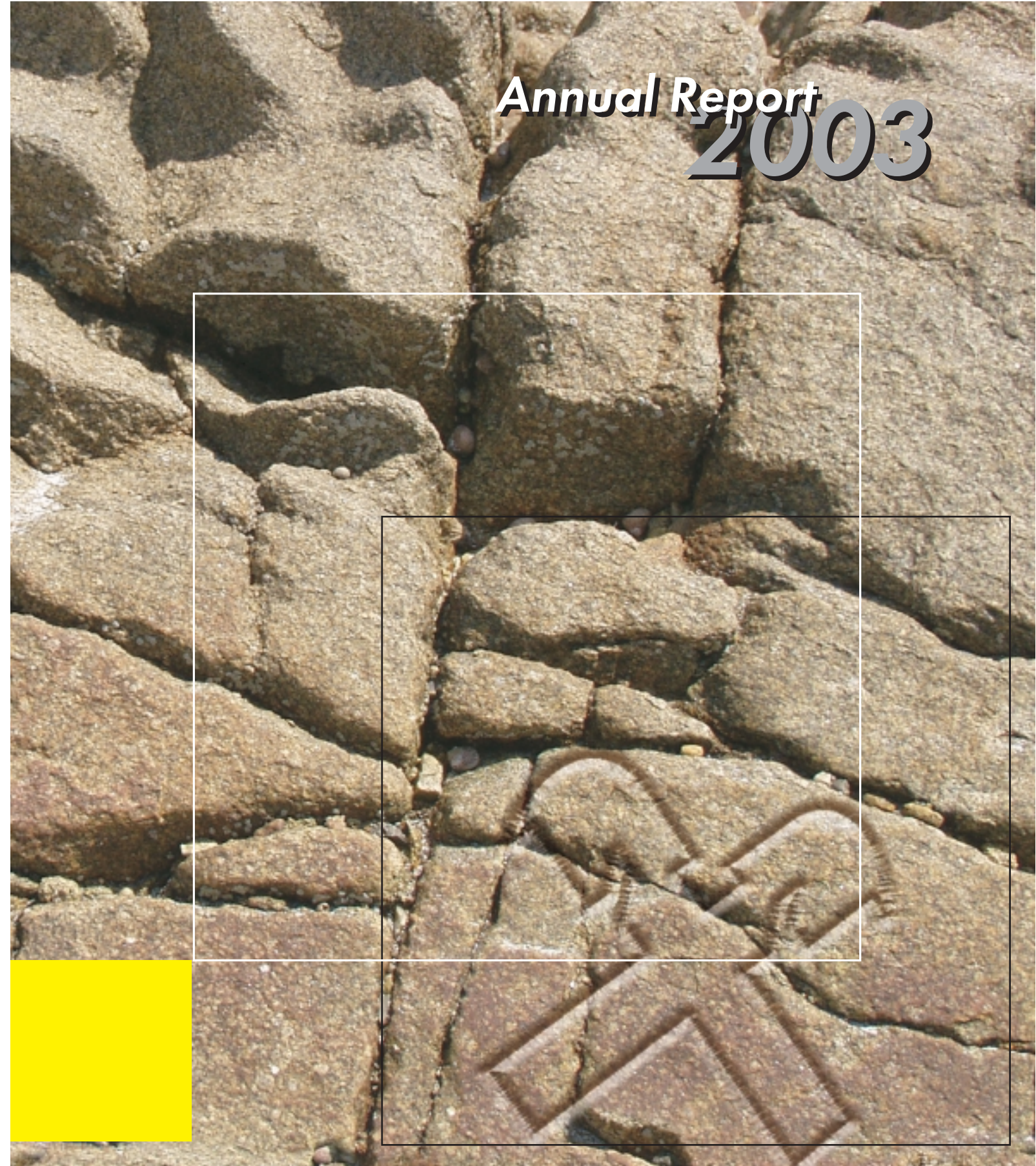


Annual Report 2003



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Financial Highlights

In USD thousand	2003	2002	2001
Summary of Consolidated Statements of Income			
Net interest income	57 668	32 152	24 549
Net interest income after provision for losses on loans and advances	48 615	26 018	21 144
Net revenues	93 365	54 159	41 945
Profit before taxation	62 032	29 413	24 787
Net profit	49 209	24 177	18 388
Summary of Consolidated Balance Sheets Assets			
Cash and cash equivalents	625 684	340 753	206 677
Securities	74 725	48 024	14 367
Loans and advances	1 287 981	939 728	585 099
Other assets	34 772	24 476	18 894
Total assets	2 023 162	1 352 981	825 037
Liabilities			
Customers accounts	950 978	643 182	413 520
Due to banks and other borrowed funds	908 977	589 743	301 818
Other liabilities	6 134	8 552	19 372
Total liabilities	1 866 089	1 241 477	734 710
Shareholders' equity	157 073	111 504	90 327
Total liabilities and shareholders' equity	2 023 162	1 352 981	825 037
Summary of Financial Ratios			
Capital adequacy	15.4%	12.8%	19.2%
Return on average assets	2.9%	2.2%	2.5%
Return on equity at the start of the year	44.1%	26.8%	26.4%
Total equity / Total assets	7.8%	8.2%	10.9%
Liquid assets / Total assets	42.4%	43.2%	46.3%
Current liquidity ratio	106.4%	92.6%	111.9%
Allowance on loan losses (customer loans)	1.8%	1.5%	1.3%
Overdue customer loans/ Total gross customer loans	0.1%	0.2%	0.0%
Total loans/total deposits	69.2%	76.2%	81.8%
Due to banks and other borrowed funds/ Total liabilities	48.7%	47.5%	41.1%
Due to banks/Total deposits	46.6%	47.0%	40.5%
Net interest margin	4.9%	4.1%	4.3%
Net interest income/ Total interest income	65.4%	54.6%	49.8%
Average interest earning assets/ average interest bearing liabilities	75.8%	81.2%	89.2%
Net revenues/average assets	5.5%	5.0%	5.8%
Operating expenses/Average assets	1.9%	2.3%	2.5%



Statement by the Chairman of the Managing Board



The last financial year was one of the more remarkable years in the history of Raiffeisenbank Austria in Russia, and I feel quite confident in citing 2003 as a resounding success. During the 12 months to 31 December 2003 Raiffeisenbank has grown its asset base by 50%, to in excess of USD 2 billion, its shareholders equity by over 42%, and has reported an impressive net profit of USD 49 million, which represents an increase of approximately 104% over the prior year's reported results. Raiffeisenbank now ranks number 12 among Russian banks on the basis of its asset base, and number 7 amongst those banks participating in the retail banking sector.

Some of the more noteworthy achievements for 2003, have included, Raiffeisenbank's acquisition of the sole shareholding in Non-State Pension Fund "Dobroye Delo", confirmation of the Bank's serious intentions to develop a strong presence in the pensions market in Russia; continued growth in the Bank's consumer lending business, including the announcement of plans for further regional expansion; further expansion of Raiffeisenbank's mortgage lending activities, including the establishment of special Branches aimed at serving this growing market; the launch of a new programme to serve medium sized enterprises; and further strengthening of Raiffeisenbank's positioning within the corporate finance and investment banking sector, evidenced by the Bank's second place ranking in the Russian Corporate Bond Leader's Managers league table awarded by Cbonds.ru, and by other activities such as the Bank's participation in syndications and arranging bond placements for Russian companies and banks.

