	(24,322)
Currency forwards and swaps	128,348	(245,449)	131,244	(174,343)
Interest rate swaps (IRS)	194,820	(241,545)	153,239	(246,311)
Forward rate agreements (FRA)	133,531	(123,884)	111,836	(139,819)
Option contracts (purchase)	206,855	0	83,123	0
Option contracts (sale)	0	(203,036)	0	(79,959)
Total trading instruments	672,926	(823,174)	504,064	(664,754)
Financial derivatives - total fair value	672,926	(823,174)	504,064	(668,818)

(c) Remaining Maturity of Financial Derivative Instruments

CZK thousand	Up to 1 year	From 1 – 5 years	Over 5 years	Total
At 31 December 2006				
Hedging instruments				
Interest rate swaps (IRS)	0	0	0	0
Total hedging instruments	0	0	0	0
Trading instruments				
Cross-currency swaps	0	345,929	0	345,929
Currency forwards and swaps	15,890,886	281,587	0	16,172,473
Interest rate swaps (IRS)	20,041,291	16,981,964	1,711,914	38,735,169
Forward rate agreements (FRA)	105,195,000	65,850,000	0	171,045,000
Option contracts (purchase)	5,329,407	4,362,413	0	9,691,820
Option contracts (sale)	5,363,329	4,316,100	0	9,679,429
Total trading instruments	151,819,913	92,137,993	1,711,914	245,669,820
Total financial derivatives	151,819,913	92,137,993	1,711,914	245,669,820
At 31 December 2005				
Hedging instruments				
Interest rate swaps (IRS)	221,100	0	0	221,100
Total hedging instruments	221,100	0	0	221,100
Trading instruments				
Cross-currency swaps	95,894	430,986	0	526,880
Currency forwards and swaps	14,111,262	37,500	0	14,148,762
Interest rate swaps (IRS)	13,650,000	13,381,479	647,536	27,679,015
Forward rate agreements (FRA)	134,119,400	41,150,000	0	175,269,400
Option contracts (purchase)	4,322,696	409,742	0	4,732,438
Option contracts (sale)	4,338,317	407,037	0	4,745,354
Total trading instruments	170,637,569	55,816,744	647,536	227,101,849
Total financial derivatives	170,858,669	55,816,744	647,536	227,322,949

34. OTHER OFF BALANCE SHEET ASSETS**(a) Assets Provided for Management, Administration and Custody**

In the years ended 31 December 2006 and 2005, the Bank provided no assets for management, administration and custody.

(b) Assets Accepted for Management, Administration and Custody

CZK thousand	2006	2005
Assets accepted for management	2,585,395	2,086,908
Assets accepted for administration	10,052,702	11,875,579
Assets accepted for custody	50	0
Total	12,638,147	13,962,487

35. SEGMENT ANALYSIS

(a) Geographic Segments

The Bank carries out activities solely on the territory of the Czech Republic and pursues no activities abroad.

(b) Segments by Type of Client

Primary reporting under IAS 14 is based on the internal management system supplied by Raiffeisen International Bank-Holding AG, whose primary reporting format is principally client-oriented. Business segments are represented as follows:

- Retail banking;
- SME banking;
- Corporate banking; and
- Other.

The Retail banking segment generally includes all private individuals including VIP clients and own employees. This segment mainly involves standardised products, such as savings accounts, deposit and current accounts, client loans and mortgages, overdraft facilities, credit cards and other credit and deposit products.

The SME banking segment entails all medium size entities with an annual turnover of up to CZK 250,000 thousand.

The Corporate banking segment involves transactions with corporate clients, public sector and financial institutions. This segment also includes small subsidiaries of large companies.

The segment "Other" mainly includes Treasury and Investment Banking, as well as other positions, such as profit sharing, and other non-interest companies constituting assets and liabilities which cannot be allocated to the above segments.

Treasury includes own positions in on balance sheet products and also in interest rates of off balance sheet currency products (derivatives). All of this includes interest rate transactions, foreign FX transactions, liquidity management, and asset and liability management.

CZK thousand	Retail banking	SME banking	Corporate banking	Other	Total
At 31 December 2006					
Income generated outside segments (external income)	954,705	600,151	1,494,919	448,524	3,498,299
Total gross income	954,705	600,151	1,494,919	448,524	3,498,299
Segment profit	(157,647)	9,127	687,988	193,901	733,369
Other income				30,952	30,952
Tax				(202,109)	(202,109)
Profit or loss					562,212
<i>Other information</i>					
Average assets by segment	14,180,903	4,494,286	44,212,558	18,403,754	81,291,501
Total average assets	14,180,903	4,494,286	44,212,558	18,403,754	81,291,501
Average liabilities by segment	20,799,842	9,979,401	29,121,745	21,390,513	81,291,501
Total average liabilities	20,799,842	9,979,401	29,121,745	21,390,513	81,291,501
Reserves and provisions for credit risks	144,799	84,205	262,398	6,476	497,878

CZK thousand	Retail banking	SME banking	Corporate banking	Other	Total
At 31 December 2005					
Income generated outside segments (external income)	664,427	473,547	1,205,164	415,492	2,758,630
Total gross income	664,427	473,547	1,205,164	415,492	2,758,630
Segment profit	(319,184)	759	579,039	172,054	432,668
Other income				63,176	63,176
Tax				(124,344)	(124,344)
Profit or loss					371,500
<i>Other information</i>					
Average assets by segment	6,880,194	2,825,217	32,025,403	30,163,492	71,894,306
Total assets	6,880,194	2,825,217	32,025,403	30,163,492	71,894,306
Average liabilities by segment	19,287,977	8,747,749	24,151,282	16,533,921	68,720,929
Total average liabilities	19,287,977	8,747,749	24,151,282	16,533,921	68,720,929
Reserves and provisions for credit risks	241,217	38,928	152,785	(63,576)	369,354

36. FINANCIAL INSTRUMENTS – MARKET RISK

The Bank takes on exposure to market risks arising from open positions of transactions with interest rate, equity and currency instruments which are sensitive to the changes of conditions on financial markets.

(a) Trading

The Bank holds trading positions in certain financial instruments including financial derivatives. The majority of the Bank's trading activities are conducted on the basis of the requirements of the Bank's clients. According to the estimated demand of its clients, the Bank holds a certain supply of financial instruments and maintains the admission to the financial markets through the quoting of bid and ask prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets and thus represent speculation on this development. The Bank's business strategy is thus affected by the speculative expectation and market making and its goal is to maximise net income from trading.

The Bank manages risks associated with its trading activities on the level of individual risks and types of financial instruments. The key risk management tools are the limits for individual transaction volumes and individual position volumes, stop loss limits and Value at Risk (VaR) limits. The quantitative methods applied to market risk management are described in "Risk Management Methods" in Note 36 (c).

(b) Risk Management

The selected risks exposures resulting from the Bank's activities, management of positions arising from these activities and its risk management approach are described below. More detailed policies applied in measuring and managing these risks are included in other notes (Note 36 (c) "Risk Management Methods").

Liquidity Risk

Liquidity risk arises from the type of funding of the Bank's activities and the management of its positions. It includes both the risk of inability to raise funds to cover the Bank's assets using instruments with appropriate maturity and the Bank's ability to dispose of/sell assets at a reasonable price within a reasonable time frame.

The Bank has access to diversified sources of funding, which comprise deposits and other savings, issued securities, loans accepted including subordinated loans, and also the Bank's equity. This diversification makes the Bank flexible and reduces its dependency on one source of funding. The Bank regularly evaluates its liquidity exposures, in particular by monitoring the changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Bank's Board of Directors. As part of its liquidity risk management strategy, the Bank also holds a portion of its assets in highly liquid funds, such as government treasury bills and similar bonds and/or repurchase transactions with the Czech National Bank. The Bank uses internal statistical models for diversification of the maturity of client deposits. These models are reassessed on a regular basis.

The following table shows the remaining maturity of carrying values of financial instruments, rather than all cash flows arising from these instruments. Provisions for loans to customers and fair value of derivatives are classified under "Not specified" category, as the Bank is not able to allocate them into individual baskets.

Remaining Maturity of the Bank's Assets and Liabilities

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2006							
Cash and balances with central banks	1,683,804	0	0	0	0	0	1,683,804
Loans and advances to financial institutions	1,456,018	12,452,626	363,689	4,049,859	0	0	18,322,192
Loans and advances to customers	5,903,274	17,739,576	8,880,663	16,653,144	19,075,577	0	68,252,234
Provisions for loans and advances to customers	0	0	0	0	0	(1,452,931)	(1,452,931)
Positive fair value of financial derivative transactions	0	0	0	0	0	672,926	672,926
Securities at fair value through profit or loss	0	0	2,766	676,139	360,439	145,255	1,184,599
Securities available for sale	0	0	0	0	0	2,734	2,734
Equity investments	0	0	0	0	0	304,160	304,160
Intangible fixed assets	0	0	0	0	0	161,002	161,002
Property and equipment	0	0	0	0	0	272,619	272,619
Deferred tax asset	0	0	34,407	0	0	0	34,407
Other assets	0	84,043	190	194	0	154,942	239,369
Total	9,043,096	30,276,245	9,281,715	21,379,336	19,436,016	260,707	89,677,115
Amounts owed to financial institutions	1,107,150	6,808,143	983,310	4,421,169	0	0	13,319,772
Amounts owed to customers	34,649,616	15,756,353	5,923,861	140,829	3,983	0	56,474,642
Negative fair value of financial derivative transactions	0	0	0	0	0	823,174	823,174
Debt securities issued	0	4,937,025	127,202	5,210,984	568	0	10,275,779
Income tax liability	0	92,198	0	0	0	0	92,198
Provisions	0	0	0	0	0	101,259	101,259
Subordinated loan	0	0	0	0	1,635,578	0	1,635,578
Other liabilities	0	1,781,098	0	0	0	0	1,781,098
Equity	0	0	0	0	0	5,173,615	5,173,615
Total	35,756,766	29,374,817	7,034,373	9,772,982	1,640,129	6,098,048	89,677,115
Gap	(26,713,670)	901,428	2,247,342	11,606,354	17,795,887	(5,837,341)	0
Cumulative gap	(26,713,670)	(25,812,242)	(23,564,900)	(11,958,546)	5,837,341	0	0

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not Specified	Total
At 31 December 2005							
Cash and balances with central banks	1,916,268	0	0	0	0	0	1,916,268
Loans and advances to financial institutions	472,218	17,225,535	2,556,199	3,792,723	0	0	24,046,675
Loans and advances to customers	0	12,515,385	10,183,780	12,785,290	8,585,924	3,270,714	47,341,093
Provisions for loans and advances to customers	0	0	0	0	0	(1,151,173)	(1,151,173)
Positive fair value of financial derivative transactions	0	0	0	0	0	504,064	504,064
Securities at fair value through profit or loss		841,112	104,037	1,119,508	96,592	121,550	2,282,799
Securities available for sale	0	0	0	0	0	732	732
Equity investments	0	0	0	0	0	304,160	304,160
Intangible fixed assets	0	0	0	0	0	152,025	152,025
Property and equipment	0	0	0	0	0	324,050	324,050
Deferred tax asset	0	0	76,875	0	0	0	76,875
Other assets	0	42,133	495	237	0	106,288	149,153
Total	2,388,486	30,624,165	12,921,386	17,697,758	8,682,516	3,632,410	75,946,721
Amounts owed to financial institutions	1,640,320	5,445,191	946,012	4,258,900	0	0	12,290,423
Amounts owed to customers	35,444,432	11,374,599	1,194,544	183,186	929	108,534	48,306,224
Negative fair value of financial derivative transactions		0	0	0	0	668,818	668,818
Debt securities issued	0	4,135,151	2,194,681	2,276,573	267	0	8,606,672
Income tax liability	0	0	73,997	0	0	0	73,997
Provisions	0	0	33,046	0	0	0	33,046
Subordinated loan	0	0	0	0	0	1,397,269	1,397,269
Other liabilities	0	0	0	0	0	1,036,962	1,036,962
Equity	0	0	0	0	0	3,533,310	3,533,310
Total	37,084,752	20,954,941	4,442,280	6,718,659	1,196	6,744,893	75,946,721
Gap	(34,696,266)	9,669,224	8,479,106	10,979,099	8,681,320	(3,112,483)	0
Cumulative gap	(34,696,266)	(25,027,042)	(16,547,936)	(5,568,837)	3,112,483	0	0

Interest Rate Risk

The Bank is exposed to interest rate risk since the interest-bearing assets and liabilities have different maturity dates, periods of interest rate changes/adjustments and volumes during these period. In the case of variable interest rates, the Bank is exposed to a basis risks arising from the difference in the mechanism of adjusting individual types of interest rates, such as PRIBOR, announced interest on deposits, etc. The Bank's interest rate risk management activities are aimed at optimising the Bank's net interest income in accordance with its strategy approved by the Board of Directors, and hedge the Bank's position against the fluctuations of interest rates. In managing the interest rate risk, the Bank uses (as in the case of liquidity management) statistical models for distribution of those items where it is unable to determine the exact moment of repricing of interest rate (for example on current accounts).

The Bank mostly uses interest rate derivatives to manage the mismatch between the rate-sensitivity of assets and liabilities. These derivative transactions are entered into in accordance with the asset and liability management strategy as approved by the Board of Directors of the Bank.

Part of the Bank's income is generated through a targeted mismatch between rate-sensitive assets and rate-sensitive liabilities. The mismatch is summarised in the table below. The carrying value of these assets and liabilities and the nominal (notional) values of interest rate derivatives are recorded either in the period in which they are due or in which the interest rate changes, whichever occurs first. Certain assets or liabilities are allocated to individual periods on the basis of an expert estimate due to the anticipated preliminary repayment or undefined maturity dates.

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2006							
Cash and balances with central banks	1,683,804	0	0	0	0	0	1,683,804
Loans and advances to financial institutions	1,456,018	16,551,983	314,191	0	0	0	18,322,192
Loans and advances to customers	5,903,274	38,471,154	10,408,881	13,040,879	428,046	0	68,252,234
Provisions for loans and advances to customers	0	0	0	0	0	(1,452,931)	(1,452,931)
Positive fair value of financial derivative transactions	0	0	0	0	0	672,926	672,926
Securities at fair value through profit or loss		205,649	71,540	615,878	291,532		1,184,599
Securities available for sale	0	0	0	0	0	2,734	2,734
Equity investments	0	0	0	0	0	304,160	304,160
Intangible fixed assets	0	0	0	0	0	161,002	161,002
Property and equipment	0	0	0	0	0	272,619	272,619
Deferred tax asset	0	0	34,407	0	0	0	34,407
Other assets	0	0	0	0	0	239,369	239,369
Total	9,043,096	55,228,786	10,829,019	13,656,757	719,578	199,879	89,677,115
Amounts owed to financial institutions	1,107,150	10,636,116	1,516,506	60,000	0	0	13,319,772
Amounts owed to customers	34,649,616	19,138,325	2,116,212	566,222	4,267	0	56,474,642
Negative fair value of financial derivative transactions						823,174	823,174
Debt securities issued	0	5,133,758	116,064	5,025,296	661	0	10,275,779
Income tax liability	0	0	0	0	0	92,198	92,198
Provisions	0	0	0	0	0	101,259	101,259
Subordinated loan	0	1,635,578	0	0	0	0	1,635,578
Other liabilities	0	0	0	0	0	1,781,098	1,781,098
Total equity	0	0	0	0	0	5,173,615	5,173,615
Total	35,756,766	36,543,777	3,748,782	5,651,518	4,928	7,971,344	89,677,115
Long positions of interest rate derivatives	0	54,709,571	111,371,392	43,697,913	1,293	0	209,780,169
Short positions of interest rate derivatives	0	48,257,908	112,442,889	48,424,445	654,927	0	209,780,169
Current gap	(26,713,670)	25,136,672	6,008,740	3,278,707	61,016	(7,771,465)	0
Cumulative gap	(26,713,670)	(1,576,998)	4,431,742	7,710,449	7,771,465	(0)	

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2005							
Cash and balances with central banks	1,916,268	0	0	0	0	0	1,916,268
Loans and advances to financial institutions	472,218	20,985,219	2,589,238	0	0	0	24,046,675
Loans and advances to customers	3,270,714	31,132,918	5,102,106	7,675,648	159,707	0	47,341,093
Provisions for loans and advances to customers	0	0	0	0	0	(1,151,173)	(1,151,173)
Positive fair value of financial derivative transactions	0	0	0	0	0	504,064	504,064
Securities at fair value through profit or loss		1,162,772	387,215	516,090	216,722	0	2,282,799
Securities available for sale	0	0	0	0	0	732	732
Equity investments	0	0	0	0	0	304,160	304,160
Intangible fixed assets	0	0	0	0	0	152,025	152,025
Property and equipment	0	0	0	0	0	324,050	324,050
Deferred tax asset	0	0	76,875	0	0	0	76,875
Other assets	0	0	0	0	0	149,153	149,153
Total	5,659,200	53,280,909	8,155,434	8,191,738	376,429	283,011	75,946,721
Amounts owed to financial institutions	1,640,320	9,660,103	990,000	0	0	0	12,290,423
Amounts owed to customers	35,444,432	11,498,165	1,316,493	41,276	5,858	0	48,306,224
Negative fair value of financial derivative transactions		0	0	0	0	668,818	668,818
Debt securities issued	0	4,507,732	1,999,360	2,099,580		0	8,606,672
Income tax liability	0	0	0	0	0	73,997	73,997
Provisions	0	0	0	0	0	33,046	33,046
Subordinated loan	0	1,397,269	0	0	0	0	1,397,269
Other liabilities	0	0	0	0	0	1,036,962	1,036,962
Total equity	0	0	0	0	0	3,533,310	3,533,310
Total	37,084,752	27,063,269	4,305,853	2,140,856	5,858	5,346,133	75,946,721
Long positions of interest rate derivatives	0	52,846,150	116,604,415	33,458,429	260,521	0	203,169,515
Short positions of interest rate derivatives	0	50,683,850	119,516,500	32,582,150	387,015	0	203,169,515
Current gap	(31,425,552)	28,379,940	937,496	6,927,161	244,077	(5,063,122)	0
Cumulative gap	(31,425,552)	(3,045,612)	(2,108,116)	4,819,045	5,063,122	0	

Equity Risk

Equity risk is the risk of fluctuations of the prices of equity instruments held in the Bank's portfolio and financial derivatives related to these instruments. This risk predominantly arises from trading with equity instruments although a portion of equity exposure is also attributable to non-trading activities of the Bank. Equity risk is managed by trading limits. The equity risk management methods are described in "Risk Management Methods" (refer to Note 36 (c))

Currency Risk

Assets and liabilities denominated in foreign currencies including off-balance sheet exposures represent the Bank's currency risk exposure. Both realised and unrealised foreign exchange gains and losses are reported directly in the profit and loss account. The Bank's foreign currency position by major currencies is as follows:

CZK thousand	EUR	USD	SKK	CZK	Other	Total
At 31 December 2006						
Cash and balances with central banks	206,352	71,591	27,920	1,270,351	107,590	1,683,804
Loans and advances to financial institutions	6,776,528	95,868	179,121	10,911,663	359,012	18,322,192
Loans and advances to customers	8,816,625	946,806	290,424	57,892,722	305,657	68,252,234
Provisions for loans and advances to customers	(87,782)	(965)	(12,801)	(1,351,304)	(79)	(1,452,931)
Securities at fair value through profit or loss	355,362	0	0	829,237	0	1,184,599
Securities available for sale	395	2,339	0	0	0	2,734
Equity investments	0	0	0	304,160	0	304,160
Other financial assets	0	0	0	1,380,323	0	1,380,323
Total	16,067,480	1,115,639	484,664	71,237,152	772,180	89,677,115
Amounts owed to financial institutions	7,064,865	179,542	0	6,040,711	34,654	13,319,772
Amounts owed to customers	8,857,243	1,749,646	70,823	45,598,398	198,532	56,474,642
Debt securities issued	1,934,403	103,997	0	8,232,433	4,946	10,275,779
Income tax liability	0	0	0	92,198	0	92,198
Provisions	0	0	0	101,259	0	101,259
Subordinated loan	1,635,578	0	0	0	0	1,635,578
Other liabilities	169,775	68,619	558	2,363,488	1,832	2,604,272
Equity	0	0	0	5,173,615	0	5,173,615
Total	19,661,864	2,101,804	71,381	67,602,102	239,964	89,677,115
Net FX position	(3,594,384)	(986,165)	413,283	3,635,050	532,216	0

CZK thousand	EUR	USD	SKK	CZK	Other	Total
At 31 December 2005						
Cash and balances with central banks	149,417	95,946	10,569	1,565,776	94,560	1,916,268
Loans and advances to financial institutions	5,710,333	5,228,915	17,501	12,705,138	384,788	24,046,675
Loans and advances to customers	7,118,218	538,172	358,576	39,188,331	137,796	47,341,093
Provisions for loans and advances to customers	0	0	0	(1,151,173)	0	(1,151,173)
Securities at fair value through profit or loss	181,947	0	0	2,100,852	0	2,282,799
Securities available for sale	417	315	0	0	0	732
Equity investments	0	0	0	304,160	0	304,160
Other financial assets	0	0	0	1,206,167	0	1,206,167
Total	13,160,332	5,863,348	386,646	55,919,251	617,144	75,946,721
Amounts owed to financial institutions	6,990,497	59,080	153,153	5,042,529	45,164	12,290,423
Amounts owed to customers	6,267,135	2,243,225	99,500	39,470,569	225,795	48,306,224
Debt securities issued	1,076,979	171,798	0	7,291,412	66,483	8,606,672
Income tax liability	0	0	0	73,997	0	73,997
Provisions	0	0	0	33,046	0	33,046
Subordinated loan	1,397,269	0	0	0	0	1,397,269
Other liabilities	60,255	0	176	1,644,470	879	1,705,780
Equity	0	0	0	3,533,310	0	3,533,310
Total	15,792,135	2,474,103	252,829	57,089,333	338,321	75,946,721
Net FX position	(2,631,803)	3,389,245	133,817	(1,170,082)	278,823	0

Fair Values of Financial Instruments

CZK thousand	Carrying amount		Fair value	
	2006	2005	2006	2005
Assets				
Loans and advances to financial institutions	18,322,192	24,046,675	18,318,318	24,046,338
Loan and advances to customers	68,252,234	47,341,093	69,439,354	48,065,654
Liabilities				
Amounts owed to financial institutions	13,319,772	12,290,423	13,177,927	12,207,068
Amounts owed to customers	56,474,642	48,306,224	56,459,388	48,299,956
Debt securities issued	10,275,779	8,606,672	10,282,530	8,747,024
Subordinated loan	1,635,578	1,397,269	1,790,157	1,499,618

(c) Risk Management Methods

The Bank's risk management concentrates on the management of overall net exposure resulting from the Bank's assets and liabilities structure. The Bank monitors interest rate risk by observing excess rate-sensitive assets or rate-sensitive liabilities in individual time buckets. For hedge accounting purposes, the Bank identifies specific assets/liabilities causing this mismatch in order to meet the hedge accounting criteria. The Bank uses a set of limits for individual positions and portfolios to facilitate effective market risk management. These limits consist of limits set by the Bank in a standardised way for the whole CEE region and internal limits that reflect the specifications of local markets to which the Bank is exposed.

In 2006, the Bank implemented the monitoring of market risks on the basis of Value at Risk. Value at Risk represents the potential loss arising from an adverse movement in the market within a certain time period with a certain confidence level. Value at Risk is measured based on a one-day holding period with a 99 percent confidence level. The calculation reflects mutual correlations of individual risk factors (foreign currency rates, interest rates and equity market prices).

CZK thousand	At 31 December 2006	Average 2006
Total market risk VaR	4,777	5,878

Interest Rate Risk

The Bank monitors interest rate risk of the banking book and the trading book separately. The interest rate position of the banking portfolio is monitored based on a gap analysis method, while the interest rate position of the trading portfolio is monitored using a combination of the sensitivity of the overall position to the shift in the yield curve (BPV) and gap analysis. The gap analysis is based on the net position of notional values presented in a yearly equivalent (that is, the position converted to the risk of the yearly interest rate instrument using a duration coefficient). In 2006, the Bank additionally implemented the monitoring of interest rate risk on the basis of Value at Risk over the one-day period of holding and at a 99 percent confidence level.

CZK thousand	At 31 December 2006	Average 2006
Total interest rate exposure VaR	4,771	5,806
Interest rate exposure VaR – banking book	5,021	5,253
Interest rate exposure VaR – trading book	1,054	1,922

Currency Risk

The Bank applies a set of limits established by reference to the standards of the Raiffeisen Group. The limits are set for individual currencies, for groups of currencies and for the overall currency position. Internal currency position limits fully respect the limits set by the local regulatory body. In 2006, the Bank additionally implemented the monitoring of currency risk on the basis of Value at Risk over the one-day period of holding and at a 99 percent confidence level.

CZK thousand	At 31 December 2006	Average 2006
Currency exposure VaR	400	519

Equity Risk

Market risks arising from the Bank's equity trading activities are controlled through the use of limits in respect of maximum open positions in equity instruments together with the Value at Risk method. Value at Risk represents the potential loss arising from an adverse movement in the market within a certain time period with a certain confidence level. Value at Risk is measured based on a one-day holding period with a 99 percent confidence level.

CZK thousand	31 December 2006	Average 2006	31 December 2005	Average 2005
Total equity risk VaR	104	599	915	592

Stress Testing

The Bank performs regular stress testing of interest rate risk inherent in the banking and trading portfolios and of the equity risk. The results of stress tests are submitted to the Assets and Liabilities Committee (ALCO).

Operational Risk

In accordance with Basel II requirements, operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Bank assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks. In 2006, operational risk management activities predominantly focused on the implementation of a group-wide Basel II project. While the Bank intends to apply the standardised approach to calculating capital adequacy, it also strives to investigate the possible way of implementing the advanced (AMA) approach.

The Group has a central operational risk management function in place, which is responsible for the setting of the management methodology, measurements or analyses and which provides methodical support to managers.

Operational risk management primarily draws upon collection of data on losses caused by operational risks, risk self-assessment and key risk indicators.

The objective of collecting data on operational risk events is not just to accumulate information but, in more complex cases, to analyse the causes of such events, and also propose and implement measures aimed at the prevention of further occurrence of such events.

Risk self-assessment is designed to identify areas with a high operational risk within the Group. The Bank (as well as the whole Raiffeisen Group) is part to the KRI initiative organised by the Risk Management Association. This initiative involves, among others, the standardised methodology for risk self-assessment and reporting of results thereof.

In respect of areas with an identified significant risk the Bank has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

As part of further procedures, the Bank plans to implement a set of key risk indicators, particularly for segments where high risk is involved, which will serve as an early warning system and criteria for evaluating operational risk exposure.

37. FINANCIAL INSTRUMENTS – CREDIT RISK

The Bank takes on exposure to credit risks resulting from its trading activities, provision of loans, hedging transactions, investment activities and agency services.

Credit risks associated with trading and investment activities are managed using the methods and instruments applied by the Bank in managing its market risk exposures.

(a) Assessment and Classification of Receivables

The Bank assesses receivables in accordance with Regulation No. 9 of the Czech National Bank dated 6 November 2002, as amended, which provides guidance on the classification of receivables from financial activities, creation of provisions and acquisition of certain types of assets, and also in accordance with IFRS and IAS 39 standards and internal regulations.

The Bank assesses receivables based on the fulfilment of the criteria. Individual receivables are classified into five categories according to Regulation of the Czech National Bank No. 6/2004. For each client, each criterion is evaluated individually and the receivable is subsequently classified on the basis of the worst rating of the criteria to one of the following categories: standard ("A"), watch ("B"), substandard ("C"), doubtful ("D"), loss ("E"). Substandard, doubtful and loss receivables are aggregately designated as bad receivables. If the Bank records more receivables from one client, they are all classified in the same category, based on the receivable with the least favourable rating.

The classification is performed on a monthly basis, with the key criteria being:

- Number of days past maturity;
- Financial position of the debtor– client rating;
- Restructuring of the repayment schedule;
- Declaration of bankruptcy of the client – bankruptcy or composition proceedings;
- Meeting contractual obligations by the client – mainly the fulfilment of repayment obligations;
- Requirements of the auditor or the Czech National Bank;
- External economic, political or legislative factors.

(b) Provisioning for Receivables

For provisioning purposes, receivables from non-retail clients, that is, clients of the corporate and SME segments, are assessed on an individual basis and the Bank creates the so-called individual provisions. All significant exposures are assessed individually on a monthly basis by the Problem Loan Committee and the assessment takes into account expected cashflows as analysed by internal experts. Provisions are made after all available information, including the estimated value of collateral and expected duration of recovery process, is considered.

Receivables from retail clients are provisioned based on a statistical model through "portfolio provisions". The portfolio of receivables from retail clients is classified into several portfolios which exhibit similar risk characteristics and can be supported by statistical models.

Individual provisions are created only for receivables that were subject to impairment testing. Impairment test determines, by reference to the classification of a receivable, whether the receivable is impaired ("B" and "C" categories only if the receivable is classified based on any other criterion than the number of days past maturity) or whether the client is in default ("C" category if the receivable is classified based on the number of days past maturity, i.e. it is more than 90 days overdue, "D" and "E" categories).

Individual provisions are calculated as the difference between the carrying amount of the receivable and the present value of future cash flows arising from the receivable, discounted by the original effective interest rate or market value of the receivable (if available). The value of future cash flows represents the estimated repayment schedule of the receivable set on the basis of data entered into the banking system ("contractual cash flow"), where the likelihood of the client's failure is assessed individually (default for individual client rating) and the estimated amount of loss on collateral recovery in the case of client default (loss given default). An individual repayment schedule ("expert cash flow") can be established for selected receivables; such a schedule is prepared by the Bank's expert and reflects the client's most recent economic position and financial inflows and outflows related to the potential recovery of collateral, settlement obtained within bankruptcy or composition proceedings or proceeds from the sale of the receivable.

The Bank calculates provisions against receivables on a monthly basis.

(c) Evaluation of Collateral

Typically, the Bank requires collateral for loans granted to certain debtors prior to the issuance of this loan. For the purpose of calculating provisioning levels, the Bank considers the following types of collateral as eligible collateral which reduces gross credit exposure:

- Cash;
- Real estate;
- First-class receivables;
- Bank guarantee;
- Guarantee provided by a reputable third party;
- Machinery and equipment – movable assets;
- High quality securities; and
- Inventory and commodities.

The Bank accepts the above types of collateral as collateral only if the following criteria are met:

- Valid contractual documentation and/or registration of the existence of collateral;
- Sustainable value of the collateral for at least the term of the loan receivables;
- Legal recoverability of collateral; and
- Non-existence of correlation between the collateral value and the client's financial standing.

In determining the net recoverable value of collateral, the Bank refers to expert analyses or internal evaluations prepared by the Bank's special department. The net recoverable value of collateral is determined on the basis of the ascertained value using a correction coefficient which reflects the Bank's ability to recover the collateral when necessary. The Bank performs regular (at least on an annual basis) reviews/updates of the collateral value and correction coefficients depending upon the type and financial health of the collateral.

