Semi-Annual Report 2005

Raiffeisen
INTERNATIONAL
Member of RZB Group

Survey of Key Data

Raiffeisen International Group Monetary values are in €mn	2005	2004*	Change
Income Statement	**1/1 – 30/6**	**1/1 – 30/6**	
Net interest income after provisioning	472.3	309.0	52.8%
Net commission income	180.3	139.4	29.3%
Trading profit	123.5	91.8	34.5%
General administrative expenses	(502.6)	(367.2)	36.8%
Profit before tax	273.3	172.8	58.1%
Profit after tax	221.1	134.5	64.3%
Consolidated profit (without minorities)	185.8	96.8	91.9%
Earnings per share	€ 1.42	€ 0.97	€ 0.45
Balance Sheet	**30/6**	**31/12**	
Loans and advances to banks	5,773	4,779	20.8%
Loans and advances to customers	19,101	16,242	17.6%
Deposits from banks	7,361	6,620	11.2%
Deposits from customers	20,438	18,169	12.5%
Equity (incl. minorities and profit)	2,957	2,177	35.9%
Balance-sheet total	32,880	28,907	13.7%
Regulatory information	**30/6**	**31/12**	
Basis of assessment (incl. market risk)	23,331	19,638	18.8%
Total own funds	2,986	2,360	26.5%
Total own funds requirement	1,866	1,571	18.8%
Excess cover	60.0%	50.2%	9.8 PP
Core capital ratio (Tier 1), incl. market risk	10.9%	10.1%	0.8 PP
Own funds ratio	12.8%	12.0%	0.8 PP
Performance	**1/1 – 30/6**	**1/1 – 31/12**	
Return on equity (ROE) before tax	22.8%	22.2%	0.6 PP
Return on equity (ROE) after tax	18.4%	17.6%	0.8 PP
Consolidated return on equity (without minorities)	18.0%	17.0%	1.0 PP
Cost/income ratio	59.9%	63.5%	(3.6 PP)
Return on assets (ROA) before tax	1.77%	1.40%	0.37 PP
Net provisioning ratio (average risk-weighted assets in banking book)	0.69%	0.98%	(0.29 PP)
Risk/earnings ratio	11.84%	17.13%	(5.29 PP)
Resources	**30/6**	**31/12**	
Number of staff	24,616	22,851	7.7%
Business outlets	971	916	6.0%

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

Highlights

Profit advances by nearly 60 per cent

Raiffeisen International's pre-tax *profit* in the first half of 2005 was substantially up on the same period of the previous year, increasing by 58 per cent or € 100 million to € 273 million. Although *Raiffeisen International*'s equity had increased to nearly € 3 billion, above all as a result of its IPO, it recorded a *Return on equity before tax* of 22.8 per cent (18.4 per cent after tax).

Raiffeisen International already has 5.7 million customers

The wisdom of our strategy of concentrating on business with private individuals and small and medium-sized enterprises (SMEs) has been confirmed by the rapid growth in customers. We were able to attract over 350,000 new private individuals and SME customers in the second quarter alone. Including corporate customers, *Raiffeisen International* was servicing some 5.7 million customers at the end of June 2005, over 1.3 million more than at the end of June 2004.

The best banking group in Central and Eastern Europe

British financial magazines *Euromoney* and *Global Finance* awarded *Raiffeisen International* *"Best Bank in Central and Eastern Europe"*. In addition, the following *Network Banks* were named *"Best Bank"* in their respective countries:

- Albania (*Euromoney*, *Global Finance*)
- Belarus (*Euromoney*, *Global Finance*)
- Bosnia and Herzegovina (*Global Finance*)
- Serbia und Montenegro (*Euromoney*, *Global Finance*)

€ 1.1 billion of shares placed in the capital market

Raiffeisen International's IPO resulted in the placement of a total of 34.2 million shares (issue price € 32.50) worth € 1.1 billion. That made our stock-exchange debut the biggest-ever share issue in Austrian history. Extremely brisk demand justified our strategic orientation in the emerging markets of Eastern Europe. We will be using the proceeds from the issue to finance further organic and acquisitive growth.

Overview of Raiffeisen International

At the close of the first half of 2005, *Raiffeisen International Bank-Holding AG* (*Raiffeisen International*) had *Network Banks* and finance leasing companies in 16 markets in Central and Eastern Europe (the CEE region). The *Raiffeisen International Network Banks* are among the three biggest banks in eight markets, and they are the market leaders in three (Albania, Bosnia and Herzegovina and Serbia and Montenegro).

In addition to the Group's 15 *Network Banks*, a large number of specialist companies are collected together under the umbrella of *Raiffeisen International.* In all, the Group is made up of 62 companies.

As of 30 June 2005	Balance-sheet total (€mn)	Growth versus year-end 2004*	Business outlets	Staff	Operational since (year of takeover)
Raiffeisen Bank, Budapest	4,498	4.2%	81	1,958	1987
Raiffeisen Bank Polska, Warsaw	2,884	7.2%	72	1,862	1991
Tatra banka, Bratislava	4,638	7.2%	113	3,136	1991
Raiffeisenbank, Prague	2,422	16.6%	50	1,087	1993
Raiffeisenbank Bulgaria, Sofia	1,145	11.6%	60	1,104	1994
Raiffeisenbank Austria, Zagreb	3,515	10.3%	36	1,462	1994
Raiffeisenbank Austria, Moscow	3,010	43.5%	23	1,312	1997
Raiffeisenbank Ukraine, Kiev	790	26.0%	22	975	1998
Raiffeisen Bank, Bucharest	2,569	23.2%	203	4,757	1998
Raiffeisen Bank Bosna i Hercegovina, Sarajevo	1,135	7.7%	67	1,123	2000
Raiffeisenbank, Belgrade	1,027	17.4%	34	1,055	2001
Raiffeisen Krekova banka, Maribor	709	5.9%	13	308	2002
Raiffeisen Bank Kosovo, Pristina	188	25.9%	23	341	2002
Priorbank, Minsk	590	23.0%	42	1,839	2003
Raiffeisen Bank, Tirana	1,710	3.8%	85	1,042	2004
Subtotal (Network Banks)	***30,830***	***12.9%***	***924***	***23,361***	**–**
Raiffeisen-Leasing International (Subgroup)	2,036	16.4%	45	980	–
Other/Consolidation	14	–	2	275	–
Total (Raiffeisen International)	***32,880***	***13.7%***	***971***	***24,616***	**–**

Raiffeisen International is listed on the Vienna stock exchange. It has a free float of 30 per cent. Its principal shareholder, with a stake of 70 per cent, is *Raiffeisen Zentralbank Österreich AG* (*RZB*). RZB is the central institution of the *Raiffeisen Bankengruppe* (*RBG*), which is Austria's strongest banking group. It operates as a corporate and investment bank within Austria, where it is one of the country's leaders, and it also sees Central and Eastern Europe as home markets. It is Austria's third-largest bank with a balance-sheet total of € 67.9 billion (year-end 2004).

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

The Raiffeisen International Share

Share is extremely well received by the market

The issue price of the shares was set at € 32.50 and on the 25 April 2005, the first trading day, they opened at € 39.00 on the Vienna Stock Exchange. This was a clear signal of the capital markets' approval of the share's placement and, in turn, of the strategic focus of *Raiffeisen International.*

The trust of institutional investors and our many private shareholders already became evident during the offer period. Orders for 680 million shares meant that the issue was oversubscribed by a factor of 22 (without the greenshoe). Private investors in Austria alone placed some 84,000 orders for a total of over 34 million shares. Percentage allocations to all shareholders had to be reduced accordingly.

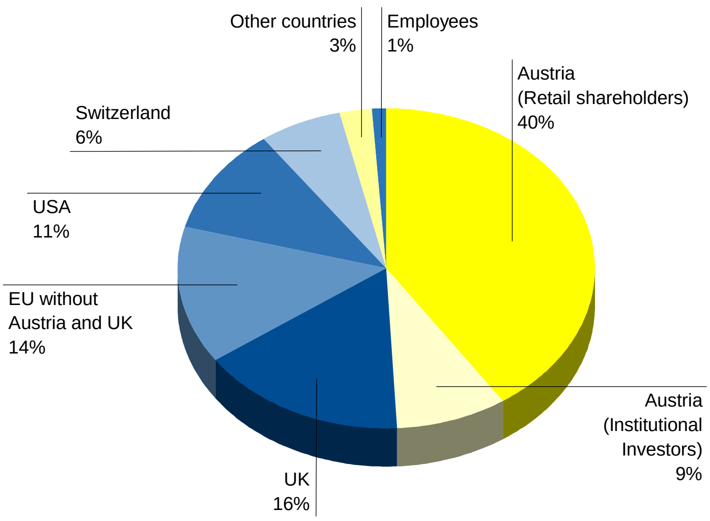
The biggest share issue in Austria

Alongside the public offering in Austria, the share was also offered for sale in the international capital markets. The high level of demand led to the exercise of the greenshoe option of 4.4 million, resulting in the placement of a total of 34.2 millions shares. The resulting proceeds came to over € 1.1 billion, making this the biggest issue ever placed in Austria. The proceeds will be used to finance the continuing expansion of our network in Central and Eastern Europe.

