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CUSTOMER EXPERIENCE INDEX 2008

WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

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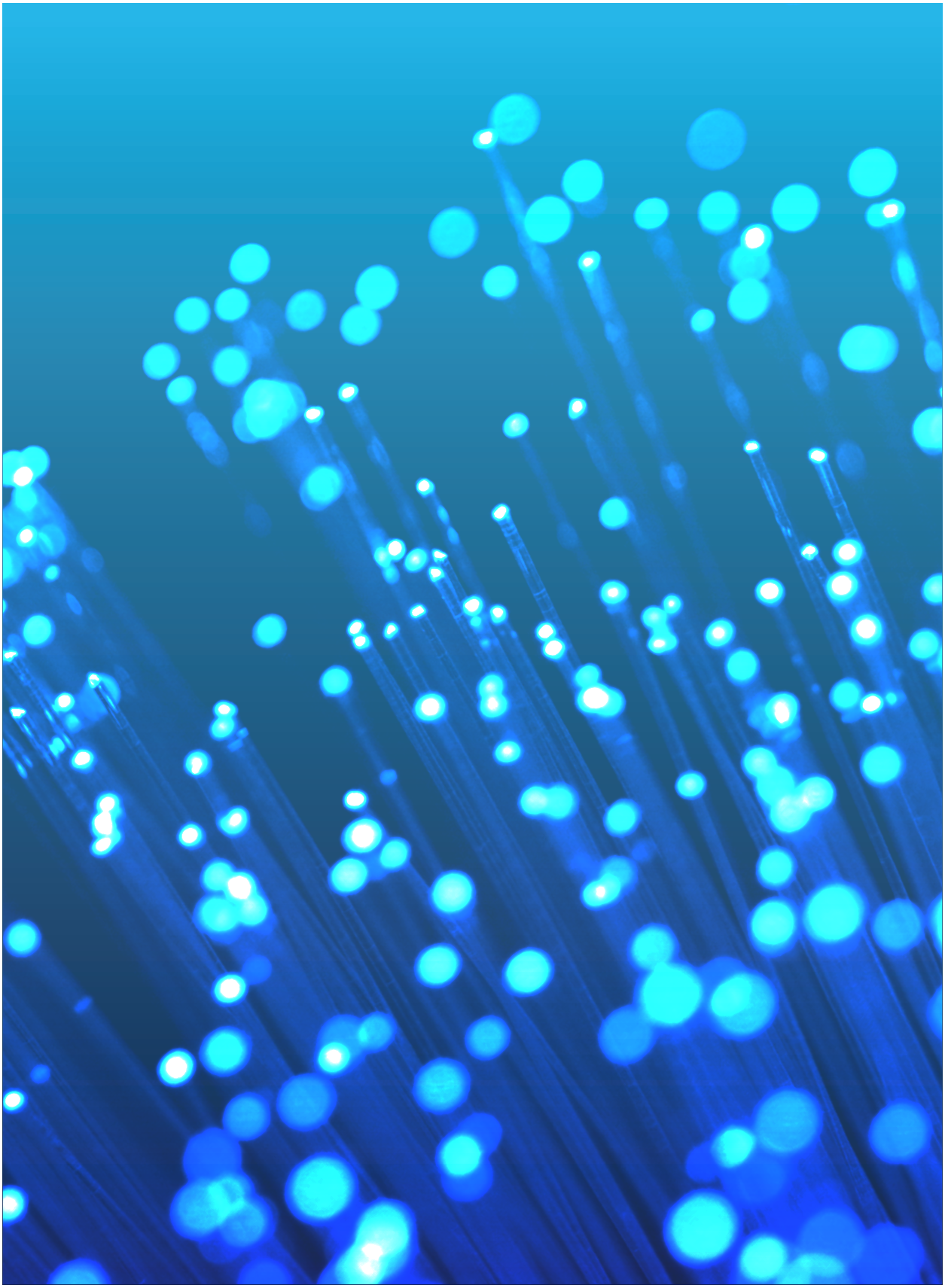
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FOREWORD

The growth of the Russian retail banking market over the past 10 years, particularly over the past 5 to 7 years, has been astonishing, and many are still talking about the potential of the current and future dynamics of customer behavior. This has led to many questions and comparisons of the current leaders in the retail banking race, along with the main question of how their positions will change over the coming years as the market continues to develop.

Despite the phenomenal growth of retail financial services in Russia, there is still much promise for growth when compared to Central and Eastern Europe. Russia also lags far behind the size and sophistication of the retail financial services market in Western Europe.

However, it is worth noting that the market growth, along with the increased spending power of the Russian consumer, has created clear visibility of the opportunities for further development of retail banking offerings. Certainly, these opportunities have not been apparent solely to Russian banks but also to foreign banks that have dramatically increased their presence in Russia through both acquisitions and green-field launches. Indeed, many foreign banks are carrying out major expansion programs in Russia.

The entrance of foreign banks into the Russian market has created a developmental sense of urgency for the Russian banks by adding a new dimension of competition to the market. In general, foreign banks have brought elements of international best practice, standardized processes, experienced risk managers, global brands and marketing tactics, and more to the playing field in Russia. However, the foreign banks lag behind their Russian counterparts in an intimate knowledge of the Russian market and a clear understanding about what Russian consumers really want and need. In most cases, they also lack the distribution reach that the Russian banks enjoy.

The Russian banks, on the other hand, are suddenly under tremendous pressure from the foreign banks entering the market. After working very hard over the last 5 to 7 years, they have developed their offerings, distribution channels, and service quality, in an effort to remain on the level playing field with the foreign banks. In a lot of cases, they have been very successful at "quick-win" implementations, but there have also been quite a few failures along the way, as a result of the lack of best practices that rolled into the market with the foreign banks.

FOREWORD continued

The market competition in the retail financial services industry has proven very advantageous for the consumer, however, due to the increased service availability and price-based competition.

In the second half of 2007, Senteo carried out a market study called "The Customer Experience Index 2007: Who is winning the retail banking race in Russia?" in which we used a scorecard designed to measure the quality of customer experience among the leading retail banks. We decided to repeat this study in the first half of 2008, in collaboration with PricewaterhouseCoopers, and found out that most of the same questions still apply.

The rapid increase of availability of retail banking services has definitely given the Russian customer more choice, but it remains unclear as to the effect of this increased availability. Did it create any new benefits for the consumer? Or did it make the choice more difficult as a result of confusion between so many available choices? Did the retail banking market rapidly develop because of some analysis of consumer demand and the banks' response by providing quality solutions? Or has it simply been a race to see who can copy, launch, and rollout faster?

The retail banking customer in Russia is clearly struggling. In the past, customers made their choices based almost entirely on availability and price. If they could find the goods or services they desired and the price was more or less acceptable, then they made the purchase. With all of this increased availability, however, the consumer has gained a significant amount of choice.

Based on the power of choice, Russian consumers have started to look at another level of characteristics, which generally comes down to the following areas:

- How appealing or attractive is the company (or the image of the company) that is selling the product or service?
- Is there significant and convincing motivation to initiate contact with a bank after seeing its advertising or promotions?
- How well does the product or service meet the concrete, individual needs of the consumer?
- How is the product or service packaged and promoted?
- How accessible is the product or service during and after the sales process?
- How comfortable, intuitive, and efficient is the sales process?
- What is the quality of the interactions with staff during/after the sales process?

Basically, when customers are presented with more choices, they will look deeper into the offer to find the product or service that best meets their needs as an individual. If they do not find what they are looking for when they look deeper, they inevitably fall back to comparing the price of the different offers, and this is the underlying cause of price competition in any market. At the same time, the main expenses at the forefront of a retail bank have been consistently increasing while the average prices banks are able to charge have been consistently decreasing.

Normal market conditions are based on a cost for providing the goods or services and the market price for those goods or services. The difference between cost and market price is the margin the seller enjoys. In the Russian market over the past 5 to 7 years, price-based competition has increased dramatically, and the result of this competition has been a significant drop in market price for almost all retail banking offerings. The response from banks has been to work to reduce funding and operating costs, which is a noble effort but, ultimately, the cost reduction happens much slower than the drop in market prices, creating a consistent reduction in the margin earned by banks.

The solution to this problem is the use of unique elements of customer experience to create a differentiated offering that can sustain a premium price in the market. Research proves time and again that customers are willing to pay more for better quality and efficiency, or for a product or service that is customized to meet their individual needs and desires. Research also shows that customers will be much more loyal to a bank that understands them and delivers a consistent customer experience – both in sales and service interactions and across all channels.

With this in mind, there is an opportunity to use these elements to create premium priced offerings while still working to reduce the costs of product and delivery. This will provide increased margins which can then be used to further develop the overall offering for the customers, resulting in a more profitable business and a more loyal and satisfied customer base.

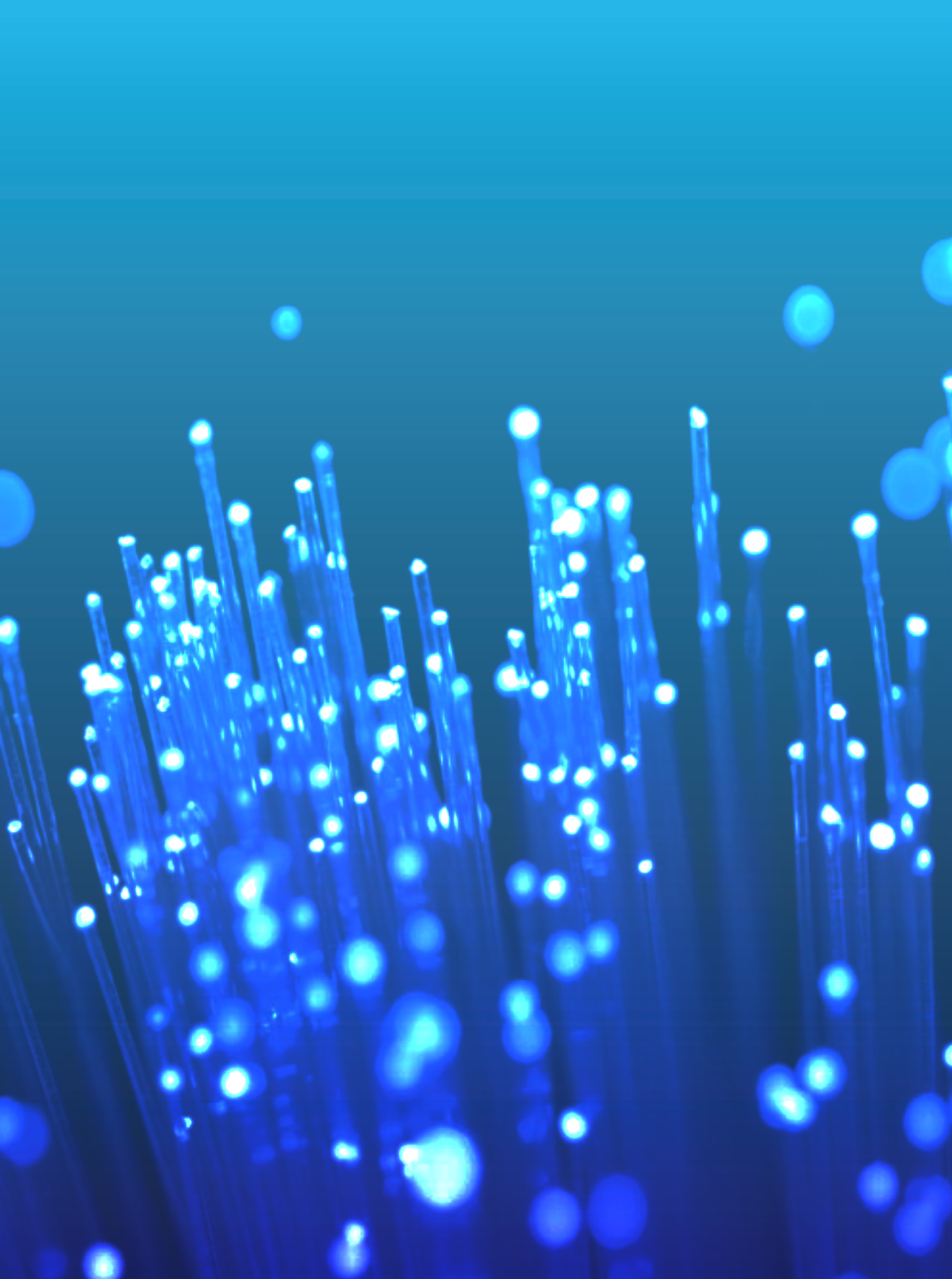
Should you desire more information on this particular study, or on the services offered by Senteo and PricewaterhouseCoopers, do not hesitate to contact us at any time.



Michael Ruckman
Founder and President
Senteo



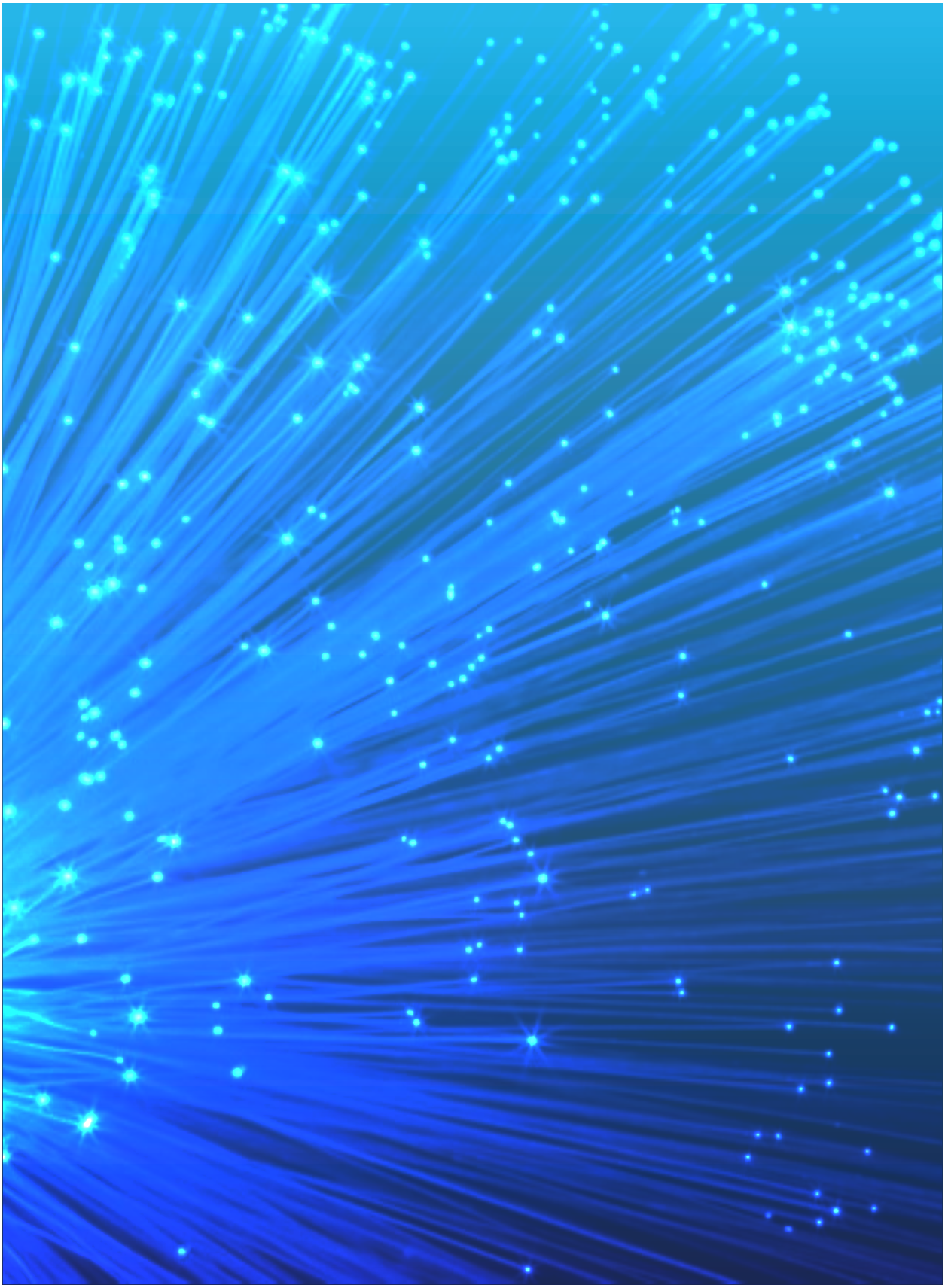
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CUSTOMER EXPERIENCE INDEX 2008

WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?



