

Izhevsk  
Samara

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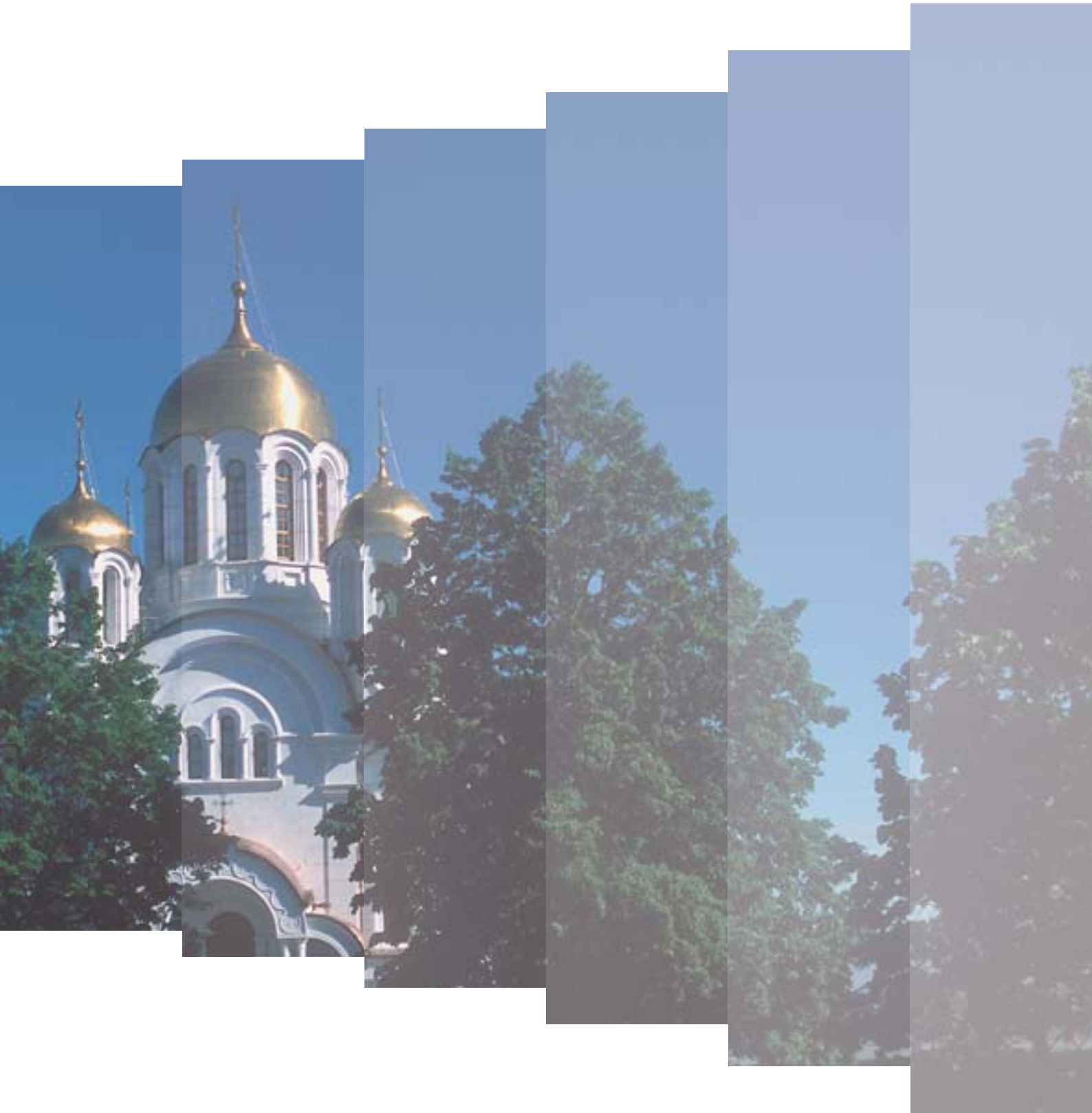
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# Segment Reports

## Corporate Customers

2007 was a pivotal year for Raiffeisenbank's corporate business as it moved to take advantage of the synergies and increased reach created by unification with OAO IMPEXBANK. By the end of 2007 the united bank had made huge strides in integrating its expanded network: implementing Raiffeisen Group standards, a unified credit policy and a unified budget while unifying procedures for serving corporate clients and expanding offerings targeting medium-size businesses.

Our annual results demonstrate the first fruits of this integration:

- The share of medium-sized business clients increased as the Bank diversified its portfolios, expanded its presence in the regions and actively promoted products targeting medium-size businesses.
- The number of corporate clients rose 42% y-o-y to 9 848.

In absolute terms, our credit portfolio grew to RUR 211.7 bln, up 53% from 2006, significantly outstripping average growth on the market.

The Bank saw a steady increase in the proportion of regional clients as the consolidation of corporate business activity in regional branches accelerated. In 2007, the regional network accounted for 41% of our total credit portfolio.

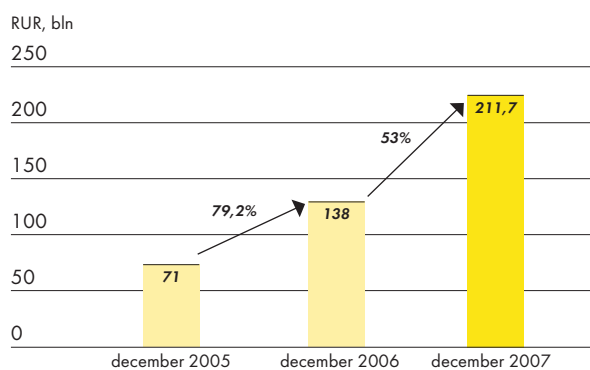
The share of ruble-based loans to corporate clients also continued to grow, reaching more than 59% of the total loan portfolio.

The breakdown of our loan portfolio shows how active the Bank has been in real estate and trade (retail, wholesale and transportation). Loans to metallurgical enterprises ranked third by volume.

