

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 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 largest banking group by total assets with the widest 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, OAO |
| ■ Bosnia and Herzegovina | Raiffeisen Bank d.d. Bosna i Hercegovina |
| ■ Bulgaria | Raiffeisenbank (Bulgaria) EAD |
| ■ Croatia | Raiffeisenbank Austria d.d. |
| ■ Czech Republic | Raiffeisenbank a.s. and eBanka, a.s. |
| ■ Hungary | Raiffeisen Bank Zrt. |
| ■ Kosovo | Raiffeisen Bank Kosovo S.A. |
| ■ Poland | Raiffeisen Bank Polska S.A. |
| ■ Romania | Raiffeisen Bank S.A. |
| ■ Russia | ZAO Raiffeisenbank Austria and OAO Impexbank |
| ■ Serbia | Raiffeisen banka a.d. |
| ■ Slovakia | Tatra banka, a.s. |
| ■ Slovenia | Raiffeisen Krekova banka d.d. |
| ■ Ukraine | VAT Raiffeisen Bank Aval |

Raiffeisen International Bank-Holding AG acts as these banks' steering company, owning the majority of shares (in most cases 100% or almost 100%). Furthermore, many finance leasing companies (including one in Kazakhstan) are part of the Raiffeisen International Group. Raiffeisen International is a fully-consolidated subsidiary of RZB. 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 the end of 2006, 2 848 business outlets covered the CEE-region, and over 52 700 employees served more than 12.1 mln customers.

As of 31 December 2006, Raiffeisen International's balance sheet total amounted to EUR 55.9 bln, up 37% compared with December 2005. Consolidated profit for the period (after minorities and excluding one-off effects) according to IFRS came to EUR 594 mln, an increase of 55% compared with the same period of 2005. Including the one-off effects due to the sale of Raiffeisenbank Ukraine and of the stake in Kazakh Bank TuranAlem, consolidated profit reached EUR 1.18 bln. The return on equity (ROE) before tax excluding the one-off effects stated above reached 27.3% (up 5.5 percentage points), and the cost/income ratio improved by 2.5 percentage points to 59.1%. Including the one-off effects, the ROE before tax reached 45.4%.

As of year-end 2006, the RZB Group's balance sheet total amounted to EUR 115.6 bln, up 23% compared with December 2005. IFRS-compliant profit before tax amounted to EUR 1 882 mln, an increase of 102%, including the above-mentioned one-off effects. Return on equity before tax improved by 2.8 percentage points to 26.7% without one-off effects, this is once more one of the best ratios reported by any major Austrian bank. The cost/income ratio improved again to 56.7% (minus 2.2 percentage points). At the reporting date, the Group employed a staff of more than 55 400 worldwide.

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 rated as follows:

■ Standard & Poor's	Short-term	A1
■ Standard & Poor's	Long-term	A+
■ Moody's	Short-term	P-1
■ Moody's	Long-term	Aa2
■ Moody's	Financial Strength	C



Christoph Schoefboeck

Member of the Board,
Head of Operational
Directorate, ZAO
Raiffeisenbank Austria

Pavel Gourine

Deputy Chairman of the
Board, Head of Corporate
Banking and Corporate
Finance Directorate,
ZAO Raiffeisenbank
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Alexander Ouchakov

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Johann Jonach

Chairman of the
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Sergei Monin

Deputy Chairman
of the Board, Head
of Treasury Division,
ZAO Raiffeisenbank
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Roman Vorobiev

Member of the Board,
Head of Consumer
Banking Directorate,
ZAO Raiffeisenbank
Austria

Vision and Mission

Vision

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

Mission

- we pursue long-term customer relationships and provide unrivalled financial services;
- we are committed to the best professional standards and flexibility to ensure a rapid response to customer needs;
- we achieve sustainable and above-average return on equity;
- we empower our employees to be entrepreneurial and to show initiative, and we foster their development.

