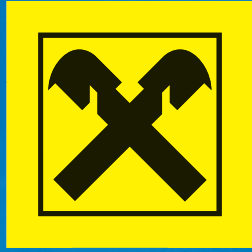




nly with the help
of a horse could
firewood be brought
from the forest or
a house be built.
For this reason, horses
were honoured, drawn

on cakes, embroidered on clothing, and
carved on spinning wheels. The roofs of
houses were decorated with the wooden
head of a stallion. To this day, the apex
of a roof is called the "stallion" in Rus.



01

Russia: Economic Prospects

In early 2009, the Russian economy was still suffering the negative trends observed at the end of 2008. However, what followed was a gradual improvement in the economy and financial markets on the back of favourable external conditions: stabilization of global financial markets, stronger commodity prices and faster growth of the Chinese economy. Nonetheless, along with many developing and developed economies, Russia's post-crisis recovery has been slow and has only made up a small part of the previous decline.

Financial Sector

The stock market was the first segment to recover due to its forward-looking nature. After the deep downturn in Q3–Q4 2008, the stock market began to rise in mid-February and continued to move upward quite steadily throughout the remainder of the year. In 2009, the stock market surged 220% and the bond market also posted large gains. This growth was aided by a turnaround for the rouble which began to rise, as well as the stabilisation of banking sector liquidity and cuts in key interest rates by the Central Bank of Russia (CBR). The result was that bond yields shrank back to levels acceptable to corporate issuers who responded with a large volume of new placements. In 2009, the bond market offered a favourable alternative to bank lending for many high quality borrowers. The main buyers of the new issues were banks, since in the new environment it was easier for them to buy bonds than expand loan portfolios.

Overall, the credit market only showed extremely gradual improvement. Although banks actively invested in bonds, corporate loan portfolios stagnated for most of the year with only weak growth in the final months.

Amid rising loan defaults, reduced capital adequacy and unclear economic prospects, banks became more cautious in assessing credit risks. The majority of banks had to divert considerable resources to restructuring problematic debt, which increased the durations of loan portfolios and reduced the funding available for new loans.

Retail loan portfolios fared even worse with an annual contraction of over 10%. Household borrowing was weak due to high interest rates and uncertainty on labour markets. Meanwhile, banks were faced with rising levels of NPLs and a shortage of long-term funding which made them unwilling to offer more attractive terms to retail borrowers.

It is important to point out the sharp variance in lending activity between state and private banks. In 2009, state banks managed to ramp up lending while loan portfolios shrank substantially across the private sector.

The state provided major support to the banking industry in the form of direct loans (injections of second-tier capital in the form of subordinated loans, unsecured loans from the CBR, broader refinancing opportunities for equity and loan portfolios), as well as indirect assistance (easing of regulatory requirements and incentives for the wider distribution of liquidity on the interbank lending market). The integrated set of state measures implemented to date, have stabilised the nation's banking system and enabled the short-term liquidity situation to return to normal. However, a serious problem remains in the form of large volumes of NPLs in commercial banks' loan portfolios.

Currency Market

On 23 January the CBR announced the end of its rouble devaluation policy and set the upper limit of the bi-currency basket at RUR 41. By mid-February, the currency market had calmed considerably. At that point, the CBR began using the flexible limits of the currency corridor to reduce volatility in the rouble exchange rate while maintaining the overall trend. From March onwards, the recovery in oil prices pushed up the rouble sharply and, despite a lengthy period of high volatility, it continued to appreciate for most of the year. From March-December 2009, the rouble gained 14% against the bi-currency basket, but in annual terms it weakened by 1.8%. After halting its policy of gradual rouble devaluation, the CBR went from being a net seller of foreign currency to a net buyer. From February to December 2009, the CBR bought USD 54 billion and the net purchase for the year was USD 20 billion.

Economic Growth

In Q1 2009, the economic downturn that had begun at the end of 2008 intensified. However, GDP then bottomed out in Q2 2009 and in the second half, the economy pulled out of recession. Initially, the main source of growth was higher exports and a recovery in inventories, but by late 2009 we saw modest growth of investment and consumer demand. In 2009, GDP contracted by 7.9%, which is a bigger drop than in 1998.

The economic crisis caused a significant rise in unemployment. However, thanks to a wide range of state measures, unemployment levels remained at a reasonably low level, considering the sharp drop in GDP, and had levelled off at around 8% by the end of the year.

