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According to legend, the Swan was a holy, godly bird. In northern Rus, there was a story about the selection of a Tsar-Bird, which was the White Swan.

The beauty of this bird gave rise to many legends about the Maiden-Swan. They possess a secret immortality potion: the White Swan of legend was the owner of the Water of Life and the Apples of Youth. A wooden "bird of happiness" amulet hung in the entryway of nearly every house so that anyone who came in would only bring good things.



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# Treasury

## Financial Market Operations

In 2009, the financial markets were highly volatile\*, several times more so than in previous years, which reduced overall market liquidity, decreased the volume of speculative positions, and led to greater caution in assessing financial market risks. Nevertheless, the dominant tendency last year was post-crisis recovery.

Last year was successful for Raiffeisenbank in terms of financial market operations. Increasing risk exposure on the debt market in 2009 allowed the Bank to cover losses from bond portfolio revaluation due to the 2008 results and recoup them significantly. In 2009, the debt market showed impressive recovery rates after the worst phase of the crisis in 2008. The CBR's reduced rates, better Russian macroeconomic indicators, and the stronger rouble boosted investor demand. The most active participants on the local debt market are large Russian banks, including Raiffeisenbank, a leading corporate bond player authorized by the CBR for state securities operations and an active repo market participant.

For the past 10 years the Bank has been a leading market maker on the local currency market, the Bank took strong steps in 2009 to enhance its role on external trading platforms. Raiffeisenbank continues to develop and promote its financial products for hedging of interest and currency risks and structured products, constantly improving its services to clients on financial markets.

Raiffeisenbank is one of the major trend-setting banks, whose quoted rates and products can serve as key money market benchmarks. MosPrime has been an important benchmark for the Russian money market for the past five years, and Raiffeisenbank played an important role as one of its creators. The Bank was also an active developer of the new NFEA Swap benchmark in 2009, designed to improve the transparency of the derivatives market; the NFEA Swap should help bring about a widely-recognized long interest-rate curve for the local debt market and serve as the basis for new derivatives. This benchmark should take the Russian derivatives market to a new level, a market where Raiffeisenbank expects to be a leader.

\* Volatility: a financial indicator showing the tendency of market prices or income over time. It is an important financial indicator and idea in financial risk management, showing the risk of using a financial instrument during a given period of time. Usually average annual risk is calculated; volatility is expressed in absolute terms (USD 100 ± USD 5) or relative (100% ± 5%).

## Funding and Capital Management

Raiffeisenbank's funding strategy is based on the principle of maximum diversification of funding sources, with preference given to this or that instrument depending on the current market situation. The general composition of attracted resources is determined depending on the target structure of the Bank's assets and liabilities, as well as currency and interest risks. This approach has allowed the Bank to create a high quality system aimed at optimization of its resource base and close a number of public funding transactions over the past several years. For this purpose, the Bank used classic debt instruments such as syndicated loans and rouble bond issues as well as instruments innovative for the Russian market, such as assets securitization.

The Bank is an integral part of Raiffeisen International, and as such a significant portion of its long-term financing has been historically attracted through the loans of the parent company. During credit crunch these loans have helped to strengthen the stability of the Bank's resource base, serving as a buffer against potential outflows of Russian clients' deposits and destabilization of the interbank market. Raiffeisen International Bank-Holding AG has always been committed to the Russian market, as reflected by the significant volume of long-term loan resources provided by the Group to the Bank in 2008–2009 (USD 1.3 billion and USD 300 million respectively).

The anti-crisis funding management strategy allowed Raiffeisenbank to accumulate a significant amount of liquid funds in 2009 by means of optimizing the assets structure as well as strengthening the deposit base. Despite the difficult situation in the debt markets throughout the previous year, the Bank did not face any problems with honouring its debt obligations in a timely manner. In particular, in Q4 2009 the Bank repaid a USD 625 million syndicated loan and prepaid a USD 1 billion syndicated loan attracted in April 2008.

In last year's challenging economic climate, capital management became one of the key issues for the Bank's strategy. Despite the absence of additional inflows, the average level of capital adequacy under RAS in 2009 was 15%, which confirms the correctness of Raiffeisenbank's approach to equity management.

## **Financial Institutions**

### **Foreign Banks and International Financial Organizations**

In 2009, the Bank's work with foreign banks was mainly aimed at strengthening relations which allowed to maintain established unsecured credit lines for trading and documentary operations. Last year's efforts allowed the Bank not just to avoid any difficulties with confirmation and financing of LCs issued by clients' orders, but also to expand the range of counterparties by banks in Egypt, the UAE, Argentina, Vietnam and South Korea.

To meet corporate clients' import-export financing needs in 2009, the Bank joined trade facilitation programs, offered by EBRD and IFC. The signing of a framework agreement with one of the largest global banking groups gave Raiffeisenbank a possibility to organize long-term financing of foreign trade activities of its clients, covered by export agencies in exporter countries.

Last year brought an increase in the total volume of lines for trading operations established by leading Western banks for Raiffeisenbank. These lines allowed the Bank to avoid any difficulties with the servicing of its own requirements in derivatives operations, as well as with the servicing of clients' needs. Raiffeisenbank intends to further develop its infrastructure for trading operations in financial markets by means of new counterparties, new trading platforms and floors.

### **Russian Banks and Non-bank Financial Institutions**

The main goal of our work with Russian banks in 2009 was maintaining our position as a leading market maker on the local currency market. Under the agreement signed in December on guaranteed interbank operations for participation in the Law No. 173-FL "On Additional Measures for Supporting the Financial System of the Russian Federation", the Bank provided local banks with interbank loans partially guaranteed by the CBR. In Q1 2009, the number of counteragents working with the Bank under this program reached 75. Last year's risk management policy did not allow the Bank to increase its medium-term loan portfolio using credits from Russian banks and non-bank financial institutions. At the same time, as a result of our work with non-bank institutions, as of end-2009, time deposits from clients in this segment had increased by 9.2%.

## Public Sector Department

Last year, the Bank was an active participant in auctions and tenders for the right to lend to regional and municipal governments in Russia. As of 1 January 2010, the Bank's state loan portfolio was RUR 3.2 billion, and the volume of loans issued to state organization exceeded RUR 2.6 billion.

In 2009, the Bank continued working with the liabilities of state organizations; successful programmes included:

- Extending the authority of a credit organization using Russian federal budget funds and the State Housing Reformation Fund;
- Receiving the status of authorized bank for using fund of the Vologodsk and Krasnoyarsk regions;
- As of end-2009 deposits with the Bank from the Housing Reformation Fund were over RUR 11.4 billion.

One key aspect of our work with state institutions in H1 2009 was preparing new standards for the financial analysis of Russian regions and municipalities considering the situation on financial markets, which made it possible, combined with our individualized approach, to repay RUR 7.2 billion on time and maintain relations with clients on the proper level. In tandem, steps were taken to restructure debt of RUR 0.4 billion.