A balanced shareholder structure

The number of shares outstanding after the IPO came to 142.77 million with a free float of 30 per cent. *Raiffeisen International*'s principal shareholder is *Raiffeisen Zentralbank Österreich AG* (*RZB*) with a stake of 70 per cent. Institutional investors hold about 14 per cent of its stock, and private investors about 10 per cent. The *International Finance Corporation* (*IFC*), which is a subsidiary of the *World Bank Group*, holds 3.2 per cent, and the *European Bank for Reconstruction and Development* (*EBRD*) holds a stake of 2.8 per cent.

Geographical breakdown of allocations



A geographical breakdown as at the time of allocation shows that roughly half of the shares were placed within Austria. 40 per cent went to private shareholders and 9 per cent to institutional investors. The remainder was distributed across the UK (16 per cent), other EU countries (14 per cent), the USA (11 per cent), Switzerland (6 per cent) and other countries. The staff of *Raiffeisen International* hold about 1 per cent of its stock.

Admission to key indices

The share was already admitted to the *ATX*, which is Austria's leading index, with a weighting of 8 per cent on 28 April. Since 20 June, the share has also been in the *ATX five*. Among others, *Raiffeisen International* is also included in the *Dow Jones Euro Stoxx Banks*, which is the European benchmark index for banks, and in the *Dow Jones Euro Stoxx 600*.

Communicating with the capital markets

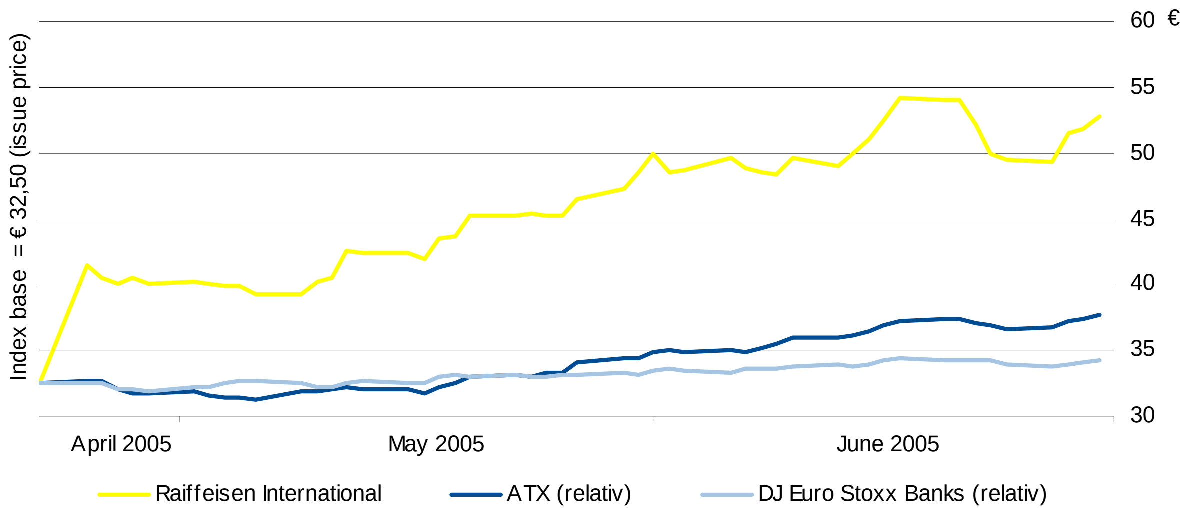
At the end of the *black-out-period* following the issue, *Investor Relations* was able to actively approach the investing community. One of the highlights was participation in the road show for Austrian companies organized by the Vienna stock exchange and *Raiffeisen Centrobank*. It took us to Warsaw and thus into an EU accession country for the first time. This gave *Raiffeisen International* an excellent opportunity to present itself to investors in Central and Eastern Europe. A number of one-on-ones were scheduled in addition to group presentations.

The enormous interest in the share also became evident during our day-to-day contacts with analysts and investors. After the IPO, a number of investment banks started coverage of Raiffeisen International. To date, a total of 10 investment banks and analysts have published 17 analyses. They are available in the Internet at www.ri.co.at → Investor Relations → RI Shares.

The share's development

The new share's opening price on the Vienna stock exchange was € 39.00, which was exactly 20 per cent above its issue price of € 32.50. The share peaked on 17 June at € 54.19. Its lowest closing price was € 39.25 on 6 May. Up to the end of June, the share advanced by over 62 per cent to € 52.81. During the same period, the ATX only rose by about 16 per cent and the *Dow Jones Euro Stoxx Banks* gained a little over 5 per cent. Turnover was also respectable. Between 25 April (the day of issue) and the end of June, an average of over 474,000 shares a day changed hands, and over 7.1 million shares changed hands (single-counted) on the day of issue alone.

Price development versus the ATX and DJ Euro Stoxx Banks



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Share performance

Price on 30 June 2005	*€ 52.81*
High / Low (closing prices)	*€ 54.19 / € 39.25*
Earnings per share during the First Half of 2005	*€ 1.42*
Market capitalization on 30 June 2005	*€ 7.5 billion*
Average daily turnover (single-counted)	*474,000 shares*
Stock exchange turnover between day of issue and 30 June 2005 (single-counted)	*€ 955 million*
Free float	*30%*

Details of the share

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*
Shares outstanding	*142,770,000*

Business Development

The Southeastern Europe (SEE) region delivered the biggest advance in profit compared with the first half of 2004, namely of 91 per cent to € 88 million. It was followed by the CIS region (Belarus, Kazakhstan, Russia, Ukraine), where profit increased by 76 per cent to € 62 million, and the Central Europe (CE) region, which includes five new EU member states (Poland, Czech Republic, Slovakia, Hungary, and Slovenia), where profit grew by 34 per cent to € 123 million.

Growing volumes

Raiffeisen International's balanc,e-sheet total continued to grow strongly during the second quarter. It increased by nearly € 4 billion or 14 per cent between year-end 2004 and June 30, by which time it almost reached € 32.9 billion. Allowing for movements in exchange rates (i.e. applying the exchange rates that existed at year-end 2004), *Raiffeisen International*'s balance-sheet total grew by 11 per cent. The exchange rate effect was most marked in Russia, Romania and Croatia.

The increase on the assets side of the Balance Sheet was primarily driven by growth in *Loans and advances to customers* (increase of € 2.9 billion or 18 per cent to € 19.1 billion) and *Loans and advances to banks* (increase of € 994.0 million or 21 per cent to € 5.8 billion). *Trading assets* fell by 18 per cent or € 446 million to € 2.0 billion. On the liabilities side of the Balance Sheet, *Deposits from customers* grew by € 2.3 billion or 13 per cent to € 20.4 billion, and *Deposits from banks* advanced by € 742 million or 11 per cent to € 7.4 billion.

A powerful increase in net interest income

Net interest income during the first half was over € 178 million or 50 per cent up on the same period of the previous year at € 536 million. This was a far bigger increase than the growth in the corresponding balance-sheet items.

Most of the increase in the position *Impairment losses on loans and advances,* which rose by € 14 million or 29 per cent to € 63 million, came from the Retail Customers segment. The *Risk/earnings ratio* improved to 11.8 per cent. At the same time basis of assessment increased by more than 90% to € 3.2 billion.

Enlargement of the branch network increases general administrative expenses

General administrative expenses during the first half were € 135 million or 37 per cent up on the year at € 503 million. Besides outlay on enlarging the branch network and the associated increase in the workforce, that was also due to the integration of Raiffeisenbank in Albania and the change in the way we accrue compensation items (e.g. bonus payments). Despite expansion, our *Cost/income ratio* came to just 59.9 per cent.

Sustained profit growth

Quarterly *Profit before tax* continued to grow, namely by 5 per cent from € 133 million in the first quarter of 2005 to € 140 million in the second quarter. Indeed, first-half *Profit before tax* grew by over half (plus 58 per cent) from € 139 million in the first half of 2004 to € 273 million in the first half of 2005. That was primarily due to advances in *Net interest income* and *Net commission income*, which grew by € 178 million or 50 per cent and € 41 million or 29 per cent, respectively. *Trading profit* also made an important contribution, increasing by € 32 million or 34 per cent.

