

SUCCESS NEEDS ALL OVERVIEW

ANNUAL REPORT 2006

TABLE OF CONTENTS

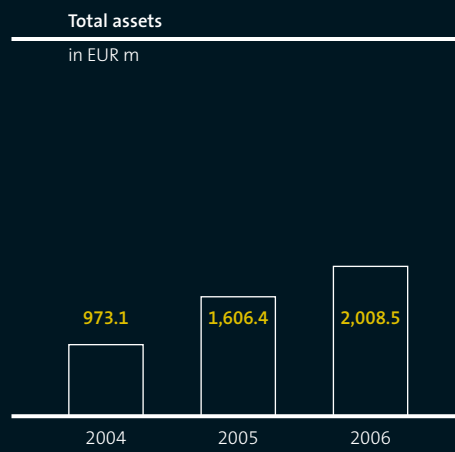
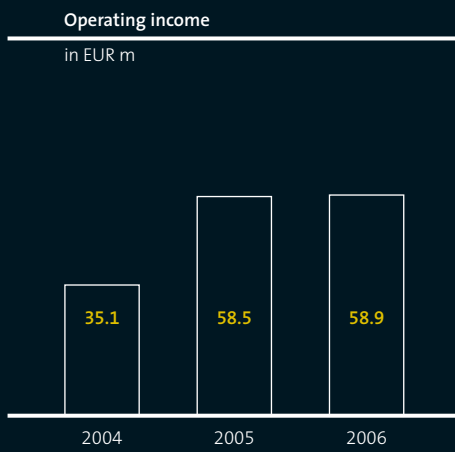
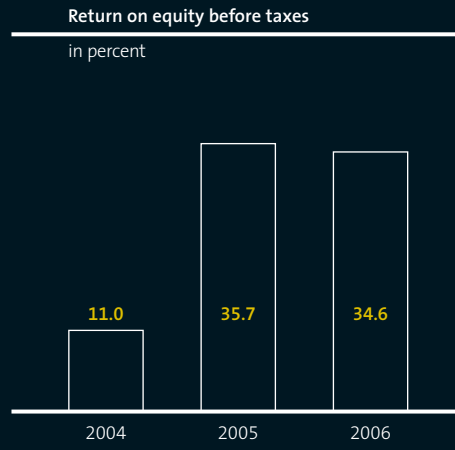
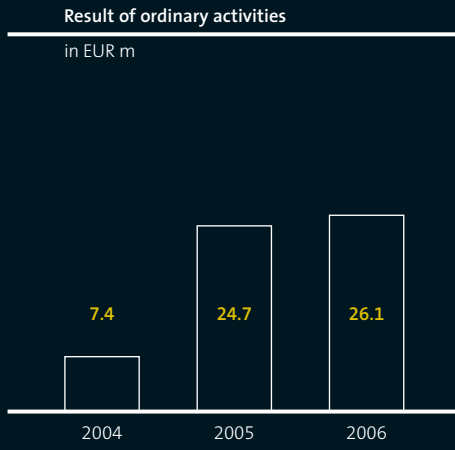
Key Figures 2006	4
Success Needs an Overview	6
The Company	20
Foreword Chairman of the Executive Board	20
Highlights of 2006	23
Corporate Bodies	24
Foreword Chairman of the Supervisory Board	26
Organisational Structure	29
The RZB Group	30
Raiffeisen Centrobank – Strategy and Vision	32
Business Segments	35
Securities Trading & Sales	35
Equity Capital Markets	36
Company Research	38
Private Banking	39
Raiffeisen Investment AG	40
Certificates – The Investment All-rounders	41
Management Report	43
Economic and Market Environment	44
Business Development 2006	46
Risk Management	52
Human Resources	57
Outlook for 2007	57
Distribution of the Profit 2006	59
Report of the Supervisory Board	60
Financial Statements	61
Balance Sheet	62
Profit & Loss Account	64
Development of Fixed Assets	66
Notes	68
Auditor's Report	80
Service	81
Subsidiaries and Representatives	82
Selected RZB Subsidiaries	83
Contacts	88

KEY FIGURES 2006

Balance sheet	2005	2006	Chg.
Amounts in EUR million			
Total assets	1,606.4	2,008.5	+ 25%
Subscribed capital	47.6	47.6	+ 0%
Equity capital	20.7	27.2	+ 31%
Capital (tier 1) before deductions	68.3	74.8	+ 10%
Total net capital resources (tier 1)	67.9	74.3	+ 9%
Required capital resources under § 22 Sect. 1 Banking Act	49.9	57.0	+ 14%
Equity ratio	10.9%	10.4%	-

Profit and loss account	2005	2006	Chg.
Amounts in EUR million			
Operating income	58.5	58.9	+ 1%
Operating expenses	- 29.7	- 32.9	+ 10%
Operating result	28.8	26.1	- 9%
Expenditures arising from the valuation of current assets and provisions for risks	- 4.0	0.0	-
Result of ordinary activities	24.7	26.1	+ 6%
Taxes	- 2.7	- 4.7	+ 73%
Annual surplus	22.0	21.4	- 3%
Adjustment of reserves	- 1.2	- 0.5	- 59%
Profit for the year	20.8	20.9	+ 1%
Profit brought forward	0.9	0.6	- 31%
Net profit	21.7	21.5	- 1%
Employees (average for the year)	162	178	+ 10%

* Calculation: total net capital resources / assessment base to determine required capital resources pursuant to Banking Act



SUCCESS NEEDS AN OVERVIEW.

OR, IN OTHER WORDS: “IT FIRST PAYS TO GO THE
WHOLE HOG, IF YOU CAN SEE THE BIG PICTURE”.

ERNST FERSTL (*1955), AUSTRIAN POET AND APHORIST

If something really applies to Raiffeisen Centrobank, it is the fact that the bank goes all out and does its utmost, as a matter of principle, to ensure the success of its customers. It is not without reason that we posted record results in 2006 for the third consecutive year. A success hat-trick, so to speak. This may sound completely natural, particularly in a branch like investment banking, but in reality it can not automatically be taken for granted. Nevertheless, as the only specialised securities bank in Austria and part of the Raiffeisen Banking Group, Raiffeisen Centrobank can claim to see the big picture – regardless of whether one is talking about IPOs, securities trading, derivatives, international mergers & acquisitions or private banking. The overview that Raiffeisen Centrobank has attained can be classified in six different dimensions:

Understanding the big picture through self-reflection, authenticity, innovation, experience, competence and specialisation.





UNDERSTANDING THE BIG PICTURE –
THROUGH SELF-REFLECTION.

GOOD VIEW, GOOD PERSPECTIVES.

Whoever rests on his laurels does
not see tomorrow's big picture.

Among the core strengths of Raiffeisen Centrobank is the willingness to adapt and the ability to be self-critical. Only by continually questioning our own methods, strategies and products (above all the successful ones) can we ensure of not chasing after opportunities, but proactively exploiting them.



UNDERSTANDING THE BIG PICTURE –
THROUGH AUTHENTICITY.

THE FIRST IMPRESSION IS (ALMOST) EVERYTHING.

The first impression is important,
but not as crucial as performance.
This means getting an overview.

Raiffeisen Centrobank is Austria's only specialist securities house. Our business focuses on equity products and the capital market – to which all our attention is dedicated. That's what we devote our time and energy to. Our customers see, hear and feel this conviction. We simply let us speak for ourselves.



22 INTERNATIONALE AKTIE

Gewinner und Verlierer des Tages aus dem Euro

EuroStoxx 50

Symbol	Wert	Veränderung
ASML	420.00	+1.2%
ASX	280.00	+0.5%
AXP	120.00	+0.8%
BEI	150.00	+0.3%
BID	180.00	+0.7%
BID	190.00	+0.6%
BID	200.00	+0.4%
BID	210.00	+0.9%
BID	220.00	+0.5%
BID	230.00	+0.7%
BID	240.00	+0.6%
BID	250.00	+0.8%
BID	260.00	+0.5%
BID	270.00	+0.7%
BID	280.00	+0.6%
BID	290.00	+0.8%
BID	300.00	+0.5%
BID	310.00	+0.7%
BID	320.00	+0.6%
BID	330.00	+0.8%
BID	340.00	+0.5%
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BID	430.00	+0.7%
BID	440.00	+0.6%
BID	450.00	+0.8%
BID	460.00	+0.5%
BID	470.00	+0.7%
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BID	820.00	+0.5%
BID	830.00	+0.7%
BID	840.00	+0.6%
BID	850.00	+0.8%
BID	860.00	+0.5%
BID	870.00	+0.7%
BID	880.00	+0.6%
BID	890.00	+0.8%
BID	900.00	+0.5%
BID	910.00	+0.7%
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BID	950.00	+0.7%
BID	960.00	+0.6%
BID	970.00	+0.8%
BID	980.00	+0.5%
BID	990.00	+0.7%
BID	1000.00	+0.6%

11 Global Titans



UNDERSTANDING THE BIG PICTURE –
THROUGH INNOVATION.

A REAL MAN RELIES ONLY ON HIMSELF.

Whoever has attained an
overview of the situation,
can rely on his own ideas.

A key component of every professional company is constantly monitoring and analysing the market and the competition. But for Raiffeisen Centrobank, innovation is the ultimate motor underlying sustainable growth – and not the systematic plundering and adaptation of ideas derived elsewhere. We are convinced that this is the only way to ensure an ongoing differentiation and thus an added value for our customers.



UNDERSTANDING THE BIG PICTURE –
THROUGH EXPERIENCE.

I SEE SOME- THING WHICH YOU DON'T SEE.

Without an overview of things,
it's pretty tough to know what
one should be looking for.

As a specialist bank with more than 33 years of experience, Raiffeisen Centrobank can draw on a wealth of know-how, when it concerns supporting our customers in their securities and capital market transactions. Combined with the global network of the Raiffeisen Banking Group as well as a strong local foothold in many markets, especially in Central and Eastern Europe, we embody competence, which enables us to act instead of reacting.



UNDERSTANDING THE BIG PICTURE –
THROUGH COMPETENCE.

SO CLOSE BY, YET SO FAR AWAY.

Seeing the big picture means
using things in the right way.

A self-developed, state-of-the-art IT-system (e.g. for our own research data base), networked know-how in many business segments (such as product and sales competence in private banking), or exploiting our belonging to the Raiffeisen Banking Group to implement capital market transactions represent just a few examples for the efficient resource management of Raiffeisen Centrobank.





UNDERSTANDING THE BIG PICTURE –
THROUGH SPECIALISATION.

SMALL BUT SMART.

One does not necessarily have
to be a giant in order to attain
an overview.

Raiffeisen Centrobank is certainly not one of the really big players in the investment banking business. But its many years of experience, focus on serving as a specialist securities house, the large number of stock exchange memberships, the affiliation with the Raiffeisen banking network and ongoing product innovation have made Raiffeisen Centrobank a strong and reliable partner for investors and companies throughout the world – with absolutely no need for us to hide.

FOREWORD

BY THE CHAIRMAN OF THE EXECUTIVE BOARD

...

How successful was the 2006 business year for you? Did you succeed in further improving upon the strong upward trend displayed last year?

...

Since its integration in the Raiffeisen Banking Group in 2002, Raiffeisen Centrobank has achieved continuous, double-digit growth. In 2006, the result on ordinary activities improved once again, rising by 5.5%.

Since our integration into the Raiffeisen Banking Group in the year 2002, we have continually posted high double-digit growth, in terms of both total business volume and earnings. In 2006, we once again surpassed the record results achieved in 2005, increasing the result on ordinary activities by 5.5%.

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Turbulent times on the markets led to an unprecedented excess supply of liquidity in 2006. Raiffeisen Centrobank profited from this development in all areas.

Which trends shaped the banking sector in 2006?

The substantial price corrections impacting the stock markets in May and June, as well as the subsequent recovery, in which the previous highs were surpassed, led to turbulent times in the banking sector, but also new record trading levels. At the same time, the commodity markets were a crucial issue, as demonstrated by the huge success of our Bull & Bear certificates. All in all, market trends were primarily shaped by an unprecedented surplus of liquidity. We profited from this development in all areas, on the capital markets and in the M&A market.

