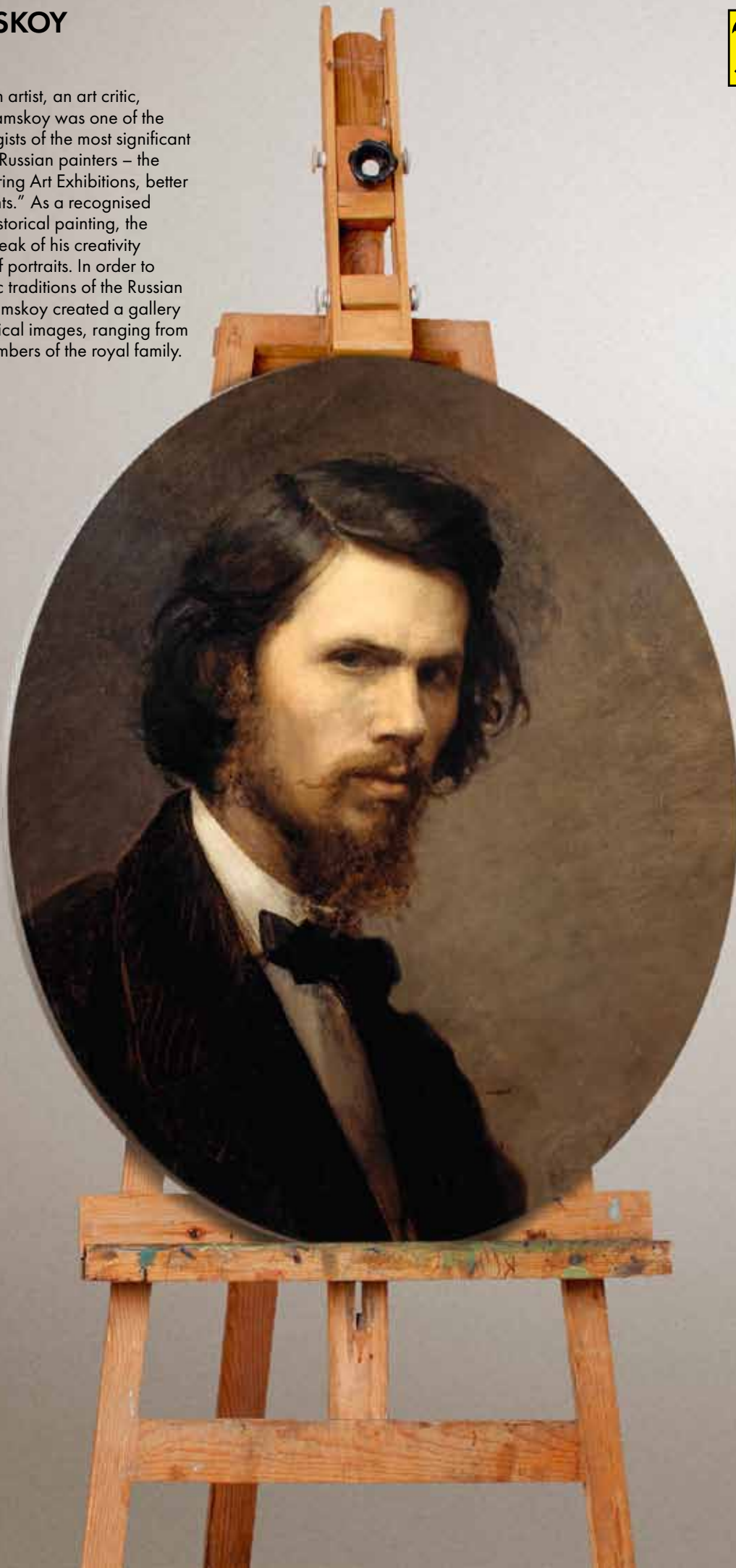


IVAN KRAMSKOY

1837–1887

An outstanding Russian artist, an art critic, and an art theorist, Kramskoy was one of the organisers and ideologists of the most significant creative community of Russian painters – the Association of Wandering Art Exhibitions, better known as “The Itinerants.” As a recognised expert of genre and historical painting, the painter achieved the peak of his creativity working in the genre of portraits. In order to continue the humanistic traditions of the Russian school of painting, Kramskoy created a gallery full of deep psychological images, ranging from simple peasants to members of the royal family.



Ivan Kramskoy

Self-portrait

1867

Oil on canvas

*The Tretyakov State Gallery
Moscow*

FRIEDRICH VON AMERLING

1803–1887

One of the most prominent Austrian artists of the 19th century. During his long life, he painted more than a thousand canvasses, and portraits comprise the largest part of his artistic legacy. Friedrich von Amerling was referred to as Vienna's favourite portrait painter: he painted ceremonial portraits of high aristocrats, lyrically-emotional female characters, and extraordinarily warm family portraits. In addition to his mastery of painting techniques, Amerling stands out because of his clever interpretation of his characters' personalities: even on the luxurious formal portrait of Francis II, the last emperor of the Holy Roman Empire, the first thing we see is not a king, but a human being.



Friedrich von Amerling
Self-portrait
1826
Oil on canvas
Residence Gallery
Salzburg

Treasury

Financial Market Operations

The first half of 2011 proved favourable for the markets: economic recovery in United States, growing corporate revenues and low interest rates supported consistently high demand for commodities, which had a positive effect on the macroeconomic situation in Russia.

A stronger ruble and rally in the corporate bond market enabled the bank to show considerable growth in profits from foreign exchange trading and securities transactions.

However, in the second half of the year escalating sovereign debt problems in a number of eurozone states coupled with a downgrade in credit ratings for the United States and a number of European countries resulted in a large selloff and saw investors flock to safe havens such as the USD and gold. Despite a considerable slowdown in economic growth in China and stagnation in Europe, oil prices remained high due to rising political tension in the Middle East.

However, even high oil prices could not prevent the Russian market from retreating. The decline was due principally to internal factors: political instability prior to the elections and a growing protest mood among the population led to a significant capital outflow, which at year end exceeded USD 80 billion. This outflow triggered a 20% decline in the ruble, a 150-200 bp rise in ruble interest rates and a severe liquidity shortage. The Ministry of Finance and the Central Bank were quick to coordinate their response, and when the demand for liquidity was at its peak, they infused a total of more than RUR 2 trillion into the banking system to prevent a large-scale financial crisis.

In this environment the bank focused on mitigating risk in a highly volatile market, and consequently took a more conservative approach to speculative positions on the currency market. A well-balanced approach to interest rate hedging of both the bank's book and the securities portfolio allowed the bank to end the year with positive results and to retain earnings.

Under the conditions of uncertainty and growth in risks observed in 2011, efficient liquidity control became one of the bank's basic priorities. The bank made diversification of funding sources throughout the year, as a result of which the share of client deposits in bank liabilities increased, and the share of means received from the parent bank decreased. Growth of client liabilities occurred in both the corporate and retail segments. The structure of passives improved simultaneously with this growth. In particular, maturity of corporate deposits increased significantly.

Throughout the year the share of liquid assets in total assets of the bank didn't fall below 25%. Thus the bank constantly supported the liquidity cushion necessary for protection against possible adverse changes in the macroeconomic environment. The procedures of short-term liquidity management have been optimized, allowing the bank to feel more confident under conditions of a lack of liquidity on the home market, and also to significantly increase profit on this activity. Along with liquidity cushion maintenance, the bank continued to develop its business in 2011. Growth of credit portfolio in both the corporate and retail segments was observed. The coordinated growth of client assets and liabilities promoted the bank's balanced development. As of the end of December, 2011 the proportion of credits to deposits equaled 94.5%. Thus in 2011 liquidity cushion maintenance and diversification of funding sources were organically combined with business development.

Raiffeisenbank is an active participant in creation of currency and monetary markets indicators. The bank was one of the originators of the creation of MosPrime -the basic indicator of the Russian Money Market, and the indicator NFEA SWAP, reflecting the level of long term interest rates. The new indicator Ruonia has started to operate through active cooperation with the National Foreign Exchange Association. The presence of this indicator will give a new spin to development of the derivatives market, where Raiffeisenbank has

a confident position. The bank is present in various councils of OAO MICEX-RTS, and takes part in activity of committees on working out new exchange products, as well as being in the list of the largest exchange operators. Being one of the major players in Russian financial market, ZAO Raiffeisenbank participates in regular meetings with Central Bank's officials.

Raiffeisenbank pays much attention to developing new technologies. In 2011 bank made a big step towards the introduction of automatical calculations of quotes and delivering them to inhouse departments and external consumers. The bank has started implementing an ambitious project for creating a remote service for Treasury products for corporate and retail clients. An enormous amount of work has been carried out in directing development of selling Treasury products to corporate clients. The bank stays one of the leading operators in derivatives market with wide range of interest risk hedging products for corporate clients in raw. Raiffeisenbank is one of the leading participants on the currency and monetary market and this market-maker position helps the bank in its own bidding, and also gives the bank the chance to improve the quality of client servicing, providing best market prices.

Ratings

According to the international rating agency Fitch Ratings:

- the long-term issuer default rating (IDR) in foreign and national currency is BBB+, and the outlook — «positive»;
- the short-term IDR in foreign currency is F2;
- the support rating is 2;
- the individual rating is C/D;
- the viability rating is bb+ ;
- the national long-term is AAA(rus), the outlook — «stable».

Standard & Poor's has given the bank:

- a long-term rating in foreign and national currency of BBB, the outlook — «stable»;
- a short-term rating in foreign and national currency of A-3;
- a national-scale rating of ruAAA.

Moody's Interfax Rating Agency has given the bank a long-term national credit rating of Aaa.ru.

Moody's Investors Service has given Raiffeisenbank the following ratings:

- Baa3 for long-term (the outlook — «positive»);
- Prime-3 — for short-term ratings of deposits in foreign and national currency;
- a financial-stability rating of D+ (the outlook — «stable»).

Financial Institutions

Russian banks

In 2011 Raiffeisenbank continued extending the range of its counterparts on the Russian foreign exchange and money market and improving the contractual framework. The bank developed and introduced its own general agreement on forward transactions on financial markets on the basis of standard documentation for forward transactions on financial markets dated year 2009.

The bank originated a number of syndicated loans and bond issues for Absolute Bank (CJSC), JSC Agency for Housing Mortgage Crediting, B&N Bank (JSC), Open joint-stock company VEB-LEASING, DeltaCredit Bank CJSC, Eurasian Development Bank, ING BANK (EURASIA) ZAO (Closed Joint-Stock Company), KB LOKO-BANK (Joint-Stock Company), Credit Bank of Moscow (OAO), JSC Russian Standard Bank and Home Credit & Finance Bank LLC.

Foreign Banks and Non-Bank Financial Institutions

In 2011 the demand for settlement in Russian Rubles from the side of foreign banks increased significantly. This fact, as well as development of cash management products for non-resident banks, allowed Raiffeisenbank to attract a number of new clients. In order to develop it in future, the bank is working out new services, which are aimed at simplifying settlement in Russian Rubles for non-resident banks.