Measures taken by the government and state banks averted a significant number of corporate bankruptcies. In particular, the government drew up a list of 300 so-called "strategically important" companies which were provided with state assistance in the form of interest rate subsidies, state guarantees and capital injections. This, combined with the CBR's strong support for the financial sector, significantly reduced the risk of a second wave of the economic crisis.

2010 Forecast

In 2010, the economic recovery continues, albeit at a slow pace due to the sluggish recovery in consumer demand and investment.

We forecast that banks will gradually increase lending to the real sector and consumers but see no indicators for a sudden upturn. Growth is restrained both by weak demand, as consumer confidence remains jittery, and by supply due to unresolved problems in the banking sector.

As in the past, the condition of the Russian economy and banking sector remains largely dependent on external factors, specifically, global commodity prices.

The budget sphere should remain a stabilizing factor for the economy and the banking sector. As in 2009, a significant budget deficit is expected in 2010, which could potentially exhaust the Reserve Fund. However, in response the government is planning a wide-scale program of internal and external borrowing this year. In view of the extremely low level of sovereign debt, the government has plenty of room for manoeuvre.

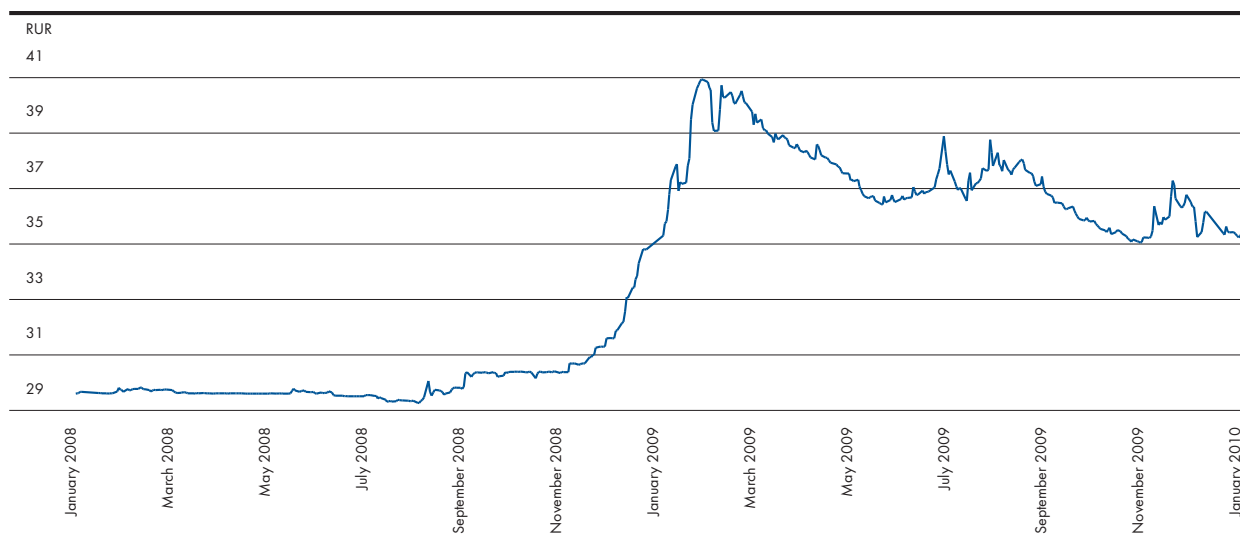
Although, in the event of another wave of serious economic problems, the ability of the state to provide a fiscal stimulus would be considerably less than it was at the end of 2008.