Profit after tax during the first half increased by more than *Profit before tax*, advancing by 64 per cent to € 221 million. After the deduction of *Minority interests in profit*, *Consolidated profit* came to € 186 million, which was nearly twice the figure of € 97 million recorded in the first half of 2004. That was due to the sharp rise in profits recorded by the Group members where minority interests in profit are small.

Despite the increase in equity caused mainly by the IPO and the retention of profits, *Raiffeisen International* recorded a *Return on Equity (ROE) before tax* of 22.8 per cent. The *Return on Equity (ROE) after tax and minorities* came to 18.0 per cent, which was 1.0 percentage points above the full-year value for 2004. *Earnings per share* during the first half of 2005 (taking into account the change in the number of shares caused by the IPO) improved to € 1.42, as against € 0.97 in the first half of 2004.

Profits grow fastest in the Retail Customers and Treasury segments

Looking at individual customer segments, first-half *Profit before tax* grew fastest in the *Treasury* segment, where it increased by € 53 million or 156 per cent to € 86 million), followed by the *Retail Customers* segment (growth of € 34 million or 143 per cent to € 58 million) and the *Corporate Customers* segment (growth of € 28 million or 22 per cent to € 156 million). Although the *Corporate Customers* segment exhibited the slowest growth of all three operational segments in absolute and relative terms, it still accounted for the biggest slice of overall profit, namely 57 per cent. The *Retail Customers* segment accounted for 21 per cent.

The Income Statement in Detail

The continuing strong growth in *Raiffeisen International*'s profits was due to the healthy development of operating earnings. Its first-half *Profit from operating activities* grew by 51 per cent or € 114 million to € 336 million, whereby *Profit from operating activities* in the second quarter of 2005 was about 9 per cent up on the first quarter of 2005. *Provisioning for impairment losses* was € 14 million or 29 per cent up on the same period of 2004 at € 63 million.

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

€mn	*1/1 – 30/6 2005*	*Change*	*1/1 – 30/6 2004**	*1/1 – 30/6 2003*
Net interest income	*535.7*	*49.6%*	*358.1*	*255.3*
Net commission income	*180.3*	*29.3%*	*139.4*	*94.1*
Trading profit	*123.5*	*34.5%*	*91.8*	*107.9*
Other operating profit (loss)	*(1.2)*	*–*	*(0.4)*	*6.4*
Operating income	***838.3***	***42.3%***	***589.0***	***463.7***
Staff costs	*(244.1)*	*43.0%*	*(170.7)*	*(141.9)*
Other administrative expenses	*(204.3)*	*32.1%*	*(154.7)*	*(126.3)*
Depreciation/amortization/write-downs	*(54.2)*	*29.6%*	*(41.8)*	*(37.5)*
General administrative expenses	***(502.6)***	***36.8%***	***(367.2)***	***(305.7)***
Profit from operating activities	***335.8***	***51.4%***	***221.8***	***158.0***
Provisioning for impairment losses	*(63.4)*	*29.1%*	*(49.1)*	*(22.3)*
Profit before tax	***273.3***	***58.1%***	***172.8***	***139.1***
Profit after tax	***221.1***	***64.3%***	***134.5***	***111.6***
Consolidated profit	***185.8***	***91.9%***	***96.8***	***84.2***

Operating income

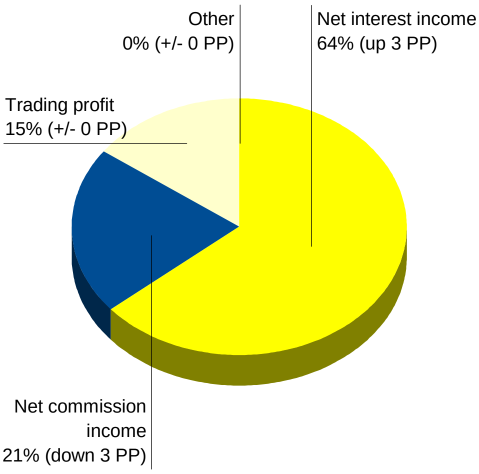
Raiffeisen International's *Operating income* increased rapidly during the first half of 2005, growing by 42 per cent or € 250 million to € 838 million. The fastest-growing Operating income item was *Net interest income*, which increased by 50 per cent from € 358 million to € 536 million. It grew slightly faster than *Raiffeisen International*'s balance-sheet total in the same period. That was mainly thanks to an improvement in its interest margin, which grew by 26 basis points to 3.48 per cent. Part of the increase was also due to the first-time consolidation of the *Raiffeisenbank* in Albania, which became a member of the Consolidated Group in April 2004. Furthermore, most of the increase in *Raiffeisen International*'s business volumes took place in markets where interest margins were comparatively high (CIS countries, Southeastern Europe).

First-half *Net commission income* was 29 per cent or € 41 million up on the same period for the previous year at € 180 million. The principal reason for the increase was the rise on the number of private individuals and SME customers, which boosted the number of products sold and generated a steady

** Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).*

rise in volumes. Because of those increases, payment transfer fees advanced by 31 per cent to € 95 million. They remained the most important component of *Commission income*, accounting for just over half of the total. In addition, the launch of new products in a number of markets also had a positive effect on commission earnings. Commission income from securities business was still low, but it grew rapidly, more than doubling to € 10 million.

Structure of Operating Income

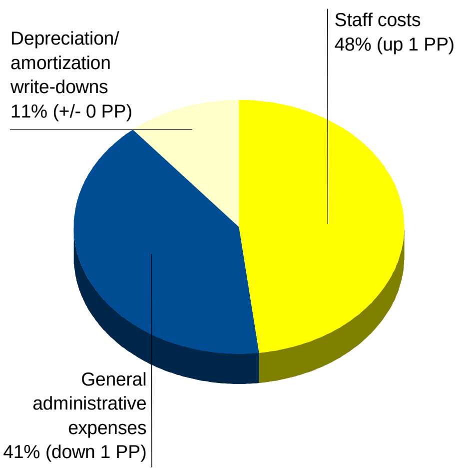


First-half *Trading profit* also increased sharply, advancing by 34 per cent to € 124 million. Earnings from foreign exchange transactions (which were mainly on behalf of customers) came to € 117 million, whereas earnings from trading in interest-related assets (mostly securities) were virtually static on the year at € 7 million. Furthermore, earnings from foreign exchange and note-and-coin business with customers grew by 39 per cent. *Capital hedges* transacted by individual units largely balanced out, resulting in a net loss of about € 1 million up to mid-year. Most currencies in the CEE region appreciated strongly against the euro during the first half, including above all the CIS currencies such as the Russian Rouble (up 8 per cent), the Belarus Rouble (up 12 per cent) and the Ukrainian Hryvna, up 16 per cent.

General administrative expenses

General administrative expenses rose by 37 per cent or € 135 million to € 503 million and therefore by less than *Operating income*, which rose 42 per cent to € 838 million. That improved *the Group*'s cost/income ratio from 63.5 per cent for the full year 2004 to 59.9 per cent for the first six months of 2005. As in all other items, first-half comparisons are affected by the powerful movements in exchange rates, which were responsible for about 11 percentage points or € 15.0 million of the increase in General administrative expenses.

Structure of General Administrative Expenses



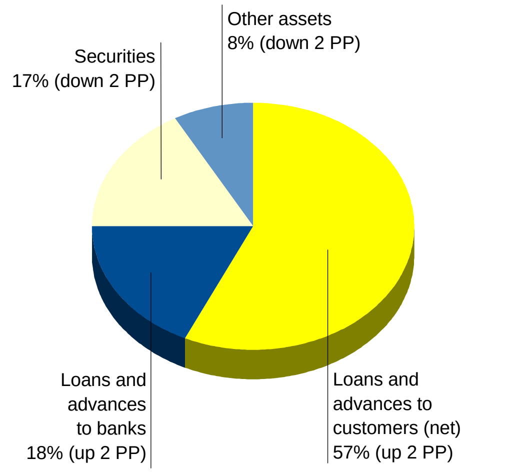
Staff costs accounted for nearly half of *General administrative expenses*. They rose by 43 per cent or € 73 million to € 244 million. The average number of staff rose by 19 per cent or 3,739 to 23,467. Roughly a thousand of those staff were accounted for by the Raiffeisenbank in Albania, which was consolidated for the first-time in April 2004. Alongside the usual increases in salaries in the markets concerned, a change in the way we accrue compensation items contributed to the increase. As a number of head office functions were established for the first time in the second half of 2004 head office costs in the first half of 2004 were low. *Other administrative expenses* increased by 32 per cent or € 50 million to € 204 million. Expenses for the premises needed for operational purposes was increased by ongoing enlargement of the branch network in all three regions, specifically by 30 per cent to € 56 million. The number of business outlets was increased by 12 per cent to 971. At the same time, we made preparations to open a number of new branches during the second half. *Deprecia-*

tion/amortization/write-downs of tangible and intangible fixed assets increased by 30 per cent to € 54 million. Capital expenditure on tangible fixed assets and software during the first half came to € 84 million, whereby the lion's share of that total was spent on Office furniture and equipment.