The significant growth seen in loans to corporate clients was one of the additional drivers for growth of daily banking activities and cash management products. Deposits increased 29% y-o-y, while commission income rose about 26%. The diversification of our product lines and growing cashier services also sparked growth in passive operations. The number of clients using the Bank's various liquidity management products grew 30% over the year, with most of the increase coming from large holding companies and businesses with extensive regional networks. Growth was also seen in direct electronic banking services, with the total number of connections to our system rising 40% over the year as a new bank-client server boosted reliability and security. We also launched new types of electronic forms that allow clients to send scanned copies of documents related to currency control, contracts and certification.

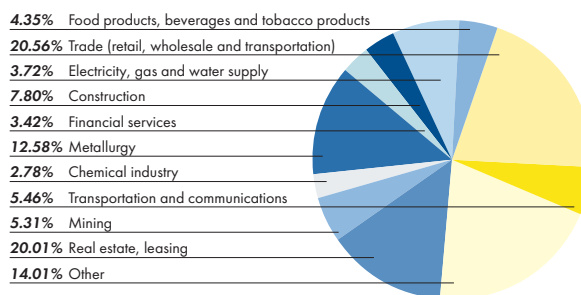
The number of legal entities using the Bank's payroll products rose more than 50% over the year.

**Development of the Bank's Corporate Loan Portfolio**



Source: Raiffeisenbank

**Diversification of the Bank's Corporate Portfolio by Sector. December 2007**



Source: Raiffeisenbank

## Structured Trade Finance

Raiffeisenbank continued to develop its structured products in commercial financing (pre-export and import financing, loans secured with receivables, local sales financing) mainly for companies in oil and petrochemicals, ferrous and base metals, paper and pulp, forestry and coal. The Bank also actively promoted its services in the financing of equipment by issuing import letters of credit with post-financing. The service was mainly used by Russian manufacturers and companies in the transportation and forwarding sectors.

In addition to traditional export financing instruments, the Bank offers negotiation and discounting of shipping documents for export letters of credit, a service that has seen high demand among customers working with agents in the former Soviet Union.

These products accounted for 23.3% of the Bank's total credit portfolio.

## Document Business

Our document business saw growing demand for payment guarantees, standby letters of credit, tender guarantees, as well as guarantees in favour of customs and tax authorities. The volume of guarantee operations rose 54% in 2007.

## Project Finance

Raiffeisenbank is one of the leaders in financing commercial real estate with the Bank's clients including major developers in Moscow and the regions. The Bank's extensive experience in the sector has allowed it to execute long-term projects across the country.

As it diversifies its operations, Raiffeisenbank is continuously expanding the range of services it offers in project finance. In addition to financing office property, warehouses, and shopping and entertainment centers, the Bank actively considers projects in logistics, hotels and various branches of industry as well as financing and refinancing companies' equipment acquisitions for subsequent transfer to leasing.

The steady growth of the Bank's credit portfolio demonstrates the success of its strategy in this area.

Successful projects in 2007 include:

- A USD 45 mln two-year credit line to finance the construction and development of the class A business center in central Moscow.
- A credit line of USD 60 mln for a period of 12.9 years for the construction, development and sale of townhouses in the premium-class, multifunctional complex.
- A credit line of USD 54 mln for a company was opened for 10 years to finance the construction and development of a class A business center in central Moscow.

Two credit lines: USD 60 mln to finance costs related to the construction and sale of the shopping and entertainment center in Moscow, and RUR 2.2 bln to refinance costs related to the center's construction.

A credit line of USD 55 mln was opened for 10 years to refinance major loans used to finance the construction and development of the class A business center and apartments.

Two credit lines: USD 90 mln to finance costs related to the construction of a class A business center in central Moscow for 1.5 years with an option to extend the period to 8.5 years, and USD 60 mln to finance costs related to the construction of a class B office complex.

### Medium-size enterprises lending

Programs to finance medium-size businesses are one of the Bank's strategic priorities, taking advantage of the greater transparency emerging in the sector. New products include quasi-factoring and commercial mortgages.

Integration with Impexbank has allowed us to significantly expand our geographic reach, certifying experts in 35 regions to work with companies on financing, while the volume of loans to medium-size businesses soared by about 170% last year. The number of clients whose growing assets and revenue have pushed them into the large business category also increased, thanks in no small measure to financing provided by Raiffeisen Group.

### Lending to small enterprises

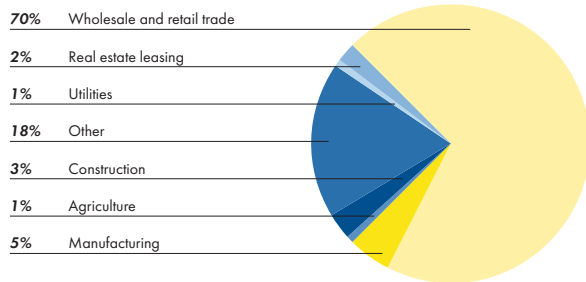
Loans to the small and micro business segment are another of strategic priority for Raiffeisenbank. In spring 2007, the Bank introduced a new line of credit products for entrepreneurs and small businesses, with particular attention devoted to the length of the financing and quality of service.

The wide-ranging list of credit products for small businesses has been closely tailored to borrowers' needs. In addition to cashier services, guarantees and letters of credit, Raiffeisenbank offers clients a credit program to increase working capital and acquire fixed assets. The most promising and popular loans include those for the investment and acquisition of commercial property for periods of 5 and 10 years respectively, and three-year working capital loans. All products conform to European financing standards.

Despite intense competition on the small-business lending market, which serves enterprises with annual revenue of under RUR 290 mln, the Bank has managed to expand its client base. By the end of 2007, the Bank had 46 000 small-business clients.

Thanks to our expanded range of services, 2007 saw significant growth in a number of indicators as the passive portion of our portfolio increased by 53.9% and commission income rose 62.7%.

### Small Enterprises Portfolio by Sector



Source: Raiffeisenbank

The Bank's priority areas for small and micro business in 2008 include: the optimization of intra-bank processes to reduce decision-making time, the improvement and standardization of products, the implementation of new products for micro business clients, and the further expansion of the Bank's presence throughout Russia.

### **Regional Expansion**

As a result of the unification of ZAO Raiffeisenbank Austria and OAO IMPEXBANK, the unified Bank has a total of 54 branches located in virtually every major city of the Russian Federation from Kaliningrad to Kamchatka.