(d) Credit Risk Measurement Methods

The principal credit risk management methods in retail banking include application and behavioural scoring and/or rating. The risks are managed on a portfolio level through the portfolio management approach, regular monitoring of the portfolio quality development, and prediction of potential future loss development.

(e) Concentration of Credit Risk

The Bank maintains a system of internal limits for individual countries, sectors and clients in order to prevent significant concentration of credit risk. As of the balance sheet date, the Bank recorded no significant credit risk concentration exposure to an individual client or an economically connected entity. Credit risk concentration analysis by sectors/industry and concentration by geographical areas is provided in Note 18 d.

(f) Recovery of Receivables

The Bank has special functions in place which are responsible for the recovery and administration of distressed receivables. These functions undertake legal steps, perform the restructuring of receivables, communicate with problematic clients etc. in order to achieve maximum recovery, including collateral recovery, and representing the Bank in creditors' committees if clients are declared bankrupt.

(g) Securitisation and Use of Credit Derivatives

In 2006, the Bank undertook a synthetic securitisation of its loan portfolio from the Corporate Banking and SME Banking segments.

The Bank entered into the securitisation transaction jointly with Raiffeisen Bank Polska S.A. and the process was coordinated by Raiffeisen International Bank-Holding AG. Kreditanstalt für Wiederbau (KfW), with the involvement of European Investment Fund, became the investor. Dresdner Bank AG acted as the arranger and Clifford Chance acted as the legal counsel. The rating of the loan portfolio was established by Moody's. The entire transaction will mature in 2016 and its original volume is EUR 450 million, of which EUR 183 million and EUR 267 million relates to the Bank and Raiffeisen Bank Polska S.A., respectively.

38. RELATED PARTY TRANSACTIONS**(a) Related Party Transactions****As of 31 December 2006**

CZK thousand	Subsidiaries and jointly controlled entities	Shareholders and controlling entities	Other	Total
Receivables	9,636	856,221	5,972,241	6,838,098
Payables	416,146	8,340,731	1,191,155	9,948,032
Subordinated loan	0	1,635,578	0	1,635,578
Guarantees issued	0	0	8,249	8,249
Guarantees received	0	5,665,577	550,070	6,215,647
Dividend income	16,250	0	0	16,250
Interest income	1,195	24,791	141,949	167,935
Interest expense	(344)	(207,121)	(21,432)	(228,897)
Fee and commission income	367	19,679	4,132	24,178
Fee and commission expense	0	(7,359)	(7,386)	(14,745)
Net profit or loss on financial operations	579	35,823	6,420	42,822

The receivables are composed of the following balances:

1. Short-term term deposits with
 - Raiffeisen Zentralbank Österreich AG in the amount of CZK 472,946 thousand;
 - Raiffeisenlandesbank Niederösterreich – Wien AG in the amount of CZK 335,000 thousand; and
 - Tatra Banka a.s. in the total amount of CZK 764,716 thousand.
2. Blocked account with
 - eBanka, a.s. in the amount of CZK 1,114,221 thousand.
3. Long-term loan to
 - Raiffeisen Krekova banka d.d. in the amount of CZK 3,986,775 thousand.

The payables are composed of the following short-term deposits of:

- Raiffeisen Zentralbank Österreich AG in the amount of CZK 5,677,332 thousand;
- Raiffeisenbank Austria, Moscow branch, in the amount of CZK 160,745 thousand;
- Raiffeisen Bank Rt. in the amount of CZK 30,000 thousand;
- eBanka, a.s. in the amount of CZK 1,150,000 thousand;
- Raiffeisen stavební spořitelna a.s. in the amount of CZK 350,000 thousand; and
- MB Leasing a.s. in the amount of CZK 16,500 thousand.

Subordinated loan from:

- Raiffeisen Zentralbank Österreich AG in the amount of CZK 1,635,578 thousand.

Dividend income:

- Dividends from Raiffeisen stavební spořitelna a.s. in the amount of CZK 16,250 thousand.

As of 31 December 2005

CZK thousand	Subsidiaries and jointly controlled entities	Shareholders and controlling entities	Other	Total
Receivables	136,651	749,549	4,312,773	5,198,973
Payables	39,921	5,969,384	376,241	6,385,546
Subordinated loan	0	1,397,269	0	1,397,269
Guarantees issued	53,398	0	8,505	61,903
Guarantees received	0	6,329,922	9,240	6,339,162
Dividend income	16,250	0	0	16,250
Interest income	745	10,722	9,124	20,591
Interest expense	(12)	(82,809)	(67,978)	(150,799)
Fee and commission income	320	17,984	7,787	26,091
Fee and commission expense	0	(14,102)	(4,732)	(18,834)
Net profit or loss on financial operations	0	0	82	82

The receivables are composed of the following balances:

1. Short-term term deposits with
 - Raiffeisen Zentralbank Österreich AG in the amount of CZK 590,050 thousand; and
 - Tatra Banka a.s. in the amount of CZK 499,481 thousand.

2. Long-term loan to

- Raiffeisen Krekova banka d.d. in the amount of CZK 3,770,650 thousand.

The payables are composed of the following short-term deposits of:

- Raiffeisen Zentralbank Österreich AG in the amount of CZK 4,669,902 thousand;
- Tatra Banka a.s. in the amount of CZK 243,130 thousand; and
- Raiffeisen-Leasing, s.r.o. in the amount of CZK 55,524 thousand.

Subordinated loan from:

- Raiffeisen Zentralbank Österreich AG in the amount of CZK 1,397,269 thousand.

Dividend income:

- Dividends from Raiffeisen stavební spořitelna a.s. in the amount of CZK 16,250 thousand.

(b) Transactions with shareholders and controlling entities

As described in Note 28, Raiffeisen Zentralbank Österreich Aktiengesellschaft provided a subordinated loan to the Bank. The outstanding balance of the loan was CZK 1,635,578 thousand as of 31 December 2006 (2005: CZK 1,379,269 thousand).

(c) Receivables from Parties with Special Relation to the Bank

CZK thousand	Administrative authorities	Management bodies	Supervisory bodies	Other
At 31 December 2005	0	4,927	2,048	25,326
At 31 December 2006	0	5,102	3,788	28,463

This amounts presented in the table mainly involve consumer and mortgage loans. The loans are provided under arm's length conditions

(d) Payables to Parties with Special Relation to the Bank

CZK thousand	Administrative authorities	Management bodies	Supervisory bodies	Other
At 31 December 2005	0	3,433	2,237	17,484
At 31 December 2006	0	5,299	878	20,311

Members of Board of Directors held no shares of the Bank. Remuneration of the members of the Board of Directors are disclosed in Note 12.

39. SUBSEQUENT EVENTS

The Board of Directors has proposed the following allocation of the 2006 profit:

2006 net profit after tax	562 212
Proposed allocation:	
Transfer to statutory reserve funds	28,111
Dividends to be paid to shareholders	83,090
Transfer to retained earnings	451,011

The Board of Directors of the Bank proposes to transfer the total balance of capital funds to retained earnings in the amount of CZK 117,817 thousand.

No other significant events that would have a material impact on the financial statements for the year ended 31 December 2006 occurred subsequent to the balance sheet date.

Raiffeisenbank, a.s.

Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Year Ended 31 December 2006

Components of the consolidated financial statements:

- Consolidated balance sheets
- Consolidated profit and loss accounts
- Consolidated statements of changes in equity
- Consolidated cash flow statements
- Notes to the consolidated financial statements

These consolidated financial statements were prepared and approved by the Board of Directors of the Bank on 31 March 2007.

Statutory body of the reporting entity



Lubor Žalman
Chairman of the Board of Directors
and Chief Executive Officer



Rudolf Rabiňák
Member of the Board of Directors

Consolidated Profit and Loss Accounts

For the Year Ended 31 December 2006

CZK thousand	Note	2006	2005
Interest income and similar income	8	3,627,533	2,839,859
Interest expense and similar expense	8	(1,323,327)	(1,022,680)
Net interest income		2,304,206	1,817,179
Change in provisions for credit risks	9	(512,925)	(357,459)
Net interest income after provisions for credit risks		1,791,281	1,459,720
Fee and commission income	10	1,367,211	1,105,975
Fee and commission expense	10	(329,805)	(207,445)
Net fee and commission income		1,037,406	898,530
Net profit on financial operations	11	212,258	142,385
Dividend income	12	571	682
Other operating income	13	109,013	66,701
General administrative expenses	14	(2,379,183)	(2,047,378)
Operating profit		771,346	520,640
Share in income of associated undertakings	23	33,692	28,394
Profit/loss before income tax		805,038	549,034
Income tax	16	(212,774)	(145,777)
Net profit for the year attributable to the Group's shareholders		592,264	403,257

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As of 31 December 2006

CZK thousand

	Note	2006	2005
ASSETS			
Cash and balances with central banks	17	1,683,989	1,916,463
Loans and advances to financial institutions	18	18,350,164	24,093,892
Loans and advances to customers	19	70,402,628	49,732,025
Provisions for losses on loans and advances to customers	20	(1,620,110)	(1,362,158)
Positive fair value of financial derivative transactions	36	671,040	486,458
Securities at fair value through profit or loss	21	1,184,599	2,282,799
Securities available for sale	21	2,734	732
Equity investments in associates and unconsolidated entities	22	329,685	315,237
Intangible fixed assets	23	166,071	161,207
Property and equipment	24	377,869	355,834
Investment property	24	51,328	45,741
Deferred tax asset	25	35,325	93,081
Other assets	26	415,918	484,497
TOTAL ASSETS		92,051,240	78,605,808
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to financial institutions	27	15,365,517	14,570,512
Amounts owed to customers	28	56,528,944	48,384,661
Negative fair value of financial derivative transactions	36	821,659	653,495
Issued debt securities	29	10,275,779	8,606,672
Income tax liability	25	93,030	76,015
Deferred tax liability	25	3,912	14,066
Provisions	30	106,994	35,567
Subordinated debt	31	1,635,578	1,397,269
Other liabilities	32	1,861,756	1,177,740
TOTAL LIABILITIES		86,693,169	74,915,997
SHAREHOLDERS' EQUITY			
Share capital	33	3,614,000	2,500,000
Other capital funds		117,817	117,817
Statutory reserve fund		163,163	121,601
Valuation gains or losses		(2,561)	(1,707)
Retained earnings		873,388	548,843
Profit for the year		592,264	403,257
TOTAL SHAREHOLDERS' EQUITY		5,358,071	3,689,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		92,051,240	78,605,808

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the Year Ended 31 December 2006

(CZK thousand)

	Share capital	Other capital funds	Statutory reserve fund	Gains and losses from revaluation	Retained earnings	Profit for the period	Total equity
Balance at 1 January 2005	2,500,000	117,817	84,839	(173)	273,874	341,944	3,318,301
Dividends	0	0	0	0	0	(30,213)	(30,213)
Allocation to reserve funds	0	0	36,762	0	0	(36,762)	0
Allocation to retained earnings	0	0	0	0	274,969	(274,969)	0
Gains and losses from revaluation	0	0	0	(1,534)	0	0	(1,534)
Net profit for the period	0	0	0	0	0	403,257	403,257
Balance at 31 December 2005	2,500,000	117,817	121,601	(1,707)	548,843	403,257	3,689,811
Capital increase	1,114,000	0	0	0	0	0	1,114,000
Dividends	0	0	0	0	0	(37,150)	(37,150)
Allocation to reserve funds	0	0	41,562	0	0	(41,562)	0
Allocation to retained earnings	0	0	0	0	324,545	(324,545)	0
Valuation gains and losses	0	0	0	(854)	0	0	(854)
Net profit for the period	0	0	0	0	0	592,264	592,264
Balance at 31 December 2006	3,614,000	117,817	163,163	(2,561)	873,388	592,264	5,358,071

The accompanying notes are an integral part of these consolidated financial statements.

Cash Flow Statement

For the Year Ended 31 December 2006

(CZK thousand)

	Note	2006	2005
Profit before tax		805,038	549,034
Adjustments for non-cash transactions			
Creation of provisions for loans, advances and other assets	9	487,677	357,459
Depreciation and amortisation of assets	14	188,600	198,526
Impairment of tangible and intangible assets	23, 24	0	28,018
Creation/(release) of other provisions		71,426	(2,163)
Change in fair values of financial derivatives		(16,418)	215,825
Unrealised gain on revaluation of securities		(17,509)	(5,631)
Dividends received		(571)	(682)
(Gain)/loss on the sale of tangible and intangible assets	14	(2,728)	1,124
Gain on the sale of business	41	(18,075)	0
Gain on associates		(33,692)	(28,394)
Other non-cash changes		174,267	(148,345)
Operating profit before changes in operating assets and liabilities		1,638,015	1,164,771
Cash flows from operating activities			
(Increase)/decrease in operating assets			
Mandatory minimum reserve deposits with the CNB		434,980	44,012
Loans and advances to financial institutions		6,730,710	(1,448,943)
Loans and advances to customers		(22,111,511)	(11,096,892)
Securities		279,974	(408,238)
Other assets		18,881	(153,000)
Increase/(decrease) in operating liabilities			
Amounts owed to financial institutions		2,164,936	8,487,852
Amounts owed to customers		8,086,184	3,506,027
Other liabilities		683,997	225,230
Net cash flow from operating activities before income tax		(2,073,834)	320,819
Income taxes paid		(154,865)	(189,106)
Net cash flow from operating activities		(2,228,699)	131,713
Cash flows from investing activities			
Net cash flow from the purchase of business	41	10,347	(29,197)
Net cash flow from the sale of part of business	41	2,293	0
Dividends received from associates		16,250	16,250
Purchase of property and equipment and intangible assets		(237,074)	(152,457)
Income from the sale of fixed assets		7,006	1,212
Other dividends received	12	571	682
Net cash flow from investing activities		(200,607)	(163,510)

Cash Flow Statement

For the Year Ended 31 December 2006

(CZK thousand)

	Note	2006	2005
Cash flows from financing activities			
Share capital increase		1,114,000	0
Dividends paid		(37,150)	(30,213)
Bonds in issue		1,443,408	39,804
Increase of subordinated loan		238,309	114,920
Net cash flow from financing activities		2,758,567	124,511
Net decrease in cash and cash equivalents		329,261	92,715
Cash and cash equivalents at the beginning of the year	34	2,507,766	2,415,052
Cash and cash equivalents at the end of the year	34	2,837,027	2,507,766

Notes to the Consolidated Financial Statements

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1. Parent company Information

Raiffeisenbank a.s. (henceforth the "Bank"), having its registered office address at Olbrachtova 2006/9, Prague 4, 140 21, corporate ID (IČ): 49240901, was established as a joint stock company in the Czech Republic. The Bank was entered in the Register of Companies maintained at the Municipal Court in Prague on 25 June 1993, Section B, File No. 2051.

Principal activities of the Bank according to the bank licence granted by the Czech National Bank:

- Acceptance of deposits from the general public
- Provision of credit
- Investing in securities on its own account
- Finance leasing – at present, the Bank does not carry out this activity directly
- Payments and clearing
- Issuance of payment facilities
- Issuance of guarantees
- Opening of letters of credit
- Collection services
- Provision of investment services:
 - Main investment services under Section 8 (2) (a) – (e) of Act No. 591/1992 Coll., as amended
 - Additional investment services under Section 8 (3) (a) – (g)
- Issuance of mortgage bonds
- Financial brokerage
- Depositary activities
- Foreign exchange services (foreign currency purchases)
- Provision of banking information
- Proprietary or client-oriented trading with foreign currency assets
- Rental of safe-deposit boxes
- Activities directly relating to the activities listed in the bank licence

In addition to the licence to pursue bank operations, the Bank:

- was granted a securities broker licence;
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider since 30 July 2005.

The performance or provision of the Bank's activities and services were not restricted or suspended by the relevant authorities.

The Bank is subject to the regulatory requirements of the Czech National Bank (henceforth the "CNB"). These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk and foreign currency position.

2. Shareholders of the Parent Company

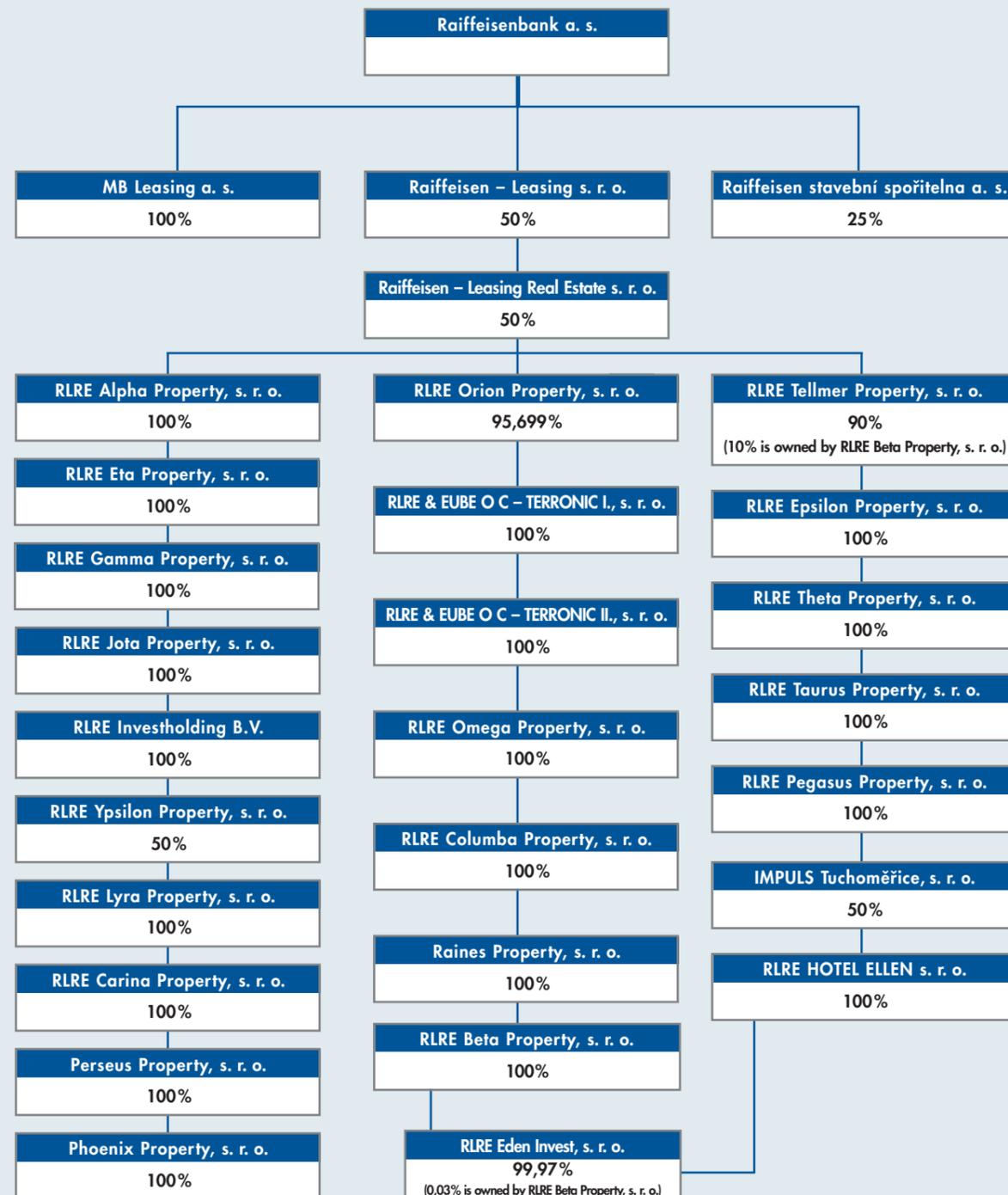
Voting power in %

Name, address	2006	2005
Raiffeisen International Bank - Holding AG, Am Stadtpark 9, Vienna, Austria	51%	51%
RB Prag Beteiligungs GmbH, Europaplatz 1a, 4020 Linz, Austria	25%	25%
Raiffeisenlandesbank Niederösterreich – Wien AG, Raiffeisen Platz 1, 1020 Vienna, Austria	24%	24%

The equity interests of the shareholders equal their share in the voting power. All shareholders have a special relation to the Bank in terms of Section 19 of the Banking Act No. 21/1992 Coll., as amended.

3. Definition of the Consolidated Group

(a) Group Chart



(b) Group Companies

As of 31 December 2006, the Group comprised the following entities:

Company	Direct holding in %	The Bank's effective holding in %	Indirect holding through	Auditor	Consolidation method	Registered office
MB Leasing a.s.	100%	100%	–	Deloitte Audit s.r.o.	Full consolidation	Mladá Boleslav
Raiffeisen Leasing s.r.o.	50%	50%	–	Deloitte Audit s.r.o.	Proportionate method	Prague
Raiffeisen stavební spořitelna a.s.	25%	25%	–	KPMG s.r.o.	Equity method	Prague
Phoenix Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
Raiffeisen Leasing Real Estate s.r.o.	0%	25%	Raiffeisen Leasing s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
Raines Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE & EUBE OC – TERRONIC I. s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE & EUBE OC – TERRONIC II. s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Alpha Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Beta Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Eden Invest s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	–	Proportionate method	Prague
RLRE Epsilon Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Eta Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Gamma Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Hotel Ellen s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Investholding B.V.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Arnhem
RLRE Jota Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Lyra Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Omega Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Taurus Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Tellmer Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Theta Property s.r.o.	0%	25%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
RLRE Orion Property s.r.o.	0%	23,93%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague
Impuls Tuchoměřice s.r.o.	0%	12,5%	Raiffeisen Leasing Real Estate s.r.o.	–	Equity method	Prague
RLRE Ypsilon Property s.r.o.	0%	12,5%	Raiffeisen Leasing Real Estate s.r.o.	Deloitte Audit s.r.o.	Proportionate method	Prague

(c) Unconsolidated Equity Investments

Due to immateriality of their impact on the Group's financial statements, the following joint ventures have not been included in consolidation in the year ended 31 December 2006:

- Perseus Property s.r.o.,
- RLRE Carina Property s.r.o.,
- RLRE Columba Property s.r.o.,
- RLRE Pegasus Property s.r.o.

All of the Group entities were consolidated in the year ended 31 December 2005.

4. Changes in the Consolidated Group in 2005

(a) Year Ended 31 December 2006

The Group conducted the following transactions in 2006. In 2006, Raiffeisen Leasing Real Estate, s.r.o. acquired investments in RLRE Tellmer Property, s.r.o. and RLRE Orion Property, s.r.o. and sold its 50 percent shareholding in RLRE Ypsilon Property, s.r.o. These entities conduct their business in real estate leases. In addition, MB Leasing, a.s. entered into a contract with Raiffeisen – Leasing, s.r.o. for the sale of part of business. For additional details refer to Note 41.

(b) Year Ended 31 December 2005

On 2 September 2005, the Bank acquired an equity interest in MB Leasing a.s., Mladá Boleslav, T.G. Masaryka 1076, Corporate ID: 25131991, whose activities involve the lease of vehicles, technology, technological units, and real estate. The Bank acquired a direct 100 percent shareholding and voting power for a consideration of CZK 40,885 thousand. For additional details refer to Note 41.

5. Basis of Preparation

(a) Accounting Policies

These consolidated financial statements were prepared in full compliance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements include a consolidated balance sheet, a consolidated profit and loss account, a consolidated statement of changes in shareholders' equity, a consolidated cash flow statement and notes to the consolidated financial statements containing accounting policies and explanatory disclosures.

The consolidated financial statements were prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption.

These consolidated financial statements have been prepared under the historical cost convention as modified by the remeasurement to fair value of financial assets and liabilities at fair value through profit or loss, all financial derivatives and available-for-sale securities through equity.

Some companies within the Group maintain the books and prepare the financial statements under Czech Accounting Standards or accounting standards applicable in other countries in which the Group operates; the Group performs reclassifications and adjustments of figures to ensure compliance with IFRS.

The presentation of consolidated financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets, equity and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and their reported amounts of revenues and expenses during the

reporting period. These estimates are based on the information available as of the date of the consolidated financial statements and should not markedly differ from actual results. The use of reasonable estimates specifically relates to the following areas: determination of impairment losses on loans and advances, determination of impairment losses on investments in subsidiaries and/or unconsolidated entities, determination of impairment losses on property and equipment and intangible fixed assets, determination of provisioning levels, and determination of fair values of financial assets and liabilities.

All figures are in thousands of Czech crowns (CZK thousand), unless stated otherwise. Figures presented in brackets represent negative amounts.

(b) Principles of Consolidation

Subsidiary undertakings (that is, entities in the which the Bank holds, directly or indirectly, more than 50 percent of voting rights or in which the Bank otherwise exercises control over their activities) were consolidated using the full consolidation method. Subsidiaries are included in the consolidation from the date as of which the control over the companies is transferred to the Bank until the date when the Bank ceases to exercise this control. Consolidation does not include any significant intercompany transactions. All significant mutual receivables, payables, expenses and revenues, including profit, within the Group were excluded from consolidation.

Associate undertakings are accounted for under the equity method of accounting. An investment in an associate is one in which the Bank holds, directly or indirectly, 20 percent to 50 percent of its share capital and over which the Bank exercises significant influence, but which it does not control. In accordance with the equity method of consolidation, the profit and loss account reflects the Group's share in the profit or loss of the associate for the period. The share of the Group in associated undertakings is reported in the balance sheet in an amount that reflects the Group's share in the net capital of the associates and includes goodwill arising on consolidation. The recognised net investment is regularly tested for impairment. If impairment is identified, the Group recognises an impairment loss on equity investments in associates.

Joint ventures were included in the Group's consolidation using the proportionate method of accounting, under which the participants' share in the assets, liabilities, expenses and revenue of the joint venture are combined, by item, with the financial statements of the participant. A joint venture is an entity in which two and more participants exercise joint control over economic activities of the entity. Rights and obligations of individual participants are stipulated by a contract defining provisions of joint control. The Group has decided that joint ventures which have been formed but were dormant at the consolidated financial statements date will not be reflected in the consolidated financial statements using the proportionate consolidation method but will be presented as an investment in joint ventures.

Equity investments where the Bank's shareholding interest is lower than 20 percent are presented as "Securities available for sale" (Note 21) and are reported at fair value.

6. Significant Accounting Policies

(a) Interest Expense and Interest Income

Interest income and expense are recognised in the profit and loss account lines "Interest income and similar income" (Note 8) and "Interest expense and similar expense" (Note 8) on an accruals basis. The Group accounts for the accruals of interest using the effective interest rate method. The effective interest rate method is an approach to calculating the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate is used to discount the nominal value of future cash flows to the present value at the maturity date.

(b) Fees and Commissions

Fees and commissions are recognised in the profit and loss account lines "Fee and commission income" (Note 10) and "Fee and commission expense" (Note 10) on an accruals basis, with the exception of fees that are included in the effective interest rate.

(c) Dividends

Income from dividends on securities is recorded as declared and included as a receivable in the balance sheet line "Other assets" and in "Dividend income" in the profit and loss account (Note 11). Upon receipt of the dividend, the receivable is offset against the collected cash.

Dividends paid reduce retained earnings in the period in which they are declared by the Annual General Meeting.

(d) Other Income and Expenses Reported in the Profit and Loss Account

Other income and expenses presented in the profit and loss account are recognised under the accruals basis of accounting in the period to which they relate (and not as cash or its equivalent is received or paid).

(e) Taxation

Tax on the profit or loss for the year comprises the current year tax charge, adjusted for deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rate enacted by the balance sheet date, and any adjustment of the tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of other assets.

The estimated value of tax losses expected to be available for utilisation against future taxable income and tax deductible temporary differences are offset against the deferred tax liability within the same legal tax unit to the extent that the legal unit has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be recovered.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

(f) Financial Assets and Liabilities***Dates of Recognition and Derecognition of Financial Instruments from the Group's Balance Sheet***

All financial assets with normal delivery terms are recognised using settlement date accounting.

The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its provision (collection of cash). However, if a portfolio of financial assets remeasured at fair value is involved, the acquired financial asset is revalued reflecting changes in its fair value from the purchase trade date to the sale trade date according to the categorisation into an individual portfolio, accrued interest on debt financial assets is recognised from the purchase settlement date to the sale settlement date.

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when fully repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Group decided to write off are derecognised at the write-off date.

The Group remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Group settles and derecognises financial liabilities at the date on which all related risks and costs attributable to the specific liability are transferred.

Of the categories of financial assets and liabilities defined in IAS 39, the Group maintains the following types of financial assets and liabilities:

- Loans and receivables;
- Financial assets and liabilities remeasured at fair value through profit or loss;
- Financial assets available for sale; and
- Other financial assets and liabilities.

Loans and Receivables

Loans originated by the Group by providing money directly to a borrower are categorised as loans originated by the Group and are stated at amortised cost. The amortised cost is the cost minus principal repayments, plus accrued interest, plus or minus amortisation of discount or premium. In determining the amortised cost the Group uses the effective interest rate method. All loans and advances are recognised when cash is advanced to borrowers (or banks). Accrued interest income is included in the carrying amount these loans.

Provisions for losses on loans and receivables are recorded when there are reasonable doubts over the recoverability of the loan balance. Provisions for losses on loans and receivables represent management's assessment of potential losses in relation to the Group's on and off balance sheet activities. Amounts are set aside to cover losses on loans and receivables that have been specifically identified and for potential losses which may be present based on portfolio performance. The level of provisions is established by comparing the carrying amount of the loan and the present value of future expected cash flows using the original effective interest rate. The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account line "Change in provisions for credit risks" (Note 9). Additional details can be found in Note 37 b.

Uncollectible loans and receivables when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Group in respect of these loans are written off with the concurrent use of a recorded provision. These write-offs are included in "Change in provisions for credit risks" in the profit and loss account (Note 40b). Recoveries of receivables written off in the past are also included in this line.

Securities

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. In accordance with its intent, the Group allocates securities into three portfolios - the portfolio of securities at fair value through profit or loss, the portfolio of securities held for trading and the portfolio of securities available for sale.

Securities at Fair Value through Profit or Loss and Securities Held for Trading

The portfolio includes debt and equity securities held for trading, that is, securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short-term, and debt and equity securities that were designated, upon initial recognition, as at fair value through profit or loss. Securities at fair value through profit or loss are recognised at cost at the acquisition date and subsequently remeasured at fair value.

Changes in the fair values of securities held for trading as well as securities not held for trading are recognised in the profit and loss account as *"Net profit or loss on financial operations"* (Note 11).

For debt and equity securities traded on a public market, fair values are derived from quoted prices. The fair values of those securities not traded on a public market are estimated by the management of the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining maturity of the securities.

Transaction costs of at-fair-value-through-profit-or-loss securities are not added to the cost but are recognised through expenses and presented in profit and loss account as *"Fee and commission expense"*.

Securities Available for Sale

Securities available for sale are securities held by the Group for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

Securities available for sale are carried at acquisition cost and subsequently remeasured at fair value. Changes in the fair values of available for sale securities are recognised in equity as *"Gains or losses from revaluation"*, with the exception of their impairment and interest income and foreign exchange differences on debt securities. When realised, the relevant revaluation gains or losses are taken to the profit and loss account as *"Net profit or loss on financial operations"* (Note 11). Interest income on coupons, amortisation of discounts or premiums, and dividends are included in *"Interest income and similar income"* (Note 8). Foreign exchange differences are reported within *"Net profit or loss on financial operations"* (Note 11).

