

# Statement by the Supervisory Board

On behalf of the Supervisory Board of ZAO Raiffeisenbank Austria, I am delighted to report that 2006 saw our Bank continue to rapidly strengthen its position on the Russian market, expanding its coverage right across the country. By the end of the year Raiffeisenbank had built up an extensive network in Moscow and established branches and outlets in nine Russian regions.

2006 was a momentous year for Raiffeisenbank in Russia, marking the 10th anniversary of our foundation, a proud history which could fill a report such as this several times over. Since overcoming the market meltdown of 1998 we are extremely proud of the dynamic development of our corporate business and the launch of our thriving retail arm. During this time we also managed to enter the corporate bonds market, establish subsidiaries for leasing, asset management and retirement insurance while rolling out our wide-ranging expansion into the regions.

Raiffeisenbank's solid position combined with its innovation and ambitious long-term strategy on the Russian market was recently recognized by top international business magazine Global Finance, which named us Best Overseas Bank in Russia in 2006. Meanwhile we secured a National Banking Award for our contribution to the country's economic development and the Russian edition of Finance. magazine presented us with an award for Trust in the Russian Market. As a foreign banking group we are also proud of the fact that in 2006 ZAO Raiffeisenbank Austria won the prestigious National Banking Award for Foreign-Owned Bank That Contributed Most to the Development of the Russian Economy.

Russia is one of the top priorities at Raiffeisen International due to its combination of high economic potential and a dynamically developing banking sector. In recent years Russia has demonstrated extremely impressive economic results with GDP growth hitting 6.7% in 2006, far outstripping the European average. The Russian banking sector has stood out even against the background of the booming economy. According to Russia's Interfax Centre for Economic Analysis, the banking industry as a whole saw asset growth of 43% in 2006. Raiffeisenbank once again managed to outperform the average, with its assets swelling 67% over the year to climb over RUR 226 bln by December 31, 2006.

In 2006, Raiffeisenbank in Russia saw its profit increase 60% to reach RUR 3.67 bln, making ZAO Raiffeisenbank Austria the most profitable bank in Raiffeisen International Group.

As in previous years, in 2006 Raiffeisenbank occupied leading positions in the corporate customer service and financing sectors. By the end of the year, Raiffeisenbank's corporate loan portfolio exceeded RUR 129.3 bln, growing more than 67% from the previous year. These indicators were possible above all due to the vigorous expansion of our branch network. In 2006, the share of loans issued by Raiffeisenbank regional branches to legal entities surged from 17% to 31% of the Bank's total portfolio to reach RUR 40 bln. As a result of Raiffeisen International's purchase of OAO Impexbank the Group's branch network in Russia has expanded significantly. The wide regional network is opening new opportunities for corporate business development, and is expected to drive growth of the merged bank in coming years.

We see huge potential in the development of medium-sized businesses, which are starting to be recognized as a growth engine of the economy as a whole. In 2006 the share of loans given to medium-sized businesses reached more than 32% of our total corporate portfolio.

To deal with the fast-growing volumes of our Russian operations, Raiffeisenbank attracted additional investments to significantly increase our funding base in 2006. ZAO Raiffeisenbank Austria signed an agreement with Raiffeisen Zentralbank Österreich AG for a subordinated loan of USD 80 mln. Meanwhile our shareholders made a decision to increase the Bank's authorized capital through an additional share issue of RUR 10.040 bln. 2006 also saw Raiffeisenbank attract the largest loan in its history, a syndicated loan for USD 625 mln. The transaction was significant for the market of international syndications involving Russian banks in 2006 as the third-largest transaction in terms of volumes and second in terms of price. The success of this transaction demonstrated the

enviable position Raiffeisenbank has secured for itself in Russia, confirming its reputation as a strategic partner on international financial markets.

The Russian consumer market has seen stunning gains, growing more than three-fold over the last six years and thus requires special attention from retail banks. Raiffeisenbank has rapidly reacted to the market's needs, extending its product range, increasing lending terms and reducing rates. Another priority is regional development, as in the coming years the regions are expected to become one of the principal engines for consumer market growth and consequently for the Russian economy as a whole. This is why last year's purchase of Impexbank was so significant for Raiffeisen International in Russia. We can already report that Raiffeisenbank and Impexbank have entered the top five banks in Russia by number of branches according to a rating by RosBusinessConsulting. By the end of 2006, our total ATM network exceeded 1 000 units, allowing Raiffeisenbank and Impexbank to take the third place among Russian banks for its ATM network.