THE VALUE OF THIS STUDY

CUSTOMER EXPERIENCE INDEX 2008: WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

We have consistently promoted the benefits of creating a unique, consistent and memorable customer experience in an effort to build a more loyal and profitable customer base. This need is most valid in the Russian market today and will become increasingly more important as competition continues to grow.

Based on this premise, the overall value of this study emphasizes two key points:

- A better understanding of how to measure and benchmark performance will help banks to improve the overall quality of the customer experience they provide for their clients.

- An understanding of how to use customer experience as a business approach will help banks to create a more loyal and satisfied customer base.

These two elements represent a significant benefit for banks in Russia, but one other issue to consider is that there is a huge difference between creating a positive customer experience in just one location and creating that experience consistently across all channels, all the time. This brings about the key uses of this study, which are to effectively measure the quality of customer experience and also to provide a benchmark for the top players in the retail banking market in order to measure their performance on an ongoing basis.

The 2007 version of this study was quite unique in that it was the first occasion which banks in Russia were measured based on their attractiveness to the customer in terms of customer experience. The 2008 version of the study provides even more value in that we can identify trends among the competitors and see who is working to improve their performance and who has not paid much attention to the concept of customer experience.

We believe that if banks begin to focus on the overall quality, uniqueness and consistency of the experience they create for their customers, the overall conditions of the retail banking market will continue to develop and prosper. If this new focus does not arise, however, then the price wars and competition will only continue to get worse. Therefore, this study represents a strong "proof of concept" for those banks that have selected and embraced the approach of developing unique, consistent, and memorable customer experiences as part of their core strategy.

ABOUT THE CUSTOMER EXPERIENCE INDEX

CUSTOMER EXPERIENCE INDEX 2008: WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

As mentioned before, the Customer Experience Index (CEI) was created as a tool to measure the quality and consistency of a customer experience as well as to provide a benchmark for retail bankers in the Russian market.

The main focus of the CEI scorecard has been to measure the customer experience that banks create based on the following contributing elements:

Brand. How appealing is the brand and positioning of the bank and how well can customers identify with the "personality" and "tone of voice" used for different segments?

Communications. How effective are the advertising and promotional activities in generating interest and communicating clear benefits to the consumer?

Environment. How are customer touch points performing in terms of visibility, accessibility, ease-of-use, and consistency at any point of customer contact?

Offering. How well does the offering meet the needs of the customer; and how well has the bank removed elements of "customer sacrifice" from the sales and service processes?

Culture. How efficient is the organization in creating a culture of customer orientation and a desire to help?



ABOUT THE CUSTOMER EXPERIENCE INDEX continued

CUSTOMER EXPERIENCE INDEX 2008: WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

All five of these elements come together to form the overall customer experience. Any and all other areas of banking (treasury, accounting, risk management, IT, etc.), are incredibly important for the efficient day-to-day functioning of any bank, but they are often not crucial to the customer. Therefore, this study only measures the five areas outlined above through which the customer perceives the banks.

To create the CEI scorecard, Senteo relied on international experience and best practice measures to create a set of questions and a measurement scale for each of the five areas (Fig. 1). Furthermore, in order to gauge the consistency of customer experience among the banks selected for the study, it would be necessary to have a number of interactions with any single bank over time and through various channels or points of contact. Therefore, with the CEI scorecard filled out on several different occasions, measuring different interactions, and through multiple channels, we are able to calculate the overall quality and consistency of customer experience.

VARIABLES THAT CONSTITUTE THE OVERALL CUSTOMER EXPERIENCE



Fig 1

The overall Customer Experience Index (CEI) methodology was designed to include two methods of information collection – mystery shopping and management interviews – in order to provide a holistic diagnostic of how well the banks' objectives are being realized in the field. In the present study, however, we chose to focus only on the mystery shopping method for information gathering. Once the information had been collected, it was analyzed to produce the ratings.

Therefore, this study contains no conclusions as to the customer experience that the banks wished to create for their customers. All conclusions in this study are based on the actual experiences of the mystery shoppers during the course of the study. In addition, we chose to focus mainly on the physical points of presence, i.e., bank branches, during the course of this study since they typically serve as the main points of contact with the customers in Russia.

The following is an outline of the concrete characteristics that we chose as a measurement for each of the five elements of the customer experience in a physical bank branch environment.

ABOUT THE CUSTOMER EXPERIENCE INDEX continued

CUSTOMER EXPERIENCE INDEX 2008: WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

BRAND

- Visibility of the brand (directional signage, visibility compared to the surrounding brands, location, signage, obstacles to see the signage, etc.).
- Positioning of the brand (clear and understandable; adapted to different client segments).
- Easily identifiable brand values and personality.
- Proper representation of the brand (in-branch design and communications).
- Brand presence and consistency (branch office, in-store communications, literature and handouts, corporate stationery).
- Perceived brand value (including the presence of emotional triggers / cues and the overall value proposition for initiating a relationship).

COMMUNICATIONS

- Consistency of communications (brand positioning, messages, visual style, tone of voice).
- Proper representation of the brand and conduct of product promotion campaigns (advertising, in-store communication, merchandising, banners, posters, etc.).
- Communications placement, effectiveness and quality.
- Zoning of communication messages inside the branch (messages vary as the customer proceeds through the branch environment).
- Call to action/value proposition.

ENVIRONMENT

- Branch design (designed with a consistent process of customer interaction - "customer journey" inside the branch).
- Branch zoning and layout (easy to use, intuitive, inviting, pleasing, memorable, unique, accessible and recognizable).
- Proper and consistent maintenance of customer environments and merchandising system.
- Availability of tools designed specifically to support the sales process for each product (sales presentations, calculators, and additional items that facilitate discussion and/or planning with the customer).
- Sensory engagement elements and comfort items.

OFFERING

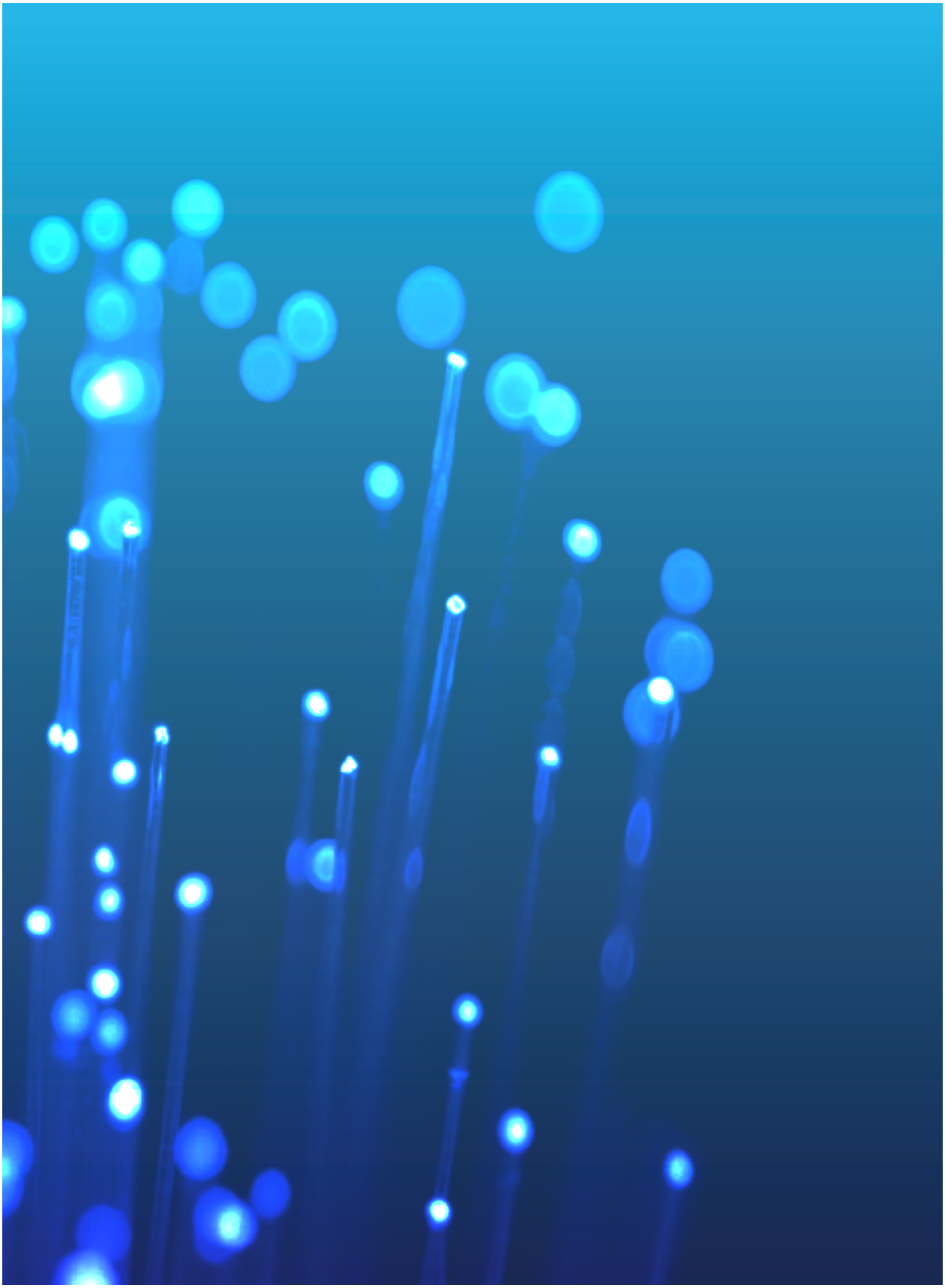
- Product positioning / solution-based approach.
- Pricing, product development and sales system effectiveness, appeal / motivation to purchase more.
- Loyalty programs.
- Convenience of sales and service processes for both the customers and the bank's front-office staff (effective, simple, easy to understand and intuitive).
- Consultation.
- Product packaging and memorabilia.

CULTURE

- Employee attitude toward their jobs and the customers (politeness, positive mood, genuine interest in assisting the customer and readiness to take extra steps to respond to customer needs).
- Approachability of employees (attention from the moment the customer walks into a branch; front office staff consider customer interactions as their primary business and other internal activities as secondary).
- Employee behavior in accordance with set standards and brand values (customer service and appearance standards).
- Operating model efficiency (staff roles designed to meet the needs of the customer and to deliver the best possible customer experience in an efficient manner).
- Efficiency of employee behavior in all situations (accuracy and speed, readiness to respond to tough questions and deal with challenging customers).

APPROACH

The study is based on Senteo's proprietary methodology and a comprehensive scoring model. To ensure the reliability of the survey's results, the methodology was audited by PricewaterhouseCoopers. Scores were based on a 5-point scale (5 being closest to international best practice and 1 being the farthest from international best practice).



ENHANCEMENTS IN THE 2008 STUDY

CUSTOMER EXPERIENCE INDEX 2008: WHO IS WINNING THE RETAIL BANKING RACE IN RUSSIA?

There are some notable improvements in the 2008 study, when compared to the study performed in 2007.

Since the first CEI research in 2007, the original scorecard was adjusted by Senteo and audited by PricewaterhouseCoopers in order to make it more objective. For example, the new scorecard took into account potential performance variations that could be observed among bank employees during different times of the day. The new scorecard that was used in 2008 also measures certain aspects in more detail. For instance, it evaluates the sales process efficiency and convenience, the knowledge of the bank staff about specific products or services and the degree to which the employees treat potential new customers.

The 2007 study assessed bank branches located only in Moscow and its metropolitan area. Whereas, the scope of the 2008 study was expanded to include St. Petersburg, the 2nd largest city in Russia based on the number of inhabitants and its economic value.

In addition to the increased geographical scope of the study, we increased the number of surveyed banks. In 2007 the study covered 32 banks, in 2008 the study covers 51 banks.

Furthermore, we raised the number of mystery shopping visits to each bank by surveying a higher number of bank branches belonging to any given bank. Thus, the 2008 research covered 37.25% more branches per bank, further enhancing the accuracy and consistency of the results.

There were also several important developments in terms of consolidation within the market. For instance, Impexbank, which appeared in the 2007 study, was acquired by the Raiffeisen Group, and, therefore, does not appear on the current list.

By contrast, we also added some banks due to their increased retail presence. For example, the 2008 survey includes GE Money Bank. This bank currently places 782nd in the top 1,000 banks in Russia in volume of deposits, but it places 35th in the top 100 Russian banks in the number of personal loans, making it a prime example as a Western bank success story.



SUMMARY OF FINDINGS





SUMMARY OF FINDINGS

Throughout the course of the second CEI study, we encountered some very interesting trends that illustrate the evolving state of the retail banking market in Russia, despite the fact that our last study took place only six months prior.

For example, the study shows a trend that top performers continue to charge premium prices in several product categories, thus, to some extent pulling themselves out of the price war that still persists among the majority of the banks.

For example, if we take current account / debit cards for Visa Classic or MasterCard Standard and compare the average fees charged by the top five scorers in this study to the average fees charged by the five lowest scorers, there is a big disparity (Fig. 2). This scenario repeats itself consistently across all product categories and clearly illustrates that customers are willing to pay more for a better experience.

PRICE RELATION TO EXPERIENCE SCORE
(Based on the prices charged for Visa Classic and MasterCard Standard)

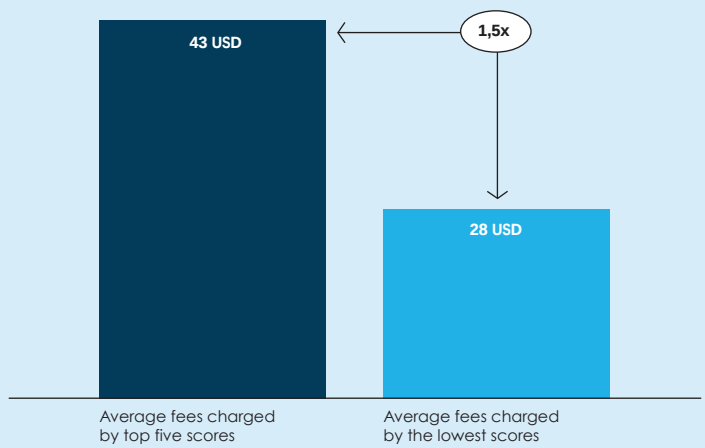


Fig 2

SUMMARY OF FINDINGS continued

We strongly believe the reason behind this trend is the ability of the top banks to provide a positive customer experience.

