

Corporate Finance and Investment Banking

Raiffeisenbank's Corporate Finance and Investment Banking division provides Russian corporations and financial institutions with customized solutions for their financial needs through integrated operations and advice in Russian and international capital markets.

In 2003, the Bank's capital market operations were centred on the Russian corporate bond market and loan syndication markets. Total volume of financing arranged by the Bank for its clients through debt capital market transactions has doubled year on year, to reach the equivalent of USD 388 million as at the end of 2003.

USD million equivalent

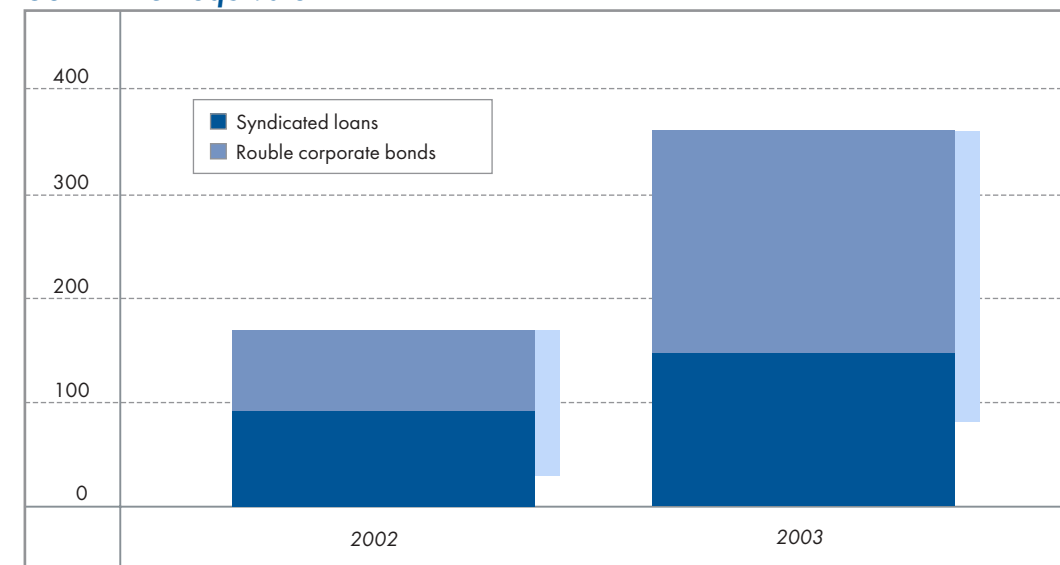
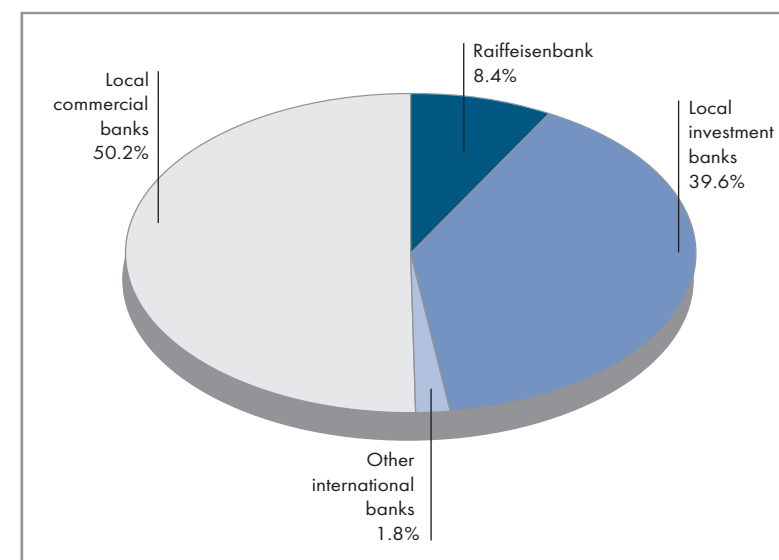


Fig. 1. Financing arranged by Corporate Finance and Investment Banking for Russian corporates and banks.



In the rouble corporate bond market Raiffeisenbank has strengthened its leadership to reach an 8.4% market share and 2nd position in the Corporate Bond Lead Manager league table. Currently Raiffeisenbank is the only international bank to offer competitive domestic debt capital market services in Russia.

Fig. 2. Lead Managers of rouble corporate bond issues in 2003 by institutional groups.

Corporate Finance and Investment Banking

The most prominent corporate bond market transactions managed by Raiffeisenbank in 2003 include a landmark USD 100 million equivalent bond issue for Vimpelcom – the second largest mobile telecommunications provider in Eastern Europe, and a USD 80 million equivalent issue for SUN Interbrew Group – the second largest brewer in Russia and the Ukraine.

