

# Supervisory

## Board's Statement

On behalf of the Supervisory Board of ZAO Raiffeisenbank Austria, I am delighted to announce that 2005 was an especially successful year for the Bank. Despite tough competition, Raiffeisenbank achieved excellent results and also held one of the leading positions on the Russian market. Raiffeisenbank is the ninth-largest bank in Russia in terms of assets (CEA Interfax). At the end of 2005, it had assets of RUB 135 bln, a 65% increase on 2004, while asset growth in Russia's banking sector on the whole was 39.4% (CEA Interfax).

Profit before tax was RUB 3.1 bln, almost 55% higher than last year. This makes Raiffeisenbank the most profitable subsidiary bank in the Raiffeisen International Group. Global Finance magazine named Raiffeisenbank the Best Overseas Bank in Russia in 2005. It is worth mentioning that the Bank received this award in 2006 as well.

The primary goal of Raiffeisen International Bank-Holding AG (Raiffeisen International), Raiffeisenbank's sole shareholder, is to further develop its position as one of the leading banking groups of Central and Eastern Europe. Russia is the largest country in Eastern Europe with a population of approximately 143 mln. Like in the last few years, 2005 saw a strong growth of GDP by 7% on average, several times higher than the GDP growth in the eurozone. We believe in Russia's massive potential and see it as a priority market for the Raiffeisen International Group's further development. Today, the banking sector in Russia is in a period of strong growth, in turn supporting the rapid development of the country's other economic sectors. The banking sector's dynamic growth is mainly due to the potential of and demand for banking services, which gives every hope for a continued and even higher demand for financial services in Russia in the future.

In 2005, Raiffeisenbank consolidated its reputation as a reliable universal bank, focusing both on serving corporate and individual clients and on investment banking. The Bank's corporate loan portfolio grew by 57.3% to RUB 7.3 bln. The number of corporate clients rose by 41.1% to around 4 700, with a considerable growth in the sector of medium-sized businesses. On average, the Bank's client base grows by 73% annually, primarily thanks to the development in the regions.

Raiffeisenbank ran a successful regional expansion campaign in 2005. It opened branches in Ekaterinburg, Samara and Novosibirsk. In March 2006, a branch was opened in Chelyabinsk. The regions are home to established large corporations and fast-growing small and medium-sized enterprises, and the regional population is more and more in need of banking services — the Bank's clear focus is on serving both current and new private and corporate clients in the regions.

Raiffeisenbank is one of Russia's leaders in investment banking services. Arranging 15 corporate rouble bond issues for a total of over RUB 36 mln equivalent, it ranked first in terms of number of transactions according to Cbonds rating agency. Thanks to joint efforts with Raiffeisen Zentralbank Österreich AG, Raiffeisen International's parent company, Raiffeisenbank strengthened its leading position in the Russian syndicated loans market, acting as arranger of 16 loans totalling RUB 37.4 bln. Global Finance magazine decorated it as Best Syndicated Loan Arranger in 2005, an award it also won in 2003.

One of the most important events of early 2006 was Raiffeisen International's acquisition of Impexbank. The Group has already completed nine successful acquisitions of banks in Central and Eastern Europe. With the purchase of Impexbank, Raiffeisen International becomes the largest foreign banking group in Russia. By combining the two banks, the Group plans to expand its excellent results, both in the corporate and the retail sectors, given Impexbank's developed branch network throughout the country. It currently has around 190 branches and offices and 350 consumer credit outlets in shopping centres and other stores.

The Bank's successes and achievements up to now provide more than strong grounds to believe in its further successful development, the quality of the Group's strategy and the scope of opportunities to be tapped in the new year. I sincerely thank everyone who made this success possible — from the professional management team and the Bank's staff to our respected customers. Their contribution is invaluable.

Herbert Stepic  
Chairman of the Supervisory Board



### Members of the Supervisory Board

Heinz Wiedner  
Martin Grill  
Jeffrey Brooks Millikan  
Aris Bogdaneris



# Statement by the Chairman of the Managing Board

Raiffeisenbank had an exceptionally good year in 2005 in Russia by all measures. As with all such strong years, our shareholders and the market will use 2005 as the benchmark to measure our future development and progress. But both management and staff are confident of meeting this challenge as we continue moving forward in 2006 and beyond.

This is my first Statement as the Chairman of the Managing Board and I want to acknowledge the contribution of my predecessor, Michel Perhirin, who stepped down as the Chairman of the Board at the end of 2005. Shareholders and I personally are grateful to Mr. Perhirin for his performance and dedication to Raiffeisen Group.

In 2005 Raiffeisenbank maintained its track record of financial data consistently high growth, reporting a 65% rise in total assets to over RUB 135 bln (more than 100% growth over the last two years), and a 43.8% increase in net profit at RUB 2.3 bln. Our results are even more impressive when seen in the light of falling rouble interest rates and tougher competition, causing lower margins in the market in general. Our cost/income ratio of 40% is a significant achievement. Even in the context of a strongly growing Russian economy and significant growth in the corporate and retail operations of all the major banks in Russia, Raiffeisenbank's 65.3% increase in retail and 35% in corporate deposits and 90.4% increase in retail and 57.3% in corporate loans was outstanding. This result justifies our strategy of regional expansion while maintaining the quality of assets, services and investment in our staff. This strong growth in our balance sheet and profits moved Raiffeisenbank up to 9th amongst the largest Russian banks in terms of total assets according to CEA Interfax. Our shareholders fully support our strategy and in particular our expansion in Russia and contributed RUB 5.5 bln of share capital in 2005 to help fund further growth.

