

COMPOSER

JOSEPH HAYDN



Haydn is one of the world's most significant composers. It is Joseph Haydn who conceived and wrote symphony and string orchestra music as an eternal genre and Germany's National Anthem as an eternal musical piece. His creative legacy includes more than two hundred musical works: symphonies, quartets, piano sonatas, operas, messas and oratorios. Haydn's genius was best expressed in his great oratorios – *Creation of the World* and *Seasons*, where he proved himself to be an innovative composer.

Haydn, along with Mozart and Beethoven, is a representative of the Vienna classical school.



CELLO PLAYER

MSTISLAV ROSTROPOVICH

Rostropovich is a well-known cello player, conductor, public figure, human rights champion, and winner of numerous honorific awards, including the Russian Order for Merit for the Fatherland (first degree). He was the first performer of many works for the cello, many of which were written especially for him, and he has appeared in more than seventy orchestra premieres. He has performed virtually the entire repertory of both classical and modern cello music. Musical critics note that Rostropovich is a virtuoso, and his audience appreciates the emotional depth of his performance and his deep understanding of musical works.



Russia: Economic Prospects

In 2010 the Russian economy was slowly recovering from the crisis, as prices continued to rise for oil and metals. The situation on financial markets substantially improved, but the domestic drought and higher global prices for basic agricultural products triggered a significant rise in inflation. Also, during the second half of the year we saw an extended period of significant capital outflows, which led to temporary rouble depreciation.

Financial Sector

In 2010 financial market dynamics was quite positive. Over the course of the year the share price index rose by over 20% — one of the best results among comparable countries. The bond market also strengthened significantly, thanks to a reduction in rates of Central Bank of Russia (CBR) in the first half and banking sector liquidity surplus throughout the entire year. The federal loan bonds yield curve shifted up by 50–200 bps with the biggest improvement in the short-term tail. Also, investors' appetite for risk increased, resulting in bigger yield declines in the corporate segment than in sovereign one and the spreads between many first-tier papers and federal loan bonds yield curve hit record lows.

In 2010 the volume of corporate placements totalled RUR 866 billion, which is 14% lower than the previous year. However, despite this reduction in absolute terms, there was a large qualitative improvement. For example, there was an increase in the number of market-based placements, wider access to long-term financing (for investment purposes as well), new instruments emerged (infrastructure bonds) and the mortgage bond market began to recover.

In the spring of 2010 we finally witnessed growth in banks' loan portfolios which encompassed both the corporate and retail segments. Last year, bank loans grew by 10%. The high level of rouble liquidity and drop in short-term rates forced banks to cut interest rates and limit other credit requirements. This, combined with the stabilisation in economy, resulted in stronger borrowing activity.

Currency Market

The situation on the forex market underwent fairly radical change in 2010. In the first half of the year the pressure was towards rouble appreciation but from July onwards we saw capital outflows which intensified through September to November. There was also a sharp growth in imports in the summer, which caused fears of a serious deterioration in the current account surplus in future. As a result, the Russian currency depreciated dramatically in autumn. In response the CBR began to sell large amounts of foreign currency. In December capital outflows dried out as oil rose above USD 90 per barrel, and by the end of the year the value of the bi-currency basket had returned to a level where the CBR was buying foreign currency. Despite significant volatility, the rouble appreciated against the basket by over 3% in 2010.

Inflation

The adverse weather conditions in Russia and other parts of the world in the second half of the year led to a sharp growth in prices for basic agricultural products: milk, bread, grains, vegetables, sugar, meat, etc. As a consequence, inflation which had been consistently falling before soared. At year end inflation stood at 8.8%, well above official forecasts.

Economic Growth

In 2010 the recovery of the Russian economy slowed sharply. We estimate that GDP growth rate was only at 3.3–3.5%. To some extent, such disappointing result is a consequence of the adverse weather conditions: extremely cold winter caused a slump in construction volumes while summer drought hit the agricultural sector. On the other side, 2009 low base effect could have supported strong growth in 2010.

In our view, however, 4Q 10 GDP growth rate (2.5–3.0%, yoy) is a more relevant estimation of last year's economic growth. That said, the economic recovery is still fragile — during 2010 there was no stable increase in consumption or investment.

The weak consumer demand dynamics was mainly a result of a still troubled labour market and sharp growth in food prices as well. Fixed investment added 5% yoy, which however only partially compensated for the 16% drop in 2009. Such low growth rates are primarily accounted for stagnant construction sector.

As well as lacklustre consumption and investment the external sector also hindered GDP growth in 2010. Imports increase stood at 35%, while exports volumes were virtually flat in real terms.

2011 Forecast

We forecast that this year real GDP growth will reach 3.5%. Although formally economic growth rate will remain at 2010 level, we should witness a modest increase in economic activity in 2011 taking into account low base effect of 2009 figures (see above).

Capital investment will be the key growth driver. On the back of favourable external conditions and capacity bottlenecks, investment in export industries will gain momentum. Implementation of large-scale infrastructure projects by Russian Railways, Gazprom, Transneft and Olimpstroy, etc. will also add to GDP growth in 2011.

