

Group Management report

1. General information

The group was established in 1998 through the acquisition of a 75 % majority share in Raiffeisen stavební spořitelna, a.s., Prague. Other important group companies are Prvá stavebná sporitel'ňa, a.s., Bratislava, in which Raiffeisen Bausparkasse owns a 32.5 % equity interest, Raiffeisen stambena štedionica d.d., Zagreb, in which Raiffeisen Bausparkasse owns 82.91 %, and Raiffeisen Banca pentru Locuințe, S.A., Bucharest, 33.35 % of which belongs to the group.

2. Economic development in 2007

In 2007, the Raiffeisen Bausparkasse Group registered a steady upward trend once again – the highly satisfactory result of an ideal combination of tailored products, attractive conditions, high quality of service, close customer contact and individual advice. The number of Bauspar deposits within the group climbed to around 3.6 million contracts. Particularly where the core business housing financing was concerned, 2007 saw growth mainly due to the lively demand for low-interest construction funding that lasted the whole year round across the group. In the year 2007 as many as 671,400 new contracts were concluded groupwide.

The new contracts in the group parent company, **Raiffeisen Bausparkasse Gesellschaft m.b.H.**, reached a historic high in 2007. In total, 308,400 new contracts were concluded. This is the equivalent of a market share of 33 %. With a financing volume of EUR 1.14 billion the previous year's results were exceeded by 8.3 %.

With close to 170,000 new contracts, **Prvá stavebná sporitel'ňa, a.s.** topped the previous year's results by 9 %, achieving a market share of 84 %. Deposits rose by 8 % to SKK 44.1 billion while loans were up by 12.6 % reaching SKK 45.7 billion. Due to the great demand for low-interest Bauspar loans in the year 2007, the company issued its first housing bond.

To **Raiffeisen stavební spořitelna, a.s.** the year 2007 was most importantly characterized by strong growth in sales. In 2007 around 109,000 contracts were concluded. This is the equivalent of a market share of 13 % and an increase of 38.3 % compared with the year previous. In 2007, the company's market share reached 13 %. Bauspar deposits were raised by 8.2 % and loans by 37.4 % in comparison to the previous year's figures.

With more than 45,000 new contracts, **Raiffeisen stambena štedionica d.d.** increased new business by 5 % compared to the year 2006 and achieved a market share of 30 %. Contract volume was thus up by 3.6 % reaching 200,000. Loans rose to HRK 997 million matching an increase to the previous year of 54.4 %.

With new business of almost 39,000 savings contracts, Romanian **Raiffeisen Banca pentru Locuințe, S.A.** reached a market share of 92 %. This helped RBL to achieve remarkable results in its third full financial year.

3. Human resources

Employees group-wide are offered an extensive training program. In addition to specialized courses, they also have the opportunity to attend courses geared to personal development. The training courses are held by internal and external lecturers.

4. Economic outlook on 2008

Due to the attractive terms and conditions of our financing products supported by our uncomplicated, efficient customer service and by a rise in demand, we expect the financing volume across the group to rise in comparison to 2007. The future earnings position of the Raiffeisen Bausparkasse Group thus looks set to develop positively in the coming year.

5. Risk report

Overall risk management

A financial institution group's ability to record and assess risks extensively, and to monitor and control them on a regular basis, is increasingly becoming a decisive factor in competition. Risk management and risk controlling in the Raiffeisen Bausparkasse Group is geared towards ensuring that credit, country, market, liquidity, investment and operational risks are dealt with carefully and managed professionally, in order to secure the group's long-term success and to achieve market growth.

Risk management takes into account the national legislative environment, the requirements financial institutions have to meet with regard to limiting risks arising from banking transactions, particularly regarding the type and scope of the business and the principles of Basle II.

The Raiffeisen Bausparkasse Group's managing directors are responsible for implementing a risk policy determined by each risk type. This risk policy is an integral part of the bank's overall system of control, in other words, managing risk is systematically linked to managing earnings in all segments of the business. Risk policies and any changes to them, their integration into the overall bank strategy and its control systems are documented and communicated throughout the Raiffeisen Bausparkasse Group to ensure that risks are managed in the same way across all business segments.

