



Board of Directors Report

Corporate Profile





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In 1999, OOO Raiffeisenbank Austria performed impressively in the challenging Russian financial environment. As the Russian economy made the first steps towards recovery from the August 1998 financial crisis, Raiffeisenbank Austria attempted to meet growing customer needs for reliability combined with high-quality service. Raiffeisenbank Austria's achievements in 1999 were significant and may best be illustrated by the following:

- Raiffeisenbank Austria's total assets in 1999 rose to RUR 8.123 bn (US\$300.9 m), a more than threefold increase in rouble terms and 2.4 times higher in US dollar terms than in 1998.
- Operating profit in 1999 was RUR 441 m (US\$16.3 m).
- Our staff increased by over 70% and numbered 200 as of December 31, 1999.



But the most important event for Raiffeisenbank in 1999 was the launch of consumer banking. Earlier in the reporting year, Raiffeisenbank Austria received a retail licence from the Central Bank of the Russia Federation, authorizing the Bank to work with individual clients. Raiffeisenbank Austria also became a principal member of

VISA International, which enabled the Bank to begin offering individual clients traditional retail banking services such as current, deposit and savings accounts and VISA cards. For corporate clients, the Bank has developed payroll schemes by issuing VISA cards for staff. Raiffeisenbank Austria became the first bank with foreign capital to offer VISA Classic and corporate credit VISA cards in Russia.



Another important achievement of Raiffeisenbank Austria in 1999 was the opening of two additional branches and a sales office in the center of Moscow. The branches will provide both corporate and private clients with a broad range of services.

Raiffeisenbank Austria continues to enjoy steady growth in its clientele. In 1999, the number of corporate clients doubled. The Bank services seven out of Russia's ten largest oil companies, other Russian blue chip companies and

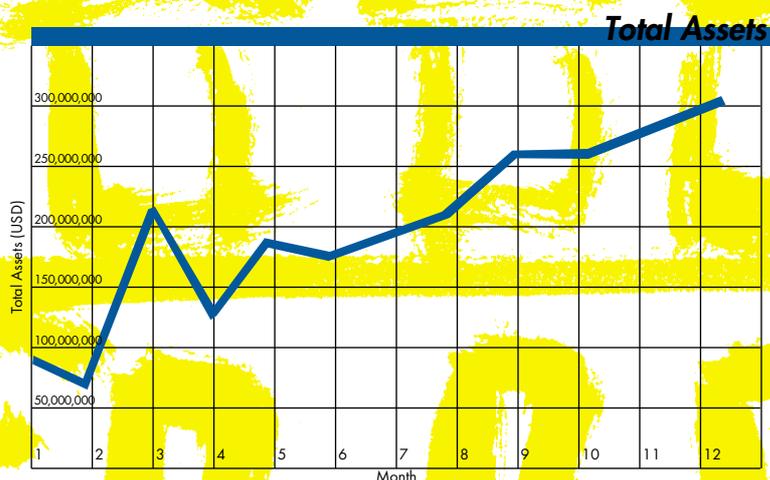
multinational corporations. The Financial Institutions department is focused on enlarging the Bank's correspondent network and establishing relationships with regional banks.

Raiffeisenbank Austria is first among foreign banking subsidiaries in terms of consolidated payment volumes with a 3.24% share of the total Russian market. The Bank's share of total Russian foreign exchange market turnover is estimated at 15%, and at 10% in money market turnover. In 1999, the Bank maintained its leading position in servicing external trade with a 1.4% market share of total Russian imports and 3.1% of Russian exports. In oil and oil products, Raiffeisenbank Austria's market share amounted to 15% of total Russian exports.

Raiffeisenbank Austria founded its own leasing company OOO Raiffeisen-Leasing. This is also the first time that a domestic leasing company has been established by a Russian bank with 100% foreign ownership. The target clients of this new company are both Russian and multinational companies, which import equipment. The company also plans to be involved in automotive leasing.

The launch of yet another new service – leasing – further highlights the Raiffeisen Banking Group's commitment to the Russian market. Raiffeisenbank Austria is synonymous with high quality service, innovative technologies, newest banking products, and providing customized solutions on request and with full client co-operation.

We would like to thank all our customers and partners for placing their trust in our Bank; our Austrian colleagues both from Head Office and from the Raiffeisen network banks for their support and co-operation; and last but not least – we thank every member of our staff for his and her contribution to the success of Raiffeisenbank Austria.