During the year Raiffeisenbank sustained its stated strategy of expanding the retail branch network. Along with 6 new outlets in Moscow and Saint Petersburg, we opened three new regional branches during 2005 in Ekaterinburg, Samara and Novosibirsk. A fifth regional branch was opened in Chelyabinsk in the beginning of March 2006. The implementation of the strategic regional expansion program helps positioning Raiffeisenbank on the national level and to transfer the experience and the know-how of the Raiffeisen Banking Group to the most important regions in Russia.

In 2005 Raiffeisenbank also confirmed its leading position in the RUB bond market acting as arranger for 15 deals totaling RUB 36 bln. It secured the top spot in the independent corporate bond Arranger league table of Cbonds information agency in terms of quantity of deals.

Raiffeisenbank is as an acknowledged player in the commercial real estate market with a credit portfolio RUB 4.5 bln as of 2005 year-end. During the year the Bank has been very active in expanding its Project Finance activities with a number of facilities being extended during the year to finance the construction of A-class business centres, quality office facilities, warehousing and logistic complexes, retail chains, shopping and entertainment centres.

One of Bank's priorities lies in expanding its corporate business offering a wider scope of services to medium-sized enterprises (MSE). The share of medium companies by 2005 year-end amounted to 24.4% of the overall corporate loan portfolio.

In February 2006 Raiffeisen International announced the acquisition of Impexbank (subject to approval by the relevant authorities in Russia and Austria). Impexbank is focused on the retail segment and has approximately 190 branches and a further 350 consumer finance outlets throughout Russia. Through this transaction Raiffeisenbank will sound increase its market presence regionally and its target client base. The regional and customer segments of Raiffeisenbank and Impexbank overlap minimally, so this acquisition is of high strategic value. Raiffeisenbank is now extremely well placed to attract even larger number of retail and SME customers across the whole country.

Some of the other key highlights for Raiffeisenbank in 2005 were Best Overseas Bank in Russia Award from Global Finance magazine and Best Consumer Internet Bank. In addition, the Equity Market magazine recognised Raiffeisenbank for The Best Innovation on the Equity Market in respect of the unique structuring of the bond issue organized by the Bank for Baltika Brewery. Golden Diploma for informational transparency and impeccable business record in nomination Foreign company operating in Russia was awarded by the Russian Financial Press-Club. By the end of 2005 Raiffeisenbank had issued almost 300 000 payment cards. Moody's Interfax Rating Agency upgraded our rating for long- and short-term foreign currency deposits to Baa2/Prime-2. This is the best possible rating for a private company in Russia, which is constrained by Russia's Baa2 country ceiling. This reflects the strength of Raiffeisenbank in Russia as well as the strength of Raiffeisen Banking Group that stands behind ZAO Raiffeisenbank Austria.

Raiffeisenbank's subsidiaries — Non-state Pension Fund Raiffeisen, Raiffeisen Capital Asset Management Company and Raiffeisen-Leasing — also continued their successful development and played an important role in our overall achievements. Thus in 2005 assets under management of Raiffeisen Pension Fund increased by 83% and reached RUB 87.9 mln. A further nine corporate clients were added to the client base of Raiffeisen Pension Fund during the year, among them are Austrian Airlines, Anglo-American School in Moscow. 2005 year-end saw an agreement with OJSC «Mondi Business Paper Syktyvkar» for corporate pension plan. The total number of corporate clients of Raiffeisen Pension Fund was 69, and the number of individual participants exceeded 22 000 as at the end of 2005.

The Bank's success in operations and network growth is largely due to the high standard of its corporate culture and to its motivated and professional staff. The number of Raiffeisenbank's employees had risen to almost 1 700 by the end of 2005 — an increase of more than 60% in the year and nearly three times our headcount at the end of 2003. We take particular pride in our recruitment and training programs. They ensure that we can smoothly integrate new employees into the Raiffeisenbank team and simultaneously offer professional development opportunities to our current employees to encourage them to meet the challenges ahead.

I am very grateful to the Supervisory Board for their ongoing support of the Management team in our implementation of Raiffeisenbank's strategy in this exciting and challenging market, and to all of the staff for their continued loyalty and dedication to Raiffeisenbank and in providing an excellent service to our customers. As far as the coming year is concerned, our main goal is to keep the same successful pace and leading positions in the Russian market, which is a challenging task of course. We intend to further strengthen our positions in the area of corporate banking, investment banking and retail banking. We will continue the regional development and invest seriously in human capital in Moscow as well as in the regions. And of course, superior customer service quality will remain our exceptional priority.

Next year will be even more challenging mainly due to increased competition in the market. However, we have no doubt that with Raiffeisenbank's highly professional and dedicated staff, as well as with a continuing support from clients and Raiffeisen International we will again achieve great results.

Raiffeisenbank opens a new chapter in its continued expansion of geographical coverage and client base in 2006. We are confident that we are now extremely well positioned to deliver an even stronger and wider range of service to both our corporate and retail clients. We recognize that our customers expect high quality service from their partners and we believe that the impressive growth in our customer base reflects our outstanding strength in this area. But we will not rest on our laurels as we constantly look at ways to improve the quality, efficiency and range of services to our customers.

I would like to take the opportunity to thank all our employees for their devoted work and professionalism, all of our valued customers and business partners who have shown their trust by doing business with us. I look forward to our mutual successes in 2006.

Johann Jonach  
Chairman of the Managing Board