Raiffeisenbank's regional branches offer a full range of products for corporate clients from cashier services to the financing of current operations and business development. Thanks to its extensive regional presence, the Bank is able to work successfully not only with companies located in specific regions of Russia, but also with major Russian companies boasting large networks of subsidiaries and subdivisions nationwide. At the end of 2007, the Bank's regional branches had over 3 500 large and medium-size business clients, representing 36% of the Bank's corporate client list. Loans to regional corporate clients grew to more than RUR 85.8 bln by the end of 2007, or 41% of total corporate loans.

A number of Raiffeisenbank's branches have already secured leading positions in their local corporate banking markets.



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Surgut  
Tyumen  
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# Corporate Finance and Investment Banking

## Corporate Bonds

In 2007, Raiffeisenbank arranged 16 ruble-based bond issues with a total nominal value of RUR 46 bln, confirming the Bank's status as a leader in the segment (taking fourth place in rankings by international agency Bloomberg and top local portal Cbonds).

The Bank continued its development in the market for ruble-based bonds with floating rates. In 2007, Raiffeisenbank acted as the arranger for the first- and second-ever issues of bonds with floating coupons for corporate borrowers: OAO Lebedyansky, a leading producer of juices and baby foods, and ZAO DeltaCredit, a leader on the Russian mortgage market. This was the first time built-in call options were used on the Russian market, allowing OAO Lebedyansky to repay its bonds on any date of the payment of two- and three-year coupons. ZAO DeltaCredit group's bonds included cap options, which allow the issuer to minimize the risk of a higher base rate.

In 2007 Raiffeisenbank acted as an arranger of the largest bond issue by a non-state company, X5 Retail Group, a leader on the Russian retail market. The Bank also organized a debut issue for Russian confectionary market leader OAO United Confectioners, and Russia's largest tour operator, Intourist, OAO Gazenergoset, companies of power industry (TGK-1, TGK-6, TGK-8 and TGK-10), a second issue for OAO Amurmetal, OAO Severstal-Auto and other Russian businesses.

## Syndicated Loans and Securitization

In 2007, Raiffeisenbank achieved excellent results on the Russian local and international syndicated loan markets for Russian borrowers. Raiffeisenbank was the arranger of 28 syndicated and club loans for a total of over equivalent of RUR 53 bln, including seven corporate deals.

Among the most significant deals was an international syndicated loan of EUR 200 mln for the Lenta company. The loan arranged by Raiffeisen Group (jointly with other foreign banks)

to refinance existing loans and finance development was one of the largest deals of the retail sector's financing. Raiffeisenbank arranged local loans for Transgarant, Nidan and Aeroflot Nord, boosting the development of the local syndicated lending market.

In 2007, Raiffeisen Group (jointly with Raiffeisenbank and Raiffeisen Zentralbank Österreich AG) was the lead arranger of the securitization of mortgage loans from Moskommertsbank worth USD 180 mln, and also provided a warehouse facility of USD 75 mln for the creation of a portfolio of mortgage loans issued by FORA Bank, for the subsequent securitization of this portfolio.

## Mergers and Acquisitions

In 2007, Raiffeisenbank was mandated as a Joint lead-manager for the public share offering of TGK-6, a regional power generating company, for a total of over RUR 12.5 bln, and jointly with Raiffeisen Investment AG was mandated by former electricity monopoly RAO UES as one of the financial advisor for the reorganization of 53 regional transmission companies.

A number of records were set by Russian companies on the IPO and M&A markets in 2007. Through share placements on domestic and international markets, Russian companies raised over USD 31.8 bln, up more than 75% y-o-y. Equally impressive growth was seen on the M&A market, where transactions for over USD 100 bln were completed, up 70% from 2006. About 20% of these transactions were by Russian companies acquiring assets overseas, nearly double the figure for 2006.

Keenly aware of the long-term potential for the development of Russia's capital and M&A markets and the strong prospects for further growth in demand from the corporate sector for services related to the organization and execution of various types of capital transactions, Raiffeisenbank is actively expanding its capacity to supply these services, acting in close cooperation with specialized subdivisions of RZB Group, Raiffeisen Centrobank and Raiffeisen Investment AG.



**Krasnodarski krai**  
 Second  
 Bond Issue  
**RUR 1 500 000 000**  
 Lead-Manager  
 December 2007



**Severstal-auto**  
 Second  
 Bond Issue  
**RUR 3 000 000 000**  
 Lead-Manager  
 July 2007



**X5 FINANCE**  
 First  
 Bond Issue  
**RUR 9 000 000 000**  
 Lead-Manager  
 July 2007



**Gas & Energy Net**  
 First  
 Bond Issue  
**RUR 1 500 000 000**  
 Lead-Manager  
 June 2007



**D&POS**  
 First  
 Bond Issue  
**RUR 2 000 000 000**  
 Lead-Manager  
 June 2007



**TKK-10**  
 First  
 Bond Issue  
**RUR 3 000 000 000**  
 Lead-Manager  
 June 2007



**DeltaCredit**  
 Second  
 Bond Issue  
**RUR 2 000 000 000**  
 Lead-Manager  
 May 2007



**United Confectionaries**  
 First  
 Bond Issue  
**RUR 3 000 000 000**  
 Lead-Manager  
 May 2007




**SGC TGC-8**  
 First  
 Bond Issue  
**RUR 3 500 000 000**  
 Lead-Manager  
 May 2007



**Sviaz-bank**  
 First  
 Bond Issue  
**RUR 2 000 000 000**  
 Underwriter  
 April 2007



**Intourist**  
 First  
 Bond Issue  
**RUR 1 000 000 000**  
 Lead-Manager  
 April 2007




**Koks**  
 Second  
 Bond Issue  
**RUR 5 000 000 000**  
 Lead-Manager  
 March 2007



**TGC-1**  
 First  
 Bond Issue  
**RUR 4 000 000 000**  
 Lead-Manager  
 March 2007



**Lebedyansky**  
 Second  
 Bond Issue  
**RUR 1 500 000 000**  
 Lead-Manager  
 March 2007



**Amurmetall**  
 Second  
 Bond Issue  
**RUR 2 000 000 000**  
 Lead-Manager  
 March 2007



**TGC-6 – Invest**  
 First  
 Bond Issue  
**RUR 2 000 000 000**  
 Lead-Manager  
 February 2007

# Treasury Operations

In 2007 the international credit crunch shook the Russian markets, but Raiffeisenbank managed to not only avoid losses, but significantly improve its trading results.