Risk policy comprises the planned development of the business as a whole, separate asset and liability planning, and specific planning for the "Bausparen" and "key account" segments. Limits on all relevant risks, particularly cluster risks in the form of minimum and maximum limits for major investments, are set by the Board of Managing Directors.

The Raiffeisen Bausparkasse Group's managing directors decide what methods to use to identify, assess and monitor risks and have drawn up guidelines to this effect. They are supported in these tasks by risk control and risk management units as well as by specific committees.

These specific committees, which meet on a monthly basis, consist of the managing directors, the senior managers concerned and external specialists. They assess the current interest rate risk situation, taking risk-bearing capacity and corresponding risk limits into consideration. These committees support management in allocating the risk budget and in controlling liquidity risk and interest rate risk. These cross-segment committees are responsible for the ongoing development and implementation of risk assessment methods, for improving the accuracy of risk controlling instruments and for regularly updating risk management guidelines.

The "risk management" department of the group parent operates as a group-wide service unit responsible for central risk controlling. At present it is focusing on the implementation of measures arising from Basle II. This department's tasks comprise drawing up and implementing uniform guidelines relating to risk management, assessing all risks (credit, country, investment, market and operational risks) and providing unbiased reporting on risk profile to the Board of Managing Directors. By aggregating these risks into one overall bank exposure and comparing this to the bank's risk-bearing capacity, the basis for risk-adjusted allocation of capital and performance measurement is determined.

Market risk

The Raiffeisen Bausparkasse Group defines market risk as the potential loss due to market changes resulting from fluctuating or changing interest rates and prices. As Raiffeisen Bausparkasse Group companies do not keep commercial books of account, this only concerns the bank's own account positions. Risk exposures either arise from transactions with customers or are due to positions that have been intentionally taken and are managed by the staff units or departments "asset-liability management" and "treasury".

The Board of Managing Directors approves, monitors and controls all market risks by applying various limits. Overall exposure is determined by the Board based on risk-bearing capacity and earnings targets. The individual limits set at account level are dependent on the various risk factors. These limits include value-at-risk (VaR) limits, stop-loss limits, nominal limits and product-related nominal limits.

Credit risk

The Raiffeisen Bausparkasse Group's credit risk mainly relates to the default risk among private and corporate customers. Default risk is the risk of a customer not meeting agreed payment obligations. In addition to default risk, migration risks due to changes in credit ratings are treated as a separate category. There is no country risk in this business sector due to the fact that each Raiffeisen Bausparkasse Group company focuses solely on its domestic market.

Credit risk is monitored and analyzed on the basis of individual credits and customers, as well as on a portfolio basis. The credit risk policy approved by the Board of Managing Directors forms the basis on which credit risk is controlled and credit decisions are made.

Risk classification procedures to assess default risk are used to a certain extent in assessing credit worthiness. Rating models for corporate customers comprise several rating levels.

Raiffeisen Bausparkasse, as parent company, has set up its own project group headed by an organizational risk management unit to implement the independent credit risk assessment required by Basle II and to enable it to calculate required equity funds in future by applying a standard method.

Investment risk

Risks relating to equity interests are also part of the bank's account positions. However, this type of risk does not extend to group subsidiaries controlled strategically and operatively by Raiffeisen Bausparkasse, as risks relating to these subsidiaries are identified and assessed specifically in the course of consolidation.

6. Other disclosures

In March 2008, Raiffeisen Bausparkasse acquired Hypo Stavební Spořitelna, a.s. based in Prague via its holding company. This will help us to continue to expand our position in the Czech Bauspar market. The market share of both building societies together amounts to around 20 %.

Research and development expenses were incurred by the group solely in connection with the further development of the Bauspar systems and the development and structuring of new tariffs.

Vienna, April 4, 2008

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and Publisher**
Raiffeisen Bausparkasse
Gesellschaft m.b.H.

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Adress of the above:
1050 Vienna,
Wiedner Hauptstraße 94

Photos:
Ifkovits
Wilke
Rheinzink
www.croatia.hr
www.czechtourism.com
www.romaniatravel.com
www.slovakiatourism.com

Production:
AV+Astoria Druckzentrum GmbH
55-0608-0,3-AV

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