

RZB Group and Raiffeisen International at a glance

ZAO Raiffeisenbank Austria is a member of the RZB Group and subsidiary of Raiffeisen International Bank-Holding AG (Raiffeisen International).

Raiffeisen International in turn is a fully consolidated subsidiary of Vienna-based Raiffeisen Zentralbank Österreich AG (RZB). RZB is the parent company of the RZB Group and the central institution of the Austrian Raiffeisen Banking Group, the country's most powerful banking group with the largest local distribution network.

Founded in 1927, RZB provides the full range of commercial and investment banking services in Austria and is regarded a pioneer in Central and Eastern Europe (CEE). It ranks among the region's leading banks, offering commercial, investment and retail banking services in the following markets:

| | |
|--------------------------|--|
| ■ Albania | Raiffeisen Bank Sh. a. |
| ■ Belarus | Priorbank, JSC |
| ■ Bosnia and Herzegovina | Raiffeisen Bank d.d. Bosna i Hercegovina |
| ■ Bulgaria | Raiffeisenbank (Bulgaria) E. A. D. |
| ■ Croatia | Raiffeisenbank Austria d.d. |
| ■ Czech Republic | Raiffeisenbank a.s. |
| ■ Hungary | Raiffeisen Bank Zrt. |
| ■ Kosovo | Raiffeisen Bank Kosovo J.S.C. |
| ■ Poland | Raiffeisen Bank Polska S.A. |
| ■ Romania | Raiffeisen Bank S.A. |
| ■ Russia | ZAO Raiffeisenbank Austria |
| ■ Serbia and Montenegro | Raiffeisenbank a.d. |
| ■ Slovakia | Tatra banka, a.s. |
| ■ Slovenia | Raiffeisen Krekova banka d.d. |
| ■ Ukraine | JSCB Raiffeisenbank Ukraine and JSPP Bank Aval |

Raiffeisen International acts as these banks' steering company, owning the majority of shares (in most cases 100% or almost 100%). Furthermore, numerous finance leasing companies (including one in Kazakhstan) are part of the Group. Following the largest IPO in Austria's history in April 2005, RZB remains Raiffeisen International's majority shareholder owning 70% of the capital stock. The remaining 30% is free-float, owned by institutional and retail investors.

At year-end 2005, 2 443 business outlets covered the CEE-region and approximately 43 600 employees attended to more than 9.7 mln customers.

As of year-end 2005, Raiffeisen International's total assets amounted to EUR 40.7 bln, up 41% compared with December 2004. Consolidated profit (after minorities) according to IFRS came to EUR 382.3 mln, an increase of 83%. The return on equity before tax reached 21.8% and the cost/income ratio improved to 61.6%.

As per 31 December 2005, the RZB Group's balance-sheet total amounted to EUR 93.9 bln, up 38% on the figure for year-end 2004. IFRS-compliant profit before tax amounted to EUR 929.9 mln, an increase of 34% compared with the same period of 2004. The return on equity before tax was 23.9% and the cost/income ratio improved to 58.9%.

In addition to its banking operations — which are complemented by representative offices in Lithuania (Vilnius), Moldova (Chisinau) and Russia (Moscow) — RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management, leasing and mortgage banking.

In Western Europe and the USA, RZB operates a branch in London and representative offices in New York, Brussels, Frankfurt, Milan, Paris and Stockholm. A finance company in New York (with representative offices in Chicago and Houston) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with a representative office in Zhuhai) and Singapore as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai, Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB is currently rated as follows:

| | | |
|---------------------|--------------------|-----|
| ■ Standard & Poor's | Short-term | A1 |
| ■ Moody's | Short-term | P-1 |
| ■ Moody's | Long-term | A1 |
| ■ Moody's | Financial Strength | C+ |

Vision and Mission

Vision

ZAO Raiffeisenbank Austria is one of the leading banks in Russia.