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The biggest challenges in 2007: the CEE and Russian markets.

Which new challenges will Raiffeisen Centrobank be confronted with in 2007?

The markets in the CEE region as well as Russia currently offer the most exciting and promising business environment, but operating there is naturally much more demanding, requiring new skills and methods, in order to maintain the right balance between economic success and the corresponding risk.

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The goals for the upcoming year are clearly defined: expansion of our business in Central, Eastern and South East Europe and Russia, increased certificate sales and participation in capital market transactions as well as growth in private banking.

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Raiffeisen Centrobank is the only investment bank in Austria to offer short response processes, great market proximity, sophisticated know-how and a multiple, award-winning research unit.

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Which business segments will be further expanded, and serve as growth drivers for your bank, provided that the overall business framework is conducive and market developments are favourable? *Expanding our activities in the CEE region, Russia and South East Europe will encompass not only the securities business and the sale of our own certificates, but also our serving as a financial partner for capital market transactions. Growth in the private banking segment will also contribute to improved earnings in 2007. An important pre requisite for achieving success will once again be our sophisticated research capabilities, where we will successively expand the spectrum of companies being analysed.*

How do you view the overall legal framework for your business?

Basel II, MIFID, etc., to name just a few of the more well-known regulatory initiatives, are designed to provide a higher level of stability to financial markets and greater transparency for customers. However, at the same time, the new regulations will increase the formalities and costs. Maintaining the proper cost-benefit relationship will pose an increasingly difficult challenge for the company.

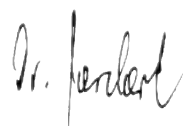
Today, Raiffeisen Centrobank is the only Austrian investment bank which successfully offers all investment bank services from a Vienna-based headquarters. What is the advantage for customers? *Short information requests make it easier for customers to identify a suitable contact at any time. Market proximity linked with our product know-how to seize upon new trends as the basis for issuing our own certificates and along with our numerous stock exchange memberships account for the quality of our services portfolio. Our top ranked research unit supports investors as well as individual companies in enhancing shareholder value, because only researched companies are able to gain new investors.*

Talking about IPOs: how do you expect the market to develop in 2007? Is there still a lot to be done on the Austrian market, or will Raiffeisen Centrobank move into other markets?

Austria continues to be our core market, where we strive to maintain our leadership position. The widespread expansion of companies to Eastern Europe, Russia and Asia means that they will have to finance growth. The stock market represents an ideal platform at the present time. Accordingly, we will expand our presence in other capital markets in the years to come, especially in CEE.

Do you want to make a concluding statement to your employees?

A service- and performance-oriented company always relies upon the know-how and the personal commitment of every individual employee. This applies particularly to our company, where the men and women of our team achieved an extraordinary performance in each segment of the business. That is why I would like to sincerely thank each employee and, at the same time, motivate them to continue their dedicated and efficient work on behalf of Raiffeisen Centrobank.



Eva Marchart, Chairman of the Executive Board

HIGHLIGHTS OF 2006

January

- > Sole financial advisor to the government of the Republic of Srpska on the sale of 65% of Telekom Srpske, the largest telecom deal in South and South East Europe in 2006.
- > Launch of a joint venture with Gazprom (Russia).
(both Raiffeisen Investment AG)

February

- > Arranger of the secondary placement of Rosenbauer International.

March

- > Alternative Investment Awards 2006: Gold for marketing, 3rd place in total rankings.

May

- > Joint lead manager and joint bookrunner of IPO of Austrian Post.
- > Co-lead manager of IPO of Zumtobel.

August

- > Co-manager of IPO of Transelectrica SA (Romania).

September

- > Co-manager of IPO of CropEnergies.

October

- > Research manager Birgit Kuras named TOP GEWINN forecasting champion.
- > Advisor to the Turkish Privatisation Agency in the privatisation of Erdemir Steelworks, one of the world's largest privatisations in 2006. *(Raiffeisen Investment AG)*

November

- > Joint lead manager and bookrunner of IPO of bene.
- > Two awards won at the German Certificate Awards.

December

- > 2nd place in the team rating and 3rd place in individual analyst rankings of the Creditreform Analyst Award.
- > Joint lead manager and joint bookrunner in the IPO of INA Industrija nafte d.d. (Croatia).

CORPORATE BODIES

...	Executive Board	
...		
...	Chairman	Eva Marchart
...		
...	Deputy Chairman	Alfred Michael Spiss
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...	Member	Gerhard Grund
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90	Supervisory Board	
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...	Chairman	Walter Rothensteiner, Chairman of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna
...		
...	Deputy Chairmen	Patrick Butler, Member of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna – First Deputy Chairman
...		
100		Herbert Stepic, Chairman, Raiffeisen International Bankholding AG, Vienna – Second Deputy Chairman
...		
...	Members	Karl Sevelda, Member of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna
...		
...		Christian Teufl, Director, Raiffeisen Zentralbank Österreich AG, Vienna
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...		Helfried Marek, Vienna
...		
...	State Commissioners	Peter Braumüller, Divisional Director Tamara Els, Deputy Assistant
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From left to right: Alfred Michael Spiss, Eva Marchart, Gerhard Grund



Walter Rothensteiner

RAIFFEISEN CENTROBANK AG VIENNA



RZB GROUP





RAIFFEISEN CENTROBANK

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As Austria's largest pure-play investment bank and a member of the Raiffeisen Banking Group, Raiffeisen Centrobank offers its customers the best of both worlds.

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The core business of Raiffeisen Centrobank is equity capital. This know-how is not only made available to institutional but also private investors.

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Raiffeisen Centrobank is special ...

The entire equity business of the Raiffeisen Banking Group, whose flagship is Raiffeisen Zentralbank, has been bundled in Raiffeisen Centrobank since it was first integrated into the banking group. As a result, Raiffeisen Centrobank has emerged as the largest Austrian pure-play investment bank, with direct access to a total of 11 stock exchanges. In addition, it takes advantage of the network operated by the Raiffeisen Banking Group. In Central and Eastern Europe, this primarily refers to the extensive local branch network established by Raiffeisen International. However, through its own IT and account management systems, Raiffeisen Centrobank operates as a fully independent entity. In other words, it offers the best of both worlds.

... but not too special

The know-how acquired in the international capital markets is also made available to our private customers, as reflected in its active private banking operations. We primarily concentrate on the securities and related businesses. In contrast, our focus is not on credit transactions. The bottom line is that our core expertise is equity capital, and this competence is reflected in the various cornerstones of our business:

Trading and Sales of shares and derivatives

Raiffeisen Centrobank has secured a leading role in Austrian share trading. The capital market is its main pillar and core business. Our team carries out approximately 10,000 transactions daily – flexibly, quickly, tailored to individual needs.

Equity Capital Markets

As one of the leading Austrian issuing banks, Raiffeisen Centrobank maintains top-notch contacts to domestic and foreign investors. The comprehensive portfolio ranging from company valuations, corporate structuring and assistance with marketing issues to consulting on public and investor relations activities builds upon these contacts. Furthermore, Raiffeisen Centrobank has set up its own Equity Capital Markets team focusing on Central and Eastern Europe, which is trying to exploit the enormous opportunities arising in these dynamically growing markets.

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Company Research

Raiffeisen Centrobank places its highly specialised knowledge at the disposal of investors and issuers, in the form of reports and publications. The companies which are evaluated also benefit: they are provided with valuable input in the form of sectoral and peer group research.

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EQUITY CAPITAL MARKETS

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As one of Austria's leading issuing banks, Raiffeisen Centrobank has served for many years as one of the initial contact points for capital market transactions.

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Every customer is treated with the same seriousness and intensity – regardless of the size and volume of the transaction. Raiffeisen Centrobank defines itself according to the added value for customers, and not the size of the deals.

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A few thoughts ...

As one of the leading issuing banks in Austria, Raiffeisen Centrobank has accumulated more than 20 years of experience in structuring and implementing equity capital markets transactions (ECM). This know-how combined with an extensive network built up over many years makes the ECM team an initial contact point for IPOs and any other form of capital market transactions carried out in Austria. Following the successful placement of Raiffeisen International, the largest domestic IPO in 2005, numerous prominent Austrian companies entrusted their initial public offerings to Raiffeisen Centrobank, such as Post AG and bene AG (office furniture).

The year 2006 was characterised by an intensified and more optimised cooperation between ECM and the Equity Trading & Sales unit within Raiffeisen Centrobank. The secondary market has increasingly emerged as a decisive distinguishing feature in the competition for ECM deals. The IPO of bene AG represents a good example of the successful linkage of the complementary areas.

... about real greatness

Nevertheless, even small mandates enjoy the same preferential treatment as larger ones. Each individual transaction is a matter of particular importance to the ECM team. Each customer is treated with the same level of seriousness and intensity, due to the fact that Raiffeisen Centrobank has not been a major player in international comparison in recent years, despite its ongoing successes in the field. As the only Austrian pure-play investment bank, it has defined itself in contrast to competitive banks in terms of the actual added value for customers and not the size of the deals. This added value is clearly in a better understanding of customer needs.

Fundamental research

The basis for every transaction is an intimate knowledge of the markets and their participants. This specialised expertise is systematically and sustainably developed by carrying out intensive research in advance, for which Raiffeisen Centrobank can rely on its economic, political and cultural integration in the Raiffeisen Banking Group. The quality of the research work is documented by the continual success of Raiffeisen Centrobank Company Research.

Post-deal support is like pre-deal service ...

For Raiffeisen Centrobank, a successful transaction does not mean the end of the partnership between the issuer and the bank. Long-term support and consulting following the completion of the transaction are among the fundamental principles guiding the bank's activities. Research coverage, roadshow planning, technical consulting or putting together share programmes all comprise part of the customer support services which are provided.

Equity Capital Markets CEE

More than two years ago, Raiffeisen Centrobank set up an Equity Capital Markets (ECM) team focused exclusively on Central and Eastern Europe (CEE). The reason is that these markets currently rank among the fastest growing and thus most attractive capital markets. One of the most sustainable economic upheavals in economic history is taking place, so to speak, right at our doorstep.

Local know-how, global access

Today the continually expanding Equity Capital Markets CEE unit is responsible for coordinating operations in 15 markets in Central, Eastern and South East Europe. As measured by its geographical presence and market coverage, Raiffeisen International is one of the most dynamic banking groups in the Central and Eastern European region, in many cases playing the role of door opener while providing professional support on location. For local companies, Raiffeisen Centrobank ECM serves as an interface to Western financial markets, i.e. as a provider of local know-how with global access – backed by the clout of a large number of direct or quasi memberships in stock exchanges, which in turn ensure the required access to secondary markets.

The main highlight of the 2006 financial year and simultaneously a crucial milestone for our equity capital markets business in CEE was certainly the Initial Public Offering of INA, the former state-owned Croatian utility company, with about 16,000 employees and a market capitalisation exceeding EUR 5 billion. However, Raiffeisen Centrobank also succeeded in being a trendsetter in other countries, in particular Romania. Furthermore, the foundation was laid for the bank's market entry in the continuously growing Russian stock market, the market capitalisation of which is twenty times higher than that of the Vienna Stock Exchange.

...
Post deal customer support – from research coverage, roadshow planning and technical support – are among the basic principles guiding our behaviour.

...
In addition to Austria, ECM is active in 15 markets in Central, Eastern and South East Europe as an interface for local companies to access Western financial markets.

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COMPANY RESEARCH

The year 2006 was characterised by the development of a comprehensive technological infrastructure to optimise our research work.

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Today's high quality analyses demand a local foothold. For this reason, more than two thirds of our senior analysts work directly on location in the CEE region.

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One of the primary targets for the year 2007 is to expand our research universe to 100 companies.

