

Third Quarter Report 2005



Raiffeisen
INTERNATIONAL
Member of RZB Group

Survey of Key Data

Raiffeisen International Group	2005	2004*	Change
Monetary values are in €mn			
Income Statement	1/1 – 30/9	1/1 – 30/9	
Net interest income after provisioning	721.6	508.0	42.0%
Net commission income	281.3	216.3	30.1%
Trading profit	198.2	158.8	24.8%
General administrative expenses	(782.8)	(559.1)	40.0%
Profit before tax	416.4	324.6	28.3%
Profit after tax	334.9	261.1	28.3%
Consolidated profit (without minorities)	279.1	209.1	33.4%
Earnings per share	€ 2.06	€ 2.01	0.05
Balance Sheet	30/9	31/12	
Loans and advances to banks	5,575	4,779	16.7%
Loans and advances to customers	20,916	16,242	28.8%
Deposits from banks	7,823	6,620	18.2%
Deposits from customers	21,584	18,169	18.8%
Equity (incl. minorities and profit)	3,085	2,177	41.8%
Balance-sheet total	34,733	28,907	20.2%
Regulatory information**	30/9	31/12	
Risk-weighted assets, incl. market risk	25,091	19,638	27.8%
Total own funds	3,021	2,360	28.0%
Total own funds requirement	2,007	1,571	27.8%
Excess cover	50.5%	50.2%	0.3 PP
Core capital ratio (Tier 1), banking book	11.6%	11.8%	(0.2) PP
Core capital ratio (Tier 1), incl. market risk	10.1%	10.1%	0.1 PP
Own funds ratio	12.0%	12.0%	0.0 PP
Performance	1/1 – 30/9	1/1 – 31/12	
Return on equity (ROE) before tax	22.1%	22.2%	(0.1) PP
Return on equity (ROE) after tax	17.8%	17.6%	0.2 PP
Consolidated return on equity (without minorities)	17.2%	17.0%	0.2 PP
Cost/income ratio	59.5%	63.5%	(4.0) PP
Return on assets (ROA) before tax	1.75%	1.40%	0.35 PP
Net provisioning ratio (average risk-weighted assets in banking book)	0.83%	0.98%	(0.15) PP
Risk/earnings ratio	14.21%	17.13%	(2.91) PP
Resources	30/9	31/12	
Number of staff	25,712	22,851	12.5%
Business outlets	1,005	916	9.7%

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

** In accordance with the Austrian Banking Act (Bankwesengesetz, BWVG).

Highlights

Acquisition of Bank Aval

Negotiations to acquire Ukrainian *Bank Aval* were concluded on 20 August. The purchase price for a 93.5 per cent stake in Bank Aval was US\$ 1,028 million. After approvals were obtained from the relevant institutions in Ukraine and Austria, the takeover took place as planned on 20 October. Consolidation into Raiffeisen International will occur during the fourth quarter of 2005.

Bank Aval and Raiffeisenbank Ukraine together have a market share of more than 11 per cent by balance sheet total and are thus Number 1 in Ukraine. Bank Aval adds a customer pool of more than 3 million and about 1,400 business outlets to the Raiffeisen network.

Clear growth trend

Continuously rising quarterly earnings show a clear growth trend. At € 143 million, earnings before tax in the third quarter of 2005 were above those of the two previous quarters, which amounted to € 133 million and € 140 million, respectively. In a year-on-year comparison of the first three quarters, one arrives at an increase of more than 28 per cent. The return on equity (ROE) before tax of 22.1 per cent and the cost/income ratio of 59.5 per cent are evidence of Raiffeisen International's earnings strengths.

Lending and deposit volumes up further

Lending to customers rose in the third quarter by more than € 1.8 billion to € 20.9 billion. Compared with the beginning of 2005, that means growth of loans and advances to customers of almost 30 per cent, or € 4.7 billion. Deposits from customers increased in the third quarter by € 1.1 billion to € 21.6 billion, which represents a 19 per cent gain since the beginning of the year.

Contents

Bank Aval	4
Overview of Raiffeisen International	6
Raiffeisen International Shares	7
Business Development (with Outlook)	10
Segment Reports	16
Consolidated Financial Statements	
Income Statement	22
Profit Development	23
Balance Sheet	24
Statement of Changes in Equity	25
Notes	26
Financial Calendar	42
Publication Details	42

Bank Aval

Acquisition with great potential

With the acquisition of *Joint Stock Post Pension Bank Aval* (Bank Aval), Raiffeisen International has taken another important step in expanding its network. The takeover is not only a milestone for Raiffeisen International, but also a positive signal to international investors who are interested in Ukraine, one of Europe's largest countries with almost 50 million residents.

As measured by balance sheet totals at the end of 2004, Bank Aval and Raiffeisenbank Ukraine have a joint market share of 11.5 per cent and thus form the country's largest banking group. With about 1,400 business outlets, Bank Aval is present in all parts of the country, has more than 1,100 automated teller machines (ATMs), and serves more than 3 million customers. The bank's assets increased in the first half of 2005 by almost 40 per cent to € 2.4 billion.

The banking market in Ukraine shows high growth. While the aggregate balance sheet totals of its banks had been about € 11.5 billion at the end of 2002, they reached € 19.6 billion by the end of 2004. In the first half of 2005, the figure rose by more than 45 per cent to € 28.5 billion. Especially significant growth is expected for business with private individuals. Rising prosperity will pave the way for products not widely available before.

Key Financials 2004 Monetary values are in €mn	Raiffeisen- bank Ukraine	Bank Aval*
Balance-sheet total	627	1,573
Loans and advances to customers	475	1,098
Deposits from customers	257	1,167
Equity (incl. consolidated profit)	63	123
Operating Income	36	179
Profit before tax	14	38
Profit after tax	10	27
Cost/income ratio	35.5%	71.0%
Return on equity (ROE) before tax	32.1%	32.6%
Return on equity (ROE) after tax	23.4%	22.9%
Business outlets	14	1,378
Number of staff	727	17,933

* In accordance with IFRS rules. Year 2004 audited by Deloitte & Touche.

Transaction details

After several months of negotiations and due diligence review, the contract to purchase a 93.5 per cent stake in Bank Aval was signed on 20 August in Kiev.

Approvals then had to be obtained from the Ukrainian National Bank and other relevant authorities in Ukraine and Austria. After that was done, the deal was closed and ownership actually transferred on 20 October. The purchase price for a 93.5 per cent of Bank Aval was US\$ 1,028 million. Raiffeisen International has agreed to take over the shares of the remaining minority shareholders – Bank Aval is listed on the Kiev Stock Exchange – at the same price per share.

In addition to a very good market position, one of the important reasons for Raiffeisen International to consider Bank Aval as an acquisition target lies in the bank's history. It was founded by private persons in 1992 and hence after the fall of the Iron Curtain in Central and Eastern Europe. The bank's major milestones include winning the bid to service the State Pension Fund (1994) and servicing the State Customs and Tax Authority (1996). In 2002, Standard & Poor's put Bank Aval on its list of Central and Eastern Europe's top one hundred banks.

In addition to Bank Aval, Raiffeisen International has also acquired *Ukrainian Processing Center, JSC* (UPC) for US\$ 32 million. The services provided by UPC include authorizing local and international payment card transactions, technical support for point-of-sale (POS) terminals, development and management of ATM networks, and regional interbank clearing. The acquisition of UPC is in line with the existing strategy of more strongly centralizing settlement functions within the group and thus creating further economies of scale.

Combination of both banks' strengths

Raiffeisenbank Ukraine and Bank Aval complement each other very well. Raiffeisen has a strong presence among corporate customers and contributes international expertise, while Bank Aval has an excellent position in business with private individuals. The strength of Bank Aval's brand is also evidence of its outstanding position. According to a study by *GfK Group*, a German market research institute, Bank Aval's brand enjoys almost 90 per cent recognition (aided) and more than 60 per cent unaided recognition. Those are both excellent results. Confidence in the two banks is also great. Bank Aval and Raiffeisenbank both received confidence values of 75 per cent in a survey recently conducted by the *Center of Corporate Relations Studies*. The closest competitors show values of somewhat more than 60 per cent.

Next steps

Bank Aval's integration into the Group's network will be an important focus in the coming months. Within the two-year transformation phase, the back-office functions and IT systems will gradually be brought together. The complete merger of the two banks will be achieved at the latest in 2008. The first consolidation in the Raiffeisen International Group will occur in the fourth quarter of 2005, which is why Bank Aval is not included in the present interim financial statements.

Overview of Raiffeisen International

Raiffeisen International Bank-Holding AG (Raiffeisen International) had network banks and finance leasing companies in 16 markets of Central and Eastern Europe (CEE) at the end of September 2005. Raiffeisen International network banks were among the three largest banks in 9 of those markets, and were the market leaders in three of them – Albania, Bosnia and Herzegovina, and Serbia and Montenegro. The acquisition of Bank Aval also makes Raiffeisen International the Number 1 bank in Ukraine.

In addition to the 15 network banks, a large number of specialist companies are combined under the Raiffeisen International umbrella. Altogether, the Group comprises 61 companies.

