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## Consumer Banking

### General overview

The first full year of Raiffeisenbank Austria's consumer banking activity proved that the somewhat radical decision, for a foreign-owned bank, made in 1999 was justified. The high demand for foreign banking services on the part of Russian retail clients in 2000 confirmed the optimistic forecast of Raiffeisenbank Austria's management. The number of clients increased threefold during 2000, and customer account balances rose fivefold, reaching USD 60 mn by year-end.

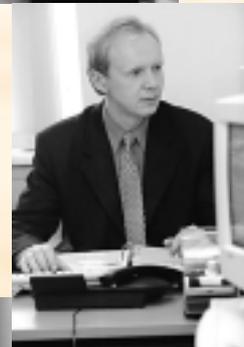
Raiffeisenbank Austria offers a concept of consumer banking service that is unique in the Russian market, and aims for individual contact with the retail client, an understanding of the client's needs and careful consideration of the client's requirements. Each and every client is serviced by a highly-skilled account manager, who is the client's principal financial advisor and main trouble-shooter.

The high standards of professionalism of Raiffeisenbank Austria employees, who combine Russian expertise with Austrian banking experience, together with the cozy and friendly atmosphere that prevails in our Bank branches, ensures a pleasant and efficient service for our clients.

### Plastic cards

Raiffeisenbank Austria is constantly aiming to expand our range of consumer banking products.

Upon receiving Principal Membership in VISA International in 1999, Raiffeisenbank Austria established its own processing center, which allows card issuance and transaction monitoring without the involvement of a third party. The Bank issued over 8,500 VISA Electron and VISA Classic cards, the initial card



products available, by year-end 2000. In mid-2000, two additional products – VISA Gold and domestic VISA Electron – were introduced to the market.

● Raiffeisenbank Austria is the only 100% foreign-owned bank that offers its clients the exclusive VISA Gold product. Its benefits include life insurance during trips abroad, or optional membership in IAPA and Priority Pass Associations providing numerous discounts in hotels worldwide and access to VIP lounges in international airports. The domestic VISA Electron, linked to a customer's rouble account, is intended for use within Russia, and offers the customer a choice in managing his/her own savings.



● We take special care of our clients by constantly looking out for partners prepared to grant discounts on their goods and services if paid for by Raiffeisenbank Austria's VISA cards. For example, discounts on car insurance are available from Renaissance Insurance, or on car rentals from AVIS – these represent a source of additional savings to our clients.

● Responding to the desire of our clients to choose between two major card systems (VISA International and Europay International), Raiffeisenbank Austria in 2000 became a Principal Member of Europay International. Therefore, from 2001, in addition to VISA cards, clients will also be able to make use of the products of Europay, the world's second largest payments system.





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## Consumer lending

Further expanding its product range, Raiffeisenbank Austria was among the first foreign subsidiary banks to begin granting loans to private clients. Together with Renault, Raiffeisenbank Austria launched a loan program to finance the purchase of these French cars. A clearly-defined list of documents and a carefully-outlined set of obligations allowed some clients to become the happy owners of Renault cars without spending too much time or effort. To support our successful collaboration, Raiffeisenbank Austria and Renault jointly participated in the Moscow International Motor Show in August 2000.

Raiffeisenbank Austria's mortgage loan program, which allows borrowers to purchase real estate in Moscow, is also of great interest to our banking clients. In just one short year, Raiffeisenbank Austria has become an important player in the market for mortgage loans.

## ATMs network

For cardholders' convenience, Raiffeisenbank Austria is continuously developing its own ATM network. By year-end 2000 Raiffeisenbank Austria had installed 14 ATMs, which service all VISA, Electron and Plus cards of any issuer and dispense both roubles and US dollars. ATMs are installed at all Raiffeisenbank Austria branches, international hotels and business centres.

Multimedia technology, new to Russia, was introduced as an experiment in our Bank's ATMs. It enables the playing of video and audio information on the ATM display screen, turning the cash dispenser into an advertisement and information channel as well. Raiffeisenbank Austria makes use of this new technology by educating its clients about the various opportunities open to them by using their plastic cards.

## New branches

In addition to the existing "Taganskoye" and "Romanov Dvor" branches, Raiffeisenbank Austria is planning to open additional branches in Moscow. Moreover, construction has already begun at the new St. Petersburg branch office in late 2000. Located in the very centre of the City of White Nights, on the Moika Embankment, the branch will open its doors to corporate and private customers in Q3 2001.