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The comprehensive coverage of Austrian and Eastern European stock exchanges developed by the Company Research department of Raiffeisen Centrobank during the last few years requires a commitment to the entire region and core competencies in the most diverse business sectors. Instead of the earlier focus on specific countries, the research specialists at Raiffeisen Centrobank cooperate within the context of cross-border sectoral teams for telecommunications, oil and gas, banks, energy and industry located in Vienna, Moscow, Warsaw, Prague, Bucharest, Budapest, Zagreb, Sarajevo and Marburg. One of the priorities of the bank's activities in the year 2006 was the development of the DMS research data base, which displays a complete analysis workflow, from data generation to publication, and thus enables an up-to-date, region-wide "central warehouse" storing all research data of the network banks. On the basis of this new platform, 26 Austrian and 64 CEE companies will be evaluated on a regular basis in accordance with standardised criteria. The medium-term goal is to expand research coverage to encompass at least 100 companies.

Nevertheless: research is not a "drive-in"

Spot analyses are not our cup of tea. Long-term support requires a long-lasting commitment. This is the only way to develop meaningful reports. Serious analyses involve personal dedication on location. A total of 15 out of 23 senior analysts now work in Eastern Europe, a commitment which will be expanded even further in the course of 2007. In this regard, it is not only the mass market which interests us, but the masses of potential target markets out there. It is often the case that the small specialised companies in niche markets represent the particularly exciting investments. Generally speaking, not only the customer benefits from this expertise, but the company being analysed, which obtains valuable input for its own business development in the form of sectoral and peer group know-how. Research has long expanded to encompass more than pure analytical work, but also consulting and networking.

Win-win situations

A high level of methodological competence as well as in-depth experience is necessary in order to achieve research results which can serve as the basis for clear-cut, resolute investment decision-making. The analysts at Raiffeisen Centrobank have both competitive advantages at their disposal. Subsequently, the Analyst Award, Austria's most prestigious research price, was bestowed upon several employees of Raiffeisen Centrobank in 2006.

What goals still remain for the year 2007? Simply speaking, the priority is to further enhance our research work. In 2007 the Company Research department aims to expand research analysis to more than 100 companies. Raiffeisen Centrobank is moving in the direction of a real-life research universe – for the benefit of investors as well as the corporate world.

PRIVATE BANKING

Private banking as practised by Raiffeisen Centrobank stands for professional and creative asset management consulting and tax optimisation by means of intelligent foundation and insurance models.

What do we mean by “private”?

For us, the term “private” not only refers to our customer base and the type of service we offer. “Private” signifies more than just a catchword to Raiffeisen Centrobank’s Private Banking department, representing the latest expansion of our service portfolio. In reality, it is a corporate philosophy we live, breathe and embody. It goes without saying that personal customer support and discretion are the very essence of a trustworthy relationship. That is why we do not only protect the assets but also the privacy of our customers, two thirds of whom are really private individuals, whereas the remaining one third are companies and foundations. First-class customer support is not only a question of style, but of competence. In this case, we are talking about know-how which Raiffeisen Centrobank has accumulated over a period of many years in its function as a specialist commercial bank for share transactions. Our private banking operates in accordance with the Swiss approach to asset management, bundling customer support services for a particular customer in the hands of one employee. This means that each key account manager is also the portfolio manager.

Others make classical investments

Raiffeisen Centrobank goes against the tide. It is both dynamic and smart in the way it carries out its business. Our employees do not focus on the mass market to benefit customers, but on that special something. The proof of the pudding is our success. Up until now, about 600 customers have demonstrated their confidence in Raiffeisen Centrobank Private Banking, entrusting a total of EUR 1.6 billion in assets to our care. Our investment approach comprises active, individual and creative portfolio management, directly linked to the precise requirements of our customers. Instead of bowing to the dictates of benchmark-oriented investments, Raiffeisen Centrobank pursues an absolute return management strategy. The cornerstone of this approach is to minimize the probability of incurring losses while striving to achieve an annual return on investment of about 10%. The average performance during the last three years, ranging from 8% to 16%, impressively demonstrates the quality of our strategy.

2006 exploited with courage

Our clearly-defined focus in the year 2006 was Austria as well as Central and Eastern Europe, featuring courageous steps in a difficult business environment. The reward was an annual performance, depending on the share ratio, of up to +20%. In the same period, total assets under management rose by more than 30%. Over the last six years, Raiffeisen Centrobank has succeeded in achieving a three-fold increase in the number of customers as well as depots.

The plan for 2007

Raiffeisen Centrobank will also lay the groundwork for expanding to Central and Eastern Europe in the field of private banking, driven by the company’s overriding business objectives and the continuously increasing dynamic level of business in private banking.

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Raiffeisen Centrobank Private Banking

adheres to the Swiss principle of asset

management, bundling customer support

in one hand i.e. each key account manager

is also the portfolio manager.

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The private banking investment approach

is an active, absolute-return management

which is not benchmark-oriented. An

average annual performance of 8% to 16%

underscores the success of this strategy.

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RAIFFEISEN INVESTMENT AG

Raiffeisen Investment is the leading M&A and privatisation consultant in Central and Eastern Europe.

In 12 markets for 17 years

Raiffeisen Investment has been successfully operating in 12 CEE markets for many years as an advisor to governments and international companies in the fields of acquisitions and privatisations.

The success and strength of Raiffeisen Investment AG, a 100% subsidiary of Raiffeisen Centrobank, is its extensive experience and local expertise in the individual markets of Central and Eastern Europe. For the last 17 years, Raiffeisen Investment AG has been operating in 12 countries in the region as a privatisation advisor to governments, as well as an advisor for acquisitions to Austrian and international companies. The local expertise of Raiffeisen Investment branch offices on location is complemented by sectoral teams focusing on various industries (e.g. telecommunications, energy, heavy industry, finance and banking, retail and financial sponsors), whose ongoing contact with companies operating in the particular sectors have provided them with an intimate knowledge of developments and trends. These sector specialists work together with local teams on the individual transactions, thus providing a basis for the high quality services.

A presentable track record

In 2006, Raiffeisen Investment not only participated in all M&A transactions in the field of mobile telephony, but is currently working on projects valued at EUR 120 billion.

In recent years, Raiffeisen Investment was involved in approximately half of all steel industry transactions in Central and Eastern Europe. In 2006, for example, Raiffeisen Investment managed the world's second largest deal in this field. Furthermore, Raiffeisen Investment participated in all privatisations and M&A transactions in South East Europe's mobile telephony sector, including Bulgaria, Serbia, Montenegro and Bosnia. Several of the largest transactions in the region's energy industry were also managed by Raiffeisen Investment. At present, the company is working on about 120 projects with a total transaction value of EUR 20 billion. Raiffeisen Investment is continuously ranked among the top 3 in the "league tables" for Central and Eastern Europe.

Impressive market dynamics

As an advisor locally positioned in a large number of CEE markets, Raiffeisen Investment has a strategic advantage when it comes to managing the increasing number of intra-CEE deals.

Raiffeisen Investment has identified a period of national consolidation in individual countries of the CEE region. In the meantime, a wave of consolidations is taking place on a supraregional basis, e.g. transactions between Polish and Ukrainian companies. This development has resulted in the creation of regional champions, which have subsequently grown to match Western European dimensions and are now thinking of implementing acquisitions in Western Europe. In the last few years, Raiffeisen Investment has positioned itself as a specialist with the capabilities of efficiently managing such transactions. That is the strategic edge arising from having accumulated the relevant know-how as well as maintaining a local presence both in the homeland of the purchasing company as well as the country of origin of the firm being acquired. The much bigger challenge in this region is the development of the M&A business in Russia, which has already commenced and which is likely to continue, but in phenomenal dimensions. Accordingly, Raiffeisen Investment is in the midst of expanding its team in Russia, in order to further improve upon its expertise, for example in the infrastructure sector. We also expect corresponding growth in the Ukraine, Turkey and Poland.

CERTIFICATES – THE INVESTMENT ALL-ROUNDERS

The certificates market in Austria and Germany has been booming for many years, and not without good reason. Certificates enable investments specially tailored to the individual risk profile and market expectations of investors. The term “all-rounders of financial investing” is absolutely justified. With certificates, investors can profit from the performance of shares, indices, precious metals, bonds and raw materials in every market phase. The types of certificates range from conservative financial products with a capital guarantee to more speculative leveraged products.

Raiffeisen Centrobank: one of Austria’s leading issuing banks

The market for certificates or structured financial products, as they are often called, represents one of the fastest growing financial markets during the last few years. More than 130,000 products are listed on EUWAX in Stuttgart, the largest certificate exchange in the world, with total trading of about EUR 88.5 billion in 2006. Raiffeisen Centrobank itself, one of the leading Austrian issuers of structured products, offers more than 1,700 certificates and warrants.

What are certificates?

From a legal point of view, certificates are a type of bond issued by an investment bank. Their yield profile depends on the development of an underlying base value, such as an index, share, raw material or a basket of several underlying instruments.

Trading with certificates functions similar to share trading. The issuer is committed to publishing ongoing prices for the purchase and sale of certificates, assuming the function of a liquidity provider. This ensures that these certificates can be traded and sold again at any time during normal trading hours. The certificates issued by Raiffeisen Centrobank are listed on the Vienna Stock Exchange and on the EUWAX in Stuttgart, and are also traded over the counter via online brokers, directly with Raiffeisen Centrobank. Raiffeisen Centrobank was the first issuer to list several certificates on the Prague Stock Exchange, and is continually expanding its portfolio of certificates traded there.

As an investment vehicle, enabling investments tailored to a special risk profile, certificates currently rank among the strongest growing forms of global investment.

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With a product portfolio of more than 1,700 issued certificates and warrants, Raiffeisen Centrobank ranks among the leading issuers in Austria.

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MANAGEMENT REPORT

Economic and Market Environment	44
Business Development 2006	46
Risk Management	52
Human Resources	57
Outlook for 2007	57
Distribution of the Profit 2006	59
Report of the Supervisory Board	60

ECONOMIC AND MARKET ENVIRONMENT

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 2006 was characterised by
 substantial growth in the midst of
 a volatile year, triggered by interest
 rate fears and record high
 raw material prices.

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There is a continued threat of
 a slowdown of U.S. GDP growth,
 primarily based on the depressed
 U.S. real estate market.

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Significant growth in all core markets

On an overall basis, the 2006 business year was shaped by a significant expansion of the global economy, which achieved real growth of about 5%. The economic upturn was powered by the Asian economies, particularly China, but also by Central and Eastern Europe, which posted GDP growth exceeding 6%. Economic growth in the USA reached a level of 3.4%, whereas growth in the eurozone was still a respectable 2.7%. In the course of the year, economic developments varied greatly. The first and second quarters were characterised by strong growth, which, in combination with high raw material prices, led to interest rate anxieties and fears of potential liquidity bottlenecks. As a consequence, May and June witnessed a considerable downturn in share prices on global stock markets. The ensuing consolidation and recovery phase was characterised by a change in economic trends. The initial growth-driven interest rate fears gave way to concerns about an upcoming recession, in connection with apprehensions about a recurrence of high inflation caused by ongoing high raw material prices, especially spiralling energy costs. In fact, none of these fears actually materialised, although prevailing conditions would have led people to believe so. It is quite a remarkable thing, that despite the price of oil remaining constant at a level of USD 50 per barrel for several years (rising in August to USD 83/b), and other raw material markets posting record prices, the global economy has neither slid into a recession, nor have the supply-side inflationary tendencies triggered an inflationary shock wave.

This overall picture of economic growth was accompanied by a moderate interest rate rise in the OECD countries, and generally speaking, bullish stock markets in a year-on-year comparison. Economic developments were particularly gratifying in 2006 in Central and Eastern Europe and the CIS countries, which posted growth rates surpassing 5%. An end to this positive development is not on the horizon in the immediate future.

Fears of stagnation in the USA in 2007

The above-mentioned fears concerning a potential slowdown in economic growth amidst rising prices had their origin in the USA, where an economic downturn has already begun. In general, one now only speaks about an economic slowdown and not a real decline, although occasionally the term "recession" has also been used openly in connection with the U.S. economy. The weak real estate market has triggered fears that private consumption will collapse, similar to the process in which the booming property market strongly increased the assets of the average American, and thus tended to have a positive impact on consumption. Due to the extremely high share of private consumption as a proportion of GDP (about 70%), worries about a significant weakening of the economy seem justified, inasmuch as a slowdown of economic growth is also being aggravated by the increasingly stifling impact of interest rate hikes.