Basic macroeconomic indicators, results and forecasts

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 forecast	2011 forecast
GDP, EUR billion	280.8	342.1	364.4	383.3	476.3	614.8	779.9	920.6	1140.8	881.6	1126.8	1370.7
GDP, % yoy	10.0	5.1	4.7	7.3	7.2	6.4	7.4	8.1	5.6	-7.9	5.0	4.5
Industrial production, % yoy	11.9	4.9	3.1	8.9	8.0	5.1	6.3	6.3	2.1	-10.8	6.0	5.0
Unemployment, average %	10.6	8.9	8.0	8.6	8.2	7.6	7.2	6.2	6.4	8.4	7.9	6.8
Producer prices, average % yoy	46.9	18.2	10.5	16.5	23.4	20.7	12.4	14.2	21.4	-7.2	18.1	9.6
Inflation, average % yoy	20.8	21.6	16.0	13.6	11.0	12.5	9.8	9.1	14.1	12.6	6.9	7.8
Consolidated budget surplus, % GDP	1.9	3.0	0.9	1.3	4.5	8.1	8.4	6.1	4.8	-6.2	-4.5	-3.0
Current account balance, % GDP	18.1	11.1	8.4	8.2	10.0	11.0	9.6	6.2	6.1	3.9	6.0	5.6
CBR's international reserves, EUR billion	25.8	36.6	42.0	58.0	88.9	149.1	223.7	318.0	296.0	283.4	335.1	404.0
External debt, % GDP	61.6	47.8	44.2	43.1	36.0	33.7	31.6	36.7	28.8	38.8	33.2	31.9
RUR/USD exchange rate, eop	28.5	30.5	31.9	29.2	27.7	28.7	26.3	24.6	30.5	30.3	28.8	29.0
RUR/EUR exchange rate, eop	26.8	27.1	33.5	36.9	37.7	33.9	34.7	35.8	42.4	43.4	38.8	37.7

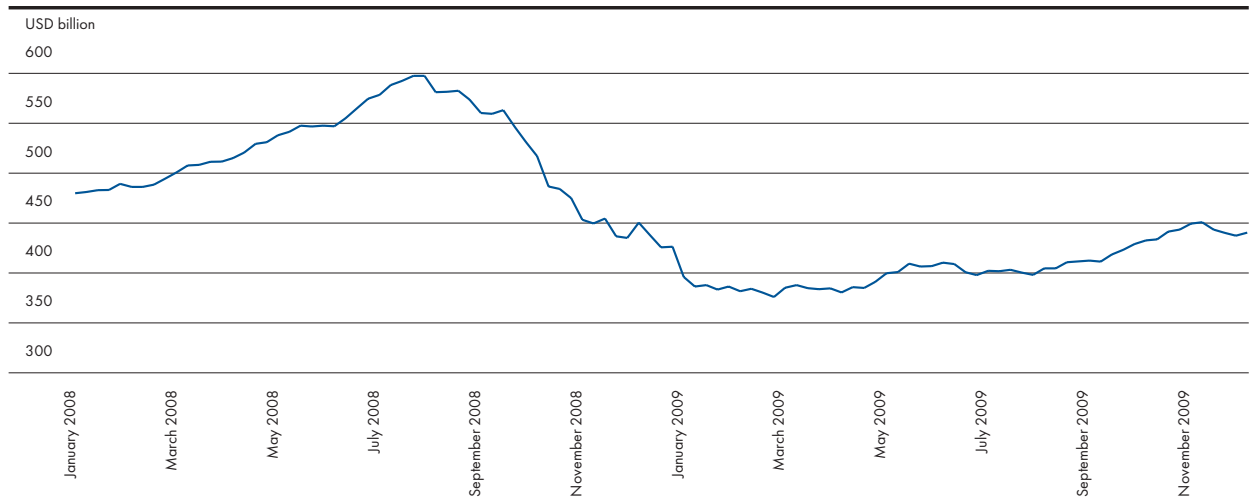
Source: Thomson Financial Datastream, wiw, Raiffeisen RESEARCH

Bi-currency basket (0.55 USD/0.45 EUR)



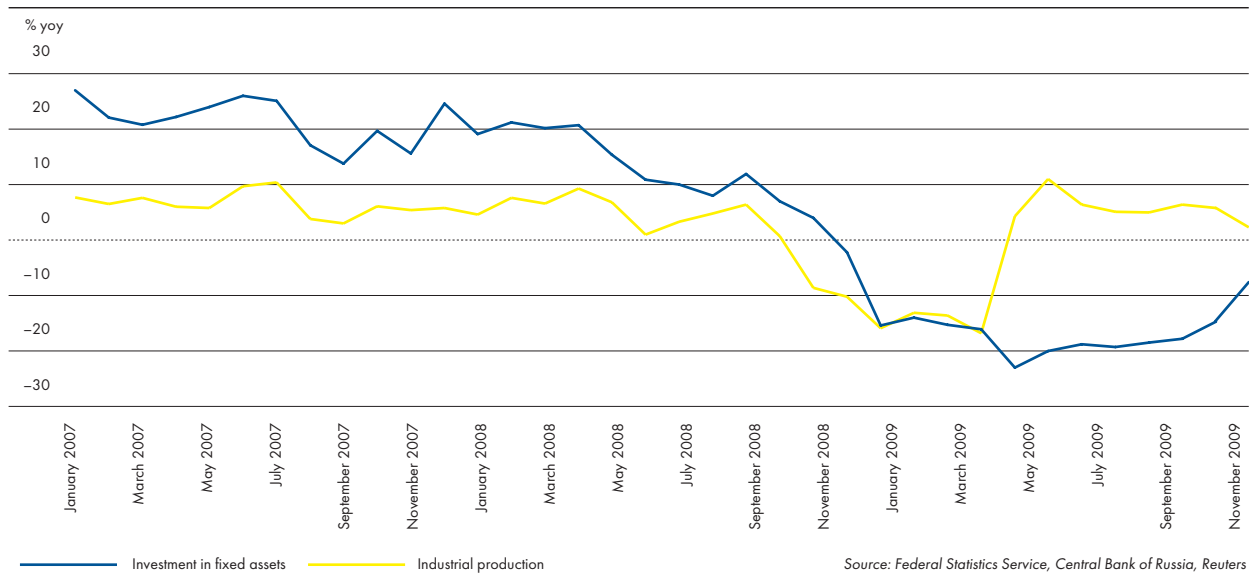
Source: Thomson Financial Datastream, Raiffeisen Group estimates

