

## Investment Banking

### Nature of operations

- Raiffeisenbank's investment banking operations are directed towards local bond issuances and placement, loan syndications arrangement, and the provision of consulting services in connection with raising external equity finance, and structuring Russian equity transactions (including mergers and acquisitions). In this sector of the industry, the Bank is one of the leading market participants in the Russian capital markets.
- An in-depth knowledge of the Russian markets — and the ability to leverage off the Group's international networks and rely on their experience — positions the Bank well in offering investment banking services to Russian corporations and international companies.
- During 2001 the total amount of financing for major Russian corporations facilitated by the Raiffeisenbank's investment banking operations exceeded USD 370 million.

Construction,  
Moscow suburb



## *Corporate Bonds – dynamics and highlights*

● The investment banking team's unparalleled local corporate bond market experience enabled the Bank to position itself at the top of the league ladder for organizers of Russian corporate bond issuances. The total value of Russian corporate bond issuances for which Raiffeisenbank acted as arranger or co-arranger for 2001 was RUR 5.6 billion, which represents 27% of the total par value of Russian corporate bonds issued in 2001.

● Major corporate bond issuances completed during 2001 included:

- ▄▄▄▄➤ RUR 2 billion bond issue of AK Sibur;
- ▄▄▄▄➤ RUR 600 million bond issue of JSC CenterTelecom;
- ▄▄▄▄➤ RUR 3 billion bond issue of Tyumen Oil Company.

● The Bank has also maintained its market leadership position with respect to payment servicing of Russian corporate bonds, facilitating a considerable mitigation of the settlement risks for investors in these instruments. During 2001 the Bank acted as the payment agent for 14 corporate bond issuances of 6 issuers with a combined value of RR 4.7 billion.

## *Loan syndications – thought and market leadership*

● Raiffeisenbank has been instrumental in leading the development of acceptable business practices for the facilitation of local loan syndications within Russia, and following these initiatives there has been a significant increase in the volume of loan syndications within the local market. During 2001 the Bank successfully arranged 4 loan syndication transactions with a combined value of USD 91.5 million, which represents 35% of the market for these syndications. The focus of these loan syndications was on pre-export financing facilities for Russian companies, which predetermined the Bank's success in arranging syndications with major international providers of debt.

## *Consulting services*

● The strength of the Bank's market position enables it to cooperate with all major international providers of debt and equity finance, and by utilizing this extensive network of con-

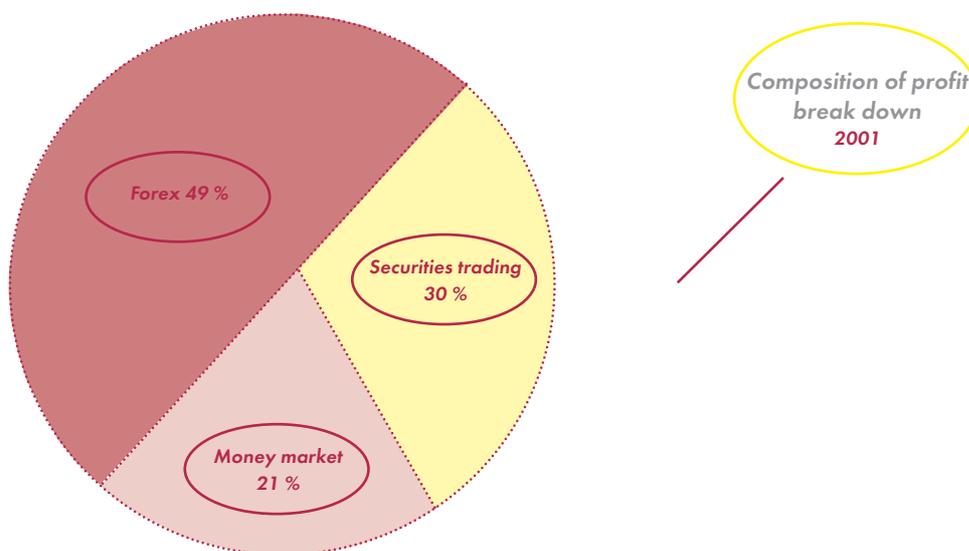
tacts, together with the experience of the Group and the Bank's own investment banking unit, the Bank is able to provide leading edge consultancy with respect to sale and purchase transactions associated with Russian equities, merger and acquisitions in Russia and in Eastern Europe, and equity placements to strategic Russian and international investors.