If customers are willing to pay more for a better experience, then they are more likely to go to a bank with an attractive brand that clearly communicates with a specific customer segment. They are also more likely to use a bank that conducts engaging promotional campaigns and has a pleasant and comfortable customer environment, as well as an attractive and acceptable product portfolio. Last but not least, customers are more likely to choose a bank that has the kind of staff that is attuned to their needs by being polite, helpful and attentive, in addition to being genuinely willing and able to assist them. These elements, when combined, form a holistic customer experience, one for which the customer is ready to pay much more. And finally, customers will also be willing to stay loyal to that bank as long as it continues to consistently provide that kind of customer experience.

In Fig.3, we can see that the average index of Russian retail banking customer experience is 3,25 for the first half of 2008. Looking at the average score and comparing it with the best practices among leading international retail banks, we can say that the current state of the customer experience among Russian banks still leaves room for improvement.

When looking at the scores for each element individually, the highest average score was obtained in Culture, compared to 2007, when the highest score was in Communications. Both Russian and foreign banks received a higher score in Culture. Any corporate culture is very hard to change and employees need time and direction to get used to the new culture standards. On average, customer satisfaction expectations are still so low in retail banking in Russia that just a little improvement in the culture practices can make a big difference in the customer's perception. It will be interesting to observe in future surveys whether this score is sustainable over time.

The lowest score of the individual elements goes to Communications. The promotional materials designed for the point of sale need to be adapted to the specific requirements of this channel. Proper placement and an effective call-to-action messaging are key influences in obtaining the customer's reaction.

The second lowest score was obtained in Offering, although the three categories with poorer results received similar scores that differ only by a few basis points. It is evident that the bankers need to be more customer-centric when designing their product / service portfolios,

but they also need to be able to improve the efficiency of their operational model, namely, the ease and convenience of the whole sales process.

In general, foreign banks scored above average, since they have experience with international best practices. The areas with the most room for improvement among foreign banks were identified as Brand and Offering, whereas the Russian banks need to improve at Communications and Environment.

As shown in the previous CEI study, the average scores are all still too low compared to international standards, and that tells us that retail banks operating in Russia need to continue making an effort to improve.

In our view, if the first CEI study had been made 5 to 7 years ago, the average score would not have been higher than 2,5. Therefore, the observed level of performance in all categories is still commendable and deserves praise. Banks should find encouragement in seeing these figures and continue to work hard towards improving customer experience.

CUSTOMER EXPERIENCE SCORES BY ELEMENT

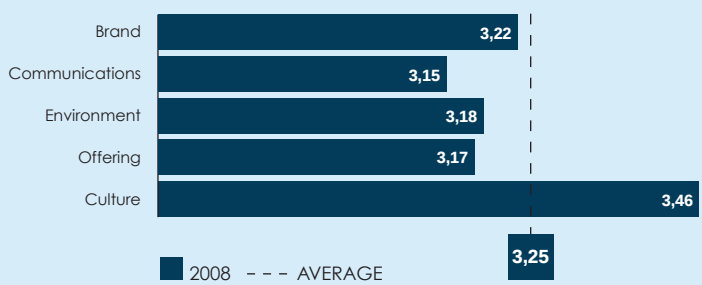


Fig 3

CUSTOMER EXPERIENCE INDEX 2008

SUMMARY OF FINDINGS

OVERALL RANKINGS OF BANKS IN THE INDEX OF THE FIRST SEMESTER OF 2008

The chart shows the average scores of Moscow and St. Petersburg separately, as well as the overall average totals.

BANKS		BRAND 2008			CO
		MSC	ST PETE	AVRG	MSC
Alfa-Bank	*Alfa-Bank (OJSC)*	4,34	4,20	4,27	4,30
MDM Bank	*MDM-Bank (OJSC)*	4,27		4,27	4,05
Absolut Bank	*Commercial Bank "Absolut Bank" (CJSC)*	3,95	4,30	4,13	4,10
Raiffeisenbank	*RaiffeisenBank (CJSC)*	4,15	4,00	4,08	3,98
Citibank	*Commercial Bank Citibank (CJSC)*	4,28	4,16	4,22	3,85
MBRD	*Commercial Bank "Moscow Bank for Reconstruction and Development" (OJSC)*	3,83		3,83	3,60
BSGV	*Joint-Stock Company "Banque Societe Generale Vostok" (CJSC)*	4,09	3,70	3,89	3,99
Sobinbank	*Sobinbank (OJSC)*	3,81		3,81	3,78
UniCredit Bank	*UniCredit Bank (CJSC)*	3,87	3,73	3,80	3,94
Russian Standard Bank	*Russian Standart Bank (CJSC)*	3,74	3,85	3,80	3,70
Russian Development Bank	*Commercial Bank "Russian Development Bank" (CJSC)*	3,68		3,68	3,68
BINBANK	*B.I.N. Bank (OJSC)*	3,71	3,15	3,43	3,75
URALSIB	*Bank Uralsib (OJSC)*	3,86	3,66	3,76	3,83
VTB 24	*VTB 24 (OJSC)*	3,94	3,60	3,77	3,72
HCF-BANK	*Home Credit and Finance Bank (LLC)*	3,60	3,95	3,78	3,70
National Bank TRUST	*National Bank "Trust" (OJSC)*	3,28		3,28	3,48
Credit Bank of Moscow	*JSC Credit Bank of Moscow (OJSC)*	3,50		3,50	3,61
Russ-Bank	*Joint-stock company Russ-Bank (OJSC)*	3,40	3,63	3,52	3,67
RosEvroBank	*Joint-Stock Commercial Bank "Clearing Joint Allied European Bank" (OJSC)*	2,97		2,97	2,97
Credit Europe Bank	*Credit Europe Bank (LTD)*	3,49	3,53	3,51	3,63
Promsvyazbank	*PromsvyazBank (OJSC)*	3,13	3,79	3,46	3,27
GLOBEXBANK	*Commercial Bank Globex*	2,99	3,73	3,36	3,00
OTP Bank	*OTP Bank (OJSC)*	3,37		3,37	3,17
NOMOS-BANK	*Nomos-Bank (OJSC)*	2,90	3,35	3,13	2,93
Vozrozhdenie Bank	*Bank Vozrozhdenie (OJSC)*	3,10	3,00	3,05	3,65
GE Money Bank	*GE Money Bank (CSJC)*	3,14	3,43	3,29	3,18
AVERAGE		**3,18**	**3,50**	**3,22**	**3,13**
Uniastrum Bank	*Commercial Bank Uniastrum Bank (LLC)*	3,20	3,05	3,13	3,21
Gazprombank	*GazpromBank (OJSC)*	2,77		2,77	2,67
Bank of Moscow	*Bank of Moscow (OJSC)*	3,56	3,50	3,53	3,17
KMB-Bank	*Small Business Credit Bank (CSJC)*	3,03		3,03	2,60
Sberbank	*Savings Bank of the Russian Federation (OJSC)*	3,47	3,76	3,62	3,00
Probusinessbank	*Joint-Stock Commercial Bank ProbusinessBank (OSJC)*	2,95		2,95	2,05
Rosbank	*RosBank (OJSC)*	3,24	3,37	3,30	3,08
SOYUZ Bank	*Joint Stock Commercial Bank Soyuz (OJSC)*	2,98	3,33	3,16	2,88
Moscow Industrial Bank	*Moscow Industrial bank (OJSC)*	3,06		3,06	3,00
Moskommertsbank	*Commercial Bank Moskommertsbank (LLC)*	2,55		2,55	3,00
Bank Petrocommerce	*Commercial Bank Petrocommerce (OJSC)*	2,90		2,90	2,93
TransCreditBank	*TransCreditBank (OJSC)*	3,00		3,00	2,80
Avangard	*Joint-Stock Commercial Bank Avangard (OJSC)*	2,93		2,93	2,79
Investtradebank	*Joint-Stock Commercial Bank Investment Trade bank (OJSC)*	2,85	3,00	2,93	3,03
Moscomprivatbank	*Moscow Commercial Bank Moscomprivatbank (CJSC)*	2,50	3,40	2,95	2,60
SDM-Bank	*Commercial Bank SDM-Bank (OJSC)*	2,43		2,43	2,58
Moscow Capital	*Commercial Bank Moscow Capital (LLC)*	2,47		2,47	2,43
EEFC Bank	*Bank of East-European Finance Corporation (PLC)*	2,25	2,66	2,46	2,15
Baltiyskiy Bank	*Baltiyskiy Bank (OJSC)*	1,45	3,47	2,46	1,67
Sviaz-Bank	*Interregional Bank for Settlements of the Telecommunications and Postal Services (OJSC)*	3,13	1,80	2,47	2,93
Master Bank	*Master-Bank (OJSC)*	2,23		2,23	2,57
Bank ZENIT	*Bank Zenit (OJSC)*	2,30		2,30	1,70
Rossiysky Capital	*Joint-Stock Commercial Bank Rossiysky Capital (OJSC)*	1,97		1,97	1,93
Transcapitalbank	*Joint-Stock Bank Transcapitalbank (CJSC)*	2,47		2,47	2,20
SOTSGORBANK	*Commercial Bank Sotsyalniy Gorodskoy Bank (OJSC)*	2,00		2,00	2,00

Fig 4

MMS 2008		ENVIRONMENT 2008			OFFERING 2008			CULTURE 2008			TOTAL 2008		
ST PETE	AVRG	MSC	ST PETE	AVRG	MSC	ST PETE	AVRG	MSC	ST PETE	AVRG	MSC	ST PETE	AVRG
4,14	4,22	4,30	4,06	4,18	4,27	4,28	4,27	4,60	4,55	4,57	4,36	4,25	4,30
	4,05	4,36		4,36	3,95		3,95	4,46		4,46	4,22		4,22
4,05	4,08	3,98	4,40	4,19	3,60	3,85	3,73	4,18	3,95	4,06	3,96	4,11	4,04
4,17	4,07	3,98	4,30	4,14	3,79	3,77	3,78	3,91	4,30	4,11	3,96	4,11	4,03
3,84	3,84	4,21	4,10	4,15	3,96	3,67	3,81	4,38	3,82	4,10	4,13	3,92	4,03
	3,60	4,05		4,05	3,75		3,75	4,23		4,23	3,89		3,89
3,90	3,94	3,93	4,05	3,99	3,86	3,75	3,80	4,16	3,22	3,69	4,00	3,72	3,86
	3,78	3,00		3,00	3,72		3,72	3,90		3,90	3,82		3,82
3,73	3,84	3,70	3,40	3,55	3,81	3,97	3,89	4,10	3,90	4,00	3,89	3,75	3,82
3,83	3,76	3,55	3,88	3,71	3,36	3,43	3,39	4,13	3,94	4,04	3,75	3,78	3,76
	3,68	3,55		3,55	3,82		3,82	3,99		3,99	3,75		3,75
3,35	3,55	3,64	3,85	3,75	3,83	3,60	3,72	4,15	3,60	3,88	3,82	3,51	3,66
3,72	3,78	3,66	3,46	3,56	3,44	3,55	3,50	3,75	3,48	3,62	3,71	3,57	3,64
3,63	3,68	3,57	3,40	3,48	3,55	3,20	3,37	3,84	3,17	3,50	3,72	3,40	3,56
3,45	3,58	3,65	3,07	3,36	3,20	3,37	3,28	3,75	3,33	3,54	3,58	3,43	3,51
	3,48	3,43		3,43	3,28		3,28	3,87		3,87	3,47		3,47
	3,61	3,33		3,33	3,20		3,20	3,69		3,69	3,47		3,47
3,49	3,58	3,43	3,27	3,35	3,47	2,89	3,18	4,27	2,97	3,62	3,65	3,25	3,45
	2,97	3,90		3,90	3,23		3,23	4,17		4,17	3,45		3,45
3,59	3,61	3,67	3,36	3,51	3,17	3,27	3,22	3,51	3,13	3,32	3,49	3,38	3,43
3,90	3,58	3,13	3,70	3,42	3,00	3,40	3,20	3,07	3,87	3,47	3,12	3,73	3,43
3,60	3,30	2,23	3,79	3,01	2,88	3,50	3,19	3,08	4,03	3,55	3,01	3,73	3,37
	3,17	3,43		3,05	3,24		3,24	3,61		3,61	3,37		3,37
3,70	3,32	2,73	3,95	3,34	3,07	3,45	3,26	3,31	3,85	3,58	2,99	3,66	3,32
2,93	3,29	3,45	3,10	3,28	3,60	3,00	3,30	4,28	3,10	3,69	3,62	3,03	3,32
3,67	3,42	3,08	3,47	3,27	3,12	3,33	3,23	3,00	3,43	3,22	3,10	3,47	3,29
3,45	**3,15**	**3,12**	**3,39**	**3,18**	**3,17**	**3,27**	**3,17**	**3,49**	**3,43**	**3,46**	**3,24**	**3,41**	**3,25**
3,30	3,25	2,96	3,00	2,98	3,06	3,52	3,29	3,22	3,85	3,54	3,13	3,34	3,24
	2,67	3,37		3,37	3,33		3,33	3,90		3,90	3,21		3,21
3,47	3,32	3,08	3,00	3,04	3,24	2,80	3,02	3,21	2,80	3,01	3,25	3,11	3,18
	2,60	3,12		3,12	3,35		3,35	3,80		3,80	3,18		3,18
3,26	3,13	2,87	3,04	2,95	3,09	3,03	3,06	2,94	3,19	3,06	3,07	3,26	3,16
	2,05	3,60		3,60	3,05		3,05	4,15		4,15	3,16		3,16
3,26	3,17	2,96	3,40	3,18	2,83	3,03	2,93	3,35	2,94	3,15	3,09	3,20	3,15
3,33	3,11	2,95	2,90	2,93	3,18	2,50	2,84	3,22	2,93	3,08	3,05	3,00	3,03
	3,00	2,79		2,79	2,96		2,96	3,32		3,32	3,03		3,03
	3,00	3,00		3,00	2,85		2,85	3,65		3,65	3,01		3,01
	2,93	2,97		2,97	3,17		3,17	3,07		3,07	3,01		3,01
	2,80	2,80		2,80	2,90		2,90	3,35		3,35	2,97		2,97
	2,79	2,87		2,87	2,97		2,97	3,00		3,00	2,91		2,91
2,60	2,81	3,03	2,35	2,69	3,35	2,55	2,95	3,23	2,55	2,89	3,10	2,61	2,85
2,70	2,65	2,40	2,60	2,50	2,70	3,20	2,95	2,65	3,50	3,08	2,57	3,08	2,83
	2,58	2,77		2,77	2,87		2,87	3,00		3,00	2,73		2,73
	2,43	2,70		2,70	2,73		2,73	2,87		2,87	2,64		2,64
2,44	2,30	0,00	2,86	1,43	2,25	2,39	2,32	3,05	2,74	2,89	2,51	2,62	2,56
3,50	2,58	1,90	3,09	2,50	2,00	3,21	2,61	1,95	3,31	2,63	1,79	3,32	2,56
1,95	2,44	2,67	2,15	2,41	2,77	2,05	2,41	3,20	2,65	2,93	2,94	2,12	2,53
	2,57	2,36		2,36	2,73		2,73	2,74		2,74	2,52		2,52
	1,70	2,90		2,90	2,63		2,63	2,75		2,75	2,46		2,46
	1,93	2,43		2,43	2,40		2,40	2,70		2,70	2,29		2,29
	2,20	2,10		2,10	2,17		2,17	2,37		2,37	2,26		2,26
	2,00	2,00		2,00	2,00		2,00	2,00		2,00	2,00		2,00

MARKET TRENDS SINCE 2007

SUMMARY OF FINDINGS

The overall average score among the 31 banks that were assessed during 2007 and again in 2008, has slightly increased (from 3.32 to 3.36 in 2008), owing to higher ratings in some of the categories (Fig.5).

