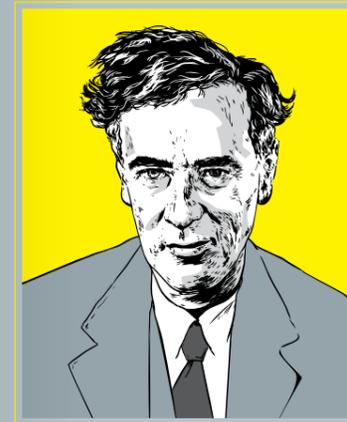


## • Erwin Schrödinger

AUSTRIAN THEORETICAL PHYSICIST

1887–1961

One of the founders of the theory of quantum mechanics. Winner of Nobel Prize in Physics. A member of several academies of sciences around the world, a foreign member of the Academy of Sciences of the USSR. Schrödinger developed a number of fundamental results in the field of quantum theory, which formed the basis of wave mechanics. However, Schrödinger, like Einstein, did not consider the quantum theory to be complete. Schrödinger's thought experiment is well known, in which he offered to illustrate his doubts about the purely probabilistic nature of quantum mechanical theory. Schrödinger repeatedly tried to construct a unified field theory, and showed great interest in biology. In 1943 he published his well-known and popular book *What is Life?* In the book he tried to address the problems of genetics, looking at the phenomenon of life from the point of view of physics.



## • Lev Landau

RUSSIAN THEORETICAL PHYSICIST

1908–1968

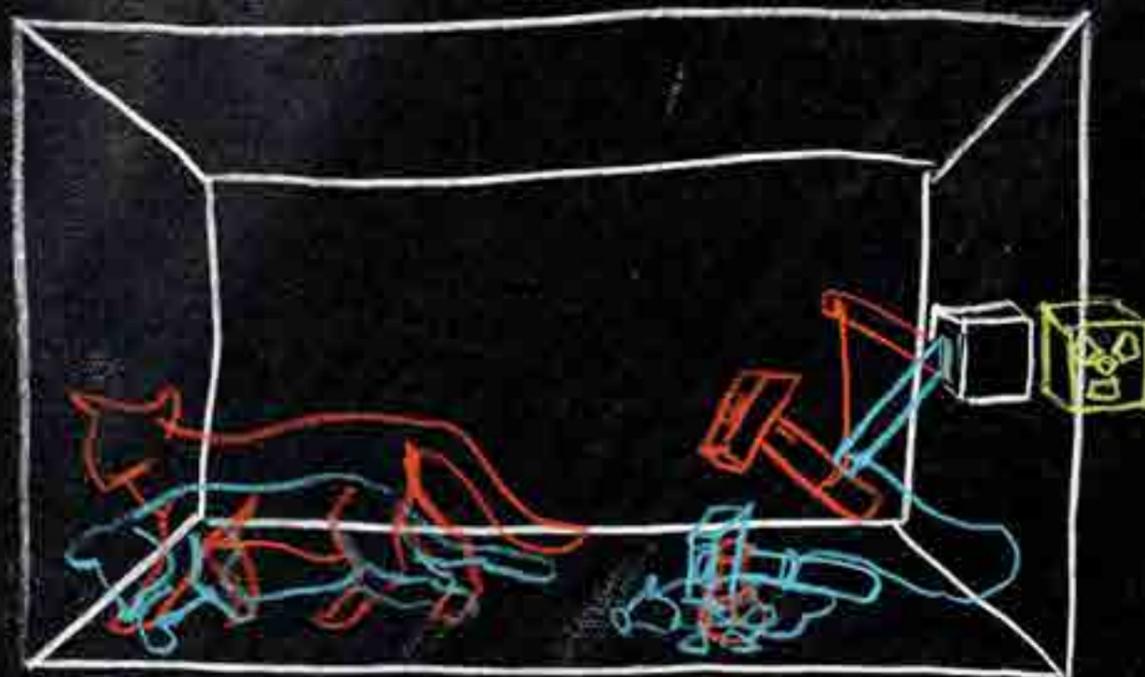
Academician Landau is a legendary figure in the history of Soviet and world science. Winner of Nobel Prize in Physics. Quantum mechanics, solid state physics, magnetism, low-temperature physics, cosmic ray physics, hydrodynamics, quantum field theory, nuclear physics and particle physics, plasma physics — this is not even the complete list of fields that at some time or other Landau researched into. In 1926–1927 he published his first papers on theoretical physics. In 1929, Landau spent six years abroad in research centers in Germany, Denmark, England and Switzerland, where he worked with leading theoretical physicists, including Niels Bohr, who has since been considered his only teacher.