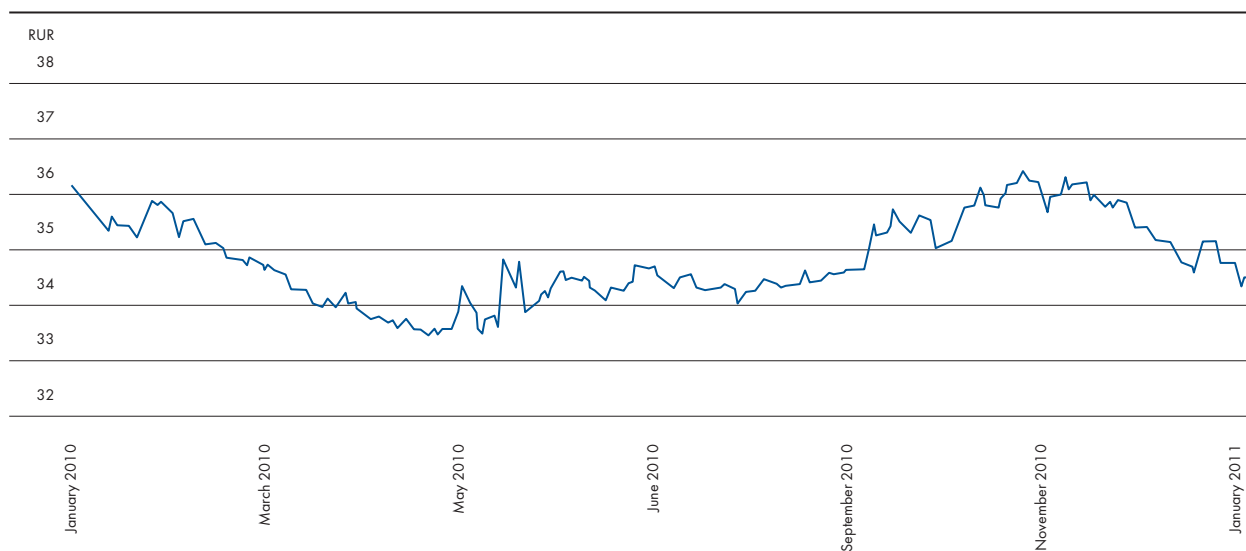
However, we expect consumer demand to remain weak. The situation on labour market will also remain depressed, partly due to an increase in social tax from 26% to 34%, which will reduce the labour compensation fund by about RUR 900 billion. At the same time, high food inflation will limit growth in consumption.

We forecast that the CBR will raise its key interest rates, in response to high inflation driven by sustained growth in food prices. At the end of 2010, we saw the first increase in deposit rates. However, fears over the slow pace of economic recovery will force the CBR to stick to a cautious approach to monetary policy tightening. In addition, we expect food inflation to gradually decelerate, which, in our opinion, will result in modest inflationary growth in the second half of the year, easing CBR concerns. In view of the above said we do not expect the CBR to raise deposit rates by more than 1 ppt this year.

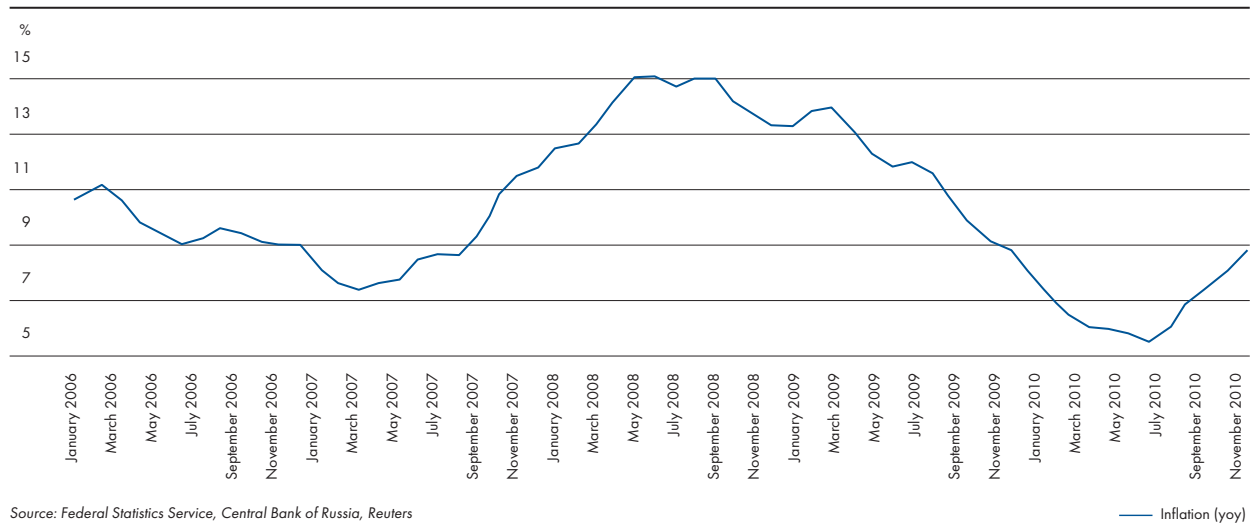
Basic Macroeconomic Indicators, Results and Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Nominal GDP (EUR bn)	280.8	342.1	364.4	383.3	476.3	614.8	779.9	920.6	1140.8	883.5	1134.4	1273.2	1447.1
Real GDP (% yoy)	10.0	5.1	4.7	7.3	7.2	6.4	7.4	8.1	5.6	-7.9	3.4	3.5	4.0
Industrial output (% yoy)	11.9	4.9	3.1	8.9	8.0	5.1	6.3	6.3	2.1	-9.3	8.3	5.5	6.5
Unemployment rate (avg, %)	10.6	8.9	8.0	8.6	8.2	7.6	7.2	6.2	6.4	8.4	7.5	6.6	6.4
Producer prices (avg, % yoy)	46.9	18.2	10.5	16.5	23.4	20.7	12.4	14.2	21.4	-7.2	13.5	10.5	12.0
Consumer prices (avg, % yoy)	20.8	21.6	16.0	13.6	11.0	12.5	9.8	9.1	14.1	11.8	6.9	8.0	7.3
General budget balance (% of GDP)	1.9	3.0	0.9	1.3	4.5	8.1	8.4	6.1	4.8	-6.3	-3.8	-3.0	-2.5
Current account balance (% of GDP)	18.1	11.1	8.4	8.2	10.0	11.0	9.6	6.2	6.1	4.1	5.5	3.6	2.5
Official FX reserves (EUR bn)	25.8	36.6	42.0	58.0	88.9	149.1	223.7	318.0	296.0	283.4	333.5	448.2	496.8
Gross foreign debt (% of GDP)	61.6	47.8	44.2	43.1	36.0	33.7	31.6	36.7	28.8	38.5	31.8	30.9	31.4
RUB/USD eop	28.5	30.5	31.9	29.2	27.7	28.7	26.3	24.6	30.5	30.3	30.5	33.0	33.5
RUB/EUR eop	26.8	27.1	33.5	36.9	37.7	33.9	34.7	35.8	42.4	43.4	40.8	39.6	40.2