**OUR
TEAMWORK,
YOUR SUCCESS**



Human Resources Policy

Raiffeisenbank's rapid development in 2006 was supported by a wide-ranging recruitment drive to attract the country's top professionals and its brightest graduates. The human resources department considered more than 35 000 candidates in 2006 before hiring 868 for full-time positions. As a result the Bank's staff grew to 2 595 people. 74% of the staff were recruited directly by the HR department.

With the opening of five new branches in Nizhny Novgorod, Chelyabinsk, Krasnodar, Krasnoyarsk and Perm in 2006, the proportion of staff in regional branches climbed significantly. By the end of 2006 over 32% of our employees were working outside Moscow.

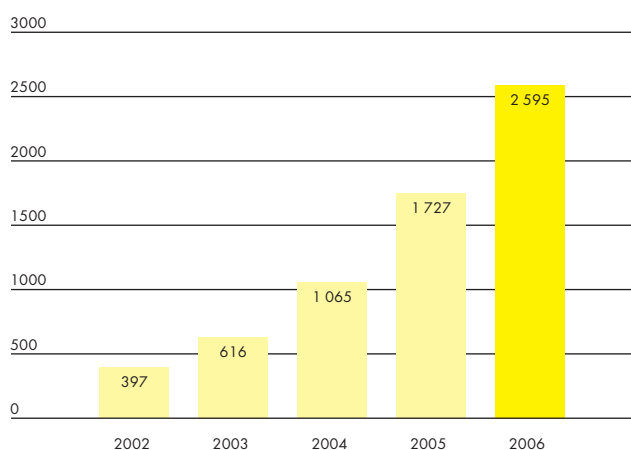
In 2006 more than 230 students underwent training in various departments, confirming Raiffeisenbank's training credentials while helping to attract the very best new talents. To help keep one step ahead of Russia's dynamically developing retail-banking market, a special-purpose training programme for students was launched. By the end of 2006, 59 trainees were hired to full-time positions and are now working with Raiffeisenbank's branches in Moscow.

The intensive training of Raiffeisenbank's existing employees continued apace in 2006 with more than 1 900 employees completing courses in Russia or abroad. The team of in-house instructors have drawn up new programmes to help staff master their knowledge of the Bank's offerings and develop the latest skills. New remote training courses for retail-banking employees were established as was a new system of qualification tests for employees.

Raiffeisenbank's forward-looking personnel policies continued to bear fruit for the company in 2006 with newly recruited professionals contributing directly to the implementation of major projects and the drafting of plans for the Bank's future expansion.

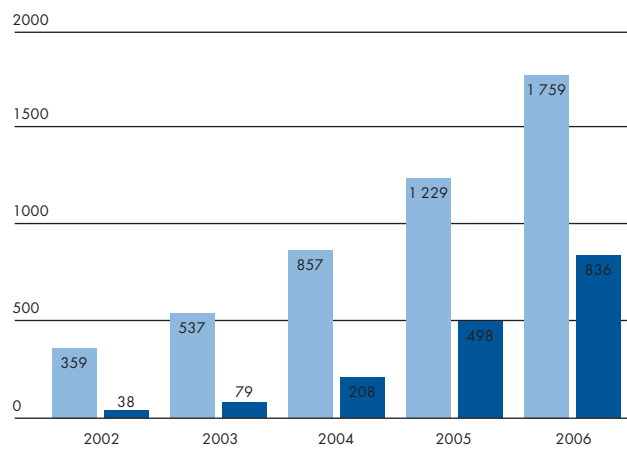
Raiffeisenbank's achievements were recognized by top recruitment magazine Personnel Management (Upravlenie Personalom) which named Raiffeisenbank as one of the Moscow's best employers.

Total Staff Number



Source: Raiffeisenbank

Employees: Moscow vs the Regions



Source: Raiffeisenbank

Anti-Money Laundering Policy

Throughout its history, ZAO Raiffeisenbank Austria has prized its reputation as one of its most valuable assets, taking all possible measures to protect the standing of the Bank and its clients.

Under a federal programme targeting money laundering and terrorist financing, Raiffeisenbank has strived to eliminate potential compliance risks¹. The Bank has done everything it could to prevent the possibility that the Bank's products and services could be used for criminal means, such as money laundering, terrorist financing, fraud or corruption.