Balance-sheet development

The *Balance-sheet total* of Raiffeisen International grew by nearly 14 per cent or € 4.0 billion to € 32.9 billion between year-end 2004 and June 30. Appreciation of a number of Central and Eastern European currencies accounted for about € 0.9 billion of those € 4.0 billion. Consequently, the first-half increase, adjusted for fluctuations in exchange rates, came to roughly € 3.1 billion. *Raiffeisen International*'s balance-sheet total was 34 per cent or € 8.3 billion up on the end of the first half of 2004.

Structure of Assets

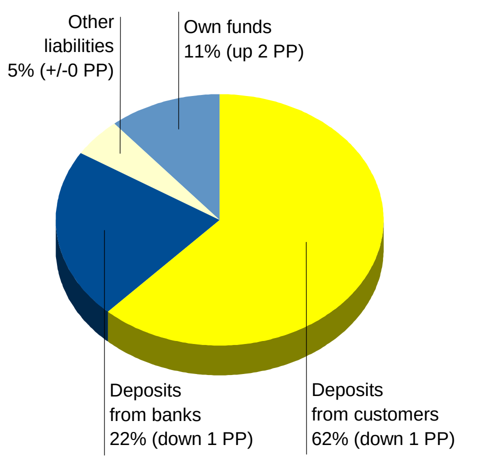


Assets

The biggest and most important asset item – *Loans and advances to customers* – grew by € 2.9 billion to € 19.1 billion and accounted for 57 per cent of *Raiffeisen International's* balance-sheet total. In relative terms, corporate loan volumes grew fastest in Southeastern Europe. Lending to small and medium-sized enterprises grew fastest in Central Europe. Lending to individual customers grew particularly rapidly in the CIS region – albeit from a low base – increasing by 54 per cent to € 0.6 billion.

There was a 2 percentage point shift in Balance-sheet assets from *Securities* to *Loans and advances to customers*. In particular, liquidity was reallocated from *Trading assets*, which were reduced by 18 per cent, in favor of medium-term to longer-term securities investments.

Structure of Liabilities



Equity and liabilities

Deposits from customers grew by 12 per cent to € 20.4 billion during the first half of 2005. In contrast to the CIS region, where customer deposits grew by 50 per cent, the growth of deposits slowed somewhat in Central and Southeastern Europe.

Deposits from customers accounted for 62 per cent, down 1 percentage point, *Deposits from banks* grew by 11 per cent during the first half of 2005 and accounted for 22 per cent of *Raiffeisen International*'s balance-sheet total.

Post-IPO *own funds* accounted for about 11 per cent of *Raiffeisen International*'s balance-sheet total, or about 2 percentage points more than before. *Subordinated capital* within that item grew by

16 per cent or € 71 million during the period under review. *Raiffeisen Zentralbank* provided € 58 million thereof.

Equity on the Balance Sheet and regulatory capital

Equity shown on Raiffeisen International's Balance Sheet increased by 36 per cent or € 781 million to € 2,957 million between year-end 2004 and the reporting date. Apart from the net proceeds from the IPO in April 2005 after the deduction of issuing costs totaling about € 555 million, the following changes took place: Current profit for the period contributed € 221 million. Dividend distributions to the shareholders of *Raiffeisen International* and other shareholders of Group-members in respect of the 2004 financial year reduced equity by € 60 million. Finally, movements in the exchange rates of Central and Eastern European currencies increased equity by € 42 million net of the capital hedge.

Raiffeisen International's *Regulatory own funds* increased by € 626 million from € 2,360 million to € 2,986 million. The increase largely took place for the same reasons as the increase in equity on the Balance Sheet as described above. In addition, there was a net increase of € 76 million in eligible subordinated capital (Tier 2). *Core capital* (Tier 1) increased by € 566 million to € 2,543 million.

Those own funds compared with a regulatory *Own funds requirement* of € 1,866 million. That was € 295 million more than at year-end 2004. These changes increased *Raiffeisen International*'s *Excess own funds* position by € 331 million to € 1,120 million. It recorded an *Own funds ratio* of 12.8 per cent, as against 12.0 per cent at year-end 2004. *Raiffeisen International*'s *Core capital ratio* also rose significantly after the IPO, increasing by 0.8 percentage points to 10.9 per cent.

Outlook

Business grew rapidly during the first half and we achieved a result that slightly exceeded our expectations. We are confident that our strategy of stepping up our *Retail Customer* operations in the emerging markets of Central and Eastern Europe will lead to further profit growth. As we see servicing customers on the spot – at our branches – as an important source of our growth and as the key to our success, we are systematically enlarging our network.

Irrespective of possible acquisitions, we expect to achieve further substantial growth in our business volumes and profits in 2005. We can reaffirm our medium-term goals for 2007, namely a return on equity before tax in excess of 25 per cent, a cost/income ratio of below 60 per cent and a risk/earnings ratio of below 15 per cent.

Segment Reports

Segmentation

Raiffeisen International primarily segments business along customer segment lines:

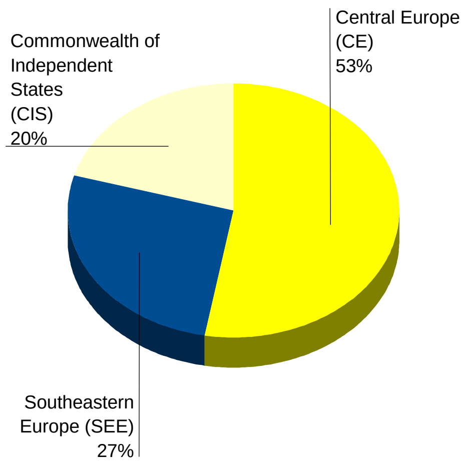
- Corporate Customers
- Retail Customers
- Treasury
- Participations and Other.

The criteria underlying secondary segmentation are regional. Assignments to regions are based on the domiciles of the Group units in question:

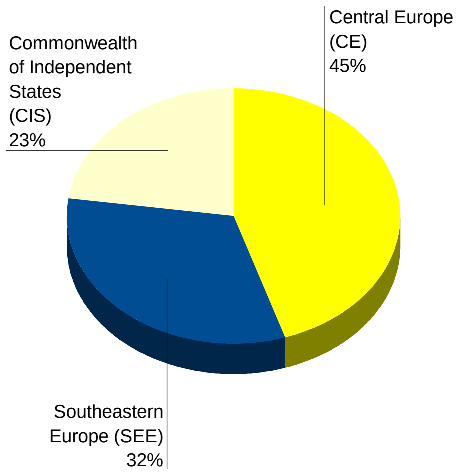
- Central Europe (CE)
  Czech Republic, Hungary, Poland, Slovakia and Slovenia.
- Southeastern Europe (SEE)
  Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia and Montenegro.
- Commonwealth of Independent States (CIS)
  Belarus, Kazakhstan, Russia and Ukraine.

Please see page 28 for a detailed description 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.

Segment Breakdown of Profit before Tax (First Half of 2004)



Segment Breakdown of Profit before Tax (First Half of 2005)



91 per cent profit growth in Southeastern Europe

Undoubtedly Southeastern Europe (SEE) is the engine of growth. First-half *Profit before tax* grew by 91 per cent or € 42 million to € 88.1 million in this region. Profits in the other two regions also grew, namely by 76 per cent or € 27 million to € 62.5 million in the CIS region and by 34 per cent or € 31 million to € 122.7 million in the CE region. Earnings are more evenly spread between the individual segments than they were in the first half of 2004.