- The total value of transactions during 2001, where Raiffeisenbank acted as an investment banking consultant, exceeded USD 85 million.

## Treasury

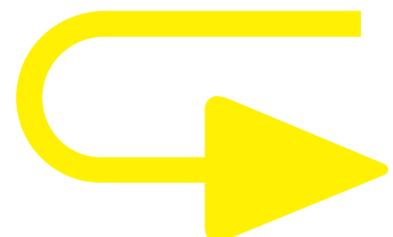
### Focus of operations

- The Bank's treasury operations are focused on taking proprietary positions through market making in, and the trading of currencies, deposits and swaps, fixed income securities and equities.



### Foreign exchange activities

- FX trading is the core business of the Bank's treasury unit, and the Bank is positioned as one of the market leaders in this sector. The bank is well positioned to service customers requiring high volume transactions. In recognition of its excellence in this area of operations, Raiffeisenbank was named "Best FX Dealing Room in 2001" by the MICEX survey of dealers.

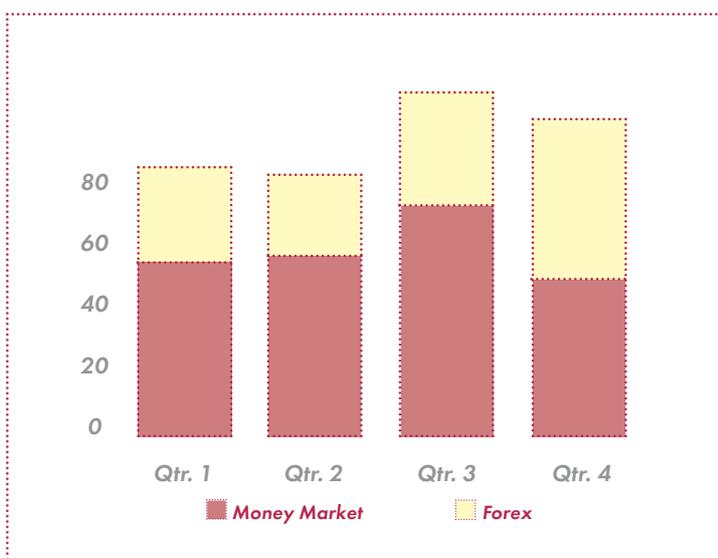


● Liquidity within the local markets is continuing to increase, the depth of the market is improving (average daily turnovers are currently in the vicinity of USD 1.5 to 2 billion), and this momentum looks set to continue. As a consequence, the attractiveness of the FX market remains high. However, the market continues to be heavily regulated by Bank of Russia.

### Money market

● The Bank trades in rubles and most major currencies, and focuses primarily on managing the Bank's funding and liquidity requirements. A characteristic of the local markets is a low degree of liquidity in terms longer than overnight, and as such it is necessary for the Bank to work closely with its parent company and other major international market participants in managing positions.

Forex and Money Market Turnover (USD, bln)