The Bank has developed a series of measures to control compliance risks, minimizing the danger of money laundering or terrorism financing operations, while fully complying with the requirements of federal legislation and internal banking procedures:

- rules for internal control against possible money laundering or terrorism financing have been approved and implemented;
- systems to control operations in the Bank's branches and internal subdivisions have been unified;
- all Bank employees have been involved in programmes against money laundering and terrorism financing;
- state-of-the-art software systems have been implemented to quickly identify suspicious transactions and those subject to mandatory control;
- employees are regularly given specialized training.

The implementation of these procedures, along with the policy of "knowing your client", has proven an effective combination for the prevention of criminal activity. The moves have been executed in strict adherence to the requirements of regulators, Russian and Western standards of confidentiality and rules governing the non-disclosure of banking secrets.

¹ The notion of "compliance risk" is defined in accordance with the requirements of Basel Committee as a risk of legal or political sanctions, material financial losses, or damage to business reputation, which the bank may incur as a result of a failure to comply with the relevant laws, guidelines, rules, standards and codes of conduct defined by self-regulating organizations and applied to banking transactions.

Russia: Economic Prospects

Russia's economy is booming. GDP growth for 2006 was an estimated 6.7%, in line with the average annual growth of around 6.5% the country has enjoyed for the past five years. If these rates are maintained, President Vladimir Putin's plan to double the size of the economy inside of a decade could become a real possibility. Growth has been supported by capital investment that has been growing at an impressive 10% annually for the past five years and is expected to reach 12% in 2006. Real incomes have increased by about 11% in the last year alone with real wages climbing about 14%. Meanwhile, consumer price inflation has slowed to 9%, meeting the Central Bank's target. On the macro level, soaring energy prices in 2006 produced yet another year of record current account surpluses. Thanks to its oil riches, Russia amassed a large fiscal surplus and established a multi-billion-dollar Stabilization Fund (which had reached almost USD 89.2 bln by the end of 2006). Last year the federal budget again achieved an impressive fiscal surplus of 7.4% of GDP on a cash basis. The government continued to use its oil revenue windfall to repay Russia's external debt. Thus the country's international reserves – the world's third largest – reached around USD 300 bln at the end of 2006. Coupled with economic expansion, this stimulated solid demand for local currency and increased rouble financing. The Russian rouble strengthened by about 9% in real terms during the year and this trend is expected to continue, albeit at a slower pace. Russian commercial banks reaped dividends from the booming economy in the form of growing lending volumes and profits. Banking assets grew by around 43% over the year. The retail banking sector was particularly hot, with lending growth hitting close to 20% on average for each quarter of 2006, according to the Finance Ministry.

In the short term, Russia's growth prospects remain fairly good, underpinned by rising incomes and robust consumer demand. Qualitative changes in the structure of the country's GDP highlight the growing role of services and consumer-oriented sectors, while a continued boom in the construction sector will depend on rising disposable income and the expansion of lending. Not everything in Russia is rosy, however. Russia's manufacturing sector has seen a visible slowdown, losing competitiveness relative to imports. Constraints on capacity utilization coupled with rouble appreciation will continue to impede industry and shrink manufacturers' profit margins. At the same time it remains to be seen whether consumer demand and services can make up for this break on potential growth. It is no secret that the distribution of oil revenue through the economy and its influence on incomes is crucial, and declining oil prices could damage consumer sentiment. The government is already worried about economic progress and has proposed national investment programmes aimed at supporting manufacturing. Already accumulated capital investment should facilitate quicker industrial restructuring, which will create positive synergies over the longer term. Increased domestic savings should also help maintain positive momentum.