<i>As of 30 September 2005</i>	<i>Balance sheet total (€mn)</i>	<i>Growth versus year-end 2004*</i>	<i>Business outlets</i>	<i>Staff</i>	<i>Operational since (year of takeover)</i>
<i>Raiffeisen Bank, Budapest</i>	4,631	7.3%	87	2,054	1987
<i>Raiffeisen Bank Polska, Warsaw</i>	3,063	13.8%	71	1,924	1991
<i>Tatra banka, Bratislava</i>	4,461	3.1%	114	3,232	1991
<i>Raiffeisenbank, Prague</i>	2,511	20.9%	49	1,097	1993
<i>Raiffeisenbank Bulgaria, Sofia</i>	1,312	27.9%	70	1,208	1994
<i>Raiffeisenbank Austria, Zagreb</i>	3,612	13.3%	37	1,484	1994
<i>Raiffeisenbank Austria, Moscow</i>	3,440	64.0%	24	1,513	1997
<i>Raiffeisenbank Ukraine, Kiev</i>	913	45.6%	26	1,242	1998
<i>Raiffeisen Bank, Bucharest</i>	2,887	38.5%	209	4,787	1998 (2001)
<i>Raiffeisen Bank Bosna i Hercegovina, Sarajevo</i>	1,184	12.4%	68	1,144	1992 (2000)
<i>Raiffeisenbank, Belgrade</i>	1,130	29.2%	36	1,158	2001
<i>Raiffeisen Krekova banka, Maribor</i>	847	26.6%	13	322	1992 (2002)
<i>Raiffeisen Bank Kosovo, Pristina</i>	224	49.8%	26	340	2001 (2002)
<i>Priorbank, Minsk</i>	651	35.7%	42	1,823	1989 (2003)
<i>Raiffeisen Bank, Tirana</i>	1,705	3.5%	85	1,065	1992 (2004)
Subtotal (network banks)	32,572	19.3%	957	24,393	
<i>Raiffeisen-Leasing International (subgroup)</i>	2,060	17.7%	46	1,025	
<i>Other/Consolidation</i>	101	–	2	294	
Total (Raiffeisen International)	34,733	20.2%	1,005	25,712	

* Growth in local-currency terms differs because of movements in exchange rates versus the euro.

Raiffeisen International is listed on the Vienna Stock Exchange. Its free float amounts to 30 per cent, and its main shareholder is Raiffeisen Zentralbank Österreich AG (RZB) with a stake of 70 per cent. RZB is the central institution of the Raiffeisen Bankengruppe (RBG), Austria's strongest banking group. It is Austria's third-largest bank with a balance sheet total of € 79.1 billion as of mid-2005.

Raiffeisen International Shares

Certainly the most interesting news since the IPO in April 2005 is the acquisition of Bank Aval, as it represents another major step in the Group's expansion in the booming CIS region. The great interest in this acquisition was also reflected in the lively participation in our first Capital Markets Day, held on 14 October, and in the rising number of analysts who regularly publish reports on Raiffeisen International.

First Capital Markets Day

More than 80 institutional investors and analysts from around the world accepted our invitation to the Orangery at Schönbrunn Castle in Vienna. The management of Raiffeisen International reported comprehensively on all the Company's business areas, the acquisition of Bank Aval, and upcoming integration measures in Ukraine. Naturally, there was also adequate time for participants' questions. For the first time, an outlook for the full year 2005 was also given.

The capital market, private shareholders, and all other interested parties registered with Raiffeisen International's e-mail service simultaneously received the most important details in a general mailing to ensure sameness of information. One may sign up for the information service at www.ri.co.at → Investor Relations → Ordering and E-mail Service.

The *Investor's Handbook* prepared for the Capital Markets Day has been very positively received by the financial community. Besides reports on the Company's operating business units, this publication contains an economic section with reports on Central and Eastern Europe as well as information on Raiffeisen International's organization and IT. It is also available on the internet in English at www.ri.co.at → Investor Relations → RI Facts & Figures → Capital Markets Day.

Further, Raiffeisen International conducted a road show in New York in September. In London, the Company presented directly to more than 200 investors at the *European Banking & Insurance Conference*. In addition, 19 individual investor meetings were held. Visits by investors and analysts in Vienna and conference calls round out our institutional investor relations work.

To make Raiffeisen International available also to our many private shareholders in personal talks, we attended the *Gewinn-Messe* (Gewinn Trade Fair) in Vienna and the *Anlegerforum* (Investor Forum) in Salzburg. In addition to general questions, the acquisition of Bank Aval and further expansion measures were likewise the focus of interest there.

Expansion of coverage

By the end of October, 13 investment banks and analyst firms had written 33 research reports about Raiffeisen International. Some of those are available on the internet as PDFs at www.ri.co.at → Investor Relations → RI Shares → Analyst Reports.

Bank Austria Creditanstalt	Merchant Securities
Banque SYZ	Merrill Lynch
Cheuvreux	Morgan Stanley
Deutsche Bank	Raiffeisen Centrobank
Erste Bank	SRC
GSC Research	UBS
KBW – Keefe, Bruyette & Woods	

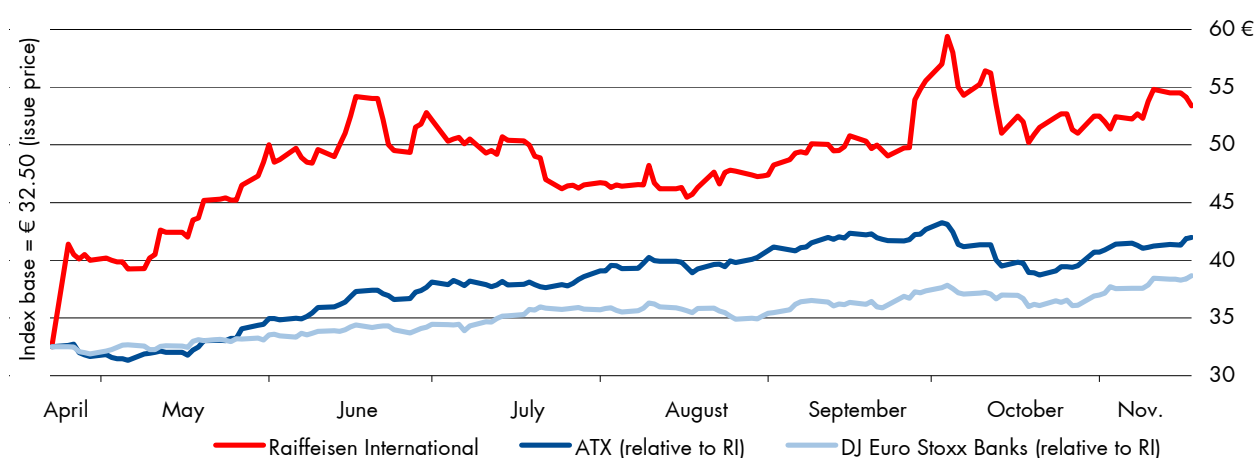
Share development

The daily closing prices of Raiffeisen International shares ranged almost exclusively between € 45 and € 50 in the third quarter. The release of business figures for the first half of 2005 and the announcement shortly thereafter of the completion of negotiations to acquire Bank Aval showed no immediate effects on the share price.

The share price advanced to € 50 and then ranged around that level in the first few weeks of September. In the last three days of that month, it rose to € 55.55 on above-average trading in the wake of general market euphoria – the ATX reached the second-highest level in its history at 3,457 points on 30 September – and a positive analyst recommendation. More than 300,000 shares have changed hands on daily average since the IPO (single counting), and turnover amounted to more than € 1.5 billion.

The share price leveled off in October (highest closing price reached on 4 October at € 59.40) and ranged between € 50 and € 55 until 18 November (press deadline for this report). The Company's *share incentive program*, a performance-based program for executive personnel, had no influence on share performance. Information on the program may be obtained at www.ri.co.at → Investor Relations → RI Shares → Share Incentive Program.

Price performance versus the ATX and DJ Euro Stoxx Banks



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Share key figures

Price on 30 September 2005	€ 55.55
High / low (closing prices), 25 April to 30 Sept. 2005	€ 55.55 / € 39.25
Earnings per share for the first three quarters of 2005	€ 2.06
Market capitalization on 30 September 2005	€ 7.9 billion
Average daily turnover (single counting), 25 April to 30 September 2005	305,000 shares
Stock exchange turnover from day of issue to 30 Sept. 2005 (single counting)	€ 1,522 million
Free float	30%

Share details

ISIN	AT0000606306
Ticker symbols	RIBH (Vienna Stock Exchange) RIBH AV (Bloomberg) RIBH.VI (Reuters)
Market segment	Prime Market
First day of trading	25 April 2005
Issue price per share	€ 32.50
Number of shares outstanding	142,770,000

Business Development

A *profit before tax* of € 416 million was made in the first three quarters, which represents a plus of 28 per cent, or € 92 million, on the year-earlier period. The largest contribution to the increase in absolute terms came from the region of Southeastern Europe (SEE) with a plus of € 37 million, or 37 per cent. The strongest gain in relative terms came from the CIS region with a plus of 48 per cent, or € 31 million.

At the level of business segments, Retail Customers achieved a plus of 20 per cent, or € 14 million, Corporate Customers a plus of 8 per cent, or € 18 million, and Treasury doubled its earnings by € 66 million. Based on these earnings figures, the Group's *return on equity (ROE) before tax* amounts to 22.1 per cent (22.2 per cent for the full year 2004).

Profit after tax came to € 335 million, a year-on-year plus of 28 per cent or € 74 million. The *ROE after tax* was 17.8 per cent (17.6 per cent for 2004). *Earnings per share* for the first three quarters work out to € 2.06 (€ 2.01 for the year-earlier period).