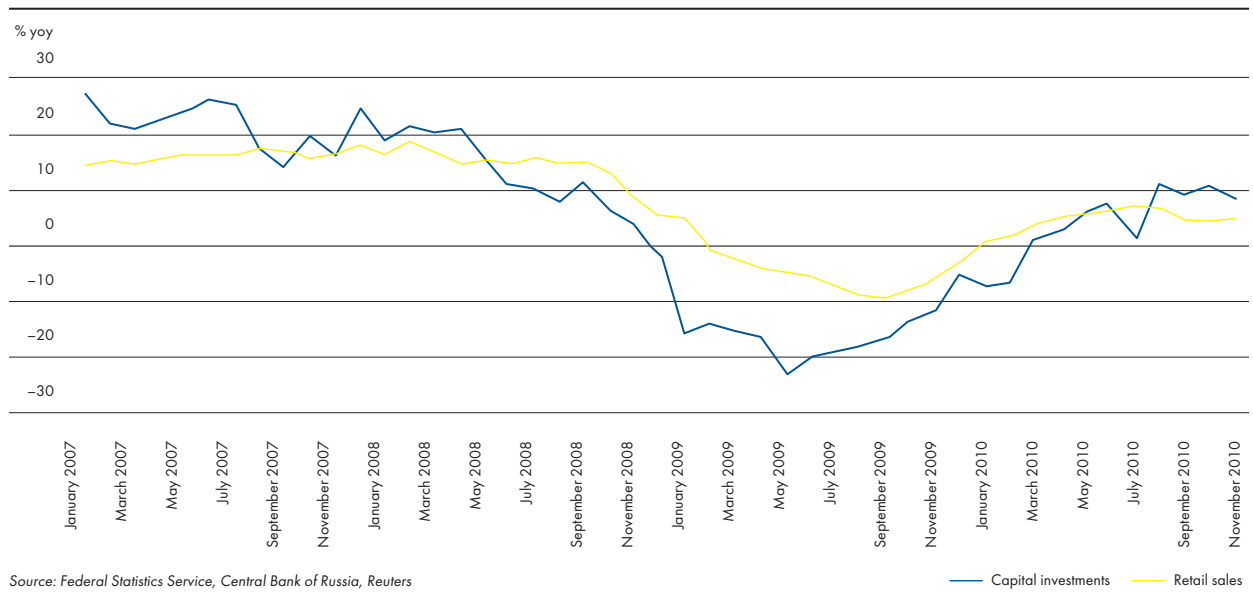
Source: Thomson Financial Datastream, wiw, Raiffeisen RESEARCH

Bicurrency basket (0.55 USD/0.45 EUR)