	2002	2003
Lead Manager role		
transactions volume (RUR mln)	3680	6900
market share	6.7%	8.3%
issuers	JSC "AEROFLOT", JSC "CenterTelecom", PJSC "Vyksa Steel Works", "Sistema Finance", KMB Bank (ZAO).	"Vimpelcom Finance", "SUN Interbrew Finance", United Heavy Machinery (OMZ), "Parnas-M" OJSC.
league table position	4	2
Underwriting Syndicate member role		
issuers	"Nizhnekamskneftekhim" INC, "Rabo Invest" Company Limited, Russian Aluminium Finance LLC, "Mosnarbank".	JSC "Mechel", JSC VNESH TORGBANK, OJSC "MMK", OJSC "Wimm-Bill-Dann Foods", "TRANSNEFTEPRODUCT" JSC, "Nizhnekamskneftekhim" INC, JSC "SEVERSTAL", JSC "Acron".
league table position	5	4

Fig. 3. Raiffeisenbank Russian corporate bond operations in 2003 compared to 2002.

In the syndication market the Bank's focus was on international syndications for Russian banks. These syndications included a ground breaking USD 21 million equivalent loan for KMB-Bank – the first such international syndication which included a rouble tranche.

Borrower	Loan amount (USD mln)	Loan tenor (months)
AK BARS Bank, OJSC (Kazan)	15	6
Ural-Siberian Bank, OJSC (Ufa)	38	12
"Industry Construction Bank", OJSC (Saint Petersburg)	25	18
"Moscow Bank of Reconstruction and Development", OJSC (Moscow)	14	12
KMB-BANK, ZAO (Moscow)	21	12

Fig. 4. Facilities arranged for Russian banks in 2003 by Raiffeisenbank (jointly with Raiffeisen Zentralbank Oesterreich).

In addition to debt capital market operations, the Bank has also continued to accumulate expertise and develop a track record for advisory services and equity capital market operations. A number of structured equity transactions were completed with structuring and financial support from Raiffeisenbank. These deals included USD 40 million acquisition financing in the metals industry and a USD 25 million transaction in the energy sector. To support the Bank's growing activity in this area an Equity Financing group was set up within the Bank's Corporate Finance and Investment Banking division in late 2003.





Consumer Banking

Raiffeisenbank entered into 2003 already offering the general public wide range of services, covering a broad range of credit products, such as mortgage and car loans, VISA and MasterCard products, online services (www.connect.raiffeisen.ru), current and term deposit accounts. Notwithstanding this, during the year, the Bank was still able to penetrate a number of new business segments of the Russian retail banking market.

Unsecured Consumer Loans

In January 2003, Raiffeisenbank launched a new product in the market, that being unsecured multi-purpose consumer loans. These loans are extended for amounts up to USD 10 000 or RUR 300 000, at affordable rates of interest, and do not require any collateral. By the year-end the Bank had managed to issue more than 2 800 loans, representing an aggregate portfolio of approximately USD 18 million.

Mortgage Loans

Raiffeisenbank launched its programme for mortgage loans in 2000. In May 2002, Raiffeisenbank was the first bank to announce the breakthrough "floating" rate (LIBOR + 8%) in mortgage lending, which was the lowest and best on the market at that time. In May 2003, Raiffeisenbank received a USD 80 million 10-year facility from IFC (International Finance Corporation) for the development of its mortgage lending programme – the total facility to be disbursed to householders by July 2004.

During the year, a number of new construction companies, dealing in the construction of apartments and cottages, were added to the list of the Bank's authorized partners. In a number of cases, the Bank was able to offer financing facilities prior to the completion of the associated construction work. Raiffeisenbank offers a competitive rate for such deals, with the interest rate until the property is registered in the name of the customer, being just 2% above the standard programme for the secondary market. Together with the "floating" programme, this programme allowed customers shopping for apartments under construction to benefit from interest rates below 12% in US dollar terms, which was truly unique for the Russian market.

Raiffeisenbank ended 2003 with a portfolio of over USD 39 million of loans approved for disbursement in the first quarter of 2004.

Credit Cards

In October 2003, Raiffeisenbank was the first among foreign players in the market who announced the launch of credit cards for the general public, including individuals who were not existing customers of the Bank. The first tranche of credit cards was issued in the beginning of November, with credit limits ranging from USD 1 000 to USD 10 000.

Consumer Banking



Together with the overdraft facility available for debit cards, this offer presents a very flexible solution for the customers of the Bank. As this USD product is already enjoying success with the Bank's customers, it is probable that the Bank will implement a rouble equivalent of these products in the nearest future.