Using the experience gained, the Bank in Q4 2009 expanded its loan portfolio thanks to work with current clients and new clients with strict requirements. By early 2010 our loan profile was more diversified and profitable.

**T**he Bear is the most honoured Slavic beast. The Bear is the embodiment of the god Veles, god of success, protector of household livestock and wealth, patron of traders, ranchers, hunters, and farmers, and the lord of the forest. Domestic outbuildings were fumigated with bear fur, and magic amulets were made from their fangs and claws. Bear dens were considered one of the entrances to the Underworld, and their owners were the guards of the kingdom of Nav.



06



# Corporate Customers

In 2009, the Russian banking system faced serious challenges:

- The higher cost of financial resources due to sharply reduced liquidity and increased financial risks led to a significant drop in corporate loan demand;
- The weaker market and the higher cost of debt servicing cut into borrower loan quality, putting the brakes on lending;
- The growth of overdue loans forced banks to increase provisioning significantly, which seriously limited their ability to additional products and services.

In these extremely difficult and unfavourable conditions, Raiffeisenbank remained faithful to its strategy and main priorities when working with corporate clients.

## Our Priorities

### *Reliability and Stability*

Even in the worst moments of the crisis, we maintained the Bank's current liquidity at a level that allowed us to meet all operational obligations to clients in a timely manner.

Throughout the year, we invested additional resources to improve the procedures and technologies of loan portfolio quality control and risk management which strengthened our ability to develop client relations based on stability and highly disciplined execution.

Our efforts along these lines were greatly appreciated by clients: deposits remained stable, a testimony to the high level of client trust.

### *Responsibility*

Our willingness to support clients in difficult times is a key element of our strategy in developing relations with partners. From the beginning of the crisis and throughout the year, we worked actively to restructure loans and other client debt obligations. We view optimization of the debt burden during the crisis as a bilateral process with partner banks, corporate bond market participants and investors.

We expect our restructuring efforts with clients to make it possible to overcome the negative consequences, leading to the stabilization and development of our clients' business.

### *Service Quality*

High service standards, gradual expansion and improvement of the product and service line have always been Raiffeisenbank's top priorities when working with clients in Russia.

Our willingness and ability to adapt to client's needs during the crisis were the driving principles of the Bank's efforts in 2009. Our individual approach to developing and structuring the terms, sources, and instruments of finance used with clients during the year helped many raise funds on more favourable terms despite the sharp supply deficit.

Despite the challenges faced by the Bank and its clients in 2009, the year saw significant achievements. Our business model's strength was tested as was our ability to manage risk in difficult financial and economic circumstances; we retained our main asset, client trust, and increased our knowledge, allowing us to move forward with confidence, boosted by our results for 2009.

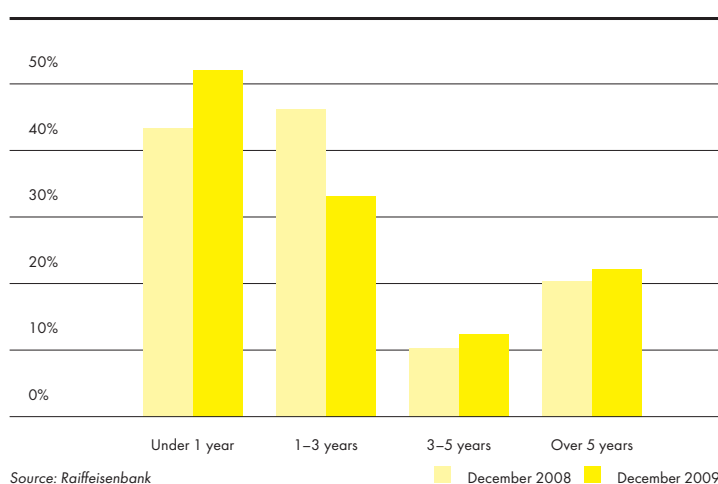
In 2009, our branches devoted considerable attention to service quality for small and micro businesses. Our studies show that client satisfaction with service to a large extent depends on the specific city and office in which the services are rendered. Each professional on our team must capture a client's interest with a specially tailored package, making staff work with clients a key factor in our work with small business and entrepreneurs. We believe our efforts to improve staff professionalism will keep branch service for this segment high in 2010.

## Assets

The influence of the global economic crisis and the sharp drop in the pace of Russian economic growth in 2009 had an impact on the Bank's results. For the first time in the Bank's 13-year history in Russia, the corporate loan portfolio contracted due to reduced lending amid sharply higher credit risks, lower collateral quality, and various other factors:

- As the cost of borrowing significantly rose, many clients modified their financing strategies, switching from borrowed to own funds to reduce their debt burden and servicing costs;
- The higher cost of loans in foreign currency due to the stronger USD and EUR vs. the RUR reduced demand for foreign-currency resources and/or refinancing hard currency loans in roubles from the public debt market. The stabilization of liquidity in H1 2009 allowed borrowers to raise funds on the corporate bond market to refinance bank loans, which had an impact on the Bank's loan portfolio in Q2–Q3 2009.

### Corporate loan portfolio by loan period

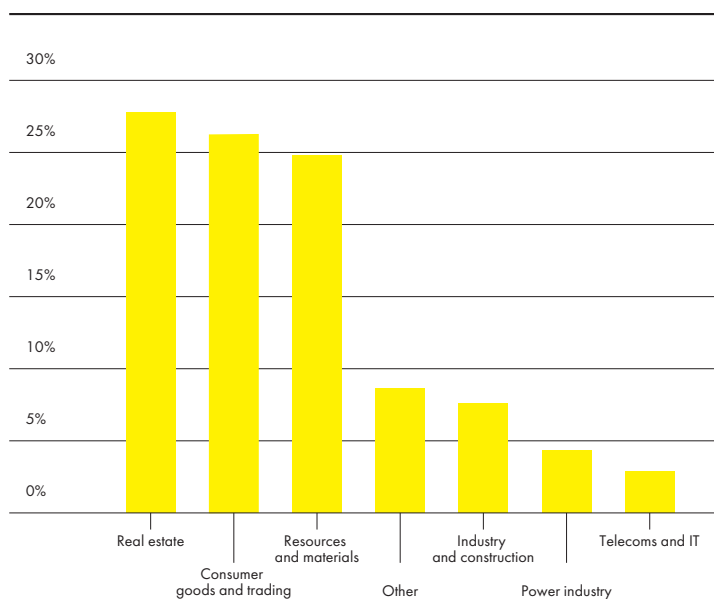


Last year saw a reduction in the pace of corporate asset contraction, beginning in H2 2009, and several large loan transactions allowed us to break the negative trend. In December, we signed an RUR 3.5 billion loan agreement with Detsky Mir, Russia's largest retail chain for children's goods, allowing the company to fully refinance its debt due in 2010 and increase its working capital; additional products provided under the agreement allow the company to finance its trading activity more effectively.