Mission

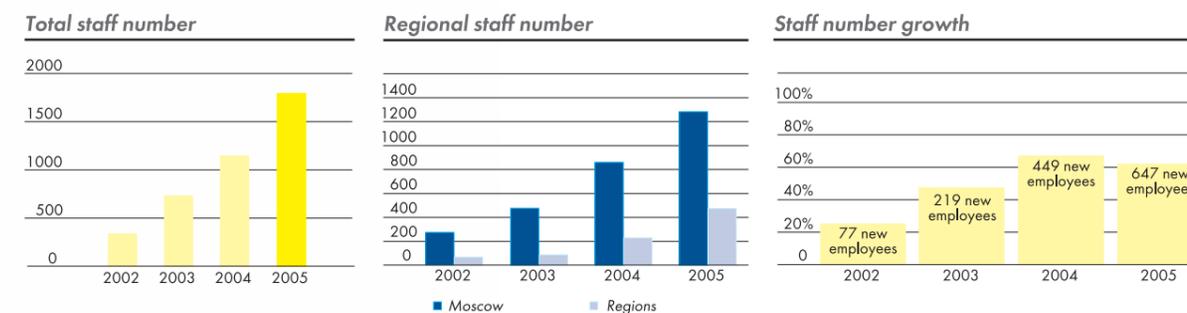
- we seek long-term customer relationships and provide highest quality financial services;
- we are committed to the best professional standards and support flexibility to ensure a rapid response to customer needs;
- we achieve sustainable and above-average return on equity;
- we focus on optimization of risk management / control and achieving cost-effectiveness;
- we are proud of belonging to the RZB Group and its dynamic development;
- we encourage our employees to be initiative, entrepreneurial and we foster their development.

Human Resources Policy

Raiffeisenbank enjoyed another year of rapid development in Russia in 2005. A number of new projects were undertaken including the opening of new regional branches and there was a dramatic increase in the number of employees.

In 2005 the Bank's Moscow network significantly expanded to 22 branches and exchange offices (compared to 16 at the end of 2004). New branches were opened in three more Russian cities. By the year end, Raiffeisenbank's logo was seen not only in Moscow and Saint Petersburg, but also in Ekaterinburg, Samara and Novosibirsk.

The Bank's staff increased by almost 63% from 1 027 in 2004 to 1 674 in 2005. About 70% of the new employees who joined the Bank in 2005 were sourced by direct search.



In order to cope with the rapidly growing headcount and geographical expansion, the Bank placed special attention on training and development programs, such as corporate training events and open seminars, assessment centres and secondments.

In 2005 the Bank organized 506 staff seminars and training events, which were attended by 1 127 employees.

Of special importance was the rotation program: 254 employees (15% of the total) were provided with an opportunity to experience new business lines and new functions.

The Bank's student intern program attracted 101 students. By the year end, 24 of the program's participants were employed as permanent staff.

One priority in 2005 was to develop software to optimize Human Resources processes. The Bank implemented a consolidated system for HR data accounting, storage and management. All of the Bank's branches in Russia use a computerized recruitment system that provides access to candidate histories and open vacancies and control over information flows.

Raiffeisenbank launched its electronic training system in 2005. It included the first electronic courses on products for the retail function and enabled an expansion of the electronic library.

The HR projects carried out in 2005 made a huge contribution to implementing the Bank's ambitious development plans and will form the basis of our future development.

Anti-Money Laundering Policy

A major risk for banks today is that their services will be used for criminal aims, such as money laundering, terrorism, fraud and corruption. The fight against money laundering and financing of terrorism is gaining increasing importance all over the globe. ZAO Raiffeisenbank Austria takes great efforts to implement and constantly improve its mechanisms to prevent criminal activities.

ZAO Raiffeisenbank Austria was incorporated in Russia in 1996 and fully complies with Russian legislation and requirements of the Central Bank of the Russian Federation. Raiffeisenbank has implemented all required procedures to stop any attempts to breach the Federal Law «On Prevention of Money Laundering and Financing of Terrorism». The Bank set up a Compliance Control Department at the request of shareholders long before this was required by Russian legislation. The Department's activities fully comply with international practice and the recommendations of the supervisors.

In accordance with Russian legislation and internal procedures the Bank has developed a whole range of measures to prevent money laundering and financing of terrorism. The Bank insists on following due procedure and «know your client» principles to avoid becoming a channel for criminal activities. This reduces the risks considerably and helps to protect the business reputation of Raiffeisenbank and its customers.

These procedures are implemented in strict adherence to Russian and Western standards on confidentiality and non-disclosure of banking information.