Following Raiffeisen International Group's purchase of 100% of Impexbank's shares, we launched the process of integrating the two entities, uniting our efforts to provide the best customer service on the Russian market. The united Bank will work in Russia with the name ZAO Raiffeisenbank.

It is of primary importance that the combined work of our teams of employees plays a significant role in this challenging but fascinating period in the development of Raiffeisenbank and Impexbank. As the cornerstone of one of the largest foreign banks in the CIS, a lot depends on them. I would like to thank all our employees, many of whom have worked long and hard to achieve the Bank's success in Russia and make it the pride of the Group. Please let me express my gratitude to our customers and partners in Russia: as always, everything we do is for you. We look forward to expanding our cooperation in the coming year.

Sincerely yours,  
Herbert Stepic  
Chairman  
of the Supervisory Board



### **Members of the Supervisory Board**

Heinz Wiedner  
Martin Gruell  
Aris Bogdaneris  
Peter Lennkh



# Statement by the Chairman of the Managing Board

In 2006 ZAO Raiffeisenbank Austria celebrated 10 years of rapid expansion on the Russian market with another banner year.

Throughout its decade in Russia, Raiffeisenbank has consistently enjoyed the support of its shareholders, who have provided the massive funding required by the Bank's rapid growth.

Shareholders also helped open a new era in the Bank's development with Raiffeisen International's purchase of 100% of Impexbank, which is now being merged with Raiffeisenbank. Throughout 2006, our top priority was a multifaceted integration programme aimed at providing flawless communication between the two Banks to ensure the combined entity's ability to offer exemplary service. The first step, in May 2006, saw the mutual cancellation of fees for Raiffeisenbank and Impexbank ATMs. In August, an agency agreement was signed to allow Impexbank to provide individual customers with retirement plans from Non-State Pension Fund Raiffeisen. Raiffeisenbank customers were then given the opportunity to make payments on rouble loans through any Impexbank branch. By July 1 OAO Impexbank and ZAO Raiffeisenbank Austria had already secured second place on the Russian banking market for growth in deposits, according to the CMAKP analytic centre. In July, both Banks introduced coordinated credit and financial risk management policies. Then, in September, we united the two Banks' financial market operations. A unified Call Centre was launched in December, a crucial part of the merger due to its role in providing a solid foundation for the provision of first-rate customer support. Thus, by the end of the year customers were able to enjoy the fruits of the Banks' cooperation in a wide variety of areas.

Another of Raiffeisenbank's top priorities in 2006 was the continued roll-out of our regional network and the strengthening of our existing branches. The Bank achieved a significant expansion of the geographical area serviced across the country. By the end of 2006 Raiffeisenbank had branches in nine cities across Russia, with 21 branches in Moscow and five branches in Saint Petersburg. In 2006, Saint Petersburg's Northern Capital branch celebrated five successful years by securing the Financial Petersburg award as the Best Foreign Bank in the city. The Uralsky, Samarsky and Sibirsky branches, all opened in 2005, posted exemplary growth last year. In December Raiffeisenbank was recognized as the second largest provider of corporate loans in Novosibirsk, according to a study in local newspaper Kontinent Sibir. New branches in Chelyabinsk, Nizhny Novgorod, Krasnodar, Krasnoyarsk and Perm all enjoyed successful launches helping to push the proportion of Raiffeisenbank's corporate loans going to the regions to 31% by year-end.

Raiffeisenbank also confirmed its leadership in corporate bonds on the Russian market. In 2006, the Bank was arranger and co-arranger of 17 issues of rouble corporate bonds with a total par value of RUR 49.7 bln, representing more than 10% of all bonds issued in the country in 2006. At year-end, the Bank secured third place in a ranking of arrangers of corporate bond issues on the Russian market, according to Cbonds.ru analytical bureau. Raiffeisenbank was also a leader in syndicated loans: in 2006 the Bank organized 28 syndicated loans for companies and financial institutions worth a total of over USD 5 bln, including 7 of 16 local transactions, according to Cbonds.ru.