A USD 100 million deal with Polymetal was a major event for the Bank's regional network, confirming that clients were returning to the local debt market. The funds were used to refinance the group's loan portfolio to improve its quality (including longer

payback periods). In Q4 2009, we managed to significantly stabilize our loan book, remaining one of Russia's Top 10 banks by this measure. Overall, we see last year as successful on the loan market, which we believe should promote more debt consolidation transactions with clients under larger loan agreements on a bilateral and syndicated basis.

### Structure of the loan portfolio by sector



Source: Raiffeisenbank

and construction fell 40% from 12.3% in 2008 to 7.3% in 2009, due in part to some clients' desire to refinance using funds from state programmes supporting large and strategic companies with money from authorized financial institutions. We fully understand why some of our clients made this choice and expect our work together to resume as conditions improve.

## Project Finance

Project finance is a priority area for Raiffeisenbank, representing over 19% of the loan portfolio. Traditionally, most corporate finance deals (over 93%) relate to commercial real estate. Despite the negative tendencies in this segment, Raiffeisenbank continued to support its regular clients, providing finance for several major projects:

- Marr Plaza: a class A office building with total space of 34 000 sq.m in Moscow, the market's largest at the dawn of the crisis;
- Znamenska II: a class A office building with total space of 6 000 sq.m with apartments, an interesting Moscow project downtown near the Kremlin with exceptional views.

The Bank's participation in the development of the Russian real estate market totals over USD 2 billion, with dozens of completed projects and projects under construction in the warehouse, logistics, commercial and office segments.

Amid the uncertainty about financial markets' prospects and the exchange rates for key currencies, clients were increasingly interested in short-term resources, including refinancing long currency liabilities. Nevertheless, the Bank's loan portfolio by loan period did not change significantly.

The share of loans due in more than one year in the total corporate loan portfolio was over 56%, showing the stability of the client base. We are pleased to note that most clients continue to work with the Bank on a long-term basis. The Bank's industrial loan portfolio was also stable, supporting the directions and priorities of our financing for the corporate sector. The share of the three main business segments was virtually unchanged year over year at over 75%.

The impact of the crisis varied by industry: some segments of the loan book experienced significant contraction, particularly machine building, automotive and construction. The share of industry

## Restructuring

Raiffeisenbank has also supported clients in other segments hit harder by the crisis, using partner bank resources as well as its own.

One example is the restructuring of a two-year USD 70 million syndicated loan organized by the Bank in 2008 for the Independence group. When auto sales began to fall sharply in 2009, the company asked the Bank, as the syndicate organizer, to restructure the loan. Together with our syndicate partners, we agreed new terms allowing the client to stabilize its financial position and current operations; the loan period was increased to over three years, and additional requirements (covenants) regarding the borrower's financial indicators were introduced. The client also provided the banks with additional collateral.

In 2009, Raiffeisenbank restructured about RUR 25 billion in loans to help protect and develop our clients' businesses, and we sincerely hope that these funds will be used to help these businesses overcome the consequences of the crisis with greater confidence.

## Documentary Operations

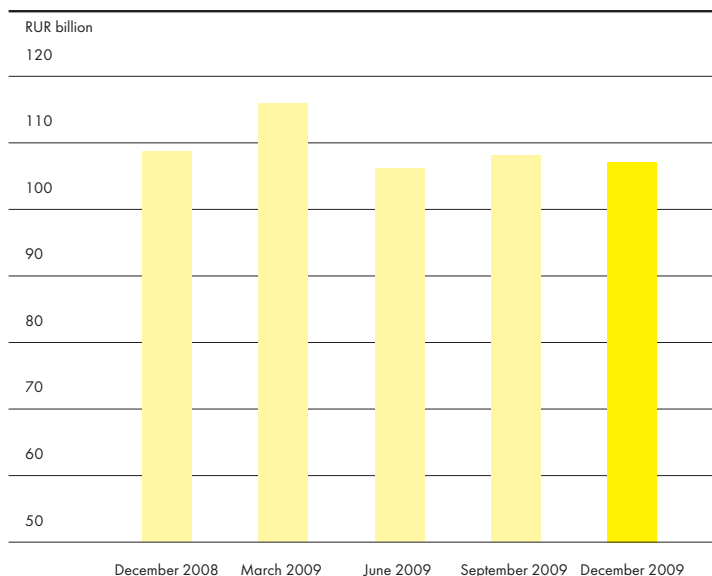
Last year brought steady growth in corporate demand for documentary products and services, mainly bank and payment guarantees due to the reduction in trust among counterparties amid rising risks and uncertainty. The total volume of guarantees issued by the Bank for clients in 2009 rose 27% yoy.

In 2009, Raiffeisenbank signed an agreement with the EBRD as part of the International Trade Assistance Programme. The programme included EBRD guarantees for international banks to cover country and regional risks, enabling commercial banks to use the EBRD's high credit rating (AAA) when financing clients' trading operations.

We intensified our work with medium and small companies on documentary operations in many regions, with the share of LCs and guarantees in the documentary asset portfolio rising over 2X to 8.7%. Export LCs also rose sharply (up 60% yoy).

## Servicing Corporate Clients

### Changes in the Bank's liabilities: payment and deposit accounts



Source: Raiffeisenbank

The stable client base and high client trust were important achievements for the Bank in 2009.

The average balances on clients' payment and deposit accounts were virtually unchanged last year despite the crisis pressure on the market and most companies' business, a strong indicator of the quality and reliability of our processes and technologies for risk management and payment/cashier service, our competitiveness, and the demand for our products and services.

The stability of corporate liabilities in 2009 shows that clients appreciate our efforts to improve, giving us confidence in the further strengthening of client relations in 2010.

## Distance-Banking Services

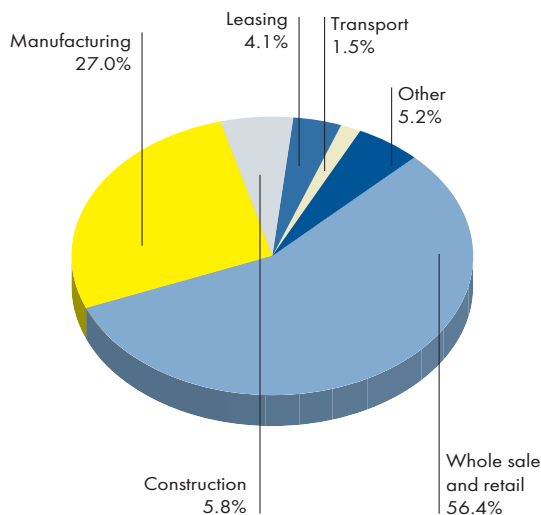
Our Bank-Client payment systems for companies offer a wide range of services (the systems processed over five million payment documents in 2009).