The bank cooperated efficiently with foreign financial institutions in the field of trade finance business, including export and import letters of credit (confirmation and financing), guarantees (issuance and acceptance). It is worthwhile mentioning that foreign counterparts increased tenors of their documentary limits in favor of Raiffeisenbank up to five years.

In the second half of 2011 the interest in the deposit placement from the side of non-banking financial institutions, especially insurance and asset management companies, increased considerably. In addition, the demand for cash management products and services allowed Raiffeisenbank to enlarge the volume of attracted funds.

Public Sector Department

ZAO Raiffeisenbank considers cooperation with public authorities and official bodies as one of its priority business directions. In 2011 the bank confirmed its strong positions on the highly competitive market of bank services rendered to state organizations.

The low level of credit risks inherent in the Public segment has caused constant interest among credit organizations to provide credit to public-law entities, the entry of new players into the market, and a consecutive decrease in crediting rates.

In 2011 Raiffeisenbank took an active part in auctions for the right of granting credits to regional and local authorities. Despite the increased competition, the bank generated a well-diversified and profitable portfolio.

When carrying out actions for settlement of problem debts in 2011, the return of 100% of portfolio problem credits (over RUR 200 million) was done. The absence of problem debts confirms the right credit strategy for state sector organizations chosen by the bank.

In connection with transition to electronic auctions system in sphere of state and municipal orders, the bank has received accreditation on five electronic trading platforms — CJSC Sberbank-Automated System for Trading, JSC United Electronic Market Place, MICEX-Information technology LLC, GUP Agency on state

order, investment activity and inter-regional communications of the Republic of Tatarstan, and RTS-tender LLC.

The bank has continued to develop interaction with state and municipal organizations, participating in implementation of special target programs, including in the sphere of housing and communal services, transport and publishing. In the end of 2011 Raiffeisenbank began cooperation with Nordic Environment Finance Corporation (NEFCO) on crediting power saving projects in Russian cities within the limits of the program "Eco-efficiency".

In 2011 the bank made active placing of official body's deposits, and confirmed its status as an authorized credit organization for attracting temporarily available assets of the federal budget, the budgets of St. Petersburg, the Krasnoyarsk Region, the Komi Republic, the Vologda and Kirov areas, and also the state corporations Fund of Assistance to Housing and Communal Services Reform, ROSNANO JSC and SC Olimpstroy. Raiffeisenbank completely corresponds to the requirements made of a financial organization in which temporarily free budgetary funds can be placed. Inclusion in the list of authorized banks shows the high degree of Raiffeisenbank's reliability.

Besides rendering services to government organizations and state corporations, the bank has continued work with "small" enterprises of the Public sector – noncommercial organizations and budgetary establishments. Without feeling the need for credit resources, the given type of clients are interested in reception of high-quality services in settlement-cash services and salary projects with bank cards.

Corporate Finance and Investment Banking

Raiffeisenbank continued its successful work in the field of corporate finance and investment banking in 2011.

Corporate bonds

In 2011 Raiffeisenbank acted as the lead arranger of 28 corporate bond issuances for a total notional size of RUR 144 billion.

Among the noticeable deals of this year are the following:

- OJSC Tele2 – Saint-Petersburg record bond placement in terms of demand (Tele2 Group, RUR 13 billion);
- FSUE Russian Post debut bond issue (RUR 7 billion);
- International financial organization Eurasian Development Bank bond issue program (including secondary placement) (totaling RUR 10 billion);
- ING BANK (EURASIA) ZAO bond placement with floating interest rate (RUR 5 billion).

Group Raiffeisenbank International also successfully acted as the sole lead arranger of the Credit Bank of Moscow debut eurobond USD 200 million issue, and has also taken participation as a co-arranger in the OJSC VEB-LEASING and JSC Koks Eurobond issues.

The results of the Bank's work have once again been highly appreciated both by issuers and participants of the corporate bond market.

According to a Cbonds's news agency poll, the experience and professionalism of the Bank's employees have been noted in the following nominations in 2011:

- Best DCM Team in Russian market (second place);
- Best bond market sales (third place).

Financial derivatives

The Bank expanded its product line offered to corporate clients with currency and interest rate risk hedging instruments. At the moment the Bank offers currency and interest rate options, interest rate and cross currency swaps, deliverable and non-deliverable forwards.

The risk hedging strategies offered by the Bank are always developed individually. Thus each client has the opportunity to conclude transactions basing on the client's own estimation of necessary hedging depth and horizon.

Equity capital market operations and M&A consultancy

Raiffeisenbank Group achieved essential success in accordance with the approved strategy on development of investment banking activity in the equity capital market and M&A in 2011.

The Group extended analytical coverage, strengthened the team of investment bankers and expanded the network of sales and distribution capacity in 2011.

In addition to the already-existing sales desks in Vienna, Moscow, London and Singapore, an expert sales team was established in New York last year as a part of the opening of a new office specializing in capital market operations.

The following landmark transactions in the equity capital market and in the M&A market executed by the Group in Russia in 2011 should be highlighted:

- successful initial public offering of JSC FosAgro, the largest producer of phosphorus-containing fertilizers in Europe, for the amount of USD 565 million (option-adjusted);
- private placement of JSC GV Gold, one of the largest gold mining companies in Russia, in favor of EBRD;
- acquisition by JSC EMAlliance, one of the largest Russian power engineering companies, of 100% shares of the company AE& Đuro Đaković, the leading European player in the boiler and heat-exchange equipment market.

Syndicated Loans

The syndicated loans market continued its dynamic development in 2011. Overall growth in volume and number of transactions was recorded in spite of a slight decline in the growth rate and certain price fluctuations. As in the year 2010, club deals comprised a large part of deals in 2011 while secured lending and, specifically, pre-export financing (PXF) structures prevailed. A growing interest in syndicated loans from Russian and Japanese banks was witnessed, whereas smaller European investors retreated from the market due to rising funding costs and debt crisis in Europe. Most of the syndicated facilities and club loans in 2011 were US dollar loans for natural resources companies (mainly oil and gas) and banks.

Raiffeisenbank retained its leadership positions in the syndicated loans market in 2011 by leading and co-arranging loans for top and second tier Russian companies in retail, oil and gas, energy, chemicals, metals and mining, medical services, food industry and banking sectors. Total volume of deals closed in 2011 accounted for more than USD 8.7 billion. Funds were routed for trade and working capital financing, investments and modernisation purposes.

Landmark transactions arranged by Raiffeisenbank in 2011 include:

- January 2011 – a 4-year USD 180 million club deal for Siberian Anthracite, one of the largest manufacturers of high quality anthracite;
- February 2011 – a USD 300 million pre-export finance club loan for JSC Acron, a producer of fertilizers, originally solely underwritten by Raiffeisenbank in July 2010, and increased by USD 125 million in 2011 with significant oversubscription from the market;
- July 2011 – a 5-year USD 1.3 billion syndicated pre-export finance deal for OJSC MCC EuroChem, Russia's largest producer of mineral fertilizers;
- August 2011 – a 5-year USD 325 million syndicated loan for oil company Itera. Raiffeisenbank also acted as bookrunner of the transaction;
- August 2011 – a 1-year USD 60 million and RUR 4.04 billion dual currency syndicated loan for Home Credit and Finance Bank with 1-year extension option. Raiffeisenbank acted as arranger, bookrunner and facility agent;
- December 2011 – a 4-year USD 100 million benchmark cross-border syndicated loan for Milkiland Group, one of the leading manufacturers of dairy products in Russia and Ukraine.

According to Cbonds, Raiffeisen Bank International Group was among top 3 arrangers in the syndicated loans market in Russia by number of deals and ranked 3rd among other arrangers by volume of syndicated lending in Russian rubles in 2011.

Syndicated Loans



Milkiland

Syndicated Loan
USD 100 000 000
MLA, Bookrunner
December 2011



Binbank

Syndicated Loan
USD 50 000 000
MLA
September 2011



Slavneft

Syndicated Loan
USD 650 000 000
MLA
August 2011



Itera

Syndicated Loan
USD 325 000 000
MLA, Bookrunner
August 2011



HCFB

Syndicated Loan
USD 60 000 000 and
RUB 4 040 000 000
MLA, Bookrunner, Agent
August 2011



GEMC

Syndicated Loan
USD 70 000 000
MLA, Bookrunner,
Coordinator, Agent
July 2011



EuroChem

Syndicated Loan
USD 1 300 000 000
MLA, Bookrunner
July 2011



JFC

Syndicated Loan
USD 88 000 000 and
RUB 1 500 000 000
MLA, Coordinator
March 2011



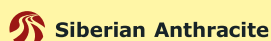
Acron

Syndicated Loan
USD 300 000 000 and
USD 125 000 000
MLA, Sole Underwriter
February 2011



MDM Bank

Syndicated Loan
USD 300 000 000
MLA, Bookrunner
February 2011



Siberian Anthracite

Syndicated Loan
USD 180 000 000
MLA
January 2011



СДС Уголь

Syndicated Loan
USD 150 000 000 and
USD 50 000 000
Lead Arranger
January, April 2011


Corporate Bonds



AGENCY FOR HOUSING MORTGAGE LENDING

AHML

Bond Issue
14 000 000 000 RUB
Arranger
December 2011



RUSSIAN STANDARD BANK

Russian standard

Bond Issue
5 000 000 000 RUB
Arranger
November 2011



CREDIT BANK OF MOSCOW

MCB

Eurobond issue
USD 200 000 000
Arranger
August 2011



Absolut Bank
Member of the KBC group

Absolut Bank

Bond Issue
1 800 000 000 RUB
Arranger
August 2011



ING Bank

Bond Issue
5 000 000 000 RUB
Arranger
July 2011



DeltaCredit
ИПОТЕЧНЫЙ БАНК. № 1.