Eurozone and CEE remain strong

Whereas an economic downturn is becoming increasingly apparent in the U.S., Europe continues to enjoy a period of strong economic growth. The prerequisites for a sustainable, upward economic development in Europe remain favourable, particularly in the light of a robust German economy, although expectations are for a considerably lower level of growth than in the USA. Even if the American economy undoubtedly has an impact on European developments, the negative effects on Europe will be limited. Real GDP growth of 2.7% in the eurozone can be primarily attributed to corporate investment activity as well as exports to the neighbouring CEE region, which has assumed the role of growth driver. Accordingly, there are solid underpinnings to growth within Europe. In the course of the economic upturn, the European Central Bank and financial markets increasingly focused on inflationary tendencies. Subsequently, the ECB successively raised interest rates in the year 2006 from an initial level of 2% to 3.25%.

The substantial economic upswing in the Asian markets, particularly China, continued unabatedly, a development which was repeatedly used to explain the ongoing high level of raw material prices. In contrast, the Japanese economy, the most important in the region, had to surprisingly revise its forecasts downwards in the fourth quarter of the year under review.

In the former Eastern Bloc countries, namely CEE, South East Europe and CIS, the initial ambitious forecasts for economic expansion and growth were usually surpassed in 2006. Generally, annual growth rates were far above the 5% mark, whereas the overall average was above 6%, although the political situation in many countries was marred by instability and uncertainty. At the beginning of 2007, Slovenia became the first country in the region to introduce the Euro as its national currency. Moreover, two additional CEE countries, namely Bulgaria and Romania, were accepted as members of the European Union, raising the total number to 27. Forecasts for the year 2007 are basically optimistic, although political tensions in some countries could temporarily tarnish the overall picture.

Mixed bond markets, continuing growth in share prices

In the more developed countries, the bond markets did not yield high returns for investors. In the eurozone, the bond market performed comparatively well, given the accelerated economic growth as well as interest rate hikes amounting to 125 basis points. After all, in the past the bond markets posted quite a negative performance during times of economic growth. However, there was a rough balance between coupon earnings and share losses. In the USA, the situation was slightly more favourable, due to the fact that there were no year-on-year price losses for benchmark bonds with a ten year maturity, due to annual bond yields which did not rise. This difference in the development of bond returns in the USA and Europe led to a further reduction of the disparity of annual bond yields to well below 1%. As already mentioned, this trend was caused by an increase in the prime interest rate set by the U.S. Federal Reserve to 5.25% in the US Dollar and by the European Central Bank to 3.25% in Euro, both of which attained record levels in recent years. The development of expectations concerning further interest rate changes in the USA and Europe also shaped the exchange

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Gratifying growth in the eurozone as well as in Central and Eastern Europe led to a successive increase in Europe's prime rate to 3.25%.

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After a very strong year once again in CEE, SEE and CIS, expectations for 2007 are optimistic, mainly due to the Euro launch in Slovenia and EU enlargement to Bulgaria and Romania.

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The yield disparity on the bond markets was further reduced to below 1% in 2006, due to differences in developments in the USA and Europe. This was primarily triggered by record interest rates following interest rate hikes.

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... rate values for the Euro against the US Dollar. During the course of the year, there was a rise in value
... from USD 1.20 per Euro to USD 1.30 per Euro. In the light of diverse growth expectations, most fore-
... casts predict a further increase in the value of the Euro against the US Dollar, anticipating values of
... up to USD 1.40 per Euro.

*In contrast to bonds, the international
stock markets developed quite positively.
The Viennese ATX and the Central
and Eastern European CECE indices
registered gains of 21% and 28%
respectively at the end of 2006.*

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In this business environment, international stock markets generally developed quite favourably. Due to a strong fourth quarter performance, they not only succeeded in recouping the heavy losses posted in the second quarter of the year, but, for the most part, concluded 2006 by registering gains. The two most important regions for Raiffeisen Centrobank generated share price gains by the end of the year. Accordingly, the Austrian ATX index posted a rise of 21%, whereas the CECE index climbed 28%. Share prices also rose on the Japanese Nikkei index and the U.S. technology index NASDAQ, but at a lower level of 9% each. The German DAXX performed much more favourably, climbing 22% in value, and the Dow Jones index on the New York Stock Exchange was up 14%. The Russian equity market developed very impressively, concluding 2006 with a 70% rise in share prices.

BUSINESS DEVELOPMENT 2006

*Following a tripling of profit after
taxes in 2005, the results on ordinary
activities rose by a further 5.6%
in 2006, to EUR 26.1m.*

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Following the 2005 business year, the most successful in the history of Raiffeisen Centrobank, in which the profit after taxes tripled compared to 2004, the bank succeeded in once again reaching this record level in the 2006 business year. It even managed to further increase the results on ordinary activities, which rose 5.6% to EUR 26.091m, up from EUR 24.720m in the preceding year. The comparison of the bank's business results in 2006 with the previous year shows operating income remaining at virtually the same level, but a 10.5% increase in operating expenses. This is reflected in the rise in staff expenses (+ 13.1%) and depreciation (+ 29.3%), resulting from the intentional strengthening of human resources as well as additional investments in IT systems, office equipment, furniture and fittings to finance the required creation of new workplaces, as well as the full year's depreciation of the commercial property acquired in the second half of 2005.

*Operating income reached
EUR 58.9m in 2006, maintaining the
same high level as in the previous year.*

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Operating income in the 2006 business year amounted to EUR 58.9m, slightly above the record results posted in 2005 (EUR 58.5m). The high level of operating income, virtually unchanged since the previous year, can be primarily attributed to increased earnings from the bank's investment activities (net interest income), as well as higher income from shares, investments in related companies and subsidiaries and variable-yield securities. In contrast, income declined from services rendered in connection with capital market transactions.

After taking account of the profit or loss arising from the valuation of receivables and securities and the disposal of shareholdings, the result on ordinary activities amounted to EUR 26.091m (2005: EUR 24.720m). Taking account of the income tax expense passed on from Group companies totalling EUR 2.926m (2005: EUR 1.801m), other taxes (in particular non-deductible VAT) amounting to EUR 1.758m (2005: EUR 0.903m), and the allocation to the liability reserve of EUR 0.509m (2005: EUR 1.235m), the total profit after taxes amounted to EUR 20.898m (2005: EUR 20.775m). After carrying out necessary capacity adjustments, the cost income ratio climbed from 50.80% in 2005 to 55.70% in 2006. The return on equity before taxes remained at a high level, reaching 34.60%, compared to 35.70% in 2005.

Business Results (Year-on-Year)

Amounts in thousand Euros	2006	Change	2005
Net interest income	6,061	+ 59.8%	3,792
Surplus on fees and commissions ¹	12,788	+ 183.8%	4,506
Results from financial trading activities ^{1,2}	38,956	- 19.5%	48,373
Remaining other operating income	1,134	- 37.7%	1,819
Operating income	58,939	+ 0.8%	58,490
Staff expenses	- 22,456	+ 13.1%	- 19,859
Other administrative expenses	- 8,235	+ 0.8%	- 8,170
Depreciation	- 2,120	+ 29.3%	- 1,640
Other operating expenses	- 42	- 37.3%	- 67
Operating expenses	- 32,853	+ 10.5%	- 29,736
Operating result	26,086	- 9.3%	28,754
Profit or loss from valuation/disposals	5	> 100%	-4,034
Result of ordinary activities	26,091	+ 5.5%	24,720
Annual surplus	21,407	- 2.7%	22,010
Reserves	- 509	- 58.8%	- 1,235
Profit after taxes	20,898	+ 0.6%	20,775

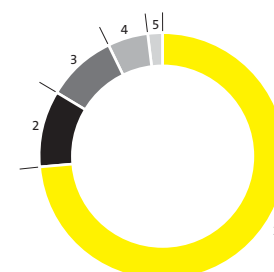
¹ Due to changes in the reporting structure, the comparability of last year's figures is immaterial.

² Including dividend income from securities.

The profit after taxes amounting to EUR 20.898m is derived from taking into account a contribution to direct costs totalling EUR 37.104m, a figure which is 6% below the previous year. In ranking the contributions made to the bank's total operating income, the Securities Department placed first, successfully accounting for 73.8% of operating income. Private Banking placed second, with a 9.9% share of total operating income, followed by Foreign Exchange, which was responsible for generating 9.2% of the bank's operating income, and Equity Capital Markets, with a share of 5.4%.

Due to required capacity adjustments, the cost income ratio rose from 50.8% to 55.7%, whereas the high level of return on equity before taxes was more or less maintained at 34.6%, slightly down from 35.7% in 2005.

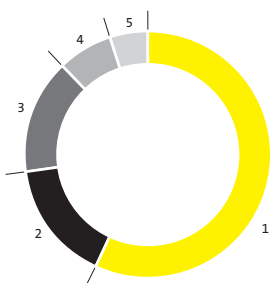
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Operating income



1. Securities: 73.8%
2. Private Banking: 9.9%
3. Foreign Exchange: 9.2%
4. Equity Capital Markets: 5.4%
5. Other: 1.7%
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 The balance sheet total increased
 in 2006 by 25% to EUR 2.0 billion,
 up from EUR 1.6 billion in 2005.

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 2006 Assets



- 1. Shares and other variable-yield securities: 57.0%
- 2. Other assets: 16.0%
- 3. Claims on financial institutions: 15.0%
- 4. Claims on customers: 7.0%
- 5. Other assets: 5.0%

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 For more information on the
 Securities Department, refer to page 35.

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Development of the balance sheet

The balance sheet total increased to EUR 2,008.473m, a rise of 25% compared to EUR 1,606.383m in the preceding year. Key balance sheet items increased in accordance with the bank’s business strategy. Item 3, “Claims on credit institutions”, which comprised 15% of total assets, rose to EUR 301.635m from EUR 178.107m in the previous year. Item 6, “Shares and other variable-yield securities”, comprising 57% of the balance sheet total, climbed to EUR 1,152.310m compared to EUR 885.241m in 2005. Item 11, “Other assets”, accounting for a 16% share of assets, increased to EUR 313.836m, up from EUR 207.141m in the previous year. Item 4, “Claims on customers”, which comprised 7% of assets, fell to EUR 147.967m in 206 compared to EUR 180.795m in 2005, as a consequence of the declining credit business.

On the one hand, the increase in the bank’s holdings of shares and other variable-yield securities is partly due to market making activities. On the other hand, together with the increased positions in warrants, which are reported as “Other assets”. They represent hedge positions for the certificates and warrants issued by Raiffeisen Centrobank. The rise in claims on financial institutions can be mainly attributed to the further investments made with customer funds acquired within the context of private banking activities.

Corresponding to the development of the assets column, item 3, the “Liabilities evidenced by certificates”, accounting for 41% of liabilities, rose to EUR 823.609m in 2006 from EUR 654.652m in the preceding year. Item 4, “Other liabilities”, which made up 37% of the bank’s total liabilities during the year under review, climbed to EUR 751.348m, up from EUR 656.899m in 2005. The liabilities evidenced by certificates are mainly composed of our structured products, for example the well-known “winners” or blue-chip certificates. Other liabilities primarily refer to our warrants and other certificates, for example the turbo certificates on indices and individual securities. The increase in the item “Liabilities to customers” is mainly the result of funds deposited by a large foreign investor.

Report of the departments

Securities

The Securities Department, which contributed more than 70% of the operating income generated by the investment banking activities of Raiffeisen Centrobank, matched the excellent business results posted in the record year of 2005. The structure of the income generated by the Securities Department is quite favourable. 50% of the gross profits registered by the Securities Department are derived from commission and fee income on the sale of securities, the other half of the gross profits from securities trading activities. In turn, half of the profits achieved on securities trading were linked to the sale of the bank’s own structured products.