Continued growth

The steady growth of our balance sheet items and associated improvement of earnings are due both to a continuous rise of customer numbers and to a widening of our product range. The number of customers increased in the first three quarters of 2005 by more than 1 million to 6.1 million (excluding Bank Aval), a plus of more than 20 per cent. Compared with the year-earlier quarter, the increase amounts to 28 per cent. The region of Southeastern Europe accounts for more than two-thirds of the gain in customers.

Lending to customers is growing strongly. Loans and advances to customers increased in the first three quarter of 2005 by almost 30 per cent, or € 4.7 billion, to € 20.9 billion. The rise of loans and advances to banks was much smaller at 17 per cent to € 5.6 billion.

On the liabilities side, deposits from customers and from banks registered growth of more than 18 per cent. Liabilities to customers were € 21.6 billion, and liabilities to banks € 7.8 billion

Gratifying development of operating income

Net interest income before provisioning for impairment losses amounted to € 841 million for the first nine months, a plus of 44 per cent, or € 258 million, compared with the year-earlier period. Provisioning for impairment losses rose in line with the dynamic development of business by 60 per cent to € 120 million. The risk/earnings ratio improved from 17.13 per cent at the end of 2004 to 14.21 per cent. *Net interest income after provisioning for impairment losses* amounted to € 722 million and hence was 42 per cent above the year-earlier figure.

Net commission income rose by 30 per cent to € 281 million, mainly because of higher fees for payment transfers. More than 90 per cent of *trading profit* amounting to € 198 million (plus € 39 million, or 25 per cent) was achieved in currency-related business. The majority of that derived from customer-related trading in foreign exchange and in notes and coins.

Details of the Income Statement

The positive development of earnings also continued in the third quarter, although rates of increase were slightly lower compared with figures at mid-year due to the good third quarter of 2004. With operating profit of € 198 million for the third quarter, Raiffeisen International has posted its best quarterly operating result to date. *Profit from operating activities* for the three quarters rose by 35 per cent, or € 138 million, on the year-earlier period to € 534 million. *Provisioning for impairment losses* increased by 60 per cent, or € 45 million, to € 120 million at the end of September 2005.

Development of selected indicators of Raiffeisen International's performance over time

€mn	1/1 – 30/9 2005	Change	1/1 – 30/9 2004*	1/1 – 30/9 2003
Net interest income	841.1	44.3%	582.7	400.9
Net commission income	281.3	30.1%	216.3	152.8
Trading profit	198.2	24.8%	158.8	157.8
Other operating profit (loss)	(4.1)	80.6%	(2.3)	(8.7)
Operating income	1,316.5	37.8%	955.5	702.7
Staff costs	(371.4)	46.6%	(253.3)	(213.0)
Other administrative expenses	(327.6)	36.0%	(240.9)	(179.1)
Depreciation/amortization/write-downs	(83.8)	28.8%	(65.0)	(56.8)
General administrative expenses	(782.8)	40.0%	(559.1)	(449.0)
Profit from operating activities	533.8	34.7%	396.3	253.8
Provisioning for impairment losses	(119.5)	60.0%	(74.7)	(47.3)
Profit before tax	416.4	28.3%	324.6	212.1
Profit after tax	334.9	28.3%	261.1	169.3
Consolidated profit	279.1	33.4%	209.1	122.7

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

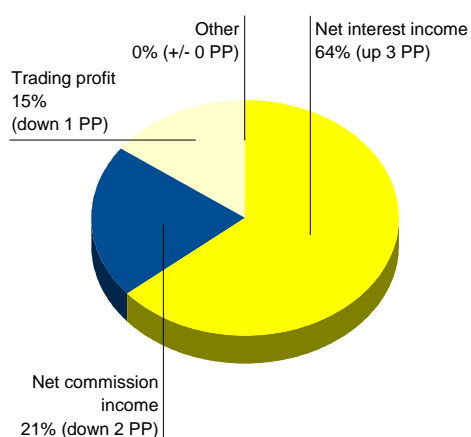
Operating income

Raiffeisen International's *operating income* increased in the first three quarters of 2005 by 38 per cent, or € 361 million, to € 1,317 million. At € 478 million, the third quarter was almost 10 per cent above the previous quarter.

The most significant shift occurred in *net interest income*, which was up by 44 per cent from € 583 million to € 841 million. The increase was thus significantly above that of the balance sheet total by 32 per cent year on year, which is mainly due to improvement of the interest margin by 19 basis points to 3.53 per cent. That reflects the increases of Raiffeisen International's business volume in regions with higher interest margins such as Southeastern Europe and especially the CIS, while margins in Central Europe remained nearly unchanged. The expansion of retail banking business in the above-mentioned markets likewise contributed to the higher interest margin.

Compared with the year-earlier period, *net commission income* grew by 30 per cent, or € 65 million, to € 281 million. The increase in the Retail Customers segment (private individuals as well as small and medium-sized businesses) was mainly responsible for that. Significant commission income gains were achieved in all product areas. Especially fees from payment transfers, which account for 54 per cent of net commission income, rose by 28 per cent, or € 33 million, to € 151 million. Strong growth were also registered in securities business, whose contribution increased to € 15 million and thus doubled. The launch of new products in particular markets had a positive effect on commission income.

Structure of operating income



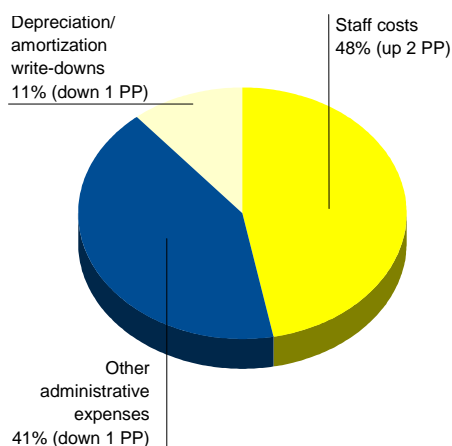
Trading profit was also up again significantly, with an increase of 25 per cent, or € 39 million, to € 198 million. By far the largest part of this profit, € 183 million (increase of 27 per cent, or € 39 million), represents currency-related business, of which in turn the majority derived from customer-related trading in foreign exchange and notes and coins. Interest-related business, mostly from trading in securities, made a profit as in the previous year of € 14 million and with a share of only 7 per cent in trading profit is only of minor importance. The results of *capital hedging activities* undertaken in individual business units mostly balanced out and came to a minus of € 3 million at the end of September.

In 2005, most CEE currencies have so far gained in value against the euro, including CIS currencies such as the Russian ruble (9 per cent), the Belarusian ruble (12 per cent), and the Ukrainian hryvna, which actually revalued by 16 per cent.

General administrative expenses

General administrative expenses rose by 40 per cent, or € 224 million, to € 783 million. In percentage terms, they thus grew somewhat more strongly than operating income. About 13 percentage points of the increase were due to currency appreciation. The cost/income ratio, an important measurement of efficiency, thus reached a value of 59.5 per cent. It was somewhat higher than the value at the end of September 2004 (58.5 per cent). Compared with the 63.5 per cent for the full year 2004, there was nevertheless a clear improvement.

Structure of general administrative expenses



Staff costs, which accounted for almost half of expenses, rose by 47 per cent, or € 118 million, to € 371 million. The average number of employees rose on the year-earlier period by almost 20 per cent, or 3,952, to 24,192. The cost increases in Central Europe, however, were partly due to a change in the way we accrue compensation items. Moreover, some central control functions were only established and expanded at Raiffeisen International in the second half of 2004. That also led to shifts from the item other administrative expenses to that of staff costs.

Other administrative expenses rose by 36 per cent, or € 87 million, to € 328 million. The cost of premises needed for operations was the most substantial item. It grew by 27 per cent to € 86 million as a result of continued expansion of the branch network in all three regions. The number of operating business locations was expanded by 89 branches to 1,005 in the period ended on 30 September.

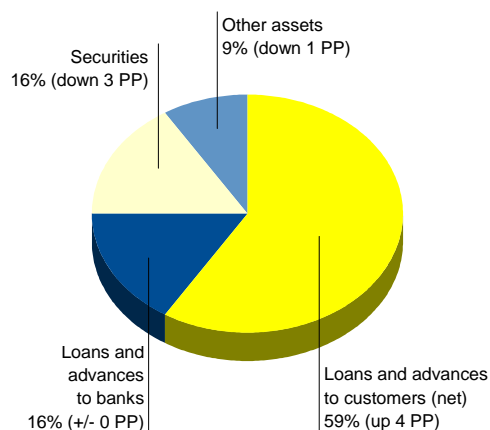
Further, some branches are still being built, whose opening is planned in the last three months of the year. Depreciation, amortization, and write-downs of tangible and intangible fixed assets increased by 30 per cent to € 54 million. Capital expenditure on tangible fixed assets and software amounted to € 84 million at the end of September (plus 29 per cent), with most of that being for office furniture and equipment.

Development of the Balance Sheet

The *balance sheet total* of the Raiffeisen International Group grew in the first three quarters of 2005 by about 20 per cent, or € 5.8 billion, to € 34.7 billion. Of that € 5.8 billion, revaluation of several CEE currencies accounted for about € 0.8 billion. Adjusted for exchange rate movements, growth in the first three quarters of 2005 therefore amounted to € 5.0 billion. The balance sheet total rose by 32 per cent, or € 8.5 billion, compared with the end of September 2004.

The regional segment Central Europe accounted for 48 per cent of the balance sheet total. The figure at the end of 2004 was 52 per cent. The strongest increase was registered in the CIS countries, whose share of the balance sheet total increased from 12 to 15 percentage points. *Bank Aval* is not included in these figures yet, because it will first be consolidated in the fourth quarter of 2005.