Central Europe (CE)

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004*	Change
Net interest income	253.7	196.4	29.2%
Provisioning for impairment losses	(18.5)	(25.2)	(26.3%)
Net interest income after provisioning	**235.2**	**171.2**	**37.4%**
Net commission income	79.1	63.8	24.3%
Trading profit	58.8	54.3	8.4%
Net income from financial investments	2.3	(2.7)	–
General administrative expenses	(253.7)	(195.8)	29.6%
Other operating profit	1.0	0.7	39.7%
Profit before tax	**122.7**	**91.4**	**34.5%**
Segment's contribution to profit before tax	44.9%	52.8%	(7.9 PP)
Total assets	16,373	13,056	25.4%
Basis of assessment (incl. market risk)	11,988	8,622	39.0%
Average number of staff	8,824	8,041	9.7%
Business outlets	361	310	16.5%
Cost/income ratio	64.4%	62.4%	2.0 PP
Average equity	1,233	787	56.6%
Return on equity (before tax)	**19.9%**	**23.2%**	**(3.3 PP)**

Results in our *Central Europe* region reflected solid growth from a high level. Business volumes were 25 per cent up on the same period of the previous year and the corresponding increase in *Net interest income* was 29 per cent. There was a volume-related increase in net interest income, but margins varied in their development. Overall, interest margins were nearly static on the year. The shift in trading assets to longer term investments also contributed to the increase in Net interest income. Furthermore, the appreciation of currencies in the CE region had a positive impact on figures

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

expressed in euros. *Provisioning for impairment losses* were 26 per cent lower (the item fell from € 25 million to € 19 million). This was caused by good risk management and the release of provisions due to the positive development of several corporate loan transactions.

Net commission income rose by roughly 24 per cent. That was attributable to the rapid increase in personal banking and SME customers. The corresponding increase in business volumes of accounts, debit and credit card business and various loan categories generated higher earnings. Also commission income from investment products began to have a visible effect on profit. *Trading profit* in the CE region improved, namely by 8 per cent – especially compared with the first quarter of 2005, when a trading loss of 5 per cent was recorded. Here too, the reduction in trading assets in favor of other interest-related investment positions (see above) had an impact. In contrast, foreign-exchange transactions with customers developed well.

General administrative expenses were nearly 30 per cent up on the same period of the previous year. That was primarily due to growth in the workforce of about 10 per cent to 8,824 and an increase of roughly 17 per cent in the number of business outlets, which totaled 361 on the reporting date. Movements in exchange rates and the change in the way we accrue compensation items also contributed to the increase.

Overall, growth in business volumes generated a 34 per cent increase in *Profit before tax*, which came to € 123 million in the first half of 2005. The CE region thus accounted for 45 per cent of *Raiffeisen International*'s total *Profit before tax*, having still accounted for 53 per cent in the same period of 2004.

Southeastern Europe (SEE)

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004*	Change
Net interest income	189.9	118.8	59.8%
Provisioning for impairment losses	(24.6)	(19.2)	28.1%
Net interest income after provisioning	**165.3**	**99.6**	**65.9%**
Net commission income	70.2	51.0	37.7%
Trading profit	40.5	25.3	59.8%
Net income from financial investments	(0.2)	1.0	–
General administrative expenses	(187.0)	(131.0)	42.8%
Other operating profit	(0.7)	0.1	–
Profit before tax	**88.1**	**46.0**	**90.9%**
Segment's contribution to profit before tax	32.2%	16.9%	15.3 PP
Total assets	11,929	8,442	41.3%
Basis of assessment (incl. market risk)	7,568	4,400	72.0%
Average number of staff	10,674	8,310	28.5%
Business outlets	518	463	11.9%
Cost/income ratio	62.4%	67.3%	(4.9 PP)
Average equity	778	402	93.7%
Return on equity (before tax)	**22.6%**	**23.0%**	**(0.4 PP)**

The *Southeastern Europe* region has developed extremely well. *Assets* attributable to the region grew by 41 per cent to € 11.9 billion during the period under review, and first-half *Profit before tax* grew by 91 per cent to € 88 million. As a result, the region already accounted for nearly a third of *Raiffeisen International*'s total *Profit before tax*, compared with 17 per cent in the first half of 2004. The region delivered a *Return on equity* of 22.6 per cent, which was in line with Group average.

Net interest income, which grew by 60 per cent, was the biggest contributor to the advance in profit. That growth was the result of a strong increase in *Net interest income* in virtually every country in the region. The increase in competition put pressure in interest margins in a number of countries, but interest margins in the SEE region were still far higher than in other regions. *Provisioning for impairment losses* increased by 28 per cent in the wake of a sharp increase in volumes, especially in the retail customer loans sector. However, it still increased by less than the growth in lending. At the end of the period the risk/earnings ratio was at 13 per cent, as against 17 per cent in the first half of 2004.

* *Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).*

Net commission income grew slightly less rapidly than other items but nonetheless developed well, advancing by 38 per cent. Its growth was in particular due to the rise in the number of *Retail Customers*, which in turn increased income from bank charges and commission from payment transfers and card services. The 60 per cent increase in first-half *Trading profit* was generated by customer related foreign-exchange transactions. Trading profit was also boosted by the strong appreciation of the region's currencies, including above all the Romanian Leu and the Croatian Kuna.

The development of *General administrative expenses* reflects *Raiffeisen International*'s strategic focus on Southeastern Europe. The 43 per cent rise in *General administrative expenses* is in line with the increase in business volumes. Capital expenditure for network expansion (growth 11%), related consultancy, marketing and internal communication activities, as well as modernization of IT systems, were the main drivers of expenses.

Commonwealth of Independent States (CIS)

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004*	Change
Net interest income	92.1	42.9	114.6%
Provisioning for impairment losses	(20.3)	(4.7)	326.1%
Net interest income after provisioning	**71.8**	**38.2**	**88.2%**
Net commission income	31.0	24.8	25.0%
Trading profit	24.2	12.2	97.5%
Net income from financial investments	0.7	0.0	–
General administrative expenses	(61.9)	(40.4)	53.0%
Other operating profit	(3.3)	0.7	–
Profit before tax	**62.5**	**35.4**	**76.3%**
Segment's contribution to profit before tax	22.8%	20.5%	2.3 PP
Total assets	4,578	3,052	50.0%
Basis of assessment (incl. market risk)	3,775	2,038	85.2%
Average number of staff	3,969	3,377	17.5%
Business outlets	92	88	4.5%
Cost/income ratio	42.8%	50.2%	(7.4 PP)
Average equity	388	186	108.6%
Return on equity (before tax)	**32.2%**	**38.1%**	**(5.9 PP)**

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

The CIS region was *Raiffeisen International*'s smallest region in terms of balance-sheet total but also its most profitable with a *Return on equity (ROE) before tax* of 32 per cent. First-half *Profit before tax* in the region came to € 62 million, which was 76 per cent up on the first half of 2004. The CIS region therefore accounted for 23 per cent Raiffeisen International's total *Profit before tax*, as against 20 per cent in the same period of the previous year.

The 115 per cent increase in *Net interest income* far exceeded the 50 per cent increase in *Assets*. Alongside minor changes in the structure of assets and liabilities in the region, there was a reduction in funding costs and the associated costs. This was due to the positive funding environment and the fact that various support guarantees from Raiffeisen Zentralbank were no longer needed. Alongside the effects of appreciation in exchange rates, higher interest margins made a significant contribution to the increase. The region delivered a *Return on Assets* of 4.6 per cent, which was well above the figure in other regions.

Provisioning for impairment losses increased from € 5 million to € 20 million, mainly due to an impairment requirement for a few transactions in the *Corporate Customers* segment and also partly as a consequence of the strong increase in the volume of business with SMEs.

Net commission income increased by 25 per cent. The increase was mainly fuelled by commission income from foreign-exchange business and payment transfers. *Trading profit* grew by 98 per cent, among other things as a consequence of the stronger exchange rates of the Russian Rouble and Ukrainian Hryvna versus the US dollar and Euro. To a lesser degree, the increase was also caused by larger trading volumes, which grew by 82 per cent from a low base.

General administrative expenses in the CIS region increased by 53 per cent, which was well below the 76 per cent increase in earnings. The strong growth in operating income improved the Cost/income ratio by 7.4 percentage points to an excellent 42.8 per cent. The *Average number of staff* increased by 18 per cent. Wages and salaries grew slightly stronger because of market conditions. Whereas the expansion of the branch networks in Russia and the Ukraine continues, a number of unprofitable branches in Belarus were closed. The number of *Business outlets* in the region increased from 88 to 92 as a result. The expansion of the branch network caused an increase in costs, mainly to further develop the *Retail Customers* business. The associated marketing activities and higher deposit insurance expenses were further reasons for the increase in operating expenses.