Repurchase Agreements

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a pre-determined price, they remain at fair value or amortised cost within the relevant portfolio on the balance sheet and the consideration received is recorded in *"Amounts owed to financial institutions"* (Note 27) or *"Amounts owed to customers"* (Note 28). Conversely, debt or equity securities purchased under a concurrent commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in *"Loans and advances to financial institutions"* (Note 18) or *"Loans and advances to customers"* (Note 19).

Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case ("short sales") the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability and presented in the balance sheet line *"Other liabilities"* (Note 32).

Interest on debt securities transferred under repurchase transactions is accrued while interest on debt securities received under reverse repurchase transactions is not accrued. Income and expenses arising under repurchase or reverse

repurchase transactions as the difference between the sale and repurchase price are accrued evenly over the term of the transaction and presented in the profit and loss account as *"Interest income and similar income"* (Note 8) or *"Interest expense and similar expense"* (Note 8) as appropriate.

Debt Securities Issued

Debt securities issued by the Group are stated at amortised cost using the effective interest rate method. Interest expense arising on the issue of the Bank's own debt securities is included in the profit and loss statement line *"Interest expense and similar expense"* (Note 8).

The Group's own debt securities acquired by the Group are presented as a reduction of liabilities arising from securities issued. Upon initial recognition, the Group's own debt securities are stated at cost which includes transaction costs. The difference between the cost of repurchased own debt securities and the accrued amount of issued securities is included in the profit and loss account line *"Net profit or loss on financial operations"* (Note 11) in the period of acquisition. Interest expenses of issued debt securities are decreased to reflect the gradual increase in the value of the Group's own debt securities.

Financial Derivative Instruments

In the normal course of business, the Group enters into contracts for derivative financial instruments. Financial derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency and interest rate options (both purchased and sold) and other derivative financial instruments. The Group uses various types of derivative instruments in both its trading and hedging activities.

Financial derivative instruments entered into for trading or hedging purposes are initially recognised at cost (including transaction costs) on the balance sheet date and are subsequently remeasured and stated at fair value. Unrealised gains and losses are reported as *"Positive fair value of financial derivative transactions"* (Note 36) and *"Negative fair value of financial derivative transactions"* (Note 36). Realised and unrealised gains and losses are recognised in the profit and loss account line *"Net profit or loss on financial operations"* (Note 11), the only exception being unrealised gains and losses on cash flow hedges which are recognised in equity. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in the profit and loss account and the embedded instrument does not meet general criteria for recognition as a derivative.

Hedging derivatives are defined as derivatives that comply with the Group's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 percent to 125 percent.

If the Group uses a fair value hedge, the hedged item is remeasured at fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

If the Group uses a cash flow hedge, the gains or losses from changes in fair values of hedging derivatives that are attributable to the hedged risk are retained in equity on the balance sheet and are recognised to expense or income in the periods in which the expense or income associated with the hedged items are recognised. The Group did not apply cash flow hedging at the consolidated balance sheet date.

In circumstances where hedging derivatives do not meet the hedge effectiveness criteria, they are reallocated to the trading portfolio. Changes in fair value of derivatives held for trading are recognised in “Net profit or loss on financial operations” (Note 11).

A predominant portion of the Group’s derivative transactions, while providing economic hedges, do not qualify for hedge accounting under the rules of IAS 39 and are therefore treated as derivatives held for trading with the related fair value gains and losses, as it the case with trading derivatives, reported in the profit and loss statement line “Net profit or loss on financial operations” (Note 11).

Subordinated Debt

The terms underlying the subordinated debt are as follows:

(a) In the event that the Group is forced into bankruptcy (A) the creditor is entitled to obtain performance under this agreement in relation to the loan by way of subordinate claim and this performance is conditional upon the aggregate recoveries from the sale of the Group’s assets being greater than the aggregate amount of claims of all bankrupt’s creditors of the Group (conditional claim), and furthermore subject to the condition set out in (A) being met, the creditor is entitled to obtain performance under this agreement in relation to the loan solely up to the amount that would be obtained by it if the claims under this agreement in relation to the loan were satisfied proportionately and jointly with all subordinate claims that rank pari passu to the Group’s claims under this agreement in relation to the loan, and solely from that portion of the recoveries from the sale of the Group’s bankruptcy assets that is greater than the aggregate amount of non-subordinate claims of all bankrupt’s creditors of the Group; and

(b) With the Group being placed into liquidation (once the bankruptcy has been completed or in any other manner), the creditor’s entitlement to obtain performance under this agreement in relation to the loan is conditional upon all non-subordinate claims of all the Group’s creditors being fully settled.

(g) Property and Equipment and Intangible Fixed Assets

Property and equipment includes identifiable tangible assets with physical substance and with an estimated useful life exceeding one year and a cost greater than CZK 40,000.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life exceeding one year and a cost greater than CZK 60,000.

Property and equipment and intangible fixed assets are stated at historical cost less accumulated depreciation and provisions and are depreciated when ready for use through the profit and loss account line “General administrative expenses” (Note 14) on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of assets are as follows:

	Depreciation period	Depreciation rate
Software	4 years	25%
Buildings	20 years	5%
Other (cars, furniture and fixtures, office equipment and computers)	4 – 5 years	20-25%

Technical improvements on leasehold assets are depreciated on a straight line basis over the lease term or for 10 years in respect of lease arrangements for an indefinite period of time.

Land and works of art (irrespective of their cost) and property and equipment under construction are not depreciated.

Intangible assets with a cost lower than CZK 60,000 and tangible assets with a cost lower than CZK 40,000 are expensed in the period of acquisition.

The Group periodically reviews the utilisation of its assets and adjusts guidance on their depreciation treatment, as and when needed, in the internal guideline on asset depreciation. A change in the depreciation period is not considered a change of accounting policies but a change of accounting estimates.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts: the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs, or the estimated future economic benefits arising from the use of the asset. The Group’s assets are periodically tested for impairment and temporary impairments are provisioned through the profit and loss account line “General administrative expenses” (Note 14).

Repairs and maintenance are charged directly to the profit and loss statement line “General administrative expenses” (Note 14) when the expenditure is incurred.

(h) Goodwill

Goodwill on consolidation represents the excess of the acquisition cost over the fair value of the Group’s share of the net assets (equity) of the consolidated company at the date of acquisition. Goodwill is reported in the balance sheet as a component of “Intangible fixed assets”. Goodwill is not amortised and is tested for impairment at least on an annual basis.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of an equity investment. When an impairment of assets is identified, the Group recognises the impairment through the profit and loss account line “General administrative expenses”.

Negative goodwill represents the difference between the cost and fair value of the Group’s interest in net assets of the acquiree at the acquisition date. Negative goodwill exceeding reliably measurable future losses and costs of the acquiree (which are not reflected in its identifiable assets and liabilities) and the fair value of their non-monetary assets is immediately released to income.

(i) Investment Property

Investment property, that is, property held to earn rentals or for capital appreciation, is stated at cost and subsequently depreciated based on the determined useful life. Depreciation is presented in the line “General administrative expenses”.

(j) Leases

Assets used under finance lease contracts, where essentially all the risks and rewards substantially all the risks and rewards incident to ownership are transferred, are capitalised in the amounts equal to the lower of the fair value of the asset at the inception of the lease and the present value of the minimum lease payments. These assets are depreciated over the life of the asset.

Lease instalments are apportioned between the interest reported within financial expenses and the amortised portion reported as the reduction of the outstanding liability. Financial charges are allocated over the lease period so as to ensure a constant rate of interest.

Operating lease instalments are recorded on a straight-line basis over the lease period. If the operating lease is terminated prior to the lapse of the lease period, all payments to be paid to the lessor in the form of penalties are recorded to expenses in the period in which the lease was terminated.

The present value of instalments related to assets leased under finance leases is reported as a receivable, rather than an asset. The difference between the gross value of the receivable and its present value is reported as interest income on accruals basis. Financial income arising from the lease is reported over the lease period so as to ensure a constant rate of interest.

(k) Provisions**Recognition of Provisions**

Provisions are defined as liabilities of uncertain timing or amount. The Group recognises a provision when, and only when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions for Guarantees and Other Off Balance Sheet Credit Related Commitments

In the normal course of business, the Group enters into credit related commitments which are recorded in off balance sheet accounts and primarily include issued guarantees, loan commitments, undrawn loan facilities and confirmed open letters of credit, etc. Provisions are made for estimated losses on these commitments on a portfolio basis.

Other Provisions

The recognition of other provisions (for outstanding vacation days, legal disputes, stabilisation, restructuring) is reported within "General administrative expense" (Note 14).

(l) Transactions with Securities Undertaken on behalf of Clients

Securities received by the Group into custody, administration or safe-keeping are typically recorded at market or nominal values if the market value is not available and maintained off balance sheet. "Other liabilities" (Note 32) include the Group's payables to clients arising from cash received to purchase securities or cash to be refunded to the client.

(m) Segment Reporting

Segment information is based on two segment formats. The primary format represents segmentation by type of customers. The customer segment format is provided in greater detail in Note 38 to the financial statements.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment. Segment assets and liabilities comprise those operating assets and liabilities that can be directly attributable to the segment or can be allocated to the segment on a reasonable basis.

(n) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency at official exchange rates as announced by the CNB on the transaction date. Assets and liabilities denominated in foreign currencies are translated into the local currency at the CNB's exchange rate prevailing at the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the profit and loss account in "Net profit or loss on financial operations" (Note 11).

(o) Cash and Cash Equivalents

The Group considers cash and deposits with the CNB, treasury bills with a residual maturity of three months or less, nostro accounts with financial institutions and loro accounts with financial institutions to be cash equivalents. For the purposes of determining cash and cash equivalents, the minimum reserve deposit with the CNB is not included as a cash equivalent due to restrictions on its availability.

7. Changes in accounting policies in 2006

In the year ended 31 December 2006, the Group made no significant changes in accounting policies, except for the adoption of amendments to IFRSs that came into effect in 2006 as follows:

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' in respect of cash flow hedge accounting (effective 1 January 2006); and
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' for financial guarantee contracts (effective 1 January 2006).

The adoption of new accounting policies had no material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007); and
- Amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures (effective 1 January 2007).

The Group estimates that the adoption of these amendments in IFRS that will become effective subsequent to 1 January 2007 will not have a material impact on the financial statements for the year ending 31 December 2007, including comparative information.

The following standards or interpretations have been issued by IASB but not yet endorsed by the EU:

- IFRS 8 Operating Segments
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11: IFRS 2 on Group and Treasury Shares Transactions
- IFRIC 12 Service Concession Arrangements
- IAS 39 Financial Instruments: Recognition and Measurement in the area of certain hedge accounting requirements

These standards are not yet effective as of the reporting date. Endorsement by the EU is expected by the time the standards and interpretations become effective.

8. Net interest income

CZK thousand	2006	2005
Interest income arising from		
Loans and advances to financial institutions	568,915	595,721
Loans and advances to customers	2,900,008	2,091,801
Derivative financial instruments (non-trading)	1,556	628
Securities with a fixed yield	29,388	34,038
Finance lease receivables	127,666	117,671
Total interest income and similar income	3,627,533	2,839,859
Interest expense arising from		
Deposits from financial institutions	(446,847)	(209,963)
Deposits from customers	(586,903)	(535,163)
Securities issued	(224,956)	(215,187)
Subordinated liabilities	(59,623)	(46,100)
Derivative financial instruments (non-trading)	(4,998)	(16,267)
Total interest expense and similar expense	(1,323,327)	(1,022,680)
Net interest income	2,304,206	1,817,179

9. Impairment losses on loans and receivables

CZK thousand	2006	2005
Changes in loan loss provisions		
Charge for provisions	(875,754)	(825,859)
Release of provisions	478,045	512,553
Direct charge-off of receivables	(79,253)	(46,307)
Recoveries	8,037	1,154
Provisions for off balance sheet credit risk exposures		
Charge for provisions	(44,000)	0
Release of provisions	0	1,000
Change in provisions for credit risks	(512,925)	(357,459)

10. Net fee and commission income

CZK thousand	2006	2005
Fee and commission income arising from		
Payment transactions	478,759	432,181
Provided loans and guarantees	418,050	314,711
Securities transactions	65,338	38,724
Foreign currency transactions	354,642	274,158
Management, administration, custody and safe-keeping of assets	27,142	27,035
Other services	23,280	19,166
Total fee and commission income	1,367,211	1,105,975
Fee and commission expense arising from		
Payment transactions	(106,827)	(97,106)
Acceptance of loans and guarantees	(21,968)	(26,508)
Securities transactions	(12,410)	(14,390)
Securitisation	(23,059)	0
Foreign currency transactions	(2,700)	(2,272)
Management, administration, custody and safe-keeping of assets	(13)	(1,433)
Other services	(162,828)	(65,736)
Total fee and commission expense	(329,805)	(207,445)
Net fee and commission income	1,037,406	898,530

11. Net profit or loss on financial operations

CZK thousand	2006	2005
Net profit on financial operations		
Derivative transactions	(17,233)	(35,698)
Foreign currency transactions	190,908	160,253
Securities transactions	38,583	17,830
Total	212,258	142,385

12. Dividend income

CZK thousand	2006	2005
Income from shares and participation interests	571	682
Total dividend income	571	682

13. Other operating income

CZK thousand	2006	2005
Operating income from non-banking activities	58,867	33,295
Other	50,146	33,406
Total	109,013	66,701

14. General administrative expenses

CZK thousand	2006	2005
Payroll costs (Note 12)	(1,163,584)	(943,074)
Operating expenses	(975,370)	(810,535)
Rental, repairs and other office management expenses	(213,774)	(217,996)
Office equipment	(13,852)	(16,880)
IT support costs	(113,343)	(95,695)
Costs of legal and advisory services	(231,583)	(146,425)
Advertising costs	(185,120)	(141,060)
Deposit and transaction insurance	(46,735)	(41,505)
Telecommunication, postal and other services	(75,489)	(85,198)
Fuel	(13,827)	(11,544)
Security expenses	(14,015)	(11,737)
Travel expenses	(15,953)	(13,848)
Training expenses	(16,888)	(14,861)
Other administrative expenses	(34,791)	(13,776)
Depreciation and amortisation of fixed assets (Notes 23 and 24)	(188,600)	(198,526)
Gain from the transfer of fixed assets	2,728	1,124
Sundry operating expenses	(54,357)	(96,367)
Impairment loss on property and equipment and intangible fixed assets (Notes 23 and 24)	0	(28,018)
Other operating expenses	(54,357)	(68,349)
Total	(2,379,183)	(2,047,378)

15. Payroll costs

CZK thousand	2006	2005
Wages and salaries	(843,667)	(676,073)
Social security and health insurance	(289,501)	(240,465)
Other staff costs	(30,416)	(26,536)
Total	(1,163,584)	(943,074)
Of which wages and salaries paid to:		
Members of the Board of Directors	(22,740)	(20,934)
Members of the Supervisory Board	(5,495)	(2,259)
Other members of management	(84,678)	(84,555)
Total	(112,913)	(107,748)

The average number of the Group's employees as of 31 December 2006 and 2005 was as follows:

	2006	2005
Employees	1,417	1,278
Members of the Board of Directors of the Group	6	5
Members of the Supervisory Board	9	9
Other management members	48	54

16. Income tax

(a) Income tax expense

CZK thousand	2006	2005
Income tax payable	(235,053)	(189,681)
Tax overpayments (underpayments) for the previous period	66,512	(1,709)
Release of provision for the previous periods	0	16,464
Provision for additional tax assessed	2,915	(7,500)
Deferred income tax credit (charge)	(47,148)	36,649
Total tax	(212,774)	(145,777)

The tax balance differs from the theoretical tax balance that would have been determined had the basic tax rate been used as follows:

CZK thousand	2006	2005
Pre-tax profit (general tax base)	804,467	548,351
Pre-tax profit (separate tax base)	571	683
Tax calculated at the tax rate for the general tax base (2006: 24 %, 2005: 26 %)	(193,071)	(142,571)
Tax calculated at the tax rate for the separate tax base (rate of 15 %)	(86)	(102)
Non-taxable income	96,095	110,688
Non-tax deductible expenses	(143,832)	(158,558)
Tax relief and credit	5,841	862
Tax liability for the period	(235,053)	(189,681)
Tax overpayment/(underpayment) from the previous period, use of tax relief and credit, including tax refunds and additional assessments from previous years	66,512	(1,709)
Release of the provision for prior periods	0	16,464
Provision for additional tax assessed	2,915	(7,500)
Deferred tax	(47,148)	36,649
Total income tax	(212,774)	(145,777)
Effective tax rate	26.43%	26.55%

Deferred income tax (Note 25) is calculated from all temporary differences under the liability method using a principal tax rate of 24 percent (2005: 24 percent) enacted at the balance sheet date for the following period.

(b) Income Tax Liability

CZK thousand	2006	2005
Tax calculated at the tax rate for the general tax base (2006: 24 %, 2005: 26 %)	234,967	(189,579)
Tax calculated at the tax rate for the separate tax rate (15 %)	86	102
Tax liability for the period	235,053	(189,681)
Additional current income tax assessment for previous years	(2,915)	(7,500)
Advances paid for current income tax	(139,108)	121,166
Total income tax liability	93,030	76,015

17. Cash and balances with central banks

CZK thousand	2006	2005
Cash on hand and other cash equivalents	1,317,894	1,134,034
Balances with the Central banks	35,143	16,497
Minimum reserve deposit with the CNB	330,952	765,932
Total	1,683,989	1,916,463

18. Loans and advances to financial institutions**(a) Types of Loans and Advances to Financial Institutions**

CZK thousand	2006	2005
Placements with financial institutions	1,483,990	519,434
Term deposits with banks	7,424,520	10,231,663
Loans and other advances to financial institutions	9,441,654	13,342,795
Total	18,350,164	24,093,892

(b) Repurchase and Reverse Repurchase Transactions

As of 31 December 2006 and 2005, the Group reported no repurchase transactions.

The Group provided loans of CZK 4,451,460 thousand (2005: CZK 8,005,811 thousand) under reverse repurchase transactions

19. Loans and advances to customers**(a) Classification of Loans and Advances to Customers**

CZK thousand	2006	2005
Current accounts	6,105,713	3,508,230
Term deposits	47,710,849	34,706,282
Mortgage loans	13,244,132	8,193,619
Finance leases	2,080,306	2,410,914
Other	1,261,628	912,980
Total	70,402,628	49,732,025

In 2006, the Group restructured loans and advances to customers in the aggregate amount of CZK 26,961 thousand (2005: CZK 43,725 thousand).

As of 31 December 2006 and 2005, the Group reported no receivables arising from securities acquired under initial public offerings not held for trading.

(b) Repurchase and Reverse Repurchase Transactions

The Group reported no repurchase transactions as of 31 December 2006 and 2005. Under reverse repurchase transactions the Group provided loans of CZK 1,500,761 thousand (2005: CZK 1,765,499 thousand).

(c) Analysis of Loans Provided to Customers by Sector

CZK thousand	2006	2005
Public sector	528,423	217,348
Loans to corporate entities	48,967,492	37,339,231
Loans to private individuals	19,888,744	11,168,305
Small and medium size enterprises (SME)	899,273	851,200
Other	118,696	155,941
Total	70,402,628	49,732,025

(d) Analysis of Loans Provided to Customers by Geographical Areas

CZK thousand	2006	2005
Czech Republic	66,823,836	46,020,026
Slovakia	608,469	449,780
Netherlands	327,383	9,187
Switzerland	284,785	35,741
Poland	162,392	485
Other – EU countries	1,250,939	1,239,032
Serbia and Montenegro	751,369	1,714,095
Russian Federation	21,431	253,680
Other	172,024	9,999
Total	70,402,628	49,732,025

(e) Remeasurement Impact of the Hedged Loan Portfolio (Fair Value Hedge)

The Group historically used a fair value hedge in respect of a selected portfolio of loans and remeasured the hedged loans at fair value. The aggregate impact of the remeasurement as disclosed within the total balance of "Loans and advances to customers" amounted to CZK 4,063 thousand in 2005. The Group no longer applied fair value hedging as of 31 December 2006.

(f) Securitisation

In March 2006, the Group undertook a synthetic securitisation of the Corporate Banking and SME Banking loan portfolios with the original amount of CZK 5,031.6 million (EUR 183 million) and maturity in March 2016 (Note 40g).

(g) Syndicated loans

Pursuant to concluded syndicated loan agreements, the Group acts as the arranger of syndicated loans in the original aggregate amount of CZK 6,001,589 thousand (2005: CZK 8,426,509 thousand), of which the proportion of the Group and other syndicate members totalled CZK 2,236,102 thousand (2005: CZK 3,604,529 thousand) and CZK 3,765,487 thousand (2005: CZK 4,821,980 thousand), respectively.

As of 31 December 2006, the aggregate outstanding amount under syndicated loan facilities where the Group acted as the arranger in 2006 was CZK 2,532,234 thousand (2005: CZK 3,853,110 thousand), of which the proportion of the Group and other syndicate members was CZK 1,079,604 thousand (2005: CZK 1,905,420 thousand) and CZK 1,452,630 thousand (2005: CZK 1,947,690 thousand), respectively.

The risks and interest arising from these syndicated loans are shared by all participating syndicate members in proportion to their aggregate exposure.

(h) Finance Lease Receivables

The aging analysis of finance lease receivables is as follows:

CZK thousand	2006	2005
Gross finance lease investment	2,375,106	2,711,920
- of which remaining maturity up to 3 months	363,776	484,056
- of which remaining maturity from 3 months to 1 year	552,712	837,035
- of which remaining maturity of more than 1 to 5 years	1,084,981	1,307,143
- of which remaining maturity of more than 5 years	373,637	83,686
Unearned financial income	(294,800)	(301,006)
- of which remaining maturity up to 3 months	(28,328)	(49,423)
- of which remaining maturity from 3 months to 1 year	(62,918)	(108,188)
- of which remaining maturity of more than 1 to 5 years	(122,460)	(126,835)
- of which remaining maturity of more than 5 years	(81,094)	(16,560)
Net investment value	2,080,306	2,410,914

Assets which the Group holds under finance leases are broken down as follows:

CZK thousand	2006	2005
Vehicles leasing	655,108	1,152,431
Real estate leasing	620,676	331,599
Equipment leasing	804,522	926,884
Total	2,080,306	2,410,914

Cumulative provisions for the net investment in finance leases amounted to CZK 167,179 thousand as of 31 December 2006 (2005: CZK 127,713 thousand).

(i) Analysis of Loans and Advances to Customers by Sector and Type of Collateral

2006	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantees	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, hunting, forestry and fishing	19,632	263,384	91,872	53,955	57,527	91,998	289,912	175,955	42,880	1,087,115
Mining	0	0	0	780	0	1,293	8,009	10,168	114	20,364
Manufacturing	7,491	2,406,798	334,703	1,535,977	1,309,893	2,096,707	3,456,960	1,368,181	937,950	13,454,660
Production and distribution of electricity, gas and water	633,673	86,609	43,357	2,120	2,603	13,913	607,314	76,052	34,922	1,500,563
Construction	2,000	253,883	29,891	140,222	74,336	256,254	348,761	162,322	36,923	1,304,592
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	441,923	543,047	556,639	1,061,984	788,908	681,845	1,345,537	751,086	932,688	7,103,657
Accommodation and public catering	15,453	57,671	4,887	1,249,722	4,387	503,595	93,072	15,691	71,966	2,016,444
Transportation, storage and communications	0	16,113	3,739	116,277	277,892	78,149	221,177	323,938	43,032	1,080,317
Financial mediation	15,000	173,219	1,118,477	15,310	93,901	8,228	265,620	22,187	422,315	2,134,257
Real estate and rent activities, other business activities	1,593,286	790,132	3,318,836	6,771,293	1,445,504	1,343,766	1,190,771	360,620	2,571,266	19,385,474
Public administration; mandatory social security	265	0	0	168,168	0	344,342	22,123	15,777	2,728	553,403
Education	0	0	0	140	0	3,838	1,303	0	13,237	18,518
Health care and social care	0	89,782	125,755	66,739	0	111,909	19,775	80,100	3,527	497,587
Other public, social and personal services	6,776	20,738	12,002	446,488	44,853	199,986	163,097	46,798	194,023	1,134,761
Household activities	1,925	1,500,761	0	14,168,824	30,786	987	46	44,440	3,363,147	19,110,916
Total	2,737,424	6,202,137	5,640,158	25,797,999	4,130,590	5,736,810	8,033,477	3,453,315	8,670,718	70,402,628

2005	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantees	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, hunting, forestry and fishing	12,166	77,356	120	251,541	12,119	96,558	0	320,017	66,460	836,337
Mining	314,218	0	2,815	831	18,565	9,084	0	222,612	220,281	788,406
Manufacturing	225,896	278,377	126,373	2,647,081	1,234,225	2,417,435	193,495	3,132,515	1,463,010	11,718,407
Production and distribution of electricity, gas and water	612,311	2,972	1,410	50,941	99,719	27,751	0	619,116	177,259	1,591,479
Construction	1,000	17,095	0	266,819	54,337	148,354	0	252,103	80,244	819,952
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	492,454	164,032	86,722	877,315	1,465,930	731,753	0	926,598	687,398	5,432,202
Accommodation and public catering	141,514	6,960	0	983,087	4,001	37,092	0	74,670	22,216	1,269,540
Transportation, storage and communications	0	0	3,899	82,386	156,017	81,293	0	576,567	20,205	920,367
Financial mediation	793,135	0	1,232,963	22,806	81,850	3,471	0	631,769	870,774	3,636,768
Real estate and rent activities, other business activities	1,198,741	62,566	452,398	5,259,208	1,062,789	935,848	78,654	909,999	1,777,873	11,738,075
Public administration; mandatory social security	297	0	0	190,088	0	574	0	186,341	6,364	383,664
Education	0	0	0	576	0	8,649	0	2	299	9,526
Health care and social care	0	26,470	0	46,966	10,026	100,500	0	106	57,629	241,697
Other public, social and personal services	8,205	6,320	12,634	446,992	36,667	78,054	10,483	65,697	86,373	751,425
Household activities	2,137	0	0	6,733,695	329	287	37,439	7,326	2,812,967	9,594,180
Total	3,802,074	642,148	1,919,334	17,860,330	4,236,574	4,676,703	320,071	7,925,438	8,349,352	49,732,025

20. Provisions for loans and advances to customers

CZK thousand	2006	2005
At 1 January	(1,362,158)	(1,002,272)
Impact of changes in the scope of consolidation	35,998	(83,273)
Creation of provisions	(875,753)	(827,364)
Release of provisions	478,709	469,507
Use for the write-off and transfer of receivables	97,544	76,164
FX differences on provisions denominated in foreign currencies	5,550	5,080
At 31 December	(1,620,110)	(1,362,158)

21. Securities

(a) Portfolio Classification of Securities according to the Group's Intent

CZK thousand	2006	2005
Securities held for trading	547,759	912,388
out of which:		
- Debt securities	540,631	901,795
- Shares and participation certificates	7,128	10,593
Other securities at fair value through profit or loss	636,840	1,370,411
of which:		
- Debt securities	506,610	1,241,824
- Shares and participation certificates	130,230	128,587
Securities at fair value through profit or loss	1,184,599	2,282,799
Securities available for sale	2,734	732
Total	1,187,333	2,283,531

Securities at fair value through profit or loss include state bonds of CZK 506,298 thousand (2005: CZK 546,758 thousand) which may be used for refinancing with central banks.

(b) Investment Securities – Available for Sale

The Bank owns minority interests in SWIFT, MASTERCARD INTERCORPORATE and VISA with a carrying value of CZK 2,734 thousand (2005: CZK 732 thousand).

(c) Securities Pledged as Collateral

The Group carried no securities pledged as collateral as of 31 December 2006 or 2005.

22. Equity investments in associates and unconsolidated entities

(a) Associates

CZK thousand	2006	2005
Opening balance	315,237	305,664
Share in the profit or loss of the associate	33,692	28,394
Dividends paid	(16,250)	(16,250)
Share in the revaluation of securities	(2,097)	(1,780)
Other	(1,097)	(791)
Closing balance	329,485	315,237

CZK thousand	Country	Assets	Liabilities	Revenue	Profit	Share of equity
31 December 2006						
Raiffeisen stavební spořitelna a.s.	Czech Republic	41,655,142	40,337,201	1,933,206	134,768	25.0%
Impuls Tuchoměřice, s.r.o.	Czech Republic	389,336	442,053	31,174	13,840	12.5%
31 December 2005						
Raiffeisen stavební spořitelna a.s.	Czech Republic	37,517,453	36,256,505	1,779,503	113,576	25.0%
Impuls Tuchoměřice, s.r.o.	Czech Republic	408,531	473,029	32,673	14,928	12.5%

In the year ended 31 December 2005, two Group entities, Impuls Tuchoměřice, s.r.o. and its subsidiary SEEP, s.r.o., merged. Under Czech Accounting Standards, a revaluation loss of CZK 79,626 thousand arising from the merger was recognised within other capital funds. For IFRS consolidation reporting purposes, the Group made a reclassification of this transaction under IFRS. Given that the associate (Impuls Tuchoměřice, s.r.o.) has been incurring losses, the share of loss attributable to the Group has reduced the value of the Group's investment to zero. In the year ended 31 December 2006, the Group reports an accumulated loss of CZK 6,590 thousand (2005: an accumulated loss of CZK 8,062 thousand). The loss will be gradually offset against the share of profit of the successor company, Impuls Tuchoměřice, s.r.o.

(b) Unconsolidated Entities

Equity investments in joint ventures that were not consolidated in 2006 due to immateriality (refer to Note 3(c)) amount to CZK 200 thousand as of 31 December 2006.