## Round-the-clock customer assistance

Created in 2000, Raiffeisenbank Austria's Russian language web site provides potential customers with full information on consumer banking services as well as any new products available. Existing customers may learn about new special offers and discount programs for Raiffeisenbank's card-holders either on the website, or can contact the Bank using the emergency message function in the event of card problems.

A 24-hour Call Centre development project was started in 2001, under which any client can address any questions on the use of Raiffeisenbank Austria's cards at any time.





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## Financial Institutions

### Sector overview

If 1999 was the year of rebuilding on the ruins of the financial crisis, 2000 was marked by growing confidence in the strength of Russia's banking sector. The banking sector showed a healthy improvement in banks' financial status, capital and assets, and benefited considerably from the country's relative macro-economic stability and economic growth during the year.

A similar positive trend was also noticed in the area of non-bank financial institutions, particularly in the insurance company segment – in Russia, the most developed among non-bank financial institutions. Evidence to support this can be seen in the strongly positive trend in collecting insurance receipts, an increase in demand in non-obligatory insurance services, the entry of new market participants and consolidation within the sector, and in the appearance of insurance broker associations. The greater scope of services offered by Russian insurance companies, newer and more progressive methods of concluding insurance contracts (such as e-mail) are further positive signs. Insurance companies are making an effort to develop regional branch networks and relationships with local authorities, all of which help to steer Russian insurance companies towards western standards of doing business.

### Clients

As one of the first foreign banks to focus on Russian financial institutions, Raiffeisenbank Austria during 2000 was rewarded with a considerable broadening and further strengthening of co-operation with this category of counterparties during 2000. By year-end 2000, the total number of correspondent banks exceeded 370 foreign and Russian banks and financial institutions, 115 of which maintain accounts with Raiffeisenbank Austria.



Raiffeisenbank's client base can be divided into two groups. The first group consists of financial institutions that are institutional investors (i.e. insurance and investment companies, investment and pension funds). Volumes in this market segment are growing continuously and the prospects for continued co-operation with these types of counterparties are very good. The second group is composed of banks and includes Raiffeisenbank Austria's foreign correspondents, subsidiaries of foreign banks in Russia, and Russian banks.

### **Counterparties in Russia's regions and abroad**

In line with Raiffeisenbank Austria's marketing strategy, the Financial Institutions team allocated considerable time and effort to maintaining existing relationships and developing new partnerships with financial institutions in Russia's regions as well as other countries within the CIS. Over the course of the year, our team visited over 90 different banks from 14 economically important Russian regions (i.e. St. Petersburg, Samara, Togliatti, Yekaterinburg, Nizhny Novgorod) to support existing relationships and to generate new partnerships.

### **New products**

As an active player in Russia's foreign exchange and money markets, Raiffeisenbank Austria was especially conscious of the need to perfect and strengthen its product line for Russian counterparties in these mar-





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kets. Taking into account the substantial growth in daily volumes on the interbank market after the 1998 crisis (up to USD 1.5-2.0 bn) and the improved financial standing of first-tier Russian banks, new market requirements are becoming apparent.

## ***Collateralised lending***

Raiffeisenbank Austria has undertaken a series of steps to improve an already existing product – collateralised lines on Russian counterparties. This product enabled the Bank's Russian counterparties to borrow funds from Raiffeisenbank Austria and to avoid pre-delivery of funds in FX transactions under the condition that sufficient collateral was to be placed with the RZB Group in Vienna. A substantial increase in the product limit has helped to attract new counterparties, as well as to strengthen the Bank's presence on the interbank market, and thereby gain maximum profit from taking advantage of this risk-free financial tool.

## ***Plastic cards***

Raiffeisenbank Austria's plastic card products enjoyed great demand throughout 2000. A number of regional banks also actively promoted this product, with the result that banks in Samara, Togliatti, Nizhny Novgorod are now able to offer Raiffeisenbank plastic cards to their most reliable customers. Given that Raiffeisenbank Austria has no bank branches outside of Moscow at present, the Bank is making use of our plastic card service to expand into the regions of Russia using the advantage of our broad local correspondent network.