# Schrödinger's Cat

is the mental experiment proposed by Erwin Schrödinger that he wanted to show the incompleteness of quantum mechanics when going from subatomic to macroscopic systems

### APPLICATION:

quantum computing,  
philosophical research

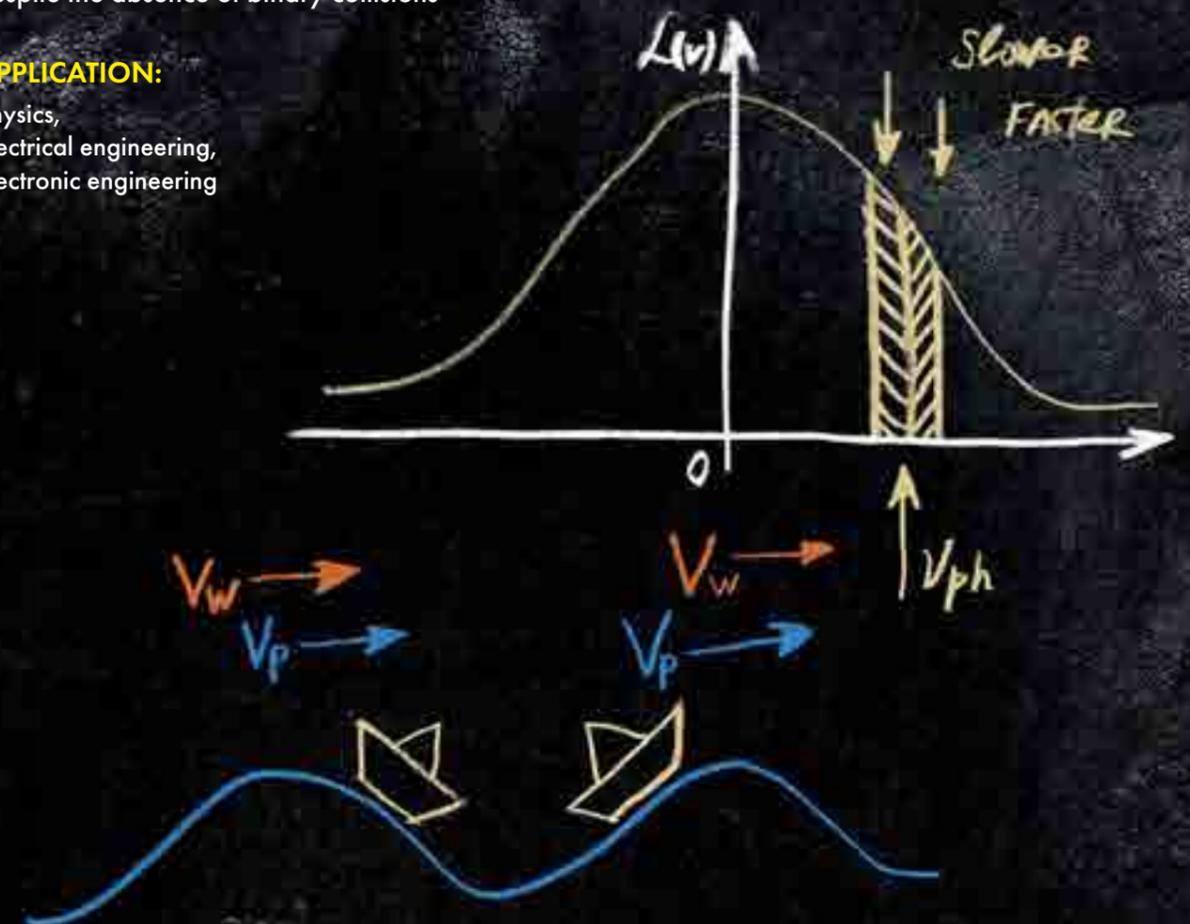


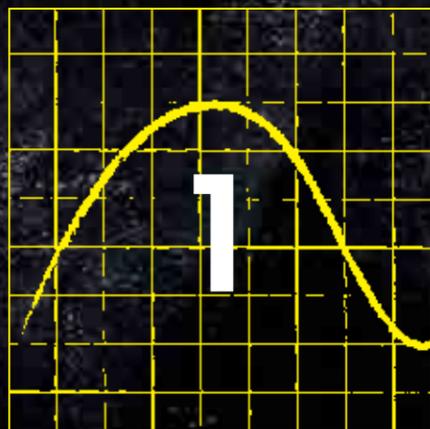
# Landau Damping

is a damping due to the resonant interaction of particles with electromagnetic waves appearing in plasma. The wave in the plasma dampens as it propagates, despite the absence of binary collisions

### APPLICATION:

physics,  
electrical engineering,  
electronic engineering





## ABOUT THE BANK

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### About the Bank

Mission and Objectives. Development Plans

## Vision

**We are the leading universal bank across Russia for all customers caring for quality.**

## Objectives

- We seek long-term customer relationships
- We provide a full range of high quality financial services throughout Russia.
- We co-operate closely with all members of RZB Group.
- We achieve sustainable return on equity.
- We empower our employees to be entrepreneurial and foster their development.

## Development Plans

ZAO Raiffeisenbank is a universal bank, offering a full range of services to retail and corporate customers, both resident and non-resident, in roubles and foreign currencies. The bank's key tasks are as follows: qualitative growth of assets and income, improvement of business processes and maintenance of long-term relationships with customers.

Raiffeisenbank plans to strengthen its positions in the retail segment and the small and micro business segment by expanding the range of banking products and services, emphasizing cross-selling, and attracting new customers. Developing of individual banking service and working with premium and private customers are also strategic areas of business.

Raiffeisenbank sees growth opportunities for corporate business in lending expansion, introducing new treasury products, working with public debt markets and offering loans and services to medium-sized businesses. Increase of the regional projects' share in the corporate portfolio is considered promising.

Investment banking, particularly on the debt capital markets, remains one of Raiffeisenbank's priorities. Moreover, the bank plans to expand the portfolio of hedging instruments for corporate customers to enhance the bank's position on the derivative market.

Raiffeisenbank plans to further improve existing business processes and technologies. At the same time LEAN projects that will allow to optimise internal processes, manage expenditures efficiently and improve service quality are becoming important.

# Organizational Structure



## Corporate Governance

ZAO Raiffeisenbank attaches great importance to maintaining of high standards of corporate governance and business ethics for transparent and successful business management oriented toward profit generation. Raiffeisenbank has created a corporate governance system that ensures exercise of the shareholders' rights, meets Raiffeisen Bank International AG Group (RBI Group) standards, and allows effective management and control over the bank's activity.