Monetary and credit policy will remain focused on reducing inflation. However, as surprising as it may sound to some, the Central Bank appears likely to continue its policy of targeting the rouble exchange rate and anchoring inflation in the exchange rate mechanism. The Bank sees "inflation targeting" as its long-term objective but plans no shift in policy in the next three years. The rouble exchange rate will continue to be determined through a dual (USD:EUR) currency basket – and it would seem logical for the Bank to increase the euro's weight in the basket from its current 40%. Meanwhile, inflationary pressure should ease as weaker oil prices reduce the inflow of foreign currency and shrink domestic liquidity through smaller purchases of hard currency by the Central Bank. This should prevent the rouble from experiencing any drastic gains and help to ward off rouble speculation. In such a scenario, rouble interest rates would be expected to increase due to weaker rouble liquidity and limited rouble appreciation.

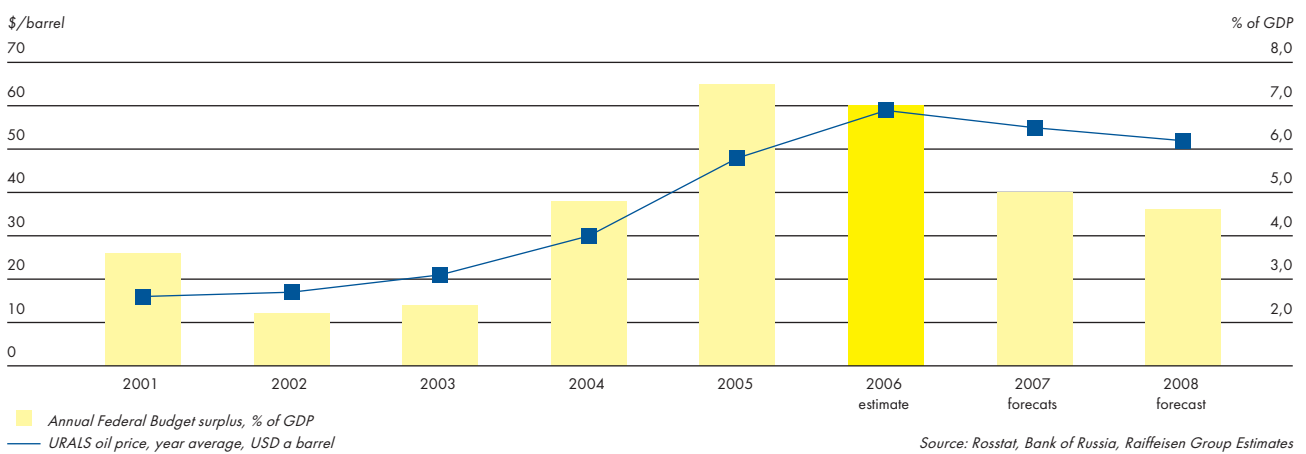
Although we project a significant current account surplus in 2007, it is likely to be lower than that seen a year ago due to a likely fall in average oil prices. We expect a remedy to come from the capital account as investment coming into Russia is likely to remain high and rouble liberalization should attract more foreign portfolio investors. For this reason, international reserves should grow at a healthy clip in 2007 despite the lower expected current account surplus.

Russia's fiscal policy will become slightly more expansionary as far as budget spending is concerned in the election years 2007–2008. However, the government is very likely to remain committed to fiscal prudence as is manifested in its budget law and avoid excessive spending. Thus possible oil revenue slippage remains a risk, but