The strong growth in the placement of the bank’s own structured products is a particularly gratifying development, climbing 50% in 2006 compared to 2005, thus reaching a total volume of about EUR 1.4 billion. In regards to the regional segmentation of the securities business in three geographical areas, the contributions to the total profit made by the Central and Eastern European region climbed to 30%. Austria accounted for 50%, and the OECD region the remaining 20%. It is important to note

the continued upward trend in the bank's performance, which has been generated almost completely independently from actual market developments during the period under review, and by strictly complying with internal specifications defining maximum risk parameters. In terms of its market position on the Austrian securities market, Raiffeisen Centrobank succeeded in posting record trading of approximately EUR 14.6 billion (in absolute terms) on the Vienna Stock Exchange during the 2006 business year. However, due to the strong entry of new foreign and domestic participants, the bank's market share dropped to 11%. In its business with Austrian derivatives, Raiffeisen Centrobank maintained a leading position in trading, securing an approximately 20% market share on OeTOB (The Austrian Futures and Options Exchange). Together with its sale of warrants and structured products featuring more than 1,000 listed financial instruments, Raiffeisen Centrobank expanded its market leadership position with stock derivatives in Austria. Raiffeisen Centrobank also maintained its top position among all participants on the Vienna Stock Exchange, with market share of Eastern European derivatives higher than 30% on OeTOB. Once again, Raiffeisen Centrobank was the leading market maker and specialist investment bank on the Vienna Stock Exchange.

The bank's trading volume on the Stuttgart Stock Exchange, the leading European derivatives exchange which lists all structured and derivative products issued by Raiffeisen Centrobank, rose by 20% in the 2006 business year. The high level of recognition of the bank's activities, also by specialised target groups, can be documented by the repeated success in winning major prizes. In 2006, Raiffeisen Centrobank was the only Austrian issuer to win awards within the framework of the Certificate Awards granted by the newspapers "Die Welt" and "Das Zertifikatejournal" in Frankfurt. Among the two prizes it was given, Raiffeisen Centrobank was rated 3rd overall for its Bull & Bear commodity guarantee certificate.

In 2006, Raiffeisen Centrobank was one of the founding members of the Austrian Certificate Forum, an interest group composed of certificate issuers aiming to improve the information flow to potential consumers about the advantages and risks of this special form of investment, as well as to ensure a fair competitive market.

Equity Capital Markets

> **Austria.** The outstanding achievement in the first half of 2006 was the Initial Public Offering of Austrian Post, which was eight times oversubscribed. Raiffeisen Centrobank supported the transaction as joint lead manager and bookrunner. In cooperation with the Raiffeisen Landesbanken (provincial banks), Raiffeisen Centrobank very successfully placed the retail share of the transaction totalling 43.3 million shares, at a value of EUR 650 million. Moreover, Raiffeisen Centrobank successfully served as joint lead manager and bookrunner for the IPO of BENE, co-lead manager in the syndicate for the IPO of Zumtobel, and co-manager of the going public of CropEnergies. In the secondary placement of Rosenbauer International from the portfolio of Cross Holding, Raiffeisen Centrobank was selected as sole coordinator and bookrunner within the context of an accelerated bookbuilding.

Despite increasing competition on the Vienna Stock Exchange and a corresponding decline in the bank's market share to 11%, Raiffeisen Centrobank generated a record trading volume amounting to EUR 14.6 billion.

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In 2006, Raiffeisen Centrobank was the only Austrian issuer to be honoured at the German Certificate Awards.

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With the successful placement of Austrian Post, BENE, Zumtobel, Rosenbauer etc., Raiffeisen Centrobank underlined its leading market position in Austria.

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With its involvement in the IPO of Croatia's oil and gas company INA, Raiffeisen Centrobank also positioned itself as a strong ECM partner outside of Austria.

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For more information on Equity Capital Markets, refer to pp. 36f.

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For more information on Company Research, refer to page 38.

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For more information on Private Banking, refer to page 39.

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For more information on Raiffeisen Investment, refer to page 40.

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> CEE. As part of its CEE capital markets transactions, Raiffeisen Centrobank managed the most important Initial Public Offering in the region during the course of 2006, namely the privatisation of the Croatian oil and gas company INA. Together with Raiffeisenbank Croatia, it successfully placed INA shares with Croatian retail investors as well as institutional investors. The IPO of the Romanian electricity provider Transelectrica was just as successful. Raiffeisen Centrobank played a major role in the international placement of the issue, which was 3.5 times oversubscribed by retail investors and 8.4 times oversubscribed by institutional investors. A further deal was the bank's participation in the capital increase of Flamingo International AG of Romania, in which Raiffeisen Capital & Investment S.A. of Romania served as joint lead manager.

Research

The expansion of the scope of activities undertaken by the Company Research Department was supported and complemented in the course of 2006, featuring a further extension of its securities research work. In particular, Raiffeisen Centrobank took account of the increasing significance of the Central and Eastern European region for customers of Raiffeisen Centrobank, raising the number of companies analysed within the context of a sectoral concept to about 100, of which one-third are Austrian firms and the remaining two thirds from CEE. The high level of acceptance displayed by our customers as well as successes in the team and individual research rankings as part of the research prizes granted within the framework of the "Creditreform Analysts Award 2006" confirm the successful strategy and focus of Raiffeisen Centrobank's research and advisory activities.

Private Banking

Total assets under management increased by 63%, rising significantly above EUR 1 billion. Depending on the risk disposition and the share ratio, the performance in the 2006 business year ranged from 5% to 20%. The bank's strategy to provide individualised and comprehensive advisory services was highly welcomed by customers, and will serve as the basis for above-average growth in this segment in the future.

Major subsidiaries

Raiffeisen Investment AG

The 2006 business year was the most successful in the history of Raiffeisen Investment AG, which coordinates the M&A business of Raiffeisen Centrobank. The strong market position was further expanded as the result of numerous transactions which were implemented in Austria as well as in Central and Eastern Europe. In South East Europe, Raiffeisen Investment AG was ranked number one in the Zephyr Financial League Tables among all international investment banks according to the number of transactions. The transactions managed by Raiffeisen Investment AG include deals which attracted considerable media coverage, such as the privatisation of the Turkish steel company Erdemir, or that of Telekom Srpske on behalf of the Republic of Srpska. The team in Moscow was expanded considerably, in accordance with the future growth strategy of Raiffeisen Centrobank in the Russian market.

Centrotrade Group

The subsidiaries of the Centrotrade Group, incorporated in the CENTROTRADE Holding AG, Vienna, are active in the trading of natural rubber, as well as ethylene and propylene. An outstanding return on investment was achieved in both segments in the course of the year 2006. The profits reaped in 2006, similar to those in 2005, were retained in the holding company.

Financial and non-financial performance indicators

Financial performance indicators

Amounts in percent	2006	2005
Return on equity before taxes	34.6	35.7
Return on equity after taxes	28.4	31.8
Cost/income ratio	55.7	50.8

The annual surplus in 2006, which approximately matched the level achieved in the preceding year, did not lead to any major change in the return on equity, and thus also on the return on equity before taxes. However, a higher income tax expense passed on from Group companies and other tax payments in the 2006 business year resulted in a decline in the return on equity after taxes. The cost/income ratio deteriorated in comparison to 2005, but was still at a very good level in the year under review.

Non-financial performance indicators

Amounts in percent	2006	2005
Employees at year-end	180	164
Average number of employees	178	162
Stock exchange memberships	10	10
Number of newly issued warrants and certificates	1,419	1,048

As part of Raiffeisen Centrobank's expansion in the scope of its business operations, there was an increase in the number of employees as well as the number of newly-issued warrants and certificates in comparison to the 2005 business year.

RISK MANAGEMENT

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Risk management at Raiffeisen

Centrobank takes into account

all legal and bank sector

requirements and standards.

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A separate department for risk

management supports the Executive

Board and continually works to further

develop and implement methods

to measure and manage risks.

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The capital requirements for the

securities trading book of Raiffeisen

Centrobank amounted to

EUR 38,5m at the end of 2006.

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Principles of risk management

For Raiffeisen Centrobank, active risk management means the identification, evaluation, monitoring and management of economic risks. This process is designed to achieve profits by taking risks in a targeted, controlled manner. Transactions are evaluated in regards to their potential risk and return on investment according to the type of transaction, scale and complexity, against the backdrop of prevailing legal regulations. A variety of risks are managed as part of a coordinated process, in particular credit, transfer, market, liquidity, equity participation and operational risks.

The concept of risk management particularly takes into consideration the legal framework, based on the Banking Act (BWG), as well as the requirements placed on credit institutions to mitigate risks from the banking business, whereby special consideration is given to the type and scale of a transaction. The basic principles and methods underlying risk management are defined in the by-laws for the Supervisory Board and the Executive Board, as well as in the bank's organisational guidelines and manuals. Within the framework of its decision-making authority, the Executive Board determines the bank's risk management policies, authorising the principles of risk management, the specification of limits for all relevant risks, as well as the precise processes to monitor risks. Risk management is an integral part of managing the bank, i.e. the management of earnings and risks in all business segments are systematically linked with each other.

An independent department for risk management, incorporated within the controlling division, supports the Executive Board in effectively fulfilling its duties. The department reports regularly to the Executive Board, and evaluates the current risk situation by taking account of the risk capacity and risk limits. It supports the Executive Board in allocating a risk management budget and in managing risks. As a cross-divisional and enterprise-wide body, the department is responsible for the ongoing further development and implementation of methods to measure risks, to refine risk management instruments as well as to maintain and update the regulatory framework. The evaluation of interest rate changes and balance sheet structure risks as well as liquidity risks takes place within the framework of the Assets/Liabilities Management Committee. In order to enable the bank to adjust to changing regulatory conditions (ICAAP) and tailor risk management to expanded business activities, a project is being implemented to continually improve and intensify risk management processes. The initial phase of the project has already been completed with the implementation of a GAP analysis. The second phase of the project is designed to fully implement the risk management for the entire bank in accordance with corporate guidelines by the end of 2007, and comprehensively document procedures in a risk management handbook.

The main focus of the business activities of Raiffeisen Centrobank is in securities trading and in the issuing of securities and share-index oriented derivatives and structured products (certificates and guarantee bonds). In principle, the approach to financial risks is based on upholding volume-based as well as value-at-risk limits, both of which are determined by taking into account the capacity of the bank to effectively manage particular risks. At the end of the year, the capital requirements for the securities trading book amounted to EUR 38,5m.

Basel II

The necessary changes to be made with regards to procedural, organisational, information technology and methodological applications, in connection with the equity capital requirements stipulated in Basel II and in accordance with the corresponding goals of the Raiffeisen Banking Group, were a focal point of Raiffeisen Centrobank's risk management activities during the period under review. The existing IT systems were analysed in regards to their compatibility with Basel II, and have been extensively adapted in order to ensure the required data quality.

In the fourth quarter of 2006, Raiffeisen Zentralbank began a group-wide integration test focusing on the smooth interaction of all required banking applications and data suppliers. The approval of the new processes and applications in the Raiffeisen Banking Group by the regulatory authorities is planned for 2007.

Risk capacity and risk management

The focal point of the bank's risk management policies is dealing with market risks. Accordingly, extensive and up-to-date market risk analyses are available, which are combined with an evaluation of the other, less significant risk components to create an overall picture of the risk situation.

Market risk

Raiffeisen Centrobank defines market risk as incurring potential losses due to market changes resulting from fluctuating or changing market prices (e.g. share, currency, and securities prices) and parameters which affect prices (e.g. interest rates, volatilities). Raiffeisen Centrobank manages a large Securities Trading Book in accordance with § 220 Sect. 1 Banking Act (formerly § 22b Sect. 2). Market risks primarily consist of share and warrant prices as well as interest rate fluctuation and exchange rate risks. The risks linked to the financial positions assumed by the bank arise either from the customer business or by the deliberate assumption of positions, and are managed by the bank's Securities Trading Unit and Treasury Operations.

Raiffeisen Centrobank approves, measures, monitors and manages all market risks by setting a variety of limits. Depending on the type of transaction, these limits encompass Value at Risk (VaR) indicators, volume and position limits, as well as sensitivity limits (delta, gamma, vega, basis point value) and stop-loss limits.

The Value at Risk approach is of central importance. It is calculated on a daily basis on the basis of a variance-covariance matrix with a confidence interval of 99%. The market data is accumulated from the preceding year applying a retention period of 10 days.