## ***Events***

Raiffeisenbank Austria places special emphasis on maintaining existing relationships with correspondent banks. Our corporate philosophy is that a good relationship requires more than just occasional phone calls and meetings. With this principle in mind, Raiffeisenbank Austria continued its tradition of organising events for correspondents dedicated to a variety of banking subjects. In March 2000, a seminar on documentary business and trade finance – two important business directions for any commercial bank – was organised in Moscow. In the course of the seminar, specialists from over 30 commercial banks shared their experiences and discussed issues and developments in these areas.

The Financial Institutions team actively took part in various important banking-related events organised by other institu-

tions, such as the Annual Yalta Conference, the International North-West Banking Conference in St. Petersburg, the All-Russia Banking Forum in Nizhny Novgorod – all of which were useful for exchanging ideas on banking practices and perspectives on how to do business in Russia.



## Customer referrals

We are pleased to report that a number of reputable banks in Sweden, Germany and Finland, which do not have operating subsidiaries in Russia, recommend Raiffeisenbank Austria to their clients needing to do business in Russia. Customer referrals are a long-term process and, at first glance, may not be especially evident, but they provide ample testimony to the existence of stable and mutually-beneficial commercial relationships between institutions.





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## Treasury Operations

### General overview

In retrospect, the year 2000 brought a number of substantive changes in Raiffeisenbank Austria's Treasury Department. Its core objective centred on transforming the positive results of the Bank's rapid post-crisis growth into additional opportunities through strengthening long-term relationships with customers and diversifying the Bank's activities with clients. Another objective has been to make use of the new opportunities discovered in the course of the past year. Raiffeisenbank Austria has begun to develop proprietary operations and customer servicing in both new and resurrected financial markets, as well as in other market segments in which the Bank had not previously been actively involved.

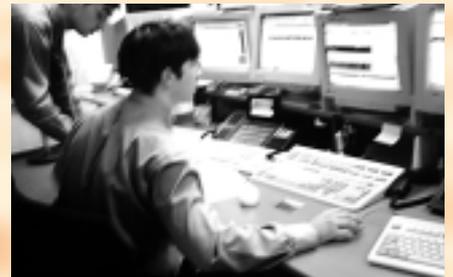
Most notable among the Treasury Department's achievements during the past year were that:

- operations were launched in the international fixed income market;
- proprietary and customer trading began in equities;
- promissory notes issuance grew substantially by volume;
- activity was initiated in the Russian corporate bond market – a new and promising business area;
- Raiffeisenbank Austria maintained its leading position among top forex and money market operators, despite increased competition.

Raiffeisenbank Austria believes that every financial institution with long-term interests in any marketplace must be guided by the cardinal rule – "know-thy-customer" – and we pay special attention to this in our marketing approach. Raiffeisenbank Austria's Trading, Sales & Research Team focuses on developing a comprehensive and diversified relationship with clients based on a sound assessment of their needs and continuous development of Treasury products on offer.



## Structure of Proprietary Dealing Profit in 2000



## Proprietary Trading

The Treasury Department continued to pay considerable attention to proprietary trading, seeking to maximise market opportunities during the year. Although virtually all Russian financial markets demonstrated extremely low volatility, Raiffeisenbank Austria carried out large-scale foreign exchange and money market operations to make use of soaring volumes and improving liquidity.



Although market conditions in 2000 were undoubtedly difficult and there were few opportunities for the speculative activity that had been a feature of the Russian market in the past, the year 2000 nevertheless proved to be fairly profitable for proprietary foreign exchange trading. Again, as in previous years, it was the beginning and the end of the year which proved to be most profitable, while Q2 2000 was disappointing given the bearish market trend. On the money market side, the Bank was able to profit from falling interest rates, which proved to be the