Structure of assets



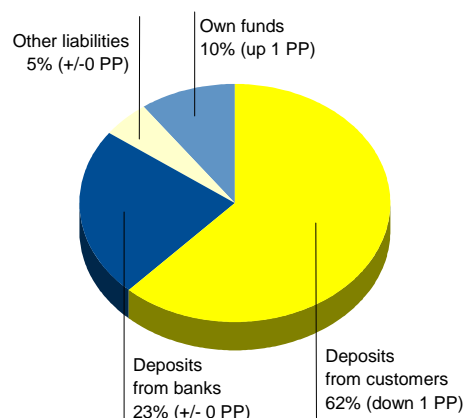
That occurred mainly at the expense of the item *securities*, which hardly grew in absolute terms and made up only 16 per cent of assets. Further, liquidity was reallocated from *trading assets*, which were reduced by 22 per cent, to medium- and long-term securities investments.

Assets

Because of strong growth of lending by almost 30 per cent, with especially high rates of increase in the CIS region, a change occurred in the structure of *balance sheet assets* in the amount of 4 percentage points in favor of *loans and advances to customers (net)*. Adjusted for provisioning, they reached a value of € 20.5 billion, which represents a plus of 29 per cent.

While lendings to private individuals increased above average (albeit from a low level) especially in the CIS region, loans and advances to corporate customers grew mainly in Southeastern Europe but also in the CIS.

Structure of equity and liabilities



The share of own funds – consisting of equity and subordinated capital – in the balance sheet total amounted to 10 per cent after the IPO, which represents an increase of 1.4 percentage points. The *subordinated capital* included in that item increased by 24 per cent, or € 109 million, to € 552 million. Of this Tier II capital, which is important for local regulatory requirements of subsidiary banks, € 463 million were financed by *Raiffeisen Zentralbank* as main shareholder of Raiffeisen International.

Equity and liabilities

Deposits from customers rose in the first three quarters of 2005 by 19 per cent to € 21.6 billion, which represents 62 per cent of the balance sheet total. In contrast to the CIS region, where customer deposits plus liabilities evidenced by paper grew by 68 per cent, growth of deposits slowed in Southeastern Europe (plus 19 per cent) and in Central Europe (plus 9 per cent).

Interbank borrowing and lending increased. *Deposits from banks* grew from the beginning of the year to the reporting date by 18 per cent to € 7.8 billion.

Equity on the Balance Sheet and regulatory capital

Equity shown on Raiffeisen International's Balance Sheet rose from the end of December 2004 to the reporting date by 42 per cent, or € 909 million, to € 3,085 million. Besides the proceeds from the IPO in April 2005, which brought in about € 555 million net of issuing costs, three further components are largely responsible for the change.

First, dividend payments for 2004 to the shareholders of Raiffeisen International and other shareholders of Group business units reduced equity by € 60 million. Second, profit after tax for the first three quarters increased the amount by € 335 million. Third, exchange rate movements of CEE currencies raised equity by € 49 million net of the capital hedge.

Regulatory own funds according to Austrian Banking Act (Bankwesengesetz, BWG) rose by € 661 million from € 2,360 million to € 3,021 million. The reasons for the increase are largely the same as those described above for equity on the Balance Sheet, with current profit from 2005 not yet being taken into account. *Core capital* (Tier 1) accordingly grew by € 569 million to € 2,547 million. Own funds also include eligible subordinated capital (Tier II), which was up on balance by € 104 million to € 508 million.

Set against own funds is a *regulatory own funds requirement* of € 2,007 million (as defined under the Austrian Banking Act), which represents an increase of € 436 million. Because of these changes, the *excess own funds* position rose by € 225 million to € 1,014 million. That means an excess cover of more than 50 per cent. The *own funds ratio* stood at 12.0 per cent, as it had at year's end. The *core capital ratio* (including market risk) was also unchanged compared with the end of the preceding year at 10.1 per cent. At the end of 2005, the ratio will be influenced by the acquisition of Bank Aval and profit for that year.

Outlook

Raiffeisen International's management expects an increase of consolidated profit for the full year 2005 (profit after tax excluding minority interests) by at least 50 per cent compared with the 2004 level (€ 209 million). This forecast does not take into account possible effects of the Bank Aval acquisition. We expect annual growth of the balance sheet total by about 20 per cent in 2006 and 2007.

Our targets for 2007 are a return on equity (ROE) before tax above 25 per cent, a cost/income ratio below 60 per cent, and a risk/earnings ratio below 15 per cent.

Segment Reports

Segmentation

Raiffeisen International divides its business according to customer groups and according to regional criteria. The customer groups are:

- Corporate Customers
- Retail Customers
- Treasury
- Participations and Other.

The segmentation according to regional criteria is based on where the relevant Group business units are domiciled:

- Central Europe (CE)
Czech Republic, Hungary, Poland, Slovakia, and Slovenia.
- Southeastern Europe (SEE)
Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia and Montenegro.
- Commonwealth of Independent States (CIS)
Belarus, Kazakhstan, Russia, and Ukraine.

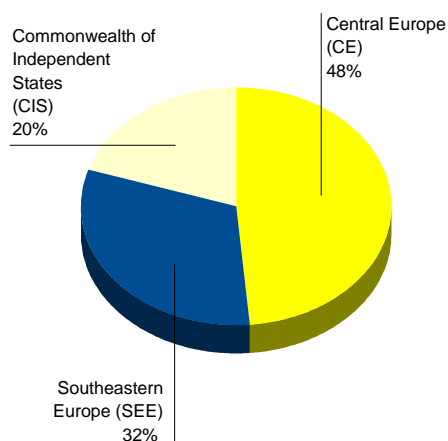
Please see page 30 for a detailed definition of the individual segments. The figures stated here are taken from the financial statements prepared in conformity with the *International Financial Reporting Standards* (IFRS) that underlie the Consolidated Financial Statements. They may vary from locally published data.

SEE and CIS as drivers of growth

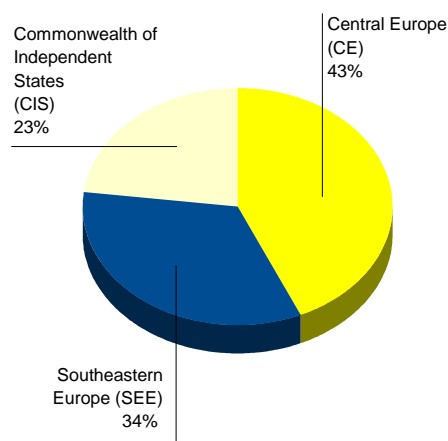
The CIS countries registered the largest increase of profit before tax in relative terms in the first three quarters with a plus of 48 per cent, or € 31 million, to € 96 million. However, the other two regions in which Raiffeisen International operates also made strong gains. Profit before tax in the region of Southeastern Europe grew by 36 per cent from € 102 million to € 140 million. The region of Central Europe posted a plus of 15 per cent from € 157 million to € 181 million.

Regional diversification improved further as a result of the dynamic development of earnings. The share of profit before tax for CIS increased by 3 percentage points to 23 per cent, SEE improved its share by 2 percentage points to 34 per cent. CE saw its share of profit before tax for the period shrink from 48 per cent to 43 per cent. This development is fully in line with our strategy.

**Segment breakdown of profit before tax
(First three quarters of 2004)**



**Segment breakdown of profit before tax
(First three quarters of 2005)**



Central Europe (CE)

The results for the region of Central Europe continue to reflect solid growth at a high level. That is clearly underscored by both assets, which rose by 24 per cent on the year-earlier period, and corresponding *net interest income*, with an increase of 25 per cent. The net interest margin widened slightly by 3 basis points to 3.06 per cent, which is mainly due to reallocations from trading volume to longer-term investments. With the reallocations, interest income from those financial assets now fall under net interest income instead of under trading profit. On the other hand, the somewhat firmer currencies in the CE region had a positive effect on values denominated in euros. The significant decline of *provisioning for impairment losses* by 20 per cent to € 31 million was a result of releases of provisions made for individual cases, particularly among corporate customers.

Net commission income rose by about 23 per cent to € 120 million. This continuing increase is based on the dynamic development of growth in the area of private individuals and small to medium-sized enterprises (SMEs). Income was up significantly in lending business, with a plus of 28 per cent, but so was income from the securities area. Commissions from brokerage and custody business more than doubled from a low year-earlier level. Commissions on investment products also found expression in earnings for the first time. *Trading profit* in the CE region improved by 10 per cent to € 92 million. Customer-related currency transactions developed very positively.

General administrative expense attributable to Central Europe rose by 30 per cent to € 385 million compared with the year-earlier period. That is mainly due to an increase of staff by about 12 per cent to 9,150 and of business outlets by 13 per cent to 367. Exchange rate development, market-driven wage and salary increases, and changes in the way we accrue compensation items also contributed.

Altogether, *profit before tax* for the first three quarters was up by 15 per cent from € 157 million to € 181 million. The region now contributes 43 per cent to Raiffeisen International's consolidated profit (year before: 48 per cent).