Raiffeisen CONNECT

In response to the strong level of demand from its customers, the Bank has implemented additional control features to its Internet-based home banking system. The new features allow the cus-

tomers to perform all sorts of transfers between their accounts, as well as to make transfers to other banks. Online requests for opening and closing term deposits have also become available, as well as the currency conversion facilities.

We are pleased to note that by December 2003 more than 30% of customers' transactions have already been executed via the Internet through Raiffeisen CONNECT.

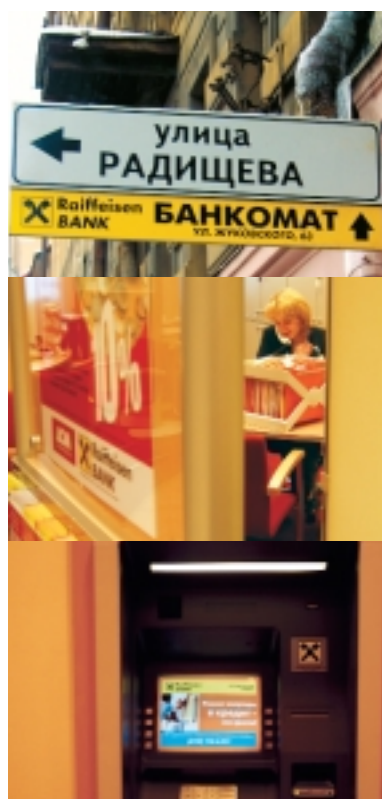
New Branches and Extended Operational Hours

In 2003, Raiffeisenbank commenced construction of a number of new Branches in Moscow and Saint Petersburg.

In addition to its standard Branch activities, the Bank has introduced a brand new concept: mortgage loan Branches. In addition to offering the Bank's standard retail banking services, the new locations provide cash vaults with numerous safety deposit boxes and space facilities for conducting mortgage deals.

The first mortgage Branch of Raiffeisenbank was launched in September 2003, and more Branches are in the pipeline, to be opened in both Moscow and Saint Petersburg in 2004 and in subsequent years.

Apart from constructing new Branches, the Bank has recognized the need to offer extended operational hours and full banking services during the whole week, from Monday to Saturday. As a result of the amended operational schedule, customers can access the Bank's Branches until 20:00 on weekdays and until 16:00 on Saturdays. The Bank's Call Centre working hours were changed to 8:00 till 20:00 on weekdays, and by mid-2004 the Call Centre will switch to round-the-clock assistance 7 days per week.



The extended working hours have also stimulated an increase in the number of new clients and new accounts attracted/opened per day, which has increased from 160 per day in December 2002 up to 270 per day in December 2003.

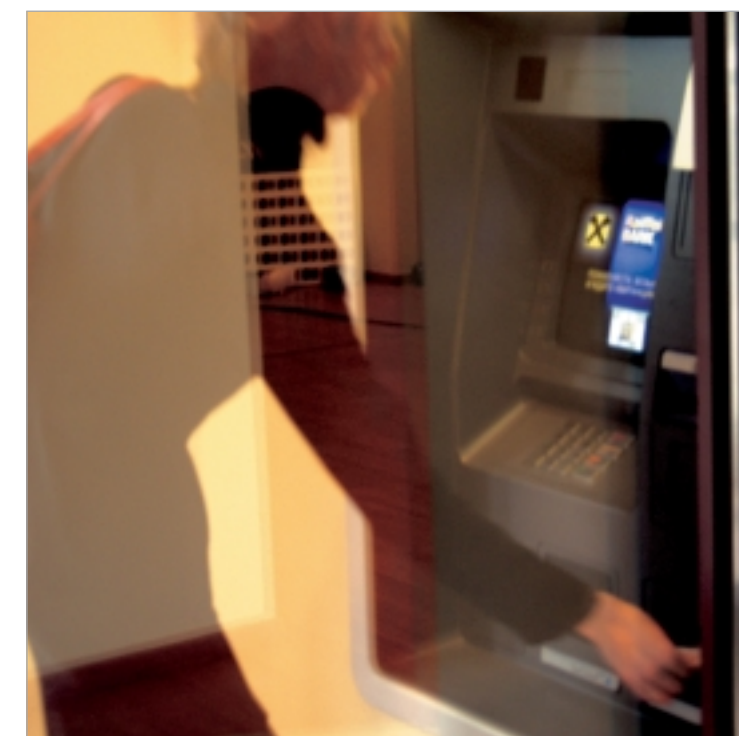
Car Loans

Within its car loans programme Raiffeisenbank is cooperating with more than 170 dealerships in Moscow and Saint Petersburg and the overall market share of the Bank is currently at 30% (source: *Stolichnaya Vecherniya Gazeta*, Feb. 5, 2004). Based on 2003 published results (source: *Avtomobilnye Izvestia*, December/January, 2004), Raiffeisenbank is ranked 1st in terms of car loans volume, with its corresponding loan portfolio standing at USD 85 million as at 31 December 2003.