The market risk arising from the Securities Trading Book of Raiffeisen Centrobank mainly refers to price risks resulting from trading book positions held in shares and derivatives.

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In the future, data quality is ensured thanks to the analysis and adaptation of the IT systems in regards to their compatibility with Basel II.

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Market risk is defined as the potential loss incurred as the result of market changes, price fluctuations and parameters which impact prices.

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... Risk indicators (99% VaR, 10-day) for the market risk of the securities trading books, depending on
... the type of risk

Amounts in thousand Euros	31.12.2006	30.09.2006	30.06.2006	31.03.2006	31.12.2005
Interest rate risk	480	240	390	430	190
Currency risk	121	48	60	224	50
Price risk	8,949	6,490	5,858	7,383	6,282
Total	9,550	6,778	6,308	8,037	6,522

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... In order to calculate the required capital for the securities trading book in accordance with the EU's
... Capital Adequacy Directive, Raiffeisen Centrobank applies the standard methodology.
... In contrast, the less important risk involving interest rate changes is calculated according to the
... classical means of capital and interest maturity analysis.
... Since 2002, interest-rate risk has been the subject of quarterly reporting within the scope of the
... interest-rate risk statistics submitted to the supervisory authorities.

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Interest maturity gaps as at December 31, 2006

Amounts in thousand Euros	> 6 m – 1 y	> 1 – 2 y	> 2 – 5 y	> 5 y
EUR	13,549	15,171	15,039	-
USD	- 443	-	-	-

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Interest maturity gaps as at December 31, 2005

Amounts in thousand Euros	> 6 m – 1 y	> 1 – 2 y	> 2 – 5 y	> 5 y
EUR	2,057	15,211	15,509	1
USD	- 2,077	-	-	-

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Credit risk

The credit risk represents the default risk that arises from the inability of a customer to fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities) or when unrealised profits from pending business transactions can no longer be recovered. The credit risk of Raiffeisen Centrobank is monitored and analysed for each individual credit transaction and on the customer level on the basis of a comprehensive and sound analysis of the credit-worthiness or the collateral provided by the potential borrower, as well as on a portfolio basis. As at December 31, 2006, Raiffeisen Centrobank had interest-bearing assets subject to credit risk, as well as an off balance sheet volume, amounting to TEUR 503,518 before deductions made for value adjustments.

Assets

Amounts in thousand Euros	31.12.2006		31.12.2005	
Treasury bills	31,207		15,786	
Claims on financial Institutions	301,635	-	178,106	-
Claims on customers	148,352	-	181,348	-
Bonds and other fixed-income securities	21,104	-	97,808	-
	502,298	-	473,048	-
Product-weighted off-balance sheet transactions	1,220	-	6,452	-
	503,518		479,500	
Risk of default or Irrecoverable	1,285	0.3%	4,574	1.0%
In need of observation	9,898	2.0%	10,271	2.1%

The internal system for controlling credit risk encompasses all forms of monitoring measures that are directly or indirectly integrated into the work processes that require monitoring. Against the backdrop of the new capital adequacy framework for banks which is currently being developed (Basel II), the ongoing management, controlling and monitoring of credit risk at the Raiffeisen Banking Group are assured.

Within the framework of the Basel II project, a group-wide rating and default data base has been developed, which is designed to register and evaluate customers as well as document default processes. This data base also serves as the basis for backtesting by the Raiffeisen Banking Group.

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Credit risk is defined as the risk of default from payment obligations by a contractual partner, or not being able to realize profits from pending transactions.

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In 2006, the share of assets which were categorized as at risk of default or irrecoverable declined to 0.3%, from a level of 1.0% in 2005.

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At the end of 2006, equity participations as a share of the capital requirements amounted to 2.4%, below the 2005 level of 2.75%.

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Liquidity risk is defined as the probability of the bank being unable to meet its current and future financial obligations.

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In line with Basel II, operational risk refers to the risk of unexpected losses due to internal processes or external events.

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Equity participation risks

Part of the banking book also encompasses risks derived from equity participations (all of which involve unlisted companies).

As at December 31, 2006, the book value of the equity participations of Raiffeisen Centrobank amounted to approximately EUR 17.1m. The resulting share of these equity participations in the capital requirements of Raiffeisen Centrobank is subsequently about 2.4% (2005: 2.75%).

The focal point of the bank's efforts to mitigate and control equity participation risks is the limits set for the trading subsidiaries of Raiffeisen Centrobank. Financial and trading limits are prescribed and approved by the internal credit committee of Raiffeisen Centrobank or, when specified limits are to be exceeded, by the Supervisory Board of Raiffeisen Centrobank. On this basis, a standardized and comprehensive spectrum of reports are put together, sometimes on a daily basis but on a monthly basis at a minimum, including risk reports for performance risk, financial risk and position risk. The limits are monitored at various levels: by the subsidiaries themselves, through the equity participation controlling mechanisms of Raiffeisen Centrobank, and by the economic controls imposed by the bank's Credit Department within the context of the supervision of capital loans to subsidiaries. The information provided by all companies in which Raiffeisen Centrobank has an equity stake are merged into one single report each month and conveyed to the Executive Board of Raiffeisen Centrobank, and also on a quarterly basis to the Supervisory Board.

Liquidity risk

Liquidity risk is defined as the risk that the bank could be potentially unable to meet its current and future financial obligations in full or in good time. The tasks of managing liquidity and liquidity risk, and, in turn, of ensuring the bank's solvency at all times are performed by Treasury. In addition to abiding by statutory requirements and taking liquidity limits into account, the analyses are also based on going-concern principles and make allowance for crisis scenarios, in particular examining the sensitivity of liabilities and the liquidity of assets.

Operational risk

In line with Basel II, operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems, or from external events including legal risk. As is the case with other types of risk, the principle of ensuring a strict division of responsibilities between risk management and risk controlling is also applied to operational risk. Operational risk is analyzed and managed on the basis of the Group's own historical loss data and the results of risk evaluations. Standardized early-warning indicators for operational risks are also applied. Allocations are made to reserves in order to meet pending legal risks in accordance with appraisals carried out of the potential economic losses resulting from court decisions.

The standardized approach to operational risk within the context of Basel II is employed. This approach is based on gross earnings in each business segment.

HUMAN RESOURCES

The growth figures and increased profitability of the bank were sustained by an exceedingly dedicated and competent staff. The number of employees increased from 164 at the end of 2005 to 180 at the end of 2006. Women comprised 45% of the bank's work force. The managers who are authorised signatories of the bank consist of 9 women and 10 men, whereas three women and eight men serve as directors, and one woman and two men sit on the Executive Board. Approximately one third of employees are university graduates.

OUTLOOK FOR 2007

In the light of ongoing positive growth expectations for the eurozone, but in particular the favourable forecasts for the Central and Eastern European economies, we anticipate a positive business outlook for Raiffeisen Centrobank during the course of the 2007 business year.

The expected 2.2% economic growth in the eurozone in 2007 is based on the assumption that although the slowdown of economic growth in the USA to a nominal level of +1.9% will have a negative impact on the eurozone, private consumption will be able to cushion the weaker demand on the part of the corporate sector.

On the basis of ongoing dynamic growth in Austria, positively impacted by the mild winter temperatures and buoyed by the corresponding full order books enjoyed by the construction industry, the country's GDP is expected to surpass the eurozone, posting a growth rate of 2.5%, a forecast which has been supported by up-to-date preliminary indicators.

In Central and Eastern Europe, consumer demand and capital investments will remain the growth drivers. Assuming stable or declining inflation rates, GDP growth for the new Member States of the EU in Central and Eastern Europe is expected to be 4.8%, whereas Bulgaria and Romania, the newest EU members, are expected to post 5.8% growth rates. A 5.9% growth rate is anticipated for the European areas of the CIS. The ongoing inflow of capital, primarily in the form of foreign direct investment, will continue to be a strong stimulus for regional growth, improved productivity and greater prosperity, thus providing a solid base for future growth in the unified European market.

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The positive economic growth expected in the year 2007 in all of Raiffeisen Centrobank's core markets is the basis for the anticipated positive business outlook for the bank during the 2007 business year.

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1210 Within the framework of this overall positive business environment, Raiffeisen Centrobank will continue pursuing the same growth strategy as in previous years. This strategy encompasses a continuing increase in the sale of structured products issued by Raiffeisen Centrobank, also in CEE, SEE and CIS, with the support of the local network banks belonging to Raiffeisen International, further developing the bank's activities on the German marketplace and strengthening the bank's technological competitive edge by continually expanding its network of direct stock exchange memberships. Particular geographical importance will also be attached to the CIS region. In terms of the development of the individual business areas, the private banking segment will be one of the top priorities for the 2007 business year. The efforts made in the day-to-day operations will be complemented by intensive project work within the context of fulfilling the Basel II guidelines, as well as further expanding the bank's overall risk management activities.

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1220 Vienna, April 19, 2007
The Executive Board

Eva Marchart
Chairman of the Executive Board

Alfred Michael Spiss
Deputy Chairman of the Executive Board

Gerhard Grund
Member of the Executive Board

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FINANCIAL STATEMENTS

Balance Sheet	62
Profit & Loss Account	64
Development of Fixed Assets	66
Notes	68
Auditor's Report	80

BALANCE SHEET AS AT DECEMBER 31, 2006

ASSETS	31.12.2006 Amounts in Euros	31.12.2005 Amounts in thousand Euros
1. Cash on hand and assets deposited with central banks	2,012,486.98	3,478
2. Treasury bills eligible for refinancing with central banks	31,206,986.30	15,786
<i>a) Treasury bills and similar securities</i>	31,206,986.30	15,786
3. Claims on financial institutions	301,634,878.96	178,107
<i>a) repayable on demand</i>	98,587,385.44	90,700
<i>b) other claims</i>	203,047,493.52	87,407
4. Claims on customers	147,966,527.11	180,795
5. Bonds and other fixed income securities	21,104,089.43	97,809
<i>a) issued by public issuers</i>	3,033,156.10	2,092
<i>b) issued by other issuers</i>	18,070,933.33	95,717
6. Shares and other variable-yield securities	1,152,309,682.08	885,241
7. Investments in related companies	5,167,850.12	5,168
8. Investments in subsidiaries	11,952,362.54	11,952
9. Intangible fixed assets	488,564.00	420
10. Tangible fixed assets thereof: properties and buildings used by the credit institution for its own activities EUR 14,270,404.92; previous year: TEUR 14,563	19,970,980.64	19,543
11. Other assets	313,835,801.37	207,141
12. Deferred expenses	822,602.93	943
Total Assets	2,008,472,812.46	1,606,383
Items shown below the balance sheet		
1. Foreign assets	1,387,483,953.85	1,030,174

EQUITY AND LIABILITIES	31.12.2006 Amounts in Euros	31.12.2005 Amounts in thousand Euros
1. Liabilities to credit institutions	42,397,400.71	68,179
<i>a) repayable on demand</i>	211,010.00	7,931
<i>b) with agreed maturity dates or periods of notice</i>	42,186,390.71	60,248
2. Other liabilities to customers	271,561,658.77	115,854
<i>a) repayable on demand</i>	87,035,630.97	88,515
<i>b) with agreed maturity dates or periods of notice</i>	184,526,027.80	27,339
3. Liabilities evidenced by certificates	823,609,435.83	654,652
<i>a) issued bonds</i>	823,609,435.83	654,652
4. Other liabilities	751,347,854.04	656,899
5. Deferred income	463,657.42	552
6. Provisions	22,732,004.18	20,228
<i>a) termination benefits</i>	3,381,889.61	2,736
<i>b) pension</i>	516,707.76	263
<i>c) taxes</i>	4,733,357.00	1,807
<i>d) other</i>	14,100,049.81	15,422
7. Subscribed capital	47,598,850.00	47,599
8. Share premium reserves	6,651,420.71	6,651
9. Revenue reserves	7,030,936.83	1,031
<i>a) statutory reserves</i>	1,030,936.83	1,031
<i>b) other reserves</i>	6,000,000.00	0
10. Reserve pursuant to § 23 Sect. 6 Austrian Banking Act	13,538,860.00	13,030
11. Net profit for the period	21,540,733.97	21,708
Total equity and liabilities	2,008,472,812.46	1,606,383