Consolidated Financial Statements

(Interim Financial Statements as of and for the 6 months ended 30 June 2005

Income Statement

€mn	Notes	1/1 – 30/6 2005	1/1 – 30/6 2004*	Change
Interest income		1,000.6	751.4	33.2%
Interest expense		(464.9)	(393.3)	18.2%
Net interest income	(2)	**535.7**	**358.1**	**49.6%**
Provisioning for impairment losses	(3)	(63.4)	(49.1)	29.1%
Net interest income after provisioning		**472.3**	**309.0**	**52.8%**
Commission income	(4)	227.5	183.6	23.9%
Commission expense	(4)	(47.2)	(44.2)	6.8%
Net commission income	(4)	**180.3**	**139.4**	**29.3%**
Trading profit	(5)	123.5	91.8	34.5%
Net income from financial investments and current financial assets	(6)	2.8	(1.7)	–
General administrative expenses	(7)	(502.6)	(367.2)	36.8%
Other operating profit (loss)	(8)	(3.0)	1.5	–
Profit before tax		**273.3**	**172.8**	**58.1%**
Income tax		(52.2)	(38.3)	36.4%
Profit after tax		**221.1**	**134.5**	**64.3%**
Minority interests in profit		(35.3)	(37.7)	(6.5%)
Consolidated profit		**185.8**	**96.8**	**91.9%**

€	Notes	1/1 – 30/6 2005	1/1 – 30/6 2004*	Change
Earnings per share		**1.42**	**0.97**	**0.45**

Earnings per share is *Consolidated profit* for the period divided by the average number of ordinary shares outstanding during the period. During the first half of 2005, that was 130.7 million ordinary shares, compared with 100 million in the first half of 2004 (data are as after the stock split).

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

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

Profit development

Quarterly Results posted by Raiffeisen International

€mn	Q3 2004*	Q4 2004*	Q1 2005	Q2 2005
Net interest income	224.7	220.7	258.7	277.0
Provisioning for impairment losses	(25.6)	(62.9)	(28.5)	(34.9)
Net interest income after provisioning	**199.1**	**157.8**	**230.1**	**242.1**
Net commission income	76.8	83.4	83.5	96.9
Trading profit	66.9	61.4	55.1	68.4
Net income from financial investments and current financial assets	6.5	3.5	1.0	1.8
General administrative expenses	(191.9)	(264.2)	(240.9)	(261.7)
Other operating profit (loss)	(5.6)	(25.8)	4.4	(7.5)
Profit before tax	**151.8**	**16.1**	**133.3**	**140.0**
Income tax	(25.2)	(7.6)	(24.0)	(28.2)
Profit after tax	**126.6**	**8.6**	**109.3**	**111.8**
Minority interests in profit	(14.3)	(8.3)	(16.5)	(18.8)
Consolidated profit	**112.3**	**0.3**	**92.8**	**93.0**

€mn	Q3 2003	Q4 2003	Q1 2004*	Q2 2004*
Net interest income	145.6	162.8	165.2	192.9
Provisioning for impairment losses	(24.9)	(40.3)	(27.2)	(21.9)
Net interest income after provisioning	**120.7**	**122.4**	**138.0**	**171.0**
Net commission income	58.6	60.4	60.3	79.1
Trading profit	49.8	83.8	47.8	44.0
Net income from financial investments and current financial assets	0.6	2.5	1.5	(3.2)
General administrative expenses	(143.3)	(209.7)	(166.7)	(200.5)
Other operating profit (loss)	(13.4)	5.1	(1.8)	3.3
Profit before tax	**73.1**	**64.6**	**79.1**	**93.7**
Income tax	(15.4)	(6.4)	(18.8)	(19.4)
Profit after tax	**57.6**	**58.2**	**60.3**	**74.3**
Minority interests in profit	(19.1)	(2.2)	(15.4)	(22.4)
Consolidated profit	**38.5**	**56.0**	**44.9**	**51.9**

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

Balance Sheet

Assets €mn	Notes	30/6 2005	31/12 2004*	Change
Cash reserve		1,848	1,895	(2.5%)
Loans and advances to banks	(9)	5,773	4,779	20.8%
Loans and advances to customers	(10)	19,101	16,242	17.6%
Impairment losses on loans and advances	(11)	(420)	(366)	14.7%
Trading assets	(12)	2,001	2,447	(18.2%)
Other current financial assets	(13)	1,102	650	69.5%
Financial investments	(14)	2,544	2,329	9.2%
Intangible fixed assets	(15)	195	177	10.4%
Tangible fixed assets	(16)	477	441	8.3%
Other assets	(17)	259	312	(16.9%)
Total		**32,880**	**28,907**	**13.7%**

Equity and Liabilities €mn	Notes	30/6 2005	31/12 2004*	Change
Deposits from banks	(18)	7,361	6,620	11.2%
Deposits from customers	(19)	20,438	18,169	12.5%
Liabilities evidenced by paper	(20)	725	662	9.5%
Provisions for liabilities and charges	(21)	109	112	(3.1%)
Trading liabilities	(22)	299	410	(27.0%)
Other liabilities	(23)	476	313	52.3%
Subordinated capital	(24)	515	444	16.1%
Equity	(25)	2,957	2,177	35.9%
Consolidated equity		2,406	1,631	47.5%
Consolidated profit		186	209	-
Minority interests		365	337	8.4%
Total		**32,880**	**28,907**	**13.7%**

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

Statement of Changes in Equity

€mn	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit for the period	Minority interests	Total
Equity on 1 January 2005*	**382**	**935**	**314**	**209**	**337**	**2,177**
Capital increases	53	501	–	–	11	565
Transferred to retained earnings	–	(37)	207	(170)	–	–
Distributed profit	–	–	–	(39)	(21)	(60)
Profit for the period	–	–	–	186	35	221
Exchange differences	–	–	70	–	7	77
Capital hedge	–	–	(35)	–	–	(35)
Other changes	–	–	16	–	(4)	12
Equity on 30 June 2005	**435**	**1,399**	**572**	**186**	**365**	**2,957**

€mn	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit for the period	Minority interests	Total
Equity on 1 January 2004	**50**	**770**	**104**	**179**	**276**	**1,379**
Capital increases	–	1	–	–	7	8
Transferred to retained earnings	–	–	146	(146)	–	–
Distributed profit	–	–	–	(33)	(7)	(40)
Profit for the period	–	–	–	97	38	135
Exchange differences	–	–	32	–	8	40
Capital hedge	–	–	(21)	–	–	(21)
Other changes	–	–	(4)	–	11	7
Equity on 30 June 2004	**50**	**771**	**257**	**97**	**333**	**1,508**

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 June 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.

* *Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).*

Cash Flow Statement

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Cash and cash equivalents at end of previous period	**1,895**	**1,749**
Net cash from operating activities	(445)	517
Net cash from investing activities	(244)	(499)
Net cash from financing activities	575	28
Effect of exchange rate changes	67	34
Cash and cash equivalents at end of period	**1,848**	**1,829**

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 six months ended 30 June 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)
Net 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	**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	**28,907**	**0**	**28,907**

Changes in the scope of consolidation

	Fully consolidated		Equity method	
Number of units	**30/6/2005**	**31/12/2004**	**30/6/2005**	**31/12/2004**
At beginning of period	*43*	*38*	*3*	*3*
Included for the first time in the period under review	*19*	*6*	*–*	*1*
Merged in the period under review	*–*	*(2)*	*–*	*–*
Reclassified	*–*	*1*	*–*	*(1)*
At end of period	***62***	***43***	***3***	***3***

New companies in the *Raiffeisen-Leasing International* subgroup were brought into the scope of consolidation, whereby *TOO Raiffeisen Leasing Kazakhstan,* Almaty, will be concentrating on movable property leasing. In addition, four project subsidiaries of *Raiffeisen-Leasing International GmbH* and 14 subsidiaries of *Raiffeisen Leasing Real Estate s.r.o*, Prague, underwent retrospective first-time consolidation as of 1 January. These companies provide real-estate finance services in the Czech Republic.

Notes to the Income Statement

(1) Segment reporting

Raiffeisen International primarily segments 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 January – 30 June 2005 €mn	Corporate Customers	Retail Customers	Treasury	Participations and Other	Total
Net interest income	187.7	280.1	67.1	0.8	535.7
Provisioning for impairment losses	(25.5)	(39.0)	(0.0)	1.1	(63.4)
Net interest income after provisioning	**162.2**	**241.1**	**67.1**	**1.9**	**472.3**
Net commission income	69.6	111.6	(1.2)	0.4	180.3
Trading profit (loss)	44.4	41.2	38.9	(1.0)	123.5
Net income from financial investments and current financial assets	0.1	–	(0.4)	3.1	2.8
General administrative expenses	(124.6)	(337.0)	(16.9)	(24.1)	(502.6)
Other operating profit (loss)	3.9	0.9	(1.1)	(6.8)	(3.0)
Profit before tax	**155.6**	**57.8**	**86.4**	**(26.5)**	**273.3**
Basis of assessment (incl. market risk)	11,202	6,581	4,305	1,243	23,331
Own funds requirement	896	526	344	100	1,866
Average number of staff	5,074	16,516	511	1,366	23,467
Cost/income ratio	40.7%	77.7%	16.0%	–	59.9%
Average equity	1,152	676	443	128	2,399
Return on equity (before tax)	**27.0%**	**17.1%**	**39.0%**	**–**	**22.8%**