Russia: Economic Perspectives

The Russian economy has grown by 7% p.a. on average since the 1998 financial crisis. This growth has been brought about by increased prices on energy resources, the rouble devaluation and processes inherent to developing economies.

Since 2005, economic growth has slowed slightly. Despite strong demand and record prices for Russian raw materials exports, the economy suffered from the impact of insufficient structural reforms, the administrative pressure on business and limited production capacities.

At present, the production sector is facing problems caused by growing competition from imported products and by a lack of production capacities that were previously abundant. The extraction sector is practically in stagnation due to an increased tax burden and low level of prior year investment — both attributable to a deterioration in the business climate. Under the circumstances we can expect only a slight increase in industrial production, which will be associated primarily with the stabilization of tax laws and growing government support through investments.

We expect a constant high growth in consumer income, which with growing consumer lending will lead to higher consumer demand and will visibly bolster economic growth. Those sectors that quickly adapt to this growing consumer demand will develop fastest. Primarily, these are services and construction sectors.

The main issue in 2006, and partly a political issue, will be reducing inflation. Despite the proposed package of anti-inflation measures (control over growing tariffs, lowering the consumer goods deficiency, encouraging individual savings, etc.), we still see significant risks that will lead to an increased inflation pressure: overburdened production capacities, excessive consumer demand, high inflation expectations, and the stabilization fund's reduced anti-inflation capabilities. However, limited growth of regulated prices, in our opinion, can curb inflation and keep it within 10% p.a.

Russian credit and monetary policy will, as in previous years, be focused on lowering inflation and preventing excessive strengthening of the rouble. The main instrument of the Central Bank will be currency market transactions (aimed at purchasing exporters' currency proceeds) and gradual development of money market instruments. We believe that the Central Bank will actively use instruments of money supply sterilisation (placement of Bank of Russia's bonds and sale of federal loan bonds, deposit auctions and reverse REPO transactions), expecting a large positive balance of the current transaction account to be maintained and to increase the capital inflow by lifting restrictions on capital movements starting from 2007. Therefore, we do not expect significant changes in current interest rates and expect that the inflation rate decrease will lead to only a moderate decrease in the cost of borrowings.

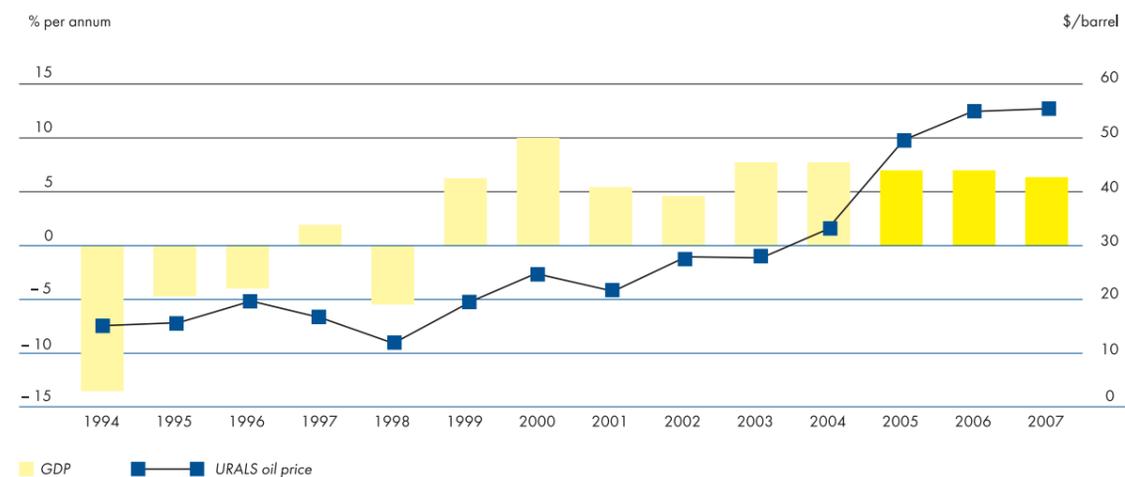
The Central Bank's currency policy is unlikely to significantly change, which means that the Central Bank will not change the existing regime that controls foreign exchange rates (through a currency basket) and consequently internal currency market dependence on world market movements (primarily, the euro and the dollar). By the year end, it is possible that the currency basket fluctuation range (which the Central Bank used to decrease short-term volatility during 2005) will be expanded. We also expect that the euro's share in the currency basket will increase, to make euro-rouble rate dynamics less volatile and expand the dollar-rouble rate fluctuation range.