### Ruble fixed income

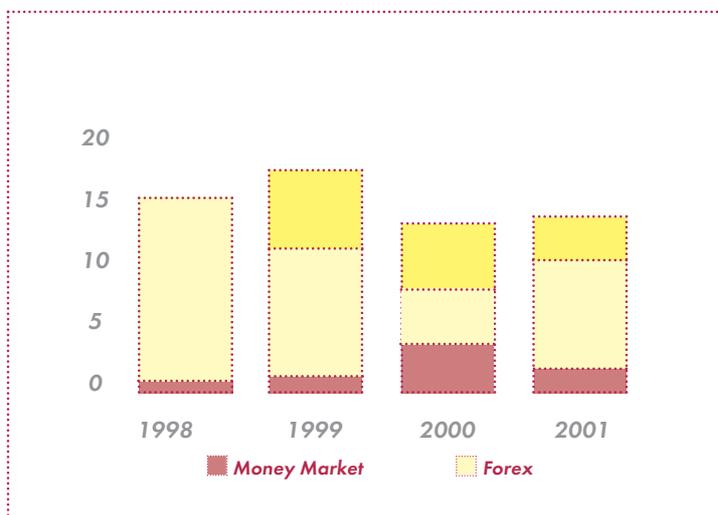
● A tightening of yields on these securities has resulted in a significant dampening in the attractiveness in the market for OFZs. At the same time, the corporate bonds market has strengthened significantly. The corporate bonds market is now characterized by greater liquidity, higher premiums, blue chip names, and a greater variety of instruments. Notwithstanding the above, the market continues to lack depth, with average trading volumes still only RR 140 million.

## Russian Federation Eurobonds

● The Bank is active in trading in all forms of sovereign debt from Russia. These securities also witnessed a tightening in yield spreads during 2001, with the spreads of Russian Eurobonds to US Treasury securities declining from 11–14% to 3–6%. The Russian market in this sector remains volatile and, as such, actively traded. During 2001 the Russian sovereign debt market provided a return of 53.7%, ranking it as one of the better performers in this market sector.

## Equity trading

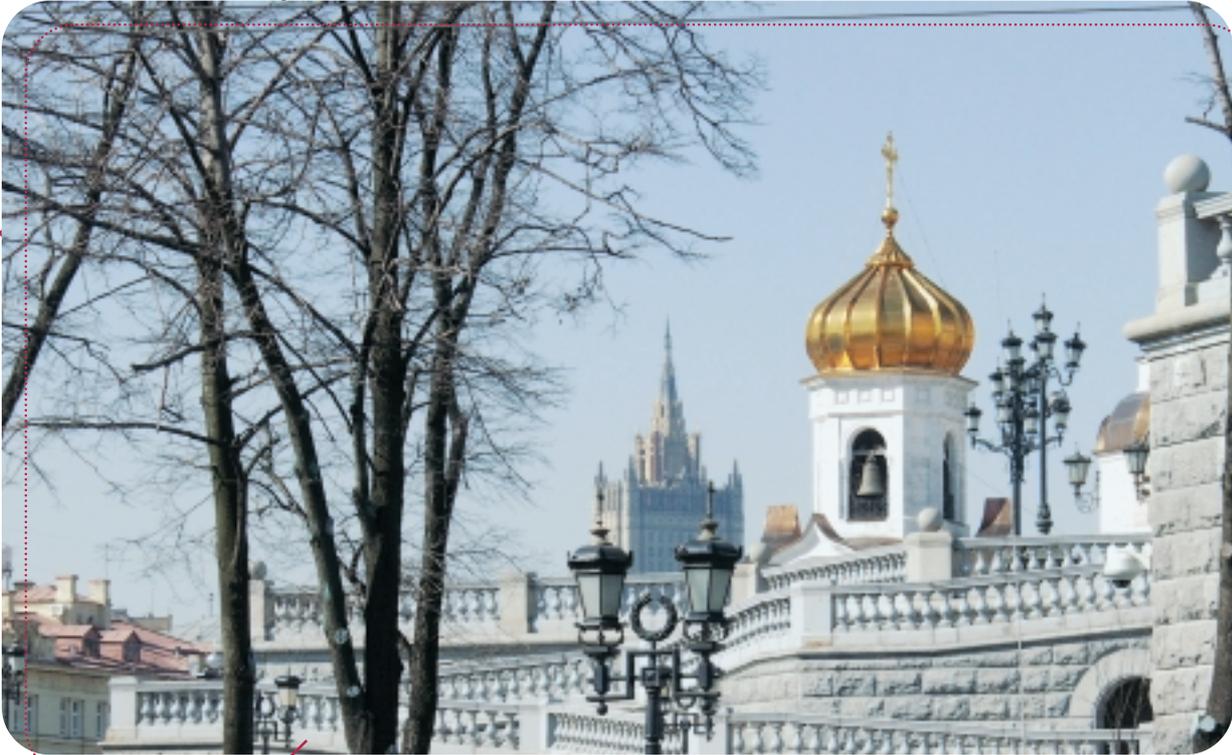
● The Bank's equity trading team is dedicated to the provision of high quality trade executions to the Bank's valued customer base. Dampened somewhat by a negative global market, the Russian stock market was still able to demonstrate impressive growth in 2001, with the MICEX and RTS indexes up 112% and 96% respectively. These markets were also characterized by strong liquidity increase, with average daily trade volumes on MICEX up 25% year on year.