Items shown under the balance sheet

1. Contingent liabilities arising from guarantees and assets pledged as security	1,106,540.84	6,415
2. Credit risks	521,776.87	2,106
3. Liabilities arising from trust transactions	7,091,124.48	7,211
4. Total net capital resources pursuant to § 23 Sect. Austrian Banking Act; thereof capital resources pursuant to § 23 Sect. 14 (7) Austrian Banking Act, EUR 0.00; previous year: TEUR: 0	74,331,503.54	67,891
5. Required capital resources pursuant to § 22 Sect. 1 Austrian Banking Act; thereof required capital resources pursuant to § 22 Sect. 1 (1) and 4 Austrian Banking Act, EUR 17,948,000.00; previous year: TEUR 19,043	56,979,000.00	49,891
6. Foreign equity and liabilities	300,463,116.70	154,230

PROFIT AND LOSS ACCOUNT FOR THE 2006 FINANCIAL YEAR

	2006 Amounts in Euros	2005 Amounts in thousand Euros
1. Interest and related income	30,609,696.12	12,015
<i>Thereof fixed-interest securities</i>	8,105,846.05	1,200
2. Interest and related expenses	- 24,548,789.89	- 8,223
I. Net Interest Income	6,060,906.23	3,792
3. Income from securities and investments	9,274,725.50	7,649
<i>a) Income from shares, related companies and subsidiaries and variable-yield securities</i>	9,274,725.50	7,649
4. Fee and commission income	15,289,531.64	12,629
5. Fee and commission expenses	- 2,501,130.26	- 8,123
6. Net profit on financial trading activities	29,680,533.21	40,724
7. Other operating income	1,134,304.29	1,819
<i>a) net profit on commercial trading activities</i>	159,677.03	456
<i>b) other operating income</i>	974,627.26	1,363
II. Operating Income	58,938,870.61	58,490
8. General administrative expenses	- 30,690,499.74	- 28,029
<i>a) staff costs</i>	22,455,266.90	19,859
<i>aa) wages and salaries</i>	17,703,173.88	15,497
<i>bb) statutory social security contributions as well as levies and compulsory contributions based on wages and salaries</i>	3,090,629.14	2,588
<i>cc) other employee benefits</i>	315,064.48	289
<i>dd) expenses for retirement benefits</i>	575,338.76	511
<i>ee) expenses for termination benefits and contributions to company pension funds</i>	771,060.64	974
<i>b) other administrative expenses (materials)</i>	8,235,232.84	8,170
9. Value adjustments (depreciation) on asset items 9 and 10	- 2,120,008.76	- 1,640
10. Other operating expenses	- 42,423.11	- 67
III. Operating Expenses	- 32,852,931.61	- 29,736

	2006 Amounts in Euros	2005 Amounts in thousand Euros
IV. Operating Result	26,085,939.00	28,754
11. Expenditures arising from the valuation and disposal of receivables and securities held as other current assets	- 376,520.26	- 1,310
12. Income arising from the valuation and disposal of receivables and securities held as other current assets	441,582.26	138
13. Expenditures arising from the valuation of securities capitalised as financial fixed assets, as well as investments in related companies and subsidiaries	- 60,037.34	- 3,142
14. Income arising from the disposal of shareholdings in related companies and subsidiaries	0.00	280
V. Result on Ordinary Activities (amount carried forward)	26,090,963.66	24,720
15. Income tax expense (thereof passed on from parent company: EUR 2,926,292.00; previous year: TEUR 1,801)	- 2,926,292.00	- 1,801
16. Other taxes, unless included in item 15	- 1,758,036.72	- 909
VI. Annual Surplus	21,406,634.94	22,010
17. Adjustment of reserves	- 509,000.00	- 1,235
<i>Thereof: allocation to the liability reserve</i>	<i>509,000.00</i>	<i>1,235</i>
VII. Profit for the Year	20,897,634.94	20,775
18. Profit carried forward from the previous year	643,099.03	933
VIII. Net Profit	21,540,733.97	21,708

DEVELOPMENT OF FIXED ASSETS IN THE 2006 FINANCIAL YEAR

Amounts in Euros	Acquisition costs Balance on 1. 1. 2006	Acquisition costs Additions	Acquisition costs Disposals
I. Intangible fixed assets			
Software licenses	2,224,390.35	329,979.57	0.00
II. Tangible fixed assets			
1. Property and buildings used by the credit institution for its own activities; thereof value of the property: EUR 3,066,200.92; previous year: TEUR 3,066	14,789,785.11	0.00	0.00
2. Office equipment, furniture and fittings	15,097,542.20	2,304,713.87	375,191.52
	29,887,327.31	2,304,713.87	375,191.52
III. Financial assets			
1. Investments in subsidiaries; thereof shareholdings in credit institutions: EUR 0.00	19,517,770.68	10,000.00	4,025,504.19
2. Investments in related companies; thereof shareholding in credit institutions: EUR 0.00	5,168,286.12	0.00	0.00
3. Other fixed financial assets (securities)	15,669,750.00	0.00	15,669,750.00
	40,355,806.80	10,000.00	19,695,254.19
Total	72,467,524.46	2,644,693.44	20,070,445.71

Acquisition costs Balance on 31. 12. 2006	Accumulated Depreciation	Net book value 31. 12. 2006	Net book value 31. 12. 2005	Depreciation in the 2006 financial year
2,554,369.92	2,065,805.92	488,564.00	420,188.00	261,603.57
14,789,785.11	519,380.19	14,270,404.92	14,563,495.92	293,091.00
17,027,064.55	11,326,488.83	5,700,575.72	4,979,676.04	1,565,314.19
31,816,849.66	11,845,869.02	19,970,980.64	19,543,171.96	1,858,405.19
15,502,266.49	3,549,903.95	11,952,362.54	11,952,364.54	10,000.00
5,168,286.12	436.00	5,167,850.12	5,167,850.12	0.00
0.00	0.00	0.00	15,508,500.00	0.00
20,670,552.61	3,550,339.95	17,120,212.66	32,628,714.66	10,000.00
55,041,772.19	17,462,014.89	37,579,757.30	52,592,074.62	2,130,008.76

NOTES

A. Accounting policies

General principles

The financial statements of Raiffeisen Centrobank for the 2006 financial year have been prepared in accordance with the general accounting principles stipulated in the Austrian Commercial Code and the specific sectoral regulations as specified by the Austrian Banking Act. The balance sheet as well as the profit and loss account have been structured according to Appendix 2 of the forms contained in § 43 Austrian Banking Act. The structure of the profit and loss account in regards to ensuring an adequate representation of the commodity trading (countertrade) activities of Raiffeisen Centrobank have been expanded to include a sub-item entitled "Net profit on commercial trading activities". Changes in the accounting and valuation methods have not been made compared to the 2005 financial statements.

Currency conversion

Assets and liabilities denominated in foreign currencies are reported at the middle rates of exchanges fixed by the European Central Bank on the balance sheet date. Amounts denominated in currencies for which the European Central Bank published no rates are converted at the middle rates of exchange published by Raiffeisen Zentralbank Österreich AG on the balance sheet date. Currency futures and options transactions in foreign currencies are capitalised at the forward exchange rates. Any differences in rates resulting from currency conversion are reported as a profit or loss in the financial statements.

Securities portfolio – valuation of securities, futures and options

A daily market price system is applied for the valuation of securities held for trading purposes or as other current assets.

In terms of securities held for trading purposes or as other current assets, the company's portfolio of shares in publicly-listed companies as well as fixed-interest securities are reported at the share price prevailing on the balance sheet date.

Certificates acquired based on a share price related or index related performance are valued with the assistance of valuation models to illustrate stochastic development processes.

Bonds issued by borrowers from Eastern European markets as well as shares issued by Eastern European companies held by the company for trading purposes are valued at the market rates announced by other credit institutions and brokers, or as quoted by Reuters, provided that share prices for these securities are not available or do not provide sufficient information.

Options on securities of publicly-listed companies and options on security indices (i.e. sold and bought calls and puts, primarily OeTOB and EUREX options) as well as futures held for trading purposes are valued according to the market prices prevailing on the balance sheet date.

The valuation of conventional OTC options is shown at a synthetic market price, based on the Black Scholes model (for European options) or binomial pricing models (for American options). Asian options are valued according to Monte Carlo simulation methods.

Claims on financial institutions and customers

Claims on financial institutions and customers are shown at their nominal value. Individual value adjustments or provisions for depreciation are made in the case of an identifiable recognisable risk of default on the part of borrowers.

Subsidiaries and investments in related companies

Subsidiaries and investments in related companies are principally capitalised according to the principle of “going concern” (the ability to continue functioning as a business entity) at their cost of acquisition. Depreciation is carried out when, in all probability, a permanent diminution in value has taken place.

Intangible and tangible fixed assets

The valuation of intangible fixed assets as well as tangible fixed assets (i.e. property and buildings, office equipment, furniture and fittings) is carried out at the cost of acquisition less their scheduled, linear depreciation.

Depreciation rates applied are 33.3% and 14.3% p.a. for intangible fixed assets, 2.5% and 10.0% p.a. for immovable fixed assets, and 10%–20% p.a. for movable fixed assets. A full year's depreciation is taken in the case of additions made during the first half of the financial year, whereas half-year depreciation applies to additions in the second half of the financial year. Assets with an extremely low value (cost of acquisition per item less than TEUR 0.4) are fully depreciated in the year of acquisition.

Liabilities from bank transactions

Liabilities from bank transactions are reported at the amount of repayment, taking into consideration the principle of financial prudence.

Liabilities to credit institutions

Liabilities evidenced by certificates (e.g. certificates partially with a capital guarantee, the interest on which is dependent on the share price performance or the performance of the share index) are reported using valuation methods to depict the stochastic development of share prices (Monte Carlo simulation models).

Provisions for termination benefits

The provisions for termination benefits are designed to fulfil legal demands, as well as those arising from individual or collective contractual agreements. Provisions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 4.5% (2005: 4.25%), as well as an unchanged annual salary increase amounting to 3.0%. The underlying presumption is a decreasing fluctuation rate in connection with an increase in the number of years working for the company, and the earliest possible retirement date, taking into account the changes to Austria's General Social Security Law in accordance to the Budgetary Amendment 2003. The premium reserve amounts to 58.9% of the statistical termination benefit obligations on the balance sheet date.

Provisions for pensions

Provisions for pensions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 4.5% (2005: 4.25%), an unchanged 2% increase in the probable profit sharing rate, and a retirement age of 60 years. In 2005, pension commitments were allocated to a specified group of eligible employees. The cash value of the pension plan reinsurance concluded for future beneficiaries is reported as "Other assets".

Other provisions

Other provisions have been made according to expected demands. They comprise identifiable risks and liabilities, the extent of which has not yet been determined.

B. Notes to the Accounts**I. Cash on hand and assets deposited with central banks**

The balance sheet item A1, which encompasses cash on hand and assets deposited with the Austrian National Bank, is reported as TEUR 2,012 (2005: TEUR 3,478). The bank abided by prevailing regulations pertaining to liquidity and minimum reserves.

II. Claims on financial institutions and customers**II.1. Classification of claims other than those repayable on demand according to their term to maturity**

as at 31.12.2006 Amounts in thousand Euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Debt instruments of public bodies	997	0	30,210	0	31,207
Claims on financial institutions	203,047	0	0	0	203,047
Claims on customers	98,184	40,403	491	8,889	147,967
Bonds	18,102	0	3,000	2	21,104
	320,330	40,403	33,701	8,891	403,325

Comparative figures as at 31.12.2005 Amounts in thousand Euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Debt instruments of public bodies	278	0	15,508	0	15,786
Claims on financial institutions	87,407	0	0	0	87,407
Claims on customers	4,271	26,990	60,359	19,762	111,382
Bonds	2,181	0	32,874	62,753	97,808
	94,137	26,990	108,741	82,515	312,383

III. Securities

III.1. Figures supplied pursuant to §64 Sect. 1 (10/11) Austrian Banking Act

as at 31.12.2006 Amounts in thousand Euros	Unlisted	Publicly listed	Total	Valued at market price
Debt instruments of public bodies, A2	0	31,207	31,207	31,207
Bonds and other fixed-interest securities, A5	3,031	18,073	21,104	21,104
Shares and other variable-yield securities, A6	680,076	472,234	1,152,310	1,152,310
Investments in related companies, A7	5,168	0	5,168	0
Investments in subsidiaries, A8	11,952	0	11,952	0

The market value of securities held in a portfolio for trading purposes or which are held as current assets at the market price exceeded the purchase price by TEUR 1,160.