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004*	Change
Net interest income	384.8	308.3	24.8%
Provisioning for impairment losses	(31.5)	(39.2)	(19.7)%
Net interest income after provisioning	353.3	269.1	31.3%
Net commission income	120.0	97.5	23.1%
Trading profit	92.3	84.1	9.6%
Net income from financial investments	3.6	3.3	8.6%
General administrative expenses	(384.6)	(295.7)	30.1%
Other operating profit (loss)	(3.9)	(0.8)	–
Profit before tax	180.6	157.4	14.7%
Segment contribution to profit before tax	43.4%	48.5%	(5.1) PP
Total assets	16,776	13,579	23.5%
Risk-weighted assets (incl. market risk)	12,947	8,354	55.0%
Average number of staff	9,150	8,154	12.2%
Business outlets	367	325	12.9%
Cost/income ratio	64.5%	60.2%	4.3PP
Average equity	1,294	796	62.5%
Return on equity (before tax)	18.6%	26.4%	(7.8) PP

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

Southeastern Europe (SEE)

€mn	1/1-30/9 2005	1/1-30/9 2004*	Change
Net interest income	302.8	196.0	54.5%
Provisioning for impairment losses	(44.1)	(25.8)	71.1%
Net interest income after provisioning	258.7	170.3	51.9%
Net commission income	111.7	84.2	32.7%
Trading profit	69.3	48.1	44.2%
Net income from financial investments	0.9	1.6	(41.2)%
General administrative expenses	(300.7)	(201.8)	49.0%
Other operating profit (loss)	(0.5)	(0.1)	-
Profit before tax	139.5	102.2	36.5%
Segment contribution to profit before tax	33.5%	31.5%	2.0PP
Total assets	12,749	9,385	35.8%
Risk-weighted assets (incl. market risk)	7,949	4,679	69.9%
Average number of staff	10,899	8,649	26.0%
Business outlets	543	480	13.1%
Cost/income ratio	62.2%	61.4%	0.8PP
Average equity	795	446	78.2%
Return on equity (before tax)	23.4%	30.6%	(7.2) PP

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

Despite regulatory restrictions on lending growth in certain countries, the region of Southeastern Europe continues to be a steady engine of growth for Raiffeisen International. Assets increased by 36 per cent to € 12.8 billion from the end of September 2004 to the reporting date, and *profit before tax* rose by 36 per cent to € 140 million in the same period. Southeastern Europe's share of Raiffeisen International's total profit thus comes to about one-third, which represents a plus of 2 percentage points. The region's return on equity before tax of 23.4 per cent continues to be above the Group average of 22.1 per cent.

Net interest income registered the largest increase with a plus of 55 per cent to € 303 million. That was attributable to Raiffeisen International's strong volume growth and widening interest margins in some countries. *Provisioning for impairment losses* showed a plus of 71 per cent to € 44 million. The additional provisioning requirement was triggered by a relatively high specific provision in Romania (€ 10.4 million) and higher provisioning for retail customers in the whole region. The risk/earnings ratio amounted to 14.6 per cent, compared with 13.1 per cent in the year-earlier period.

Rising by one-third to € 112 million, *net commission income* also showed satisfactory growth. That increase is due, in particular, to the rapidly climbing number of retail customers. As a result of that,

growth of commission income was stronger from fees for account services, payments, and card services than from lending business. *Trading profit* was up by 44 per cent to € 69 million, with customer-related foreign currency transactions increasing significantly. Decentral hedge caused a net loss which was booked under trading profit.

Development of *general administrative expenses*, which rose from € 202 million to € 301 million, reflects the growth of activities and presence in the region of Southeastern Europe. The increase of 49 per cent was above that of business volume. Capital expenditure on modernization and expansion of the distribution network (increase by 13 per cent to 543 outlets) and related advertising were the main factors.

In Romania, Raiffeisen International is participating in the process of privatizing *Casa de Economii si Consemnatiuni* (CEC). A non-binding offer for CEC was submitted to the responsible authorities on 21 October.

Commonwealth of Independent States (CIS)

€mn	1/1-30/9 2005	1/1-30/9 2004*	Change
Net interest income	153.6	78.5	95.7%
Provisioning for impairment losses	(44.0)	(9.7)	351.9%
Net interest income after provisioning	109.6	68.7	59.5%
Net commission income	49.6	34.6	43.4%
Trading profit	36.6	26.5	37.8%
Net income from financial investments	0.3	(0.1)	-
General administrative expenses	(97.5)	(61.6)	58.1%
Other operating profit (loss)	(2.2)	(3.2)	(28.8)%
Profit before tax	96.3	65.0	48.3%
Segment contribution to profit before tax	23.1%	20.0%	3.1PP
Total assets	5,208	3,260	59.8%
Risk-weighted assets (incl. market risk)	4,195	2,137	96.4%
Average number of staff	4,143	3,437	20.5%
Business outlets	95	79	20.3%
Cost/income ratio	41.2%	45.2%	(4.0)PP
Average equity	419	204	105.9%
Return on equity (before tax)	30.6%	42.5%	(11.9)PP

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

The CIS is Raiffeisen International's smallest regional segment by balance sheet total, but also its most profitable with an *ROE before tax* of 31 per cent. *Profit before tax* amounted to € 96 million, which represents an increase of 48 per cent compared with the first three quarters of 2004. The regional share of Raiffeisen International's profit before tax thus rose to 23 per cent from 20 per cent in the year-earlier period.

The growth of *net interest income* (plus 95 per cent) was far greater than that of assets (plus 60 per cent). In addition to currency effects (significant revaluation of currencies throughout the region), increased interest margins in the rapidly growing customer segment of private individuals and SMEs contributed substantially to the improvement. Also, funding costs were reduced, among other things, by the lapsing of support guarantees from Raiffeisen Zentralbank. The *return on assets* is 3.0 per cent and thus clearly above the corresponding figure in other regions.

On the other hand, *provisioning for impairment losses* had to be raised by almost € 34 million from € 10 million to € 44 million. This sharp increase is a logical consequence of the rapid expansion of business with the customer groups of private individuals and small and medium-sized enterprises. In the corporate customer segment, provisions had to be formed for three specific cases in Russia.

Net commission income rose by 43 per cent to € 50 million. It improved mainly because of commissions from foreign exchange business and payment services, which resulted in turn from the increased number of retail and corporate customers. *Trading profit* also developed well, increasing by 38 per cent to € 37 million, as a consequence of the firmer exchange rates of the Russian ruble and Ukrainian hryvna against the US dollar and the euro. A rise of trading volume by 43 per cent also contributed to the increase.

General administrative expenses increased by 58 per cent, but that was significantly lower than growth of income at 74 per cent. The *cost/income ratio* therefore improved by 4.0 percentage points to 41.2 per cent. While the average number of *staff* grew by 21 per cent, wages and salaries in the region rose substantially in line with the market trend. The planned expansion of the branch network in the regions of Russia and Ukraine moved rapidly forward. Altogether, the number of Raiffeisen International's business outlets in the CIS countries rose by 20 per cent to 95. The increases in other administrative expenses mainly resulted from rapid expansion of the branch network. The associated marketing activities and costs for system adaptations were the other main factors in the rise of operating expenses. Also a deposit protection system started in Russia, thus making payment of the first contributions to the system due in 2005.

Consolidated Financial Statements

(Interim Financial Statements as of and for the 9 months ended 30 September 2005)

Income Statement

€mn	Notes	1/1 – 30/9 2005	1/1 – 30/9 2004*	Change
Interest income		1,536.0	1,175.4	30.7%
Interest expense		(694.9)	(592.6)	17.3%
Net interest income	(2)	841.1	582.7	44.3%
Provisioning for impairment losses	(3)	(119.5)	(74.7)	60.0%
Net interest income after provisioning		721.6	508.0	42.0%
Commission income	(4)	354.5	288.4	22.9%
Commission expense	(4)	(73.2)	(72.1)	1.5%
Net commission income	(4)	281.3	216.3	30.1%
Trading profit	(5)	198.2	158.8	24.8%
Net income from financial investments and current financial assets	(6)	4.8	4.8	(0.3)%
General administrative expenses	(7)	(782.8)	(559.1)	40.0%
Other operating profit (loss)	(8)	(6.6)	(4.1)	62.4%
Profit before tax		416.4	324.6	28.3%
Income tax		(81.5)	(63.5)	28.4%
Profit after tax		334.9	261.1	28.3%
Minority interests in profit		(55.9)	(52.0)	7.5%
Consolidated profit		279.1	209.1	33.4%

€	1/1 – 30/9 2005	1/1 – 30/9 2004*	Change
Earnings per share	2.06	2.01	0.05

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

Earnings per share are obtained by dividing consolidated profit for the period by the average number of ordinary shares outstanding. As of 30 September 2005, the result was 135.2 million ordinary shares, compared with 104 million as of 30 September 2004 (data after stock split).

There were no conversion or option rights outstanding, so undiluted earnings per share were equal to diluted earnings per share.