CB DeltaCred

Bond Issue
5 000 000 000 RUB
Arranger
June 2011



БКЕ
БЮРОБАНК

BKE

Bond issue program
5 000 000 000 RUB
Arranger
June 2011



RUSSIAN COPPER COMPANY
PURE STOCK COMPANY

Russian Copper Company

Bond Issue
5 000 000 000 RUB
Arranger
June 2011



KOKS GROUP

KOKS

Eurobond Issue
USD 350 000 000
Co-Arranger
June 2011



KOKS GROUP

KOKS


Bond Issue
5 000 000 000
Arranger
June 2011



TELE2

Tele2

Bond issue program
13 000 000 000 RUB
Arranger
June 2011



ALLIANCE OIL COMPANY

OC Alliance


Bond Issue program
10 000 000 000 RUB
Arranger
June 2011



VEBLEASING

VEB-Leasing


Eurobond issue
USD 400 000 000
Co-Arranger
May 2011



HOME CREDIT BANK

HCFB

Bond issue program
7 000 000 000 RUB
Arranger
April 2011



RusHydro

RusHydro


Bond issue program
15 000 000 000 RUB
Arranger
April 2011



VEBLEASING

VEB-Leasing


Bond issue program
15 000 000 000 RUB
Arranger
April 2011



ПОЧТА РОССИИ

Russian Post

Bond Issue
7 000 000 000 RUB
Arranger
March 2011



ALLIANCE OIL COMPANY

OC Alliance

Bond Issue program
5 000 000 000 RUB
Arranger
February 2011



LOCKO BANK

Loko-Bank


Bond Issue
2 500 000 000 RUB
Arranger
February 2011



AGENCY FOR HOUSING MORTGAGE LENDING

Mortgage Agent AHML

Bond Issue
8 000 000 000 RUB
Arranger
February 2011



CREDIT BANK OF MOSCOW

MCB

Bond Issue
3 000 000 000 RUB
Arranger
February 2011



Eurasian Development Bank

EDB

Bond Issue
5 000 000 000 RUB
Arranger
February 2011

Custody Services

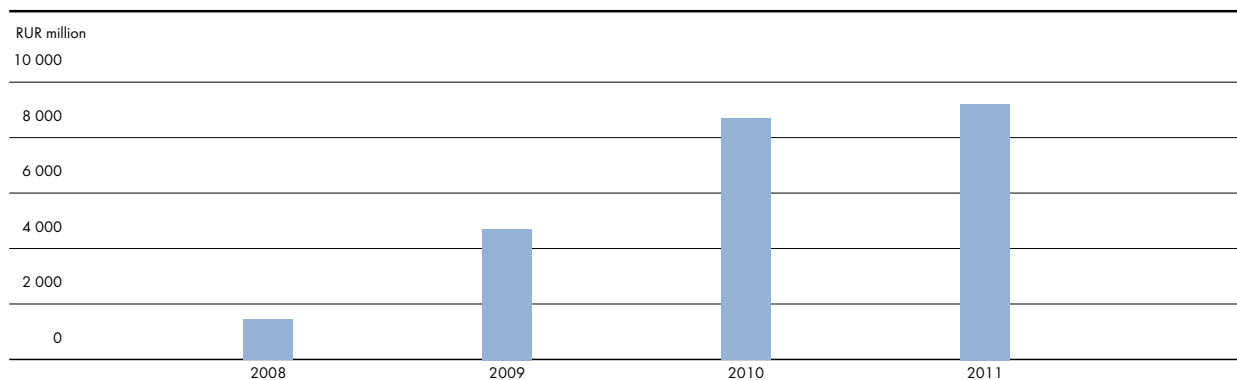
In 2011 Raiffeisenbank custody was awarded the “Top Rated” status as a provider of custody services in the Russian security market on the basis of a non-resident customer’s poll for the fourth time.

The poll was conducted by the most authoritative magazine in the global custody industry Global Custodian, and included 70 questions from various areas of the custody business.

In 2011 Raiffeisenbank custody organized several escrow transactions with shares for major corporate clients of the bank. Long-term experience of closure the escrow deals allowed the bank to offer each client the tailor made decision in compliance with the requirements of Russian currency control legislation.

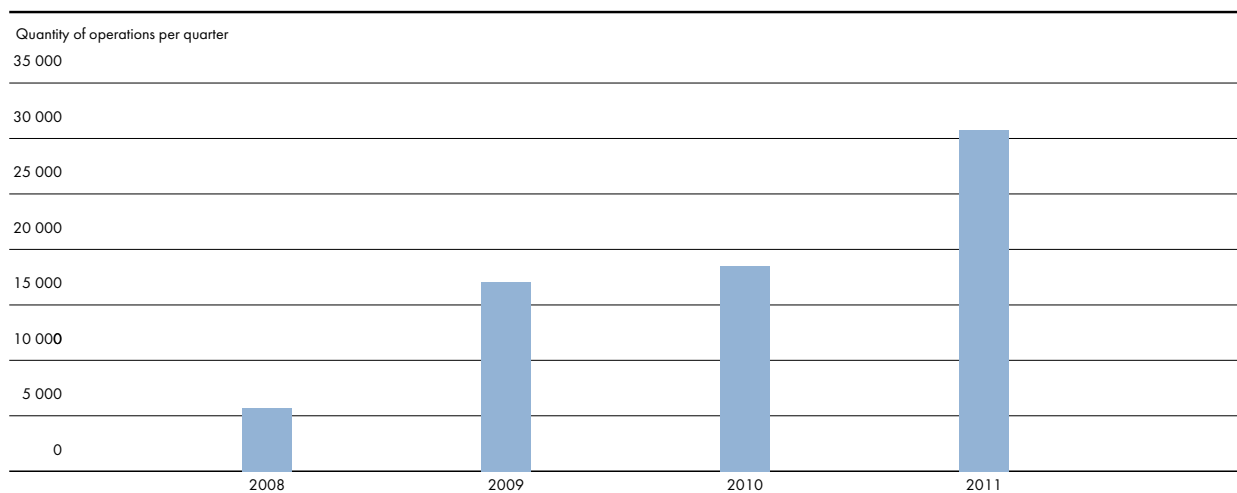
The Net Asset Value (NAV) of unit investment funds under administration of Raiffeisenbank specialized depository continued to increase in 2011.

NAV under administration of RBRU specialized depository



Source: Raiffeisenbank

Quantity of operations per quarter made by the specialized depository in the register of share investment funds



Source: Raiffeisenbank

A new product - administration of unit investment funds which assets consist of foreign securities – was launched in 2011. As a result five new unit investment funds have been taken under administration of RBRU specialized depository and three of them include foreign securities.

Electronic Data Interchange between the Raiffeisenbank specialized depository, management companies, agents of unit investment funds` distribution, exchange and redemption and the Russian securities market regulator Federal Service for Financial Markets as well as further software upgrade has allowed Raiffeisenbank specialized depository to handle the large volume of operations and fulfil control in accordance with the Russian legislation.

Private Banking

The business-direction of Private Banking, working under the brand of Friedrich Wilhelm Raiffeisen (FWR), continued in 2011 to develop actively within the framework of the strategy targeted in 2010 for a qualitative development of products and services offering to wealthy clients of the bank.

As a result of the implemented changes, Private Banking of Raiffeisenbank is now an integrated platform for financial solutions in Russia and abroad, including a wide range of banking, investment products and additional services based on opportunities of the RBI Group and its partners available through the “one stop shop” to owners of private capital in an amount starting from EUR 500,000.

Among the numerous steps taken in 2011 to provide benefits of Private Banking listed above, it is reasonable to mention:

- expansion and renovation of classic banking product line;
- supplement of classical banking offer for wealthy clients with special conditions for deposits and FX operations, as well as with documentary operations through letters of credit and bank guarantees;
- improving conditions for cash management services and safety deposit box rental;
- launch of the first ultra premium MasterCard World Elite card on the market and MasterCard World Black Edition card;
- optimization of credit card offer through the possibility to open credit cards in three currencies with a credit limit of up to RUR 2.5 million, and at the best Bank’s interest rate;
- development of capability for structuring individual credit solutions;
- implementation of distance account management solution which has no analogues to date in the market, allowing clients to manage accounts remotely via an account manager;
- development of investment consulting.

The year 2011 proved to be extremely volatile and sometimes unpredictable in terms of financial markets movements, which could not but affect the performance of the investment portfolios of wealthy clients of Raiffeisenbank, especially those who took a rather aggressive position in their investments in the first half of the year.

In response to the market conditions, Raiffeisenbank was able to quickly develop and offer its wealthy clients a whole product line that helped to ensure full protection of initially invested capital. With the help of the Private Banking team’s investment expertise and its timely and well-thought actions, the least successful investments of wealthy clients were restructured, resulting in the opportunity for some of the investors to recover their financial losses by the end of the year and place their funds in more conservative, but no less promising in terms of potential profitability, financial instruments.

In a practical context, these actions reflected not only in a minimal outflow of investments of wealthy customers of Raiffeisenbank in the second half of 2011, but also in a unique increase (within Raiffeisenbank International Group, and within the broader market of Private Banking) in investment portfolio volumes due to the so-called “new” money inflow.

This fact indicates not only the highly competitive power of FWR products and the great expertise of the Bank's investment team, but also, which is especially important in the field of Private Banking, provides evidence of a unique approach to clients, a willingness to find individual solutions in each case and be a Bank whose customers trust it not only in good times, but in bad times as well.

Implementation of the Advent portfolio management system

Continuing the development of investment services as our core specialization, the bank decided in 2011 to implement an industrial portfolio management system as the technology platform of this business line. Guided by the leading players in the world market of investment management and anticipating the growth in potential requests from private investors, after thorough analysis of available options the software system of Advent Software was chosen, the American company with client base of more than 3,000 companies operating in more than 60 countries.

Implementation of the system in 2012 will allow the bank to provide its customers with service corresponding to the highest international standards.

Development of a non-financial relationship and effective bank's communication with clients

Private Banking held a series of intellectual and entertainment events for its existing and potential customers, including support of the opening of the Chekhov International Theatre Festival, "debate clubs" with Vladimir Pozner, Mikhail Zhvanetsy and Sergei Guriev, and a number of partnership activities in the fields of fashion and art.

Today our competitive advantages are:

- perfect daily banking service, adopted to the specific confidentiality, flexibility and speed requirements of wealthy clients and their families;
- a highly professional team of financial advisers, account managers and assistants with a balanced approach to clients' needs and expectations;
- unique expertise of investment management with an emphasis on a balanced capital protection products and capabilities in individual structuring of global and local solutions;
- special conditions and offers in classic banking products: deposits, FX, premium credit and debit cards;
- individual credit solutions and documentary instruments (bank guarantees, letters of credit);
- tax and legal consulting, real estate advisory in partnership with the leading market experts;
- round the clock support of a dedicated call center which operates according to the specific Private Banking's standard;
- a program of closed intellectual and cultural activities for clients, partners of Private Banking, and their friends.

KARL BRYULLOV

1799–1852

The most prominent representative of Russian academism in the first half of the 19th century. All the iconic features of this type of art can be found in Bryullov's paintings: historical, mythological, metaphoric, and multi-figure themes. Following the canons of academism and painting techniques, Bryullov managed to break its boundaries. He introduced a fresh wave of Romanticism, sensual beauty, and subtle psychology into Russian academism.



Karl Bryullov
Self-portrait
1848
Oil on canvas
Tretyakov State Gallery
Moscow

HANS MAKART

1840–1884

An Austrian painter, academic, creator of allegorical paintings about historical and mythological stories, fashionable portraitist. Makart's paintings are characterized by their fluid forms and brilliant colours that made him famous far beyond Austria. In 1870-80 Makart opened a huge workshop to the public, which became one of the most important centres of cultural life in Vienna: it was a gathering place for artists, writers, and musicians.