2006 was another growth year for medium and small businesses in Russia, and Raiffeisenbank consolidated its position as a leading partner for the sector both in Moscow and in the regions. Raiffeisenbank's branch in Chelyabinsk stood out, demonstrating the best performance in providing loans to medium-sized enterprises by any of our branches.



In the retail sector, Raiffeisenbank's efforts were focused on creating a solid foundation for customer service at the merged bank. One key achievement was our participation in the MALINA™ customer loyalty programme, which opened opportunities for strategic partnerships with several top retail brands and allowed us to offer the MALINA™-Raiffeisenbank Credit Card. The Bank paid particular attention to the improvement of loan programmes and the launch of new products. In 2006, Raiffeisenbank overhauled its mortgage loan programme: increasing the length and volume of financing, developing a refinancing programme for mortgage loans secured at other banks, and launching our Mortgage Saturdays service to give customers the opportunity to receive individual advice on weekends.

The Bank was also active in opening up new opportunities for customers to take real pleasure from the Bank's products. In spring 2006, Raiffeisenbank created its Discounts for You incentive programme, which allows Raiffeisenbank's cardholders to enjoy generous discounts and special offers from partners including shops, restaurants and tourist agencies. In 2006, we registered significant growth in the number of cards issued, with the total exceeding 470 000 by the end of the year and cash turnover reaching USD 400 mln.

Responding to growing customer demand, we continued the rapid development of our high-tech banking products. The Raiffeisen CONNECT Internet banking system continued to see constant improvements, confirming it as a favourite among our customers. Raiffeisenbank rolled out its Internet banking in 2003 as a fast and easy way for customers to review information on accounts, cards, deposits, loans, and shares. Currently we are seeing rapid transaction growth as the system is used by more than 15 000 customers every day, with about 600 active transactions. New services include the ability to purchase Mutual Funds managed by Raiffeisen Capital Asset Management Company and open deposits. Top business magazine Global Finance has named Raiffeisenbank as the Best Consumer Internet Bank for two years in a row.

Following another impressive showing in the retail sector we are confident about continued success in the area as we expand our offerings in 2007.

Raiffeisenbank's subsidiaries continued their rapid development, strengthening their positions on the Russian financial market. Assets managed by Raiffeisen Capital Asset Management Company grew more than fourfold from RUR 990 mln to RUR 4 230 mln, its share of the mutual fund market increasing from 1.6% to 2.5% despite significant growth in the industry overall. Raiffeisen Capital Asset Management Company also expanded its product range including a new open mutual investment fund named Fund of Funds. Raiffeisen-Leasing entered new sectors, offering auto leasing and telecommunication equipment financing. Non-State Pension Fund Raiffeisen also expanded its activities both in Moscow and in the regions. In 2006, it started providing mandatory retirement insurance services in many cities where Raiffeisenbank has a presence, and in February 2006, it offered a corporate pension fund for employees at MBN SLPK, a large enterprise in the city of Syktyvkar.

As always, Raiffeisenbank values its employees above all else: educational programmes, training and workshops continued to be top priorities for the Bank, as was the creation of systems for career assessment and planning. In 2006, Raiffeisenbank Austria was named one of the best employers in Moscow by Personnel Management magazine. We take great pleasure in the results achieved by our employees' efforts, and we are proud that to have built a team in the true sense of the word. Due to the professionalism and high motivation of our employees, we have not merely maintained our unique position, but managed to beat the market on growth in many areas.

On behalf of Raiffeisenbank's Managing Board, I would like to thank all our employees at Raiffeisen Group in Russia for their daily commitment to the Bank's development and achievements and for their professional approach to the provision of high quality services. As always, we are acutely aware of the importance of the Bank's partners and our customers' confidence in us. Our achievements, of course, stem directly from meeting the needs of our customers and the market. We are sure that in 2007 we will continue to strengthen our relationships and to achieve mutual success.

Johann Jonach  
Chairman of the Managing Board