Michel Perhirin
Chairman of the Board



Eugene Toutkevitch
Deputy Chairman of the Board,
Financial Director



Alexandr Oushakov
Advisor to the Board



Levan Zolotarev
Head of Investment Banking
and Treasury Division

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Raiffeisenbank Austria

OOO Raiffeisenbank Austria was established in Moscow in June 1996 by Austria's Raiffeisen Banking Group. It is the first Russian bank with 100% Austrian capital to be granted a General License (#3292) by the Central Bank of the Russian Federation. This license gives the right to provide resident and non-resident entities with a broad range of banking services both in Russian roubles and foreign currencies. A second license, granted by the Central Bank in June 1999, gives Raiffeisenbank Austria the right to offer banking services to individual private clients.

The year 1999 was marked by an expansion in the Bank's corporate client base, an enlargement of the correspondent banking network and the launch of consumer banking services. During 1999, the Bank opened two branches and an exchange office in Moscow.

Raiffeisenbank Austria established a reputation as an expert supplier of financial services in Russia's challenging environment. Its outstanding achievements on the Russian market were recognized by Euromoney in 1999 and Central European in early 2000. Both publications awarded Raiffeisenbank Austria with the title of "Best Foreign Bank in Russia".

New Branches

Following the Bank's development of consumer banking products, Raiffeisenbank Austria opened two branches in Moscow in 1999. Conveniently located within the Garden Ring – one at Taganskaya and another near Manezh Square – these branches provide both private and corporate customers with easy access to a wide range of the Bank's services.

The interior design of both branches was made according to Raiffeisenbank standards, and specially developed for customer convenience. Large open spaces and a cozy atmosphere make clients feel comfortable and promote a personalized approach. This design is innovative for bank interiors in Russia: Russian banks usually have a glass wall between the banking teller and the



client, which creates a tenser atmosphere and barriers to communication. It is hoped that this attractive design, as well as friendly but professional staff attitudes, will make Raiffeisenbank Austria the home bank to thousands of clients.

Ownership structure:

Raiffeisen Zentralbank Oesterreich Aktiengesellschaft	99%
Raiffeisen International Beteiligungsgesellschaft mbH	0.5%
Raiffeisen-Invest-Gesellschaft mbH	0.5%

Raiffeisen Banking Group

The Raiffeisen Banking Group accounts for roughly a quarter of Austria's banking industry and boasts the country's densest network of banking outlets. It is Austria's largest privately-held banking group.

The history of the Raiffeisen Banking Group goes back to 1886, when the first Raiffeisenbank in Austria was established. The founder of Raiffeisen Banking Group is Wilhelm Raiffeisen (1818-1888), the village mayor of Anhausen, Germany. In times of hardship and hunger, he united peasants into co-operatives providing mutual assistance. Origins of the first Raiffeisenbanks can be traced to these co-operatives.

The symbol of Raiffeisen Banking Group – two crossed horse's heads – symbolizes security under a shared roof. It has its roots in the Austrian tradition of decorating house facades with this symbol to protect against evil and misfortune. The symbol is also a reflection of unity within the Raiffeisen Group.

The Raiffeisen Group has a three-tier structure. The first tier comprises 655 local Raiffeisen banks with more than 1,700 additional branches, giving Raiffeisen customers the use of about 2,400 banking outlets in Austria. The second tier is made up of nine regional Raiffeisen banks – Landesbanken – which are responsible for Austria's nine provinces. Collectively, the Landesbanken are the Group's largest shareholders, together holding more than 80% of its ordinary share capital. The third tier consists of Raiffeisen Zentralbank AG, which acts throughout Austria as the Group's central institution and as its representative worldwide.





Raiffeisen Zentralbank AG

Raiffeisen Zentralbank AG (RZB) is the main owner of the Russian subsidiary bank in Moscow. It was founded in 1927 to co-ordinate the Group's activities within Austria as well as its international activities. RZB has subsidiary banks in nine countries of Central and Eastern Europe (Hungary, Slovakia, Poland, Czech Republic, Bulgaria, Ukraine, Romania and Russia). There are 3,500 professional staff working throughout this region. Besides, RZB has interests in Austrian financial companies, in trading, construction and food industries, mass media and real estate. In 1998, Central European named RZB as the "Best Trade Finance House in Central and Eastern Europe". Another esteemed publication, Euromoney awarded RZB with the title of "Best Commercial Bank in Central and Eastern Europe" in 1999.