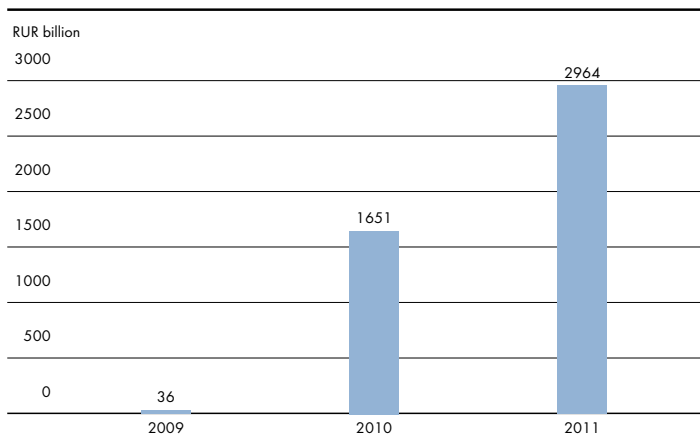
Hans Makart
Self-portrait
1878
Oil on canvas
Carolino Museum
Salzburg

Corporate Banking

Banks and Business: 2011 Results

Another post-crisis year turned out to be quite an uneasy one. The weak rate of global economy's development, lack of certainty with regard to the prospects for business development in the domestic and export markets across the majority of both developed and developing countries, and aggravation of the situation in financial markets caused by problems of sovereign debts in the European Union — the impact of all of these factors on the relationships between banks and businesses was far from positive throughout the entire 2011.

Comparative dynamics of total corporate portfolio change



Sources: The Central Bank of the Russian Federation, Raiffeisenbank

On this background, in spite of and contrary to the action of external factors and constraints, the operating results of the Russian banking sector look really impressive in 2011. The volume of Russian banks' total corporate portfolio as of December 31, 2011 exceeded RUR 17.5 trillion, as per Central Bank of Russia's data. Therefore, the market for corporate lending posted over 20% growth for the year, thus becoming one of the most dynamic sectors of the Russian financial sector.

The progressive recovery of the key sectors of Russian economy coupled with the favorable conjuncture of export markets and growing consumption of products and services on the local markets gave strong support to the demand for credit on the part of corporate clients. The volume of new loans disbursed by banks to business entities and organizations amounted to nearly three trillion

rubles, which is over 80% higher the 2010 benchmark

In turn, such a massive expansion of credit supply was the source and the driving power to the economic growth.

Components of success: our priorities

Once again ZAO Raiffeisenbank demonstrated that it is capable of retaining the leadership position in the industry, regardless of the changes in external environment, and also of making use of such changes to the maximum benefit to its customers, ensuring in the same time, stable, sustainable and long-term development of its own business.

Reliable and responsible management of customers' funds, willingness to support clients' business development, high quality of services and products, continued advancement of technical and technological systems & solutions that meet modern standards, requirements and the most demanding clients' expectations - by utilizing these business priorities we have achieved the outstanding results, some of which were the record high in the entire history of operations in Russia.

Given the intense competition environment on the banking market it goes without saying that in addition to the bank's team's professionalism, our customers' strong loyalty and confidence based on years of cooperation with the bank, their steady interest towards the products and services offered by us contributed significantly to our success.

Continuous improvement of clients' comfort in utilizing the tool and technologies offered, widening the range of solutions and applications available to customers for conducting distant banking, unification of internal procedures aimed at reducing customer's order processing time – our investments made under these priorities became another drivers to business growth in 2011.

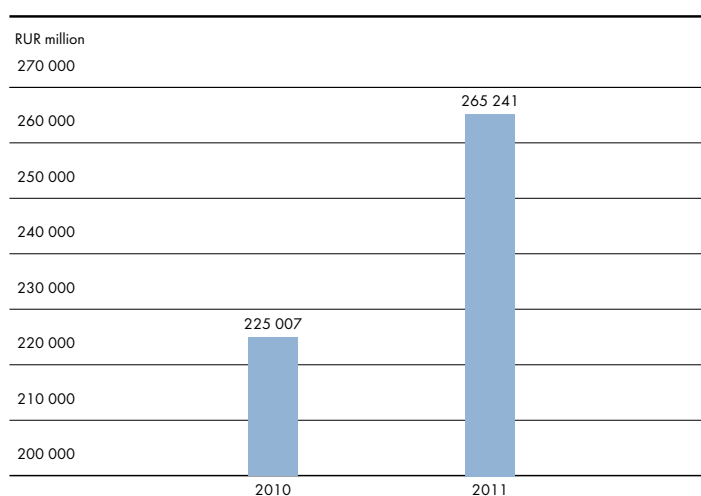
All factors combined, we feel proud to state that the results achieved in 2011 prove to be another justification of the true effectiveness of the model for business cooperation that we offer. This model is based on the principles of mutual trust and responsibility, long-term relationships and common sense, the balance of interests, the consistent leadership in technological advancement and the flexibility in finding the best solutions to help our business partners respond to the challenges outstanding. This model tested by time and proven by customers' loyalty let us both look ahead with confidence beyond the horizons of future achievements.

Achievements 2011

Assets

By end of 2011 the bank's total corporate portfolio increased by almost RUR 40.2 billion, which posted 17.9% growth vs. the volume as of December 31, 2010.

*Comparative dynamics of loan portfolio
(as of December 31, 2011)*



Source: Raiffeisenbank

It should be pointed out that the achieved growth in corporate assets was largely driven by enhanced demand for credit resources in the regions, which proves the bank's regional market position keeps strengthening across all areas of presence.

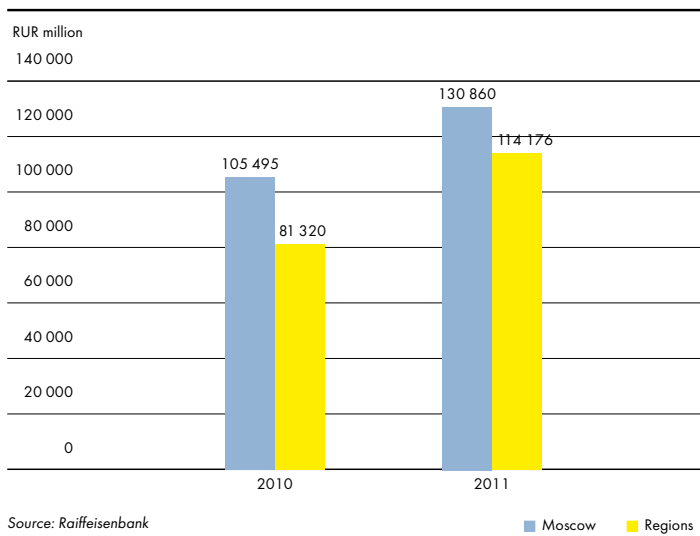
As a result, the volume of the bank's average assets outside the most competitive (and low marginal) market of the Moscow region increased substantially (+ 42%). Regional diversification of the total loan portfolio also improved, which, in turn, reduced the impact of price competition on the financial results.

In addition, the growth of the regional assets widen up prospects and opportunities for expanding the offer and acceleration of cross-selling of structured, investment and non-credit products and services offered by the bank and its subsidiaries.

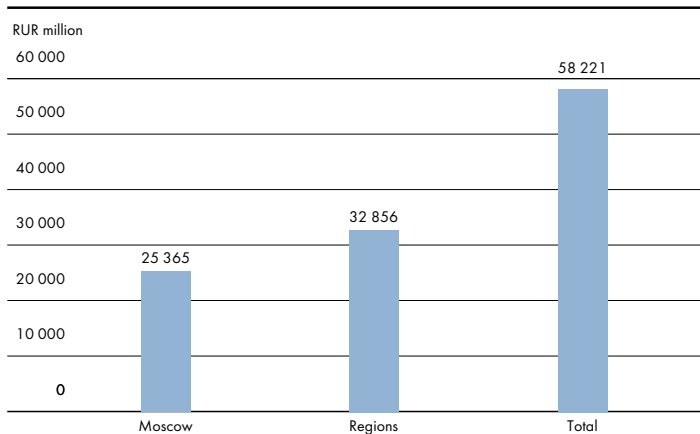
The enhancement of lending activities was also due to the achieved improvement in the loan portfolio quality. Continued development and improvement of the risk management system, criteria, and procedures, credit analysis and compliance-control allowed to reduce the "burden" of non-performing loans (NPL) in absolute terms. This coupled with the portfolio growth resulted in the drop of NPL share in total corporate assets down to 5.0% from 9.1% as of end of 2010

The efficiency of our systems and risk management procedures became one of the essential components of this success. The development and improvement of these systems and procedures remained important priorities in the bank's activity in 2011.

Average assets development



Composition of the average assets growth



The industrial composition of the bank's credit portfolio did not undergo any significant change, which once again justified for:

- the correctness of the selection of target industry sectors, segments and specialized niches across production and service industries when designing the structure of the bank's industrial exposure;
- the efficiency of corporate assets allocation per industry ;
- the high stability of the established client base.

More than 86% of the loans provided by the bank to the corporate sector is allocated across seven major groups of industries where, in fact, the most and major part of country's economic power and the longer-term growth potential is concentrated. Exposure to these groups implies the scale of demand for financial resources and, also, the relative stability of the demand in case of occurrence of any systemic or cyclic changes. Further distribution of assets within the given industry groups allows minimizing the impact of the market or business specific risks on the expected interest and non-interest income flows.

Our lending strategy for corporate sector assumes steady and continued expansion of cooperation between the bank and business across all segments, including large, medium, small and micro business levels. We offer our clients a universal and most complete variety of banking services and products including lending, structured and special finance programs in every and any point of the bank's presence in Russia.

The solutions that we offer in cross-boarder settlements, cash management, raising finance from external sources and markets are truly unique in many aspects to Russian customers and create them

additional benefits, competitive advantages and leverage to widen access to finance and to increase business efficiency by using the most extended network of bank offices in Central and Eastern Europe established by RBI Group and the diversity of the sales channels available.