The government's most likely finance policy will be to preserve a stable budget surplus through tax revenues from the oil industry and better fulfillment of tax obligations. As for budget spending, we expect changes to be more qualitative than quantitative (gradual introduction of the system of budgeting depending on results) and we do not foresee any significant risk of an increase in budget spending.

We expect that the stabilization fund will continue to grow and that this will force the government to reduce its international debt. This strategy seems to be optimal under the circumstances when the alternatives are increasing government spending (more likely via the investment fund than in the form of current budget spending) and the purchase of relatively low-yield foreign securities.

Further improvement of Russia's credit rating is restricted by political risks, structural limitations and the high dependence of the Russian economy and budget on energy prices. However, a positive outcome to negotiations about the early repayment of Russia's international debt may improve the assessment of Russia's credit risks.

GDP dynamics



Main economic indicators

| Indicator | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 forecast | 2007 forecast |
|--|-------|-------|-------|-------|-------|-------|------------------|------------------|
| Annual GDP growth, % | 10.0 | 5.1 | 4.7 | 7.3 | 7.2 | 6.1 | 6.0 | 5.8 |
| Annual GDP, USD bln | 259.7 | 306.6 | 345.6 | 431.7 | 581.6 | 717.3 | 856.2 | 1027.7 |
| Annual production growth, % | 11.9 | 4.9 | 3.7 | 8.9 | 7.3 | 4.0 | 4.4 | 4.2 |
| Annual increase in fixed capital investments, % | 17.4 | 10.0 | 2.8 | 12.5 | 10.9 | 10.0 | 10.6 | 11.0 |
| Annual consumer price inflation, % | 20.1 | 18.6 | 15.1 | 12.0 | 11.7 | 10.9 | 10.0 | 8.0 |
| Annual producer price inflation, % | 31.8 | 8.4 | 17.7 | 12.7 | 28.9 | 18.5 | 11.0 | 9.0 |
| URALS oil price, year average, USD for 1 barrel | 27.0 | 23.0 | 23.8 | 27.2 | 34.2 | 50.0 | 54.0 | 54.0 |
| Annual export of goods, USD bln | 105.0 | 101.9 | 107.3 | 135.9 | 183.5 | 237.3 | 263.6 | 275.1 |
| Annual import of goods, USD bln | 44.9 | 53.8 | 61.0 | 76.1 | 96.3 | 118.7 | 146.0 | 177.2 |
| Annual trade balance, USD bln | 60.2 | 48.1 | 46.3 | 59.9 | 87.1 | 118.7 | 117.6 | 97.9 |
| Current transactions account, USD bln | 46.8 | 33.9 | 29.1 | 35.4 | 58.6 | 89.7 | 82.0 | 54.1 |
| Gold and foreign exchange reserves as at year end, USD bln | 28.0 | 36.6 | 47.8 | 76.9 | 124.5 | 182.4 | 245.7 | 290.7 |
| RR/USD exchange rate as at year end | 28.2 | 30.1 | 31.8 | 29.5 | 27.7 | 28.4 | 27.4 | 26.2 |
| RR/EURO exchange rate as at year end | 26.2 | 26.5 | 33.1 | 36.8 | 37.8 | 34.2 | 35.6 | 36.7 |
| Annual Federal Budget revenues, % of GDP | 15.4 | 17.8 | 20.3 | 19.5 | 20.5 | 24.7 | 23.4 | 21.5 |
| Annual Federal Budget spending, % of GDP | 13.1 | 14.8 | 18.9 | 17.8 | 16.1 | 17.2 | 17.9 | 19.5 |
| Annual Federal Budget surplus, % of GDP | 2.3 | 3.0 | 1.4 | 1.7 | 4.4 | 7.5 | 5.5 | 2.0 |

Source: Rosstat, the Central Bank of the Russian Federation, Raiffeisenbank estimates.