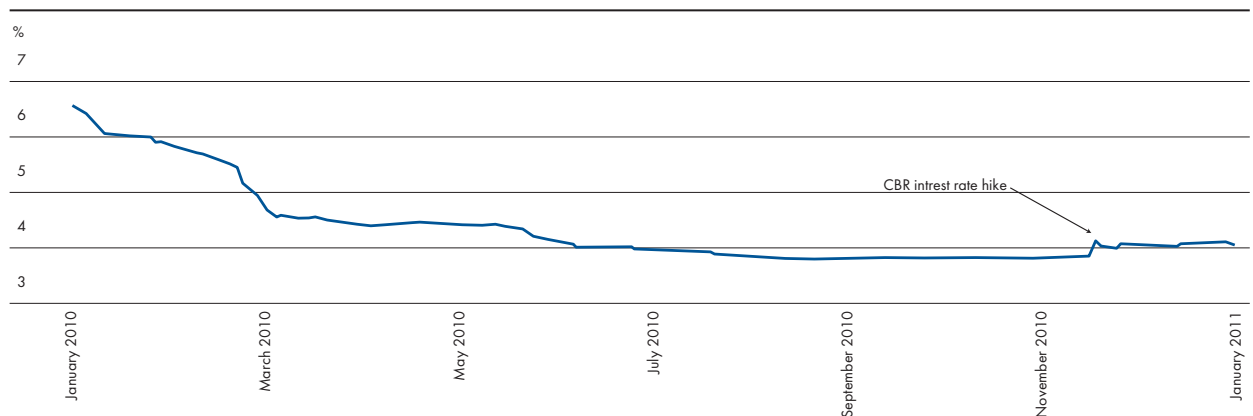
Indicational reserves of the Central Bank of Russia



Dynamic of Capital Investment and Retail Sales



MosPrime three-month rate



COMPOSER

ANTON BRUCKNER



Bruckner was an outstanding composer in the genre of Austro-German romanticism.

From 11, Bruckner played the organ; he tried to improvise on this most complicated musical instrument. Later, he achieved the greatest mastery in organ improvisation and gained the admiration of all of Europe.

Bruckner was a professor at the Vienna Conservatory, an assistant professor at university in Vienna, and organist at the Palace Capella. His most important legacy consisted of symphonies distinguished by strength and richness of harmonic language, complex polyphony and significant duration.



ORGANIST

ALEXANDER GOEDIKE

Gedike is the founder and head of the Russian organ school. His enthusiastic playing was distinguished by monumentality, clarity and depth of thought, as well as noble academism. It is thanks to Gedike that the practice of organ recitals became popular in Moscow and continues to this day. His repertoire included virtually all classical organ works as well as his own organ transcriptions of works by other composers. Gedike is also known as a composer, and his style is marked by earnestness and monumentality, clarity of form, and masterly polyphonic writing. The organ was played in Russia before Gedike, but it was Gedike who spurred the development of organ performances and composition.



Raiffeisen Bank International at a glance

ZAO Raiffeisenbank is a subsidiary of Raiffeisen Bank International AG (RBI), a leading universal bank in Central and Eastern Europe (CEE) and one of the foremost providers of corporate and investment banking services in Austria. RBI originated from the merger of the spun-off business areas of Raiffeisen Zentralbank Österreich AG (RZB) with Raiffeisen International Bank-Holding AG. The transaction was legally completed in October 2010. RBI is a fully-consolidated subsidiary of RZB, which owns 78.5 per cent of the bank's common stock. The remainder is in free float, with the shares listed on the Vienna Stock Exchange.

RBI offers corporate and investment banking for Austrian and international companies, an extensive banking and leasing network in CEE for both corporate and retail customers, as well as corporate and investment banking services in Asia and the world's principal financial centres. The group's subsidiary banks are present in the following Central and Eastern European markets:

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

The parent company of these banks is RBI, whose shareholding in them is at or near to 100 per cent in most cases. The Raiffeisen Bank International Group also includes many finance leasing companies (including one each in Kazakhstan and Moldova) and a number of other financial service providers.

In Western Europe and the USA, RBI operates a branch in London and representative offices in Frankfurt, Madrid, Milan, Paris, Stockholm, and New York. A finance company in New York and a subsidiary bank in Malta complement the scope of the bank's presence. In Asia, the Group's second geographical focus, RBI runs branches in Beijing, Xiamen and Singapore, a finance company in Hong Kong, as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. This strong presence clearly underlines the Group's emerging markets strategy.

In addition to its banking operations, RBI runs several specialist companies in CEE that offer solutions in a wide variety of areas, including M&A, equity investment, real estate development, project management and fund management.

The RBI Group's consistent commitment to quality is regularly reflected by a broad range of local and international awards, including by such leading finance industry publications as "The Banker", "Euromoney" and "Global Finance".

RZB and the Austrian Raiffeisen Banking Group

RBI is a subsidiary of Vienna-based RZB. Founded in 1927, RZB is the steering holding of the entire RZB Group and the central institution of the Austrian Raiffeisen Banking Group (RBG), the country's largest banking group.