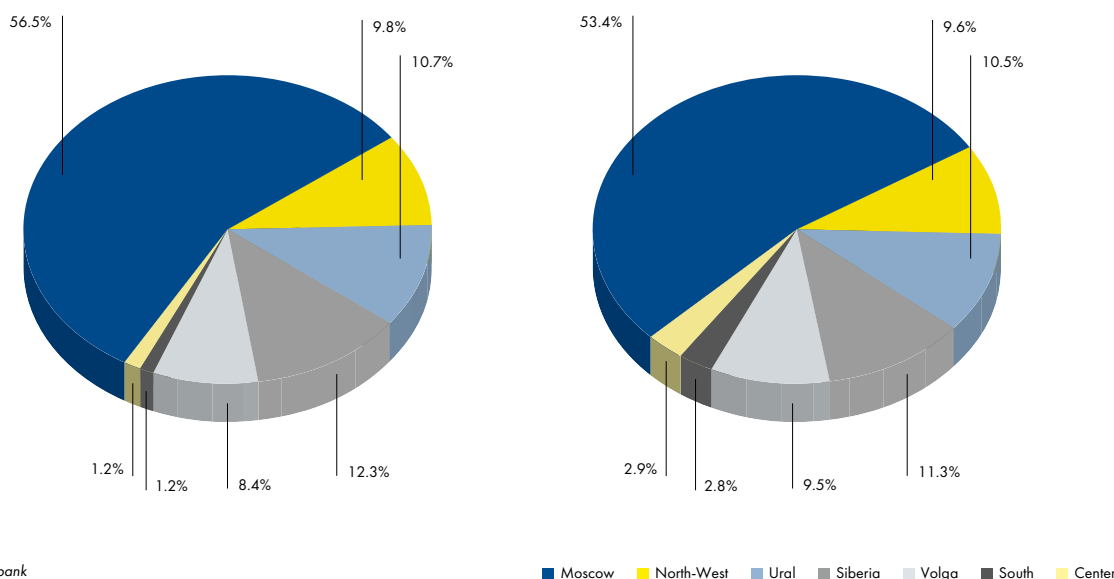
Project finance

Raiffeisenbank keeps holding leadership position on the market for project finance, and in particular, in financing commercial real estate. As of December 31, 2011 the bank's project finance portfolio amounted to USD 1 977 million, which makes a 24.44% share in the total corporate loan portfolio. The majority of project finance assets are long-term loans to commercial real estate projects.

Despite the volatile environment on the global and the Russian financial market in 2011, the bank continued developing relations not only with the well-known clients, such as developers in Moscow and in the regions, but also entered into cooperation with new clients, including large international groups. We started business with the British fund Raven Russia by providing a 9 years 38 USD million loan. The first stage of the Klimovsk Warehouse Complex with gross leasable area of 55 000 m², completely leased out,

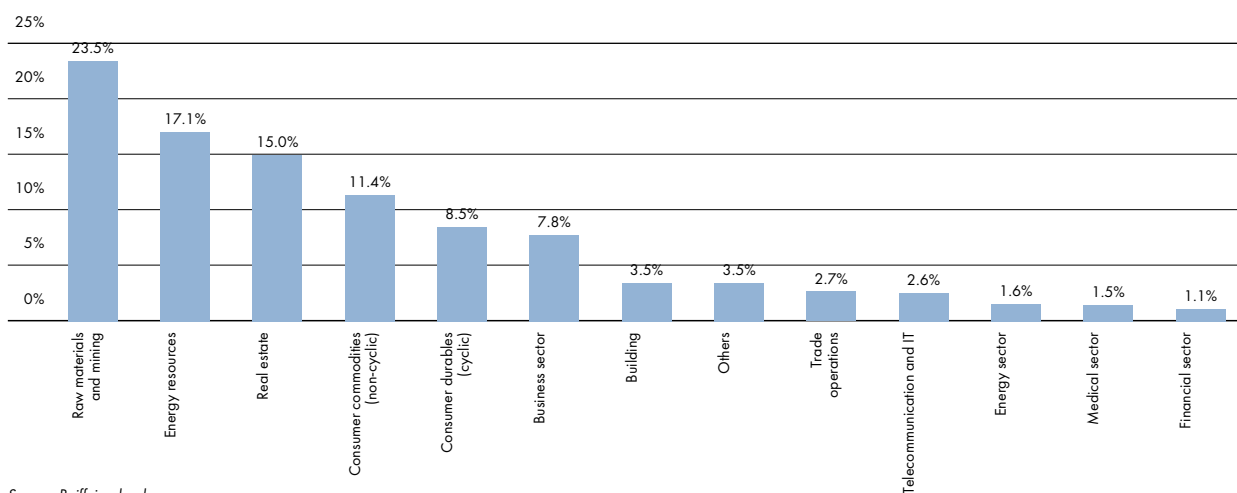
Regional structure of assets and dynamics (as of 2010 and 2011)

was



Source: Raiffeisenbank

Industrial composition of corporate credit portfolio



Source: Raiffeisenbank

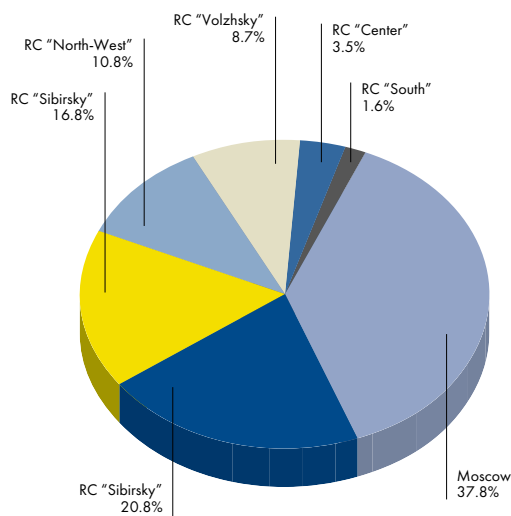
used as security against this loan. The initial USD 55 million loan was provided to IMMOFINANZ Group. The "Fifth Avenue" shopping center having a gross leasable area of about 21 200 m and completely occupied with tenants was used as a security.

Midmarket Business Segment

Business with the middle sized companies remains one of the strategic areas for the bank's business development. The goals and objectives remain unchanged – Raiffeisenbank aims to provide customers from the segment high-quality integrated services in all regions of presence and all points of sales .

As a result of such focused and continuous efforts we achieved significant expansion of the client base in the midsize business segment. The rate of growth in clients' funds on current and deposit accounts with the bank made 50% by the end of the year.

Regional structure of credit portfolio to middle business*



Source: Raiffeisenbank

* Data as of December 31, 2011.

In addition to the uprise in corporate liabilities, proactive development of business relations with the existing borrowing clients and accelerated efforts on acquisition of new customers interested in lending products offered by the bank resulted in over a 30% increase in the bank's midsize business segment loan portfolio. The volume of loans disbursed amounted to almost RUR 11 billion as of the end of 2011.

The number of borrowers using credit products under the lending programme designed specially for midsize businesses increased visibly. By 2011 year end the growth posted a 13.7% increase. Implementation of the lending programme allowed improving time efficiency in loan disbursement to clients and, in the same time, preserving the high quality level of the total segment's loan portfolio.

By and large, the special lending programme was made available to midsize business clients in the majority of cities of the bank's presence. Utilization of

funds under the programme was observed the most active in Moscow, in Urals and Siberia regions, which accounted for 37.9%, 20.8% and 16.9% of the total funds provided under the programme respectively

Documentary finance products offered by the bank were in high demand in 2011. The nominal volume of guarantees and letters of credit issued doubled vs. 2010 level to have reached RUR 1.97 billion.

The majority portion (51.3%) of the total segment's credit portfolio accounted for the working capital finance. However, that was a 3.5% drop relative to last year's benchmark due to enhanced growth of documentary business and the shift in demand towards longer-term investment facilities.

We responded timely and flexibly to changes in customers' needs and expectations throughout the year. We modified products' parameters accordingly and expanded the product diversity and offering while maintaining the highest standards of service quality, performance discipline and the level of competitiveness of our offers at the same time. The achieved success in midsize segment's performance creates new opportunities for further development of business cooperation and more active interaction with market players across various industry segments as well as in product and service market niches.

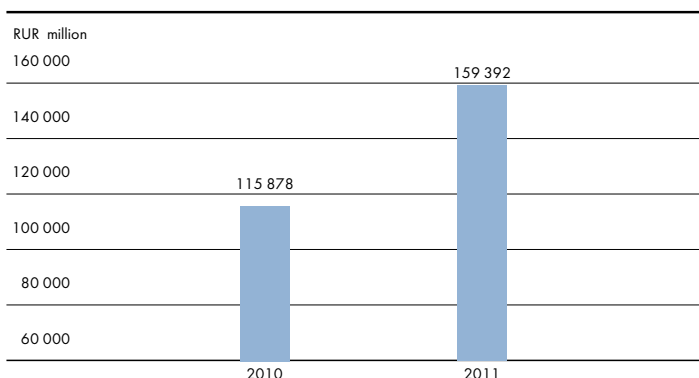
Documentary Business

Following the growth in lending activities, we expanded offerings of documentary products and services substantially and on time. As the liquidity squeeze tightened and the cost of money drove up across financial markets, customers' preferences shifted towards non-cash instruments.

In nominal terms the increase in volume of letters of credit and guarantees issued exceeded RUR 48 billion. By year end the bank's total portfolio of letters of credit and guarantees mounted to RUR 81 billion thus posting a 94.5% growth on year-on-year basis.

The most popular among clients were guarantees nominated in Rubles and in foreign currencies. The nominal volume of guarantees issued increased within the year by RUR 28.4 billion or 57% above 2010 level. The nominal volume of letters of credit issued and received under both local and cross-boarder settlements grew by 88.9% by year end. The share of L/C volumes in total documentary portfolio reached 21.8%.

Comparative growth dynamics of the average clients liabilities



Source: Raiffeisenbank

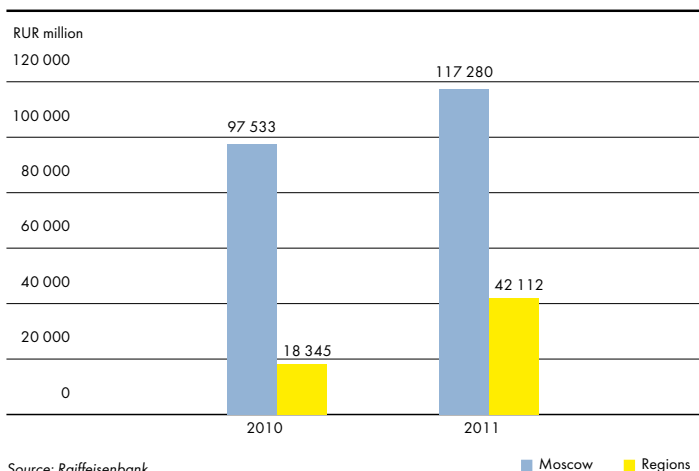
We developed and offered to our clients a line of new non-cash instruments in 2011 designed to optimize and improve cash turnover and, subsequently, to reduce the need of a business for working capital and short term finance.

The volume of import L/Cs increased by 55.8% year-on-year in 2011. Instruments with post financing from foreign correspondent banks accounted for the substantial portion of the total volume. Also the bank actively participated in the international finance programs implemented by the European Bank of Reconstruction and Development, and International Financial Corporation designed specifically to support trade activities across Central and East European markets.

Client Funds

By year-end of 2011 the volume of total corporate liabilities including clients' funds on the current and deposit accounts with the bank, reached the all-history record since the bank started operations in Russia. In absolute terms the increase was over RUR 47 billion or + 44% vs. 2010 which was substantially above the banking industry's average.