23. Intangible fixed assets

CZK thousand	Goodwill	Software	Intangible assets under construction	Total
Cost				
1 January 2005	0	282,626	12,917	295,543
Impact of changes in the scope of consolidation	26,114	6,928	0	33,042
Additions	0	42,789	69,810	112,599
Other movements	0	3,138	0	3,138
Disposals	0	(24,482)	(40,746)	(65,228)
31 December 2005	26,114	310,999	41,981	379,094
1 January 2006	26,114	310,999	41,981	379,094
Impact of changes in the scope of consolidation	788	(4,242)	0	(3,454)
Additions	0	40,359	38,287	78,646
Other movements	0	38,044	(38,100)	(56)
Disposals	0	(78,250)	(289)	(78,539)
31 December 2006	26,902	306,910	41,879	375,691
Accumulated amortisation and provisions				
1 January 2005	0	(162,383)	0	(162,383)
Impact of changes in the scope of consolidation	0	(385)	0	(385)
Additions	0	(61,918)	0	(61,918)
Impairment	(26,114)	0	0	(26,114)
Disposals	0	32,913	0	32,913
31 December 2005	(26,114)	(191,773)	0	(217,887)
1 January 2006	(26,114)	(191,773)	0	(217,887)
Impact of changes in the scope of consolidation	0	674	0	674
Additions	0	(68,369)	0	(68,369)
Disposals	0	75,962	0	75,962
31 December 2006	(26,114)	(183,506)	0	(209,620)
Net book value				
31 December 2005	0	119,226	41,981	161,207
31 December 2006	788	123,404	41,879	166,071

24. Property and equipment

(a) Movements in Property and Equipment

CZK thousand	Land, buildings, technical improvements on buildings	Furniture and fixtures	Machinery and equipment	Tangible assets under construction	Operating leases	Total
Cost						
1 January 2005	283,872	121,715	528,329	42,712	0	976,628
Impact of changes in the scope of consolidation	0	0	26,976	0	0	26,976
Additions	1,321	5,479	84,017	26,699	2,569	120,085
Other movements	0	0	(3,138)	0	0	(3,138)
Disposals	(458)	(1,601)	(18,085)	(39,481)	0	(59,625)
31 December 2005	284,735	125,593	618,099	29,930	2,569	1,060,926
1 January 2006	284,735	125,593	618,099	29,930	2,569	1,060,926
Impact of changes in the scope of consolidation	0	0	(2,430)	0	(738)	(3,168)
Additions	4,084	3,080	50,009	25,551	79,995	162,719
Other movements	757	3,308	9,468	(13,478)	0	55
Disposals	(5,461)	(669)	(53,776)	(10,452)	(1,093)	(71,451)
31 December 2006	284,115	131,312	621,370	31,551	80,733	1,149,081
Accumulated depreciation and provisions						
1 January 2005	(93,432)	(88,005)	(383,997)	0	0	(565,434)
Impact of changes in the scope of consolidation	0	0	(18,411)	0	0	(18,411)
Additions	(22,819)	(15,153)	(97,536)	0	(828)	(136,336)
Disposals	87	1,552	15,354	0	0	16,993
Impairment	(1,904)	0	0	0	0	(1,904)
31 December 2005	(118,068)	(101,606)	(484,590)	0	(828)	(705,092)
1 January 2006	(118,068)	(101,606)	(484,590)	0	(828)	(705,092)
Impact of changes in the scope of consolidation	0	0	1,526	0	463	1,989
Additions	(20,465)	(12,362)	(85,025)	0	(1,502)	(119,354)
Disposals	2,802	669	47,310	0	464	51,245
Impairment	0	0	0	0	0	0
31 December 2006	(135,731)	(113,299)	(520,779)	0	(1,403)	(771,212)
Net book value						
31 December 2005	166,667	23,987	133,509	29,930	1,741	355,834
31 December 2006	148,384	18,013	100,591	31,551	79,330	377,869

The line "Impairment" represents the impairment of leasehold improvements on buildings where the Group has the intention to dispose of them or terminate the leasing arrangements in the following period. Impairment of property and equipment was determined on the basis of the value in use.

(b) Property and Equipment Acquired under Finance Leases

The Group recorded no significant property and equipment under finance leases in the years ended 31 December 2006 and 2005.

(c) Future Operating Lease Receivables

The aging analysis of future operating lease receivables is as follows:

CZK thousand	2006	2005
Future minimum lease instalments for irrevocable operating leases		
Less than 1 year	5,098	168
From 1 to 5 years	19,671	647
More than 5 years	31,170	1,024
Total	55,939	1,839

(d) Investment Property

CZK thousand	2006	2005
Cost		
At 1 January	46,491	0
Additions	6,476	46,491
Other changes	0	0
At 31 December	52,967	46,491
Accumulated depreciation and provisions		
At 1 January	(750)	0
Annual charges	(889)	(750)
At 31 December	(1,639)	(750)
Net book value		
At 31 December	51,328	45,741

The investment property at a cost of CZK 46,491 thousand involves real estate which was acquired by Raiffeisen Leasing Real Estate s.r.o. in 2004 for finance lease purposes. The real estate was completed and handed over to the lessee in 2004. In 2005, the finance lease agreement with the original lessee was prematurely terminated; the real estate remained in the ownership of Raiffeisen Leasing Real Estate s.r.o. In the same year, the Company concluded new lease agreements with the current lessees.

Accounting depreciation is provided on a straight-line basis and the annual depreciation charges for the years ended 31 December 2006 and 2005 were CZK 3,555 thousand and CZK 3,000 thousand, respectively (the Group's share was CZK 889 thousand and CZK 750 thousand, respectively).

Rental proceeds in respect of investment property amounted to CZK 23,236 thousand for the year ended 31 December 2006 (the Group's share is CZK 5,809 thousand) and CZK 11,361 thousand for the year ended 31 December 2005 (the Group's share is CZK 2,840 thousand). Operating expenses associated with this real estate amounted to CZK 601 thousand for the year ended 31 December 2006 (the Group's share is CZK 150 thousand) and CZK 8,734 thousand for the year ended 31 December 2005 (the Group's share is CZK 2,183 thousand).

The Group believes that based on the prices of property in the area where the above real estate is located, the market value of the investment property corresponds to its net book value.

The useful life is 52 years and the annual depreciation rate is 1.9 percent.

In the year ended 31 December 2006, the Group additionally invested in purchasing land at a cost of CZK 25,904 thousand (the Group's share is CZK 6,476 thousand). The land is carried at cost and is not depreciated. The Group believes that the market value of the investment property corresponds to the cost of the land.

25. Deferred tax liability/asset

Deferred tax is calculated from all temporary differences under the liability method using the principal income tax rate of 24 percent (2005: 24 percent).

The deferred tax asset is composed of the following items:

CZK thousand	2006	2005
Unpaid social security and health insurance contributions	13,329	10,893
Outstanding vacation days	5,234	4,105
Other provisions	17,864	2,022
Accelerated tax depreciation of fixed assets	1,643	2,169
Impact of IFRS adjustments - leases	860	16,206
Losses on derivatives	0	57,686
Total deferred tax asset	38,930	93,081

Pursuant to the amendment to the Income Tax Act, losses on derivatives are treated as tax deductible expenses and hence the value of the deferred tax asset arising from losses on derivatives is CZK nil in 2006.

The deferred tax liability is composed of the following items:

CZK thousand	2006	2005
Outstanding default interest	(3,211)	0
Movements for the year against equity (revaluation of securities available for sale)	(452)	0
Other provisions	(58)	(127)
Impact of IFRS adjustments - leases	(3,796)	(10,847)
Total deferred tax liability	(7,517)	(14,066)

The calculation of a net deferred tax asset/(liability):

CZK thousand	2006	2005
Balance at 1 January	93,081	24,399
Movement for the year - impact of changes in the Group	0	21,186
Movement for the year - credit/(charge)	(54,151)	47,496
Total deferred tax asset	38,930	93,081
Balance at 1 January	(14,066)	(3,219)
Movement for the year - credit/(charge)	7,001	(10,847)
Movements for the year against equity	(452)	0
Total deferred tax liability	(7,517)	(14,066)
Net deferred tax asset/(liability)	31,413	79,015

The deferred tax (charge)/credit in the profit and loss account and equity comprises the following temporary differences:

CZK thousand	2006	2005
Basis for deferred tax asset/(liability)	130,886	329,229
Deferred tax asset/(liability)	31,413	79,015
Recognition of a year-on-year difference due to the change of tax rate	0	(3,468)
Recognition of a year-on-year difference due to temporary differences in profit or loss	(47,148)	40,117
Recognition of a year-on-year difference due to temporary differences in equity	(452)	0
Total year-on-year difference for recognition	(47,600)	36,649

Temporary differences relating to consolidation (investments in associates and joint ventures) are immaterial.

26. Other assets

CZK thousand	2006	2005
Receivables arising from indirect taxes	4,001	16,696
Receivables arising from non-banking activities	142,548	135,759
Deferred expenses and accrued income	29,408	4,443
Assets held for finance leases	105,612	241,222
Other	134,349	86,377
Total	415,918	484,497

Of the above line items, the following are significant for the Bank: 'Receivables arising from non-banking activities' for 2006 largely include prepayments from operating activities of CZK 86,663 thousand (2005: CZK 77,113 thousand) and the line "Other" mainly reflects cash in transit of CZK 78,832 thousand (2005: CZK 10,125 thousand).

27. Amounts owed to financial institutions

CZK thousand	2006	2005
Repayable on demand	1,107,412	1,640,320
Term deposits at banks	14,258,105	12,930,192
Within 3 months	6,852,896	6,673,571
From 3 months to 1 year	1,119,690	1,163,738
From 1 year to 5 years	5,888,465	4,902,803
Over 5 years	397,054	190,080
Total	15,365,517	14,570,512

28. Amounts owed to customers

(a) Analysis of Amounts Owed to Customers by Type

CZK thousand	2006	2005
Repayable on demand	34,722,081	35,544,252
Term deposits with maturity	21,614,675	12,489,023
Repayable on notice	189,705	242,852
Other	2,483	108,534
Total	56,528,944	48,384,661

(b) Analysis of Amounts Owed to Customers by Sector

CZK thousand	2006	2005
Public sector	7,751,717	6,450,990
Deposits from corporate clients	25,613,257	21,438,465
Deposits to private individuals	22,261,084	19,991,975
Small and medium size enterprises (SME)	524,423	444,819
Other	378,463	58,142
Total	56,528,944	48,384,661

29. Debt securities issued

(a) Analysis of Issued Debt Securities by Type

CZK thousand	2006	2005
Deposit certificates and deposit bills of exchange	5,096,016	4,237,610
Bonds in issue	556,692	28,335
Mortgage bonds	4,623,071	4,340,727
Total	10,275,779	8,606,672

In 2005 and 2006, the line "Bonds in issue" includes issued bonds with an embedded currency option. In 2006, bonds with an embedded index option were issued. In accordance with IAS 39, the options were separated and their fair value was reported as a component of "Positive fair values of financial derivative transactions" or "Negative fair values of financial derivative transactions" as appropriate.

(b) Analysis of Mortgage Bonds

CZK thousand

Date of issue	Maturity Date	ISIN	Currency	Nominal value		Net carrying amount		Amount payable within 1 year
				2006	2005	2006	2005	
3 May 2001	3 May 2006	CZ0002000177	CZK	0	2,000,000	0	2,116,596	0
18 Feb 2004	18 Feb 2009	CZ0002000326	CZK	500,000	500,000	516,465	516,644	0
23 Aug 2004	23 Aug 2009	CZ0002000417	CZK	500,000	500,000	519,116	523,003	0
23 Mar 2005	23 Mar 2010	CZ0002000482	CZK	500,000	500,000	541,369	548,906	0
21 Nov 2005	21 Nov 2010	CZ0002000698	CZK	600,000	599,580	629,103	635,578	0
24 May 2006	24 May 2011	CZ0002000805	CZK	498,210	0	538,106	0	0
4 Oct 2006	4 Oct 2011	CZ0002000888	CZK	1,800,000	0	1,878,912	0	0
Total				4,398,210	4,099,580	4,623,071	4,340,727	0

30. Provisions

CZK thousand	Provisions for legal disputes	Provisions for off balance sheet credit risk exposures	Provision for outstanding vacation days	Provision for restructuring	Other provisions	Total
1 January 2005	0	1,000	19,000	0	17,730	37,730
Charge for provisions	6,645	0	17,104	0	10,882	34,631
Use of provisions	0	(1,000)	(19,000)	0	0	(20,000)
Release of redundant provisions	0	0	0	0	(16,794)	(16,794)
31 December 2005	6,645	0	17,104	0	11,818	35,567
1 January 2006	6,645	0	17,104	0	11,818	35,567
Charge for provisions	2,296	44,000	22,418	19,000	4,794	92,508
Use of provisions	(1,067)	0	(17,104)	0	0	(18,171)
Release of redundant provisions	0	0	(297)	0	(2,613)	(2,910)
31 December 2006	7,874	44,000	22,121	19,000	13,999	106,994

31. Subordinated debt

CZK thousand	2006	2005
Subordinated debt	1,635,578	1,397,269
Total	1,635,578	1,397,269

The subordinated loan was increased by CZK 302,445 thousand (EUR 11,000 thousand) during 2006.

The value of the subordinated loan principal balance as of 31 December 2006 was CZK 1,607,495 thousand (EUR 58,465 thousand).

This loan will mature on 31 January 2014; the interest rate was determined based on six-month EURIBOR plus 0.78 percent p.a. The subordinated loan agreement was approved by the responsible departments of the Czech National Bank and conforms to the requirements for recognition as additional capital.

32. Other liabilities

CZK thousand	2006	2005
Liabilities arising from non-banking activities	489,220	409,876
Accrued expenses	10,425	11,570
Deferred income	21,112	18,075
Settlement and suspense clearing account	986,094	505,239
Other	354,905	232,380
Total	1,861,756	1,177,140

Of the above line items, the following are significant for the Bank: 'Liabilities arising from non-banking activities' for 2006 largely include operating payables to external suppliers of services of CZK 157,765 thousand (2005: CZK 113,405 thousand) and payables to staff of CZK 214,218 thousand (2005: CZK 175,069 thousand), the line "Other" mainly reflects cross-border payment settlement accounts.

33. Share capital of the parent company

In December 2006, the extraordinary general meeting of the Bank's shareholders approved the increase in the Bank's share capital from CZK 2,500,000 thousand to CZK 3,614,000 thousand. No changes were made to the shareholder structure during 2006. The nominal value of all shares was fully paid before the 2006 year-end. All the shares take the book-entry form, are not listed and have a nominal value of CZK 10 thousand. The share capital increase to CZK 3,614,000 thousand was registered in the Register of Companies held by the Municipal Court in Prague on the basis of a resolution dated 5 February 2007. This resolution became legally effective on 26 February 2007.

The shareholders of the Bank as of 31 December 2006:

Name	Registered address	Number of ordinary shares	Nominal value (in CZK '000)	Ownership percentage (in %)
Raiffeisen International Bank-Holding AG	Austria	184,314	1,843,140	51
RB Prag Beteiligungs GmbH	Austria	90,350	903,500	25
Raiffeisenlandesbank Niederösterreich – Wien AG	Austria	86,736	867,360	24
		361,400	3,614,000	100

34. Cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the statements of cash flows are composed of the following balances:

CZK thousand	2006	2005
Cash and Nostro accounts with the CNB (Note 17)	1,683,989	1,916,366
Required minimum reserves at the CNB (Note 17)	(330,952)	(765,932)
Treasury bills with maturity of less than three months	0	837,898
Nostro accounts with financial institutions (Note 18)	1,483,990	519,434
Total cash and cash equivalents	2,837,027	2,507,766

35. Off balance sheet components – credit exposure

(a) Legal Disputes

The Group conducted a review of legal proceedings outstanding against it as of 31 December 2006. Pursuant to the review of individual litigation matters in terms of the risk of potential losses and the probability of payment, the Group recognised provisions (Note 30) for these litigations in the aggregate amount CZK 7,874 thousand (2005: CZK 6,646 thousand).

The Group does not disclose the details underlying pending disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Group's interests.

(b) Irrevocable Commitments from Accepted Bills of Exchange and Endorsements, Other Written Commitments and Pledged Amounts

CZK thousand	2006	2005
Banks		
Provided commitments	288,609	376,179
Guarantee commitments	35,812	24,456
Letters of credit and financial guarantees	15,989	0
Total	340,410	400,635
Customers		
Provided commitments	10,843,065	6,348,842
Guarantee commitments	6,361,626	4,895,967
Letters of credit and financial guarantees	207,089	986,719
Total	17,411,780	12,231,528
Total	17,752,190	12,632,163

(c) Refinancing Agreements

As of 31 December 2006, the Group is provided with a stand-by credit line facility of CZK 1,429,740 thousand/EUR 52,000 thousand (2005: CZK 1,508,260 thousand/EUR 52,000 thousand) by Raiffeisen Zentralbank Österreich AG.

36. Off balance sheet components – financial instruments

(a) Analysis of Derivative Financial Instruments – Contractual Amounts

CZK thousand	Contractual amounts	
	2006	2005
Hedging instruments		
Interest rate swaps (IRS)	0	221,100
Total hedging instruments	0	221,100
Trading instruments		
Cross-currency swaps	294,376	446,880
Currency forwards and swaps	16,172,473	14,148,762
Interest rate swaps (IRS)	37,976,009	27,437,136
Forward rate agreements (FRA)	171,045,000	175,269,400
Option contracts (purchase)	9,710,570	4,732,438
Option contracts (sale)	9,679,429	4,745,354
Total trading instruments	244,877,857	226,779,970
Financial derivatives - total contractual amount	244,877,857	227,001,070

(b) Analysis of Derivative Financial Instruments – Fair Value

CZK thousand	Fair value in 2006		Fair value in 2005	
	Positive	Negative	Positive	Negative
Hedging instruments				
Interest rate swaps (IRS)	0	(0)	0	(4,064)
Total hedging instruments	0	(0)	0	(4,064)
Trading instruments				
Cross-currency swaps	9,372	(9,157)	9,647	(9,347)
Currency forwards and swaps	128,348	(245,449)	131,244	(174,343)
Interest rate swaps (IRS)	192,878	(240,133)	150,608	(245,963)
Forward rate agreements (FRA)	133,531	(123,884)	111,836	(139,819)
Option contracts (purchase)	206,911	0	83,123	0
Option contracts (sale)	0	(203,036)	0	(79,959)
Total trading instruments	671,040	(821,659)	486,458	(649,431)
Financial derivatives – total fair amount	671,040	(821,659)	486,458	(653,495)

(c) Remaining Maturity of Financial Derivative Instruments

CZK thousand	Up to 1 year	From 1 – 5 years	Over 5 years	Total
At 31 December 2006				
Hedging instruments				
Interest rate swaps (IRS)	0	0	0	0
Total hedging instruments	0	0	0	0
Trading instruments				
Cross-currency swaps	0	294,376	0	294,376
Currency forwards and swaps	15,890,886	281,587	0	16,172,473
Interest rate swaps (IRS)	20,058,657	16,554,175	1,363,177	37,976,009
Forward rate agreements (FRA)	105,195,000	65,850,000	0	171,045,000
Option contracts (purchase)	5,329,407	4,381,163	0	9,710,570
Option contracts (sale)	5,363,329	4,316,100	0	9,679,429
Total trading instruments	151,837,279	91,677,401	1,363,177	244,877,857
Total financial derivatives	151,837,279	91,677,401	1,363,177	244,877,857
At 31 December 2005				
Hedging instruments				
Interest rate swaps (IRS)	221,100	0	0	221,100
Total hedging instruments	221,100	0	0	221,100
Trading instruments				
Cross-currency swaps	95,894	350,986	0	446,880
Currency forwards and swaps	14,111,262	37,500	0	14,148,762
Interest rate swaps (IRS)	13,650,000	13,139,600	647,536	27,437,136
Forward rate agreements (FRA)	134,119,400	41,150,000	0	175,269,400
Option contracts (purchase)	4,322,696	409,742	0	4,732,438
Option contracts (sale)	4,338,317	407,037	0	4,745,354
Total trading instruments	170,637,569	55,494,865	647,536	226,779,970
Total financial derivatives	170,858,669	55,494,865	647,536	227,001,070

37. Other off balance sheet assets**(a) Assets Provided for Management, Administration and Custody**

In the years ended 31 December 2006 and 2005, the Group provided no assets for management, administration and custody.

(b) Assets Accepted for Management, Administration and Custody

CZK thousand	2006	2005
Assets accepted for management	2,585,395	2,086,908
Assets accepted for administration	10,052,702	11,875,579
Assets accepted for custody	50	0
Total	12,638,147	13,962,487

38. Segment analysis**(a) Geographic Segments**

The Group carries out activities solely on the territory of the Czech Republic and pursues no activities abroad.

(b) Segments by Type of Client

Primary reporting under IAS 14 is based on the internal management system supplied by Raiffeisen International Bank-Holding AG, whose primary reporting format is principally client-oriented. Business segments are represented as follows:

- Retail banking
- SME banking
- Corporate banking
- Leasing; and
- Other.

The Retail banking segment generally includes all private individuals including VIP clients and own employees. This segment mainly involves standardised products, such as savings accounts, deposit and current accounts, client loans and mortgages, overdraft facilities, credit cards and other credit and deposit products.

The SME banking segment entails all medium size entities with an annual turnover of up to CZK 250,000 thousand.

The Corporate banking segment involves transactions with corporate clients, public sector and financial institutions. This segment also includes small subsidiaries of large companies.

The segment "Other" mainly includes Treasury and Investment Banking, as well as other positions, such as profit sharing, and other non-interest companies constituting assets and liabilities which cannot be allocated to the above segments.

Treasury includes own positions in on balance sheet products and also in interest rates of off balance sheet currency products (derivatives). All of this includes interest rate transactions, foreign FX transactions, liquidity management, and asset and liability management.

(c) Segments by Type of Client

CZK thousand	Retail banking	SME banking	Corporate banking	Leasing	Other	Total
At 31 December 2006						
Net segment income	954,705	600,151	1,494,919	56,142	448,524	3,554,441
Segment profit/(loss)	(157,647)	9,127	687,988	16,579	106,286	662,333
Other income					142,705	142,705
Tax					(212,774)	(212,774)
Profit or loss						592,264
<i>Other information</i>						
Average assets by segment	14,180,903	4,494,286	44,212,558	4,037,023	18,403,754	85,328,524
Total average assets	14,180,903	4,494,286	44,212,558	4,037,023	18,403,754	85,328,524
Average liabilities by segment	20,799,842	9,979,401	29,121,745	4,037,023	21,390,513	85,328,524
Total average liabilities	20,799,842	9,979,401	29,121,745	4,037,023	21,390,513	85,328,524
Reserves and provisions for credit risks	144,799	84,205	262,398	15,047	6,476	512,925

CZK thousand	Retail banking	SME banking	Corporate banking	Leasing	Other	Total
At 31 December 2005						
Net segment income	664,427	473,547	1,205,164	101,765	415,492	2,860,395
Segment profit/(loss)	(319,184)	759	579,039	31,968	172,054	464,636
Other income					88,755	88,755
Tax					(145,777)	(145,777)
Profit or loss						407,614
<i>Other information</i>						
Average assets by segment	6,880,194	2,825,217	32,025,403	2,524,221	30,163,492	74,418,527
Total average assets	6,880,194	2,825,217	32,025,403	2,524,221	30,163,492	74,418,527
Average liabilities by segment	19,287,977	8,747,749	24,151,282	2,384,175	16,533,921	71,105,104
Total average liabilities	19,287,977	8,747,749	24,151,282	2,384,175	16,533,921	71,105,104
Reserves and provisions for credit risks	241,217	38,928	152,785	(11,895)	(63,576)	357,459

39. Financial instruments – market risk

The Group takes on exposure to market risks arising from open positions of transactions with interest rate, equity and currency instruments which are sensitive to the changes of conditions on financial markets.

(a) Trading

The Group holds trading positions in certain financial instruments including financial derivatives. The majority of the Group's trading activities are conducted on the basis of the requirements of the Group's clients. According to the estimated demand of its clients, the Group holds a certain supply of financial instruments and maintains the admission to the financial markets through the quoting of bid and ask prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets and thus represent speculation on this development. The Group's business strategy is thus affected by the speculative expectation and market making and its goal is to maximise net income from trading.

The Group manages risks associated with its trading activities on the level of individual risks and types of financial instruments. The key risk management tools are the limits for individual transaction volumes and individual position volumes, stop loss limits and Value at Risk (VaR) limits. The quantitative methods applied to market risk management are described in "Risk Management Methods" in Note 39 (c).

(b) Risk Management

The selected risks exposures resulting from the Group's activities, management of positions arising from these activities and its risk management approach are described below. More detailed policies applied in measuring and managing these risks are included in "Risk Management Methods" in Note 39 (c).

Liquidity Risk

Liquidity risk arises from the type of funding of the Group's activities and the management of its positions. It includes both the risk of the inability to raise funds to cover the Group's assets using instruments with appropriate maturity and the Group's ability to dispose of/sell assets at a reasonable price within a reasonable time frame.

The Group has access to diversified sources of funding, which comprise deposits and other savings, issued securities, loans accepted including subordinated loans, and also the Group's equity. This diversification makes the Group flexible and reduces its dependence on one source of funding. The Group regularly evaluates its liquidity exposures, in particular by monitoring the changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy, which is approved by the Boards of Directors of individual companies. As part of its liquidity risk management strategy, the Group also holds a portion of its assets in highly liquid funds, such as government treasury bills and similar bonds and/or repurchase transactions with the Czech National Bank. The Group uses internal statistical models for diversification of the maturity of client deposits. These models are reassessed on a regular basis.

The following table shows the remaining maturity of carrying values of financial instruments, rather than all cash flows arising from these instruments. Provisions for loans to customers and fair value of derivatives are classified under "Not specified" category, as the Group is not able to allocate them into individual baskets.

Remaining Maturity of the Group's Assets and Liabilities

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2006							
Cash and balances with central banks	1,683,989	0	0	0	0	0	1,683,989
Loans and advances to financial institutions	1,483,040	12,453,576	363,689	4,049,859	0	0	18,350,164
Loans and advances to customers	6,105,712	17,923,222	9,336,978	17,604,776	19,431,940	0	70,402,628
Provisions for loans and advances to customers	0	0	0	0	0	(1,620,110)	(1,620,110)
Positive fair value of financial derivative transactions	0	0	0	0	0	671,040	671,040
Securities at fair value through profit or loss	0	0	2,766	676,139	360,439	145,255	1,184,599
Securities available for sale	0	0	0	0	0	2,734	2,734
Equity investments	0	0	0	0	0	329,685	329,685
Intangible fixed assets	0	0	0	0	0	166,071	166,071
Property and equipment	0	0	0	0	0	377,869	377,869
Investment property	0	0	0	0	0	51,328	51,328
Deferred tax asset	0	0	35,325	0	0	0	35,325
Other assets	0	84,043	190	194	0	331,491	415,918
Total	9,272,741	30,460,841	9,738,948	22,330,968	19,792,379	455,363	92,051,240
Amounts owed to financial institutions	1,107,412	6,852,896	1,119,690	5,888,465	397,054	0	15,365,517
Amounts owed to customers	34,629,075	15,762,280	5,916,220	148,482	72,887	0	56,528,944
Negative fair value of financial derivative transactions	0	0	0	0	0	821,659	821,659
Debt securities issued	0	4,937,025	127,202	5,210,984	568	0	10,275,779
Income tax liability	0	93,030	0	0	0	0	93,030
Deferred tax liability	0	0	3,912	0	0	0	3,912
Provisions	0	0	0	0	0	106,994	106,994
Subordinated debt	0	0	0	0	1,635,578	0	1,635,578
Other financial liabilities	0	1,861,756	0	0	0	0	1,861,756
Equity	0	0	0	0	0	5,358,071	5,358,071
Total	35,736,487	29,506,987	7,167,024	11,247,931	2,106,087	6,286,724	92,051,240
Gap	(26,463,746)	953,854	2,571,924	11,083,037	17,686,292	(5,831,361)	0
Cumulative gap	(26,463,746)	(25,509,892)	(22,937,968)	(11,854,931)	5,831,361	0	

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2005							
Cash and balances with central banks	1,916,463	0	0	0	0	0	1,916,463
Loans and advances to financial institutions	519,435	17,225,535	2,556,199	3,792,723	0	0	24,093,892
Loans and advances to customers	3,508,232	12,758,937	10,838,285	13,913,609	8,712,962	0	49,732,025
Provisions for loans and advances to customers	0	0	0	0	0	(1,362,158)	(1,362,158)
Positive fair value of financial derivative transactions	0	0	0	0	0	486,458	486,458
Securities at fair value through profit or loss	0	841,112	104,037	1,119,508	96,592	121,550	2,282,799
Securities available for sale	0	0	0	0	0	732	732
Equity investments	0	0	0	0	0	315,237	315,237
Intangible fixed assets	0	0	0	0	0	161,207	161,207
Property and equipment	0	0	0	0	0	355,834	355,834
Investment property	0	0	0	0	0	45,741	45,741
Deferred tax asset	0	0	93,081	0	0	0	93,081
Other assets	0	42,133	495	237	0	441,632	484,497
Total	5,944,130	30,867,717	13,592,097	18,826,077	8,809,554	566,233	78,605,808
Amounts owed to financial institutions	1,640,320	6,673,571	1,163,738	4,902,803	190,080	0	14,570,512
Amounts owed to customers	35,429,235	11,423,909	1,303,932	199,789	27,796	0	48,384,661
Negative fair value of financial derivative transactions	0	0	0	0	0	653,495	653,495
Debt securities issued	0	4,135,151	2,194,681	2,276,573	267	0	8,606,672
Income tax liability	0	0	76,015	0	0	0	76,015
Deferred tax liability	0	0	14,066	0	0	0	14,066
Provisions	0	0	35,567	0	0	0	35,567
Subordinated debt	0	0	0	0	1,397,269	0	1,397,269
Other financial liabilities	0	0	0	0	0	1,177,740	1,177,740
Equity	0	0	0	0	0	3,689,811	3,689,811
Total	37,069,555	22,232,631	4,787,999	7,379,165	1,615,412	5,521,046	78,605,808
Gap	(31,125,425)	8,635,086	8,804,098	11,446,912	7,194,142	(4,954,813)	0
Cumulative gap	(31,125,425)	(22,490,339)	(13,686,241)	(2,239,329)	4,954,813	0	

Interest Rate Risk

The Group is exposed to interest rate risk since the interest-bearing assets and liabilities have different maturity dates, periods of interest rate changes/adjustments and volumes during these period. In the case of variable interest rates, the Group is exposed to a basis risk arising from the difference in the mechanism of adjusting individual types of interest rates, such as PRIBOR, announced interest on deposits, etc. The Group's interest rate risk management activities are aimed at optimising the Group's net interest income in accordance with its strategy approved by the Boards of Directors of individual companies, and hedge the Group's position against fluctuations of interest rates. In managing the interest rate risk, the Group uses (as in the case of liquidity management) statistical models for distribution of those items where it is unable to determine the exact moment of interest rate repricing (for example, on current accounts).

The Group mostly uses interest rate derivatives to manage the mismatch between the rate-sensitivity of assets and liabilities. These derivative transactions are entered into in accordance with the asset and liability management strategy as approved by the Boards of Directors of individual companies.

Part of the Group's income is generated through a targeted mismatch between rate-sensitive assets and rate-sensitive liabilities. The mismatch is summarised in the table below. The carrying values of these assets and liabilities and the nominal (notional) values of interest rate derivatives are recorded either in the period in which they are due or in which the interest rate changes, whichever occurs first. Certain assets or liabilities are allocated to individual periods on the basis of an expert estimate due to the anticipated preliminary repayment or undefined maturity dates.