RBG represents approximately a quarter of all banking business in Austria and comprises the country's largest banking network, with 535 independent banks and 1,689 branches (year-end 2009). As of year-end 2009, RBG's consolidated balance-sheet total amounted to EUR 260 billion. RBG's three-tiered structure consists of Raiffeisenbanks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. Raiffeisenbanks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisenbanks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 per cent of RZB's ordinary shares. The cooperative idea on which the Raiffeisen organisation is based reflects the principles and work of the German social reformer Friedrich Wilhelm Raiffeisen (1818–1888).

www.rbinternational.com
www.rzb.at

Vision and mission

Vision

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

Mission

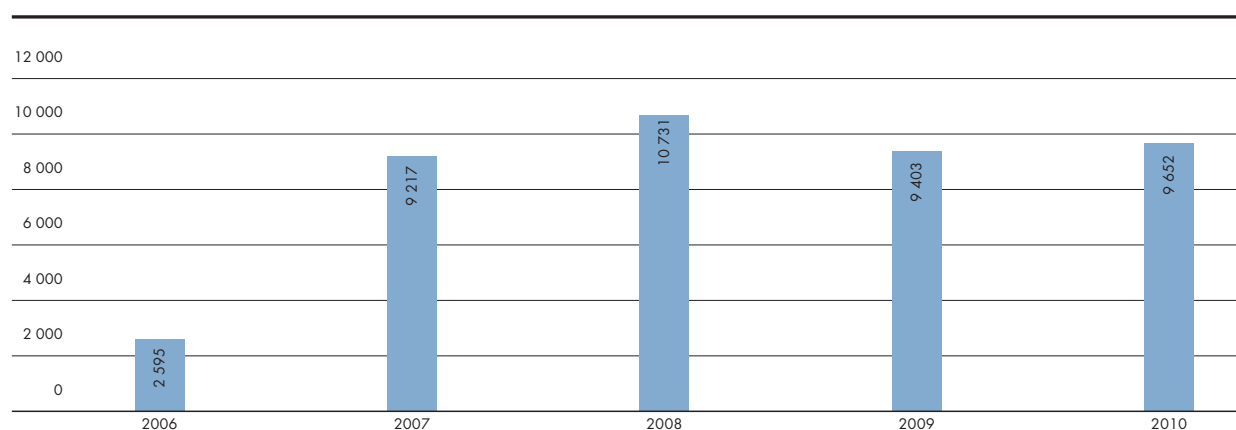
- We seek long-term customer relationships.
- We provide a full range of high quality financial services throughout Russia.
- We co-operate closely with all members of RZB-Group.
- We achieve sustainable and above-average return on equity.
- We empower our employees to be entrepreneurial and foster their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

Human Resources Policy

Despite the pessimistic projections, 2010 has returned to a positive year for the financial sector, and this was naturally reflected in the labour market. The transition from recession to stabilization was made late in the second quarter.

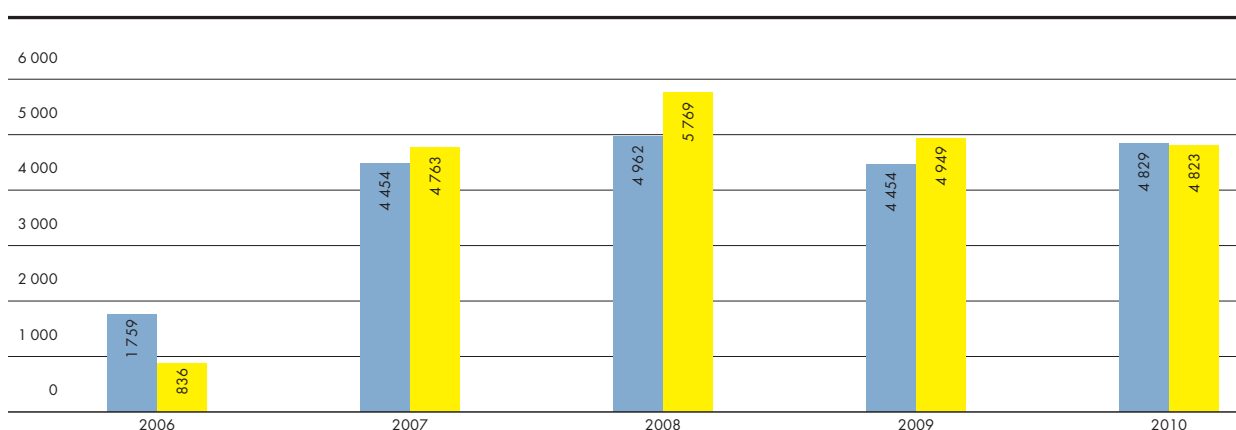
In the first half of the year, the Human Resources Division of Raiffeisenbank remained focused on supporting the business units of the Bank to streamline their operations in the post-crisis environment. However, in the middle of the year, the labour market began to show the first signs of recovery, and started to quickly adapt to the changing external conditions.

Number of employees



Source: Raiffeisenbank

Number of employees in Moscow and in regions



Source: Raiffeisenbank

■ Moscow ■ Regions

In 2010, work was resumed to attract professionals to the Bank. In total for the year, more than 32 thousand potential candidates applied to the head office in Moscow alone. 1 107 of these candidates were recruited, having increased the number of employees of the Bank in Moscow to 4 829 people

More than 60% of all the recruited staff were brought in through a direct search. The Bank resumed publishing in directories and information publications aimed at young professionals and students, and began participating in job fairs again.

