



Supervisory Board's Statement



On behalf of the Supervisory Board of Raiffeisenbank Austria I am more than pleased with the outstanding business results achieved in 2004. The Bank performed well and met the figures set as targets for the passed year, despite the increasingly competitive business environment on the Russian market.

In the past year, Raiffeisenbank ranked 11th in terms of assets with a balance sheet of USD 2.9 bln, which reflects a 45.6% increase compared to year-end 2003. In terms of profitability, Raiffeisenbank is ranked 11th as well among the Top Russian performers. Within the Raiffeisen International Group the Bank delivered one of the best results with a pre-tax profit of USD 82.1 mln and a return on equity of 47.4%. The Bank has steadily improved these figures ever since starting operative business in 1996.

Raiffeisenbank is a universal bank in its essence, with an equal emphasis on corporate, retail and investment bank-

ing. In all these segments it strengthened its position and offered new products to its clients.

For example, the Bank implemented a strategic programme to actively cooperate with and offer financing to small and medium-sized enterprises and developed a set of products made to measure for this group of customers.

In the corporate finance and investment banking segments, Raiffeisenbank improved its leading positions, above all in the bonds and syndications markets, where overall amount of financing raised for clients by the Bank grew by 74.5% on year-on-year basis.

In 2004, Raiffeisenbank grew at an even more dynamic pace than in the years before, which logically called for an increase in its funding base. The Bank received USD 30 mln as paid-in capital and a subordinated USD 50 mln loan to be included into tier-2 capital. These funds provide a stable foundation for the Bank's sustainable development and expansion, especially taking into account the fact that lending constitutes the largest part of its assets base.

In the past year, Raiffeisenbank entered the pension funds and asset management markets by becoming the sole shareholder of Non-State Pension Fund Raiffeisen and by establishing the asset management company Raiffeisen Capital. These were logical steps to expand operations in Russia and to prove the Raiffeisen Group's strategic commitment to the market.

Another important business target is regional expansion. Raiffeisenbank completed the necessary procedures for a branch in the Ural region, namely in Ekaterinburg, and scheduled the official opening for March 2005.

Raiffeisenbank is a valuable member of Raiffeisen International Bank-Holding AG (Raiffeisen International), one of the leading banking groups in Central and Eastern Europe. The group's success is based

on both its extensive coverage of CEE and the strong position of its ultimate owner Raiffeisen Zentralbank (RZB). RZB is not only a leading commercial and investment bank in Austria, but also offers access to the world's financial centres and growth markets in Asia.

The Supervisory Board extends its most sincere thanks to the Managing Board and all employees of Raiffeisenbank. We are grateful to the staff for the tireless and focused efforts and we do appreciate their dedication and professional attitude. Our staff is the key to our success.

Herbert Stepic
Chairman of the Supervisory Board







Statement by the Chairman of the Managing Board



It has been another strong year for Raiffeisenbank in Russia, one that the management team and staff can all be proud of. For the year to 31 December 2004 ZAO Raiffeisenbank Austria has continued its exceptional growth, reporting a 45.6% growth in total assets to in excess of USD 2.9 bln, a 62.4% increase in shareholders' equity, and a 33.7% increase in net profit at USD 65.8 mln. A 78.1% increase in retail and corporate deposits stands as strong testament to the success of Raiffeisenbank in expanding its retail network and portfolio of corporate clients, and has positioned Raiffeisenbank well to provide valuable funding to our strong customer base. On the basis of the platform of growth and strong market presence, Raiffeisenbank is now ranked 11th amongst the largest Russian banks in terms of its asset base.

During the year Raiffeisenbank continued its aggressive drive to expand its retail network, with significant success. Raiffeisenbank opened 5 new branches during 2004 and

increased the number of its individual customers by an impressive 112%. This level of growth is a resounding affirmation of the fact that Raiffeisenbank has successfully positioned itself as a truly Russian bank, of exemplary standards, and with a reputation of trust and stability. The developmental trends of Raiffeisenbank's retail operations are well ahead of the rest of the market, and I expect Raiffeisenbank to continue to leverage on its positioning in this sector. Raiffeisenbank plans to continue its regional expansion, with several new branches slated for opening in 2005.

Raiffeisenbank's high level of organic growth has been well supplemented by the support of its shareholders who contributed share capital of USD 30 mln during the year, and an additional USD 50 mln subordinated loan.

Some of the key highlights for the year have included the admission of Raiffeisenbank to the State Deposit Insurance Scheme; an award of the EEMEA Emerging Market Loan of the Year from International Financing Review magazine with respect to a syndicated loan issued to Mobile TeleSystems; recognition of Pavel Gourine, Member of the Managing Board, Head of Corporate Banking, Corporate Finance and Investment Banking Division and Roman Zilber, Head of Corporate Finance and Investment Banking Department as the best professional managers in bond placement market by Professional Institute for Bond Stock Placement and Circulation; receiving ratings Aaa/RUS-1 by Moody's Interfax Rating Agency (both ratings are the best in their respective categories and were never before assigned to any Russian legal entity); and participation in a number of high profile structured and project finance initiatives as this market sector continues to become more active.

Raiffeisenbank has invested heavily into human capital during 2004, increasing its workforce by 73% up to over 1 000 employees as at the end of 2004. These increases and the continued investments into improving and refining the Bank's operating systems and customers service quality position Raiffeisenbank well for reacting to an increasingly active and competitive financial services sector. I am, as always, extremely grateful to the Supervisory Board for their support, to the Management

team for their foresight and highly professional implementation of Raiffeisenbank's strategy in this exciting and challenging market, and to all of the staff for their continued loyalty and championship. Raiffeisenbank has continued to draw much success from its membership and support from the Raiffeisen Group's international network in providing seamless financial services across international borders. The impressive growth in our customer base, and resultant domestically sourced funding means that Raiffeisenbank moves into 2005 with increasingly strong capacity to make a measured contribution to the continued development of the Russian economy. I am sincerely grateful to all of our valued customers and business partners for their continued patronage and support. Their assistance and confidence encourage us to be a universal financial institution enjoying leading positions within the banking community.

Michel Perhirin
Chairman of the Managing Board