Interest Rate Sensitivity of the Group's Assets and Liabilities

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2006							
Cash and balances with central banks	1,683,989	0	0	0	0	0	1,683,989
Loans and advances to financial institutions	1,483,040	16,552,933	314,191	0	0	0	18,350,164
Loans and advances to customers	6,105,712	38,654,800	10,865,196	13,992,511	784,409	0	70,402,628
Provisions for loans and advances to customers	0	0	0	0	0	(1,620,110)	(1,620,110)
Positive fair value of financial derivative transactions	0	0	0	0	0	671,040	671,040
Securities at fair value through profit or loss	0	205,649	71,540	615,878	291,532	0	1,184,599
Securities available for sale	0	0	0	0	0	2,734	2,734
Equity investments	0	0	0	0	0	329,685	329,685
Intangible fixed assets	0	0	0	0	0	166,071	166,071
Property and equipment	0	0	0	0	0	377,869	377,869
Investment property	0	0	0	0	0	51,328	51,328
Deferred tax asset	0	0	35,325	0	0	0	35,325
Other assets	0	0	0	0	0	415,918	415,918
Total	9,272,741	55,413,382	11,286,252	14,608,389	1,075,941	394,535	92,051,240
Amounts owed to financial institutions	1,107,412	6,852,896	1,119,690	5,888,465	397,054	0	15,365,517
Amounts owed to customers	34,629,075	15,762,280	5,916,220	148,482	72,887	0	56,528,944
Negative fair value of financial derivative transactions	0	0	0	0	0	821,659	821,659
Debt securities issued	0	4,937,025	127,202	5,210,984	568	0	10,275,779
Income tax liability	0	0	0	0	0	93,030	93,030
Deferred tax liability	0	0	3,912	0	0	0	3,912
Provisions	0	0	0	0	0	106,994	106,994
Subordinated debt	0	1,635,578	0	0	0	0	1,635,578
Other financial liabilities	0	0	0	0	0	1,861,756	1,861,756
Equity	0	0	0	0	0	5,358,071	5,358,071
Total	35,736,487	29,187,779	7,167,024	11,247,931	470,509	8,241,510	92,051,240
Long positions of interest rate derivatives	0	54,709,571	110,612,232	43,697,913	1,293	0	209,021,009
Short positions of interest rate derivatives	0	48,257,908	112,431,592	48,025,320	306,189	0	209,021,009
Gap	(26,463,746)	26,225,603	4,119,228	3,360,458	605,432	(7,846,975)	0
Cumulative gap	(26,463,746)	(238,143)	3,881,085	7,241,543	7,846,975	0	

CZK thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2005							
Cash and balances with central banks	1,916,463	0	0	0	0	0	1,916,463
Loans and advances to financial institutions	519,435	20,984,838	2,589,615	0	4	0	24,093,892
Loans and advances to customers	3,007,821	31,985,823	5,755,991	8,705,168	277,223	0	49,732,026
Provisions for loans and advances to customers	0	0	0	0	0	(1,362,158)	(1,362,158)
Positive fair value of financial derivative transactions	0	0	0	0	0	486,458	486,458
Securities at fair value through profit or loss	0	1,162,772	387,215	516,090	216,722	0	2,282,799
Securities available for sale	0	0	0	0	0	732	732
Equity investments	0	0	0	0	0	315,237	315,237
Intangible fixed assets	0	0	0	0	0	161,207	161,207
Property and equipment	0	0	0	0	0	355,834	355,834
Deferred tax asset	0	0	93,081	0	0	0	93,081
Other assets	0	0	0	0	0	530,237	530,237
Total	5,443,719	54,133,433	8,825,902	9,221,258	493,949	487,547	78,605,808
Amounts owed to financial institutions	0	12,302,125	1,366,296	708,849	193,243	0	14,570,513
Amounts owed to customers	0	46,976,698	1,325,656	49,582	32,725	0	48,384,661
Negative fair value of financial derivative transactions	0	0	0	0	0	653,495	653,495
Debt securities issued	0	4,507,732	1,999,360	2,099,580	0	0	8,606,672
Income tax liability	0	0	0	0	0	76,015	76,015
Provisions	0	0	0	0	0	35,567	35,567
Subordinated debt	0	1,397,269	0	0	0	0	1,397,269
Other financial liabilities	0	0	0	0	0	1,191,805	1,191,805
Equity	0	0	0	0	0	3,689,811	3,689,811
Total	0	65,183,824	4,691,312	2,858,011	225,968	5,646,693	78,605,808
Long positions of interest rate derivatives	0	52,846,150	116,362,536	33,458,429	260,521	0	202,927,636
Short positions of interest rate derivatives	0	50,683,850	119,274,621	32,582,150	387,015	0	202,927,636
Gap	5,443,719	(11,050,391)	4,134,590	6,363,247	267,981	(5,159,146)	0
Cumulative gap	5,443,719	(5,606,672)	(1,472,082)	4,891,165	5,159,146	0	0

Equity Risk

Equity risk is the risk of fluctuations of the prices of equity instruments held in the Group's portfolio and financial derivatives related to these instruments. This risk predominantly arises from trading with equity instruments although a portion of equity exposure is also attributable to non-trading activities of the Group. Equity risk is managed by trading limits. The equity risk management methods are described in "Risk Management Methods" in Note 39 (c).

Currency Risk

Assets and liabilities denominated in foreign currencies including off-balance sheet exposures represent the Group's currency risk exposure. Both realised and unrealised foreign exchange gains and losses are reported directly in the profit and loss account. The Group's foreign currency position by major currencies is as follows:

CZK thousand	EUR	USD	SKK	CZK	Other	Total
At 31 December 2006						
Cash and balances with central banks	206,392	71,591	27,920	1,270,496	107,590	1,683,989
Loans and advances to financial institutions	6,798,028	95,868	179,121	10,918,135	359,012	18,350,164
Loans and advances to customers	9,423,050	946,806	290,424	59,436,691	305,657	70,402,628
Provisions for loans and advances to customers	(87,782)	(965)	(12,801)	(1,518,483)	(79)	(1,620,110)
Securities at fair value through profit or loss	355,362	0	0	829,237	0	1,184,599
Securities available for sale	395	2,339	0	0	0	2,734
Equity investments	0	0	0	329,685	0	329,685
Other assets	2,852	0	0	1,714,699	0	1,717,551
Total	16,698,297	1,115,639	484,664	72,980,460	772,180	92,051,240
Amounts owed to financial institutions	7,680,596	179,542	0	7,470,725	34,654	15,365,517
Amounts owed to customers	8,858,044	1,749,646	70,823	45,651,899	198,532	56,528,944
Debt securities issued	1,934,403	103,997	0	8,232,433	4,946	10,275,779
Income tax liability	0	0	0	93,030	0	93,030
Provisions	0	0	0	106,994	0	106,994
Subordinated debt	1,635,578	0	0	0	0	1,635,578
Other liabilities	185,499	68,619	558	2,430,819	1,832	2,687,327
Equity	0	0	0	5,358,071	0	5,358,071
Total	20,294,120	2,101,804	71,381	69,343,971	239,964	92,051,240
Net FX position	(3,595,823)	(986,165)	413,283	3,636,489	532,216	0
CZK thousand	EUR	USD	SKK	CZK	Other	Total
At 31 December 2005						
Cash and balances with central banks	149,446	95,946	10,569	1,565,942	94,560	1,916,463
Loans and advances to financial institutions	5,768,546	5,228,915	17,501	12,694,142	384,788	24,093,892
Loans and advances to customers	7,503,259	538,172	358,576	41,194,222	137,796	49,732,025
Provisions for loans and advances to customers	(136,422)	(3,047)	(12,269)	(1,209,879)	(541)	(1,362,158)
Securities at fair value through profit or loss	181,947	0	0	2,100,852	0	2,282,799

Securities available for sale	417	315	0	0	0	732
Equity investments	0	0	0	315,237	0	315,237
Other assets	0	0	0	1,626,818	0	1,626,818
Total	13,467,193	5,860,301	374,377	58,287,334	616,603	78,605,808
Amounts owed to financial institutions	7,568,828	59,080	153,153	6,744,287	45,164	14,570,512
Amounts owed to customers	6,268,469	2,243,225	99,500	39,547,672	225,795	48,384,661
Debt securities issued	1,076,979	171,798	0	7,291,412	66,483	8,606,672
Income tax liability	0	0	0	76,015	0	76,015
Provisions	0	0	0	35,567	0	35,567
Subordinated debt	1,397,269	0	0	0	0	1,397,269
Other liabilities	61,009	0	176	1,783,237	879	1,845,301
Equity	(1,707)	0	0	3,691,518	0	3,689,811
Total	16,370,847	2,474,103	252,829	59,169,708	338,321	78,605,808
Net FX position	(2,903,656)	3,386,198	121,548	(882,372)	278,282	0

Fair Values of Financial Instruments

CZK thousand	Carrying value		Fair value	
	2006	2005	2006	2005
Assets				
Loans and advances to financial institutions	18,350,164	24,093,892	18,346,284	24,093,554
Loan and advances to customers	68,782,518	48,369,867	70,007,040	49,131,021
Liabilities				
Amounts owed to financial institutions	15,365,517	14,570,512	15,201,886	14,471,693
Amounts owed to customers	56,528,944	48,384,661	56,513,675	48,378,383
Debt securities issued	10,275,779	8,606,672	10,282,530	8,747,024
Subordinated debt	1,635,578	1,397,269	1,790,157	1,499,618

(c) Risk Management Methods

The Group's risk management concentrates on the management of the overall net exposure resulting from the Group's assets and liabilities structure. The Group monitors interest rate risk by observing excess rate-sensitive assets or rate-sensitive liabilities in individual time buckets. For hedge accounting purposes, the Group identifies specific assets/liabilities causing this mismatch in order to meet the hedge accounting criteria. The Group uses a set of limits for individual positions and portfolios to facilitate effective market risk management. These limits consist of limits set by the Group in a standardised way for the whole CEE region and internal limits that reflect the specifications of local markets to which the Group is exposed.

In 2006, the Group implemented the monitoring of market risks on the basis of Value at Risk. Value at Risk represents the potential loss arising from an adverse movement in the market rates within a certain time period with a certain confidence level. Value at Risk is measured based on a one-day holding period with a 99 percent confidence level. The calculation reflects mutual correlations of individual risk factors (foreign currency rates, interest rates and equity market prices).

CZK thousand	At 31 December 2006	Average 2006
Total market risk VaR	4,777	5,878

Information presented in the above table relates only to the Bank.

Interest Rate Risk

The Group monitors interest rate risk of the banking book and the trading book separately. The interest rate position of the banking portfolio is monitored based on a gap analysis method, while the interest rate position of the trading portfolio is monitored using a combination of the sensitivity of the overall position to the shift in the yield curve (BPV) and gap analysis. The gap analysis is based on the net position of notional values presented in a yearly equivalent (that is, the position converted to the risk of the yearly interest rate instrument using a duration coefficient). In 2006, the Group additionally implemented the monitoring of interest rate risk on the basis of Value at Risk over the one-day period of holding and at a 99 percent confidence level.

CZK thousand	At 31 December 2006	Average 2006
Total interest rate exposure VaR	4,777	5,806
Interest rate exposure VaR – banking book	5,021	5,253
Interest rate exposure VaR – trading book	1,054	1,922

Information presented in the above table relates only to the Bank.

Currency Risk

The Group applies a set of limits established by reference to the standards of the Raiffeisen Group. The limits are set for individual currencies, for groups of currencies and for the overall currency position. Internal currency position limits fully respect the limits set by the local regulatory body. In 2006, the Group additionally implemented the monitoring of currency risk on the basis of Value at Risk over the one-day period of holding and at a 99 percent confidence level.

CZK thousand	At 31 December 2006	Average 2006
Currency exposure VaR	400	519

Information presented in the above table relates only to the Bank.

Equity Risk

Market risks arising from the Group's equity trading activities are controlled through the use of limits in respect of maximum open positions in equity instruments together with the Value at Risk method. Value at Risk represents the potential loss arising from an adverse movement in the market within a certain time period with a certain confidence level. Value at Risk is measured based on a one-day holding period with a 99 percent confidence level.

CZK thousand	At 31 December 2006	Average in 2006	At 31 December 2005	Average in 2005
Total equity risk VaR	104	599	915	592

Information presented in the above table relates only to the Bank.

Stress Testing

The Group performs regular stress testing of interest rate risk inherent in the banking and trading portfolios and of the currency and equity risk. The results of stress tests are submitted to the Assets and Liabilities Committee (ALCO).

Operational Risk

In accordance with Basel II requirements, operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Group assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks. In 2006, operational risk management activities predominantly focused on the implementation of a group-wide Basel II project. While the Group intends to apply the standardised approach to calculating capital adequacy, it also strives to investigate the possible way of implementing the advanced (AMA) approach.

The Group has a central operational risk management function in place, which is responsible for the setting of the management methodology, measurements or analyses and which provides methodical support to managers.

Operational risk management primarily draws upon collection of data on losses caused by operational risks, risk self-assessment and key risk indicators.

The objective of collecting data on operational risk events is not just to accumulate information but, in more complex cases, to analyse the causes of such events, and also propose and implement measures aimed at the prevention of further occurrence of such events.

Risk self-assessment is designed to identify areas with a high operational risk within the Group. The Group (as well as the whole Raiffeisen Group) is part to the KRI initiative organised by the Risk Management Association. This initiative involves, among others, the standardised methodology for risk self-assessment and reporting of results thereof.

In respect of areas with an identified significant risk the Group has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

As part of further procedures, the Group plans to implement a set of key risk indicators, particularly for segments where high risk is involved, which will serve as an early warning system and criteria for evaluating operational risk exposure.

40. Financial instruments – credit risk

The Group takes on exposure to credit risks resulting from its trading activities, provision of loans, hedging transactions, investment activities and agency services.

Credit risks associated with trading and investment activities are managed using the methods and instruments applied by the Group in managing its market risk exposures.

(a) Assessment and Classification of Receivables

The Group assesses receivables in accordance with Regulation No. 9 of the Czech National Bank dated 6 November 2002, as amended, which provides guidance on the classification of receivables from financial activities, creation of provisions and acquisition of certain types of assets, and also in accordance with IFRS and IAS 39 standards and internal regulations.

The Group assesses receivables based on the fulfilment of the criteria. Individual receivables are classified into five categories according to Regulation of the Czech National Bank No. 6/2004. For each client, each criterion is evaluated individually and the receivable is subsequently classified on the basis of the worst rating of the criteria to one of the following categories: standard ("A"), watch ("B"), substandard ("C"), doubtful ("D"), loss ("E"). Substandard, doubtful and loss receivables are aggregately designated as bad receivables. If the Group records more receivables from one client, they are all classified in the same category, based on the receivable with the least favourable rating.

The classification is performed on a monthly basis, with the key criteria being:

- Number of days past maturity;
- Financial position of the debtor – client rating;
- Restructuring of the repayment schedule;
- Declaration of bankruptcy of the client – bankruptcy or composition proceedings;
- Meeting contractual obligations by the client – mainly the fulfilment of repayment obligations;
- Requirements of the auditor or the Czech National Bank;
- External economic, political or legislative factors.

(b) Provisioning for Receivables

For provisioning purposes, receivables from non-retail clients, that is, clients of the corporate and SME segments, are assessed on an individual basis and the Group creates the so-called individual provisions. All significant exposures are assessed individually on a monthly basis by the Problem Loan Committee and the assessment takes into account expected cashflows as analysed by internal experts. Provisions are made after all available information, including the estimated value of collateral and expected duration of recovery process, is considered.

Receivables from retail clients are provisioned based on a statistical model through "portfolio provisions". The portfolio of receivables from retail clients is classified into several portfolios which exhibit similar risk characteristics and can be supported by statistical models.

Individual provisions are created only for receivables that were subject to impairment testing. Impairment testing determines, by reference to the classification of a receivable, whether the receivable is impaired ("B" and "C" categories only if the receivable is classified based on any other criterion than the number of days past maturity) or whether the client is in default ("C" category if the receivable is classified based on the number of days past maturity, i.e. it is more than 90 days overdue, "D" and "E" categories).

Individual provisions are calculated as the difference between the carrying amount of the receivable and the present value of future cash flows arising from the receivable, discounted by the original effective interest rate or market value of the receivable (if available). The value of future cash flows represents the estimated repayment schedule of the receivable

set on the basis of data entered into the banking system ("contractual cash flow"), where the likelihood of the client's failure is assessed individually (default for individual client rating) and the estimated amount of loss on collateral recovery in the case of client default (loss given default). An individual repayment schedule ("expert cash flow") can be established for selected receivables; such a schedule is prepared by the Group's expert and reflects the client's most recent economic position and financial inflows and outflows related to the potential recovery of collateral, settlement obtained within bankruptcy or composition proceedings or proceeds from the sale of the receivable.

The Group calculates provisions against receivables on a monthly basis.

(c) Evaluation of Collateral

Typically, the Group requires collateral for loans granted to certain debtors prior to the issuance of this loan. For the purpose of calculating provisioning levels, the Group considers the following types of collateral as eligible collateral which reduces gross credit exposure:

- Cash;
- Real estate;
- First-class receivables;
- Bank guarantee;
- Guarantee provided by a reputable third party;
- Machinery and equipment – movable assets;
- High quality securities; and
- Inventory and commodities.

The Group accepts the above types of collateral as collateral only if the following criteria are met:

- Valid contractual documentation and/or registration of the existence of collateral;
- Sustainable value of the collateral for at least the term of the loan receivables;
- Legal recoverability of collateral; and
- Non-existence of correlation between the collateral value and the client's financial standing.

In determining the net recoverable value of collateral, the Group refers to expert analyses or internal evaluations prepared by the Group's special department. The net recoverable value of collateral is determined on the basis of the ascertained value using a correction coefficient which reflects the Group's ability to recover the collateral when necessary. The Group performs regular (at least on an annual basis) reviews/updates of the collateral value and correction coefficients depending upon the type and financial health of the collateral.

(d) Credit Risk Measurement Methods

The principal credit risk management methods in retail banking include application and behavioural scoring and/or rating. The risks are managed on a portfolio level through the portfolio management approach, regular monitoring of the portfolio quality development, and prediction of potential future loss development.

(e) Concentration of Credit Risk

The Group maintains a system of internal limits for individual countries, sectors and clients in order to prevent significant concentration of credit risk. As of the balance sheet date, the Group recorded no significant credit risk concentration exposure to an individual client or an economically connected entity.

Credit risk concentration analysis by sectors/industry and concentration by geographical areas is provided in Note 19 d.

(f) Recovery of Receivables

The Group has special functions in place which are responsible for the recovery and administration of distressed receivables. These functions undertake legal steps, perform the restructuring of receivables, communicate with problematic clients etc. in order to achieve maximum recovery, including collateral recovery, and representing the Group in creditors' committees if clients are declared bankrupt.

(g) Securitisation and Use of Credit Derivatives

In 2006, the Group undertook a synthetic securitisation of its loan portfolio from the Corporate Banking and SME Banking segments.

The Group entered into the securitisation transaction jointly with Raiffeisen Bank Polska S.A. and the process was coordinated by Raiffeisen International Bank-Holding AG. Kreditanstalt für Wiederaufbau (KfW), with the involvement of European Investment Fund, became the investor. Dresdner Bank AG acted as the arranger and Clifford Chance acted as the legal counsel. The rating of the loan portfolio was established by Moody's. The entire transaction will mature in 2016 and its original volume is EUR 450 million, of which EUR 183 million and EUR 267 million relates to the Group and Raiffeisen Bank Polska S.A., respectively.

41. Acquisitions and sales

(a) Acquisitions for the Year Ended 31 December 2006

In July 2006, the Group acquired 100 percent investments in merging companies RLRE Tellmer Property s.r.o. and B.U.T., s.r.o. (RLRE Tellmer Property s.r.o. being the successor company). Available information indicates that the merger will be registered in the Register of Companies in early 2007. For consolidation reporting purposes, an opening balance sheet under IFRS was compiled. In 2006, the Group additionally purchased a 95.7 percent investment in RLRE Orion Property, s.r.o. The table below summarises the fair values of assets, liabilities and goodwill/badwill of the above entities recognised at the acquisition date:

	Fair value at the acquisition date		
	RLRE Tellmer Property, s.r.o. (after the merger)	RLRE Orion Property, s.r.o.	Total
CZK thousand			
Assets			
Cash	49	1	50
Loans and advances to financial institutions	10,218	240	10,458
Loans and advances to customers	86,131	48,038	134,169
Other assets	12,026	187	12,213
Liabilities			
Amounts owed to financial institutions	(85,250)	(45,696)	(130,946)
Amounts owed to customers	(5,076)	0	(5,076)
Other liabilities	(18,841)	(2,505)	(21,346)
Fair value of identifiable net assets	(743)	265	(478)
Goodwill/(Badwill)	788	(149)	788/(149)
Cost of acquisition	(45)	(116)	(161)
- cash and cash equivalents	10,267	241	10,508
Cash inflow resulting from acquisition	10,222	125	10,347

Goodwill represents anticipated economic benefits arising from the business combination. Based on the available information, the Group assessed the goodwill and concluded that the recognised goodwill resulting from the acquisitions effected in 2006 suffered no impairment as of 31 December 2006.

(b) Acquisition for the Year Ended 31 December 2005

In 2005, the Group acquired 100 percent of the issued share capital of MB Leasing a.s. The table below summarises the fair value of assets, liabilities and goodwill of MB Leasing a.s. recognised at the acquisition date:

CZK thousand	Fair value
	MB Leasing a.s.
Assets	
Cash	97
Loans and advances to financial institutions	11,591
Loans and advances to customers	1,093,525
Provisions for losses on loans and advances to customers	(83,273)
Tangible and intangible fixed assets	22,578
Other assets	55,128
Liabilities	
Amounts owed to financial institutions	(1,056,923)
Amounts owed to customers	(14,408)
Other liabilities	(13,544)
Fair value of identifiable net assets	14,771
Goodwill	26,114
Cost of acquisition	(40,885)
- cash and cash equivalents	11,688
Net cash outflow resulting from acquisition	(29,197)

As of 31 December 2005, the Group tested the goodwill arising from business combination for impairment. Based on the information available the Group assessed the goodwill and recognised its impairment of CZK 26,114 thousand as of 31 December 2005.

(c) Sales for the Year Ended 31 December 2006

In 2006, the Group disposed of its 50 percent investment in RLRE Ypsilon Property, s.r.o. In addition, MB Leasing, a.s. entered into a contract with Raiffeisen – Leasing, s.r.o. for the sale of part of business. The following table summarises assets and liabilities of the companies disposed of at the disposal date.

CZK thousand	Fair value at the sale date	Fair value at the sale date	Fair value at the sale date
	MB Leasing a.s.	RLRE Ypsilon Property, s.r.o.	Total
Assets			
Cash	13	1	14
Loans and advances to financial institutions	10,348	423	10,771
Loans and advances to customers	495,789	0	495,789
Provisions for losses on loans and advances to customers	(24,711)	0	(24,711)
Tangible and intangible fixed assets	8,193	0	8,193
Other assets	1,239	9,545	10,784
Liabilities			
Amounts owed to financial institutions	(483,875)	(7,891)	(491,766)
Amounts owed to customers	(4,602)	(1,681)	(6,283)
Other liabilities	(7,395)	(393)	(7,788)
Fair value of identifiable net assets	(5,001)	4	(4,997)
Selling price of the investment	13,053	25	13,078
Gain from sale	18,054	21	18,075
- cash and cash equivalents	(10,361)	(424)	(10,785)
Cash inflow/(outflow) resulting from sale	2,692	(399)	2,293

(d) Sales for the Year Ended 31 December 2005

No sale of an equity investment within the Group took place in the year ended 31 December 2005.

42. Related party transactions

(a) Related Party Transactions

2006

CZK thousand	Shareholders and controlling entities	Other	Total
Receivables	918,028	5,991,033	6,909,061
Payables	6,685,587	1,197,257	7,882,844
Subordinated loan	1,635,578	0	1,635,578
Guarantees issued	0	8,249	8,249
Guarantees received	5,665,577	550,070	6,215,647
Interest income	24,791	129,399	154,190
Interest expense	(207,121)	(21,295)	(228,416)
Fee and commission income	19,679	3,873	23,552
Fee and commission expense	(18,459)	(7,651)	(26,110)
Net profit or loss on financial operations	35,823	6,420	42,243

The receivables are composed of the following balances:

1. Short-term term deposits with

- Raiffeisen Zentralbank Österreich AG (controlling entity) in the amount of CZK 472,946 thousand;
- Raiffeisenlandesbank Niederösterreich – Wien AG (shareholder) in the amount of CZK 335,000 thousand; and
- Tatra Bank a.s. in the total amount of CZK 764,716 thousand.

2. Blocked account with

- eBanka, a.s. in the amount of CZK 1,114,221 thousand.

3. Long-term loan to

- Raiffeisen Krekova banka d.d. in the amount of CZK 3,986,775 thousand.

The payables are composed of the following short-term deposits of:

- Raiffeisen Zentralbank Österreich AG (controlling entity) in the amount of CZK 5,677,332 thousand;
- Raiffeisenbank Austria, Moscow branch, in the amount of CZK 160,745 thousand;
- Raiffeisen Bank Rt. in the amount of CZK 30,000 thousand;
- eBanka, a.s. in the amount of CZK 1,150,000 thousand;

Subordinated loan from:

- Raiffeisen Zentralbank Österreich AG in the amount of CZK 1,635,578 thousand.

2005

CZK thousand	Shareholders and controlling entities	Other	Total
Receivables	921,118	4,318,694	5,239,812
Payables	6,013,111	318,992	6,332,103
Subordinated loan	1,397,269	0	1,397,269
Guarantees issued	0	8,505	8,505
Guarantees received	6,329,922	9,240	6,339,162
Interest income	10,722	9,124	19,846
Interest expense	(82,818)	(67,182)	(150,000)
Fee and commission income	17,984	7,669	25,653
Fee and commission expense	(22,170)	(4,732)	(26,902)
Net profit or loss on financial operations	0	68	68

The receivables are composed of the following balances:

1. Short-term term deposits with

- Raiffeisen Zentralbank Österreich AG (controlling entity) in the amount of CZK 590,050 thousand; and
- Tatra Bank a.s. in the amount of CZK 499,481 thousand.

2. Long-term loan to

- Raiffeisen Krekova banka d.d. in the amount of CZK 3,770,650 thousand.

The payables are composed of the following short-term deposits of:

- Raiffeisen Zentralbank Österreich AG (controlling entity) in the amount of CZK 4,669,902 thousand;
- Tatra Bank a.s. in the amount of CZK 243,130 thousand; and

Subordinated loan from:

- Raiffeisen Zentralbank Österreich AG (controlling entity) in the amount of CZK 1,397,269 thousand.

General Information about the Issuer

(b) Receivables from Parties with a Special Relation to the Bank

CZK thousand	Management bodies	Supervisory bodies	Other
At 31 December 2005	4,927	2,048	25,326
At 31 December 2006	5,102	3,788	28,463

This amounts presented in the table mainly involve consumer and mortgage loans. The loans are provided under arm's length conditions.

(c) Payables to Parties with Special Relation to the Bank

CZK thousand	Management bodies	Supervisory bodies	Other
At 31 December 2005	3,433	2,237	17,484
At 31 December 2006	5,299	878	20,311

Members of Board of Directors held no shares of the Group. Remuneration of the members of the Board of Directors are disclosed in Note 15.

43. Post balance sheet events

The accounting allocation of profit and the settlement of loss for the year ended 31 December 2006 will be made in accordance with the decisions of the general meetings of individual Group companies.

No other significant events that would have a material impact on the financial statements for the year ended 31 December 2006 occurred subsequent to the balance sheet date.

Company name:

Raiffeisenbank a.s.

Registered office:

Olbrachtova 2006/9, 140 21 Prague 4

Company registration number: 49240901

Incorporated:

25 June 1993

Court of registration and number under which the issuer is registered at this court:

Commercial Register maintained at the Municipal Court in Prague, Section B, Insert 2051

The issuer was established in accordance with the legislation of the Czech Republic, pursuant to Act No. 513/1991 Coll., the Commercial Code, and Act No. 21/1992 Coll., the Act on Banks. The issuer is a joint-stock company.

The issuer's registered business activities under Article 2 of the issuer's Articles of Association are banking and financial transactions and other operations listed in the banking licence, granted in accordance with Act No. 21/1992 Coll. The issuer is also entitled to set up branches or other company units in the Czech Republic and abroad, and to establish subsidiaries and hold capital interests provided that generally binding legal regulations are respected.

As of 31 December 2006, Raiffeisenbank a.s. owns the following real estate:

In the land registry area of Hradec Králové, parcel number: construction parcel No. 103, additional land area No. 76, Title Deed No. 20767, Identification Code: 646873, Address: V Kopečku 75, 500 02 Hradec Králové.

Raiffeisenbank a.s. (the issuer) is not party to any court, administrative, or arbitration proceedings instituted during the past two accounting periods which had or could have a significant effect on the issuer's financial position.

The issuer does not depend on patents or licences, industrial, commercial, or financial agreements, or new production processes which could be of fundamental significance for the issuer's business activities or profitability.

Information in accordance with Section 118(3 c, d, e and f) of Act no. 256/2004 Coll., Capital Market Act

Section 118(3c):

Monetary and natural income received by top managers and supervisory board members from the issuer for the accounting period

	Monetary income	Natural income
All board members (jointly)	CZK 22,740,269	CZK 915,217
All supervisory board members (jointly)	CZK 5,495,355	CZK 247,417
Other top managers	CZK 3,020,307	CZK 78,046

Monetary and natural income received by top managers and supervisory board members from entities controlled by the issuer for the accounting period

	Monetary income	Natural income
All board members (jointly)	CZK 0	CZK 0
All supervisory board members (jointly)	CZK 0	CZK 0
Other top managers	CZK 615.517	CZK 0

Section 118(3d):

The top managers of the issuer, supervisory board members or closely related individuals shall not own shares or hold any options whatsoever or similar rights for the purchase of the shares of Raiffeisenbank a.s. The shares of Raiffeisenbank a.s. are not quoted on any regulated market.

Section 118(3e):

The principles of remuneration for the top managers of the issuer and supervisory board members

Remuneration of board members

In accordance with Act no. 21/1992 Coll., on Banks, board members are in the position of head employees of the bank (Chief Executive Officer and Executive Directors). The board members are not remunerated by the issuer for performing the activities of the statutory body.

The board members have company cars at their disposal for a total value of CZK 6,913,500.

Remuneration of the Chief Executive Officer

- Fixed wage for performance as the CEO (paid by the issuer, approved by the majority shareholder),
- Flexible wage for performance as the CEO upon fulfilment of the financial and non-financial criteria (paid by the issuer, approved by the majority shareholder),
- Financial criteria: reaching the set amount of profit after tax, the cost income ratio, return on risk-weighted capital,
- Non-financial criteria: meeting the goals relating to the strategic projects of the issuer, attaining quality with respect to providing products and services and relating to the activities under the direct management of the CEO.

Remuneration of Executive Directors

- Fixed wage for performance as an Executive Director (paid by the issuer, approved by the majority shareholder),

- Flexible wage for performance as an Executive Director upon fulfilment of the financial and non-financial criteria (paid by the majority shareholder, approved by the majority shareholder),
- Financial criteria: reaching the set amount of profit after tax, the cost income ratio, return on risk-weighted capital,
- Non-financial criteria: meeting the goals relating to attaining quality with respect to providing products and services and relating to the activities of units under the direct management of the Executive Director

Remuneration of supervisory board members

The supervisory board members are a) appointed by the general meeting of the issuer (six members and b) elected from among the employees of the company (three members). The supervisory board members do not receive any monetary or natural income from the issuer for the performance of activities as supervisory board members.