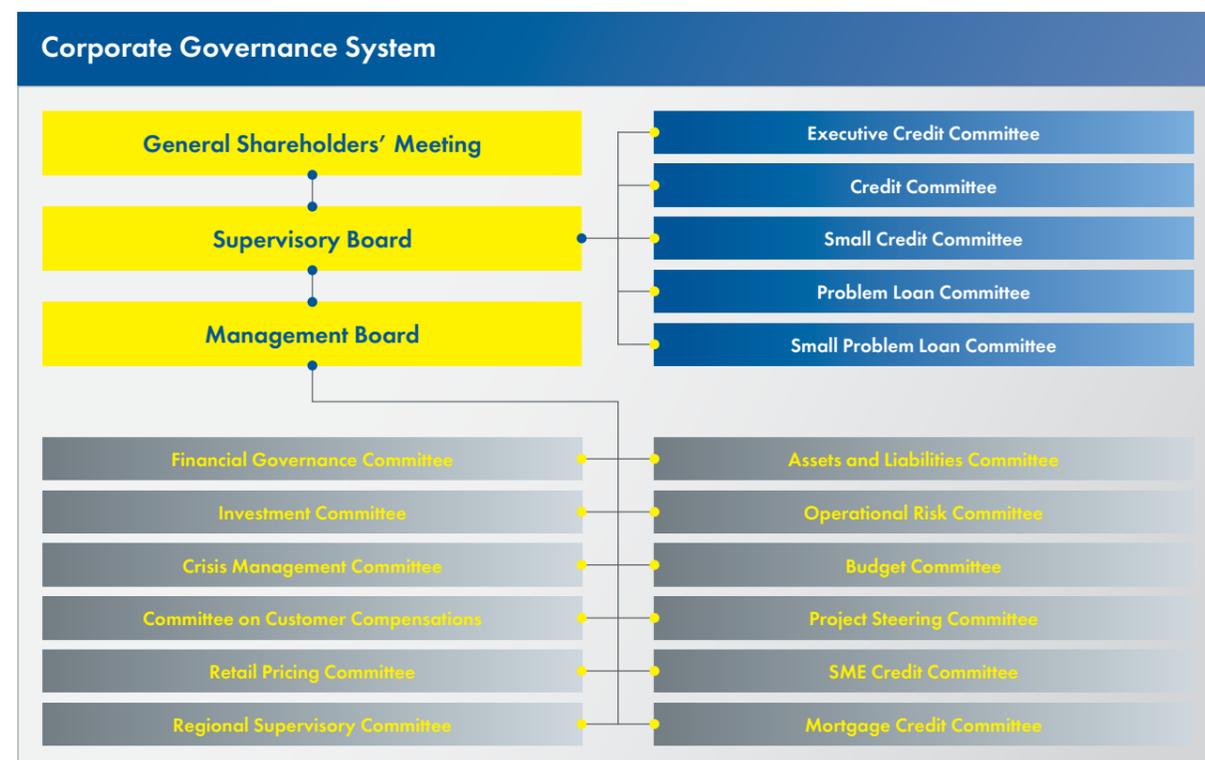
Raiffeisenbank aims to ensure the transparency not only of the bank itself, but also of its subsidiaries and affiliated companies by introducing the fundamental corporate governance principles of RBI Group.

During 2012, certain changes were introduced into the bank's organisational structure, in particular Corporate Finance and Investment Banking Division was reorganised into Corporate Finance and Investment Banking Directorate, IT Department — into IT Directorate, as well as certain measures were taken in order to upgrade and optimise the corporate governance system, including distribution of authorities among the bank's governance bodies. Regional Supervisory Committee and Finance Governance Committee were established under the auspices of the Management Board.

### The fundamental corporate governance principles of Raiffeisenbank are:

- protection of the rights and legal interests of its shareholders;
- confidence and efficient cooperation between governance bodies;
- effective system of internal control and risk management;
- transparency and disclosure.

Source: Raiffeisenbank



## Composition of the Management Board, as of December 31, 2012:

### Sergey Monin

Chairman;

### Andrey Stepanenko

Deputy Chairman, Head of the Retail Private Individuals and Small Enterprises Directorate;

### Oksana Panchenko

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

### Mariya Minayeva

Board Member, Head of the Risk and Credit Management Directorate;

### Arndt Röchling

Deputy Chairman, Board Member, Head of the Financial Directorate;

### Nikita Patrakhin

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

### Gert Hebenstreit

Board Member, Head of the Operations & IT Directorate.

In December 2012, the Supervisory Board took a decision to appoint a new member of the Management Board, Andrey Popov, Deputy Head of the Operations & IT Directorate responsible for information technologies.

The Management Board is responsible for day-to-day management of the bank pursuant to the bank's development strategy in accordance with legislation,

the Articles of Association of the bank and the Management Board Bylaws.

The Management Board members head the directorates that are responsible for key lines of the bank's business, and supervise the activity of the bank's regional divisions within the corresponding regional hubs.

## Composition of the Supervisory Board, as of December 31, 2012:

### Herbert Stepic

Chairman

### Martin Grüll

### Peter Lennkh

### Aris Bogdaneris

### Karl Sevelda

### Johann Strobl

### Klemens Breuer

The Supervisory Board determines the development strategy of the bank, exercises control over the executive bodies, and takes decisions on certain issues of day-to-day operations.

Members of Raiffeisenbank Supervisory Board also compose the Management Board of Raiffeisen Bank International AG, the bank's parent company.