Corporate average liabilities development

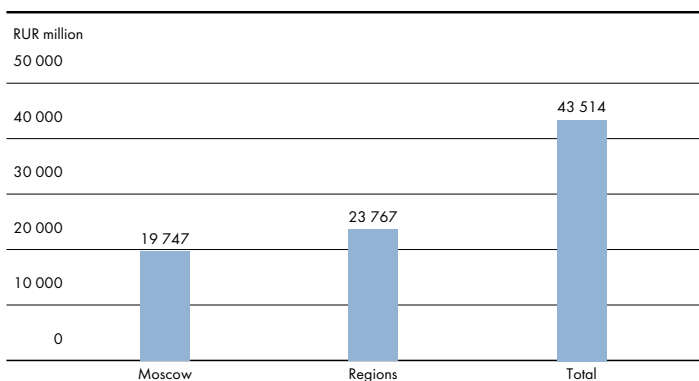


Source: Raiffeisenbank

As a result of the stable inflow of resources onto clients' accounts, the amount of external funds used for lending reduced noticeably, which, in turn, mitigated the impact of interest risk to the profitability of lending business.

In the second half of 2011 the bank accelerated efforts on generating corporate liabilities and, thus, managed to buffer the pressure of the adverse developments across financial markets on business as access to finance resources got limited and money rates propelled on foreign and local money markets.

Composition of the average liabilities growth



Source: Raiffeisenbank

In this regard, the contribution of the bank's regional centers in strengthening its own funding base should be specially noted. This contribution was really phenomenal – the total average volume of the clients' funds in regional branch offices increased by 130% by year-end. Although Moscow region showed a "modest" + 20% vs. previous year mark; in absolute terms, the increase was no less substantial.

We consider the success in attracting clients' resources to be a proof of our clients' confidence and trust towards the bank. In turn, we continue responding to it via critical and balanced approach to pricing and tariff policy, and by offering our clients diversity of products, services and opportunities that allow managing idle cash effectively and to the benefits of customers' business.

Cash Management

Monitoring and analysis of clients needs, building long-term customer business and relationship, complex and combined approach to finding solutions to a clients needs - these are the cornerstones of the bank's business development strategy in the area of cash management.

The bank offered cash management products extensively in 2011 aiming at attracting major international and holding companies that do business in Russia. Our products are designed to create and implement additional opportunities for optimization and efficient management of multiple flows of financial resources within complex corporate structures.

Raiffeisenbank worked consistently to improve and innovate CM products and services, as well as to upgrade technical and technological platform, processes and procedures. We analyzed client feedback and opinion with regard to the quality and the efficiency of products and services provided. Based on that we launched a number of new projects that anticipate adding more flexibility and convenience to the solutions offered to customers. In particular, the launch of customs card generated great interest among importers.

Improvements were made to the process and procedures of selecting partners and clients which contributed to client base expansion and to income growth. Fee of commission income generated by cash management business segment reached RUR 1.39 billions in 2011 (+7.7% vs. 2010).

Bringing clients the efficient and timely solutions to pending and non-standard issues and tasks, high level of professionalism, and the best result oriented approach in tackling clients' needs – those are the particularities that always distinguish Raiffeisenbank in serving corporate clients.

Distance-Banking Services

Raiffeisenbank offers its corporate clients the most modern, advanced and secure system for distant banking which includes a wide range of application and functions allowing to perform various transactions with regards to current, deposit and other accounts held with the bank.

The convenience of usage and the powerful functional capabilities of the bank's electronic banking engine were highly appreciated by the clients. The number of transactions executed via Direct banking tool increased by more than 30% in 2011 and exceeded 8 million, or about 22 thousand transactions per day.

In order to improve the quality of settlement and cash services, the Bank introduced ELBRUS Internet, a new platform for remote banking. The new engine will incorporate the best standards and practices in electronic banking and will operate under Raiffeisen Group information safety requirements to ensure the highest security possible.

Upgrade of business processes for connecting to the system implemented by the bank's allowed to accelerate connection procedure by half. Further improvement of procedures and processes of back-office applications will make it possible to offer clients a more convenient maximum time of document provision to the bank.

ILYA REPIN

1844 – 1930

A great Russian painter, creator of large-scale historical and genre paintings, one of the most prominent portraitists of his time. Repin created a truly impressive gallery of portraits of his contemporaries: elegant portraits of high-society, ceremonial portraits of Russian tsars and members of the State Council, portraits of cultural figures, scientists and artists which expressed great psychological depth. Repin's portraits of the great musicians – Modest Mussorgsky, Mikhail Glinka, Anton Rubinstein and Franz Liszt are particularly expressive.



Ilya Repin
Self-portrait
1878
Paper, ink
Tretyakov State Gallery
Moscow

JOSEF KRIEHLER

1800 – 1876

An unsurpassed expert of lithographic portraits, the most famous and sought-after Austrian portraitist from the middle of the 19th century. It is hard to find at least one significant figure of that era who was not captured by Kriehuber. During his life he created about three thousand lithographic portraits of the most prominent European politicians, royal family members, actors and artists. Josef Kriehuber's gallery of portraits of musicians and composers is well-known – Franz Schubert, Niccolò Paganini, Johann Strauss, Franz Liszt, and many others.



Josef Kriehuber
Self-portrait
1860
Lithography
Albertina Gallery
Vienna

Retail Customers

Branches

In 2011 ZAO Raiffeisenbank continued to develop its branch network. During the year four new subdivisions were opened, two of them in Moscow – supplementary offices “Grina, 11” and “Mitino”.

In 2011 regional center Volzhsky opened a supplementary office “Sormovsky” in Nizhny Novgorod and operational office “Prospect Yamasheva” in Kazan.

Thus, as of the end of 2011 there are 189 operating subdivisions in the bank’s structure in Moscow and Russia’s regions.

In order to improve the client service quality, all branches located in Barnaul, Tomsk, Omsk and Irkutsk were transferred to the unified bank’s platform.

Furthermore, the process of transition to the unified operational platform of the bank was launched in outlets of “B” type located in Moscow. This process is expected to be completed in 2012.

The marketing campaign “Presents for you and your friends” was held in 2011 and aimed at increasing the client base and sales of priority products by getting contacts from the bank’s existing clients.

Raiffeisen CONNECT Internet bank was used as a channel for attracting clients under the program “Presents to you and your friends”. Starting from October 1, 2011, an offer to participate in the program was placed in the personal profile of each client. The result of three months was more than 500 recommendations.

In total for the year, more than 60,000 recommendations were received.

As a result the number of new clients within this campaign increased by 5 times relative to 2010.

The Branch Manager School project started in September, 2010, and was successfully completed in April, 2011. The objective of the project is to select candidates for the position of the Moscow branch manager from the bank’s employees. This project was directed towards development of employees and improvement of their management competences. Those employees who have shown excellent work results in retail branches of the bank were provided with the opportunity to get additional training in the Training and development center in order to improve their knowledge in the field of sales, coaching, as well as a number of trainings directed towards an increase in personal effectiveness. Participants have successfully used the obtained knowledge on tutorship and development of personnel in the network branches, and have supported the transfer of “B” type branches to the unified operational platform of the bank. Five people have become branch managers in Moscow selected from nine candidates on the basis of the project results. Having excellent work experience in branches supported by additional knowledge in the field of management, motivation and planning obtained during the training and combined with wide practice of coaching, these employees are now creating their own teams that are effective and motivated for excellent work. Since the first wave of the Branch Manager School showed high efficiency, the interest of employees in career and professional growth, as well as the bank’s interest in personnel development, the competition for selection of candidates to the second wave of selection to the project was declared in September 2011, and the school is expected to start in February, 2012.

In order to increase sales of priority products in the bank’s branches in 2011, the successful practice of creation of fixed plans for branches for contacts of specialists with clients was used, in the course of which the employee offers the client to consult on questions related to purchasing the bank’s products. The level of consultation doubled in 2011 as compared to 2010. Usefulness of this line for the bank’s clients is expressed in statistics of product provision - each third client agrees to buy the offered product.

Regular “product days” for credit cards, pension and investment products, and “Premium” bundles were held to promote sales of some of the bank’s products from January to December, 2011. The increase in sales of these products within the “product days” was 200% compared to the usual periods. Other important aspects in conducting such days were special conditions for clients for credit cards and Gold service package.

Furthermore, in order to increase sales effectiveness, several competitions between bank employees on the sales of bank products were organized in 2011.

In September, 2011 the “Infinity” project was launched and is directed towards increasing the culture of sales management in the retail segment. The project is focused on developing leadership skills, management skills, and communication skills of branch managers. By developing these competences, the bank expects to increase the efficiency of employees’ work, which, in turn, will make greater satisfaction of the bank’s clients.

Direct and Corporate Sales Payroll Support

Extensive formation of teams in direct sales channels was continued in 2011. By year end the total number of direct sales agents was increased to 458 employees.

A system of qualification levels was introduced for direct sales agents, thus providing the possibility for successful employees to get larger monthly bonuses for sales, to attend additional training courses, and move up the career ladder.

Furthermore, motivational competitions for credit product sales were organized for employees of direct sales channels.

Moreover, key measures of credit product sales managers work effectiveness in the bank’s partner companies were introduced in 2011, thus providing the possibility to improve the work of direct sales channels.

The share of direct sales channels in the total volume of credit cards sold was 41%, while in the volume of personal loans sales it was 26%.

Within the framework of payroll projects 600 new companies were attracted, 32 000 accounts were opened in Moscow, while 1 100 companies and 75 000 accounts were enlisted in the regions in 2011.

The number of individuals who receive their wages at accounts in Raiffeisenbank increased by 22% in 2011.

Managers of the payroll projects servicing group continued the project started in 2010 on arrangement of a quality department employees meeting with clients of the payroll project and teleconferences in respect to the client’s satisfaction with the services of the bank in 2011. About 50 meetings and more than 600 teleconferences were arranged during just the second half of 2011. As a result the outflow of clients was reduced in 2011 to 1% (in 2010 it was 2.3%).

VIP services for key clients have been organized inside the group, and this business direction is supported by the most experienced employees.

In 2011 the group employees performed extensive work on transformation of payroll projects from the operational platform “B” to platform “A”.

The project is at the final stage – as of December, 2011, 85% of companies had been transformed.

The group accepted about 460 new companies for servicing in 2011, with a total number of clients of about 39 000 persons.

Call Centre

The Call Centre of Raiffeisenbank provides remote customer service support on twenty-four-hour basis and operates in several directions: round-the-clock support for the cardholders and merchants, informational support for the private individuals, special service for the Private and Premium banking customers. It also promotes the bank products and services.

The interactive voice response service Raiffeisen Teleinfo is also provided to the bank customers. This service enables the customers to receive general and personal information in automatically. The development of this service for the future expansion was proceeded in 2011.

In 2011, as during the previous years, the Call Centre business was focused on service quality improvement. Independent surveys of customers attitude to Call Centre service quality were handled on regular basis to reveal all the service improvement area. The results of such surveys indicated a positive trend in the customer`s estimation of the service quality level in Call Centre in 2011. The evaluated customers` satisfactory level was higher than the respective survey results of other Russian and German Call Centres. Such service indicators as correctness and clearness of the provided information, the quality of the customers` enquiries execution, willingness to help, goodwill and the competence of the specialists were mentioned by customers as strong points.