The sub-prime mortgage crisis in the United States caused volatility to soar in foreign currency and securities markets in the second half of the year. Corporate bond spreads quickly expanded and in the fourth quarter liquidity decreased significantly, driving up ruble-based interest rates.

Raiffeisenbank responded with trading and liquidity management strategies to prepare for further potential deterioration. The Bank decreased its corporate bond exposure, reduced the average maturity of its bond portfolio and shifted its focus to increasing its share of securities on the Central Bank's Lombard List.

With strong support from Raiffeisen International, Raiffeisenbank maintained a high level of liquidity that allowed the Bank to avoid dependence on the tight money market. The Bank's significant presence on the derivatives market allowed it to improve its man-

agement of interest-rate risks. Raiffeisenbank thus managed to not only avoid losses, but significantly improve its year-on-year financial results from trading transactions.

Despite its conservative approach to trading, Raiffeisenbank continued to explore and develop new instruments and markets. In 2007, the Bank began trading in currency futures on Moscow's No. 1 exchange, the MICEX, and by the end of the year had become a market leader, consistently featuring among the ten largest players in terms of transaction volumes, with average daily turnover of over USD 200 mln. The Bank also became a major player on the interest-rate futures market, providing market with liquidity and operating as a market maker.

Over the year Raiffeisenbank significantly increased its volume of reverse repo transactions, broker operations and derivative deals with corporate clients. The successful integration of the treasury operations of Raiffeisenbank and Impexbank allowed their trading limits and positions to be combined and their liquidity and interest-rate risk management reorganized.

# Financial Institutions

Not only did the merger between Impexbank and Raiffeisenbank contribute to further development of Financial Institutions Department, but it also required great efforts to be made to keep all clients within the responsibility of the department promptly informed of all changes and important peculiarities related to the merger. Thanks to all those efforts the transition period for all clients was as comfortable as possible.

Within year 2007 a unified product catalogue as well as common list of nostro accounts and harmonized tariff system were created and successfully implemented. The unified bank also adopted the risk-management and client-service standards of Raiffeisen Group.

Despite the importance of the merger, it still did not affect the growth rates of core business of Financial Institutions Department. By year-end the portfolio of medium-term loans, including stakes in syndicated loans, arranged by the unified Bank for other banks and non-banking financial institutions amounted to RUR 8.36 bln.

## Russian Banks

Russian banks traditionally continued to be important counterparties of Raiffeisenbank in the interbank market for deposits and FX deals as well as to represent a promising client base for a wide range of services. The significant success of Raiffeisenbank in highly competitive syndicated lending market would have been impossible without the existing banking client base which in 2007 accounted for 80% of the whole number of transactions arranged by the Bank.

The successful development of services related to refinancing of mortgage portfolios of counterparty banks is particularly noteworthy. These services include the purchase of portfolios of mortgage loans eligible for Raiffeisenbank, mortgage-secured lending as well as direct securitization of mortgage loans.

A lot of banks were using Raiffeisenbank as a provider of payroll services. This product is particularly popular among subsidiaries of foreign credit institutions.

## **Foreign Banks**

Raiffeisenbank remained to be one of the leaders in RUR clearing services provided to foreign banks. The number of financial institutions outside Russia using Raiffeisenbank as their main RUR clearing bank increased by 43% in 2007. The high quality of services allowed RZB Group to recommend Raiffeisenbank to its international partners searching for RUR clearing. One of the competitive advantages of Raiffeisenbank is the wide range of services which now also includes intra-day and overnight overdraft facilities under RUR accounts.

In 2007 a lot was done to satisfy the requirements of the Bank for risk-hedging market instruments. ISDA Master Agreement was signed with 11 European and US banks, which established significant lines for derivatives trades in favour of Raiffeisenbank.

## **Non-banking Financial Institutions**

In 2007 Raiffeisenbank continued to develop good business relationship with non-banking financial institutions. Financing was provided to such companies as ZAO National Factoring Company and ZAO Europlan.

One of the largest deals in non-banking financial institutions segment was a revolving credit line in the amount of RUR 2 bln

granted to the Agency for Housing Mortgage Lending. Moreover the Bank started to cooperate with regional mortgage lending agencies.

In 2007 public deals arranged for non-banking financial institutions became significantly popular. Together with Raiffeisen Zentralbank Österreich AG Raiffeisenbank acted as one of the arrangers of the syndicated loan for ZAO Europlan. The loan was secured by equipment and receivables under leasing contracts. In 2008 Raiffeisenbank plans to actively participate in public transactions arranged for non-banking financial institutions.

# Public Sector Department

Regional and municipal government agencies have become a major growth opportunity for Raiffeisenbank.

To target the market more efficiently, the Bank set up a Government Agency Credit and Service Department in April 2007 to develop and implement policies for working with state organizations. The department's employees regularly travel around the country to establish stable, long-term relationships with local authorities.

Over 90 lines of credit were established last year, and the Bank participated in 78 tenders to issue loans to regional and municipal bodies, winning 48. By the end of the year Raiffeisenbank in this area took the fifth place.

The results clearly demonstrate that Raiffeisenbank has emerged as a dynamic new player on the market.

The Bank's lending products includes four-year loans to regions and municipalities, and loans of up to five years when backed by regional and municipal guarantees. The Bank intends to significantly expand the geographic range and volume of its work with state organizations and special business development programs have already been implemented in Moscow and the Moscow Region. In addition to its loan products Raiffeisenbank offers state companies a full range of top-level banking services.



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# Retail Customers

## Customer Communication channels

### Branches

In 2007, Raiffeisenbank added 14 new locations in Moscow and also absorbed 27 Impexbank branches.

Retail network of Raiffeisenbank enjoyed another expansive year in 2007, growing to take in 60 Russian cities, thanks largely to its merger with Impexbank.