The strong operating results and the continued growth and strengthening of Raiffeisenbank's balance sheet and capital base may be directly attributed to a focused and appropriate business strategy which has enabled the Bank to leverage on the dynamics of the strengthening Russian economy, whilst not exposing the Bank to unnecessary risks. For the continued successes in the implementation and further development in Raiffeisenbank's business strategy, I am indebted to the Supervisory Board and the dynamic team of Management and staff of the Bank who have continued to demonstrate strong vision and persistent efforts. In conducting its business in the Russian Federation, and across international borders Raiffeisenbank has continued to benefit greatly from the resources and inputs of RZB's international network, and has further positioned itself as a preferred service provider in an increasingly competitive market. The continued support of the valued customers and business partners of Raiffeisenbank, throughout 2003 and continuing into 2004 is clear recognition of the importance that Raiffeisenbank attributes to offering the highest levels of customer service and business solutions.

Left to right:
Alexandre Ouchakov
Michel Perhirin
Eugene Toutkevitch
Alexandre Kolochenko
Pavel Gourin
Sergey Monin

Michel Perhirin
Chairman of the Managing Board



Statement by the Chairman of the Managing Board

Corporate Banking

The Corporate Banking division performed well, and was active with lending in key strategic industry sectors during 2003. The Bank's total credit portfolio has grown by 52% from USD 753 million in 2002 to USD 1 147 million in 2003.

In the **oil** sector Raiffeisen Zentralbank Oesterreich and Raiffeisenbank acted as arrangers with Natexis Bank for a USD 150 million 5 year syndicated pre-export facility for Rosneft.

Raiffeisenbank also identified a number of opportunities in the **metallurgical** sector, and the Bank financed various large bilateral transactions in the steel, coal and aluminium industries.

In the **telecommunications** sector Raiffeisenbank arranged a number of large transactions for the top mobile operators, one of which was a stand-by facility for possible earlier redemption of convertible notes.

Raiffeisenbank was also very active in the **automotive** sector. The Russian market continues to move in the direction of centralised importation, and the presentation of a wide range of local and cross-border cash management instruments as well as flexible financing terms allowed Raiffeisenbank to win a tender for the servicing of one of the largest Western automotive concerns operating in Russia, and its dealership network.

Raiffeisenbank has substantially increased its activities in the **consumer goods** sector mainly focusing on food producers and retail chains. Cross-selling with other Raiffeisen network banks supported the regional and cross-border outbranching of Raiffeisenbank clients to other CIS and CEE countries.