The return to the pre-crisis level of recruitment led to a significant increase in the number of young specialists entering one of the most dynamic areas: the retail business. In 2010, 587 new employees were recruited into the retail segment of the Moscow region, 113 of whom were recruited through our internship programme.

In 2010, The System Evaluation of Retail Front Office Employee's project was successfully implemented. The aim of the project was, first of all, to obtain a cross-section of knowledge, and as a result, to plan activities designed to develop young professionals and improve the quality of their work. In 2010, the appraisal project was attended by 242 staff from the Moscow sales outlets.

At the end of 2010 the database of internal candidates for vacant positions in the Bank was finalized, which resulted in the successful publication of all the vacancies to the employees of the Bank and its subsidiaries on the intranet. This resource opened new horizons for the staff in planning and building a career within our Bank and made information on opportunities for staff rotation more accessible.

In 2010, a major project was completed to centralize the payroll accounting at the regional Hub Centres. This project was lasted over 2 and a half years and was a priority for the Personnel Department and the Human Resources Division in general. It enabled the payroll accounting in all of the regions to be transferred on to a single IT platform, and to subject the payroll accounting to a uniform algorithm.

It also enhanced the remote control of payroll done in regions and gave the ability to get all related data promptly.

In 2010, all the Regional centres were involved in the transformation process, which had been launched in 2009.

The main areas of focus in 2010 were:

- to identify effective technologies to streamline the management of business processes;
- to develop efficient methods of operational work monitoring inside the Regional centers as well as within the coloboration of Regional Centers and Head office;
- to work out the legal basis of planned actions to streamline the regional network;
- to develop the structuring principles of the units, and to develop the optimal structure of the regional centres,
- to implement the matrix command structures in the management of the regional network;
- to streamline the work processes between the Head office and the Regional centers;
- to evaluate the optimal management models of the regional network;
- to set out the responsibility area for the decisions can be take by the Hub Regional centre on their own;
- to identify the problems of centralized and decentralized management;
- to eliminate the common mistakes when selecting management models and ways to overcome them.

The principal documents regulating the activities of the regional network were developed. The Bylaws and Regulations were elaborated. The job descriptions of the staff of the Regional centres, Operational and Additional offices were written.

It was very important to determine the reserves for development, and to improve the efficiency of the regional network.

In April 2010, the merger of the type A and type B branches was completed in Novosibirsk. The Novosibirsk branch employees were successfully transferred to the Siberian branch.

The reorganisation of the Southern regional centre, which had began in 2009, was continued in 2010: 11 first and second format operational offices were opened in seven southern cities, which are directly subordinate to the Director of the Southern Regional centre, located in Krasnodar. The transformation process in the south was completed in May, with the closing of the Anapa branch.

In September 2010, the transformation of the Central and North-West regional centres was successfully completed. As of now, the Central region is represented by 15 operational offices in 12 cities and one type A branch in Kursk. In the North-West region there are now five operational offices in Kaliningrad, Cherepovets, Skitivkar and Petrozavodsk as well as "Northern Capital" branch in St. Petersburg.

In late 2010 the two regional centres Volga and Ural were transformed. In the Volga regional centre 11 operational offices were opened in eight cities of the Bank presence. In the Urals, Raiffeisenbank is currently represented by six operational offices and three type A branches, including base in Yekaterinburg. As part of the modernization of the Ural regional centre, the Zlatoust and Surgut branches were restructured.

As a result of the streamlining effects of the transformation, the total number of staff in the regions at the end of the year amounted to 4 823 people

A positive result of these changes was the creation of a very effective structure in the regions, which was in line with the initial targets. Another positive result was the creation of cohesive and professional employee teams.

In 2010, Raiffeisenbank's Centre for Training and Development provided the Bank's employees with a wide range of opportunities for professional development.

Over 80% of the bank's employees in Moscow and the regional offices were able to participate in external and internal training, and there was an average of 6.7 training days per employee.

Particular emphasis in 2010 was placed on the development of managerial and leadership skills for managers of all levels: in early 2010 a new management training system was launched entitled "School of Leadership." As part of this learning platform more than 75% of the managers of the Bank conducted a self-evaluation of their leadership and managerial skills, identified the key skill areas that need developing and participated in online and class training sessions.

A customized modular development programme was created for senior executives in conjunction with the "Skolkovo" Business School. The first two modules of the programme were held in the fall and winter of 2010. For middle and team managers, according to participants' requirement, we developed more than six new programmes on various management topics. As a result, managers in Moscow and the regions took part in more than 500 training days on various management topics. It is worth noting that all the training tools (including class training sessions) were developed and implemented by the Training and Development staff, which allowed us to develop a unique platform for the bank employees for learning without the need for external resources and the consequent additional costs.

Programmes were developed and successfully implemented to improve negotiating, time management, stress management skills and other programmes, including functional training programmes. We also continued to develop distant learning. Our employees were particularly enthusiastic about the new distant learning tool entitled "Webinars," in which the employees could take part in training sessions regardless of their geographic location, and in a structured manner. Also, internal distant learning courses were established on communication skills (i.e., business correspondence skills, telephone etiquette). Strategically important and mandatory anti-fraud, fire safety, and compliance control courses were established in collaboration with the business units.