International reserves of the Central Bank of Russia



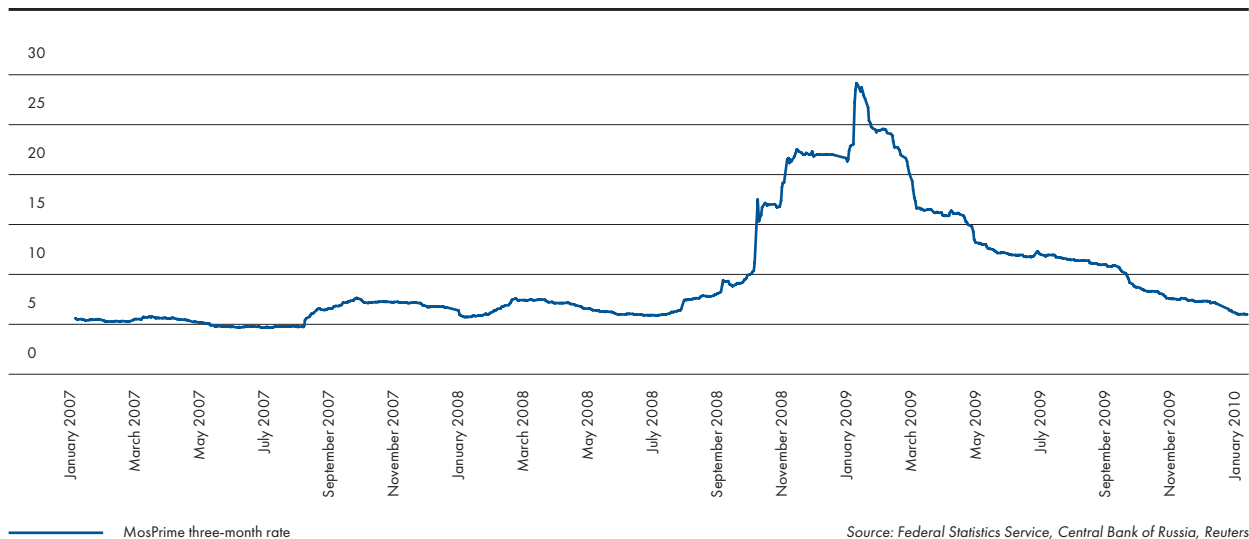
Source: Federal Statistics Service, Central Bank of Russia, Reuters

Real sector of the economy



Source: Federal Statistics Service, Central Bank of Russia, Reuters

MosPrime three-month rate



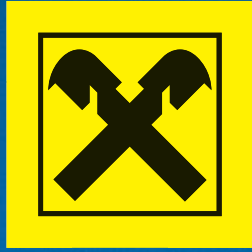
Source: Federal Statistics Service, Central Bank of Russia, Reuters



carved figure of a bird on the roof shielded and protected a person's home like a bird watching over its nest. It promoted happiness and peace in the home

and preserved the hearth and home.

The image of a dove served as a symbol of conjugal fidelity, or the devotion of the beloved.



Raiffeisen International and the RZB Group at a glance

ZAO Raiffeisenbank is a subsidiary of Raiffeisen International Bank-Holding AG, which in turn is a fully consolidated subsidiary of Vienna-based Raiffeisen Zentralbank Österreich AG (RZB). Founded in 1927, RZB is Austria's third-largest bank and the central institution of the Austrian Raiffeisen Banking Group, the country's largest banking group by total assets with the widest local distribution network.