For example, we have observed improvements in the areas of Culture and Offering – areas that are perhaps more difficult to improve than others. At the same time, however, we have observed some performance declines in the areas of Brand and Communications.

It is worth noting that during the 2007 survey, the leading categories were Communications and Brand, while in the present study, Culture and Brand emerged as the top categories. This will be an important pair of elements to watch in the future studies, because they may reflect major shifts in the approach used by the banks as they position themselves closer to their customer base.

The following figures show the performance of the banks that were surveyed both in 2007 and 2008, creating a base for a trend analysis.

CUSTOMER EXPERIENCE SCORES BY ELEMENT

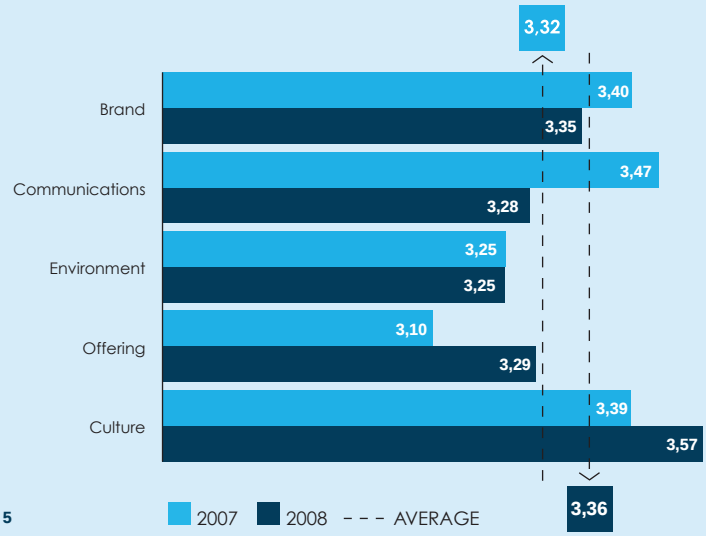


Fig 5

AREAS OF IMPROVEMENT AND AREAS OF DECLINE SINCE 2007

FOCUS AREAS	SCORE IN 2007	SCORE IN 2008	IMPROVES	DECLINES	MAINTAINS
Brand	3,40	3,35		●	
Communications	3,47	3,28		●	
Environment	3,25	3,25			●
Offering	3,10	3,29	●		
Culture	3,39	3,57	●		

Fig 6

COMPARATIVE RANKING

BANK NAME	RAISES	LOWERS	MAINTAINS
Alfa-Bank			●
MDM Bank	●		
Absolut Bank	●		
Raiffeisenbank		●*	
Citibank		●	
MBRD	●		
UniCredit Bank		●**	
Sobinbank	●		
Russian Standard Bank	●		
BINBANK		●	
URALSIB		●	
VTB 24			●
OTP Bank	●		
National Bank TRUST	●		
Promsvyazbank			●
GLOBEXBANK	●		
Vozhrozhdenie Bank		●	
Uniastrum Bank		●	
Gazprombank	●		
Bank of Moscow		●	
Sberbank		●	
Rosbank		●	
SOYUZ Bank		●	
Moscow Industrial Bank	●		
Bank Petrocommerce		●	
NOMOS-BANK	●		
Avangard		●	
Baltiyskiy Bank		●	
Sviaz-Bank		●	
Master Bank		●	
Bank ZENIT		●	

Fig 7

*In the case of Raiffeisenbank the comparison with 2007 is relative, because it has since merged with Impexbank that had also appeared in last year's CEI list.

**IMB was excluded from our 2008 survey after having been bought by the UniCredit Group in December 2007.

MARKET TRENDS SINCE 2007 continued

SUMMARY OF FINDINGS

The average score of 3,36 (Fig.5) indicates a certain sense of urgency that further improvement and development is quite necessary in Russia in order to attain a competitive level within the international retail banking landscape. This is particularly the case for the Russian banks who are struggling to compete with the bigger and more experienced foreign banks that are intensifying their market presence.

In general, the study confirms that, once again, most foreign banks scored above the average.

There are three banks on our list (Fig. 9) that maintained their position ranking, but considering the addition of several new banks to the overall list of banks surveyed in 2008, it can be concluded that maintaining the position is the same as improving.

Alfa-Bank continues to be the leader in the rankings, although its total score has decreased somewhat since 2007.

VTB 24 and Promsvyazbank not only maintained their former ranking but both have also improved their scores.

COMPARISION OF RANKING PER BANK 2007 AND 2008

BANK NAME	RANKING 2007	RANKING 2008
Alfa-Bank	1	1
MDM Bank	24	2
Absolut Bank	8	3
Raiffeisenbank	3	4
Citibank	4	5
MBRD	7	6
UniCredit Bank	2	8
Sobinbank	18	8
Russian Standard Bank	10	9
BINBANK	5	11
URALSIB	6	12
VTB 24	13	13
OTP Bank	23	15
National Bank TRUST	27	15
Promsvyazbank	17	17
GLOBEXBANK	31	18
Vozhrozhdenie Bank	9	19
Uniastrum Bank	20	21
Gazprombank	30	22
Bank of Moscow	11	23
Sberbank	14	24
Rosbank	21	25
SOYUZ Bank	15	26
Moscow Industrial Bank	28	26
Bank Petrocommerce	26	27
NOMOS-BANK	29	28
Avangard	16	30
Baltiyskiy Bank	32	36
Sviaz-Bank	22	37
Master Bank	25	38
Bank ZENIT	19	39

Fig 8

BANKS THAT MAINTAINED THEIR POSITION IN THE RANKING

BANK NAME	RANKING IN 2007	SCORE IN 2007	RANKING IN 2008	SCORE IN 2008
Alfa-Bank	1	4,57	1	4,30
VTB 24	13	3,47	13	3,56
Promsvyazbank	17	3,19	17	3,43

Fig 9

MARKET TRENDS SINCE 2007 continued

SUMMARY OF FINDINGS

There are ten banks on the list that have improved in the rankings since 2007. In some cases, the observed change is quite dramatic, such as in the case of MDM Bank that jumped 22 positions towards the top of the list. GLOBEX BANK, National Bank TRUST, and Sobinbank also improved by moving up 13, 12 and 10 rank positions, respectively.

After a closer look at the scores in each of the five elements of customer experience, we begin to see some similar patterns. For instance, in the majority of cases, banks began to focus more on their Culture and Offering.

MDM Bank is clearly the lead success story in the 2008 CEI rating with marked improvements across the board, and now places second in the general 2008 ranking.

The overall performance score of 3,00 points among the newly added banks has somewhat lowered the global average affecting the positions of the banks that were surveyed in 2007. Nonetheless, we determined that it would be more illustrative of the present marketplace in Russia if the selection of banks was expanded. Also, since only 7 of the banks added in 2008 have scored above the 2008 CEI average score, it will be interesting to see how they evolve in forthcoming surveys.

BANKS THAT IMPROVED THEIR POSITION IN THE RANKING

BANK NAME	RANKING IN 2007	SCORE IN 2007	RANKING IN 2008	SCORE IN 2008
MDM Bank	24	2,97	2	4,22
GLOBEXBANK	31	2,70	18	3,37
National Bank TRUST	27	2,86	15	3,47
Sobinbank	18	3,18	8	3,82
OTP Bank	23	3,01	15	3,47
Gazprombank	30	2,71	22	3,21
Absolut Bank	8	3,72	3	4,04
Moscow Industrial Bank	28	2,78	26	3,03
MBRD	7	3,83	6	3,89
NOMOS-BANK	29	2,72	28	2,99

Fig 10

THE STAR OF THE 2008 STUDY

MDM BANK	BRAND	COMMS	ENVIRON	OFFERING	CULTURE
Scores in 2007	3,45	3,00	3,05	2,60	2,75
Scores in 2008	4,27	4,05	4,36	3,95	4,46

Fig 11

PERFORMANCE OF THE BANKS NEWLY ADDED TO THE LIST IN 2008

RANK	NEW BANKS ADDED TO 2008	TOTAL SCORE
7	BSGV	3,86
11	Russian Development Bank	3,75
15	HCF-Bank	3,51
17	Credit Bank of Moscow	3,47
18	Russ-Bank	3,45
19	RosEvroBank	3,45
20	Credit Europe Bank	3,43
26	GE Money Bank	3,29
30	KMB-Bank	3,18
32	Probusinessbank	3,16
36	Moskommertsbank	3,01
38	TransCreditBank	2,97
40	Investtradebank	2,85
41	Moscomprivatbank	2,83
42	SDM-Bank	2,73
43	Moscow Capital	2,64
44	EEFC Bank	2,56
49	Rossiysky Capital	2,29
50	Transcapitalbank	2,26
51	SOTSGORBANK	2,00
	NEW BANKS AVERAGE	3,03

3,25 - 2008 CEI Average

3,03 - New banks Average

Fig 12

BRAND

SUMMARY OF FINDINGS

The CEI scorecard measures the most outstanding experimental and psychological elements of the brand, namely, brand image, personality, values and attributes, brand positioning, visibility and degree of representation throughout the branch touch points.

The brand and its positioning are first layer of perception generators for customers; therefore, they are important influences that help customers form an opinion about the bank. The brand and how it is positioned in the marketplace also represents the symbolic embodiment of the company that serves to create an emotional connection with the customer. Upon perceiving the brand, the customers may form certain associations and begin to develop concrete expectations about the bank's offering based on the brand promise and the values that it portends.

The international best practice in retail banking seeks to exceed the customer's expectations by controlling the brand experience and creating the impression that it is unique and special.

The average score for Brand in Moscow is 3,18; and it is 3,27 in St. Petersburg.

The Brand landscape in both cities is very similar, but in Moscow there is a bigger separation between the highest and the lowest positions.

In 2007, Alfa-Bank led in every category in the ranking, with 4,49 points in the Brand category. By contrast, in 2008, Alfa-Bank still maintains its top overall position, but shares the Brand category's top position with MDM Bank, due to the identical 4,27 points attained by both banks. Once again, MDM Bank posts an impressive advance to the top of the chart by jumping 11 positions in the Brand area within only a few months.

In 2008, we rated the brand visibility outside the branches not only in absolute terms as we did in 2007, but most importantly, within the context of nearby retail brands. The brand visibility is very good in only 36% of the branches among all banks. Those branches with lower scores had physical obstructions such as trees, billboards, etc. which reduced their visibility from the main traffic areas. In many cases, signage was either too small or it blended in with the surroundings.

Only in 2% of the assessed cases did we find that the brand almost completely failed to be represented in the surrounding environment, or that the brand was entirely missing, resulting in a much too anonymous environment. Yet, there is an indication of some improvement when compared to the results in 2007.

Even in some of the best cases where the presence of the brand was above the average and the design was appealing for customers, we found that over a third of those banks could still improve the way in which their brand is adapted to the different customer segments.

Whereas, in 2007, only 6% of the cases showed that the brand positioning was clear, understandable and adapted to different customer segments, that figure has now slightly risen to 7% of all surveyed individual branches.

Generally, banking brands are not as approachable and emotionally provocative as other types of retail brands. They are also not particularly successful in repeatedly originating fulfilling emotions in the minds of consumers on a consistent basis. During our survey, we noticed that even when the brand design was rather good, it tended to fail to establish an emotional connection. In less than half of the cases (43%) customers felt that the brand was human or had a special meaning to them. This indicates an improvement with regard to the study results in 2007, where 83% of the cases assessed were lacking a personal brand message that would help to connect the customer with the brand at an emotional level. In any case, this score still lags far behind best practice levels for the retail industry.

During the present study, we observed a considerable disparity between the first and last ranks with a difference of almost 3 points (on a scale of 1 to 5). Banks in the lowest positions need to make a significant effort to keep up with the other players in the market.