Raiffeisenbank Call Centre in Russia keeps the leadership in RBI Group in the volumes of processed enquiries. The number of incoming calls received in 2011 was more than 5 mln of calls; this is for 23% more than in 2010. More than 1.7 mln of outgoing calls and 0.8 mln of e-mails were handled in 2011.

There are 330 qualified specialists with wide range of professional knowledge employed in Raiffeisenbank Call Centre.

Distance-Banking Services

The bank developed a middle term a remote banking service strategy concept for the key alternative channels: Internet bank, SMS-bank, a system of automatic voice notification via phone (IVR) and ATM. The concept will be based on a unified complex IT platform, ensuring the integral and smooth implementation of functionality throughout all channels thus minimizing operational expenses for development of each channel. The bank has set an objective of creating a maximum range of possibilities for its clients who are ready to take benefit offered by modern for banking services.

The retail business together with the IT department has launched a number of large infrastructure projects aimed at complete modernization of technologies used in Internet-bank Raiffeisen CONNECT and system of automatic phone notification Raiffeisen Teleinfo (IVR), creation of applications for smart phones and for other mobile operational systems. New functionality appeared in ATMs (on-line payment for housing and public utilities services in Moscow and St. Petersburg, card to card on-line money transfers within the bank, etc.).

The number of active users of the Internet bank increased by 41% in 2011 vs. 2010, and the number of transactions increased by 42%.

The number of users connected to SMS-notification services increased by 66% in comparison to 2010. The total penetration rate of SMS-notification into the database of card clients was 55%.

The penetration level and usage rate of remote channels in Moscow and St. Petersburg is quite high, but the growth opportunities in the regions are very significant. To reach this objective, a number of marketing educational campaigns promoting utilization of remote channels use were successfully carried out throughout the year. The results met expectations, and the increase in initial subscription and consequent usage of demonstrated that our expectation were well grounded.

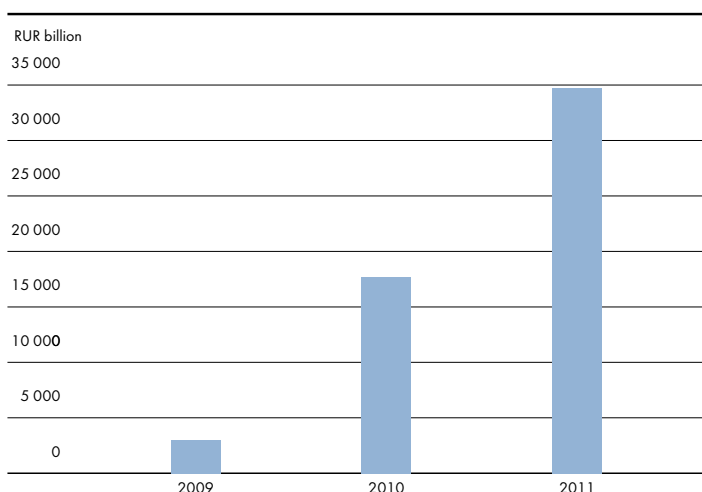
While developing remote channels, the bank pays special attention to the informational security aspects searching for the right balance between informational security requirements and convenience for the clients.

Personal Loans

2011 was a year of record new volumes for the last several years in terms of consumer lending:

- New volumes disbursed - RUR 34.7 billion;
- Portfolio growth was 57%;
- The product is still the basic driver for growth of the retail assets' portfolio and gross income of total retail assets of the bank.

Volume of provided loans



Source: Raiffeisenbank

All type of commission fees, including charges for early repayment, were cancelled for unsecured loans in 2011.

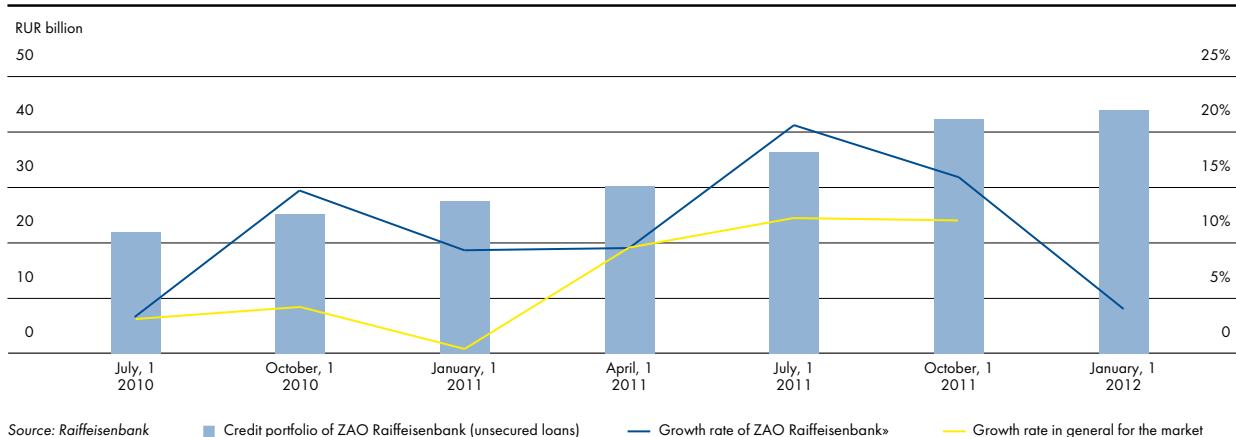
Active optimization of unsecured loans internal processes resulted in the application approval time reduction to 1 business day

In February, 2011, as a result of the improvement of loan's conditions, the bank increased the ratio of monthly loan payment to client's income .

Furthermore, the bank has reduced the possible spread of interest rate values under the risk based pricing program implemented in 2010.

It resulted in the increase of the number of approved applications. By the middle of 2011 the growth was 27% of the value recorded in January.

Loan portfolio



Source: Raiffeisenbank

■ Credit portfolio of ZAO Raiffeisenbank (unsecured loans)

— Growth rate of ZAO Raiffeisenbank

— Growth rate in general for the market

Excellent results were shown in large companies staff segment. The number of new loans disbursed in this segment increased by 88% in comparison to 2010.

At the same time the bank continued to make special offers – pre-approved loans for existing clients with a positive credit history. The number of pre-approved loans disbursed increased more than two times in 2011 compared to the previous year.

In the second half of 2011 the bank successfully launched the federal pilot project for express-lending, which provided one-hour decision process for applications.

The bank has successfully launched the pilot offer “Presents for you and your friends” directed towards attracting new clients.

Within sales development via the alternative channels, the possibility of offering clients pre-approved unsecured loans via Internetbank Raiffeisen CONNECT was implemented in 2011. This service allowed our customers to reduce their time for application via the bank’s branch. From 5 to 7% (avg.) of the monthly total number of viewed proposals in Raiffeisen CONNECT were accepted by clients.

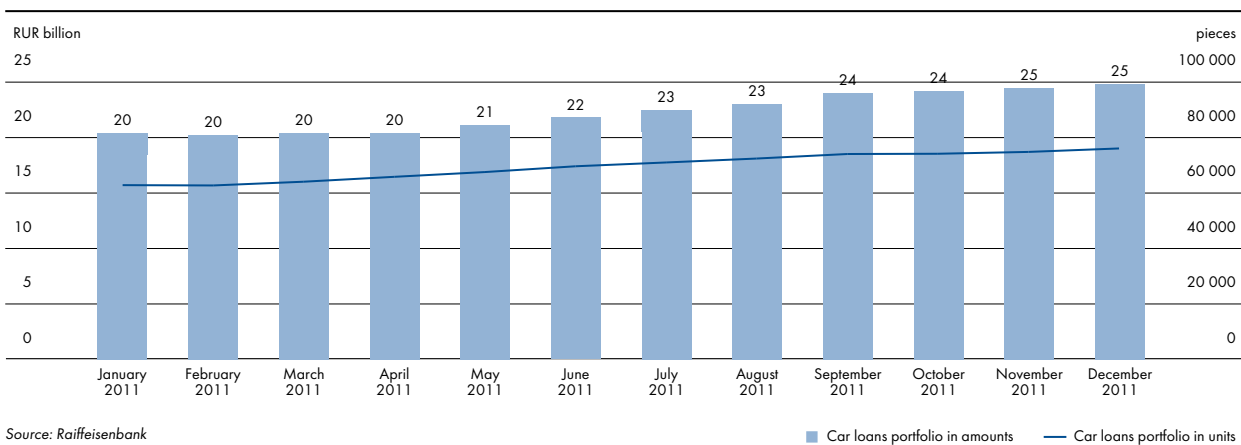
The level of overdue debts in 2011 reached its historical minimum for the years of the bank’s operation on the consumer lending market.

The number of client complaints received on product sales was reduced by two times in 2011. The number of complaints on application processing and disbursement reduced as well.

Car Loans

The year 2011 was noteworthy for a steady increase in the bank’s car loan portfolio, which equaled more than 17% as of the end of the year (RUR 25.1 billion by year-end 2011), while the ruble loan portfolio increased by more than 50%. The volume of disbursed car loans approached indices of the pre-crisis period, and was equal to RUR 19 billion. More than 35% of new volumes were loans under the state subsidized program, the major share of which were foreign models of cars assembled in the Russian Federation: Chevrolet and Hyundai.

Dynamics of car loans portfolio



A wide product line has always been a mark of car loans provided by Raiffeisenbank, which tries to satisfy the demands of the most exacting clients. This approach was continued in 2011: the existing programs were developed further, and new programs were launched.

In the used cars segment a decrease in the minimum downpayment for purchase of used cars from official dealers was implemented. Raiffeisenbank then entered the market of unofficial dealers who concentrate the majority of used cars sales, with an analogous program.

Personal watercrafts and launches were included in credit objects of the "Sports and extreme" lending program. This program also was extended on BRP. After launching this program in cooperation with ROSAN representation office, it has found a broad response among clients, and took leading positions on the market of lending for machinery for outdoor activities and sports.

There was an expected change in financing of the vehicle's insurance policy KASKO for the first year of credit servicing, the crediting of which now is possible without an increase in the minimum downpayment for the vehicle.

It is necessary to note the successes achieved in the basic direction of car lending development - partner channels. In spite of the high competition, Raiffeisenbank has kept the leading position in the field of sales of General Motors cars, which has been made possible by the aggregate of undertaken measures, such as a wide product line, fast decision making on credit application and mutually advantageous cooperation with the partner.

It is necessary to note cooperation with Rolf Import company – the distributor of Mitsubishi Motors in the Russian Federation, together with which the new market trend "Lead Generation" for clients attraction was opened; this trend implies consulting and follow-up with the client from the time of the client's interest in the car at the partner's web-site up to the time of the car credit purchase formalities being completed. The innovation task of creating a joint interface for credit application acceptance has been implemented.