RZB and Raiffeisen International have time and again underpinned their reputation as early movers and pioneers in CEE, having founded the first subsidiary bank in Hungary already in 1986, three years prior to the fall of the Iron Curtain. In more than 20 years of market presence, ten banks were founded and another ten were acquired. The resulting network covers the region with universal banks in the following 15 markets, servicing more than 15 million customers in over 3 000 business outlets.

- Albania Raiffeisen Bank Sh.a.
- Belarus Priorbank, OAO
- Bosnia and Herzegovina Raiffeisen Bank d.d. Bosna i Hercegovina
- Bulgaria Raiffeisenbank (Bulgaria) EAD
- Croatia Raiffeisenbank Austria d.d.
- Czech Republic Raiffeisenbank a.s.
- Hungary Raiffeisen Bank Zrt.
- Kosovo Raiffeisen Bank Kosovo J.S.C.
- Poland Raiffeisen Bank Polska S.A.
- Romania Raiffeisen Bank S.A.
- Russia ZAO Raiffeisenbank
- Serbia Raiffeisen banka a.d.
- Slovakia Tatra banka, a.s.
- Slovenia Raiffeisen Banka d.d.
- Ukraine VAT Raiffeisen Bank Aval

Raiffeisen International acts as these banks' steering company, owning the majority of shares (in most cases 100 or almost 100%). Furthermore, many finance leasing companies (including one in Kazakhstan and in Moldova) are part of the Raiffeisen International Group. RZB owns about 70% of Raiffeisen International's common stock. The balance is free float, owned by institutional and retail investors. The company's shares are traded on the Vienna Stock Exchange.

The Raiffeisen International Group posted a consolidated profit (after tax and minorities) of EUR 212 million in 2009. While this marks a decrease of 78% against the preceding year, the result nevertheless underlines the strength of the company's operative business and business model when seen in light of the sharply deteriorated economic environment and the record result the Group achieved in 2008. Raiffeisen International's balance sheet total declined by 11% to EUR 76.3 billion, reflecting both currency effects and the reduction in lending business on account of the economic crisis.

The RZB Group's balance sheet total amounted to EUR 147.9 billion as of year-end 2009, down 6% year-on-year. The Group achieved a pre-tax profit of EUR 824 million in 2009, up 38% against the preceding year. This result represents a significant accomplishment when seen against the backdrop of world-wide crisis and the fact that most of the countries in the RZB Group's home market experienced recession in 2009. At the reporting date, the Group employed a staff of 59 800 worldwide.

In addition to its banking operations — which are complemented by a representative office in Russia (Moscow) — RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management and mortgage banking.

In Western Europe and the USA, RZB operates a branch in London and representative offices in Brussels, Frankfurt, Madrid, Milan, Paris, Stockholm, and New York. A finance company in New York (with representative offices in Chicago and Houston) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with representative offices in Harbin and Zhuhai), Xiamen and Singapore as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB is rated as follows (as of March 2010):

- Standard & Poor's Short term A-1
 Long term A
- Moody's Short term P-1
 Long term A1

In Russian houses, elements of décor were requests and wishes directed toward the gods or forces of nature. The god of the Sun was called Dazhdbog, which means “the God who gives” or “the giver of all good”. The Slavs believed that Dazhdbog rode through the daytime sky on a chariot pulled by four winged stallions, while at night he crossed the Ocean-Sea on a boat drawn by ducks and swans. For this reason, special powers were attributed to amulets in the form of ducks with stallion heads.



03

Vision and Mission

Vision

We are the leading universal bank across Russia for all customers caring for quality.