Profit Development

Quarterly results posted by Raiffeisen International

€mn	Q4/2004*	Q1/2005	Q2/2005	Q3/2005
Net interest income	220.7	258.7	277.0	305.5
Provisioning for impairment losses	(62.9)	(28.5)	(34.9)	(56.1)
Net interest income after provisioning	157.8	230.1	242.1	249.4
Net commission income	83.4	83.5	96.9	101.0
Trading profit	61.4	55.1	68.4	74.7
Net income from financial investments and current financial assets	3.5	1.0	1.8	1.9
General administrative expenses	(264.2)	(240.9)	(261.7)	(280.2)
Other operating profit (loss)	(25.8)	4.4	(7.5)	(3.6)
Profit before tax	16.1	133.3	140.0	143.1
Income tax	(7.6)	(24.0)	(28.2)	(29.3)
Profit after tax	8.6	109.3	111.8	113.8
Minority interests in profit	(8.3)	(16.5)	(18.8)	(20.6)
Consolidated profit	0.3	92.8	93.0	93.2

€mn	Q4/2003	Q1/2004*	Q2/2004*	Q3/2004*
Net interest income	162.8	165.2	192.9	224.7
Provisioning for impairment losses	(40.3)	(27.2)	(21.9)	(25.6)
Net interest income after provisioning	122.4	138.0	171.0	199.1
Net commission income	60.4	60.3	79.1	76.8
Trading profit	83.8	47.8	44.0	66.9
Net income from financial investments and current financial assets	2.5	1.5	(3.2)	6.5
General administrative expenses	(209.7)	(166.7)	(200.5)	(191.9)
Other operating profit (loss)	5.1	(1.8)	3.3	(5.6)
Profit before tax	64.6	79.1	93.7	151.8
Income tax	(6.4)	(18.8)	(19.4)	(25.2)
Profit after tax	58.2	60.3	74.3	126.6
Minority interests in profit	(2.2)	(15.4)	(22.4)	(14.3)
Consolidated profit	56.0	44.9	51.9	112.3

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

Balance Sheet

Assets

€mn	Notes	30/9/2005	31/12/2004*	Change
Cash reserve		1,839	1,895	(3.0)%
Loans and advances to banks	(9)	5,575	4,779	16.7%
Loans and advances to customers	(10)	20,916	16,242	28.8%
Impairment losses on loans and advances	(11)	(467)	(366)	27.4%
Trading assets	(12)	1,901	2,447	(22.3)%
Other current financial assets	(13)	1,051	650	61.5%
Financial investments	(14)	2,598	2,329	11.5%
Intangible fixed assets	(15)	197	177	11.0%
Tangible fixed assets	(16)	488	441	10.7%
Other assets	(17)	634	312	103.4%
Total Assets		34,733	28,907	20.2%

Equity and Liabilities

€mn	Notes	30/9/2005	31/12/2004*	Change
Deposits from banks	(18)	7,823	6,620	18.2%
Deposits from customers	(19)	21,584	18,169	18.8%
Liabilities evidenced by paper	(20)	699	662	5.6%
Provisions for liabilities and charges	(21)	123	112	8.9%
Trading liabilities	(22)	334	410	(18.5)%
Other liabilities	(23)	532	313	70.3%
Subordinated capital	(24)	552	444	24.5%
Equity	(25)	3,085	2,177	41.7%
Consolidated equity		2,397	1,631	47.0%
Consolidated profit		279	209	33.8%
Minority interests		409	337	21.4%
Total Equity and Liabilities		34,733	28,907	20.2%

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

Statement of Changes in Equity

€mn	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit for the period	Minority interests	Total
Equity on 1/1/2005*	382	935	314	209	337	2,177
Capital contributions / disbursements	53	501	-	-	18	572
Transferred to retained earnings	-	(37)	207	(170)	-	-
Distributed profit	-	-	-	(39)	(21)	(60)
Profit for the period	-	-	-	279	56	335
Exchange differences	-	-	81	-	9	90
Capital hedge	-	-	(41)	-	-	(41)
Cash flow hedge	-	-	4	-	-	4
Other changes	-	-	-	-	10	10
Equity on 30/9/2005	435	1,399	564	279	409	3,085

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

€mn	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit for the period	Minority interests	Total
Equity on 1/1/2004	50	770	104	179	276	1,379
Capital contributions / disbursements	330	-	-	-	7	338
Transferred to retained earnings	-	-	146	(146)	-	-
Distributed profit	-	-	-	(33)	(14)	(47)
Profit for the period	-	-	-	209	52	261
Exchange differences	-	-	38	-	8	46
Capital hedge	-	-	(9)	-	-	(9)
Other changes	-	-	(35)	-	4	(31)
Equity on 30/9/2004	380	771	243	209	334	1,938

Following the IPO on 25 April and the associated issue of 34.2 million new no-par shares with a total nominal value of € 54.1 million, the issued share capital of *Raiffeisen International Bank-Holding AG* pursuant to its Articles of Association is € 434.5 million. Furthermore, the Extraordinary General Meeting of Shareholders on 8 March 2005 voted to carry out a 2-for-1 stock split. Consequently, on the reporting date (30 September 2005), the Company's issued share capital was subdivided into 142.8 million no-par (bearer) shares. The Company bought back the 17,050 *Genussscheine* (profit participating certificates) with a nominal value of € 1.7 million during the second quarter of 2005.

Cash Flow Statement

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Cash and cash equivalents at end of previous period	1,895	1,749
Net cash from operating activities	(337)	649
Net cash from investing activities	(349)	(499)
Net cash from financing activities	657	354
Effect of exchange rate changes	(27)	33
Cash and cash equivalents at end of period	1,839	2,285

Notes

Accounting policies

The Consolidated Financial Statements of Raiffeisen International were prepared in conformity with the *International Financial Reporting Standards (IFRS)* published by the *International Accounting Standards Board (IASB)*, inclusive of such interpretations by the *International Financial Reporting Interpretations Committee (IFRIC)* as were already applicable. The unaudited Interim Report as of and for the nine months ended 30 September 2005 conforms to *IAS 34*.

Changes due to amended and new IFRS standards

Newly published standards applicable from the 2005 financial year have made it necessary to carry out minor adjustments to the financial statements for 2004, which are needed for the purposes of prior-period comparisons. Adaptation is required by IFRS.

The most important changes to accounting policies are described below. The most important changes to the recognition and measurement policies of *Raiffeisen International* with respect to 2005 and years thereafter result from the now limited measurement options allowed by *IFRS*, including in particular with regard to *Financial Instruments (IAS 39)* and *Leases (IAS 17)*. In all, however, it must be stressed that these changes will not have a material impact on *Raiffeisen International's* financial statements.

Goodwill (IFRS 3)

The new *IFRS 3* already published in 2004 reviews the presentation, measurement and impairment testing of goodwill. The straight-line amortization of goodwill has been abolished and replaced by annual impairment testing. The same applies to companies accounted for using the equity method. *IFRS* does not require prior periods to be adjusted. *Raiffeisen International's* entry for the amortization of goodwill, most recently about € 10 million, will therefore be discontinued as of the 2005 financial year. As things stand at the moment, an impairment of existing goodwill is not to be expected.

Financial instruments (IAS 39)

The stricter new definition of loans and receivables that no longer qualify as originated by the enterprise changed the entry for *Equity* from 1 January 2005. If financial instruments are classified as *Other current financial assets*, they must be carried at market value if an active market exists. Reclassifications and remeasurements were carried out with respect to a number of primary securities issues. Restructuring (reclassification and remeasurement) of the portfolio increased *Other current financial assets* by € 38 million reallocated from *Financial investments*. The effect on *Equity* has been immaterial.

The fair value option will not be made use of by *Raiffeisen International* for the time being as the IASB and the EU have yet to agree on a common policy on the fair value option.

New securities category (IAS 39)

In the case of assets for which a fair value within the meaning of IAS 39 was available, the *available-for-sale* financial assets in the accounts at year-end 2004 at the amount of € 612 million were reclassified as financial assets at fair value through profit and loss as of 1 January 2005, whereby the resulting changes in value are also being recognized in profit and loss in the 2005 financial year. On the Balance Sheet, these financial assets will continue to be recognized as *Other current financial assets*.

In addition, *Raiffeisen International's* *Other financial assets* also included its *available-for-sale* financial assets. They were in the main assets for which stock exchange prices were not available but whose measurement did not have a material effect on equity during the period under review.

Impairment losses on loans and advances (IAS 39)

The more precise requirements contained in the revision of IAS 39 in force from 2005 allow, under certain circumstances, general provisioning for loan portfolios with identical risk profiles. To date, *Raiffeisen International* has only made restricted use of portfolio-based provisioning. The implementation of the now more detailed rules for measuring loan portfolios and the portfolio-based provisioning requirements applicable to them had yet to be completed at the end of the quarter. Consequently, only some of the effects are recognized in first-half profit. However, they are unlikely to have a significant impact on profit.

Finance leasing (IAS 17)

The mandatory inclusion of *initial direct costs* in finance lease receivables has caused material changes in valuations at *Raiffeisen International*. These must be calculated with retrospective effect. Insofar as these costs were recognized in full in the Income Statement in prior years, their effects on the asset items in question and on equity have required recognition since 1 January 2005.

As of 2005, the interest rate underlying a lease must be calculated in such a way that initial direct costs incurred by the lessor are automatically included in the finance lease receivable and must not be added as a separate item. Similarly, as of 2005, any initial direct costs of the lessee must be added to the amount recognized as an asset.

For *Raiffeisen International*, that affected equity directly at the amount of € 1.7 million, and indirectly at the amount of minus € 1.5 million carried to equity by way of the adapted profit for the year 2004. The result was a net increase in *Equity* of € 0.2 million as of 1 January 2005.

Companies accounted for using the equity method (IAS 28)

The financial statements of companies accounted for using the equity method have been adjusted in accordance with homogeneous Group-wide accounting policies in respect of business transactions and events occurring under comparable circumstances. As a result, the financial statements furnished by companies accounted for using the equity method for the purposes of the Consolidated Financial Statements for 2005 conform to the provisions of IFRS that are applied on a Group-wide basis. However, that is not expected to have any material effect on *Raiffeisen International's* profit.

Equity (IAS 1 in conjunction with IAS 27)

According to the revisions, *Minority interests* must be presented within *Equity*. This means that as of 2005, *Minority interests* must be presented on the Consolidated Balance Sheet within *Equity* but separately from *Consolidated Equity* (the parent's shareholders' equity).