## Risk Management

The system for managing the risks associated with the operations of the bank and its subsidiaries is the responsibility of the Risk and Credit Management Directorate of ZAO Raiffeisenbank. The Directorate includes 7 departments responsible for analysis, assessment and mitigation of various risks associated with conducting transactions or introduction of the new processes/product, as well as monitoring compliance with the agreed conditions, analysing portfolios, estimating economic capital, calculating loan loss provisions based on both Russian and international standards, handling non-performing loans in all client segments, and analysing and preventing operational risks, etc.

Among key developments in risk management in 2012 was the creation of an effective system of liquidity risk management and treasury operations control. Unlike many Russian banks, at Raiffeisenbank managing liquidity risk is the responsibility of a division that is independent from the management of assets and liabilities, which ensures objective assessment and fast response. In 2012, the bank launched the full-scale operation of the Group-based and locally adopted liquidity model performing daily stress tests on cash flow forecast.

A significant achievement in the field of treasury operations control is the introduction of customised software that makes it possible to check treasury operations against market conditions on real-time basis.

In 2012, the risk management has upgraded methods for detecting, classifying, assessing and managing social and ecological risks associated with Raiffeisenbank's lending activity. In cooperation with the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), the bank's Social and Ecological Risk Policy was improved and brought into compliance with the most advanced international sustainability requirements.

The Policy was added with IFC performance standards, lists of industries associated with unacceptable/higher risks of financing, guidelines for classifying client companies by ecological and social risks, and references to corresponding documents issued by IFC and EBRD. In addition, the Directorate developed additional procedures for identifying and assessing the risks of unfavourable environmental and health impact for the purposes of small business lending programmes and municipal projects.

This activity resulted in higher control over ecological risks associated with the operations of the bank's borrowers and lower emergency losses. Positive progress in bringing the bank's in-house regulations into harmony with international standards in the field of labour and environmental protection makes Raiffeisenbank one of the leading Russian financial institutions committed to the principles of sustainable and balanced development of the national economics.

2012 was marked by the beginning of considerable qualitative changes in the bank's approach to loan

work-out. Building on the experience obtained during the crisis and post-crisis periods with cooperation between client-focused functions, Work-out Division, and Administration and Legal Division, the bank took extensive measures to optimise operations of divisions involved in handling non-performing loans and re-distribute areas of responsibility both in Moscow and in regions. Great effort was made to increase the effectiveness of divisions responsible for the early and late stages of handling non-performing private individuals' debts. In 2012, as an additional tool for collecting problematic exposures of customers of the micro segment, the loan re-structuring process for the entire regional network and all problematic exposures in this segment was optimised and centralised in a corresponding division of the Directorate.

In 2012, the Retail Risk Management Department focused on optimising strategies for problematic exposures collection and building infrastructure for information exchange with the leading Russian credit bureaus. The bank actively developed automated private individuals' loan authorisation solutions based on statistical models and credit bureaus' data. The new system of proactive lending limit management for the credit card portfolio brought a 14% rise in loan volume while keeping overdue loans at low levels (other growth factors offset).

Optimisation of the bank's regional network in 2012 allowed to centralise and optimise the credit control function and risk management administration. In addition, the Loan

Administration Division together with experts from other sister banks and the Group's Headquarters, developed and introduced valuation and surety standards, and quality control for internal and independent valuations of pledged collateral in full compliance with Basel Committee standards (Basel II).

2012 was marked by the successful completion of the Risk Management Directorate project to introduce advanced and safe payment authorisation procedures for the Raiffeisen CONNECT Internet-banking system, which increased the security of the entire system and opened new paths for further development.

Considerable changes were made in the field of operational risk management, including information and fraud risk. The bank used the new technological solutions to automate operational risk management procedures, and developed and tested information risk evaluation technique as well as information security protection at the bank's regional offices.

In 2012, the bank optimised business continuity management: evaluation of critical business processes tied to technical standards for critical system reservation.

In 2012 the bank also took comprehensive measures to minimise the risk of fraud including the introduction of organisational and technical measures to comply with the requirements of Federal Law No 161-FZ of 27.06.2011 "On the National Payment System" in the field of counteracting fraud.

## Ratings

### ZAO Raiffeisenbank is rated by 3 leading rating agencies.

In June 2012, Moody's confirmed Raiffeisenbank's long-term credit rating of Baa3 with a stable outlook.