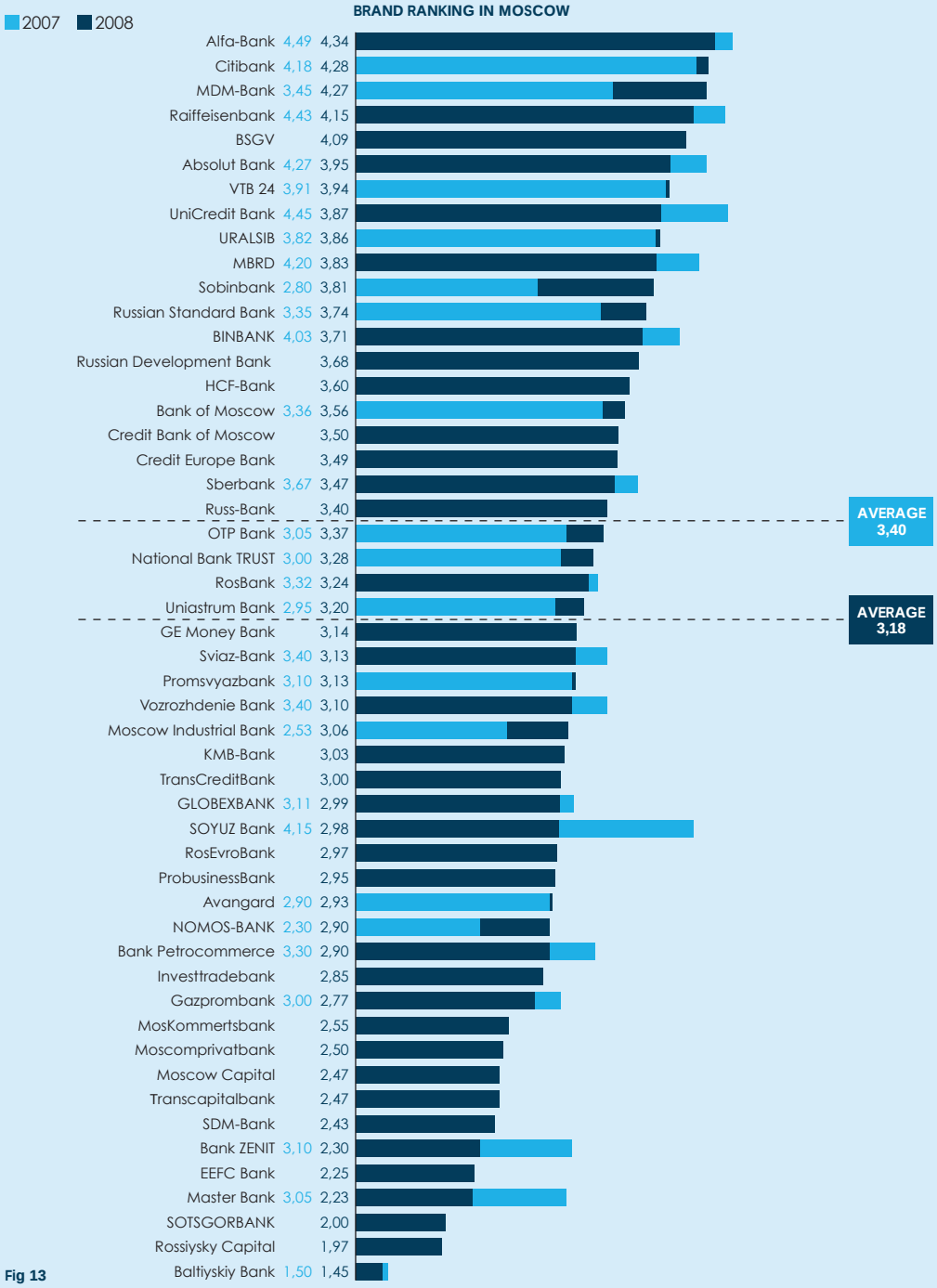

2007
2008
BRAND RANKING IN MOSCOW
Alfa-Bank 4,49 4,34
Citibank 4,18 4,28
MDM-Bank 3,45 4,27
Raiffeisenbank 4,43 4,15
BSGV 4,09
Absolut Bank 4,27 3,95
VTB 24 3,91 3,94
UniCredit Bank 4,45 3,87
URALSIB 3,82 3,86
MBRD 4,20 3,83
Sobinbank 2,80 3,81
Russian Standard Bank 3,35 3,74
BINBANK 4,03 3,71
Russian Development Bank 3,68
HCF-Bank 3,60
Bank of Moscow 3,36 3,56
Credit Bank of Moscow 3,50
Credit Europe Bank 3,49
Sberbank 3,67 3,47
Russ-Bank 3,40
AVERAGE 3,40
OTP Bank 3,05 3,37
National Bank TRUST 3,00 3,28
RosBank 3,32 3,24
Uniastrum Bank 2,95 3,20
AVERAGE 3,18
GE Money Bank 3,14
Sviaz-Bank 3,40 3,13
Promsvyazbank 3,10 3,13
Vozrozhdenie Bank 3,40 3,10
Moscow Industrial Bank 2,53 3,06
KMB-Bank 3,03
TransCreditBank 3,00
GLOBEXBANK 3,11 2,99
SOYUZ Bank 4,15 2,98
RosEvroBank 2,97
ProbusinessBank 2,95
Avangard 2,90 2,93
NOMOS-BANK 2,30 2,90
Bank Petrocommerce 3,30 2,90
Investtradebank 2,85
Gazprombank 3,00 2,77
MosKommertsbank 2,55
Moscomprivatbank 2,50
Moscow Capital 2,47
Transcapitalbank 2,47
SDM-Bank 2,43
Bank ZENIT 3,10 2,30
EEFC Bank 2,25
Master Bank 3,05 2,23
SOTSGORBANK 2,00
Rossiysky Capital 1,97
Baltiyskiy Bank 1,50 1,45

Fig 13

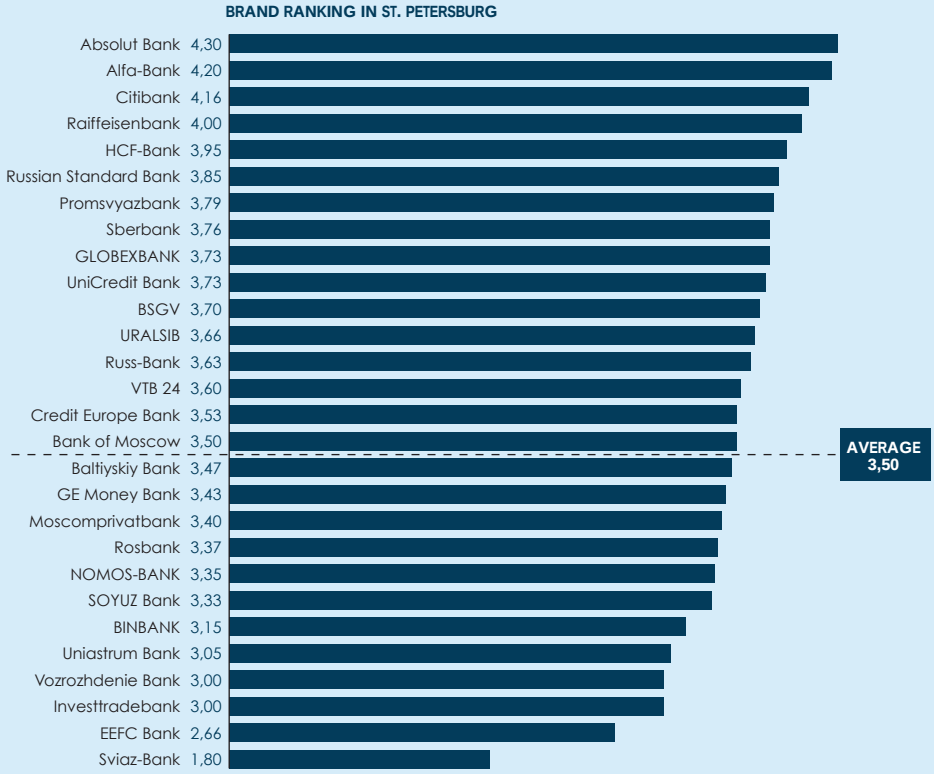


Fig 14

In conclusion, we would like to emphasize the following areas for future improvement:

- In general, banks need to become better at creating and implementing brands that awaken positive feelings among consumers in order to make them want to shop there and do so regularly.
- For customers to embrace a brand, it should have an imagery that is able to generate subtle messages about customers' ideal lifestyles.
- Most branches could benefit from implementing a directional system of navigation from the nearest metro and bus stations to guide customers to their branches.
- Although most banks are generally quite good at representing the brand in the branches, brand visibility decreases dramatically when compared to other types of retail businesses in the surrounding areas.

COMMUNICATIONS

SUMMARY OF FINDINGS

Once the brand is properly positioned in the market, it is important to have a consistent and effective form of promoting the organization through adequate communication elements. Effective communications are about fostering the sale using the adequate tone and message for the specific clients of that brand.

Communications at the point of sale need to be distributed through special zones to express the correct message and to initiate a conversation with customers in the zone. Communication elements should follow a logic and not be placed in random order. Throughout our surveys, we continue to find that promotional and brand communications in most cases are not distributed in a systematic way, in every zone of the branch.

Every zone in the branch requires a certain type of communications. Whereas the windows require catchy, general messages and imagery to attract the attention of people in just a few passing seconds, the zones inside the branch must be adequate to establish a more intimate dialogue with the customer who is already inside the bank's retail environment.

In only 10% of the cases did we find highly effective in-store communications that were always branded and were consistent across all the communication parameters. In another 29% of the cases, the communications did not present a unified style (visual style, color palette, font, etc.), and only 1,7% showed a complete lack of uniformity – a slight improvement when compared to 2% in 2007.

The average scores in both cities vary slightly from each other, i.e., 3,13 points in Moscow and 3,45 in St. Petersburg.

In 2007, Alfa-Bank led the way with 4,78 points in Communications. In 2008, Alfa-Bank dropped the score to 4,22 points, but maintained its overall leadership in this category.

As a result of the present survey, we were able to compare the communications campaigns utilized by the banks inside the branches. More specifically, we've observed a slight decline, from 37% to 34%, in the proper use of communication campaigns, many of them being either outdated or not displayed in the most visible areas of the bank branches.

We also saw that in 43% of the cases, customers could not read the messages easily because the font was too small or because of their poor placement, e.g., somewhat far from the customer traffic. In 21% of the cases, customers could not access any promotional materials to read while waiting or queuing in line.

Whereas in 2007 we found that 63% of the branches utilized a more or less clear communications placement strategy, that figure has dropped notably in 2008 to 50%. The placement strategy could be improved by mapping communications and customer zones. This is a huge drop compared to the previous survey.

It was quite evident in this year's survey that the majority of banks didn't employ a zoning approach in their in-store communication strategy.

The number of banks that utilized physical product packaging has been maintained since 2007. We observed that in 21% of the cases clients receive only a printed copy of the contract when they become new clients, while there was almost no product packaging when opening an account in the rest of the instances, a whopping 79%.

The total average score of the communications category was 3,15 (3,47 in 2007) and although in 2007, this category was the strongest of the entire survey, it is the one with the worst scores in 2008. Perhaps, that could be somewhat attributed to the seasonal nature of communications and special product offers, whereby there are more campaigns during the end of the year that includes several major holidays. Nonetheless, there are many areas that need improvement in the future; and they must be accomplished in a sustainable way so as to avoid large-scale discrepancies in ranking in a 6-month time span.

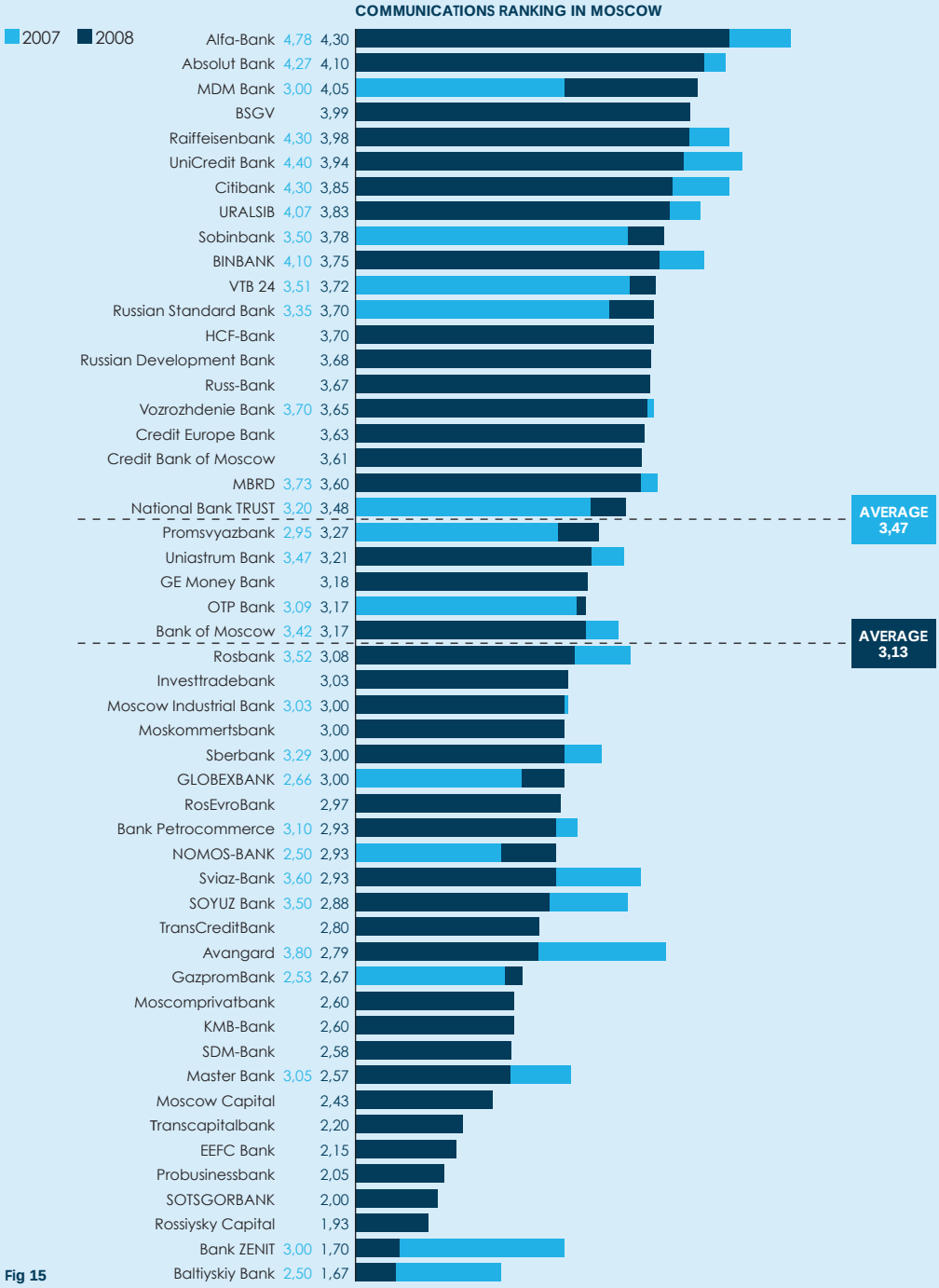

COMMUNICATIONS RANKING IN MOSCOW
2007
2008
Alfa-Bank 4,78 4,30
Absolut Bank 4,27 4,10
MDM Bank 3,00 4,05
BSGV 3,99
Raiffeisenbank 4,30 3,98
UniCredit Bank 4,40 3,94
Citibank 4,30 3,85
URALSIB 4,07 3,83
Sobinbank 3,50 3,78
BINBANK 4,10 3,75
VTB 24 3,51 3,72
Russian Standard Bank 3,35 3,70
HCF-Bank 3,70
Russian Development Bank 3,68
Russ-Bank 3,67
Vozrozhdenie Bank 3,70 3,65
Credit Europe Bank 3,63
Credit Bank of Moscow 3,61
MBRD 3,73 3,60
National Bank TRUST 3,20 3,48
AVERAGE 3,47
Promsvyazbank 2,95 3,27
Uniastrum Bank 3,47 3,21
GE Money Bank 3,18
OTP Bank 3,09 3,17
Bank of Moscow 3,42 3,17
AVERAGE 3,13
Rosbank 3,52 3,08
Investtradebank 3,03
Moscow Industrial Bank 3,03 3,00
Moskommertsbank 3,00
Sberbank 3,29 3,00
GLOBEXBANK 2,66 3,00
RosEvroBank 2,97
Bank Petrocommerce 3,10 2,93
NOMOS-BANK 2,50 2,93
Sviaz-Bank 3,60 2,93
SOYUZ Bank 3,50 2,88
TransCreditBank 2,80
Avangard 3,80 2,79
GazpromBank 2,53 2,67
Moscomprivatbank 2,60
KMB-Bank 2,60
SDM-Bank 2,58
Master Bank 3,05 2,57
Moscow Capital 2,43
Transcapitalbank 2,20
EEFC Bank 2,15
Probusinessbank 2,05
SOTSGORBANK 2,00
Rossiysky Capital 1,93
Bank ZENIT 3,00 1,70
Baltiyskiy Bank 2,50 1,67