The balance sheet items A2 and A5 include fixed-interest securities amounting to TEUR 52,311 (2005: TEUR 113,594), of which a total of TEUR 3,031 will fall due in the course of 2007.

The balance sheet items A7 and A8 are reported according to the lower of cost or market rule.

III.2. Subordinated assets

The balance sheet item A5, "Bonds and other fixed-interest securities" shows subordinated bonds valued at TEUR 4,984 (2005: TEUR 5,704).

IV. Liabilities

IV.1. Classification of liabilities other than those payable on demand according to their term to maturity

as at 31.12.2006 Amounts in thousand Euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Liabilities to credit institutions	40,150	1,538	498	0	42,186
Liabilities to customers	181,339	0	0	3,187	184,526
Liabilities evidenced by certificates	3,985	22,190	394,441	402,994	823,610
	225,474	23,728	394,939	406,181	1,050,322

Comparative figures as at 31.12.2005 Amounts in thousand Euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Liabilities to credit institutions	57,906	1,689	654	0	60,249
Liabilities to customers	2,571	19	21,627	3,123	27,339
Liabilities evidenced by certificates	13,485	1,093	234,202	405,872	654,652
	73,962	2,801	256,483	408,995	742,240

IV.2. Liabilities evidenced by certificates

Balance sheet item E/L3 contains issued bonds amounting to TEUR 26,175 (2005: TEUR 14,578), which will fall due in the course of 2007.

IV.3. Other liabilities

Balance sheet item E/L4, "Other liabilities" amounting to TEUR 751,348 (2005: TEUR 656,899) primarily refer to liabilities reported at market prices as well as premiums received from trading in securities and derivative financial instruments totalling TEUR 740,494 (2005: TEUR 652,803).

V. Obligations derived from the use of tangible fixed assets not shown on the balance sheet

In the period under review, the rental expenses incurred by the company amounted to TEUR 330 (2005: TEUR 480). Total rental expenses of TEUR 367 are expected for the 2007 financial year, whereas rental expenses of TEUR 1,834 are anticipated for the years 2007–2011.

VI. Supplementary data

The balance sheet total includes the following items reported in foreign currencies:

Assets and liabilities in foreign currencies:

Amounts in thousand Euros	31.12.2006	31.12.2005
Assets	646,502	371,348
Liabilities	286,873	90,147

At the balance sheet date, the following futures and options transactions had not yet been settled:

Purchase contracts	31.12.2006	31.12.2005
Amounts in thousand Euros		
Interest rate options	123,511	85,541
Currency and interest rate swaps in a single currency	22,846	44,443
Forward exchange transactions	87,773	33,746
Currency options	92,990	0
Index futures contracts	165,164	241,730
Options on asset values and security index options	1,113,992	780,300
Share contracts	47,801	15,725
Sales contracts	31.12.2006	31.12.2005
Amounts in thousand Euros		
Interest rate options	0	1,128
Currency and interest rate swaps in a single currency	22,846	44,443
Forward exchange transactions	87,652	33,947
Currency options	92,990	0
Index futures contracts	62,000	60,869
Options on asset values and security index options	1,799,437	1,453,628
Share contracts	47,810	20,646

A securities trading book is maintained in accordance with § 22b of the Austrian Banking Act. At the balance sheet date, the securities trading book, valued at the market price (derivatives with delta values), amounted to:

Securities trading book	31.12.2006	31.12.2005
Amounts in thousand Euros		
Shares	398,324	400,343
Listed options	56,658	24,355
Certificates	- 560,008	- 522,705
Bonds	142,846	96,341
Structured products	- 195,806	- 108,218
OTC options	294,897	122,525
Warrants	- 129,783	- 120,695
Share futures	103,596	187,508
Bond futures	123,511	79,864
	234,235	159,317

C. Notes to the profit and loss account

As the result of changes made in the reporting structure, the previous year's amounts pertaining to the items "Fee and commission income", "Fee and commission expenses", "Net profit on financial trading activities" and "Other operating income" are not comparable to the figures of the 2006 financial year.

In adjusting the values of the 2005 financial year, income from capital market transactions amounting to TEUR 8,300, and from making research services available totalling TEUR 400, which were included in the financial result or in "Other operating income" in the 2005 financial year, were then incorporated as "Fee and commission income". In contrast, there was a reclassification of fee and commission expenses from securities transactions totalling approximately TEUR 6,800 to the financial result.

I. Other operating income

Net profit on commercial trading activities amounting to TEUR 160 (2005: TEUR 456) contained in the item "Other operating income" can be primarily attributed to the realisation of countertrade obligations for third parties to Indonesia and the performance of offset transactions.

D. Other Information**I. Contingent liabilities**

The breakdown of contingent liabilities arising from guarantees and assets pledged as security totalling TEUR 1,107 (2005: TEUR 6,415) disclosed within the framework of off balance sheet arrangements consists of the following:

Amounts in thousand Euros	31.12.2006	31.12.2005
Letters of credit	454	2,319
Guarantees	653	4,096
<i>thereof for subsidiaries</i>	454	414
	1,107	6,415

In accordance with § 93 Austrian Banking Act, the bank is legally obliged to provide for a proportionate deposit insurance as part of its membership in a professional association. Raiffeisen Centrobank AG is a member of the Raiffeisen Group. This also entails an affiliation with Oesterreichischen Raiffeisen Einlagensicherung reg. GenmbH, Vienna (the deposit insurance arm of the Raiffeisen Group, registered as a limited liability company). In the 2006 financial year, the theoretical claim on this insurance is limited to a rate of 0.83 per cent of the assessment basis in accordance with § 22 Sect. 2 Austrian Banking Act at the balance sheet date, plus the weighted items of the Securities Trading Book, also in accordance with § 22 Austrian Banking Act. These contingent liabilities are reported at a market value of EUR 0.07.

II. Credit risks shown under the balance sheet

Credit risks shown under the balance sheet amounting to TEUR 522 (2005: TEUR 2,106) refer exclusively to irrevocable credit commitments and lines of credit.

III. Other contractual bank guarantee obligations

The following assets have been pledged as security for obligations:

Amounts in thousand Euros	2006	2005	Explanation
Claims on financial institutions (A3)	84,354	82,889	Collateral deposited with credit institutions and stock exchanges for the securities and options business
Fixed income securities (A2 and A5)	18,070	17,598	Collateral deposited with credit institutions and stock exchanges for the securities and options business
Claims on customers (A4)	491	1,459	Deposited as collateral for liabilities arising from the refinancing of export loans granted by Oesterreichische Kontrollbank AG (item L/E1 b "Liabilities to credit institutions")
Shares and other variable-yield securities (A6)	164,154	0	Collateral deposited with Clearstream for the securities and options business

IV. Number of employees

	31.12. 2006	Average in 2006	31.12. 2005	Average in 2005
Employees (including Executive Board)	174	172	157	157
<i>thereof part-time</i>	11	12	15	14
Workers	6	6	7	5
<i>thereof part-time</i>	1	1	1	1
	180	178	164	162

V. Advances and loans to members of the Executive Board and Supervisory Board

At the balance sheet date, loans and advances made to members of the Executive Board amounted to EUR 2,023 (2005: EUR 179,937). During the period under review, repayments totalled EUR 177,914 (2005: EUR 2,715). No advances, loans or guarantees were granted to members of the Supervisory Board.

VI. Expenses for termination benefits and retirement benefits

Expenses for termination benefits and pensions (including contributions to pension funds and employee retirement benefit plans, as well as provisions allocated to the reserves for termination benefits) amounted to EUR 591,259 for members of the Executive Board (2005: EUR 1,128,583), and to EUR 755,141 for other employees (2005: EUR 356,062).

Expenses for termination benefits (including provisions to the reserves for termination benefits), reported under item 8. ee) of the profit and loss account amounted to TEUR 708 in the 2006 financial year (2005: TEUR 993).

VII. Remuneration for members of the Executive Board and Supervisory Board

In the year under review, remuneration for the members of the Executive Board totalled EUR 2,282,421 (2005: EUR 2,075,434). No fees for attending meetings were paid to members of the Supervisory Board in 2006.

VIII. Group relations

The company is a related company of the Raiffeisen-Landesbanken Holding GmbH, Vienna. The annual financial statements are integrated both into the consolidated financial statements of Raiffeisen-Landesbanken Holding GmbH, Vienna, and Raiffeisen Zentralbank Oesterreich AG, Wien, which provides consolidated financial statements for the least number of companies required. The company itself is considered to be a parent company, which draws up its own consolidated financial statements. These consolidated financial statements are available at the relevant parent company as well as at the Commercial Court of Vienna.

Since 2005, the company has been a member of the corporate group RZB KI Beteiligungs GmbH, pursuant to § 9 Austrian Corporation Tax Act. Based on the official notification 1/23 from Vienna's financial authorities dated February 6, 2006, the application submitted by the company to set up a corporate group has been approved. In this case, the taxable business results of the members of the Group are attributed to the parent company. Any tax adjustments between the parent company and the individual members of the corporate group are regulated in the form of a tax allocation agreement.

Members of the Executive Board, the Supervisory Board and State Commissioners

Executive Board

Speaker

Eva Marchart

Members

Alfred Michael Spiss

Gerhard Grund

Supervisory Board

Chairman

Walter Rothensteiner, Chairman of the Management Board

Raiffeisen Zentralbank Österreich AG, Vienna

Deputy Chairmen

Patrick Butler, Member of the Management Board, Raiffeisen Zentralbank Österreich AG,

Vienna – First Deputy Chairman

Herbert Stepic, Chairman Raiffeisen International Bankholding AG, Vienna –

Second Deputy Chairman

Members

Karl Sevelda, Member of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna

Christian Teufl, Director, Raiffeisen Zentralbank Österreich AG, Vienna

Helfried Marek, Vienna

State Commissioners

Peter Braumüller, Divisional Director

Tamara Els, Deputy Assistant

Vienna, April 19, 2007

The Executive Board

Eva Marchart

Chairman of the Executive Board

Alfred Michael Spiss

Deputy Chairman of the Executive Board

Gerhard Grund

Member of the Executive Board

AUDITOR'S REPORT

We conducted the audit of the financial statements of Raiffeisen Centrobank for the business year starting on January 1, 2006 and ending on December 31, 2006, taking account of the company's accounts. The accounting, presentation and the contents of these financial statements as well as the management report, in accordance with the binding legal regulations of the Austrian Commercial Code, are the responsibility of the legally appointed representatives of the company. Our responsibility is to express an opinion on these financial statements based on our audit, and to state whether the management report for the company is in accordance with the financial statements. We conducted our audit in accordance with the regulations and principles applicable in Austria and with generally accepted standards on auditing. These principles require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, and whether we can state that the management report for the company is in accordance with the financial statements. In determining the audit procedures, we considered our knowledge of the businesses, the economic and legal environment of the company as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the accounts and the financial statements on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. As a result of our duly implemented audit, we can certify that the accounting records and the financial statements comply with binding legal regulations. The financial statements provide, in all material respects, a true and fair picture of the company's assets, financial position and profit or loss, in conformity with generally accepted accounting principles. The Management Report is fully consistent with the financial statements of the company.

Vienna, April 20, 2007

KPMG

Wirtschaftsprüfungs- und Steuerberatungs GmbH

Walter Knirsch
Certified public accountant

ppa. Josef Kirchknopf
Tax consultant

SERVICE

Subsidiaries and Representatives	82
Selected Raiffeisen Zentralbank Subsidiaries	83
Contacts	88

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