Substantial new volumes were ensured by joint programs with the manufacturer Volvo Cars LLC and representative offices of Suzuki and Hyundai, under which the bank provides a decreased interest rate, subsidy from representative offices, and other privileges.

Under the current conditions at the market for car loans, the development of joint programs with manufacturers, representative offices and major automobile holdings is a direction for business growth for universal banks. Furthermore, the development of express crediting and closer development of the used cars market is a promising direction in the development of the automobile market.

Mortgage Loans

By the end of 2011, the mortgage loan portfolio totalled RUR 31.184 billion. Over the course of the year 3 621 loans totalling RUR 9.611 billion were extended, which was more than three times the amount of loans granted in 2010. The growth in lending was attributable to the attractive mortgage lending terms offered by Raiffeisenbank, as well as to the introduction of new lending programmes (for instance, refinancing mortgage loans extended by other banks, no upfront fees etc.) This was also possible thanks to developments in client service and, the extension of a network of mortgage centres throughout Moscow and a number of other Russian cities. In 2011, Raiffeisenbank continued to actively cooperate with major real estate agencies and developers to ensure a custom-tailored approach to the housing needs of each and every client: from the selection of housing market to prompt handling of loan-related paperwork.

ATMs

As of 2011, ZAO Raiffeisenbank's ATM network offered 1,875 machines in 7 regions of the Russian Federation, including Moscow. This was an increase of 14% over the previous year. There are 445 cash-in ATMs, or growth of 16% vs. 2010.

More than 6 million transactions are performed each month using Raiffeisenbank ATMs, these include over 10% cash deposits and about 6% mobile communication, Internet and cable television payments.

Raiffeisenbank continues improving its ATM network and functionality. Starting at the end of 2011, the customers can pay for utility (Moscow, St. Petersburg) as well as Mosenergosbyt services (Moscow, Zelenograd) at Raiffeisenbank ATMs located in the bank's Moscow branches.

In addition, the bank has implemented and activated an option which permits making instant card-to-card money transfers between Raiffeisenbank customers using the ATMs in the Moscow branches.

PCI DSS Compliance (Payment Card Industry Data Security Standard)

In 2011, independent experts confirmed the high level of cardholder data security in Raiffeisenbank.

A PCI DSS compliance audit was carried out in Raiffeisenbank by the specialists of SRC Security Research & Consulting GmbH, which has the status of Qualified Security Assessor required to perform such examination.

PCI DSS was developed by Visa International and MasterCard International to raise the security level of cardholder data processed, transferred and kept in the systems of banks and processing centres.

The PCI DSS audit not only proved the bank's compliance to world payment card industry standard requirements, but also enhanced Raiffeisenbank's reputation as a reliable bank that cares about the data security of its customers.

Debit cards, service packages, deposits

Without a doubt, 2011 was one of the most successful years for debit cards and service packages.

Raiffeisenbank pioneered the introduction of MasterCard® PayPass™ cards with innovative «one-touch» payment technology in Russia.

In March, the bank launched MasterCard World Black Edition card, which offers additional services for cardholders.

More than 14 thousand Premium service packages with MasterCard World Black Edition or Visa Platinum Premium cards were sold in 2011. This is one of the best market performance indexes.

The new Gold service package was launched in May, and offers access to a wide range of products and services: clients can open five free MasterCard Gold Package cards with the PayPass™ contact-free payment option, earn higher interest on rouble current account balances, receive free insurance coverage on foreign trips for the whole family, take advantage of concierge services and receive a 20% discount on a safe deposit box. This product was actively promoted among existing and new clients, and 18 000 packages were sold.

Nearly all newly-issued MasterCards were transitioned to MasterCard® PayPass™ technology, and by the end of the year more than 150 000 of such cards had been issued.

MasterCard Unembossed was launched in November and offers MasterCard® PayPass™ contact-free payment technology as well. The card is equipped by chips and support MasterCard® SecureCode™ (3D-Secure protocol), which minimizes the risk of unauthorized use for Internet payments. MasterCard

Unembossed is one of the few standard debit cards offered in the market that supports state-of-the-art technologies, from MasterCard® PayPass™ to MasterCard® SecureCode™.

In 2011, online payment became available for the Electron and Maestro Raiffeisenbank's cardholders. The card holders are able to pay for goods and services via the Internet. This became possible after the introduction of 3D-Secure technology.

In 2011 the demand on deposits increased. The volume of retail deposits compared to the end of 2010 increased by 30.1%. There was a positive tendency due to the competent product line and competence of bank's employees involved in the sales process.

Several new deposit products were added in 2011. For premium segment there were implemented special deposits successfully: Welcome! (Premium), Investment (Premium), Insurance (Premium), and the Jubilee deposit as well as the Welcome! (Gold) product developed and introduced for holders of the Gold service package.

In 2011 we also optimised our deposit servicing software, which enhanced the product's effectiveness.

Credit Cards

In many aspects, 2011 was a revolutionary year for credit cards.

By the middle of 2011, credit card sales had reached a record high for the bank.

Over the year, the bank actively optimised the application processes, with decision time reduced to two business days. Moreover, borrower requirements and lending processes continued to be optimised.

In April, Raiffeisenbank and ELLE magazine launched the jubilee series of the ELLE Gold Limited Edition cards dedicated to the 15th anniversary of ELLE in Russia.

In June, the regional co-branded Zolotaya Seredina-Raiffeisenbank MasterCard project was launched to offer special terms in more than 3 500 partner companies in a loyalty programme of the same name.

Together with iGlobe.ru, an online-portal for travel reservations, and VISA payment system, the co-branded Raiffeisen Travel Card designed for frequent travellers was launched in September 2011. Cardholders can accumulate miles for retail card transactions and later redeem them for tourist services at iGlobe.ru (access to more than 380 airlines and 100 000 hotels globally, as well as car rental services). Additional advantages include special offers for booking via iGlobe.ru, concierge services, and free travel insurance.

FEE FREE credit card, for which the annual fee is determined by the usage level, was launched in summer 2011. The FEE FREE card is a basic product offered to the bank's retail customers. At the same time, interest rates for retail customers, employees of partner companies and payroll direct deposit customers were reduced. During the fourth quarter, the maximum credit limit was increased to RUR 300 000 for standard cards and RUR 600 000 for Gold cards.

The range of premium cards available in the Premium service package was extended during 2011: Austrian Airlines – Raiffeisenbank MasterCard World Black Edition co-branded card with innovative PayPass™ technology was launched in the second quarter, and Visa Platinum Premium Travel co-branded card was launched in the fourth quarter. These cards offer credit limit up to RUR 1 million, and a 19.5% p.a. interest rate, which is one of the lowest interest rates for retail clients.

The Discounts for You! in-house loyalty programme developed at impressive pace. By year-end it included more than 4000 partners and became one of the major programmes in the Russian market.

“BYSTRAYA POCHTA” Money Transfers

In 2011, “BYSTRAYA POCHTA” turnover reached USD 706 million.*

The number of “BYSTRAYA POCHTA” sales outlets increased by about 1000 to exceed 7 500. Geographic coverage was extended thanks to the engagement of new banks and the opening of new outlets by the existing partners. The number of partner countries increased to 13, with transfers to the Republic of Abkhazia possible from December 2011. The volume of transfers via retail networks and payment terminals, new sales channels for the “BYSTRAYA POCHTA” system, grew as well.

In 2011, as in previous years, the quality and reliability of funds transfers were key priorities for ZAO Raiffeisenbank as a settlement bank and the owner of the “BYSTRAYA POCHTA” trademark. The efforts made during the last year to reduce transaction time and increase the flexibility and reliability of the “BYSTRAYA POCHTA” software suite supported these priorities.

Last year also saw a considerable increase in rouble transfers within Russia as well as outbound transfers to CIS countries (which rose by 60% and 250% respectively). Outbound USD transfers to CIS countries are still the main source of revenue from “BYSTRAYA POCHTA” despite the 26% decline in volume of such transfers in 2011. The increasing share of rouble transfers within Russia and the CIS countries gradually offset the reduced turnover in USD.

In 2011, competition in the funds transfer markets in Russia and the CIS countries increased. The market was characterised by aggressive price cutting, lower profitability for all market players, and continuing rumours of industry consolidation. At the same time, according to our estimates, the market expanded by about 25% in 2011, mainly due to further legalisation of money flows and the declining influence of shadow brokers.

Premium Banking

In 2011 Premium Banking was offered in 74 branches in Moscow, St Petersburg and 19 other Russian cities. Raiffeisenbank is one of the market leaders in terms of geographical coverage and number of branches offering premium services. By end of 2011 over 20 000 clients were enjoying Premium Banking at Raiffeisenbank.

Focusing on clients seeking high-class services and wide product range, the bank developed a Premium Service package, which includes most demanded and technologically innovative products, as well as a comprehensive approach to financial solutions to meet clients’ mid- and long-term plans.

Apart from 50% growth of liabilities of premium clients, the year 2011 demonstrated an increased interest of the premium segment to investment solutions.

In 2011 the bank made a stronger emphasis on clients’ needs in investments, and respectively further sophisticated the approach to financial planning. This resulted in increased sales of investment products which is a reflection of clients’ needs on a volatile market.

In 2011 the bank held a number of investment seminars together with Raiffeisen Capital Asset Management Company. The Head of Raiffeisen Research RBI Peter Brezinschek was the leading speaker at the seminars – he presented analytical forecasts for further development of the macroeconomic situation. The events provided actual and practical information to clients and evoked their substantial interest.

The year 2011 displayed premium clients’ increased interest to life insurance programs. Sales of Raiffeisen Life products in the premium segment increased 3.5 times compared to 2010.

* Turnover figures indicate only outbound “BYSTRAYA POCHTA” transfers.

A number of lifestyle events were organized for premium clients in 2011, such as special demonstrations at the exhibition of Austrian modern art "Austria, davaj" and invitations for plays and events during Chekhov International theatre festival.

A dedicated Premium section was introduced within the bank's loyalty program "Discounts for you" – this allowed to compliment the program with offers that fully meet the needs of our most sophisticated clients.

Throughout 2011 the bank continued to invest in the development and increased professionalism of Premium relationship managers. Within the framework of our multi-staged training program organized together with Raiffeisen Capital and Raiffeisen Life, significant focus was put on understanding the structure of financial markets and forecasts of macroeconomic development. Exactly this knowledge is used by relationship managers for individual financial planning and for developing recommendations with regards to clients' investment strategies and long-term accumulation of capital.

Personalized approach, most competitive offerings, comprehensive approach and search for individual solutions for each client continue to remain the signature features of Premium Banking. Due to this, clients highly estimated the services of Premium Banking throughout 2011.

Service Quality

In 2011, the bank focused on client service throughout its branch network, with outlets across Russia in competition to provide the highest level of service. We strive to improve our internal performance metrics system on a continuous basis, and the data obtained from internal measurements can be compared to results of customer opinion and perception surveys regularly conducted by the bank. In 2011 we developed systems for measuring the quality of client service, and will extend the systems to remote services in the future.