Income Statement

€mn	Adapted 1/1 – 31/12/2004	Change	Published 1/1 – 31/12/2004
Interest income	1,666.3	(1.1)	1,667.4
Interest expense	(862.8)	(1.2)	(861.6)
Net interest income	803.5	(2.3)	805.8
Provisioning for impairment losses	(137.6)	0.0	(137.6)
Net interest income after provisioning	665.9	(2.3)	668.2
Commission income	395.9	0.0	395.9
Commission expense	(96.3)	1.5	(97.8)
Net commission income	299.7	1.5	298.1
Trading profit	220.1	(0.8)	220.9
Net income from financial investments and current financial assets	8.3	0.0	8.3
General administrative expenses	(823.3)	0.0	(823.3)
Other operating profit (loss)	(29.9)	0.0	(29.9)
Profit before tax	340.8	(1.6)	342.2
Income tax	(71.1)	0.1	(71.0)
Profit after tax	269.7	(1.5)	271.2
Minority interests in profit	(60.3)	0.0	(60.3)
Consolidated profit	209.4	(1.5)	210.9

Balance Sheet**Assets**

€mn	Adapted 31/12/2004	Change	Published 31/12/2004
Cash reserve	1,895	0	1,895
Loans and advances to banks	4,779	0	4,779
Loans and advances to customers	16,242	0	16,242
Impairment losses on loans and advances	(366)	0	(366)
Trading assets	2,447	0	2,447
Other current financial assets	650	38	612
Financial investments	2,329	(38)	2,367
Intangible fixed assets	177	0	177
Tangible fixed assets	441	0	441
Other assets	312	0	312
Total Assets	28,907	0	28,907

Equity and Liabilities

€mn	Adapted 31/12/2004	Change	Published 31/12/2004
Deposits from banks	6,620	0	6,620
Deposits from customers	18,169	0	18,169
Liabilities evidenced by paper	662	0	662
Provisions for liabilities and charges	112	0	112
Trading liabilities	410	0	410
Other liabilities	313	0	313
Subordinated capital	444	0	444
Equity	2,177	0	2,177
Consolidated equity	1,631	2	1,629
Consolidated profit	209	(2)	211
Minority interests	337	0	337
Total Equity and Liabilities	28,907	0	28,907

Changes in the scope of consolidation

Number of units	Fully consolidated		Equity method	
	30/9/2005	31/12/2004	30/9/2005	31/12/2004
At beginning of period	43	38	3	3
Included for the first time in the period under review	21	6	–	1
Excluded in the period under review	(1)	–	–	–
Merged in the period under review	(2)	(2)	–	–
Reclassified	–	1	–	(1)
At end of period	61	43	3	3

Few changes occurred in the third quarter, and those primarily concerned the Czech finance leasing units. On the one hand, two real estate project companies were founded; on the other, two project companies were merged with other fully consolidated companies. Finally, project company *RLRE Omikron Property, s.r.o.*, Prague, was sold to the lessee.

Notes to the Income Statement

(1) Segment reporting

Raiffeisen International primarily segments its business along customer segment lines:

- Corporate Customers
- Retail Customers
- Treasury
- Participations and Other.

The *Corporate Customers* segment encompasses business with local and international medium-sized enterprises and key accounts. The *Retail Customers* segment encompasses personal banking customers and small and medium-sized enterprises whose annual revenues generally do not exceed € 5 million. The *Treasury* segment encompasses the Treasury departments' proprietary trading as well as investment banking activities, which are only carried out by a few Group units. Besides non-banking activities, the *Participations and Other* segment also encompasses the management of equity participations. In addition, this segment encompasses other cross-segment activities, including in particular those carried out by parent company *Raiffeisen International Bank-Holding AG*.

Secondary segment reporting breaks down income components and assets/liabilities along regional lines. Assignments to regions are based on the domiciles of the Group units in question.

- Central Europe (CE)
Czech Republic, Hungary, Poland, Slovakia and Slovenia.
- Southeastern Europe (SEE)
Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia and Montenegro.
- Commonwealth of Independent States (CIS)
Belarus, Kazakhstan, Russia and Ukraine.

(1a) Segment reports by business segment

1/1 – 30/9/2005 €mn	Corporate Customers	Retail Customers	Treasury	Participations and Other	Total
Net interest income	295.0	448.2	93.2	4.7	841.1
Provisioning for impairment losses	(48.0)	(71.4)	(0.0)	(0.2)	(119.5)
Net interest income after provisioning	247.0	376.8	93.2	4.5	721.6
Net commission income	103.3	179.6	(1.8)	0.3	281.3
Trading profit (loss)	69.1	63.1	66.1	(0.1)	198.2
Net income from financial investments and current financial assets	0.4	–	4.5	(0.1)	4.8
General administrative expenses	(191.7)	(528.3)	(25.8)	(37.0)	(782.8)
Other operating profit (loss)	4.6	(5.8)	(2.9)	(2.5)	(6.6)
Profit before tax	232.7	85.4	133.2	(34.8)	416.4
Basis of assessment (incl. market risk)	12,327	7,023	4,424	1,318	25,091
Own funds requirement	986	562	354	105	2,007
Average number of staff	5,132	17,184	510	1,366	24,192
Cost/income ratio	40.6%	77.1%	16.5%	–	59.5%
Average equity	1,232	702	442	132	2,508
Return on equity (ROE) before tax	25.2%	16.2%	40.1%	–	22.1%

1/1 – 30/9/2004* €mn	Corporate Customers	Retail Customers	Treasury	Participations and Other	Total
Net interest income	252.2	302.9	40.0	(12.4)	582.7
Provisioning for impairment losses	(36.4)	(38.0)	0.0	(0.3)	(74.7)
Net interest income after provisioning	215.8	264.9	39.9	(12.6)	508.0
Net commission income	97.7	122.8	(6.3)	2.0	216.3
Trading profit (loss)	59.2	44.7	55.5	(0.6)	158.8
Net income from financial investments and current financial assets	–	–	–	4.8	4.8
General administrative expenses	(164.9)	(358.4)	(24.6)	(11.2)	(559.1)
Other operating profit (loss)	6.9	(2.7)	2.3	(10.5)	(4.1)
Profit before tax	214.7	71.3	66.8	(28.2)	324.6
Basis of assessment (incl. market risk)	8,525	3,882	1,699	1,065	15,170
Own funds requirement	682	311	136	85	1,214
Average number of staff	4,962	13,865	571	842	20,240
Cost/income ratio	41.1%	76.3%	27.6%	–	58.5%
Average equity	813	370	162	102	1,446
Return on equity (ROE) before tax	35.2%	25.7%	55.0%	–	29.9%

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

(1b) Segment reports by geographical market

1/1 – 30/9/2005	CE	SEE	CIS	Total
€mn				
Net interest income	384.8	302.8	153.6	841.1
Provisioning for impairment losses	(31.5)	(44.1)	(44.0)	(119.5)
Net interest income after provisioning	353.3	258.7	109.6	721.6
Net commission income	120.0	111.7	49.6	281.3
Trading profit	92.3	69.3	36.6	198.2
Net income from financial investments and current financial assets	3.6	0.9	0.3	4.8
General administrative expenses	(384.6)	(300.7)	(97.5)	(782.8)
Other operating profit	(3.9)	(0.5)	(2.2)	(6.6)
Profit before tax	180.6	139.5	96.3	416.4
Total assets	16,776	12,749	5,208	34,733
Basis of assessment (incl. market risk)	12,947	7,949	4,195	25,091
Own funds requirement	1,036	636	336	2,007
Average number of staff	9,150	10,899	4,143	24,192
Cost/income ratio	64.5%	62.2%	41.2%	59.5%
Average equity	1,294	795	419	2,508
Return on equity (ROE) before tax	18.6%	23.4%	30.6%	22.1%

1/1 – 30/9/2004*	CE	SEE	CIS	Total
€mn				
Net interest income	308.3	196.0	78.5	582.7
Provisioning for impairment losses	(39.2)	(25.8)	(9.7)	(74.7)
Net interest income after provisioning	269.1	170.3	68.7	508.0
Net commission income	97.5	84.2	34.6	216.3
Trading profit	84.1	48.1	26.5	158.8
Net income from financial investments and current financial assets	3.3	1.6	(0.1)	4.8
General administrative expenses	(295.7)	(201.8)	(61.6)	(559.1)
Other operating profit	(0.8)	(0.1)	(3.2)	(4.1)
Profit before tax	157.4	102.2	65.0	324.6
Total assets	13,579	9,385	3,260	26,224
Basis of assessment (incl. market risk)	8,354	4,679	2,137	15,170
Own funds requirement	668	374	171	1,214
Average number of staff	8,154	8,649	3,437	20,240
Cost/income ratio	60.2%	61.4%	45.2%	58.5%
Average equity	796	446	204	1,446
Return on equity (ROE) before tax	26.4%	30.6%	42.5%	29.9%

* Because of amended and new IFRS rules, comparative figures have been adjusted slightly (see Notes, p. 26 ff).