Severnaya Stolitsa affiliate in St. Petersburg opened two offices in 2007: Primorskoye and Komendantsky Prospekt, while Moscow branches were opened in the following locations: Marksistskoye, Universitet, Bagrationovskoye, Ostozhenka, Sushchevsky Val, Mozhaiskoye, Shmitovsky, Avrorra, Otradnoye, Profsoyuznoye, Lyublino, Petrovsky Park, Perovo and Chertanovo. Our Tyumen branch, which was opened in October, became the 3 000th outlet of Raiffeisen International in Central and Eastern Europe.

In every branch Raiffeisenbank continued to develop its range of services for corporate and individual clients, boosting quality of service in a campaign dubbed: "Raiffeisen. Difference in attitude."

### Sales Department

Sales Department continued to look for new sales channels of credit products to existing clients and develop contacts with new customers.

#### Car Loan Group

The Car Loan Group achieved around 40% of the Bank's total car loan portfolio during the last year, with sales staff working in 90 car dealerships: 21 in Moscow (five new during last year), and 69 in regions.

The group held training sessions at a number of dealerships to boost the quality of loan applications which brought positive feedback from car dealers staff.

The sales staff was transferred to working schedule corresponding to car dealers working hours to allow clients to access the Bank's services at a convenient time. As well as selling car loans at dealers, our staff also promoted consumer loans and credit cards.

#### Mortgage Group

Raiffeisenbank's Mortgage Group introduced several new sales channels in 2007, offering detailed mortgage consultations to

walk-in clients, employees at the offices of corporate clients and prospects which signed up for consultations through the Bank's Information Centre.

In October, the Bank began to work with realtors and mortgage brokerages, meeting more than 250 companies, giving 193 presentations and signing 42 contracts for official cooperation. Already over 30% of the group's sales come through this channel.

In 2007, the group accounted for 71% of the Bank's total mortgage sales in Moscow.

#### Corporate Sales Group

The focus of the Corporate Sales Group was attracting new clients for its payroll program across the country.

Last year, around 100 000 employees from more than 1 000 companies became our payroll clients, the total number of companies – payroll clients made 3 200 and the total number of individual payroll clients made over 330 000.

#### Loans, Investment and Pension Products Sales Group

The Loans, Investment and Pension Products Sales Group focused on the direct sale of consumer loans, credit cards and insurance as well as investment and pension products. The group was also active in cross-selling mortgages and car loans.

The group accounted for 50% of the Bank's consumer loans and 58% of its credit card sales in Moscow during the year.

### ATMs

Raiffeisenbank's ATM networks swelled to become one of the 10 largest in Russia after the merger with Impexbank increased the number of machines to 1 073 across 45 regions.

The Bank continued to develop its ATM offerings, allowing cardholders to change their PIN-codes at any bank machine.

Mobile phone, Internet and television payments via Raiffeisenbank's ATMs grew rapidly, with the number of transactions growing more than 50% over the year to 1 17 000.

The majority of deposit ATMs were upgraded to allow clients to make real-time deposits in rubles, US dollars and euros, making it easier for clients to add funds to their current accounts and repay loans. All new branches now have ATMs with real-time cash deposit functions.

By the end of the year, the monthly number of cash deposits exceeded 40 000, up 30% y-o-y.

By mid-2008, the Bank plans to complete the replacement of all ATMs accepting envelope cash deposits with ATMs allowing with real-time cash deposits, which we hope will double the number of current account deposit transactions.

In 2007, the Bank continued the successful development of its acquiring business. The current 4 800 units in service at retail outlets provide an annual turnover of more than USD 500 mln.

Raiffeisenbank continued working with major retail chains, equipping all Media Markt stores with Raiffeisenbank card terminals. The Bank began working successfully with luxury stores in Moscow and St. Petersburg, while a major Krasnoyarsk-based supermarket chain switched to Raiffeisenbank terminals.

## Call Centre

Raiffeisenbank's Information Centre provides 24-hour support to card holders and private customers.

In 2007 the Information Centre processed more than 2.7 million calls, a 51% increase on the year. Some 508 000 outgoing calls were made and 23 000 letters processed.

The Information Centre in Russia is a Raiffeisen Group leader in incoming customer calls. In 2007, the centre's staff increased 60% over the year. Management launched a new business line – telephone sales.

## Distance-Banking Services

A new version of Raiffeisenbank's official website, [www.raiffeisen.ru](http://www.raiffeisen.ru), was launched in November 2007 on the day of the official merger with Impexbank. The website conforms to RZB Group standards and includes a central portal with links to 47 regional sites based on a new software platform. The site contains more than 30 000 web pages and provides customers with general and branch-specific information on products and services, as well as an array of interactive services, such as applications, questionnaires, and calculators for mortgages as well as consumer and car loans. In 2007, there appeared an application for a credit card at the website.

By the end of the year, the site enjoyed traffic of over 25 000 visitors per day, 25% up on the year. [www.raiffeisen.ru](http://www.raiffeisen.ru) is one of the

leading bank sites, in the country according to several rankings, including LiveInternet and Rambler's TOP-100.

Raiffeisen CONNECT and Electronic Office, the Bank's Internet-banking systems for retail clients, were developed further during the year. One innovation was a PDA-version of the Raiffeisen CONNECT system for handheld computers and smart phones.

The number of retail customers using Raiffeisen CONNECT and Electronic Office exceeded 200 000 by the end of the year. Last year, five million entries into the system were recorded, and 250 000 active transactions were completed, mostly ruble payments and internal transfers, which were up 80% on the year.

A new remote self-service channel, Raiffeisen MOBILE bank, was established in 2007 for retail clients, allowing SMS inquiries further to SMS notifications on card transactions. By sending a request in a short message to the number 7243, clients can receive the following up-to-date information: available card balances, a list of the five most recent card transactions, current exchange rates in the Bank's branches and ATMs and the value of shares managed by Raiffeisen Capital MC, contact phones of the Bank. Customers can also use the service to request blocking of their card.

In all, the Bank sent nine million SMS notices to its customers in 2007, with the number of clients connected to Raiffeisen MOBILE Bank more than tripling from 34 000 to 115 000.

Raiffeisenbank's Bank-Client corporate payment system provides customers with a range of key services. In 2007, the number of corporate customers using the system exceeded 19 000, a five-fold increase over 12 months as the share of regional customers climbed. In 2007, more than three million documents were issued by customers through the system.