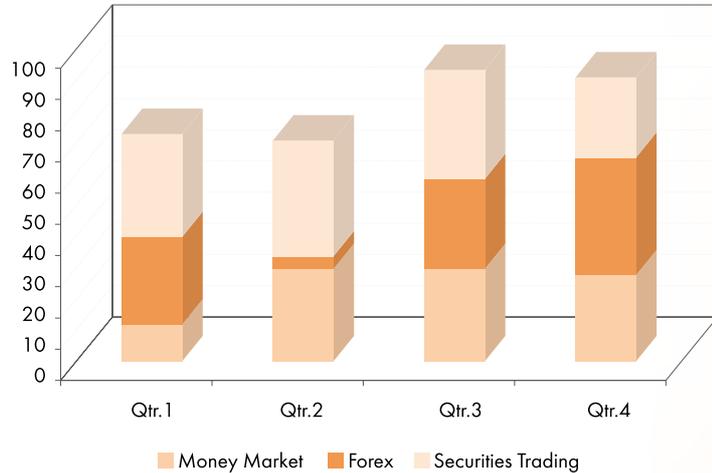




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proper strategy and brought exceptionally handsome results. Raiffeisenbank Austria has also retained its OFZ portfolio as part of the strategy, also contributing significantly to Treasury revenues.

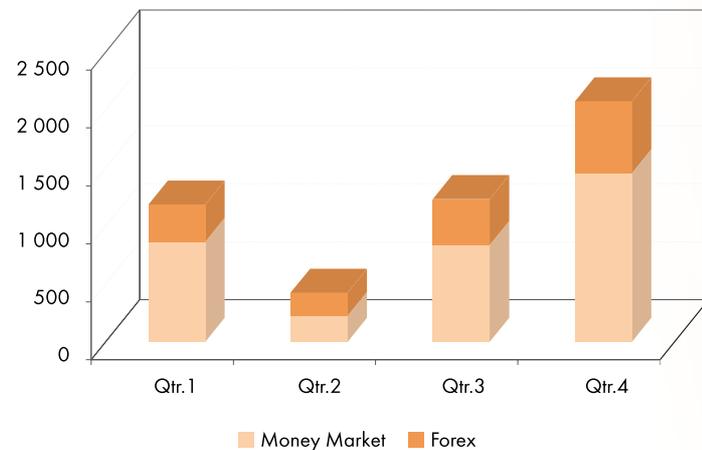
## Proprietary Dealing Profit in 2000 (RUR mln)



## Foreign Exchange

On the foreign exchange side, the Bank managed to retain its position as leading market maker in the Russian market. Raiffeisenbank Austria was named 'Second Best Dealing Room' of the last century in the MMVA pool of forex dealers (while the top institution no longer exists). We believe this represents the market's appreciation of Raiffeisenbank Austria's hard work and professionalism.

## Forex and Money Market Turnover in 2000 (RUR bln)



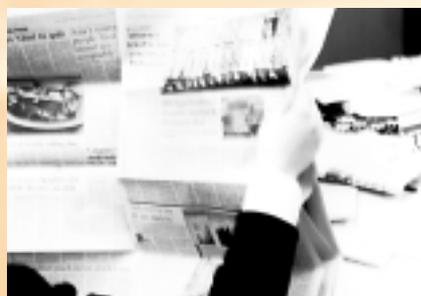
## Money Market

Raiffeisenbank's money market volumes grew strongly in 2000, reflecting the healthy development of the market as a whole. While the market remains mainly focussed on the short end, the Bank made use of increasing liquidity in one-month deposits, which helped it to run the drop in interest rates.



## Securities

In the summer of 2000, Raiffeisenbank Austria launched proprietary operations in Russia's international fixed income bonds and equities after a two-year break. From the start, the Bank's strategy was to develop from a small base to maintain a low risk profile in Russia's volatile markets. The decision to keep risks low proved rather prudent following last summer's rally, when both the Russian Eurobond and equity markets experienced serious corrections on the back of the global market downturn.



Raiffeisenbank Austria's Promissory Note program, launched successfully in 1999, was further developed in 2000, with issue volumes increasing 12 times compared to the previous year. The Promissory Note program provided Raiffeisenbank Austria with considerable rouble and foreign currency funds, and attracted a number of new corporate clients, including several large oil, energy and insurance companies in Russia.



Raiffeisenbank Austria's rouble GKO/OFZ (state treasury bill) investment portfolio demonstrated healthy performance over the year, with coupon payments amounting to RUB 120 mn (EURO 4.5 mn).

## Corporate Bonds

Throughout 2000, special attention was devoted to the domestic corporate bond market, which saw new issue volumes increase steadily throughout the year. Raiffeisenbank Austria considers this market segment to be among the most promising areas for long-term growth across the entire range of the Bank's business activities, including investment banking, proprietary operations, client trading and custody serv-