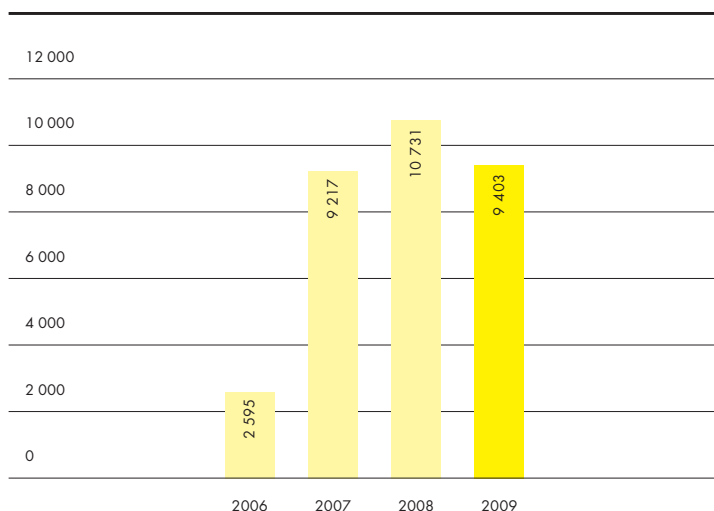
Mission

- We seek long-term customer relationships.
- We provide a full range of high quality financial services throughout Russia.
- We co-operate closely with all members of RZB Group.
- We achieve sustainable and above-average return on equity.
- We empower our employees to be entrepreneurial and foster their development.

Human Resources Policy

The year 2009 was quite challenging in all respects, including for Raiffeisenbank's HR division. The division's efforts throughout the year were aimed at supporting the changed business priorities, focusing on retention the maximum number of jobs and key employees and supporting the Bank's business divisions to optimize their work amid market instability.

Number of employees



Source: Raiffeisenbank

Following the rapid growth of the banking sector in 2008 and the hiring of a significant number of new staff, in 2009 HR had to suspend new hirings for most of the Bank's divisions. In some, the workload fell noticeably, and certain functions were temporarily not carried out, causing a considerable amount of released personnel. Management resolved to retain the maximum number of staff and jobs, so HR faced the difficult task of reallocation of staff within the Bank. Personnel from various divisions participated in the internal reallocation process, and although many people's qualifications differed from the strict functional requirements, most of the released staff, following retraining, moved to other divisions and learned new skills, expanding their professional horizons. For many, this difficult period was a time of new opportunities, enabling the Bank to eliminate 250 vacancies in Moscow alone.

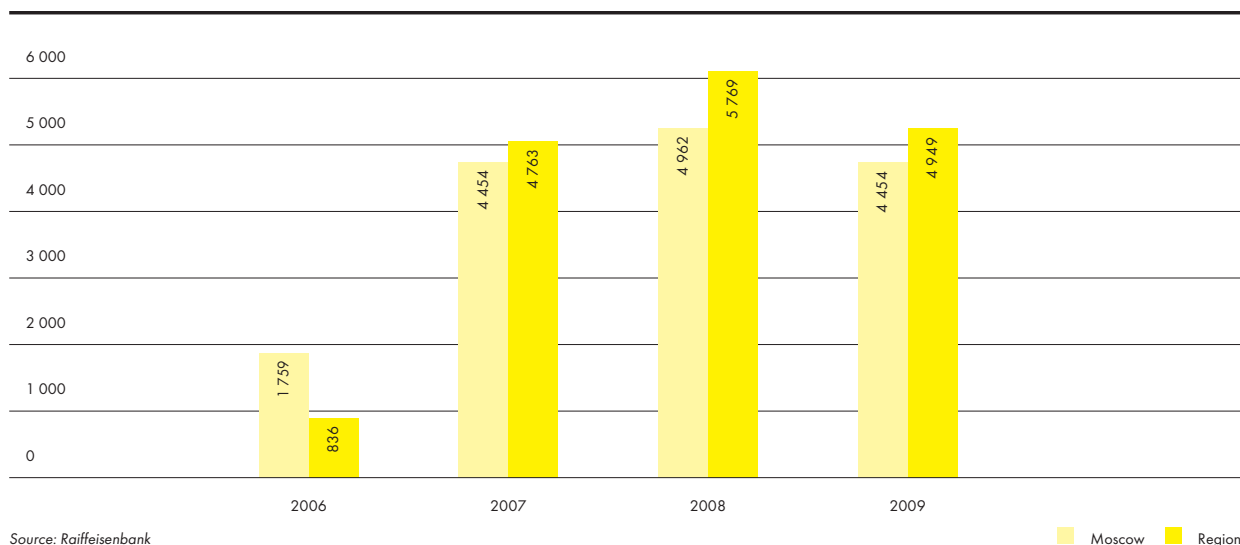
The retail segment also experienced significant changes. Although several Moscow branches were closed, 2009 saw the opening of seven new branches. In Q3 2009 the situation began to stabilize, leading to new hirings.