During 2003, Raiffeisenbank signed a number of new cooperation agreements with major car manufacturers and their dealerships. The most prominent among them being Ford Motor Company choosing Raiffeisenbank as its partner in promoting Ford car sales in the Russian Federation. The programme was officially announced in August 2003 at the "Motorshow 2003".

Raiffeisenbank has introduced a "Best Dealer" nomination to encourage and enhance joint programmes with dealerships, and to support car loans sales through this distribution channel. Awards and gifts were made to the sales teams of dealerships achieving the highest sales volumes for periods under review. The

"Best Dealer" nomination became extremely popular with dealerships and enjoyed great success in July 2003, which prompted the Bank to arrange similar promotions on a semi-annual basis.



New Level of Support for Corporates

Recognizing the importance of relationships with corporate customers and the need to offer high-quality support on an ongoing basis, the Bank has established a special department to support special projects in this area. The Bank's new department not only offers a wide range of presentations, performed on-site at customer premises, and covering all retail banking products, but also offers specially tailored products such as payroll projects in different regions of Russia, toll-free numbers for convenient and free access to the Bank's services, and other similar services.

By the end of 2003 this department's activities had resulted in the aggregation of a customer base of more than 10 000 clients.

Merchant Acquiring Business

In 2003, Raiffeisenbank was granted the right to acquire bankcard transactions from merchants. Licenses were granted by both VISA International and MasterCard International. First merchant agreements were signed and point-of-sale terminals had been installed by the year-end.

Expanding Raiffeisenbank's ATM Network and Adding New Features

In February 2003, the Bank activated a cash-in function at ATMs installed at all of the Bank's Branches. The new facility not only allows customers to withdraw their funds from accounts, but also to deposit amounts in various currencies and at favourable rates in cases when currency conversion is required.

Another feature launched in 2003, and enjoying positive feedback and demand from the Bank's cardholders was the option to pay for mobile and satellite TV service charges through the Bank's ATMs.

With the intention of offering the Bank's customers easy access to their accounts and convenient control over their funds, Raiffeisenbank entered into agreements with a number of large chains of supermarkets and stores, such as "Perekrestok" and "L'Etoile" in Moscow and Saint Petersburg. Under the new cooperation agreements the Bank began placing its cash machines in these stores and currently operates a network of over 100 ATMs which compares to 32 machines as at the end of 2002.



Treasury Operations

In 2003, Raiffeisenbank has managed to maintain leading positions with respect to foreign exchange and capital market activities in the Russian Federation. The Bank has continued to enhance its product line and to expand its client base in an environment of increased competition.

Market-making activities on the local corporate bond market and foreign exchange market, along with the activity on the Russian external debt market provided Raiffeisenbank with a competitive edge in the development of new products for its clients.

Future plans embrace further expansion of trading and brokerage activities, as well as the development of derivatives and various structured products, which are becoming increasingly important in satisfying the needs of the Bank's clients.

Treasury Operations





Correspondent Banking — Financial Institutions Activities

Cooperation with Russian banks remains a strategically important business direction for Raiffeisenbank. Credit lines obtained from Russian banks by the Bank's Financial Institutions department gave Raiffeisenbank the opportunity to extend its treasury operations, provide funding in local currency and offer increased flexibility in pricing its products. As at 31 December 2003, the total RUR funding capability of the Bank exceeded the equivalent of USD 400 million.

Leveraging on the strong support from its parent bank and in the framework of Raiffeisen Group policy, Raiffeisenbank continues to develop its own network of foreign correspondents. By strengthening the level of cooperation with foreign partners Raiffeisenbank continues to expand in different business directions and to satisfy the developing needs of its expanding customer base.

By the end of 2003, Raiffeisenbank's foreign currency funding potential in the form of money market lines and other credit facilities from foreign banks (excluding funding from the parent bank) exceeded the equivalent of USD 190 million.

In 2003, Raiffeisenbank's Financial Institutions (FI) department commenced work with non-banking financial institutions, including investment companies, brokerage companies, and insurance companies. By the end of the year the Bank managed to establish successful cooperation with many such companies already.

**Correspondent
Banking — Financial Institutions Activities**