1 January – 30 June 2004* €mn	Corporate Customers	Retail Customers	Treasury	Participations and Other	Total
Net interest income	158.7	175.4	18.9	5.1	358.1
Provisioning for impairment losses	(25.1)	(23.6)	0.0	(0.4)	(49.1)
Net interest income after provisioning	**133.6**	**151.8**	**18.9**	**4.7**	**309.0**
Net commission income	70.5	69.3	(1.4)	1.0	139.4
Trading profit (loss)	42.0	22.9	32.0	(5.1)	91.8
Net income from financial investments and current financial assets	–	–	–	(1.7)	(1.7)
General administrative expenses	(118.7)	(219.9)	(15.0)	(13.7)	(367.2)
Other operating profit (loss)	0.4	(0.3)	(0.8)	2.2	1.5
Profit before tax	**127.8**	**23.8**	**33.7**	**(12.5)**	**172.8**
Basis of assessment (incl. market risk)	9,286	3,402	1,479	893	15,060
Own funds requirement	743	272	118	72	1,205
Average number of staff	6,824	11,349	506	1,049	19,728
Cost/income ratio	41.1%	82.2%	30.4%	–	62.3%
Average equity	848	311	135	81	1,375
Return on equity (before tax)	**30.2%**	**15.3%**	**49.8%**	**–**	**25.1%**

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

(1b) Segment reports by geographical market

1 January – 30 June 2005 €mn	CE	SEE	CIS	Total
Net interest income	253.7	189.9	92.1	535.7
Provisioning for impairment losses	(18.5)	(24.6)	(20.3)	(63.4)
Net interest income after provisioning	**235.2**	**165.3**	**71.8**	**472.3**
Net commission income	79.1	70.2	31.0	180.3
Trading profit	58.8	40.5	24.2	123.5
Net income from financial investments and current financial assets	2.3	(0.2)	0.7	2.8
General administrative expenses	(253.7)	(187.0)	(61.9)	(502.6)
Other operating profit	1.0	(0.7)	(3.3)	(3.0)
Profit before tax	**122.7**	**88.1**	**62.5**	**273.3**
Total assets	16,373	11,929	4,578	32,880
Basis of assessment (incl. market risk)	11,988	7,568	3,775	23,331
Own funds requirement	959	605	302	1,866
Average number of staff	8,824	10,674	3,969	23,467
Cost/income ratio	64.4%	62.4%	42.8%	59.9%
Average equity	1,233	778	388	2,399
Return on equity (before tax)	**19.9%**	**22.6%**	**32.2%**	**22.8%**

1 January – 30 June 2004* €mn	CE	SEE	CIS	Total
Net interest income	196.4	118.8	42.9	358.1
Provisioning for impairment losses	(25.2)	(19.2)	(4.7)	(49.1)
Net interest income after provisioning	**171.2**	**99.6**	**38.2**	**309.0**
Net commission income	63.8	51.0	24.8	139.4
Trading profit	54.3	25.3	12.2	91.8
Net income from financial investments and current financial assets	(2.7)	1.0	0.0	(1.7)
General administrative expenses	(195.8)	(131.0)	(40.4)	(367.2)
Other operating profit	0.7	0.1	0.7	1.5
Profit before tax	**91.4**	**46.0**	**35.4**	**172.8**
Total assets	13,056	8,442	3,052	24,549
Basis of assessment (incl. market risk)	8,622	4,400	2,038	15,060
Own funds requirement	690	352	163	1,205
Average number of staff	8,041	8,310	3,377	19,728
Cost/income ratio	62.4%	67.3%	50.2%	62.3%
Average equity	787	402	186	1,375
Return on equity (before tax)	**23.2%**	**23.0%**	**38.1%**	**25.1%**

* Because of amended and new IFRS standards, comparative figures have been adjusted slightly (see page 24 et seq of the Notes).

(2) Net interest income

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Interest income	**999.4**	**732.0**
from loans and advances to banks	126.6	83.6
from loans and advances to customers	632.1	480.9
from current financial assets (available-for-sale)	26.2	23.4
from financial investments	78.3	33.8
from receivables under finance leases	65.1	48.6
from derivative financial instruments (non-trading)	71.1	61.7
Current income from interests	**0.4**	**0.9**
Other interest-like income	**0.8**	**0.5**
Interest and similar income, Total	**1,000.6**	**733.4**
Interest expenses	**(464.7)**	**(371.4)**
on deposits from banks	(124.4)	(108.5)
on deposits from customers	(281.5)	(222.8)
on liabilities evidenced by paper	(17.3)	(13.9)
on subordinated capital	(8.4)	(4.0)
on derivative financial instruments (non-trading)	(33.1)	(22.2)
Other interest-like expenses	**(0.2)**	**(3.9)**
Interest expenses and similar charges, Total	**(464.9)**	**(375.3)**
Net interest income	**535.7**	**358.1**

(3) Provisioning for impairment losses

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Allocated to the provision for impairment losses	(152.7)	(211.9)
Released from the provision for impairment losses	102.8	166.6
Direct write-downs	(21.7)	(5.8)
Recovery of written-down claims	8.2	2.0
Total	**(63.4)**	**(49.1)**

(4) Net commission income

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Payment transfers business	95.2	72.9
Credit and guarantee business	43.1	37.0
Securities business	10.1	5.0
Foreign exchange, notes-and-coin and precious-metals business	10.8	7.0
Other banking services	21.1	17.5
Total	**180.3**	**139.4**

(5) Trading profit (loss)

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Interest-rate contracts	7.1	7.2
Currency contracts	116.8	84.0
Share-/index-related contracts	(0.4)	0.6
Total	**123.5**	**91.8**

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

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Net income from financial investments	**0.5**	**0.8**
Net remeasurements of financial investments and equity participations	(0.1)	(0.1)
Net proceeds from sales of financial investments and equity participations	0.6	0.9
Net income from other current financial assets	**2.2**	**(2.5)**
Net remeasurements of securities classified as current financial assets	0.1	(0.9)
Net proceeds from sales of securities classified as current financial assets	2.1	(1.6)
Total	**2.8**	**(1.7)**

(7) General administrative expenses

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Staff costs	(244.1)	(170.7)
Other administrative expenses	(204.3)	(154.7)
Depreciation/amortization/write-downs of tangible and intangible fixed assets	(54.2)	(41.8)
Total	**(502.6)**	**(367.2)**

(8) Other operating profit (loss)

€mn	1/1 – 30/6 2005	1/1 – 30/6 2004
Revenues from non-banking activities	17.1	14.6
Expenses arising from non-banking activities	(9.8)	(9.5)
Net result from hedge accounting	0.0	0.2
Net income from other derivative instruments	(1.9)	1.7
Other taxes	(11.5)	(9.5)
Other operating income	31.8	31.1
Other operating expenses	(28.7)	(27.1)
Total	**(3.0)**	**1.5**

Notes to the Balance Sheet

(9) Loans and advances to banks

€mn	30/6/2005	31/12/2004
Giro and clearing business	653	688
Money-market business	4,200	3,331
Loans to banks	903	752
Purchased receivables	17	8
Total	**5,773**	**4,779**

(10) Loans and advances to customers

€mn	30/6/2005	31/12/2004
Credit business	10,761	9,488
Money-market business	3,060	2,313
Receivables under mortgage loans	3,520	2,875
Purchased receivables	225	240
Accounts receivable under finance leases	1,535	1,326
Total	**19,101**	**16,242**

(11) Impairment losses on loans and advances

€mn	1 January 2005	Change in scope of consolidation	Added*	Released	Used	Transfers, exchange differences	30 June 2005
Specific provisions	**364**	**–**	**137**	**(77)**	**(23)**	**(43)**	**358**
Loans and advances to customers	364	–	137	(77)	(23)	(43)	358
Portfolio-based provisions	**2**	**–**	**19**	**(14)**	**0**	**55**	**62**
Subtotal	**366**	**–**	**156**	**(91)**	**(23)**	**12**	**420**
Impairment provisions for off-balance-sheet liabilities	28	–	10	(12)	0	0	26
Total	**394**	**–**	**166**	**(103)**	**(23)**	**12**	**446**

(12) Trading assets

€mn	30/6/2005	31/12/2004
Debt securities and other fixed-interest securities	1,762	2,033
Shares and other variable-yield securities	16	11
Positive fair values arising from derivative financial instruments	214	384
Overnight and fixed deposits held for trading	9	19
Total	**2,001**	**2,447**

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

(13) Other current financial assets

€mn	30/6/2005	31/12/2004
Debt securities and other fixed-interest securities	866	640
Shares and other variable-yield securities	236	10
Total	**1,102**	**650**