## Service Quality

After the Raiffeisenbank-Impexbank merger, the Service Quality Management Department was tasked with preserving and strengthening the confidence of customers of both banks, while simultaneously establishing effective interaction between the two workforces. Each Bank was recognized as having valuable experience in service quality management, and it was seen as crucial to streamline the differences and accentuate the achievements during consolidation.

The rapid growth of retail offerings and the large-scale hiring of new employees posed additional challenges in ensuring consist-

ently high levels of service. The department laid the foundation for a consistent approach with the introduction of a strict set of rules governing employee communication with customers, the Service and Sales Standards for Branches.

Raiffeisenbank believes in active dialogue with customers, paying the utmost attention to customer feedback. Every day the Service Quality Management Department receives accolades as well as criticism about deficiencies, misunderstandings and non-compliance with standards. The Bank depends on its ability to recognize an error and quickly correct it to help preserve and increase its customer base. Information from customer feedback is widely used in training programs for employees and studied to improve the Bank's processes and products.

## Products

Raiffeisenbank continued to offer its customers a comprehensive range of retail products: current accounts, time deposits, debit and credit cards, cash transfers, currency exchange, travellers' cheques, car loans, mortgage and unsecured general-purpose loans, mutual fund investment products, individual safe deposit boxes, and personal services for VIP customers.

In 2007, Raiffeisenbank enhanced its range of retail services, introducing a new deposit line, expanding the range of consumer loans, and developing new car loan programs.

### Bank Cards

A total of 1 million Raiffeisenbank debit cards were in circulation at the end of 2007, an increase of more than 10% on a year earlier. This expansion helped increase monthly debit card turnover to USD 680 mln, up 60% on the year. Some 60% of monthly card turnover came from retail purchases, with the remaining 40% coming from ATM withdrawals.

By the end of 2007, Raiffeisenbank cards were responsible for 12% of the total volume retail card transactions in Russia, up 2% from a year earlier.

A VISA International principal member, Raiffeisenbank last year completed the certification of new card offerings for affluent customers: VISA Platinum and VISA Infinite. These cards offer a series of unique privileges: a free Priority Pass card, giving clients access to over 450 business and VIP waiting rooms at international airports in 245 cities globally; 24-hour access to the UK-based Ten concierge service; foreign travellers' insurance; and insurance against the risk

of fraud if a card is lost or stolen. In February 2008, the Bank began issuing VISA Platinum and VISA Infinite cards to ruble and US dollar accounts in a milestone for the Bank's VIP offerings.

Raiffeisenbank continued to develop its Discounts for You incentive program, which allows holders of the Bank's debit and credit cards to take advantage of a series of discounts and special offers at partner companies: stores, restaurants, sports clubs, tour companies and insurance firms. The Bank has increased the number of companies offering discounts to customers.

### Credit Cards

Raiffeisenbank strengthened its positions on the credit card market in 2007, its credit portfolio more than doubling over the year. Seeking to make credit cards affordable to as many customers as possible, Raiffeisenbank introduced a new tariff plan, Optimum, to target customers interested in saving on the annual card service fee and using the grace period.

The credit card application process has been considerably simplified, allowing applications to be completed at the Bank's website, [www.raiffeisen.ru](http://www.raiffeisen.ru). In many cities, customers can submit credit card applications to Bank credit advisors.

In spring 2007, Raiffeisenbank issued ice hockey credit cards timed to coincide with the 2007 IIHF World Hockey Championship held in Moscow and Mytishchi from April 27 to May 13.

In August 2007, the list of insurance products available to Raiffeisenbank's credit card holders was expanded to include Foreign Travellers' Insurance, Card Risk Insurance and Price Protection.

### Deposits

Raiffeisenbank expanded its line of deposit products in 2007, introducing Universal, Rauter and Investment time deposits with an option for early withdrawal and partial replenishment.

Both the Information Centre telephone operators and individual advisors were involved in selling deposit products, helping the Bank to achieve a 24% increase of deposit volume, compared to average market growth of 35%.

In 2008, the Bank plans to increase its range of deposit products and allow to perform all transactions with deposits via the Internet.

### Mortgage Lending

In 2007 Raiffeisenbank's mortgage portfolio doubled from RUR

7.1 bln to RUR 14.9 bln, Raiffeisenbank and Impexbank's combined mortgage portfolio reached RUR 21.5 bln, and the volume of loans issued increased more than 129% over the year.

The increase in mortgage lending was achieved largely due to changes in mortgage programs introduced mid-year. A fixed-rate mortgage was created, guaranteeing the same rate for the entire lending period, while the maximum level of financing for an apartment was boosted to 90% of the value. In another development, customers applying for mortgages were allowed to pledge real estate owned by close relatives.

The development of partnerships with real estate agencies and mortgage brokers was a top priority in 2007, with the share of loans issued through the Bank's partners climbing to 21% of all mortgages.

In 2007, two mortgage centres were opened in Moscow in a bid to improve the customer experience. The centres offer a full range of services: advice on all the Bank's mortgage programs and legal issues related to the transaction, conveniently located safe deposit boxes and special facilities for private discussions on mortgage contracts. In early 2008, a mortgage centre was opened in St. Petersburg, and the Bank plans to open a number of centres in other Russian cities in the coming year.

#### Cash Loans

Raiffeisenbank issued cash loans worth RUR 18.8 bln in 2007 as the Bank's consumer loan portfolio grew to RUR 22.8 bln by year-end.

Stable growth was achieved in part due to changes in the Bank's programs: Simplified procedures for customers with a strong credit history were launched and around RUR 3.4 bln was borrowed under the scheme. Since November, Raiffeisenbank has offered two new cash loan products: Narodny Credit and Personal Credit, for a period of 1-5 years. In addition, the maximum cash credit was increased to RUR 750 000.

Excellent results were also achieved by the Direct Sales Group, which was responsible for loans worth over RUR 1.9 bln.

#### Rapid Mail Money Order

In 2007, the Bank moved to bolster its position in the money order market with its Rapid Mail service.

