

Statement by the Supervisory Board



While 2008 was an “extraordinary” year for the Raiffeisen International Group as a whole, 2009 will be remembered for being “extreme” and “challenging”. The global economic crisis and its effects on the comparatively young market economies of Central and Eastern Europe presented our banking group with completely new challenges. We were able to cope with them well thanks to our business model, which is geared to the real needs of businesses and private individuals in 17 countries in the region and has proved sustainably robust even in these difficult times. Obviously, the record result we achieved in 2008 could not be sustained in an environment that was without doubt the worst in many decades and led to many banks posting losses and being sold off. While our consolidated profit (after tax and minorities) dropped significantly to EUR 212 million, this result still underlined the strength of our business model and clearly exceeded the market’s expectations.

We made good use of the crisis year 2009, adjusting the parameters of our strategy to the difficult conditions and making our organization even fitter for the times and tasks that lie ahead. While growth and earnings were previously in the foreground, we focused in 2009 on strengthening capital, managing liquidity and risk, raising efficiency, and lowering costs. Unsurprisingly, the year was also shaped by the sharp rise of non-performing loans and related increase of provisioning for impairment losses. However, the upward momentum of non-performing loans slowed down in the second half of the year, and overall economic conditions improved. Many market observers share our view that this trend will continue in 2010. We may have passed the worst point of the economic crisis, but the current year will be another one of great challenges. We therefore consider it extremely important that we continue to focus fully on the agenda set in 2009.

We are firmly convinced that CEE will prove to be the driving force in Europe again after the crisis. The region as a whole obviously suffered a setback last year. In some CEE countries, this setback was more severe than in Western Europe, in others it was much less so. But the convergence process that started more than two decades ago is still far from over. The continuing need to catch up after about five decades of communism will, according to practically all forecasts, see to it that the region again undergoes stronger growth than Western Europe in the years ahead. Added to that is its comparatively lower penetration rate with respect to banking products. All that should be a solid basis of renewed successful development for banks operating in the region. Speaking of success: the confidence of our customers has been and remains our most important indicator in that respect. The increase in the number of our customers during the year from 14.7 million to 15.1 million documents that we enjoy this confidence despite, or even because of, the extraordinarily difficult times.

Regarding ZAO Raiffeisenbank (Raiffeisenbank), I am proud to say that it not only stood firm during the difficult economic period but also maintained its strong position on the Russian banking market. Raiffeisenbank ranked ninth among Russian banks in assets as of year-end 2009, according to Interfax-CEA, was fifth in local retail deposits and eighth in retail loans. As of year-end 2009, Raiffeisenbank’s assets amounted to more than RUR 512 billion, and its after-tax profit exceeded RUR 5.4 billion.

Raiffeisenbank's reliability has been confirmed by international rating agencies. According to Fitch Ratings, its long-term issuer default rating in foreign currency was BBB+ (forecast stable), the short-term rating in foreign currency was F2 (support rating 2), individual rating D, and the national scale rating AAA(rus), (forecast stable). Standard & Poor's gave the Bank a long-term rating in foreign and local currency of BBB-(forecast stable), a short-term rating of A-3, and a national scale rating of ruAAA. Moody's Interfax Rating Agency gave the Bank a long-term national scale credit rating Aaa.ru, and Moody's Investors Service rated the Bank Baa3 (long-term, forecast negative), Prime-3 short-term for deposits in foreign and local currency, and awarded a financial stability rating of D+.

To increase access to commercial financing from banks in the Raiffeisen International Group in Central and Eastern Europe, Raiffeisenbank joined the international commercial financing programme of the International Finance Corporation in October 2009. This greatly expanded its ability to offer commercial loans in the region, especially to SMEs, and gave the Bank access to the funds of other programme participants.

In May 2009, Raiffeisen International Bank-Holding AG (Raiffeisen International) sponsored the 54th Eurovision Song Contest held in Moscow. The Bank began supporting this festival, which is very popular in Central and Eastern Europe, in 2008, and I am particularly pleased that our sponsorship has continued in Russia, one of Raiffeisen International's most significant markets (e.g., Raiffeisenbank issued credit cards with the Eurovision 2009 logo).

The Bank's business model confirms that it can work successfully in difficult economic conditions, and I am certain that our strong development strategy and high service quality will allow us to maintain our clients' trust as a reliable partner. Today, as never before, clients demand high professionalism from their banks which depends greatly on the staff's efforts. I am grateful to our staff for their important contribution to the Bank's development in Russia and their responsible approach to the conduct of business.



Herbert Stepic
CEO of Raiffeisen International Bank-Holding AG
Chairman of the Supervisory Board
of ZAO Raiffeisenbank

On behalf of the Supervisory Board, which includes:
Heinz Wiedner
Martin Grill
Aris Bogdaneris
Peter Lennkh

Statement of the Chairman of the Board



Raiffeisenbank, just like the entire Russian banking industry, experienced serious challenges to the strength of its business model in 2009. I am proud to say that we showed our mettle as a solid financial institution and used the economic crisis to make the Bank even more efficient and competitive, as well as more convenient and attractive for our clients. We also strengthened the foundation for Raiffeisenbank's further successful development on the Russian market.

Our stability and financial strength are based on many factors, particularly the Raiffeisen Group's deep commitment to the Russian market, the well-considered nature of our financial strategy, our highly rational approach to risk evaluation, the Bank's ability to quickly adapt to changing market conditions and, of course, the high professionalism of our staff. We moved rapidly to adjust our approach to collecting overdue loans. Our work in 2009 received significant accolades from market observers, who awarded Raiffeisenbank the National Banking Prize for "Banks with Foreign Ownership Making a Notable Contribution to Russia's Economic Development."