(14) Financial investments

€mn	30/6/2005	31/12/2004
Debt securities and other fixed-interest securities	2,462	2,255
Equity participations	82	74
Total	**2,544**	**2,329**

(15) Intangible fixed assets

€mn	30/6/2005	31/12/2004
Goodwill	80	75
Other intangible fixed assets	115	102
Total	**195**	**177**

(16) Tangible fixed assets

€mn	30/6/2005	31/12/2004
Land and buildings used by the Group for its own operations	176	160
Other land and buildings	6	7
Other tangible fixed assets, office furniture and equipment	269	253
Let leased assets	26	21
Total	**477**	**441**

(17) Other assets

€mn	30/6/2005	31/12/2004
Tax assets	39	29
Receivables arising from non-banking activities	29	24
Prepayments and other deferrals	112	98
Positive fair values of derivative hedging instruments within the scope of fair-value hedges within the meaning of IAS 39	–	1
Positive fair values of other derivative financial instruments in the banking book	30	43
Other items	49	116
Total	**259**	**312**

(18) Deposits from banks

€mn	30/6/2005	31/12/2004
Giro and clearing business	339	352
Money-market business	2,687	2,673
Long-term finance	4,335	3,595
Total	**7,361**	**6,620**

(19) Deposits from customers

€mn	30/6/2005	31/12/2004
Sight deposits	8,065	6,896
Time deposits	11,302	10,315
Savings deposits	1,071	958
Total	**20,438**	**18,169**

(20) Liabilities evidenced by paper

€mn	30/6/2005	31/12/2004
Issued debt securities	406	369
Issued money-market instruments	7	6
Other liabilities evidenced by paper	312	287
Total	**725**	**662**

(21) Provisions for liabilities and charges

€mn	30/6/2005	31/12/2004
Taxes	42	53
Guarantees and sureties	26	28
Other	41	31
Total	**109**	**112**

(22) Trading liabilities

€mn	30/6/2005	31/12/2004
Negative fair values arising from derivative financial instruments	271	408
Short sales of trading assets	4	–
Overnight and fixed deposits held for trading	24	2
Total	**299**	**410**

(23) Other liabilities

€mn	30/6/2005	31/12/2004
Liabilities arising from non-banking activities	27	35
Deferred items	88	45
Negative fair values of derivative hedging instruments within the scope of fair value hedges within the meaning of IAS 39	–	4
Negative fair values of other derivative financial instruments	14	20
Other liabilities	347	209
Total	**476**	**313**

(24) Subordinated capital

€mn	30/6/2005	31/12/2004
Subordinated obligations	484	423
Supplementary capital	31	21
Total	**515**	**444**

(25) Equity and minorities

€mn	30/6/2005	31/12/2004
Consolidated equity	2,406	1,631
Subscribed capital	435	382
Capital reserves	1,399	935
Retained earnings	572	314
Consolidated profit	186	209
Minority interests	365	337
Total	**2,957**	**2,177**

Additional notes

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

€mn	30/6/2005	31/12/2004
Contingent liabilities	2,026	1,734
Commitments	5,174	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* (*BWG*). As a result, it is not itself subject to 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	30/6/2005	31/12/2004
Tier 1 capital (core capital)	2,543	1,977
Tier 2 capital (additional own funds)	479	403
Less interests in banks and financial institutions	(57)	(52)
Eligible own funds	**2,965**	**2,329**
Tier 3 capital (short-term subordinated own funds)	21	31
Total own funds	**2,986**	**2,360**
Total own funds requirement	**1,866**	**1,571**
Excess own funds	**1,120**	**789**
Excess cover ratio	60.0%	50.2%
Core capital ratio (Tier 1), incl. market risk	10.9%	10.1%
Own funds ratio	12.8%	12.0%

Total own funds requirement is made up as follows:

€mn	30/6/2005	31/12/2004
Risk-weighted basis of assessment pursuant to § 22 BWG	20,178	16,690
of which 8 per cent minimum own funds requirement	1,614	1,335
Own funds requirement for the trading book under § 22b Abs. 1 BWG	110	136
Own funds requirement for open currency positions under § 26 BWG	143	100
Total own funds requirement	**1,866**	**1,571**

(28) Average number of staff

The average number of staff during the first half (full-time equivalents) broke down as follows:

Full-time equivalent	1/1 – 30/6 2005	1/1 – 30/6 2004
CE	8,763	8,004
SEE	10,601	8,284
CIS	3,942	3,369
Austria	161	71
Total	**23,467**	**19,728**

Financial Calendar

2005

11 August	Semi-Annual Report, Conference Call
September	New York Road Show
October	London and Edinburgh Road Shows
14 October	Capital Markets Day in Vienna
9 November	Start of Quiet Period
23 November	Third Quarter Report, Conference Call
November / December	Road Shows in Frankfurt, Paris, Geneva and Zurich

2006

8 March	Start of Quiet Period
22 March	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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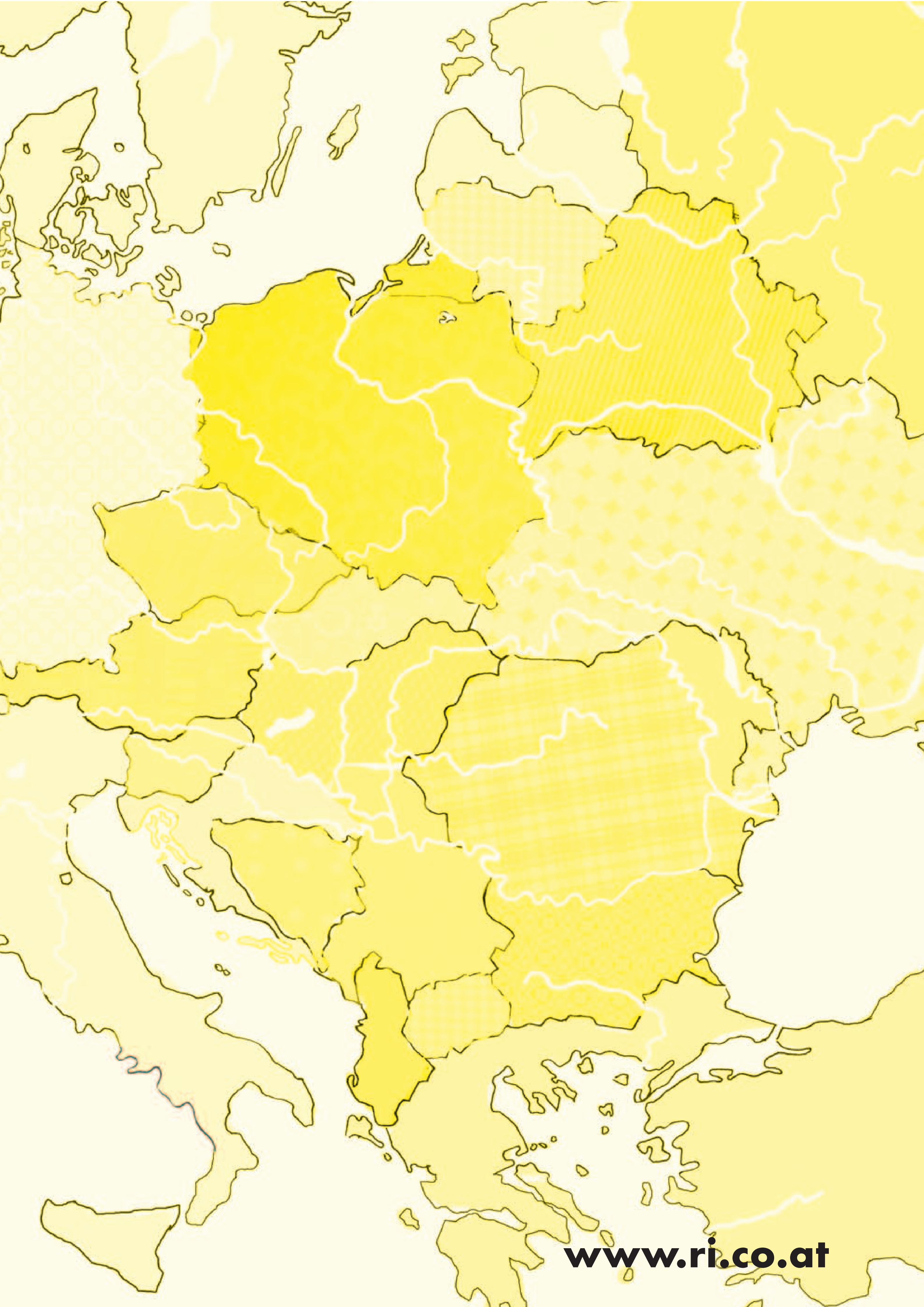

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