Remuneration of supervisory board members elected from among the employees

- Fixed wage for their work performance as employees of the issuer (paid by the issuer, approved by the issuer),
- Flexible wage for their work performance as employees upon fulfilment of the financial and non-financial criteria (paid by the issuer, approved by the issuer),
- Financial criteria: reaching the set amount of profit after tax, the cost income ratio, return on risk-weighted capital,
- Non-financial criteria: meeting the goals relating to employee's work performance
- Supervisory board members have company cars at their disposal for a total value of CZK 1,884,600.

Remuneration of other top managers of the issuer

- Monetary or natural income only for work performance of the employee of the issuer, and not for activities as other top manager,
- Fixed wage for work performance as an employee of the issuer (paid by the issuer, approved by the issuer),
- Flexible wage for work performance as an employee upon fulfilment of the financial and non-financial criteria (paid by the issuer, approved by the issuer),
- Financial criteria: reaching the set amount of profit after tax, the cost income ratio, return on risk-weighted capital,
- Non-financial criteria: meeting the goals relating to employee's work performance
- Company car at its disposal valued at CZK 695,000

The principles of remuneration for the top managers of the issuer and the members of the supervisory board are established by the shareholders following agreement with the issuer.

Section 118(3f):

Remuneration of auditors for provided services in 2006

Following remuneration was paid out to the auditors of Raiffeisenbank a.s. for their provided services in 2006:

Obligatory audit	CZK 6,027 thous.
Other	CZK 152 thous.
Total	CZK 6,179 thous.

Information about Securities

Bonds

Raiffeisenbank Premium Bond VAR/09

ISIN (International Securities Identification Number):	CZ0003701096;
Issue date:	1 December 2005;
Class:	bond;
Form:	bearer;
Type:	certificated;
Total issue volume:	CZK 50,000,000;
Par value per security:	CZK 10,000;
Quantity:	5,000;
Number of coupon payments:	8;

Interest on bonds and maturity dates for interest or other yield: flexible interest rate according to the EUR/CZK exchange rate. Interest is paid twice a year always by 1 June and 1 December;
 Maturity of the bonds: bonds will be paid in the amount of their principal on 1 December 2009;
 Method of transferring the bonds: The bonds are freely transferrable to the Issuer with no restrictions. The transferability of the Bonds by a bond holder who is not the Issuer to an entity other than the Issuer is not permitted. After ownership rights to any Bond are transferred to the Issuer, it is authorised to transfer such Bond back to any third party at any time;
 Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Designated premises of the administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Bond currency: CZK.

The bonds are not tradable on the regulated or free securities market.

All rights and obligations arising from the Bonds are governed by and construed in accordance with the laws of the Czech Republic. All issues are described in detail in the issue conditions.

Raiffeisenbank Premium Bond VAR/09 II

ISIN (International Securities Identification Number):	CZ0003701138;
Issue date:	18 April 2006;
Class:	mortgage bonds;
Form:	bearer;
Type:	certificated;
Total issue volume:	CZK 100,000,000;
Par value per security:	CZK 10,000;
Quantity:	10,000;
Number of coupon payments:	6;

Interest on bonds and maturity dates for interest or other yield: for the first and second yield periods, the interest rate is 2.50% p.a.; for the third to sixth yield periods, flexible interest rate according to the EUR/CZK exchange rate. Interest is paid twice a year always by 18 April and 18 October;
 Maturity of the bonds: bonds will be paid in the amount of their principal on 18 April 2009;
 Method of transferring the bonds: The bonds are freely transferrable to the Issuer with no restrictions. The transferability of the Bonds by a bond holder who is not the Issuer to an entity other than the Issuer is not permitted. After ownership rights to any Bond are transferred to the Issuer, it is authorised to transfer such Bond back to any third party at any time;
 Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Designated premises of the administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Bond currency: CZK.

The bonds are not tradable on the regulated or free securities market.

All rights and obligations arising from the Bonds are governed by and construed in accordance with the laws of the Czech Republic. All issues are described in detail in the issue conditions.

Raiffeisenbank Premium Bond VAR/09 III

ISIN (International Securities Identification Number):	CZ0003701146;
Issue date:	16 June 2006;
Class:	bond;
Form:	bearer;
Type:	certificated;
Total issue volume:	CZK 300,000,000;
Par value per security:	CZK 10,000;
Quantity:	30,000;
Number of coupon payments:	6;

Interest on bonds and maturity dates for interest or other yield: for the first and second yield periods, the interest rate is 2.50% p.a.; for the third to sixth yield periods, flexible interest rate according to the EUR/CZK exchange rate. Interest is paid twice a year always by 16 June and 16 December;

Maturity of the bonds: bonds will be paid in the amount of their principal on 16 June 2009;

Method of transferring the bonds: The bonds are freely transferrable to the Issuer with no restrictions.

The transferability of the Bonds by a bond holder who is not the Issuer to an entity other than the Issuer is not permitted. After ownership rights to any Bond are transferred to the Issuer, it is authorised to transfer such Bond back to any third party at any time;

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;

Designated premises of the administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;

Bond currency: CZK.

The bonds are not tradable on the regulated or free securities market.

All rights and obligations arising from the Bonds are governed by and construed in accordance with the laws of the Czech Republic. All issues are described in detail in the issue conditions.

Bond programme for Raiffeisenbank a.s. mortgage bonds

Maximum volume of unpaid bonds: CZK 3,000,000,000

Duration of programme: 10 years

Maturity of any bonds issued in the programme: 5 years

The following bonds were issued as a part of the bond programme:

Raiffeisenbank a.s. mortgage bond 3.70/09, maturing in 2009

ISIN (International Securities Identification Number):	CZ0002000326;
Issue date:	18 February 2004;
Class:	mortgage bonds;
Form:	bearer;
Type:	dematerialised;
Total issue volume:	CZK 500,000,000;
Par value per security:	CZK 10,000;
Quantity:	50,000;
Number of coupon payments:	5;

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 3.70% p.a., payable once a year retrospectively to 18 February;

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre;

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1;

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange, RM Systém a.s.;

Bond currency: CZK;

Maturity of bonds: the mortgage bonds are payable in their par value on 18 February 2009.

Raiffeisenbank a.s. mortgage bond 5.05/09, maturing in 2009

ISIN (International Securities Identification Number):	CZ0002000417
Issue date:	23 August 2004
Class:	mortgage bonds;
Form:	bearer;
Type:	dematerialised;
Total issue volume:	CZK 500,000,000
Par value per security:	CZK 10,000
Quantity:	50,000
Number of coupon payments:	5

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 5.05% p.a., payable once a year retrospectively to 23 August

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre.

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange, RM Systém a.s.

Bond currency: CZK

Maturity of bonds: the mortgage bonds are payable in their par value on 23 August 2009.

Raiffeisenbank a.s. mortgage bond 4.60/10, maturing in 2010

ISIN (International Securities Identification Number): CZ0002000482;

Issue date: 23 March 2005;

Class: mortgage bonds;

Form: bearer;

Type: dematerialised;

Total issue volume: CZK 500,000,000

Par value per security: CZK 10,000

Quantity: 50,000

Number of coupon payments: 5

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 4.60% p.a., payable once a year retrospectively to 23 March

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre.

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange, RM Systém a.s.

Bond currency: CZK

Maturity of bonds: the mortgage bonds are payable in their par value on 23 March 2010.

Raiffeisenbank a.s. mortgage bond 4.50/10, maturing in 2010

ISIN (International Securities Identification Number): CZ0002000698;

Issue date: 21 November 2005;

Class: mortgage bonds;

Form: bearer;

Type: dematerialised;

Total issue volume: CZK 600,000,000

Par value per security: CZK 10,000

Quantity: 60,000

Number of coupon payments: 5

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 4.50% p.a., payable once a year retrospectively to 21 November

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre.

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange

Bond currency: CZK

Maturity of bonds: the mortgage bonds are payable in their par value on 21 November 2010.

Raiffeisenbank a.s. mortgage bond 4.70/11, maturing in 2011

ISIN (International Securities Identification Number): CZ0002000805;

Issue date: 24 May 2006;

Class: mortgage bonds;

Form: bearer;

Type: dematerialised;

Total issue volume: CZK 500,000,000

Par value per security: CZK 10,000

Quantity: 50,000

Number of coupon payments: 5

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 4.70% p.a., payable once a year retrospectively to 24 May

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre.

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange

Bond currency: CZK

Maturity of bonds: the mortgage bonds are payable in their par value on 24 May 2011.

Rights associated with the bonds:

All rights and obligations associated with the Bonds are governed by and construed in accordance with the laws of the Czech Republic. These rights and obligations are stipulated in the conditions for each issue.

Bond programme for Raiffeisenbank a.s.

Maximum volume of unpaid bonds: CZK 20,000,000,000

Duration of programme: 15 years

The following bonds and mortgage bonds were issued as a part of the bond programme:

Raiffeisenbank a.s. mortgage bond 4.40/11, maturing in 2011

ISIN (International Securities Identification Number):	CZ0002000888;
Issue date:	4 October 2006;
Class:	mortgage bonds;
Form:	bearer;
Type:	dematerialised;
Total issue volume:	CZK 1,800,000,000
Par value per security:	CZK 10,000
Quantity:	180,000
Number of coupon payments:	5

Interest on bonds and maturity dates for interest or other yield: fixed interest rate of 4.40% p.a., payable once a year retrospectively to 4 October

Method of transferring the bonds: transferability is not restricted; bonds are transferred on registration of the transfers at the Securities Centre, in accordance with the valid regulations of the Securities Centre.

Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4

Designated premises of the administrator: Raiffeisenbank a.s., Vodičkova 38, 111 21 Prague 1

Names of the public markets on which the securities are accepted for trading: Prague Stock Exchange

Bond currency: CZK

Maturity of bonds: the mortgage bonds are payable in their par value on 4 October 2011.

GARANTINVEST Premium Bond VAR/09 III

ISIN (International Securities Identification Number):	CZ0003701195;
Issue date:	16 October 2006;
Class:	bonds;
Form:	bearer;
Type:	certificated;
Total issue volume:	CZK 300,000,000
Par value per security:	CZK 10,000
Quantity:	30,000
Number of coupon payments:	1

Interest on bonds and maturity dates for interest or other yield: flexible interest rate according to the volatility of the PX Index share titles. Interest is paid by 16 October 2009 retrospectively;
 Maturity of the bonds: bonds will be paid in the amount of their principal on 16 October 2009;
 Method of transferring the bonds: The bonds are freely transferrable to the Issuer with no restrictions. The transferability of the Bonds by a bond holder who is not the Issuer to an entity other than the Issuer is not permitted. After ownership rights to any Bond are transferred to the Issuer, it is authorised to transfer such Bond back to any third party at any time;
 Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Designated premises of the administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Bond currency: CZK.

The bonds are not tradable on the regulated or free securities market.

Report on Related Party Transactions

GARANTINVEST Premium Bond VAR/09 IV

ISIN (International Securities Identification Number):	CZ0003701211;
Issue date:	15 December 2006;
Class:	bonds;
Form:	bearer;
Type:	certificated;
Total issue volume:	CZK 80,000,000
Par value per security:	CZK 10,000
Quantity:	8,000
Number of coupon payments:	1

Interest on bonds and maturity dates for interest or other yield: flexible interest rate according to the volatility of the PX Index share titles. Interest is paid by 15 December 2009 retrospectively;
 Maturity of the bonds: bonds will be paid in the amount of their principal on 15 December 2009;
 Method of transferring the bonds: The bonds are freely transferrable to the Issuer with no restrictions.
 The transferability of the Bonds by a bond holder who is not the Issuer to an entity other than the Issuer is not permitted. After ownership rights to any Bond are transferred to the Issuer, it is authorised to transfer such Bond back to any third party at any time;
 Issue administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Designated premises of the administrator: Raiffeisenbank a.s., Olbrachtova 2006/9, 140 21 Prague 4;
 Bond currency: CZK.

The bonds are not tradable on the regulated or free securities market.

Rights associated with the bonds:

All rights and obligations associated with the Bonds are governed by and construed in accordance with the laws of the Czech Republic. These rights and obligations are stipulated in the conditions for each issue.

under Section 66a (9) of Commercial Code 513/1991 Coll. for the Year Ended 31 December 2006

Raiffeisenbank a.s., having its registered office address at Olbrachtova 2006/9, 140 21 Prague 4, Corporate ID: 49240901, entered in the Register of Companies, Section B, File 2051, maintained at the Municipal Court in Prague on 25 June 1993 (hereinafter the "Bank"), is part of a business group (holding company) of Raiffeisen Zentralbank Österreich AG, in which the following relations between the Bank and controlling entities and between the Bank and other entities controlled by the same controlling entities (hereinafter "related parties") exist.

This report on relations between the bellow listed entities was prepared in accordance with Section 66a (9) and with regard to the legal guidance on business secrecy under Section 17 of Commercial Code 513/1991 Coll., as amended.

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 - 4.1. Other Legal Acts Undertaken with the Controlling Entities
 - 4.2. Other Legal Acts Undertaken with Other Related Parties
5. Factual Measures
 - 5.1. Measures Taken at the Initiative of Controlling Entities
 - 5.2. Measures Taken in the Interest of Other Related Parties
6. Final Statement of the Board of Directors of Raiffeisenbank a.s.

1. Controlling Entities

Raiffeisen Zentralbank Österreich AG (hereinafter "RZB"), having its registered office address at Am Stadtpark 9, 1030 Vienna, Austria, is an entity exercising indirect control over the Bank.

Raiffeisen International Bank-Holding AG (hereinafter "RI"), having its registered office address at Am Stadtpark 9, 1030 Vienna, Austria, is an entity exercising direct control over the Bank.

2. Other Related Parties

Czech Republic

Raiffeisen stavební spořitelna a.s. Prague 3, Koněvova 2747/99	RLRE Lambda Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
MB Leasing a.s. Mladá Boleslav, T.G. Masaryka 1076	RLRE Omega Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
Raiffeisen – Leasing, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Theta Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
Raiffeisen – Leasing Real Estate, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Ypsilon Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
eBanka, a.s. Prague 1, Na Příkopě 19, PSČ 117 19	HOTEL ELLEN, s.r.o. Mariánskolázeňská 25, Karlovy Vary
RLRE Alpha Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	EUBE – OC TERRONIC I., s.r.o. Kateřinská 1521/13, Prague 2
RLRE Beta Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE & EUBE- OC TERRONIC II., s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Eta Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Taurus Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Jota Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Orion Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Epsilon Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Zeus Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Kappa Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Carina Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Gamma Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	RLRE Columba Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
Real Invest Vodičkova, spol. s r.o. Vodičkova 38, 110 00 Prague 1	RLRE Dorado Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
Raiffeisen finanční poradenství, s.r.o. Prague 3, Koněvova 2747/99	RLRE Pegasus Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
RLRE Lyra Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	Phoenix Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21
Raines Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21	Perseus Property, s.r.o. Prague 4, Olbrachtova 2006/9, 140 21

Other countries

Raiffeisen Bank Rt. Akadémia utca 6, Budapest, Hungary	Raiffeisen Bank Polska S.A. Piekna street 20, Warsaw, Poland
Raiffeisenbank a.d. Resavska St. 22, Belgrade, Serbia and Montenegro	Raiffeisen Bank S.A. Mircea Vodă Blvd. 44, 030669 Bucharest 3, Romania
Raiffeisenbank Austria d.d. Petrijnska street 59, Zagreb, Croatia	Raiffeisen Centrobank AG Tegetthoffstrassel, 1020, Vienna, Austria

JSCB Raiffeisenbank Ukraine Zhylynska 43, Kiev, Ukraine	Raiffeisen Krekova Banka d.d. Slomškov trg 18, Maribor, Slovenia
RZB London Branch King William Street 10, London, Great Britain	Raiffeisen–Leasing International GmbH Am Stadtpark 9, 1020 Vienna, Austria
RZB Singapore London Branch Raffles Place 45 – 01, Singapore	Raiffeisen-Leasing Bank AG Hollandstrasse 11-13, 1020 Vienna, Austria
Raiffeisen Informatik Service Ausland GmbH (RAISA) Hollandstasse 11-13, 1020 Vienna, Austria	Raiffeisen Leasing d.o.o. Boulevard Avnoj – a45A, Belgrad, Serbia and Montenegro
Tatra Banka, a.s. Hodžovo námestie 3, 811 06, Bratislava, Slovakia	Raiffeisen International GROUP IT GmbH Hollandstrasse 11+13, 1020 Vienna, Austria

3. List of Agreements

3.1 Agreements Concluded with the Controlling Entities

Raiffeisen Zentralbank Österreich AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
6th Amendment Agreement to the Subordinated Loan Agreement 21 Dec 2001	Raiffeisen Zentralbank Österreich AG	20 Jul 2005	Increase of the total subordinated debt balance/payment of the contractual interest
Master Participation Agreement	Raiffeisen Zentralbank Österreich AG	18 May 2001	An agreement on credit risk participation, based on which 14 Credit Risk Participation Confirmations were issued in 2005/payment of contractual fees
Pledge Agreement to receivables from Deposits	Raiffeisen Zentralbank Österreich AG	30 Sep 2005	Establishing a pledge right in respect of receivables from deposits
Pledge Agreement to receivables from Deposits	Raiffeisen Zentralbank Österreich AG	23 Nov 2005	Establishing a pledge right in respect of receivables from deposits
Pledge Agreement to receivables from Deposits	Raiffeisen Zentralbank Österreich AG	25 Apr 2005	Establishing a pledge right in respect of receivables from deposits
Agreement on establishing a right of lien on Receivables from deposits	Raiffeisen Zentralbank Österreich AG	3 Jun 2005	Establishing a pledge right in respect of receivables from deposits
Counter-Guarantee for a Customs Guarantee	Raiffeisen Zentralbank Österreich AG	9 Dec 2005	Issuing a customs counter-guarantee
Counter-Guarantee for a Customs Guarantee	Raiffeisen Zentralbank Österreich AG	9 Dec 2005	Issuing a customs counter-guarantee
Bank Guarantee	Raiffeisen Zentralbank Österreich AG	15 Apr 2005	Bank guarantee/fee for issuance of the guarantee
Agreement on Issuing a Power of Attorney	Raiffeisen Zentralbank Österreich AG	16 Dec 2005	Issuing a power of attorney for RZB for the purposes of issuance of a guarantee by Multilateral Investment Guarantee Agency (MIGA)
Agreement on Issuing a Power of Attorney	Raiffeisen Zentralbank Österreich AG	17 Mar 2005	Issuing a power of attorney for RZB for the purposes of issuing a MIGA guarantee
Agreement on Issuing a Power of Attorney	Raiffeisen Zentralbank Österreich AG	17 Mar 2005	Issuing a power of attorney for RZB for the purposes of issuing a MIGA guarantee
Agreement on Issuing a Power of Attorney	Raiffeisen Zentralbank Österreich AG	5 Apr 2005	Issuing a power of attorney for RZB for the purposes of issuing a MIGA guarantee
First Amendment to the Agreement on Issuing a Power of Attorney of 16 Dec 2004	Raiffeisen Zentralbank Österreich AG	30 Mar 2005	Regulation of contractual relations for the event of not obtaining a guarantee
First Amendment to the Agreement on Issuing a Power of Attorney of 17 Mar 2005	Raiffeisen Zentralbank Österreich AG	20 May 2005	Regulation of contractual relations for the event of not obtaining a guarantee

Second Amendment to the Agreement on Issuing a Power of Attorney of 17 Mar 2005	Raiffeisen Zentralbank Österreich AG	21 Sep 2005	Regulation of contractual relations for the event of not obtaining a guarantee
Agreement on Transfer of Receivables (6 tri-lateral agreements on transferring of receivables)	Raiffeisen Zentralbank Österreich AG/Raiffeisenbank a.d. (Beograd)	15 Dec 2005	Transfer of receivables arising from a Loan Agreement/payment of the contractual price in the amount equal to 100% of the amount of receivables
Amendment No. 1 to the Agency and Representation Agreement of 16 Oct 2001	Raiffeisen Zentralbank Österreich AG/Raiffeisen Kapitalanlage G.m.b.H.	26 Jul 2004	Intermediation of payments and representation on the territory of the CR/payment of fees pursuant to the Agreement
Amendment No. 2 to the Agency and Representation Agreement of 16 Oct 2001	Raiffeisen Zentralbank Österreich AG/Raiffeisen Kapitalanlage G.m.b.H.	24 Aug 2004	Intermediation of payments and representation on the territory of the CR/payment of fees pursuant to the Agreement
Agreement on Transfer of Receivables (6 tri-lateral agreements on transferring the receivables)	Raiffeisen Zentralbank Österreich AG/Raiffeisen Leasing d.o.o	15 Dec 2005	Transfer of receivables arising from a Loan Agreement/payment of the contractual price in the amount equal to 100% of the amount of receivables
Credit Risk Participation Confirmation	Raiffeisen Zentralbank Österreich AG	27 Dec 2006	Credit risk participation/payment of contractual fees
Credit Risk Participation Confirmation	Raiffeisen Zentralbank Österreich AG	13 Oct 2006	Credit risk participation/payment of contractual fees
Credit Risk Participation Confirmation	Raiffeisen Zentralbank Österreich AG	16 Nov 2006	Credit risk participation/payment of contractual fees
Credit Risk Participation Confirmation	Raiffeisen Zentralbank Österreich AG	22 Dec 2006	Credit risk participation/payment of contractual fees
Agreement on bond issuance for Home Credit	Raiffeisen Zentralbank Österreich AG	16 Aug 2006	Agreement based on which RZB is co-manager and RBCZ as quotation agent of the bond issuance/contractual fees

Raiffeisen International Bank–Holding AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Contract of Consulting Services	Raiffeisen International Bank-Holding AG	5 Jan 2005	Consulting related to Risk, Treasury, HR and Controlling/payment of contractual fees
Contract for the provision of consulting and advisory services	Raiffeisen International Bank-Holding AG	2 May 2005	Consulting related to retail banking/payment of contractual fees
Agreement on sub-lease of non-residential premises	Raiffeisen International Bank-Holding AG	2 May 2005	Sub-lease of non-residential premises/payment of rent

In addition to the above agreements, the Bank and the controlling entities entered into other banking transactions in 2006, primarily involving loans and borrowings on the money market and fixed term contracts from which the Bank earned or paid interest and fees.

During the accounting period, the controlled entity received or provided no other performance or counter-performance in the interest, or at the initiative, of the controlling entity or entities controlled by the controlling entity outside the scope of performance or counter-performance which is customary within the controlled entity's relations with the controlling entity as the shareholder of the controlled entity.

3.2 Agreements Concluded with Other Related Parties

Raiffeisen stavební spořitelna a.s.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Co-Operation	Raiffeisen stavební spořitelna a.s.	1 Jul 2002	Intermediation of sale of construction savings services/payment of contractual commission
Agreement on Co-Operation Regarding Promotion at the Event Raiffeisen Business Circle	Raiffeisen stavební spořitelna a.s.	23 Nov 2004	Promotion of RSTS at a client event/payment of contractual remuneration
Agreement on Usage of a Call Centre	Raiffeisen stavební spořitelna a.s.	12 May 2004	Provision of call centre services for RSTS/contractual remuneration
Agreement on Provision of Services Via a Call Centre	Raiffeisen stavební spořitelna a.s.	23 Jun 2005	Provision of call centre services for RSTS/contractual remuneration
Agreement on Co-Operation	Raiffeisen stavební spořitelna a.s.	18 May 2005	Co-operation related to the sale of credit cards/contractual remuneration
Agreement on Co-Operation	Raiffeisen stavební spořitelna a.s.	11 Nov 2005	Co-operation related to the sale of credit cards/contractual remuneration
Agreement on Payment of Extra Costs of Mailing Services and Production of POS Materials	Raiffeisen stavební spořitelna a.s.	19 Oct 2005	Paying the costs of production and mailing of advertising leaflets
Amendment No. 1 to the Lease contract	Raiffeisen stavební spořitelna a.s.	23 Jan 2006	lease of premises/ payment of rent
Agreement on Co-Operation Regarding Promotion at the Event Raiffeisen Business Circle	Raiffeisen stavební spořitelna a.s.	31 Jan 2006	Promotion of RSTS at a client event/payment of contractual remuneration
Agreement on cooperation in direct mailing	Raiffeisen stavební spořitelna a.s.	20 Dec 2006	direct mailing to the clients for purpose of offering each party's products/payment of the commission

MB Leasing a.s.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Loan Agreement	MB Leasing a.s.	8 Nov 2002	Provision of a loan/payment of contractual interest
Amendment No. 6 to the Loan Agreement of 8 Nov 2002	MB Leasing a.s.	24 Aug 2004	Amendment to the contractual relations
Loan Agreement	MB Leasing a.s.	29 Jan 2004	Provision of a loan/payment of contractual interest
Amendment No. 3 to the Loan Agreement of 29 Jan 2004 as amended by later amendments	MB Leasing a.s.	15 Nov 2005	Extending the repayment schedule until 25 November 2005
Loan Agreement	MB Leasing a.s.	15 Sep 2005	Provision of a loan/payment of contractual interest
Amendment No. 1 to the Loan Agreement of 15 Sep 2005	MB Leasing a.s.	15 Nov 2005	Extending the repayment schedule until 30 November 2006
Agreement on Setting up and Keeping a Bank Account	MB Leasing a.s.	23 Mar 2006	Establishing and maintaining a current bank account/ payment of contractual fees
Agreement on Setting up and Keeping a Bank Account	MB Leasing a.s.	11 Apr 2006	Establishing and maintaining a current bank account/ payment of contractual fees
Agreement on Accounting services	MB Leasing a.s. Raiffeisen – Leasing, s.r.o.	1 Mar 2006	ensuring of accounting for MB Leasing a.s./ payment of contractual fees
Agreement on keeping of the documents and providing other services	MB Leasing a.s. Raiffeisen – Leasing, s.r.o.	1 Mar 2006	ensuring of keeping of documents for MB Leasing a.s./ payment of contractual fees

Raiffeisen – Leasing, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Co-Operation in the area of promotion	Raiffeisen – Leasing, s.r.o.	3 Jan 2005	Cross-promotion and advertising/ payment of costs pursuant to the Agreement
Agreement on Co-Operation in the area of credit risks	Raiffeisen – Leasing, s.r.o.	12 Jan 2004	Provision of credit risk analyses/ payment of fees and costs pursuant to the Agreement
Agreement on Co-Operation in the area of treasury	Raiffeisen – Leasing, s.r.o.	30 Jun 2004	Co-operation in the area of treasury/ payment of remuneration and costs pursuant to the Agreement
Loan Agreement	Raiffeisen – Leasing, s.r.o.	28 Nov 2005	Provision of a loan/ payment of contractual interest
Agreement on Non-Exclusive Business Representation	Raiffeisen – Leasing, s.r.o.	30 Dec 2005	Business representation/ payment of contractual commission
Agreement on provision of services via a call centre	Raiffeisen – Leasing, s.r.o.	25 Jan 2005	Provision of call centre services/ payment of contractual remuneration
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	11 May 2001	Operating lease of computer and office equipment/ contractual remuneration
Amendment No. 2 to the Leasing Agreement of 11 May 2001	Raiffeisen – Leasing, s.r.o.	30 Jun 2005	Regulation of contractual remuneration and lease termination date
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	11 May 2001	Operating lease of a set of equipment of a unit/ contractual remuneration
Amendment No. 2 to the Leasing Agreement of 11 May 2001	Raiffeisen – Leasing, s.r.o.	30 Jun 2005	Regulation of contractual remuneration and lease termination date
Lease Agreement	Raiffeisen – Leasing, s.r.o.	11 May 2001	Operating lease of a set of equipment of a unit/ contractual remuneration
Amendment No. 2 to the Leasing Agreement of 11 May 2001	Raiffeisen – Leasing, s.r.o.	30 Jun 2005	Regulation of contractual remuneration and lease termination date
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	11 May 2001	Operating lease of a set of equipment of a unit/ contractual remuneration
Amendment No. 2 to the Leasing Agreement of 11 May 2001	Raiffeisen – Leasing, s.r.o.	30 Jun 2005	Contractual remuneration and lease termination date
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	5 Oct 2001	Operating lease of an IBM server with peripherals/ contractual remuneration
Amendment No. 2 to the Leasing Agreement of 5 Oct 2001	Raiffeisen – Leasing, s.r.o.	30 Jun 2005	Regulation of contractual remuneration and lease termination date
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	11 Feb 2002	Operating lease of computer and office equipment/ contractual remuneration
Amendment No. 1 to the Leasing Agreement of 11 Feb 2002	Raiffeisen – Leasing, s.r.o.	31 Mar 2005	Regulation of contractual remuneration and lease termination date
Leasing Agreement	Raiffeisen – Leasing, s.r.o.	11 Feb 2002	Operating lease of a set of glass and aluminium structures/ contractual remuneration
Amendment No. 1 to the Leasing Agreement of 11 Feb 2002	Raiffeisen – Leasing, s.r.o.	31 Mar 2005	Regulation of contractual remuneration and lease termination date
Agreement on confidentiality	Raiffeisen – Leasing, s.r.o.	1 Jan 2006	assuring of confidentiality during the cross-offering of products to the clients
Agreement on Co-Operation in the area of promotion	Raiffeisen – Leasing, s.r.o.	6 Jan 2006	Cross-promotion and advertising/ payment of costs pursuant to the Agreement
Agreement on Co-Operation	Raiffeisen – Leasing, s.r.o.	3 Jan 2006	Cross-offering of products to the clients
Agreement on Co-Operation in the area of credit risks	Raiffeisen – Leasing, s.r.o.	1 Aug 2006	Provision of credit risk analyses/ payment of fees and costs pursuant to the Agreement
Agreement on Co-Operation and providing of some services	Raiffeisen – Leasing, s.r.o.	7 Sep 2006	Provision of system services and support in IT area/ payment of fees and costs pursuant to the Agreement

Amendment No. 1 to the Credit agreement dated 28.11.2005	Raiffeisen – Leasing, s.r.o.	27 Sep 2006	contractual stipulation of possibility of using of letter of credit and final maturity of credit
Amendment No. 2 to the Credit agreement dated 28.11.2005	Raiffeisen – Leasing, s.r.o.	27 Nov 2006	increasing of credit line/ payment of contractual fees
Agreement on Accounting services	Raiffeisen – Leasing, s.r.o. MB Leasing a.s.	1 Mar 2006	ensuring of accounting for MB Leasing a.s./ payment of contractual fees
Agreement on keeping of the documents and providing other services	Raiffeisen – Leasing, s.r.o. MB Leasing a.s.	1 Mar 2006	ensuring of keeping of documents for MB Leasing a.s./ payment of contractual fees