Fig 15

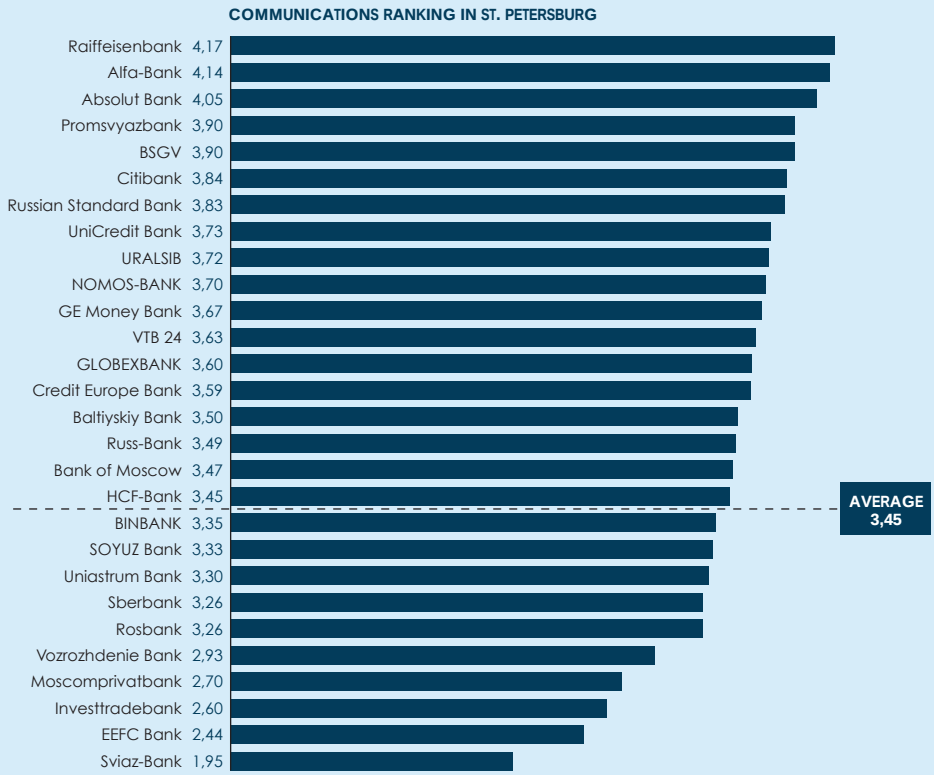


Fig 16

In conclusion, we would like to emphasize the following areas for future improvement:

- Consistency of communications (correct representation of the brand, better distribution across zones, map messages to specific zones, etc.).
- Design needs to respond to the specific characteristics of the branch.
- Clients are receptive to brand and promotional messages while waiting. Placement strategies need to become more effective.
- Banks need to make a stronger effort in creating product packaging to turn abstract banking products into tangible, appealing and desirable objects.

ENVIRONMENT

SUMMARY OF FINDINGS

Branded environments can reflect the attributes of a brand or the competitive advantages of a bank's product or service. Well-planned environments leverage the effect of the physical structure and organization of space to help deliver their clients' identity attributes, personality and key messages.

The benefits achieved by successful branded environment may include improved brand position and communication, better customer recognition, differentiation from competitors and higher perceived value from investors. But adequate environments also have internal benefits, such as higher employee satisfaction and retention, increased productivity, and better understanding of the organization's mission, vision and values.

Although the Environment moved up from the 4th to the 3rd category with better scores in 2008, it also shows a decline (3,18) when compared to the score obtained in 2007 (3,25).

As in the other categories, although the best banks have similar scores in both cities, it is in Moscow where there is a higher percentage of banks with low scores, i.e., scores that are below 3,0 in their rating (37% of the banks in Moscow vs. 18% in St. Petersburg are below 3 points).

In 2007, Alfa-Bank led the pack with 4,60 points collected in the Environment category. But in the first half of 2008, the top spot went to MDM Bank цшер 4,36 points, while Absolute Bank scored 4,19 points to gain the second place in the ratings. Alfa Bank occupied third place with 4,18 points, followed by Citibank (4,15) and Raiffesenbank (4,14).

The present study shows a timid improvement to 36% since 2007, in the number of cases where customers felt the branch was designed to serve them in a manner that was fast and convenient.

Customers believed the environmental zoning and layout of the branches were absolutely comfortable (pleasing, intuitive, unique, accessible, memorable, easy to use, etc.), in only 3% of the cases – notable decline when compared to the 6% given in this category in 2007.

The study also reveals other declines since 2007:

- Only in about 42% of the cases did we find proper maintenance of the customer environments; namely, they were tidy, pleasant, and all the communications were held in well-designed, well-displayed and well-maintained fixtures. In the previous study, that figure stood at 66%. This is a disappointing development.
- We also found a considerable decline in the number of cases (3% now vs. 12% in 2007) where banks applied the principles of "customer journey", an approach that entails a clear separation between sales and services activities, supported by progressive staff-customer interactions as the customer moves through the space.

In general, the customer environments were acceptable, although they are still not considered places where customers enjoy spending their time. At the least, it should be expected that the branches must be maintained properly, that they should look clean and tidy at all times.

In some observed cases, customers complained about security barriers near the entrances, making them feel somewhat uncomfortable and making the branch look hostile to visitors.

Branches need to be fitted out in a way that provides a comfortable atmosphere for the customers and provides a sense of courteous and professional service. Furniture, for example, must not turn into a barrier used by staff to create separation with customers. There are many other ways to help navigate the customer traffic and to separate them into appropriate groups and lines, if necessary.

Banks need to make the overall design of their branches more customer-centric, using an approach that favors interactions between customers and the staff.

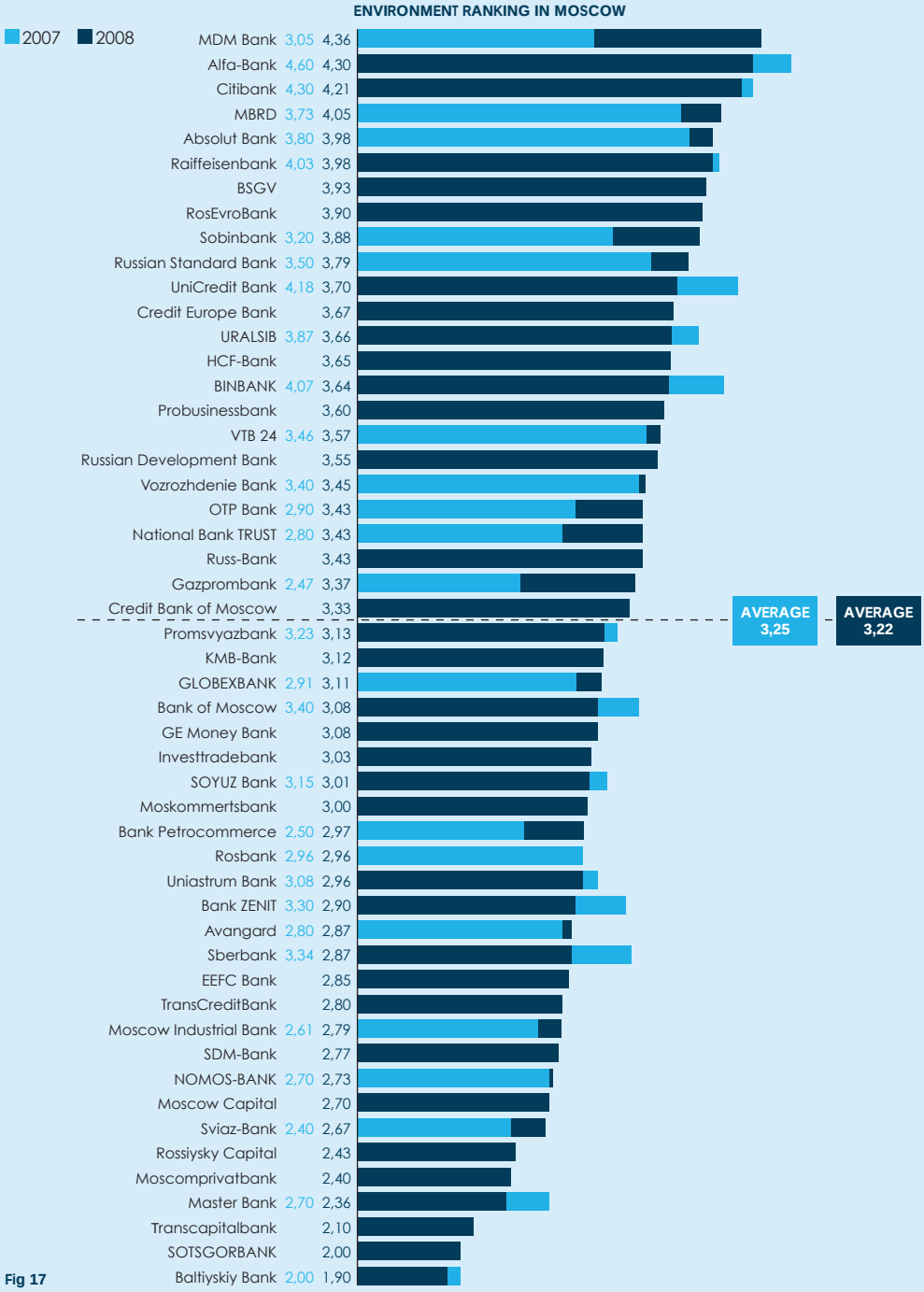

ENVIRONMENT RANKING IN MOSCOW
2007
2008
MDM Bank 3,05 4,36
Alfa-Bank 4,60 4,30
Citibank 4,30 4,21
MBRD 3,73 4,05
Absolut Bank 3,80 3,98
Raiffeisenbank 4,03 3,98
BSGV 3,93
RosEvroBank 3,90
Sobinbank 3,20 3,88
Russian Standard Bank 3,50 3,79
UniCredit Bank 4,18 3,70
Credit Europe Bank 3,67
URALSIB 3,87 3,66
HCF-Bank 3,65
BINBANK 4,07 3,64
Probusinessbank 3,60
VTB 24 3,46 3,57
Russian Development Bank 3,55
Vozrozhdenie Bank 3,40 3,45
OTP Bank 2,90 3,43
National Bank TRUST 2,80 3,43
Russ-Bank 3,43
Gazprombank 2,47 3,37
Credit Bank of Moscow 3,33
AVERAGE 3,25
AVERAGE 3,22
Promsvyazbank 3,23 3,13
KMB-Bank 3,12
GLOBEXBANK 2,91 3,11
Bank of Moscow 3,40 3,08
GE Money Bank 3,08
Investtradebank 3,03
SOYUZ Bank 3,15 3,01
Moskommertsbank 3,00
Bank Petrocommerce 2,50 2,97
Rosbank 2,96 2,96
Uniastrum Bank 3,08 2,96
Bank ZENIT 3,30 2,90
Avangard 2,80 2,87
Sberbank 3,34 2,87
EEFC Bank 2,85
TransCreditBank 2,80
Moscow Industrial Bank 2,61 2,79
SDM-Bank 2,77
NOMOS-BANK 2,70 2,73
Moscow Capital 2,70
Sviaz-Bank 2,40 2,67
Rossiysky Capital 2,43
Moscomprivatbank 2,40
Master Bank 2,70 2,36
Transcapitalbank 2,10
SOTSGORBANK 2,00
Baltiyskiy Bank 2,00 1,90

Fig 17

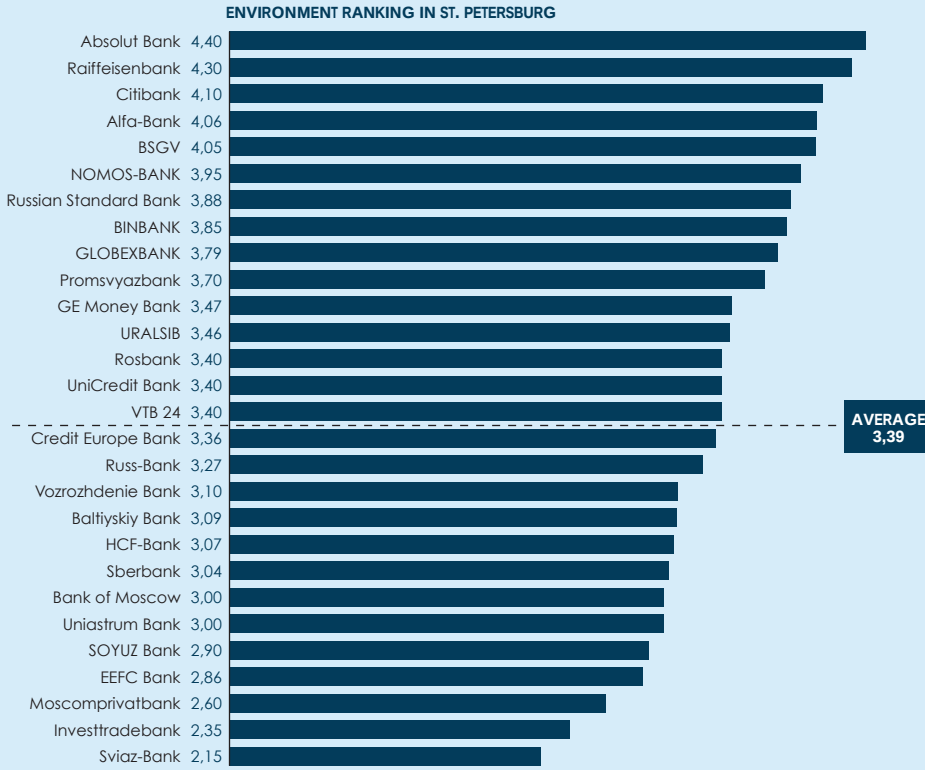


Fig 18

In conclusion, we would like to emphasize the following areas for future improvement:

- Better separation of sales and service operations.
- Apply the principles of progressive customer interactions and have a planned customer journey.
- Improve the zoning of the environment.

OFFERING

SUMMARY OF FINDINGS

In our study we rated the product and services offering of banks from several perspectives: the operating model, the existence of loyalty programs, the quality of the interactions between customers and staff, the pricing, the sales process effectiveness, and the product packaging.

In comparison with 2007, the total average score for Offering has improved only a few basis points (from 3,10 points in 2007 to 3,17 points in 2008). This improvement helped place the Offering category one level higher compared to the four other categories, from fifth to fourth, but it remains clear that there is still much more room for further improvement.

As a core competency area for banks, the level of Offering must absolutely rise in order to provide people with enough reasons to want to become a bank customer or to stay loyal to the chosen bank.

In any case, we applaud the fact that Offering is no longer the worst rated element.

As in 2007, Alfa-Bank continued to lead in this category with 4,27 points in the first half of 2008, compared to 4,42 points attained in 2007.

Once again, we observed a tendency of St. Petersburg based bank branches achieving slightly better scores than those in Moscow: 3,27 average in St. Petersburg vs. 3,17 in Moscow. We found that in the majority of instances, or 52,83%, customers could not see that the bank's offering would improve their lifestyle. In only 6% of the cases were the products and services positioned as lifestyle solutions, marking a decrease in customer perception when compared to the 7% scored in 2007.

When developing their offering, the overall goal for banks should be to increase the depth of the customer relationship and their loyalty to the bank. We've observed a drop of 2% in this trend since 2007; in 2008, it is true in only 5% of the cases.

An improvement from 33% to 41% was noted in the number of customers who found the offering interesting; however, they were not given a clear motivation to buy more products or services.

The two worst rated aspects of the Offering category were:

- The failure on the part of the banks to establish a relationship with their customers through the product offering, due mainly to the sales staff taking a passive role and not proposing convincing incentives for the customers to make additional purchases from the bank.
- It was noted during the study, that customers felt the offer of most banks was so indistinguishable that they did not find a powerful enough reason to stay with the bank.