Another successful strategic project for our division was the systematic performance assessment of the the front office staff from the branches. First of all, the staff from Moscow and St. Petersburg were assessed. Applying the new system, common standards and tools for assessing knowledge and skills were developed and implemented in collaboration with the business units. This programme enabled branch managers to employ a systematic approach and dialogue to the performance and development of their staff.

The studying of English has traditionally been of importance both for the Bank and its employees. It is a source of pride for our students in Moscow and the regional offices. In 2010, more than 60 000 study hours were completed of the combined training programme (online and in class). The flexible learning schedule and focus on distance learning brought our Bank into the top 15% of international corporations in terms of the effectiveness of its training system with the minimum of external costs (according to Global English).

And, of course, our victory in the Training Index category, entitled: "The most effective training and development system in Russia" brought us a special sense of pride. Participating in this contest allowed us to learn more about the training and development market in Russia, understand our strengths and set new and ambitious goals, which we will strive to reach in 2011.

2010 was also very eventful in Compensations and Benefits field. In the shifting external conditions, all of the incentive schemes underwent modernization. The focus shifted to quantitative indicators, even in the units that historically provided customer service. The aim of the revision of the incentive systems was to strengthen the correlation of reward to sales. The trend towards relating remuneration to performance continued in 2010, and the coverage of the incentive schemes was broadened.

The principle of the segregation of duties was implemented in the Bank, under which the function of calculating bonuses was passed to the Compensation and Benefits Group (hereinafter C&B), having significantly expanded the area of responsibility of the Group. Now the staff of the Group calculate the bonuses on monthly basis, and also, for the convenience of employees, the Group develops tools that helps the staff to predict the size of their bonuses (Calculators). In addition, the Group carries out advisory and explanatory work on the principles behind the incentive schemes and regularly prepares analytical materials for managers, allowing them to track the effectiveness of these systems.

As in 2009, the C&B Group monitored the situation on the labour market, and took part in the several Salary Practises Surveys. The Group noted the recovering signs on the labour market in proper time, which allowed to trigger adjustment of the the position of the Bank in respect to wages trough conduction of two scheduled salary reviews. For the first time, the differential approach was applied, as apposed to the principle of parity in the allocation of the budget for wage increases. The size of the allocated budget was determined according to the amount of funds required by a appropriate structural unit for the adjustment of its wages relative to the market.

In summer a major project was implemented to build a Advanced Salary Structure in close partnership with Mercer.

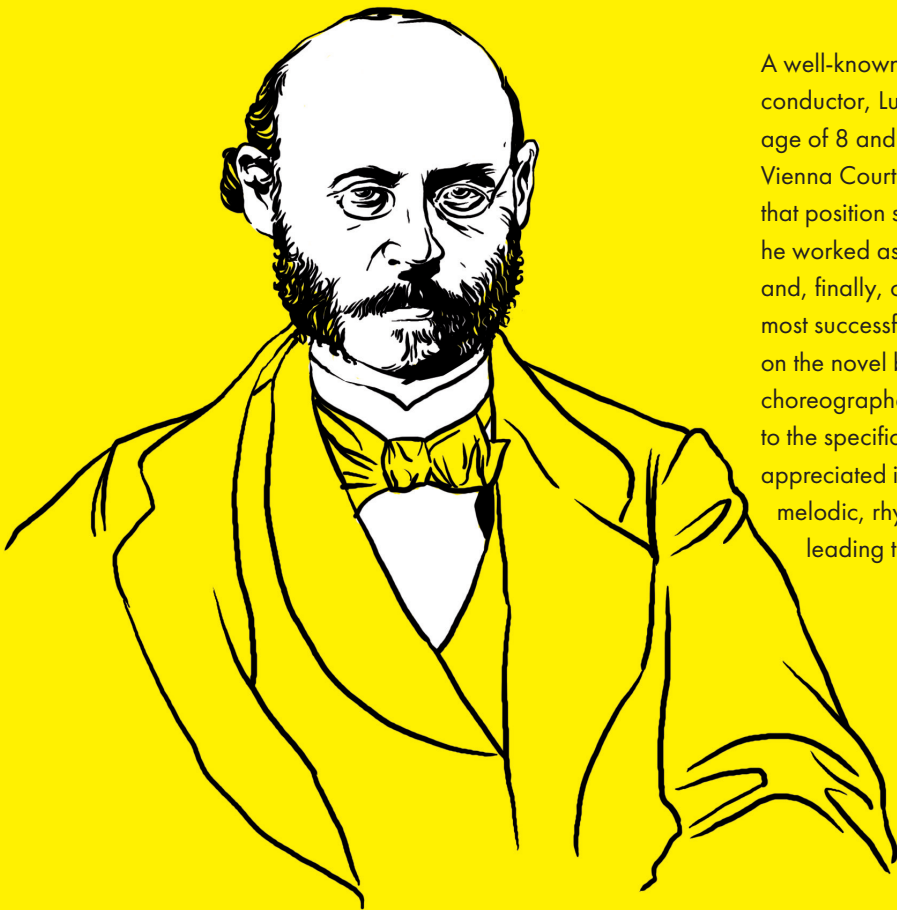
For the first time the salary review matrix for the System Evaluation of Retail Front Office Employee's was developed and implemented. This tool objectively converts the results of the System Evaluation to the appropriate salary level.