Last year the Bank optimized costs, including those in its branch network. Branch staff quality improved, and several new offices were opened in the regions without an increase in total local staff number. Successful staff reallocation was part of the effort to optimize the branch network. Branch integration, launched in 2008, continued, leading to branch unification in Krasnoyarsk, Nizhny Novgorod, Perm and Chelyabinsk; a branch in Yessentuki was closed, but an operational cash office was opened in Pyatigorsk.

During the year, the newly created structure of operational offices in the regions was launched in two formats, and efforts were begun to transform the entire regional branch network in the South and a branch in the Central Region.

In the area of Personnel development in 2009, particular attention was paid to the quality of targets setting in the frames of Performance management process both in Moscow and the regional offices. The process involved lower-level managers in the head office and mid-level managers in the regions. Another key area was creating instruments for the systematic development of managers at all levels. Using the Lominger Competency Model, HR created a new system of management development. Each manager receives access to various instruments for developing managerial and leadership skills. The system incorporates best global practice, offering equal opportunity for managerial development in the head office and the regions. In 2010, our goal is to combine all the instruments for evaluation as well as the development and advancement of managers to create the highest possible standard of manager development and organisation in the medium-to-long term, while promoting the development of Raiffeisenbank's corporate culture.

Number of employees in Moscow and the regions



In 2009, staff training reached a qualitatively new level. In June, a fully equipped training centre was opened at a new business centre in Moscow, featuring 10 training rooms, two computer classrooms, a large meeting hall, cloakrooms, and a kitchen to ensure effective, comfortable staff training. Trainings, seminars, conferences and meetings now occur at four in-house training centres in Moscow and the regions, allowing the Bank to reduce training costs.

Training centre staff devoted considerable effort to personnel retraining during the reallocation of employees among the Bank's divisions to optimize resources and retain jobs. Last year, the training centre also endeavoured to improve efficiency and cut costs, mainly by using internal resources for most training events and using the least costly training methods (E-learning, coaching, short training sessions, etc.). In 2009, over 200 new distance courses and tests were developed, over 20 of which were multimedia courses using interactive exercises, animation and video. For the first time, the multimedia courses were created by Bank staff without external providers. Last year also saw the successful launch of a new training instrument: online conferences, which provides considerable savings of time and money by reducing the number of business trips for trainers and participants. Over 8 500 staff made active use of the training portal, with an average of 500 users per day.

In response to limited resources, the Bank focused on improving each employee's efficiency, and one of the training centre's main projects in 2009 was training in personal efficiency: Organizing and Conducting Business Meetings, Time Management, Presentation Skills and Effective Business Writing. Over 700 employees in Moscow and the regions took part in these trainings. Last year, the training centre provided a record number of training events for Bank staff: over 5.5 days per employee; 1 500 employees participated in external trainings in Russia and abroad.

The year 2009 was very intensive for Compensation and Benefits area, largely due to instability on the financial markets. Changes on the labour market were monitored on a nearly monthly basis, as were compensation policies amid the crisis via participation in reviews of anticrisis measures for HR in the banking sector organised by independent consulting agencies. The results of the reviews enabled management early in the year to increase, amid "Social Responsibility", compensation for staff hard-pressed financially during the crisis.

In 2009, the review of current, and the implementation of new, incentive systems continued for various business divisions to boost individual and team sales volumes, improve client service quality and increase staff motivation.

Despite the banking sector's difficulties, and the efforts to optimize costs in all areas, employee benefits were unchanged. During the year, the Compensation and Benefits Group continued to actively oversee insurance programmes, provide support to employees upon their requests, and worked closely with partner companies offering special terms for services to Raiffeisenbank staff (sports programmes, insurance, etc.).

In 2009, the Compensation and Benefits Group significantly increased its reports volume, focusing on improving data quality, reporting centralization and optimization which resulted in better quality of the data presented to the Bank's various divisions.

Although 2009 was an unusual and very difficult year, HR successfully completed all its tasks, contributing significantly to process optimization, improved efficiency, and better client service.

In the past, the Sun was believed to be an all-seeing eye that strictly watched over people's morals and the correct observation of laws. It was thought that the great Sun god illuminated a person's entire route from Yav to Prav. Prav was the higher, heavenly world; Yav was this world, and Nav was the underworld. The façade of a house symbolized the sky, over which hung the sun, which protected the house.



04



Anti-Money Laundering Policy. Compliance Control

Raiffeisenbank greatly values its reputation and its clients' trust. Trust is particularly important in banking, so the Bank's services and operations must be based on honesty and fairness not only to clients, but also to other market participants.