We concluded that the banks that scored low in Offering tend to design their product portfolio and services based on their internal guidelines and sales strategies, and not on actual customer desires.

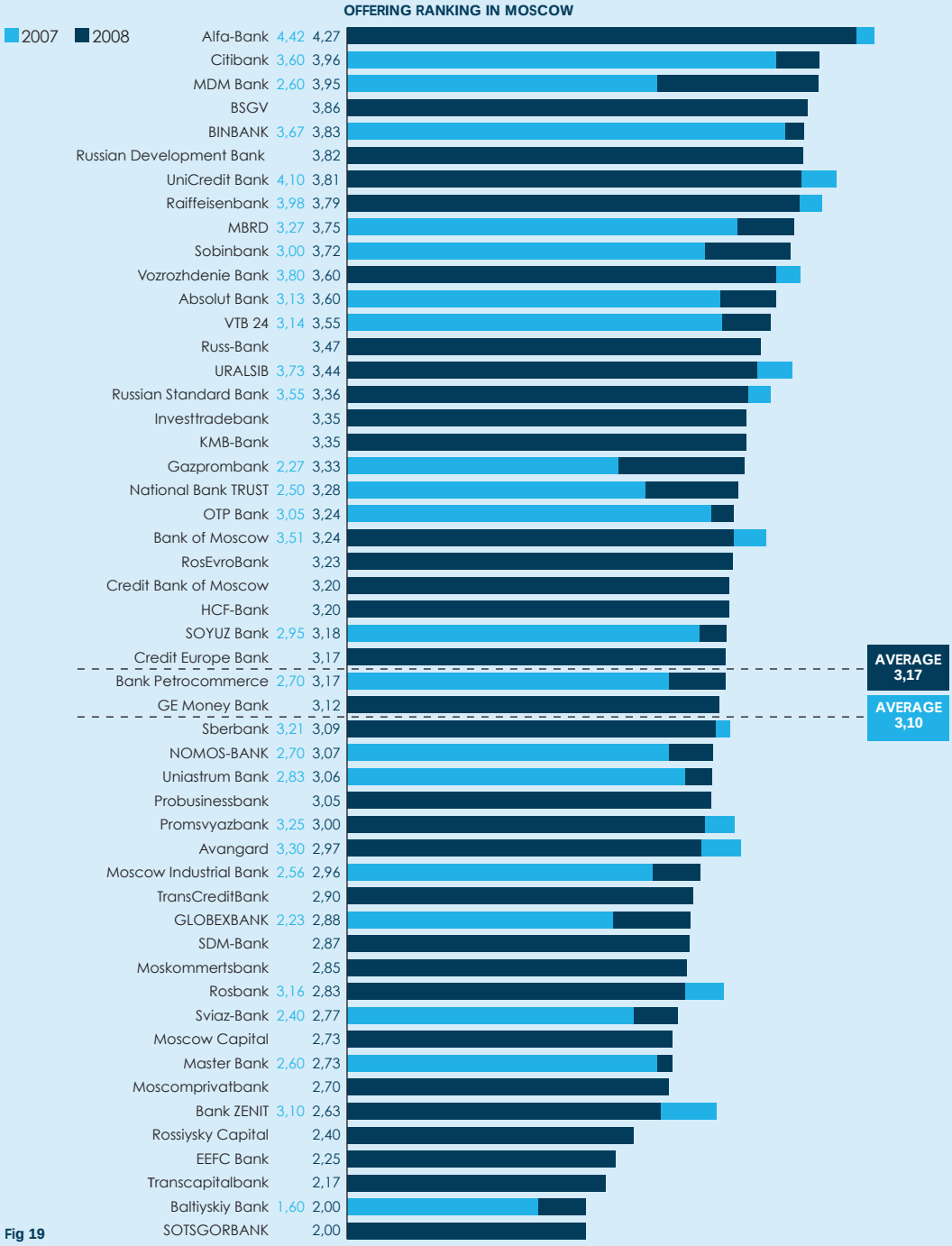

OFFERING RANKING IN MOSCOW
2007
2008
Alfa-Bank 4,42 4,27
Citibank 3,60 3,96
MDM Bank 2,60 3,95
BSGV 3,86
BINBANK 3,67 3,83
Russian Development Bank 3,82
UniCredit Bank 4,10 3,81
Raiffeisenbank 3,98 3,79
MBRD 3,27 3,75
Sobinbank 3,00 3,72
Vozrozhdenie Bank 3,80 3,60
Absolut Bank 3,13 3,60
VTB 24 3,14 3,55
Russ-Bank 3,47
URALSIB 3,73 3,44
Russian Standard Bank 3,55 3,36
Investtradebank 3,35
KMB-Bank 3,35
Gazprombank 2,27 3,33
National Bank TRUST 2,50 3,28
OTP Bank 3,05 3,24
Bank of Moscow 3,51 3,24
RosEvroBank 3,23
Credit Bank of Moscow 3,20
HCF-Bank 3,20
SOYUZ Bank 2,95 3,18
Credit Europe Bank 3,17
AVERAGE 3,17
Bank Petrocommerce 2,70 3,17
GE Money Bank 3,12
AVERAGE 3,10
Sberbank 3,21 3,09
NOMOS-BANK 2,70 3,07
Uniastrum Bank 2,83 3,06
Probusinessbank 3,05
Promsvyazbank 3,25 3,00
Avangard 3,30 2,97
Moscow Industrial Bank 2,56 2,96
TransCreditBank 2,90
GLOBEXBANK 2,23 2,88
SDM-Bank 2,87
Moskommertsbank 2,85
Rosbank 3,16 2,83
Sviaz-Bank 2,40 2,77
Moscow Capital 2,73
Master Bank 2,60 2,73
Moscomprivatbank 2,70
Bank ZENIT 3,10 2,63
Rossiysky Capital 2,40
EEFC Bank 2,25
Transcapitalbank 2,17
Baltiyskiy Bank 1,60 2,00
SOTSGORBANK 2,00

Fig 19

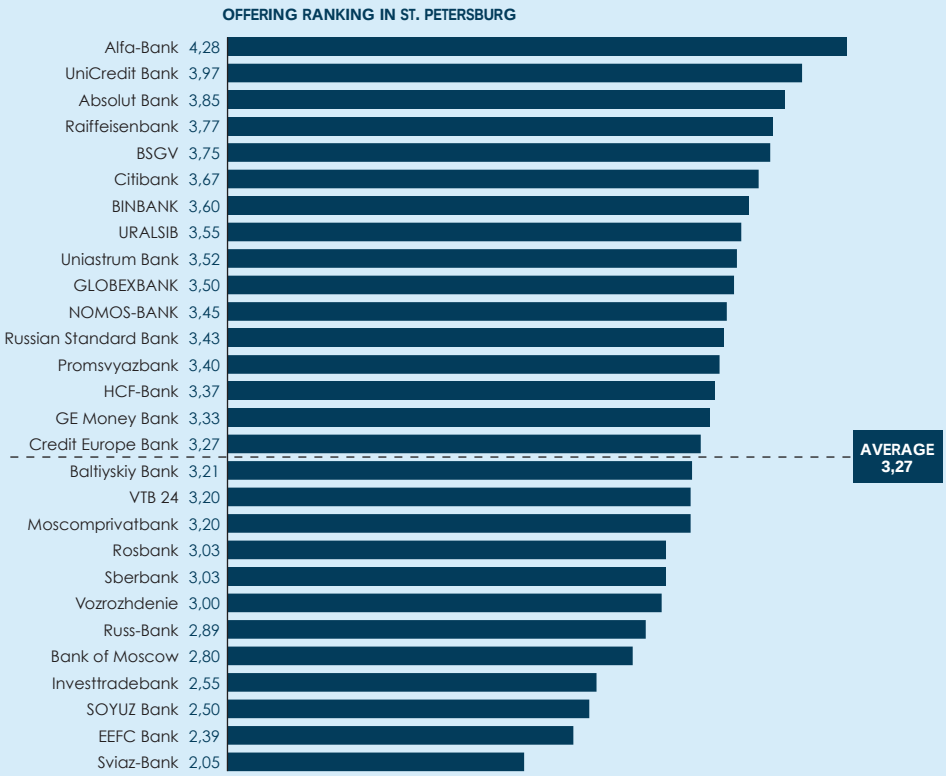


Fig 20

In conclusion, we would like to emphasize the following areas for future improvement:

- Position products as solutions.
- Increase the convenience of the entire product-acquisition (i.e., sales) process.
- Implement strategies to gain long-term customers.

CULTURE

SUMMARY OF FINDINGS

The internal culture of the organization is comprised of the attitudes, experiences, beliefs and values that play a significant role in consolidating a bank's approach in the eyes of the customer. Customers often judge an organization by its employees.

All five elements are of key importance to stage the planned customer experience, but without a good Culture, they cannot bond together.

Customers want to feel important and to be treated courteously, professionally, and kindly. Since our last measurement, Culture has become the best rated element in the 2008 survey, and by far, ahead of the rest.

Alfa-Bank remained the top performer in this area, accumulating 4,57 points and posting a very slight decline from last year's score of 4,58.

In 2008, Culture obtained a total average score of 3,46. The study reveals very little difference in the scores obtained in the cities of Moscow and St. Petersburg (3,49 in Moscow versus 3,43 in St. Petersburg).

Some of the banks assessed in 2007 showed spectacular improvement with up to a 0,65 point differential. The remarkable improvements made since 2007 project a positive effect, but they must be continued in order to sustain themselves.

We asked our mystery shoppers to rate the quality of the customer service standards and whether those standards represented the brand values and personality. The resulting figures offer several interesting statistics. For example, in 36% of the instances, the behavior of employees was professional, although it was found to be neutral and somewhat reserved.

In 24% of the cases (compared to 42% in 2007) bank employees did not generate any extra effort to make customers feel special.

In 5% of the cases, customers were acknowledged from the moment they entered the branch. They were greeted and offered help, but without being overwhelmed by excessive attention. Still, in 46% of times customers received positive attention from staff only when they specifically asked for it.

We came across very few situations (less than 1%) where employees were not showing an appropriate image or attitude.

In 20% of the cases (vs. 26% in 2007), it seemed that only one or very few employees in the branch were actually trained and able to offer full-range consultations, and when they were away or busy, customers were forced to wait for a long time or even asked to come back at a later time.

In general, employees appeared trained to act efficiently in different situations (32%), although customers would always prefer to be served faster.

Changing an aspect of Culture within any organization is a long-term project. Corporate culture is always very hard to change and employees need time and direction to get used to the new way of organizing. Therefore, we were very surprised by this unexpected rise in the Culture rating.

Unfortunately customer satisfaction expectations are still so low in retail banking in Russia that just a little improvement can make a big difference, but this also proves that regardless of the many difficulties of changing the organizational culture, the results soon become apparent to customers.

Although the improvement since 2007 is spectacular, to sustain such growth rates in the long run banks will need to design culture methods and control systems that spread the culture consistently and throughout their entire distribution network.

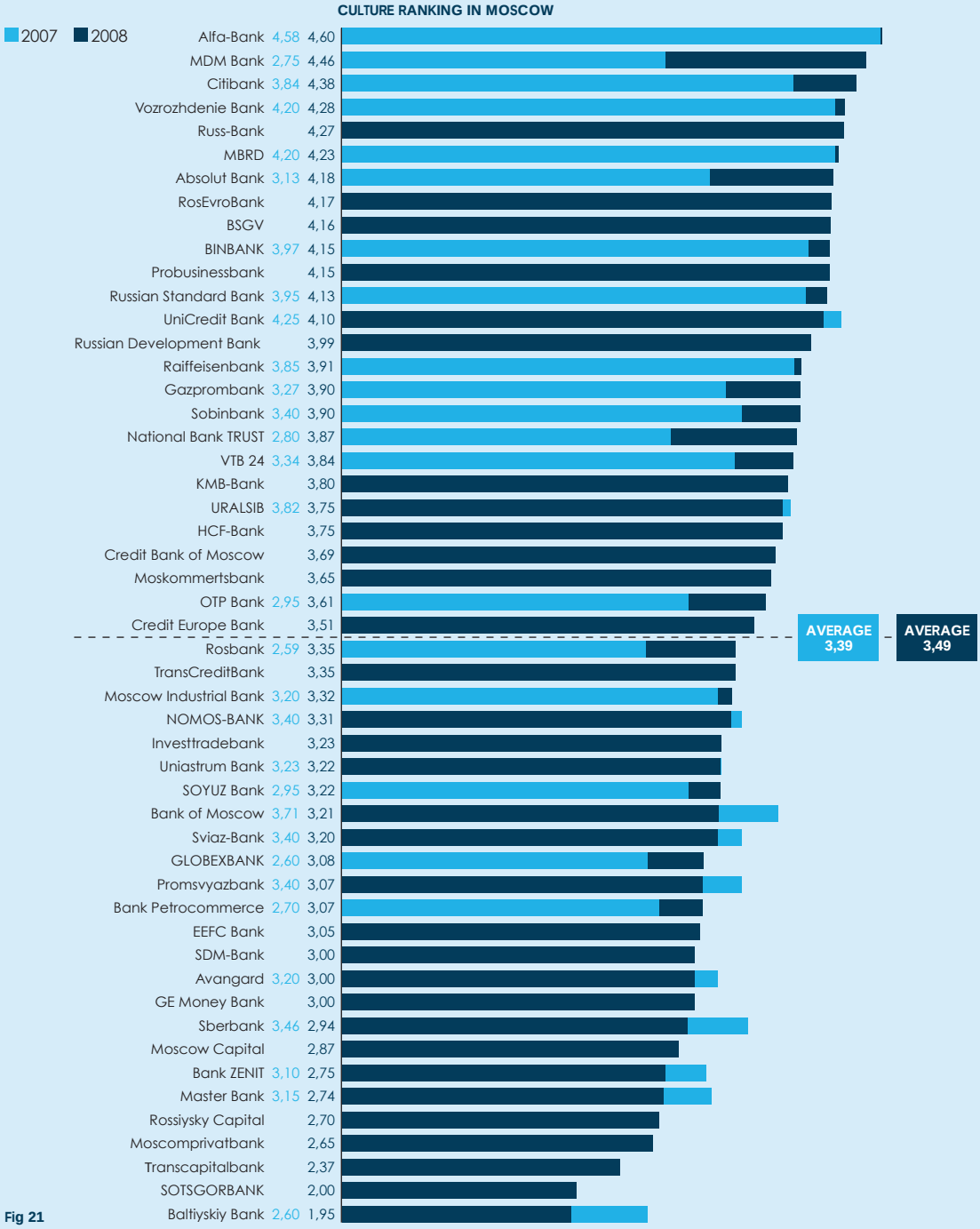

CULTURE RANKING IN MOSCOW
2007
2008
Alfa-Bank 4,58 4,60
MDM Bank 2,75 4,46
Citibank 3,84 4,38
Vozrozhdenie Bank 4,20 4,28
Russ-Bank 4,27
MBRD 4,20 4,23
Absolut Bank 3,13 4,18
RosEvroBank 4,17
BSGV 4,16
BINBANK 3,97 4,15
Probusinessbank 4,15
Russian Standard Bank 3,95 4,13
UniCredit Bank 4,25 4,10
Russian Development Bank 3,99
Raiffeisenbank 3,85 3,91
Gazprombank 3,27 3,90
Sobinbank 3,40 3,90
National Bank TRUST 2,80 3,87
VTB 24 3,34 3,84
KMB-Bank 3,80
URALSIB 3,82 3,75
HCF-Bank 3,75
Credit Bank of Moscow 3,69
Moskommertsbank 3,65
OTP Bank 2,95 3,61
Credit Europe Bank 3,51
AVERAGE 3,39
AVERAGE 3,49
Rosbank 2,59 3,35
TransCreditBank 3,35
Moscow Industrial Bank 3,20 3,32
NOMOS-BANK 3,40 3,31
Investtradebank 3,23
Uniastrum Bank 3,23 3,22
SOYUZ Bank 2,95 3,22
Bank of Moscow 3,71 3,21
Sviaz-Bank 3,40 3,20
GLOBEXBANK 2,60 3,08
Promsvyazbank 3,40 3,07
Bank Petrocommerce 2,70 3,07
EEFC Bank 3,05
SDM-Bank 3,00
Avangard 3,20 3,00
GE Money Bank 3,00
Sberbank 3,46 2,94
Moscow Capital 2,87
Bank ZENIT 3,10 2,75
Master Bank 3,15 2,74
Rossiysky Capital 2,70
Moscomprivatbank 2,65
Transcapitalbank 2,37
SOTSGORBANK 2,00
Baltiyskiy Bank 2,60 1,95