The corporate package of fringe benefits for the Bank's employees was not significantly altered, as even in the difficult year of 2009 it was unaffected. The only significant change was the replacement of the Accident Insurance service provider. By mutual decision, the contractual relationship with the Rossia Insurance Company was annulled. A tender to find a new provider was held, and, since November 2010, Ingosstrakh Life has been the accident insurance service provider for the Bank. This company is a very stable provider, and a strong player in the insurance market.

In 2011, the Human Resources Division plans to update the human resources policy, as a result of which Raiffeisenbank is going to become the best employer on the market.

COMPOSER

LUDWIG MINKUS



A well-known Austrian composer, violinist and conductor, Ludwig Minkus began performing at the age of 8 and at 19 became the first violinist at the Vienna Court Opera Theatre. However, he resigned that position shortly thereafter and left for Russia, where he worked as an orchestra conductor, first violinist, and, finally, composer of ballets. His best known and most successful work is the ballet *Don Quixote*, based on the novel by Miguel de Cervantes, created for choreographer Marius Petipa. Minkus was very sensitive to the specific demands of ballet, which was greatly appreciated in Russia. His ballets, filled with optimistic, melodic, rhythmic music, remain in the repertoire of leading theatres, both in Russia and worldwide.



BALLERINA

ANNA PAVLOVA

She is a famous Russian ballet dancer, whose legacy is international. It is Pavlova who performed the short ballet *The Dying Swan* – one of the greatest and most symbolic ballets of the 20th century. After graduation from the Petersburg Theatrical School, Pavlova was accepted by the Mariinsky Theatre and went on to become the theatre's prima ballerina. In 1902, Pavlova was the first dancer to take the role of Dulcinea in *Don Quixote*, choreographed by Petipa with music by Ludwig Minkus. When she won international acclaim, Anna Pavlova founded her own dance company with which she travelled worldwide.



Anti-Money Laundering Policy. Compliance Control

In the financial sector the confidence of customers and counterparties is a key aspect of successful business, so throughout its entire history, Raiffeisenbank has considered that its reputation is of fundamental importance and has taken preventive measures to protect it, including:

- the development and approval in the regulatory bodies of the internal control rules set to combat the legalization (laundering) of the proceeds from crime and terrorist financing, as well as the subsequent maintenance of their relevance in accordance with the requirements of Russian legislation;
- the holding of relevant training sessions for the Bank's employees, using multimedia technologies;
- the submission of special requirements for administrators, responsible for implementing the Bank's internal control measures, in accordance with legal regulations;
- the improvement of software used to detect suspicious transactions that are subject to mandatory monitoring in accordance with legal regulations;
- and more.

In accordance with current international trends, Raiffeisenbank is paying special attention to compliance risk management.

According to the requirements of the Basel Committee on Banking Supervision, compliance risk represents the risk of accruing legal sanctions or sanctions from regulatory bodies, a substantial financial loss or the loss of the Bank's reputation as a result of its non-compliance with laws, regulations, rules and codes of conduct relating to the activities of the Bank in combating the legalization (laundering) of the proceeds from crime and terrorism financing (hereinafter — the AML/TF), and compliance.

The term "compliance" refers to the set of measures taken in accordance with the current laws, requirements and guidelines of the regulatory bodies, domestic and international standards as well as the standards of the RBI Group.

Compliance as an activity in the Bank includes not only combating the legalization (laundering) of the proceeds from crime and terrorist financing, but also the fight against corruption, the prevention of conflicts of interest, and the combating of the misuse of insider information and market manipulation.

In order to minimize compliance risks, the Bank is guided by the provisions of the Corporate Code of Conduct of the RBI Group, which define the core values of the Bank and establish a corporate culture, which is focused on ethical principles in accordance with the law.

Our business principles are consistent with international standards and are based on principles such as a customer orientated approach, professionalism, quality, mutual respect, initiative, teamwork and integrity.

The underlying principle for combating the legalization (laundering) of proceeds from crime and terrorist financing as an important element of internal control is compliance with the requirements and provisions of the current Russian legislation, the Bank of Russia, as well as the standards of the RBI group in terms of AML/TF. Internal controls implemented as part of AML/TF aim to identify and manage the risks associated with the legalization of the proceeds from crime and terrorist financing, and are implemented on an ongoing basis. Particular emphasis is given to banking secrecy and the confidentiality of information obtained in the implementation of internal controls.

The most important requirement for the effective functioning of the internal control system is the direct participation of all of the Bank's employees under the relevant jurisdiction.

As a member of the Proceeds of Crime and Anti-Money Laundering Committee of the Association of Russian Banks, the Bank has been actively involved in the Committee's work.

Full conformity with the compliance requirements is the key to preserving our reputation, which largely determines the preferences of clients, counterparties and partners, and has a significant impact on the financial performance of the Bank and the Group.