Last year, to develop these systems, we closed the outmoded Client-Bank Express system, and launched a modern distance service platform for corporate clients.

Thanks to steps taken to optimize costs in 2009, the main expenditures on supporting the Client-Bank systems fell 35% (a saving of over EUR 100 000).

## Loans to Medium-Sized Business

Sector structure of loan portfolio for medium-sized business in 2009



Source: Raiffeisenbank

Financing medium-sized business remained a key area for the Bank in 2009. The financial crisis led to changes in the approach to financing medium-sized companies, including higher loan security and shorter loan periods. The new approaches allowed us to maintain the loan book quality despite the instability, with loan risks at an acceptable level.

The number of medium-sized companies using our credit products rose to over 230 last year, with the greatest concentration, as in 2008, still in wholesale and retail (56.4%) and manufacturing (27%).

In 2009, we expanded the limits of our lending to medium-sized business (annual revenue from RUR 300 million to RUR 2 billion). The new limits expand the Bank's ability to offer mutually beneficial, effective lending and services, with the programme among the most attractive and competitive on the Russian market, allowing clients to expand and develop their businesses.

## Corporate Finance and Investment Banking

In 2009, Raiffeisenbank continued its successful work in corporate finance and investment banking. The Bank served as Lead arranger and book-runner for 20 corporate bond issues with a total par value of over RUR 105 billion (up 35% yoy), allowing the Bank to maintain its position as a local corporate bond market leader. Major rouble bond issues included:

- The placement of two EBRD bond issues for a total of RUR 8 billion, a debut after-crisis transaction in 2009. The coupon was MosPrime minus 25bp for five years for the fifth issue and MosPrime minus 55bp (five years) for the fourth; this was the first time an issuer raised funds for less than the base market indicator;
- VimpelCom's second bond issue (RUR 10 billion), a major H1 2009 transaction;
- The second bond issue for the Agency for Mortgage Lending (RUR 9.4 billion) with record terms of 8, 13 and 19 years;
- A debut issue by the Eurasian Development Bank for RUR 5 billion (10.5% annual for a two-year offer, the lowest post-crisis level for bank bonds);
- The second bond issuance for X5 Group N.V. (RUR 8 billion in June 2009) the largest issue of the year in FMCG. Over 240 investors participated in the deal, the widest investor base in the after-crisis period;
- In September 2009, for Severstal's second bond issue (RUR 15 billion) demand exceeded the par value nearly 4X at RUR 55 billion, one of the best results of the year;

In late 2008, Raiffeisenbank served as a consultant for the rouble bond market's first-ever corporate bond restructuring, successfully completed by Top Kniga. Working actively in this area in H1 2009, the Bank strengthened its leading position in terms of the number and size of successful deals. In 2009, Raiffeisenbank was named the Restructuring house of the year by the Russian bond market rating agency Cbonds.



ChTPZ

Bond issue  
RUR 5 billion  
Arranger  
December 2009



Acron

Bond issue  
RUR 3.5 billion  
Arranger  
November 2009



AHML

SPO  
RUR 9.4 billion  
Arranger  
October 2009



Eurasian Development Bank

EDB

Bond issue  
RUR 5 billion  
Arranger  
October 2009



Acron

Bond issue  
RUR 3.5 billion  
Arranger  
September 2009



Severstal

Bond issue  
RUR 15 billion  
Arranger  
September 2009



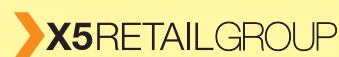
NWT

Bond issue  
RUR 3 billion  
Arranger  
August 2009



VimpelCom

Bond issue  
RUR 10 billion  
Arranger  
July 2009



X5 Finance

Bond issue  
RUR 8 billion  
Arranger  
June 2009



Wimm-Bill-Dann

SPO  
RUR 3 billion  
Arranger  
May 2009



EBRD

Two bond issues  
RUR 8 billion  
Arranger  
April-June 2009

## Syndicated Loans

In H1 2009, Russian borrowers had virtually no access to syndicated loans, as the global recession dictated conservative lending rules, cutting deep into loan market volumes. In the summer, however, investors began returning to the Russian market where the economic situation allowed the most financially stable and reliable corporate borrowers to raise diversified financing from banks. Most of these transactions were club loans with a small number of lenders.

In October, Raiffeisenbank was the organizer for a USD 500 million club loan at LIBOR+5% for Gazprom Neft. Other organizers included BTMU (Europe), Nordea Bank, UniCredit Bank and Societe General Vostok. In December, the Bank served as organizer for a USD 150 million club loan for Pokrovsky Rudnik. Other organizers and lenders for the deal included ING Bank N.V. and UniCredit Bank, with Societe General Vostok joining in January 2010.

The positive market trends in late 2009 point to more active syndicated and club lending in Russia in 2010 amid the general stabilization of loan markets.

## Custody Services

According to the annual survey conducted by Global Custodian, the leading magazine covering the international securities services business, in 2009 Raiffeisenbank Custody confirmed its Top Rated status, receiving 5.57 out of a possible 6 points from foreign investors for the quality of its custody services on the Russian securities market.

In late 2009, the Bank's Custody offered its clients Delivery versus Payment Settlement via the Depository Clearing Company. DCC DVP scheme is designed for one-time transfers of securities to buyers and sale proceeds to sellers, allowing both to avoid counterparty loan risks, which is particularly important during periods of economic instability.

Fund Administration is still one of the Bank's Custody priority areas. In 2009, the Bank started implementation of an electronic document processing system designed to accelerate communication among professional market participants, which should significantly improve the quality of Fund Administration services.

In 2010, Raiffeisenbank plans to extend its product line of Delivery versus Payment services, participate in seminars and panel discussions with representatives of the Central Bank of Russia, the Federal Financial Markets Service, professional society for discussing problems encountered by foreign and domestic investors on the Russian securities market, as well as in the international conferences.

**T**he horseshoe has long been a widespread magic folk amulet. It is placed over the door to a house where it keeps unclean spirits and evil beings from crossing the threshold. For the horseshoe to protect the house, it must be hung with its sharp ends down. To use it as a lucky charm, the ends must point up so that the luck that arrives does not run out.



07



# Retail Customers

## Branches

In 2009, Raiffeisenbank continued the successful development of its branch network, opening 17 new sales outlets. To improve client service quality, all branches in Yekaterinburg, Chelyabinsk, Perm, Nizhny Novgorod and Krasnoyarsk were united into a single operational platform.

In Moscow, seven new additional offices were opened: Bolshiye Kamenshchiki, Ryazansky prospekt, Belyaev, Arbatskoye, Na Myasnitskoi, Prospekt Mira, Mayakovskoye and Voikovskoye.