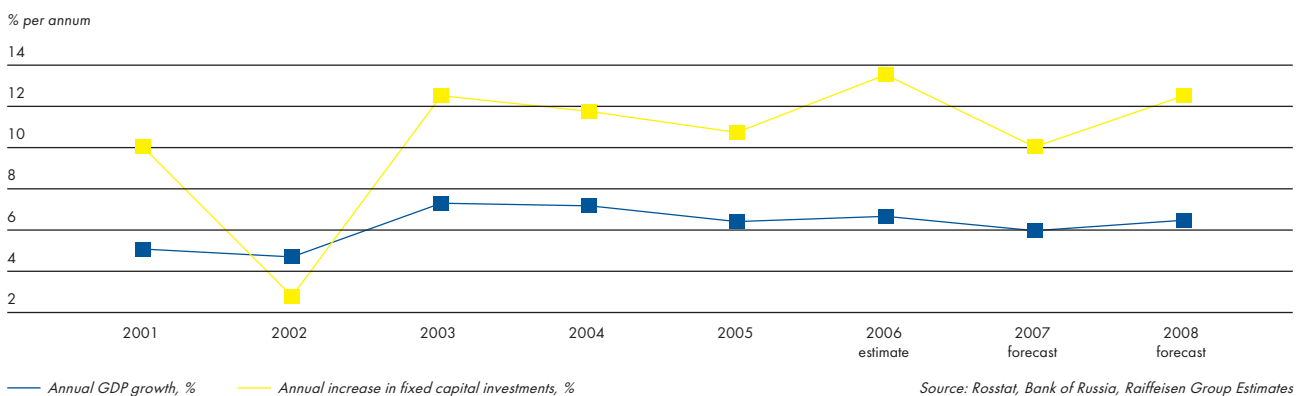
as before the government can be expected to adjust its spending accordingly should this risk materialize. Other than that, Russia is holding about USD 89.2 bln in its Stabilization Fund which should provide ample ammunition in case of any drastic downturn in revenues.

During the run up to elections, Russia's credit rating is likely to remain a hostage to politics. Two of the three major rating agencies cite political risk as impeding Russia's rating and have proved reluctant about raising Russia's ceiling on the back of improved debt fundamentals and its sound economic performance. However, we believe Russia's fundamentals might finally convince the agencies to change their mind and issue a long-overdue upgrade.

Federal Budget's Dependence on Energy Prices



Influence of Fixed Capital Investments on GDP Growth



Main Economic Indicators

Indicator	2001	2002	2003	2004	2005	2006	2007	2008
						estimate	forecast	forecast
Annual GDP growth, %	5.1	4.7	7.3	7.2	6.4	6.7	6.0	6.5
Annual GDP, USD bln	306.3	344.7	431.6	589.7	763.3	973.2	1187.6	1378.9
GDP per capita, USD	2 098	2 372	2 986	4 100	5 332	6 831	8 377	9 776
Annual production growth, %	4.9	3.7	7.0	6.1	4.0	3.9	4.5	5.0
Annual increase in fixed capital investments, %	10.0	2.8	12.5	11.7	10.7	13.5	10.0	12.5
Annual consumer price inflation, %	18.6	15.1	12.0	11.7	10.9	9.0	8.2	7.2
Annual producer price inflation, %	8.4	17.7	12.7	28.9	13.4	10.4	8.7	8.1
Nominal monthly wage, USD equivalent	111.0	138.9	179.2	234.3	302.3	392.5	497.4	623.5
Real wage growth, % yoy	19.9	16.2	10.9	10.6	12.6	13.5	12.4	15.5
URALS oil price, year average, USD a barrel	23.0	23.7	27.5	34.8	50.9	60.9	57.0	54.2
Annual export of goods, USD bln	101.9	107.3	135.9	183.2	243.6	302.3	329.5	351.6
Annual import of goods, USD bln	53.8	61.0	76.1	97.4	125.3	162.7	211.5	248.9
Current transactions account, USD bln	33.9	29.1	35.4	58.6	83.3	95.6	79.7	66.5
Current transactions account, % GDP	11.1	8.4	8.2	9.9	10.9	9.8	6.7	4.8
Gold and foreign exchange reserves as at year end, USD bln	36.6	47.8	76.9	124.5	182.2	303.0	378.5	440.0
RUR/USD exchange rate as at year end	30.47	31.93	29.24	27.71	28.74	26.32	25.90	25.75
RUR/EUR exchange rate as at year end	26.87	33.46	36.8	37.66	34.03	34.67	33.67	33.99
Annual Federal Budget revenues, % of GDP	17.8	20.4	19.5	20.2	23.7	23.6	22.5	22.0
Annual Federal Budget surplus, % of GDP	3.0	1.4	1.7	4.3	7.5	7.2	5.0	4.4
Stabilization Fund, USD bln	--	--	3.5	18.8	43.0	89.2	120.0	140.0

Source: Rosstat, Bank of Russia, Raiffeisen Group estimates