Raiffeisenbank's financial strength rating (BFSR) is confirmed at D+. The bank's stand-alone credit assessment (without taking into account support from the parent bank) has been upgraded to the investment level (from ba1 to baa3) for the first time in the bank's history.

Key contributors to rating upgrade were decreased reliance on wholesale funding sources, robust asset quality, a conservative approach to risk management, strong liquidity and capitalisation ratios.

In August 2012, Fitch confirmed Raiffeisenbank's long-term credit rating (issuer default rating) at BBB+ with a stable outlook. The viability rating was upgraded from bb+ to the investment grade bbb-.

Key contributors to the rating upgrade were stable financial performance through the economic cycle; good quality of the loan portfolio; sound risk management; significant liquidity reserve supported by client deposit inflow; consistent cost control policy; a stable funding base and strong capital adequacy supported by internal capital generation.

In August 2012, Standard & Poor's confirmed Raiffeisenbank's long-term credit rating at BBB with a stable outlook. The short-term rating in foreign and local currencies was raised from A-3 to A-2 following the upgrade of short-term rating of the Russian Federation. The upgrade of rating resulted from the rating agency's revision of criteria on the linkage between the long-term and short-term ratings on sovereigns.

### Raiffeisenbank's ratings as of 31.12.2012

	Moody's	Standard and Poor's	Fitch
Long-term rating in foreign and local currencies / outlook	Baa3 <sup>1</sup> /stable	BBB /stable	BBB+ <sup>5</sup> /stable
Short-term rating in foreign currency	P-3 <sup>1</sup>	A-2	F2 <sup>5</sup>
Short-term rating in local currency	P-3 <sup>1</sup>	A-2	—
Individual rating / outlook	D+ (BCA: baa3) <sup>2</sup> / stable	bb+ <sup>4</sup>	bbb- <sup>6</sup>
Support rating	—	—	2
National scale rating / outlook	Aaa.ru <sup>3</sup>	ruAAA	AAA (rus) /stable

<sup>1</sup> Long-term and short-term bank deposits rating

<sup>2</sup> Bank financial strength rating (BCA: baseline credit assessment)

<sup>3</sup> Rating assigned by Moody's Interfax

<sup>4</sup> Stand-alone credit profile

<sup>5</sup> Long-term and short-term issuer default rating

<sup>6</sup> Viability rating

## Compliance Control. Anti-Money Laundering Policy

As required by Russian law, the Bank of Russia, and international standards including those of the RZB Group, ZAO Raiffeisenbank is committed to compliance control and counteracting money laundering and the financing of terrorism.

The fundamental principles used by the bank to implement requirements in the field of counteracting money laundering and the financing of terrorism are based on Federal Law No 115-FZ of 07.08.2001 (as amended), the FATF Recommendations, and the principles developed by the Wolfsberg Group (Wolfsberg Principles). Corresponding requirements from the Bank of Russia are the underlying guidelines for the bank's day-to-day activity aimed at counteracting money laundering and the financing of terrorism.

The bank is equipped with everything required for proper compliance with KYC (Know Your Client) procedures, transaction monitoring, and preventive operations that do not meet Russian and international restrictions — from internal methodologies to customised software programmes.

An important element of success is the proper attainment of the bank's employees in counteracting money laundering and the financing of terrorism. On a regular basis employees participate in training sessions on various issues with follow-up tests to ensure effective evaluation of training quality.

Business success depends not only on the quality and quantity of products offered, but also on the relationships between the bank and its customers and partners, which we strive to build on the basis of mutual trust, partnership and mutual confidence.

In accordance with the Code of Conduct, all bank employees — from Board members to entrants — must refrain from any action that may result in unfavourable consequences for the bank's customers or partners, conflict of interest, violation of laws, or damage to the bank's reputation.

## Corporate Social Responsibility

ZAO Raiffeisenbank, as well as the entire Raiffeisen Group, has always been committed to corporate social responsibility. The bank's corporate social responsibility is based on the civic awareness of all team members and their internal commitment to sustainable social development.

### Business Transparency

**Open, transparent cooperation with our partners, clients, employees, and government authorities is among Raiffeisenbank's priorities.**

The bank provides all necessary disclosures and complies with all norms and requirements of Russian law.