Last year, the Severnaya Stolitsa branch in St. Petersburg opened new additional offices: Kupchino and Vladimirskaaya Ploschad'; in Kaliningrad the additional office, Ploschad' Pobedy was opened.

In the Central Region, a new branch was opened in Kursk.

The Sibirsky branch in Novosibirsk opened an additional office, Na Prospekte, an additional office, Okeansky was opened in Vladivostok and an additional office, Na Kraulya, was opened in Yekaterinburg.

The Yuzhny branch opened two additional offices: Yubileiny in Krasnoyarsk and Zapadny in Rostov-on-Don.

In 2009, the Sales Force Effectiveness project became a key priority of Raiffeisenbank's retail business in Russia. The project involves the active use of global sales management standards and improving sales efficiency and service quality at branches. One of the main goals of the project is creating a manageable network capable of reacting to changes in the market quickly and effectively.

In 2009, the project was implemented at all branches in Moscow and regions, and the results exceeded expectations. Originally, the plan envisaged a 30% increase in sales volume, on average, throughout the network, but in fact a 93% increase was achieved during the implementation period and 108% afterwards, one of the best results in the Raiffeisen International Group. The project also helped improve the knowledge and skills of branch staff and managers. During the launch period 160 branch managers received training in specially developed programmes, along with 540 sales managers and 560 specialists throughout Russia, allowing personnel to grow professionally and develop their leadership qualities.

Last year's launch of the SFE project was a key event in the development of Raiffeisenbank's retail sales culture, and an important task in 2010 is developing and supporting SFE standards, allowing clients to receive proper consulting and quality service in the branches and enjoy using the Bank's services.

## Direct and Corporate Sales

In 2009, to increase the effectiveness of direct and corporate sales, the Bank implemented channel reorganization, created a new organizational structure in Moscow and the regional centres, and launched a new incentive system.

Last year the direct sales group in Moscow sold consumer loans (57% of total sales), credit cards (24% of total sales) and unit investment funds (61% of total funds raised). The share of consumer loans sold by direct sales specialists in the Bank's regional branches was 20%, on average, of total regional sales, and the share of credit sales was 40%.

Last year, the corporate sales group brought in new clients for payroll service projects; in Moscow 388 companies were added with a total workforce of 31 990.

In regional branches, the efficiency of work with payroll customers was improved due to automated process efforts (switching payroll projects to the Electronic Office system). A total of 740 companies with a total workforce of 42 000 were signed on payroll projects.

## **Payroll Support Group; Payroll Projects and Direct Sales Administration Group**

In 2009, in the payroll accounts segment roughly 40 000 new client accounts were opened, and commissions from the issue of payroll cards was RUR 20 million, up 3.5 times yoy.

The Payroll Project Support Group serviced 300 new companies with a total client base of about 40 000. In H2 2009, group specialists met with key clients to resolve issues related to cooperation on the payroll project and supporting long-term relations and effective cooperation.

## **Call Centre**

Raiffeisenbank's Information Centre provides twenty-four-hour distant service to clients and works in several areas: card support, retail customer general support and dedicated lines for Private and Premium clients. Information Centre specialists actively offer different bank products and services and also meet clients' needs.

In 2009, Information Centre focused on upgrading quality of service. To improve service, a client survey was conducted. The results revealed the necessity of further improvement and active steps were taken in this direction, in particular, the Information Centre set the task of reducing the volume of client call transfers among Bank staff. It requires the re-engineering of some business processes; the work has been started this year and will be continued next year

For the past several years, the Information Centre in Russia has been a Raiffeisen Group leader in terms of incoming and processed client calls. In 2009, the Centre took roughly 3.5 million calls. 500 000 outgoing calls were made and 30 000 letters were handled.

In 2009, a new service — Raiffeisen Teleinfo — was introduced, an automatic telephone system offering general and individualized information, prompt and secured response.

## **Distance-Banking Services**

In 2009, Raiffeisenbank's official site, [www.raiffeisen.ru](http://www.raiffeisen.ru), recorded more than 2 million hits a month, roughly the same as the average for 2008, but the number has been growing steadily since late 2009. The site is a leader in Internet ratings among banks, surpassing the sites of the main competitors on total visits for banking service requests in popular search engines.

In 2009, a cartographic service was launched at [www.raiffeisen.ru](http://www.raiffeisen.ru) allowing clients to search rapidly for branches and ATMs both visually, on maps of Moscow and St. Petersburg, and contextually by service type in all regions where the Bank operates.

The Fast Mail services site ([www.bpochta.ru](http://www.bpochta.ru)) and the NPF Raiffeisen site ([www.npfraiffeisen.ru](http://www.npfraiffeisen.ru)) were united into a single web-content management platform where Raiffeisenbank's official site has been working

since 2007. This allows a cross exchange of information among company sites in the banking group, making it possible to inform clients more fully and rapidly about the group's services.

To expand Raiffeisen's MOBILE services, clients can now use a special mobile phone application to easily and conveniently learn their card balance, receive statements, see exchange rates, share prices, and other information.

In 2009, Global Finance deemed Raiffeisenbank the best Internet banking services provider in Russia for private customers in Eastern and Central Europe.

New provider categories were added to payment services, including Internet, telephony, and television. Soon, the Bank will expand its list of access categories and providers, as this service enjoys strong demand among customers. Raiffeisen CONNECT now offers greater security, a personal data change service, and information about operations completed in the system.

In 2009, CONNECT crossed the 300 000 threshold, completing over 1 036 000 operations, up 2 times yoy, thanks to rapidly growing payment services, which took the lead with over 480 000 operations.

In 2009, the Bank sent over 25 million SMS alerts to clients, and the number of cards linked to Raiffeisen MOBILE exceeded 258 000, up 32% yoy, making Raiffeisen MOBILE as popular as Raiffeisen CONNECT.

Efforts to improve the level of call service (both corporate and retail) for clients' electronic banking questions resulted in an 80% increase in H2 2009.

## Cash Loans

Despite the difficult economic situation and decrease in creditworthiness of many clients, Raiffeisenbank continued to provide consumer lending in substantial volumes (over RUR 3 billion). The Bank is mainly oriented towards regular clients who meet their loan obligations conscientiously, and clients making regular non-loan settlements (the share of sales to current clients in 2009 was 35%). Another priority area was the staff of corporate clients — reliable consumer borrowers working in financially stable companies. These clients accounted for 29% of total sales.

In 2009, the Bank worked on optimizing its processing and approving of consumer loan applications. A new system for processing client applications was implemented in most of the Bank's divisions. As a result, the average processing and approval time was cut from five days to less than four.

Given the temporary difficulties some borrowers faced amid the economic downturn, in February 2009 the Bank offered a debt refinancing programme for clients with a good pre-crisis credit history in roubles and other currencies. More than 2 200 clients used this programme in 2009.