Raiffeisenbank is constantly seeking ways to diversify its customer portfolio, and in this regard during 2003 a **new Medium Sized Business** financing programme was initiated within the Corporate Banking department. This programme is targeted at Russian enterprises from all industries with turnover from USD 2.5 million to USD 25 million, and is aimed at providing financing for their working capital and investment requirements. The simplified lending mechanisms employed under this programme provide stable Russian companies with a good opportunity to receive financing on competitive terms and grow their business in partnership with a Western bank using the whole range of its banking services.

The Trade Finance team in Raiffeisenbank continues to target structured facilities (pre-export finance, receivables based lending, local sales financing, and import financing) and mainly concentrates on crude oil and oil products, ferrous and non-ferrous metals, petrochemicals, pulp and paper, timber products, coal, tea, raw and white sugar, pharmaceuticals as well as financing of the supply of import equipment for domestic producers and the transportation services sector. In addition, the Trade Finance department arranges investment financing and structured lending for major transportation companies in Russia.





Structured and Project Finance

Raiffeisenbank commenced active work with project finance activities in 2001, and since that time the Bank has become a strong and well-recognized player in the Moscow real estate market.

The Bank's financing in this sector increased 61% from USD 57 million as at the end of 2002, to USD 92 million as at the end of 2003, whilst aggregate commitments increased 65% from USD 110 million up to USD 181.5 million. In recognition of the achievements the Bank has already been awarded "Best Project Finance House" title by *Global Finance* in 2004.

The major projects financed by Raiffeisenbank from 1998 till 2003:

- 1998 – Anglo-American School – USD 30 million, 10 years construction financing facility. Raiffeisenbank acted as Arranger with USD 15 million final take;
- 2001 – MCD Group (Mokhovaya 7 Business Centre) – USD 11 million, construction financing;
- 2002 – ASKK (Mercedes Benz Plaza) – USD 13.9 million, 7 year syndicated loan facility with RZB;
- 2002 – AFK Sistema (Hals Tower) – USD 20 million, 7.5 year refinancing facility;
- 2002 – West Bridge – USD 5 million, 3 year construction financing facility;
- 2003 – OAO International Center for Scientific and Technical Cooperation (Samsung Centre) – USD 12 million, 8 year refinancing facility;
- 2003 – Aoyama Motors – USD 4.5 million, 6 year financing for construction of a motor vehicle sales and service centre;

- 2003 – ZAO MZK Rosinka – USD 12 million, 5 year financing for the construction of cottages in an international residential complex;
- 2003 – Promopost – USD 3.3 million, 6 year construction financing facility.

Raiffeisenbank is well positioned in a number of market sectors, including commercial real estate (office premises), warehousing and logistics complexes, retail (shopping and entertainment centres, supermarket chains), hotels (5 stars, 3–4 stars in prime locations and operated by Western chains) and industrial projects.

The market demand for financing in this area is constantly increasing and necessitates the use of syndications with other banks to satisfy the level of demand. Despite the fact that the appetite for long-term financing in Russia from other foreign banks is still very limited, Raiffeisenbank managed to conclude 3 syndicated deals in the real estate sector during 2003:

- OAO Moscow-Krasnye Kholmy – USD 45 million, 8 year facility (Raiffeisenbank – Mandated Arranger);
- Romanov Dvor Development (Alini Investments B.V.) – USD 43 million, 7 year facility (Raiffeisenbank – Mandated Arranger);
- OOO Rising Star Media – USD 27.5 million (Raiffeisenbank – Parallel Lender in EBRD facility).

International and Documentary Business

During 2003 Raiffeisenbank signed more than 500 new export passports with an aggregate value of USD 7.37 billion. The total value of export passports in the Bank's books as of 31 December 2003 was USD 31.52 billion.

The amount of export proceeds received by Raiffeisenbank clients on their accounts with the Bank during



2003 was USD 8.4 billion, compared to USD 5.03 billion in 2002, and represents 6.2% of the total Russian exports. The share of oil and gas passports in this amount was 86%.

During 2003 Raiffeisenbank signed approximately 1 400 new import passports, with a total value of USD 2.76 billion. The total value of import passports in the Bank's books as of 31 December 2003 was USD 7.66 billion. The amount of import payments made by Raiffeisenbank clients during 2003 was USD 1.27 billion, which represents 1.7% of total Russian imports.

During 2003 the Bank achieved strong growth in both the number and volume of its guarantee business. The number of guarantees issued by the Bank increased 130%, whilst the aggregate value grew by 30% year on year.

Raiffeisenbank's documentary collections business also witnessed strong growth, with an increase of 260% in the number, and 400% times in the value of transactions completed during 2003 when compared to the preceding year. Revenues from the Bank's documentary business increased by 59% during 2003.

The Graph below illustrates the dynamics of the transactions performed by the Bank during 2003:

Dynamics of transactions number