(2) Net interest income

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Interest income	1,533.1	1,173.8
from loans and advances to banks	197.3	135.1
from loans and advances to customers	981.1	748.4
from current financial assets (available-for-sale)	38.8	29.7
from financial investments	117.4	88.3
from receivables under finance leases	97.4	73.4
from derivative financial instruments (non-trading)	101.1	98.9
Current income from shareholdings	0.3	0.8
Other interest-like income	2.6	0.8
Interest and similar income, Total	1,536.0	1,175.4
Interest expenses	(694.6)	(586.5)
on deposits from banks	(194.0)	(157.7)
on deposits from customers	(409.2)	(362.8)
on liabilities evidenced by paper	(25.0)	(22.6)
on subordinated capital	(13.2)	(6.3)
on derivative financial instruments (non-trading)	(53.2)	(37.0)
Other interest-like expenses	(0.3)	(6.0)
Interest expenses and similar charges, Total	(694.9)	(592.6)
Net interest income	841.1	582.7

(3) Provisioning for impairment losses

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Allocated to the provision for impairment losses	(242.3)	(331.2)
Released from the provision for impairment losses	140.0	264.1
Direct write-downs	(29.7)	(10.6)
Recovery of written-down claims	12.4	3.0
Total	(119.5)	(74.7)

(4) Net commission income

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Payment transfers business	150.7	117.6
Credit and guarantee business	66.0	52.5
Securities business	14.8	6.3
Foreign exchange, notes and coins, and precious metals business	17.2	11.9
Other banking services	32.6	28.0
Total	281.3	216.3

(5) Trading profit (loss)

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Interest-rate contracts	15.0	14.4
Currency contracts	183.1	143.8
Share-/index-related contracts	0.1	0.6
Total	198.2	158.8

(6) Net income from financial investments and current financial assets

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Net income from financial investments	(0.1)	0.8
Net remeasurements of financial investments and equity participations	(0.7)	(0.1)
Net proceeds from sales of financial investments and equity participations	0.6	0.9
Net income from other current financial assets	4.9	4.0
Net remeasurements of securities classified as current financial assets	1.1	(0.4)
Net proceeds from sales of securities classified as current financial assets	3.8	4.4
Total	4.8	4.8

(7) General administrative expenses

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Staff costs	(371.4)	(253.3)
Other administrative expenses	(327.6)	(240.9)
Depreciation/amortization/write-downs of tangible and intangible fixed assets	(83.8)	(65.0)
Total	(782.8)	(559.1)

(8) Other operating profit (loss)

€mn	1/1 – 30/9 2005	1/1 – 30/9 2004
Revenues from non-banking activities	24.8	18.7
Expenses arising from non-banking activities	(15.7)	(11.2)
Net result from hedge accounting	(0.3)	(1.1)
Net income from other derivative instruments	(2.2)	(0.7)
Other taxes	(19.1)	(13.5)
Other operating income	45.3	44.4
Other operating expenses	(39.3)	(40.8)
Total	(6.6)	(4.1)

Notes to the Balance Sheet**(9) Loans and advances to banks**

€mn	30/9/2005	31/12/2004
Giro and clearing business	613	688
Money-market business	4,025	3,331
Loans to banks	911	753
Purchased receivables	26	8
Total	5,575	4,779

(10) Loans and advances to customers

€mn	30/9/2005	31/12/2004
Credit business	11,620	9,488
Money-market business	3,213	2,313
Receivables under mortgage loans	4,230	2,875
Purchased receivables	233	240
Accounts receivable under finance leases	1,621	1,326
Total	20,916	16,242

(11) Impairment losses on loans and advances

€mn	1/1/2005	Change in scope of consolidation	Added*	Released	Used	Transfers, exchange differences	30/9/2005
Specific provisions	364	-	179	(103)	(30)	(56)	355
Loans and advances to customers	364	-	179	(103)	(30)	(56)	354
Portfolio-based provisions	2	-	63	(22)	-	70	112
Subtotal	366	-	242	(125)	(30)	14	467
Impairment provisions for off-balance-sheet liabilities	28	-	18	(15)	-	(6)	25
Total	394	-	260	(140)	(30)	8	492

* Additions inclusive of direct write-downs and net of recoveries of written-down claims.

(12) Trading assets

€mn	30/9/2005	31/12/2004
Debt securities and other fixed-interest securities	1,654	2,033
Shares and other variable-yield securities	20	11
Positive fair values arising from derivative financial instruments	204	384
Overnight and fixed deposits held for trading	24	19
Total	1,901	2,447

(13) Other current financial assets

€mn	30/9/2005	31/12/2004
Debt securities and other fixed-interest securities	1,026	640
Shares and other variable-yield securities	25	10
Total	1,051	650

(14) Financial investments

€mn	30/9/2005	31/12/2004
Debt securities and other fixed-interest securities	2,510	2,255
Equity participations	88	74
Total	2,598	2,329

(15) Intangible fixed assets

€mn	30/9/2005	31/12/2004
Goodwill	74	75
Other intangible fixed assets	122	102
Total	197	177

(16) Tangible fixed assets

€mn	30/9/2005	31/12/2004
Land and buildings used by the Group for its own operations	180	160
Other land and buildings	5	7
Other tangible fixed assets, office furniture and equipment	284	253
Let leased assets	19	21
Total	488	441

(17) Other assets

€mn	30/9/2005	31/12/2004
Tax assets	51	29
Receivables arising from non-banking activities	34	24
Prepayments and other deferrals	138	98
Positive fair values of derivative hedging instruments within the scope of fair-value hedges within the meaning of IAS 39	1	1
Positive fair values of cash flow hedges	4	-
Positive fair values of other derivative financial instruments in the banking book	24	43
Other items	383	116
Total	634	312

(18) Deposits from banks

€mn	30/9/2005	31/12/2004
Giro and clearing business	375	352
Money-market business	2,843	2,673
Long-term finance	4,605	3,595
Total	7,823	6,620

(19) Deposits from customers

€mn	30/9/2005	31/12/2004
Sight deposits	8,729	6,896
Time deposits	11,510	10,315
Savings deposits	1,345	958
Total	21,584	18,169

(20) Liabilities evidenced by paper

€mn	30/9/2005	31/12/2004
Issued debt securities	392	369
Issued money-market instruments	5	6
Other liabilities evidenced by paper	302	287
Total	699	662

(21) Provisions for liabilities and charges

€mn	30/9/2005	31/12/2004
Taxes	39	53
Guarantees and sureties	25	28
Other	59	31
Total	123	112

(22) Trading liabilities

€mn	30/9/2005	31/12/2004
Negative fair values arising from derivative financial instruments	249	408
Overnight and fixed deposits held for trading	86	2
Total	334	410

(23) Other liabilities

€mn	30/9/2005	31/12/2004
Liabilities arising from non-banking activities	37	35
Deferred items	108	45
Negative fair values of derivative hedging instruments within the scope of fair value hedges within the meaning of IAS 39	1	4
Negative fair values of other derivative financial instruments	17	20
Other liabilities	369	209
Total	532	313

(24) Subordinated capital

€mn	30/9/2005	31/12/2004
Subordinated obligations	521	423
Supplementary capital	31	21
Total	552	444

(25) Equity and minorities

€mn	30/9/2005	31/12/2004
Consolidated equity	2,397	1,631
Subscribed capital	435	382
Capital reserves	1,400	935
Retained earnings	563	314
Consolidated profit	279	209
Minority interests	409	337
Total	3,085	2,177

Additional notes**(26) Contingent liabilities and other off-balance-sheet items**

€mn	30/9/2005	31/12/2004
Contingent liabilities	2,126	1,734
Commitments	5,785	4,205

(27) Regulatory own funds

As a subsidiary of RZB, *Raiffeisen International* does not have a banking group of its own within the meaning of the Austrian *Bankwesengesetz (BWVG)*. As a result, it is not itself subject to Austrian regulatory requirements. However, the following figures are accounted for within the scope of *RZB-Kreditinstitutsgruppe*. They are provided here for informational purposes only.

The own funds of Raiffeisen International within the meaning of the *Bankwesengesetz* broke down as follows:

€mn	30/9/2005	31/12/2004
Tier 1 capital (core capital)	2,547	1,977
Tier 2 capital (additional own funds)	508	403
Less interests in banks and financial institutions	(59)	(52)
Eligible own funds	2,995	2,329
Tier 3 capital (short-term subordinated own funds)	26	31
Total own funds	3,021	2,360
Total own funds requirement	2,007	1,571
Excess own funds	1,014	789
Excess cover ratio	50.5%	50.2%
Core capital ratio (Tier 1), incl. market risk	10.1%	10.1%
Own funds ratio	12.0%	12.0%

Total own funds requirement is made up as follows:

€mn	30/9/2005	31/12/2004
Risk-weighted basis of assessment pursuant to § 22 BWG	21,906	16,690
of which 8 per cent minimum own funds requirement	1,752	1,335
Own funds requirement for the trading book under § 22b Abs. 1 BWG	107	136
Own funds requirement for open currency positions under § 26 BWG	148	100
Total own funds requirement	2,007	1,571

(28) Average number of staff

The average number of staff as of 30 September (full-time equivalents) broke down as follows:

Full-time equivalent	30/9/2005	31/12/2004
CE	9,069	8,122
SEE	10,836	8,614
CIS	4,122	3,423
Austria	165	80
Total	24,192	20,240

Financial Calendar

2006

8 March	Start of Quiet Period
30 March – New publication date!	Annual Report 2005, Analysts' Conference, Conference Call
27 April	Start of Quiet Period
11 May	First Quarter Report, Conference Call
7 June	Annual General Meeting, Austria Center Vienna
13 June	Ex-dividend date and dividend payment date
27 July	Start of Quiet Period
10 August	Semi-Annual Report, Conference Call
26 October	Start of Quiet Period
9 November	Third Quarter Report, Conference Call

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The present English version is a translation of the report that the company originally prepared in the German language.

The company only recognizes the German version as the authentic version.

Tables and charts may contain rounding errors.