Our reliable communicativeness, the attractiveness of our services and products, and our clients' great trust allowed the Bank to strongly enhance its brand identity. According to GFK FMDS, in February 2010 Raiffeisenbank's brand recognition among middle-class Russian consumers over the age of 16 was 59% (compared to 34.8% as of end-2008).

Despite the difficult situation on debt markets through 2009, Raiffeisenbank experienced no difficulties with liquidity and, thanks to active measures to strengthen its deposit base, created a significant volume of liquid resources, allowing the Bank to return ahead of schedule a syndicated loan of USD 1 billion taken in April 2008. Last year the Bank reported net income of RUR 5.4 billion, very close to the result achieved in 2007 (RUR 6.7 billion) despite the need to significantly increase its loan loss provisioning to RUR 16 billion.

In 2009, Raiffeisenbank solved the complex problem of optimizing its asset structure, which significantly improved the Bank's capital adequacy (19% as of end-2009, Basel II). Despite the weaker market and the significant fall in demand for loans in the corporate segment, the Bank preserved its main asset: its clients' trust. Keeping our long-term clients has always been the main priority in our work.

In 2009, Raiffeisenbank organised 20 corporate bond issues for a total of RUR 105 billion, again confirming its strong position among Russian corporate bond leaders. Last year we continued the active bond restructuring begun in late 2008 with the first-ever public restructuring transaction of a rouble bond issue on the Russian market. As a result, last year the Bank was named the best bond restructuring agent by Cbonds.

In the retail segment in 2009 our priority was launching new products and loyalty programmes. The Bank offered clients the Austrian Airlines-Raiffeisenbank MasterCard, the MTS-Raiffeisenbank VISA card and Multicurrency deposits which protect funds against currency fluctuations without loss of interest. In December, the Bank was included in the state's special car loan programme which compensates interest rates on loans for the purchase of locally produced automobiles.

Confirmation that the quality of our services meets global standards came in the form of the Global Finance awards "Best Retail Bank" and "Best Internet Bank for Retail Clients". The Bank was also named the "Best Retail Bank" by Retail Finance Awards 2009.

Another important event was the inclusion of insurance services in the Bank's product line. In October, the Bank offered clients new life insurance services developed by Raiffeisen Life, a subsidiary of the Austrian group UNIQA. New insurance programmes for retail clients include life insurance for borrowers and credit card holders, as well as special accrual programmes.

To improve the quality of its services to retail clients, in March 2009 the Bank launched Premium Banking, thereby expanding its Premium Banking client base to over 4 000 by the end of the year.

During the year we devoted considerable attention to major internal organisational changes aimed at improving business processes and technologies. The Bank introduced the Capstone automated system for processing and approving applications for consumer loans. In 2009, the Bank took major steps towards introducing Basel-standard risk management systems; another important achievement was the successful transition to the new MidasPlus technology platform.

A more deeply developed conception for the network's new operational model was created. As a result, in the fall of 2009 the Bank entered a key phase of its operational integration with Impexbank, begun in 2007, following the merger — transformation of the regional network. By mid-2011 Raiffeisenbank will consist of a central office, hub branches usually located in the main cities of federal districts, and a network of operational offices expanding the Bank's footprint in the regions.

Raiffeisenbank subsidiaries, Raiffeisen-Leasing, Raiffeisen Capital Asset Management Company and Raiffeisen Non-State Pension Fund continued to work successfully and strengthened their positions on the Russian financial market. Last year was the most successful in Raiffeisen Capital's five-year history; the company was the only major player on the local collective investments market to achieve a positive result in attracting funds to open unit investment funds. The company's market share in terms of open unit funds under management more than doubled to 6.4%. Raiffeisen Leasing maintained its leadership among universal leasing companies with foreign ownership, closing new transactions worth over RUR 480 million. In 2009, Raiffeisen Non-State Pension Fund's assets under management surpassed RUR 2.3 billion, and the client base grew to more than 38 000 individuals and 110 corporate clients.

As a subsidiary of Raiffeisen International and a leading Russian financial organisation, Raiffeisenbank traditionally devotes attention to corporate responsibility programmes. In 2009, the Bank supported major projects in the areas of charity, culture and sport. Social responsibility is a priority value for the Bank's management and staff. In 2009, we successfully continued developing our Helping Together charitable programme, in which the Bank's staff participates.

I would like to take this opportunity to welcome Arndt Roechling, the Head of the Financial Directorate, to Raiffeisenbank's management team. I am certain that his professionalism and knowledge will strengthen the team and help promote the Bank's further development on the Russian market.

We believe the path we have chosen to improve the Bank's work and business processes is the right one, and we intend to continue our efforts along these lines in the new year. I am sincerely grateful to all our staff for their professionalism and tireless exertions. Please allow me to express my gratitude to all our clients and partners for the trust they have shown, and I am certain that our work together will be just as rewarding as we go forward.



Pavel Gurin
Chairman of the Board
ZAO Raiffeisenbank

Managing Board of ZAO Raiffeisenbank

Andrey Stepanenko

Member of the Board,
Head of Retail Private
Individuals Directorate

Arndt Roechling

Member of the Board,
Head of Financial
Directorate

Sergei Monin

Member of the Board,
Head of Treasury Directorate

Pavel Gurin

Chairman
of the Board



Dirk Hinze

Member of the Board,
Head of Retail Business
Optimization Directorate

Oxana Panchenko

Member of the Board,
Head of Corporate Banking
and Corporate Finance
Directorate

Christoph Schoefboeck

Member of the Board,
Head of Operations
and IT Directorate

Alexandre Ouchakov

Member of the Board,
Head of Information Security
and Compliance Control
Directorate