Dealing Profit on  
Proprietary Open  
2001 (USD, mln)

## Customer operations in financial markets

● During 2001 Raiffeisenbank was successful in building up an effective distribution network for corporate bonds and in substantially growing the volume of its brokerage operations. Securities portfolios held by cus-



Monastery and  
Cathedral,  
Moscow centre

tomers through brokerage accounts with Raiffeisenbank grew by over 700% during the last year.

- The Bank currently markets corporate bonds to in excess of 370 potential customers, including other banks, insurance companies, investment and pension funds, together with corporate and private customers.

## Operations

### General

- Services in this area are focused on the provision of cash management and settlement services to corporate customers and financial institutions. This continues to be a priority area for Raiffeisenbank and during 2001 the Bank was able to double the volume of operations processed by its operations department.

### Superior quality service

- In reacting to the increased volume of activity, the Bank has recognized the need for continued focus on service quality. This accent on client service has enabled the Bank

to both retain its current client base and to constantly acquire new medium to large sized Russian and multinational companies and other banks as clients.

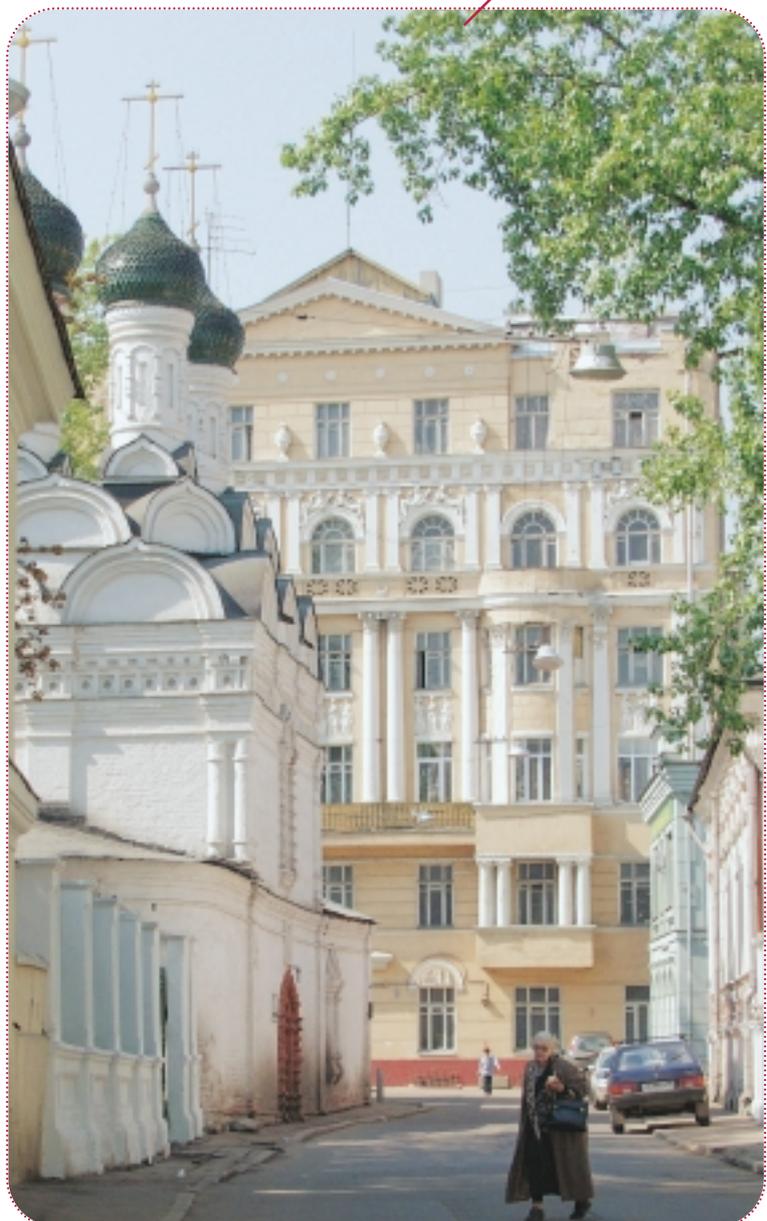
● The Bank operates a Superior Quality Service Policy based on:

- ▣▣▣▣ extensive product line of transaction services both regional and cross border;
- ▣▣▣▣ competitive terms and conditions;
- ▣▣▣▣ "tailor made" solutions developed with our customers;
- ▣▣▣▣ strong IT support and "Straight Through Processing" cycles facilitating the provision of customer friendly cash management products, together with fast and accurate execution of orders.

### *IT support*

● The maintenance of an up to date IT infrastructure is critical to the efficient functioning of the Bank's operations. The Bank operates current western banking technologies, together with software systems which are developed in house by the Bank's own IT personnel. This approach enables the Bank to satisfy local regulatory and reporting requirements, whilst at the same time allowing the Bank flexibility in introducing tailored and efficient processing cycles.

Street,  
Moscow centre





● Automated routines significantly reduce the need for manual data processing and the Bank is able to offer customers a variety of technology based service options such as electronic banking, and internet access to interim account statements.

### *Cross-border settlements*

● As a member of the RZB-Group, a major player on the market of operational and cash management services in Central and Eastern Europe, and through its participation in a number of international banking alliances, Raiffeisenbank is able to provide its clients locally, and internationally throughout the Group's network with the same high level of internationally accepted standards of service.

● The Bank is able to offer a variety of regional and global products, such as:

▣ Cross-Border Margin Pooling – an interest income optimization tool;

▣ Regional Cash Management – an instrument designed to provide regional cash management and liquidity management for large corporates and their affiliates.

● The Bank's participation in a number of international banking alliances enables its customers to enjoy the highest level of service even in regions where the Group has no direct presence.

## **Custody**

### *Background*

● The Bank's custody unit continued to strengthen its market position as a provider of high-quality services in the Russian securities market, evidenced by growth in the volume of assets under custody, expansion of the Bank's cus-

tomer base in this area, and further diversification of services offered.

### *Integration with the RZB custody network*

During 2001 the Bank joined the Raiffeisen Zentralbank Österreich AG Custody Network which is currently situated in 44 countries world-wide. Participation in this network, enables the Bank to create a bridge to Western European securities markets through a network of custodians and for facilitation in ADR/ GDR settlement and clearing.

### *Enhancement of product lines*

● New innovations by the Bank in the past year have included:

- ▣ securities pledging;
- ▣ full scale "backyard" support to underwriting facilities;
- ▣ income distribution.

● The Bank's participation in professional market groups has contributed to liberalizations in the legal base in this market sector, evidenced by simplified tax relief procedures for non-residents and procedures that have allowed for the introduction of employee stock purchase plans. The Bank is now able to offer its key corporate customers employee stock purchase plans, tailored to the specifics of their corporate structure.

### *Looking forward*

● For the remainder of 2002 further enhancements in technologies are envisaged, including new SWIFT communication formats to allow for smoother processing routines and increased capacities.

● Further improvements are planned in the corporate actions block, designed to streamline the receipt, processing and dispatch of information by eliminating duplication and overlaps.

● In responding to the developments in the area of pension reform, the Bank plans to introduce a fund administration function to its existing range of services.