Fig 21

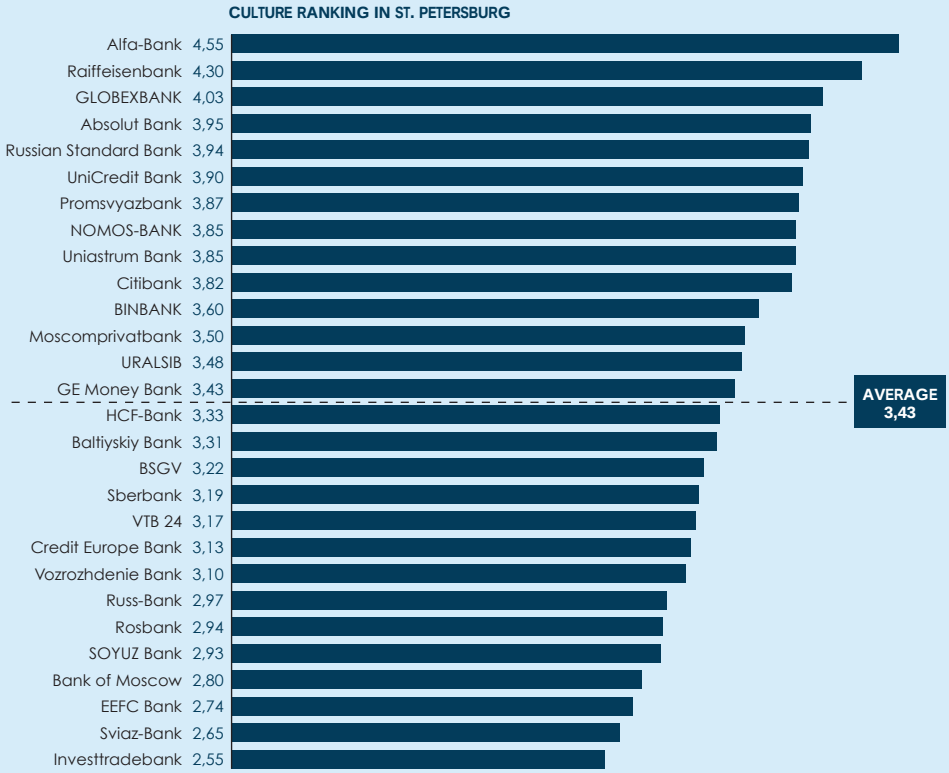


Fig 22

In conclusion, we would like to emphasize the following areas for future improvement:

- Minimize the inconsistencies from one employee to the next, and from branch to branch.
- Have more proactive staff and work to consistently exceed customer expectations.
- Ensure that the improvements obtained in Culture since last year are durable and sustainable.
- Serve clients faster and more efficiently.

APPENDIX: APPROACH TO CONDUCTING THE STUDY

The Customer Experience Index (CEI) was developed by Senteo to measure performance in the creation and delivery of a customer experience, as well as to provide a benchmark among banks. The application of the scorecard to this study was accomplished together with PricewaterhouseCoopers.

During the course of the study, PricewaterhouseCoopers consultants verified Senteo's methodology, and approved and accepted the scorecard. After a training program, the mystery shopping team visited branches of the targeted banks and behaved like ordinary customers, asking typical questions from the questionnaire provided by Senteo. The mystery shoppers then filled out detailed questionnaires on the results of their visits once they had left the bank branch. During the mystery shopping process, our specialists made their comments on the scorecards on issues beyond the questionnaire, and those comments were taken into account during the final assessment.

The mystery shopping team surveyed about 400 branches of banks in Moscow and St. Petersburg using the Senteo CEI scorecard. The CEI is based on a scorecard containing a total of 25 questions relative to the customer experience elements: Brand, Communications, Environment, Offering and Culture. The scoring system ranges from 1 to 5, the latter corresponding to the best international practice.

Branches that had been scored as the best and worst were then surveyed once again by other mystery shoppers in order to verify customer perceptions and adjust or confirm the initial assessment, if necessary.

Selection Criteria for banks involved in this survey:

An overall list of the banks to be surveyed was made, formed, and prioritized, based on the volume of retail deposits and loans as of the first of January 2008 (RBC rating). The list of banks and branches included in the study was then further modified based on the following criteria:

- Significant retail focus (only retail branches were visited in this study)
- Significant retail presence in Moscow and St. Petersburg (minimum of 5 branches in Moscow)
- Both sales and operations functions present in the branches to be visited.

Moreover, in order to establish a fair sample, the number of branches to be visited in this study was determined based on the number of branches present in Moscow as follows:

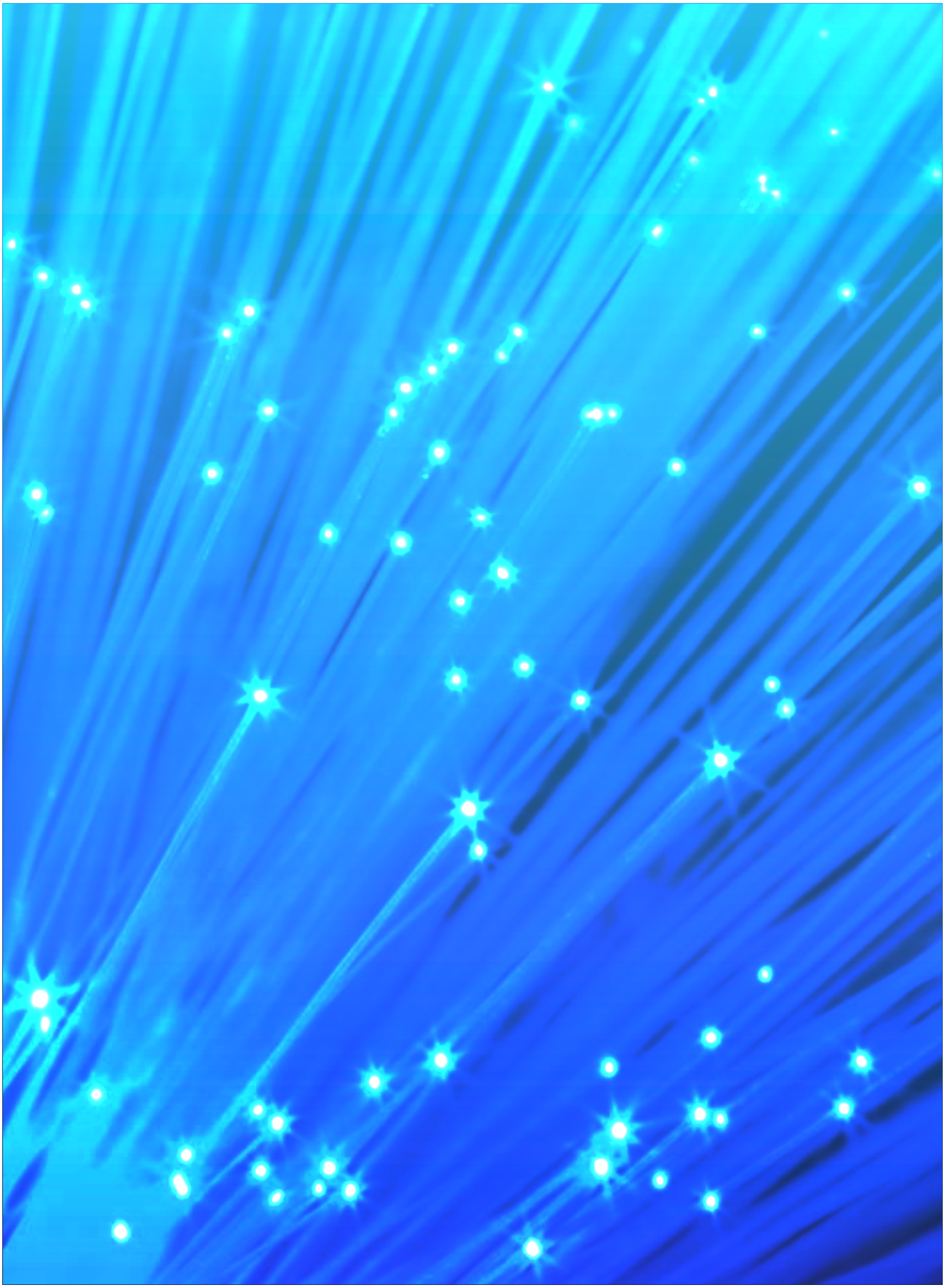
- For banks with more than 100 branches – assess 5% of total number of branches.
- For banks with 50-100 branches – assess 20% of total number of branches.
- For banks with 25-50 branches – assess 25% of total number of branches.
- For banks with less than 25 branches – assess 30% of total number of branches depending on the bank's retail network number.

We believe this approach provides a fair representative sample of the physical presence of the bank, based on its size and presence in the market. Only the Savings Bank of the Russian Federation ("Sberbank") has a network that exceeds 100 locations in Moscow; all other banks have a physical presence footprint in Moscow of less than 100 branches. Unfortunately, some banks were not included in our survey for different reasons – heavy corporate segment focus or no retail physical presence in Moscow.

After the initial mystery shopping phase, PricewaterhouseCoopers and Senteo aggregated and calculated the scorecard results based on the mystery shopping visits. Next, we analyzed the results, compared them with the global best practices, and compiled this report highlighting the main conclusions of the study.

This report is fully based on the objective data compiled by the mystery shoppers during April and May 2008.

The next survey is planned to take place in September-October 2008, after which we will publish the next issue of the Customer Experience Index.



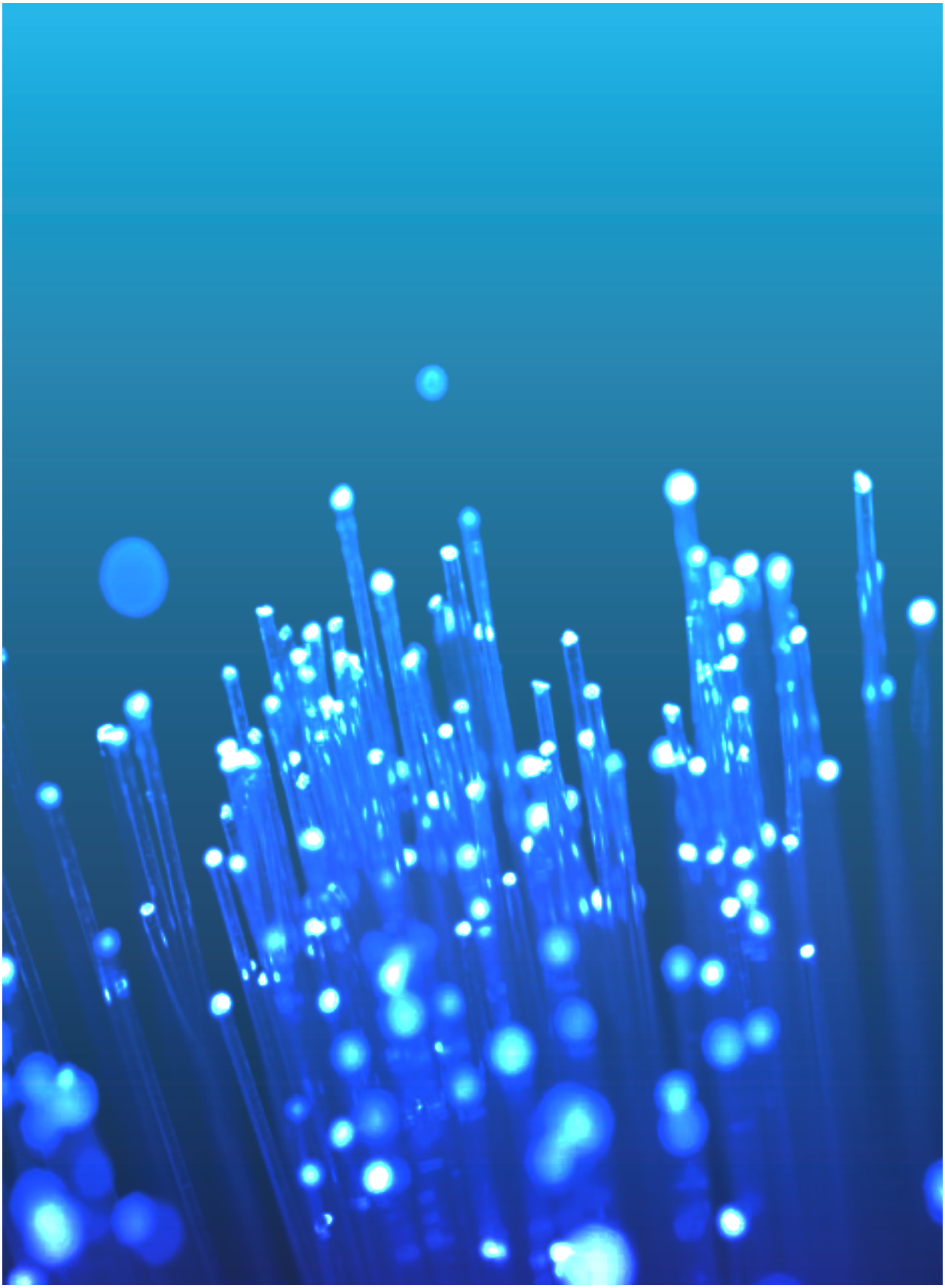
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Senteo is a multi-national company that specializes in helping its clients deliver a unique, positive and memorable customer experience.

Our methodology has been tested and perfected over the years, while consistently exceeding client expectations and delivering positive results expressed by solid financial growth.

Based on our unique approach and methodology, our clients have come to refer to us as "the experience creators".

Senteo is also a culturally diverse company. Drawn from more than 18 countries and speaking more than 25 languages, Senteo has delivered over 180 successful projects in more than 20 countries, including 11 of the top 100 brands in the world and 13 of the top 100 banks in the world.

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