### Responsible Employer Status

**Raiffeisenbank is a responsible employer: it has created high-quality working conditions and provided all employees with required social benefits and competitive remuneration.**

The bank has developed and continuously upgrades personnel training and education programmes. In an effort to increase the level of social protection for its employees, Raiffeisenbank is developing a corporate retirement benefit plan.

### Support for Unprotected Populations and Participation in Sustainable Social Development Projects

#### The bank's charitable mission:

- rendering assistance, above all, to those in need who receive the least support due to prevailing stereotypes;
- involving employees in charitable activities;

- refraining from any benefits from advertising opportunities arising in the course of charitable activities.

#### The bank's mission in cultural project sponsorship:

- support for initiatives that promote the creation of a unique cultural environment between Russia and Europe;
- support for high-profile innovation projects that are of significant importance for cultural and social development;
- support for initiatives that will create the most favourable image for the bank.

### Charitable Programmes

**In 2012, Raiffeisenbank's charitable activity focused on providing aid to the disabled of all ages and categories and developing social adaptation programmes for orphans.**

Raiffeisenbank continued its cooperation with the Russian Aid Fund established by the Kommersant Publishing House. The Fund raises money to assist children that are in need of expensive treatment. Speciality of this organisation is that it does not use its own funds but acts as an intermediary between sponsors and those in need. During 2012, in partnership with the Russian Aid Fund, the bank and its employees developed the corporate charitable Helping Together! programme.

Raiffeisenbank has traditionally supported the SOS Children's Villages Russia and once again paid all the costs of an orphanage in the village of Tomilino near Moscow. SOS Children's Villages is an international charitable organisation which is active in 133 countries around the world. Over 60 years the organisation has worked to assist children left without parental care or who are at risk of

social orphanhood. In Russia, this organisation takes care of more than 1300 children in St. Petersburg, Vologda, Pskov, and Murmansk, Orel and Moscow Regions.

In cooperation with SOS Children's Villages Russia the bank launched another charitable initiative involving the bank's customers. At the bank's cash offices in Moscow, St. Petersburg, Orel, and Cherepovets, money collection boxes were installed. All the funds collected were used to finance psychological and educational aid to children being fostering by SOS Children's Villages Russia.

Raiffeisenbank's cooperation with the Illustrated Books for Little Blind Children Foundation has lasted for many years — in 2012, realising the importance of help for disabled children, we supported this organisation again.

In 2012, Raiffeisenbank co-organised the Russian Wheelchair Basketball Championship among disabled athletes that was held in Ramenskoye (Moscow Region) in August 2012.

To assist people with disabilities, in 2012 Raiffeisenbank again supported the Perspektiva Regional Public Organisation of the Disabled which is focused on protecting the rights of the disabled, assisting them in employment and other areas.

In 2012, Raiffeisenbank continued its support of the Downside Up Charitable Foundation in implementation of the programme of psychological and educational aid to Russian children with Downs syndrome. This non-profit organisation provides support for families, government and non-profit organisations in raising, training and social integrating children with Downs syndrome, which has a favourable impact on social attitudes toward people with disabilities. All the Foundation programmes are free-of-charge for the families of disabled children.

The bank continued its efforts to develop an individualised approach in charging penalties to customers that found themselves in a difficult situation.

In 2012, many regional offices of the bank played an active role in a number of projects focused on sustainable social development and support for unprotected populations.

### Cultural Initiatives

**Within the area of cultural events sponsorship, Raiffeisenbank's traditional mission is to support the initiatives that promote the creation of a unique cultural environment between Russia and Europe as well as high-profile projects that are of great importance for cultural and social development.**

Among the greatest events in 2012 was the Vienna Concert Music Association gala concert organised by the Russian Philharmonic Society Orchestra, which took place in the Moscow International House of Music on October 25, 2012. Musicians from the Vienna Symphony Orchestra and the famous Russian Philharmonic Orchestra took part in the concert. Raiffeisenbank gave the guests a great chance to enjoy the eternal music of Joseph Haydn, Ludwig van Beethoven, and Wolfgang Amadeus Mozart.

In April 2012, Raiffeisenbank, along with the Austrian Cultural Forum of the Austrian Embassy in Russia and Russian and Austrian scientists in the fields of astrophysics, physics, botanists, took part in the Russian-Austrian "Dust" science & art exhibition in the Laboratoria Art & Science gallery. The exhibition focused on dust — ordinary dust that was presented in new formats from unexpected points of view — cosmic, electronic, botanic.