Raiffeisen – Leasing Real Estate, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Co-Operation in the Area of Credit Risks	Raiffeisen – Leasing Real Estate, s.r.o.	12 Jan 2004	Provision of credit risk analyses/ payment of fees and costs pursuant to the Agreement
Agreement on Electronic Banking	Raiffeisen – Leasing Real Estate, s.r.o.	19 Jan 2004	Installation of an electronic banking system/ contractual remuneration
Amendment No. 1 to the Agreement on Using Electronic Banking of 19 Jan 2004	Raiffeisen – Leasing Real Estate, s.r.o.	26 Oct 2005	Regulation of contractual remuneration
Agreement on Setting up and Keeping a Bank Account	Raiffeisen – Leasing Real Estate, s.r.o.	19 Apr 2004	Establishing and maintaining a current bank account/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	18 Jan 2005	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	18 Jan 2005	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Co-Operation in the area of treasury	Raiffeisen – Leasing Real Estate, s.r.o.	15 Nov 2004	Cooperation in the area of treasury/ payment of agreed-upon remuneration and costs
Agreement on Co-Operation in the area of treasury	Raiffeisen – Leasing Real Estate, s.r.o.	30 Nov 2006	Cooperation in the area of treasury/ payment of agreed-upon remuneration and costs
Memorandum	Raiffeisen – Leasing Real Estate, s.r.o.	5 Sep 2006	Common statement related to the option rights
Amendment No. 1 to the Agreement on Escrow Account	Raiffeisen – Leasing Real Estate, s.r.o. FONTÁNA HOTEL, s.r.o.	1 Feb 2006	Stipulation of contractual conditions
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	28 Mar 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	28 Mar 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	7 Jun 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	7 Jun 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	7 Jun 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees

Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	7 Jun 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	18 Sep 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	18 Sep 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	Raiffeisen – Leasing Real Estate, s.r.o.	18 Sep 2006	Setting up a special account for the purposes of founding a business company/ payment of contractual fees

eBanka, a.s.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Frame contract on Co-operation	eBanka, a.s.	20 Nov 2006	general stipulation of rules for cross-offering of the products/ payment of contractual fees (provisions)
Implementing Agreement No. 1 to the Frame contract on Co-operation	eBanka, a.s.	20 Nov 2006	general stipulation of rules for cross-offering of the products/ payment of contractual fees (provisions)
Implementing Agreement No. 1 to the Frame contract on Co-operation	eBanka, a.s.	21 Dec 2006	general stipulation of rules for cross-offering of the products/ payment of contractual fees (provisions)
Agreement on Co-Operation in the area of risk management	eBanka, a.s.	27 Dec 2006	Provision of credit risk analyses/ payment of fees and costs pursuant to the Agreement
Agreement on special account for payment of the capital increase	eBanka, a.s.	29 Dec 2006	opening of special account for purpose of increase of basic capital/ payment of the contractual fees

RLRE Alpha Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Alpha Property, s.r.o.	24 Jun 2002	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Beta Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Beta Property, s.r.o.	24 Jun 2002	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Eta Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Eta Property, s.r.o.	23 Aug 2004	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Jota Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Jota Property, s.r.o.	1 Nov 2004	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Epsilon Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Epsilon Property, s.r.o.	2 Dec 2003	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Kappa Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Pledge Agreement to shares	RLRE Kappa Property, s.r.o.	10 Jan 2005	Establishing a pledge right in respect of shares
Pledge Agreement to shares	RLRE Kappa Property, s.r.o.	14 Mar 2005	Establishing a pledge right in respect of shares
Pledge Agreement to shares	RLRE Kappa Property, s.r.o.	15 Apr 2005	Establishing a pledge right in respect of shares
Patronate Agreement	RLRE Kappa Property, s.r.o./RLRE Lambda Property s.r.o.	29 Dec 2004	Agreement on the manner of future management of the companies in question
Agreement on Setting up and Keeping a Bank Account	RLRE Kappa Property, s.r.o.	1 Nov 2004	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Gamma Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Gamma Property, s.r.o.	24 May 1999	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Lambda Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Share Pledge Agreement	RLRE Lambda Property, s.r.o.	10 Jan 2005	Establishing a pledge right in respect of shares
Share Pledge Agreement	RLRE Lambda Property, s.r.o.	14 Mar 2005	Establishing a pledge right in respect of shares
Share Pledge Agreement	RLRE Lambda Property, s.r.o.	15 Apr 2005	Establishing a pledge right in respect of shares
Agreement on Setting up and Keeping a Bank Account	RLRE Lambda Property, s.r.o.	1 Nov 2004	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Omega Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Omega Property, s.r.o.	10 Oct 2005	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Theta Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Theta Property, s.r.o.	12 Aug 2004	Establishing and maintaining a current bank account/ payment of contractual fees

RLRE Ypsilon Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Ypsilon Property, s.r.o.	10 Oct 2005	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Taurus Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Escrow account Agreement	RLRE Taurus Property, s.r.o. Skanska CZ a.s.	28 Dec 2006	Creating a bank account with specific conditions for handling the funds
Agreement on Setting up and Keeping a Bank Account	RLRE Taurus Property, s.r.o.	2 May 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Orion Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	RLRE Orion Property, s.r.o.	2 May 2006	Setting up a special account for the purposes of founding a business company/payment of contractual fees
Agreement on Setting up and Keeping a Bank Account	RLRE Orion Property, s.r.o.	2 May 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Zeus Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Zeus Property, s.r.o.	22 Jun 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Pegasus Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Pegasus Property, s.r.o.	25 Jul 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Lyra Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up a Special Account for the Purposes of Paying up the Contribution while Founding a Business Company	RLRE Lyra Property, s.r.o.	28 Mar 2006	Setting up a special account for the purposes of founding a business company/payment of contractual fees
Agreement on Setting up and Keeping a Bank Account	RLRE Lyra Property, s.r.o.	2 May 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Carina Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Carina Property, s.r.o.	25 Jul 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Columba Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Columba Property, s.r.o.	25 Jul 2006	Establishing and maintaining a current bank account/payment of contractual fees

RLRE Dorado Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE Dorado Property, s.r.o.	25 Jul 2006	Establishing and maintaining a current bank account/payment of contractual fees

Raines Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	Raines Property, s.r.o.	23 Nov 2006	Establishing and maintaining a current bank account/payment of contractual fees

Phoenix Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	Phoenix Property, s.r.o.	23 Nov 2006	Establishing and maintaining a current bank account/payment of contractual fees

Perseus Property, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	Perseus Property, s.r.o.	23 Nov 2006	Establishing and maintaining a current bank account/payment of contractual fees

HOTEL ELLEN, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	HOTEL ELLEN, s.r.o.	3 Dec 2003	Establishing and maintaining a current bank account/payment of contractual fees

EUBE – OC TERRONIC I., s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	EUBE – OC TERRONIC I., s.r.o.	8 Nov 2005	Establishing and maintaining a current bank account/payment of contractual fees
Agreement on Term deposit	EUBE – OC TERRONIC I., s.r.o.	8 Dec 2005	Interest on term deposit/payment of contractual fees
Agreement on Setting up and Keeping a Bank Account	EUBE – OC TERRONIC I., s.r.o.	24 Nov 2003	Establishing and maintaining a current bank account/payment of contractual fees

RLRE & EUBE – OC TERRONIC II., s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting up and Keeping a Bank Account	RLRE & EUBE – OC TERRONIC II., s.r.o.	21 Jul 2003	Establishing and maintaining a current bank account/payment of contractual fees

Real Invest Vodičkova, spol. s r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Lease of Non-Residential Premises	Real Invest Vodičkova, spol. s r.o.	26 Nov 2002	Lease of non-residential premises/contractual remuneration

Raiffeisen finanční poradenství, s.r.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Business Representation	Raiffeisen finanční poradenství s.r.o.	1 Oct 2005	Offering products, advertising and promotion/contractual remuneration

Raiffeisen Bank Rt.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Nostro account	Raiffeisen Bank Rt.	2 Aug 2001	Maintaining of nostro account/payment of contractual fees

Raiffeisenbank a.d.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Loan Agreement	Raiffeisenbank a.d.	21 Dec 2004	Provision of a loan/payment of contractual interest
Amendment No. 1 to the Loan Agreement of 21 Dec 2004	Raiffeisenbank a.d.	30 Mar 2005	Regulation of contractual relations until 30 April 2005
Loan Agreement	Raiffeisenbank a.d.	14 Jun 2005	Provision of a loan/payment of contractual interest

Raiffeisenbank Austria d.d.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Nostro account	Raiffeisenbank Austria d.d.	21 May 2001	Maintaining of nostro account/payment of contractual fees

Raiffeisen Informatik Service Ausland GmbH (RAISA)

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on co-operation	Raiffeisen Informatik Service Ausland GmbH	2 Aug 2002	Co-operation in IT area/payment of the contractual fees and refund of costs

Tatra Banka, a.s.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Risk Participation	Tatra Banka, a.s.	18 May 2005	Credit risk participation/payment of contractual fees
Agreement on Risk Participation	Tatra Banka, a.s.	18 Aug 2005	Credit risk participation/payment of contractual fees
Agreement on Risk Participation	Tatra Banka, a.s.	16 Nov 2005	Credit risk participation/payment of contractual fees
Loan Agreement	Tatra Banka, a.s.	17 May 2005	Provision of a loan/payment of contractual interest
Amendment No. 1 to the Loan Agreement of 17 May 2005	Tatra Banka, a.s.	16 Nov 2005	Regulation of rights and obligations
Agreement on Pledge Right to State Securities	Tatra Banka, a.s.	19 May 2005	Establishing a pledge right in respect of bonds
Amendment No. 1 to the Agreement on Pledge Right to Securities of 19 May 2005	Tatra Banka, a.s.	16 Nov 2005	Regulation of rights and obligations
Agreement on Syndicated Investment Loan	Tatra Banka, a.s.	12 Dec 2005	Provision of a loan/payment of contractual interest
Credit Risk Participation Confirmation	Tatra Banka, a.s.	30 Oct 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	30 Oct 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	30 Oct 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	7 Dec 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	18 Dec 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	21 Dec 2006	Credit risk participation/ payment of contractual fees
Credit Risk Participation Confirmation	Tatra Banka, a.s.	21 Dec 2006	Credit risk participation/ payment of contractual fees

Raiffeisen Bank Polska S.A.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Setting a Right of Pledge Regarding Receivables from Deposits	Raiffeisen Bank Polska S.A./OFO Polska Sp. Z o.o.	25 Aug 2005	Establishing a pledge right in respect of receivables from deposits

Raiffeisen Bank S.A.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Nostro account	Raiffeisen Bank S.A.	19 Aug 2005	Maintaining of nostro account/payment of contractual fees

Raiffeisen Centrobank AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Agreement on Provision of financial markets Analysis	Raiffeisen Centrobank AG	1 May 2005	Provision of PSE stock market analyses/payment of agreed-upon remuneration
Agreement on sub-lease of non-residential premises and lease of movables	Raiffeisen Centrobank AG	12 Dec 2003	Sub-lease of non-residential premises and lease of movables/payment of rent

Raiffeisen Krekova Banka d.d.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Credit Agreement	Raiffeisen Krekova Banka d.d.	3 Jun 2005	Provision of a loan/payment of contractual interest
Side Letter to the Credit Agreement of 3 June 2005	Raiffeisen Krekova Banka d.d.	3 Jun 2005	Setting the amount of the loan
Amendment No. 1 to the Credit Agreement of 3 June 2005	Raiffeisen Krekova Banka d.d.	26 Aug 2005	Agreement on the manner of paying interest
Loan Agreement	Raiffeisen Krekova Banka d.d.	14 Sep 2005	Provision of a loan/payment of contractual interest
Side Letter to the Credit Agreement on Loan of 14 Sep 2005	Raiffeisen Krekova Banka d.d.	6 Sep 2005	Setting the amount of the funds to be drawn
Amendment No. 1 to the Agreement on Loan of 14 Sep 2005	Raiffeisen Krekova Banka d.d.	1 Dec 2005	Extending the loan period

Raiffeisen – Leasing International GmbH

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Intercreditor Agreement	Raiffeisen – Leasing International GmbH	10 Mar 2005	Agreement on joint action regarding debtors
Syndicate Agreement	Raiffeisen – Leasing International GmbH	3 May 2004	Agreement on cooperation in the area of corporate governance
Amendment to the Intercreditor Agreement of 10 Mar 2005	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./RLRE Lambda Property s.r.o.	24 June 2005	Additional regulation of contractual relations
Participation Refinancing Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./RLRE Lambda Property s.r.o.	21 Oct 2005	Agreement on participation in the loan refinancing arrangement
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./RLRE Lambda Property s.r.o.	24 Oct 2005	Creating a bank account with specific conditions for handling the funds
Intercreditor Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./RLRE Lambda Property, s.r.o.	29 Dec 2004	Agreement on joint future steps to be taken
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./RLRE Lambda Property s.r.o.	29 Dec 2004	Establishing a bank account with specific conditions for handling the funds

Raiffeisen – Leasing Bank AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Pledge Agreement to receivables from deposits	Raiffeisen – Leasing Bank AG	27 Jan 2005	Establishing a pledge right in respect of receivables from deposits

Raiffeisen Leasing d.o.o.

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Credit Agreement	Raiffeisen Leasing d.o.o.	4 Apr 2005	Provision of a loan/payment of agreed-upon interest
Amendment No. 1 to the Credit Agreement of 4 Apr 2005	Raiffeisen Leasing d.o.o.	28 June 2005	Regulation of contractual relations
Amendment No. 2 to the Credit Agreement of 4 Apr 2005	Raiffeisen Leasing d.o.o.	26 Sep 2005	Regulation of contractual relations
Credit Agreement	Raiffeisen Leasing d.o.o.	28 June 2005	Provision of a loan/payment of agreed-upon interest
Amendment No. 1 to the Credit Agreement of 28 June 2005	Raiffeisen Leasing d.o.o.	26 Sep 2005	Regulation of contractual relations
Amendment No. 2 to the Credit Agreement of 28 June 2005	Raiffeisen Leasing d.o.o.	18 Oct 2005	Regulation of contractual relations
Credit Agreement	Raiffeisen Leasing d.o.o.	28 Jun 2005	Provision of a loan/payment of agreed-upon interest
Amendment No. 1 to the Credit Agreement of 28 June 2005	Raiffeisen Leasing d.o.o.	26 Sep 2005	Regulation of contractual relations
Amendment No. 2 to the Credit Agreement of 28 June 2005	Raiffeisen Leasing d.o.o.	18 Oct 2005	Regulation of contractual relations

Raiffeisen International GROUP IT GmbH

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Frame Agreement on providing services in IT area	Raiffeisen International GROUP IT GmbH	27 Apr 2005	provision of services in IT/ payment of contractual fees

In addition to the above agreements, the Bank and other related parties entered into other banking transactions in 2006, primarily involving loans and borrowings on the money market and fixed term contracts from which the Bank earned or paid interest and fees.

4. Other Legal Acts

4.1 Other Legal Acts Undertaken with the Controlling Entities

Raiffeisen Zentralbank Österreich AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/counter-performance
Granting a Power of Attorney to negotiate with the aim to conclude a guarantee agreement with MIGA	Raiffeisen Zentralbank Österreich AG	17 Mar 2005	Issuing a power of attorney for RZB
Granting a Power of Attorney to negotiate with the aim to conclude a guarantee agreement with MIGA	Raiffeisen Zentralbank Österreich AG	17 Mar 2005	Issuing a power of attorney for RZB

Granting a Power of Attorney to negotiate with the aim to conclude a guarantee agreement with MIGA	Raiffeisen Zentralbank Österreich AG	5 Apr 2005	Issuing a power of attorney for RZB
Granting a Power of Attorney for had over of receivables	Raiffeisen Zentralbank Österreich AG	16 Jan 2006	granting of power of attorney for RZB
Granting a Power of Attorney for had over of receivables	Raiffeisen Zentralbank Österreich AG	23 Jan 2006	granting of power of attorney for RZB

Raiffeisen International Bank-Holding AG

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Resolution of the General Meeting of Raiffeisenbank a.s. – Payment of dividends for the year 2005	Raiffeisen International Bank-Holding AG	28 Apr 2006	Payment of dividends based on the resolution of the annual general meeting
Decision of the Management Board of Raiffeisen International Bank – Holding AG	Raiffeisenbank a.s.	23 Nov 2006	establishment of control in fact of Raiffeisenbank a.s. over eBanka, a.s.

4.2 Other Legal Acts Undertaken with Other Related Parties

Name of the Legal Act	Counterparty	Contract date	Description of performance/ counter-performance
Resolution of the General Meeting of Raiffeisen stavební spořitelna, a.s. – Payment of dividends for the year 2005	Raiffeisenbank a.s.	24 Apr 2006	Payment of dividends based on the resolution of the general meeting

5. Other Factual Measures

5.1 Measures Taken at the Initiative of the Controlling Entities

Raiffeisen Zentralbank Österreich AG

Measure	Counterparty	Date of conclusion
The Board of Raiffeisenbank a.s. approved the issuing of customs guarantees/counter-guarantees with Raiffeisen Zentralbank Österreich AG	Raiffeisen Zentralbank Österreich AG	15 Nov 2005

General Limits

In line with the decision of the controlling entity, the Bank has approved general limits for related party transactions concerning current deposits and term deposits, loans, repurchase transactions, treasury shares, letters of credit, issued and accepted guarantees.

5.2 Measures Taken in the Interest of Other Related Parties

MB Leasing a.s.

Measure	Counterparty	Date of conclusion
The Board of Directors of Raiffeisenbank a.s. approved the provision of a Credit for MB Leasing, a.s.	MB Leasing, a.s.	15 Sep 2005

Raiffeisenbank a.d.

Measure	Counterparty	Date of conclusion
The Board of Directors of Raiffeisenbank a.s. approved the provision of a Credit for Raiffeisenbank a.d.	Raiffeisenbank a.d.	29 Mar 2005

Tatra banka, a.s.

Measure	Counterparty	Date of conclusion
The Board of Directors of Raiffeisenbank a.s. approved the provision of a Credit for Tatra banka, a.s.	Tatra Banka, a.s.	12 Apr 2005
The Board of Directors of Raiffeisenbank a.s. approved the prolongation of maturity of the loan for Tatra banka, a.s.	Tatra Banka, a.s.	24 Oct 2005

Raiffeisen Krekova Banka, d.d

Measure	Counterparty	Date of conclusion
The Board of Directors of Raiffeisenbank a.s. approved the provision of a Credit for Raiffeisen Krekova Banka, d.d.	Raiffeisen Krekova Banka, d.d.	9 May 2005
The Board of Directors of Raiffeisenbank a.s. approved the provision of a Credit for Raiffeisen Krekova Banka, d.d.	Raiffeisen Krekova Banka, d.d.	10 Aug 2005
The Board of Directors of Raiffeisenbank a.s. approved the prolongation of maturity of the loan for Raiffeisen Krekova Banka, d.d.	Raiffeisen Krekova Banka, d.d.	4 Jul 2006

Raiffeisen Leasing d.o.o.

Measure	Counterparty	Date of conclusion
The Board of Directors of Raiffeisenbank a.s. approved the provision of new loans for Raiffeisen Leasing d.o.o.	Raiffeisen Leasing d.o.o.	9 Mar 2005

Report of the Supervisory Board of Raiffeisenbank a.s.

6. Final Statement of the Board of Directors of Raiffeisenbank a.s.

We state that in the report on relations between the related parties of Raiffeisenbank a.s., prepared pursuant to Section 66a (9) of the Commercial Code for the year ended 31 December 2006, we have reported, to the best of our knowledge, all:

- Agreements concluded between related parties;
- Performance and counter-performance provided to related parties;
- Other legal acts undertaken in the interest of related parties; and
- All other factual measures adopted or effected in the interest, or at the initiative, of the related parties

concluded or effected during the accounting period and known to us as of the date of signing this report.

In identifying other related parties, the Board of Directors of Raiffeisenbank a.s. referred to the information provided by the controlling entities – Raiffeisen Zentralbank Österreich AG and Raiffeisen International Bank-Holding AG.

We also state that we are not aware of any detriment incurred in connection with the above agreements, other legal acts and factual measures concluded, effected or adopted by the Bank during the year ended 31 December 2006.

- 1) The Supervisory Board carried out its tasks in accordance with Sections 197–200 of the Commercial Code, as amended, the Articles of Association of Raiffeisenbank a.s., and its rules of procedure. The Board of Directors presented reports on the bank's operations and its financial situation to the Supervisory Board at regular intervals.
- 2) The financial statements were prepared in accordance with International Accounting Standards.
- 3) The financial statements were audited by "Deloitte Audit s r. o.". In the opinion of the auditor, the financial statements accurately reflect in all material respects the financial position, assets and liabilities, and equity of Raiffeisenbank a.s. as of 31 December 2006 and the results of its operations for the year then ended in accordance with the International Accounting Standards as adopted by the EU.
- 4) The Supervisory Board examined the financial statements and the Report on Related Party Transactions 2006, including the proposed allocation of earnings, accepted the results of the audit of the financial statements for 2006, and recommended that the General Meeting approve them.

In Prague on 30 March 2007



Lubor Žalman
Chairman of the Board of Directors
and Chief Executive Officer

In Prague on 30 March 2007



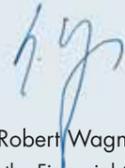
Rudolf Rabiňák
Member of the Board of Directors

Persons Responsible for the Annual Report

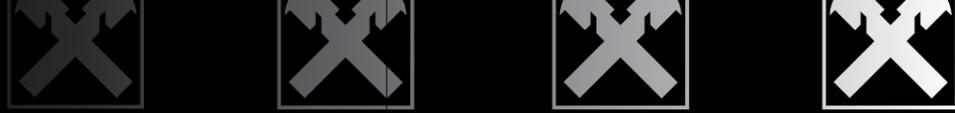
We hereby declare that the information presented in this Annual Report is truthful and that no material circumstances which could have an impact on the precise and accurate assessment of the securities issuer have been omitted.



Lubor Žalman
Chairman of the Board of Directors
and Chief Executive Officer
Raiffeisenbank a.s.



Robert Wagner
Head of the Financial Controlling
& Accounting Division



The RZB Group and Raiffeisen International at a glance



The RZB Group and Raiffeisen International at a glance

Raiffeisenbank a.s. is a member of the RZB Group and subsidiary of Raiffeisen International Bank-Holding AG. Raiffeisen International in turn is a fully consolidated subsidiary of Vienna-based Raiffeisen Zentralbank Österreich AG (RZB). RZB is the parent company of the RZB Group and the central institution of the Austrian Raiffeisen Banking Group, the country's largest banking group by total assets with the widest local distribution network.

Founded in 1927, RZB provides the full range of commercial and investment banking services in Austria and is regarded a pioneer in Central and Eastern Europe (CEE). It ranks among the region's leading banks, offering commercial, investment and retail banking services in the following markets:

■ Albania	Raiffeisen Bank Sh.a.
■ Belarus	Priorbank, OAO
■ Bosnia and Herzegovina	Raiffeisen Bank d.d. Bosna i Hercegovina
■ Bulgaria	Raiffeisenbank (Bulgaria) EAD
■ Croatia	Raiffeisenbank Austria d.d.
■ Czech Republic	Raiffeisenbank a.s. and eBanka, a.s.
■ Hungary	Raiffeisen Bank Zrt.
■ Kosovo	Raiffeisen Bank Kosovo S.A.
■ Poland	Raiffeisen Bank Polska S.A.
■ Romania	Raiffeisen Bank S.A.
■ Russia	ZAO Raiffeisenbank Austria and OAO Impexbank
■ Serbia	Raiffeisen banka a.d.
■ Slovakia	Tatra banka, a.s.
■ Slovenia	Raiffeisen Krekova banka d.d.
■ Ukraine	VAT Raiffeisen Bank Aval

Raiffeisen International Bank-Holding AG acts as these banks' steering company, owning the majority of shares (in most cases 100 or almost 100 per cent). Furthermore, many finance leasing companies (including one in Kazakhstan) are part of the Raiffeisen International Group. Raiffeisen International is a fully-consolidated subsidiary of RZB. Following the largest IPO in Austria's history in April 2005, RZB remains Raiffeisen International's majority shareholder owning 70 per cent of the capital stock. The remaining 30 per cent is free-float, owned by institutional and retail investors.

At the end of 2006, 2,848 business outlets covered the CEE-region, and over 52,700 employees served more than 12.1 million customers.

As of 31 December 2006, Raiffeisen International's balance-sheet total amounted to € 55.9 billion, up 37 per cent compared with December 2005. Consolidated profit for the period (after minorities and excluding one-off effects) according to IFRS came to € 594 million, an increase of 55 per cent compared with the same period of 2005. Including the one-off effects due to the sale of Raiffeisenbank Ukraine and of the stake in Kazakh Bank TuranAlem, consolidated profit reached € 1.18 billion. The return on equity (ROE) before tax excluding the one-off effects stated above reached 27.3 per cent (up 5.5 percentage points), and the cost/income ratio improved by 2.5 percentage points to 59.1 per cent. Including the one-off effects, the ROE before tax reached 45.4 percent.

As of year-end 2006, the RZB Group's balance sheet total amounted to € 115.6 billion, up 23 per cent compared with December 2005. IFRS-compliant profit before tax amounted to € 1,882 million, an increase of 102 per cent, including the above-mentioned one-off effects. Return on equity before tax improved by 2.8 percentage points to 26.7 per cent without one-off effects, this is once more one of the best ratios reported by any major Austrian bank. The cost/income ratio improved again to 56.7 per cent (minus 2.2 percentage points). At the reporting date, the Group employed a staff of more than 55,400 worldwide.

In addition to its banking operations – which are complemented by representative offices in Lithuania (Vilnius), Moldova (Chisinau) and Russia (Moscow) – RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management, leasing and mortgage banking.

In Western Europe and the USA, RZB operates a branch in London and representative offices in New York, Brussels, Frankfurt, Milan, Paris and Stockholm. A finance company in New York (with representative offices in Chicago and Houston) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with a representative office in Zhuhai) and Singapore as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai, Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB is rated as follows:

■ Standard & Poor's	Short-term	A1
■ Standard & Poor's	Long-term	A+
■ Moody's	Short-term	P-1
■ Moody's	Long-term	Aa2
■ Moody's	Financial Strength	C

Raiffeisen International's Vision and Mission Statement

Raiffeisen International Group is the leading banking group in Central and Eastern Europe.

- We seek long-term customer relationships.
- We provide a full range of highest quality financial services in Central and Eastern Europe.
- As a member of the RZB Group, we cooperate closely with Raiffeisen Zentralbank and the other members of the Austrian Raiffeisen Banking Group.
- We achieve sustainable and above-average return on equity.
- We empower our employees to be entrepreneurial and to show initiative, and we foster their development.

www.rzb.at

www.ri.co.at

Addresses and Contacts for RZB Group Members



Raiffeisen International Bank-Holding AG

Austria

Am Stadtpark 9, 1030 Vienna
Phone: +43-1-71 707-0
Fax: +43-1-71 707-1715
www.ri.co.at
investor.relations@ri.co.at
ri-communications@ri.co.at

Banking Network in Central and Eastern Europe

Albania

Raiffeisen Bank Sh.a.
European Trade Center, Bulevardi "Bajram Curri", Tirana
Phone: +355-4-274 912
Fax: +355-4-230 013
SWIFT/BIC: SGSBALTX
www.raiffeisen.al
Contact: Steven Grunerud
steven.grunerud@raiffeisen.al

Belarus

Priorbank, JSC
31-A, V. Khoruzhey Str.
Minsk, 220002
Phone: +375-17-289 9087
Fax: +375-17-289 9191
SWIFT/BIC: PJCBBY2X
www.priorbank.by
Contact: Olga Gelakhova
olga.gelakhova@priorbank.by

Bosnia and Herzegovina

Raiffeisen Bank d.d.
Bosna i Hercegovina
Danijela Ozme 3
71000 Sarajevo
Phone: +387-33-287 100
Fax: +387-33-213 851
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba
Contact: Michael G. Mueller
michael.mueller@rbb-sarajevo.raiffeisen.at

Bulgaria

Raiffeisenbank (Bulgaria) EAD
18/20 Ulica N. Gogol
1504 Sofia
Phone: +359-2-9198 5101
Fax: +359-2-943 4528
SWIFT/BIC: RZBBBGSF
www.rbb.bg
Contact: Momtchil Andreev
momtchil.andreev@rbb-sofia.raiffeisen.at

Croatia

Raiffeisenbank Austria d.d.
Petrijnska 59, 10000 Zagreb
Phone: +385-1-456 6466
Fax: +385-1-481 1624
SWIFT/BIC: RZBHHR2X
www.rba.hr
Contact: Vesna Ciganek-Vukovic
vesna.ciganek-vukovic@rba.hr

Czech Republic

Raiffeisenbank a.s.
Olbrachtova 2006/9
140 21 Praha 4
Phone: +420-221-141 111
Fax: +420-221-142 111
SWIFT/BIC: RZBCCZPP
www.rb.cz
Contact: Lubor Žalman
lubor.zalman@rb.cz

eBanka, a.s.