## Car Loans

Car loans remain an important part of Raiffeisenbank's retail business. As of 1 January 2010 the share of car loans in the total debt of individual clients was 29.6% (RUR 23.3 billion).

In 2009, over 7 000 car loans were issued, with more than 90% going for the purchase of new foreign-made models.

The development strategy for this product targets the stable client segment, living and working in markets where the Bank operates and buying relatively inexpensive foreign-made models.

In 2009, Raiffeisenbank continued improving its product line, offering various new services: life and health insurance for car loan clients, cost-free early repayment of car loans at any time, and registration of a car in the name of the borrower's spouse.

A key area for the development of this segment was partnership with carmakers and major dealers. Last year, the Bank continued its participation in the Ford by Loan programme and the launch of a new special federal programme GM Finance with General Motors. In December, the Bank joined the state programme of subsidized interest rates for car purchases.

This year, Raiffeisenbank intends to increase its share of the car loan market, working with partners offering competitive products and quality service and simplified loan processing procedures.

## Mortgage Loans

As of end-2009, Raiffeisenbank's mortgage loan portfolio was RUR 27.7 billion. In H1 2009, demand for mortgage loans fell yoy amid the economic downturn. However, despite the higher risks in the segment and the difficulties on the real estate market, the Bank continued its mortgage lending, as it is a strategically important retail product.

In H2 2009, demand for mortgage loans increased, and in late 2009 Raiffeisenbank offered clients new mortgage terms, with lower interest rates and commissions, longer repayment periods, and other more interesting and favourable conditions.

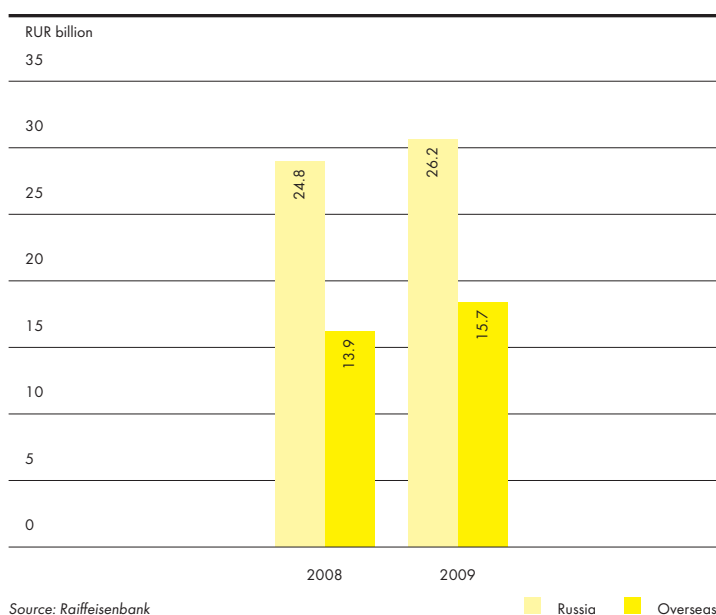
## ATMs

Raiffeisenbank's ATM network expanded by 10% yoy in 2009 to 1 515 units, including 337 cash-in.

The number of transactions at the Bank's ATMs exceeded 4 million, including 5% for payment for mobile communications, Internet, and television (up 38% yoy).

## Debit Cards

Total purchases at trade and service companies using Raiffeisenbank cards



Source: Raiffeisenbank

In 2009, Raiffeisenbank's total debit card portfolio was about 1.07 million; gold cards rose 15.8% yoy to over 29 950. The main driver of this intensive growth was the bonus system launched in September. The total volume of purchases at trade and service companies using Raiffeisenbank cards was RUR 26.2 billion and RUR 15.7 billion overseas.

In September, Mobile TeleSystems, the Visa global payment system, and Raiffeisenbank launched a new product for clients: the MTS-Raiffeisenbank VISA card, the Bank's first venture into co-brand debit cards.

In April 2009, the Bank completed an important integrating project, linking bank card processing centres and resulting in centralized processing systems for servicing holders of VISA International and MasterCard International for trade acquiring, e-commerce, ATM networks and unifying banking services to holders of Raiffeisenbank's debit and

credit cards. The unification process took 21 months, and the unified processing centres are an important step towards creating a single operational platform for the Bank, promoting effective business development using the bank cards of global payment systems, and offering clients a high level of service, state-of-the-art card products, and convenient service channels.

This year the Bank plans to issue chip cards, and hopes to transfer its entire card portfolio to this format by end-2011. Additionally, Raiffeisenbank plans to launch a new bundle on the VISA Platinum platform and a progressive savings accounts for Premium segment clients.

## Credit Cards

In 2009, Raiffeisenbank issued two new co-brand cards Austrian Airlines–Raiffeisenbank MasterCard credit card (Standard and Gold) was launched in February. Cardholders accumulate miles in the Miles & More loyalty programme each time they pay with their credit card. Miles & More miles can be redeemed for award flights and other rewards.

MTS–Raiffeisenbank VISA card was launched in September. By using the card to pay for goods and services, cardholders accumulate bonus points more quickly, redeeming them for conversations with friends and relatives, SMS packages, and other interesting bonuses. Raiffeisenbank launched the 1st bank card within MTS Bonus programme.

Under Raiffeisen International's sponsorship of the 54th Eurovision Song Contest in Moscow, Raiffeisenbank issued credit cards with the logo of the Eurovision 2009 contest.

The main goal this year was promotional campaigns of its own, and with partners, for the active involvement of cardholders through the whole card life cycle. Despite the difficult market conditions, in late 2009 the Bank began using alternative methods for confirming income when credit card applications are made.

## Deposits

In 2009, Raiffeisenbank took significant steps to develop new deposits: Multicurrency, Growing Income, Replenishment and Investment for the Personal Individuals segment and International, International Plus, Investment Plus and Insurance for the Private and Premium banking segment.