Last year, more than 2.7 million customers in Russia and the CIS countries used Rapid Mail to transfer over USD 1.1 bln in cash, achieving a market share of about 11%. The number of sales out-

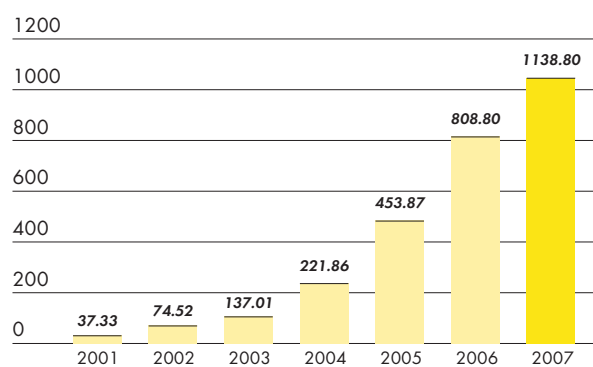
lets offering the service in Russia and the CIS countries exceeded 4 000, and the number of partner banks climbed to 135.

The functional consolidation of Raiffeisenbank's Rapid Mail with the Aval Express service of Ukraine-based OAO Raiffeisen Bank Aval significantly increased the number of sales outlets offering our services.

In 2007, Rapid Mail's official website, [www.bpochta.ru](http://www.bpochta.ru), was launched, allowing customers to check the status of their cash transfers online.

#### Rapid Mail Turnover

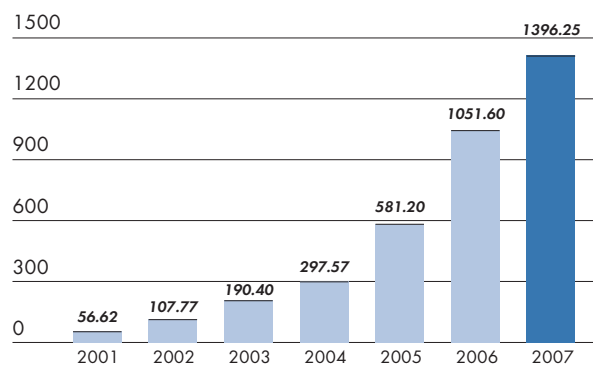
USD, mln



Source: Raiffeisenbank

#### Number of Rapid Mail Transactions

Transactions, ths



Source: Raiffeisenbank



Kemerovo  
Krasnoyarsk

10:00

11:00

12:00

13:00

14:00

**15:00**

*In the rythm of the working day*



16:00

17:00

18:00

19:00

20:00

# OOO Raiffeisen-Leasing

In 2007, OOO Raiffeisen-Leasing continued its rapid growth on the Russian market, concluding 1 030 new deals worth RUR 9.7 bln, more than double the figure for 2006.

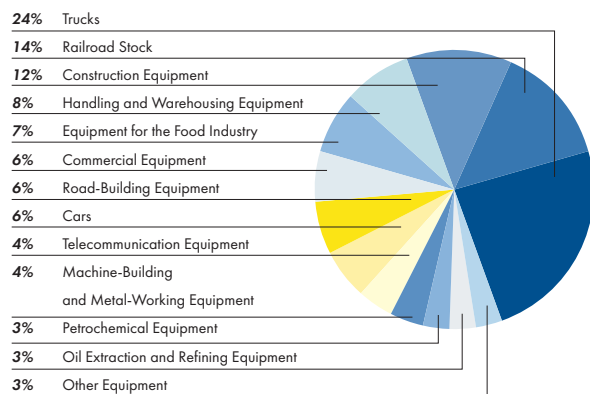
Our loan portfolio increased 180% over the year to RUR 10.4 bln, with top performing sectors including industrial equipment (up 44% on the year), trucks and cars (26%), railroad stock (22%), and construction equipment (8%).

In 2007, Raiffeisen-Leasing and its affiliates continued to develop joint programs with long-term partners including Cisco Systems Finance International, OOO Liebherr-Russland, MAN Automobiles Russia, Schmitz Cargobull AG, and General Motors CIS.

In cooperation with its partner companies, Raiffeisen-Leasing specializes in providing services to corporate auto pools and has begun developing full-service leasing. This new product will include a comprehensive service program for the entire term of the lease including repairs not covered by the guarantee, storage and seasonal tire changes. We will provide cars during servicing and after accidents and we plan to introduce a series of other options.

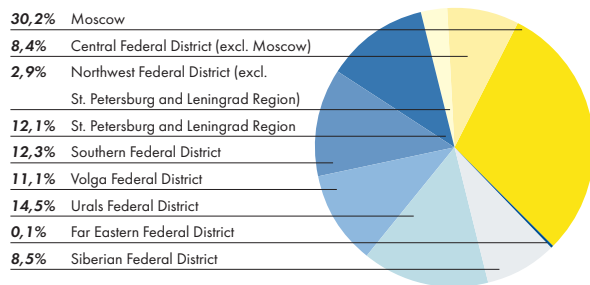
The company's main focus in the coming years will be regional development, taking advantage of ZAO Raiffeisenbank's extensive regional branch network. We also plan to develop new leasing products, moving quickly to fill market demand. One new direction is the development of scoring programs to finance trucks and construction equipment, and expanding the scoring program for leasing automobiles in regions served by the Bank.

## Portfolio structure of OOO Raiffeisen-Leasing (year-end 2007)



Source: Raiffeisen-Leasing

## Regional Spread



Source: Raiffeisen-Leasing

# Raiffeisen Capital Asset Management Company

Raiffeisen Capital Asset Management Company has enjoyed another hugely successful year, further expanding its share of the dynamically developing Russian market. Our share of the market for open-ended mutual funds reached 3.2%, an increase of 50%, making us the eighth largest investment fund in Russia, according to leading portal [www.investfunds.ru](http://www.investfunds.ru). Our assets under management rose 40% to RUR 6 bln, while our mutual funds swelled 87% to RUR 4.3 bln.

Our mutual fund sales were up 35% over the year to reach RUR 3.35 bln, securing seventh place on the [investfunds.ru](http://investfunds.ru) ranking. We doubled our retail client base to 9 700, boosted our corporate client portfolio to 12 and our individual portfolio count to 72.