Na Příkopě 19
11719 Praha 1
Phone: +420-222-115 222
Fax: +420-222-115 500
SWIFT/BIC: EBNKCZPP
www.ebanka.cz
Contact: Pavla Pasekova
ppasekova@ebanka.cz

Hungary

Raiffeisen Bank Zrt.
Akadémia útca 6
1054 Budapest
Phone: +36-1-484 4400
Fax: +36-1-484 4444
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu
Contact: Frank Daniel
frank.daniel@raiffeisen.hu

Kosovo

Raiffeisen Bank Kosovo J.S.C.
Ruga UÇK 51, Prishtina
Phone: +381-38-222 222
Fax: +381-38-2030 1130
SWIFT/BIC: RBKOC22
www.raiffeisen-kosovo.com
Contact: Oliver Whittle
oliver.whittle@raiffeisen-kosovo.com

Poland

Raiffeisen Bank Polska S.A.
 Ul. Piękna 20
 00-549 Warszawa
 Phone: +48-22-585 2000
 Fax: +48-22-585 2585
 SWIFT/BIC: RCBWPLPW
 www.raiffeisen.pl
Contact: Piotr Czarnecki
 piotr.czarnecki@raiffeisen.pl

Romania

Raiffeisen Bank S.A.
 Piața Charles de Gaulle 15
 011857 București 3
 Phone: +40-21-306 1000
 Fax: +40-21-230 0700
 SWIFT/BIC: RZBRROBU
 www.raiffeisen.ro
Contact: Steven C. van Groningen
 centrala@raiffeisen.ro

Russia

ZAO Raiffeisenbank Austria
 Troitskaya Ul. 17/1
 129090 Moskwa
 Phone: +7-495-721 9900
 Fax: +7-495-721 9901
 SWIFT/BIC: RZBMRUMM
 www.raiffeisen.ru
Contact: Johann Jonach
 jjonach@raiffeisen.ru

OA O Impexbank

Novopeschanaya Ul. 20/10
 125252 Moskwa
 Phone: +7-495-258 3219
 Fax: +7-495-248 1370
 SWIFT/BIC: IMPERUMM
 www.impexbank.ru
Contact: Pavel Lysenko
 pavel.lysenko@impexbank.ru

Serbia

Raiffeisen banka a.d.
 Bulevar AVNOJ-a 64a
 11070 Novi Beograd
 Tel: +381-11-320 2100
 Fax: +381-11-220 7080
 SWIFT/BIC: RZBSRSBG
 www.raiffeisenbank.co.yu
Contact: Oliver Rögl
 oliver.roegl@raiffeisenbank.co.yu

Slovakia

Tatra banka, a.s.
 Hodžovo námestie 3
 811 06 Bratislava 1
 Phone: +421-2-5919 1111
 Fax: +421-2-5919 1110
 SWIFT/BIC: TATRSKBX
 www.tatrabanka.sk
Contact: Rainer Franz
 rainer_franz@tatrabanka.sk

Slovenia

Raiffeisen Krekova banka d.d.
 18 Slomškov trg, 2000 Maribor
 Phone: +386-2-229 3100
 Fax: +386-2-252 4779
 SWIFT/BIC: KREKSI22
 www.r-kb.si
Contact: Klemens Nowotny
 klemens.nowotny@r-kb.si

Ukraine

VAT Raiffeisen Bank Aval
 9, Leskova vul., 01011 Kyiv
 Phone: +38-044-490 88 88
 Fax: +38-044-295 32 31
 SWIFT/BIC: AVAL UA UK
 www.aval.ua
Contact: Angela Prigozhina
 angela.prigozhina@aval.ua

Leasing**Austria**

Raiffeisen-Leasing International GmbH
 Am Stadtpark 9, 1030 Vienna
 Phone: +43-1-71 707 2966
 Fax: +43-1-71 707 2059
Contact: Dieter Scheidl
 dieter.scheidl@rli.co.at

Albania

Raiffeisen Leasing Sh.A.
 Rruga Kavajes 44
 Tirana
 Phone: +355-4-274 920
 Fax: +355-4-232 524
Contact: Majlinda Hakani
 majlinda.hakani@raiffeisen.al

Belarus

SOOO Raiffeisen Leasing
 31A, V. Khoruzhey, 3rd floor
 220002 Minsk
 Phone: +375-17 289 9396
 Fax: +375-17 289 9394
Contact: Maksim Lisicky
 maksim.lisicky@priorbank.by

Bosnia and Herzegovina

Raiffeisen Leasing d.o.o. Sarajevo
 St. Branilaca Sarajeva No. 20
 71000 Sarajevo
 Phone: +387-33-254 340
 Fax: +387-33-212 273
 www.rlbh.ba
Contact: Belma Sekavic-Bandic
 belma.sekavic@rbb-sarajevo.raiffeisen.at

Bulgaria

Raiffeisen Leasing Bulgaria OOD
 Business Park Sofia
 Building 11, 2nd floor
 1715 Sofia
 Phone: +359-2-970 7979
 Fax: +359-2-974 2057
 www.rlbh.bg
Contact: Ekaterina Hristova
 ekaterina.hristova@rbb-sofia.raiffeisen.at

Croatia

Raiffeisen Leasing d.o.o.
 Radnicka cesta 43
 10 000 Zagreb
 Phone: +385-1-6595 000
 Fax: +385-1-6595 050
 www.rl-hr.hr
Contact: Miljenko Tumpa
 miljenko.tumpa@rl-hr.hr

Czech Republic

Raiffeisen-Leasing s.r.o.
 Olbrachtova 2006/9
 14021 Praha 4
 Phone: +420-221-51 1611
 Fax: +420-221-51 1666
Contact: Rastislav Kereskeni
 rastislav.kereskeni@rl.cz www.rl.cz

Hungary

Raiffeisen Lizing Zrt.
 Váci útca 81-85
 1139 Budapest
 Phone: +36-1-298 8200
 Fax: +36-1-298 8010
 www.raiffeisenlizing.hu
Contact: Pál Antall
 pal.antall@raiffeisen.hu

Kazakhstan

Raiffeisen Leasing Kazakhstan LLP
 146, Shevchenko str.
 Office 12, 1st floor
 050008 Almaty
 Phone: +7-327-2709 836
 Fax: +7-327-2709 831
Contact: Uwe Fisker
 uwe.fisker@rlkz.kz

Poland

Raiffeisen-Leasing Polska S.A.
 Ul. Jana Pawla II 78
 00175 Warszawa
 Phone: +48-22-562 3700
 Fax: +48-22-562 3701
 www.rl.com.pl
Contact: Arkadiusz Etryk
 arkadiusz.etryk@raiffeisen.pl



Romania

Raiffeisen Leasing IFN SA
 Calea 13 Septembrie 90
 Grand Offices Marriott Grand Hotel
 Sector 5
 76122 București
 Phone: +40-21 403 3300
 Fax: +40-21-403 3298
 www.raiffeisen-leasing.ro
Contact: Robert Pintelie
 robert.pintelie@raiffeisen-leasing.ro

Russia

OOO Raiffeisen Leasing
 Nikoloyamskaya 13/2
 109240 Moskva
 Phone: +7-495-721 9980
 Fax: +7-495-721 9901
 www.rlru.ru
Contact: Galina Kostyleva
 gkostyleva@raiffeisen.ru

Serbia

Raiffeisen Leasing d.o.o.
 Bulevar AVNOJ-a 45a
 11000 Beograd
 Phone: +381-11-201 77 00
 Fax: +381-11-313 0081
 www.raiffeisen-leasing.co.yu
Contact: Ralph Zeitzberger
 ralph.zeitberger@raiffeisen-leasing.co.yu

Slovakia

Tatra Leasing s.r.o.
 Továrenská 10
 81109 Bratislava
 Phone: +421-2-5919 3168
 Fax: +421-2-5919 3048
 www.tatraleasing.sk
Contact: Igor Horváth
 igor_horvath@tatrabanka.sk

Slovenia

Raiffeisen Leasing d.o.o.
 Tivolska 30 (Center Tivoli)
 1000 Ljubljana
 Phone: +386-1-241 6250
 Fax: +386-1-241 6268
 www.rl-sl.si
Contact: Borut Božič
 borut.bozic@raiffeisen-leasing.si

Ukraine

TOV Raiffeisen Leasing Aval
 Lesi Ukrainki Ave. 28-A
 01188 Kyiv
 Phone: +38-044-490 8842
 Fax: +38-044-490 8700
Contact: Peter Oberauer
 peter.oberauer@aval.ua

Real-estate leasing

Czech Republic

Raiffeisen Leasing Real Estate s.r.o.
 Olbrachtova 2006/9
 14021 Praha 4
 Phone: +420-221-511 608
 Fax: +420-221-511 641
 www.rlre.cz
Contact: Alois Lanegger
 alois.lanegger@rl.cz

Hungary

Raiffeisen Ingatlan Rt.
 Akadémia utca 6
 1054 Budapest
 Phone: +36-1-484 8400
 Fax: +36-1-484 8404
 www.raiffeiseningatlan.hu
Contact: László Vancsó
 lvancsko@raiffeisen.hu

Investment Banking

Bosnia and Herzegovina

Raiffeisen Bank d.d. Bosna i Hercegovina
 Danijela Ozme 3
 71000 Sarajevo
 Phone: +387-33-287 100 or 287 121
 Fax: +387-33-213 851
 www.raiffeisenbank.ba
Contact: Dragomir Grgić
 dragomir.grgic@rbb-sarajevo.raiffeisen.at

Bulgaria

Raiffeisen Asset Management EAD
 18/20 Ulica N. Gogol
 1504 Sofia
 Phone: +359-2-919 85 451
 Fax: +359-2-943 4528
 www.rbb.bg
Contact: Ivailo Grigorov
 ivailo.grigorov@rbb-sofia.raiffeisen.at

Croatia

Raiffeisenbank Austria d.d.
 Petrinjska 59, 10000 Zagreb
 Phone: +385-1-456 6466
 Fax: +385-1-456 6490
 www.rba.hr
Contact: Ivan Žižić
 ivan.zizic@rba.hr

Czech Republic

Raiffeisenbank a.s.
 Olbrachtova 2006/9
 140 21 Praha 4
 Phone: +420-221-141 863
 Fax: +420-221-143 804
 www.rb.cz
Contact: Martin Bláha
 martin.blaha@rb.cz

Hungary**Raiffeisen Bank Zrt.**

Akadémia útca 6
1054 Budapest
Phone: +36-1-484 4400
Fax: +36-1-484 4444
www.raiffeisen.hu
Contact: Gábor Liener
gliener@raiffeisen.hu

Poland**Raiffeisen Investment Polska Sp.z o.o.**

Ul. Piękna 20
00-549 Warszawa
Phone: +48-22-585 2900
Fax: +48-22-585 2901
Contact: Marzena Bielecka
marzena.bielecka@ripolska.com.pl

Romania**Raiffeisen Capital & Investment S.A.**

Piata Charles de Gaulle 15
011857 Bucuresti 1
Phone: +40-21-306 1233
Fax: +40-21-230 0684
www.rciro.ro
Contact: Dana Mirela Ionescu
dana-mirela.ionescu@rzb.ro

Russia**ZAO Raiffeisenbank Austria**

Troitskaya Ul. 17/1
129090 Moskwa
Phone: +7-495-721 9900
Fax: +7-495-721 9901
www.raiffeisen.ru
Contact: Pavel Gourine
pgourine@raiffeisen.ru

Serbia**Raiffeisen Investment AG**

Bulevar AVNOJ-a 64a
11070 Novi Beograd
Phone: +381-11-212 9220
Fax: +381-11-212 9213
Contact: Radoš Ilinčić
r.ilincic@riag.co.yu

Slovakia**Tatra banka, a.s.**

Hodžovo námestie 3
811 06 Bratislava 1
Phone: +421-2-5919 1111
Fax: +421-2-5919 1110
www.tatrabanka.sk
Contact: Igor Vida
igor_vida@tatrabanka.sk

Slovenia**Raiffeisen Krekova banka d.d.**

Slomškov trg 18, 2000 Maribor
Phone: +386-2-229 3111
Fax: +386-2-252 5518
www.r-kb.si
Contact: Gvido Jemensek
gvido.jemensek@r-kb.si

Ukraine**Raiffeisen Investment TOV**

43, Zhylyanska Str., 01033 Kyiv
Phone: +38-044-490 6898
Fax: +38-044-490 6899
Contact: Vyacheslav Yakymuk
yakymuk@rio.kiev.ua

Raiffeisen Zentralbank Österreich AG**Austria (Head Office)**

Am Stadtpark 9, 1030 Vienna
Phone: +43-1-71 707-0
Fax: +43-1-71 707 1715
SWIFT/BIC: RZBAATWW
www.rzb.at

China**Beijing Branch**

Beijing International Club,
Suite 200
21, Jianguomenwai Dajie
100020 Beijing
Phone: +86-10-6532 3388
Fax: +86-10-6532 5926
SWIFT/BIC: RZBACNBJ
Contact: Andreas Werner
andreas.werner@cn.rzb.at

Malta**Raiffeisen Malta Bank plc**

52, Il-Piazzetta, Tower Road,
Sliema SLM16, Malta
Phone: +356-2260 0000
Fax: +356-2132 0954
Contact: Anthony C. Schembri
anthony.schembri@rmb-malta.raiffeisen.at

Singapore**Singapore Branch**

One Raffles Quay
#38-01 North Tower
Phone: +65-6305 6000
Fax: +65-6305 6001
Contact: Rainer Šilhavý
rainer.silhavy@sg.rzb.at

United Kingdom**London Branch**

10, King William Street
London EC4N 7TW
Phone: +44-20-7933 8000
Fax: +44-20-7933 8099
SWIFT/BIC: RZBAGB2L
www.london.rzb.at
Contact: Ian Burns
ian.burns@uk.rzb.at

U.S.A.**RZB Finance LLC**

1133, Avenue of the Americas
16th floor, New York
N.Y. 10036
Phone: +1-212-45 4100
Fax: +1-212-944 2093
www.rzbfinance.com
Contact: Dieter Beintrexler
dbeintrexler@rzbfinance.com

Representative offices in Europe**Belgium****Brussels**

Rue du Commerce 20–22
1000 Bruxelles
Phone: +32-2-549 0678
Fax: +32-2-502 6407
Contact: Helga Steinberger
raiffbxl@raiffeisenbrussels.be

Germany**Frankfurt am Main**

Mainzer Landstrasse 51
D-60329 Frankfurt am Main
Phone: +49-69-29 92 19-18
Fax: +49-69-29 92 19-22
Contact: Dorothea Renninger
dorothea.renninger@rzb.at

France**Paris**

9–11, Avenue Franklin Roosevelt
75008 Paris
Phone: +33-1-4561 2700
Fax: +33-1-4561 1606
Contact: Harald Stoffaneller
harald.stoffaneller@fr.rzb.at

Italy**Milano**

Via Andrea Costa 2
20131 Milano
Phone: +39-02-2804 0646
Fax: +39-02-2804 0658
www.rzb.it
Contact: Maurizio Uggeri
maurizio.uggeri@it.rzb.at

Lithuania**Vilnius (Raiffeisen Bank Polska S.A.)**

A. Jaksto Street 12, 01105 Vilnius
Phone: +370-5-266 6600
Fax: +370-5-266 6601
www.raiffeisen.lt
Contact: Vladislovas Jancis
vladislovas.jancis@raiffeisen.pl

Moldova**Chisinau (Raiffeisen Bank S.A.)**

65 Stefan cel Mare blvd.
Chişinău, MD-2001
Phone: +373-22-279 331
Fax: +373-22-279 343
Contact: Victor Bodiu
victor.bodiu@rzb.md

Russia**Moskau**

14, Pretchistensky Pereulok
Building 1, 119034 Moskwa
Phone: +7-495-721 9903
Fax: +7-495-721 9907
www.raiffeisen.ru
Contact: Evgheny Rabovsky
erabovsky@raiffeisen.ru

Sweden/Nordic Countries**Stockholm**

Engelbrektsgatan 7
11432 Stockholm
Phone: +46-8-4405086
Fax: +46-8-4405089
Contact: Lars Bergström
lars.bergstrom@rzb.at

**Representative offices
in America and Asia****U.S.A.****Chicago (RZB Finance LLC)**

10 N. Martingale Road
Suite 400
Schaumburg, IL 60173
Phone: +1-847-466 1043
Fax: +1-847-466 1295
Contact: Charles T. Hiatt
chiatt@rzbfinance.com

Houston (RZB Finance LLC)

10777, Westheimer, Suite 1100
Houston, TX 77042
Phone: +1-713-260 9697
Fax: +1-713-260 9602

Contact: Stephen A. Plauche

splauche@rzbfinance.com

New York

1133, Avenue of the Americas
16th floor, New York, NY 10036
Phone: +1-212-593 7593
Fax: +1-212-593 9870

Contact: Dieter Beintrexler

dieter.beintrexler@rzb-newyork.raiffeisen.at

China**Hong Kong**

Lippo Centre, 89 Queensway
Unit 2001, 20th Floor, Tower 1
Hong Kong
Phone: +85-2-2730 2112
Fax: +85-2-2730 6028
Contact: Edmond Wong
edmond.wong@hk.rzb.at

Zhuhai

Room 2404, Yue Cai Building
188, Jingshan Road, Jida
519015 Zhuhai
Tel: +86-756-323 3500
or 323 3055
Fax: +86-756-323 3321
Contact: Susanne Zhang-Pongratz
susanne.zhang@cn.rzb.at

India**Mumbai**

87, Maker Chamber VI
Nariman Point
Mumbai 400 021
Phone: +91-22-663 01700
Fax: +91-22-663 21982
Contact: Anupam Johri
anupam.johri@in.rzb.at

Iran**Tehran (UNICO Banking Group)**

Vanak, North Shirazi Avenue
16, Ladan Str., 19917 Tehran
Phone: +98-21-804 6767-2
Fax: +98-21-803 6788
Contact: Gerd Wolf
unico@sayareh.com

South Korea**Seoul**

Leema Building, 8th floor
146-1, Soosong-dong
Chongro-ku, 110-755 Seoul
Phone: +822-398 5840
Fax: +822-398 5807
Contact: Kun Il Chung
kun-il.chung@kr.rzb.at

Vietnam**Ho Chi Minh City**

6, Phung Khac Khoan Str.,
District 1, Room G6
Ho Chi Minh City
Phone: +84-8-8297 934
Fax: +84-8-8221 318
Contact: Ta Thi Kim Thanh
ta-thi-kim.thanh@vn.rzb.at

Investment Banking**Austria****Raiffeisen Zentralbank Österreich AG**

Global Markets
Am Stadtpark 9, 1030 Vienna
Phone: +43-1-71 707-1120
Fax: +43-1-71 707-3813
www.rzb.at
Contact: Martin Czurda
martin.czurda@rzb.at

Raiffeisen Centrobank AG

Equity
Tegethoffstraße 1, 1015 Vienna
SWIFT/BIC: CENBATWW
Phone: +43-1-51 520-0
Fax: +43-1-513 4396
www.rcb.at
Contact: Eva Marchart
marchart@rcb.at

Raiffeisen Investment AG

Advisory
Tegethoffstraße 1, 1015 Wien
Phone: +43-1-710 5400-0
Fax: +43-1-710 5400-39
www.raiffeisen-investment.com
Contact: Heinz Sernetz
h.sernetz@raiffeisen-investment.com

**Subsidiaries and representative offices in Banja
Luka, Belgrade, Bucharest, Budapest, Istanbul,
Kiev, Moscow, Podgorica, Prague, Sofia and
Warsaw.**

Data accurate on 1 March 2007

The Raiffeisen Financial Group

in the Czech Republic

Raiffeisen stavební spořitelna a.s.



Raiffeisen stavební spořitelna has been operating on the Czech market since September 1993 (originally under the name AR stavební spořitelna). Raiffeisen stavební spořitelna was integrated into the Raiffeisen Financial Group in 1998 when Raiffeisen Bausparkasse GmbH increased its stake in the building society to 75%, and the remaining 25% was acquired by Raiffeisenbank a.s.

Raiffeisen stavební spořitelna offers a very attractive and secure form of savings with state assistance. In addition, it offers an ever-increasing range of loans as a source of financing for housing needs.

Raiffeisen stavební spořitelna makes every effort to increase the quality of its services in the financing of housing needs as well as the provision of professional consultation in the area of housing.

The main objective of Raiffeisen stavební spořitelna is to address all clients on an individual basis, advise them, and to continually help them find the best solution to their housing needs. More and more clients are convinced of the benefits of using building loans for remodelling, reconstruction or other housing repairs as well as for arranging their own housing. Evidence of this success can be seen in the overall volume of loans provided in 2006 – more than CZK 5.5 billion.

Raiffeisen stavební spořitelna offers its approximately 620,000 clients quality services, reliability, secure deposits and a dynamic and individual approach, and this is a good basis for building a beneficial and long-term partnership.

Raiffeisen stavební spořitelna a.s.
 Koněvova 2747/99
 130 45 Prague 3
 Tel.: +420 271 031 111
 Fax: +420 222 581 156
 E-mail: rsts@rsts.cz
 Internet: www.rsts.cz
 Toll-free infoline: 800 11 22 11



Raiffeisen – Leasing, s.r.o.

Raiffeisen-Leasing, s.r.o. was founded in 1994, and as a part of the Raiffeisen group, specialises in providing leasing services to companies and individuals. Its products and services are based on the experience and expertise of the Austrian company, Raiffeisen-Leasing International, GmbH Wien. Currently, Raiffeisen-Leasing's registered capital amounts to CZK 50 million. The company's partner institutions are Raiffeisenbank a. s. and Raiffeisen-Leasing International GmbH Wien.

In the beginning, Raiffeisen-Leasing primarily offered its services to the Raiffeisen group's clients. Over time, though, it has become a standard, universal leasing company whose aim was to offer professional and quality services to a wide variety of clients. In 2001, Raiffeisen-Leasing founded a subsidiary company to provide real estate financing – Raiffeisen-Leasing Real Estate, s.r.o. The company underwent substantial restructuring in 2003, and in the years to follow, it had successfully implemented its new business strategy focusing on the end-client and the financing of machines and equipment. The company's turnover amounted to approximately CZK 1.8 billion in 2006 – placing the company in the group of medium-size leasing companies.

Raiffeisen-Leasing offers clients financial leasing in the traditional areas of financing machinery and equipment, large technological equipment, transportation technology, construction machinery, as well as in the specialised segment of financing intangible assets (i.e. leasing derivatives). The company has also introduced to the Czech market technology financing in the form of instalments. In cooperation with Raiffeisenbank a.s., financing may be combined with banking products for the syndicated leasing financing of small and medium-size projects and small real estate financing.

Other products include supplier leasing to support dealers and manufacturers, short-term financial leasing, and leasing transactions for clients consolidating under standards different than those in the Czech Republic. In addition, the company offers special leasing models that allow clients to more effectively acquire investments in comparison with standard leasing finance products as well as other forms of procurement.

In 2006, the company continued to offer a very successful product focused on financing small and medium-size enterprises. It was introduced to the market in 2005 with the support of the joint programme of the European Union and the European Bank for Reconstruction and Development.

Since September 2005, MB Leasing a.s. has been a member of the Raiffeisen group. This company was in the past the largest privately owned leasing company on the market. MB Leasing a.s. was founded in 1993 with its headquarters in Mladá Boleslav, and Raiffeisenbank a.s. has been the 100% owner of the company since 2005. With the integration of MB Leasing a.s. in 2006, Raiffeisen-Leasing has expanded its presence on the market for financing private and commercial vehicles. Through its network of authorised car dealers, end-clients may opt between financial leasing and special purpose loans. In 2007, Raiffeisen-Leasing will focus in this particular sector on expanding the distribution network of affiliated dealers throughout the Czech Republic and on making its products more attractive.

Raiffeisen – Leasing, s.r.o.
 Olbrachtova 9
 140 21, Prague 4
 Tel: +420 221 511 611
 Fax: +420 221 511 666
 E-mail: praha@rl.cz
 www.rl.cz



UNIQA pojišťovna a.s.

UNIQA pojišťovna commenced its operations on the Czech insurance market in 1993, originally under the name Česko-rakouská pojišťovna. The company changed its name to UNIQA pojišťovna in 2001 as a part of the international strategy of the parent concern to integrate the company's identity under the brand name UNIQA. UNIQA's international concern has its headquarters in Vienna and is the largest insurance group in Austria with more than one fifth of the market. With its subsidiary companies, UNIQA operates in 16 countries throughout Europe. One of the UNIQA concern's ambitions is to be the most dynamic Austrian insurance group in Europe.

The majority shareholder of UNIQA pojišťovna is the above-mentioned UNIQA International Versicherung-Holding, GmbH with an 83.33% shareholding. The remaining share is held by the European Bank for Reconstruction and Development (EBRD). The company's registered capital amounts to CZK 480 million.

UNIQA pojišťovna holds a universal insurance licence allowing the company to carry out business in the area of both life and non-life insurance. With the exception of agricultural insurance, UNIQA offers virtually all types of insurance products covering all of its clients' needs.

In 2006, UNIQA pojišťovna held ninth position on the Czech insurance market. During the thirteen years of its existence, it has always been one of the ten largest insurance companies on the Czech market. Currently, it provides its services at 90 business locations throughout the Czech Republic. In 2006, UNIQA pojišťovna managed for the first time to exceed CZK 3 billion in portfolio premiums.

The company's repeated BBBpi rating from Standard & Poor's, one of the highest ratings on the Czech insurance market, confirms the good standing and stability of UNIQA.

UNIQA pojišťovna has closely cooperated with the Raiffeisen Group now for many years. Insurance is an integral part of financial services, and UNIQA pojišťovna develops optimised products for this purpose, such as leasing, credit and mortgage transactions. Some types of UNIQA insurance may be arranged directly at Raiffeisenbank's branch offices, among others, capital life insurance or vehicle liability insurance. This helps significantly in simplifying clients' finances and creates important synergetic effects between Raiffeisen and UNIQA pojišťovna.

In February, 2006, UNIQA pojišťovna moved to a new address. The new building became a dominant structure on Evropská Street in Prague 6. The modern building will be able to handle the higher demands of our clients and will also be more convenient for employees who may now work under one roof instead of in several locations around Prague.

UNIQA pojišťovna, a.s.
Evropská 136
160 12 Prague 6
Tel: +420 225 393 111
Fax: +420 225 393 777
E-mail: uniqa@uniqa.cz
Toll-free infoline: 800 120 020



eBanka, a.s.

eBanka, a.s. is a universal bank for private individuals and small and medium-size enterprises. It offers its clients a complete portfolio of financial products and services focusing on electronic banking. At the end of 2006, eBanka served 119,500 clients with personal or company accounts. eBanka has 42 branch offices for private individuals and 10 business centres for the SME segment. Each year, eBanka receives a number of prestigious awards in the Czech Republic and abroad for its top quality and technologically advanced products and services.

In October 1997, eBanka was founded as Expandia Banka, which was the first bank on the Czech banking market to introduce comprehensive electronic banking services. In 2000, Česká pojišťovna invested in Expandia Banka, which was the start of the bank's new expansive strategy. With this new strategy, the bank changed its name, and since 2001 has been operating under the name eBanka. Thanks to its new business and marketing strategy, eBanka began recording dynamic growth in its key financial indicators and in the number of clients. Between 2003 and 2005, eBanka underwent a substantial transformation process changing the bank from a purely Internet bank into a universal bank with a full-fledged portfolio of products and services and its own business network for serving the two key segments – PI and SME.

In October 2006, eBanka became a member of the Raiffeisen International Financial Group. eBanka is currently being integrated with Raiffeisenbank, which should finish in 2008 with the merger of both banks.

eBanka, a.s.
Na Příkopě 19
117 19 Prague 1
Fax: +420 222 115 500
Email: info@ebanka.cz
Toll-free Infoline: 800 124 100

	Address	Phone	Fax
Brno I.	Jánská 11, 601 00 Brno	542 424 811	542 424 819
Brno II.	Česká 12, 604 46 Brno	517 545 111	517 545 100
Brno III.	Masarykova 30, 602 00 Brno	532 196 811	532 196 819
Brno - Gaurt	Lidická 26, 602 00 Brno	517 545 111	517 545 100
České Budějovice I.	Náměstí Přemysla Otakara II. 13, 370 63 České Budějovice	386 707 411	386 358 171
České Budějovice II.	Milady Horákové 1498, 370 05 České Budějovice	385 790 111	385 790 119
Český Krumlov	Náměstí Svornosti 15, 381 01 Český Krumlov	380 712 705	380 712 706
Domažlice	Msgr. B. Staška 68, 344 01 Domažlice	379 775 911	379 775 919
Frydek-Místek	J. V. Sládka 84, 738 02 Frydek-Místek	558 441 310	558 441 311
Haviřov	Hlavní třída 438/73, 736 01 Haviřov	596 808 311	596 808 319
Hodonín	Národní třída 18A, 695 01 Hodonín	518 399 811	518 399 819
Hradec Králové	V Kopečku 75, 500 01 Hradec Králové	495 069 666	495 512 673
Chomutov	Žižkovo náměstí 120, 430 01 Chomutov	474 930 901	474 930 905
Jablonec nad Nisou	Komenského 8, 466 01 Jablonec nad Nisou	483 737 141	483 737 157
Jihlava	Masarykovo náměstí 35, 586 01 Jihlava	567 578 911	567 578 919
Karlovy Vary	Krále Jiřího 39, 360 01 Karlovy Vary	353 167 777	353 167 762
Kladno	Osvobozených politických vězňů 656, 271 01 Kladno 1	312 709 411	312 709 419
Liberec	Na Rybníčku 1, 460 01 Liberec	485 340 033	485 340 050
Mladá Boleslav	T. G. Masaryka 1009, 293 01 Mladá Boleslav	326 700 981	326 700 996
Most	Budovatelů 1996, 434 01 Most	476 140 211	476 140 219
Olomouc	nám. Národních hrdinů 1, 771 11 Olomouc	585 206 900	585 206 919
Opava	Horní náměstí 32, 746 01 Opava	553 759 311	553 759 330
Ostrava I.	Na Hradbách 8, 702 00 Ostrava	595 131 411	595 131 419
Ostrava II.	Velká 17, 702 00 Ostrava	596 117 020	596 117 024
Ostrava Poruba	Opavská 1114, 708 00 Ostrava-Poruba	596 912 835	596 912 837
Pardubice	K Polabinám 1893-4, 530 02 Pardubice	466 512 486	466 501 334
Písek	Velké náměstí 116, 397 01 Písek	382 759 111	382 759 119
Plzeň I.	Americká 1, 306 29 Plzeň	377 236 582	377 225 163
Plzeň II.	Americká 66, 306 29 Plzeň	377 279 411	377 279 419
Praha 1 – Národní	Národní 9, 110 00 Praha 1	221 411 911	221 411 919
Praha 1 – Vodičkova	Vodičkova 38, 111 21 Praha 1	221 141 261	221 143 323
Praha 2 – Bělehradská	Bělehradská 100, 120 00 Praha 2	221 511 281	221 511 289
Praha 2 – Karlovo náměstí	Karlovo náměstí 10, 120 00 Praha 2	224 900 711	224 900 719
Praha 4 – Budějovická	Olbrachtova 9, 140 21 Praha 4	225 541 011	221 143 019
Praha 5 – Anděl	Lidická 42, 150 00 Praha 5	251 010 811	251 010 819
Praha 5 – Zličín	Metropole Zličín, Řevnická 1/121, 150 00 Praha 5	226 082 264	226 082 263
Praha 6 – Dejvická	Dejvická 11, 160 00 Praha 6-Dejvice	233 089 711	233 089 719
Praha 6 – Evropská	Evropská 136, 160 00 Praha 6 - Dejvice	234 715 111	234 715 113
Praha 7 – Milady Horákové	Milady Horákové 10, 170 00 Praha 7	233 028 011	233 028 030
Praha 8 – Kobylisy	stanice metra Kobylisy, 182 00 Praha 8	222 623 253	222 623 254
Praha 9 – Jandova	Jandova 135/2, 190 00 Praha 9	225 545 511	225 545 513
Praha 10 – Vinohradská	Vinohradská 230, 100 00 Praha 10	274 001 779	274 001 789
Praha 10 – Moskevská	Moskevská 43, 100 00 Praha 10	271 078 813	271 078 819
Praha 10 – Hostivař	K Hrušovu 2, 102 00 Praha 10	281 004 728	281 004 729
Prostějov	Hlaváčkovo náměstí 3, 796 01 Prostějov	582 400 800	582 400 808
Šumperk	17.listopadu 9, 787 01 Šumperk	583 219 734	583 219 737
Tábor	Bílková 960, 390 02 Tábor	381 201 611	381 201 619
Teplice	28. října 7, 415 01 Teplice	417 816 061	417 816 069
Třinec	Nám. Svobody 528, 739 01 Třinec	558 944 901	558 944 905
Ústí nad Labem	Pařížská 20, 400 01 Ústí nad Labem	475 237 111	475 210 570
Zlín I.	Kvítková 552, 760 01 Zlín	577 008 040	577 008 022
Zlín II.	ř. T. Bati 642, 763 02 Zlín-Louky	577 218 315	577 218 315
Znojmo	Obroková 13, 669 02 Znojmo	515 209 711	515 209 719
Žďár nad Sázavou	Náměstí Republiky 42, 591 01 Žďár nad Sázavou	566 652 711	566 652 719

Toll free infoline 800 900 900, www.rb.cz, info@rb.cz

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