In April 2012, Raiffeisenbank's Povolzhye Branch sponsored an exhibition of Nizhny Novgorod painters in Vienna.

In June 2012, Raiffeisenbank's Ural Branch sponsored the III Vienna Cinema Festival of musical films in Yekaterinburg. For ten summer nights, musical films on the world's classical music masterpieces (concerts, opera films, etc.) were shown outdoors.

In September 2012, Raiffeisenbank's Southern Branch, along with the Austrian Cultural Forum of the Austrian Embassy in Russia, sponsored a concert by the Belmonte string quartet as part of the 1st Austrian Festival in Sochi.

## Licences

Licence	Number	Date	Licensing Authority	Expiry Date
General Banking Licence	No 3292	23.04.2012	Central Bank of the Russian Federation	Unlimited
Banking Licence	No 3292	23.11.2007	Central Bank of the Russian Federation	Unlimited
Licence to a professional participant of the securities market to act as dealer	No 177-03010-010000	27.11.2000	Federal Service for Financial Markets	Unlimited
Licence to a professional participant of the securities market to act as a securities manager	No 177-03102-001000	27.11.2000	Federal Service for Financial Markets	Unlimited
Licence to operate as a specialised depository for investment funds, mutual funds, and non-government pension funds	No 22-000-1-00084	27.09.2008	Federal Service for Financial Markets	Unlimited
Licence to a professional participant of the securities market to act as broker	No 177-02900-100000	27.11.2000	Federal Service for Financial Markets	Unlimited
Licence to a professional participant of the securities market to act as depository	No 177-03176-000100	04.12.2000	Federal Service for Financial Markets	Unlimited
Licence for technical maintenance of encryption (cryptographic) tools	No 11869 X	28.02.2012	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	28.02.2017
Licence for distribution of encryption (cryptographic) tools	No 11870 P	28.02.2012	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	28.02.2017
Licence for information encryption services	No 11871 Y	28.02.2012	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	28.02.2017
Licence for technical maintenance of encryption (cryptographic) tools	No 9356 X	02.09.2010	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	02.09.2015
Licence for information encryption services	No 9357 Y	02.09.2010	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	02.09.2015
Licence for technical maintenance of encryption (cryptographic) tools	No 5796 X	18.06.2008	Licensing, Certification, and National Security Information Protection Centre of the Federal Security Service of the Russian Federation	18.06.2013

## Membership in Organisations and Associations

### ZAO Raiffeisenbank is a member of the following professional organisations and associations:

- Association of Russian Banks (ARB), since 1997;
- Professional Association of Registrars, Transfer-Agents and Depositories (PARTAD), since 2000;
- Russian National Securities Market Association (NSMA), since 1999;
- National Foreign Exchange Association (NFEA), since 1999;
- Moscow International Currency Association (MICA), since 2003;
- Non-profit Making Partnership "Association of European Businesses" (former European Business Club), since 2000;
- Russian Europay Members Association, since 2006;
- International Chamber of Commerce (ICC), since 2002;
- Russo-British Chamber of Commerce (RBCC), since 2005;
- Visa International Service Association, since 1999;
- MasterCard International Incorporated, since 2000;
- Russian National SWIFT Association, since 1996;
- Association of North-West Banks, since 2002;
- The Urals Banking Union, since 2006;
- Novosibirsk Bankers Club, since 2005;
- Association of lending agency of Tyumen region, since 2007;
- Vyatka Chamber of Commerce and Industry, since 2000;
- Regional Union of Employers of the Perm Region "Sotrudnichestvo", since 2007;
- Non-commercial Partnership "Organization of the international community of Nizhny Novgorod Region", since 2009;
- Non-commercial Partnership "Bank Association of Omsk", since 2006;
- Southern Regional Committee of the Association of European Businesses, since 2003;
- Novosibirsk Chamber of Commerce and Industry, since 2009;
- Association of Commercial Banks of the Volgograd Region, since 2008;
- Russian-German Chamber of Foreign Trade, since 2000;
- The Chamber of Commerce and Industry of Rostov Region, since 2011;
- Rostov Club of Financiers, since 2011.