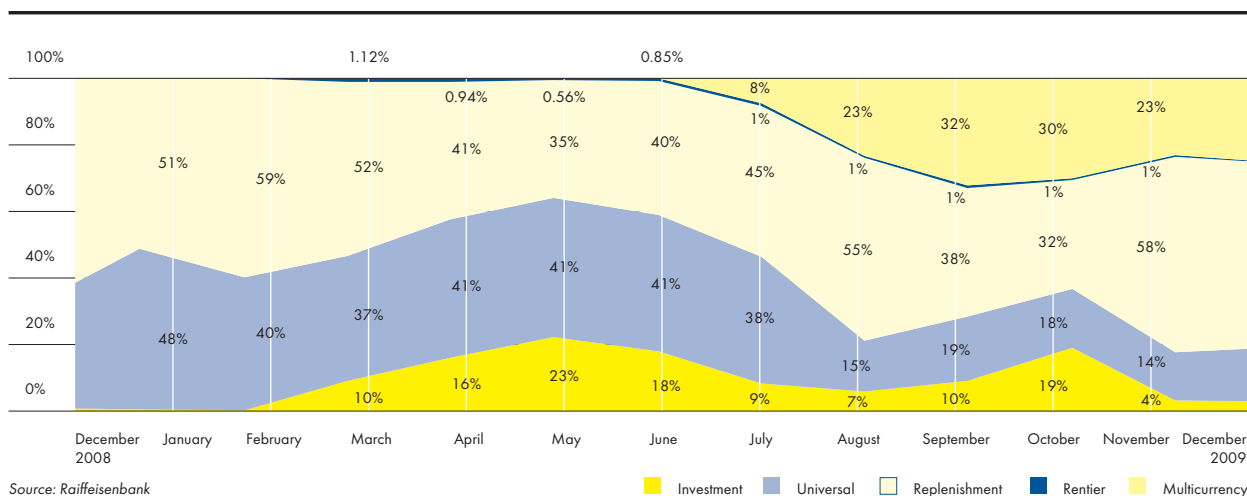
The year 2009 significant marketing efforts targeted on new and current clients, as well as special offers for loyal clients.

Analysis of market movement and efforts to sell deposits while maintaining their profitability, allowed Raiffeisenbank to increase its market share from 1.27% in 2008 to 1.43% in 2009.

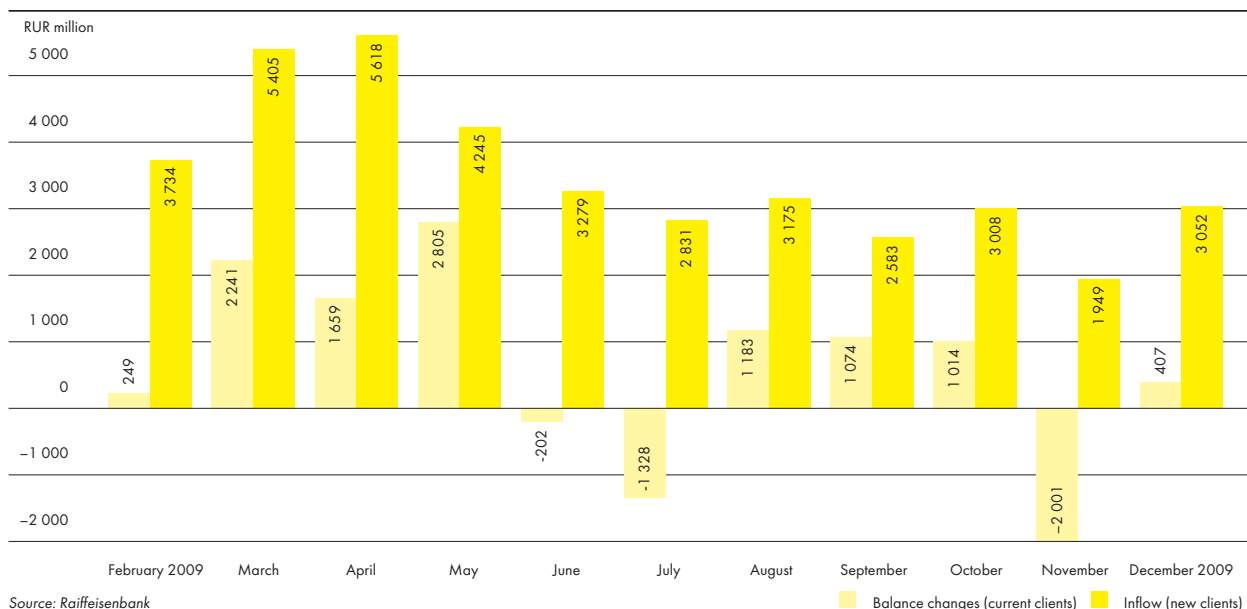
The bank's portfolio of private deposits rose from EUR 63.1 billion to EUR 92.5 billion, with nearly 85 000 clients opening accounts.

This year, the Bank plans to launch new deposit products: welcome TD (for new clients), Insurance deposits and Binary deposits - for Personal Individuals. Additionally, the Bank intends to improve its deposits and deposit services; this includes adding a new currency to Multicurrency TD, partial withdrawal services, and opening new deposits in the Raiffeisen CONNECT system.

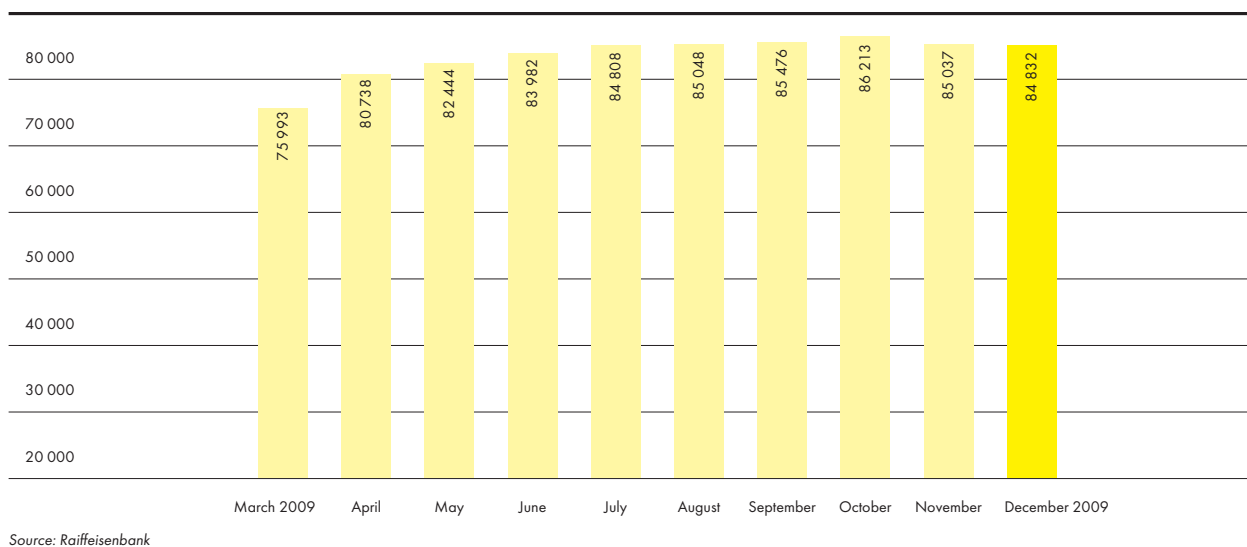
### Share of new deposits in Raiffeisenbank's total deposits