Unfortunately, despite the measures taken by many countries and governments, financial crime is spreading, taking various forms. Criminalization of the banking sector is especially dangerous, as it has a destabilizing effect on the entire money and loan system, influences key market segments, and promotes corruption within governments.

We see our business reputation as a key value crucial to the Bank's further improvement, the strengthening of its market position, and the development of its relations with clients. To defend its reputation, Raiffeisenbank takes measures to reduce reputation risk*, including combating money laundering and terrorist financing.

The Bank faithfully honours the Corporate Conduct Code of Raiffeisen Zentralbank Österreich AG, which contains rules regulating day-to-day business practices, defines the Bank's basic values, and establishes ethically-based principles of corporate culture.

Our business principles conform to the standards and are based on values including:

- Client orientation;
- Professionalism;
- Quality;
- Mutual respect;
- Initiative;
- Teamwork;
- Honesty.

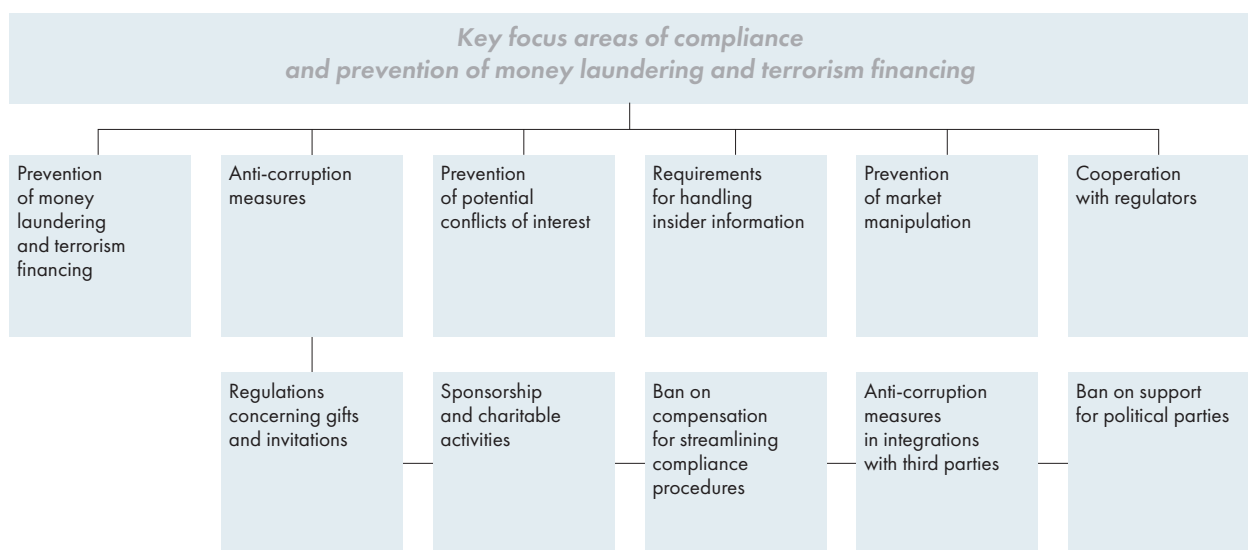
These values allow the Bank to provide effective corporate management while maintaining and enhancing its reputation and that of RZB as a whole. Raiffeisenbank conforms strictly to the law of the Russian Federation and all standards of the Raiffeisen Group regarding combating money laundering and terrorist financing, as well as compliance control.

In 2009, the Bank upgraded a number of procedures related to the rules for combating money laundering and terrorist financing as well as the standards and rules of behaviour protecting employees against unintentional violations of the law of the Russian Federation and RZB's standards. The Bank and its staff commit no acts that might have a negative impact on client interests, negatively affect capital markets, or harm the Bank's reputation. The Bank holds regular trainings for employees on combating money laundering and terrorist financing, as well as compliance control, including through innovative technologies such as the Internet, multimedia, and interactive communications.

*Reputation risk: the risk of loss lenders face from various factors including ineffective efforts to combat money laundering and terrorist financing.

Raiffeisenbank is a member of the Association of Russian Banks and the Committee on Combating Money Laundering and Terrorist Financing.

In its day-to-day business practice Raiffeisenbank strictly conforms to Legislation requirements on client identification, maintaining confidentiality, protecting clients' personal data and using accepted international practices (Customer Due Diligence, Know Your Client, Risk Based Approach), which allows the Bank to play a key role in combating money laundering and terrorist financing in Russia.



Source: Raiffeisenbank