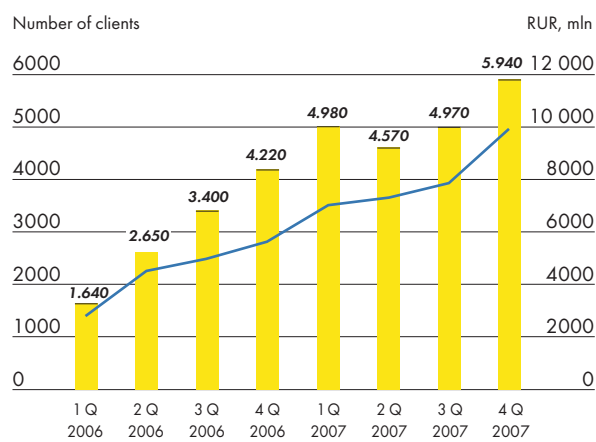
Our success in 2007 was largely a result of the development of a unique distribution network using the combined branch network of Raiffeisen and Impexbank to offer individual trust management services to a huge base of retail clients. The number of agent branches taking applications for the sale of shares in Raiffeisen Capital MC mutual funds swelled to 120. By 2007, the company was the fifth most profitable of the 20 largest open-ended mutual funds in Russia, according to [www.investfunds.ru](http://www.investfunds.ru).

Our range of mutual funds offerings has also increased significantly. In October 2007 we launched five new sectors: Raiffeisen Consumer, Raiffeisen Resources, Raiffeisen Electric Utilities, Raiffeisen Telecommunications, and Raiffeisen MICEX. In December we launched an OEMF for bonds for institutional investors. The new investment products have allowed us to increase our client base, leading to a major influx of funds under management.

In 2008, the company plans to significantly increase its sales volume and its market share for open-ended funds, primarily by increasing the quality of its service to clients and pursuing a proactive marketing strategy. In 2008 we expect to break even for the first time.

Assets under management at Raiffeisen Capital Management Company against Growth in Private Customer Numbers.

## Assets under management at Raiffeisen Capital Management Company against Growth in Private Customer Numbers



Source: Raiffeisen Capital

RUR, mln ■ Number of clients —



10:00

11:00

12:00

13:00

14:00

15:00



Irkutsk

**16:00**

17:00

18:00

19:00

20:00

*In the rythm of the working day*

# Raiffeisen Non-State Pension Fund

Raiffeisen Non-State Pension Fund enjoyed another stellar year in 2007 as interest in Russia's ambitious pension reform surged and a growing number of people began to use non-state pension managers. Amendments to the Russian tax code created a personal income tax deduction for voluntary pension contributions. Another proposed change would allow the state to co-finance additional voluntary contributions.

## Operating Results

By the end of 2007 NPF Raiffeisen's client base included 98 companies and more than 32 000 individuals. The number of individuals transferring the accumulated portion of their work pension to the fund tripled to more than 12 000. Roughly 2 000 people have signed up for individual pension plans.

NPF Raiffeisen paid non-state pensions to 269 retirees in the former Soviet Union last year, a total of RUR 3.5 mln.

The total volume of pension funds managed by NPF Raiffeisen doubled over the year to RUR 774 mln.

A major increase in the accumulated contribution by the Fund's founder, ZAO Raiffeisenbank, to RUR 188 mln was one of last year's most significant developments. This represents one of the largest accumulated contributions by a founder in any of Russia's non-state pension funds.

## Management of Pension Reserve Funds and Pension Stock

We continued to invest our funds with the following management companies: OOO Raiffeisen Capital MC, OOO Capital MC, ZAO United Finance Group INVEST MC, OAO Alyans ROSNO Asset Management, and OOO Renaissance Capital MC. OOO Capital MC and ZAO United Finance Group INVEST MC.

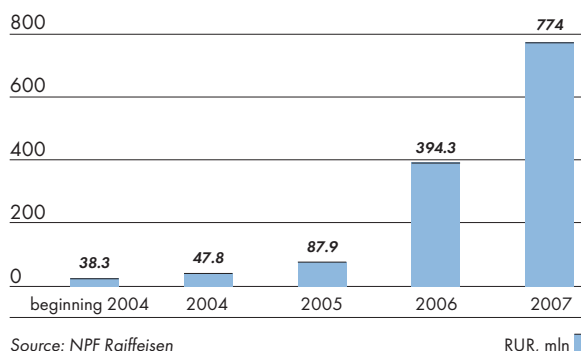
A contract for the management of pension reserves was also signed last year with OAO Uralsib Capital Management. The investment of pension funds is controlled by strict legal requirements that ensure a conservative strategy whose main goal is to preserve the value of pension contributions.

## Expansion of sales network

The Fund greatly expanded its agent network last year, thanks to the rapid growth of ZAO Raiffeisenbank Austria branch numbers following its unification with OAO IMPEXBANK. Non-state pension plans for individuals can now be issued at all Moscow offices of the unified bank.

In 2008, NPF Raiffeisen plans to offer a full range of pension products at all branches of the combined bank.

## Assets under Management of NPF Raiffeisen



# Regional Expansion

One of Raiffeisenbank's most significant achievements in 2007 was a rapid roll-out across Russia that left it with a presence in 45 regions – thanks in part to the success of its merger with Impexbank.

A total of 29 branches were opened, bringing the Bank's total Russian branch network to 237. A number of Impexbank offices were remodelled to conform to Raiffeisen Group standards, while several were closed or reorganized due to their low profitability.

After the legal merger with Impexbank on November 23, 2007, Raiffeisenbank moved to quickly apply unified Raiffeisen Group standards, including in the design of new offices.

To improve management efficiency, Raiffeisenbank set up seven regional centres in 2007. The regional centres coordinate the development of the Bank's activities in the following geographical areas: Central (Moscow), Northwest (St. Petersburg), South (Krasnodar), Southern Volga (Samara), Volga (Nizhny Novgorod), Urals (Ekaterinburg) and Siberia (Novosibirsk).

In 2008, Raiffeisenbank plans to significantly expand its presence, in Moscow and the regions. Taking advantage of the Bank's unparalleled human resources and its strict adherence to Western standards of service, should promote successful realisation of increase of Bank's branches network in 2008.