### New fund flows and changes in the balances of Raiffeisenbank's clients



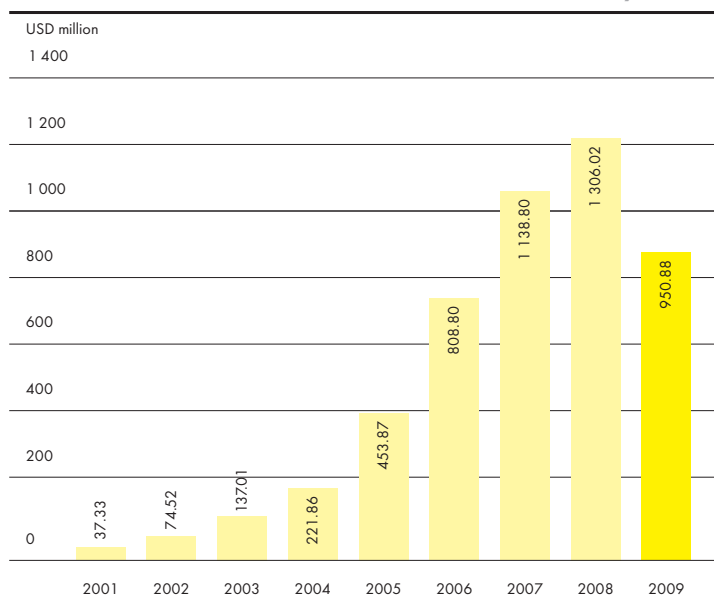
### Number of retail clients with Raiffeisenbank deposits



## Fast Mail Money Transfers

The year 2009 was challenging for the money transfer market. For the previous five years Russia had been one of the fastest-growing markets for money transfers, but the global economic downturn changed things dramatically, with transfer volumes dropping significantly. Nevertheless, over 2.5 million clients in Russia/CIS used the Fast Mail system to transfer funds, with turnover exceeding the equivalent of USD 900 million, suggesting a bright future for the system.

Turnover of Raiffeisenbank's Fast Mail funds transfer system



Source: Raiffeisenbank

Significant changes have occurred in the system's geography. The network now includes over 5 600 sales outlets, up more than 20% yoy. The clients of over 170 partner banks can make transfers from over 1 500 cities and towns in 12 countries. The sales network in Russia grew by more than 50% and now includes over 200 cities and towns with over 1 000 Raiffeisenbank and partner bank offices.

Priority last year included tariff policy, service quality and technological development, always a key element of Fast Mail. To support its clients in difficult times, Fast Mail reduced its tariffs and offered new services intended to improve functionality, and reduce time and money expenditures during transfers. Rouble transfers in the CIS became available in mid-2009, and since December clients can make 24/7 transfers from the self-service terminals of CyberPlat, one of the Bank's partners; this year Fast Mail will be available at retail mobile phone outlets.

## Premium Banking

On 31 March 2010, at its Smolenskaya 28 and Troitskoye branches, the Bank began offering Premium Banking services. The project is very significant for differentiation of retail services, allowing the Bank to qualitatively improve the way it services its most valued clients.

In 2009, Premium Banking was offered in 24 branches in Moscow, St. Petersburg and Yekaterinburg, with about 40 managers working with clients. By end-2009, the Bank had over 4 000 Premium Banking clients.

Premium Banking clients are offered:

- A personal manager — a banking and finance officer chosen from among the most professional and successful bank employees;
- Direct contact with the Bank at any time — the manager is accessible by mobile phone during working hours, and Premium Line operators provide services around the clock;
- Priority, convenient services — the Bank has special service rooms for Premium clients, with separate comfortable conference rooms for meetings with the personal manager;
- Balanced (profitable and productive) individualized investment proposals based on the client's goals and expectations.

In 2009, Premium Banking offered the following initiatives:

- Sales of Premium product packages;
- A modernized discount system for product packages, with discount calculations based on client deposit balances and volume of card cashless transactions;

- Investment Strategy (a unit investment fund plan);
- Insurance products: Endowment from Raiffeisen Life; "Budget Protection" and "Protected Deposit" from CARDIF;
- Special terms for the Bank's loan products, including credit cards with a 40% higher credit limit, personal loans with higher limits and special interest rates, car loans with special rates, and mortgage loans on special terms;
- All Premium Banking VISA and MasterCard are specially designed for highly valued clients;
- Strakhovoi deposit, combining endowment life insurance and term deposit.

## Private Banking

Private Banking division was created in Raiffeisenbank in January of 2007. During the following years the Private Banking infrastructure has been built: classical banking products and services have been adapted for the special needs of high net worth individuals, and also wide range of investment products has been created and has been constantly extended in order to provide full range of wealth management services.

Examples of products and services, exclusively offered, and available only to Private Banking clients are Visa Platinum and Visa Infinite credit cards, with large credit limits and an extensive program of additional services and privileges (cards were launched in February 2009); investment strategies which include global funds and structured notes, executed using the Raiffeisen Group's partner network, and much more.

In the wealth management product range the Bank's team of professional portfolio managers provides a wide range of standard and individual investment strategies. Portfolio management is performed with consideration of a client's risk profile, individual requirements and goals. Combined with a profound knowledge of the market, this provides strong portfolio management results.

In 2009, the team of Private Banking personal managers and financial consultants increased considerably. These are highly qualified specialists who carry out any client's request and respond rapidly to market changes for prompt adjustment of the investment portfolio. Currently, the team includes 18 people in three branches in Moscow and St. Petersburg. All managers and financial consultants regularly complete additional trainings, including certification by Russian Federal Financial Markets Service.

One of the rapidly growing activities of Private Banking is Lifestyle management, which includes providing clients special service conditions and privileges from the Bank and its partners, and also event management (entertaining events, investment seminars, etc).

In 2009, Private Banking participated in projects initiated by Raiffeisen International. One such project was the development of a distinctive brand name for private banking divisions across Raiffeisen International network: "Friedrich Wilhelm Raiffeisen, banking since 1886," It will be implemented in 2010 at all the group's banks in Central and Eastern Europe. The re-branding project was successfully implemented in Russia in 2009, the brand will be presented to clients in second quarter of 2010. One of Private Banking events planned for 2010 will be specially dedicated to the new brand presentation to clients along with discussion of future plans and developments of Private Banking of Raiffeisenbank.

## Service Quality

Last year's Client Impression Index 2009 study, conducted jointly by PricewaterhouseCoopers and Senteo GmbH, analyzing the results of the branches of 38 Russian banks, showed Raiffeisenbank as the leader in the Brand and Culture categories.

According to regional studies by NEXTEP, Raiffeisenbank branches were the leading service providers in Yekaterinburg and the Siberian Federal Region. We endeavour to achieve sustainable high service quality at all branches in the network, and in 2009, prepared far-reaching changes in our approach to managing service quality. We defined quantitative customer service quality indicators, which will be constantly monitored in 2010, allowing branches, in healthy competition with one another, to maintain and improve their level of client service, expand the client base, and increase client loyalty.